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6 March 2019

Dear Mr 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), as requested in your Report on the Budget 2019-20.

We are continuing to work with the UK Government, both at Ministerial and official levels, to find a solution to the Highlands and Islands exemption issue. The Scottish Government has been clear, and has agreed with the UK Government, that this needs to be resolved before ADT can be introduced in Scotland. Once a solution has been found, there will be a period of at least a year before ADT is introduced to allow sufficient time for Revenue Scotland to prepare to collect and administer the tax, and for legislation on bands and rate amounts to pass through Parliament. The Cabinet Secretary for Finance, Economy and Fair Work raised this most recently with the Chief Secretary to the Treasury on 15 February 2019 and I am preparing to meet the Exchequer Secretary to the Treasury on this matter shortly.

Alongside this work with the UK Government, the Committee will be aware that we have established an ADT Highlands and Islands Working Group. The Group met for the third time on 4 February 2019. They discussed and considered options against criteria previously set out by the Cabinet Secretary for Finance, Economy and Fair Work and agreed by the Group, namely that any solution must deliver the same or better outcomes for the H&I, be compatible with EU law and not result in financial detriment to the SG or H&I. I will update the Committee following the completion of the Group's work, and would be happy to share the new evidence collected by the Group with the Committee once this is finalised.

Finally, I would like to alert the Committee to the publication today of a report that complements this new research produced by the Working Group: the *Assessment of the noise impact of a reduction in Air Departure Tax in Scotland*. This is the last of the assessments on ADT that, during the passage of the Air Departure Tax Bill, the Scottish Government committed to conducting and publishing. As the Committee is aware, on 8

December 2017, we published an independent assessment of the economic impacts of the proposed reduction in ADT, and an analysis of the responses received to a public consultation on the 50% reduction policy and on the Environmental Report that was produced as part of the Strategic Environmental Assessment. Although we had originally intended to publish the noise report at the same time, further work was required to present the noise data on a consistent basis with the economic impact assessment.

The new noise report builds on the scenario modelling of the economic impact report. This will help inform the Scottish Government's approach to rates and bands once a solution to the H&I exemption has been found. The published noise report can be found on the Scottish Government website:

<https://www.gov.scot/isbn/9781787815940/>

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

Regards



KATE FORBES