61ST CONFERENCE OF DIRECTORS GENERAL OF CIVIL AVIATION ASIA AND PACIFIC REGION

Kuala Lumpur, Malaysia
7 – 11 September 2026

AGENDA ITEM 6: ECONOMIC DEVELOPMENT OF AIR TRANSPORT

UNITED NATIONS FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION

Presented by International Air Transport Association (IATA), co-sponsored by Association of Asia Pacific Airlines (AAPA)

SUMMARY

This paper addresses the implications for international air transport of recent developments in international tax cooperation, including those related to the discussions towards the creation of the United Nations (UN) Framework Convention on International Tax Cooperation.

This paper recalls that States have deliberately agreed, at the UN level, on an established framework governing the taxation of international air transport, under which residence-based taxation is considered the appropriate approach, fully compatible with the States' sovereign right to impose taxes.

This framework is expressed in the ICAO Policies on Taxation in the Field of International Air Transport (Doc 8632) and is consistently reflected in Air Services Agreements (ASAs) and Double Taxation Agreements (DTAs).

The paper highlights the need to preserve the integrity of existing international law and UN policies and to ensure that ongoing developments across international fora, including those under the UN Framework Convention on International Tax Cooperation, remain consistent with this established framework.

UNITED NATIONS FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION

1. INTRODUCTION

1.1 International air transport operates under a deliberately coordinated framework of legal, regulatory and fiscal arrangements that has supported its sustained development and role as an enabler of global connectivity and economic growth.

1.2 ICAO policies on taxation, as reflected in Doc 8632 and Assembly Resolutions including A37-20 and their reaffirmation at subsequent Assemblies, including A41 and A42, provide clear guidance to States regarding the taxation of international air transport. They have long upheld the principle of residence-based taxation, which affirms that profits from international air transport should be taxed exclusively in an airline's place of residence or effective management. These policies are implemented by numerous bilateral Air Services Agreements (ASAs) and Double Taxation Agreements (DTAs), which allocate taxing rights and avoid double taxation.

1.3 Collectively, these instruments establish a stable, widely implemented and internationally recognized framework governing the taxation of international air transport. Preserving this framework is essential to avoid multiple taxation, maintain fair competition and sustain global connectivity on which economic development depends.

2. ASSESSMENT OF RECENT DEVELOPMENTS IN INTERNATIONAL TAXATION

2.1 Recent developments in international tax cooperation, including work under the UN, aimed to address broader challenges in the global tax system, and raised specific concerns due to the air transport sector's inherently international and networked nature.

2.2 In 2025, a revision of the UN Model Tax Convention, proposed by the UN Tax Committee, added source-based taxation to Article 8 (Taxation of International Shipping and Air Transport) as an alternative to the historical residence-based rule, illustrating a clear departure from long-standing tax frameworks for international air transport.

2.3 Ongoing discussions around the UN Framework Convention on International Tax Cooperation, under the auspices of the Intergovernmental Negotiating Committee, also introduce source-based taxation in its proposed Article 5. Unlike Article 8 of the UN Model Convention, the proposed Article 5 of the UN Framework Convention is of general application; however, its potential extension to international air transport raises concerns due to the sector's inherently international and networked nature.

2.4 The introduction of expanded taxing rights or source-based approaches overlaps with existing aviation-specific frameworks, creates competing taxation claims, risks double taxation and increases administrative complexity. Further, misalignments within the UN system risk creating inconsistencies with established principles governing the taxation of international air transport.

3. EXISTING UNITED NATIONS POLICY FRAMEWORK AND PRACTICE

3.1 Within the UN system, international air transport is deliberately governed by a comprehensive, well-established and widely implemented policy framework under ICAO, reflecting long-standing consensus among UN Member States. In line with this mandate, ICAO policies, notably Doc 8632, and Assembly Resolutions including A37-20 and their reaffirmation at subsequent Assemblies, including A41 and A42, establish clear principles supporting the allocation of taxing rights based on the place of effective management and avoiding source-based taxation.

