

Financial Scrutiny Unit Briefing **Landfill Tax (Scotland) Bill**

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Image: UN Photo/Evan Schneider

The Landfill Tax (Scotland) Bill was introduced to the Scottish Parliament on 17 April 2013. This briefing explains the background to the Bill and the key proposals within it.



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EXECUTIVE SUMMARY

The Landfill Tax (Scotland) Bill is the second of three related Bills that result from measures enacted in the Scotland Act 2012. This Bill, along with the Land and Buildings Transaction Tax Bill (currently at stage 2) and a Tax Management Bill will together provide for the introduction of two new taxes and set a framework for the collection of these taxes. If the Landfill Tax (Scotland) Bill is passed, the Scottish Landfill Tax will replace the current UK Landfill Tax regime in April 2015.

The UK Government introduced Landfill Tax in 1996 to ensure that landfill waste was properly priced and to discourage the disposal of waste to landfill. It has contributed to a reduction in waste sent to landfill of 59% between 2000 and 2010 and consultation responses received by the Scottish Government and Finance Committee generally considered it to have been effective.

The Bill draws on the approach of the existing UK Landfill Tax regime in terms of what constitutes a taxable disposal, and the Scottish Bill will start with an identical set of exemptions. The Scottish Government will, however, be able to add or remove exempted material through subordinate legislation. The Landfill tax rate will be set by subordinate legislation and the Scottish Government has indicated that it intends to initially set rates at a level no lower than the UK tax rate in 2015.

The Bill seeks to tackle the issue of unauthorised landfill sites by defining the person who is liable to pay the tax, and ensuring that Revenue Scotland and the Scottish Environment Protection Agency (SEPA) can identify a person or entity responsible for unauthorised or unregulated disposals.

The Bill also seeks to continue with the Landfill Communities Fund to provide funding for community or environmental projects.

The Finance Committee undertook a call for evidence on the general principles of the Bill and key messages from the responses are summarised below.

The net financial impact of the Bill on the Scottish budget will be the total landfill receipts minus the block grant adjustment. The FM to the Bill states that the Scottish Government estimate that Landfill Tax receipts will generate £107m in the year of introduction (2015-16) falling to £40.5m in 2025. The block grant adjustment has yet to be determined.

Revenue Scotland has been set up as an administrative function within the Scottish Government. The intention is that it will receive independent statutory status in 2014 through the enactment of the Tax Management Bill. Revenue Scotland will oversee the administration of both the Landfill Tax and the Land and Buildings Transaction Tax. The Scottish Government intends that SEPA will have operational responsibility for the collection of Scottish Landfill Tax.

INTRODUCTION

The Landfill Tax Bill was introduced to the Scottish Parliament on 17 April 2013. If the Bill is passed, the Scottish Landfill Tax will replace the current UK Landfill Tax in April 2015. From that date, all receipts from Landfill Tax will be paid into the Scottish Consolidated Fund. The current UK landfill tax regime will be disapplied in Scotland from the end of March 2015 by means of a Treasury Order in the UK Parliament.

The Bill, as introduced, and the accompanying documents (including Policy Memorandum, Explanatory Notes and Delegated Powers Memorandum) can be accessed on the Scottish Parliament's website at:

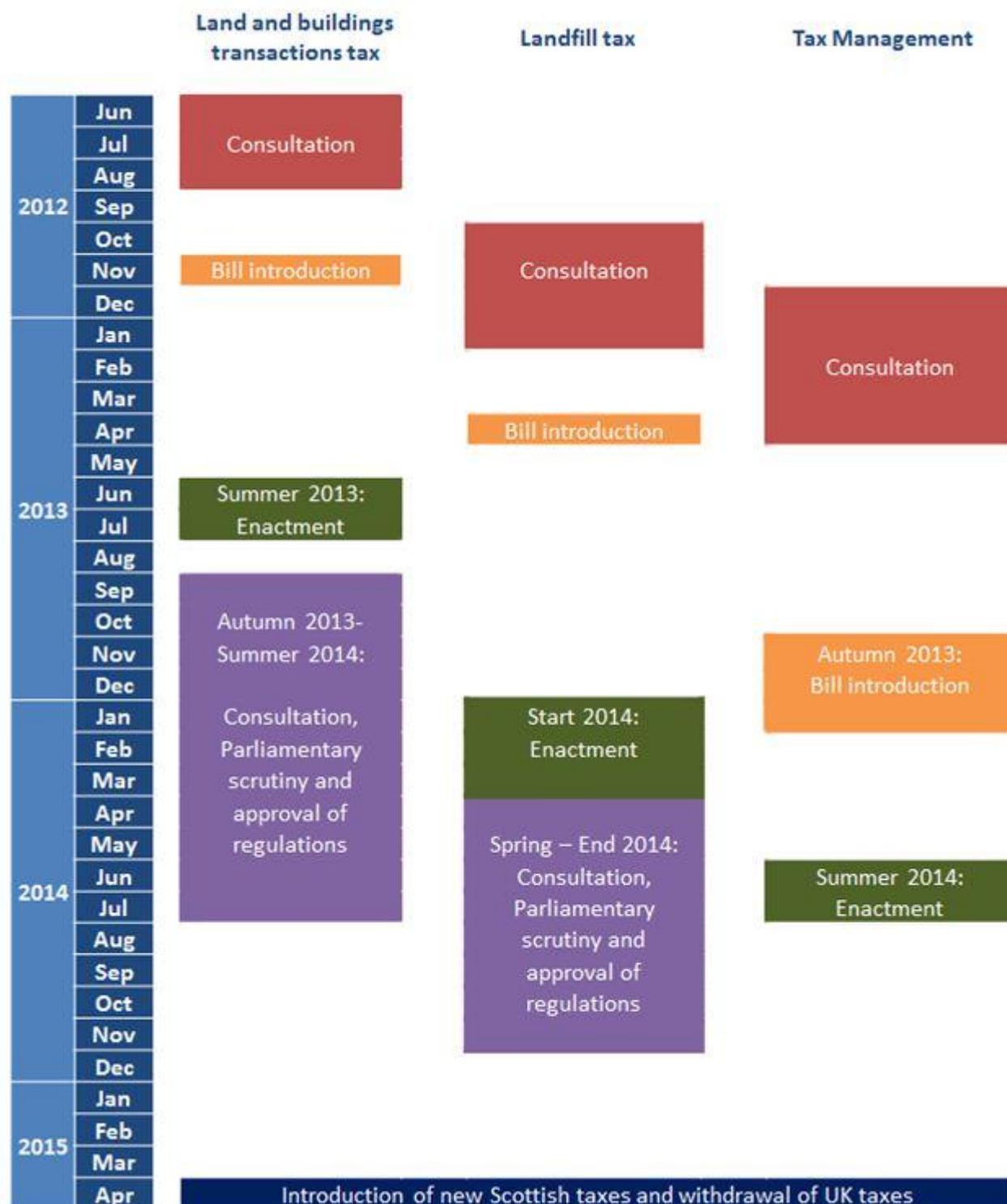
<http://www.scottish.parliament.uk/parliamentarybusiness/Bills/62160.aspx>

OVERVIEW

The Landfill Tax Bill is the second of three related Bills that result from measures enacted in the Scotland Act 2012, providing for new tax powers. Under the terms of the 2012 Act, the Scottish Parliament has responsibility for taxes on land transactions and disposals to landfill. The former responsibility is provided for in the Land and Building Transactions Tax Bill which is currently at stage 2 of its passage through the Scottish Parliament. The Landfill Tax Bill deals with the latter responsibility and makes provision for a Scottish tax on disposals to landfill.

