



Public consultation on proposed Revisions to Chapter VII of the OECD Transfer Pricing Guidelines

KPMG analysis and observations

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Executive summary

On June 1, 2026, the OECD released proposed Revisions to Chapter VII of the OECD Transfer Pricing Guidelines (the “Revisions to Chapter VII”), covering special considerations for intragroup services. The Revisions to Chapter VII are extensive but leave the conceptual framework for assessing and pricing intragroup services largely unchanged.

The Revisions to Chapter VII have five sections (summarized below) and provide 21 examples of how the guidance on intragroup services should be applied.

1. **Introduction** contextualizes Chapter VII within the broader OECD Transfer Pricing Guidelines.
2. **Accurate delineation of intragroup services** explains how the accurate delineation framework should be applied to intragroup services, with a focus on the benefits test.
3. **Determining the arm’s length charge and other conditions of intragroup services** distinguishes between situations where the direct and indirect charge approaches may be appropriate and acknowledges a role for transfer pricing methods, beyond those that are cost-based, in pricing intragroup services.
4. **Documentation** provides guidance on the type of documentation that taxpayers could prepare to support that a benefit has been provided, and examples of what tax administrations could request.
5. **Low value-adding intragroup services**, which is largely unchanged from the current Chapter.

The document is a discussion draft prepared by Working Party 6 (WP6) of the Committee of Fiscal Affairs (CFA). This means it is not yet a consensus document and implies that its final approval will be limited to the 38 members of the OECD, excluding jurisdictions such as China and India.¹

The Revisions to Chapter VII, with specific questions for stakeholders, are subject to a public consultation that closes on July 22, 2026.

Introduction

On June 1, 2026, the OECD released Proposed Revisions to Chapter VII of the OECD Transfer Pricing Guidelines (the “Revisions to Chapter VII”).

The Revisions to Chapter VII are extensive but leave the conceptual framework for assessing and pricing intragroup services largely unchanged. This is consistent with the objectives of the revisions, which are to more closely align the guidance on intragroup services with the foundational principles outlined in Chapters I, II and III of the OECD Transfer Pricing Guidelines.

The core sections of the Revisions to Chapter VII focus on accurate delineation and pricing. The guidance is broadly consistent with the current Chapter VII guidance but with an altered structure, different emphasis and some new content. There is a new section on documentation that identifies the documents that may help to support the accurate delineation and pricing of intragroup services. The section on low value-adding

¹ For a list of OECD members see <https://www.oecd.org/en/about/members-partners.html>.



services, added in 2015, is largely unchanged. The examples, included as an Appendix to Chapter VII, are new and intended to illustrate how different aspects of the guidance apply.

Accurate delineation

The Revisions to Chapter VII reemphasize that accurate delineation of intragroup transactions, including service transactions, is the first step in a transfer pricing analysis. The “benefits test” is identified as being part of the accurate delineation of the transaction.

KPMG observation

The Revisions to Chapter VII clarify that the application of the benefits test is part of the accurate delineation of the transaction and hence may be more appropriately discussed when describing the controlled transaction or as part of the functional analysis, rather than as part of the economic analysis.

The guidance also emphasizes that intragroup services should be considered within the context of other activities performed by the group, including asset ownership and assumption of economically significant risk.

Benefits test

The definition of the benefit test itself is unchanged as “considering whether an independent enterprise in comparable circumstances would have been willing to pay for the activity if performed for it by another independent enterprise or would have performed the activity in-house for itself.”

The Revisions to Chapter VII identify four factors that are relevant in determining whether the benefits test are met:

1. A benefit refers to any economic or commercial value derived from the activity performed by another member of the group for one or more associated enterprises.
2. The benefit may be obtained during or after the period in which the activity took place.
3. The benefit should be identified and reasonably expected at the time of the transaction, and it should be sufficiently direct to be comparable to that for which an independent entity in comparable circumstances would be willing to pay.
4. The benefit should be both factually possible and reasonably expected from the outset, although this does not mean that it is necessarily guaranteed when the activity is performed.

KPMG observation

The four factors identified are new and appear duplicative in places, e.g., both (3) and (4) refer to the benefit of a transaction being “reasonably expected” at the time of the transaction. This may be an area of the draft where Working Party 6 (WP6) delegates have different views.



The draft guidance goes on to suggest that where activities do not deliver benefits over multiple years, such information may be relevant in assessing whether independent parties would be willing to pay for such activities. This emphasis seems misplaced as businesses will only perform activities that they consider have the potential to deliver a benefit, even though the benefits associated with some services, such as research and development (R&D), are uncertain and may ultimately not be realized.

The guidance notes that where an entity incurs a loss, this is not a basis to conclude that it has not received an intragroup service. The guidance also notes that the benefits test applies at the level of the service recipient, rather than the service provider, and hence with respect to a given service it is possible that the test is met for one service recipient but not another potential service recipient.

Application of the benefits test

In contrast to the OECD Transfer Pricing Guidelines 2022, the Revisions to Chapter VII clarify that shareholder activities, duplicative activities, or incidental benefits are examples of situations that will not satisfy the benefits test rather than separate tests.

Shareholder activities

The Revisions to Chapter VII retain the list of examples of shareholder activities from the OECD Transfer Pricing Guidelines 2022 but seek input from stakeholders on this list including the catch-all “ancillary activities to the corporate governance of the [Multinational Enterprise (“MNE”)] as a whole”.

Duplication

The Revisions to Chapter VII restructure the guidance on duplication but retain similar illustrations to those included in the OECD Transfer Pricing Guidelines 2022.

KPMG observation

The guidance, including the examples, does not identify when an intragroup service is duplicative. In our experience, businesses do not duplicate services. It would be helpful to include examples to illustrate the situations that WP6 envisage could give rise to duplication, or otherwise to remove the discussion on duplication.

Incidental benefits

The Revisions to Chapter VII rework the guidance on incidental benefits but retain the focus on two types of benefits:

1. Where the potential benefit is indirect or remote such that an independent enterprise would not be willing to pay for it; and
2. Where the benefits are attributable solely to an entity being part of an MNE group (i.e., passive association).

The guidance discusses reorganizations as a situation that can give rise to incidental benefits and removes references to an entity’s credit rating, reflecting the addition of Chapter X of the OECD Transfer Pricing Guidelines, since the current version of Chapter VII was drafted.



Provision of services in connection with other transactions

The Revisions to Chapter VII include new guidance on when intragroup service transactions should be aggregated with or disaggregated from other transactions, such as the transfer of goods or intangibles.

Determination of arm's length charge

The section on determining the arm's length charge has been restructured into two sections covering the direct and indirect-charge approaches and the application of the transfer pricing methods.

Direct and indirect-charge approaches

The Revisions to Chapter VII continue to recognize the direct charge approach as preferable but also acknowledge that this may not be feasible in all instances, citing the example of the implementation of a groupwide IT system.

In circumstances where it is not possible to determine the benefit a given service provides directly (e.g., a centrally managed marketing campaign) or where the administrative burden of the direct charge approach would be disproportionate, the guidance recognizes that it will be necessary to apply the indirect charge approach (i.e., allocating costs based on allocation keys).

The Revisions to Chapter VII do not include guidance on the type of allocation keys that may be appropriate for different types of services, instead including a question for stakeholders about whether such guidance would be useful.

KPMG observation

In our experience, businesses select a range of allocation keys recognizing the specific nature of their facts or data available to them. This may limit the extent to which the OECD can provide guidance on the selection of allocation keys that have broad relevance and deliver appropriate outcomes across a range of businesses.

Application of the transfer pricing methods

The transfer pricing method section has been reworked, first acknowledging that the most appropriate transfer pricing method should be determined in accordance with Chapters I, II and III of the OECD Transfer Pricing Guidelines, and then discussing the application of the Comparable Uncontrolled Price (CUP) Method; cost-plus method and Transactional Net Margin Method (TNMM) with cost as the net profit indicator (NPI); and Transactional Profit Split Method (TPSM).

The identification of pass-through costs, which frequently give rise to disputes, is discussed in more detail than the existing guidance, with industry norms and practices cited as potentially indicative of how costs should be treated. The guidance includes an example of an entity incurring expense renting advertising space on behalf of a related party as the example of a cost that may be most appropriately treated as a pass-through. This is developed further in an example included in the Appendix (see below).



Stakeholders feedback is requested on how stock-based compensation (SBC) should be treated for the purposes of applying the cost-plus method and TNMM and whether additional guidance should be provided on this issue.

The Revisions to Chapter VII retain the prior discussion on “considerations on including a profit element”. This includes an implicit acknowledgement and acceptance of the United States (U.S.) Service Cost Method (SCM), which permits expenses associated with certain services to be recharged without a mark-up.

Documentation

The Revisions to Chapter VII list a range of documentation that taxpayers could provide to satisfy the benefits test or to support the pricing of intragroup services, including the selection of allocation keys.

KPMG observation

Businesses face challenges from tax administrations around the documentation for intragroup services, particularly the benefits test and selection of allocation keys for cost allocation. Where the transactions at stake are small, preparing and providing such documentation may not be cost-effective, leading to a *de facto* denial of deductions for legitimate business expenses. The section on documentation should acknowledge that requests for documentation by tax administrations should be reasonable and proportionate given the transactions at stake.

