

## Deloitte Tax looks at Inclusive Framework's Pillar One 'Amount B' guidance

As part of the ongoing work of the OECD/G20 Inclusive Framework on BEPS to implement the two-pillar solution to address the tax challenges arising from the digitalization of the economy, the OECD on February 19 released a report entitled Pillar One—Amount B.

**URL:** <https://www.oecd.org/tax/beps/pillar-one-amount-b-21ea168b-en.htm>

The new report is the culmination of efforts initially referenced in the October 2021 OECD/G20 “Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy” agreed to by over 130 member countries of the Inclusive Framework. That statement identified Amount B as part of Pillar One and explained that “[t]he application of the arm’s length principle to in-country baseline marketing and distribution activities will be simplified and streamlined, with a particular focus on the needs of low-capacity countries.” Amount B applies to businesses of any size that have in-scope distribution activities, unlike the limitation of Amount A only to the largest and most profitable businesses. Additionally, Amount B applies only to the distribution of tangible goods, not digital goods or services.

The report takes into account the public comments received in response to two public consultation documents, one in December 2022 and one in July 2023, and builds on the framework for simplifying and streamlining the application of the arm’s length principle to baseline marketing and distribution activities set forth in the July 2023 public consultation document insofar as it sets out the scoping criteria, pricing methodology, documentation, and tax certainty considerations related to Amount B.

**URL:** <https://www.oecd.org/tax/beps/public-consultation-document-pillar-one-amount-b-2023.pdf>

Perhaps the biggest surprise in the Amount B 2024 report is that the methodology it describes is entirely optional for jurisdictions to adopt or not, so that the simplified and streamlined methodology may not be available in many jurisdictions. The simplified and streamlined approach will be incorporated into the OECD Transfer Pricing Guidelines as an Annex to Chapter IV to be given effect for fiscal years commencing on or after January 1, 2025. However, the outcomes determined under the new simplified and streamlined approach are not binding on jurisdictions where counterparties are located, absent some agreement to the contrary (and/or the adoption of the simplified and streamlined approach by the jurisdiction of the counterparty). Finally, in jurisdictions where the optional simplified and streamlined approach is not adopted, this guidance is not to be construed as a basis to interpret the application of the general principles in the remainder of the Transfer Pricing Guidelines.

### Find out more

A new alert from Deloitte Tax LLP summarizes the key provisions in the Inclusive Framework’s report.

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-24-february-2024.pdf>

## Ways and Means Tax Subcommittee to hold Pillar One hearing

In other Pillar One news, House Ways and Means Committee Chairman Jason Smith, R-Mo., and Tax Subcommittee Chairman Mike Kelly, R-Pa., announced this week that the subcommittee will hold a hearing on March 7 at 2:00 p.m. to consider “the Biden administration’s negotiations on Pillar One and related public input by stakeholders and experts.”

A witness list for the hearing was not available at press time.

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