

GLOBALLY TAXING

TRANSFER PRICING STUDY AIDS INTEGRATION FOR SWISS MEDIA GIANT

NZZ is a Swiss media conglomerate that publishes *Neue Zürcher Zeitung*, a German language newspaper often considered Switzerland's paper of record. *Neue Zürcher Zeitung*, founded in 1780, is something of a Swiss institution and is one of the oldest newspapers in the world that is still published.

But like many media businesses, NZZ has diverse interests. *Neue Zürcher Zeitung* may be its flagship, but another side of the business is firmly embedded in the world of architecture. NZZ owns Architonic, an online platform that helps architects stay abreast of the latest furnishings, fittings and materials. Architonic attracts 16 million visitors per year.



UHY IN THE MEDIA SECTOR

Member firms across the UHY network have extensive experience in offering tailored services to media businesses. Services include tax and corporate services, advising on corporate structure, finance advice and transfer pricing. Businesses looking to expand overseas also benefit from the close relationships between UHY member firms around the world.

In 2020 Architonic acquired ArchDaily, the world's most visited architecture website. Together, Architonic ArchDaily (as the combined business is known) provides and operates architectural platforms for the largest international online community of designers and architects, attracting 168 million visits annually and boasting 8.6 million social media followers. It has subsidiaries in Chile, China, Germany, Hong Kong, Mexico and the US.

THE INTEGRATION PHASE

Incorporating an acquired business into an existing corporate structure is never entirely straightforward. Given the global nature of ArchDaily, it was always likely that the integration phase would include addressing a number of international tax process issues. The business turned to NZZ's long standing tax partner Balmer-Etienne, UHY's member firm in Switzerland.

"Our audit partner, a Big Four firm, is sometimes engaged for specific consulting projects," says Walter Fröhlicher, head of group finance and tax for NZZ. "However, we were looking for a pragmatic solution, preferably from a single source with our tax advisor Balmer-Etienne, which is why we gave preference to UHY. Balmer-Etienne is connected to the global UHY network."

The importance of that connection soon became apparent. Balmer-Etienne was asked to prepare a transfer pricing study on



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international intercompany transactions within the ArchDaily Group, and to determine the transfer pricing method to be applied.

AN INTERNATIONAL EFFORT

Balmer Etienne partner Stefan Wigger contacted transfer pricing specialist Donna Frye, director of transfer pricing services at US member firm UHY Advisors Inc., Michigan, for her help in the global project management required, and Donna set about gathering the data that would form the foundation of the study – interviewing ArchDaily employees in Switzerland, Chile, Mexico and China. She also enlisted the support of UHY's Argentinian member firm, UHY Macho & Asociados, to support the work in Chile, a small but important role as Chile used to be the company's headquarters.

A WELL RECEIVED PROJECT

The concrete result of these efforts is an internal Arms Length offsetting model that

has now been set up and documented. The Arm's Length principle states that entities under common control must interact 'at Arm's Length', treating each other as independent businesses. UHY transfer pricing specialists have ensured the Architonic ArchDaily model is compliant with the principle and meets the requirements of both the OECD and US IRS. The project typifies the value of UHY member firms coming together to meet the needs of an important client.

"It was remarkable how efficiently and purposefully the work was done, even though the input of people in very different continents and time zones was necessary," says Walter Fröhlicher, who also praised the UHY team's 'broad experience and process knowhow'.

The transfer pricing study is a one-off project and is now complete, but it has furthered the relationship between a member firm and an important and growing client, and shown the UHY network at its best.

"UHY is an important external service provider with whom we have been able to pragmatically and efficiently develop the necessary work results, allowing us to correctly and compliantly manage tax processes in the international environment," says Walter. ■

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