

Think back to your company's last major technology project. When did your finance people get involved in the planning conversation?

How about your tax team?

Taking tax seriously

It's common for Finance to have a front-row seat when big new initiatives are underway, including technology spending. But far too often, Tax gets involved after the fact, when the best they can do is make the most of a tough situation. Fortunately, that's beginning to change.

The reason is simple: New data modeling tools make it possible to deliver valuable tax insights about different financial scenarios—in real time. Which means business leaders get the benefits of those insights before they have to make their decisions.

A modernised tax function has the digital tools and talent to churn through scores or even hundreds of scenario models to determine their after-tax financial implications. This kind of data modeling combines your

own real-time financial information with the latest tax laws and regulations to guide you through options for action.

We're talking about a massive amount of data that's growing larger day by day. Modeling is often the only practical way to understand the full tax implications of different business decisions.

But before this can happen, Tax must modernise along with the rest of the enterprise. That should be an easy decision.

He said. She said.

With the recent big changes in US tax laws and rates—and an explosion of new regulations elsewhere in the world—tax departments everywhere are scrambling to make sense of it all. As the upheaval continues, tax leaders and CFOs are beginning some interesting conversations about growing complexity and uncertainty related to global tax. There's a lot on the line.

Tax in a digital world

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We need to talk.

Tax leader

We need to talk.

Tax leader

We're getting close to a breaking point.

Tax leader

I was hoping you'd say that.

That doesn't sound good.

Uh oh. This must be serious.
Tax is never the squeaky wheel.

CFO

CFO



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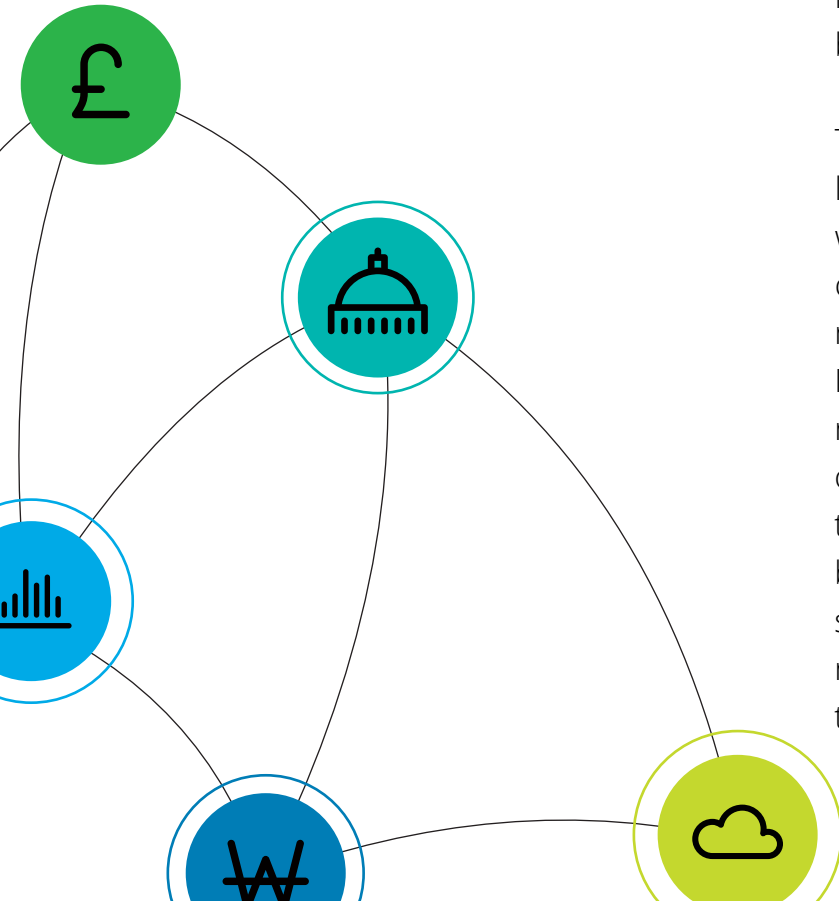
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We need to talk.



