



**Kieran Donnelly CB**  
**Comptroller & Auditor General**

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Mr Paul Johnston  
Chairman of the Independent Fiscal Commission  
for Northern Ireland

via [info@FiscalCommissionNI.org](mailto:info@FiscalCommissionNI.org)

31 January 2022

Dear Paul,

### **Independent Fiscal Commission NI – Interim Report and Invitation to Submit Feedback**

Thank you for your letter of 17<sup>th</sup> December 2021 to a number of NIAO colleagues and providing us with the opportunity to contribute to your interim report on *More fiscal devolution for Northern Ireland*.

Responses to each of your questions are set out below.

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 17?

*If you disagree, can you explain where your analysis differs? Are there additional factors that we should also consider?*

We agree. The interim report sets out clearly and persuasively why fiscal devolution might be considered important in a Northern Ireland context.

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

*If you disagree, can you explain in relation to which aspects?*

We agree.

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

*If you disagree, can you explain where your own analysis may differ and how?*

We agree with your analysis. We note in particular the evidence and metrics on the scale of Northern Ireland's economic underperformance and your observation that the case for corporation tax devolution is all about improving economic performance. You make the point that progress on this is dependent on the active participation of HM Treasury and the UK government and that the UK government will require re-assurance on the budget sustainability of the Northern Ireland Executive before devolving further financial powers. In this context it is worth mentioning that there has been a very positive official response to the report NIAO published last year on the Capacity and Capability of the Northern Ireland Civil Service (and the associated Public Accounts Committee enquiry). We have confidence that there will be substantive and meaningful transformation in this area over the next two or three years. This, should go some way towards providing the assurance required by the UK government.

**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?**

*If you disagree, can you explain which taxes you believe should be treated differently and why?*

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

We agree. In particular we consider that there is a strong case for devolving landfill tax. Over the years NIAO has published a number of reports highlighting serious environmental damage caused by illegal dumping and unscrupulous operators seeking to avoid landfill tax. We consider that devolution of this tax could contribute to more effective environmental protection.

As regards the potential devolution of Excise duties, public health issues are clearly a relevant consideration. Last year NIAO published a report on addiction services which highlighted the huge adverse impact of alcohol addiction on public health in Northern Ireland.

Thank you once again for providing the opportunity to engage in this process and we look forward to reading the report in its final form.

Yours sincerely



**KIERAN DONNELLY CB**  
**Comptroller and Auditor General**