

Scottish Aggregates Tax – Options for approaching cross-border taxation

Response by the Chartered Institute of Taxation

1. Executive Summary

- 1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.
- 1.2. The consultation uses an estimate of imported aggregate to Scotland (from the rest of the UK) of 80,000 tonnes from the [2019 Aggregate Minerals Survey for Scotland](#) (with estimated revenues of £166,400 at a rate of £2.08 per tonne). With the level of revenues concerned, we would recommend that the Scottish Government, Revenue Scotland and HMRC undertake a robust cost/benefit analysis to understand whether the introduction of the proposed options for taxation of cross border aggregates supplies (to and from Scotland, with the rest of the UK) is proportionate. Will the revenues collected from cross border transactions outweigh the costs to the taxpayer, Revenue Scotland and HMRC?
- 1.3. Over-the-counter imports of aggregate into Scotland (from the rest of the UK) are thought, based on the limited data available, to be a small fraction of the total 80,000 tonnes imported, and presumably a small fraction of the £166,400 raised. Given the level of revenues estimated to be raised, and the complicated nature of middleman transactions (involving numerous persons and locations), the use of an exemption for Scottish Aggregates Tax (SAT) (if UK Aggregates Levy (UKAL) already paid) seems a sensible option to ensure simplicity and proportionality.
- 1.4. The choice to consider any other option, such as a declaration option outlined in the consultation, would need to be justified by a robust cost/benefit analysis to demonstrate that it is a proportionate and reasonable way forward. Based on the information currently available, a system of declaration is fraught with complexities, which the consultation document itself acknowledges.

- 1.5. Whilst we are not saying that the Scottish Government shouldn't choose to diverge, the choice and ability to do so being part of the nature of a devolved tax system, we would reiterate our ask for there to be a degree of alignment in terms of the returns and processes for cross border transactions under SAT and UKAL. One of the primary reasons for this is that a quarry operator will need to navigate both the UKAL and SAT for one single transaction and may also have both imports and exports. Alignment would aid understanding and provide a degree of simplicity to an inherently complicated process.

2. About us

- 2.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

3. Introduction

- 3.1. We welcome the opportunity to respond to the Scottish Government's consultation 'Scottish Aggregates Tax: proposed approaches to cross-border taxation', published 23 June 2025. This consultation seeks views on the proposed taxation of aggregate, which is imported into Scotland, either directly from the quarry operator (either delivered or collected) or purchased via a middleman (with delivery/collection directly from the middleman, or organised from the quarry via the middleman). This consultation does not examine the tax policy and tax administration of dealing with aggregate which is exported from Scotland to the rest of the UK.
- 3.2. Quarry operators and suppliers of aggregate will be best placed to provide insight into the practical application of the proposed options within this consultation, including the cost of implementation and ongoing costs to comply. Our comments are provided from a tax policy, and tax administration, perspective only.
- 3.3. Our stated objective for the tax systems include:
- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
 - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
 - Greater certainty, so businesses and individuals can plan ahead with confidence.
 - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
 - Responsive and competent tax administration, with a minimum of bureaucracy.

3.4. The Scottish Government's approach to tax policy is underpinned by a set of six guiding principles:

- Certainty
- Proportionality to the ability to pay
- Convenience
- Efficiency
- Engagement
- Effectiveness

3.5. The objective of UK Aggregates Levy as is defined in [paragraph 3.1](#), is that 'AGL is designed so as to ensure that the environmental impacts of aggregates extraction are more fully reflected in prices so as to induce a more efficient extraction and use of aggregates. It also aims at encouraging a shift in demand away from aggregates that were extracted for their exploitation as aggregates towards alternative aggregates such as recycled aggregates and aggregates which are the by-products of or waste from certain extraction or industrial processes.'¹ The [EU commission decision 2016/288](#) echoes this definition². The explanatory notes in relation to the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill state that the bill is intended replace the UK Aggregates Levy with a devolved tax, with the same environmental aims. The explanatory note refers to the UK Aggregates Levy as 'an environmental tax that aims to reduce the extraction of primary (ie fresh or new) aggregate. It generally applies to the commercial exploitation of primary aggregates – mostly crushed rock, gravel and sand – used as bulk fill in construction.'

Direct Supply of aggregate into Scotland

4. Question 2 – Would the declaration approach set out in this scenario be workable for suppliers and / or customers? If there are issues, can you please specify?

- 4.1. The consultation outlines the proposed process for collections would involve a 'tick box' option being included on the supplier's sales ticket.
- 4.2. If the sales tickets (and tick boxes) are in paper form and completed by someone other than the supplier, for example lorry driver or employee of customer collecting the aggregate, then ultimately Revenue Scotland and HM Revenue and Customs (HMRC) are relying on information provided by the third party to enforce SAT and UKAL legislation. There is a risk that the third party makes an error in completing the sales ticket, which the quarry operator then relies on to complete returns.

