

## **Air Passenger Duty: Business Jets**

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### **Who is likely to be affected?**

Air passengers (including domestic/international business and tourists), airlines and airports.

### **General description of the measure**

Air passenger duty (APD) will be extended to smaller aircraft and business jets (5.7 tonnes threshold), effective from 1 April 2013. Passengers aboard luxury business jet flights will pay new premium rates of APD set at double the business/first class (standard) rates of APD.

### **Policy objective**

The extension of APD to smaller aircraft and business jets supports the Government's objective of a fairer tax system.

### **Background to the measure**

Budget 2011 announced that APD would be extended to include business jets for the first time, and launched a consultation on APD which included a question on how best to implement the business jets change. The consultation closed on 17 June 2011.

Following the consultation, further meetings were held with the business aviation sector. The evidence presented helped refine the Government's plans, and the announcement at the Autumn Statement of 29 November 2011 sets a new start date of 1 April 2013. This revision to the start date reflects the fact that the reforms will bring a substantial number of new tax payers into the APD regime and the need to design a scheme to minimise administration and compliance burdens.

The majority of passengers flying aboard business jets will pay APD at the same rates as passengers aboard commercial flights. To ensure the tax is fair, the Government is introducing new premium rates of APD for passengers on flights using planes with a certified authorised weight of 20 tonnes or more and fewer than 19 seats. Flights in this category, which tend to offer a luxury service, will pay APD at double the prevailing standard business/first class rates of APD.

## **Detailed proposal**

### **Operative date**

The changes extending APD to business jets and smaller aircraft come into effect on 1 April 2013.

### **Current law**

Legislation setting out what aircraft are considered to be chargeable for the purposes of APD is contained in section 29 of the Finance Act 1994. Section 30 sets out the rates applicable to each destination band while section 31 sets out which passengers are considered to be exempt from APD and section 43(1) defines who is a passenger. Schedule 5A of the same Act lists the countries in each destination band.

## Proposed revisions

Legislation will be introduced in Finance Bill 2012 to amend the following.

Section 29 will be amended to extend the scope of APD to business jets and smaller aircraft, by reducing the de minimis weight limit below which aircraft are not subject to APD from 10 tonnes to 5.7 tonnes. Provision will also be made to ensure that certain aircraft previously excluded from APD will remain excluded (e.g. emergency flights).

Section 30 will set out the rates to be applied from 1 April 2013 to the business jets and smaller aircraft. Additionally, it will define a combination of weight and seating capacity for business jets considered to be providing a premium service. Flights in this category tend to be luxury services which will pay APD at double the prevailing standard business/first class rates of APD. These new premium rates, effective from 1 April 2013, will be set out in section 30.

Section 43(1) will amend the definition of passenger to ensure that passengers on private jets will be brought within the scope of APD.

Legislation providing for exemptions to APD will be reviewed to ensure that certain passengers currently exempt from APD will remain exempt under this reform.

## Summary of impacts

Exchequer impact (£m)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	-	-	+ 5	+ 5	+ 5	+ 5
	These figures were set out in Table 2.1 of the Autumn Statement and have been certified by the Office of Budget Responsibility. More detail can be found in the policy costings document published alongside the Autumn Statement.					
<b>Economic impact</b>	<p>The extension of the tax base to all flights on aircraft of 5.7 tonnes or more is estimated to bring an additional 50,000 flights within the scope of APD. Between five per cent and ten per cent of these flights will be captured by the new premium tax rate (planes with a certified authorised weight over 20 tonnes and fewer than 19 seats).</p> <p>The extension of APD to business jet flights is not expected to have a significant effect on overall demand, given that generally APD will account for only a small fraction of the final price of hiring a business jet.</p> <p>The broader macroeconomic effects of the policy are expected to be negligible.</p>					
<b>Impact on individuals and households</b>	We estimate that the extension of APD to include all flights over 5.7 tonnes will bring around 50,000 additional flights within the scope of APD. Consultation with the industry revealed that, on average, business jet flights carry around three passengers per flight. It is expected that the majority of these passengers are relatively high-income individuals travelling on business.					
<b>Equalities impacts</b>	The majority of business jet passengers are male. No other equalities impacts are expected.					
<b>Impact on business including civil society organisations</b>	Based on consultation with the industry, we estimate around 1,500 business jet operators fly into the UK each year. In recognition of the concerns expressed by stakeholders about administration and compliance burdens, the Government intends to operate a new 'special scheme' which will allow operators who elect into the scheme to estimate their average					

