PART I

Chapter 3

Taxation and tourism

There is currently an intense debate about the role of tourism taxation and its impact on the competitiveness and attractiveness of destinations; and a strong demand for more information. This chapter explores the evolving relationship between taxation and tourism. It aims to contribute to the current policy debate by enabling the reader to better understand the rationale and concerns from both a government and industry perspective, and by providing comparative information in the form of an inventory of tourism-related taxes. The inventory, based on a survey of OECD and partner countries, focuses on indirect tourism-related taxes, fees, and charges that fall under the broad category headings of: i) arrival and departure; ii) air travel; iii) hotel and accommodation; iv) reduced rates of consumption tax; v) environment; and vi) incentives. The chapter also highlights recent trends and interesting practices in the area of tourism taxation.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
At a time when the global economic recovery remains fragile, many countries continue to face a fiscal consolidation challenge, requiring action on both the revenue and spending sides; often necessitating trade-offs against policy objectives, including short- and long-term growth and equity.

The capacity of tourism to stimulate economies by creating employment, attracting foreign investment, earning foreign currency, and adding value nationally, regionally and locally is well recognised. However, tourism operates in a rapidly evolving and highly competitive global market place; characterised in recent years by strong growth in emerging tourism economies.

This has led to increased pressure not only on tourism and supporting infrastructure, but also on the budgets with responsibility for: i) marketing and promotion; ii) providing the necessary services and facilities to cater for tourists; iii) ensuring visitor safety and security; and iv) maintaining the natural environments that often attract them. Like any other sector, tourism is subject to a range of specific taxes, fees and charges, and tourism taxation provides governments with one avenue of funding to help support public investment for tourism development.

In this context, there is a growing interest and debate about the role of tourism-related taxation in contributing to general tax revenue, the cost of tourism on public services, and the development and provision of key visitor facilities and services; and a strong demand for more information. From a tourism policy perspective, the question is what impact such levies have on the competitiveness, attractiveness and sustainability of destinations, and what, if any, are the alternative funding mechanisms.

Countries need to be well informed in order to make choices that maximise equity, transparency and efficiency in tourism taxation. However, despite the growing interest by both governments and industry, there remains a general lack of detailed comparative information on tourism-related taxes, fees and charges and their potential impacts on the tourism economy.

This chapter presents a preliminary exploration of the evolving relationship between taxation and tourism, and contributes to the current tourism policy debate by providing the reader with: i) comparative information in the form of an inventory of tourism-related taxes, fees and charges at the national level; ii) examples of recent trends and interesting practices in tourism taxation; iii) a better understanding of the rationale and concerns from both a government and industry perspective; and iv) a benchmark for assessing changes over time.

The inventory of tourism-related taxes, fees and charges includes information provided by 30 OECD and partner countries (Australia, Austria, Chile, Croatia, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Japan, Latvia, Mexico, the Netherlands, New Zealand, Poland, Portugal, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, and
Turkey), but does not include seven OECD member countries. It represents a snap-shot of
tourism taxation as of 31 October 2013; however, the inventory will continue to be
developed by the OECD Tourism Committee in the future.

The chapter focuses on taxes, fees, and charges affecting primarily tourism-related
activities and falling under the broad category headings of: i) arrival and departure; ii) air
travel; iii) hotel and accommodation; iv) reduced rates of consumption tax; v) environment;
and vi) incentives. Recent trends emerging in the chapter are outlined in Box 3.1.

Box 3.1. Recent trends in tourism taxation

- Despite many levies being long-standing in nature, there has been a general increase in
  the number and scope of tourism-related taxes, fees, charges over the last 10 to 15 years.
- The main form of arrival and departure levies are visas, and there has been an increase in
  the number of countries adopting common visa policies for short-stays (e.g. in Europe,
  there are currently 26 Schengen area member states, up from only seven in 1995).
- There has been an increase in the number of taxes associated specifically with air travel
  with many falling under the sub-categories of security, passenger services, and airport
departures (some of which seek to stimulate environmentally friendly behaviour by
increasing the price of tickets).
- The overwhelming majority of taxes specific to hotels and accommodation facilities
  (e.g. bed night taxes, accommodation taxes or occupancy taxes) are administered at the
sub-national and primarily the municipal level, with only five countries identifying
examples at the national level.
- Reduced rates of consumption tax for tourism-related activities focus primarily on hotels
and restaurants, and have generally following a wider trend of maintaining or
increasing standard rates in recent years; however, several countries have introduced
reduced rates on restaurants for the first time.
- There has been a large increase in the number of taxes with an environmental focus and
designed to encourage environmentally positive behaviour change from operators and/
or tourists, or provide funding to better manage the environmental impacts of tourism
activities.
- Tax incentives have been maintained and introduced to promote increased investment
in hotels and other leisure facilities/infrastructure, increased spending by tourists
(e.g. VAT/GST refund schemes), and to promote the development of domestic tourism.
- In general, there has been a lack of monitoring, evaluation and analysis of the impacts
of tourism-related taxes and incentives to ensure they are meeting their stated
objectives without adversely affecting tourism competitiveness.

Apart from the wider purpose of contributing to general tax revenue and supporting
public investment in tourism development, the rationale for specific tourism-related
taxation varies from country to country and by the type of levy imposed, however, several
general themes are evident:
- Funding environmental protection and infrastructure development to better manage the
impacts of tourists in sensitive areas, and ensuring commercial activities are consistent
with management plans. For example, Iceland’s Accommodation Tax, is one of very few
where revenue is dedicated to promote the development, maintenance and protection of nature-based tourist attractions under public ownership or supervision via the Tourist Site Protection Fund.

- **Cost recovery** of passenger processing at ports of entry, including customs, immigration, security, quarantine, and the issuing of short-term visas. For example a passenger service charge is levied on each passenger to recover both operational and capital expenditure costs related to various airport services and facilities provided to passengers at airports in South Africa.

- Ensuring the safety and security of those travelling to/from and within destination countries. For example in New Zealand, passenger security charges are levied on a per-departing passenger basis on domestic and international flights from New Zealand airports, providing funding for the Aviation Security Service, the government organisation responsible for maintaining the security of the aviation sector.

- Encouraging visitor spending and job creation. For example, in Israel, the return of VAT on all goods purchased by tourists is in place to encourage increased consumption, while in Ireland, the reduced rate of VAT on hotels and restaurants aims to boost tourism and stimulate employment in the sector.

- Funding domestic and international marketing and promotion activities; For example, in Mexico, 80% of revenue from the non-immigrant tax on those persons entering the country for tourist purposes, is directed to the Mexico Tourism Board to support domestic and international promotion activities.

- Encouraging investment in tourism infrastructure. For example, in Australia, a concessional tax treatment for hotels has been in place for nearly 30 years to encourage greater investment in the hotel sector. Under the initiative, investors in hotels and short-term accommodation developments receive concessional depreciation rates compared to investors in most other new buildings for other purposes.

There are varying opinions as to the impacts of different forms of tourism taxation on the competitiveness and attractiveness of destinations. However, it is likely to be a combination of specific tourism levies and how the tax system as a whole impacts on the tourism sector in each country that determines long-term impacts.

It is clear from various industry submissions that tourism taxation (levies and incentives) remains a key issue in all countries; one which industry believes can have significant impacts on tourism jobs, growth and competitiveness. However, evidence of a more co-operative or participatory approach to tourism taxation does exist and where, as a result, the peak industry body is “by and large, very satisfied” with the outcome. There is a general view that the multiple taxes, both tourism-related and general, are impediments for tourism businesses and can negatively affect international competitiveness. Specific examples of industry concerns are outlined in Box 3.2.

As such, the policy environment would benefit from more detailed monitoring, evaluation and analysis of the impacts of existing taxes and incentives to ensure that policy makers have the necessary tools to implement evidence-based policies to support the long-term sustainable growth of the tourism industry. This combined with a more collaborative approach towards tourism taxation could also assist governments to better balance the need to raise general tax revenue and fund key visitor facilities and services, against the concerns expressed by industry.
I.3. TAXATION AND TOURISM

Concepts and definitions in tourism taxation

In the OECD classification, the term taxes is used to describe compulsory unrequited payments to general government – including the central administration, agencies whose operations are under its effective control, state and local governments and their administrations, certain social security schemes and autonomous government entities, excluding public enterprises. Taxation systems in most countries are based on two primary kinds of taxes: direct and indirect. Although the distinction between the two is not always clear, a basic distinction can be made if we consider direct taxes to be those levied “directly” on income and (possibly) wealth, while indirect taxes are levied on the expenditures that the income and wealth finance, including the purchase of goods and services (e.g. VAT). However, both the composition of these groups and the characteristics of respective taxes within them (e.g. its rate or percentage, and the amount and types of any allowance, exemption, or reduction from it), can vary from country to country (OECD, 2012).