The third piece of legislation stemming from the Scotland Act financial powers is the Tax Management Bill, which is due to be introduced in Autumn 2013. A consultation on this Bill was published on 10 December 2012 (Scottish Government 2012c). The Tax Management Bill deals with generic issues of relevance to both the fully devolved taxes such as arrangements for administration and collection, dealing with tax avoidance and handling taxpayer information. If passed, these three Bills will enable the Scottish Government to introduce the newly devolved taxes and provide for the collection of these taxes as well as dealing with issues relating to appeals, offences and penalties. The proposed timetable for the Bills associated with the Scotland Act financial powers is provided in figure 1 below.

Figure 1: Proposed timescale for introduction of legislation



Note: enactment of legislation is subject to Parliamentary approval and enactment timings may change.

CURRENT LANDFILL TAX REGIME

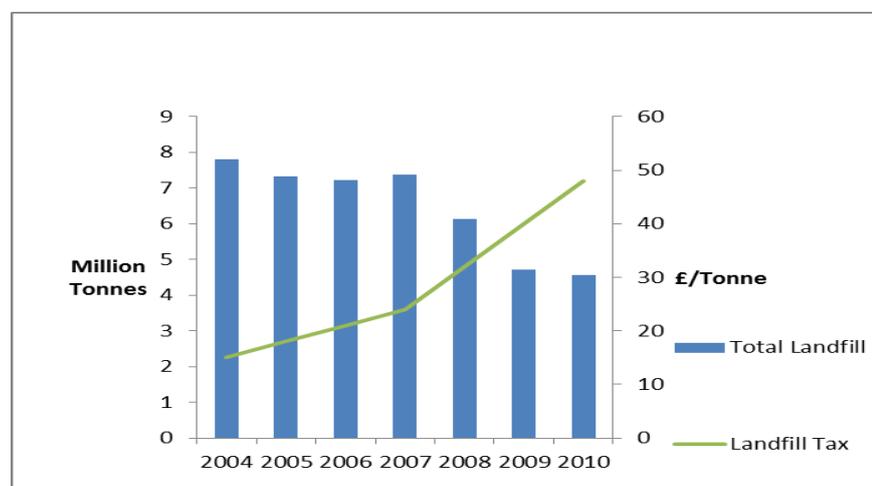
The Landfill Tax was introduced by the UK Government in 1996 to discourage the disposal of waste to landfill. The stated objectives of the landfill tax were set out as follows:

“to ensure that landfill waste disposal is properly priced, which will promote greater efficiency in the waste management market and in the economy as a whole; and

to apply the “polluter pays” principle and promote a more sustainable approach to waste management in which we produce less waste, and reuse or recover value from more waste” (OECD 2004).

When first introduced, the cost of the landfill tax was set at £7 per tonne for active waste and £2 per tonne for inert waste (HM Treasury 1995). The tax is currently £72 per tonne for active waste and £2.50 per tonne for inert waste with the rate for active waste set to increase to £80 per tonne in 2014/15 (Landfill Tax Bill, Policy Memorandum).

Figure 2: Scotland: Total Landfill and Active Landfill Tax Rate.



Source: Scottish Government 2013a

The volume of waste sent to landfill in Scotland has declined by 59% between 2000 and 2010. The Business and Regulatory Impact Assessment (Scottish Government 2013a) notes the role that the landfill tax has played in supporting a shift away from landfill.

“By internalising the wider costs of landfill on society and the environment, the tax has created the financial conditions needed to support investment by industry and the public sector in infrastructure that helps harness the value of secondary markets.”

As such, there appears to be a general consensus in consultation responses to the Scottish Government that Landfill tax has been an effective mechanism for incentivising a reduction in landfill (Scottish Government 2013b). For example, in their response to the consultation, Argyll & Bute Council highlight that:

“The Landfill Tax as an environmental tax has in general had a positive effect in moving waste away from landfill and up the waste hierarchy.”

The Chartered Institution of Waste Management (CIWM) notes that:

“the landfill tax has been the most significant fiscal or regulatory instrument used in the UK to drive waste away from landfill and improve our recycling figures.”

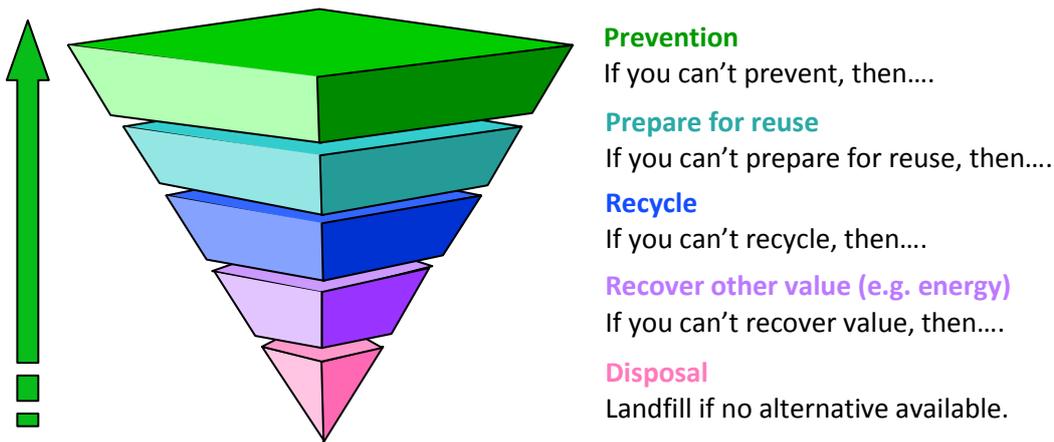
POLICY CONTEXT

EU context

The EU Landfill Directive (1999/31/EC) came into effect in July 1999. The Directive aims to reduce the negative effects of landfilling waste and sets targets and timescales for reducing the amount of biodegradable municipal waste (BMW) sent to landfill.

Alongside the EU Landfill Directive a more recent revised EU Waste Framework Directive (2008/98/EC), agreed in 2008 sets out the principle of a waste hierarchy. This hierarchy identifies that the highest priority should be given to waste prevention followed by reuse, recycling, recovery of other value (e.g., energy), with disposal as the least desirable option.

Figure 3: Waste hierarchy



Source: Scottish Government 2013a

The Directive requires Member States to take the necessary measures to achieve a target of 50% by weight by 2020 of the preparing for re-use and the recycling of waste materials such as paper, metal, plastic and glass from households and possibly from other origins where the waste materials are similar.

UK context

Under the EU Landfill Directive framework the UK government identified the maximum amount of BMW that the UK can landfill for certain target years up to 2019/2020. A proportion of these targets were allocated to Scotland and Scotland has set a target to send less than 1.26 million tonnes of biodegradable waste to landfill by 2020.

Scottish Waste and Resource Use

The most recent waste statistics produced by the Scottish Environment Protection Agency highlight that in 2010 Scotland produced nearly 17m tonnes of waste. Table 1 shows the breakdown of waste by sector.

Table 1: Scottish waste by type, 2010

Waste type	Million tonnes	%
Household	2.77	16.4
Commercial	4.70	27.9
Industrial - Construction and demolition	7.47	44.3
Industrial – Other	1.92	11.4
Total	16.86	100.0

Of this waste 4.56 million tonnes was disposed of to landfill. In 2010 Scotland had 72 operational landfill sites (Scottish Government 2011).

