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## The tax on holidays

This summer millions of British families will have headed off for a well-earned holiday. But before they did so, many of the simple but important purchases they made were subject to tax. Items such as clothes or haircuts are subject to VAT, while travel insurance purchases are hit by Insurance Premium Tax. Flights are subject to the highest Air Passenger Duty rates in the world – even budget flights to destinations close by in Europe.

New calculations by the TaxPayers' Alliance reveal just how heavy a burden the taxman places on our summer getaways. The key findings of this research are:

- In 2012 the estimated total tax bill for holidays abroad was **over £2 billion**. That is **£56 for each of the holidays** abroad taken.
- The TaxPayers' Alliance's 2008 estimate for the total tax bill on holidays abroad was nearly £1.5 billion. Since then, higher rates of Air Passenger Duty and VAT have **added over £500 million** to the total.

Table 1: Tax charged on holidays abroad

Item (2012)	Tax charged (£)
Total APD charged on holiday flights	1,037,281,001
VAT on pre-holiday shopping	936,642,177
Holiday Insurance Premium Tax	42,201,833
<b>Total tax on holidays abroad</b>	<b>2,016,125,011</b>
Number of holidays taken abroad	36,173,000
<b>Tax per holiday abroad</b>	<b>56</b>

- A **family of four** travelling to Florida will have faced an **average tax bill of £350** on their flights and holiday purchases in the UK, an increase of £150 since 2008.

Table 2: Tax charged on a holiday to Florida for a family of four

Item (2012)	Tax charged (£)
Total APD charged on holiday flights to Florida	260
VAT on pre-holiday shopping	62
Holiday Insurance Premium Tax	28
<b>Total tax on holiday abroad</b>	<b>350</b>

- A **family of six** travelling to Spain will have faced an **average tax bill of £187** on their flights and holiday purchases in the UK.

Table 3: Tax charged on a holiday to Spain for a family of six

Item (2012)	Tax charged (£)
Total APD charged on holiday flights to Spain	78
VAT on pre-holiday shopping	68
Holiday Insurance Premium Tax	42
<b>Total tax on holiday abroad</b>	<b>187</b>

- A **couple** travelling to Australia will have faced an **average tax bill of £254** on their flights and holiday purchases in the UK.

Table 4: Tax charged on a holiday to Australia for a couple

Item (2012)	Tax charged (£)
Total APD charged on holiday flights to Australia	184
VAT on pre-holiday shopping	56
Holiday Insurance Premium Tax	14
<b>Total tax on holiday abroad</b>	<b>254</b>

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## Sources and methodology

### The number of holidays taken abroad by UK residents

In 2012, the latest year for which data is available, there were over 36.1 million trips abroad classified as “holiday” taken by UK residents in 2012, with 28.6 million of these holidays taken by air travel. 22.4 million were to Europe and 6.1 million outside Europe.<sup>1</sup>

### Calculation of Air Passenger Duty on flights taken for holidays

Air Passenger Duty is a departure tax charged on flights from the UK. Different rates apply depending on the distance travelled, based on the distance from London to the capital city of the destination country. It is applied at the following rates:

Table 5: Rates of Air Passenger Duty

Destination bands and distance from London (miles)	Reduced rate from: (for travel in the lowest class of travel available on the aircraft)		Standard rate from: (for travel in any other class of travel)	
	1 Apr 2012	1 Apr 2013	1 Apr 2012	1 Apr 2013
Band A (0-2,000)	£13	£13	£26	£26
Band B (2,001-4,000)	£65	£67	£130	£134
Band C (4,001-6,000)	£81	£83	£162	£166
Band D (6,001 and above)	£92	£94	£184	£188

For this analysis we applied the 2012 rates of Air Passenger Duty. The Office for National Statistics (ONS) data shows what countries were visited, how many times and broken down by type of visit: holidays, business, visiting family or relatives or other. HMRC produces a list of what band applies to flights for specific countries. We then applied these bands to the ONS breakdown of where holiday flights were taken. Where the ONS data grouped certain countries – for instance, ‘Other North Africa’ – we applied the lowest band suitable for the region.

