

AMOUNT A

UNDERSTANDING THE DRAFT PILLAR 1 RULES

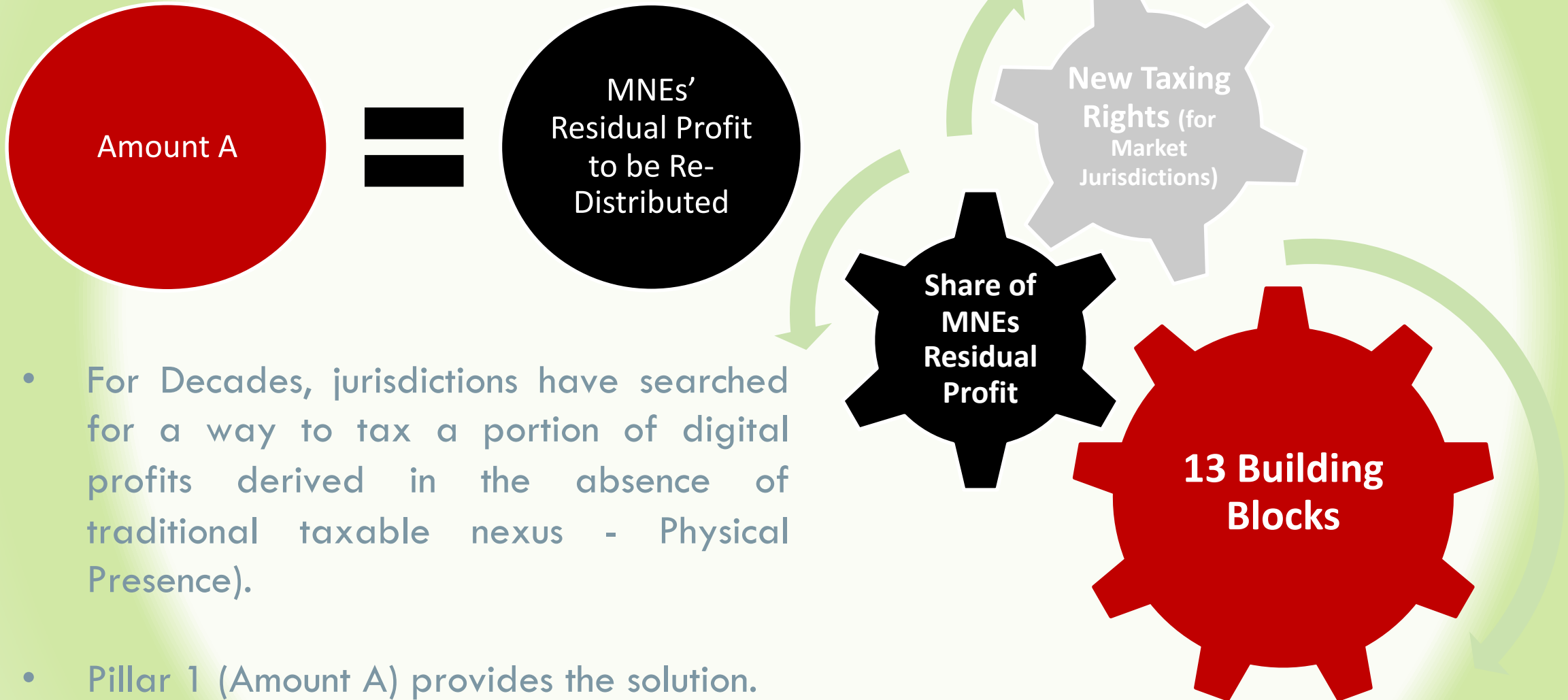


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- OVERVIEW OF THE PILLAR 1 RULES: THE 13 BUILDING BLOCKS.
- PILLAR 1 RULES RELATING TO AMOUNT A
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BACKGROUND: AMOUNT A



KEY OBJECTIVE OF THE NEW TAXING RIGHT (AMOUNT A):

- Restore stability to the international tax framework
- Prevent uncoordinated unilateral measures i.e. Digital Service Tax (DST) & Relevant Similar Measures (RSM).
- A multilaterally agreed solution will prevent the risk of retaliatory trade sanctions.

OVERVIEW OF PILLAR 1 RULES

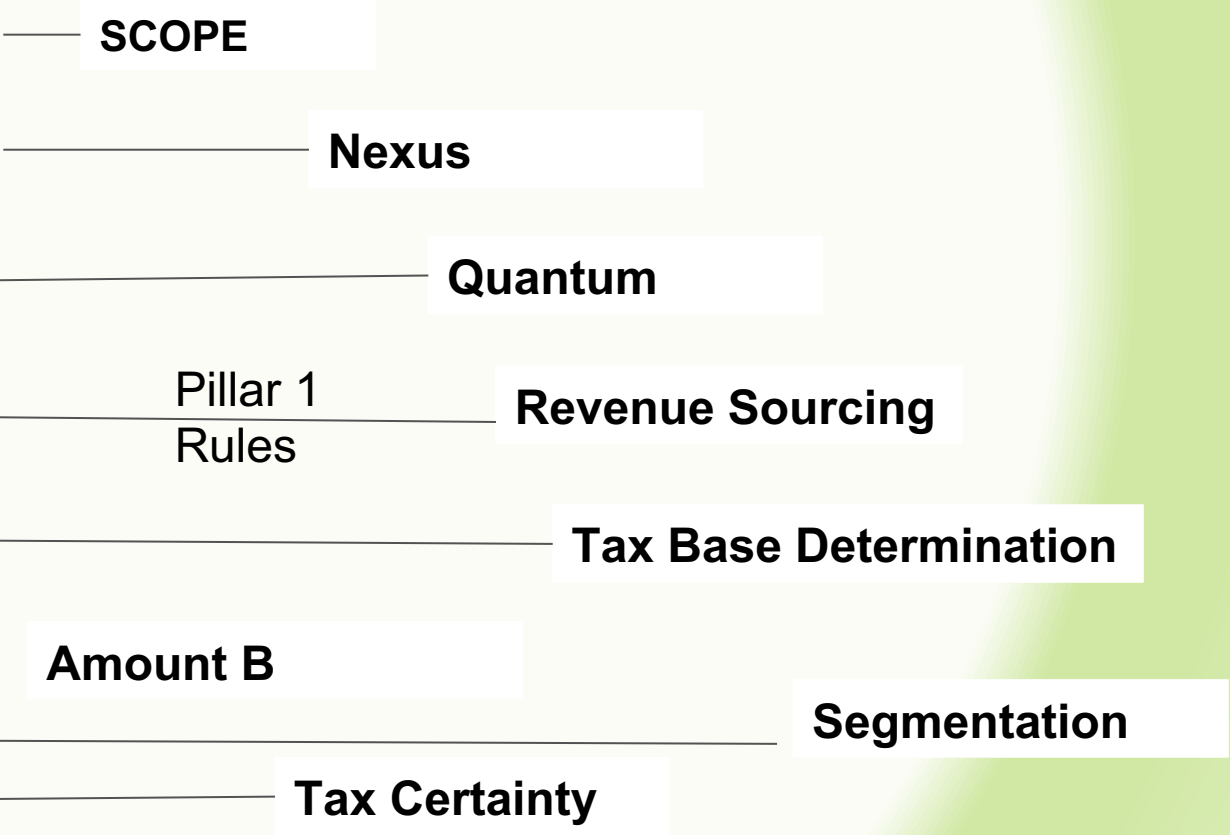
- The Pillar 1 Rules are the rules governing the implementation of Amount A & Amount B.
- They are the 13 Building Blocks of Pillar 1.

