

Challenge to zero rating of new passenger aircraft

The Commission has formally requested the UK to amend its legislation governing the VAT zero rating of new passenger aircraft. The Commission believes that the zero rating is more generous than the scope provided by the VAT Directive. The VAT Directive provides that the essential condition is that the aircraft must be 'used by an airline operating for reward chiefly on international routes'. The UK criteria are based on the weight of the aircraft and its design. This reasoned opinion is the second step of the infringement procedure.

The UK legislation applies 'weight and design' tests. The VAT Directive does not and limits the relief to purchases by airlines operating for reward chiefly on international routes, suggesting that purchases by airlines who only operate in their own Member State, or whose main source of revenue is from domestic flights should also not benefit from zero rating. Nonetheless any UK VAT charged to an airline on buying a plane would be recoverable. The ECJ decided that whether or not the airline qualifies for the relief is a matter for the national courts to decide.

Comment

4 Eyes Ltd has experience in advising on international purchases and movements of aircraft. In addition to VAT there are likely to be issues surrounding Intrastat, etc. and businesses are advised to take advice.

**WE HOPE YOU FIND THIS NEWS ARTICLE HELPFUL. IF YOU WOULD LIKE TO REGISTER TO RECEIVE
FUTURE UPDATES BY EMAIL THEN PLEASE SEND A REQUEST TO**

info@4eyesltd.co.uk

This VAT update is published for the general information of 4 Eyes Ltd personnel, clients and contacts. It provides only an overview of the rules and regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this e-mail will be accepted by the authors or the firm.