



## Aggregates levy: credits in Northern Ireland

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### Who is likely to be affected?

Anyone who accounted for aggregates levy at the full rate on aggregate that was commercially exploited between 1 April 2004 and 30 November 2010 in Northern Ireland (NI) following importation from another European Union (EU) Member State.

### General description of the measure

The measure will entitle eligible claimants to a credit of 80 per cent of aggregates levy that was paid at the full rate on aggregate commercially exploited in NI between 1 April 2004 to 30 November 2010 (the relevant period), where the aggregate was imported from another EU Member State. Claimants will need to provide evidence to the Department of Environment (DoE) in NI to demonstrate that the quarry from which they obtained the aggregate met specified environmental standards.

### Policy objective

This measure removes a distortion that arose from excluding aggregate that originated in other EU Member States from the tax benefit derived from participation in the Aggregates Levy Credit Scheme (ALCS). It does this by allowing a credit from aggregates levy for aggregate that was commercially exploited in NI during the relevant period following importation from an EU Member State other than the UK, where certain conditions are met.

### Background to the measure

The aggregates levy was introduced in 2002 and is a tax on sand, rock and gravel commercially exploited in the UK. From the outset a credit scheme was introduced in NI to help aggregate producers there cope with the very different market conditions to 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. This scheme was adjusted in 2004 in response to concerns that the levy was not having the intended effect in NI.

From 1 April 2004, the ALCS provided an 80 per cent credit from the aggregates levy to anyone who commercially exploited aggregate in NI, on condition that the aggregate originated there and that the quarry operator entered into an agreement with the DoE in NI. The agreements set targets for improvement in the environmental performance of the quarry's operations. DoE assessed the quarry's environmental standards and monitored performance against the agreement targets. Compliance was reflected by the issue of a certificate by DoE, which was used to support claims to HM Revenue and Customs (HMRC) for tax credit.

The ALCS received the European Commission's State aid approval in 2004 but, following a legal challenge by the British Aggregates Association, that approval was annulled by the European General Court in September 2010. As a result, the scheme was suspended from 1 December 2010, pending a full investigation by the Commission.

The Commission completed its investigation into the ALCS and published its decision on 7 November 2014. It concluded that it is broadly content with the scheme but requires the UK to correct the distortion of competition that arose from limiting the ALCS tax benefit to aggregate originating in NI.

HMRC published Revenue and Customs Brief 41/14 on 17 November 2014 setting out more detail on how the scheme will operate. Draft legislation was published on 10 December 2014.

## Detailed proposal

### Operative date

This measure will have effect on the date that Finance Bill 2015 receives Royal Assent for qualifying aggregate that was commercially exploited in NI during the relevant period. Claims must be submitted to HMRC within four years of the legislation coming into force.

### Current law

The primary legislation for aggregates levy is set out in Finance Act (FA) 2001. The ALCS was introduced by section 30A of that Act which provided for regulations setting out how the scheme operated. These regulations - the Aggregates Levy (Northern Ireland Tax Credit) Regulations 2004 (SI 2004/1959) - were revoked by the Aggregates Levy (Northern Ireland Tax Credit) (Revocation) Regulations (SI 2010/2598) with effect from 1 December 2010.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to add sections 30B, 30C and 30D to FA 2001 to provide for credits of 80 per cent on aggregate where the full rate of levy was paid when the aggregate was commercially exploited in NI during the relevant period following its importation from another Member State. Secondary legislation laid before Parliament in spring 2015 will specify evidence needed to support claims, including details of the originating quarry.

### Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	negligible	negligible	negligible	negligible	negligible
The Office for Budget Responsibility has included these numbers in its forecast.						
Economic impact	The measure is not expected to have any significant economic impact.					
Impact on individuals, households and families	This measure concerns the taxation of businesses. There will be no direct impact on individuals. The measure is not expected to impact on family formation, stability or breakdown.					
Equalities impacts	This measure concerns the taxation of businesses and there will be no direct impact on individuals. As such it is very unlikely that there will be any impact on equality.					
Impact on business including civil society organisations	This measure is expected to have negligible impact on fewer than 100 businesses. A business wishing to claim a levy credit will need to supply DoE with details of the quarry in the other Member State from which it obtained the aggregate. DoE will investigate the environmental standards that applied at that quarry at the time of the purchase and, if satisfied that those standards were broadly equivalent to those met by quarries in NI under the ALCS, will issue the business with a certificate. The business will then need to write to HMRC to claim a levy credit, attaching a copy of the DoE certificate and other evidence supporting its claim.					

	Businesses affected by this measure will be familiar with the ALCS and, since the mechanism for claiming credits will be similar to that scheme, there should be little by way of familiarisation costs. The businesses should also be familiar with the procedures for claiming credits from HMRC.
<b>Operational impact (£m) (HMRC or other)</b>	Operational costs of the DoE in NI and for HMRC will be negligible.
<b>Other impacts</b>	Other impacts have been considered and none have been identified.

### **Monitoring and evaluation**

The measure will be kept under review through regular communications with the DoE in NI and HMRC's Environmental Taxes Unit of Expertise who will jointly manage its implementation.

### **Further advice**

If you have any questions about this change, please contact Catherine Osborne on 03000 536971 (email: [catherine.osborne@hmrc.gsi.gov.uk](mailto:catherine.osborne@hmrc.gsi.gov.uk)).