

Minister for Public Finance, Planning and Community Wealth

SCOTTISH AGGREGATES TAX BILL: CONVENING OF ADVISORY GROUP

PRIORITY AND PURPOSE

1. Immediate. This submission asks you to formally approve the convening of an advisory group to help inform work on the Scottish Aggregates Tax Bill (SATB).

RECOMMENDATION

2. You are invited to:

- (i) Consider the proposed terms of reference and membership of the group.
- (ii) Approve the convening of the group.
- (iii) If you are content for it to convene, advise if you would like to speak at or chair its first meeting, which it is proposed will be held in February.

CONTEXT AND ISSUES

3. [redacted – 10(4)(e)]

4. As discussed in previous advice, it is suggested that the process includes an advisory group, given feedback from stakeholders – particularly key industry representative bodies the Mineral Products Association (MPA) and British Aggregates Association (BAA) – and in some formal consultation responses.

OPTIONS CONSIDERED AND ADVICE

5. Officials have studied similar groups used to help develop policy and/or Bills, practices elsewhere, and some reflections from the MPA and BAA on what such a group might look like, based on those previously convened by the UK Government to support the development and review of the UK Aggregates Levy. A prospective advisory group has been designed based on the premise that it would provide a broad mix of subject matter expertise and perspectives and act as a sounding board, not set direction or make recommendations per se. It is proposed that the group would be retained as the Bill progresses through Parliament and invited to play a similar role at the secondary legislation stage.

6. The draft terms of reference and prospective membership of the group are at Annex A and B respectively. If you are content, it is proposed that the group will hold its first meeting in February, and a further three meetings before summer recess. These would focus on the key issues requiring detailed consideration to help develop policy positions and, in turn, Bill provisions. [redacted – 10(4)(e)]

7. Mindful of your keenness to engage with stakeholders it is suggested that you may wish to give an introductory address at the group's first meeting, or indeed chair it, if diary commitments were to permit.

BUTE HOUSE AGREEMENT IMPLICATIONS

8. There are no specific implications as work on a devolved aggregates tax is not explicitly cited in the Agreement. However, there is a shared ambition to progress measures to support Scotland’s circular economy and to consider relevant fiscal incentives. [redacted – 10(4)(e)]

FINANCIAL AND LEGAL CONSIDERATIONS

9. There are no immediate financial considerations. Group members would not be remunerated, and any costs incurred would be minimal, and able to be met within existing allocations.

10. [redacted – 10(4)(e)]

SENSITIVITIES

11. If you approve convening, officials will contact prospective group members, share the draft terms of reference, and invite them to confirm if they would like to be involved. No significant handling risks or issues are felt likely to arise from this; indeed, some prospective members likely anticipate that a group is on the cards.

12. The MPA, BAA and other stakeholders would welcome news that a group is being convened. [redacted – 10(4)(e)]

QUALITY ASSURANCE

13. This submission has been approved by Lorraine King, Deputy Director, Tax.

CONCLUSION AND NEXT STEPS

14. You are invited to:
- (i) Consider the proposed terms of reference and membership of the group.
 - (ii) Approve the convening of the group.
 - (iii) If you are content for it to convene, advise if you would like to speak at or chair its first meeting, which it is proposed will be held in February.

[Redacted – 11(2)]
 Directorate of Tax and Revenues: Tax Division

Copy List:	For action	For information		
		Portfolio interest	Constituency interest	General awareness
Deputy First Minister and Cabinet Secretary for Covid Recovery		X		
Minister for Green Skills, Circular Economy and Biodiversity		X		

Minister for Environment and Land Reform Minister for Parliamentary Business		X		
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DG Scottish Exchequer
Director of Tax and Revenues
Lorraine King, Deputy Director, Tax
[Redacted – 11(2)], Tax
[Redacted– 11(2)], Tax
[Redacted– 11(2)], SGLD
Max McGill, PCO
[Redacted– 11(2)], PCO
Lord Advocate
Solicitor General for Scotland
[Redacted– 11(2)] , PLU
[Redacted– 11(2)], PLU
[Redacted– 11(2)], Communications
Communications Finance and Economy
Leanne Dobson, Special Adviser
Harry Huyton, Special Adviser
Chief Executive, Revenue Scotland
[Redacted– 11(2)], Revenue Scotland
[Redacted– 11(2)], Revenue Scotland

Annex A

SCOTTISH AGGREGATES TAX BILL: CONVENING OF ADVISORY GROUP

Draft Terms of Reference

Purpose and scope

The Programme for Government 2022-2023 sets out a commitment to introduce a Scottish Aggregates Tax Bill. This will set out the key arrangements for a devolved tax on the commercial exploitation of aggregates in Scotland, including to provide for its administration by Revenue Scotland.

The Bill will be introduced to then progressed through the Scottish Parliament. Presuming it successfully completes its passage and secures Parliamentary approval then Royal Assent, secondary legislation and detailed preparatory work by Revenue Scotland will also be required before the tax could be formally introduced.

A date for introduction of the tax has not yet been agreed but, for planning purposes and without commitment, is anticipated to be 1 April 2025. When the devolved tax is introduced, it will replace the current UK Aggregates Levy.

To help inform the development of the Bill, and the secondary legislation that it will give rise to, the Scottish Government proposes to convene an advisory group.

The work of the group will take place in two phases. Phase 1 will inform the development of the primary Bill, while phase 2 will inform development of the secondary legislation.

