

# WTTC's Travel & Tourism Tax Barometer, No. 5



*Travel & Tourism: Creating Jobs Through Intelligent Taxation*

This is the fifth report of the World Travel & Tourism Tax Policy Center (TPC) presenting the status of the World Travel & Tourism Council (WTTC) Travel & Tourism Tax Barometer. The Barometer is an economic index developed to track and monitor the changes in taxes on travelers and travel companies in more than 50 high-traffic destinations worldwide. The *WTTC Tax Barometer* is sponsored by the American Express Company.

The results represent an index of taxes paid by a hypothetical "WTTC Traveler" at each destination. The base year tax rates, prices and exchange rates were fixed as of June 15, 1994. The index numbers reflect the cumulative change in the amount of tax paid in US dollars as of October 31, 1997. Recent index changes (February 97 - October 97) are highlighted in this report. Previous changes (June 94 - February 97) are summarized at the end of this report.

***WTTC Tax Barometer, No. 5 shows:  
Travel & Tourism taxes have increased in  
29 of 52 destinations over the past six  
months - 86% of these increases were from  
charges on air passengers.***

With this report, the WTTC hopes to encourage decision-makers to understand the negative impact of ill-advised Travel & Tourism taxation policy, and to take corrective action to facilitate industry growth, stimulate investment and create jobs.

## WTTC Tax Barometer

*Higher Taxes > 100*

*Parity = 100*

*Lower Taxes < 100*

|                       |       |                   |       |
|-----------------------|-------|-------------------|-------|
| <b>Bombay</b>         | ▲ 197 | <b>Rome</b>       | ▲ 108 |
| <b>Osaka</b>          | ▲ 183 | <b>Beijing</b>    | 107   |
| <b>Mexico City</b>    | ▲ 166 | <b>Taipei</b>     | 107   |
| <b>Tokyo</b>          | ▲ 158 | <b>Frankfurt</b>  | ▲ 106 |
| <b>Sydney</b>         | 143   | <b>Cairo</b>      | 105   |
| <b>Bangkok</b>        | ▲ 141 | <b>Jakarta</b>    | 105   |
| <b>Delhi</b>          | ▲ 140 | <b>Sao Paulo</b>  | ▲ 105 |
| <b>Honolulu</b>       | ▲ 128 | <b>Geneva</b>     | ▲ 103 |
| <b>San Francisco</b>  | ▲ 128 | <b>Istanbul</b>   | 103   |
| <b>Montreal</b>       | ▲ 126 | <b>Santiago</b>   | 103   |
| <b>Miami</b>          | ▲ 122 | <b>Munich</b>     | ▲ 102 |
| <b>Boston</b>         | ▲ 120 | <b>Amsterdam</b>  | 101   |
| <b>Chicago</b>        | ▲ 120 | <b>Brussels</b>   | ▲ 101 |
| <b>Toronto</b>        | 119   | <b>Seoul</b>      | 101   |
| <b>Vancouver</b>      | 119   | <b>Vienna</b>     | 101   |
| <b>Los Angeles</b>    | ▲ 118 | <b>Zurich</b>     | 101   |
| <b>Buenos Aires</b>   | 117   | <b>Copenhagen</b> | 100   |
| <b>Barcelona</b>      | ▲ 114 | <b>Singapore</b>  | 100   |
| <b>Madrid</b>         | ▲ 114 | <b>Stockholm</b>  | 100   |
| <b>Hong Kong</b>      | 111   | <b>Tel Aviv</b>   | 100   |
| <b>Johannesburg</b>   | ▲ 111 | <b>Prague</b>     | ▲ 98  |
| <b>London</b>         | ▲ 111 | <b>New York</b>   | ▲ 96  |
| <b>Paris</b>          | ▲ 110 | <b>Manila</b>     | 93    |
| <b>Auckland</b>       | ▲ 108 | <b>Nairobi</b>    | ▲ 92  |
| <b>Kuala Lumpur</b>   | 108   | <b>Athens</b>     | 68    |
| <b>Rio de Janeiro</b> | ▲ 108 | <b>Helsinki</b>   | 64    |

Recent Travel Tax Increases ▲  
Recent Travel Tax Decreases ▼  
(February 97 - October 97)

**You Snooze, You Lose**

**How Travel & Tourism Got the Tax Ax**

Richard R. Kelley, Chairman, Outrigger Enterprises, Inc.

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## WTTC TAX BAROMETER Composite

The composite travel index illustrates the aggregate of travel tax increases/decreases from hotel, car rental, meal and air passenger charges for each of the 52 destinations surveyed. As of October 1997:

- ◆ 42 destinations have raised their composite from the 100 point base;
- ◆ 4 destinations have remained unchanged; and
- ◆ 6 destinations have lowered their composite from their original June 1994 base.

Analysis of the composite ranking pinpoints the top ten destinations which have targeted Travel & Tourism for tax increases:

- ◆ Bombay ..... +97%
- ◆ Osaka ..... +83%
- ◆ Mexico City ..... +66%
- ◆ Tokyo ..... +58%
- ◆ Sydney ..... +43%
- ◆ Bangkok ..... +41%
- ◆ Delhi ..... +40%
- ◆ Honolulu ..... +28%
- ◆ San Francisco ..... +28%
- ◆ Montreal ..... +26%

The analysis also highlights those destinations which have targeted Travel & Tourism for tax reductions:

- ◆ Helsinki ..... -36%
- ◆ Athens ..... -32%
- ◆ Nairobi ..... -8%
- ◆ Manila ..... -7%
- ◆ New York ..... -4%
- ◆ Prague ..... -2%

From a percentage of total expenditures on a four night lodging, five day car rental, twelve meal and one set of air passenger charges, Travel & Tourism taxes are highest in:

- ◆ Copenhagen ..... 28.55%
- ◆ Vienna ..... 25.98%
- ◆ Cairo ..... 24.86%
- ◆ Vancouver ..... 24.82%
- ◆ Prague ..... 23.36%

From this same percentage of total expenditure basis, Travel & Tourism taxes are lowest in:

- ◆ Sydney ..... 2.52%
- ◆ Hong Kong ..... 3.79%
- ◆ Singapore ..... 4.37%
- ◆ Taipei ..... 6.27%
- ◆ Geneva ..... 7.49%

After factoring in the absolute level of expenditures for the five day visit to each destination, the most expensive destinations, tax wise, are:

- ◆ Copenhagen ..... \$283.53
- ◆ Nairobi ..... \$270.19
- ◆ Vienna ..... \$264.80
- ◆ Buenos Aires ..... \$263.96
- ◆ London ..... \$251.79

Following this same approach, the destinations with the lowest absolute Travel & Tourism taxes (for our five day visit) are:

- ◆ Istanbul ..... \$21.02
- ◆ Sydney ..... \$27.22
- ◆ Singapore ..... \$61.13
- ◆ Hong Kong ..... \$63.18
- ◆ Barcelona ..... \$67.28

