



Thirty-Fifth Meeting of the IMF Committee on Balance of Payments Statistics

Washington, D.C.
February 22–25, 2021

BOPCOM VM1—21/16
For information

C.7 Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers' Tickets

Prepared by the Current Account Task Team (CATT)

INTERNATIONAL MONETARY FUND

C.7 Treatment of Travel Packages, Health-Related Travel, and Taxes and Fees on Passengers' Tickets¹

The issues discussed in this Guidance Note (GN) are related to the items “travel” and “passenger services” as defined in the Balance of Payments and International Investment Position Manual, sixth edition (BPM6). Although the current concepts seem to be straightforward on how to record related transactions, some uncertainties remain, and the compilers asked for further clarification. The GN sheds some light on these issues and proposes amendments to be considered in the updated BPM6, but no radical changes in their future treatment are proposed. However, it is important to highlight that the treatment of package tours cannot be seen independently from the questions discussed in the CATT GN C.1 on the transactor-based services. Consequently, decisions in the context of this GN will be coordinated with the outcome of the final proposal by GN C.1.

SECTION I: THE ISSUE

BACKGROUND

Package Tours

1. Package tours can play an important role in a country's travel statistics,² and their correct treatment could therefore be of importance in the bilateral balance of payments comparisons. Clarification is needed in this regard to determine the extent to which the services included in the package tours have to be unbundled to fulfil the *BPM6* conceptual requirements.

Health Related Travel

2. Health-related travel is currently a supplementary item under the standard item “*personal travel*” in *BPM6* (paragraph 10.94 (a)). According to the definition, health-related travel covers “medical and dental services, other health care, food, accommodation and local transport” acquired by persons traveling abroad for medical reasons. However, confusion may arise because health expenditures by those not traveling for health purpose (e.g., persons receiving health services during a holiday trip) are included under “*all other personal travel*” subcomponent (paragraph 10.94 (c)).

3. This fact raises ambiguities in the interpretation of who is to be considered as “persons traveling abroad for medical reasons.” Different interpretations of what can/cannot be considered as “medical reasons” and who can/cannot be considered as “health travelers” could lead to differences in the coverage of “health-related travel” when comparing data across countries. National compilers have asked that these points be explicitly clarified and further elaborated in the updated *BPM6* to support a harmonized treatment across countries.

¹ Prepared by Mr. Jens Walter (Germany), Ms. Baby Mogapi (Botswana), and Ms. Angsupalee Wacharakiat (Thailand)

² For example, in Germany they accounted for 23 percent of total travel debits, in 2019.

Taxes and Fees on Passenger Tickets

4. Passenger services, as defined in *BPM6* paragraph 10.76, cover the transport of people, including all services provided in the international transport of nonresidents by resident carriers and that of residents by nonresident carriers. The current valuation of passenger transport includes fees payable by the carriers to travel agencies and other providers of reservation services (including platforms). *BPM6* paragraph 10.77 further highlights that “passenger services include fares and other expenditure related to the carriage of passengers, including any taxes levied on passenger services such as sales or value added taxes.”

5. The reasoning for the inclusion of taxes and fees on passenger tickets under passenger services is that in former times they have been considered not to be essential compared to the value of the fare. However, with the diversification of the airline market for passengers in the last decade—especially the emergence of low-cost carriers (LCCs)—the inclusion may not be justified anymore. Today the additional cost to be paid such as taxes, fees, etc. often exceed the actual ticket price significantly. In this respect, it might be appropriate to no longer show these costs under passenger expenses but under other current account items.

6. This Guidance Note (GN) discusses possible future presentations of these items in the updated *BPM6*.

ISSUES FOR DISCUSSION

Package Tours

7. It is crucial to note that the *BPM6* mentions package tours only in the context of passenger transportation, but not in the context of travel. Paragraph 10.77 indicates that passenger services include fares that are a part of package tours. However, the *BPM6 Compilation Guide* mentions the issue under travel surveys (paragraph 3.234), which is a logical occurrence, indicating that compilers must solve the problem of splitting the expenditures, in the case of package tours into passenger fares and the other travel components. From both remarks, it can be concluded that the treatment of the services bundled in a package tour relies solely on the general definition of travel in the *BPM6*. Therefore, judging from a pure conceptual perspective, all package tour components, which are not explicitly excluded from travel, must be recorded under travel, including for example any insurance services covered by the package (e.g., car insurance).

8. However, even if all components of a package are recorded under travel, it is necessary to unbundle it into its components to determine if the residency criteria is applied in all cases. As already mentioned, *BPM6* does not specifically discuss the package tours although the issue is quite complex, and its compilation is resource intensive to comply with the fundamental residency criteria. Given the lack of explicit guidance, there is always the risk that compilers underestimate the size of distortions, thereby undermining the international comparability, if distinct services that reflect resident-to-resident transactions are not recognized. Furthermore, an inadequate treatment of such packages in the *BPM6* could also affect Tourism Statistics (TS) and Tourism Sector Accounts (TSA), which may use BOP data as a source. Considering the significant role of package tours within the travel market for many countries, it is deemed necessary that more guidance on the treatment of package tours and their relevance for both

TS and TSA is included in the updated *BPM6* and its Compilation Guide. This could be achieved by including explanatory text in a box under the travel item.

9. The new box could include in the first place a general definition of package tours. Current international standards provide descriptions of package tours which could inspire a definition for the updated *BPM6*. For example, the International Recommendations of Tourism Statistics 2008 (IRTS 2008) stipulate in paragraph 6.59, that “Tour operators are businesses that combine two or more travel services (for example, transport, accommodation, meals, entertainment, and sightseeing) and sell them through travel agencies or directly to final consumers as a single product (called a package tour) for a single price. The components of a package tour might be pre-established or can result from an “à la carte” procedure where the visitor chooses from a pre-established list the combination of services he/she wishes to acquire”. A more restrictive definition is provided by the European Tourism Statistics Directive 2015/2302, whereupon a package tour consists of “a combination of travel services, arranged in advance, which includes at least transport and accommodation or one of these and some other essential tourism service”. From a conceptual perspective, the former description seems to be more appropriate for BPM as it better aligns with the definition of travel and corresponds to the diversity of such packages in most countries.

10. The second part could discuss the need to unbundle packages, or to be more precise why package tours should not be seen as a new product. The reasoning is again the alignment with the standards (e.g., paragraph 6 of the *IRTS 2008*, states that “all components of a package tour, including the value of the service of the tour operator and of the travel agency, are considered as directly purchased by visitors”). A similar clarification is also given in paragraph 3.22 of the “*Tourism Satellite Account: Recommended Methodological Framework 2008*”.

11. Such an enhancement would alleviate two major shortcomings of the current BPM version and at the same time support its further alignment with other international frameworks. First, there is a lack of concern on how to treat packages and the need to decompose them in order to assign the single components to the respective service items following the current standards. Second, in light of the BPM core principle of residency, compilers need to distinguish the residency of the visitor, the end provider of the tourism service, the travel agency, the tour operator itself, not to mention that of the digital intermediate platform, if used. This information cannot be taken from tourism demand surveys as consumers are not able to provide such information, neither the value of the components nor the correct geographical allocation of each service component. Therefore, additional sources must be sought, or estimation models must be implemented to fulfil the requirements of the *BPM6* adequately. Expanding the *BPM6* conceptual background to include additional detail on package tours is considered an appropriate solution to raise the awareness among the compilers about the complexity of this issue. Practical examples on sources and models used by countries can be found for example in the Eurostat’s “*Methodological manual for tourism statistics, Version 3.1., 2014 edition*” and could be easily integrated in the future Compilers Guide.

Health Related Travel

12. In the context of health related travel, the ambiguity in interpreting “persons traveling abroad for medical reasons” is twofold. First, should “medical reasons” be restricted to “treatment of disease provided to patients by hospitals/clinics”, or should they be broadly defined to also include cosmetic

surgery/wellness spa? Second, should companion(s) accompanying person(s) travelling abroad for the purpose of receiving medical treatment be covered under the “health-related travelers” as well?

13. A starting point to defining a reasonable scope of the types of “health care services” to be included under the “health-related travel”, could be the definition of “health and medical care” in the *IRTS 2008*. Paragraph 3.17 of the *IRTS 2008* states:

“Health and medical care: This category includes, for example, receiving services from hospitals, clinics, convalescent homes and, more generally, health and social institutions, visiting thalassotherapy and health and spa resorts and other specialized places to receive medical treatments when they are based on medical advice, including cosmetic surgeries using medical facilities and services.”

14. Although the definitions of “travelers” in *BPM6* context and “visitors” in *IRTS* are not identical, adopting *IRTS*’ scope of “health and medical care” (see above) to explain the term “medical reasons” when defining “health-related services” in the *BPM* context, should improve the comparability of tourism statistics produced by different international statistical standards. This would also facilitate their analytical use by users such as analysts and policy makers, and foster serviceability of tourism-related indicators.

15. On the treatment of companions accompanying traveling patients, *BPM6* (para. 4.121) merely specifies that “...the residence of accompanying dependents of patients is determined in the same manner as the persons they accompany.” However, neither *BPM6* nor other relevant international manuals and guidelines consulted (*BPM6 Compilation Guide*, *IRTS 2008*, *Manual of Statistics in International Trade in Services 2010 (MSITS 2010)*, and *OECD System of Health Accounts (SHA) 2000*) suggests a broader interpretation of “health-related travelers” to also include traveling patients’ companions.

Taxes and Fees on Passenger Tickets

16. The key conceptual question in regard to taxes and fees on passenger tickets is whether the inclusion of these components in passenger tickets is consistent with the basic structure of the balance of payments, which details the breakdown of services and separates services from transfers (i.e., air transport taxes or airport taxes in this case).

17. The price of an airline ticket is a very complex item nowadays. Transport-related taxes and fees can add up to as much as the base fare, if not more, that is the fare to be paid to transport a passenger from the airport at the actual place of departure to the airport at the final destination. It is usually calculated in accordance with the tariff applicable on the day of booking and the intended flight dates. However, such fares could also include some surcharges (e.g., a fee based on the cost of fuel) which an airline levies, for example, navigational aid, peak travel or insurance. Furthermore, a ticket price also includes several taxes and fees imposed by the state or local government or by another authority, or by the operator of an airport regarding services provided to the passenger. All these additional charges could vary at the time of booking, from airline to airline, region to region and country to country. These taxes and fees are usually collected from the airline companies directly and are then passed on to the passengers.

18. From a conceptual perspective, it can be concluded, that all these taxes and fares are an integral part of the ticket price (i.e., the *BPM6* market price for services which is equivalent to the *2008 System of National Accounts (2008 SNA)* purchaser price (see *MSITS 2010* paragraph 3.52)) the passenger has to

pay to be moved from the place of departure to the place of final destination. From an economic perspective, the airline is not able to provide the transportation service without paying fees and taxes for each passenger it transports to the relevant authorities or service providers, including the airport security. It is therefore not suggested by the team to record taxes and fees separately from the base fare.

SECTION II: OUTCOMES

RECOMMENDATIONS

Package Tours

- Travel section should be extended to include a box describing package tours consistently with the other international standards (e.g., the IRTS). The box would also highlight the conceptual need to decompose the package tours into their components and record the transactions between the traveler and the providers of the services according to the residency concept.

Health Related Travel

- **The term “medical reasons” should follow the scope of “health and medical care” as specified in IRTS 2008.** The updated *BPM6* and/or updated *BPM6 Compilation Guide* should include text that clearly specifies cases that can/cannot be considered as “persons traveling abroad for medical reasons”. For example, the IRTS indicates it is “covering services from hospitals, clinics, convalescent homes, health and social institutions, thalassotherapy, health and spa resorts, other specialized places to receive medical treatments based on medical advice, as well as cosmetic surgeries using medical facilities and services. Harmonizing the definitions would promote comparability with tourism-related indicators, and better serve data requirements of users, such as analysts and policymakers. If the proposed change to *BPM6* is adopted, the *MSITS 2010* should also be revised accordingly.
- **Treatment of “companions accompanying traveling patients” should clearly indicate (i) their residence; and (ii) specify the sub-category where their spending is included.** In determining companions’ residence, *BPM6* (para. 4.121) clearly specifies that “...*the residence of accompanying dependents of patients is determined in the same manner as the persons they accompany*”. This treatment should remain in the updated BPM as the intention of the “companions” is to “accompany the traveling patients” and therefore, their duration of stay abroad and center of economic interest would follow that of the traveling patients. This, however, does not imply or require that “companions” be treated as “health-related travelers”.
- **In regard to specifying the category for the “companions’ spending”, the rationale behind having a sub-category of “health-related travel” under “personal travel”, and practicality of data collection needs to be considered.** Details on the usage of data on “health-related travel” and potential data sources are elaborated in the Annex. Two options are proposed for consideration:
 - Option 1: Categorizing both the patients and their companions as “health-related travelers”; and record all companions’ expenses under “health-related travel”.

- Option 2: Categorizing patients' companions as "normal travelers"; and record all companions' expenses under "other personal travel".
- **The pros and cons, and prerequisites for getting a good estimate of travel expenses for each option are illustrated in the Annex.** To assist compilers in interpreting the case and scoping the estimates for each sub-category, a clear **definition of "patients' companions"** should also be provided in the updated manual or the compilation guide.
- **To ensure consistency within the classification of travelers to relevant sub-categories of "travel" in the balance of payments context, similar issues for instance with regard to the treatment of companions of education-related travelers should also be discussed.** However, this topic is outside the scope of this GN and could be discussed in a separate Note for clarification that could apply a similar reasoning as with the proposed treatment of companions of health-related travelers. A separate paragraph or a box in the updated *BPM6* and/or the related Compilation guide should be dedicated to comprehensively elaborating companions' cases, the recommended treatment, as well as the rationale behind the recommendations.

Taxes and Fees on Passenger Tickets

- **No change to the *BPM6* is proposed as the current treatment is considered conceptually sound and in line with the purchaser price concept used in the 2008 SNA.**

Questions for Discussion:

1. *Does the Committee agree that the service components sold in a package tour should be unbundled to determine whether the composing transactions are between residents and non-residents and so should be recorded in line with the current definition of travel?*
2. *What are the Committee's views on adding a descriptive text (a box) to travel that includes a general definition of package tours and provides guidance in unbundling them?*
3. *Does the Committee share the view that the term "medical reasons" should follow the scope of "health and medical care" according to IRTS 2008?*
4. *Does the Committee agree that the residence of the patients' companions be treated in the same way as traveling patients and a definition of "patients' companions" be provided in the Compilation Guide?*
5. *Which of the two options is favored by the Committee in recording travel expenses for the traveling patients' companions?*
6. *Does the Committee agree that similar ambiguity with regard to the treatment of companions be added to the list of issues for clarification?*
7. *Does the Committee agree with the proposal not to change the *BPM6* with regard to the treatment of taxes and fees on passengers' tickets?*

REFERENCED DOCUMENTS

Current Accounts Task Team, 2020, Guidance Note “C.1. Recording of Transactor-Based Components of Services (Travel, Construction, and Government Goods Under Services) in the Balance of Payments” (Washington, D.C.)

European Tourism Statistics Directive 2015/2302. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2302&from=EN>

Eurostat, 2014, *Methodological Manual for Tourism Statistics, version 3.1, edition 2014* (Luxembourg). <https://ec.europa.eu/eurostat/documents/3859598/6454997/KS-GQ-14-013-EN-N.pdf>

International Monetary Fund, 2009, *Balance of Payments and International Investment Position Manual, sixth edition* (Washington, D.C.). <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

International Monetary Fund, 2014, *Balance of Payments and International Investment Position Compilation Guide* (Washington, D.C.). <https://www.imf.org/external/pubs/ft/bop/2014/pdf/Guide.pdf>

Organization for Economic Cooperation and Development, 2000, *A System of Health Accounts, version 1.0* (France). <http://www.oecd.org/health/health-systems/21160591.pdf>

United Nations, 2010, *International Recommendations of Tourism Statistics 2008*. https://unstats.un.org/unsd/publication/Seriesm/SeriesM_83rev1e.pdf

United Nations, 2010, *Tourism Satellite Account: Recommended Methodological Framework 2008*. http://www.oecd.org/cfe/tourism/TSA_EN.pdf

United Nations, 2011, *Manual on Statistics of International Trade in Services 2010* (New York). [https://unstats.un.org/unsd/tradeserv/TFSITS/msits2010/docs/MSITS%202010%20M86%20\(E\)%20web.pdf](https://unstats.un.org/unsd/tradeserv/TFSITS/msits2010/docs/MSITS%202010%20M86%20(E)%20web.pdf)

Annex. Health-Related Travel: Under Which Sub-Category of Personal Travel Should We Record Expenses of Traveling Patients' Companions?

In deciding the appropriate sub-category under “personal travel” to record “travel expenses of traveling patients' companions”, the following factors can be considered:

1. Practicality of Data Collection:³

1.1 Number of Traveling Patients and Their Companions

The followings are potential data sources for the number of patients and their companions (for inbound travel):

- Immigration office: If the patients and companions require special visa type to enter the host country, the immigration office may be able to segregate the traveling patients and companions from other types of visitors. However, if the patients and companions can enter the host country using regular tourist visa or even without a visa, it would not be feasible for the immigration to distinguish them from other types of visitors. Arrival/departure cards may not contain sufficiently comprehensive records to help identify patients' companions. Moreover, several countries have already abolished (or have a plan to soon abolish) arrival/departure cards, so it is becoming less and less likely that the immigration office would be a plausible data source for total number of patients and companions.
- Hospitals/clinics (i.e., medical treatment service providers): Conducting survey/direct report on hospitals/clinics receiving nonresident patients would be a comprehensive data source for the number of patients, but not necessarily on the companions. Hospitals/clinics would have information on the number of companions only if the companions stay in the hospitals/clinics together with the in-patients. For out-patient cases, or in-patients staying in the intensive care units, companions would require to stay in the accommodations outside of the hospital complex (and these cases are likely to outweigh the number of cases where companions are allowed to stay in the hospitals/clinics together with the patients). In this case, hospitals/clinics would not be aware of the number of companions.
- Ministry of Health (MOH) or health-related authorities: For countries which the MOH requires hospitals/clinics to report data regularly (i.e., direct report), the MOH could be a potential data source for number of patients and their expenses. However, as for companions, similar concerns to those described above (under “hospitals/clinics” paragraph) will still hold.

1.2 Spending of Traveling Patients and Their Companions

The followings are potential data sources for the spending of patients and their companions (for inbound travel):

- Hospitals/clinics (i.e., medical treatment service providers): Similar to the number of patients and companions, conducting survey/direct report on hospitals/clinics receiving nonresident patients would be a comprehensive data source for patients' expenses, but not necessarily on the

³ The conceptual framework laid out here is primarily for compiling data on inbound travel. Outbound travel would require different approaches and data sources.

companions. For in-patients, expenses charged by the hospitals/clinics would likely include medical treatment, transport (ambulance to/from hospitals/clinics), hospital room and board, and other applicable fees. Expenses unknown to the hospitals/clinics would be those paid by the patients during their extended stay/trip (if any) after discharge, or on-line shopping while staying in the hospitals/clinics (if any), or all non-medical treatment charges for the case of out-patients. As for companions, their entire expenses would likely be unknown to the hospitals/clinics, particularly for cases where companions are now allowed to stay overnight in the hospitals/clinics together with the patients.

- Exit survey for patients: Patients would have full information on their expenses paid to the hospitals/clinics and can perhaps provide information on expected expenses during their extended stay/trip after leaving the hospital. Patients may also be in the position of providing information on companions' expenses if they pay/cover for expenses of dependent companions. On the other hand, if the patients are the dependents of the companions, or the patients and companions are financially independent of each other, the companions' expenses could be unknown to the patients, and they would not be able to provide information on the companions' behalf. Moreover, willingness of the patients to provide information to the voluntary exit survey could be a major concern, particularly in providing information on expenses irrelevant to medical treatment.
- Tourism survey: Sample survey conducted on nonresident visitors generally serves as common data source for estimating travel receipts. Information breakdown by country of residence, income range, etc. allows compilers to calculate average expenses of visitors for different clusters/categories of visitors (with certain level of homogeneity within each cluster/category), thereby yielding reasonable estimates of travel receipts as a whole. However, for patients, medical expenses tend to vary tremendously across diseases/treatment techniques, hence hindering compilers from forming "clusters" when calculating average expenses for patients. This affects the quality of the average expenses calculated from the sample and the estimated health-related travel receipts as a whole. For instance, expenses on minor cosmetic surgery or dental care would differ from expenses on cardiovascular surgery or neurosurgery by many folds. Unlike the case of estimating expenses of normal tourists, applying arithmetic or geometric average of medical expenses to the number of patients would not yield reasonably good estimates of health-related expenses. Inclusion of companions as part of the headcounts of patients could further deteriorate the estimates, given that companions' spending is not in a similar scale or resemble the nature of patients' spending.

2. Usage of "Health-Related Travel" as a Sub-Category Under "Personal Travel":

The rationale behind having a sub-category of "health-related travel" under "personal travel" in *BPM5* and *BPM6* needs to be examined. Understanding the intended usage of "health-related travel" could help justify appropriate categorization for travel expenses of the patient's companions.

If key data users of "health-related travel" are policy makers for healthcare sector, main focus would likely be on the measurement of the size of "exports of healthcare services" provided to nonresident patients traveling with primary purpose of receiving medical services. The data for this sub-category would be a useful indicator for policy formation and strategic planning for export of healthcare services (especially in countries where healthcare cluster is a significant or strategic driver of the economy). In this case, bundling the spending by "companions of traveling patients" into "health-related travel" could blur the

analysis and cause misleading conclusion drawn from disseminated figures. The intention of “companions” is to “accompany traveling patients”, rather than to “receive medical treatment” themselves or medical advice. Moreover, companions’ expenditures on goods and services while traveling with the medical patients likely resemble the spending categories of regular tourists (e.g., accommodation, food and beverages, transport, shopping, etc.); these kinds of services are not provided by typical healthcare institutions. Therefore, bundling the spending by “companions of traveling patients” into “health-related travel” could limit the usability of statistics produced.

3. Proposed Options for Treatment of Patients’ Companions and Their Expenses:

Drawing from the pros and cons of different data sources and usage of the “health-related travel” data as elaborated above, two options are proposed for categorizing patients’ companions and their expenses:

Option 1: Categorizing both the patients and their companions as “health-related travelers”; and record all companions’ expenses under “health-related travel”.

Getting a good estimate of “health-related travel” for Option 1 requires the followings:

- A. Data sources (immigration office/hospitals) allow segregating patients’ companions from normal tourists.
- B. For companions’ travel expenses, the country must be able to either (i) collect data directly from the companions; or (ii) identify “patients’ companions” in the tourism survey samples and derive “average spending” of this “companion cluster” and apply this average to A.
- C. If companions’ travel expenses are not negligible as compared to patients’ expenses, disaggregation of the companions’ portion would be useful for data users who may have specific interest to only the portion which are closely linked to healthcare sector (i.e., patients’ expenses), particularly policy makers and strategic planning units for healthcare sector.

Option 2: Categorizing patients’ companions as “normal travelers”; and record all companions’ expenses under “other personal travel”.

Under this option, “patients’ companions” are treated in the same way as “normal tourists”, so compilers need not distinguish between the two groups. Estimation of “other personal travel” can be performed in the same way as with the currently derived estimates for travel receipts (e.g., applying average expenses (by country of residence/cluster/or as a whole) to the average length of stay and the number of tourists; using ITRS; using data on credit card usage and money changers, etc.). Option 2 is also analogous to the case of companions accompanying business travelers; i.e., companions’ travel expenses are treated as “personal travel” rather than “business travel”.

A complication with this option would be, that it would lead to conceptional inconsistencies as the one-year rule of residency applicable for “normal tourists” would not apply for companions (i.e., their center of economic interest would follow the one of the patient).