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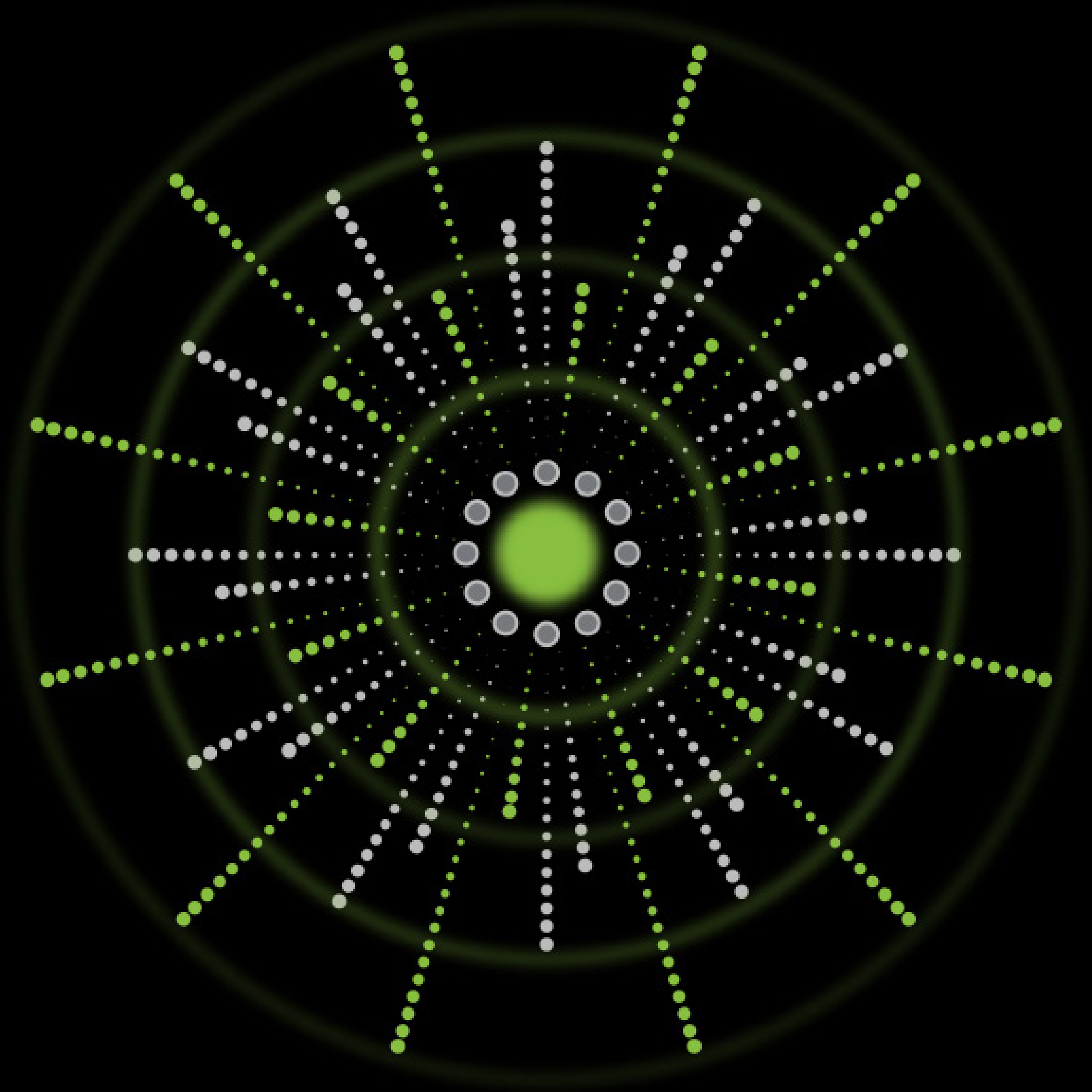
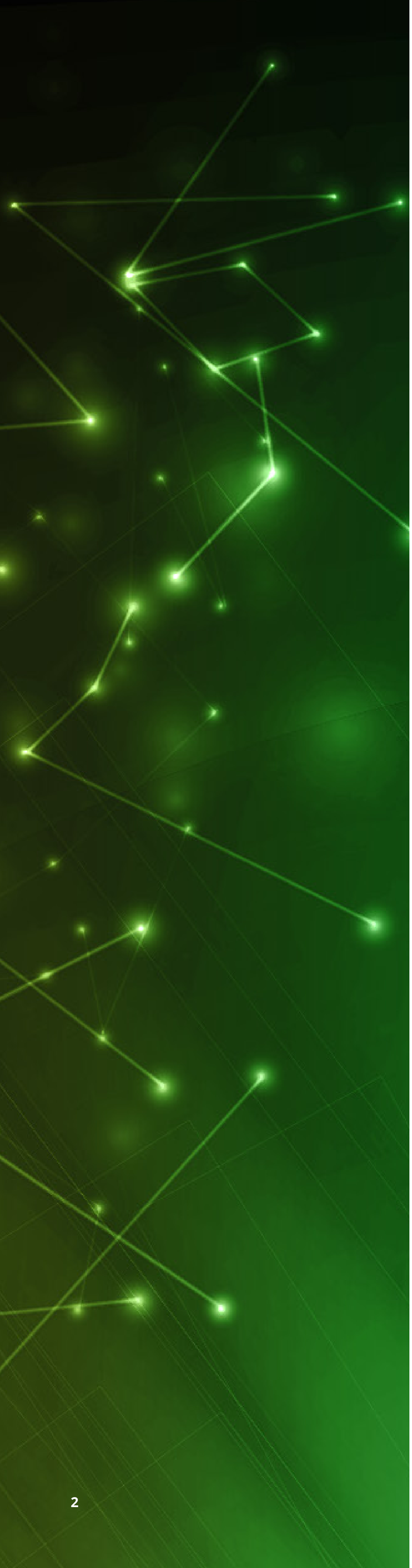


