



OFFICIAL REPORT  
AITHISG OIFIGEIL

DRAFT

# Finance and Public Administration Committee

**Tuesday 3 February 2026**

Session 6



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Pàrlamaid na h-Alba

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## **Tuesday 3 February 2026**

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### **FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**

#### **5<sup>th</sup> Meeting 2026, Session 6**

##### **CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

##### **DEPUTY CONVENER**

\*Michael Marra (North East Scotland) (Lab)

##### **COMMITTEE MEMBERS**

\*Patrick Harvie (Glasgow) (Green)

\*Craig Hoy (South Scotland) (Con)

\*John Mason (Glasgow Shettleston) (Ind)

\*Liz Smith (Mid Scotland and Fife) (Con)

\*Michelle Thomson (Falkirk East) (SNP)

\*attended

##### **THE FOLLOWING ALSO PARTICIPATED:**

Ivan McKee (Minister for Public Finance)

Laura Parker (Scottish Government)

Jonathan Waite (Scottish Government)

Cara Woods (Scottish Government)

##### **CLERK TO THE COMMITTEE**

Joanne McNaughton

##### **LOCATION**

The Robert Burns Room (CR1)

# Scottish Parliament

## Finance and Public Administration Committee

Tuesday 3 February 2026

[The Convener opened the meeting at 09:00]

### Subordinate Legislation

#### Land and Buildings Transaction Tax (Co-ownership Authorised Contractual Schemes) (Scotland) Regulations 2026 [Draft]

**The Convener (Kenneth Gibson):** Good morning, and welcome to the fifth meeting in 2026 of the Finance and Public Administration Committee. We have three pieces of subordinate legislation to consider, and I intend to allow up to an hour for this part of the meeting.

We begin with an evidence session with the Minister for Public Finance on the Land and Buildings Transaction Tax (Co-ownership Authorised Contractual Schemes) (Scotland) Regulations 2026. The minister is joined by Scottish Government officials Laura Parker, LBTT policy lead, directorate for tax and revenues, and Laura Wilkinson, lawyer.

Good morning. It has been an awfully long time since we saw you, minister. We were all starting to miss you. Would you like to make a wee opening statement?

**The Minister for Public Finance (Ivan McKee):** Absolutely. Good morning. I am delighted to be back.

The Land and Buildings Transaction Tax (Co-ownership Authorised Contractual Schemes) (Scotland) Regulations 2026 provide for an exemption from LBTT for qualifying unit transactions within a co-ownership authorised contractual scheme, or CoACS.

The proposed amendments recognise that the issuance, disposal or transfer of a unit within a CoACS is a tax-neutral transaction for LBTT purposes. In other words, it does not represent a disposal or an acquisition of land and property in Scotland. The proposed amendments aim to ensure that an LBTT liability does not arise to investor-level unit transactions where the underlying land and property within a CoACS remain within the scheme itself.

The proposed exemption aims to support such schemes' investment in Scottish land and property by removing the tax and administrative burdens created by treating an investor-level unit

transaction as a land transaction, despite there being no overall change in scheme ownership of the land or property.

I welcome the opportunity to discuss this Scottish statutory instrument and look forward to the committee's questions.

**The Convener:** Thank you for that brief but helpful opening statement.

You touched on the fact that the instrument aims to

"ensure that transactions do not give rise to a tax liability under the Land and Buildings Transaction Tax (Scotland) Act 2013".

Why should there be no tax liability?

**Ivan McKee:** The structure of these transactions is such that individual investors own part of an entity that then owns the property. Therefore, if individual investors are moving in and out of that entity, the purpose is clearly not to be able to tax those transactions. The issue is about when the ownership of the property itself is transferred.

The material impact is that those transactions are not taking place in Scotland, which means that investment is not happening. There is a different structure with stamp duty down south, but the effect of it is the same as what we are proposing here, which is that those transactions should not be liable to tax. That obviously creates an environment where it is more advantageous to make those investments south of the border.

There is no tax lost at the moment with those transactions, because they are, in effect, not taking place.

**The Convener:** If this statutory instrument does not pass, there would be a disincentive to invest in Scotland. Is that what you are saying?

**Ivan McKee:** It removes a disincentive to invest in Scotland.

**The Convener:** Do you have an idea of what level of disincentive we are talking about?

**Ivan McKee:** We do not know, because obviously no transactions are happening at the moment. The Scottish Fiscal Commission has said that it is below the materiality threshold, which is £5 million. However, in effect, we will not know until it is removed and those transactions start taking place.

