

# LARGE FRENCH AIRPORTS WILL BE TAXED



The French government has announced that it will not increase taxes on plane tickets in its draft budget 2024. Although each airline company can set its prices, the government will not impose an additional tax on plane tickets in 2024. However, airline companies will still have to pay taxes as the government intends to tax modes of transport deemed polluting to finance the ecological transition. This is one of the critical features of the 2024 Budget. In 2019, air transport emissions in France amounted to 24.2 million tonnes of CO<sub>2</sub>. This accounts for approximately 5.3% of French emissions, 2.2 times more than 30 years ago.

## **Airports don't want to pay**

The government has decided to implement a tax on major French airports, including ADP, which operates Roissy and Orly. ADP quickly responded, stating that the tax would be 4.6% of the turnover recorded in their social accounts. This would impact around €100 million in 2022 on ADP SA's current operating expenses, reducing the group's EBITDA by the same amount. By 2024, the impact would be around €90 million.

However, ADP is unwilling to bear this tax alone and plans to pass on 75% of it to the airlines through the fees they pay to the concessionaire. ADP intends to pass on the increased regulated charges in royalty rates. The price increase spread over two to three years to minimize its effect on airlines. This approach aligns with the law, which requires a "moderate" price change from one year to the next.

## **A tax that will fall on companies**

According to ADP, the first increase, which would account for almost half of the tax impact, will be implemented from the 2024 tariff period. There will be additional increases in the following tariff periods.

Anne Rigail, Air France's general director, expressed her concern regarding the new tax on RTL. She believes it will negatively affect companies and create a new distortion of competition, harming French airlines. She also pointed out that only large airports would be affected by this bill, including those where Air France and other French companies mainly operate. Meanwhile, airports like Beauvais, used by foreign low-cost airlines, will not be impacted because they have a different activity level or turnover.

## **Representatives get involved**

Aviation unions and federations reacted quickly to the announcement. The Union of Autonomous Airlines (Scara) expressed its disappointment over the decision of airports, such as Aéroports de Paris, to delay the implementation of the tax on airport fees paid by airlines' customers. This move contradicts the government's alleged commitment to reducing the already exorbitant charges for green taxation.

Scara also reminded the government that it is still waiting to implement the exemption for services to overseas territories and Corsica, as promised when the solidarity tax was created over three years ago.

The National Federation of Aviation and its Trades (Fnam) also criticized the new tax, stating that it would further reduce France's attractiveness and the competitiveness of airlines based on national territory. Foam added that each year, the French flag loses one point of market share in international competition in favor of operators that benefit from a more favorable regulatory and tax environment in their countries of origin.

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