

# Taxes, Fees & Charges

## Impact and Best Practices

P/13

## Agenda Item 7

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# IATA's Position

1

IATA strongly opposes any form of tax or fee where the resulting revenue is not reinvested in the aviation industry and is merely meant to increase general government revenues.

2

Taxes, Fees & Charges should follow ICAO principles, where fees charged on air transport are to be associated with services provided in support of aviation (e.g., the provision of airport services)



# Consultation



ICAO

Doc 9082

Thorough consultation process that adheres to all ICAO's recommended practices

Transparency

Non-discriminatory

Cost Relatedness

No Prefunding



# Key Elements to consider:

TFCs should be transport -based

Implemented with a future effective date  
(purchase/travel dates)

The introduction of, or changes to TFCs  
should be notified in advance

Application rules and Exemptions should  
follow industry standards



# Remember:

Demand for air travel is **highly sensitive** to changes in prices

Gross Domestic Product and tourism are **negatively impacted** by reduction of demand

Taxes fees and charges need a **holistic view**, not to be seen in isolation

**Cost of enplanement** is a driver of an airline's decision to serve specific markets

Taxes, Fees, and Charges result in **diversion of visitors** to neighboring jurisdictions that don't impose or impose fewer ones

The decline in demand is further **compounded** by lower-than-expected **government tax revenue** due to diverted travel

Taxes, Fees and Charges continue to make up a **large portion** of the overall **ticket price**







Thank You

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# BEST PRACTICES FOR TAXES, FEES & CHARGES ON AIR TICKETS

Airline Industry  
Recommended Processes  
for Taxes and Charges & the  
Role of Governments and  
Authorities





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# 1. Introduction to IATA

## Background and Overview

Founded in 1945, the International Air Transport Association (IATA) is the trade association for the world's airlines. Our 290 plus members comprise 83% of total air traffic. We support many areas of aviation activity and help formulate industry policy on critical aviation issues. We improve understanding of the air transport industry among decision makers and increase awareness of the benefits that aviation brings to national and global economies.

A key role of IATA is to facilitate the setting of industry standards for its members to facilitate automation, interlining, and industry efficiency. We develop and manage industry standards for passenger and cargo through global traffic conferences that include focused, regional sub-areas. This is all done under a coordinated and member approved governance that solidifies the single voice of our global airline community.

This document has been prepared by IATA to improve the efficacy of the collection and remittance of Taxes, Fees, and Charges (TFC) in the ticketing process by providing a clear set of best practices and recommendations for national taxation authorities and other charging authorities to consider and to apply. Following these practices will not only reduce the administrative burden and compliance complexities for airlines but it will also ensure the accurate and prompt settlement of the relevant TFCs. This guidance has long been overdue as airlines' systems are unable to technically cope with certain rules imposed by governments and authorities.

IATA was requested to develop these best practices to allow essential harmonization of parameters for new and existing TFCs and, therefore, to contain the changes required to individual airlines systems to support collection. Since the 1980s, requests on the airline industry to collect TFCs has increased from less than USD 1 billion to more than USD 64 billion today. The impact of this is a huge cost burden on airlines both, in terms of staff and systems.









TFCs imposed on passengers by governments or other charging authorities may reduce the demand for air travel. As such, IATA urges great caution before any government or authority considers implementing a new TFC. IATA's [Smarter Regulation](#) initiatives seek to promote partnerships with governments that result in clearly defined, and measurable, policy objectives, in the least burdensome way.

IATA strongly recommends that a consultation process occur with the airline community for any proposed TFC or modification to a TFC. The consultation process should consider elements such as transparency and non-discriminatory practices in the implementation of fees and charges as defined in Doc 9082<sup>1</sup> of the International Civil Aviation Organization (ICAO). ICAO has expressed concern that the proliferation of TFCs on air transport has created a negative economic impact on the sustainable development of air transport and on the protection of the customer. ICAO's Air Transportation Conference (ATConf)<sup>2</sup> has stated that the proliferation of TFCs goes beyond the current scope of ICAO policies on taxation of international air transport, as contained in Doc 8632<sup>3</sup>. The ATConf has also noted that ICAO Contracting States should undertake these policies to reduce to the fullest practicable extent, and make plans to eliminate, as soon as its economic conditions permit, all forms of taxation on the sale and use of international air transport, including such taxes for services which are not required for international air civil aviation or which may discriminate against it<sup>4</sup>.

