



# Value Added Tax

## Tax exemption must be maintained for international travel

**While Value Added Tax (VAT) on domestic air transport is a political issue for debate within each State, international air transport and any services related thereto should not be subject to VAT**

### Situation

International airlines are required to comply with all legal and commercial obligations of normal business enterprises within a country, including any VAT requirement. States, however, have since long recognised that international air transport is essentially different from other businesses for the following reasons:

- International air transport is operated with great mobility in a multiplicity of jurisdictions in international air space.
- International air transport differs materially from other businesses, engaged in manufacturing, merchandising and other activities involving substantial internal efforts within a country.
- International airlines are generally prohibited from providing domestic transportation within countries other than their own.

### IATA Position

IATA endorses, as a matter of policy, the resolutions of the International Civil Aviation Organization (ICAO), a specialized agency of the United Nations, on taxation of aircraft and the sale or use of international air transport<sup>1</sup>. Therefore, where VAT is imposed, IATA urges all states, including their political subdivisions, to fully implement the ICAO resolutions by ensuring that international air

transport is fully exempt and that international air transport enterprises have the right of reclaim of all VAT paid (zero-rated).

### Key Reasons Why VAT Should Not be Imposed on International Air Transport and Should be 'Zero-Rated'

International air transport is a service provided to the end consumer outside any taxing jurisdiction. As such, any VAT paid on services and supplies purchased in a taxing country should be zero-rated and totally refundable. ICAO resolutions fully support that international air transport involves the use of aircraft and goods and services outside the boundaries of any tax authority.

The policy of reciprocal exemption from taxes on aircraft and the elimination of taxes on the sale or use of international air transport are entirely endorsed by ICAO resolutions.

Equitable treatment for international aviation throughout the many jurisdictions into which it operates is essential. In addition, air transport contributes to further enhancement of the development and expansion of international travel and trade. This is assured under ICAO resolutions.

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<sup>1</sup> ICAO Doc. 8632