



Tax transforms, business wins: an industry perspective

Enhancing the tax function makes an impact at leading life sciences 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 tax 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 the tax department’s responsibilities to be in line with overarching business strategies. Transformation

can elevate the capabilities and performance 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 life sciences 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 life sciences

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

- Increased M&A activity
- Organizational mandates for tax functions to do more with less
- Regulatory changes, including Base Erosion and Profit Shifting (BEPS), that call for increased global coordination and focus
- Major “life events” such as an unexpected drop in a company’s share price due to an external incident
- Need to align with other corporate functions to deliver internal services more efficiently

In response to these many drivers of change, life sciences 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 life sciences clients by tackling their complex issues and assisting them in the deployment of solutions:

Business driver: Need to align operations with transfer pricing strategy

Solution: Selection and implementation of tax software tools to standardize pricing processes for client's global supply chain

Value delivered: Streamlined pricing processes for global supply chain; enhanced visibility into global pricing mechanisms; ability to better mitigate effective tax rate volatility.

Deloitte worked with one of the world's largest pharmaceutical companies to transform its approach to managing global operational review and pricing of goods to better align with its transfer pricing strategy.

The client had no standardized approach in place to manage its global supply chain—particularly relating to measuring compliance against targeted operating margins. Deloitte's solution leverages technology to more efficiently and consistently manage these processes, resulting in lower volatility in effective tax rate, mitigated risk of double taxation, and improved operating performance.

Business drivers: Acquisition; increased activity by taxing authorities outside US; limited tax resources

Solution: Global compliance consolidation; collaborative sourcing (co-sourcing) in US

Value delivered: Increased global transparency, consistency, and internal controls; higher-value contributions from tax staff

A major global medical device company's acquisition of a leading medical supplies and device manufacturer spurred a number of improvements in the client's tax operations, including a global consolidation of compliance, provision, and statutory reporting services to a single provider (Deloitte). This transformation of global service delivery allows the client's tax professionals to focus on higher-value activities while enhancing the efficiency, transparency, and consistency of the routine tax work with Deloitte member firms around the world.

The client's shift to a co-sourcing model for compliance work with Deloitte in the US further frees up its tax professionals to add more strategic value to the organization. Co-sourcing provides a scalable, flexible staffing model that involves a dedicated service provider working with the client team to address compliance and reporting obligations.

Leading the future of the tax department

Overall, we see an increase in the number of life sciences 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. Certain services may not be available to attest clients under the rules and regulations of public accounting.

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