

Aggregates Tax and Devolved Taxes Administration (Scotland) Bill

**Business and Regulatory Impact
Assessment (BRIA)**

Title of Proposal

This document is the Business and Regulatory Impact Assessment (BRIA) for the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill.

Purpose and intended effect

Background

The UK Aggregates Levy (UKAL), 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 generally applies to the commercial exploitation of primary aggregates – mostly crushed rock, gravel and sand used as aggregates in construction.

The Scotland Act 2016¹ provides the Scottish Parliament with the legislative competence to introduce a devolved replacement for UKAL. 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) Bill was introduced to the Scottish Parliament on 14 November 2023 setting out the Scottish Government's legislative proposals for Scottish Aggregates Tax (SAT).

In addition to measures related specifically to SAT, the Bill includes a small number of wider legislative amendments to the Revenue Scotland and Tax Powers Act 2014 (RSTPA 2014)². These amendments, which relate to Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) in addition to SAT, are intended to support the efficient and effective collection of all devolved taxes by Revenue Scotland.

This BRIA considers two options in relation to these measures but, due to their narrow nature, specific commentary is not provided in a number of sections.

Objective

The Scottish Government intends that SAT will support the Scottish Government's ambitions for a circular economy, through the following objectives:

- (i) Encouraging the minimum necessary exploitation of primary aggregates,
- (ii) Maximising the use of secondary and recycled aggregates, and
- (iii) Incentivising innovation and development of alternative materials.

The SAT will have another core objective of demonstrating the operational benefits of tax devolution, with Revenue Scotland putting in place a modern and effective digital-first approach to tax collection and management. In keeping with the approach taken for the existing fully devolved taxes, many of the technical aspects related to

¹ [Scotland Act 2016 \(legislation.gov.uk\)](https://legislation.gov.uk)

² [Revenue Scotland and Tax Powers Act 2014 \(legislation.gov.uk\)](https://legislation.gov.uk)

Revenue Scotland's collection and management of the tax will be the subject of secondary legislation.

Rationale

Aggregates make an important contribution to Scotland's economy, providing materials for housing, construction, road-building and other uses, and supporting employment, including in rural and remote areas of the country. Aggregates are also required as construction materials to support net zero ambitions, including for diversification of the energy mix. They are used both in and of themselves and mixed with other materials to produce new products used in construction such as mortar, asphalt and concrete.

Aggregates are extracted and sourced across Scotland. Operating quarries which produce crushed rock, or quarries and wharves where sand or gravel is extracted or landed, are found in nearly all 32 local authority areas. Crushed rock is extracted predominantly in the north of Scotland and along the west coast, whereas sand and gravel are likely to be extracted in southerly areas.

Whilst it should not be taken as an exact guide to the potential revenue impact of a devolved tax, the illustrative forecast produced by the Scottish Fiscal Commission estimates that the 2022/23 Scottish share of revenue from UKAL is £59 million.

The Scotland Act 2016 provided the Scottish Parliament with powers to legislate for a tax that would replace UKAL in Scotland. Development of proposals for SAT was deferred until the conclusion of litigation related to aspects of the UKAL legislation, and a recent review³ of UKAL. The UK Government review, and the process of consultation associated with it, has assisted the Scottish Government's understanding of the arrangements for UKAL, the underpinning rationale for key elements of the tax, and the views of the industry in Scotland on devolution. In addition, the Scottish Government commissioned its own research into potential options for a SAT⁴.

The Scottish Government's Framework for Tax⁵ provides the foundation from which SAT has and will be designed and 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 partnership working with Revenue Scotland at the heart of tax policy making.

The SAT is intended to align with wider Scottish Government ambitions to deliver a fair, green and growing economy; in particular, the Scottish Government's ambitions for a circular economy. Creating sustainable and inclusive growth is a key part of the National Performance Framework's (NPF) purpose and the circular economy contributes to the Environment and Economy outcomes⁶.

³ [Review of the Aggregates Levy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/90442/Review_of_the_Aggregates_Levy.pdf)

⁴ [Scottish Aggregates Levy: evidence review and policy options - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/evidence-review-and-policy-options-for-the-aggregates-levy/pages/1-introduction.aspx)

⁵ [Framework for Tax 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/framework-for-tax-2021/pages/1-introduction.aspx)

⁶ [National Performance Framework | National Performance Framework](https://www.gov.scot/publications/national-performance-framework/pages/1-introduction.aspx)

The circular economy aims to minimise our demand on primary resources and maximise the re-use, recycling and recovery of resources. The draft Circular Economy Route Map to 2025 and beyond⁷ 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. SAT will serve as a price signal which complements other circular construction measures.

