



# World Travel & Tourism Council Tax Barometer

**Number 6**  
November 1998

TRAVEL & TOURISM  

---

*Creating Jobs*

### CAR RENTAL BAROMETER (Five Day Car Rental)

Highest WTTC Index		Highest Tax Amount	
Delhi	210	Helsinki	\$82.03
Amsterdam	177	Stockholm	\$64.85
Osaka	167	Copenhagen	\$64.17
Tokyo	167	Nairobi	\$53.82
Bombay	167	Buenos Aires	\$49.36
Highest Tax Rate		Largest Index Increase	
Amsterdam	50.1%	Amsterdam	+77
London	37.9%	Jakarta	+10
Vienna	34.7%	Montreal	+8
Copenhagen	33.1%	Stockholm	+6
Frankfurt	32.0%	Nairobi	+6

### LODGING BAROMETER (Four Night Hotel Stay)

Highest WTTC Index		Highest Tax Amount	
Osaka	267	Copenhagen	\$168.14
Tokyo	267	London	\$161.93
Bombay	200	Buenos Aires	\$160.36
Mexico City	180	Prague	\$144.22
Bangkok	143	Brussels	\$119.52
Highest Tax Rate		Largest Index Increase	
Copenhagen	25.0%	Sydney	+999
Prague	22.3%	Montreal	+11
Buenos Aires	21.0%	Jakarta	+10
Bombay	20.0%	Helsinki	+9
Delhi	20.0%	Munich, Frankfurt	+7

### MEALS BAROMETER (4 Days - 12 Meals)

Highest WTTC Index		Highest Tax Amount	
Nairobi	600	Copenhagen	\$42.04
Manila	294	Helsinki	\$41.11
Tokyo	267	Brussels	\$40.85
Osaka	267	Paris	\$40.00
Cairo	184	Buenos Aires	\$37.24
Highest Tax Rate		Largest Index Increase	
Copenhagen	25.0%	Nairobi	+200
Stockholm	25.0%	Jakarta	+10
Helsinki	22.0%	Montreal	+8
Prague	22.0%	Munich	+7
Brussels, B.A.	21.0%	Frankfurt	+7

### AIRPORT BAROMETER (One International Arrival and Departure)

Highest WTTC Index		Highest Tax Amount	
Bangkok	250	Chicago	\$65.75
Jakarta	227	Cairo	\$53.53
Beijing	225	New York	\$51.41
Chicago	202	Boston	\$46.84
SF, HNL, LAX	201	London	\$44.91
Highest Tax Rate		Largest Index Increase	
Vancouver	7.3%	Bangkok	+125
Chicago	7.2%	Buenos Aires	+54
Cairo	7.0%	Stockholm	+25
Miami	6.9%	Paris	+21
New York	6.4%	Mexico City	+11

### TOTAL BAROMETER

(One Standardized Five Day / Four Night International Trip)

#### HIGHEST WTTC INDEX

Sydney	460
Osaka	208
Tokyo	200
Bombay	186
Mexico City	167

#### HIGHEST TAX AMOUNT

Copenhagen	\$297.04
London	\$279.64
Buenos Aires	\$271.46
Prague	\$232.92
Chicago	\$200.85

#### HIGHEST TAX RATE

Copenhagen	28.7%
Cairo	24.9%
Prague	23.4%
Vancouver	23.2%
Buenos Aires	23.1%

#### LARGEST INDEX INCREASE

Sydney	+317
Amsterdam	+16
Bangkok	+12
Jakarta	+9
Munich	+6



November 1998

*Executive Committee*

**Chairman**

Harvey Golub  
*American Express Company*

**Vice-Chairmen**

Donald J. Carty  
*American Airlines*

Lord Marshall of Knightsbridge  
*British Airways plc*

G rard P lissou  
*Accor S.A.*

**Committee Members**

Daniel Affolter  
*Kuoni Travel Holding Limited*

Sir John Egan  
*BAA plc*

Andr  Jordan  
*Lusotur S.A.*

Sol Kerzner  
*Sun International*

J. W. Marriott, Jr.  
*Marriott International, Inc*

P.R.S. Oberoi  
*The Oberoi Group*

Frank A. Olson  
*The Hertz Corporation*

Sir Ian Prosser  
*Bass plc*

Vincent A. Wolfington  
*Carey International, Inc.*

**Immediate Past Chairman**

Robert H. Burns  
*RHB Holdings Limited*

**Chairman Emeritus**

James D. Robinson III  
*RRE Investors, LLC*

**President**

Geoffrey H. Lipman  
*World Travel & Tourism Council*

Welcome to a redesigned WTTC Tax Barometer. We will publish general data in this form every six months with more detailed and periodic updates available on our website – [www.wttc.org](http://www.wttc.org) or on the dedicated WTTC Tax Policy Centre Website at – [www.traveltax.msu.edu](http://www.traveltax.msu.edu)

We will also use this document to draw attention to significant changes in taxation policy that affect Travel & Tourism - particularly where they intersect with “WTTC’s Principles for Intelligent Taxation” set out on Page 13.

