



09 July 2015

Capt. S M Nazmul Anam
Director
Flight Safety & Regulations
Civil Aviation Authority, Bangladesh
Kurmitola, Dhaka-1229
Bangladesh

Dear Mr. Nazmul Anam,

DEDUCTION OF VALUE ADDED TAX (VAT)

The International Air Transport Association (IATA) is a global trade association for airlines representing over 250 airline members and accounting for 84% of total global air traffic. Our members include Biman, Emirates, Etihad Airways, Cathay Pacific, Singapore Airlines, Thai Airways International, Jet Airways, Air India, and Saudi Arabian Airlines that operates services to Bangladesh.

I refer to your notice dated 06 July 2015 in relation to the imposition of VAT on landing, parking, and route navigation charges on all sectors by the Government of Bangladesh effective from FY 2009-10.

I am writing to bring to your attention several issues in relation to this notice.

International Obligations & Efficient Taxation

The levying of VAT on landing, parking and route navigation charges in relation to international air transport would directly contradict the Policies on Taxation in the Field of International Air Transport published by the International Civil Aviation Organization (ICAO) and contained in ICAO Document 8632¹, which states that “each Contracting State shall reduce to the fullest practicable extent and make plans to eliminate...all forms of taxation on the sale or use of international transport by air, including taxes on gross receipts of operators and taxes levied directly on passengers or shippers”. Bangladesh is a contracting state to the Chicago Convention on International Civil Aviation and has obligations in international law with respect to the policies set out in Document 8632.

Additionally, under the standard principles of a VAT regime, exports are to be zero-rated. This is explicitly noted in the Organisation for Economic Co-operation and Development’s (“OECD”) *International VAT/GST Guidelines* (April 2014)², which states the following:

¹ Available at: http://www.icao.int/publications/Documents/8632_3ed_en.pdf

² Available at: <http://www.oecd.org/ctp/consumption/international-vat-gst-guidelines.pdf>



“The application of the destination principle in VAT achieves neutrality in international trade. Under the destination principle, exports are not subject to tax with refund of input taxes (that is, “free of VAT” or “zero-rated”).”

Consequently, the landing, parking and route navigation charges should not be subject to VAT with respect to international air transport.

At present, the landing, parking and route navigation charges are levied on passenger air travel in order to cover the costs of the associated infrastructure and airport services provided to support aviation. As such, air passengers already pay for the costs associated with the aviation services they utilize. Levying VAT on these charges is therefore a form of double taxation that is inefficient and results in financially overburdening air passengers relative to the cost of aviation services provided to them.

Economic Considerations

Unfairly taxing international air travel also has broader economic ramifications. A 2014 Report on *Aviation Benefits Beyond Borders* published by the Air Transport Action Group concluded that aviation jobs are, on average, 3.6 times more productive than other jobs.³ Moreover, and specific to developing economies, the air transport sector has supported approximately 36.9 million jobs and contributed roughly USD 656 billion to GDP in developing countries. Over the next 20-year period, air traffic in developing economies is anticipated to grow at an average rate of 5.2% per annum.

Given that the demand for international air travel is highly sensitive to changes in price, imposing a further tax on passengers would have a negative effect on international air passenger volumes to and from Bangladesh. The resulting multiplier effect would lead to a decrease in demand for aviation and aviation-related services, thus negatively impacting GDP and reducing the overall benefits that aviation would have otherwise contributed to the economy of Bangladesh.

In light of the above, we respectfully request that the Civil Aviation Authority, Bangladesh reconsider its decision to levy VAT on landing, parking and route navigation charges on international passengers in favour of a zero-rated treatment.

³ Available at: http://aviationbenefits.org/media/26786/ATAG_AviationBenefits2014_FULL_LowRes.pdf



IATA appreciates the opportunity provided to submit these comments and would be happy to discuss this matter in greater detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Conrad Clifford", with a horizontal line underneath it.

Conrad Clifford
Regional Vice President
Asia-Pacific