



Tax Reimagined — what's next?

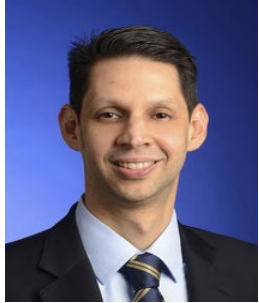
Sourcing models

Future of Tax & Legal webcast series

—

11 May 2021

Today's presenters



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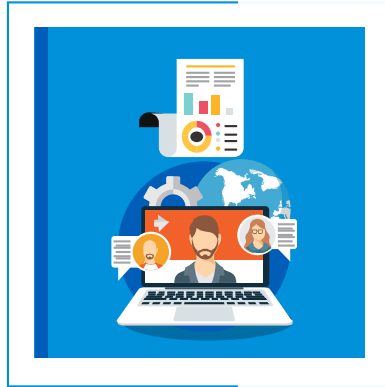
Aysha Sammy
Director, Tax Reimagined
KPMG in the Netherlands

Topics for discussion



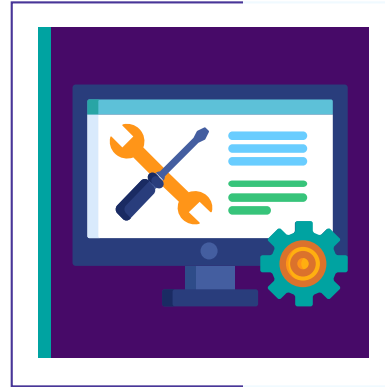
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**Challenging
times for the tax
function**



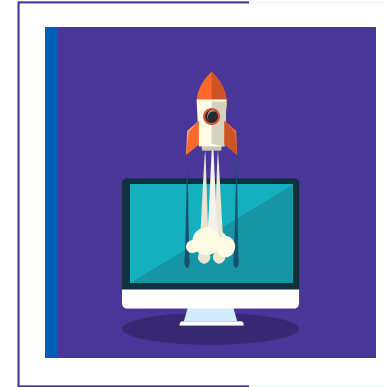
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**Sourcing
options**



3

**How clients can
develop their
TOM**



4

**Transitioning to
the new model**



5

Q&A

Administration

Polling questions

- Polling questions will appear as we proceed through the presentation.
- As mentioned, in order to receive the certificate of attendance, we require participants to take part in at least four of the six polling questions.
- If you qualify for the certificate of attendance, it will be sent to you following the webcast.



