

STANSTED AIRPORT ADVISORY PANEL

Aviation tax reform consultation.

Appendix A Consultation Questions – Suggested Response

The government's initial policy position on domestic APD:

1 Do you agree with the government's initial policy position that the effective rate of domestic APD should be reduced? In your view, what would be the positive and negative effects of such a change, particularly in light of the government's objectives for aviation tax?

No. Along with many other local authorities, the Council declared a climate and ecological emergency in 2019 with an aim of achieving net-zero carbon status by 2030. Whilst domestic aviation only contributed 1.4MtCO₂e in 2019 (3.6% of the UK's total 2019 aviation emissions), APD reform should not result in a total tax burden on domestic passengers that is lower than before the reform took place. It is not clear how a tax policy that would encourage more domestic flights is a sustainable one in either the short or longer term.

Through the Council's membership of the Strategic Aviation Special Interest Group (SASIG) of the Local Government Association, it is clear that many member authorities (particularly in the south west and north) attach considerable importance to domestic air connectivity for economic and social wellbeing. APD exemptions should continue to apply to PSO routes, and it is noted that this consultation is not proposing the removal of this exemption.

2 What evidence can you provide about the impact of an effective reduction in the domestic rate of APD on Union and regional connectivity?

No comment.

3 How would a reduction in the effective rate of domestic APD affect airlines? Will the benefits be passed onto consumers in ticket prices or retained by airlines?

It might increase demand for domestic flights if the benefits are passed on to passengers. Each airline will no doubt have its own policy.

4 Which domestic air routes, if any, are likely to be introduced/restart following any effective reduction in the domestic rate of APD, and what wider benefits would these routes provide?

No comment.

5 Which existing domestic air routes, if any, would benefit from an increased number of services following any effective reduction in the domestic rate of APD, and what wider benefits would these routes provide?

No comment.

6 By how much would you estimate that the number of passengers currently flying domestically increase?

No comment.

7 What could the environmental impact of reducing the effective domestic rate of APD be? How could any negative impacts be mitigated?

If this led to increased domestic flying, the main impacts would likely be more noise from aircraft for local communities under flightpaths, more greenhouse gas emissions from aircraft and more local road congestion around airports. Mitigation proportionate to the increased level of impact could include enhanced sound insulation schemes, verifiable carbon offsetting and measures to increase the use of public transport to and from airports.

8 What could the impact of reducing the effective domestic rate of APD be on other modes of transport (e.g. road/rail)?

It could reduce the use of road travel and public transport for longer journeys where air travel can be more competitive. However, if more people travel to airports that could increase local congestion.

9 If the effective rate of domestic APD is reduced, would you favour the introduction of a return leg exemption or a new domestic rate? What would you see as the comparative risks and benefits of these options?

A new domestic rate seems the easiest to impose because it would be per passenger per flight, as now. The main problem with a return leg exemption is that the rationale behind it is not obvious – why, for instance, should passengers benefit from an exemption for booking a return flight rather than two singles. However, neither option would incentivise the use of more sustainable domestic travel modes if others were possible.

10 Is there an alternative approach to reducing the effective rate of APD on domestic flights, that you think would be more appropriate than either of the options identified?

No comment.

A return leg exemption

11 What are your views on the way a return leg exemption could operate as set out in paragraph 2.8? What are the benefits and risks of this proposal? What amendments would you suggest, if any?

See answer to Question 9.

12 Do airlines currently differentiate between single and return tickets in their booking systems and, if so, how?

No comment.

13 What evidence could airlines provide to HMRC to demonstrate that a passenger was travelling on a return ticket?

No comment.

14 If the return leg exemption were to be introduced, how quickly could airlines integrate it within their operating systems to allow them to provide evidence to HMRC on their APD liabilities?

No comment.

15 Are there any particular considerations around the application of a return leg exemption to business jets, in light of how business jets are operated?

No comment.

A new band for domestic flights

16 Do you agree with the government's initial position that a new domestic band would be the most appropriate approach to reducing the rate of APD on domestic flights?

See answer to Question 9.

17 What are your views on the way a new domestic rate could operate as set out in paragraph 2.11? What are the benefits and risks of this proposal? What amendments would you suggest, if any?

No comment.

18 If a new domestic rate were to be introduced, how quickly could airlines integrate it within their operating systems to allow them to them to provide evidence to HMRC on their APD liabilities?

No comment.

International distance bands

19 Do you agree with the government's initial policy position that the number of APD distance bands should be increased? In your view, what would be the positive and negative effects of such a change, particularly in light of the government's objectives for aviation tax?

Yes, as part of reforming International APD so that it increases the tax burden on those who fly more frequently and furthest. This would be consistent with the bringing of Carbon Budget 6 into law, including international aviation and shipping emissions for the first time rather than the existing "headroom" provision.

20 What could the impact on the environment of a change to the banding structure? How could any negative environmental impacts be mitigated?

No comment.

21 What evidence can you provide about the impact of an increase in the number of APD distance bands on international connectivity?

No comment.

22 Which of the policy options for increasing the number of international distance bands do you think is most appropriate? Please explain your answer.

Option B would seem to overcome the tax calculation anomalies that would occur with Option A, although any banding system is likely to throw up some inconsistencies.

23 Is there an alternative banding structure that could better meet the government's objectives as outlined in paragraph 1.1?

No comment.

24 If a new international distance band structure were to be introduced, how quickly could airlines integrate it within their operating systems to allow them to them to provide evidence to HMRC on their APD liabilities?

No comment.

Frequent flyer levy

25 Do you agree with the government's assessment that APD should remain as the principal tax on the aviation sector? Would you propose any alternative tax measures which could further align the aviation tax framework with the government's environmental objectives?

Yes. Imposing an FFL would seem to be administratively difficult, as the Government acknowledges and should not be preferred to retaining and reforming APD. APD, by the way it is levied, already picks up the more frequent flyers and international distance band reform would enhance the "polluter pays" principle