



Day 2: Session 4

Centralised VAT compliance

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Richard Mackender – Deloitte



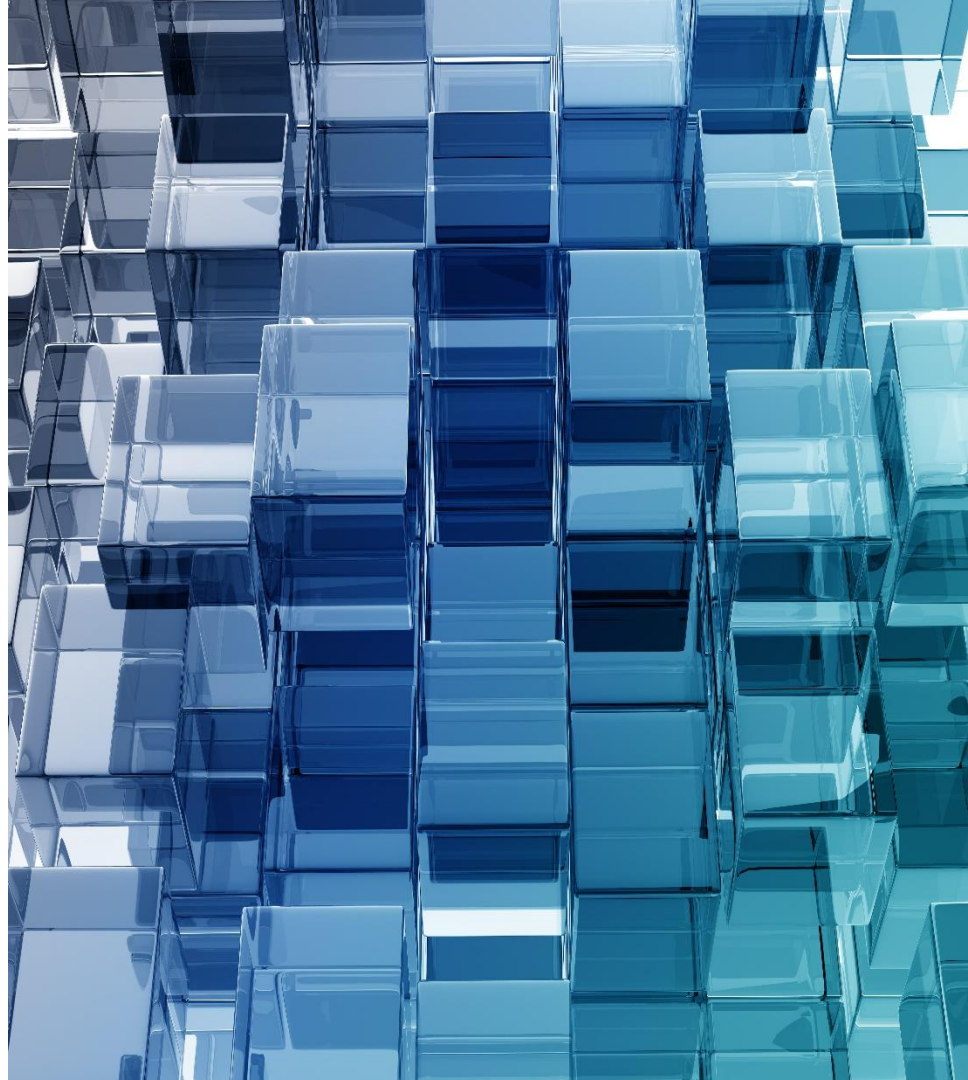
