

Cabinet Secretary for Finance and the Constitution  
Derek Mackay MSP



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

[REDACTED] Director - Route Development  
[REDACTED] Dublin Office  
Airside Business Park  
Swords  
County Dublin  
Ireland

28 June 2018

Dear [REDACTED]

#### TIMING OF THE INTRODUCTION OF AIR DEPARTURE TAX

Thank you for your letter [REDACTED] and for your continued engagement with the Scottish Government on Air Departure Tax (ADT).

Finding a solution to the H&I exemption to enable the introduction of ADT in Scotland is a key priority for the Scottish Government, but resolving this is not simply in our gift. It is also the responsibility of the UK Government and it is imperative that they work with us on this matter. As the relevant EU Member State, the UK Government needs to address the potential State Aid issue with the H&I exemption before the power can be devolved in a fit shape to the Scottish Government.

[REDACTED]

The Scottish Government remains committed to reducing the burden of ADT by 50% once it has been introduced and to abolishing it when resources allow. In the meantime we will continue to work with Ryanair and with all other airlines to help grow the direct routes which are important for our tourism sector and Scottish businesses. Improving Scotland's connectivity is one of this Government's top priorities, to help build strong business links and provide a real boost to our tourism industry.

[REDACTED]

DEREK MACKAY

T: 0300 244 4000  
E: scottish.ministers@gov.scot

Your ref:  
Our ref:  
May 2018

## Timing of the introduction of ADT

Dear Colleague,

I am writing to all members of the Scottish ADT Stakeholder Forum in order to draw your attention to the update that I have made to the Scottish Parliament today, which will in due course be published on the Parliament website (under Motions, Questions and Answers).  
[REDACTED]

Since the Forum last met on 30 November, the Scottish Government has continued to work closely with the UK Government to find a solution to the Highlands and Islands (H&I) exemption issue. However, the Scottish Government has been clear that it cannot take on ADT until a solution has been found to the H&I issue. The reason for this is not only to protect the H&I economy, but is also a fundamental point of principle relating to devolution. The Scottish Government cannot accept a power which is in a defective state – to do so could have much wider implications for the devolution of further powers. Combined with the continuing uncertainty as to how Brexit might affect rules covering State Aid and the aviation sector and the lead in time required by Revenue Scotland to be in a position to collect and administer the tax, this means that ADT cannot be introduced from April 2019.

[REDACTED] I have set out details on the steps to delivery below:

- During the Forum meeting on 30 November I committed to convening a smaller working group to explore the H&I issue in more detail. This is now underway, with a programme of meetings planned from June with key stakeholders from organisations with expert knowledge of the H&I economy. This will help to develop a joint understanding of the issues and the importance of the current exemption to H&I business (including but not limited to the aviation sector).
- Secondly the ongoing work with UK Government and through the H&I Working Group, to continue to explore solutions. Any solution must deliver the best possible outcome for the H&I, be compatible with EU law and not result in financial detriment simply as a result of the devolution of the power to the Scottish Government or H&I.
- Thirdly, agreement then needs to be reached with the UKG on a new introduction date, which also allows adequate time to enable Revenue Scotland to be ready to collect and administer the tax and for the required legislation on rates and bands to pass through Parliament.

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The Scottish Government and UK Government will continue to work together on this matter [REDACTED]. The current high rates of APD put all of the UK's airports – including Scotland's – at a disadvantage relative to their European competitors in securing new routes and maintaining existing ones.

I will look forward to convening a future meeting of the Forum to discuss progress on these points and I or my officials would be happy to discuss any of these matters with you further.

**DEREK MACKAY**

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[www.gov.scot](http://www.gov.scot)





T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

[REDACTED]  
Chief Executive  
Revenue Scotland  
PO Box 24068  
Victoria Quay  
Edinburgh, EH6 6QQ

01 June 2018

Dear [REDACTED]

## **AIR DEPARTURE TAX UPDATE TO REVENUE SCOTLAND**

I am writing to update Revenue Scotland on Air Departure Tax (ADT), since my letter to you dated 23 November 2017, concerning the agreement that had been reached with the UK Government to defer the introduction of the tax.

I have today announced to Parliament my intention to defer the introduction of ADT beyond April 2019. In reaching this decision, I have taken into account numerous factors, not least of which is my understanding of Revenue Scotland's need for sufficient notice to restart the ADT programme and become operationally ready to collect the tax. A further factor is my understanding of industry stakeholders' need for clarity, to enable them to plan for ticket sales and route development. The final factor is the ongoing uncertainty concerning State Aid rules (and hence the Highlands and Islands (H&I) exemption) following Brexit.

Since my last letter to you, I have continued to engage with the UK Government and with industry stakeholders. In my correspondence with stakeholders following today's announcement, I will set out the steps to delivery that will be put in place to introduce ADT in Scotland as soon as possible.

