Task 1: Introduction

Here is the background information on your task

An optimised tax strategy can improve profitability at all levels. But it has to be aligned with the specifics of someone's business and the way changing technology is impacting performance, financing flows and management. We help clients set up efficient and practical structures, predict the tax effects of different business models, and avoid tax risks – with recommendations in line with the applicable national and international tax regulations and developments at the supranational and local level.

Initially, we would like to emphasise that our Job Simulation is based on projects one could typically experience during the first months or years with us. It is neither expected nor necessary to be able to perform such tasks without any guidance and support to start working with us.

So level up with us, and use this chance to deep dive into our business and discover a career in tax.

Here is your task

But before your start, we would love to hear from you. Fill out a little text field below and set the mood to start your experience in Corporate Tax.

No resources are needed for the completion of this task as it's a self-reflection!

Tell us, what do you hope to learn during this experience with us?

During this experience, I hope to gain a deeper understanding of how tax strategy can drive business profitability by learning how to align tax structures with various business models, financing flows, and management practices. I am particularly interested in building skills in analyzing the tax impacts of different business decisions, understanding regulatory compliance on both local and international levels, and learning how to mitigate tax risks effectively. Additionally, I aim to gain insight into how changing technology impacts tax practices, enabling me to offer optimized solutions in a constantly evolving landscape.

This opportunity would also allow me to improve my analytical and problem-solving skills in real-world scenarios, enhancing my confidence in applying tax principles in a practical, client-focused way.

Task 2: Tax Provision Calculation

Here is the background information on your task

Corporate Tax at PwC is about much more than just numbers. We cover all aspects of corporate tax strategy and execution including tax advice, tax risk, mergers & acquisitions, international compliance, digital processes, intellectual property, EU and OECD legislation, as well as tax advice for financial services. It's about working together, as a team and with our clients, and continually building trust.

I’m Dominik, your team manager. I’m happy to help if you have any questions. Let’s get started.

The workshop takes us into the future, beginning with a client request in January 2022. Why? So you gain experience in current tax matters. As you know, tax regulations and laws are constantly changing.

Our workshop 2021 focuses on the FlyByU Group, a multinational group conducting business in the online retail sector with a focus on Europe and the US. The group specialises in same-day delivery of their products with drones. FlyByU developed a unique software to operate their fleet of drones. During the last years, the group has grown substantially through various acquisitions in multiple European countries. FlyByU Group is looking to further expand. The group's ultimate holding company FlyByU Holding AG is listed on the SIX Swiss Stock Exchange. The group generated a total revenue of about CHF 1 billion in 2021. FlyByU reached out to our team in January 2022 to ask for support with various tax topics.

Step 1

FlyByU Group requires support in connection with the tax position of FlyByU AG, a Swiss-based operating company of FlyByU Group. The financial year ("FY") 2021 ended on 31 December 2021 and the client is working on the closing of its books.

The head of controlling is asking for a detailed breakdown of the statutory income and capital tax rates as well as the effective income tax rate (ETR) that apply for the financial year 2021 of FlyByU AG.

Research the applicable tax rates and then put your findings as a comprehensive overview in an Excel file. You need these in order to prepare a tax provision calculation in the next step.

FlyByU AG has its statutory seat in the city of Zurich.

As a first step, you need to find the six tax rates/multipliers (please refer to the document Six Tax Rates in the resource section for further details). Based on the different statutory tax rates and the applicable multipliers you can determine the statutory income tax rate and the statutory capital tax rate. Finally, based on the above, you can calculate the effective tax rate for income tax purposes. For capital tax purposes the total statutory tax rate is sufficient for the moment.

But you're not alone in doing this – Dominik has your back. Find some hints in the resources section below.

Step 2

Now Dominik tells you that Mrs. Wasp, CFO of FlyByU AG, has sent an email asking for support with the calculation of the required tax provision as of 31 December 2021. Mrs. Wasp provides you with the trial balance as well as additional input which you'll find in the resource section below.

Having just received the 2021 trial balance, you are now ready to draft the tax provision calculation. Your client is asking for a comprehensive overview. Dominik has a template of a tax movement schedule to help you with this.

Make a calculation overview file with the following:

- Results from step 1
- Determination of the taxable profit and the income tax for FY 2021
- Determination of the taxable capital and the capital tax for FY 2021
- A tax movement schedule

Step 3

Heads up! This email just came in from Dominik. Please reply by using a Word document.

Tax Provision Calculation

Dominik Bischof
To You

Reply | Reply All | Forward | ...

Hi there,

Thanks for handing in the tax provision calculation.

