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ICAO Policies and Regulatory Guidance on Aviation User Charges and Taxes: Ensuring Conformity in the AFI Region

Eyob Estifanos

Regional Officer- Air Transport
Development/Implementation Support,
ICAO ESAF Regional Office

Doc 7300/9



Convention on International Civil Aviation

Convention relative à l'aviation civile internationale

Convenio sobre Aviación Civil Internacional

Конвенция о международной гражданской авиации

This document supersedes Doc 7300/8.
Le présent document annule et remplace le Doc 7300/8.
Este documento reemplaza el Doc 7300/8.
Настоящий документ заменяет Doc 7300/8.

Three basic principles

1. Non-Discrimination

Foreign aircraft must not be charged higher fees than national aircraft for similar use of airports and air navigation facilities.

2. Transparency

All charges must be published, communicated to ICAO, and made available under uniform conditions.

3. No Charges for Transit Rights

States cannot impose fees solely for overflight, entry, or exit — charges apply only for the actual use of facilities and services.

ICAO Policies on Charges for Airports & Air Navigation Services

DOC 9082

Purpose:

- Provide ICAO Council guidance on fair, transparent, and sustainable charging practices for airports and ANSPs.

Background:

- Based on continuous ICAO studies on the economic situation of airports and air navigation services.
- Rooted in outcomes of ICAO Conferences on the Economics of Airports and Air Navigation Services.
- Latest: CEANS, Montréal (2008) – Doc 990

Guidance to States:

- Incorporate ICAO's four key charging principles into national legislation, regulations, and air services agreements.

Key Principles:

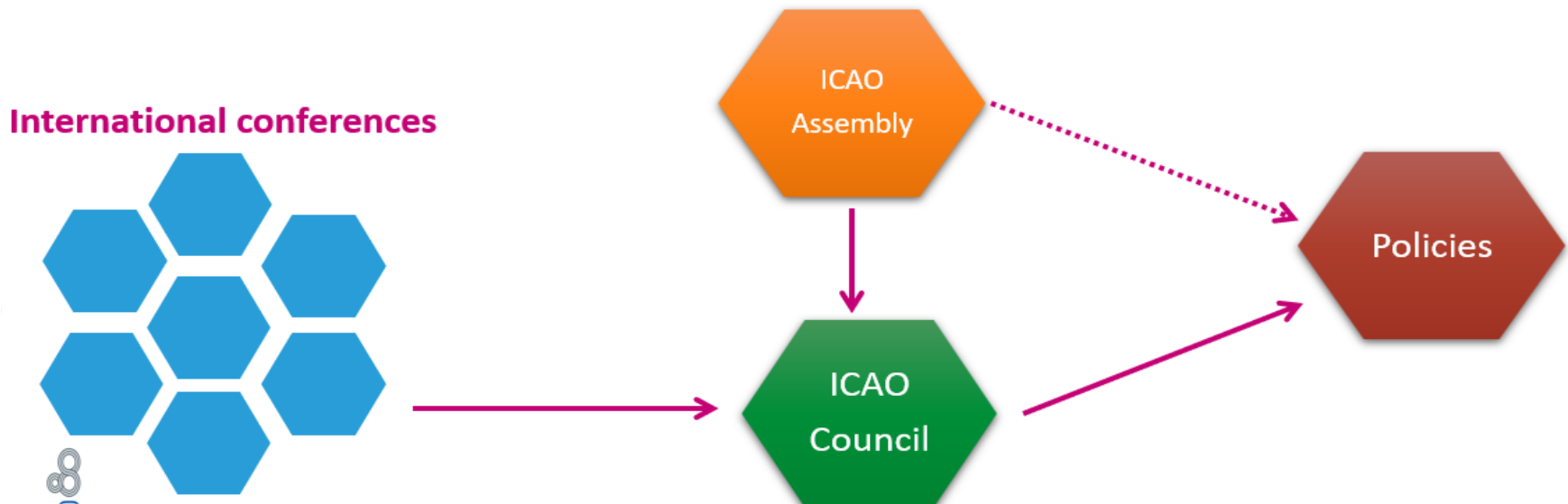
- Non-Discrimination
- Cost-Relatedness
- Transparency
- Consultation with Users

Policy Development Flow

International Conferences – Identify global aviation issues and propose cooperation

ICAO Assembly –Set international policy directions and adopt a resolution

ICAO council –Developed detail policies and oversees implementation



key charging principles

Non-discrimination

- Non-discrimination requires the **application of uniform conditions**, to all users from any Contracting State, for the use of equivalent airport or air navigation services. In particular, charges must not **discriminate between foreign and domestic users**, or between **two or more foreign users**, engaged in similar operations

Cost relatedness

- Charges should reflect the **cost of facilities and services provided to the users**. The allocation of costs should be determined on **an equitable basis**, so that no users shall be burdened with costs not properly allocable to them according to sound accounting principles. The resulting charges should also be determined on a sound accounting basis and may reflect economic principles to the extent that the resulting charges are in conformity with Article 15 of the Chicago Convention and principles in the present policies.