Similarly, it is not always easy to distinguish between those fees and user charges which are to be treated as taxes and which are not. While it is generally accepted that fees and charges are levied in connection with a specific service or activity, as is the case for...
tourism, the strength of the link between the fee and the service provided may vary considerably, as may the relationship between the amount of the fee and the cost of providing the service.

The World Tourism Organization (UNWTO), has previously defined tourism taxes as those taxes that are "applicable specifically to tourists and the tourism industry or, alternatively, if not specific to the tourism industry, those which are applied differently in rival destinations" (UNWTO, 1998). However, nearly all goods and services consumed by tourists are also consumed, to at least some degree, by non-tourists. As such, it could be argued that the taxable item is not the tourism activity itself, but rather a tax base roughly linked to it, and any fiscal measure addressed to tourism activities will very often affect non-tourists also (Gago et al., 2009).

Consequently it may be more appropriate to simply consider tourism taxation as those indirect taxes, fees and charges affecting primarily tourism-related activities. Indirect tax receipts generated by tourism expenditure are either derived from general taxes, including import duties, sales taxes, or value added tax (VAT); or specific taxes on what are considered to be primarily tourism-related activities, such as hotel and restaurant taxes, airport taxes, visa fees, and arrival and departure taxes (Box 3.3).

Box 3.3. Indirect taxation of tourism activities – General versus specific taxes

General indirect taxes – Value added tax (VAT) is now the centrepiece of general indirect taxation in more than 130 countries. VAT is levied on transactions; however, as it is credited against tax due on traders' sales, it is eventually a tax on final consumption. Though VAT usually has a common rate (%) for most of goods and services, it is theoretically feasible and usual in practice, to implement different rates in some sectors (e.g. tourism-related goods and services). For example, in many EU countries, VAT rates applied to hotels can be between 40%-50% lower than general rate of VAT.

Raising general indirect tax rates, such as VAT, has the important advantage of minimising administrative and compliance costs, compared to the implementation of new specific tourist taxes. On the other hand, the usefulness of VAT as a scheme to tax tourism is reduced when the level of government that raises it differs from the territory in which tourism problems and concerns arise. If a central tax, VAT will not be an accurate instrument (since its effects will overflow the tourist regions and probably have negative effects in the economy as a whole), although this could be solved if VAT regulation allowed for regional differentiation.

Specific taxation – The most common example of specific indirect tourism taxation around the world is the hotel room tax. Usually designed as a charge on stays at hotel establishments, it can be an ad valorem tax (with the rate as a percentage of prices) or an ad quantum amount (unit tax) per night. These receipts are sometimes earmarked to fund destination marketing campaigns, or projects aimed at improving the quality of tourist activities or preserving the environment.

A long-standing principle in public finance holds that public expenditure should be targeted where it provides most benefit, while taxes should be targeted where they cause least harm; the way money is raised should not determine how it is spent. In practice, this is true for the bulk of outlays and receipts in OECD countries. However, on occasion, specific taxes may be collected for a defined purpose, while the resulting revenues are not quarantined only for that purpose.

The same case is true for tourism, where some or all of the revenue raised from tourism-related taxes may be used to provide the infrastructure and other facilities to support the industry; and from a non-renewable resource perspective, to protect the natural environment upon which tourism largely depends (e.g. Iceland’s Accommodation Tax – the proceeds from which fund the Tourist Site Protection Fund and the development of tourism infrastructure in National Parks). In such instances, the taxes are considered to be at least partially dedicated or hypothecated.

Inventory of tourism-related taxes, fees and charges

For the purpose of this inventory, the focus is on those indirect taxes, fees and charges administered at the national level and affecting primarily tourism-related activities under the six broad categories: i) arrival and departure; ii) air travel; iii) hotel and accommodation; iv) reduced rates of consumption tax; v) environment; and vi) incentives.

Arrival and departure

The category of arrival and departure includes those taxes, fees and charges levied typically on individuals, but also on occasion operators and/or crew, upon entering or departing a country by any means of transport. By definition visas are a major example, as they permit the holder to enter, leave or stay for a specific period of time in a given country. The requirement, and associated fee, for a visa may vary according to a range of factors, including the length of stay, purpose of visit, country of origin and reciprocal visa policy. Other examples include passenger movement charges, transit, and departure or boarding charges. Such levies are often used to cover the administrative costs associated with customs, immigration, processing of passengers, and the issuing of short-term visas; but also more recently, to support marketing and promotion activities.

In response to the country survey, 20 of the 30 responding countries identified one or more relevant arrival and departure levies at the national level. Several were described as being “long-standing” or introduced in the “1980s” and “1990s”; however, many have been introduced since 2000. The majority were in the form of visa fees, with only five countries identifying what could be considered levies on departure or transit (Australia, Chile, Egypt, New Zealand, and Portugal). Outlined below are details of the specific tourism-related taxes, fees and charges by country.

For twelve of the responding countries (Austria, the Czech Republic, Estonia, France, Hungary, the Netherlands, Poland, Portugal, the Slovak Republic, Spain, Sweden and Switzerland), the primary or sole levy in this category are the fees associated with the administration of Schengen short-stay visas (Box 3.4). There are currently 26 Schengen area member states, up from seven in 1995, when the Schengen area came into effect (see Box 2.3 for more information on the Schengen area). Other OECD member countries within the Schengen area are Belgium, Denmark, Finland, Germany, Greece, Iceland, Italy, Luxembourg, Norway, and Slovenia.
As outlined in Box 3.4 Schengen area long-stay visas are issued in accordance with member states’ national legislation. For example, in the Czech Republic the fees for long-stay visas and combined short- and long-stay visas are CZK 2,500 and CZK 2,800 respectively.

In Australia, a Passenger Movement Charge (PMC) on departing persons (aged 12 years and over), was introduced in 1978 as a Departure Tax, which was renamed the Passenger Movement Charge in 1995. The PMC was originally a measure to recoup the cost of customs, immigration and quarantine processing of passengers, and the issuing of short-term visas. The PMC is not hypothecated to particular spending. However, in 2012, the Australian government announced that AUD 48.5 million of the revenue raised from the charge would be allocated to the Asia Marketing Fund, with a further AUD 48.5 million of the revenue raised allocated to the Tourism Industry Regional Development Fund to help improve the quality of Australia’s tourism products and services. The current rate is AUD 55 having risen from AUD 47 on 1 July 2012 and AUD 38 on 1 July 2008. In response to concerns that recent increases may have undermined the competitiveness of the Australian tourism sector, the government announced on 11 October 2013, that the PMC will be frozen for the full term of the current Parliament.

The Electronic Travel Authority (ETA) (Subclass 601) and the Visitor (Subclass 600) Tourist Stream (categorised as Tourist 676 prior to 23 March 2013) provide authorisation to eligible visitors to travel to and enter Australia for tourism purposes. The current fee for the ETA is AUD 20 for Internet applications lodged via the official ETA website (from citizens of eligible countries). There is no government charge for ETA applications lodged via airlines or travel agents, although they may charge their own fees for arranging an ETA. For those not eligible for the ETA, the current fee for the Visitor Tourist Stream visa is AUD 115 if
I.3. TAXATION AND TOURISM

lodged outside of Australia (rising from AUD 100 in 2009) and AUD 290 if lodged within the country (rising from AUD 240 in 2009).

The Working Holiday (Subclass 417) visa is a reciprocal programme with the purpose of fostering closer ties and cultural exchange between Australia and partner countries (currently 19 countries), with particular emphasis on young adults. It was introduced in 1975 and the current fee is AUD 365, up from AUD 195 in 2009. Similarly, the Work and Holiday (Subclass 462) visa is a reciprocal work and holiday programme with agreements in place with ten partner countries. Introduced in 2005, the work and holiday visa’s current fee is AUD 365, up from AUD 195 in 2009.

