

# ALL-PARTY PARLIAMENTARY GROUP ON GENERAL AVIATION (APPG GA) TAX AND REGULATIONS GROUP WORK PROGRAMME 2018-2019

The All-Party Parliamentary Group on General Aviation (APPG GA) addresses issues that can directly or indirectly contribute to the growth and success of General Aviation in the UK. This paper describes the APPG GA Taxation and Regulation Group Programme and will be amended from time to time as agreed by the T&R Chairman in consultation with the APPG GA core team.

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## 1. OVERVIEW

### a. Taxation and Regulation

Regulation by the CAA works within the legal and policy framework set by Parliament and the Secretary of State to develop long-term strategies for UK airspace and consider proposed change the structure of UK aviation. The CAA has a statutory responsibility to consider “the requirements of operators and owners of all classes of aircraft”. Taxation results directly from Government. Key GA policy publications include;

- i. The Transport Act 2000
- ii. CAA air navigation directions 2001
- iii. European Route Network Improvement Plan (ERNIP) - Part 3: Airspace Management Handbook - Edition November 2017
- iv. UK air navigation guidance 2017 replacing the 2014 guidance
- v. The General Aviation Strategy
- vi. Future Airspace Strategy of the United Kingdom 2011-2030

Key Taxation is set out in:

For VAT:

- Principal VAT Directive 2006/112/EC,
- which is enacted into UK national law by VAT Act 1994.
- In particular, VAT zero rating provisions for aspects of aviation can be found in Schedule 8 of the UK VAT Act
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For Customs:

- Union Customs Code Regulation (EU) No. 952/2013
- Commission Delegated Regulation No 2015/2446
- Commission Implementing Regulation No 2015/2447

As enforced in the UK by Customs & Excise Management Act 1979.

There are numerous supporting Statutory Instruments for VAT and Customs and further tertiary law found in Public Notices. The main Customs Notice is Notice 3001 and the key public notices in relation to aviation are 744A, 744B and 744C.

For Excise:

In the UK, Hydrocarbon Oils Duties Act 1979 as amended by the Finance Act 2008 and 2012, From the EU perspective, the Energy Products Directive (EPD) (2003/96) permits exemption for fuel for private pleasure aircraft, but as more narrowly defined from 1st September 2014 following two decisions of the Court of Justice of the European Union in the case C-79/10 Helmholtz GMBH and case C-250/10 (Haltegemeinschaft).

The relevant HMRC public notice is Excise Notice 544.

#### **b. GA Users and current Airfield numbers**

The primary categories of aircraft classes include Commercial Air Transport, the Military, the Emergency Services and General Aviation. General Aviation primarily comprises of sporting and recreational aircraft including balloons, paragliders, hang gliders, parachutes, microlights, helicopters, sailplanes, light aeroplanes and Helicopters.

All aircraft require landing and take-off sites. These vary from major licensed airfields such as Heathrow to 'back garden' Heli-pads.

Latest figures identify: 127 Licensed: 238 listed in the Air Pilot: 43 Military and 446 unlicensed including Farm Strips.

## **2. KEY ISSUES**

#### **a. Current Threats to Airfields**

Airfields are recognised but have little protection in the current National Planning Policy Framework (NPPF). Perhaps the major threat is their current status (with a few exceptions) of being viewed as a 'local' rather than 'national' asset. This means that their future is decided by a Local Planning Authority (LPA) without any requirement to consider their National importance.

As a consequence, they form a very attractive 'site' for Developers seeking to profit from their unique locations as a highly profitable opportunity.

The MoD may also be driven by financial considerations to dispose of those airfields no longer required for military purposes to the highest bidder....rather than preserve an irreplaceable Airfield for use by GA.

#### **b. Current (and Historic) impact on UK Economy by Taxation**

For over ten years (since the concession on Flight Training by a National Vocational Qualification was withdrawn) industry has informed Government that the Professional Flight Training Industry was under threat from Valued Added Tax (VAT) being added to already costly Flight Training. Industry first wrote to Dawn Primarolo (Paymaster General) in June 2002 forecasting that the UK Flight

Training Industry would migrate to more favourable Tax Regimes unless VAT was changed to a Zero Rating. The vast majority of UK Flight Training is, as forecast, now carried out overseas with the consequent loss of jobs and a definite net loss to the Treasury and the UK economy. Indeed, many of the larger Flight Training Organisations (FTOs) are now owned by overseas companies. The once highly prized UK Industry has lost much of its attraction to overseas students....again a loss to the UK Economy.

The Treasury quoted EU legislation as the reason for their hard-line stance, but Spain, Czech Republic, Finland and Denmark do not charge VAT on Commercial Training....so there is no level playing field for UK FTOs.