Whatever you think about Tax, one thing we know for certain is this: An unprecedented number of regulatory and tax policy changes are underway, both in the US and around the globe.

The US federal tax code has nearly tripled in length over the last 30 years. In 2017 alone, there were more than 600 revisions, all requiring new compliance measures.¹ And then there's the rest of the world. Over the past several years, India has imposed far-reaching changes that are reshaping one of the most complex tax regimes on earth. In Brazil, hardly a week goes by without the announcement of new tax policies that must be addressed immediately. And in Europe, we're seeing new developments related to real-time reporting and standard audit filings, which have to be done electronically.

But government policy is just one area where complexity is increasing. The new digital economy is unleashing new competition and new business models, both of which can create significant tax planning opportunities. If the world is a chess board, tax considerations often influence the winning moves.

Many tax professionals tell us their companies are simply not set up for this new reality. Finance leaders have been responding in predictable ways. Hiring more people, getting temporary help, adding point technology solutions, outsourcing parts of the process. It's worked in the past. So stay the course, right?



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So you're telling me you'll have to hire?



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CFO

So you're telling me you'll have to hire?

CFO

Actually, we'll probably need fewer people.

CFO

What's the catch?

We have to modernise.

You sound like a consultant.

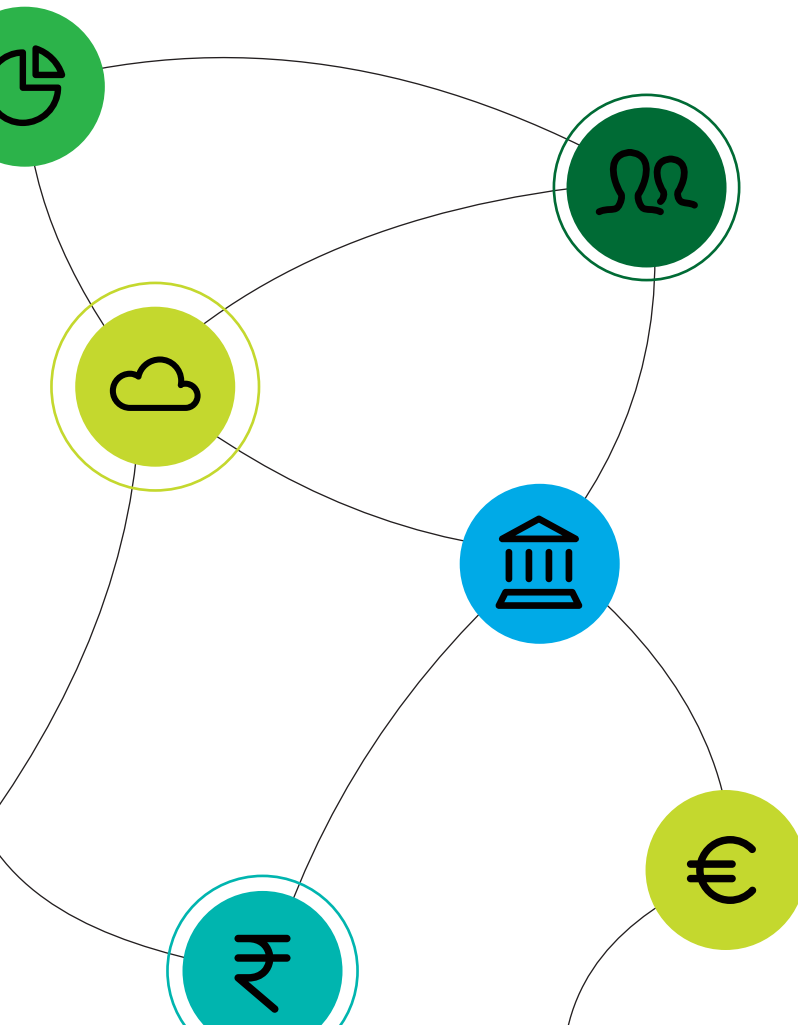
Well...I am.

Tax leader

Tax leader

Tax leader

So you're telling me you'll have to hire?



