

## The management of tax: discovering value and delivering confidence

2020 Global research bulletin





# About the survey

Informed by extensive and independently conducted market research spanning the last decade, Deloitte's insight into the management of tax by the largest multinational businesses continues to grow.

Since the first survey was conducted, Deloitte has commissioned biennial independent global market research studies with senior tax decision-makers, culminating in this fifth and most recent iteration.

The research studies the main aspects of the management of tax globally, exploring operating models, resourcing, and the use of technology to uncover what is driving behaviour, priorities, and objectives. This year, the research also includes in-depth interviews with chief financial officers (CFOs) and chief accounting officers (CAOs), selected from among the largest global organizations.

Ever-shifting regulatory requirements, fast-paced changes in technology, data overload, and a looming shortage of talent are among the pressing challenges making the management of global tax more difficult and demanding than ever.

Is it possible for global tax organizations to find peace of mind amid the chaos?

According to a recent survey commissioned by Deloitte, tax departments are starting to make progress by finding new ways to structure their organizations, embrace technology, and deliver value to the business. While respondents are in the early stages of finding new ways, there's promise on the horizon thanks to the increasing adoption of new approaches, tools, and insights.

Our survey global tax groups are focused on delivering in six core imperatives:





### Get it done

Doing the job of compliance correctly by filing accurately, on time, in every country, and across every process.



### Gain control

Maintaining visibility and governance at a global level, and control at a local level.



### Reap more from less

Reducing the overall cost of delivery and risk management, and increasing return on investment.



### Face the future

Ensuring the organization is prepared for tomorrow's challenges.



### Discover value

Freeing up talent to explore undiscovered areas for new opportunities for tax and the overall business.



### Deliver confidence

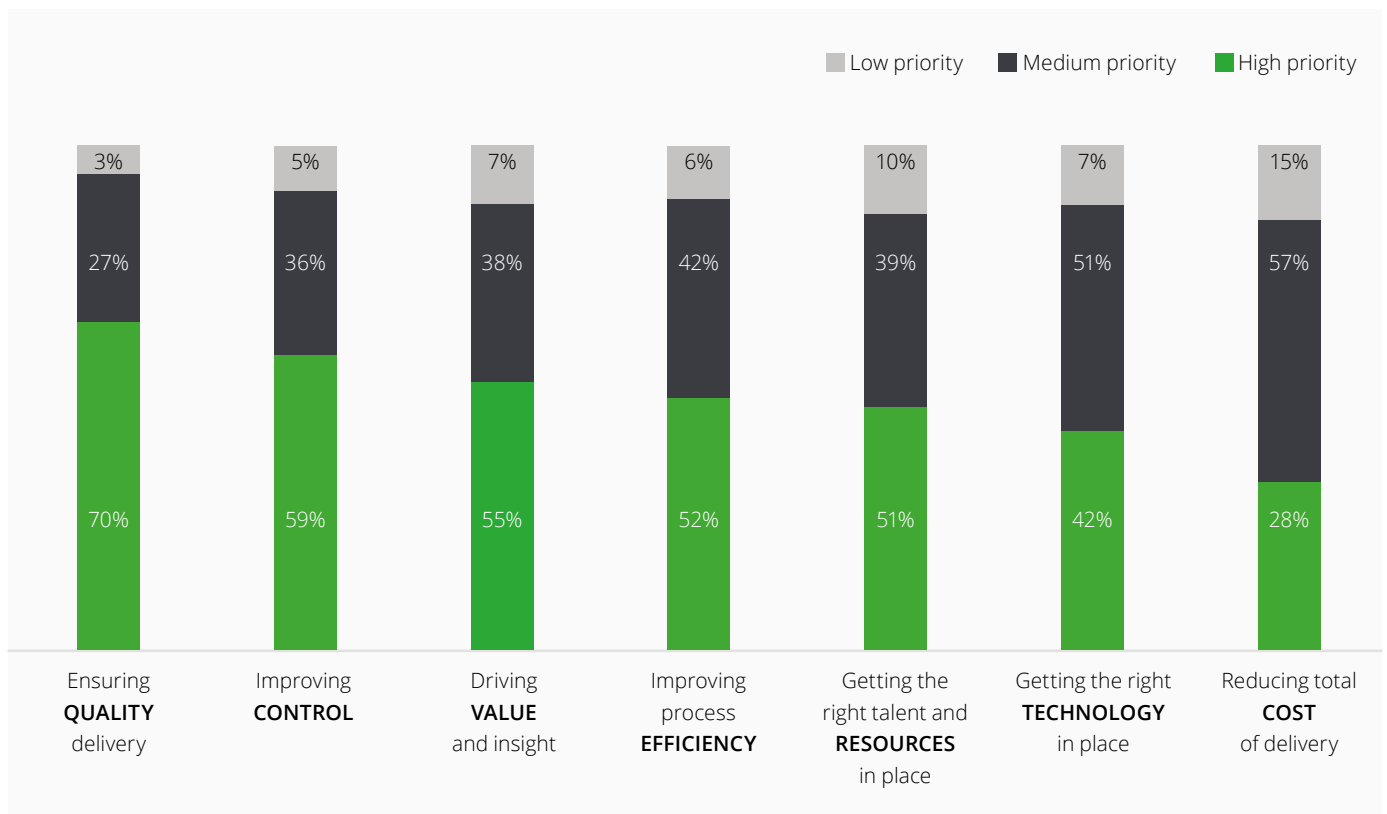
Being a trusted advisor to the business by not only meeting global compliance and reporting expectations but also by bringing valuable insights to the table.

The results of our survey, which follow in this report, highlight the priorities, strategies, and actions of tax organizations to strengthen their delivery of these imperatives, and thus to bring that sought-after peace of mind.

# Delivering tax imperatives in challenging times

The survey results amplify the essential functions of the tax department, highlighting the top concerns of tax leaders.