Scottish Waste and Resource Policy

Building on the 2003 [National Waste Strategy](#), in 2010 the Scottish Government established Scotland's Zero Waste Plan (Scottish Government 2010). The plan set out the following mission:

“To achieve a zero waste Scotland, where we make the most efficient use of resources by minimising Scotland's demand on primary resources, and maximising the reuse, recycling and recovery of resources instead of treating them as waste.”

In the plan the Scottish Government set out a commitment to “aspire to achieve an overall recycling and composting level of 70% and 5% (maximum) landfill for the total Scottish waste arising by 2025”.

Since establishing Scotland's Zero Waste Plan a range of measures have been brought forward to support its implementation. Most recently the Waste (Scotland) Regulations 2012 (S.S.I. 2012/148) make provision for

- A ban on materials collected separately for recycling going to landfill or incineration (from 1 Jan 2014); and
- A ban on biodegradable municipal waste going to landfill (from 1 Jan 2021)

LANDFILL TAX BILL PROVISIONS

The Landfill Tax Bill is structured as follows:

- Part 1 of the Bill establishes the tax is to be called the Scottish Landfill Tax
- Part 2 deals with the key concepts underlying the tax, such as what a taxable disposal is, what disposals are exempt from tax, how to calculate tax, who is liable to pay tax and when credit is available in relation to tax
- Part 3 contains the administrative provisions of the Bill
- Part 4 defines the Tax Authority and establishes how functions may be delegated to the Scottish Environmental Protection Agency (SEPA)
- Part 5 sets out the procedure for a series of subordinate legislation to be made under the Bill

ISSUES TO BE DEALT WITH BY SECONDARY LEGISLATION

Part 5 of the Bill sets out the procedure for a series of Subordinate legislation to be made under the Bill. This includes, among other things:

- Setting the rates of tax
- Power to change materials taxed (setting qualifying material types)
- Power to create new material types
- Power to add or remove exempted material types
- Procedures for overpaid tax
- Orders that can change any part of the Act

- Functions of a Tax Authority
- The information that must be on Scottish Landfill Tax invoices

Some of the provisions that make the tax “work” will be contained in the Tax Management Bill – for example, the appeals system and wider powers and duties of Revenue Scotland. Many of these issues are covered in the Consultation on Tax Management (Scottish Government 2012c).

KEY PROPOSALS OF BILL

This section summarises some of the key proposals contained within the Landfill Tax Bill and some of the responses contained within the consultation. It considers these by theme rather than the order in which they appear in the Bill.

THE ESTABLISHMENT OF THE SCOTTISH LANDFILL TAX

Part 1 of the Bill establishes the Scottish Landfill Tax as the replacement for the UK Landfill Tax in Scotland. The proposed Scottish version follows the UK Landfill Tax model in setting out what constitutes a taxable disposal and is based on the UK Landfill Tax as enacted in Part 3 of the Finance Act 1996.

The Scottish Government issued *A Landfill Tax for Scotland* consultation in October 2012 (Scottish Government 2012b). The consultation document notes that the motivation for the use of taxes and charges in environmental policy is to

“compensate for the impacts on our environment that are side-effects of production and compensation, and which do not enter into the calculations of those responsible for those activities.”

The consultation notes that the “Scottish Government proposes the following core principle for guiding environmental tax policy in Scotland:

Environmental tax, or adjustment of existing taxes to promote sustainable use of resources, should only be considered where it can be demonstrated that it will help address or mitigate an environmental problem;

Environmental tax should send a clear signal to both consumers and producers about outcomes sought; that signal is crucial for the long-term planning of companies and ensuring that environmental problems will be solved in the most economically efficiency way;

Environmental tax should not disadvantage Scottish companies, and lower income groups should not pay a greater share of the overall tax take.”

Of those that responded to the question seeking views on the role for environmental tax policy in contributing to the sustainable growth of Scotland’s economy 62% expressed support for the role that environmental tax policy could play in Scotland, 24% did not make any comment on this aspect.

A number of responses highlighted the opportunities presented by the devolution of this tax in supporting changes in waste behaviour and support for maintaining this tax.

The Law Society of Scotland stated that

“It seems only sensible to have devolved tax-raising powers to support Scotland’s zero waste aims, tailor-made to our environmental landscape, the scale of the production and consumption within Scotland that impacts upon it and the businesses that operate within it.”

PwC note that

“the devolution of Scottish Landfill Tax should allow the Scottish Government to directly test the effectiveness of this measure, achieve changes in behaviours and commercial practices, and directly raise local revenues from Scottish businesses for local use.”

TAXABLE DISPOSALS AND QUALIFYING MATERIALS

The Bill draws on the approach of the existing UK Landfill Tax to create the framework for what constitutes a taxable disposal. Taxes should only be charged on taxable disposals and a taxable disposal is defined in Section 3 as a disposal of material as waste by way of landfill and at a landfill site.

UK Landfill Tax is currently charged by weight on the basis of two rates – a standard rate and a lower rate for certain qualifying materials. Qualifying materials are listed in the Landfill tax (Qualifying Material) Order 2011. They are generally considered to be “inert materials” – i.e., materials that have a minor environmental impact. These materials include rocks, soils, ceramic or concrete materials and a range of minerals. The Scottish Government has announced that tax rates will be set by subordinate legislation (and not be specified on the face of the Bill) at a level no lower than those in place for the UK Landfill tax.

The Bill proposes that Scottish Ministers should have power to identify materials subject to the lower rate by order, and to vary the list of qualifying material for different tax rates. The Bill also proposes to allow Ministers to establish more than two rates of landfill tax via subordinate legislation. Of those that responded to the question of refining the list of inert materials 36% of respondents suggested that the list did not need to change. However, a number of those that responded suggested that the qualifying materials should better align with the definition of inert waste in environmental legislation. In their consultation response PwC (Scottish Government 2013b) note that

“under the Landfill Tax (Qualifying Material) Order 2011 the waste does not have to be inert in order to qualify for the lower rate of tax. Similarly, not all wastes that meet the criteria and could be considered as inert waste under environmental legislation are included in the list of qualifying materials.”

PwC point to the contrast that exists between the list of qualifying materials subject to the lower rate and the definition of inert waste in the EU Landfill Directive and therefore suggest that

“Legislation for a devolved Scottish Landfill Tax could be introduced to mirror these requirements. This could result in any waste which meets the definition of inert waste and meets the waste acceptance criteria for inert wastes now qualifying for the lower rate of tax.”

South Ayrshire Council noted that the list of materials qualifying for the lower tax rate appears comprehensive and do not see the need for any refinements. However, they suggested that inert materials could perhaps be better used in the production of aggregates, building blocks, filtration equipment or landscaping, than going for landfill disposal.

In addition two responses suggested that asbestos should be moved onto this list including Viridor who state that “a lower tax on asbestos may encourage less environmental crime resulting from the illegal disposal of this form of waste. Such a move would balance the increased costs of treating this form of waste and combined would encourage more responsible disposal of asbestos in Scotland.”

In relation to the classification of materials that could or should be charged at a differential rate the majority of responses suggested that the refinement should be used as an opportunity to reflect the damage that the waste may do and better reflect the waste hierarchy with South Ayrshire Council noting that “perhaps those inert materials that could be better used in some other way than simply disposed of to landfill should be assessed and then attract a higher rate of tax to encourage the re-use, recycling or treatment of those wastes.”

