A look inside tax departments in Latin America and how they are adapting

Global Tax Benchmarking series: Latin America special report

KPMG International

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KPMG International's ongoing Global Tax Benchmarking Survey polls tax leaders around the world to reveal the structures, governance, priorities and performance measures of tax departments today, and to deliver insights as to how leading tax departments expect to transform in the next 5 years. This special report takes an in-depth look at the top issues, priorities and leading practices of these tax leaders as they deal with the rapidly changing tax environment in Latin America.

For tax leaders of international companies, benchmarking against comparable tax departments can be a powerful tool for reflecting on your current structure. It can also help you assess how the changes you make today can prepare you for the challenges and opportunities your tax department will likely face tomorrow.

While the number of global survey responses continues to grow, the database is already believed to be the most robust of its kind that exists on a global scale, with responses from some 400 tax leaders around the world. This report focuses specifically on Latin America, exploring the results of 80 quantitative survey responses and 20 qualitative interviews from tax leaders who represent organizations doing business in this region.

What do these responses tell us about the Latin American environment for tax leaders? Rapid legislative change and rising tax audit risk are among several factors drawing more focus toward tax compliance. The Latin American tax authorities' drive to digitize their tax systems is helping Latin American tax functions move ahead of their global counterparts in their own use of tax technology in data collection and compliance processes.

Looking ahead, survey results suggest that the trend toward greater centralization and standardization will continue. Standardizing processes is a high priority for Latin American tax leaders in the next 5 years. Tax technology and process optimization are their preferred choices for new investment, with investments in people close behind.

For complete global survey results and more resources, please visit kpmg.com/taxbenchmarking.

Contents

"Tax leaders report being increasingly engaged in leadership discussions and business decisions that go well beyond daily tax and compliance activities, transforming processes for efficiency and efficacy, uncovering and managing risks, and positioning their departments to add more value to the organization and the society in which it operates."

Devon Bodoh
Principal-in-Charge of Latin America Markets, Tax
KPMG in the US

About the survey

- KPMG International's ongoing Global Tax Benchmarking initiative charts the evolution of leading tax departments and identifies operational benchmarks for high-performing tax teams.
- The selected findings in this report are based on a survey of 80 leaders in charge of tax policy and tax department operations for their organizations, representing countries across Latin America in all major industries. These quantitative findings were supplemented with qualitative telephone interviews conducted with 20 tax leaders having responsibilities in Latin America.
- Over three-quarters of respondent organizations are public companies. About half of respondent organizations have up to 5 billion US dollars (USD) in annual revenue or turnover, and two-thirds have more than USD5 billion in annual revenue or turnover. Half of respondent organizations have more than 10,000 employees globally. Almost two-thirds have branches, subsidiaries or other permanent establishments in more than 10 countries.
- The broader Global Tax Department Benchmarking Survey initiative continues. For the latest findings or to take part in the ongoing survey visit kpmg.com/taxbenchmarking.

Latin America's top tax challenges

From sweeping international tax changes to increases in the number of tax audits and calls for heightened tax transparency, tax leaders in Latin America face similar challenges to those faced by tax leaders globally — but with different and sometimes more extreme effects.

In one-on-one interviews, tax leaders with responsibilities in Latin America said their top challenges in the region include:

- rapid legislative change
- fragmented implementation of international tax changes
- increases in the number of tax audits
- increasing tax digitization and tax transparency.

Rapid legislative change

The fast pace of legislative change and resulting tax legal uncertainty are presenting challenges to compliance and planning. With major tax reforms underway in some countries (e.g. Colombia) and coming soon in others (e.g. Argentina, US), tax leaders with Latin American entities that are part of international businesses are finding it harder to keep up, especially given the nature of recent tax legislative trends. One tax leader in the energy sector said, "Increasingly subjective and discretionary rules are weakening technical know-how and increasing risk."

In addition to current compliance risk, this trend frustrates long-term tax planning. A tax leader in the agricultural industry noted the difficulty of financial modeling of future tax benefits with tax rules in flux: "It is clearly difficult to make assumptions given the likelihood of changes to the tax laws."

Fragmented implementation of international tax changes

Countries across the region are adopting the extensive recommendations developed under the Organisation for Economic Co-operation and Development's (OECD) base erosion and profit shifting (BEPS) project. As a tax leader in the entertainment industry said, "The lack of consensus among Latin American countries on how to incorporate these recommendations into their domestic legislation and administrative practices is worrying."

Increased number of tax audits

The inclusion of heavy penalties, and in some cases even jail, in some recent tax reforms in the region are causing companies to approach tax planning more conservatively, and fewer tax planning opportunities remain.

According to a tax leader of an infrastructure business, "The tax authorities are interpreting the laws in a very invasive and aggressive manner, and with a special focus on multinational enterprises, creating tax liabilities not supported by the legal framework. It is arguable that the interpretations by the tax authorities are increasingly biased by revenue-raising objectives, not only in Latin American countries but also in Europe."

Tax digitization and increasing tax transparency

Tax authorities in Latin America are among the world's most advanced when it comes to electronic requirements for tax accounting and reporting, with Mexico and Brazil at the forefront. Tax digitization is opening opportunities for tax administrations to employ increasingly sophisticated data analytics techniques to identify issues and patterns of non-compliance. With the severe financial penalties and reputational harm that can arise, these new requirements are putting even more pressure on taxpayers to ensure the data they provide to tax authorities is accurate, complete and consistent, and to do so more quickly than ever.

A tax leader of a technology manufacturer said, "Examples like Brazil, Mexico, and to a lesser degree Argentina and Colombia, show that the tax administration has access to more information and progressively in real time — and in some segments more information than the company itself (i.e. from suppliers). The DNA of tax compliance has to evolve, reinforcing controls to prevent any mistakes in tax information reporting, given the very stiff penalties for such mistakes."

Additionally, tax transparency is being taken to new levels, as countries in Latin America and globally enter multilateral and bilateral agreements to share taxpayer information and require more detailed disclosures about the amounts and locations of their reported profits and tax payments (e.g. via country-by-country tax reports). Public attitudes are hardening toward large corporations that are perceived as not contributing sufficient revenues in the jurisdictions where they do business, creating significant reputational risk over how companies' tax disclosures will be perceived.

"The first and foremost priority is the accurate tax return compliance and financial reporting ... In the past, tax leaders were judged on their creativity and results related to tax planning. Now tax planning results are welcomed, but the primary test is the successful execution of tax compliance," a financial services industry tax leader said.

Several tax leaders noted that advancing technology can dramatically improve the quality and visibility of tax data and enhance compliance. A tax leader of a global manufacturer said, "The new challenges of electronic invoicing and reporting in countries such as Brazil and Mexico should lead to more automated tax compliance, while also working to replicate the information gathered by the tax administrations."

In this context, it is not surprising that getting tax compliance right is the chief priority for Latin American tax functions. A tax director of a transport and infrastructure company said, "Tax responsibility starts by definition with accurate tax return compliance and financial reporting, with quality assurance controls and with the appropriate technology to match the corporate systems with the tax administration systems."

In short, as a financial services company tax leader put it, "Accurate tax returns based on sound financial information are key. Compliance and financial information is now the king."

