



Media Release

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Chancellor set to tax holidays and bankroll foreign airlines

Planned changes to aviation duty will raise the tax take by more than 50 per cent, boost overseas airlines and airports and bring no environmental benefit, the British Air Transport Association (BATA) says today (Thursday 24 April).

Today sees the end of the consultation period on the Government's proposals to introduce a new 'Aviation Duty' to be levied on every departing plane, to replace the current 'Air Passenger Duty' (APD).

Announced by the Chancellor Alistair Darling in the Pre Budget Report last year, the new tax is expected by the Treasury to raise over £3.5 billion in 2011/12, compared with £971 million for APD in 2006/7 – virtually a four-fold increase over five years.

BATA calculates this would mean that a British family going on holiday outside Europe in 2011 will have to pay £250 just to leave the country, up from £160 today, a rise of 56 per cent.

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Submitting an industry response to the Treasury consultation, Roger Wiltshire, Secretary General of BATA said:

“This is yet another example of the Government making controversial decisions on tax policy and failing to think through and appreciate the consequences for the UK public and economy.

“The introduction of Aviation Duty would subsidise foreign airlines and airports because it would make it cheaper for people to connect to a Continental hub such as Paris and fly long-haul from there rather than take a direct long-haul flight from the UK.

“Passengers who choose to make their long-haul journey via an airport in another EU state would benefit from a windfall reduction on duty of 75 per cent. These passengers currently pay £40 long-haul APD whereas in future they would only pay short-haul Aviation Duty of around £10.

“This large incentive will not only create a significant competitive disadvantage for airlines providing long-haul services from UK airports such as Heathrow, it will also encourage more indirect journeys, with the increased emissions that result.

Roger Wiltshire continued:

“The proposal delivers questionable environmental benefits as it is not linked to the emissions of a particular aircraft. So it provides no incentive to invest in more environmentally friendly aircraft, yet will threaten the UK’s air links, economy and families.

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“We accept the principle that aviation should meet its environmental and social costs. Indeed, as the Government has already accepted, the industry meets its climate change costs in full following the doubling of APD last year. We feel strongly that the proposed new duty fails to meet its environmental objectives and the amount the Treasury is planning to rake in is excessive and unjustified. The proposal also creates new and significant market distortions.

“Furthermore, it is logical that Aviation Duty should be abolished when the European wide system of emissions limits and trading includes air travel, which is expected in 2012, to ensure passengers do not pay twice.”

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Contacts

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Notes to Editors

1) BATA

Represents UK-registered airlines and BATA members represent 85% of UK airline output.

2) Timeline

6 December 2006: Pre Budget Report announces doubling of APD Rates

1 February 2007: New APD rates come into effect

9 October 2007: Pre Budget Report announces introduction of Aviation Duty from November 2009 and objective of raising an extra £520m

31 January 2008: Treasury consultation on Aviation Duty published

12 March 2008: Budget announces extra 10% in revenue (at least £250m) from Aviation Duty in second full year of operation

24 April 2008: Treasury consultation ends

1 November 2009: Aviation Duty to come into effect

3) Air Passenger Duty

APD was introduced on 1 November 1994 and raised £971m in 2006/7 and at least £2 billion in 2007/8 following the doubling of rates in 2007.

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4) Aviation Duty

This is due to come into effect on 1 November 2009 and is expected to raise £3.1 billion in 2010/11 and £3.6 billion in 2011/12.

5) Aviation Meets Climate Change Costs – Secretary of State for Transport

"Ruth Kelly MP: Since APD was doubled, aviation will meet its climate change costs, taking account not just of carbon dioxide emissions, but of the other aviation greenhouse effects such as NOx emissions and contrails." Hansard, 2 April 2008, Col 856

6) Revenues from Air Passenger Duty/Aviation Duty 2000-2012

| Year | Amount (Millions) | Notes |
|-----------|---------------------|--|
| 2000/2001 | £948 ¹ | |
| 2001/2002 | £806 ¹ | |
| 2002/2003 | £816 ¹ | |
| 2003/2004 | £791 ¹ | |
| 2004/2005 | £864 ¹ | |
| 2005/2006 | £905 ¹ | |
| 2006/2007 | £971 ¹ | Rates doubled on 1/2/07 (announced in 2006 PBR) |
| 2007/2008 | £2,000 ² | HMT estimate (made in 2007 PBR) |
| 2008/2009 | £2,100 ² | HMT estimate (made in 2007 PBR) |
| 2009/2010 | £2,400 ² | AD into effect on 1/11/09 – will raise £520m extra (announced in 2007 PBR) |
| 2010/2011 | £3,100 ³ | Extra 10% revenue required (announced in 2008 Budget) |
| 2011/2012 | £3,600 ³ | Extra 10% revenue required (announced in 2008 Budget) |

Sources:

- ¹ ONS/HMRC APD Monthly Bulletin, January 2008 (released March 2008)
- ² HMT Pre Budget Report, 9 October 2007
- ³ HMT Budget Report, 12 March 2008