

TAXES AND SURCHARGES ON AIRLINE TICKETS

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CANADA

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INTRODUCTION

Consumers are often shocked by the difference between an advertised airfare and the price they ultimately pay for the airline ticket. The reason for the discrepancy is that the amount advertised is usually the airline's "base" airfare on which many surcharges and taxes are levied at the time of purchase. This paper describes the various taxes and surcharges typically imposed on an advertised airfare charged by a Canadian airline, and what organizations collect them.

GOVERNMENT TAXES AND CHARGES

The federal Goods and Services Tax (GST) (or Harmonized Sales Tax (HST) in Nova Scotia, New Brunswick, and Newfoundland and Labrador) applies to an advertised airfare. The revenues from the GST and the federal portion of the HST accrue to the federal government's Consolidated Revenue Fund.

The federal government also collects the Air Travellers Security Charge (ATSC) on airfares for flights using Canadian airports where enhanced security measures are in place. The ATSC is meant to recover the costs of the air security program that was introduced in 2002. All revenues from the ATSC are directed towards the costs of the Canadian Air Transport Security Authority, which administers the new air security system.

Table 1

Examples of Taxes and Surcharges on Airfares Purchased in Canada Accruing to the Federal Government

Government Tax/Charge	Amount
Goods and Services Tax or Harmonized Sales Tax	7% 7% federal portion
Air Travellers Security Charge	\$10-17 for a round trip

The provincial portion of the HST (8%) accrues to the Atlantic provinces that administer it. Quebec also imposes a provincial sales tax (7.5%) on airfares, including on the GST that applies to the fares.

Taxes and surcharges from other countries may also be added to advertised airfares on international services. These may include:

- arrival/departure taxes;
- charges for using the airport facilities at government-owned airports;
- charges for government-provided security services (since 2001).

Some examples of specific charges in different jurisdictions are provided in Table 2.

Table 2
Examples of Taxes and Surcharges on Airfares Purchased in Canada
Accruing to Foreign Governments

Government Tax/Charge	Amount*
U.K. Passenger Service Charge (London, Heathrow)	C\$24.58
U.K. Air Passenger Duty	C\$41.31
U.S. Immigration Fee	US\$7.00
U.S. Passenger Facility Charge	Up to US\$4.50
U.S. Security Fee	US\$2.50 per enplanement**
U.S. Arrival/Departure Tax	Up to US\$29.00

* Amounts are not necessarily current as charges are variable.

** An enplanement is defined as a passenger entering an aircraft.

AIRLINE CHARGES

Airlines often impose their own surcharges on advertised airfares. The surcharges are usually put in place temporarily to offset unexpected rises in the airlines' costs; insurance and fuel costs are two common examples of such surcharges at the present time. When a traveller purchases an airfare using a loyalty program such as Aeroplan or Air Miles, booking fees may apply as well. Examples of these surcharges are presented in Table 3.

Table 3
Examples of Surcharges on Airfares Purchased in Canada
Accruing to Airlines

Air Carrier	Amount*
Air Canada	
Insurance	\$3.00 each way in Canada
Fuel	\$7.50 per segment in Canada or United States
Aeroplane booking fee	\$25.00
WestJet	
Insurance	Up to \$6.00 in Canada
Fuel	\$5-12 per segment

* Amounts are not necessarily current as charges are variable.

The insurance surcharge was adopted by many airlines after the terrorist attacks in the United States in September 2001 drove up the cost of insurance to airlines substantially. It may be in place for many years to come. The fuel surcharges usually come and go depending on the price of a barrel of oil/airplane fuel.

AIRPORT CHARGES

Currently, nearly 30 airports in Canada charge an Airport Improvement Fee (AIF) to help them finance future capital investments. The fee may range from \$5 to \$15 per enplanement, for a flight using their facilities. The AIFs charged by National Airports System (NAS) airports and added to the advertised airfare are shown in Table 4. Airlines usually keep 4% to 7% of the charge as a handling fee.

Table 4
Airport Improvement Fees Added to Airfares at
National Airports System Airports in 2004

Airport	Amount
Calgary, AB	\$15
Charlottetown, PEI	\$15
Edmonton, AB	\$15
Fredericton, NB	\$13
Gander, NF	\$12
Halifax, NS	\$10
Iqaluit, NV	None
Kelowna, BC	\$8
London, ON	\$15
Montreal, QC	\$15
Ottawa, ON	\$15
Prince George, BC	\$10
Quebec, QC	\$10
Regina, SK	\$10
Saskatoon, SK	\$5
St. John's, NF	\$10
Thunder Bay, ON	None
Toronto, ON	\$8-12
Vancouver, BC	\$5-15
Victoria, BC	\$10
Whitehorse, YK	None
Winnipeg, MB	\$15
Yellowknife, NWT	None

Source: Transport Canada, *Transportation in Canada 2004*,
Table A9-4.

Note that some airports that charge an AIF obtain it directly from the passenger, not through the airfare.

AIR NAVIGATION SERVICE CHARGES

Nav Canada, a not-for-profit private corporation, has been providing air navigation services to civil aircraft in Canadian airspace since 1998. The charge for this service, comprising en route and terminal charges calculated based on the weight of the aircraft and the billable distance, may not be included in the advertised airfare. Examples of Nav Canada charges per seat for two different flights using two different-sized aircraft are provided in Table 5.

Table 5
Examples of Nav Canada Charges Per Seat

Origin	Destination	Aircraft Type	Seats (Typical)	Weight (Metric Tonnes)	Billable Distance (km)	Total Charges	Charges Per Seat
Ottawa	Vancouver	B767-200	207	176	3,417	\$3,404.80	\$16.45
Ottawa	Toronto	A320	140	78	244	\$919.29	\$6.57

Source: Nav Canada Web-based fee calculator.

Nav Canada's fee replaced the federal Air Traveller Tax on airfares, which used to recover the costs of providing civil air navigation services prior to 1998.

TRAVEL AGENTS' FEES

In March 2002, many airlines in the United States and Air Canada decided to eliminate commissions to travel agents. As a result, some travel agencies adopted management and service fees to make up for lost revenue. For example, Uniglobe Voyages Lexus travel agency proposed the following schedule of service fees in April 2002:

- Canada and transborder travel: \$25
- International travel: \$40
- Every hotel or car booking and insurance: \$10 (if not related with flight segments)
- Every exchanged or refunded document: \$25 (Canada and transborder), or \$40 (international)
- Leisure booking, with a maximum of two times the basic fee per family: \$50

CONCLUSION

The cumulative effect of taxes and surcharges generates a final price to the consumer that can be as much as double the advertised airfare for a short-haul flight. To heighten public awareness of this fact, one Canadian airline advertised \$1 airfares to reveal the extent of the taxes and surcharges imposed by governments, airlines, Nav Canada, airports and others.

Bill C-44, the Transportation Amendment Act, which was introduced in the first session of the 38th Parliament, contained a provision to mitigate consumer “sticker shock” when purchasing airfares. Clause 30 would have added a new section to the *Canada Transportation Act* empowering the Canadian Transportation Agency to make regulations respecting the advertising of air services. The Agency would have been able to require that an air carrier include in an advertised price all costs to the carrier of providing the service and indicate all fees, charges, and taxes collected by the carrier on behalf of others, so that the consumer could determine the total amount to be paid for the service. Like its predecessor, Bill C-26, the Transportation Amendment Act, Bill C-44 died on the *Order Paper* with the dissolution of Parliament in November 2005.