


## Managing Tax

Balancing current challenge with future promise

Session 1

The Grand Hyatt, Singapore – 16 February 2017



The current  
challenge

# Agenda

Overview	5
Tax operating models	8
Main commercial drivers	12
Resourcing	17
Country by country reporting	20
Governance	22
Technology	25
Summary	29

# Overview

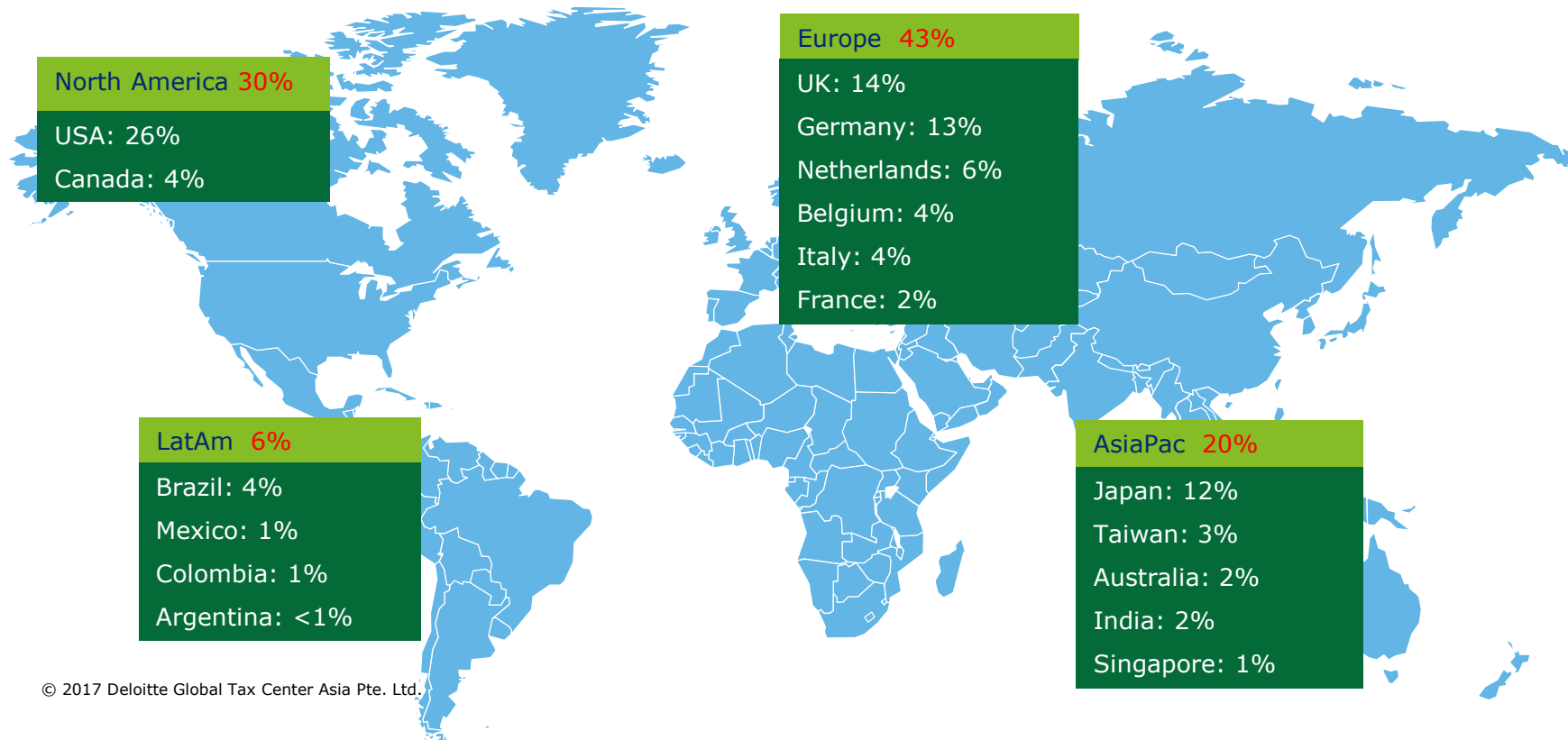
# The management of tax

## Market overview

- Deloitte has carried out an independent biennial survey into the management of tax 2010 to 2016
- Each conducted with 250 global decision makers from the largest global MNCs
- Resulting in data from 1,000 interviews with key global decision makers

### The population of MNCs:

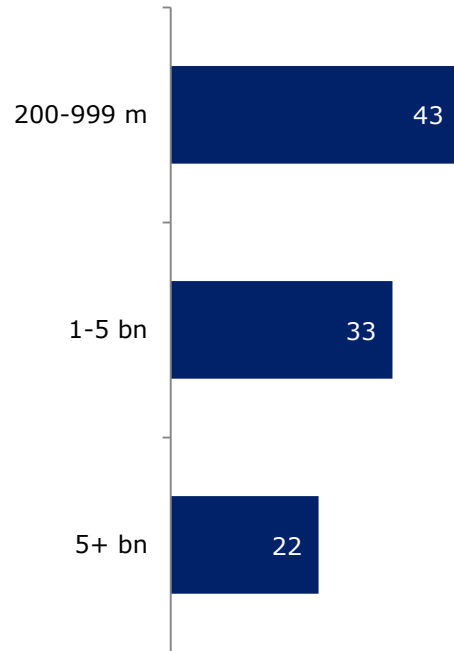
- Operating in 5+ countries
- Global revenue of more than US\$200m
- Representative spread of MNC HQ and subsidiary locations
- Spread of industry sectors



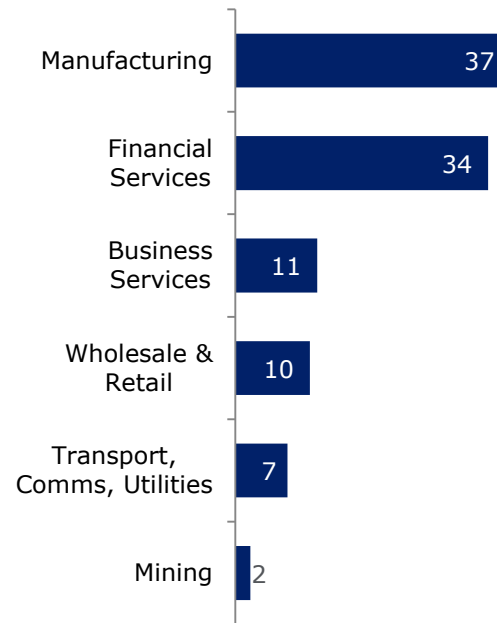
# The management of tax

## Market overview

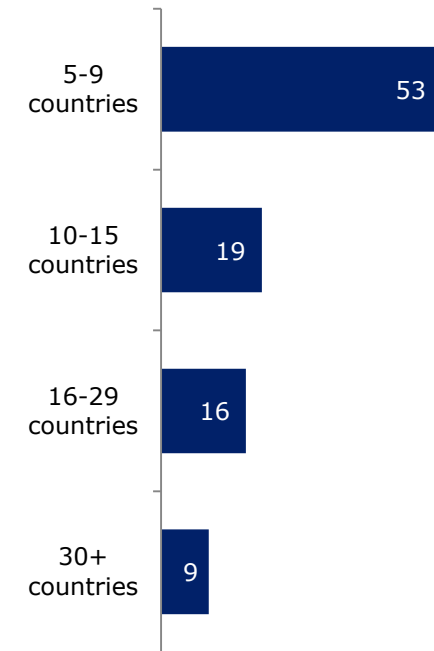
Global revenue  
%



Industry sector  
%



Number of countries operating in  
%



Research continued to cover MNCs tax operating models comprising:

- Processes
- Resourcing
- Governance
- Technology

Some new elements in 2016 survey:

- TP documentation and CbyC reporting
- Emerging technologies

# The management of tax

## Market overview – the story so far

The research findings from 2010 to 2014 gave a pretty clear story of pressure causing a reasonably consistent MNC response

### Environmental pressure from all sides



Increased regulation



Globalisation of business



Increasing impact of technology



Internal pressure to do more with less

### Causing MNCs to follow a clear path



Search for quality and control with a desire to be able to add value but too busy to do so



Changes in tax operating models: centralization; integration; and consolidation



Increased governance and risk management



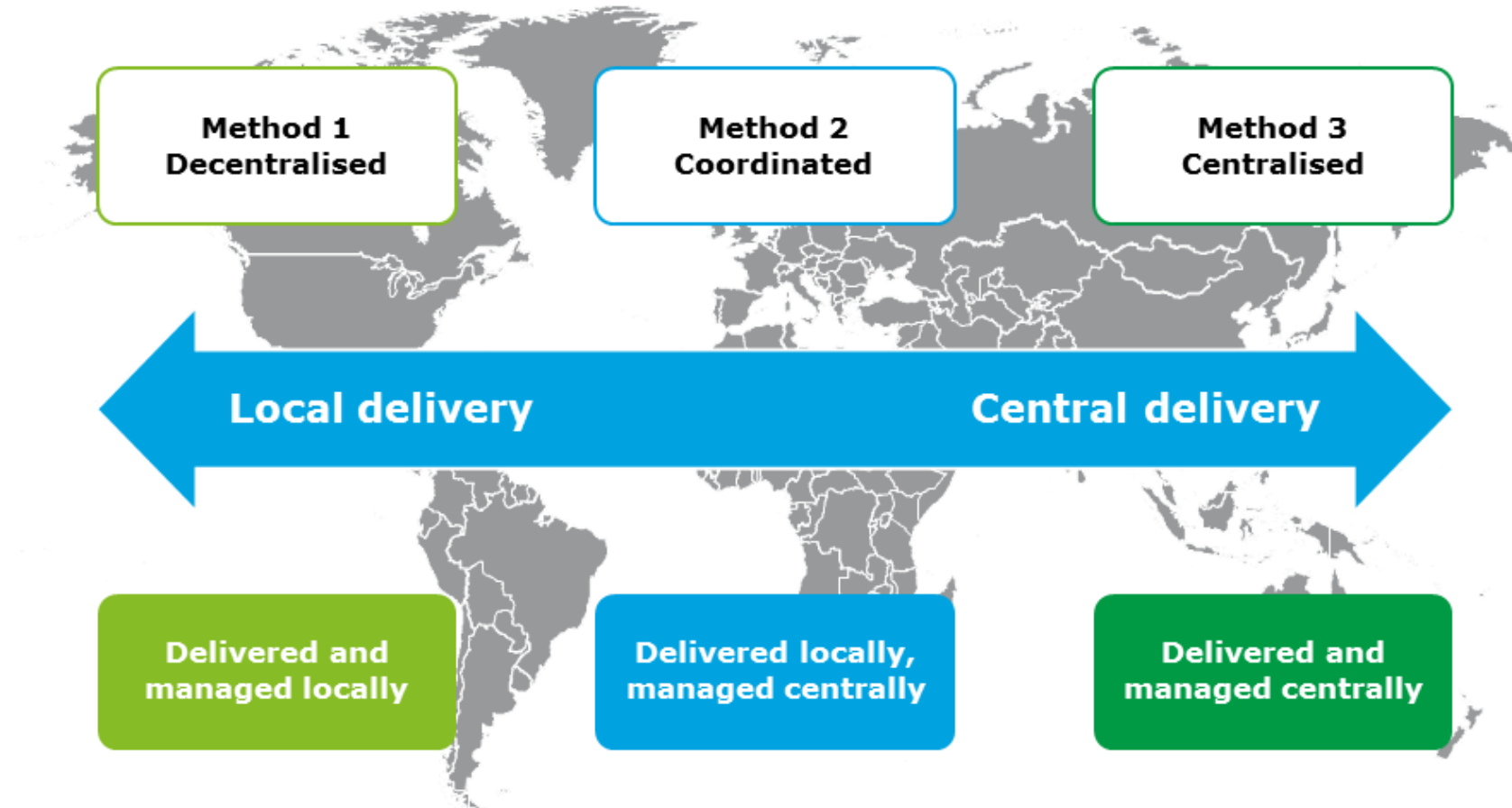
Early steps with technology but nervous of big change

# Tax operating models



# The management of tax

## Tax operating models

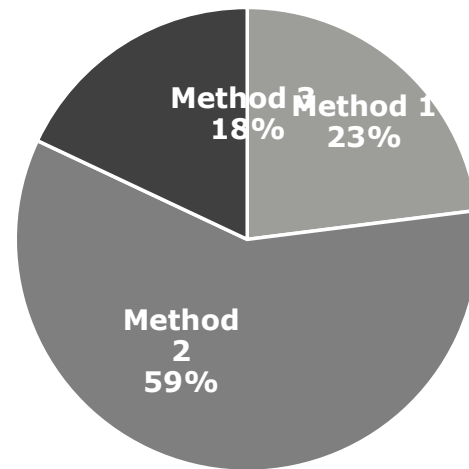


# The management of tax

## Tax operating models

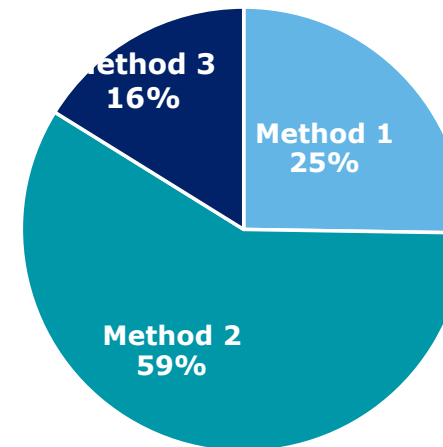
- Less centralization has occurred than was anticipated in 2014
- Models broadly static – though fewer clients are operating method 3 in 2016 than 2014
- Overall Client delivery models are forecast to remain static over the next three years

