

Managing Tax

Balancing current challenge with future promise

Session 6

The Grand Hyatt, Singapore – 16 February 2017



Tax operating
model
development

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What do stakeholders want from tax?

What do stakeholders want from tax?

COO

Go out and partner/present TAX in a different way to the organization and position as a “Strategic business partner” vs. a TAX department

Internal Audit

Keeping cross-function and cross business relationships strong and making sure he is aware of more than just the TAX implications — a lot of players could impact tax rate

Corporate Development/M&A

We are sub optimizing the business decision by not having TAX involved earlier in the process

Treasury

Different things we may think about that might be optimal from a TAX perspective might be constraining from a treasury perspective – it’s essential to have that open and early on dialogue

General Counsel

The best tax people are the ones you don’t realize are tax people until they tell you

CFO

I want him to have a forward-looking strategy. I want him on skis. His eyes should be way down the hill, not on his feet underneath him

“CFOs say, it’s important for the tax function to provide insightful tax planning and decision-support services to business-unit managers. Fostering an effective and efficient working relationship between tax and the business, not only leads to lower tax rates, but also is vital for avoiding the kinds of tax mistakes that can turn a bold strategic move into a financial disaster”

CFO.com:

[Seating Tax at the Strategy Table](#)

Derived from Deloitte stakeholder interviews, in preparation for Deloitte Tax Executive Transition Labs™.

Tax operating model development

Tax operating model development

Tax organisations are increasingly being forced to respond to a **challenging market environment** with frequent regulatory change, new resourcing models, technology developments and a relentless drive for cost reduction. In response organisations are **re-engineering their current tax operating models** to answer these demands.

In this session we will reflect on the different components of the tax operating model including resourcing, processes, technology and governance, with particular focus around the global compliance and reporting agenda. We will also review some of the different **operating model approaches** groups are currently taking and reflect on emerging trends such as the use of Global Business Services and emerging technologies.

Operating model design

How do the components of an operating model inter-relate?



