



India Service Tax on Air Travel: letter from the Director General & CEO of IATA to the Minister of Civil Aviation of India, Shri Vayalar Ravi

Geneva, 7 March 2011

Dear Minister,

I am writing to seek your strong action against the increases in service tax on air travel announced by Minister Pranab Mukherjee in his Union Budget 2011-12 speech. It is vitally important to aviation in India not only that that these latest increases should be rolled back but that all service taxes on air tickets, imposed since 2006, should be withdrawn.

IATA and its airline members are opposed to any form of taxation on the sale and use of air transport as it has an adverse impact on the growth and development of the aviation industry. This is recognized by the International Civil Aviation Organization (ICAO) which has clear rules directing member states to refrain from imposing such taxation. India, as a Council member of ICAO, helped to formulate these rules and is obligated to observe them.

The service tax increases are estimated to add an unaffordable cost burden of USD150 million a year to the Indian aviation industry. This is on top of the estimated USD250 million incurred already from the service tax introduced in July 2010 for domestic travel and international economy class travel.

The levying of service tax on air transport continues to overlook its counter-productive nature. The aviation industry is not only a major industry in its own right but is also a facilitator of economic growth in other industries. The World Travel & Tourism Council estimates that travel and tourism's contribution to India's GDP in 2011 (including its wider economic impacts) will hit USD81.4 billion or 4.5% of total GDP. The imposition of service tax on air transport will dampen growth and overall, will cost the Indian economy more than the tax revenue raised.

The air transport industry provides a critical mode of transport that supports India's economic growth. It should not be placed at a disadvantage to other competing transportation modes such as rail and road that are not subjected to the same service tax.

India's air transport industry is undergoing severe strain as fuel prices continue to rise. The last thing the industry needs is a further cost burden that serves no overall economic sense. IATA urges your understanding and support to seek a full roll back of service tax on tickets for domestic and international travel in all classes.

Your urgent attention to this matter would be greatly appreciated.

Sincerely,

Giovanni Bisignani
Director General and CEO
IATA – International Air Transport Association
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