Heightened expectations for tax: Delivering business value

Global tax management survey



Introduction

As Deloitte's latest Global tax management survey (the Survey) highlights, many CFOs of multinational organisations are looking for their heads of tax to be trusted advisers by delivering greater value to the business. And while many tax executives embrace the opportunity, they're finding that delivering value can be easier said than done. After meeting many recent demands to cut costs, respond to technology advancements, and streamline processes, more continues to be asked of tax leaders. This is even more true today, as existing pressures are likely to be exacerbated by market disruption from the COVID-19 global pandemic and the potential economic impacts.

So how does a business even define the "value" it expects from its tax organisation in the first place?

Value may mean different things to different businesses. For tax leaders to deliver real value to their broader organisation, they first need to collaborate with the CFO and other key stakeholders to define an aligned vision of "value" in this context. There is no one-size-fits-all designation. Depending on an organisation's strategy and position, realising value from the tax group could mean:

- Enhancing tax risk management
- Reducing the costs of tax and tax management
- Anticipating what's ahead and identifying the tax implications of those potential challenges

Let's take a closer look at each of these important value drivers.

Driving value by

Managing tax risks

Effectively managing tax risks is a high priority for CFOs, as well their organisation's entire C-suite, board, and community of stakeholders. They expect tax leaders to not only protect the business from financial loss in the form of increased tax costs, fees, and penalties, but also to guard against potential – even weightier – threats of business disruption, reputational damage, or a loss of confidence in the business's financial statements.

Indeed, according to the Survey, CFOs are, first and foremost, looking for tax to manage risk by avoiding audit issues and financial penalties and ensuring no reputational fallout from tax.

This finding is in line with another key insight uncovered in the survey: "Ensuring quality delivery" and "improving control" were cited as the highest priorities for tax organisations by the majority of respondents. Maintaining quality and control are, of course, two fundamental factors to managing tax risk.

The same challenges that are making the management of global tax more demanding – ever-shifting regulatory requirements, fast-paced changes in technology, data overload, and a looming shortage of talent – are also raising tax risks. And they introduce potential issues that CFOs and tax leaders may not yet be considering – that is, the unknown unknowns – that could have a significant impact on the broader business. This amplifies the pressure on tax leaders to more proactively identify those risks and take the necessary steps to effectively manage them.

Driving value by

Reducing costs

CFOs often cite cost reduction as a key driver of value from their tax groups. This may include tax advice that helps lower their tax liability, as well as an actionable plan to reduce the overhead of managing tax across the organisation.

Unsurprisingly, lowering the overall cost of tax itself remains a high priority for CFOs. What's new are the higher expectations they have of their tax organisations to partner with other functions to enable more tax-aware decision-making. Because virtually every business decision or transaction has a tax implication, it's critical for tax leaders and their teams to become better advisers – that is, to blend their tax technical knowledge with a deep understanding of the business to help influence decisions with lower tax liability in mind.

