



ASSEMBLY — 36TH SESSION

ECONOMIC COMMISSION

Agenda Item 40: Regulation of international air transport services

TAXATION OF AIRCRAFT FUEL

(Presented by the Arab Republic of Egypt on behalf of  
the ACAC member States<sup>2</sup>)

EXECUTIVE SUMMARY

This paper raises the issue of taxation of aircraft fuel for international air transport services and its impact for the development of air transport in contradiction to Article 24 of the Chicago Convention which states that international aircraft fuel shall be exempt from customs duty, local duties and charges.

**Action:** The Assembly is invited to urge all Contracting States/regional associations not to impose taxation on aircraft fuel.

<i>Strategic Objectives:</i>	The paper relates to Strategic Objective D.
<i>Financial implications:</i>	Not applicable.
<i>Reference</i>	Doc 7300, <i>Convention on International Civil Aviation</i> , signed at Chicago on 7 December 1944 and amended by the ICAO Doc 8632, <i>ICAO's Policies on Taxation in the Field of International Air Transport</i>

1. INTRODUCTION

1.1 Recent years witnessed important developments in the field of air transport throughout the world, as it became the most important means of communication among peoples and for world trade.

1.2 The Chicago Convention regulates civil aviation traffic throughout the world, and promotes its safety and security, while stressing the importance of facilitation in air traffic.

<sup>1</sup> Arabic version provided by Members of the Arab Civil Aviation Commission (ACAC).

<sup>2</sup> Bahrain, Egypt, Iraq, Jordan, Lebanon, Libyan Arab Jamahiriya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen and the Observer from Palestine

1.3 However, due to certain new developments and trends, a number of countries have opted for imposing taxes on aircraft fuel, in contradiction with Article 24 of the Chicago Convention, which stated that aircraft fuel shall be exempt from customs duties.

1.4 The imposition of taxes on fuel, which is intensively consumed by aircraft, more than other modes of transportation, increases the burden on airlines, for which fuel costs represent 25 to 30 per cent of operational costs. Such a situation requires international intervention to determine the legitimacy of action by certain States to impose fuel taxation on international flights.

1.5 ICAO deals with air traffic organizational and regulatory matters, including aircraft registration and identification of scheduled and non-scheduled air transport services while the International Air Transport Association (IATA) deals mainly with airlines. A recently published report on the effects of fuel cost by IATA notes the higher costs on airline operators, further highlighting the need to comply with the provisions of Article 24 of the Chicago Convention that exempts aircraft fuel from duties.

1.6 According to paragraph 2 of the preamble of the Convention, it is desirable to avoid differences and to promote cooperation between nations and peoples... and according to paragraph 3 of the preamble, the signatory governments have agreed on certain principles and arrangements so that international civil aviation may be developed in a safe and orderly manner and that international air transport services may be established on the basis of equality of opportunity and operated properly and economically.

1.7 It is also our conviction that the introduction by certain States or regional associations of aircraft fuel taxation on international flights will represent a violation to the principles of equal opportunity and add heavy burden on airlines, thus increasing air fares, slowing air traffic growth rates, and reducing the exchange of goods freely among States.

## 2. CONCLUSION

2.1 This paper raises the issue of taxation of aircraft fuel for international air transport services and its impact for the development of air transport in contradiction to Article 24 of the Chicago Convention which states that international aircraft fuel shall be exempt from customs duty, local duties and charges.

— END —