



HM Treasury

# Review of the Aggregates Levy

3<sup>rd</sup> July 2019

12:30 – 14:30



HM Treasury

## Review of the Aggregates Levy

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Introductions and opening remarks

Minutes of the 2<sup>nd</sup> Working Group meeting

Christina Hart (Chair)



HM Treasury

# Review of the Aggregates Levy

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Update on the Review

Lucy Felton, HM Treasury



HM Revenue  
& Customs

# HMRC's compliance approach

Andy Ray, HMRC

# A Healthy Tax System

A **healthy tax system** as one that collects **the tax that is due** at **minimal cost** to customers and the exchequer, in a way that **engages the trust** of our customers.



# HMRC Strategy: Delivering Compliance

We **promote compliance and prevent non-compliance as early as possible in each customer's relationship with us**, while responding appropriately to non-compliance.

In practice, our strategy means designing compliance into the tax system, supporting the honest majority, and tackling the dishonest few who try to bend or break the rules.

That is why we:

- **Promote** compliance by designing it into our systems and processes, helping customers get things right from the very start.
- **Prevent** non-compliance by using the data we have to spot mistakes, personalise services and support, block fraudulent claims, and automate calculations.
- **Respond** by identifying and targeting the areas where there may be tax risk – and where appropriate using tough measures to tackle those who deliberately try to cheat the system.



# HMRC compliance

- Approximately 150,000 compliance interventions are on hand at any one time.
- In 2017/18, we
  - secured £30.3 billion additional tax through our work to tackle error, avoidance and evasion – 5% higher than the previous year.
  - Protected £37 billion tax through litigation activity
  - Prevented £6.2 billion revenue losses by tackling non-compliance, such as stopping fraudulent repayment claims.

# HMRC Safeguards

## Assurance

- In less complex cases, the caseworker makes the decision on how to resolve the matter under discussion. They do this with appropriate guidance, management support and where relevant technical advice from our specialists, including lawyers.
- We operate a “3 line of defence” model to provide assurance that cases are worked in accordance with our processes and that we work and resolve our cases efficiently – including management oversight, quality assurance and internal audit.
- There are HMRC and Directorate-level governance boards for decision-making in complex cases, e.g. where large amount of tax at risk, there are significant wider impacts, the case is sensitive.
- Where a customer believes that HMRC is acting outside of the applicable legislation, or has misinterpreted how it applies they have:
  - access to independent HMRC mediation through the Alternative Dispute Resolution process
  - statutory rights to an independent Review of HMRC’s decision
  - appeal rights to the Tax Tribunal and higher courts





# HMRC Safeguards

## Governance

- The role of Tax Assurance Commissioner was introduced by HMRC in 2012 as part of a package of measures designed to strengthen the governance of tax disputes.
- The Tax Assurance Commissioner has an explicit challenge role in decision-making in the largest and most sensitive disputes and in a sample of smaller cases.
- HMRC's Non-Executive Directors play an important role in providing advice, challenge and scrutiny to the work of the Executive and the department more widely.
- The National Audit Office

## Professionalism and capability

- Guidance, training, continuous professional development.

## Complaints

- Independent HMRC teams, Adjudicator.

# Aggregates Levy – specific compliance issues

Group discussion:

- What specific aspects of non-compliance affect this sector?
- What is the scale of the problem?

