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29 August 2024

Dear Kenneth,

Aggregates Tax and Devolved Taxes Administration (Scotland) Bill

I write to you in relation to the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill (“the Bill”), and further to the Scottish Government’s response to the Committee’s Stage One report.

As you are aware, in line with the Fiscal Framework, the Scottish Government is required to reimburse the UK Government for any net additional costs “wholly and necessarily” incurred to ensure that the Aggregates Levy is ‘switched-off’ in Scotland when the devolved Scottish Aggregates Tax is introduced. The potential costs associated with this were considered in paragraphs 15-17 of the Financial Memorandum for the Bill.¹

During Stage 1 consideration of the Bill, the Committee asked for an update on the progress of discussions with HMRC regarding these costs. We committed to sharing information when available.

HMRC officials have now provided an initial estimated cost of £2.2 million, which includes project and compliance costs over the period to 2028-29. These estimated costs are broken down by year in the table below.

Estimated HMRC costs

Year	24-25	25-26	26-27	27-28	28-29	TOTAL
£m	0	1.5	0.3	0.2	0.2	2.2

¹ <https://www.parliament.scot/-/media/files/legislation/bills/s6-bills/aggregates-tax-and-devolved-taxes-administration-scotland-bill/introduced/financial-memorandum-accessible.pdf>

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HMRC officials have underlined that these are high level costs, shared at an early stage, and that a more detailed breakdown of the relevant estimates cannot be provided at this time.

The project activities covered include:

- Amendments to HMRC electronic and paper returns to record cross border movements.
- Amendments to HMRC IT systems which exploit the data recorded on returns, for example to calculate the levy due.
- Technical solutions to facilitate the regular exchange of data from HMRC to Revenue Scotland, and vice versa, for compliance purposes.

My officials understand that, to meet the April 2026 implementation date, HMRC have prioritised this work to commence in April 2025. This will however be kept under review, and an earlier project mobilisation date may be necessary should development work suggest that a longer time frame for delivery would be advisable.

Ongoing work between HMRC, Scottish Government and Revenue Scotland will allow for the refinement of options and costs, based on a more detailed knowledge of data needs, the new systems currently being established to administer Scottish Aggregates Tax and the consequent impact for HMRC systems. We will work in partnership with the UK Government to deliver a project which provides the best value for money and use of resources for both Governments.

I will update the Committee as soon as more accurate and detailed cost assessment is available. As referenced above, this will be possible following the establishment of a project team by HMRC next year, further development of the new Revenue Scotland systems that HMRC will need to interact with, and the necessary detailed discovery work being done.

Yours sincerely,

IVAN MCKEE

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