



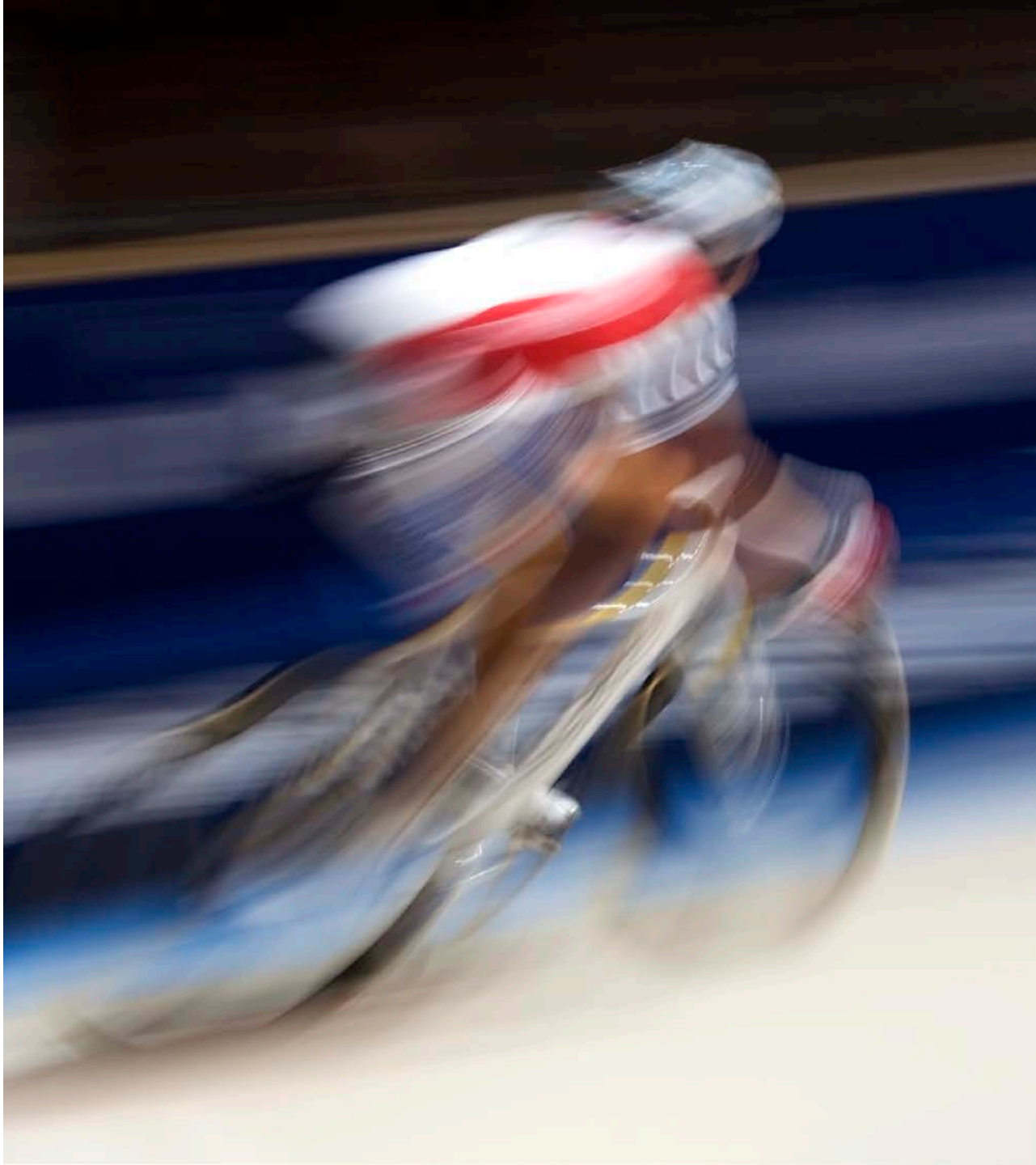
Leading Practices in Transforming Your Approach to Global Tax Compliance and Statutory Accounting Reporting

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Agenda

Compliance and reporting; perspectives and models

Recent trends in managing global compliance

Legislation

2015 SSC survey

Global Business Services

Indirect Taxation

Technology

Assessment

Questions and answers

Compliance and reporting

Perspectives and models



Perspectives of global tax directors

Commercial objectives

- Managing or reducing global tax burden
- Facilitating good risk management
- Desire for operational efficiency/cost reduction

Compliance and reporting priorities

- Greater emphasis on the importance of quality and control than on cost or process efficiency
 - 50% of respondents state managing changes in regulation and tax law is main priority
 - Only 20% indicated cost reduction is the main priority, though it remains the top criteria in evaluating external providers



“Reducing the tax burden – this has to be our main priority.”

“Optimize the tax position but also be in full compliance with the regulations and manage risk.”



“We have varying degrees of tax expertise around the world and we need external providers to fill the gaps.”

Perspectives of global tax directors (cont'd)

Resourcing and management

- Inconsistent levels of in-house tax specialist
- Preference for in-house management over outsourcing where knowledge and funding allows, using co-sourcing model to fill gaps

Shared services

- 55% of multinationals operate a shared service center for finance, with half of these delivering CRS work



“Reducing the tax burden – this has to be our main priority.”

“Optimize the tax position but also be in full compliance with the regulations and manage risk.”



“We have varying degrees of tax expertise around the world and we need external providers to fill the gaps.”

Perspectives of global tax directors

Technology

- Barriers to adoption of new technologies
 - Potential significant disruption in process
 - Costs deemed to be too high
 - Insufficient return on investment
 - View that major technology projects cannot be undertaken unilaterally by tax



“We are happy to have a shared service center in the background, but we want to talk to people in the local jurisdiction who understand the local risks and can act as a sounding board.”

CRS provider delivery models

- The market shows a general preference for external proficiency delivered at a local level
- Primary concern with service center approach is perception of lower quality skill and lack of proximity to local markets
- But a trend is emerging towards central service centers, with more progressive business models seeking alignment with internal shared service centers

Perspectives of global tax directors (cont'd)

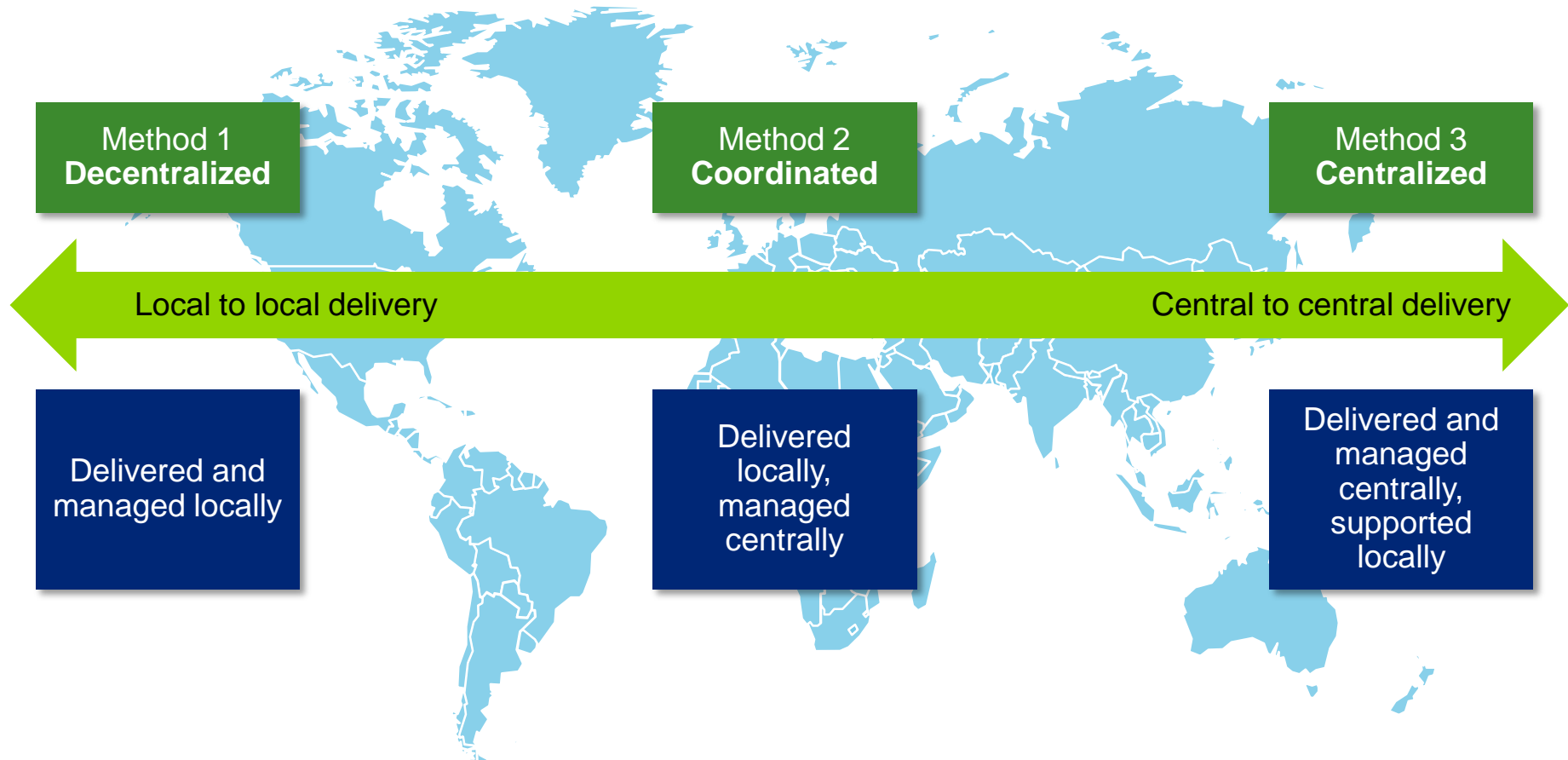
Tax processes

- 35% of respondents indicated that they have Tax processes in shared services
- Non-U.S. Tax return preparation and tax planning were the processes most outsourced
- Statutory accounting is the most likely candidate for future shared services



