

EXPLANATORY MEMORANDUM TO
THE AIRCRAFT OPERATORS (ACCOUNTS AND RECORDS) (AMENDMENT)
REGULATIONS 2015

2015 No. 3

1. This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 This instrument amends the Aircraft Operators (Accounts and Records) Regulations 1994 (S.I. 1994/1737) (“the principal Regulations”).
 - 2.2 The Finance Act 2014 amends Chapter 4 of Part 1 of the Finance Act 1994 to reduce, with effect from 1st April 2015, from four to two the number of destination bands that determine the rate of air passenger duty (“APD”) chargeable. This instrument makes consequential amendments to the particulars specified in the principal Regulations of the air passenger duty account that an aircraft operator has to keep.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None
4. **Legislative Context**
 - 4.1 APD is charged under Chapter 4 of Part 1 of the Finance Act 1994 (c.9). The rate of duty charged depends on the final destination of a passenger’s journey. The destination “bands” are specified in Schedule 5A to the Act.
 - 4.2 The Finance Act 2014 (c.26) amended the Finance Act 1994 so that, with effect from 1st April 2015, the number of destination bands that determine the rate of air passenger duty will be reduced from four to two.
 - 4.3 Regulation 4 of, and Schedule 1 to, the principal Regulations require aircraft operators to keep an APD account containing particulars of the number of passengers carried and the chargeable rates applicable. This instrument amends the details required to be kept in the APD account to omit references to the destination bands that will no longer exist from 1st April 2015.
5. **Territorial Extent and Application**
 - 5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

7.1 The liability to pay APD lies with aircraft operators. APD is a self-assessed tax, and registered operators are required to calculate, declare and account for the tax due on a monthly or annual basis, on the APD return.

7.2 As part of their record keeping obligations and in order to provide assurance that the tax has been calculated and declared correctly, aircraft operators are required to maintain an APD account. This APD account contains the particulars of the number of passengers carried at each chargeable rate, and forms part of the audit trail supporting the declarations on the APD return.

7.3 APD currently has 12 chargeable rates (four destination bands with two classes of travel and a higher rate in each). Legislation reducing the number of destination bands reduces the number of chargeable rates that can be applied to passengers. This instrument amends the record keeping requirements of APD registered operators, to bring them in line with the new rate structure.

- **Consolidation**

7.4 There are currently no plans to consolidate the principal Regulations.

8. Consultation outcome

8.1 This is a consequential amendment as a result of changes in primary legislation. No consultation on this consequential change was conducted.

9. Guidance

9.1 Guidance on the changes being made to the APD account will be included in the HMRC Public Notice 550, Air passenger duty.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 The impact on the public sector is negligible.

10.3 A Tax Information and Impact Note was published on 19 March 2014 and is available at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 To minimise the impact of the requirements on firms employing up to 20 people, the approach taken is to make only the minimum changes required by the amendments to primary legislation.

11.3 The basis for the final decision on what action to take to assist small business was that no additional regulatory requirement other than that which is necessary is to be introduced.

11.4 APD makes allowances for small businesses, with a de minimis exemption for flights made in aircraft of less than 5.7 tonnes. HMRC do not expect small businesses that do pay APD to be disadvantaged by the changes.

12. Monitoring & review

12.1 HMRC will work with the industry to ensure effective monitoring of the wider impact of the policy and it would be appropriate to review this instrument as part of this process.

13. Contact

Ann Little at the Transport Taxes Team, HMRC Tel: 03000 586 096 or email: ann.little@hmrc.gsi.gov can answer any queries regarding the instrument.