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Agenda Item 3: Strengthening regulatory and institutional frameworks
3.4: Levies on international air transport

LEVIES ON INTERNATIONAL AIR TRANSPORT

(Presented by the Secretariat)

EXECUTIVE SUMMARY

This paper reviews recent developments relating to charges and taxation on international air transport and assesses their implications on the development of the sector. It examines emerging considerations associated with the application of charging framework to new entrants and operational models. The paper reaffirms the importance of compliance with the *Convention on International Civil Aviation* (Chicago Convention) and the International Civil Aviation Organization (ICAO)'s policies on charges and taxation, while highlighting ICAO's efforts to support States in strengthening compliance. Finally, the paper proposes actions for States and ICAO to promote internationally-harmonized charging and taxation practices that support infrastructure financing, global connectivity, economic growth, and the continued evolution of international aviation.

Action: The action by the conference is detailed in paragraph 5.1.

Strategic Goal:	This working paper relates to Strategic Goal: *The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All*.
Financial implications:	The activities referred to in this paper will be undertaken subject to the resources available in the 2026–2028 Regular Budget and/or from extra budgetary contributions, including the Voluntary Air Transport Fund.
References:	*Resolutions Adopted by the 42nd Session of the Assembly, Provisional Edition, October 2025* (ICAO Assembly Resolutions A42-26, A42-21, A42-22) Doc 7300, *Convention on International Civil Aviation* Doc 10221, *Assembly 42nd Session. Montréal, 23 September – 3 October 2025. Economic Commission Report* Doc 10180, *Assembly 41st Session. Montréal, 27 September – 7 October 2022 Economic Commission Report* Doc 10225, *Assembly 42nd Session. Montréal, 23 September – 3 October 2025 Executive Committee Report* Doc 9082, *ICAO's Policies on Charges for Airports and Air Navigation Services* Doc 8632, *ICAO's Policies on Taxation in the Field of International Air Transport* State letter EC2/10 – 25/1

1. INTRODUCTION

1.1 Air transport plays a vital role in supporting global connectivity, economic development and social well-being. The affordability and accessibility of international air services are closely influenced by the level and structure of levies applied to the sector. Charges and taxation, when not aligned with the *Convention on International Civil Aviation* (Chicago Convention) and relevant International Civil Aviation Organization (ICAO) policies, may have significant adverse implications on the growth of air transport and the broader economic development.

1.2 ICAO makes a clear distinction between user charges and taxes. As stated in *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) ICAO-Doc-9082, a charge is a levy that is designed and applied specifically to recover the costs of providing facilities and services for civil aviation, and a tax is a levy that is designed to raise national or local government revenues, which are generally not applied to civil aviation in their entirety or on a cost-specific basis.

1.3 Improperly structured charges and proliferation or non-aviation-related taxation, particularly those not reinvested in aviation, can impact infrastructure financing, increase costs, reduce connectivity, weaken the financial sustainability of the sector, and diminish the broader economic benefits generated by aviation. Strengthened compliance with the Chicago Convention and ICAO polices, supported by enhanced coordination among States, is essential to ensure that charging and taxation practices facilitate the growth and resilience of international air transport.

2. DEVELOPMENT ON LEVIES ON INTERNATIONAL AIR TRANSPORT

2.1 Development Relating to Charges

2.1.1 ***Evolving charging landscape.*** Recent developments in charges have been driven by increasing infrastructure financing needs, modernization requirements, sustainability objectives, and the emergence of new entrants. Striking an appropriate balance between evolving charging practices and their implications on the development of the aviation sector remains critical to the effective application of charging frameworks. Environmental considerations have also increasingly influenced charging systems with the introduction or expansion of environment-related charges. Concerns arise from the proliferation of charges, especially when charges increase without transparency or alignment with ICAO policies.

2.1.2 ***Compliance with Article 15 of the Chicago Convention.*** The issue of compliance with Article 15 of the Chicago Convention, particularly the last sentence thereof, which provides that *"no fees, dues or other charges shall be imposed by any contracting State in respect solely of the right of transit over or entry into or exit from its territory of any aircraft of a contracting State or persons or property thereon*", has been raised at the recent meetings of the Airport Economics Panel and Air Navigation Services Economics Panel (AEP-ANSEP), the Air Transport Regulation Panel (ATRP), as well as recent sessions of the ICAO Assembly. The 41st Session of the ICAO Assembly agreed that more specific guidance and legal analysis are required for Member States to better understand and apply Article 15. Furthermore, the 42nd Session of the ICAO Assembly took note of the ATRP's draft guidance material, State letter and proposed process for the Council's review of representations made by States pursuant to Article 15 and referred them to the Legal Committee for an expeditious legal review in 2026. A Secretariat Study Group on Article 15 (SSG-A15) is presently undertaking the legal review of the draft guidance material developed by the ATRP and will present the outcomes of its work to the 40th Session of the Legal Committee.