"With advanced requirements and sophisticated analytics systems, tax authorities in Latin America have increasingly high expectations when it comes to fast and accurate reporting, and many tax departments report a struggle to evolve their processes quickly enough to keep pace."

Alfonso Pallete
COO of Latin America Markets, Tax
KPMG in the US

Tax leader takeaways

Latin America's top tax challenges:

- The fast pace of legislative change and resulting tax legal uncertainty are presenting challenges to compliance and planning.
- Many Latin American countries are adopting the OECD's BEPS proposals but with inconsistent legislation and administrative practices, creating additional uncertainty and complexity for tax leaders.
- The tax authorities' diverse interpretations of the laws, with a special focus on multinational enterprises, is causing companies to focus more on compliance and become more conservative in their approaches to tax planning.
- The movement toward tax digitization and tax transparency is giving tax authorities in Latin America access to significantly more detailed taxpayer information. In response, Latin American companies are looking to technology to help improve the quality and visibility of tax data and enhance compliance.

Tax leader perspectives

"The rapid pace of tax reforms all over Latin America is notorious, and keeping up with the fast rhythm is really a challenge. In this new environment, quality assurance of tax compliance is key, and exceptions to it — like amending tax returns — should be minimized."

Tax leader of a global company in the beverage industry.

Tax departments today

Are Latin American tax departments structured and resourced to meet the significant challenges they face?

KPMG International research has shown that, globally, the most effective, highly valued tax departments are those that manage tax risk and compliance while identifying opportunities for adding value in ways that go beyond traditional expectations of the tax function. This may include advancing the department's core tax management skills and skills in other areas such as technology and communications, as well as collaborating with all parts of the business in order to contribute more broadly to the organization's overall objectives.

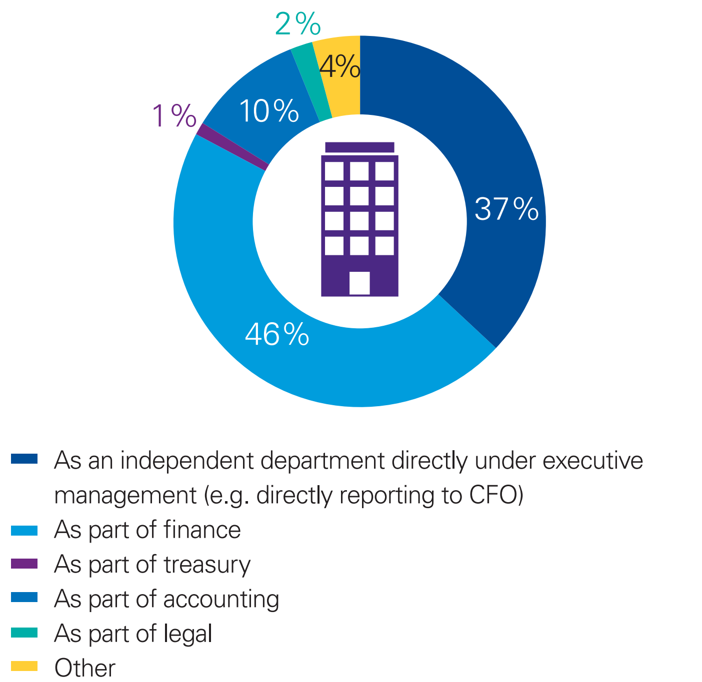
A tax department structure that centralizes management and resources can help achieve these ends. Centralization can help ensure accountabilities are clear, the right mix of dedicated and shared resources is available, and processes and technologies are leveraged to improve consistency, quality and efficiency.

Among Latin American tax functions, survey results show that many companies are moving toward greater centralization of tax resources and activities. However, companies may have opportunities to further centralize accountabilities and activities, for example, through greater use of shared service centers or other centralized sourcing models.

Reporting lines

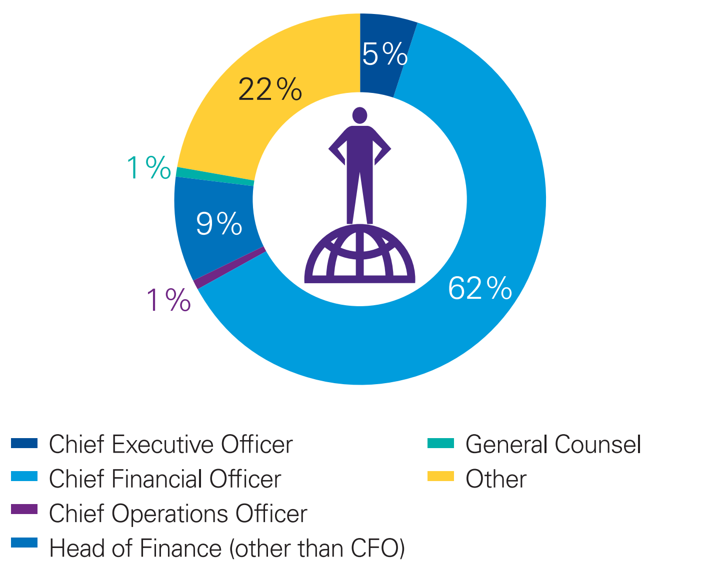
Within Latin America, most tax functions fall within the finance function, although 37 percent are independent. About 71 percent of tax leaders in Latin America report to the CFO or other Head of Finance, while a handful report to the CEO directly.

In your organization, which department does your central tax department fall within?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Who does the tax leader report to?



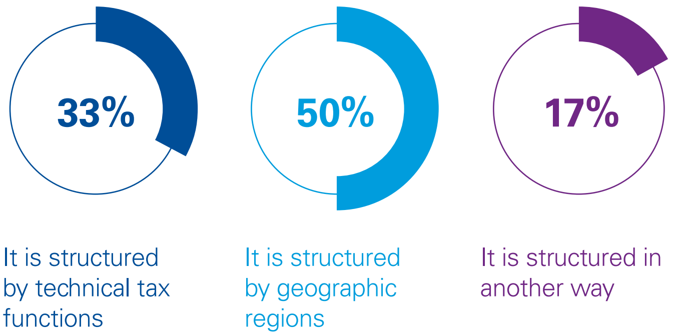
Source: 2017 Global Tax Benchmarking Survey, KPMG International

Tax department structure

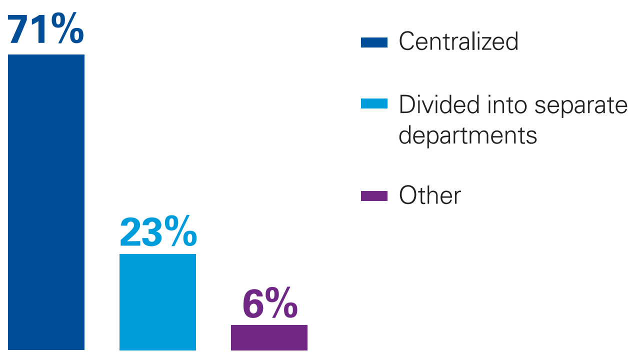
Respondents in Latin America are more likely to say their corporate tax department is structured by geographic region (50 percent) than by technical tax function (33 percent).

For many respondents, the core functions of tax compliance and tax planning are centralized under the corporate tax department, rather than divided among separate departments.

