

KLM Tax transparency  
and contribution report  
2024



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KLM CFO  
**Bas Brouns**  
 comments:

“The airline industry faces numerous challenges. This situation also applies to taxation, which is continuously subject to new regulation. Active stakeholder management and engagement are crucial to navigating these tax complexities and ensuring timely anticipation of regulatory changes. To navigate in this evolving environment, clarity on KLM’s tax strategy, policies, positions and principles is essential, reflecting our dedication to transparency and accountability.”





# About this report

One of the main drivers of the KLM strategy towards 2030 is to become a frontrunner in sustainable aviation. Key in our transformation journey is to ensure responsible fundamentals through transparency. KLM acknowledges that taxes play an important role in the transformation to a more sustainable future and sees tax not as a cost factor only but a contribution to achieving sustainability aspirations.

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 2024 Annual Report, and we will describe the KLM tax strategy (page 4), the governance model (page 7), our approach towards incentives and advocacy (pages 8 and 9). On page 11 we will then provide insight on the amounts of our worldwide contribution of taxes paid and collected in 2024.



# 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 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. Ensuring compliance requires awareness of business activities and effective collaboration between tax department and the businesses.

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. 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. During the 2024 consultations KLM tax department informed the tax authorities on the restructuring of the Flying Blue Loyalty program and the re-investment reserve accounted for, among other matters.

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. The tax authorities confirm the collaboration with KLM tax department as positive. Information is actively shared, and regular meetings are in an open and constructive atmosphere.

KLM is regarded as a compliant organization that takes the interests of the tax authorities into account.

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 and Pillar 2 reporting obligations are met by the holding entity of KLM, Air France KLM S.A. The holding entity files the Country-by-Country Report and Pillar 2 report for the group on an aggregated level, which includes the KLM data as well. For Pillar 2 reporting, the holding entity will submit a tax return in France. The compliance requirements for KLM in the Netherlands are thereby limited. KLM does not expect additional material costs because it estimates that the KLM group in the Netherlands is sufficiently taxed.

**Risk management**

KLM applies professional 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’.

The tax department anticipates and reduces the tax risks to their lowest possible level, ensuring that reasonable care is applied to all 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 has outsourced part of its insurance risks to a specialized insurer located in Guernsey. Guernsey is one of the main centers in the world that specializes 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 has started to move these activities from Guernsey to Malta (another location for specialized insurers) and will complete this relocation in 2025.

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.

# 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 KLM tax matters, apart from ticket taxes, customs 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. Subsidiary management consults with the KLM tax department as needed, particularly when there are changes in business activities. KLM tax department notifies its subsidiaries about changes in relevant tax legislation. 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 and the Air France Tax Department are each responsible for their own tax compliances. There is regular coordination between the two departments, and they collaborate on common issues.

## **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. The correct data have been collected for group tax payments 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 2024 KLM made use of two specific labor related (tax) incentives:

## **Deferral payment Corona wage tax debt**

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. The outstanding amount as of December 31, 2024 was EUR 833.5 million.

## **WBSO Subsidy**

For its R&D projects initiated in 2024, KLM was awarded a preliminary WBSO subsidy of EUR 614K. This subsidy which is generally available to employers for hours spent on R&D is formalized by a reduction of wage taxes paid. The final subsidy will be based on the actual hours spent.



# Advocacy Approach

**KLM supports the EU climate goals for 2030 and 2050 and is committed to contributing to Europe’s ambition of achieving climate neutrality by 2050. We support measures that will help the airline industry to become more sustainable.**

In this context, we advocate for revenues from newly introduced general European levies, such as kerosene or ticket taxes, to be directed toward initiatives that makes the aviation industry more sustainable. Strengthening investment capacity for fleet renewal, Alternative Aviation Fuel, and new technologies is essential to making the industry more sustainable.

To incorporate Alternative Aviation Fuel into regular jet fuel and thereby reduce CO<sub>2</sub> emissions, KLM plans to further expand the current Alternative Aviation Fuel program for its customers. To ensure clarity on VAT and to mitigate future tax risks, KLM Tax Department consults the Tax Authorities in advance.

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.



