

# Tax, Legal and Accounting Services

## Safely navigating taxation

**Switzerland remains a very attractive location for foreign firms. The number of businesses relocating here as a result, combined with their generally strong international networks, makes consideration of legal and tax issues necessary. Ernst & Young is in a very strong position when it comes to providing the services that the market demands, and the figures for the 2007/2008 financial year are evidence of that. During this period, Tax and Legal Services increased revenue by 18.6% to CHF 159.9 million.**

### Teamwork in a worldwide network

Whether a company has been operating in Switzerland for years or has just relocated, its business has to be on a sound foundation if it is to achieve its full potential. Pro-active tax planning is a crucial element of this. Taxation today is highly complex and subject to incessant changes at both local and global level, while cost-cutting programs force firms to comply with more and more requirements, using limited human resources. Ernst & Young possesses the in-depth know-how and practical experience it takes to close this gap, employing over 360 staff in the tax advisory field in Switzerland alone. They are among the more than 20,000 employees in Ernst & Young's worldwide tax advisory network. With them as a resource, we create customized and highly networked teams that offer efficient support with planning, compliance and reporting and maintain close relations with the tax authorities.

Compliance and accounting make constantly increasing demands of companies' tax departments and advisors, and Ernst & Young's Business Tax Compliance area enables them to be met. It comes up with solutions that are always customized yet that are consistently based on the same principles of access, overview and control. Ernst & Young's global network gives clients access to our experts around the clock. An overview is ensured by means of regular updates, backed up by a web-based platform and coordination teams, while our experts' use of the latest technology makes it possible to monitor the processes and costs at any time and anywhere.

### Leading the market in Transfer Pricing

Multinational companies subject their global taxation arrangements to constant testing, whether they have moved their headquarters to Switzerland, set up a branch here, or have been operating in the country for some time. Ernst & Young offers such companies all that they need to do this, packaged together in its International Tax Services. Transfer Pricing is one of the most demanding areas, and one that is expanding at a considerable rate; it is also one in which Ernst & Young is a market leader. The price at which goods and services are exchanged between companies within the same group but in different countries has a direct effect on every aspect of the business, ranging from research and development to marketing and sales by way of production. There are financial - and hence also fiscal - consequences too. Around the world, there is now a perceptible trend towards tighter regulation of transfer pricing on the part of the tax authorities, who demand extensive documentation and exact heavy fines in the event of any breach of their rules. We work together with our clients to devise strategies enabling them to enjoy long-term fiscal advantages and comply with all the rules all at once.

There has been a considerable increase in demand for Tax Effective Supply Chain Management (TESCM). It is when a business tries to improve its value chain that its international tax structure needs to be reviewed. This impacts every aspect of tax planning, and so our TESCM teams coordinate services from areas as diverse as transfer pricing, VAT and customs duty planning, and the taxation of both the company and its employees.

### Keeping an eye on tax risks

Ernst & Young's Tax Advisory services are complemented by many others. One currently relevant example is its Tax Accounting and Risk Advisory Services (TARAS), a worldwide network of specialists conducting high-quality checks on tax provisions and the related control mechanisms. This is where our Risk Advisory comes in: Our rolling planning enables our clients to know at any time where the tax risks are and how they need to be dealt with. Even if we have not been engaged as auditors, TARAS can perform complex tax calculations or document selected tax positions.

# Getting a grip on proliferating legal requirements

**The Legal Services enjoyed above-average growth in the 2007/2008 financial year, with the areas of company and contract law, transactions as well as the area of banking, insurance and finance proving especially dynamic. These aspects of legal services are rarely isolated from one another, so an interdisciplinary approach is vital, and that is the approach of Ernst & Young.**

We have put together teams drawn from Audit, Tax Advisory, Transaction Advisory Services and other areas, and across national borders, committed to devising customized solutions. Because transactions always impact the value chain as well, legal advice forms a permanent component of Tax Effective Supply Chain Management (TESCM).

## **Responding to state regulation**

The growth in demand for Banking, Insurance & Finance services is in part attributable to the growth of regulation in both the banking and insurance sectors. The EU's Markets in Financial Instruments Directive (MiFID), which entered into force in November 2007 and is intended to make investment advice more transparent, obliged Swiss financial institutions to make a variety of adjustments.