In addition some of those responding to the consultation noted the need to consider the impact that any refinement may have on waste contracts and infrastructure investment including Scottish Borders Council who stated that “any refinement of the landfill tax system must be carefully considered in order to fully understand the impact it may have on long term waste contracts and strategies.”

The issue of waste tourism and illegal dumping was raised by a number of respondents and Scottish Borders Council warned that should a particular material be made exempt in Scotland this may lead to an influx from elsewhere in the UK.

In their response Viridor express support for landfill tax levels in Scotland to be maintained in line with those elsewhere in the UK noting that

“Such short term parity will provide confidence in a regulatory environment which encourages investment in the circa £1.5bn of investment Viridor estimates will be required in Scotland to meet the Scottish Government’s zero waste objectives. An increased LFT after 2014 (at which point the current escalator ends) will, of course, increase costs on Scottish businesses (waste producers).

Importantly, parity will discourage short term ‘waste tourism’ where a higher tax in Scotland may encourage the export of residual waste to England for disposal, with the loss not only of resources but also of short term renewable power in the form of landfill gas. Conversely, any moves to reduce landfill tax in Scotland, or not keep pace with UK levels, would be a strong disincentive for Scotland’s public and private sectors to divert residual waste to alternative treatment technologies in the short term, or make procurement or investment decisions regarding ‘next generation’ technologies.”

The current UK Landfill Tax regime sets out activities and materials that are exempt, and therefore not taxable disposals. The Scottish Bill will start with an identical set of exemptions but the Scottish Government will be able to add or remove exempted material through subordinate legislation.

QUALIFYING SITES AND LIABILITY

The Bill seeks to tackle the issue of unauthorised landfill sites which continue to operate in Scotland. While SEPA has power to instigate enforcement action on these sites, under the current regime HMRC does not have the power to collect tax from unauthorised operators as the sites are not licensed or permitted. SEPA’s response to the consultation states (Scottish Government 2013b):

“HMRC cannot collect tax from operators whose sites are not permitted. This loophole encourages large scale illegal dumping as the tax avoided and the relatively small fines imposed by the courts make activity financially attractive.”

This problem results in not only a loss of revenue, but in the Law Society’s view “means that compliant operators are at a competitive disadvantage” (Scottish Government 2013b). The Bill seeks to rebalance this problem by defining illegal disposals as unauthorised and taxable within the Scottish Landfill Tax (Section 16).

Section 16 defines the taxable person who is liable to pay the tax. Where a site is licensed or permitted, the holder of the license or permit is liable for paying Landfill Tax. For unlicensed or unpermitted sites, with unauthorised disposals, the taxable person should be the person who is carrying on, causing or knowingly permitting the landfill activity and who would be required to seek a license or permit were the activity to be regulated normally. Section 21 provides that a person carries out a taxable activity if that person carries out a taxable disposal that they are liable for or if they permit somebody to carry out a taxable disposal that they are liable for. The Bill also ensures that ignorance of a disposal is not an excuse. Section 21 states:

“When a taxable disposal is made without the knowledge of the person who is liable to pay tax, then the person is taken to have permitted the disposal.”

Sections 16 and 21 are designed to ensure that Revenue Scotland and SEPA can identify a person or entity responsible for paying tax on unauthorised or unregulated disposals. Government consultation respondees agreed that tackling illegal dumping was important, and some said that more resources were required for the monitoring of exempt sites. This was felt necessary for both SEPA and Local Authorities. Viridor argued that it “requires strong leadership and resources sufficient to create a climate where the fear and likelihood of being caught is high” (Scottish Government 2013b). The Scottish Council for Development and Industry argued that SEPA had adequate resources for increased monitoring, perhaps using mobile CCTV at known dumping grounds (Scottish Government 2013b).

LANDFILL COMMUNITIES FUND

The Landfill Communities Fund (LCF) was established in 1996 to provide funding for community or environmental projects within the vicinity of landfill sites. The fund is created by payments under a tax credit scheme through which landfill operators can give a maximum percentage of their UK Landfill Tax liabilities (currently the UK rate is set at 6.8%) to community projects through the LCF and receive a 90% tax credit in return. The Bill provides for the continuation of the LCF in Scotland. Details of the tax credit rates and administrative arrangements underpinning a Scottish LCF are not presented on the face of the Bill, but will be handled via subordinate legislation. The Bill does stipulate that environmental bodies receiving funding must be approved by the Tax Authority. It is intended that monies received via the fund must be spent on environmental protection activities or activities approved by the Tax Authority, and that money can be recovered if not spent on prescribed activities.

All of those that responded on this question in the Scottish Government consultation were supportive of maintaining a LCF.

The LCF currently applies to projects within a 10 mile radius of a Landfill site. A number of consultation responses identify support for extending the current 10 mile radius for project support and increasing the credit limit. Scottish Natural Heritage (SNH) argues that “money from the LCF should be used for local environmental projects on a wider regional basis than just a small 10-mile radius of the landfill site” (Scottish Government 2013b). This view on the 10 mile

limit is shared by ENTRUST who “suggest that the 10 mile radius limit is too restrictive and this should be extended to the full area of any local authority where the landfill site is located as well as the ten mile radius” (Scottish Government 2013b). The 10 mile radius rule is currently in the UK LCF Guidance and is not on a statutory footing.

Scottish Borders Council (Scottish Government 2013b) states that they are supportive of maintaining a LCF and extending the credit limit for contributions to the fund for following reasons:

- “LCF is seen as a valued source of local community funding enabling communities to take control of a range of environmental, land and asset based projects. It allows communities to take action for themselves and to address their own priorities.
- It contributes towards the funding of a range of projects that help to deliver other national strategies, such as Community Asset Ownership, Land Reform Act etc.
- It is often used as leverage/match funding for other local and external funds, resulting the LCF budgets being significantly multiplied.”

FINANCE COMMITTEE CONSULTATION

The Finance Committee issued a call for evidence on Stage 1 of the Bill on 24 April with responses requested by 28 May. The Committee sought views on a range of questions. This section summarises some of the responses received for each question asked by the Finance Committee (all quotes taken from Scottish Parliament Finance Committee 2013b).

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

Submissions were generally of the view that the Bill was consistent with the four principles underlying the Scottish Government’s approach to taxation. However, there was a concern expressed by the Scottish Environment Services Association (SESA) which said:

“The Scottish Government appears to have drafted the Bill as an enabling framework, with specific detail on how the new tax regime might apply in practice to follow later in secondary legislation. As the Bill offers the industry little in the way of certainty then we would have to argue that it is not consistent with the principles described above.

We would much prefer to see greater clarity and detail in primary legislation to inform the democratic process. The Bill instead seeks wide executive powers where the likely character of their execution remains opaque.”

In addition North Ayrshire Council notes a concern over the lack of certainty over the future rate of Landfill Tax:

“There remains uncertainty over the rate of Landfill Tax which will be charged which has an impact on financial planning for the Council. Although it states that rates will closely align to UK rates we still don’t know for sure what this rate will be beyond £80 in 14/15.

The Community Resources Network Scotland (CRNS) said:

“Third sector organisations such as charities and social enterprises use the funds they raise to contribute to the common good. CRNS members, in addition, contribute to the Scotland’s Zero Waste strategy. CRNS asks that the legislation take account of the unique position of CRNS members, and similar organisations, and either waive landfill tax and VAT, or credit them through tax allowances. For while CRNS members are actively engaged in waste reduction, re-use and recycling, inevitably like any business, they have to dispose of some residual operational waste and the cost of doing this represents a significant outlay.”

