





Groupon Eyes Swiss Base for Non-U.S. Operations

By Stu Woo And John Letzing

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Groupon Inc. is considering opening an international headquarters in Switzerland, people familiar with the matter said, in a move that could benefit the daily-deal company because of the country's business-friendly tax policies.

The potential Swiss headquarters would handle finances for Groupon's non-American operations, one person familiar with the situation said. The company, which in June filed to go public, would remain incorporated in the U.S. and based in Chicago.

Groupon has filed papers in Switzerland to explore opening an office there, one of these people said. The company will likely decide whether to open a Swiss headquarters within six months, the person said.

Groupon, which on its website sells vouchers for 50% or more off goods and services at local businesses, operated in 45 countries as of June 30. Most of its revenue comes from outside North America. In its latest regulatory filing, the company said it made $535.1 million in its international business and $349.9 million in its North American business in the second quarter of 2011.

The daily-deal company currently doesn't have an international headquarters. Some of its international income flows through an office in Berlin, while some is handled in the U.S.

Tax experts say a Swiss headquarter could benefit Groupon's finances. Richard Pomp, a University of Connecticut law professor, said the company will continue to pay applicable foreign taxes on profits, but it won't have to pay U.S. taxes on top of that unless the profits are sent back to the U.S. in the form of dividends.

Mr. Pomp said Groupon would have to pay both foreign taxes and U.S. taxes on international business if that income is handled in the U.S.

U.S. firms frequently make use of ties to offices abroad to help reduce taxes. By establishing assets like intellectual property with an office in a country with relatively low corporate tax rate like Ireland or Switzerland, for example, U.S. firms can often start paying an effective tax rate less than the 35% corporate rate in this country.

According to data compiled by the Organization for Economic Co-operation and Development, Switzerland has a corporate tax rate of 8.5%. "Companies do what you'd expect them to do, they minimize their tax liability," said Joseph Bankman, a professor at Stanford University's law school. "It's certainly what you'd expect if you're a shareholder."

Google Inc. is among a number of firms that have benefited from recognizing income in countries with lower tax rates. The Mountain View, Calif.-based firm reported an 18.8% effective tax rate for the quarter ended in June, compared to 24.4% in the period last year, as more profits were realized in countries with low rates, it said in a regulatory filing.

**Paul Savage, a tax attorney with Kirton & McConkie PC in Salt Lake City**, said there are reasons in addition to the low tax rate that Groupon might have for setting up shop in Switzerland. For example, "if Groupon's model involves doing business in a country where they might be getting a royalty for licensing their name, Switzerland has a very favorable treaty network for royalty payments," he said.

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