**2014 model**



11% plan to make changes within their existing Client Method

**2016 current model**



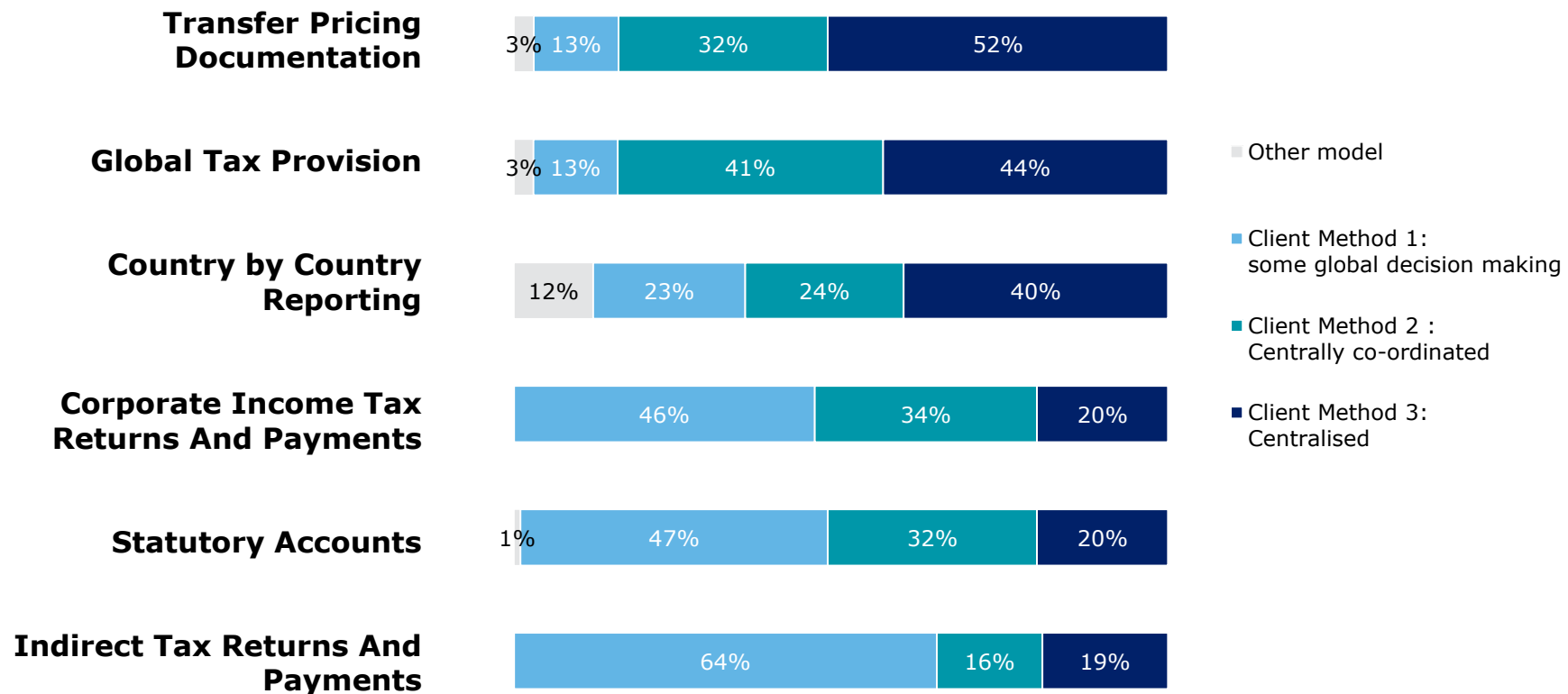
33% of Method 1 plan to move to a more centralised operating model in 3 years

# The management of tax

## Tax operating models – by process

Considerable variation

- Indirect tax returns are the most decentralised area
- More global tax provisioning (particularly US GAAP reporting) being outsourced
- New areas (TP documentation and CbC reporting) are managed/ expected to be managed in a relatively centralised way

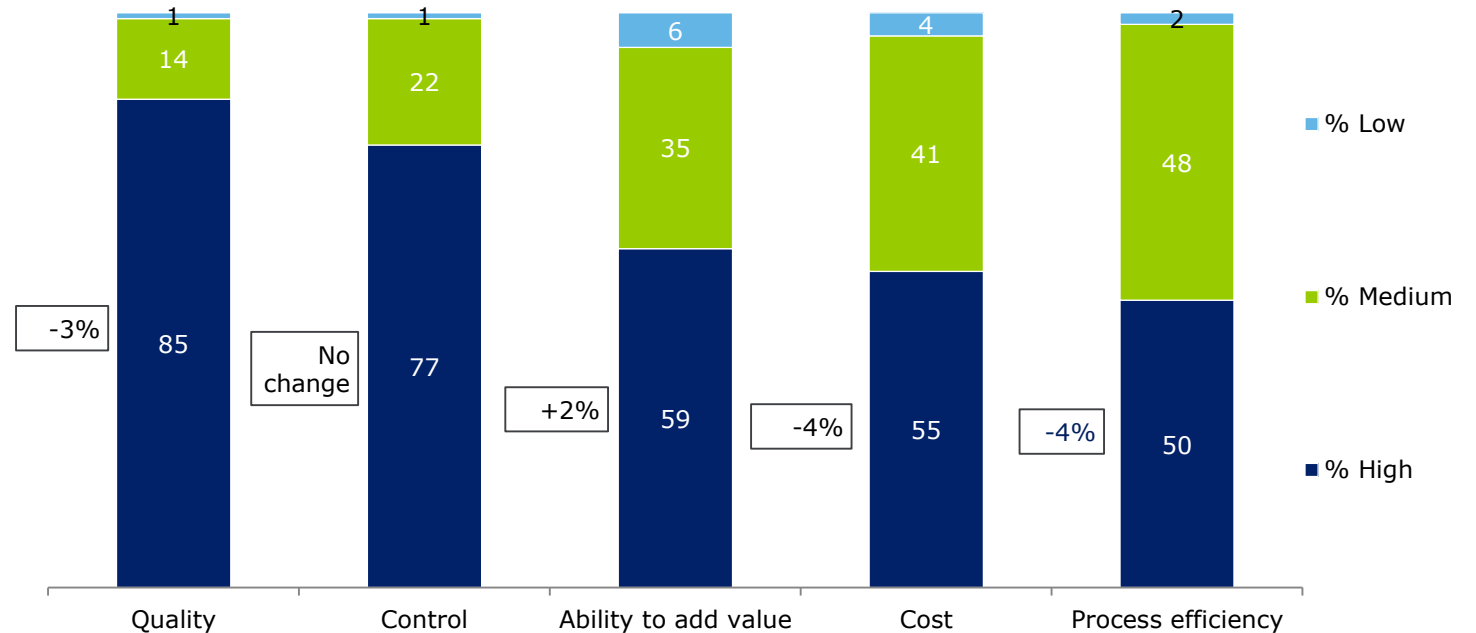


# Main commercial drivers

# The management of tax

## Commercial drivers

- Consistent with previous years – quality and control continue to be key
- Qualitative interviews suggested ongoing response to regulation has placed greater emphasis on other drivers
- Cost and process efficiency are less important to those operating centralised models whilst this is a key driver for those operating client method 1



Cost	Return on investment, overall value for money
Control	Transparency, visibility, risk management, consistency
Quality	Expertise, accuracy, timeliness, reliability
Process efficiency	Simple, trouble free, easy to manage
Ability to add value internally to the business	Contribute to strategic success/corporate objectives, contribute to transformational change and provide tax input to operational decisions