Attendee questions

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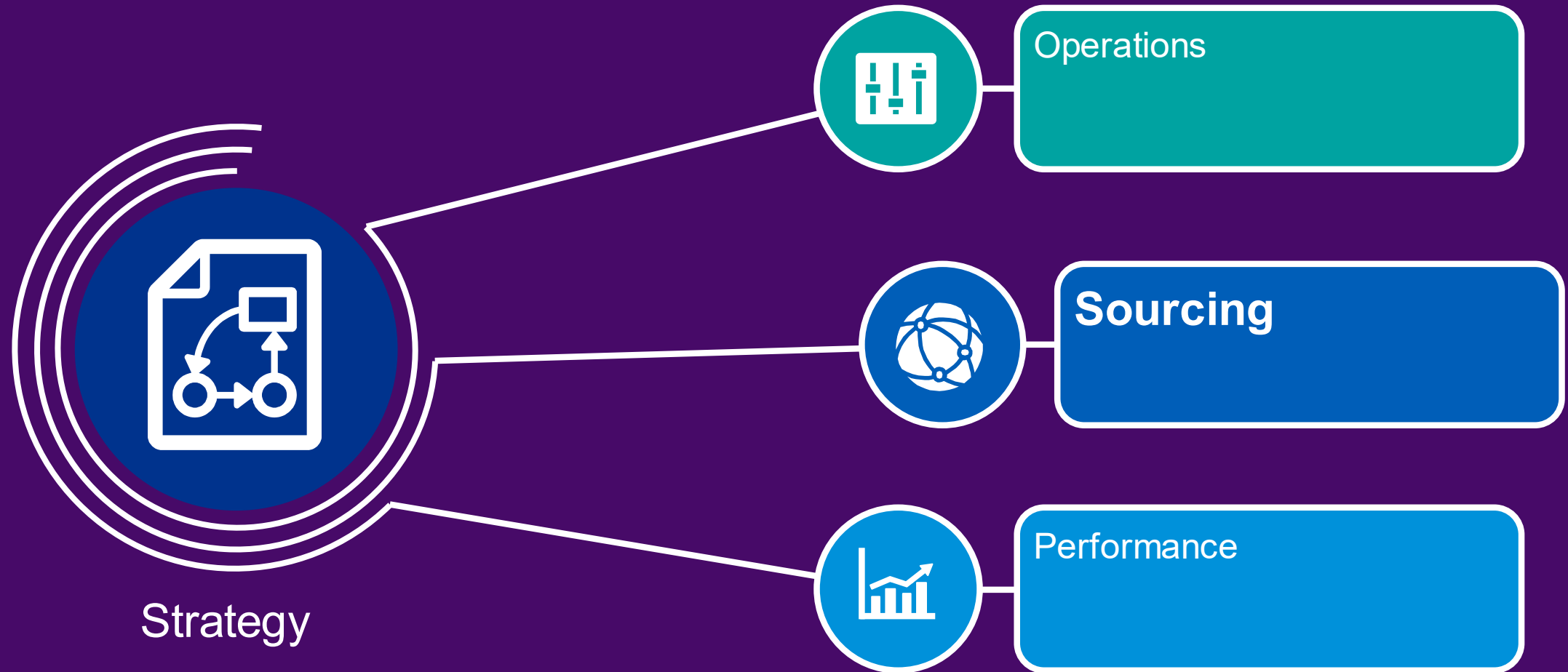


Challenging times for the tax function



Jay Ayrton
Partner,
Head of Tax Reimagined
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Key components of a reimagined tax function

