

BAR UK Position Statement on Air Passenger Duty

The Board of Airline Representatives in the UK (BAR UK), representing the opinions and interests of over 70 member airlines, requests that the UK Government fully revise Air Passenger Duty (APD) to enable an internationally competitive and thriving UK aviation sector, facilitating growth in the wider economy. This is a vital consideration as the UK prepares to exit the EU.

In the 2014 Budget, the UK Government acknowledged the negative impact of APD on growth and on developing trade links with emerging markets by removing the two highest distance based tax bands from April 2015. Subsequently in the 2014 Autumn Statement, following an industry campaign 'Scrap the Tax on Family Flights', the Chancellor announced a tax exemption on all children under 12 travelling in Economy class effective from 01 May 2015, extending to all children under 16 years from 01 March 2016.

BAR UK member airlines recognise these steps by Government however, even after these changes the UK retains among the highest aviation taxes in the world thereby impacting our competitiveness with neighbouring countries, including Ireland and the Netherlands where similar taxes were abolished. APD continues to act as a disincentive to visitors who would otherwise come to the UK, thereby turning away much needed export revenues.

Furthermore, following the Smith Commission recommendations for APD devolution to Scotland, the Scottish Government is finalising its plans to reduce APD by 50% from April 2018 with a view to ultimately abolish the tax altogether. This potential to distort taxation across UK airports is of significant concern to airlines and has renewed our call urging HM Treasury to conduct a formal review of this tax for the whole of the UK at the earliest opportunity.

Our member airlines stand by the evidence produced in a 2013 PWC Report (updated 2015), together with global experience, demonstrating that revenues from APD are only immediately apparent to the UK Government as general taxation receipts, yet are significantly outweighed by the negative impacts to the overall economy and the UK's international reputation.

BAR UK member airlines propose to HM Treasury:

1. To conduct a full review on the economic impacts of APD, and a commitment to act on the findings.
2. To ensure that the devolution process, as outlined in the Smith Commission Report, retains balance and fairness in taxation and that benefits of further APD reductions or abolition are shared by everyone in the UK.

Where the tax remains:

3. To remove the UK from the top of the international tax league by, at the very least, reducing overall levels of APD to levels in line with those in Germany, the next highest country in Europe.
4. To abandon the policy of inflation linked annual increases to APD rates since few other equivalent taxes tend to be increased annually.
5. To resolve the disproportionate 546% difference in taxation levels between the remaining bands A and B by reducing band B, without further increases to band A.
6. To reclassify the 'discounted rate' as 'standard rate' to include economy class and enhanced (premium) economy class.
7. To reclassify the 'standard rate' as 'premium rate' to include business class and first class.
8. To reclassify the 'higher rate' as 'private rate' to include travel in private aircraft.
9. For the UK Government to achieve a solution, prior or post leaving the EU, to removing the highly damaging anomaly of domestic return flights being taxed for both sectors.