# T A X B A R O M E T E R

| Destination City | TB4* Index Rank | TB4 Index Value | TB5** Index Rank | TB5 Index Value | % of Cost Rank | % of Total Cost | Total \$ Tax Rank | Total Tax US\$ |
|------------------|-----------------|-----------------|------------------|-----------------|----------------|-----------------|-------------------|----------------|
| Amsterdam        | 17              | 101             | 13               | 101             | 20             | 13.19%          | 28                | 125.08         |
| Athens           | 2               | 68              | 2                | 68              | 23             | 13.87%          | 30                | 125.72         |
| Auckland         | 27              | 105             | 27               | 108             | 25             | 15.04%          | 34                | 134.12         |
| Bangkok          | 21              | 102             | 47               | 141             | 13             | 10.92%          | 11                | 82.84          |
| Barcelona        | 41              | 112             | 34               | 114             | 10             | 9.51%           | 5                 | 67.28          |
| Beijing          | 32              | 107             | 25               | 107             | 24             | 13.90%          | 15                | 95.84          |
| Bombay           | 52              | 178             | 52               | 197             | 26             | 15.11%          | 31                | 127.74         |
| Boston           | 10              | 100             | 40               | 120             | 21             | 13.28%          | 24                | 121.14         |
| Brussels         | 23              | 102             | 15               | 101             | 37             | 18.89%          | 43                | 189.83         |
| Buenos Aires     | 43              | 117             | 36               | 117             | 47             | 22.45%          | 49                | 263.96         |
| Cairo            | 29              | 105             | 22               | 105             | 50             | 24.86%          | 44                | 191.85         |
| Chicago          | 37              | 108             | 41               | 120             | 46             | 22.03%          | 46                | 200.85         |
| Copenhagen       | 14              | 100             | 10               | 100             | 52             | 28.55%          | 52                | 283.53         |
| Delhi            | 48              | 130             | 46               | 140             | 45             | 21.85%          | 41                | 175.71         |
| Frankfurt        | 28              | 105             | 23               | 106             | 34             | 18.02%          | 39                | 163.74         |
| Geneva           | 20              | 102             | 17               | 103             | 5              | 7.49%           | 9                 | 82.57          |
| Helsinki         | 1               | 64              | 1                | 64              | 27             | 15.59%          | 40                | 165.16         |
| Hong Kong        | 40              | 111             | 33               | 111             | 2              | 3.79%           | 4                 | 63.18          |
| Honolulu         | 33              | 107             | 44               | 128             | 22             | 13.44%          | 27                | 124.38         |
| Istanbul         | 24              | 103             | 18               | 103             | 30             | 17.18%          | 1                 | 21.02          |
| Jakarta          | 26              | 105             | 21               | 105             | 12             | 10.88%          | 14                | 90.53          |
| Johannesburg     | 35              | 108             | 32               | 111             | 33             | 17.64%          | 13                | 88.24          |
| Kuala Lumpur     | 36              | 108             | 29               | 108             | 17             | 12.14%          | 12                | 84.48          |
| London           | 30              | 105             | 31               | 111             | 43             | 21.44%          | 48                | 251.79         |
| Los Angeles      | 11              | 100             | 37               | 118             | 31             | 17.21%          | 33                | 133.82         |
| Madrid           | 42              | 113             | 35               | 114             | 8              | 8.96%           | 8                 | 81.37          |
| Manila           | 5               | 93              | 4                | 93              | 16             | 12.14%          | 18                | 111.12         |
| Mexico City      | 51              | 164             | 50               | 166             | 35             | 18.56%          | 10                | 82.59          |
| Miami            | 9               | 100             | 42               | 122             | 38             | 19.17%          | 19                | 111.31         |
| Montreal         | 46              | 120             | 43               | 126             | 42             | 21.08%          | 29                | 125.56         |
| Munich           | 18              | 101             | 16               | 102             | 32             | 17.43%          | 32                | 131.19         |
| Nairobi          | 4               | 89              | 3                | 92              | 28             | 16.60%          | 51                | 270.19         |
| New York         | 3               | 84              | 5                | 96              | 39             | 19.79%          | 38                | 158.27         |
| Osaka            | 50              | 149             | 51               | 183             | 9              | 9.04%           | 17                | 108.70         |
| Paris            | 39              | 110             | 30               | 110             | 11             | 10.66%          | 36                | 136.36         |
| Prague           | 6               | 97              | 6                | 98              | 48             | 23.36%          | 47                | 213.76         |
| Rio de Janeiro   | 22              | 102             | 26               | 108             | 19             | 12.47%          | 21                | 118.16         |
| Rome             | 34              | 107             | 28               | 108             | 18             | 12.35%          | 25                | 121.41         |
| San Francisco    | 38              | 110             | 45               | 128             | 29             | 16.88%          | 37                | 138.27         |
| Santiago         | 25              | 103             | 19               | 103             | 40             | 19.86%          | 45                | 197.02         |
| Sao Paulo        | 7               | 98              | 20               | 105             | 15             | 11.48%          | 16                | 101.55         |
| Seoul            | 16              | 101             | 12               | 101             | 14             | 10.93%          | 20                | 115.43         |
| Singapore        | 8               | 100             | 7                | 100             | 3              | 4.37%           | 3                 | 61.13          |
| Stockholm        | 13              | 100             | 9                | 100             | 36             | 18.78%          | 42                | 187.68         |
| Sydney           | 47              | 122             | 48               | 143             | 1              | 2.52%           | 2                 | *27.22         |
| Taipei           | 31              | 107             | 24               | 107             | 4              | 6.27%           | 7                 | 78.05          |
| Tel Aviv         | 12              | 100             | 8                | 100             | 44             | 21.47%          | 23                | 120.65         |
| Tokyo            | 49              | 133             | 49               | 158             | 7              | 8.18%           | 26                | 123.56         |
| Toronto          | 44              | 119             | 38               | 119             | 41             | 20.43%          | 22                | 120.44         |
| Vancouver        | 45              | 119             | 39               | 119             | 49             | 24.82%          | 35                | 136.04         |
| Vienna           | 19              | 101             | 14               | 101             | 51             | 25.98%          | 50                | 264.80         |
| Zurich           | 15              | 101             | 11               | 101             | 6              | 7.77%           | 6                 | 73.01          |

\*TB4 - Tax Barometer No. 4 (April 97) \*\*TB5 - Tax Barometer No. 5 (January 98)  
 Ranking (1 = Most Competitive, 52 = Least Competitive)

## WTTC TAX BAROMETER Car Rental

Car rental taxes have increased in 13 of the 52 destinations surveyed (25% of all destinations) between June 1994 and October 1997. Three destinations (Toronto, Nairobi and Zurich) have decreased their car rental taxes during this same period.

Although they vary by destination, car rental taxes usually include VAT, sales taxes, surcharges, and/or other taxes/fees. Overall, 49 of 52 destinations surveyed impose some type of tax on the car rental transaction. However, three destinations (Beijing, Hong Kong and Kuala Lumpur) are car rental tax-free. In general, the car rental is perceived to be a luxury purchase and is taxed at the top of the VAT rate scale.

Among the 52 destinations surveyed (on a percentage of total cost basis):

- ◆ 36 destinations charge 10% or more;
- ◆ 27 destinations charge 15% or more;
- ◆ 12 destinations charge 20% or more; and
- ◆ 3 destinations charge 30% or more.

