

Consultation on a Scottish Replacement for APD

Background

1. The Scottish Government launched their consultation on 'a Scottish replacement for APD' in March, with a closing date for submissions of 3 June 2016. The introduction to the consultation by the Deputy First Minister stated that 'in the modern global economy international connectivity is vital to economic growth. ... It is important that we continue to open Scotland up to key and emerging markets in order to further capitalise on the opportunities that exist.'

2. The Scottish Government believes that one way in which this opening up will be achieved is by using the devolution of APD to the Scottish Parliament to put in place new arrangements which better support their objective, to boost Scotland's international air connectivity. Their plan is to begin reducing a Scottish replacement by 50% from April 2018, to implement the reduction in full by the end of the recently elected Scottish Parliament and then to abolish it entirely when public finances allow.

Questions to which the consultation was seeking to get answers

3. The consultation document listed a large number of questions ranging from the strategic to the more administrative. The questions opened with 'do you agree with [the Scottish government's] strategic and policy objectives for improving Scotland's air connectivity?', predicated on the assumption, it seems, that a 50% reduction in levels of APD will be a major inducement to airlines to establish a raft of new long haul services from Scottish airports (or, rather, from Edinburgh and Glasgow, as the two airports that are set within the largest proportion of the Scottish population and have the runway infrastructure for long haul aircraft – writer's comment).

4. The second set of questions related to the scope and structure of the duty, including whether the UK APD definitions of 'chargeable passenger' and 'chargeable aircraft', the UK APD per passenger charging model, the current UK APD banding system by distance, and the current reduced, standard and higher rates system should be retained under a Scottish replacement tax. The consultation also asked for any views on how and when the planned 50% reduction in the burden of APD should be implemented.

5. The third set of questions related to whether the current UK APD passenger exemptions should be retained. Most of the UK APD exemptions apply to the whole of the UK, but there is an exemption from UK APD for all passengers on all flights departing airports in the Highland and Islands area, as defined in the UK legislation, including for passengers booked on to connecting flights beyond the H&I area. The consultation also asked whether there should be any modification in these exemptions.

6. The fourth set of questions related to connected flights, where under the UK APD scheme departing passengers are charged at the appropriate rate (see note at end of paragraph) for their departing flight, but are not charged any additional APD for successive flights from UK airports. In practice, the opportunity for passengers departing from Scottish airports (particularly those in the H&I area) to make connected flights through other UK airports has diminished somewhat since BA abandoned all its provincial services, except for the six UK domestic routes it still operates into Heathrow. The consultation asked whether there might be any situations where double taxation might arise after a Scottish replacement for APD is introduced. The term 'appropriate rate' here takes into account any travel above the lowest class of travel, on second or subsequent flights, even where the first flight is at the lowest class of travel.

7. Beyond these four sets of questions, there were another ten or so sets, but these all relate to operational matters, in terms of collection and accounting for APD (or its 'Scottish replacement'), including auditing and tax avoidance. They are questions which, it seems, only the airlines are competent to respond to.

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