Australian visa application charges are subject to periodic review and are generally indexed annually on 1 July to account for inflation.

Boarding taxes in Chile cover any passenger with the exception of: children under 2 years, transit passengers, diplomats from foreign countries accredited in Chile, delegates attending international meetings, and flight crew. Introduced in 2005, the current charge for the boarding tax is USD 30 (up from USD 26 in 2008), with revenue raised used to maintain airport facilities.

Introduced in 2005, a tourism visa is required by any foreign person traveling to Chile on a short-term basis for recreational, sports, health, education, business, family, religious or similar purposes. The rates for tourism visas vary by country, with exemptions for nationals from countries with which Chile has a visa-free regime in place.

Also introduced in 2005, a reciprocity fee currently applies to visitors to Chile from Albania, Australia, Canada, the United States and Mexico, with rates varying in accordance with those charged in these countries.

In Croatia, a short-term tourist visa is imposed in respect of the arrival of foreign citizens from designated countries. The visa fee was introduced in April 2013 with a rate of EUR 35 (EUR 69 for urgent applications), with the revenue raised used to help cover administrative costs. In line with Croatia’s accession to the European Union on 1 July 2013, Croatia’s visa system has been fully harmonised with that of the EU as of 1 April 2013.

A visa fee is payable by each tourist arriving in Egypt at entry ports. The current fees begin at USD 15 and vary by country depending on associated administrative costs. The fee will increase to a minimum of USD 25 on 1 November 2013.

Similarly, a departure charge is also payable by tourists when leaving Egypt. The current charge is USD 20 up from USD 15 on 1 May 2013 except for Sharm El Sheikh and Hurghada, where this will come into effect on 1 November 2013.

In Israel, a tourist visa fee was introduced in 2005 to cover the cost of processing visa requests. The fee is charged per person on tourists from countries not part of Israel’s Visa Waiver Agreements. The current fee is NIS 90, with no change in the level of the fee over the past five years.

An immigration permit (non-immigrant tax) was introduced in Mexico in 1999 for those persons entering the country for tourist purposes. Currently set at MXN 295 (up from MXN 237 in 1999), the fee applies to all foreign visitors to Mexico, except those entering by land for stays of less than 7 days. Revenue from the fee is used to foster tourism in Mexico, with 80% (up from 50% in 2002 and 70% in 2006) directed to the Mexico Tourism Board, which is responsible for both the domestic and international promotion of tourism (Box 3.5).
In addition, ordinary visas on foreign passports require the payment of a fee for consular services. This fee applies to all foreigners visiting Mexico, with certain exemptions in place according to agreements of the Ministry of Foreign Affairs (Secretaría de Relaciones Exteriores), in order to boost tourism and trade, and cultural exchanges. Introduced in 2005, the current fee is MXN 535 per person (50% reduction if the services are rendered in Mexico).

Visitors to New Zealand must pay a visitor visa fee, although agreements are in place with 60 countries to waive the requirement for a short-stay visa. Current rates are NZD 130 for applications from Australia and Pacific Islands, and NZD 165 for applications from within NZ and overseas. In addition, transit visas are required for those stopping in New Zealand for under 24 hours en-route to another destination, with the current fee set at NZD 140 (in addition to the 60 countries with visa waiver agreements, citizens from a further 22 countries are exempt from this fee). In both cases the fees are designed to cover the administrative costs of providing visas and border security.

Visitors from China who are traveling as part of a tour group to New Zealand are required to pay for a China Group Visitor Visa. Current rates are NZD 50 per person for visitors travelling as part of the Approved Destination Status (ADS) scheme, and NZD 80 per person for those on tours not run as part of the ADS. These fees are also intended to cover the administrative costs of providing visas and border security, which is lower due to the group nature of the tours that are run.
In addition to fees associated with the Schengen short-stay visa, other fees were introduced in Portugal in 2005 covering the entry of foreign nationals including short-stay visas granted at frontier checkpoints – for exceptional motives or unpredicted reasons (EUR 85), and fees for the provision of border controls on ships (EUR 320) and at airports (EUR 213), payable by operators. A series of port taxes were also introduced in 2005, including charges for passenger embarking/disembarking (fee EUR 3 per passenger), vessels departing from docks (EUR 80 per vessel), and for crew to come ashore (EUR 1). The fees for which have not changed over the past five years.

In South Africa, visitor visas are required for citizens of other countries who wish to visit on a temporary basis for tourism or business purposes for a period of 90 days or less. Introduced in 2002, the visa administration fee is currently set at R 425 (average), with no change over the past 5 years.

Air travel

In many countries, the introduction of levies on entry or departure specifically linked with air travel is a relatively recent phenomenon, largely reflecting the increasing affordability and growth in international air-travel over the past 20 years, but particularly since the turn of the century. This growth has in turn led to increased costs to provide the necessary infrastructure, security and passenger services, and a growing concern for the implications of this growth on the environment. In response, countries have introduced a variety of taxes, fees and charges to contribute towards the rising cost of service delivery, and in some cases in an attempt to encourage more environmentally friendly behaviour.

Of those countries responding to the current survey, 16 identified one or more levies focussing specifically on air travel at the national level. The great majority could be described as being in the form of a variety of airport charges (including aircraft landing and waiting fees, aircraft parking charges, and terminal charges), which are applicable at most international airports, with fees often used to cover airport costs and often varying between airports within the same country. Other major sub-categories include taxes, fees and charges relating to security and airport departures (e.g. air transport levy, air ticket tax, and air passenger duty), and details of these are outlined below.

An Air Transport Levy was introduced in Austria in 2011 on each passenger departing from Austrian airports, unless an exemption from liability applies. The stated goal of the levy is to stimulate environmentally friendly behaviour by increasing the price of tickets. Based on a band structure, the current rates for short- (EUR 7), medium- (EUR 15), and long-haul flights (EUR 35) came into effect in January 2013. Rates for short- and medium-haul flights were revised downwards from their introductory levels of EUR 8, EUR 20, while the long haul rate of EUR 35 remains unchanged. The levy will be reviewed in September 2014.

In Croatia, a departure fee is paid by both domestic and international passengers departing from airports (with the exception of transit passengers, passengers with ID 00 and ID 90 service tickets, and children under 2 years). Introduced in 2010, the rates remain EUR 1.37 for international departures and EUR 0.68 for domestic departures and transfers. Revenue contributes to financing the Croatian Civil Aviation Agency.

There are two major forms of air levies in the Czech Republic, both of which are payable only by passengers departing or transiting at Prague airport. A departure tax is currently set at CZK 565, rising from CZK 525 over the past five years, while a transit tax is currently set at CZK 205, up from CZK 190 over the same period.
An airport passenger charge to cover airport costs is payable by every departing passenger on an international flight from Estonia, excluding transit passengers. Designed to cover airport costs, the current rate is EUR 7.03, down from EUR 7.93 in 2009 and EUR 9.91 in 2008.

In France, the Civil Aviation Tax (TAC) is payable by any public air transport embarking on passenger, freight and/or mail from the French territory. The TAC came into effect in 2006, and the current rates are: i) EUR 4.31 per enplaned passenger within France, or to another member state of the European Community (or to another State party to the Agreement on the European Economic Area, or the Swiss Confederation), up from EUR 3.92 in 2008; and ii) EUR 7.75 per enplaned passenger to other destinations, up from EUR 7.04 in 2008.

In addition, the solidarity tax on aircraft tickets is payable on the number of enplaned passenger from France (mainland and overseas), except those in transit. Introduced in 2006, the current rates are: i) EUR 1 for passengers travelling within metropolitan France, to the French Overseas Departments and Territories (DOM/TOM), or to another member state of the European Community (or to another State party to the Agreement on the European Economic Area, or the Swiss Confederation); and ii) EUR 4 when passengers are going to other States. There have been no increases in rates for the solidarity tax in the last 5 years.

The German Air Ticket Tax was introduced in 2011 with the objective of promoting more ecologically friendly behaviour by increasing the price of tickets. Based on a band structure, the taxes are levied on bookings for passengers departing from German airports (Box 3.6).

**Box 3.6. German Air Ticket Tax**

The amount of Air Ticket Tax paid is determined by the distance from the departing airport in Germany airport to the final destination airport and fall into three bands. Exemptions are in place for passengers under two years of age; flights conducted exclusively for sovereign, military or medical purposes; island residents flying to and from domestic islands that cannot be reached by land; and crew members.

