

**Tax leaders retool their operating
structures to increase flexibility
– and realise more value**

Global tax management survey



Introduction

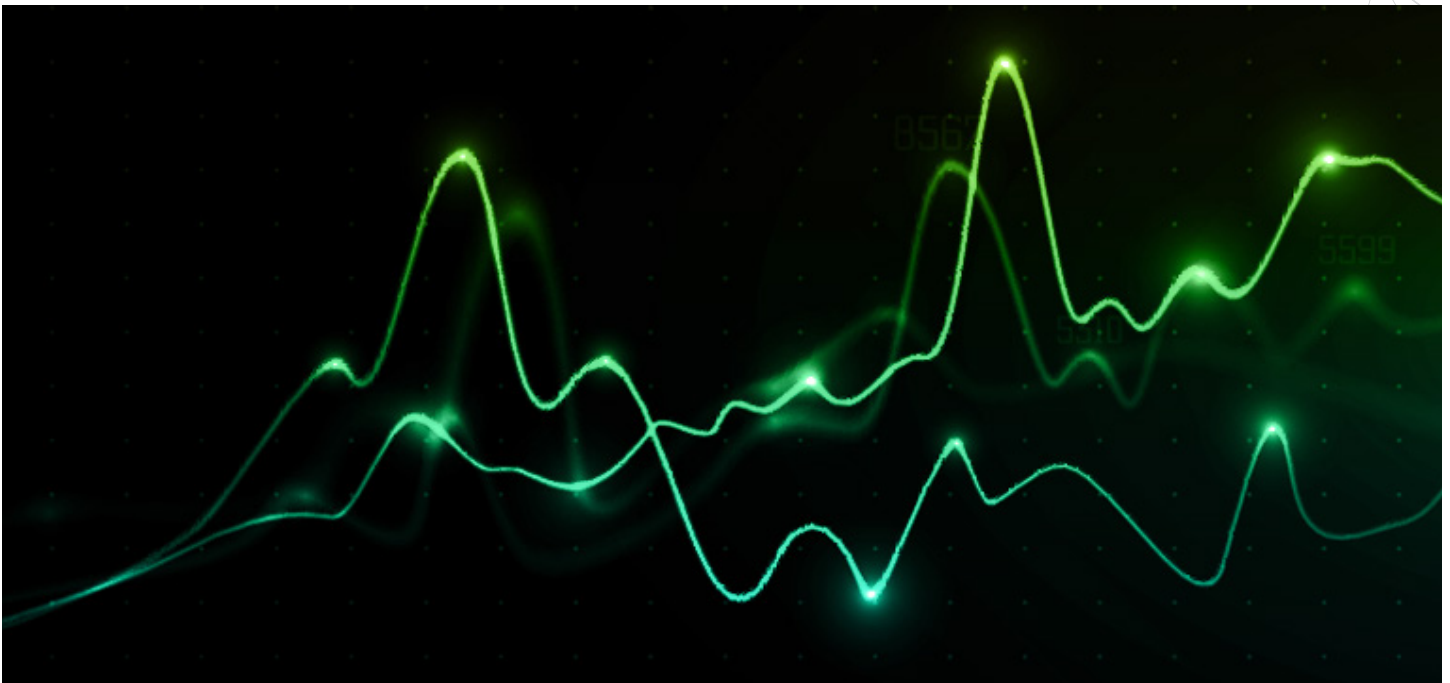
Facing heightened expectations from their CFOs to do more with less – and to become more agile to fit new realities resulting from the COVID-19 global pandemic, including the likelihood of continued remote work for many professionals – tax leaders in multinational businesses are refocusing their operating models as they modernise their organisations to meet the future.

According to Deloitte's latest [Global tax management survey](#) (the Survey), tax leaders are looking to gain control through greater visibility, transparency, and governance globally. To do this, the majority of Survey respondents revealed they are evolving their tax operating models with the organisation's approach to technology, talent, data, processes, and governance in mind.

