

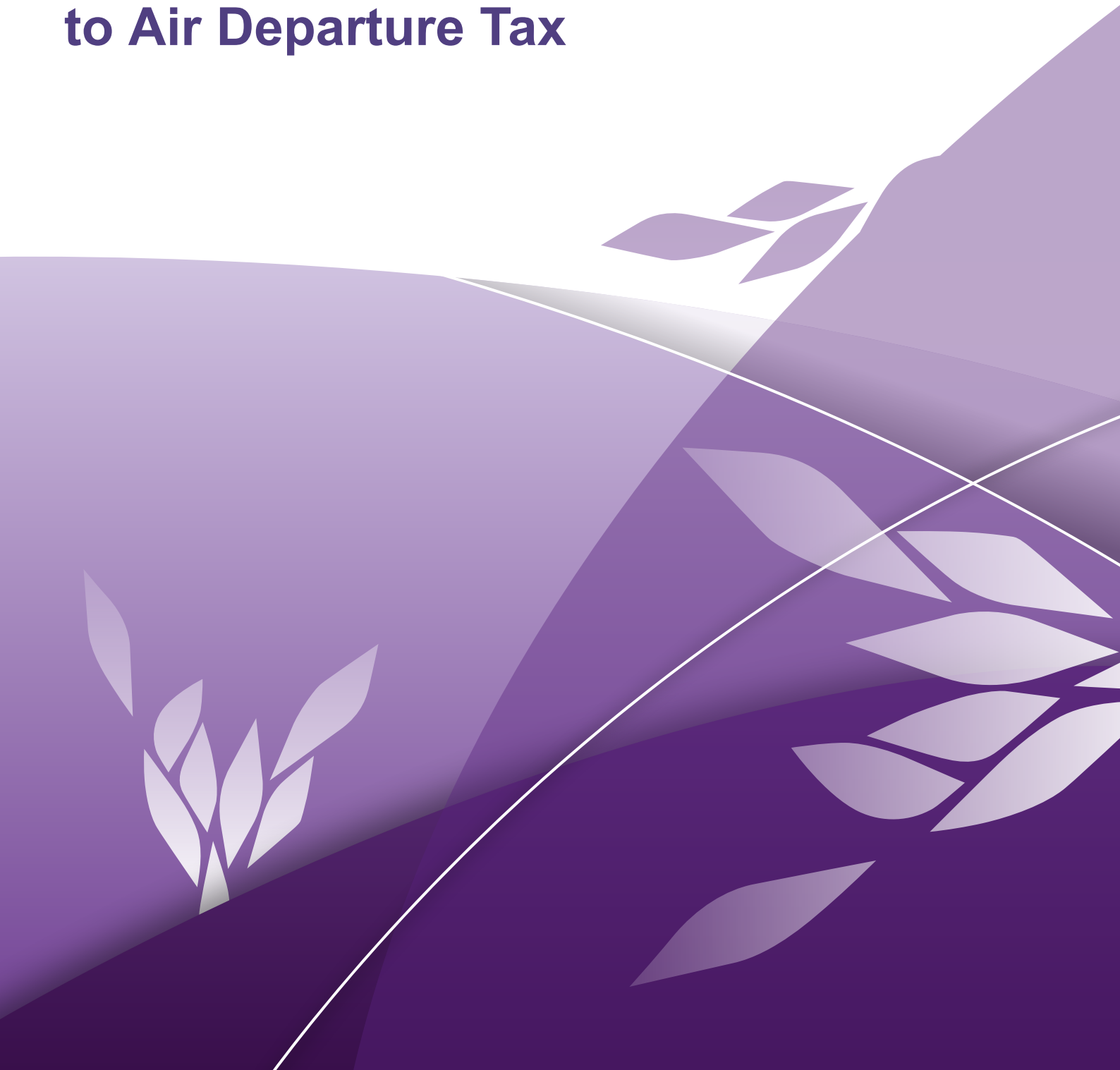


The Scottish Parliament
Pàrlamaid na h-Alba

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Finance and Public Administration Committee

Scottish Statutory Instruments relating to Air Departure Tax



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Finance and Public Administration Committee

To consider and report on the following —

- a. any report or other document containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made by any other committee with power to consider such documents or any part of them;
- b. any report made by a committee setting out proposals concerning public revenue or expenditure;
- c. Budget Bills;
- d. any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund;
- e. any other matter falling within the responsibility of the Scottish Administration relating to the National Performance Framework, public inquiries, and public administration; and proposals for the formation and budgets of officeholders established by the Parliament.



