



Levies on Air Transport in Africa

Dr. Philippe Villard

Manager Airport Charges



The Impact of Taxes & Charges in Africa

- Taxes & charges – an increasing burden

- Constant increase of:
 - Taxes levied on aviation designed to raise government revenue
 - Airport and ATC charges, which should only recover the efficient costs of providing facilities and services for civil aviation

Government Taxes on Air Transport

- Some **650** different statutory taxes levied on tickets worldwide, of which:

- Africa = 97 taxes (15%)

Tax Concerns in Africa

- Passenger Departure/Arrival Taxes: pure revenue raisers
 - Solidarity Taxes
 - Tourism Taxes
 - Fiscal Stamp Taxes
 - Value Added Taxes (TVA)
 - Sales Taxes
 - Transportation Taxes
 - Taxation of jet fuel on international flights
- Single out aviation
- Should not apply on *international* tickets

Solidarity Taxes



ICAO's Policies on Taxes

- ICAO Chicago Convention
 - Art 15 – no taxes to enter/exit/overfly a territory
 - Art 24 – jet fuel used for international air transport

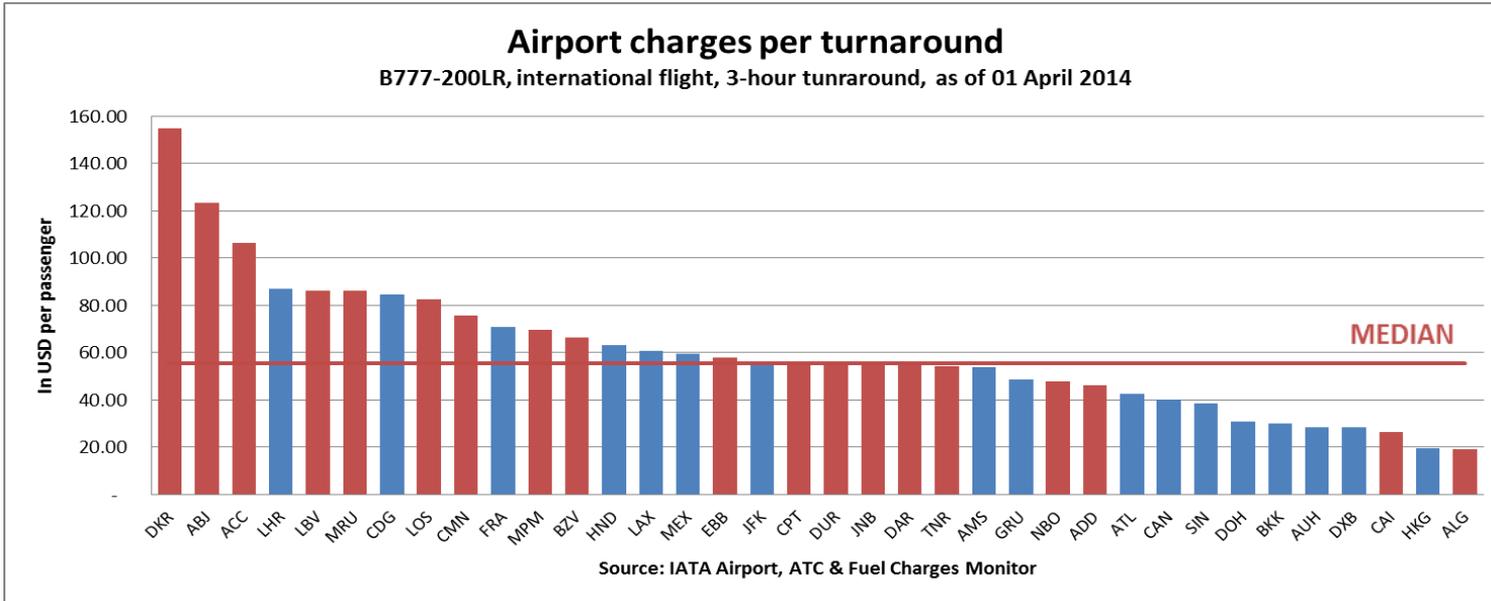
- ICAO's policies on taxation in Doc 8632
 - Taxation of fuel, lubricants and other consumable technical supplies for use in international traffic
 - Taxation of income and aircraft of international airlines
 - Taxes related to the sale and use of international air transport

Additional Provisions on Taxation

- Bilateral Air Service Agreements (ASAs)
 - E.g. between US – EU (Art 11 on Customs Duties and Charges)

- Double Taxation Treaties – Income Tax
 - Art 8 – provides that profits from the operation of aircraft in international traffic shall be taxable only in the State in which the place of effective management of the enterprise is situated
 - IATA Guidelines for Taxation of International Airline Profits

