The Scottish Aggregates Tax (Miscellaneous Amendment) Regulations 2026 – Business and Regulatory Impact Assessment

February 2026

Scottish Government
Riaghaltas na h-Alba

Section 1: Background, aims, and options

Background

The UK Aggregates Levy (AGL), which came into effect in April 2002, was introduced to ensure that the environmental impacts of aggregates extraction not already addressed by regulation were more fully reflected in prices. It applies to the commercial exploitation of primary aggregates – mostly crushed rock, gravel and sand used as aggregates in, for example, construction.

The Scotland Act 2016[1] provided the Scottish Parliament with the legislative competence to introduce a devolved replacement for AGL. When introduced, Revenue Scotland, Scotland's tax authority for devolved taxes, will be responsible for the collection and management of the Scottish Aggregates Tax (SAT).

The Aggregates Tax and Devolved Tax Administration (Scotland) Act 2024[2] ("the 2024 Act") received Royal Assent on 12 November 2024, and the intended introduction date of SAT is 1 April 2026. This is subject to the successful introduction of secondary legislation in Scotland and UK Government legislation on AGL.

As a result of introducing the devolved tax in Scotland, there will be two different tax systems operating alongside one another in the UK. This has implications in terms of the treatment of cross-border movements of aggregate and, in some circumstances, the risk of double taxation.

In that context, there are a small number of direct and indirect cross-border scenarios related to the movement of aggregate to and from Scotland that required more detailed consideration and stakeholder engagement. These include, but are not limited to, movement of aggregate into Scotland from the rest of the UK (rUK) where there are multiple links in a supply chain; and where aggregate is collected from a current taxpayer under AGL on the same product that will be subject to SAT.

To ensure successful introduction of SAT, secondary legislation is required to ensure that there are effective approaches in place for cross-border scenarios for certain direct and indirect supplies of aggregate.

The Scottish Aggregates Tax (Miscellaneous Amendment) Regulations 2026 ("the cross-border regulations") make provision in relation to the taxation of cross-border movements of aggregate.

This Business and Regulatory Impact Assessment (BRIA) will be published alongside the Scottish Statutory Instrument.

[1] Scotland Act 2016
[2] Aggregates Tax and Devolved Taxes Administration (Scotland) Act 2024

Objective

The purpose of these cross-border regulations is to make provision in relation to the taxation of cross-border movements of aggregate to ensure the effective introduction of SAT on 1 April 2026.

This assessment considers the business impacts associated with the introduction of regulations setting out the SAT cross-border requirements for taxpayers.

Rationale for Government intervention

The Scottish Government's Framework for Tax[3] provides the foundation from which SAT has been designed and will be delivered. The Framework ensures that decisions on tax policy are coherent and rooted in a defined set of principles and strategic objectives, rigorously appraised and developed through an established policy cycle, which puts proactive engagement with stakeholders and partners at the heart of tax policy making.

The Scottish Government intends that SAT will align with wider ambitions to deliver a fair, green, and growing economy; in particular, the Scottish Government's ambitions for a circular economy.

The circular economy aims to minimise our demand for primary resources and maximise the re-use, recycling, and recovery of resources. The Scottish Government publication, Delivering Scotland's circular economy - route map to 2025 and beyond[4], sets out the importance of embedding circular construction practices to reduce resource needs, reduce waste and carbon, and encourage refurbishment and reuse.

SAT will support the Scottish Government's ambitions for a circular economy, in particular the ambition to embed circular construction practices. Although SAT in and of itself will not individually deliver the Scottish Government's circular economy ambitions, it will serve as a price signal to complement other circular construction measures.

The Scottish Government commissioned research via ClimateXChange, a centre for expertise on climate change, to better understand the evidence base on the role of recycled aggregates. The research report[5] was published in June 2025. The research found that, while there are promising pathways for the increased use of alternatives to primary aggregates in Scotland, strategic actions are required to address existing barriers and to support the transition towards a more sustainable construction sector.