Transparency

- **Sufficient, accurate and appropriate information** should be exchanged between the service providers and users in a timely and efficient manner with **the objective of identifying the connection between the provision of facilities and services and charges**, to enable users to understand, among others, charging methodologies and their administration

Consultation with users

- Service providers and users should participate in constructive engagement before the introduction of new charges or changes thereto. **Such engagement should include, but is not limited to, discussions on performance, capacity development and investment plans.** Transparent and relevant information relating to the proposed changes should be provided, and **the views of users should be given proper consideration during the process.**

ECONOMIC OVERSIGHT

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minimize the risk that airports/ANS could engage in anti-competitive practices or abuse any dominant position they may have;



ensure non-discrimination and transparency in the application of charges;



ascertain that investments in capacity meet current and future demand in a cost-effective manner; and



protect the interests of passengers and other end-users.



Promoting the efficient provisions of airport and air navigation services

Autonomy & Privatization

- Autonomous entities improve financial health and managerial efficiency.
- States may establish autonomous civil aviation authorities or privatize fully/partly.
- Safety, security, and economic oversight remain State responsibilities.
- ICAO obligations must be observed.

International Cooperation

- Encourage regional collaboration for efficient, cost-effective Air Navigation Services.
- Align with ICAO Global ATM Operational Concept and Global Air Navigation Plan.

Best Practices

- Apply good corporate governance: clear roles, accountability, transparency.
- Promote efficiency, cost-effectiveness, and service quality through management best practices.

Charges Collection

- Legal frameworks and effective systems for precise billing, credit control, and recovery.
- Joint charges collection considered where advantageous.

- ***Performance Management - Essential tool for providers, users, and regulators.***
- ***State should ensure that providers develop and implement appropriate Management performance System that include:***

- ✓ ***Define Performance Objectives***

- Focus on four KPAs: Safety, Quality of Service, Productivity, Cost-effectiveness.
- Additional KPAs can be included as needed.

- ✓ ***Select & Report Indicators***

- Establish relevant performance indicators and targets for each KPA.

- ✓ ***Evaluate & Improve Performance***

- Use results to continuously enhance operations.

- ✓ ***Consultation with Users/Stakeholders***

- Ensure mutual understanding and consensus on objectives, targets, and action plans.

Consultation with Users: Charges & Planning

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- ***Charges Consultation***

- ✓ Engage airport and ANS users before changes in charges.
- ✓ Provide clear information; consider users' views and impacts.
- ✓ Agreement desirable, but provider may impose charges with right of appeal.

- ***Planning Consultation***

- ✓ Consult users on capacity development & investment plans.
- ✓ Users should share 5–10 year forecasts: aircraft types, movements, passengers/cargo.
- ✓ Protect commercially sensitive data.

- ***Consultation Process***

- ✓ Establish regular, clearly defined consultation if no cooperative arrangement exists.
- ✓ Notify users ≥ 4 months before charge revisions; allow input & provide transparent info.
- ✓ Provide ≥ 1 month notice of final decisions.
- ✓ Clarify proposals, affected parties, questions, and response timelines.

- ***First-Resort Mechanism***

- ✓ Neutral national-level mechanism to resolve disputes.
- ✓ Focus on conciliation/mediation; arbitration possible if required.

- ***Purpose & Conditions***

- ✓ Not for full cost recovery before commissioning; allowed in specific cases.
- ✓ Can support financing of long-term, large-scale investments.
- ✓ Consider contributions from non-aeronautical revenues.

- ***Safeguards Required***

- ✓ Transparent economic oversight and performance management.
- ✓ Clear accounting; funds earmarked for civil aviation projects.
- ✓ Advance consultation with users; aim for agreement on major projects.
- ✓ Limited application period; users benefit from lower charges and smoother transitions.
- ✓ Ring-fencing to ensure funds are used only for identified projects.

- ***Normal Practice:***

- ✓ Charges expressed and payable in the local currency.

- ***Special Circumstances:***

- ✓ Charges may be denominated in another currency if local economic conditions are unstable.
- ✓ Aircraft operators may use the same currency/exchange rate for local ticket sales.

