THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2026

MODULE 1

PRINCIPLES OF INTERNATIONAL TAXATION

TIME ALLOWED – 3¼ HOURS

This exam paper has **two** parts: **Part A** and **Part B**.

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

You must answer:

- **At least two** questions in **Part A** (25 marks each)
- **At least one** question from **Part B** (25 marks each)

You should therefore answer either all three questions in Part A and one question in Part B; or two questions in Part A and two questions in Part B.

Further instructions

- You must use the appropriate currency, unless otherwise stated. Any monetary calculations should be made to the nearest whole unit of currency. 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 a quarter of your time answering each of your four selected questions.
- 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 AT LEAST TWO questions from this Part.

1. **You are required to critically evaluate how <u>either</u> Article 25 of the OECD Model Tax Convention 2017 (OECD MTC 2017) <u>or</u> Article 25 of the UN Model Double Tax Convention 2021 deals with disputes over whether a tax measure falls within a double tax agreement.**

   You should give particular consideration to cases engaging Article 24 of your chosen OECD or UN Model and the General Agreement on Trade in Services or similar agreements. (25)

2. “A UN protocol on cross-border services taxation will only be meaningful if it turns fairer taxing rights into clear and workable rules.”

   You are required to critically evaluate this statement, in the context of the proposed United Nations Framework Convention on International Tax Cooperation. (25)

3. **You are required to critically assess the role and limits of transfer pricing documentation, with particular reference to the master file, local file and country-by-country reporting.** (25)

PART B

You are required to answer AT LEAST ONE question from this Part.

4. New1Crypto LLC (N1C) is a successful crypto business, incorporated and tax resident in Country A. Its management board has decided to expand to Country B, which has flexible licensing rules. N1C's accounting year ends on 31 December.

On 15 October 2024, Suzie M, a resident of Country B, was employed by N1C on a fixed-term contract ending 15 January 2025. Her contract provided that, as marketing manager, she would be responsible for developing and proposing N1C's marketing strategy; supporting N1C in obtaining any licences, permits, registrations or approvals; and supporting the establishment of N1C's local operations, including the incorporation of a new company in Country B as soon as possible.

Suzie was required to, and did, spend 50% of her work week in Country A. N1C did not have an office in Country B and Suzie had to organise her workplace herself. While she was not required to work from home, she did generally work from home in Country B as she had a fully equipped room in her house dedicated to her work. She occasionally met prospective customers, business partners and regulators in cafes and hotel meeting rooms. Suzie was able to choose either to receive a work laptop from N1C or to work on her own laptop through N1C's corporate VPN, and chose to use her own laptop.

On 1 December 2024, Country B faced a major corruption scandal connected to cryptocurrency licences. Country B's government immediately suspended applications for new crypto-business licences until new legislation was introduced. From 2 December 2024, Suzie's employment contract was extended until such time as the new Country B legislation was enacted. Her role changed to sales and business development manager. In that role, she was responsible for identifying, pursuing and seeking to secure new business opportunities, including meetings and calls and for meeting or exceeding assigned business-development KPIs. During this period, N1C could not establish licensed local crypto operations in Country B until the necessary licence was obtained. However, Suzie continued to meet and speak with prospective customers, business partners and regulators in connection with N1C's proposed Country B expansion.

On 1 December 2025, the new Country B legislation was enacted and Country B's government restarted its cryptocurrency licence application process. On the same day, Suzie's role reverted to marketing manager. The new legislation imposed significant additional compliance requirements, which delayed the incorporation of the new Country B company until 15 May 2026. Suzie's contract with N1C ended on the same date.

The Country A-Country B double tax agreement is identical to the OECD Model Tax Convention 2017.

You are required to advise N1C on the likely allocation of taxing rights between Country A and Country B under the Country A-Country B double tax agreement, in relation to any business profits connected to Suzie's activities during the following periods:

- **15 October – 31 December 2024;**
- **1 January – 31 December 2025; and**
- **1 January – 15 May 2026.**

(25)

5. Pablo is an internationally recognised professional footballer, who plays for Club Horizon in Country H. He is a resident of Country G for the purposes of the Country G-H double tax agreement (DTA), which is identical to the OECD Model Tax Convention 2017.

Pablo has entered into the following arrangements with Vector Co (Vector), a sportswear company resident in Country H, in connection with a global club tournament taking place in Country H and a wider global campaign.

Pre-tournament promotional fee

Before Pablo was selected to play in the tournament, Vector paid him a fixed, pre-tournament promotional fee. The pre-tournament arrangement states that:

- Vector may use generic digital and retail advertising featuring Pablo;
- Pablo will attend one distributor event in Country H;
- Pablo will attend one two-day content shoot in Country H; and
- the advertising materials may be used even if Pablo does not go on to play in the tournament.

Tournament sponsorship fee

After Pablo was selected to play in the tournament, he and Vector entered into a tournament sponsorship agreement covering the tournament period and a wider global campaign. Under the tournament sponsorship agreement, Vector pays Pablo a single sponsorship fee. The agreement states that:

- Vector may feature Pablo's name, image and likeness in a worldwide digital and retail campaign;
- Pablo must wear Vector boots during matches in Country H, if fit to play and permitted to do so by tournament rules;
- Pablo must attend one sponsor event in Country H;
- Pablo must make one branded post-match appearance in Country H; and
- Pablo must complete one post-tournament promotional shoot outside Country H.

The agreement assumes that Pablo will play in the tournament in Country H. If Pablo does not appear in any match in Country H, Vector may cancel the planned tournament promotions and reduce the sponsorship fee by 30% but may continue the worldwide campaign. The agreement also provides that 40% of the fee remains payable even if Pablo does not play in Country H, provided he completes the post-tournament promotional shoot outside Country H.

Pablo's activities

Pablo attended the distributor event and the two-day content shoot in Country H. He was later selected to play in the tournament and played in four matches in Country H. He wore Vector boots during those matches, attended the sponsor event in Country H, and made the post-match appearance in Country H. He also completed the post-tournament promotional shoot outside Country H.

You are required to prepare a report advising how taxing rights are likely to be allocated between Country G and Country H under the Country G-H DTA, in relation both to the pre-tournament promotional fee and to the tournament sponsorship fee. (25)