Scotland update: Call for evidence on the Air Departure Tax (Scotland) Bill

General Features Indirect Tax

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In our response to a call for evidence, we have called for a timetable setting out when and how the proposed 50% reduction in the Air Departure Tax (ADT) burden will be phased in and provision to monitor the outcomes of the Scottish government's ADT policy.

The CIOT has submitted written evidence to the Finance and Constitution Committee of the Scottish Parliament, in response to its inquiry into the Air Departure Tax (Scotland) Bill.

The Bill provides for a tax to be charged on the carriage of passengers by air on flights that begin in Scotland, and assumes that Revenue Scotland will take responsibility for the collection and management of ADT. ADT will replace Air Passenger Duty (APD) in Scotland, which is being devolved to Scotland with effect from 1 April 2018 under the Scotland Act 2016.

The Scottish government set out the policy and strategic objectives for the Bill in the accompanying Policy Memorandum. We did not comment on whether or not the objectives are appropriate – as this is a matter for politicians. We made the observation, however, that while tax can often be a factor in the decision-making of taxpayers, it is rarely the only factor or the most important one. It is unlikely therefore that changes made to a single tax will, by themselves, achieve significant strategic objectives.

In terms of trying to ensure that the policy and strategic objectives are achieved, we suggested that it would be helpful if the Bill contained a provision to monitor the outcomes of the Bill and the policy, for example, the number of new routes opened, the number of aircraft placed in Scotland, the increase in inbound and outbound passenger numbers as a result of the policy; and whether the reductions in ADT are

passed on to consumers.

Given that the tax may be relatively short-lived, we thought that an appropriate approach has been adopted, of following the concepts and structure of the UK tax. However, in doing so, we noted that the Scottish government had not taken the opportunity to develop a specifically Scottish approach or to give environmental objectives a role.

We stressed the importance of the arrangements for payment, collection and management being effective and efficient for relevant stakeholders, particularly Revenue Scotland and the taxpayers (airline industry).

We raised a concern that some key issues have been left to regulations rather than being included in the primary legislation, for example, exemptions. In general, we think regulations should be used only for administrative and procedural matters.

Finally, we suggested that it would be helpful to all stakeholders if the Scottish government published a timetable, setting out:

- how the proposed 50% reduction in the ADT burden will be phased in between 1 April 2018 and the end of the Parliament;
- dates by which the rates and bands for ADT will be announced;
- dates by which the exemptions for ADT will be announced.

The Bill is expected to be enacted before the start of the summer recess at the Scottish Parliament, at the end of June.

The CIOT submission can be found on the CIOT website.