- ***Other Considerations:***

- ✓ Facilitate transfer of net income in convertible currency across States.
- ✓ For regional charges, using a single convertible currency may benefit both providers and users.

Principles of Cost Basis for Airport Charges

- ***Full Cost Allocation:***

- ✓ Include capital, depreciation, operation, maintenance, management; offset by non-aeronautical revenues.

- ***User-Specific Charging:***

- ✓ Only charge users for services/facilities they actually use.
- ✓ Exclude costs of exclusively leased or separately charged premises.

- ***Transparency & Consultation:***

- ✓ Maintain detailed cost data; aggregated cost bases allowed if logical and transparent.
- ✓ Consult and seek agreement with users to avoid discrimination.

- ***Equitable Allocation:***

- ✓ Include government-used facilities; allocate fairly among all users.
- ✓ Approach & aerodrome control costs identified separately.

- ***Financial Considerations:***

- ✓ Allow reasonable return on assets to support investment.
- ✓ Users' capacity to pay considered only after objective cost allocation.
- ✓ Oversight costs (safety, security, economic) may be included at State's discretion.

Airport Charging Systems

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- ***Simplicity & Suitability:***

- ✓ Systems should be simple and broadly applicable at international airports.

- ***Safety & Access:***

- ✓ Charges must not discourage use of essential safety facilities (e.g., lighting, navigation aids).

- ***Accounting & Economic Principles:***

- ✓ Charges based on sound accounting; may reflect economic principles, aligned with Chicago Convention.

- ***Non-Discrimination:***

- ✓ Treat domestic and foreign users equally; also among foreign users.

- ***Flexibility & Incentives:***

- ✓ Adjust charges case-by-case for efficiency, peak periods, technology adoption, or service attraction.

- ✓ Gradual increases preferred; modifications consistent with ICAO charging principles.

- ***Operational Considerations:***

- ✓ Consolidate invoicing where multiple entities charge.

- ✓ Maintain flexibility for improved charging methods.

- ✓ General aviation charges assessed reasonably to support civil aviation development.

- ***Full Cost Allocation:***

- ✓ Include capital, depreciation, operation, maintenance, management; offset by non-ANS revenues.
- ✓ Separate costs for en route, approach, aerodrome, and supporting services (MET, AIS, etc.).

- ***Exclusions:***

- Costs of facilities/services requested by operators, contract-based services, excessive expenditures.
- General security or airport security costs not related to ANS.

- ***Revenue & Returns:***

- ✓ ANS may generate surplus to provide reasonable return on assets for reinvestment.
- ✓ Oversight costs (safety, security, economic) may be included at State discretion.

- ***Recovery from Users:***

- ✓ States may recover less than full cost to reflect local/regional/national benefits.
- ✓ Gradual progression toward full cost recovery recommended.
- ✓ Developing regions may require contributions from international operators to share fair costs.

Air Navigation Services (ANS) Charging Systems

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- ***Simplicity & Efficiency:***

- ✓ *Systems should be simple, equitable, regionally applicable; admin costs kept reasonable.*

- ***Safety & Innovation:***

- Charges must not discourage use of safety services or introduction of new aids/techniques.

- ***Accounting & Non-Discrimination:***

- ✓ Charges based on sound accounting; may reflect economic principles.

- ✓ Equal treatment of domestic and foreign users; no discrimination between users.

- ***Flexibility & Incentives:***

- ✓ Adjust charges for efficiency, peak periods, technology adoption, or attracting new services.

- ✓ Modifications consistent with ICAO charging principles.

- ***Cost-Based & Fair Allocation:***

- ✓ Charges reflect ANS costs and effectiveness; avoid double-charging.

- ✓ Gradual increases preferred; account for economic impact on users and provider.

- ***Special Considerations:***

- ✓ Reasonable charges for general/business aviation.

- ✓ FIR segmentation should not be used solely to generate extra revenue.

Taxation in Air Transport



Taxation in International Air Transport

Chicago Convention



- The Chicago Convention laid the groundwork for ICAO's future policy development on taxation in international air transport.
- Particularly through Article 24 - which exempts fuel, lubricants, spare parts, and other consumables on board international flights from customs duties.

ICAO



- Through the Chicago Convention, ICAO plays a pivotal role in shaping the global framework for civil aviation.
- ICAO promotes uniformity and fairness in the economic regulation of international air transport, including taxation.

