

Ministear airson Ionmhas Poblach agus Eaconomaidh
Dhìdseatach
Ceit Fhoirbheis BPA
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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), further to my letter dated 6 March 2019 which informed you of the ongoing work with the UK Government and the ADT Highlands and Islands (H&I) Working Group.

Despite these efforts, the Scottish and UK Governments have been unable to find a solution to the issue of the H&I exemption, and HM Treasury have recognised that that we have reached an impasse with ADT. The H&I Working Group has made a valuable contribution to the evidence base by publishing new analysis that underlines the importance of the exemption to the region, and by providing external scrutiny of both evidence and process. However, a solution has not yet been found that would be ready for introduction at the beginning of the next financial year. This, taken together with the continued uncertainty around Brexit, means that that we have to defer the introduction ADT beyond April 2020, and I have today announced this to Parliament.

The Scottish Government will use the time provided by deferral to continue to consider options with the Treasury and the Working Group against the criteria of: delivering at least the same outcome for the H&I; being compatible with EU law; not resulting in financial detriment to the SG or H&I; and being affordable within the Scottish budget.

The UK Government will continue to maintain the application of APD in Scotland in the interim. I have written to the Exchequer Secretary to the Treasury to confirm our agreement to delay the commencement of ADT, and that the UK Government will not make a Block Grant Adjustment in respect of ADT or lay the order to “switch off” APD in Scotland. The APD rates and bands will apply in Scotland from 2020-21 and the current UK APD H&I exemption will also still apply, until such time as the Scottish Government and UK Government agree to resume the transition from APD to ADT.

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

A handwritten signature in black ink, appearing to read 'Kate Forbes', written in a cursive style.

KATE FORBES