AMOUNT A & THE PILLAR 1 RULES (13 BUILDING BLOCKS)

AMOUNT A

Residual
MNE
Profit

THE 13 BUILDING
BLOCKS



- Marketing & Distribution Safe Harbours
- Elimination Of Double Taxation
- Administration
- Removal of Unilateral Measures

Implementation

PILLAR 1 RULES RELATING TO AMOUNT A

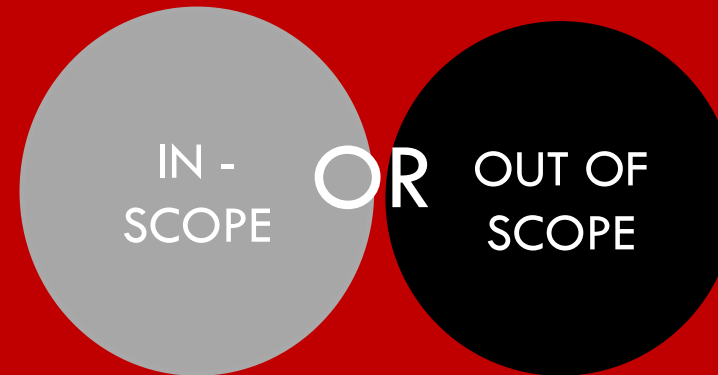
SCOPE | PILLAR 1 RULES

The Scope Rule answers the question- Which of the MNEs would Amount A apply to? i.e. Identification of a Covered Group.

NOTE:

- Amount A is applicable to the Group Entities of A Covered Group
- A Covered Group is a Group that has adjusted revenues greater than EUR 20 billion; and a pre-tax profit margin greater than 10 per cent
- “Adjusted Revenues” means the revenues, exclusive of value added taxes, goods and services taxes, sales taxes, or other similar taxes on consumption

COMPREHENSIVE SCOPING



THRESHOLD:

- Scope determined quantitatively
- 20 Billion Euros (Adjusted Revenues) +
- Profitability above 10% (pre-tax profit margin)
- Average Test applied to determining if an MNE meets the profitability threshold

Exclusions & Carve-outs:

- Extractive Industries
- Regulated Financial Institutions
- Autonomous Domestic Exemption
- Defence Group-

NOTE:

- The consolidated Financial statement of an MNE Group is used to determine if an MNE meets the revenue threshold and is within scope of Amount A.
- The Scope of Amount A was designed to ensure only the largest & most profitable MNEs are within the coverage of Amount A.
- Rules are in place to widen the scope through the reduction of the threshold to 10 Billion Euros after 7 years of successful implementation.
- The Average Test applies in determining if an MNE meets the profitability threshold.

| THE AVERAGE TEST

- The Model Rules provides that an MNEs' profitability must exceed the 10% threshold in at least two of the four prior Periods referred to as ("the prior period test"), and on average across those four prior Periods and the current Period (referred to as "the average test").
- These rules seek to deliver neutrality and stability to the operation of Amount A. It ensures MNEs with volatile profitability are not inappropriately brought into scope for Amount A.
- The application of the prior period test and the average test are appropriately modified where a Group was in existence for fewer than four periods and in cases where a Group undertakes a business reorganisation.

ILLUSTRATION: PROFITABILITY THRESHOLD DETERMINATION BASED ON THE AVERAGE TEST



- ABC is an MNE group with over €100 billion consolidated global revenue and profitability of 12% in Accounting Period 2022.
- For ABC to be in scope in that Period the rule provides that:
 1. ABC must also be in scope for 2020 and 2021 (or 2021 if that is the only prior year of existence) – **prior year test**; or
 2. Have profitability of more than 10% in any two of 2018, 2019, 2020 and 2021 – **prior year test**, plus
- The ratio of profitability of 5 years 2018, 2019, 2020, 2021 and 2022 taken together must be more than 10% i.e. the sum of the Adjusted profits of the 5 years divided by the sum of the Adjusted Revenue of the 5 years must be greater than 10% – **averaging test**

EXCLUSIONS & CARVE-OUTS



1

- **Extractive Industries** – The exclusion applies to qualifying extractives groups that are engaged directly or indirectly (through an extractives joint venture or resource development agreement) in exploration, development or extraction, and derives extractives revenues with substantial connection with a Groups exploration, development or extraction.
- It is key to note that there is an option for election for extractive jurisdictions that also undertake refining of oil products to disapply the exclusion for at least three years.



2

- **Regulated Financial Services (credit, depositary institutions, Insurance, investment assets management & mixed financial institutions)**- The RFS exclusion applies to Group Entities that are at least 95% owned (directly or indirectly) by a UPE of the Group, and the UPE is an asset manager, credit, depositary, insurance investment or mixed financial institution, or owns at least 95% (directly or indirectly) of such institution.



3

- **Autonomous Domestic Exemption**- This exclusion applies to purely domestic groups that substantially operate in one jurisdiction or groups that are highly decentralised and operate as an autonomous and domestic business. The group must qualify under three tests which compares the level of deviation between third party sourced and booked revenues of the group, levels of cross border intra group revenues and expenses.



4

Defence Group- This exclusion will apply to groups that derive defence revenues from transactions that qualify as defence purpose. This is a supply that either is designed for use in serving national or international defence interests or intelligence, or subject to export control regulations designed to protect national or international defence or intelligence interests and the procuring party or user is a specified government body, or subject to a claim of public policy made on behalf of a specified government body.

In the case of mixed groups, where the exclusion applies, the rest of the non defence revenue will remain in scope of Amount A, if it meets a specified threshold.

