Consultation paper – amendment of the excise duty regulations – air passenger tax

On behalf of the Ministry of Finance, Norwegian Customs and Excise is issuing for consultation a proposal for amendments to Regulations no.1451 of 11 December 2001 concerning excise duties (the Excise Duties Regulations) in order to implement the Norwegian Parliament's decision to introduce an air passenger tax.

1. Introduction and background
On 14 December 2015, the Norwegian Parliament resolved as follows:

“Air passenger tax

Section 1
From the date determined by the Ministry, pursuant to Act no. 11 of 19 May 1933 concerning excise duties, a tax of NOK 80 per passenger shall be paid to the Treasury for commercial flights from Norwegian airports.

The Ministry may issue regulations concerning what is comprised by the tax liability and the basis for the tax.

Section 2
Exemption from the tax is to be granted for
a) the airline’s employees carrying out their duties,
b) children under two years of age,
c) transit and transfer passengers.

The Ministry may issue regulations concerning the implementation, limitations and exemption criteria.

Section 3
In case of doubt about the scope of liability for the tax, the matter shall be determined by the Ministry.

Section 4
The Ministry may make exemptions to or reduce the tax if individual cases or situations arise that were not considered when the tax decision was made, and when in the particular individual case the tax would have an unintended effect.”

Parliament’s decision of 14 December 2015 essentially entails a reintroduction of the tax on passenger flights that existed up to April 2002; see item 3 concerning former taxes on flying in Norway. The tax will come into effect on 1 April 2016.

The detailed rules for the tax, including its scope of liability and calculation will be set out in Chapter 3-22 of the Excise Duty Regulations. The consultation concerns proposals for amendments to the regulations.

In item 2, a brief account is given of the aviation sector in Norway and present tax instruments, before giving an account, in items 3 and 4, of former taxes on flying in Norway and taxes on flying in other countries. Item 5 explains the proposal for changes to the Excise Duty Regulations as a result of Parliament’s decision to impose a tax on flying. The economic and administrative consequences of the proposal are explained in item 6. The
actual proposed amendments are included in item 7 below.

2. Air travel in Norway, existing instruments and regulations

2.1 The aviation sector in Norway in brief

According to Statistics Norway (SSB), in 2014 there were 27.5 million passenger flights from Norwegian airports, of which 16 million were to domestic airports. These figures also include transfer and transit passengers. The domestic flights are equally divided between business travel and leisure travel (Institute of Transport Economics, *International and domestic travel in Norway 2013*). According to NHO Luftfart (2011), 13% of the flights destined for foreign airports concern petroleum activities. Around 700,000 passengers travel annually to and from the continental shelf (Avinor’s passenger statistics for 2014). 126,000 tonnes of goods and mail are carried annually. Each year, 400,000 patients are flown on scheduled flights, and 32,000 by air ambulance (NHO Luftfart).

According to Avinor, there are some 28,000 employees in the aviation industry and at airports in Norway. Oslo airport accounts for about 45 per cent of these. There are also many sub-suppliers linked to the aviation industry. The aviation industry is also important for other commercial activity which makes use of air transport.

Around the world, airlines engage in different forms of cooperation (*Transatlantic airline alliances: Competitive issues and regulatory approaches*, A report by the European Commission and the United States Department of Transportation, 16 November 2010). Cooperation may have an effect on competition. The lowest level of cooperation is called interlining, which entails an airline issuing tickets for another airline’s flights, and thereby acting as an agent for this airline. The highest level of cooperation is merger-like integration, whereby the companies share revenues, costs and profits. Between these extremes comes codesharing, where a certain number of seats on a flight, for example a Lufthansa flight, can be sold by another airline under their own IATA code, e.g. SK (Scandinavian Airlines System (SAS)), where there is an agreement for this. Such codesharing means that a customer can book air travel from A to C via B under a single airline’s IATA code, even though the flight from B to C may be a transfer flight flown by the airline’s codesharing partner. See item 5.4.3 concerning transit and transfer passengers.

