



Tax Management
Consulting
Building the tax
department of the future



Tax departments of the future need to be strategic, agile, and, above all, focused on creating value for the business.

Business expects more from tax

In Deloitte member firms' ("Deloitte's") work with businesses around the world, we see an urgent and growing need relating to the corporate tax function. Key corporate stakeholders want tax to contribute more actively to business performance.

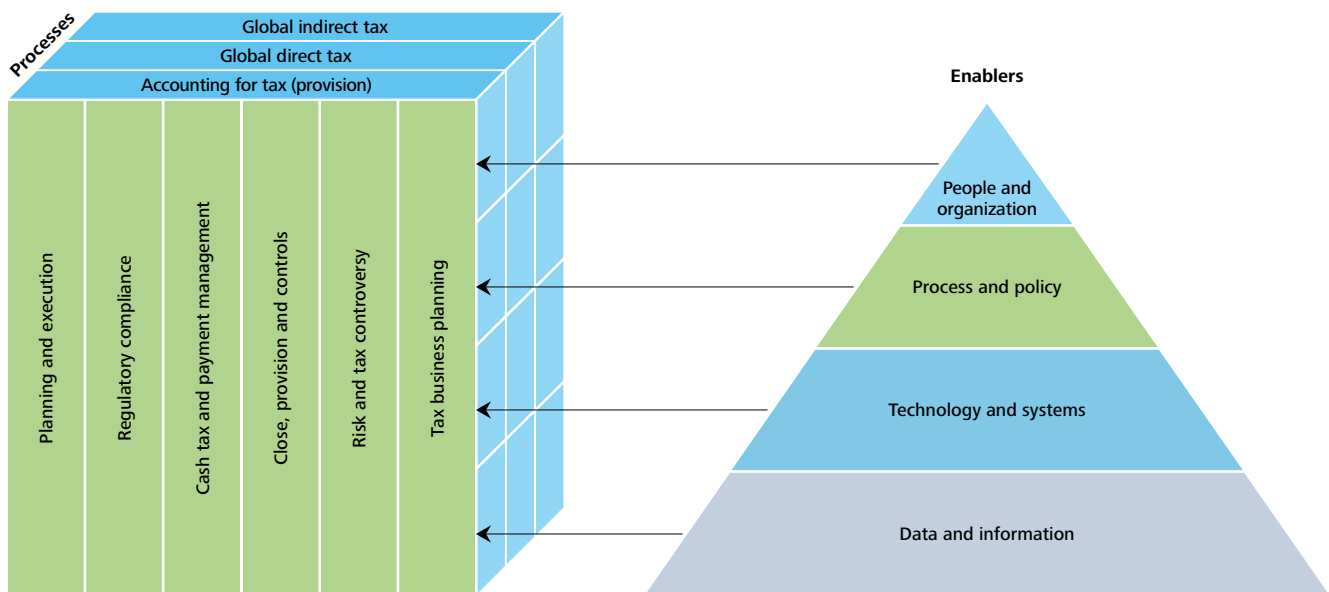
In fact, tax executives are being asked to serve as:

- *Strategist*, providing strategic tax direction and aligning tax department activities with corporate financial strategies.
- *Catalyst*, driving action across the tax organization to support strategic and financial goals.
- *Operator*, balancing tax department costs and service levels to fulfill compliance and planning responsibilities.
- *Steward*, protecting and preserving the assets of the organization.

Vital to each role is aligning organizational responsibilities and related tax resources with the vision and objectives of the business to generate exceptional results. This includes weighing whether certain activities are core to the business and, if not, finding alternative approaches for them, such as cosourcing.

There is no magic formula for making such decisions. Deloitte's Tax Function Assessment Framework, however, has been helping companies deconstruct complex tax functions from record to report to assess, prioritize, and explore opportunities for efficiencies, savings, and value. The framework provides several dimensions — value drivers, processes, and enablers — through which tax-related decisions can be examined.

Tax function assessment framework



Value drivers. In global organizations, it is critical to weigh decisions in light of tax value drivers that link to broader corporate goals and objectives. Any action you take should result in value creation in one or more of these areas.

Processes. Global businesses today are complex and diverse organizations. Organizing work streams according to broad functional areas can help focus the process improvements necessary to achieve the targeted value drivers.