# Some specific topics 2024 highlighted

## **KLM Equipment Services (KES)**

KES has been sold to an external party on February 1, 2024. As of that date KES is no longer part of the unity for corporate income tax and VAT.

## **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 by setting off the reserve against the purchase value of newly acquired assets with a depreciation of less than ten years.

In 2024, KLM informed the Dutch tax authorities to account for a tax reinvestment reserve. Due to the substantial volume of investments, the reinvestment reserve is fully exhausted in 2024.

## **New Commuting policy**

In 2024, KLM has introduced a new commuting policy for its staff in the Netherlands. This policy provides a higher transportation allowance for commuting and is more sustainable (the more sustainable the mode of travel, the higher the allowance). Employees have the option to apply for a NS-Business card (covering train, bus, metro and tram) for free public transportation from home to work, and/or to lease a bike from KLM.

## **Pillar 2 / Wet Minimum Belasting**

Effective 2024, the Minimum Tax act (*Wet Minimum Belasting*) has been introduced in the Netherlands, with France enacting similar legislation. KLM and its subsidiaries are part of the AFKL Group, whose parent entity is Air France KLM S.A.

The effective tax rate must be determined for all relevant countries in which the Group operates. If the effective tax rate is below 15%, surcharge may be applied. KLM and Air France have identified the countries and entities subject to this new legislation. Further assessments will be conducted in the coming months.

Since Air France KLM S.A., as the parent entity, will ultimately file a tax return in France and this data will be shared with The Netherlands, KLM can fulfill its obligation by submitting a notification file before June 30, 2026.

This new legislation is not expected to materially increase costs for KLM.

# Key tax contributions and collections

The Total Tax Contribution (also referred to as TTC) of KLM in 2024 amounted to EUR 3,053 million (2023: EUR 2,773 million).

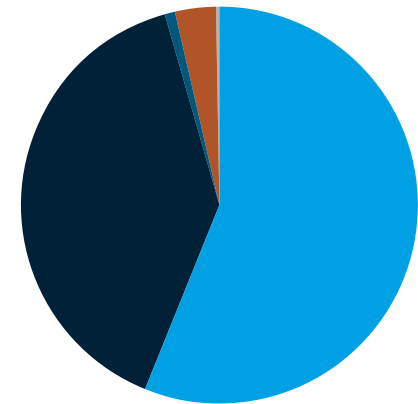
The largest component of the tax contribution relates to Industry taxes, representing 56% of the total amount. Whereas the employment taxes, profit tax and product taxes contribute for 39%, 1% and 4% of the total tax contributions respectively.

The main difference with 2023 concerns an increase in Industry Taxes and Employment Taxes. In our TTC overview we account for in total five main categories of taxes:

## KLM TOTAL TAX CONTRIBUTION 2024

(EUR 3,053 million)

● Industry taxes	1,716
● Employment taxes	1,205
● Product taxes	98
● Profit taxes	28
● Other taxes	6



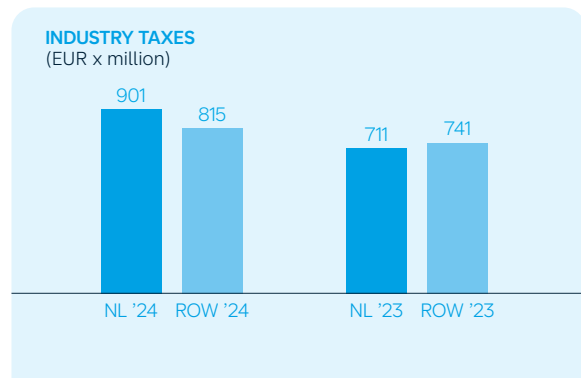


## Industry Taxes

Industry taxes represent the largest category of the total tax contribution by KLM for 2024. 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 2024 KLM collected EUR 1,716 million on industry taxes worldwide. 52% (EUR 901 million) of the total amount accounts for taxes paid in the Netherlands and 48% (EUR 815 million) in the rest of the world (ROW).

