

# ALDER&SOUND

Alder & Sound || Eteläesplanadi 8 | FI-00130 Helsinki | [firstname.lastname@aldersound.fi](mailto:firstname.lastname@aldersound.fi) | [www.aldersound.fi](http://www.aldersound.fi)

*Tier 1 Finnish Tax Firm in 2018 & 2017 | The Finnish Transfer Pricing Firm of the Year in 2017, 2015 & 2011 | The European Tax Technology Firm of the Year in 2017*

# BIZxA&S

Case workshop | 32E30001 Tax Challenges for Multinational Enterprises

May 7, 2019

# Agenda | Case workshop on May 7, 2019 @ A&S

32E30001 Tax Challenges for Multinational Enterprises



16.30-17.00	Company presentation & description of the case
17.00-19.30	Group work
19.30-20.30	Presentations & feedback
20.30-	Optional drinks & discussion

# Alder & Sound – Your trusted partner in international business

Founded in 2010, A&S is today one of the leading independent Finnish professional service providers

**We are committed to serving as a trusted partner** through integrated provision of legal, tax, transfer pricing, financial advisory and data & analytics services.

**We highlight pragmatic approach** and provide our clients with flexible, comprehensive and cost-effective solutions by utilizing our innovative tools and methodologies.

**We believe in true 'one-stop-shop' experience.** From start to finish, we provide turnkey solutions that maximize the benefit and value creation while minimizing the administrative burden.



Independent Finnish service provider with a global cooperation network.



Legal, tax, transfer pricing, financial advisory and data & analytics services.



Multidisciplinary professionals with extensive practical experience.



Clientele consisting of large multinational enterprises & smaller domestic companies.



- ▶ The Tier 1 Finnish Tax Firm in 2018 & 2017
- ▶ The Finnish Transfer Pricing Firm of the Year in 2017, 2015 & 2011
- ▶ The European Tax Technology Firm of the Year in 2017

▶ **Client retention rate since 2010: 96.7%**

# Case workshop @ A&S

May 7, 2019

## Wireless connection:



Amanda



Amandavieras

## Let's get social!



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# Case introduction | Dragon Group

Dragon Group is a leading provider of industrial HVAC systems, with operations in over 15 countries and sales to over 80 countries worldwide

- Headquartered in Helsinki, Finland, **Dragon Group** is a leading provider of industrial HVAC (*Heating, Ventilation, and Air Conditioning*) systems. It has operations in 15 European and Asian countries, including manufacturing facilities in five locations (Finland, Germany, Poland, Russia and China).
- In FY2017, the Group had turnover of EUR 1 350.7 million (EUR 1 255.8 million in FY2016) and it employed on average 2 852 (2 530) employees.
- The DragonAir® products are sold to over 80 countries worldwide, mainly to factories and production plants in order to provide thermal comfort and acceptable indoor air quality within reasonable installation, operation, and maintenance costs. Majority of product sales are carried out through own distribution companies; however, also external sales representatives are utilized in regions where the Group has no subsidiary company.
- Recently the Dragon Group acquired a Swedish technology start-up (SensorSync AB) which has developed an intelligent solution for managing, optimizing and automatizing the operation of industrial HVAC systems. Through utilization of sensitive sensors and cloud computing data analytics, the solution produces important information about the system efficiency and enables significant energy and cost savings.
  - In addition to supplementing modern HVAC system installations, the SensorSync® solution may be retrofitted also to older systems.
  - Currently, the main target market for the SensorSync solution is among industrial companies and power plants. However, there have been successful pilot projects also in the private consumer market among individual house owners wishing to optimize their energy consumption.

# Project Unum | Current facts & plans

In order to realize the potential related to synergy benefits and cross-selling opportunities, the newly acquired start-up is to be integrated to the group

- In order to realize the potential related to synergy benefits and cross-selling opportunities, the newly acquired start-up (SensorSync AB) is to be integrated to the Dragon Group during H2/2018.
- The current facts & plans related to the integration process are as follows:
  - The business operations of SensorSync will be organized under a newly established business division (Intelligent Solutions) and the local management will start reporting directly to the management team of the group. Local financial administration, HR, marketing and legal functions will be transferred to the group headquarters in Finland (Dragon Oyj) wherefrom necessary support and assistance for the daily business operations is provided. The transfer is likely to result in termination of current employment contracts among the administrative functions of SensorSync AB.
  - The intellectual property and intangibles will be transferred from SensorSync AB to Dragon Oyj. The current R&D team in Sweden will continue the development work of the SensorSync® solution and report to the R&D Director of the Group (employed by Dragon Oyj).