Should a government or relevant authority decide to continue with the setting or revision of a TFC, having fully explored the consultative requirements, they are invited to follow the best practices in this Document to ensure improvements in efficiency for all parties and to expedite remittance. The best practices cover twelve (12) main areas:

1. All TFCs should be transport-based
2. TFCs should always be implemented with a future effective date
3. The introduction of, or changes to, TFCs should be notified in advance
4. TFC application rules should follow industry standards
5. There should be no tax on, or within, a tax
6. Exemptions from TFCs should follow industry standards
7. The refunds of, previously remitted, sales-based TFCs should not be the responsibility of airlines
8. TFCs should respect standard billing processes (differentiate between taxes and charges)
9. Standard payment/remittance processes should be respected
10. A dispute period should be allowed
11. A waiver of interest/penalties should be allowed
12. Minimum data retention requirements should be clear and aligned with legislation

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<sup>1</sup> ICAO (2012), ICAO's Policies on Charges for Airports and Air Navigation Services, Ninth Edition – 2012, ICAO, Montreal, [https://www.icao.int/publications/Documents/9082\\_9ed\\_en.pdf](https://www.icao.int/publications/Documents/9082_9ed_en.pdf)

<sup>2</sup> ICAO (2013), Worldwide Air Transport Conference (ATCONF), Sixth Meeting- 21 March 2013, ICAO, Montreal, [https://www.icao.int/Meetings/atconf6/Documents/FinalReport/ATConf6\\_wp104-2-6\\_en.pdf](https://www.icao.int/Meetings/atconf6/Documents/FinalReport/ATConf6_wp104-2-6_en.pdf)

<sup>3</sup> ICAO (2000), ICAO's Policies on Taxation in the Field of International Air Transport, Third Edition – 2000, ICAO, Montreal, [https://www.icao.int/publications/Documents/8632\\_3ed\\_en.pdf](https://www.icao.int/publications/Documents/8632_3ed_en.pdf)

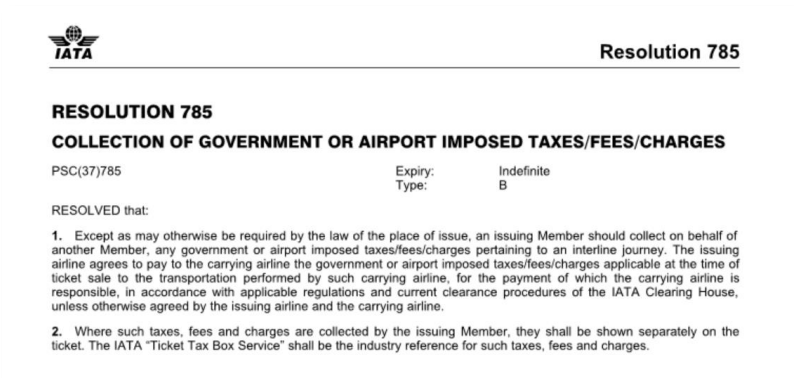
<sup>4</sup> ICAO (2013), Worldwide Air Transport Conference (ATCONF), Sixth Meeting- 21 March 2013, ICAO, Montreal, [https://www.icao.int/Meetings/atconf6/Documents/FinalReport/ATConf6\\_wp104-2-6\\_en.pdf](https://www.icao.int/Meetings/atconf6/Documents/FinalReport/ATConf6_wp104-2-6_en.pdf), Pg. 3



## Ticket Tax Box Service (TTBS) and IATA Resolution 785

The Ticket Tax Box Service (TTBS) was established by IATA in response to the growing need for airlines to collect TFCs through automated ticketing systems. It is the official reference for passenger imposed, TFCs, based on IATA Passenger Resolution 785. Resolution 785, which is one of the hundreds of IATA standard setting guidelines for passenger matters, establishes a simple and coordinated mechanism for the administrative handling of TFCs.

Since the 1990s, the TTBS has become the airline industry's recognized reference repository for TFCs, which take the form of two (2) character codes representing individual TFCs, across the globe. These two (2) character codes are used by airline ticketing systems to apply TFC amounts on passenger air travel tickets according to the parameters established for each TFC and by each jurisdiction and/or charging authority. The TTBS publishes and distributes the parameters governing each TFC under the guidance of its airline members, who are continuously engaged with local authorities.



## 2. Understanding the concepts and terminology of ticket Taxes, Fees and Charges (TFCs)

There are important distinctions between taxes, fees, and charges, as briefly described below.

