22/07/2026

Organisation for Economic Cooperation and Development
Committee on Fiscal Affairs
Working Party No. 6

Dear members of the Working Party no 6,

With respect to the review of Chapter VII of the OECD Transfer Pricing Guidelines (Intra-Group Services), we appreciate the opportunity to provide feedback. Intra-group services are among the most frequently undertaking transactions within multinational enterprise groups and may represent a significant portion of their intercompany operations. It is therefore essential to develop guidance that is objective, precise, and operational for both taxpayers and tax administrations.

In this regard, our comments are divided into two parts. First, we respectfully present general observations on specific sections of the proposed Chapter VII. Subsequently, we directly address the questions raised in the public consultation.

Preliminary analytical stage: Explaining the economic reasons underlying intra-group service transactions

The current OECD Transfer Pricing Guidelines, in Chapter VII, identify the accurate delineation of the controlled transaction as the starting point for assessing whether intra-group services satisfy the arm's length principle. They also recognize the fundamental role of the functional analysis in identifying the economically relevant characteristics of such transactions. This is an essential element of the analysis, as it allows the transaction to be properly characterized before assessing whether the conditions agreed between the associated enterprises are consistent with the arm's length principle.

From our perspective, however, the analytical framework could be strengthened by incorporating, prior to the accurate delineation of the transaction, a preliminary analytical stage aimed at explaining the economic reasons that gave rise to the transaction itself. In other words, before determining how an intra-group service transaction should be delineated, it would be useful to identify the business need that motivated the transaction and to explain why that need was satisfied through an arrangement with an associated enterprise.

In our view, this analysis serves a different purpose from the accurate delineation of the transaction. Whereas the latter seeks to identify the economically relevant characteristics of the transaction as actually undertaken, the proposed preliminary stage would explain the commercial and operational circumstances that made the transaction necessary. These exercises are complementary, but they address different questions: the first explains why the transaction exists, while the second determines how it should be characterized for transfer pricing purposes.

In practice, the receipt of intra-group services is generally driven by circumstances that can be readily identified within the taxpayer's value chain. Limitations in internal infrastructure, lack of specialized personnel, economies of scale, access to specific expertise, centralization of particular functions, temporary capacity constraints, or extraordinary business circumstances are among the factors that may explain why an entity chooses to obtain a service from another member of the multinational group instead of performing the activity internally or engaging an independent service provider.

For this reason, we believe that these circumstances should be explicitly identified at the outset of the analysis, as they provide the necessary context to understand how the taxpayer's functional profile—considering the functions performed, assets employed and risks assumed—generates a specific business need that ultimately gives rise to the intra-group service transaction. Establishing this context at the beginning of the analysis provides a clearer analytical sequence upon which the subsequent accurate delineation of the transaction, the application of the benefit test, and ultimately the assessment of compliance with the arm's length principle can be developed.

Furthermore, explicitly recognizing this preliminary analytical stage would strengthen the application of several concepts already contained in Chapter VII. Identifying the economic need underlying the transaction provides a more robust framework for understanding why an independent enterprise would have been willing to acquire an equivalent service, facilitates the application of the benefit test, assists in distinguishing duplicative services from genuine business requirements, and provides additional context for evaluating the realistically available options of the recipient. Consequently, making this analytical step explicit could contribute to reducing interpretative disputes without modifying the substantive principles currently reflected in the Guidelines.

We do not consider that this proposal would alter the conceptual framework of Chapter VII. On the contrary, the economic rationale underlying an intra-group service transaction is often already implicit in any well-developed functional analysis. Our suggestion is simply to recognize this reasoning explicitly as a preliminary analytical stage, given its usefulness in providing the necessary context for the remainder of the analysis envisaged in Chapter VII. For ease of reference, this preliminary stage could be viewed as a "**Step 0**", whose sole purpose would be to explain the business rationale that precedes every intra-group service transaction.

Accurate delineation of the transaction: How was the business decision reached?

Once the business need giving rise to the transaction has been identified, the next analytical step should consist of understanding how that need was ultimately satisfied. In our view, this naturally leads to the accurate delineation of the transaction.

