



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**

**PRESERVING THE INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO)
PRINCIPLES ON TAXATION**

(Presented by the United States)

EXECUTIVE SUMMARY

The global international air transport system depends on a stable, predictable and coordinated taxation framework. *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632), reaffirmed at the 42nd Session of the Assembly, establish longstanding principles intended to avoid discriminatory and multiple taxation, and recognize the potential adverse economic and competitive effects of taxation on international air transport.

Recent and ongoing developments in international tax cooperation, including negotiations on the United Nations Framework Convention on International Tax Cooperation (UNFCITC), may undermine or even displace this long-established framework. Proposals concerning source-based taxation and expanded taxing rights, if applied to international air transport without appropriate safeguards, could create overlapping taxing rights, double or multiple taxation, increased administrative burdens and legal uncertainty.

The Conference is invited to reaffirm the application of established the International Civil Aviation Organization (ICAO) taxation policies to international air transport and to encourage States to ensure that emerging international tax instruments remain consistent with those policies and existing aviation agreements.

Action: The Conference is invited to:

- a) reassert the continuing relevance of ICAO Doc 8632 and the taxation policies reaffirmed by the 42nd Session of the Assembly;
- b) recognize the risks that source-based or other expanded taxation approaches may create for international air transport, including overlapping taxing rights and double or multiple taxation;
- c) call upon States participating in the UN Framework Convention on International Tax Cooperation negotiations to ensure that new international tax instruments are consistent with established ICAO policies and aviation agreements;
- d) request the Council to monitor developments in international taxation and engage with relevant United Nations bodies, as appropriate, to ensure coherence with the established ICAO framework governing the taxation of international air transport; and
- e) encourage States to consider the economic impacts of new taxes and levies on international air transport.

*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.*

<i>Financial implications:</i>	
<i>References:</i>	Doc 8632, <i>ICAO's Policies on Taxation in the Field of International Air Transport</i> ICAO Assembly Resolution A42-26 UN Framework Convention on International Tax Cooperation negotiating documents

1. INTRODUCTION

1.1 International air transport operates through a highly integrated global network in which airlines, passengers, aircraft and revenues routinely cross multiple jurisdictions. This distinguishes international aviation from many other economic activities and has historically required coordinated rules for the allocation of taxing rights.

1.2 The International Civil Aviation Organization (ICAO) has maintained policies on taxation of international air transport for decades. *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632) addresses taxation of aviation fuel and technical supplies, airline income and aircraft, and taxes related to the sale and use of international air transport. The policies are intended to avoid discriminatory and multiple forms of taxation and to support the orderly and efficient development of international air transport.

1.3 At its 42nd Session in 2025, the ICAO Assembly reaffirmed these principles through Resolution A42-26, Appendix B. The Resolution urges Contracting States to adhere to Doc 8632, including by avoiding discriminatory taxation and double taxation, and confirms the continuing role of ICAO in monitoring and developing policies in the air transport field. A42-26 is among the reference documents for the Seventh Worldwide Air Transport Conference (ATConf/7).

1.4 Since A42, developments in international tax cooperation have increased the importance of preserving this established framework. In particular, the United Nations Intergovernmental Negotiating Committee is developing a proposed Framework Convention on International Tax Cooperation and two early protocols. The process began in 2025 and remains under negotiation in 2026.

2. EMERGING TAXATION MEASURES

2.1 International aviation is increasingly subject to taxes and levies introduced for fiscal and other policy objectives. These measures may include passenger and ticket taxes, differentiated taxes based on travel class, fuel-related taxes, and other levies directed at international aviation.

2.2 States retain sovereign authority to determine their tax policies. However, the cumulative and increasingly fragmented application of such measures can affect the cost and competitiveness of international air transport. Where taxes are imposed asymmetrically, airlines and passengers may face materially different costs for otherwise comparable international journeys.

2.3 This is particularly significant for developing, remote, landlocked and island economies, where air transport may provide essential international connectivity and support tourism, trade and access to global markets. New taxation measures should therefore be assessed not only by their immediate revenue effects, but also by their potential effects on connectivity, competition and economic development.

2.4 ICAO's distinction between taxes and charges remains relevant. A charge is intended to recover the costs of facilities and services provided for civil aviation, while a tax is generally imposed to raise government revenue. Treating general revenue-raising measures as aviation charges would undermine this established distinction.