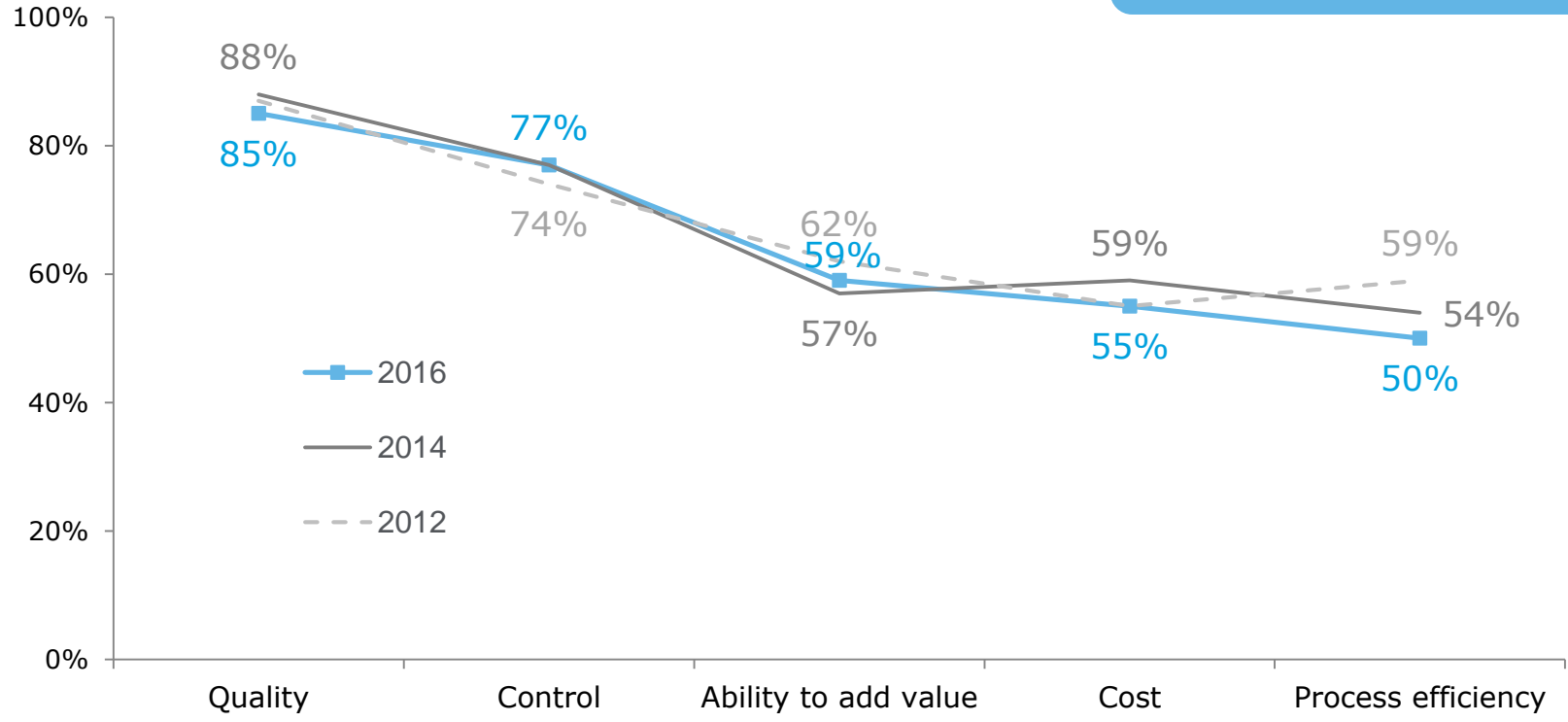
Organisations anticipate that **control** and **process efficiency** are both likely to become increasingly important

# The management of tax

## Importance of current drivers

Current drivers of organisation & management of tax  
Trend since 2012 (% High importance)

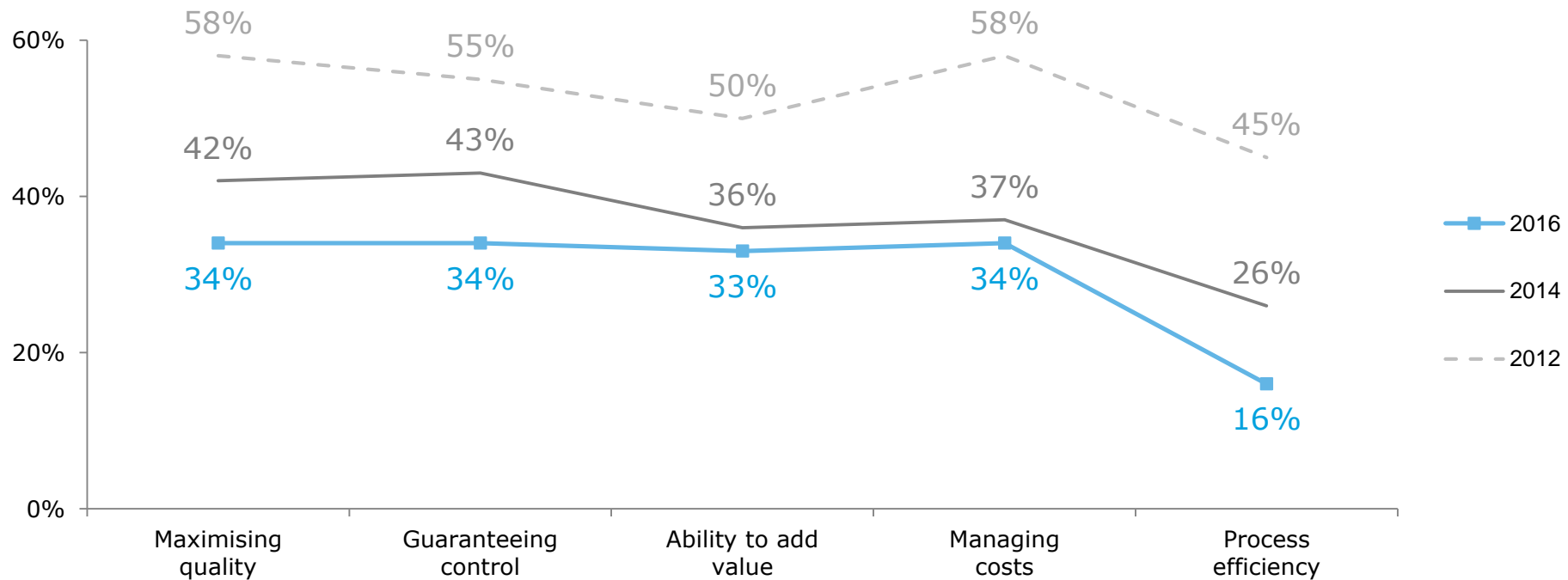
Little change in the importance of drivers since 2012, although process efficiency has declined