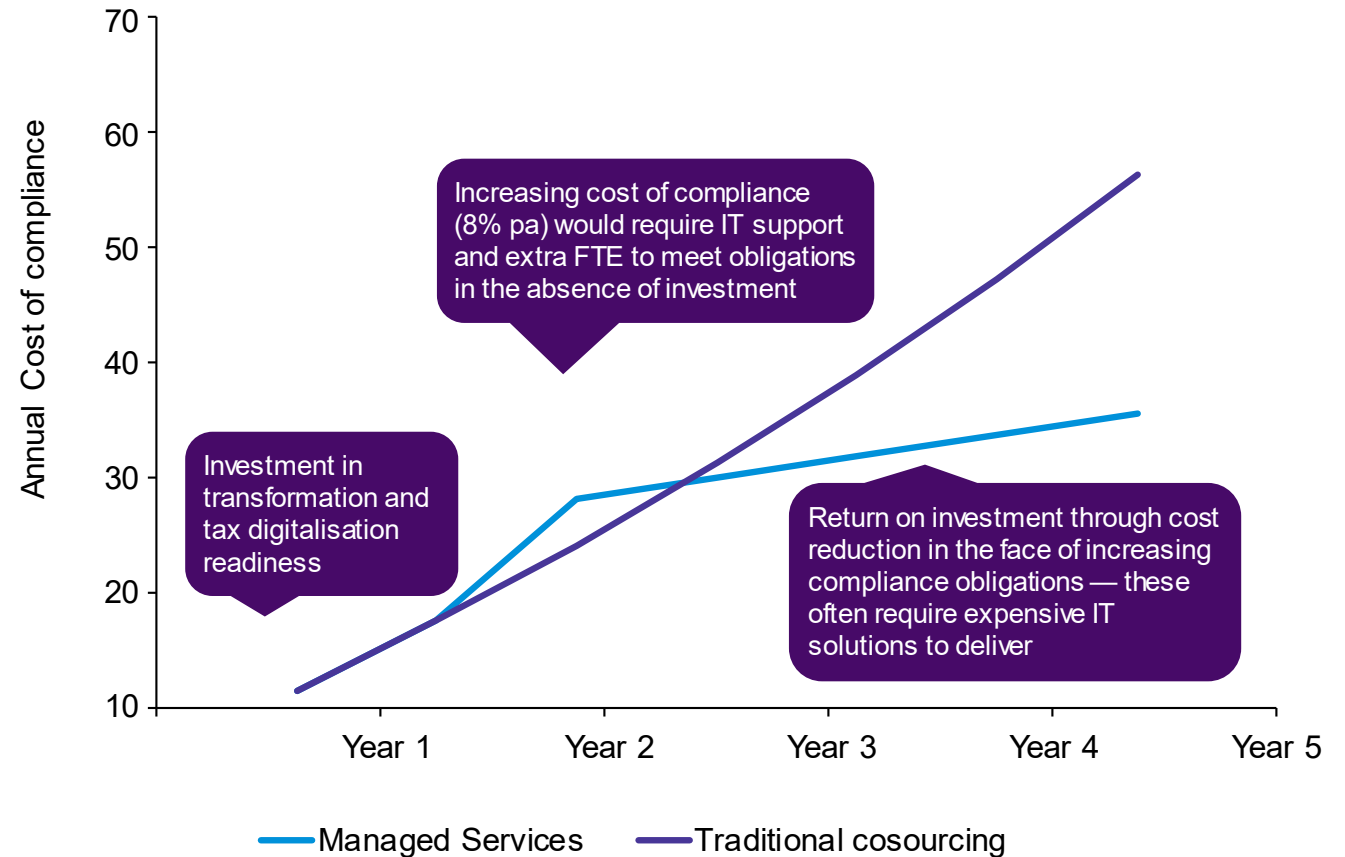


Key market observations

Key observations

- Increasing cost of compliance due to increasing/more onerous filing obligations
- Internal cost of investment in areas like technology proving prohibitive particularly given lack of scale
- Third party supported technology transformation is accelerating cost reduction and future proofing compliance
- Managed Services is more attractive than compliance co-sourcing as focus has shifted to data management
- Integration across statutory accounting and business taxes (direct, indirect, transfer pricing) enables data management benefit and improves risk management

Illustrative cost of compliance trajectory — Potential to achieve savings of 20–40 percent



