



DIRECTORS GENERAL OF CIVIL AVIATION-MIDDLE EAST REGION

Eighth Meeting (DGCA-MID/8) (Doha, Qatar, 26 – 28 October 2026)

Agenda Item 9: Economic Development of Air Transport

UNITED NATIONS FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION

(Presented by International Air Transport Association (IATA))

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 Framework Convention on International Tax Cooperation. While these developments are global in nature, this paper brings their implications to the attention of MID States for regional consideration and coordinated engagement.

This paper recalls that ICAO has adopted 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 rights 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 bilateral Air Services Agreements (ASAs) and Double Taxation Agreements (DTAs) between States.

The paper highlights the need for MID States, as part of the broader international aviation community, to preserve the established framework governing the taxation of international air transportation and to ensure that ongoing developments, including those under the UN Framework Convention on International Tax Cooperation, remain consistent with this established framework.

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 its 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.

1.3 These policies are implemented by numerous bilateral Air Services Agreements (ASAs) and Double Taxation Agreements (DTAs), which allocate taxing rights and avoid double taxation.

1.4 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. This is of direct relevance to MID States, both individually and collectively, in safeguarding their international air connectivity and supporting a coherent regional position in the relevant global discussions.

2. ASSESSMENT OF RECENT DEVELOPMENTS IN INTERNATIONAL TAXATION

2.1 Recent developments in international tax cooperation, including work under the United Nations, intended to address broader challenges in the global tax system have raised specific concerns about their potential application to international air transport.

2.2 In 2025, Article 8 of the UN Model Tax Convention was revised to include, as an alternative to the traditional residence-based rule, an option allowing source-State taxation of income from international air transport. This represents a departure from the longstanding residence-based approach reflected in the ICAO framework.

2.3 The draft UN Framework Convention on International Tax Cooperation also provides, in its proposed Article 5, for taxing rights based on source- and market-related factors, including where value is created, markets are located, revenues are generated or economic activities take place. Unlike Article 8 of the UN Model Convention, Article 5 of the draft Framework Convention is of general application. The potential application of Article 5 to international air transport therefore raises concerns given the inherently international and networked nature of aviation.

2.4 The introduction of expanded taxing rights or source-based approaches may overlap with existing aviation-specific frameworks, create competing taxing claims, risk double taxation and increase administrative complexity.

2.5 Misalignments within the UN system risk creating inconsistencies with established principles governing the taxation of international air transport.

3. EXISTING POLICY FRAMEWORK AND PRACTICE

3.1 Within the United Nations system, international air transport is governed by a comprehensive, well-established and widely implemented policy framework under ICAO. In line with this mandate, ICAO policies, notably the Policies on Taxation in the Field of International Air Transport (Doc 8632), 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 many bilateral ASAs and DTAs, forming a central element of the international legal framework governing aviation within the United Nations system. The continued reaffirmation of these policies in Doc 8632 at successive Assemblies confirms

their continued relevance and support among States. Therefore, the key issue is not the development of new principles, but ensuring the consistent application of those that are already widely established.

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 United Nations 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. The development of new international tax frameworks without due consideration of existing aviation-specific frameworks may lead to double taxation, overlapping taxing rights and legal uncertainty. Such distortions may propagate across the global air transport network, which is inherently multi-jurisdictional. Any increase in the risk of double or multiple taxation may adversely affect connectivity, trade and economic development, particularly for States that are highly dependent on international air transport links.

4.3 The key challenge is therefore to ensure consistency between existing ICAO policies and emerging international tax frameworks within the United Nations system. The scope of the Framework Convention should be limited to establishing high-level principles, with any detailed allocation rules should be addressed, where appropriate, through specific protocols. Such protocols should not undermine established frameworks governing the taxation of international air transport.

4.4 ICAO, as the specialized United Nations 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 United Nations 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. Existing bilateral and multilateral agreements governing the taxation of international air transport should be preserved and should not be displaced, overridden or rendered ineffective by future international tax instruments.

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. Where new international tax instruments are developed, consideration should be given to provisions that expressly preserve the continued application of existing frameworks governing the taxation of international air transport.

5 CONCLUSIONS

5.1 International air transport benefits from a stable and widely implemented framework governing taxation, based on principles adopted by the ICAO Council 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. Such developments should be implemented in a manner that does not require the renegotiation or modification of existing Air Services Agreements or Double Taxation Agreements governing the taxation of international air transport.

5.3 Preserving the integrity of the aviation taxation framework requires ensuring alignment between existing ICAO policies and emerging international tax instruments within the United Nations system. Coordinated engagement by MID States in relevant international fora would support this objective.

6. ACTION BY THE MEETING

6.1 The meeting is invited to

- a) reaffirm that ICAO's policies applicable to the taxation of international air transport are those expressed in the ICAO Policies on Taxation in the Field of International Air Transport (Doc 8632);
- b) recognize that ICAO's policies support reciprocal exemption from taxation on income derived from the operation of aircraft in international air transport, reflecting the principle that such income should be taxed on a residence rather than a source basis;
- c) express the opinion that the UN Framework Convention on International Tax Cooperation and other relevant international fora, should not result in duplicative or extraterritorial taxation of international air transport;
- d) acknowledge that any new international taxation frameworks should not be inconsistent with established ICAO principles and should not require renegotiation or modification of existing ASAs or DTAs or otherwise displace the application of existing agreements governing the taxation of international air transport;
- e) request ICAO to engage with the relevant bodies within the United Nations system to ensure that such developments remain consistent with the established ICAO framework governing the taxation of international air transport; and
- f) encourage MID States to coordinate their positions and engagement in relevant international fora in support of the established ICAO framework.

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