Tax leaders are changing how they deliver services in different ways, with many looking for support from a broader ecosystem. Some are keeping operations in-house, building capabilities in flexible and scalable technology solutions while leveraging global business or shared services centres. Others are outsourcing some of their core tax obligations, freeing their teams to focus on strategy and planning. Still others are starting to deploy an **Operate model, in which all or a portion of the tax function is operated by a third-party service provider.**

There is no “one-size-fits-all” solution to resourcing tax compliance and reporting. The specific circumstances, commercial goals, risk profile, and culture of an organisation will determine the path its leaders and stakeholders will want to follow.

Let’s take a brief look at more insights from the Survey, the resourcing options available, and the factors that might lead to different solutions as organisations consider the right blend of resources for their tax function.



The tax operating model journey

While preferences for operating models vary across organisations, the direction they're taking suggests that the majority of tax leaders aspire to move some processes out of the core tax function to other, more dedicated process-focused resources. As noted above, these options could either be in-house via finance or shared services centres or external via traditional outsourcing or more recently evolved Operate models.

The Survey results indicate the resourcing of the various models is still something of an evolved "patchwork" of arrangements across different reporting processes and, often, regions and countries. Historically, however, these solutions were rarely designed with intention.

But that's rapidly changing as tax leaders look for ways to deliver services – and higher value – more quickly and efficiently.

As tax leaders consider transforming their operating models, it's important to view these changes as a journey, rather than a permanent destination. Now more than ever, tax functions

must be agile, with the ability to "dial up" or "dial back" operational tax responsibilities as internal and external challenges arise. Indeed, they must retain some measure of control of the process or "platform" to allow for flexibility to move from one resourcing model to another – and from in-house to outsourcing models, and back again – as business needs change, often due to changes in organisational structures, new leadership, or external forces.

Keeping it at the core

Survey respondents shared that the bulk of tax work is currently performed internally by their organisations, delivered by a mix of resources within global tax, other parts of finance, and shared services centres. As shown in figure 1, 75 percent of respondents' tax organisational tasks are performed in-house across seven key tax processes.

By insourcing select processes, tax functions invest in creating their own digital futures by maintaining full control of their data and systems. They also keep their talent for those processes in-house, with teams often composed of tax professionals supported by resources in other functions or a shared services centre.

The Survey shows the largest relative increase in operating models is the use of shared services centres. This trend was predicted in the findings from [Deloitte's 2019 Global Shared Services Survey Report](#), which found that shared services centres will become more digital, global, and complex as they strive to provide nimble and efficient services, stronger customer care, and high-impact business outcomes.