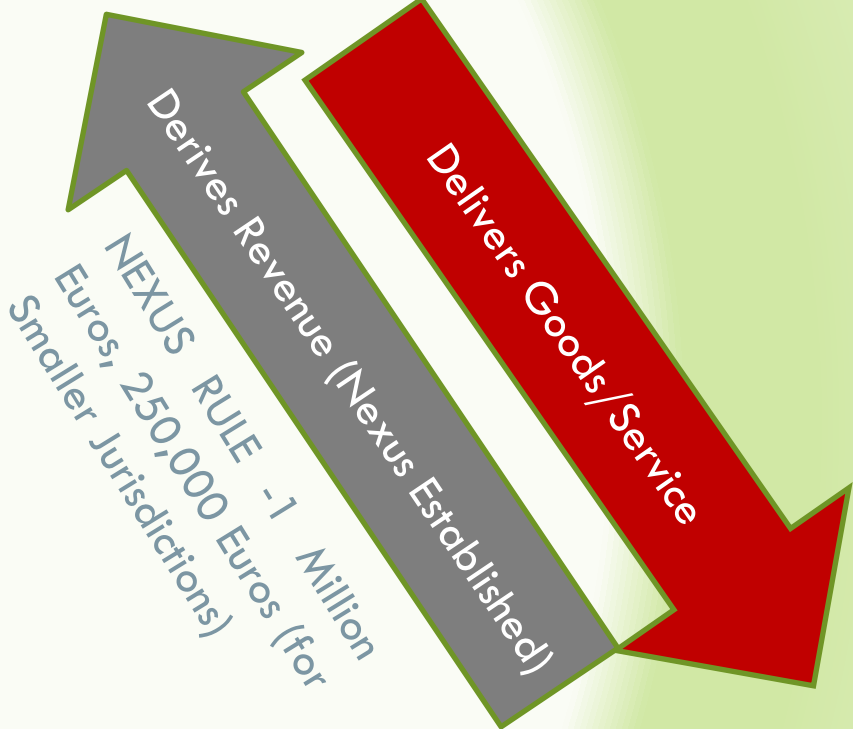
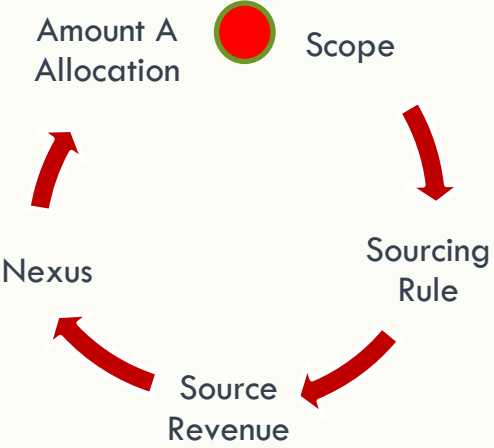
EXCLUDED ENTITIES IN AN MNE GROUP

- Governmental Entity.
- International Organisation
- Non-profit Organisation
- Pension Fund
- Investment Fund that is an Ultimate Parent Entity
- Real Estate Investment Vehicle

NEXUS | PILLAR 1 RULES

The Nexus Rule answers the question: Does an in-scope MNE have a taxable presence in a country?

IN-SCOPE MNE



Nexus gives right to Amount A Allocation

Receives portion of Re-distributed MNE Profit (Amount A) due to Nexus (Subject to Quantum & Revenue Sourcing Rules)



- The new Nexus Rule would be based on indicators of significant and sustained in-scope MNEs' engagement with the market
- The rule does not alter the nexus for other tax purposes e.g. custom duties. Also, it would not alter the nexus rules for other non-tax purposes e.g. the existing permanent establishment rules.
- There is a 1 Million threshold for taxing nexus under the rule. Smaller jurisdictions (Jurisdictions with a Gross Domestic Product of less than EUR 40 billion) have a lower threshold of 250,000 Euros.

ILLUSTRATION: DETERMINATION OF NEXUS



ABC is an MNE group that deals in goods and services. Jurisdiction A is categorized as a small jurisdiction under the Pillar 1 Rules. EUR 350,000 of ABC is sourced to Jurisdiction A under Amount A sourcing rules. Does jurisdiction A have a nexus to the allocable profits of ABC under Pillar 1 rules?

Answer: Yes.

Given ABC is a small jurisdiction, its activities only needs to cross a revenue threshold of EUR 250,000 for Jurisdiction A to have a taxing nexus to the profits of ABC (sourced from its jurisdiction).

