

# **Landfill Tax - a beginners Guide**

A report to Aberdeenshire Environmental Forum

## **Introduction**

This guide is written to inform lay people about the tax and in particular the operation of the Landfill Tax Credit Scheme now called the Landfill Communities Fund (LCF). It is not a definitive guide to the tax or the operation of the LCF but an introduction to the system as it operates in Aberdeenshire. This Guide will make recommendations for the future operation of the LCF by Aberdeenshire Council, AEF and others.

## **Background**

There have been many changes since the tax was first introduced in **Oct 1996** (at a rate of £7 per tonne for active waste) many of which are only of passing and historical interest,

At the present time the tax is £48 per tonne for active (ordinary) waste and £2.50 for inert waste disposed of to landfill.

The average house in Aberdeenshire creates over 1 tonne of waste per annum of which roughly 30% is recycled and the rest goes to landfill. So every household contributes c. £48 in landfill tax every year through either Council tax or other forms of taxation. Commercial, Industrial and other categories of waste also incur landfill tax.

The Council as waste disposal authority no longer has its own landfill sites and does not pay the tax direct to HM Revenue & Customs. Instead the tax is paid via the landfill operator, mainly SITA who operate the Stoneyhill Landfill site near Peterhead.

The landfill operator does not pay any landfill tax and simply acts as an unpaid tax collector. However, it is the operator who has discretion in the operation of the tax credits via the Landfill Communities Fund. It is ironic that the credits available from bulk of the tax paid by residents of Aberdeenshire (either directly through the various taxation systems or via their purchasing of goods and services from business) are at the discretion of a private company. These may be spent on projects anywhere in the UK and not necessarily in Aberdeenshire.

In many such cases Councils enter into an agreement with the Landfill operator to establish a mechanism to enable the tax credits to be 'recycled' back into the community from which they were generated. Aberdeen City Council has no landfill of their own but has negotiated with SITA who also dispose of all of their waste, to have a fund called Aberdeen Forward which distributes funding. The City Council is represented on that funding body. As far as is known to date (Jan2012), Aberdeenshire Council have not made any such arrangements.

The claimable tax credit is only up to 90% of the project grant with the balancing 10% to come from a Third Party Contributor. This may be the landfill operator, the Council or any other eligible third party.

In terms of the Aberdeenshire Communities Landfill Fund Grant Scheme, the Council ie Council tax payers. contributed the additional 10% from their general expenditure budget. Aberdeenshire Council have maximised the available credits since the scheme began but have not allocated all of the money. To ensure that the money was not 'lost' to HMR&C, it was contributed to a holding Trust registered as a Distributing Environmental Body operated by a company called Score Environment Ltd in Glasgow. It is understood the Score take a 10% management fee for administering the funds and allocating money to projects approved by the Council. This Fund in now approaching completion.

In 2007, tentative discussions were held between executive committee members of AEF and staff of the Marr Area Partnership ( MAP) about the potential for a joint body to administer the Aberdeenshire landfill tax credits rather than by Score. The proposal was met with interest but due to many other competing pressures (such as waste audits) it was never progressed. However, it is understood that Aberdeenshire are considering their future landfill needs in the light of the closure of Crows Nest and it would therefore be apposite to pursue the issue, should they gain general approval of AEF

## **Proposals**

**1 that Aberdeenshire Council be invited to enter into negotiations with all of its Landfill operators with a view to making the potential credits derived from Aberdeenshire Council tax payers and businesses available for projects in Aberdeenshire in some form of grant scheme.**

**2 that Aberdeenshire Council be invited to consider the establishment of a Fund Management Body including Aberdeenshire Environmental Forum.**

**3 that discussions be pursued with the MAP, on the potential of establishing a joint body to administer the funds derived from the landfills used by the Council.**

**GMN July 2008**  
***(updated Jan 2012)***