Governance and accountability

The group will be led by the Scottish Government, with business and secretariat provided by the Tax and Revenues Directorate, DG Scottish Exchequer, working closely with Revenue Scotland.

The group's remit will be to provide expert advice and challenge to inform the development of the Bill and any consideration of relevant issues thereafter, including regarding the development of secondary legislation; the Scottish Government will propose topics for the group to provide thoughts and insights on. As far possible the topics to be discussed will be decided by consensus agreement.

Members should be aware that the group has been designed to provide a broad mix of subject matter expertise and perspectives and act as a sounding board: it will not be responsible for setting direction or making recommendations.

Terms of engagement

Each member of the advisory group will bring their own experience to discussions. It is expected that all members will be mindful of the different approaches each member may have, listen carefully to understand, and be tolerant of different views and perspectives, even if they do not agree with them.

Remuneration

Membership of the advisory group is on a voluntary basis. Members will not receive any remuneration for participation.

Timescales, frequency and location of meetings

Phase 1 – Primary Bill Legislation

Meeting 1 – The Context for a Devolved Tax

Meeting 2 – The Scope of the Tax

Meeting 3 – Cross Border Movements of Aggregates & Tax Rates

Meeting 4 – Administration and Compliance & Sustainability Fund

Phase 2 – Secondary Legislation

To Follow

Outputs

The group's advice will be documented through minutes from the meetings, the summary points and proposals which will support the Scottish Government in its

formulation of policy development. Summaries of the group's work will be published on the Scottish Government website.

These Terms of Reference will be updated as required going forward.

Annex B

SCOTTISH AGGREGATES TAX BILL: CONVENING OF ADVISORY GROUP

Prospective Membership

Organisation	Type	Engagement so far and rationale
Mineral Products Association	Aggregates Producers	Several meetings & responded to consultation
British Aggregates Association	Aggregates Producers	Several meetings & responded to consultation
Resource Management Association Scotland	Recycled Aggregate Producers	Responded to consultation and previous contacts on Scottish Landfill Tax (SLfT)
Scottish Environmental Services Association	Recycled Aggregate Producers	Responded to consultation, previous contacts on SLfT
Scottish Environment Link	Environment	Responded to consultation
Convention of Scottish Local Authorities	Public	Two meetings & responded to consultation
Transport Scotland	Public	Several meetings
British Glass	Aggregates User	Responded to consultation
British Ceramic Confederation	Aggregates User	One meeting & responded to the consultation
Chartered Institute of Building	Aggregates User	Responded to the consultation
Zero Waste Scotland	Public	Previous engagement on circular economy and waste route map
Scottish Environment Protection Agency	Public	Several connections on range of subjects
Civil Engineering Construction Association	Aggregates User	No contact so far.
Revenue Scotland	Public	Part of Bill project
British Geological Survey	Expert	Aggregates Minerals Survey contractor
Law Society of Scotland	Expert	Took part in stakeholder engagement

What	<p>Meeting with key stakeholders.</p> <p>Chairing the first meeting of the advisory group convened to help inform development of the Scottish Aggregates Tax Bill.</p>
Where	<p>Microsoft Teams meeting Click here to join the meeting</p> <p>Details are also in meeting invite from Private Office.</p>
When	<p>Thursday 2 March 2023, 1500-1630 hrs.</p> <p>You are chairing the core meeting. This will be followed by an optional session, lasting to 1700 hrs, to discuss proposals for a register of quarries. The full event programme is at Annex A.</p>
Key Message(s)	<ul style="list-style-type: none"> • The Programme for Government 2022-2023 sets out a commitment to introduce a Scottish Aggregates Levy Bill. • The Bill will set out the key arrangements for a devolved tax on the commercial exploitation of aggregates in Scotland, including to provide for its collection and administration by Revenue Scotland. • Consistent with our Framework for Tax, we will consult and engage with stakeholders to help inform the development of the Bill – that will be the focus of this Advisory Group and I'm grateful to you all for your participation and ongoing engagement.
Who	<p>Members of the Scottish Aggregates Tax Bill Advisory Group (SATBAG) - details at Annex B.</p>
Why	<p>The meeting is an opportunity to highlight that the Scottish Government is committed to listening to and collaborating with stakeholders throughout the Bill's development.</p> <p>As it is the group's first meeting the agenda will focus on outlining the strategic context, the rationale for the devolved tax, allowing members to meet each other (many for the first time) and discuss the purpose and work of the group.</p>
Expected outcome	<p>SATBAG members develop a shared understanding of the aggregates sector in Scotland, objectives for a devolved tax, the role of the group in developing the Bill, and how their respective perspective adds value.</p>
Supporting official	<p>John Fotheringham, Aggregates Tax Bill Team Leader [Redacted– 11(2)]</p> <p>Also attending will be Alex Doig, Deputy Director, Tax and Revenues, Ewan Cameron-Nielsen, Head of the Fully Devolved Taxes Unit and Rob Souter, Senior Policy Adviser.</p>

	Joining from Revenue Scotland will be John McVey, Programme Lead, and James Lindsay, Tax Design Lead.
Briefing contents	Annex A: Event Programme Annex B: SATBAG Member List Annex C: Summary Annex D: Chair's Brief Annex E: [Redacted – out of scope] (separate document)
Media Handling	No Comms official attending.
Social Media	None

Annex A: Event Programme

Thursday 2 March 2023, 1500-1630 hrs

MS Teams, joining details on page 1 and in meeting invite from Private Office.

As its first meeting, the focus will be on outlining the strategic context for the group's work and agreeing its modus operandi.

