



## **Air Passenger Duty**

### **A Brief History**

Air Passenger Duty (APD) was first introduced on 1<sup>st</sup> November 1994. It applies to passengers departing from UK airports. On 9<sup>th</sup> October 2007 the Labour Government announced that it intended to replace APD with a 'per plane' duty to take effect from 1<sup>st</sup> November 2009. It also announced that APD rates would be frozen in 2008/2009.

On 24<sup>th</sup> November 2008, the Government announced that the 'per plane' duty proposal would not go ahead and that instead there would be a re-structuring of APD rates and geographical bands. These increases and changes came into effect from 1<sup>st</sup> November 2009 with another increase in rates on 1<sup>st</sup> November 2010.

### **Recent Developments**

After the 2010 General Election, the new Coalition Government, in the joint agreement published on 11<sup>th</sup> May 2010, *“agreed that a switch should be made to a per-plane, rather than per-passenger duty and a proportion of any increased revenues overtime will be used to help fund increases in the personal tax allowance.”*

During the Emergency Budget of 22<sup>nd</sup> June 2010, the Chancellor of the Exchequer, Rt Hon George Osborne MP, said:

*“The Government will explore changes to the aviation tax system, including switching from a per-passenger to a per-plane duty, which could encourage fuller planes. Major changes will be subject to public consultation.”*

### **Current Situation**

In the Budget Statement of 23<sup>rd</sup> March 2011, the Chancellor said:

*“We hoped we could replace the per passenger tax with a per plane tax. We have tried every possible option, but have reluctantly had to accept that all are currently illegal under international law.*

*So we will work with others to try to get that law changed.*

*In the meantime, we are consulting today on how to improve the existing and rather arbitrary bands that appear to believe that the Caribbean is further away than California.*

*We will also seek to bring private jets, which pay no duty at all, into the scope of taxation. The wealthiest should not escape the tax the ordinary holidaymaker has to pay.*

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*And I can tell the House that with the hefty duty rise last year, and with the cost pressures on families, we think it would be fair to delay this April's Air Passenger Duty rise to next year."*

The accompanying Budget document said:

*In the June Budget 2010, the Government undertook to explore changes to the aviation tax system, including switching from a per-passenger to a per-plane duty. The UK's international obligations in this area include Air Service Agreements with over 150 different countries and the 1944 Chicago Convention.*

*The Government will not introduce a per-plane duty at the present time, given concerns over the legality and feasibility of this approach. The Government will start a programme of intensive work with our international partners to build consensus for a per-plane duty in the future.*

*Today the Government is launching a consultation on reform of Air Passenger Duty. The Government wants a simple tax system for air transport services which does not hamper growth, which ensures a fair contribution toward the public finances and which will support the reduction of global emissions. The consultation includes plans to extend the tax system to flights taken aboard business jets for the first time. The Government will also freeze Air Passenger Duty rates for 2011-12, with the RPI increase assumed in the forecast deferred to April 2012.*

The Treasury consultation 'Reform of Air Passenger Duty' closes on 17<sup>th</sup> June 2011. More details and a PDF of the consultation document itself are available at:

[http://www.hm-treasury.gov.uk/2011budget\\_airpassenger.htm](http://www.hm-treasury.gov.uk/2011budget_airpassenger.htm)

### **BATA's Position**

BATA believes that:

- APD should be phased out from 2012 when aviation enters the EU Emissions Trading Scheme (ETS). Continuing to impose a unilateral UK national tax on air travel when the industry will be paying for its emissions through the ETS at a European level will simply be taxing passengers and the industry twice.
- There is no justification for and therefore should not be any increase in the current APD rates or overall tax take. Any increase in taxation on air travel risks both jobs and any improvement in the economy as the UK looks to shake off the recession.

BATA is a member of the 'A Fair Tax on Flying' alliance. This alliance of airlines, airports, tour operators, destinations and travel trade associations is calling on the Government to make UK aviation tax fairer and has set five tests that they are asking the Government to take into account as they review the overall structure or level of aviation tax:

1. Will any revision increase the overall amount travellers pay to fly to and from the UK?

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2. Will any change be designed to be offset by the income from the UK's inclusion in the European Union Emissions Trading Scheme (ETS)?
3. Will a new approach remove the unfairness that travellers buying a premium economy ticket for a few extra inches of legroom are classed the same as first class travellers and pay double the rate of tax?
4. Will any new policy address concerns that defining bands by national capital cities creates unhelpful exceptions that are unfair to passengers and damage destinations?
5. Has the policy's impact on destinations, trade and tourism been adequately understood and considered?