# Aggregates Levy - Achieving a Sustainable Solution for Northern Ireland

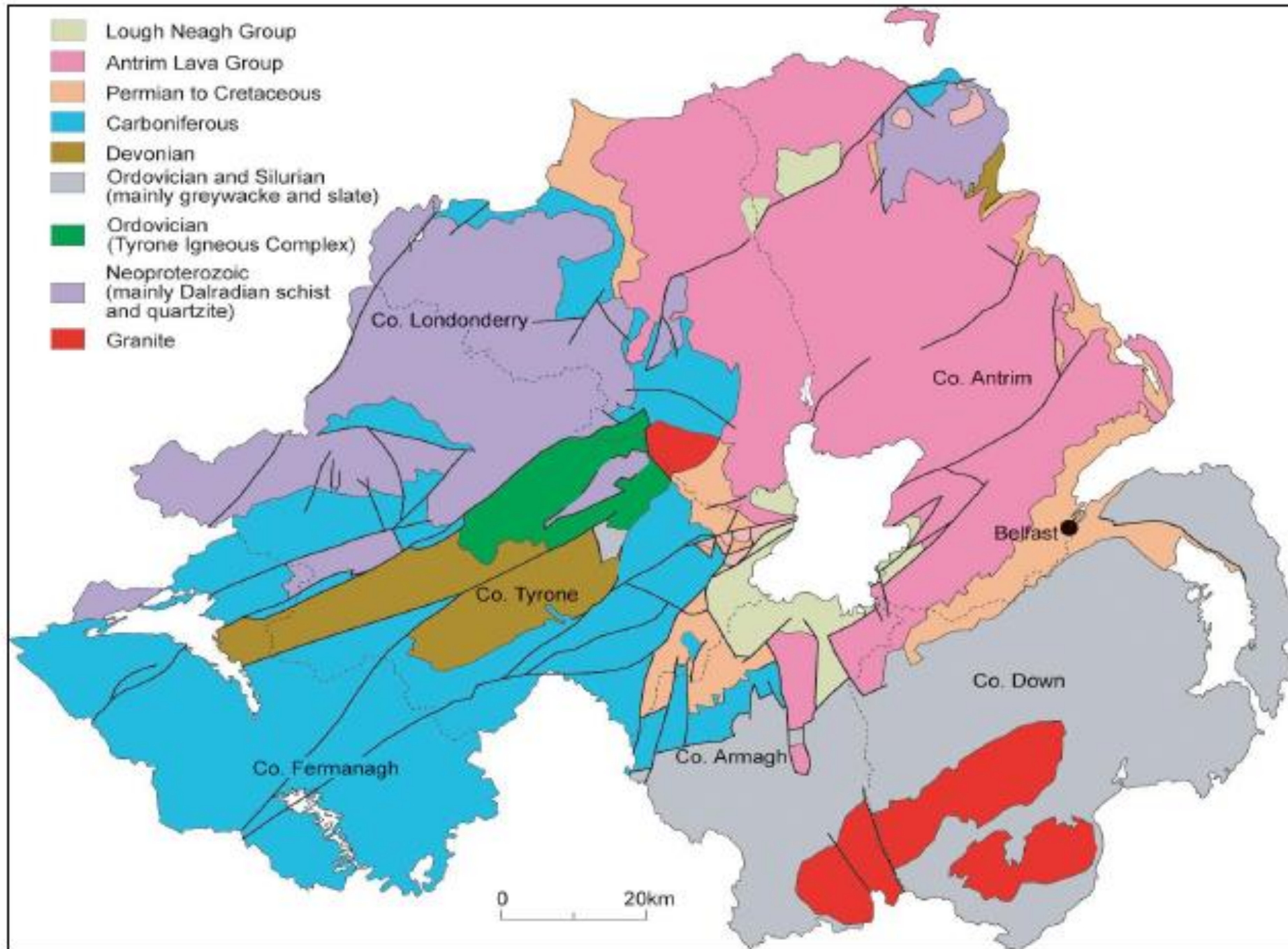
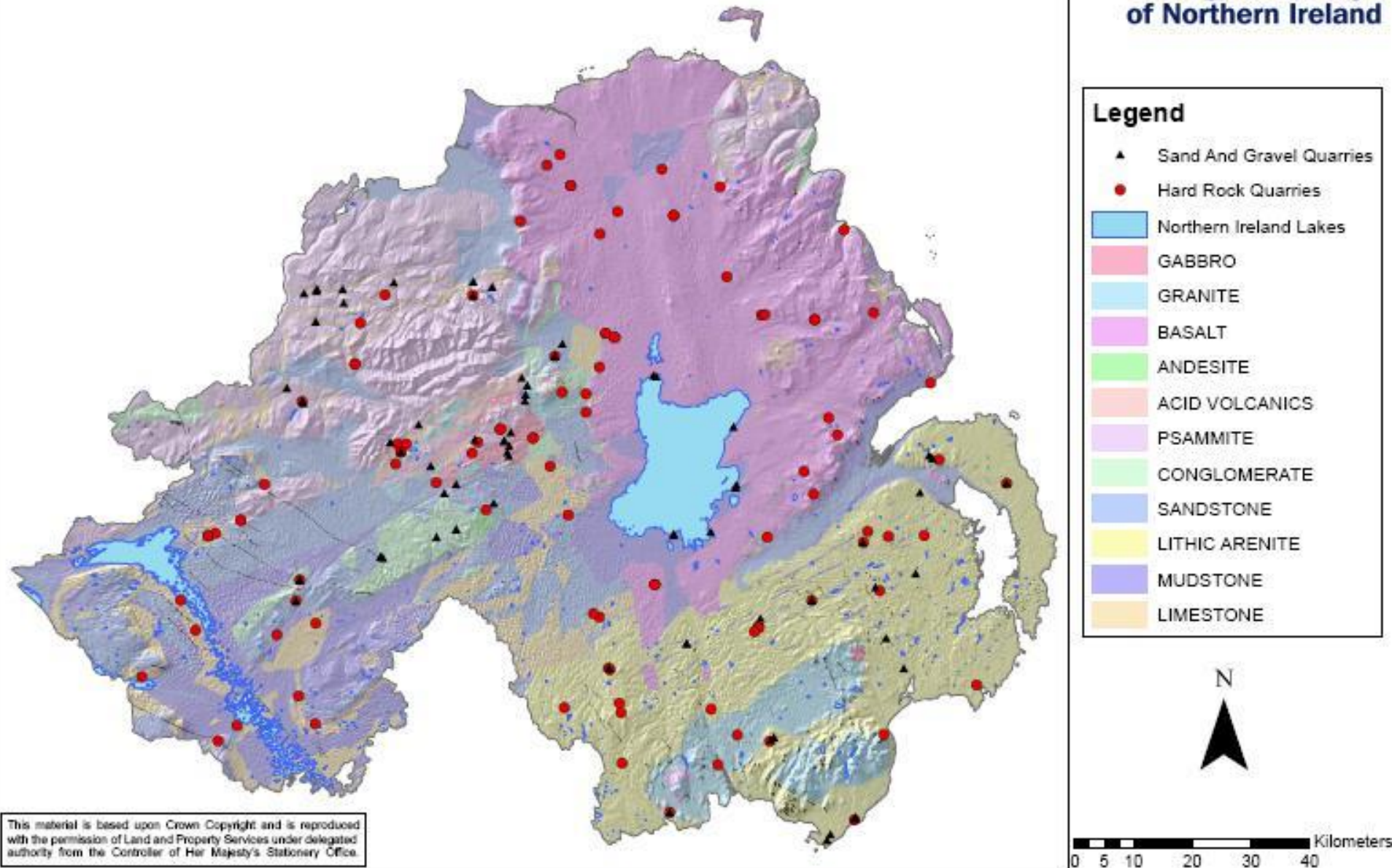


