FINANCE COMMITTEE CALL FOR EVIDENCE ON THE LANDFILL TAX (SCOTLAND) BILL

SUBMISSION FROM THE SCOTTISH LANDFILL COMMUNITIES FUND FORUM

Whether the Bill is consistent with the four principles underlying the Scottish Governments approach to taxation – certainty, convenience, efficiency and proportionate to the ability to pay,

1. We believe the four principles to be laudable and appreciate that the Bill endeavours to ensure that the new Scottish Landfill Tax is consistent with them.

The decision not to introduce significant changes to the form or structure of the existing UK Landfill Tax,

2. Is we believe sensible as it simplifies the changeover from the UK to the Scottish tax.

3. In particular it will reduce the complexity and administrative cost for companies with operations in Scotland and elsewhere in the UK as the systems required will be broadly similar for both tax regimes.

The use of the same list of qualifying materials as specified in the Landfill Tax (Qualifying Materials) Order 2011,

4. Is we believe sensible for the same reasons as given in observation 2 and over and above that it will reduce the likelihood of cross border waste traffic aimed at taking advantage of whichever is the more attractive tax regime.

The intention to set tax rates in subordinate legislation and in such a way that rates will follow closely UK rates,

5. Is we believe sensible as it reduces the likelihood of cross border waste traffic aimed at taking advantage of whichever is the more attractive tax regime.

The power in the bill to establish more than two tax rates and to vary the list of materials qualifying for different tax rates in subordinate legislation,

6. Is we believe sensible as it may be deemed necessary at some future point to develop a graduated band of tax rates to reflect the level of environmental risk posed by various waste materials, as opposed to the simple two tier system used in the present UK Landfill Tax.

The provisions which will allow the tax authority to pursue taxes evaded through the illegal dumping of waste,

7. Are we believe sensible, we believe that the rigorous and consistent pursuit of evaded taxes associated with illegal dumping, at both the individual and corporate level, will in association with the application of existing laws against same, contribute to the reduction and hopefully eventual eradication of the practice of illegal dumping.

The list of materials and activities which are exempt from Landfill Tax,

8. We have no views on this
The Scottish Landfill Communities Fund,

9. We are supportive of the principles as set out in the Bill, which appear to broadly reflect the arrangements presently in existence for the UK Landfill Communities Fund which has been extremely successful throughout its 17 years of existence, exhibiting a high degree of probity with cost effective administration by the Distributing Environmental Bodies.

10. The popularity of the present LCF is due to its relative ease of access and principally because it empowers communities and delivers projects which benefit them directly. It is also true to say that the LCF has significantly levered major funds in many cases, which is due to its status as ‘private’ money. (We believe that the new Communities Fund could be established and run as per the principles set out in Appendix 1)

The role of Revenue Scotland in the administration of the tax,

11. We believe it appropriate for a Scottish Tax to be administered by a Scottish Agency.

The role of SEPA in the administration of the tax,

12. We believe it appropriate that SEPA should administer the tax and the new Communities Fund.

13. We believe that the administration of the new Communities Fund could be a relatively simple matter as the vast experience contained within the existing Distributive Environmental Bodies (who distribute over 90% of LCF money in Scotland) suggests that regulatory issues could be managed through efficient reporting systems and accessible support in the very few cases where there may be issues affecting applicants.

14. We would recommend aligning the reporting of the tax and the credit system. Landfill Operators will in future report tax incurred and credits claimed to SEPA and it would make sense in our opinion if EBs in receipt of contributions also reported to SEPA, as this would facilitate simple reconciliation of contributions made with receipts. In addition, the appointment of a suitably qualified, part time resource to receive, examine, resolve and report on any project related issues would we believe serve the need of applicants.

15. Financial reporting, monitoring and regulation arrangements cost 2% of the value of the existing LCF and 20% of its admin costs, not including costs related to the relationship between HMRC and Entrust and our proposal would achieve the same results more cost effectively. (Please see Appendix 1)

The formula for calculating the adjustment of the block grant,

16. We have no views on this
The financial implications of the Bill as estimated in the Financial Memorandum,
17. We note that the proposed costs are clearly presented and appear to represent better value for money than the present UK arrangements.
Appendix 1:

The Scottish Landfill Communities Fund Forum (SLCFF) Proposed Distribution Model for a Scottish Communities Fund

The following proposal is made with the intention of providing a safe, secure, simple and accessible method for distributing Landfill Tax Credits in Scotland.

**Landfill Operator:**
It is proposed that Landfill Operators (LO) will contribute to a Communities Fund through Distributive Environmental Bodies (DEBs) who are registered/approved by SEPA and confirmed members of the Scottish Landfill Communities Fund Forum (SLCFF) and at the percentage of landfill tax determined by the Scottish Government (SG)

**Revenue Scotland:**
LOs will pay landfill tax to Revenue Scotland (RS) who will appoint SEPA to regulate LOs

It is proposed that SEPA would regulate DEBs as well as LOs. In this way, it is envisaged that there would be approximately 10 DEBs, which would make regulation fairly straightforward

**SLCFF:**
It is proposed that DEBs must be members of the SLCFF and through that agree to a Code of Conduct and formal audit requirements. It is further proposed that SEPA as Regulator would formally agree membership. In addition, it is envisaged that both the SG and SEPA would be appropriately represented on the board of the SLCFF, providing both strategic and policy input

**Projects:**
It is proposed that applicants to the fund apply directly to an appropriate DEB. In this way local communities can concentrate on devising and delivering locally desired initiatives whilst DEBs guarantee the financial probity, legal status and reporting necessary for a safe, secure, simple and accessible scheme.

Ombudsman:
The existing Landfill Communities Fund has an exemplary record of delivering high quality projects with the highest standards of probity, which is a testament to the knowledge, experience and standards of DEBs who have been responsible for over 90% of funding awarded over the last 16/17 years. Whilst this experience deserves respect, it is inevitable that from time to time applicants may have issues and to resolve those, it is proposed that a suitably qualified, part time Ombudsman is appointed to allow any issues to be aired. It is further proposed that this role would report any issues to SEPA who could then raise them as appropriate in their role as Regulator.

In conclusion we commend this Distribution Model for a Communities Fund to the Scottish Government as a simple cost effective mechanism which will maximise the benefits of the fund and ensure demonstrable probity.