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

This Scottish Government position was welcomed by the majority of those that responded on the grounds of the effectiveness of the current arrangements, the desire to avoid cross border waste transfer and simplicity for companies operating across the UK. The Chartered Institute of Taxation note that

“...., while we accept the pragmatic reasons for adopting legislation that is substantially similar to that of the legislation in the rest of the UK, we do not think that the legislation or the manner in which it is implemented should be identical. ...We therefore welcome the fact that the Bill includes the provision that would allow more rates of tax.”

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

The use of the same list of qualifying materials was also broadly welcomed by those choosing to respond on this issue.

Renfrewshire Council note that the current list gives rise to “uncertainty and ambiguity over materials used for engineering purposes” and North Ayrshire Council noted that those materials used for specific engineering purposes on landfill sites should be exempt.

SESA stated that “we suggest that there is scope for the Scottish and UK Governments to work closely together to provide the industry with much clearer practical guidance on the materials and corresponding properties (e.g. physicochemical) which qualify for the lower rate of tax.”

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

This was considered to be a prudent approach by most of the organisations that responded to the Finance Committee. Renfrewshire Council stated that it was “however essential that subordinate legislation is enacted promptly with new proposed rates communicated well in advance and projected for at least 5 years to allow for Local authorities to project financial outlay and affordability and to measure the impact of proposed future waste treatment infrastructure.”

The Chartered Institute of Taxation state that

“We therefore welcome the fact that the Bill includes the provision that would allow more rates of tax. Under the current UK rates structure, there is a considerable difference between the rate that is applied to inert matter and other waste, despite the fact that some of the other waste taxed at the standard rate may create minimal environmental

impact. While we do not comment on rates as such, it is appropriate to point out that this structure does not seem to fit with the objectives of the tax.”

SESA supports the Scottish Government’s intention to set landfill tax rates which mirror that of the UK. However, “the reference....to rates which “follow closely” UK rates remains rather ambiguous and fails to provide the industry with certainty or clarity of the new taxation landscape. This potentially undermines investment decisions in alternative (i.e. non-landfill) waste treatment capacity.”

The power in the Bill to establish more than two tax rates and to vary the list of material qualifying for different tax rates in subordinate legislation;

Responses to these questions reflected two themes - those who cautioned against adding further complexity and others who identified specific benefits of being able to make such changes.

SESA caution against adding too much complexity into the system

“SESA fully understands the Scottish Government’s ambitious zero waste agenda, but cautions against introducing too much complexity into the Scottish landfill tax system, as it would become harder to administer.”

Renfrewshire council state:

“This requires further clarification as it could have a significant impact on treatment options for residual waste. Scottish Local Authorities are currently procuring long term treatment plants and cognisance should be taken of long term financial planning and affordability. e.g. a lower tax rate could influence methods of treatment such as mechanical biological treatment to reduce biodegradability. The proposal to introduce new differential rates for combustion residue from incineration should be supported as this would further encourage and support the development of landfill diversion and treatment infrastructure.”

Comhairle Nan Eilean Siar suggest that the tax rate should reflect the more limited alternative options to landfill available to island communities

“the disproportionate costs of haulage of materials from island communities, such as the Western Isles, place unfair limitations on the economic sustainability of alternatives to landfill disposal. It is therefore considered that the rate of Landfill Tax applied to Island wastes disposed of to landfill should be at a lower rate for specific types of materials where no viable recycling or recovery routes are available.”

The Scottish Landfill Communities Fund suggest that a more tiered tax rate system may be beneficial in the future

“...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;

These provisions were widely supported by those submitting to the Finance Committee, however, as with the Scottish Government consultation, there were issues raised about whether

there would be a requirement for additional resources to tackle this issue. The Chartered Institute of Wastes Management CIWM (Scotland) voiced their support in principle, however:

“presumably disposal at unauthorised sites at the present time is already an illegal activity and SEPA would need to provide additional resources in order to bring such activities into the tax regime and to apply any criminal sanctions. Subordinate legislation will need to define how the weight of such illegally disposed waste would be determined for taxation purposes.”

The list of activities and materials which are exempt from landfill tax;

There was limited comment of note on this question. SEPA stated:

“The proposals outlined in the Bill for activities which are exempt from landfill tax appear appropriate and consistent with the existing Landfill Tax exemptions, apart from the absence of an exemption for visiting NATO forces.”

Glasgow City Council and North Ayrshire Council both suggested that materials used for engineering purposes in landfill sites should be exempt.

The Scottish Landfill Communities Fund;

The responses were supportive of the establishment of the Scottish Landfill Communities Fund with a number welcoming in particular the proposed increase in funds that can be directed through the scheme. A number of responses expressed support for funding to be available to support projects beyond a 10 mile eligibility radius and to be made available to support more nationwide strategic projects.

However SESA cautioned against this noting

“The relatively small fund would be diluted by extending its remit, leaving less available to those communities experiencing the most direct disbenefit.”

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

Responses expressed broad support for the role of Revenue Scotland in administering the tax with a number responses identifying that the current system of self-assessment and reporting works well and should be maintained. SEPA noted the need for clarity in defining responsibilities of Revenue Scotland and agencies given the authority to collect tax on their behalf.

The role of SEPA in the administration of the tax;

Responses to this question expressed broad support for the role of SEPA in administering the tax. EB Scotland Limited and the Scottish Landfill Communities Fund Forum recommended that the reporting of the tax and credit system were aligned so that those receiving contributions also reported to SEPA. Comhairle Nan Eilean Siar also noted that

“It is considered to be potentially advantageous to have a single body administering environmental compliance and Landfill Tax. SEPA will be able to call on their detailed understanding of Waste Management to carry out the role of LFT administrator.”

However North Ayrshire Council notes a concern that the reporting of the taxable disposals didn't increase the administrative burden on the landfill operator and SESA state a concern at the potential for a centrally assessed system:

“SESA is not convinced that proposals for a centrally assessed system would offer any advantages over the current system and, in particular, is concerned that SEPA would lack the necessary resources and technical expertise to carry out proposed new landfill tax assessment duties.”

The formula for calculating the adjustment to the block grant;

The majority of responses made no comment on this question. SEPA notes that

“The Bill or the associated Financial Memorandum does not deal with the Scottish Block Grant adjustments. We are unaware of any agreement between the Ministers of the Scottish and United Kingdom Governments on the formula for calculating the Block Grant adjustment and are therefore unable to comment further. We trust that any adjustment will allow for the proposed Revenue Scotland, Registrars of Scotland and SEPA set up and running costs.”

North Ayrshire Council and Renfrewshire Council note the potential funding gap that the Scottish Government face as a result of declining Landfill Tax revenues and seek assurance that any financial burden would not be passed on to local government.

The financial implications of the Bill as estimated in the Financial Memorandum.

Relatively few respondents provided comments in response to this question. EB Scotland Limited note that

“The proposed costs relating to Revenue Scotland and SEPA are clearly presented and represent better value for money than current UK arrangements.”

North Ayrshire Council highlight that the cost to them depends on the future rates of the tax and that certainty around these would help ensure the council incorporates these into their own financial planning. The Chartered Institution of Wastes Management identifies that

“...the Bill proposes illegal disposal as a taxable disposal, and there should be some provision to allow SEPA to pursue such illegal activity. The budgets make no provision for this.”

