

Germany scorecard

Tax gap: The German government is losing out on €4 billion a year from its aviation sector

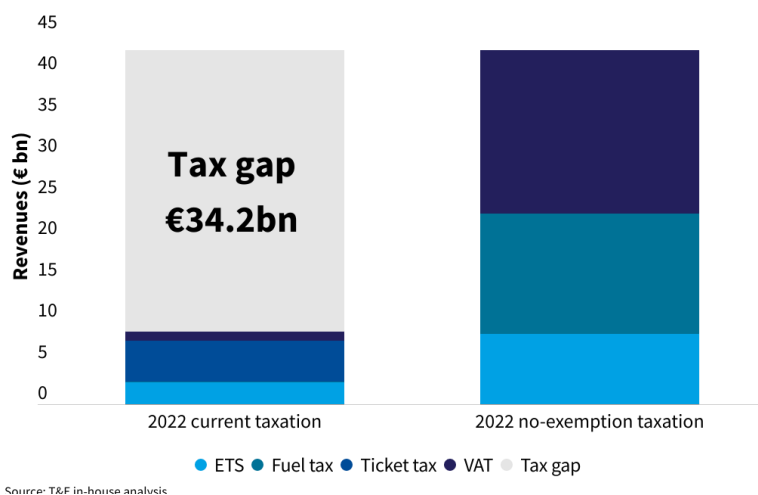
The aviation sector has been under-taxed and under-regulated for decades. This has resulted in a sharp increase in emissions at a time when they should be going down. Transport & Environment’s “Aviation Tax Gap” report delves into this problem, by looking at exactly how much the aviation sector benefits 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 2025¹.

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 Germany?

The carbon market for aviation (EU ETS) applies to emissions from all flights departing from Germany to destinations in the EEA, Switzerland, the UK, as well as domestic flights. Germany also applies an aviation tax (*Luftverkehrsteuergesetz*) on tickets originating from airports located on their territories. The amount levied depends on the flight distance: short haul-flights must pay €12, medium-haul are charged €32 and long-haul pay €58. Germany does not apply a tax on kerosene. It applies a 19% VAT on domestic flights.

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.

But the rates of these taxes are too weak to have an impact on revenues and to compensate for aviation's climate impact. For more information, please consult Annex II.1 of the report.

As a result:

- **The tax gap in Germany in 2022 was €4 billion. This can be seen as lost revenue to the German 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 German government will lose out on €6 billion.**
- **The German government lost out on €1.4 billion of tax revenues from its national carrier's activities, Lufthansa. At European level, European governments lost out on €2.3 billion from Lufthansa'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 apply VAT on all tickets.

2

If the above-mentioned recommendations are not implemented, Germany should increase its ticket tax on all departing flights to fill the tax gap. The tax should remain the same for domestic flights, and reach €48 for intra-European flights and €230 for long-haul flights.

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.