Examples

The Revisions to Chapter VII include 21 examples. These examples are summarized below. These summaries are intentionally high-level and do not replicate all the details included to support the analysis.

1. The parent of a retail group hires a cybersecurity consultant and recharges the costs to its subsidiaries. In Scenario A, services are determined to be provided and benefit test satisfied even though the subsidiaries subsequently suffer a data breach. In Scenario B, a subsidiary is determined to receive the service in the year it suffers a loss.
2. An entity in a hotel group undertakes marketing activities. In Scenario A, the services provided meet the benefits test, when expected benefits are realized. In Scenario B, the services provided meet the benefits test, even if expected benefits are not realized. In Scenario C, services are not provided to an entity whose performance improved, as the change in performance is not connected to the services.
3. A company is willing to pay for services, even if it has the internal capability to perform them itself.
4. Under a franchise agreement, the franchisor is determined not to be able to charge for its global brand management services, separate from its license of brand and related intangibles.
5. The parent of a group’s financial reporting service is a service and the benefit test is satisfied if the services enable the subsidiaries to improve their financial performance. These services are not a service if they are performed solely because of the parent’s ownership interest in its subsidiaries.



6. Activities performed by a parent as part of a potential divestiture of a subsidiary are shareholder activities and so do not satisfy the benefits test. In other circumstances, similar activities (intended to improve the performance of the subsidiaries) may satisfy the benefits test.
7. Expenses incurred by a parent in the divestiture of a subsidiary are shareholder activities and so do not satisfy the benefits test.
8. Expenses incurred by a parent in an acquisition of a target are shareholder activities and so do not satisfy the benefits test.
9. Two entities perform complementary marketing activities as part of a global marketing campaign. In Scenarios A to C, these activities satisfy the benefits test as there is no duplication of activities.
10. An entity achieves a lower supply cost because of its membership of a group. This benefit is derived from passive association and so there is no service that satisfies the benefits test.
11. A subsidiary located in a low-cost jurisdiction provides support services to its parent. The CUP method applied by the subsidiary is not reliable, as it includes comparables from high- and low-cost jurisdictions without making reliable comparability adjustments.
12. A procurement company that provides limited procurement support to its parent is not comparable to a third-party sourcing agent and so the CUP method cannot be applied reliably.
13. Two entities in a pharmaceutical group collaborate to develop a portfolio of new drugs. Company A remunerates Company B with an annual fee to cover its operational costs and a benchmarkable mark-up and contingent payments tied to Company B's performance. This pricing methodology can be supported through the application of the TPSM.
14. In the consumer electronics industry, routine manufacturing services are appropriately priced using the cost-plus method or the TNMM based on comparable manufacturers.
15. In Scenario A, contract R&D services in the pharmaceutical industry are appropriately priced based on the cost-plus method or TNMM using a cost-based profit level indicator. In Scenario B, two entities in a pharmaceutical group collaborate on R&D, both making unique and valuable contributions and performing operations that are highly integrated. Hence, the TPSM may be the most appropriate method.
16. In the healthcare sector, an entity develops and continues to enhance a machine learning model to deliver personalized treatment plans. The contributions of this entity are unique and valuable and hence it is unlikely to be possible to identify comparables to apply the cost-plus or TNMM with the entity as the tested party.
17. A company uses a supply management platform developed by another entity without making a unique and valuable contribution to its development. The TPSM may not be the most appropriate method, and a one-sided method with the user of the platform as the tested party may be more appropriate.
18. The parent of a group in the construction industry has developed valuable intellectual property ("IP") to support the completion of large construction projects. It would not be appropriate to apply the TNMM using the parent as the tested party.
19. The 5% low-value adding services safe harbor mark-up is not relevant for the pricing of other services and is not a floor for the pricing of such services.



20. The costs incurred by an entity for advertising services from an independent advertising agency and advertising placement are arm's length and should be passed through to a related entity with no mark-up.
21. In Scenario A, a sample of IT tickets are used to document that IT support services have been provided. In Scenario B, additional information is required to determine whether these services are duplicative of those provided by a third party.

KPMG observation

These examples are intended to provide greater clarity and certainty around issues that currently give rise to disputes between taxpayers and tax administrations, or between tax administrations.

Businesses should review the examples that are relevant to their industries or facts and consider providing comments on issues that they disagree with.

Next steps

The public consultation of the Revisions to Chapter VII closes on July 22, 2026, so stakeholders first step should be considering whether they want to submit comments, either individually or as part of a trade association. We would also be interested in hearing any feedback you have. A public consultation is being scheduled for November 2026, with the current expectation that the Revisions to Chapter VII will be finalized at some time in 2027.

The public consultation is a good opportunity for businesses to highlight the challenges they face around the transfer pricing of intragroup services, for example, by providing examples that could be included in the Appendix to Chapter VII.



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