



## Fact Sheet

# Aviation Charges, Fuel Fees and Taxes

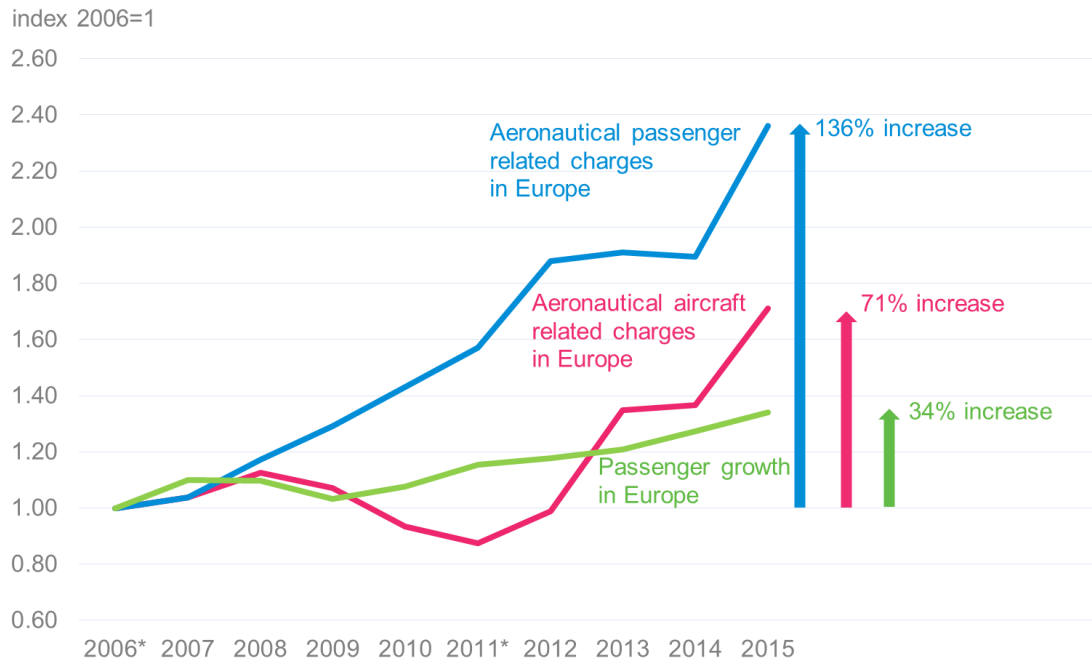
- IATA campaigns for cost efficient airport charges, air traffic control charges, and fuel fees to drive financial and operational improvements. IATA equally advocates for fair taxation.
- IATA's campaigns are aimed at monopolistic providers (airports, air navigation service providers, fuel infrastructure providers & suppliers) as well as regulators and governments
- Effective economic regulation of airports as the key to drive cost efficiencies and mitigate excess profit-taking remains a focus of IATA's work on airport charges
- Airlines and passengers are estimated to have paid at least \$118.9 billion for the use of airport and air navigation infrastructure globally in 2015. This is estimated to have increased to \$125.9 billion in 2016.
- In addition, airlines and their customers are estimated to have generated \$123 billion in tax revenues in 2017, which is equivalent to 45% of the industry's GVA (Gross Value Added, which is the firm-level equivalent to GDP), paid to governments. This is an increase from \$118 billion in 2016.
- In all its work, IATA aims for a more balanced customer-supplier relationship between airlines and airports, starting with engagement on the infrastructure planning to ensure airport and air navigation service projects involve the airline community as early as possible and result in facilities that are demand-led, fit-for-purpose and cost effective to develop and operate. For this, IATA emphasizes the key principles of infrastructure charges:
  - Meaningful engagement with the airline community
  - Transparency
  - Cost-relatedness of charges
  - Equitable charges structure
  - Timely, efficient and affordable investment aligned to airline needs based on a long-term master plan
  - Productivity and service level improvements
  - A robust and effective economic regulatory framework
- Aviation must not be treated as a cash cow for providers or an easy target for taxation by governments
- The negative impact on the economy of unfairly taxing air transport often outweighs the revenue raised
- Providers should continue to build on the collaborative relationships established with airlines
- The industry must continue to seek opportunities for cost reduction and efficiency improvements to ensure sustainable growth

