Face COVID-19 challenges with an agile tax operating model
Navigating the global pandemic together

The COVID-19 global pandemic and the resulting public safety demands have prompted companies to implement work-from-home policies, forcing tax departments to move to virtual workforces with little to no time to prepare for such a move. Now as companies start to reopen their physical offices, what are the lessons learned to help remote working tax departments stay the course on the road ahead?

Rising to a new challenge

Many companies did not have the time or resources to put in place all the infrastructure needed to support their new remote working tax teams. Accomplishing today’s tax work with existing resources was already a challenge with continuous technology advancement and evolving regulatory demands. The effects of COVID-19 have exposed gaps and have put an additional layer of pressure on tax departments to be nimble.

Moving quickly to address immediate needs has been critical. But leaders also have an opportunity to think strategically and design a more agile tax operating model that is equipped for the “new normal,” through the amplified efforts of humans working better together with technology, and can flex and scale to fit uncertainty and change now and in the future. As tax departments navigate this unprecedented environment, tax leaders can use a phased approach to their planning efforts:

- **RESPOND**
  - Analyze immediate needs and gaps to support and maintain ongoing operations, forecast, and take quick action

- **RECOVER**
  - Continue more broad-based transformation initiatives as growth and opportunities for investment return

- **THRIVE**
  - Execute on prioritized opportunities to achieve key operational goals, establish steady state for new operating model with a broader support ecosystem

Considering requirements for each of these phases is critical to overcoming challenges presented by five essential questions about your virtual workforce.
Is your data ready for a virtual tax department?

Every amount a company spends or earns has an eventual tax implication, making tax the single largest user of financial data in every organization. Tax departments without the infrastructure in place to access, control, and report on the data required to drive tax calculations and processes may find it difficult to quickly pivot to a virtual work environment. Data stored in paper files and on shared drives is difficult to obtain. Data manipulation in spreadsheets is difficult to control and may create data integrity risks. Efficient data management is key to facing COVID-19 challenges.

Where are you today?

**RESPOND**
Get your data organized so that your team can work remotely with confidence by taking an inventory of your critical data needs. Establish a process for remote access and central management of the data your virtual workforce needs. From there, you can identify simple automations to drive increased efficiency and control in the movement of data across various tax calculations.

**RECOVER**
Implement additional automations to streamline the data-wrangling necessary to get your data fit for tax purposes, allowing your tax team to be more effective in driving value.

**THRIVE**
Learn from the data challenges you have faced by defining and prioritizing ongoing automation and cognitive opportunities. This roadmap will guide you as you improve your data infrastructure over time, sprint by sprint.

Does your current technology support virtual collaboration the way you need it to?

Disparate systems. Lack of virtual collaboration. Bandwidth limitations. Are these familiar? Make sure your technology infrastructure and processes are ready to support your people working remotely. This requires tax teams to consider additional communication tools, more structured hand-offs, and potentially to consider additional resources.

How ready is your tax department for remote work?

**RESPOND**
Solve for your virtual workforce’s most pressing needs with a collaboration platform that can support visibility across processes, document-sharing, workflow and calendar tracking, and other critical project management elements.

**RECOVER**
Expand your collaboration platform to increase automation and visibility and deploy innovative tools to drive efficiency, or alternatively consider outsourcing to automate critical processes and benefit from a service provider’s ongoing investment in technology. Weigh the cost benefits of outsourcing against implementing a robust collaboration platform internally.

**THRIVE**
Partner with the business in any enterprise system upgrade, such as broader technology architecture migrating to the cloud. Implement a business-aligned technology strategy that leverages automation and cognitive technologies to drive greater value to the organization.
**Have you noticed a significant decline in productivity since you shifted to a virtual workplace?**

As organizations adapt to becoming a virtual workforce, the strain on current resources is already taking a toll. Tax organizations that are able to think differently about how to best support their people can position themselves for the future to not only manage today’s unprecedented resourcing challenge, but also emerge from the COVID-19 pandemic with an efficient and flexible workforce of the future.

