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Helping a leading TMT client transform to Operate

Tax and Business Advisory Operate | Shared Services Center

MAKING AN IMPACT THAT MATTERS since 1845

The challenge

Our client is a fast-growing consumer electronics company with 20+ manufacturing facilities, about 30 R&D Centers and 10+ joint laboratories in over 160 markets globally.

The quality of the tax data and the tax returns led to many problems, including tax audits, for a conglomerate with over 600 legal entities. The client would like to launch a tax transformation program with a tax shared service center at the core to fully standardize the tax work and enhance the tax team's capability to tackle complex tax issues.

Our solution

We conducted as-is analysis on multi levels along with maturity assessment of the selected business units for tax shared service centers to obtain a thorough diagnosis of the client's current tax management system. This involved interviews with the financial heads and the tax heads of more than a dozen typical business units and dispersed questionnaires to 130+ tax staff.

The findings and improvement areas identified then fed into the design of a future-proof tax transformation program, which visualizes the distinctive division of responsibilities among the three tax pillars (COE – center of expertise, BP – business partner, and SSC – shared service center) and the accounting functions.

The top-level advisory for blueprints and roadmaps will be supported by the project team's approach of "Advise - Implement - Operate" (A-I-O) which will accompany the client along its transformation journey.

The value/ outcomes

The SSC consolidating the tax functions downstream drives cost-effectiveness and transparency via centrally monitoring the tax performance and risks associated, thus achieves a total transformation of the tax function and unlocks potentials of the tax team to tackle complex tax issues. **It's expected that in the next five years, the efficiency of tax filing and invoice processing will increase by 80% and 90% respectively, saving over 60 tax headcounts and accumulatively about RMB 60 million related G&A expenses.**

A future-proof, 3-pillar design involving but not focused on SSC enables upstream value creation from tax strategy perspective and **achieves better buy-in and lower resistance** given the sensitivity of organization restructuring during the previous attempts that the client had. **It's expected that in the next five years, the effective tax rate of the client's group will decrease by 3% and the tax risk exposure will narrow down by over 50%.**

The "A-I-O" methodology and meticulous approach dealing with the various entities has endorsed the practicality and feasibility of the transformation, as well as the confidence that the staff across the client's group need moving on to the next phase of pilot business units' systematic design.

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