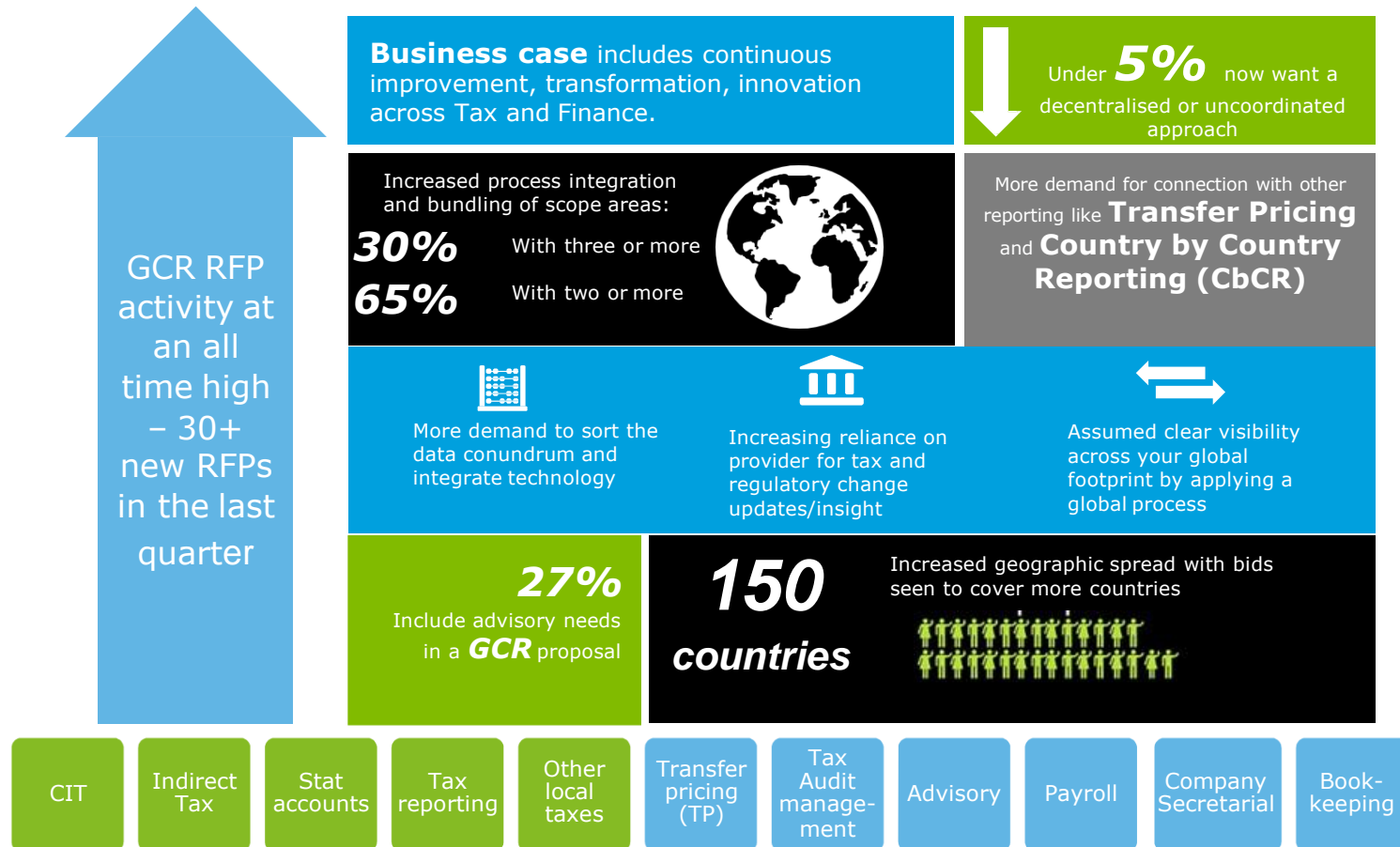
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Layers	Components	Area
Scope and design	<ul style="list-style-type: none"> • Global/local • Standardised/bespoke 	Processes
Delivery model	<ul style="list-style-type: none"> • Centralised/de-centralised • Single/integrated 	
In-house teams	<ul style="list-style-type: none"> • Tax/Finance • On-shore/near-shore/off-shore • Permanent/temporary 	Resourcing
Service providers	<ul style="list-style-type: none"> • Insource/outsource • Multiple/single 	
Systems	<ul style="list-style-type: none"> • Off the shelf/bespoke • Automated/manual 	Technology
Central records/ local records	<ul style="list-style-type: none"> • Information and data • Multi-source/central source 	
Organisation and operations	<ul style="list-style-type: none"> • Stakeholders/delivery obligations • Strategic/operational 	Governance
Roles and responsibilities	<ul style="list-style-type: none"> • Informal/formal • Framework/ad-hoc 	
Risk management	<ul style="list-style-type: none"> • Transparency/no visibility • Tax/Business 	

Focus on people and organisation

Focus on people and organisation

Global Compliance and Reporting market research – current resourcing approach



2015 market research of MNCs with net annual revenue over USD200m and operating in 5+ countries

