

PRELIMINARY RESULTS OF A MEMBERSHIP QUESTIONNAIRE SURVEY

AGGREGATES LEVY CASH FLOW – AUGUST 2002

Several of our members have recently been reporting significant cash flow problems as a result of the introduction of the Aggregates Levy in the UK from 1st April 2002.

This was predicted by the Association on numerous occasions since late 1999 and particularly in light of the high level of the tax imposed, and also as Customs and Excise settlement terms are 30 days compared to the normal settlement terms in the industry of between 60 and 90 days.

We surveyed all members to advise us on a confidential basis which of the following three statements best reflected their experience with the first return, with the number of responses in each category in brackets:

Statement	No.
"Collected more cash than paid to Customs and Excise in the period"	4
"Collected roughly what was paid"	5
"Paid more cash to Customs and Excise than collected in the period"	17
Total responses	26

The following observations are relevant:

1. Within the bounds of confidentiality it is evident that the responses have reflected all parts of the country – the breadth and length of England, Scotland, Northern Ireland and Wales.
2. Some two-thirds of members who have responded have experienced unfavourable cash flow. This has created some difficulties and individuals have made additional comments such as:
 - The need to request additional £350K bank working capital
 - Paying up to 4 to 5 times more to Customs than received from customers
 - Adverse cash-flow of £125K
3. Two of the four responses to the favourable cash flow situation reported that their first payments were not due until the end of August. This indicates that Customs and Excise have apparently allowed some companies much longer credit terms than others. We also note that separately we have been informed that some operations within the “majors” have also been allowed more favourable terms, with first settlement end of August.
4. Several members also commented that they were paying out twice to Customs and Excise – as any recovery of the levy that they were seeking on their selling prices was separately subject to VAT payment

– making the levy payment £1.88/t rather than £1.60 – a very subtle stealth tax but aggravating the cash situation for businesses.

P L Huxtable PLH/28th August 2002