The International Civil Aviation Organization (ICAO) Council describes the distinction between a tax and a charge as follows (ICAO Doc. 9082, Foreword, 9th Edition):

- *As considered by the Council, a **charge** is a levy that is designed and applied specifically to recover the costs of providing facilities and services for civil aviation, and a **tax** is a levy that is designed to raise national or local government revenues, which are generally not applied to civil aviation in their entirety or on a cost-specific basis.*
- *Aside from the ICAO definitions above, it is important to note that taxes are generally imposed by means of an act of the legislature in each jurisdiction, whereas charges or **fees** are generally negotiated in commercial agreements between airlines and airport authorities/operators. These differences can have important implications for how taxes vs. fees/charges are included on the ticket and how they are disclosed to the passenger, amongst other considerations and which are elaborated on in this document.*

The three terms are often confused by industry stakeholders and charging authorities. Industry representatives also sometimes refer to these levies as "ticket taxes"; however, this is a simplified reference to all TFC listings in IATA's TTBS.

It is important to note that, while the option to collect TFCs at the point of ticket sale exists for passenger facilitation and simplification purposes, IATA does not support the concept of levying governmental taxes on air tickets.





## Airline Interlining

Globalization changed airline markets with the travelling public demanding increased worldwide connectivity. To meet these needs, the airline industry introduced the concept of interlining in the 1940s and 1950s. Interlining allows one airline to act as a selling agent on behalf of another airline. Under this model, the selling airline offers air transportation services on behalf of another airline that operates such services and can offer a journey to the customer that involves multiple airlines and multiple airline networks. This practice has given consumers more options for affordable air travel, even between very distant geographic points that require connections between more than one airline, from origin to destination, and with the benefit of a single travel ticket (interline ticket), paid for in one currency.

## 3. Airlines' role in the process (Collection & Remittance)

Airlines are fully responsible for compliance with tax laws in the jurisdictions to/from which they operate, which includes the remittance of collected TFCs.

With respect to passenger-based TFCs, it is important to note that these are generally indirect taxes, meaning that while the TFC amounts levied are to be paid by the passenger, the legal obligation rests on a second party (the airline) to collect and remit the appropriate amount to the responsible local authority. Airlines must ensure that the price paid by the passenger allows them to remit the collected TFC to the authority.

Only TFCs that are levied on a per passenger basis can be assigned a unique two-digit code by IATA's TTBS allowing such TFCs to be collected from passengers at the time of ticket purchase and to be identified separately on tickets for industry reporting, reconciliation, and remittance processes. The airline industry has invested substantial amounts since the 1980s to support and maintain the accurate and automated collection of TFCs in a constantly changing legislative environment, across more than two hundred jurisdictions.

Generally, there are two types of per passenger TFCs: sales-based and transport-based.

- Sales-based TFCs: These are commonly expressed as a percentage of the value of the airfare. The airfare is the airline revenue portion of a travel ticket, and does not include any of the additional, government and airport-imposed fees and charges. In a limited number of jurisdictions, sales-based TFCs are sometimes expressed as fixed amounts, and either, imposed on each ticket sale transaction or, imposed on each departure and/or arrival involving the consumption of a flight service on a travel ticket in such jurisdictions. Sales-based TFCs are remitted *after the closure of the sale/reporting period* defined by the competent authorities.
- Transport-based TFCs: These are expressed as fixed amounts that are to be paid per passenger, either, when departing or arriving at an airport facility or for the use of a flight service by a passenger doing one of the two (2) aforesaid actions, which can also include a transfer or a transit. Transport-based TFCs are typically inherent to the funding of aviation related activities either by public, private, or mixed public/private agencies. Transport-based TFCs are remitted *after the passenger has traveled*.



## **The Complexities and Challenges of Sales-Based Taxes on the Airline Industry**

Value-based or consumption-based taxes, and Sales Taxes are levied based on the value (as a percentage) of the commercial airfare at the time of ticket sale. The selling carrier is responsible for applying, collecting, and remitting the taxes collected on travel tickets. Unlike many flat-rated TFCs, these value-based and consumption-based taxes are imposed on the selling airline.

IATA firmly holds the view that value-based, or consumption-based taxes, should only be levied on domestic air travel per ICAO policies and OECD international VAT guidelines (<https://www.oecd.org/tax/consumption/>) since the transportation of a passenger on an international flight to a destination outside the borders of one particular country is to be considered an exported service and an extraterritorial activity. In addition to this, travel tickets containing domestic points for the purpose of providing international connectivity should also be zero-rated, under the scope of VAT regimes, since the supply and service of air transportation are not exclusively consumed and delivered within the territorial borders of nations.