This will focus firstly on the work of the new H&I Working Group that I am convening to help develop a joint understanding with key local stakeholders of the issues and the importance of the current exemption. Secondly, the ongoing work with the UK Government and through the H&I Working Group, to continue to explore solutions. Any solution must deliver the best possible outcome for the H&I, be compatible with EU law and not result in financial detriment to the SG or H&I.

Thirdly, agreement will then need to be reached with the UK Government on a new introduction date that leaves adequate time for Revenue Scotland to be ready to collect and administer the tax, and to enable the required legislation on rates and bands to pass through Parliament.

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. This means that the then current APD rates and bands will apply in Scotland from 2019-20 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.

Finally, I would like to record my thanks to Revenue Scotland for all your hard work up to this stage in preparing for the collection and management of ADT in Scotland. My officials will continue to work closely with Revenue Scotland to maintain continuity during the deferral period.



**DEREK MACKAY**

Cabinet Secretary for Transport, Infrastructure and  
Connectivity  
Michael Matheson MSP



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gov.scot

T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

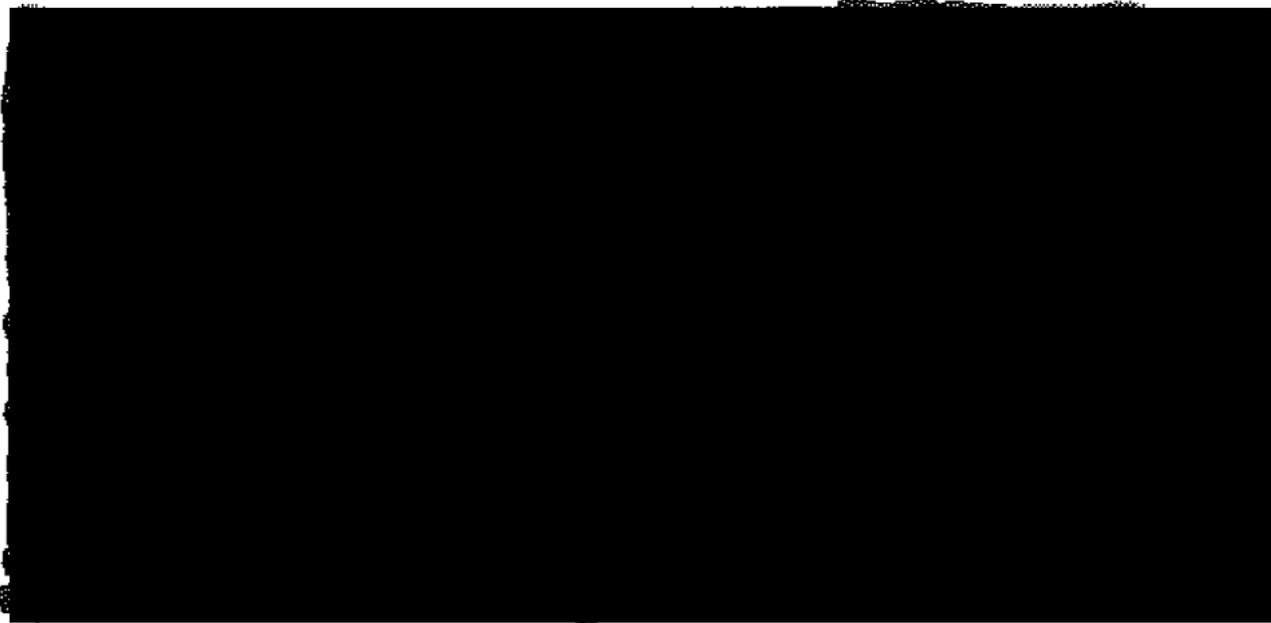
Mr John Swinney MSP  
The Scottish Parliament  
EDINBURGH  
EH99 1SP

[John.Swinney.msp@parliament.scot](mailto:John.Swinney.msp@parliament.scot)

Our ref: 2018/0036080  
24 November 2018

Dear John,

Thank you for your letter of 12 October 2018 on behalf of your constituent, [REDACTED] regarding the withdrawal of Norwegian Air Shuttle flights between Edinburgh Airport and New York Stewart International Airport.



We remain committed to reducing Air Departure Tax (ADT) by 50% and abolishing it altogether when resources allow. The introduction of ADT in Scotland will be deferred until the issues raised in relation to the Highlands and Islands exemption have been resolved, and we are working with the UK Government to find the best solution. It should also be noted that Norwegian have cancelled their Belfast routes, where no Air Passenger Duty (APD) applies but we know that APD has a negative impact on airlines' ambitions in the UK.

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market. The continued uncertainty around Brexit, and unfavourable exchange rates, are also having a negative impact on route development in Scotland more broadly.