1500 hrs – Minister joins call

- Minister's introduction (10 minutes)
A Chair's Brief is at Annex D
Speaking notes for opening remarks are at Annex E (separate document)
- Supply and demand of aggregates in Scotland (15 minutes)
Joseph Mankelow, Head of Minerals, British Geological Survey
- Aggregates sector in Scotland (15 minutes)
Mike Philips, CEO, British Aggregates Association
- Objectives for the devolved tax (15 minutes)
John Fotheringham, Tax Division
James Lindsay and John McVey, Revenue Scotland
- Advisory group aims (5 minutes)
- Discussion (20 minutes)
- Plan for next sessions (10 minutes)

1630 hrs – Minister leaves (Alex Doig will assume chairing duties)

- Optional session - proposed register of quarries (30 minutes)

1700 hrs – call ends

SATBAG members' meeting invite is from 1500-1700 hrs: the agenda advises that they are welcome to leave at 1630 hrs or stay on the call for the optional session.

Annex B: SATBAG Member List

Name	Role	Organisation	Rationale & Remarks
Alan MacKenzie	Chairman	Mineral Products Association Scotland	Aggregates Producers
Mike Phillips	CEO	British Aggregates Association	Aggregates Producers
Drew Murdoch	Chair	Resource Management Association Scotland	Recycled Aggregate Producers
Angus Hamilton	Managing Director, Levenseat	Scottish Environmental Services Association	Recycled Aggregate Producers Levenseat is a member of the Scottish Environment Services Association
Kathy Wormald	CEO, Froglife	Scottish Environment Link	Environment Froglife is one of about 50 charities grouped under the Scottish Environment Link umbrella
Derek Yule	Financial Advisor	Convention of Scottish Local Authorities	Public bodies Rep may change for future meetings
Kat Quane	Road Works Policy Manager	Transport Scotland	Public bodies
TBC	TBC	British Glass	Aggregates User Rep likely Paul Percy
Lauren Darby	Safety, Health & Environment Director	British Ceramic Confederation	Aggregates User
Jocelyne Fleming	Policy Officer - Scotland	Chartered Institute of Building	Aggregates User
	Economist		Public/Environment

Lucas Scally		Zero Waste Scotland	
Ed Turner	SEPA Scottish Landfill Tax Unit Manager	Scottish Environment Protection Agency	Public sector
Grahame Barn	Chief Executive	Civil Engineering Contractors Association Scotland	Aggregates User
Joseph Mankelow	Head of Minerals	British Geological Survey	Expert Alternative rep: [Redacted– 11(2)]
Justine Riccomini	Head of Tax (Employment and devolved taxes)	Institute of Chartered Accountants of Scotland	Expert Alternative rep: [Redacted– 11(2)]
Eric Brown	Lawyer	Chartered Institute of Taxation	Expert Alternative rep: Chris Thorpe

Annex C: Summary

Key Messages

- The Programme for Government 2022-2023 sets out a commitment to introduce a Scottish Aggregates Levy Bill.
- The Bill will set out the key arrangements for a devolved tax on the commercial exploitation of aggregates in Scotland, including to provide for its administration by Revenue Scotland.
- Consistent with the Framework for Tax, we will consult and engage with stakeholders to help inform the development of the Bill.

Rationale for the Bill

- Introduced in 2002, the UK Aggregates Levy is an environmental tax that aims to reduce the extraction of primary (i.e., fresh or new) aggregate.
- It generally applies to the commercial exploitation of primary aggregates – mostly crushed rock, gravel and sand – used as bulk fill in construction.
- The Scotland Act 2016 empowers the Scottish Parliament to legislate for a devolved tax to replace the UK levy.
- Our draft Waste Route Map sets out the need to embed circular construction practices to reduce resource needs, reduce waste and carbon, and encourage refurbishment and reuse.

- A devolved tax will support these goals and continue to encourage a shift from primary aggregate towards recycled aggregate, wastes and other by-products.
- We recognise the progress that aggregates producers and the construction industry have already made in developing circular economy practices and want to continue to encourage innovation.

The Bill and beyond

- The Bill will set out the key provisions of the devolved tax, including powers for Ministers to set the rate or rates for the tax, via secondary legislation.
- A range of secondary legislation and detailed preparatory work by Revenue Scotland will also be required before any tax could be formally introduced.
- A date for introduction of the tax has not yet been agreed. However, for planning purposes and without commitment, the consultation document advised that the provisional date for this is 1 April 2025.

Bill development

- A public consultation inviting views on proposals for a Scottish tax was open from 26 September to 5 December 2022.
- A total of 27 responses were received: these are being analysed and a formal consultation report will be published in due course.
- In addition to the public consultation, we are conducting an ongoing programme of stakeholder engagement.
- This kicked off on 12 October with an open ‘town hall’ meeting at which officials outlined the background to the Bill and its development process.
- We want to hear from as wide a variety of individuals and organisations as possible, particularly those involved with the aggregates business, construction, and infrastructure, environmental, tax, accountancy and legal sectors.
- Officials are also engaging with HM Revenue and Customs and HM Treasury on technical and operational questions relating to the current UK levy, and to ensure that provisions on issues such as cross-border movements are workable.

Why an advisory group?