FINANCIAL MEMORANDUM

The Financial Memorandum (FM) accompanying the Bill sets out the anticipated costs relating to the introduction of the Landfill tax within four categories:

- Financial implications for the Scottish administration
- Costs on Local Authorities and other public bodies
- Costs on landfill operators
- Costs on other bodies, individuals and businesses

FINANCIAL IMPLICATIONS FOR THE SCOTTISH ADMINISTRATION

In terms of costs borne by the Scottish Administration, three areas are covered by the FM:

- Landfill tax receipts
- Tax administration costs via the creation of Revenue Scotland
- Tax administration and compliance costs resulting from SEPA taking on operational responsibility for collection of Scottish landfill tax

The FM does not include the one-off costs associated with “switching-off” of UK landfill tax in Scotland which will be incurred by HMRC and charged to the Scottish Government. A final figure has yet to be provided for this and HMRC has indicated it will provide cost estimates by summer 2014. Similarly, potential savings to HMRC as a result of no longer operating Landfill tax in Scotland are not included in the FM.

Landfill tax receipts

The net effect on the Scottish budget as a result of the introduction of the Landfill tax bill will be the total Landfill tax receipts minus the block grant adjustment. The block grant adjustment has yet to be determined.

The tax rates will be set by subordinate legislation and the Scottish Government has indicated that it intends to initially set rates at a level that is no lower than the UK tax rate in 2015. The decision to set rates no lower than the rest of the UK is justified by the Scottish Government on the grounds that a lower tax rate might encourage waste to move across the Scottish border; and that the Scottish Government doesn’t want to incentivise behaviour that might result in outcomes contrary to its “Zero Waste” policy intentions.

The Office for Budgetary Responsibility (OBR) latest forecasts (March 2013) assume the following tax receipts for Scotland based on a continuation of the UK landfill tax regime.

Table 2: Scottish forecast receipts from landfill tax

£ million	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Landfill Tax	98	99	95	104	105	105	108

The FM to the Bill states the Scottish Government estimation that tax receipts will generate approximately £107m in the year of introduction (2015-16) falling to around £40.5m in 2025. This has implications for the block grant adjustment which are discussed further below.

Costs of Revenue Scotland

On 7 June 2012, the Cabinet Secretary for Finance, Employment and Sustainable Growth announced the intention to establish a tax administration function to administer both Land and Buildings Transaction Tax (LBTT) and Landfill Tax in Scotland. He said

“We will establish a tax administration function for assessing and collecting both the taxes here in Scotland. The function, which I propose to name Revenue Scotland, will be established this year. By 2015, in line with international best practice, it will be operationally independent and its governance enshrined in legislation.” (Scottish Parliament 2012)

Revenue Scotland (RS) was subsequently set up, as an administrative function within the Scottish Government. The intention is that it will receive independent statutory status in 2014 through the passing of the Tax Management Bill. The intention is that RS will be set up as a

Non-Ministerial Department within the Scottish Administration, which would make it independent of Ministers and accountable to the Scottish Parliament.

RS will oversee the administration of both LBTT and Landfill Tax, supported by Registers of Scotland (RoS) and SEPA respectively. The FM makes no attempt to split the RS cost estimates between LBTT and Landfill Tax.

The total set up costs (covering the period June 2013 – March 2015) as set out in the FM are summarised in Table 3. Total costs are estimated at £1.7m, although the FM notes that there may be additional costs incurred prior to June 2013. During the set-up phase, a total of 19.3 full-time equivalent (FTE) posts are assumed to be required, although 10 of these only costed for the 6 month period from October 2014 to March 2015.

Table 3: Revenue Scotland set-up costs

Function	Total cost (£000)	Assumptions
Staff costs (June 2013-March 2015 unless otherwise specified)		
Senior Management	240	Head of Revenue Scotland (0.3 fte SCS Pay Band 2), Chief Operating Officer (SCS Pay Band 1)
Tax Administration Programme	210	Programme Manager (Band C) and Programme Officer (Band B)
Revenue Scotland Development	425	2 Teams, each 1 Band C and 1 Band B, developing internal systems, procedures, policies, capacity and communications
Revenue Scotland Appeals, Disputes & Compliance	240	Costed on assumption of around 10 staff, averaging Band B. (October 2014 to March 2015)
Administrative support	85	2 Band A staff providing administrative support to all above teams.
Total staff costs	1,200	
Non-staff costs		
Systems	80	This cost includes the hardware set-up costs for the staff together with the costs of establishing the website but assumes a tax collection system design which does not require central database development at Revenue Scotland. A different design may be chosen and costs will only be known following detailed design and procurement.
Communications and branding	75	Need to promote awareness of Revenue Scotland and devolved taxes.
Standard running costs for unit Jun 2013-31 Mar 2015	200	Training, travel and subsistence and accommodation costs for staff.
Contingency	100	Allowance for underestimates in above figures.
Total non-staff costs	455	No VAT chargeable on this.
Total set-up costs	1,655	

The FM provides estimates of annual running costs from April 2015, as summarised in Table 4. Annual running costs are estimated at £2.2m, with an assumption of 26 FTE staff.

Table 4: Revenue Scotland annual running costs from 2015 onwards

Function	Annual Running Cost (£000)	Assumptions
Staff costs		
Senior Management	220	Chief Executive SCS Pay Band 2, Chief Operating Officer SCS Pay Band 1.
Compliance	350	Team of 8 staff, assume 2 band C, 6 band B.
Disputes and Appeals	280	2 band C solicitors plus band B support.
Communications and complaints	240	Band C plus 5 band B staff to manage web and print communications, limited helpline and complaints. This may need to be revised once further development work is done on communications.
Planning and Development	125	Band C plus 2 band B staff covering planning and reporting and further system development.
Administrative support	100	4 Band A staff supporting all above teams.
Contingency	155	Allowance for underestimates in all above figures.
Total	1,470	No VAT charged on this.
Non Staff costs		
Standard running costs	170	Travel training and accommodation.
IT systems support	50	Assume that receipts will be remitted direct to Scottish Government by collection agents; systems required for case management, appeals administration, performance management of contracts
Website maintenance and production and updating of on-line guidance	50	
Appeals against LBTT charges	120	Costed on a basis comparable to SEPA costing for landfill tax appeals; assumption of up to 20 appeals per year. Non-staff cost
Legal outsourcing/debt recovery contracts	100	Non-staff cost.
Contingency	250	Allowance for underestimates in all above figures
Total	740	No VAT charged on this.