The Scottish Government will continue to work in partnership with all airlines, including low-cost, long-haul operators, as well as with Scottish airports to do everything possible to grow the number of international routes to and from Scotland.

I hope this response is helpful.

*Bert wishes*



Michael Matheson



T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

[REDACTED]  
International Relations Manager (Government  
Affairs)  
International Airline Group

[REDACTED]

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Our ref: 2018/0025503  
August 2018

Thank you for your letter [REDACTED] concerning Air Departure Tax (ADT). I am pleased that you have found my ongoing engagement with the ADT Stakeholder Forum to be informative.

This might be an ideal opportunity for you to meet my colleague Kate Forbes, Minister for Public Finance and Digital Economy. Please contact her office at [MinisterPFDE@Gov.Scot](mailto:MinisterPFDE@Gov.Scot) to arrange a meeting.

**DEREK MACKAY**

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T: 0300 244 4000  
E: scottish.ministers@gov.scot

Mr David Stewart MSP  
The Scottish Parliament  
EDINBURGH  
EH99 1SP

Our ref: 2018/0025241  
23 August 2018

Dear Mr Stewart,

Thank you for your email [REDACTED], addressed to Michael Matheson, Cabinet Secretary for Transport, Infrastructure and Connectivity, in which you request an update on Air Departure Tax (ADT) and specifically the current exemption for the Highlands and Islands (H&I). As Cabinet Secretary for Finance, Economy and Fair Work I am responsible for the devolved taxes, and so am replying on Mr Matheson's behalf.

As you may be aware, on 1 June I informed Parliament that the introduction of ADT will be deferred beyond April 2019 – this has since been published on the Parliament website (<http://www.parliament.scot/parliamentarybusiness/107422.aspx> - Question S5W-16980 ).

The Scottish Government has set out a clear aim to reduce the burden of air passenger taxation by 50% by the end of this parliamentary term, and abolish it when public finances allow. However, we have also been clear that we cannot take on ADT until a solution has been found to the H&I exemption issue. The reason for this is not only to protect the H&I economy, but is also a fundamental point of principle relating to devolution.

We will continue to work with UKG to resolve this, and we are working in partnership with airlines and with all Scotland's airports to grow the number of international routes to and from Scotland.

Our next steps to delivery focus firstly on the work of our new H&I Working Group, through which we seek develop a joint understanding with key local stakeholders of the issues and the importance of the current exemption. The Chambers of Commerce (both the Caithness and Inverness branches) are members of this group and as such are already engaged in working with us on this issue. Secondly, work with the UK Government and through the H&I Working Group will continue to explore solutions. Any solution must deliver the best possible

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outcome for the H&I, be compatible with EU law and not result in financial detriment to the SG or H&I. Finally, agreement will then need to be reached with the UK Government on a new introduction date that leaves adequate time for Revenue Scotland to be ready to collect and administer the tax, and to enable the required secondary legislation on rates and band amounts to pass through Parliament.

I hope that you find this information helpful.

**DEREK MACKAY**

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T: 0300 244 4000  
E: scottish.ministers@gov.scot

[REDACTED]  
Norwegian Air Shuttle ASA  
Postboks 115  
N-1330, Fornebu  
Norway

Our ref: 2018/0006315  
February 2018

Thank you for your letter [REDACTED], addressed to my colleague Humza Yousaf MSP, the Minister for Transport and the Islands. I am replying to you on his behalf, in my capacity as Cabinet Secretary for Finance and the Constitution and with lead Ministerial responsibility for Air Departure Tax (ADT).

[REDACTED] Improving Scotland's international connectivity is one of the Scottish Government's top priorities and we will continue to work in partnership with airlines, and with all Scotland's airports, to do all we can to grow the number of international routes to and from Scotland.

That is why the Scottish Government remains committed to reducing ADT by 50% by the end of this Parliament and to abolish it when resources allow. Air Passenger Duty is one of the highest taxes of its kind in the world, and by far the highest in Europe. The Scottish Government believes that a cut could help to boost international connectivity and generate sustainable growth – priorities that are even more pressing as a consequence of the economic repercussions of the EU referendum result.

However, as you will be aware, during our preparations for the introduction of ADT in April 2018, we concluded that the existing Air Passenger Duty (APD) Highlands and Islands exemption would have to be notified for approval by the European Commission before it could be implemented under ADT. The Scottish Government strongly supports retaining this exemption under ADT, given the importance aviation plays in supporting residents, businesses and tourism in the area.

In order to protect the economy and connectivity of the Highlands and Islands, the introduction of ADT in Scotland has been deferred until the issues raised in relation to the

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exemption can be resolved. I assure you that the Scottish Government and UK Government will work closely in order to achieve this as soon as possible.

[REDACTED] I would be grateful if you could continue to keep the Scottish Government and Transport Scotland updated on your views as to the range of factors that could contribute to underpinning the success of these routes.

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