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Convener  
Finance and Constitution Committee  
Rm M4. 18  
The Scottish Parliament  
Edinburgh  
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22 November 2017

*Bruce Crawford*

**AIR DEPARTURE TAX  
UPDATE TO THE FINANCE AND CONSTITUTION COMMITTEE**

I am writing to update the Finance and Constitution Committee on Air Departure Tax (ADT) and the agreement that has been reached with the UK Government to defer the introduction of the tax.

Since my statement to Parliament on 5 October, and my letter to the Committee of 27 October, I have had a series of exchanges of correspondence and discussions with UK Treasury Ministers to try and resolve the issue of replicating the current UK APD exemption for Highlands & Islands (H&I) passengers under ADT. My officials have also had intensive engagement with their counterparts in HMT to seek to progress the position.

However, we have been unable to find a legally compliant solution that provides the full benefits of the current H&I exemption which could also be delivered in time for 1 April 2018. We have now agreed that the introduction of ADT in Scotland will be deferred until the issues raised in relation to the H&I exemption have been resolved to ensure that the devolved powers are not compromised.

As the Committee is aware, the Scottish Government has set a clear policy aim to reduce ADT by 50% by the end of this Parliament and I want to get on and deliver this. However, the Government recognises the critical nature of air connectivity to the H&I, particularly in remote areas and island communities, and cannot accept a situation which would see the H&I economy put at risk. I will continue to work closely with the UK Government to implement the tax as soon as possible.

The UK Government will maintain the application of APD in Scotland in the interim. I have agreed to delay the commencement of ADT and the UK Government will not make a Block Grant Adjustment in respect of ADT or lay the order to "switch off" APD in Scotland.

This means that the current APD rates and bands will apply in Scotland from 2018-19 and the current UK APD H&I exemption will also still apply.

With regards to the work to support the ADT policy, the Scottish Government will publish the analysis of the consultation responses and the independent assessments of economic and noise impacts of the proposed reduction in ADT in advance of the Scottish Budget on 14 December.

I hope you find this information helpful and I will continue to keep the Committee and the Parliament updated on this matter.

**DEREK MACKAY**