	<p>passenger numbers for the purposes of APD. This should help to substantially lower administration and compliance costs for the industry.</p> <p>By adopting the new APD special scheme, we estimate the total one-off compliance costs for the business aviation sector will be around £1.5 million to £2 million. This includes the time taken for taxpayers to familiarise themselves with the tax regime, update their systems, and carry out a robust sample of passengers numbers over a specified period in cases where taxpayers elect for the new special scheme. This estimate also accounts for the fact that operators will need to be able to estimate how many of their flights will be classified as reduced rate and standard rate, and how many will be liable to pay the new premium rate of APD.</p> <p>Operators will also incur ongoing administration costs from filling in returns, record keeping, regular passengers sampling (in order to keep their estimates up-to-date). Owing to the much lower numbers of passengers involved, business jet operators will only be expected to submit APD returns on an annual basis. Overall, it is expected that the resulting recurring administrative burden placed on the industry from the policy will be around £0.5 million per year.</p>		
	Cost	Time Period (yrs)	
	Compliance Costs		
	One-off Costs	£1.5m - £2m	1
	Average Annual Costs	£0.5m	5
	Total Costs (PV)	£3.8 - £4.3m	
	Compliance Benefits		
	One-off Benefit		
	Average Annual Benefit		
	Total Benefit (PV)		
	Net Benefit (NPV)		
	Impact on Administrative Burden (included in Net Benefit)		
	Increase	Decrease	Net Impact
	£0.5m		£0.5m
<b>Impact on public sector</b>	<p>HMRC will incur a one-off cost in the region of £400,000 to bring in the new tax regime for business jets.</p> <p>HMRC will also need to administer and enforce the tax on an ongoing basis, incurring an initial administrative cost of around £250,000 and continuing administrative costs of around £450,000 per year.</p>		
<b>Other impacts</b>	<p><u>Carbon assessment:</u> The policy is expected to have a negligible impact on carbon emissions, and as aviation enters the EU Emissions Trading Scheme from January 2012 any increase will be offset by emission reductions in other covered sectors.</p>		

### Monitoring and evaluation

HMRC will monitor receipts and information collected on tax returns, as well as the wider impact of the policy.

### Further advice

If you have any questions about this change, please contact Pardip Bans on 020 7270 6178 (email: pardip.bans@hmtreasury.gsi.gov.uk).

## **Air Passenger Duty: Cut in Northern Ireland Rate**

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### **Who is likely to be affected?**

Air passengers (including business and tourists) departing from airports in Northern Ireland on direct long-haul flights, airlines and airports operating the flights (and potential new flights from Northern Ireland airports).

### **General description of the measure**

This measure cuts air passenger duty (APD) for passengers travelling from Northern Ireland on direct long-haul flights (bands B, C and D) to the prevailing short-haul (band A) rates of duty. The band A rates of duty are currently £12 in economy (reduced rate) and £24 in business/first class (standard rate). As announced at the Autumn Statement on 29 November, the band A rates will rise to £13 and £26 respectively, from 1 April 2012.

### **Policy objective**

The APD cut in Northern Ireland helps to maintain Northern Ireland's vital air link to North America. It also offers a fresh opportunity for airlines to develop new long-haul services, supporting business and tourism in Northern Ireland.

