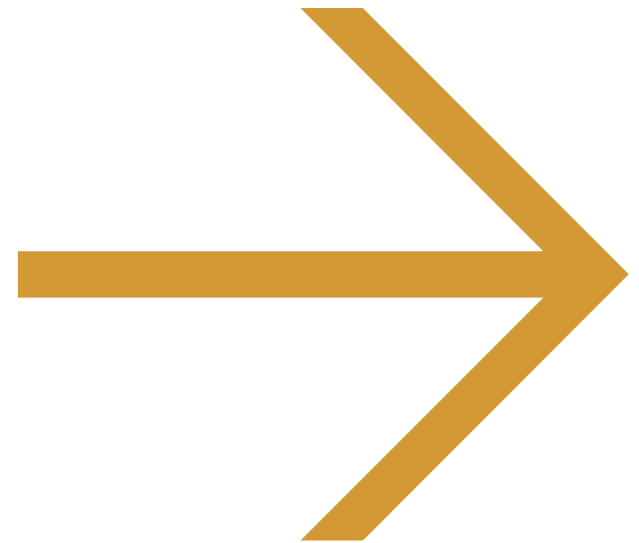


Dutch kerosene tax for domestic flights

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Reasons for introducing the tax

Immediate cause: Budgetary reasons

But also in line with:

- Internalization of environmental costs
- Greening the tax system
- Creating a level playing field between modalities





Excise duties on domestic flights

- Not only kerosene and not only aircraft
- As from 1 January 2005 the exemption of excise duties on kerosene no longer exists for domestic flights
- For other motorfuels, like light oil for aircraft, and LPG for hot-air balloons, the tax refund for domestic flights has been abolished
- Leisure/pleasure flights were already paying excise duties





Description of domestic flight

- Domestic flight: starts and ends in NL without a stop abroad
- A route that starts and ends in NL but is part of an international flight is not seen as a domestic flight
- For example:



is an international flight. Only if separate tickets are available for the second leg, will that part of the flight be considered a domestic flight.



The system of tax collection

- Operators which principally perform domestic flights pay tax while fuelling, for *all* their flights. Afterwards they get a refund for their international flights.
- An operator which only incidentally performs domestic flights is exempted for its international flights while fuelling. He pays only for his domestic flights.
- Operators, with no domestic flights (f.e. foreign operators), are not confronted with the administrative obligations linked to this levy.
- The tax rate is € 0,21 per liter





First experiences

- Surprise: There aren't many domestic flights in NL
- The existing domestic flights are mostly part of an international flight.
- The fuel tanked abroad cannot be taxed in the Netherlands.
- A taxi firm that wanted to start helicopter flights has canceled its plans, partly because of this tax.
- The revenue initially estimated will not be realized





Instrument in environmental policy

- Environmental effects negligible
- Symbolic importance?
- Will other countries follow suit?
- Relation with other market-based instruments:
 - CO₂- emission trading
 - Ticket tax /passenger duty
 - VAT
 - Ticket tax with deduction for clean aircraft





Conclusions

- Excise duty on domestic flights has minor environmental effects, but is an important (symbolic) first step.
- Fueling abroad is a problem.
- Taxing kerosene has distinct advantages: It combines
 - More level playing field between sectors/modalities.
 - Regulatory effects on both the demand and supply side.
 - Regulatory effects on both greenhouse and non-greenhouse pollutants.