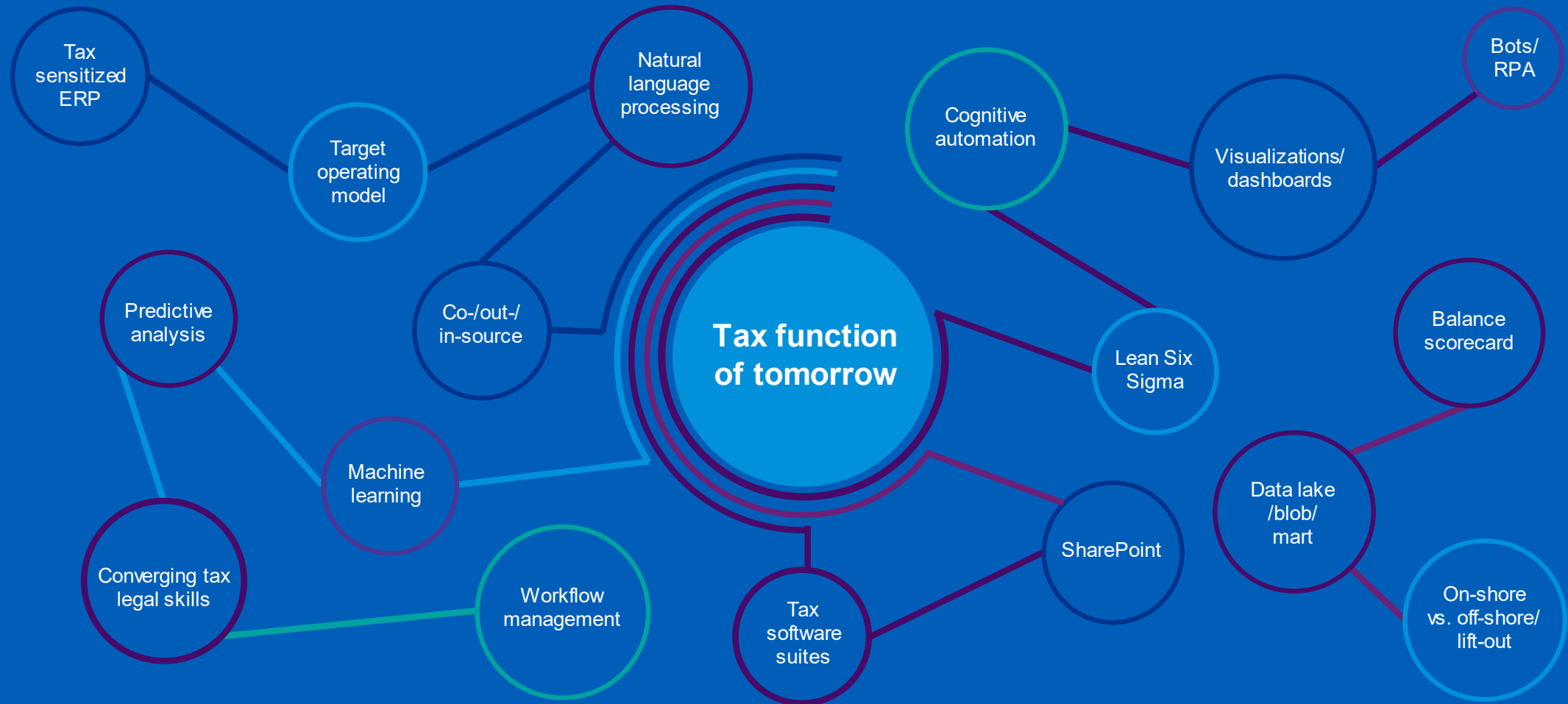


Sourcing options

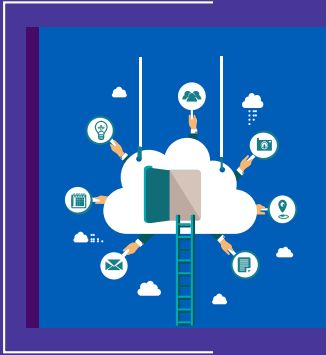


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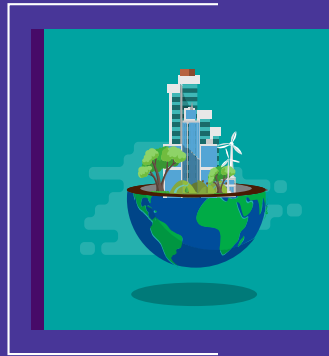
Making sense of all the approaches



