

# KLM Tax transparency and contribution report 2023



# Contents

## 3 About this report

## 4 KLM tax strategy and principles

- 5 Compliance
- 5 Transparency
- 6 Risk Management

## 7 Tax Governance

## 8 Approach towards tax incentives

- 8 Deferral wage tax
- 8 WBSO Subsidy
- 8 Re-investment reserve

## 9 Advocacy Approach

## 10 Significant events during 2023

## 11 Key tax contributions and collections

- 12 Industry Taxes
- 12 Employment Taxes
- 12 Product Taxes
- 13 Profit Taxes
- 13 Other Taxes

## 14 Data retrieve explanations

KLM CFO  
**Erik Swelheim**  
comments:

“KLM is a company that is committed to tax transparency. We take pride in our collaborative efforts, showcased through the preparation of the second KLM Tax Transparency and Contribution report. This report aims to provide a deeper understanding of KLM’s tax strategy, policies, positions, and principles. Our goal is to present this information in a clear and impactful manner, ensuring accessibility for all our stakeholders.”





# About this report

One of the main drivers of the renewed KLM strategy towards 2030 is to transform to a net-positive company. Key in our transformation journey is to ensure responsible fundamentals through transparency and by serving the community and our society. KLM acknowledges that taxes play a vital role in the transformation to a sustainable future and sees tax not as a cost factor only but a contribution to achieving sustainability goals.

By publishing this tax report, KLM wants to provide meaningful insights to all its stakeholders in its approach to tax and the various tax contributions KLM makes. For an open and constructive dialogue about tax, KLM believes it is important to have a shared understanding of the rules governing taxation of companies operating in the international airline industry and the principles that guide KLM's operations worldwide.

This report serves as an addition to KLM's 2023 Annual Report, and we will describe the KLM tax strategy, the governance model, our approach towards incentives and advocacy. We will then provide insight on the amounts of our worldwide contribution of taxes paid and collected in 2023.

# KLM tax strategy and principles

KLM is committed to acting responsibly in all that it does. Our approach is no different when it comes to taxation. The KLM tax strategy describes the strategic approach and attitude of KLM's Tax Department and is based on the following five key pillars:

1

We strive to act fairly, responsibly, transparent and with integrity towards all our stakeholders.

2

We commit to acting responsibly and professionally to manage all taxes and risks that arise in the number of jurisdictions in which we operate.

3

We commit to complying with the letter, the intent and the spirit of the laws and regulations of each country in which we operate. Where necessary we will seek certainty in advance by consulting advisors or authorities.

4

We do not use contrived or specific tax structures that are intended to avoid paying taxes only, having no commercial substance.

5

We act in accordance with the **KLM code of conduct** >.





## Above key pillars result in three guiding principles for tax:

### Compliance Transparency; and Risk Management.

#### Compliance

KLM strives at all times to act in compliance with the letter, the intent and the spirit of all applicable laws, rules, regulations and reporting and disclosure requirements, wherever there is a requirement to do so as a result of our business presence and operations.

Our employees, acting in KLM capacity, are strictly forbidden to be knowingly involved in tax evasion in any applicable jurisdiction in any way, whether directly or indirectly by way of facilitation or otherwise, either on the part of KLM or on the parts of its suppliers, clients and counterparties.

KLM actively encourages its employees to report any misconduct via the '**KLM Speak up Policy**' >.



#### Transparency

Mutual respect, transparency and trust drive the KLM relationships with tax authorities and other relevant government bodies and external stakeholders all around the world. We engage in open transparent and constructive dialogue.

The aim is to proactively deal with disputed taxation matters, avoid unnecessary challenges and disputes to achieve upfront certainty wherever possible.

KLM has built a good and open working relationship with the Dutch tax authorities. We are in regular contact with the dedicated customer team of the tax authorities and meet every quarter to discuss business updates of the company, changes in the KLM group, and material transactions in our tax returns, how we intend to apply new tax legislation and any ongoing relevant tax compliance items.

These meetings have been held since 2007 when KLM became the first Dutch company that concluded a so called "joint covenant" with both the tax and the customs authorities. Since 2020 KLM is one of the 100 companies for which the tax authorities issue an annual Individual Monitoring Plan enabling the tax authorities to establish that KLM monitors its key tax risks sufficiently. As part of the 2023 Plan, KLM presented its internal (monitoring) policies on global mobility and on the VAT treatment of intra-EU and other international transactions.

As much as possible KLM deals with the Dutch tax authorities on a real time basis to resolve potential tax controversies in advance of the required tax filings, where appropriate, tax clearances are sought with full disclosure of relevant information.

