

7th February 2022

Via email to: info@FiscalCommissionNI.org

Mr Paul Johnson
Chairman
Independent Fiscal Commission for NI

Dear Paul

Invest NI Response to the Independent Fiscal Commission request for feedback to its interim report

Many thanks for the invitation to submit feedback on the interim report “, *More fiscal devolution for Northern Ireland?*” Following the meeting with Kevin Holland in September 2021 Invest Northern Ireland wishes to record its gratitude to the Commission and looks forward to the publication of the recommendations and final report.

As the regional business development agency, Invest Northern Ireland's role is to grow the local economy. We do this by helping new and existing businesses to compete internationally, and by attracting new investment to Northern Ireland.

As part of the Department for the Economy (DfE) we provide strong government support for business by effectively delivering the Government’s economic development strategies.

Given the operational nature of Invest NI as an organisation, we are content to explore any additional areas of devolution that will clearly enhance Northern Ireland’s ability to attract Foreign Direct Investment.

At this juncture we would like to convey the following response.

QUESTION 1 – Do you agree with our understanding and representation of why fiscal devolution might be considered important and the contemporary context of Northern Ireland, as described in Chapter 1?

Response: Yes

Invest Northern Ireland agrees with the understanding and representation of why fiscal devolution may be considered. We recognise that securing additional fiscal powers may provide the NI Executive with increased flexibility to achieve its policy aims. There is an opportunity to enhance economic reform and ensure local government’s responsibility with regard to maintaining economic and market stability. Recognising the complexity of the task at hand, moves to enhance the fiscal autonomy of Northern Ireland need to be balanced against costs and risks. The stability and reliance of the block grant is understood and well managed however EU Exit implications need to be balanced alongside any fiscal devolution considerations.

QUESTION 2 - Do you agree with our understanding and our representation of the current Northern Ireland context?

Response: Yes

Invest Northern Ireland agrees with the understanding and representation of the current Northern Ireland context. The current economic conditions provide an ever changing landscape of contributing factors that will directly influence potential fiscal devolution decisions. The longstanding economic growth barriers remain, and coupled with short term economic shocks, consideration must be given to the unique socio economic context of NI in order to devise an appropriate and tailored response appropriate for the needs of NI as a whole.

QUESTION 3 - Do you agree with our analysis of the suitability or otherwise for devolution of the individual taxes listed in Chapter 4?

Response: Yes

Chapter 4 outlines the taxes that are considered to be the strongest candidates for devolution, or sufficiently strong to merit further investigation to confirm suitability for devolution in Northern Ireland, and therefore those taxes that will advance for further consideration. The list includes Air Passenger Duty.

We note **Air Passenger Duty** is regularly and repeatedly identified as one of the key obstacles and challenges NI currently faces and the impact is further exacerbated by the fact that the Republic of Ireland has no equivalent APD on either short haul or long haul flights.

Many stakeholders in NI take the view that, as a peripheral region of the UK sharing an island border with a European Member State, NI suffers significant strategic connectivity deficits which warrant government intervention.

Although long haul Air Passenger Duty (APD) is devolved and not payable on long haul flights from Northern Ireland, it is the view of Invest Northern Ireland that APD is an additional tax that has a particularly detrimental impact on NI passengers, due to our physical remoteness to mainland GB and the lack of an alternative such as road or rail. Northern Ireland's Economy Ministers have been consistent in calling for the UK Government to abolish, or reduce, short haul APD. They have emphasised that this issue needs to be addressed at a national level, and that it would be unfair for the NI Executive to have to fund, from its already limited resources, any reduction in the rate of APD in respect of Northern Ireland.

QUESTION 4 - Do you agree with our conclusions regarding the prioritisation of specific taxes to be carried forward for further consideration in the second phase of our work?

Response: Yes – However we would like to note the following regarding Corporation Tax.

Corporation Tax is listed as a tax that will not be advancing for further consideration. Whilst we note the complexities outlined in the paper, we acknowledge that reducing the rate of Corporation Tax was a long standing economic goal of previous mandates as a tangible commitment to prioritising private sector led growth. This was intended as a measure to create additional employment opportunities and increase the level of investment taking place across all of Northern Ireland.

Setting aside cost and affordability considerations, Invest Northern Ireland remains supportive of a policy to reduce the Corporation Tax rate in order to better market NI as an investment location of choice by international investors

Can you provide information which would support or detract from the potential devolution of Excise Duties to Northern Ireland?

Response: Not Applicable

Excise Duties policy or operational delivery does not fall under Invest Northern Ireland's operational remit. We understand that the main objectives of implementing Excise Duties are: (i) to increase state revenues, (ii) to restore external costs associated with the consumption of certain goods and (iii) to discourage the consumption of a specific product.

From an Invest Northern Ireland perspective, Excise Duties can be used as a catalyst to address specific market failures. As an economic development agency we endeavour to support projects or businesses that wish to address specific market failures that will support the delivery of strategic priorities and contribute to building economic growth.

Thank you for providing the opportunity to provide input to the stakeholder engagement process associated the final drafting of the interim report "More fiscal Devolution for Northern Ireland." Should the Commission require any further information from Invest NI I would be grateful if correspondence could be directed to the office of the Minister for the Economy in the first instance.

We wish the Fiscal Commission every success with finalising the report.

Yours sincerely



MEL CHITTOCK
Chief Executive