

The Institute of Taxation of Pakistan
Certified Tax Adviser (CTA)
(Application Level)

Paper 3 – International Taxation

Section – A (Principles of International Taxation)

This section is not country specific and focuses on key issues of global taxation such as principles of international tax law, residence, double taxation and treaty interpretation, transfer pricing, the work of OECD and international tax avoidance of direct and indirect taxes. **(Note-1)**

Section – B (Second Jurisdiction Taxation)

Candidates are expected to be aware of the key features of the tax system of one of the various tax regimes and be able to answer questions on international tax in relation to a secondary jurisdiction without being expected to offer expert advice on that jurisdiction’s tax system. **(Note-2)**

S. #.	Syllabus Areas & Grid -- Section A	Weightage
A	Basic principles of International Tax Laws	55-65
B	Transfer Pricing and Thin Capitalization	20-25
C	International Tax Avoidance	15-20
	Second Jurisdiction Taxation -- Section B	
A	Second Jurisdiction – Direct Taxation	50-65
B	Second Jurisdiction – Goods & Services Taxation	40-50

Course Outline and Competencies

	Areas	Proficiency Level	Testing Level
A1	Overview of International Taxation	P2	T1
A2	Principles of International Taxation	P2	T1
A3	Model Tax Conventions on Double Tax Avoidance	P2	T1
A4	Impact of Domestic Tax Systems	P2	T1
B1	Transfer Pricing	P2	T2
B2	Thin Capitalization rules	P3	T2

C1	Base erosion and profit shifting	P2	T1
C2	Other Anti-Avoidance Measures	P2	T2
D1	Income Tax, Tax on goods and services, Tax planning etc. second jurisdiction taxation	P2	T2

Note 1

1. Basic principles of International Tax Law

• An Overview of International Taxation

1. What is International Taxation?
2. International Tax Conflict and Double Taxation
3. Double Tax Treaties
4. Domestic Tax System
5. International Offshore Financial Centers
6. Anti-avoidance Measures
7. International Tax Planning
8. Non-Resident Taxation in Pakistan

• Principle of International Taxation

1. International Tax Law
2. Application of Tax Treaties
3. Interpretation of Tax Treaties
4. Some Legal Decisions on Treaty Interpretations
5. Model Tax Conventions
6. Multilateral Tax Agreements
7. European Union
8. Harmful Tax Competition

• Model Tax Conventions on Double Tax Avoidance

1. OECD Model Convention on Income and Capital (OECD MC)
2. UN Model Convention (UN MC)
3. US Model Convention (US MC)
4. Articles in the Model Conventions
5. Bilateral Tax Treaties

• Impact of Domestic Tax Systems

1. Introduction
2. Tax Residence or Fiscal Domicile
3. Source of Income or Gain
4. Basis of Tax Computation
5. Treatment of Tax Losses
6. Advance Tax Rulings
7. Passive Income
8. Foreign Tax Relief

2. Transfer Pricing and Thin Capitalization Rules

1. Introduction
2. what are Transfer pricing issues?
3. What is Transfer Pricing?
4. Meaning of the term "arm's length Principle"
5. Significance of arm's length principle
6. Practical difficulties in application of ALP

7. Evolution of Transfer Pricing
8. Computation of income from transaction with non-resident
9. Associated Enterprises
10. International Transaction
11. Specified domestic transactions
12. Computation of Arm's length price
13. Functions, assets and risk (Far Analysis)
14. Concepts of Comparability adjustments
15. Documentation and Compliances
16. Specific reporting requirements- Country by Country reporting
17. Transfer Pricing Assessments
18. Transfer of Income to Non- residents
19. Introduction of specific anti avoidance measures in respect of transactions with person located in notified jurisdictional area
20. Limitation of interest deduction in certain cases

3. International Tax Avoidance

1. **Base erosion and profit shifting**
 - Background
 - Overview of BEPS
 - Addressing the tax challenges of the digital economy
 - Neutralise the effects of hybrid mismatch arrangements
 - Strengthen controlled foreign companies (CFC) Rules
 - Interest deductions and other financial payments
 - Counter harmful tax practices
 - Preventing treaty abuse
 - Prevent the artificial avoidance of permanent establishments (PE) status
 - Transfer pricing outcomes in line with value creation/intangibles/risk and capital and other high-risk transactions
 - Measuring and monitoring BEPS
 - Disclosure of aggressive tax planning arrangements
 - Re-examine transfer pricing documentation
 - Making dispute resolution more effective
 - Developing a multilateral instrument
2. Other anti-avoidance measures

Note:2

Students are expected to have knowledge of the either of the following two aspects of the taxation of the chosen tax jurisdiction:

1. **Income Tax**
 - Jurisdiction to tax
 - Taxation of individuals
 - Taxation of companies and other entities
 - Ascertainment of chargeable income and tax liability
 - Tax planning
 - Tax administration
 - Relief from international double taxation

2. Goods and Services Tax

- Scope of charge: supply; consideration; taxable person; in the course of furtherance of business
- Value of supply and time of supply
- Ascertainment of tax liability
- International services and taxation of the digital economy
- Business-to-business supplies of imported services under the reverse charge mechanism regime
- Business-to-consumer supplies made to non-GST registered persons
- Anti-avoidance
- Tax planning
- Tax administration

Candidates will have option to attempt a paper or write thesis on Section B. For exam paper, the available Jurisdiction are UK and GCC Countries.

Thesis Option

Candidates are required to write a research thesis for section B of papers of Professional Level (after attending advanced research methodology webinar) consisting of 10,000 to 12,000 words on any topic from section B of Paper 3 of Professional Level. Prior approval from the Students and Members Committee is compulsory for writing Research Thesis