There are two recent developments of special note:

- In the United Kingdom, the Deputy Prime Minister also responsible for Transport Policy, has announced that the government will introduce “hypothecation” for road transport charges – specifically for the development of toll roads where tax revenue will be put back into road construction programmes and not into the general budget. Leaving aside the merits or otherwise of specific applications, as a general policy trend this is a constructive initiative which meets WTTC’s principle of “User Pays - User Benefits”. It is, according to the UK government, a first recognition of hypothecation and as such is a welcome development.
- Not so constructive is the proposal by the recently re-elected Australian Government to introduce a General Sales Tax across the board. Efforts by the Travel & Tourism industry in Australia to seek special consideration for visitor spending as an export have thus far been unsuccessful. On top of Sydney’s new Olympics related 10% increase in sales tax, this could mean further increases in the cost of Australian travel – a further constraint in a region at the centre of the economic downturn.

The redesigned Tax Barometer and new Tax Policy Centre website will continue to identify and highlight all positive and negative tax changes impacting Travel & Tourism around the world. We hope you will continue to find this information useful and informative in the development of intelligent taxation policy, which is designed to create jobs.

Geoffrey H. Lipman  
President



**WTTC Registered Office:**  
20 Grosvenor Place,  
London SW1X 7TT, U.K.  
Tel: (+44-171) 838 9400  
Fax: (+44-171) 838 9050

<http://www.wttc.org>  
e-mail:  
[CreatingJobs@compuserve.com](mailto:CreatingJobs@compuserve.com)

A Company Limited by Guarantee  
Registration No. 2506591

TRAVEL & TOURISM: *Creating Jobs*

This is the sixth 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 August 1998. Recent index changes (October 97 - August 98) are highlighted in this report. All changes (June 94 - August 98) are summarized at the end of this report.

**WTTC Tax Barometer, No. 6 shows: Travel & Tourism taxes have increased in 18 of 52 destinations over the past six months. Taxes have decreased in 7 of the 52 destinations over this same period.**

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					
Sydney	▲ 460	Jakarta	▲ 114	Istanbul	103
Osaka	208	Frankfurt	▲ 112	Geneva	103
Tokyo	200	Vancouver	▲ 111	Vienna	▲ 102
Bombay	▼ 186	Paris	▲ 111	Brussels	101
Mexico City	▲ 167	Toronto	▲ 110	Zurich	101
Bangkok	▲ 153	Rome	▲ 109	Seoul	101
Montreal	▲ 132	London	▼ 108	Copenhagen	▲ 101
Delhi	▼ 130	Kuala Lumpur	108	Tel Aviv	100
San Francisco	128	Munich	▲ 108	Singapore	100
Honolulu	128	Auckland	108	Prague	98
Miami	122	Rio de Janeiro	108	Nairobi	▲ 97
Boston	120	Taipei	107	New York	96
Buenos Aires	▲ 120	Beijing	107	Manila	93
Chicago	120	Cairo	105	Helsinki	▲ 69
Los Angeles	118	Johannesburg	▼ 105	Athens	68
Amsterdam	▲ 117	Sao Paulo	105	Hong Kong	▼ 66
Madrid	▲ 115	Stockholm	▲ 104		
Barcelona	▲ 115	Santiago	103		