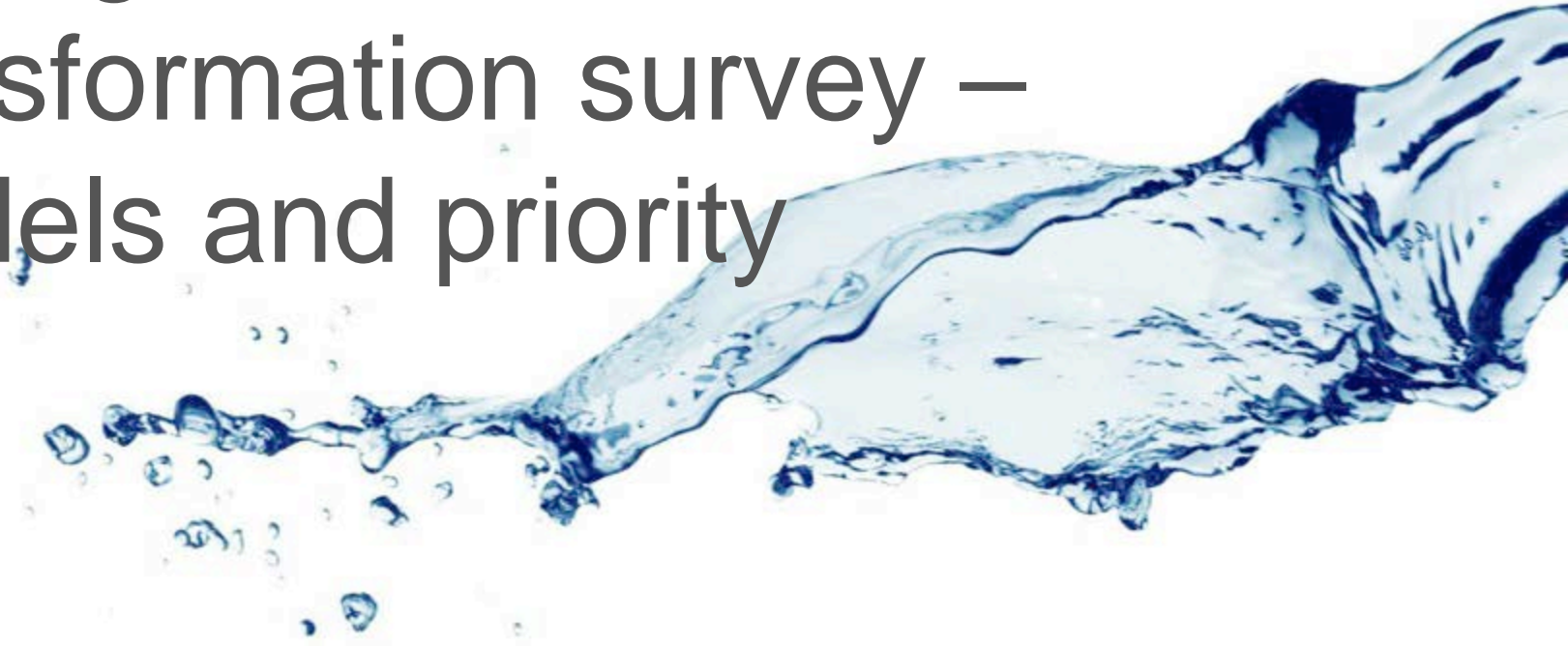
“We are happy to have a shared service center in the background, but we want to talk to people in the local jurisdiction who understand the local risks and can act as a sounding board.”

Global compliance delivery models



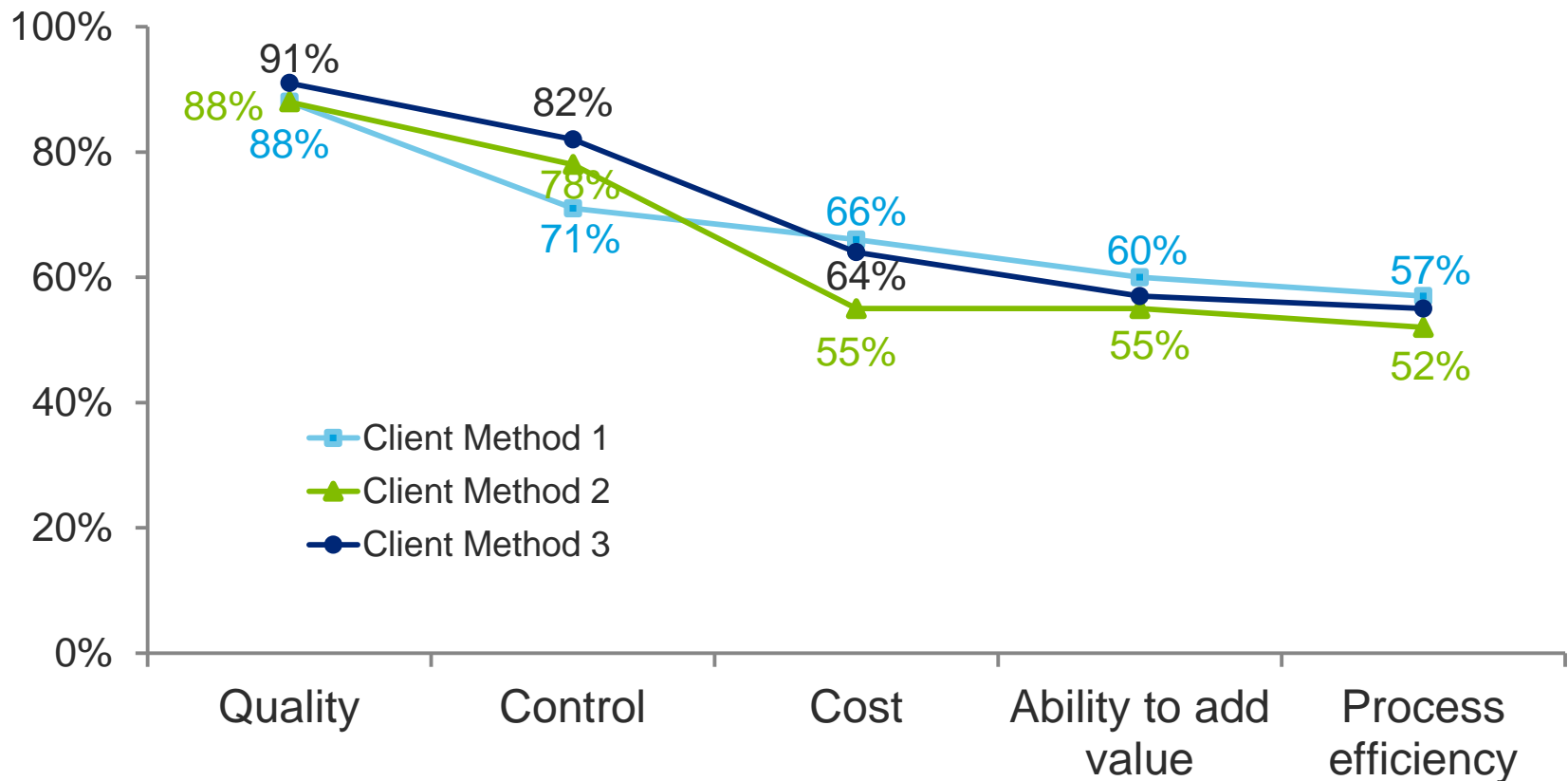
Recent trends in managing global compliance

2014 global Tax CRS
transformation survey –
models and priority



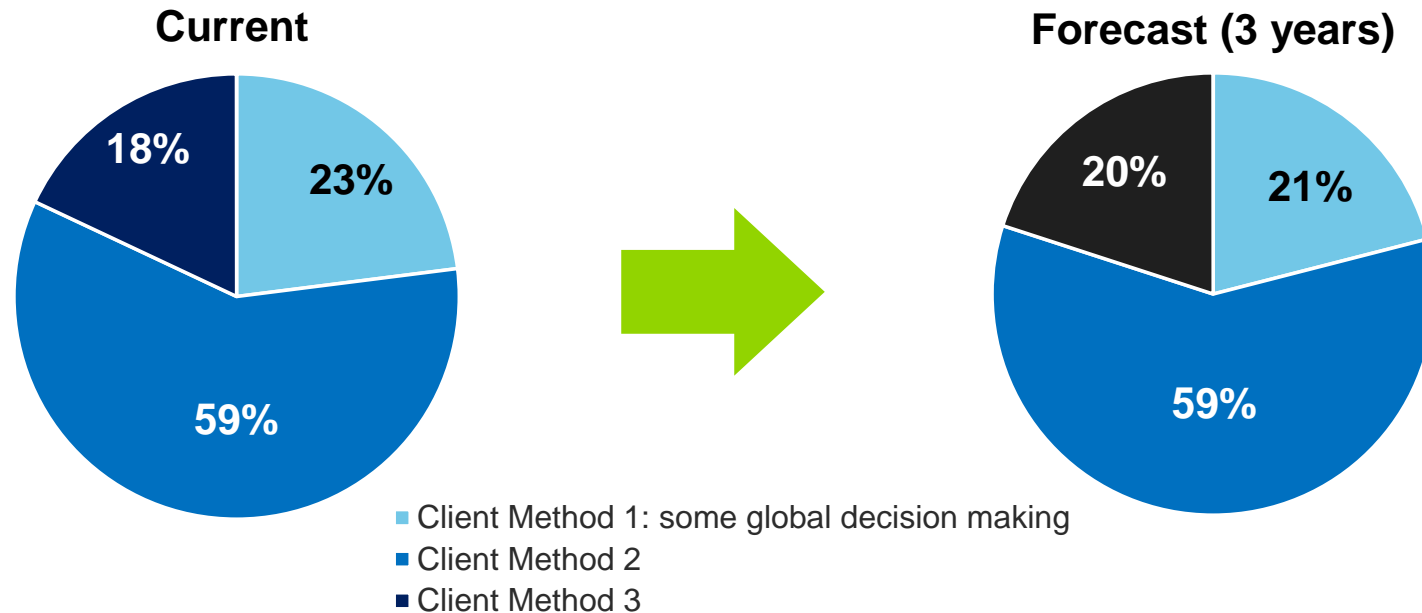
Comparison of drivers across operating models