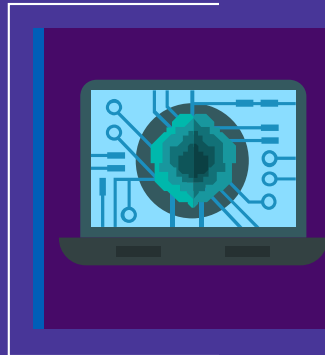
Sourcing — key considerations



Centralised vs
decentralised



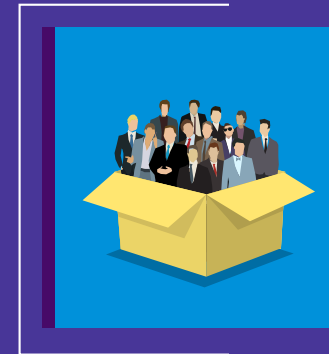
Global footprint



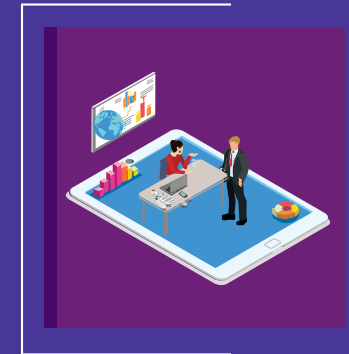
Number of ERP
systems



Tax and risk profile



Resourcing and
retention



Established delivery
centres

Compliance delivery models

1. In-source

Use of internal resources to meet tax department needs

2. Co-source

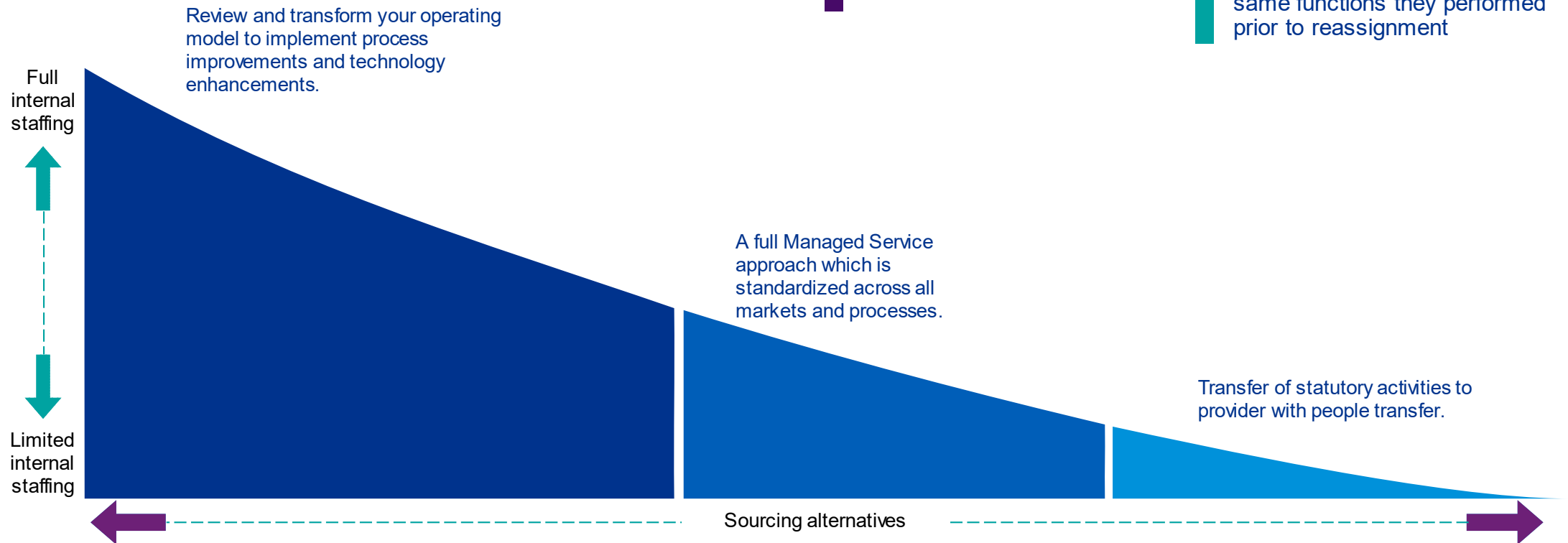
Balanced model of internal and external resources to meet tax department needs