Is the corporate tax department of the organization structured by technical tax functions or by geographic regions?



Are the core functions of tax compliance and tax planning centralized under the corporate tax department or are they divided into separate departments?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Staffing and sourcing

The overall global data indicates that, on average, tax functions of respondent organizations have 16 full-time employees (FTE) at their tax department headquarter (HQ) location and an average of 27 FTEs at other locations around the world. From the respondents in Latin America, an average of 26 FTEs was estimated for the tax department at the HQ location.*

Over half of Latin American tax departments report that they are responsible for domestic reporting, while fewer have responsibility for global reporting. For the majority of respondents, the tax department has primary responsibility for:

— tax returns/compliance

— tax department administration

— research and planning (excluding transfer pricing)

— merger, acquisition and restructuring activities

— business unit support and consulting

— controversy and audit defense

— accounting for income taxes.

The majority of Latin American tax functions are also responsible for tax risk management and governance and for day-to-day processing of intercompany transactions, but a sizable minority report that these activities are performed by other parts of the organization.

Are you responsible for domestic reporting?

Source: 2017 Global Tax Benchmarking Survey, KPMG International

*In some cases, Latin America survey respondents represented their HQ location and in some cases they represented tax departments in non-HQ locations.

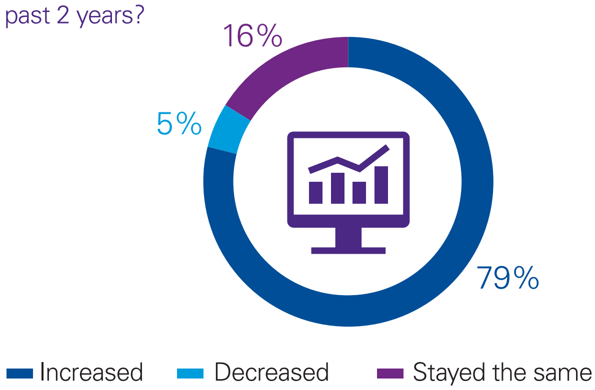
Respondents to the Latin America survey report that responsibility for tax technology is divided almost equally between tax and other departments, while nearly one-quarter outsource most of their technology-related activities to tax service providers.

Consistent with results from peers around the world, a majority of tax leaders in Latin America report that their departments do not utilize a shared service center to handle any of their activities. Of those that do, almost 80 percent have increased their shared service center utilization (compared with 60 percent globally), while only a few have decreased it. The processes most commonly delegated to shared service centers are accountancy/general ledger, fiscal declaration processes (e.g. for VAT purposes) and tax return preparation.

The majority of these shared service centers (58 percent) are onshore relative to the processes for which they are used.

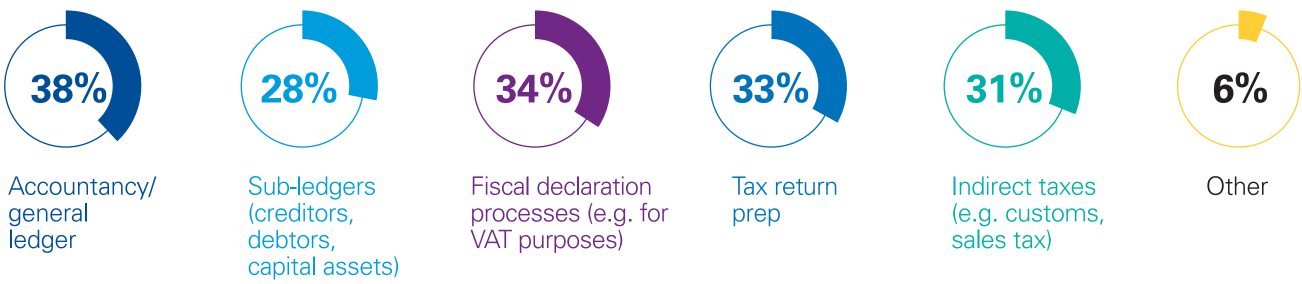
Does your tax department utilize a shared service center to handle any part of its function?

If so, would you say that utilization of the shared service center has increased, decreased or stayed the same in the past 2 years?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

What processes are delegated to the shared service center?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Structure of the transfer pricing function

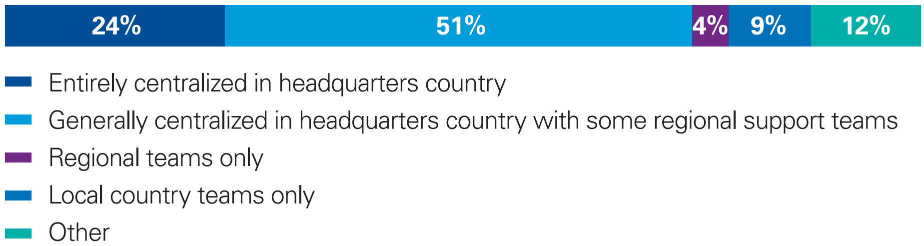
Due to increased tax authority interest and activity in recent years, transfer pricing risk has been rising. This area is expected to put even more demands on tax teams in the coming years as countries implement the transfer pricing recommendations arising from the OECD's Action Plan on BEPS. Centralizing transfer pricing activities may facilitate more effective, efficient and consistent compliance globally as country-by-country reporting, master file/local file documentation requirements, and automatic exchange of tax information among tax authorities come into force.

In this light, it is encouraging to see that the majority of respondents surveyed are in step with global norms, reporting that their transfer pricing functions are either entirely centralized in the headquarters country or generally centralized with some local support. Only 13 percent of Latin American transfer pricing functions are local or regional.

Many central tax departments are responsible for transfer pricing documentation for associated domestic entities, and about half of them are responsible for associated foreign entities. Further, as discussed later in this report, a significant number of companies plan to invest in transfer pricing and country-by-country tax reporting software in the next 5 years.

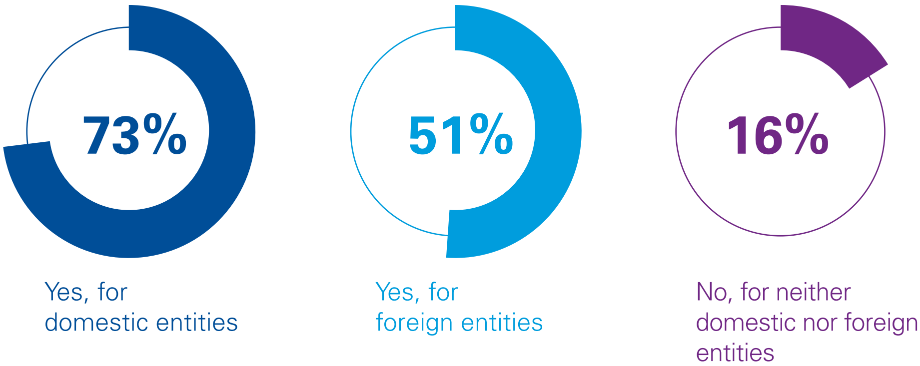
A manufacturing company tax leader observed that centralizing transfer pricing support with one external global supplier "can add value and actually generate more comfort on the side of the tax administration."

