

The German Air Passenger Tax: An Empirical Analysis of Tourism Outflows

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Abstract : In Europe, some countries recently abolished air passenger taxes (APT), while others issued or consider issuing an APT. From a fiscal perspective, APT can benefit the environment, while generating a vast amount of tax revenue with relatively low administration costs. However, they may have significant negative effects on the economy. Focusing on the German air passenger tax issued 2011, this work estimates the elasticity of tourism outflows using data on passenger departures from German airports between 2010 and 2016 aggregated by destination country. The results are obtained by estimating a model of the demand for outbound tourism. In line with theory, the regression results indicate a negative relationship between taxes and departures from Germany. Furthermore, on average, an increase of the air passenger tax rate results in a relatively higher decrease of passenger departures. The elasticity of tourism outflows can be used to estimate tax revenue changes and hence evaluate possible policy actions. Neglecting environmental reasons, the results suggest that tax revenue might be maximized by reducing the air passenger tax rate. Besides Germany, this work is also important for countries which have or consider implementing APT.

Keywords : air passenger tax, Germany, Outbound tourism, panel data

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