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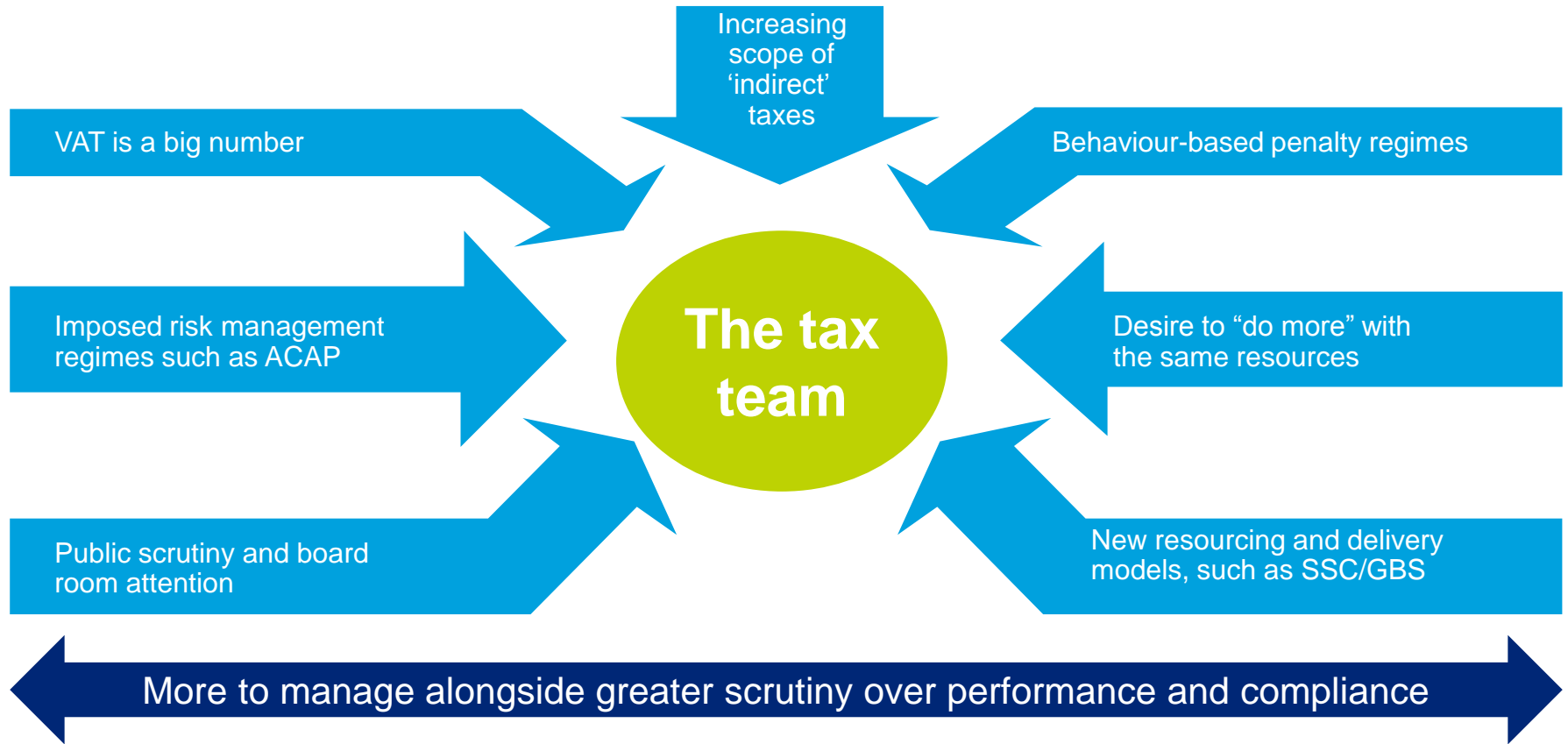
In Deloitte's 2014 indirect tax client survey, our clients identified indirect tax compliance as their number 1 priority area.

