



Tax transforms, business wins: an industry perspective

Enhancing the tax function makes an impact at leading investment management organizations


The call for tax department transformation


In our work with clients across industries and around the world, we see firsthand that CFOs and other stakeholders are asking tax executives to raise their game and proactively partner with the broader business. Increasingly, these leaders are looking for transformation of the tax function to add more value to the organization.


Indeed, pressure is mounting for tax departments in all industries to expand in scope and impact as their organizations grapple with increasing competition, globalization, and technologies in the midst of stricter and more globally aligned regulations. In addition to the traditional responsibilities of tax planning, reporting, and management, tax executives face urgent expectations to mitigate risk and lead decision making across the organization.

Responding to the emerging demands involves a shift in how—not necessarily what—work is performed. It requires enhancement of tax responsibilities in line with overarching

business strategies. Transformation can elevate the capabilities and performance of the tax department in ways that incremental change cannot. It can increase tax's value to the organization by:

 **Enhancing operational efficiency**—Freeing up personnel to perform value-added tax planning activities with increased compliance and reporting efficiency driven by technology and process standardization.

 **Improving risk management**—Increasing transparency and formalizing risk procedures that can help effectively address financial statement and audit risk.

 **Increasing strategic and business alignment**—Becoming a value-added tax function that is aligned with the organization's strategies and partners closely with business units.

Deloitte has worked with a number of investment management organizations to gain perspective, plan for change, and start their tax department transformation journeys. Let's take a closer

look at the issues the tax departments of these companies face, and how they are heeding the call to transform.

Tax department transformation in investment management

In our tax work with leading investment management companies, our clients note some key issues that are keeping them up at night:

Frequency of new legislation, regulations, and rulings

Global growth driving cross-border activity and investments

Increasing use of complex financial products

Sophistication of transactions and due diligence

Considering, preparing for, and operating after an initial public offering

In response to these many drivers of change, investment management tax departments are looking for solutions that address their challenges in four key areas, which we call Deloitte Transformation Enablers:



People

Deploy people to more value-added activities.



Process, technology, and data

Make better use of their data by leveraging new technologies.



Operating model

Simplify processes and policies, streamline their operating models.



Risk and policy

Manage risk and policy changes globally.

Using this framework, Deloitte helps clients critically analyze the need for transformation and create the necessary changes. Here are just two examples of how Deloitte is delivering value to investment management clients by tackling their complex issues and assisting them in the deployment of solutions:

Business driver: Regulatory scrutiny

Solution: Technology enhancements to improve investor reporting

Value delivered: Enhanced investor relations

Investment management companies have a high-touch relationship with their investors. Not only is that relationship critical to nurture and maintain, it is also under scrutiny by regulatory agencies such as the Securities and Exchange Commission (SEC) and the Internal Revenue Service (IRS).

When regulations change, tax departments must quickly and correctly assess and report the impact to investors—all of which is closely examined by agencies including the SEC and IRS.

Deloitte helped a leading investment management organization add the oversight and infrastructure it needed to accurately communicate with investors in accordance with regulations. The solution included technology enhancements to improve reporting—and enhance investor relations while complying with the new regulations.

Business driver: Initial public offering

Solution: Change operating model from outsourced to in-house tax department

Value delivered: Increased efficiency, timeliness, and improved process

An initial public offering (IPO) requires a great deal of effort, management focus, and change to enhance operations across the organization. Deloitte has helped a leading investment management company build its in-house tax department from the ground up after its IPO.

As a long-time outsourcer of tax efforts, the client needed a completely new operating model to handle operations internally in response to the increased tax and reporting control requirements it experienced after going public. We worked with client teams in their efforts to establish strategic goals of the tax department, make technology choices, and integrate processes with the finance function and the broader organization.

From guidance in setting direction for tax department evolution to helping implement the necessary changes, Deloitte has worked side-by-side with this client to build a strong, respected, and more efficient internal tax organization.

Leading the future of the tax

Overall, we see an increase in the number of investment management companies exploring tax department transformation—they are looking for more usable data, mitigated risk, and to redeploy people to focus on value-added activities. Deloitte's Tax Department Transformation practitioners help clients start with a solid plan, analyzing tax department performance and providing perspectives for the journey and an actionable roadmap for change. For more information or to contact Deloitte, visit www.Deloitte.com/us/taxtransformation.

Contact:

Julia Cloud

Investment Management Tax Leader
Deloitte Tax LLP
+1 312 486 9815
jucloud@deloitte.com

Ted Dougherty

Investment Management Tax Leader
Deloitte Tax LLP
+1 212 436 2165
edwdougherty@deloitte.com

Jodie Beining

Tax Transformation Leader
Deloitte Tax LLP
+1 414 347 7902
jbeining@deloitte.com

Scott Shafer

Tax Transformation Leader
Deloitte Tax LLP
+1 312 486 5340
sshafer@deloitte.com