The management of tax:
Discovering value, delivering confidence
Global research bulletin
2019
About the survey

Informed by extensive and independently conducted market research spanning the last decade, Deloitte’s insight into the management of tax within the largest multinational businesses continues to grow.

Since the first survey was conducted, Deloitte has commissioned biennial independent global market research studies with senior tax decision-makers, culminating in this fifth and most recent iteration.

The research looks across the main aspects of the management of tax globally, exploring operating models, resourcing, and the use of technology and uncovering what is driving behavior, priorities, and objectives. This year, the research also includes in-depth interviews with chief financial officers (CFOs) and chief accounting officers (CAOs) selected from the largest global organizations.
Ever-shifting regulatory requirements, fast paced changes in technology, data overload, and a looming shortage of talent are among the pressing challenges making the management of global tax more difficult and demanding than ever.

Is it possible for global tax organizations to find peace of mind amid the chaos?

According to a recent survey commissioned by Deloitte, tax departments are starting to make progress by finding new ways to structure their organizations, embrace technology, and deliver value to the business. While respondents are in the early stages of this journey, there’s promise on the horizon with the increasing adoption of new approaches, tools, and insights.

Our survey shows that global tax groups are focused on delivering in six core areas:
The results of this survey highlight the priorities, strategies, and actions of tax organizations to strengthen delivery of these imperatives, and thus to bring that sought-after peace of mind.
Delivering tax imperatives in challenging times

The survey results amplify the tax department imperatives, highlighting the top priorities of tax leaders.

Priorities for the organization and management of tax globally

Quality and control are seen as essential hygiene factors for the effective management of compliance and reporting globally—indeed, ensuring quality delivery and improving control are fundamental to a tax department’s priority to get the job done. With that goal accomplished, tax leaders can focus on more ambitious targets, as highlighted in the survey results.

The evolving sense of ambition is led by a desire to drive value and insight. Improving process efficiency also remains a priority.

The growing focus on business partnering and a desire for tax to deliver commercially (as identified in subsequent interviews with CFOs and CAOs) are most likely behind these shifts.

Let’s take a closer look at the broader survey results through the lens of each of the tax organization’s imperatives.
Effectively deploying innovative technologies and harnessing the vast amounts of data across an organization are key factors in doing the job of compliance and reporting correctly. The latest survey results highlight the progress being made with technology—and by design—higher data quality as a result. Over half of the tax heads who were surveyed say their organization has increased its focus on the use of technology over the past two years.

Investments have been made in several areas to improve the accessibility and quality of data, including enterprise resource planning (ERP) systems, data repositories, and data wrangling tools. It is also suggested that further investment is planned in these areas as shown in the following graphic.

There is clearly a growing interest in new technology, especially in the areas of big data and robotic process automation. This development is consistent with insights presented in Deloitte’s Tech Trends 2019 report, which examines how once-disruptive trends such as analytics and digital experiences have been embraced to become foundational components of business and IT strategy. Tax departments are now embracing these tools, as well.
There are multiple drivers to invest in technology—process efficiency and data are naturally significant—but there is evidence that external pressure from increasingly digital tax authorities is having a real impact.

**Technology investment heats up**

- **56%**
  Over half say they have increased their investment in digital and tax technology over the past two years.

- **19%**
  Less than 1 in 5 companies have a clear road map for tax technology, appropriate budget, and someone responsible for delivering this, although this is up from only 12% in the previous survey.

- **36%**
  Over one-third of those with highly centralized tax operating models say their technology investment has significantly increased.

**Contributing factor: SAF-T/real-time reporting**

- **60%**
  Nearly two-thirds say they are likely to invest in big data in the next 3-5 years.

- **70%**
  7 in 10 of those responding to SAF-T and real-time reporting requirements say this has been a significant driver of their investment in digital/technology.

Standard Audit File for Tax (SAF-T) and real-time reporting requirements have been the tipping point for technology investments in many cases, although heads of tax remain concerned about the ability to implement these technologies successfully.
Gain control

Survey respondents are considering new ways to structure their tax organizations to not only help get the job done but to gain control by maintaining visibility, transparency, and governance globally. There is no one-size-fits-all structure, of course, but some trends and preferences were noted in the survey responses. Tax departments indicate that, ideally, they would resource more from their own shared services centers, use traditional outsourcing, or outsource via a managed services model.

81% now operate some form of **centralized global tax delivery model** – up 7% from the last survey.

3 in 4 of these organizations operate a **centrally coordinated model** with some local delivery.

