

# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2026

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## MODULE 2.06 – IRELAND OPTION

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### ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

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TIME ALLOWED – 3¼ HOURS

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This exam paper has **three** parts: **Part A**, **Part B** and **Part C**.

You need to answer **five** questions in total. You will **not** receive marks for any additional answers.

You must answer:

- **Both** questions in **Part A** (25 marks each)
- **One** question from **Part B** (20 marks)
- **Two** questions from **Part C** (15 marks each)

#### Further instructions

- All workings should be made in Euros, unless otherwise stated. Any monetary calculations should be made to the nearest whole Euro. Any necessary time apportionments in your calculations should be made to the nearest whole month.
- You must provide appropriate line breaks between each question, and clearly indicate the start of each new question using the formatting tools available.
- Marks may be allocated for clarity of presentation of your answers.
- The time you spend answering questions should correspond broadly to the number of marks available for that question. You should therefore aim to spend approximately half of your time answering Part A, and the other half answering questions in Parts B and C.
- There is no separate reading time, so you can start typing your answers as soon as the exam begins. However, we recommend that you set aside some time to thoroughly read each question and plan each of your answers.

## PART A

**You are required to answer BOTH questions from this Part.**

1. John Smith has been employed as a senior executive with Megacorp, a multinational group resident for tax purposes in State M, since 1995. He is a citizen of State M, as were both his parents.

John is married to June, who was born in Ireland to Irish parents but moved to State M in 1995 and has since remained there, with the intention to continue living in State M permanently. She is a dual citizen of Ireland and State M.

John is being seconded to Ireland for five years from 1 August 2026, to set up and manage Megacorp's new Irish subsidiary before its handover to local management, and will be accompanied by June. They will return to State M after the assignment, and John intends to retire a few years after their return. John's salary will be paid in State M throughout the course of his secondment.

John and June have two adult children who will remain in State M, while their teenage daughter will accompany them to Ireland.

John has the following sources of income:

- Megacorp annual salary of €500,000.
- Share awards vesting in 2026 and 2027.
- Share options with a five-year vesting period, granted in 2023.

June receives a pension from her former employment as a civil servant in State M, from which she took early retirement.

Megacorp have agreed to pay for:

- rental of an Irish house for the first two years of the posting;
- two flights per year to State M for the family;
- school fees for John and June's teenage daughter; and
- fees for your advice.

John and June have the following personal investments:

### John

- Shares in Megacorp from exercised options and awards.
- Cryptocurrency investments, in Bitcoin and Ethereum.

### John and June jointly

- Shares in companies resident for tax purposes in the United States and other non-Irish jurisdictions.
- Fund investments, including US Exchange Traded Funds UCITS and UCITS funds.

They will rent out their home in State M while in Ireland.

John is the beneficiary of his father's will, and also requires advice on Irish Inheritance Tax if he is resident upon the inheritance.

A double tax agreement exists between Ireland and State M, conforming to the OECD Model Tax Convention.

**You are required to:**

- 1) Advise John and June on the tax implications for John and Megacorp of the Irish posting and John's benefits package, with reference to Irish legislation and treaty aspects. You should also suggest any available reliefs, along with the required conditions.** (14)
- 2) Advise John and June on the Irish tax implications of their other sources of income and gains.** (8)
- 3) Briefly outline the tax treatment of John's inheritance if he is Irish resident on the date of the benefit.** (3)

Total (25)

2. *"Ireland remains one of the most competitive locations in the world for international business, offering a combination of a low corporation tax rate, an extensive treaty network and a well-developed intellectual property regime." — Irish Minister for Finance, Budget 2026*

You are a senior tax manager in the Irish office of a global professional services firm. You have received an enquiry from the chief finance officer (CFO) of Nexigen AG, a Swiss-headquartered pharmaceutical group listed on the Swiss stock exchange, which is considering establishing a significant Irish presence to serve its clients in the region. The group currently has operating subsidiaries in Germany, France, the Netherlands, Singapore and the United States.

Nexigen AG's principal assets are its patented drug formulations and associated know-how (the IP). The group's US subsidiary (Nexigen US Inc.) currently owns this IP, which was developed internally over many years and is currently valued at US\$800 million. The IP generates substantial royalty income from the European operating subsidiaries. The group is considering migrating the IP to Ireland through a transfer to a newly incorporated Irish company (Nexigen Ireland Ltd).