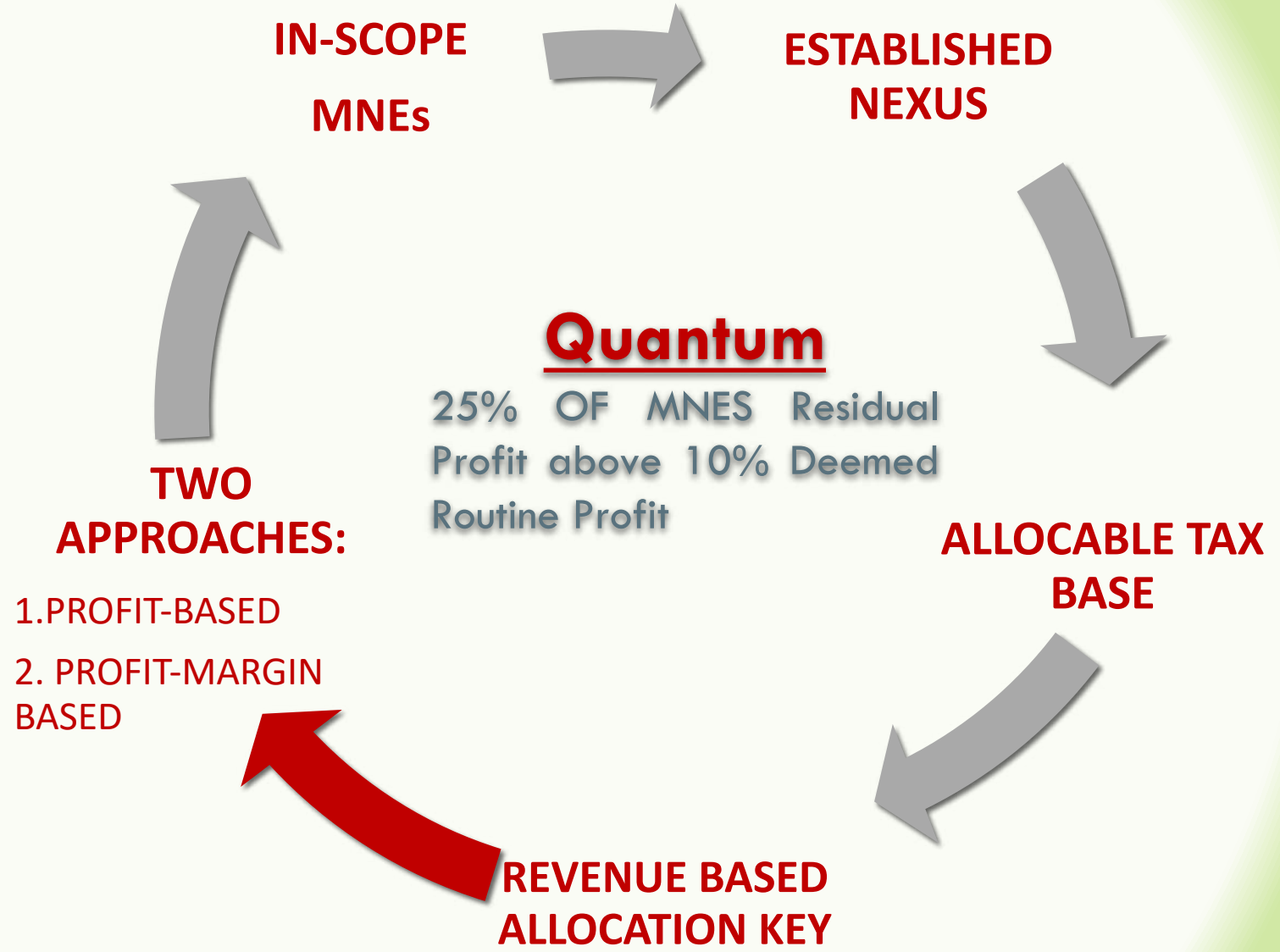
QUANTUM | PILLAR 1 RULES

The Quantum Rule answers the question: (Upon the confirmation of a Nexus) What portion of an MNEs' revenue is derived from the source jurisdiction? (to determine Amount A Allocation).

The Quantum of Amount A

It is not based on Arm's Length Principal -ALP).

It is based on ratio between pre-tax profit and total revenue (sales)



THE THREE (3) STEPS FORMULAR: TO DETERMINE AMOUNT A QUANTUM



There is a three (3) Step to determining the Amount A Quantum for in-scope MNEs with an allocable tax base (Market Jurisdiction's entitlement to Amount A based on the Nexus Rule):

Step 1: MNE to meet profitability threshold (10% of routine Profit).

Step 2: Identify the appropriate share that can be allocated to market jurisdictions i.e. the allocable tax base (25% of residual profit above 10% deemed routine profit)

Step 3: The distribution of 25% of MNEs residual profit above 10% deemed routine profit) to market jurisdictions based on an allocation key. The “allocation key” is based on determined locally sourced revenue (the MNEs revenue that is sourced in market jurisdiction). The determination of locally sourced revenue is done by applying the Revenue Sourcing Rule (Refer to next slide)

NB: To ensure an appropriate measure of the profit of an MNE under Amount A, the rules also provide for a loss carry forward regime for in-scope MNEs.

THE TWO APPROACHES: FOR DELIVERING THE THREE (3) STEPS FORMULAR TO DETERMINE AMOUNT A QUANTUM

1. Profit Based Approach
2. Profit Margin-Based Approach

Note: Both Approaches deliver the same quantum of Amount A that is taxable in each eligible market jurisdiction because both approaches apply the three (3) steps formula.

However, the administration of each approach may present some variations e.g. foreign exchange currency.

REVENUE SOURCING | PILLAR 1 RULES

The Revenue Sourcing Rule answers the question: Which Market Jurisdiction was the allocable MNE profit derived from for allocation of Amount A?



SOURCED TO THE END MARKET JURISDICTION

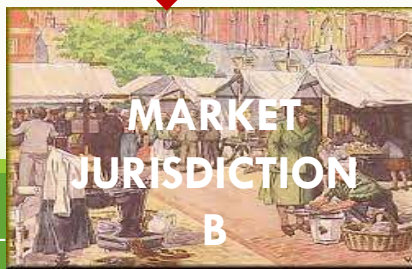


Amount A distributed based on Quantum & Revenue Sourcing Rules

Amount A distributed based on Quantum & Revenue Sourcing Rules

Amount A distributed based on Quantum & Revenue Sourcing Rules

- The sources of adjusted revenues of covered Groups shall be determined for jurisdictions based on category of identified adjusted revenues,
- The categories for adjusted revenues shall be based on the ordinary and predominant character of the transactions.
- Group entities of covered Groups are required to apply reliable methods, on the basis of reliable indicators or allocation keys for the determination of adjusted revenue.
- The sourcing principles are based on the categories of adjusted revenues.



SOURCING CATEGORIES- INDICATORS

ADMINISTRATION FORUM - FISCALIS QUERER PARTICIPANTES

FINISHED GOODS TO A FINAL CUSTOMER

- Delivery address
- location of retail store

FINISHED GOODS THROUGH AN INDEPENDENT DISTRIBUTOR

- Delivery address
- Location of retail store
- Location of the independent distributor (for undetermined sources- use of regional allocation keys and for tail end revenues for low income jurisdiction, use of allocation key up to an aggregate limit of 5% of total adjusted revenues of the covered Group determined on a prorata basis, or for non- low income jurisdictions, use of global allocation key to determine tail end revenues that does not exceed 5% and use of excess tail end revenues allocation key for tail end revenue that exceeds 5%)

COMPONENTS

- Delivery address of final customer of finished goods
- Location of retail store
- Location of independent distributor or using component allocation key.

SOURCING CATEGORIES- INDICATORS

SERVICES

- Location specific services – for service connected to tangible property, jurisdiction in which such property is located at time of performance, in case of services where the customer or agent must be physically present, jurisdiction in which the customer or agent is situated at the time of performance of the service.
- In cases involving physical manipulation of tangible property in international waters, or lease of, hire of or license to use tangible property in international waters or airspace during term of lease, hire or license- location of the customer when the service is performed.