With 50 percent fewer tax accounting graduates and a big chunk of the tax workforce nearing retirement, there aren't nearly enough experienced tax people in the market today. Add in hundreds of tax jurisdictions, each with unique rules and regulations, and complexity goes through the roof. Bottom line? Companies need machines, cognitive tools, bots and other technologies (or service providers deploying those solutions) to do more of their work. And that requires investment.

It's ironic that businesses plow millions into upgrading their ERP systems, but when it comes to Tax, not a lot changes. Many tax departments have all but missed out on technology modernisation.

The specific problem is easy to identify: few companies have taken steps to fully integrate the tax function with their accounting and finance systems. ERP sits over there, tax sits over here, and human beings go back and forth. The result is a hodgepodge of point solutions, with tax teams often scrambling just to gather basic information.

We find that tax departments typically spend less than half the time on data analysis than they spend on data gathering and data prep. That's problematic.

Fortunately, the opportunities for improvement are real, and companies are beginning to embrace them.



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What do you mean by *modernise*?

CFO

What do you mean by *modernise*?
Specifics please.

Two things. First, create our tax data backbone. Second, automate our planning and reporting processes.

Tax leader

CFO

Data backbone?

Yep, backbone. Tax is like no other business function. We use all of our company's data. Every single transaction.

Tax leader

CFO

Which means mountains of information.



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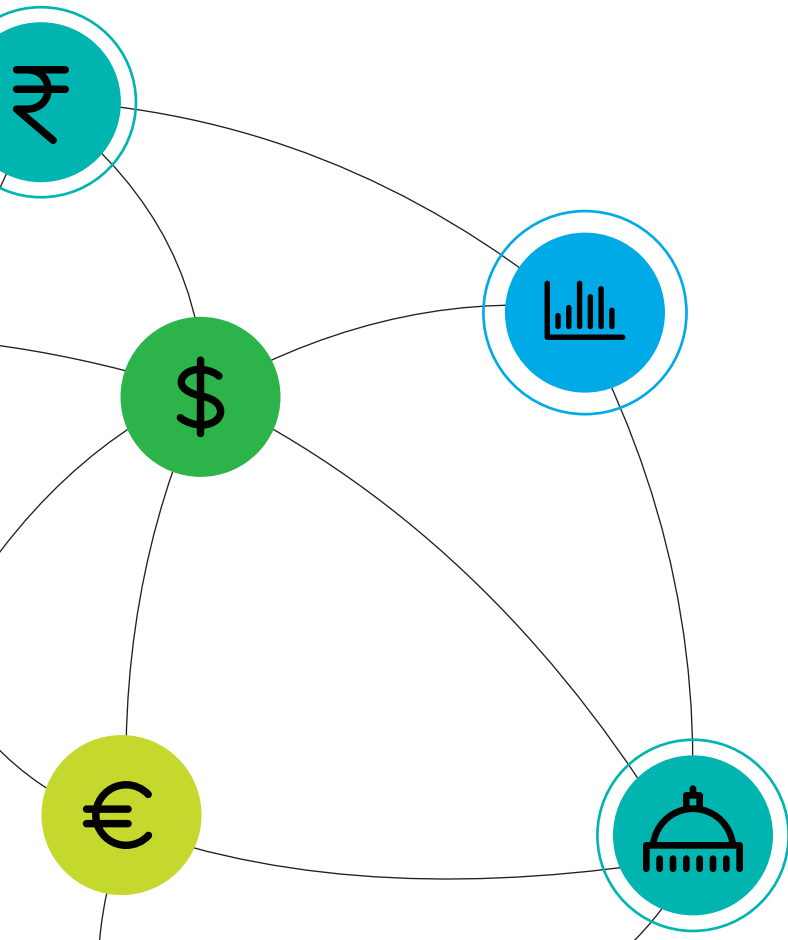
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What do you mean by *modernise*?



The first thing to know about modernisation is that it creates a different mindset. Modernised Tax moves from being mostly a compliance function to a high-value planning and reporting function. For example, consider the international tax provisions of the Tax Cuts and Jobs Act. Given the complexity of these new rules, in most cases the modeling required for effective tax planning simply can't happen without automation and advanced analytics.