Satisfaction with operating model by method



Movement towards greater centralization

Global tax operating model

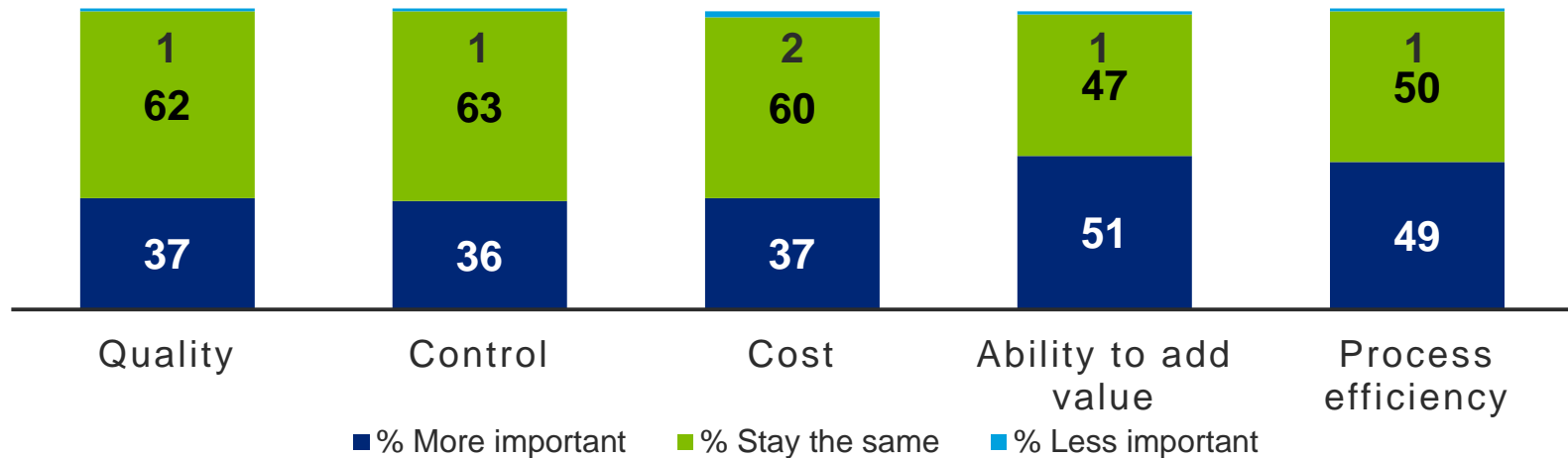


29% (an increase of 16% since 2012) plan to make changes within their existing Client Method

Of the 10% who are currently Client Method 1 with no global decision making, 35% plan to move to a more centralized model in the next three years (41% in 2012)

Value and efficiency becoming more important

Anticipated importance of drivers of tax management over next three years

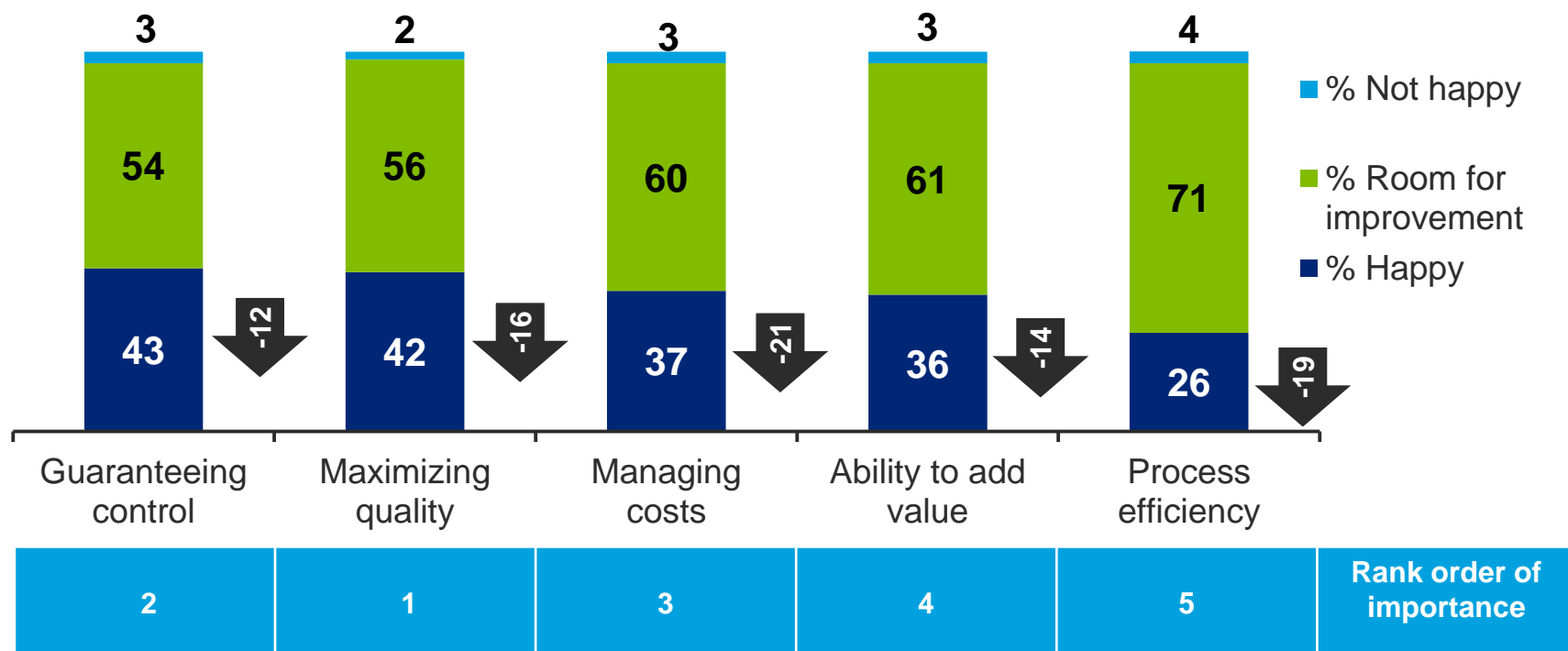


Current importance of each driver (% High importance)