The highest car rental tax rates as a percentage of total car rental cost are:

- ◆ Vienna ..... 34.65%
- ◆ Copenhagen ..... 33.06%
- ◆ Frankfurt ..... 31.00%

After providing for a standard five day rental as determined by Runzheimer International, five destinations charge more than \$50 in car rental taxes:

- ◆ Nairobi ..... \$83.76
- ◆ Helsinki ..... \$79.94
- ◆ Stockholm ..... \$63.76
- ◆ Copenhagen ..... \$61.58
- ◆ Delhi ..... \$57.86

| Car Rental Destination | Index Value | % of Total Item Cost | Total \$ Tax |
|------------------------|-------------|----------------------|--------------|
| Amsterdam              | 100         | 28.37%               | 26.50        |
| Athens                 | 100         | 18.00%               | 26.43        |
| Auckland               | 100         | 12.50%               | 22.80        |
| Bangkok                | 143         | 10.00%               | 23.86        |
| Barcelona              | 107         | 16.00%               | 18.27        |
| Beijing                | 100         | 0.00%                | 0.00         |
| Bombay                 | 167         | 4.12%                | 13.81        |
| Boston                 | 100         | 5.20%                | 7.78         |
| Brussels               | 102         | 21.00%               | 21.26        |
| Buenos Aires           | 117         | 21.00%               | 49.36        |
| Cairo                  | 101         | 17.83%               | 41.06        |
| Chicago                | 100         | 19.79%               | 30.43        |
| Copenhagen             | 100         | 33.06%               | 61.58        |
| Delhi                  | 210         | 17.28%               | 57.86        |
| Frankfurt              | 135         | 31.00%               | 22.14        |
| Geneva                 | 100         | 6.50%                | 5.57         |
| Helsinki               | 100         | 26.41%               | 79.94        |
| Hong Kong              | 100         | 0.00%                | 0.00         |
| Honolulu               | 100         | 10.52%               | 16.57        |
| Istanbul               | 100         | 15.00%               | 0.69         |
| Jakarta                | 100         | 10.00%               | 30.59        |
| Johannesburg           | 100         | 14.00%               | 19.68        |
| Kuala Lumpur           | 100         | 0.00%                | 0.00         |
| London                 | 100         | 17.50%               | 16.70        |
| Los Angeles            | 100         | 8.25%                | 8.48         |
| Madrid                 | 107         | 16.00%               | 18.35        |
| Manila                 | 100         | 10.00%               | 21.95        |
| Mexico City            | 150         | 15.00%               | 14.63        |
| Miami                  | 100         | 16.22%               | 17.11        |
| Montreal               | 100         | 13.96%               | 25.38        |
| Munich                 | 100         | 23.00%               | 16.43        |
| Nairobi                | 83          | 15.00%               | 83.76        |
| New York               | 100         | 13.25%               | 30.84        |
| Osaka                  | 167         | 5.00%                | 8.07         |
| Paris                  | 111         | 20.60%               | 27.52        |
| Prague                 | 100         | 22.00%               | 41.02        |
| Rio de Janeiro         | 100         | 7.78%                | 21.56        |
| Rome                   | 100         | 19.00%               | 30.40        |
| San Francisco          | 100         | 8.50%                | 11.24        |
| Santiago               | 100         | 18.00%               | 30.62        |
| Sao Paulo              | 100         | 7.78%                | 21.56        |
| Seoul                  | 100         | 10.00%               | 26.93        |
| Singapore              | 100         | 3.00%                | 13.66        |
| Stockholm              | 100         | 29.61%               | 63.76        |
| Sydney                 | 100         | *1.50%               | 4.33         |
| Taipei                 | 100         | 5.00%                | 12.99        |
| Tel Aviv               | 100         | 26.72%               | 29.47        |
| Tokyo                  | 167         | 5.00%                | 5.48         |
| Toronto                | 98          | 16.56%               | 23.94        |
| Vancouver              | 100         | 18.51%               | 25.02        |
| Vienna                 | 100         | *34.65%              | 41.27        |
| Zurich                 | 81          | 6.50%                | 5.72         |

\*Corrections to previous results.

# T A X B A R O M E T E R

## WTTC TAX BAROMETER

### Lodging

Lodging taxes have increased in 33% of all destinations surveyed over the past two and a half years. Six destinations (Prague, Nairobi, Manila, New York, Athens and Helsinki) have decreased their lodging taxes during this same period. Only Sydney has tax-free lodging, although there has been definitive pressure to change this status.

Among the 17 destinations which have recently raised their lodging taxes, six have increased their rates more than 20% since June 1994:

- ◆ Bombay .....+100%
- ◆ Osaka .....+87%
- ◆ Mexico City .....+80%
- ◆ Tokyo .....+52%
- ◆ Bangkok .....+43%
- ◆ Rio de Janeiro .....+20%

Based on a percent of total room charges (four night stay), six destinations charge lodging taxes which equal/exceed 20% of the final bill:

- ◆ Copenhagen ..... 25.00%
- ◆ Vienna ..... 23.18%
- ◆ Prague ..... 22.31%
- ◆ Buenos Aires ..... 21.00%
- ◆ Bombay ..... 20.00%

15 destinations charge less than 10% of total.

Based on a four night stay, the WTTC traveler can expect to pay the highest lodging tax bill (exceeding \$150) in:

- ◆ Vienna ..... \$166.07
- ◆ Copenhagen ..... \$161.35
- ◆ Buenos Aires ..... \$160.36
- ◆ London ..... \$155.21

In seven destinations, the WTTC traveller pays less than \$10 in lodging taxes per night.

