

**Deloitte.**



**Global Tax Reset**  
Clarity through technology  
March 2017

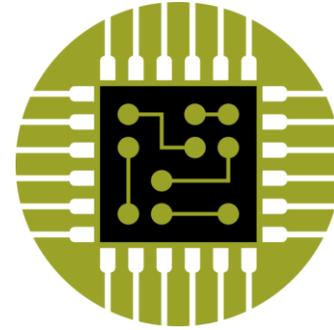
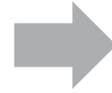
# Clarity through technology



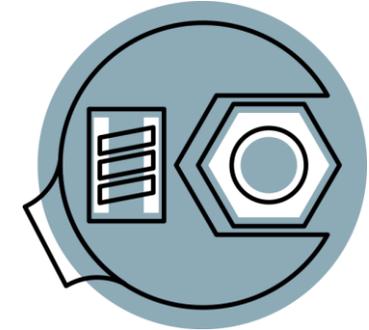
The Global Tax Reset (GTR) brings many new challenges



Companies need to assess the complex impacts and determine appropriate responses



Deloitte has built an innovative suite of technology tools



These tools can help businesses efficiently deliver:

- consistency of approach
- clarity on the requisite action required
- confidence in the outcome

# Clarity through technology

## Country-by-Country Reporting

BEPS Action 13 requires large groups to file a new Country-by-Country (CbC) report. Collating the data and assessing the potential impact of CbC on tax authorities' TP risk assessment is often complex.

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**CDX:** allows companies to collate data from multiple sources, model the picture it portrays and consider how this could be perceived by tax authorities and other stakeholders. Also available on a 'self-service' basis.

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**CDX Smart:** available in 2017, this CbC reporting tool will complete and file the CbC Template with tax authorities in the appropriate XML Schema format. More to follow soon.

**CbC Insite Smart:** helps with CbC risk assessment through more powerful customizable analytics with data drill-down capabilities. CbC Insite Smart can facilitate/automate data extraction directly from source systems.

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## Modelling GTR Impact

Companies need to assess the impact of BEPS Actions 2 and 4 on their financing and treasury strategies and Actions 7 and 8-10 on TP strategies. These Actions could impact a group's Effective Tax Rate (ETR) and potentially the business model and tax risk profile, leading to the need to inform key stakeholders.

**Digital Global ST<sup>2</sup>EPS (DGS):** is a powerful modelling and analytics tool to assist companies to assist companies to scenario plan and identify areas of risk to focus on.

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## Reflecting your TP Model in Reported Numbers

In light of BEPS related changes, companies need to review TP policies and strategies as well as confirm that their TP model is reflected accurately in local entity accounts and tax returns.

**TP Insite Smart:** allows companies to extract key data from source systems and leverage analytics to identify, stress-test, and assess risk areas where local results may not seem consistent with the TP model. This facilitates proactive results monitoring and early intervention throughout the financial year and improves the quality of financial statements and tax returns.

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## New TP Documentation Obligations

Action 13 creates an obligation for a new TP Master File and increases focus on Local TP Files.

**Value Chain Analytics Tool (VCAT):** part of the Master File requirement is a need to understand the value drivers of a business at a high level. Traditionally, a value chain assessment is a major project taking significant management time. VCAT can help companies quickly understand how the business sees its value drivers and compare those assessments to its transfer pricing approach. This helps bring clarity to the descriptions required in the Master File.

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**TP Digital Dox:** Master File and Local Files will be increasingly required by tax authorities. Understanding where Local Files need to be prepared and what transactions should be covered is complex. Developed with Action 13 in mind, TP Digital Dox is a platform to help businesses determine the scope of the documentation required and efficiently prepare Master File and multiple Local Files on a consistent basis following a modular approach.