- In January 2023, the Scottish Government decided to convene an advisory group to help inform work on the Bill.
- Drawing inspiration from similar groups convened previously, the advisory group has been designed to provide a broad mix of subject matter expertise and perspectives and act as a sounding board.
- The group’s first four meetings will focus on the key issues requiring detailed consideration to help develop policy positions and, in turn, Bill provisions; further meetings may be required depending on progress.
- It is proposed that the group will be retained as the Bill progresses through Parliament and invited to play a similar role at the secondary legislation stage; this will be confirmed in due course.

Issues

[redacted – 10(4)(e)]

HOT TOPICS

[redacted – 10(4)(e)]

Bill Timetable

- **Someone may ask when the Bill is due to be introduced to Parliament.**
Beyond the Programme for Government 2022-23 commitment to introduce in the current Parliamentary year, no public statement on timing has been made.
- **If pushed**, it is suggested you advise that development of the Bill is progressing, and Parliament will be formally advised details of its introduction in due course.

Annex D: Chair's Brief

Timing (hrs)	Item
1450 - 1500	Attendees join MS Teams call
1500	Minister joins call
1500 - 1510	<p>Minister's Introduction</p> <p>You will wish to welcome members to the first meeting of the Scottish Aggregates Tax Bill Advisory Group (SATBAG).</p> <p>No apologies have been offered.</p> <p>Following the Welcome slide that will be showing as attendees join the call, an Admin slide setting out housekeeping points will be displayed. One of these is 'Who's Who?': it would be helpful to highlight that to avoid taking up too much time, a list of those attending will be put in the chat, rather than conduct a round of introductions.</p> <p>It is suggested that you allow a minute or two for all to join the call before making your opening remarks, a speaking note for which is at Annex E (separate document).</p> <p>NB. To avoid any technical hitches presentations have been merged into one slide pack; external speakers will be given appropriate access.</p>

<p>1510 – 1525</p>	<p>Supply and demand of aggregates in Scotland (15 minutes)</p> <p>You will wish to invite Dr Jo Mankelow, Head of Minerals, British Geological Survey (BGS), to give a presentation on the geological and geographical distribution of aggregates in Scotland and key statistics on the sector.</p> <p>Jo’s presentation will likely include some of the emerging findings from the Aggregates Minerals Survey that the BGS recently conducted for the Scottish Government. The final report of the survey – based on data from 2019, to avoid distortions caused by the pandemic – is due to be published later this spring.</p>
<p>1525 – 1540</p>	<p>Aggregates sector in Scotland (15 minutes)</p> <p>You will wish to invite Mike Philips, CEO, British Aggregates Association (BAA), to give a presentation on the sector, including key figures, operations and outputs; it may include some reflections on the current UK Aggregates Levy.</p> <p>The BAA, most of whose members are small to medium sized producers, is one of the two main sector representative bodies. The other, representing larger and in some cases multinational producers, is the Mineral Products Association (MPA). The BAA and MPA have taken a broadly joint approach to engagement with the Scottish Government regarding proposals for the tax.</p>
<p>1540 – 1555</p>	<p>Objectives for the devolved tax (15 minutes)</p> <p>John Fotheringham, Aggregates Tax Bill Team Leader, Tax Division, James Lindsay, Tax Design Lead, Revenue Scotland (RS) and John McVey, Aggregates Tax Programme Lead, RS – Scottish Government and Revenue Scotland officials] will outline the background to and development of the Bill, progress to date, including emerging findings from the consultation conducted last autumn, and the role of RS in developing and administering the future tax.</p>

1555 –
1600

Advisory group aims (5 minutes)

You will wish to remind members of the aims for the group and ask if they are content with the Terms of Reference (ToR), a draft of which accompanied their invite to join.

A distilled version of the aims will be on a slide for reference.

Minister for Community Wealth and Public Finance

SCOTTISH AGGREGATES TAX BILL: TREATMENT OF CROSS-BORDER MOVEMENTS

Priority and Purpose

1. To provide advice on a recommended approach regarding the cross-border tax treatment of aggregates in the Scottish Aggregates Tax Bill [redacted – 10(4)(e)]
2. A more detailed note summarising the overall suite of recommendations for the content of the Bill will follow separately.

Recommendation

3. That you:

Consider the recommendations in this advice for handling the cross-border movement of aggregate in the devolved tax [redacted – 10(4)(e)].

[redacted – 10(4)(e)]

Context and Issues

4. Although most of the crushed rock, gravel or sand extracted in Scotland is used in Scotland, for various reasons some of it is moved elsewhere in the UK. [redacted – 10(4)(e)]
5. [redacted – 10(4)(e)]
6. [redacted- 10(4)(e)]
7. [redacted – 10(4)(e)]. Work commissioned by the Scottish Government from the British Geological Survey suggests however that an estimated 12% of rock, sand and gravel material extracted from Scotland in 2019 was moved to the rest of the UK – see chart at **Annex B**. As survey participation was voluntary, it is however expected to under-report aggregate production and flows. Nonetheless, it represents the best evidence we have at the moment.
8. Most intra-UK movements will involve a standard commercial transaction for the sale of aggregates, with tax due at the point of commercial exploitation. However, in some cases aggregate may be moved between sites, e.g. belonging to the same company, without a point of commercial exploitation occurring. In other cases, the operator will be able to claim a credit for the equivalent tax amount on the basis that the material is not considered to have been used as aggregate. This could be e.g. if it is used for certain industrial processes.

