CHIEF FINANCIAL OFFICERS understand the importance of tax having a seat at the table in major business decision planning. According to Deloitte Global’s recent Tax Transformation trends survey, there is increased demand for strategic input from tax related to digital business models (69%), strategic transactions (51%), and supply chain restructuring (50%).

Why, though, is this demand for tax input so prominent now? While tax considerations have been important, businesses continue to expand globally and adapt to increasing digitalization and changing legislation, including the potential for significant legislative change in the near term. Businesses should evaluate these potential tax impacts to mitigate risk and assess the possible costs related to cash taxes, the effective tax rate (ETR), and tax financial reporting.

Scoring highest with executives surveyed, digital business models are the way of the future. While a digital business model offers significant benefits and efficiencies, it entails compliance requirements that, unnoticed, can introduce tax risk and costs. For example, supply chain decisions require understanding the impact of digital innovation, such as how new digital assets affect existing IP structures. Businesses also should understand the tax implications of operational changes, such as expanding e-commerce.

During a strategic transaction, tax implications exist. For instance, expanding an organization’s e-commerce footprint requires knowing where the acquisition target is registered and any open audits that could become risky for the acquiring organization. Critical tax-related items to understand range from incentives and exempt positions taken, net operating losses, open audits, appeals, and tax litigation. All factor into the potential risks and benefits of a transaction.

Supply chain restructuring requires making informed decisions on how to structure the product and service flows to align the tax footprint with business objectives. Having tax involved may reduce the risk of losing tax incentives and exemption opportunities.

In all business events, not knowing what risks you’re up against can increase chances of risk exposures, penalties, and costly rework—which is why it’s critical tax leaders are brought into the process early.
Why tax should be brought into strategic business decisions early: CFOs recognize tax’s growing impact on digital models, M&A, and more

Endnote


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