2.2 Number of airlines at Norwegian airports

NHO Luftfart has 40 member companies. These include primarily Norwegian but also some foreign aircraft operators (airlines). However, annually, there are far more than 40 airlines with departures from Norwegian airports. Data obtained from Avinor’s website indicates that there are in excess of 700 different airlines flying from Norwegian airports each year. See item 5.5 below concerning registration.

2.3 Existing tax instruments in aviation

Aviation is currently subject to a number of excise duties for which the revenues go to the Treasury.

In 2016, a CO2 tax of 1.08 kroner per litre of mineral oil used by aircraft on domestic flights will be charged, as well as a sulphur tax of 13.3 øre per litre of mineral oil for each 0.25 per cent tranche or part thereof by weight of sulphur. For example, if a Boeing 737 with 132 seats consumes 3.5 litres of mineral oil per seat per 100 kilometres, and the aircraft flies from Oslo to Trondheim (approx. 400 kilometres), this results in fuel consumption of 1,848 litres, making a CO2 tax of NOK 1,996 (2016 rate). Assuming that the oil has a sulphur content between 0.05 and 0.25 per cent by weight, the sulphur tax for the trip will be NOK 246. As a
matter of principle, a basic tax on mineral oil etc. is payable, with reference to Parliament’s resolution, but kerosene-based aviation fuel is not comprised by the tax. None of the Norwegian taxes mentioned are payable on fuel for international flights.

There are quotas for flights to and from airports in the EEA area. The quota price is currently nearly NOK 80 per tonne of CO₂. The quota cost for the example above is estimated to be around NOK 363.

Furthermore, a NOx tax is due for emissions from the aircraft's propulsion machinery when the total installed power is more than 750 kilowatts. In 2016, this tax will be NOK 21.17 per kilogram of nitrogen oxides emitted. The tax is only payable on flights between two Norwegian airfields, between a Norwegian airfield and the continental shelf, and between a Norwegian airfield and Svalbard and Jan Mayen. Based on NOx emissions of 0.24 grams per passenger kilometre (Statistics Norway, Direkte energibruk og utslipp til luft fra transport i Norge [Direct energy consumption and atmospheric emissions from transport in Norway]), an aircraft carrying 132 passengers will emit approx. 12.7 kilograms of NOx for the flight between Oslo and Trondheim. Assuming that the emission occurs during the take-off and landing phases, this results in a NOx tax of NOK 268 for the trip.

Airlines which use Norwegian airports also pay four different levies to Avinor to cover the costs of using the airport. These charges should therefore be considered as payment for a service and, accordingly, have a different purpose than the air passenger tax, which is an excise duty or an indirect tax, which the Parliament has now decided to impose.

The charges which Avinor collects consist of a take-off charge, a passenger charge, a security charge and a de-icing charge; see regulations no. 1423 of 12 November 2014 relating to charges at Avinor AS’s airports. The take-off charge is differentiated by weight, place of departure and destination, and is between NOK 13 and NOK 68. The passenger charge is NOK 54 per departing passenger regardless of destination, and also applies to transfer passengers. There is no passenger charge for the airline’s employees, passengers under two years of age, transit passengers, and when the aircraft returns due to adverse weather. In addition, there is an exemption from the charge for flights to the continental shelf from selected airports. The security charge is NOK 56 per passenger, and the de-icing charge is calculated on the amount of glycol using for de-icing.

The entity liable for the charge is the aircraft’s owner or licensed operator, or alternatively the aircraft’s user or pilot in command. The regulations provide detailed rules concerning documentation and reporting of the charges.

Individual exemptions are made from all the charges. These apply to military flights, official flights by the monarch, head of state, prime minister and ministers, flights to/from Svalbard and Jan Mayen when the aircraft is used by the state for non-commercial purposes, foreign diplomatic flights, flights relating to calibration, search and rescue flights and gliders/sail planes. In special cases, Avinor may also make reductions in the charges.
3. Former taxes on flying in Norway

In 1978, Norway introduced a tax on charter flights. The tax was NOK 100 per passenger. In 1994, the tax was renamed to "tax on passenger flights abroad", and the rate was set at NOK 60 per passenger. In April 1995, the tax was extended to include domestic flights. In April 1998, the tax was converted into a tax based on the number of passenger seats in the aircraft, regardless of whether the seats were occupied on a particular flight. In June 1999, the tax was converted back to a tax on passengers. The rates were now NOK 228 per passenger for flights abroad, and NOK 114 for flights in Norway between Oslo and Bergen, Kristiansand, Stavanger and Trondheim. The tax was discontinued with effect from 1 April 2002. In 2001, revenue from this tax was around NOK 1.4 billion.

4. Taxes on flying in other countries

A number of European countries have taxes on flying, including the UK and Germany, as well as Austria, France, Italy, Bosnia and Serbia. The rates vary. The taxes also have a variety of justifications but are imposed primarily on environmental grounds.

4.1 Air Passenger Duty in the UK

The UK has had Air Passenger Duty since 1994. Liability for the duty arises on departure of the aircraft.

Passengers are defined as anyone on board a dutiable aircraft who is not covered by a duty exemption. The passenger does not need to have paid for the flight to be liable for the duty.

Aircraft in this context means a fixed-wing aircraft with an authorised take-off weight of at least 5.7 tonnes, and which uses Avtur as a fuel. Avtur designates a group of jet fuels, i.e. fuel for use in aircraft which have jet engines (gas turbine engines) as their propulsion machinery. Examples of Avtur are Jet A and Jet A-1.

The duty rates are differentiated based on the distance of the flight (the longer the flight, the higher the rate), the distance between the seat rows and the class in which the passenger flies (for example, business class attracts higher duty than economy class). There are also higher rates for aircraft weighing more than 20 tonnes and which have fewer than 19 passengers.

A number of exemptions from the duty are made for specific types of passenger. Cabin crew, maintenance personnel etc. are exempt. Children under two years of age not occupying their own seat are exempt. Children under 12 years of age (from 1 January 2016, under 16 years of age), travelling in the lowest class, are exempt from the duty. Furthermore, persons on the flight under a statutory obligation, for example in the case of repatriation of people refused leave to stay in the country, are exempt from the duty.

Transit and transfer passengers are also exempt from the duty. This exemption requires documentation of such an agreement having been made by means of a ticket showing departure airport, departure time and date, and last arrival airport. The connecting flights must be detailed in the same ticket or ticket booklet, or each of the tickets must refer to the other flight(s). There must also be a complete itinerary showing the constituent flights.
Individual types of flights are also exempt from the duty, including military flights, customs and police flights, and rescue flights. Furthermore, round trips of 60 minutes or less are exempt from duty. NATO flights are also exempt from duty.

The airlines are obliged to register for the duty with Her Majesty’s Revenue and Customs. Foreign airlines may use a representative, who then becomes liable for the duty.

4.2 Tax on flights in Germany
Since 2011, Germany has had a distance-based passenger tax ("Luftverkehrsteuer") on flights from German airports. In 2015, the rates were 7.50 euro for short-haul destinations, 23.43 euro for medium-haul and 42.18 euro for others (long-haul).

The regulations list which countries are considered to be short-haul and medium-haul destinations respectively. Frankfurt airport is the point of departure for designating distances. Short-haul destinations are a maximum of 2,500 km from Frankfurt, medium-haul are 2,500-6,000 km, while long-haul destinations are countries more than 6,000 km away.

The tax is linked to the quota system inasmuch as the Ministry of Finance, in consultation with implicated ministries, has the power to proportionally reduce the tax rate relative to the preceding year’s revenues from quota trading, such that the combined revenue totals 1 bn euro.

The tax is imposed on contracts of carriage which entitle a person to depart by aircraft from an airport in Germany, regardless of whether the passenger has paid for the journey. The aircraft must have fixed wings (aeroplane) or rotating wings (helicopter). Transit and transfer passengers are exempt from the tax, but the stay between the flights for such passengers must not exceed 12 and 24 hours respectively, depending on the distance to the destination.

