

FOUNDATION QUALIFICATION IN INTERNATIONAL TAXATION

SAMPLE QUESTIONS

2026 Sittings

Question 1

Which two of the following statements about the basis of a state's ability to tax are true?

ANSWER

- ☐ Jurisdiction to tax is based solely on the geographical limits of a state.
- ☐ Taxation on the basis of citizenship of a country is not a typical basis of taxation.
- ☐ The methods for determining a person's residence in a country may include physical presence for a particular duration
- ☐ The right to tax residents who are physically present in a country is known as "source taxation".

Question 2

Allocate the different descriptions of the impact of taxes to the correct name.

TERMS

Increasingly higher rates of tax apply, as income and gains increase.

A single rate of tax regardless of income.

Decreasing rates of tax apply, as income and gains increase.

A single rate of tax, coupled with a tax-free personal allowance, would come under which description?

Flat tax

Progressive

Regressive

Question 3

Which statement is correct regarding the residence of companies?

ANSWER

- ☐ There is only a single test which states apply, being the place of incorporation.
- ☐ The place of incorporation always takes precedence over where the central management and control is operated from.
- ☐ Some states may rely on where “operational management” of the business is undertaken as the main deciding factor.
- ☐ There is a single set of agreed “management and control” tests which states agree on in determining the place of residence.

Question 4

What type of double tax relief is being given in this scenario: Alison is resident in State A, but has income in State B. State A charges domestic tax of £20,000 on that income; State B charges £30,000 tax on that same income. In giving relief by credit, State A allows a credit of only £20,000 against Alison's tax liability for the foreign tax.

ANSWER

- ☐ Full credit relief
- ☐ Ordinary credit relief
- ☐ Relief by deduction
- ☐ Relief by exemption

Question 5

Which two statements are false about types of double tax treaty (DTT)?

ANSWER

- ☐ The USA, UN, and OECD Model Treaties are referred to as comprehensive tax treaties.
- ☐ A DTT may cover the exchange of taxpayer information between states without the need for a separate Tax Information Exchange Agreement.
- ☐ A Tax Information Exchange Agreement allows for states to give double tax relief for foreign income
- ☐ The Vienna Convention on the Law of Treaties is a key double tax treaty.

Question 6

Which two statements are true about model tax treaties?

TERMS

True

False

The OECD Model Treaty does not have an Article which specifically covers "Independent Personal Services".

The UN Model Treaty is better suited to the more developed countries, rather than developing nations.

The UN Model Treaty does not specify a cap on withholding tax rates on dividends.

The OECD Model Treaty has a broader definition of a "Permanent Establishment" than the UN Model Treaty.

☐☐

Question 7

Which two statements are true about model tax treaties?

	True	False
There is a standardised tie-breaker test for individuals and companies which may be resident in more than one state.	<input type="radio"/>	<input type="radio"/>
States may sometimes levy “extraordinary taxes” which may arguably be outside of the general definition of taxes in the model treaties.	<input type="radio"/>	<input type="radio"/>
Social security charges such as National Insurance or Employment Insurance are often not within the definition of taxes.	<input type="radio"/>	<input type="radio"/>
Model treaties cover indirect taxes such as stamp taxes on property, and VAT and Excise Duties.	<input type="radio"/>	<input type="radio"/>

Question 8

Which one of the following statements is false about permanent establishments (PE)?

ANSWER

- ☐ Where a company has a PE in another state, that other state may tax only the profits arising from that PE, but not of the parent company.
- ☐ Facilities used solely for storage, display or delivery of goods do not alone create a PE in another country.
- ☐ A PE can also be created when a person is actually providing services in the other state (such as an employee of the company from the home state).
- ☐ The definition of a PE includes a subsidiary of another company.

Question 9

Which one of the following statements is not correct regarding the Base Erosion and Profit Shifting (BEPS) project Action Point 5 on Harmful Tax Practices?

ANSWER

- ☐ BEPS Action Point 5 is one of the four “minimum standards” from BEPS.
- ☐ There should be a “substantial activity test” for a business entity in its state of residence, when determining whether a tax regime was harmful.
- ☐ Improving transparency is a key aim.
- ☐ Income from intangibles is outside of the scope of Action Point 5.

Question 10

Which two of the following statements are true about the limitation of treaty benefits in tax treaties?

	True	False
The OECD Model Treaty contains phrases to aimed to target the ultimate economic beneficiary of when considering the availability or limitation of treaty benefits.	<input type="radio"/>	<input type="radio"/>
An anti-abuse provision is not one of the minimum standards arising from BEPS Action Point 6.	<input type="radio"/>	<input type="radio"/>
The US Model Treaty does not contain a limitation of benefits clause.	<input type="radio"/>	<input type="radio"/>
Implementation of a global minimum tax rate from BEPS Pillar Two will lead to a reduction in the impact arising from limitations of treaty benefit Articles.	<input type="radio"/>	<input type="radio"/>

Question 11

Which one of the following is not a main feature of transfer pricing?

ANSWER

- ☐ Establishing an agreed transfer pricing methodology.
- ☐ A global minimum corporation tax rate.
- ☐ Thin-capitalisation rules.
- ☐ Advance pricing agreements with the tax authorities of states.

Question 12

In the treatment of Controlled Foreign Companies (CFC), which two features are key common features of CFC legislation?

ANSWER

- ☐ A level of control test over the foreign entity.
- ☐ A lower level of taxation threshold.
- ☐ Requiring a Tax Information and Exchange Agreement to be in place between the two states in which the relevant group members are resident.
- ☐ Exemption where there is a Double Tax Treaty between the states in which the relevant group members are resident.

Question 13

The EU Anti-Tax Avoidance Directive (ATAD) (2016/1164/EU) provides for minimum standards for domestic tax measures across the EU. Which one of the following is not one of the minimum standards?

ANSWER

- ☐ Apply CFC rules to deter profit shifting to low tax jurisdictions.
- ☐ Apply exit charges when a company transfers its tax residence.
- ☐ Apply a minimum corporate tax rate across the core EU members.
- ☐ Restrict interest deductions to discourage artificial debt arrangements.

Question 14

Which two statements are correct about developing nations and international taxation?

ANSWER

- ☐ Developing nations can only use the UN Model Treaty.
- ☐ The UN Model Treaty has greater emphasis on permitting taxation at source than the OECD Model Treaty, and so the UN Model Treaty is more likely to benefit developing nations.
- ☐ More than two-thirds of developing nations now participate in the BEPS Inclusive Framework.
- ☐ Neither the OECD nor the UN offer any additional resources to developing nations to assist them in negotiating tax treaties.

Question 15

Which statement is false about e-commerce and developments in international taxation?

ANSWER

- ☐ Action Point 1 of the BEPS Action Plan relates to taxation of the digital economy, recommending changes to permanent establishment definitions amongst other things.
- ☐ Pillar Two of BEPS includes “nexus” rules to align taxing rights with states in which multinational business create value.
- ☐ The BEPS Pillar Two GloBE rules apply to multinational enterprises with overall group turnover of more than EUR€100million.
- ☐ E-commerce remains one of the most challenging aspects of international taxation.

ANSWERS

Question	Answer(s)
1	<p>Correct - Taxation on the basis of citizenship of a country is not a typical basis of taxation.</p> <p>Correct - The methods for determining a person's residence in a country may include physical presence for a particular duration</p>
2	<p>Flat tax A single rate of tax regardless of income.</p> <p>Progressive Increasingly higher rates of tax apply, as income and gains increase; and</p> <p>A single rate of tax, coupled with a tax-free personal allowance, would come under which description?</p> <p>Regressive Decreasing rates of tax apply, as income and gains increase.</p>
3	Some states may rely on where “operational management” of the business is undertaken as the main deciding factor.
4	Ordinary credit relief
5	<p>False - A Tax Information Exchange Agreement allows for states to give double tax relief for foreign income</p> <p>False - The Vienna Convention on the Law of Treaties is a key double tax treaty.</p>
6	<p>True - The OECD Model Treaty does not have an Article which covers “Independent Personal Services”.</p> <p>True - The UN Model Treaty does not specify a cap on withholding tax rates on dividends.</p>
7	<p>True - States may sometimes levy “extraordinary taxes” which may arguably be outside of the general definition of taxes in the model treaties.</p> <p>True - Social security charges such as National Insurance or Employment Insurance are often not within the definition of taxes.</p>
8	The definition of a PE includes a subsidiary of another company.
9	Income from intangibles is outside of the scope of Action Point 5.

10	<p>True - The OECD Model Treaty contains phrases to aimed to target the ultimate economic beneficiary of when considering the availability or limitation of treaty benefits.</p> <p>True - Implementation of a global minimum tax rate from BEPS Pillar Two will lead to a reduction in the impact arising from limitations of treaty benefit Articles.</p>
11	A global minimum corporation tax rate.
12	<p>Correct - A level of control test over the foreign entity.</p> <p>Correct - A lower level of taxation threshold.</p>
13	Apply a minimum corporate tax rate across the core EU members.
14	<p>Correct - The UN Model Treaty has greater emphasis on permitting taxation at source than the OECD Model Treaty, and so the UN Model Treaty is more likely to benefit developing nations.</p> <p>Correct - More than two-thirds of developing nations now participate in the BEPS Inclusive Framework.</p>
15	The BEPS Pillar Two GloBE rules apply to multinational enterprises with overall group turnover of more than EUR€100million.