Tax Alert

June 2026

OECD rewrites the rules on intra-group services

Aligning Chapter VII to Chapter I-III with several examples.

The Organisation for Economic Co-operation and Development ("OECD") released a public consultation draft suggesting revising Chapter VII of the Transfer Pricing Guidelines, covering intra-group services. This consultation is open for comments until 22 July 2026 and public consultation in November. The objective is to align Chapter VII with foundational principles in Chapters I-III applying practical examples without changing the underlying principles.

Some of the key changes and contemporary relevance for Ugandan taxpayers with intra-group services are highlighted below:

Topic	OECD Chapter VII (2022)	2026 Proposed Revisions (Public Consultation Document)	Practical Considerations for Uganda
Benefits Test	The benefit must be expected but not precisely defined.	Clarifies that the benefit needs to only be reasonably expected at inception; It also allows the use of multi-year data to assess the ongoing benefit; and it separates benefit test from arm's length charge analysis as the benefit test is a separate test from the amount that group members would be willing to pay.	Ugandan taxpayers should review how they document expected benefits. Multi-year data supporting consistent benefits will strengthen positions during audits. Additionally, taxpayers should not conflate the benefits test with the arm's length principle.

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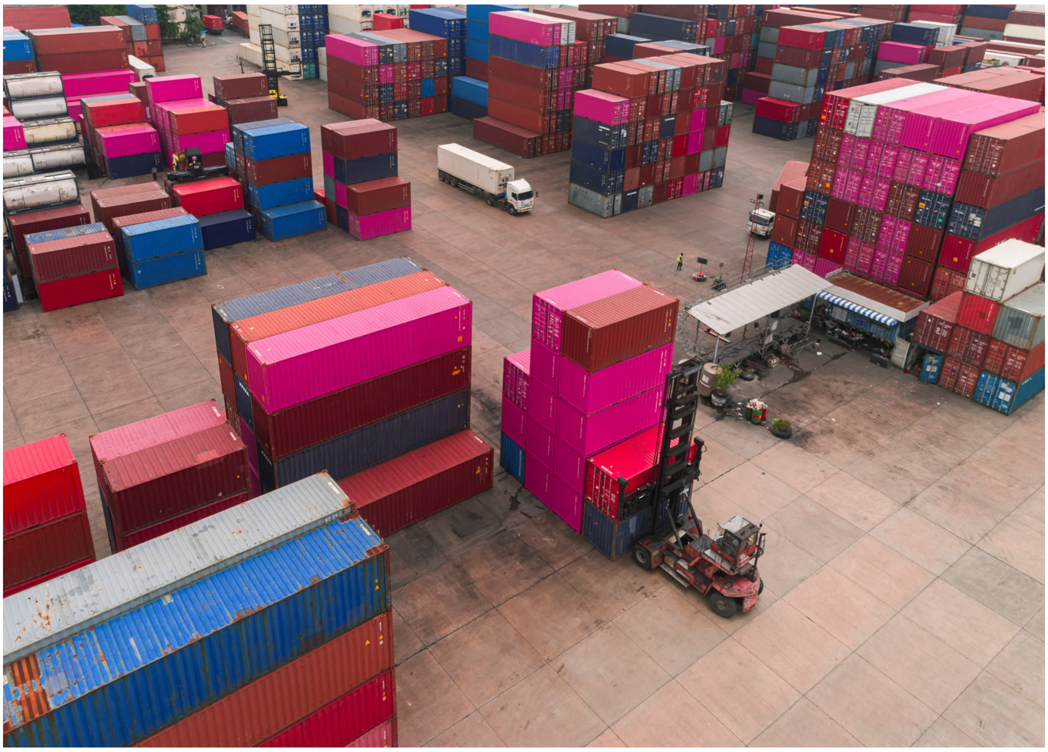
Shareholder Activities	Limited guidance: Only five non-chargeable activity categories listed.	A distinction has been made between shareholder activities (not charged) and stewardship activities (which may be charged); senior management activities clarified as not automatically shareholder activities.	Careful review is needed to separate shareholder functions from chargeable stewardship services, particularly important for regional HQ.
Duplication	Generally excluded unless justified.	Remains largely unchanged.	Evaluation of duplicity should focus on specific aspects such as the nature, goals, scope, customisation, duration of the activity and, when relevant, the reasons for apparent duplication. It may be determined that the intra-group services are different than, or additional, or complementary to, the activities performed in-house or by another party.
Service and Intangible Boundary	Brief reference to bundled transactions; limited guidance.	New detailed guidance on distinguishing services from intangible transfers; examples include proprietary know-how and AI-enabled services.	Ugandan Multinational Enterprises ("MNEs") with technology or AI-enabled services should assess if intangibles are embedded with services, which may require different transfer pricing approaches.
Method Selection and Pass-Through Costs	Primarily cost-based methods; minimal guidance on Comparable Uncontrolled Price ("CUP") or profit split; pass-through costs lightly addressed.	Expanded guidance allowing CUP, profit split for integrated or intangible-heavy services; clear pass-through cost rules (no markup is applied if purely paying an agent).	Group cost-sharing structures may consider reviewing appropriateness of method. The tax authority may challenge cost allocations and markup on pass-through costs.



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Simplified Approach for Low-Value Adding Services ("LVAS")	Elective 5% markup on pooled service costs.	The simplified approach is retained with enhanced documentation and reporting requirements.	Ugandan companies employing LVAS should ensure documentation aligns with evolving standards.
Documentation and Evidence	General guidance; no services-specific detail; contemporaneous evidence required.	New detailed guidance focusing on contemporaneous benefit-test evidence, deliverables, cost breakdowns and allocation keys; the evidence should be proportional to materiality.	Emphasized need in Uganda for stronger contemporaneous documentation to support intra-group service charges during audits. Maintain detailed records of communications, time tracking and deliverables.
Examples and Illustrations	Limited, abstract examples.	There are 21 detailed, fact-specific examples covering the benefit test, duplication, shareholder activities, method application, intangibles and documentation.	Ugandan practitioners should use these practical examples for better transfer pricing analysis for intra-group services.
Practical Tax Administration Notes	Notes are limited; cost-benefit analysis may limit audit scope.	Tax administrations are encouraged to apply risk-based thresholds; they may forego markup analyses if revenue is insignificant; it also encourages consistency and proportionality.	The URA may consider increasingly focusing their audits on material intra-group service charges by considering thresholds. MNEs should prepare for possible audit requests when the URA is assessing TP risk.
Stock-based Compensation	Not specifically addressed.	Introduces consultation on stock / share-based compensation treatment in intra-group services but largely remains unresolved.	Ugandan MNEs with equity compensation should monitor developments for potential inclusion in transfer pricing documentation.

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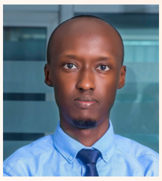

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