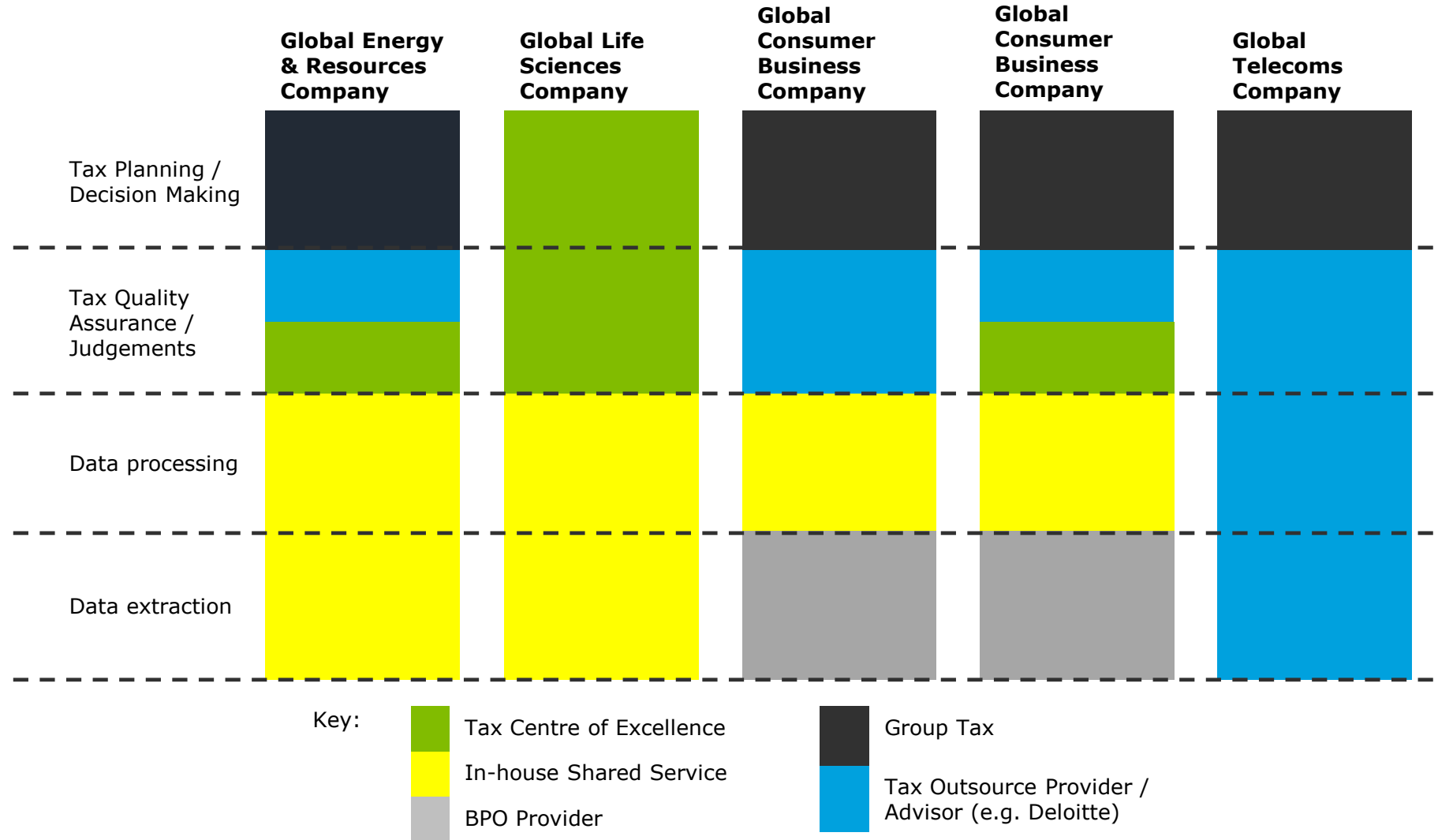
Focus on people and organisation

Indicative considerations

Activity	Considerations
Compliance and reporting	<ul style="list-style-type: none"> • Generally lower value work that should be characterised by efficient processes and use of technology in low cost environments • Peers are looking to centralise this activity in Shared Service Centres where possible (i.e. GBS) • Standardising preparation processes within a common team should generate efficiencies • A single Head of Compliance and Accounting will enable that person to access synergies between the two • Outsourcing usually forms part of an effective compliance and reporting strategy
Planning and advisory	<ul style="list-style-type: none"> • Tax functions varyingly organise planning and advisory along business and/or geographical lines e.g. manufacturing/distribution functions, or regional geographies are headed up by different individuals report directly to the Head of Tax • A critical success factor for the planning and advisory team is close links to the business areas
Tax operations	<ul style="list-style-type: none"> • Best practice amongst industry peers suggests tax functions are beginning to create roles such as "Tax Risk Managers", "Heads of Tax Operations", "Heads of Tax Change" etc. given the increasing importance that the supporting infrastructure (i.e. people, processes and technology) has on the success of the tax function