# The management of tax

## Satisfaction levels

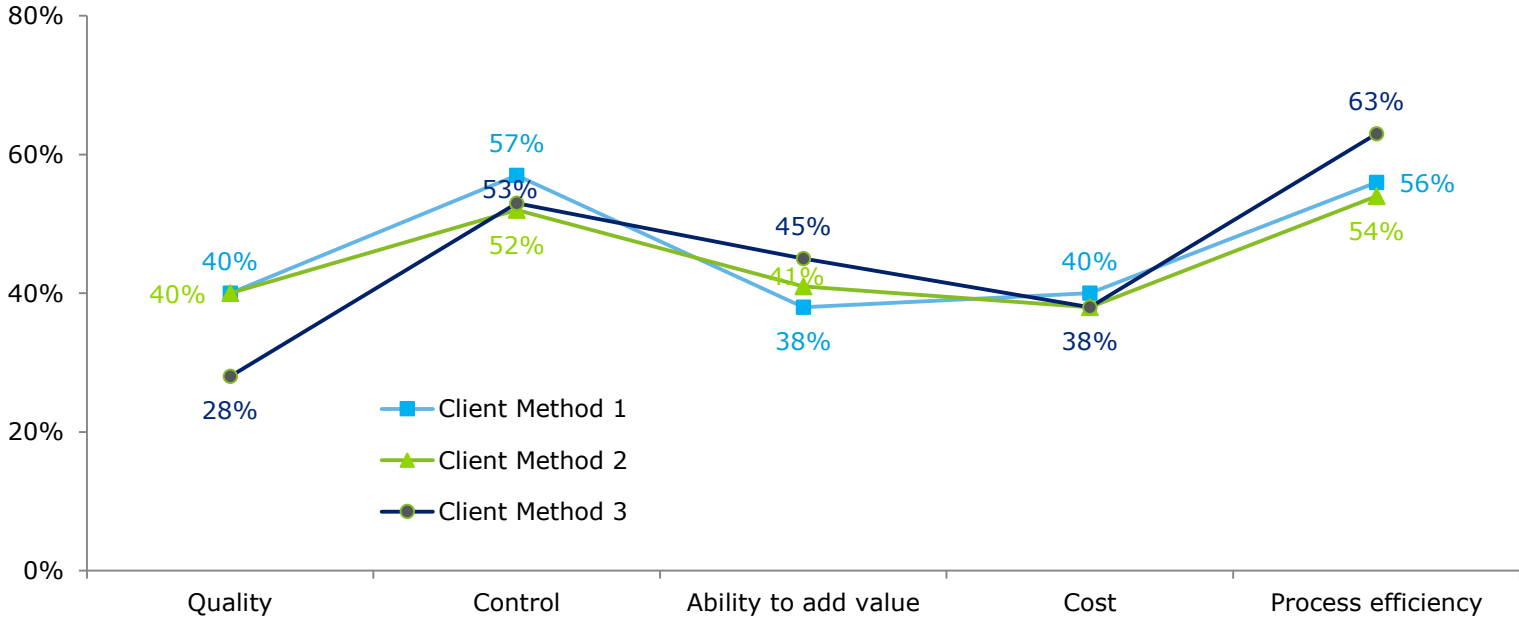
- Levels of satisfaction with the current delivery model remain low.
- Satisfaction with process efficiency is particularly low at 16%.
- Companies adopting method 2 are consistently the most satisfied.
- Companies adopting method 1 tend to be least happy.



# The management of tax

## Future importance of drivers

Anticipated importance of drivers over next three years  
(% more important)



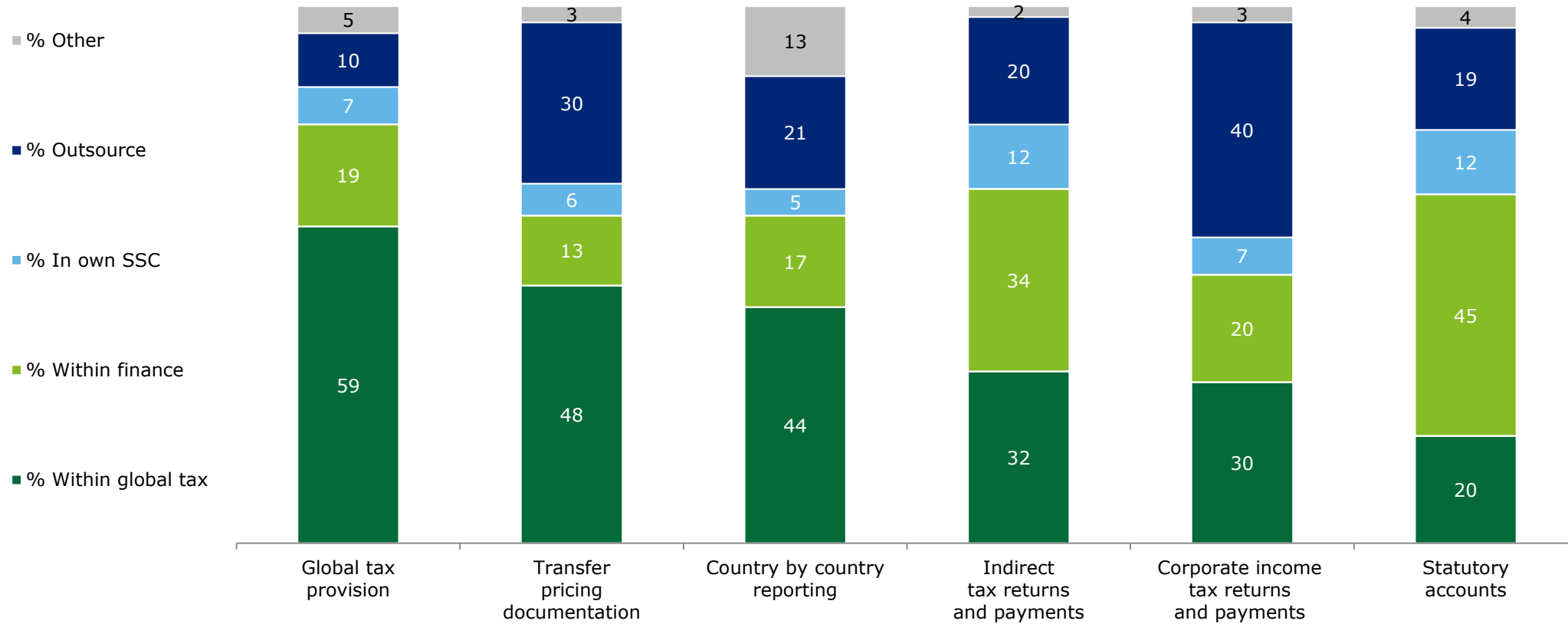
1	2	3	4	5	Rank order of <u>current</u> importance



