



OFFICIAL REPORT  
AITHISG OIFIGEIL

DRAFT

# Finance and Public Administration Committee

Tuesday 12 March 2024

Session 6



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Pàrlamaid na h-Alba

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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**

**10<sup>th</sup> Meeting 2024, Session 6**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*Michael Marra (North East Scotland) (Lab)

**COMMITTEE MEMBERS**

Ross Greer (West Scotland) (Green)

\*Jamie Halcro Johnston (Highlands and Islands) (Con)

\*John Mason (Glasgow Shettleston) (SNP)

\*Liz Smith (Mid Scotland and Fife) (Con)

\*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Eric Brown (Chartered Institute of Taxation)

Isobel d'Inverno (Law Society of Scotland)

James Lindsay (Revenue Scotland)

Elaine Lorimer (Revenue Scotland)

Gillian Mackay (Central Scotland) (Green) (Committee Substitute)

John McVey (Revenue Scotland)

Justine Riccomini (Institute of Chartered Accountants of Scotland)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Robert Burns Room (CR1)



# Scottish Parliament

## Finance and Public Administration Committee

Tuesday 12 March 2024

*[The Convener opened the meeting at 09:30]*

### Aggregates Tax and Devolved Taxes Administration (Scotland) Bill: Stage 1

**The Convener (Kenneth Gibson):** Good morning, and welcome to the 10th meeting in 2024 of the Finance and Public Administration Committee. The only item on our agenda is to take evidence from two panels of witnesses on the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill.

First, we will hear from Eric Brown, a member of the Chartered Institute of Taxation's Scottish technical committee; Justine Riccomini, the head of tax for employment and devolved taxes at the Institute of Chartered Accountants of Scotland; and Isobel d'Inverno, the convener of the Law Society of Scotland's tax law sub-committee. I welcome you all to the meeting. Thank you for your written submissions.

We will move straight to questions. About 150 current United Kingdom taxpayers have been identified as being likely to be required to register for the Scottish aggregates tax. Is that a fair reflection of the actual number of taxpayers, or have a number of them not been picked up yet. Is anyone able to answer that question?

**Eric Brown (Chartered Institute of Taxation):** I am afraid that I do not know the answer to that, but I am interested in the figure that you gave. An Excel spreadsheet showing quarry companies that are registered for the aggregates levy is publicly available on the HM Revenue and Customs website. That is perhaps where the number came from.

I am here to represent the Chartered Institute of Taxation, and I am a member of the expert group that has advised on the bill. I should also let you know that I am a part-time consultant for Revenue Scotland. Before that, I was a lawyer for HM Revenue and Customs, and I have quite a lot of experience of litigation with the British Aggregates Association.

During the meetings of the expert panel, concern was expressed, particularly by the representative of the British Aggregates Association, that there are unregistered sites from

which aggregates are taken and that those sites compete with the association's local members. However, I am afraid that I cannot say how much is taken and how much of that is simply anecdotal evidence.

**The Convener:** To be fair, I should have asked Isobel d'Inverno to answer the question, because it is her submission that mentions the figure.

**Isobel d'Inverno (Law Society of Scotland):** Unfortunately, I do not think that I have any information other than that included in our submission.

**The Convener:** Okay. I will move on. The potential of cross-border issues as a result of differential taxation has been raised as a concern. When we went on a visit a couple of weeks ago, we were told that there are not many cross-border issues, because the tax is about £2 per tonne and it costs a lot more than that to pay the wages of a driver, to put petrol in the truck and to ship the material hundreds of miles, so the £2 does not have much of an impact.

The Chartered Institute of Taxation's submission states:

"Scotland exports far more aggregate to rUK than it imports (over 5.5million tonnes compared to 16,000 tonnes)".

That is obviously a colossal differential. I take it that those aggregates cannot be sourced from elsewhere in the UK. You say that the way in which the bill is structured and the relations between the UK and Scottish Governments mean that Scotland could lose between £8 million and £10 million a year in revenue. Could you expand on that?

**Isobel d'Inverno:** It is really difficult to predict how things would work if or when an aggregates tax was introduced in Scotland, if there were different rates and so on. Companies might organise their affairs differently. Those are just estimates of how big the effect could be if aggregate from here was taxed not in Scotland but in the rest of the UK.

**The Convener:** Justine, one of the issues that concern you is the potential impact on other taxes, such as land and buildings transactions tax. Is that right?

**Justine Riccomini (Institute of Chartered Accountants of Scotland):** Are we talking about the offsetting mechanism?

**The Convener:** Yes. We have not taken any evidence on that so far, so I would like to get your view on the public record.

**Justine Riccomini:** Sure. We at ICAS have concerns. As you know, the second part of the bill was not consulted on, but had it been, we would

probably have made our case about the offsetting proposals. What Revenue Scotland is trying to do—this comes from our conversations with Mike Paterson at various meetings—is to emulate the provisions in section 130 of the Finance Act 2008, which allows for offsetting of debts against credits across taxes. The explanation that we had in meetings with Revenue Scotland and the Scottish Government about that was that the proposal was to be able to offset any tax against any other tax.

The question that I had at that time, and which I still have, is that, given that there are currently two fully devolved taxes and potentially another two in the pipeline, in the form of the building safety levy and the Scottish aggregates tax, and given that they are all fairly low-level taxes in the first place—they are not huge mainstream big hitters like income tax and VAT—what are the likely instances of needing to use such a piece of legislation to offset debts against credits?

Revenue Scotland's statistics show that, generally speaking, it is relatively successful at collecting the two devolved taxes that it currently administers and collects, so I am not sure why it needs this piece of legislation right now. I just felt that it was a bit premature at this stage.

**The Convener:** You said in your written submission that it appears “somewhat heavy-handed”, and Eric Brown and Isobel d’Inverno say much the same in their submissions in that regard. We will take evidence from Revenue Scotland subsequently, but my understanding is that collection rates for those other taxes are around 98 or 99 per cent, so I understand what you mean. Can Eric and Isobel comment on that part of the bill?

**Eric Brown:** I have a slight issue with the provision on offset for this reason. When the Finance Act 2008 was introduced in the UK Parliament, section 130 was territorially limited to England, Wales and Northern Ireland. The territorial limitation was abolished in the Finance Act 2016, so it is only since then that the provisions in section 130 regarding offset have applied to Scotland.

As you can see from the explanatory notes to the Finance Act 2016, the reason why the territorial limitation was abolished was to provide consistency across the UK, although it had been felt prior to then that the Scottish common law of set-off had been perfectly adequate. In other words, the Inland Revenue before 2005, and His Majesty's Revenue and Customs after that, had considered that the Scottish common law of set-off was perfectly adequate for their needs. For example, if a taxpayer owed an amount of VAT but the revenue agency was due to make a repayment of corporation tax, you could set off one amount against the other under common law. There was

no need in Scotland for the provisions under section 130 of the Finance Act 2008, which are essentially being replicated in the bill. I wonder why Revenue Scotland considers that it needs that power if the common law had been thought to be perfectly adequate.

**Isobel d’Inverno:** I echo what Justine Riccomini said about the lack of consultation on part 2 of the bill. In relation to set-off, we note that there do not seem to be many protections for taxpayers in the proposed legislation. It seems to allow Revenue Scotland to offset amounts of LBTT against other amounts of LBTT but also across the taxes. The legislation does not really make it clear that that would be the case only if everybody had agreed that the amounts were actually payable and there was no dispute about them.

We are not terribly familiar with the section 130 provisions in the UK legislation, because they are not used all that often. It is an extreme measure type of provision, so we question whether it is appropriate. It is probably important that, if it is introduced, there is a lot more protection for taxpayers.

We would say the same about section 52, which is on the overpayment relief claims for LBTT, which is the tax that I know most about. At present, people can amend a return within 12 months if they have overpaid tax but, if 12 months have passed, the only remedy is an overpayment relief claim. Section 52 says that people will not be allowed to make an overpayment relief claim if they owe some other tax.

**The Convener:** You said in your submission that it is “disproportionate”. Further on, you touched on safeguards and said:

“there do not appear to be any safeguards for taxpayers to deal with situations where the taxpayer may not agree that they have failed to pay an amount of tax, because they do not believe the tax is payable.”

What safeguards should be introduced in the bill?

**Isobel d’Inverno:** In relation to both sections, we need provisions setting out when a liability is to be determined, such as whether that is when all appeals have been worked through and so on. That does not appear to be in the bill, so there would need to be such a protection. The HMRC guidance that relates to section 130 of the 2008 act talks about that in some detail. However, the bill seems to put powerful provisions in the hands of Revenue Scotland, with no protections for the taxpayer.

**The Convener:** Eric, you said:

“We would ... suggest further controls ... are placed upon the system of credits with interactions between”

Scottish aggregates tax and UK aggregates levy

“to reduce the likelihood of potential abuses taking place.”

Will you tell us more about that?

09:45

**Eric Brown:** The main difficulty with the provisions relates to the export of aggregates from Scotland. You have already touched on that, and you mentioned a figure of about 5.5 million tonnes. I think that the figures given in a Scottish Government paper were that something like 2.5 million tonnes were exported to England and just over 3.7 million tonnes were exported to Europe.

I will touch on your question about the costs and so on. As I understand it, most of those aggregates are exported by ship from the Glensanda quarry in Morvern or from Moray, possibly from Invergordon or somewhere like that. Some are exported by ship from Leith. The difficulty is that it is proposed that, if a Scottish quarry is exporting to England, it will put in a return to say that it is exporting to England and claim a credit, because the material will not be commercially exploited until it arrives at a site in England. It will be sold on after that, which is where the commercial exploitation takes place, so the tax will take place in England and not in Scotland.

