

Tax challenges arising from digitalisation: Release of Amount B report to simplify transfer pricing rules and conforming changes to the Commentary of the OECD Model Tax Convention

19/02/2024 - On 19 February 2024, the OECD/G20 Inclusive Framework on BEPS released the [report on Amount B of Pillar One](#), which provides a simplified and streamlined approach to the application of the arm's length principle to baseline marketing and distribution activities, with a particular focus on the needs of low-capacity countries. The approach set out in this report answers the call of low-capacity countries for what the African Tax Administration Forum (ATAF) has described as "vital" changes to the OECD Transfer Pricing Guidelines, providing what "could be a game changer for the African transfer pricing landscape". Content from the report has now been incorporated into the OECD Transfer Pricing Guidelines.

Several low-capacity countries report that between 30-70% of their transfer pricing disputes relate to baseline marketing and distribution activities. The changes to the OECD Transfer Pricing Guidelines agreed in this report will provide jurisdictions with the option of applying straightforward bright-line rules to these activities, allowing them to secure revenue and preserve valuable tax administration resources while providing additional certainty to multinational enterprises.

Drawing from existing principles in the OECD Transfer Pricing Guidelines, Amount B provides a simplified and streamlined pricing framework that determines a return on sales for eligible distributors. This framework is expected to reduce transfer pricing disputes, compliance costs, and enhance tax certainty for tax administrations and taxpayers alike. Low-capacity jurisdictions facing limited resources and data availability will especially benefit from the administrative simplification provided by Amount B.

The report, which introduces two options for implementation for jurisdictions that opt into the simplified and streamlined approach from January 2025, describes the circumstances under which a distributor is within scope of Amount B including cases where it also performs certain non-distribution activities, such as manufacturing. It also sets out the activities that may exclude a distributor from the scope of the simplified and streamlined approach, such as the distribution of commodities or digital goods.

The report is released in line with the [July 2023 Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy](#), with further work on the interdependence of Amount B and Amount A under Pillar One to be undertaken prior to the signing and entry into force of the Multilateral Convention.

The inclusion of the Amount B guidance into the OECD Transfer Pricing Guidelines is accompanied by conforming changes to the Commentary on Article 25 of the OECD Model Tax Convention. The conforming changes signpost specific language relating to tax certainty and the elimination of double taxation included in the report on Amount B and are intended to ensure optionality is preserved in all dispute resolution mechanisms for non-adopting jurisdictions. In particular, the amendments to the Commentary on Article 25 direct States and taxpayers to have regard to and follow specific directions within the report on Amount B where relevant to issues being considered under mutual agreement and MAP arbitration procedures. The conforming changes were prepared by Working Party 1, approved by the Inclusive Framework and will be submitted shortly for approval to the OECD Council prior to publication.

Further information on Amount B is available at <https://oe.cd/bepsaction1>.

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