

**Deloitte.**

EMEA TMC  
client conference  
Developing a tax  
technology  
architecture

The Crystal, London  
9-10 June 2015



# Agenda

## **Background - Why look at your tax technology architecture?**

- Reasons for initiating
- Market-specific drivers
- Typical client-specific drivers
- Maturity models

## **Project - What does it look like?**

- Sample project methodology
- Typical project timeline
- Tax technology landscape
- Balanced scorecard approach
- Key deliverables
- Preparing for implementation phase

## **Case studies**

# Background

Why look at your  
tax technology  
architecture?



# Developing a tax technology architecture

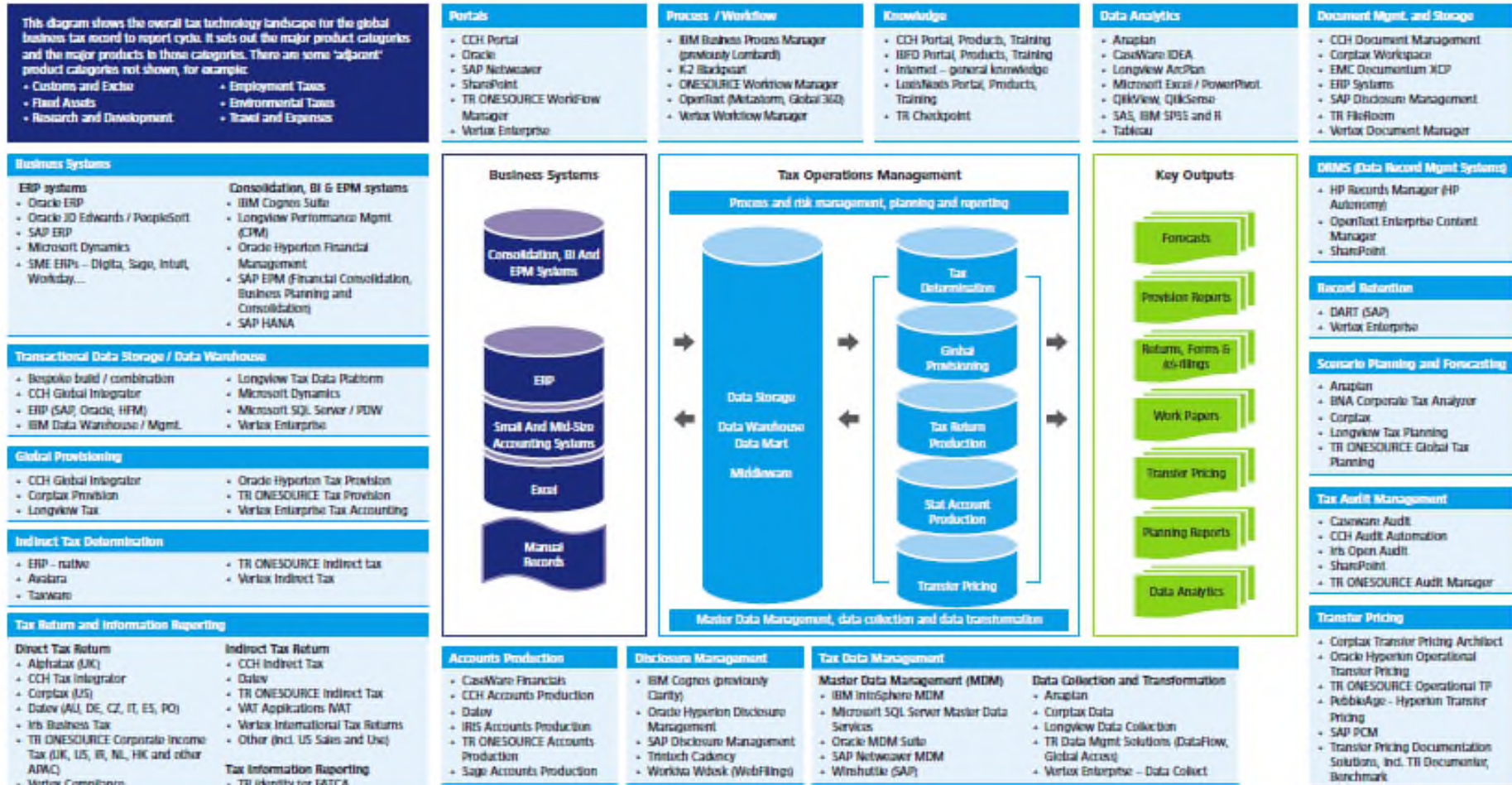
*Tax technology can be confusing – whilst tax systems are getting more and more sophisticated, there is still no single off-the-shelf solution that addresses all elements of tax.*