3. Managed services

Transformation of compliance processes through partnership with provider

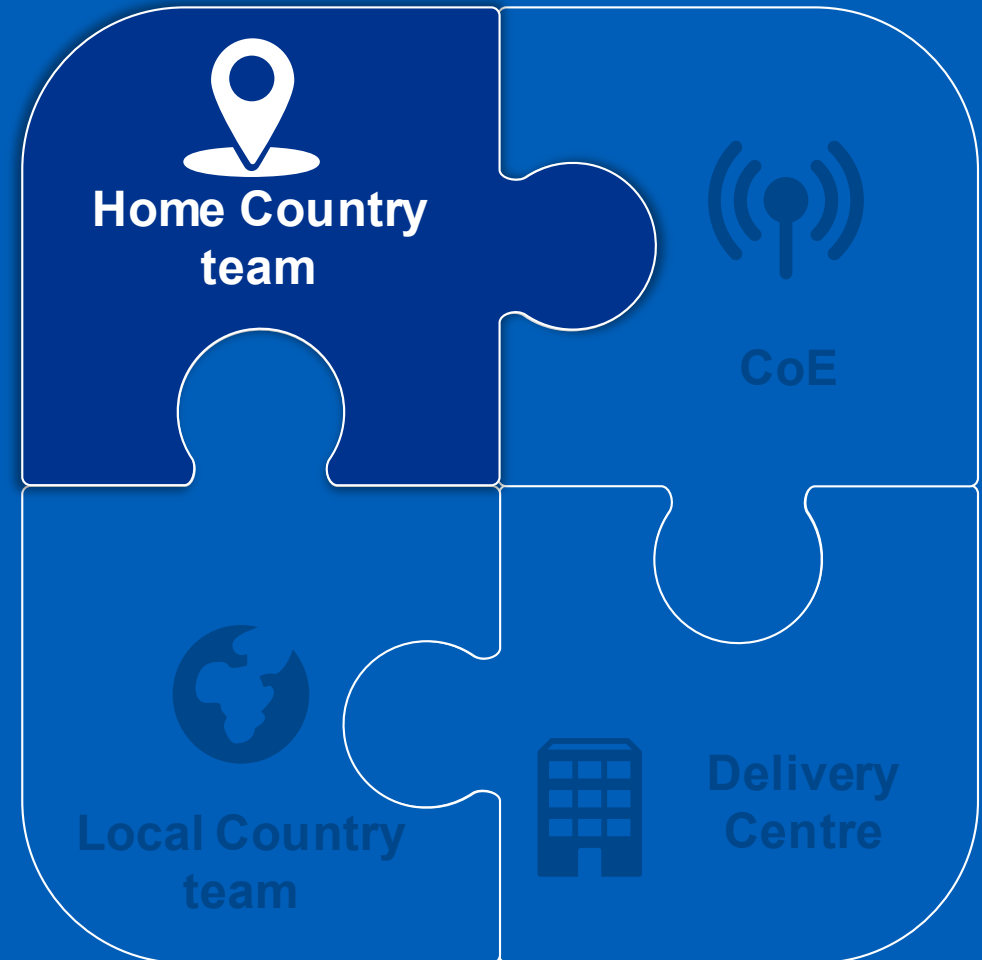
4. Lift-out

Various employees from the company are 're-assigned' to the service provider while continuing to perform the same functions they performed prior to reassignment