I think that Revenue Scotland will need powers to investigate the supplier in Scotland, just as there are powers with regard to revenue in Scotland to check that anything that is claimed to have been exported from the UK has actually been exported.

**The Convener:** That is a real issue. If the tax is levied after something has been sent to England, the UK Government gets the tax rather than the Scottish Government.

**Eric Brown:** Exactly.

**The Convener:** That is why we are talking about a possible loss to the Scottish taxpayer of £8 million to £10 million.

**Eric Brown:** That is right. The figure that was given was that just over 2.5 million tonnes were exported to England. If you multiply that by two, for the tax of £2 per tonne, you get a figure of £5 million to £6 million.

**The Convener:** Yes, and 5.5 million tonnes was the total figure in the submission, but I imagine that that will vary from year to year, so it would be a ballpark figure.

Justine, your written submission states:

"It is vital that Revenue Scotland polices compliance with the tax effectively, hopefully by liaising extensively with SEPA and ensuring that SEPA has the powers and resources it needs to regulate the aggregates sector and ensuring that appropriate sanctions are in place for non-compliant behaviours which affect fair competition".

You obviously have concerns about the way that the system is operating at the moment. Can you give us any specifics on how that could be improved through the bill?

**Justine Riccomini:** On your original point about the number of registered operators, I have a member on my devolved taxes committee at ICAS who is something of an expert on aggregates. She has brought a lot of concerns to that committee about unfair operations, because people are unregistered. The point that she is trying to make is that the Scottish Environment Protection Agency, Revenue Scotland and the Scottish Government need to be a bit more cohesive in their overall policing of operators so that they can do more enforcement and more day-to-day policing, which obviously require significant resource.

Rather than a paper chase or a paper trail, you would probably require people to physically visit premises to see what is going on, how the operations are taking place and whether those operations are registered or unregistered. At the moment, it is a bit of a case of putting your finger in the wind. We know who is registered. We do not know who is unregistered, and we never will unless we physically go out and check.

Our concern is that there is not necessarily a level playing field, and the resources that might be required to check on that are significant, especially as Scotland is exporting more than it is importing, as we have said. An awful lot of aggregate that is leaving Scotland could be from an unregistered source, but we cannot know that.

Can I quickly touch on the point about section 130 of the 2008 act, as I forgot to mention something?

**The Convener:** Of course.

**Justine Riccomini:** I have been seeking a meeting with HMRC's debt management and banking policy team for quite a while now, so that we and our collective counterparts can speak to the team about how often section 130 is used. I know that it is used, for example, in the pay-as-you-earn and national insurance offsetting mechanism. For employers who are paying in, overpaying, underpaying and this, that and the other, it is possible to offset that, and it is possible to tweak a few bits of VAT. However, generally speaking, as a collective of tax experts, we are not really aware that section 130 is being used massively. We stand to be corrected, but we are not aware of that being the case.

It looks as though we might have a meeting with HMRC in the next week or so to discuss that and to look at statistics and things like that. I have been trying to arrange that, and I am sorry that it will come a little bit late for today's meeting. If I get

more information, I will be able to comment on that later.

**The Convener:** Yes, we would certainly be happy to receive that information. We are expecting the minister at our meeting next week, so if we receive it before then, we can certainly put questions to the minister on the topic.

We have been told anecdotally about unregistered quarries and stuff like that. Scotland is not Russia; it is not a vast expanse of a country. One would have thought that it should be easy enough to find a few unregistered quarries and tax them. It seems bizarre. One would have thought that a legitimate quarry that sells aggregates would say, "That guy down the road isn't paying his taxes. What are you going to do about it?"

What is the scale of that? We have been told that SEPA can be finicky and pernicky about the licences that registered aggregates producers have, yet it almost seems as though those who are allegedly not registered and not paying any taxes are completely ignored. It just seems bizarre to me.

**Justine Riccomini:** I am a tax bod, not an aggregates bod. However, as you said, based on anecdotal evidence, something seems to be going on and further investigation might be needed. I am not particularly sure of how far-reaching SEPA's powers are and how it can work more effectively, and perhaps more collaboratively, with Revenue Scotland to ensure that what is supposed to be coming into the Scottish purse actually reaches the Scottish purse. It might be worth having a little look at the overall basket of powers that are currently available and seeing whether they need to be tweaked or something.

**Isobel d'Inverno:** The introduction of a new tax is a great opportunity to look again at how things are done. There might be a chance to reel in some of the miscreants and get them registered and so on, given that we are sort of starting over with the aggregates tax in Scotland.

**The Convener:** Yes, indeed.

**Eric Brown:** It is also worth bearing in mind that SEPA has a big role in relation to the Scottish landfill tax. As far as I am aware, it does not have a similar role with regard to quarries. For example, there is not a Scottish register of quarries that SEPA holds. SEPA would know who landfill tax operators are.

However, SEPA is not tasked with dealing with quarries to anything like the same extent. It might know where the quarries are, but it does not have the same regulatory duties as it does with landfill sites. Some quarry operators might operate landfill sites, but there is not a great—

**The Convener:** It is not a key focus.

**Eric Brown:** If you did a Venn diagram, you would not see any great commonality between landfill site operators and quarry operators.

**The Convener:** I am going to open out the session to colleagues. I call John Mason, to be followed by Michelle Thomson.

**John Mason (Glasgow Shettleston) (SNP):** First, as a general question, do you think that the split between primary and subordinate legislation is correct? Should more be set out in primary legislation, or should more be set out in subordinate legislation?

**Eric Brown:** My background is in tax and most of it relates to old Westminster tax, with the rates set out in legislation. That is not the policy of the Scottish Parliament. As I understand it, the rate tends to be set by way of statutory instrument. I would have thought, just from the point of view of transparency, that setting the rates in the bill would be a preferable approach.

**John Mason:** That would mean that we would need primary legislation every year to change it.

**Eric Brown:** Exactly. Indeed, something that comes through from all of our submissions is the need for the Scottish Parliament to consider having an annual finance bill.

**John Mason:** I am sympathetic to that suggestion, but I will leave my colleague Liz Smith to ask you about it, as that is her baby on this committee.

On the actual rate, which you have mentioned, I accept that you are not experts on aggregates, but I note that one of the bill's aims is to encourage recycling to ensure that we take less out of quarries and reuse things more. Do you think that matching the UK rate is a good idea, or would it be a problem if we did not?

**Justine Riccomini:** I would venture to say that it is probably a good idea. What you really do not want is any competition, tourism or people avoiding taxes or behaving in a different way, because there is a different rate. If we are talking about the movement of goods—in this case, aggregates—across the border, it is probably a good idea for the tax rates to be on a par.

**John Mason:** The downside is that the recycling industry is disadvantaged in many ways. There is very little incentive to recycle, because it is cheaper for people just to get stuff out of the quarry.

**Justine Riccomini:** You always have to take behavioural consequences into account.

**John Mason:** Ms d'Inverno, did you want to comment?



**Isobel d’Inverno:** It will require a bit of a balancing act to avoid aggregates tax tourism whilst also incentivising recycling. However, the Law Society does not normally comment on rates—it is not really our bag.

**John Mason:** I accept that—fair enough.

Mr Brown, you have already talked with the convener about certain difficulties with pinning down when the aggregate is actually used, as that could happen somewhere else in the UK or even beyond. Would it have been better to tax things at the source so that it became payable when the stuff was taken out of the ground?

10:00

**Eric Brown:** There is a legal difficulty with that at the moment. I think that, under the provisions in the Scotland Act 2016 for the devolution of the tax, you are not able to tax in Scotland something that might be sent somewhere else before it has been commercially exploited—and by “somewhere else”, I mean not so much down to England but to Europe, say, which I understand is where most of the aggregate that is exported goes when it goes out of Glensanda.

The other thing—and perhaps Glensanda is a bad example in this respect—is that just because the aggregate has been taken out of the ground, that does not mean that you get any money for it. You do not get any money for it until you have agreed a sale. Leaving aside the stuff that comes out of Glensanda, what you have in the UK is four very large producers who operate sites right across the UK. As we understand it from the expert group, they will dig something out of a quarry in place A and transport it to site B for storage, perhaps furth of Scotland, until such time as a customer comes along and says, “I want 10 tonnes of whatever aggregate you have in that pile over there.” It is at the point of sale that the money is available to pay the tax, not when the quarry stone comes out of the ground.

**John Mason:** That makes sense. I should say to the other two witnesses that if you wish to come in, by all means do, but I have a couple more questions for you, Mr Brown.

In paragraph 4.4 of your submission, you say:

“there might be scope for confusion”

when the new tax is introduced

“until site operators and businesses are used to the new SAT and the interaction with UKAL.”

Is that a serious concern? Do we need to do something about that?

**Eric Brown:** I am not sure. For Scottish operators who sell aggregate only within Scotland, all they are doing is paying the person to whom

they write the cheques or send the money. Essentially, they will fill in a similar return and send an amount of money to Revenue Scotland rather than HMRC. There might be a difficulty for importers from the rest of the UK to Scotland, but the amounts of product imported are very low.

Perhaps an issue in the bill is section 26, which provides for the appointment of tax representatives by importers outside the UK, but not representatives of importers within the UK but furth of Scotland. I would also highlight the provision in section 8, which deals with persons who might be liable to the tax. They include people within a chain—in other words, a person digs the stuff out of the ground and sends it to somebody for storage; it gets sent to somebody else and then somebody else; and finally it hits the consumer. Section 8 could contain a provision to allow the Scottish Government to tax a Scottish customer who has taken the product, even though it has been imported from England.