Furthermore, value-based, or consumption-based taxes, are to be remitted to the authorities within a time-limited period (generally monthly or quarterly) of ticket sale. In situations where cancellations (or reissuances due to changed itineraries) occur and taxes are refunded to passengers, but the collected funds have already been remitted to the authorities, a cash-flow problem for airlines is generated.

Due to the complexities involved, it is crucial and of mutual interest, for both governments/authorities and airlines, to ensure that the application rules of TFCs are simple and clear. These complexities could be significantly alleviated by governments converting any 'sales' based TFCs to a 'transport' basis, meaning that the TFC would be remitted to the tax authority only once the service has been consumed, i.e., when the passenger has been transported.

Many flat-rated TFCs are directly related to specific flight segments (for example to a specific passenger departure or arrival that is part of the travel ticket) and are required to be remitted by the airlines operating those flight segments. These TFCs are generally due to be remitted by the transporting (operating) airline after the passenger's date of travel. Since some 87% of TFC remittances, globally, are based on the TFC amounts in effect on the actual date of transportation, this means that having all TFCs be applied on a transport basis is achievable.



## 4. Best practices





For collection and remittance processes to run smoothly, and for governments and authorities to receive the correct amount of TFCs, IATA strongly recommends that governments and authorities align themselves to the following best practices.

## 4.1 All TFCs should be transport-based

Of the TFCs worldwide, 87% are due to taxing/charging authorities after a passenger has been transported. Such TFCs do not include value-based/consumption-based, and other sales-based, taxes, which are due to taxing authorities upon the sale of travel tickets. The remittance to taxing/charging authorities of TFCs, after a passenger has been transported, is the most practical and accurate mechanism for airlines and authorities to monitor and track the flow of TFC amounts for purposes of reporting, billing, reconciliation.

Remittance of the TFC amounts collected from passengers to the taxing/charging authorities can be done through either,

- i) a self-declaration process whereby airlines complete a form reporting the number of passengers carried over a determined period and the amount of TFCs collected (this is usually the case for transport based TFCs); or,
- ii) the use of passenger manifests that are transmitted to charging authorities issuing invoices (this is usually the case for charges that are invoiced by airports). Standard application rules are required accurate invoicing when such invoicing is based on passenger manifests. See section 4.4 and 4.6, of this document, for details.

Remitting TFCs after the transport of passengers (for non-sales based TFCs) reduces the administrative burden on both, airlines, and the authorities. It is strongly recommended that TFC remittance be structured to allow airlines to pay governments and authorities only after the passenger has been transported (i.e., on a transport basis versus sales basis). Such practice avoids administrative complexities for governments, authorities, and airlines, such as declaratory amendments for the netting of remittances and/or the refunding of previously remitted TFC amounts.

As previously mentioned, substantial investments have been made by the airline industry in the processing and handling of TFCs. This work starts with the automation of TFC parameters after their official publication to ensure that the hundreds of scenarios mandated across jurisdictions are accurately implemented in airline ticketing and accounting systems and with minimal manual intervention. Once TFCs are implemented through automated data formatting procedures, they are applied on tickets; later consumed when passengers use their tickets for air transportation; reconciled to determine the appropriate party (selling or transporting airline) with the remitting liability; and finally, declared and remitted to the competent authorities. Therefore, supporting this ecosystem requires continuous investments in technical enhancements by the airline industry. Governments and authorities are therefore urged to:

- simplify TFC application (section 4.4) and exemption (section 4.6) parameters to reduce both, the technical enhancements required, and the consequent expenses incurred by the airline industry for these; and
- work collaboratively with the airline industry prior to the implementation of TFCs to ensure that the automated ecosystem can accurately and transparently support official guidelines and their application, collection, reconciliation, declaration, and remittance.

In the same manner, the automated TFC ecosystem can be simplified by a standard imposition of TFCs on a transport basis. Sales-based TFCs, today, must be remitted to the competent authorities in the same period of ticket sale, while the consumption of the air transportation services corresponding to such tickets is valid for one or more years. This generates a high probability of passengers requesting modifications of travel tickets or not using them at all; giving rise to complex technical adaptations to monitor collected, sales-based amounts, throughout the "life-cycle" of tickets (from original sale to final sale- if modified, and to final use, or refunding) in the automated ecosystem. This could be simplified if the practice of remitting sales-based taxes were harmonized with the current standard and logic applied to transport-based TFCs- remittance based on the consumption of air transportation services.