Only 30% of respondents to our global compliance survey were happy that their centralised compliance processes were efficient.

The current landscape






Pressures on indirect tax teams



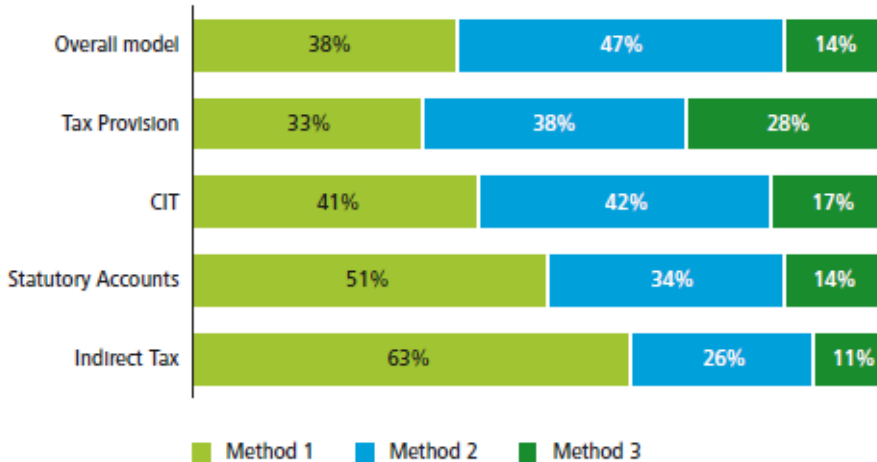
Operating model evolution

The evolution of compliance strategy from discrete functional- and country-based models to integrated, global and cross functional services

| | | | |
|---|---|--|---|
| Operating model | Decentralized | Coordinated, consolidated | Centralized, Integrated |
| Degree of automation | Limited automation | Medium automation | Maximum automation |
| SSC geographical scope | Local  | Regional  | Global  |
| Degree of value add | Transactional | Sharing of tools and processes | Transactional and advisory |
| Functional scope | One function | Two to three functions | Multi-function |
| Degree of functional integration | Little sharing | Co-location | Full integration |
| Tax and statutory accounts | Prepared by separate local country teams With ad-hoc use of advisors on country by country basis | Tax and statutory accounts processes aligned Co-ordinated global outsource working with SSC | Shared service team prepares tax returns and statutory accounts Local support for quality assurance and specialist input |

Market research - Key messages

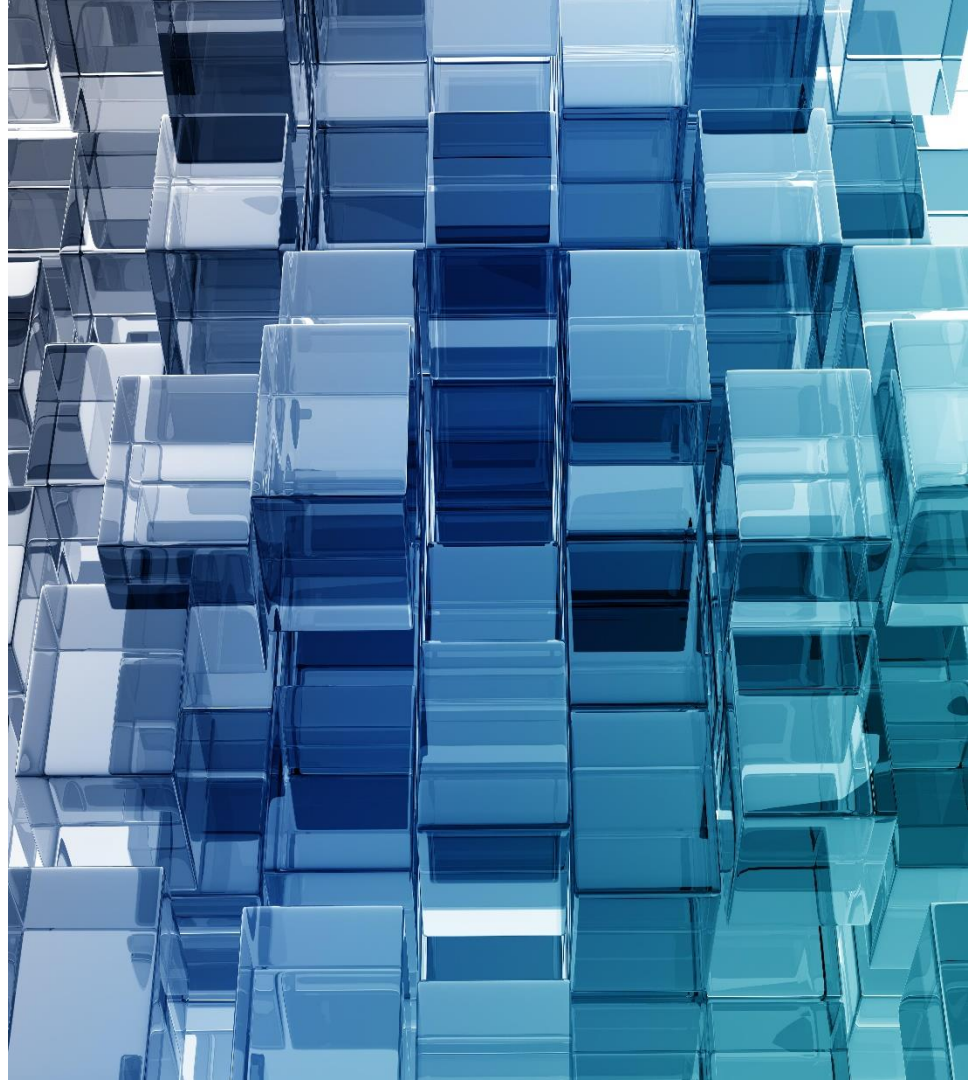
- More centralised operating models being deployed but the degree of 'enthusiasm' varies by process