One vice president/controller we work with was involved in a finance transformation project that wasn't designed to address Tax. He stopped the project cold, insisting it be rescoped to include tax modernisation. This executive was certain the business case for modernising Tax was compelling and wanted the same digital technologies available to them that were going to be made available to the rest of Finance.

If your company's leadership hasn't embraced tax modernisation, there's a good chance you're leaving real value on the table.



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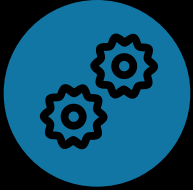
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The digital evolution

What does work actually look like in a modernised tax department?

Here are three things you'll be able to see:



Reimagined processes

Automatic tax reconciliation

- Reconciliations are automated and managed on an exceptions basis
- Tax analyses and evaluates the discrepancies while optimising the reconciliation of source data to the general ledger

Automated transaction processing

- Indirect tax determination is managed on an exceptions basis
- AP clerks no longer have to key in tax codes manually or make tax determinations on the fly



Redefined talent

- Tax managers generate targeted business insights rather than generic ones
- Tax staff are freed up to focus on tax planning and other high value-add activities

- Tax staff monitor data quality as a key performance indicator



Technology enablers

- Touchless automation removes manual reconciliation
- Integrating automation tools with data lakes or data hubs empowers tax analysts to perform advanced analytics and predictive what-if scenarios

- Real-time layers of data proactively identify rule exceptions, improving reliability with machine learning
- Visualisation and analytics from an integrated tax data warehouse enhance the indirect tax process



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So what's your plan?

CFO

So what's your plan?

CFO

Really?

CFO

What's the cost?

CFO

How far do you recommend?

The same as your plan.

Yep. We're talking cloud, automation, analytics, visualisation, real-time reporting. All stuff we're already doing in Finance.

That depends on how far we go.

All the way.

Tax leader

Tax leader

Tax leader

Tax leader



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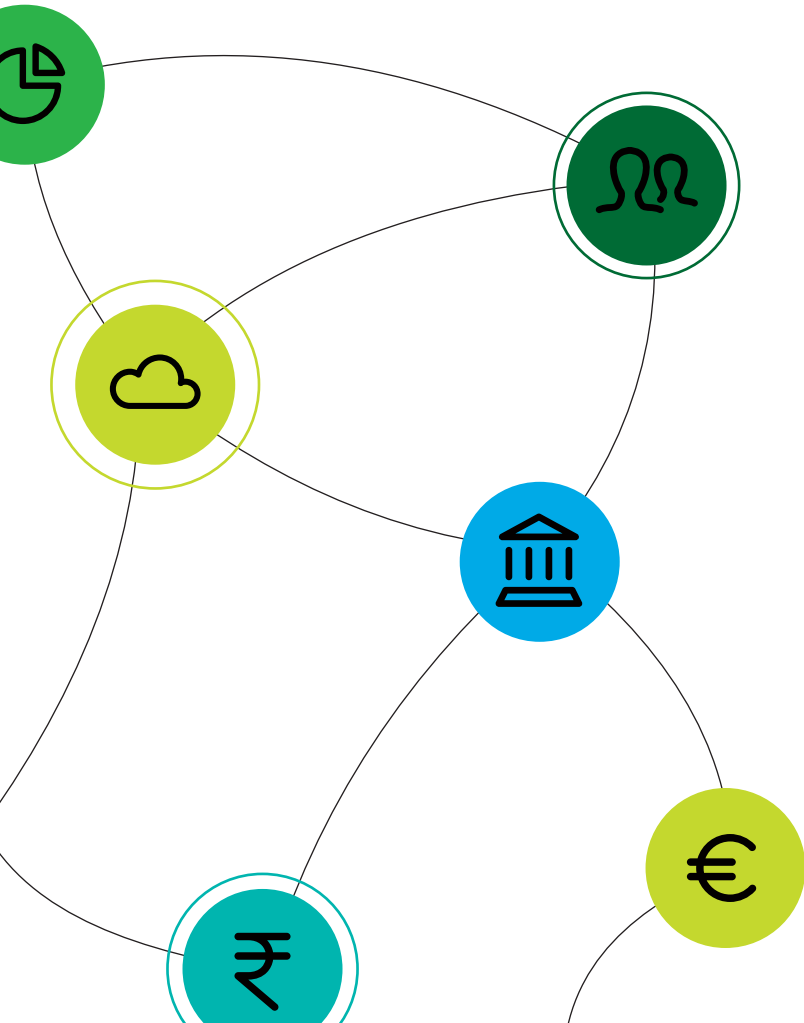
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So what's your plan?



