



## Air passenger duty : recent debates & reform

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Air passenger duty (APD) is charged on all passenger flights from UK airports. The rate of tax varies according to passenger destination and the class of passenger travel. The tax is estimated to raise £2.8 billion in 2012/13.<sup>1</sup>

Some commentators have argued that APD should be charged on planes rather than passengers, to provide better incentives for passengers and airlines to cut carbon emissions from aviation. In January 2008 the Labour Government launched a consultation on just such a change, but in November that year the then Chancellor Alistair Darling announced that instead of a per-plane duty, APD would be restructured: the tax would be based on four geographical bands set at intervals of 2,000 miles, so that travellers flying farther would pay a higher rate of duty.<sup>2</sup> The new structure took effect from 1 November 2009, despite concerns about the impact of the new system for passengers making long-haul flights, particularly those making journeys to the Caribbean.<sup>3</sup>

During the election campaign both the Conservatives and the Liberal Democrats argued for reforming APD, and in its first Budget on 22 June 2010 the new Coalition Government stated that it would “explore changes to the aviation tax system, including switching from a per-passenger to a per-plane duty.”<sup>4</sup> In the 2011 Budget the Government announced that it would not proceed with a per-plane duty “given concerns over the legality and feasibility of this approach”.<sup>5</sup> It published a consultation paper setting out options for simplifying the rate structure as well as proposals to extend the scope of the tax to flights on business jets to create “a simple tax system for air transport services in the UK, which does not hamper growth, which ensures a fair contribution toward the public finances from the sector and which is consistent with the Government’s determination to reduce emissions across all parts of the economy.”<sup>6</sup> At this time the Government also said that while it was assumed that duty rates should go up each year in line with inflation, the rates of duty would be frozen for twelve months, with the increase for 2011/12 deferred until April 2012.<sup>7</sup>

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<sup>1</sup> Office of Budget Responsibility, *Economic and fiscal outlook* Cm 8573, March 2013 p102 (Table 4.7)

<sup>2</sup> HC Deb 24 November 2008 c499

<sup>3</sup> For more details see, *Air passenger duty : the approach of the Labour Government* Library standard note SN6426, 19 September 2012. A second note discusses the introduction of the tax: *Air passenger duty : introduction*, SN413, 19 September 2012.

<sup>4</sup> *Budget 2010* HC 61 June 2010 p36

<sup>5</sup> HC 836 March 2011 para 1.152-3

<sup>6</sup> HM Treasury, *Reform of Air Passenger Duty: a consultation*, March 2011 para 1.4

<sup>7</sup> HM Treasury, *Budget 2011 policy costings*, March 2011 p41. This measure would be at a one-off cost of £145m in 2011/12 (HC 836 March 2011 : Table 2.1-item 36).

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In December 2011 the Government published responses to a number of tax consultations with draft legislation for much of the Finance Bill 2012.<sup>8</sup> In its response to the consultation on APD, the Government announced that it would proceed with extending the tax to business aviation, with effect from 1 April 2013, but that it would *retain* the current banding structure.<sup>9</sup> The Government also confirmed that duty rates would rise in April 2012, fully reflecting the rise in inflation over the past two years.<sup>10</sup> Subsequently in the 2012 Budget the Government announced that duty rates would also be increased in April 2013, in line with inflation.<sup>11</sup> Although there has been a long-running campaign against APD led by travel organisations and airlines, the Government has given no indication that it would consider reforming the structure of the tax or abolishing it completely.<sup>12</sup> In the 2013 Budget the Government confirmed the change in rates from 1 April 2013, and announced that for 2014/15, rates would rise in line with inflation from 1 April 2014.<sup>13</sup>

This note looks at the recent debate on taxing aviation, in the context of these developments. Guidance on the operation of the tax, and statistical data on its receipts, is published by HM Revenue & Customs.<sup>14</sup>

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## 1 The rise in aviation emissions

The *Pre-Budget Report* in December 2006 noted the growing significance of aviation in global carbon emissions:

Globally, carbon dioxide from aviation is responsible for around 1.6 per cent of total greenhouse gas emissions, but this level is set to increase as other sectors reduce emissions while demand for air travel rises. The UK aviation sector currently accounts for around 5.5 per cent of the UK's total carbon dioxide output and this could rise to as much as 15 per cent by 2030. Aircraft are also responsible for high-altitude emissions of nitrogen oxides (NOx), and for the formation of cirrus clouds and contrails. The total climate change effect of all aviation emissions is estimated to be at least two to four times greater than the effect of carbon dioxide emissions alone.<sup>15</sup>

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<sup>8</sup> [HC Deb 6 December 2011 c11-12WS](#)

<sup>9</sup> HM Treasury, *Reform of Air Passenger Duty: response to consultation*, December 2011

<sup>10</sup> *Autumn Statement*, Cm 8231 November 2011 para 2.31

<sup>11</sup> *Budget 2012* HC 1853, March 2012 para 2.158

<sup>12</sup> eg, HC Deb 19 October 2012 c536W & 1 November 2012 cc479-83; HL Deb 28 January 2013 cc1395-9

<sup>13</sup> *Budget 2013* HC 1033, March 2013 para 2.157

<sup>14</sup> HM Revenue & Customs, *Customs Notice 550: Air passenger duty*, June 2013 & *Air Passenger Duty: statistical bulletin*, March 2013.

<sup>15</sup> Cm 6984 December 2006 para 7.76

The growth in the demand for air transport shows no sign of abating, and with that, the projected rise in aviation's share of greenhouse gas emissions. In January 2009 the Department for Transport issued updated forecasts of passenger demand and CO<sub>2</sub> emissions, which predicted emissions from domestic and international flights accounting for 20.6% of total UK carbon emissions in 2050.<sup>16</sup>

Many commentators have for some time argued that the way aviation is taxed should be reformed, to provide better incentives for passengers and airlines to counteract this trend.<sup>17</sup> In particular, although road fuel is charged excise duty, and represents a substantial proportion of the pump price paid by motorists, aviation kerosene (AVTUR) which is used in jet engines is *exempt* from duty, under international agreement. The exemption of airlines from national taxes and customs duties on a range of aviation-related goods, including parts, stores and fuel is a standard element of the network of bilateral 'Air Service Agreements' (ASAs) between individual countries, following the principles of the 'Chicago Convention', the fundamental treaty on international civil aviation.<sup>18</sup>