# Resourcing

# The management of tax Resourcing

Current resourcing model

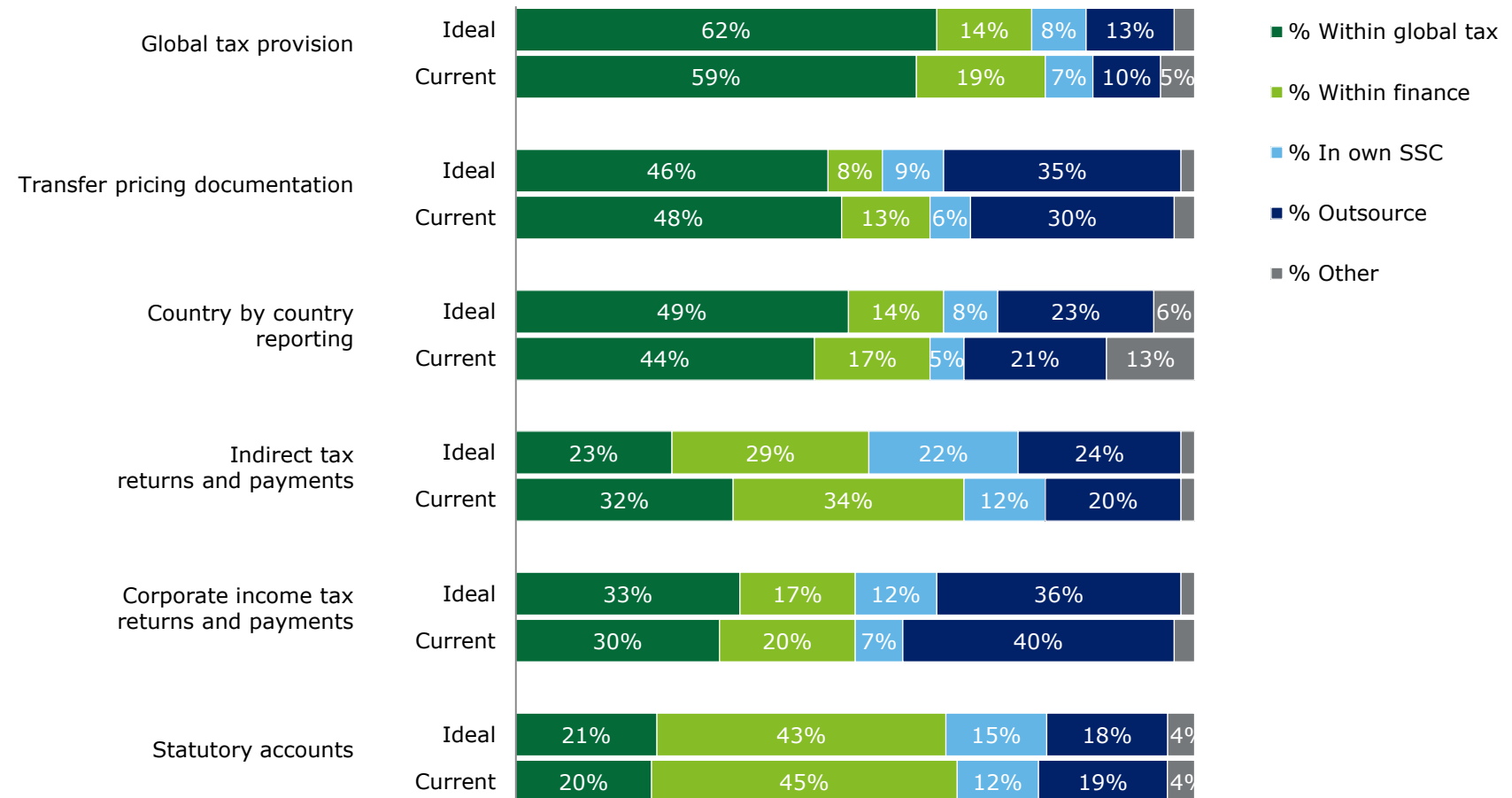


# The management of tax Resourcing

In an ideal world MNCs would do:

- less in finance (Provision, indirect and TP documentation);
- more in global tax (Provision and CBC Reporting);
- would push more indirect into Shared Service Centres; and
- outsource more of TP documentation and indirect tax.

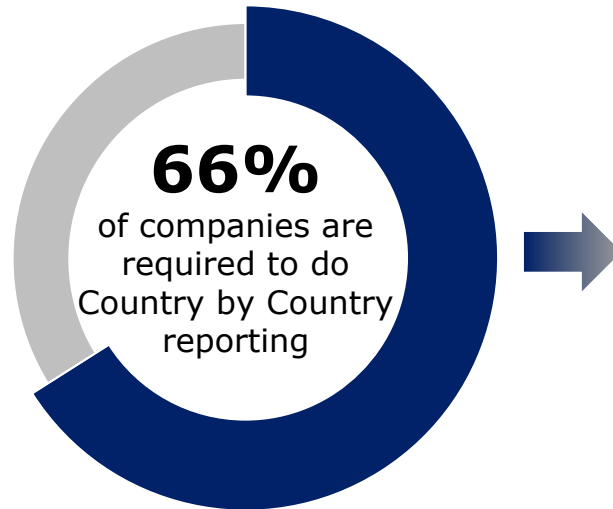
Ideal versus current resourcing model



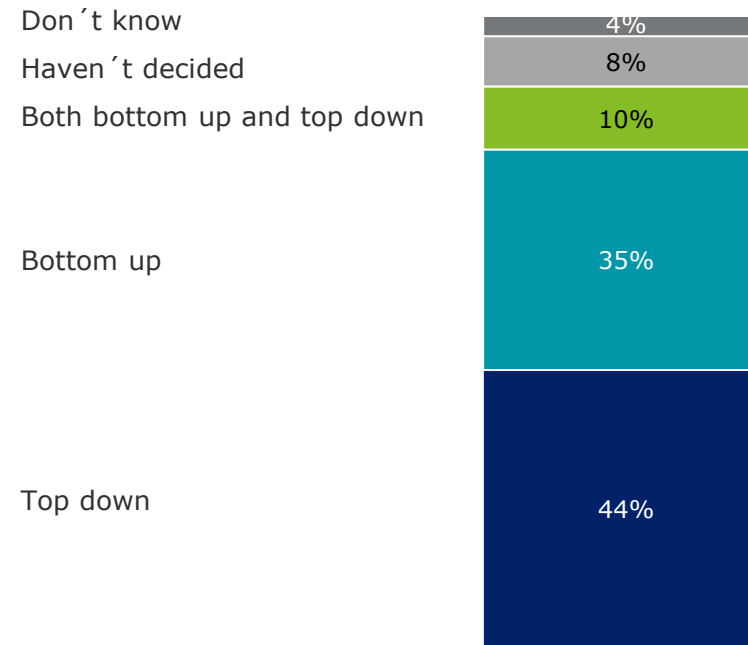
# Country by country reporting

# The management of tax

## Country by country (CbC) reporting



### CbC reporting approach



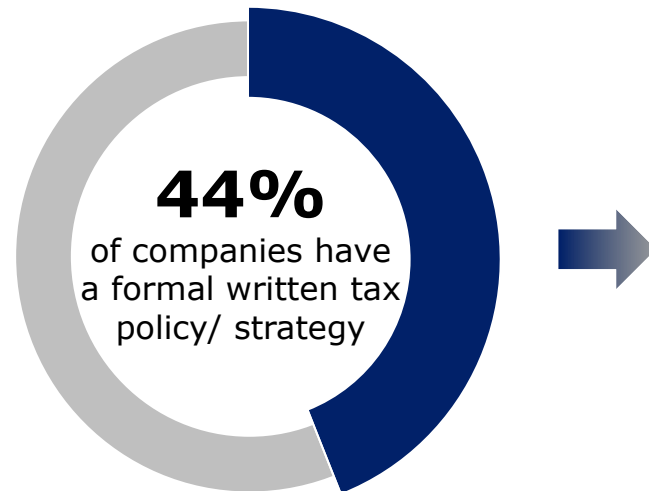
- Clients have mostly decided on their approach - split fairly evenly between 'Top Down' and 'Bottom Up'.
  - Top down approach - most likely for clients operating a method 3 model and/or operating in 30+ markets.
  - Predominant reason for the approach taken is access to and quality of data.
  - 75% of clients will reconcile their CbC reporting with at least some local country filings. 25% say they won't reconcile at all.

# Governance

# The management of tax

## Governance - tax policy or strategy

Formal written tax policy in place setting out governance standards?



