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Tax leaders retool their operating structures to increase flexibility—and realize more value

Global tax management survey



Introduction

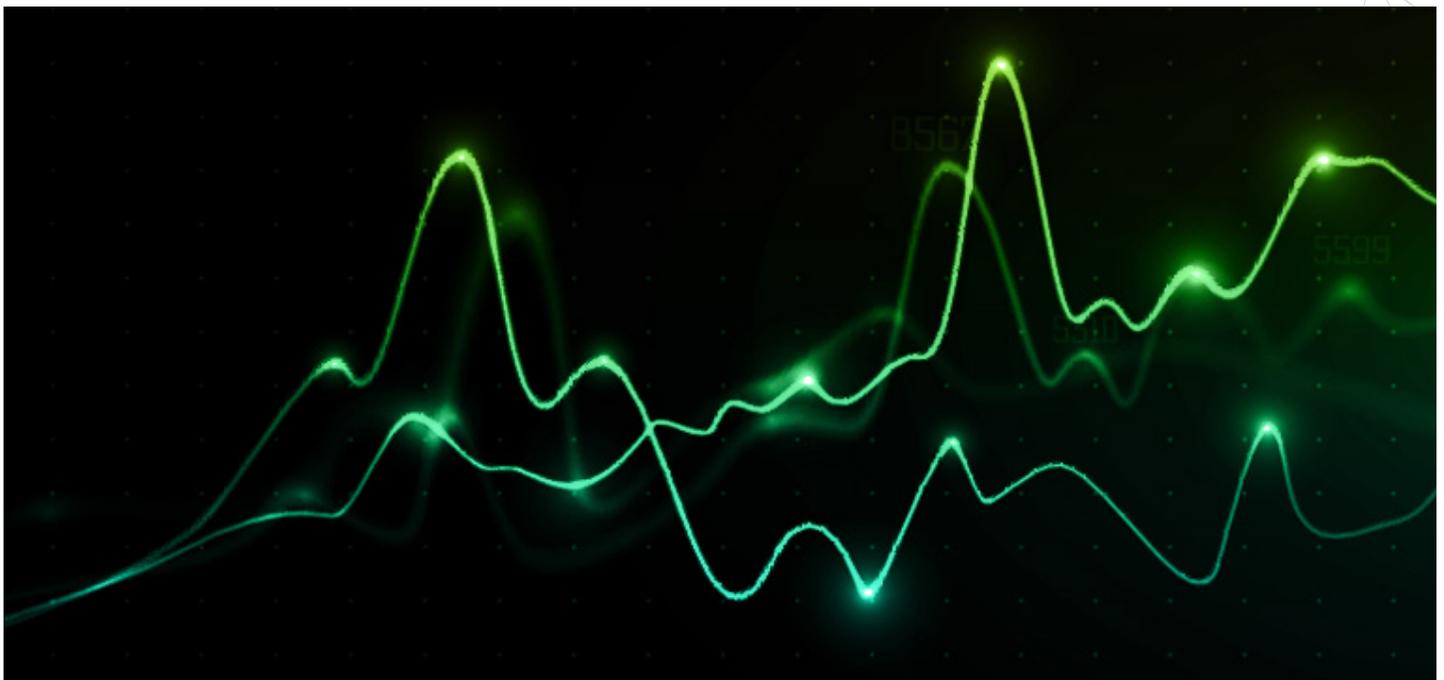
Facing heightened expectations from their CFOs to do more with less—and to become more agile to fit new realities resulting from the COVID-19 global pandemic, including the likelihood of continued remote work for many professionals—tax leaders in multinational businesses are refocusing their operating models as they modernize their organizations to meet the future.

According to Deloitte's latest [Global tax management survey](#) (the Survey), tax leaders are looking to gain control through greater visibility, transparency, and governance globally. To do this, the majority of Survey respondents revealed they are evolving their tax operating models with the organization's approach to technology, talent, data, processes, and governance in mind.

