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3.4: Levies on international air transport

TOWARDS A GLOBAL FRAMEWORK FOR EQUITABLE AVIATION LEVIES: TRANSPARENCY, COST-RELATEDNESS AND CONNECTIVITY PROTECTION

(Presented by India)

EXECUTIVE SUMMARY

No State has agreed to be taxed. Yet the world raised USD 60.4 billion in specific taxes on air passenger transport in 2024 - a sum approaching twice the global airline industry's entire net profit of USD 32.4 billion for the same year. Every one of those dollars was levied by a State acting alone. None of them was levied under a methodology any State agreed to. The issue is not that aviation should be exempt from all fiscal obligation. It is that the burden is now imposed piecemeal, measured nowhere in aggregate, and borne most heavily by States that depend on air connectivity most and negotiate it least.

International aviation is exposed to a growing range of taxes, charges and other levies imposed across jurisdictions. Although the International Civil Aviation Organization (ICAO) policies distinguish cost-related charges from taxation, there is no common practical approach for recording the classification, measuring the cumulative burden on a route, or assessing consequences for connectivity-dependent States.

This paper proposes an ICAO Aviation Levy Transparency and Connectivity Framework (ALTCAF): a voluntary, technology-neutral policy instrument combining a levy-to-service assessment, a route-level cumulative burden indicator and a connectivity safeguard assessment. Drawing on India's experience with airport economic regulation, regional connectivity and digital revenue administration, the proposal supports ICAO's No Country Left Behind (NCLB) strategic goal without prescribing tax rates or limiting States' fiscal sovereignty.

The international aviation community has established sound principles on charges and taxation. The next step is to make those principles easier to apply consistently and to measure their combined consequences for connectivity. India invites ICAO to advance a cooperative global standard of transparency and assessment: one that enables States to make sovereign fiscal choices with a clearer understanding of their impact on passengers, routes and neighbouring economies. NCLB should also mean that no State's essential air connectivity is overlooked in the assessment of aviation levies.

1. INTRODUCTION

1.1 The growth of international air transport depends upon affordable, predictable and transparent economic conditions. A passenger itinerary may involve airport and air navigation charges, security-related levies, passenger taxes and other fiscal measures established by different jurisdictions. Individually lawful measures may, in aggregate, affect passenger affordability and the viability of marginal routes.

1.2 The International Civil Aviation Organization (ICAO) Doc 9082 - *ICAO's Policies on Charges for Airports and Air Navigation Services* establishes principles for airport and air navigation services charges, while Doc 8632 - *ICAO's Policies on Taxation in the Field of International Air Transport* addresses taxation in the field of international air transport. Their conceptual distinction is essential; however, comparability remains difficult when national levy nomenclature, charging bases and revenue treatment differ.

1.3 India proposes a practical and cooperative policy response: a common evidence framework through which States can describe what a levy funds, identify who bears its cost, and evaluate whether additional burdens risk undermining connectivity. The objective is not fiscal harmonisation, but informed national decisions and international comparability.

2. THE POLICY GAP AND ITS DEVELOPMENTAL SIGNIFICANCE

2.1 Industry analysis cited in the underlying discussion estimates specific taxes on air passenger transport of approximately USD 60.4 billion in 2024 across a 55-country sample, with considerable regional variation. These figures are indicative, not a universal inventory, and should be validated against the underlying publication before official circulation.



2.2 The policy issue is not the absolute amount alone. A levy of identical value may have limited effects on a dense trunk route yet materially alter demand, frequency or route entry on a thin international connection. The economic effects also extend to tourism, trade, medical access and regional inclusion.

2.3 Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS) may face particular exposure because aviation often provides

essential access to global markets. Consistent with No Country Left Behind (NCLB), their circumstances should be expressly considered in the design and assessment of fiscal measures affecting air transport.

