



## Minutes: Aggregates Levy Working Group: Operational Issues

**Meeting date:** 3<sup>rd</sup> July 2019

**Meeting time:** 12:30 – 14:30

**Location:** HMRC, City Centre House, 30 Union Street, Birmingham, B2 4AD

**Attendees:** HM Treasury: Christina Hart [chairing], Lucy Felton, Florence Eastoe [minutes]  
HMRC: Darren Greedy, Tim Smith, Andy Ray, Cathy Mawer  
BAA: Paul McManus [dialled in], Trefor Evans  
British Ceramics Foundation: Lauren Derby  
British Geological Survey: Andrew Bloodworth, Joseph Mankelow  
CECA: Steve Livingstone [dialled in]  
Environmental Services Association: Matthew Turner  
MPA: Jerry McLaughlin  
MPA NI: Gordon Best  
MPA Scotland: Alan Mackenzie  
NI Environment Link: Dr Jonathan Bell  
Planning Officers Society: Vicky Perkin [dialled in]  
RSPB: Paul Morling [dialled in]  
Woodland Trust: Ann Rooney [dialled in]

**Apologies:** HM Treasury: Ann-Therese Farmer, Deputy Director  
CBI Minerals Group: David Payne  
Construction Employers Federation (NI): David Fry  
Royal Town Planning Institute: James Harris  
Wales Environment Link: James Byrne

### 1. Introductions and welcome

1.1 All participants introduced themselves. Christina Hart (HM Treasury, chairing) welcomed the group and thanked everyone for attending.

1.2 The chair introduced the aims of the meeting: to look at the operational issues including compliance, the unique situation in Northern Ireland, and devolution of the Levy to Scotland.

### 2. Agreement on the minutes of 2<sup>nd</sup> meeting

2.1 The chair asked for feedback on the draft minutes of the 2<sup>nd</sup> Working Group meeting that had been previously circulated, and highlighted that the minutes for the second and third

meetings would be agreed via email write round. There were no specific comments on the minutes of the 2<sup>nd</sup> expert Working Group meeting.

**2.2** Environmental Services Association (ESA) wished to add to the discussion of the previous meeting by setting out their position. They stated that the Aggregates Levy is important to Incinerator Bottom Ash Aggregate (IBAA) producers as it provides a commercial incentive to choose IBAA over virgin aggregate (IBAA is not taxed). ESA noted that 2 million tonnes of the 64 million tonnes of total recycled aggregate is IBAA and said that IBAA is designated waste for inclusion in specific products and is strictly controlled.

### **3. Brief update on Aggregates Levy Review**

**3.1** Lucy Felton (HM Treasury) gave a brief update on the Review, setting out the progress since the last Working Group meeting, including a regional round table with businesses in Edinburgh (hosted by MPA Scotland), meetings with the British Marine Aggregate Producers Association (BMAPA), the British Geological Survey (BGS) and KPMG, and conversations with a number of businesses at the Mineral Products Association (MPA) conference. Lucy also noted upcoming visits for the Review team including: china clay and a ball clay site visits in south-west England, a slate quarry in north Wales, an RSPB/Hanson site visit and a possible hard rock quarry in the East Midlands. There was also an upcoming meeting with British Glass (BG) already in the diary.

**3.2** HM Treasury highlighted that engagement across government and with the devolved administrations continues and reminded stakeholders that the deadline for written representations was Friday 5<sup>th</sup> July.

### **4. HMRC approach to compliance**

**4.1** Andy Ray (Large Business, Customer Compliance Group, HMRC) explained his role, and presented a general overview of the tax system including what a healthy tax system is, collecting the tax that is due at minimal costs to both business and HMRC. He explained the compliance delivery model of promote / prevent / respond – helping customers to get things right from the start, preventing non-compliance and targeting risk - and outlined HMRC safeguards. He added that the Review of the Aggregates Levy is an opportunity to review HMRC systems and processes.

**4.2** Andy noted the large scale of HMRC compliance operations. Andy offered that stakeholders could send the names of suspected non-compliant businesses directly to him. He reassured attendees that every single piece of information of non-compliance received by HMRC is assessed, but noted that HMRC are legally not able to discuss investigations with those who give HMRC intelligence.

### **5. Aggregates Levy: specific compliance issues**

**5.1** Darren Greedy (HMRC) invited views from the Group on compliance issues in terms of the Levy. He noted that it would be useful to focus on issues affecting the whole of the UK first, given separate slots on the agenda for Northern Ireland and Scotland.

**5.2** MPA remarked that compliance in the aggregates sector is generally pretty good, as the levy has been in place for many years so is generally well understood. MPA suggested that non-compliance is not a macro issue, but can have a significant localised effect; particularly noting that temporary sites or borrow pits are a persistent concern. For example, in big construction projects the quantity of aggregate sourced tax free can be very significant (in the millions of

tonnes). Members generally agreed with the principle of the current tax treatment for borrow pits, but had concerns that the tax relief was being abused.

**5.3** MPA asked whether more specific guidance could be provided on the tax treatment of borrow pits, while MPA Scotland put forward the opinion that the legislation on borrow pits could be clearer. CECA said that making a judgement on the location of borrow pits with regard to the definition of site is a recurring problem for construction companies, and that further education would be helpful. Other members felt that most in the industry were fully aware of the rules on borrow pits.