Tax leaders are changing how they deliver services in different ways, with many looking for support from a broader ecosystem. Some are keeping operations in-house, building capabilities in flexible and scalable technology solutions while leveraging global business or shared services centers. Others are outsourcing some of their core tax obligations, freeing their teams to focus on strategy and planning. Still others are starting to deploy an **Operate model, in which all or a portion of the tax function is operated by a third-party service provider.**

There is no “one-size-fits-all” solution to resourcing tax compliance and reporting. The specific circumstances, commercial goals, risk profile, and culture of an organization will determine the path its leaders and stakeholders will want to follow.

Let’s take a brief look at more insights from the Survey, the resourcing options available, and the factors that might lead to different solutions as organizations consider the right blend of resources for their tax function.



The tax operating model journey

While preferences for operating models vary across organizations, the direction they're taking suggests that the majority of tax leaders aspire to move some processes out of the core tax function to other, more dedicated process-focused resources. As noted above, these options could either be in-house via finance or shared services centers or external via traditional outsourcing or more recently evolved Operate models.

The Survey results indicate the resourcing of the various models is still something of an evolved "patchwork" of arrangements across different reporting processes and, often, regions and countries. Historically, however, these solutions were rarely designed with intention.

But that's rapidly changing as tax leaders look for ways to deliver services—and higher value—more quickly and efficiently.

As tax leaders consider transforming their operating models, it's important to view these changes as a journey, rather than a permanent destination. Now more than ever, tax functions

must be agile, with the ability to "dial up" or "dial back" operational tax responsibilities as internal and external challenges arise. Indeed, they must retain some measure of control of the process or "platform" to allow for flexibility to move from one resourcing model to another—and from in-house to outsourcing models, and back again—as business needs change, often due to changes in organizational structures, new leadership, or external forces.

Keeping it at the core

Survey respondents shared that the bulk of tax work is currently performed internally by their organizations, delivered by a mix of resources within global tax, other parts of finance, and shared services centers. As shown in figure 1, 75 percent of respondents' tax organizational tasks are performed in-house across seven key tax processes.

By insourcing select processes, tax functions invest in creating their own digital futures by maintaining full control of their data and systems. They also keep their talent for those processes in-house, with teams often composed of tax professionals supported by resources in other functions or a shared services center.

The Survey shows the largest relative increase in operating models is the use of shared services centers. This trend was predicted in the findings from [Deloitte's 2019 Global Shared Services Survey Report](#), which found that shared services centers will become more digital, global, and complex as they strive to provide nimble and efficient services, stronger customer care, and high-impact business outcomes.