ADVERTISING SERVICES

- Online Advertising – user profile information, geolocation of viewer device, or IP address of the device
- Other Advertising – billboard adverts(location of the billboard) , Newspaper, magazines & other publication (location where circulated) TV or Radio adverts (jurisdiction received or expected to be received) or jurisdiction identified in the contract or commercial documentation where advert will be displayed or received

SOURCING CATEGORIES- INDICATORS

ADMINISTRATION FISCAL - FISCALIS QUESTIÓNS

ONLINE INTERMEDIATION SERVICES – (PURCHASER LOCATION)

- Delivery address
- Billing address
- User profile information
- Geolocation of device or IP address

ONLINE INTERMEDIATION SERVICES- (SELLER LOCATION)

- Billing address
- User profile

LOCATION SPECIFIC SERVICES-

- In the case of services connected to tangible property - Jurisdiction where tangible property is located
- In case of services where the customer or agent must be physically present- Jurisdiction in which the customer or agent is located at the time of performance of the service

SOURCING CATEGORIES- INDICATORS

ADMINISTRATION FORUM - FISCALIS QUERY PARTICIPANTES

TRANSPORT SERVICES

With respect to determination of sources of adjusted revenues for with no reliable indicators;

- Passengers by air – passenger air transport allocation key
- Transport other than by air – non-air transport allocation key
- Cargo by air – cargo air transport allocation key
- Transport of cargo other than by air(or both air and non-air transport not separately itemized) – cargo non-air transport allocation key

CUSTOMER REWARD PROGRAMS

For determination of location of a member of a customer reward program;

- user profile information
- Billing address
- Jurisdiction of the international dialing code associated with telephone number of the member.

OTHER SERVICES

- Services or digital content not previously described – (specified large customer) information as reported to the covered group by the specified large customer, jurisdiction identified in contract or commercial documentation
- Other customer- billing address, user profile information, jurisdiction of the international dialing code associated with telephone number of the member.
- In all other cases, sources of adjusted revenues from services or digital content provided to specified large customer for which the source has not been determined based on reliable indicators – use aggregate headcount allocation key

SOURCING CATEGORIES- INDICATORS

ADMINISTRATION FORUM - FISCALIS QUESTIONS

OTHER SERVICES

- For services or digital content for onward distribution or resale to third parties (other than as an input to facilitate the provision of a different good or service to a third party) – information on location of final consumer as reported to the covered group by the final customer, information as reported by the reseller on location of final customer, location of the reseller (where contractually restricted to selling in that location).
- In all other cases, sources of adjusted revenues from services or digital content provided for which the source has not been determined based on reliable indicators – use service allocation key

SOURCING CATEGORIES- INDICATORS

ADMINISTRATION FISCAL - FISCALIS GUEST PARTICIPANTS

INTANGIBLE PROPERTY

- Jurisdiction of delivery of finished goods (reported by licensee.
- Purchaser or transferee)
- Location of retail store selling finished goods.

USER DATA

- User profile information
- Geolocation of device.
- IP address of device

IMMOVABLE PROPERTY

- Address of immovable property and jurisdiction granting the right to exploit the immovable property.

TAX BASE DETERMINATION

PILLAR 1 RULES

The Tax Base Determination Rule answers the question: What profit (or loss) of a Covered Group is available for reallocation

- Reference to financial accounting profit (or loss) of a covered group with a number of adjustments



- Determined on the basis of the Profit before Tax of the group.

- Use of consolidated group financial accounts, prepared using acceptable Financial Accounting standard.

- Deduction of net losses(10 year Loss carry forward with 3 years for pre-implementation

NOTE: The Tax base feeds into both profit allocation and elimination of double taxation

TAX BASE DETERMINATION: KEY ADJUSTMENTS

- Book to tax adjustments – for tax expense, dividends, equity gain or loss, policy disallowed expenses (bribes, kick-backs, fines and penalties that equal or exceed EUR 50,000) and restatements of one or more prior period.
- Prior period adjustments – adjustment corresponding to all changes in the opening equity of the period that relate to a correction of an error in the determination of the financial accounting profit(or loss) or a change in the accounting principle or policy and are attributable to transactions or events that would have impacted the determination of adjusted PBT
- Net Losses – rules allows for carry forward and deduction of unrelieved losses for up to 10 years, including pre- regime losses of 3 years. Include rules that allow a covered group elect to deduct tranferred losses in certain instances.

ALLOCATION OF PROFIT TO A JURISDICTION

There is essentially a 4 step process to determine the Amount A profit of a Covered group that is allocated to a jurisdiction in a period.



Step 1:

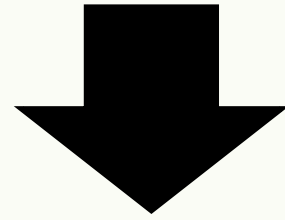
Identification of total excess profits of a covered group at the group level, on a standardised quantitative basis

Step 2:

Multiply excess profits calculated by 25 % (excess profit of the group prior MDSH)

Step 3:

Allocate aggregate amount among market jurisdictions with Nexus (excess profit of the group multiplied by adjusted revenues of the covered group sourced to that jurisdiction divided by the total adjusted revenues of the covered group for the period prior to any double counting adjustment)



Step 4:

Apply MDSH adjustment to reduce Amount A profit of a covered group allocated to a jurisdiction (cap where profits of in-scope MNE are already taxed in the market jurisdiction and where de minimis threshold of EUR 50 million is reached).

ILLUSTRATION:

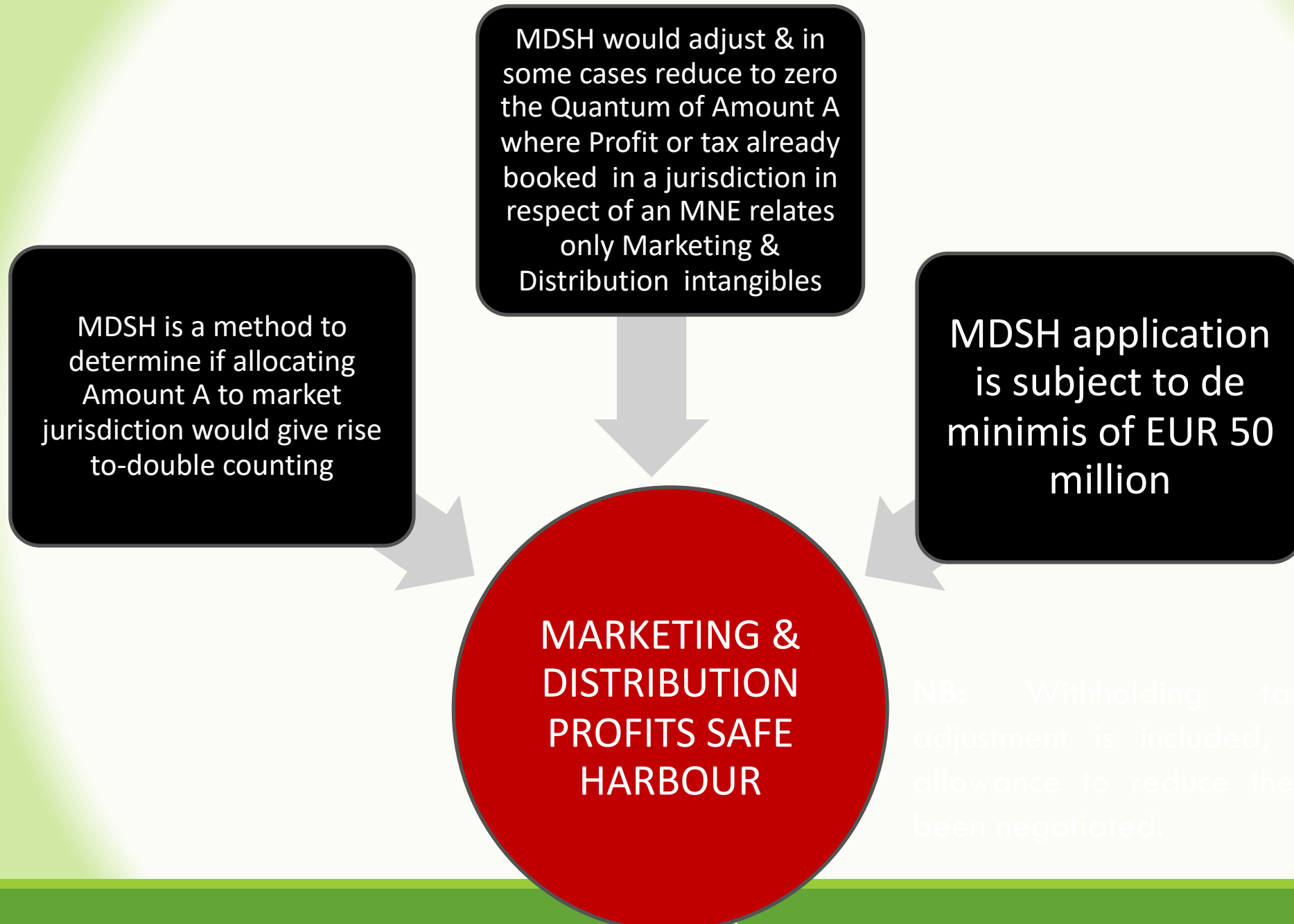
- For purposes of this example, Covered Group A has Adjusted Revenues of EUR 100 billion and adjusted profit before tax of EUR 30 billion in Period 1.
- Step 1 : 10% of the Adjusted Revenues of EUR 100 billion would be the normal profits of EUR 10 billion for Covered Group A. Subtracting EUR 10 billion of normal profits from the adjusted profit before tax of EUR 30 billion would produce excess profits of EUR 20 billion for Covered Group A.
- Step 2: 25% of the excess profits would be EUR 5 billion (i.e., EUR 20 billion multiplied by 25%), being available for allocation to market jurisdictions.
- Step 3 : Supposing that EUR 60 billion of Group Revenues were sourced in Jurisdiction X, EUR 30 billion in Jurisdiction Y and EUR 10 billion in Jurisdiction Z, this would mean that EUR 3 billion of Amount A profit would be allocated to Jurisdiction X, EUR 1.5 billion of Amount A profit would be allocated to Jurisdiction Y and EUR 0.5 billion of Amount A profit would be allocated to Jurisdiction Z

ILLUSTRATION:

(EUR billion)	Jurisdiction X	Jurisdiction Y	Jurisdiction Z
Sourced Revenues	EUR 60 billion	EUR 30 billion	EUR 10 billion
Amount A profit allocated	EUR 3 billion (= EUR 5 X 60 / 100 billion)	EUR 1.5 billion (= EUR 5 X 3 / 100 billion)	EUR 0.5 billion (= EUR 5 X 10 / 100 billion)

MARKETING & DISTRIBUTION PROFITS SAFE HARBOUR | PILLAR 1 RULES

The Marketing & Distribution Profit Safe Harbour Rules addresses the issue of “double counting” i.e. a situation where marketing and distribution activities are already taxed in the Market Jurisdiction



MARKETING AND DISTRIBUTION PROFITS SAFE HARBOUR ADJUSTMENT

- MDSH adjustment will apply where the de minimis threshold of 50 million is reached.
- MDSH is determined by the process below:
- Determine the profits booked and already taxed in a jurisdiction (this can be achieved by dividing tax paid by tax rate)
- Determine the normal jurisdictional profits, which is the higher of 40% RoDP or 3% RoR
- Determine the jurisdictional excess profits, which is profits booked less normal jurisdictional profits.
- Determine the jurisdictional offsetting profits of a covered group by multiplying the adjusted jurisdictional excess profits by the jurisdictional offset percentage
- Example: if adjusted jurisdictional excess profit in jurisdiction A is EUR 300 million, and the jurisdictional offset percentage is 35%, then the jurisdictional offsetting profits would be $35\% \times \text{EUR } 300 \text{ million} = \text{EUR } 105 \text{ million}$

MARKETING AND DISTRIBUTION PROFITS SAFE HARBOUR ADJUSTMENT

- Jurisdictional offset percentage – calculation of jurisdictional profit offset differs from jurisdiction to jurisdiction.
- There are three categories of jurisdictions, with different jurisdictional offset percentage (i.e., 90 per cent, 25 per cent, or 35 per cent) applies.
- The MDSH offset criteria are:
- 90% if qualify as low substance jurisdictions (where the ratio of “jurisdictional depreciation and payroll” divided by the “sourced revenue” is below the 75% of that of the group).
- 35% if not a low substance jurisdictions and not a Low or Lower-Middle Income Jurisdiction based on World Bank classification)
- 25% if not a low substance jurisdiction but a Low or Lower-Middle Income Jurisdiction as classified by the World Bank)