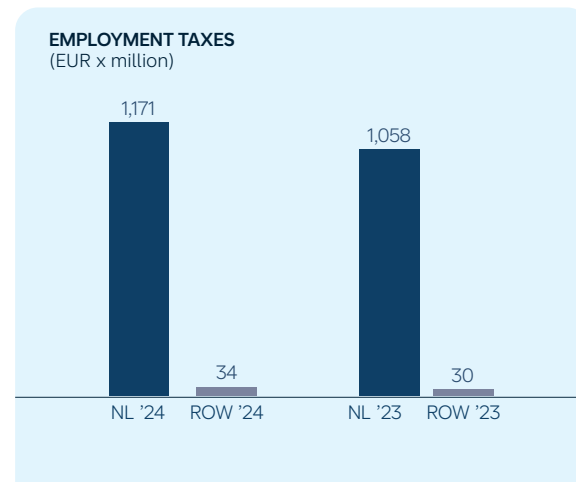


## Employment Taxes

KLM is one of the largest employers of the Netherlands, in 2024 employing 27,349 employees in the Netherlands and 3,115 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.

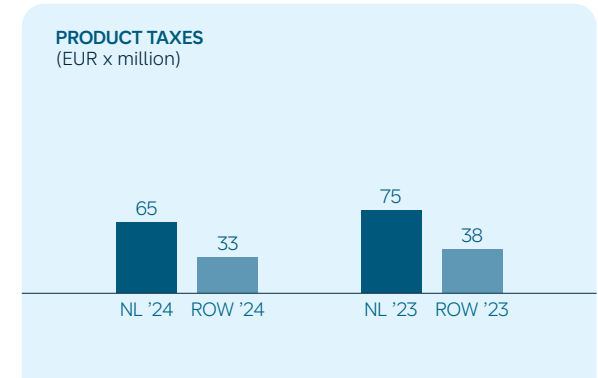
In 2024 KLM paid and collected EUR 1,205 million on employment taxes worldwide in total of which EUR 1,171 million was paid by KLM in the Netherlands (reflecting 97.2%) and EUR 34 million in the rest of the world (ROW).



## 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 2024 KLM collected and paid EUR 98 million on product taxes worldwide, where it contributed 66% (EUR 65 million) of the total contribution in the Netherlands and 34% (EUR 33 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%.

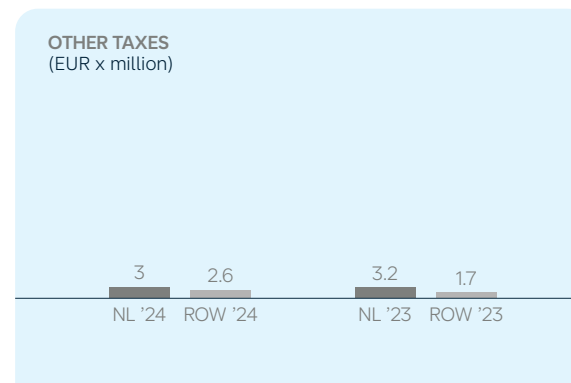
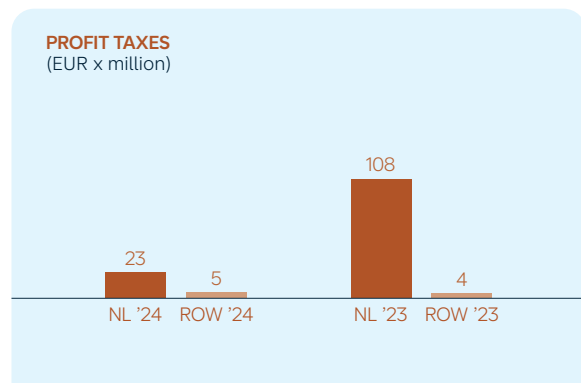
In 2024 KLM paid on net basis an amount of EUR 23 million on corporate income tax, based on a revised preliminary assessment for 2024.

As per year end 2024 the KLM N.V. fiscal unity has tax losses carried forward amounting to EUR 1,215 million and the related deferred tax assets is EUR 313 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 2024 KLM paid an amount of EUR 5.6 million on other taxes worldwide, of which 53.6% in the rest of the world and 46.4% 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 2024. Hence, taxes payable in relation to FY 2024 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 2024, will be a cash out payment in FY 2025 and as such reported in the FY 2025 KLM Tax Transparency and Contribution Report.







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