Deloitte.

Global Management of Tax

Report of market research findings

May 2019

Independent research conducted by Jigsaw Research

Research background and coverage

Global Management of Tax research: Overview and objectives

- 2010, 2012, 2014 and 2016 surveys each conducted with 250 global decision makers from D&B list of major MNCs.
- Active role in shaping Deloitte's market view and positioning of Global Compliance & Reporting (GCR) and wider TMC solutions
- Survey adapted in 2019 to establish how the market is developing and evolving
- D&B sample refreshed in 2019 – with the same criteria used for eligibility.
- Some new elements in 2019 survey:
    - New detail on how global compliance and reporting is resourced & the ideal resourcing model
    - Current use of and interest in outsourcing on a managed service basis
    - Updated questions around priorities for the tax department and satisfaction with their current arrangements
    - New questions around real time reporting (including e-audit requirements like SAF-T)
    - Updated questions on tax technology, including the investment in digital and tax technology now and in the future
    - Questions around the confidence in the current resources and other potential barriers to achieving their priorities
- In addition, a small sample of Finance leads (CFO/CAO) were interviewed qualitatively (in-depth discussion based interviews) in 2019 in order to understand the extent they currently get value from their tax team and their ideal way of managing tax in the future

Global Management of Tax research: Methodology

As in previous waves, the research was conducted by Jigsaw Research, an experienced global market research consultancy

deep view

Qualitative interviews with Finance leads from 20 large multinational companies

- Discussion based in-depth interviews with CFOs/CAOs
- Provides the perspective from Finance of the tax department and the extent to which is it currently meeting their needs

broad view

Quantitative interviews with tax decision makers from 278 multinational companies

- 25 minute structured survey interview with primary Global Tax decision maker/leader
- Interviews conducted in local country language if English not spoken

global view

Data selection from D&B list

- Operating in 5+ countries (representative split across 5-9, 10-15, 16-30 & 30+ countries)
- Global revenue more than US$200m (with representative spread of revenue across sample)
- Representative spread of MNC HQ (outbound) locations with the scope to analyse major markets
- Broad spread of subsidiary (inbound) locations with good representation across all regions and countries
- Spread of Big 4 Audit relationships
- Spread of industry sectors

Summary of findings

Key themes emerging:

Delivery models

In the face of increasing workloads, Heads of Tax are seeking resourcing options outside the core tax function – both internally and externally.

There is an appetite in the market for outsourcing growth, including consideration /trial of the Managed Service model.

Market drivers

It's no longer enough to focus primarily on getting compliance and reporting right at a reasonable cost.

Beyond the hygiene factors of quality and control, Heads of Tax are now more ambitious, aspiring to a wider range of goals, led by driving value and insight.

Reducing cost of delivery is of high importance to the largest and most centralized organizations.

Satisfaction

Despite small gains in satisfaction in the areas of quality and process efficiency, satisfaction overall remains markedly low.

The demands of real time reporting and SAF-T appear to be holding back progress towards higher satisfaction.

Those organizations making progress with technology are seeing a positive impact on satisfaction levels across the board.

Technology progress

After many years of slow progress on technology, focus and investment are showing signs of positive movement.

As well as a desire to improve data and process efficiency, there is evidence that external reporting pressures have been a tipping point.

Technology impact

There are indicators that technology is now seen as the key to unlocking value and insight while also controlling cost.

Satisfaction levels are higher across all areas among those who have made clear technology progress.

The CFO perspective

CFOs are sometimes frustrated with the lack of perceived strategic contribution and commercial value from their tax departments.

There are concerns around technology infrastructure and the skills needed to face the future, with commercial and technology skills required alongside tax technical competency.

There is, however, general uncertainty and a lack of confidence in how to address these issues.

Market segmentation

There is no one size fits all solution to help organizations meet the challenges they face in tax. But broad typologies exist that may be helpful in talking to clients.

Delivery models

In the face of increasing workloads, Heads of Tax are seeking resourcing options outside the core tax function – both internally and externally.

There is an appetite in the market for outsourcing growth, including consideration/trial of the Managed Service model.

In the face of increasing workloads, Heads of Tax are seeking resourcing options outside the core tax function – both internally and externally. There is an appetite in the market for outsourcing growth, including consideration/trial of the Managed Service model.

- The trend towards centralization of resourcing and delivery models continues
- The pace of change is predicted to continue at a slow pace as centralization of delivery models reaches a more settled state
- In response to increasing global compliance and reporting demands, deployment of all resourcing models has increased – the largest relative increase since 2016 being the use of Shared Service Centers
- Overall, Heads of Tax are keen to move resourcing outside the core tax function in the future – in particular using Shared Service Centers and third party providers more
- The Managed Service model has caught the attention of Heads of Tax – particularly those at the larger and smaller end of the MNC spectrum.
- Managed Services also appear more attractive to organizations with centralized resourcing models and a sophisticated governance and technology profile
- These companies can see potential benefits in the Managed Service option and are keen to trial it, albeit on a small scale initially. Others are aware, but currently see a range of barriers – for them conventional outsourcing is likely to be the preferred option

81%

Are now operating a centralised delivery model (Methods 2 & 3) – up 7% from 2016)

60%

Of the market would ideally resource global tax processes outside of core tax function

X 2

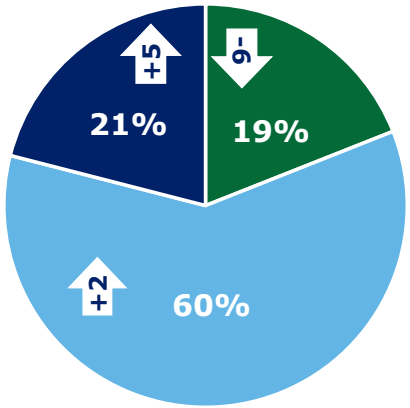
Use of Shared Service Centres has doubled since 2016

1 in 5

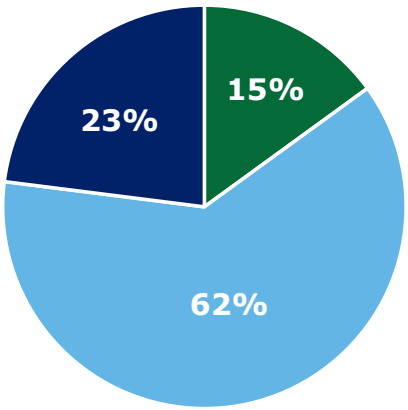
Are using or plan to use Managed Services for 1 or more compliance and reporting processes

The trend towards centralization of resourcing and delivery models continues. The pace of change is predicted to continue at a slow pace as centralization of delivery models reaches a more settled state.

Current model (2019)



3 year forecast



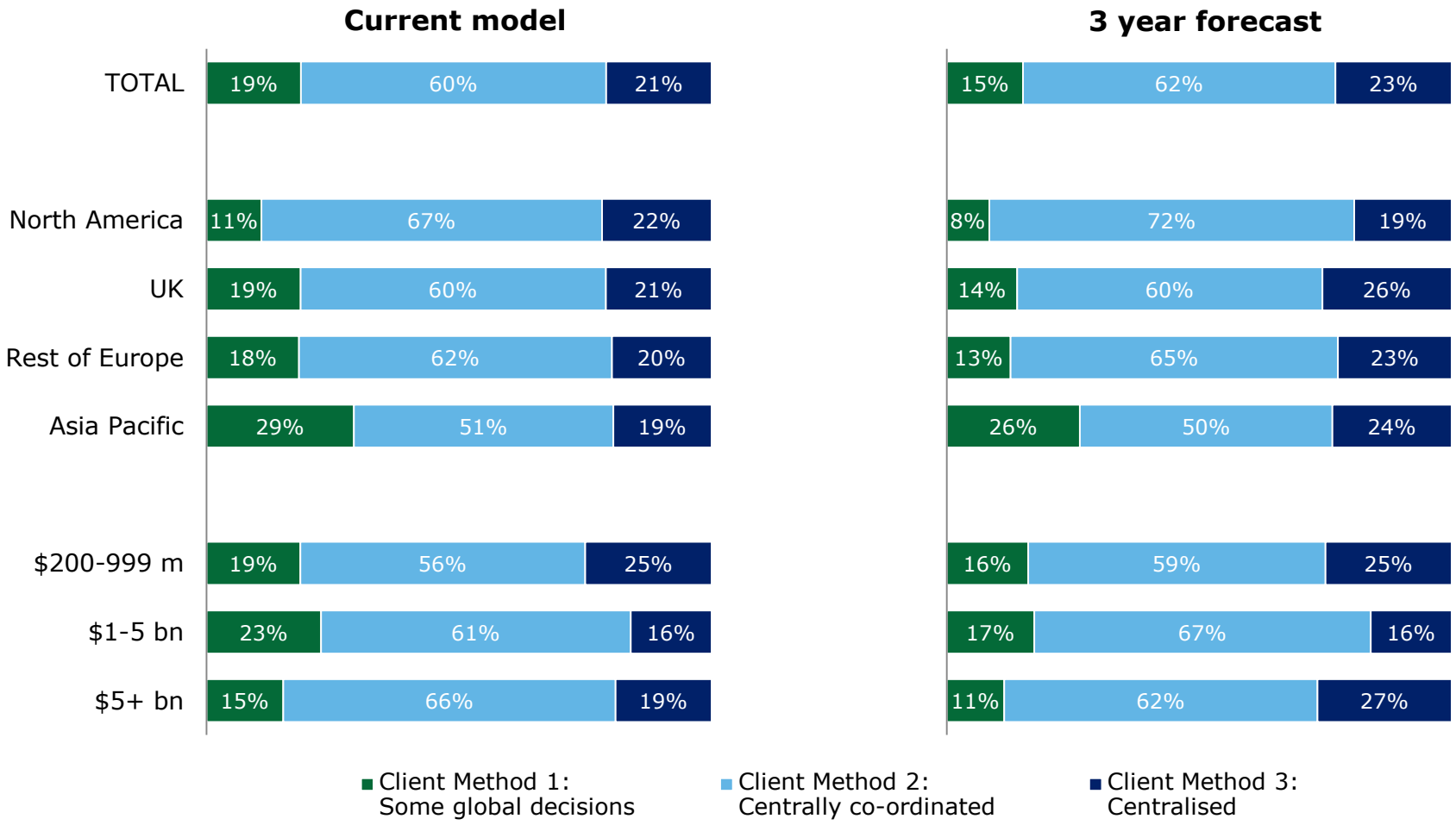
- Client Method 1: Some global decisions
- Client Method 2: Centrally co-ordinated
- Client Method 3: Centralised

Of the 18% who are currently Client Method 1 with no global decision making, 32% plan to move to a more centralised model in the next three years (33% in 2016)

Base : Total sample (2019=278, 2016=250) i.e. those with some global oversight
Q1. Do you plan to change your overall model for carrying out these tasks in the next three years?
Q2. Which of these models do you plan to adopt in the next three years?
Base: All Client Method 1 with no global decision making ((2019=77, 2016=33)
S5. Are you considering moving to a more central or global tax compliance and reporting model in the next three years?

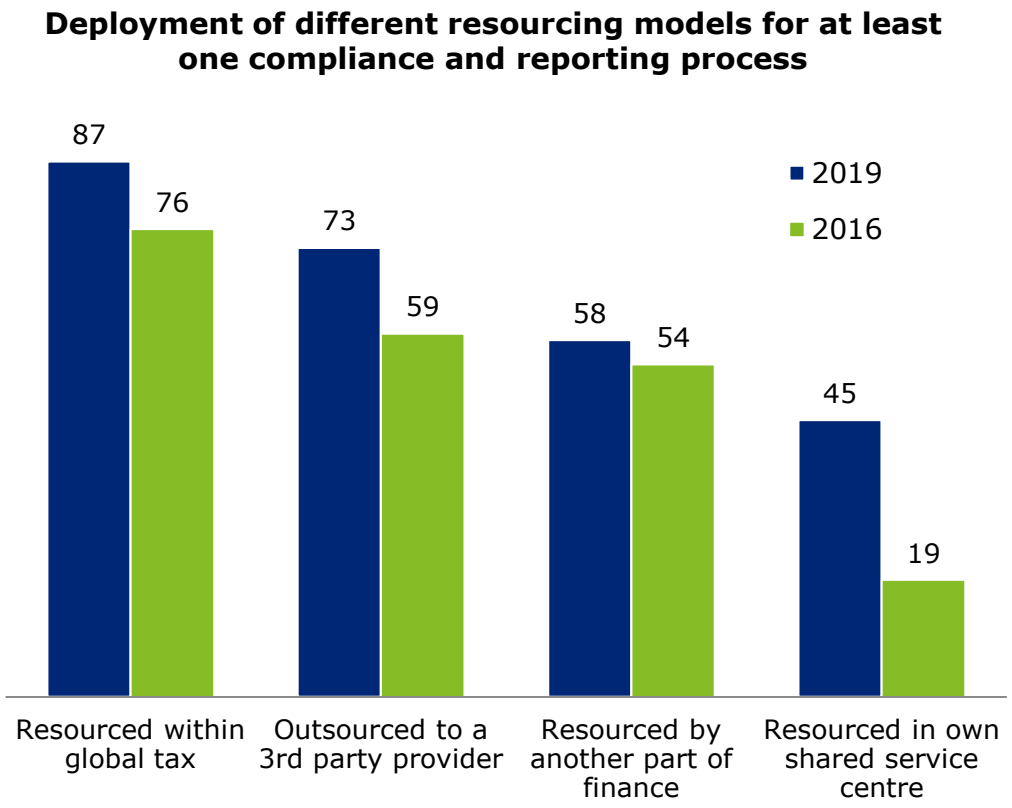
North America is the most centralized market, Asia Pacific the least.

Breakdown by HQ location and Global revenue



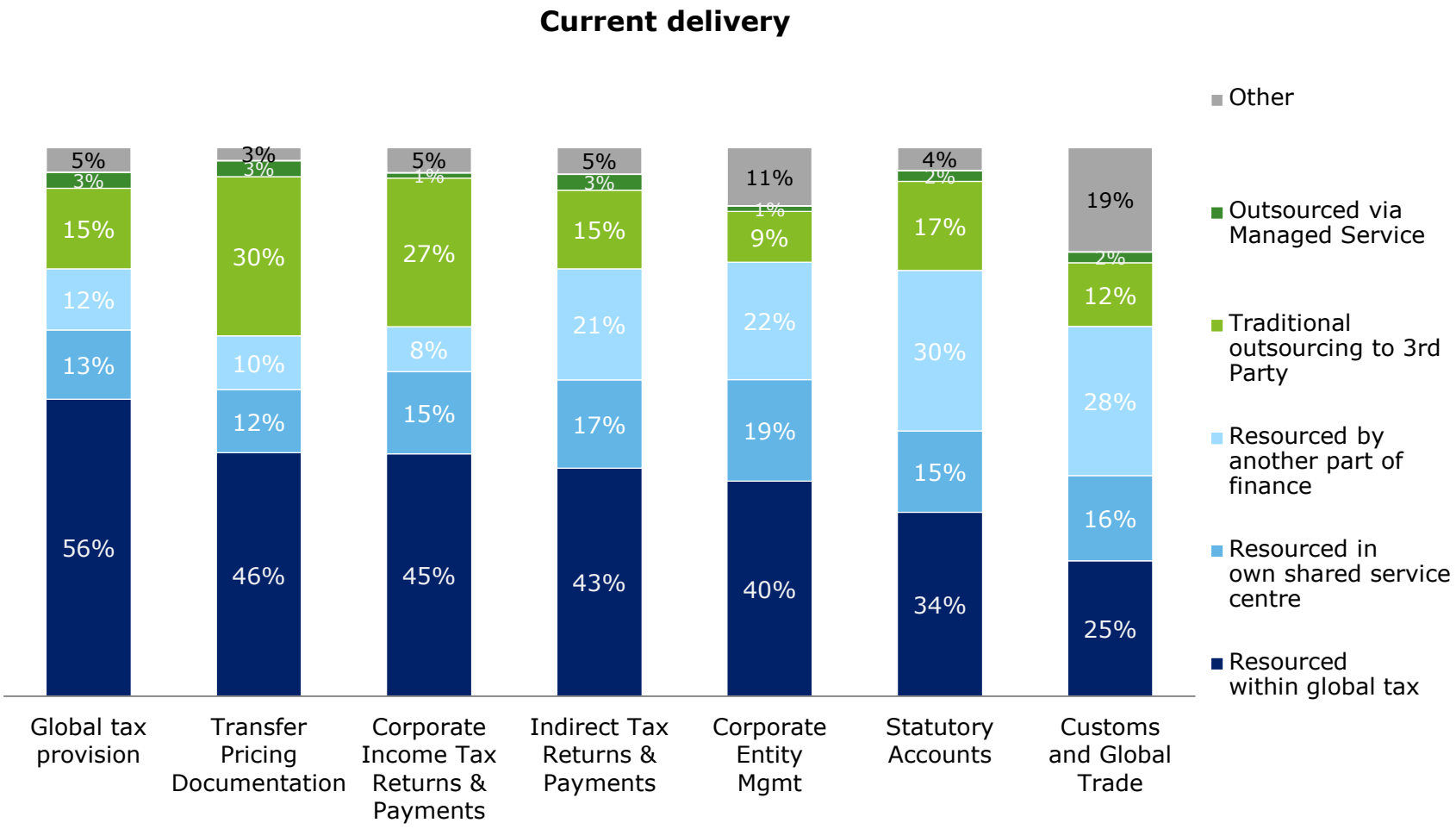
Base: Total sample i.e. those with some global oversight (Total=278, HQ location=83/43/71/72, Global revenue=124/75/79)
S3. Could you then tell me which model comes closest to describing the way you currently manage tax compliance and reporting?
Q1. Do you plan to change your overall model for carrying out these tasks in the next three years?
Q2. Which of these models do you plan to adopt in the next three years?

An increasing volume of global compliance and reporting work has meant that all resourcing models are now deployed more than in 2016. The biggest relative increase is the use of Shared Service Centers.



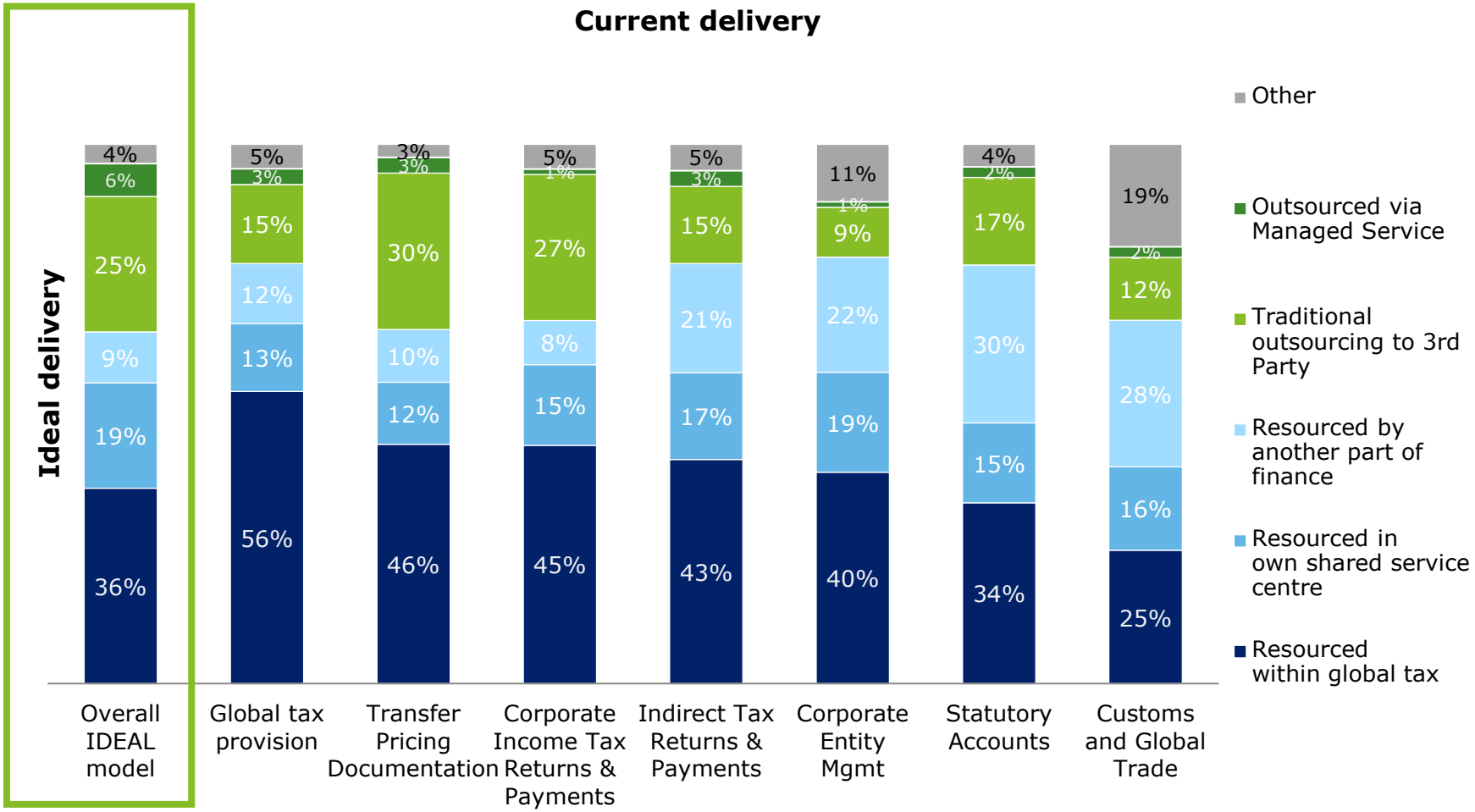
Base: Total sam
Q3. Let's look more closely at some of the main compliance and reporting tasks: for each one could you tell me whether the delivery of this process is predominantly…

When we look at how the work is predominantly resourced, we again see a range of options being deployed – using a mix of internal and external resources. The use of Shared Service Centers is consistent across processes.



Base: Total sample (2019=278)
Q3. Let's look more closely at some of the main compliance and reporting tasks: for each one could you tell me whether the delivery of this process is predominantly…

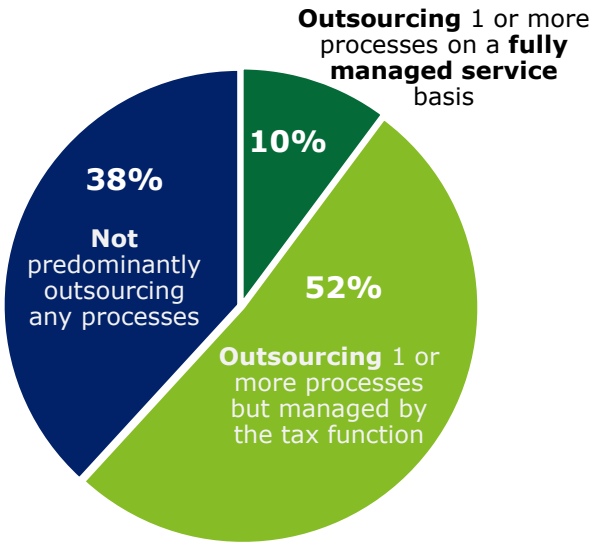
Organizations have a mix of philosophies on the ideal resourcing model – there is no one size fits all solution. The direction of travel suggests a desire to move more of the delivery outside of the global tax function into either Shared Service Centers or to an outsourced third party provider. 6% overall see a Managed Service option as the ideal resourcing option.



Base: Total sample (n=278)
Q3. Let's look more closely at some of the main compliance and reporting tasks: for each one could you tell me whether the delivery of this process is predominantly… Q7c. Now, completely setting aside how you do things at the moment, what do you feel would be the ideal resourcing and delivery model, across all compliance and reporting processes, in order to meet the needs of your organization?

The Managed Service option has caught the attention of Heads of Tax. 10% are already using this option for 1 or 2 processes. A further 9% are likely to try it in the next three years.

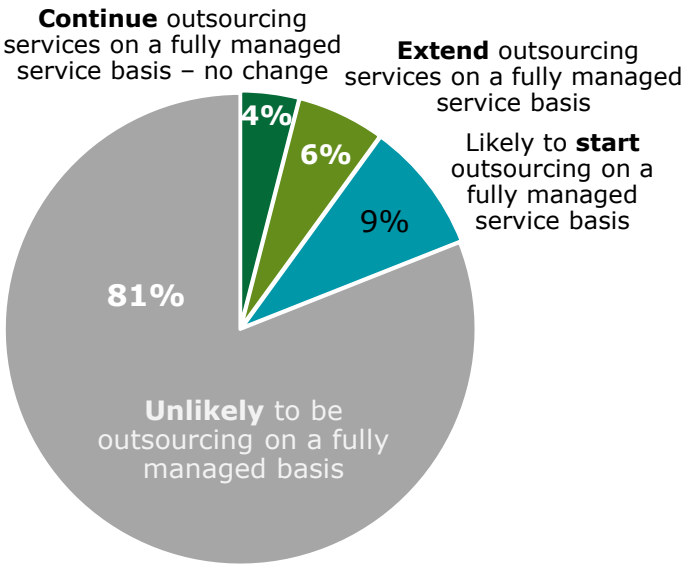
Current outsourcing on a fully managed service basis



The 28 companies currently outsourcing on a fully managed service basis are typically outsourcing just 1 or 2 tax processes

17 of these 28 companies plan to extend this in the next few years

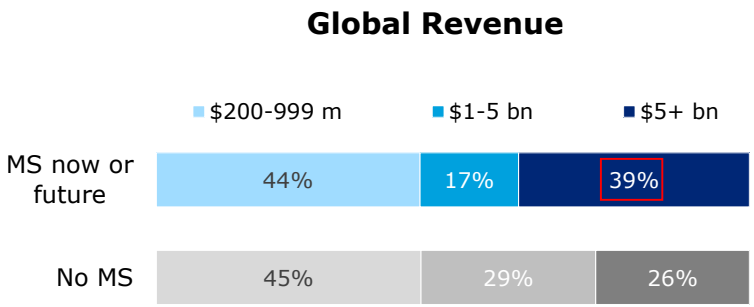
Future outsourcing on a fully managed service basis (in next 3 years)

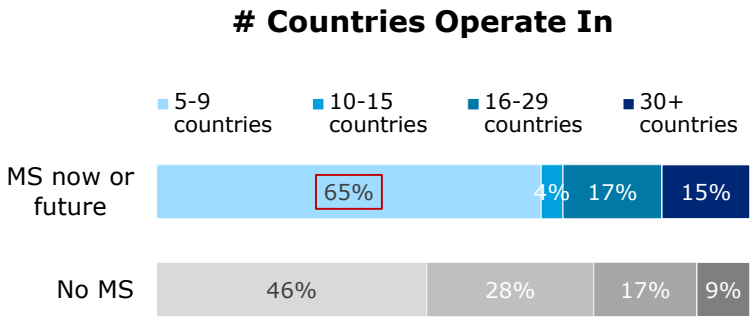


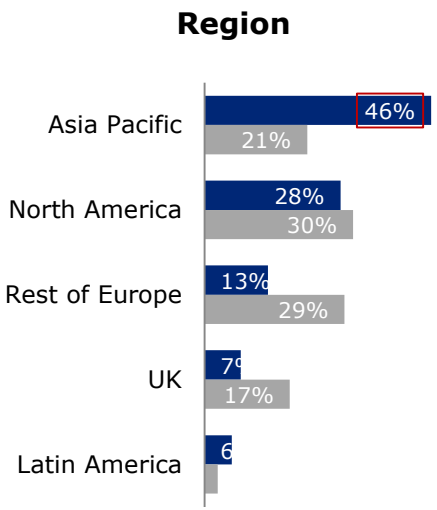
In total, 19% are either planning to continue operating some tax processes on a managed service basis, plan to extend the use of managed services to other processes or are likely to start outsourcing in this way

Base: Total sample (n=278)
Q3. Let's look more closely at some of the main compliance and reporting tasks: for each one could you tell me whether the delivery of this process is predominantly… Q4. Do you outsource any of these services on a fully managed service basis i.e. where you outsource the entire process to a third-party provider who also employs your legacy staff? Q5. Are you seriously considering extending this managed service arrangement in the next three years? Q6. Are you seriously considering engaging a service provider to operate any areas of your tax function on a fully managed service basis in the next three years? Q7c. Now, completely setting aside how you do things at the moment, what do you feel would be the ideal resourcing and delivery model, across all compliance and reporting processes, in order to meet the needs of your organization?

Outsourcing on a managed service basis is most common at the two opposite ends of the organizational spectrum - the largest companies (by global revenues) for whom the compliance and reporting task is greatest and smaller organizations (operating in fewer than 9 countries) who have likely never built strong internal resource for global tax. Companies headquartered in Asia Pacific are also more likely to be outsourcing or planning to outsource on a Managed Service basis.

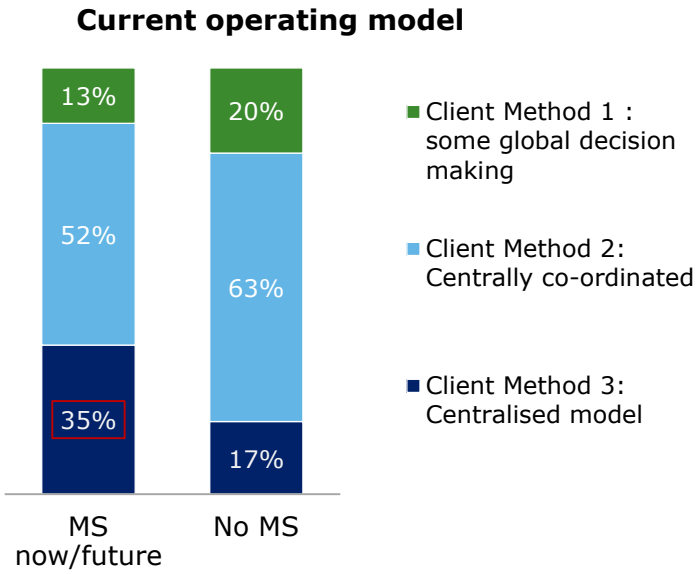


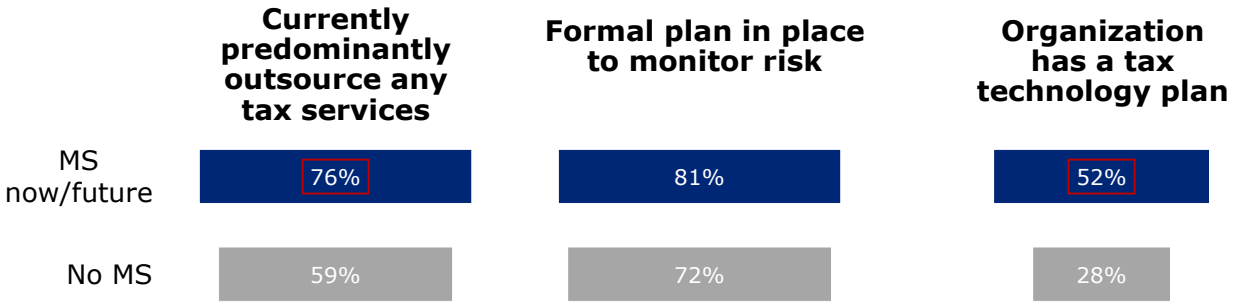




Base: All respondents (Outsource/plan to outsource on a fully managed service basis=54, Not/no plans to=224)
S2, P2, P4, P5, P6

The Managed Service model appeals most to those operating the most centralised models (Method 3). Those already outsourcing to a higher degree are more likely to be interested in Managed Services, as are those who are formally monitoring tax risk and have a tax technology plan in place.

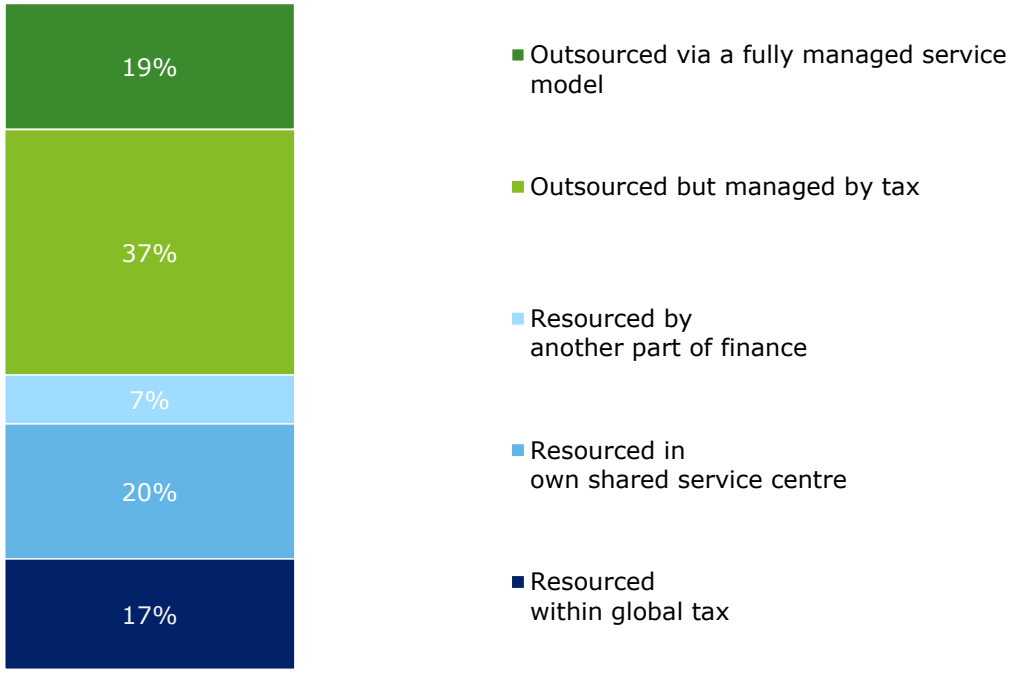




Base: All respondents (Outsource/plan to outsource on a fully managed service basis=54, Not/no plans to=224)
S3, Q3, Q7c, Q16, Q21, Q26

Only one in five of those who are either outsourcing on a Managed Service basis or planning to in the future actually see this as the ideal resourcing model. This suggests they are either using or planning to use it on a trial basis, but are not yet wholly convinced, or that perhaps they are under pressure to use Managed Services from elsewhere in their organization.

IDEAL resourcing model



Base: All respondents (Outsource/plan to outsource on a fully managed service basis=54, Not/no plans to=224)
S3, Q3, Q7c, Q16, Q21, Q26

A number of reasons were given both for and against the idea of a managed service solution for tax – sometimes the same argument is applied on either side.

Potential benefits of Managed Service Model

- Free up resources (from compliance and reporting tasks) to focus more on core business/ strategic activities – give proactive and value add service to the wider business
- In light of the increased burden and complexity stemming from regulation – might be easier to offload
- Gain access to specialised advice and global tax capabilities of Big 4 providers
- Gain access to more professional/higher calibre staff
- Reduce errors/improve accuracy
- Improve efficiency of processes & reduce cost
- Ensure compliant with the latest regulation and policies
- Guarantee resource continuity & outsource headache of managing fluctuating/unpredictable workload
- Shift the technology burden onto providers
- Appeals to rapidly growing companies as their tax management grows in complexity

"Firstly, this is already providing us with a high level of cohesion with the use of new tax technologies, which also makes it easier to ensure cross-border compliance, and, secondly, it ensures that we have an absolutely rigorous and reactive methodology that provides us with better data visibility. A managed services solution relieves the group's tax specialists of complex, excessively complex tasks and, consequently, creates greater internal efficiency. Furthermore, this allows us to play our transparency card with the tax authorities. Ideally, the idea above is all to guard against risks of fines being imposed while still retaining a certain level of confidentiality."

Potential barriers to Managed Service Model

- Company philosophy is to keep core competencies in the company
- Unsure how it could work in practice/don't understand how it could work for tax
- Risk management – keen to retain control and oversight and have specialist tax advice in house
- Have the technology in place to manage effectively internally/have automated in-house
- Want to ensure a close connection between tax and the business – including being aligned to management & the strategy
- The model and/or data is currently too decentralised for MS model to be feasible. Need to complete finance transformation first
- In-house team able to respond more flexibly – both in terms of speed but also not as rigid in approach (spirit not letter of the law)
- Size of the task/company is not big enough to warrant
- Loyalty to staff/Have highly qualified staff internally and want to keep them
- Do not believe MS would deliver reduced cost
- Do not want to be tied in to a MS contract
- Have found a low cost alternative already (Shared Service Canters, finance resource)
- Confidentiality concerns. Feel the data is too sensitive to share/risk of security breaches and the data leaking out
- No need - believe current model is effective and efficient
- Fear of change and the transition that would be required

"I believe a very strong in-house team working closely with outside service providers work the best. You need to understand the business and can only do that by working in-house."

"I haven't looked into it, but since we have a superb ERP package with a whole range of functions, there's no need to outsource to an external provider."

Market drivers

It’s no longer enough to focus primarily on getting compliance and reporting right at a reasonable cost.

Beyond the hygiene factors of quality and control, Heads of Tax are now more ambitious, aspiring to a wider range of goals, led by driving value and insight.

Reducing cost of delivery is of high importance to the largest and most centralized organizations.

It’s no longer enough to focus primarily on getting compliance and reporting right at a reasonable cost. Beyond the hygiene factors of quality and control, Heads of Tax are now more ambitious, aspiring to a wider range of goals, led by driving value and insight. Reducing cost of delivery is of high importance to the largest and most centralized organizations.

- Ensuring quality delivery and improving control remain the top priorities overall
- Goals and priorities are evolving though and Heads of Tax are getting more ambitious - in relative terms they are now prioritizing a wider range of goals, led by driving value and insight
- Over a quarter see ‘reducing the cost of delivery’ as a high priority - achievement of all these goals may be a bigger challenge for this group, which are more likely to be the largest and most centralized organizations in the market
- Those organizations with the most decentralized models still place relatively higher importance on improving control
- The desire to drive value and insight is relatively higher in the North American market and lower in AsiaPac

70%

Still say ensuring quality delivery is a high priority

High Ambition

The balance of priority is now more evenly distributed across all areas

28%

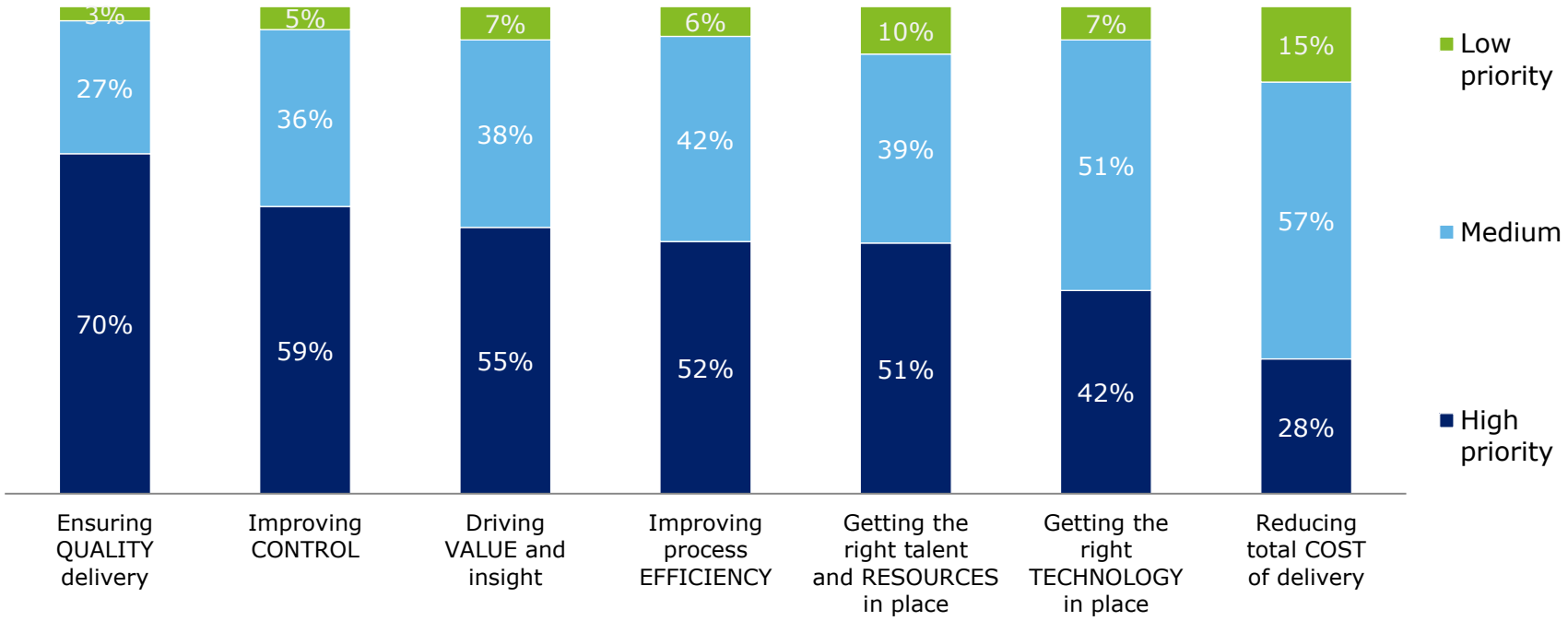
Say reducing the overall cost of delivery is a high priority

65%

Of North American organizations place high priority on driving value and insight

The goals and priorities of Heads of Tax appear to be evolving as they are forced to adapt to meet increasing reporting and regulatory demands. Ensuring quality delivery and improving control are still the top priorities overall but in relative terms, Heads of Tax are now prioritising a wider range of goals. The fact that around a quarter also see 'reducing the total cost of delivery' as a high priority means achieving all of these goals may be hard to achieve

Priorities for the organization and management of tax globally



Base: Total sample (n=278)
Q8. We are interested in understanding the priorities for your global tax department. For each of the following goals that you may be trying to achieve, please indicate whether it is of high, medium or relatively low priority for you at the moment…

The desire to drive value and insight is relatively higher in the North American market and lower in AsiaPac. The UK market is still strongly focused on ensuring quality delivery. The largest global organizations put higher priority on getting the right talent and resource in place and reducing cost of delivery.

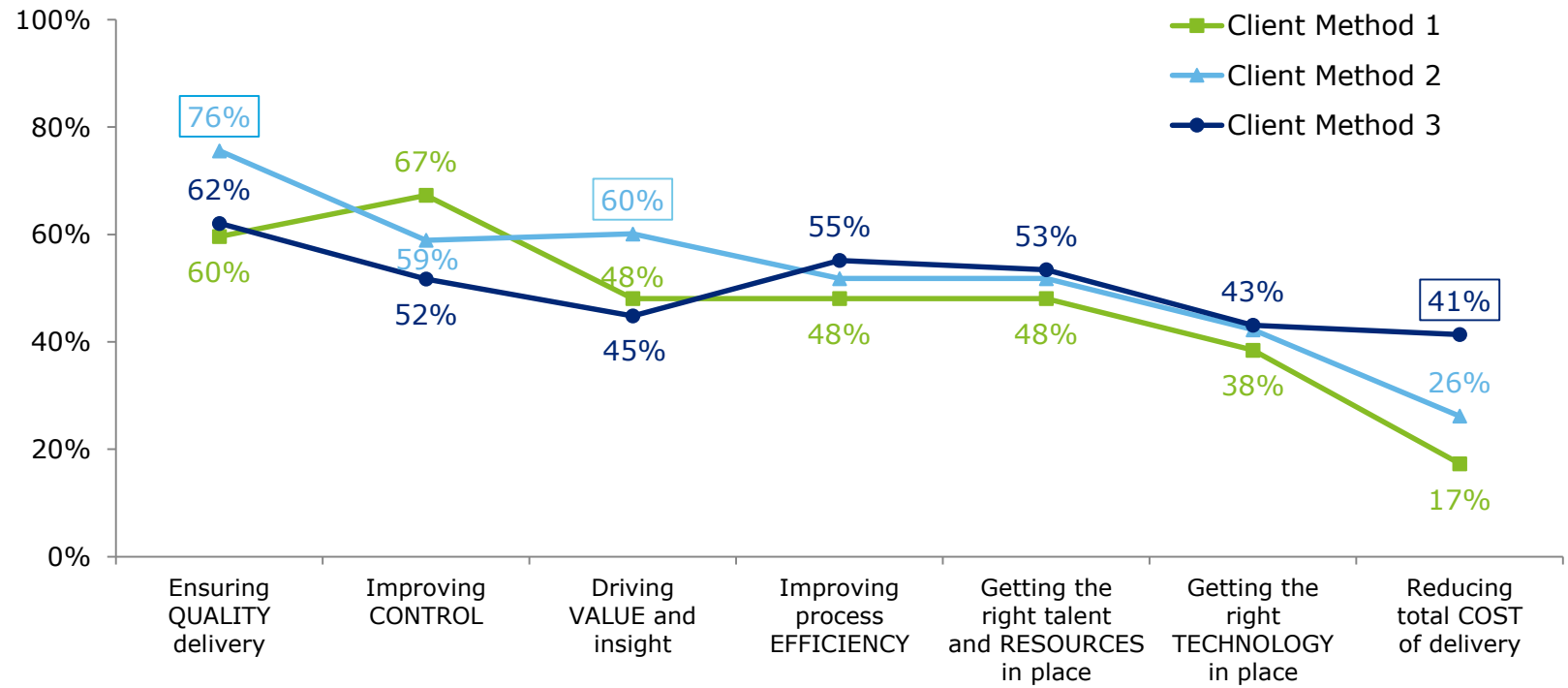
Priorities for organization and management of tax globally
(% High priority)

	TOTAL	NAM	UK	Rest of Europe	APAC	$200-999m	$1-5 bn	$5+ bn
Ensuring QUALITY delivery	**70%**	75%	88%	75%	44%	63%	83%	68%
Improving CONTROL	**59%**	49%	65%	69%	53%	60%	55%	61%
Driving VALUE and insight	**55%**	65%	58%	52%	39%	47%	60%	62%
Improving process EFFICIENCY	**52%**	59%	53%	56%	35%	55%	51%	48%
Getting the right talent and RESOURCES in place	**51%**	55%	60%	46%	42%	44%	52%	63%
Getting the right TECHNOLOGY in place	**42%**	47%	42%	38%	38%	41%	40%	44%
Reducing total COST of delivery	**28%**	29%	23%	24%	28%	29%	13%	39%

Base: Total sample (Total=278, HQ location=83/43/71/72, Global revenue=124/75/79)
Q8. We are interested in understanding the priorities for your global tax department. For each of the following goals that you may be trying to achieve, please indicate whether it is of high, medium or relatively low priority for you at the moment…

Improving control is the main focus for those businesses still operating a decentralized model (Method 1). Method 2 organizations are more likely to be focused on ensuring 'quality of delivery and driving value and insight. The most centralized organizations (Method 3) are much more likely to place a high priority on reducing the total cost of delivery.

Priorities for organization and management of tax globally – by overall model
(% High priority)



Base: All currently using each model (n=52/168/58)
Q8. We are interested in understanding the priorities for your global tax department. For each of the following goals that you may be trying to achieve, please indicate whether it is of high, medium or relatively low priority for you at the moment…

Satisfaction

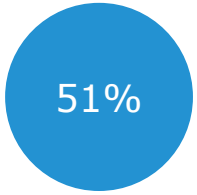
Despite small gains in satisfaction in the areas of quality and process efficiency, satisfaction overall remains markedly low.

The demands of real time reporting and SAF-T appear to be holding back progress towards higher satisfaction.

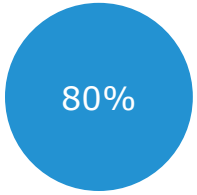
Those organizations making progress with technology are seeing a positive impact on satisfaction levels across the board.

Despite small gains in satisfaction in the areas of quality and process efficiency, satisfaction overall remains markedly low. The demands of real time reporting and SAF-T appear to be holding back progress towards higher satisfaction. Those organizations making progress with technology are seeing a positive impact on satisfaction levels across the board.

- Over half are now satisfied with quality of delivery (the most important need overall) but satisfaction on all other measures remains markedly low
- There have been improvements in satisfaction since 2016 with regard to quality of delivery and process efficiency, but in other areas satisfaction has stood still
- Only one in five are satisfied that they have the right technology in place
- Method 2 organizations no longer have higher satisfaction scores (as in 2016) – the picture is now relatively consistentacross all operating models.
- SAF-T and the demands of real time reporting are holding back those affected – they are significantly less likely to be satisfied with the quality of their delivery, the talent/resources they have in place and with the total cost of delivery
- On the other hand, those organizations who have all three critical elements relating to technology in place (i.e. a formal plan, someone with responsibility and an appropriate budget) are more likely to be satisfied with their model across the board, and particularly in relation to driving value and insight, improving process efficiency and reducing the cost of delivery



Satisfied with current model in terms of ensuring quality delivery

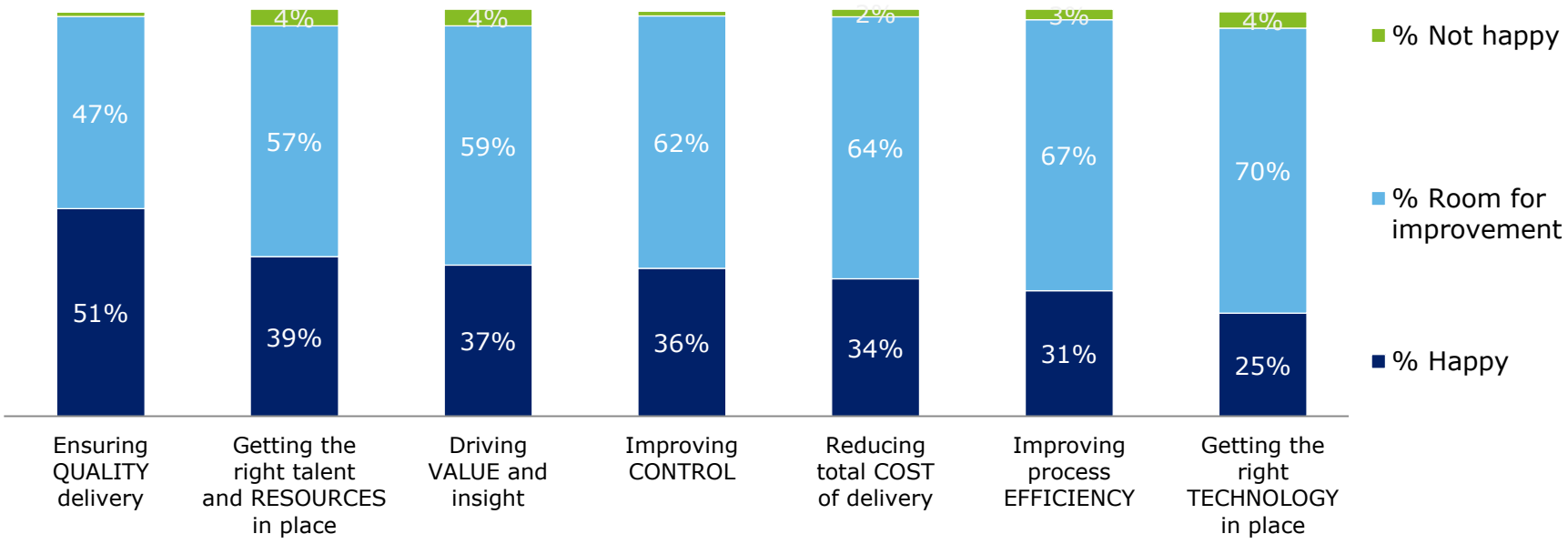


Are not satisfied that they have the right technology in place

Average satisfaction scores among those affected by SAF-T and real time reporting

Levels of satisfaction with current resourcing and delivery models remain low. Although around half are now satisfied with quality of delivery, there has been little improvement in other areas. Satisfaction with technology is especially low - only one in five is happy that they have the right technology in place.

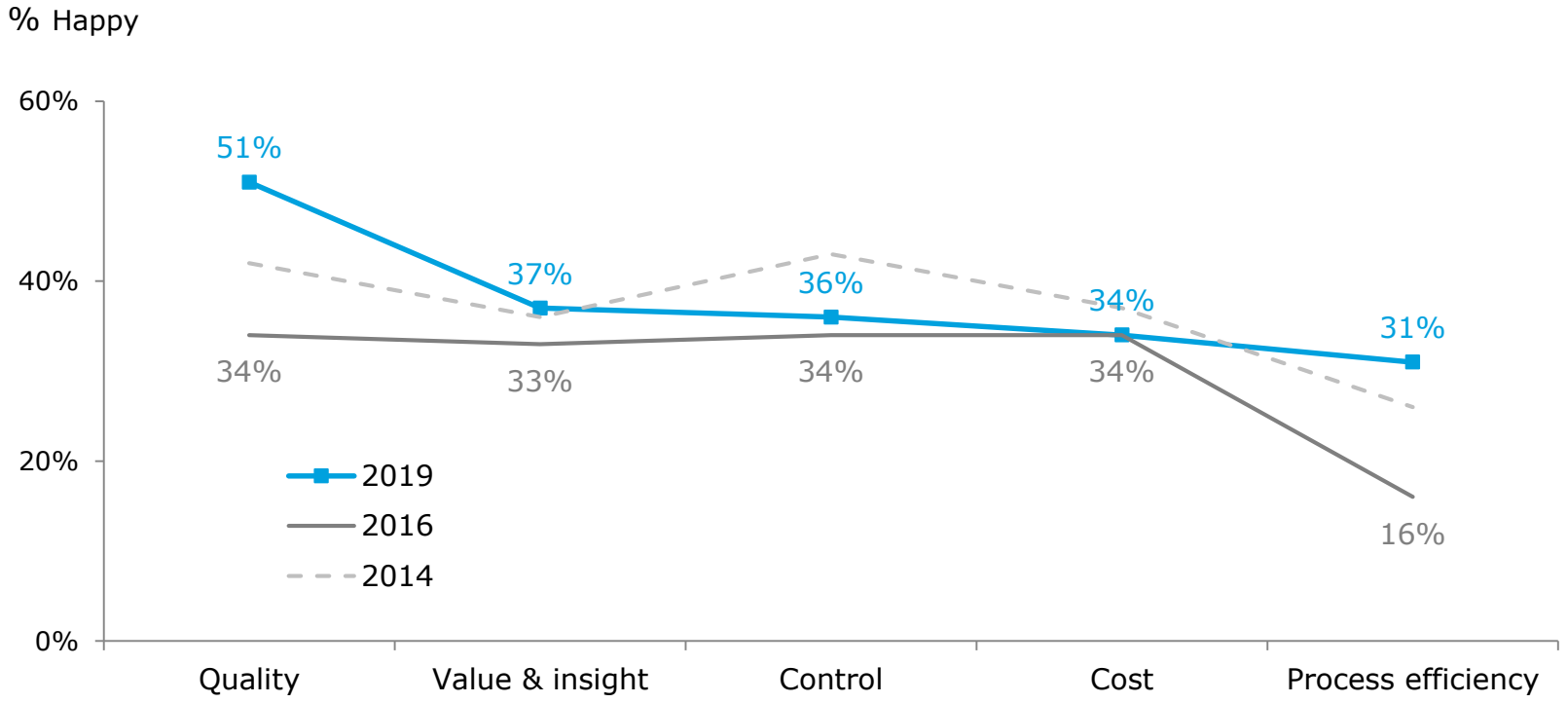
Satisfaction with current model for organization and management of tax globally



Base: Total sample excluding DKs (2019=275-277)
Q9. Using a scale of 1 to 10 where 10 is extremely well and 1 is not at all well, how well do you feel your current resourcing and delivery model works in terms of each of the following?

Between 2014 and 2016 satisfaction fell as tax departments struggled to cope with increasing demands being placed on them. Between 2016 and 2019 overall satisfaction with quality of delivery has improved. Satisfaction with process efficiency has also improved – other findings suggest technology could be playing a part in this.

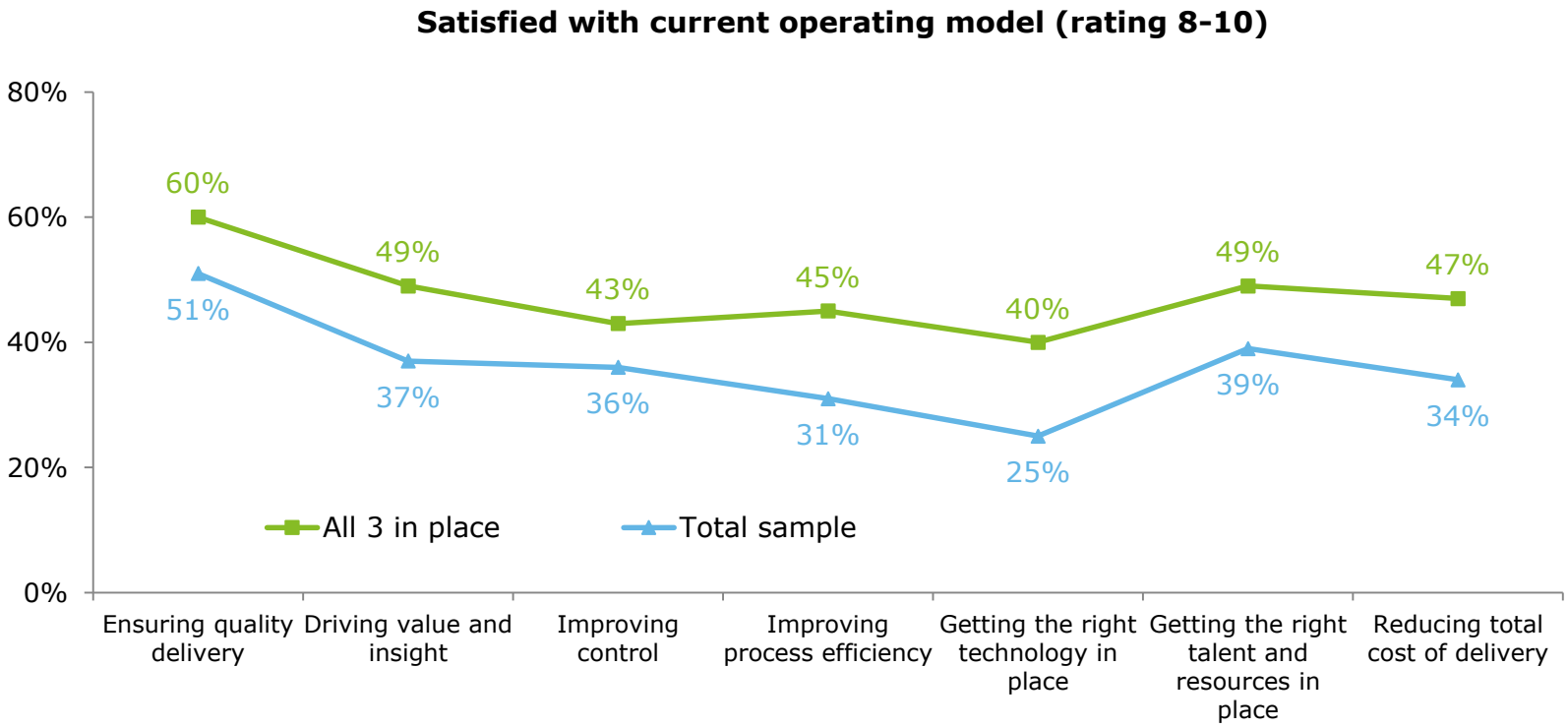
Satisfaction with current global tax operating model - trend date since 2014



Note: Factor wording changed between 2016 and 2019, so trend comparisons should be interpreted with care

Base: Total sample excluding DKs (2019=278, 2016=250)
Q9. Using a scale of 1 to 10 where 10 is extremely well and 1 is not at all well, how well do you feel your current resourcing and delivery model works in terms of each of the following?

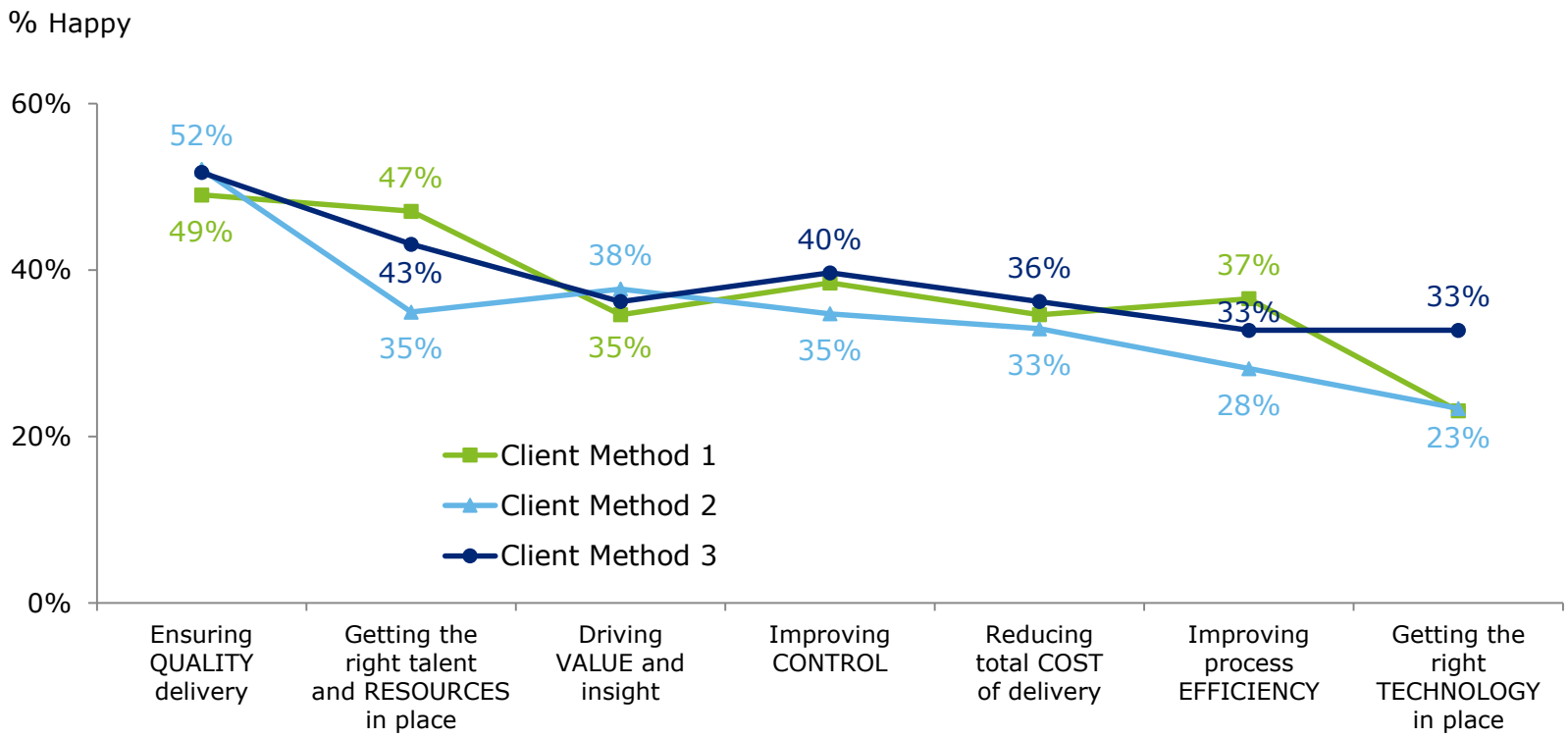
Those organizations who have all three critical elements relating to technology in place (i.e. a formal plan, someone with responsibility and an appropriate budget) are more likely to be satisfied with their model across the board, and particularly in relation to driving value and insight, improving process efficiency and reducing the cost of delivery.



Base: All respondents (All three elements in place =53, Total sample=278)
Q8, Q9

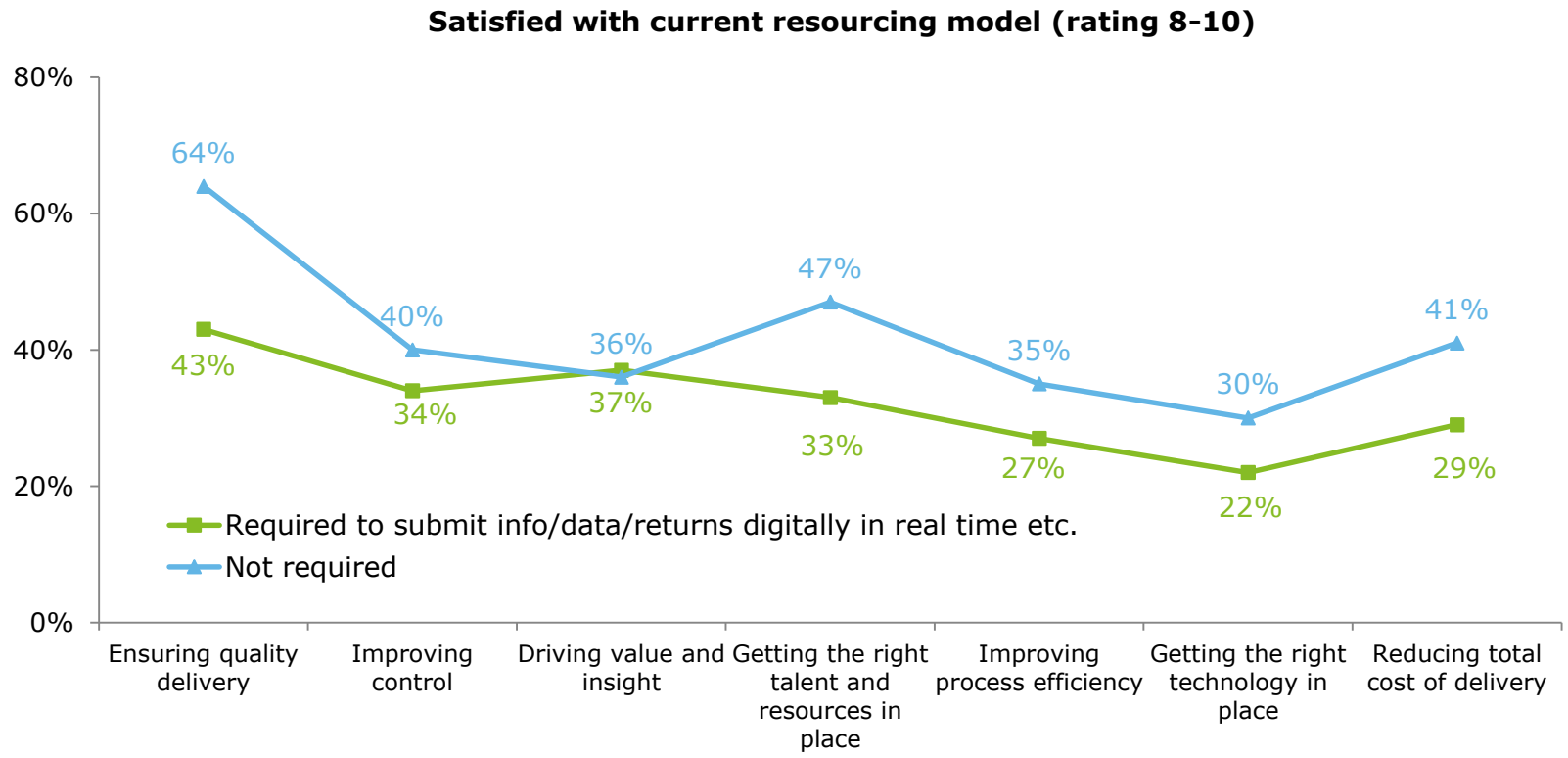
In previous surveys Client Method 2 organizations tended to have higher satisfaction scores across the board. This is no longer the case and satisfaction is now relatively consistent across all three resourcing models. Getting the right talent and resources in place and improving process efficiency are areas where satisfaction among Client Method 2 companies is particularly low.

Satisfaction with current model for organization and management of tax globally – by overall model



Base: All currently using each model excluding DKs (n=52/168/58)
Q9. Using a scale of 1 to 10 where 10 is extremely well and 1 is not at all well, how well do you feel your current resourcing and delivery model works in terms of each of the following?

Those affected by SAF-T and the demands of real time reporting or other e-audit requirements are significantly less likely to be satisfied with the quality of their delivery, the talent/resources they have in place and with the total cost of delivery.



Base: All respondents required to submit info/data/returns digitally in real-time or as part of e-audit requirements=164, Not required =114)
Q8, Q9

Technology progress

After many years of slow progress on technology, focus and investment are showing signs of positive movement.

As well as a desire to improve data and process efficiency, there is evidence that external reporting pressures have been a tipping point

After many years of hesitant progress on technology, pressure from the outside (particularly new reporting requirements) has finally forced some to take action.

- Over half of organizations claim to have increased their focus on technology in the past two years with investments having been made in a number of areas to improve the accessibility/quality of their data. Significant further investments are also planned
- There have been some improvements in the level of technology organization (in terms of plan, budget and responsibility) but there is still significant scope for improvement in this area
- Interest in new technology has grown since 2016, especially in the areas of Big Data and Robotic Process Automation
- There are multiple drivers to invest in technology – and while process efficiency and data are naturally big drivers, there is evidence that external pressure from tax authorities is having a real impact
- While there is evidence that the pressures of SAFT-T/real time reporting have been the tipping point to investment for some, they remain concerned about their ability to implement successfully

56%

Claim to have increased their focus and investment in digital and tax technology over the past two years

19%

Of companies with a clear roadmap for technology, appropriate budget and someone responsible for delivering this. Up from 12% in 2016.

60%

Are likely to invest in Big Data in the next 3-5 years

70%

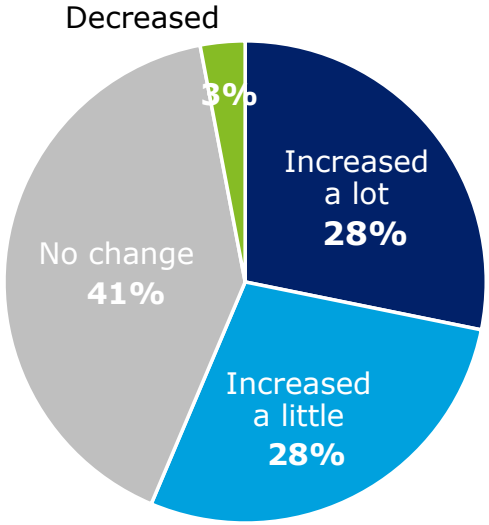
Claim responding to SAF-T and real time reporting requirements are a significant driver of their investment in digital/technology.

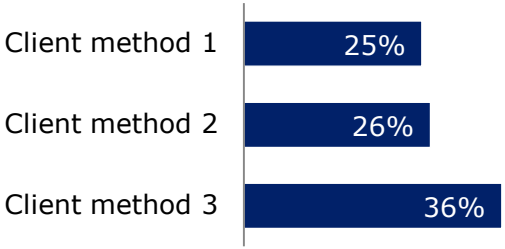
26%

Cite implementing the technology required to respond to the requirements as the main challenge in responding to SAF-T/Real Time Reporting

Over half of organizations claim to have increased their focus on technology in the past two years, with investments having been made in a number of areas to improve the accessibility/quality of their data. Significant further investments are also planned.

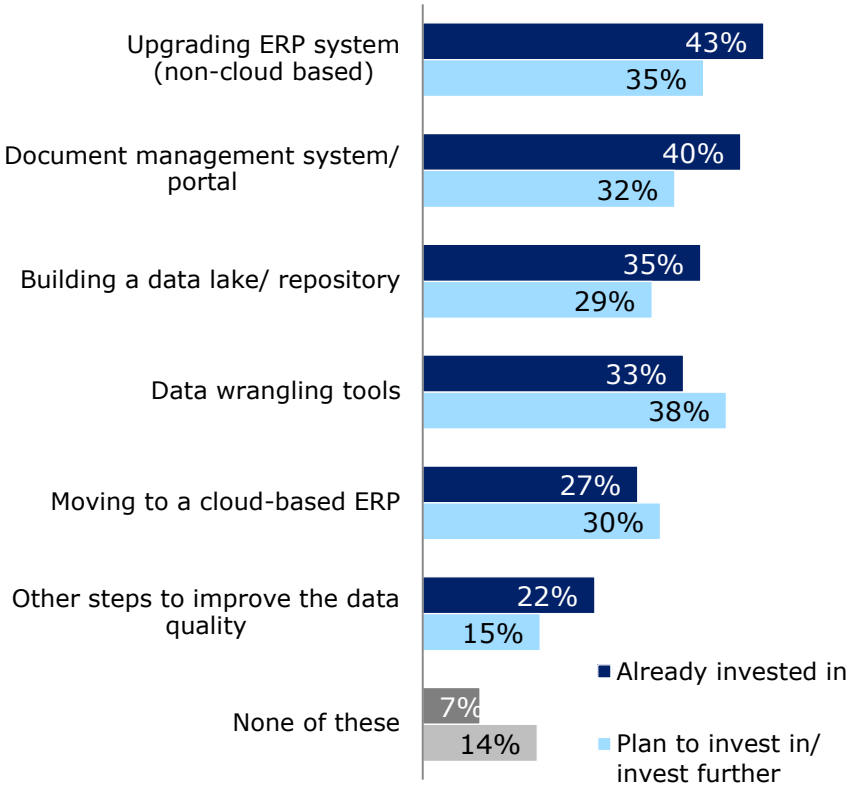
Change in focus on technology over past 2 years





Over a third of Client Method 3 organizations have increased their focus on technology a lot.

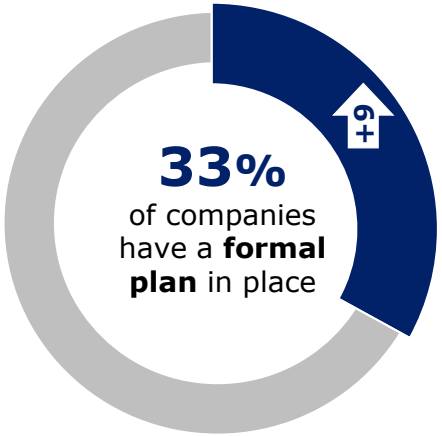
Investment to improve accessibility/quality of tax data



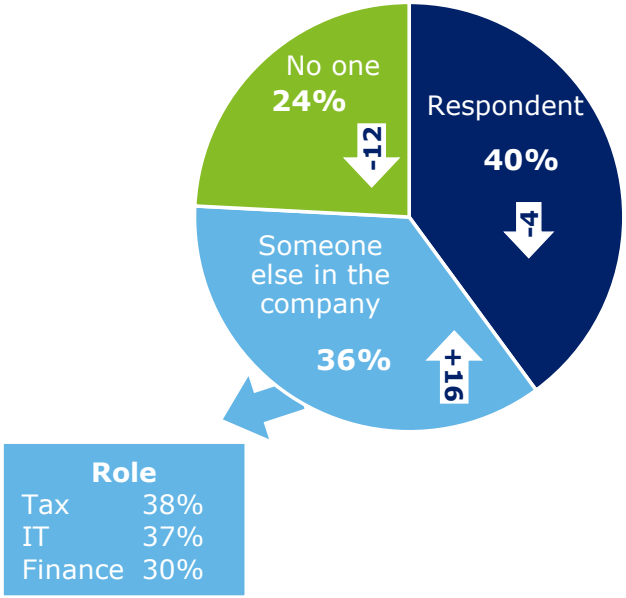
Base: Total sample (n=278)
Q17. Overall, to what extent has your focus and investment in digital and tax technology changed over the past two years? Would you say that it has…
Q19a. Many companies are investing in improving the accessibility and quality of their data for tax purposes. In which of the following have you invested to date? Q19b. In which do you have plans to invest (or invest further) in the near future?

Organizations have improved their level of focus on technology since 2016, with increases in those that have a plan, those that have a responsible individual and those with appropriate budget in place. However, almost half of organizations still feel they lack sufficient budget, two thirds lack a formal plan and a quarter still do not have a specific individual responsible.

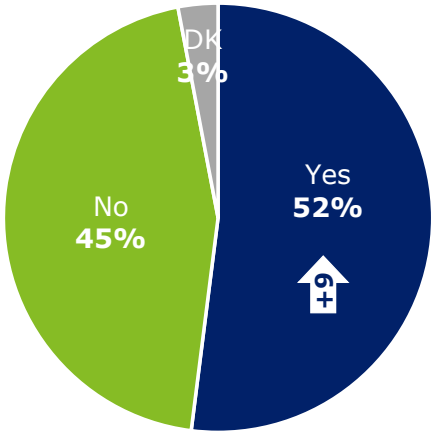
Formal plan for tax technology architecture



Specific individual with overall responsibility for tax technology

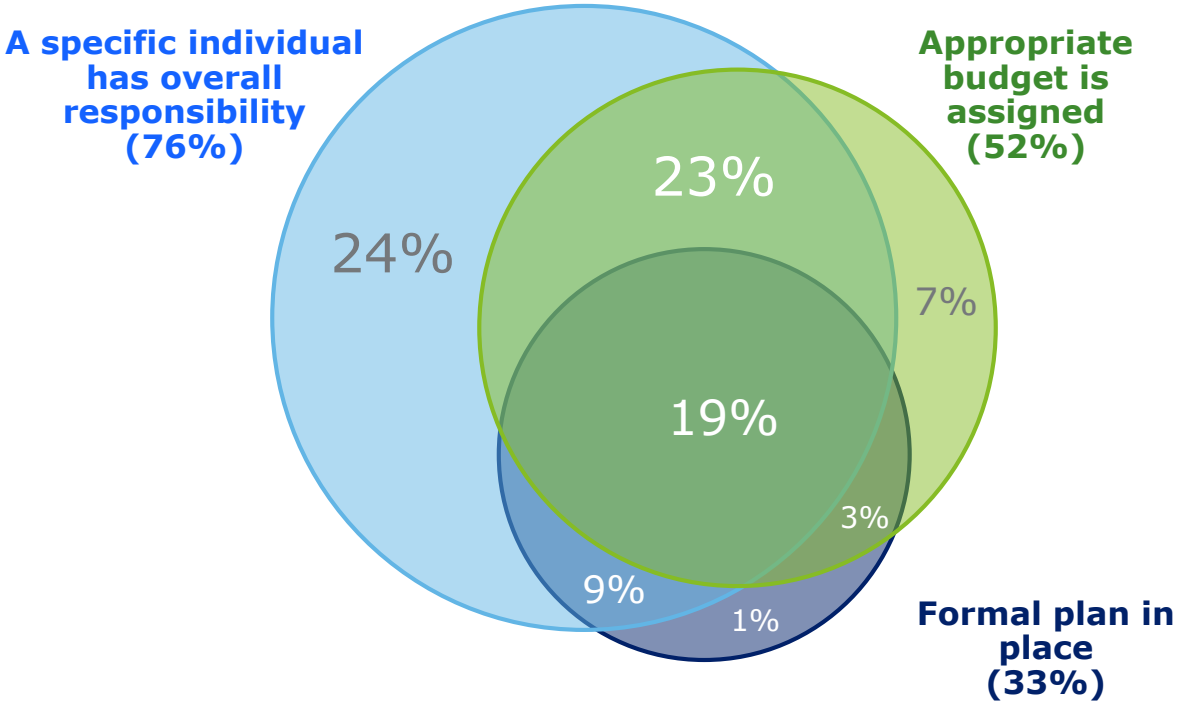


Appropriate budget assigned to tax technology



Base: Total sample (2019=278, 2016=250)
Q16. Do you have a (formal) tax technology plan for your organization, by which I mean a clearly defined plan of what you would like to achieve through technology and digitization and how to do it? Q22. Do you personally have, or does someone else in your company have, overall responsibility for tax technology? Q24. In your view is there appropriate budget assigned to tax technology in your organization?
Base: All with someone else responsible for tax technology (n=100)
Q23. Within which functional area of the business does this person with responsibility for tax technology sit?

Taking these three measures together, only 19% have a clear roadmap for technology, appropriate budget *and* someone responsible for delivering this. Although still low, this does represent an increase from 12% in 2016. The proportion without any of these in place has also reduced (from 24% in 2016 to 13%).



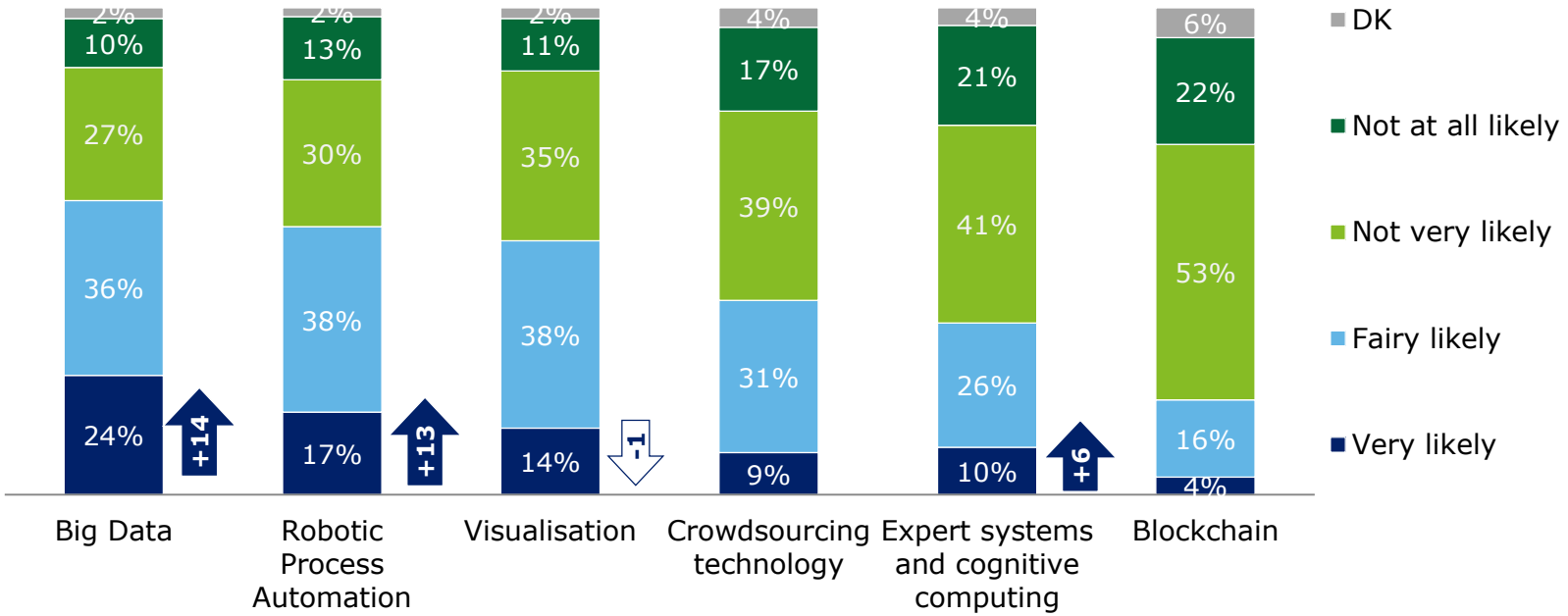
- 19% (12% in 2016) have a formal plan, someone with responsibility and an appropriate budget
- 22% (14% in 2016) have a formal plan and an appropriate budget
- 28% (20% in 2016) have a formal plan and someone with responsibility
- 42% (32% in 2016) have someone with responsibility and an appropriate budget
- 13% (24% in 2016) do not have a formal plan, anyone responsible or an appropriate budget

The 19% of companies that have all three elements in place tend to be larger (25% among 5bn+ companies)

Base: Total Sample (n=278)
Q16. Do you have a (formal) tax technology plan for your organization?
Q22. Do you personally have, or does someone else in your company have, overall responsibility for tax technology?
Q24. In your view is there appropriate budget assigned to tax technology in your organization?

There is significantly more interest in new tax technologies than in 2016, particularly Big Data and Robotic Process Automation. Those with a tax technology plan, a responsible person and budget are more likely to invest (especially in Big Data and Expert Systems) as are those required to respond to SAF-T or real-time reporting requirements.

Likelihood to invest in emerging tax technologies in next 3-5 yrs

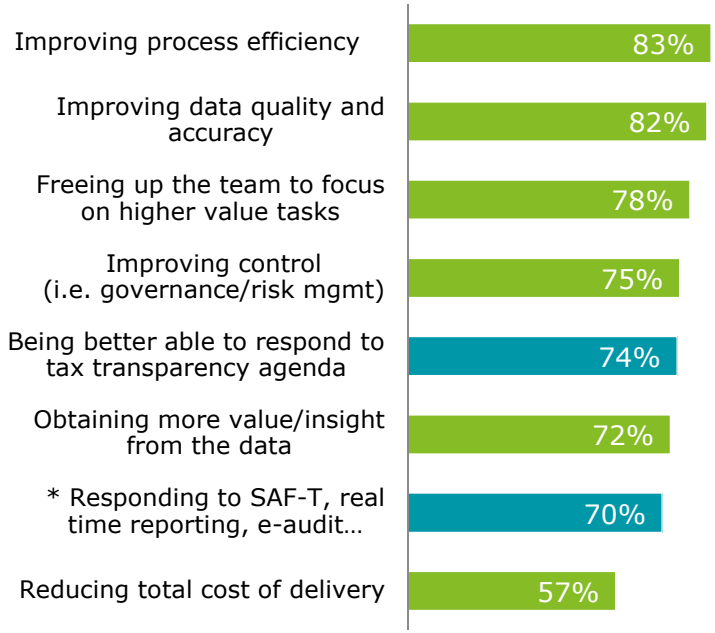


	TOTAL Likely	Have a plan, person and budget	Respond to SAF-T/Real time reporting
Big Data	**60%**	81%	71%
Expert systems and cognitive computing	**35%**	51%	40%

Base: Total sample (n=278)
Q21. We now want to ask you about some emerging areas of technology which could be used in the management of tax. For each area please indicate how likely your organization is to invest in or make use of each of these emerging technologies in the next 3-5 years, for tax applications. Would you say very likely, fairly likely, not very or not at all likely?

There are multiple drivers to invest in technology – and while accuracy and efficiency are naturally important factors, responding to external pressures (e.g. tax transparency agenda and real time reporting) are both significant drivers. When asked why they are now more focused on technology, Heads of Tax acknowledge the need to raise their own technology game in response to the increasingly sophisticated digital demands of tax authorities.

Significant drivers of current and future investment in technology



* Based on those required to respond (168 companies)

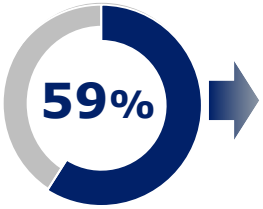
"The increase in regulations means more transparency, more reporting. And tax departments are generally very lean"

"We can see, on the one hand, increased scrutiny of information combined with an unprecedented level of regulatory complexity. And, on the other hand, the need for good technology to master and decipher the jumble of digital data."

"The increase both in regulation and tax transparency are putting pressure on in house time and resources and technology is seen as the obvious solution."

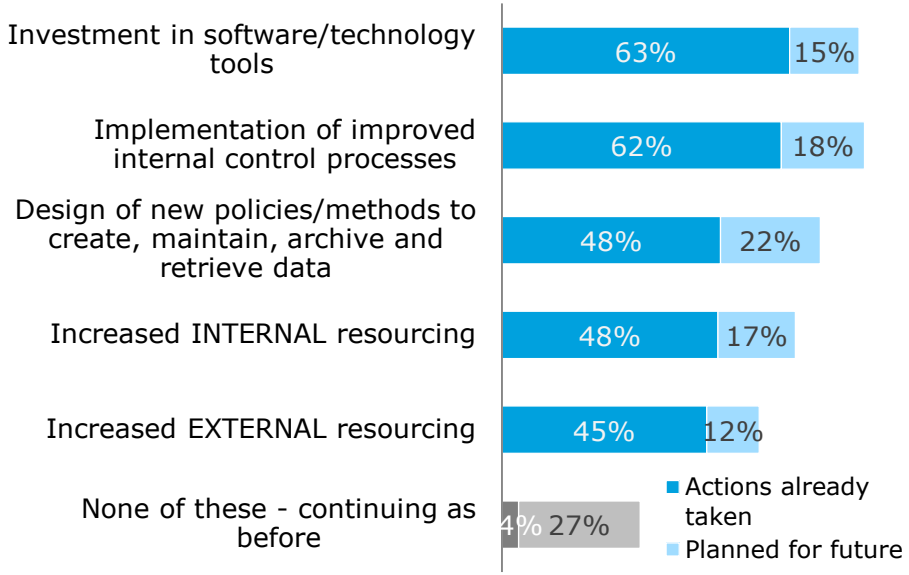
Base: Total sample (n=278)
Q20. I'm going to read out a list of areas in which digital solutions or new technology have the potential to help you in the management of tax for your organization. For each one can you tell me if it is a significant driver if your investment in technology or not?

SAF-T/real time reporting has placed considerable strain on businesses, including prompting investment in software/technology, internal processes and resources.



59% of companies in our sample (164) are required to submit SAF-T, real time reporting and other e-audit requirements

Measures taken/planned to respond to requirement
(among those required to submit)

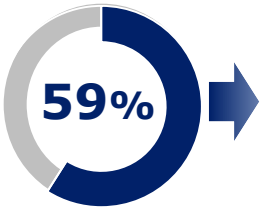


Those who are required to submit SAF-T, real time reporting or other e-audits are:

- More likely to have a tax technology plan in place (37% vs. 27% who are not required to submit)
- More likely to have increased their focus and investment in technology (62% have increased their focus either a lot or a little vs. 47% who have not been required to submit)

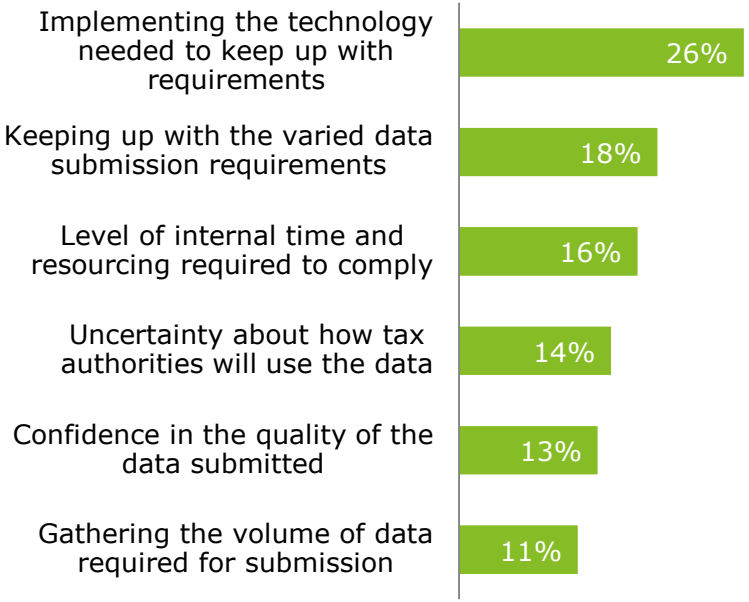
Base: Total sample (n=278)
Q10. We now have a few questions specifically relating to SAF-T, real time reporting, and other e-audit requirements. First of all, is your company required to submit these in any of the markets in which you operate?
Base: All required to submit (n=164)
Q11. I am now going to read out a list of possible measures you may have taken to respond to the requirements of real time reporting. Please indicate which of these actions you have taken as a business… Q11b. And what else do you plan to put in place going forwards…

Implementing the technology needed to keep up with the new requirements is the main challenge for around one in four. This group is also more likely to lack confidence that they have the right internal resources to utilize this new technology.



59% of companies in our sample (164) are required to submit SAF-T, real time reporting and other e-audit requirements

Main concerns/challenges in responding to requirements
(among those required to submit)



Those required to respond are also more likely to lack confidence about whether they have the right level of internal expertise and capability within tax to fully utilise technology (32% are not at all or not very confident vs. 25% who are not required to submit)

Base: All required to submit (n=164)
Q12. What is the biggest concern or challenge you face in responding to the requirements of SAF-T, real time reporting and e-audit?

Technology impact

There are indicators that technology is now seen as the key to unlocking value and insight while also controlling cost.

Satisfaction levels are higher across all areas among those who have made clear technology progress.

There are indicators that technology is now seen as the key to unlocking value and insight while also controlling cost. Satisfaction levels are higher across all areas among those who have made clear technology progress.

- There is growing recognition that technology has a crucial role to play in enabling companies to meet the internal and external challenges they face
- Those organizations who have all three critical elements relating to technology in place (i.e. a formal plan, someone with responsibility and an appropriate budget) are more likely to be satisfied with their model across the board, and particularly in relation to driving value and insight, improving process efficiency and reducing the cost of delivery
- In particular, organizations that have a more strategic vision for what they want to achieve through technology (via a formal plan) are seeing dividends in terms of satisfaction

78%

Say using technology to free up time to invest in higher value tasks is a driver for investment

72%

Claim obtaining more value/insight from the data is a driver for technology investment

49%

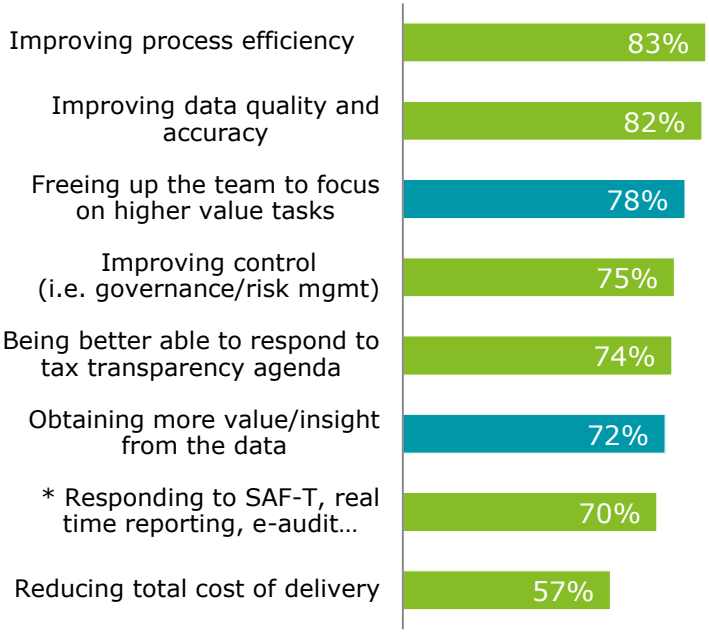
Of those organizations that have a plan, person and budget in place for technology believe that their operating is able to drive value & insight

11 points higher

Average satisfaction scores among those with a technology plan, budget and responsible person

Beyond the primary drivers of process efficiency and data, factors relating to the delivery of value and insight are cited as key reasons for investment in technology.

Drivers of current and future investment in technology



* Based on those required to respond (168 companies)

"To be more efficient and accurate and spend more time on quality work rather than data processing."

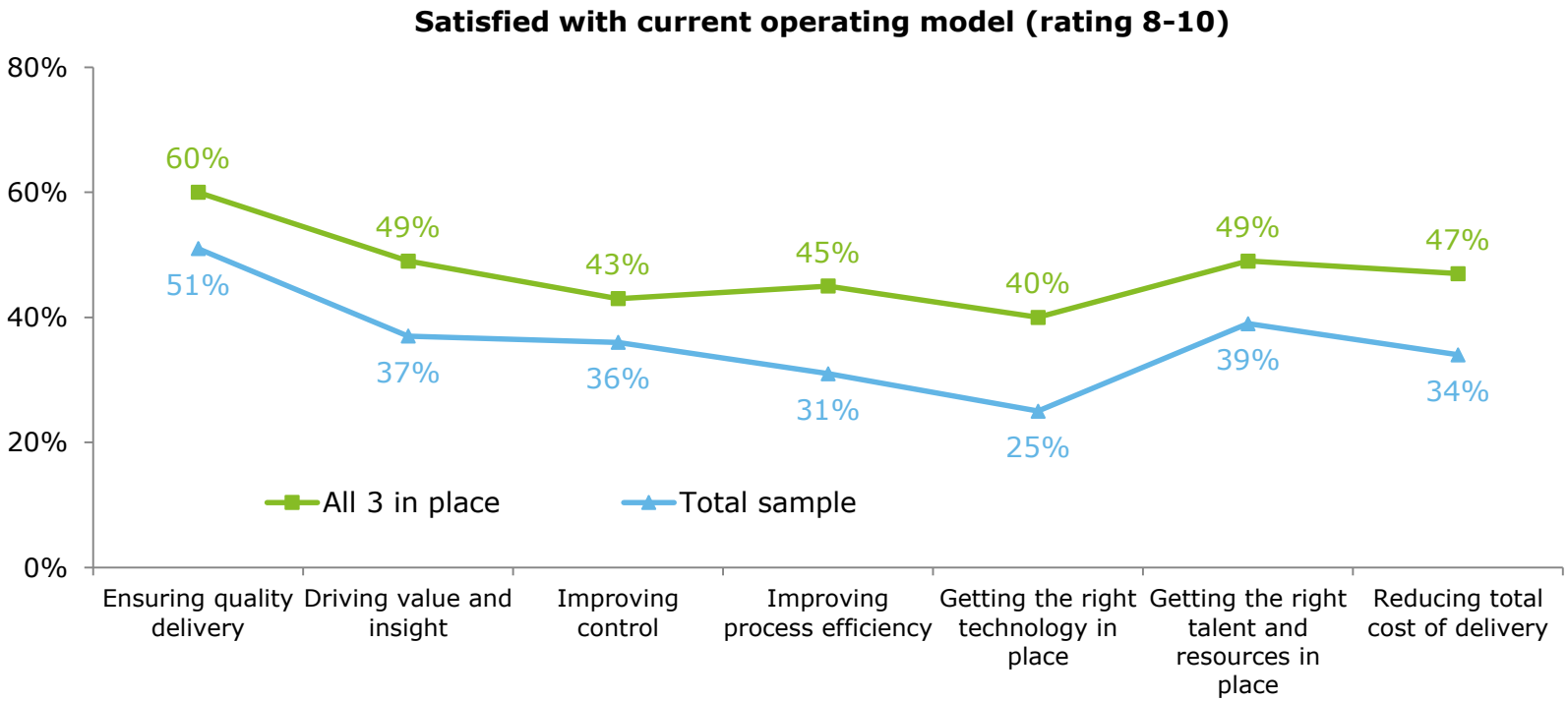
"Technological development and the desire to make more effective use of the data we have access to and to avoid double reporting."

"The world is going digital and our department needs to go digital to meet the challenges to support the business."

"The knowledge that you can use the data collected to work better and more effectively. And the evaluation of data."

Base: Total sample (n=278)
Q19a. Many companies are investing in improving the accessibility and quality of their data for tax purposes. In which of the following have you invested to date? Q19b. In which do you have plans to invest (or invest further) in the near future?
Q20. I'm going to read out a list of areas in which digital solutions or new technology have the potential to help you in the management of tax for your organization. Considering the investments you are currently making or intend to make in the near future, for each one can you tell me the extent to which this is a driver of your investment in technology?

Those organizations who have all three critical elements relating to technology in place (i.e. a formal plan, someone with responsibility and an appropriate budget) are more likely to be satisfied with their model across the board, and particularly in relation to driving value and insight, improving process efficiency and reducing the cost of delivery.



NB: of the three critical elements, having a tax technology plan has the single greatest impact on satisfaction.

Base: All respondents (All three elements in place =53, Total sample=278)
Q8, Q9

The CFO perspective

CFOs are sometimes frustrated with the lack of perceived strategic contribution and commercial value from their tax departments.

There are concerns around technology infrastructure and the skills needed to face the future, with commercial and technology skills required alongside tax technical competency.

There is, however, general uncertainty and a lack of confidence in how to address these issues.

CFOs are sometimes frustrated with the lack of perceived strategic contribution and commercial value from their tax departments.

There are concerns around technology infrastructure and the skills needed to face the future, with commercial and technology skills required alongside tax technical competency. There is, however, general uncertainty and a lack of confidence in how to address these issues.

CFOs vary in the expectations they have of their global tax function. While some are satisfied with a 'no surprises' approach, others are keen for the tax function to partner with the wider business and drive value and efficiency

When more demanding CFOs are well aligned with their global head of tax, satisfaction is higher. But some CFOs lack full confidence in the tax leadership that is in place and question whether they are currently receiving value from the tax function

In particular, they can question whether the tax team has the right skills in place to partner with the business and transition the department from delivery of compliance to offering strategic advice and direction - this includes optimising the use of technology to drive commercial value

Even though they may experience varying degrees of frustration around the tax function, not all feel able to take the necessary steps to affect change

In particular, they identify some key areas of frustration:

- The approach to data management and use of technology needs to be better integrated
- They lack certainty on the right balance of outsourcing vs internal management & delivery, particularly in the context of pressure on cost/headcount
- While there are concerns that they do not have the right skill sets in house, some are reluctant to remove or replace long standing members of staff

They are considering various options in terms of skills and expertise, resourcing models and technology:

- The Managed Service option is something that CFOs seem generally aware of and are keen to know more about, but they also see risks and barriers to this option and need to be convinced of the business benefits

All CFOs are looking for reduced risk and some sense of ROI. For some CFOs reliably delivering accurate global reporting is not enough - they are looking for ways to get more value, insight and efficiency from tax. There are often gaps in delivery in these areas.

	Hygiene Factors	More From Less	Business Partnering	Value Add
Expectations	First and foremost looking for tax to manage risk – avoid audit issues, avoid financial penalties and ensure no reputational fall out from tax.	Deliver efficiencies – this is not always about cost reduction but also about ensuring they optimising their model to maximise the return on investment. With increasing complexity and regulation – able to do more for same/less If have invested in technology want to see some payback for this	Ideally, their tax team would partner with the business Offering proactive advice and looking ahead at future regulation (at more sophisticated end) Ensuring that there is ongoing dialogue between tax and the business	But also looking to ensure they don't pay too much tax – exploiting the 'grey areas' Fully understand tax regulations and the business so they can receive strategic and commercial tax advice
Experience	Tend to feel fairly confident that risk is managed effectively & that their tax teams are on top of this Been forced to invest to respond May be parts of the world where feel less confident	Transparency agenda has driven increased investment in technology – but their own teams don't seem to be fully utilising the data to drive commercial value or achieve lower tax result Tax leads are increasingly involved in the decisions about technology but rarely driving them	Can feel a lack of partnering with the business Unsure whether they are really close enough to the business and commercial priorities Don't always feel are getting proactive advice or are sufficiently forward looking – can seem 'buried in the technicalities of the data'	Mixed views here Some feeling that they could be paying less tax Unsure whether they are making use of the data/utilising the 'grey areas' in things like Transfer Pricing & indirect tax?

As a result of the gaps in delivery against expectations, some CFOs are starting to question the value they currently receive from their tax department. Frustration can be exacerbated by perceived organizational barriers to getting it right - largely around the resources available.

The digital infrastructure

Before the data and technology is sufficiently integrated it is hard to make gains

Future progress requires the data to be easily available and the technology successfully implemented

Finance transformation projects need to be completed & legacy systems integrated

Recognised as an organizational issue- although may question whether the head of tax is helping to drive the agenda forwards vs. happy to continue as they always have

The tax talent

Increasingly need hybrid employees – people who have good knowledge of tax but also of the business and technology

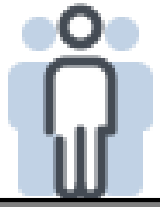
People who are prepared to think strategically and be proactive – not hiding behind the numbers

Compliance activity can be achieved with technology – need clever thinkers and advice

Need people who can explain the numbers to tax authorities as they get more sophisticated

A source of frustration if the current tax team does not include these skill sets. However, may be reluctant to take the decision to replace staff – particularly if they have been there a long time

The level of drive from the organization/CFOs also seems to make a difference – with perhaps the largest group being 'Stuck in the middle'.



Tax tends to only hit the agenda when it becomes a source of frustration/if something goes wrong

Many acknowledge that as the CFO they don't think a lot about tax or how to best run tax

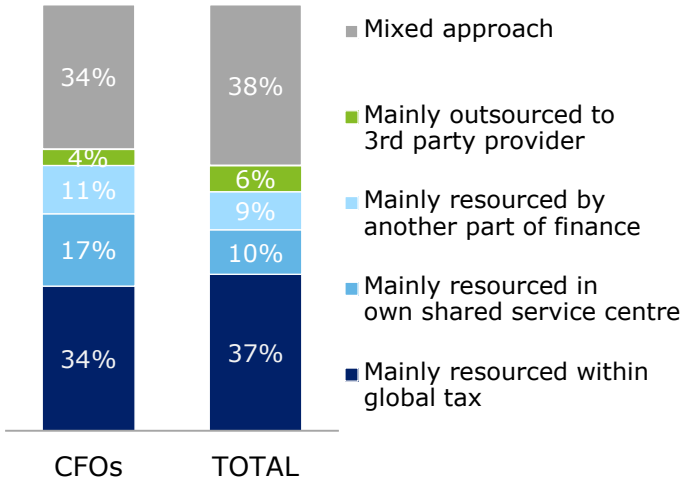
Range of sophistication apparent in the CFOs themselves when it comes to tax

BAU	Stuck in the middle	Driving change
Not necessarily happy but see little strategic value in tax Priority is to 'get it done' - containing costs & ensuring no surprises	Recognise the issues & may feel frustrated by tax resources – (tech and staff) but no one is driving the agenda forward. May be exploring options but no obvious solution is available and change takes time to affect – eg: waiting for retirement of tax lead, complex data infrastructure on legacy systems, staff need to be retrained/re-deployed, fully managed solutions don't seem to offer sufficient cost/resource benefits	More demanding - want value/commercial partnering of tax with the business. Either confident the right tax leadership is in place and/or are starting to see dividends of increased automation Are willing to drive change – including taking the risk of changing the model if are demonstrable benefits

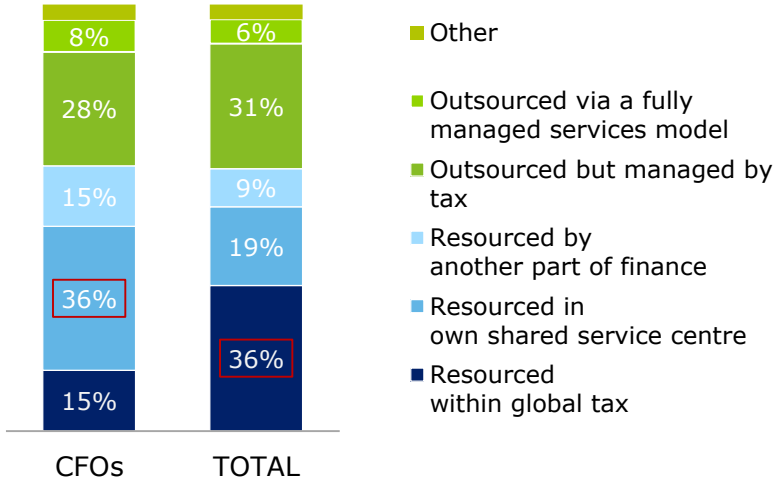
The CFOs in the quantitative sample were also more likely to question if the current model for managing tax was the right one – being significantly more likely to feel that the ideal model is to be resourced outside of tax.

- **NB:** CFOs only took part in the quantitative survey if they stated they had primary responsibility for tax globally (ie there was no designated global Head of Tax). As a result they tended to be from smaller organizations and/or in companies based in AsiaPac.
- Their current approach to resourcing tax shows little difference but **their ideal model is significantly more likely to involve the delivery of compliance and reporting outside of global tax** (& ideally in their own Shared Service Centers)

Summary of current Overall approach
(based on the main delivery approach taken across all areas of tax)

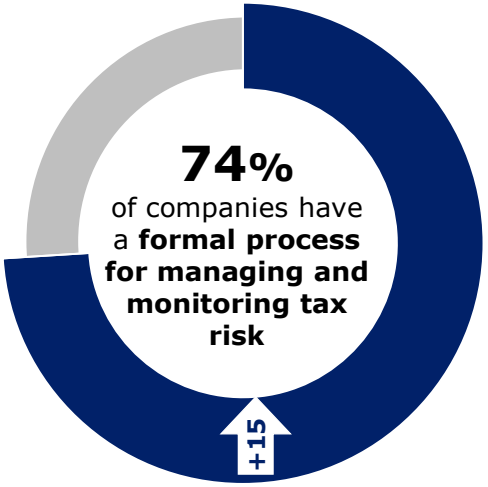


Overall IDEAL model

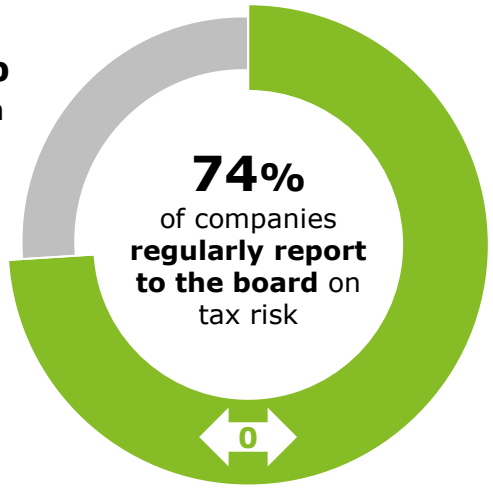


Base: All respondents (CFOs n=53, Total n=278)
S3, Q1, Q2, Q3, Q7c

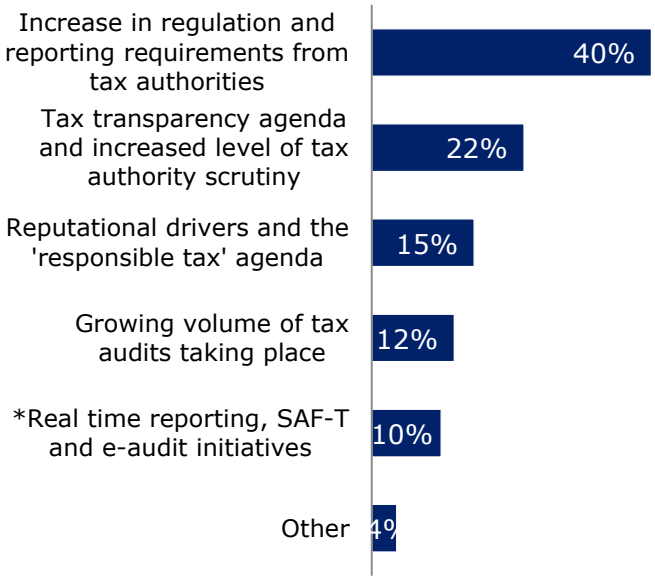
There has been progress on governance and risk management, including a 15% increase in companies having a formal risk process since 2016. But the impetus for Heads of Tax to make these changes appears to be reactive, not proactive, confirming the frustrations of some CFOs– 40% say increasing regulation and tax authority reporting requirements is the 'biggest influence'

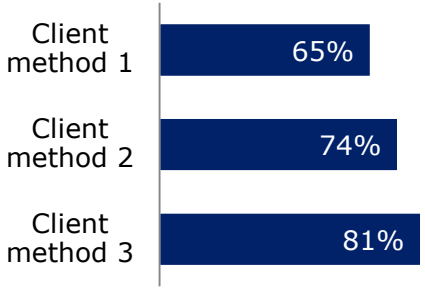


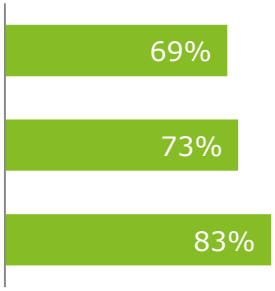
60%
do **both**



Biggest influence on governance and risk management:







* Based on those required to respond (168 companies)

Base: Total sample (2019=278, 2016=250)
Q13. We are now going to talk about the approach to global governance and risk management within your organization. Do you have a formal process in place for managing and monitoring tax risk? Q14. Do you regularly report to the board on tax risk?

In the words of the CFOs….

If you characterise the tax function at the moment, it's people with long tenure, lots of experience, facing off to those business partners, outsource service providers and tax authorities, and you need to have a lot of business knowledge to be able to deal with that, because of the nature of the task, which is to collect together the information, to make sure it's right. If you roll forward, let's call it 5 years, and imagine having that in a straight though automated process, the skills you need in your tax team are different.

In the future we will need three separate capabilities: data maintenance admin, systems expertise and then quality assurance and analytical review type capability. And overall you could significantly reduce the head count in that area with the right systems and process.

So, I think there's a lot more we can do in terms of automation, but in part, that's driven by the core finance systems as much as anything. I think the whole AI and robotics stuff is absolutely going to be on the agenda. We have exponential amounts of data points now, but actually how we analyse those and utilise them will become more interesting. So my team are going to be more focused on advisory and value-add – so people that can actually take and understand the commercial footprint and translate that into tax policy and tax advice. And then the compliance and reporting becomes far more transactional in nature and far more automated using technology as a mechanism to achieve that."

I had a look at the Managed Services idea, but… it didn't solve any of my problems. It didn't solve the IT problem and it didn't solve the problem that I really need business-based tax advice… On the first step it always looks interesting to outsource something and they promise you lower prices, but in the future you are somehow bound and then the prices are going up and you cannot step out of the contract easily.

Market segmentation

There is no ‘one size fits all’ solution to help organizations meet the challenges they face in tax. But broad typologies exist that may be helpful in talking to clients.

Organizations need help to determine the best approach for managing tax in the future. The market tends to segment into three typologies with respect to the best route forward.

Enhance what you have – technology and people

Continue to manage compliance and reporting within Tax

Make use of external advisers to plug gaps in knowledge, bring specialist advice & global expertise

Ongoing trend to use global outsourcing arrangements for compliance and reporting tasks

Improve the degree of automation & undergo finance transformation projects to make the data more readily available

Better integration of the data will help future proof and minimise risk inherent in tax authority demands

Retrain or hire new staff with e.g. digital skills

Moving More to Shared Service Centres

Once the data is more easily accessible through finance transformation projects & automation is in place:

- Look to gain efficiencies by moving compliance and reporting processes into shared service centres
- May be combined with other more administrative based tasks – including HR and accounting
- Able to run leaner tax departments and/or free up time to partner better with the business. Internal staff have the benefit of knowing the business
- Able to make better use of the data available
- Still rely on advisers to plug gaps globally and for specialist expertise/ second opinion

Considering Managed Service Solutions

If keen to reduce the in-house burden a Managed Services solution may be considered

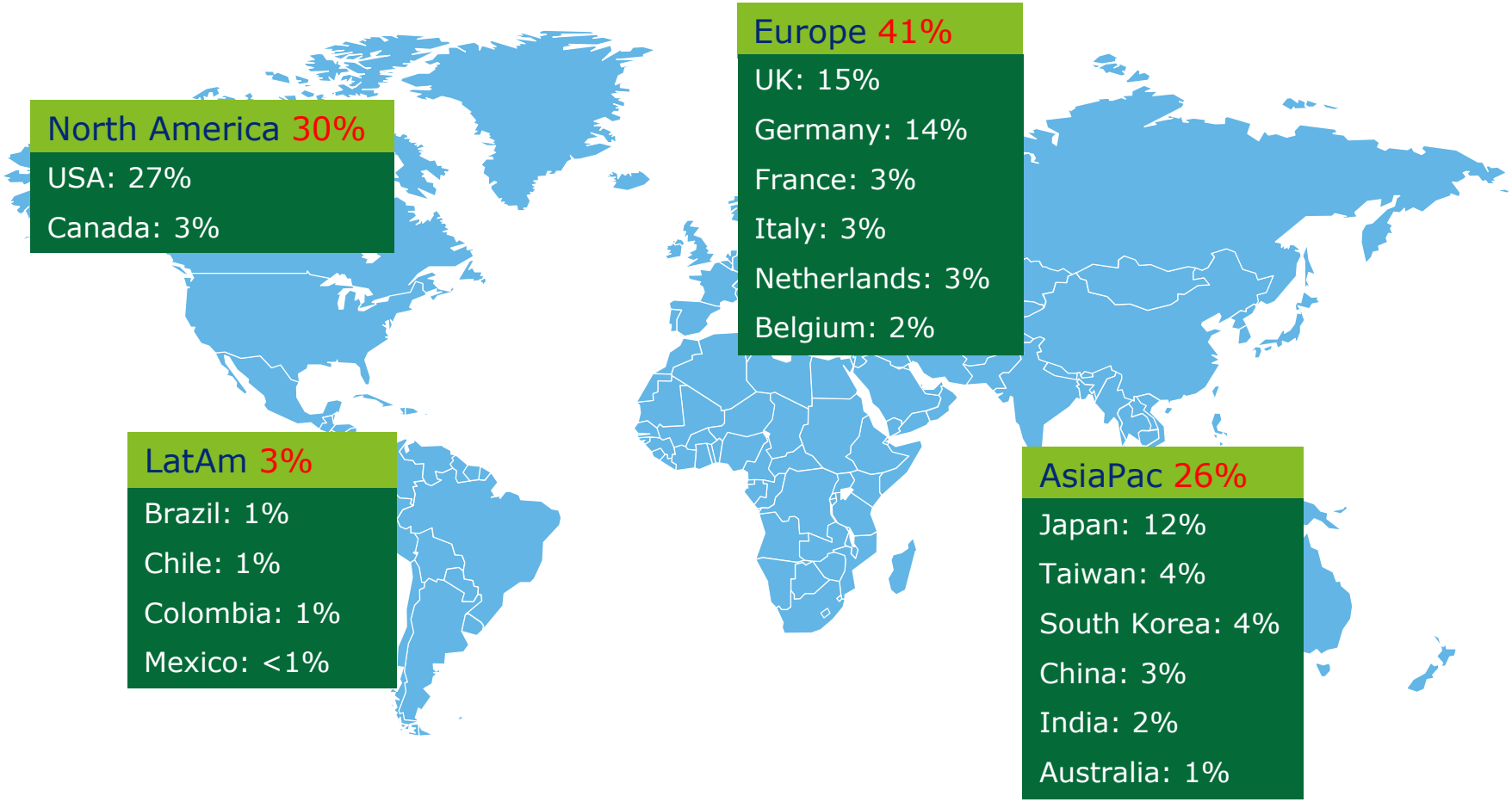
Keen to make use of providers' global tax networks and specialist expertise

Need to be convinced on a number of factors first:

- That there will be overall cost benefits. Mindful that will need to retain some internal resource and fearful of being tied into a long term contract and with risk of price creep
- That they will not lose control of staff and corporate memory
- That they will receive proactive advice & genuine business partnering (despite being more arm's length)
- That they will receive commercial advice – fearful it could be too much to the 'letter of the law'

Appendix

2019 research coverage by MNC HQ location



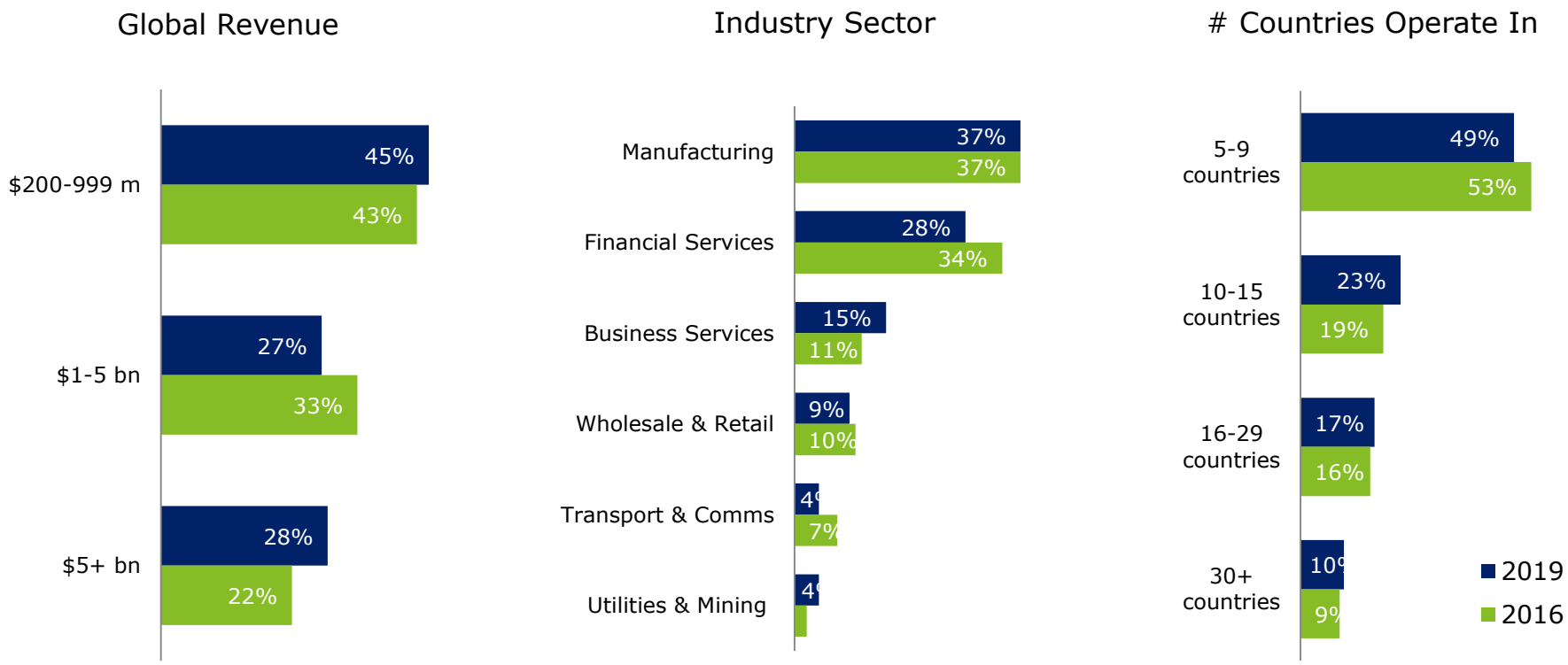
- 2019 sample is comparable with 2016
- Sample splits will allow some regional and country comparisons

278 interviews achieved across all regions.
Profile of research sample broadly similar to sample universe.

Location of Global HQ	Sample universe 3,848*	Regions as % of universe	Number of Interviews 278	Research sample achieved %
North America	1498	27%	83	30%
UK	645	12%	43	15%
Rest of Europe	1883	34%	71	26%
AsiaPac	1469	26%	72	26%
Latin America	98	2%	9	3%
Total	**5591**	**100%**	**278**	**100%**

* NB: The global universe of companies that meet the qualifying criteria is ca. 5,500. The universe figure given here refers to companies with HQs in the countries we included in our research.

Profile of organizations surveyed broadly mirrors the market universe and is similar to that in the 2016 survey in terms of global revenue and the number of operating countries.



Base: Total Sample (2019=278, 2016=250)
P2, P6, P5