Rather than beginning exclusively with the identification of the contractual characteristics of the service, the analysis should first seek to reconstruct the commercial decision-making process that culminated in the transaction. In other words, once the taxpayer has identified a specific business need arising from its functional profile and value chain, the immediate question becomes how that need was addressed.

In practice, the taxpayer will generally have several alternatives available. It may decide to perform the activity internally, engage an independent service provider, centralize the function within the multinational group, or receive the service from another associated enterprise. As would occur between independent parties, each alternative entails different costs, expected benefits, implementation constraints and opportunity costs.

Accordingly, before characterizing the controlled transaction, the analysis should identify the objectives pursued by the recipient, the alternatives realistically available, and the reasons why the selected arrangement represented the most reasonable commercial response under the circumstances.

Only after this decision-making process has been understood should the analysis proceed to examine the contractual terms of the transaction. At that stage, *it becomes possible to evaluate with greater precision the rights and obligations assumed by each party, the way those obligations are expected to be discharged, and whether each participant possesses the practical capacity to perform the functions it has contractually undertaken*.

From our perspective, this approach does not replace the accurate delineation required by Chapter VII. Rather, it strengthens it by reconstructing the commercial dynamics that preceded the transaction, thereby allowing the contractual arrangements to be interpreted within their proper economic context instead of being analysed in isolation.

QCG Transfer Pricing

The construction of the benefit test

The proposed revisions to Chapter VII appropriately place greater emphasis on the benefit test as a means of demonstrating that an intra-group service has in fact been rendered and that it provides, or can reasonably be expected to provide, with, an economic benefit to the recipient. We fully support this objective.

Nevertheless, from our perspective, the proposed guidance remains relatively open as to how the benefit test should be constructed in practice. While this flexibility is understandable given the diversity of intra-group services, it may also give rise to inconsistent interpretations by taxpayers and tax administrations regarding the nature and extent of the evidence required to substantiate the receipt of a service.

In our view, rather than prescribing additional documentary requirements, the Guidelines could benefit from establishing a *minimum analytical framework* for constructing the benefit test. Such a framework would not standardize the evidence itself, but rather the analytical process through which the existence of the service is assessed.

Specifically, we believe that the benefit test should, at a minimum, address three fundamental questions:

- **Why?** What business needs give rise to the service, and what economic benefit was reasonably expected by the recipient?
- **Who?** Which entity performed the service, who received the benefit, and what personnel or resources were employed in providing the service?
- **How?** How was the service performed?

The answer to the third question should naturally encompass the circumstances of **time, manner and place** under which the service was performed. Once these elements have been established, the documentary evidence supporting the transaction should follow as a natural consequence of the analysis. In other words, the documentation should not constitute the starting point of the benefit test but rather the documentary trail resulting from a logical reconstruction of how the service was rendered.

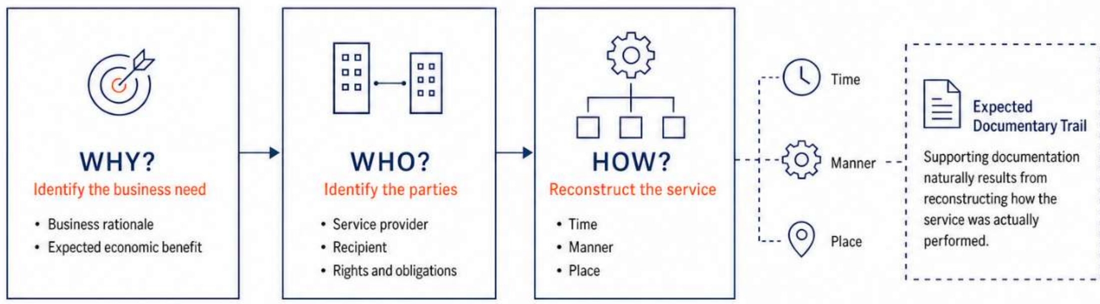

Figure 1. Illustrative analytical framework for performing the benefit test.

Accordingly, the documentary support would be expected to demonstrate that the service was effectively performed under the described circumstances and would ordinarily consist of the evidence that naturally accompanies the performance of the relevant activities. The nature of such evidence will necessarily depend upon the characteristics of each service and should therefore not be limited to predetermined categories of documents.

