THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2026

MODULE 3.02 – EU VAT OPTION

ADVANCED INTERNATIONAL TAXATION (THEMATIC)

TIME ALLOWED – 3¼ HOURS

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

- 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 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. Balbin GmbH is established and VAT registered in Bordonia, an EU member state. Balbin owns and operates secure, unmanned collection boxes that are used as collection points for the delivery of parcels containing goods ordered online and via other remote means.

   The collection facilitates are located in supermarket car parks across three EU member states. These spaces are rented by Balbin for the specific purpose of hosting banks of collection boxes. Metered electricity is also supplied to each collection box unit.

   The collection service is provided by Balbin and supplied to Zuton, a distribution company established in the United States. Zuton supplies the onward use of the collection boxes to businesses selling goods online and by other remote means, all over the world, with no business relationship with Balbin.

   Zuton, describes its service as a secure distribution service. When a customer needs to collect goods that they have previously paid for, the retailer gives the customer a code (provided by Zuton) which enables them to retrieve the goods securely, at a convenient time, from a location they have previously selected.

   If a parcel is not collected within the notified time period, it is returned to the retailer and, should the customer wish it to be redelivered to the collection facility, a charge of €30 is incurred which must be paid by the customer to Zuton before a new valid code can be provided.

   You are required to write a report, describing the VAT related aspects of all of Balbin's and Zuton's activities and highlighting the issues to be considered in ensuring compliance with EU VAT law.

   You are also required to comment on whether Zuton is facilitating a supply within the rules relevant to online platforms. (25)

2. Windrop SA is established and VAT-registered in Ponolonia, an EU member state. Windrop provides a range of food and food service products. Its activities include:

   1) The sale of sealed and packaged ready meals to three airlines, which serve them to passengers on scheduled flights between Ponolonia and other member states. The airlines that purchase the meals are established respectively in Ponolonia, a neighbouring EU member state, and the United States. The meals are delivered by Windrop to departing aircraft at Ponolonia's largest airport, three hours before take-off. Occasionally, sealed and packaged meals are sold to the operators of private aircraft transiting Ponolonia.

   2) Cold storage warehousing offered to third parties at Windrop's airside warehouse complex, located at Ponolonia's largest airport.

   3) Specialist food packaging services provided to domestic and EU food businesses, which also supply airlines.

   4) Food vending machines located at airports in Ponolonia and Theta, a neighbouring member state, that are stocked from supplies moved from the cold store warehouse at 2) above.

   5) Occasional surplus food donations made to local charities and food banks in Ponolonia.

   Windrop's finance director has asked for your analysis of the supplies the company are making.

   You are required to write a letter to the finance director, advising on the VAT treatment of the activities described. (25)

PART B

You are required to answer ONE question from this Part.

3. Balpa is established in Theta, an EU member state. It is a small enterprise making supplies of novelty keyrings. In 2025 the value of annual sales made to customers in Theta was €60,000; a further €14,000 of sales was made to customers in Bordonia, a neighbouring member state.

   You are required to outline any simplification measures that Balpa can use to reduce the complexity of its VAT obligations, and the conditions that Balpa must meet in order to be eligible for any such arrangements. (20)

4. The CJEU has recently ruled that, in certain circumstances, transfer pricing adjustments may be subject to VAT.

   You are required to describe the circumstances in which transfer pricing adjustments may attract VAT, and comment on the specific features that are considered, with reference to Court of Justice of the European Union cases in support of your position. (20)

PART C

You are required to answer TWO questions from this Part.

5. You are required to **outline the circumstances in which VAT incurred can be offset against VAT charged, and describe the contrasting circumstances in which, rather than being offset, it may be refunded.**

   You should support your answer with reference to relevant EU VAT legislation. (15)

6. A car with delivery mileage of 4,900km has been sold by a VAT-registered car dealer established in Theta, an EU member state. The purchaser is an individual who is not VAT-registered and is resident in Bordonia, a neighbouring member state. The seller has made arrangements for the car to be transported from seller to purchaser, on a low loader trailer that will begin its journey in Theta.

   You are required to outline the VAT issues that need to be considered by both the seller and the purchaser, concerning the purchase, movement and delivery of the car. (15)

7. The EU principles of 'direct effect' and 'legitimate expectation' frequently feature in litigation in both the Court of Justice of the European Union and domestic courts.

   You are required to describe the meaning of each of these phrases, supporting your answer with leading cases that have referred to these concepts. (15)

8. The EU Commission seeks to update the EU VAT system under the initiative of ViDA (VAT in the Digital Age).

   You are required to provide an overview of the key areas affected by the ViDA changes, and describe the issues that the measures are seeking to address. (15)