Consultation

Public Consultation

Consistent with the Framework for Tax, the Scottish Government has consulted and engaged with stakeholders to inform the development of the Bill. The Scottish Government conducted a public consultation on proposals for the SAT from 26 September to 5 December 2022. The consultation received a total of 24 responses which were analysed by officials from both the Scottish Government and Revenue Scotland.

In January 2023, taking consultation feedback and stakeholder views into account, the Scottish Government concluded that further work was needed to ensure decisions on Bill provisions were based on more evidence. To help with this process, the Scottish Government convened an expert advisory group. Advisory group members were 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. Notes of the meetings of the advisory group are published on the Scottish Government website.

The Scottish Government will continue to convene meetings of the expert advisory group throughout the process of Bill scrutiny and to assist with the development of secondary legislation.

The proposals in Part 2 of the Bill, related to administrative adjustments to RSTPA 2014, reflect detailed discussions with Revenue Scotland and take account of existing relevant legislative provisions applying to the UK taxes, including the UKAL, Landfill Tax and Stamp Duty Land Tax. Aside from engagement with the tax authority, no formal consultation with other tax stakeholders has been undertaken on these prior to their inclusion in the Bill. In terms of provisions relating to communications from Revenue Scotland to taxpayers and to the use of automation by Revenue Scotland, in keeping with the Scottish Approach to Taxation, the Scottish Government will consult on the relevant issues prior to bringing forward any future regulations.

⁷ [Delivering Scotland's circular economy - route map to 2025 and beyond: consultation - gov.scot \(www.gov.scot\)](http://www.gov.scot)

Within Government

The Scottish Government's legislative proposals for SAT have been developed in close collaboration with Revenue Scotland, Scotland's devolved taxes authority. Preparatory work for the development of the Bill also involved discussions with relevant Scottish Government interests, including in Planning, Zero Waste and Circular Economy, and with HMRC and HMT officials in the UK Government. UK Government.

The Scottish Government held individual meetings with COSLA officials to discuss the potential impact of SAT on local authorities. COSLA were also invited to be represented on the expert advisory group.

Business

A number of primary and recycled aggregate producers that operate in Scotland responded to the Scottish Government's public consultation. In addition, the Scottish Aggregates Tax Advisory group includes representatives from trade bodies representing the majorities of companies producing 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 all formed part of.

Scottish Government and Revenue Scotland officials also met with a range of primary and recycled aggregate producers across Scotland to deepen and broaden understanding of different aspects of the aggregate production industry and to discuss the potential impact of SAT on their business and wider industry. Their comments are summarised below in the Scottish Firms Impact section.

Options

This assessment considers three possible options in relation to establishing a replacement for the UK Aggregates Levy in Scotland.

Option 1) Do not replace UKAL once it is disapplied in Scotland.

Option 2) Introduce a replacement tax that retains the fundamental structure of UKAL while being tailored to Scotland's needs.

Option 3) Provide for a replacement tax that takes a fundamentally different approach to the existing UKAL, redefining key concepts and introducing a different system for the administration of SAT

Option 1 - Do not replace UKAL once it is disapplied in Scotland.

The UKAL has been in operation since 2002 and currently applies in Scotland. This would therefore represent the greatest change relative to the present situation and is not a business-as-usual option.

Sectors and groups affected

- Producers of commercial aggregate
- Producers of alternatives to primary aggregate
- Users of aggregate, including in the public and private sectors.

Benefits

The direct beneficiaries of this option would be those responsible for the commercial exploitation of aggregates, who would no longer be liable to pay a tax on primary aggregate commercially exploited in Scotland. This would reduce their overall costs by (on present prices) £2 per tonne of commercially exploited aggregate.

It is expected that, in most instances, aggregate producers will pass the cost of UKAL onto their customers and that this option would therefore also result in a saving for customers. This would include a range of private and public sector customers, including local authorities.

The cost to aggregates producers of making tax returns would also be wholly removed for any current taxpayers that operate solely in Scotland, whilst it might also be reduced, though by a proportionately lower amount, for taxpayers that operate across the whole of the UK and would therefore still require to consider the UKAL. Scottish Aggregates producers who move aggregate to the rest of the UK would also still be required to account for UKAL.