| Lodging Destination | Index Value | % of Total Item Cost | Total \$ Tax |
|---------------------|-------------|----------------------|--------------|
| Amsterdam           | 100         | 11.00%               | 74.25        |
| Athens              | 56          | 10.16%               | 59.22        |
| Auckland            | 100         | 12.50%               | 67.80        |
| Bangkok             | 143         | 10.00%               | 39.58        |
| Barcelona           | 117         | 7.00%                | 33.30        |
| Beijing             | 100         | 16.09%               | 61.01        |
| Bombay              | 200         | 20.00%               | 84.34        |
| Boston              | 100         | 9.70%                | 58.62        |
| Brussels            | 100         | *16.00%              | 114.68       |
| Buenos Aires        | 117         | 21.00%               | 160.36       |
| Cairo               | 100         | 19.05%               | 84.72        |
| Chicago             | 100         | 14.90%               | 89.01        |
| Copenhagen          | 100         | 25.00%               | 161.35       |
| Delhi               | 100         | 20.00%               | 77.31        |
| Frankfurt           | 100         | 15.00%               | 99.43        |
| Geneva              | 100         | 6.50%                | 52.19        |
| Helsinki            | 27          | 6.00%                | 34.48        |
| Hong Kong           | 100         | 5.00%                | 47.67        |
| Honolulu            | 113         | 10.17%               | 60.65        |
| Istanbul            | 100         | 15.00%               | 14.50        |
| Jakarta             | 100         | 10.00%               | 42.87        |
| Johannesburg        | 107         | 15.74%               | 46.44        |
| Kuala Lumpur        | 100         | 15.00%               | 55.62        |
| London              | 100         | 17.50%               | 155.21       |
| Los Angeles         | 100         | 14.00%               | 72.21        |
| Madrid              | 117         | 7.00%                | 44.44        |
| Manila              | 71          | 10.50%               | 60.39        |
| Mexico City         | 180         | 18.00%               | 52.36        |
| Miami               | 100         | 12.50%               | 42.73        |
| Montreal            | 114         | 15.40%               | 46.92        |
| Munich              | 100         | 15.00%               | 75.28        |
| Nairobi             | 89          | 16.00%               | 140.49       |
| New York            | 71          | 15.13%               | 64.28        |
| Osaka               | 187         | 7.37%                | 53.48        |
| Paris               | 109         | 6.00%                | 57.57        |
| Prague              | 95          | 22.31%               | 132.36       |
| Rio de Janeiro      | 120         | 9.37%                | 42.97        |
| Rome                | 111         | 10.00%               | 58.28        |
| San Francisco       | 117         | 14.00%               | 72.88        |
| Santiago            | 100         | 18.00%               | 117.55       |
| Sao Paulo           | 113         | 8.78%                | 40.27        |
| Seoul               | 100         | 10.00%               | 57.45        |
| Singapore           | 100         | 4.00%                | 29.61        |
| Stockholm           | 100         | 12.00%               | 76.81        |
| Sydney              | 110         | *0.00%               | *0.00        |
| Taipei              | 100         | 5.00%                | 37.45        |
| Tel Aviv            | 100         | 17.00%               | 49.61        |
| Tokyo               | 152         | 6.96%                | 72.22        |
| Toronto             | 100         | 12.35%               | 41.50        |
| Vancouver           | 100         | 17.70%               | 54.92        |
| Vienna              | 100         | 23.18%               | 166.07       |
| Zurich              | 100         | 6.71%                | 42.93        |

\*Corrections to previous results.

## WTTC TAX BAROMETER

### Meals

Meal taxes have increased in 15 of the 52 destinations surveyed since June 1994. Meal taxes have decreased in only one destination (Athens) during this same period.

In general, taxes on meals (excluding alcohol which are usually taxed at higher rates) tend to be lower than taxes on the other Travel & Tourism elements. The taxes typically collected on restaurant meals include VAT, sales taxes, and occasionally, a special tourist tax. Only two destinations (Hong Kong and Sydney) do not charge taxes on restaurant meals.

Since June 1994, meal taxes have more than doubled in:

- ◆ Nairobi ..... +300%
- ◆ Manila ..... +194%
- ◆ Osaka ..... +167%
- ◆ Tokyo ..... +167%

After factoring in the average meal charges for four days (12 meals), 8 destinations collect more than 20% of the total bill in meal taxes:

- ◆ Copenhagen ..... 25.00%
- ◆ Stockholm ..... 25.00%
- ◆ Delhi ..... 24.00%
- ◆ Helsinki ..... 22.00%
- ◆ Prague ..... 22.00%
- ◆ Brussels ..... 21.00%
- ◆ Buenos Aires ..... 21.00%
- ◆ Paris ..... 20.60%

In this same regard, six destinations collect less than 5% of the total bill in meal taxes (Boston, Taipei, Honolulu, Singapore, Hong Kong and Sydney).

| Meals Destination | Index Value | % of Total Item Cost | Total \$ Tax |
|-------------------|-------------|----------------------|--------------|
| Amsterdam         | 100         | 6.00%                | 10.81        |
| Athens            | 56          | 10.16%               | 17.97        |
| Auckland          | 100         | 12.50%               | 20.88        |
| Bangkok           | 143         | 10.00%               | 12.41        |
| Barcelona         | 117         | 7.00%                | 8.25         |
| Beijing           | 100         | 15.00%               | 24.01        |
| Bombay            | 143         | 10.00%               | 8.88         |
| Boston            | 100         | 5.00%                | 7.90         |
| Brussels          | 102         | 21.00%               | 39.20        |
| Buenos Aires      | 117         | 21.00%               | 37.24        |
| Cairo             | 184         | 12.85%               | 12.42        |
| Chicago           | 100         | 9.75%                | 15.66        |
| Copenhagen        | 100         | 25.00%               | 40.34        |
| Delhi             | 160         | 24.00%               | 19.82        |
| Frankfurt         | 100         | 15.00%               | 26.17        |
| Geneva            | 100         | 6.50%                | 13.87        |
| Helsinki          | 100         | 22.00%               | 40.06        |
| Hong Kong         | 100         | 0.00%                | 0.00         |
| Honolulu          | 100         | 4.17%                | 7.16         |
| Istanbul          | 100         | 15.00%               | 3.16         |
| Jakarta           | 100         | 10.00%               | 9.73         |
| Johannesburg      | 100         | 14.00%               | 9.05         |
| Kuala Lumpur      | 100         | 15.00%               | 15.98        |
| London            | 100         | 17.50%               | 33.58        |
| Los Angeles       | 100         | 8.25%                | 13.13        |
| Madrid            | 117         | 7.00%                | 11.12        |
| Manila            | 294         | 11.75%               | 14.16        |
| Mexico City       | 150         | 15.00%               | 8.50         |
| Miami             | 100         | 8.50%                | 11.33        |
| Montreal          | 100         | 13.96%               | 15.22        |
| Munich            | 100         | 15.00%               | 26.91        |
| Nairobi           | 400         | 8.00%                | 15.27        |
| New York          | 100         | 8.25%                | 11.74        |
| Osaka             | 267         | 8.00%                | 25.21        |
| Paris             | 111         | 20.60%               | 38.34        |
| Prague            | 100         | 22.00%               | 29.77        |
| Rio de Janeiro    | 100         | 18.00%               | 38.19        |
| Rome              | 111         | 10.00%               | 23.99        |
| San Francisco     | 100         | 8.50%                | 14.16        |
| Santiago          | 100         | 18.00%               | 30.41        |
| Sao Paulo         | 100         | 18.00%               | 26.85        |
| Seoul             | 100         | 10.00%               | 21.21        |
| Singapore         | 100         | 4.00%                | 8.10         |
| Stockholm         | 100         | 25.00%               | 35.93        |
| Sydney            | 100         | *0.00%               | *0.00        |
| Taipei            | 100         | 5.00%                | 11.81        |
| Tel Aviv          | 100         | 17.00%               | 27.17        |
| Tokyo             | 267         | 8.00%                | 28.97        |
| Toronto           | 100         | 15.56%               | 16.95        |
| Vancouver         | 100         | 7.00%                | 7.19         |
| Vienna            | 100         | 10.00%               | 18.38        |
| Zurich            | 100         | 6.50%                | 13.75        |

\*Corrections to previous results.

# T A X   B A R O M E T E R

## WTTC TAX BAROMETER Air Passenger Charges

Since June 1994, air passenger charges have increased in 46 of the 52 destinations surveyed. By far, this element of the WTTC Tax Barometer has had the largest influence in the increased cost of travel. While this news is grim, one destination stands alone by reducing its air passenger charges (Helsinki).