## 4.2 TFCs should always be implemented with a future effective date

TFC implementation, together with amendments to existing TFCs, should consider the importance of the relevant effective date. For example, governments and authorities should consider that TFC amounts, and conditions, are effective on a prospective 1) sale date, and 2) transport date. This effectively means that no TFC should be payable for tickets sold before the date of implementation of the TFC.

It is important to acknowledge that the effective date of sale can be different from the effective date of transport for TFC amounts and conditions. As ticketing systems are technically capable of selling tickets one year or more in advance of the date of transport, IATA and its global membership urge governments and authorities for TFC mandates to take effect with a prolonged lead time. This is essential to avoid airlines having to carry the unjust burden of paying TFC amounts to governments/authorities for tickets that were sold before the consumption date of flight services and where, consequently, no TFCs amounts would have been collected. This would be in line with the standard collection and remittance expectation set forth by governments for public infrastructure, user fees.

## 4.3 The introduction of, or changes to, TFCs should be notified in advance

Any new TFCs or amendments to existing TFCs should be shared with the airline industry as quickly as possible and well in advance of them coming into effect. This is of utmost importance to allow enough time to make the necessary changes and adaptations in the underlying collection and remittance automation process. As an indication, the International Civil Aviation Organization (ICAO) recommends a minimum of 4 (four) months prenotification (ICAO Doc 9082 (ninth edition) paragraphs 17 to 22 of Section I refer to). As such, governments, and authorities within their borders, should observe this minimum lead time. It further outlines the need to provide users with an opportunity to consult with the provider or the competent entity based on transparent and appropriate information, as well as to submit their views by way of public consultation.

This document informs that any effective date with insufficient lead time will generate technical and administrative difficulties, and it is the objective of the airline industry to be compliant with the guidelines set forth by mandate and legislative intent. Finally, any TFC changes or implementations with retroactive effect cannot be accepted in accordance with consumer rights guidelines across jurisdictions. Therefore, IATA strongly recommends that TFC changes or implementations be announced at least 4 (four) months in advance and that such announcements be socialized with IATA at the following address: [ttbs@iata.org](mailto:ttbs@iata.org)

## 4.4 TFC application rules should follow industry standards

IATA strongly recommends that TFC application rules be based on standard criteria per:

- Departing passengers
- Arriving passengers
- A clear distinction between transit passenger and transfer passenger conditions, e.g.
  - Passengers transiting through an airport arriving on one aircraft and departing on the same aircraft and/or continuing travel on a different aircraft of the same airline when the flight number does not change and the scheduled destination of the flight number is in a place other than the place where the flight originated; or,
  - Passengers transferring at an airport and continuing travel on another flight number and aircraft on the same airline (online transfer), or on another airline (interline transfer), and departing from that airport within a stipulated amount of time as mandated, e.g., 24 hours

## 4.5 There should be no Tax on, or within, a Tax

Fees and charges collected and/or remitted on a travel ticket, by an airline, should not form part of the transaction value for the calculation of sales-based taxes. Airlines act solely as collectors of various airport and government levied fees and charges on passengers and remit the same to the relevant authorities in various jurisdictions. Fees and charges are included on the ticket simply for efficiency and ease of operations and do not constitute airline revenue. Many of these flat rated, fees and charges, are already inclusive of consumption and value-based taxes, so an imposition of sale-based taxes in ticketing transactions could generate a double imposition on consumers. Under these circumstances, airlines, also, cannot claim input credits. Therefore, IATA strongly recommends against the practice of sales-based taxes on fees and charges to avoid administrative complexities and a negative financial impact to airlines and consumers.

## 4.6 Exemptions from TFCs should follow industry standards

Each TFC parameter should clearly adhere to standard passenger exemption categories, i.e.:

- Infants below the age of 2 years, not occupying a seat, or "all infants under 2," whether occupying or not occupying a seat. Note that the airline industry standard for infants is for persons under the age of 2 years. The non-standard implementation of any other ages presents technical challenges in airline ticketing systems.
- Children under the age of 12 years. Note that the airline industry standard for children is for persons under the age of 12 years. The non-standard implementation of any other ages presents technical challenges in airline ticketing systems.
- Transit passengers arriving/departing on the same aircraft or on a contiguous arrival and departure on the same airline, and on the same flight number, when a different aircraft is used for the continuation of the same flight operation, from the same airport.
- Transfer passengers continuing their journey within a mandated amount of time, e.g., 24 hours, etc.
  - Transfer: a change of aircraft and flight number between an arriving flight and a departing flight recorded on the same travel ticket. Note that a transfer may also occur between two airports in the same city or nation per the parameters governing TFCs in each country.
  - Online transfer: between two flights of the same airline
  - Interline transfer: between two flights of different airlines
- Airline crew on duty (both, on operational duty, or those flying between the domicile of an aviation worker or the domicile or operational base of an aviation firm and the place of commencement of a flight operation on which the aviation worker is being positioned to begin operational duties- known as *deadhead crew* in the airline industry).



