



WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 2: Examination of key issues and related regulatory framework

Agenda Item 2.6: Taxation of and other levies on international air transport

A TOURISM PERSPECTIVE ON TAXES AND DUTIES

(Presented by the World Tourism Organization (UNWTO))

EXECUTIVE SUMMARY

The World Tourism Organization (UNWTO) recognizes that properly constituted taxes and duties are a fundamental and legitimate fiscal tool of governments worldwide. However, there is a growing concern regarding a proliferation of levies on air transport as well as on tourism. While the travel and tourism industries should naturally contribute their due, the unsubstantiated nature of some taxes and duties can actually produce a net damage to the economy, in particularly in those destinations which are so dependent on air travel. In many cases, these taxes and duties distort the market and create trade barriers, hampering fair competition. This issue needs to be addressed by collective positioning of the benefits of air transport and tourism, with cross-silo emphasis on analysis and guidance to States on the impact of taxes and other levies.

Action: The Conference is invited to agree to the recommendations presented in paragraph 2.

<i>References:</i>	ATConf/6-WP/65 ATConf/6 reference material is available at www.icao.int/meetings/atconf6 .
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1. OVERVIEW

1.1 The number and impact of taxes and duties in the tourism sector continue to increase. This trend is in large part due to the growing importance of tourism and the potential source of tax revenues the sector is providing, but also the nature of the tourism sector makes it an attractive target for taxation.

1.2 The proliferation of taxes and duties and the lack of taking into account secondary impacts hinder the successful development of the tourism sector and ultimately contradict the aim of building a wider tax base rather than increasing the level of taxation.

1.3 As spelled out by the World Tourism Organization (UNWTO) in ATConf6-WP/65 under Agenda Item 1.1, tourism is a major contributor to the world economy. A negative impact of levies on tourism can have substantial economic downside. Furthermore, tourism and aviation are closely linked sectors. An unsubstantiated tax or duty on tourism can have a significantly negative impact on air transport. Likewise an unsubstantiated tax or duty on air transport can have a significantly negative impact on tourism, in some cases greater than the impact directly on air transport given air transport's catalytic nature. This issue needs to be addressed by cross-silo emphasis on analysis and guidance to States on the impact of taxes and other levies in travel and tourism.

1.4 UNWTO has this year initiated an update of its research on tourism taxation. The UNWTO Secretariat is seeking in this process close co-operation with ICAO and the leading industry associations to maximize the relevance of the research.

2. **RECOMMENDATION**

2.1 The Conference is invited to agree that UNWTO and ICAO should collaborate, along with relevant industry associations, on developing analysis and guidance to States on the impact of taxes and other levies in travel and tourism.

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