

Briefing: air passenger duty

December 2024

Introduction

The first Saturday in January is the most popular day of the year to book a holiday,¹ but with UK travellers facing some of the highest taxes on air travel in the world,² going abroad may be more expensive than many expect. Air passenger duty (APD) is paid by passengers departing from UK airports on most aircraft and varies based on cabin class and destination. Introduced in 1994, it was originally meant to address the supposed under-taxation of air travel.³ However, the rationale for the tax subsequently expanded to reducing carbon emissions which the then chancellor of the exchequer, Gordon Brown, cited as the reason for doubling APD in 2007.⁴

Since its introduction the tax has grown in complexity and magnitude. New bands have been added and removed, then added again, with rates for some bands increasing in line with or above inflation while others have remained frozen.⁵ In October 2024, chancellor of the exchequer, Rachel Reeves, announced an increase in APD for all cabin classes and destinations, taking effect in 2026.⁶ Reeves claimed the rise was necessary because “air passenger duty has not kept up with inflation”.⁷ Yet current rates of APD are higher than what they would have been had they increased by inflation since 1994.

This note presents the most popular holiday destinations and the amount of APD travellers will pay if they fly abroad in 2025 and beyond.

Key findings

- A family of four flying in economy to a destination outside of Europe such as the United States will pay **£352** in APD in January 2025, rising to **£408** in April 2026 – a **16 per cent** increase.⁸
- **Spain** is the most popular destination for those planning a holiday in 2025, with economy passengers currently paying **£13** in APD. This will rise to **£15** in April 2026.
- The **United States** is the third most popular destination for 2025. Travellers currently pay **£88** in APD on an economy ticket there, rising to **£90** in April 2025 and **£102** in April 2026.
- **Australia** is the ninth most popular destination for 2025, with those travelling in economy currently paying **£92** in APD, rising to **£94** in April 2025 and **£106** in April 2026.
- Inflation was **106 per cent** from 1994 to October 2024, in that same period:
 - ♦ APD for band A destinations has risen by **160 per cent**
 - ♦ APD for band B destinations has risen by **780 per cent**
 - ♦ APD for band C destinations has risen by **820 per cent**

¹ Hanlon, T., Brits gear up for 'Sunshine Saturday' on most popular day to book post-Christmas holiday, *Mirror*, 3 January 2024.

² Trend, N., The tax rise that means it now costs up to £808 for a family to leave the country, *The Telegraph*, 7 March 2024.

³ Seely, A., *Air passenger duty: introduction*, House of Commons Library, February 2019, p.5.

⁴ Seely, A., *Air passenger duty: introduction*, House of Commons Library, February 2019, p.19.

⁵ HM Revenue & Customs, *Air Passenger Duty historical rates*, 28 June 2024, www.gov.uk/government/statistics/air-passenger-duty-bulletin/air-passenger-duty-rates, (accessed 12 December 2024).

⁶ HM Revenue & Customs, *Air Passenger Duty: rates from 1 April 2026 to 31 March 2027*, 30 October 2024, www.gov.uk/government/publications/changes-to-air-passenger-duty-rates-from-1-april-2026/air-passenger-duty-rates-from-1-april-2026-to-31-march-2027, (accessed 12 December 2024).

⁷ Lancefield, N., Chancellor announces rise in flight taxes, *The Standard*, 30 October 2024.

⁸ Based on four individuals over the age of 16.

Inflation

When it was first introduced in 1994, air passenger duty was £5 for destinations in the European Economic Area (EEA) and other closely connected destinations, and £10 everywhere else.⁹ Upated for inflation, this would be £10.31 and £20.62 respectively as of October 2024.¹⁰ This is lower than the current rate of APD in all categories, meaning that over the last three decades increases have exceeded the rate of inflation – contrary to the chancellor of the exchequer's claim. Moreover, APD was only recently increased by more than the rate of inflation (for non-economy flights). This occurred in March 2024 under the previous Conservative government, with those changes set to take effect in 2025.¹¹

Environmental impact

APD is problematic as it applies per passenger. This means that they do not provide any additional incentive for airlines to operate their aircraft at greater capacity,¹² which is generally more environmentally efficient. Similarly, a more fuel efficient plane is charged the same amount as a less fuel efficient plane carrying the same number of passengers. The weak link between passenger numbers and carbon emissions, and lack of regard for the fuel efficiency of planes means that the environmental case for APD is weak.¹³ Moreover, due to the existence of an emissions trading scheme in the UK covering UK-EEA aviation,¹⁴ there is practically no emissions-based reason to tax EEA flights. This is because any reduction in emissions from discouraging air travel would simply be replaced by another emitter buying the freed up permit.¹⁵

Table: APD for an economy flight to the 15 most popular holiday destinations, 2024-25 to 2026-27¹⁶

Destination	APD Band	Percentage planning to visit (%)	APD (£)		
			From 1 Apr 2024	From 1 April 2025	From 1 April 2026
Spain	A	24	13	13	15
France	A	15	13	13	15
USA	B	14	88	90	102
Italy	A	14	13	13	15
Greece	A	11	13	13	15
Portugal	A	9	13	13	15
Germany	A	6	13	13	15
Turkey	A	6	13	13	15
Australia	C	5	92	94	106
UAE	B	4	88	90	102
Croatia	A	3	13	13	15
Canada	B	3	88	90	102
Japan	C	3	92	94	106
Cyprus	A	3	13	13	15
Thailand	C	3	92	94	106

⁹ HM Revenue & Customs, *Historic rates for Air Passenger Duty*, 4 April 2024, www.gov.uk/guidance/rates-and-allowances-for-air-passenger-duty-historic-rates, (accessed 12 December 2024).

¹⁰ Bank of England, *Inflation calculator*, www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator, (accessed 12 December 2024).

¹¹ Keep, M. et al., *Spring Budget 2024: A summary*, House of Commons Library, March 2024, p.8.

¹² Leicester, A. & O'Dea, C., *The IFS Green Budget*, January 2008, p.205.

¹³ TaxPayers' Alliance, *Tax briefing note: Air passenger duty*, January 2023, www.taxpayersalliance.com/air_passenger_duty_briefing, (accessed 12 December 2024).

¹⁴ HM Treasury, *Reform of Air Passenger Duty for private jets – Consultation*, October 2024, p.10.

¹⁵ TaxPayers' Alliance, *Tax briefing note: Air passenger duty*, January 2023, www.taxpayersalliance.com/air_passenger_duty_briefing, (accessed 12 December 2024).

¹⁶ Association of British Travel Agents, *Holiday Habits 2024-25*, October 2024, p.21.