An important step towards further transparency has been the active embracement by KLM of the Dutch tax governance code as developed by The Confederation of Netherlands Industry and Employers (known as VNO NCW). The VNO Tax Governance Code not only includes relevant known tax codes and principles but is also more ambitious with regard to a) the view that tax is not a cost factor only but a contribution to society as well, b) that tax rules must be interpreted in accordance with the spirit of the law, c) the restraint to use tax havens and d) transparency, especially on worldwide taxes paid and collected.

Further reporting obligations required by the so-called CBCR reporting obligations are met by the holding entity of KLM, Air France KLM S.A. The holding entity files the Country-by-Country Report for the group on an aggregated level,

which includes the KLM data as well. The European mandatory disclosure regime for cross-border tax arrangements came into effect on July 1, 2020 (DAC6 Directive, EU 2018/822 of May 25, 2018). KLM's Tax Department has reviewed the compliance reporting obligations the business operations are potentially facing under these mandatory disclosure rules in relation to specific cross border arrangements. No such arrangements have been identified and therefore KLM is not obligated to file such report.

### Risk management

KLM applies professional diligence and care in the management of all risks associated with tax matters and ensures governance and assurance procedures are appropriate. KLM's aim is to take sustainable tax positions which are long-term in nature and above all, in support of the business operations. In the countries where we incorporate legal entities, these business structures are driven by commercial considerations, aligned with its business activity and have genuine substance. Transactions with group companies are monitored to meet the arm's length principle.

KLM does not use contrived or specific tax structures that are intended to avoid paying taxes only, having no commercial substance. So-called 'tax haven countries' are not used if there is no actual business operation supporting doing so. The guiding principle we work with is 'tax follows the business and is aligned with the existence of a commercial purpose'.

KLM conducts its operations allowing only a minimum level of risk with respect to tax matters. The Tax Department anticipates and reduces the

tax risks to their lowest-possible level. We ensure that reasonable care applies in relation to all the KLM's processes that could materially affect compliance with the tax obligations.

We are particularly vigilant in the application of the rules combating fraud and tax evasion. The effect of this low-risk approach is that there is no room for artificial lowering of our tax burden. Consequently, we do not do so.

The KLM annual report also includes Guernsey in its list of foreign activities. Since 1975, KLM outsources part of its insurance risks to a specialized insurer located in Guernsey. Guernsey is one of the main centers in the world that are specialized in this type of business activity. All revenues KLM is generating with the outsourced insurance activity are reported and taxed in the corporate income tax return of KLM in the Netherlands. In 2024, KLM plans to move these activities out of Guernsey.

If it concerns risk management, KLM aims for certainty about our tax positions by approaching advisors or tax authorities. In doing so we fully disclose all relevant facts and circumstances. (as we have done for our outsourced insurance activity as described above).



# Tax governance

**The KLM tax strategy is aligned with the business strategy, ambitions and objectives and follows the standards the Air France-KLM Group expects to adhere to. The strategy, policies and guidelines are consistent with OECD recommendations for responsible business conduct in a global environment. The tax strategy is determined by KLM's Tax Department and is approved by the Board of Managing Directors.**

The KLM Tax Department is mandated by the Board of Managing Directors to deal with all tax matters of the group, apart from ticket taxes and excise duties for which KLM's Ticket Tax Team and the Trade Compliance Officer are respectively responsible.

Furthermore, the KLM Tax Department will ensure that it provides regular tax risk reporting required by the Board, including all the relevant risk reporting required under the broader risk management framework (such as the Risk Management Committees and the Audit Committee). Relevant reports are submitted on a semi-annual basis.

The KLM guiding tax principles also apply to our subsidiaries. The KLM Tax Department oversees local tax matters. A list of the KLM significant subsidiaries is published in its Annual Report.

The full list of the KLM's subsidiaries, associates, jointly controlled entities and non-controlling interests can be found at the Chamber of Commerce.

The KLM Tax Department is committed to operate as a Center of Excellence with maturity and performance at leading level and emphasizing on recruiting, training and retaining excellent team members.

## **KLM Tax Department's approach is to partner with KLM business operations and group companies to ensure that:**

1. The tax strategy is adopted and followed consistently across KLM businesses with clear lines of responsibility and accountability;
2. There is alignment of the strategy with KLM's overall approach to corporate governance and risk management; and
3. KLM collects and pays the right amount of tax at the right moment required of it under the laws and regulations of the countries in which we operate.







