Scotland update: Air Departure Tax consultations

Indirect Tax

01 November 2017

The CIOT has submitted a response to the Scottish Government consultations on an overall 50% reduction policy plan and an Environmental Report.

The Scottish Government undertook two consultations over the summer in relation to Air Departure Tax (ADT), which is expected to take effect in Scotland from 1 April 2018. ADT will replace UK Air Passenger Duty and, like that tax, will be payable by aircraft operators on the carriage of chargeable passengers on chargeable aircraft by air from airports in Scotland. This follows the Air Departure Tax (Scotland) Act 2017, which received Royal Assent at the end of July 2017.

The Scottish Government has committed to reducing the overall tax burden from ADT by 50% by the end of the current session of the Scottish Parliament, that is, by 2021. Furthermore, the intention is to fully abolish the tax when resources allow. This plan has the aim of boosting Scotland's air connectivity and economic competitiveness. Because the policy plan is likely to have a significant environmental impact the Scottish Government has to carry out a Strategic Environmental Assessment: it is this which has driven the dual consultation.

According to the Scottish Government, no decisions have yet been taken as to how to deliver the 50% reduction, including its distribution across tax rates and bands. Indeed, the Air Departure Tax (Scotland) Act 2017 does not contain details such as exemptions, tax rates or tax bands, instead providing for these to be set out in regulations.

The dual consultation focused on the environmental effects of the policy plan and whether or not we agree with the plan to reduce the overall tax burden by 50%. The CIOT does not generally comment on whether or not we agree with particular policies, and we have not offered a view on the policy plan for an overall 50% ADT

reduction.

Rather, we drew attention to two previous written submissions we made in relation to ADT: to the Scottish Government in June 2016 and to the Finance and Constitution Committee of the Scottish Parliament in February 2017.

We also called on the Scottish Government to take the opportunity to outline their longer-term aspirations for ADT. This would help provide stakeholders with greater clarity and certainty with regards to their future liabilities and responsibilities and enable a longer-term assessment of the impact of the policy on future Scottish Government revenues.

We also reiterated our suggestion, made in our previous submission of February 2017 that the Scottish Government set out a timetable for the proposed 50% reduction in the tax burden.

The consultation responses will be used to inform decisions on the tax bands and rates for ADT. These will be set out in secondary legislation, which will be paid before the Scottish Parliament in autumn 2017.

The CIOT submission can be found on the CIOT website.