

Tax Issues to Consider When Structuring Aircraft Transactions

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International Operations

Common Tax Issues:

- VAT/IVA
- Import/Export
- Interest/Withholding
- Income Tax on Operating Leases
- Luxury Taxes
- Usage Fees/Landing Fees
- Fuel Taxes





International Operations

Importation:

- Full Importation v. Temporary Admissions

Cabotage:

- Article VII Chicago Convention and Freedoms of Air
- May be deemed import (subject to tax)
- Increased information gathering (root out operators using U.S. Trusts and SPEs to avoid VAT/IVA)



Operation of Aircraft in U.S.

U.S. Registration Issues for Aircraft

- Owner must be “U.S. Citizen”
- “U.S. Citizen” defined as a company:
 - Incorporated in the U.S.
 - President and two-thirds of officers/directors must be U.S. citizens
 - 75% of voting shares must be owned by U.S. citizens



Operation of Aircraft in U.S.

U.S. Registration Issues for Aircraft

- Use of equipment trusts and/or voting trusts
- “Based and Primarily Used” rule

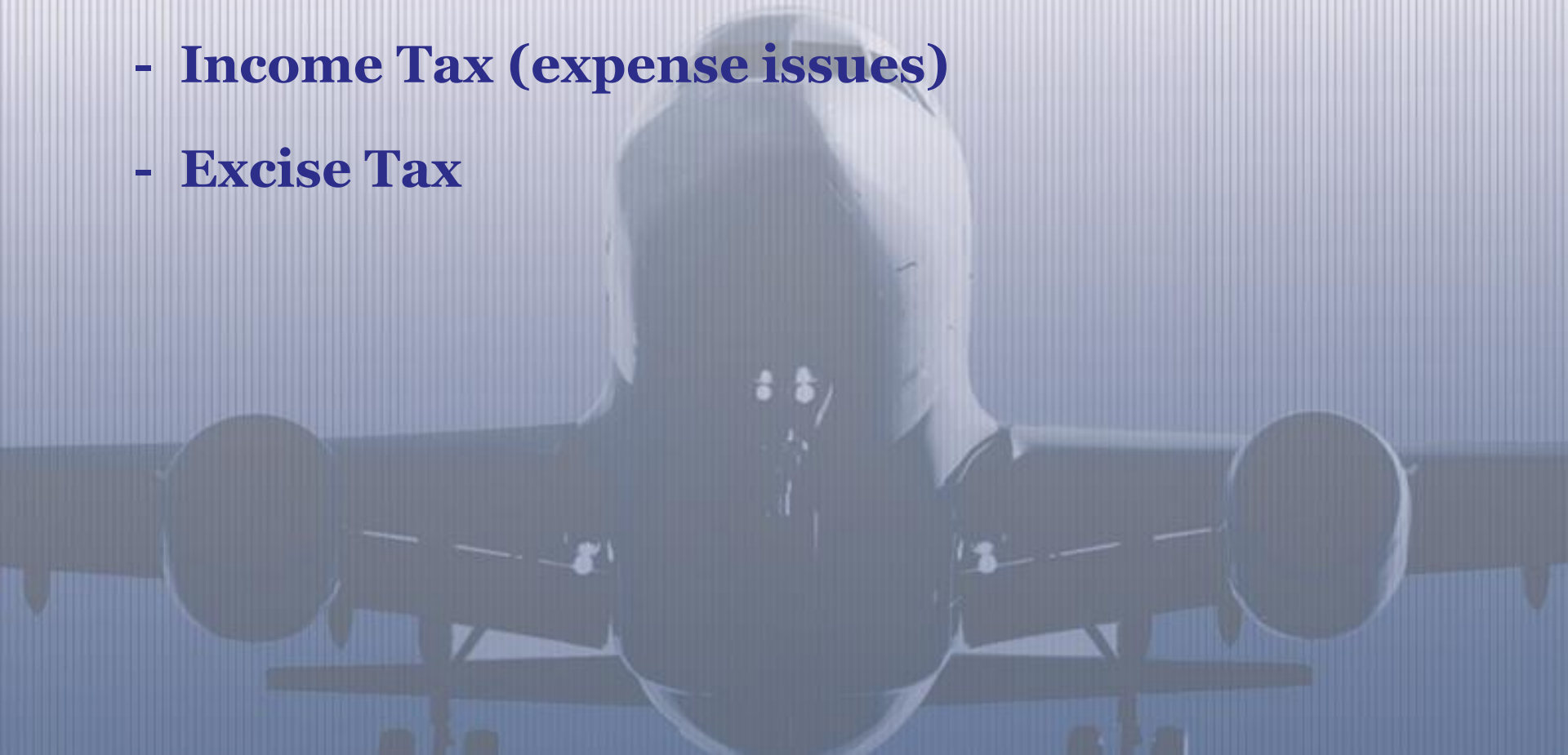




Operation of Aircraft in U.S.

Federal Taxation Issues

- **Bonus Depreciation**
- **Income Tax (expense issues)**
- **Excise Tax**





Operation of Aircraft in U.S.

State Taxation Issues

- State sale tax
- State use tax
- Personal property/Ad valorem taxes
- Registration Fees





Operation of Aircraft in Florida

Florida Aircraft Sales and Use Tax:

- Sales and use tax rate of 6%, plus local discretionary surtax
- Presumption of use if entry into Florida within six months after purchase

Exemptions:

- 20 day safe harbor from use tax
- Purchase of fractional interests are exempt
- Registration as Florida Dealer in order to utilize resale exemption from sales tax



Aircraft

Florida Aircraft Sales and Use Tax Update

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QUESTIONS

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