10 per cent of longer-haul trips – those of Band B or above – were taken by other methods than flying. After totalling APD for all countries visited, we subtracted 10 per cent of the total to reflect this. In all calculations we used the reduced rate of APD, which is for economy class flights. Of course, many holidays will have been taken with a higher (defined as ‘standard rate’ in the table above) class of travel.

<sup>1</sup> Data on the number of flights taken, where they were taken to etc. can all be found in Section 5 of the Office for National Statistics report *Travel Trends 2012* <http://lowtax.es/13mhR3D>

## Pre-holiday shopping in the UK

Spending on the other goods and services was estimated by using a representative basket of pre-holiday purchases, for adults and for children. The guide prices for the items in the list were taken from lower-cost stores, meaning that the total cost of the basket of goods is likely to be an underestimate. The figures are rounded to the nearest pound, too.

VAT is levied on most goods and services at 20 per cent. Relevant to holiday spending, only books and children's clothes are VAT exempt. The ONS data says that around 2.9 million holiday makers are below the age of 16, which is used as a guide for our calculations.

Table 6: Representative basket of pre-holiday purchases, with VAT charge

<b>VAT</b>		
<b>Item</b>	<b>Adults</b>	<b>Children</b>
Sun cream	8	8
Summer dress	20	0
Sarong	10	0
Razors	9	0
Shaving foam	3	0
Toothpaste	2	2
Aftershave/perfume	38	0
Deodorant	3	0
Hair cut	20	10
Session on a sun bed	6	0
Spend per person	120	20
Tax paid per person	20	3
Number of holiday makers	33,302,000	2,871,000
Total tax paid	666,206,510	9,570,000
<b>VAT for items that are zero rated, children exempt</b>		
<b>Item</b>	<b>Adults</b>	<b>Children</b>
Pairs of shorts	10	8
T-Shirt	10	5
Swimming costume	15	10
Pair of flip flops	12	8
Spend per person	47	31
Tax paid per person	8	0
Number of holiday makers	33,302,000	2,871,000
Total tax paid	260,865,667	0
<b>Total VAT bill</b>		<b>936,642,177</b>

## Insurance Premium Tax

For travel insurance, a basic budget family package (excluding ski/extreme sports cover) for 10 days in Europe was used to estimate a per person cost. Prices were found using a price comparison website.

10 days was used as it is the average duration of holidays abroad according to the ONS data (rounded from 9.6 days).

The insurance cost is likely to be an underestimate given that travel insurance for destinations outside Europe is generally more expensive, although the minority of holidaymakers who chose not to purchase travel insurance will to some extent offset this.

**Table 7: Indicative total of Insurance Premium Tax on travel insurance for holidays abroad**

Item	Amount
Budget travel insurance per person (£)	7
Holidays abroad	36,173,000
Estimated spend on travel insurance (£)	253,211,000
Insurance Premium Tax	20%
<b>Amount in tax (£)</b>	<b>42,201,833</b>

## Tax on a holiday to Florida for a family of four

Calculations are based on a family of four with two adults and two children. Sources for the individual tax costs for each item are explained above.

**Table 8: Individual and total tax bills for a family's holiday to Florida**

Item	Individual cost (£)	Combined costs	Total
APD to Florida	65	4 individuals	260
VAT per adult	28	2 adults	56
VAT per child	3	2 children	6
IPT per person	7	4 individuals	28
<b>Total</b>			<b>350</b>

## Tax on a holiday to Spain for a family of six

Calculations are based on a family of six with two adults and four children. Sources for the individual tax costs for each item are explained above.

Table 9: Individual and total tax bills for a family's holiday to Spain

Item	Individual cost (£)	Combined costs	Total
APD to Spain	13	6 individuals	78
VAT per adult	28	2 adults	56
VAT per child	3	4 children	12
IPT per person	7	4 individuals	42
<b>Total</b>			<b>187</b>

## Tax on a holiday to Australia for a couple

Calculations are based on a couple of two adults. Sources for the individual tax costs for each item are explained above.

Table 10: Individual and total tax bills for a family's holiday to Spain

Item	Individual cost (£)	Combined costs	Total
APD to Spain	92	2 individuals	184
VAT per adult	28	2 adults	56
VAT per child	3	0 children	0
IPT per person	7	28 individuals	14
<b>Total</b>			<b>254</b>