REGIONAL CONNECTIVITY SCHEME: GOVT PLANS TO LEVY DEPARTURES ON TRUNK ROUTES

News / Airlines



The government plans to impose a levy of Rs 7,000-8,000 per domestic departure flight on all trunk routes to subsidise airfare on operations to unconnected cities, Minister for Civil Aviation Ashok Gajapathi Raju said. This levy is estimated to generate Rs 500 crore annually to be used to fund the Regional Connectivity Scheme (RCS), under which airlines will offer services at an all inclusive airfare not exceeding Rs 2,500 for a one-hour flight.

“I think as of now it (levy) will come close to Rs 500 crore annually and we have four regions — North, South, East, West — to begin with,” Raju said, adding that the levy could be Rs 7,000-8000 per departure flight. While clearing the National Civil Aviation Policy 2016 earlier this month, the Union Cabinet announced the Regional Connectivity Scheme as the ‘centerpiece’ of its policy, aiming to raise the sale of domestic tickets to 30 crore in five years from 8 crore in 2015.

Besides the levy, the subsidised fare of Rs 2,500 will be funded through exemption to airlines from a host of charges, sharply lower services tax on tickets and reduced value added tax (VAT) on aviation turbine fuel. The government changed its earlier plan to levy a 2 per cent cess on each ticket to fund the RCS. Raju said the ministry thought a levy per departure flight may result in airlines absorbing some of the charge and not passing it on to the customer entirely. The government plans to start the RCS from second quarter of 2016-17.

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SOURCE: INDIAN EXPRESS
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