- Increased use of selective outsourcing to complement the in-house team and as a catalyst for wider improvement or even transformation

- The focus is now on more consistent global processes and quicker, simpler delivery, often through the better use of technology

Components of VAT compliance



The components of centralising compliance



The right mix of people



An multi-disciplinary team comprising:

- Tax technical specialists
- Data management resources
- IT and Excel skillsets
- Accounting knowledge
- Project & Process managers and owners
- 3rd party providers where appropriate



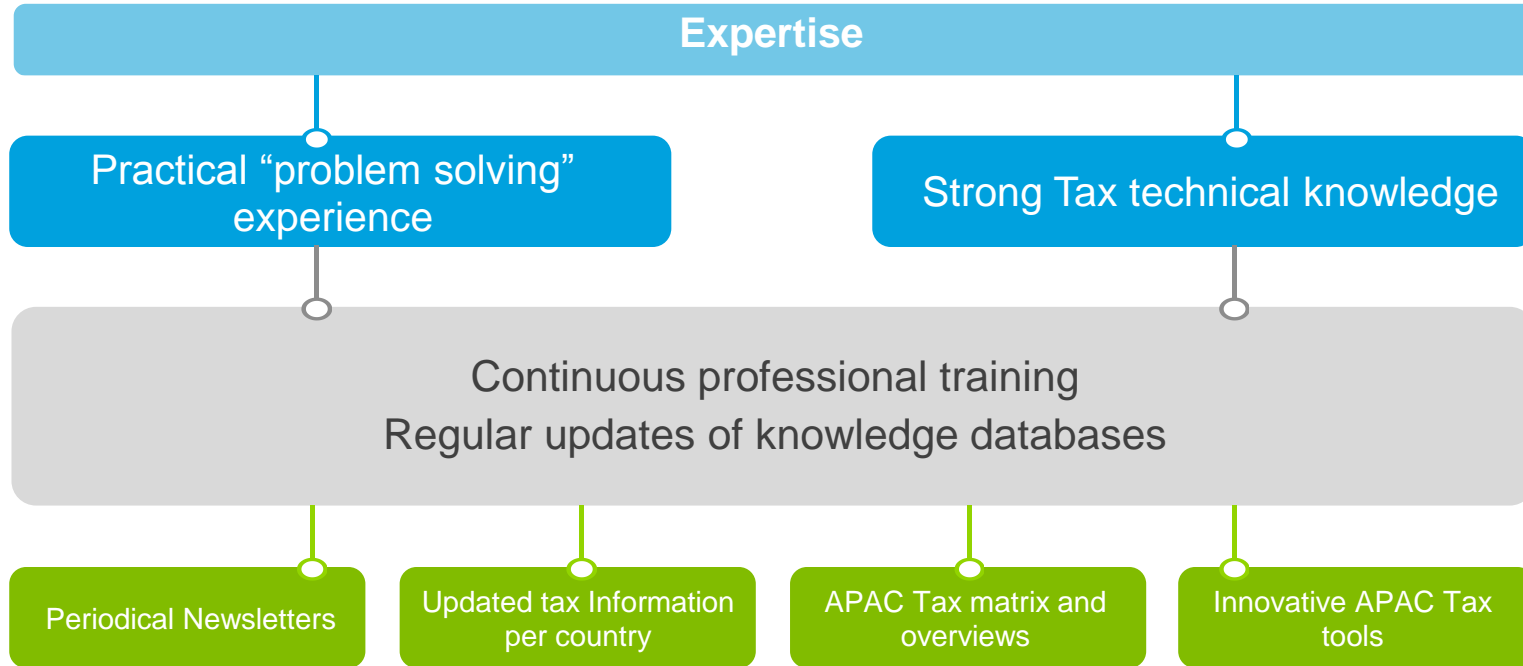
Nationalities



Skill sets

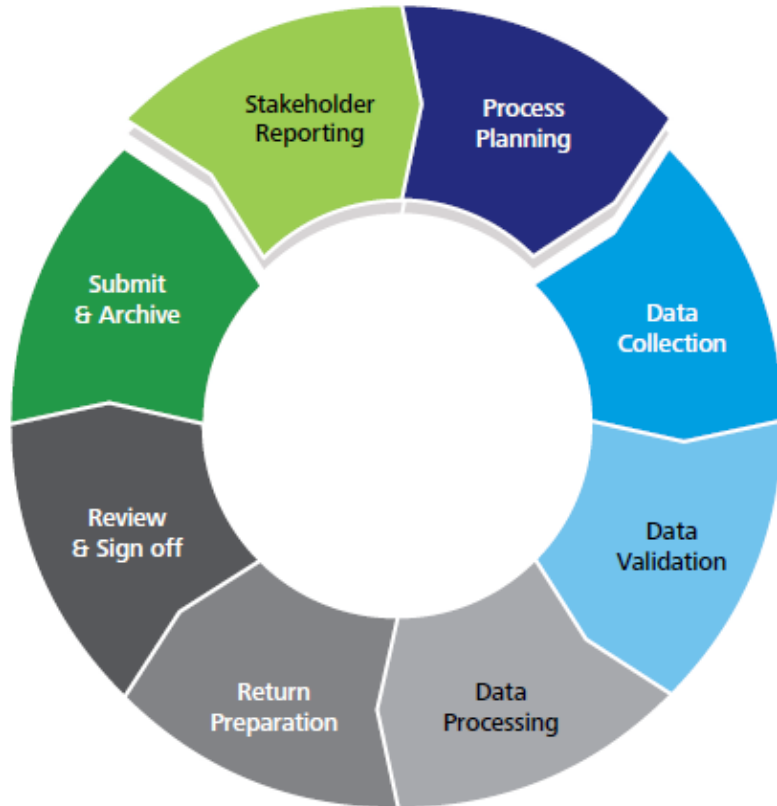
The right mix of talents to consolidate and test data, submit returns, adapt systems and handle relationships with wider business and local tax authorities

Knowledge is a key to success



Combination of
Supported by
Periodical output

Reliable processes



- Important to recognise what ‘compliance’ encompasses
- Preparing the return is a single step in the cycle
- Centralising compliance will surface pain points that need to be addressed
- Styles of process improvement look different across businesses but key steps are often common

Technology trends



- VAT compliance technology market still evolving:
 - The number of international solution providers is increasing: with an eye on making the most of an under exploited market.
 - Differing views on how much integration with the source financial systems is needed
 - Still a lot of excel automation being offered in the market
 - No solution does it all... yet
- Underpinning technology solutions are supporting more flexible approaches to delivery. Clients deciding how much Indirect Tax compliance they want to share with a service provider will replace the 'binary' in house vs. outsource decision.
- The systems for managing the tax process, KPI data and document management are becoming 'standard' in many Tax functions, but adoption and approach vary from group to group.

The SMART example



What is SMART?

