
VAT: CHANGE TO ZERO-RATING OF “QUALIFYING” AIRCRAFT

Who is likely to be affected?

1. Suppliers of aircraft; suppliers of parts and services for aircraft; and aircraft operators.

General description of the measure

2. This measure will change the definition of aircraft that can be supplied at the zero rate from one based on weight and usage to one based on the status of the customer. Supplies of aircraft will be zero-rated only where used by airlines operating for reward primarily on international routes.
3. The Government will legislate for this measure in a Finance Bill to be introduced as soon as possible after the summer recess.

Operative date

4. The change will have effect for all supplies made on or after 1 January 2011.

Current law and proposed revisions

5. Schedule 8 to the VAT Act 1994 provides that supplies may be zero-rated where the aircraft is of a weight of not less than 8,000kg and is not designed or adapted for recreation or pleasure use.
6. This will be amended to make the changes as set out above.
7. The change aligns the domestic definition of qualifying aircraft with that in Article 148 of the Principal VAT Directive.
8. There is no change to the treatment of supplies of aircraft to State institutions.

Further advice

9. This measure was previously announced at Budget 2010 and a version of this note was published as BN46. This note supersedes that version.
10. Notice 744C Ships and Aircraft will be updated to provide full details of the changes and how they will apply in practice.
11. If you have any questions about this change, please contact the VAT Helpline on 0845 010 9000. Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk