19 February 2016

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NORWEGIAN AIR PASSENGER TAX

KLM Cityhopper wishes to convey its strong opposition to the implementation of the inefficient Air Passenger Tax. As such, we direct your attention to the negative impact the Air Passenger Tax will have on the Norwegian economy, the unfair treatment of the air transport industry compared to other modes of transport, as well as the fact that such forms of taxation are highly inefficient and contradict accepted standards and principles.

Importance of Aviation to the Norwegian Economy

At the outset, it is important to consider the significant importance of the aviation, travel and tourism sector to the Norwegian economy. According to the World Travel and Tourism Council (WTTC), the total direct and indirect contribution of the travel and tourism sector represented 7.1% of GDP, 10.1% of total employment and 3.8% of total investment in 2014.¹

As such, the significant contribution of the aviation, travel and tourism sector to the Norwegian economy should be supported and nurtured, not hindered by excessive government taxation that is contrary to accepted international norms.

International Obligations & Efficient Taxation

The basis of the Air Passenger Tax appears to be to increase general government revenues and is not directly related to the cost of providing aviation or aviation-related services and/or infrastructure in Norway. We must bring to your attention our belief that this proposed tax would contradict the Convention on International Civil Aviation (also known as the Chicago Convention), as well as the Policies on Taxation in the Field of International Air Transport set forth by the International Civil Aviation Organization (ICAO), the UN specialized agency for international air transport.

Specifically, the implementation of the passenger tax would be contrary to the Policies on Taxation in the Field of International Air Transport contained in ICAO Document 8632², which states that "each Contracting State shall reduce to the fullest practicable extent and make plans to eliminate...all forms of taxation on the sale or use of international transport by air, including taxes on gross receipts of operators and taxes levied directly on passengers or shippers".

¹ Available at: http://www.wttc.org/research/economic_research/economic-impact-analysis/country-reports/
² Available at: http://www.icao.int/publications/Documents/8632_3ed_en.pdf
Norway, as a Contracting State of ICAO and a signatory country to the Chicago Convention, should seek to adhere to these accepted standards and principles.

Moreover, similar taxes in Germany and the UK have proven to be extremely inefficient and harmful to their respective economies. Instead, Norwegian authorities are encouraged to look at the Netherlands and Ireland as examples of territories that abolished similar taxes and experienced significant economic benefits as a result.

Transparent and Inclusive Consultation Process

It is alarming that the Norwegian Government did not undertake any form of advanced industry consultation process with respect to the nature, scope, applicable rate and exemptions associated with the Air Passenger Tax, nor the proposed timeline for its implementation.

In this respect, a transparent and constructive industry consultation process should have been launched by the Norwegian Government prior to enacting legislation to implement the Air Passenger Tax. Such a consultation would have permitted a determination of the overall economic impact of the tax, as well as a consideration of the aviation sector’s concerns with the implementation, administration and complex system programming required.

In light of the above, we request that the Norwegian Government actively reconsiders the decision to implement the Air Passenger Tax, and urgently launches an independent evaluation of the impact of this kind of taxation. Pending the completion and outcome of this evaluation, we ask that you refrain from imposing such a tax and highly encourage the current measure to be postponed.

We appreciate the opportunity to submit our comments to you in relation to the Air Passenger Tax.

Yours sincerely,

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