At the same time, tax organisations are expected to continue to get the job of compliance and reporting done – and done well – by filing accurately, on time, in every country, and across every process. But now, they are increasingly expected to get that job done at a lower cost.

Tax professionals traditionally have spent a significant amount of time on tax compliance obligations. Conversations with executives from multinational companies revealed that tax compliance consumes, on average, 54 percent of a tax department's time.[1] Most executives interviewed said the proportion of time spent on compliance has increased in the past few years. And compliance responsibilities continue to grow, as organisations grapple with the impact of tax reform in the United States and the expanding regulatory requirements in jurisdictions around the world. For many tax leaders, the call to reduce costs in today's more complex environment is a tall order.

In addition to finding ways to lower the cost of compliance and tax management, tax leaders are looking to increase efficiencies and to shift their departments' time priorities away from low-value, past-looking tasks to more strategic, higher-value activities. Those activities, in turn, can uncover new insights that help lower the business's overall cost of tax.

Driving value by

Anticipating what's ahead

Even as tax leaders face unprecedented, ever-shifting challenges, their CFOs are looking for them to better navigate the uncertainty, and anticipate what's ahead. There's a growing expectation that tax leaders need to see the big picture of challenges and opportunities on the horizon and to prepare for them by developing plans that are agile enough to accommodate an environment of constant change.

While this may be a challenging task, organisations typically already have what's needed to deliver on that expectation: data. The key is turning the volumes of tax data into actionable insights – insights that can help answer business questions like:

- As we work with other business functions to optimise our company's supply chain, what are the most tax-effective locations for our operations, assets, and business partners?
- As we help to analyse whether to move forward with an acquisition, how can we quickly understand the tax implications of our business's combined footprint?
- How will new and upcoming VAT and GST obligations affect our plans as we expand our presence in digital marketplaces around the world?

To add value by better anticipating what's ahead, tax leaders are starting to use ever-increasing volumes of data in new way: They are shifting from a "Here's what we've done" perspective to a "What should we do next?" mindset. They are unlocking the data they have long used for compliance and reporting to uncover valuable perspectives, thus helping their organisations to draw clarity out of ambiguity to influence positive business outcomes.

Defining your value profile – and taking action to realise it

For most organisations, value is a combination of the priorities to better manage risk, reduce costs, and anticipate what's ahead, as well as others deemed necessary for their business.

Once value is defined and agreed upon, the tax leader can execute practical steps to deliver that value. To begin, the tax leader should work with business leadership to develop a clear roadmap with stated goals and objectives for value delivery, including key metrics to measure and report progress. This way, the business can easily see the contribution the corporate function is making. As a starting point for the roadmap, here are some ways tax organisations can begin to realise value in line with the priorities described above:

Better manage risk

In addition to designing and implementing a stronger tax risk internal controls framework, organisations can deploy new technologies, especially analytics, to identify challenges and opportunities and to help balance what they know with what they don't know to better anticipate and manage risk.

