



**WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)**

**SIXTH MEETING**

**Montréal, 18 to 22 March 2013**

**AGENDA ITEM 2.6**

The attached constitutes the report on Agenda Item 2.6 and should be inserted at the appropriate place in the yellow report folder.



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**Agenda Item 2: Examination of key issues and related regulatory framework**  
**2.6: Taxation of and other levies on international air transport**

**2.6.1 DOCUMENTATION**

2.6.1.1 The Conference considered Agenda Item 2.6 based on the following working papers: WP/10 (Secretariat), WP/26 (presented by Bahrain on behalf of the Arab Civil Aviation Commission (ACAC)), WP/66 (World Tourism Organization (UNWTO)), and WP/75 (Airports Council International (ACI) and International Air Transport Association (IATA)).

**2.6.2 DISCUSSION**

2.6.2.1 There was general agreement that the proliferation of various taxes and duties on air transport has a negative economic impact on the sustainable development of air transport and on the protection of the consumer. The Conference expressed concern that the proliferation of taxes goes beyond the current scope of ICAO policies on taxation of international air transport, as contained in Doc 8632, *ICAO Policies on Taxation of International Air Transport*.

2.6.2.2 The Conference confirmed that ICAO policies on taxation in Doc 8632 remain valid and that ICAO should vigorously promote them. It also recognized that there was value in States making use, in bilateral agreements, of the optional regulatory arrangement proposed by the Secretariat on the imposition of taxes on the sale or use of international air transport.

2.6.2.3 A view was expressed that States have sovereignty over taxation matters and that governments should have flexibility regarding the pursuit of income from taxes, according to their economic situation, and that air transport should not be exempted.

2.6.2.4 Also expressed was the view that all taxes applied should be fair, equitable and non-discriminatory and that States should avoid imposing taxes where this could lead to market distortions. In addition, a view was expressed that taxes are an impediment that divert revenues, which could be used to improve the air transport system.

2.6.2.5 There was general support for ICAO to work with relevant organizations on assessing the economic impact of taxes imposed on air travel and on the industry. However, a view was expressed that it was for States to determine how to measure such impact.

**2.6.3 CONCLUSIONS**

2.6.3.1 As a result of the documentation considered and ensuing discussions on taxation of international air transport under Agenda Item 2.6, the Conference concluded that:

- a) the air transport industry has, in recent years, witnessed the proliferation of various types of taxes and levies. This trend, coupled with the lack of transparency and discriminatory practices against air transport vis-à-vis other modes of transport, is causing serious concern within the industry, and will have a negative impact on the sustainable development of air transport, ultimately affecting national economic development, in particular in developing countries;

- b) notwithstanding the political and financial difficulties faced by many States and the resulting pressure on regulators, airport operators and air navigation services providers to accept the diversion of taxation, policy makers and national governments are encouraged to consider measures to help improve the situation; and
- c) ICAO has clear policies on taxation and user charges, which remain valid. States should be urged to apply these policies in regulatory practices, in accordance with Assembly Resolution A37-20, Appendices E and F. ICAO should continue to take the necessary measures to enhance States' awareness of its policies on taxation and user charges and promote application more vigorously.

2.6.3.2 The Conference noted that States should give consideration to the following regulatory arrangement to include in the Template Air Services Agreement (TASA) Article on Taxation as an option for use at their discretion in air services agreements:

*".... Each party shall undertake to reduce to the fullest practicable extent and make plans to eliminate as soon as its economic conditions permit all forms of taxation on the sale or use of international air transport, including such taxes for services which are not required for international civil aviation or which may discriminate against it."*

2.6.3.3 This clause is an option for use by States at their discretion. States may instead choose to use the arrangement in a Memorandum of Understanding (MoU) or a Memorandum of Cooperation (MoC). These will be reflected in the Explanatory Notes along with the clause in the TASA Article on Taxation.

#### 2.6.4 **RECOMMENDATIONS**

##### **Recommendation 2.6/1 — Taxation of International Air Transport**

###### **The Conference recommends that:**

- a) States should apply ICAO policies on taxation in regulatory practices, in accordance with Assembly Resolution A37-20, Appendix E. Since ICAO has clear policies on taxation, which remain valid, States should ensure that the policies are followed by relevant authorities in charge of taxation so as to avoid imposing discriminatory taxes on international aviation which may have a negative effect on the competitiveness of the aviation industry and impact States' national economies;
- b) States should avoid double taxation in the field of air transport;
- c) ICAO should continue to take the necessary measures to enhance States' awareness of its policies on taxation and promote application more vigorously; and
- d) ICAO should collaborate with relevant industry associations to develop analysis and guidance to States on the impact of taxes and other levies on air transport.

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