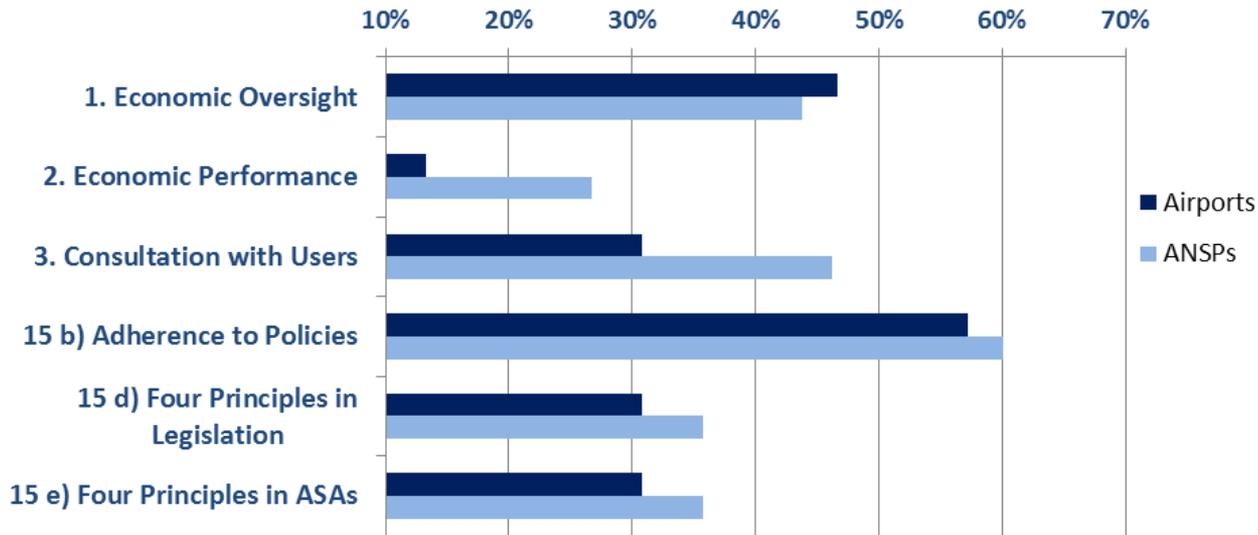
Airport Charges in Africa: Highest Cost



ICAO's Policies on Charges

- ICAO Chicago Convention: no discrimination between nationalities
- ICAO's policies on charges in Doc 9082
 - 4 key charging principles to protect users
 1. User Consultation
 2. Transparency
 3. Cost Relatedness
 4. Non-discrimination

Implementation of ICAO's policies



Source: ICAO ATConf/6-WP/9 – *Implementation by States of the Recommendations of CEANS-2008*

Key Charging Principles in Doc 9082

➤ User Consultation

- Lack of meaningful dialogue
- Need of clear processes

➤ Transparency

- Lack of cost breakdown

➤ Cost Relatedness

- Unclear revenue / funding allocations

➤ Non-discrimination

- Discriminatory charges are common

Cross-Subsidies

- Funding airport and ANS facilities and services through cross-subsidies is common in Africa, notably:
 - From international to domestic/regional flights
 - From airspace users to other airspace or airport users

- ICAO's policies: airlines should only pay for facilities and services they use, hence no cross-subsidies

- **Charges should be cost-related and site-specific**

Unwarranted CAPEX Development

Country		US\$ billion	mppa
Angola	Luanda	0.40	2.4
Chad	Ndjamena	1.00	?
Djibouti	Djibouti	0.60	?
Ethiopia	Addis Ababa	3.00	8.8
Ghana	Accra	?	2.6
Liberia	Monrovia	?	0.1
Mauritania	Nouakchott		?
Mozambique	Nacala	0.25	?
	Pemba	0.30	?
	Tete	?	0.1
Namibia	Windhoek	?	0.7
Nigeria	Lagos	0.45	6.2
Rwanda	Kigali	0.65	0.6
Senegal	Dakar	0.75	1.9
Sierra Leone	Lungi	0.32	0.2
Swaziland	Mbabane	0.28	0.1

- Endemic airport development in spite of:
 - Very low level of passenger throughputs
 - Limited ability to fund quantum of CAPEX proposed

- Most new airports located at considerable distance from city centres

Prefunding of Development Projects

- Prefunding is costly, unfair and inefficient.
 - Airlines should only pay for agreed investments on an “as and when used” basis
 - When private concessionaires are involved, they should provide the financing: it must not be shifted onto airlines through prefunding charges

- ICAO’s strict safeguards must be implemented before considering any prefunding

Security Charges

- Security charges should only recover the costs of providing airport/ANS security services
- Worrying trend to request airlines to cover the costs of non-aviation security services (immigration, border control, etc.), incompliant with ICAO's policies
- **Security charges should be reasonable and cost-effective**

Funding for Safety Oversight Functions

- IATA supports the safety oversight enhancement through regional safety oversight organizations (RSOOs)
- RSOO development should not lead to increased costs and charges
- The solution is not more funding: it all starts with transparency and allocation of existing revenues and costs. Bottom line operator costs should remain the same

Conclusion

- Concerns on the sustainable development of air transport in Africa
 - Proliferation of levies, unfair taxation, very high turnaround costs and charges, unnecessary capital expenditure programmes, lack of consultation etc.

- Airlines support the ICAO economic regulatory framework (Doc 8632 & Doc 9082), which is particularly relevant in Africa.

- **The solution is a better and more effective implementation of these policies in Africa**

70 1945—2015
YEARS
Flying better. Together.