No additional costs would be incurred by Scottish Government or Revenue Scotland in relation to the implementation and the collection and administration of tax.

Costs

If UKAL is disapplied in Scotland and not replaced by a devolved tax, the Scottish Block Grant Adjustment would nonetheless be increased to reflect the estimated revenues that the UK Government would no longer receive from material commercially exploited in Scotland. This would result in an immediate material reduction in the Scottish Budget.

The Scottish Fiscal Commission produced an estimate of the Scottish share of UKAL in their Economic and Fiscal Forecast (May 2023). The table below sets out the estimated Scottish share of UKAL over the next five years. This estimate indicates the potential negative impact on the Scottish Budget of this option

Table 1: Estimated Scottish Share of UKAL Revenue forecast (£million)⁸

2024-25	2025-26	2026-27	2027-28	2028-29
60	61	62	63	64

The Scottish Government intends that SAT will align with wider ambitions to deliver a fair, green and growing economy. In particular, the circular economy provides an opportunity to minimise our demand on primary resources and maximise the re-use, recycling and recovery of resources, rather than treating them as waste. This opportunity for Scotland would be undermined by Option 1.

In addition, research published by the Scottish Government suggests that removing UKAL would result in an increase in primary aggregate production in Scotland and a decline in the production of recycled aggregate.

The UKAL has also helped to establish a stable policy landscape which supports long-term investment decisions regarding alternatives for primary aggregates. The option not to introduce a replacement tax would result in the removal of an incentive to continue to encourage the use of recycled aggregate, wastes and other by-products instead of primary aggregate, while undermining investments opportunities in the development of new products which might in future substitute for aggregates.

Option 2) Introduce a replacement tax that retains the fundamental structure of UKAL while tailoring to Scotland’s needs.

Under Option Two, an aggregates tax, similar to UKAL, would remain in place in Scotland.

Sectors and groups affected

- Producers of commercial aggregate
- Producers of alternatives to primary aggregate
- Users of aggregate, including in the public and private sectors.

Benefits

The circular economy provides an opportunity to minimise our demand on primary resources and maximise the re-use, recycling and recovery of resources, rather than treating them as waste. SAT will ensure that there continues to be a financial incentive that encourages a shift in demand from primary aggregate towards recycled aggregate, wastes and other by-products.

Retaining the fundamental structure of the UKAL provides continuity for taxpayers, enables the adoption of core legislative elements which have been tested via litigation and scrutiny, while allowing for the tax to evolve over time to ensure it continues to support the Scottish Government’s circular economy objectives.

⁸ Aggregates Levy – Scottish Fiscal Commission

This option also allows the Scottish Government and Revenue Scotland to take a modern, digital-first and Scotland specific approach to the collection and administration of the tax, in line with the Scottish Government's Framework for Tax, and the shared commitment to work in partnership to develop and maintain an efficient and effective tax system in Scotland⁹.

Lastly, this option will also allow the Scottish Government to retain revenue from SAT. The Block Grant Adjustment amount will be updated in line with the Fiscal Framework arrangements and the outcome of ongoing discussions between the Scottish and UK Governments on the specific arrangements for SAT.

In summary, this option will (1) retain definitions developed over a long period of time with extensive engagement between the UK Government and stakeholders, (2) maintain a system that is widely understood by the industry, and (3) takes into account that UKAL has been considered and validated through litigation, including by the European courts.

Costs

Establishing a new devolved tax will entail set-up and delivery costs. These primarily relate to the following estimated Revenue Scotland costs:

Planning for and setting up a system to administer SAT - £2,345,000. Annual running costs to administer SAT - £905,000.

The UKAL Register records that there are 320 sites registered in Scotland, linked to just under 150 operators. The Scottish Government expects that the number of SAT registered operators will be broadly similar. Option two is expected to have a minimal impact on business as a similar system is already in operation and we would expect the administrative burden to be similar. Most producers will incur a one-off cost to register on Revenue Scotland's system and to adjust their systems and processes.

A small number of medium to large scale quarry operators which operate across the UK will need to register for both SAT and UKAL. The UKAL Register records that 14 operators have sites registered in both Scotland and the rest of the UK. In addition, the intended cross-border arrangements will require some aggregate producers in the rest of the UK who supply aggregate to Scotland to register for SAT.

