

# **Resource Taxation UK – Aggregates and Landfill**

**Green Budget Germany Conference on  
Resource Taxation**

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# Overview

- **Background**
- **Description**
- **Effects**

# Background

- **Golden period for environmental taxes (announced work to be conducted in 1997 budget)**
- **Orthodox views of Defra / HMT economists**
  - **Seek to ‘internalise externalities’**
  - **London Economics commissioned (1998, Phase 1)**
  - **Second study to compensate for issues with first (1999)**
  - **.. With international peer review panel (£1.80 ish per tonne)**
- **Trade body for aggregates (QPA) opposing the tax**
- **QPA sponsored work (ECOTEC, Prof Pearce)**
- **Objectives**
  - **reduce demand for aggregates and encourage recycling**
  - **compensate for environmental externalities caused by quarry activities**

# Description (1)

- Introduced in 2002
- Applies to aggregate:
  - sand,
  - gravel
  - rock
- Exceptions:
  - materials such as clay, slate and shale (not strictly aggregates but used for similar purposes)
  - minerals (e.g. for industrial use) whose extraction involves the extraction of stone, gravel or sand;
  - coal, metals and peat.
- Exemptions
  - ‘Dimension stone’

# Description (2)

- **Applied to materials:**
  - quarried in the UK;
  - mined underground in the UK;
  - dredged from UK waters; or
  - imported into the UK.
- **Rates:**
  - £1.60 per tonne to April 2008
  - £1.95 per tonne from April 2008
  - £2.00 per tonne from April 2009
  - £2.10 per tonne from April 2010
  - **N.I. aggregate levy tax relief scheme**
    - 80% relief if registered with HMRC
    - Commits to env improvement

## Description (3)

- **Taxable event – the earliest of**
  - **physical removal from the site where it was extracted (except when moved to another site which is registered in the same name as the originating site);**
  - **sale to another person;**
  - **use for construction purposes; or**
  - **mixing with anything which is not chargeable aggregate or water.**

# Description (4)

## – Revenues

- Collected by HM Revenue and Customs (formerly HM Customs and Excise)
- Commercial extractors register with HMRC