5. The proposal for amendments to the Excise Duty Regulations in detail

5.1 Tax rate
The tax will be payable at a flat rate, which for 2016 will be NOK 80 for all flights from Norwegian airports made after 1 April; see Section 1 of the parliamentary decision. Although the tax formally takes effect from the date determined by the Ministry, the budgetary framework is based on implementation starting on 1 April. Accordingly, no differentiation is made between flights to domestic and foreign destinations, flights of different lengths, the class the passenger flies (economy/business), the weight of the aircraft etc.

5.2 Substantive and geographical applicability
The tax comprises commercial aviation, i.e. all aviation that cannot be considered to be military aviation or aviation in the rescue, emergency or air ambulance services; see Section 3-22-1 first and second paras of the proposal. The requirement for commercial aviation means that private flights and others without such a purpose do not give rise to tax liability.

The former air taxes included exemptions for aircraft approved for transporting ten or fewer passengers, i.e. these fell fully outside the scope of the tax. The consultation paper contains a similar proposal for the air passenger tax; see the proposal for Section 3-22-1 fourth para below. The Directorate will however examine whether the exemption should be maintained, and asks for input in the consultation round.
The tax applies to flights from Norwegian airports. Airports on Svalbard and Jan Mayen are however not considered to be Norwegian airports. The same applies to facilities on the Norwegian Continental Shelf. The Ministry will examine whether there is a need to define what is considered an airport.

The concept of military aviation is defined in the third para of the provisions and is directly linked to Chapter XVII of the Aviation Act. Among other things, this states that military aviation may take place either by an aircraft registered in the Norwegian military aircraft register or by a civilian aircraft, equipped with special additional markings, of which the Civil Aviation Authority has been notified in advance.

Rescue, emergency and air ambulance services are not defined in the proposed regulations below. It is however assumed that these terms have their ordinary meaning. A rescue service shall consequently be understood as a public-sector immediate mission organised to save people from death or injury as a result of acute accidents or hazards, and which is not provided by dedicated agencies or via special measures. For example, flights performed by the 330 Squadron RNoAF are considered to be a rescue service in Section 3-22-1 second para. An example of an air ambulance service is the activity performed by Lufttransport AS and Norsk Luftambulanse AS.

5.3 When the tax liability arises

A passenger is considered to be any person who begins a taxable flight; see the draft of Section 3-22-2 below. No more detailed regulation of what this includes is proposed. Due to the special way the flight tax liability arises, it is proposed to amend Section 2-1 fourth para of the Excise Duty Regulations; see proposal below.

5.4 Exemption for individual passengers

Pursuant to the Parliament’s tax decision, exemption from the tax is granted for three groups of passengers: the airline’s employees carrying out their duties, children under two years of age, and transit and transfer passengers.

5.4.1 The airline’s employees carrying out their duties

More detailed regulation on the exemption for the airline’s employees carrying out their duties is not proposed. The ordinary meaning of the terms shall apply.

5.4.2 Children under two years of age

In respect of the exemption for children under two years of age, in the proposal for Section 3-22-4 first para, it is proposed that the exemption presupposes that the child does not occupy its own seat. This is in line with an equivalent exemption in the UK. The second paragraph prescribes a trust-based declaration of the child’s age to the airline on booking the flight. Authority is also granted to require documentation of the child’s age. The assumption is that both the airline and the tax authority should be able to require such documentation.
5.4.3 Transit and transfer passengers

Section 3-22-5 proposes supplementary rules concerning the exemption for transit and transfer passengers. The object of the exemption is that the tax should be paid only once for each journey, even if the journey consists of legs, whereby the passenger lands on one or more occasions and potentially changes aircraft before the journey continues.