There are several obstacles to the Government deciding to tax aviation fuel. First, it is probable that unilateral moves by the UK to impose duty on this category of fuel would be counterproductive, as well as contrary to EU law. Second, even if agreement was reached for all Member States to charge duty, it is likely this would have only limited effect. Imposing duty on all flights - not just 'domestic' ones within the EU - would pose the threat of "tankering": carriers filling their aircraft as full as possible whenever they landed outside the EU to avoid paying tax. In turn this would worsen the problem of aviation emissions, as aircraft would be burning up extra unnecessary fuel and adding to emissions whenever they did this, given the extra weight of a full fuel tank. Finally, although there have been some moves to reach an international agreement on ending this anomaly – particularly at a European level – progress has been very slow.<sup>19</sup>

As a consequence, the Labour Government argued consistently that changing the way aviation was taxed did not provide the best way to tackle the growth in aviation emissions. In its white paper on aviation published in December 2003, it argued that bringing aviation within the EU emissions trading scheme represented the most effective response to the growth in emissions,<sup>20</sup> and in December 2007 Member States agreed that aviation would come into the scheme from 2012.<sup>21</sup>

This remains the current Government's approach: in its consultation on reforming the structure of APD published in March 2011, it noted:

In the longer-term, if we are to succeed in limiting global emissions from aviation, industry and government must work together to develop efficient, market-based mechanisms for incentivising long-term investment in low-carbon technologies and the

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<sup>16</sup> DfT, *UK air passenger demand and CO<sub>2</sub> forecasts*, January 2009 (Annex K). For more details see, *Air transport statistics*, Library standard note SN3760, 4 July 2011 pp 12-14.

<sup>17</sup> For example, in July 2003, the Environment Audit Committee supported the introduction of an "emissions charge levied on flights and which is clearly displayed on travel documentation" in July 2003 (*Ninth report: Budget 2003 and aviation*, 29 July 2003 HC 672 2002-03 paras 74-77).

<sup>18</sup> For more details see, *Taxing aviation fuel*, Library standard note SN523, 2 October 2012

<sup>19</sup> As noted by the Labour Government in its response to the Environmental Audit Committee's report on the 2008 PBR (*Fourth special report*, 8 June 2009 HC 563 2008-09 p9).

<sup>20</sup> *The future of air transport*, Cm 6046 December 2003 para 3.40

<sup>21</sup> Further details are given in *EU ETS: Including Aviation*, Library standard note SN5533, 23 May 2012

proper incorporation of environmental costs in the market pricing of air transportation. In this respect, the Government believes that the EU Emission Trading System (ETS) should be the principal mechanism for delivering on its goals for reducing the global CO2 emissions impact of aviation.<sup>22</sup>

## 2 The June 2010 Budget

Though the tax was not a major issue in the 2010 General Election, both the main Opposition parties mentioned APD in their manifestoes. The Conservatives stated, in their manifesto, that it wished to, “reform Air Passenger Duty to encourage a switch to fuller and cleaner planes.”<sup>23</sup> The Liberal Democrats gave a little more detail in their own manifesto:

Ensuring pollution is properly taxed by replacing the per-passenger Air Passenger Duty with a per-plane duty (PPD), ensuring that air freight is taxed for the first time. We will also introduce an additional, higher rate of PPD on domestic flights if realistic alternative and less polluting travel is available.

The party estimated that this change would raise just over £3bn by 2011/12.<sup>24</sup>

During the campaign, the Institute for Fiscal Studies published a series of election briefing papers, and in a note looking at the parties’ environmental policy, the authors commented on the plans of both the Conservative Party and the Liberal Democrats for taxing aviation:

### **Aviation duty**

The Liberal Democrats have suggested replacing air passenger duty with a per plane aviation duty. This would be charged on both passenger and freight planes and on flights to all destinations. The per plane tax would take into account emissions of nitrous oxide on take-off and landing (apparently well correlated with the per mile emissions of the plane), maximum take-off weight (MTOW) and distance travelled. The Conservatives have also proposed a reform of air passenger duty “to encourage a switch to fuller and cleaner planes”, but so far their proposal remains unspecific.

Under Liberal Democrat plans, there would be a supplementary tax on domestic flights in the UK in order to encourage rail travel. The cost per mile of the tax would be higher for domestic flights travelling less than 300 miles (excluding “lifeline flights”, which we interpret to be flights to Scottish Islands, and flights between Northern Ireland and the rest of the UK). They aim for these two taxes to raise £3.3 billion if implemented in 2010–11. The tax would be adjusted to meet this revenue target. To avoid aeroplanes touching down in a country close by and then taking off to a further, final destination they would charge the duty to the final destination.

The government has already considered and rejected a per-plane tax levied according to distance travelled and MTOW.<sup>25</sup> The concern was that using MTOW would not provide incentives for airlines to improve their environmental efficiency. There were also concerns that such a tax could threaten Britain’s status as a transit hub for international flights, if other airlines tried to avoid the tax by switching to alternative hubs on the continent.

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<sup>22</sup> *Reform of Air Passenger Duty: a consultation*, March 2011 para 3.9

<sup>23</sup> *Invitation to join the Government of Britain: the Conservative Manifesto*, April 2010 p23

<sup>24</sup> Liberal Democrats, *Liberal Democrat Manifesto 2010*, April 2010 p14, p100

<sup>25</sup> Pre Budget Report, HM Treasury, 2008

Such a tax, if implemented, would be a better targeted tax than air passenger duty is at present. The current duty is a per-passenger tax and so is not charged on freight flights, which also contribute to greenhouse gas emissions. At the moment it only varies by distance travelled through four broadly defined bands. It also provides no incentives for airlines to reduce carbon emissions per flight, or to reduce the number of total flights by carrying more passengers per plane.<sup>26, 27</sup>

Following the Election, the new Government gave details of its approach to taxation in the Coalition agreement, and this included the statement that the Government would, “reform the taxation of air travel by switching from a per-passenger to a per-plane duty, and will ensure that a proportion of any increased revenues over time will be used to help fund increases in the personal allowance.”<sup>28</sup> The Government’s first Budget was on 22 June, and although the Chancellor did not set out any changes to taxing aviation in his speech, the Budget report noted that, “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.”<sup>29</sup>