The Scottish Government opted to set up a new body to handle the administration of LBTT and Landfill Tax, rather than contracting out collection activities to HMRC. In setting out the reasons for this decision, the Cabinet Secretary for Finance, Employment and Sustainable Growth said

“I have given careful thought to the appropriate arrangements for administration of [LBTT and Landfill Tax], by weighing up the considerations of flexibility, cost and risk. In taking forward our proposals for taxation, I am determined to ensure that we have a system that is fit for purpose—now and in the future.” (Scottish Parliament 2012)

Referring to comments made by HMRC in evidence to the Finance Committee, the Cabinet Secretary also expressed concerns about how HMRC would react if Scotland adopted a different framework or rates from the current Stamp Duty Land Tax (SDLT). He concluded that:

“It is clear to me that, if we ask HMRC to operate land and buildings transaction tax on behalf of this Parliament, the freedom of this Parliament to take forward its full taxation responsibilities could be inhibited.” (Scottish Parliament 2012)

And further added that:

“It is a sign of the costliness of HMRC that we will establish Revenue Scotland and implement and collect both the replacement taxes for less than HMRC would charge us to deliver what it terms a like-for-like system within the United Kingdom. I estimate that, in the period to 2020, start-up and operational costs in pursuing that approach will be at least 25 per cent lower than they would be had I asked HMRC to deliver the status quo.” (Scottish Parliament 2012)

It is not meaningful to compare the HMRC estimates for Landfill Tax alone with those for RS as the latter will handle both LBTT and Landfill Tax. HMRC’s combined estimates of providing a “like for like” replacement for both SDLT and Landfill Tax are therefore compared with the Scottish Government’s estimates for RS, RoS and SEPA in Table 5.

Table 5: Comparison of HMRC and Scottish Government estimates for administration of SDLT and Landfill Tax replacement

	HMRC	Scottish Government (RS/RoS/SEPA)
Set-up costs (£'000)	2,424	2,530
Annual running costs (£'000)	3,435	2,836

Source: Adapted from Scottish Government 2012

On the basis of this comparison, set up costs are higher for the Scottish Government model, but annual running costs are £600,000 per year lower.

In addition, under the HMRC scenario, the Scottish Government estimated that it would incur certain costs relating to management of the HMRC contract. The Scottish Government estimates these costs at £500,000 during the set-up phase and £435,000 annually during the operational phase. These estimates represent 30% and 20% respectively of the costs of the Scottish Government operating the system itself. No detail is given as to how these estimates have been calculated.

It is difficult to directly compare the HMRC estimates with the Scottish Government estimates as the presentation of the information differs. The following observations can be made:

- In the HMRC estimates, all the set up costs are treated as non-staff, while in the Scottish Government estimates, the majority (61%) of the set up costs are considered to be staff costs.
- The HMRC set up costs attribute the majority of the costs to IT development costs (£2.3m for both taxes). By comparison, the Scottish Government estimates appear to attribute a much lower amount to IT development (around £0.5m, although it is unclear how much of the SEPA non-staff costs relate to IT). It is possible that the HMRC figures include staff costs, although this is not clear. Furthermore, the Scottish Government estimates note that the system set up costs: “assume a tax collection system design which does not require central database development at Revenue Scotland. A different design may be chosen and costs will only be known following detailed design and procurement”.

- In relation to running costs, the HMRC estimates appear to attribute virtually all costs to staff costs, although it is unclear how other non-staff costs have been treated. For RS and RoS, around 75% of costs are staff costs (the proportion for SEPA is only 19% and it is unclear why).
- In the RS staff costings, around a quarter of staff costs (8 FTE staff) are attributed to the compliance function. The proposed changes to sub-sale rules could require substantial compliance activity, especially initially.
- The RS staff costings also assume 6 staff (16% of total staff costs) dealing with communications and complaints. The assumptions state that this would involve a 'limited helpline' facility, but also note that the costings in this area "may be revised once further development work is done on communications".
- The RS non-staff costs incorporate a significant contingency allowance (£250m, equivalent to a third of total non-staff costs). It is unclear why the contingency is so high in this area.

Alongside these general observations, ICAS has cautioned that: "It is not clear that the comparative costs were based on the same set of assumptions. Whether that's right or not, both transparency of costings and or progress on the design of a Scottish tax system, are needed before anyone can reach a clear conclusion on the impact."

ICAS also noted the critical nature of the compliance and enforcement role to be undertaken by RS: "What is clear is that the fair and efficient operation of any tax system requires a focussed compliance and enforcement regime, which works best when it is operated by those with extensive practical experience and knowledge of their area. Registers of Scotland don't do this at the moment. So, Revenue Scotland is likely to be in the hot seat" (ICAS 2012).

Costs of SEPA collecting Landfill tax

The Scottish Government intends that SEPA will have operational responsibility for the collection of Scottish Landfill tax. The FM breaks down the estimated costs for SEPA into set-up costs (from April 2013 to March 2015) and running costs (the ongoing annual cost of collecting Scottish Landfill tax from 1 April 2015). The costings assume a collection and compliance role for SEPA and that the tax will be introduced as planned in 2015.

Table 6: Estimated set-up costs for SEPA (2013-15)

Function	Set-up cost (£000)	Assumptions
Staff training	25	1 month training for SEPA staff involved in this work
Develop guidance for staff	75	
Costs to SEPA of setting up IT systems	350	
Contribution to policy and legislative development in 2013-14	50	Includes development of landfill communities fund or equivalent
Costs associated with promoting new Scottish Landfill Tax arrangements	15	Shared among existing staff – allowance for modest increase in staff on fixed term basis (0.5 post for 6 months)
Training for landfill operators staff	25	Assumes 1 day per landfill site plus development time.
Total	540	Excluding VAT – chargeable and recoverable

Table 7: Estimated annual running costs from 2015 onwards

Function	Running cost (£000)	Assumptions
Additional registration work	10	Shared among existing staff – allowance for modest increase in staff (1 post) for registration and declaration work
Additional declaration work	50	Shared among existing staff – allowance for modest increase in staff (1 post) for registration and declaration work
Risk assessment, compliance activity, ensuring debt collection	75	
Appeals against tax charges	30	Assumes administration required of 5 to 10 appeals a year
General enquiries from taxpayers / helpdesk	35	1 additional administrative member of staff
Management and liaison with RS	50	1 additional executive member of staff
Systems, travel	50	Likely to be absorbed within existing work; allowance made for possible increase in IT system maintenance etc work
Total	300	Excluding VAT chargeable and recoverable.

Tax credit scheme – the Landfill Communities Fund

There is currently a UK Landfill Tax Communities Fund (LCF) which is a tax credit scheme that enables operators of landfill sites to contribute money to enrolled environmental bodies to carry out projects that meet environmental and community based objectives, and to offset their landfill tax liabilities. The Scottish Government has announced an intention to establish a Scottish replacement for this when the UK landfill tax regime ceases to exist in Scotland on 1 April 2015. It is intended that the proportion of an operator’s liabilities that can be offset will be increased by 10% from current levels. Rates for the Scottish LCF will be set in subordinate legislation. If all landfill operators take up the proposed Scottish LCF scheme in full, the effect according to the FM would be to reduce revenues by the Scottish Government by approximately £6m for every £100m of gross revenues.

COSTS ON LOCAL AUTHORITIES AND OTHER PUBLIC BODIES

The Scottish Government estimates in the FM that approximately £86m of the estimated £97m paid in Scotland in UK Landfill tax in 2010-11 was paid by Scottish Local Authorities. The remainder is paid by other public bodies that generate waste and by private sector operators. Applying forecasts used in the FM suggests that Local Authorities will contribute £94m in landfill tax in 2015-16, but this will fall to £35m in 2025. However, as the tax already exists and the Scottish landfill tax regime essentially mirrors the existing UK system, the FM anticipates that there will be “no significant change in net tax costs to local authorities or the wider public sector from this Bill.” This assumes no changes to the rate.

The FM does not anticipate any net administrative and compliance costs for Local Authorities and other public bodies resulting from the collection, enforcement and regulatory change from HMRC to Revenue Scotland and SEPA.

Cost on landfill operators

The FM states that there may be a small additional administrative burden on landfill operators who run sites in both Scotland and the rest of the UK.