In our opinion, this approach would provide taxpayers and tax administrations with a common analytical structure while preserving the flexibility required to accommodate the wide variety of intra-group services encountered in practice. More importantly, it would promote a more consistent application of the benefit test by focusing the analysis on the underlying economic reality of the service rather than on the mere existence of documentary support.

For these reasons, *we respectfully suggest that Chapter VII consider incorporating a minimum analytical framework of this nature as guidance for constructing the benefit test.* We believe that doing so would enhance legal certainty and reduce interpretative disputes without modifying the substantive principles currently reflected in the Guidelines

Having clarified the foregoing points and awaiting your consideration, we proceed to address the direct questions emphasized in the inquiry:

Questions to public commentators

Commentators’ views are invited on:

1. The understanding and practical application of existing guidance in paragraph 7.10 of the OECD 2022 Transfer Pricing Guidelines.

In our experience, paragraph 7.10 has generally operated satisfactorily because it illustrates the underlying principle contained in paragraph 7.9 rather than establishing an exhaustive list of shareholder activities. The examples should therefore be understood as applications of the general definition, not as an exclusive catalogue.

The decisive criterion is not the label attached to a particular activity, but the capacity in which the parent company performs it. The same type of activity may constitute either a shareholder activity or an intra-group service depending on whether it is undertaken exclusively in the parent's capacity as shareholder or as a service provider to other group members.

Paragraph 7.10 reflects activities that are typically performed by the parent solely because of its ownership interest in the group. These generally include:

- costs relating to the legal structure of the parent company;
- costs relating to the financial management of the parent, including raising funds for the group as a whole;
- parent-level compliance obligations, including tax compliance; and
- ancillary activities directly supporting those shareholder functions.

These activities should not be regarded as intra-group services because they do not provide specific economic or commercial benefit to subsidiaries. Rather, they belong to the parent company's own economic sphere as investor and do not form part of the operating value chain of recipient entities.

Where an activity is undertaken to establish, preserve, protect or administer the parent's ownership interest, rather than to support the business operations of subsidiaries, it would generally not satisfy the benefit test described in paragraphs 7.6 et seq. of the OECD Transfer Pricing Guidelines. Under comparable circumstances, an independent enterprise would neither be willing to pay for such activity nor perform it on behalf of another enterprise. Accordingly, such costs should remain with the parent company and should not be charged to subsidiaries as intra-group services

2. Whether, based on practical experience, there are other activities that would commonly meet the definition in paragraph 7.9 of the OECD Transfer Pricing Guidelines (2022) that are not expressly reflected in paragraph 7.10.

Paragraph 7.10 provides illustrative examples but should not be interpreted as exhaustive. The operative principle is contained in paragraph 7.9. Therefore, additional activities may qualify as shareholder activities where they meet the definitional criteria.

Based on practical experience, activities relating to the parent company's own corporate governance and passive investment oversight may fall within paragraph 7.9 when performed exclusively in its unique capacity as shareholder. These may include:

- Directors' fees and expenses relating to governance of the parent entity;
- Costs of board and committee functions (audit, risk, nomination) insofar as they pertain to governance of the parent itself;
- Shareholder-level strategic evaluations undertaken to assess, preserve, or dispose of investments;
- Monitoring of investment risk and value at an aggregated level;
- Impairment testing or valuation analyses performed for shareholder purposes;
- Decisions regarding acquisition, retention, or disposal of participations;
- Oversight of shareholder rights.

These activities form part of the parent company's primary functions in its character as shareholder. They are inherent to the ownership, protection, measurement, and potential disposition of its participation. They do not constitute executive management of subsidiaries and do not substitute functions that subsidiaries would otherwise perform. In this context, it is important to distinguish between:

- Activities performed in the parent's capacity as shareholder (forming part of its own economic sphere and not entering the subsidiaries' operating value chain); and
- Activities performed as a service provider that directly influence or determine the operational conduct of a subsidiary's business.

Only the former fall within paragraph 7.9.

3. The activities that, based on your experience, could be captured by item (e) which refers to "ancillary activities to the corporate governance of the MNE as a whole".

In our view, item (e) should be interpreted narrowly and systematically. "Ancillary activities" do not constitute a standalone category of services. Rather, they are accessory or subordinate activities directly connected to primary shareholder activities.