What is the operating model/organizational structure of your transfer pricing function?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Is your central tax department responsible for the transfer pricing documentation for associated entities?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

"While in the past, many organizations in Latin America have been slower to bring tax leaders to the executive leadership table, this appears to be changing. The increasingly strategic role of tax leaders will help to elevate the profession much as we have seen in other regions such as Europe."

Cecílio Schiguematu
Head of Tax for Latin America
KPMG in Brazil

Tax leader takeaways

Tax departments today:

- Within Latin America, nearly half of tax functions fall within the finance function, although more than one-third are independent.
- Latin America companies' corporate tax departments are most commonly structured by geographic region, and the core functions of tax compliance and tax planning are conducted by the tax department, rather than separate departments.
- The majority of Latin American tax departments do not use shared service centers to handle any of their activities. Thus, companies may have opportunities to further centralize accountabilities and activities through greater use of shared service centers or other centralized sourcing models.
- The transfer pricing functions of many respondents in Latin America are either entirely or generally centralized in the headquarters country. This result is encouraging given the significant challenges ahead as countries implement transfer pricing-related proposals under the OECD's Action Plan on BEPS.

Tax leader perspectives

"A centralized tax department model provides a clear direct and functional line of reporting of all the tax staff to the global tax function, and a dotted line in each country to the broader finance function. This offers an independent platform for the tax function from a business perspective."

Tax leader of a global company in the fast-moving consumer goods sector.

Interacting with management and the board

KPMG International research shows that the most successful tax directors take proactive steps to develop a strong understanding of the tax and business environment within which they operate. They also work to engender close integration with the business colleagues they support. While complete and accurate compliance is critical, helping management and the board make the most tax-effective decisions in line with the company's broader business goals and proactively bringing ideas to help achieve objectives are equally important for achieving superior results.

One entertainment company tax leader pointed out that a key to being an effective business partner is understanding the "value drivers of each function within the business, which are the management priorities. It has to be a win-win scenario, by which tax helps business units fulfill their objectives without unacceptable risk, while achieving significant tax savings in some cases."

In one-on-one interviews, many respondents noted that support from upper management and the board are among the most influential factors driving successful tax integration with the business. A tax leader of a fast-moving consumer goods company observed that, with greater centralization of finance and tax activities and with tax taking on more weight in strategic decisions, tax leaders are better positioned to reinforce their profile with upper management and the board.

Several interviewees mentioned the importance of communication skills in this regard. As a tax leader of a transport and infrastructure company said, "Good tax work is substantially a matter of good translation to the business, which requires you to combine solid technical background with clear communication skills. In current times, the second quality is arguably more important than the first."

Management is informed of tax and fiscal matters at least monthly for a significant majority of respondents in Latin America, and weekly for one-quarter. Latin American tax departments most commonly report to management formally and in writing, adhering to guidelines and directives. However, one-quarter say they report informally in writing, while just over one-quarter report orally at formal reporting meetings.

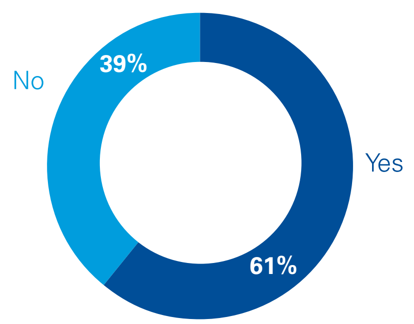
About 43 percent of tax leaders with Latin American responsibilities attend executive leadership meetings to report on tax issues and opportunities at least quarterly, while 48 percent are only included in these meetings on an ad hoc/as needed basis.

About three-quarters of respondents say their tax department's performance in fulfilling its obligations (excluding customs) is internally monitored (e.g. by internal audit). Over half have access to internal audit reports and documentation, while just over one-third have access to reports and documentation of the compliance function.

Less than half of respondent companies in Latin America, a board member (or board-level individual) has been assigned responsibility/accountability for tax, compared to two-thirds globally.

Tax is included on the board meeting agenda on an ad hoc/as needed basis for about 43 percent of respondents in Latin America.

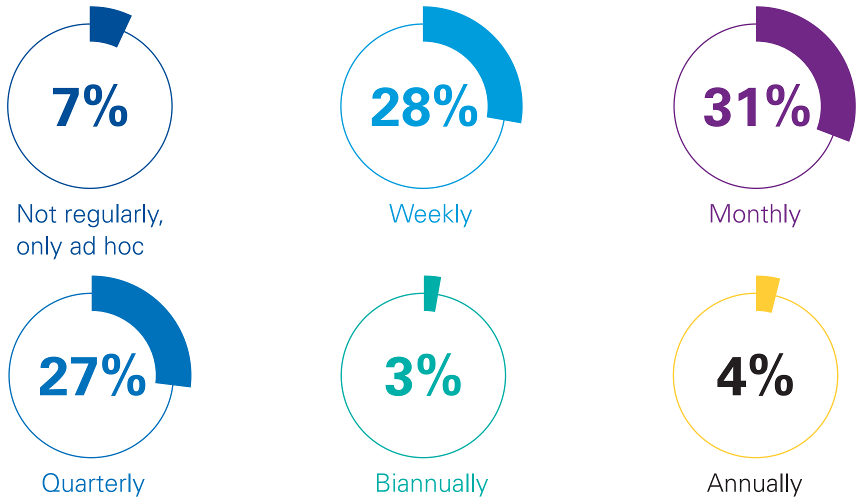
Does a board member (or board-level individual) take responsibility/accountability for tax?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

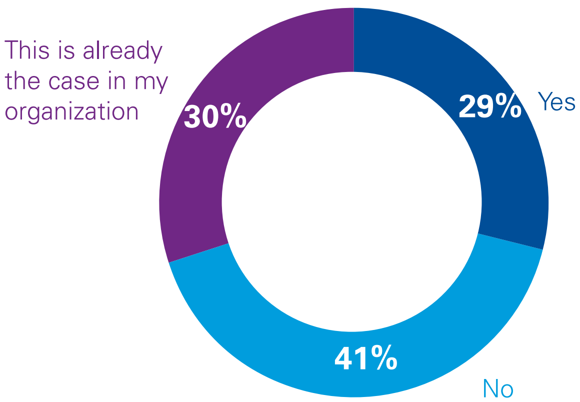
Fewer respondents have tax as a standing agenda item for the board quarterly (34 percent), monthly (10 percent) or at every board meeting (7 percent). Tax appears on audit committee agendas with slightly less frequency.

How often is management informed of tax/fiscal matters?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Do you foresee that by 2020, the tax leader of the organization will be at the executive leadership level?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Tax leader takeaways

Interacting with management and the board:

— Compliance may be 'the king', but helping management and the board make the most tax-effective decisions and proactively bringing ideas to help achieve objectives are also important for achieving superior results.

— Support from upper management and the board are among the most influential factors driving successful tax integration with the business.

— Providing effective support to management and the board requires both technical tax skills and the communication skills to explain tax matters clearly and concisely.

— About 43 percent of tax leaders with Latin American responsibilities attend executive leadership meetings to report on tax issues and opportunities at least quarterly, while 48 percent are only included in these meetings on an ad hoc/as needed basis.

— Forty-three percent of respondents say tax is included on the board agenda on an ad hoc/as needed basis only.

