



A methodology for SBIE location of mobile assets and employees in International Air Transport

The Voyages Method



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Industry methodology for mobile assets and employees in the calculation of SBIE

The Voyages Method

Background

The OECD Administrative Guidance issued in July 2023 provides direction on the treatment of Interjurisdictional Assets and Employees, allowing for the inclusion of Eligible Payroll Costs and/or the carrying value of Eligible Tangible Assets when employees or assets are physically present in a Constituent Entity (CE) jurisdiction for more than 50% of the time.

For the international air transport industry, tracking the physical location of aircraft and crew is practically unfeasible. Airlines' eligible tangible assets, primarily aircraft, represent the largest component of their SBIE, and crew salaries represent a very significant component of the payroll costs. A noticeable share of these assets and employees operate across multiple jurisdictions, reflecting the global nature of modern airline operations.

The 2023 Guidance acknowledged that further consideration may be given to simplified allocation mechanisms for industries with substantial cross-jurisdictional assets and employees, a situation exemplified by airlines. In this context, **IATA and its members support the implementation of the Voyages Method as a practical, fair and harmonized approach for the air transport industry, while preserving the framework's underlying principles and integrity.**³

Voyages Method – a simplified allocation mechanism

- The Voyages Method allocates carrying value and payroll costs associated with pools of Eligible Tangible Assets and Employees to a specific CE jurisdiction based on the proportion of voyages.
- A voyage is defined as an occurrence of transportation of passengers and/or cargo from one place to another. The allocation formula would identify the number of voyages from and to a CE jurisdiction relative to the total voyages (i.e., number of flights) conducted by the multinational enterprise (MNE) within a given year.
- Pools of Eligible Assets are understood to comprise similar assets that the CE can track separately based on aircraft type designator per ICAO Document 8643.

To this end, IATA supports the adoption of the **simplified allocation mechanism** described below, which has been developed given the administrative burden identified for such assets (e.g., aircraft) and employees (e.g., crew) used in international transportation.

The determination of the physical location of the Eligible Tangible Assets and the Eligible Employees for international air transportation would occur via the following formulas:

³ Air Transportation should be defined as "transportation by air of goods and/or passengers".



$$\frac{\text{Carrying Value of mobile Eligible Tangible Assets of CE in Country X}}{\text{Carrying value of mobile Eligible Tangible Assets of CE in separate financial statements of Country X allocated to the pool}} \times \frac{\text{Number of Voyages to or from Country X}}{\text{Total Number of Voyages}}$$

$$\frac{\text{Eligible Payroll Costs of mobile Eligible Employees in Country X}}{\text{Eligible Payroll Costs of mobile Eligible Employees of CE in separate financial statements of Country X}} \times \frac{\text{Number of Voyages to or from Country X}}{\text{Total Number of Voyages}}$$

Whereby a voyage would be defined as follows:

- "Voyages to or from" includes any voyage (including a domestic voyage) in which the jurisdiction of departure or the jurisdiction of arrival is the tested jurisdiction.
- "Voyage" means a single occurrence of transportation of passengers or cargo from one place to another place (e.g., a flight) of a craft allocated to the relevant pool.

Note that, for domestic flights, where both origin and destination are within the same jurisdiction, the voyage is fully associated with that jurisdiction and would be included only once in the numerator.

Fundamentals of the Voyages Method

The Voyages Method uses the number of flights ("voyages") from and to a jurisdiction as an allocation key. Under this approach, an Eligible Tangible Asset/Employee is treated as being located in the CE jurisdiction for any flight that began or ended in that jurisdiction.

For illustrative purposes, consider a return flight operated by Air France from Paris to Montreal. This operation consists of two voyages; each involved a departure from or arrival in France. When determining the French SBIE, both voyages would therefore be associated with France. As a result, based on a purely mechanical application of the method, the full value of the Eligible Tangible Assets and the related Eligible Employee costs could be attributed to France for SBIE purposes for Air France, as they would be recorded in the French financial statements of Air France.

In practice, however, airline operations can involve flights touching multiple jurisdictions – especially air cargo operations – making it unlikely that an airline would attribute the entirety of its eligible assets and personnel to a single CE jurisdiction.

