Deloitte.

My data is a mess.
Is analytics out of reach?

Data *with* purpose. Decisions *with* confidence.

It's a typical Thursday, and your tax department is busy preparing the quarterly provision. The CFO calls to share that the company is eyeing an acquisition. Negotiations have taken an interesting turn, and the CFO needs to know the impact on the effective tax rate of acquiring this business with complicated multinational operations. Fortunately, your analytics solution allows you to incorporate new data elements, run multiple scenarios, and present an interactive dashboard to explore possibilities with the CFO in a matter of hours.

Without data analytics, answering the question could take days of sorting through data, building spreadsheets, and developing a model.

Do you recognize your tax department in this scenario? Imagining how a tax analytics solution adds efficiency and informs the corporate decision-making process could be the catalyst that's needed to kickstart an analytics initiative.

However, many businesses put off taking the first step with analytics because they believe their data needs to be "near perfect." Their data and IT systems are always evolving, and existing ERP systems may be too disorganized and dispersed to provide any meaningful input. Often, the data is outside the control of the person or department responsible for analysis, and critical data may be missing or mislabeled.

You can't wait for perfect

While businesses can always improve at collecting, integrating, and standardizing tax data, the data itself doesn't have to be perfect to allow organizations to reap the benefits of analytics. There's no standard for what data is "good enough." Applying analytics can even help improve data by identifying anomalies, misclassifications, or missing data sets.
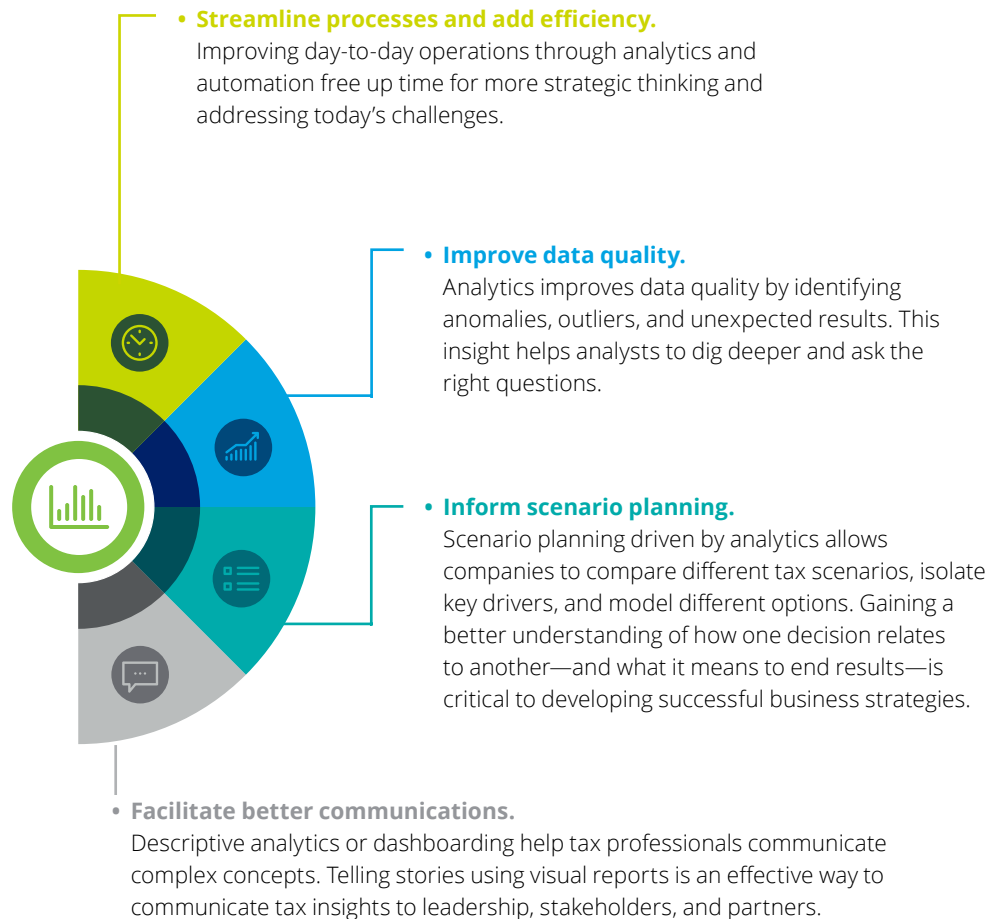
Even limited data sets can be used to help make valuable observations or predictions. In our typical Thursday morning example, you had built an analytics solution that focused on the key drivers of your effective tax rate but allowed a flexible input model to allow for complex scenario planning. And therefore, when the use for the solution

pivoted to a new acquisition, you were ready to quickly respond.

Today, tax reform is bringing dramatic change to the tax world. Data analytics can help provide the insights that businesses need to understand its implications and make better decisions. The business is moving forward even if the tax law is evolving. Analytics can help navigate the uncertain waters and enable data-driven decision making that embodies what's possible when humans work with machines to amplify one another's impact. The time is right to take the first step into tax analytics—use the data you have to help make the case and grow analytics from there.

