

# Aviation's Great Tax Dodge

It has been recognised for many years that aviation enjoys massive tax exemptions.

Motorists pay a high rate of tax on petrol and diesel and this is justified insofar as it contributes to public services and helps to compensate society for the pollution caused by burning petrol and diesel. These reasons should apply equally to aircraft fuel (kerosene); yet there is no tax whatever on aircraft fuel.

Because everyone pays tax on fuel for surface transport (either directly or indirectly) aviation is being given, in effect, a subsidy in the form of tax avoidance. This is unfair to all those who fly little because they have to pay more in tax to make up aviation's tax avoidance. It also distorts the economy because it makes air travel artificially cheap and boosts demand compared with other sectors of the economy.

The value of the tax avoidance can be readily calculated from publicly available data, as described below.

The UK duty on petrol in the UK is 57.95 pence per litre and there is also VAT at 20% on the total price (including duty). The minimum price of petrol (as at 16/8/16) is about 105p per litre, meaning VAT is about 17.5p per litre. Added to duty, the total tax is 75.45p per litre.

From a web search it is ascertained that one litre of kerosene (jet aircraft fuel) emits 2.554 kg of CO<sub>2</sub> when burnt. [i] If the tax is 75.45p per litre, this is equivalent to  $75.45/2.554 = 29.54$ p per kg CO<sub>2</sub>. That is  $29.54 \times 1000 = 29,540$  p per tonne CO<sub>2</sub> or £295.

The latest figures published by Department for Energy and Climate Change [ii] show 34.4 million tonnes of CO<sub>2</sub> were emitted by aircraft attributable to the UK. [iii] If a tax were applied to aircraft fuel at the same rate per litre as petrol, this is equivalent to a charge of £295 per tonne of CO<sub>2</sub>. 34.4 million tonnes at £295 per tonne is **£10.1 billion pa.**

These calculations consider only CO<sub>2</sub> emissions. But emissions at altitude of nitrogen oxides (NOx) and water vapour are also potent greenhouse gases. It is estimated that including these gases would add a further 60% to the greenhouse effects of CO<sub>2</sub> alone [iv] and it could thus be argued that an even larger tax should be applied than for petrol.

The reason often given for lack of a tax on fuel is that there are international treaties that prohibit this. This is technically correct; however no attempts have been made by the UK government to negotiate changes. Also, there is no restriction on other taxes which are not direct taxes on fuel but could act a proxy. Taxes on emissions or Air Passenger Duty (APD) are obvious candidates.

At present, APD raises about £3 billion pa. As a substitute for a tax on fuel, APD rates could be raised so as bring in £10 billion in revenue. But rather than supporting fairer tax (aviation paying the same rate of tax as everyone else), industry lobbyists and some politicians are calling for cuts to APD.

Aviation also benefits from other tax exemptions. Purchase and maintenance of aircraft are zero-rated for VAT, an advantage not available to surface transport.<sup>[v]</sup>

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[i] <http://www.icbe.com/carbondatabase/volumeconverter.asp> (Other references give minor differences.)

[ii] ‘Provisional UK greenhouse gas emissions national statistics 2014’ This may be found at <https://www.gov.uk/government/statistics/provisional-uk-greenhouse-gas-emissions-national-statistics-2014> (‘2014 provisional UK greenhouse gas emissions: data tables’)

[iii] This is estimated from the data on fuel bunkered (stored) in the UK for use in aircraft leaving the UK.

[iv] See ‘Government airbrushes aviation’s non-CO<sub>2</sub> greenhouse gas emissions’, Airport Watch, June 2015.  
[http://www.airportwatch.org.uk/wp-content/uploads/AirportWatch\\_Briefing\\_on\\_RF\\_19.6.2015.pdf](http://www.airportwatch.org.uk/wp-content/uploads/AirportWatch_Briefing_on_RF_19.6.2015.pdf)

[v] There is also no tax(VAT) on aircraft tickets. However, there is no VAT on bus or train tickets either. It could therefore be argued that levying VAT on aircraft tickets would be unfair.