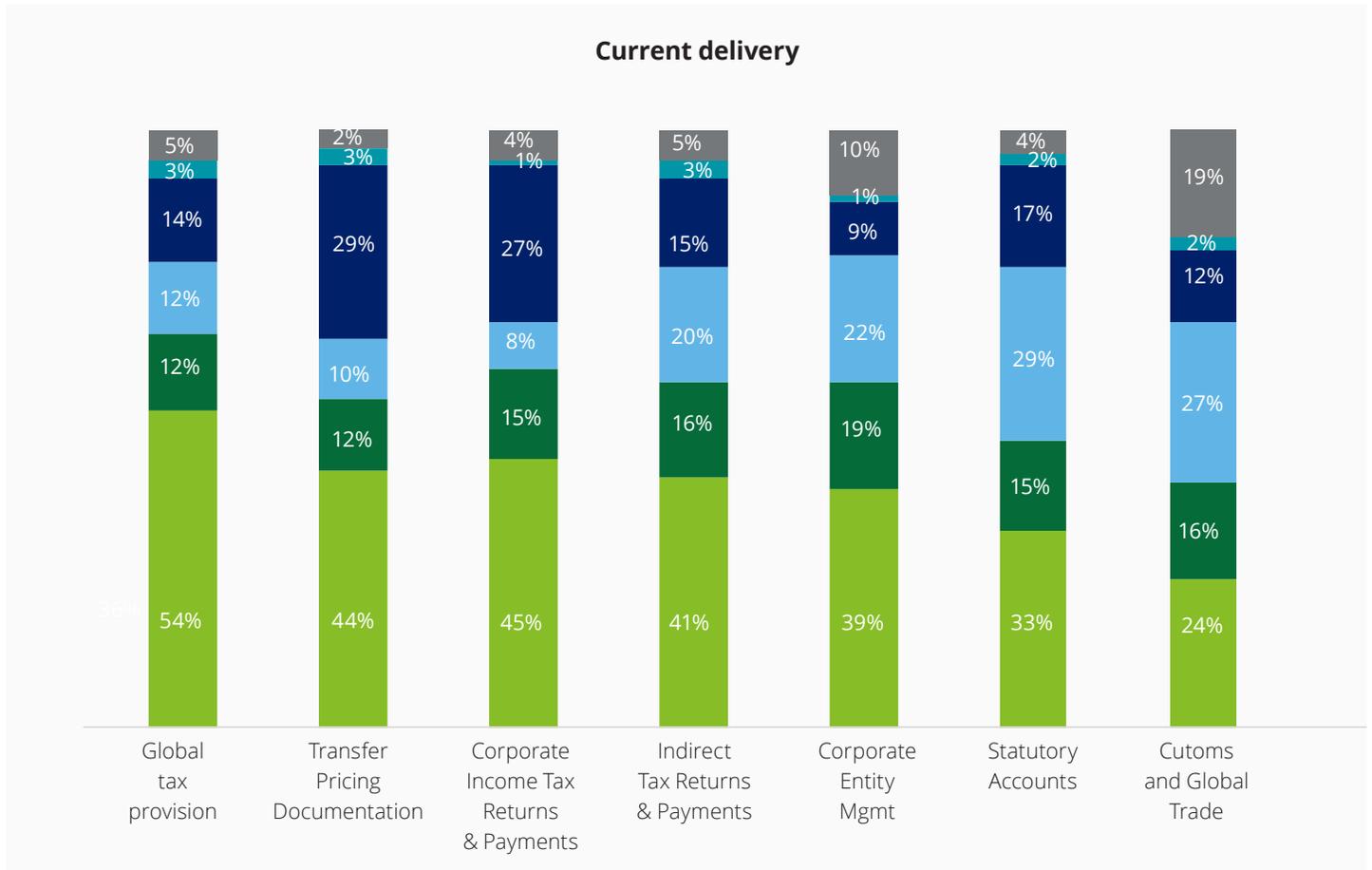
Sourcing talent internally, regardless of function, requires updated training and development programs to maintain a skilled and adaptable workforce. This approach also calls for investment in developing and hiring tax professionals of the future to attract and retain the right people.

Tax organizations that mainly leverage in-house resources often engage with the business in finance transformation, thus building the capability to meet growing demands for increased data transparency and granularity. They also often make strategic technology investments, through which they deploy technology in an agile fashion, train people to use it effectively, achieve quick wins with automation, and proactively improve how they partner with IT and the business.

When relying primarily on internal resources to deliver tax processes, organizations must be willing to invest adequate time and budget to setting a strategic technology and transformation roadmap and have confidence that their people possess the skill sets to execute that roadmap. Those tax functions can then meet the challenge to modernize their organizations while maintaining control of operations and driving long-term value for the business.

[Read more about skillsets organizations should consider when seeking tax talent to deliver on future expectations.](#)

Figure 1: Current delivery of tax processes



- Other
- Outsourced via Managed Services
- Traditional outsourcing to third Party
- Resourced by another part of finance
- Resourced by its own shared services center
- Resourced within global tax

Reaching out

Eighteen percent of Survey respondents' tax organizational tasks are outsourced to a third-party provider, making traditional outsourcing the second most common resourcing approach taken by surveyed organizations.

Outsourcing is a go-to solution for organizations that are looking for:

-  Eased burden of compliance
-  Efficiency and risk mitigation through process automation
-  Scalable talent model for resources when and where needed
-  Strategic internal talent deployment
-  Streamlined data collection and management
-  Advanced data insight, analytics, and reporting

Third-party outsourcing allows tax functions to shift elements of their talent and technology expenses to an external provider. It allows organizations to get the benefits of the latest technology solutions without the cost of ownership. Outsourcing also transfers some internal risk to a provider's support and infrastructure. And, by shifting many repetitive compliance tasks to the provider, outsourcing allows internal tax talent to focus on strategic initiatives and find potential new areas of value to the organization.