Dissatisfaction with operating model

Satisfaction with current operating model



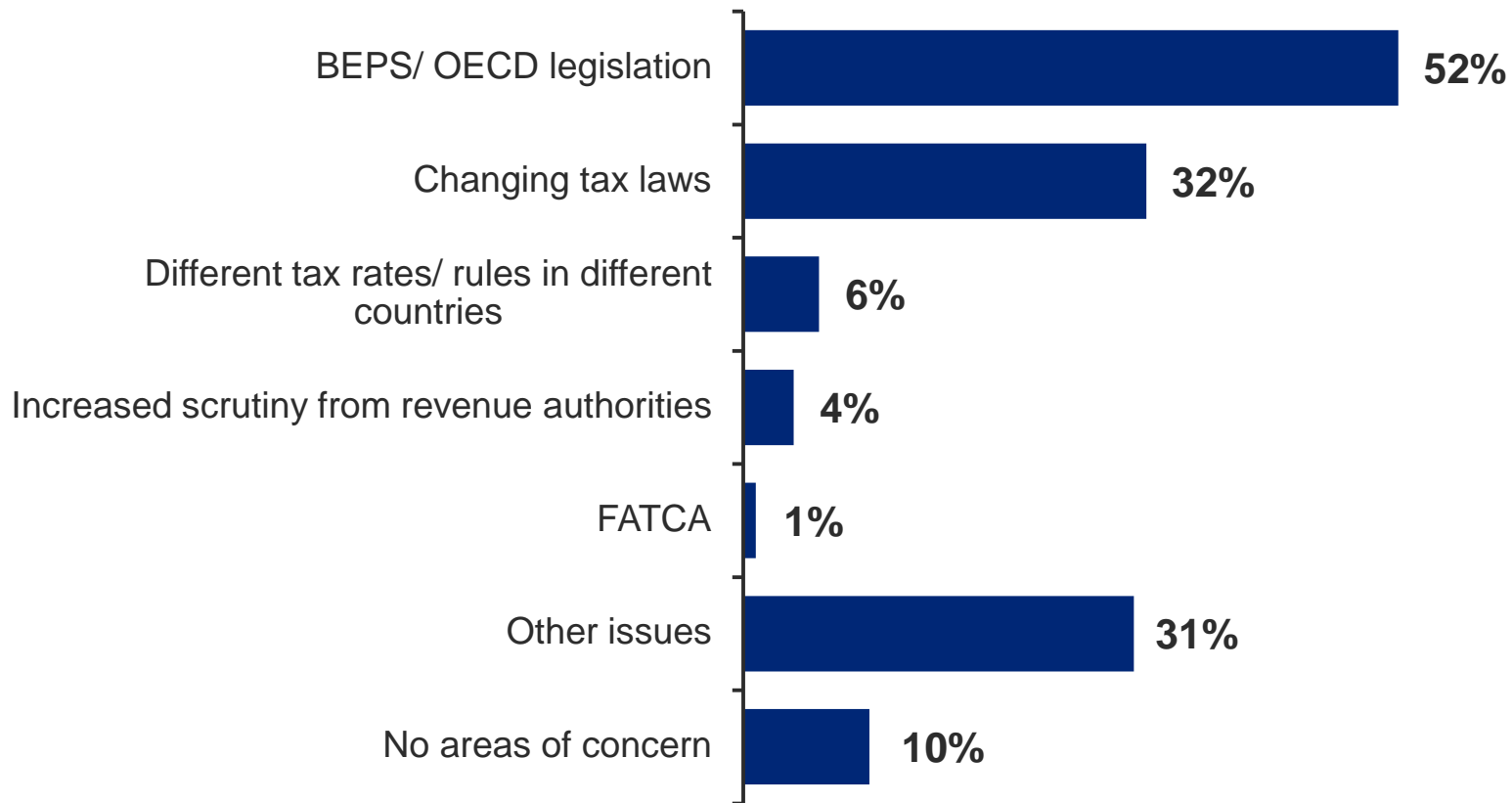
Legislation

Impact on priorities and risk



Future legislation top of mind

Areas of legislation causing most concern

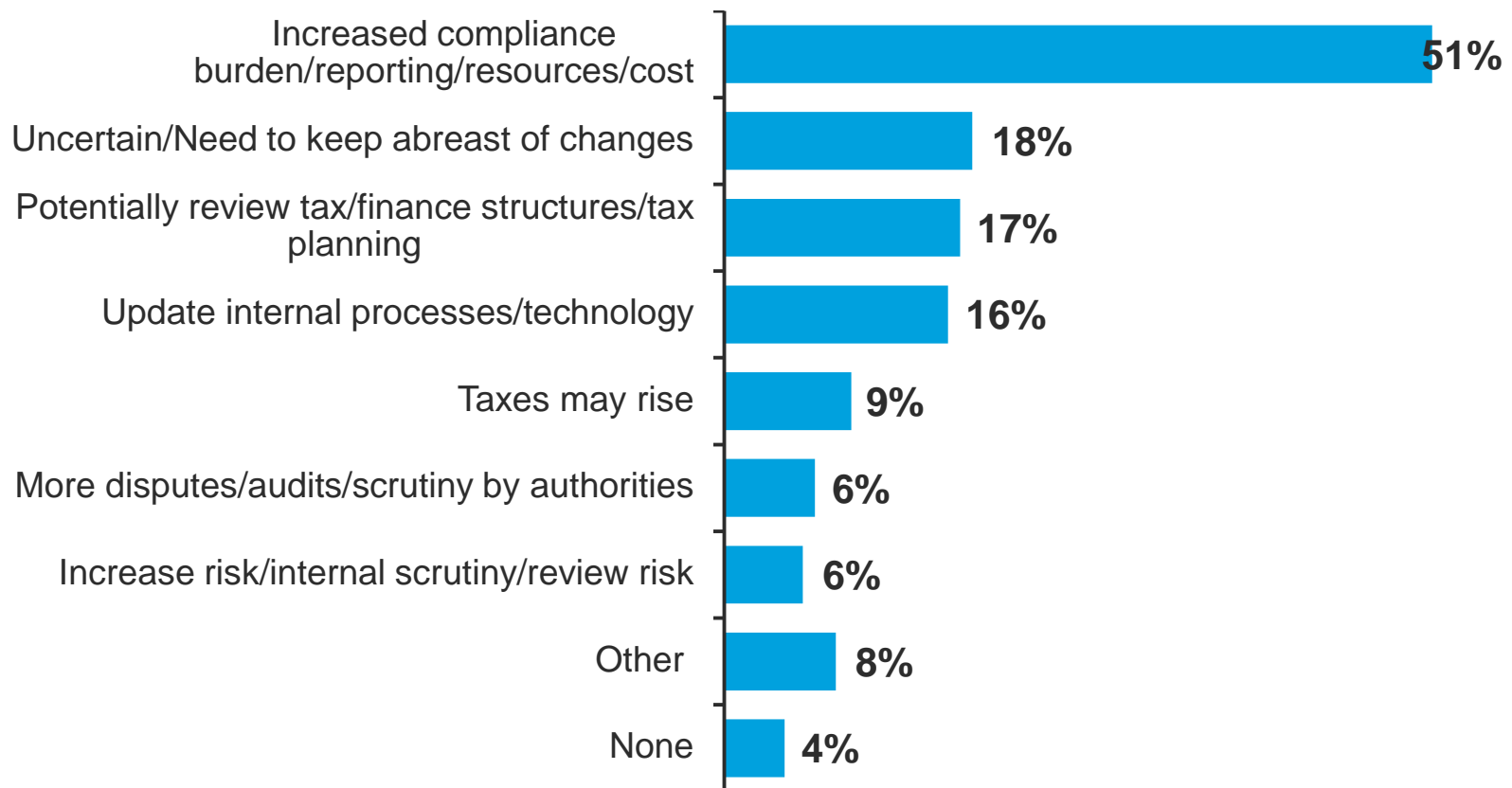


Source: 2014 Global CRS Transformation Study

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Increasing pressure from approaching legislation