End-to-end Indirect Tax Compliance Solution

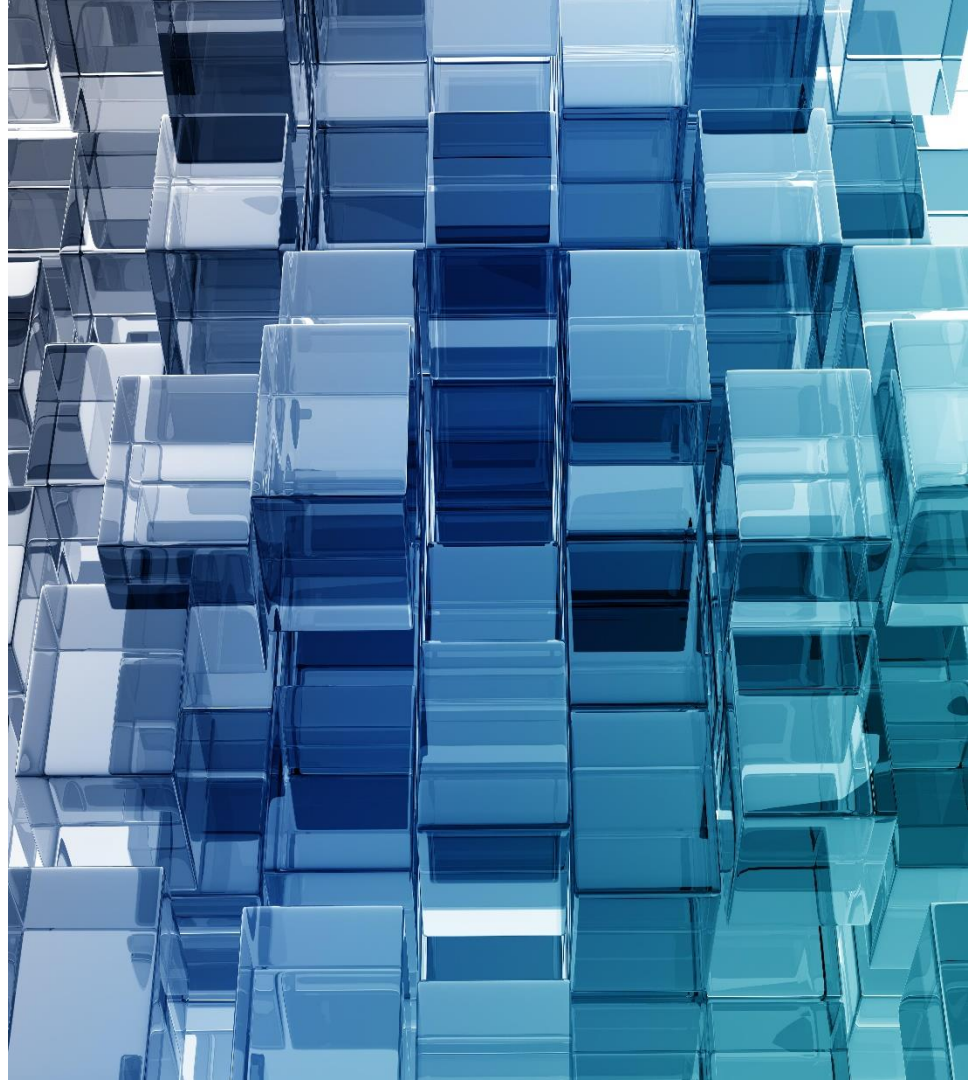
SMART is an application developed by Deloitte that bridges the gap between companies' ERP systems and their global indirect tax reporting obligations.



SMART key features

- Flexible set-up
- Data cleansing and consolidation
- 35+ Quality checks
- Ready-to-file ITX returns
- Full audit trail
- Standard management reporting

Executing the strategy



Executing your strategy

Consider VAT's position within the wider business

Identify your key stakeholders and determine how to work with them

Take stock of what technology solutions are already available in the GBS and across your tax groups: you may have more to play with than you expect

Focus on complementing and improving current processes rather than disrupting them

Don't overcomplicate things: it puts adoption of change at risk

Technology is not a 'silver bullet'. Sustainable improvement takes care and effort

There's more than one route to 'best in class'



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