Taxes in this sector include international departure and arrival taxes, international passenger service and security charges and numerous miscellaneous inspection and immigration charges.

Since June 1994, air passenger charges have:

- ◆ Increased in 46 of 52 destinations, and
- ◆ Doubled in 13 of 52 destinations.

Relative to the total destination related cost (hotel, car rental and meals), the air passenger charges applied in nine destinations account for more than 5% of total spending.

The destinations in this category include:

- ◆ Vancouver ..... 8.92%
- ◆ Chicago ..... 7.21%
- ◆ Cairo ..... 6.95%
- ◆ Miami ..... 6.92%
- ◆ Toronto ..... 6.45%
- ◆ New York ..... 6.43%
- ◆ Montreal ..... 6.39%
- ◆ Boston ..... 5.14%
- ◆ Los Angeles ..... 5.14%

The recent US tax legislation has had a major impact on this list of high taxing destinations. In fact, at the top of the absolute dollar list for air passenger charges is now Chicago at \$65.75 per international arrival/departure. Twenty other destinations charge more than \$20 per passenger.

| Air Charges Destination | Index Value | % of Total Trip Cost | Total \$ Tax |
|-------------------------|-------------|----------------------|--------------|
| Amsterdam               | 108         | 1.43%                | 13.53        |
| Athens                  | 107         | 2.44%                | 22.10        |
| Auckland                | 175         | 2.54%                | 22.64        |
| Bangkok                 | 125         | 0.92%                | 6.99         |
| Barcelona               | 119         | 1.05%                | 7.46         |
| Beijing                 | 225         | 1.57%                | *10.83       |
| Bombay                  | 250         | 2.45%                | 20.72        |
| Boston                  | 178         | 5.14%                | 46.84        |
| Brussels                | 108         | 1.46%                | 14.69        |
| Buenos Aires            | 121         | 1.45%                | 17.00        |
| Cairo                   | 106         | 6.95%                | 53.65        |
| Chicago                 | 202         | 7.21%                | 65.75        |
| Copenhagen              | 100         | 2.04%                | 20.26        |
| Delhi                   | 250         | 2.58%                | 20.72        |
| Frankfurt               | 126         | 1.76%                | 16.00        |
| Geneva                  | 123         | 0.99%                | 10.94        |
| Helsinki                | 98          | 1.01%                | 10.68        |
| Hong Kong               | 171         | 0.93%                | 15.51        |
| Honolulu                | 201         | 4.32%                | 40.00        |
| Istanbul                | 125         | 2.18%                | 2.67         |
| Jakarta                 | 227         | 0.88%                | 7.33         |
| Johannesburg            | 174         | 2.61%                | 13.06        |
| Kuala Lumpur            | 200         | 1.85%                | 12.88        |
| London                  | 208         | 3.94%                | 46.29        |
| Los Angeles             | 201         | 5.14%                | 40.00        |
| Madrid                  | 119         | 0.82%                | 7.46         |
| Manila                  | 167         | 1.60%                | 14.62        |
| Mexico City             | 136         | 1.60%                | 7.10         |
| Miami                   | 200         | 6.92%                | 40.15        |
| Montreal                | 210         | 6.39%                | 38.04        |
| Munich                  | 129         | 1.67%                | 12.57        |
| Nairobi                 | 100         | 1.88%                | 30.67        |
| New York                | 164         | 6.43%                | 51.41        |
| Osaka                   | 133         | 1.82%                | 21.93        |
| Paris                   | 113         | 1.01%                | 12.94        |
| Prague                  | 136         | 1.16%                | 10.62        |
| Rio de Janeiro          | 109         | *1.63%               | *15.42       |
| Rome                    | 107         | 0.89%                | 8.73         |
| San Francisco           | 201         | 4.88%                | 40.00        |
| Santiago                | 144         | 1.86%                | 18.44        |
| Sao Paulo               | 100         | 1.45%                | 12.85        |
| Seoul                   | 113         | 0.93%                | 9.84         |
| Singapore               | 100         | 0.70%                | 9.75         |
| Stockholm               | 106         | 1.12%                | *11.18       |
| Sydney                  | 155         | 2.12%                | 22.89        |
| Taipei                  | 150         | 1.27%                | 15.80        |
| Tel Aviv                | 100         | 2.56%                | 14.40        |
| Tokyo                   | 102         | 1.12%                | 16.88        |
| Toronto                 | 210         | 6.45%                | 38.04        |
| Vancouver               | 180         | 8.92%                | 48.91        |
| Vienna                  | 104         | 3.83%                | 39.09        |
| Zurich                  | 124         | 1.13%                | 10.60        |

\*Corrections to previous results.

## You Snooze, You Lose How Travel & Tourism Got the Tax Ax

by Richard R. Kelley  
Chairman, Outrigger Enterprises, Inc.

There's an old saying in politics:

I won't tax you,  
If you won't tax me.  
Let's tax that fellow,  
Behind the tree.

While Travel & Tourism was divided, fighting among itself and snoozing behind a tree, the U.S. Congress hit our industry with a massive tax increase as part of the much-celebrated Balanced Budget Act of 1997.

In fact, Travel & Tourism was one of only three groups in the nation singled out for bad tax news. The other two groups include smokers, who will have to pay an additional tax of 15 cents per pack, and the doctors and hospitals who provide Medicare services, who will be squeezed to the tune of \$115 billion during the next five years.

According to the preliminary reports filtering out of the back rooms of Congress, travelers will pay \$3 billion more in taxes during the next five years through the following increases:

- ◆ A new "head tax" on each passenger every time an airplane takes off, no matter what the fare and no matter how long the flight. This tax started at \$1 per segment on October 1, will increase to \$3 on January 1, 2003, and keeps going up with inflation thereafter.
- ◆ A new and higher tax on international flights. The tax was \$6 for departures

only, but it will increase to \$12 for both arrivals and departures, for a total of \$24 per round trip.

- ◆ A new excise tax of 7.5% when companies buy frequent-flier miles from airlines.

No senator or representative is taking credit for the increase in travel taxes. Washington insiders say that none of these travel tax increases would have withstood scrutiny as a stand-alone bill. So, how did it happen?

The theory is it began in the deep, dark recesses of the budget staff rooms. Staffers were told to devise a way to pay for tax cuts and new entitlement programs, including a child tax credit, college tax credits and expanded federal health-care coverage for children, so the federal budget could be theoretically balanced by 2002.

As they looked around, they found a weak and divided Travel & Tourism industry. The major airlines, hurting from competition from no-frills carriers such as Southwest, Reno Air and others, wanted to shove some more of the cost of the Federal Aviation Administration and Air Traffic Control system onto the low-cost airlines. They encouraged Congress and its staffers to charge air travel taxes on a per passenger basis and not as a percentage of the price of the airline ticket as had been the custom.