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## Overview

A general comparison of Deloitte's Global Tax Reset technologies

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# Country-by-Country (CbC) Reporting

## Are you ready for the CbC reporting requirements?

### CbC requirements

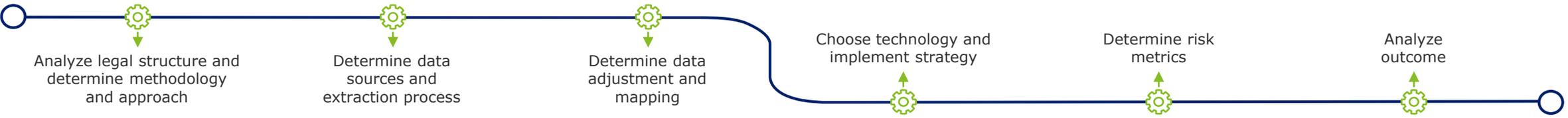
Multinational enterprises (MNEs) with annual consolidated group revenue above US \$850m/EUR 750m (or local currency equivalent) will have to report the following items on an annual basis:

- Revenue (related, unrelated, total)
- Profit/loss before income tax
- Income tax paid (cash)
- Income tax accrued
- Stated capital
- Accumulated earnings
- Number of employees
- Tangible assets other than cash and cash equivalents

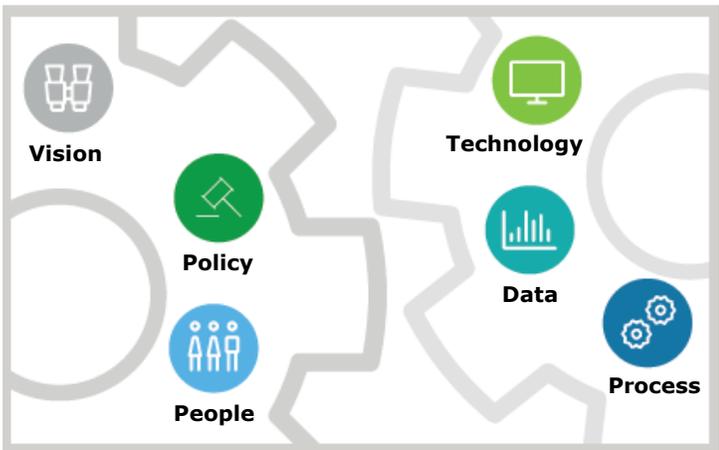
### Challenges facing organizations

- New potentially time consuming compliance process
- Split of roles and responsibilities between Finance and Tax
- Data gathering from multiple systems
- Opportunity/risk identification through regular transfer pricing monitoring
- IT systems may not be ready to support CbC reporting
- Lack of bandwidth for scenario planning and necessary tools

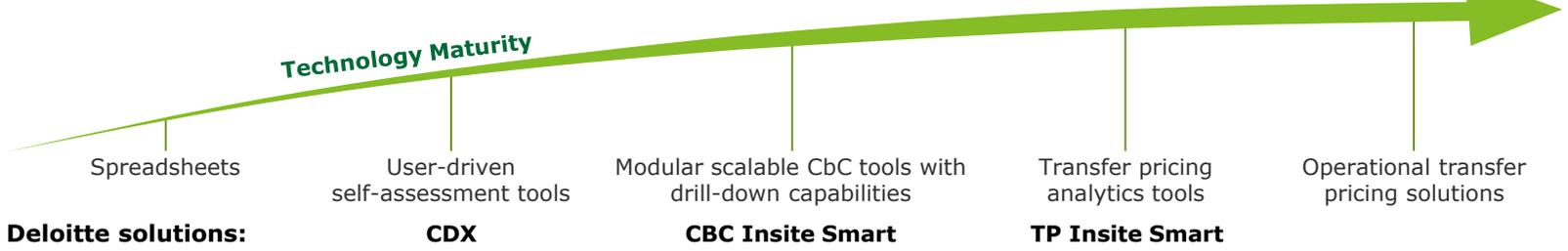
### The roadmap to meeting CbC reporting requirements