## Recent Developments

- While there have been some positive developments, increased taxes, together with rising charges and fees as well as unwarranted CAPEX development, remain a threat across the globe

- Airlines are supporting investments in infrastructure, provided they are demand-led, fit-for purpose and based on a long-term planning view with a sound business case to allow for efficient and productive operations
- We strongly oppose calls for lighter economic regulation of airports. Effective economic regulation is the key to improving airport cost efficiency and transparent, cost-related airport charges
- In the context of Europe, this is currently under review; the European Commission confirmed that the objectives of the Airport Charges Directive have not been fully met and indicated its intention to launch an impact assessment
- We welcome this development based on the need to replace the current Directive with appropriate economic regulation to prevent airports with market power from abusing their dominant position and continue raising charges (Figure 1 outlines the evolution of aeronautical charges in Europe)
- The trend of increasing private ownership adds urgency to the need for independent, fit-for-purpose economic regulation. IATA is seeking to ensure that airlines, as the key stakeholders, are engaged in any privatization processes from the outset, allowing understanding of the objectives and assessment of alternative options (see [Privatization Fact Sheet](#))
- Implementation of the Goods and Services Tax (GST) regime in India occurred on 1 July 2016. IATA has been heavily involved in advocacy activities with the Indian Government for the past several years to ensure international standards and principles were accounted for as part of the rollout. GST implementation has been extremely challenging for many industries, including air transport, and IATA continues to engage with the Indian authorities to obtain the necessary clarifications for airlines (e.g. GST applicability to ancillary services, GST treatment of statutory passenger taxes and charges, compliance requirements, etc.).
- With the introduction of Value Added Tax (VAT) in the UAE and Saudi Arabia effective 1 January 2018, IATA commends both countries for largely adhering to VAT standards and best practices espoused by ICAO and the OECD. IATA continues to work with the industry to ensure an efficient transition to the VAT regime in 2018.
- Challenges with respect to the taxation of airline net income/ profits outside their home jurisdiction and in contradiction with international agreements continued in 2017 (e.g. in India, El Salvador, Greece, etc.) and remains a significant issue with respect to ensuring airlines are not subject to costly and inefficient double/ multiple taxation.
  - The Single European Sky, which would make European air navigation more cost-efficient, needs significantly more ambition and commitment from Member States
  - The abolition of the two highest rates of the UK Air Passenger Duty (APD) from April 2015 and the introduction in March 2016 of an exemption for youth (under 16 years old) travelling in the lowest class are small steps towards mitigating this damaging aviation tax; however the lower two bands are still increasing in line with inflation. With respect to the UK APD, IATA is highly disappointed with the recent UK budget which will see the higher standard rate, Band B tax, increase by GBP 16 per passenger effective 1 April 2019. The UK APD remains the single highest passenger ticket tax in the world and the recent rate increase will only serve to harm the British economy at a time when it can least afford it.
  - Lack of open access to fuel supply and the continued imposition of various taxes on jet fuel for international operations are increasing the industry's cost burden.
  - There is also concern that changes in the jet fuel supply chain and increasing demand is leading to increased supply reliability challenges.

Figure 1: Evolution of aeronautical charges vs passenger numbers (2006-2015)



Source: IATA, ACI, Oanda.

Note: Cost in nominal € indexed to 2006 levels, \*estimates of aircraft and passenger share of aero charges, ACI definition of Europe.

## Recent Successful Campaigns by IATA

- **Austria:** the Air Travel Levy will be reduced by 50% from 2018, saving passengers US\$ 63 million annually
- **Botswana:** an improvement in the jet fuel pricing formula will save airlines over US\$ 24 million during 2017
- **Brazil:** reduced increases in overflight charges will result in over US\$ 200 in avoided costs for airlines until 2020
- **Columbia:** following the publication of the tax reform package, the exemption for international airline operations on a carbon tax will save US\$ 11 million per annum
- **Gabon:** following IATA's submission, there has been confirmation that the Special Solidarity Tax of 1% of the underlying airfare was not applicable to international air transport from Gabon
- **Greece:** advocacy surrounding airport charges, including the long overdue reduction in the airport development fee, will save airlines around US\$ 40 million per annum
- **Japan:** new charges structures at Kansai and Narita airport will result in savings of US\$ 25 million up to the end of 2018
- **South Africa:** a long overdue reduction in airport charges will save airlines and passengers a total of US\$ 233 million for 2017-18