I just received another email from Mrs. Wasp. She says that FlyByU AG built a provision in the amount of 1/3 of the fair market value of its inventory in FY 2021. The fair market value of the inventory amounts to CHF 54m and, therefore, the tax provision on the inventory is CHF 18m (cf. trial balance). She would like to understand the deferred tax implications.

I need you to calculate the deferred tax expense to be booked in connection with the provision on the inventory. Just send me the calculation via email and I will share it with the client.

Thanks and talk to you later,
Dominik

P.S. To get you started, consider these hints:

- Deferred tax consequences can - among others – arise due to a difference between the valuation of assets for tax purposes (equals in Switzerland in principle the value as per the statutory accounts) and the fair market value of the respective assets. Upon realisation of such differences, income tax consequences would be triggered, which are anticipated e.g. in the consolidated financial statements based on IFRS or US GAAP, by means of accounting for a deferred tax liability. For Swiss statutory accounting purposes deferred taxes are not relevant.
- It can be assumed that the effective tax rate of the group equals the effective tax rate of FlyByU AG as determined in Step 1.

This experience is self-paced. However, Dominik is meeting the client in 1.5 hours. It would be great if you could provide him with your input and the calculation by then. The deliverables Dominik needs from you are:

1. An Excel file/sheet (or similar) with the applicable tax rates
2. The completed template containing your tax provision calculation
3. A draft email, which Dominik can use to answer the question from the client on deferred tax implications (for this case study in a Word or similar document)

Task 3: Acquisition of Swiss Target

Here is the background information on your task

You've been working for PwC for a while now. How is it going? Ready for your next challenge?

Mr. Seagull, a Swiss citizen domiciled in Zurich, contacts you via email regarding a personal business interest. Mr. Seagull owns 100% of the shares of the Swiss-based QuickShip AG. He wants to sell all his shares to FlyByU Holding AG and requests our support regarding the envisaged transaction.

Mr. Seagull intends to sell his shares in QuickShip AG to FlyByU Holding AG against a loan receivable in the amount of the purchase price of CHF 10m.

Step 1

You and Dominik need first to get your heads around this request. Dominik wrote down the following questions to get started. Find out why this could potentially trigger adverse Swiss tax consequences according to Swiss tax law.

Answer these questions in the text input below and do your calculations based on the provided balance sheet to submit in the next page. Dominik will catch up with you soon.

- Which tax issue could arise if Mr. Seagull sells his shares to a corporation?
- Which two tax principles collide in this situation, and how does the Swiss tax law deal with this?
- What's the personal tax risk for Mr. Seagull based on the balance sheet of QuickShip AG? You may assume a marginal income tax rate of 25% for Mr. Seagull.
- Does it matter whether Mr. Seagull simply sells his shares or simultaneously grants FlyByU Holding AG a loan in the amount of the sale price?

This task is self-paced. However, Dominik would appreciate your input soon since Mr. Seagull is getting impatient. Try to prepare the answers within the next 1.5 hours. By the end of the whole task, Dominik will need the following:

- Answer to Dominiks' and Markus' questions (for this case study in the text input below)
- An Excel file/sheet (or similar) with your tax risk calculation (to be submitted in the next page)
- A draft email, which Dominik can use to answer Mr. Seagull (for this case study in the text input following the Excel sheet submission page)

Step 2

In the meantime, your Corporate Tax partner Markus had even more questions, he wants you to tackle.

Answer the additional questions directly in the text input below so Markus and Dominik have the big picture ready:

- Which conditions of the relevant legal tax law should Mr. Seagull keep eye on when selling his shares?
- Which conditions of the relevant legal tax law are out of his hands, and which precautionary safeguards should he, therefore, insist on in the share purchase agreements?

If you don't know which legal provisions you should look at, ask Dominik for a hint. See the resource section to see what he already texted you.

Step 3

Hi there, this is Mr. Seagull speaking.

Sorry, but I'm getting slightly impatient by now. Why does it take so long? This is an amazing opportunity! Will you or will you not help me with my plan to sell my shares to FlyByU Holding AG, which is a part of your client FlyByU Group?

This could be the coup of the year for both your firm and for me. I need to know soon, please write me back. I'll be in a meeting later."

Answer his questions with an email to Mr. Seagull (in the text input below) :

- What problem arises for you and PwC if you tell Mr. Seagull that you agree to help him with his undertaking?
- What should you do in this situation?

Task 4: Swiss Reorganisation

Here is the background information on your task

With the support of another tax advisor, Mr. Seagull was able to sell his shares in QuickShip AG to FlyByU Holding AG. An indemnity clause was included in the Share Purchase Agreement (SPA) according to which FlyByU Holding AG must indemnify Mr. Seagull in case an indirect partial liquidation is triggered.