Enablers. Four primary enablers are critical to a high-performing tax function: 1) data and information, 2) technology and systems, 3) process and policy, and 4) people and their organization. Data is the foundation for tax and finance decisions, while systems and technology are required to capture, store, and maintain the integrity of data. Solid processes and policies enable the consistent use of those systems and technologies. The people within the tax function, the tools and resources provided to them, and how they are deployed figure significantly into the tax function's ability to add value to the organization.

Using this framework, Deloitte member firm professionals can help you critically analyze the tax planning and compliance decisions you face. They can help you assess and prioritize activities that will help take your tax function to the next level. And, depending on how you want to deploy your in-house resources, they can apply the broad capabilities and resources of one of Deloitte member firms' Tax Management Consulting (TMC) teams to support your next steps.

Tax Management Consulting — next-generation capabilities now

Deloitte TMC groups bring together highly experienced resources from relevant areas and assembles them into engagement teams to address your requirements. Beginning with organizational objectives and tax risk management, and then focusing on key enabling areas, Deloitte can organize and deploy global TMC resources under a single point of contact for your convenience and apply them when and where you need them.

Deloitte member firms can support your organization on discrete projects, assist you in multiple areas, or even work with you on a cosourcing basis to help your tax function, both domestic and global, be a high-value contributor to your enterprise — the hallmark of the tax department of the future.

The objective is to help you achieve a streamlined, transparent, and efficient tax function — one that can handle compliance and planning issues while expanding its strategic support to the broader business enterprise.

Tax planning and operations

The challenge

Central to any tax department's effectiveness is a cohesive global approach reinforced by a detailed implementation roadmap. An important step is to assess your existing tax department strategies and map them to your organization's broader strategies. What is your organization's risk tolerance, and how do you align your tax policies and procedures with that? Does your enterprise manage its intellectual properties and other critical assets tax efficiently? How do its product and service flows impact global cash flow and tax positions? Which activities are core to your tax department's effectiveness, and which might benefit more from a cosourcing arrangement?

How Deloitte helps

Deloitte TMC teams include industry, tax, organizational change, technology, and cosourcing specialists who can help you make the necessary connections between your company's global strategies and the many options for carrying them out in the tax function. As they help you explore those options, they consider the effects of changes on the people in, and associated with, the tax department. They can help you devise a communications and training plan that effectively guides them through the transition, and adapt to new processes and technologies. The objective is to help your organization align its tax operations with its overall corporate and tax planning without disrupting attention from critical compliance activities.

Tax risk management

The challenge

Tax departments continue to struggle with accounting for income taxes, a significant cause of material weaknesses and restatements. Complex regulations make the process even more complex. Meanwhile, tax departments must stay focused on existing accounting standards. Complicating matters can be the move toward International Financial Reporting Standards.

These developments, coupled with resource shortages and technology constraints, make it difficult for many companies to complete their tax provisions on an efficient and timely basis. Without appropriate data input, resources, and technology, companies face a greater risk of being noncompliant with a wide range of tax laws and regulations, as well as potentially entering into disputes with tax authorities and other regulatory bodies.

How Deloitte helps

Deloitte TMC teams can help your organization develop a measured and methodical approach to tax risk management. Deloitte's tax risk management services can help your tax department improve the tax provision process while freeing up resources to focus on planning and other priorities. They can deliver a range of services individually or in an integrated implementation program according to your objectives. These services include consulting on:

- Streamlining and improving processes and controls associated with tax accounting and reporting under domestic regulations, and International Financial Reporting Standards.
- Review, design, and testing of internal controls.
- Development and refinement of tax policies, procedures, and standard work papers.
- Tax-basis balance sheet assessment, development, and reporting.
- Tax controversy support, including analysis, monitoring, and tracking of disputes.

Deloitte's TMC teams have the knowledge, skills, and experience to help your organization refine its approach to tax risk management.

A large high-tech company needed to complete provisions for income taxes, overhaul its tax IT systems, fulfill significant tax compliance obligations, complete several transactions, and resolve outstanding tax controversies.

Deloitte assisted the company on several fronts — preparing the company's provision computations for income taxes, enhancing documentation regarding the integrity and quality of the financial reporting data used in preparing returns, structuring and implementing a consolidation plan for the company's legal entities, resolving legacy tax controversies, establishing pre-filing agreements for future returns, and enhancing processes to support foreign tax compliance requirements. Today, the company has a platform to manage and address its tax requirements effectively, and prepare for changes at different jurisdictional levels.