SAT also adds to the fiscal powers available to the Scottish Government. The powers set out in the relevant legislation provide scope for SAT to evolve over time,

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[3] Framework for Tax 2021 - gov.scot
[4] Delivering Scotland's circular economy A Route Map to 2025 and beyond
[5] The role of alternatives to primary aggregates in reducing emissions from the construction sector | ClimateXChange

informed by Scotland-specific data collection and increased understanding of the tax and its impacts on the aggregates industry in Scotland.

Section 2: Consultation

SAT expert advisory group

The Scottish Government engaged with the SAT expert advisory group to explore the views of members on proposed approaches to cross-border taxation.

Established in January 2023, the advisory group informed the development of the 2024 Act and continues to provide expertise on preparation for the implementation of SAT.

Advisory group members are drawn from a range of backgrounds, including industry representative bodies for both primary and recycled aggregate producers, aggregates consumers (including key public sector bodies), corporate stakeholders with an interest, and environmental organisations.

In particular, the SAT expert advisory group includes spokespeople from trade bodies representing companies which produce the majority volume of primary and recycled aggregate in Scotland.

These are:

- The British Aggregates Association, a trade body for independent small and medium size quarry operators.
- The Mineral Products Association, a trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar, and industrial sand industries.
- Resource Management Association Scotland, a trade body for micro, small and medium sized resource management companies.

Revenue Scotland engagement to date has focussed on the development of the registration process, the tax return, and guidance. Input has been received from representatives of the British Aggregates Association, Mineral Products Association, Chartered Institute of Taxation, Institute of Chartered Accountants of Scotland, the British Geological Survey, and individual businesses (both those represented by trade bodies and those outside them). This engagement has helped Revenue Scotland develop the registration process, tax return, and technical guidance. Further engagement is planned with future SAT taxpayers, including onboarding sessions in order to ensure that these processes are well understood prior to SAT coming into operation on 1 April 2026.

Public Consultation

The Scottish Government launched a public consultation[6] in June 2025 to gather views on the proposed approaches to cross-border taxation. The consultation ran for

[6] Scottish Aggregates Tax: proposed approaches to cross-border taxation - gov.scot

8 weeks and the analysis report[7] was published on the Scottish Government website.

Views were sought on two particular scenarios, which represent a small subset of overall cross-border transactions. These are:

- movement of aggregate into Scotland from the rest of the UK (rUK) where there are multiple links in a supply chain; and

- where aggregate is collected from a current rUK taxpayer and transported to Scotland for commercial exploitation.

Respondents were also invited to raise other potential cross-border issues that might arise and offer views on the operation of SAT.

As part of evidence gathering for this BRIA, the consultation sought views on a range of impact assessments, including impacts on businesses and consumers.

The consultation was published on Citizen Space and on the Scottish Government website. Officials engaged with industry bodies and wider stakeholders to promote awareness of the consultation with the aggregates industry.

Prior to the consultation, the Scottish Government, in collaboration with Revenue Scotland and HM Revenue and Customs (HMRC), engaged with industry representative bodies and wider stakeholders to help shape the options under consideration. The comments and feedback received during this engagement helped shape the proposals in the consultation. These planned approaches remain unchanged following the consultation.

Engagement

Internal Scottish Government Engagement

Tax Division has a network of stakeholder organisations with an interest in tax policy. Government organisations and departments with a policy interest in proposals are contacted in respect of these proposals and consultation documents are made available to these bodies.

This includes direct contact and discussion with Revenue Scotland during the development phase.

UK/Devolved Administrations Engagement

Although policy for SAT and AGL are the responsibility of the Scottish Government and UK Government, respectively, both Governments have worked collaboratively to explore complementary approaches to cross-border taxation.

[7] Scottish Aggregates Tax: Options for approaching cross-border taxation – Consultation Analysis - gov.scot

The Scottish Government and HMRC have worked closely to consider the approaches to cross-border taxation. This work has included joint engagement with various aggregate industry businesses and stakeholders to inform the consultation.

There is a joint aim to develop cross-border tax options that:

- avoid double taxation of aggregate;
- minimise the risk of market distortion (should the respective tax rates vary in future);
- minimise the risk of tax avoidance or evasion;
- enable Revenue Scotland and HMRC to assure compliance; and
- are workable and proportionate for business.