# Approach towards tax incentives

Governments make use of tax incentives to stimulate (economic) growth or a change in behavior of taxpayers. KLM makes use of tax incentives were available and appropriate. During 2023 KLM made use of two specific labor related (tax) incentives:

## Deferral wage tax

Employers suffering from loss of turnover during the COVID-19 crisis were allowed to defer their payments of wage taxes. Due to the enormous impact of COVID-19 on the operations of KLM and the cash position, we gratefully made use of this opportunity. The general rule is to repay the deferred payments in 60 monthly installments. Accordingly, the KLM Group has started with the monthly repayments as from October 2022 and is continuing to do so.

## WBSO Subsidy

For its R&D projects initiated in 2023, KLM was awarded a preliminary WBSO subsidy of EUR 694K. This subsidy which is generally available to employers for hours spent on R&D is formalized by a reduction of wage taxes paid.

## Re-investment reserve

In 2023 a tax re-investment reserve accounted for in relation to the profit arising from the transfer of assets belonging to the Flying Blue Loyalty business of KLM, to another group entity. KLM will release the re-investment reserve in full within a period of three years by setting off the reserve against the purchase value of newly acquired assets with a depreciation of less than then years.

KLM informed the Dutch tax authorities to account for a tax reinvestment reserve.



# Advocacy Approach

KLM supports the EU climate goals for 2030 and 2050 to become the first continent to achieve climate neutrality by 2050 wholeheartedly. We therefore welcome the European Green Deal and national targets to achieve this.

Our full support can be relied upon for measures that will truly help the airline industry to become more sustainable. We therefore strongly advocate, benefit of newly introduced general levies, such as national and European kerosene or ticket taxes to be utilized in making the aviation industry more sustainable. Boosting sustainability in the industry

by improving investment capacity and financing to invest in fleet renewal, SAF and new technologies directly contribute to the sector's necessary green transition.

KLM is a member of the Dutch employers' organization VNO-NCW and the International Air

Transport Association (IATA). KLM Tax Department participates in several committees of these organizations which provide constructive inputs to public consultations on legislative tax proposals in the Netherlands. In 2023 KLM contributed to IATA's advice to OECD on specific airline rules for the future implementation of Pillar Two.



# Significant events during 2023

Herein, we delineate two significant events that took place during 2023. These two significant events have been proactively discussed with the Dutch tax authorities.

## **Transaction between KLM N.V. and a newly established Air France-KLM Group company**

In 2023, Air France-KLM underwent a restructuring of its Flying Blue Loyalty program, leading to the sale of several assets associated with the program by KLM N.V. to a newly established Air France-KLM Group company. This newly established company holds the Flying Blue trademark and most of the commercial partner contracts related to Air France-KLM's Flying Blue Loyalty program and has the exclusive role of issuing miles for both the airlines and their partners. As previously mentioned, a tax re-investment reserve accounted for in relation to the profit arising from the transfer (as referenced before).

## **Air France-KLM is launching a global employee share purchase plan**

In 2023 the Air France-KLM Group launched a global employee share purchase plan. Eligible employees were able to purchase shares on favorable terms. KLM agreed with the Dutch Tax authorities on the personal tax consequences for its employees who participated in a share plan.

# Key tax contributions and collections

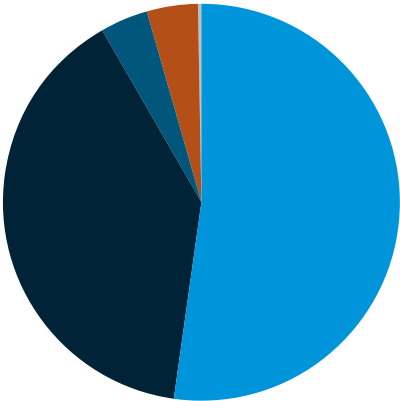
The Total Tax Contribution (also referred to as TTC) of KLM in 2023 amounted to EUR 2,773 million (2022: EUR 1,984 million).

The largest component of the tax contribution relates to Industry taxes, representing 53% of the total amount. Whereas the employment taxes, profit tax and product taxes contribute for 39%, 4% and again 4% of the total tax contributions respectively.

