



**ACI EUROPE POSITION**  
**on**  
**AVIATION TAXES IN THE EU**  
***Putting the economic  
recovery at risk***

**AIRPORTS COUNCIL  
INTERNATIONAL**

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## **Aviation taxes in the EU**

### ***Putting the economic recovery at risk***

#### **ACI EUROPE Position - Executive Summary**

- **Aviation taxes have a negative economic impact on the economy**
- **Expected revenues are largely outweighed by losses in the overall economy**
- **Existing taxes at national level should be abolished**
- **An aviation tax at EU-level is economically and socially not sustainable**

#### ***National taxes on aviation damage the economy!***

Transport is a cornerstone of the European economy. It ensures the mobility of businesses and people and contributes largely to economic growth. The sector as a whole represents 10% of the EU GDP and provides over 10 million direct jobs.<sup>1</sup> A well performing transport sector is a prerequisite for sustainable economic growth in the European Union.

Aviation is playing a key role in the European transport sector. The creation of a single EU aviation market in the 1990s has allowed for a tremendous development of the industry, fostering the connectivity of European regions and boosting the European economy as a whole. Today, the European air transport industry directly and indirectly accounts for around 4.5 million workers and contributes about €275 billion to European GDP.

In order to address its environmental impact, air transport will be included in the European Emission Trading Scheme (ETS) by the year 2012. European airports fully recognise the impact of aviation on carbon emissions – albeit limited in terms of total share of CO<sub>2</sub> emissions<sup>2</sup> – and support the inclusion of the aviation sector in the ETS. In that respect, any policy to address the environmental impact of aviation must remain market-based and should ultimately be implemented at global level, in order to avoid a distortion of competition. Consequently, all national aviation taxes should be withdrawn upon the entry into force of the EU ETS.

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<sup>1</sup> European Parliament (2010) : Sustainable Future for transport; Resolution adopted on 6 July 2010.

<sup>2</sup> Aviation contributes about 2% of global CO<sub>2</sub> emissions,



In addition, in June 2009, ACI EUROPE launched *Airport Carbon Accreditation*, the only institutionally endorsed programme which assesses and recognises efforts by airports to manage and reduce their carbon emissions, with the ultimate goal of becoming carbon neutral. To date, 28 European airports participate in the scheme accounting for more than 35% of European passenger traffic. Furthermore, many European airports already have charges related to local noise emissions, nitrogen oxide emissions and hydrocarbon emissions.

**Against this background, ACI EUROPE is extremely concerned by the recent proliferation of aviation taxes in several European countries, often portrayed as environmental levies.** In reality, these so-called "Green" taxes are simply blunt instruments for public revenue generation, which do not deliver any significant environmental benefits. Therefore, ACI EUROPE calls for these national taxation schemes to be repealed where they exist and not to be introduced in other countries. At the very least, related revenues should be invested directly back into the industry for infrastructure improvement and/or research into new technology.

Overall, national aviation taxes have a severe negative impact on the economy and endanger the economic recovery, badly needed as Europe is emerging from the worst economic crisis since the end of the Second World War. Moreover, such taxes are socially not sustainable, as they usually affect lower income groups in a disproportionate manner due to their flat-rate character.

The *Bruges Declaration* of the EU Aviation Summit organised by the Belgian Presidency in October 2010 therefore rightly called upon EU Member States to "avoid additional burdens (e.g. taxes on aviation)", as they would negatively affect the competitiveness of the European aviation industry. European airports therefore strongly urge national governments to abolish existing national aviation taxes in order to allow the aviation sector to foster economic growth in Europe after the economic crisis.

### ***An overview – aviation taxes in the EU***

Several EU Member States have introduced or are about to implement specific aviation taxes at national level. Some countries have also increased the level of their aviation tax to generate additional revenues. Conversely, a number of countries have withdrawn their plans to impose a tax on aviation or have abolished the tax following an assessment of its very negative impact on the economy.

#### *Austria*

Austria will introduce a tax on departing passengers (excluding transfer) for all flights as of 30 March 2011. The tax will range from €8 (short-haul) to €35 (long-haul) per passenger.

#### *Belgium*

In October 2008, the Belgian Government announced its intention to impose an air travel tax of up to €40 per departing passenger from any Belgian airport. Following strong protests from both airlines and airports, the Belgian Government withdrew its plans to introduce a tax in November 2008.