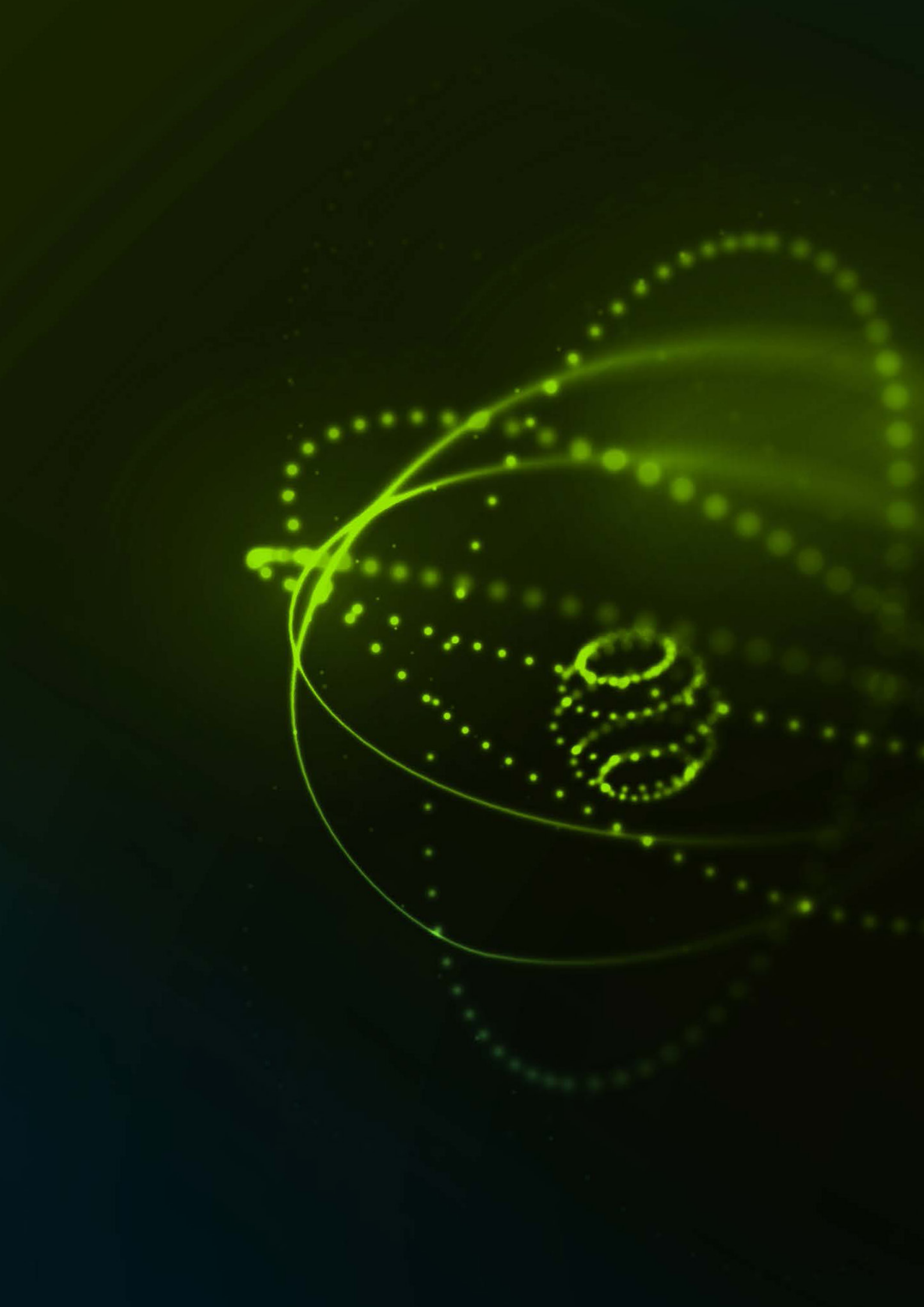
## Priorities for the organization and management of tax globally



Quality and control are seen as essential hygiene factors for the effective management of compliance and reporting by global organizations—indeed, ensuring quality delivery and improving control are fundamental to a tax department’s priority to get the job done well. With that goal accomplished, tax leaders can focus on more ambitious targets, as noted in the survey results.

The evolving sense of ambition is led by a desire to drive value and insight. Improving process efficiency also remains a priority. The growing focus on business-partnering and a desire for tax to deliver commercially (as identified in subsequent interviews with CFOs and CAOs) are most likely behind these shifts.

Let’s take a closer look next at the broader survey results through the lens of each of the tax organization’s imperatives.

