

Press Notice Friday 29 March 02

UK Construction Industry Awaits High Court Decision on Tax

The British Aggregates Association's legal challenge to the new Aggregates Levy has been completed in the High Court with the Judge saying that he intends to announce his verdict in about two weeks time.

However the levy is due to come into effect on Monday with Government dismissing calls for a delay from all sides, including two of its own ministers and CBI director general Digby Jones.

British Aggregates Association director, Robert Durward comments; "This is a particularly disturbing example of Government riding roughshod over anyone who comes between them and a new income stream. This "environmental" levy is, purely and simply, a stealth tax which will have to be paid for by increases in council tax and business rates. (the public sector accounts for almost 40% of all aggregates used.) Government's further claim that the levy is 'revenue neutral,' because of a reduction of 0.1% in employers National Insurance Contributions, is particularly cynical as the NIC rate is flexible and almost certain to be increased in next month's budget."

The quarry and construction sectors are particularly worried that the aggregates levy legislation will be unworkable, if indeed it is ever finalised. Despite being announced two years ago, in the April 2000 budget, Customs officials are still struggling to put in place regulations which become more and more complex with each passing day. One of the major problems besetting the quarry industry is secondary or by-product aggregates, however, despite recognising this problem in the December Pre-Budget Report, (PBR) officials have since said they will not be able to address this issue before 2003.

The levy will have an enormous effect on all construction and maintenance work involving roads, schools, hospitals and houses. In addition it will drive up the price of diverse items from concrete paving, pipes and blocks to garden gnomes. In addition the levy will not be applied to imported finished goods, made from aggregates, and the British Aggregates Association has warned of a substantial increase in the import of both raw aggregate and concrete products. The association has also highlighted the fact that very little, if any, increase in the use of recycled materials will result. Government's own research shows 1-3% max.

ENDS:

Notes To Editors:

- The £1.60 per tonne levy represents a 35% increase in the cost of raw aggregate and greatly exceeds quarry operators' profit levels.

- No other EU country has a stone tax of this magnitude, in France it is 6p.per tonne.
- Sand, gravel and rock quarries occupy less than 0.1% of our landmass and we have limitless reserves. Very few complaints are received concerning quarries.
- Several “Early Day Motions have recently been tabled in Parliament attacking the levy. These EDMs have attracted significant cross party support.
- The Conservative Party are to “Pray Against” the regulations.
- The present situation is causing unprecedented uncertainty with Government announcing ad hoc changes to the regulations on a weekly basis.
- Further changes to the regulation are to be announced in the budget and backdated although they will not receive Royal Assent until later in the year.
- Uncertainty and lack of proper legislation is likely to spark dispute and litigation between the quarry and construction sectors.
- Only 9% of the revenue has been earmarked for “environmental projects” and it is widely accepted that the levy will in fact damage the environment as small local quarries are forced to close and material has to be transported further.
- A copy of BAA letter to the Chancellor, Gordon Brown, is attached.

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