

EXPLANATORY NOTE

CLAUSE XX SCHEDULE YY: RATES OF AIR PASSENGER DUTY (APD)

SUMMARY

1. Clause XX and Schedule YY provides for the Air Passenger Duty (APD) destination bands to be restructured from two to four. It also simplifies the existing provisions of APD relating to special accounting schemes.

DETAILS OF THE CLAUSE

2. Section 1 replaces subsections (1) to (4) of Section 30 of Finance Act (FA) 1994 with new subsections (1) to (4A).
3. Subsection (1) determines that the rates in subsections (2) to (4A) are on a per-passenger basis.
4. Subsection (2) sets the APD rates to destinations within the United Kingdom and destinations listed in Schedule 5A part 1
5. Subsections (3) to (4) set out the APD rates for destinations listed in Schedule 5A parts 2 to 3.
6. Subsection (4A) sets out the rates for destinations (other than the United Kingdom) not listed in Schedule 5A.

DETAILS OF THE SCHEDULE

7. Paragraph 2 of Schedule YY amends section 30 of FA 1994. Sub-paragraph (2) inserts new subsection (8A) to provide that the Treasury may by order amend Schedule 5A, the list of territories and parts under which they are listed. Sub-paragraph (3) repeals subsections (9) to (9B) removing the definitions of “EEA State” and “qualifying territory” as well as the power to amend subsection (9A).
8. Paragraph 3, of Schedule YY substitutes section 39 with a new Section 39 that relates to schemes for simplified operation of Chapter 4 of FA 1994 (which relates to APD). It allows for Chapter 4 to have effect in relation to a special accounting scheme where this has been agreed between the Commissioners for Revenue and Customs and the registered operator.
9. Subsection (3)(a) and (b) of new section 39 provide that a special accounting scheme is a scheme which allows the registered operator

to use a method of calculation (other than one based on actual passenger numbers), that enables it to arrive at figures that it may regard as being (a) the number of chargeable passengers and (b) the rate to be applied.

10. Subsection (4) of new section 39 provides that the Commissioners for Revenue and Customs may publish the terms and conditions of such schemes.
11. Subsection (5) of new section 39 provides that where a special accounting scheme has been agreed with an operator Chapter 4 of FA 1994 has effect in accordance with that scheme (and any general terms and conditions in a notice published under subsection (4)) for the agreed period.
12. Subsection (6) of new section 39 provides that special accounting schemes may be varied at any time only with the agreement of both the Commissioners for Revenue and Customs and the registered operator, but only for the future.
13. Paragraph 4 of Schedule YY amends and extends section 42(4) of FA 1994 and provides that a draft order laid and approved by the House of Commons is also required before destination territories and associated banding as set out in Schedule 5A parts 1 to 3 may be moved from a lower rate to a higher rate destination band.
14. Paragraph 8(1) and (2) of Schedule YY provide that no agreement under the new section 39 may be made so as to have effect in respect of the carriage of passengers beginning before 1 November 2009. Existing special schemes are unaffected by the new special schemes arrangements and may continue to apply in respect of the carriage of passengers beginning before 1 November 2009.

#### BACKGROUND NOTE

15. In the 2008 Pre-Budget Report, the Government announced that it would reform APD from a two-distance band regime to a four-distance band regime, rather than proceed with a per plane tax.
16. The four distance bands will be set at 2,000 mile intervals from London, and destinations will be categorised based on the distance from London to the capital city of the destination country/ territory, with the exception of the Russian Federation, which will be split east and west of the Urals.
17. Each band will have two rates, one for the standard class of travel and one for other classes of travel. This clause and Schedule provides for these changes to the destination bands and sets rates. In addition, it

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simplifies the current arrangements for special accounting schemes to reduce the burden on industry, and contains consequential repeals.