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Travel tax error may cost millions

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The Albanese government is under pressure to delay the start of its departure tax increase, after airlines pointed out that they would have to fund the increase out of their own pockets unless it was pushed back.

It was announced in the federal budget that the passenger movement charge would jump from \$70 to \$80, effective from January 1, 2027.

Budget papers showed the increase would raise \$755m in additional revenue over the next five years, including \$90m for the six months from January 1 to June 30, 2027.

The problem for 59 airlines operating out of Australia is that thousands of tickets have already been sold for early 2027 that do not incorporate the higher tax.

In addition, airlines cannot simply slap an extra \$10 on fares sold for 2027 flights since budget night because they are unable to collect more tax until any change is passed by parliament.

Airlines for Australia and New Zealand chief executive Stephen Beckett said it was apparent that no one in Home Affairs was aware that the industry sold fares up to a year in advance.

He added that, given the profit margin on tickets was now as low as \$6.50 per passenger, some airlines would have been forced into the red to fund the government's higher passenger movement charge.

Three industry groups wrote to Transport Minister Catherine King to voice their concerns about the implementation schedule of the tax, and request an urgent briefing.

Airlines for Australia and New Zealand, the Board of Airline Representatives of Australia and the International Air Transport Association said the budget measure amounted to an "irrecoverable industry cost on thousands of seats already sold and ticketed".

"As the PMC increase has not yet been formalised/gazetted since the budget announcement, it is not permissible for carriers to collect an undocumented charge from consumers," the letter to Ms King says.

"Until that occurs, airlines can only recover the currently filed \$70 PMC. They cannot recover the cost of the increased PMC from already-ticketed passengers."

The groups also expressed disappointment that they were not consulted on the increase in the first place, pointing out that that could have then helped avoid this issue.

Late on Wednesday, Ms King's office indicated the government was working on "a path forward" with airlines in relation to the issue.

However, any delay in the tax increase would mean the government forgoes some or all of the \$90m in revenue it expected to raise in the first six months.

When the tax was last raised from \$60 to \$70 in 2024, airlines were given more than a year's notice.

Mr Beckett said airlines were unhappy with the rising PMC.

BARA executive director Stephen Pearse said Australia's departure tax was already among the highest in the world and the increase would result in more international airlines rethinking future growth plans for services down under.

"Decisions that directly impact passengers by adding a direct cost to airfares should not be made without meaningful engagement with the international airline industry particularly in this challenging global environment," Mr Pearse said.