Anticipated impact of legislation



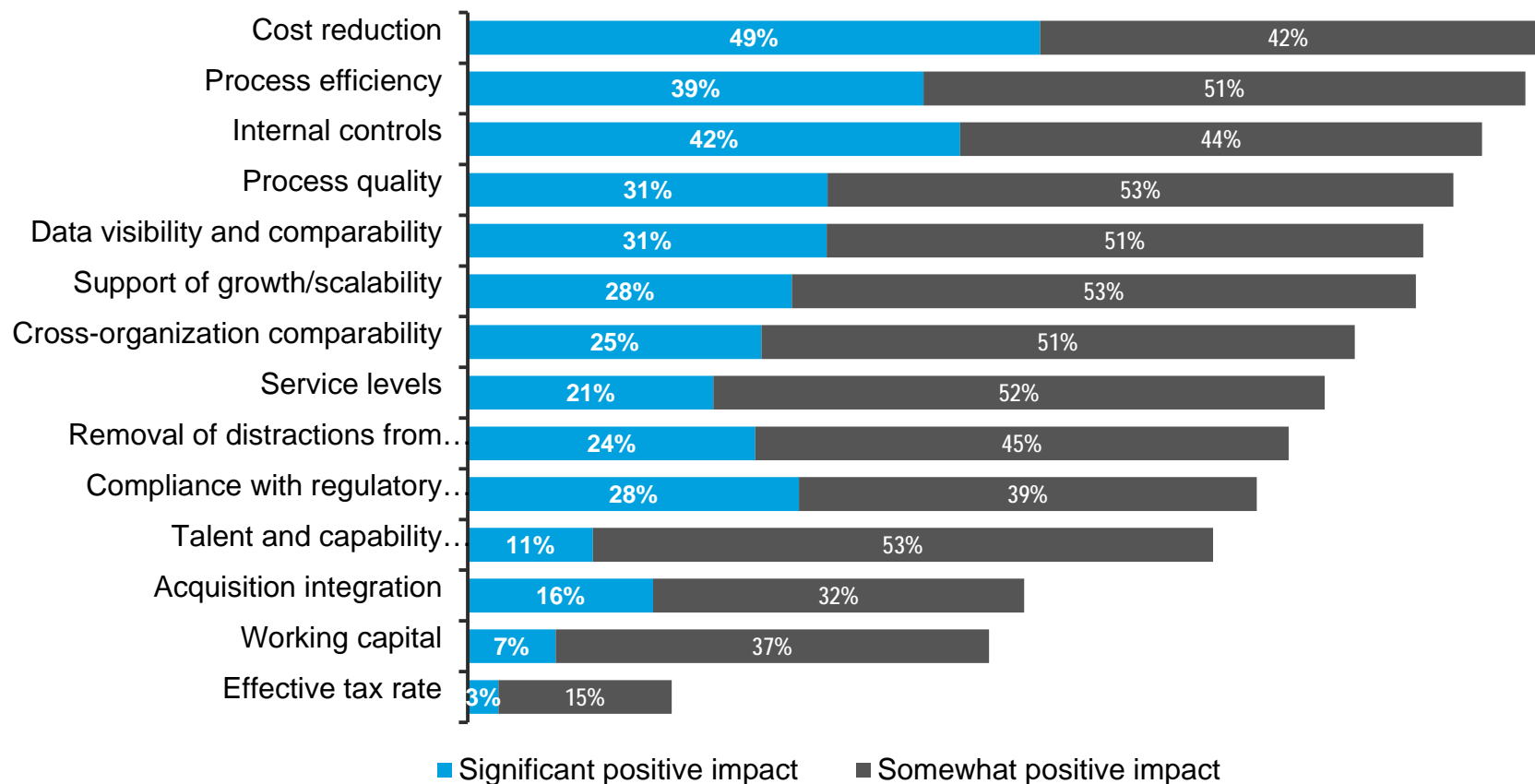
2015 Shared Services Survey

Tax operations – impact and centralization



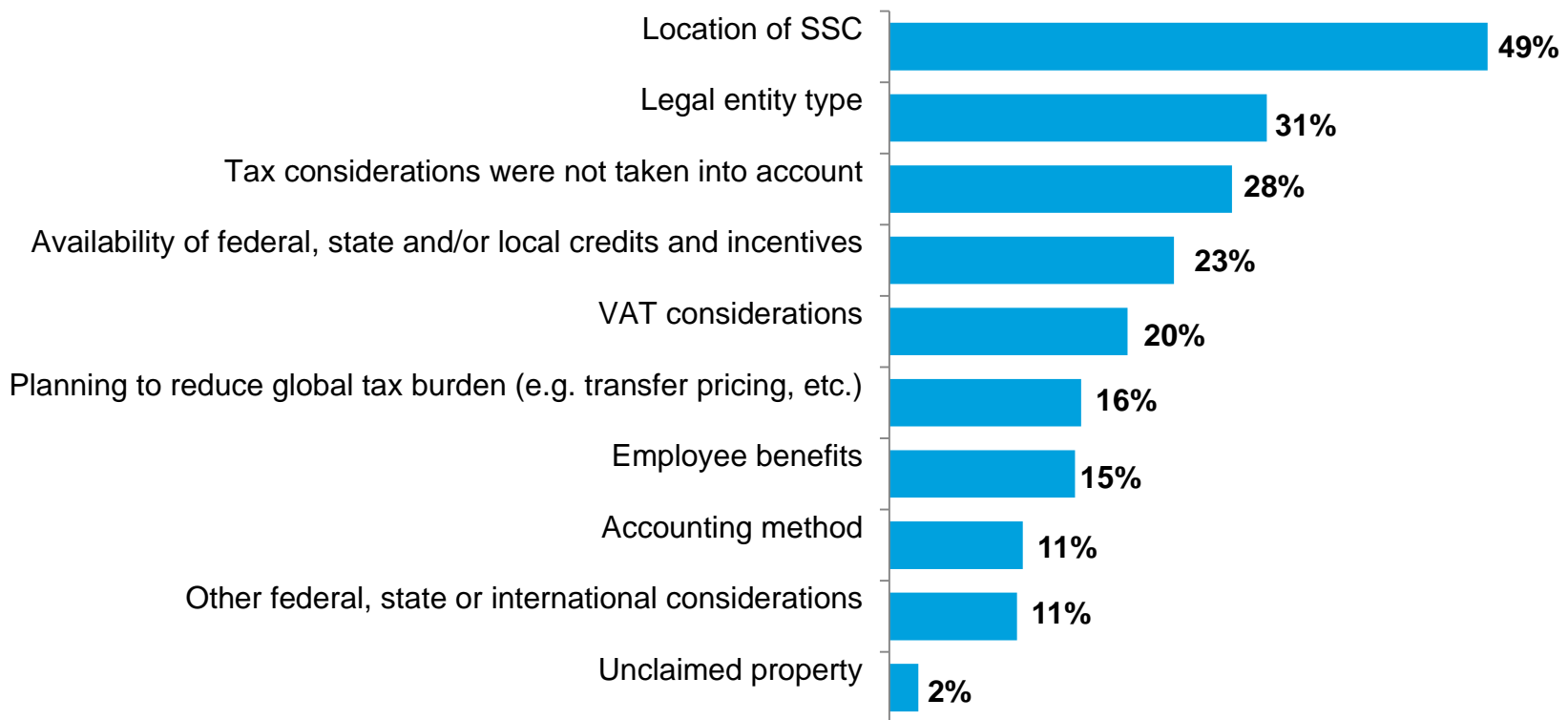
Shared Services Center (SSC) has had a positive impact

Areas of impact



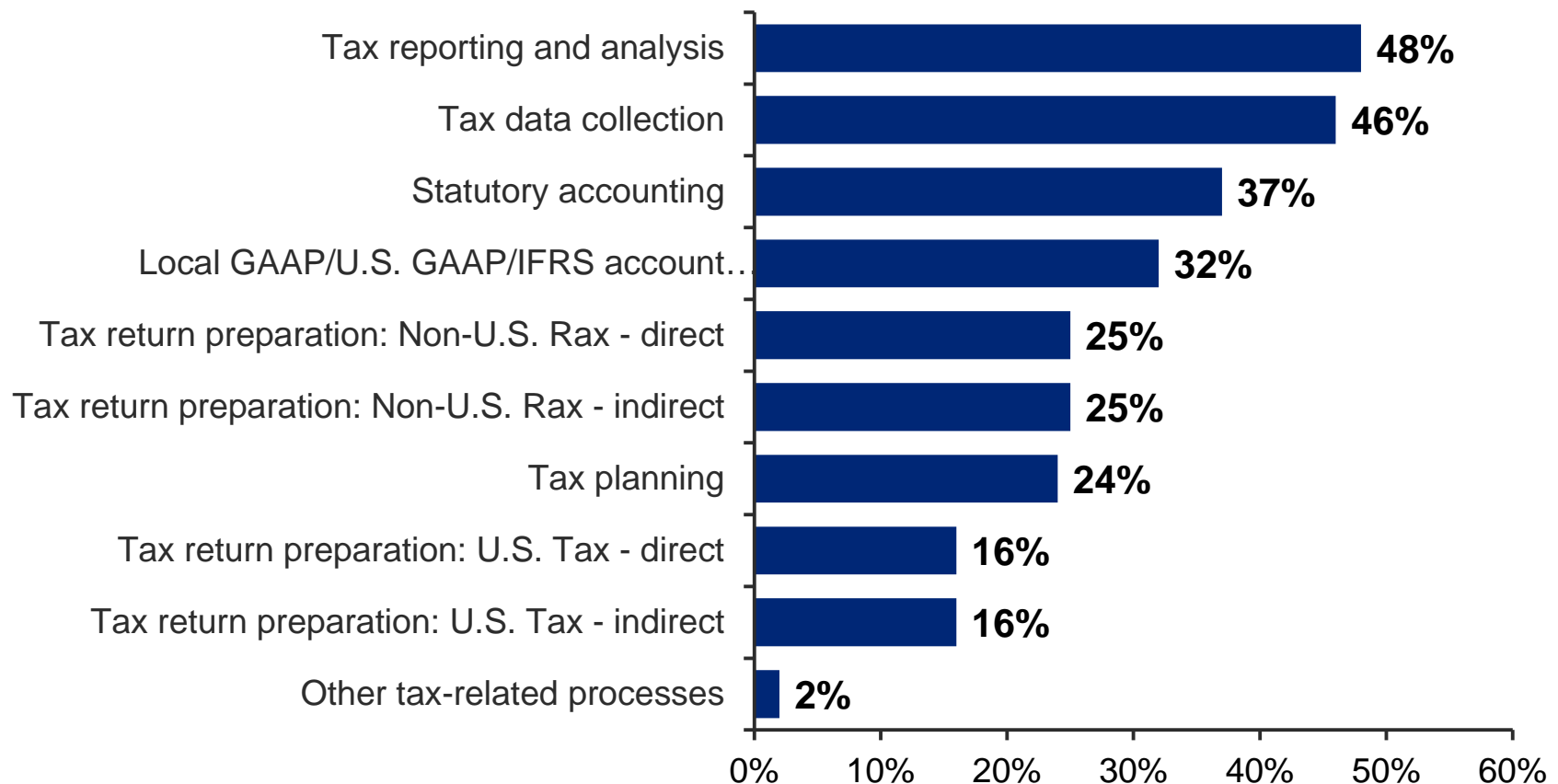
Tax considerations in the formation of the SSC

Primary tax considerations



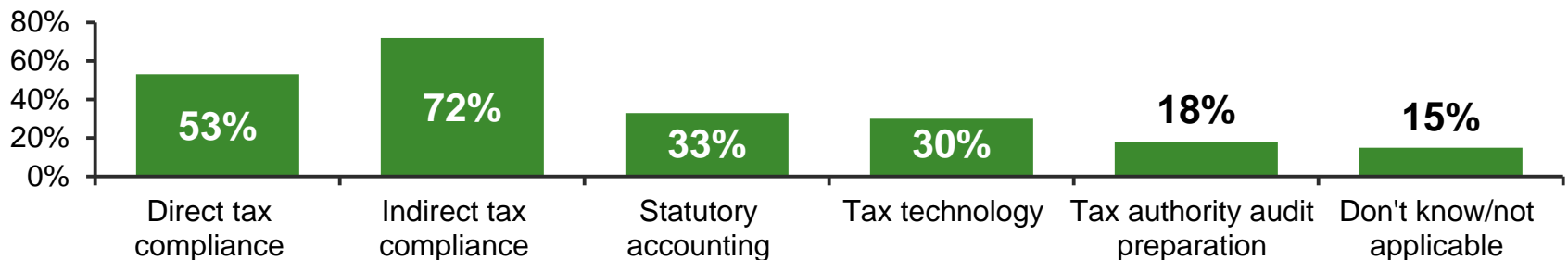
Increasingly, tax processes are performed in SSC

Types of tax processes

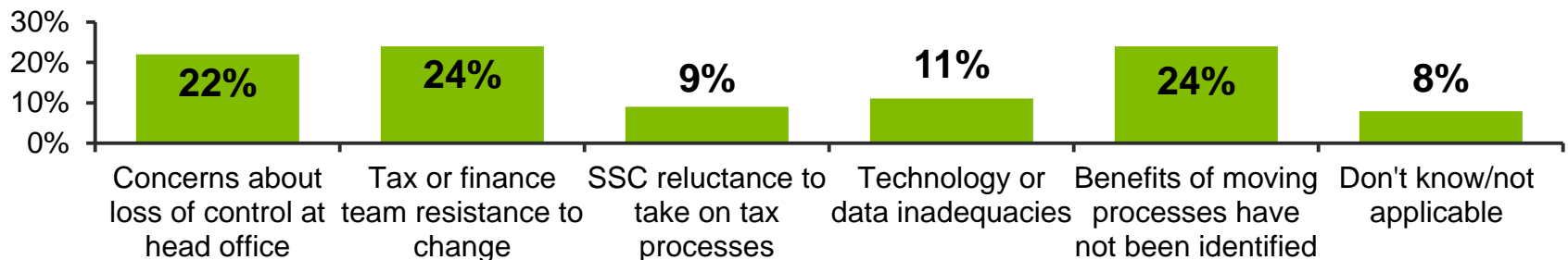


52% of Tax Directors surveyed operate shared services with some elements of tax performed (Deloitte TEI Survey 2012)