Tax leader perspectives

"To enhance the tax function's goodwill at the C-suite table, you need to show that you're willing to be a part of the company team. It takes time and effort to create awareness of the tax goals and persuasive skills to advance the tax culture. A constant habit of listening to and understanding the other business functions is critical. The worst mistake would be to ignore C-level priorities and lose alignment, for example, by focusing on income tax savings when the CFO is really focused on above-the-line taxes in order to increase profits."

Tax leader of an international design and manufacturing company.

Tax departments of the future

Earlier in this report, we noted that an efficient and effective tax department is structured to ensure accountabilities are clear, the right mix of dedicated and shared resources are available, and processes and technologies are leveraged to improve consistency, quality and efficiency. Are companies in Latin America prepared to make the investments in people, processes and technology needed to create tax departments designed to meet the challenges of the future?

Survey results suggest that the trend toward greater centralization and standardization will continue. Standardizing processes is a high priority for tax leaders in Latin America over the next 5 years, and tax technology and process optimization are their preferred choices for new investment. A high majority of Latin American companies are looking to enhance their tax team's technical skills, and many say it's important to broaden their tax staff's skills with training in areas that are important for advising the business and adding value.

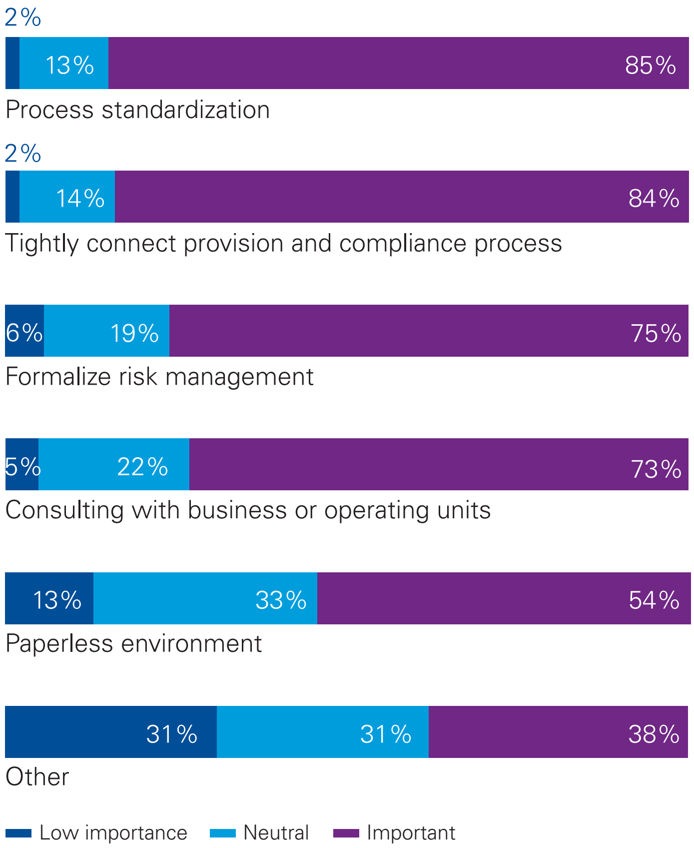
As an agricultural company tax leader said, "The winning formula for a tax department is smart people and good systems."

Priorities for improvement

As with tax departments globally, a strong majority of respondents in Latin America say the trend concerning organization of tax departments is moving toward greater centralization. Topping the list of process improvements that respondents hope to see in the next 5 years are:

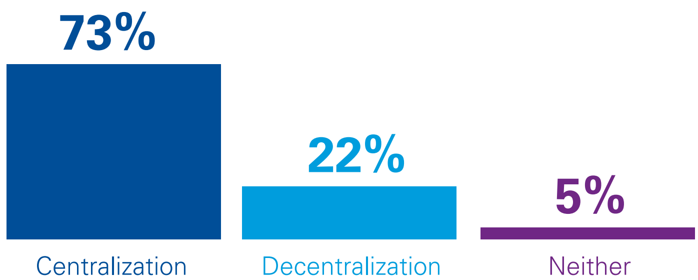
1. process standardization
2. tightly connect provision and compliance processes
3. formalize risk management process
4. consulting with business or operating units.

How important is it that you achieve the following process improvements over the next 5 years?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

In your opinion, is the trend concerning organization of tax moving more toward centralization or decentralization?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Staffing and sourcing

In step with the global norm, just over one-third of respondents expect tax headcounts to remain the same over the next 5 years, while over half of respondents expect their number of FTEs to increase — with one in five projecting their headcounts will grow from 10–20 percent, and one in 10 projecting an increase of more than 20 percent.

Most respondents with Latin American responsibilities believe it's important to invest in advancing their tax team's skills over the next 3 years, with tax technical skills training ranked as important or very important by 87 percent of respondents. Notably, training in tax technology skills was the second category most often reported as important to develop among tax professionals. Training in softer skills — general business acumen, finance, project management, and communications — were each named as important or very important by the majority of respondents.

In addition to hiring and training staff, over half of respondents in Latin America expect their use of co-source resources from tax providers to increase over current usage, significantly higher than the one-third of respondents who plan to do the same globally.

Many respondents in this region also plan to increase their use of:

— finance shared service centers

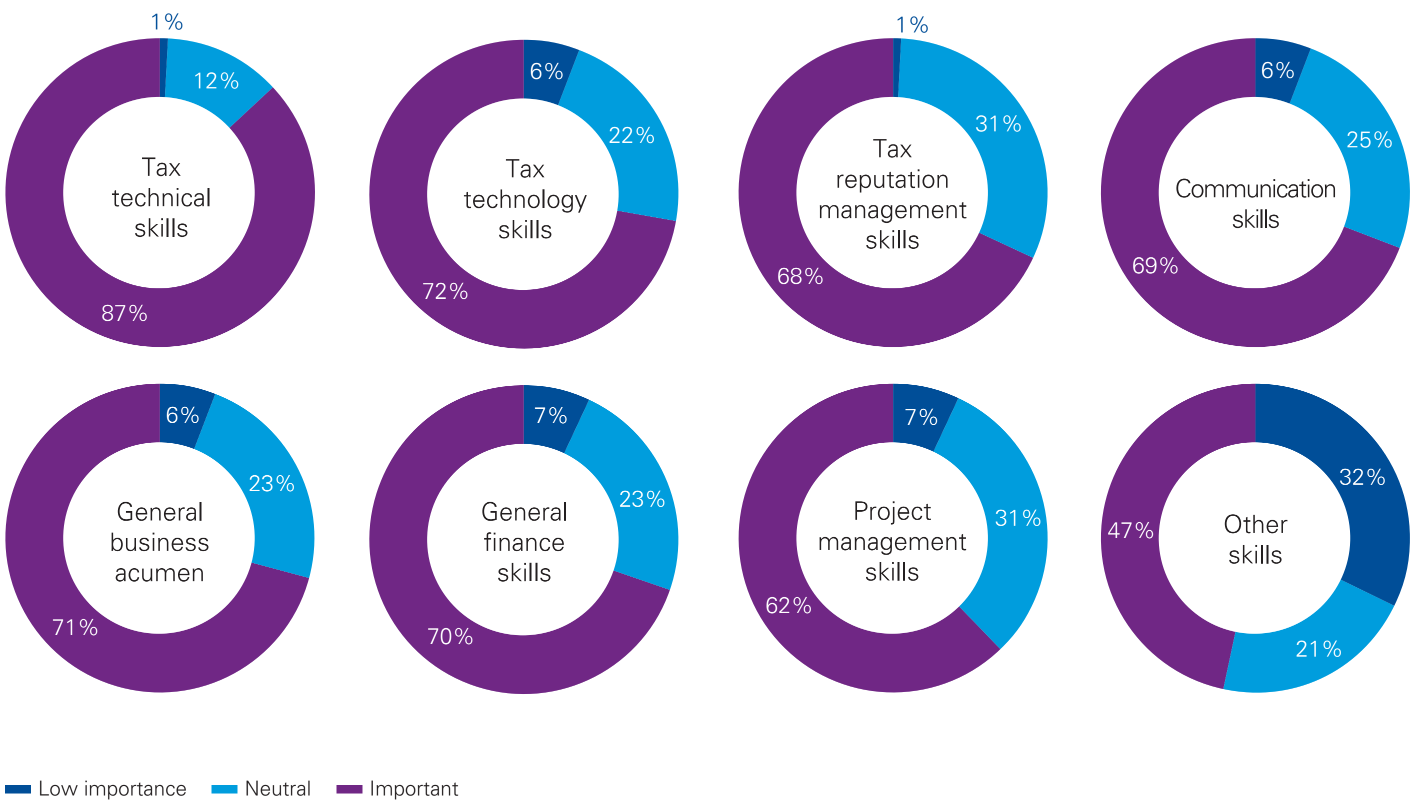
— centers of excellence for key functions such as transfer pricing and transactions

