

Report to Partnership Meeting 6th February 2026

RESEARCH AND STRATEGY DELIVERY

Air Departure Tax Consultation

Purpose of Report

This report provides an update to the Partnership Board on the Scottish Government's forthcoming consultation on Air Departure Tax (ADT), with particular reference to proposals affecting the Highlands and Islands exemption.

Background

Air Departure Tax (ADT), is a proposed tax payable by aircraft operators and charged on the carriage of chargeable passengers on chargeable aircraft by air from airports in Scotland that is proposed to replace UK Air Passenger Duty.

Originally devolved to the Scottish Parliament within the Scotland Act 2016, the Scottish Parliament obtained the power to legislate for a tax to replace Air Passenger Duty (APD) in Scotland following commencement of section 17 of that Act on 23 May 2016.

The Scottish Government deferred the introduction of ADT beyond its originally planned implementation date of 1 April 2018 on the basis that maintaining the exemption was necessary to protect connectivity for communities in the Highlands and Islands, and to ensure that devolved powers were not compromised.

In the 2026-27 Scottish Budget the Scottish Government committed to set out proposals for a revised Highlands and Islands exemption and that ADT would come into effect on 1 April 2027. The consultation states that ADT rates and bands will match those of the UK Government's APD for the first year of operation in 2027-28. Rates and bands for 2028-29 will be set out at the 2027-28 Scottish Budget.

Passengers departing from Highlands and Islands airports are currently exempt from APD, reflecting the importance of aviation for remote and island communities with limited alternative transport options.

Consultation

The consultation seeks views on the Scottish Government's proposals for a Highlands and Islands exemption from ADT. It states that responses to this consultation will support the development of the secondary legislation which will give effect to an ADT Highlands and Islands exemption and inform the associated impact assessments.

While decisions on future ADT policy (e.g. from 2028-29 onwards) will be taken at future Scottish Budgets in the next Scottish Parliament, this consultation also invites evidence and views on the broader role of ADT.

A copy of the Consultation document outlining the proposals is included as an attachment (**Appendix A**) to this report and can also be found at the following link together with a copy of the consultation questionnaire which is also attached as **Appendix B**. <https://www.gov.scot/publications/delivering-scotlands-air-departure-tax/documents/>. In addition a copy of a powerpoint that summarises the proposals and was provided to stakeholders at the launch of the consultation the proposals is attached as **Appendix C**.

The main elements of the proposals included within the consultation are summarised below:

- The Scottish Government has developed a revised Highlands and Islands exemption for ADT that complies with the UK Government's Subsidy Control regime and protects regional aviation connectivity.
- ADT will become operational in Scotland from 1 April 2027 and APD 'turned off' in Scotland from that date.
- Revenue Scotland will be responsible for the collection and management of ADT, with HMRC retaining responsibility for APD in the rest of the UK.
- ADT rates and bands will match those of UK-wide APD for the first year of operation (1 April 2027 – 31 March 2028) to provide certainty and smooth the transition between taxes.
- From 1 April 2028, there will be a further Jet Supplement as part of ADT, in addition to the UK Government's planned increases in private jet taxation under APD.

Highlands and Islands Exemption

The main differences between the current Highlands and Islands exemption under the current Air Passenger Duty and that proposed under the Air Departure Tax are outlined below

APD Exemption:

- All flights from H&I airports are exempt, no matter their destination (including connecting flights).
- Could fly business class from H&I to any destination across the globe and pay no tax on the entire journey.

ADT Exemption:

- Removes international flights from the exemption, making them liable to ADT. (Note: this includes connecting flights to international destinations – the entire journey will be taxable, based on the final destination)
- Retains the tax-exempt status of flights from H&I airports to the rest of the UK (including connecting flights)
- Extends the exemption to outward legs of flights from other Scottish airports to H&I airports

When it was first proposed to introduce ADT in 2017, HITRANS prepared material setting out the case for the Highlands and Islands to retain a comprehensive exemption, reflecting the region's geography, dependency on air services, and the role of aviation in supporting economic resilience, access to services and social inclusion. A copy of this report can be found at the following link https://hitrans.org.uk/wp-content/uploads/2026/01/Item_9_Appendix_-_Air_Departure_Tax.pdf

The practical implications of the proposed changes are summarised in the table below:

Examples:

Route	APD	ADT
Inverness - Heathrow	Exempt	Exempt
Inverness - Heathrow - Dubai	Exempt*	Taxable*
Glasgow - Dubai	Taxable	Taxable
Inverness - Amsterdam	Exempt	Taxable
Aberdeen - Sumburgh	Taxable	Exempt
Sumburgh - Aberdeen	Exempt	Exempt
Edinburgh - Kirkwall - Sumburgh	Taxable	Exempt**
Sumburgh - Kirkwall - Edinburgh	Exempt**	Exempt**

* When travelling on connecting flights.

** Whether travelling on connecting flights or individual tickets for each leg.

RISK REGISTER

RTS Delivery

Impact – Positive with some potential exceptions outlined in this report

Comment – This work supports RTS Strategic priority to enhance intra-regional connectivity between island and peripheral communities and regional centres and national gateways but it is recommended that HITRANS highlight the potential impact that the proposed implementation may have on some key air routes that support direct access and also provide vital onward connectivity to important international markets.

Policy

Impact - Positive with some potential exceptions outlined in this report

Comment – This work provides the opportunity for a key area of aviation policy to be devolved to the Scottish Parliament and in aligned with wider government policies

Financial

Impact – Neutral

Budget line and value – No budget impact unless additional supporting evidence is required to support HITRANS response.

Equality

Impact –neutral

Comment – The Air Discount Scheme should provide a largely enhanced exemption for the Highlands and Islands airports that should help support the connectivity of individuals and business in many regional centres within the HITRANS area

Recommendation

Members are invited to:

1. Note the forthcoming Scottish Government consultation on Air Departure Tax and the proposed changes to the Highlands and Islands exemption;
2. Agree that HITRANS officers prepare a draft consultation response on behalf of the Partnership; and
3. Agree that the draft response is circulated to Board Members for electronic approval during the consultation period.

Report by: Neil MacRae

Designation: Partnership Manager

Date: 2nd February 2026