

INDIA PLANS FLIGHT TAX TO FUND TRAVEL BOOST

News / Airlines



India plans to impose a 2 percent levy on most domestic and international airline tickets, raising funds to improve regional air **travel** infrastructure as part of a proposal to get more Indians flying.

Releasing the government's draft aviation policy, civil aviation secretary R.N. Choubey said the tax may raise about INR15 billion rupees (USD\$230 million). Funds will go towards reopening hundreds of disused airstrips, building "no-frills airports" and providing finance to airlines to help keep prices on regional routes at 2,500 rupees per hour of travel.

India is one of the world's fastest-growing aviation markets, with around 70 million domestic tickets sold annually and passenger numbers rising 20 percent a year. Choubey said improving regional air connectivity would see annual ticket sales jump to 300 million by 2022.

The government's aviation policy draft follows a document released last year that the industry was critical of for ignoring high operating costs that leave most airlines struggling to make money in India's fiercely competitive market. Although many budget carriers frequently sell fares for less than USD\$20, flying remains out of reach for the vast majority of Indians.

"Overall, this is a good first step," Ajay Singh, the chairman and managing director of low-cost carrier SpiceJet said. "Most of the growth in India is happening in tier 2 and tier 3 towns."

But Singh said he wanted to see the government address taxes on aviation fuel and other operating costs, which went largely unmentioned in the policy draft. The government will now seek

feedback on the document from the public in a three-week consultation period.

The government did say it wants to scrap service taxes and reduce excise duties on some aircraft maintenance and repair operations to keep more of the work in India. More than 80 percent of the USD\$1 billion industry for repairing and maintaining Indian aircraft is carried out overseas, where it currently is cheaper.

The government also said it would consider allowing foreign companies to buy more than 49 percent of Indian airlines, provided New Delhi could agree to more liberal bilateral traffic rights with other countries.

Choubey said the ministry would take another two months to decide on whether to keep, revise or scrap a rule restricting newer airlines like Vistara and AirAsia India from flying overseas routes, a rule the airlines say unfairly hits them.

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