### APD Statistics

#### APD Rates 1994 - 2009

Applicable Date	Lower Rate UK and EEA Destinations		Higher Rate Non-EEA Destinations	
01.11.94 01.11.97	£ 5.00 10.00		£ 10.00 20.00	
01.04.01 01.02.07 <sup>1</sup> – 31.10.09	Standard Rate £ 10.00 20.00	Reduced Rate* £ 5.00 10.00	Standard Rate £ 40.00 80.00	Reduced Rate £ 20.00 40.00

<sup>1</sup> With effect from 1<sup>st</sup> February 2007, the definition of UK and EEA also included certain other European countries who are members of the European Common Aviation Area Agreement.

#### APD Rates 2009 - 2012<sup>2</sup>

Band (distance from London to capital city of destination country/territory)	Reduced Rate (Lowest class of travel)		Standard Rate (In other than the lowest class of travel) <sup>3</sup>	
	From 01.11.09	From 01.11.10	From 01.11.09	From 01.11.10
Band A (0 – 2000 miles)	£11	£12	£22	£24
Band B (2001 – 4000 miles)	£45	£60	£90	£120
Band C (4001 – 6000 miles)	£50	£75	£100	£150
Band D (over 6000 miles)	£55	£85	£110	£170

<sup>2</sup> Until 31<sup>st</sup> March 2012. New rates and potentially a new banding structure are due to come into effect from 1<sup>st</sup> April.

<sup>3</sup> However if only one class of travel is available and that class provides seating in excess of 40" then the Standard rather than Reduced rate applies.

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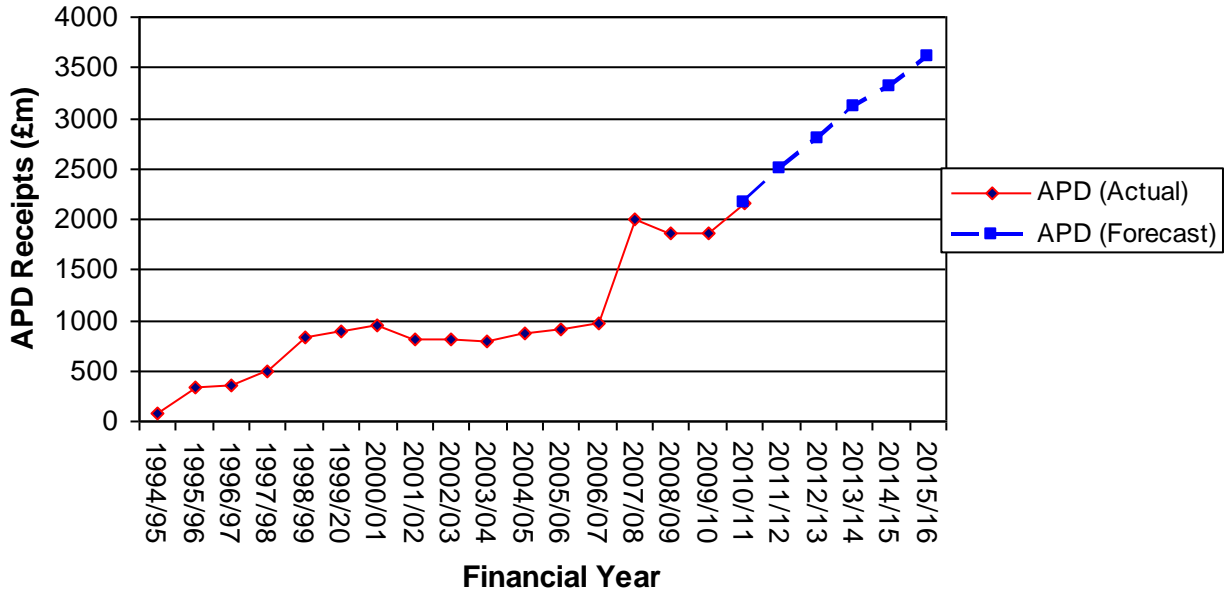
### Air Passenger Duty (APD) Receipts

