

POLICY NOTE

THE SCOTTISH LANDFILL TAX (STANDARD RATE AND LOWER RATE) ORDER 2015

SSI/DRAFT

The instrument above was made in exercise of the powers conferred by section 13(2) and (5) of the Landfill Tax (Scotland) Act 2014 (LT(S)A 2014). The making of this order is subject to the affirmative procedure.

Policy Objectives

The LT(S)A 2014 provides for a Scottish Landfill Tax (SLfT) which will take effect from 1 April 2015. Sections 13(2) and (5) of the LT(S)A 2014 provide a power allowing the rates of tax to be set.

Scottish landfill tax will be chargeable by weight and there will be two rates:

- the standard rate is £82.60 per tonne; and
- the lower rate is £2.60 per tonne.

A list of material qualifying for the lower rate and conditions that have to be met are provided for in the Scottish Landfill Tax (Qualifying Materials) Order 2015.

The Scottish Government has maintained a similar two rate system as the UK Government. Scottish Ministers have the power to vary the material qualifying for the lower rate in the future or create additional rates. However to ensure a smooth transition, to minimise unintended distortions to waste markets including cross border movements of waste (often referred to as “waste tourism”) and to aid the implementation of SLfT for landfill operators (and the wider waste and secondary resource industry), the SLfT rates match the UK Landfill Tax Rates for 2015-16 as set out in section 100 of Finance Act 2014. The Scottish Government considers that these rates will provide appropriate financial incentives to support delivery of the Government’s Zero Waste ambitions.

Scottish approach to taxation

The Scottish approach to taxation is based on the four maxims set out by Adam Smith – that taxes should be proportionate to the ability to pay, that there must be certainty and convenience for the taxpayer and that tax collection should be efficient. In particular, the maxim that taxes must be certain has driven decisions taken by the Scottish Government in setting SLfT rates.

Rates and bands have also been set so that the devolved taxes are revenue neutral, assessed against the one-year adjustment to the block grant agreed with the UK Government for 2015-16.

Consultation

There is no statutory requirement to consult on this Order.

Proposals for tax rates for SLfT have been considered by the Scottish Parliament as part its scrutiny of the 2015-16 Draft Budget.

Impact Assessments

A Business and Regulatory Impact Assessment (“BRIA”)¹ has been published for the regulations and orders associated with the LT(S)A 2014.

An Equality Impact Assessment (“EQIA”) was published² in December 2014. The order will have no impact on equality issues. A strategic environmental screening exercise has also been conducted and LT(S)A 2014 statutory secondary instruments will have no negative impact on the environment³.

Financial Implications

The Scottish Government estimates that Scottish Landfill Tax will generate revenue of around £117 million in 2015-16. This is a full-year estimate. This forecast has been independently reviewed and endorsed as reasonable by the Scottish Fiscal Commission.⁴

Scottish Government
Financial Strategy Directorate
Fiscal Responsibility Division

¹ ‘Scottish Landfill Tax Final Business and Regulatory Impact Assessment’, published 14 December 2014, available at: <http://www.scotland.gov.uk/Publications/2014/12/6274>

² ‘Scottish Landfill Tax – Equality Impact Assessment Results’, published 17 December 2014, available at: <http://www.scotland.gov.uk/Publications/2014/12/7976>

³ ‘Scottish Environmental Screening Exercise results available at: <http://www.scotland.gov.uk/Topics/Environment/environmental-assessment/sea/SEAG>

⁴ ‘Report of the Scottish Fiscal Commission’, published 9 October 2014, available at: http://www.scottishfiscalcommission.org/media/media_364407_en.pdf