I have not made myself very clear on that. The point is that section 26 only requires the appointment of representatives by importers from outside the UK; it does not require other UK importers furth of Scotland to appoint representatives to enable them to meet their obligations under the bill.

**John Mason:** We might well take that issue up with others.

ICAS—and I meant to declare my membership of that organisation—makes a point about the lack of awareness of Scottish taxes. Who do you think should be doing something about that? Is it the media’s fault, because they just ignore Scotland?

**Justine Riccomini:** No, it is not the media’s fault. A couple of years ago, we produced a paper with CIOT, which we replicated last year, in which we did a bit of research with the Diffley Partnership about how many citizens or taxpayers in Scotland know about Scottish taxes, including what they are and who administers them. We discovered that, between the earlier paper and the current paper, it looks as if awareness of Scottish taxes in general has actually gone down, which was a bit disappointing.

In the past few years, and around the time of the citizens assembly, we have been speaking to various people in the Scottish Government’s tax directorate about how to get the messages out about taxation, to engage the Scottish public, bearing in mind that not everybody reads the Scottish Government’s website on a daily basis—surprising, I know. It is very difficult for any Government agency to work out how to get clear messages across about tax, because, as we all know, people engage with tax when they have to. You do not go to school and become an expert in

LBTT; you only become an expert in LBTT when you have to interact with the LBTT process, such as when you are buying or selling a property. That situation in itself means that it is very difficult to raise awareness of Scottish taxes.

We have regular discussions with the Scottish Government guys about how to get messages across and how perhaps they could do something different with the comms process and engage with younger people and people at school. For example, HMRC has a series of short videos on YouTube which, bizarrely, nobody watches—I just cannot understand it myself. They are called “Tax Facts” videos, and we have suggested to the Scottish Government that it might want to produce something along similar lines—

**John Mason:** Even though no one will watch them either. [*Laughter.*]

**Justine Riccomini:** The Government could produce them and roll them out in schools, colleges and universities for students who are about to enter the workplace for the first time, so that they understand that they will have a tax code and so on.

**John Mason:** That is helpful. That point is wider than what we are looking at today, but that is interesting. Ms d’Inverno, would you like to come in?

**Isobel d’Inverno:** I understand that one of the effective ways of raising awareness about taxes is to get them mentioned in the soap operas on television, so that is a route that might also be considered.

**John Mason:** I think that I will leave this line of questioning for the time being and move on.

The financial memorandum says that part 2 of the bill is cost neutral. I am interested to know whether you all agree with that.

**Justine Riccomini:** The costs will be hard to gauge prior to the launch of the levy because, with any new tax, training and development needs to be undertaken and there are administrative costs on the business side as well as on the Government side. A degree of up-front cost is always involved. People need professional advisers, and they need to pay fees to their accountants or their lawyers to help them to better understand how to comply with the system and operate it properly.

**John Mason:** What about the rest of the bill, apart from aggregates tax? Would that be cost neutral, do you think?

**Justine Riccomini:** I do not know if it would be entirely cost neutral, possibly for the same reasons. If additional powers are being devolved to Revenue Scotland, there is a knock-on effect in

a Newton’s law way—you have some sort of action and then somebody has to react to that action, which usually involves a cost.

With taxation, you tend to find that a lot of the time, there is a larger up-front cost until everybody comes to terms with what they have to do, and then it settles down.

It was the same with the real-time information programme for pay as you earn in NI. It tends to settle down, but whenever there is a hiccup, a cost is involved.

**John Mason:** Do either of the other two witnesses have views about the part 2 costs? Are you comfortable with them?

**Eric Brown:** I would not have thought that much cost was involved in part 2 at all.

**John Mason:** The final area that I want to touch on is whether Revenue Scotland will be able to do more automation. It has got a few people a bit concerned—what if the computer just churns out penalties and all that kind of thing? I get cases where somebody has underpaid council tax by a penny and they get some horrible letter threatening them with all sorts of penalties; there is a danger of a lack of human interaction. Do any of you have concerns around that?

**Isobel d’Inverno:** It is probably better to have the use of automation contained in the legislation, provided that the tax authorities can react nimbly if things go wrong. In your example of the council tax bill, one would think that the reaction should be to change the system so that it does not penalise people who only owe a penny.

In a number of cases, there has been a question of whether it is okay for something to be automated. Given the society that we live in and the widespread use of computers, it seems appropriate that the tax authorities should be able to automate what processes they can, as long as somebody is looking out and making sure that, if anything goes wrong, it gets fixed.

**John Mason:** Okay. I will leave it at that.

**Michelle Thomson:** Good morning, everybody. Quite a few things that I was going to raise have been picked up, so I will be quick.

I return to section 59 of part 2, which is on “ancillary provision”. Eric, I think that it was you who said in your submission that

“The ability of the executive to grant itself unfettered powers which might impose any further obligations on taxpayers must be contained within primary legislation”.

Would a finance bill alleviate your concern in that respect?

**Eric Brown:** Yes, is the short answer.

**Michelle Thomson:** What do you all think about establishing the offset of taxes as a principle? I accept what is being said about the relatively small number of Scottish taxes, but is there merit in the principle that one tax can be used to offset another, on the basis that we can anticipate further taxes being devolved in the future?

**Isobel d’Inverno:** The question is just whether it is needed at this time. There is always a danger with introducing things on a principle basis in tax, because you cannot really anticipate what taxes will come in the future and in what order, so the legislation might not fit what is required.

**Michelle Thomson:** However, part of the scrutiny of the introduction of further taxes would be around the consideration of the detail and the complexity of offsetting with a further basket of taxes, would it not?

**Isobel d’Inverno:** One thing that we have found quite difficult with the devolved taxes is the time that it takes to get anything changed when an issue has been identified. One of the reasons we all are in favour of an annual finance bill-type event is that it is easy to get such things changed. The danger of saying that legislation could be tweaked to fit new circumstances is that, in our experience, it is pretty difficult to get anything in the devolved tax legislation changed.

**Michelle Thomson:** Do Justine Riccomini or Eric Brown have any further comments about the principle, as opposed to its enactment?

**Eric Brown:** My only point on that area is that I wonder whether the Scottish common law of set-off is not sufficient already. However, I do not have a problem with it as a principle.

**Michelle Thomson:** That is me. Everything else has been covered.

10:15

**The Convener:** I invite Michael Marra to ask the next questions.

**Michael Marra (North East Scotland) (Lab):** Most of my questions have been asked. Following Ms d’Inverno’s comment, I have been enjoying the idea of a “River City” storyline about the reeling in of miscreants who are running an illicit quarry.

I would like to discuss section 55 and automation, which John Mason raised. The Chartered Institute of Taxation expressed concerns about the fact that the bill contains quite wide-ranging powers around automation and said that such provisions should be dealt with in dedicated primary legislation, rather than being implemented by regulations. Would you comment further on that, Mr Brown?

**Eric Brown:** I do not really have much more to say on that. The more that is done in the tax sphere by statutory instruments, the less transparent the process is and the less ability there is for people, other than the people who are dealing with the statutory instruments, to consider the issues. My colleague has said that there have been cases before tribunals about the sending out of automatic daily penalties and that sort of thing. The more scrutiny there is of such issues, the better.

**Michael Marra:** Have your organisations looked into the application of artificial intelligence or algorithmic approaches to calculation of elements of people’s interaction with the taxation system?

**Eric Brown:** I do not deal with artificial intelligence, I am afraid.

**Justine Riccomini:** To some degree we are all, along with His Majesty’s Revenue and Customs and the Treasury, involved in the making tax digital programme. Our main issue with it is that we do not want everything to go digital at the expense of people who have not yet gone digital or who do not have the wherewithal to deal with the authorities by digital means. We need clear-cut legislation on exactly how the powers would work and what protections there would be for the taxpayer, so that everyone is clear about their right of appeal when something goes wrong and about how long it will take to fix it.

**Michael Marra:** Does section 55 deal with that, or does it not encompass what you are suggesting?

**Justine Riccomini:** A bit more thought could be given to how the powers are constructed. The main thing is clarity for the taxpayer—the clearer things are and the easier the system is to understand, the greater the compliance.

**Isobel d’Inverno:** To be fair, I note that the section 55 provisions are enabling provisions. My understanding is that, following on from them, there would be consultation about use of automation by Revenue Scotland, so there would be an opportunity for everybody to think about it. I hope that, at the end of that process, there would be more detailed legislation that would have been widely considered and so on. Obviously, if automation provisions were to turn up next week and be introduced in Parliament, that would not be great, because the issue is quite complicated. My understanding is that, in the future, there will be a consultation on use of automation.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** I want to ask about the financial implications of the proposals. It seems that we do not have specific data from HMRC on the amount of money that is raised from Scotland by the UK levy. This committee and others have had a

number of issues in getting data from HMRC. Do you find it surprising that it is not able to give a more accurate picture? The financial memorandum states that the Scottish Fiscal Commission estimates the Scottish share of the UK aggregates levy to be around £60 million at the moment, rising to £61 million in 2025-26. Do you think that that is accurate?

**Eric Brown:** My understanding is that statistics were produced by HMRC—I am not sure how long ago—in which the various taxes were disaggregated. They also showed how much tax was raised in different parts of the UK. The £60 million for the aggregates levy came from those revenue statistics. I do not know much information has been sought from HMRC on disaggregation of the aggregates levy for Scotland, but my understanding is that the £60 million figure came from those HMRC statistics, including disaggregation.

**Justine Riccomini:** We have had similar issues. For example, HMRC does not keep regional statistics on VAT assignment, so it was exceptionally difficult to work out a methodology for assigning VAT to the Scottish purse and, in the end, it did not happen.