9. [redacted – 10(4)(e)]

10. Whilst not the focus of this advice, an estimated 18% of material extracted in 2019 was exported internationally, largely to the EU (Scotland accounts for most aggregate exports from the UK). The UK levy is not due on these international exports. This is principally to avoid unequal treatment of exports. Some aggregates extracted or produced in the UK may be exempted if they are used for exempt processes e.g. the manufacture of glass, plastics, paper, fertiliser and pesticides.
[redacted – 10(4)(e)]

Options Considered and Advice

11. [redacted – 10(4)(e)]

Bute House Agreement Implications

12. There are no specific implications as work on a devolved aggregates tax is not explicitly cited. However, there is a shared ambition to progress measures to support Scotland's circular economy and to consider relevant fiscal incentives.
[redacted – 10(4)(e)]

Financial and Legal Considerations

13. [redacted-10(4)(e)]

14. [redacted-10(4)(e)]

15. [redacted-10(4)(e)]

16. [redacted-10(4)(e)]

Sensitivities

17. [redacted-10(4)(e)]

Quality Assurance

18. This submission has been approved by Alex Doig, Deputy Director – Tax.

Conclusions and next Steps

19. I would invite you to:

- Consider the recommendations in this advice for handling the cross-border movement of aggregate in the Scottish tax [redacted-10(4)(e)]

[redacted – 11(2)]

Tax and Revenues Directorate

[redacted – 11(2)]

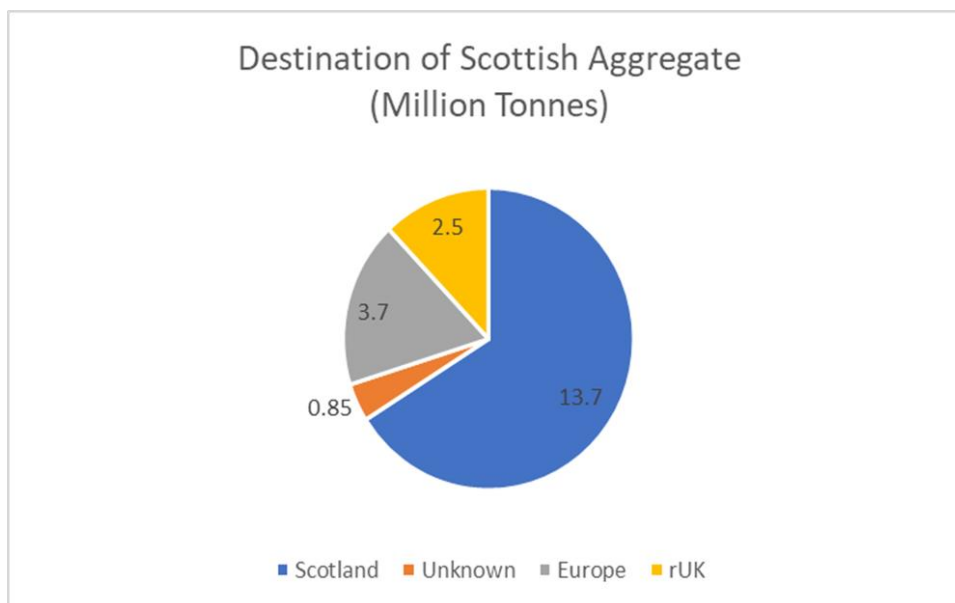
Cabinet Secretaries and Ministers Copy List	For Action	For Information Portfolio interest	For Information Constituency interest	For Information General awareness

Officials Copy List
DG Scottish Exchequer Director of Tax and Revenues Alex Doig – DD, Tax Janet Bartlett - Deputy Director, Local Government and Economy, SGLD [redacted – 11(2)], SGLD [redacted – 11(2)], Fiscal Policy [redacted – 11(2)], Tax Division [redacted – 11(2)], Fiscal Policy [redacted – 11(2)], Tax Division Callum McCaig, Special Adviser

ANNEX A: [redacted-10(4)(e)]

ANNEX B: DESTINATION OF SCOTTISH AGGREGATE

(20.75 million tonnes; based on 2019 survey data; around 70% of activity captured).



Minister for Community Wealth and Public Finance

SCOTTISH AGGREGATES TAX BILL POLICY POSITIONS AND PREPARATION FOR INTRODUCTION

Priority and Purpose

1. **Immediate:** to outline progress in developing the Scottish Aggregates Tax Bill (“the Bill”); seek your agreement on the policy content; [redacted – out of scope], and support work to prepare the Bill for introduction to Parliament.

Recommendation

2. It is recommended that you:
- a) Note recent developments relating to the Bill;
 - b) Advise if you are content with the proposed policy content;
 - c) [redacted – 10(4)(e)]
 - d) [redacted – out of scope]
 - e) Note work underway to prepare the Bill for introduction, which includes drafting of accompanying documents and further advice.

Context and Issues

3. [redacted-10(4)(e)]
4. This advice summarises the overall suite of recommendations for the content of the Bill and invites you to approve the final proposed policy positions, which take into account feedback from the consultation, engagement, advisory group, and Revenue Scotland. Your approval is essential in order to take the next steps in the final stages of the timeline, which is necessary to enable introduction of the Bill on 14 November.
5. [redacted – out of scope]

Options Considered and Advice

6. [redacted-10(4)(e)]

Summary

7. Broadly speaking, the structure of the tax and key mechanisms capturing taxable behaviour replicate UKAL. [redacted-10(4)(e)]

Next Steps

8. [redacted-10(4)(e)]
9. [redacted-10(4)(e)]
10. [redacted-10(4)(e)] Drafting of the Bill is in its final stages, with the focus now on fine detail.
11. [redacted-not in scope]
12. [redacted-not in scope]