# Project Unum | Current facts & plans (cont'd)

In order to realize the potential related to synergy benefits and cross-selling opportunities, the newly acquired start-up is to be integrated to the group

## ➤ The current facts & plans related to the integration process are as follows: (cont'd)

- The SensorSync® solution will be included in the sales portfolio of local distribution companies and external sales representatives. SensorSync AB will be responsible for producing marketing material, training the sales teams, providing technical support and organizing the customer service. The local distribution companies and sales representatives will, in turn, be responsible for determining appropriate pricing for the local market and negotiating the key agreement terms with the customers.
- In order to further develop the legal structure of the group, the shares of Dragon AB, a local sales company, will be sold to SensorSync AB by Dragon Oyj. The transaction will be financed with an intra-group loan from the group parent company.



# Project Unum | Engagement scope

The management team of Dragon Group has requested for your assistance with integrating the newly acquired start-up to the group

- The management team of Dragon Group has requested for your assistance with integrating SensorSync AB to the group.
- Your task is prepare a brief BoD presentation covering key tax issues and potential risks to be taken into consideration when carrying out the integration process. More specifically, your input is expected on the following topics and related questions:
  - 1) **Transfer pricing:** *What kind of intra-group transactions should be established between SensorSync AB and other Dragon group companies?*
  - 2) **Permanent establishments:** *What are the main PE risks related to the planned local sales operations of the SensorSync® solution?*
  - 3) **Local taxation and compliance:** *What kind of measures could be taken in order to ensure appropriate post-integration tax compliance in relevant operating countries?*
  - 4) **Key stakeholders and media:** *Are there any changes required to the current communicational strategies on taxes due to the entering of B2C market?*
  - 5) **Tax management and risk mitigation:** *What kind of changes in the current internal processes, reporting relationships and responsibilities should be initiated at SensorSync AB during the integration phase in order to ensure appropriate tax management and risk mitigation?*

In addition to identifying the key tax issues and potential risks, you are expected to provide a recommendation on actions which could be taken in order to address the mentioned issues and mitigate the related exposures.

# Project Unum | Engagement practicalities

Your team has been invited to present your findings & recommendations and answer any potential follow-up questions during the next BoD meeting

- Your team has also been invited to present your findings & recommendations and answer any potential follow-up questions during the next BoD meeting where you will have a 10-minute time slot to make your case. Due to the importance of the matter, similar task has been given to other teams which will also be present at the meeting.
  - For reporting purposes, a single-page presentation template has been provided (see the Case Workshop folder in MyCourses).
  - The BoD meeting starts at 19.30 and takes place at the A&S Auditorium. Due to practical presentation arrangements, you are expected to upload your presentation at the latest by 19.15 to the documentation portal of the meeting (specific Assignment folder in MyCourses).
  - If preferred, you may select certain members of your team to be the designated spokespersons.
  - Special counsels from A&S will visit your team during the workshop for Q&A and other assistance.

# Project Unum | Key tax issues & recommended actions

Below are summarized our findings related to key tax issues as well as recommended actions for mitigating the related risks

Transfer pricing:	Permanent establishments:	Local taxation and compliance:
<ul style="list-style-type: none"><li>➤ [XXX]</li><li>➤ [XXX]</li><li>➤ [XXX]</li></ul>	<ul style="list-style-type: none"><li>➤ [XXX]</li><li>➤ [XXX]</li><li>➤ [XXX]</li></ul>	<ul style="list-style-type: none"><li>➤ [XXX]</li><li>➤ [XXX]</li><li>➤ [XXX]</li></ul>
Key stakeholders and media:	Tax management and risk mitigation:	Recommended actions:
<ul style="list-style-type: none"><li>➤ [XXX]</li><li>➤ [XXX]</li><li>➤ [XXX]</li></ul>	<ul style="list-style-type: none"><li>➤ [XXX]</li><li>➤ [XXX]</li><li>➤ [XXX]</li></ul>	<ol style="list-style-type: none"><li>1) [XXX]</li><li>2) [XXX]</li><li>3) [XXX]</li><li>4) [XXX]</li><li>5) [XXX]</li></ol>

# Let's get started!

You can find below a summary of the key practicalities related to the workshop

- The BoD meeting starts at 19.30
- Upload your presentation  
at the latest by 19.15  
(specific folder in MyCourses)

Team	Meeting Room assignment
Blue	MR 1 (ground floor)
Red	MR 2 (ground floor)
Green	MR 7 (1 <sup>st</sup> floor)
Yellow	MR 8 (1 <sup>st</sup> floor)
Purple	MR 9 (1 <sup>st</sup> floor)
Pink	MR 10 (1 <sup>st</sup> floor)