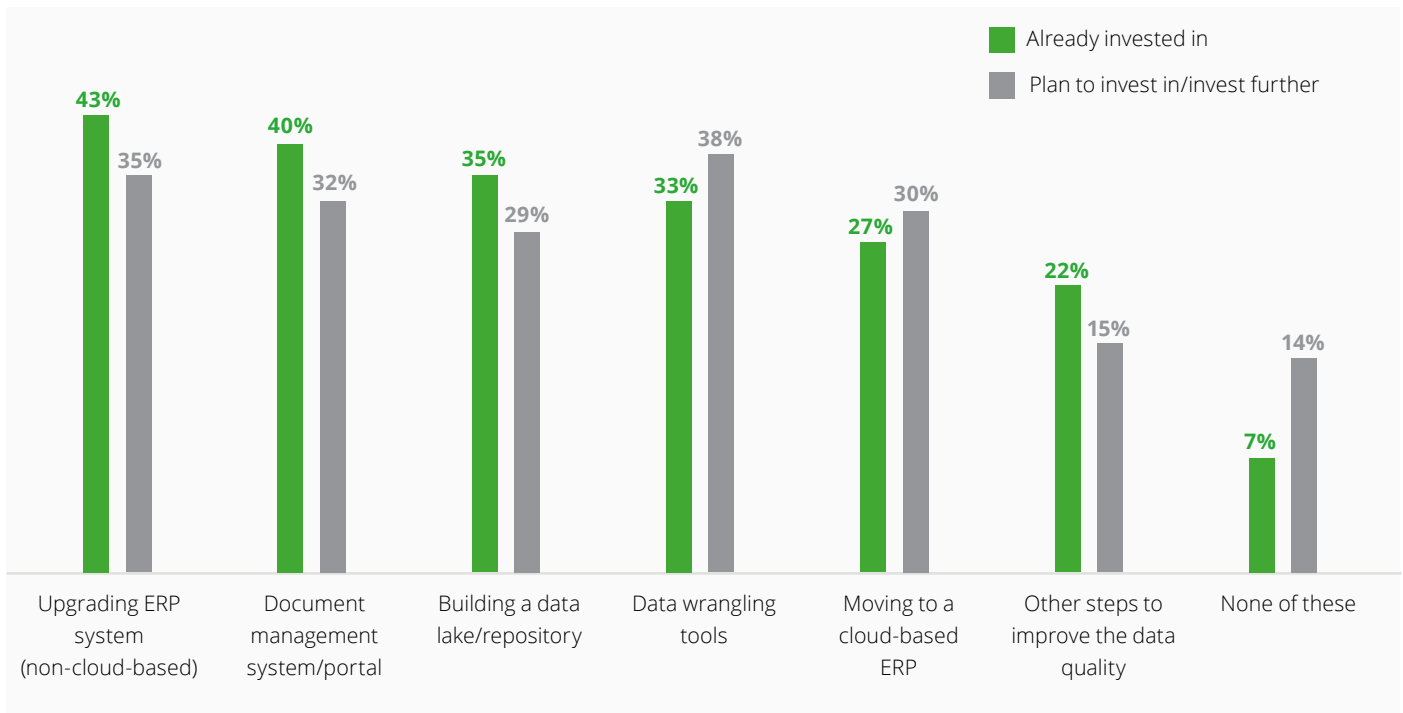


## Get it done

Effectively deploying innovative technologies and harnessing the vast amounts of data generated across an organization are key factors in doing the job of compliance and reporting correctly. The latest survey results highlight the progress being made with technology—and by design—in producing higher data quality as a result. Over half the tax heads who were surveyed say their organization has increased its focus on the use of technology over the past two years.

Investments have been made in several areas to improve the accessibility and quality of data, including enterprise resource planning (ERP) systems, data repositories, and data wrangling tools. The survey results also suggest that further investment is planned in these areas, as shown in the following graphic.

### Investment to improve accessibility/quality of tax data



There is clearly a growing interest in new technology, especially in the areas of big data and robotic process automation. This development is consistent with insights presented in [Deloitte's Tech Trends 2021 report](#), which examines how once-disruptive trends, such as analytics and digital experiences, have been embraced to become foundational components of business and IT strategy. Tax departments are now embracing these tools, as well.

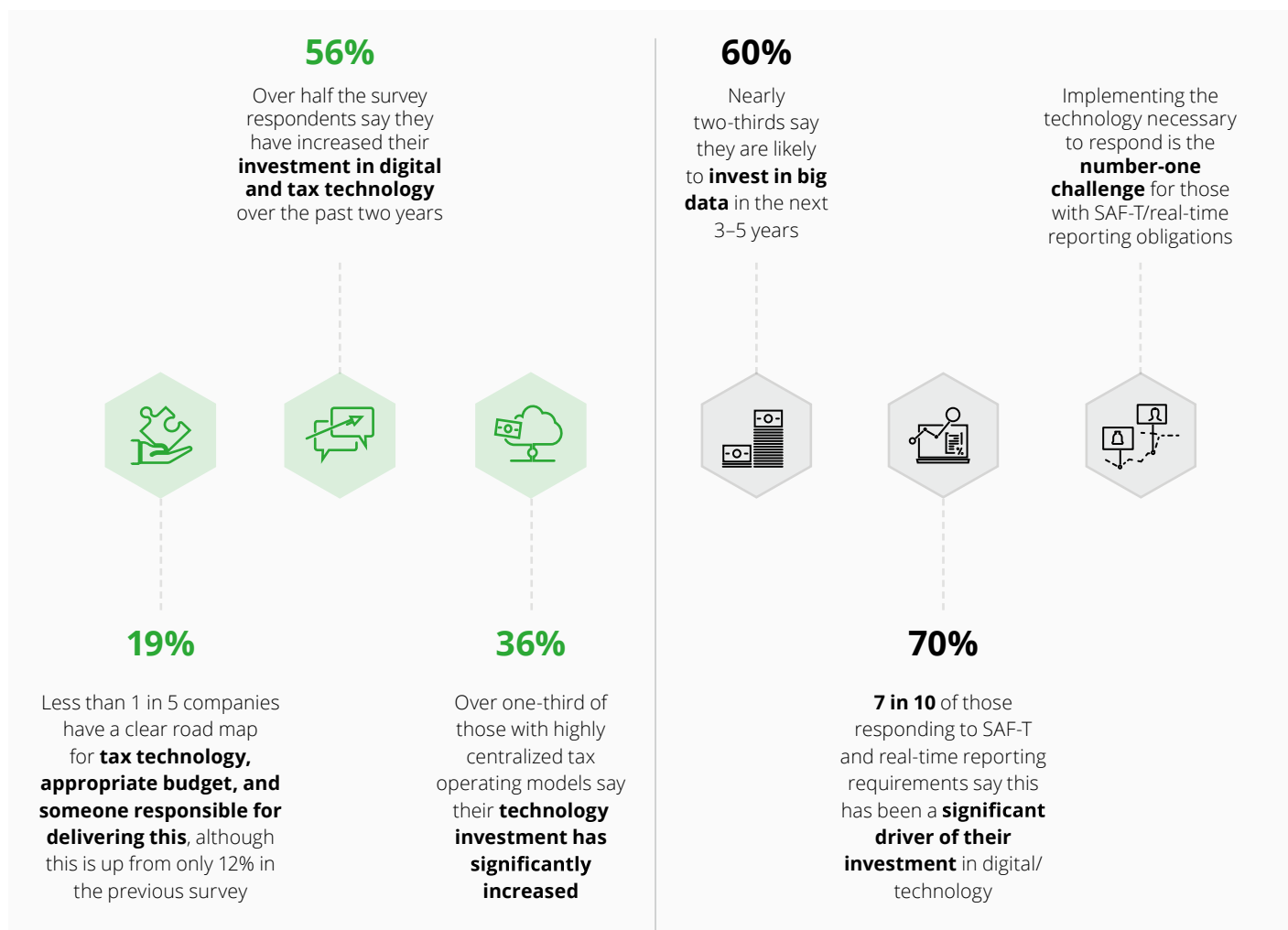


Many factors are driving the investment in technology—process efficiency and data are naturally significant—but there is evidence that external pressure from increasingly digital tax authorities is having a real impact.

