

*These notes refer to the Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012 (c.5) which received Royal Assent on 11 December 2012*

# Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

1. These Explanatory Notes relate to the Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012 which received Royal Assent on 11 December 2012. They have been prepared by the Department of Finance and Personnel in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by the Assembly.
2. The Notes need to be read in conjunction with the Act. They are not, and are not meant to be, a comprehensive description of the Act. So where a section or part of a section does not require an explanation or comment, none is given.

### **BACKGROUND AND POLICY OBJECTIVES**

3. The Finance Act 2012 enables the devolution to the Assembly of the power to set the rates of Air Passenger Duty (APD) on direct long haul flights (Bands B, C and D) that take off from Northern Ireland. Powers to set the rate of APD on short haul (Band A) routes have not been devolved as part of the Finance Act 2012.
4. This Act sets the rate of APD to be applied to passengers on these direct long haul flights that take off from Northern Ireland (APD Bands B, C and D) on or after a day to be appointed by order. By setting the rates of duty for these flights this Act acts as the next step in devolving these powers to the Northern Ireland Assembly. The appointed day will be determined by the Department of Finance and Personnel, in conjunction with HM Revenue and Customs. It is intended that this will be the 1 January 2013.
5. This Act acts to set the rate as zero for all direct long haul flights from Northern Ireland, following through on the Executive's policy commitment as laid out in the 2011-15 Programme for Government.
6. This Executive commitment to eliminate APD followed the Government announcement in September 2011 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 (Band A) rate and, to provide a lasting solution, that these aspects of APD would be devolved

to the Northern Ireland Assembly. The Executive considered that were the existing Band A rates to be maintained this would still have Northern Ireland at a competitive disadvantage with the South where the equivalent rate is much lower.

## **CONSULTATION**

7. The Northern Ireland Executive consulted on its commitment to eliminate APD on direct long haul flights as part of its wider consultation on the Programme for Government, which was launched on 17 November 2011. No comments were received on this commitment. The Programme for Government was subsequently agreed and published on 12 March 2012.
8. The UK Government launched a consultation on APD in March 2011, which included a question on whether APD should be devolved to Northern Ireland. That consultation closed on 17 June 2011 and the Department of Finance and Personnel submitted a response (<http://www.dfpni.gov.uk/dfp-response-to-apd-consultation.pdf>). In total around 100 responses commented on the broader issue of APD and devolution (across the UK) including 26 responses from interested parties in Northern Ireland. This included nine district councils, Chambers of commerce, representatives of the local airports, political representatives and tourist organisations.
9. In relation to Northern Ireland, stakeholders highlighted the lack of alternative road or rail travel options to Britain and the competition effects of substantially lower rates of duty in the Republic of Ireland, which they considered to threaten the viability of direct services between Belfast and long haul destinations including the United States.
10. On 28 May 2012, the Assembly agreed that provisions in section 189 of, and schedule 23 to, the Finance Act, as introduced in the House of Commons on 10 May 2012 dealing with the devolution of Northern Ireland long haul rates of APD should be considered by the UK Parliament.

## **OVERVIEW**

11. The Act has four sections. A commentary on the provisions follows. Comments are not given where the wording is self-explanatory.

## **COMMENTARY ON SECTIONS**

### ***Section 1: Setting of rate of air passenger duty***

This section sets the rate of APD at £0 for the purposes of subsections (3)(a) and (b), (4)(a) and (b), (5)(a) and (b) and (5A)(a),(b) and (c) of section 30A of the Finance Act 1994. In essence this provides for a zero rate of duty for passengers on direct long haul flights that take off from Northern Ireland (Bands B, C and D). The change will have effect in relation to the carriage of air passengers beginning on or after the relevant day (as defined in section 30A of the Finance Act 1994). It is intended that this will be the 1 January 2013.

***Section 2: Payments to HMRC***

This section permits the Department of Finance and Personnel (DFP) to pay to HMRC such sums as DFP thinks fit towards any expenditure incurred by HMRC in connection with APD chargeable at the rate set, or proposed to be set, for the purposes of the statutory provisions referred to in section 1(1) of the Act. The section will enable payments to be made to HMRC for collecting information on behalf of the Department of Finance and Personnel, relevant administration costs incurred, functions related to the register of companies for Northern Ireland purposes and any other costs that HMRC may incur in connection the exercise of the devolved powers.

***Section 3: Commencement***

This section provides for the commencement of the provisions of the Act.

***Section 4: Short Title***

This section provides that the new legislation shall be known as the Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012.

**HANSARD REPORTS**

The following table sets out the dates of the Hansard reports for each stage of the Acts passage through the Assembly.

<i>Stage</i>	<i>Date</i>
Introduction of the Act to Committee for Finance and Personnel – pre-introduction briefing	3rd October 2012
Introduction to the Northern Ireland Assembly (“Assembly”)	8th October 2012
Assembly motion on accelerated passage	16th October 2012
Second stage debate in the Assembly	16th October 2012
Committee stage – none due to use of accelerated passage procedure	–
Consideration stage in the Assembly	22nd October 2012
Further consideration stage in the Assembly	5th November 2012
Final stage in the Assembly	6th November 2012
Royal Assent	11th December 2012