In terms of compliance, paper sales tickets (and tick boxes) would be burdensome for the quarry operator to produce, time consuming for the quarry operator to review for the purposes of return preparation and burdensome for Revenue Scotland to review. If the 'tick box' to identify location was included on an electronic ticket on a weighbridge, then it would be the weighbridge operator and not the third person, completing the entry. We would presume that adjustments to weighbridge systems would be required to capture this extra data. Quarry operators should be able to provide insight into the viability and cost of this as an option, but an electronic record would be easier for both the quarry operator and Revenue Scotland to review for the purposes of identifying transactions that need to be taxed and return preparation.

¹ [State aid — United Kingdom — State aid SA.34775 \(2013/C\) \(ex 2012/NN\) — Aggregates Levy — Invitation to submit comments pursuant to Article 108\(2\) of the Treaty on the Functioning of the European Union](#)Text with EEA relevance

² [COMMISSION DECISION \(EU\) 2016/ 288 - of 27 March 2015 - on the aid scheme SA.34775 \(13/C\) \(ex 12/NN\) implemented by the United Kingdom — Aggregates levy - \(notified under document number C\(2015\) 2141\) - \(Only the English text is authentic\)](#)

5. Question 4 - Do you think the proposed approach would create any opportunities for non-compliance?

- 5.1. If a 'tick box' option is used for collections, there may be an opportunity for non-compliance, particularly if SAT and UKAL rates diverge in the future. The customer could fraudulently choose the location that would result in the lowest levy charge. It would be difficult, and likely costly, to prove the location that the customer transported the aggregate to, particularly where there is no border checks between Scotland and England.

6. Question 5 - Are there any alternate approaches that you think should be considered?

- 6.1. A priority for Scottish Government and Revenue Scotland in determining the approach to cross border transactions, should be to consider the cost/benefit of any potential options to administer. Will the revenues collected from cross border transactions, outweigh the costs to the taxpayer, Revenue Scotland and HMRC? Is it proportionate? The consultation document provides an estimate of £166,400 (at a rate of £2.08 per tonne). What are the implementation costs for taxpayers and Revenue Scotland, such as making changes to systems to include the necessary tick box? What are the ongoing costs to the quarry operator and middlemen? What are the costs of compliance and enforcement for Revenue Scotland? What costs will be charged by HMRC in respect of cross border transactions? Whilst there may be a relatively small number of taxpayers affected by cross border transactions, it is important to remember that [Scotland's Framework for Tax](#), which embeds the Adam Smith principles, applies equally to all Scottish taxpayers.
- 6.2. Where the quarry operator is delivering the aggregate, SAT transactions will be identified from the customer's delivery address. Depending on the findings of a cost/benefit analysis, perhaps a simpler and cheaper option is to also use customer address for collections. We appreciate that this option is not without its own downsides, with the customer address not necessarily being the same as the delivery address.

Indirect supply**Over-the-counter sales – Option 1 – Exemption for over-the-counter sales****7. Question 10 - What are your views on the practical application of Option 1? For example, would there be any administrative or commercial reasons why Option 1 would not work?**

- 7.1. The consultation uses the estimate of imported aggregate to Scotland (from the rest of the UK) of 80,000 tonnes from the [2019 Aggregate Minerals Survey for Scotland](#) (with estimated revenues of £166,400 at a rate of £2.08 per tonne). There is no breakdown of this estimate between direct transfers (deliveries from quarry and collections from quarry) and indirect transactions (including over-the-counter sales). We understand that the Scottish Government are currently of the view that indirect over-the-counter sales are a small fraction of the 80,000 tonnes imported. There are limitations in the data available, with unallocated sales in both the [2019 Aggregate Minerals Survey for Scotland](#) and the recently [2023 British Geological Survey](#), where it is not known where the aggregate was consumed - 3.3Mt in 2019 survey (2% of total sales) and 2.5 Mt in 2023 survey (1.5% of total sales).
- 7.2. Over-the-counter sales of aggregate may involve numerous persons, over numerous locations. Take for example, low volume sales of decorative stones via 'middlemen' such as, but limited to, garden centres, builder merchants and supermarkets. This may involve aggregate moving from quarry to a supplier, who processes the aggregate and sells onward to a UK wide gardening or building merchant (with delivery perhaps to a central distribution centre), and then further distributed to individual stores, where the aggregate can then be purchased by a customer.

