



TAX NEWS & VIEWS PODCAST

Episode - Redesigning your supply chain: Find the opportunity

Host

Carrie Falkenhayn, Tax Partner, Deloitte Tax LLP

Speakers

Jivan Datta, Tax Partner, Deloitte Tax LLP

Austin Von Alst, Tax Senior Manager, Deloitte Tax LLP

Carrie Falkenhayn: From Deloitte Tax, welcome to the Tax News and Views podcast. In this series, we talk to specialists from Deloitte about the latest business issues and developments. I'm Carrie Falkenhayn, your host for Tax News and Views, and today we're talking about a topic that's certainly been in the headlines a lot lately, and that is supply chain.

Joining me today to talk about recent supply chain trends are two of my Deloitte colleagues from Deloitte's Value Chain Alignment Practice. With me are Jivan Datta and Austin Von Alst. So, welcome you both to the podcast. Jivan, I'm going to start with you, and what we've been seeing is organizations taking a much closer look at their supply chain operations in recent years, for a variety of reasons. From a tax perspective, these changes can have major implications, of course. Can you talk a little bit about how Deloitte Tax is advising clients as they assess transforming their supply chains in a way that both improves resiliency while also understanding and managing the related tax consequences?

Jivan Datta: Thanks, Carrie. Deloitte's tax value chain alignment practice helps organizations align their supply chain operating models with their global tax strategy. This enables leaders to better understand the implications of their effective tax rate. Cash taxes, and controversy risk as, say, think about business transformations. Our focus really is balancing operational and tax considerations together so clients can transform supply chain operations without creating incremental tax costs Compliance burdens, or audit

exposure. Companies today are navigating a number of things, such as ongoing supply chain disruption and cost pressures. Driving redesigns of their Global footprints, their sourcing strategies, and their distribution networks. The supply chain disruption, whether through geopolitical and trade uncertainty, rapidly evolving tax laws and changes that oftentimes heighten. Expectations around transfer pricing, the global minimum tax considerations, and indirect tax rules, and then the increased scrutiny from tax authorities around legal structures, substance, and where value is created in this highly technological world. We help clients respond by evaluating whether their organizational structures, footprints, functions, and intercompany transaction flows are aligned with how their supply chain actually operates. And what that means for transfer pricing, direct and indirect taxes, customs and trade, and compliance. A key part to the work is to help demonstrate the purpose and substance behind an organization structure, their international footprint and presence, their operating model, so that the tax outcomes are supportable and defensible. Our approach is broad-based and looks across business processes, systems, legal and organizational structures, location decisions, regulatory considerations. Direct and indirect tax. Finance implications and customs and trade, including incentives and credits. The broader goal is really to assist clients building agile supply chains that are not only more efficient, but also more resilient, adaptable, and sustainable over time. And continuing to remain supportable and defensible from a tax governance and controversy standpoint.

Carrie Falkenhayn: Austin, I'm going to turn to you now. AI investments are accelerating across everything, it seems, and the tax implications can show up in places that maybe organizations don't always expect. What are you seeing, in terms of AI and other advanced technologies that are driving the biggest changes across the value chains? And what are we seeing with clients as they evaluate tax impacts, maybe incentive opportunities. And the governance that's needed as these investments scale.

Austin Von Alst: Thanks, Carrie. And this is certainly a hot topic for all of our clients. AI is reshaping how organizations operate across the value chain, driving efficiency, reducing costs, and unlocking new sources of growth. From demand forecasting that cuts inventory waste to dynamic pricing that shifts that lifts margin, AI is creating tangible value at every stage of the business. Specifically, looking at product R&D, faster development, smarter IP ownership decisions, sales and go-to-market changes, dynamic pricing that's coming online, supply chain and operations through the demand forecasting, leaner inventory outputs.

And additionally, the technology and data, optimizing cloud spend, smarter sourcing, cleaner data flows. All these AI decisions are leading to tax implications. AI investment decisions are deeply interconnected. Choices about where models are trained, where data sits, or where decisions are made can shift effective tax rate, cash taxes, the credits and incentives that are available to a company, and the compliance obligations. And often these decisions may happen before tax teams are even in the room. At Deloitte, we are advising clients to capture value from AI and broader technology investments by translating technology possibilities into clear operating choices for stakeholders. And then designing a tax approach so it supports the business goals. Business goals maintains or reduces cash taxes while reducing tax risk and surprises. Overall, our role is to help clients integrate AI-enabled change into a new or existing tax operating model, aligning people, process, data, and technology to the business strategy, building governance and controls that drive tax savings, reduce risk, and improve audit readiness. Generally, we've been seeing a lot of work with our clients supporting the tax operating model designs. What roles are in the AI business framework, how they're partnering with different businesses, and those tax implications and the value capture that comes with those through transfer pricing, direct and indirect tax, customs and trade where relevant, and also the credits and incentive space. And then finally, looking through the implementation realities, what are the realities of implementing an AI investment like this, and what does it mean to their business and their tax footprint?

Carrie Falkenhayn: When clients consider different supply chain scenarios, like maybe shifting their manufacturing, or changing their principal structure, maybe regionalizing distribution, there can be big downstream impacts. So, what are we seeing in terms of helping clients quantify and compare the tax consequences of these scenarios, and so that they can make the decisions, with confidence?

Jivan Datta: Thanks, Carrie. Again, this is, in today's day and age, it's a great question, because of the complexity regarding tax and operations in the business, one core example is, our tool called Supply Chain Intelligence. It's a software which really transforms and helps connect the operational scenarios with the potential tax and financial outcomes. And so, with that, SCI combines legal entity data with financial metrics. Transaction flows and supply chain roles and relationships into one interactive environment. This helps teams explore connections across the value chain in a more integrated and visual way. With SCI, Deloitte Tax can help clients as they vision-wise their global operational footprint. It can then access key financial and tax-relevant metrics, profitability, functionality, cost to serve, and those inputs on either ETR or cash tax considerations. It can then map supply chain transactions, identify potential risk across transfer pricing, direct and indirect taxes, and customs. And then it can model various strategic scenarios illustrating what those outcomes mean to the business, but also from what they mean for tax. And this helps move the conversation from a one-off analysis to an integrated business planning opportunity. It allows tax and clients to test questions such as, what happens if we change our manufacturing footprint? What happens if we change our networks to more of an agile, regionalized perspective? What are the business model tax and documentation? Substance requirements of those changes that may impact functions and or flows. SCI enables Deloitte Tax to help clients better understand the downstream impacts of decisions across tax, finance, operations, and around the broader business strategy.

Carrie Falkenhayn: Well, thank you both for your insights on this timely topic. If our audience is interested in learning more about supply chain and value chain alignment. Please feel free to visit [Deloitte.com](https://www.deloitte.com) and search for, supply chain and value chain. You could also reach out to Austin or Jivan directly via LinkedIn. As always, thank you for joining us. We hope you dial in next time. Be well, everyone. Take care.

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