Standard Audit File for Tax (SAF-T) and real-time reporting requirements have been the tipping point for technology investments in many cases, although heads of tax remain concerned about the ability to implement these technologies successfully.

### Technology investment heats up

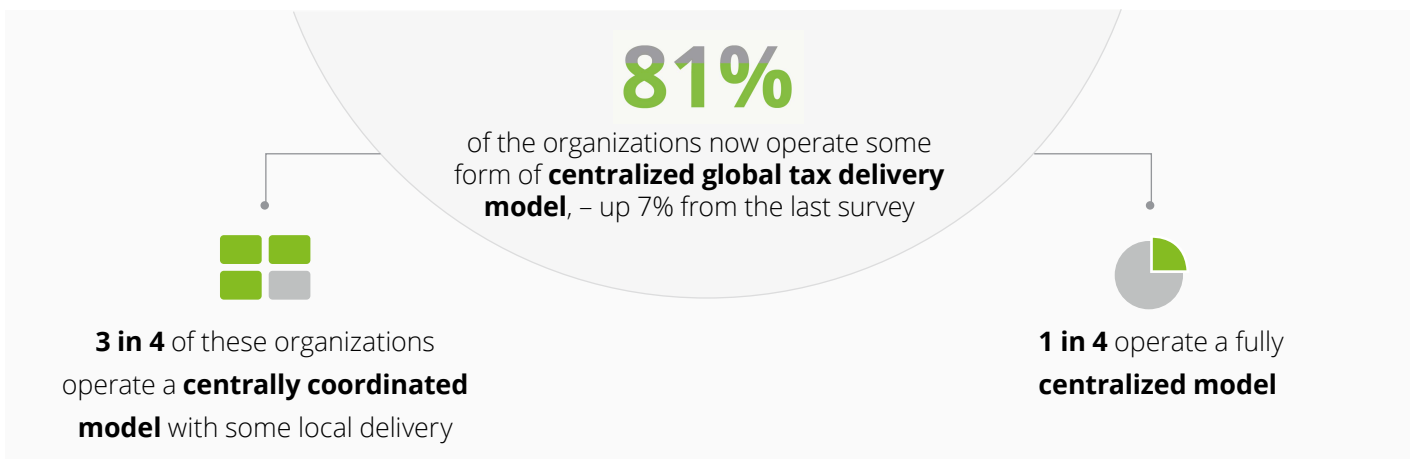
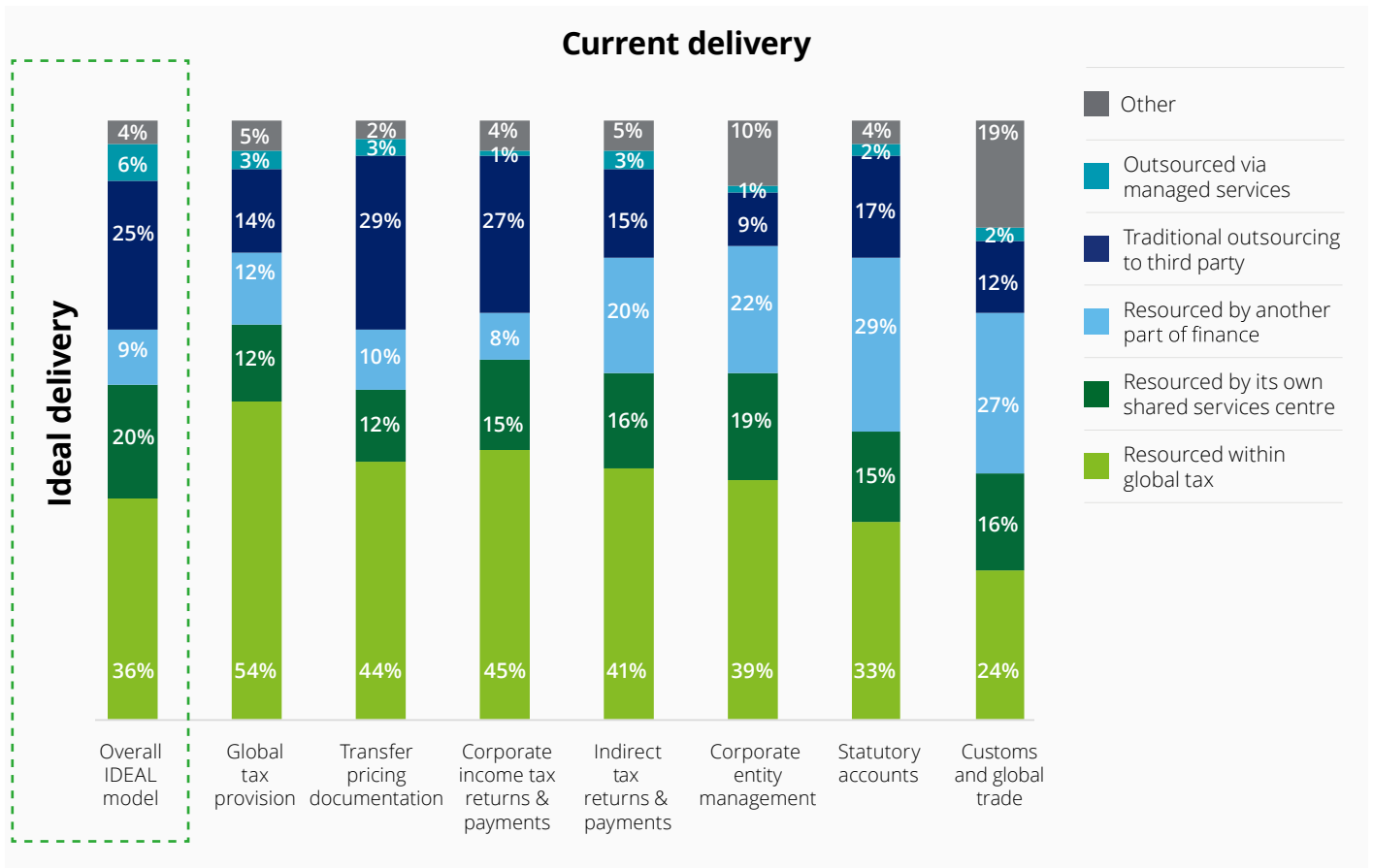
### Contributing factor: SAF-T/real-time reporting



# Gain control

Survey respondents are considering new ways to structure their tax organizations to not only help get the job done but to gain control by maintaining visibility, transparency, and governance at a global level. There is no one-size-fits-all structure, of course, but some trends

and preferences were revealed by the survey responses. Tax departments indicate that, ideally, they would resource more from their own shared services centres, use traditional outsourcing, or outsource via a managed services model.