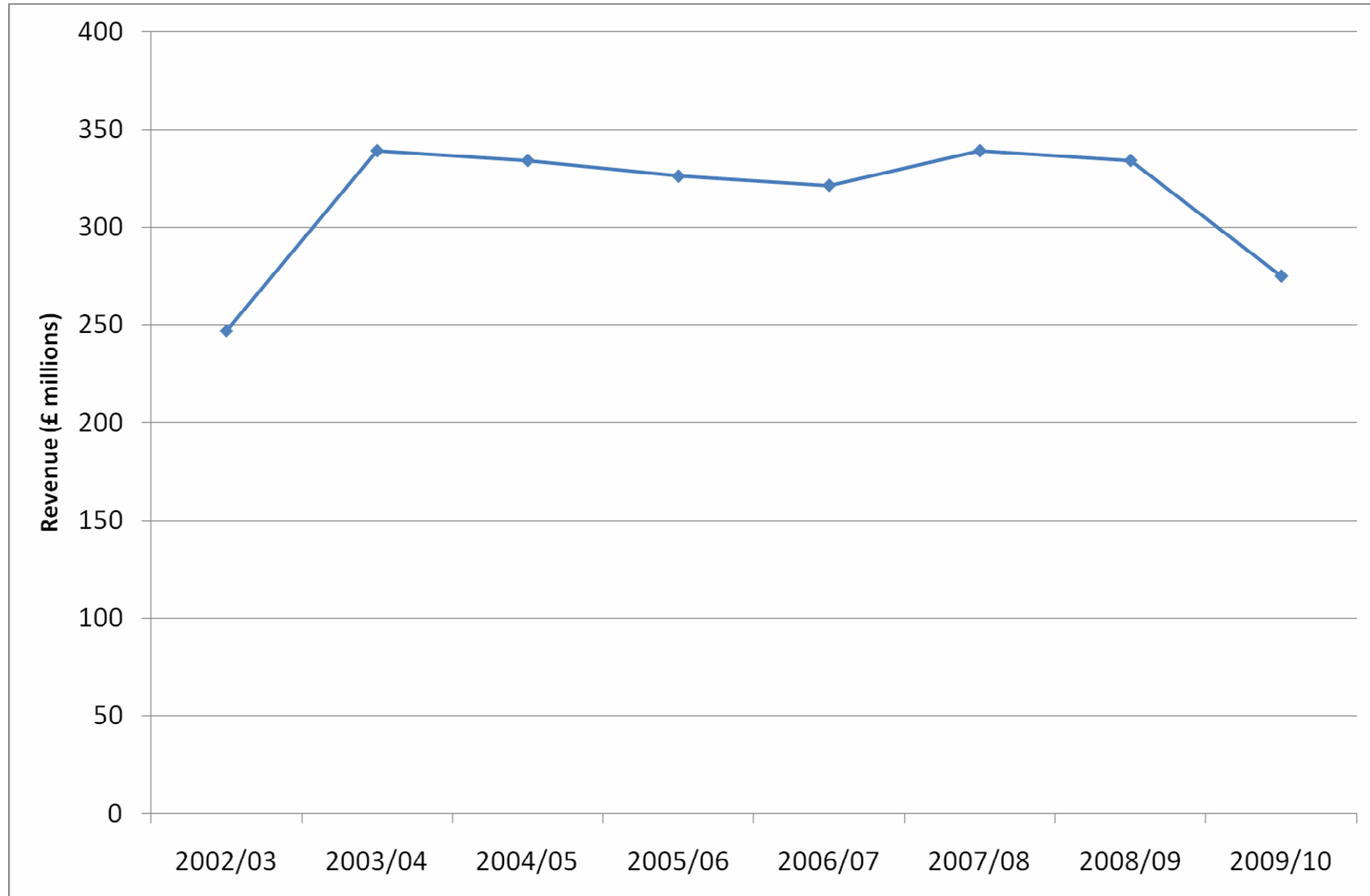
## – Use of revenues

- 0.1% reduction in employer NICs
- Revenues in Aggregate Levy Sustainability Fund (fixed sum of £35 million per annum)

