EXPLANATORY MEMORANDUM TO

THE AIR PASSENGER DUTY (RATE) (QUALIFYING TERRITORIES) ORDER 2006

2006 No. 2693

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs on behalf of the Treasury and is laid before Parliament by Command of Her Majesty.

2. Description

The instrument adds Croatia to the list of 'qualifying territories' to which the lower rate of air passenger duty (APD) applies.

3. Matters of special interest to the Joint Committee on Statutory Instruments

None.

4. Legislative Background

4.1 APD was introduced by the Finance Act 1994 (c.9)("the Act"). All airlines pay an amount of duty for each passenger they carry from a UK airport (except in the Scottish Highlands and Islands) based on each passenger's final destination and, from 1 April 2001, the class of travel.

4.2 The rate of duty is determined by section 30 of the Act. Currently, the lower rate for standard class travel is £5, and for travel other than standard class it is £10. The standard rate is £20 for standard class of travel and for travel other than standard class it is £40.

4.3 The lower rate applies to flights within the UK or to another EEA State, any territory for whose external relations the UK or another EU Member State is responsible and to any qualifying territory. "EEA State" is defined in section 30(9) and "qualifying territory" is defined in section 30(9A).

4.4 Section 30(9A) was inserted by section 121(1) and (4) of the Finance Act 2002 (c.23) and extended the lower rate of duty to, at that time, all EU applicant countries and Switzerland. Section 30(9B) provides that the definition of "qualifying territory" in section 30(9A) can be amended by Treasury Order by adding, removing or varying the description of any territory. This Order is made under that power.

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

John Healey MP, Financial Secretary to the Treasury, has made the following statement regarding Human Rights:

In my view the provisions of the instrument are compatible with the Convention rights.

7. Policy background

7.1 The March 2006 Budget announced that from 1 November 2006 Croatia would be added to the destinations for which the lower rates of APD apply, in recognition of its status as an EU applicant country.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument, as it has no impact on business, charities or voluntary bodies.

8.2 The impact on the public sector is that H M Revenue and Customs staff, as part of the assurance of the businesses that are liable to pay APD, will monitor compliance with the Order.

9. Contact

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