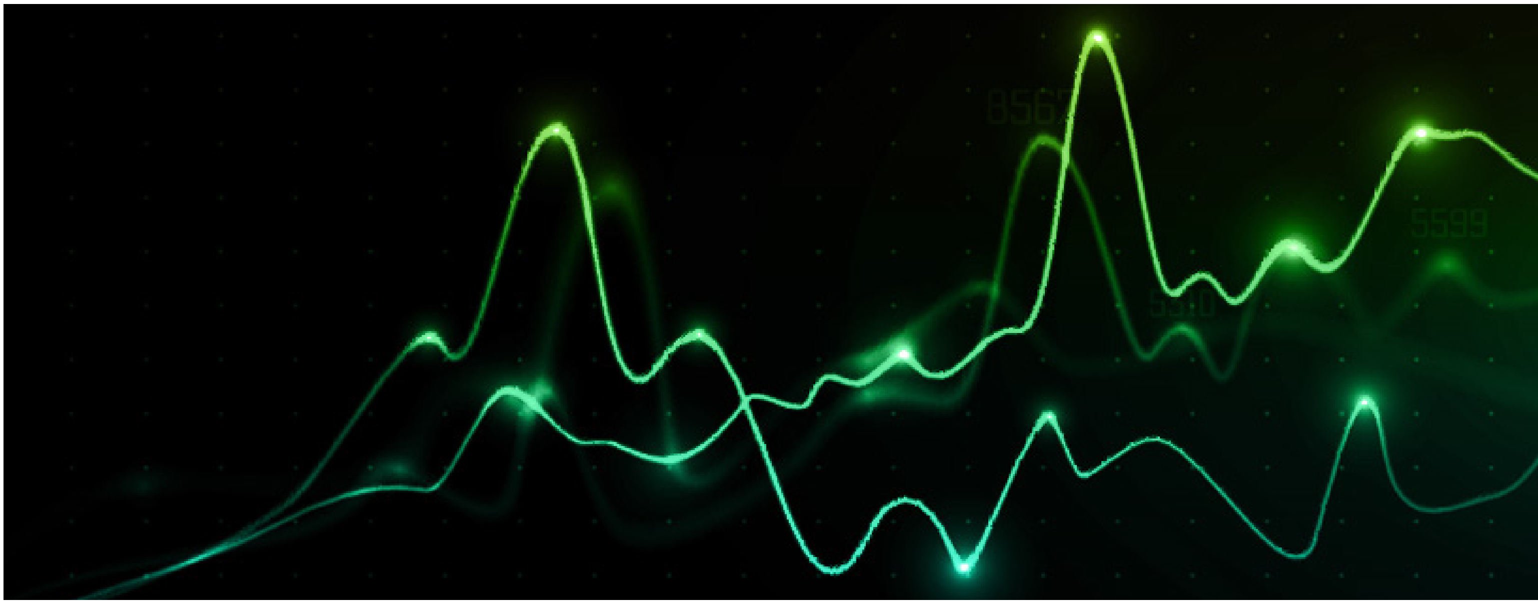
Lower costs

Alternative resourcing models like shared services or outsourcing can help lower costs related to traditional compliance and reporting, while new technologies can bring efficiencies that further reduce the cost of tax management. Freeing up tax talent to focus on more strategic activities and providing them tools like analytics and data-wrangling allows them to identify new ways to help lower the cost of tax itself.

Anticipate what's ahead

Analytics, data-wrangling, and scenario planning tools are instrumental in helping tax talent leverage vast amounts of data to anticipate future changes and develop plans that are agile enough to accommodate today's environment of constant change.

Whatever the driver, there's a common thread of three critical areas of focus that can help tax organisations deliver more value to the business: technology, tax talent, and alternative resourcing models.



A roadmap for technology ROI

New technologies are a common go-to solution to drive incremental value. Tax leaders are increasingly embracing technology deployment to realise tax risk management improvements, cost savings, and more future-focused insights.

It is important for tax leaders to understand that technology is not purely related to compliance and reporting. In fact, it extends beyond the corporate tax function and its own budget. To realise value by effectively using technology, tax leaders need to engage with the IT and finance functions, especially when it comes to enterprise resource planning (ERP), data management systems, and analytics.

Tax leaders need to consider how a tax technology plan should be developed. This involves considering a technology architecture that will fit with the wider business infrastructure and that of external providers as needed. With this big-picture approach, and in line with organisational goals, they will be on their way to uncovering and delivering new value – and realising ROI – through technology.

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The new tax talent landscape

Thinking ahead about how tax talent is sourced, acquired, and leveraged in the future can be critical to value realisation. This requires looking beyond the skills traditionally seen in the corporate tax function toward new capabilities – especially analytic and strategic skills – and questioning how those will be discovered, employed, and developed. Tactics most likely will include outsourcing and even flexible resourcing models such as crowdsourcing.