# Effects

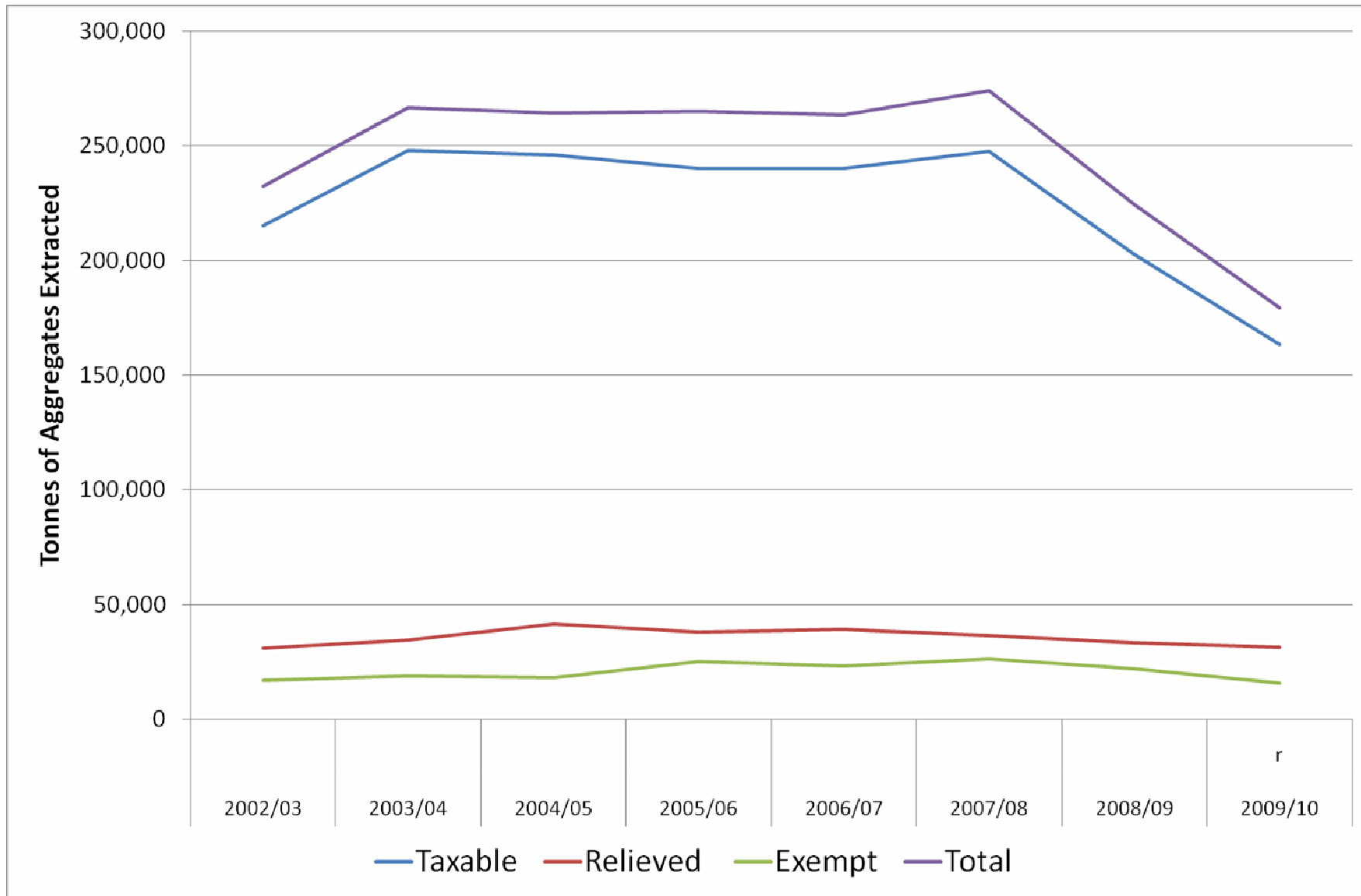
- **Just over £1 million to administer**
- **Revenue around £350 million**