Tax analytics: Why now? Why not!

Tax analytics combines tax technical knowledge and advanced information technologies to identity patterns and anomalies. It can help organizations change the way they think about tax issues and how tax implications impact business strategies

- **Streamline processes and add efficiency.**
  Improving day-to-day operations through analytics and automation free up time for more strategic thinking and addressing today's challenges.

- **Improve data quality.**
  Analytics improves data quality by identifying anomalies, outliers, and unexpected results. This insight helps analysts to dig deeper and ask the right questions.

- **Inform scenario planning.**
  Scenario planning driven by analytics allows companies to compare different tax scenarios, isolate key drivers, and model different options. Gaining a better understanding of how one decision relates to another—and what it means to end results—is critical to developing successful business strategies.

- **Facilitate better communications.**
  Descriptive analytics or dashboarding help tax professionals communicate complex concepts. Telling stories using visual reports is an effective way to communicate tax insights to leadership, stakeholders, and partners.

Take the first step

Every business approaches their analytics journey in a different way. At Deloitte, we help our clients understand their unique challenges and develop an approach that suits the goals and the current state of the organization. There's no "one size fits all" solution; the only requirement is realizing that your data doesn't have to be perfect to get positive results, then taking that first step. An enterprise-wide ERP transformation is not required; tax departments can get started with tax return and tax planning using the data that they have today.

Keep in mind that analytics is a part of a continuous effort that can help deliver greater tax insights, increase business revenue, understand and manage tax liability, and drive profit and shareholder value. Taking the first step can be the most challenging, but the rewards can be transformational.

Here's our approach to getting started with analytics:
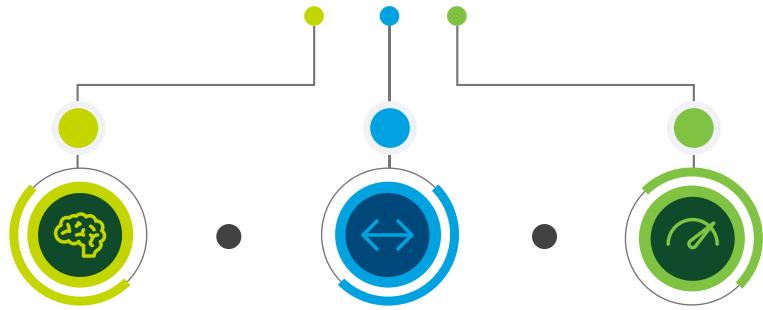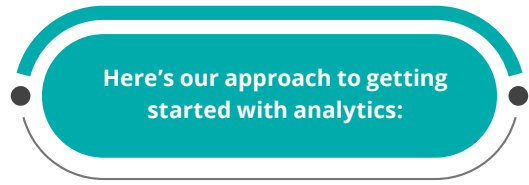
Think big.
Identify potential opportunities and look for areas with data from multiple sources, large amounts of data, significant time required to manipulate data, recurring analysis is required, scenario planning, and history of challenges.

Start small.
Prioritize opportunities based on value, risk, and ease of implementation.

Act fast.
Start with a proof of concept to help socialize the benefit, identify hurdles and risks, identify available resources, and educate others on tools and change management.

Analytics insights lead to more accurate returns

The tax department of a manufacturing company is using a state apportionment model and analytics solution that can be utilized throughout the year. This solution allows the department to run scenarios to better understand the state tax impact of changes in the business. It also allows them to validate apportionment information throughout the year and catch changes or mistakes before year-end.

When this company relocated major warehouse operations to another state, the tax department wanted to understand the shift in state tax. Not only could they see the future impact of the move, they noted that while payroll was no longer being sourced to the old state, the former state was incorrectly showing fixed assets. This insight allowed the tax department to notify the finance team so the asset ledger could be adjusted before year-end.

Start putting your data to work

Deloitte provides analytics solutions that are purpose-built for your circumstances, enabling you to address the specific challenges your tax department faces. We combine our deep tax knowledge with our hands-on experience across a range of data collection, wrangling, and analytics tools to help you deliver insights with efficiency and lead your team into the future with clarity.

Let's start a conversation:

Beth Mueller
Partner | Tax Analytics Insights Leader
Deloitte Tax LLP
Tel: +1 312 486 3861
Email: bethmueller@deloitte.com

Diana McCutchen
Partner | Tax Analytics Insights
Deloitte Tax LLP
Tel: +1 714 436 7702
Email: djmccutchen@deloitte.com

Ben Booher
Senior Manager | Tax Analytics Insights
Deloitte Tax LLP
Tel: +1 312 486 5412
Email: bbooher@deloitte.com

Adrienne Jamail
Senior Manager | Tax Analytics Insights
Deloitte Tax LLP
Tel: +1 313 396 3817
Email: ajamail@deloitte.com

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