**The Convener:** Are you expecting a boost in investment if this is implemented?

**Ivan McKee:** My officials might have more to say on that, but I will be honest and say that I do not expect that it will be a huge boost. It is, however, an exercise that is required in order to create a level playing field.

**John Mason (Glasgow Shettleston) (Ind):** I wonder whether there could be a loophole here for people to avoid tax. If the land was owned by A and B and, separately, A sold to C, and B sold to D, there would be a complete change of ownership but no tax would be payable.

**Ivan McKee:** These schemes are regulated by the Financial Conduct Authority. It is a strict process to be identified as such. I understand what Mr Mason is saying, but I think that processes are in place to prevent that from happening. That is effectively what happens down south.

I am not sure whether my officials might want to comment on that.

**Laura Parker (Scottish Government):** To clarify, the initial acquisition of property into the fund is still subject to LBTT, even when the exemption is in place. It is about the transfer of existing units within the fund itself, when the property has already been acquired. There is still that initial LBTT when a true land transaction takes place. This is an exemption only for unit-level transfer.

**John Mason:** The fund is still there, but it could be owned by completely different people and there would be no tax. Is that right?

**Laura Parker:** The way that the funds are set out is that there is the fund manager and the fund depository, which is an independent entity that manages the assets on behalf of the investors and the fund. They also make sure that the fund manager is acting in the best interests of the investors, despite their own commercial interests. We then have the investor-level transactions, where investors come in and buy units in the fund.

There are multiple layers of governance, oversight and regulation, and the FCA regulations in that space are very robust.

**John Mason:** If the convener and I were to set up a fund and buy some land, and then we both sold to Mr Harvie and Ms Smith, no tax would be payable because the fund would still be in place. Is that correct?

**Laura Parker:** No. If you sold the asset outwith the fund—

**John Mason:** No. I am saying that you would be selling the units in the fund, not the asset.

**Ivan McKee:** You would have to get it FCA approved, Mr Mason.

**John Mason:** Okay. I will not pursue that any further.

**The Convener:** I think that you should have a good go, if I am honest.

**Patrick Harvie (Glasgow) (Green):** Good morning. I am still a wee bit unclear about the purpose of all this.

I understand from the policy note what the Government's policy is, but I do not understand why.

Can you explain in simple terms—to someone who, to be frank, had never heard of these mechanisms before I looked at the papers for this meeting—the public value of exempting those particular transactions from a tax that others who are involved in land and building transactions must pay? What would the public get out of that?

**Ivan McKee:** They would still pay tax if they were transferring the asset out of the fund. The fund is the entity that owns the property, as any other investment vehicle company or individual can own property. When the fund sells the property, the tax would be payable. The structure of each of those funds means that lots of different investors own a part of it. To them, it is a financial investment transaction. When they sell the units within the fund at a point that is further upstream, no tax is payable.

As I said, the same process applies down south. When this approach was introduced here, that aspect was not covered off, and the effect of that is that people are not investing in those funds in Scotland.

**Patrick Harvie:** It still sounds as though we are talking about dressing up a property investment as a financial investment. What is the purpose of it?

**Ivan McKee:** The purpose is to attract more investment into Scotland in relation to property.

**Patrick Harvie:** You could do that by exempting lots of people from paying their taxes.

**Ivan McKee:** It is to do with the structure of those funds. The individual is buying not the property itself but a unit share in a fund that is then buying the property.

**Patrick Harvie:** Thank you.

**The Convener:** Item 2 is our formal consideration of the motion on the instrument. I invite the minister to speak to and move motion S6M-20588.

*Motion moved,*

That the Finance and Public Administration Committee recommends that the Land and Buildings Transaction Tax (Co-ownership Authorised Contractual Schemes) (Scotland) Regulations 2026 [draft] be approved.—[*Ivan McKee*]

**The Convener:** Would you like to speak to the motion, minister?

**Ivan McKee:** I have nothing to add.

**The Convener:** No member has indicated that they wish to speak. The question is, that motion S6M-20588 be agreed to. Are we agreed?