Accordingly, for an activity to qualify as ancillary within the meaning of paragraph 7.10(e): There must first be an underlying shareholder activity within the scope of paragraph 7.9:

-The ancillary activity must merely support or facilitate the execution of that primary shareholder function;
-The ancillary activity must not provide a specific economic or commercial benefit to subsidiaries;
-The character of the ancillary activity must follow the character of the underlying shareholder activity.

Thus, ancillary activities represent accessory costs of shareholder functions and should be borne by the parent company. They should not be allocated to subsidiaries merely because they involve coordination, data compilation, or administrative processes.

Examples may include, where strictly limited to supporting shareholder functions:

a) Legal structure and corporate governance of the parent

Administrative preparation of parent board meetings;
Compilation of information for board materials limited to shareholder oversight;
Corporate secretarial services relating to parent-level resolutions;
Maintenance of parent board records;
Translation or formalisation of shareholder resolutions;
Compliance with independence or eligibility rules applicable to parent directors.

b) Parent-level financial management and fundraising
Collection of subsidiary financial data for inclusion in parent prospectuses;
Administrative coordination with underwriters;
Preparation of data rooms for shareholder-level capital market transactions;
Documentary support for bond or equity issuances;
Consolidation of projections for disclosure purposes;
Administrative monitoring of covenants where performed to protect the parent's investment.

c) Reporting and consolidated oversight
Preparation of reports for the parent's shareholders or capital markets;
Archiving of consolidated corporate documentation;
Preparation of dashboards or consolidated reports for shareholder review;
Data uploads and reconciliations for consolidation purposes;
Updating investment databases;
Logistical coordination of parent-level review meetings.

It is essential, however, to ensure that such activities do not cross the line into operational management, treasury services, or strategic direction of subsidiaries. Where an activity substitutes a function that the subsidiary would otherwise perform, modifies the conduct of its business, or generates a specific economic or commercial benefit, it should not be characterised as ancillary shareholder activity. Finally, the delineation of transactions must ensure consistency between form and substance. Costs that, in substance, relate to shareholder functions should not be recharacterised as intra-group services through contractual designation or allocation mechanisms.

Questions to public commentators

Paragraph 7.59 of the OECD 2022 Transfer Pricing Guidelines provides examples of allocation keys in the context of low value-adding services:

7.59. By way of examples, the allocation key for services related to people might employ each company's share of total group headcount, IT services might employ the share of total users, fleet management services might employ the share of total vehicles, accounting support services might employ the share of total relevant transactions or the share of total assets. In many cases, the share of total turnover may be a relevant key.
Comments are invited on:

1. Would it be useful to provide further guidance on the application of allocation keys for certain intra-group services?

Yes**.** In our view, the purpose of an allocation key is not merely to distribute costs, but to approximate the recipient's expected consumption of the relevant service. Accordingly, allocation keys should not be selected because they describe the organisational structure of the service provider, but because they reasonably reflect the economic drivers of the recipients' expected consumption of the service.

The principal practical difficulty therefore lies not in selecting an allocation key itself, but in determining the level at which that allocation key should be selected. Paragraph 7.59 provides useful illustrations by associating allocation keys with broad organisational functions, such as headcount for human resources services or users for information technology services. While these examples are helpful, they may inadvertently suggest that a single allocation key is appropriate for an entire organisational function.

In practice, however, organisational functions frequently comprise multiple distinct services, each exhibiting different patterns of expected benefit and resource consumption. Consequently, the most reliable allocation key cannot generally be determined solely by reference to the department or function providing the service.

For example, within a Human Resources function, payroll administration, recruitment, executive compensation, expatriate administration, labour dispute management and employee training represent different services that may justify different allocation keys despite belonging to the same organisational function.

Accordingly, additional guidance could clarify that the selection of allocation keys should primarily depend on the characteristics of the service performed and on the economic drivers that best explain its expected consumption by each recipient. Such clarification would improve consistency while preserving the flexibility necessary to accommodate different business models.

Regardless of the allocation methodology adopted, the resulting charge should also remain economically rational from the perspective of the recipient. An independent enterprise would generally not agree to bear costs exceeding those that it would reasonably incur by performing the activity internally or by acquiring the same service from an independent provider under comparable circumstances.