If you've ever worked through finance transformation, you understand there's no such thing as finished. Between new regulations and new markets, the people, processes, and technologies needed to run Finance effectively are always evolving. That's true for Tax, too. Figuring out how to stay ahead—without spending too much—is the name of the game.

A lot of what's required for tax modernisation happens in ERP implementations, but not everything. You still have to integrate with other technologies like business intelligence and visualisation software to see the "art of the possible."

Pain points

One place where tax modernisation can have immediate impact is in intercompany accounting. Modernisation lets you plan and monitor the potential tax consequences of different inventory and supply chain choices, improving your ability to get transfer pricing and intercompany transactions right in real time.

Another place modernisation can help is in closing the books, where companies gather and report all transactions. When you get the tax data model right, everything else starts to fall naturally into place and can bring significant efficiencies to the close process.



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You didn't answer my question about cost.

CFO

You didn't answer my question about cost.

Experience says we'll need 5–10 percent of the total finance transformation project cost.

CFO

Ten percent? What does that get us?

Better insights and tax planning.
Lower risk. Greater efficiency.

CFO

Okay. I get it, but I have one more question. Who's the sponsor?

Ummm. That would be you.

Tax leader

Tax leader

Tax leader



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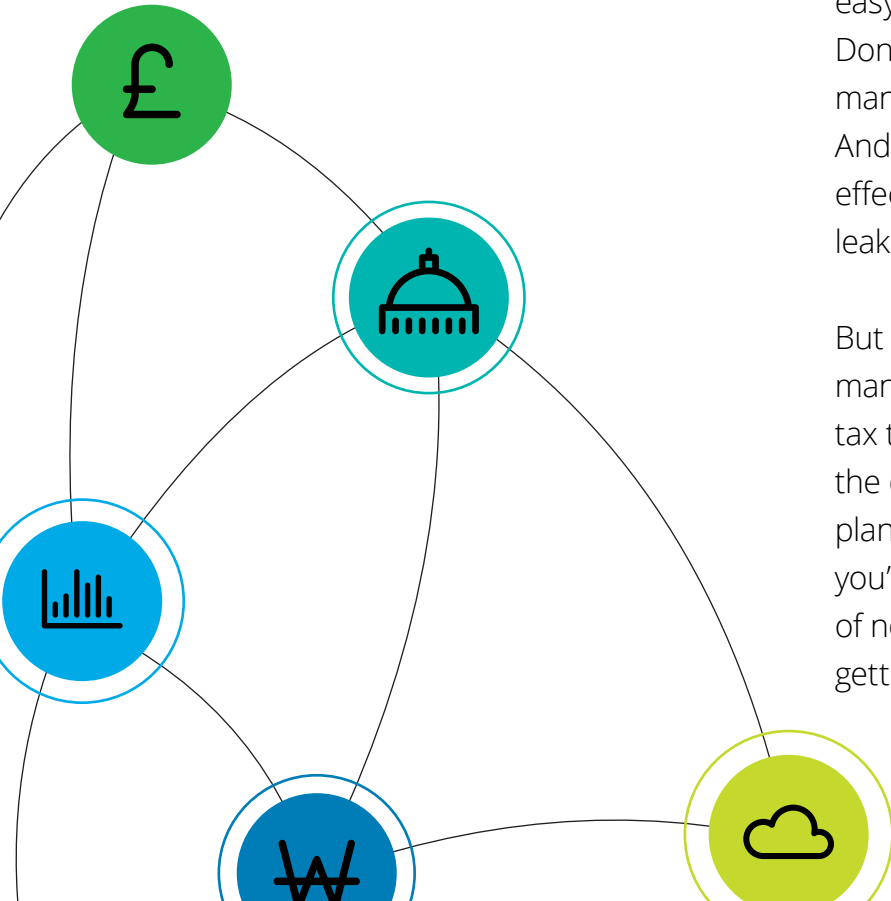
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You didn't answer my question about cost.