It is proposed to define transit and transfer passengers in the first paragraph of the provision. A transit flight is a consecutive flight on the same aircraft, while a transfer flight is a consecutive flight on another aircraft. A round trip, for example a flight from Oslo to Bergen and back to Oslo, is not considered to involve a transit or transfer flight.

The exemption will apply both to passengers who commence their journey in Norway and to passengers who commence their journey in another country. It is proposed to specify in the second para that the first flight is taxable if it begins at a Norwegian airport, and that it is the consecutive flights that are tax-exempt. This means, for example, that for a passenger who begins his journey in Stavanger, makes an interim landing in Oslo and then flies on to Copenhagen, the tax is only to be paid when the passenger boards at Stavanger.

For passengers who begin their journeys abroad, the exemption means that no tax is to be paid in Norway. This is in order to avoid double taxation of a journey. For example, Air Passenger Duty will be paid to the UK for a passenger who boards in London. When this aircraft lands in Oslo in order to continue to Bergen, Norwegian air passenger tax is not due.

In the third paragraph, it is proposed to include criteria for the exemption, including that the consecutive flight must begin within 24 hours of the end of the preceding one, and that there must be a contract of carriage for the connecting flights.

The flights are considered to be connecting when the passenger has contracted with a single party (an airline), and this airline is responsible for upholding the contract of carriage, regardless of whether the flight is actually performed by the airline or a partner airline. This means that a contract of carriage, under the different partnership agreements, see item 2.1, may also meet the condition concerning a contract of carriage for connecting flights, depending on what the partnership agreement entails.

Additionally, certain requirements are made concerning the content of the travel documents. Among other things, the travel documents must show the departure and arrival dates and times for the individual flight in accordance with a timetable. If the ticket is altered, it is the altered times which are used as a basis for assessing whether the 24-hour rule has been complied with. There is no requirement for the travel documents to be physical documents (paper), but their content must be capable of being documented.

The exemption for transfer passengers may have different effects for airlines which have cooperation agreements with other airlines, and those which are unable to offer connecting flights. This is because it will be difficult to document the exemption for those companies which do not have cooperation agreements. The principle in such cases is that tax must then be paid for each flight on the same leg which partnering airlines can fly as transfer flights. The principle is to achieve the most neutral possible tax liability between airlines. The views of the consultative bodies are therefore sought as to whether other conditions could be employed here such that the exemption for transfer passengers is not inconsistent. Reference is made here to the fact that, as for other excise duties, payment is...
based on the taxable entities’, i.e. the airlines’, own determination.

The consultative bodies’ comments are invited, including whether other conditions should be imposed and how these might be documented. To the extent that passenger participation may contribute to other documentation requirements, input on this is requested.

In Section 3-22-5 fourth para, it is proposed that the exemption should apply to both scheduled and charter flights, and even if there is a change of airport in order to continue the journey.

5.5 Obligation to register

It is proposed to place airlines, i.e. enterprises which undertake flights from Norwegian airports, under an obligation to register; see the proposal for Section 5-1 new letter h below. These will therefore be liable for tax. As mentioned above in item 2.2, there may be as many as 700 airlines at Norwegian airports. In the extreme, one must therefore count on an equivalent number of registered enterprises for the tax on flying. However, we assume that a large number of the foreign airlines will choose to use a representative, making the actual number of registered entities smaller.

In principle, foreign enterprises will be obliged to register for the air travel tax pursuant to the proposed Section 5-1 letter h in the excise duty regulations, but they may retain a representative. In such cases, the representative is obliged to register in accordance with the proposal for Section 5-1 new letter i. The registered enterprises will have a reporting obligation; see Section 6-1 of the Excise Duty Regulations.

6. Economic and administrative consequences

As mentioned in item 2.1, around 27.5 million passengers departed from Norwegian airports in 2014. The figures include all commercial flights, including transfer and transit passengers and infants who, under the Parliament’s tax decision, will be exempt from the tax. Based on traffic statistics from Statistics Norway and Avinor, it may be estimated that between 22-23 million passenger journeys departing from Norwegian airports will be made in 2016, excluding transfer and transit passengers. It has been decided to impose a tax of NOK 80 per passenger.