— offshore resources to take advantage of wage arbitrage

— virtual work environments to source their global tax departments remotely.

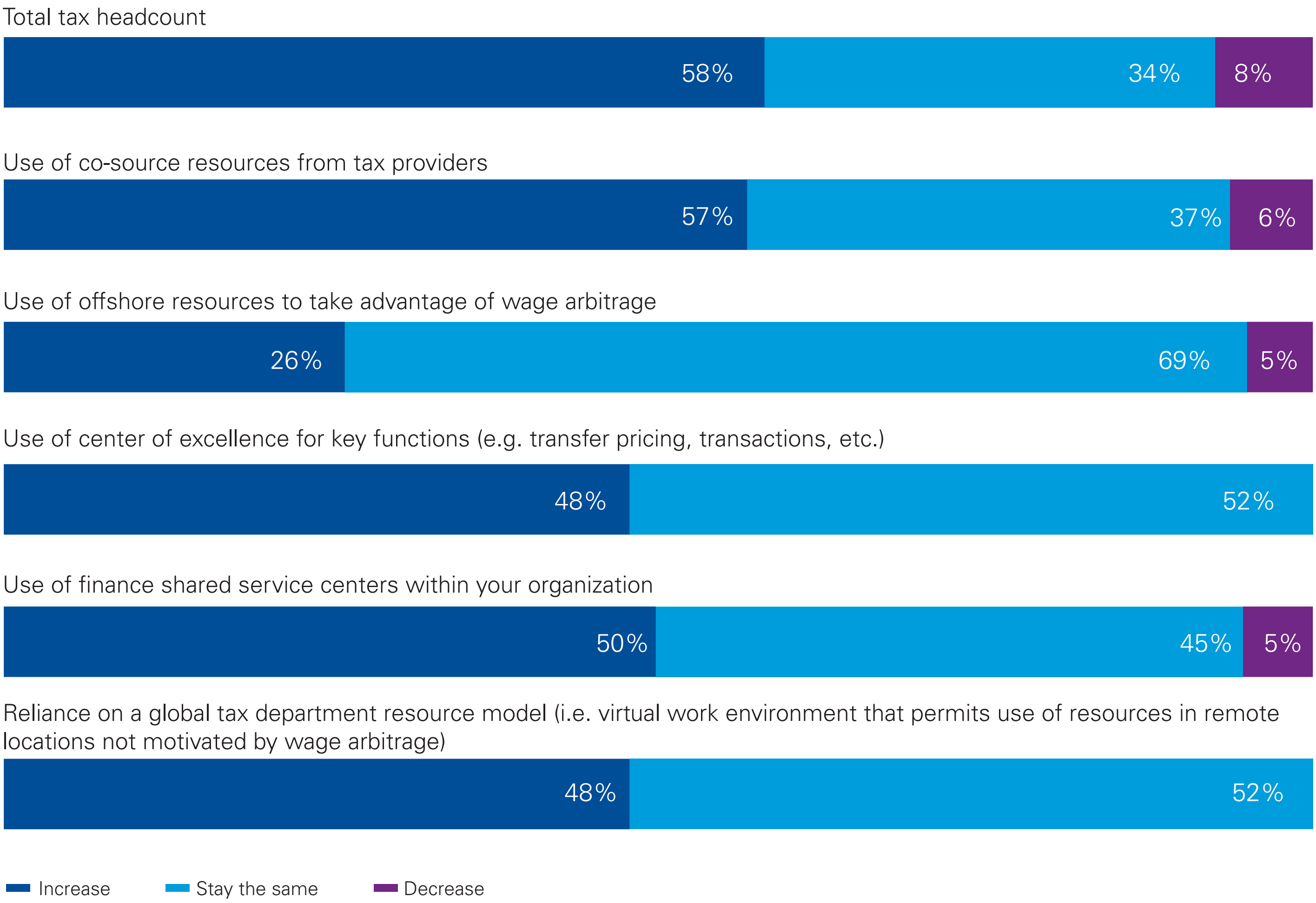
Relatively few companies plan to decrease their use of any of these sourcing options.

How important is it to invest in advancing the following skills in tax department employees within the next 3 years?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

What will your resource model look like in the next 5 years?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Tax technology