**Recent Travel Tax Increases ▲**  
**Recent Travel Tax Decreases ▼**  
**(October 97 - August 98)**

Destination City	TB5 Index Rank	TB5 Index Value	TB6 Index Rank	TB6 Index Value	% of Cost Rank	% of Total Cost	Total \$ Tax Rank	Total Tax US\$
Amsterdam	13	101	37	117	26	15.33%	37	151.14
Athens	2	68	2	68	22	13.87%	28	119.56
Auckland	27	108	25	108	25	15.04%	22	102.41
Bangkok	47	141	47	153	13	11.84%	14	81.72
Barcelona	34	114	35	115	10	9.56%	10	70.16
Beijing	25	107	22	107	23	13.90%	20	95.89
Bombay	52	197	49	186	24	14.29%	23	102.94
Boston	40	120	41	120	20	13.28%	30	121.14
Brussels	15	101	13	101	37	18.89%	46	197.83
Buenos Aires	36	117	40	120	48	23.08%	50	271.46
Cairo	22	105	21	105	51	24.86%	45	191.43
Chicago	41	120	39	120	45	22.03%	48	200.85
Copenhagen	10	100	10	101	52	28.71%	52	297.04
Delhi	46	140	45	130	43	20.27%	35	138.88
Frankfurt	23	106	33	112	38	19.05%	42	180.59
Geneva	17	103	15	103	5	7.49%	17	86.97
Helsinki	1	64	3	69	27	16.67%	43	181.28
Hong Kong	33	111	1	66	1	2.26%	3	37.59
Honolulu	44	128	43	128	21	13.44%	31	124.38
Istanbul	18	103	16	103	30	17.18%	1	13.36
Jakarta	21	105	34	114	14	11.88%	2	31.21
Johannesburg	32	111	20	105	28	16.70%	7	66.81
Kuala Lumpur	29	108	27	108	16	12.14%	8	69.03
London	31	111	28	108	47	22.83%	51	279.64
Los Angeles	37	118	38	118	31	17.21%	33	133.82
Madrid	35	114	36	115	9	9.00%	15	84.76
Manila	4	93	4	93	17	12.14%	18	87.16
Mexico City	50	166	48	167	34	18.68%	5	63.57
Miami	42	122	42	122	39	19.17%	26	111.31
Montreal	43	126	46	132	46	22.07%	29	120.11
Munich	16	102	26	108	33	18.39%	36	144.41
Nairobi	3	92	6	97	32	17.42%	40	170.72
New York	5	96	5	96	41	19.79%	38	158.27
Osaka	51	183	51	*208	7	*7.90%	16	*85.43
Paris	30	110	31	111	15	11.91%	39	158.97
Prague	6	98	7	98	50	23.36%	49	232.92
Rio de Janeiro	26	108	24	108	18	12.47%	25	109.94
Rome	28	108	29	109	19	12.52%	32	127.33
San Francisco	45	128	44	128	29	16.88%	34	138.27
Santiago	19	103	17	103	42	19.86%	41	174.34
Sao Paulo	20	105	19	105	12	11.48%	19	94.49
Seoul	12	101	11	101	11	10.93%	11	75.79
Singapore	7	100	8	100	2	4.37%	4	54.90
Stockholm	9	100	18	104	40	19.44%	44	186.34
Sydney	48	143	52	460	8	8.12%	9	69.40
Taipei	24	107	23	107	4	6.27%	6	64.23
Tel Aviv	8	100	9	100	44	21.47%	24	109.18
Tokyo	49	158	50	*200	3	*6.03%	13	*81.30
Toronto	38	119	30	110	36	18.89%	21	101.79
Vancouver	39	119	32	111	49	23.17%	27	116.05
Vienna	14	101	14	*102	35	*18.76%	47	*199.53
Zurich	11	101	12	101	6	7.77%	12	76.90

TB5 - Tax Barometer No. 5 (January 98); TB6 - Tax Barometer No. 6 (November 98)

Ranking (1 = Most Competitive, 52 = Least Competitive); \*Corrections to previous results.

## WTTC TAX BAROMETER: Car Rental



Car rental taxes have increased in 20 of the 52 destinations surveyed (39% of all destinations) between June 1994 and August 1998. 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;
- ◆ 28 destinations charge 15% or more;
- ◆ 14 destinations charge 20% or more; and
- ◆ 7 destinations charge 30% or more.

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

- ◆ Amsterdam.....50.1%
- ◆ London.....37.9%
- ◆ Vienna.....34.7%
- ◆ Copenhagen.....33.1%
- ◆ Frankfurt.....32.0%

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

- ◆ Helsinki.....\$82.03
- ◆ Stockholm.....\$64.85
- ◆ Copenhagen.....\$64.17
- ◆ Nairobi.....\$53.82

