



E-Invoicing

Simplified and standardized requirements must be provided for air travel documents

To ensure optimal economic and social benefits derived from aviation, VAT or GST regimes need to be implemented in an efficient manner that reduces the administrative burden and costs to businesses. This paper outlines specific considerations and recommendations for tax invoices to B2B customers.

Background

As a leading stakeholder in the global supply chain, the airline industry is also a major, worldwide, fiscal contributor. Passenger and cargo airlines have long adopted electronic mechanisms for the sale, reconciliation, reporting, and remittance of liabilities due to governments for their taxable services and supplies. However, the non-standard and complex invoicing guidelines in VAT regimes is generating administrative and technical implementation burdens.

IATA Position

Electronic tickets, also known as e-tickets, which are used for the sale of passenger air transportation; electronic miscellaneous documents (EMDs), which are used for the sale of ancillary services incidental to air transportation; and airway bills (AWBs), which are used for the sale of air cargo transport services, are the standard electronic documents utilized by the air transportation industry worldwide. As such, these documents have become universally accepted by fiscal authorities with the evolution of

VAT regimes and their consequent, e-invoicing requirements. e-tickets, EMDs, and AWBs contain the necessary information relative to the supplier, the user, and the taxable services and supplies reported by the air transportation industry. These documents were designed by the air transportation industry to harmonize ticketing, sale, and accounting systems with fiscal reporting systems. Therefore, fiscal and taxation authorities are urged to continue to collaborate with the air transportation industry to avoid non-standard and complex technical requirements that are administratively, impractical, and financially, burdensome, and that do not generate a benefit for States, airlines, and consumers.

The International Air Transport Association (IATA) endorses, as a matter of policy, the resolutions of the International Civil Aviation Organisation (ICAO), a specialized agency of the United Nations, which recognises the exemption of international air transport from tax by more than 190 signatory States. IATA, urges all States, including their political subdivisions, to fully recognize the ICAO resolutions



as well as the International VAT/GST Guidelines¹ published by the Organization of Economic Co-operation and Development (OECD), which call for export services to be “free from VAT,” or zero-rated, exempt with credit, under the ‘destination’ principle. As international air transportation and its incidental ancillary services are considered an exported service under the destination principle of international trade, then such exempted, or zero-rated with exemption credit, services, should also be waived from the requirements of e-invoicing.

Key Reasons Why Air Transport must be subject to special e-invoicing rules

1. The consumption of domestic air transportation and incidental ancillary services occurs between two (2) or more localities within the territorial border of a national, taxing jurisdiction, and the non-conventional, mobile nature of this consumption, is well represented by the aforesaid, electronic documents. The formats and methods for the capturing of the sale of supplies and services by conventional industries does not allow an exhaustive representation of the data expected by fiscal authorities. However, the air transportation industry already complies with such requirements through the universal use of standardized electronic documents.
2. The electronic documents used to record the sale of domestic air transportation and its incidental ancillary services contain standard, consumer and supplier data, which makes air transportation one of the few industries to feature a universally established mechanism for e-invoicing.

3. The imposition of burdening technical requirements that are different in each taxing jurisdiction would conflict with global attempts, by fiscal authorities, to standardize electronic documentation solutions. With respect to such standardization, the air transportation industry sets a good example for economic sectors that have an offer and consumption of services and supplies in unconventional settings.
4. International air transportation is an extraterritorial activity beyond the scope of any taxing jurisdiction, which means that it is not taxable. Therefore, as a universal rule, the issuance of e-invoices for the sale of international air transportation and its incidental ancillary services should be waived.
5. The extraterritoriality of international air transportation and its incidental ancillary services is globally recognised and respected as free from VAT, or zero-rated, on the principle of reciprocity between States. Consequently, there would not be any concerns about the leakage of tax revenue because there is no tax revenue to account for and to report on; also eliminating the need for the e-invoicing of such services.
6. The aforesaid points illustrate an optimal structuring of electronic sales data conveyance by the air transportation industry, offering standardized and verifiable tax information of the utmost quality for the benefit of the fiscal ecosystem worldwide.

¹ OECD International VAT/GST Guidelines available here (Section C, Paragraph 1.9) <https://www.oecd.org/ctp/international-vat-gst-guidelines-9789264271401-en.htm>