COSTS ON OTHER BODIES, INDIVIDUALS AND BUSINESSES

There are two main sectors of non-household waste producers: commercial and industrial, and construction and demolition. The Scottish Government estimates that these sectors produce approximately 12% of the total landfill tax take in Scotland. It is envisaged that the tax burden from the Scottish landfill tax system will be broadly the same. Based on the same assumptions presented above for Local Government and other public bodies, the FM estimates that the tax burden on these sectors will be around £13m in 2015-16, falling to £5m by 2025.

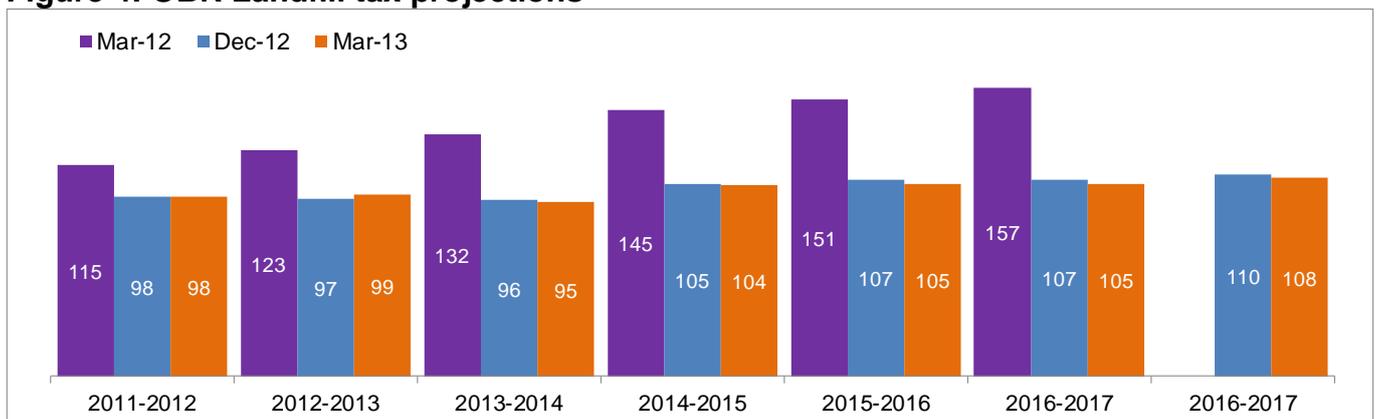
BLOCK GRANT ADJUSTMENT

There are no Scotland-specific figures for landfill tax revenues available from HMRC as revenue receipts are based upon reporting at company level rather than by landfill site, and many companies operate across the UK (Scottish Government, 2012b). The SG states in its consultation that while it is difficult to accurately forecast future revenues from landfill tax in Scotland “it is highly likely the Scottish Government’s Zero Waste Plan will see both the quality and type of material landfilled in Scotland change substantially, with far less material going to landfill and what is landfilled being largely inert materials” (Scottish Government 2012b).

The block grant adjustment for the Landfill tax when it occurs will be “a one-off reduction which will then be deducted from the block grant for all future years” (HM Government 2010). The calculation of this initial one-off adjustment remains under discussion between the Scottish and UK Governments. However, given that there is no Scottish specific outturn data available, the accuracy of the OBR landfill tax forecasts will be important.

The OBR forecast Scottish landfill tax receipts by assuming a constant Scottish share of the UK landfill tax receipts based on an average of the last three years. The OBR started publishing Scottish forecasts for the soon to be devolved taxes in March 2012, and has updated these in December 2012 and March 2013. The OBR forecasts are presented below. It is noticeable from Figure 2 that the forecasts have been revised down quite significantly from the original forecasts in March 2012. For 2015-16, the year of Landfill tax being fully devolved, the OBR forecast receipts of £151m in March 2012, which was subsequently reduced to £105m in March 2013.

Figure 4: OBR Landfill tax projections



Source: OBR 2012a, 2012b, 2013.

The forecasts do not appear to take account of the impact of Scottish Government policy on receipts. This point was raised by Mr Swinney during an evidence session with the Finance Committee on 1 May 2013 (Scottish Parliament Finance Committee 2013).

“I found the original OBR forecasts on landfill tax to be inexplicable. Any rudimentary assessment of performance in the policy area of waste to landfill in Scotland would identify that the trajectory for landfill tax must be going down, because of the effectiveness of recycling initiatives and the increasing propensity throughout the country for more recycling activity and less landfill. To set out a prediction going from £115 million in 2011-12 to £157 million in 2016-17 is beyond my comprehension.

I am pleased that a more sensible approach has been taken in the most recent forecasts. However, to take the forecasts for 2016-17, the variation of 33 per cent between the OBR's positions in March 2012 and March 2013 is a bit concerning as regards the effectiveness of that particular element of its forecasting methodology. Those figures run entirely contrary to the pattern of policy implementation and effectiveness in this area.”

At the Finance Committee on 1 May 2013, Mr Swinney signalled that he was looking at options for setting up some kind of Scottish forecasting body in response to the powers accruing from the Scotland Act. In response to questioning about concerns around the accuracy of the OBR forecasting¹ he said:

“.....As a consequence of the land and buildings transactions tax, the landfill tax and the Scottish rate of income tax, we will acquire a set of revenue-raising responsibilities. My view is that Scotland will require an independent forecasting body that can provide independent assessment to the Government and the Parliament of what might be generated as a consequence of those taxes. I am considering how that should be established” (Scottish Parliament Finance Committee 2013)

Following on from this announcement, a PQ from Ken Macintosh was lodged.

S4W-14751 Ken Macintosh: To ask the Scottish Government, further to the comments by the Cabinet Secretary for Finance, Employment and Sustainable Growth to the Finance Committee on 1 May 2013 regarding the creation of an independent forecasting body that can provide independent assessment to the Government and the Parliament (*Official Report*, c. 2574), what (a) the timescale is, (b) work has been carried out and (c) consultation he has had with the Office of Budget Responsibility in relation to the creation of such a body.

This was answered as follows by the John Swinney on 16 May 2013:

“As I made clear on 31 October 2012 in responding to oral question S4O-01401, the Scottish Government recognises that a robust fiscal framework is vital to the long term sustainability of the public finances. That is why the Scottish Government agreed in principle in February 2010 to the creation of a Fiscal Policy Commission alongside moves toward greater fiscal autonomy.

In that context, I have indicated that I intend that an independent verification function should be put in place to provide an assessment of tax forecasts before implementation

¹ The Question was as follows: “**The Convener:** Given your obvious concerns about forecasting and the concerns of witnesses who have given evidence to the committee, are there any proposals for you to do your own forecasting, or to have a body similar to the OBR in a Scottish context, which could make forecasts based on Scottish data, as opposed to using proportions of UK figures?”

in 2015 of the taxes to be devolved under the Scotland Act. Consideration is being given to how best to achieve this. The views of the Fiscal Commission Working Group are being sought.

Scottish Government officials have regular discussions with the Office for Budget Responsibility around Scottish forecasting issues.”

Another issue that has arisen during Finance Committee evidence on the Scotland Act tax powers relates to the notion that it is the policy intention of the Scottish Government to reduce receipts from Landfill tax. Given that there will be “a one-off reduction which will then be deducted from the block grant for all future years”, the larger that initial reduction, the larger the shortfall when actual receipts start to fall.

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