International Civil Aviation Organization

**WORKING PAPER**

# SEVENTH WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF/7)

**Montréal, HQ, 16 to 20 November 2026**

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

## STRENGTHENING COORDINATION AND COMPLIANCE WITH ICAO TAXATION POLICIES TO SUPPORT SUSTAINABLE AIR TRANSPORT GROWTH

(Presented by Qatar)


### EXECUTIVE SUMMARY

This paper highlights the importance of taxation policies as part of the structural foundations required to support the sustainable development of international air transport. Charges and taxation measures that are inconsistent with the Convention on International Civil Aviation (Chicago Convention) and *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632) may adversely affect connectivity, affordability, competitiveness and broader socio-economic development. Recent developments in international taxation frameworks, including revisions to Article 8 of the United Nations Model Double Taxation Convention and ongoing negotiations on the United Nations Framework Convention on International Tax Cooperation, further underscore the importance of coordination among aviation, finance and taxation authorities. The paper emphasizes the need for strengthened compliance with the International Civil Aviation Organization (ICAO) policies and greater coordination at both national and international levels to avoid double taxation, unnecessary administrative complexity and fragmented tax treatment of international air transport.

**Action:** The conference is invited to:

a) reaffirm the importance of consistent implementation of Article 24 of the Chicago Convention, as applicable, and the provisions of Doc 8632;
b) encourage States to avoid multiple and discriminatory taxation of international air transport and to assess the potential effects of proposed taxation measures on connectivity, affordability, competitiveness, resilience and broader socio-economic development;
c) encourage States to strengthen coordination among their civil aviation, finance and tax authorities, as well as their representatives participating in relevant international organizations, when considering taxation initiatives that may affect international air transport;
d) encourage States to consider the implications for international air transport of evolving international taxation frameworks, including revisions to Article 8 of the United Nations Model Double Taxation Convention and developments related to the United Nations Framework Convention on International Tax Cooperation, with a view to avoiding double taxation, unnecessary administrative complexity and fragmented tax treatment; and
e) request ICAO to continue promoting awareness of its taxation policies among States and relevant international organizations and bodies, and to continue representing aviation-specific considerations in international taxation discussions.

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| *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:* | |
| *References:* | Convention on International Civil Aviation (Chicago Convention, 1944)<br>*ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632)<br>Resolutions Adopted by the 42nd Session of the Assembly, Provisional Edition, October 2025 (ICAO Assembly Resolution A42-26), Appendix B – Taxation<br>ICAO State Letter EC2/10 – 25/1 (9 January 2025) |

## 1. INTRODUCTION

1.1 International air transport is expected to continue expanding significantly over the coming decades, with global air traffic projected to more than double by 2050. Supporting this growth will require not only adequate infrastructure, investment and effective regulatory frameworks, but also predictable and coherent fiscal conditions that enable the efficient operation of international air transport.

1.2 Taxation policies can influence the competitiveness, affordability and sustainability of air transport services. Measures that are inconsistent with international aviation principles may adversely affect air connectivity, increase operating costs and reduce the broader economic benefits generated by aviation, including trade, tourism and investment.

1.3 Article 24 of the Convention on International Civil Aviation (Chicago Convention) provides important protections concerning customs duties applicable to aircraft and specified items used in international operations, while *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632) establish broader policy principles concerning taxation of international air transport, including the avoidance of multiple and discriminatory taxation. The 42nd Session of the International Civil Aviation Organization (ICAO) Assembly urged Member States, inter alia, to follow ICAO's taxation policies and avoid double taxation and discriminatory taxation affecting international aviation.

1.4 Recent developments in international taxation frameworks have increased the importance of ensuring that aviation considerations are appropriately reflected in broader tax policy discussions. In this context, enhanced coordination among aviation, finance and tax authorities is becoming increasingly important to support the continued growth and resilience of international air transport.

## 2. DISCUSSION

2.1 ICAO has long recognized that multiple and discriminatory taxation of international air transport can create barriers to connectivity and increase costs for airlines, passengers and shippers. ICAO's policies seek to promote a consistent global approach that minimizes distortions and supports the efficient development of international air transport.

2.2 Taxation measures can have significant implications for air transport connectivity, particularly in highly competitive international markets. Additional taxation may affect air fares, route viability, network development, cargo competitiveness and demand for air services. Such impacts may extend beyond the aviation sector and influence tourism, trade, investment and broader economic development.