3. UNITED NATIONS FRAMEWORK CONVENTION ON INTERNATIONAL TAX COOPERATION

3.1 The proposed UN Framework Convention on International Tax Cooperation represents an important development in the international tax system. The negotiating process is considering principles for the allocation of taxing rights across jurisdictions, including through its proposed Article 5. As of August 2026, States were actively negotiating the first draft of the Convention.

3.2 Article 5 of the proposed UN Framework Convention on International Tax Cooperation, entitled 'Fair Allocation of Taxing Rights,' is currently being negotiated around principles for allocating taxing rights among jurisdictions, including references to value creation, market location, revenues, users, data and other potential connecting factors. If applied to international air transport without appropriate safeguards, such approaches could create overlapping taxing rights and increase the risk of double or multiple taxation.

3.3 These discussions are of particular relevance to international aviation. A single international air operation can involve multiple jurisdictions: an airline may be resident in one State, sell a ticket in another, depart from a third, transit through additional States and arrive in another. Applying multiple source or nexus criteria to the same aviation activity could therefore result in competing claims to tax the same income.

3.4 International aviation already has an established sector-specific framework addressing this issue. ICAO Doc 8632 provides for the taxation of income from the operation of aircraft in international traffic on a residence/effective-management basis, supporting reciprocity and avoiding double or multiple taxation. This principle is also reflected in aviation and tax agreements between States.

3.5 The objective of international tax cooperation and the established ICAO framework are not inherently incompatible. The appropriate approach is to ensure that new international tax instruments recognize existing sector-specific arrangements and do not unintentionally create competing taxation regimes for international air transport.

4. RISKS TO INTERNATIONAL AIR TRANSPORT

4.1 Applying broad source-based taxation rules to international aviation without appropriate safeguards could create four principal risks: overlapping taxing rights, instances of double or multiple taxation, administrative complexity, and legal uncertainty.

4.2 These risks arise from the inherently international structure of airline operations. Unlike activities concentrated within a single jurisdiction, international air transport generates revenue through networks extending across numerous States. A source-based rule applied independently by each jurisdiction could result in multiple claims over the same underlying income.

4.3 The consequences would extend beyond tax administration. Additional or conflicting tax obligations can increase the cost of providing air services, affect route economics, and create competitive

disparities between carriers and markets. In turn, these effects can reduce the economic viability of some international services, especially developing aviation sectors, and weaken connectivity.

4.4 International aviation should therefore not be treated as an ordinary cross-border activity when developing general taxation rules. Its established international legal and regulatory framework should be taken into account from the outset.

5. DISCUSSION

5.1 ICAO is the United Nations specialized agency responsible for international civil aviation. Its Member States have developed aviation-specific taxation policies over many decades because of the distinctive characteristics of international air transport.

5.2 The development of broader international tax rules should therefore be coordinated with existing ICAO policies. Any new international taxation instruments should preserve the application of established aviation taxation arrangements and should not create obligations that unnecessarily require the renegotiation or modification of existing Air Services Agreements or Double Taxation Agreements.

5.3 In particular, international tax cooperation should preserve established ICAO taxation policies applicable to international air transport; avoid instances of discriminatory, duplicative, or multiple taxation; prevent competing claims to tax the same income; provide airlines and tax administrations with clear and predictable obligations; and ensure appropriate ICAO engagement in international discussions concerning taxation measures that may affect international civil aviation.

6. CONCLUSION

6.1 International air transport requires a stable and predictable taxation framework to support connectivity, competition, and economic development. ICAO Member States have already established such a framework through Doc 8632, Assembly Resolutions and related aviation agreements.

6.2 In the past few years, international aviation has faced a growing range of taxation measures that extend beyond the scope of established ICAO policies. These developments and the ongoing progress of the UN Framework Convention on International Tax Cooperation make it increasingly important to preserve coherence between broader international tax policy and established aviation policy.

6.3 ATConf/7 should reaffirm that international tax cooperation should complement, rather than undermine, the aviation-specific framework developed through ICAO. In particular, new approaches to the allocation of taxing rights should not result in instances of overlapping or multiple taxation of international air transport or create unnecessary legal and administrative burdens for airlines.

6.4 Maintaining this coherence will help ensure that international taxation supports, rather than undermines, the continued development of a safe, efficient, economical and globally connected international air transport system.

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