The business case for tax modernisation is easy to make for almost any global enterprise. Done right, tax modernisation enables better management of the global effective tax rate. And with automation, you may be able to more effectively apply for tax rebates and reduce cash leakage, such as VAT overpayments.

But tax modernisation is also about risk management. In the face of growing complexity, tax teams need a way to efficiently grind through the data and scenarios required for effective tax planning and reporting. Without modernisation, you'll be challenged to keep up with the onslaught of new demands—and have little chance of getting ahead of the curve.

Yet even with a clear business case, your tax department may not push for needed investment as aggressively as other functions might. Tax departments are busier than ever, and many are falling behind, with little bandwidth to consider these improvements.

If you're the CFO, nudge Tax along. Even when there's a great tax leader in place, CFOs need to champion modernisation.



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What's the risk if we don't invest?

CFO

What's the risk if we don't invest?

CFO

For one thing, we could make mistakes.

That can happen no matter what.

CFO

Maybe. I just don't want Tax on the front page.

Me neither.

CFO

That's why we're talking.

Anything else?

Yep. Without modernisation we'll have a hard time keeping our people.

Tax leader

Tax leader

Tax leader

Tax leader



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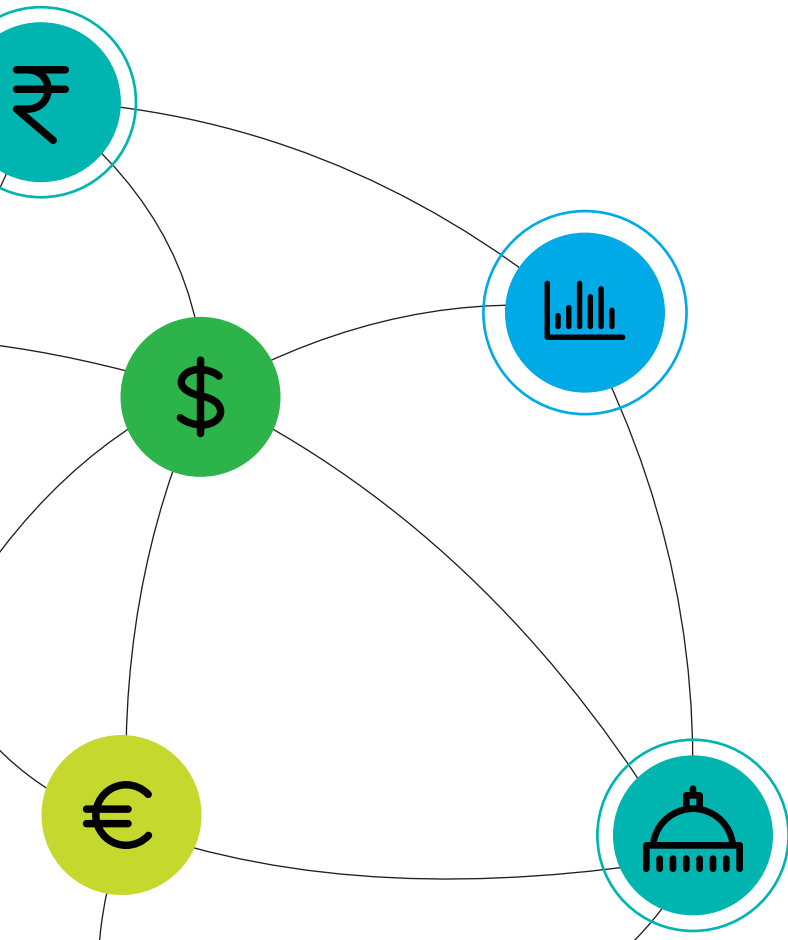
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What's the risk if we don't invest?