Assessment of Options

13. [redacted-10(4)(e)]
14. [redacted-10(4)(e)]
15. [redacted-10(4)(e)]

Bute House Agreement Implications

16. While the introduction of the tax is not a commitment in the Shared Policy Programme, there is a shared ambition to progress measures that support Scotland's circular economy. There are also commitments on matters relating to the process for the Scottish Budget. [Redacted]

17. [redacted-10(4)(e)]
18. [redacted-10(4)(e)]
19. [redacted-10(4)(e)]
20. [redacted-10(4)(e)]

Verity House Agreement Implications

21. [redacted-10(4)(e)] the Convention of Scottish Local Authorities (COSLA) was one of the key stakeholders whom officials engaged with in the consultation period last autumn. COSLA later submitted a formal response to the consultation and participated in the expert group. A small number of local authorities also submitted responses to the consultation or offered informal feedback on the development of the SAT. Comment on the possible impacts of an SAT to Local Government is included in the Financial Memorandum, outlined below, that will accompany the Bill.

Financial and Legal Considerations

22. The accompanying documents for the Bill include a Financial Memorandum. Drafting of this is in progress, with input from stakeholders such as Revenue

Scotland, the Scottish Fiscal Commission (SFC) and HM Revenue and Customs (HMRC). [redacted-10(4)(e)]

[Redacted – 10(4)(e)]

23. Though it will not be on the face of the Bill, another financial issue that may elicit attention is the future rate of the SAT, more so were it to differ from that of the UKAL (presently £2.00/tonne, £2.03/tonne from 1 April 2024). Although the rate will be formally set through secondary legislation closer to the date of tax introduction, [redacted-10(4)(e)]

24. [redacted-10(4)(e)]

25. [redacted-10(4)(e)]

Sensitivities

26. [redacted-10(4)(e)]

27. [redacted-10(4)(e)]

Quality Assurance

28. This submission has been approved by Alex Doig, Deputy Director, Land and Environmental Taxation Division.

Conclusions and Next Steps

29. It is recommended that you:
- a) Note recent developments relating to the Bill;
 - b) Advise if you are content with the proposed policy content;
 - c) [redacted-10(4)(e)]
 - d) [redacted – not in scope]
 - e) Note work underway to prepare the Bill for introduction, which includes drafting of accompanying documents and further advice.

[redacted – 11(2)]

Tax and Revenues Directorate, Land and Environmental Taxation Division

[redacted – 11(2)]

Cabinet Secretaries and Ministers Copy List	For Action	For Information Portfolio interest	For Information Constituency interest	For Information General awareness
Deputy First Minister and Cabinet Secretary for Finance		X		
Minister for Green Skills, Circular Economy and Biodiversity		X		
Minister for Energy and the Environment		X		
Minister for Parliamentary Business		X		

Officials Copy List

DG Scottish Exchequer
Director of Tax and Revenues
Lorraine King, Deputy Director, Tax
Alex Doig, Deputy Director, Tax
[redacted – 11(2)], Tax
[redacted – 11(2)], Tax
[redacted – 11(2)], Tax
[redacted – 11(2)], SGLD
Max McGill, PCO
[Redacted- 11(2)], PCO
Lord Advocate
Legal Secretariat to the Lord Advocate
Solicitor General for Scotland
PLU Bill Programme
[Redacted – 11(2)], Cabinet Secretariat
[Redacted- 11(2)], Communications
Communications DFM & Finance
Callum McCaig, Special Adviser
Harry Huyton, Special Adviser

Minister for Community Wealth and Public Finance

SCOTTISH AGGREGATES TAX – YEAR OF INTRODUCTION

Priority and Purpose

URGENT

1. The purpose of this advice is to seek a decision regarding the date of introduction of the Scottish Aggregates Tax (SAT). We are seeking a decision to inform the drafting of the Bill's accompanying memoranda, as well as to provide Revenue Scotland with clarity on associated financial and operational decisions.

Recommendation

2. It is recommended that you:
 - i. Note the background information on SAT year of introduction; and
 - ii. Indicate your preference in relation to the two options, namely: [redacted – 10(4)(e)]

Context and Issues

3. Last month you approved submissions from [redacted – 11(2)] on the content of the SAT Bill, scheduled for introduction to the Scottish Parliament on 14 November 2023. The Bill's introduction is on track; this submission relates solely to the issues and risks relating to the year of introduction of the tax. A decision on this matter is required now for the following reasons:

[Redacted – 10(4)(e)]

- **Bill accompanying documents:** the accompanying memoranda for the Bill, in particular the Financial Memorandum, will need to set out an intended introduction date. These documents must be finalised within the next month in order for the overall Bill timeline to be met.

[Redacted – 10(4)(e)]

4. Looking slightly further ahead, there will also be a strong stakeholder expectation that the Scottish Government will set out its intended introduction date for the tax at the time that the Bill is introduced to Parliament. Taxpayer rightly expect as much certainty as we can offer and meeting that need is consistent with our published Framework for Tax.

