12TH ANNUAL NABE

TRANSFER PRICING SYMPOSIUM

JULY 19-21, 2022
FOUR SEASONS HOTEL | WASHINGTON, DC

NABE
National Association for Business Economics

Expected Impacts of Amount A

Topics for Discussion

- **Introduction**
- **Progress Report on Amount A of Pillar One**
  - **Revised Timeline**
  - **Mechanism to Eliminate Double Taxation**
    - Marketing and Distribution Profits Safe Harbor
    - Withholding Taxes
  - **Unilateral Measures**
  - **Tax Certainty and Other Issues**
- **Impact Assessment**
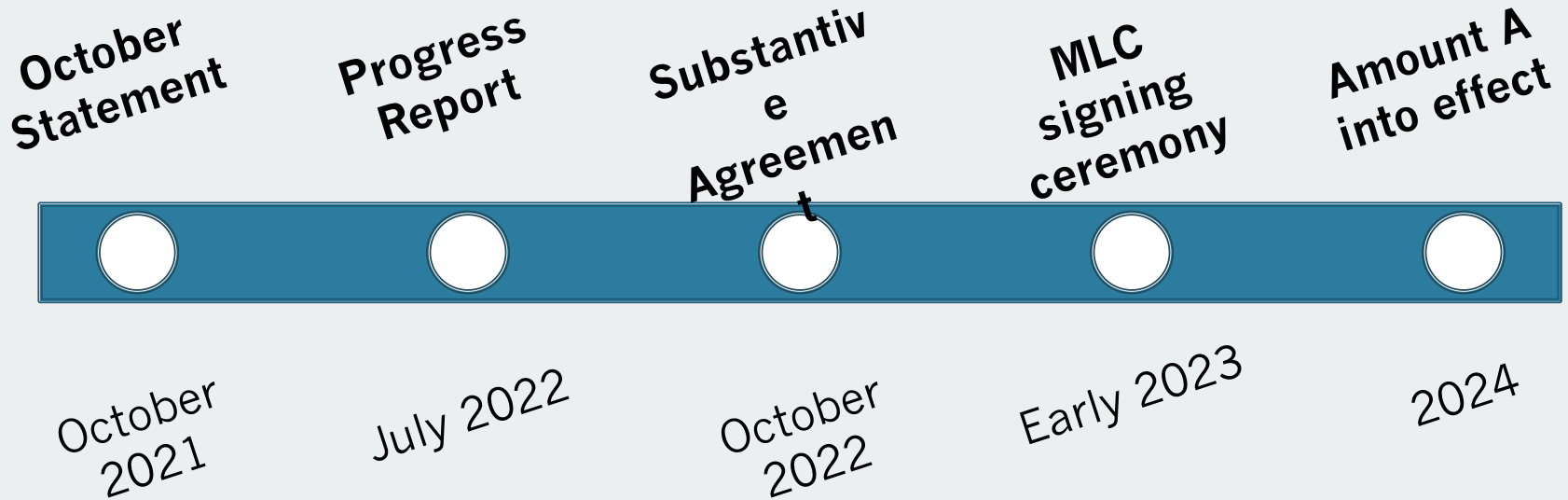- **Amount B**

Progress Report on Amount A of Pillar One

Report includes:

1. Scope rules (incl. exclusions and segmentation rule)
2. Special purpose nexus and revenue sourcing
3. Tax base
4. Profit allocation formula (incl. marketing and distribution profits safe harbor)
5. Mechanism to eliminate double taxation

Report excludes:

1. Administration
2. Tax certainty
3. Definition of unilateral measures

Revised Timeline

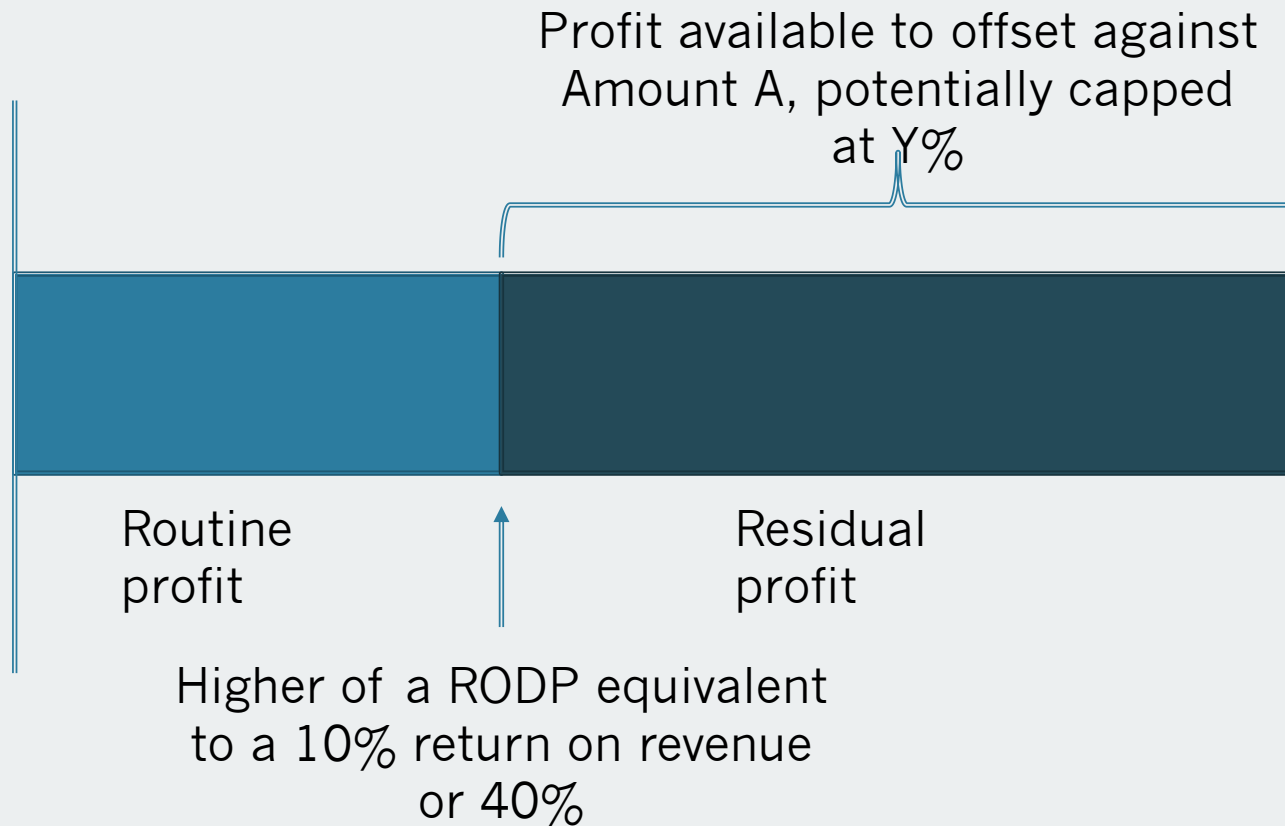| October Statement	Progress Report	Substantive Agreement	MLC signing ceremony	Amount A into effect
October 2021	July 2022	October 2022	Early 2023	2024

Note: The MLC will enter into force only upon ratification by a critical mass of countries, likely to include the US.

Mechanism to Eliminate Double Taxation

Steps	Impact
1. Exclude **jurisdictions that in aggregate earn less than 5% of a group's profits** and **less than EUR 50m**	Jurisdictions with low profits will not relieve double taxation, irrespective of their RODP
2. Jurisdictions with a **RODP > 1500% of an MNE's RODP** relieve double tax first under Tier 1	Number of jurisdictions in this tier expected to be low
3. Jurisdictions with a **RODP > 150% of an MNE's RODP** relieve double tax second under Tier 2	This tier could do lots of the heavy lifting
4. Jurisdictions with a **RODP > 40%** relieve double tax second under Tier 3A	Only applies in some circumstances
5. Jurisdictions with a **RODP > RODP equivalent to a 10% return on revenue** relieve double tax second under Tier 3B	Jurisdictions with RODP below this threshold will not relieve double tax in any circumstances

RODP = Return on Depreciation and Payroll

Marketing and Distribution Profits Safe Harbor

Profit available to offset against
Amount A, potentially capped
at Y%

Routine
profit

Residual
profit

Higher of a RODP equivalent
to a 10% return on revenue
or 40%

Note: Profits offset against Amount A under the safe harbour are not taken into account in the elimination calculation