Revenue Scotland officials have advised the Scottish Government that they will consult with industry stakeholders as part of the development of the online system and seek to provide systems that minimise administrative effort and costs.

⁹ [Supporting documents - Framework for Tax 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/framework-for-tax-2021/supporting-documents/)

Option 3) Provide for a replacement tax that takes a fundamentally different approach to the existing UKAL, redefining key concepts and introducing an entirely different system for the administration of SAT

Sectors and groups affected

- Producers of commercial aggregate
- Producers of alternatives to primary aggregate
- Users of aggregate, including in the public and private sectors.

Benefits

The specific benefits of this option would depend on the exact nature of any alternative system proposed. Though no detailed alternatives were proposed to the Scottish Government during the process of consultation, this would in principle provide an opportunity to reshape all aspects of aggregate taxation in Scotland and introduce an entirely distinctive system. It could include measures to restrict the commercial exploitation of aggregates in Scotland, with the aim to support wider circular economy objectives. Moreover, a fundamentally different approach might entail measures which seek to raise additional revenue from the tax.

Costs

While the specific costs of this option would depend on the exact nature of any alternative system proposed, it would potentially result in significant disruption to the aggregates industry and its customers, an increased risk of double taxation and complications to the cross-border movement of aggregate. It would also create increased scope for unintended consequences.

Aggregates make an important contribution to Scotland's economy, providing materials for housing, construction, road-building and other uses, and supporting employment, including in rural and remote areas of the country. Aggregates are also required as construction materials to support net zero ambitions, including for diversification of the energy mix. A fundamentally different approach could therefore have an adverse impact on construction costs and the wider Scottish economy.

Part 2 Provisions: Devolved Tax Administration

For the provisions in Part 2 of the Bill, the Scottish Government considered two options:

Option 1) Include the provisions in the Bill

Option 2) Do not include the provisions in the Bill and focus solely on the legislation required to deliver a SAT.

Option 1) Include the provisions in the Bill

Sectors and groups affected

- Individuals and organisations which require to submit tax returns in relation to the fully devolved taxes.
- Revenue Scotland

Benefits

If introduced, the provisions in Part 2 of the Bill, and any subsequent secondary legislation, would be intended to support the efficient and effective collection of all fully devolved taxes by Revenue Scotland. The specific benefits for the tax authority of provisions related to communications with taxpayers and the use of automation would depend on the details of any relevant secondary legislation.

They would also have the intention of providing additional certainty for taxpayers, including with regard to the application of penalties for late payment of LBTT and the arrangements in place for set-off.

In relation to set-off, the Bill would bring devolved tax legislation into line with the general law of set off in Scotland, and therefore is more likely to align with public expectations.

Costs

The provisions do not change in any way the amount of tax due to be paid under any fully devolved tax or create any new obligations on taxpayers.

The nature of the changes is such that it is not possible to estimate the precise financial impact for Revenue Scotland. However, the Scottish Government estimates that the measures would be broadly neutral in terms of Revenue Scotland's costs of operation, relative to the option of maintaining the status quo. In terms of the provisions related to the use of automation and communications from Revenue Scotland to taxpayers, specific consideration would be given to any cost implications as part of the relevant consultation process for any secondary legislation.

Option 2) Do not include the provisions in the Bill and focus solely on the legislation required to deliver a SAT.

Sectors and groups affected

- Individuals and organisations which require to submit tax returns in relation to the fully devolved taxes.
- Revenue Scotland

Benefits

The benefit of this option is that it would allow for consultation to be undertaken on provisions prior to their inclusion in a Bill, providing taxpayers and interested organisations with an opportunity to comment. In relation to the provisions on communications with taxpayers and the use of automation, this might allow for more detailed proposals to be set out in primary legislation at the outset.

Without automatic set-off, taxpayers would still need to provide express permission to reallocate any credits against debits due. This gives them greater control over payments and how to settle outstanding tax debt.

Costs

Selecting this option would mean that the opportunity to improve the efficient and effective collection of all the fully devolved taxes by Revenue Scotland would not be taken, with no certainty as to when a future legislative opportunity for change would arise.

This would mean in particular that additional legislative clarity would not be provided on the application of late payment penalties, the arrangements for set-off or the legal continuity of acts by different designated officers, including in relation to summary warrants for the recovery of unpaid amounts of tax. This would have a direct bearing on tax compliance and recovery work. It might also result in a delay in progress being made in terms of future legislation relating to Revenue Scotland's communications with taxpayers or the use of automation.