**c. Zero rating (or low rate) VAT for costs associated with Flight Training**

- Landing Fees; Hangarage; Aircraft Parking;
- Instruction Manuals, Aircraft Information publications and safety aids

**d. Redesignate Airfields as Enterprise Zones**

- Investment incentives for Aircraft and Training
- Sponsorships for Pilots and Engineers to encourage STEM activity
  
- **Fuel Duty and VAT (Figures Rounded per litre)**
- **AVGAS**
- Typical Basic Cost:£ 1.10
- Duty: £0.37
- VAT 20% £0.29
- Total £1.76

**TOTAL IMPOSITION £.37 + £.29 = £.66 = 60%**

- **Fuel Duty on non-Business GA (Figures rounded per litre)**
- **AVTUR**
- Basic £0.62
- Duty £0.58
- VAT 20% £0.24
- Total £1.44

**TOTAL IMPOSITION £.58 + £.24 = £.82 = 130%**

**In Spain NO Fuel Duty is charged on Professional Training.**

**a. Learning from others**

We have only to look at the above figures for Taxation to see an egregious burden on UK GA and compare these onerous taxation levels with those charged in neighbouring EU Countries....let alone other overseas countries where they wish to encourage Flight Training.

**3. ROLE**

The APPG GA Taxation and Regulation Working Group will identify airspace issues that impact on the sustainability and growth of GA, and In doing so, the APPG GA T&R WG expects to;

- 1) Consider the needs of all aspects of aviation
- 2) Liaise with all elements of General Aviation to ensure a balanced view is delivered to Government
- 3) Promote forward looking developments in a) technology and products and b) in structure and regulation which will promote the UK Economy by ensuring UK GA is the most attractive place to train and fly.
- 4) Identify research to aid Parliament in considering issues related to GA Tax and Regulation
- 5) Consider the terms of reference for holding Parliamentary inquiries into the airfield threat to General Aviation
- 6) Promote forward looking developments in a) technology and products and b) in taxation and regulation of GA which give viable access for all of aviation.

#### 4. GOVERNANCE

The APPG GA Tax and Regulation Working Group provides the leadership team with support on T & R matters. The APPG GA T & R group has, an appointed chairman and co-opted subject matter expert advisors. The APPG GA T&R WG has a chairman reporting to the APPG GA leadership team. The APPG GA T&R group will communicate by email, phone and occasional meetings. The chairman will periodically report to the leadership team as agreed from time to time.

The APPG GA T&R group, can call upon a number of subject matter experts who are available from time to time to advise on a variety of issues.

Taxation						Meeting 31/1/18
Matthew	Bolshaw	APPG	<a href="mailto:matthew@generalaviationappg.uk">matthew@generalaviationappg.uk</a>	Yes		Yes
Laurie	Price		<a href="mailto:l.n.p@btinternet.com">l.n.p@btinternet.com</a>	Yes		Yes – by 'phone
Charles	Henry	GAAC	<a href="mailto:charles.henry@gaac.org.uk">charles.henry@gaac.org.uk</a>	Yes	Chair	Yes
Jeremy	Pratt	FTN	<a href="mailto:jeremy@afeonline.com">jeremy@afeonline.com</a>	Yes		Yes
Marc	Bailey	BBGA	<a href="mailto:marc.bailey@bbga.aero">marc.bailey@bbga.aero</a>	Yes		Yes
Byron	Davies	DfT	<a href="mailto:hbdcommunications@btinternet.com">hbdcommunications@btinternet.com</a>	Yes		Yes
Adrian	Jones	Martyn Fiddler	<a href="mailto:adrian@martynfiddler.aero">adrian@martynfiddler.aero</a>	Yes		Yes

#### 5. WORK PROGRAMME

During 2018 and 2019, the APPG GA T&R group will;

- a. Identify specific Taxation issues with supporting evidence
- b. Propose solutions to those issues
- c. Engage effectively with Parliamentarians (under an agreed plan) to achieve results, including;
  - I. Debate concerns on the floor of both houses
  - II. Table questions for oral or written answer
  - III. Table motions in the House of Commons
  - IV. Table and debate amendments to bills
  - V. Suggest attendees at select committees

- d. Provide periodic updates to inform and advise Parliamentarians and others of progress or otherwise
- e. Request meetings with ministers and deal with officials as appropriate.
- f. Request meetings with regulators and policymakers

As it evolves, each issue and associated work-stream will be described under an expanded section 5.

## **6. COMMUNICATIONS, SOCIAL MEDIA AND PRESS**

The APPG GA T&R group work will be communicated as effectively as possible through the APPG GA core team. The APPG GA website will reflect the importance of the APPG's T&R work and highlight the main issues.

## **7. TIME TABLE**

The work programme detailed timetable will be published as soon as it is practical to do so.