24 February 2017

Dear Jim,

**AIR DEPARTURE TAX (SCOTLAND) BILL**

In the evidence session on the Air Departure (Scotland) Bill with the Finance and Constitution Committee on 1 February the Scottish Government agreed to write to the Committee to provide further details on the Scottish Government’s approach to aviation emissions, how this feeds into the draft Climate Change Plan and the process for setting tax bands and tax rate amounts through secondary legislation.

**Aviation Emissions**

The draft Climate Change Plan sets out how the Scottish Government proposes to meet the statutory emission reduction targets under the Climate Change (Scotland) Act 2009. These targets, which have been set at the levels recommended by the Committee on Climate Change, are for emissions across the Scottish economy - including both domestic and international aviation.

The Act does not prescribe how Scotland’s emission reduction targets are to be met. In the case of the current Climate Change Plan, the Scottish Government has made use of an energy modelling system (TIMES) to assess how effort is best shared across sectors of the economy. The Scottish Government has then also taken into account wider practical and economic considerations, including growing the Scottish economy and addressing social justice issues.

In the case of aviation, the Scottish Government recognises that boosting economic growth by improving air connectivity may lead to an increase in emissions from this area, and are prepared to work harder in other areas to ensure we are driving down overall emissions.

As set out in the consultation paper on a Scottish replacement to APD, total aviation emissions in Scotland are estimated to be 1.9 MtCO2e. The Scottish Government recognises that aviation demand will likely rise out to the 2030s. Whilst the scope for
technological advancement is limited, projected fuel efficiency savings should prevent aviation emissions from rising significantly over the period of the between 2015 and 2035.

The Scottish Government has forecast that a 50% reduction in Air Departure Tax could lead to an estimated increase in emissions of around 0.06 MtCO2e in the first year (i.e. around an increase of 3% in aviation emissions; 0.1% in total Scottish emissions). The transport envelope in the draft Climate Change Plan accommodates the expected increase. The draft Plan sets out how the Scottish Government will reduce overall transport emissions by a third between 2014 and 2030.

Like all other policies that impact on emissions – we will monitor the impact Air Departure Tax has on transport emissions through the greenhouse gas inventory as well as the Climate Change Plan’s monitoring framework. This will allow us to review the impact of our policy and take any corrective action that is necessary to keep us on track to deliver our climate targets.

**Tax bands and rate amounts to be set by regulations**

In relation to question 4, the Scottish Government’s intention behind the scope of section 10(2) of the Bill as introduced is to provide sufficient flexibility to be able to make other provision relating to the core structure of ADT which does not relate to tax bands or tax rate amounts. Provisions in the Bill as introduced which fall into this category include the rates of tax (i.e. standard, premium and special) and the rules for determining the final destination of a chargeable passenger. Definitions of terms used in section 10 may also need to be amended in a way that affects the structure of the tax.

Section 9 of the Bill as introduced sets out the rates of tax (i.e. standard, premium and special) and the rules for determining the final destination of a chargeable passenger. Section 10 of the Bill as introduced requires Scottish Ministers to set tax bands and tax rate amounts in secondary legislation. Setting tax bands and tax rate amounts in secondary legislation is consistent with the approach so far adopted in relation to other devolved taxes in Scotland.

Subject to Parliamentary approval the Scottish Government hopes to pass the Bill in advance of summer recess and we would therefore be looking to bring forward secondary legislation on the tax bands and tax rate amounts in the autumn. This secondary legislation would be subject to the affirmative procedure and would therefore require the approval of the Parliament in order to come into force.

The Scottish Government considers it necessary to have sufficient legislative flexibility to make changes to provisions on tax bands and tax rate amounts in order to continue to support key government priorities, to reflect changing market conditions (the aviation sector operates in a highly competitive and dynamic market and it will be important that rates of tax in particular are kept relevant and appropriate to the sector) or in light of Revenue Scotland’s operational experience of collecting and managing ADT.

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