### **Background to the measure**

Budget 2011 launched a consultation on APD, which included a question on whether APD should be devolved to Northern Ireland. The consultation closed on 17 June 2011.

On 27 September 2011, the Government announced that, effective from 1 November 2011, APD for passengers travelling on direct long-haul routes departing from airports in Northern Ireland would be cut to the lower short-haul rate. To provide a lasting solution, the Government has also launched a parallel process to devolve aspects of APD to the Northern Ireland Assembly.

## **Detailed proposal**

### **Operative date**

The rate cut applies to direct long haul flights departing from Northern Ireland from 1 November 2011 (irrespective of when the ticket for the flight was booked or purchased).

### **Current law**

Legislation defining the rates applicable to each destination band is contained in section 30 of the Finance Act 1994. Schedule 5A of the same Act lists the countries in each band.

### **Proposed revisions**

Legislation will be introduced in Finance Bill 2012. Section 30 will be amended to provide for the rates to be applied to direct long haul flights from Northern Ireland.

## Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	negligible	negligible	- 5	- 5	- 5	- 5
	<p>These figures were set out in Table 2.1 of the Autumn Statement and have been certified by the Office of Budget Responsibility. More detail can be found in the policy costings document published alongside the Autumn Statement.</p> <p>The tax base is all direct flights from Northern Ireland to long-haul destinations (bands B, C and D). As a result of this cut in APD, we estimate that the number of passengers on such flights may increase by a small amount. The impact on the cost of the measure is estimated to be negligible.</p>					
<b>Economic impact</b>	<p>The reduction in tax on direct long-haul flights from Northern Ireland may lower ticket prices for such journeys and in turn increase demand, but the overall effect is expected to be negligible. Overall, we expect the macroeconomic effects will also be negligible.</p>					
<b>Impact on individuals and households</b>	<p>There are an estimated 3.75 million passengers departing from Northern Ireland in 2012-13. Of these between 1 per cent and 2 per cent travel on flights directly to bands B, C and D.</p>					
<b>Equalities impacts</b>	<p>No different impact on protected groups is expected.</p>					
<b>Impact on business including civil society organisations</b>	<p>Currently only three operators (one scheduled, two charter) are affected by this measure. The only change to the APD declaration process for business is that passengers travelling on direct flights to bands B, C and D from Northern Ireland would instead be reported as band A passengers, as the tax rate is the same.</p> <p>Therefore the one-off compliance costs, as well as the ongoing administrative burden of this change, are expected to be negligible.</p>					
<b>Operational impact (£m) (HMRC or other)</b>	<p>Additional operational costs for HMRC will be negligible.</p>					
<b>Other impacts</b>	<p><u>Carbon assessment:</u> The policy is expected to have a negligible impact on carbon emissions, and as aviation enters the EU Emissions Trading Scheme from January 2012 any increase will be offset by emission reductions in other covered sectors.</p>					

## Monitoring and evaluation

HMRC will monitor receipts and information collected on tax returns, as well as the wider impact of the policy.

## Further advice

If you have any questions about this change, please contact Pardip Bans on 020 7270 6178 (email: [Pardip.Bans@hmtreasury.gsi.gov.uk](mailto:Pardip.Bans@hmtreasury.gsi.gov.uk)).

**1 Air passenger duty**

Schedule 1 makes provision about air passenger duty.

