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IRS releases new guidance on virtual currency transactions

The IRS on October 9 issued a revenue ruling (Rev. Rul. 2019-24), and frequently asked questions related to transactions involving virtual currency. The new guidance addresses many areas associated with virtual currency transactions including tax accounting, valuation, reporting, charitable contributions, and the tax implications of “hard forks” and airdrops.
URL: https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions

Deloitte Tax summary available

A summary and initial analysis of the new guidance is available from Deloitte Tax LLP.

TaxFirst webcast

Deloitte Tax will host a one-hour TaxFirst webcast on October 16 at 12:00 noon (eastern time) that will explore the new guidance and common applications including:
- The practical realities of basis tracking methodologies of virtual currencies;
- How to deal with substantiated fair market value in barter transactions involving virtual currencies;
- How to react to the guidance if it suggests tax treatment different than positions taken on prior tax returns;
- Determining the right time to recognize revenue in various scenarios; and
- Reporting requirements surrounding charitable contributions involving virtual currencies.

**Register for the webcast.**


— Rob Massey, Jim Calvin, Justin Jacobs, Mark Hindes, Mike Schlect, Jamie Dahlberg, Grant Anderson, Jarick Poulson, and Scott Schiefelbein
Deloitte Tax LLP

**OECD proposes ‘unified approach’ to Pillar 1 of project to address tax challenges from digitalization of the economy**

The Organisation for Economic Co-operation and Development (OECD) on October 9 released a public consultation document on the Secretariat’s proposal for a “unified approach” under Pillar 1 of the Inclusive Framework’s project to address international taxation in the digitalized economy. Pillar 1 focuses on revising the allocation of taxing rights among countries, potentially including new approaches to nexus (permanent establishment) issues and the arm’s length principle.


Stakeholders are invited to provide comments on the document by November 12. A public consultation will take place in Paris on November 21-22.

The document attempts to narrow the field of options, drawing largely on aspects of the modified residual profit split (MRPS) method and the distribution-based approaches laid out in the *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy* issued in May 2019, and less so on the fractional apportionment method. (For coverage of the *Programme of Work*, see *Tax News & Views*, Vol. 20, No. 19, June 7, 2019.) The document lays out a three-tier profit allocation mechanism as the foundation of Pillar 1, proposing to reallocate to markets a company’s operating margin in excess of a formulaic “routine return.”


The document also suggests that the new approach may go beyond highly digital business models by focusing on “large consumer-facing businesses,” while proposing to exempt certain extractive industries and commodities-related enterprises, as well as perhaps financial services. The proposal indicates a desire to have a threshold over which the new provisions would apply, and it envisions a new nexus (permanent establishment) rule that is dependent not on physical presence in the user/market jurisdiction but on sales. These proposals will all be subject to further discussion and negotiation as the participating countries work to achieve consensus.

Find out more

Details of the OECD proposal are available in this [alert](http://newsletters.usdbriefs.com/2019/Tax/TNV/191011_2_suppA.pdf) from Deloitte Tax LLP.

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