Wider Engagement – Public, professional and third sector bodies

Scottish Government officials have engaged with representatives from the following organisations, all of whom have members on the SAT expert advisory group:

- Institute of Chartered Accountants of Scotland (ICAS);
- Chartered Institute of Taxation (CIOT);
- Convention of Scottish Local Authorities (COSLA);
- Resource Management Association Scotland (RMAS); and
- Scottish Environment Protection Agency (SEPA).

The remit of the advisory group is to provide expert advice, challenge, and scrutiny of policy positions, with the aim of ensuring that the design of the SAT is compatible with its intended outcomes and meets the needs of industry and other stakeholders. The expert advisory group also works to identify and offer solutions to any potential adverse impacts and unintended consequences that may arise from the introduction of SAT.

Business and Industry Engagement

As these cross-border regulations are most relevant to businesses who will be SAT taxpayers, business engagement has been a crucial component of policy development.

The aim has been to develop a pragmatic approach to cross-border taxation that minimises administrative burdens on taxpayers and ensures that taxpayers are not subject to tax on the same taxable activity in both jurisdictions. Additionally, the Scottish Government is committed to minimising market distortions - particularly for businesses near the border - and to preventing opportunities for tax avoidance. Businesses who will be SAT taxpayers have been represented on the SAT advisory group through the development phase of the tax. This includes representatives from trade bodies representing the majority of companies producing primary and recycled aggregate in Scotland.

The Scottish Government proactively engaged with nine aggregate suppliers/businesses, two industry representative bodies, two tax professional

bodies and wider stakeholders ahead of the public consultation, helping to shape the options under consideration. The proposed arrangements for the cross-border scenarios have the potential to increase the administrative burden on aggregates producers. This is an unavoidable consequence of tax devolution and the establishment of two aggregate tax regimes within the UK.

The proposals also relate to businesses who have never had to previously consider administration costs in relation to AGL (e.g. builders' merchants). Although the impact is expected to be light touch, it will be an additional administration consideration for this sector, particularly with rUK businesses who supply aggregate to Scottish customers. Proactive engagement with two relevant representative bodies has been undertaken in advance of the consultation.

Views were sought on a range of issues within the consultation to inform the relevant impact assessments to ensure that potential effects were fully considered. The main part of the consultation (section 2 – approaches to cross-border taxation) asked a number of specific questions on the business impact of the options.

Engagement with businesses continued following the consultation to ensure that all relevant cross-border scenarios are reflected in the design of SAT, and to enable a full discussion on the technical and financial implications of the proposed secondary legislation on businesses.

Section 3: Options

Sectors and groups affected

These proposals affect all persons who will be registered SAT taxpayers.

Sectors and groups directly affected can be categorised as aggregate producers, aggregate users, and aggregate supply chain operators.

Middlemen will also be affected, although the impact is expected to be light touch. This is a type of indirect supply where a business acts as a middleman between the aggregate producer and the end user of aggregate. For example, a builders' merchant who has sourced aggregate from a rUK quarry and supplied that aggregate to a Scottish customer.

In 2019, the Scottish Government commissioned the British Geological Survey (BGS) to produce a comprehensive survey on aggregates production in Scotland and cross-border flows, as previous data was insufficient and out of date. This was updated again in the Aggregate Minerals Survey for Great Britain, 2023[8] which also highlighted that aggregates are extracted and sourced from across Scotland. Operating quarries which produce crushed rock, or quarries where sand or gravel is extracted or landed, are found in nearly all of the 32 local authority areas. In 2023, around 81% of aggregate produced in Scotland was crushed rock with the remainder being sand and gravel.

A Scotland-specific breakdown of aggregate production by company, or company size band, is not publicly available. However, research[9] published by the Scottish Government suggests that the majority of total aggregate production in Scotland will be accounted for by the major companies. Indicative forecasts assigned about 15% of UK taxable primary aggregate production to Scotland suggesting around 30 million tonnes of taxable aggregate produced in Scotland annually.

