

The road to recovery

An unexpected opportunity for the tax function

As the world slowly starts to progress past the initial phase of the COVID-19 pandemic, it is clear that nobody expects a return to the 'old normal'. Governments and businesses are moving to reopen their markets and operations. But everyone knows the coming months, and perhaps years, will be bumpy as governments grapple with concerns about secondary waves of the pandemic. For the time being, rolling disruption will be the norm.

Throughout the crisis, the pressure on the tax function has been immense. It's not just that resources have been stretched and processes disrupted as offices and tax professionals navigate through lockdowns. It's also that the business is now making massive decisions that will have immediate and long-term tax implications. From supply chain and workforce adjustments to debt restructuring and cash management, the tax function is now viewed as an essential part of strategic planning.

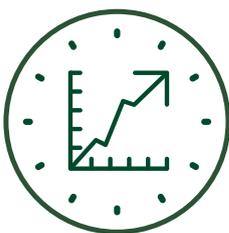
THE RECOVER PHASE

TWO MASSIVE NEAR-TERM CHALLENGES



VIRTUALIZE TO HELP
MEET REQUIREMENTS

Meeting compliance obligations. The first is to simply keep the lights on. While many tax functions have adapted to virtual working and collaboration tools out of necessity, most tax leaders recognize they are still far from ‘virtualizing’ their office environment. And that has impacted their ability to meet their basic compliance deadlines and requirements.



LEVERAGE TAX AS A
KEY BUSINESS ROLE
AFTER THE CRISIS

Delivering strategic value at a pivotal time. The second big challenge is to deliver on heightened expectations. Everyone is looking towards a life after COVID-19. Business leaders are keen to understand what has changed as a result of the pandemic—and what the new economic landscape will look like in its aftermath. They also recognize tax management and planning will play a pivotal role in helping their organizations survive and thrive after the crisis has abated. The tax function is now getting a voice at the boardroom table, and tax leaders are under pressure to perform.

THE RECOVER PHASE

FOCUS ON IMMEDIATE PRIORITIES AND OPPORTUNITIES

Rather than hunkering down and waiting to see what changes the business will make, leading tax functions are embracing the crisis as an opportunity to drive much-needed transformation in their operating models. They recognize that their current ways of working are no longer fit-for-purpose in a virtualized and rapidly evolving environment. And they understand the need to rethink their technologies and cost structures if they hope to continue delivering on their ever-expanding list of objectives going forward.

Our work supporting leading tax functions around the world suggests there are three key priorities that all tax leaders should be focusing on as they support their organization's recovery.



SET THE FOUNDATION FOR A DIGITAL FUTURE

Benefit from digital acceleration. Rather than rolling out a series of uncoordinated point solutions aimed at quickly digitizing old processes and operating models, leading tax functions are taking a longer-term strategic approach. They are assessing the pain points they experienced over the past few months and are working with the broader organization to push towards foundational solutions that help solve data and digital problems across the enterprise. As the business chooses to accelerate certain digitization efforts out of necessity, tax leaders are working with data owners to ensure data streams are properly 'tax sensitized' while also looking to support the digital tax environment of the future.



STREAMLINE AND AUTOMATE MANUAL PROCESSES

Get the work done (effectively). Now, more than ever, tax functions, like the rest of the business, are being forced to do more with less out of necessity. That is causing many tax leaders to fundamentally rethink their value proposition and operating models. In some cases, tax functions are finding ways to reduce the workload by automating manual processes and leveraging new technologies. More often than not, they are coming to the realization they can no longer get everything done on their own and are looking for ways to relieve themselves of the tactical workload entirely. Processes once considered core are rapidly being outsourced. Tasks that once required a full-time employee in an office may now be farmed out to casual 'gig economy' workers.



DRIVE STRATEGY AND VALUE

Contribute to business strategy. As executives and businesses make the decisions required to ensure their organization's recovery, leading tax functions are getting closer to the decision-making process and providing the insights required to drive strategy. They are supporting scenario planning and delivering much needed advice on the various emergency tax measures available. They are helping the business understand the long-term implications of supply chain adjustments and cash repatriations. They are advising on appropriate business structures, financing options and debt restructuring, and M&A plans. Leading tax functions are working hand-in-hand with the business to design and enable the new business strategy.

WHERE DO WE GO FROM HERE?

Over the past few months, Deloitte's tax practices and professionals have been working (for the most part, virtually) to help tax functions respond to the immediate crisis, recover their operations, and plan for a future in which they can thrive. And while most tax leaders seem to understand their immediate priorities, the scope of the transformation required has many tax professionals wondering where to start.

So what should tax and finance leaders be doing over the near-term in order to develop the digital and strategic capabilities required to support the organization into the future? Deloitte's collective experience suggests there are five key steps that every tax VP and functional leader should be considering:

FIVE STEPS

- **Get close to the business.** Understand the evolving priorities of the business and how the tax function can contribute to achieving its short- and long-term goals.
- **Integrate into existing projects.** Identify and leverage business-critical changes that can help advance the digitization of tax and the virtualization of the workforce.
- **Reassess the operating model.** Figure out how you will cope with increased complexity, volume, and pace without increasing headcount or investment allocations.
- **Deliver insight.** Proactively deliver the data and analysis that the business needs as they continue to pivot and evolve the organizational strategy.
- **Control the risks.** Consider how you might create a 'control tower' type approach to ensure risks are properly managed in a virtual and distributed environment.

An unexpected opportunity. Rather than discouraging leading tax functions from progressing their transformation journeys, the COVID-19 crisis has sharpened minds and accelerated timelines. Indeed, on the road to recovery, leading tax functions are embracing the business-critical changes happening out of necessity to also advance their own digitization needs. And, in doing so, they are finding a significant, albeit unexpected opportunity.

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