



28 January 2019

Mr. Weerasak Kowsurat  
Minister of Tourism and Sports  
Ministry of Tourism and Sports  
4 Ratchadamnoen nok Road  
Watsomanas, Pom Prap Sattru Phai  
Bangkok 10100  
Kingdom of Thailand

## **FOREIGN VISITOR TRAVEL INSURANCE LEVY**

Dear Honourable Minister,

The International Air Transport Association (IATA) is a global trade association for airlines representing over 290 airline members and accounting for 82% of total global air traffic. Our members include Thai Airways, Thai Smile Air, Bangkok Airways, Thai Lion Air, Korean Air, Singapore Airlines, Qatar Airways, Etihad Airways, Emirates, Turkish Airlines, British Airways, Cathay Pacific, KLM, China Eastern, China Southern Airlines, Japan Airlines, Air India, Jet Airways, amongst many others, which operate services to/from Thailand.

It has come to our attention and as per recent media reports that the Government of Thailand is considering the imposition of a mandatory travel insurance levy for foreign visitors to cover the cost of medical expenses. While IATA has not seen an official copy of the Government's proposal for the Foreign Visitor Travel Insurance Levy, we are deeply concerned by these reports and the potential that such a Levy could be imposed on air tickets.

While IATA supports the general concept of providing medical insurance for activities or individuals that require insurance, a mandatory ticket tax on all foreign air passengers would be inefficient, unnecessarily costly and with other unforeseen negative circumstances. In this regard, there are several pressing issues that I wish to bring to your attention on the Foreign Visitor Travel Insurance Levy that are detailed below for your kind consideration.

### **Contradictions with Accepted International Principles**

The imposition of a Foreign Visitor Travel Insurance Levy (or similar tax) would directly contradict accepted policies on taxation published by the International Civil Aviation Organization (ICAO), a specialized agency of the United Nations. In this respect, Thailand, as a signatory nation to the Convention on International Civil Aviation (Chicago Convention) and a Contracting State of ICAO, is obliged to adhere to the following, including:

1. Article 15 of the Chicago Convention which states that: "No fees, dues or other charges shall be imposed by any contracting State in respect solely of the right of transit over or entry into or exit from its territory of any aircraft of a contracting State or persons or property thereon".
2. *Policies on Taxation in the Field of International Air Transport* contained in ICAO Document 8632<sup>1</sup>, which states that "each Contracting State shall reduce to the fullest practicable extent and make

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<sup>1</sup> Available at: [http://www.icao.int/publications/Documents/8632\\_3ed\\_en.pdf](http://www.icao.int/publications/Documents/8632_3ed_en.pdf)



plans to eliminate ... all forms of taxation on the sale or use of international transport by air, including taxes on gross receipts of operators and taxes levied directly on passengers or shippers”.

It is worthy to note that international air passengers travelling to Thailand currently pay the following passenger charges, including: 1) the International Arrival and Departure Fee; 2) the Passenger Service Charge; and 3) the Advance Passenger Processing User Charge. On a combined basis, international air passengers already pay up to THB 800 in charges to travel to and from Thailand. As such, air passengers are already paying for the aviation services they utilize and should not be forced to remit more than their fair share in tax receipts due to the Levy.

Without adherence to the various ICAO principles outlined above, international aviation would become financially overburdened by excessive and unjust taxation, which in turn would significantly limit the economic and social benefits generated by air transport.

Moreover, it is understood that the amounts generated by the Levy will be used to provide medical insurance to all foreign visitors to Thailand. If this is the case, then imposing a universal levy on all foreign visitors travelling by air would unfairly target air passengers and the air transport sector relative to other modes of transport (e.g., visitors arriving by ship, road or rail). In cases where foreign visitors have already obtained their own travel insurance policy (e.g., foreign business visitors where their employer pays for medical insurance, tourists that have procured their own travel insurance) the mandatory imposition of an additional insurance policy by means of the Levy would be duplicative and would only serve to unnecessarily increase the cost of travel to Thailand.

### **Passenger Demand & Economic Considerations**

Air transport is an enabling sector, where international air travel in particular is highly sensitive to changes in price. Imposing a new discriminatory tax on air passengers will undoubtedly have a negative impact on passenger demand, which in turn will have negative consequences for the economy of Thailand.

In terms of the importance of the aviation sector to the Thai economy, according to a recent study prepared by the Air Transport Action Group (ATAG) – a non-profit organization which promotes the sustainable development of global aviation – in 2017, a total of 75.4 million passengers departed from airports in Thailand, which supported a total of 4.2 million jobs and contributed a total of USD 63.5 billion in Gross Domestic Product (GDP).<sup>2</sup> Overall, the tourism sector, which is significantly supported by air transport, contributed 21.2% to Thailand’s total GDP in 2017.<sup>3</sup>

The travel and tourism industry, supported by aviation, is a key component of Thailand’s economy. Imposing a travel insurance levy on foreign visitors will only negatively impact employment and GDP and limit the economic benefits that could have otherwise been realized by aviation.

As it is our understanding that the Levy is proposed to apply only to foreign visitors, it is important to note that citizenship or nationality-based tax exemptions (i.e., for Thai citizens) cannot be automated for pricing purposes in airline IT systems. This is due to the fact that the related data elements that are necessary for applying such a nationality-based exemption are non-standard in the Passenger Name Record (PNR), which is the record that contains personal information and itinerary details of a passenger in the airline’s database. Even if included, the respective data elements are not transferred from the selling/ticketing

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<sup>2</sup> Source: [https://aviationbenefits.org/media/166344/abbb18\\_full-report\\_web.pdf](https://aviationbenefits.org/media/166344/abbb18_full-report_web.pdf)

<sup>3</sup> Source: [https://aviationbenefits.org/media/166344/abbb18\\_full-report\\_web.pdf](https://aviationbenefits.org/media/166344/abbb18_full-report_web.pdf)



carrier to the transporting carrier (e.g., on code share flights where a passenger flies on multiple airlines) to be able to accurately account for these exemptions on travel to Thailand.

As such, nationality-based exemptions from the Foreign Visitor Travel Insurance Levy cannot be applied efficiently and correctly if it is collected on the air ticket by airlines.

In light of the above, we respectfully request that the Government of Thailand not impose a Foreign Visitor Travel Insurance Levy on the air transport sector. As a potential alternative, the Government could require local companies and tour operators to collect an insurance levy from foreign visitors based on their participation in higher risk activities (e.g., skydiving, scuba diving, rock climbing, white water rafting, motor bike rentals, etc.), unless they can prove they have an existing insurance policy. Such an imposition of the levy would better ensure the financial burden is borne more directly by those engaging in high risk activities for which they may require medical services.

On behalf of the airline industry, IATA appreciates the opportunity provided to submit these comments to you and thanks you for your attention to this important issue. We would be happy to meet with you or your representatives to discuss this matter in greater detail.

Yours sincerely,

Conrad Clifford  
Regional Vice President  
Asia-Pacific

cc. Mr. Apisak Tantivorawong, Minister of Finance, Kingdom of Thailand  
Mr. Chula Sukmanop, Director General, Civil Aviation Authority of Thailand  
Mr. Vinoop Goel, Regional Director, Member and External Relations, ASPAC, IATA  
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