



## Air Passenger Duty: banding reform

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### Who is likely to be affected?

Airlines and other aircraft operators, and their passengers.

### General description of the measure

The number of Air Passenger Duty (APD) destination bands will be reduced to two by merging the former bands B, C and D, and the higher rates that apply to aircraft with an authorised take off weight of 20 tonnes or more and with fewer than 19 seats will be set at six times the reduced rates. Rates for the new bands are shown in the table below.

### Policy objective

This measure contributes to the UK's growth opportunities by lowering the cost of travelling to many emerging market destinations such as China, India and Brazil.

### Background to the measure

This measure was announced at Budget 2014.

## Detailed proposal

### Operative date

This measure will have effect in relation to the carriage of chargeable passengers on and after 1 April 2015.

### Current law

Section 30 of Finance Act 1994 sets out the rates of APD and schedule 5A to Finance Act 1994 sets out the territories in destination bands.

### Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend section 30 of, and schedule 5A to the Finance Act 1994 to reflect a two destination bands structure.

The rates for these bands will be as follows:

From 1 April 2015			
Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate <sup>1</sup> (other than the lowest class of travel)	Higher rate <sup>2</sup>
Band A (0 – 2000 miles)	£13	£26	£78
Band B (over 2000 miles)	£71	£142	£426

<sup>1</sup> If any class of travel provides a seat pitch in excess of 1.016 metres (40 inches) the standard rate is the minimum rate that applies.

<sup>2</sup> The higher rate applies to flights aboard aircraft of 20 tonnes and above with fewer than 19 seats.

## Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-215	-225	-230	-250
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
<b>Economic impact</b>	The measure is expected to support export trade confidence by strengthening UK links to overseas markets. No other significant economic impacts are expected.				
<b>Impact on individuals and households</b>	The measure will reduce the tax paid on flights to many destinations. A family of four visiting relatives in the Caribbean or India flying in economy class will pay £56 less in APD.				
<b>Equalities impacts</b>	It is not expected that there will be any particular impacts on people with protected characteristics.				
<b>Impact on business including civil society organisations</b>	<p>This measure is expected to have a negligible impact on businesses.</p> <p>There are approximately 500 airlines and operators flying from UK airports and they are expected to have negligible one-off transition and ongoing costs as a result of this measure. One-off transition costs for airlines include familiarisation with the changes and updating systems to accommodate the new banding structure and duty rates. Continuing costs are expected to be minimal as administrative procedures will be very similar to the existing APD regime.</p> <p>The measure will reduce the tax paid on flights to many destinations. A businessperson flying business class to China or Brazil will pay £28 less in APD.</p> <p>Overall this measure is expected to have a negligible impact on civil society organisations and businesses.</p>				
<b>Operational impact (£m) (HMRC or other)</b>	Costs to HM Revenue & Customs (HMRC) of implementing this change are expected to be negligible.				
<b>Other impacts</b>	<p><u>Carbon assessment</u>: the banding reform could mean that carbon dioxide emissions are around 0.3 million tonnes higher per year of the scorecard than was expected under the previous policy.</p> <p>Other impacts have been considered and none have been identified.</p>				

## Monitoring and evaluation

HMRC is considering assessing the impact of the policy by monitoring receipts and information collected on tax returns, as well as the wider impact of the measure through communication with stakeholder groups.

## Further advice

If you have any questions about this change, please contact Ann Little on 03000 586096 (email: [ann.little@hmrc.gsi.gov.uk](mailto:ann.little@hmrc.gsi.gov.uk)).