2.1.3 **Charges for emerging aviation operations.** The rapid development of emerging aviation operations, including advance air mobility (AAM) and other new entrants, requires appropriate charging mechanisms that ensure cost recovery without creating barriers to innovation or market entry. Existing charging frameworks may not fully reflect the operational characteristics of these new entrants, including differences in scale, infrastructure use, airspace integration and service requirements. ICAO plays a key role in providing guidance to support States in developing harmonized approaches to integrate these new operations into existing charging frameworks, consistent with ICAO policies.

2.2 **Development on Taxation on International Air Transport**

2.2.1 ***Proliferation of taxation.*** In recent years, there has been a growing trend toward the introduction or expansion of taxes on international air transport, including passenger departure taxes, solidarity levies, tourism taxes, environmental taxes, among others. As the aviation sector requires significant investment to achieve its long-term aspirations, including enhancing safety toward zero fatalities, achieving net-zero carbon emissions by 2050, and ensuring that air transport is accessible and affordable for all, the proliferation of such taxes may lead to higher air transport costs, reduce affordability, and increase financial pressure on the industry and consumers, Moreover, revenues generated from these taxes may not necessarily be directed towards supporting the development of the aviation sector.

2.2.2 ***United Nations taxation frameworks.*** Recent developments in taxation frameworks at the United Nations (UN) have implications for the taxation of international air transport and could increase administrative complexity and create risks of double taxation, which could be inconsistent with ICAO's policies. The revision to Article 8 of the *United Nations Model Double Taxation Convention between Developed and Developing Countries (the UN Model)* expands taxing rights of source States over income derived from international transport operations, representing a shift from the exclusive residence-based taxation for international air transport that has supported the avoidance of double taxation. In addition, the ongoing work on the *UN Framework Convention on International Tax Cooperation*, as a potentially binding instrument, may further influence cross-border airline taxation, international transport income, and environmental fiscal measures.

2.2.3 ***Environmental taxation*** has become a significant area of development, with the resurgence of proposals of aviation emissions-related taxes and levies to mobilize climate finance for other sectors. ICAO Member States, especially developing countries and Small Island Developing States (SIDS), have consistently expressed an overwhelming concern with the increasing number of initiatives to collect taxes from international aviation for the mobilization of revenue for climate change and other purposes (A42-21, paragraph 19 refers). It was recognized that such initiatives would lead to double-charging for aviation CO_2 emissions, negatively impacting the implementation of the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) (A42-22, paragraph 18 refers), and the achievement for the sector's decarbonization goals.

3. COMPLIANCE WITH THE CHICAGO CONVENTION AND ICAO POLICIES ON CHARGES AND TAXATION

3.1 Compliance with the Chicago Convention and the ICAO policies on charges and taxation is not only an institutional obligation but also a key enabler of connectivity, economic growth, and the sustainable development of the aviation sector.

3.2 The principles established under Article 15 of the Chicago Convention and ICAO's policies on charges in Doc 9082 provide the foundation for the fair and equitable charging frameworks for the provision of airport and air navigation services worldwide. The 42nd Session of the ICAO Assembly urged Member States, inter alia, "*to ensure that Article 15 of the Convention is fully respected*", and "*to* *adopt the principles of non-discrimination, cost-relatedness, transparency and consultation, as set out in ICAO's policies in Doc 9082, in national legislation, regulation or policies*" (A42-26, Appendix C refers).

3.3 States should strengthen compliance with Article 15 and ICAO's policies on charges through enhancing economic regulatory oversight, establishing appropriate legal and regulatory frameworks, and incorporating the key ICAO charging principles into the implementation of charging systems. States should also promote transparent and timely consultation between service providers and users and assess the potential impact of new modified charges before their introduction. In addition, enhancing institutional oversight capacity, participating in ICAO forums, and adoption of best practices can further strengthen compliance.

3.4 Compliance with Article 24 of the Chicago Convention and *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632) are critical for preventing multiple and discriminatory taxation of international air transport. The 42nd Session of the ICAO Assembly urged Member States, inter alia, "*to follow ICAO's Policies on Taxation in the Field of International Air Transport as contained in Doc 8632, and to avoid imposing discriminatory taxes on international aviation", as well as "to avoid double taxation in the field of air transport*" (A42-26, Appendix B refers).

