

Tourism Tax

Imposing taxes to finance activities other than airport or aeronautical services has a huge impact on a country's aviation and tourism industry.

Tourism and aviation taxes are counterproductive. In many cases, the revenue raised from such taxes is far outweighed by the economic benefits that are foregone as a result of reduced demand for air travel.

Generally, governments increase tariffs or taxes on a given product – such as tobacco – when they intend to dissuade its consumption, not promote it. It is paramount to keep in mind this basic principle when evaluating such tax proposals by States.

IATA POSITION

IATA is totally opposed to any form of fee that does not reinvest the revenue in the aviation industry. Such a fee is in contradiction of ICAO principles. Any government decision leading to an increase of the costs of air travel imposes a new barrier to the development of the aviation and tourism industries.

KEY REASONS WHY TOURISM TAX SHOULD NOT BE LEVIED

- ICAO principles do not support any taxes on aviation that do not generate funds that will be put back into aviation related activities.
- Increased aviation may result in unprofitable routes and reduced frequencies for destinations to, from or within a country.
- Taxes on aviation will reduce the wider economic benefits available from aviation, resulting in a negative impact on economic growth and overall government revenue bases.
- Taxes on aviation charges will negatively impact tourism, an industry that is essential to the economy of many countries.
- Taxes that are only applied to aviation are discriminatory and have an adverse effect on the air transport industry, a key engine for economic development.

KEY ELEMENTS TO TAKE INTO CONSIDERATION BEFORE INCREASING COSTS TO PASSENGERS

- 1 Air travel is increasingly sensitive to price, due to the Internet, no frills competition and centralised corporate purchasing power.
- 2 The rise of corporate buying and the increased transparency of price have led to more price sensitivity for business travel.
- 3 Several studies demonstrate that amongst all travellers, tourists travellers are most sensitive to price and will therefore experience the greatest decrease in demand if there is a cost increase. For example, a price increase of 10% is estimated to generate a decline of 15% in the number of leisure passengers travelling.
- 4 When a new tax on aviation is introduced it will be transferred to the price of the ticket. As a result, the demand will be significantly impacted. Even if the revenue of these taxes is allocated towards tourism promotion overseas, the result of these campaigns would be offset by a real reduction in the number of tourists actually visiting the country.