The current rates for the three bands (introduced on 1 January 2012) are:

i) For flights to a destination within the EU, EFTA-member states or states within a similar distance, a tax of EUR 7.50 per passenger is payable;

ii) For distances of up to 6 000 km the amount increases to EUR 23.43 per passenger; and

iii) For distances beyond this, the tax payable is EUR 42.18 per passenger.

For flights involving a transfer or short stopover, the tax is only chargeable on the initial leg. If the journey is broken up by a longer stopover (of 12 or 24 hours) in Germany, however, the tax becomes payable again. Prior to 2012 the rates for each band were EUR 8, EUR 25, and EUR 45 respectively.

In Greece, a passenger tax (Airport Development and Modernisation Charge – ADMC) was introduced in 2001 on passengers (over the age of five) departing from Greek airports, with transit, and transfer passengers exempted. All revenue collected via the ADMC is used to finance the operating and investment costs of the country’s airports, including equipment, maintenance, improvement and expansion. Current rates for the passenger tax are EUR 22 for passengers to non-EU destinations and EUR 12 for passengers travelling to EU, EEA countries (Norway, Iceland, Liechtenstein) and Switzerland.
An air travel tax was introduced in 2009 on each passenger leaving Ireland by air. Initially, two rate bands were introduced depending on destination distance from Dublin airport: EUR 2 per passenger for destinations within 300 km of Dublin Airport and EUR 10 per passenger for all other destinations. From March 2011 a standard rate of EUR 3 per passenger was introduced and in October 2013 it was announced that this amount would be reduced to zero from April 2014.

The reduction of the air travel tax to zero is part of a process designed to generate new airline routes into Ireland. At the time of the announcement, the government stated that it would monitor the reaction of airlines to the change and that the tax could be re-imposed if it did not have the intended effect. The initial response from airlines was very positive, with a number of new air routes serving Irish airports confirmed for 2014.

Israel introduced an air transport charge and air passenger duty in 1948, which is levied on each passenger entering and leaving the country by air. Established as a dedicated cost recovery mechanism for security and passenger processing at international airports, the current rate is USD 13 per passenger, with no increase in the past five years.

All passengers travelling on flights from New Zealand airports pay a Civil Aviation Safeties Levy, which provides funding for the Civil Aviation Authority's safety oversight programme, which in turn ensures the safety of planes flying within the country. Introduced in 2002, the current rate is a NZD 1.50 flat fee, up from NZD 1.00 in 2012.

The International and Domestic Passenger Security Charges were introduced in 1998 and are levied on a per-departing passenger basis on international and domestic flights from New Zealand airports with airlines generally passing on the charge to passengers in the ticket price (Box 3.7).

---

**Box 3.7. New Zealand’s Passenger Security Charges**

New Zealand’s international and domestic passenger security charges provide funding for the Aviation Security Service (Avsec), the government organisation responsible for maintaining the security of the aviation sector. Avsec currently operates at six security-designated airports in New Zealand: Auckland, Rotorua, Wellington, Christchurch, Dunedin and Queenstown. Its aviation security activities consist of five principal programmes:

1. Screening passengers and their carry-on baggage.
2. Screening checked baggage.
3. Airport access controls.
4. Screening of airport workers.
5. Managing the Airport Identity Card system for restricted areas.

The International Passenger Security Charge is currently set at NZD 11.98 (including GST), up from NZD 10.22 in June 2011 and NZD 8.00 in June 2013. The Domestic Passenger Security Charge is currently set at NZD 4.60 per passenger, up from NZD 2.80 in 2002 and NZD 3.70 in June 2013.

Exemptions from the passenger security charge include children under 2 years of age; crew members; passengers travelling on an aircraft used for the purposes of the New Zealand Defence Force; any passenger travelling on an aircraft being used specifically for military, diplomatic, or ceremonial purposes of any government; and transit passengers not leaving the transit/arrival/departure areas of the airport.
Introduced in 2008, a Passenger Service Charge is levied on each departing passenger from Portugal and billed directly to operators, according to their destination. The current rates vary for:

- Flights to destinations inside the Schengen area (EUR 7.45 from Lisbon; EUR 7.43 from Porto; EUR 7.25 from Faro and Beja; and EUR 5.95 from the Azores).
- Intra EU flights outside the Schengen area (EUR 9.50 from Lisbon; EUR 9.45 from Porto; EUR 9.19 from Faro and Beja; and EUR 9.47 from Azores).
- Other international flights (EUR 12.66 from Lisbon; EUR 12.62 from Porto; EUR 12.32 from Faro and Beja; and EUR 12.64 from Azores).

Portugal also introduced a security charge in 2008, for services rendered to air transport passengers and is intended to contribute to the costs of staff and equipment necessary to maintain the security of the aviation sector. The current rates per passenger are: i) EUR 2.39 for flights inside the Schengen; ii) EUR 4.06 for intra EU flights outside the Schengen area; and iii) EUR 7.07 for other international flights.

In the Slovak Republic, passenger service charges are payable by an operator for each departing passenger on scheduled and non-scheduled air transport. For international traffic, the current charge (without VAT) is EUR 16.26, while for domestic traffic the charge (without VAT) is EUR 6.30 at Bratislava/M.R. Štefánik aerodrome, and EUR 10.45 at Košice aerodrome. For passengers transferring within the Slovak Republic, the charge is 50% of that for departing passengers.

The air passenger departure tax is a passenger service charge in South Africa levied on the owner, operator or agent of an aircraft to help fund aeronautical operations and passenger services to facilitate departure. It is charged on each passenger leaving the country by air, with the charge varying according to the flight category (Regional or International). Introduced in 2000, the current rate is R 100 per person, for regional flights and R 190 per person for international flights.

A passenger service charge is levied on each passenger to recover both operational and capital expenditure costs related to various airport services and facilities provided to passengers at airports in South Africa. The current charge is R 120 for domestic flights, R 249 for regional flights, and R 328 for international flights.

An aircraft passenger safety charge was introduced in 2012 and is recovered directly from each passenger departing from a South African airport. Revenue from the charge is used to assist the South African Civil Aviation Authority to comply with its statutory mandate, including safety and security oversight on various entities and certificate/licence holders for the benefit of travellers. The current charge is R 116 (excluding VAT) for international passengers, R 42 for domestic passengers, and R 242 per person for SACU-member countries.

An aviation co-ordination services charge was introduced in South Africa in 2012 to contribute to the leasing and management of security equipment and services that ensures proper control and correspondence between the passenger boarding a plane, the ticket holder and checked-in baggage. The current charge is R 21 per passenger.

In addition to the various air travel taxes outlined above, the United Kingdom (UK) introduced an Air Passenger Duty (APD) in 1994 as a per passenger charge on air travel from UK airports. The APD was introduced with the purpose of raising revenue from the aviation industry but with the anticipation that there would be environmental benefits through its effect on air traffic volumes. Its initial rate was GBP 5 for UK/EU flights and GBP 10
elsewhere. In 2009 the APD moved from a flat rate to a band structure (Band A, 0-2 000 miles; Band B, 2 001-4 000 miles; Bands B and C, 4 001-6 000 miles; and Band D, more than 6 000 miles), with the appropriate APD band determined by the distance between London and the capital city of the destination country/territory (House of Commons, 2012). As of 1 April 2013, the standard rates for the APD are GBP 26 for Band A, GBP 134 for Band B, GBP 166 for Band C, and GBP 188 for Band D. A reduced rate, equivalent to 50% of the relevant standard rate, is payable by those travelling in economy class.

**Hotel and accommodation**

This section deals with those levies specific to hotels and other accommodation facilities, such as room or bed night taxes and occupancy taxes, but does not include VAT relating to hotel stays, which is dealt with under the following section on reduced rates of consumption tax for tourism-related activities.

Country responses indicate that the overwhelming majority are administered at the sub-national and primarily the municipal level and may be seasonal in nature; while only five countries (Chile, the Czech Republic, Egypt, Ireland and Spain) identified examples at the national level. Many fall into the sub-categories of bed night or accommodation taxes, occupancy taxes, or tourist taxes, either paid by the tourist per night spent in a hotel or accommodation facility, or based on accommodation capacity and usually paid by the owner. In many cases, the proceeds of the various hotel and accommodation related levies are utilised for tourism marketing, promotion and development at the local level.

