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By PwC Deutschland | 12 December 2012

Tax on wages of German resident aircrew flying for British and Irish airlines

With effect from 2011, the employment income of German resident aircrew flying for British airlines is entirely taxable in Germany, whilst the earnings of personnel flying for Irish airlines are fully taxed in Ireland.

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Traditionally, the wages of aircrew have been taxed in the country of residence of the airline they fly for. However, there has frequently been a gap leading to untaxed ("white") income for aircrew resident in another country and thus not taxable - or not on their entire employment income - in the country of their employer. This is particularly prevalent with British and Irish airlines with their growing tendency to crew flights between third countries with local staff. The finance ministry has now issued a decree on the 2011 tax liability of German resident aircrew of British and Irish airlines.

The 2010 double tax treaty with **Great Britain** departs from tradition by ascribing the right to tax the employment income to the country of residence of the individual rather than to that of the airline. Accordingly German resident aircrew on British airlines are fully liable to income tax on their earnings regardless of where they fly. By contrast, the **Irish** treaty follows tradition by ascribing the taxing right on aircrew earnings to the countr of residence of the airline. However, the ministry has now established that Irish law changed as of 2011 to tax in Ireland the earnings of all aircrew flying for Irish airlines regarless of where they live. Thus, no "white" income can arise and no German taxation ensues (apart from that resulting from the effect of the exempt income on the rate to be applied to the remaining income).

Keywords

aircrew, airlines