- 7.3. Presently, quarry operators are familiar with the operation of UKAL. If a decision is made to bring middlemen, including garden centres, builder merchants and supermarkets, within the scope of cross border SAT and UKAL, this not only introduces complexity but we would assume that the administrative cost to the taxpayer of reliably following and documenting this movement, and the compliance costs for Revenue Scotland, would outweigh the revenues raised. Accurate data on the scale of over-the-counter sales and a robust cost/benefit analysis would of course be needed to confirm this position.
- 7.4. We discuss in paragraph 3.5 the objective of SAT being that of ‘an environmental tax that aims to reduce the extraction of primary (ie fresh or new) aggregate. It generally applies to the commercial exploitation of primary aggregates – mostly crushed rock, gravel and sand – used as bulk fill in construction.’ We would question whether the extension of SAT to low volume cross border over-the-counter middlemen transactions is in line with the main environmental objective of SAT.
- 7.5. Based on our understanding laid out within this consultation document, and the limited data available, an exemption for SAT (where UKAL has been paid) for over-the-counter sales from middlemen would seem a sensible route forward and in line with the principles outlined in paragraph 3.4, on the assumption that the cost of collection and compliance for any other option, would outweigh the revenues collected and disproportionately burden the taxpayer.
8. **Question 11 - Do you think option 1 would create any opportunities for tax avoidance, if so can you provide examples?**
 - 8.1. Avoidance is more likely if a mechanism is required involving the claiming of a credit for aggregates levy and separately declaring SAT. For unscrupulous operators it would be possible to claim the aggregates levy credit and then not declare the SAT. The proposed exemption outlined in this consultation involves paying UKAL and no further process of credits, and paying SAT. However as with any form of tax, avoidance or fraudulent activity is always possible. Tax avoidance is highly unlikely unless the rates of SAT and aggregates levy diverge. If rates were to diverge at some in the future, it would be sensible to review the appropriateness and operation of an exemption, as is the case with any other exemptions and reliefs, to ensure still an appropriate mechanism.
9. **Question 16 - What are your views on the potential requirement for middlemen to provide a declaration to Revenue Scotland to notify exempt supply? Would there be any reason why a notification would not be able to be supplied, for example?**
 - 9.1. Declaring that exempt supplies are being made is a reasonable precaution that allows Revenue Scotland to have oversight of the businesses involved. This would also allow for the true impact of the exemption to be assessed at a later stage if required.

Over-the-counter sales – Option 2 – Declaration approach for the counter sales

10. **Question 17 - What are your views on the practical application of option 2? For example, would there be any administrative or commercial reasons why Option 2 would not work?**

- 10.1. The consultation document itself acknowledges the challenges of a declaration approach (option two). In our view, the requirement for a chain of declarations through an over-the-counter sale supply chain is complicated, costly and burdensome for quarry operators, particularly where there is more than one middleman in the chain. We discuss the example of low volume sales via garden centres, building merchants or supermarkets in point 7.2, which illustrates where this option becomes disproportionate.
 - 10.2. This option is also fraught with complexities if there are errors in the declarations received by quarry operators, and if there are issues with obtaining declarations in the first place. At what point would the quarry operator be deemed to have taken reasonable care to ensure the entries that they are reporting on returns based on these declarations are accurate?
 - 10.3. If the Scottish Government wishes to proceed with an option other than an exemption, such as a declaration, a thorough cost/benefit analysis would provide transparency that this is a proportionate route forward. As noted in point 6.1, Scotland's Framework for Tax applies equally to all Scottish taxpayers, including the relatively small number of taxpayers affected by cross border aggregate transactions.
- 11. Question 18 - Do you think option 2 would create any opportunities for tax avoidance, if so can you provide examples?**
- 11.1. The introduction of a 'declaration' which is to be completed by the middleman introduces the possibility of fraudulent completion of forms particularly if the rates diverge, with the possibility to use declarations as a means of declaring that aggregate has moved across the border but delivering it somewhere else, to ensure the customer pays the lowest levy possible. Similar to the point raised in 5.1 above, it may be difficult, and likely costly, to prove to which location the customer transported the aggregate, particularly where there is no border checks between Scotland and England.

Other Complex Scenarios

- 12. Question 21 - Are there any further cross-border scenarios that need to be addressed in advance of the introduction of SAT? If yes, please provide as much detail as possible, setting out the factual circumstances and, if possible, your views on the best way in which to deal with these scenarios.**
- 12.1. The below points are not necessarily further cross-border scenarios but, in our view, are important points that need addressed in advance of the introduction of SAT and in absence of another question, are covered below.
 - 12.2. **Alignment between UK and Scottish Government approaches to cross border transactions** – Whilst we are not saying that the Scottish Government shouldn't choose to diverge, the choice and ability to do so being part of the nature of a devolved tax system, we are of the view that there should be a degree of alignment in terms of the returns and processes surrounding cross border transactions for SAT and UKAL. One of the primary reasons for this is the chosen route of having the quarry operator register for UKAL, then reclaim UKAL, register for SAT and pay SAT – all for one sale. For simplicity, some degree of alignment will aid understanding of the two separate return processes and requirements. Furthermore, some operators will deal with both imports and exports.
 - 12.3. **SAT and UKAL credits – consultation without a full picture** – We understand from the engagement and consultation that we have had with the Scottish Government, that the respective teams at the Scottish Government and HMRC are working closely to ensure the approaches taken by each side work alongside each

other. This is welcomed. Despite this, as we respond to this consultation we do not have any confirmation that HMRC intend to treat UKAL credits for imports as outlined in this consultation document (the consultation document acknowledges that such agreement is needed). We also do not have any oversight as to how HMRC plan to treat SAT credit as part of the exports process, which is part of HMRC's information consultation on exports. Whilst we appreciate that these discussions may well have taken place, or continue to take place, behind closed doors, there remains a degree of uncertainty over the complete picture for stakeholders replying to this consultation.

13. Acknowledgement of submission

- 13.1. We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

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