

# Enabling tax

Management solutions for tax functions



# The modern tax function – demonstrating world class attributes in challenging times

Managing tax within a large organisation is an increasingly significant challenge. Today, delivering on tax reporting and compliance obligations, whilst at the same time managing risk and the tax rate, requires considerable management skills over and above the technical competencies traditionally associated with the tax function.

In today's environment, managing a world class tax operation means harnessing structure, process, people, data and technology to facilitate greater control, efficiency and insight across all of the key deliverables of the tax function.

Our tax function effectiveness (TFE) team at PricewaterhouseCoopers (PwC) can assist you meet these increasing demands through a combination of deep experience and innovative thinking across all areas of tax management.

Tax functions need a new model to guide them in developing strategies to succeed in this new environment.

Our approach to assisting tax functions demonstrate world class attributes involves:

- Helping tax functions identify key deliverables and ensuring a clear understanding between the tax function and its major stakeholders regarding the goals for each deliverable area.
- Helping tax functions set goals for improving performance in major process areas by addressing the key challenges of insight, efficiency, accuracy and control.
- Helping tax functions to harness their key enablers to achieve those goals.

All tax functions have seven key enablers available to them which will ultimately determine the organisation's success. The challenge is to understand how to make this work to achieve the desired objectives.

**Insight** – provides the vision for every tax function and can inform the heads of tax of planning opportunities, management information and business support requirements. It can also provide better tax management decision making, effective tax planning and identify areas requiring tax input.

**Efficiency** – relates to performing tax related activities in a cost effective and timely manner, usually leveraging technology and elimination of non-core activities. It can also help generate cost savings, release resources for high value activity and enable tax to support the business more effectively.

**Accuracy and control** – due to an increased focus by tax authorities and stakeholders, accountability of the Head of Tax has grown and, in turn, this has increased costs. The tax function needs to be efficient, manage its risk and be flexible to future regulations. There should also be greater transparency and accountability, management of tax risk through tighter control mechanisms and a cost efficient compliance process.

The key enablers are: data, process, structure, people and technology, leadership and communication. They can be used to mobilise systems and resource to focus on the appropriate and most pressing functional area. By optimising the enablers, the tax function can reduce the time it spends on regular and routine tax activities, allowing it to focus on activities that will add real value to the business. They can also be used to identify ways to help the tax function operate so that it is aligned with the expectations of its stakeholders. Examples of world class use of enablers are outlined in figure 1.

# World class enablers in action

Figure 1

## Structure

- Tax function goals and objectives aligned with internal and external stakeholders.
- Clear tax strategy linked to the achievement of those goals and objectives.
- Structure of tax function aligned with goals and objectives.
- Strong support from chief financial officer and appropriate board level interaction.
- Strong alignment of tax function with finance function and business units.
- Tax leadership focused on key tax related matters rather than day-to-day delivery.

## Process

- Risk management and efficiency apparent in process design.
- Processes mapped, understood and owned by all relevant users.
- Controls integrated into processes.
- Automated processes minimise human error and reduce dependence on spreadsheets.
- Collaboration with finance function serves to streamline reporting and compliance processes.
- Effective use and interaction with shared service centres.

## People

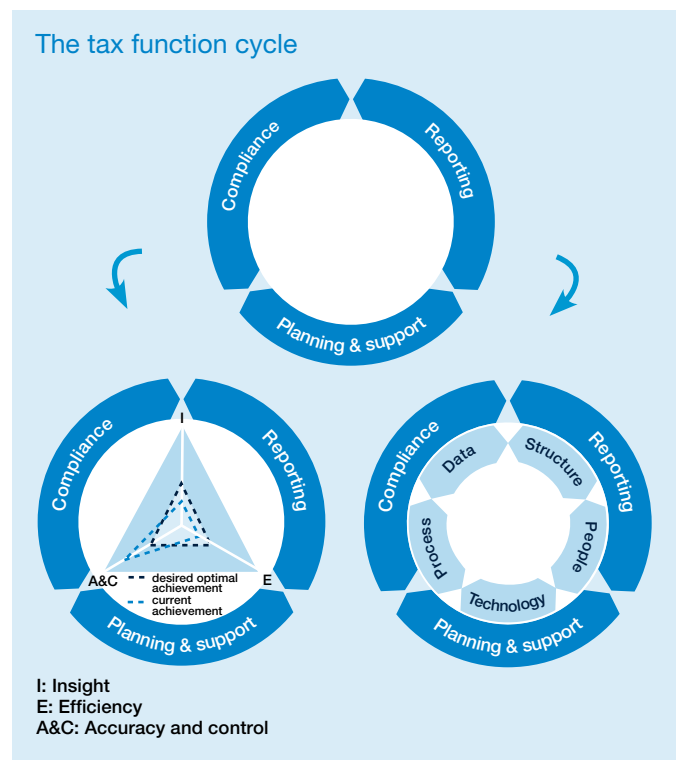
- More reliance on the senior tax executive for forward-thinking tax strategy rather than hands on delivery.
- Clear organisational structure and required competencies reflecting tax function goals, objectives and strategy.
- Closer connection to the business units and a stronger business partnering culture.
- Internal collaboration and tools to facilitate knowledge sharing.
- Strategic training to build new skills, and foster a coaching and development environment.
- Risk management a priority for all tax personnel.
- Encouraging flexibility and change advocacy.