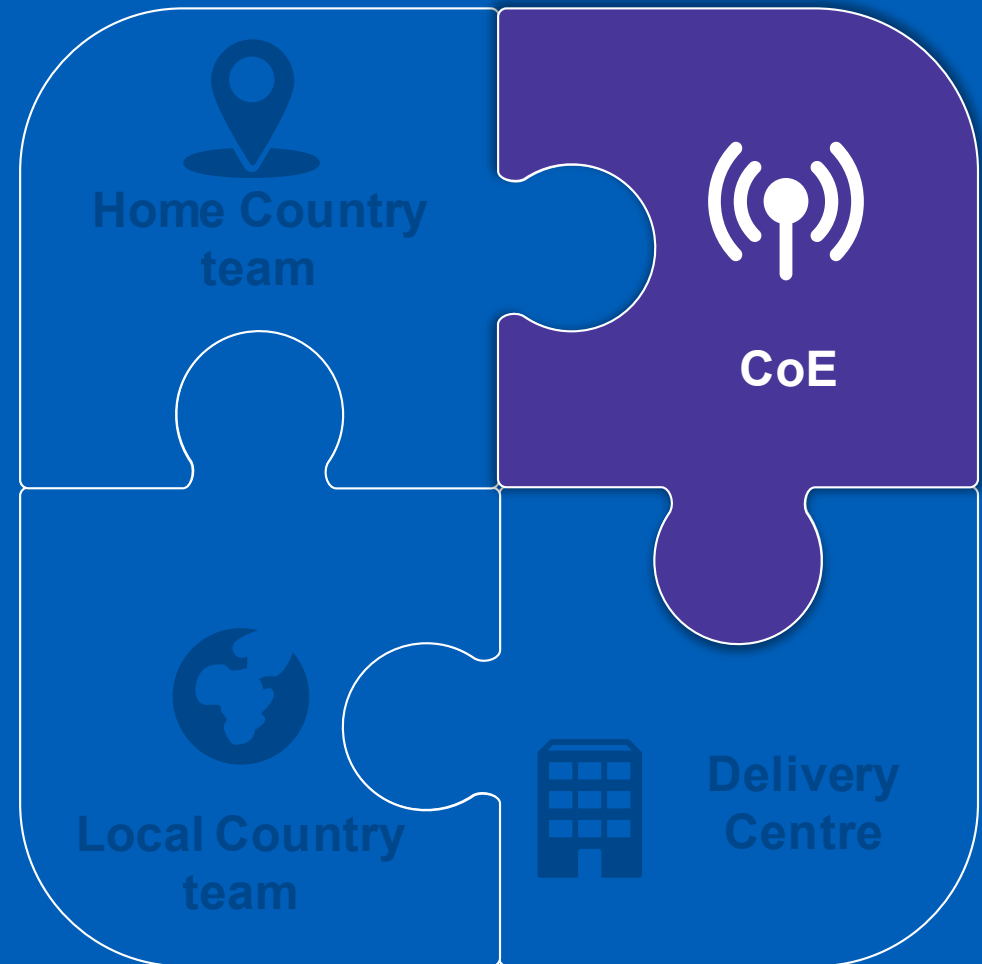
Split of responsibilities

- Oversight, input and global responsibility
- Initiate process improvement and transformation
- Assess data and analytic reporting
- Resolve escalated issues & Stakeholder management