**Members:** No.

**The Convener:** There will be a division.

**For**

Gibson, Kenneth (Cunninghame North) (SNP)  
 Marra, Michael (North East Scotland) (Lab)  
 Mason, John (Glasgow Shettleston) (Ind)  
 Smith, Liz (Mid Scotland and Fife) (Con)  
 Thomson, Michelle (Falkirk East) (SNP)

**Abstentions**

Harvie, Patrick (Glasgow) (Green)

**The Convener:** The result of the division is: For 5, Against 0, Abstentions 1.

*Motion agreed to.*

**The Convener:** I thank the minister and his officials.

**Scottish Aggregates Tax (Applicable Rate of Tax) Regulations 2026 [Draft]**

**The Convener:** The next item on our agenda is also with the Minister for Public Finance, who is joined by Scottish Government officials Cara Woods, senior policy adviser on aggregates and landfill taxes, and Laura Wilkinson, lawyer. I welcome our witnesses and invite the minister to make a short opening statement.

**Ivan McKee:** The Scottish Government's intended introduction date for the Scottish aggregates tax is 1 April 2026. When it is introduced, Revenue Scotland, Scotland's tax authority for devolved taxes, will be responsible for the collection and management of the Scottish aggregates tax.

As part of on-going work to commence the Aggregates Tax and Devolved Taxes Administration (Scotland) Act 2024, the Scottish Aggregates Tax (Applicable Rate of Tax) Regulations 2026 make the required provision for the practical application of the Scottish aggregates tax. The regulations provide that, from 1 April 2026, the applicable rate of tax will be £2.16 per tonne of taxable aggregate.

The Scottish aggregates tax rate in 2026 will align with the United Kingdom aggregates levy rate for the same year. That approach will ensure stability and certainty during the transfer of power. The decision was influenced by the block grant adjustment process and it has enabled agreement on a novel method for setting the Scottish aggregates tax block grant adjustment baseline, which reduces risk to the Scottish budget.

I am happy to take questions.

**The Convener:** In 2016-17, the tax was £2 per tonne and it is now £2.16 per tonne. That is 8 per cent more than it was a decade ago, but prices have inflated by 41.5 per cent during that period so less tax is being raised proportionately.

I note that the Scottish Fiscal Commission forecasts that the tax will raise £42 million in 2026-27. As you know, minister, committee members visited a place in Pumpherston that recycles aggregates and were told that moving aggregates is so expensive because the lorry, fuel and driver all have to be paid for, but that company does not even sell to Edinburgh. So, I do not understand why you are maintaining the same price as down south. If it was put up from £2.16 to £3.24 per tonne, that would generate another £21 million per year in revenue. People who are involved in recycling have said to us that that would boost investment in the recycling of aggregates.

**Ivan McKee:** Those are fair points, convener, and that will be a valid conversation for us to have next year. The point of keeping the tax rate at the same as the UK's this year is to give us the data that would allow us to calculate the block grant adjustment. Without that, we would not have a level baseline that would allow us to understand what the block grant adjustment should be as we transfer the tax from UK to Scottish management.

**The Convener:** I understand what you are saying, but we have had a couple of years to work that out. It has been a long time since the issue was before the committee. It just seems that we are missing an opportunity to stimulate investment in recycling and generate additional taxation, given that there is no likelihood of anyone saying that, because it is an extra £1 per tonne, they will ship the aggregate an extra 50 miles, with all the costs that would incur.

I understand what you said about the block grant adjustment, but I wonder why the Government is being so timid about this.

**Ivan McKee:** That is not the issue. As I said, that will be a perfectly valid conversation to have next year, but the issue this year is that, if we were to have different rates of tax, it would make it difficult to agree what the block grant adjustment should be to enable the tax to be transferred in the first place.

**The Convener:** I would have thought that, at this time, a couple of years after the committee went through all this, we would know the amount of aggregate that is being used in Scotland and its movements.

I will let colleagues come in. John Mason is first, to be followed by Liz Smith.

**John Mason:** I was interested in what the convener was saying. Looking at the impact

assessments, when we first discussed the bill, the situation was thought to be more difficult for island communities because they do not have the same choice about where they get aggregates.

We are told that

"No new impacts have been identified for Island Communities",

but perhaps there were existing impacts that could be dealt with. Has it been suggested that we could consider different rates for the islands?

09:15

**Ivan McKee:** I will let my officials talk about the specifics of that, but, as I said, the policy intent this year—and the purpose of the regulations—is to set the tax at the same rate as that for the rest of the UK to give us a BGA baseline. Next year, there will be scope to look at varying the rate and other factors that could impact on that.

My officials might be able to say a bit more.

**Cara Woods (Scottish Government):** We engaged with stakeholders, including aggregates industry bodies, representatives of the recycling sector, the Convention of Scottish Local Authorities and tax professionals, on setting the tax rate, as that was a key issue during the parliamentary scrutiny of the bill. They supported the Scottish aggregates tax initially being aligned with the UK aggregates levy to avoid complexity, added costs to business and issues of competitiveness.

We also asked them about a variation in rates within Scotland, and their view was that, with other taxes such as the landfill tax, variation in rates within Scotland could cause issues such as waste tourism. A variation in rates might make people look for different ways to circumvent having to pay the tax. There was a view that, if the rate was lower in one part of Scotland, some companies might make sure that their business was done in that area. They would find ways to get round having to pay more tax.

**John Mason:** I understand the logic that we should keep things steady this year, but it would be worth looking at varying the rate for the islands in the future. We know from the evidence that we took that it is very expensive to move aggregates around, so it is unlikely that people would take aggregates on a ferry to or from the islands. I will not be here next year, but perhaps someone in my place will ask that question.

Under "Impact Assessments", there are two separate paragraphs on sustainable development. One of them is very brief. It says:

"The instrument will have no impact on sustainable development."

The other one is a bit longer. It ends by saying:

"the instrument will have no impact on sustainable development, and no adverse effects on the environment."

This follows on from the convener's question and, again, it is perhaps more of a question for next year. If there was a higher rate, that might have an impact on the environment, because people would use more recycled and less new material.

**Ivan McKee:** Those are valid considerations for us to look at as we move into next year. We will be in the position of having a level BGA, which will enable us to make decisions about how we can adapt the policy for the Scottish context. I have no doubt that you will be here in spirit if not physically, Mr Mason.

**John Mason:** I will make a note to watch the proceedings online.

**Liz Smith (Mid Scotland and Fife) (Con):** I am not sure that I will watch them online.

**The Convener:** From the Bahamas.

**Liz Smith:** Like Mr Mason and the convener, I understand the logic of keeping the tax in line with the aggregates levy in the first year because of the complexity of the BGA adjustment. I get that. However, if it is the case that people in the sector are arguing, for the reasons that the convener set out, that they might want the tax to increase in years to come, is that not also a reason for considering different rates in different parts of Scotland? The logic is that, if there are different elasticities of demand between England and Scotland, there will also be different elasticities of demand between different parts of Scotland. Will the Government examine that?

**Ivan McKee:** Yes, indeed. We will look at that when we come to set the aggregates tax next year, as we do with other taxes in the budget. At that point, we will be able to take a perspective on the issue that you have raised.

**Patrick Harvie:** This point follows on from the one that was made about the views of the different organisations that the Government will have engaged with.

I wonder whether it would be helpful, in the interests of transparency, for policy notes such as this to give a very brief summary of the extent to which the Government has been lobbied by vested interests on any of these issues and whether, for example, there was a difference of view between those economically active in the industry and those seeking a policy objective such as sustainable development.

**Ivan McKee:** I think that any engagement and discussions that were had would be a matter of public record. Depending on the group, those

minutes might have already been published or will be otherwise available, so I think that we would be very comfortable with sharing them.

**Patrick Harvie:** A lot of that information will, ultimately, be publicly available, but it will take a lot of hunting down, whereas a brief summary in the policy note would give a little bit more transparency and let the Government say who has been pushing in this or that direction.

**Ivan McKee:** Absolutely—I understand. Point taken.

**Patrick Harvie:** Thank you.

Ms Woods talked about waste tourism. Where is the evidence for that? I mentioned earlier a company that we visited in Pumpherston that does not think it is viable to sell even to Edinburgh, which is only a few miles away. Given the cost of loading a lorry with aggregate, putting fuel in it and hiring a driver, and given the time taken to ship it from A to B, I have to ask: where is the elasticity? When does it become uncompetitive relative to south of the border? I just do not see how that argument works if we are talking about an extra £1 or £2, or even a fiver per tonne. In fact, I would not suggest a fiver per tonne, having thought about the impact on customers with regard to the spend on building, local authorities fixing roads and so on.

We have to look at the other side of the equation. Where is the elasticity? I just do not see any argument whatsoever for that. I know that some aggregates are shipped by boat, but what work has the Scottish Government done to look at that, so that, next year—if we have to go through this again—the tax is fixed at the optimal level that benefits Scotland by encouraging investment in renewables while not impacting too adversely on the client base and those who are extracting?