# Revenue (£ millions)



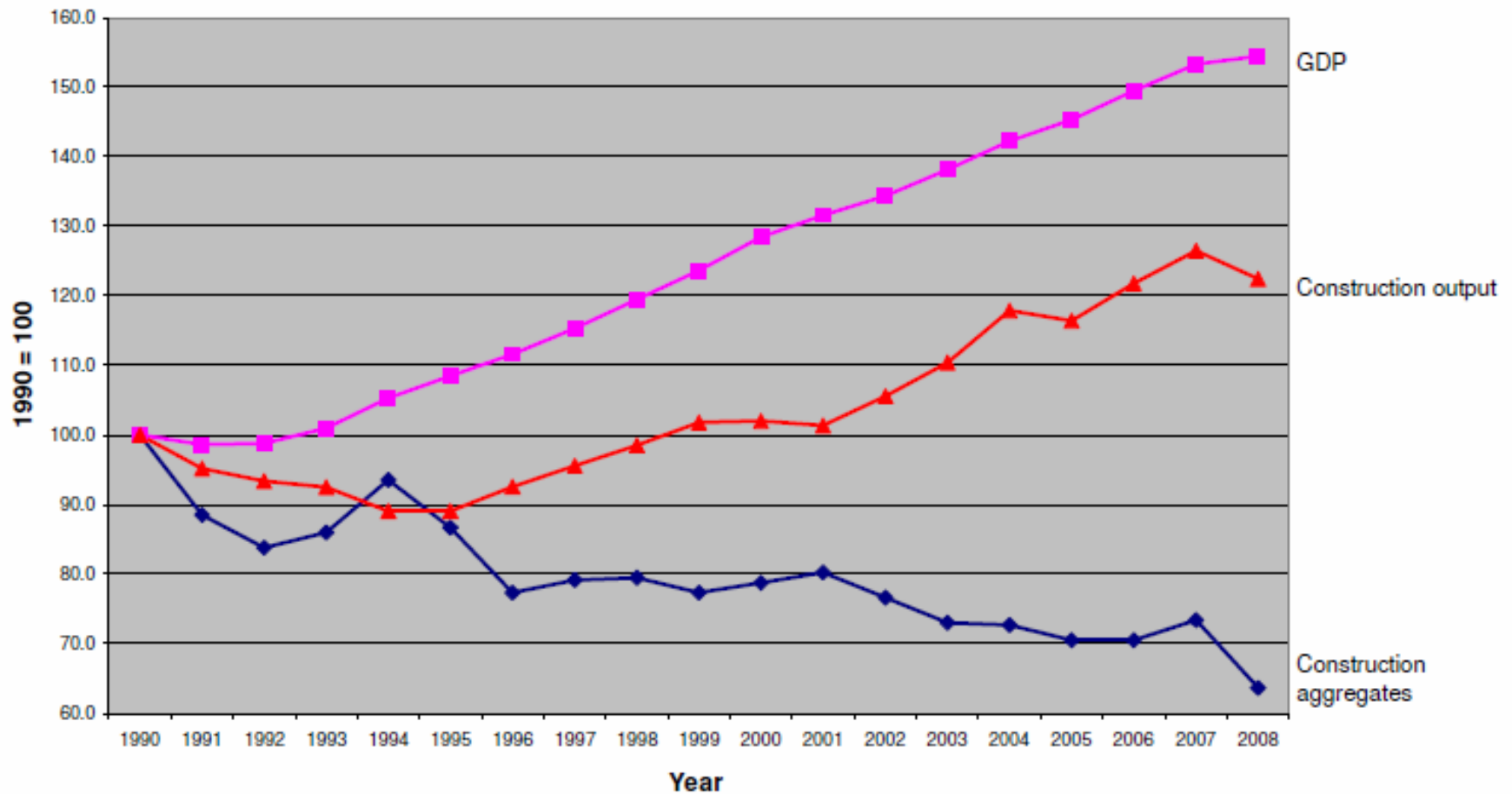
Source: HMRC

# Extraction (tonnes)



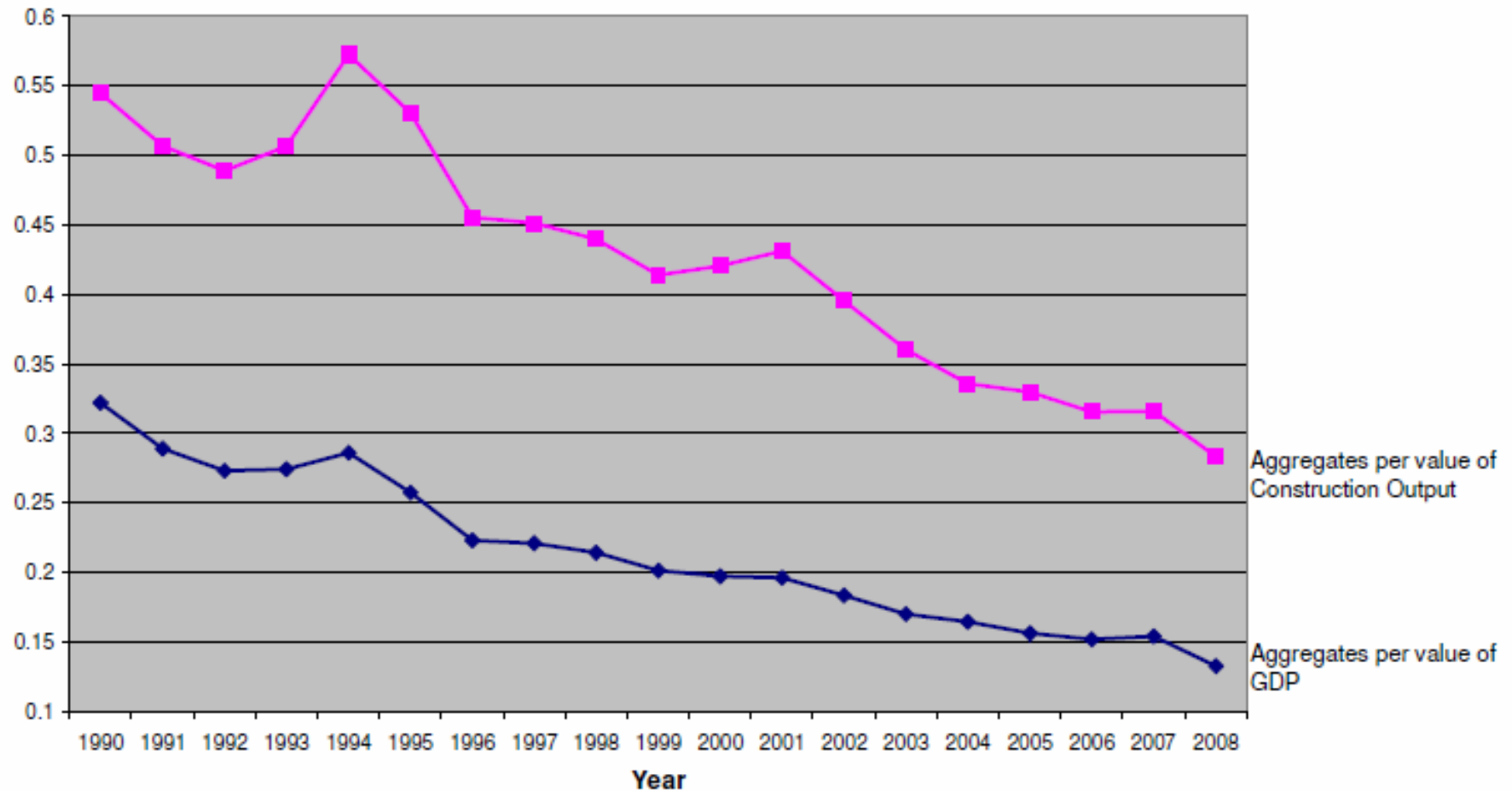
Source: HMRC

# Use of Primary Aggregates in Construction, GDP and Construction Output



Source: BDS

# Intensity of Use of Primary Construction Aggregates



Source: BDS