*Instead, there are a multitude of vendors and systems which makes planning a cohesive, integrated solution a complex and challenging endeavour.*



# Why look at your tax technology architecture?

## Tax technology landscape



# Why look at your tax technology architecture?

## Reasons for initiating: market-specific drivers

Move towards stricter compliance - audit / monitoring by authorities

System-based legislation – Senior Accounting Officer (SAO) in UK, Horizontal Monitoring in Netherlands

Interrogation techniques - getting more sophisticated – e-filing (Standard Audit File for Tax (SAF-T) in Europe, Sistema Público de Escrituração Digital (SPED) in Brazil, use of Inline Extensible Business Reporting Language (iXBRL) data in UK)

New technologies in the market, but no single system for tax – need to knit systems together

# Why look at your tax technology architecture?

## Reasons for initiating – typical client-specific drivers

Major change projects in the business:

- Supply chain harmonisation
- Changes in IT architecture; global implementation of Enterprise resource planning (ERP)
- Changes in back-office processing – Global business services (GBS)

Businesses becoming much more centralised – opportunity for standardisation

Number of significant technology projects already underway

Desire to reduce risk / inefficiencies in tax processing and reporting

# Why look at your tax technology architecture?

## Reasons for initiating – maturity models

Lagging



Leading

1	2	3	4	5	6	7	8	9	10
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### Process

- Processes are not documented
- Knowledge transfer communicated by 'on-the-job' training
- Process controls are limited to manual review of outputs

- Processes are documented at a high-level
- Some monitoring of controls; informal sign-off processes
- Some standardisation of processes globally

- Processes are fully documented and updated
- Controls are documented and regularly monitored and reviewed
- Globally standardised processes

### Technology

- Main technology support is Excel / Word based
- Few embedded controls
- Minimal audit trail for data
- Reports are manually created

- Some dedicated technology for tax processes
- Partially automated transfer of data from source systems
- Some use of standard reports

- Processes are fully supported by fit-for-purpose technology
- Data transfers are fully automated
- Full drill-down capability for data
- Standard reports used globally

### People

- A lot of time spent collecting and aggregating data
- Responses to audit / business queries take up significant time
- Decision-making cannot be easily supported by reports or data

- Roles and accountability are understood but not documented
- Ability to add value for business but not to full potential
- Decision-making partially supported by reports or data

- Main focus is on analytical and planning activities
- Decision-making is readily supported by accurate information
- Employees are continuously developed and in "stretch mode"



# Project

What does it look like?



# What does it look like?

## Sample project methodology

**Tax technology plan:** 2-3 month project to articulate a robust plan for an aligned tax technology strategy which business and tax leadership can sign-up to.

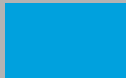



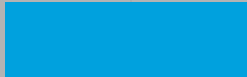

**Desired outcomes:** Generate greater buy-in across the business and guide key business case decisions in tax; providing the basis for a 'no surprises' culture for tax technology.

### Proposed structure

- 5-6 core work-streams: e.g. VAT, Transfer Pricing (TP), Customs, Corporate tax (CT) & Stat Accounting, Analytics
- Support functions also targeted – Shared service centre (SSC)/ GBS, Finance, IT/technology
- Specific follow-ups arising for relevant non-core processes/technology, e.g. employment taxes, environmental taxes

# What does it look like?

## Typical roadmap timeline

	Week	1	2	3	4	5	6	7	8
<b>Stage 1: Preparation</b> <ul style="list-style-type: none"> <li>Mobilise project team, schedule workshops with key stakeholders</li> <li>Kick-off meeting to engage with key stakeholders</li> </ul>									
<b>Stage 2: Deep dive workshops</b> <ul style="list-style-type: none"> <li>Typically around 5-6 work-streams, including indirect taxes, transfer pricing, compliance and reporting, core system improvements, workflow, provision, data management and other taxes</li> </ul>									
<b>Stage 3: Follow-up sessions</b> <ul style="list-style-type: none"> <li>Additional detail from deep-dives to address completeness where further info is required</li> <li>Non-core work-streams may need to be addressed for complete picture</li> </ul>									
<b>Stage 4: Analyse and validate</b> <ul style="list-style-type: none"> <li>Validate and prioritise information to formulate roadmap, including initial capability, assessment and key software evaluation</li> <li>Produce straw-man roadmap</li> </ul>									
<b>Stage 5: Present straw-man findings</b> <ul style="list-style-type: none"> <li>Finalise straw-man for presentation to key stakeholders, including supporting deliverables</li> <li>Collaborative workshop to present findings to key stakeholders</li> <li>Agree on further action points and follow-up items</li> </ul>									
<b>Stage 6: Finalise deliverables</b> <ul style="list-style-type: none"> <li>Incorporate feedback from all sessions</li> <li>Finalise deliverables, including prioritisation, business cases and roadmap</li> <li>Agree next steps and transition project to implement status</li> </ul>									