Nexigen Ireland Ltd would also act as the regional subholding company for the European operating subsidiaries. The group anticipates that Nexigen Ireland Ltd will generate significant royalty and dividend income, and will employ ten qualified employees in Cork, including IP management specialists, a CFO and legal counsel. An experienced Irish-resident executive will be appointed as chief executive officer of Nexigen Ireland Ltd.

**In the context of the proposed structure in which Nexigen Ireland Ltd will receive royalty and dividend income from the European subsidiary companies, you are required to prepare a memorandum for Nexigen AG's CFO, addressing:**

- 1) **Corporation Tax rates and trading status of the new Irish subsidiary;** (3)
- 2) **The taxation of dividend income received from foreign subsidiaries;** (6)
- 3) **The taxation of capital gains on the disposal of shares in subsidiary companies;** (6)
- 4) **Withholding taxes applicable to remittances from Nexigen Ireland Ltd to Nexigen AG; and** (7)
- 5) **Any other general features of the Irish holding company regime that are applicable in this situation.** (3)

Total (25)

**PART B**

**You are required to answer ONE question from this Part.**

3. *“High income taxpayers could seek to avoid Irish Income Tax by transferring transfer income-generating assets to non-resident entities such as companies or trusts.”*

**You are required to explain the Irish provisions used to counter this type of tax planning. (20)**

4. You are the tax manager of a global tax advisory group which has recently been engaged by Pollyanna Inc., a United States AI company headquartered in California and quoted on the New York Stock Exchange, which inter alia has an Irish subsidiary.

Pollyanna Inc. has invested heavily in research and development (R&D) over the past two years, developing an AI platform for interior design applications. R&D expenditure has been split evenly between the US and Ireland, with significant copyrighted software and patented intellectual property (IP) developed across both countries.

The IP is owned under a cost-sharing agreement between Pollyanna Inc.’s US entity and Pollyanna Resources Ireland, in proportion to their expected revenue shares. Under the agreement, each party proportionately bears the costs of both R&D and sales and marketing operations, and earns the corresponding revenues. In addition to internally developed IP, the group has made several strategic acquisitions of target companies to obtain their IP; such acquired IP has also been brought within the cost-sharing agreement.

Pollyanna Resources Ireland is not expected to be profitable for several years and expects to require significant debt financing to fund its continuing operations.

The chief finance officer of Pollyanna Inc. has requested a meeting with your firm, ahead of a scheduled board presentation to discuss the Irish tax position of Pollyanna Resources Ireland.

**You are required to provide:**

- 1) **An analysis of how debt financing will be treated from a tax perspective in Ireland; and (10)**
- 2) **Advise on at least two of the R&D reliefs in Ireland, in the particular context of the cost-sharing structure, as Pollyanna Resources Ireland has not to date availed of any of the available R&D incentives in Ireland (10)**

Total (20)

## PART C

**You are required to answer TWO questions from this Part.**

5. Tony and Sarah Miller are high net worth individuals resident and domiciled in State X. State X has a double tax agreement (DTA) with Ireland, consistent with the OECD Model Tax Convention.

Tony and Sarah are both retiring from high-level executive positions in State Y and are considering moving to Ireland. They intend to remain domiciled in State X, and require advice on certain aspects of the remittance basis of taxation.

Tony and Sarah hold the following assets:

- Principal private residence in State X which they intend to sell, using the proceeds to buy an Irish residence. During their period of ownership, they have spent some periods of residence in other states. They have rented their residence during these periods.
- Investment properties in State X.
- Investment property in State Y, which has no DTA with Ireland.
- Investment portfolio consisting of shares and exchange traded funds. None of the investments are within the scope of Irish regulated offshore funds provisions. Tony and Sarah are active investors and make regular disposals and purchases. They plan to continue to do so once Irish resident.

Tony and Sarah both hold pension funds from their employment in State X. Like Irish funds, contributions have been tax-relieved when made. In State X, they can now take 25% of the funds tax-free. Further withdrawals will normally be taxable in State X.

State X pension funds differ from Irish funds in that they allow withdrawals before retirement in certain circumstances (e.g., house purchase, marital breakdown, or financial necessity). Tony and Sarah have never used this facility.