It does not surprise me that HMRC does not keep regional statistics on the amount of money that is raised from Scotland by the UK levy. There is a case for augmenting HMRC's systems so that regional statistics can be produced. That would not be done only for Scotland; it would be done for all the regions in the rest of the UK, as well. Devolution is taking place in a number of areas over a number of subjects—not just taxation.

**Jamie Halcro Johnston:** That would make it harder to replace a UK aggregates levy, of which Scotland gets a share. Through the new legislation, the money will be raised in Scotland, but it will be reflected in the budget. How can we be sure that the bill will be of any real benefit, unless there is a difference in the amount that is raised? A higher rate in Scotland than in England would have implications for Scottish businesses.

**Eric Brown:** You are quite right to raise that. When it is considered as part of the overall Scottish budget, £60 million is not a lot of money. Another quirk of Scottish aggregates that are exported to England is that loss of revenue from that £60 million results in an even smaller amount. I do not know whether it is small enough to get lost in the rounding of figures in negotiations about Barnett formula payments.

I recall that, when the Scottish landfill tax was first considered, there were only two issues that concerned the committees and the Parliament, and the main one was waste tourism. The worry was about whether, if there were different rates in

Scotland and England, waste would be going up or down the M74. The same issue arises with regard to exports, but given what the industry says about the cost of transport, I am not sure that an extra 10p on the rate will make a difference. Whether adding £1 or £3 would make a difference, I simply do not know. The industry will know how its costs are calculated.

**Jamie Halcro Johnston:** You highlighted the issue of exports to England resulting in money being collected under the UK aggregates levy. You talked about the percentage of exports to Europe. Are those exports covered by that levy?

**Eric Brown:** Exports to Europe would already be exempt under the UK levy. No aggregates levy is taken in respect of the rock that goes from Glensanda to Europe, because it is exempt under the UK aggregates levy. Therefore, that is not included in the figure of £60 million that we talked about because it was never collected in the first place.

**Jamie Halcro Johnston:** However, a destination country might have its own levy.

**Eric Brown:** Yes—precisely.

**Jamie Halcro Johnston:** Generally, would the bill have any real benefit unless there is a variation in the rate, which would be aimed at raising more tax, or would be done for environmental or recycling reasons?

**Isobel d'Inverno:** The bill gives the Scottish Parliament and the Scottish Government the ability to fashion the tax in a way that better suits Scotland.

**Jamie Halcro Johnston:** The Scottish Government website—I do not look at it every day—rightly highlights that the bill will mean more money being raised in Scotland. However, it is not necessarily the case that more money will be raised in, or will come to, Scotland; it is just about how it will be raised. Are there any benefits, apart from that tailoring ability? That might require differentials that might impact more widely.

**Isobel d'Inverno:** It is not my specialist area to know how the numbers will play out. However, the experience of the land and buildings transaction tax is that it has been possible to do things in a way that is more suitable for Scots law and conveyancing practice, as the term goes.

**Eric Brown:** The bill will give the Scottish Parliament some practice at tax.

**Jamie Halcro Johnston:** I think that I will leave it there. [*Laughter.*]

**The Convener:** I am not convinced that that is the rationale behind the bill, but there are questions that we can put to people, including the minister when he comes next week. That is an

obvious question to put to him and, possibly, Revenue Scotland in the next evidence session.

**Liz Smith (Mid Scotland and Fife) (Con):** I have a question about the possibility of behavioural change, which has been flagged up to us by other witnesses. The general message that we are getting is that not much behavioural change in how people operate is predicted. That said, are you aware of any behavioural changes that have happened as a result of the UK aggregates levy, which I think has been around for about 20 years? Are you aware of any instances of UK tax changes having a marked effect on elasticity of demand or whatever having affected revenues? Are you aware of comparable studies?

**Justine Riccomini:** I am not.

**Liz Smith:** We are not predicting that there will be behavioural change. That is helpful.

**The Convener:** We have exhausted questions from members—

I am sorry. John Mason has a question, which I had a note of.

**John Mason:** We have not touched on some other things that the Law Society of Scotland suggested with regard to what is not in the bill. I confess that I do not fully understand LBTT group relief and Scottish share pledges. I think that you are looking for amendments or saying that something else could be in the bill. Do you have amendments ready to go that members might be willing to lodge?

**Isobel d’Inverno:** No, we do not, but amendments could be drafted very quickly. We are told that, because the scope of the bill is devolved taxes administration in Scotland, changes such as those that we have mentioned could not be included. I do not know to what extent it is possible to change the scope of the bill, but there could be an opportunity to include quite a few things in it. We have not drafted amendments, but we could certainly do that if it would be helpful.

10:30

**John Mason:** The bill seems to me to be quite wide ranging, so I am surprised that anything is ruled out. Fair enough—we can take advice on that.

**The Convener:** As long as they do not contradict the general principles of the bill, I do not see why there would be an issue about such amendments. Their admissibility would obviously be for the Presiding Officer to decide.

As I was going to say before I remembered that John Mason wanted to come in with that question—which I did know of—are there any other issues that the witnesses wish to highlight

that we have not touched on, but which you feel should be discussed on the record?

**Justine Riccomini:** I feel quite strongly about the notion of having finance bills in Scotland. The problem with part 2 of the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill is that there are lots of miscellaneous provisions—there might be a couple more—that do not really have anything to do with aggregates tax. Years down the line, someone like me might remember that there was a miscellaneous provision somewhere that changed the powers of Revenue Scotland or that brought something else in, but they will not be able to find it, because it is buried deep in a bill that does not really have anything to do with the subject.

A finance bill being introduced on a regular periodic basis would be so much more transparent for everybody concerned: people could go to that one piece of legislation and dig out what they were looking for. On the point about engaging with the public and making Scottish taxes more easily understandable, a finance bill would be the place to put such provisions, in my opinion.

**The Convener:** Liz Smith and I, and a number of other colleagues, have raised that issue. That is certainly something to take on board.

Do witnesses want to highlight any other points that have not come up so far?

**Eric Brown:** We have covered the points that we wanted to deal with.

**Isobel d’Inverno:** I think that most points have been covered. We certainly agree with ICAS that a system that had an annual finance bill event and an opportunity to make changes would be helpful. The Scottish Government is now dealing with six new taxes, which is quite a lot, so there is probably a growing need for a finance bill approach. As well as it being easier to locate where provisions are, there would be a timetable for people to feed in to the process so they could make representations about things that could be included in that year’s finance bill.

We all got quite a surprise when we read the provisions in part 2 of the bill; having a lead-in process would have been preferable.

**The Convener:** Thanks very much for your evidence.

10:33

*Meeting suspended.*

10:45

*On resuming—*

**The Convener:** During the second part of our evidence session on the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill, we will hear from Revenue Scotland. I welcome Elaine Lorimer, chief executive; John McVey, programme manager; and James Lindsay, Scottish aggregates tax design project manager. I understand that Ms Lorimer would like to make a short opening statement.

**Elaine Lorimer (Revenue Scotland):** Thank you convener, and good morning, everybody.

Thank you for your invitation to join the committee meeting. We appeared before the committee in December, and we very much welcome the opportunity to discuss Revenue Scotland's role in the introduction of a Scottish aggregates tax and the provisions in the relevant bill. It is my privilege to represent Revenue Scotland, alongside John McVey and James Lindsay.

As you know, Revenue Scotland is Scotland's tax authority and is currently responsible for the management and collection of two fully devolved taxes—the land and buildings transaction tax and the Scottish landfill tax. Aggregates tax will be our third devolved tax. We have worked closely with colleagues from the Scottish Government's bill team throughout the development of the bill. Close engagement with representatives of the aggregates industry has been crucial to the process. We have again worked with our Scottish Government colleagues in planning, establishing and facilitating an expert advisory group, which has afforded us an insight into the workings of the industry, the challenges that it faces and how we might administer and deliver a Scottish aggregates tax in a way that supports good practice and the establishment of a level playing field, which we have been advised is a critical element for the aggregates community.

We have established a programme of work that has laid solid foundations for the operationalisation of aggregates tax. Our programme team has been in place since last year. The underpinning projects have been defined and initiated and our programme board will meet for the fifth time on Thursday. The board includes representation from key areas, both internal and external to the Scottish Government, and supports our head of tax, who is unfortunately not able to be with us at this meeting, in his role as the senior responsible officer. We have established clear governance and escalation roles to support effective decision making.

It is important for the committee to know that we will benefit from the rigour of gateway reviews and

digital assurance mechanisms to ensure that our delivery plans are robust and that our approach is in line with the expectations of a modern, digitally enabled public body. We will shortly be entering our tenth operational year as a tax authority, and our ethos in delivering the aggregates tax will be informed by our experience to date. We will be looking to embrace the opportunities that technology and data bring.

Work is underway to gather the requirements for the development that is necessary to our tax collection system, and we are about to commence discussions with industry representatives on more detailed requirements, such as the design of the tax return. We have plans in place to continue that engagement through to the delivery of the tax and beyond. As you would expect us to say, user-centred design will be a key component of our work, and we will ensure that, by the time a Scottish aggregates tax goes live in Scotland, taxpayers, their agents and Revenue Scotland are ready for it.

We also welcome the measures that are included in part 2 of the bill and see them as responsible and mature technical measures that reflect the changing landscape of tax administration in Scotland. As I said in my written evidence to the committee that was submitted last week, we work closely with the Scottish Government to support and implement legislation and changes, in line with the Scottish Government's policy aims. The measures in part 2 of the bill reflect an aspect of that joint work on technical and future proofing matters that will support the establishment of a Scottish aggregates tax, while also ensuring that there is operational coherence across the devolved taxes.

We are delighted to have the opportunity to engage with the committee. I look forward to sharing our plans and our progress to date. I hope that we will be able to answer your questions as fully as possible.