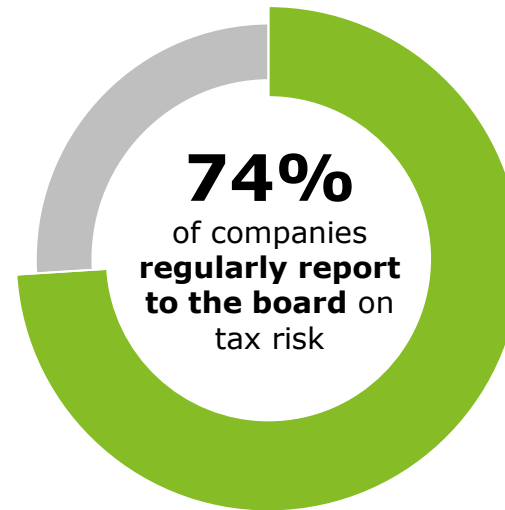
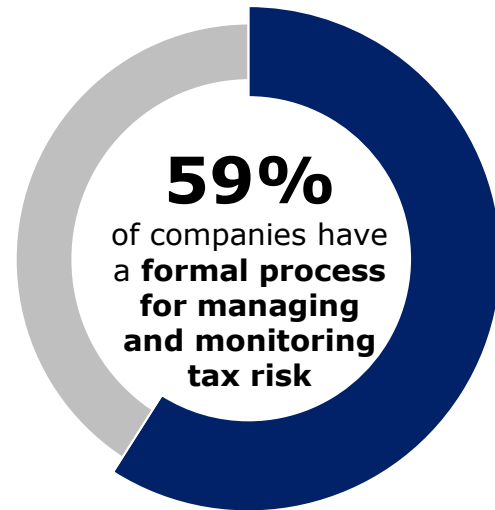
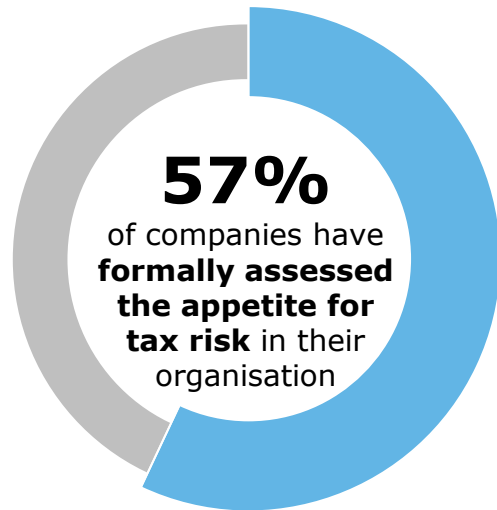
Among the total sample:

- 17% - Policy has been signed off by board, turned into an operational plan and there is confidence in its adherence
- 22% - Policy has been turned into a plan and have confidence in its adherence

- MNCs operating a method 3 are more likely to have a formal written tax policy in place - although no more likely to have this signed off by the board or turned into a plan.
- Governance processes are most likely to be in place in companies operating in more markets and in Europe (the UK in particular – 78% have a formal tax policy).

# The management of tax

## Governance – risk management



- 36% have formally assessed appetite for risk, have a formal process for managing and regularly report to the board.

- 12% have not formally assessed appetite for risk, do not have a formal process for and do not regularly report to the board.