A study by BiGGAR Economics (commissioned by the Mineral Products Association Scotland) reports that, on average, Scotland produces about 22.1 million tonnes of crushed rock and 5.4 million tonnes of sand and gravel annually. These figures represent 19% and 9% of total UK production, respectively (Profile of the UK Mineral Products Industry 2023).

HMRC data suggests that there are about 150 AGL taxpayers who have sites registered in Scotland. Between them these taxpayers have around 320 sites in Scotland.

To improve the data on the Scottish aggregates sector, the Scottish Government jointly commissioned, with the UK and Welsh Governments, the BGS to undertake a new aggregates survey in 2024, based on 2023 outputs. This was published in August 2025.

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[8] Aggregate minerals survey for Great Britain, 2023 - GOV.UK
[9] Evidence Review and Illustrative Policy Options for a Scottish Aggregates Levy : Final Report

As detailed above, the available evidence (Aggregate Minerals Survey 2023[10]) suggests that very small amounts of aggregate are moved to Scotland from elsewhere, in comparison to the total production/sales of primary aggregates produced in Scotland. Conversely, the survey details a very significant 6.2 million tonnes of that were exported from Scotland to either to the rest of Great Britain or overseas. In comparison, the survey reports that total sales of primary aggregate produced in Scotland in 2023 were 21.7 million tonnes (comprising 4.1 million tonnes of sand and gravel and 17.6 million tonnes of crushed rock). Furthermore, although this is not explicitly set out in the survey, the collection, and middlemen transactions, which were the focus of the consultation, are anticipated to only account for a small proportion of the overall tonnage of aggregate production and SAT revenues.

Option Development

This impact assessment considers two possible options in relation to introducing cross-border regulations for SAT. The options are:

1. Do not introduce secondary legislation on cross-border taxation in advance of SAT's introduction date.

2. Introduce secondary legislation that makes provision in relation to certain cross-border movement of aggregate to enable SAT taxpayers to understand the tax treatment of these movements under the SAT regime.

Option 1 - Do not introduce secondary legislation on cross-border taxation in advance of SAT's introduction date

Sectors and groups affected

Producers of commercial aggregate.

Benefits

There are no benefits to this option. Secondary legislation on cross-border taxation is required to ensure that SAT can be properly effective when it comes into force on its proposed introduction date of 1 April 2026.

Stakeholders have engaged with the Scottish Government and Revenue Scotland in good faith on policy development over an extended period. Therefore, not introducing this secondary legislation could result in uncertainty for the sectors and groups affected.

The issue of tax non-compliance relating to cross-border movement of aggregate was raised consistently by taxpayers and other stakeholders throughout development of the 2024 Act. Revenue Scotland require the Scottish Government to introduce this secondary legislation to enable them to seek to address the concerns raised.

[10] Aggregate minerals survey for Great Britain, 2023 - GOV.UK

Costs

The introduction of SAT on 1 April 2026 is dependent upon the successful implementation of several pieces of SAT-related secondary legislation. Revenue Scotland has already made significant progress in preparing for the introduction of SAT, incurring both capital and resource expenditure, including the recruitment of additional staff to support delivery of the tax. However, without the required SAT-related secondary legislation including these Regulations on cross-border taxation, the tax cannot be introduced effectively, as there would not be legal certainty regarding key administrative processes.

The absence of secondary legislation would create significant uncertainty and risk for taxpayers. For example, without Regulations specifying the operation of the tax for cross-border movements of aggregate, businesses operating near the Scotland-rUK border would face ambiguity over their responsibilities. Scottish Ministers have committed to providing early clarity on the administration requirements so that taxpayers have sufficient time to prepare for the introduction of this new devolved tax, and failure to introduce the cross-border regulations would undermine this commitment.

Without cross-border regulations, there is an increased risk of double taxation, as taxpayers could be subject to tax on the same taxable activity in both jurisdictions, resulting in negative financial impacts on businesses. Furthermore, not introducing secondary legislation could cause market distortions, particularly for businesses near the Scotland-rUK border, and increase the risk of tax avoidance or evasion.

Lack of a robust legislative foundation could also result in additional costs, including those associated with the legal uncertainty of introducing a tax without clarity on how cross-border transactions will be dealt with under the SAT regime.