# What does it look like?

## Balanced scorecard approach

### Benefits:

- **Improved quality** – accuracy, simplicity, flexibility
- **Better risk management** – use of spreadsheets, key user reliance, compliance errors, materiality of numbers, SAO
- **Increased efficiency** – process improvements
- **Reduced cost** – removal of hardware / software, headcount
- **Better decision making** – more informed, quicker, accurate

### Costs:

- **Cost of solution** – implementation, licenses, software, budgetary constraints
- **Effort to implement** – in house vs. consultancy – finite internal resources
- **Cost of maintenance and support** – ongoing costs, complexity, ownership
- **Opportunity cost** - impact on other areas, finite budget across the business

### Considerations:

- **Strategic solution** – e.g. ERP, ERP-supported, non-ERP
- **Dependencies** – e.g. roll out of major programmes – end strategy vs. interim
- **Roll-out** - Pilot vs. big-bang, e.g. limited functionality, limited regional scope
- **People impacts** – improved environment, headcount reduction

# What does it look like?

## Key deliverables



### Stage 1: Key risks and issues - prioritised

- Key risks and issues are prioritised according to business urgency against projected cost, time and effort to implement. Against each risk or issue, an identified solution is proposed which addresses the scale of the work proposed.

### Stage 2: “Straw man” work-package roadmap

- The solutions to issues are broken down into discrete projects with logical work-packages and an indicative roadmap timeline is drawn up. The work-packages are categorised according to the type of approval required (from major to minor).



### Stage 3: Interactive work-package roadmap

- Once a straw man roadmap has been produced this is then shared as part of a collaborative workshop where key stakeholders from Tax, IT (and possibly Finance) are encouraged to help determine what the roadmap looks like according to their own requirements, leading to an agreed roadmap output.