Year	APD Receipts £ million	Change %	Notes
1994/95	84		Part year (from 1/11/94)
1995/96	343		
1996/97	356	3.8%	
1997/98	493	38.5%	Rates doubled 1/11/97
1998/99	837	69.8%	
1999/00	882	5.4%	
2000/01	948	7.5%	
2001/02	806	-15.0%	Rates re-structured 1/4/01
2002/03	816	1.2%	
2003/04	791	-3.1%	
2004/05	864	9.2%	
2005/06	905	4.7%	
2006/07	971	7.3%	Rates doubled 1/2/07
2007/08	1994	105.4%	
2008/09	1862	-6.6%	
2009/10	1856	-0.3%	Rates increased & re-structured 1/11/09
2010/11 P	2155	16.1%	Rates increased 1/11/10
P = Provisional Figures			
<i>Source: HMRC APD Bulletin, Crown Copyright</i>			

Note: For the latest and more detailed information, see the HMRC UK tradeinfo website:  
<http://www.uktradeinfo.com/index.cfm?task=bullair>

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## APD Receipts 1994/5 - 2015/16 (Actual & Forecast)



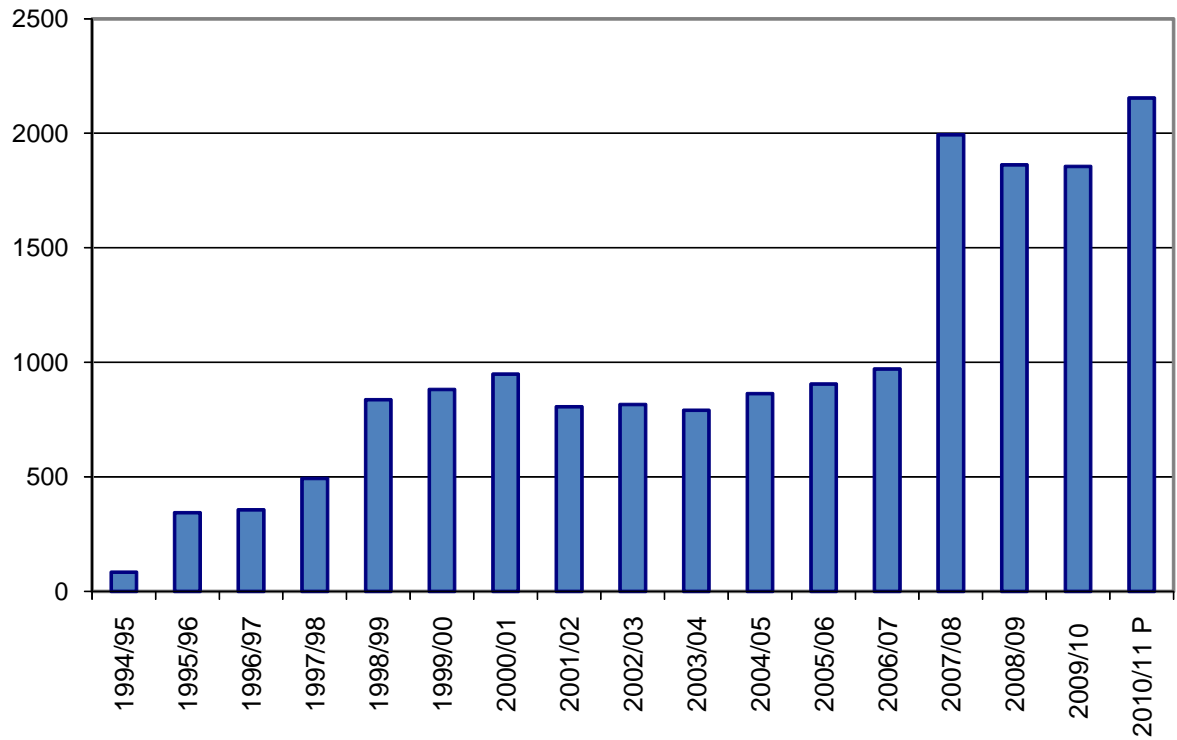
Note: Data for 1994/95 to 2010/11 from HMRC figures (2010/11 figure is provisional). Forecasts for 2011/12 to 2015/16 from the Office of Budget Responsibility (OBR), Economic and Fiscal Outlook, page 92, Table C.3 Current Receipts: OBR Forecast, published alongside Budget 2011 on March 23<sup>rd</sup> 2011.

[http://cdn.hm-treasury.gov.uk/2011budget\\_annexc.pdf](http://cdn.hm-treasury.gov.uk/2011budget_annexc.pdf)

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### Air Passenger Duty (APD) Receipts 1994/5 – 2010/11 (Historic Actual)

#### APD Receipts (£m)



Note: Data for 1994/95 to 2010/11 from HMRC figures.  
P= Provisional