### Denmark

Denmark abolished its Transportation tax in 2007 because of the negative economic impact and the competitive disadvantage for Danish airports stemming from the tax. The tax rate amounted to DKK75 (ca. €10) per departing passenger (halved in 2006 before its complete abolition in 2007). According to the Danish Ministry of Finance in 2006, *"eliminating the tax will support the framework conditions for Danish airports and strengthen the overall platform for air traffic in Denmark."*

### France

The French Government introduced a *solidarity tax* in 2006. The tax rate ranges from €1 for a short-haul flight in Economy Class to €40 for a long-haul flight in Business Class. All revenues from the tax are earmarked for development aid. In addition, France levies a "civil aviation tax" of €4.11 for EU destinations and 7.38€ for extra-European destinations per departing passengers.

### Germany

The German Government agreed on the introduction of a new Air Passenger Tax in 2010, applying to departing passengers from German Airports for flights after 1 January 2011 (excluding transfer passengers). The tax ranges from €8 for domestic and European destinations to €45 per flight for long-haul routes.

### Italy

In 2003 the Italian Government established a so called "Municipal surcharge" levied on each passenger departing from any Italian airports and progressively increased up to Euro 4.5. In addition local authorities recently set a Roman administrative surcharge of 1 euro per air passenger, with a view to contributing to cover the Municipality of Rome's debt. This charge has been levied on passengers departing from Rome's airports since 1st January 2011.

### Ireland

The current Irish Air Travel Tax was established in 2009 and is levied on each departing passenger. Short-haul flights of up to 300 km are taxed €2, whereas all other destinations are subject to a €10 tax. In December 2010 the Irish Finance Minister announced in his Budget speech that from 1 March 2011 a reduced single rate of tax of €3 would apply. He acknowledged that this had arisen from calls for the abolition of the tax, which is blamed for the reduction in visitor numbers to Ireland. Most recently, the new Irish government announced in March 2011 its intention to fully withdraw the tax.

### Netherlands

The Dutch Government introduced a Government departure tax on 1 July 2008, taxing all departing passengers €11.25 for flights within the EU and €45 for intercontinental flights. However, given the dramatic consequences on the Dutch economy and the diversion of passengers to Belgium and Germany, the tax was suspended on 1 July 2009.<sup>3</sup>

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<sup>3</sup> See SEO Economisch Onderzoek (2009) : Implicaties van de invoering van de ticket-tax.

### United Kingdom

The UK Air Departure Tax (APD) was first introduced in 1994 and is levied on each departing passenger from a UK airport. The current rates range from £12 for short-haul flights up to £170 for long-haul flights per ticket.

The UK Government is currently considering a change of the system in favour of a taxation on a per-plane basis. However, a shift to a tax on a per plane basis could result in airlines focusing on routes with a high load factor to the detriment of thinner routes serving regional airports. Taxation on a per plane basis would also include full freighters within the taxation scheme for the first time, with a negative impact on cargo traffic at UK airports.

### ***The economic impact of aviation taxes – negative!***

The main rationale of most aviation taxes is to generate additional revenues for the general budget of a country. The funds raised are typically not reinvested in projects aiming at reducing the environmental impact of aviation. For instance, the Dutch government hoped to raise additional revenues of €350 million annually from the newly established aviation tax. Germany is expecting revenues of €1 billion from the air departure tax applicable as of 1 January 2011, whereas the UK collected almost £2 billion in 2009 through its aviation tax.

However, evidence suggests that the economic impact of the taxes on the economy as a whole largely outweighs the expected return from the tax. Overall, taxes discourage travel and reduce the connectivity of regions. According to a recent independent study, the Dutch Aviation tax led to losses of between €1.2 and €1.3 billion for the Dutch economy as a whole. Most importantly, the tax had a major negative impact on passenger traffic at Amsterdam Schiphol airport: approximately 1.4 million passengers were lost in the second half of 2008 due to the introduction of the tax, diverting passengers to airports in neighbouring countries such as Germany and Belgium and leading to a lower than anticipated tax return for the government.

Against the background of the devastating economic impact of the tax, the Dutch Government decided to suspend its tax in July 2009. However, even after the suspension of the tax, passenger volumes at Schiphol remained lower than anticipated both due to changed travel patterns and the earlier decisions from airlines to withdraw capacity from Schiphol.

