

Beyond cost-plus--OECD rewrites the rules on intra-group services

4 June 2026

In brief

What happened?

The OECD opened a consultation on a revised Chapter VII of the Transfer Pricing Guidelines (intra-group services) on 1 June 2026, with comments due 22 July and a public consultation in November. The objective is to align Chapter VII with Chapters I–III and add practical illustrations without changing underlying principles. In practice, the draft is a substantial rewrite introducing granular accurate-delineation analysis, an expanded benefit test, a sharper shareholder/stewardship distinction, detailed service–intangible boundary guidance, method selection beyond cost-plus, pass-through cost rules, services-specific documentation expectations, and 21 new examples. Low value-adding services (LVAS) remain unchanged. The draft is not yet consensus guidance and should not be relied upon as such.

Why is it relevant?

Intra-group services remain one of the most contested areas of transfer pricing, particularly around whether a benefit was received, where the line falls between chargeable services and shareholder activities, how costs should be allocated, and where services end and intangibles begin. The draft is especially relevant for headquarters charges, shared services, centralised IT, procurement, marketing, and intangible-enabled services, as well as the recurring challenge of remunerating senior decision-makers whose roles span multiple entities and jurisdictions.

Actions to consider

Should the new draft become consensus guidance, MNEs should test it against current arrangements, particularly for CUP-based procurement, pass-through costs, cost-plus pricing of AI- or machine-

learning-enabled services, bundled service/know-how charges, R&D services better suited to profit split, and M&A costs straddling shareholder activities and services. More broadly, MNEs should consider three areas:

- Transactional setup. Check whether charges pass the updated benefit test -- especially former shareholder costs that may now be chargeable as stewardship services, and whether the right entities bear the charge.
- Delineation and pricing. The principles are unchanged, but greater specificity in the guidelines will invite closer scrutiny.
- Documentation burden. Assess whether current processes can meet the draft's evidential expectations for contemporaneous benefit-test evidence, time-based allocation data, and detailed cost-base documentation.

The consultation period is also an opportunity to seek clarity and challenge disproportionate compliance burdens.

In detail

The project is led by Working Party No. 6 of the Committee on Fiscal Affairs (CFA), not in its Inclusive Framework format. OECD members will decide the outcome; non-OECD countries including Argentina, China, and India may observe but do not vote.

Observation: The CFA focus may support a more technical and administrable update, but the final guidance could have uneven traction outside the OECD, particularly in countries where intra-group services disputes are already a significant audit focus.

Outlined below is a summary of the key proposed changes from the release:

Section	2022 Guidance	What the consultation proposes
B.1 – Benefit test	Asked whether an independent enterprise would have paid for the activity. Limited elaboration on what constitutes a ‘benefit’ or its relationship to pricing.	Clarifies that (1) a benefit need not be guaranteed -- it must only be reasonably expected at inception; (2) multi-year data can help assess if a benefit was reasonably expected and if independent parties would continue paying when the activity consistently fails to deliver one; (3) the benefit test and the arm’s length charge are separate analyses -- a service should not be denied solely because the price is not arm’s length; (4) the test must be applied at each recipient entity’s level.
B.2 – Shareholder activities, duplication, incidental benefits, on-call services	Listed five categories of non-chargeable shareholder activities. Brief guidance on duplication and incidental benefits. Limited recognition of on-call arrangements.	Distinguishes ‘shareholder activities’ from ‘stewardship activities’ (the latter can be deemed to give rise to a benefit). Confirms senior management activities are not automatically shareholder activities. Expands duplication exceptions to include regulatory requirements. Distinguishes incidental benefits from passive association. Endorses retainer-type charges for on-call services.
B.3 – Service / intangible interplay	Brief reference to bundled transactions. No guidance on when a service creates or transfers an intangible.	Recognises it can be “difficult to distinguish between the transfer of intangibles and the provision of services.” New guidance where strategic advice using proprietary know-how effectively transfers that know-how. New example where an AI-driven healthcare service results in transfers of intangibles.

