# Solidarity Tax

**Airlines and their passengers should not have to pay for social programmes that are not related to airport and aeronautical services**

## Situation

An example of a discriminatory tax on the air transport industry was introduced by the French Government on 1 July 2006 with a "solidarity" tax designed to support aid to developing countries. France's President Chirac at a World Economic Forum meeting in 2005 first introduced the concept of a tax on airline tickets to generate financial aid for developing nations.

In February 2006, the French Government invited over 100 countries to a ministerial conference in Paris in an attempt to persuade them to follow this initiative.

A limited number of countries have followed the lead set by France whilst other countries are opposed to the solidarity tax. The Council of Economics and Finance Ministers of the European Union (ECOFIN) considered and ultimately rejected the idea of implementing such a tax on an EU-wide basis. Even the African Union has publicly expressed its opposition to the concept.

## IATA Position

Airlines and their passengers should not pay for states' funding of social programmes. Besides the fact that this is fundamentally wrong, the air transport industry having to absorb more taxes means that it will have fewer resources to invest in growth and remain financially stable.

With airlines struggling financially, the last thing needed is to be hit with discriminatory taxes that treat air travel as a sin, akin to alcohol and tobacco. In some regions, taxes now account for up to 26% of the cost of a USD 200 ticket. IATA is strongly against these tax initiatives.

## Key Reasons Why a Solidarity Tax Should Not be Imposed

1. Policies espoused by the International Civil Aviation Organization (ICAO) do not support any taxes on aviation, including on the sale and use of international air transport[1].

2. This initiative is based on the erroneous assumption that air transport is a luxury item only enjoyed by a privileged few. Air transport, however, is the world's only form of global mass transit. Over 2 billion people travel by air each year and not all of them are wealthy.

3. This initiative ignores the active and substantial contribution that air transport already makes to economic development. It connects people and businesses to the global economy. It facilitates improved inward investment and productivity.

4. Whilst aviation is the largest single contributor to economic development through tourism, passenger demand is very sensitive to the price of tickets. Typically, a 10% rise in price will reduce demand by 15%.

5. Imposing such a tax would discourage passenger traffic and inhibit the air transport industry's ability to drive economic development to its full potential, thereby negatively affecting the countries implementing the tax and moreover the very countries that are intended to benefit from such a tax.

6. In many cases, the administrative costs associated with collecting and reconciling the proposed new tax may outweigh the intended benefits.

[1] **ICAO Doc. 8632**