This opened the way for additional and increased taxes on international flights and new taxes on frequent-flier "miles." The major airlines did not oppose these taxes because they were focused on sticking the low-cost carriers with a bigger part of the \$6 billion national airline ticket tax. The credit card companies and the long-distance tele-

phone carriers who buy airline frequent-flier miles were asleep at the switch, not realizing that they too, are in the business of Travel & Tourism. And practically nobody was standing up for the rights of international travelers.

The almost lone exception was Jonathan M. Tisch, Chairman of the American Hotel & Motel Association (AH&MA) and Member of WTTC, who published an op-ed article pointing out that the \$600 million annual increase in taxes on international air travel will make the United States less attractive, will decrease the number of foreign visitors and cost our nation jobs and taxes far in excess of the amounts gained by the new arrival and departure fees.

Tisch quoted studies that estimate the new fees might cause approximately 860,000 international visitors to choose another country for their travel. That translates into \$8.6 billion of lost economic activity annually and untold losses of all sorts of jobs.

“This means the U.S. economy will lose more in the first year than the Treasury will gain in five years, and that is a bad deal no matter how you analyze it,” said Tisch.

The AH&MA also pointed out that the taxation of frequent-flier miles sets a dangerous precedent of taxing a barter transaction for the first time. It could open up a whole new set of taxes on frequent-flier awards and similar arrangements, even though the value cannot be accurately determined and recipients of these awards might never use the benefits.

For Hawaii, here’s the bottom line:

- ◆ The new head tax will mean the cost of inter-island travel will go up. It will soon

be \$3 per head to go from Oahu to Maui, then \$3 more to go on to the Big Island and \$3 more for each return segment. That fee will not be totally offset by the decrease of the ticket tax from 10% to 7.5%. For example, total taxes on a \$45 single-segment ticket will increase from \$4.50 to \$6.38.

- ◆ The jump in the tax on international travel will certainly mean fewer foreign arrivals beginning October 1 of this year. With almost 50% of Hawaii’s visitors coming from some country other than the U.S., the effect will be significant. Extrapolating national data, Hawaii might lose as many as 122,000 passengers annually.
- ◆ It will cost our citizens 7.5% more to earn frequent-flier awards to take a vacation, and because Hawaii is a favorite place for mainlanders to redeem these awards, it will decrease travel to and within our state.

I have said that when government is making policy, we all need to “pay attention, communicate and participate.” In this case, with the exception of some dedicated members of the Outrigger `ohana and readers of Saturday Briefing, too few cared or acted while Congress was raising taxes on travel. Even our local daily newspapers chose to snooze and totally ignored the issue.

The result was a major jump in taxes on Travel & Tourism. Sadly, this will hurt us all in Hawaii more than any other state in the Union, because In Hawaii, Tourism Is Everybody’s Business.■

## WTTC TAX BAROMETER Summary of Changes

Changes reported in the Tax Barometer No. 1 (October 1995), Tax Barometer No. 2 (March 1996), Tax Barometer No. 3 (October 1996), Tax Barometer No. 4 (April 1997) and Tax Barometer No. 5 (January 1998) are summarized below. **Barometer No. 5 changes are indicated in green.**

**Amsterdam** increased both its Airport Security Charge from 6.50 NLG to 8.00 NLG and its Passenger Service Charge from 18.20 to 18.65 in Barometer No. 3.

The inaugural Barometer decreases in **Athens** were due to restructuring of the VAT rates charged on hotel rooms and meals. Both services were moved into lower VAT rate classifications. In Barometer No. 2, Greece reduced the VAT on restaurant meals from 18% to 8%.

**Auckland** instituted a new Terminal Service Charge of 10 NZD in Barometer No. 3. **In Barometer No. 5, Auckland increased its airport tax on international passengers from 15 NZD to 20 NZD.**

**Bangkok** introduced a new 7% car rental tax in Barometer No. 2 where no tax had been reported in the base year. Bangkok also increased its International Passenger Service Charge from 200 THB to 250 THB in Barometer No. 3. **In Barometer No. 5, Bangkok increased its national VAT, affecting car rentals, meals, and lodging, from 7% to 10%.**

**Barcelona** and **Madrid** reported 1% increases in the national level consumption tax in the inaugural Barometer for car rental, lodging and restaurant meals. The tax rate on car rental increased from 15% to 16%. The tax rate on lodging and restaurant meals increased from 6% to 7%. **In Barometer No. 5, Barcelona introduced a new airport security tax on international passengers at a rate of 175 ESP.**

In Barometer No. 2, China reported an increase in its International Airport Fee from CNY 40 to CNY 90 affecting **Beijing** departures.

The inaugural Barometer change in **Bombay** can be attributed to across-the-board increases in the taxes charged on hotel rooms, car rental and meals. Sales tax on restaurant meals increased from 7% to 8%. A hotel luxury tax of 10% was reported for 1995 where previously only an expenditure tax of 10% had been reported. The luxury tax increased the total tax rate on hotel rooms to 20%. In Barometer No. 4, Bombay increased its sales tax on meals from 8% to 10%. **In Barometer No. 5, Bombay increased the foreign travel tax from 300 INR to 750 INR.**

**In Barometer No. 5, Boston (also see United States) lowered its arrival facility charge from 5.39 USD to 4.71 USD and increased its departure facility charge from .95 USD to 2.13 USD.**

In the inaugural Tax Barometer, the international embarkation tax was increased from BEF 490 to BEF 510 in **Brussels**. In Barometer No. 2, Belgium increased its general VAT from 20.5% to 21.0% affecting the meal and car index only. The lodging VAT was not affected. In Barometer No. 3, Brussels increased its Embarkation Tax from 510 BEF to 520 BEF. **In Barometer No. 5, Brussels increased its embarkation tax from 520 BEF to 530 BEF.**

**Buenos Aires** was affected in the inaugural Barometer by a 3% increase in the Argentine consumption tax. The increase was applied to all sectors in the barometer. Barometer No. 3 reported a new Immigration Tax of 3.00 USD.

**Cairo** reported the implementation of a service tax charged on restaurant meals for 1995 in the inaugural Barometer. No similar tax was reported for the city in 1994. In Barometer No. 2, Egypt introduced an International (passport) Stamp Tax of EPG 11.

The inaugural Barometer change in **Chicago** (also see **United States**) was associated with an increase in the passenger terminal charge collected at O'Hare International Airport.

The increase in the inaugural barometer values for the city of **Delhi** were the result of increases in tax collected on lodging and

interstate taxes collected on car rentals. In Tax Barometer No. 2, Delhi reported a decrease in the meal tax from 15% to 7%. In Barometer No. 4, Delhi increased its Interstate Car Rental Tax from 1,000 INR to 2,000 INR, along with an increase in its Toll Tax from 10 INR to 15 INR. [In Barometer No. 5, Delhi increased the foreign travel tax from 300 INR to 750 INR.](#)

The inaugural Tax Barometer increases for [Frankfurt](#) and [Munich](#) can be attributed to increases in the international passenger service charges collected on international air passengers in each of the cities. In Barometer No. 2 in Frankfurt, there was an increase in the Airport Security Charge from DEM 6.50 to DEM 8.00. In Barometer No. 3, Frankfurt increased its International Passenger Service Charge of 17.50 DEM to 19.00 DEM. In Barometer No. 4, Frankfurt increased its Car Rental Fee from 10.00 DEM to 20.00 DEM. [In Barometer No. 5, Frankfurt increased its Passenger Service Charge from 19.00 DEM to 20.00 DEM.](#)

In the inaugural Barometer, the Swiss Government instituted a VAT in 1995 of 6.5% affecting many travel-related services included in the [Geneva](#) and [Zurich](#) barometer. Switzerland increased its International Airport and Passenger Security Charge from 14.50 CHF to 15.50 CHF at Geneva in Barometer No. 3. [In Barometer No. 5, Geneva increased its Airport Passenger and Security Charge from 15.50 CHF to 16.00 CHF.](#)

In [Helsinki](#) the Finnish government rolled back the hotel room VAT rate from 22% to 6% in the inaugural Barometer.

