



Where do airline pilots normally pay taxes and social security ?

In general, salary is taxable in the **country of residence, unless the employment is physically exercised elsewhere** (Article 15 (1) OECD Model Tax Convention). This rule is **difficult to apply** to employees who are **active in many countries** due to the nature of their profession. Because of the **international character of the aircraft** on board of which flight crew exercise their employment, this would result in a **fragmentation of the right to tax**. In that case it would be **practically impossible to calculate** which part of the salary would be taxable in which country.

That is why in Article 15 (3) of most double tax agreements (DTAs), **the right to tax the salary** derived from employment exercised aboard an aircraft operated in international traffic, is referred to the country where **the place of effective management (POEM)** of the company operating the aircraft is located. This means that, in general, the salary will be considered taxable in the country **where the airline company is effectively managed**.

For **example**, a Bulgarian pilot working on board an aircraft doing long-haul cargo flights to China and the US for an airline company that is effectively managed in Ireland, but always lands and takes off from an airport in Belgium, will normally be liable for tax on his salary in Ireland.

If this pilot resided in Belgium, as a **Belgian tax resident**, he would be required to report his **worldwide earnings** in Belgium. Under the DTA between Ireland and Belgium, Belgium would then need to grant tax relief for the salary taxed in Ireland if it can be demonstrated that the airline company's POEM is in Ireland.

However, when the pilot has an **employment contract** with an entity **not also operating the aircraft at the same time**, this could complicate matters even further.

In respect to **social security**, we need to refer to Regulation (EC) n. 883/04 on the coordination of social security systems. Pilots and flight crew within the EU are required to pay their social security contributions in the country where they **normally start and end their duty periods**. This is based on the so-called **'home base'-principle**. Social security is therefore due where the 'home base' is located, and not where the airline is managed from.

In the above example, the Bulgarian pilot will be subject to **Belgian social security** since he always lands and takes off from a Belgian airport.

For the flight crew that live in Belgium but **work outside the EU**, the 'home base'-principle would not apply. In that case, it is relevant to check if there is a **bilateral social security agreement** in place between Belgium and the other country. If not, **national social security rules** will apply.

TAXPATRIA® can advise you on the **most beneficial tax and social security setup** and make sure your international airline crew is **fully compliant** when working out of Belgium.