



UK Autumn Budget 2021 – VAT, Customs, Excise Duties and Environmental Taxes

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The Chancellor, Rishi Sunak delivered his Autumn Budget 2021 on 27 October announcing some changes to the UK's indirect tax system. The tax policy measures announced earlier in March 2021 are anticipated to be published on 4 November 2021 in the Finance Bill.

VAT

Simplifying the VAT treatment of fund management services

As previously announced, as part of the wider funds tax review, the Government announced that it will consult on options to simplify the VAT treatment of fund management fees. It is hoped that the Government will widen the scope of the exemption for management services, perhaps equivalent to the favourable regime in Luxembourg. Alongside the new regime for asset holding companies, this would make an important contribution to making the UK a location of choice for fund managers and funds.

Environmental Taxes

Air Passenger Duty (APD)

The Government reports that aviation is currently responsible for 8% of the UK's greenhouse gas emissions. APD will be reformed to align it more closely with environmental objectives by ensuring that those who fly furthest incur the greatest level of duty from 1 April 2023. The Government will introduce two new bands:

- A new band for domestic flights to improve UK air connectivity which will be set at GBP6.50 (a 50% cut in APD) for all flights to airports in England, Scotland, Wales and Northern Ireland (excluding private jets). It is estimated that approximately nine million passengers in 2023-24 will benefit from the reduced rate.
- A third international band (Band C) for flights where the distance travelled is over 5,500 miles.

The Air Passenger Duty rates from 1 April 2023 will be set as follows:

Bands (approximate distance in miles from the UK)	Reduced rate (e.g. economy class)	Standard rate (e.g. business/first class)	Higher rate from (e.g. private)
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Domestic (flights within the UK)	GBP6.50	GBP13	GBP78
Band A (0 to 2,000 miles)	GBP13	GBP26	GBP78
Band B (2,001 to 5,500 miles)	GBP87	GBP191	GBP574
Band C (over 5,500 miles)	GBP91	GBP200	GBP601

Plastic Packaging Tax (PPT)

PPT was not mentioned in the Autumn Budget. Nevertheless, businesses should remember that the new regime commences on 1 April 2022.

Manufacturers or importers of 10 or more tonnes of plastic packaging over a 12-month period must register and will be liable to pay GBP200 per tonne for plastic packaging with less than 30% recycled plastic content. Businesses falling within scope should also review record keeping practices.

On 27 October, the Government also released a policy paper confirming various amendments to the PPT regime which can be found [here](#).

Excise Duties

Alcohol Duty Reform

The Chancellor announced that there would be a freeze on alcohol duty rates together with reforms to the alcohol duty system to make it “simpler, fairer and healthier”. The changes include:

- All products across all categories to be taxed in proportion to their alcohol content.
- All tax categories (e.g. beer, wine) to move to a standardised set of bands, with the following rates for products by reference to Alcohol By Volume (ABV): 1.2-3.4% ABV, 3.5-8.4% ABV, 8.5-22% ABV, and above 22% ABV.
- Above 8.5% ABV, all products across all categories will pay the same rate of duty if they have the same proportion of alcohol content.
- Simplifying the way businesses register and pay for duty.
- The introduction of a new “small producer relief” for cidemakers and other producers of ABV drinks below 8.5% ABV to enable smaller producers to diversify their product range.
- Duty rates on draught beer and cider to be cut by 5%.

Should you have any queries on the Autumn Budget, please reach out to your usual UK tax contact or one of the contacts below.

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