In [Honolulu](#) (also see [United States](#)), the state of Hawaii increased the hotel room tax one percentage point to 6% and introduced a fractional increase in the state sales tax on lodging during the first Barometer.

[Hong Kong](#) increased its Airport Passenger Departure Tax from 50.00 HKD to 100.00 HKD in Barometer No. 3.

[Istanbul](#) increased its Airport Service Charge from 12.00 USD to 15 USD in Barometer No. 4.

[Jakarta](#) reported an increase in the international passenger service charge approximately equivalent to USD 4 in the inaugural Barometer. In Barometer No. 4, Jakarta increased its Passenger Service Charge from 21,000 to 25,000 IDR.

[Johannesburg](#) increased the tourist tax collected on lodging from SAR 2.00 to SAR 3.42 in the first Barometer and increased the international passenger facility charge from SAR 35 to SAR 55. Johannesburg increased its International Passenger Service Charge from 55.00 SAR to 60.00 SAR in Barometer No. 3. [In Barometer No. 5, Johannesburg increased its tourist tax on lodging from 3.42 SAR to 6.00 SAR, and increased its passenger service charge from 60 SAR to 61 SAR.](#)

In Barometer No. 2, Malaysia increased its International Passenger Service Charge from MYR 20 to MYR 40 affecting traffic into [Kuala Lumpur](#).

In late 1994, the British Government approved the implementation of both a domestic and international "Air Passenger Duty." The international duty of UK £10 resulted in a 7% increase in the inaugural barometer for [London](#). London decreased its International Service Passenger Charge levied on international flights from £12.82 to £10.95 in Barometer No. 3. [In Barometer No. 5, London increased its Air Passenger Duty from £ 10.00 to £ 20.00.](#)

The inaugural Barometer increase in [Los Angeles](#) (also see [United States](#)) resulted from a half- percentage increase in the hotel room tax to 14.5%. In Barometer No. 3, Los Angeles decreased its local Sales Tax on lodging from 14.5% to 14.0%.

[Madrid](#) (also see [Barcelona](#)). [In Barometer No. 5, Madrid introduced a new airport security tax on international passengers at a rate of 175 ESP.](#)

The inaugural barometer increase in taxes in [Manila](#) was attributed to a slight increase in the sales tax charged on restaurant meals. In Barometer No. 2, The Philippine Government shifted from a sales tax to a 10% VAT. [A meal tax of 0.75% and a room tax of 0.5%](#)

were also introduced. In Barometer No. 3, in Manila, the Passenger Terminal Fee increased from 300 to 500 PHP for all departing international passengers. In Barometer No. 4, Manila increased its meal VAT from 10% to 11%.

In **Mexico City**, the national level consumption tax increased from 10% in 1994 to 15% in 1995. This resulted in a substantial increase in the inaugural Barometer. The new tax rates were applied to car rental, lodging and restaurant meals. In Barometer No. 2, a new lodging tax was introduced at the rate of 3%. This tax is levied along with an existing 15% VAT. In Barometer No. 4, Mexico City increased its Airport Departure Tax from 12.00 USD to 13.37 USD. In Barometer No. 5, Mexico City increased its departure tax from 13.37 USD to 15.88 USD.

The reported 2% increase in the inaugural Barometer for **Montreal** and **Vancouver** was due to a C\$ 2.50 increase in the international air transport tax imposed on international departing travelers. In Barometer No. 3, Canada instituted a new APHIS (Agricultural Inspection) charge on international passengers of C\$ 25.00 affecting the results for Montreal, Toronto and Vancouver. In Barometer No. 5, Montreal introduced a new C\$ 2/day lodging tourist tax.

**Munich** (also see **Frankfurt**). In Barometer No. 2, Munich again changed its International Passenger Service Charge from DEM 11.40 to DEM 11.55. In Barometer No. 5, Munich increased its Passenger Service Charge from 12.00 DEM to 14.00 DEM.

In **Nairobi**, the tax rate on car rentals and hotel rooms was reduced from 18% to 15% in the first Barometer, while the tax rate on restaurant meals increased four percentage points to 6%. In Barometer No. 4, Nairobi increased its VAT on meals from 6% to 8%. In Barometer No. 5, Nairobi increased its VAT on lodging from 15% to 16%.

In **New York** (also see **United States**), the City and State of New York repealed two stifling hotel taxes in the inaugural Barometer. The current tax rate is 13.25%, plus a USD 2.00 person night room charge.

**Osaka** raised its International Passenger Facility Fee in Barometer No. 2 from ¥ 2000 to ¥ 2600. In Barometer No. 3, Japan instituted a new 3% consumption tax that is levied on both the hotel and restaurant sectors. In Barometer No. 5, Osaka and Tokyo increased its Consumption Tax, effecting the lodging, car, and meal sectors, from 3% to 5%.

The increase in the inaugural index for **Paris** resulted from a new FF 7.00 room tax charged nightly in addition to the existing room VAT of 5.5%. In Barometer No. 2, France increased its VAT rate from 18.6% to 20.6%. The "Safety and Security Tax" at Charles De Gaulles was also raised from FF 17 to FF 18, although it was offset by a 1 FF decrease in the Equalization Fund Tax. In Barometer No. 3, France increased its International Air Passenger Service Charge from FF 50.84 to FF 52.87. In Barometer No. 5, Paris increased its passenger service charge from FF 52.87 to FF 54.

The inaugural Barometer decrease in **Prague** resulted from a decrease in the VAT rate collected from lodging patrons. The Czech Republic has decreased the VAT from 23% in 1994 to 22% in 1995. In Barometer No. 5, Prague increased its embarkation tax from 311 CZK to 346 CZK.

The embarkation tax charged on international departures increased in **Rio de Janeiro** in the inaugural index from USD 15.60 to USD 18.00. In Barometer No. 5, Rio de Janeiro has instituted a USD 2.00/day tourist tax.

The inaugural increase in **Rome** was associated with a 1% increase in the reported VAT rate on lodging and restaurant meals and a 920 lire increase in the international embarkation tax collected at Rome airport. In Barometer No. 4, Rome decreased its Embarkation Tax from 15,000 Lira to 14,000 Lira, due to the fact that the Italian Parliament did not approve of the Italian Ministry of Transport's 5% increase that was implemented May 1997. In Barometer No. 5, Rome increased its Embarkation Tax from 14,000 Lira to 15,000 Lira.