Option 2 - Introduce secondary legislation that makes provision in relation to certain cross-border movement of aggregate to enable SAT taxpayers to understand the tax treatment of these movements under the SAT regime

Sectors and groups affected

Producers of commercial aggregate.

Benefits

Alongside the completion of the primary legislation, secondary legislation is required to ensure that SAT can come into force on 1 April 2026. Regulations that make provision in relation to the taxation of certain cross-border movements of aggregate will provide greater certainty to taxpayers, and address tax compliance concerns. Similarly, it will minimise the risk of market distortion (should the tax rates vary between Scotland and the rest of the UK in future) and minimise the risk of tax avoidance or evasion.

Introducing secondary legislation which ensures that all relevant cross-border scenarios are reflected in the design of SAT will avoid double taxation of aggregate and enable Revenue Scotland and HMRC to assure compliance.

Additionally, having a robust legislative framework will ensure that requirements for taxpayers in relation to cross-border movements of aggregate are clear. The Scottish Government, Revenue Scotland and HMRC have engaged significantly with aggregate industry stakeholders to ensure that the approaches to cross-border taxation are workable and proportionate for businesses.

Costs

Direct supplies

For collection scenarios - where a customer based in Scotland directly collects aggregate from a rUK quarry, for use in Scotland – the proposed approach is that the rUK quarry will account for and pay SAT. The rUK quarry will also be liable to register and account for AGL as there is commercial exploitation in rUK when supply to a Scottish-based customer is made from the rUK quarry. However, the rUK quarry can claim an AGL tax credit, evidenced by the information obtained from the customer that the same supply of aggregate has moved from rUK to Scotland.

Respondents largely viewed the option of a tick box on sales tickets to indicate the destination of materials as a practical and proportionate solution.

This approach could be supported by digital tools and records, standardisation, and guidance. Revenue Scotland will publish technical guidance on SAT, including on cross-border movements of aggregate, ahead of the tax's introduction. This will provide further clarity on the interactions between SAT and AGL, to support taxpayers.

While adding some administrative burden for quarry operators, the proposed approach was seen as proportionate and ensures that quarry operators account for the tax rather than customers.

Registration at company level and consolidated returns would limit administration for multi-site operators.

Indirect supplies

Producer-based delivery

Producer-based delivery is where aggregate is supplied from a rUK middleman to a Scottish-based customer but sourced from a rUK quarry. The quarry also delivers the aggregate to the Scottish-based customer on the middleman's behalf. The proposed approach to this type of middleman supply is that the rUK quarry is to account for and pay SAT. The rUK quarry will also register and account for AGL as there is commercial exploitation in rUK when supplying aggregate to the rUK middleman. However, the rUK quarry can claim an AGL tax credit, evidenced by details of their delivery of the aggregate to a Scottish-based customer.

Consultation respondents indicated that this approach minimises administrative complexity by keeping the tax point with quarry operators. Furthermore, this mirrors how AGL is currently managed thereby ensuring continuity, limiting disruption, and avoiding confusion in multi-link supply chains. In their view, the use of existing delivery data will ensure the accuracy of this approach.

Some concerns were raised about confirming final delivery locations, an increased administrative burden on quarry operators and a risk of tax avoidance should the AGL and SAT rates diverge in future.

Respondents suggested that clear guidance and standardised documentation will be required to make this approach work.

Over-the-counter sales

Over-the-counter sales is where a rUK based middleman, such as a builders' merchant, supplies aggregate to a Scottish-based customer from their own stock of aggregates. The proposed approach to this type of indirect supply is that the rUK quarry is to register and account for AGL when they supply aggregate to the rUK based middleman. Neither the middleman nor any Scottish-based party in the supply chain would be required to register for or pay SAT on that aggregate. This is because the quantity of aggregate is not to be taken to be exploited in Scotland if it is, or derives from, any aggregate in respect to which there has been a previous occasion on which a charge to AGL on that aggregate has arisen and where, in respect of at least some of the AGL previously charged on that aggregate, there is or was no entitlement to a 100% AGL tax credit. However, we would expect that the middleman would retain standard business accounting records relating to such transactions.

