



LANDFILL TAX: REMOVAL OF EXEMPTION FOR STABILISERS ADDED TO DREDGINGS WHEN SENT TO LANDFILL

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ICAEW welcomes the opportunity to comment on the draft legislation for the removal of the landfill tax exemption for stabilisers added to dredgings when sent to landfill, published by HMRC on 13 July 2026, a copy of which is available from this [link](#).

New subsection (5) of section 43, Finance Act 1996 only allows apportionment between exempt dredged material and taxable stabiliser where a disposal is made up solely of the three listed categories of material – so any incidental non-qualifying material in a load risks the whole disposal losing its exemption rather than just the stabiliser element becoming taxable. We ask HMRC to confirm whether this is intended and, if not, to amend the drafting so apportionment remains available.

This response of 7 September 2026 has been prepared by ICAEW's Tax Faculty.

Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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COMMENTS ON DRAFT LEGISLATION

Restricting the dredging exemption to dredged material only – new subsection (5) of section 43, Finance Act 1996

1. New subsection (5) of section 43 of the Finance Act 1996 (s43, FA 1996) applies only where a disposal is made up of two or more of: material within subsection (1), material within subsection (3), and added stabiliser.
2. We note that a disposal made up only of material within subsection (1), or only of material within subsection (3), with no stabiliser present, doesn't meet this "two or more" test, so new subsection (5) wouldn't apply to it. Such disposals remain fully exempt under the existing subsections (1) and (3), so this is not a gap in the law.
3. However, if a disposal contains any other material that doesn't fall within one of the three listed categories, subsection (5) isn't met at all, and the apportionment mechanism in subsection (6) can't apply. Because subsections (1) and (3) each require the whole disposal to be made up only of material meeting their own conditions, a disposal that fails the subsection (5) test would fall outside every relevant exemption altogether. Even a small amount of unrelated material – present by accident, not as part of stabilising the dredgings – could mean the whole disposal loses its exemption, rather than being split fairly between the exempt and taxable elements as subsection (6) intends.
4. This isn't a new issue: the subsection (5) it replaces (added by SI 2007/2909) had the same all-or-nothing structure. But subsection (6) is new, and it's designed specifically to divide a mixed disposal into exempt and taxable parts. That benefit is lost if any incidental extra material stops subsection (5) being met in the first place. We also note that respondents to the government's consultation on this measure already raised the practical difficulty of drawing a clear line between dredged material and stabiliser, given how much moisture content can vary.
5. We ask HMRC to confirm whether this outcome is intended. If not, we suggest the drafting is amended so the apportionment in subsection (6) remains available where a disposal contains a small amount of material outside the three listed categories. If the outcome is intended, we ask HMRC to confirm how businesses are expected to evidence the composition of a disposal.

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For more information, please contact: taxfac@icaew.com

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)