



FACT SHEET AMOUNT A

Progress Report on Amount A of Pillar One



Overview of Amount A

Progress Report on Amount A

Amount A of Pillar One has been developed as part of the Two-Pillar Solution for addressing the tax challenges arising from the digitalisation of the economy. It provides jurisdictions in which consumers and users are located (hereafter 'market jurisdictions') a new taxing right over a portion of the residual profits of the largest and most profitable multinational enterprises (MNEs) in the world.

As part of the development of Amount A, the OECD/G20 Inclusive Framework on BEPS agreed to publicly release the 'Progress Report on Amount A of Pillar One'. The Progress Report contains the substantive rules for different components of Amount A. This fact sheet provides a brief overview of the structure and functioning of those rules.

Substantive rules on Amount A

The operative rules consist of 7 Titles and 10 Schedules, and can be described as follows:

Title 1: Scope (Article 1)

Determines which MNEs are in scope through quantitative thresholds that ensure that Amount A applies to large and highly profitable MNEs and, in exceptional cases, to Disclosed Segments.

Title 2: Charge to tax (Article 2)

Contains the charging provision allowing a market jurisdiction to apply the new taxing rights.

Title 3: Nexus and revenue sourcing rules (Articles 3 – 4)

Determines which market jurisdictions are eligible to tax a portion of the MNEs residual profits under Amount A using a quantitative nexus test (Article 3), in combination with specific revenue sourcing rules (Article 4).

Title 4: Determination and allocation of taxable profit (Articles 5 – 6)

Determines the measure of profit of the MNE (Article 5) based on which Amount A profit will be reallocated to each eligible market jurisdiction on the basis of a formula and subject to adjustments under the marketing and distribution profits safe harbour (Article 6).

Title 5: Elimination of double taxation with respect to Amount A (Articles 7 – 11)

Identifies the jurisdictions required to eliminate double taxation and in what amounts and the entities of the MNE entitled to double taxation relief.

Title 6: Administration

Will contain the streamlined administration process and relevant provisions for the tax certainty processes (these rules will be released in a separate report).

Title 7: Definitions

Contains the definitions applicable to the Titles and the Schedules.

Schedule A: Supplementary provisions for scope

Contains supplementary provisions for scope relevant for all MNEs.

Schedule B: Exclusion of Revenues and profits of a Qualifying Extractives Group

For MNEs conducting extractive activities, determines how the Revenues and profits related to those activities are excluded.

Schedule C: Exclusion of Revenues and profits from Regulated Financial Services

For MNEs conducting Regulated Financial Services, determines how the Revenues and profits related to those activities are excluded.

Schedule D: Covered Segment

In exceptional cases where a Disclosed Segment meets the scope thresholds (where the overall MNE does not), provides how adapted Amount A rules should apply to that Disclosed Segment.

Schedule E: Detailed revenue sourcing rules

Provides detailed rules for sourcing the Revenues of an MNE, based on reliable indicators or allocation keys.

Schedule F: Asset Fair Value Adjustments

Determines the Asset Fair Value Adjustments to be made under Article 5 - a specific book-to-tax adjustment.

Schedule G: Acquired Equity Basis Adjustments

Determines the Acquired Equity Basis Adjustments to be made under Article 5 - a specific book-to-tax adjustment.

Schedule H: Transferred Losses

Determines the treatment of losses following business reorganisations for the purpose of the loss carry-forward regime in Article 5.

Schedule I: Elimination tax base

Determines on a standardised basis the jurisdictional measure of profit used for the purpose of the elimination of double taxation rules in Articles 7-11.

Schedule J: Elimination of double taxation - Return on Depreciation and Payroll

Determines the Return on Depreciation and Payroll for the purpose of the elimination of double taxation rules in Articles 7-11.



Process map for Amount A

Amount A applies to MNEs with Revenues exceeding EUR 20 billion and a profitability greater than 10%. It reallocates 25% of the MNE's profit in excess of 10% of its Revenues to market jurisdictions in which the MNE satisfies the quantitative nexus test, subject to adjustments under the marketing and distribution profits safe harbour. These profits will be allocated in proportion to the amount of Revenues the MNE derives from

those jurisdictions as determined under specific revenue sourcing rules. Because Amount A rules will apply as an overlay to the existing profit allocation rules, it includes a mechanism to reconcile the respective different profit allocation systems and prevent double taxation. The functioning of these rules is further illustrated in the process map below. Upfront tax certainty is provided for all the steps shown below.

Overview of the process map:

