

Air Passenger Duty: Cut in Northern Ireland Rate

Who is likely to be affected?

Air passengers (including business and tourists) departing from airports in Northern Ireland on direct long-haul flights, airlines and airports operating the flights (and potential new flights from Northern Ireland airports).

General description of the measure

This measure cuts air passenger duty (APD) for passengers travelling from Northern Ireland on direct long-haul flights (bands B, C and D) to the prevailing short-haul (band A) rates of duty. The band A rates of duty are currently £12 in economy (reduced rate) and £24 in business/first class (standard rate). As announced at the Autumn Statement on 29 November, the band A rates will rise to £13 and £26 respectively, from 1 April 2012.

Policy objective

The APD cut in Northern Ireland helps to maintain Northern Ireland's vital air link to North America. It also offers a fresh opportunity for airlines to develop new long-haul services, supporting business and tourism in Northern Ireland.

Background to the measure

Budget 2011 launched a consultation on APD, which included a question on whether APD should be devolved to Northern Ireland. The consultation closed on 17 June 2011.

On 27 September 2011, the Government announced that, effective from 1 November 2011, APD for passengers travelling on direct long-haul routes departing from airports in Northern Ireland would be cut to the lower short-haul rate. To provide a lasting solution, the Government has also launched a parallel process to devolve aspects of APD to the Northern Ireland Assembly.

Detailed proposal

Operative date

The rate cut applies to direct long haul flights departing from Northern Ireland from 1 November 2011 (irrespective of when the ticket for the flight was booked or purchased).

Current law

Legislation defining the rates applicable to each destination band is contained in section 30 of the Finance Act 1994. Schedule 5A of the same Act lists the countries in each band.

Proposed revisions

Legislation will be introduced in Finance Bill 2012. Section 30 will be amended to provide for the rates to be applied to direct long haul flights from Northern Ireland.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	negligible	negligible	- 5	- 5	- 5	- 5
	<p>These figures were set out in Table 2.1 of the Autumn Statement and have been certified by the Office of Budget Responsibility. More detail can be found in the policy costings document published alongside the Autumn Statement.</p> <p>The tax base is all direct flights from Northern Ireland to long-haul destinations (bands B, C and D). As a result of this cut in APD, we estimate that the number of passengers on such flights may increase by a small amount. The impact on the cost of the measure is estimated to be negligible.</p>					
Economic impact	<p>The reduction in tax on direct long-haul flights from Northern Ireland may lower ticket prices for such journeys and in turn increase demand, but the overall effect is expected to be negligible. Overall, we expect the macroeconomic effects will also be negligible.</p>					
Impact on individuals and households	<p>There are an estimated 3.75 million passengers departing from Northern Ireland in 2012-13. Of these between 1 per cent and 2 per cent travel on flights directly to bands B, C and D.</p>					
Equalities impacts	<p>No different impact on protected groups is expected.</p>					
Impact on business including civil society organisations	<p>Currently only three operators (one scheduled, two charter) are affected by this measure. The only change to the APD declaration process for business is that passengers travelling on direct flights to bands B, C and D from Northern Ireland would instead be reported as band A passengers, as the tax rate is the same.</p> <p>Therefore the one-off compliance costs, as well as the ongoing administrative burden of this change, are expected to be negligible.</p>					
Operational impact (£m) (HMRC or other)	<p>Additional operational costs for HMRC will be negligible.</p>					
Other impacts	<p><u>Carbon assessment:</u> The policy is expected to have a negligible impact on carbon emissions, and as aviation enters the EU Emissions Trading Scheme from January 2012 any increase will be offset by emission reductions in other covered sectors.</p>					

Monitoring and evaluation

HMRC will monitor receipts and information collected on tax returns, as well as the wider impact of the policy.

Further advice

If you have any questions about this change, please contact Pardip Bans on 020 7270 6178 (email: Pardip.Bans@hmtreasury.gsi.gov.uk).