Figure 3: Basic geology map of Northern Ireland's bedrock.

# Northern Ireland Simplified Geology and Quarry Locations



# Aggregate production by area/ type

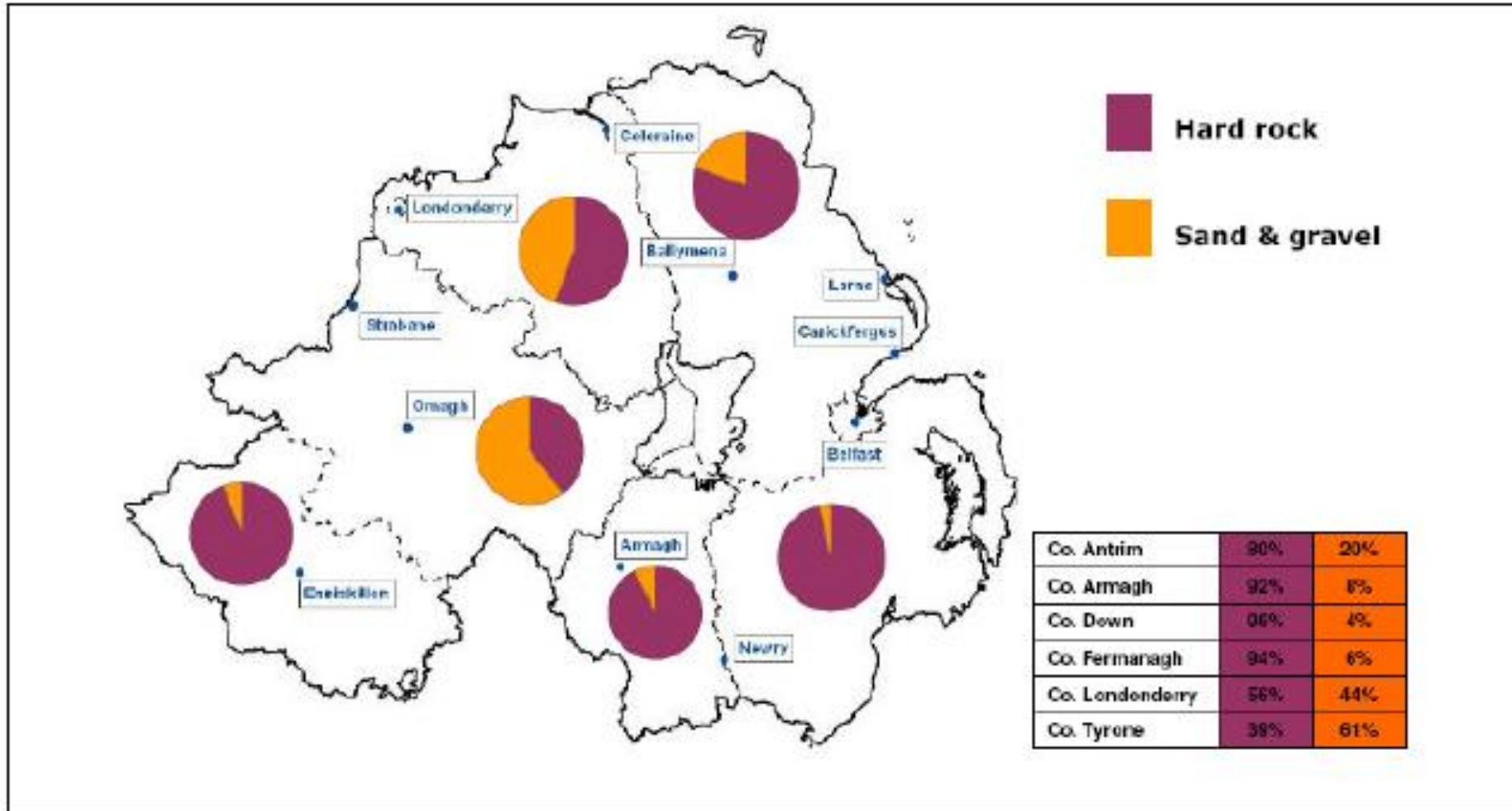


Figure 4: Map of Northern Ireland's six counties showing the production of hard rock and sand & gravel attributable to the local geology.

# Aggregates Levy - Background

In 2001 the QPANI supported by our MPs, MEPs, our NI Executive and Assembly launched a lobbying campaign at Westminster and Brussels to highlight the severe impact of the AGL in Northern Ireland. Led to;

- NI Affairs Committee enquiry.
- Debates in the Assembly and motions passed at Local Council Level.
- Meeting with EU Commissioner

# Aggregates Levy Background

ALCS Introduced on 1 April 2004,

80% levy credit to operators in NI who commercially exploited aggregate originating there, provided they entered into an agreement with the Department of Environment (DoE) in NI to improve environmental standards at their site(s).



# Aggregates Levy Background

The scheme was intended to help aggregates producers in NI cope with the very different market conditions (compared with those in Great Britain) as a result of being the only part of the UK to share a land boundary with another EU Member State.

# Credit Scheme

A review of the Aggregates Levy Credit Scheme supporting the case for a continued levy relief scheme in Northern Ireland



**Environmental Improvements**



**Audits**



**Legislation Compliance**



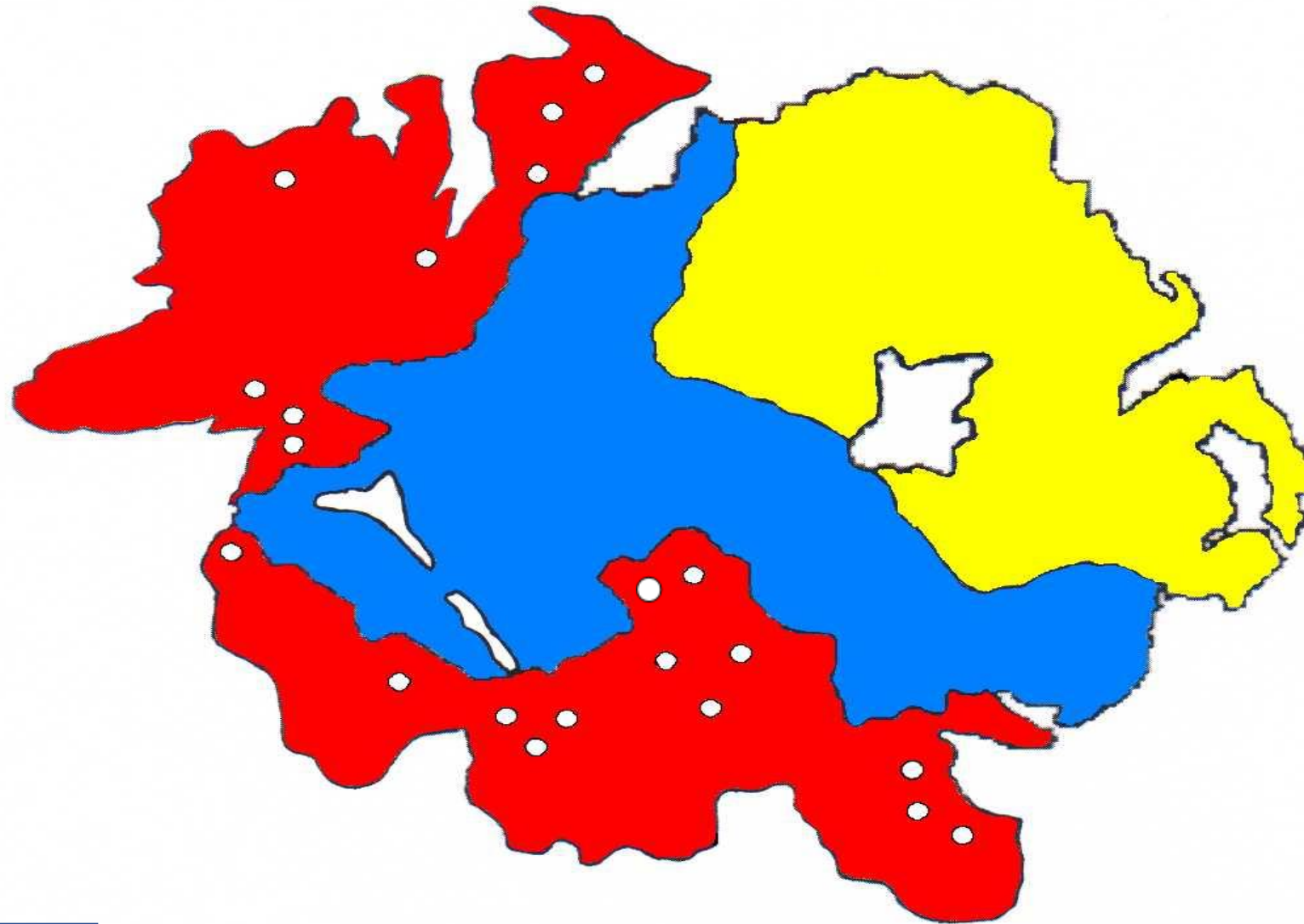
**Viable Industry**



# Aggregates Levy Background

ALCS got 100% registration and greatly improved the environmental standards and attitudes within the Northern Ireland Quarry Industry.