**The Convener:** Thank you for that upbeat and interesting opening statement. I will refer to that as I ask my questions, before opening the session to colleagues.

You said that Revenue Scotland has worked closely with aggregates industry representatives. We have discussed how they have emphasised the need for a level playing field across the UK. However, other people have a different view on that. For example, the Scottish Environmental Services Association and the Resource Management Association Scotland argue in favour of an increased rate of tax in Scotland to incentivise the wider adoption of recycled aggregates, and have asked for the two Governments to work together, where possible, to bring about a UK-wide increase in the aggregates

tax and levy. If that is not possible, they would like the Scottish Government to increase taxation on non-recycled primary aggregates in order to fulfil the Government's objective of switching more production and usage to secondary recycled products. Have you had much contact with organisations such as those?

**Elaine Lorimer:** We have. If you want more information on our engagement with industry, John McVey and James Lindsay will be able to provide that.

On your point about a level playing field, some companies in the aggregates industry tell us that they feel that that is lacking in relation to how the existing tax operates in Scotland. That is because of non-compliance with the existing tax regime.

Where we think that we can make a difference in Scotland is in relation to our approach to compliance. That starts by ensuring that the taxpayers or their agents understand their obligations, irrespective of what the tax is and what the rates and bands are. From our perspective, it is about ensuring that, through our compliance work, the taxpayers know what their obligations are and that they pay the right amount of tax. The industry is telling us that the position is not consistent across the industry in Scotland. It wants everybody to adhere to the tax regime that is in place, so that there is a level playing field when companies are competing for business.

James Lindsay can talk about engagement with industry representative bodies.

**James Lindsay (Revenue Scotland):** We have had close working relationships with the Scottish Government as part of its stakeholder engagement throughout the development of the bill. It established a working group that brought together many different parties, including the later body that you mentioned, convener. We had discussions with those environmental bodies at that time.

A lot of our focus has been on compliance, and on the calculation and payment of the tax. Those environmental bodies are exempt from the tax—they are covered by the exemptions that are provided for in the bill.

As I mentioned, our engagement up to this point has been through the Scottish Government's stakeholder engagement.

**The Convener:** I think that we are conflating two things. One is whether Scotland's aggregates tax, when it comes in, will incentivise the switch to recycled secondary products so that fewer natural products are used. The other issue, which you mentioned, is compliance. I think that everybody round this table wants those who are producing those aggregates but not currently paying taxes to

pay those taxes. That is an absolute, and I think that everyone in the industry who is legitimate is doing that. I commend the fact that Revenue Scotland is determined to ensure that that happens.

I will switch back to that issue in a second, but I return to my initial question about a differential in taxation. We appreciate that recycled aggregates will be exempt from the tax, and that there are other issues, such as whether local authorities should be paying the tax. However, the idea behind the landfill tax was to encourage a change in behaviour. That has happened on a UK basis, but that tax has never varied between Scotland and England. The bill's policy memorandum says that the approach is to ensure

"that the devolved tax can evolve over time to support Scottish Government circular economy objectives."

It goes on to say that the objectives are to encourage the minimum necessary exploitation of primary aggregates, maximise the use of secondary and recycled aggregates, and incentivise innovation and development of alternative materials.

The tax on aggregates has been £2 a tonne since 2009, regardless of inflation and all the rest of it, and it is going up to a thumping £2.03 next month. Is that actually happening? How will £2 a tonne across the board in Scotland—the same as in England—possibly have any impact on behaviours?

**Elaine Lorimer:** I will come in initially, and John McVey might want to come in after me. The setting of rates and bands and the policy behind the tax are not within my remit. Those matters are for ministers and the Scottish Government. We are aware of what the industry is saying about supporting the circular economy and how the powers that are being devolved to Scottish ministers could be used differently, but it is for ministers to determine how they wish the tax to set. It is clear that, at the moment, what they are looking for is parity.

**The Convener:** I appreciate that, and I realise that Revenue Scotland is there to implement Scottish Government policy. However, from your opening statement and your submission—I might have read that wrong—it appears that it is almost a case of saying, "Okay, we'll just go ahead with that", rather than querying whether that is the right thing to do and whether ministers are being advised that that is the way forward. Ministers listen to what Revenue Scotland has to say—it is not a one-way conversation.

**Elaine Lorimer:** Our involvement in the discussions around the policy in the bill has been more around the management and administration elements than rates and bands and what might be

done in relation to those. That really is a matter for ministers. Our role will be to implement whatever it is that Parliament chooses to pass.

**The Convener:** We will put those matters to the minister next week.

Table 1 in the financial memorandum estimates that, in the current financial year, £60 million would be raised and that, over the next five years, that would increase to £64 million. Assuming that the tax rate remains the same, that does not suggest that there will be much of a switch to secondary products at all. It looks almost to be a case of steady as she goes. Is that a reasonable assumption on the basis of the financial memorandum?

**Elaine Lorimer:** On the basis of our understanding of what is in the financial memorandum and how the tax is expected to be introduced at this stage, the revenue projections are in line with what you are saying.

**The Convener:** Okay. The other issue is compliance. It was music to our ears to hear that compliance is to be addressed. The committee has tried to grapple with the scale of the challenge in that regard. As I mentioned to the earlier panel of witnesses, it is not as though Scotland is a huge country where you can hide thousands of quarries. I am thinking of the likes of Canada or Russia—or Kazakhstan, for God’s sake. I will not simply rhyme off lots of big countries. Scotland is a country of 30,000 square miles, so it should be pretty easy to know where all the quarries are and who is paying tax and who is not. Do you have any idea of the scale of the challenge in addressing the compliance of quarries and what is going to be done to ensure that they pay their whack?

**Elaine Lorimer:** The aggregates tax will be different for us to administer compared with the other two taxes that we have responsibility for, because of the geographical spread of the industry. There are five times more taxpayers for the aggregates tax than there are for the landfill tax, for example. We expect there to be around 350 known quarries, as opposed to a much smaller number of landfill sites. Therefore, our approach to compliance will have to be slightly different. We will want to make sure that we have our ear to the ground around Scotland, because there are quarries all over Scotland, including in island communities.

As part of our compliance approach, we will want to use as much technology as we can to identify where quarries are and to work with taxpayers directly to understand their industry and to get to know it really well, so that we can undertake our compliance in a proportionate way. Our work on the aggregates tax and the landfill tax will be similar in the sense that we will be

engaging with business, but the geographical spread will be different.

**The Convener:** We have 32 local authorities. They must know what quarries they have in their areas—

**Elaine Lorimer:** Indeed.

**The Convener:** —so surely that would be the first point of contact. You could ask authorities, “What quarries do you have in your area?”, and you could then check whether they were registered and paying taxes or whether they were not registered, in which case action could be taken. It is not as though you would have to fly a drone, inch by inch, all over Scotland in order to be able to locate them and check them against a list. Surely everyone must know whether there is a quarry at the end of their street.

11:00

**Elaine Lorimer:** Exactly. We will not be doing this work in isolation. Our approach with all our taxes is to work in a very collaborative way. We have identified that there are a number of key players in the industry that we want to work closely with. Local authorities are absolutely key to that. It is not as though Revenue Scotland will be acting in isolation. We have identified other key stakeholders, including SEPA, the Health and Safety Executive and local authorities, to name but three. We want to engage with all of them as part of our compliance approach.

**The Convener:** What is the general sense of the scale of unregistered quarries—quarries that, even though the levy has been in place for 22 years, are not paying any tax?

**Elaine Lorimer:** I will ask James Lindsay or John McVey whether they know.

**John McVey (Revenue Scotland):** I cannot comment on the scale of unregistered quarries, but we have heard extensively from the industry that the issue can manifest itself in a couple of ways. One is where quarries have extended beyond their boundary and continue to quarry outside that permitted boundary. Another is where a quarry is almost like a pop-up quarry, whereby materials are taken from a farmer’s field, used in construction and then the field is filled back in. We are aware of those two issues.

The evidence that we have heard from the industry representatives is that the result is that they are competing for tenders with contractors who are not using registered sites and are not paying their tax. That makes it very difficult for them to compete when they put in a tender. Since the programme commenced last July, that has been a regular topic of conversation with the industry representatives. We have the feeling that



it is quite a hot topic and quite extensive, but we do not have the detail as yet. Those are two examples of how the issue can arise in practice.

**The Convener:** Anecdotally, it seems to me to be a bigger issue than the cross-border issue. We visited a secondary processor of recycled aggregates in Livingston, and the people there said that, because of the cost of transport, they would not even sell to Edinburgh, because it is too far away from the point of view of the money that they would make. Given that the land on both sides of the border is fairly depopulated and there is not much use of aggregates there, it would cost so much to export there that the cross-border issue is a bit of a myth. It would be an issue only if aggregates were being shipped from big quarries, such as Glensanda, which was referred to in the previous session.

How much of an issue is the cross-border issue? In section 4.15 of your submission, you said:

“We are working with stakeholders, the Bill team and HMRC, to identify the different types of cross border arrangements in order to establish the most effective and efficient way to administer the tax in those situations.”

What are those effective and efficient ways to administer the tax, following your deliberations?

**Elaine Lorimer:** I will ask James Lindsay to come in.

**James Lindsay:** We have had close collaboration with the Scottish Government, HMRC and industry stakeholders in order to establish the different types of arrangements and cross-border transactions that can occur. We are currently looking to set those out and, as part of our compliance strategy and processes, to consider the best ways to deal with them.

At this point in time, we are very much at the investigatory stage, whereby we are trying to establish the biggest risks with regard to the cross-border issue, down to the minutiae of the different arrangements that could be administratively difficult for someone, so that we can ensure that, when the tax goes live, we have the best process in place to deal with it.