Prior to the 2011 Budget, the Government gave no further details, although there was some speculation in the press that there had been a change of heart on introducing a per-plane tax.<sup>30</sup> In their 2011 *Green Budget* the Institute for Fiscal Studies touched on this issue, suggesting that “a move to a per-plane tax is ... still a good idea”:

The fact that aircraft weight and distance flown are not perfect proxies for the emissions of a flight is not in itself a good reason to have rejected the change. As a possible basis for a tax, weight and distance are almost certainly more closely correlated to emissions than passenger numbers and destination.<sup>31</sup>

For its part the industry appears to have taken the view that higher taxes were likely, whatever changes might be made in the tax base: on 3 March ABTA launched a ‘Fair Tax on Flying’ [campaign](#), supported by many airlines, airports and travel trade associations, opposing any further rise in APD.<sup>32</sup>

Subsequently chief executives from British Airways, Ryanair, EasyJet and Virgin Atlantic, made a joint case for abolishing the tax, on the grounds that aviation would come within the extension of the EU Emissions Trading Scheme from January 2012.<sup>33</sup> To buttress its case the Association published figures showing comparing duty rates to those charged in other countries:<sup>34</sup>

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<sup>26</sup> For more detail on this, see Leicester, A. and C. O’Dea (2008), “Aviation taxes” in Chote, R. et al (eds.), IFS Green Budget 2008 (<http://www.ifs.org.uk/budgets/gb2008/08chap9.pdf>)

<sup>27</sup> Paul Johnson & Peter Levell, *Environmental Policy Proposals: 2010 Election Briefing Note no.14, Institute for Fiscal Studies*, 28 April 2010 pp8-9

<sup>28</sup> HM Government, *The Coalition: our programme for government*, 20 May 2010 p30

<sup>29</sup> *Budget 2010* HC 61 June 2010 p36

<sup>30</sup> “Aviation tax reform dropped”, *Financial Times*, 12 March 2011

<sup>31</sup> “[Chapter 11: Environmental policy](#)”, in *IFS Green Budget 2011*, February 2011 p262

<sup>32</sup> “2011: the most expensive year to holiday abroad”, *Sunday Times*, 6 March 2011. At this time 27 Members signed an EDM supporting the campaign (EDM 1523, *Aviation taxation*, 2 March 2011).

<sup>33</sup> “Airline chiefs demand an end to tax that ‘deprives families of a holiday’”, *Times*, 18 November 2011

<sup>34</sup> ABTA, *ABTA Response to HM Treasury: Reform of Air Passenger Duty*, 16 June 2011

**Table 1: Comparative aviation tax rates for a family of four**

	To Europe	To the USA	To Australia
<b>From the UK</b>	£48	£240	£340
<b>From Germany</b>	£30	£90	£164
<b>From Austria</b>	£30	£90	£127
<b>From Ireland</b>	£11*	£11*	£11*
<b>From France</b>	£4	£14.5	£14.5
<b>From Other European Countries</b>	0	0	0

\* The Irish Government has announced its intention to remove this taxation in due course.

The Airport Operators Association has also published comparative figures, which are reproduced in a report by the All Party Parliamentary Group for Aviation in summer 2012:<sup>35</sup>

*Rates of UK aviation tax per person compared to other EU countries*

Country	Short haul rate in economy (€)	Medium haul rate in economy (€)	Long haul rate in economy (€)	Max rate charged - any class (€)
Austria	€8.0	€20.0	€35.0	€35.0
France	€5.2	€5.2	€11.6	€47.6
Germany	€7.5	€23.4	€42.2	€42.2
Ireland	€3.0	€3.0	€3.0	€3.0
Italy	€4.5	€4.5	€4.5	€5.5
<b>UK</b>	<b>€16.0</b>	<b>€89.9</b>	<b>€113.3</b>	<b>€226.6</b>
Other EU average	€5.6	€11.2	€19.3	€26.7
All EU average	€7.4	€24.3	€34.9	€60.0
<b>Ratio - UK: other EU</b>	<b>2.8</b>	<b>8.0</b>	<b>5.9</b>	<b>8.5</b>
<b>Ratio - UK: all EU</b>	<b>2.2</b>	<b>3.7</b>	<b>3.2</b>	<b>3.8</b>

Source: Airport Operators Association (AOA)

In answer to PQs on airport taxes, the Government has not given comparable figures, noting that “information on the aviation taxes of other EU member states and other G20 countries is published and freely available” but that, “unlike many other countries, the UK does not apply VAT on flights and aviation fuel for commercial flights is not taxed.”<sup>36</sup> It has also noted that the total makeup of aviation taxes will vary from country to country, and that passengers using airports in other countries may be asked to pay for “costs such as landing fees, air traffic control and airport infrastructure charges.”<sup>37</sup>

<sup>35</sup> House of Commons All Party Parliamentary Group for Aviation, *Inquiry into Aviation Policy and Air Passenger Duty*, August 2012 p10

<sup>36</sup> HC Deb 19 December 2011 c984W

<sup>37</sup> HL Deb 8 March 2012 cWA434

### 3 Budget 2011 : consultation on reforming APD

In his 2011 Budget speech the Chancellor, George Osborne, announced that the Government would consult on just simplifying the structure of APD, as it was likely that any per-plane tax would be found contrary to international agreements on aviation. As excise duties are expressed in cash terms, the general pattern is for governments to revalorise them each year – that is, increase them in line with inflation to maintain their real value. In his speech Mr Osborne went on to confirm that APD rates would rise in line with inflation, but this increase would be deferred for one year:

Let me be straight with the House: we had hoped that 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 that the ordinary holidaymaker has to pay. 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.<sup>38</sup>

The Budget report confirmed that duty rates would be frozen for 2011/12 “with the RPI increase assumed in the forecast deferred to April 2012.”<sup>39</sup>

The Government's consultation paper said relatively little on the legal impediments to a per-plane tax, simply noting that, “the UK is a signatory to the 1944 ICAO Chicago Convention and has Air Service Agreements (ASAs) with over 150 countries” and that “many stakeholders have expressed concerns about the legality and feasibility of introducing a per plane duty under current international rules.”<sup>40</sup> The paper went on to discuss certain aspects of APD that have been criticised: first, the fact that some types of flight are outside the scope of the tax, and second, the operation of the current four band structure.