Whilst there is a risk of tax avoidance through misclassification or artificial supply chains, this option was seen by consultation respondents as easier to administer, with avoidance risks largely limited to sites close to the border between Scotland and the rUK. Revenue Scotland will take the risks of misclassification and of artificial supply chains into account as part of its overall compliance approach to SAT administration.

Due to the complexity of middleman transactions, often involving numerous persons and delivery locations, and the perceived small scale of these types of transactions, this policy position was considered proportionate to ensure simplicity and avoid double taxation.

Data

There are about 150 AGL taxpayers who have sites registered in Scotland. In addition, taking account of the intended cross-border arrangements for SAT, a small number of quarry operators registered for AGL in the rUK will be liable to register for and pay SAT.

Although the Scottish Government cannot quantify the number of operators, the Aggregate Minerals Survey for Great Britain, 2023[11] indicated that around 15,000 tonnes of aggregate i.e. less than 300 tonnes per week moved from the rest of the UK to Scotland that year. During stakeholder engagement related to the 2024 Act, some members of the SAT expert advisory group observed that extra business administration will be an unavoidable consequence of the introduction of SAT.

The Scottish Government would expect the administration costs for businesses in relation to SAT to be broadly similar to those for AGL. More specifically, although the details of the tax return have been set out by Revenue Scotland and may differ from that for AGL, the Scottish Government expects that any tax return would draw on data that taxpayers would already be required to hold in relation to AGL.

There will inevitably be additional administration costs for businesses which require to submit returns and data for SAT and AGL. However, the Scottish Government does not anticipate significant additional administration costs arising from this and expects overall business costs to be broadly comparable to current AGL costs.

A more comprehensive assessment of the costs associated with introducing SAT in a way that retains the fundamental structure of AGL and aligns with the Revenue Scotland and Tax Powers Act 2014[12] (RSTPA 2014) was set out in the 2024 Act's financial memorandum[13].

Regulatory And EU Alignment Impacts

Intra-UK Trade

The Scottish Government recognises that some taxpayers will commercially exploit aggregate in both Scotland and the rUK and will therefore have to register for both AGL and SAT. The Aggregate Minerals Survey for Great Britain, 2023[14] shows that in 2023, approximately 3.6 million tonnes of aggregate were exported from Scotland to the rUK, mainly in the form of crushed rock, while (as noted above) approximately 15,000 tonnes were imported to Scotland from quarries in the rUK.

Devolved legislative competence to make provision for a SAT was conferred on the Scottish Parliament under the Scotland Act 2016 and lead to the 2024 Act being passed. The UK Internal Market Act 2020 ("UKIMA") does not apply in relation to the 2024 Act or any of the SAT-related secondary legislation as UKIMA states that the United Kingdom market access principles do not apply to any legislation so far as it imposes, or relates to the imposition of, any tax, rate, duty, or similar charge.

SAT is not considered likely to have any significant impact on intra-UK trade. Primary aggregate producers throughout the UK already pay AGL and following the introduction of SAT, will only pay either AGL or SAT. There may be an impact on intra-UK trade should the SAT and AGL tax rates diverge significantly over time. However, this risk is mitigated by the principle that tax liability is determined by the

[11] Aggregate minerals survey for Great Britain, 2023 - GOV.UK
[12] Revenue Scotland and Tax Powers Act 2014
[13] Financial Memorandum - Accessible
[14] Aggregate minerals survey for Great Britain, 2023 - GOV.UK

country of destination - where the aggregate is commercially exploited - rather than the country of origin. This approach helps reduce the likelihood of market distortion within the aggregates sector.

The Scottish Government and Revenue Scotland are working with the aggregates industry, other relevant stakeholders, and the UK Government to ensure that there is a smooth transition from AGL to SAT in Scotland and that the ongoing administration of SAT does not impact on intra-UK trade.

International Trade

The Aggregate Minerals Survey for Great Britain, 2023[15] shows that approximately 2.6 million tonnes of aggregate was exported from Scotland to destinations outside the UK, while no aggregate was imported to Scotland from outside the UK. SAT is not considered likely to have any impact on international trade. Aggregate imported from outside the UK to Scotland would be subject to SAT on the same basis as (UK) domestic aggregate.

