Scotland update: Air departure tax

General Features **Indirect Tax**

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The CIOT was represented at a recent meeting of the Scottish Government's Air Departure Tax Stakeholder Forum. This provided an opportunity to learn more about and discuss the Air Departure Tax (Scotland) Bill, which the Scottish Government published in December 2016.

A representative of the CIOT's Scottish Technical Sub-Committee attended the meeting of the Scottish Government's Air Departure Tax Stakeholder Forum in January. Other attendees included representatives of the Scottish Government, Revenue Scotland, ICAS, Scottish airports, airlines, trade and industry and environmental bodies. Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution chaired the meeting, which provided an opportunity for attendees to hear about and discuss the Air Departure Tax (Scotland) Bill.

Attendees were provided with a summary of the parts and schedules of the Bill, including brief explanations of why particular decisions had been taken. The Bill deals with the structure and the administration of Air Departure Tax, which is due to replace Air Passenger Duty in Scotland with effect from 1 April 2018. Many areas of the Bill follow UK legislation, for example, the key concepts of chargeable aircraft and chargeable passengers, and the structure of the tax with three rates. Revenue Scotland will be responsible for the administration of Air Departure Tax; there will be an online system for making tax returns (although it will also be possible to make paper returns). There will be a quarterly return cycle, rather than the monthly requirement for the UK tax.

It was noted that the Bill contains regulation-making powers in respect of exemptions, tax rates and bands. This means there is more flexibility in relation to rates and bands in particular, especially as there is not an annual Finance Bill process in Scotland.

There was confirmation that the Scottish Government policy of a 50% reduction in the Air Departure Tax burden will be phased in, starting in April 2018 and reaching 50% by the end of the current Parliamentary term.

Attendees made various suggestions, for example that, since the specific policy objective is to increase connectivity, this should be monitored, in particular before removing the tax burden entirely. Another suggestion was that there needed to be monitoring of whether the airlines pass on the saving to passengers. Given the need for certainty and advance notice of rates and bands in the industry, it was suggested that a timetable setting out when key decisions would be made should be drawn up.

Revenue Scotland rounded off the forum by providing an update on their role. They intend to develop a third portal for their SETS platform, following on from those for Land and Buildings Transaction Tax and Scottish Landfill Tax. In 2016, they held workshops for operators; they will continue to work with airlines and operators in the development of the functionality of the online systems.

The Finance and Constitution Committee of the Scottish Parliament has been appointed as the lead committee to consider the Bill. They have published a call for evidence to which the CIOT is responding. The aim is for the Bill to be passed before the Summer Recess, which starts at the end of June.