3. INDIA'S EXPERIENCE AS A PRACTICAL POLICY REFERENCE

3.1 India combines rapidly growing air transport demand with price-sensitive markets, substantial infrastructure investment and geographically diverse connectivity needs. The Regional Connectivity Scheme (UDAN) illustrates the importance of considering route viability and public policy objectives together, especially where markets are not yet commercially mature.

3.2 India's airport economic regulatory framework provides experience in examining aeronautical tariffs against regulatory cost and investment parameters. User Development Fees (UDFs) and aviation security-related levies also demonstrate the importance of clearly identifying the charging purpose, applicable regulatory basis and treatment of proceeds. Specific levies must nevertheless be assessed individually; regulatory approval or earmarking alone does not automatically establish that an instrument is a cost-related charge under ICAO policy.

3.3 India's centralised aviation billing and collection experience demonstrates how itemised digital records can improve the traceability of charges and facilitate standardised reporting. These practices can inform a proportionate, technology-neutral reporting template accessible to States with differing levels of digital maturity.

3.4 India's proposal is deliberately reciprocal: the same transparency and assessment principles should apply to India's own instruments as to those of other States. This is essential to the credibility of any global guidance.

4. PROPOSED ICAO AVIATION LEVY TRANSPARENCY AND CONNECTIVITY FRAMEWORK (ALTCAF)

4.1 India proposes that ICAO, through its established economic-policy processes, examine a voluntary framework with three interlinked components.

4.2 **Levy-to-Service Assessment**. A standard disclosure template would record: (a) the identified aviation facility or service, where applicable; (b) the cost basis and cost allocation methodology; (c) the charging unit and its relationship to service provision; and (d) the allocation, accounting and reconciliation of proceeds. The resulting classification would distinguish cost-related charges, taxes and instruments requiring further examination. No single factor, including earmarking, would be treated as conclusive.

4.3 **Cumulative Route Burden Indicator**. A route-level inventory would identify applicable passenger taxes, airport charges, security levies and relevant airline-facing charges. Results could be expressed by levy type, per passenger and as a proportion of a representative fare, with transparent assumptions and safeguards against double counting. Aircraft-level and passenger-level charges would be separately reported unless a documented allocation method is used.

4.4 **Connectivity Safeguard Assessment**. Before introducing or materially increasing a levy, participating States would be encouraged to assess likely changes in passenger demand, route frequency and viability, particularly for thin routes and connectivity-dependent States. Estimates should reflect market-specific elasticities and uncertainty, rather than applying a uniform global assumption.

4.5 **Aviation Levy Transparency and Connectivity Framework (ALTCAF)** would be non-binding, technology-neutral and compatible with national fiscal laws. It would not determine tax legality, prescribe rates, or create a new ICAO approval requirement for national levies. Environmental and development objectives would remain legitimate policy considerations, with their aviation connectivity effects made more visible.

5. NO COUNTRY LEFT BEHIND: EQUITABLE IMPLEMENTATION

5.1 The framework should include simplified reporting for resource-constrained administrations, capacity-building assistance, and optional regional pilots involving LDCs, LLDCs and SIDS. Data publication should respect confidentiality and national legal requirements.

5.2 ICAO could publish a methodological toolkit and aggregated, anonymised comparative findings. A staged approach would permit refinement before consideration of any amendments to existing policy guidance.

6. IMPLEMENTATION ROAD MAP

6.1 **ICAO technical examination**: prepare a common taxonomy, classification template and methodological options through relevant expert bodies, consulting States and appropriate fiscal authorities.

6.2 **Voluntary pilots**: test the framework on selected routes across different market types, including developing and connectivity-dependent States; assess reporting burden, accuracy and usefulness.

6.3 **Council consideration**: review pilot results and consider supplementary guidance to ICAO Docs 8632 and 9082 and any further action through ICAO’s established policy-making process.

6.4 Subject to appropriate national approvals, India may contribute regulatory, airport revenue and regional connectivity experience to the technical work and explore participation in a voluntary pilot.

7. CONCLUSION

7.1 The Conference is invited to note the information contained in this paper.

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