- Non-revenue or “free” tickets (clear guidelines for the conditions under which an exemption can be granted for this category of tickets)
  - Personal and/or business travel
  - Mileage/loyalty award travel (full redemption of passenger miles and/or points when no cash consideration is paid)
- Airline staff on official duty - clear guidelines for the conditions under which an exemption can be granted for this category of tickets are required.

Any exemptions which cannot be identified in automated ticketing processes will require passengers to request refunds of TFCs paid at ticketing from the taxing/charging authority. Such exemptions include, for example: nationality, residency, work permit status. Governments and authorities are encouraged to simplify the application guidelines to accurately collect TFCs through automated ticketing systems. This will also mitigate administrative burdens for all parties because it will generate more precision in reporting and declarations.

## 4.7 The refund of, previously remitted, sales-based TFCs should not be the responsibility of airlines

When sales-based TFCs cannot be avoided (see 4.1 above), the standard refunding guidelines for passenger air transportation should be as follows:

- for sales-based taxes:
  - Partially unused tickets - where passengers have been transported on one or more flights, but not all the flights on the air transportation ticket have been consumed, the refund to passengers should be prorated according to the value of the unused flight portions (applicable to percentage-based taxation). The recoverable amount from governments and authorities, by airlines, should be equivalent to the prorated amount (applicable to percentage-based taxation) that is paid back to passengers.
  - Fully unused tickets - where none of the flights on an air transportation ticket have been consumed, a full refund of sales taxes is due to passengers, and the recoverable amount from governments and authorities, by airlines, should be equivalent to the full amount that is paid back to passengers.

The refunding of sales-based taxes causes serious problems since taxes are no longer in the possession of airlines and have already been remitted to governments and authorities after ticket sales. Furthermore, the technical adaptations required to comply with the administrative and transactional processing of the refunds for sales taxes, in ticketing and accounting/reporting systems, generates complexities and burdens for both, airlines and governments/authorities. For simplification, once again, it is recommended that passenger imposed TFCs be implemented on a transport basis.

Governments and authorities should not introduce statutory limitations for the maximum time in which airlines are permitted to request the payback/refunding of sales-based taxes for air transportation since it is possible for passengers to purchase air tickets for future travel and to make changes to these for several years into the future as well. The mitigation of such statutory limitations would be in line with the varying consumer protection laws across jurisdictions.

Airlines should also be given the option to offset their TFC refunds to passengers by deducting such refunds from current and future TFC remittances to governments and authorities. This should be permitted without burdening airlines with the additional requirement to amend prior declarations since current declarations would be reflective and comprehensive of the consecutive filing periods that have already been processed, accepted, and audited. In the case where airlines are unable to offset TFC refunds to passengers against current and future remittances, airline refund requests should be processed without delay and without any, unreasonable administrative burdens.