WITHHOLDING TAX UPWARD ADJUSTMENT



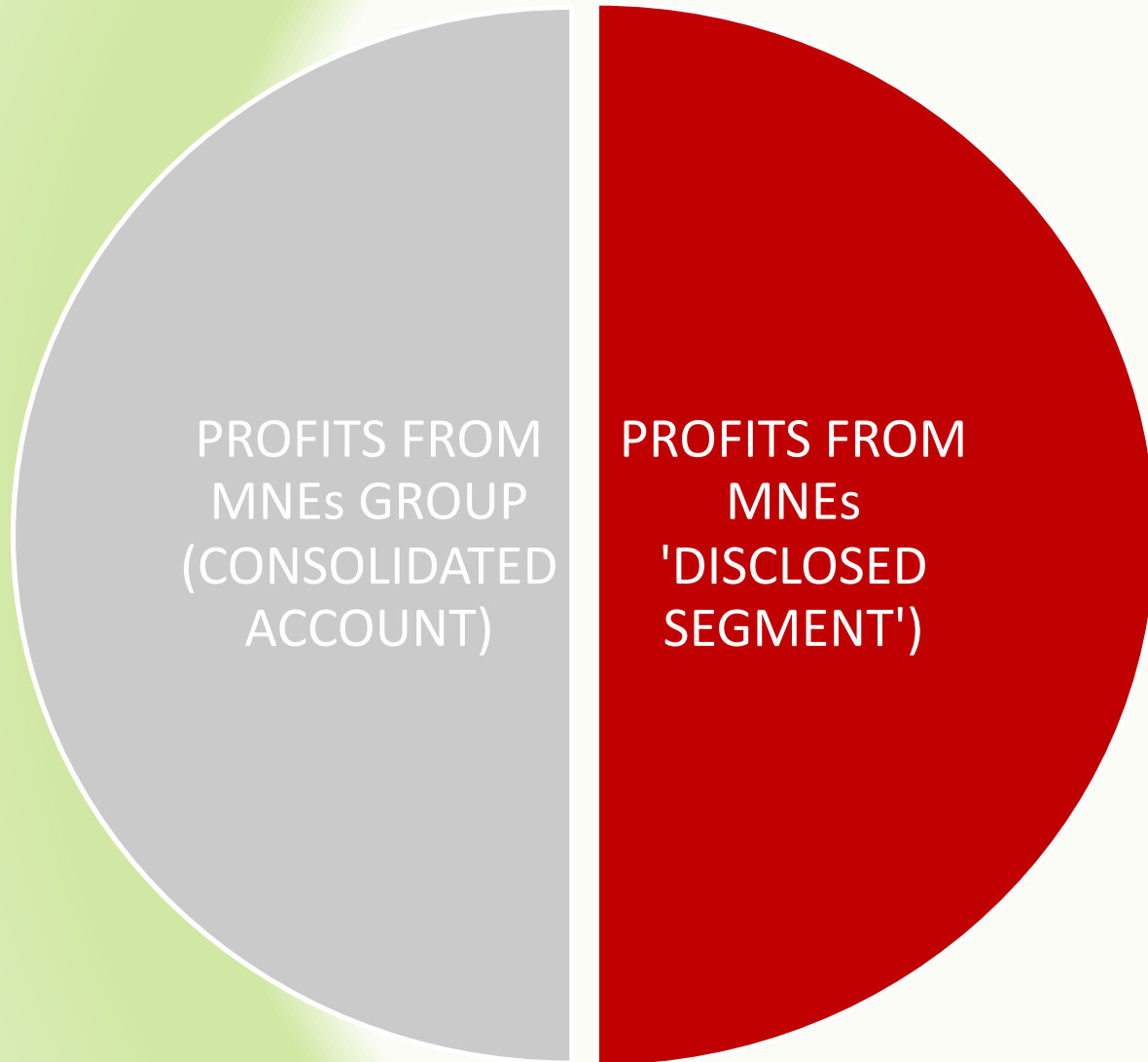
- Where the MNE receiving the payment has little or no physical presence (represented by cumulative depreciation and payroll cost of less than EUR 50,000), only 40% of the WHT converted profits, or 30% for low income developing jurisdictions, will be used to reduce Amount A allocable to that jurisdiction. This represents haircut of 60% or 70% respectively.
- Where the MNE receiving the payment has cumulative depreciation and payroll cost of more than EUR 50,000, then 70% of the WHT converted profits, or 60% for low income developing jurisdiction, will be used to reduce Amount A allocable to that jurisdiction (i.e., haircut of 30% or 40% respectively).
- For jurisdictions where the ratio of depreciation and payroll to sales is greater than 75% of that of the group, 85% of the WHT converted profits will be used to reduce Amount A allocable to that jurisdiction (i.e., haircut of 15% or respectively).

WITHHOLDING TAX UPWARD ADJUSTMENT

- A transitional period for the use of the WHT to reduce Amount A was provided as follows:
- The use of the WHT converted profits to reduce Amount A profits will not be done in the first 2 years of implementation of Amount A rules.
- After the initial 2 years, until the scope threshold is lowered to EUR10 billion:
 - 25% of the WHT converted profits will be used to reduce Amount A allocable to jurisdiction of 90% offset (jurisdictions where the ratio of depreciation and payroll to sales is less than 75% of that of the group),
 - 50% of the WHT converted profits will be used to reduce Amount A allocable to jurisdiction of 50% offset for jurisdictions where 25% or 35% offset applies.

SEGMENTATION | PILLAR 1 RULES

The Segmentation Rule answers the question: What profit of an in-scope MNE was derived from Amount A in-scope activities?



- As established, Amount A rules apply at a group level (i.e. to the entire MNE) rather than at an entity level. However, the rules may, in limited circumstances, apply to a segment that is reported in an MNE's consolidated accounts (a 'Disclosed Segment') instead of the MNE as a whole.
- This apply in exceptional circumstances where an MNE with more than EUR 20 billion of revenues does not meet the 10% profitability scope requirement, but a “Disclosed Segment” of that MNE meets both the EUR 20 billion revenue and the 10% profitability thresholds.

- In these circumstances, the Amount A rules will apply to such a Disclosed Segment as if it was an independent business from the rest of the MNE Group.
- The part of the Disclosed Segment's profits will be reallocated to the market country where the products and services of the segment are provided to the consumer.

TAX CERTAINTY | PILLAR 1 RULES

The Tax Certainty Rule answers the question: How would dispute be prevented and resolved to provide tax certainty for MNEs when allocating profits to Market Jurisdictions under Amount A?

TAX CERTAINTY:

1. AMOUNT A

2. **ISSUES RELATED TO AMOUNT A** - issue that is covered under the provisions of a covered tax agreement based on Articles 5, 7 or 9 of the OECD Model or the UN Model that has an impact on EoDT or material impact on Elimination profit or loss with respect to Amount A. May cover income characterisation relating to WHT, while materiality threshold of EUR 3 million in the first 3 years and EUR 1.5 million subsequently applies.