At present some types of passenger flight are exempt from tax, as are flights for air freight. In its paper the Government argued that without international action, it would be counterproductive to tax freight flights or to tax passengers using UK airports for transfers, but that the current exemption of flights on small planes should be changed, to ensure passengers on private jets paid APD:

Aside from a number of essential services, the main exemptions from APD relate to passengers who transfer or transit through UK airports, and all passengers who travel in private or commercial aircraft which are under the current weight and passenger seat de minimis for APD (the current exemption applies to aircraft, including helicopters, under 10 tonnes authorised take-off weight or with fewer than 20 seats) ...

For many airlines operating in and out of the UK, transit-and-transfer passengers are crucial, as they enable services to be provided to destinations that would not otherwise be served and support higher flight frequencies to many popular destinations. The

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<sup>38</sup> HC Deb 23 March 2011 c963

<sup>39</sup> HC 836 March 2011 para 1.153. In this case rates are increased by the projected RPI figure in the year to September prior to the respective change – rounded to the nearest £1: HM Treasury, *Budget 2011 policy costings*, March 2011 p69.

<sup>40</sup> HM Treasury, *Reform of Air Passenger Duty: a consultation*, March 2011 para 4.5

enhanced connectivity that this provides is an important benefit for UK passengers and the economy as a whole. In the absence of co-ordinated international action, the Government believes that it is not appropriate to extend APD to transfer-and-transit passengers at UK airports.

Taxing transit-and-transfer passengers would also unfairly impact on passengers at UK regional airports who continue their journey via another UK international airport. For similar reasons, the Government believes that it is not appropriate to extend the tax regime to dedicated freight transport services in the UK at the current time ...

There is a strong fairness argument for extending aviation taxation to the many thousands of private passenger flights on aircraft (including helicopters) below the present weight and passenger seat de minimis limit ('business jet flights'), which currently are not liable to APD ... The Government proposes a per passenger tax for passengers aboard aircraft with an authorised take-off weight in excess of 5.7 tonnes where APD is not already payable. The proposal is to have a single rate of duty per passenger in 2012-13, irrespective of distance travelled, equivalent to the highest standard rate of APD. The precise definition of flights covered by the new tax will be determined in light of consultation evidence and responses.<sup>41</sup>

Turning to the question of the four band structure, the paper noted that many stakeholders thought the new structure was damaging UK competitiveness and contained several anomalies – such as imposing a higher rate on Caribbean flights than flights to destinations in the USA which were further away from the UK.

The paper set out two options for reform:

- returning to the structure that had been in place before 2009, comprising two tax bands (broadly speaking, flights within Europe, and those elsewhere), and two classes of travel. In this case, the distinction between short-haul and long haul flights could be based either on distance – short-haul being up to 2,000 miles – or the boundaries of the European Common Aviation Area.
- creating a three band structure by combining the current two higher bands for flights over 4,000 miles away and, again, retaining two classes of travel.

The paper summarised both options, in terms of what duty rates would have to be to ensure a broadly revenue-neutral reform. As a reference point, the paper summarised the current duty structure, along with the rates that would apply from April 2012, assuming indexation (bracketed estimates):<sup>42</sup>

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<sup>41</sup> *op.cit.* paras 4.9-4.12

<sup>42</sup> As RPI estimates have been updated since then, the rates of duty since 1 April 2012 are slightly different to those shown here: the rates for Band C and D are £81/£162 & £92/£184 respectively.



**Table 4.A: The Current Four Band APD Regime**

Current APD Bands (Distance in miles from UK)	From 1 November 2010	
	Reduced rate* (in lowest class of travel)	Standard rate* (in other than lowest class of travel)
Band A (0-2000)	£12 (£13)	£24 (£26)
Band B (2001-4000)	£60 (£65)	£120 (£130)
Band C (4001-6000)	£75 (£82)	£150 (£164)
Band D (over 6000)	£85 (£93)	£170 (£186)

\*Bracketed estimates indicate notional APD rates effective from April 2012, assuming uprating of reduced rates by forecast RPI inflation in 2011 (deferred for 1 year) and 2012, rounded to the nearest pound (and standard rates are twice reduced rates).

**Table 4.B: Moving to Two Band APD Regime**

Proposed APD Bands (Distance in miles from UK)	From 1 April 2012	
	Reduced rate* (in lowest class of travel)	Standard rate* (in other than lowest class of travel)
Band A (0-2000)	£13-£16	£26-£32
Band B (over 2000)	£65-£75	£130-£150

\* Estimates indicate ranges from which rates would be set to deliver a broadly revenue neutral reform from April 2012, relative to bracketed rates in table 4.A.

**Table 4.C: Moving to Three Band APD Regime**

Proposed APD Bands (Distance in miles from UK)	From 1 April 2012	
	Reduced rate* (in lowest class of travel)	Standard rate* (in other than lowest class of travel)
Band A (0-2000)	£13-£16	£26-£32
Band B (2001-4000)	£60-£69	£120-£138
Band C (over 4000)	£72-£83	£144-£166

\* Estimates indicate ranges from which rates would be set to deliver a broadly revenue neutral reform from April 2012, relative to bracketed rates in table 4.A.

An appendix to the paper mapped out the impact of these options, and gave a checklist of destinations. It is worth noting that these examples were based on current practice, in that banding was based on the distance from London to the *capital city* of the country concerned. This would continue to throw up some anomalies – so under a 3 band structure, flights to *all* US destinations would be in a lower band than flights to the Caribbean.

The paper also invited views on how ‘premium economy’ flights should be classified, whether flights from regional airports should benefit from a lower rate of duty, and whether APD should remain a UK-wide tax or should be devolved. The consultation period closed on 17 June 2011.

On the position of regional airports the consultation paper noted that “some industry stakeholders” had pointed out that “whilst airports in London and the South East operate at or near full capacity, there is persistent excess capacity at some of the UK’s other main

airports. As a possible remedy, some have suggested that the Government should consider setting lower rates of APD for passengers using regional airports outside London and the South East.<sup>43</sup> Further to this in June the *Financial Times* reported that 10 regional airports had lobbied the Government to replace APD with a congestion-tax, based on the percentage of flying slots used, as a regionally-differentiated APD might be contrary to EU state aid rules.<sup>44</sup> The paper published a letter from the chairman of Gatwick airport who argued the proposal was “unfair and unsubstantiated ... the vast majority of international passengers ... visiting the UK want to come to London. To ask them to fly into a remote regional airport and then take a train is ludicrous.”<sup>45</sup>

The issue was also raised by Henry Smith MP in an adjournment debate in October 2011. Gatwick lies in the Member’s constituency so while Mr Smith argued for simplifying the tax, unsurprisingly he argued that higher charges for airports in the South East would be “unfair, unnecessary, economically misguided and environmentally dubious.”<sup>46</sup> The Economic Secretary, Chloe Smith, who responded to the debate, confirmed that the Government would publish a full response to the consultation in the autumn. On the question of having regional APD rates, Ms Smith said, “It is certainly fair to say that there is no consensus on the matter. Some regional airports have asked us to consider lower APD rates for the regions, but several airlines and hon. Members have asked us to consider the opposite.”<sup>47</sup>

The Treasury’s consultation paper also touched on the question of devolving APD. In November 2010 the Government published the *Scotland Bill 2010-11* to implement the recommendations of the Calman Commission, including provisions to give the Scottish Parliament new powers to raise its own revenue – principally by means of setting a Scottish rate of income tax.<sup>48</sup> The Commission had argued that a number of taxes could be devolved to “provide useful additional fiscal levers to the Scottish Parliament”, including APD, as they were imposed on “items which are less mobile, and so are unlikely to cause significant economic distortions.”<sup>49</sup> While the Government agreed that the Bill should devolve two taxes from this list – stamp duty land tax and landfill tax – it decided against devolving APD, given it was still exploring whether to replace it with a per plane tax. In turn, the consultation paper asked for views on devolving the tax to Scotland, and to both Wales and Northern Ireland:

The Government recognises that aviation is, by its very nature, a highly mobile sector, both in terms of airline operations and passenger choice. Before making a final decision, the Government would therefore like to understand the potential impact of devolving APD in Scotland. In a similar way, the Government would also like to understand the case for devolving APD in Northern Ireland and Wales.<sup>50</sup>

In July 2011 the Northern Ireland Affairs Committee published a report on APD in which it recommended that the tax should be abolished for flights both to and from airports in Northern Ireland, because of competition from airports in the Republic and the threat this posed to one particular transatlantic route:

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<sup>43</sup> [Reform of Air Passenger Duty: a consultation](#), March 2011 para 5.9

<sup>44</sup> “Regional airports call for Heathrow congestion tax”, *Financial Times*, 16 June 2011

<sup>45</sup> “Letter: Unfair imposition on London flyers”, *Financial Times*, 21 June 2011

<sup>46</sup> HC Deb 20 October 2011 c1173

<sup>47</sup> HC Deb 20 October 2011 c1176

<sup>48</sup> The background to the Bill is set out in *Library Research paper 11/06: Scotland Bill*, 18 January 2011.

<sup>49</sup> Commission on Scottish Devolution, *Serving Scotland Better: Scotland and the United Kingdom in the 21st Century*, June 2009 p7

<sup>50</sup> [Reform of Air Passenger Duty: a consultation](#), March 2011 para 5.12-13

The one direct transatlantic flight from Belfast to the US, carrying 100,000 passengers a year to New York is currently at risk due to increases in the Air Passenger Duty — adding near £60 per passenger to the US compared to €3 rate in the Republic, although recent reports indicate that the Irish Government is preparing to scrap even this small amount as part of a package of measures being introduced to encourage tourists to the Republic ... If Belfast and Northern Ireland are going to compete with Dublin and the Republic of Ireland for investment from the US then it is important that the direct service is not lost ...

The Continental Airlines transatlantic route from Belfast International to Newark Airport ... is a vital link between Northern Ireland and North America ... In order to support the route, Continental Airlines has been paying the APD itself, expecting to pay some £3.2 million out of its own income in the current year [Q172] Asked whether the company would be able to continue to pay the APD for a further year, two senior representatives of the airline, Mr Bob Schumacher and Mr Conor McAuliffe, gave evidence to the Committee that a required solution was "more immediate than that "[Q199].<sup>51</sup>

In September 2011 the Chancellor announced that to maintain this route, the Government would cut the rate of APD on long haul flights using airports in Northern Ireland; from 1 November 2011 the rate would be cut from £60 to £12 for economy passengers, and from £120 to £24 for business-class passengers.<sup>52</sup>

The Government's reasons for doing this were set out in a written statement some days later:

**The Economic Secretary to the Treasury (Miss Chloe Smith):** From 1 November 2011, the rate of air passenger duty (APD) for direct long-haul passengers departing from airports in Northern Ireland will be cut to the short-haul rate, which is currently £12 in economy and £24 in business and first class. This measure is a response to the unique challenge facing Northern Ireland and is designed to ensure local airports remain competitive, demonstrating the Government's commitment to stimulating and rebalancing the Northern Ireland economy.

In parallel the Government are launching a process for the devolution of aspects of APD to the Northern Ireland Assembly to provide a lasting solution to the unique circumstances Northern Ireland faces. Devolution of APD to Northern Ireland will require primary legislation. The precise scope of devolution will be agreed in close consultation with the Northern Ireland Executive.<sup>53</sup>

## 4 Recent developments

On 29 November 2011 the Chancellor gave his Autumn Statement, in which he confirmed that APD would be extended to cover business flights. The measure was estimated to raise £5m a year. Furthermore the rise in duty rates set for April 2012 would go ahead.<sup>54</sup>

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<sup>51</sup> *Second report: Air Passenger Duty*, 8 July 2011 HC 1227 2010-12 paras 5, 18-19

<sup>52</sup> HM Treasury press notice 107/11, 27 September 2011. See also, "N Ireland plans to cut duty on long-haul route", *Financial Times*, 28 September 2011.

<sup>53</sup> HC Deb 19 October 2011 c964W. This is set to cost £5m a year from 2013/14: Cm 8231, November 2011, p46 (Table 2.1 : item 4)

<sup>54</sup> *Autumn Statement* Cm 8231, November 2011 para 1.137, Table 2.1 (item 11) p46, para 2.31. The projected yield from taxing business flights remains £5m pa (HC 1033, March 2013 : Table 2.2 – item al).

