



5x5 series: Insights and actions

Pillar One Amount B potential considerations

On February 19, 2024, the Organisation for Economic Co-operation and Development (OECD) released its Amount B Guidance outlining a “simplified and streamlined” approach to pricing intercompany transactions related to the baseline marketing and distribution of products that jurisdictions may choose to adopt, which applies to all taxpayers regardless of size and profitability. Taxpayers should proactively assess impact of Amount B and consider any enhancements and improvements to TP policies, systems, and value chain during 2024.



5 insights you should know

Amount B is part of “Pillar One” of the two-pillar solution established by the OECD/G20 Inclusive Framework on BEPS and will be incorporated into the OECD’s Transfer Pricing Guidelines for fiscal years starting on or after January 1, 2025.

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.

Eligible transactions are determined based on a set of scoping criteria including financial ratios, one-sided transfer pricing method pricing requirement, etc.

An arm’s-length range for Amount B is determined based on a pricing matrix dependent on financial ratios (operating expense to sales and operating assets to sales) and industry grouping, and potential adjustments (e.g., operating expense cap-and-collar, geographic differences) may apply.

Jurisdictions choosing to adopt the approach have the option to make the approach either elective or mandatory. Regardless of the chosen approach, it is not binding on the counterparty jurisdiction.

5 actions to take now

- In-scope entities identification.** Identify in-scope entities and/or segments based on the quantitative and qualitative criteria set by the OECD. Assess the availability of segmented financial data, if applicable. Determine whether the out-of-scope segments (e.g. retail), if any, would be considered de minimis.
- Amount B calculation.** Identify applicable industry grouping. Evaluate data requirements for account mapping and pass-through cost delineation. Determine the range of arm’s length operating margins based on OECD’s pricing matrix and additional adjustments, if applicable.
- Tax impact assessment.** Analyze the differences between current transfer pricing and Amount B guidance. Assess impact on cash tax, ETR, tax provision, and indirect tax and customs duties, if applicable.
- TP documentation, controversy, and APA strategies.** Conduct a gap analysis to identify any mismatch between the current transfer pricing and Amount B guidance. Identify transfer pricing and tax risk areas and establish future approach.
- Technology needs assessment.** Assess current technology and system infrastructure that enables data collection, periodic Amount B pricing matrix calculation, and operational transfer pricing enhancements, as needed.

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