### CbC reporting building blocks



### Selecting the right tax technology

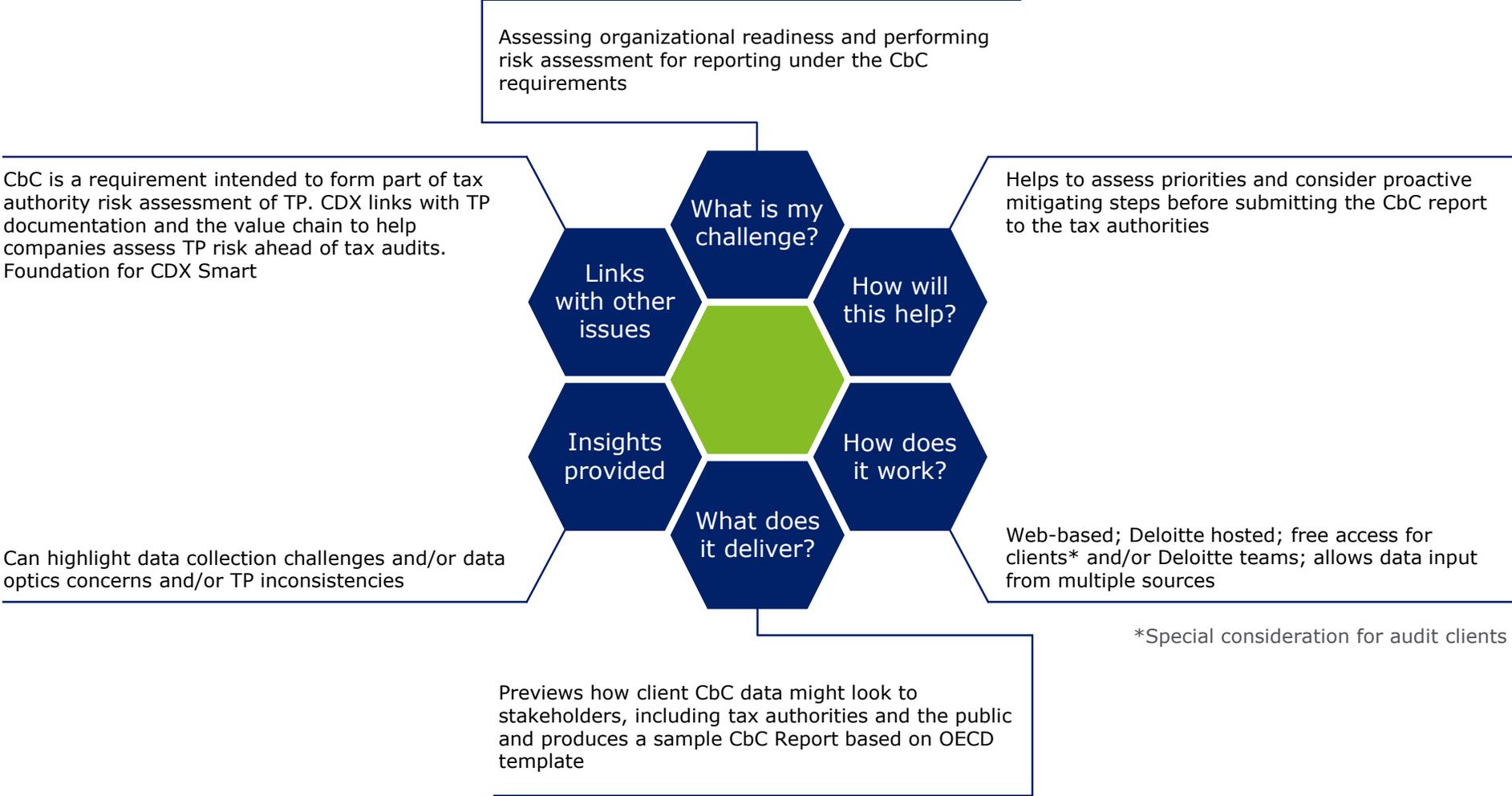


### Factors impacting decision:

- Data complexity and access
- Compliance vs. insight
- Embedding CbC requirements into the tax reporting process
- Centralized and decentralized collection of data and associated analysis
- Process efficiency needs
- Data control and quality
- Implementation time and funding
- Risk management