Section	2022 Guidance	What the consultation proposes
C.1 – Direct-charge and indirect-charge approaches	Distinguished direct and indirect charges but limited guidance on allocation keys.	Allows multiple allocation keys per cost base if no double-counting. Requires consistent application across recipients and years. OECD invites views on further allocation key guidance.
C.2 – Transfer pricing methods for services	Brief guidance focused on cost-based methods. No services-specific guidance on CUP or profit split. Pass-through costs are mentioned only in passing.	Pricing guidance broadened beyond cost-plus: (1) Cost-based methods are not presumed. New CUP guidance (with examples showing its limits with geographic or functional differences). Profit split may suit highly integrated or unique-value services; TNMM may be unreliable if the provider holds valuable IP. (2) Pass-through costs: no mark-up for pure paying-agent functions; mark-up allowed where the provider adds value. (3) LVAS 5% mark-up not a floor for other services. (4) Stock-based compensation remains unresolved. (5) Tax authorities may forgo a mark-up analysis where the revenue at stake is too small.
D – Documentation	General documentation in Chapter V only. No services-specific guidance.	New services-specific documentation guidance: contemporaneous evidence of expected benefit, provider–recipient communications, deliverables, cost breakdowns, allocation key justifications, pass-through cost identification. Expressly not a mandatory checklist -- proportionate to materiality.
Annex I – Examples 1–21	Only a handful of abstract examples.	Twenty-one detailed, fact-specific examples covering: benefit test, shareholder activities, duplication, passive association, CUP limitations, profit split, manufacturing, service/intangible boundary, routine services, tested party selection, LVAS mark-up, pass-through costs, documentation.

Observation: Better examples and clarifications could help at the margin, but they would not eliminate the structural tension. Services are the transaction type where the gap between the authorities’ interpretation of the arm’s length principle and MNE operational reality is widest. The draft appears to acknowledge this implicitly: by expanding guidance on intangible-enabled services and the profit split method, it concedes that the traditional cost-plus paradigm cannot accommodate the full spectrum of intra-group activity. Notably, the profit split guidance focuses on functional contributions, intangible assets, and economically significant risks without, however, making an explicit reference to capital at risk. It also does not address loss-splits.

Overall, the draft modernises how intra-group services are priced and documented, but it does not revisit the conceptual framework that underlies the disputes. For instance, on recovering groupwide costs, little has changed. The benefit test remains the gatekeeper to inbound charges, with the burden of proof on the taxpayer. Paragraph 7.46 recognises that tracing services to each beneficiary should be proportionate, but only if the allocation method reflects what independent enterprises would accept. Although a welcome addition is the express reinforcement of options realistically available under Chapter I, some evidential standards remain difficult: paragraph 7.48 favours time-spent data over revenue, and paragraph 7.72 calls for contemporaneous evidence that many MNEs cannot maintain at scale. The same pattern appears elsewhere. Several examples, especially R&D services, contract manufacturing, and intangible-enabled services, depend on Chapter I concepts of risk and DEMPE that the draft does not revisit. Taxpayers will therefore need to read the new Chapter VII guidance alongside a Chapter I analysis. Overall, although the draft adds welcome structure and detail, not least through the examples, difficult underlying issues persist.

Let's talk

For a deeper discussion of how the OECD's proposed changes might affect your business, please contact:

Tax policy leadership

Will Morris, *United States*
+1 202 213 2372
william.h.morris@pwc.com

Edwin Visser, *Netherlands*
+31 0 88 7923 611
edwin.visser@pwc.com

Giorgia Maffini, *United Kingdom*
+44 7483 378124
giorgia.maffini@pwc.com

Subject matter specialist

Chloe Fox, *Ireland*
+353 87 7211 577
chloe.fox@pwc.com

Ian Dykes, *United Kingdom*
+44 7803 149718
ian.dykes@pwc.com

Sonia Watson, *United Kingdom*
+44 7841 567087
sonia.watson@pwc.com

Kristina Novak, *United States*
+1 469-878-4552
kristina.novak@pwc.com

Gilles Franssens, *Belgium*
+32 474 56 34 04
gilles.f.franssens@pwc.com

Marco Fiaccadori, *United States*
+1 202-374-4981
marco.fiaccadori@pwc.com

© 2026 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

Solicitation