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Committee Membership



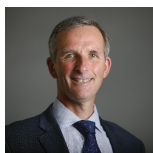
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Scottish National Party



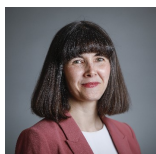
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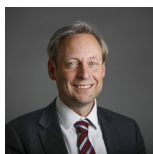
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Reform UK



Liam McArthur
Scottish Liberal
Democrats



Pauline Stafford
Scottish National Party



Liam Kerr
Scottish Conservative
and Unionist Party



Michael Marra
Scottish Labour

Background

1. On 7 October 2026¹, the Finance and Public Administration Committee considered:
 - the Air Departure Tax (Scotland) Amendment Regulations 2026 [draft]; and
 - the Air Departure Tax (Administration) (Scotland) Amendment Regulations 2026 [draft].
2. The instruments were laid on 18 September 2026.
3. The instruments are subject to the affirmative procedure, which means it is for the Committee to recommend to the Scottish Parliament whether the Regulations should be approved.

Air Departure Tax (Scotland) Amendment Regulations 2026 [draft]

4. The Air Departure Tax (Scotland) Amendment Regulations 2026 [draft] amend the [Air Departure Tax \(Scotland\) Act 2017](#) (the 2017 Act) to provide that certain passengers on flights beginning or ending at airports in designated areas of Scotland are not liable for Air Departure Tax (ADT), make related consequential amendments, and amend provisions relating to aircraft used under a public service obligation.
5. The accompanying [Policy Note](#) states that the instrument introduces an ADT exemption for passengers travelling in standard class on eligible domestic flights to or from the Highlands and Islands, with the aim of supporting connectivity in remote areas.
6. The instrument also amends the existing public service obligation exemption to ensure consistent treatment of connecting flights where a passenger's final destination is outside the UK.

Air Departure Tax (Administration) (Scotland) Amendment Regulations 2026 [draft]

7. The Air Departure Tax (Administration) (Scotland) Amendment Regulations 2026 [draft] amend the provisions concerning the administration of ADT in Part 4 (Payment, collection and management of tax) of the 2017 Act and make consequential amendments to section 44 and schedules 2 and 3 of the 2017 Act.
8. The accompanying [Policy Note](#) states that the instrument makes a range of administrative changes to support the effective operation of ADT, including enabling Revenue Scotland to register taxpayers before the tax comes into force on 1 April 2027.
9. The instrument also makes provision for tax returns, including group returns, payment arrangements, accounting periods, tax representatives, and the transfer of taxable businesses as going concerns.

Public consultation on the instruments

10. A public consultation on the instruments was held between 29 January and 26 March 2026 on delivering Air Departure Tax (ADT) from 1 April 2027. This was followed by a programme of stakeholder engagement.
11. The Scottish Government states that the purpose of this consultation was to seek views on its proposals for a Highlands and Islands exemption from ADT and to invite views on the broader role of ADT. The Scottish Government received 64 responses, including from the aviation industry, tourism sector, environmental non-governmental organisations and local government.²
12. A [consultation analysis](#) was published by the Scottish Government in July 2026. The document states that:
 -  The evidence, analysis and insight provided by respondents has helped shape the Scottish Government's understanding of the aviation market and the potential impacts of the revised Highlands and Islands exemption.

Business and Regulatory Impact Assessments

13. Impact assessments carried out in relation to both instruments include a Business and Regulatory Impact Assessment (BRIA) which explored two options, respectively:

- **BRIA: Highlands and Islands exemption:** (1) not to introduce secondary legislation that amends the 2017 Act to make provision for an ADT Highlands and Islands exemption, and (2) to introduce secondary legislation that amends the 2017 Act to make provision for an ADT Highlands and Islands exemption.

The BRIA highlights the Scottish Government's intention to introduce an ADT exemption for standard-class passengers travelling on eligible flights to or from the Highlands and Islands from 1 April 2027, when ADT comes into effect. It notes that the exemption is intended to support regional connectivity and provide certainty for airlines, other operators and passengers, helping to ensure a smooth transition from Air Passenger Duty to ADT.

The BRIA also notes that this option reflects feedback received from the Scottish Government's consultation, as well as broader stakeholder engagement. Additionally, the Scottish Government considers this option will resolve the subsidy control issues which have previously prevented implementation of ADT.

- **BRIA: Administration Regulations:** (1) not to introduce secondary legislation in advance of ADT's introduction date, and (2) to introduce secondary legislation to enable Revenue Scotland to administer ADT effectively.

