

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 190 Schedule 23: *Air Passenger Duty*

Background Note

Part 1 of Schedule 23 - Northern Ireland direct long haul rates of duty from 1 November 2011 to 31 March 2012

33. This rate reduction was introduced in recognition of the unique position of Northern Ireland's airports, and means that the carriage of passengers on certain flights taking off from an airport in Northern Ireland will attract the short haul rate of APD.
34. These flights are those where the journey is direct to long haul destinations or, in a case where there are one or more flights involved, the first connection is made in a long haul destination. For these purposes long haul destinations are those not listed in Part 1 of Schedule 5A.
35. This rate reduction applies to flights that take off from Northern Ireland for the period beginning on or after 1 November 2011 to 31 March 2012.

Part 2 of Schedule 23 - Rates of duty from 1 April 2012

36. As announced at Budget 2011, APD rates are now to be increased annually and in line with inflation. These increases, which also take into account the increase deferred from April 2011, apply to the carriage of chargeable passengers on chargeable flights taking off from UK airports from 1 April 2012, irrespective of when the flight was actually booked or purchased.

Part 3 of Schedule 23 - Devolution of Northern Ireland direct long haul rates of duty

37. On 27 September 2011, at the same time that it announced the reduction in APD rates for passengers on direct long haul flights from Northern Ireland, the Government announced that, in order to provide a more lasting solution, aspects of APD would be devolved to Northern Ireland. Part 3 of Schedule 23 includes changes which devolve to the Northern Ireland Assembly the rate of APD to be applied to passengers on direct long haul flights that take off from Northern Ireland, on or after a day to be appointed by order.
38. Part 3 also makes provision for the setting up and maintenance of a separate register of aircraft operators with routes from Northern Ireland. The Commissioners may keep a register of aircraft operators operating routes from Northern Ireland, and if they do, operators currently registered for APD with routes that begin in Northern Ireland will need to register a second time and will need to account for APD on their Northern Ireland routes separately from their other routes. Operators who only operate routes that begin in Northern Ireland will only be required to register on the Northern Ireland register.

*These notes refer to the Finance Act 2012 (c.14)
which received Royal Assent on 17 July 2012*

39. In addition, to allow for more effective management of the tax, Part 3 introduces provisions for HMRC to disclose information to the Secretary of State, the Treasury or the Department of Finance and Personnel in Northern Ireland.

Part 4 of Schedule 23 - Other Provisions

40. At Budget 2011 the Chancellor announced that, instead of replacing air passenger duty with a per plane tax, the Government had instead decided to extend the scope of APD to private jets and consulted on how this could be done.
41. There is no ready definition of a private jet, so, in order to extend the scope of APD to private jets, changes to the de minimis weight limit for APD are needed in order to bring smaller aircraft (including private jets) within the scope of the tax.
42. In recognition of the fact that private jets may be customised to provide exceptional standards of luxury travel, new rates of APD will be introduced to apply to these aircraft. These aircraft are to be defined on the basis of weight and seating capacity, so that large aircraft with an authorised weight of more than 20 tonnes and authorised to seat fewer than 19 passengers will attract new rates of APD.
43. Changes are also required to the definition of a passenger. Under the current APD structure, exemptions apply to passengers who are not carried for reward. As private jet passengers are often carried for no reward or fare (for example, an aircraft owner may be flown in their own private jet) changes to the definition of a passenger are required.
44. Equally private jet passengers are not always flown as part of a formal arrangement or agreement, but instead may be flown as part of an informal agreement such as the type that may exist between family members or friends. In order to ensure that these types of passengers are included in the scope of APD, the interpretation of 'agreement for carriage' will be amended.
45. Part 4 of the Schedule also includes changes to reflect the devolution of direct long haul APD rates to the Northern Ireland Assembly and provides that the new rates to be applied for carriage on aircraft considered to provide exceptional standards of luxury travel (as defined by weight and seating capacity – see para 50 above) are to be twice those to be applied to non standard class travel.
46. These changes apply to flights that take off on or after 1 April 2013.