



TaxNewsFlash

Transfer Pricing

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KPMG report: Summary and initial analysis of Pillar One blueprint

The OECD/G20 Inclusive Framework on base erosion and profit shifting (BEPS) today, 12 October 2020, released a blueprint for Pillar One—part of the OECD’s two-pillar approach to address the tax challenges of the digitalization of the economy.

The Pillar One blueprint, which was discussed at the 8-9 October 2020 meeting of the Inclusive Framework on BEPS, reflects the latest stage of this work and is meant to provide a basis for political agreement across the Inclusive Framework.

The three primary components of Pillar One are Amount A, Amount B, and the development of dispute prevention and resolution mechanisms that will promote tax certainty.

- Amount A would apply a formulary approach to allocate a portion of a multinational enterprise’s (MNE) deemed residual profits to market jurisdictions, and provide those jurisdictions with nexus for taxing that allocation.
- Amount B would provide a fixed return for certain baseline marketing and distribution activities that is intended to be consistent with the arm’s length principle.

To increase tax certainty, the Pillar One blueprint outlines a proposed approach to mandatory binding dispute prevention and resolution for Amount A and explores approaches to enhance dispute prevention and resolution more broadly.

Read an [October 2020 report](#) [PDF 515 KB] prepared by KPMG LLP that provides an initial analysis of the Pillar One blueprint

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