ICAO's Policies on Taxation

ICAO Doc 8632

Taxation of Fuel, Lubricants, and Consumable Technical Supplies

- Prohibits taxation on fuel and supplies when an aircraft registered in one State arrives in or departs from the customs territory of another State.
- Extends the same principle to aircraft making successive stops within the same customs territory of another State

Taxation of Income and Taxation of Aircraft and Other Moveable Property

- Recommends that income from international air transport and aircraft or movable property used in such operations should only be taxed in the State where the airline is fiscally domiciled.
- Aims to prevent double taxation and promote fair treatment of international carriers

Taxes on the Sale or Use of International Air Transport

- Discourages taxes on tickets, cargo, and related services that could increase costs for passengers and shippers.
- Emphasizes that such taxes should not impede access to international air services.

ICAO's Policies on Taxation



Non-discrimination and Reciprocity

States should apply tax exemption reciprocally and non-discriminatorily to all international air transport operators.



ICAO Template Air Services Agreement (TASA)

Article 14 of TASA on Taxation provides 3 options on provisions concerning taxation for States to adopt in their bilateral/multilateral Air Services Agreement (ASA).

UN Model Double Taxation Convention between Developed and Developing Countries (UN Model)

Revision to Article 8 – International Shipping and Air Transport

Background

Historically, Article 8 (Alternative A) of the UN Model Convention aligned with the OECD Model, granting exclusive taxing rights to the country of residence of the airline (i.e., where the airline's head office is located).

This approach:

- Avoids double taxation.
- Simplifies tax administration.
- In line with ICAO's principle of reciprocal tax exemption for international air transport.



UN Model Double Taxation Convention between Developed and Developing Countries (UN Model)

Revision to Article 8 – International Shipping and Air Transport



2025 Revision – Introduction of Alternative B

The UN Tax Committee has proposed a new Alternative B to Article 8, which introduces source-based taxation for international air transport. Key features include:

- **Source-Based Taxation:** Allows countries where airlines **generate income** (e.g., through ticket sales or cargo operations) to **impose income taxes**, even if the airline is not based there.
- **Dual Options:** Countries can now choose between:
 - **Alternative A:** Residence-based taxation (status quo).
 - **Alternative B:** Source-based taxation (new option).

UN Model Double Taxation Convention between Developed and Developing Countries (UN Model)

Revision to Article 8 – International Shipping and Air Transport

ICAO

- ICAO had meetings with the Subcommittee on the UN Model and attended as an observer at the 29th and 30th UN Tax Committee Sessions in 2024 and 2025 respectively. ICAO consistently communicated that the revision to Article 8 is **not in line with ICAO's policies on taxation**.
- **A State letter was issued on 9 January 2025 to invite Member States to:**
 - note the revision to Article 8.
 - coordinate with relevant taxation or finance authorities of their States regarding compliance with Assembly Resolution A41-27, **urging Member States to follow ICAO's Policies on Taxation** in the Field of International Air Transport (Doc 8632) to avoid double taxation in the field of air transport.

IATA

- Support ICAO's position and oppose the revision to Article 8.

Distinctions between Tax and Charge

Tax

- ☐ **Definition:** 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 (Doc 9562).
- ☐ **Purpose:** Not directly linked to any specific service provided.
- ☐ **ICAO's position:** ICAO discourages the imposition of taxes on international air transport especially when they are non-reciprocal, discriminatory or not cost-related.
- ☐ **Examples:** Income tax on airlines profit, value-added tax (VAT) on international tickets and departure or arrival tax not tied to a specific service.

Charge

- ☐ **Definition:** A levy that is designed and applied specifically to recover the costs of providing facilities and services for civil aviation (Doc 9562).
- ☐ **Purpose:** Cost recovery for services rendered.
- ☐ **ICAO's position:** ICAO provides guidance on charges in Doc 9082.
- ☐ **Examples:** Landing and take-off charges, passenger service charges (e.g. for terminal use).

KEY TAKEAWAYS: ICAO PRINCIPLES ON CHARGES AND TAXES



Engage Users Early

Consult and share information before changing charges or launching projects



Fair and Cost-Based

Charges reflect the real cost of services and are applied equitably to all users



Transparent and Accountable

Economic oversight ensures funds are used appropriately and efficiently



Encourage Efficiency and Innovation

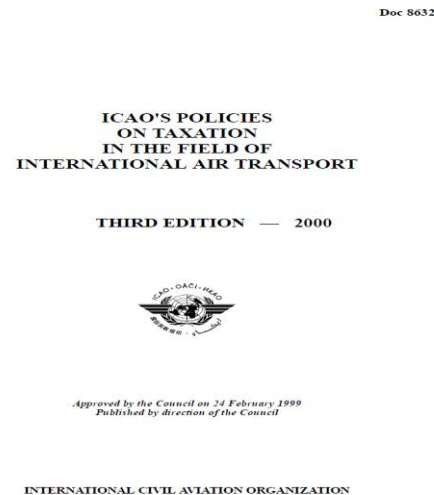
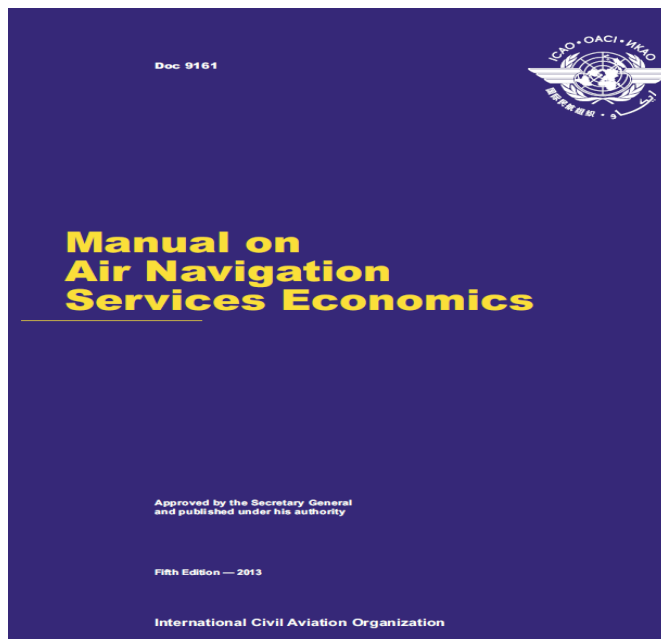
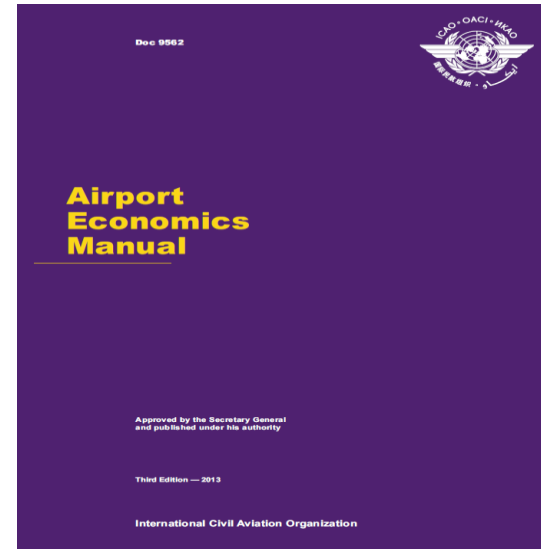
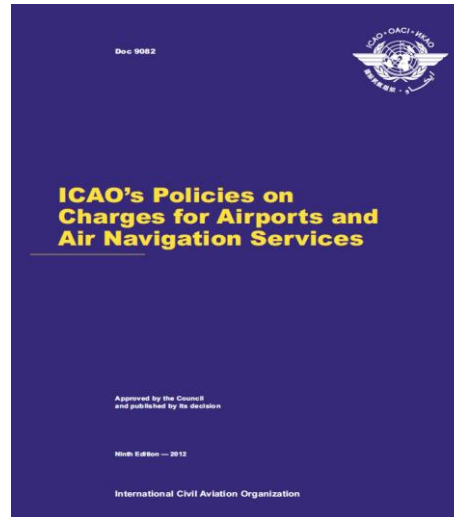
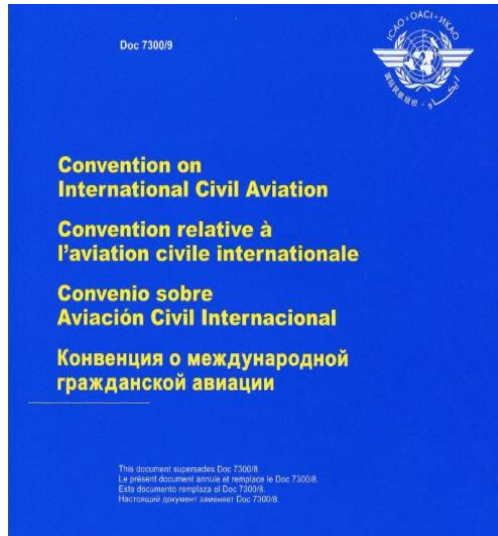
Charging systems can incentivize safety, new technology, and service



Progressive and Reasonable Recovery

Costs are recovered fairly and gradually, considering regional and developmental

Key References





QUESTIONS?
Thank You!