The Government's response to the consultation on APD was published a few days later, alongside several other responses to tax consultations and draft legislation for much of the Finance Bill 2012.<sup>55</sup> In its response to the consultation on APD, the Government confirmed the change in treatment of business flights, but it did not propose any changes to the tax's banding structure, to the way different classes of flight are taxed, or to the application of APD to the regions.<sup>56</sup>

On business flights, the Government proposed that APD apply to flights on all aircraft above 5.7 tonnes, and that a higher rate will apply to more luxurious jets, with certain exemptions:

All flights aboard aircraft of less than 20 tonnes or with 19 seats or more, will be subject to the same distance banding structure and rates of APD that apply to passengers aboard commercial flights. As with commercial flights, seat pitch will be used to determine whether the reduced or standard rate of APD will apply. As part of the consultation process, industry stakeholders provided evidence of the range of services offered by business aviation. This highlighted the fact that aircraft of 20 tonnes or more, with fewer than 19 seats, generally provide a higher class of service. To reflect this, duty rates equivalent to double the standard APD rate in each respective distance band will apply to all flights in this category ...

The Government will exempt emergency flights, research and training flights, and helicopters from APD. Where appropriate it will also extend the current exemptions from APD.<sup>57</sup>

Initially it had been thought that this change would apply from the 2012/13 tax year, but, in view of the fact that this would bring a substantial number of new operators into the APD regime, and would require the introduction of special rules tailored to business aviation, the Government proposed delaying implementation until 1 April 2013.<sup>58</sup> Further to this, in December 2012 the Treasury announced that special accounting schemes would be introduced for operators of business jets and small aircraft; provision to this effect would be made in secondary legislation.<sup>59</sup>

On the vexed question of banding structure – and the anomalies this has created – the Government took the view that further changes would create other anomalies:

In weighing up the case for reform, the Government recognises that no banding structure will be entirely free of anomalies. Moreover, a revenue neutral change to the current APD distance bandings would inevitably require some passengers to pay more. A move to a two band structure would require passengers travelling within the UK and Europe, and those travelling to band B destinations (including the United States), to pay more in order to ensure overall revenue neutrality. In addition, any change to the banding structure would have some transitional costs for industry and HMRC.

Having considered the impacts of moving to fewer bands, the Government has decided on balance to retain the current banding structure of APD.<sup>60</sup>

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<sup>55</sup> [HC Deb 6 December 2011 c11-12WS](#). For more details see two tax information and impact notes: [Air Passenger Duty: Business Jets](#) (TIIN708) & [Air Passenger Duty: Cut in Northern Ireland Rate](#) (TIIN876), December 2011

<sup>56</sup> HM Treasury, [Reform of Air Passenger Duty: response to consultation](#), December 2011

<sup>57</sup> *op.cit.* paras 2.19-20, 2.22. Annex C to the document gives a full list of these planned exemptions.

<sup>58</sup> *op.cit.* para 2.23. see also, HL Deb 25 January 2012 cc 1043-4

<sup>59</sup> HMT, [Overview of Legislation in Draft](#), December 2012 para 1.58. This provision is made under SI 2013/493.

<sup>60</sup> [Reform of Air Passenger Duty: response to consultation](#), December 2011 paras 3.7-8

The paper went on to set out the Government's case for leaving the treatment of premium economy and regional flights unchanged:

It is clear from responses to the consultation and further discussion with the industry that premium economy products vary significantly between airlines. Any attempt to define premium economy for taxation purposes would therefore increase the complexity of the tax. This would also lead to greater administrative burdens for both the industry and HMRC. In addition, the Government notes that any attempt to define premium economy by seat pitch would inevitably discriminate between similar products offered by different airlines, including some and excluding others. On balance, to maintain the simplicity of the tax and avoid additional burdens, the Government has decided that no changes will be made to the class of travel distinction in APD ...

The Government is committed to rebalancing the UK economy across the regions. As made clear in the National Infrastructure Plan 2011<sup>61</sup>, the Government is also committed to maintaining the status of the UK as an international hub for aviation, with excellent connectivity to both developed and emerging markets. The Government will continue to work with stakeholders to examine the role of the tax system in support of these objectives. The Department for Transport is also considering regional connectivity and regional airports policy as part of its development of a sustainable framework for UK aviation, which will be issued for public consultation in March 2012.<sup>62</sup>

A written answer given subsequently gives more detail on the Government's decision to leave the banding structure unchanged – an extract is given below:

**Miss Chloe Smith:** The Government decided not to change the air passenger duty (APD) bands as doing so would lead to an increase in APD for 91% of passengers. The APD consultation received 136 responses to the question on banding structure. Of this total, 77 supported a move to two distance bands, eight supported retaining the existing four-band structure and a further eight advocated moving to a three-band structure. A further 43 discussed the question and suggested other alternatives. Supporters of the two-band option argued that it would generate fewer anomalies and be simpler for passengers to understand and airlines to administer. Those in favour of the current four-bands or a system based on more distance bands argued that it would be fairer. However, there was no agreement on the composition of these bands.

The APD consultation received 70 responses to the question on class of travel. Of this total, 54 supported a reclassification of premium economy while 11 favoured retaining the existing rules. A further five respondents discussed the issue but offered no clear preference. Most of those who wanted premium economy to be taxed at the reduced rate advocated the use of a 40-inch seat pitch definition.

The Government considered this evidence carefully. A revenue neutral change to the current banding structure would have required those flying to band A and band B destinations (91% of passengers) to pay more. The Government therefore decided to retain the existing four APD distance bands.

It was clear from consultation responses on class of travel that premium economy products vary significantly between airlines. Any attempt to define premium economy for taxation purposes would increase the complexity of the tax, increasing the burdens

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<sup>61</sup> National Infrastructure Plan 2011, HM Treasury and Infrastructure UK

<sup>62</sup> [Reform of Air Passenger Duty: response to consultation](#), December 2011 paras 3.24-5, 3.31

for both industry and HMRC. A definition based on seat pitch would inevitably discriminate between similar products offered by different airlines.<sup>63</sup>

Turning back to the response paper, on the question of devolution, the Government stated that while the tax would be devolved to Northern Ireland, it would continue to examine case for devolving APD to Scotland and Wales.<sup>64</sup>

While the campaign to have the rates of APD cut, or the tax abolished has continued,<sup>65</sup> there has not been any indication that the Government are willing to change its approach. In February 2012 the Government confirmed that provision in the upcoming Finance Bill would devolve APD to the Northern Ireland Assembly:

**The Economic Secretary to the Treasury (Miss Chloe Smith):** Last September the Government announced measures to support air travel to and from Northern Ireland. From 1 November 2011 APD for passengers travelling on direct long-haul routes departing from airports in Northern Ireland was cut to the lower short-haul rate. To provide a lasting solution, the Government launched a further process to devolve aspects of APD to the Northern Ireland Assembly.