3.2 These principles are consistently reflected in over 3,500 bilateral ASAs and DTAs, forming a central element of the international legal framework governing aviation within the UN system. The continued reaffirmation of these policies confirms their validity and reflects sustained consensus among States. Therefore, the key issue is not the development of new principles, but ensuring the consistent application of those already agreed.

4. DISCUSSION

4.1 In the context of evolving international tax governance, there is an increasing risk of policy fragmentation pertaining to international air transport arising from the development of multiple frameworks across different international fora, including within the UN system.

4.2 In recent years, the aviation sector has witnessed a growing proliferation of taxation measures beyond the scope of established ICAO policies. If extended to international air transport without appropriate alignment, such measures may create inconsistencies with existing frameworks and raise concerns regarding their potential impact on the sustainable development of air transport and national economies, undermining the Chicago Convention's stated goals.

4.3 The application of general taxation approaches, such as source-based taxation, without due consideration of aviation-specific frameworks may lead to conflicting obligations, double taxation, overlapping taxing rights and legal uncertainty. Such distortions will propagate across the global air transport network, which is inherently multi-jurisdictional.

4.4 The key challenge is therefore to ensure consistency between existing ICAO policies and emerging international tax frameworks within the UN system. ICAO, as the specialized UN agency responsible for international civil aviation, has a central role to play in ensuring that the established framework governing international air transport is appropriately reflected in these discussions, including those under the UN Framework Convention on International Tax Cooperation. In order to preserve the integrity and coherence of this framework, States should ensure that new international tax instruments are aligned with existing ICAO policies and aviation-specific agreements, which provide a comprehensive basis for the taxation of international air transport.

4.5 This alignment may be achieved, as appropriate, through provisions that preserve the application of existing frameworks and avoid inconsistencies, including by ensuring that international air transport is not brought within the scope of new international tax regimes where this would be inconsistent with established principles.

5. CONCLUSIONS

5.1 International air transport benefits from a stable and widely implemented framework governing taxation, based on principles agreed by ICAO Member States and reaffirmed at successive Assemblies, including the Forty-Second Session of the Assembly.

5.2 Recent developments in international tax cooperation may create risks of inconsistency with this framework if applied without appropriate consideration of the specific characteristics of international air transport. Preserving the integrity of the aviation taxation framework requires ensuring alignment between existing ICAO policies and emerging international tax instruments in the UN system.

6. ACTION BY THE CONFERENCE

The Conference is invited to:

a) reaffirm that the UN policies applicable to the taxation of international air transport are expressed in the ICAO Policies on Taxation in the Field of International Air Transport (Doc 8632);

b) recognize that within the UN system, States have deliberately agreed that the taxation of international air transport should be based on the principle of residence rather than source, recognizing this approach as fully consistent with their sovereign right to impose taxes and grounded in the principle of reciprocity, as reflected in thousands of DTAs and ASAs;
c) request ICAO to actively engage, as appropriate, within the United Nations system – including in the development of the UN Framework Convention on International Tax Cooperation and related instruments – so as to ensure that such developments remain consistent with the established framework governing the taxation of international air transport;
d) encourage States in the Asia-Pacific region (including through cross-ministerial or cross-departmental alignment) to uphold their commitments under this established framework – and, in the context of the UN Framework Convention on International Tax Cooperation and other relevant international fora, to ensure that positions taken and approaches supported remain consistent with these principles and do not give rise to new, duplicative or extraterritorial taxation of international air transport; and
e) urge States in the Asia-Pacific region to ensure that international air transport is not brought within the scope of new international taxation frameworks – including in the context of the United Nations Framework Convention on International Tax Cooperation – through appropriate safeguards in international tax instruments. This would secure consistency with agreed ICAO principles, preserve existing ASAs or DTAs, and ensure that international air transport is not subject to overlapping or duplicative international tax regimes.

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