Ireland scorecard

Tax gap: The Irish government is losing out on €760 million a year from its aviation sector

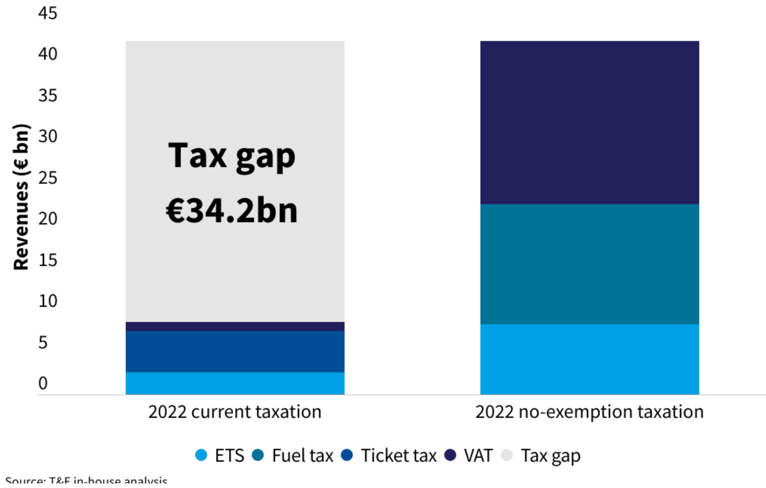
The aviation sector has been under-taxed and under-regulated for decades. This has resulted in a sharp increase in emissions at a time when they should be going down. Transport & Environment's "Aviation *Tax Gap*" report delves into this problem, by looking at exactly how much the aviation sector benefits 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[1].

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 Ireland?

The carbon market for aviation (EU ETS) applies to emissions from all flights departing from Ireland to destinations in the EEA, Switzerland and the UK, as well as domestic flights. Ireland applies no VAT, no kerosene taxation and no ticket taxes. For more information, please consult Annex II.1 of the report.

As a result:

[1] 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.

- **The tax gap in Ireland in 2022 was €760 million. This can be seen as lost revenue to the Irish 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 Irish government will lose out on €950 million.**
- **The Irish government lost out on €425 million of tax revenues from its national carriers' activities, Aer Lingus (260 mln) and Ryanair (160 mln). At European level, European governments lost out on €410 million from Aer Lingus' and €2.1 billion from Ryanair'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 20% VAT on all tickets.
2	If the above mentioned recommendations are not implemented, reinstate a national ticket tax on all flights departing from Irish airports. Such a tax should be higher for all extra-EEA flights as these are not covered by the EU Emissions Trading System and equivalent to the lost revenue from the lack of VAT and lack of fuel tax.
3	Use a proportion of the money collected from the tax on aviation to compensate climate vulnerable countries around the world for the damage already done by climate change as the Minister for Climate, Eamon Ryan recently stated.
4	Create and ambitious policies that support and promote the uptake of fuels produced from green hydrogen for the aviation sector. This requires ensuring any green hydrogen produced in Ireland goes to the sectors that have no other viable alternatives, such as aviation.