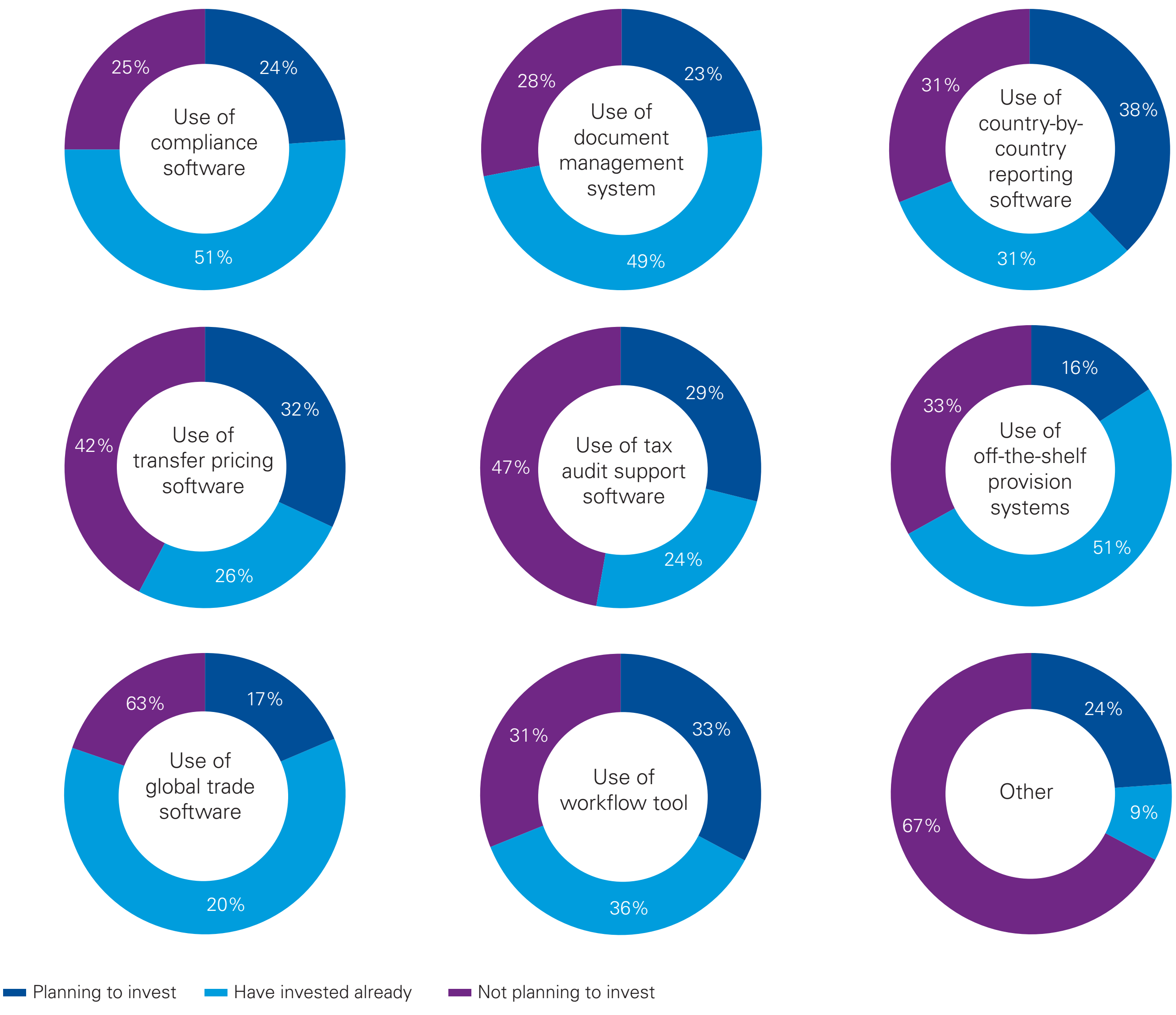
The Latin American tax authorities' increasing demands for electronic invoicing and reporting is propelling Latin American tax functions to move ahead of their global peers in their use of tax technology. Compared to their global counterparts, Latin American companies are making more use of opportunities to drive increased efficiencies by using tax-related software. Compliance software, off-the-shelf provision systems and document management systems are the most popular packages, each of which is currently used by about half of companies.

One-quarter of respondent companies that do not currently have compliance software and/or document management systems plan to acquire them in the next 5 years, while slightly more plan on investing in tax audit software in the near term.

The majority of companies do not currently use tax software for tax audit support, global trade or workflow, but there appears to be some appetite for new acquisitions of these tools among a minority of respondent companies. Tax leaders in the region expect to continue to invest in tax technology, with three-quarters of respondents predicting even more investment in this area over the next few years — a number that is even higher than peers elsewhere in the world.

Many respondent companies plan to increase their use of country-by-country reporting and transfer pricing software. Just over one-third of companies in Latin America use transfer pricing software now, and slightly more use software for country-by-country reporting. However, a significant proportion of companies not currently using country-by-country reporting or transfer pricing software expect to acquire them in the next 5 years.

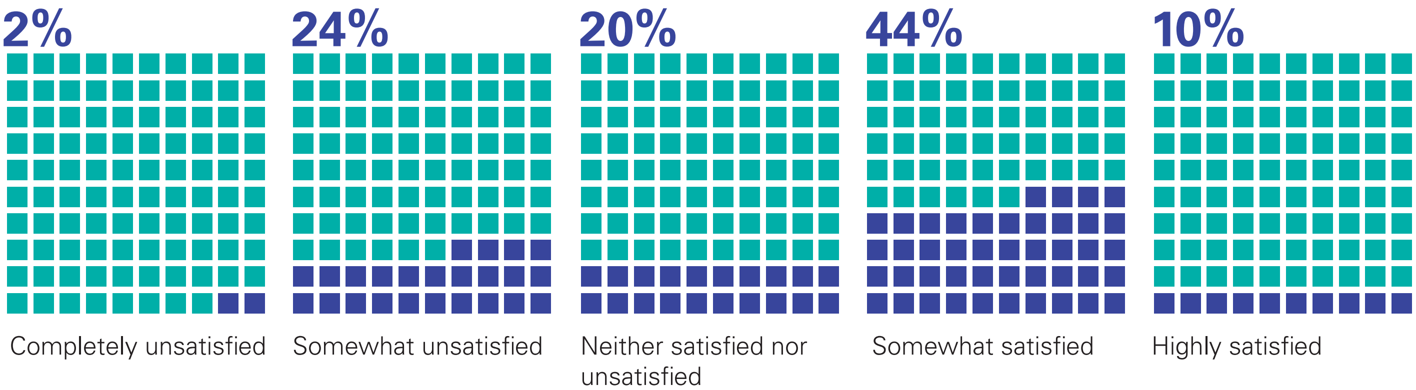
As tax departments leverage technology for their processes to differing degrees, which tax technology tools are key areas of investment now and in the next 5 years?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