In 1974, **Chile** introduced the extension of the charge of VAT covering any payments made in foreign currency by foreign tourists in hotels, as a result of services rendered. Revenue from the charge, currently set at 19%, is utilised for export promotion. In 2011, the definition of a “hotel enterprise” was extended to include any kind of lodging.

In the **Czech Republic**, a bed night tax covering each person staying at spa or recreational accommodation facility is in place to support the development of tourism and to provide funding for towns to help cover the expenses associated with increased visitation. The current rate for the bed night tax is set at CZK 15 per person per day. Similarly, the revenue from an accommodation capacity tax on each utilised bed in a spa or recreational accommodation facility is used for the same purposes. The current rate of the accommodation capacity tax is set at CZK 6 per bed per day.

A 12% services charge is payable on purchases in hotels and restaurants in **Egypt**, while in **Spain**, the hotels and other facilities rendering hosting services tax is managed jointly by State and Local entities. Introduced in 1991, the rate varies depending on the category of establishment providing the service, with exemptions for natural persons and taxpayers whose net turnover is less than EUR 1 million.

In **Ireland**, registration fees for hotels, guest houses, holiday cottages and apartments, hostels, youth hostels, caravan and camping parks were introduced in 1939 to support the maintenance of standards. The inspection process also contributes to consumer assurance and fair competition between operators. Fees are variable according to the type of accommodation with initial registration fees ranging from EUR 146.65 (plus EUR 2.10 per pitch) for caravan and camping parks, up to EUR 453.93 (plus up to EUR 17.40 per room) for hotels.
Similarly, a manpower and training contribution has been in place since at least 2003, for hotels and guesthouses to contribute to the cost of training for the industry. It is also variable depending on the number of rooms per establishment and ranges from EUR 3.81 per room for guest houses, to EUR 145.13 for small hotels (10-19 rooms), and up to maximum of EUR 1 371.32 for hotels with 150 or more rooms.

**Reduced rates of consumption tax**

Value added taxes (VAT) and goods and services taxes (GST) remain the principal form of taxing consumption in 33 of the 34 OECD member countries and account for two thirds of consumption tax revenues, with the remaining third made up of specific consumption taxes such as excise duties.

As part of the survey on tourism taxation, countries were asked to identify whether reduced rates for primarily tourism-related activities (hotels, restaurants, transport, admission to attractions, etc.) had been introduced when a general tax on consumption was in place.

The results from the survey, supplemented by additional OECD and EU sources, are outlined in Table 3.1. In total, information on tourism-related reduced rates of consumption tax (focussing on the most common forms – hotels and restaurants), is provided for 39 OECD and partner countries with an existing broad-based consumption tax in place. Figures for both 2009 and 2013 are provided for comparative purposes.

In 2013, a total of 6 countries (out of 39) had a standard consumption tax rate of 10% or less, with a further 9 countries with rates from 11% to 19%, and 24 countries with a rate of 20% or higher. The standard rate ranged from 5% in Canada and Japan, to 27% in Hungary. The average standard rate was 19% – up slightly from 18% in 2009. Between 2009 and 2013, 21 countries increased their standard rates of consumption tax, and while reduced rates appear to have followed this general trend, this was not always the case.

When considering rates of consumption tax from a tourism perspective, 26 countries have reduced rates in place for hotels and other forms of accommodation (“hotels”). Reduced rates range from 0% in Israel (as opposed to a standard rate [SR] of 18%) and Mexico (SR 16%), to 18% in Hungary (SR 27%). In total, 22 countries have reduced rates of 10% or less on hotels, while the average rate is 9%. Nine countries increased already reduced rates between 2009 and 2013, while two (Greece and Ireland) took measures to lower rates, and three introduced reduced rates on hotels (Croatia, Germany, and Hungary).

Of the 26 countries with reduced rates for hotels, 16 also have reduced rates for restaurants, food, catering, etc. (“restaurants”) – only those countries with a VAT, indicated that reduced rates were in place for tourism-related activities. Rates range from 3% in Luxembourg (as opposed to a standard rate [SR] of 15% and a reduced rate for hotels [HR] of 3%) to 15% in Norway (SR 25% and HR 8%). In total, eleven countries have reduced rates for restaurants of 10% or less, while the average rate is also 10%. Six countries raised or removed the reduced rate for restaurants between 2009 and 2013 (France, Greece, Poland, Portugal, Slovenia, and Spain), while five countries lowered or introduced a reduced rate for restaurants during the same period (Croatia, Finland, Ireland, Norway, and Sweden). In addition, four countries (Estonia, Italy, the Netherlands, and Romania) increased the standard rate of VAT without increasing existing reduced rates for tourism-related activities, therefore, providing an effective rate decrease for hotels and restaurants.
While not addressed specifically in country responses to the survey, it is likely that the predominance of reduced rates for accommodation over those for restaurants and catering is at least partly a result of the European Union’s framework on VAT.

### Table 3.1. Consumption taxes and reduced rates for hotels and restaurants at the national level, 2009-13

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia1</td>
<td>10</td>
<td>..</td>
<td>..</td>
<td>10</td>
</tr>
<tr>
<td>Austria</td>
<td>20</td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Belgium</td>
<td>21</td>
<td>6</td>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
<td>..</td>
<td>..</td>
<td>5</td>
</tr>
<tr>
<td>Chile</td>
<td>19</td>
<td>..</td>
<td>19</td>
<td>..</td>
</tr>
<tr>
<td>Croatia</td>
<td>22</td>
<td>..</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>19</td>
<td>9</td>
<td>..</td>
<td>21</td>
</tr>
<tr>
<td>Denmark</td>
<td>25</td>
<td>..</td>
<td>25</td>
<td>..</td>
</tr>
<tr>
<td>Egypt</td>
<td>10</td>
<td>..</td>
<td>10</td>
<td>..</td>
</tr>
<tr>
<td>Estonia</td>
<td>18</td>
<td>9</td>
<td>20</td>
<td>9</td>
</tr>
<tr>
<td>Finland</td>
<td>22</td>
<td>8</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>France</td>
<td>19.6</td>
<td>5.5</td>
<td>5.5</td>
<td>19.6</td>
</tr>
<tr>
<td>Germany</td>
<td>19</td>
<td>..</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>Greece</td>
<td>19</td>
<td>9</td>
<td>23</td>
<td>6.5</td>
</tr>
<tr>
<td>Hungary</td>
<td>20</td>
<td>..</td>
<td>27</td>
<td>..</td>
</tr>
<tr>
<td>Iceland</td>
<td>25.5</td>
<td>7</td>
<td>7</td>
<td>25.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>21.5</td>
<td>13.5</td>
<td>13.5</td>
<td>23</td>
</tr>
<tr>
<td>Israel</td>
<td>15.5</td>
<td>0</td>
<td>..</td>
<td>18</td>
</tr>
<tr>
<td>Italy</td>
<td>20</td>
<td>10</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>Japan</td>
<td>5</td>
<td>..</td>
<td>5</td>
<td>..</td>
</tr>
<tr>
<td>Korea</td>
<td>10</td>
<td>..</td>
<td>10</td>
<td>..</td>
</tr>
<tr>
<td>Latvia</td>
<td>21</td>
<td>10</td>
<td>..</td>
<td>21</td>
</tr>
<tr>
<td>Lithuania</td>
<td>19</td>
<td>..</td>
<td>21</td>
<td>..</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>15</td>
<td>3</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Mexico</td>
<td>15</td>
<td>0</td>
<td>..</td>
<td>16</td>
</tr>
<tr>
<td>Netherlands</td>
<td>19</td>
<td>6</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
<td>New Zealand1</td>
<td>12.5</td>
<td>..</td>
<td>15</td>
<td>..</td>
</tr>
<tr>
<td>Norway</td>
<td>25</td>
<td>8</td>
<td>..</td>
<td>25</td>
</tr>
<tr>
<td>Poland</td>
<td>22</td>
<td>7</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>Portugal</td>
<td>20</td>
<td>5</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>Romania</td>
<td>19</td>
<td>9</td>
<td>..</td>
<td>24</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>19</td>
<td>..</td>
<td>20</td>
<td>..</td>
</tr>
<tr>
<td>Slovenia</td>
<td>20</td>
<td>8.5</td>
<td>8.5</td>
<td>22</td>
</tr>
<tr>
<td>South Africa</td>
<td>14</td>
<td>..</td>
<td>14</td>
<td>..</td>
</tr>
<tr>
<td>Spain</td>
<td>16</td>
<td>7</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Sweden</td>
<td>25</td>
<td>12</td>
<td>..</td>
<td>25</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.6</td>
<td>3.6</td>
<td>..</td>
<td>8</td>
</tr>
<tr>
<td>Turkey</td>
<td>18</td>
<td>..</td>
<td>18</td>
<td>..</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15</td>
<td>..</td>
<td>20</td>
<td>..</td>
</tr>
</tbody>
</table>

1. Goods and services tax.
2. Sales tax.
3. Pilot reduced rate for restaurants from 1/8/13 to 31/12/13.
4. Japanese Consumption Tax Sources.