The trend toward centralization of tax operations has continued, with a large majority of global businesses now operating some form of centralized tax structure.

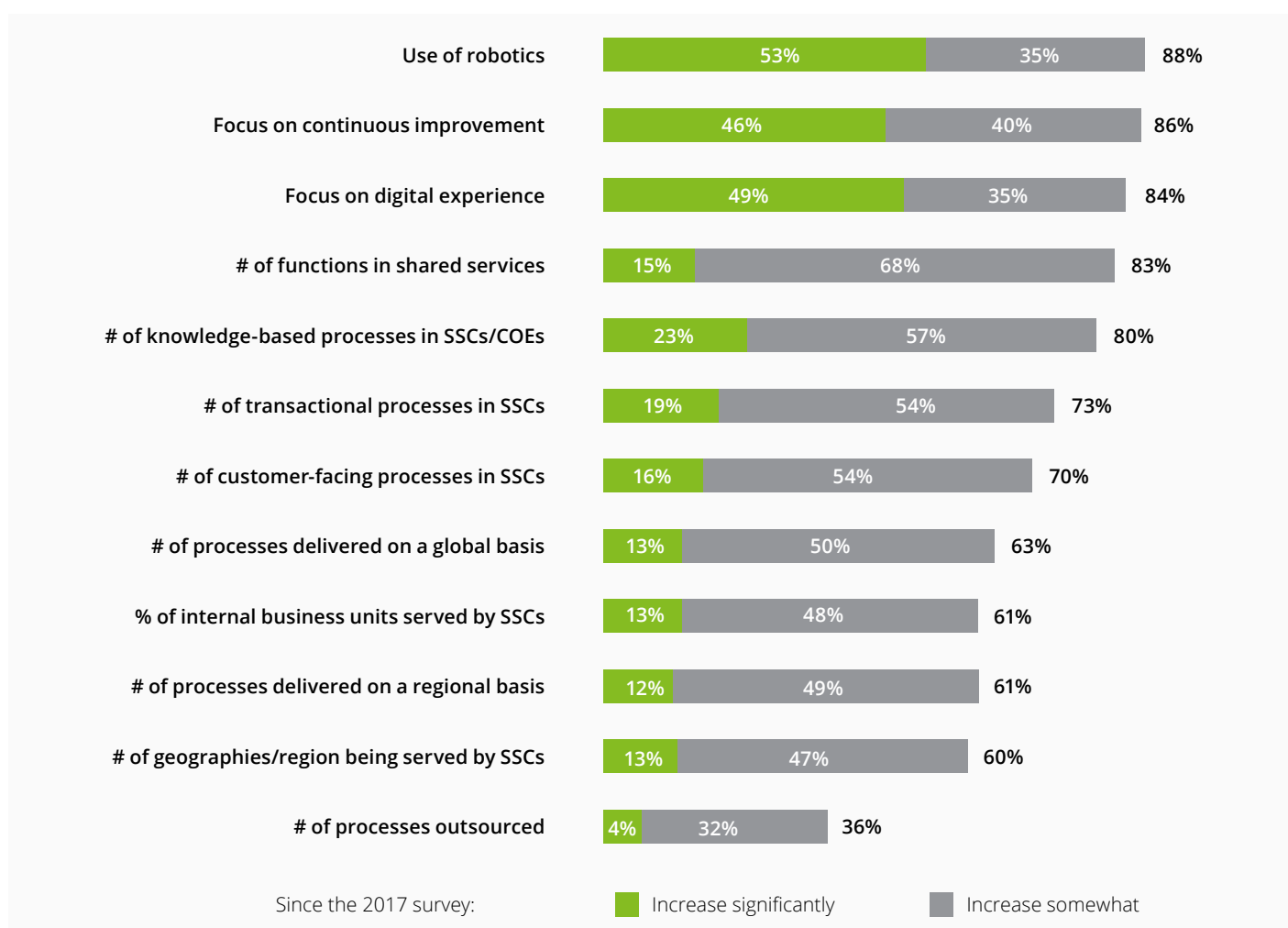
The largest relative increase since the last survey is the use of shared services centres.

This is a promising development for tax

organizations, given the findings from [Deloitte's Global Shared Services Survey Report](#),

which found that shared services centres will increasingly become more digital, global, and complex as they strive to provide nimble and efficient services, stronger customer care, and high-impact business outcomes.