Evolving further

While outsourcing has long been a go-to model for tax organizations, one of the new trends is outsourcing on an Operate model basis. According to the Survey results, this is especially common at the largest companies (by global revenues) for whom the compliance reporting task is the greatest, and in smaller organizations that operate in fewer than nine countries and that have likely never built strong internal resources for global tax.

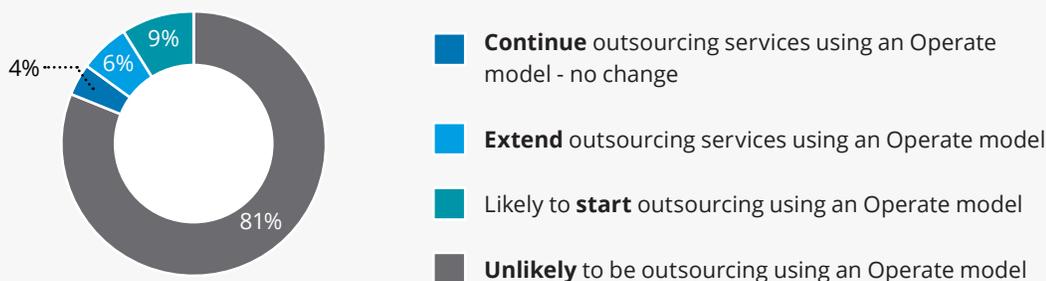
The Operate model also appears more attractive to organizations that already have highly centralized tax structures in place, as well as a more sophisticated governance and technology profile. These companies see the potential benefits, like predictable costs and access to a broader resource base. Some are also interested in trying an Operate model on a more limited scale, perhaps by starting with a single reporting process.

The Operate model offers many of the same benefits as outsourcing, including strategic talent deployment, risk mitigation, cost savings, and access to new technologies. But because some of an organization's tax talent will likely move to the Operate model provider, they receive training and support from the provider, which strengthens their capabilities and adds value to the organization.

One example of this is when an organization transitions indirect tax compliance to an external provider for a given length of time. As the external provider provides the indirect tax services, they may simultaneously work with the organization to streamline and standardize disparate processes from various finance functions in order to gather the data needed to provide the tax service. The provider may also help train the organization's remaining tax and finance professionals, ultimately enabling the new processes to be transitioned back in-house and managed by the organization's shared services center.

With nearly one in five survey respondents planning to use an Operate model for one or more compliance and reporting processes, this approach has caught the attention of tax leaders.

Future outsourcing using an Operate model (in next three years)



The way forward: Different paths for different organizations

As tax leaders increasingly respond to the call from their CFOs to add more value, they are seeking resourcing options outside the core tax function—both internally and externally. And, of course, the solution that works best for each organization is different, based on their own circumstances, goals, risk profile, and culture.

But overall, the appetite for centralization of resourcing and delivery models continues to grow, along with outsourcing options, including the consideration and trial of an Operate model.

For tax departments to find the model that both suits their current needs and is flexible to scale in the future, tax leaders need to identify their most significant challenges, prioritize those challenges, and examine their existing resources. Resource constraints vary for tax departments, and while some have the capabilities in-house to deliver on the most pressing demands, many need to supplement with resources either outside of the tax function or outside of the organization.

Technology skills are especially important, given the likelihood of virtual work environments continuing in some way for many businesses. Whatever the

source, tax functions will need the skills to properly use available technologies, interpret data analytics, and address the ever-changing regulatory environment.

Given the uncertainties of today and tomorrow, as well as ever-increasing regulatory, economic, and talent pressures, it is critical for tax functions to make a choice on a model to meet current realities while maintaining the flexibility to adjust their model as needed in the future. Indeed, whichever course a tax organization chooses, it is important to note that it is subject to ongoing shifts. Alternative resourcing models may offer promising opportunities for tax leaders to realize the vision of the future tax organization as they strive to deliver more value to the broader business.

Authors and contributors

Richard Chadwick

Tax Partner
Deloitte UK
+44 20 7303 0256
rchadwick@deloitte.co.uk

Emily VanVleet

Tax Partner
Deloitte Tax LLP
+1 404 631 2715
evanvleet@deloitte.com

Andy Gwyther

Tax Partner
Deloitte UK
+44 20 7303 4051
agwyther@deloitte.co.uk

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