# CbC Digital Exchange (CDX)



For more information  
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\*Special consideration for audit clients



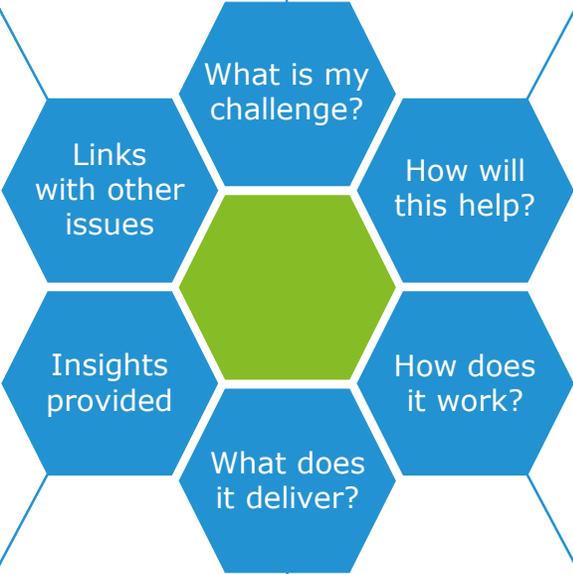
# CbC Insite Smart



Delivering a CbC template through an automated solution for data collection, reporting and analytics directly from ERP and/or consolidation systems

Similar to CDX in helping with CbC risk assessment, CbC Insite Smart can enhance TP risk analysis in assessing areas for review/adjustment as well as facilitate the preparation of filing-ready CbC reports

Modular/scalable platform provides process to extract and transform data in an automated and repeatable manner reducing time and risk



Root-cause analyses of deviations from policies/targets that allows companies to evaluate how tax authorities may see their CbC data and consider corrective actions

Web-based; Deloitte hosted and requires configuration

Helps companies to analyze the CbC process across countries and entities on a regular basis

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# Digital Global ST<sup>2</sup>EPS (DGS)



The GTR will impact transfer pricing and potentially business models and the ETR. Being able to scenario plan to identify strategic areas of focus/risk and strategic alternatives is a key focus for businesses

Companies are modeling the impact of a rapidly changing tax environment to understand the impact on Effective Tax Rate to build a case to change business models and/or financing strategies

Generates comparative Effective Tax Rate analysis for alternative scenarios on a real-time basis and visualizations of area of focus/risk



Designed to help create an integrated "Business Case for Change", across the business model including IP/supply chain structuring and financing