## Data

- Data integrity maintained via integration between financial and tax systems allowing automated, robust data extraction.
- Data warehouses and data stores preserve historical tax information.
- Data needs met by a tax sensitised approach to enterprise resource and planning (ERP) implementations.

## Technology

- Recycle data for multiple purposes.
- Systems integration.
- Tighter controls – globally.
- Automate to meet faster financial close cycles.
- Strong linkages between tax function and finance function.
- Technology is a key component of tax risk management via standardisation and document retention.



# How it works in practice

## Reporting

The rapid development of financial reporting in recent years continues to make it difficult for heads of tax to meet onerous tax reporting and disclosure requirements. Similarly, the increasing size and complexity of many groups operating in the global marketplace has put a strain on resources, with knowledge and experience of international reporting in short supply. Having clear, reliable and high quality tax reporting will improve stakeholder confidence in the tax function, reduce the risk of surprises and provide a sturdy platform for managing risk, tax planning and decision making.

## Enabling tax reporting through technology

### Scenario – technology options (see figure 2)

- Increased requirements for detailed accuracy in financial reporting leading to rising concerns of error risk and consequentially increased resource requirements.
- Tax function is heavily under-resourced and constrained on head count.

### Solution

By optimising the use of technology as an enabler, the tax function can ensure that it is meeting the demands of the increased focus on reporting, at the same time as meeting the obligations resulting from business-as-usual activities without increasing head count.

### PwC can support you by:

- Providing practical assistance, resource and training for your tax reporting processes.
- Improving the quality, completeness and reliability of your data to provide a better platform for reporting.
- Identifying basic information flows and assessing the movement of tax data through your company's systems, allowing obstacles to be highlighted and resolved.

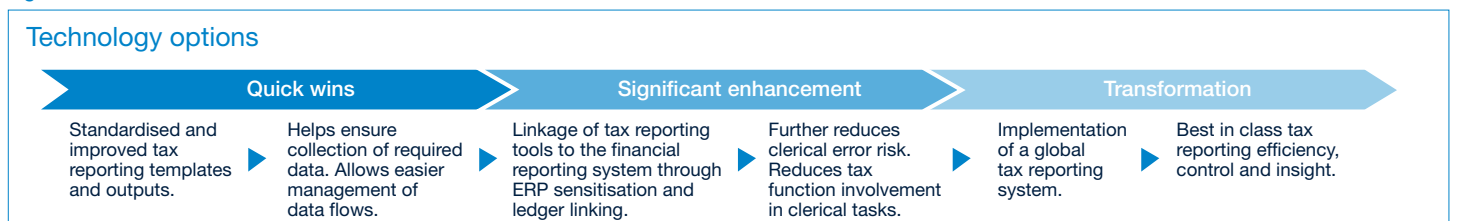
## Compliance

The ability to mass test transactions to determine whether the correct tax treatment has been applied is fundamental in ensuring the accuracy and reliability of your tax numbers. Having access to information on tax-sensitive income, expenditure and transactions directly supports the effectiveness of your finance function as well as the wider business. Being in control of the underlying data helps to demonstrate to other stakeholders, including HMRC, that the tax function is well-run, that the tax data is reliable and the profile of the organisation is low risk.

Having a clear tax risk policy which sets out the overall objectives and the way in which tax risk is assessed and managed gives primary stakeholders an understanding of the key issues determining the group's tax rate and how these and associated uncertainty are managed.

Having high quality compliance processes gives businesses the confidence that their tax liabilities are being reported, agreed and settled accurately. The preparation of tax returns requires not only the accurate capturing of information and the correct application of the law, but also adequate and appropriate presentation and disclosure.