CAR RENTAL DESTINATION	INDEX VALUE	% OF TOTAL ITEM COST	TOTAL \$ TAX
Amsterdam	177	50.11%	48.65
Athens	100	18.00%	25.13
Auckland	100	12.50%	17.41
Bangkok	143	10.00%	21.71
Barcelona	107	16.00%	18.94
Beijing	100	0.00%	0.00
Bombay	167	4.12%	11.76
Boston	100	5.20%	7.78
Brussels	102	21.00%	22.16
Buenos Aires	117	21.00%	49.36
Cairo	101	17.83%	40.97
Chicago	100	19.79%	30.43
Copenhagen	100	33.06%	64.17
Delhi	210	17.28%	49.29
Frankfurt	139	32.00%	23.85
Geneva	100	6.50%	5.87
Helsinki	100	26.41%	82.03
Hong Kong	100	0.00%	0.00
Honolulu	100	10.52%	16.57
Istanbul	100	15.00%	0.44
Jakarta	110	11.00%	10.63
Johannesburg	100	14.00%	15.74
Kuala Lumpur	100	0.00%	0.00
London	*100	*37.93%	*37.76
Los Angeles	100	8.25%	8.48
Madrid	107	16.00%	19.03
Manila	100	10.00%	17.22
Mexico City	150	15.00%	11.19
Miami	100	16.22%	17.11
Montreal	108	15.03%	24.98
Munich	104	24.00%	17.88
Nairobi	89	16.00%	53.82
New York	100	13.25%	30.84
Osaka	167	5.00%	7.26
Paris	*107	*30.80%	*42.92
Prague	100	22.00%	44.70
Rio de Janeiro	100	7.78%	20.07
Rome	105	20.00%	33.12
San Francisco	100	8.50%	11.24
Santiago	100	18.00%	27.09
Sao Paulo	100	7.78%	20.07
Seoul	100	10.00%	17.68
Singapore	100	3.00%	12.27
Stockholm	106	31.39%	64.85
Sydney	100	1.50%	3.42
Taipei	100	5.00%	10.69
Tel Aviv	100	26.72%	26.67
Tokyo	167	5.00%	4.89
Toronto	98	16.56%	21.88
Vancouver	100	18.51%	22.86
Vienna	*104	34.65%	43.05
Zurich	81	6.50%	6.03

\*Corrections to previous results.

## WTTC TAX BAROMETER: Lodging



Lodging taxes have increased in 37% of all destinations surveyed over the past three and a half years. Eight destinations (Prague, Johannesburg, Nairobi, Manila, New York, Hong Kong, Athens, Helsinki) have decreased their lodging taxes during this same period.

Among the 6 destinations which have recently raised their lodging taxes, five have increased their rates less than 11%:

- ◆ Frankfurt .....+7
- ◆ Munich .....+7
- ◆ Helsinki .....+9
- ◆ Jakarta .....+10
- ◆ Montreal .....+11

Sydney, Australia has recently introduced a 10% accommodations tax on lodging. Because no previous tax existed, the new lodging barometer is pegged at 999.

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

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

14 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:

- ◆ Copenhagen .....\$168.14
- ◆ London .....\$161.93
- ◆ Buenos Aires .....\$160.36

In fourteen 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%	77.19
Athens	56	10.16%	56.31
Auckland	100	12.50%	51.77
Bangkok	143	10.00%	36.00
Barcelona	117	7.00%	34.52
Beijing	100	16.09%	61.04
Bombay	200	20.00%	71.85
Boston	100	9.70%	58.62
Brussels	100	16.00%	119.52
Buenos Aires	117	21.00%	160.36
Cairo	100	19.05%	84.53
Chicago	100	14.90%	89.01
Copenhagen	100	25.00%	168.14
Delhi	100	20.00%	65.86
Frankfurt	107	16.00%	110.64
Geneva	100	6.50%	54.97
Helsinki	36	8.00%	47.18
Hong Kong	60	3.00%	28.56
Honolulu	113	10.17%	60.65
Istanbul	100	15.00%	9.22
Jakarta	110	11.00%	14.89
Johannesburg	95	14.00%	33.03
Kuala Lumpur	100	15.00%	45.45
London	100	17.50%	161.93
Los Angeles	100	14.00%	72.21
Madrid	117	7.00%	46.06
Manila	71	10.50%	47.37
Mexico City	180	18.00%	40.03
Miami	100	12.50%	42.73
Montreal	125	16.90%	47.05
Munich	107	16.00%	83.77
Nairobi	89	16.00%	84.62
New York	71	15.13%	64.28
Osaka	*267	*5.47%	*35.75
Paris	109	6.00%	60.06
Prague	95	22.31%	144.22
Rio de Janeiro	120	9.37%	39.98
Rome	111	10.00%	60.33
San Francisco	117	14.00%	72.88
Santiago	100	18.00%	104.02
Sao Paulo	113	8.78%	37.48
Seoul	100	10.00%	37.72
Singapore	100	4.00%	26.59
Stockholm	100	12.00%	73.69
Sydney	999	10.00%	47.89
Taipei	100	5.00%	30.82
Tel Aviv	100	17.00%	44.89
Tokyo	*267	*3.83%	*35.47
Toronto	100	12.35%	37.93
Vancouver	100	17.70%	50.19
Vienna	100	*12.92%	*96.53
Zurich	100	6.71%	45.22

\*Corrections to previous results.