The challenge

Would you like to reduce the time your tax department spends collecting and manipulating source data for tax accounting and reporting purposes? This can be an especially troublesome area for multinational companies that lack standardized processes, procedures, systems, or even financial and tax terminology across their operations. The frequent result is misunderstandings between financial controllers and tax personnel, which in turn may lead to delays, errors, duplication of effort, and too much manual input of data.

Tax authority record storage requirements create another set of risks for tax departments. These risks include notices of inadequate records, accuracy-related civil penalties, criminal penalties for willful failure, and lack of evidence to support tax filing positions. The risks can be greater for companies that have implemented enterprise resource planning (ERP) systems that may not provide for automatic extraction of data in a format consistent with local tax authority record requirements.

How Deloitte helps

Deloitte's TMC teams can help you address the range of tax data and information management issues. For example, they can assist with the design and implementation of tax-specific ERP applications that facilitate the generation of tax-sensitized data. Such applications not only have the potential to improve the quality and timeliness of your tax department's output, but they may also help your tax department focus more on strategic activities while meeting tax compliance requirements efficiently.

By strengthening alignment between your ERP and tax systems, Deloitte TMC teams can help you simplify and streamline the data collection and management processes. Access to required tax information at the source and at the proper level of detail supports the automation of income tax provision, accounting, and strategic planning. It also facilitates internal audits and external examinations, providing documentation trails, access to data years after the fact, and consistency regardless of tax department turnover or other organizational changes over time.

Deloitte TMC practices can also assist you in implementing tax record storage and recovery processes to help improve your response time and efficiency when faced with tax authority requests. In addition, they offer tools that can help you streamline the tax reporting and tax examination processes. For example, they have developed tools that automate VAT and sales and use tax compliance processes — as well as efficiently extracting master and transactional data to support financial transactions. And Deloitte's Tax Controversy Manager tool can help automate the tax examination process to address tax authority requests.

A global energy company needed to address potential internal controls issues by transforming how it creates and maintains its tax-basis balance sheets and deferred tax balances. The FORTUNE 500® company also sought to improve data integrity across its financial systems.

Deloitte helped the client select and implement a powerful new software platform, cleanse its enterprise and tax data, automate core processes, and increase cost efficiencies. The resulting improvements in tax reporting are significant in helping the company to maintain its tax-basis balance sheets into the future.

Tax technology and systems integration

The challenge

As the legal and regulatory environment evolves, the role of technology grows more important in the tax and finance functions. Companies that have installed an ERP system, or are considering an implementation, often overlook the tax benefits associated with these systems, as well as the impact of these systems on the tax department. The information gathered and stored in these systems is critical to tax planning and reporting activities. But, also, there are far-reaching tax implications to how ERP systems are purchased, leased, located, and configured. Few companies consider these implications up front when they can provide the greatest benefit to the organization.

How Deloitte helps

Deloitte TMC groups can help you explore the variety of tax specific opportunities with regard to tax technology and systems. Deloitte's technology and systems integration services are provided by specialists in tax technology, tax process, and tax technical issues. These teams work closely with the professionals of Deloitte member firm Consulting practices, who are leaders in ERP implementations, IT transformation, and business improvement, thus bringing to engagements experience in technology and related issues as well as tax.

Through a combination of skills, methodologies, and practical experience, Deloitte TMC teams can help you fill the tax information void often created when tax-critical financial and procurement information is not properly planned for, captured, and made accessible in the ERP system. Their services encompass:

Software selection and implementation — helping you decide which tax provision and specialty software may fit your organization's objectives and requirements.

A global agriculture company looked to Deloitte to help its tax function participate in a large ERP implementation. The company's tax leadership sought strategic direction on transforming the tax function from staff support to value-added business partner.

Deloitte led the company through a series of in-depth workshops to identify the key dimensions of its future-state tax operations and processes, and helped it apply leading practices to address productivity improvements.

Data identification — working with you to identify ERP data requirements for a wide range of taxes, including domestic income and franchise taxes; sales and use, VAT, and other indirect taxes; tax depreciation, property, and payroll taxes; and transfer pricing and other international taxes.

Configuration — helping you incorporate tax and legal-entity reporting needs into ERP system configurations while helping manage the impact on underlying business processes.

Data interfaces — developing interface requirements that can dramatically decrease a tax department's need to manipulate data imported from ERP systems. Deloitte can also help define the conversion requirements for tax data so legacy-based tax information is properly loaded and maintained in the ERP system.