Today, I can announce that the power to set APD rates for direct long-haul flights departing from Northern Ireland will be devolved to the Northern Ireland Assembly and provided for in the Finance Bill 2012. Following devolution, it will be for the Assembly to determine what level of APD will apply to direct long-haul flights. The rates set by the Assembly will apply to the carriage of passengers on and from a day to be appointed by order, irrespective of when the ticket for the flight was booked or purchased.<sup>66</sup>

The Chancellor did not mention APD in his Budget speech on 21 March, though the Budget report confirmed the rise in duty rates from 1 April 2012, adding that rates for 2013/14 would be increased in line with inflation from 1 April 2013.<sup>67</sup> The report noted that the forthcoming Finance Bill would also contain the previously-announced measures relating to business jets and the rates in Northern Ireland;<sup>68</sup> in each case the draft legislation as initially published in December 2011 would be introduced without any major changes.<sup>69</sup> These provisions were the subject of a short debate by the Committee of the Whole House on 18 April, when the then Economic Secretary, Chloe Smith, set out the Government's position on duty rates:

Hon. Members will know that the Government were able to freeze APD for a year in March 2011. At the high cost to the Exchequer of £140 million, I think people will appreciate that this was not easy. Looking to the future, if we are to stay on course with our deficit reduction plans, it is necessary for APD rates to rise. The fact of the matter is that, over the two years 2011-12 and 2012-13, the increase in APD rates equates to a rise of no more than inflation. Indeed, most passengers will pay only £1 more on their

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<sup>63</sup> HC Deb 13 December 2011 cc 682-3W. see also, HL Deb 23 January 2012 cc795-7

<sup>64</sup> *Reform of Air Passenger Duty ...*, December 2011 paras 3.37-8

<sup>65</sup> For example, EDM 2591 of 2010-12, 11 January 2012; World Trade and Tourism Council press notice, *Air tax – doing substantial damage to the UK economy*, 12 March 2012

<sup>66</sup> HC Deb 21 February 2012 c71WS

<sup>67</sup> *Budget 2012* HC 1853 March 2012 para 2.158; HM Treasury/HM Revenue & Customs, *Overview of tax legislation and rates*, March 2012 para 2.44

<sup>68</sup> HC 1853 March 2012 paras 2.159-160

<sup>69</sup> *Overview of tax legislation and rates*, March 2012 p14. Provision to enact these measures is made by s190 & schedule 23 of *Finance Act 2012*. Consequential changes were made by Order (SI 2012/3017).

flights. That increase is necessary. To provide greater certainty, we have also set out in this Budget the APD rates for two years up to 2013-14.<sup>70</sup>

In turn in autumn 2012 the Northern Ireland Executive introduced legislation to abolish APD on direct long haul flights from Northern Ireland from 1 January 2013.<sup>71</sup>

In June 2012 Graham Stringer MP has put down an EDM arguing that the tax is “acting as a deterrent to both inward investment and inbound tourism” and calling on the Treasury to “commission a comprehensive study into the full economic effects of aviation tax in the UK, including its impact on employment, reporting in advance of the 2013 Budget.”<sup>72</sup>

In addition the All Party Parliamentary Group for Aviation published a report on aviation policy and APD in August 2012, in which they acknowledged the industry’s concerns and suggested duty increases appear to have been imposed “simply because it is a ‘successful means for the Government to raise much needed revenue.’” The Committee argued that there should be an evaluation of the impact of duty rates on travellers, and more widely on the impact of the tax on the economy.<sup>73</sup> More recently a consortium of UK and Irish airline operators published a study which claimed that the abolition of APD could pay for itself, thanks to the associated boost in exports and tourism.<sup>74</sup>

However, the Government appear to have no plans to undertake this type of assessment envisaged by the All Party Group or to reform the tax any further:

**Henry Smith:** To ask the Chancellor of the Exchequer (1) what research his Department has conducted to assess the impact of air passenger duty on the economy; (2) if he will consider the All Party Parliamentary Group on Aviation’s inquiry into Aviation policy and air passenger duty and the recommendation that the wider effect of air passenger duty on the UK economy be reviewed.

**Sajid Javid:** The Government undertook an extensive consultation on air passenger duty last year. The consultation gathered views and evidence from stakeholders, which included views on the impact of APD. Over 500 responses were received from a wide range of stakeholders. The Government published its response to the consultation, including a summary of views received, on 6 December 2011. The Government has noted the recommendations of the All Party Parliamentary Group on Aviation inquiry. Given that we recently completed a comprehensive consultation on the subject, we have no plans for further review. However, we will continue to monitor the situation.<sup>75</sup>

The Chancellor, George Osborne, did not mention APD in his Budget speech on 20 March 2013, though in the Budget report, the Government announced that for 2014/15, rates would

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<sup>70</sup> HC Deb 18 April 2012 cc469-70

<sup>71</sup> Under the *Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012*. Details on the scrutiny of this legislation by the Assembly is [on its site](#). See also, HMRC, [Air Passenger Duty update - Northern Ireland rates](#)

<sup>72</sup> EDM 174 of 2012-13, 12 June 2012 (105 Members signed this motion). See also, EDM 685 of 2012-13, 5 November 2012

<sup>73</sup> House of Commons All Party Parliamentary Group for Aviation, [Inquiry into Aviation Policy and Air Passenger Duty](#), August 2012 pp20-21

<sup>74</sup> “Scrap flight tax to boost economy, say airlines”, *Guardian*, 4 February 2013; PriceWaterhouseCoopers (PWC), [The economic impact of Air Passenger Duty](#), February 2013.