What would be your priority in terms of moving services into a shared service center? (Please select all that apply)



What are the obstacles to making greater use of shared service centers for tax in your organization? (Please select all those that apply)



Trends in journey and value

- Organizations are moving away from the 'big bang' approach to Shared Service centers (SSC)s
- Strong preference to standardize processes after the move is complete
- SSCs are expected to deliver benefits beyond cost reduction such as improving data visibility and supporting their business' growth given the current M&A environment
- Disciplined approach to benefit identification and tracking is driving greater headcount savings and productivity improvements
- Accelerated implementations of SSC organizations are generating benefits faster, resulting in a reduction in the average payback period of the investments

Trends in journey and value (cont'd)

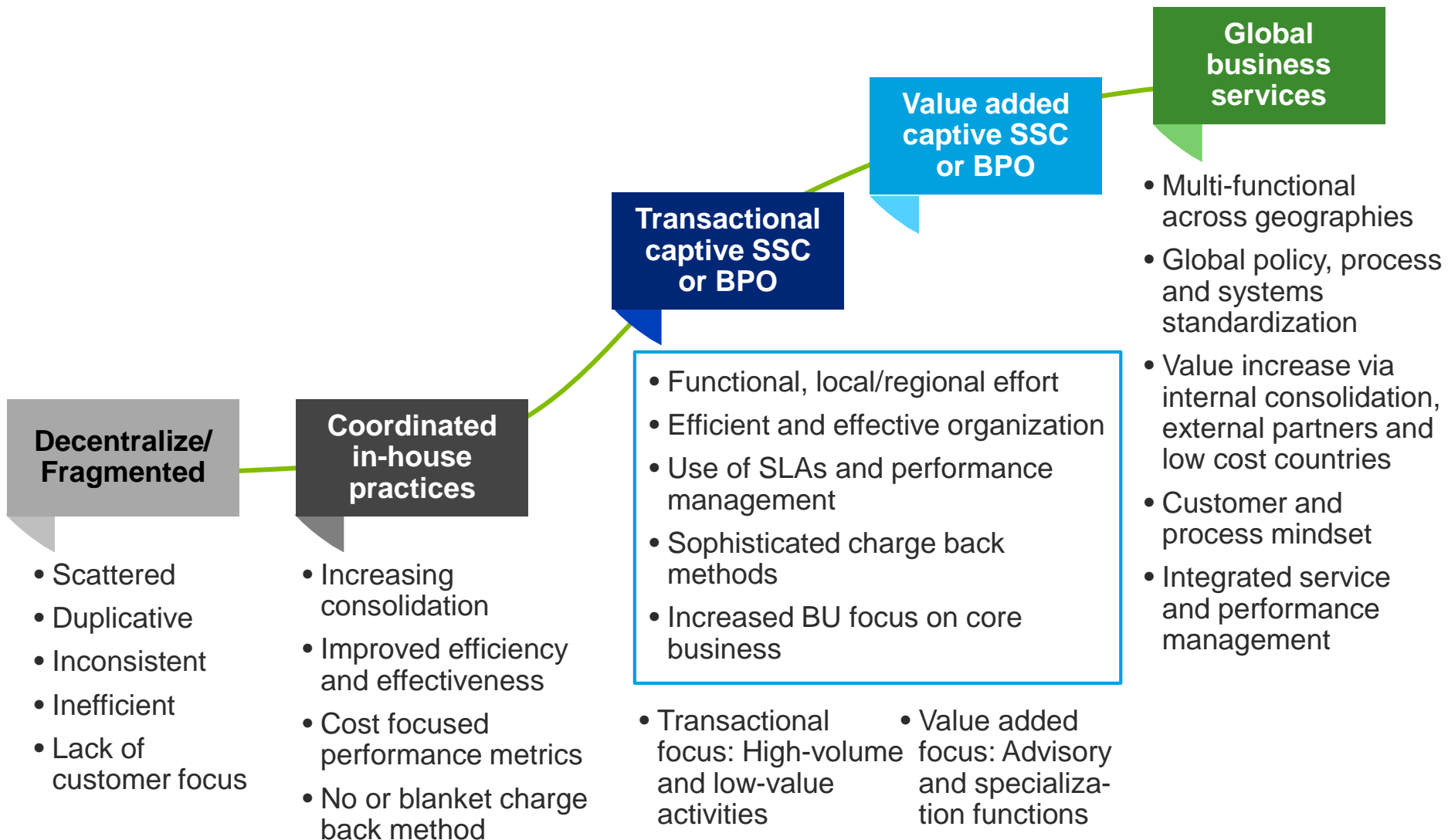
- Continuous improvement is built into the culture of the SSC and methods like six sigma are leveraged to realize benefits.
 - To sustain this productivity as the SSCs mature, will need to take steps such as investing in technology, increasing scope, and exploring new locations
- Continued resistance in technology investments during SSC transitions leading to technology automation consistently falling short of meeting objectives
- Leveraging lessons learned of mature SSC organizations, new organizations are more likely to start with GBS, leapfrogging the mature SSC organizations
- Tax considerations often not evaluated in planning the formation of an SSC, thereby understating the SSCs financial benefits

Tax considerations

Global business and shared services



Shared services development



Local compliance shared service scope

Activities in scope should be either operational in nature or process-oriented, with the ability to produce clear documented instructions to complete

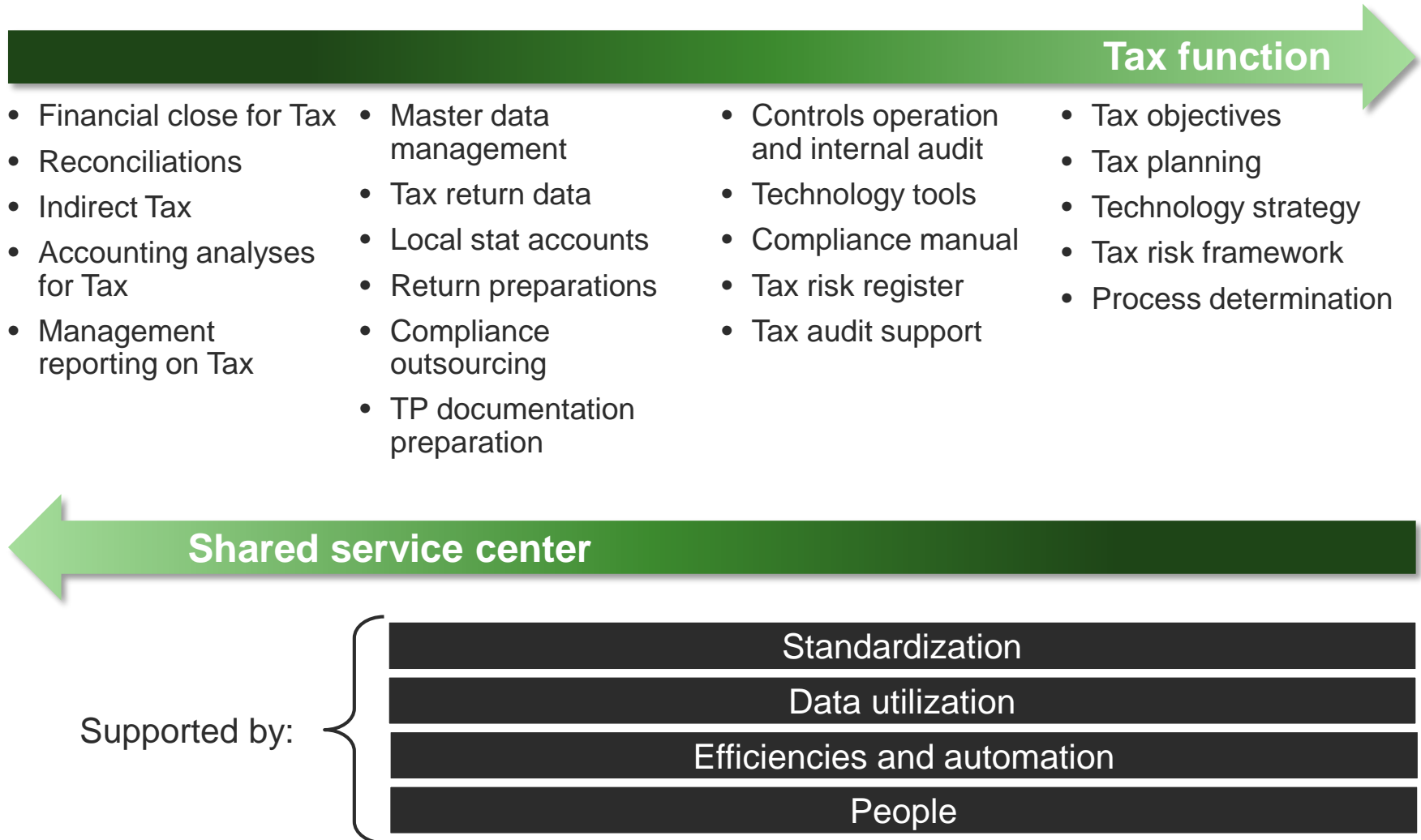
Activities that require tax specialization, judgment or relationships with tax authorities should remain with Group Tax/Tax center of Excellence/Tax Advisor

	Group Tax	SSC	Outsource*
Tax planning, policy, etc.	●	●	
Organization and people	●	●	
Knowledge management	●	●	●
Technology	●	●	●
Planning	●	●	●
Transfer pricing	●	●	●
Financial reporting	●	●	●
Statutory reporting	●	●	●
Tax compliance	●	●	●
Enquiries and audit	●	●	●
Tax advisory	●		●

- Primary role
- Support/review role

*Outsource analysis shown for completeness

What can you transition?