Tax-efficient implementation — helping you assess, research, and implement opportunities for potential tax savings directly and indirectly related to the ERP implementation itself, including tax credits and deductions, training incentives, transfer pricing, VAT, and other savings opportunities.

Tax process improvement

The challenge

For many companies, tax planning and compliance — sometimes under the umbrella of the finance function — are supported by a sprawling array of resources, processes, and systems. In particular, companies that undertake mergers and acquisitions (M&A) often have many different finance and tax capabilities cobbled together. Simply keeping up with the myriad of compliance requirements can leave these expansive organizations little time or resources to refine their tax operations.

How Deloitte helps

Deloitte member firms' tax process improvement services delivered by Deloitte TMC professionals can serve as a catalyst for reform, providing much-needed reinforcement to help you face the challenges of simplification. They can help you explore areas of opportunity for refining, reducing, and eliminating redundant processes, as well as driving improved performance. Detailed analyses of the current tax compliance and reporting approach often lead to a streamlined set of processes. Working with key stakeholders, they can help you simplify and standardize practices, including adopting technology applications to automate those processes wherever possible.

Deloitte TMC professionals can help you evaluate what resources are needed to discover opportunities for improvement. Then they can help you assemble project teams — composed of internal and external resources according to your personnel and budget parameters — to address discrete projects in the priority you set.

Often these projects involve the integration of disparate organizations and systems that have grown in silos over time. Deloitte TMC professionals are specialists at sorting through and untangling these types of situations. Yet they strive to avoid disruption to the organization and help you continue to address your compliance deadlines and deliverables.

Tax process improvement is a critical enabler of a high-performing tax function, whether part of a wider tax or finance transformation or simply an effort to improve efficiency and quality. The benefits of a tax process improvement initiative may include:

- Time savings, cost reduction, and additional tax planning opportunities.
- Improved relationships with internal and external stakeholders, including finance, business units, the board of directors, and tax authorities.
- Improved performance management — in tax, finance, and the IT functions — through more robust internal controls, better-defined performance goals, and more consistent and widespread measurement.

After being acquired by an international energy leader, a utility company faced considerable challenges retaining and recruiting tax staff and completing essential tax activities related to compliance and tax-provision calculations.

Deloitte was able to help the company leap big staffing and project-delivery hurdles, followed by recommendations for process improvements. Deloitte's support allowed the company's new tax director to quickly obtain a firm understanding of the company's critical tax issues and to focus on the company's big-picture tax issues on both a domestic and global basis. The company also was able to take advantage of the tools and methodology Deloitte developed to help facilitate reporting under International Financial Reporting Standards.

Tax organization and resources

The challenge

As you weigh the options for elevating your tax function to a more strategic level, questions may arise about whether to keep certain activities in-house or outsource them. Should they stay within discrete business units or be centralized in shared services centers? What are the risks and rewards of onshore versus offshore operations?

These decisions gain complexity when considered in the context of broader enterprise strategies, especially M&A activities, restructurings, downsizing, carve-outs, or the sale of a business unit, subsidiary, or product line. Often the tax department is the last to learn about such activities, yet it is the first to be held accountable for missed deadlines or failure to comply with regulations it may not have known.

A global bank needed to migrate certain tax-related activities from the United States to a new, company-operated facility located in Asia. While mapping out its approach for the migration, the organization also recognized the need for efficient, integrated systems and processes when the tax function began operating in the new location.

Deloitte helped the client retool its tax processes to enhance consistency and efficiency while restructuring its U.S. tax staff to meet the unit's objectives. Deloitte also provided tax policy design support to better align with domestic and international regulations, and conducted training for employees in the new location.



How Deloitte helps

Deloitte TMC teams can help you lay the groundwork for a tax organizational structure that is flexible, scalable, and agile — one that can expand and contract as needed in response to business changes.

Their specialists have guided tax departments in many industries and geographic locations during fundamental organizational change. They can help you benchmark your current and future operations against peer organizations. And they can help you devise a structured and systematic approach to potentially creating a more motivated, efficient, and focused tax department.

Should you need added resources quickly or are considering turning over certain activities to an outside provider, Deloitte TMC groups can suggest an array of alternatives, from cosourcing to outsourcing certain tax function processes. They can help you align key supporting functions with your business goals and strategies while exploring ways to manage related tax function costs and risks and performance in the outsourced areas.