The BRIA states that the Scottish Government recommends introducing secondary legislation to enable the effective administration of ADT, with the aim of reducing uncertainty for airlines, aircraft operators and passengers, and supporting a smooth transition from Air Passenger Duty to ADT.

The BRIA also notes that this option reflects feedback received through the Scottish Government's consultation, as well as broader stakeholder engagement.

Consideration by the Delegated Powers and Law Reform Committee

14. The Delegated Powers and Law Reform (DPLR) Committee considered the two draft instruments at its meeting on 29 September 2026. The [Report on Subordinate Legislation considered by the DPLR Committee on 29 September 2026](#) states that it made no recommendations in relation to the instruments.

Consideration by the Finance and Public Administration Committee

15. On 7 October 2026, the Committee took evidence from the Cabinet Secretary for Finance and Public Administration on the two draft instruments.
16. On 6 October 2026, [the Cabinet Secretary wrote to the Committee](#) confirming agreement between the Scottish and UK Governments on the Block Grant Adjustment methodology for ADT, ahead of its introduction on 1 April 2027, including an approximately £5 million baseline deduction to reflect changes to the Highlands and Islands exemption.
17. In her opening statement on 7 October, the Cabinet Secretary stressed that the Scottish Government would introduce ADT only in a way that:

 protected aviation connectivity for people and communities in the Highlands and Islands. For those communities, air travel is often the only viable mode of transport.³
18. The Cabinet Secretary explained that the regulations would maintain the tax-exempt status of flights from Highlands and Islands airports and, for the first time, exempt passengers flying from Scottish airports to the Highlands and Islands.
19. The Cabinet Secretary stated the exemption reflects “specific connectivity issues that are unique to the Highlands and Islands”⁴, noting that air travel plays a vital role in connecting remote and island communities. She also highlighted that “85 per cent of respondents supported retaining the exemption”, including “100 per cent of Highlands and Islands stakeholders”.⁵
20. Discussing the development of the policy, Martin Davidson, Head of New Taxes Unit in the Scottish Government, explained that the Subsidy Control Act 2022 provided an opportunity to “redesign or reimagine the exemption for Scotland”⁶, enabling the Scottish Government to extend the exemption to flights from Scottish airports to the Highlands and Islands.
21. On subsidy control, the Cabinet Secretary highlighted that no challenges had been lodged during the statutory review period and that the Scottish Government was “as assured as we can be that no challenge will be presented”.⁷ Laura Wilkinson, Lawyer in the Scottish Government, acknowledged that the subsidy control regime “has never been tested in court in this context”⁸ but noted that the Scottish Government had developed a strong evidence base to support its approach.
22. The Cabinet Secretary also confirmed that the Scottish Government would continue to monitor the impact of the policy through engagement with stakeholders and by tracking passenger uptake and route connectivity.
23. Finally, Martin Davidson explained that private jet 'ghost flights' fall outside the scope of ADT because “the air departure tax does not apply to those flights, because it is a tax on the carriage of passengers”.⁹ He noted that additional

powers would be required if such flights were to be brought within scope.

24. Following the evidence session, the Cabinet Secretary moved the following motions:

- [S7M-01280](#) – that the Finance and Public Administration Committee recommends that the Air Departure Tax (Scotland) Amendment Regulations 2026 [draft] be approved.
- [S7M-01281](#) – that the Finance and Public Administration Committee recommends that the Air Departure Tax (Administration) (Scotland) Amendment Regulations 2026 [draft] be approved.

Conclusion

25. Motions S7M-01280 and S7M-0281 were agreed without division.

26. **The Finance and Public Administration Committee therefore recommends that the following instruments be approved—**

- **the Air Departure Tax (Scotland) Amendment Regulations 2026 [draft];**
and
- **the Air Departure Tax (Administration) (Scotland) Amendment Regulations 2026 [draft].**

- 1 Michael Marra MSP and Kim Schmulian MSP submitted their apologies for this meeting.
- 2 24 from individuals and 40 from organisations.
- 3 Finance and Public Administration Committee. *Official Report*, 7 October 2026, Col 12.
- 4 Finance and Public Administration Committee. *Official Report*, 7 October 2026, Col 13.
- 5 Finance and Public Administration Committee. *Official Report*, 7 October 2026, Col 16.
- 6 Finance and Public Administration Committee. *Official Report*, 7 October 2026, Col 17.
- 7 Finance and Public Administration Committee. *Official Report*, 7 October 2026, Col 18.
- 8 Finance and Public Administration Committee. *Official Report*, 7 October 2026, Col 19.
- 9 Finance and Public Administration Committee. *Official Report*, 7 October 2026, Col 19.