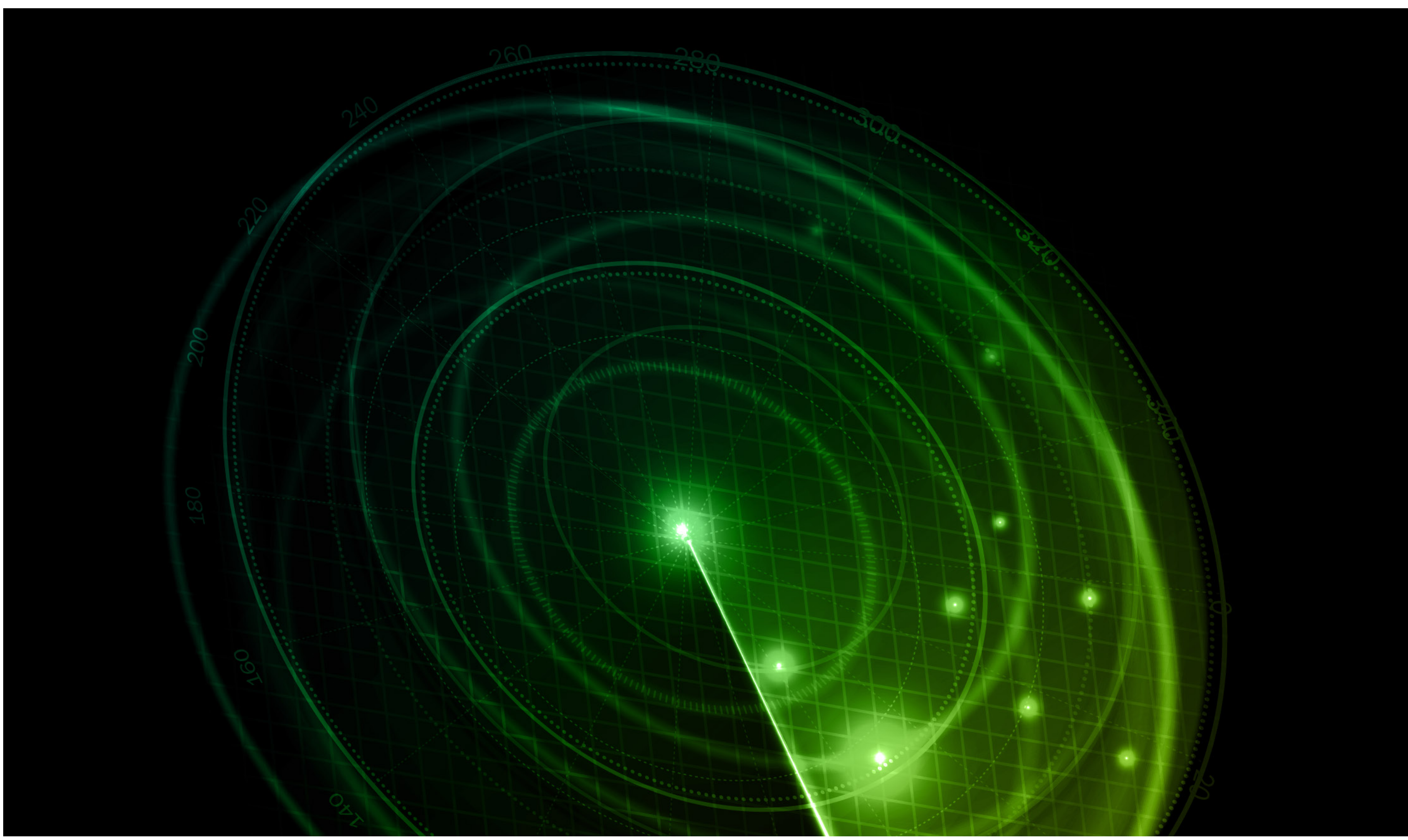
Tax leaders will also consider the role of the corporate tax function of the future, as it potentially moves away from processing and reporting to more value-based activities. Understanding what this might involve, and the people required, will go a long way in setting the stage for tax to deliver real value to the organisation.

Resourcing for value

As with the definition of value, there is no one right answer for an organisation's approach to resourcing tax compliance and reporting processes. Specific circumstances, commercial goals, internal tax controls, and risk profiles are among the determining factors for resourcing solutions for any organisation.

Analysing different resourcing models to deliver incremental value involves looking at potential cost objectives, culture, market data, and business risks to understand how these factors might influence the path forward. This will help leaders determine the appropriate design in line with their organisation's priorities.

It is also important to note that the choice of a resourcing model is a journey, not a permanent destination. As tax leaders strive to deliver incremental value and the business environment evolves, they will need to be flexible and reassess their resourcing models to achieve the desired results.



Putting it all together

It's time for tax leaders to move beyond the traditional imperatives of ensuring quality and maintaining control in the management of global tax – those priorities are table stakes today. To become a strategic member of the executive team, tax leaders need to engage across traditional organisational boundaries to add more value in line with their CFO's priorities, which likely include risk mitigation, cost reduction, and an ability to anticipate what's ahead. Clearly defining value and finding the best mix of approaches to deliver it are a new call to action for tax leaders.

Tax leaders today have a wealth of options available to develop a value-focused action plan, one that can be enriching to their organisations – and their career journeys – as they become a trusted business adviser.

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Endnotes

1. Deloitte, Tax compliance in a digital world, 2017

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