1 in 4 operate a fully **centralized model**.
The trend toward centralization of tax organizations has continued, with a large majority of global businesses now operating some form of centralized tax structure. The largest relative increase, since the last survey, is the use of shared services centers. This is a promising development for tax organizations, given the findings from Deloitte’s 2019 Global Shared Services Survey Report, which found that shared services centers will increasingly become more digital, global, and complex as they strive to provide nimble and efficient services, stronger customer care, and high-impact business outcomes.

How do you expect your organization to change its use of shared services in the next 3–5 years?

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Increase Significantly</th>
<th>Increase Somewhat</th>
<th>Overall Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of robotics</td>
<td>53%</td>
<td>35%</td>
<td>88%</td>
</tr>
<tr>
<td>Focus on continuous improvement</td>
<td>46%</td>
<td>40%</td>
<td>86%</td>
</tr>
<tr>
<td>Focus on digital experience</td>
<td>49%</td>
<td>35%</td>
<td>84%</td>
</tr>
<tr>
<td># of functions in shared services</td>
<td>15%</td>
<td>68%</td>
<td>83%</td>
</tr>
<tr>
<td># of knowledge-based processes in SSC/COEs</td>
<td>23%</td>
<td>57%</td>
<td>80%</td>
</tr>
<tr>
<td># of transactional processes in SSCs</td>
<td>19%</td>
<td>54%</td>
<td>73%</td>
</tr>
<tr>
<td># of customer-facing processes in SSCs</td>
<td>16%</td>
<td>54%</td>
<td>70%</td>
</tr>
<tr>
<td># of processes delivered on a global basis</td>
<td>13%</td>
<td>50%</td>
<td>63%</td>
</tr>
<tr>
<td>% of internal business units served by SSCs</td>
<td>13%</td>
<td>48%</td>
<td>61%</td>
</tr>
<tr>
<td># of processes delivered on a regional basis</td>
<td>12%</td>
<td>49%</td>
<td>61%</td>
</tr>
<tr>
<td># of geographies/region being served by SSCs</td>
<td>13%</td>
<td>47%</td>
<td>60%</td>
</tr>
<tr>
<td># of processes outsourced</td>
<td>4%</td>
<td>32%</td>
<td>36%</td>
</tr>
</tbody>
</table>
Reap more from less

Increases in technology investments and changes in tax department structures deliver benefits beyond the table-stakes priority of getting the job of compliance and reporting done. They also help tax organizations increase return on investment and reduce the overall cost of delivery—key factors in delivering more value.

Freeing up time to focus on achieving value, while not increasing—and ideally reducing—costs are cited as strategic drivers of investment in technology. Investment has already been made in several areas, with further investment predicted in all areas.

Drivers of current and future investment in technology

<table>
<thead>
<tr>
<th>Driver</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving process efficiency</td>
<td>83%</td>
</tr>
<tr>
<td>Improving data quality and accuracy</td>
<td>82%</td>
</tr>
<tr>
<td>Freeing up the team to focus on higher value tasks</td>
<td>78%</td>
</tr>
<tr>
<td>Improving control (i.e., governance/risk management)</td>
<td>75%</td>
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<tr>
<td>Being better able to respond to tax transparency agenda</td>
<td>74%</td>
</tr>
<tr>
<td>Obtaining more value/insight from the data</td>
<td>72%</td>
</tr>
<tr>
<td>Responding to SAF-T, real-time reporting, and e-audit*</td>
<td>70%</td>
</tr>
<tr>
<td>Reducing total cost of delivery</td>
<td>57%</td>
</tr>
</tbody>
</table>

*Based on those in SAF-T regimes.
As tax departments look to ensure they are prepared for tomorrow’s challenges, they are increasingly considering alternative ways to structure their organizations.

One of the newer trends is outsourcing on a managed services basis. This is most common at the largest companies (by global revenues) for whom the compliance and reporting task is greatest, and smaller organizations (operating in fewer than nine countries) who have likely never built strong internal resources for global tax.

The managed services model also appears more attractive to those organizations that already have highly centralized tax structures in place, as well as a more sophisticated governance and technology profile. These companies see the potential benefits, including predictable costs and access to a broader resource base, and some are keen to try managed services—albeit on a limited scale—perhaps initially contained to a single reporting process.

Other organizations are aware of this market development but see a range of barriers to adoption, including a loss of longer-term control and the perceived difficulty of returning to an in-house resourcing model in the future. For them, conventional outsourcing is likely to remain the preferred option.

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**Face the future**

The 28 companies currently outsourcing on a fully managed services basis are typically outsourcing just one or two tax processes.

Seventeen of these 28 companies plan to extend this in the next few years.