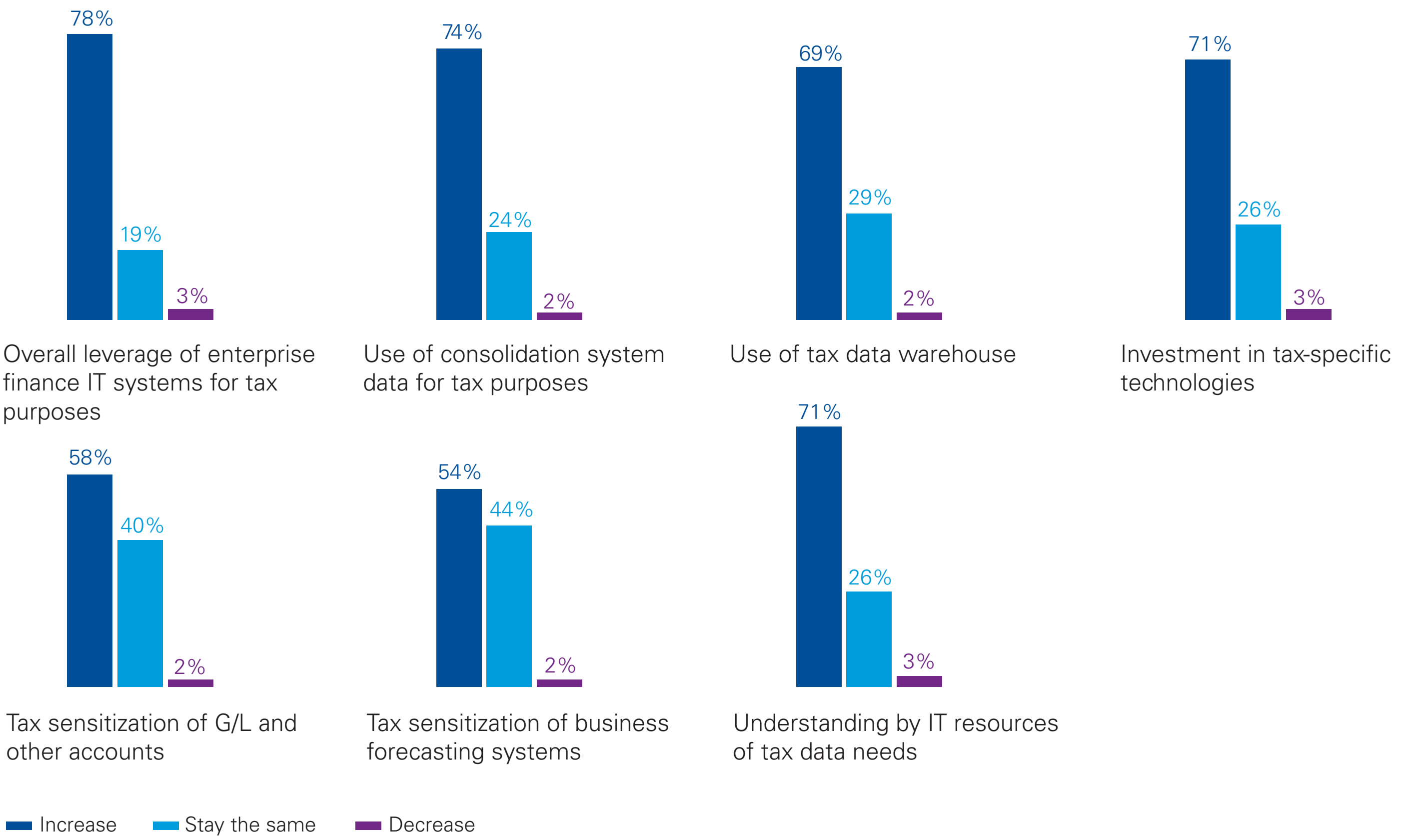
In terms of satisfaction with the ability of their companies' enterprise resource planning (ERP) systems to provide necessary tax data, respondents in Latin America seem more satisfied than their global peers. Over half report satisfaction with their ERP system's delivery of tax information, compared to one-third globally.

How satisfied are you with your organization's ERP systems in terms of providing necessary tax data?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

What changes do you expect to see in the systems that supply tax information over the next 5 years?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Many Latin American companies are set to shift the way they leverage the systems that supply tax information. Over the next 5 years, respondents expect technology changes to be made in the following areas (in rank order):

1. overall leverage of enterprise finance systems for tax purposes
2. use of consolidation system data for tax purposes
3. understanding by IT resources of tax data needs
4. investment in tax-specific technologies
5. use of tax data warehouses
6. tax sensitization of the general ledger and other accounts
7. tax sensitization of business forecasting systems.

If tax leaders were to receive a generous budget increase to invest in one area, the top beneficiaries would be (in rank order):

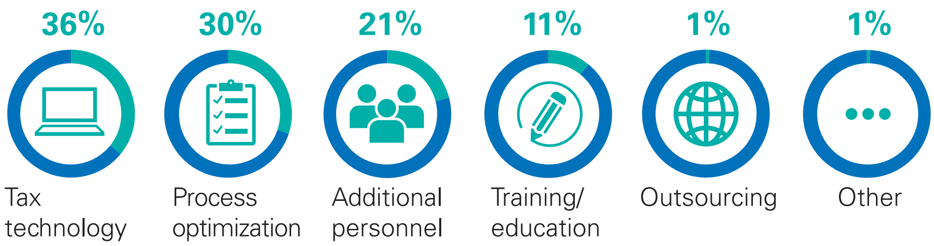
1. tax technology
2. process optimization
3. more people.

These priorities depart from those reported globally, where investing in additional personnel ranked ahead of both tax technology and process optimization.

A manufacturing company tax leader characterizes "the tax environment in Latin America is increasingly challenging, with increased instances of tax audits, which makes accurate tax return compliance and financial reporting the first line of defense."

This tax leader believes "general improvements in processes and systems through technology investments would allow the tax team to focus more quality time on analysis, leading to more robust tax decisions and better preparation to manage tax audits more efficiently and with fewer exposures."

If you received a generous budget increase to invest in one key area of your tax department, where would you invest?



Source: 2017 Global Tax Benchmarking Survey, KPMG International

Tax leader takeaways

Tax departments of the future:

- The trend toward increasing centralization of Latin American tax departments will continue, and process standardization tops the list of tax leaders' priorities for process improvements.
- Over half of respondents expect their number of FTEs to increase, with one in 10 projecting their headcounts will grow by more than 20 percent.
- Over half of respondents in Latin America expect their use of co-source resources from tax providers to increase over current usage.
- Compared to their global counterparts, Latin American companies are making more use of opportunities to drive increased efficiencies by using tax-related software.
- Compliance software, off-the-shelf provision systems and document management systems are the most popular packages.
- Respondents in Latin America seem more satisfied than their global peers in the ability of their companies' ERP systems to deliver necessary tax data.
- Tax leaders' top three priorities for new investment are tax technology, process optimization and people.

Tax leader perspectives

"Tax compliance is an area of high priority that is closely interconnected with the need for applied technology enhancements, particularly regarding tax reporting ... Given the urgent need of governments for tax revenues across the region, the tax administrations have become more efficient, with more prepared staff and better systems and technology. The introduction of data analytics processes could reinforce their tax audit capabilities."

Tax leader of a multinational construction materials manufacturer.

Final thoughts

Overall, the Tax Benchmarking Survey results for Latin America reveal that companies are generally advancing the quality and value of their tax functions in response to the special conditions and unique challenges of the region.

- New tax regulations and legislative complexity are drawing more focus to compliance, causing tax functions to pursue greater centralization and standardization to meet spiraling compliance demands with more efficiency.
- The increase of tax audits in Latin America, coupled with heightened financial and reputational risk, is attracting more attention from boards and management, giving tax leaders more opportunity to gain trust and build their profile by providing sound strategic advice on tax and business issues.
- The tax authorities' growing reliance on new technologies, data analytics and digitalized reporting is compelling Latin American tax functions to move ahead of their global peers in their own deployment of advanced tax software platforms.

Like their counterparts worldwide, tax leaders of Latin American businesses are struggling to balance the compliance imperative against their aspirations to take up a more strategic business advisory role. Current trends suggest that, with the right investments in people, systems and processes, underpinned by a sound tax operating model, tax functions in Latin America are on track for success in the years to come.

Contacts

Devon Bodoh
Principal-in-Charge of Latin America Markets, Tax
KPMG in the US
T: +1 202 533 5681
E: dbodoh@kpmg.com

Alfonso Pallete
COO of Latin America Markets, Tax
KPMG in the US
T: +1 305 913 2789
E: apallete@kpmg.com

kpmg.com

kpmg.com/socialmedia

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