Options Considered and Advice

5. There are two options. Both are considered to be deliverable in principle, but with different risks, advantages and disadvantages, set out below. The options are:
[redacted – 10(4)(e)]

[redacted – 10(4)(e)]

Option 1 – [redacted – 10(4)(e)]

6. The opportunities and advantages of this option are as follows: [redacted – 10(4)(e)]

7. The disadvantages and risks of this option [redacted – 10(4)(e)]

8. [redacted – 10(4)(e)]

Option 2 – [redacted – 10(4)(e)]

9. The opportunities and advantages of this option are as follows: [redacted – 10(4)(e)]

10. The disadvantages and risks of this option are [redacted – 10(4)(e)]

11. In summary, [redacted – 10(4)(e)]

Conclusion

12. [redacted – 10(4)(e)]

Bute House Agreement Implications

13. While the introduction of the tax is not a commitment in the Shared Policy Programme, there is a shared ambition to progress measures that support Scotland's circular economy.

14. [redacted – 10(4)(e)]

Verity House Agreement Implications

15. Introduction of a SAT is presently not expected to lead to any specific additional cost on Local Government. [redacted – 10(4)(e)] COSLA has been involved in policy development. There is an expectation that this engagement will continue once the Bill is introduced to Parliament.

Financial and Legal Considerations

16. The year of introduction does not impact on the Scottish Budget as the BGA process will only commence when the tax goes live. [redacted – 10(4)(e)]

17. The Bill is well-developed [redacted – 10(4)(e)]

Sensitivities

18. [redacted – 10(4)(e)]

19. [redacted – 10(4)(e)]

Quality Assurance

20. This submission has been approved by Alex Doig, Deputy Director, Land and Environmental Taxation Division.

Conclusions and Next Steps

21. It is recommended that you:

- i. Note the background information on SAT year of introduction; and
- ii. Indicate your preference in relation to the two options, namely: [redacted – 10(4)(e)]

[redacted – 11(2)]

Land and Environmental Taxation Division

Cabinet Secretaries and Ministers Copy List	For Action	For Information Portfolio interest	For Information Constituency interest	For Information General awareness
Deputy First Minister and Cabinet Secretary for Finance		X		
Minister for Green Skills, Circular Economy and Biodiversity		X		
Minister for Energy and the Environment		X		
Minister for Parliamentary Business		X		
Lord Advocate		X		
Solicitor General		X		

Officials Copy List

DG Scottish Exchequer
Director of Tax and Revenues
Chief Executive, Revenue Scotland
Alex Doig, Deputy Director, Tax
[redacted – 11(2)], Tax
[redacted – 11(2)], Tax
Max McGill, PCO
[redacted – 11(2)], PCO
[redacted – 11(2)], SGLD
Legal Secretariat to the Lord Advocate
PLU Bill Programme
[redacted – 11(2)], Cabinet Secretariat
[redacted – 11(2)], Communications
Communications DFM & Finance
Davie Hutchison, Special Advisor
Callum McCaig, Special Adviser

Minister for Community Wealth and Public Finance

SCOTTISH AGGREGATES TAX: PUBLICATION OF CONSULTATION ANALYSIS REPORT

Purpose and Priority

To provide you with sight of the Scottish Aggregates Tax consultation analysis report in advance of its planned publication on 15 November. The publication will be timed to follow the public introduction of the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill.

Priority - Routine.

Background

In Autumn 2022, the Scottish Government published a consultation seeking views on how a Scottish Aggregates Tax should be structured and operate. The public consultation '*Breaking New Ground? Developing a Scottish tax to replace the UK Aggregates Levy*' ran to late December 2022. Following the consultation period, an advisory group was convened in spring 2023 to support further and more detailed consideration of policy issues.

Consultation Analysis Report

There were 24 responses to the consultation. They came from a broad range of respondents, and from 21 organisations and 3 individuals.

The report summarises both feedback on the consultation paper and discussion at meetings of the advisory group. Officials separately intend to publish the minutes of advisory group meetings on 15 November, and have sought the approval of members.

The report highlights that whilst there was significant support for alignment with the UK Aggregates Levy as a starting point for a devolved tax, a minority of respondents did not agree. In addition, a number of challenges and opportunities arising from tax devolution were highlighted during the consultation process. The key points that emerged were:

- Strong support amongst many respondents, particularly those representing industry interests, for the tax to align closely with the UK Aggregates Levy.
- An alternative view from some respondents that the Scottish Government should introduce a distinctive tax with a broader scope, or could express the scope more clearly in legislation, though specific alternative proposals were not put forward by respondents.
- Broad agreement that the tax has the potential to support circular economy goals, as part of a wider package of measures to encourage the increased availability of high-quality alternatives to primary aggregate.

- A view that the introduction of a devolved tax creates an opportunity to address concerns about untaxed primary aggregate production, including through the development of a Scottish aggregates tax register.
- Recognition of the complexities associated with creating two tax jurisdictions where there was previously one, including in terms of the treatment of cross-border movements of aggregate and the importance of avoiding double taxation.
- The importance of continuing dialogue with key stakeholders on tax policy development, in line with commitments set out in our Framework for Tax.

[Redacted – 10(4)(e)]

At various points throughout the report, a Scottish Government response to the consultation feedback is provided. Where appropriate, this material reflects the content of the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill, in large part drawing on agreed content from the Bill's policy memorandum. The Scottish Government response text is included at Annex A. The full analysis report has also been provided alongside this advice.

Bute House Agreement Implications

There are no Bute House Agreement implications specifically relating to the publication of a consultation analysis report. The Scottish Green Group has been engaged throughout the Bill development process.

Verity House Agreement Implications

The publication includes views from local authority consultation respondents (COSLA and one local authority). In general, the impact on local authorities is expected to be the same as for all consumers of primary aggregate.

Financial and Legal Considerations

Previous advice has set out financial and legal considerations relating to the Bill, and there are no specific issues relating to publication of the consultation analysis report.

