



Meijburg & Co
Tax & Legal

Amount B of Pillar One

On July 17, 2023, the OECD BEPS Inclusive Framework released a *Consultation Document* on Amount B of Pillar One, indicating significant leaps towards the final guidance on Amount B.



What is Amount B, Pillar 1?

Amount B is one of the two components of Pillar One (along with Amount A) of the OECD's two-pillar approach to address tax challenges arising from digitalization of the economy.

Amount B has recently evolved to be relevant for all businesses, with particular focus on baseline wholesale distribution activities.

Amount B introduces new steps to simplify and streamline the application of the arm's length principle to in-scope distributors.

Why are taxpayers increasingly interested in Amount B?

In the past, the scope of Amount B was intrinsically linked to Amount A, and as a package exclusively applicable to large businesses. However, recent OECD documents confirm that Amount B is delinked from Amount A, with a much wider application than previously anticipated.

Taxpayers with business models comprising of distributors, commissionaires or sales agents are currently evaluating whether they are in scope of Amount B.

The OECD's updated proposal includes the following parameters, regardless of the various alternatives that are subject to finalization:

- Specific quantitative criteria for identifying in-scope businesses where Amount B is applicable;
- Specific pricing matrix with industry groupings that apply to in-scope businesses;
- Specific additional criteria to permit adjustments to Amount B.

Based on the above, a set of pre-defined quantitative data points is now available for taxpayers to carry out impact assessments.

Amount B is expected to be part of the next update to the OECD TP Guidelines in January 2024, providing a short window for a review of current tax operating models and preparing for changes, if any.

What steps can taxpayers take to address the impact of Amount B?

Evaluate tax data systems to identify potential distributors as well as in-scope business (financial) segments across the value chain

Evaluate options to restructure businesses at arm's length during the transition period available.

Evaluate existing and prospective APA and MAP positions, particularly open for renewals in the coming years.

How can we assist you?

Review current transfer pricing model for distributors, carry out narrow or broad-based impact assessment, sensitivity analyses and Amount B modelling based on customized requirements

Assist with implementation of changes, if any, and aid in a smooth transition towards an Amount B compliant / -efficient tax operating model.

Conduct workshops/knowledge sessions to equip your teams and tax functions to tackle Amount B complexities.

Should you wish to read more about Amount B, please refer to our [Page on Pillar 1: Amount B](#).

In case of any questions on these developments, please reach out to us: www.meijburg.com

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