

Shared Service Center Relevant indirect tax issues

A multitude of drivers prompt companies to move to centralization. The most prominent are cost reduction, process efficiency, internal controls and process quality. A Shared Service Centre (SSC) triggers changes in terms of organization, location of resources, process design and technology. When setting up or expanding an SSC, companies often fail to adequately factor in the tax and regulatory aspects. They are only considered until a relatively late stage. Still, designing or expanding a SSC involves significant indirect tax and regulatory changes and should most certainly be considered early on in the process.



What do we offer?

Deloitte Indirect Tax adds value by assisting companies to integrate indirect tax in SSC projects at all stages, from start to finish. The issues with which our team can provide assistance in the strategy and design phases include the determination of the indirect tax and regulatory consequences linked to the choice to move to an SSC and picking a location, or assessing the opportunity to outsource indirect tax compliance. Our assistance in the build phase may cover the design of processes to ensure compliance with indirect tax and regulatory requirements, and the financial system implications. The deliver phase may include communications with tax authorities for the appropriate applications, providing training at the SSC, or at the tax function.

Focus areas

Indirect tax is embedded in nearly all finance processes. If an SSC is set up this affects all processes – Order to Cash (OTC), Purchase to Pay (PTP) and Record to Report (RTR). Specific attention is required in terms of handling indirect tax touch points with Processes, Organization, People and financial systems.

Transferring information and processes to the SSC in respect of issues such as indirect tax determination should be organized properly and on time. It can either be managed by adjusting the ERP system, providing training, and/or drafting decision trees and will enable the persons responsible to process invoices with the appropriate indirect tax code. Where actions relating to the implementation of indirect tax matters are not taken properly, risks are likely to exist in terms of indirect tax audit, penalties and reputation.

In addition, at some point companies generally consider centralizing the indirect tax compliance either in the SSC or with a third party service provider to increase quality, control and lower the operational costs. Before any action is taken, the opportunity and related business case of outsourcing compliance should be assessed, as well as the implementation of such changes in terms of costs, processes and responsibilities.

Who can benefit?

Multinational corporations setting up an SSC, expanding the services in an SSC, or facing the following challenges:

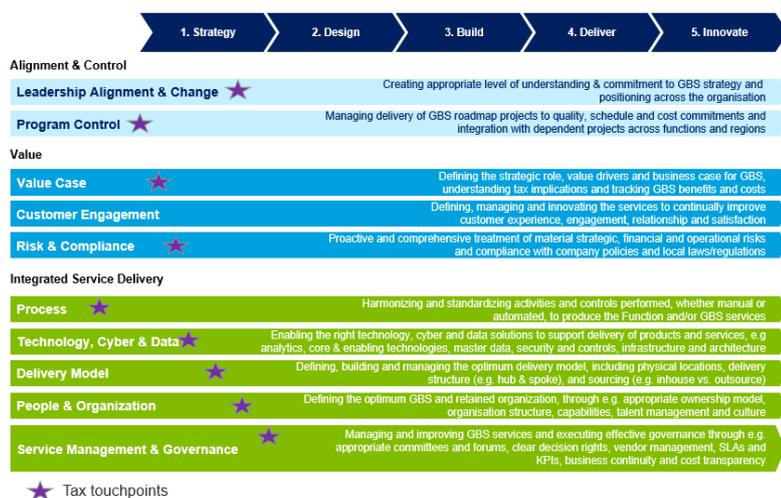
- Setting-up a Center of Excellence or restructuring/finance transformation initiative
- Implementing or enhancing a tax control framework for effective enterprise risk management
- Accounting systems that fail to collect adequate information for proper indirect tax reporting
- Systems upgrade/consolidation or implementation of new tax software
- Mergers, acquisitions, or significant business expansion

What is in it for you?

For companies moving to an SSC it is particularly important that the Tax department be involved in the project at an early stage. Deloitte Tax can assist in identifying the areas where Tax needs to be considered and is able to assist in the determination of the most appropriate approach to integrate these tax considerations in the SSC project and work closely together with your consulting integrator. Deloitte Tax can provide guidance to the Tax department, but can also assist on a full involvement basis throughout the project.

The Deloitte Global Business Services methodology, covers all aspects of a SSC and encompasses:

Overall GBS Methodology overview



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Why Deloitte?

Deloitte has extensive experience in assisting tax departments, and more generally the finance function, in aligning indirect tax aspects touching upon the set-up of SSCs and the lift and shift to an SSC. Deloitte continuously improves and adapts the Deloitte approach to changes in regulations and trends in SSC. Deloitte can provide assistance across the world in terms of designing and implementing changes with respect to processes, IT and people. Deloitte specifically takes account of the challenges in the implementation phase and the compliance with local laws and regulations. Furthermore, Deloitte can assist in assessing the opportunity to centralize tax compliance in an SSC or outsource compliance to a third party service provider.

Deloitte has one of the largest Tax practices, encompassing clients across North America, EMEA, and Asia Pacific. Deloitte has assisted many of its clients with SSC implementation projects. We have developed our own implementation methodology called “Enterprise Value Delivery” (EVD), which takes clients through the structured steps required for this type of project (vision, plan, design, build, deliver, operate).

Contact

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