# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2025

# 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 monetary 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. “Article 27 provides unlimited temporal reach in the collection of taxes across borders.”

   **You are required to critically evaluate this statement.**

   **Your answer must be based upon <u>either</u> the OECD Model Tax Convention 2017 <u>or</u> the UN Model Double Taxation Convention 2021.** (25)

2. **You are required to critically assess whether Pillar Two’s global minimum tax effectively curbs tax competition while preserving the tax sovereignty of nation-states.** (25)

3. **You are required to critically assess the function of the saving clause, and the consequences of its inclusion in either the OECD Model Tax Convention 2017 or the United Nations Model Double Taxation Convention 2021.**

   **Your answer must be based upon <u>either</u> the OECD Model Tax Convention <u>or</u> the UN Model Double Taxation Convention.** (25)

## PART B

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

4. Amelie, a national of State A, moved to State B on 1 July of Year 1 to undertake a two-year postgraduate degree at a university in State B. Prior to moving, she lived and worked in State A, where she had been a tax resident for many years under State A's domestic laws.

Amelie lived in university accommodation in State B during term time (approximately six months per calendar year), and in year 1 returned to State A for two weeks in September and three weeks in December, on both occasions staying in an apartment which she owns and which remains available to her during her absence. Amelie's cousin acted as a caretaker while she was away, and stayed in one of the two bedrooms. Amelie did not register for tax or social security in State B and lived in university accommodation that was assigned on a term-by-term basis. At the end of each academic term, she was required to vacate the room, which was then allocated to other students or used for short-stay academic programmes.

Amelie returned to State B on 31 December of year 1; she then resided in State B throughout year 2 and did not return to State A. Amelie asked her cousin to rent out the second bedroom in her State A apartment, became engaged to a citizen of State B, moved part-way through year 2 from her university accommodation to her fiancé's house in State B, and applied for a State B permanent residence visa. She has now begun to make long-term plans to remain in State B.

In year 1, Amelie received the following amounts:

a) A monthly maintenance grant from a charitable organisation based in State A, which enabled her to study.

b) A research-related payment from a foundation in State B, intended to support costs relating to fieldwork, materials and access to resources. The payment was connected with Amelie's postgraduate dissertation and was not subject to any formal contract or deliverables.

In year 2, Amelie received only the maintenance grant from the charitable organisation in State A.

Amelie was a full-time student throughout both years. Both State A and State B's domestic tax rules consider a person resident if present for more than six months in a tax year, and a non-resident after six months' continuous absence; this period of non-residence is backdated to the first date of absence in the relevant tax year. Both payments (a) and (b) are exempt from tax in State A under its domestic law but are subject to tax in State B.

State A and State B have a double tax agreement (DTA) that is identical to the OECD Model Tax Convention 2017. Both countries use the calendar year as the tax year.

**You are required to advise Amelie which country or countries are likely to have taxing rights under the DTA between State A and State B, in relation to the payments that she has received.** (25)

5. Country X and Country Y are major trading partners. In year 2, Country X begins to review its foreign tax credit (FTC) policy in light of a new charge that Country Y plans to introduce – the Market Presence Adjustment (MPA).

While Country Y's plans are not yet finalised – it is consulting on draft legislation that once finalised would implement the MPA – the government of Country X is aware that Country Y plans for the MPA to apply to non-resident enterprises whose annual gross revenue from users in Country Y exceeds a specified threshold. The MPA would be calculated using a formula allocating part of a group's global revenue to Country Y, according to active user numbers, user engagement levels and transaction volumes. The MPA would be levied on gross receipts (with no deductions), collected by Country Y's tax authority, paid into general revenue and operating outside Country Y's corporate income tax system. Country Y has referred to the MPA as a "market-based contribution" in its relevant draft legislation and plans to introduce the MPA in year 3.

To understand how its FTC rules might apply, Country X has modelled a test case involving Sekarte Ltd, a hypothetical company that is resident in Country X and supplies digital platform services worldwide, has no permanent establishment in Country Y, but earns substantial user-based revenue there.

Country X and Country Y concluded a double tax agreement (DTA) in year 1 that is identical to the OECD Model Tax Convention 2017, with two notable modifications:

i) the only taxes listed in Article 2(3) of the DTA are the Country X and Country Y income taxes (both countries apply the relevant tax rates to net income); and

ii) both countries have opted to alleviate relief from double taxation by way of the credit method in Article 23B.

**You are required to prepare a report for the Country X's tax policy unit, addressing the following:**

**1) Whether, on the basis of the information provided and for the purposes of the Country X-Country Y DTA, Country X would be required to grant resident enterprises, such as Sekarte Ltd., a foreign tax credit for amounts of MPA paid to Country Y; and** (18)

**2) What wider treaty-related policy considerations it should take into account when assessing the MPA under the Country X-Country Y DTA.** (7)

Total (25)