



Breaking new ground? Developing a Scottish tax to replace the UK Aggregate levy Consultation response, December 2022

Introduction to Scottish Environment LINK

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 40 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.

Its member bodies represent a wide community of environmental interest, sharing the common goal of contributing to a more sustainable society. LINK provides a forum for these organizations, enabling informed debate, assisting co-operation within the voluntary sector, and acting as a strong voice for the environment. Acting at local, national and international levels, LINK aims to ensure that the environmental community participates in the development of policy and legislation affecting Scotland.

LINK works mainly through groups of members working together on topics of mutual interest, exploring the issues and developing advocacy to promote sustainable development, respecting environmental limits. This consultation response was written by LINK's Sustainable Economy Group.

Response

Scottish Environment LINK members welcome the opportunity to respond to this consultation.

Many of the questions in the consultation are beyond the expertise of LINK members. We therefore limit our response to some general observations and comments on some of the questions.

The aggregate levy and circular economy

Members are pleased to see the aggregate levy positioned as contributing to a more circular economy (CE), alongside the landfill tax and the CE route map and National Planning Framework 4. Circular economy policy has tended to focus on the bottom of the waste hierarchy, on increasing recycling. More recently there is welcome recognition that policy emphasis needs to move to reducing consumption of raw materials and facilitating reuse. In relation to aggregate, LINK members welcome policy measures that will reduce the demand for primary materials and aid the reuse of materials that are already in use.

From the background material, it is hard to determine whether the UK Aggregate Levy has had any significant effect on demand for primary aggregate; and we would caution against assuming a modified tax would do so without more fully understanding the elasticity of demand. The consultation document suggests that the aggregate levy might be more effective if combined with an increase in landfill tax for these materials. LINK members would support this if it resulted in the reuse and recycling of materials, substituting for primary aggregate extraction.



We strongly recommend that a CE sector plan is developed for the construction sector (as well as other sectors) which details how the sector is going to become more circular, reducing its use of raw materials and waste. The continued extraction of non-renewable primary materials is incompatible with a circular economy, so this needs to be phased out. Sector targets, planning, mandatory standards, and presumptions in favour of the use of existing assets all play a role in this; as well as market mechanisms like taxation. The Dutch Government, seen as a leader on CE, developed a 'transition agenda' for construction¹, which provides a useful reference.

The other rationale for the tax is to provide a fund to support the sector in becoming more circular which is discussed later in this response.

Imports, exports, exemptions and reliefs

LINK members agree that imports should be treated in line with the UK levy, and so would be due when the aggregate is commercially exploited in Scotland. Given that aggregate moving from the rest of the UK into Scotland would be relieved from the UK levy, LINK members agree that there will be a need to tax these imports of aggregates from the rest of the UK to Scotland.

The area of exemptions and reliefs is obviously complicated and beyond the experience of LINK members. One point to make is that (as noted in the consultation document, para 3.14) the existing exemptions reflect the UK position that the levy is intended to tax only materials that are extracted for use as bulk fill in construction. LINK members would like to see primary materials taxed, regardless of their intended use; which would affect the revision of exemptions and reliefs.

LINK members agree with the proposal that recycled aggregate should be exempted from a devolved tax in order to incentivise its use as a substitute for primary materials.

LINK members are of the view that, in general, a relief from a Scottish levy should not be applied to exports of aggregate, except for cases where this would lead to double taxation, ie where they are exported to the rest of the UK or other countries that apply an aggregate tax to imports.

Factors to take into account in setting rates for the tax

Rates need to be high enough to incentivise a more circular approach to construction by making raw material more expensive. This, along with other policy mechanisms, needs to result in circular design of buildings / infrastructure, preference for refurbishment over demolition and new build, and reuse of components and materials as an alternative to extraction of raw materials.

It makes sense to legislate for powers to enable more than one tax band to be introduced which would provide flexibility for differentiated rates which might be needed for the tax to achieve its aim,

¹ <https://www.government.nl/topics/circular-economy/accelerating-the-transition-to-a-circular-economy>



depending on the market for different types of aggregate and substitute secondary / recycled materials.

A Sustainability Fund

LINK members support the establishment of a sustainability fund from the revenue which could be used to mitigate environmental impact of aggregate extraction, and restore sites, and to support the transition to a circular construction sector.

The fund could be used to reward good practice amongst operators in terms of circular approaches and good environmental performance.

In terms of restoring sites and biodiversity enhancement, to ensure additionality, the fund should only be spent on mitigation/restoration beyond that required by the planning consent. LINK members support a scheme similar to Landfill Tax Credits for distributing/using the fund to deliver biodiversity benefits within a given distance from the site. It may make sense to merge the two schemes to make the administration more efficient.

This response was compiled on behalf of the LINK Sustainable Economy Group and is supported by:

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