Source: Adapted from country survey responses, OECD (2012) and European Commission (2013b).

StatLink: [http://dx.doi.org/10.1787/888932985732](http://dx.doi.org/10.1787/888932985732)
In the European Union, all member countries share a common framework on VAT. States are required to set a standard rate of between 15% and 25%, with reduced rates of between 5% and 15% permitted (at most two), in a limited number of specified activities. States may continue to charge any lower rates, including zero rates that were in place on 1 January 1991, though they cannot introduce any new rate under 5%. The VAT Directive 2006/112/EC of 28 November 2006 provides (in Articles 93 to 130 and Annex III) a legal framework for the application of VAT rates in member states. Member states have made and continue to make wide use of the possibilities offered within this framework; as a result, the situation is in practice disparate and complex. The basic rules are simple:

- Supplies of goods and services subject to VAT are normally subject to a standard rate of at least 15%.
- Member states may apply one or two reduced rates of not less than 5% to goods and services enumerated in a restricted list.

Since the harmonisation of European VAT in 1991, the EU has allowed a reduced rate for paid accommodation – hotels. However, the optional use of reduced rates for certain labour-intensive local services, including restaurants and catering services only came into effect in 2009 (Directive 2009/47/EC), following a determination of there being no risk of unfair competition between service providers in different member states. Prior to this it would have been necessary for member countries to introduce the rate prior to harmonisation in 1991, or at a date prior to new member accession to the EU. This relatively recent development may help to explain why reduced rates for restaurant and catering are not more widespread in the EU.

In outlining the rationale for implementing a reduced rate of consumption tax for specific tourism-related activities, many countries highlighted a primary aim of supporting overall development, job creation and growth in the tourism industry (e.g. Austria, France, Germany, Iceland, Ireland, Latvia, Portugal, and Sweden). However, in general there was no clear indication that, once introduced, countries continue to undertake systematic monitoring or evaluation to determine if the objectives of the reduced rate, or any subsequent increase/decrease, were met. Examples of such evaluations do exist, however, including a preliminary analysis of the impact on consumer prices, demand and hours worked resulting from a reduction in VAT on restaurants and catering in Sweden, in January 2012, indicates lowered prices by 4%, increased demand by 3% and a 4% increase in hours worked. While an evaluation undertaken by Fáilte Ireland in 2013, on the impacts of a reduced rate of VAT on Irish Tourism, highlighted some of the difficulties associated with determining direct impacts of specific taxes (Box 3.8).

In addition to reduced rates of VAT on hotels and restaurants, several countries indicated that the same reduced rates were also applicable for other selected tourism-related activities. The two primary sub-categories were passenger transport services (Austria, the Czech Republic, France, Greece and Poland), and entry to theatres, museums and other designated forms of attractions (Austria, the Czech Republic, France, and Greece). In the case of Greece, the reduced rate for admission to attractions was 13% apart from: i) theatrical performances where the rate is 6.5%; and ii) museums, monuments and archaeological sites, which are exempt from VAT.
I.3. TAXATION AND TOURISM

Environment

Evidence suggests that in many OECD member countries environmental, green or eco-taxes are being used in a variety of sectors and providing significant incentives for innovation, as firms and consumers seek new, cleaner solutions in response to the price put on pollution. These incentives can also make it commercially attractive to invest in R&D activities to develop technologies and, perhaps more importantly for tourism, consumer products that are more environmentally friendly.

More specifically, taxation and subsidy policies in relation to tourism can be used to encourage green investment in destinations and infrastructure. Subsidies can be given on purchase of equipment or technology that reduces waste, encourages energy and water efficiency, or the conservation of biodiversity (payments for environmental services), and the strengthening of linkages with local businesses and community organisations (UNEP and UNWTO, 2011).

In the current survey, countries were asked to identify any environmental taxes, fees and charges specifically targeting tourism-related activities. Most of the levies identified by countries were introduced since 2000 and are related to specific protected or

Box 3.8. The impacts of a reduced rate of VAT on Irish Tourism

As part of a suite of measures to support tourism in the Government’s Jobs Initiative, a new, temporarily reduced rate of VAT (from 13.5% to 9%) was introduced for tourism related goods and services. The Minister for Finance introduced the VAT rate reduction in July 2011 in order to boost tourism and stimulate employment in the sector.

In 2013 an analysis of the impacts of the reduced rate was undertaken. The evaluation acknowledged that establishing a direct causal link between the VAT reduction and the wider measures of tourism numbers and employment is extremely challenging, with a wide variety of factors influencing tourists, and accommodation and hospitality providers; all of which can impact both positively and negatively on the overall performance of the sector (e.g. the economic circumstances in the tourists’ country of origin, exchange rate movements or competitor destination activity in the marketplace).

An indicative assessment of impacts (due to the data challenges around aligning various data sets, data lags and the limited time since the cut came into effect) indicated that the reduced VAT rate appears to have met its original aims of driving employment and stimulating activity in the sector, at a lower cost than originally estimated. Specific positive developments included:

- Evidence of price pass through of the rate reduction to consumers across nearly every category.
- Increased employment across the categories of approximately 10,000.
- Renewed growth in overseas tourism numbers and earnings.
- Increased activity levels across the industry – analysis of the VAT receipts show an increase of 16% in the first 12 months post VAT rate reduction compared to the 12 months prior to its introduction.
- Improved perception of value-for-money across all visitors.

Source: Fáilte Ireland.
environmentally sensitive areas. The purpose of the levies ranged from funding environmental protection and infrastructure development to better managing the impacts of tourists, and ensuring commercial activities are consistent with existing management plans.

In Australia, the Great Barrier Reef Marine Park Environmental Management Charge (EMC) was introduced in 1993. For most tourism operations, visitors to the Great Barrier Reef Marine Park (Marine Park) are liable to pay the charge to the tour operator, who then remits the charge to Great Barrier Reef Marine Park Authority (GBRMPA). Other operations in the Marine Park such as those involving the hire of equipment, installation and operation of tourist facilities, underwater observatories, sewage outfalls and vending operations must pay fixed quarterly charges to GBRMPA. All EMC payments are applied directly to the management of the Marine Park including through education, research, compliance patrols, site planning, public moorings, reef protection markers, information signs, and maps. At the same time, visitation information provided when EMC is submitted greatly assists in developing management arrangements for sustainable use of the Marine Park. Charges vary according to the type of tourism activity, however, the current Standard Tourism Programme Charge ranges from AUD 1.75 per visitor (part day) to AUD 3.50 per visitor (full day).

Most commercial activities operating within the Marine Park, including tourism operations, non-tourist charter operations, and facilities, require a Great Barrier Reef Marine Park Permit issued by GBRMPA. The permit system assists the GBRMPA to reduce impacts on high use and/or sensitive areas, separate potentially conflicting activities, encourage responsible behaviour in all Marine Park users, collect data for planning of Marine Parks and monitor activities which may become damaging to the Marine Park. The permit process offers benefits to accredited tourism operators, such as longer permit terms, resulting in improved quality of visitor experience. Permit application assessment charges vary according to the activity and/or the number of passengers involved in the activity.

The vast majority of parks and reserves across Australia are run by State and Territory governments. However, within the six national parks managed at the Australian government level, National Park visitor entry fees and National Park tour operator licences and permits are used to:

- Fund maintenance and improvement of park facilities, infrastructure and assets in order to protect the natural and cultural values of the park.
- Ensure that commercial activities are consistent with the relevant park management plans, and encourage higher operating standards through opportunities for appropriately accredited operators.

