

TAX NEWS & VIEWS



Operations transformation for tax

Deloitte's Terri LaRae covers the challenges tax departments are facing, from growing regulatory demands, to a need for upgrading their data and technology, to budget constraints—and how these pressures have increased in the current environment. She offers tax leaders key insights on how to find efficiencies within their organizations, what's needed to transform their tax operations, and where to start.

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Ian Solomon: Terri, welcome to the Tax News & Views podcast. Always great to talk to you. Thanks for coming on today.

Terri LaRae: Absolutely. Thank you.

Solomon: So I think we should start with a little background. Even before the current environment, tax departments were facing a lot of pressure. Could you give us an overview of some of the issues that tax departments were facing before this current environment, and also maybe how the current environment is impacting those pressures?

LaRae: Tax departments have been facing a number of challenges along the lines of, I think, a couple of buckets or categories. Certainly, data and technology and this need to modernize their tax departments. There are growing demands, regulatory demands, also requirements for real-time reporting that tax departments were struggling to keep up with. There's certainly also a growing focus on risk and compliance with all of the legislative changes that we've been dealing with, certainly here in the US, but around the globe. Companies have been struggling to have the technical expertise to keep up with all the changes, so they've been dealing with that as well.

Along with that, resource constraints. Trying to get the right people doing the right thing with the right skill set, etc., has been an ongoing challenge for tax leaders, often in an environment where there's cost-cutting and they can't hire additional resources or, in fact, they have retiring resources. We're seeing that a lot around the tax area, where leaders really have been around a long time, and

many are about to retire, and there's a gap in that experience level that the companies are looking for.

So with all of that, now we have a new environment where tax departments are really asked to work virtually, almost without any warning. All of a sudden, they had to meet all of their current demands, but they had to do it outside of their offices. And so this really just puts a spotlight on some of the other issues and challenges that the companies were dealing with—for instance, data and the access to their data. If they were trying to modernize before, now is really the time, because they're having trouble actually getting to the data, understanding where that data is, and making sure that their workforce—their virtual workforce—has access to that information. Compliance requirements are also changing; as new rules are coming out related to the current environment, they have to deal with those new rules in addition to the changes that we were just speaking about.

I think there's also, for many, a significant increased pressure on cost containment. With the current economy, companies are clearly being asked to do more with less, and tax is not immune to that. So they absolutely have even more pressure on trying to get everything done with a virtual workforce and also trying to save money.

Solomon: So what are some of the ways that a tax department can transform its operations to answer some of these pressures that they're facing today?

LaRae: Obviously, looking inside their department to find efficiencies is certainly one way to do it—and they need to do that. Some companies are also actually looking outside of their organization to firms like Deloitte to leverage, for example, our investment in technology so that they can get to that technology efficiency faster without having to invest in it themselves. They also can get to resources—creating a more agile workforce by looking to the technical expertise of their party providers is also an option.

Clearly, one size doesn't fit all. They need to approach this process by understanding their organization and the gaps that they may have and the issues that they're challenged with today. I think that tax leaders should really look to each of the tax responsibilities that they have and do an assessment as to their maturity level around those, and then develop a roadmap in order to actually be specific and identify which areas of their tax responsibilities they should transform and need to transform for today's environment.

Solomon: In uncertain times, it's obviously super important to remain as flexible as you can. So how do tax departments—and not knowing what the new normal might be in two months, six months, a year—what can they do to be as flexible as possible?

LaRae: Creating an agile tax function is really important right now, and one way to do that is to look to third-party providers so that you can access talent on an as-needed basis. If you think about the ups and downs of responsibilities within a tax function, you want to be able to flex as needed to get the resources to get the work done, but also to be able to leverage that efficiency, as I mentioned, through technology, etc.

So it's sitting back, looking holistically about creating a roadmap that says, "What is it that my tax function in is critically doing for this organization? What needs to stay in-house?" But looking then at those other tasks that I might be able to flex or outsource, because it's going to give me more agility as I move forward in this environment, especially in light of not knowing what's coming for the future.

Solomon: Let's switch over to global now. When it comes to global compliance and reporting, are those specific areas of pressure and concern for tax departments today?

LaRae: We're seeing a lot of consolidation of vendors, I would say, in the global compliance area. Most companies do look to third-party providers, generally, to get their global compliance completed in an accurate and timely way.

We see a sense—a growing sense, I would say—for transparency in that process, the need to have control and understanding. So as companies are evolving their global compliance, many are looking together, are looking to a third-party provider to access a better technology platform that allows them to get things done quickly, allows them to have that transparency, and make sure all their obligations are met. So we are certainly seeing centralization, we're seeing companies looking to do that more efficiently on an ongoing basis, and more and more outsourcing of that area as well.

Solomon: When thinking about transformation, how important is it for the tax department—and the leadership in the tax department—to balance what they are considering will be done externally with what will be retained inside the department?

LaRae: I think it's really important that companies think about not only what they might be able to outsource—a lot of companies look at those tasks that they don't feel are really important—but it is also critical that they look at their retained organization. So as you step back and look at your overall tax operating model, you need to decide if you have the right talent in-house to meet all of your current requirements obligations, and I think it's really important that you step back and look at those two pieces together versus just focusing on one side of that equation.

Solomon: How should a tax department start to think about a transformation? Is there a good place to start when they're trying to evaluate maybe where they are, where they want to go? And how do they create a strategy for that?

LaRae: Starting can be hard. You know, we often recommend that you first do a really good comprehensive assessment of where you are at today. And when I say that, I don't mean sort of in the big-picture way. I really do mean in each of the areas of responsibilities that a tax department has to meet, and in looking at those responsibilities in the area of data, technology, governance, talent, etc., and thinking about how mature the organization is related to those aspects, and then, again, where they want to go. And by mapping some



of that by responsibility, I think it gives you an opportunity to create a roadmap, it gives you the opportunity to decide what is most urgent to address and what might be addressed as you move down the road—more of a phased approach, I would say.

Another way to look at it—another alternative—is to divide up all your responsibilities into core values—and again, what is maybe not necessarily core to the organization, but items that are really more task-oriented—and those two can be outsourced. So combining those

efforts, I think, can give you a pretty good picture snapshot of where you might want to go. But also considering what talent you have in-house, what talent you think you're going to be able to keep in-house on a go-forward basis, and who might be able to fill the really critical roles within your organization.

Solomon: Terri, always great to talk to you. Thanks again for coming on the podcast.

LaRae: Thank you.

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