## SCHEDULES

### SCHEDULE 1

Section 1

#### AIR PASSENGER DUTY

##### PART 1

#### NORTHERN IRELAND RATES OF DUTY FOR PERIOD 1 NOVEMBER 2011 TO 31 MARCH 2012

- 1 In section 30 of FA 1994 (air passenger duty: rate of duty) after subsection (4A) insert –
  - “(4B) Subsection (4C) applies if the passenger’s journey –
    - (a) is a relevant Northern Ireland journey, and
    - (b) apart from subsection (4C), subsection (2) would not apply to the journey.
  - (4C) The applicable rate in subsection (2) applies to the journey instead of the applicable rate in subsection (3), (4) or (4A) (as the case may be).
  - (4D) A passenger’s journey is a “relevant Northern Ireland journey” –
    - (a) in the case of a journey which has only one flight, if the flight begins in Northern Ireland, and
    - (b) in any other case, if the first flight of the journey –
      - (i) begins in Northern Ireland, and
      - (ii) is not followed by a connected flight beginning at a place in the United Kingdom or a territory specified in Part 1 of Schedule 5A.”
- 2 In article 3 of the Air Passenger Duty (Connected Flights) Order 1994 (S.I. 1994/1821) for “section 30(6)” substitute “section 30(4D)(b)(ii) or (6)”.
- 3 The amendments made by this Part of this Schedule have effect in relation to the carriage of passengers beginning on or after 1 November 2011 but before 1 April 2012.

##### PART 2

#### RATES OF DUTY FROM 1 APRIL 2012

- 4 (1) Section 30 of FA 1994 (air passenger duty: rate of duty) is amended as follows.
  - (2) In subsection (2) –
    - (a) in paragraph (a) for “£12” substitute “£13”, and
    - (b) in paragraph (b) for “£24” substitute “£26”.

- (3) In subsection (3) –
    - (a) in paragraph (a) for “£60” substitute “£65”, and
    - (b) in paragraph (b) for “£120” substitute “£130”.
  - (4) In subsection (4) –
    - (a) in paragraph (a) for “£75” substitute “£81”, and
    - (b) in paragraph (b) for “£150” substitute “£162”.
  - (5) In subsection (4A) –
    - (a) in paragraph (a) for “£85” substitute “£92”, and
    - (b) in paragraph (b) for “£170” substitute “£184”.
  - (6) After subsection (4A) insert –
    - “(4B) Subsection (4C) applies if the passenger’s journey –
      - (a) is a relevant Northern Ireland journey, and
      - (b) apart from subsection (4C), subsection (2) would not apply to the journey.
    - (4C) The applicable rate in subsection (2) applies to the journey instead of the applicable rate in subsection (3), (4) or (4A) (as the case may be).
    - (4D) A passenger’s journey is a “relevant Northern Ireland journey” –
      - (a) in the case of a journey which has only one flight, if the flight begins in Northern Ireland, and
      - (b) in any other case, if the first flight of the journey –
        - (i) begins in Northern Ireland, and
        - (ii) is not followed by a connected flight beginning at a place in the United Kingdom or a territory specified in Part 1 of Schedule 5A.”
- 5 In article 3 of the Air Passenger Duty (Connected Flights) Order 1994 (S.I. 1994/1821) for “section 30(6)” substitute “section 30(4D)(b)(ii) or (6)”.
- 6 The amendments made by this Part of this Schedule have effect in relation to the carriage of passengers beginning on or after 1 April 2012.

### PART 3

#### OTHER PROVISION

- 7 Chapter 4 of Part 1 of FA 1994 (air passenger duty) is amended as follows.
- 8 In section 28 (introduction to air passenger duty) for subsection (3) substitute –
- “(3) Sections 29 and 29A below set out how to determine if an aircraft is a chargeable aircraft for the purposes of this Chapter.”
- 9 (1) Section 29 (chargeable aircraft) is amended as follows.
- (2) For subsection (1) substitute –
- “(1) For the purposes of this Chapter an aircraft is a chargeable aircraft if –
    - (a) it is a fixed-wing aircraft designed or adapted to carry persons in addition to the flight crew,



- (b) its authorised take-off weight is not less than 5.7 tonnes, and
- (c) it is fuelled by kerosene (as defined in section 1(8) of the Hydrocarbon Oil Duties Act 1979)."

(3) In subsection (2) for “ten” (wherever occurring) substitute “5.7”.

(4) Omit subsection (3).