In summary, allocation methodologies should seek to allocate costs by reference to the economic drivers of expected service consumption, thereby approximating the allocation that independent enterprises would reasonably have agreed under comparable circumstances. This approach reduces the risk of transferring inefficiencies or unrelated costs to recipient entities and is more consistent with the benefit test described in Chapter VII.

2. What are the allocation keys appropriately applied in practice to specific intra-group services?

There is no universally appropriate allocation key for any organisational function. The appropriate allocation key depends on the specific service performed and should reasonably reflect the recipient's expected consumption of that service.

The following examples are intended solely for illustrative purposes and remain subject to the facts and circumstances of each case.

Human Resources

Service	Possible allocation keys
Payroll administration	Headcount
Benefits administration	Headcount or employees enrolled
Recruitment	Number of recruitment processes, positions filled or recruitment expenditure
Employee training	Number of participants, training hours or course enrolments
Expatriate administration	Number of expatriates or complexity of assignments
Executive compensation administration	Number of executives covered or actual administration time
Labour dispute management	Number of disputes handled, hours devoted or matter-specific costs

Information Technology

Service	Possible allocation keys
User support	Active users, licences or support tickets
Software licensing	Number of licences or active users
Cloud infrastructure	Storage utilised, computing capacity or processing time
ERP platforms	Transaction volumes, active users or modules implemented
Cybersecurity	Users, devices, network endpoints, risk exposure or an appropriate weighted combination of these factors

Accounting and Financial Support

Service	Possible allocation keys
Accounts payable and receivable	Number of invoices or payment transactions
General accounting	Transaction volume, reporting complexity or number of legal entities
Treasury support	Financing volumes, cash balances, debt balances or bank accounts
Credit control	Customer accounts, receivable balances or collection activities

Legal Services

Service	Possible allocation keys
Matter-specific legal advice	Direct charging based on time spent or actual costs
General legal support	Hours devoted, contracts reviewed, legal matters handled or litigation exposure

Tax Services

Service	Possible allocation keys
Local tax compliance	Direct charging by entity
Shared tax compliance platforms	Number of tax returns, jurisdictions or legal entities
Indirect tax support	Number or value of taxable transactions
Tax advisory projects	Direct charging or actual time devoted

In certain circumstances, no single allocation key adequately reflects the expected consumption of a service. In such cases, a weighted combination of allocation keys may provide a more reliable approximation of an arm's length outcome, provided that the methodology is reasonable, consistently applied and appropriately documented.

Questions for commentators

Commentators are invited to provide their views on the relevant considerations regarding the treatment of stock or share-based compensations in the context of intra-group services. Specifically, we seek commentators' views on:

1. Do you encounter challenges associated with the appropriate treatment of stock or share based compensation in relation to intra-group services? If so, please describe these challenges and whether they include timing, accounting treatment and valuation of stock or share based compensation?

Yes. In our view, before considering questions of valuation, timing or accounting treatment, it is first necessary to determine whether stock or share-based compensation economically relates to the intra-group service provided to the recipient.

Where stock or share-based compensation does not remunerate functions performed for the benefit of the recipient entity, but instead rewards participation in the ownership, governance or long-term value creation of the group, it should generally not form part of the cost base of the intra-group service. In such circumstances, the subsequent discussion regarding valuation, timing or accounting treatment becomes unnecessary because the compensation lacks a sufficient economic nexus with the controlled transaction.

Only where that economic nexus has been established do questions concerning valuation, timing and accounting treatment become relevant for transfer pricing purposes.
From a valuation perspective, stock or share-based compensation involves inherent uncertainty arising from vesting conditions, market volatility, transfer restrictions and potential forfeiture. These factors may complicate the determination of the economically attributable cost of the service and, consequently, the arm's length charge.

Timing also presents practical challenges. Under many accounting frameworks, the expense is recognised over the vesting period, whereas the corresponding services may generate benefits over a different period. This may create uncertainty regarding the appropriate timing for including such costs within the cost base of intra-group services, particularly under cost-based transfer pricing methods.

Accounting treatment may further differ across jurisdictions. For example, under Mexican Financial Reporting Standard NIF D-8, equity-settled awards are generally measured at grant-date fair value and recognized over the vesting period. However, accounting recognition should not, by itself, determine the transfer pricing treatment, since the arm's length principle requires an independent assessment of whether the compensation economically relates to the controlled transaction.

