Scotland update: Air Departure Tax Stakeholder Forum; Administrative Justice Working Group; Scottish Draft Budget

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The CIOT and LITRG report back from the Air Departure Tax Stakeholder Forum, the Administrative Justice Working Group and on the Scottish Government's Draft Budget for 2018/19.

At the end of November, a CIOT representative attended the Scottish Government's Air Departure Tax (ADT) Forum in Edinburgh.

This followed the announcement that the introduction of ADT in Scotland will be deferred until issues raised by the Scottish Government in relation to the Highlands and Islands exemption have been resolved. The UK Government will maintain the application of Air Passenger Duty (APD) in Scotland in the interim. The intention had been that APD would be 'switched off' in Scotland on 1 April 2018, with ADT taking effect from that date.

The Cabinet Secretary for Finance and the Constitution, Derek Mackay MSP, explained why he felt the deferral was necessary. He also confirmed the Scottish Government's policy intention to reduce the tax burden of ADT by 50% by the end of the current Parliament and to replicate the current Highlands and Islands exemption.

Much of the discussion during the meeting concerned the decision to defer introduction of the tax and possible solutions. Concerns were also raised by stakeholders about the lack of a timescale for resolving the issue and the insufficient lead-time in terms of rates of ADT when it is introduced.

Administrative Justice Working Group

A LITRG representative attended the meeting of the Scottish Government's Administrative Justice Working Group in December 2017.

The main substance of the meeting was a presentation on Social Security devolution by Scottish Government officials. The new Social Security Agency will be located in Dundee, with a second office in Glasgow. Accessibility workshops are to be carried out with a view to seeking a location in the heart of the community, which is public-facing, open, and accessible. The Scottish Government also intend there to be local delivery to complement the central services.

The Social Security Committee's call for evidence on the Social Security Bill produced 150 responses; the Stage One report for the Social Security Bill was published in December. There will be a public consultation in 2018 on the new social security chamber for the Scottish Tribunals. The intention is that the culture of the Social Security Bill, with a focus on dignity and respect, should be carried over to the chamber.

The social security delivery system is being co-designed with the public, to ensure it works for both simple and complex benefits. The social security system in Scotland is to have 7 core principles, which are based around social security being a human right. These principles will be embedded throughout policy, operations and local delivery. It is intended that the Charter will be a means of putting the principles into action. It will bind the Scottish Government to specific commitments, measurable where possible, and will act as a bridge between principles and operation. Consideration is being given to redress, in the event a person believes their rights as set out in the Charter are breached.

In other news, a successor to the Administrative Justice Forum is being set up, and will be known as the Administrative Justice Council. It will have a wide remit on administrative justice matters. The Tribunals and Administrative Justice Policy Team (Scottish government) has asked for a seat on the Council.

Scottish Draft Budget for 2018/19

The Scottish Government published its Draft Budget for 2018/19 on 14 December 2017, including its proposals for income tax. The Draft Budget documents are

available on the Scottish Government website.

As a reminder, income tax is partially devolved to Scotland, with the Scottish Parliament having the power to set rates and bands for non-savings and non-dividend income of Scottish taxpayers. The UK Parliament retains control of the tax base, reliefs, exemptions and allowances.

From 6 April 2018, provided the Scottish Government's proposals are approved by the Scottish Parliament, Scottish taxpayers will have a five-band income tax structure for their non-savings and non-dividend income, as set out below:

Income	Band	Rate
£11,850 - £13,850	Starter	19%
£13,851 - £24,000	Basic	20%
£24,001 - £44,273	Intermediate	21%
£44,274 - £150,000	Higher	41%
£150,001 and above	Top	46%

The Scottish Government was keen to point out that as a result of these changes, Scottish taxpayers earning less than £26,000 will pay slightly less income tax in 2018/19 than if they lived elsewhere in the UK. It should be noted though that Scottish taxpayers in receipt of Universal Credit or means-tested benefits are unlikely to benefit to the same extent, since the increase in their net after tax income will lead to some of their benefits being clawed back.

Moreover, there are a number of complications that will arise for Scottish taxpayers and there are several areas where it is likely that consequential amendments will be required to UK legislation to ensure that Scottish taxpayers do not lose out by comparison with those in the rest of the UK in relation to certain reliefs. In particular, without changes to Income Tax Act 2007 s 55A ff., no Scottish taxpayers may be eligible to claim Marriage Allowance in 2018/19, due to the introduction of the starter rate band. In addition, changes will be needed to Finance Act 2004 and the Income Tax Act 2007 in relation to tax relief on pension contributions and Gift Aid donations, to ensure the appropriate bands are extended.

In a response to the UK Government’s Autumn Budget announcement of a stamp duty land tax relief for first-time buyers, the Scottish Government will consult on the introduction of a relief from LBTT for first-time buyers of properties in Scotland. The relief will raise the zero tax rate threshold for first-time buyers from £145,000 to £175,000, meaning that those first-time buyers purchasing properties with values in excess of £175,000 will also benefit from the relief.