## WTTC TAX BAROMETER: Meals



Meal taxes have increased in 19 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.....+500%
- ◆ Manila.....+194%
- ◆ Osaka .....+167%
- ◆ Tokyo .....+167%

After factoring in the average meal charges for four days (12 meals), 7 destinations collect more than 20% of the total bill in meal taxes:

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

In this same regard, six destinations collect 5% or less 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%	11.23
Athens	56	10.16%	17.09
Auckland	100	12.50%	15.94
Bangkok	143	10.00%	11.28
Barcelona	117	7.00%	8.56
Beijing	100	15.00%	24.02
Bombay	143	10.00%	7.56
Boston	100	5.00%	7.90
Brussels	102	21.00%	40.85
Buenos Aires	117	21.00%	37.24
Cairo	184	12.85%	12.40
Chicago	100	9.75%	15.66
Copenhagen	100	25.00%	42.04
Delhi	113	17.00%	11.96
Frankfurt	107	16.00%	29.12
Geneva	100	6.50%	14.61
Helsinki	100	22.00%	41.11
Hong Kong	100	0.00%	0.00
Honolulu	100	4.17%	7.16
Istanbul	100	15.00%	2.01
Jakarta	110	11.00%	3.38
Johannesburg	100	14.00%	7.24
Kuala Lumpur	100	15.00%	13.06
London	100	17.50%	35.04
Los Angeles	100	8.25%	13.13
Madrid	117	7.00%	11.53
Manila	294	11.75%	11.11
Mexico City	150	15.00%	6.50
Miami	100	8.50%	11.33
Montreal	108	15.03%	14.97
Munich	107	16.00%	29.94
Nairobi	600	12.00%	13.80
New York	100	8.25%	11.74
Osaka	267	8.00%	22.69
Paris	111	20.60%	40.00
Prague	100	22.00%	32.43
Rio de Janeiro	100	18.00%	35.54
Rome	111	10.00%	24.84
San Francisco	100	8.50%	14.16
Santiago	100	18.00%	26.91
Sao Paulo	100	18.00%	24.99
Seoul	100	10.00%	13.93
Singapore	100	4.00%	7.27
Stockholm	100	25.00%	34.47
Sydney	100	0.00%	0.00
Taipei	100	5.00%	9.72
Tel Aviv	100	17.00%	24.59
Tokyo	267	8.00%	25.87
Toronto	100	15.56%	15.49
Vancouver	100	7.00%	6.57
Vienna	100	10.00%	19.17
Zurich	100	6.50%	14.48

\*Corrections to previous results.

## 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 10 of 52 destinations.

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

- ◆ Boston .....5.14%
- ◆ Los Angeles .....5.14%
- ◆ Montreal.....6.08%
- ◆ New York.....6.43%
- ◆ Miami.....6.92%
- ◆ Cairo .....6.95%
- ◆ Chicago .....7.21%
- ◆ Vancouver .....7.27%

Last year's 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. Fifteen other destinations charge more than \$20 per passenger.

AIR CHARGES DESTINATION	INDEX VALUE	% OF TOTAL TRIP COST	TOTAL \$ TAX
Amsterdam	108	1.43%	14.06
Athens	107	2.44%	21.02
Auckland	175	2.54%	17.29
Bangkok	250	1.84%	12.72
Barcelona	125	1.11%	8.14
Beijing	225	1.57%	10.83
Bombay	167	1.63%	11.76
Boston	178	5.14%	46.84
Brussels	108	1.46%	15.30
Buenos Aires	175	2.08%	24.50
Cairo	106	6.95%	53.53
Chicago	202	7.21%	65.75
Copenhagen	108	2.19%	22.69
Delhi	167	1.72%	11.76
Frankfurt	128	1.79%	16.99
Geneva	123	0.99%	11.53
Helsinki	98	1.01%	10.96
Hong Kong	100	0.54%	9.03
Honolulu	201	4.32%	40.00
Istanbul	125	2.18%	1.69
Jakarta	227	0.88%	2.31
Johannesburg	180	2.70%	10.79
Kuala Lumpur	200	1.85%	10.53
London	194	3.67%	44.91
Los Angeles	201	5.14%	40.00
Madrid	125	0.86%	8.14
Manila	167	1.60%	11.47
Mexico City	147	1.72%	5.85
Miami	200	6.92%	40.15
Montreal	200	6.08%	33.11
Munich	126	1.63%	12.82
Nairobi	100	1.88%	18.48
New York	164	6.43%	51.41
Osaka	133	1.82%	19.73
Paris	134	1.20%	15.99
Prague	136	1.16%	11.57
Rio de Janeiro	109	1.63%	14.35
Rome	107	0.89%	9.04
San Francisco	201	4.88%	40.00
Santiago	144	1.86%	16.32
Sao Paulo	100	1.45%	11.96
Seoul	113	0.93%	6.46
Singapore	100	0.70%	8.76
Stockholm	131	1.39%	13.32
Sydney	155	2.12%	18.09
Taipei	150	1.27%	13.00
Tel Aviv	100	2.56%	13.03
Tokyo	102	1.12%	15.07
Toronto	160	4.92%	26.49
Vancouver	147	7.27%	36.42
Vienna	104	3.83%	40.78
Zurich	124	1.13%	11.17

\*Corrections to previous results.

