Position paper on fair, low-carbon transport taxation

VAT Package on Travel and Tourism

Protect Our Winters Europe represents outdoor brands, athletes and organisations dedicated to preserving the outdoors, together with the millions of Europeans whose lives and livelihoods depend on the mountains, forests, rivers and coasts of this continent. Getting to where we hike, climb, ride, run and ski is often the single biggest climate cost of what we do. It is the part of any outdoor enthusiast's or professional's footprint that no one, brand, athlete or organisation, can fix alone. That is why we care how Europe taxes travel.

Transport is the largest source of greenhouse gas emissions in Europe. It's responsible for roughly a quarter of Europe's emissions and the only major sector where emissions are still higher than in 1990. It is eroding the very landscapes that are our playgrounds and our markets. We pay full VAT on a train while a flight pays none, and most of us would prefer the more sustainable option if it were available and affordable. We want the cleanest way to reach the outdoors to also be the easiest and most affordable one, in step with the climate commitments we have made and the future we are building. We are asking Europe to stop taxing the clean way to travel while fiscally favouring the dirty one.

Currently, the EU makes the VAT exemption for international flights mandatory, while cross-border rail is taxed country by country, segment by segment, at each Member State's own choosing. **This asymmetry gives a tax advantage to the most polluting mode of transport while penalising the cleanest.** Ending aviation's exemption is not a new tax, it is the removal of a tax advantage no other mode enjoys. The inconsistency is stark: the EU already makes aviation pay for some of its carbon through the Emissions Trading System, yet shields it from the VAT that everyone else pays. The polluter-pays principle is written into EU law, yet aviation is the one mode where it does not consistently apply. And there is a fairness point: a daily commuter pays full VAT on their train ticket, while a passenger on an international flight pays none.

This reform sits within an exceptional window of momentum: the Commission's "one ticket, one platform, full rights" pledge, the High-Speed Rail Plan, the Connecting Europe initiative, and the review of the aviation ETS, which would extend carbon pricing to more departing flights from 2029. **We urge the Commission and Member States to treat these files as one coherent package: reward the clean,** remove the tax advantage for **the dirty, and protect those with no alternative.**

KEY FIGURES

- **€29 billion**: tax revenues lost by EU governments in 2024 to aviation's VAT exemption
- **Three-quarters of EU air passenger journeys pay no VAT**: intra-EU and international flights are entirely exempt, in contradiction to fair treatment across transport modes
- **Trains are less affordable**: international rail is still taxed in five countries (6% in Belgium, 7% in Germany, 9% in the Netherlands, 10% in Spain and 25% in Croatia),and most countries tax domestic rail too.

OUR ASK

POW Europe calls on the Commission, Member States and the European Parliament to:

1. **Make rail more affordable.** Make zero VAT on international rail mandatory across the EU, ending the per-country patchwork that forces operators to register and charge VAT segment by segment, and encourage Member States to reduce VAT on domestic rail, according to the 2022 Council Directive on VAT rates reform.

2. **Stop giving a tax advantage to the least environmentally friendly travel option**. Review and end mandatory VAT exemption for aviation, so that flights should be treated like any other passenger transport, and back the extension of the EU Emissions Trading System to more departing flights. POW recognises the need to protect connectivity and competitiveness, leaving Member States the discretion to keep a reduced or zero rate where there is no reasonable rail alternative, with islands and outermost regions as the clear examples, just as the ETS extension already exempts them.

3. **Simplify rail travel.** Support the Commission's "One journey, one ticket, full rights" package to make rail travel more seamless, accessible, and user-friendly, while ensuring strong and consistent protection of passengers' rights, through robust requirements for single ticket sales. By bringing the ease and simplicity of booking and travelling by rail closer to the experience offered by air travel, the package would make rail a more attractive and competitive transport option.

Lower VAT on rail means cheaper tickets and fairer competition, and it comes at a small price: zero-rating international rail is estimated to cost around €106-117 million a year, against the €29 billion that aviation's exemption costs. The imbalance speaks for itself. Together, these steps align Europe's taxes with the Green Deal, rewarding the cleanest way to travel instead of the dirtiest.

Why Brand Partners Should Back Fair Transport Taxes

1. Your customers are already asking for this. Sustainability is now a top travel-decision factor, especially for younger consumers. Most travellers say they'd switch to a cleaner travel option if the price and hassle gaps closed; European overnight rail bookings have grown sharply, and a majority of Europeans now back limits on short-haul flights where rail exists. This is a pro-customer ask, not an anti-anything one, and early movers capture that demand first.

2. It's the one emission you can't fix yourselves. Getting to the mountains is the largest single climate cost tied to the activity you sell, and mobility policy is the only lever that moves it. No supply-chain or product improvement touches how customers physically get to the mountains, coast, or trail. Backing rail protects both your customer's journey and the destinations that make your business possible.

3. It's cheap and low-risk to back. T&E estimates that €106–117 million/year is the cost of zero-rating international rail, a rounding error next to the €29bn the aviation VAT exemption already costs. This is fixing a narrow anomaly, not backing an expensive or contentious ask.

4. It backs your existing climate commitments. Most outdoor and travel brands already have public sustainability targets, but supply-chain fixes don't touch the biggest emissions source tied to what you sell: how customers get there. Investors and ESG frameworks (GHG Protocol, CDP, SBTi) increasingly expect climate commitments to include policy engagement, not just product changes. Signing is concrete, visible advocacy, and a guard against critiques, such as comparisons between recycled fabrics and travel carbon budgets.

Please contact Natasha Kalauz (natasha@protectourwinters.eu) if you and your organisation are interested in supporting this position paper.