Tax structure opportunities and risk in SSC/GBS

Key activities

- Analyze Global Tax compliance and reporting (GCRS) environment
- Design tax operating structure – conduct RACI review and document impact on global design
- Track implementation of tax operating structure
- Review legal entity tax structure and impact of moving to GBS (including PE issues)
- Determine treatment of costs associated with move to GBS
- Review current ERP setup and data support impacting legal entity compliance and reporting activities
- ID activities to be performed by GBS centrally and those to remain local
- Analyze tax and statutory reporting processes to address global tax compliance and reporting obligations – local and GBS
- Assess local regulatory complexity and the need for local tax specialization to mitigate compliance risk.
- Document current local support for tax planning, compliance, local audits, and provision activities between controller and tax teams

Key deliverables

- RACI documentation
- Deductibility documentation
- VAT/Sales Tax treatment of service fees
- Tax compliance and reporting filing requirements involving GBS
- Documentation of Legal Entity ERP data capability
- Service agreements
- GBS impact on PE

Deloitte accelerators

- Global compliance management maturity model
- Deloitte tracking of regulatory impacts
- Global tax compliance and reporting network
- Global Tax Management Consulting practice



Indirect taxation

The thought behind the action



An illustration: Indirect Tax – VAT

Subject matter specialist's role

What are SMEs in Indirect Tax?

- “A person who is an authority in a particular area or topic”
- Indirect Tax advisors with unparalleled experience advising businesses on global indirect tax matters

Why do you need SMEs?

- VAT is a highly technical tax
- The rules vary on a country-by-country basis
- Constantly evolving regulatory and reporting environment
 - Reporting requirements can change frequently
 - Thresholds for the number or detail required on returns can also vary

An illustration: Indirect Tax – VAT

Subject matter expert's role (cont'd)

Importance of SMEs

- Add significant value to the VAT reporting and compliance process
 - Mitigating risks
 - Identifying opportunities
 - Indirect Tax insight into the technical aspects of the compliance process

Identification of risks and opportunities

Concrete illustrations

Opportunities

- Recover more VAT costs
 - Data analytics shows that a considerable amount of VAT has not been recovered on costs
 - However, SMEs are required in order to understand how that VAT can be recovered:
 - Deadlines; documentation requirements; application process; knowledge of the tax authorities' position and approach to VAT refund claims obtained through experience
- Optimize Cash flow
 - Compliance information shows import VAT is being paid and then reclaimed on VAT returns
 - SMEs are able to suggest ways to improve cash flow, such as VAT deferment accounts or import deferral licenses

Identification of risks and opportunities

Concrete illustrations (cont'd)

Opportunities (cont'd)

- Reduce costs/better efficiency
 - Spot inefficiency in the supply chain
 - Reduce the need for local registrations and filing returns/reduce associated time and costs

Identification of risks and opportunities

Concrete illustrations (cont'd)

Risks

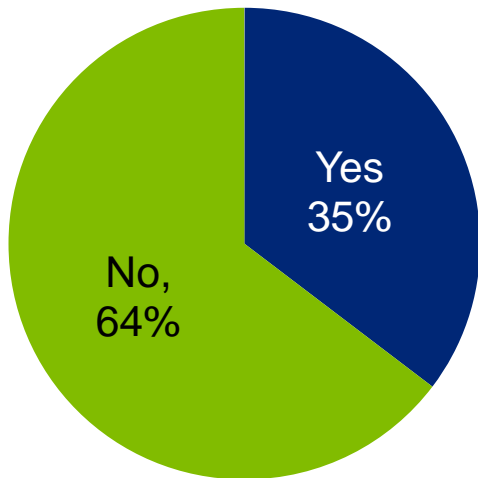
- Early identification of issues
 - VAT costs recovered twice, use of an incorrect VAT rate
 - Assessment of consequences/determination of mitigation strategies resulting in reduced audit risks and associated costs (time, fees, penalties,...)

Technology

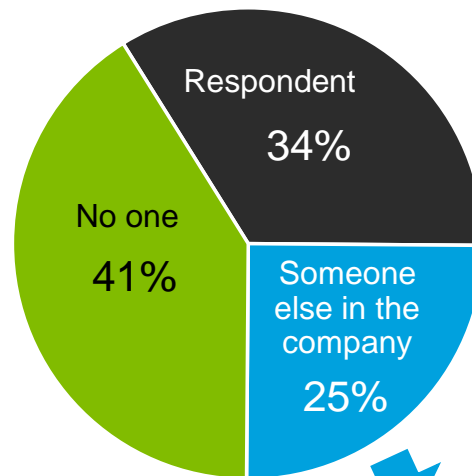


Lack of formality in tax technology strategy

Formal plan in place for tax technology architecture



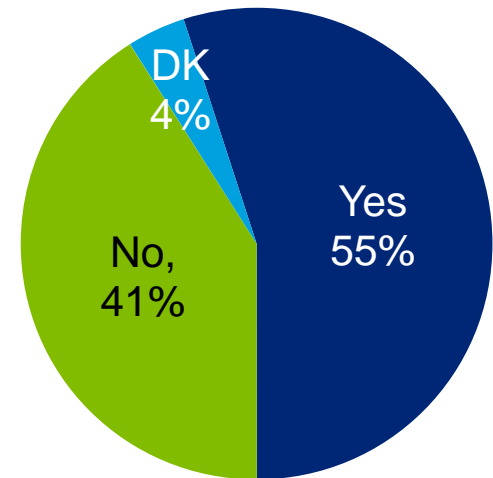
Specific individual with overall responsibility for tax technology



Role

Tax	52%
Finance	29%
IT	27%

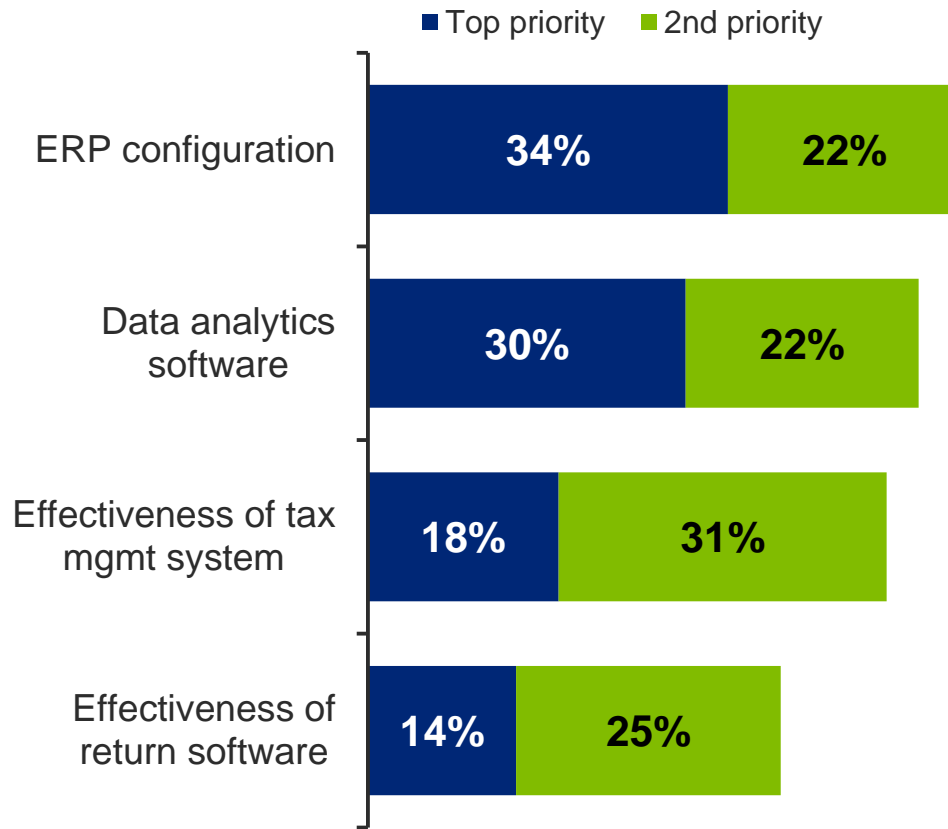
Appropriate budget assigned to tax technology



Opportunity to improve satisfaction

“The idea is to do more analytics, to be able to quickly see trends, to be able to quickly see aberrations.”

Priority ranking for improvement



Top priority % higher among...

