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Tax Analytics

Tax directors around the world have come to recognize how the insights buried in their data can be used to make their organizations more effective and efficient. But at first glance, the value of looking at tax activities and issues through the lens of analytics may not be obvious. To understand the potential value of tax-related analytics, it helps to see some real-world examples.

What's at stake

Most tax directors haven't given analytics more than a moment's thought—and are in danger of getting lapped by their colleagues in other parts of the business. For an organization essentially built on data, this is an untenable position. When tax directors have difficulty answering analytics questions from their counterparts in the business, they'll begin losing the trust they've worked so hard to build up through the years. Meanwhile, those who can answer such questions will begin to engage in one of the most important conversations their business is having today.

Some tax directors worry they don't have access to the comprehensive, high quality data they need to support analytics. But that's no reason to sit on the sidelines. By tackling issues in bite-size chunks using information already at their fingertips, it's possible to generate focused insights that create real value for the business.

Analytics connections with other roles

CHRO | Employee travel patterns and immigration issues are only two of the many areas that can have a profound effect on exposure in state or country filing requirements.

CMO | Shifting customer buying habits, point-of-sale trends (online or in-store?), and other marketing concerns can have a direct impact on tax strategy and planning—and vice versa.

CIO | The CIO's long-term technology plans influence how the tax department gets its data, what form it takes, how deep it goes, and more. On analytics and beyond, it's important to collaborate closely so that tax leaders can understand and better manage the impact.

Crunchy questions for Tax

The top priority for any tax director is to ensure the company is consistently complying with tax laws in all jurisdictions and paying taxes as required. Over-paying and under-paying are both bad. So are surprises. Tax directors need to know that tax plans and processes are being followed. At the same time, it's important that tax activities be executed as efficiently and effectively as possible. Tight integration with the business can improve compliance while helping ensure tax activities are highly relevant to what the business is trying to achieve.

How can analytics help tax directors and tax organizations accomplish their objectives and serve the business better? Here's just a small sample of the important tax-related questions that analytics can answer.

Compliance

- Are the cash taxes paid to each jurisdiction appropriate relative to projected taxable income and statutory tax rates?
- Are major book-to-tax adjustments by jurisdiction trending in the appropriate direction given the overall business strategy?

Transfer pricing

- How can we tell if profit margins in specific countries are following our transfer pricing policies?
- Which specific product lines have unusually high or low profit margins?

Tax planning

- How can we improve effectiveness by reducing the number of assumptions in our tax plans?
- How can we track the correlation of our intercompany product pricing planning to our VAT implications?

Global provision

- Which monthly trends in book income, cash taxes, and effective tax rates can we identify to help us avoid surprises?
- Do the jurisdictional trends in book profits mirror the trends in effective tax rates?

Controversy

- How is employee international travel affecting our permanent establishment exposure?
- How can we extract transaction-level data from our ERP system to run mock audits by jurisdiction to evaluate potential exposure areas?

Indirect tax

- Can we test every single transaction to determine if an appropriate level of transactions are classified as exempt from sales and use tax?
- How can we verify on a country by country, transaction by transaction basis if we are applying for our VAT credits on a timely basis?