**The Convener:** Do you have any evidence, anecdotal or otherwise, that, for example, if the tax went down by £1, Scotland would flood England with aggregates because people would be saving £1 a tonne? If it went up to £3, would the opposite happen and Scotland would be flooded with aggregates, or would there be very little difference? Of course, if it went up and people had to pay an extra pound, that might encourage more people to invest in recycling facilities, and it would bring in more revenue for the Scottish Government. Where is the elasticity in that?

**Elaine Lorimer:** Are you able to answer that, James?

**James Lindsay:** Yes, I can answer that. We do not have any specific data on that. As you said, it would be anecdotal at best, but it is—

**The Convener:** Hold on a second. Given that we have a bill that sets out to devolve the tax and get the optimum level of revenue, is that not a fundamental thing to ascertain?

**James Lindsay:** Do you mean with regard to cross-border movements?

**The Convener:** I mean the impact of tax changes in Scotland relative to the rest of the UK on our revenue streams.

**Elaine Lorimer:** I will come in on that. Again, that is a matter for our colleagues in the Scottish Government and ministers to take a view on. You might want to put that to the minister next week—

**The Convener:** No—it is not a question of taking a view on a policy. Surely Revenue Scotland has an idea of what the impact would be of having a different level of tax. Given that you will be collecting the revenue, surely you would be able to explain to the minister what impact you expect raising or lowering the tax to have on the revenue that comes in.

**Elaine Lorimer:** In that situation, we would do our best to provide information to the minister on the basis of our knowledge of the tax at the moment. However, this is early days for us with regard to understanding the industry and how the money flows work in the industry. It is perhaps a bit early for us to be able to answer that question. As we build up industry knowledge, we will become much more expert in that and more able to provide a view.

Ultimately, however, forecasting is not for us. Forecasting is for ministers and, obviously, the Scottish Fiscal Commission, which is also providing information in relation to this tax.

**The Convener:** I note that the financial memorandum includes £25,000 specifically for the Scottish Fiscal Commission to do that forecast, so I appreciate what you say.

In section 5.4 of your submission, you talk about the Scottish Parliament enacting

“a legislative scheme with ‘teeth’ to challenge noncompliance.”

What kind of teeth would you like to see in the bill that might not be in it at the moment?

**Elaine Lorimer:** The compliance powers that we have are set out in the Revenue Scotland and Tax Powers Act 2014. We believe that, broadly, the compliance powers in that legislation will apply for us in this case. We are seeking changes to

some specific provisions in part 2 of the bill. I will turn to James Lindsay in case there is anything else to add, but I think that there is a specific provision in that regard, is there not?

**James Lindsay:** I think that, in that case, the reference to “teeth” was a broader reference to the Revenue Scotland and Tax Powers Act 2014; the penalty regime is an example of the teeth that that legislation has.

With regard to the bill, we welcome the Scottish Government’s introduction of a provision—from memory, I think that it is section 8(5)—that seeks to deal with some of the non-compliance that we talked about earlier with regard to unregistered taxpayers. That will help us with our compliance approach. The part 2 provisions are there as maintenance and to help us with efficiency and our administration.

**The Convener:** On the part 2 provisions, you will be aware of the concerns that were raised by our previous panel of witnesses—one of whom is still in the room, at the back—from the Chartered Institute of Taxation, the Law Society of Scotland and the Institute of Chartered Accountants of Scotland. They raised concerns about the lack of safeguards for taxpayers in such a situation. If you fail to pay a tax on aggregates, it may impact on other taxes that you pay. What is your view on that?

**Elaine Lorimer:** The provisions that you are referring to—

**The Convener:** They are in part 2 of the bill.

**Elaine Lorimer:** The part 2 provisions. Are you referring to the set-off provisions in particular?

**The Convener:** Yes—the set-off provisions.

**Elaine Lorimer:** I understand. We believe that set-off would be a useful additional clarification of our powers as a tax authority. In essence, set-off would come into effect where there was no dispute about the amount of tax that was due by the taxpayer, but we would like to arrive at a position where we could set off the amount that was due against other revenues that we hold in order to arrive at an agreed net position in relation to the taxpayer. As regards set-off, the protection for the taxpayer is that the amount that is due is undisputed—we have agreed it between us.

The provisions that we seek, particularly around set-off, must be looked at in the context of how our organisation operates generally. We have a strong reputation for acting proportionately. The power in question is a discretionary power. We have our charter of values, under which we are held to account for our operations. The Scottish Public Services Ombudsman regulates us in that regard.

There is no suggestion on our part that the provisions on set-off would be a heavy-handed power for us to have. We are also conscious that other tax administrations in these isles have that power set out in legislation. We think that we have common-law powers on set-off in Scotland, but the issue that we have with that is the lack of certainty and clarity for taxpayers. If it is set out in the legislation, there is no dispute or doubt about our ability to arrive at an arrangement such as set-off.

**The Convener:** Where that power exists at the moment, it seems to be rarely used.

I have two further questions before I open the questioning to colleagues. My first one goes back to the point about there being 350 quarries. You said in your submission that you have identified 150 current UK taxpayers that are likely to be required to register for the SAT. I take it that that includes people with multiple quarries and that, therefore, it is not the case that there are 150 legitimate operators, plus 200 illegitimate ones, because you do not know how many of the latter there are. Is it right to say that?

**James Lindsay:** I think that that is correct. There are 150 registered taxpayers.

**The Convener:** I just wanted to clarify those numbers.

My last question also concerns the clarification of numbers. The example in table 3 of the financial memorandum gives a summary of estimated Revenue Scotland running costs for the first year of the SAT. The numbers are all rounded. For example, amortisation—which is a great word that means

“the spreading of the cost of an intangible asset such as an IT system”—

is £200,000, operational staff costs are £645,000 and operational non-staff costs are £60,000. Once that is all done and dusted, the costs would be about £905,000 a year.

What are the parameters for that? How accurate are those figures? Are they within 5 per cent, 10 per cent or 20 per cent limits? How confident are you that the figures in the financial memorandum for the set-up costs and, importantly, the continuing operational costs are accurate?

**Elaine Lorimer:** The costs that we have built up are based on our knowledge of what it costs to run our existing taxes and on our understanding of what administration will be expected of us. That has been examined carefully, recognising the funding constraints that the Scottish Government is under. We have had to be prudent in what we seek.

John McVey knows more detail, so I will hand over to him in case he wants to add anything else.

**John McVey:** The staffing costs are broadly based on the two existing taxes that we operate. The assumption is based on the Scottish aggregates tax being broadly similar to the UK aggregates levy. Given what we know to date, we are confident that the staffing costs and the timeline for implementation are fairly accurate, but we will need to keep revisiting that as the legislation develops. We are comfortable with the figures for the implementation costs and the first-year running costs that we have put in the financial memorandum.

**The Convener:** From my perspective, “comfortable” is not very numeric. That is why I asked whether the confidence limit is 5 per cent, 10 per cent or 20 per cent. What kind of ball park are we talking about? Obviously, financial memorandums have to be best estimates, but how confident are you?

**Elaine Lorimer:** If I am honest, the unknown is what happens with pay. As you can see, our biggest cost is our staff costs.

**The Convener:** That figure will have been set on the basis of today’s prices, obviously.

**Elaine Lorimer:** Yes, and what we know about the pay deal. That is where our risk is, because the figure will depend on future negotiations with the Scottish Government about funding for our staff costs. We have not built in any cushion, if that is what you are looking for with your question about 5 per cent or 10 per cent.

11:15

**The Convener:** I am not looking for a cushion; I am asking to what degree the figures are accurate. That is what we are trying to find out. As you are probably well aware, we have had financial memorandums that have changed by hundreds of millions of pounds during a year. That is why I am trying to pin you down a wee bit and get you to say that, although it might go up or down by 5 per cent, you are absolutely confident that those are the figures, rather than that the figures could be completely different this time next year.

**Elaine Lorimer:** I will give you more certainty. We are confident that we can live within those figures. They are small. On our staff costs, we are confident that that is the number of staff that we will require. The only variable would be if something that we are unaware of happens in relation to pay arrangements.

Our non-staff costs are small, and we have flexibility to keep them controlled. Amortisation is an accounting treatment—

**The Convener:** John Mason will be excited about that.

**Elaine Lorimer:** It is based on what we believe the cost of the system will be. I can say to you with some certainty that those will be the operational costs that we need to live within, and we can manage it.

**The Convener:** With that competent response, I shall move on to John Mason, who is to be followed by Liz Smith.

**John Mason:** The Chartered Institute of Taxation thought that there might be a bit of confusion when we start off with the new tax, because operators who are used to the UK tax will suddenly have to deal with either both taxes or only the Scottish one. How will you raise awareness in the industry?

**Elaine Lorimer:** I will start off on that question, and James Lindsay and John McVey can both come in on it.

One of the benefits of the introduction being in 2026 is that, if the parliamentary timetable for legislation is as currently planned, secondary legislation should be in place by March 2025, which will give us a full year for proactive engagement with the industry.

As I said in my opening statement, it is important that we ensure that the industry is ready and understands its obligations, which, drawing from our experience with other taxes, I can say that we have done through a variety of means. Through the representative industry associations, we will run webinars and outreach events for taxpayers so that they can come along and find out more about the tax, and we will engage with professional bodies. We will do a range of things.

Internally, we have to ensure that taxpayer guidance is available on our website early enough. A strand of the programme will work on that, so that we have our website and our guidance updated in good time. There will then be a lot of outreach to taxpayers to assist them in their understanding.

It is clear that, because it is such a change, communication and engagement with the industry, representative bodies and professional advisers will be important.