FlyByU Group owns various intellectual property (IP) rights, which are being held by the Swiss FlyByU IP AG, based in Zurich, including:

- The FlyByU group brand
- IP of ApiFly Software used to operate their fleet of drones (patented in the UK).

The newly acquired QuickShip AG holds IP rights as well and is now a sister company of FlyByU IP AG. Both are direct subsidiaries of FlyByU Holding AG. QuickShip AG has tax loss carryforwards.

Ms. Bumblebee, CEO of the FlyByU Holding AG, reaches out to PwC. She is happy with the acquisition of QuickShip AG and is currently looking into options to streamline the group structure within Switzerland as multiple Swiss entities own and manage IP.

Step 1

Ms. Bumblebee approached Dominik with some questions, please find her email below.

Please answer these questions for Dominik to help him reply. Use the text input below to structure your thoughts.

Follow up questions

Liz Bumblebee (CEO, FlyByU Holding AG)
To Dominik Bischof

Reply | Reply All | Forward | ...

Hi Dominik,

Thanks for the chat.

I have some more questions:

- From an economic point of view, how can FlyByU Group optimise its IP situation (in an easy, not to complicated approach)?
- How could FlyByU Group centralise its IP, and how could such transactions be structured in a tax-efficient manner?
- Could the planned centralisation of IP have any implications on the indirect partial liquidation? Furthermore, what could be done in general to mitigate tax risks, if there are any?

Would you mind to follow this up for me?

Thanks and best regards,
Liz Bumblebee

This task is self-paced. However, Dominik wants to call Ms. Bumblebee back today and requires your input for this purpose. You should schedule around 1.5 hours for the four steps in this entire task to provide Dominik with all the answers.

Step 2

Dominik is happy with your input provided so far. But Ms. Bumblebee would also like to look into a potential combination of the holding activities performed within the group's ultimate listed group entity and the IP management activities of the group.

She asks if a combination of the holding activities performed by FlyByU Holding AG with the IP activities performed by its subsidiaries, namely FlyByU IP AG and QuickShip AG, would be feasible in a tax-efficient manner? The underlying reason is that the holding privilege was abolished and the group would like to look into options to integrate the holding activities currently performed within FlyByU Holding AG within one of the above entities to reduce the number of legal entities.

Step 3

Dominik informs you that Ms. Bumblebee is happy with the input provided. She decided

1. to merge the two IP companies by means of a sister merger and
2. to postpone the decision as to whether the IP activities shall be combined with the holding activities of FlyByU Holding AG by five years to avoid triggering the indirect partial liquidation.

You and Dominik gave Mr. Mole, the responsible tax inspector with the Zurich cantonal tax authorities, a call to pre-discuss the envisaged transaction, and then – with his approval – filed a ruling application with him.

Shortly after the transaction, Mr. Mole retires. The new responsible Zurich tax officer, Mr. Beagle, issues a tax assessment for the first tax period of FlyByU IP AG after the merger. In this tax assessment, the tax inspector does not consider the tax loss carryforwards of QuickShip AG, which increases the taxable profit of FlyByU IP AG accordingly.

Answer the following questions in an email to Dominik using the text input below:

- Can Mr. Beagle do that? If yes, why? If no, why not?
- What's the legal course of action to take for FlyByU IPAG – as a legal successor of the absorbed QuickShip AG – if they do not agree with the tax assessment? What could FlyByU IP AG do if they miss the deadline?
- **Step 4**
- FlyByU IP AG wants to further optimise its tax situation after the sister merger with QuickShip AG. FlyByU group prepares and files their tax returns themselves and is asking you for guidance.
- **What can you recommend? Please write down your ideas in the text input below.**
- But as always, you're not alone – Dominik has your back. Find a hint in your resources.

Task 5: International Reorganisation

Here is the background information on your task

Back to the future. You have now worked for over a year for PwC.

What has happened at FlyByU? The group recently acquired a drone delivery group with a presence in the US and in Belgium. The newly acquired entities were already renamed as it is planned that these entities will go to the market using the FlyByU brand going forward. No further post-deal integration has occurred so far. One of the Belgian entities, FlyByU R&D NV, developed and owns IP in the form of a software platform, which is considered a key asset for the business of FlyByU.

FlyByU Group is reaching out to PwC to optimise its group structure. They would like to receive a short slide deck with some initial ideas on how to optimise the current structure. The slides will serve as a basis for discussions. Dominik and the responsible director Christa call you. The three of you develop this structure for the slide deck together:

1. Title
2. Contents (overview of topics)
3. Current structure FlyByU group
4. Options to optimise the legal structure (maximum two slides)
5. International centralisation of IP (one slide)
6. **Step 1**

7. On the call, Christa asks you what you think FlyByU Group could do to optimise their group structure from a tax point of view. Christa sent you an email with her instructions. You'll find it in the resources below.

