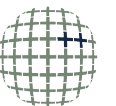


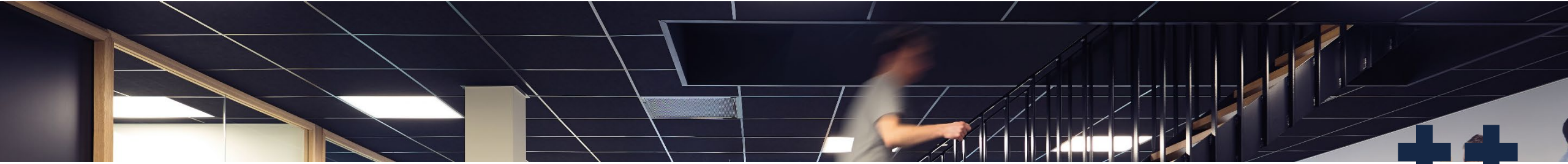


Pillar I - Amount B

Hannelore Durieu - LEA World Conference Vienna 23/10/2024

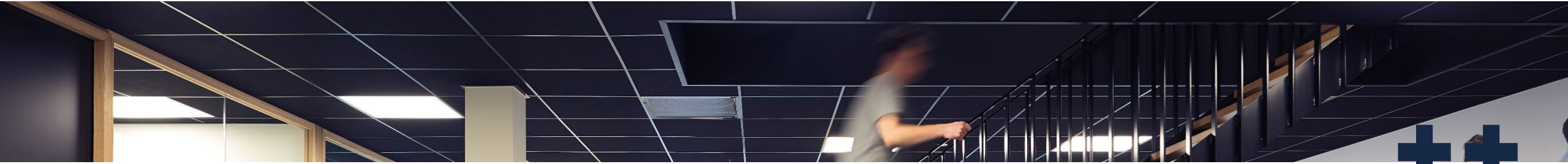
Vandelanotte
more than accountants





Context

- OECD/G20 Base Erosion and Profit Shifting Project (BEPS 2.0)
 - Pillar I
 - Amount A
 - Amount B
 - Pillar II
 - Global minimum tax of 15% for groups with a global turnover of €750 million or more.
 - Update for Belgium: Notification obligation and advance payments by December 2024 (reporting year 31/12/2024).

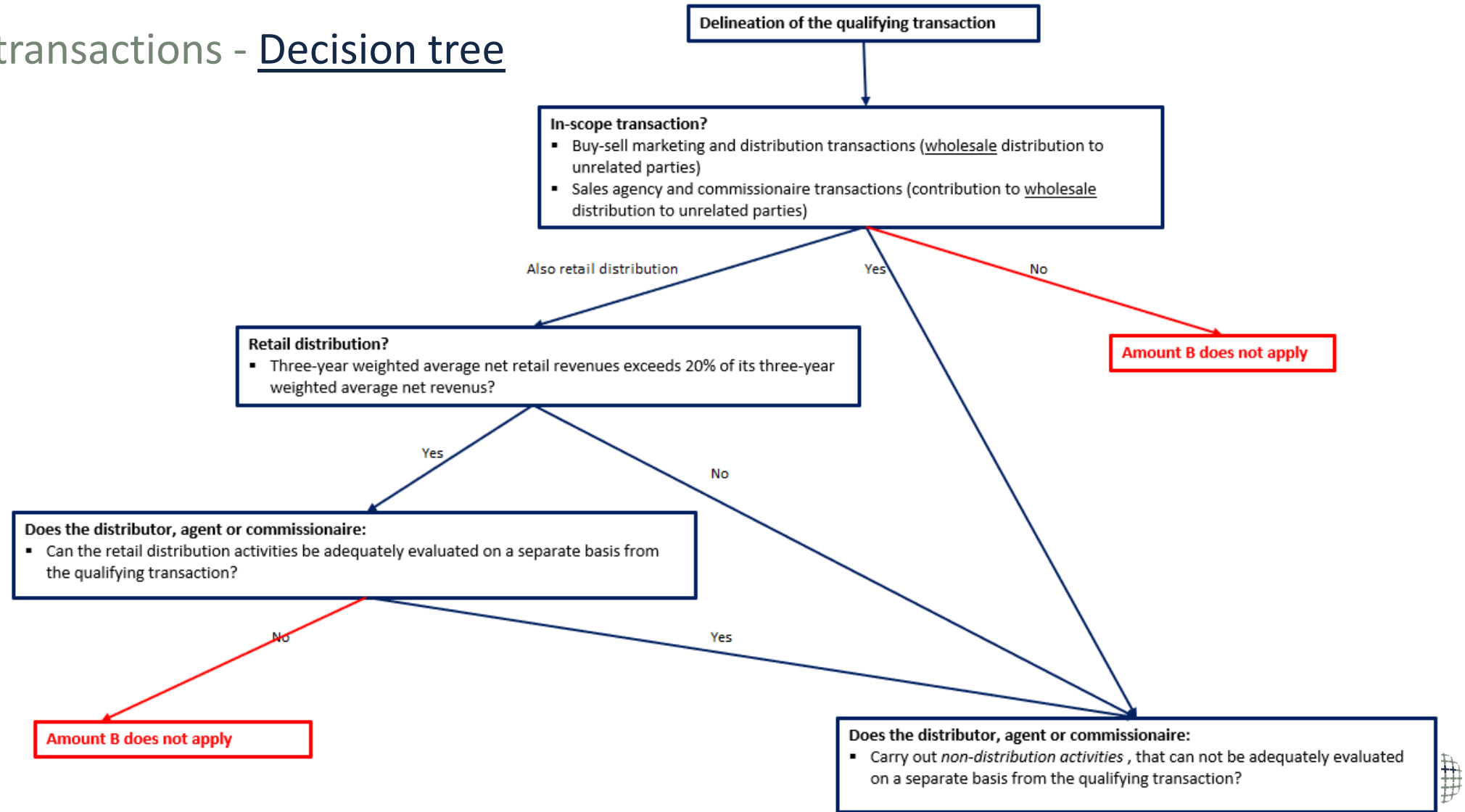


Amount B

- **Simplified and streamlined pricing framework for baseline marketing and distribution activities.**
- **Goal:**
 - Reduce transfer pricing disputes
 - Reduce compliance costs
 - Enhance tax certainty for tax administrations and taxpayers
- **Scope**
 - All groups with cross-border distribution could be in scope, no matter the size
 - Countries have 3 options in terms of implementation
 - Mandatory application (profit margin determined based on Amount B grid)
 - Safe harbour (if return is within the Amount B margins the relevant tax authority will not adjust)
 - Non-application (traditional TP method and benchmarks apply)

Amount B – In scope IC transactions

■ In scope transactions - Decision tree



Does the distributor, agent or commissionaire:

- Carry out *non-distribution activities*, that can not be adequately evaluated on a separate basis from the qualifying transaction?

No

Yes

Amount B does not apply

Does the transaction involve:

- Non-tangible goods, services or the marketing, trading, or distribution of *commodities*?

No

Yes

Amount B does not apply (CUP)

Can a one-sided TP method be used?

- The tested party* does not make any unique and valuable contribution.
- The tested party performs only simple functions.
- The tested party does not assume economically significant risks in relation to the transaction.
- Low degree of integration of functions, risks and assets

Yes

No

Amount B does not apply

Operational expenses/annual net revenue**

- $3% < x < 20\%/30\%$

No

Yes

Amount B does not apply

Check country positions, because Amount B might apply

Amount B – ROS

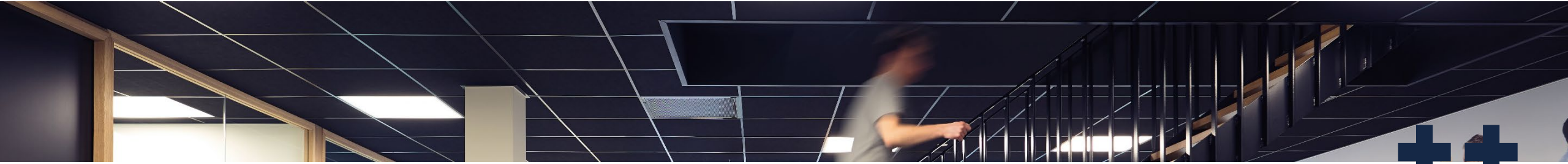
- ROS for in-scope distribution activities
 - Calculation
 - Determine Industry grouping

Industry group	
Industry group 1	Perishable foods, grocery, household consumables, construction materials and supplies, plumbing supplies and metal
Industry group 2	IT hardware and components, electrical components and consumables, animal feeds, agricultural supplies, alcohol and tobacco, pet foods, clothing footwear and other apparel, ... and products and components not listed under group 1 or group 3.
Industry group 3	Medical machinery, industrial machinery including industrial and agricultural vehicles, industrial tools, ...

