EMEA TMC client conference

Tax Operating Model - defining your tax resourcing, governance and technology approach

The Crystal, London
9-10 June 2015
Agenda

What is a compliance and reporting Tax Service Model (TSM)?

TSM roadmap

Diagnostic & option identification

TSM design

Tips
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Tips
What is a compliance and reporting Tax Service Model?

- A service model is a high-level representation of how an organisation’s tax compliance and reporting components are configured and function together to execute statutory/market requirements and organisation tax strategy.

- It provides an end-to-end view across the tax compliance and reporting activities.

- It is not simply an organisation chart nor is it a corporate strategy but rather focuses on internal operations. The level of detail for each component is flexible and is agreed to meet the needs of the transformation agenda and purpose.

- It shows a future state that the organisation should be moving towards in order to achieve its strategy and the “roadmap” to building that when considered against the current operating model.

- It defines how an organisation’s compliance and reporting strategy will be “operationalised”.

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There are four key stages to designing and implementing a Tax Service Model.
Case study – An example TSM project

- A highly complex, global organisation looking to respond to the major transformation in the tax environment i.e. regulatory change, authority approaches, globalisation, resource model and technology developments

- Undergoing significant organisational change, both within and outside of the finance group

- Undergoing ongoing scrutiny and challenge from both the general public and authorities

- Challenged with limited central governance, oversight and transparency over existing tax activities

- Good quality tax deliverables, but increasing cost pressures to ‘do more, with less’

- Variable tax operating and resource models deployed across the globe
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Tips
a. Confirm strategy and objectives

Confirm what the strategy and objectives for the programme are. These along with the current service model analysis will inform the design principles i.e.

• Understanding the organisation’s business and tax strategy

• What are the timelines for change or results to be achieved?

• What are the drivers for change?

• Who are the stakeholders necessary to facilitate the change?
b. Current service model analysis

- What are the current tax compliance and reporting obligations that need to be met?
- At a high level, how are these achieved currently and compile the total cost (internal and external)?
- Consolidated data feeds into the next stage of activities
c. Establish design principles

Design principles are one of the first things that should be established following an understanding of the existing operating model

- An agreed set of design principles will drive a consistent understanding of what the operation will do and look like in the future
- Agreeing them up front, including implications and considerations, means you are less likely to run into politics and emotion in later arguments
- Significant driver of executive buy-in, and provides “nowhere to hide” for politics
- They provide a framework against which to make decisions during the operating model design stage
- They generate additional discussion about what a strategy actually means and help to drive consistency within the executive team
d. Options and implications analysis

- Understand the options available and analyse their suitability against the design principle and current state, including the various capabilities or layers. These layers need to be considered together to take account of the connections between them and reduce the risk of misalignment.

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<td>Delivery model</td>
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<td>• Tax / Business</td>
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e. TSM design

Businesses are following one of 3 main operating methods

- **Method 1 (Decentralized)**: no global decision making
- **Method 2 (Coordinated)**
- **Method 3 (Centralized)**

Delivered locally, managed centrally

Delivered and managed locally

Local delivery

Central delivery

Businesses are introducing more central decision making

- **2012**:
  - Method 1: 12%
  - Method 2: 33%
  - Method 3: 42%
- **2014**:
  - Method 1: 14%
  - Method 2: 13%
  - Method 3: 48%

- Method 1 (Decentralized: no global decision making)
- Method 1 (Decentralized: some global decision making)
- Method 2 (Coordinated)
- Method 3 (Centralized)
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Tips - overall, what works well?

We have outlined a few tips on what has worked well in our experience for those that have followed the TSM roadmap:

- Engage a wide range of relevant management and key stakeholders including Finance, Regional management, IT, HR and compliance and risk
- Define, agree and circulate design principles to shape high-level agreement to drive the design
- Identify the key design questions that need to be resolved and get the people who can resolve these together in focused design workshops
- Develop and consider a range of ‘optionality’ around process and technology design, this will be critical in defining ‘optionality’ and value in the business case for change
- Consider the end-to-end processes and how different parts impact each other