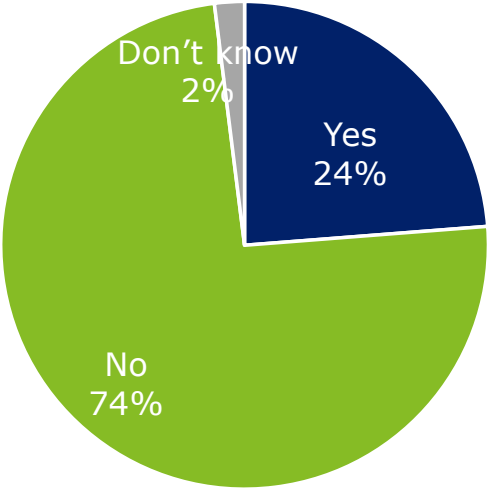


# Technology

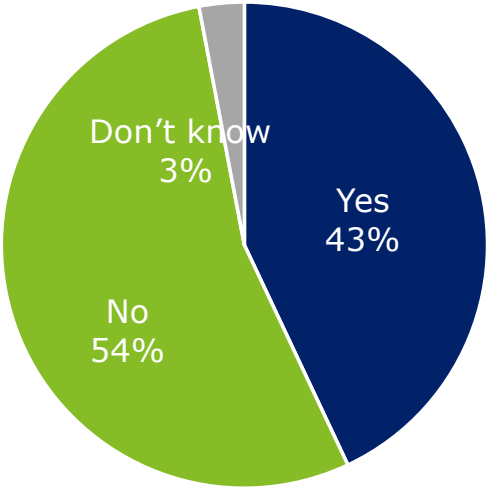
# The management of tax

## Technology

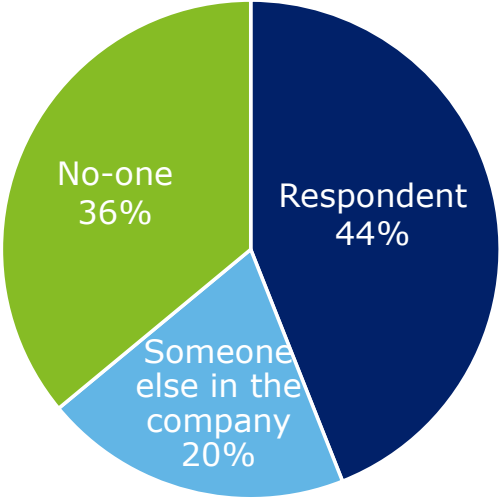
Formal plan in place



Budget assigned



Individual with overall responsibility



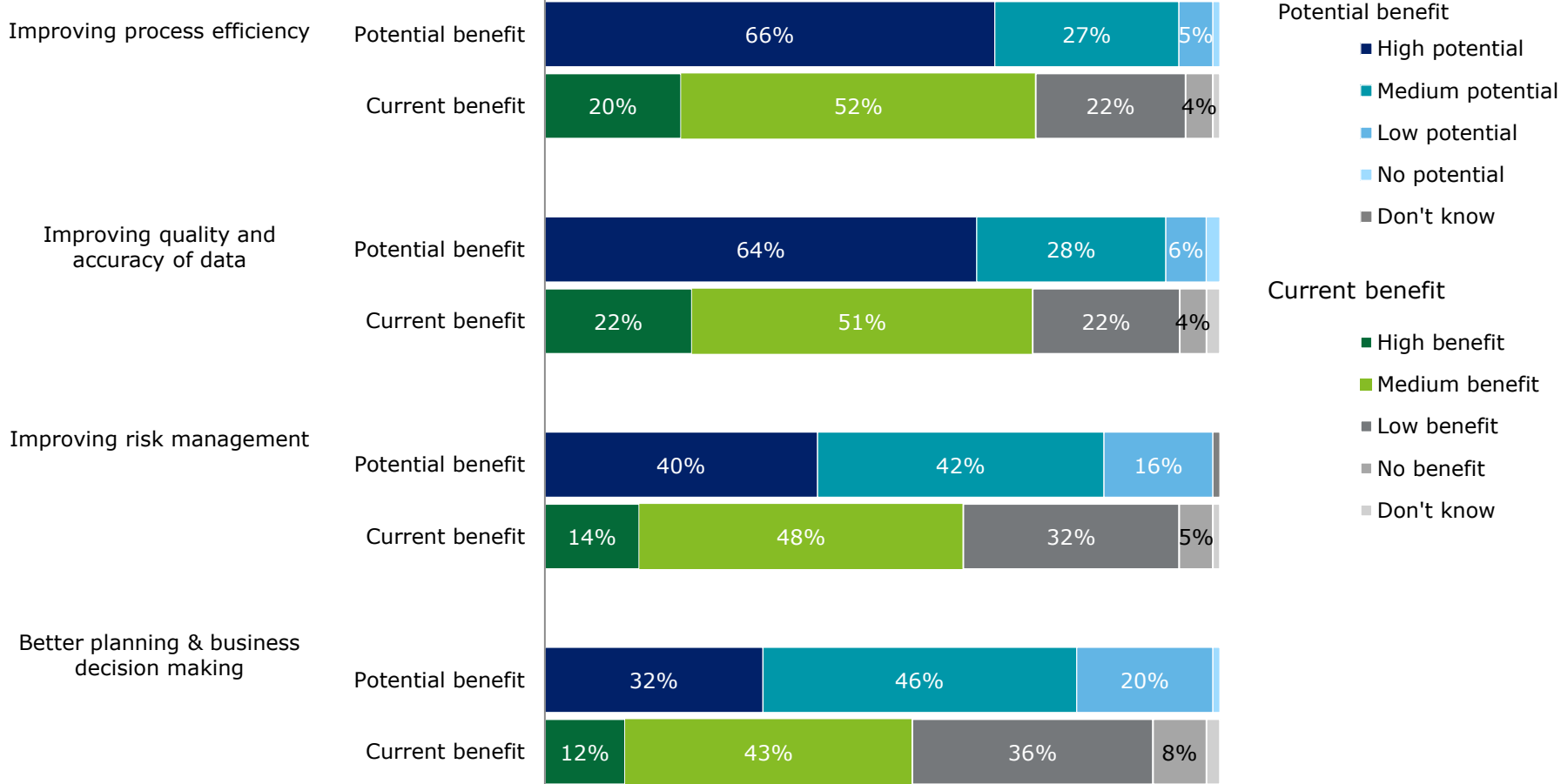
• **12%** have a formal plan, someone with responsibility and an appropriate budget.

• **24%** do not have a formal plan, anyone responsible or an appropriate budget.

# The management of tax

## Technology – potential benefits

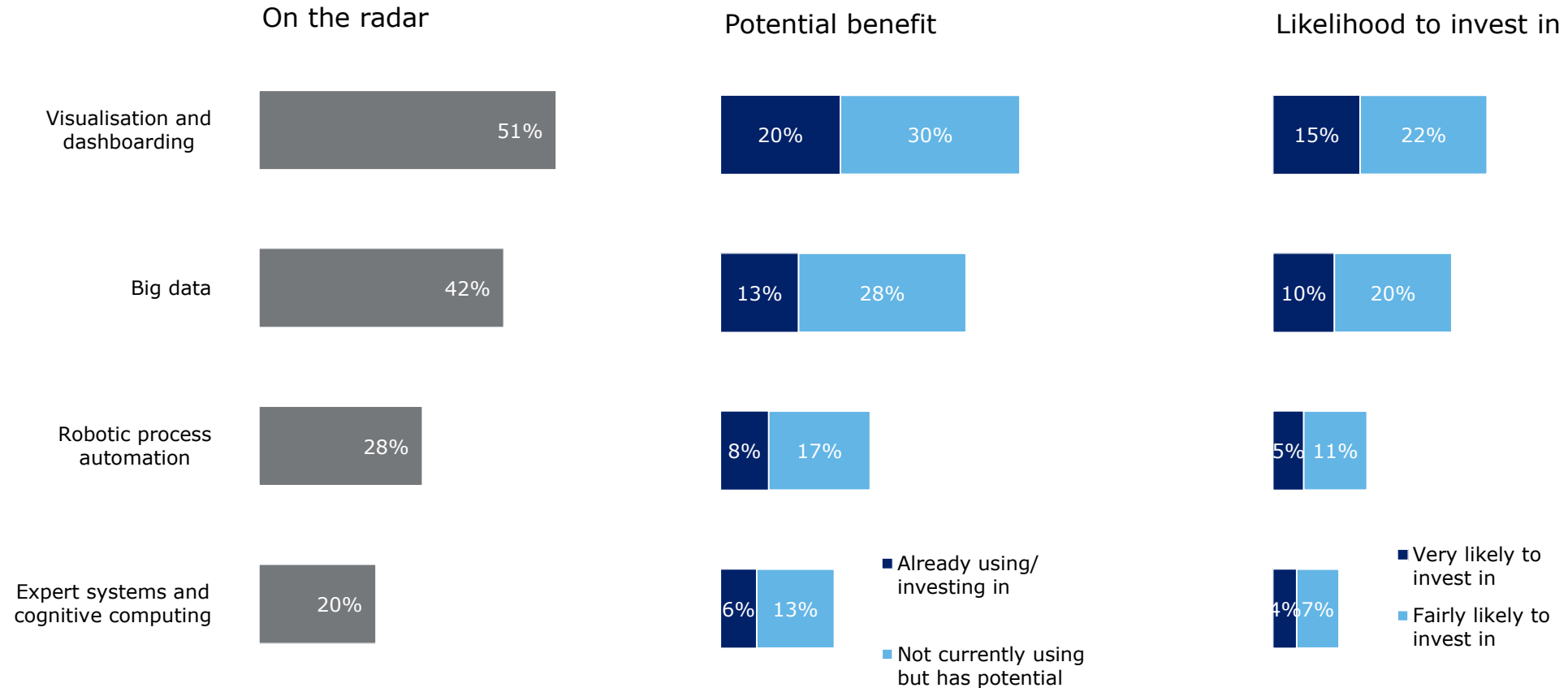
Potential versus current benefits of tax technology



# The management of tax

## Technology – potential benefits

### Interest in emerging tax technologies



Visualisation/dashboarding and big data are the technology areas seen to have the most potential benefit

Robotic process automation and expert systems & cognitive computing remain more niche

# Summary

# The management of tax

## Summary

### Overall burden



Burden on tax teams has increased  
Many departments struggle to cope with the immediate and urgent

### Declining satisfaction



Overall satisfaction with existing operating models has declined dramatically  
Method 1 continue to face challenges to achieve control and efficiency  
However, MNCs with method 3 TOMs have become much less satisfied

### Search for efficiency



Process efficiency is seen as a way to cope better with an increasing workload  
It feels somewhat elusive but is seen as increasingly important going forward

### Technology



Technology is seen as able to help in improving data quality and efficiency.  
The emerging areas with the most promise are visualisation, dash-boarding and Big Data.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

Deloitte provides audit, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

#### **About Deloitte Southeast Asia**

Deloitte Southeast Asia Ltd – a member firm of Deloitte Touche Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – was established to deliver measurable value to the particular demands of increasingly intra-regional and fast growing companies and enterprises.

Comprising 290 partners and over 7,400 professionals in 25 office locations, the subsidiaries and affiliates of Deloitte Southeast Asia Ltd combine their technical expertise and deep industry knowledge to deliver consistent high quality services to companies in the region. All services are provided through the individual country practices, their subsidiaries and affiliates which are separate and independent legal entities.