The main difference with 2022 concerns an increase in Industry Taxes as well as Employment Taxes. In our TTC overview we account for in total five main categories of taxes:

**KLM TOTAL TAX CONTRIBUTION 2023**  
(EUR 2,773 million)

● Industry taxes	1,454
● Employment taxes	1,088
● Product taxes	113
● Profit taxes	113
● Other taxes	5



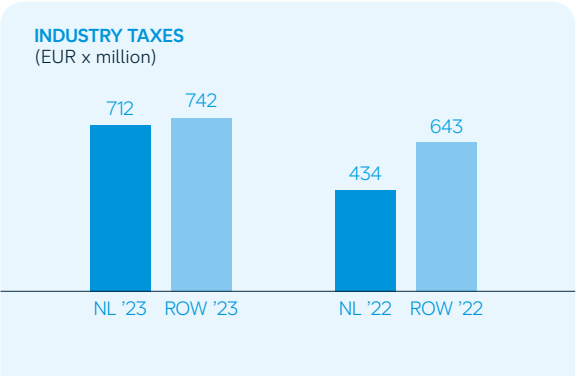


## Industry Taxes

Industry taxes represent the largest category of the total tax contribution by KLM for 2023. Airlines and their customers pay many special taxes and fees to a variety of authorities, both at their home base and abroad. The contributions of these taxes and fees are intended to fund homeland (national) security, environmental protection, agriculture inspection, infrastructure enhancement, airport and airway operations and maintenance and financing countries' general budget. These specific airline related taxes have grown in number, amount, and scope since the advent of air transport. The amount a passenger pays in taxes and fees on a ticket varies according to his itinerary, including the number of times he or she boards a new flight and at what airports.

KLM is responsible for collecting specific industry taxes from its passengers such as the specific Flight Tax in the Netherlands and the Air Passenger Duty in the UK.

In 2023 KLM collected EUR 1,454 million on industry taxes worldwide. 49% (EUR 712 million) of the total amount accounts for taxes paid in the Netherlands and 51% (EUR 742 million) in the rest of the world (ROW).

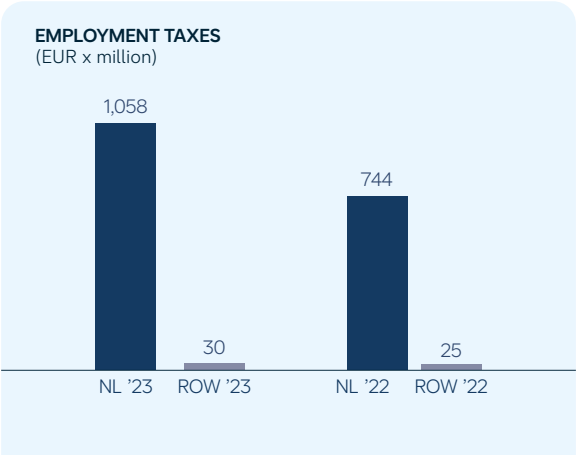


## Employment Taxes

KLM is one of the largest employers of the Netherlands, in 2023 employing 28,608 employees in the Netherlands and 3,035 around the world. On salary payments to its employees KLM withholds wage taxes, social security premiums and other employment taxes as part of total cost of employment. The amounts withheld are directly paid to the respective governments by KLM.

KLM employs staff living outside the Netherlands. Depending on what is agreed in the various applicable tax treaties the taxation of their entire wages is either taxable in the countries where they live or entirely taxable in The Netherlands. KLM closely monitors that these specific allocation rules are applied accordingly.

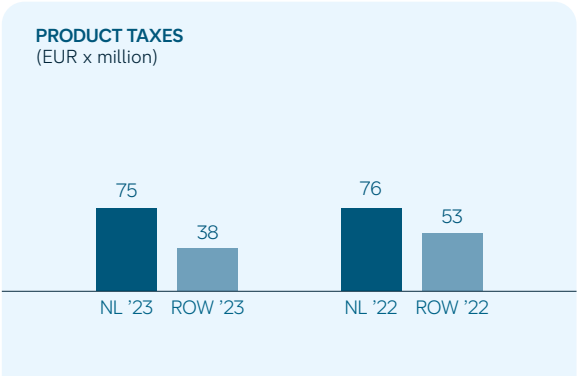
In 2023 KLM paid and collected EUR 1,088 million on employment taxes worldwide in total of which EUR 1,058 million was paid by KLM in the Netherlands (reflecting 97.2%) and EUR 30 million in the rest of the world (ROW).



## Product Taxes

Product taxes, the third category of taxes paid by KLM, includes taxes such as Value Added Tax (VAT). VAT is generally charged by a company to its customers on services provided and products sold. A VAT on transportation services would create very complex allocation issues as jurisdictions may only impose tax in their own jurisdictions. The transportation of passengers and cargo involves many jurisdictions, amongst which the international airspace where no taxing rights exist. To avoid these complexities, the EU VAT Directive applied a zero rate on these services from airlines. KLM's services are mainly subject to a zero percent rate of value added tax and similar international taxes such as good and services taxes. KLM's contribution for these taxes therefore is limited to certain services performed by KLM's cargo and maintenance divisions, not directly linked to transportation itself.

