

## **AGGREGATES LEVY: LIABILITY OF DIMENSION STONE, ESPECIALLY WALLING STONE, ROCKERY STONE AND CRAZY PAVING**

This is confirmation of our discussion regarding some of the problems inherent in accounting for aggregates levy, especially with regard to walling stone, rockery stone and crazy paving.

Firstly, all dimension stone is subject to the legislation in the Finance Act 2001, which states at section 18(2)(a) that an exempt process only occurs in “the cutting of any rock to produce stone with one or more flat surfaces”. Originally the wording was intended simply to be: “... to produce dimension stone”, but this would have led to confusion about what dimension stone is. Now we see that a stone must be deliberately shaped with at least one flat side to be exempt. It is not therefore the end use, such as being placed in a dry stone wall, that confers the exemption, but whether or not each individual stone has been subjected to the exempt process quoted above.

In section 18(1)(a), the Act makes it clear that aggregate (i.e. taxable aggregate) includes “the spoil, waste, off-cuts and other by-products resulting from the application of any exempt process ...”.

The application of these laws to any stone, no matter what its end use, should then solve most liability issues in theory. The problem that remains is how to account for the levy where you have a pile that is a mixture of both exempt stone – stone that has been deliberately shaped in the above way – and taxable stone. The latter would include naturally flat stone that is already the required shape and size for the end use, and some of this might consist of stone that has been rived out of the rock face. Hand riving after extraction would however constitute an example of the exempt process; see Notice AGL1: Aggregates Levy (August 2004) paragraph 4.2 for further clarification. This is published in leaflet form, but is also available on the HM Revenue and Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

Assuming that the operator is not in a position to keep an accurate record of each stone and its weight and liability according to the above principles, it follows that a scheme is necessary to make life easier and to arrive at a reasonable figure of levy due. This may vary according to individual circumstances and is ultimately the decision of the officer to approve, so businesses should seek agreement before implementing a scheme.

However, an example of a simple accounting method would be to agree with the officer a reasonable percentage, to be used each quarter, of walling stone, rockery stone and crazy paving (there may need to be a different percentage for each) which qualifies as exempt, i.e. which has been individually shaped to produce at least one flat surface. In the case of rockery stone where this is in a boulder shape, or in the case of globe-shaped stone, for example, we would expect the exempt percentage to be very low. The same would be true of naturally flat stone that needed little shaping. It is, however, for the individual business to agree the percentages with the officer.

There remains the issue of how to account for the levy with regard to stones that leave the originating site as taxable, but are subsequently shaped at the site of the stone wall itself, for example, by the customer, so that they eventually do have at least one flat side. These stones – but only these, and not the stones with them that remain unshaped – become exempt or relieved, depending upon the circumstances.

If they go to another site that is registered for the levy, they can leave the originating site exempt, even if not yet shaped with a flat side at that point. The officer will need satisfactory evidence from the customer to back up these exemptions, e.g. a declaration along the lines of that in Section 5 (Reliefs) of Notice AGL1. If, on the other hand (more commonly), they are shaped at a site that is not registered, such as the site of the wall or garden where they are placed, then the customer who carries out the shaping may obtain relief from the levy for those stones which are eligible because they have been shaped to produce at least one flat

side. Those customers must declare to the supplier, whether on a certificate or on an invoice, the details necessary for the correct amount of levy to be accounted for on the supplier's return. The details the customers provide should also consist of those specified in Section 5 of the Notice. A similar scheme to the one applying to the originating quarry should be agreed by the originating quarry with the officer, assuming that the customer carrying out the shaping does not have a weighbridge.

To re-emphasise the earlier point about off-cuts, these are taxable when exploited, but if they are merely returned to the land on the originating site, or dumped elsewhere, no levy is due. It does not matter that off-cuts have a flat side; they only qualify for the exemption if they are used as dimension stone. HMRC need to be able to charge the levy on any off-cuts that are sold as rubble for fill, or crushed in order to be used as aggregate.