The tax will increase the price of air fares, which may reduce the number of journeys. The effect of this is uncertain. According to the University of Nordland and Bodø Graduate School of Business, _Lufthavnavgifter i Norge_ [Airport charges in Norway], SIB report 2/2011, an increase of 1 per cent in the ticket price is estimated to reduce the number of journeys by air by between 0.6 per cent and 1.5 per cent. Price sensitivity is considered to be higher for leisure travel than for business travel. The Institute of Transport Economics has estimated that an increase of 1 per cent in return ticket prices will reduce the number of leisure journeys abroad and back by 0.3-1 per cent and has little significance for international business journeys (_Forecasting model for international air passenger transport_. TØI report 1442/2015).

Assuming that the tax entails a reduction in the number of passenger journeys of up to 10 per cent, annual revenue is estimated to be around NOK 1.6 billion. Compensations in relation to government procurement contracts for domestic flights are envisaged and these are estimated to amount to around NOK 70 million per annum and NOK 45 million from 1 April 2016. When compensations are taken into account, annual revenue is estimated to be some NOK 1.5 billion. In the case of introduction as of 1 April 2016, it is estimated that NOK 1.1 billion will be accrued and NOK 1 billion posted in 2016 once account is taken of
compensations. There will be great uncertainty concerning the revenue estimates of such a new tax, not least because the assumptions concerning behavioural changes as a result of the tax are highly uncertain.

The tax may entail an increase in air fares of up to NOK 88 per journey (incl. 10 per cent value-added tax) if the tax is fully passed on to the fares. Value-added tax will not be added to journeys abroad, and businesses subject to VAT will have the right to deduct input VAT. For these, the price increase will be NOK 80 at most. The percentage price increase for different journeys will vary depending on the price level for the individual route. For low-cost fares, the percentage price increase may be large. For a ticket price of NOK 1,000 excl. VAT, the tax will result in a price increase of up to 8 per cent, while the price increase for a ticket price of NOK 2,000 will be up to 4 per cent. Journeys abroad will only be imposed one way, and it will therefore constitute a lower share of the total fare. It will be up to the airlines as to how much of the tax is loaded on to the air fare, and the effect on ticket prices in practice is therefore uncertain.

Routes comprised by the scheme for government procurement of domestic flights will largely be protected from price increases due to the tax since compensation in accordance with government procurement contracts for air services (PSO routes) is envisaged. NOK 45 million has been allocated in 2016 in Chap. 1320, item 72. The maximum prices of flights comprised by government procurements will not be altered as a result of this new tax.

A price increase will entail reduced demand for the flights, depending on how price sensitive the demand is for the individual route. For example, it must be assumed that holiday/leisure journeys are more price-sensitive than employer-paid trips. It must be expected that some commercial routes which have fundamentally low profitability and routes where demand is price-sensitive may be affected either by fewer departures or closure. It is considered that this may apply to routes where the willingness to pay is already low and where the tax may have a large percentage impact on the price. It may, for example, include routes in the districts which are not covered by the government air services procurement scheme. It may also apply to routes where alternative means of transport are more readily available.

Since the tax applies to departures from Norwegian airports, introduction of the tax may make it profitable for individual airlines to relocate certain routes from Norwegian airports to airports abroad. Furthermore, it make be assumed that some private airports which operate in a market with price-sensitive demand, and which depend on individual operators to sustain operations, may be particularly vulnerable to reduced activity.

The tax applies to flights after 1 April 2016. The airlines have already begun to sell tickets for journeys after this date. To the extent that the companies do not post-invoice customers for sold tickets for journeys after 1 April, the companies may be expected to rapidly increase the prices in order to cover the incipient tax charge.

A reduction in passenger numbers may result in lower revenues for Avinor in the shape of reduced revenues from airport taxes and from the airports’ commercial activities. It is, however, unclear how the tax will affect Avinor’s financial situation, since it is uncertain how passenger numbers will change as a result of the tax.