A SAT tax credit would continue to be available for aggregate exported from Scotland in the form of aggregate and without further processing to a place outside the UK, which maintains the current approach under AGL.

EU Alignment

The Scottish Government's Environment Strategy[16] sets out our long-term strategic ambitions and policy priorities for the environment. The Strategy supports the Scottish Government's objective to maintain or exceed EU environmental standards. One of the Strategy's outcomes, that we use and re-use resources wisely, is strongly aligned with a key objective of SAT.

Scottish Firms Impact Test

The Scottish Firms Impact Test is a framework used by the Scottish Government to assess how new policies or regulations may affect businesses operating in Scotland.

The Scottish Firms Impact Test regards all firms with fewer than 50 full-time employees as being small businesses. The majority of small firms have fewer than 10 employees and guidelines state that a concerted effort should be made to consult them over policy proposals.

Businesses have been represented on the SAT expert advisory group through the development phase of the consultation on cross-border taxation. This includes the British Aggregates Association and Mineral Products Association who represent the interests of a significant number of organisations directly and indirectly involved in the aggregates industry.

Scottish Government and Revenue Scotland officials also met individually with a number of firms involved in the production of primary aggregate to discuss aspects

[15] Aggregate minerals survey for Great Britain, 2023 - GOV.UK
[16] The Environment Strategy for Scotland: vision and outcomes - gov.scot

of the proposed secondary legislation and to enable a full discussion on the technical and financial implications of the proposed changes on Scottish firms.

While there is a potential risk of increased administrative burden for businesses in relation to cross-border taxation, officials have undertaken significant engagement with industry representatives and individual businesses to inform the proposed approaches.

Competition Assessment

We have applied the Competition and Markets Authority Competition Filter questions and concluded that the proposals will neither directly or indirectly limit the number or range of suppliers, limit the ability of suppliers to compete or reduce suppliers' incentives to compete vigorously.

Consumer Assessment

Under the provisions set out in the 2024 Act, SAT will be paid by producers of primary aggregate.

The tax is intended, amongst other aims, to encourage the use of alternatives to primary aggregate and, to be effective at altering aggregates consumption, it is expected that producers will pass the cost of the tax onto consumers of aggregate.

As this is consistent with the current position for AGL, we expect that the impact on consumers will be minimal. Actual consumer costs will, however, be dependent on the tax rate set for SAT.

The Scottish Government announced in the Medium-Term Financial Strategy that the SAT rate for financial year 2026-27 will align with the UK Aggregates Levy rate. This will provide certainty for taxpayers and allow for agreement of a novel approach to the SAT Block Grant Adjustment baseline that reduces the risk to the Scottish Budget.

It was confirmed in the Scottish Budget 2026-27 that, the Scottish Aggregates Tax rate from 1 April 2026 will be £2.16 per tonne of taxable aggregate. The rate beyond the first year of introduction will be a decision for the next session of the Scottish Parliament and will be taken as part of the annual Scottish Budget process.

Separately, any future regulations to change SAT credits or the tax rate may have a cost implication where the cost of the tax is passed onto customers. The impacts of any such decisions (which will be given effect to in Regulations) will be assessed as part of the impact assessments carried out in respect of the relevant decision and in relation to the Regulations giving legal effect to those decisions.

Test run of business forms

Those responsible for the commercial exploitation of aggregates in Scotland will be the only users of the SAT registration form and tax return. Taxpayers in Scotland, and where appropriate producers of commercial aggregate in rUK, already have systems in place to accommodate the AGL return.

Revenue Scotland has proactively engaged stakeholders on the SAT registration process and the tax return. Feedback has been constructive and has resulted in products that will provide Revenue Scotland with information that will allow them to carry out necessary administration and undertake tax risk analysis, whilst also ensuring the administration burden on SAT taxpayers is kept to a minimum.