**John Mason:** Is that what the go-live events from 26 January to 26 July are for?

**Elaine Lorimer:** Yes.

**John Mason:** How will an operator that is based in England and that is not even aware that we will have a new tax learn about it?

**Elaine Lorimer:** That is a subset of the previous challenge. Again, outreach will be important. I am sure that we will be able to use our relationships with HMRC to help with that. Perhaps James Lindsay will come in on that.

**James Lindsay:** John Mason picked up on a point that I would like to raise. We have had a good relationship with HMRC, so far; it has been quite collaborative. There will be joint work—such as communications with taxpayers—that we will need to address together.

His Majesty's Revenue and Customs will be helpful in identifying the taxpayers based in England who might have to register for the Scottish aggregates tax. Through that understanding, we will be able to have a joint comms approach, which will help to identify the taxpayers and make sure that they understand their obligations before the tax goes live.

**John McVey:** We have worked closely with our colleagues in the Scottish Government's bill team, and we have been part of the expert advisory group that it put together. We have also developed a comprehensive stakeholder engagement plan. At the moment, we are probably a little bit in the background, with the bill team taking the lead, because of where we are in relation to the programme, but we have in place a fully developed engagement plan. Our intention is to utilise the advisory group right up until the tax goes live and beyond, and to keep the relationship going with the industry, because it has been extremely valuable to us.

**John Mason:** You said that the tax return will be a bit different from the one that is used for the UK system. I think that our tax return is to be more detailed. Will you explain why that is and what will happen?

**Elaine Lorimer:** Yes. Our intention—certainly at this point—is to seek slightly different information than that already provided by taxpayers for the UK tax.

The committee will be aware of our really strong record on data, including the data that we as an organisation publish. We find that the data to which we have access really helps to inform our compliance approach. The rationale for our seeking slightly more information on the tax return is to assist us not only in our understanding of the industry but in our future compliance work.

We also want to ensure that we do not place an unnecessary burden on the industry. For us, it is about getting the balance right between getting the information that would be truly helpful for us to have and making sure that we do not unduly burden the industry. James Lindsay can say what we have done so far.

**James Lindsay:** Elaine Lorimer has covered a lot of the points that I wanted to make. We have evaluated what is currently asked for as part of the UK tax return and looked at how the tax is calculated. Exemptions and reliefs are a key part of that. There are quite a lot of them to consider,

and they can have a compliance angle. As part of the tax return, we have considered that it might be valuable to ask for more details about those exemptions and reliefs.

That must be balanced against the need to avoid being overly burdensome to the taxpayer, as Elaine said. Although that information is not provided in the UK tax return, there is a legislative requirement for taxpayers to retain that information and for records to be kept.

As part of our engagement, we have visited quarry sites and looked at their processes for managing what is on their site and what goes out of it. Those are low-value, high-volume systems, so they have to ensure that they understand what materials there are and the profits that they will make from them. We are quite confident that taxpayers will be able to provide with ease the information that we ask for.

We will work with stakeholders throughout the process. In designing the tax return and our system, we will take a collaborative approach with stakeholders to ensure that we get the balance right.

**John Mason:** The Chartered Institute of Taxation made the point in its written submission that there could be double penalties in some situations. For example, both a quarry operator and a customer could be subject to a penalty of 100 per cent of the tax that is claimed. The institute felt that it would be a bit harsh to penalise both by that amount.

**James Lindsay:** That is about a specific penalty for a tax credit in relation to prescribed industrial or agricultural processes. On review, and as part of our advice to the Scottish Government on stage 2 amendments, we will advise that that penalty should be removed and that we instead rely on the penalty under the existing tax framework, through the Revenue Scotland and Tax Powers Act 2014, which deals with information that might be incorrect that is supplied by third parties to a taxpayer. Therefore, that issue should fall away.

**John Mason:** I will raise a few issues to do with part 2 of the bill. One provision would give the Scottish ministers powers to enable Revenue Scotland to undertake more automation. Can you say anything about that and what protections there would be? Some people like having a bit of face-to-face and personal interaction, as well as making use of computers.

**Elaine Lorimer:** Yes, of course. I understand that totally. As you have identified, the bill sets out powers for ministers to introduce regulations in relation to automation. As I understand it, that would be through the affirmative procedure, so

there would be consultation and discussion as part of it.

As an organisation, we want access to automation to properly harness the benefits of the technology that we have. However, we are also a tax authority—we have to make judgment calls and decisions on tax matters that are sometimes quite complex. At this point, therefore, our need for and use of automation will be at the very straightforward end of our processes—for example, where there is no doubt about a basic penalty being owed because a date that was due to be met has passed and a return has not been received. We are interested in introducing automation for things such as that, because that will keep us efficient and will mean that, as we take on more taxes, I will not need to build up teams of people unnecessarily. It will also mean that the staff that we employ can focus on more complex work—richer work, if you like, for them as individuals. We will train them, for example, on the sophistication of our tax legislation and on how to deploy judgment in casework.

**John Mason:** I am pretty sure that we are all sympathetic to that. In the past, when we have looked at artificial intelligence, we have been given cases in which, sometimes, if there is not enough human oversight, things can get run away with. As I mentioned to the previous panel members, constituents of mine who were a penny short in their council tax have had horrendous letters. Can you give us some assurance that we are not going down that route?

**Elaine Lorimer:** I hope that we will not go down that route. We certainly would not design automation to come out with that sort of result.

One of the things that I have learned in my role is that, sometimes, things go wrong. We will not always get things right. What matters to us as an organisation is that, if we were to issue such a letter in error, we would make it right with the relevant taxpayer. Our whole approach would be one of empathy with the situation that we had landed them in. However, certainly, in our design of any automation of our processes, we would look to ensure that such an error did not occur.

**John Mason:** My final point is on a different area. In the Law Society of Scotland's evidence about group relief and demergers, it said, in effect, that HMRC guidance overrules the strict letter of the law but that

"it has not proved possible for Revenue Scotland to issue guidance which has the same effect as the ... SDLT guidance."

Can you explain that?

**Elaine Lorimer:** I would certainly never have thought that our organisation would have the powers to issue guidance that overruled the

legislation that this Parliament has passed. Our guidance is to interpret—

**John Mason:** I have to say that HMRC has a bit of a reputation for doing that.

**Elaine Lorimer:** Well, I would like to think that our organisation has not.

**John Mason:** Okay.

**Elaine Lorimer:** However, we are aware of what the Law Society seeks in relation to those other amendments. Clearly, it is a matter for ministers as to whether they wish to bring those forward. My team tells me that, should those changes be brought forward, they will not create a significant operational issue for us.

**Liz Smith:** Ms Lorimer, you said in answer to the convener that one of the advantages of the devolved tax will be better compliance—that some of the people who have been going through loopholes will be picked up. That is obviously good news for extra revenue. Given what you know about the UK tax levy, which we have had for around 20 years, do you foresee other benefits from the devolved tax that will likely raise the revenue from what exists currently?

**Elaine Lorimer:** Our hope is that, through the compliance work that we will do, we will improve the revenue situation. However, at the moment, because we do not know enough about the industry—because we have not visited every taxpayer and we have not engaged with all local authorities across Scotland—the level of non-compliance is not known to us. I cannot put a figure on it. We hear from the industry that, in some areas, it is significant.

Where we can add value initially will be in our approach to compliance and in ensuring that the taxpayers that we have and that we know about are paying the right amount of tax. We will then broaden our reach to find those taxpayers who should be but are not paying the right level of tax.

11:30

**Liz Smith:** In relation to the work that Mr Lindsay talked about, obviously Revenue Scotland has been speaking to HMRC, but has the latter flagged up any issues of concern?

**Elaine Lorimer:** I will address that first, and then James Lindsay can answer the question whether HMRC has raised any issues. I am not aware that it has, but he might be able to tell you. From what I understand, though, the industry has raised issues with us, which we have passed on to HMRC. I think that that is the right way round, is it not?

**James Lindsay:** Yes. We speak to HMRC's compliance and policy teams to understand how

they are doing things at this point in time, what the landscape looks like and what the tax administration and compliance are like.

However, I just want to stress that the willingness of industry stakeholders to engage over the past 18 months has been really welcome and helpful. The compliance issues that they have raised with us are clear, and I think that we have a good chance of making a good impact and dealing with those compliance issues; indeed, I am confident that we can. I am confident that the impact that we will have and the benefit that we can bring to the table will improve the sector, because we will be able to deal with those compliance issues and the non-level playing field that seems to be bothering industry and which can have a big impact locally on businesses and jobs—all the things that are really important. Therefore, there is real benefit in this tax being devolved, and real benefit that we can bring to the table.

**Liz Smith:** That is all very encouraging. The bottom line is that, for the tax to be successful, there has to be good compliance, it has to be seen to be fair and people need to understand what it is for. It is also vital that we get some benefit from its revenue-raising aspect—indeed, that is the basis for the Scottish Government wanting to introduce it.

My second question came up in the previous evidence session and is on an issue that has been going round the committee for some time: the possibility of a finance bill that would allow the Parliament—not just this committee—to scrutinise taxation a bit more fully than is currently the case, and with greater clarity and understanding. I know that you cannot comment on Scottish Government policy, but would that help the process of getting more people to understand what is going on?

**Elaine Lorimer:** I think so, yes. It is something that I have been asking for since I arrived in this role, which is a while ago now. I really think that we need, as part of a mature tax system in Scotland, the ability to keep our legislation up to date not just from a technical perspective—you can see that in some of the provisions in part 2 of the bill, for example on automation. There is also a need to keep the substantive part—the substance—of our tax legislation up to date. Without a regular vehicle for doing that, we run the risk of our tax legislation falling behind or our ability to ensure proper compliance and fairness across the system being brought into doubt.