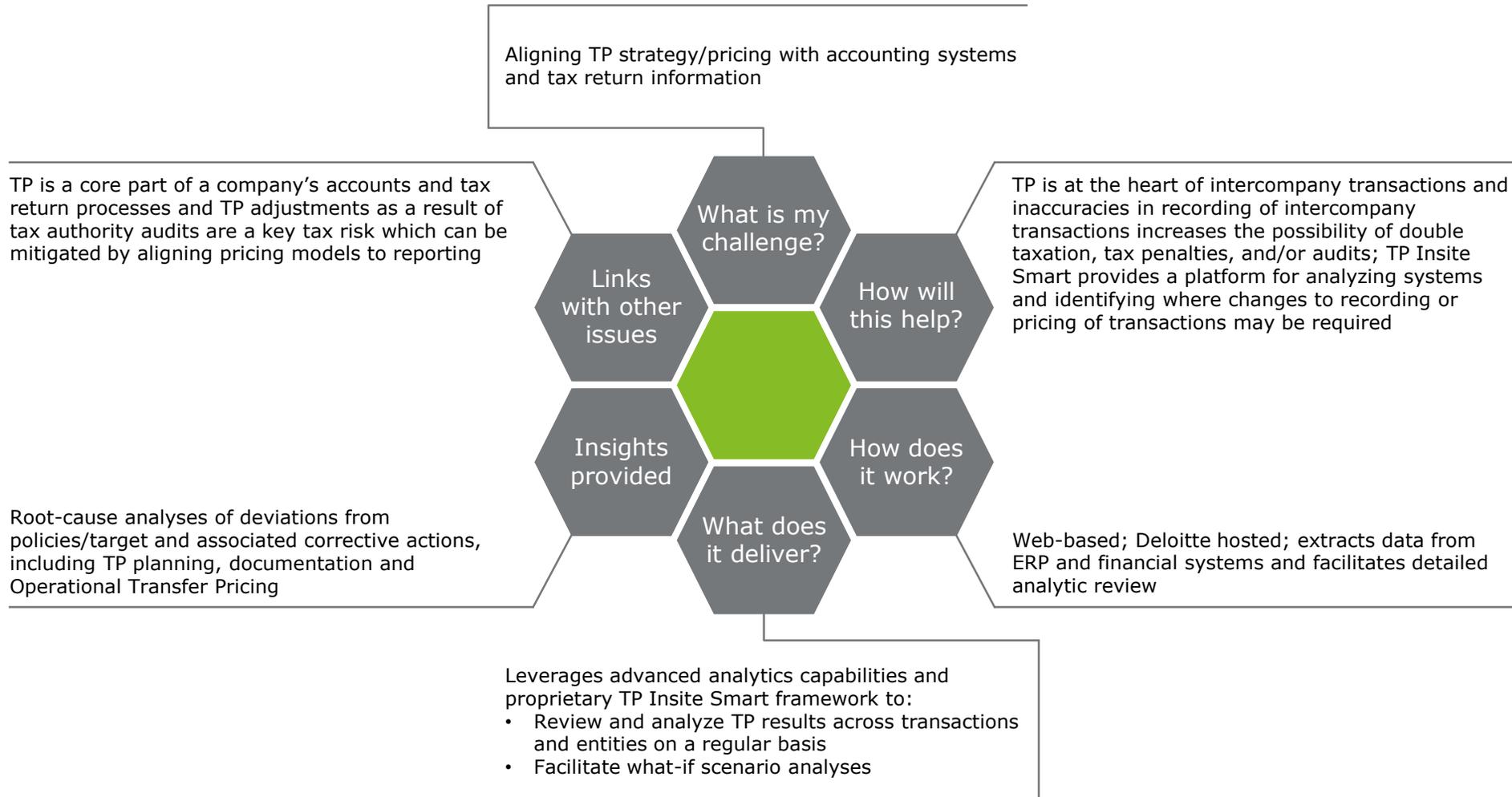
Deloitte hosted, using client data to develop advice and insights

Uses a powerful visual environment to identify key drivers of a client's global Effective Tax Rate and the impact of GTR driven changes on ETR

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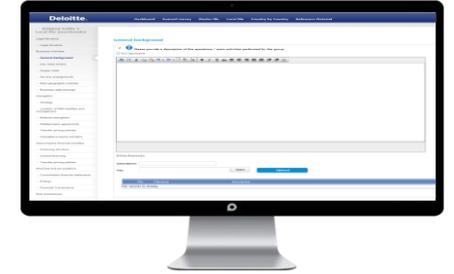
# TP Insite Smart



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# TP Digital DoX



Producing Global TP Documentation for several countries/regions when managing multiple business units or complex structures

TP documentation will require more centralization and consistency as a result of increasing tax authority audits and greater exchange of information by tax authorities. TP Digital DoX will assist in risk mitigation and provide a first line of defense in TP tax audits

The OECD's Action 13 Guidance requires businesses to find more efficient, integrated means to manage global TP documentation processes; and increasing tax audit activity is adding to the pressure



The TP Digital DoX methodology and framework is designed to support the life cycle of a TP documentation engagement; by streamlining information gathering and report compiling processes, TP Digital DoX enables a greater focus on value driving areas

Web-based application for collaborative use by Deloitte and client users

Proprietary e-tool providing a collaborative, streamlined, and user-friendly process for efficiently gathering company information for TP documentation reports; replies to questionnaires are mapped into TP Master File, Local File, or stand-alone reports, which can be automatically generated