Focus on people and organisation

Operating model examples



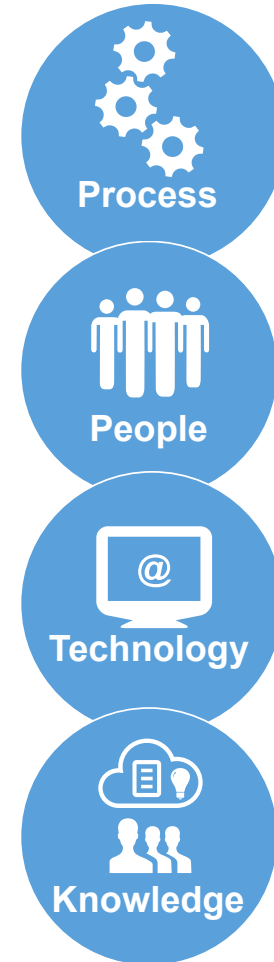
Focus on people and organisation

Case study: goals



Client Goals

- Simplify service delivery across geographically dispersed offices
- Establish a single point of contact for global compliance services
- Standardise the tax compliance processes
- Safeguard quality and actively manage compliance risk
- **Deliver cost savings of at least 30% to the business through the streamlined delivery of compliance services**
- Partner with a single supplier who can provide a full suite of support services

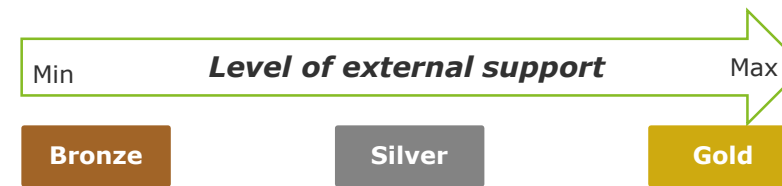


Focus on people and organisation

Case study: reliable process



- Process consistency is paramount
- 3 level co-source delivery model



- Centralizing the process has surfaced pain points that need to be addressed e.g. data collection was very localized previously
- Styles of process improvement looks different across businesses but key steps are often common

Focus on people and organisation

Case study: right mix of people



- Client established a Direct Tax Centre of Excellence in Budapest
- Delivery of global Corporate tax compliance from a single team
- Deployed tax process owners
- Aggressive push to recruit tax technical resources locally
- Prioritised language skills above pre-existing country tax experience
- Prepared to call on advisors to provide training and support

Focus on people and organisation

Case study: technology

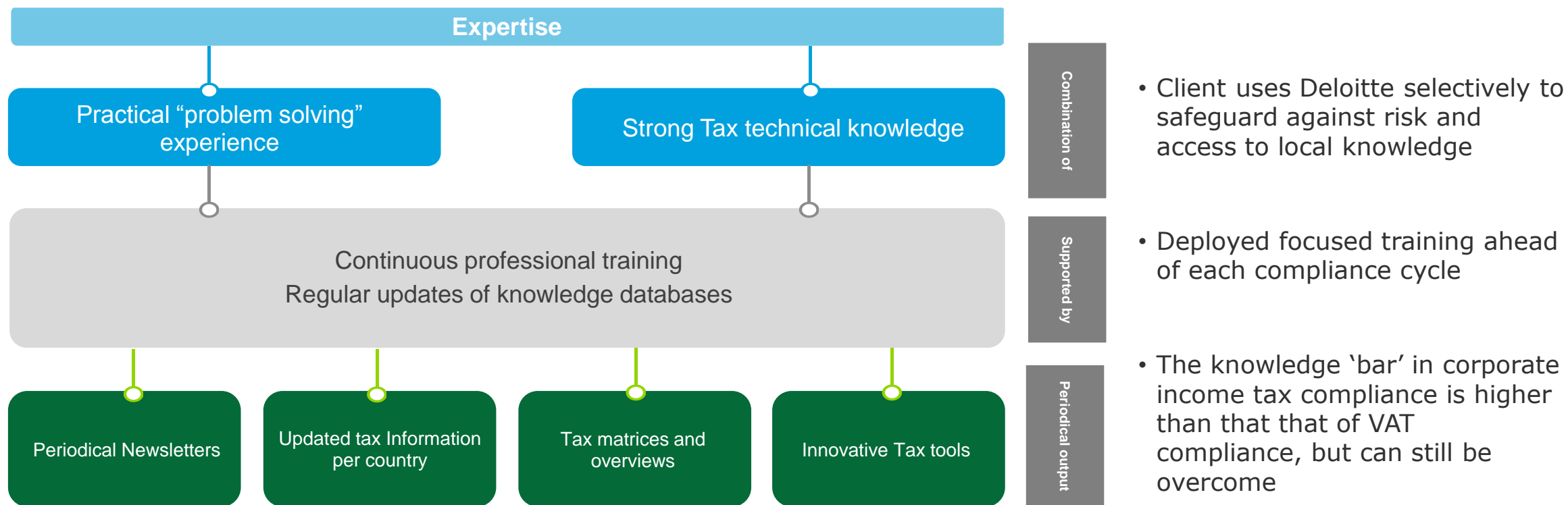
- The availability of local country corporate tax compliance software was initially a 'deal breaker' for the client in determining which countries could be centralised into the tax CoE
- This proved not to be as critical as first thought
- There are very few 'multi country' Corporate Tax return solutions on the market. A high degree of localisation lends itself to 'case by case' Excel vs software decisions