As an organisation, therefore, we are really keen to have this vehicle. Many of the changes that we would like to see are what I would describe as “boring technical”, but they are nonetheless important.

**Liz Smith:** Boring technical can be good.

**Elaine Lorimer:** That is right. I do not think that we would require this sort of thing annually, but we certainly need such a vehicle and, at the moment, we do not have it. The longer we administer our taxes, the longer the list of issues that we want to be changed will become.

**Liz Smith:** That was very helpful—thank you.

**The Convener:** I call Michelle Thomson, whom we would never describe as boring and technical.

**Michelle Thomson:** How did I know that that comment was going to come up? Thank you, convener. [*Laughter.*]

I want to ask about a couple of interrelated areas. The previous panel expressed some concern about offset—or set-off, as I think you describe it—and called it heavy handed. The point that I made to them was that a principled approach is surely being established in anticipation of further taxes being devolved in order to ensure that, where people owe tax, we are able to claw it back. Am I correct in that assumption?

**Elaine Lorimer:** Yes, I would say so. What we are saying with that provision is that we would like to have the issue clarified in legislation now, because we would like to have it not just for aggregates but for all our taxes. We can anticipate having taxpayers who pay more than one tax—for example, there will be landfill operators who also run quarries—so it makes sense for us to have that ability. I hope that my earlier assurances on there being certainty with regard to the amount due, there being no doubt between us in that respect and the fact that we would act proportionately are sufficient for you to feel that you can enable us to have the powers that are set out in the bill.

**Michelle Thomson:** I think that the Law Society said, “Yes, but other taxes might not align directly.” That is true, but I suppose that it cannot be beyond the wit of you and the Parliament to design legislation that takes account of that. Would a finance bill allow for the sort of scrutiny that you would want as you continue with the offsetting approach?

**Elaine Lorimer:** Obviously, we would like the provisions in part 2 to be passed as part of the bill but, yes, as far as on-going maintenance of our operation of those provisions is concerned, if the set-off provisions are enshrined in primary legislation and they cannot be amended by secondary legislation, a finance bill would provide us and indeed Parliament with the opportunity to scrutinise our utilisation of that power in due course.

**Michelle Thomson:** Thank you.

**Jamie Halcro Johnston:** Going back to the compliance issue that the convener and Liz Smith have raised, I appreciate that you cannot give a exact number for that, but you have said a little about certain areas. I think that Mr McVey talked about farmers perhaps providing aggregates under the radar. I can assure you that, if 100 tonnes of material were to be taken off my land, it would be pretty obvious to folk. All the same, we are still not talking about huge numbers. My understanding is that, if 100 tonnes were taken, the tax would be £200. I would be interested to find out whether that would be worth the risk for someone.

Everything so far seems to have been very anecdotal, so I wonder whether you have any idea of the split between some of the smaller non-compliance issues and some of the larger ones. As the convener rightly pointed out, this is not a big country, and quarries are pretty obvious; they cannot be moved or hidden easily. Do you have any idea of the balance in that respect?

**Elaine Lorimer:** I am not sure that we do. I am looking to James Lindsay in case he does.

**James Lindsay:** We do not have any substantial quantitative data at this point. As for qualitative data from industry stakeholders, they have made it clear that the impact on them is great and that there is an issue to be dealt with that is currently not being dealt with. We have seen evidence of quite large-scale activity by unregistered taxpayers that is not the sort of pop-up that my colleague mentioned but has been continuing for years.

I point out that, although quarry sites can be big, they can be hidden in plain view. It may be that you cannot see a site from a road, but if you go 200 yards down another road you will see a big hole that has been dug out, with loads of aggregate having been taken from it. That will not be seen by the public, but it will be felt by the industry and indeed the community. There could be, say, three quarries in a certain local authority area, and if someone is undercutting them, those in the industry will know. That is the benefit for us: the industry can be our ear to the ground. We can use it, and it is willing to engage with us on such issues. Therefore, as part of our stakeholder engagement and after the tax goes live, we will work with industry stakeholders so that they can tell us what is going on. They will be quite willing to come to us and say, "The quarry down the road is undercutting us. Can you help us with that?"

**Jamie Halcro Johnston:** Depending on the type of community it is in, a quarry's operations will have impact and people will know about it. It might not be seen from the road, but the trucks will be seen.

On that point, why do you think that the industry will work with you and that you will be able to have an impact and be more successful in dealing with that than was the case under the previous UK aggregates levy?

**Elaine Lorimer:** It is simply because we have reached out. The industry is aware of the impact that we have had on other industries in Scotland and it recognises that we have people who will go out to visit and speak to it. This is no criticism at all of HMRC, but we must remember that the UK aggregates tax is a small one for HMRC in the wider scheme of things. One of the benefits of it being devolved for us to operationalise is that it will be our third tax and it will get the attention that you would expect us to give it.

**Jamie Halcro Johnston:** How will you decide the cost benefits of pursuing unregistered quarries? That could be expensive and the benefits might be small, apart from the general approach of ensuring that those who should be paying tax are doing so. How will you do that and what sort of resourcing can you give to it?

**Elaine Lorimer:** The Scottish Government has, on our behalf, set out in the financial memorandum the resources that we hope to deploy on the tax. The starting point for our approach is that we expect everyone to pay the right amount of tax. Our compliance approach is on what we call a risk basis. We start where the greater risks are, and only when those risks are resolved do we move to the lower ones. We take a proportionate approach to deploying our compliance resource. In the end, it is incumbent on us, as the tax authority, to do something about any non-compliance that we are aware of. We cannot turn a blind eye. We take a proportionate approach to deploying our resources so that we tackle the greatest non-compliance risks first.

**Jamie Halcro Johnston:** Do you have any estimates of the current cost of non-compliance?

**Elaine Lorimer:** When you say "cost", do you mean revenue loss?

**Jamie Halcro Johnston:** Yes.

**Elaine Lorimer:** I am sorry. I am not able to provide you with that.

**Gillian Mackay (Central Scotland) (Green):** In its evidence, the Law Society of Scotland said that arrangements for penalties and appeals should

"reflect the desire to ensure compliance, rather than being used as a mechanism to raise revenue"

and that the penalties should be well publicised. Are the potential penalties and consequences for non-compliance being communicated as part of your engagement with industry? Do you feel that

the right balance is being struck between improving compliance and raising revenue?

**Elaine Lorimer:** The penalties regime that is set out in the Revenue Scotland and Tax Powers Act 2014, which is a pretty complex one, will apply here. We will absolutely ensure that the industry is aware of the penalties regime and how it applies. That begins with people ensuring that they get their tax return in on time. If they do that, they are off to a flying start. Our penalties regime becomes more complex when tax returns do not come in on time, and it continues and continues until we get into a very complex calculation about what penalty is due. Our starting point will not be to use the penalties regime to raise revenue. We would far rather not issue penalties because, if we are not doing that, it means that tax returns are coming in on time and the right amount of tax is being paid.

You are right to identify that we need to be able to engage with the industry, because the penalties regime is a stick that we have as a tax authority that we would rather not use. It is better if people understand their responsibilities early on and our system makes the making of a tax return straightforward for them, so that they know what information they have to provide on their tax return and they can do it on time. There should not be any need for the penalties regime to apply.

11:45

**Gillian Mackay:** Do you foresee any other operational issues, especially in the early days of the scheme being live? For example, there have sometimes been issues with getting data across from HMRC. Do you see that being a potential issue? Are such issues being worked out at the moment?

**Elaine Lorimer:** I will bring in John McVey on that. We will have formal arrangements with HMRC for sharing data, as we do with our other taxes. We are empowered to engage in data sharing under our legislation. That power is tightly constrained, obviously, because it relates to the sharing of information about taxpayers. We will have that ability for the aggregates tax in the same way that we have it for our other taxes. We intend to have a specific arrangement in place for that, but I do not think that we expect data to be transferred at the start of the process. Is that right, John? We are starting from scratch.

**John McVey:** Yes—we are starting from scratch. We are working closely with HMRC to put together a joint plan for a smooth transition when we go live. We have had good communications with HMRC up to this point.

**Gillian Mackay:** That is great. Thank you.

**The Convener:** Thank you, Gillian. Colleagues have exhausted their questions.

I make the observation that compliance surely increases revenue, even if that is not the reason for it.

As well as grappling with a lack of data, which means that we do not know how big the issue is, it appears that there has not been much enforcement over the past 20 or so years. You said that the aggregates levy is a small tax, but individuals sometimes get chased by HMRC for just a few pounds. I find it odd that an industry that generates tens of millions of pounds in revenue in Scotland alone seems to be able to decide almost on a voluntary basis whether it pays the tax. Is that a fair comment?

**Elaine Lorimer:** I do not think that you can expect me to comment on that.

**The Convener:** That is fair enough. We will put all the really nasty questions to the minister next week.

Are there any further points that you would like to make before we wind up? Are there any points that you feel that we have not covered that you or your colleagues want to get over?

**Elaine Lorimer:** I do not think so. Thank you very much for giving us the opportunity to explain where we are with the Scottish aggregates tax. We look forward to coming back to the committee in due course. I have no doubt that you will want to see us again as the bill progresses, when we will be able to go into much more detail on our operational readiness. We will be happy to return to the committee at any point.

**The Convener:** Thank you very much. I thank all our witnesses for their contributions today. We will continue our evidence taking on the bill next week, when we will hear from the Minister for Community Wealth and Public Finance—the legendary, one and only Tom Arthur.

As that was the final item on our agenda, I now close the meeting.

*Meeting closed at 11:48.*



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