For more information  
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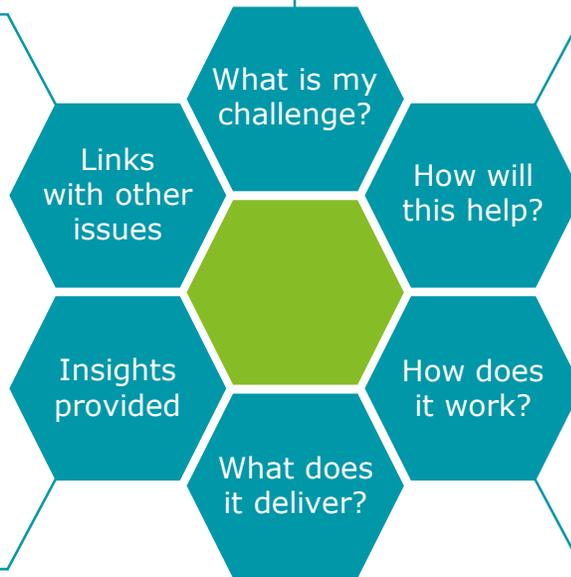
# VCAT



Understanding and articulating a holistic “business lens” view of a company’s value chain through the identification of key people and profit driving functions

VCAT produces a business view of the value chain. This business view enables insight into key areas of focus for detailed TP analysis, establishes the foundation for creating, implementing and defending TP policies, and has clear links to Master File requirements

The overall thrust of the Global Tax Reset, and BEPS in particular, is for profits to be taxed where value generating activities are undertaken. Multinationals will need to take a more holistic view of how profits and functions should be applied to the organization’s overall value chain



VCAT visualizes business leaders’ view of their value drivers and provides comparison to industry benchmarks. Rather than a TP analysis it highlights the value driven by functions, assets, and risks and facilitates alignment of business and TP value analysis

Web-based application for collaborative use by Deloitte teams and clients

Deloitte methodology underpinned by proprietary analytics technology to help companies quickly understand, agree upon, and articulate their value drivers from a business perspective

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# Clarity through technology



Technology	CDX with CDX Smart in 2017	CbC Insite Smart	TP Insite Smart	DGS	TP Digital DoX	VCAT
Client challenge	Becoming CbC ready and understanding risks highlighted	Enabling automated CbC data gathering, analysis, validation and reporting	Aligning TP strategy/pricing with accounting systems and tax return information	Understanding of impact of GTR on ETR	Producing Global TP Documentation accurately and efficiently	Analyze the value chain through a business lens
Aim of technology	Assessment and guidance on actions to be taken before CbC report is submitted	Standardize the CbC reporting process across multiple jurisdictions	Analysis of TP strategies including analysis of deviations from TP policies and hypothetical scenarios	Identify key drivers of a client's global Effective Tax Rate and the impact of changes to any key driver on ETR	Gathering and ordering client information and producing TP documentation reports on a consistent basis	To quickly understand the key value drivers and identify potential gaps or mismatches with TP analysis
Input data	Direct entry or spreadsheet uploads	Extract from ERP/consolidation/HR systems	Extract from ERP/consolidation systems	Client financial data uploads	Details of company/entity facts/functions/risks	Limited set of client financial data and insight into key profit drivers through workshop discussion
Output from technology	Visualizations, ratios, and standard sample CbC report	Custom CbC reporting and analytics	Custom tests, analytics, and what-if scenario analyses	ETR analysis and scenario planning	Master File, Local File, and stand-alone TP reports	High level value chain using profit drivers with comparison to industry benchmarks
Value derived	Facilitates complex data collection from multiple sources efficiently and performs risk based analytics	Scalable customizable CbC data analytics solution to facilitate automated data gathering & validation as well as analysis and reporting	Identifies difference between TP model and recorded data allowing adjustment and risk mitigation	Provides a visualization of ETR impact of GTR and scenario planning to plan response	Platform for the efficient production of consistent TP files improving efficiency and mitigating risk	Visualization of the value chain for discussion with business leaders and highlights key areas for more detailed TP reconciliation



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