- Mutual Agreement Procedure (MAP) - for jurisdictions with a covered tax agreement. NB: Any unresolved related issues shall be submitted to a dispute resolution panel on the request of a Covered Group.
- Mandatory Binding Dispute Resolution Mechanism

- For the effective implementation of Amount A, early tax certainty is crucial. Rules include provisions on scope certainty, scope advance certainty and a comprehensive certainty review.
- Tax Certainty under Pillar 1 (Amount A) is provided both for Amount A issues and issues related to Amount A.
- The Tax certainty process is coordinated by the Lead tax administration and streamlined through the use of a common documentation package
- Composition of the Scope and Review panel - the lead tax administration and tax administrations of six other Parties selected at random from listed parties that submit an expression of interest. In the case of a review panel it shall comprise the lead tax administration and 3 others required to provide relief. In addition, the tax administration of one affected party that is a specified low- or middle-income jurisdiction, the tax administration of one affected party that is not a specified low- or middle income jurisdiction and the tax administration of one affected party selected at random from the affected parties.
- Composition of a Determination panel - The determination panel shall consist of seven individual members, comprising 3 independent experts and 3 government officials(composition of government officials is determined by type of certainty review)review

Mandatory Binding Arbitration

- Mandatory Binding Arbitration for Amount A and issues related to Amount A

Elective Binding Arbitration

- For jurisdictions classified by the World Bank as a low-income, lower-middle-income or upper-middle income jurisdiction by reference to GNI per capita, calculated using the World Bank Atlas method
- Not a member of the Organisation for Economic Cooperation and Development nor a member country of the G20 on the date of entry into effect
- Has not received from other members of the FTA MAP Forum feedback that its policies or practices concerning MAP require improvement in any period following the most recent deferral of that covered jurisdiction's BEPS Action 14 peer review that precedes the date of entry into effect
- Has had no or low levels of MAP disputes. (three-year average number of attribution/allocation MAP cases in its inventory at the end of the year, as determined by the MAP Statistics submitted by it annually, is below 10 cases.)
- Eligibility criteria is to be reviewed every 3 years
- Jurisdictions found ineligible will remain ineligible in all subsequent years.

APPLICATION FOR EARLY TAX CERTAINTY UNDER AMOUNT A



REQUEST FOR TAX CERTAINTY

- The coordinating entity of a Group may submit to the lead tax administration a request for scope
- certainty for a Period,

REQUIRED DOCUMENTATION

- The request is accompanied by a scope certainty documentation package

SUBMISSION PERIOD

- The request must be submitted on or after the earlier of the last day of the Period to which the request relates or where a Group was not a Covered Group in both of the two Periods immediately preceding the Period

SUBMISSION DEADLINE

- No later than the deadline for filing an Amount A tax return and common documentation package for the Period to which the request relates; within 90 days of the Ultimate Parent Entity of the Group or any Group Entity being notified that a Party intends to commence a tax examination to determine whether the Group is a Covered Group for the Period.

NB: Request for tax certainty may not be submitted until this Convention has been in force for 365 days

ELIMINATION OF DOUBLE **TAXATION** | PILLAR 1 RULES

The Elimination of Double Taxation Rule answers the question: How would tax administrators ensure that an in-scope MNE is not taxed twice on the same revenue.

DOUBLE TAXATION UNDER AMOUNT A



- Elimination of Double taxation under Amount A is based on a combination of a waterfall and pro-rata approach.
- Jurisdictions to provide relief – determined based on;
 - part of the smallest number of Jurisdictions with respect to which the sum of elimination profit (or loss) of those Jurisdictions totals at least 95 per cent of the sum of elimination profit (or loss) for all Jurisdictions for the Period or
 - has elimination profit (or loss) equal to or greater than EUR [50] million for the Period or
 - elimination profit (or loss) equal to or greater than EUR [10] million in a period with jurisdictional RoDP greater than 1 500 per cent of the return on depreciation and payroll for the Covered Group and does not have a general income tax rate of up to 15% or QDMTT that raises tax rate to 15%

DOUBLE TAXATION UNDER AMOUNT A



ALLOCATION OF DOUBLE TAXATION RELIEF

- **Tier 1** - Covered Group has an adjusted jurisdictional RoDP in that specified jurisdiction that is greater than 150% of the RoDP for the Covered Group and greater than 40%.
- **Tier 2** - Covered Group has an adjusted jurisdictional RoDP in that specified jurisdiction that is greater than 150% of the RoDP for the Covered Group and greater than 40%
- **Tier 3A** - where the Covered Group has an adjusted jurisdictional RoDP in that specified jurisdiction that is greater than the elimination threshold RoDP of the Covered Group and greater than 40%.
- **Tier 3B** - where the Covered Group has an adjusted jurisdictional RoDP in that specified jurisdiction that is greater than the elimination threshold RoDP of the Covered Group.

DOUBLE TAXATION UNDER AMOUNT A



PROVISION OF DOUBLE TAXATION RELIEF

- A party that is a relieving jurisdiction shall provide relief to each relief entity by making a payment to the relief entity in respect of the tax paid by the designated payment Entity(DPE) or by providing the relief entity with credit in respect of tax paid by the DPE
- Relief from double taxation is subject to domestic law of the party

ADMINISTRATION | PILLAR 1 RULES

The Administration Rule answers the question: How would MNEs apply/operate the Pillar 1 for the implementation of Amount A.

Standardized Set of Filing Requirements – 9 to 12 months period



Streamlined tax compliance - use of Amount A Tax return and common documentation package and a single Designated Payment Entity (DPE)

MNEs to carry out filing obligation through a single entity the Lead Tax Administration (LTA)

Secondary Liability – relief entity or local entity or both (within 3 months of failure by the DPE)

Other issues: internal control framework, currency conversion rules etc

REMOVAL OF UNILATERAL MEASURES

PILLAR 1 RULES

The Removal of Unilateral Measures Rule addresses the issue of the implementation of DST and relevant similar measures by Jurisdictions affecting the seamless implementation of Amount A.



NO UNILATERAL MEASURES

- DSTs and RSM-
 - Criteria – targeted at non – residents, ring-fenced and not subject to a treaty.
 - Standstill and withdrawal commitment on existing Digital Service Taxes (DST) and Other Relevant Similar Measure (RSM) with respect to all companies.
 - Future commitment not to introduce DSTs and RSMs.
- SEP not a unilateral measure but SEP switch off for in-scope MNEs

IMPLEMENTATION | PILLAR 1 RULES

The Implementation Rule lays out the procedure for implementing Amount A

To be implemented through the **Multilateral Convention (MLC)**. It would require action across three different dimension.

A:

Multilateral Instrument- signing and ratification of the MLC

B:

Domestic Law – Domestication of the Model

Guidance – both multilateral and domestic to aid implementation



THANK YOU