**Sao Paulo** has instituted a USD 1.26/day tourist tax and increased the Embarkation

Tax on international passengers from 12.00 USD to 15.00 USD in [Barometer No. 5](#).

[San Francisco](#) (also see [United States](#)) increased its local Sales Tax on lodging from 12% to 14% effective August 1, 1996 ([Barometer No. 3](#)).

[Santiago](#) increased its International Departure Tax from 12.50 USD to 18.00 USD in [Barometer No. 3](#).

[Seoul](#) increased its Airport Service Charge in [Barometer No. 2](#) from KRW 8000 to KRW 9000.

Sweden increased its International Passenger Service Charge in [Barometer No. 2](#) from SEK 65.00 to SEK 67.50 impacting on [Stockholm](#).

Australia increased the charge per departing airline passenger from AUS\$ 20 to AUS\$ 27, affecting [Sydney](#) in the inaugural [Barometer](#). In [Barometer No. 3](#), Sydney reported a newly instituted Noise Levy Tax of 3.40 AUS\$ on all arriving international passengers.

[Taipei](#) increased its Airport Service Charge from 300 Dollar to 450 Dollar in [Barometer No. 4](#).

The inaugural [Barometer](#) for [Toronto](#) resulted from a C\$ 2.50 increase in the air transport tax in that city. Also see [Montreal](#).

In [Barometer No. 3](#), Japan instituted a new 3% consumption tax that is levied on both the hotel and restaurant sectors affecting the results for [Tokyo](#) (also see [Osaka](#)).

In [Barometer No. 5](#), the [United States](#) (also see individual US cites) increased several of its taxes to international passengers that effect all US cities. Those changes are to the APHS fee to passengers from 1.45 USD to 2.00 USD; a 6.00 USD increase to Transportation Tax (12.00 USD total); a new 12.00 USD Arrival Tax; and the lowering of the Customs User Fee from 6.50 USD to 5.00 USD.

[Vancouver](#) (see [Montreal](#)).

[Zurich](#) (also see [Geneva](#)). Switzerland increased its International Airport and Passenger Security Charge from 14.00 CHF to 15.50 CHF at Zurich in [Barometer No. 3](#).

## WTTC TAX BAROMETER Acknowledgment

The WTTC Tax Barometer has been compiled with the assistance of American Express Travel Service Offices, Members of the International Association of Visitors and Convention Bureaus and Members of the Pacific Asia Travel Association. This network of dedicated professionals can take great credit for collecting and verifying the data on which this and future reports are based.

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# R E S E A R C H M E T H O D O L O G Y

The *WTTC Tax Barometer* is designed to quantify and report the actual cost of Travel & Tourism taxes for a standardized five day, four night trip to each of 52 surveyed destinations. To provide an equal basis of comparison, the Tax Policy Center created the “WTTC Traveler” who made equivalent Travel & Tourism purchases in all 52 destinations on June 15, 1994. This approach allows the Center to standardize the basket of Travel & Tourism purchases between destinations and to isolate the tax component from the cost of the service for comparison (one destination to another and one period to the next).

To expedite the process of collecting the rate data, a combination of published information (secondary data sources) and data collected via surveys were utilized. Both surveys and secondary sources were used in establishing the base year data and reported changes for subsequent periods.

The *WTTC Tax Barometer* is a form of aggregate index known as a Laspeyres index, which freezes the consumption pattern at a particular point in time. In order to isolate the effects of changes in taxes, the *WTTC Tax Barometer* freezes both costs (and quantity consumed) at 1994 levels. This is accomplished by calculating a base year index that separates the tax amount from the purchase price.

The WTTC Traveler created for the *Tax Barometer* is an international traveler, arriving at and departing from one of the 52 cities surveyed. While in the city, the traveler spends four nights in a hotel, rents a car for five days and consumes twelve full meals.

The index was configured to establish a baseline cost of the products/services to which the tax rates would then be applied. To isolate changes in tax rates, the price, quantity and type of goods purchased will be fixed from one period to another.

The index numbers may be interpreted in a traditional manner. For example, an index number of 120 indicates that the tax amount in US dollars has increased by 20% since June 1994. Similarly, an index number of 100 means that there has been no change in the amount of tax.

Indices like the *WTTC Tax Barometer* were once the domain of economists and fiscal policy analysts and can be somewhat difficult to understand. Now, most commercial sectors routinely use indices to monitor market conditions. For example, if the Consumer Confidence Index is high, businesses and governments can organize or plan programs which capitalize on the positive trend. Likewise, if Consumer Confidence is low, businesses and governments can make alternative plans to dampen the effects of lower purchasing.

Indices are particularly useful for monitoring changes over time. For our purposes, by holding prices and quantities of goods and services purchased constant, the effects of taxes are singled out. Similar to the U.S. Consumer Confidence Index and other international price indexes, the *Tax Barometer* will be sensitive to changes in rates and will illustrate how destination cities relate to each other over time.

A study of Travel & Tourism taxation policy by experts from the London School of Economics for the WTTC recommended five principles that public policy makers should use to guide their review of tax policy proposals and legislation:

### *Equity*

All economic sectors should be treated fairly with regard to taxation. Evenhanded treatment of all sectors reduces imbalances that can result in political, social and economic difficulties.

### *Efficiency*

Taxes must generate revenue without a significant impact on the demand for a good or service (unless the tax is designed to modify behavior). At a certain threshold, the benefits of a tax become less than the costs of reduced demand. The decrease in demand sends a debilitating wave throughout the economy as linked suppliers are affected. This negative cycle swells because of the subsequent loss of tax revenue in many sectors.

### *Simplicity*

Complicated taxing schemes eat up revenues through administrative costs. These costs include both those borne by government in the process of collecting and enforcing taxes and those borne by tax payers. An objective of good tax policy is to achieve the highest possible ratio of revenues generated per dollar invested in collecting the tax. Special note should be made to incorporate tax payers' costs of compliance in calculating this ratio. Simplicity in taxing also dictates that it be clear what the tax rates are and for what purposes the revenues are intended to be used.

### *Fair Revenue Generation*

Fair revenue generation arises from the concept of equity. In the evenhanded capturing of tax revenue, it is unreasonable to assess special fees or levies on specific goods or services. These taxes are often cloaked by language and terminology to hide their real intent. Special charges and fees may appear, on face value, to be modest. They aggregate, however, to become a cumulative and often unreasonable burden to a sector.

### *Effective Stimulus to Growth*

Tax incentives and disincentives should be imposed with the underlying goal of stimulating growth. Taxes that support infrastructure will ideally result in the attraction of investment and subsequent employment. When taxes become excessive, economic growth often grinds to a halt.

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Many taxes on Travel & Tourism violate some or all of these "Intelligent Tax Principles." The practical reality of these principles provides that taxes can be imposed to generate revenue, increase competitiveness, or change consumptive behavior. If taxes follow the criteria above, they will result in both increased revenues for governments and strong competitive economies.

# W T T C M E M B E R S H I P

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