**Ivan McKee:** As I have said, the Government's position is that, this year, we are setting the tax at the same rate as the rest of the UK, so that we get that BGA baseline. The decisions on the tax next year will take into account all the factors that the convener and other members have raised with regard to the assessment—

**The Convener:** But you must know about the elasticity. You must know how much it costs to ship a tonne of aggregate, say, a mile.

**Ivan McKee:** We have done some work on that.

**The Convener:** Do you know how much it is?

**Ivan McKee:** From memory, no. But, as I have said, the policy decision that has been made this year is in relation to the BGA baseline. Next year, we will absolutely consider all the factors that the committee has raised, as you would expect, when we make decisions on what level to set the aggregates tax at.

**The Convener:** As there are no more questions, we will turn to formal consideration of the motion on the instrument. I invite the minister to speak to and move motion S6M-20364.

*Motion moved,*

That the Finance and Public Administration Committee recommends that the Scottish Aggregates Tax (Applicable Rate of Tax) Regulations 2026 [draft] be approved.—[*Ivan McKee*]

*Motion agreed to.*

**The Convener:** Thank you very much, minister. There will be a wee break as we have another changeover of officials.

### **Scottish Landfill Tax (Administration) Amendment Regulations 2026 (SSI 2026/8)**

**The Convener:** Item 5 is an evidence-taking session with the minister, Ivan McKee, on the Scottish Landfill Tax (Administration) Amendment Regulations 2026. For this last session, the minister is joined by the following Scottish Government officials: Jonathan Waite, aggregates tax bill team leader, and—once again—Laura Wilkinson, lawyer. I welcome Jonathan to the meeting and invite the minister to make a short opening statement.

**Ivan McKee:** These amendment regulations remove entitlement to tax credit for new qualifying contributions to the Scottish landfill communities fund from 1 April 2026. From that point, the fund will enter a managed wind-down period of up to 24 months. The regulations include clear transitional projections, and all contributions made before 1 April 2026 will remain qualifying, will continue to attract tax credit and will be spent on community and environmental projects, as intended.

Throughout the wind-down period, Revenue Scotland and the Scottish Environment Protection Agency will continue to administer and regulate the scheme, ensuring continuity of oversight until the fund is formally closed. Members may wish to note that the decision to close the fund followed a public consultation in 2025 and extensive engagement with Revenue Scotland and SEPA. The regulations will ensure that an orderly and responsible conclusion to the fund will fully meet existing commitments.

I am happy to take questions.

**The Convener:** Thank you very much for that opening statement, minister. According to the business and regulatory impact assessment, Scottish landfill tax revenues have declined from £149 million in 2015-16 to £56 million in 2024-25, and contributions to the Scottish landfill communities fund have halved over the past decade and are estimated to amount to around

£1.4 million. That is why, because of the associated costs of administering the fund in future years, they will breach legally permitted limits. Can you tell us what those legally permitted limits are?

**Ivan McKee:** I will defer to officials on the legally permitted limits.

**Jonathan Waite (Scottish Government):** They are associated with the costs to SEPA, which is the regulator of the fund, for the regulation team in SEPA. There are also administration costs for approved bodies that distribute the funds to community organisations. So, there are two levels of administration, in a sense.

**The Convener:** Sorry—I am not sure how that answers my question. I asked what the legally permitted limits are, and you talked about them without saying what the costs are in pounds, shillings and pence.

**Jonathan Waite:** I do not have the figures to hand, but we can circulate them afterwards.

**The Convener:** The reason I ask is that, next year, the fund will be £1.4 million, which, for many community organisations, is still a substantial sum of money. It would be helpful to know how much is being used to administer the fund, because the whole idea behind the instrument is that the fund is becoming less viable. It would give members an opportunity to assess what they feel. The fund is very geographic—we know that. Not everywhere in Scotland can apply for it. That clearly means that it disproportionately benefits certain communities, and they might be somewhat aggrieved if the fund is closed and not replaced.

**Jonathan Waite:** I do not want to quote a percentage, because I do not have the exact percentage for SEPA, but if the SEPA regulation costs were capped at 10 per cent and SEPA has a fixed number of staff for the fund, there could be a situation where the fund becomes really small. If you have a £1 million fund and the SEPA percentage can be only 10 per cent of that fund, SEPA cannot employ enough staff to do the regulation for £100,000. That is the issue that you run into.