   Start a slide deck and implement your ideas about the group structure.

8. Heads up! Dominik has two tips for you and left a voice message. Further, he recalls that he has a slide deck containing the structure of the group after the acquisition. He forwards you the group structure slide. You can use it as a starting point for your slide deck.

"Hi there,

It's Dominik. To get you started, think about how the profits of the Belgium companies flow back to the Swiss top holding company (so-called "cash repatriation"). And on top: The article covering withholding tax on dividend payments is Art. 10 in each of the double tax treaties.

Hope this helps. Let's catch up later!"

Step 2

In a discussion about your slides with Dominik and Christa, you receive an email from the CEO of FlyByU Holding AG, Ms. Bumblebee. She is asking if it is required to file a tax return for FlyByU 2Slow AG since the entity (like its US sister entity FlyByU 2Loud Ltd) is dormant.

Answer this question about optimisation of the group structure in your slide deck:

- Do you have to consider dormant entities for your deliverable on optimising the group structure?
- If yes, implement your ideas in the slide deck.
- If no, explain to Dominik and Christa (on a slide that will be deleted) why it does not matter.

Step 3

Dominik suggests transferring the Intellectual Property of the Belgian FlyByU R&D NV to the Swiss FlyByU IP AG.

- What typical problems arise from such group internal transactions?
- What is the difference compared to the transfer of the Intellectual Property in Task 3?

Dominik asks you to think as well about which other taxes typically arise in connection with a transfer of Intellectual Property, respectively any "transfer" of goods.

Answer these questions and include your ideas and thoughts on the slide on international centralisation of IP.

Step 4

Dominik gives you the task to look up the Belgian and Swiss VAT rates on Intellectual Property and then calculate potential VAT implications in Belgium and Switzerland.

He tells you that PwC has this information on its Worldwide Tax Summaries platform as well and that you should look it up there. According to the Transfer Pricing team, they estimate the fair market value of the software platform to be in the area of CHF 50m (excl. VAT).

Implement your results and your calculation regarding the Value Added Tax (VAT) on the slide on international centralisation of IP.

Step 5

After having checked all relevant tax consequences, FlyByU group decides to go ahead with the IP transfer. Hence, Swiss FlyByU IP AG becomes the legal owner of the software platform and will charge an arm's length license fee to all operating group companies for the use of the platform going forward. Ms. Bumblebee informed you that the group wants to keep the Belgian research and development team and that they will continue to work in Belgium for FlyByU R&D NV.

What could be the problem here? Implement your results on the slide on international centralisation of IP.

This task is self-paced. However, Dominik would like to send Ms. Bumblebee a draft of the slide deck by the end of this week. Dominik expects one PowerPoint document with your input for all steps.

Task 6: Base Erosion and Profit Shifting Considerations

Here is the background information on your task

FlyByU Group heard that the OECD (Organisation for Economic Cooperation and Development) has published a new framework on Base Erosion and Profit Shifting (BEPS 2.0) and contacted you with a few questions.

Step 1

Ms. Bumblebee, CEO of FlyByU AG, contacted us and is wondering how BEPS can affect FlyByU Group and FlyByU AG, since the OECD is not a country and OECD standards are not law.

Before both of you have a call with her, Dominik asks you to research the topic and to include a quick explanation of the legal implementation procedures regarding OECD Standards.

Please send him an email with all your findings in the text input below.

This task is self-paced. But Dominik needs to answer Ms. Bumblebee soon and needs your valuable insights. A recap of the deliverables you need to submit to Dominik include:

1. An email to Dominik about the legal implementation procedures regarding OECD Standards (in the text input on this page)
2. An email answer to Ms. Bumblebee explaining BEPS 2.0 (for this case study in the text input on the next page)

Step 2

"Hi, this is Ms. Bumblebee calling again.

Thanks for your email. I just wanted to follow up as I still have some questions regarding BEPS 2.0. I tried to read a bit into the matter, but truly, I do not understand what it is about. Can you please tell me a bit more about it? Please send me an email so I can have a read-through of it later. Thanks very much, appreciate it. And have a good day.

See you, bye-bye."

Research the topic and then draft another email in the text input below explaining to her the general reasoning behind BEPS 2.0 as well as the two pillars.

Before you start, Dominik told you that the group generated a total revenue of about CHF 1bn in 2021. Therefore, the group should be at least in the scope of Pillar 2 based on the current draft of the blueprints. He provides you with a useful link resource.