10 After section 29 insert –

**“29A Chargeable aircraft: exceptions**

- (1) This section applies for the purposes of this Chapter.
- (2) An aircraft is not a chargeable aircraft whenever its operation falls within an exemption set out in sub-paragraph (b), (c), (f) or (g) under the category of activity “Aviation” in Annex I to Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 (as amended by Directive 2008/101/EC of the European Parliament and of the Council of 19 November 2008).
- (3) Those exemptions are to be read in accordance with paragraphs 2.2 to 2.5 of the Annex to Commission Decision 2009/450/EC of 8 June 2009.
- (4) An aircraft is not a chargeable aircraft whenever it is being operated under a public service obligation imposed under Article 16 of Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 (common rules for the operation of air services).”

11 In section 30 (rate of duty) before subsection (5) insert –

- “(4E) In relation to the carriage of a chargeable passenger on an aircraft to which subsection (4F) applies –
- (a) if the rate which (apart from this subsection) would apply is the rate in subsection (2)(a) or (b), a rate equal to twice the rate in subsection (2)(b) is to apply instead,
  - (b) if the rate which (apart from this subsection) would apply is the rate in subsection (3)(a) or (b), a rate equal to twice the rate in subsection (3)(b) is to apply instead,
  - (c) if the rate which (apart from this subsection) would apply is the rate in subsection (4)(a) or (b), a rate equal to twice the rate in subsection (4)(b) is to apply instead, and
  - (d) if the rate which (apart from this subsection) would apply is the rate in subsection (4A)(a) or (b), a rate equal to twice the rate in subsection (4A)(b) is to apply instead.
- (4F) This subsection applies to an aircraft if –
- (a) its authorised take-off weight is not less than 20 tonnes, but
  - (b) it is not authorised to seat more than 18 persons (excluding members of the flight crew and cabin attendants).
- (4G) In subsection (4F)(a) “take-off weight” is to be read in accordance with section 29(2) but as if “20” were substituted for “5.7” wherever occurring.

- (4H) For the purposes of subsection (4F)(b) an aircraft is authorised to seat more than 18 persons (excluding members of the flight crew and cabin attendants) if –
- (a) there is a certificate of airworthiness (as defined in section 29(4)) in force in respect of the aircraft showing that the maximum number of persons who may be seated on the aircraft (excluding members of the flight crew and cabin attendants) is more than 18, or
  - (b) the Commissioners are satisfied that the aircraft is designed or adapted to seat more than 18 persons (excluding members of the flight crew and cabin attendants) or the aircraft belongs to a class or description of aircraft in respect of which the Commissioners are so satisfied.
- (4I) The cases covered by subsection (4E)(a) include cases in which subsection (2) applies by virtue of subsection (4C).”
- 12 (1) Section 43 (interpretation) is amended as follows.
- (2) In subsection (1) for the definition of “passenger” substitute –
- ““passenger”, in relation to any aircraft, means any person carried on the aircraft other than –
  - (a) a member of the flight crew,
  - (b) a cabin attendant, or
  - (c) a person who is not carried for reward and who satisfies such other requirements as may be prescribed.”
- (3) After subsection (1) insert –
- “(1A) The agreements and arrangements covered by the definition of “agreement for carriage” in subsection (1) include informal agreements or arrangements between, for example, members of a family or friends.”
- 13 The amendments made by this Part of this Schedule have effect in relation to the carriage of passengers beginning on or after 1 April 2013.

**EXPLANATORY NOTE**

**AIR PASSENGER DUTY**

**SUMMARY**

1. Schedule 1 provides for APD rate increases. It also extends the scope of APD to private jets by reducing the de minimis weight limit below which aircraft were not subject to APD from 10 tonnes to 5.7 tonnes. In addition, it gives statutory effect to the rate reduction applied, since 1 November 2011, to certain flights departing from Northern Ireland.