## 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), Tax Barometer No. 5 (January 1998) and Tax Barometer No. 6 (November 1998) are summarized below. *Barometer No. 6 changes are indicated in italics.*

**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. *In Barometer No. 6, the Airport Surcharge for rental cars was raised from 20.00 NLG to 60.00 NLG.*

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%. *In Barometer No. 6, the International Passenger Service Charge was increased from 250 THB to 500 THB.*

**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. 6, the International Departure Charge in Spain was increased from 927.00 ESP to 985.00 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. 6, the Foreign Travel Tax in India was reduced from 750 INR to 500 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. *In Barometer No. 6, Buenos Aires increased the Airport Tax to international passengers from \$13 USD to \$18 USD, the airport also instituted a new airport security tax of \$2.50 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.

*In Barometer No. 6, both the International Passenger Service Charge and the Transportation Tax were increased in **Copenhagen** from 69.90 DKK to 70.00 DKK and 65 DKK to 75 DKK respectively.*

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. *In Barometer No. 6, the Foreign Travel Tax in India was reduced from 750 INR to 500 INR. Also in No. 6, Delhi decreased their tax on meals from 24% to 17%.*

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 Barometer No. 6, the International Passenger Service Charge was increased from 20 DEM to 20.50. Also in Barometer No. 6, the national VAT increased from 15% to 16%.*

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 Barometer No. 6, Helsinki increased their tax rate on hotels from 6% to 8%.*

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. *In Barometer No. 6, Hong Kong decreased their tax rate on lodging from 5% to 3%. Also in No. 6, the Airport Departure Tax was reduced from 100 HKD to 50 HKD.*

**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. *In Barometer No. 6, the tax rate for car rentals, meals and lodging in Jakarta was increased from 10% to 11%.*

**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. 6, Johannesburg Airport increased their International Passenger Service Charge from 61.00 SAR to 63.00 SAR. Also in No. 6, Johannesburg eliminated their lodging fee of 6.00 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. *In Barometer No. 6, London reduced the International Passenger Service Charge from £8.50 to £6.50.*

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. *In Barometer No. 6, the International Departure Charge in Spain was increased from 927.00 ESP to 985.00 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. *In Barometer No. 6, Mexico City reported an increase in the International Airport Departure Tax from \$15.80 USD to \$17.13 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. *In Barometer No. 6, the Canadian Air Transportation tax was reduced from \$27.60 C\$ to \$15.00 C\$ which affects Montreal, Toronto, and Vancouver Airports. Also, a new Airport Improvement Fee of \$10.00 CAD was instituted in Montreal.*

**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 Barometer No. 6, the Airport Security Charge in Munich was lowered from 8.00 to 7.50 DEM. Also in Barometer No. 6, Germany increased its National VAT from 15% to 16%.*

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 Barometer No. 6, in Nairobi, the tax rate for car rentals was increased from 15% to 16%, while the tax rate for meals increased from 8% to 12%.*

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. *In Barometer No. 6, the Safety and Security Charge in Paris was increased from 21.00 FRF to 35 FRF. Also in No. 6, an Airport Surcharge of 80.00 FRF is now charged to all car rentals.*

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.

*In Barometer No. 6, Quebec increased their sales tax (TVQ) on meals and car rentals from 6.5% to 7.5%. Lodging (TVQ) was increased from 6.5% to 8%.*

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**. *In Barometer No. 6, the International Passenger Service Charge was increased in Stockholm from 69.50 SEK to 90.00 SEK. Also in No. 6, Stockholm increased its Airport Surcharge from 75.00 SEK to 104.00 SEK.*

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. *In Barometer No. 6, Sydney introduced a new Lodging Tax of 10%.*

**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**).

*In Barometer No. 6, a correction was made for **Vienna**, where the hotel tax rate is 12.65% not 22.65%.*

**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.

## WTTC TAX POLICY CENTER — Contact Information —

World Travel & Tourism Tax Policy Center  
c/o Travel, Tourism, and Recreation Resource Center  
172 Natural Resources Building  
Michigan State University  
East Lansing, Michigan 48824-1222, U.S.A.  
Tel: (1 517) 432 2636  
Fax: (1 517) 432 2296  
email DHolecek@pilot.msu.edu  
email WestDav3@pilot.msu.edu

Donald F. Holecek, Director  
David West, Researcher

	Previous* Composite	New Composite	Car Index	Lodging Index	Meal Index	Airport Index
Amsterdam	101	117	177	100	100	108
Athens	68	68	100	56	56	107
Auckland	108	108	100	100	100	175
Bangkok	141	153	143	143	143	250
Barcelona	114	115	107	117	117	125
Beijing	107	107	100	100	100	225
Bombay	197	186	167	200	143	167
Boston	120	120	100	100	100	178
Brussels	101	101	102	100	102	108
Buenos Aires	117	120	117	117	117	175
Cairo	105	105	101	100	184	106
Chicago	120	120	100	100	100	202
Copenhagen	100	101	100	100	100	108
Delhi	140	130	210	100	113	167
Frankfurt	106	112	139	107	107	128
Geneva	103	103	100	100	100	123
Helsinki	64	69	100	36	100	98
Hong Kong	111	66	100	60	100	100
Honolulu	128	128	100	113	100	201
Istanbul	103	103	100	100	100	125
Jakarta	105	114	110	110	110	227
Johannesburg	111	105	100	95	100	180
Kuala Lumpur	108	108	100	100	100	200
London	111	108	100	100	100	194
Los Angeles	118	118	100	100	100	201
Madrid	114	115	107	117	117	125
Manila	93	93	100	71	294	167
Mexico City	166	167	150	180	150	147
Miami	122	122	100	100	100	200
Montreal	126	132	108	125	108	200
Munich	102	108	104	107	107	126
Nairobi	92	97	89	89	600	100
New York	96	96	100	71	100	164
Osaka	183	208	167	267	267	133
Paris	110	111	107	109	111	134
Prague	98	98	100	95	100	136
Rio de Janeiro	108	108	100	120	100	109
Rome	108	109	105	111	111	107
San Francisco	128	128	100	117	100	201
Santiago	103	103	100	100	100	144
Sao Paulo	105	105	100	113	100	100
Seoul	101	101	100	100	100	113
Singapore	100	100	100	100	100	100
Stockholm	100	104	106	100	100	131
Sydney	143	460	100	999	100	155
Taipei	107	107	100	100	100	150
Tel Aviv	100	100	100	100	100	100
Tokyo	158	200	167	267	267	102
Toronto	119	110	98	100	100	160
Vancouver	119	111	100	100	100	147
Vienna	101	102	104	100	100	104
Zurich	101	101	81	100	100	124

\*Previous Composite Index as reported in January 1998.

All other Indices (Meal, Lodging, Car, Airport, Composite) are cumulative indices (June 94 - Aug. 98).

## RESEARCH METHODOLOGY

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.

## WTTC'S TAX POLICY GUIDELINES

### #1

Tax officials should compile a complete picture of individual Travel & Tourism taxes and add-on charges and compare this level with other economically strategic industries.

### #2

The Travel & Tourism private sector should be an active participant in the formulation of tax policies affecting the industry. Policy makers should seek input from the industry when considering any tax or fee on Travel & Tourism services, products, or consumers.

### #3

Taxes that directly inhibit the competitiveness and vitality of Travel & Tourism should be avoided. Consultation with the Travel & Tourism industry can help policy makers raise needed revenue while sustaining the employment and revenue base of the industry.

### #4

Policy makers should apply the same standards to Travel & Tourism exports that are applied to exported manufactured goods. International Travel & Tourism is essentially an export industry. Taxing inbound travel is equivalent to taxing an export product.

### #5

Growing the Travel & Tourism tax base should have priority over raising tax rates. Sustainable economic growth in the industry will yield increased public revenues if taxes do not hinder market processes.

### #6

Travel & Tourism development policy must be consistent and synchronized with fiscal policy. This requires an examination of the tax vehicles utilized across all sectors comprising the Travel & Tourism industry.

### #7

Travel & Tourism taxes should be easily administered and collected. Imposing taxes that are difficult to administer and collect results in increased costs to government and industry, negating or reducing net proceeds to both entities.

### #8

Education and research into the effects of Travel & Tourism taxes should be encouraged. Many policy makers are not familiar with the scope and economic power of Travel & Tourism. Every effort should be made to familiarize policy makers with the realities of Travel & Tourism tax economics. The research agenda outlined in this report attempts to highlight critical research needs.

## PRINCIPLES FOR INTELLIGENT TAXATION

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.



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.