Communications

We will engage with communications colleagues to seek their views on publication arrangements and the benefits of publicising the publication.

[redacted – 10(4)(e)]

Conclusion

You are invited to note the intention to publish the Scottish Aggregates Tax consultation analysis report on 15 November, alongside the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill.

[redacted – 11(2)] Land and Environmental Tax

8 November 2023

Copy List:	For Actio n	For Com ment	For Information		
			Portf olio Inter est	Cons tit Inter est	Gen eral Awar enes s
Deputy First Minister and Cabinet Secretary for Finance			x		
DG Scottish Exchequer Director of Tax and Revenues Chief Executive, Revenue Scotland Alex Doig, Land and Environmental Tax [redacted -11(2)], Land and Environmental Tax [redacted – 11(2)], Land and Environmental Tax [redacted – 11(2)], SGLD [redacted – 11(2)], Comms David Hutchison, SpAds					

ANNEX A

CONSULTATION ANALYSIS REPORT – SCOTTISH GOVERNMENT RESPONSE COMMENTARY

[Redacted – 10(4)(e)]

**MINISTERIAL ENGAGEMENT BRIEFING: TOM ARTHUR, MINISTER FOR
COMMUNITY WEALTH AND PUBLIC FINANCE
Bilateral with Revenue Scotland – 2 May 2023**

[redacted – not in scope]

[redacted – not in scope]

ITEM 2: DEVOLVED AGGREGATES TAX

[redacted – not in scope]

Discussion at your last meeting

[Redacted – 10(4)(e)]

ACTION:

- No specific actions.

Key Points

[Redacted – 10(4)(e)]

Background

- [Redacted – 10(4)(e)]
- Revenue Scotland have been key participants in the ongoing advisory group, including supporting work to develop the papers in advance of meetings. The group's most recent meeting took place on 5 May and focused on tax administration and the potential to establish a sustainability fund. The group has also discussed the potential scope of the tax, the case for exemptions and reliefs and the tax treatment of cross border movement of aggregates.
- [Redacted – 10(4)(e)]
- [Redacted – 10(4)(e)]

[redacted – not in scope]

**MINISTERIAL ENGAGEMENT BRIEFING: TOM ARTHUR, MINISTER FOR
COMMUNITY WEALTH AND PUBLIC FINANCE
Bilateral with Revenue Scotland – 13 June 2023**

[redacted – not in scope]

ITEM 2: SCOTTISH AGGREGATES TAX BILL

Suggested Lines

- [Redacted – 10(4)(e)]
- [Redacted – 10(4)(e)]

Background

- [Redacted – 10(4)(e)]
- [Redacted – 10(4)(e)]
- Revenue Scotland have been key participants in the ongoing advisory group, including supporting work to develop the papers in advance of meetings. The group's most recent meeting took place on 5 May and focused on tax administration and the potential to establish a sustainability fund. The group has also discussed the potential scope of the tax, the case for exemptions and reliefs and the tax treatment of cross border movement of aggregates
- Advice setting out a recommended approach in the Bill on this latter issue was recently provided for your consideration.

[redacted – not in scope]

**MINISTERIAL ENGAGEMENT BRIEFING: TOM ARTHUR, MINISTER FOR
COMMUNITY WEALTH AND PUBLIC FINANCE
Bilateral with Revenue Scotland – 19 October 2023**

[redacted – not in scope]

SCOTTISH AGGREGATES TAX (SAT) BILL

Suggested Points to raise:

You may wish to:

- Recognise Revenue Scotland's continued close working with SG officials to shape the content of the Bill and the advice provided to Ministers.
- Check whether there are any aspects of the currently proposed approach which cause concern or uncertainty from Revenue Scotland's perspective.
- [Redacted – 10(4)(e)]
- Welcome Revenue Scotland's plans to continue to engage proactively and regularly with industry stakeholders once the Bill is introduced, to inform detailed operational work and the content of secondary legislation.
- [Redacted – 10(4)(e)]

Background

- [Redacted – 10(4)(e)]
- [Redacted – 10(4)(e)]
- [Redacted – not in scope]
- During the meeting, representatives of Revenue Scotland may take the opportunity to:
 - [Redacted – 10(4)(e)]
 - Offer initial thoughts based on what RS officials have been hearing from industry stakeholders during site visits (SG officials also taking part in these), in particular with regard to the issue of compliance.
 - [Redacted – 10(4)(e)]
 - [redacted – not in scope]

[redacted – not in scope]

Engagement Title	Introductory meeting with the Chief Executive and Chair of Revenue Scotland.
Engagement Type	Introductory meeting.
Date/Time	11:30 to 12:00 Wednesday 26 April 2023

[redacted – not in scope]

AGGREGATES TAX BILL

Welcome input of Revenue Scotland (RS) in work to date – particularly advice considering issues around Bill development, engaging stakeholders and supporting the Bill advisory group.

- [Redacted – 10(4)(e)]

Background

- The Programme for Government 2022-2023 had a commitment to introduce a Bill providing for a devolved aggregates tax in this Parliamentary year; Bill development began with a public consultation last autumn, complemented by stakeholder engagement.
- Based on consultation and stakeholder feedback, it was concluded that further work was needed to ensure decisions on Bill provisions are based on optimal evidence. An advisory group has been established to assist with this process and has now met three times. Revenue Scotland is involved given its operational expertise and has been closely engaged throughout work to date on the future tax.
- [Redacted – 10(4)(e)]

[redacted – not in scope]