



TaxNewsFlash

United States

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Notice 2025-4: Application of Pillar One Amount B simplified and streamlined approach

The IRS today released [Notice 2025-4](#) announcing that the U.S. Treasury Department and the IRS intend to issue proposed regulations that provide (for purposes of applying section 482) a new simplified and streamlined approach (SSA) for pricing certain controlled transactions involving baseline marketing and distribution activities, as described in the February 19, 2024, Organization for Economic Cooperation and Development (OECD) report on Amount B of Pillar One. Under the notice, the SSA would apply at the election of the taxpayer, which may be done on a transaction-by-transaction and year-by-year basis.

The notice states that it is not expected that the proposed regulations will substantively diverge from any aspect of the OECD report, and while the notice does not restate or address every element of the report, the Treasury Department and IRS intend the proposed regulations to implement the substance of the report in its entirety. The notice also notes that because some aspects of the SSA may require updating over time with respect to the economic analysis that underlies the SSA, some aspects of the SSA may be addressed more appropriately in sub-regulatory guidance (such as a revenue procedure) that would be incorporated by reference into the regulations.

The proposed regulations are expected to apply to tax years beginning on or after January 1, 2025. However, taxpayers may rely on the guidance provided in sections 3 and 4 of Notice 2025-4, if they apply such guidance in its entirety and in a consistent manner, for tax years beginning on or after January 1, 2025, and before the proposed regulations are published in the Federal Register. Taxpayers may also rely on the text of the SSA for their U.S. tax reporting, as set forth in the report (and as supplemented by two later statements), if they also apply the rules described in sections 3 and 4 of the notice for those tax periods.

The Treasury Department and IRS request comments on the notice by March 7, 2025. In particular, comments are requested on:

- Whether application of the SSA should be determined solely by an election by taxpayers, or whether other considerations should also be taken into account, such as the ability of the IRS to apply the SSA in the absence of a taxpayer election (as described in section 3.01 of the notice) and whether the availability of the SSA for U.S. taxpayers should depend on whether the SSA has been implemented by the counterparty jurisdiction in order to ensure symmetry of tax treatment

- Whether the possibility posed in section 4.05 of the notice of requiring elections other than on a transaction-by-transaction and tax year-by-tax year basis should be subject to any limitations that serve the interests of simplicity or sound tax administration (possible limitations on electivity may include requiring that elections apply consistently to all in-scope transactions, to categories of in-scope 24 transactions, to a single in-scope transaction for multiple taxable years, or in a similarly consistent manner)
- Selection of 30% as the upper boundary of the operating expense-to-net revenue ratio scoping criterion pursuant to section 3.2 of the OECD report

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