© World Travel & Tourism Council, 1998

This Special Report sponsored by the American Express Company.

Use of data and information from this Report is authorized provided source is acknowledged.

The World Travel & Tourism Council (WTTC) is a global coalition of 100 Chief Executive Officers from all sectors of the Travel & Tourism industry, including accommodation, catering, cruises, entertainment, recreation, transportation and travel-related services. Its goals are to work with governments to promote the strategic, economic and employment importance of Travel & Tourism, to move towards open and competitive markets, to pursue sustainable development and to eliminate barriers to growth. WTTC, 20 Grosvenor Place, London SW1X 7TT, U.K., Tel: (44-171) 838 9400 Fax: (44-171) 838 9050

**Members include the Chairmen and CEOs of:** Abacus Distribution Systems ★ Abercrombie & Kent ★ Accor S.A. ★ Air Mauritius ★ Air New Zealand ★ Aitken Spence & Co Ltd ★ Allegro Resorts ★ Amadeus Global Travel Distribution ★ American Airlines ★ American Express Company ★ American International Group ★ AmericanTours International ★ Amsterdam Airport Schiphol ★ Arthur Andersen ★ Atlas Travel Agency ★ Avis Europe ★ Avis Inc ★ BAA plc ★ Barceló Empresas ★ Bass PLC ★ British Airways PLC ★ Budget Rent-a-Car ★ Canadian Pacific Hotels ★ Cannery Row Company ★ Carey International, Inc ★ Carlson Companies, Inc ★ Carnival Cruise Lines ★ Continental Airlines ★ CD Enterprises Ltd ★ Diners Club International ★ Dollar Rent-A-Car Systems Inc ★ Dolphin Management Services Ltd ★ East Japan Railway Company ★ Emeco Travel ★ Enternasyonal Tourism Investments, Inc, Yapi Kredl Bank of Turkey ★ EuroDisney S.A. ★ Four Seasons Hotels and Resorts ★ Galileo International ★ GE Aircraft Engines ★ Global Vacation Group ★ Globus and Cosmos Inc ★ Great Canadian Railtour Co ★ Group Pestana ★ Grupo Posadas ★ Gulliver's Travel Agency ★ Hani A Z Yamani Investments Ltd ★ Havas Voyages ★ Hilton Hotels Corporation ★ Hilton International ★ Holiday Autos International ★ Iberia ★ Ingle International Inc ★ Inter-Continental Hotels & Resorts ★ ITT Sheraton Corporation ★ Japan Travel Bureau Inc ★ KLM Royal Dutch Airlines ★ Kuoni Travel Holding Limited ★ Loews Hotels ★ Lufthansa German Airlines ★ LUSOTUR S.A. ★ Mandarin Oriental Hotel Group ★ Marriott International, Inc ★ MasterCard International ★ Messe Berlin GmbH ★ N.C.C. Management & Development Co., Ltd ★ Northwest Airlines ★ ONEX Food Services, Inc ★ Outrigger Enterprises, Inc ★ Preferred Hotels & Resorts ★ Promus Hotel Corporation/Harrah's Entertainment, Inc ★ Rail Europe Group, Inc ★ Reed Travel Group ★ Republic Industries Inc., Automotive Rental Group ★ Resort Condominiums International, Inc ★ RHB Holdings Limited ★ Rolls-Royce plc ★ Rosewood Hotels & Resorts ★ RRE Investors, LLC ★ Scandic Hotels AB ★ Singapore Airlines Limited ★ Sol Meliá ★ Sonae Turismo ★ Southern Sun Group ★ SRS Hotels Steigenberger Reservation Service ★ Sun International ★ SuperClubs ★ Swain Travel Services, Inc ★ System One Company ★ Taylor Byrne Tourism Group ★ Thakral Holdings Ltd ★ The Boeing Aerospace Group ★ The Hertz Corporation ★ The Oberoi Group ★ The SABRE Group ★ The Taj Group of Hotels ★ The Thomas Cook Group ★ The Travel Corporation ★ Thomson Travel Group ★ Travel Services International ★ TZ Associates ★ Uniglobe Travel (International) Inc ★ Universal Media Inc ★ Varig ★ Vienna International Airport ★ Westin Hotels & Resorts ★ Whitbread Hotel Company ★ Woodside Travel Trust ★ XTRA On-Line



**World Travel & Tourism Council**  
20 Grosvenor Place  
London, UK SW1X 7TT  
Tel: 44-171-838-9400  
Fax: 44-171-838-9050  
Email: [CreatingJobs@compuserve.com](mailto:CreatingJobs@compuserve.com)  
[www.wttc.org](http://www.wttc.org)