- Factor intensity calculation (Weighted average of the three preceding fiscal years)
 - Operating asset intensity (OAS) = $\frac{\text{Fixed operating assets} + \text{working capital}}{\text{Sales}}$
 - Operating expense intensity (OES) = $\frac{\text{Operational expenses}}{\text{Sales}}$
- Identify ROS
- Adjustments
 - Operating expenses cross-check
 - Data availability mechanism for qualifying jurisdictions

Amount B – Identify ROS

Industry Grouping		Industry Grouping 1	Industry Grouping 2	Industry Grouping 3
Factor intensity				
A	OAS > 45%	3.50% +/- 0.5%	5.00% +/- 0.5%	5.50% +/- 0.5%
B	30% < OAS < 44,99%	3.00% +/- 0.5%	3.75% +/- 0.5%	4.50% +/- 0.5%
C	15% < OAS < 29,99%	2.50% +/- 0.5%	3.00% +/- 0.5%	4.50% +/- 0.5%
D	OAS <15% >; OES > 10%	1.75% +/- 0.5%	2.00% +/- 0.5%	3.00% +/- 0.5%
E	OAS <15% >; OES < 10%	1.50% +/- 0.5%	1.75% +/- 0.5%	2.25% +/- 0.5%



Documentation

- Masterfile
 - No change
- Local file
 - New elements
 - Transactions in scope of Amount B or not (+ why)
 - Ratio calculations showing position in grid (local OAS/OES for 3 year average)
 - Calculations will need to be done for mandatory jurisdictions (even if not in scope)
- Contracts
 - Pricing margin likely needs to be included

Amount B – Scope

	Non-application	Safe Harbour	Mandatory	CJ
Non-application	✘	✘	?	✓
Safe Harbour	✘	✓	?	✓
Mandatory	?	?	✓	✓
CJ*	✓	✓	✓	✓

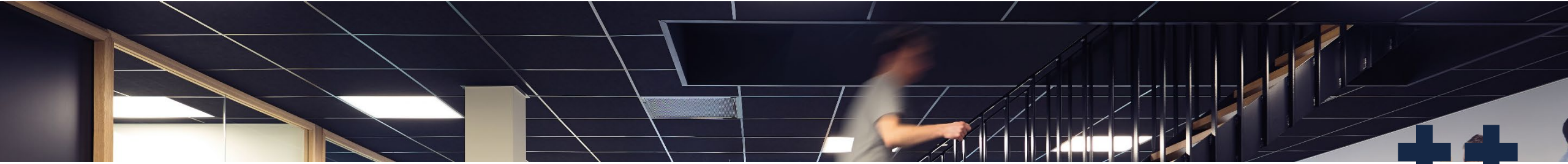
✘ Amount B does not apply

✓ Amount B applies

? Uncertainty on application

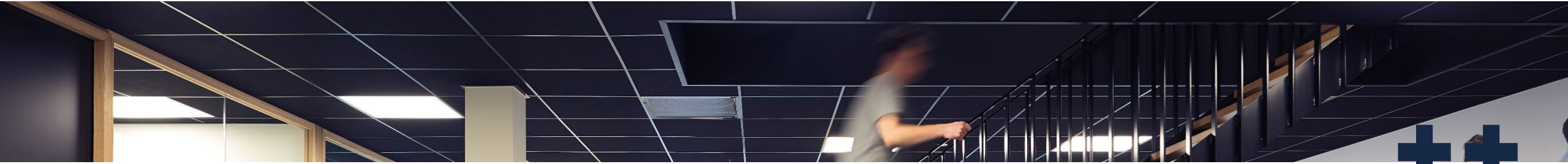
*CJ

= Covered Jurisdictions



What to do now?

- Check which transactions/entities could be in scope
- Impact assessment compared to current returns
- Prepare for implementation and compliance



Questions?



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