The key to Deloitte member firms' past successes in these areas is the member firms' flexible and collaborative approach. Deloitte member firms can help you pursue the most efficient combination of on-site, off-site, and offshore delivery — one that produces the desired performance levels while still giving you the confidence and control over the outsourced functions. Deloitte member firms' approach emphasizes clear and frequent communication and ongoing knowledge sharing.

A UK headquartered multinational reporting in IFRS sought to reduce its annual reporting cycle by four weeks over two years. Recognizing that this efficiency improvement could not be achieved by incremental enhancements to the existing process, the company set out to transform and automate a substantial part of their tax reporting process.

Deloitte helped the company develop and implement an approach to take forward this transformation. Initially working to identify technology on the market to support the transformation, Deloitte then led the subsequent technology implementation.

In order to deliver the time savings required it was critical that specific parts of the year-end in each jurisdiction were automated, allowing the tax team to focus on more value added activities such as analysis and review. The successful automation included a variety of tax adjustments differing by jurisdiction and the automation of the multiple IFRS to local GAAP and adjustments that this company encountered. With fixed assets a large part of this company's business, custom schedules and reports were developed to streamline and automate these complex calculations.

When the system went live, the company had a real time and transparent view over their tax position which had never previously been achieved. They were able to have confidence in the process through the dashboard providing visibility over their key performance indicators. By the end of the first year-end significant efficiency savings were achieved. The role of the tax team was transformed, allowing their time to be focused on strategic tax issues and not the mechanics of the process.

A U.S.-based multinational company sought to enhance its global finance and accounting area. Recognizing that its tax function was one of the largest end-users of the accounting and finance information produced by global finance, the company wanted to integrate the tax perspective into the transformation effort from the outset of the project.

Deloitte helped the company redesign the tax organization to align closely with the company's global operations and future expansion plans. The global nature of the initiative required a focus on tax processes and approaches that would work seamlessly in the United States as well as in other countries in which the company operates. As a result of the company's foresight to involve its tax leadership and function in the planning and execution of a global finance transformation, the company achieved not only tax efficiencies but also gained better visibility into its tax risks worldwide. The company now has the flexibility and tools to deal readily with changes in tax law, business structures, and the business environment. It also is positioned to address tax planning opportunities and manage its tax examinations around the world.

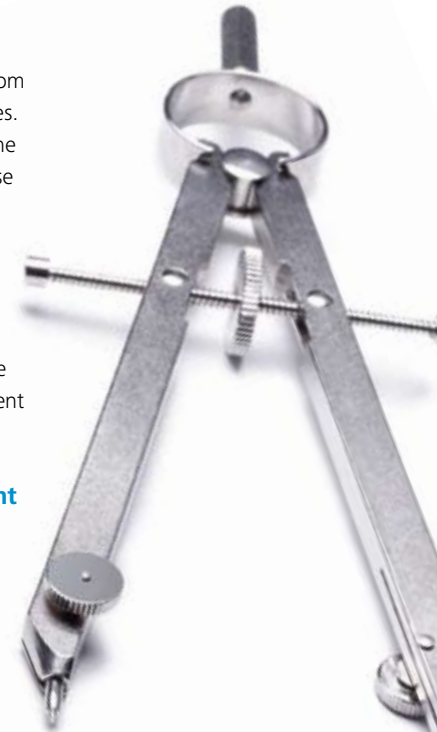
Building the tax department of the future

As the legal and regulatory environment continues to grow more complex, and as businesses continue to expand globally, leading-edge tax departments will play increasingly important roles in risk management and the overall performance of the enterprise. Achieving this next step toward the tax department of the future will likely require critical refinements, and these changes will likely require extraordinary efforts from corporate leadership, the board, the finance function, and the tax department itself.

Deloitte's Tax Management Consulting groups can help ease the transition. They have the skills, resources, experience, and tools — and a cohesive yet flexible approach — necessary to support a smooth migration from your current state to the next-generation tax department. Their teams are composed of specialists from a wide variety of backgrounds, disciplines, and industries. So as issues and opportunities appear, they can apply the resources necessary to guide and reinforce your in-house tax resources.

Uncertainty has become a fact of life in the global economy, yet it doesn't need to be a barrier to your tax department's performance. From record to report, Deloitte Tax Management Consulting teams can provide your organization with scalable, flexible, and cost-efficient options to address shifts in your tax operational needs.

Learn more about Deloitte's Tax Management Consulting services at www.deloitte.com/movetaxforward



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