**The Convener:** Does it cost more than £100,000 to administer £900,000?

**Jonathan Waite:** Potentially, if you have a number of staff in place who need to do the regulation for projects across the country.

**The Convener:** Some of the responses that we have received say that there will be less support for local infrastructure, environmental accessibility and community engagement projects. The most frequently cited concern is that community-led initiatives will be lost—for example,

“play areas, skate parks, youth clubs and educational

programmes.”

Respondents also expressed concern that that will “disproportionately affect communities that are already experiencing social-economic disadvantage.”

Given that that is the case, what will happen to the money that is not being allocated to those community organisations? Will it go into the general tax fund? Is the Scottish Government thinking of an alternative fund, so that organisations that would be disadvantaged by the removal of the fund can still look to receive funding?

**Ivan McKee:** On the fund, it is important to recognise—officials can keep me right here—that the operators themselves benefit from the tax advantage. Many of them are signalling that they would not want to take part in the fund because, from their perspective, it does not add up commercially, even with the tax benefits that are in place. The size of the fund would reduce significantly—much more significantly than has already been indicated—with those operators not being part of it any more.

Obviously, the fund will have to be wound up at some point, because, as you have indicated, the amount of revenue coming from landfill tax continues to reduce. We have reached the tipping point whereby, if the operators are not supporting the fund any more, it starts to not be viable any more.

**The Convener:** What would replace it as the support for community organisations that have traditionally benefited from the fund?

**Ivan McKee:** That would be considered on a general basis across the Scottish Government’s funding for communities and community organisations.

09:30

**The Convener:** Will there be a gap? I think that folk would be concerned if the fund ended and there was nothing else put in place to replace it for a year or two, because it could mean that projects that local community organisations might have been working on for months, if not years, would not proceed.

**Ivan McKee:** The fund will meet its commitments. This is a ramp-down period of up to 24 months, which will continue as the fund is wound up.

**The Convener:** Am I right in saying that the Government intends to put in place a replacement fund? Has there been any discussion about that?

**Ivan McKee:** I am not committing to that.

**The Convener:** Is the Government willing to take that point away from this meeting?

**Ivan McKee:** Yes, we will consider the point.

**The Convener:** Okay. That is helpful.

**Liz Smith:** On that point, it would be helpful if the Government considered that, because it strikes me that the fund is being closed largely for economic reasons, whereas those who have expressed their concerns to the committee are looking at the social impact—particularly if, as the convener said, their projects relate to youth engagement in the local community and so on. Those projects have a very important impact when it comes to stimulating community engagement, particularly if they are in a disadvantaged area. Losing them is a potential problem, so it would be very helpful if the Government was to consider introducing a replacement fund in order to ensure that infrastructure provision is not lost altogether.

**Ivan McKee:** Point taken.

**Patrick Harvie:** I wonder whether the issue goes a little bit deeper than the need for a replacement fund. This is a problem that arises due to the purpose of environmental taxes. If you levy an environmental tax with the purpose of changing behaviour or reducing environmental harm, you should not rely on it as a future on-going source of revenue, because, if it is successful in achieving its environmental objective, the revenue will inevitably go down and, ideally, disappear completely, because you will have eradicated the environmental harm.

In its overall tax strategy, should the Scottish Government not follow the principle that, where it is using environmental taxes to achieve an environmental objective and is getting some benefit, for the time being, from the revenue, there must be a plan to shift the tax base to other forms of environmental harm as that revenue declines? The presumption should be that that will, at least, be explored. As the projected reduction in revenue is expected, the Government should look at shifting the tax base to other forms of environmental harm, in order to achieve more environmental good while also sustaining revenues.

**Ivan McKee:** I think that there already is such a principle. The projections, whether they are from the medium-term financial strategy or whatever, show that the revenues from the tax were expected to reduce over a number of years. It is absolutely the case that that will have been factored into the longer-term calculations for tax and spend, and it is clearly compensated in the round by decisions that are taken on other taxes. Everyone knew that that was the situation. The numbers would have been planned over the

medium term, and those taking other tax policy decisions would have done so while fully cognisant of that fact.

On the other side, it is clear that it would have been known that the fund's community benefit would not continue forever. Everybody would have been well aware of its time-limited nature. At the outset, the question was, "Do you want to take the community benefit for that period of time, or do you want to take no community benefit?" Clearly, the answer was that they would take the community benefit for a period of time.