In 2023 KLM collected and paid EUR 113 million on product taxes worldwide, where it contributed 66% (EUR 75 million) of the total contribution in the Netherlands and 34% (EUR 38 million) in the rest of the world (ROW).



## Profit Taxes

As airlines mainly operate in various tax jurisdictions and in the international airspace outside any tax jurisdiction, the airline industry is unique in its sort. To secure that profits will be taxed in one State alone, the general rule in tax treaties is that the taxing right shall be left to the State in which the place of effective management of the airline is situated. This rule prevents very complex profit allocations and means for KLM that almost all its worldwide earnings are subject to taxation in the Netherlands at the general Dutch corporate income tax rate of 25.8%.

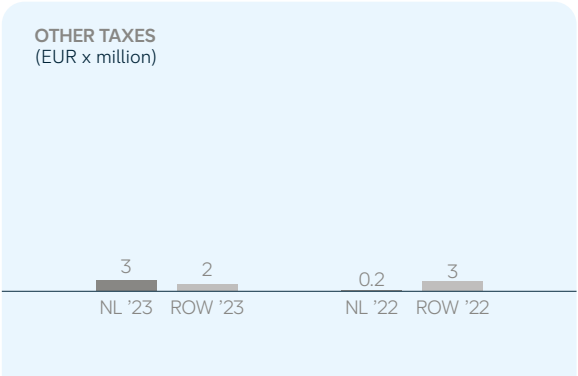
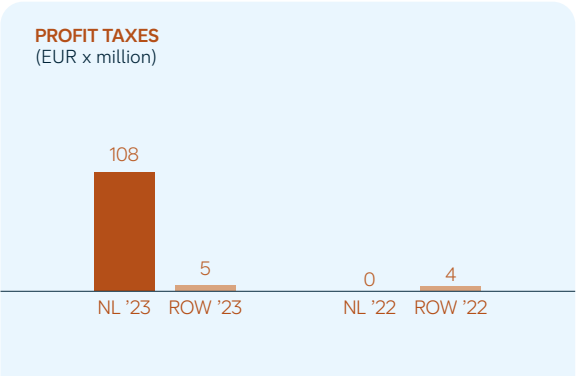
In 2023 KLM filed its FY 2022 Dutch corporate income tax return which reports a fiscal profit of EUR 291 million. Although KLM has a substantial tax loss carry forward position available resulting from significant losses incurred in FY's 2020 and 2021, in line with Dutch tax rules applicable as from January 1, 2022, only 50% of taxable profits can be used to utilize tax losses carried forward. Consequently, KLM has paid in 2023 an amount of EUR 32 million corporate income tax based on its taxable result of EUR 145 million reported in the FY 2022 Dutch corporate income tax return.

In addition, in FY 2023 KLM has pre-paid EUR 76 million based on the estimated taxable result stated on an automatically processed preliminary corporate income tax assessment for FY 2023. The total amount of Dutch corporate income tax paid by KLM during FY 2023 amounts to EUR 108 million. As per year end 2023 the KLM N.V. fiscal unity has tax losses carried forward amounting to EUR 1,288 million and the related deferred tax assets is EUR 332 million as per that date.

## Other taxes

The final category of taxes reported reflect all remaining taxes, such as stamp duties, property taxes and other local taxes.

In 2023 KLM paid an amount of EUR 5 million on other taxes worldwide, of which 64.1% in the rest of the world and 35.9% in The Netherlands.



# Data retrieve explanations

With reference to the support for data collection of the mentioned tax numbers in this tax transparency and contribution report, it should be noted that the data is collected by KLM through its information systems (SAP) and internal procedures. However, KLM did not obtain assurance from an external auditor over the financial information included in this report.

The data includes all tax payments reported in FY 2023. Hence, taxes payable in relation to FY 2023 results but paid at a later stage are not included in this report. For instance, the corporate income tax that relates to the reported profit of FY 2023, will be a cash out payment in FY 2024 and as such reported in the FY 2024 KLM Tax Transparency and Contribution Report.





**Headoffice**

Amsterdamseweg 55  
1182 GP Amstelveen  
the Netherlands

**Postal address**

P.O. Box 7700  
1117 ZL Schiphol  
the Netherlands

**Telephone**

+31 20 649 9123

**Internet**

[www.klm.com](http://www.klm.com)

Registered under number  
33014286 in the Trade Register  
of the Chamber of Commerce  
and Industry Amsterdam,  
the Netherlands.