

Explanatory Note

Clause [6032]: Aggregates Levy - Reinstatement of Exemptions

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Summary

1. This clause repeals the legislation that suspended exemptions from aggregates levy in April 2014. It comes into force on 1 August 2015 but has effect from the date of the suspension.

Details of the clause

2. Sub-section (2) repeals section 94 of the Finance Act 2014 which removed certain exemptions. Save as provided for in sub-section (4), it reinstates those exemptions with effect from 1 April 2014. This entitles businesses that have accounted for the aggregates levy on these materials from 1 April 2014 to the coming into force of this clause to apply for a repayment of the levy.
3. Sub-section (4) removes the exemption for shale, making it taxable aggregate.
4. Sub-section (5) introduces a new exempt process for shale which is not used as aggregate for construction purposes. This will entitle a person who has commercially exploited and who has accounted for the levy chargeable on such shale to claim a tax credit for the shale, when it is used in this new exempt process, under the Aggregates Levy (General) Regulations 2002 S.I. 2002/761.

Background note

5. Aggregates levy is a tax on the commercial exploitation of rock, sand and gravel in the UK. It was introduced on 1 April 2002.
6. In response to action taken by the British Aggregates Association, in 2012 the European General Court annulled the European Commission's 2002 State aid approval for a number of exemptions from the levy. These exemptions were therefore suspended from 1 April 2014 while the Commission undertook an investigation. The previous government made a commitment to reinstate all exemptions found to be lawful.
7. The Commission completed its investigation and published its decision on 27 March 2015. The Commission was broadly content that the exemptions and the exemptions under investigation were lawful, with the exception of part of the shale exemption.
8. The effect of making the legislation effective from the date of the suspension of exemptions is that, once the legislation comes into force, businesses will be able to claim a refund of any levy

paid since 1 April 2014 (with interest) on materials for which the exemption was found by the Commission to be lawful. HM Revenue and Customs (HMRC) will publish a Revenue & Customs Brief later this month to provide more information on the repayment process.

If you have any questions about this change, or comments on the legislation, please contact Catherine Osborne on 03000 536971 (email: catherine.osborne@hmrc.gsi.gov.uk).

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