We've said this already, but it bears repeating: the number of new regulations companies have to comply with is truly mind-boggling. Every country or jurisdiction has its own unique requirements, and global companies feel the brunt of new rules every day. It's impossible for anyone to have a handle on all the issues—so risks can multiply.

Another risk involves talent. The pool of available tax talent is shrinking, with companies finding it harder to keep the best people on board. New recruits are looking for companies with modernised tax operations. Make sure yours is one of them.

No business can prepare completely for the uncertain future, but it's possible to get ready for the most-likely scenarios. More automation. More use of cognitive tools. More artificial intelligence. More advanced algorithms for scenario modeling. These are all part of tax modernisation.



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It's crunch time.

Tax reform in the US has lowered the corporate statutory tax rate. On the global stage, tax legislation is increasing, along with calls for more reporting transparency and regulation. This means more tax reforms, more complexity, and potentially more change for your tax function.

Companies that received tax benefits from tax reform should consider investing in tax modernisation, rather than taking those current tax savings to the bank. They should also be rethinking the role Tax plays in their business decision-making processes.

By taking a fresh look at new technology capabilities and related operating models, CFOs may find that they can have it all: a high-performing, efficient tax department that's tightly integrated with Finance and the rest of the organisation.



Talking Tax

The next time you see one of your tax people in the break room, take a minute to swap war stories. And be sure to ask them how Tax and Finance could be working more effectively together. Don't be surprised if you unleash a wave of new ideas.



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Acknowledgements

Authors

Mark Lazzaro

Partner, Tax

Deloitte Tax LLP

Tel: +1 404 220 1230

Email: mlazzaro@deloitte.com

Emily VanVleet

Partner, Tax

Deloitte Tax LLP

Tel: +1 404 631 2715

Email: evanvleet@deloitte.com

Michelle Chaung

Senior Manager, Finance & Enterprise Performance

Deloitte Consulting LLP

Tel: +1 713 982 3167

Email: micchuang@deloitte.com

Irish contacts

Alan Flanagan

Partner - Consulting

Deloitte Ireland LLP

Tel: +353 1 417 2873

Email: aflanagan@deloitte.ie

Shane Mohan

Partner - Consulting

Deloitte Ireland LLP

Tel: +353 1 417 2543

Email: smohan@deloitte.ie

Daniel Gaffney

Partner - Consulting

Deloitte Ireland LLP

Tel: +353 1 417 2349

Email: dgaffney@deloitte.ie

Daryl Hanberry

Tax Partner & Head of Global Employer Services

Deloitte Ireland LLP

Tel: +353 1 417 2435

Email: dhanberry@deloitte.ie

Endnotes

1. House of Representatives Office of the Law Revision Counsel, 2017

Contributors

Steven Ehrenhalt

United States

Jason Sawyer

United States

Rosemary Sereti

United States

John Steele

United States

Bob Stack

United States

Conrad Young

United Kingdom

Kathryn Karlman

United States

Jason Dess

Canada

Katy Hollister

United States

Igor Ivanov

Brazil

Nathan Andrews

United States



Contacts

Steven Ehrenhalt

Principal, US and Global Finance Transformation Leader

Deloitte Consulting LLP

Tel: +1 212 618 4200

Email: hehrenhalt@deloitte.com

Nnamdi Lowrie

Principal, US Finance and Enterprise Performance Leader

Deloitte Consulting LLP

Tel: +1 213 996 4991

Email: nlowrie@deloitte.com

Anton Sher

Principal, US Finance and Enterprise Performance – Finance in a Digital World™ Leader

Deloitte Consulting LLP

Tel: +1 213 553 1073

Email: ansher@deloitte.com

Jean White

Principal, US Finance and Enterprise Performance – Global Business Services & Operating Models Leader

