

2007 Pre-Budget Report and Comprehensive Spending Review



PBRN 24

9 October 2007

AIR PASSENGER DUTY (APD)

Who is likely to be affected?

1. Airlines, travel agents and air passengers.

General description of the measure

2. Current definitions to determine class of travel for air passenger duty (APD) purposes will be amended so that single class flights offering only a business class service will attract the standard rate of APD.

Operative date

3. This measure will have effect in relation to any carriage of a passenger which begins on or after 1 November 2008.

Current law and proposed revisions

4. There are currently two rates of APD for classes of travel. Travel in the lowest class of travel available on a flight qualifies for a reduced rate of APD, while travel in all other classes attracts the standard rate of APD.
5. Under the current definition of class of travel, carriers offering business class only flights account for APD at the reduced rate. These flights are configured to seat significantly fewer passengers than they are capable of carrying and offer a business class level of service for all passengers. A comparable business class service offered on flights where more than one class of travel is available is liable to APD at the standard rate.
6. The class of travel definition will be amended so that business class only flights attract the standard rate of APD. We propose using seat pitch, more commonly referred to as leg room, as one of the criteria by which we will do this.
7. For aircraft where only one class of travel is available then where the seat pitch exceeds 40" the standard rate of APD will apply.

8. Legislation will be introduced in Finance Bill 2008 to amend section 30 of Finance Act 1994 to implement the changes to classes of travel.
9. The Government also intends from 1 November 2009 to replace APD with a tax payable per plane rather than per passenger. A consultation on this will follow in due course and one aim will be to introduce this tax in a way which raises around £520 million in a full year (2010/11). This revenue could also be achieved by increases to APD rates from the same date.

Further advice

10. If you have any questions about this measure, please contact National Advice Service on 0845 010 9000. Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk