



Client case: Tax in Finance Transformation

Rapid cost reduction and transformation on the path to a world class Tax Function

Business issues

A global leader in the lighting industry committed to transforming to a leading Finance Function at benchmark cost levels to deliver cost savings. Primary goal was to realize a Finance cost benchmark level of 1.0% of sales within 3 years.

For tax, four domains were deemed a strategic focus: process optimization, structure simplification, service delivery model and internal charging and allocation. The tax types in scope were VAT, corporate income tax and transfer pricing.

	Domain
I	Process optimization
II	Structure simplification
III	Service delivery model
IV	Charging & allocation

For (I) process optimization business cases ranged from reducing non-manufacturing cost, optimizing decision making, improving financial predictability, generating free cash flow and improving (tax) efficiency.

With regard to (II) structure simplification the business case revolved around the complex nature of the globally dispersed matrix organisation. The complexity of its 250 management reporting units put a high workload on the various finance and tax teams thereby resulting in the need for simplification.

The third domain (III) focussed on the companies' service delivery model. There were close to 2000 FTEs (internal and external service provider) delivering Finance and Tax services to the client. Over half of

these were part of the retained client's organization and the majority of these were based in high cost locations. A change to the existing delivery model was required to reduce costs and better leverage global and regional delivery capabilities.

Lastly, for (IV) the (manual) effort required for accounting and reconciliation between charging and reporting systems was significant, with much time being spent on analyses, calculations and discussions.

This was mainly due to a lack of transparency and scattered decision making throughout the relevant business units.

Throughout the whole project challenges ranged from change management due to a large workforce reduction, a partial transition to low cost regions and extra demand and scrutiny of the Finance function due to being an independently listed company.

Solution and approach

To address these business issues and challenges a multifaceted approach was taken with small and agile teams from both parties.

Each solution in the process optimization domain leveraged a combination of process step eliminations and process simplification, ERP add-ons, tax reporting and compliance software, Robotic Process Automation and Tax Data Analytics.

With structure simplification several tracks were initiated, such as the identification of reporting units that could be merged or closed and a change in the entrepreneur structure to unlock transfer pricing efficiencies. On top of these exercises, a radical change of the management reporting and business model was investigated.

In the high-level design phase, the Service Delivery Model workstream assessed a number of delivery model options and assessed what the most appropriate ownership model is for the client, taking input from key Finance and Tax stakeholders. One of the major changes was to move almost all local activities to 4 hubs.

The interaction between the domains was key, for example optimization of Tax processes, enabled by process standardization, increased clarity on which activities could be shifted to a hub.

For (IV) internal charging and allocation we developed a future state with key initiatives, such as: focus on analysis and review, central processing and governance, one central and comprehensive rule book, simplified and harmonized keys applied globally, one central calculation engine (3rd party IT solution) and many more.

Benefits and value

By partnering with internal and external stakeholders from Tax, Finance, IT and the Business we have been able to identify savings initiatives of an estimated 46M, out of which 8.5M EUR of tax related initiatives. Key identified benefits are:

Quantitative

- Headcount reduction, reduced outsourcing costs for statutory reporting and corporate tax compliance resulting from reduction of time spent on tax consolidation in tax reporting process, E2E transfer pricing process and tax forecasting process

Qualitative

- Simplified reporting structure, standardized data requests / reports and lean, optimized and automated processes (compliance, MEC, TP and forecasting), reduction of provider fees resulting from a

renegotiation of statutory reporting and corporate tax compliance outsourcing scope

Project metrics



Impact made

Estimated savings
8.5M EUR (of which ~90 FTE) from fax initiatives

Identified cost savings initiatives full transformation project: ~46M EUR (of which ~400 FTE)

Baseline cost of Finance: 141M EUR (~1000 FTE)



Deloitte Fees

EURO 1.2 mio

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