**DETAILS OF THE SCHEDULE**

2. Part 1 gives statutory effect to the rate reduction applied to certain flights departing from Northern Ireland for the period 1 November 2011 to 31 March 2012.
3. Paragraph 1 inserts new subsections (4B) to (4D) into section 30 of the Finance Act 1994.
4. New subsection (4B) provides that new subsection 4C applies to certain 'relevant journeys' from Northern Ireland.
5. New subsection (4C) specifies the rate to be applied to these journeys.
6. New subsection (4D) defines a 'relevant journey' as one which departs from Northern Ireland and, in the case of a journey that involves more than one flight, provides that the second or onward flight must not begin within the UK or any territory in Part 1 of Schedule 5A .
7. Paragraph 2 makes consequential changes to the Air Passenger Duty (Connected Flights) Order 1994.
8. Paragraph 3 gives effect to this change to flights departing from Northern Ireland on or after 1 November 2011 but before 1 April 2012.
9. Part 2 of the Schedule provides for the increase in the APD rates to be applied to each destination band.
10. Paragraph 4 amends section 30. It sets out the rates for the destination bands and inserts new subsections (4B) to (4D). These new subsections provide for the new reduced rates for passengers on

flights from Northern Ireland that are 'relevant journeys' as defined in subsection (4D), with effect from 1 April 2012.

11. Paragraph 5 makes consequential changes to the Air Passenger Duty (Connected Flights) Order 1994.
12. Paragraph 6 provides for the changes in Part 2 of the Schedule to take effect in relation to the carriage of passengers beginning on or after 1 April 2012.
13. Part 3 of the schedule provides for the extension of APD to passengers in smaller aircraft by reducing the de minimis weight limit below which aircraft are not chargeable aircraft for APD from the current 10 tonnes to 5.7 tonnes. It also amends the definition of a chargeable passenger and provides for new rates for the carriage of chargeable passengers on certain aircraft.
14. Paragraph 7 introduces amendments to the Finance Act 1994.
15. Paragraph 8 substitutes section 28(3) to apply sections 29 and 29A for determining whether an aircraft is a chargeable aircraft for the purposes of APD.
16. Paragraph 9(1) to (4) amends section 29. It redefines a "chargeable aircraft" and extends the scope of APD to smaller aircraft by reducing the former 10 tonne de minimis weight limit to 5.7 tonnes. It also removes the reference to an authorised seating capacity and restricts the scope of APD to aircraft fuelled by kerosene (aviation turbine fuel) only.
17. Paragraph 10 inserts a new section 29A, which extends exceptions to APD to aircraft whose operation falls within the activities listed in sub-paragraphs (b), (c), (f) and (g) under Annex I to Directive 2003/97/EC (as amended by Directive 2008/101/EC) which establishes a scheme for greenhouse gas emission allowance trading. These activities (which are further defined in paragraphs 2.2 to 2.5 of the Annex to Commission Decision 2009/450/EC of 8 June) are military, police, customs, search and rescue operations humanitarian and research and training operations. It also extends the exception to flights operated under a public service obligation.
18. Paragraph 11 inserts new subsections (4E) to (4I) into section 30.
19. New subsection (4E) provides for new rates to be applied to the carriage of chargeable passengers on certain aircraft.
20. New subsection (4F) defines these aircraft as being of an authorised take-off weight of not less than 20 tonnes, and with an authorised

seating capacity of not more than 18 (excluding members of the flight crew and cabin attendants).

21. New subsection (4H) provides that an aircraft's authorised seating capacity is considered to be more than 18 (and consequently not liable to the rate set out in new subsection (4F)) if there is a certificate of airworthiness in effect showing this, or if the Commissioners are satisfied that the aircraft has been designed or adapted to seat more than 18 (excluding flight and cabin attendants).
22. New subsection (4I) provides for how the rates detailed in (4E) are to be applied to 'relevant journeys' from Northern Ireland made by these defined aircraft.
23. Paragraph 12 amends section 43(1). Previously this section placed outside the scope of APD passengers not carried for reward if the operator was not an air transport undertaking (i.e. an aircraft operator whose main business was not carrying passenger for hire or reward). The change now brings these passengers into the scope of APD, and brings the exclusions in line with those for air transport undertakings where these are restricted to flight and cabin crew. It also excludes certain passengers not carried for reward who perform specific services or duties. These specific services and duties are prescribed in regulation 12 of the Air Passenger Duty Regulations 1994. Furthermore it inserts new subsection (1A) which extends the term 'agreement for carriage' to also include informal arrangements and agreements, such as those between friends and family members.

