

# The Inclusive Framework released Additional Guidance on Amount B of Pillar One

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United Kingdom

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As we discussed in a [previous article](#), on 19 February 2024, the OECD published the report “[Pillar One – Amount B: Inclusive Framework on BEPS](#)”, aiming to simplify the application of transfer pricing rules regarding baseline marketing and distribution activities, reduce tax burden, and compliance costs, among other objectives, with a particular focus on low-capacity countries.

On 17 June 2024, the OECD completed this report with additional guidance, including:

- the definition of “qualifying jurisdictions” provided in sections 5.2 and 5.3 of the Amount B report; and
- the definition of “covered jurisdictions” as part of the scope of the political commitments on Amount B.

This additional guidance allows countries to begin the implementation processes of Amount B.

## Definition of qualifying jurisdictions for Section 5.2 (operating expense cross-check)

The [guidance](#) includes a list of qualifying jurisdictions that will be updated every five years. It includes jurisdictions classified by the World Bank Group as low income, lower-middle income, and upper-middle income based on the latest available “World Bank Group country classifications by income level”.

For countries included on this list alternative cap rates will apply since the application of the default cap rates could lead to inappropriate and inequitable outcomes, as these jurisdictions have lower operating expenses or lower capacity compared to higher income jurisdictions.

## Definition of qualifying jurisdiction for Section 5.3 (data availability mechanism)

This [list](#) refers to jurisdictions with:

1. a publicly available long term sovereign credit rating of BBB+ (or equivalent) or lower from a recognized independent credit rating agency; and
2. less than five comparables in the global dataset.

There are upward adjustments to the returns provided for countries on this list due to cases where there is no or insufficient data in the global database for a particular tested party jurisdiction to validate the

appropriateness of the Amount B pricing matrix. This is coupled with evidence that that jurisdiction could be reasonably considered a “higher risk” jurisdiction based on sovereign credit ratings.

#### **Definition of covered jurisdictions for the purposes of the application of Amount B**

The criteria for the [covered jurisdictions](#) are as follows:

1. low- and middle-income IF jurisdictions using the World Bank Group country classifications by income level, excluding EU, OECD, and G20 members;
2. extend to low- and middle-income IF jurisdictions that are OECD and G20 members that otherwise satisfy the first criterion and that expressed to the Inclusive Framework a willingness to apply amount B by March 2024; and
3. any non-IF member that meets the first criterion and expresses to the Inclusive Framework a willingness to apply Amount B will be added to the list of covered jurisdictions.

It is important to highlight that, while the jurisdictions included on this list have made the political commitment to respect the outcome determined under the simplified and streamlined approach to in-scope transactions and to take all reasonable steps to relieve potential double taxation that may arise where there is a bilateral tax treaty in effect between the relevant jurisdictions, this does not imply that they are obligated to adopt or will adopt the simplified and streamlined approach in the future.

Contact us today if you require assistance on how these developments will impact your business.

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