3.5 States should strengthen compliance with Article 24 and ICAO's policies on taxation by aligning taxation measures with ICAO principles, enhancing coordination among civil aviation, finance, and tax authorities, including States' representatives at other relevant UN organization, and avoiding multiple and discriminatory taxation on international air transport. States should also assess the potential impact of new taxes on connectivity, affordability, competitiveness and broader socio-economic development. Active engagement in ICAO forums and international cooperation can further promote harmonized approaches and reduce the risks of fragmentation and double taxation.

4. ICAO'S EFFORTS IN SUPPORTING COMPLIANCE WITH THE PROVISIONS AND POLICIES ON CHARGES AND TAXATION

4.1 ICAO has undertaken a range of activities to support States in strengthening compliance with the provisions of the Chicago Convention and the implementation of ICAO's policies on charges and taxation. These efforts aim to ensure the fair and equitable application of charges and taxation practices to support connectivity and economic development. ICAO's efforts are centred on policy development, monitoring, guidance, capacity building, stakeholder engagement, and international cooperation.

4.2 With respect to charges, ICAO continuously reviews and updates its policies and guidance on charges to ensure they remain relevant and responsive to evolving operational, economic, and industry developments. The Organization monitors global charging practices to identify emerging trends, assess their impact and promote continued alignment with ICAO's policies. In addition, ICAO regularly conducts surveys on States' implementation of its policies on charges to better understand challenges faced by States, identify areas requiring further guidance and determine where additional support may be needed.

4.3 ICAO also promotes awareness and understanding of its policies and guidance through workshops, seminars, global and regional meetings, while facilitating international dialogue and the exchange of best practices. These initiatives provide valuable opportunities for regulators, service providers, and government officials to share experiences and enhance technical expertise. They are particularly beneficial for developing States that may require additional support in establishing regulatory frameworks, conducting economic oversight, or addressing complex charging issues.

4.4 With respect to taxation, ICAO closely monitors global and regional taxation developments affecting international air transport, including passenger taxes, environmental levies, and broader international tax reforms, and assess their potential implications for connectivity, affordability and economic development. In addition, ICAO supports implementation of its policies through engagement with States and international organizations, updating the supplement to Doc 8632, raising awareness and understanding among aviation, finance, and tax authorities, and encouraging consistency with the policies.

4.5 In light of the revision to Article 8 of the *UN Model*, ICAO has focused its efforts on outreach and safeguarding the sector from the risks of double taxation, increased administrative complexity and fragmented tax treatment, while raising awareness of the importance of preserving the long-standing principle of residence-based taxation for international air transport. A State letter was issued on 9 January 2025 inviting Member States to coordinate with relevant tax and finance authorities to avoid double taxation in the field of air transport (State Letter EC2/10 – 25/1 refers) State-letter-EC2-10_25-1_Taxation.pdf.

4.6 ICAO also actively participates in relevant international taxation discussions to ensure that the unique characteristics and interests of aviation are appropriately reflected. The Organization provides a global forum for dialogue, cooperation and consensus-building among States on emerging taxation issues. Through these efforts, ICAO promotes coherent and harmonized policy approaches that minimize fragmentation, reduce the risk of double taxation, and support the efficient and sustainable growth of international air transport.

5. RECOMMENDATIONS

5.1 The following recommendations are proposed for consideration by the conference:

a) States are urged to align charging frameworks with Article 15 of the Chicago Convention and ICAO’s policies and guidance on charges, adopt the ICAO key charging principles in their national legislation, regulations or policies, while strengthening economic regulatory oversight and coordination among relevant authorities;

b) States are urged to ensure that taxation measures affecting air transport are consistent with Article 24 of the Chicago Convention and ICAO’s policies on taxation, including the avoidance of double and discriminatory taxation;

c) States are encouraged to strengthen coordination between their aviation, finance and tax authorities on the implications of evolving international taxation frameworks, including the UN Model and Framework Convention, and to continue to implement the provisions of ICAO Doc 8632 to avoid double taxation and support the efficient operation of international air transport;

d) ICAO will continue to review and update its policies and guidance on charges and taxation while preserving the underlying principles, in response to evolving operational, economic, technological and regulatory developments, and monitor global developments, including those related to emerging operations;

e) ICAO will continue to promote awareness, understanding and implementation of its policies through outreach and capacity-building activities, and facilitate the exchange of experiences among States and industry stakeholders; and

f) ICAO will continue to engage with States, industry, and relevant UN agencies and international organizations to promote consistency with the Chicago Convention, relevant ICAO policies and Assembly decisions, and to support coherent and harmonized approaches for the efficient and sustainable development of international air transport.

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