Not perfect, but certainly protected the industry against illegal quarrying and undeclared imports from the RoI.



 Area within 20 miles of border  
Concrete

 ROI based Tarmac or

# Aggregates Levy - current situation

Average price of Aggregate in NI is £4.25 per tonne ( before tax / transport). AGL almost a 50% tax.

Aggregate content of Concrete and Asphalt Products manufactured in NI have aggregates levy applied to them.

Similar products manufactured in RoI and imported into NI do not.

Reverse State Aid in our view!!!!!!

# ANNUAL MINERAL STATEMENT 2017

## SUMMARY

Of the 134 quarries contacted, 90 responses were received representing a return rate of 67%. There was a 23% reduction in the number of returns received in 2017 compared to 2016.

**TABLE 1** Reported Mineral Production in Northern Ireland 2017

MINERAL	QUANTITY REPORTED (Million tonnes)		SELLING VALUE (£million)	
	2016 (116 returns)	2017 (90 returns)	2016	2017
Basalt and Igneous Rock (excluding Granite) <sup>1</sup>	4.22	3.23	19.79	13.80
Sandstone	5.04	3.72	19.19	12.08
Limestone	2.15	2.32	8.34	9.37
Sand and Gravel	2.35	2.61	12.25	10.28
Other	1.26	0.79	10.12	8.27
<b>TOTAL</b>	<b>15.09</b>	<b>12.67</b>	<b>69.97</b>	<b>53.81</b>

*Please note totals may differ due to rounding*

**TABLE 2** Number of persons reported employed at quarries in Northern Ireland 2017<sup>2</sup>

MINERAL	INSIDE PIT/EXCAVATION	OUTSIDE PIT/EXCAVATION	MANAGEMENT & ADMIN	TOTALS
				2017
Basalt and Igneous Rock (excluding Granite)	91	70	58	219
Sandstone	79	51	62	192
Limestone	46	20	64	130
Sand and Gravel	56	50	37	143
Other	47	61	31	139

## SECONDARY AGGREGATES

### USAGE TARGET

*“Individual quarries to achieve a level of use of Construction and Demolition Waste of 5% of annual extraction figures by the end of the period of the scheme, 31 March 2011.”*

# Aggregates Levy - The Way Forward

A clear recognition by Government that any new Aggregates Levy structure needs to take account of the unique circumstances the 300 mile land border with the RoI and significant difference in market prices creates in Northern Ireland.

Government could significantly reduce the aggregates levy and replace the shortfall in revenue with some other tax raising scheme that will also address environmental challenges, for example a pesticides tax.

We would call for a new assessment of the environmental costs of aggregates extraction as we believe, given the massive investment that has been made in reducing the industry's environmental footprint, maximizing recycling volumes and improving our energy efficiency, this cost has reduced significantly.



# Aggregates Levy - The Way Forward

Increase the level of landfill tax as the most efficient way to further improve recycling.

We would call for a reduction in the levy to a value which reflects better the low market value of aggregate in NI,

Consider the return of an ALCS type or hybrid scheme to reward good practice offering a reduction in tax payable for best practice. This scheme could incentivise delivering Natural Capital, Biodiversity net gain and de-carbonisation in the Industry.

Consider the return of a Community/Sustainability type fund.

# Aggregates Levy Background

## Questions

# Scottish Devolution: History

2009 - Calman Commission

2012 - Scotland Act

2014 - Smith Commission

2015 – Revenue Scotland established and Landfill Tax and SDLT devolved

2016 Scotland Act



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Closing Remarks

Christina Hart (Chair)