The tax may also affect other parts of business activity. At the present time, however, it is uncertain how the air passenger tax will affect the route network and how business activity will be affected.
For the aviation industry, the flight tax will involve some extra administrative costs, since they need to keep track of which flights are taxable and report this to the tax authorities. Our assumption is that much of the data which the airlines already manage in order to report charges to Avinor, will also be capable of being used for reporting air passenger tax. It is assumed that the airlines will pass the tax onto their customers. As mentioned above in item 2.2., up to 700 new enterprises may have to register for the tax, but realistically most foreign airlines will use representatives, which it is also assumed will represent several airlines. The number of enterprises registering for the tax will consequently be lower than 700. In 2001, the year prior to the winding down of the former tax on passenger flights, there were only 56 registered bodies liable for this tax.

For the tax authorities, there will be more registered bodies to administrate. The systems are certainly designed for this but there will be financial consequences of the actual registration and follow-up of the individual taxable entities. There will be somewhat more statement checking and enterprise checking, and use of resources for responding to enquiries and processing complaints. We estimate that this will entail two man-years of labour, constituting an annual cost of around NOK 1.7 million. It is presupposed that increased administrative costs will be covered within applicable budgets.

7. Proposal for amendments to the Excise Duty Regulations

The following amendments will be made to Regulations no. 1451 of 11 December 2001 concerning excise duties.

Section 2-1 fourth paragraph shall read:
For tax on technical ethanol, tax on electrical power, tax on emissions of NOx and air passenger tax, the tax liability arises in accordance with the provisions in Sections 3-3-3, Section 3-12-2, Section 3-19-4 and Section 3-22-3 respectively.

Chapter 3-22 shall read

Chap. 3-22. Air passenger tax

Section 3-22-1. Scope
(1) The tax liability comprises commercial passenger aviation from Norwegian airports, except for flights from the continental shelf and from airports on Svalbard and Jan Mayen.
(2) Commercial aviation means all aviation except for military aviation and aviation in the rescue, emergency or air ambulance services.
(3) Military aviation means the flying of military personnel on service performed on special assignment of a military authority or other competent authority when the flight is covered by Chapter XVII of the Aviation Act.
(4) The tax liability does not include flights by aircraft approved for transporting 10 or fewer passengers.

Section 3-22-2. Basis and calculation of the tax
The tax is calculated per passenger beginning a taxable flight.

Section 3-22-3. When the tax liability arises
The tax liability arises when the flight begins.

Section 3-22-4. Tax exemption for children under two years of age
(1) The flying of passengers who are children under two years of age and who do not occupy their own seat is exempt from the tax.
(2) It is sufficient to state the child’s age on the date of departure when booking the journey. Documentation of the child’s age may be required by means of a birth certificate or similar.

Section 3-22-5. Tax exemption for transit and transfer passengers
(1) Transit and transfer flights means consecutive flights using the same aircraft (transit passengers) or using another aircraft (transfer passengers).
(2) The first flight in a transit or transfer journey is liable for tax when the departure airport is Norwegian. Unless otherwise specified, consecutive flights undertaken by transit and transfer passengers are exempt from tax. This applies regardless of the number of consecutive flights necessary for reaching the final arrival airport in accordance with the travel documents.
(3) The consecutive flight must be commenced within 24 hours and be directly linked to the preceding one. It is a condition for the exemption that a contract of carriage for connecting flights has been entered into. The travel documents must display departure and arrival airports for the individual flight, departure and arrival dates and times for the individual flight in accordance with a timetable, the flights’ connections and an itinerary.
(4) The tax exemption applies to flights by both scheduled and charter aircraft, and even if the consecutive flight involves a change of airline or airport.

Section 5-1 new letters h and i shall read:
h) enterprises flying from Norwegian airports, except for foreign enterprises which use a representative registered in accordance with letter i.
i) a representative of a foreign enterprise which flies from Norwegian airports.