The fact that the workforce is becoming more mobile means that companies find they have more and more employment law issues to deal with. Despite the greater freedom of movement of persons resulting from the bilateral agreements with the EU, the recruitment of staff from outside Switzerland still requires firms to comply with special regulations with regard to work and residence permits; there are plenty of issues relating to social insurance too. Employee share schemes also make legal advice necessary; the legal and tax effects of options schemes in particular need to be established.

## **Data protection takes a leap forward**

Data protection has been pushed to center stage by the headlong pace at which information technology is developing. Companies are accumulating more and more digitized information, making electronic archiving increasingly important. This is an area in which Ernst & Young has the experience and technological frameworks that are needed to ensure efficient and controlled access to data. Compliance with data protection provisions at home and abroad, especially where personal data are involved, is key in this respect.

Recovery is the area that shows just how important Ernst & Young's interdisciplinary approach to work is. If a company is hit by a crisis, we are able to put together a team without delay, drawing on the areas of Legal Services, Audit, Transaction Advisory Services, Forensic Services and Tax Advisory. Our many years' experience of dealing with complex debt moratorium and bankruptcy proceedings has equipped us to offer customized and professional advice to both debtors and creditors.

# Global networks and a single methodology

**Organizationally, EY Accounting Services AG (EY AS), like Legal Services, is part of the Tax Service Line. It cooperates closely with Tax, particularly in matters related to Business Tax Compliance (BTC). EY AS provides services in connection with Statutory Accounts Preparation, reconciles accounts drawn up under international accounting standards with Swiss accounting practice, and completes tax returns for legal entities.**

Over recent years, Statutory Accounts Preparation has become a stand alone and successful business line. There is an increasing demand for the conversion of US GAAP or IFRS accounts to statutory accounts in accordance with the Swiss Code of Obligations. One reason why companies increasingly avail themselves of this service is that more and more of them compile their accounts only on the basis of the international accounting standard applicable within their organization. Since the requirement for auditors to be independent means that they are no longer allowed to perform this sort of work themselves, international clients are increasingly keen to see statutory accounts preparation services offered on a coordinated basis in a variety of countries. For the past two years, Ernst & Young has been building up a Center of Excellence in London, and is now able to offer these services on a global basis. This worldwide networking and working methodology provides a crucial competitive advantage for our Accounting Services.

All our Accounting Services are also available in the form of a task force (staff available on demand). In other words, most of our staff work on projects at the clients' premises and for limited periods of time. Task force engagements of this sort are becoming more and more prevalent.

A task force is deployed when

- key employees of the client suddenly become indisposed or leave the company,
- when major projects, e.g the preparation of consolidated financial statements or the accounts for a cost center, etc., cannot be completed by the client alone,
- generally where clients need support during peak work load periods.

One factor in the increasing demand for task forces is that companies no longer have reserves of staff to call on when they are overstretched. As it is, the market for suitable staff has largely dried up. As Roman Rinderknecht, in charge of Accounting Services since July 1, 2008, points out, "We, too, are finding it harder to allocate professionals to Task Force projects, not least because more and more is being demanded of them. It's fortunate that we have the right sort of specialists available."

One traditional pillar is Accounting/Reporting and bookkeeping for third parties, a core service generating some 40% of fee income. This is a function outsourced to us by firms of varying sizes in a range of sectors. Where these companies are very large, whole parts of their operations can be outsourced to EY AS. Topmost in the client's mind may be the thought that, in the event of a key person leaving, too much know-how and expertise would be lost at a stroke.

Payroll services is another pillar of Accounting Services. EY AS has several hundred payroll engagements to handle. The special skills on which they draw relate to social insurance and other insurance matters, withholding tax and occupational pensions.

The Accounting Services team currently consists of some 90 persons occupying close to 80 full-time positions. The team's members typically have had a commercial education with an emphasis on accounting and are now adding to their education by way of Federal certification and subsequent specialist training. A growing proportion of them are college graduates since business is becoming more international.