Their technology priorities focus on:

- Deploying a consistent platform for task tracking, document management, knowledge sharing and management reporting (ONESOURCE Workflow Manager)
- Standardising the data collection exercise: aiming for global consistency
- Strengthening the relationship with a single global tax technology provider: helping shape their roadmap for CIT and Statutory Accounts technologies.

Focus on people and organisation

Case study: knowledge



Taking steps to assess and improve the tax operating model

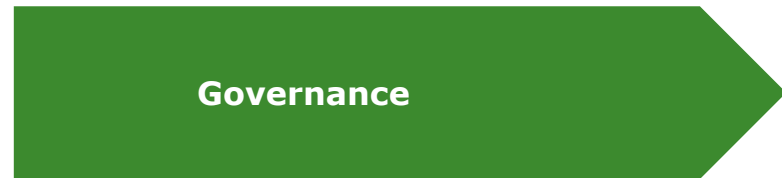
Taking steps to assess and improve the tax operating model



Consider your operating model - all the different components and how they interrelate



Reflect on what you've currently got and what could be coming



Ensure this is formalised and established



Set the strategy and direction and mobilise it - big things often have small beginnings

Maturity model

What is the current state and what is the to-be state of the local tax functions?

	Stage 1	Stage 2	Stage 3	Stage 4
Information and Technology	<ul style="list-style-type: none"> Data architecture not integrated Little automation 	<ul style="list-style-type: none"> Use common platforms Reduced manual entry and adjustments 	<ul style="list-style-type: none"> Reconciliation and financial analysis processes are executed quickly Able to rely upon integrated and automated information 	<ul style="list-style-type: none"> Integrated systems Customisable Automated and accessible through Finance/Tax portals
Structure and Organisation	<ul style="list-style-type: none"> Processes not defined and inadequate Independent tax department 	<ul style="list-style-type: none"> Processes informally and inconsistently defined Not integrated across the organisation Limited communication and coordination between business units 	<ul style="list-style-type: none"> Processes defined and integrated Errors not traceable to an owner Relatively centralised Strong coordination between business units 	<ul style="list-style-type: none"> Processes defined and communicated Integrated: assigned to owners across the business Centralised and cost effective High synergy between different business units
Policies and Procedures	<ul style="list-style-type: none"> Not well developed Informal Ineffective 	<ul style="list-style-type: none"> Defined for preparing financial/tax information Inconsistently executed 	<ul style="list-style-type: none"> Integrated Not completely automated 	<ul style="list-style-type: none"> Integrated Automated and accurate
Talent and People	<ul style="list-style-type: none"> Data gathering focused Tax roles and responsibilities are not differentiated 	<ul style="list-style-type: none"> Broad skills are recognised Requires cross functional training 	<ul style="list-style-type: none"> Adequately trained Resources are deployed appropriately according to skills and business needs 	<ul style="list-style-type: none"> Continuously trained Focused on data analysis Proactively manages key business decisions Highly specialised and deployed appropriately



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