Entry fees vary from site to site depending on factors such as visitation levels and the duration of the visitor entry pass. Fees for licences and permits vary depending on activity, duration of permit and number of trips per year.

In 2011 visit tickets were introduced at a range of major tourist sites in Egypt: i) El Hitan Valley in El Rayan Valley; ii) Saint Catherine protected area; and iii) Ras Mohamed and Tiran islands in South Sinai, and Camel’s Valley in Red Sea Governorate. The revenue from ticket purchases contributes to the environmental protection fund at the Ministry of Environmental affairs. Ticket prices vary depending on the particular site and range from EGP 5 for Egyptian visitors to EGP 80 for foreign tourists.
In addition, a range of eco-tourism charges are in place at 12 sites within four “protected area zones” across Egypt (Central, South Sinai, Western, and Red Sea). The first charge was introduced at Ras Mohamed in 1993, with another nine introduced since 2005. The purpose of the charges is to increase revenue from environmental tourism in Egypt, in order to increase national income and foreign currency earnings. Charges vary from site to site and for Egyptian and foreign visitors.

In France, a tax on aircraft noise was introduced in 2003, payable by those public or private entities operating airports where the annual number aircraft movements (of aircraft over 20 tonnes at take-off) exceeded 20,000 in any one of the five preceding years. The proceeds of the tax are allocated to those airports where it is levied for each take-off movement in order to finance aid for affected residents and work to reduce noise levels. The list of airports affected and the rate of tax is defined by law and there are currently four rate bands, ranging from EUR 0.50 to EUR 3 at Strasbourg airport, up to between EUR 30 and EUR 68 at Paris-Orly and Toulouse-Blagnac.

Introduced in 1995, the maritime passenger boarding tax to protected natural areas is a tax payable by shipping companies transporting paying passengers to protected areas in France and French overseas territories. The tax is based on the number of passengers embarking to a protected site. In 2013 the rate is 7% of the ticket price pre-tax with a legally defined upper limit of EUR 1.60 (up from EUR 1.52 in 2011), and is added to the price paid by passengers. When passengers are shipped to several protected areas in the same day, the rate of tax is reduced to half of that paid for the first journey.

In Iceland dedicated accommodation tax was introduced in 2011 with the aim of supporting tourism development at the local level via the Tourist Site Protection Fund (Box 3.9). The current rate is IKR 100 per room, tent, etc. per night.

**Box 3.9. Iceland’s Tourist Site Protection Fund**

The Tourist Site Protection Fund was established in 2011 (Act No. 75/2011) to promote the development, maintenance and protection of nature-based tourist attractions under public ownership or supervision. Capital from the Fund is used to ensure tourist safety, protect Icelandic nature, and is intended to increase the number of sites visited by tourists in order to reduce the pressure on frequently visited tourist destinations.

The Tourist Site Protection Fund is financed by an Accommodation tax (Act No. 87/2011) and additional secured government funding of ISK 1 500 million over 3 years to 2015. Prior to 2011 the Icelandic Tourist Board offered support (up to ISK 50 million annually) for the same purpose.

The Tourist Site Protection Fund board is made up of four representatives appointed by the Minister of Industry. Two are appointed upon nomination by the Icelandic Travel Industry Association, one upon nomination by the Association of Local Authorities in Iceland, and one without nomination who acts as chairperson. The Fund is managed by the Icelandic Tourist Board. Currently 40% of available funds are allocated to the Environment Agency for developments in National Parks and other protected areas.

The Fund board makes proposals to the minister regarding fund allocations, taking into consideration the views of environmental authorities and other stakeholders concerning the relative merits for proposed developments.
In **Mexico**, entrance fees for **water activities in natural protected areas** were introduced in 2000, with entrance fees for **land activities in natural protected areas** introduced in 2002. The intended purpose of both taxes is to generate resources for the implementation of environmental programmes, with all revenue dedicated to the National Commission of Protected Areas (Comisión Nacional de las Areas Protegidas). Current rates are MXN 53.97 per entry in low density natural protected areas and MXN 26.99 for entry to all other natural protected areas. An annual fee of MXN 280.64 provides unlimited entries to both categories of natural protected areas.

Entrance fees to centres for the protection and conservation of turtles were introduced in Mexico in 2003, with revenue dedicated to the further development of centres for the protection of turtles. Current rates are MXN 26.99 per person, per day or MXN 280.64 per person, per year. For all three environmental taxes in Mexico, children under the age of six, and persons with a disability are exempt, while rates are reviewed periodically to reflect inflation and economic growth.

The **New Zealand Emissions Trading Scheme** (ETS) is designed as a market based approach to meet New Zealand's international obligations to reduce CO₂ emissions and contribute to reversing the effects of climate change. Introduced on 1 July 2010, the ETS affects electricity and fuel suppliers, with the primary impact to the tourism industry being through price increases passed on by suppliers. When introduced the NZ ETS was the first major carbon emissions trading scheme to affect airlines, however, the scheme applies only to domestic air travel and jet fuel used on international flights is exempt.

Aviation activities were incorporated in the **EU Emission Trading Scheme** (ETS) in 2012; with some estimates that it may cost the sector up to GBP 2.8 billion a year, as airlines pay for the greenhouse gases they emit via a system of carbon permits. Once airlines exceed a national ceiling for emissions, they are required to buy carbon credits (OECD and UNEP, 2011).

Initially the ETS was to apply to all airlines flying into and out of the EU, including non-European carriers; however, in November 2012 the EU took the decision to suspend the implementation of the international aspects of its ETS by deferring the obligation to surrender emissions allowances from air traffic to and from the EU by one year. The current suspension is intended to provide an opportunity for an international solution to the regulation on emissions from aviation to be sought (European Commission, 2012).

First introduced in 2004, **Portugal's tax for energy efficiency certification and air quality for Tourism Enterprises** covers any construction, remodelling, leasing and renting of tourism establishments. It is a certification system that aims to provide information about the thermal quality of buildings in order to ensure energy efficiency and good air quality. In force for over ten years, the current rate is EUR 307.50 for each certification.

The **Environmental Impact Certificate** tax was initially introduced in Portugal in 2000 with the purpose of promoting sustainable development, by taking a balanced approach to the management of natural resources in order to maintain environmental quality. The tax covers: i) hotel establishments with over 200 beds; and ii) tourist apartments, villages and other establishments (resorts) of over 55 hectares, or over 50 inhabitants per hectare. Applicable rates are: i) EUR 1 500 for investments up to EUR 3 million; and ii) 0.05% of invested value with an upper limit of EUR 100 000, for investments up to EUR 100 million.
Incentives

A tax incentive for investment can be defined as any tax law and/or regulation that targets tax relief (i.e. a lower tax burden) to a certain subset of activities. Incentives act as a mechanism to subsidise primarily “additional” investment that would not occur in the absence of tax relief. Examples of fiscal incentives include, tax holidays, reduced corporate income tax (CIT) rates, investment tax credits, location based incentives, deduction for qualifying expenses, exemptions from indirect taxes and special economic zones. In responding to the survey on tourism taxation, approximately a third of countries (10) identified current tax incentives seeking not only to promote increased/additional investment in tourism enterprises (e.g. hotels), but also increased investment/spending by those undertaking tourism-related activities (e.g. VAT/GST refund schemes).

In Australia, a concessional tax treatment for hotels has been in place for nearly 30 years (1984) to encourage greater investment in the hotel sector. Under the initiative, investors in hotels and short-term accommodation developments receive higher concessional depreciation rates compared to investors in most other new buildings for other purposes. Hotels can write-off 4% of the value of their construction expenditure per year over 25 years (see Box 3.10 for an example of its application).

Box 3.10. Concessional tax treatment for hotels in Australia

The Australian taxation system allows taxpayers that own income producing capital works (buildings and structures) to claim a deduction for construction expenditure, generally based on when the building was constructed and the way in which the building is used. The rate of deduction is 2.5% per year over 40 years for income-producing buildings and buildings used to conduct research and development.

Concessional treatment for the construction of hotel and short-term accommodation developments was extended in the Income Tax Assessment Amendment Act (No. 4) 1984 in an attempt to encourage greater investment in the tourism sector. The amendment, which took effect from 21 August 1984, increased the authorised fixed annual deductions to 4% per year over 25 years.

