



## Build, Operate, Transform, Transfer (BOTT): The new model for transforming and operating tax functions

### Mounting pressure on tax departments

Corporate tax departments operate amid a constant stream of challenges—regulatory uncertainty, mounting data demands, new tax policy changes, and ongoing digital transformation. On top of that, every modern tax department must continually plan for the future. What do you need to do, for example, to comply with Pillar Two? How can you find and retain top talent? And how can you do it all while keeping up with the latest technology?

Many finance functions have already embarked on operating model transformation in the form of building shared service centers (SSC) or centers of excellence (COE). According to [Deloitte's Tax Transformation Trends 2023 Survey](#), almost 75% of tax departments are interested in using outsourcing as a primary approach for certain tax activities. But for several reasons, tax adoption of these operating models tends to lag behind broader finance. It's hard to find, hire, and retain people with the required tax skill set. Manual tax processes may pose roadblocks to effective SSC transfer, and the analysis to determine which tax operations are ripe for transformation may seem daunting. In short, tax teams often lack the bandwidth to analyze processes, recruit and hire resources, and build a solid SSC team from the ground up.

To complicate matters, today's tax challenges are more complex than ever—and more strategic. Gone are the days when using SSC to reduce the cost of routine tasks and “do more with less” is sufficient. With AI, Pillar Two, reputational risk, and other highly complex factors entering the tax mix, you need more than operational efficiencies to stay competitive.

An alternative for talent access and digital transformation

Fortunately, tax leaders can consider another approach: Build, Operate, Transform, Transfer (BOTT). BOTT is a strategic model designed to help companies reap the benefits of an optimized operating model. For tax, these benefits include:

- **Improving internal processes**, including how tax teams manage data, workflows, and compliance.
- **Adopting new technologies**, from AI to automation, to make the tax department more efficient and sustainable.
- **Expanding access to specialized tax expertise**, effectively closing the talent gap, removing the burden of finding and upskilling talent, and providing an opportunity to inherit talent at the point of transfer.
- **Minimizing risk and limiting up-front investment**, allowing the service provider to build and operate the tax functions outlined in the services contract.

One way to think about BOTT is as a path to establishing high-powered in-house capabilities—providing rapid access to the people and technology needed for transformational change.

BOTT strengthens a tax department’s operating posture by filling talent and technology gaps while making processes, operations, and technology adoption more efficient and sustainable. A third-party BOTT provider will operate core tax functions and embed continuous improvement and transformation into the tax operations to provide benefits long after the contract ends.

How it works

You can think of BOTT as a multi-year service contract with a call option to take over the entire operation at the end of the contract. A third-party provider builds, operates, and transforms specific tax capabilities—from transfer pricing to indirect tax—for the client. Then, after three to five years, the client can take control of those functions, or leave them in the hands of the BOTT provider.

Here’s a quick look at how the BOTT model compares to traditional outsourcing:

Key differentiator	BOTT	Outsourcing
Nature of agreement	Significant flexibility	Limited, vendor services contract
Governance and control	Joint governance	Limited client control, largely vendor controlled
Integration with company	Integrated	Third-party relationship
Operating control	Company controlled	Vendor controlled
Degree of transformation	IP is tailor-made, company-owned, licensable	Pre-defined scope, processes, and technology
Talent transfer	Hired to spec, intended for transfer	No solicitation



The BOTT model unfolds in four key phases:

### Build

The third-party provider starts by analyzing the client's current operating model—including who does what, where and how tasks are performed, costs, and pain points—along with any upcoming technology, policy, or regulatory changes. This helps the provider design and build the BOTT model that will deliver the most value to the client.

### Operate

The provider hires, staffs, and runs specific processes or functions supported by transformation management, automation, and emerging technology. The operate period is generally a mutually agreed-upon, multi-year contract.

### Transform

Over the next few years, the provider adopts and integrates new technology, transforming business processes and capabilities. The goal is to fundamentally change how the client performs business processes and sees and solves problems.

### Transfer

At the end of the term, the client can bring functions back in-house, or continue to outsource them. The transfer may include talent, office space and other physical infrastructure, supporting functions, and third-party contracts.

