

D&A solutions: Tax Intelligence Solution (TIS)

Overview

Businesses are generating increasing volumes of transactional and financial data, but is this data fit for the purposes of the modern tax department? Does it allow them to proactively manage tax, risk and compliance, and how do they unlock the value that may be hidden in the data?

In the drive for cost reduction and increased efficiency, the value needs to be delivered with less resources. To transform this data into knowledge and insight, the tax department needs solutions that can deliver informed decision making for their global operations. This is why KPMG developed Tax Intelligence Solution (TIS), an integrated suite of indirect tax technology analytical tools, methodologies and insights.

How Tax Intelligence Solution can help

For many multi-national companies, indirect tax is likely to be the third-largest cash flow after sales and cost of sales. Our experience is that limited resources are allocated to the effective management of this cash, and that limited technology is available to actively manage the risks and opportunities that arise.

In reality, while many companies believe their indirect tax processes work effectively, the complexity of global operations means they actually miss risks and value in many areas of their business.

This can lead to absolute P&L cost or timing issues, which can have a significant working capital impact upon the balance sheet, and values can be difficult to identify and quantify. The challenge is how to unlock this value hidden in the transactional data of your ERP systems.

While these systems are not necessarily designed for tax purposes, they remain the primary source of all information. Being aware of system capabilities and limitations enables the tax executive to play an active role in enhancing indirect tax controls, ensuring accuracy of tax determination and identifying challenges at the root cause.

The value to client in using Tax Intelligence Solution

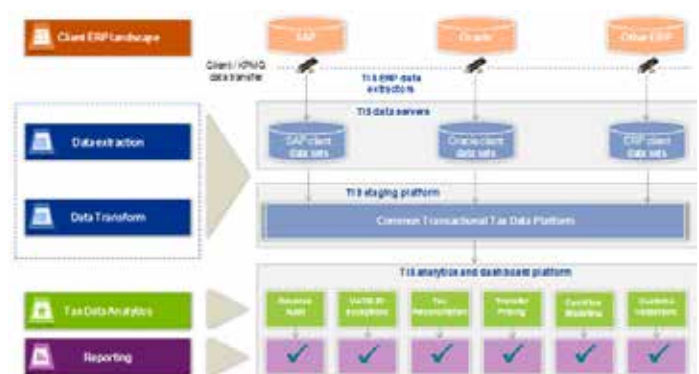
- Identify taxes that have been incorrectly expensed
- Detect tax determination errors earlier and reduce the risk of penalties
- Be proactively in control over the indirect tax process
- Enhance working capital
- Reduce time to settle tax audits and queries
- Increase tax process efficiencies
- Avoid financial, reputational, strategic and operational risks

Why KPMG?

KPMG has developed an integrated suite of indirect tax technology analytical tools, methodologies and insights, which can add value to companies' tax and finance departments. TIS allows businesses to gain quantitative insights and visibility into the status of compliance, process efficiencies and opportunities, which can drive real financial value for the tax department and the wider business.

Key features of our approach include:

- Standardized tools to extract and analyse tax relevant data from all major ERP systems
- Sophisticated data cubing technology, hosted in the TIS platform to analyze transactional data, and identify risks, opportunities and areas for process improvement



- The ability to 'enrich' finance and tax data with other key information, including authorization data, customs and logistics data, corporate credit card expense data and ERP master data
- Over 100 standardized indirect tax analytical routines to examine the information gathered

- Data visualization and reporting tools to allow easy manipulation and refinement of outputs
- Access to the collective insight of KPMG's Global Indirect Tax practice in driving both P&L and working capital savings for global companies



Tax Intelligence Solution case studies

VAT review for regulatory compliance

A global multi-national company implemented an external tax determination software for a complex principal/limited risk distributor (LRD) supply chain model for their European operations. The company needed a second opinion to assess the accuracy of tax determination implementation to comply with the legal/fiscal requirements in the EU.

KPMG used Tax Intelligence Solution to factually assess the existing tax determination logic through a detailed comparison of the current VAT calculations with the expected VAT outcomes.

The outcome of the analyses revealed that there was a compliance/reporting error that resulted in a EUR 2M refund for 1 year.

Input VAT analytics for European Shared Services Center

A global pharmaceutical company invested in the organization/implementation of a financial shared-services center (SSC) for their European finance back-office activities, including VAT coding of incoming invoices. In order to monitor the quality of manual VAT coding by the SSC employees, KPMG used the Tax Intelligence Solution to gain more insight into their VAT compliance. From the TIS analytics, it revealed that 3 percent of all incoming invoices had an incorrect VAT code.

Further root-cause analyses showed that the incorrect coding was due to incomplete VAT manuals/decision trees as supporting tools for the SSC employees.

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