Regulatory And EU Alignment Impacts

Intra-UK Trade Impacts

The Scottish Government recognises that some taxpayers will commercially exploit aggregate in Scotland and the rest of the UK and will therefore have to register for both UKAL and SAT. The 2019 Aggregate Minerals Survey for Scotland¹⁰ shows that in 2019, approximately 2.5 million tonnes of aggregate were moved from Scotland to the rest of the UK, mainly in the form of crushed rock, while approximately 0.08 million tonnes were moved to Scotland from quarries in the rest of the UK.

Powers in relation to SAT were devolved to the Scottish Parliament in the Scotland Act 2016. The Internal Market Act 2020¹¹ does not apply to SAT as the Act states that that 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.

However, under the proposals set out in the Bill, SAT is not considered likely to have any significant impact on intra-UK trade. Primary aggregate producers throughout the UK already pay the UKAL and following introduction of SAT, aggregate moved from the rest of the UK to Scotland will be taxed on the same basis as aggregate

¹⁰ [Collation of the results of the 2019 Aggregate Minerals Survey for Scotland \(www.gov.scot\)](http://www.gov.scot)

¹¹ [United Kingdom Internal Market Act 2020 \(legislation.gov.uk\)](http://legislation.gov.uk)

produced in Scotland. Taxable primary aggregate produced in the UK should be subject to either UKAL or SAT but not both.

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

International Trade

The 2019 Aggregate Minerals Survey for Scotland¹² shows that in 2019, approximately 3.7 million tonnes of aggregate was exported from Scotland to a destination outside the UK, while negligible amounts were imported to Scotland from outside the UK.

Based on the provisions in the Bill, SAT is not considered likely to have any impact on international trade. Imported aggregate would be subject to SAT on the same basis as domestic aggregate. A tax credit would continue to be available for aggregate exported outside the UK, which maintains the current approach under UKAL.

EU Alignment

The Scottish Government's Environment Strategy¹³ 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

A number of Scottish aggregate producers and their representatives that operate in Scotland responded to the Scottish Government's questions about the potential impact of the introduction of SAT

Scottish Government and Revenue Scotland officials also met individually with representatives of five firms mainly involved in the production of primary aggregate and three involved in the production of recycled aggregate. In addition, the British Aggregates Association, Mineral Products Association and Resource Management Association Scotland, are represented on the Scottish Aggregates Tax Advisory group, representing the interests of a significant number of organisations directly and indirectly involved in the aggregates industry.

The Scottish Government, and Revenue Scotland, intends that engagement with both the expert advisory group and individual firms will continue throughout the Bill process, the development of relevant secondary legislation and in the run up to introduction of the new tax.

¹² [Collation of the results of the 2019 Aggregate Minerals Survey for Scotland \(www.gov.scot\)](http://www.gov.scot)

¹³ [The Environment Strategy for Scotland: vision and outcomes - gov.scot \(www.gov.scot\)](http://www.gov.scot)

In general, the view of industry stakeholders was that the requirements of UKAL are well understood and that aligning the structures and processes of the SAT as closely as possible with this would minimise the impact on taxpayers. It was also suggested by stakeholders that there were significant opportunities for improved administration of the tax, including in terms of enforcement.

Some businesses observed that extra business administration will be an unavoidable consequence of the introduction of a separate tax system. While the Scottish Government expects the overall business burden to be broadly similar, it is expected that Revenue Scotland will work with taxpayers in the development of its collection and administration systems to minimise any necessary additional burden.

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 Bill, SAT will be paid by producers of primary aggregate.

The tax is intended 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 UKAL, we expect that the impact on consumers will be minimal.

Actual consumer costs will, however, be dependent on the tax rate set for SAT, which will not be set until closer to the time that the tax comes into force. Separately, any future regulations to change SAT exemptions, credits or the tax rate may have a cost implication where the cost of the tax is passed onto customers.

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 the rest of the UK, already have systems in place to accommodate the UKAL return. Any forms needed for the collection of the devolved tax by Revenue Scotland will be prepared in consultation with stakeholders.

Digital Impact Test

The collection and management of SAT will be 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.

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 will have powers in relation to the collection and management of SAT and the RSTPA 2014 provides for its general functions.

