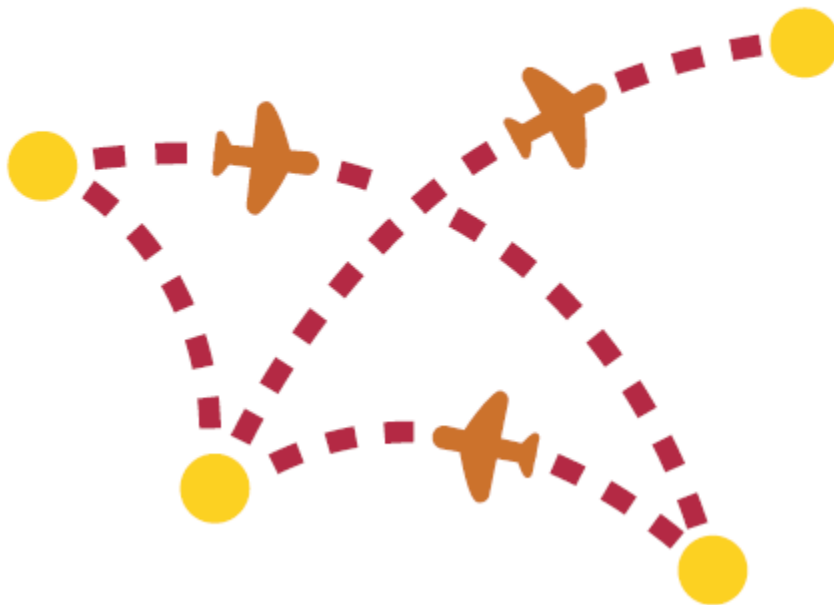


Travellers around the world face complex web of taxes and charges



Growing Together

Issued by UHY Glassman Esquivel y Cía

- **Average levy on 'outbound' economy flight now US\$23**
- **Taxes on flying inhibit economic growth and competition**

Airlines and air passengers around the world face an increasingly complex web of taxes and airport charges that increase the cost of flying and inhibit economic competitiveness, according to a new study by UHY, the international accounting and consultancy network. Around the world, the average levy that is now imposed on short haul flights by the country of departure is now US\$23, and US\$53 for a long haul flight, which can be more than 10% of the total cost of flying.

UHY explains that these additional costs damage tourism, penalise SMEs trying to expand overseas, disadvantage remote regional cities, and chip away at labour mobility. Although taxes on flying are often billed as 'green taxes' UHY points out that it is exceptionally rare for the revenue they raise to be ring-fenced for environmental protection projects.

UHY looked at taxes and compulsory government charges imposed per passenger on an economy class flight by 21 governments around the world. It also analysed additional charges imposed on a per passenger basis by airport operators.

UHY says that the most expensive taxes are for long haul flights departing from a Russian airport, where unlike many other countries, airline tickets are subject to sales taxes. The highest taxes of any G7 economy are in the USA, which imposes US\$23 worth of taxes on a short haul flight.

Within the EU, the UK still has the highest flight taxes: an adult with an economy short haul ticket flying from a UK airport will pay US\$20 in tax. For a first or business class ticket, the amount of tax paid would be even higher at US\$41.

Many smaller European countries do not impose any taxes on individual passengers, including Ireland, Slovakia, and Belgium. In many cases there has been intense lobbying by local airports and business groups to keep taxes on flying to a minimum to prevent travellers using airports in neighbouring countries with lower taxes.

Comments Ladislav Hornan, Chairman of UHY: "Airlines provide a crucial piece of infrastructure. They facilitate a great deal of economic activity that is essential for countries that want to benefit from globalisation. The higher the taxes on flying, the more they hurt airlines, business users and consumers. That is why Russia is planning a temporary reduction to taxes raised on domestic flights in order to ease pressure on an aviation industry that is currently suffering severely."

"Countries and cities that are expensive to fly to lose out on tourism. High air taxes can also be harmful to businesses, as in many commercial relationships there is simply no substitute for face to face contact."

“For smaller businesses, the cost of flying to see customers may be a serious consideration in deciding whether not to expand into new markets, especially overseas – it can lock them out of globalisation. Taxes can add another 10 or 15% to the cost of flying, so they can pose a meaningful additional burden on budgets.”

