

Government 'in denial' on aggregates levy, say experts

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Industry leaders have accused the government of digging its head in the sand over the ongoing saga of the aggregates levy, following a recent report from tax chiefs.

The British Aggregates Association (BAA) said last month's business brief from HM Revenue & Customs contains no new arguments on the levy, which has become a ten-year running sore for the industry, and totally ignores a recent European judgment that found the levy illegal.

BAA secretary Peter Huxtable said Business Brief 21/12, which was supposed to offer fresh insight on the implications of the European judgment, came as little surprise and reflected an entrenched view that was at odds with that of the industry and European law lords.

The levy, introduced by chancellor Gordon Brown ten years ago, was denounced as a stealth tax by the industry. This led to an unsuccessful High Court action to overturn the levy in 2002 before it won on appeal in the European courts a few months ago.

But Huxtable said the government was in constant denial and would probably maintain it was in the right until it had exhausted all legal procedures. The coalition was stubbornly touting the message that it was "business as usual, with an ostrich-head-in-the-sand-like mentality".

The crux of this latest document was the insistence that there would be "no change" to registered businesses' legal duty to cough up for the levy. Those who withheld payment could be hit with late or non-payment penalties and punitive interest.

BAA executive officer Richard Bird, meanwhile, has insisted Business Brief 21/12 has "no firm basis in law and cannot be relied upon by quarry operators". He agreed with Huxtable that taxes paid would have to be compensated if the government eventually admitted defeat.

The rules were not only unfair but anomalous, said Huxtable. Minerals extracted as aggregates, for example, were taxed. Yet if produced as a by-product of another mineral such as china clay they escaped the taxman's clutches.

"Some businesses have decided because the levy is illegal they are no longer required to pay it. They are withholding payments and will hand them over only if proved wrong. They are putting the money into an account and the winner will take the cash."

He added: "The government consumes 60% of aggregate output in this country, so it is the public sector paying the money not the private sector: in effect it is taking the money from one pocket and putting it another."

Judges, ministers and industry leaders are due to meet next April for a final hearing and until its outcome "we are in a stalemate situation", said Huxtable. The most important thing, he added, "is for the levy to disappear".