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Quarry Tax Burden - 10th August 2001

Changes in taxation are increasingly staggered. It means that by the time a new impost comes into effect, the initial controversy has died down and tax-payers have had time to get used to the idea.

That is what ministers probably hope, anyway, but it does not always work out in the way intended. In the case of the Aggregates Tax, which was hushed in Budget 2000, the knock-on effect for the public will gradually become clearer after its introduction next April.

The tax makes a flat rate levy of £1.60 a tonne on quarried virgin sand and gravel. As the value of aggregate varies around the country, the true significance of the levy varies too.

The measure is also very complex - regulations run to 100 pages administered by Customs & Excise. There is no rebate scheme, a deficiency which critics say will detract from its supposed beneficial effect. And there are anomalies: imported concrete made from sand and gravel is exempt.

Ministers say the tax is needed to reflect environmental damage and will encourage recycling of china clay waste and colliery spoil. They also hope more demolition rubble will find its way into construction.

In order for the tax to be fiscally neutral, employers' National Insurance contributions (NICs) will be cut by 0.1%, which sounds fair but may turn out differently. The point has been made that landfill tax was originally fiscally neutral but when it was increased the National Insurance rebate stayed the same! That could easily happen again.

Because of the NIC concession, the Chancellor (and Ms Branklin in Scotland) argue jobs need not be lost in the quarrying industry. This is hotly contested by the British Aggregates Association, which believes about half the industry in Scotland will disappear.

It will probably be isolated, smaller quarries that will chuck in the towel first, overcome by the expense of book-keeping, installing appropriate computer software, coping with Customs & Excise, etc.

Inevitably, extra costs will be passed down the line. Councils are already making warning noises. In Angus, the bill for up-grading the A92 will rise, perhaps by £2 million. That will have to come either from other budgets, or from higher council tax. It will be on top of the cost of a new bridge at Montrose.

The Scottish Executive admits all road construction will be affected. Contract prices for maintenance will be "adjusted" to reflect the tax's impact.

Although this measure may look like a business tax and comes with green fringes, the man in the street is sure to feel its force.