The RSTPA 2014 sets out the tax administration framework that underpins all devolved taxes in Scotland, along with the powers and duties of taxpayers and Revenue Scotland. It also outlines the investigatory powers of Revenue Scotland, the process for issuing penalties in respect of non-compliant behaviour and 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.

The Scottish Government will work with Revenue Scotland to review the effectiveness of SAT by monitoring information collected from tax returns.

Implementation and delivery plan

Revenue Scotland will establish a programme of activity to deliver the systems, guidance and other requirements to bring SAT into force.

Post-implementation review

The Scottish Government will work with Revenue Scotland to monitor the effectiveness of SAT. The Scottish Government's Framework for Tax principles¹⁴ inform our approach to decision making, engagement and how we manage and sequence tax policy and delivery. Post SAT implementation, the Scottish Government will continue to take full account of the Framework's principles and objectives, which includes evaluation.

Summary and recommendation

After careful consideration, the Scottish Government recommends the adoption of option 2, which is to introduce a tax that is broadly similar in structure and operation as UKAL. 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 taxes easier for the businesses affected, while still aligning with the Scottish Government's circular economy objectives.

On balance, the Scottish Government also recommends the inclusion of the measures in Part 2 of the Bill. This takes account in particular of the relative

¹⁴ <https://www.gov.scot/publications/framework-tax-2021/>

infrequency with which primary legislation on tax matters is brought forward for consideration by the Scottish Parliament, the views of Revenue Scotland on the benefits that the provisions could bring in providing certainty and supporting the efficient and effective collection of tax and the nature and context of the provisions.

Summary costs and benefits tables

Part 1: Scottish Aggregates Tax

Option	Total benefit per annum: - economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
<p>Do not replace UKAL once it is disapplied in Scotland.</p>	<p>The cost of primary aggregates to aggregate producers and potentially customers would be reduced.</p> <p>The cost to primary aggregate producers of making tax returns would be reduced.</p> <p>There would be no additional costs to the Scottish Government in relation to the implementation, collection and administration of the tax.</p>	<p>The Scottish block grant payment will be adjusted to reflect the fact that UKAL would be disapplied in Scotland, which will result in an immediate material reduction in the Scottish budget.</p> <p>There would potentially be an increase in primary aggregate production and a decrease in recycled aggregate production undermining circular economy ambitions of the Scottish Government.</p> <p>The option to dis-apply the tax would potentially disrupt the policy landscape expected by recycled aggregate producers and undermine investment opportunities in the development of new products which might substitute for aggregates.</p>
<p>Introduce a replacement tax that retains the fundamental structure of UKAL while being tailored to Scotland's needs.</p>	<p>There will continue to be a financial incentive to shift demand from primary aggregate towards recycled aggregate,</p>	<p>There will be costs to taxpayers to register for and administer SAT. Although these costs are expected to be minimally</p>

	<p>wastes and other by-products.</p> <p>There will be continuity and consistency for taxpayers while allowing for the tax to evolve over time.</p> <p>The Scottish Government and Revenue Scotland will be able to provide for the improved collection and administration of the tax.</p> <p>The Scottish Government will retain revenue from SAT, with an associated reduction in the Block Grant.</p>	<p>different from under UKAL.</p> <p>Some primary aggregate producers will need to register for both SAT and UKAL.</p> <p>There will be costs to Revenue Scotland for the set up and ongoing administration of SAT.</p>
<p>Provide for a replacement tax that takes a fundamentally different approach to the existing UKAL.</p>		<p>There would potentially be significant disruption to the aggregates industry and their customers.</p> <p>There would be increased cross-border complications and increased risk of double taxation on quantities of aggregate.</p> <p>There is increased scope for unintended consequences.</p>

Part 2: Devolved Tax Administration

Option	Total benefit per annum: - economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
<p>Include the devolved tax administration provisions in the bill</p>	<p>The devolved tax administration provisions will support efficient and effective collection of fully devolved taxes and provide additional certainty for taxpayers</p>	<p>The provisions do not change the amount of tax due or create any new obligations for taxpayers</p> <p>There is not expected to be any additional costs in terms of Revenue Scotland's operations.</p>
<p>Do not include the devolved tax administration provisions in the bill</p>	<p>This option would allow for consultation on the provisions to be undertaken with taxpayers and interested organisations.</p>	<p>The efficient and effective collection of devolved taxes would not be improved</p>



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