UHY notes that lower taxes on flying in some countries, including China and France, seek to strike a balance between requiring aviation to make a contribution to government spending that it may benefit from and imposing high levies on passengers.

UHY adds that in the BRIC economies, flight taxes are actually higher than the global average, at an average US\$21 for a short haul flight. Long distances between cities and relatively weak road infrastructure in these countries make the alternatives to flying significantly less attractive, especially for business trips, so flights are a tempting target for taxes.

UHY explains that this approach imposes greater disadvantages on more isolated regional cities because they may become too expensive as a destination or location for a business. It notes that Russia, Canada, the USA and Australia – all geographically large countries - have four of the five highest taxes on flying in the study.

Comments Michael Coughtrey of UHY Haines Norton, UHY member firm in Australia: “In Australia, flying between cities is usually the most realistic option so air travellers are something of a captive market.”

“Unfortunately though, high taxes on flying have a disproportionate impact on smaller and more remote cities like Perth, Darwin or Hobart. They lose out on tourism, and while modern communications help businesses, it is an additional cost that has to be considered when choosing a location for a business that aspires to sell nationwide. And of course high air taxes are an additional burden on any Australian businesses that wants to do more business overseas.”

Airport and airline charges lack transparency

UHY adds that on top of taxes and compulsory payments imposed by government bodies, additional airport fees levied on individual passengers for a short haul flight amount to a typical US\$23 around the world.

Although airport fees are usually passed on to the consumer, airlines often complain that the charges amount to an abuse of an airport’s monopoly status if it has a particularly favoured geographic location near a major city.

Airlines also add their own charges such as ‘fuel charges’ which many consumer groups argue should simply be included in the cost of the flight.

Adds Ladislav Hornan: “For consumers, taxes and fees are confusing; they mean the final ticket price is usually a shock. They also add to the headache of working out how much

extra a flight booked using air miles will actually cost, as well as what can be reclaimed if a customer has to cancel their ticket.”

“An EU study five years ago recommended that all air fares should state simply the basic air fare, airport charges and government taxes which are levied per passenger, and the total price. The study said that the costs of operating the flight, such as ticketing or fuel, need to be included in the basic air fare.”

“Around the world, the issue of complex charges is an area where far greater progress needs to be made to ensure better transparency and competition. Businesses and consumers would greatly benefit if regulators and tax authorities kept aviation taxes low and ensured that charges were more transparent.”

| Country | Taxes - short haul, economy class ticket (US\$) | Taxes - long haul, economy class ticket (US\$) |
|------------------------------------|---|--|
| Russia* | \$52 | \$272 |
| Australia | \$43 | \$43 |
| Egypt ** | \$38 | \$40 |
| USA*** | \$23 | \$28 |
| Average where taxes imposed | \$23 | \$53 |
| Jamaica | \$21 | \$21 |
| UK | \$20 | \$111 |
| Canada | \$20 | \$23 |
| Nigeria | \$20 | \$20 |
| India | \$18 | \$50 |
| Spain | \$18 | \$26 |
| Average G7 | \$15 | \$34 |
| Germany | \$14 | \$52 |
| France | \$13 | \$13 |
| China Mainland | \$8 | \$8 |
| Belgium | \$0 | \$0 |
| Netherlands | \$0 | \$0 |
| Ireland | \$0 | \$0 |
| Puerto Rico | \$0 | \$0 |
| Slovakia | \$0 | \$0 |
| Czech Republic | \$0 | \$0 |
| Japan | \$0 | \$0 |

*Russia levies sales taxes on airline tickets – calculations based on actual ticket price, Moscow to Novosibirsk / Moscow to New York

**based on international flight taken by a non-national – Egyptian nationals pay lower rate on departing international flight.

***Short haul calculation based on \$165 total costs – flight Detroit to Miami.

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Notes for Editors

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Press Enquiries

C.P.C. Oscar Gutierrez Esquivel

UHY Glassman Esquivel y Cía. S.C.

52+55 66 18888

For UHY, the international network

Dominique Maeremans

+44 20 7767 2621, or email: d.maeremans@uhy.com

Nick Mattison or Catherine Sirikanda

Mattison Public Relations

+44 20 7645 3636, +44 7957 340 795 or catherine.sirikanda@mattison.co.uk

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