

## France scorecard

# Tax gap: The French government is losing out on €4.7 billion a year from its aviation sector

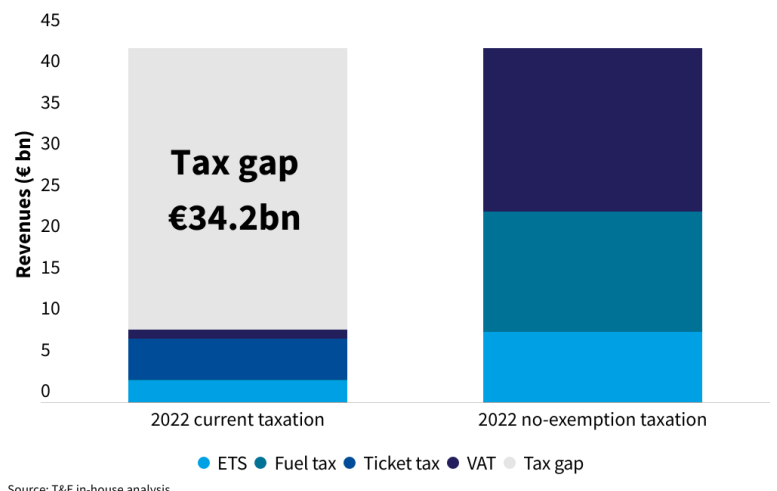
The aviation sector has been under-taxed and under-regulated for decades. This has resulted in a sharp increase in emissions at a time when they should be going down. Transport & Environment’s “Aviation Tax Gap” report delves into this problem, by looking at exactly how much the aviation sector benefits from unjustified exemptions in taxes and emissions pricing every year.

We define the *tax gap* as the gap between the revenues from current levels of taxation and what would be raised if the sector did not benefit from such exemptions. A tax gap is calculated for 2022 and also for 2025<sup>1</sup>.

The report looks at taxes and carbon pricing mechanisms specific to the aviation sector (i.e. the revenues of which are not reinjected into the sector) including VAT, fuel tax, ETS, ticket taxes and CORSIA.

It shows that:

- **The tax gap across Europe in 2022 was €34.2 billion. This is the difference between the revenues raised in 2022, and what should have been collected, if exemptions were removed;**
- **In 2025, if we continue on this trajectory (i.e. under-taxing the sector), the tax gap will increase to €47.1 billion.**



## And what is happening in France?

The carbon market for aviation (EU ETS) applies to emissions from all flights departing from France to destinations in the EEA, Switzerland, the UK as well as domestic flights. France applies a 10% VAT on domestic flights. It also levies several ticket taxes, part of which are reinjected in the sector and part of which contributes to France’s general budget. But the rates of these two taxes are too weak to have an

<sup>1</sup> In 2025, we assume that air travel has fully recovered to pre-pandemic levels. For that year, we estimate what the tax gap would be in a business-as-usual scenario, and assess how different policies could contribute to closing the tax gap.

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impact on revenues and to compensate for aviation's tax gap. For more information, please consult Annex II.1 of the report.

Due to the inadequate taxation of the sector in France:

- **The tax gap in France in 2022 was €4.7 billion. This can be seen as lost revenue to the French state, a part of which could have been directed to decarbonise the sector and mitigate against the worst effects of climate change.**
- **In 2025, if we continue on this pathway, the French government will lose out on €6.1 billion.**
- **The French government lost out on €1.9 billion of tax revenues from its national carrier's activities, Air France. At European level, European governments lost out on €2.4 billion from Air France's activities.**

## Key recommendations

**1** Negotiate at EU level the extension of the EU ETS to cover all departing flights including long haul, implement a kerosene tax on all departing flights and set a 20% VAT rate on all tickets.

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**2** In wait of end of the various tax exemptions at EU level, The French government should fill the tax gap by increasing its existing ticket tax up to these levels :

	Economy	Business class
European destination	49,5 €	183,0 €
extra-European destination	201,0 €	864,2 €

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**3** Reinvest part of the revenues raised in producing and deploying clean technologies, such as synthetic kerosene produced from renewable energy sources, to decarbonise the aviation sector and the wider economy.

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