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Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Building a Prosperous and United Community —
Devolution of other Fiscal Powers:
Department of Finance and Personnel

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autumn statement there were changes to air passenger duty (APD) and stamp duty. So we are in the process of updating the assessments and reflecting those recent developments.

Ultimately, it will be for the Minister to make recommendations to the Executive on the way forward. Obviously, with the second of the two criteria we are looking at in our own assessment, the position of corporation tax is a key consideration regarding affordability and what that might mean for any adjustment to the block grant and management of the tax.

That is essentially where we are on that piece of work, Chair.

The Chairperson (Mr McKay): When is this due to go to the Executive?

Mr Simpson: There is no timetable at present. Obviously, we are looking to do it as soon as possible, but we have not set a deadline as such.

The Chairperson (Mr McKay): Can it be brought to the Committee before it goes to the Executive, for instance?

Mr Simpson: We have given initial advice to the Minister, essentially informing him of where we are with the work. We will be updating that work and putting it back to him. My sense is that it would be for him to take a position and put it to the Executive, but that is something that we can take the Minister's view on.

The Chairperson (Mr McKay): Would you advise him to go to the Committee first, as that would be best practice?

Mr Simpson: Yes, we can certainly do that.

The Chairperson (Mr McKay): You made reference to a couple of things. Obviously, air passenger duty has been abolished for children under 12 years and will be reduced for children under 16 years over a certain period of time. I suppose that that would lower the cost of a full transfer of that power here? There would be less of a leap for the Executive to make, if they wanted that power. Can you give us your view of where the Department is in regard to that? Also, what is your read on the Smith commission's report? What are the consequences for here?

Mr Girvan: Just before we move to that, the fact is that with the change in APD, we took a £5 million hit for the long-haul consequential. Not all of the people who are taking advantage of that to cross the Atlantic are adults.

The Chairperson (Mr McKay): Good point.

Mr Girvan: I wonder whether there is a possibility that there could be a readjustment in relation to that consequential of the long-haul aspect of APD.

Mr Simpson: On the first point that you made, Chair, that is certainly something that we are looking at. It is the first question that we need to get the answer to, and we are looking to see whether we can get the figures on this. We need an estimate of what that actually means; how much tax is generated by children travelling, as opposed to adults —

Mr Girvan: I think it is 30%.

Mr Simpson: — and how much does that save? We need to see that key figure and factor it into the assessment to see how much it would bring the cost down by if we were to seek devolution. We would want to see any changes in how the tax is levied in the UK being reflected in any adjustment or costs applied to us.

Mr Girvan: Even if it were 10%, that is £500 million.

Mr Simpson: I think that the block adjustment that is applied at the moment is £2 million or £3 million. I do not have the figures to hand, but it is below £5 million.

The Chairperson (Mr McKay): What about the Smith commission?

Mr Simpson: The assessment we are undertaking is against the following two criteria: whether devolution and the changing of a tax rate will provide us with an economic lever to change economic or social outcomes, and what the cost of that will be. Much of this is for context and for Ministers to be aware of what is happening in the other regions.

The Smith commission is recommending further devolution over and above what was agreed for Scotland. A more fundamental devolution of income tax is being proposed, where the Scottish Parliament will be able to change the rates and the banding structure. It is proposing APD devolution and a share of VAT receipts.

Scotland is coming at it from a slightly different position. One of the things they are looking at is how they can increase financial accountability. They are not just looking at these as economic levers. In our analysis, we are looking at how effective these things would be and what the cost of devolving them would be. Obviously, it will be a decision for Ministers to take as to the extent they would want to increase fiscal accountability. The Smith commission is not taking forward corporation tax devolution. If we secure corporation tax devolution powers, we are taking on a significant chunk of tax receipts, and we will be accountable for them. This is playing in the background of Ministers' consideration.

Mr Girvan: If we take on the responsibility for the collection of that tax receipt, what way does the cost of that work? The employees are obviously HMRC employees. Would the cost be attributed to us? Would it be offset against the adjustment in the *[Inaudible.]*

(The Deputy Chairperson [Mr D Bradley] in the Chair)

Mr Simpson: We will have to pay the administration costs associated with this. The view at the minute, in the discussions we are having on corporation tax, is that we will continue to be administered by HMRC and will pay the additional costs incurred by HMRC in running our devolved regime.

The Deputy Chairperson (Mr D Bradley): There are no further questions. Gentlemen, thank you very much for that.