Accordingly, the interaction between accounting standards, domestic tax rules and transfer pricing principles often requires a case-by-case assessment to ensure that only economically relevant costs are included in the cost base of intra-group services.

2. How do you address stock-based compensation as part of your transfer pricing analysis?

Our transfer pricing analysis begins by determining whether stock or share-based compensation economically remunerates the intra-group service for which a charge is proposed. Stock-based compensation should not be presumed to constitute an allocable service cost solely because it is recognised as an accounting expense.

The first analytical step is therefore to establish whether compensation relates to functions performed for the benefit of the recipient entity and whether it satisfies the benefit test. Where that connection does not exist, the compensation should generally remain outside the cost base of the intra-group service. Only after this threshold question has been addressed do issues relating to valuation, accounting recognition and timing become relevant.

Where stock-based compensation is economically connected with the controlled transaction, the next question is whether it should appropriately form part of the cost base under the applicable transfer pricing method, particularly in cost-based arrangements. This requires distinguishing accounting recognition from the economic allocation of costs, since financial reporting standards do not necessarily reflect the economic substance of the controlled transaction.

Valuation may present additional complexity. Where listed shares are involved, observable market prices may provide an objective reference. However, where the underlying shares are not actively traded, fair value may need to be determined using generally accepted financial valuation techniques. Depending on the facts and circumstances, this may involve consideration of factors such as limited marketability or transfer restrictions.

Comparability also requires careful consideration. Independent enterprises may include or exclude stock-based compensation differently for financial reporting or performance measurement purposes. Consequently, inconsistent treatment between the tested party and the comparable companies may reduce the reliability of the transfer pricing analysis unless appropriate comparability adjustments are considered.
Overall, the analysis should focus on ensuring that stock-based compensation is included only where it represents an economically relevant component of the controlled transaction and where its treatment remains consistent with the arm's length principle.

3. Do you think additional guidance in relation to stock or share-based compensation would be beneficial for intra-group services?

Yes. Additional OECD guidance would enhance certainty and consistency in the treatment of stock or share-based compensation within intra-group service arrangements.
In our view, the most important clarification is not how such compensation should be valued, but under what circumstances it should be regarded as part of the cost base of an intra-group service.

Accordingly, additional guidance could usefully clarify:

- the circumstances in which stock or share-based compensation forms part of the economic cost of an intra-group service;
- the interaction between the benefit test and the inclusion of stock-based compensation within the service cost base;
- the relationship between accounting recognition and transfer pricing analysis;
- the treatment of valuation issues where no active market exists for the underlying shares; and
- the extent to which comparability adjustments may be appropriate where comparable companies adopt different accounting or remuneration practices.

Where valuation is required, OECD guidance need not prescribe specific financial valuation models. Rather, it could establish general transfer pricing principles governing the interaction between valuation methodologies, accounting standards and the arm's length principle, while allowing flexibility for different factual circumstances. Such guidance would reduce uncertainty, improve consistency across jurisdictions and decrease the likelihood of double taxation arising from divergent interpretations of economically similar transactions.

We once again appreciate the opportunity to participate in this public consultation and commend the OECD for its continued efforts to improve the Transfer Pricing Guidelines through an open and inclusive consultation process.

As a final observation, we respectfully suggest that the OECD consider establishing a ***permanent technical consultation forum*** *through which taxpayers, tax administrations, academics and transfer pricing practitioners could engage in an ongoing dialogue regarding the practical interpretation and application of the OECD Transfer Pricing Guidelines.*

Such a forum would not be intended to issue binding interpretations or replace domestic dispute resolution mechanisms. Rather, it could provide a structured environment for discussing practical implementation issues, emerging business models and areas where divergent interpretations frequently arise, using anonymised fact patterns where appropriate.

Over time, the insights generated through these discussions could assist the OECD in identifying areas requiring further clarification, promote greater consistency in the application of the arm's length principle across jurisdictions, and ultimately contribute to reducing disputes, double taxation and uncertainty for both taxpayers and tax administrations.

We appreciate the opportunity to contribute to this consultation and remain available to participate in any future discussions that may assist the OECD in the continued development of the Transfer Pricing Guidelines.

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