**Patrick Harvie:** Are you saying that the Government has already considered alternative forms of environmental harm on to which the tax base could be shifted, to ensure that there is sustained revenue in the future? What alternatives have been under consideration?

**Ivan McKee:** What I said is that it was considered as tax policy in the round. When we calculate tax revenue in the future, the fact that this tax is tapering down will be factored into the numbers and projections.

**Patrick Harvie:** My suggestion was that the Government's tax strategy should look specifically at environmental taxes, which are, by definition, not intended to be permanent sources of revenue, and shift the tax base from one form of environmental harm to another in order to maximise the benefit and revenue.

**Ivan McKee:** I hear what you are saying, but tax policy is considered in the round—we look at total revenue versus total spend and do not have a separate line for environmental taxes per se. We consider each environmental tax on the basis of the behavioural change that we are driving, the impact that it will have on revenue and its longevity, rather than starting with a number and basing our policy on that. We start with the policy and work it that way round.

**Patrick Harvie:** Okay. There are lots of forms of environmental harm that you could tax.

**The Convener:** If you put up the aggregates tax by £1 a tonne, that would generate £20 million—more than enough to cover any loss. So, when you get around to making that change next year, some of that money can go to those communities.

Before I let in John Mason, I will give Revenue Scotland a wee advertisement. This week, I am sponsoring an exhibition for it at the bottom of the members' block in the Parliament. Revenue Scotland estimates that administering the Building Safety Levy (Scotland) Bill will cost around 1 per cent of the revenue collected, which I expect to be more complex than this tax. Perhaps some thought should be given to transferring the responsibility of the fund to Revenue Scotland, with SEPA perhaps

providing some oversight. Perhaps that would save a few bob.

**John Mason:** As others were speaking, a thought came to my mind. Presumably, the idea of the fund was to, in some way, compensate communities that live adjacent to a landfill site—including in my area, as the minister probably knows—for the upset, smell and so on that they have suffered. I take Patrick Harvie's point that the tax would always be time limited, so the grant was a one-off in many ways. However, the timing does not quite match, because money will stop going into the fund this April but the landfill site will still operate. Even if it closes, which is what the community wants to happen, it will still give off gas for many years into the future. The suffering of the local community, if you like, will continue even after the landfill site stops operating. I am not asking for a commitment right now, but I would like that to be factored in by the Government if it considers transitional relief or something like that.

**Ivan McKee:** Point taken.

**The Convener:** I think that I asked this question earlier, but I do not remember getting a response. Will the money that no longer goes to the community organisations just go into the Scottish consolidated fund?

**Ivan McKee:** The money that has gone into—

**The Convener:** If you are not giving the money—£1 million or £1.4 million a year, or whatever it happens to be—to community organisations, will it go into the general fund?

**Ivan McKee:** Officials can keep me right on this. To be clear, the money that comes into the fund would be spent through the fund. No more money would come into the fund, because a tax benefit would incentivise companies to put money into it. With many of them opting out of contributions through that mechanism, that money would remain with Revenue Scotland rather than going into the fund.

**The Convener:** So, the money is not going to the taxpayer; it is currently being kept by those companies. Is that right?

**Jonathan Waite:** Yes. The landfill site operators, as taxpayers, have an option to contribute to the fund. If they did not contribute to the fund, they would just pay 100 per cent of their landfill tax liability. At the moment, a number contribute, but, if they chose not to do so, all the money would just come to Revenue Scotland and the Scottish consolidated fund and not go into the separate communities fund.

**The Convener:** Thank you for that clarification.

**Ivan McKee:** Just to be clear, the tax credit benefit on that is 90 per cent.

**Jonathan Waite:** Yes, it is up to 5.6 per cent of liability.

**The Convener:** Thank you very much for that.

No member has any comments on the Scottish Landfill Tax (Administration) Amendment Regulations 2026, and no member has recommended annulment. Therefore, do members agree not to make any further recommendations in relation to the instrument?

**Members** indicated agreement.

**The Convener:** Although the committee is not required to report on a negative instrument, it can do so if it wishes to draw attention to any issues that have been discussed. We will, no doubt, discuss that in our private session.

That was the last item on our public agenda, so I will now move the meeting into private. We will have a five-minute break to allow the minister, his officials, broadcasting and the official report to leave.

09:40

*Meeting continued in private until 10:44.*

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