### How do you expect your organization to change its use of shared services in the next 3-5 years?



2019 Global Shared Services Survey Report (Executive Summary) - 11th biannual edition.

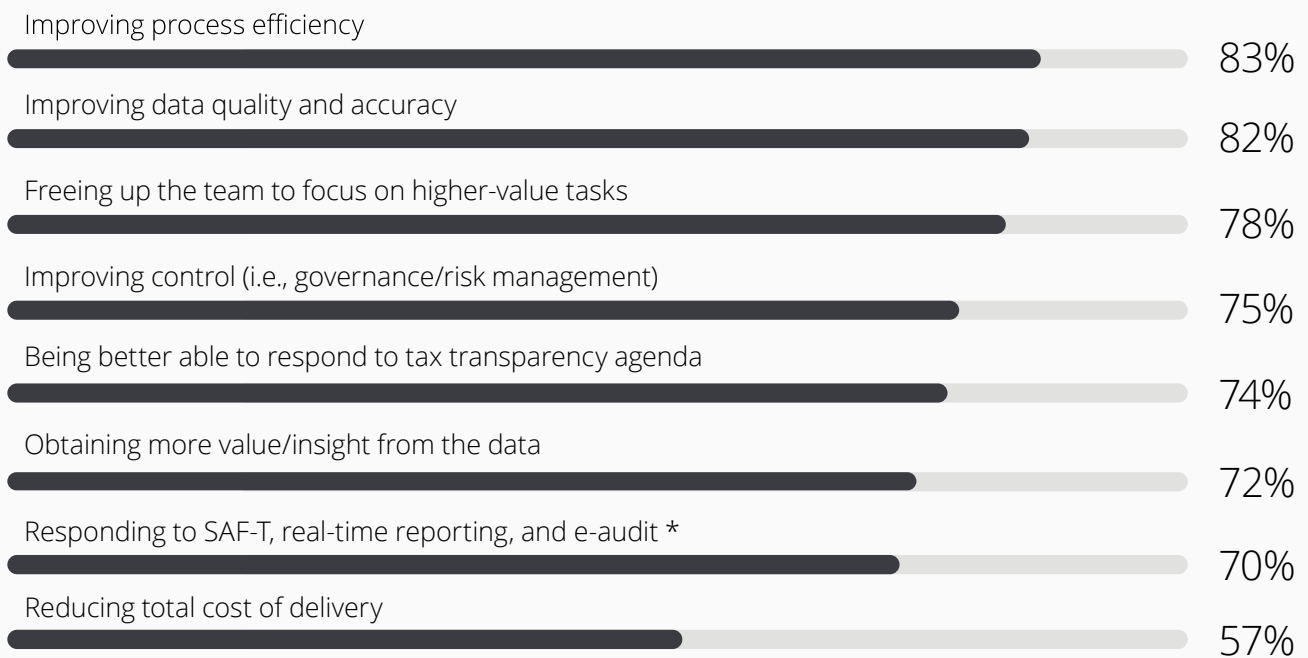
**Overall, heads of tax appear keen to move resourcing outside the core tax function in the future, using both shared services and third-party providers more often.**

## Reap more from less

Increases in technology investments and changes in tax department structures deliver benefits beyond the table-stakes priority of getting the job of compliance and reporting done. They also help tax operations increase return on investment and reduce the overall cost of delivery—key factors in delivering more value.

Freeing up time to focus on achieving value while not increasing—and ideally reducing—costs are cited as strategic drivers of investment in technology. Investment has already been made in several areas, with further funding predicted in all areas.

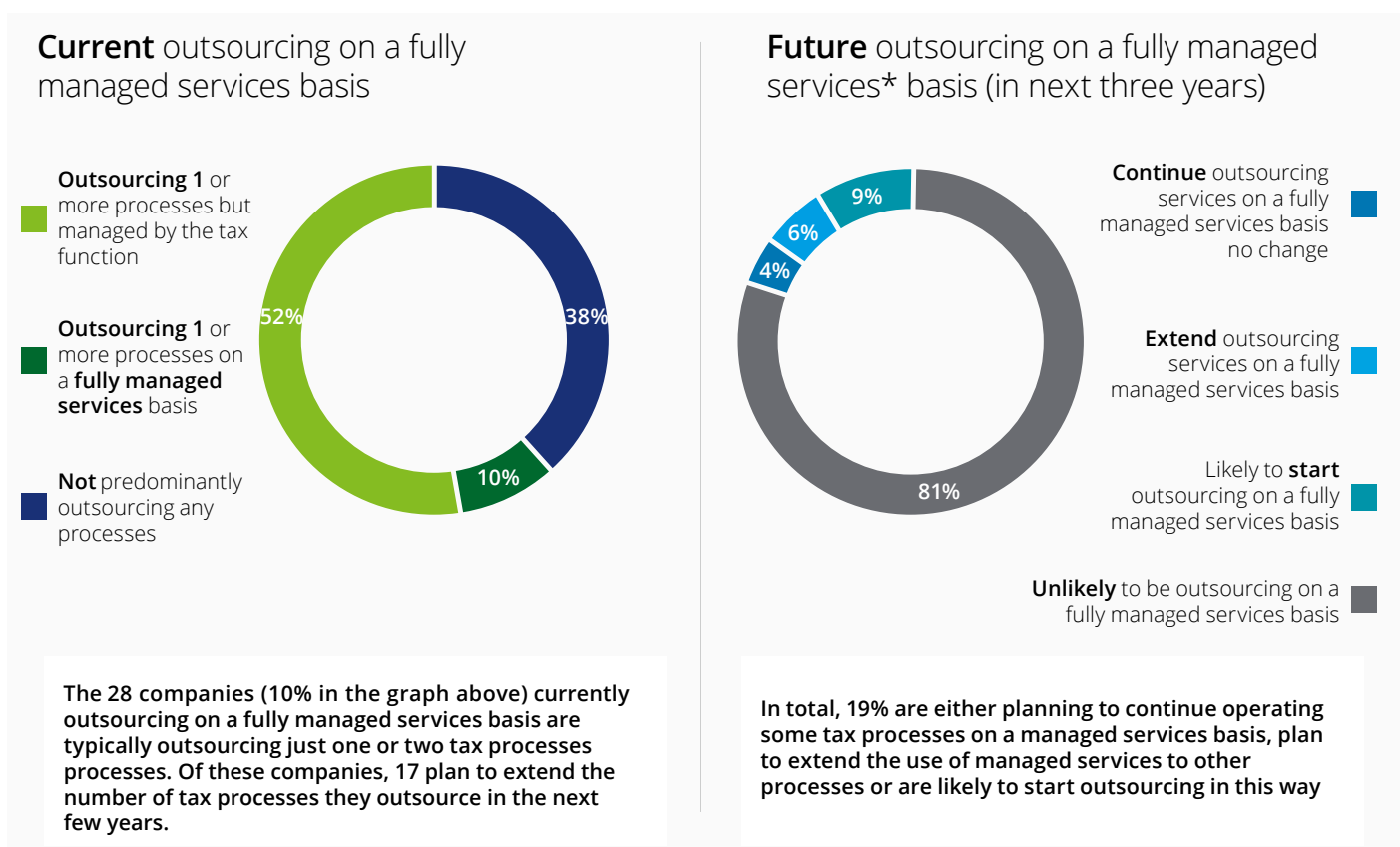
### Drivers of current and future investment in technology



\*Based on those in SAF-T regimes.

## Face the future

As tax departments work to ensure they're prepared for tomorrow's challenges, they're increasingly considering alternative ways to structure their operations.



\*According to the survey question, "fully managed service" was defined as outsourcing the entire process to a third-party provider that also employs your legacy staff.