**5.4** Discussion continued around the issue of unregistered, illegal pop-up sites. MPA Scotland suggested that smaller companies were not investigated. They further added that the scale of non-compliant operations was not always commensurate with the impact on the local area/local competitors. BAA reiterated the point that they felt that non-compliance by smaller companies was not investigated, and suggested that the competition from rogue operations can result in small legitimate businesses closing. Andy Ray assured members that a considerable section of HMRC is focussed on small businesses and individuals and added that HMRC's risk assessment includes a number of criteria, not just the amount of tax at stake. He reiterated his offer that stakeholders could send the names of the suspected non-Levy paying businesses directly to him, but suggested that attendees worked together to submit a comprehensive list of problems/sites rather than individually.

**5.5** MPA Scotland cited a further example of non-compliance where there were cases of recycling operations in quarries where virgin untaxed aggregate was being mixed in with the recycle. BAA added that the planning permitting system should police this issue, recycling is very different to quarrying. Responding to HMRC's suggestion to send them more information on non-compliance, MPA made the point that the temporary nature of some of the sites makes it difficult to keep up in terms of gathering, verifying and reporting information. HMRC said that they are taking steps to work with local agencies in a more collaborative way, including a piece of work with the Environment Agency.

**5.6** Mineral Products Association Northern Ireland (MPA NI) noted that they had previously recommended that HMRC publish a register of levy-registered operators; this public register could help encourage compliance and would be a useful check for those procuring aggregate as well as those suspecting non-compliance. HMRC responded that they understand the argument for such a register and that it had been raised before but accurate data is currently not available for this to be done. However, HMRC noted that they continue to pursue the matter.

**5.7** Planning Officers Society said that local authorities no longer have information on sites which were not paying tax. British Geological Survey said that they constantly monitor quarries and mines across the UK, whether they are active, who operates them, and could share this information. It was suggested that this could be cross checked with HMRC's records. BGS added that there could be a role for Aggregates Working Parties. MPA Scotland suggested that trade associations should consider the best ways of gathering and sharing information across the sector and make proposals to HMT/HMRC.

## **6. Northern Ireland: Aggregates Levy**

**6.1** Gordon Best (MPA NI) talked the Working Group through his presentation, setting out the history of the Aggregates Levy in Northern Ireland, and explaining the unique circumstances

that businesses in Northern Ireland face due to: the land border with Republic of Ireland; increased incidence of non-compliance compared to the rest of the UK; and the aggregates industry being made up of smaller businesses, yet being a larger employer, in NI compared to GB.

**6.2** MPA NI set out their recommendations and ambitions for the future of the levy, suggesting that the levy needs a new structure to take account of NI's circumstances. MPA NI suggested the levy's rate should be reduced, with the shortfall in revenue replaced by a new environmental tax, such as a pesticides tax. MPA NI suggested that a new assessment of the environmental costs of aggregates is needed and suggested increasing the rate of the landfill tax to encourage recycling, and recommended a scheme like the Aggregates Levy Credit Scheme (ALCS) be reintroduced in NI. NI Environment Link (NIEL) suggested that if the ALCS was reintroduced, it should be designed so it adds environmental value above what quarries are required to achieve anyway. NIEL also suggested that ALCS previously had issues around enforcement, and said that if the scheme were reintroduced, it should be enforced properly.

**6.3** MPA NI said they have a long-standing relationship with HMRC on informing on evasion and scams; and welcome the new HMRC team that has been set up. MPA Scotland suggested that there's an issue of the levy being a larger proportion of the price of aggregate in regions such as North Scotland and North Wales, but that this was a particular issue in NI. MPA raised the issue of planning authorities in NI not properly managing activities.

**6.4** BAA supported MPA NI's views and added that other areas of the UK have significant issues of price compliance and face similar issues when competing on price of exports. The product exported from the UK is only a proportion of the product won from the quarry; the by-product left in the quarry can be as much as 80 per cent. This by-product is affected by the economic conditions in NI and elsewhere. Anyone importing to U.K. is paying aggregates levy and the product is liable to the same amount of tax as domestically won aggregate, but importers have a price advantage as their by-product is not taxed in the country where it is won, thereby giving importers a competitive advantage.

**6.5** MPA NI noted that businesses are required to make aggregates levy payments to HMRC every quarter, and they have a certain number of days to pay that bill. Big and small businesses alike face issues of delayed payment from customers which affects businesses' cash flow. This means that companies are withholding investments on environmental initiatives to make sure they have cash flow to keep businesses running.

## **7. Scotland: Aggregates Levy Devolution**

**7.1** Darren Greedy explained the history of Scottish devolution, focusing on indirect taxes. Darren made the point that some on the group had previously discussed this topic at the Edinburgh meeting but wanted to raise so that others might have the opportunity to comment. There were few points raised, although some members did restate their concerns should there be any variation in the Scottish and the rest of the UK's tax regimes.

**7.2** MPA asked if there was any movement to devolution in Wales. HM Treasury responded that the government has said it would keep the devolution of the levy to the National Assembly for Wales under review with the intention of devolving in the future. This is subject to State Aid issues and any 'cross-border' market distortions having been worked through in full.

**7.3** MPA and BGS said that devolution is a concern if the tax is different as there is a lot of aggregate moving across the England-Wales and England-Scotland boundaries [MPA and BGS' presentation at the first Working Group meeting included maps that illustrated this].

## **8. Closing remarks**

**8.1** The chair summarised the key points of the conversation, noting that there were a range of views expressed in the discussion, and set out a number of actions and next steps:

- Offer from Andy Ray (HMRC) to directly send him further information/intelligence;
- MPA and MPA Scotland offered to consider the best ways of gathering and sharing information on non-compliance across the sector and send HM Treasury and HMRC their proposal; and
- British Geological Survey to share the link to their minerals database with the Working Group.

**8.2** The chair thanked everyone for attending and for their productive and enthusiastic participation in the Working Group.