Dutch and Irish Passenger Taxes

Fact Sheet

Previous experiences with aviation taxes in Europe show that aviation taxes have a substantial downward impact on passenger numbers, constrain connectivity growth and result in foregone economic benefits to the country in which the tax is applied.

Dutch Air Passenger Tax

On 1 July 2008, the Dutch Government implemented the air passenger tax at Dutch airports, as one of the instruments for ‘greening’ the tax system. The tax entailed a fee of €11.25 for departing passengers from Dutch airports to European destinations and a fee of €45 for departing passengers from Dutch airports to intercontinental destinations. Transfer passengers were exempted from the air passenger tax.

The air passenger tax had been subject to an impact assessment, which indicated that the number of air passengers would drop by 8 percent to 10 percent).

Following the introduction of the tax, the number of passengers departing from Amsterdam Airport Schiphol indeed decreased, whereas the number of transfer passengers continued to increase. The decrease cannot be fully attributed to the tax, as the economic crisis started around the same time, which also had a downward impact on the number of passengers. In addition, and before the introduction, Dutch air passengers had started to increasingly use German and Belgian airports because of the supply of low-cost flights at border airports such as Dusseldorf Weeze and Charleroi. However, a conservative estimate by the KiM Netherlands Institute for Transport Policy Analysis (KiM 2011) showed that the air travel tax caused a decrease of around 2 million passengers from Amsterdam Airport Schiphol, from 1 July 2008 until 1 July 2009 when the tax was set to zero (it was formally abolished on 1 January 2010).

The KiM-study highlights the fact that the negative impact of an air travel tax is not only due to the resulting increase in airlines’ air fares impacting passenger behaviour, but also due to the publicity given to the tax by the tourism and aviation sector. This allowed to highlight the potential negative economic effects of the air passenger tax and to raise the awareness of Dutch consumers about the use of foreign airports where the tax was not applicable. In addition, KiM reports that – although the air passenger tax has been abolished – it has had structural effects on passenger behaviour: once passengers have a good experience using foreign airports, they are more likely to use them again in the future.

Economic impact of the Dutch air passenger tax

The Dutch Government aimed to generate €350 million annually with the introduction of the air passenger tax. The tax was estimated to result in a loss of 8-10 percent of passenger demand, which was considered to be acceptable, taking into account the air travel growth in the years before the introduction.

However, the reality was very different. A study on the economic impact of the Dutch air passenger tax (SEO 2009) showed that the tax resulted in:

- €90 million lower aeronautical and non-aeronautical revenues for Dutch airports;
- A revenue decrease of €940 million for airlines using Dutch airports;
- €83 million lower revenues from inbound tourism to the Netherlands;
- €120-€300 million lower revenues for travel agents/organization regarding outbound leisure traffic.

At the same time, the revenue for the Dutch Government was much lower than expected:

- Due to the decrease in air travel demand from Dutch airports, revenues accounted for €260 million instead of €350 million;
- Lower employment levels in the short term, resulting in social security expenses of €100 to €200 million.
Irish Air Travel Tax

The Irish Government introduced the Air Travel Tax (ATT) on 30 March 2009. The tax applied to all flights out of Ireland. Initially, the ATT entailed a tax of €10 per passenger on all flights from Irish airports to airports situated more than 300 kilometres from Dublin. For shorter flights, a rate of €2 applied. Transfer passengers were excluded from the tax. From March 2011 on, the ATT was changed into a flat rate of €3. After heavy opposition by the aviation and tourism industry, the tax was eventually no longer applied in April 2014.

A study on the impacts of the initially introduced €10/€2 tax (SEO 2009c) revealed that the Irish Government expected the total revenue from the ATT to be around €130 million per annum. However, when factoring in the reduction in aviation demand (a decrease between 0.5 and 1.2 million departing passengers) and the corresponding changes in supply, the expected revenue was calculated to be as low as €124 million. In addition, in the first year after the introduction of the tax, airlines, airports and the tourist sector faced revenue losses ranging between €210 and €465 million, depending on the elasticities assumed. Furthermore, the study estimated a direct loss of jobs of 2,000-3,000 jobs at airports, airlines and the tourism industry.

Finally, the study highlights the fact that the consequences of the ATT would also result in a reduction of other government revenue sources, most notably the revenues from personal income tax (and higher unemployment costs), revenues from corporate tax and revenues from sales tax. The study provides a rough estimate of the decreased government revenues of €50 million.

A calculation of the impact of the revised Irish ATT (€3 for all flights) by IATA (2013) reports an annual increase in international and domestic passenger volumes of the abolishment of the ATT of 0.9 percent and 8.2 percent respectively, generating an additional GDP contribution of €94 million and over 1,000 jobs.