## Common BOTT applications

Let's look at two organizational scenarios in which a BOTT model can be extremely effective:

### ERP migration

A tax department puts a lot on the line during an ERP migration or upgrade and hopes that IT is equally committed to tax issues. Often, though, most of the IT department will be tied up in the broader migration project, with little or no time to help design or test tax processes. Under a BOTT model, a third-party provider can take over specific tax functions during migration—relieving pressure on IT while operating and transforming processes and implementing new technologies. The provider ensures that data, technology, and processes are right, so everything can run smoothly and efficiently when it comes back in house.

### M&A

During mergers and acquisitions, companies must integrate new and existing systems. Without the resources to handle a tax systems integration, it becomes just one more challenge for the tax department. Using a BOTT model, however, the company can bring in a third-party provider with the bandwidth and expertise to document, standardize, and integrate critical tax processes. A provider may prioritize either operations or transformation, filling in wherever the client's needs and areas of expertise dictate.

## The BOTT model in action

### Addressing new tax regulations and work backlog at a large European bank

A large European bank used the BOTT model to address two different business scenarios. In the first, the bank was dealing with new tax rules and regulations. Specifically, the bank didn't have the internal capability to handle new custody rules related to asset management. They turned to a BOTT provider not only to hire and train people, but also to set up the entire compliance process. At the end of the contract, the bank had the option to transfer the talent back in house—not to mention intake the fully developed training processes, procedures, and governance that were all created while the provider was operating the tax function.

In a second scenario, the bank's existing tax team was falling behind with "XYZ" process and was unable to catch up, let alone scale. The BOTT model provided a stronger, more robust team to deal with the backlog. At the same time, the provider was able to set up the training and processes necessary to handle the regulatory and accounting demands on an annual basis.

### Supporting vertical integration at a large US life sciences and health care company

A large US life sciences and health care company was going through vertical integration and needed new technical tax capabilities for broader industry requirements. The company turned to a BOTT model, asking the provider to build on the company's existing platform with the provider's strong technical tax abilities and industry knowledge. The provider then operated and transformed the tax function during the integration into a single combined system. This included finding the most efficient and effective process for merging multiple tax processes and technologies together.

The third-party BOTT provider was able to challenge the status quo, which is especially valuable for a company with a highly capable tax function. The BOTT model proved to be a good alternative for interim help accelerating the adoption and integration of a new company.

### Streamlining tax compliance and improving data analytics at a large US financial institution

A large US financial institution was already using offshore models (in India) for customer service centers and wanted to explore a similar approach for tax compliance. The financial institution had recently brought online a new tax data warehouse, but lacked the deep analytic skills needed to benefit from the new information. In addition, the financial institution wanted to streamline the compliance process and keep the data secure. They elected a co-sourcing agreement, where they retained some parts of the compliance process in-house and used a BOTT model for other processes. The BOTT provider was able to provide the skill data analytic resources, streamline the data analysis process, eliminate duplicate processes, and identify new opportunities to use the data. Additionally, the BOTT provider helped the company understand best practices for using offshore resources for tax compliance and technology best practices for tax software and automation. The financial institution benefited from increased process efficiency and continuous process improvement—for example, materiality review.



## Five elements of BOTT success

To support transformative results, any BOTT strategy should contain these five elements:

**Design**, for the most critical scope of work, keeping in mind core versus noncore capabilities, as well as factors such as location, security, risk, costs, and priority.

**Leadership**, to sponsor change, promote an inclusive culture, and provide governance and oversight.

**Ongoing change and employee management**, to monitor progress, motivate teams, and communicate change.

**A diverse set of delivery models**, including agile development, to proactively and effectively address and deliver on business needs.

**Functional, local, and industry expertise**, to deliver efficient processes and business insights across the enterprise.

## A framework for moving forward

With the rising demands on tax departments showing no signs of abating, the BOTT model gives companies a flexible tool not only for surviving change, but for thriving and growing through it. With the support of the right third-party provider, the tax organization can access skilled talent, manage regulatory demands, and transform operations for continued strategic benefits long after the contract ends.

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