A practical example of how the concessional tax treatment for hotel and short-term accommodation developments applies is shown below in the case of the AUD 100 million that has been committed to build a four star Paradise Hotel at Sydney International Airport.

<table>
<thead>
<tr>
<th>Capital investment of AUD 100 million in the Paradise Hotel versus other commercial or retail property developments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual deduction</strong></td>
</tr>
<tr>
<td>4% deduction for Paradise Hotel</td>
</tr>
<tr>
<td>2.5% deduction for other commercial or retail premises</td>
</tr>
<tr>
<td>Benefit for Paradise Hotel investors</td>
</tr>
</tbody>
</table>

With the concessional tax treatment, Paradise Hotel investors can write off 4% of the value of their construction expenditure per year over 25 years compared to 2.5% per year over 40 years for most other new buildings.
The Tourist Refund Scheme (TRS) enables tourists to claim a GST or wine equalisation tax refund, subject to certain conditions. To be eligible, a tourist must: i) spend AUD 300 or more at a single retailer (GST inclusive) and retain the invoices (prior to May 2013 the AUD 300 minimum purchase had to be in the one transaction); ii) buy the relevant goods no more than 60 days before departure (prior to May 2013 the purchase qualification was 30 days); and iii) wear or carry the goods on board the departing aircraft or ship and present them along with the original tax invoice to a Customs Officer at a TRS facility when leaving Australia.

Since 2005, owners of holiday homes in Denmark can deduct up to DKK 20 000 when reporting the taxable income from renting out their properties. The deduction aims to increase the incentive to rent out holiday homes to tourists. The maximum deduction increased from DKK 10 000 to DKK 20 000 in 2011. A hotel VAT initiative, designed to increase the competitiveness of Danish hotels, has been in place since 1978, allowing businesses to deduct a percentage of the VAT on stays in hotel accommodation. The allowable deduction of VAT increased from 25% to 50% in 2011, and will increase again to 75% in 2014.

In France, aid for investment in leisure real estate initiatives have been in place since 1998. Currently aid is in the form of a reduction of income tax for taxpayers domiciled in France who acquire new or near completed accommodation; or accommodation built at least fifteen years ago which has, or will be renovated. The product is taxed under the category of “BIC” (Industrial and Commercial Benefits) when the housing is in a classified tourism residence. The reduction is capped at EUR 300 000 and is combined with other tax cuts to the limit of EUR 10 000 per fiscal year. The owner must agree to rent the accommodation for at least nine years to the operator of the leisure establishment or residence. The current reduction is effective from 1 January 2009 until 31 December 2016. The current rate is 11%, down from 25% when introduced.

A credit tax for maîtres restaurateurs was introduced in France in 2006. The tax covers those businesses that are taxed on their actual earnings or exempt by law, when the executive achieved the qualification of maître restaurateur (master “chef”) between 15 November 2006 and 31 December 2013. The tax credit is equal to 50% of eligible expenses under a maître restaurateur.

In Greece, the Investment Incentives Law provides an investment environment for the set-up of private investments such as hotels and special tourism infrastructure projects. The Investment Law aims to accelerate investment procedures and ensure transparency. It provides an efficient institutional framework for all investors and speeds the approval process for pending, approved investment projects.

Introduced in 2011, the Investment Law provides tax relief in the form of an exemption from payment of income tax on pre-tax profits, which result from the enterprise’s activities. The amount of tax relief is calculated as a percentage of the value of the subsidised expenditure of the project or the value of the new machinery and other equipment acquired by leasing, and constitutes an equivalent untaxed reserve. All forms of aid (tax relief, grants and/or leasing subsides), may be granted individually or in combination, up to a maximum rate which may not exceed 50% of the cost of the investment.

The Széchenyi Recreation Card is a fringe benefit based initiative introduced in Hungary in 2011 to provide additional resources to important social and economic policy objectives and for the tourism and catering industry (Box 3.11). The tax base is 119% of the amount of paid fringe benefit.
Israel has a range of tourism-related incentives in place. Those relating to VAT include a return of VAT levied on all purchased goods by tourists (currently at the rate of 18%), to encourage consumption of goods during their stay in Israel. In addition a tourist group services VAT exemption for vehicles licensed for tour rental and hired by tourists aims to encourage the tourism industry.

An exemption from customs’ tax on tourist vehicles was introduced in 1985 as an incentive for tourist guides and companies to work with tourists. To be eligible for the exemption, the vehicle must be purchased by a registered tour guide or company with more than 5 years' experience, out of which the last 3 years were working with tourists, and a minimum of 120 work days a year. The vehicle may be used for the purpose of tour-guiding only.
Introduced in 2011, eligible hotels are exempt from customs tax on purchased goods from abroad. To be eligible, hotels must be registered, holding an up-to-date business license, and conform with Ministry of Tourism regulations, including the requirement that at least 10% of its guests are tourists.

In addition, a range of grants and tax benefits for hotels and tourist attractions are also available with the aim of increasing the capacity and quality of hotel rooms in Israel. Incentives are limited to the: i) construction/expansion of hotels; ii) restoration/conversion of buildings for hotel use; iii) upgrading of hotels; and iv) construction/expansion and variation of tourist attractions.

In Poland, an income tax exemption for renting guest rooms in rural areas was introduced in 1995 (Box 3.12). The incentive provides that income from renting guest rooms in rural areas for the purposes of leisure is exempted from income tax – if the number of rooms rented does not exceed five. The regulation is aimed at stimulating the development of agri-tourism within rural areas and to enable farm owners, apart from their primary agricultural activity, to obtain small additional income from board and lodging for persons who spend leisure time on their property.

**Box 3.12. Income tax exemption for renting guest rooms in rural areas in Poland**

On 1 January 1995, the Act of 26 July 1991 on personal income tax, implemented provisions to exempt people from income tax when renting guest rooms to persons for leisure purposes in dwelling houses located in rural areas, in agricultural holdings, and including income from the provision of board to such persons.

This provision indicates that in order to take advantage of the exemption, it is necessary to meet jointly the following conditions:

- The provided services are related to room rental.
- The rental is made by the persons that run the agricultural holding.
- The buildings in which the room are rented have to be located within rural areas in an agricultural holding and they have to be dwelling building.
- A person that rents a room spends leisure time there.
- The number of rooms for rent must not exceed five.

Failure to meet any of the above-mentioned conditions results in the necessity to settle one’s income tax according to the commonly prevailing rules. No maximum limits for exemption were specified.

Provided that all above-mentioned conditions met, a person that runs an agricultural holding is not obliged to report to tax offices that they rent rooms and is not obliged to register the income obtained on that account or to submit such information to tax offices.

Touristic utility was introduced in Portugal in 1995 with qualification accredited to those tourism enterprises that fulfil a set of requirements for localisation, building, equipment, and services including hotels and other accommodation; restaurants; leisure equipment; and thermal facilities (e.g. thermal spas). The stated purpose of the initiative is to: i) support the tourism sector by qualifying or re-qualifying the offer; ii) contribute to attracting national or foreign tourists; iii) contribute to regional development; iv) promote
Portuguese gastronomy; and v) ensure that tourism establishments are compliant with governmental policy, namely the National Strategic Plan for Tourism (PENT). The incentives for enterprises can take several forms:

1. Exemption of IMT (Municipal Tax on Real Estate Transfer) while purchasing buildings or fractions to use as tourism enterprises (facilities).
2. Reduction on Stamp Duty (minus 20%) in buying buildings or fractions.
3. Exemption on Municipal Tax on Real Property (IMI) for 7 years.
4. Exemption of Taxes due to General Inspection for Cultural Activities.

In South Africa, a VAT refund scheme has been in place since 1991 to refund to foreign visitors the VAT on purchases over R 250, upon presentation of receipts of purchases at refund offices. The VAT refund scheme provides an effective rate of saving of 14%, which has remained unchanged since 1993. Similarly, a VAT refund scheme was introduced in Mexico in January 2006 to encourage visitor spending and stimulate the tourism industry. The scheme provides visitors with an effective saving of 16% – a figure which has not changed over the past five years.

References
Please cite this chapter as:

DOI: https://doi.org/10.1787/tour-2014-6-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.