

US Accused of Unjustly Taxing Brazilian and Latin American Crews

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In a press conference in Washington today, AITAL, the Latin American Airline Association, deeply criticized the U.S. government for seeking new taxes from Latin American airlines and their employees that use U.S. airspace on their way to/from a U.S. gateway.

The Internal Revenue Service has begun selectively targeting Latin American airlines in seven countries: Brazil, Chile, Costa Rica, El Salvador, Guatemala, Peru, and Panama, and advised that it would be targeting other carriers in the region, AITAL said.

The IRS is expected to go after international airlines in other countries as it seeks to implement arcane discriminatory regulations that go against bilateral treaties and other conventions in place for many years, AITAL said.

This targeted attack on Latin American airlines is aimed at pilots and flight attendants of international airlines flying to the U.S. and subjects them to U.S. tax withholding and filing requirements for salaries earned when they are on their way to the U.S. from the moment they enter U.S. airspace, and from the time they start preparing to take a return flight home, AITAL said.

"The IRS has given no reason why airlines alone are being targeted, and why cruise lines and other modes of transportation are exempted. The U.S. government also has given no reason why it has only targeted airlines from Latin America, and not airlines of other regions of the world."

"Why airlines and why Latin America? If the U.S. authorities are targeting Latin American airlines, they should be ready for significant and swift retaliatory measures by Latin American governments," said Alex de Gunten, Executive Director of the Latin American Airline Association (AITAL).

"U.S. airlines have the majority share of air service between the U.S. and Latin America and pay much higher salaries to their crew than Latin American carriers. Any reciprocal penalties would hurt U.S. airlines, pilots and flight attendants even more."

"These regulations are being enforced on a selective, discriminatory and arbitrary basis in an ill-advised attempt to offset U.S. budget deficits. This is not what allied countries do to each other.

"It would be as if international governments decided to tax reporters' income for the time spent conducting regular assignments during short visits to other countries," de Gunten said.

AITAL member airlines are as equally concerned about the administrative burden of undertaking these audits as the potential back taxes themselves.

Airlines would be required to research more than 100,000 individual time sheets over the last decade, try to figure out when each employee was over U.S. airspace and for how long, and when they reported for work. There is no guarantee that records needed to comply are even kept beyond a reasonable period.

After this, Latin American airlines would have to assess taxes on all different salary levels, including differing levels for each person, since each employee would have received one or more pay raises during the last decade.

"The administrative nightmare this imposes on Latin American airlines is not just unacceptable and unjustified, but it is a colossal waste of time and resources," said de Gunten.

"The consequences eventually could affect trade between nations and not add one cent to the U.S. Treasury; to the contrary it will decrease those funds."

The market share for U.S. airlines operating to Latin America was 72.1% in 2004, compared to 27.9% for Latin carriers operating to the U.S.

"Latin American airlines already pay millions of dollars in U.S. taxes, fees, security costs, navigation payments and other fees that fund the U.S. transport industry. The industry continues to struggle to recover and the U.S. government continues to penalize its industry and international airlines, including recent proposals to increase security fees," de Gunten added.

"These actions must stop immediately, for the good of everyone involved," he said.

AITAL, , was founded in 1980 as a non-profit organization and currently members 22 airlines in Latin America.

Its member carriers have total revenue of more than \$12 billion, operate more than 550 aircraft and employ 65,000 workers in Mexico, Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Panama, Colombia, Venezuela, Peru, Ecuador, Bolivia, Brazil, Argentina, Chile, Paraguay, Uruguay and in other nations the airlines serve.

Latin American Airline Association (AITAL)
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