



Podcast transcript

Tax reimagined.

Podcast with Sean Bloodwell, Head of Global Compliance Management Services, KPMG International

Musical intro

Announcer:

Hello and welcome to another episode of the KPMG podcast series for tax leaders. For this episode I spoke to Sean Bloodwell, Head of Global Compliance Management Services at KPMG International, and a Partner with KPMG in the US. Sean has over 15 years' of experience helping businesses with tax compliance, tax controversy services, income tax and accounting issues and general tax consulting. When I caught up with Sean on the phone last week, we talked about approaches companies are taking to their tax operating model.

Hi Sean and thanks for joining us today. This is obviously an interesting topic and one that we're seeing more companies focusing their attention on as of late.

So let me start at the beginning by asking you what kind of trends you're seeing that are impacting how companies approach their tax department's operating model?

Sean:

Right now we see a significant amount of activity in this area and in order to have discussions like this we really, kind of created five categories of areas where we see these type of trends. The first is just political trends, significant amount of tax reform, led of course by the US, but not isolated to the US, increase tax transparency, all this is putting a lot more pressure on tax departments with increased compliance requirements and oftentimes inter-jurisdictions with lower tax rates. The second major trend we see is just in technology, there are a significant amount of tools that are now available for tax departments to become more efficient, you know whether it's RPA or machine-learning, this not only creates opportunities for tax departments, but can create challenges as they, you know, having the access to the technology is one thing but being able to implement it successfully is another, and that creates risk from an investment standpoint. The third major trend is just economic, how are tax departments structuring themselves to deal with some of the economic challenges they're facing of always trying to do more with less? And one reaction we're seeing in the marketplace are 'lift-out' transactions, or at least discussions around 'lift-out' transactions where parts of a tax department are lifted out from

the tax department and moved to an accounting firm who takes over those responsibilities. We also see significant efforts around transformation of tax department functions and centralization of tax department functions as they follow finance in a migration to a shared service center. The fourth area we see is social, just dynamic workforce, people working for a company for less years than they would have in the past, a more transient workforce, different pressure with respect to training and moving people along, exposing them to different things. That's a trend that's creating challenges for tax departments. And finally, just the regulator, the regulator has changed the way they're approaching things. You have extremes like Brazil where they're requesting companies to just provide them with raw data and they'll effectively calculate their tax which obviously creates a different skillset needed at the company. So those are really the trends that we see.

Announcer:

So Sean, based on these trends, how do you see companies reacting? What is it they're doing?

Sean:

This is interesting, so following-up on the last question, there is a lot going on, there's a lot of pressure on tax departments and they're reacting in different ways. So you have some that are sticking their head in the sand and saying 'look this stuff is going to work itself out and I'll kind of see how it works out and then when I emerge I'll kind of take the best practices that emerge and build that into my tax department'. That's clearly one reaction we see. I think some companies are struggling with that because there's pressure to react now. The other extreme is that you see companies that are just kind of 'it's the flavor of the month', every month there's something new, they're trying it with various results, sometimes it works well, other times it doesn't. What we really see working well are companies that take a middle-ground, or a strategic approach, evaluate all these trends collectively and build a strategy that is comprehensive and addresses them all at the same time versus either ignoring them or dealing with point solutions.

Announcer:

From a sourcing stand-point, Sean, we've seen some pretty dramatic lift-outs. Is everybody doing this?

Sean:

Obviously, you know usually a questions like that is somewhat loaded. No, not everybody is doing it, however, a lift-out transaction just by its nature is one that is going to get attention. So while we don't see everybody doing it, we do see everybody talking about it, and so it's generated a lot of conversation and it's generated a lot of pressure on tax departments to evaluate what their resourcing model should be. So my answer would be no, everybody is not doing it but everybody is thinking about it and that's causing companies either to re-evaluate their current resourcing model, spend more time and effort on transforming that, or potentially looking for specific areas within their function to either outsource or co-source and then in the extreme example, we do see some companies going through a lift-out transaction.

Announcer:

So Sean, if you could leave out listeners with some advice here, do you have a view on the best way to face these challenges? And if so, how does it work?

Sean:

Well I kind of touched on this earlier when I talked about how we see companies reacting. But in my view, the companies that are most successful in today's environment are those that start with strategy, really understanding and articulating, not only what their tax department's strategy is, but how it aligns with the overall strategy of the company. Those are the ones that are taking in a more comprehensive view of the challenges that you see today and actually looking at it as an opportunity. Once they've been able to articulate their strategy, they then look to items like how they source their labor or operations, what they do from a technology standpoint, or what their standardized processes are going to be or how they measure performance. Those are the tactical secrets that will unleash the strategy. So again the ones that I see are being successful are the ones that are more comprehensive, they're not ignoring the environment but they're also not over-reacting to every latest trend. They're taking a step back and they're building a comprehensive plan, they're sticking to it but they're also keeping their eyes open and understanding that this is a dynamic environment and that you need to be open to new things as they come along. So it's really that strategic view that I see taken today.

Announcer:

Thanks very much for joining us today Sean, you've left us with a lot to think about. No doubt we'll return to this topic in the future.

Please join us again next time and please do email us with any suggestions you have for future topics at tax@kpmg.com. Thanks for listening!

Musical exit

