



IATA renews call on Colombian government to reduce VAT on airline tickets and fuel

21 April 2023 (Bogotá) – The International Air Transport Association (IATA) is renewing its call on the Colombian government to consider a reduction of VAT on tickets and aviation fuel to 5%. This measure, just as it did during the COVID-19 pandemic, would support the ongoing recovery of the aviation sector, in turn strengthening domestic connectivity, sustaining tourism development and continuing to increase the accessibility to air transport in the country.

Air transport users have felt the impact on the cost of airline tickets following a VAT increase of 14 percentage points, since the two-year (2020-2022) VAT rate of 5% came to an end, along with a rise in other applicable fees and taxes.

During the pandemic, the reduction of VAT to 5% had a significant impact on the growth of passenger demand, which in turn benefitted other sectors of the economy such as hotels, restaurants, travel agencies, bars and amusement parks. However, increasing VAT to 19%, has had the opposite effect. Estimates show that the VAT increase will lower domestic demand by 15.4% (4.9 million passengers) and by about 13% (1.9 million passenger) for international travel.

Finance Minister Jose Antonio Ocampo commented that the reduction in VAT would decrease revenues for the General Budget of the Nation by approximately COP 1.2 trillion, which currently equates to US\$265.4 million. However, this increase of 14 points would be preventing a greater contribution of the sector to the economy, putting at risk a GDP contribution of around US\$1.485 billion and about 47,000 jobs. This economic contribution would come from both the industry and spillover effects to other sectors (tourism), which are directly related to the airline industry.

A 26% decrease in bookings can already be seen when comparing January 2023 to December 2022. To verify the veracity of this decrease and its relation to the increase in VAT on air tickets, it is important to note that the variation in bookings in January 2020 with respect to those of December 2019 was only 1.6%, while the variation between January 2022 and December 2021 was 1.7%. Thus, this year's variation of 26% is about 13 times higher than in previous years.

In the specific case of air transport in Colombia, there is a high tax burden, made up of taxes and contributions that must be charged on the sale of the ticket. This situation creates artificial barriers that raise prices, contrary to the purpose of achieving better and more affordable fares for passengers, who, although they can avail of low air fares, must assume these costs that considerably increase the total price of the trip.

A renewed VAT reduction will help to close the gap between taxed and market prices. In addition, these measures incentivize demand and access to air services and meet the passenger and tourism target set by the National Government and being discussed in the National Development Plan.

There are examples in the region like Ecuador where the government recently reduced two tourism taxes applicable for inbound and outbound passengers to 5% of the fare with a maximum ceiling for each. This is aimed at easing the tax burden on passengers and boosting air connectivity through

stimulus measures to boost tourism, trade, logistics and foreign investment, and the benefits associated with these activities.

- IATA -

More information:

Corporate Communications - Latin America

Tel: +1 – 438 – 258 3155 o + 1-514-240 4746

Email: ruedigerm@iata.org

Notes to editors:

- IATA (International Air Transport Association) represents around 300 airlines that make up 83% of global air traffic.
- Find all the latest information - releases, policy positions and other useful information - at <http://twitter.com/iata>