Figure 2



## Enabling tax compliance through process

### Scenario – process options (see figure 3)

- Revenue authority focus as a result of missed filing deadlines.
- Internal concerns over accuracy of data used in compliance.
- Compliance process likely to be subject to review by internal audit.

### Solution

By optimising processes, the tax function can ensure that it is effectively managing its compliance obligations on a global scale.

### PwC can support you by:

- Bringing substantial practical experience, technical expertise and best practice principles to the review or preparation of your tax risk policies.
- Preparing a gap analysis to enable review and update of current processes.
- Extracting relevant data whilst performing complex analysis and reporting using our sophisticated technology.

## Planning and support

Planning, budgeting and forecasting are key components of a successful business. With the right tax information you can leverage opportunities. A good planning model is also a powerful tool for communicating with, and influencing, management and business.

Having a well documented, easily understood analysis of tax processes and systems establishes a key control that you can use not only for managing tax, but also in planning for it.

## Enabling business planning and support through structure

### Scenario – structure options (see figure 4)

- Significant global expansion creates an increased requirement for effective tax planning and business support.
- Time spent on compliance and reporting is increasing due to complexity and risk concerns. A significant proportion of this time is clerical rather than technical.

### Solution

By reviewing the current structure of the tax team and its interaction with the finance function, resources can be released to focus on planning and business support.

### PwC can support you by:

- Producing bespoke process maps for all your tax compliance processes, documented to industry standards so that output can be provided directly to other third parties such as HMRC or your audit committee and assessed for best practice.
- Identifying and addressing areas of shortfall.
- Assessing where the primary focus should be, i.e. regulatory or tax authorities, or business or shareholder priorities, in order to enable the tax function to operate more effectively and providing strategic advice in order to progress.

Figure 3

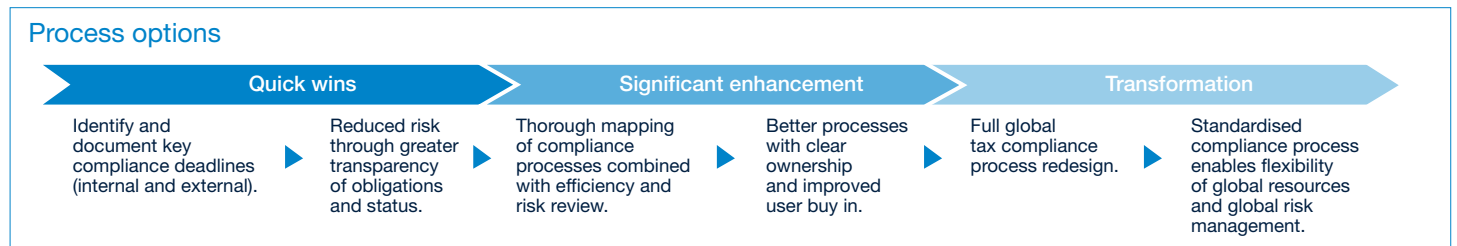
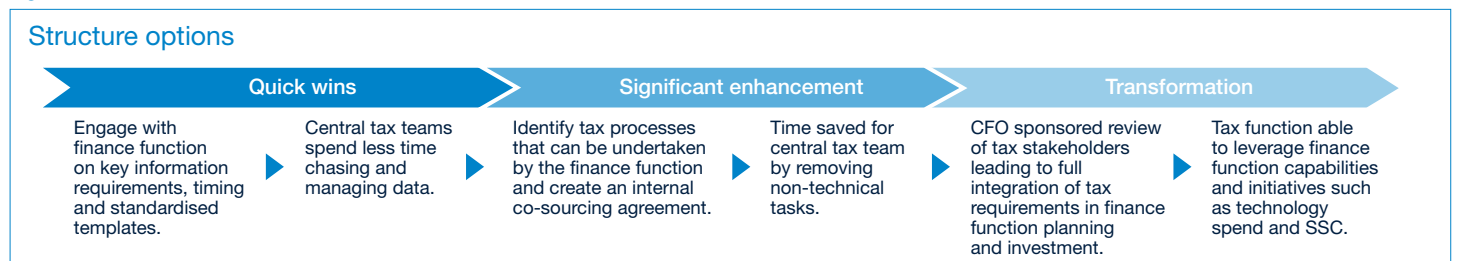


Figure 4



The Tax Function Effectiveness team is part of our Tax Management & Accounting Services network, which also encompasses compliance, outsourcing solutions and tax accounting. Together the team can help you create a world class tax function. For further information on how PwC can assist you, please contact one of our team listed below:

### The team

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