Digital Impact Test

The collection and management of SAT has been designed to operate online in order to maximise convenience for the taxpayer and efficiency for Revenue Scotland. Only those responsible for the commercial exploitation of aggregate will be required to register and make tax returns, the majority of whom already submit online tax returns to HMRC in relation to AGL. The tax administration systems will be designed to take place online in accordance with Scottish Government's Digital Nation Principles.

Legal Aid Impact

We do not consider there to be any legal aid implications associated with these proposals.

Enforcement, sanctions, and monitoring

Revenue Scotland has statutory powers in relation to the collection and management of SAT and the RSTPA 2014 provides for its general functions.

The RSTPA 2014, and secondary legislation made under that Act, set out the tax administration framework that underpins all devolved taxes in Scotland, along with the powers and duties of taxpayers and of Revenue Scotland. The RSTPA 2014 and, where relevant, the applicable secondary legislation made under that Act also outline the investigatory powers of Revenue Scotland, the process for issuing penalties in respect of non-compliant behaviour and the provisions for debt enforcement.

In addition, the Scottish Tax Tribunals are in place to hear appeals against appealable decisions made by Revenue Scotland related to the fully devolved taxes.

Revenue Scotland's compliance and enforcement powers are broadly in line with those used to administer existing self-assessed devolved taxes, such as Land and Buildings Transaction Tax and Scottish Landfill Tax.

Implementation and delivery plan

The Scottish Government and Revenue Scotland will continue to work with the aggregates industry throughout the legislative process and implementation of the tax to ensure impacts are appropriately identified, minimised and where possible mitigated.

Revenue Scotland has established a programme to deliver the systems, resource, guidance, and other requirements to bring SAT into force. This programme is

working within schedule and includes an extensive stakeholder engagement plan in order to ensure that those who are required to interact with Revenue Scotland in relation to SAT are well informed about their required obligations.

Revenue Scotland has the power to begin voluntarily registering SAT taxpayers from 1 December 2025. Revenue Scotland are undertaking onboarding exercises in order to register future SAT taxpayers prior to the introduction date of 1 April 2026 to aid a smooth transition from AGL to SAT.

Post-implementation review

As a newly devolved tax, the Scottish Government is committed to reviewing the performance of the SAT in relation to its objectives once it is in operation.

The Scottish Government will work with Revenue Scotland to monitor the effectiveness of these Regulations. The Scottish Government's Framework for Tax[17] principles inform our approach to decision making, engagement and how we manage and sequence tax policy and delivery. Following the introduction of SAT, the Scottish Government will continue to take full account of the Framework's principles and objectives, which includes evaluation.

Recommendation

After careful consideration, the Scottish Government recommends the adoption of option two, which is to introduce secondary legislation that makes provision in relation to the taxation of cross-border movements of aggregate.

We recommend this option on the basis that it will reduce the uncertainty for current and future taxpayers and their customers and make the transition between AGL and SAT as smooth as possible for the businesses affected.

This option also reflects feedback from stakeholder engagement through the SAT expert advisory group, and meetings with aggregate firm representatives. In addition, it will address tax compliance concerns with regards to the cross-border movement of aggregate, as raised by stakeholders.

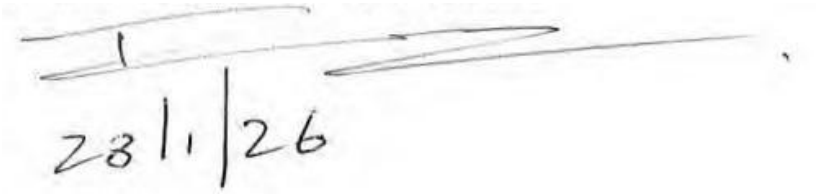
[17] Framework for Tax 2021 - gov.scot

Declaration

I have read the Business and Regulatory Impact Assessment, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits, and impact of the leading options. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

I am also satisfied that officials have considered, as far as is possible at this time, the impact on consumers as required by the Consumer Scotland Act 2020[18] in completion of the Consumer Duty section of this BRIA.

Signed:
Date:



Minister's name: Ivan McKee

Minister's title: Minister for Public Finance

Scottish Government Contact point: devolvedtaxes@gov.scot

[18] Consumer Scotland Act 2020 - Explanatory Notes

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