Connectors
Outsourcing, shared services, and the future of your tax department
Tax leaders continue to face increasing pressure on the regulatory front as they work to address issues like Base Erosion and Profit Shifting, new country-specific regulations, and traditional requirements. At the same time, the tax authorities themselves have become smarter and more nimble, using new technologies and approaches, such as analytics to identify and respond to issues more quickly.

Regulations aren’t the only rising challenge; however, the tax department faces growing internal pressures as well. Finance transformation efforts, for example, can have a powerful impact on the tax department. Meanwhile, heightened expectations for tax leaders to play a more strategic role within the organization bring added responsibilities and new challenges.

Faced with a growing web of needs, tax leaders are looking for innovative ways to become more effective and responsive in a constantly shifting environment. They are reevaluating their operating models, extending the skill portfolio for talent, improving their data, and relying more heavily on advanced technologies.

Transforming tax will require considerable up-front analysis before taking action. Following, you’ll find our advice for getting the conversation off to a good start in tax, based on our experience with other global organizations.
Reevaluate your operating model

From the triangle to the diamond
Think of your current organization like a triangle: a small group of tax leaders at the top, more management personnel in the middle, and a wide base composed of production staff. What if you were able to move to a “diamond” model—one that has roughly the same amount of production staff at the bottom, more closely resembling a diamond than a triangle?

Augment production with new models
Reducing your production staff doesn’t reduce the amount of work that needs to be done. That’s where outsourcing, global business services (GBS), and centers of excellence (COE) come in—supporting a core group of production leaders with more flexible models for handling lower-level tasks.
Start cultivating the talent you’ll need in five years

**Plan for the change**
Your talent needs are already shifting along with broader changes in the tax environment. You need people who are able to make connections that weren’t necessary only a few years ago—people who can see the bigger picture, who are comfortable with technology, and who can deliver a higher level of guidance to the broader organization. You may not be able to bring that kind of talent in solely through hiring. Training (in areas, such as communications, for example) might be necessary.

**Make the new operating model work for you**
Moving to a global business services environment can and should deliver near-immediate access to talent with highly coveted skills. After all, if you don’t get the talent you need at the scale you require, why pursue this path at all? Many global business service centers have shared resources in areas that can be instrumental for tax leaders, from analytics to project management. When it comes to outsourcing, look for skills and capabilities that would be difficult or impossible to recreate internally, such as on-demand access to local, technical tax expertise.
Fix, then fuel

**Data first**
Moving to a new operating model requires a sturdy foundation of data—and lots of it. Where is it located? How do you access it? Does it meet your standards for quality? How do you validate it?

**Process priorities**
Data is only part of the picture, opening the door to process questions, particularly those regarding suitability for centralization. How do your end-to-end accounting and tax compliance processes work? Which activities draw upon general principles? Which require specialized, local knowledge? Where do these activities fall on the risk spectrum?

**Technology to tie it together**
Expect technology to play an even bigger role in delivering the types of next-level benefits. Is your current technology portfolio up to the job—and if not, where exactly are the gaps? Focus first on supporting technologies, identifying exactly what it will take to assess, customize, deploy, and periodically update them as you move along the journey.
To transform your business, transform your operating model

With tax departments facing big changes on the regulatory front, not to mention within the business itself, it’s difficult to imagine them being successful over the long run without making fundamental changes to their operating models. Outsourcing and global business services will likely play a big role in those changes. If you want to know more about how those types of approaches can be put to work in your tax organization, we can help.

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