Further clarifications

- No SBIE would be available to a CE jurisdiction in respect of 'fifth freedom' flights (i.e., voyages to and from locations outside the CE jurisdiction).
- Aircraft and crew used on international routes are currently deemed to be in the CE jurisdiction for the full duration of an international flight for many international laws and tax principles. The aircraft and crew are deemed to have never cleared customs in the foreign jurisdiction during their operation and to remain in their CE jurisdiction. Thus, the Voyages Method outlined above is more reasonable compared with any proxy location simply based on a shared perspective of the location by the separation of take-offs and landings.

Pooling

Pooling represents a key consideration influencing the administrative and compliance complexity faced by aircraft operators. **IATA and its members recognize and support the international objective of simplifying pooling approaches.**



Regarding assets, ICAO Document 8643 provides an internationally recognized classification that allows aircraft operators to pool aircraft by reference to the aircraft type designator. Under the Voyages Method, the allocation key for Eligible Tangible Assets would apply by reference to separate pools of aircraft delineated by aircraft type designator.

Regarding employees, it is proposed that crew pooling be undertaken at the level of all the CEs in the jurisdiction. In other words, crew costs would not be allocated by individual aircraft type but would be effectively spread across the entire aircraft fleet of the CEs of the jurisdiction, using the combined total number of voyages of all aircraft types. This approach reflects the operational reality of airline crew management and significantly reduces administrative burden. While aircraft may be engaged in different types of operations or have different values, crew remuneration is not necessarily linked to an individual aircraft type. Accordingly, pooling crew salaries for all CEs in a jurisdiction is unlikely to give rise to material distortions for SBIE purposes and represents a proportionate and operationally appropriate approach.

Concluding comments

The harmonized implementation of the proposed simplification would facilitate compliance by airlines and administration by tax authorities, while preserving the underlying principles and integrity of the GloBE Model Rules. IATA aims to foster a comprehensive understanding of the air transport industry's unique operating environment, while promoting practical and balanced solutions that serve all parties. This preferred approach is designed to support effective implementation without compromising the taxing rights of the OECD Inclusive Framework members.

Airline X in Country X - CE Financial Information for Year-End 31 December 2025

		(G)	(H)
	Aircraft Type Designator	Net Book Value as at 31 Dec 2025	Net Book Value as at 31 Dec 2024
Boeing 787-9	B789	325,000,000	340,000,000
Airbus 321	A321	150,000,000	175,000,000
Other assets in Country X (other than aircraft)		45,000,000	50,000,000
Other assets in Country Y (other than aircraft)		4,000,000	5,000,000
Total fixed assets cost		524,000,000	570,000,000

	(I)
Pilots	12,000,000
Cabin Crew	14,000,000
Staff In Country X	8,000,000
Staff In Country Y	3,000,000
Total	37,000,000

	(A)	(B)	(C)	A + B + C = (D)	A + B = (E)	E / D = (F)	F x ((G+H)/2)
	Domestic flights (⁽¹⁾)	International flights to or from Country X (⁽²⁾)	Flights between other Countries (⁽³⁾)	Total Number of Voyages	Number of Voyages To or From Country X (⁽⁴⁾)	% Voyages for Country X	Carrying value of Eligible Tangible Assets in Country X
B789	28	1,096	336	1,460	1,124	77%	255,979,452
A321	767	1,424	-	2,191	2,191	100%	162,500,000
Total	795	2,520	336	3,651	3,315	91%	
						Other assets in Country X	47,500,000
						Other assets in Country Y	-
						Total Carrying value of Eligible Tangible Assets in Country X	465,979,452

(¹) Domestic flights are voyages that are both taking off and landing in Country X
 (²) International flights are voyages that are either taking off or landing in Country X
 (³) Flights between countries are voyages that are taking off and landing outside of Country X
 (⁴) Domestic flights in Country X are considered only once in the numerator, even though they are from and to Country X

	I x F Eligible Payroll Costs (⁽¹⁾)
Pilots	10,895,645
Cabin Crew	12,711,586
Staff in Country X	8,000,000
Staff in Country Y	-
	31,607,231

(¹) CE average from Table 3 is 91% (rounded)