Tony and Sarah have credit cards issued in State X and wish to maintain their bank accounts in State X. All income and capital proceeds are paid into these accounts.

A friend has informed Tony that he could avoid Irish remittances by borrowing abroad and transferring the loan proceeds to Ireland while making the loan repayments from a State X bank account.

Tony is considering providing consultancy on a freelance basis in his field of expertise. He will receive payment in an account in State X.

Tony and Sarah require advice on how to structure their finances to best utilise the remittance basis for non-domiciled individuals.

**You are required to prepare a report to Tony and Sarah on the application of the remittance basis to the circumstances with which you have been provided.**

(15)

6. Mr B is Irish resident and domiciled. He owns the following assets:

- A principal private residence in Ireland;
- personally held Irish investment properties;
- foreign investment properties;
- a 100% shareholding in Company T, which he founded 25 years ago and has grown into a large and successful company. A United States multinational has offered to buy his shareholding for €200 million. He intends to accept the offer, and the sale process is expected to conclude in early 2027.

Mr B also owns an investment portfolio consisting of:

- an equity portfolio of Irish and foreign shares, concentrated in the technology and pharmaceutical sectors;
- shares in an Irish property investment company, whose investments are mostly in Irish property; and
- shares in a failed Irish technology startup company. Mr B invested €10 million. The shares are now worthless.

Mr B has lent €10 million to another Irish company, receiving annual interest of €500,000.

Mr B has been reconsidering the highly active nature of his business life. Upon accepting the US offer for Company T, he intends to liquidate a generous portion of his portfolio; however, he plans to move to State S before doing so because State S, while taxing residents on worldwide income and gains, offers new residents very favourable tax rates in their initial years of residence.

Ireland and State S have a double tax agreement, corresponding to the OECD Model Tax Convention.

Mr B will need to spend about three months in Ireland in 2027 for family reasons, and may consider returning in the future. He initially intends to rent a residence in State S, before acquiring a permanent residence.

Mr B has asked you to advise him on tax implications for the capital disposals related to his proposed move to State S.

**You are required to prepare a report for Mr B, advising him on the Irish and DTA implications of the planned disposals. You should explain any anti-avoidance provisions relating to the disposals.**

(15)

7. You are the tax adviser to Luminos plc, an Irish publicly quoted company that designs and sells premium decorative lighting products. Luminos plc holds patents over its core lighting technology, and licenses these to retailers and manufacturers in over 40 countries.

In 2022, Luminos plc acquired Brightfield Inc., a United States company headquartered in Ohio, for US\$60 million. Brightfield Inc. had developed patented LED technology that Luminos plc sought to incorporate into its product range. Following the acquisition, the two companies entered into a licensing agreement under which Brightfield Inc. receives an annual royalty from Luminos plc in return for the right to use the technology across its international operations.

Royalty payments have been made by Luminos plc to Brightfield Inc. since 2023. The IRS has recently written to Brightfield Inc., asserting that the royalty it receives is too low and does not reflect the true value of the technology, and has issued a formal adjustment increasing Brightfield Inc.'s taxable income, together with interest and penalties.

Brightfield Inc. has notified Luminos plc immediately. Luminos plc's leadership team are concerned that if the IRS adjustment stands, it will effectively be taxed twice on the same economic profit, having claimed a deduction in Ireland for royalties that the IRS now says should have been higher.

**You are required to:**

- 1) **Advise Luminos plc on the Irish transfer pricing rules applicable to the royalty arrangement with Brightfield Inc., including the scope of those rules, the arm's length standard, documentation requirements and any exemptions (which may or may not be applicable to Luminos plc).** (8)
- 2) **Advise Luminos plc on the steps available to resolve the IRS adjustment and mitigate the risk of double taxation.** (7)

Total (15)

8. The Court of Justice of the European Union (CJEU) has, over many years, considered the compatibility of member states' domestic tax legislation with the fundamental freedoms guaranteed by the Treaty on the Functioning of the European Union. Several of these decisions have required Ireland to amend its domestic tax legislation.

**You are required to describe three cases in which a decision of the CJEU has led to a change in Irish tax legislation. For each case, your answer should:**

- **Identify the Treaty freedom or principle engaged;**
- **Summarise the CJEU's finding and the basis of its reasoning; and**
- **Describe the change made to Irish tax legislation as a result.**

(15)