## 4.8 TFCs should respect standard billing processes

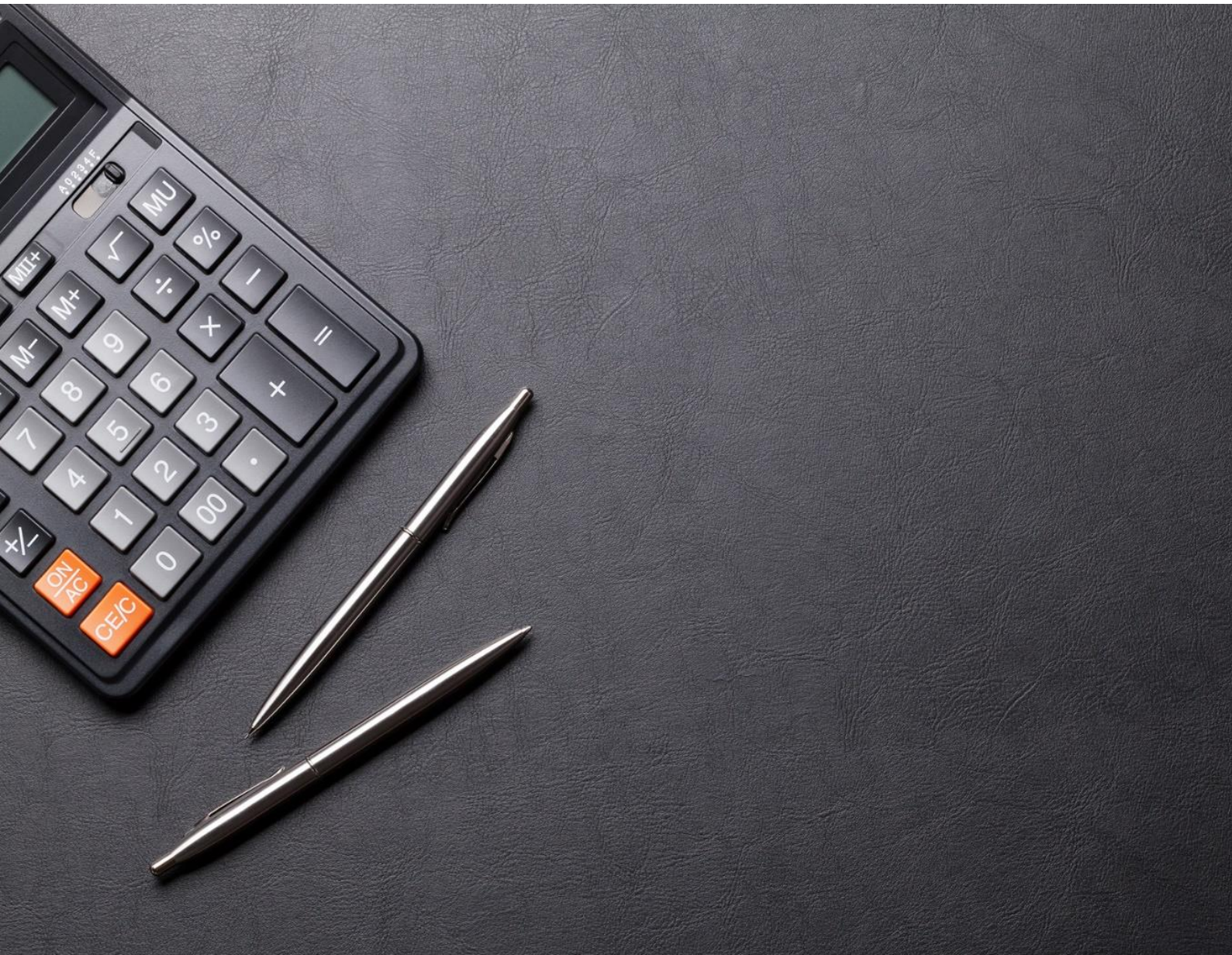
Billing processes for taxes need to be based on:

- Automated data input process (a must) with no manual submissions allowed.
- Periodic data provided by airlines from their systems and that is transparent for governments and authorities.

Billing processes for fees and charges need to take into consideration:

- Formal documentation made available in a timely way to the airlines
- Standardization of electronic billing allowing transparency for airlines and authorities to assess the correctness for the individual event generating a fee or charge liability and containing the individual fees or charges levied per event, i.e., a passenger departure, arrival, transfer, transit, etc.

Self-declaration mechanisms by airlines, using industry standard data elements collected through airline systems, are also commonly accepted by governments and authorities for TFCs, and they can easily be compared with operational, passenger manifest numbers - in the case of fees and charges, and with automated sales data compiled by airlines - in the case of taxes.





## 4.9 Standard payment/remittance processes should be considered

Payment/remittance processes need to take into consideration for TFCs:

- Single currency payments for accuracy and transparency.
- Only on a transport basis. No mixed sale/transport basis. For value-based or consumption-based taxes, as a universal rule and standard, governments and authorities should consider that a consumption liability is generated when a passenger is transported as if though a passenger was expected to pay a TFC amount at the actual time when the air transportation is used.

## 4.10 A dispute period should be allowed

The TFC ecosystem involves several stakeholders, including selling and operating airlines, governments, charging authorities, and their respective reporting, reconciliation, and accounting platform providers. This can result in apparent financial differences between stakeholder systems, even when significant, private, and public investments are made to improve the quality of data exchange in the TFC ecosystem. Therefore, it is recommended that a minimum dispute period of 180 days be allowed when airlines disagree with the invoicing or billing issued by governments and authorities and when there are discrepancies between airline, self-declared figures, and the expected billing or invoicing amounts of governments and charging authorities. Such a standardization of an established dispute period will allow airlines as well as governments and charging authorities to benefit from efficiencies in the TFC cycle, and this can also help to remedy some of the uncertainties that have historically occupied administrative processes.