In a similar vein, the German aviation industry fears a major negative economic impact of the new tax. According to the sector, the estimated burden of €1 billion exceeds the combined financial net results of all German airports and airlines together – hence the tax will have to be passed on to passengers, with an expected diversion of passengers to neighbouring countries or simply a reduction in travel plans. In total, German airports and airlines expect the loss of 5 million passengers due to the tax, leading to the cut of 10.000 jobs.<sup>4</sup>

Finally, an independent study estimated the impact of the Irish aviation tax on the economy to approx. €450 million, whereas expected tax revenues only amounted

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<sup>4</sup> “Auswirkungen der geplanten Luftverkehrsabgabe in Deutschland”; Position Paper of German Aviation Associations, 11 June 2010

to €116 million. At the same time, Irish airports saw a massive relocation of aircraft from Low-Cost Carriers to other European countries with no aviation taxes in place.<sup>5</sup> The Irish government has acknowledged that the calls for the abolition of the tax which is blamed for the reduction in visitor numbers to Ireland was the rationale for the substantial reduction in the tax rate from 2011.

### ***Recovery from the crisis – a supportive policy is needed!***

The European aviation sector was heavily hit by the economic and financial crisis in 2008/2009. European airports lost around 100 million passengers due to the crisis, with a major impact both on aeronautical (airport charges) and commercial revenues (e.g. retail). In addition, European airports were severely impacted by the unexpected closure of parts of the European airspace in April/May 2010 due to the Icelandic volcano – just at a moment when the worst of the economic crisis seemed over. In total, European airports suffered lost revenues of €300 million and lost 18 million passengers during the airspace closures.

Against this background, the additional taxation of aviation in some EU Member States is highly counterproductive and further damages one of the key pillars of the European economy. In its reports on the economic crisis in 2009, ACI EUROPE outlined five key measures to enable European airports to boost economic recovery, including a reconsideration of economic regulation, a public financing of aviation security measures and the abolition of national taxes. These measures are more relevant than ever, in particular in light of the persistent economic problems in some EU Member States and the mounting competition from aviation platforms outside Europe such as in the Gulf region<sup>6</sup>.

In addition, it should be noted that already today, European airports largely finance their infrastructure themselves, both through airport user charges and revenues from commercial activities. There is no public funding involved in large infrastructure projects – the sector pays the full bill for the construction of its infrastructure, in stark contrast to other modes of transport.

**ACI EUROPE is therefore calling on European policy makers and national governments to stop imposing additional burdens on the aviation sector.** Given the impact of the crisis on the sector, a further burden through additional taxation is damaging the European economy as a whole and puts the sector at a competitive disadvantage with other World regions.

In that respect, any intentions to consider an **EU-wide aviation tax** (as outlined in the recent Commission Communication on the EC Budget Review)<sup>7</sup> are counterproductive and disregard both economic logic and the current requirements of the aviation sector. Moreover, an EU-wide tax would not guarantee a stable source of revenue for the EU-budget due to the cyclical fluctuations inherent in the air transport market.

Furthermore, it would not efficiently address the environmental impact of aviation – in the European Commission’s own words: “Having analysed a number of options,

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<sup>5</sup> SEO Economisch Onderzoek (2009): The implications of the Irish Passenger tax.

<sup>6</sup> See ACI EUROPE Report on the economic crisis 2009, available on [www.aci-europe.org](http://www.aci-europe.org)

<sup>7</sup> COM (2010) 700 and technical annex.



the Commission considers that the best way forward, from an economic and environmental point of view, lies in including **the climate impact of the aviation sector in the EU emissions trading scheme**. Emissions trading is likely to remain a core part of any future strategy to combat climate change, and the EU ETS will help foster the development of a truly international carbon market capable of tapping the potential for emission reductions across the globe.”<sup>8</sup>

ACI EUROPE therefore calls on the Governments and all European institutions to remain consistent with the approach advocated in the above mentioned Communication. Only a supportive policy approach both at EU and at national level will enable the aviation industry to continue foster economic growth and to create jobs in Europe.

Brussels, March 2011

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<sup>8</sup> COM (2005) 459; Communication from the European Commission on Reducing the Climate Change Impact of Aviation; p.10 point 9. Instruments such as airline ticket or departure taxes would have an effect only through dampening demand and so would not give operators an incentive to improve environmental performance.