Deloitte Consulting LLP

Tel: +1 214 840 7384

Email: jwhite@deloitte.com

Darin Buelow

Principal, US Finance and Enterprise Performance – Location Strategy Leader

Deloitte Consulting LLP

Tel: +1 773 294 4547

Email: dbuelow@deloitte.com

Matt Soderberg

Principal, US Finance and Enterprise Performance – Finance Operations Excellence Leader

Deloitte Consulting LLP

Tel: +1 214 840 7726

Email: msoderberg@deloitte.com

Tadd Morganti

Managing Director, US Finance and Enterprise Performance – Business Finance & Analytics Leader

Deloitte Consulting LLP

Tel: +1 704 887 1793

Email: tmorganti@deloitte.com

Adrian Tay

Managing Director, Finance Analytics and Insights Leader

Deloitte Consulting LLP

Tel: +1 213 688 3212

Email: adtay@deloitte.com

Robert Dicks

Principal, Human Capital CFO Services Leader

Deloitte Consulting LLP

Tel: +1 917 721 2843

Email: rdicks@deloitte.com

Jessica L. Bier

Managing Director, US Human Capital Finance Transformation Leader

Deloitte Consulting LLP

Tel: +1 415 783 5863

Email: jbier@deloitte.com

Matt Schwenderman

Principal, Emerging ERP Solutions Finance Transformation Leader

Deloitte Consulting LLP

Tel: +1 215 246 2380

Email: mschwenderman@deloitte.com

Girija Krishnamurthy

Principal, US Oracle Finance Transformation Leader

Deloitte Consulting LLP

Tel: +1 714 241 5161

Email: gkrishnamurthy@deloitte.com

Chris Holland

Principal, US SAP Finance Transformation Leader

Deloitte Consulting LLP

Tel: +1 312 486 0701

Email: cholland@deloitte.com

Kelly Herod

Principal, US SAP Finance Transformation Leader

Deloitte Consulting LLP

Tel: +1 214 840 1911

Email: keherod@deloitte.com

Paul Sforza

Managing Director, US Finance & Enterprise Performance – Government & Public Service

Deloitte Consulting LLP

Tel: +1 618 222 3801

Email: psforza@deloitte.com



Anthony Waelter

Partner, Risk and Financial Advisory

Deloitte & Touche LLP

Tel: +1 312 486 5519

Email: awaelter@deloitte.com

David Stahler

Partner, Risk and Financial Advisory

Deloitte & Touche LLP

Tel: +1 216 589 1406

Email: dstahler@deloitte.com

Chris Ruggeri

Principal, Risk and Financial Advisory

Deloitte & Touche LLP

Tel: +1 718 753 4857

Email: cruggeri@deloitte.com

Niklas Bergentoft

Principal, Risk and Financial Advisory

Deloitte & Touche LLP

Tel: +1 347 371 1604

Email: nbergentoft@deloitte.com

Jason Barnes

Partner, Risk and Financial Advisory

Deloitte & Touche LLP

Tel: +1 859 512 3631

Email: jabarnes@deloitte.com

Kyle Cheney

Partner, Risk and Financial Advisory

Deloitte & Touche LLP

Tel: +1 330 819 0665

Email: kcheney@deloitte.com

Will Bible

Partner, Audit and Assurance

Deloitte & Touche LLP

Tel: +1 973 602 6111

Email: wilbible@deloitte.com

Scott Szalony

Partner, Audit and Assurance

Deloitte & Touche LLP

Tel: +1 248 345 7963

Email: sshalony@deloitte.com



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Contacts

Dublin

29 Earlsfort Terrace
Dublin 2
T: +353 1 417 2200
F: +353 1 417 2300

Cork

No.6 Lapp's Quay
Cork
T: +353 21 490 7000
F: +353 21 490 7001

Limerick

Deloitte & Touche House
Charlotte Quay
Limerick
T: +353 61 435500
F: +353 61 418310

Galway

Galway Financial Services
Centre
Moneenageisha Road
Galway
T: +353 91 706000
F: +353 91 706099

Belfast

19 Bedford Street
BT2 7EJ
Belfast, Northern Ireland
T: +44 (0)28 9032 2861
F: +44 (0)28 9023 4786

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