## 4.11 A Waiver of interest/penalties should be allowed

In the case of unintentional mistakes in reporting and remittance processes, governments and authorities should allow for a waiver of interest and penalties. As mentioned in section 4.10, the airline industry makes significant efforts and investments to ensure the utmost level of accuracy and precision in the quality of data exchange solutions for TFCs with governments and authorities, and self-declaration mechanisms are commonly accepted from the airline industry for this reason. Interest and penalties for the airline industry are, therefore, counterproductive, because they reduce the ability of airlines, which operate with low profit margins, to further invest in enhancements for TFC management solutions.

## 4.12 Minimum data retention requirements should be clear and aligned with existing legislation

Governments and authorities should provide clear guidance regarding requirements for airlines to maintain supporting files and documents for passenger ticketing information, including the framework for data storage, security, and periods of retention in case of audits. As previously mentioned, the airline industry has universally accepted, electronic documents, that include standard information about the air transporter, the air transportation service, and the user of air transportation. The digitalization of such information, using the standard electronic format of the airline industry, generates an optimal data trail and verification mechanism for fiscal authorities, globally.

Privacy and consumer data protection legislation is in place in many jurisdictions will limit the information that can be archived and presented to governments and authorities for the refunding of previously remitted TFC amounts. Therefore, any documentary requirements for the refunding of TFCs should be harmonious with policies governing the protection of consumer data.

## 5 Check List

*This table lists the 12 best practice areas and provides a simple check list of the conditions for governments and authorities to follow.*

4.1 All TFCs should be transport-based	TFCs to be implemented on a transport basis with an expectation for remittance after passengers have consumed air transportation services versus when tickets are sold.
4.2 TFCs should always be implemented with a future effective date	TFCs to have a clear effective date accounting for both the sale and travel date of implementation. Modification to amounts and applicability for a future, travel effective date, should also be clearly published in official documents for accurate remittance.
4.3 The introduction of, or changes to, TFCs should be notified in advance	At least four (4) months advance notification for the introduction and amendments of TFCs to give the airline industry enough time to make technical adjustments in the automated TFC ecosystem - from implementation to collection, reconciliation, declaration, and remittance.
4.4 TFC application rules should follow industry standards	TFCs should be implemented per passenger and on a per departure or per arrival basis.
4.5 There should be no tax on or within a Tax	TFCs should be implemented without VAT/GST, etc., as these are not airline revenue and airlines act only as facilitators in the collection of these amounts from passengers through their ticketing systems. Many TFCs are also set by authorities as VAT/GST inclusive, so a double imposition on consumer must also be avoided.
4.6 Exemptions from TFCs should follow industry standards	Categories of exemptions should be standardized according to the universally accepted and used guidelines covering passengers and other conditions in the TFC automated ecosystem.



<p>4.7 The refund of, previously remitted, sales-based TFCs should not be the responsibility of airlines</p>	<p>TFCs should have standard guidelines and processes for the refundability of percentage-based and fixed amount, sales-based TFCs on both partially unused and fully unused tickets.</p>
<p>4.8 TFCs should respect standard billing processes (differentiate between taxes and charges)</p>	<p>Billing processes for TFCs should be automated with periodic data exchanges for taxes based on ticket sale volume, and for fees and charges, based on recorded passenger departures, arrivals, transits, and transfers during a given period, i.e., monthly, quarterly, annual, etc.</p>
<p>4.9 Standard payment/remittance processes should be respected</p>	<p>TFC payment and remittance processes should be standardized and automated for all airlines in each jurisdiction. Payment and remittance should only be expected in the currency of the taxing/charging jurisdiction and after the consumption of air transportation services.</p>
<p>4.10 A dispute period should be allowed</p>	<p>A minimum dispute period of 180 days should be allowed when the airline disagrees with the invoice or billing issued by the authorities.</p>
<p>4.11 A waiver of interest/penalties should be allowed</p>	<p>In case of unintentional mistakes, governments and authorities should allow for a waiver of interest and penalties.</p>
<p>4.12 Minimum data retention requirements should be clear and aligned with existing legislation</p>	<p>Governments and authorities should provide clear guidance, aligned with any existing privacy and consumer data protection legislation, regarding requirements for airlines to maintain supporting files and documents, including the framework for data storage, security, and periods of retention in case of audits.</p>