2.3 As States pursue economic, fiscal and environmental objectives, it is important that taxation measures affecting international air transport be evaluated considering their potential impacts on connectivity, affordability, competitiveness and socio-economic development. Careful assessment can help ensure that fiscal measures support broader policy goals without creating unintended consequences for international air transport.

2.4 In October 2024, the United Nations Committee of Experts on International Cooperation in Tax Matters approved revisions to Article 8 of the United Nations (UN) Model Double Taxation Convention. The revised approach introduces alternative options for the taxation of income derived from international air transport, including taxation based on the source State, departing from the traditional residence-based approach that has historically supported the avoidance of double taxation in the aviation sector. ICAO subsequently informed Member States of these developments through State Letter EC2/10 – 25/1, issued on 9 January 2025.

2.5 In parallel, work is ongoing within the UN on a Framework Convention on International Tax Cooperation. While the outcome of this process remains under development, it could influence future approaches to international taxation, including matters relevant to international transport operations. These developments highlight the importance of ensuring that aviation-specific considerations are appropriately reflected in broader tax policy discussions.

2.6 Taxation measures affecting aviation are often developed outside civil aviation administrations. Consequently, effective coordination among civil aviation authorities, ministries of finance, tax administrations, foreign affairs ministries and States' representatives participating in relevant international organizations is essential.

2.7 Such coordination can help ensure that international aviation considerations are appropriately reflected in national positions and that taxation measures are consistent with existing obligations, bilateral agreements, ICAO policies and broader connectivity objectives. Enhanced cooperation can also reduce the likelihood of conflicting approaches and unintended impacts on international air transport.

2.8 The recent change to Article 8 in of the UN Model Tax Convention 2025 has included two Alternatives for taxation i.e. Alternative A allowing source-based taxation and Alternative B allowing residence-based taxation. The availability of alternatives in the UN Model Tax Convention has created major practical problems for international airlines as it has opened a path for countries to adopt source-based taxation to maximise tax revenues. A double taxation agreement may give the country of residence the exclusive right to tax airline profits under a traditional Article 8 approach, while another country may seek to apply new source-based rules to tax part of the same income. This can lead to disputes, duplicated tax claims and higher compliance costs for an airline to register, file tax returns, provide additional documentation and engage local tax advisers in several countries, even when the relevant source income is from passengers only connecting through those countries.

2.9 The economic impact can be especially serious on routes that generate only a small profit. If a route earns 2 per cent to 3 per cent of profit and an additional source-country tax is imposed, airlines will respond by raising ticket prices, which will reduce passenger demand and negatively affect international connectivity. Routes to developing countries that disproportionately rely on inbound tourism may no longer be commercially viable and could eventually be suspended and ultimately withdrawn. Similarly, when different countries seek to tax portions of connecting traffic, it can make airline cooperation (i.e. interline, code-sharing, etc.) and the hub-and-spoke model more complex and costly to manage.

2.10 For example, in the event of a passenger purchasing a Qatar Airways' ticket for a route Doha-London-New York, through a German-based travel agency, with Qatar Airways as the operating carrier on the sector Doha-London and a partner airline operating the sector London-New York (under commercial agreement), meaning transit occurs in the United Kingdom and final destination is the United States. We could have potential tax claims from: Germany (ticket sale country), Qatar (airline residence country), United Kingdom (segment departure/arrival country); and United States (destination country).

2.11 The issue here is not whether airlines pay tax. The issue is determining which country has the right to tax a single profit earned from one international journey that involves multiple countries, multiple airlines, international airspace, and globally shared costs.

## 3. **CONCLUSION**

3.1 Taxation arrangements form an important component of the structural foundations supporting international air transport. Predictable and coherent taxation policies contribute to connectivity, market stability, competitiveness and sustainable economic development.

3.2 Compliance with the Chicago Convention and the provisions of Doc 8632 remains essential to avoiding multiple and discriminatory taxation and ensuring that fiscal measures support rather than hinder aviation growth.

3.3 Recent developments in international taxation frameworks, including revisions to Article 8 of the UN Model Double Taxation Convention and discussions relating to the UN Framework Convention on International Tax Cooperation, reinforce the importance of ensuring that aviation considerations continue to be appropriately reflected in international taxation discussions.

3.4 Strengthened coordination among aviation, finance and tax authorities, supported by continued ICAO engagement and awareness-building, will help promote harmonized approaches, reduce risks of double taxation and administrative complexity, and support the sustainable growth and resilience of international air transport towards 2050.

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