## **BACKGROUND NOTE**

### **Part 1 of Schedule 1 - Northern Ireland rate reduction from 1 November 2011 to 31 March 2012**

24. The rate reduction was introduced in recognition of the unique circumstances facing Northern Ireland, which shares a land border with the Republic of Ireland, where aviation duty is significantly lower. As a result of the rate reduction, the carriage of passengers on certain flights taking off from an airport in Northern Ireland will attract the short haul rate of APD.
25. The flights affected are those where the journey is direct to long haul destinations or, in a case where there are one or more flights involved, the first connection is made in a long haul destination. For these purposes long haul destinations are those not listed in Part 1 of Schedule 5A.

26. Only these journeys will benefit from the rate reduction irrespective of the passenger's final destination. For example:
- Belfast - Newark - Reduction will apply
  - Belfast - Newark - Chicago = Reduction will apply
  - Belfast - Newark – Tokyo - Reduction will apply
  - Belfast - Heathrow - Sydney = Reduction will not apply
  - Heathrow - Belfast - Newark = Reduction will not apply.
27. This rate reduction applies to flights that take off from Northern Ireland for the period beginning on or after 1 November 2011 to 31 March 2012.

**Part 2 of Schedule 1 - Rates of duty to be applied from 1 April 2012**

28. As announced at Budget 2011, APD rates will be increased in line with inflation for 2012-13. These increases, which also take into account the increase deferred from April 2011, apply to the carriage of chargeable passengers on chargeable flights taking off from UK airports from 1 April 2012, irrespective of when the flight was actually booked or purchased.
29. Part 2 of Schedule 1 also includes changes to provide for the rate reduction to Northern Ireland for direct long haul flights that take off on or after 1 April 2012.

**Part 3 of Schedule 1 - Extending APD to passengers in smaller aircraft.**

30. At Budget 2011 the Chancellor announced that the Government would extend the scope of APD to include private jets and consult on how this reform should be delivered.
31. There is no ready definition of a private jet, so, in order to extend the scope of APD to private jets, changes to the de minimis weight limit for APD are needed in order to bring smaller aircraft (including private jets) within the scope of the tax.
32. In recognition of the fact that private jets may be customised to provide exceptional standards of luxury travel, new rates of APD will be introduced to apply to these aircraft. These aircraft are to be defined on the basis of weight and seating capacity, so that large aircraft with an authorised weight or more than 20 tonnes and authorised to seat fewer than 19 passengers will attract higher rates of APD.

33. Changes are also required to the definition of a passenger. Under the current APD structure, exemptions apply to passengers who are not carried for reward. As private jet passengers are often carried for no reward or fare (for example, an aircraft owner may be flown in their own private jet) changes to the definition of a passenger are required.
34. Equally private jet passengers are not always flown as part of a formal arrangement or agreement, but instead may be flown as part of an informal agreement such as the type that may exist between family members or friends. In order to ensure that these types of passengers are included in the scope of APD, the interpretation of 'agreement for carriage' will be amended.
35. Part 3 of Schedule 1 also includes changes to provide for the rate reduction to Northern Ireland for direct long haul flights.
36. These changes apply to flights that take off on or after 1 April 2013.
37. If you have any questions about this change, or comments on the draft legislation, please contact Wing Edmunson on 020 7147 0410 (email: [wing.edmunson@hmrc.gsi.gov.uk](mailto:wing.edmunson@hmrc.gsi.gov.uk)).