In total, 19% are either planning to continue operating some tax processes on a managed services basis, plan to extend the use of managed services to other processes or are likely to start outsourcing in this way.

*According to the survey question, fully managed service was defined as outsource the entire process to a third-party provider who also employs your legacy staff.*

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![Current outsourcing on a fully managed services basis](chart_current)

![Future outsourcing on a fully managed services basis (in next three years)](chart_future)
Discover value

The actions tax departments are taking—or plan to take—are a first step toward delivering the imperatives they are tasked with, while delivering greater value to the organization.

But what is value, and how can it be discovered?

Value is an often over-discussed and ill-defined concept. It will mean different things to different organizations. For heads of tax to deliver real value to the business, it is critical for them to work with their CFO and other key business stakeholders to clearly define value in the context of their specific organization.

Once value is defined and agreed upon, a clear road map with stated goals and objectives for value delivery can be developed, so that the business realizes the contribution that the tax function is making. Here again, there is no one-size-fits-all approach. Value could mean delivering process efficiencies and cost savings. And, it could mean reducing material risks and leveraging data to find opportunities for the organization.

Every tax organization should define what value means to its broader business—and take the actions needed to go about delivering it.
When the other five imperatives are met—and working well—tax organizations are well on their way to delivering confidence to the business. They are respected for being proactive, mitigating risks, and providing real business value. Delivering confidence is about demonstrating and articulating this success to other stakeholders, inside and outside the organization.

The recent survey included in-depth interviews with CFOs and CAOs to gauge the level of value they experience from their tax departments. Their responses shed light on what heads of tax in businesses around the globe could focus on to improve their performance and delivery.

Not surprisingly, CFOs are looking for reduced risk and some sense of ROI. For some CFOs, reliably delivering accurate global compliance and reporting is not enough. They are looking for ways to get more value, insight, and efficiency from tax—and are looking to tax to close any gaps.

### Expectations

<table>
<thead>
<tr>
<th>Get it done and gain control</th>
<th>Reap more from less</th>
<th>Face the future</th>
<th>Discover value</th>
</tr>
</thead>
<tbody>
<tr>
<td>First and foremost, CFOs are looking for tax to manage risk by avoiding audit issues and financial penalties and ensuring no reputational fallout from tax.</td>
<td>CFOs are also looking for tax to deliver efficiencies, not only through cost reduction but also by enhancing the tax delivery model to increase ROI on technology investments.</td>
<td>CFOs want their tax team to collaborate with the business and maintain an ongoing dialogue by offering proactive advice and providing perspectives on future regulation.</td>
<td>CFOs want to keep their tax levels low and are looking for their tax teams to fully understand regulations and the business to provide strategic and commercial tax advice.</td>
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</table>

### Experience

<table>
<thead>
<tr>
<th>Expectations</th>
<th>Experience</th>
<th>Experience</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Get it done and gain control</td>
<td>CFOs are fairly confident that their tax teams are managing risk effectively.</td>
<td>The push for greater transparency by regulators and investors is propelling increased technology investment, but tax teams don’t seem to be fully using the data to drive commercial value.</td>
<td>CFOs’ expectations for tax to collaborate with the business are not consistently met, often because tax can seem “buried in the technicalities of the data.”</td>
</tr>
<tr>
<td>Reap more from less</td>
<td></td>
<td></td>
<td>Some CFOs feel they could be paying less tax and are unsure whether their tax teams are making the best use of the data available, especially in areas like transfer pricing and indirect tax.</td>
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</table>
Delivering value is within reach

From implementing more efficient operating models to reaping the benefits of the latest technologies—while strategically engaging across traditional organizational boundaries—tax leaders have many promising opportunities to realize the vision of the future tax organization. Starting today.

About the Global Tax Management Survey

Respondents to the main survey were senior decision-makers with global responsibility for tax. This was a “blind” study, carried out by an independent market research organization operating under a strict code of conduct. Participants were not told that Deloitte was the sponsor until after the survey and interviews were complete, and only on request.

A global view: Respondents were selected to represent the overall market of around 5,000 multinational businesses, based on Dun & Bradstreet data, according to the following criteria:

• Global revenue more than US$200 million
• Operating in five or more countries
• A representative spread of multinational business headquarter locations
• A broad spread of subsidiary locations with good representation across all regions and countries
• A representative spread of industry sectors

A broad view: Quantitative research – 25-minute structured interviews with over 270 heads of tax, conducted in the local country or primary business language.

A deep view: Qualitative research – 20 in-depth interviews with CFOs or CAOs selected from the largest organizations.