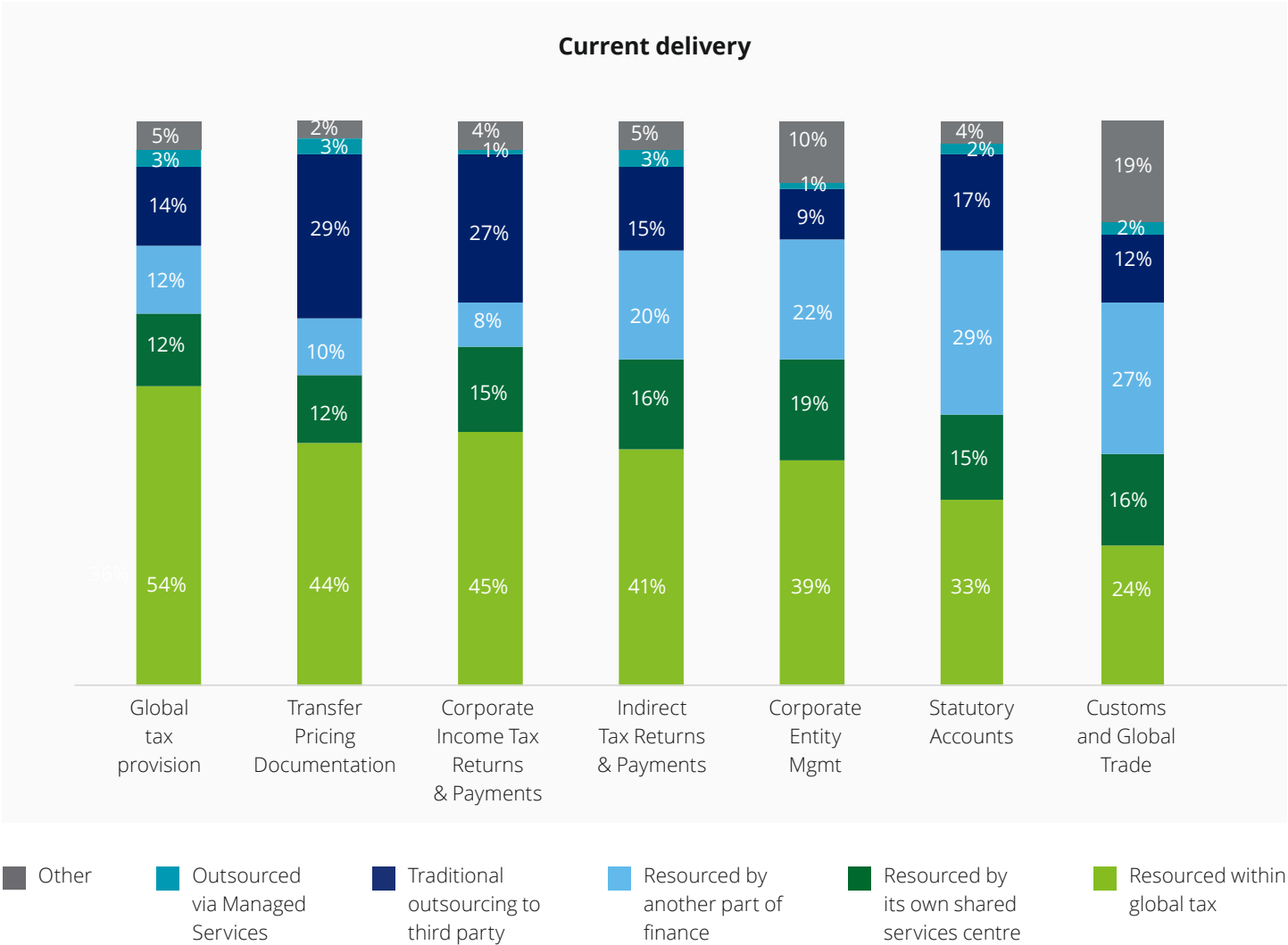
Sourcing talent internally, regardless of function, requires updated training and development programmes to maintain a skilled and adaptable workforce. This approach also calls for investment in developing and hiring tax professionals of the future to attract and retain the right people.

Tax organisations that mainly leverage in-house resources often engage with the business in finance transformation, thus building the capability to meet growing demands for increased data transparency and granularity. They also often make strategic technology investments, through which they deploy technology in an agile fashion, train people to use it effectively, achieve quick wins with automation, and proactively improve how they partner with IT and the business.

When relying primarily on internal resources to deliver tax processes, organisations must be willing to invest adequate time and budget to setting a strategic technology and transformation roadmap and have confidence that their people possess the skillsets to execute that roadmap. Those tax functions can then meet the challenge to modernise their organisations while maintaining control of operations and driving long-term value for the business.

[Read more about skillsets organisations should consider when seeking tax talent to deliver on future expectations](#)

Figure 1: Current delivery of tax processes



Reaching out

18 percent of Survey respondents' tax organisational tasks are outsourced to a third-party provider, making traditional outsourcing the second most common resourcing approach taken by surveyed organisations.

Outsourcing is a go-to solution for organisations that are looking for:



Eased burden of compliance



Efficiency and risk mitigation through process automation



Scalable talent model for resources when and where needed



Strategic internal talent deployment



Streamlined data collection and management



Advanced data insight, analytics, and reporting

Third-party outsourcing allows tax functions to shift elements of their talent and technology expenses to an external provider. It allows organisations to get the benefits of the latest technology solutions without the cost of ownership. Outsourcing also transfers some internal risk to a provider's support and infrastructure. And, by shifting many repetitive compliance tasks to the provider, outsourcing allows internal tax talent to focus on strategic initiatives and find potential new areas of value to the organisation.

Evolving further

While outsourcing has long been a go-to model for tax organisations, one of the new trends is outsourcing on an Operate model basis. According to the Survey results, this is especially common at the largest companies (by global revenues) for whom the compliance reporting task is the greatest, and in smaller organisations that operate in fewer than nine countries and that have likely never built strong internal resources for global tax.