One of the newer trends is outsourcing on a managed services basis. This is most common at the largest companies (by global revenues) for which the compliance and reporting task is greatest, and smaller organizations (operating in fewer than nine countries) that have likely never built strong internal resources for global tax.

The managed services model also appears more attractive to those organizations that already have highly centralized tax structures in place, as well as a more sophisticated governance and technology profile. These companies see

the potential benefits, including predictable costs and access to a broader resource base, and some are keen to try managed services on a limited scale, perhaps initially contained to a single reporting process.

Other organizations are aware of this market development but see a range of barriers, including a loss of longer-term control and the perceived difficulty of returning to an in-house resourcing model in the future. For them, conventional outsourcing is likely to remain the preferred option.

## Discover value

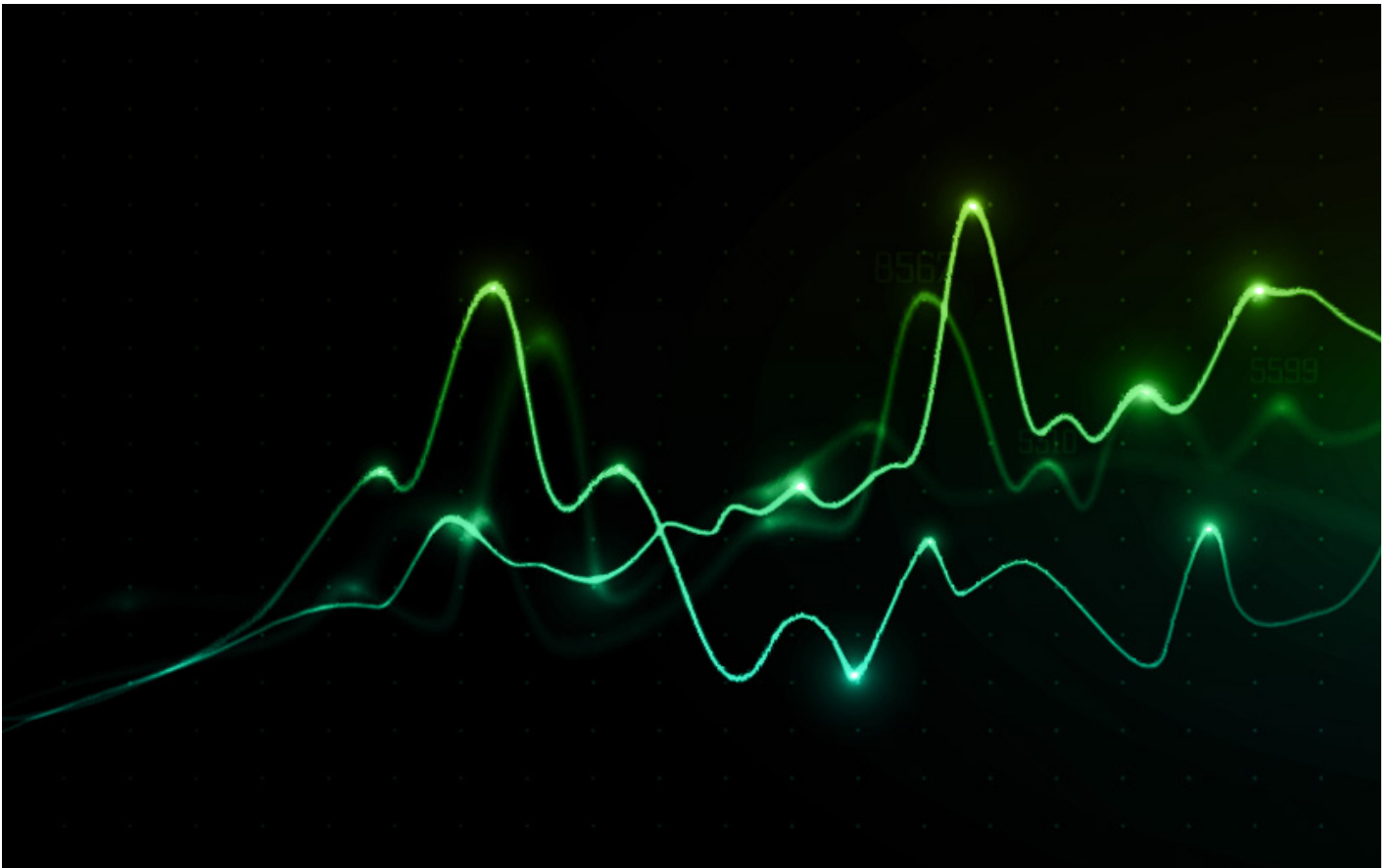
The actions tax departments are taking—or plan to take—are a first step toward delivering the imperatives they are to do while also delivering greater value to the organization.

But what is value, and how can it be discovered?

Value is an often over-discussed and ill defined concept. It will mean different things to different organizations. For heads of tax to deliver real value to the business, it's critical they work with their CFO and other key business stakeholders to first define value in the context of their specific organization.

Once it is defined and agreed upon, a road map with clearly stated goals and objectives for delivering value can be developed so that the business recognizes the contribution the tax function is making. Here again, there is no one-size-fits-all approach. Value could mean delivering process efficiencies and cost savings. And, it could mean reducing material risks and leveraging data to find opportunities for the organization.

All tax operations should define what value means to its broader business—and take the actions needed to go about delivering it.



## Deliver confidence

When the other five imperatives are met—and working well—Tax operations are well on their way to delivering confidence to the business. They are respected for being proactive, mitigating risks, and providing real business value. Delivering confidence is about demonstrating and articulating this success to other stakeholders, inside and outside the organization.

The recent survey included in-depth interviews with CFOs and CAOs to gauge the level of value

they experience from their tax departments. Their responses shed light on what heads of tax in businesses around the globe could focus on to improve their performance and delivery. Not surprisingly, CFOs are looking for reduced risk and some sense of ROI. For some of them, reliably delivering accurate global compliance and reporting is not enough. They're seeking ways to get more value, insight, and efficiency from tax—and are looking to tax to close any gaps.