<sup>75</sup> HC Deb 19 October 2012 c536W. The Minister reiterated this position in his response to a back bench debate on APD the next month (HC Deb 1 November 2012 cc442-483).

rise in line with inflation (RPI) from 1 April 2014. The report goes on to state that the Government have “no plans to vary APD rates by levels of airport congestion”.<sup>76</sup>

Provision for the rise in APD rates from 1 April 2013 is made in *Finance Bill 2013* (specifically clause 183). The reduced and standard rates of APD to Band A destinations are unchanged. Reduced rates to all other destinations bands will rise by £2, and standard rates by £4. The Bill also includes a clause – clause 184 – to “give HMRC the power to require operators of business jets to make payments of APD on account, should HMRC consider this is necessary to protect revenue.”<sup>77</sup>

Both clauses were debated, and approved without amendment, at the Committee stage of the Bill on 18 April 2013. On this occasion the House debated new clauses put down by the SNP, and Plaid Cymru, for the devolution of APD to the Scottish and Welsh governments respectively. In response to the debate the Economic Secretary, Sajid Javid, set out the Government’s reasons for only devolving APD to Northern Ireland, as follows:

The decision to devolve direct long-haul rates to Northern Ireland was a reflection of the unique challenges faced there ... Northern Ireland is the only part of the UK to share a land border with another EU member state with a lower rate of aviation tax. The UK Government are committed to devolving tax powers where it is to the benefit of the UK as a whole. This is evident from the devolution to Scotland of the stamp duty land tax and the landfill tax, which amounts to the biggest transfer of fiscal powers from London to Scotland in 300 years ...

In response to the 2011 consultation on APD, a substantial number of stakeholders raised concerns about devolution complicating the APD system and creating distortions in the markets for flights. This concern was reinforced in a recent report by HMRC suggesting that the devolution of APD could lead to market distortion as a result of passenger redistributions between UK airports, without substantially increasing demand for aviation overall. In considering whether to devolve APD, hon. Members will surely agree that we must assess the risk of replicating the same problems that Northern Ireland faced from lower aviation taxes in the Republic of Ireland ... Our analysis needs to be based on a full examination of the evidence. We will not be rushed or pushed into making premature judgments. On that basis, I ask hon. Members not to press their new clauses.<sup>78</sup>

In the event both new clauses were negated on division.

More recently in answer to a PQ, the Exchequer Secretary, David Gauke, has underlined the Government’s view that “APD is a relatively efficient and non-regressive tax, and that abolishing it would have a small impact on GDP and cause a net loss of overall tax receipts”:

**Priti Patel:** To ask the Chancellor of the Exchequer (1) what comparative assessment his Department has made of the amount of air passenger duty paid by (a) British companies, (b) French companies, (c) German companies, (d) companies in the Netherlands and (e) companies in the Republic of Ireland; (2) what assessment his

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<sup>76</sup> *Budget 2013* HC 1033, March 2013 para 2.157. Provision for the 2104/15 rise is to be made in *Finance Bill 2014*. HMT/HMRC, *Overview of Tax Legislation and Rates*, 20 March 2013 para 2.30

<sup>77</sup> HC 1033, March 2013 para 2.158. Regulations made under this provision would prescribe the calculation of these amounts and the time when they would have to be paid. The clause also adds South Sudan to the list of territories in Band B, further to international recognition of this sovereign state (Bill 154 of 2012-13 – EN).

<sup>78</sup> HC Deb 18 April 2013 cc601-2



Department has made of the recent report by PricewaterhouseCoopers, The economic impact of air passenger duty, published February 2013; and if he will make a statement; (3) if he will publish his Department's assessment of the effects of current levels of air passenger duty on UK businesses' use of air transport and their ability to export; (4) how many representations he has received from overseas residents regarding air passenger duty in 2012.

**Mr Gauke:** Air passenger duty (APD) is paid by airlines rather than passengers, although airlines usually pass the cost of the tax on in ticket prices. For the purposes of administering the tax, HM Revenue and Customs (HMRC) does not require and does not collect information on the final purchasers of tickets, and so it is not possible to identify the amount of APD paid by companies resident in different countries. While HMRC does hold data on the amount of APD paid by airlines, it is not possible to provide breakdowns of this information by country due to taxpayer confidentiality.

The Government believes that APD is a relatively efficient and non-regressive tax, and that abolishing it would have a small impact on GDP and cause a net loss of overall tax receipts.

The Government has limited the rise in APD to inflation over the period from 2010-11 to 2013-14. Furthermore, Budget 2013 set out rates from April 2014, which will also only rise in line with inflation, ensuring that the level of APD will remain constant in real terms. However, the Chancellor keeps all taxes under review and considers their effects in the round.

Treasury Ministers and officials have meetings and receive representations from a wide variety of individuals and authorities as part of the process of policy development and delivery. Our records are not broken down to allow the number of communications specifically from overseas residents to be determined.<sup>79</sup>

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<sup>79</sup> HC Deb 9 July 2013 cc158-9W

**5 Appendix : Rates of APD since 1994**

**HM Treasury/HM Revenue & Customs, *Overview of Tax Legislation and Rates*,  
20 March 2013**

Air Passenger Duty (APD) rates for 2013-14 were set out at the 2012 Budget. The APD rates for 2014-15 are set out below.

<b>Air Passenger Duty Rates</b> <sup>21 22</sup>								
<b>Bands (approximate distance in miles from the UK)</b>	<b>Reduced rate (lowest class of travel)</b>			<b>Standard rate</b> <sup>23</sup> <b>(other than the lowest class of travel)</b>			<b>Higher rate</b> <sup>24</sup>	
	From 1 April 2012	From 1 April 2013	From 1 April 2014	From 1 April 2012	From 1 April 2013	From 1 April 2014	From 1 April 2013	From 1 April 2014
Band A (0 – 2000 miles)	£13	£13	£13	£26	£26	£26	£52	£52
Band B (2001 – 4000 miles)	£65	£67	£69	£130	£134	£138	£268	£276
Band C (4001 – 6000 miles)	£81	£83	£85	£162	£166	£170	£332	£340
Band D (over 6000 miles)	£92	£94	£97	£184	£188	£194	£376	£388

<sup>21</sup> From 1 April 2013, APD will apply to all flights aboard aircraft 5.7 tonnes and above.

<sup>22</sup> From 1 November 2011, direct long-haul rates for departures from Northern Ireland (NI) (bands B, C and D) were reduced to the short-haul rate (band A), irrespective of the destination. From 1 January 2013 the rates for direct long-haul flights from NI were devolved to the Northern Ireland Executive, and set at £0. Direct long haul journeys from NI are those where the first part of the journey is to a destination outside Band A.

<sup>23</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>24</sup> The higher rate applies to flights aboard aircraft of 20 tonnes and above with fewer than 19 seats.