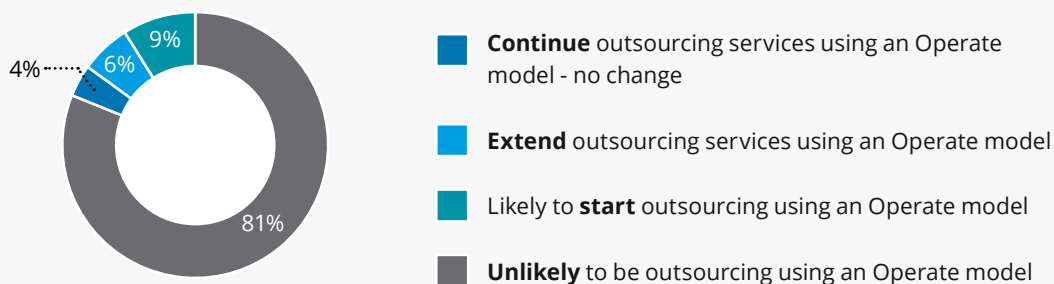
The Operate model also appears more attractive to organisations that already have highly centralised tax structures in place, as well as a more sophisticated governance and technology profile. These companies see the potential benefits, like predictable costs and access to a broader resource base. Some are also interested in trying an Operate model on a more limited scale, perhaps by starting with a single reporting process.

The Operate model offers many of the same benefits as outsourcing, including strategic talent deployment, risk mitigation, cost savings, and access to new technologies. But because some of an organisation's tax talent will likely move to the Operate model provider, they receive training and support from the provider, which strengthens their capabilities and adds value to the organisation.

One example of this is when an organisation transitions indirect tax compliance to an external provider for a given length of time. As the external provider provides the indirect tax services, they may simultaneously work with the organisation to streamline and standardise disparate processes from various finance functions in order to gather the data needed to provide the tax service. The provider may also help train the organisation's remaining tax and finance professionals, ultimately enabling the new processes to be transitioned back in-house and managed by the organisation's shared services centre.

With nearly one in five survey respondents planning to use an Operate model for one or more compliance and reporting processes, this approach has caught the attention of tax leaders.

Future outsourcing using an Operate model (in next three years)



The way forward: Different paths for different organisations

As tax leaders increasingly respond to the call from their CFOs to add more value, they are seeking resourcing options outside the core tax function – both internally and externally. And, of course, the solution that works best for each organisation is different, based on their own circumstances, goals, risk profile, and culture.

But overall, the appetite for centralisation of resourcing and delivery models continues to grow, along with outsourcing options, including the consideration and trial of an Operate model.

For tax departments to find the model that both suits their current needs and is flexible to scale in the future, tax leaders need to identify their most significant challenges, prioritise those challenges, and examine their existing resources. Resource constraints vary for tax departments, and while some have the capabilities in-house to deliver on the most pressing demands, many need to supplement with resources either outside of the tax function or outside of the organisation.

Technology skills are especially important, given the likelihood of virtual work environments continuing in some way for many businesses. Whatever the

source, tax functions will need the skills to properly use available technologies, interpret data analytics, and address the ever-changing regulatory environment.

Given the uncertainties of today and tomorrow, as well as ever-increasing regulatory, economic, and talent pressures, it is critical for tax functions to make a choice on a model to meet current realities while maintaining the flexibility to adjust their model as needed in the future. Indeed, whichever course a tax organisation chooses, it is important to note that it is subject to ongoing shifts. Alternative resourcing models may offer promising opportunities for tax leaders to realise the vision of the future tax organisation as they strive to deliver more value to the broader business.

Authors and contributors

Richard Chadwick

Tax Partner
Deloitte UK
+44 20 7303 0256
rchadwick@deloitte.co.uk

Emily VanVleet

Tax Partner
Deloitte Tax LLP
+1 404 631 2715
evanvleet@deloitte.com

Andy Gwyther

Tax Partner
Deloitte UK
+44 20 7303 4051
agwyther@deloitte.co.uk

Deloitte.

The CTO Program

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Profile

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organisation") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 312,000 people make an impact that matters at www.deloitte.com.

Disclaimer

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organisation") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

Copyright © 2020. For information, contact Deloitte Touche Tohmatsu Limited.