**Are you ready for the “next normal?”**

**REACT**
Support your new virtual workforce’s productivity and well-being by providing flexibility as team members address the various challenges that working from home presents. At the same time, you can explore short-term resource solutions, such as external contract personnel to bolster your existing tax department capabilities.

**RECOVER**
Think about the ideal balance between remote and on-premises workforces going forward. Determine the resources you’ll need to address backlog or remediation work and define your long-term insource and outsource resource model, keeping in mind where technology can also provide automation to ease resource constraints.

**THRIVE**
Create a roadmap for the future of work that includes a skills gap analysis for your tax team and a learning guide that can develop the capabilities you currently lack. Formalize a broad, long-term operating model resource strategy for tax that includes contingency and succession planning.

**Do you have inconsistent processes that a virtual workforce may find difficult to follow or reconcile?**

Many tax departments find it difficult to standardize the processes necessary to meet their day-to-day responsibilities. With a virtual work environment, this issue may be amplified. Ensuring processes are properly defined and documented will allow the tax department to scale resources to meet current and future needs for the business.

**Are you ready for a remote workforce?**

**REACT**
Develop short-term workarounds for paper-based and manual processes so they can be executed in a virtual workplace environment. Determine process handoffs, checkpoints, and integration with any external contract personnel. Consider implementation of simple workflows to support virtual processes.

**RECOVER**
Revisit and revise those short-term workarounds to formalize processes that enable your tax team to work more effectively and better manage risk. Prioritize these process goals given revised resource models and technology implications as you plan your approach for addressing backlog, remediation, or delayed initiatives. Expand workflow to support internal controls and dashboard reporting, and develop checklists where additional process guidance is needed.

**THRIVE**
Develop a process enhancement strategy that further simplifies and standardizes processes and supports long-term plans to enhance the levers of data, technology, people, and governance.
Are you concerned about data security and controls after such a significant change in how you work?

Data security and internal controls are vital with entire tax organizations working remotely and the increased level of communication via web-based applications and sharing of data and documents digitally in this new virtual environment—which requires a new level of governance and communication.

Do you have robust electronic data governance processes in place?

**RESPOND**
Host a collaborative online workshop on the immediate challenges and potential opportunities for your virtual tax department. Map out your most vulnerable tax processes, accountabilities, and internal controls, and validate that they will operate effectively in your virtual environment. Formalize and roll out agreed-upon strategy, ensuring clear communication with your team and stakeholders.

**RECOVER**
Review and revise your tax governance, risk, and control framework. Prepare a roadmap that identifies and plans how you will address any identified gaps and opportunity areas. Agree on, document, and implement process maps, controls, responsibilities, and risk trackers, and determine your action plan and timeline.

**THRIVE**
Deliver against your roadmap by accessing talent and support during pressured times to manage risk and drive sustainable value. Going forward, define a process to regularly refine your approach for new developments and continue scenario planning to align with evolving risk considerations and demands.
So where do you go from here?
The road to thrive: Rebuild your business framework

To recover and thrive requires a close look at all your essential areas of operation, including your talent, technology, and processes. From that analysis, we’ll help you start to design a custom tax operating model that meets your unique business needs.

Be bold in your thinking. Some of the key questions to ask yourself are:

- What are your prioritized challenges and objectives?
- How can you use technology to potentially improve productivity and lower costs?
- What functions should your tax team manage in-house?
- What should you outsource with the help of a third party?
- How might your operating model need to evolve?
- Are shared services part of the answer?
- What are your main drivers for optimization, such as cost savings, efficiency improvements, and/or increased business value?

A continuum of operating models

While technology and regulatory changes have resulted in new and varied tax operating models, companies face increasing costs and resourcing challenges that require a new level of precision for a wide range of unprecedented demands.

Together, we can help you design a solution. We’ll work together to find the right tax operating model that is right for your business.

Deloitte can help you build the best tax operating model for your future.

Get in touch

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