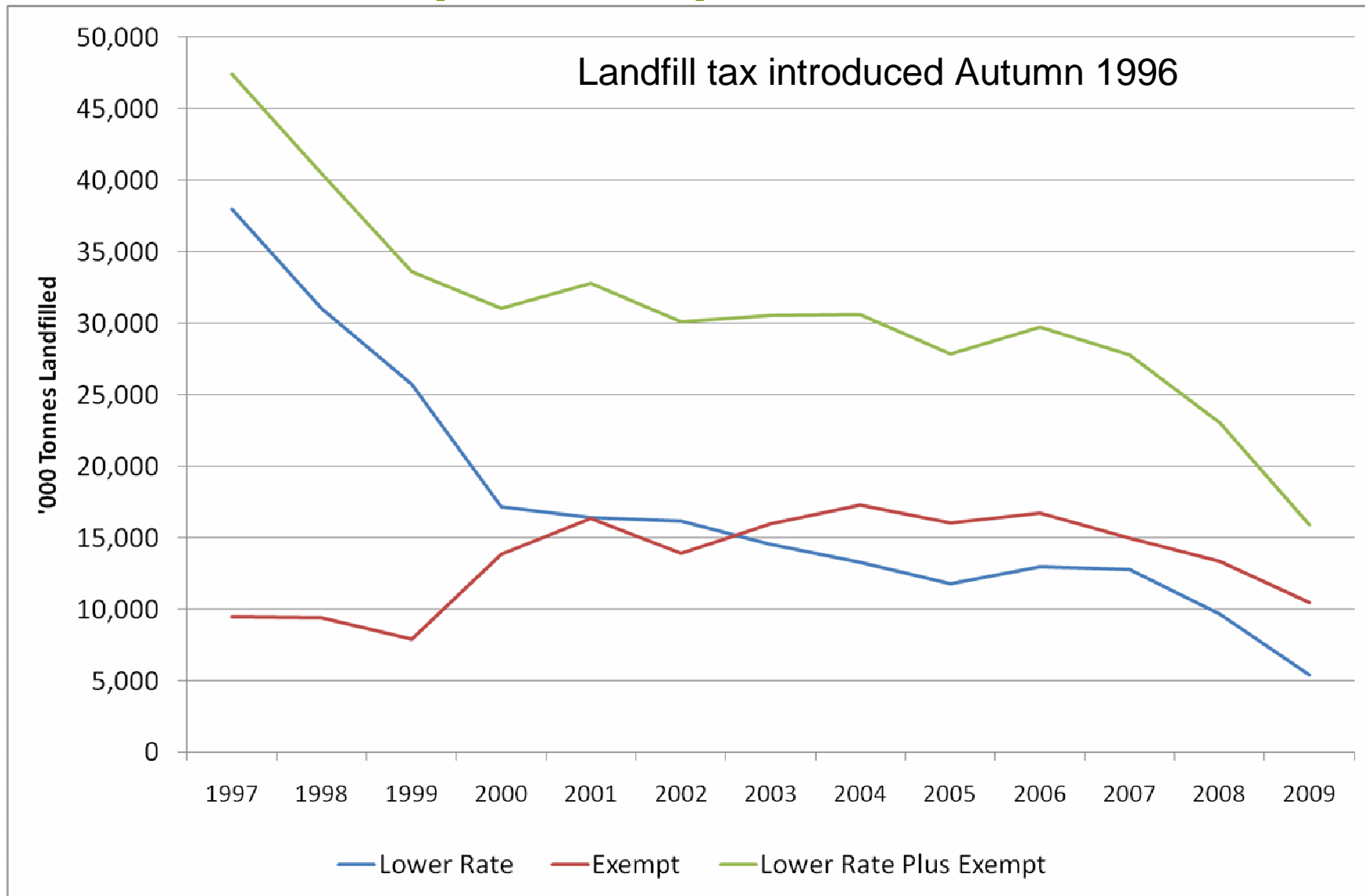
# Explanation (1)

- **The first stimulus to aggregates recycling came from the landfill tax**
  - **£2.00 for lower rate (usually ‘inert’) materials**
  - **Included soils, rubble, stones, bricks etc.**
  - **Previously accepted free of charge**
    - **Site engineering**
  - **New fees stimulated**
    - **Use of inert wastes in ‘recovery’ activities (not all of it strictly legal)**
    - **On-site re-use**
    - **Crushing of aggregates for use as recycled aggregate**
- **Incentive came through desire to avoid increasing disposal costs**