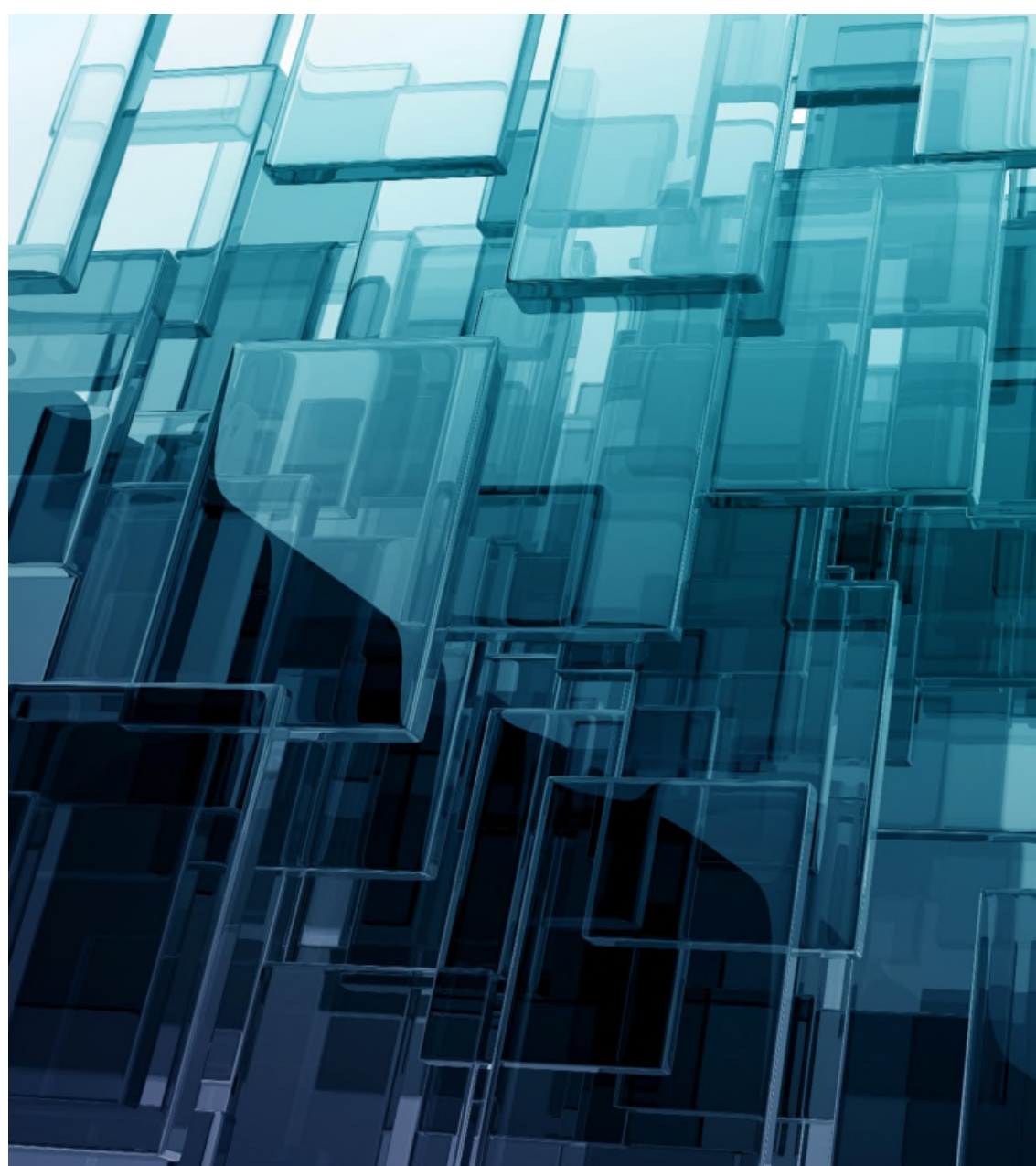


# What does it look like?

## Preparing for implementation phase

- Ensure the architecture is validated – sign-off by tax leadership and IT (all key stakeholders)
- Business case formulation and authorisation
- Portfolio of projects – longer term, complex projects together with quick wins – breakdown into key work-packages with owners for each, along with a programme coordinator
- Identification of resources – internal vs. external support
- Good project management / governance in place – programme governance
- Closely monitor key risks and issues and impact / dependencies on other in-flight projects

# Case studies



# Case studies

## 1. Global pharmaceutical / retail organisation

The client was looking to rationalise and optimise its tax technology infrastructure so that it better supports tax operations and increases value-add efficiencies and insights.

The core objective of the project was to develop a clear roadmap to create a consistent and scalable tax technology architecture that could flex with the business as it grew.

The main workstreams included: *Corporate income tax; VAT; global tax provision and statutory accounts production; analytics; transfer pricing; and withholding taxes (WHT)*

### **Key success factors**

- Communicate with key stakeholders upfront across each of Finance, IT, SSC, business
- Identify ‘impact projects’ planned or already in-flight (IT projects or business/finance)
- Factor in sufficient time to allow for diary management with client resources
- “Join up the dots” and be brave – unique opportunity to implement real change
- Take time to understand the agendas of the other stakeholders

# Case studies

## 2. Global pharmaceuticals organisation

A new team had recently taken over the group functions for this multinational. This combined with a historically disparate group structure and an increasing focus on tax compliance and reporting generally led to a need for a consistent strategy to be investigated and agreed.

The focus of the 8 week project was around group monitoring/reporting and data quality/collection. The original workstreams were; compliance monitoring, analytics, indirect taxes, WHT, transfer pricing, tax provisioning and data collection.

During our discussions the concept of a data warehouse was also studied with recommendations on how their existing systems could be adopted to suit the task.

The 3 year roadmap and business cases have been well received and two major projects to enhance the tax function through tax technology are already underway.

# Case studies

## 3. Multinational financial institution

We worked with the client to develop a global tax technology architecture and roadmap with workshops across the UK, Europe, Americas and Asia Pacific.

The programme provided a global, integrated approach to cover all aspects of the tax IT environment, including source business systems, data management, tax applications, workflow control, status reporting, analysis and planning.

The programme successfully delivered:

- increased understanding of requirements and relevant technologies available;
- greater efficiency with managed investment and potentially reduced cost;
- better access to data to support business planning;
- an increased ability to respond to new regulations; and
- **improved risk management.**



# Case studies

## 4. Publishing multinational

This client was embarking upon a global business transformation programme with a specific set of challenges given their multi-geography profile and their awareness of the trend for increased tax and regulatory scrutiny.

We undertook a project working closely with key client team members to examine the current, complex system landscape and assess maturity, before helping develop their target status across multiple tax areas including indirect taxes, transfer pricing and corporate and direct taxes.

We delivered a detailed report which outlined a framework for those ambitions and highlighted key risks and issues – this helped the group tax team engage with the broader transformation programme on a structured basis.

Feedback from this client has been that they are now well-equipped to adequately represent their interests in that global transformation programme, whilst also defining “tax only” technologies in parallel.

# Questions?





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