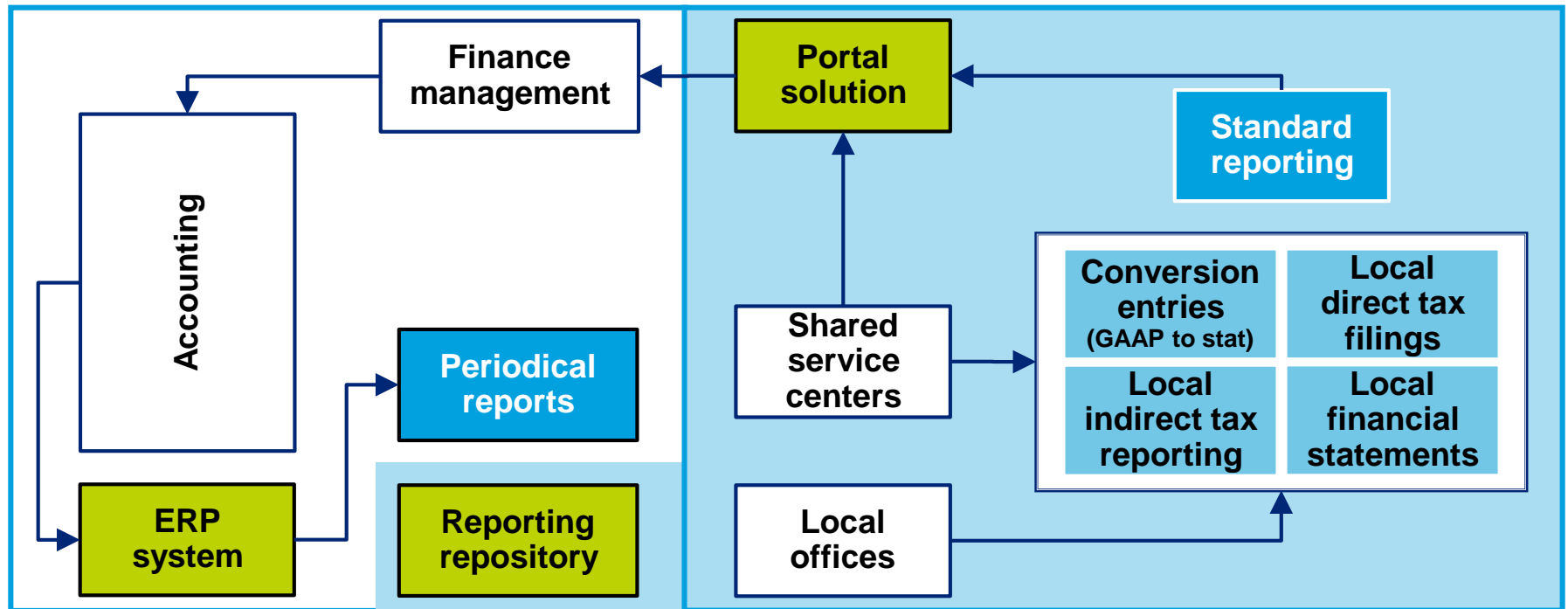
- Use provider's SSC = 46%
- USA HQ = 43%

- Expect CSR outsourcing to increase = 37%
- Mainly co-source = 43%
- DE HQ = 52%

- Very confident in governance processes = 28%

- NAM HQ = 17%

Integrating systems end-to-end



- Cost efficient
- Audit trail down to the source transaction
- Uniform and standardized

Assessment



Assessing operational risk for global tax

Area	Operational control assessment
General	<ul style="list-style-type: none">• How do you manage tax compliance and reporting outside the U.S.? How much visibility do you have? How much visibility do you want?• What are you paying for tax services?
Tax compliance	<ul style="list-style-type: none">• Who has responsibility for tax compliance in each jurisdiction? Who makes provider decisions? Are external providers used either for review or preparation of returns? Are the tax returns timely filed and accurate?• Do you have copies of tax returns and tax computations? How do you stay on top of tax payments made by foreign affiliates?
Tax accounting	<ul style="list-style-type: none">• Are you confident in the provision data you receive from your foreign affiliates?• Do you track the return-to-provision reconciliations in foreign jurisdictions?• How do you track significant tax planning projects, acquisitions or other transactions around the world?• How much visibility do you have to tax return positions taken in returns filed outside the U.S.?
Tax controversy	<ul style="list-style-type: none">• How do you track tax audit activity outside the U.S.? Are there concerns about whether the right professionals handling these audits?

Global compliance management maturity model

Stage 1 Minimum	Stage 2 Developing	Stage 3 Defined	Stage 4 Advanced	Stage 5 Leading
<ul style="list-style-type: none"> • Lack of local tax experience in each jurisdiction • Limited knowledge of who is responsible for filing returns in each jurisdiction • No system in place to track if global tax returns are filed on a timely basis in each jurisdiction • Little or no access to local country tax returns and other documentation • Limited knowledge of scope of services provided by outside providers • Global spend on tax services unknown • Tax department unaware of tax risk areas in each jurisdiction • Tax department has no visibility over global tax provision, tax planning, and tax controversy 	<ul style="list-style-type: none"> • Local tax experience identified or resident in significant jurisdictions • Policies in place to provide tax leadership with visibility to global tax planning and risk activities but procedures are not formalized and compliance with policies is not monitored • Internal responsibilities for tax compliance in specific jurisdictions is known and documented • Manually track global tax compliance in larger jurisdictions via e-mail or annual tax package reporting • Ad-hoc processes in place to obtain local country tax returns and other documentation • Tax returns maintained on shared drive or network • Tax department has limited awareness of tax risk areas in specific jurisdictions 	<ul style="list-style-type: none"> • Goals and objectives for the management and oversight of global tax activities are defined • A global tax calendar containing due dates is maintained and status of tax returns is manually tracked • Internal and external responsibilities for tax compliance in specific jurisdictions is known and documented • Processes formalized for the collection and management of local country tax returns • Processes formalized to notify tax leadership of potential tax risk areas in each jurisdiction • Processes formalized to provide visibility to tax leadership over global tax provision, tax planning, and tax controversy • Processes formalized to manage global spend for tax services 	<ul style="list-style-type: none"> • Tax has access, either internally or acquired, to the required tax knowledge in each jurisdiction • Internal and external responsibilities for tax compliance in jurisdictions is known and documented • Copies of tax returns and other documentation is maintained in a centrally-accessible document management system • Processes and procedures related to monitoring and management of tax reporting, at both the local and global level, are formally documented • Tax department knows approximate spend in total on global tax compliance 	<ul style="list-style-type: none"> • Adequacy of local tax knowledge is formally evaluated periodically and resources are identified to supplement in-house specialists, as needed • Global tax calendar with due dates and responsibilities is centrally maintained in a workflow application and status of tax returns is monitored centrally as well as locally • Copies of tax returns and other documentation are centrally maintained on a document management system with common search taxonomy • Visibility to global tax planning, tax controversy, and global provision processes are enabled by an integrated calendar, document management and workflow technology • Global tax spend in each local country is known and budget to actual variances are tracked on an annual basis

Enhancing statutory accounting and tax reporting processes

Recommendations for elevating performance



Unclear roles and responsibilities for legal and tax reporting



Clarify responsibilities around current Tax and Finance roles considering both internal/ external resourcing models



Adopt global/regional standard processes with supporting governance model including a filing calendar, issue escalation, document management and management reporting



Enhance finance operating model



Use standard processes to implement effective support models – balancing complexity, size and risk with locale, cost and internal / external resource mixBS, etc.



Enhance models with global/regional planning for Tax support provided by external talent positioned regionally or in country



Maintain and expand Finance knowledge and experience across the organization including more lateral rotations, i.e. local, regional, GBS, etc.



Essential data is not readily and systematically available



Obtain detailed legal entity tax and statutory accounting data from the financial enterprise systems solutions



Improve the quality of data Tax receives, i.e. VAT transactional detail, billing support



Make use of available middleware products to harness data into repeatable formats and to replace spreadsheet files with automated solutions



Create advanced/ integrated systems



Deploy source data archival and retention solutions combined with document management



Create a formal prioritization of IT requests and drive timelines for completion



Streamline and standardize systems used across the organization

Questions and answers



Please remember
to complete your
evaluation

Speaker bios

Brian Claire created and is a leader of our Tax Management Consulting (TMC) service offering and subject matter expert in our global compliance and reporting (CRS) practice for Deloitte Tax LLP (Deloitte Tax). He has assisted global tax organizations in assessing and transforming their global accounting and tax processes, including supporting technologies and information management systems and Co-sourcing. He has over twenty five years of tax and technology experience serving global clients across all industries.

Brian's background includes assisting financial and corporate tax executives with setting direction and developing organizational strategies for their global accounting & tax operations. He has guided companies through complex transformations that often involve coordinating tax technical, technology, process, and risk management know-how into a new resource and delivery solutions. He has helped companies benefit from investments in finance transformation, global and regional shared services, and the deployment/upgrade of enterprise applications to achieve more centralization and standardization within the F&A and Tax functions.

Brian received his BA in Accounting from Westminster College and his MST from Oklahoma State University. He is a member of the American Institute of Certified Public Accountants.

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Sean Kane is a Senior Manager in Deloitte Tax LLP's Global Indirect Tax (VAT/GST) group in Los Angeles. In this position he has had a key role in advising U.S. clients on VAT and GST issues worldwide.

Sean joined Deloitte in January 2007. Prior to joining Deloitte, Sean held various senior positions in the Meridian VAT Group in Ireland and the United Kingdom. He has over 13 years' experience of providing specific VAT consulting advice to clients in a number of sectors including technology, media and telecommunications, financial services, manufacturing, pharmaceutical and life sciences. Since joining Deloitte, Sean has been involved in advising U.S. clients in particular areas of VAT specialization including cross-border transactions, corporate restructuring, M&A, global supply contracts, supplies of goods/services, partial exemption, and VAT recovery.

Sean is a member of the Institute of Indirect Taxation in the UK.

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Speaker bios

Jen Knickerbocker leads Deloitte Tax LLP's Global Compliance and Reporting Services practice. In this role, she is responsible for directing the worldwide delivery of compliance and reporting services – including direct tax, indirect tax, tax provision and statutory accounting services – to large multinational organizations. Jen also leads the Tax Cosourcing Competency Group for Deloitte and is a member of the Deloitte Tax LLP Board of Directors.

Jen has more than 20 years of experience serving Deloitte's largest clients, primarily focused on large scale tax compliance services, process optimization, and technology solution design and implementation. Her experience includes oversight of significant cross-border engagements, management of governance relationships, and institution of structure and accountability around processes and investments for large-scale global projects.

Jen earned her Masters of Business Administration from Owen Graduate School of Management (Vanderbilt University) and her Bachelor of Business Administration from Henderson State University.

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