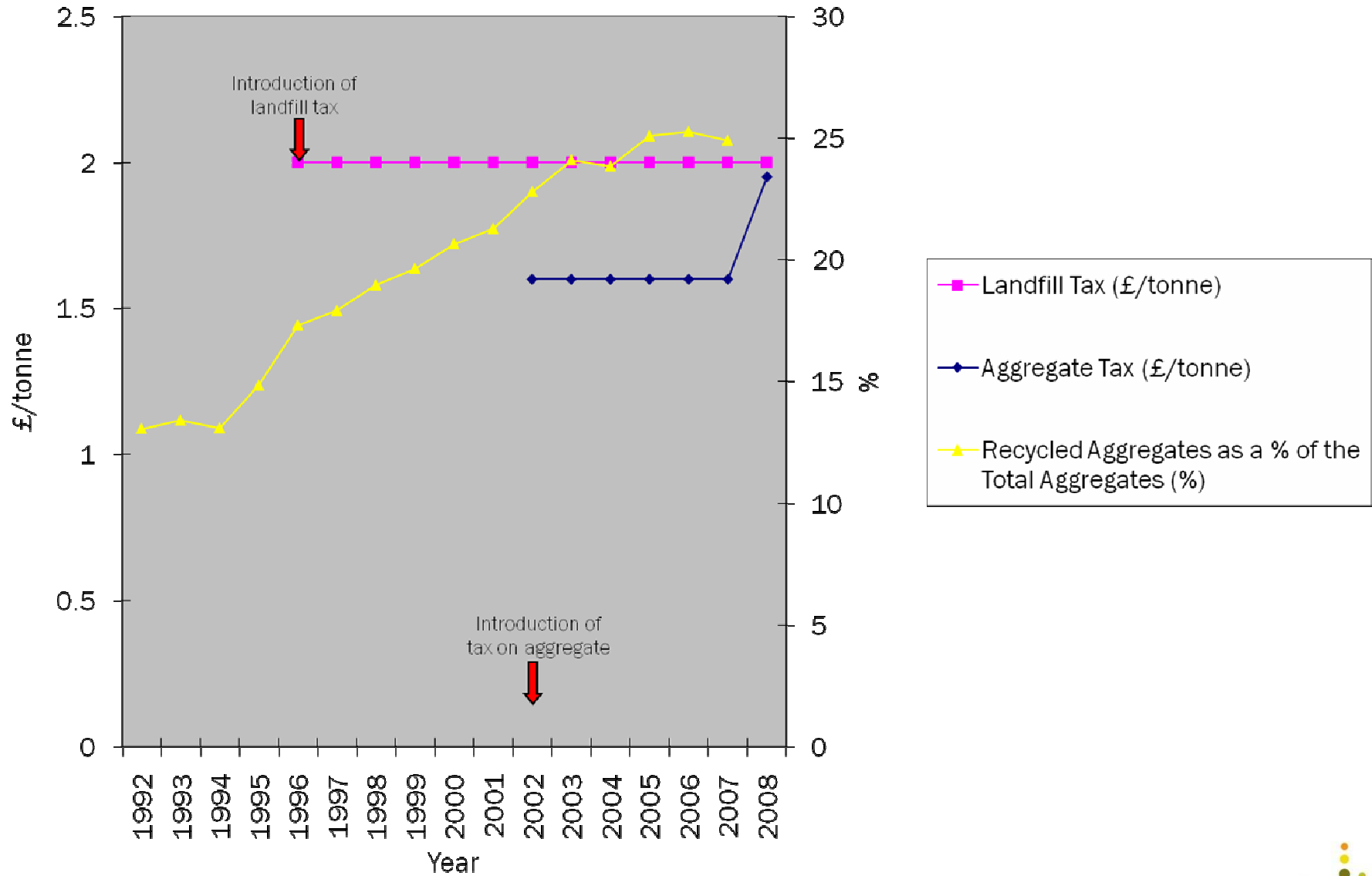
## Explanation (2)

- **The second stimulus to aggregates recycling came from the levy**
  - **Economic incentive at the front end**
  - **Relatively high (compared with other countries) tax rate (approx 20% or more of price, used to be 30%)**
  - **Increases diversion of waste already ‘not being landfilled’ into aggregates recycling ...**
  - **Shifts demand in favour of secondary (subject to standards)**
  - **... as well as stimulating additional activity**
- **Incentive came from desire to avoid higher costs of purchase**

# Extraction (tonnes)



# % Recycled



# Recycling of Aggregates

| <b>Period</b> | <b>Total New Recycling Plants in Period</b> | <b>Average New Recycling Plants in Period</b> |
|---------------|---|---|
| 1990-96       | 109   | 16  |
| 1997-2001     | 164   | 33  |
| 2002-2006     | 163   | 33  |

Source: BDS

# Key Points

- **Aggregates not widely traded**
- ... but NI scheme to cater for border effects
- **Importance of complementary instruments**
  - **Landfill taxes**
    - Encourage avoidance of disposal
  - **Specifications to give confidence - Quality Protocol (funded from ALSF)**
    - When does 'waste' become a product
    - Gives end-users confidence
    - Bolsters demand



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