



ICAEW Representation

01S/17

AIR DEPARTURE TAX (ADT) CONSULTATIONS ON AN OVERALL 50% REDUCTION POLICY PLAN AND AN ENVIRONMENTAL REPORT

CONSULTATION 1: On the Scottish Government's policy for an overall 50% reduction by the end of the current session of the Scottish Parliament

ICAEW welcomes the opportunity to provide a response to the Scottish Government's consultation on an overall 50% reduction in Air Departure Tax (ADT).

ICAEW Scotland has over 1,500 members who live and work in Scotland. ICAEW Scotland represents the views of ICAEW members who work in Scotland for local, national and international organisations across the private and public sectors.

The responses included in this document represent the views of a small group of ICAEW Scotland members who participate in the **ICAEW Members in Scotland Committee** and ICAEW's **global tax faculty**. They include senior finance experts from the public sector, financial services and accountancy practice.

We would be happy to discuss any aspect of our comments and to participate in further consultations on this topic.

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RESPONSES TO SPECIFIC QUESTIONS

QUESTION 1: Do you support the Scottish Government's policy plan to reduce the overall burden of ADT by 50% by the end of the current session of the Scottish Parliament?

1. No.

QUESTION 2: Please explain your answer to question 1.

2. None of the ICAEW Scotland members who responded supported the policy plan for a 50% reduction as set out in question 1. The principal reason given is that if the policy is successful it is likely to have a significant environmental impact. Our members mentioned concerns about the policy, in terms of increasing air journeys, being detrimental to the Scottish Government's stated ambitions to tackle climate change, limiting global temperature rises and decarbonising the Scottish economy; as well as more local concerns about those living near Scotland's airports and additional noise and pollution associated with travellers getting to airports. One respondent was concerned that reducing ADT, along with the expansion of Heathrow airport could risk the UK not meeting its Paris climate accord obligations. Members felt that rail travel, as an alternative to domestic air journeys, should be encouraged, by at least not reducing ADT on journeys where it is reasonable to travel overland by lower carbon alternatives (e.g. Edinburgh/Glasgow to London).
3. Looking at the wider picture, there is a necessity to de-couple economic activity from carbon impact, pointing to Lord Stern's assessment¹ that the economic impact of climate change is greater than the costs of tackling it.
4. One of our members, who works in sustainability, suggests that better analysis is required to compare tonnes of carbon/£GDP for each scenario, and to compare the effectiveness of ADT with other low carbon policy measures that reduce carbon emissions from travel and transport.
5. Setting aside environmental concerns, our members generally felt that there is no need to reduce ADT in Scotland as passenger numbers appear to be increasing regardless of the level of this tax.
6. Considering the general principles of taxation, some of our members agreed with the assertion of commentators that the tax cuts would be unfair, primarily benefitting wealthier business travellers, outgoing and incoming (domestic) tourists, whose decision to make the journey is not particularly cost-sensitive. ICAEW's Tax Faculty's ten tenets for a better tax system² states that all taxes should be fair and reasonable.
7. A key point agreed on by our members is that when a tax is reduced in order to support a particular behaviour or sector, if budgets are to be balanced, it must be accompanied by an increase in another tax or a decrease in some tax-funded service elsewhere. It is unclear from the proposals from where the resulting shortfall in taxation income will be met.

¹ http://webarchive.nationalarchives.gov.uk/20120704151641/http://www.hm-treasury.gov.uk/d/CLOSED_SHORT_executive_summary.pdf

² <http://www.icaew.com/-/media/corporate/archive/files/technical/tax/tax-policy/ten-tenets-for-a-better-tax-system.ashx?la=en>

8. It was felt, overall, that with no credible alternative proposed, such as raising a tax based on fuel used or passenger kilometres travelled and paid by the airline (thus encouraging an increase in efficiency for both airlines and airports), given a choice between cutting ADT and retaining that income to potentially benefit Scotland's infrastructure, education system and other elements of importance for ongoing economic development, reducing the ADT income would carry more risks than rewards.

QUESTION 3:

9. Not appropriate, given the response to question 1.

QUESTION 4: Please provide any other comments you have on the policy plan.

10. Please see comments in response to question 2.