	Get it done and gain control 	Reap more from less 	Face the future 	Discover value 
Expectations	First and foremost, CFOs want tax to manage risk by avoiding audit issues and financial penalties and ensuring no reputational fallout from tax issues.	CFOs are also looking for tax to deliver efficiencies, not only through cost reduction but also by enhancing the tax delivery model to increase ROI on technology investments.	CFOs want their tax teams to collaborate with the business and maintain an ongoing dialogue by offering proactive advice and providing perspectives on future regulation.	CFOs want to keep their tax levels low and expect their tax teams to fully understand regulations and the business and to provide strategic and commercial tax advice.
Experience	CFOs are fairly confident that their tax teams are managing risk effectively.	The push for greater transparency by regulators and investors is propelling increased technology investment, but tax teams don't seem to be fully using the data to drive commercial value.	CFOs' expectations for tax to collaborate with the business are not consistently met, often because tax can seem "buried in the technicalities of the data."	Some CFOs feel they could be paying less tax and are unsure whether their tax teams are making the best use of the data available, especially in areas like transfer pricing and indirect tax.

# Delivering value is within reach

From implementing more efficient operating models to reaping the benefits of the latest technologies, while strategically engaging across traditional organizational boundaries, tax leaders have many promising opportunities to realize the vision of the future tax organization. And they can start exploring them today.

## About the Global Tax Management Survey

Respondents to the main survey were senior decision-makers with global responsibility for tax. This was a blind study, carried out by an independent market research organization operating under a strict code of conduct. Participants were not told that Deloitte was the sponsor until after the survey and interviews were complete, and only on request.

A global view: Respondents were selected to represent the overall market of around 5,000 multinational businesses, based on Dun & Bradstreet data, according to the following criteria:

- Global revenue more than US\$200 million
- Operating in five or more countries
- A representative spread of multinational business headquarter locations
- A broad spread of subsidiary locations with good representation across all regions and countries
- A representative spread of industry sectors

**A broad view:** Quantitative research – 25-minute structured interviews with over 270 heads of tax, conducted in the local country or primary business language.

**A deep view:** Qualitative research – 20 in-depth interviews with CFOs or CAOs selected from the largest organizations.



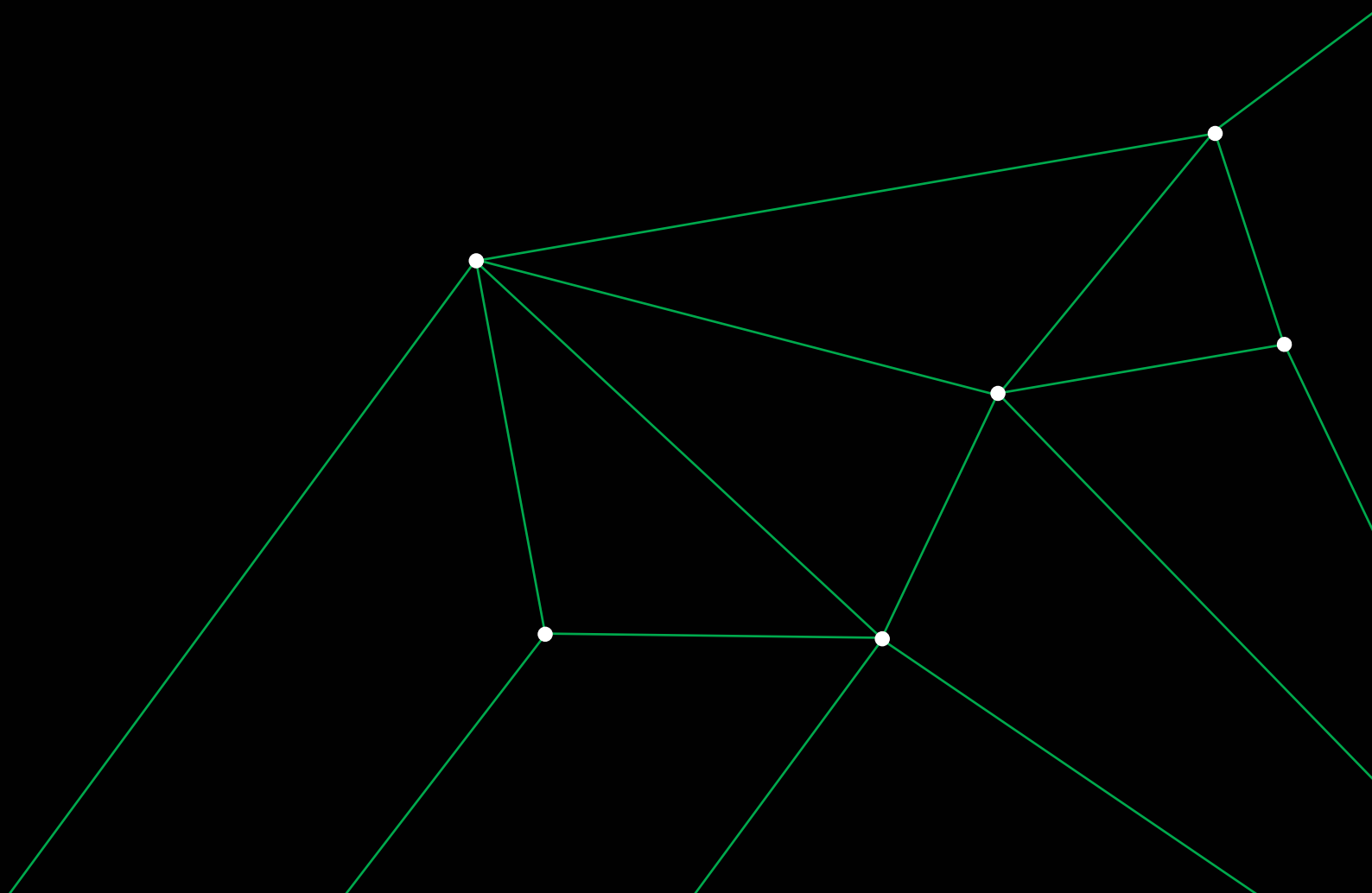
# Canadian Contacts

## Karen Spencer

Director, Tax & Legal  
Deloitte LLP  
+1 613 786 7509  
karenspercer@deloitte.ca

## Jeff Butt

Partner, Tax & Legal  
Deloitte LLP  
+1 416 601 6507  
jebutt@deloitte.ca





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