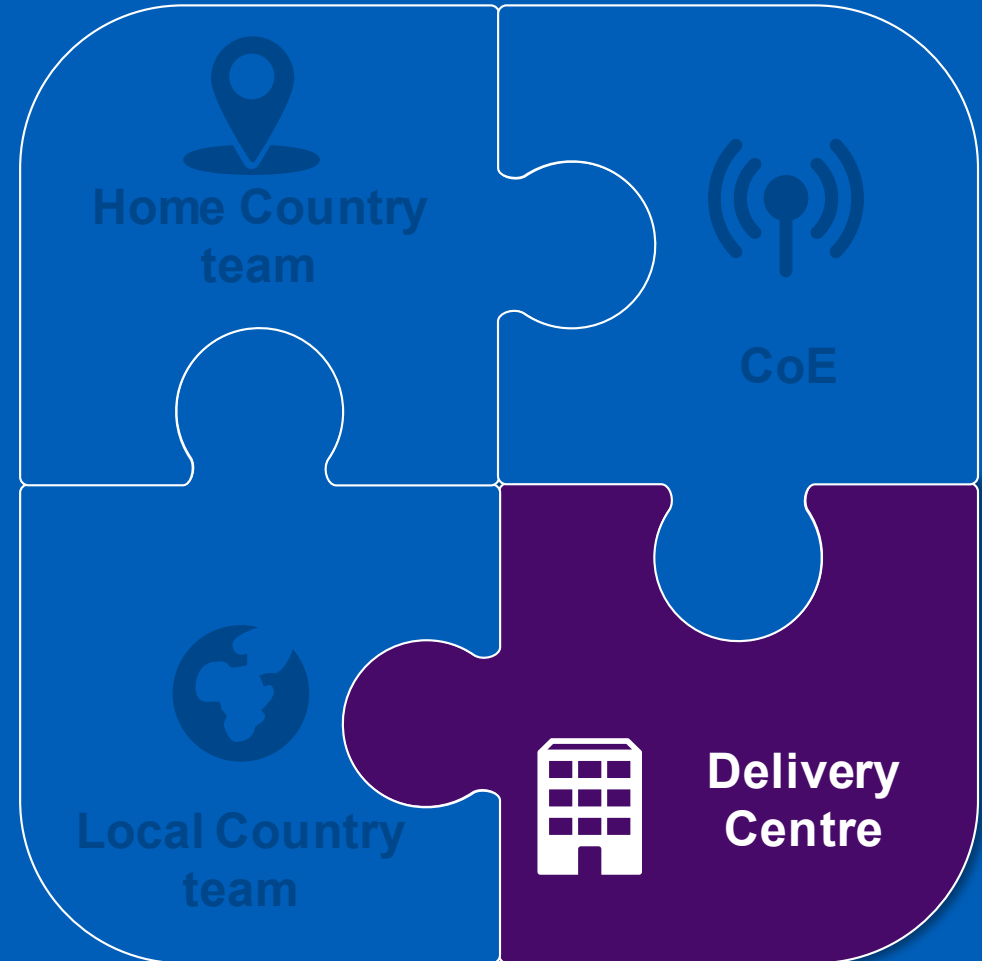
Split of responsibilities

- Transformation
- Solution architecture
- Provide specialised knowledge
- Internal control development and support



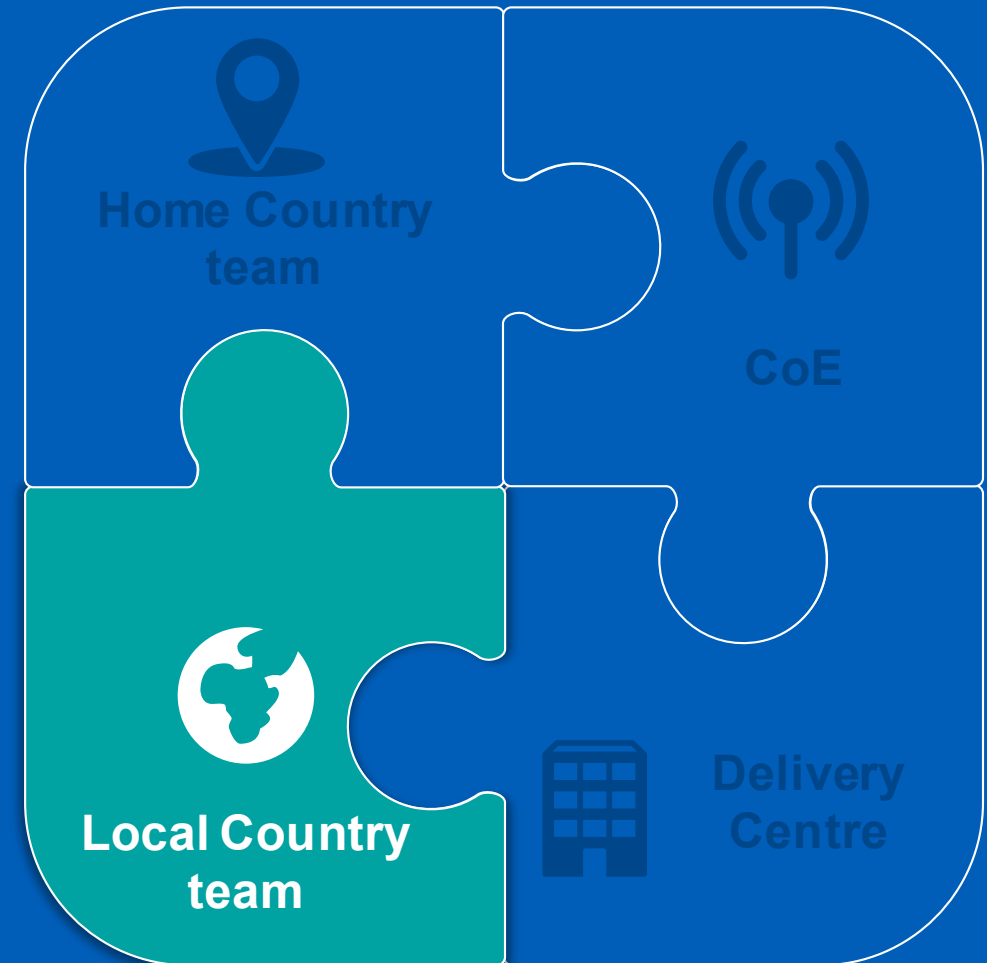
Split of responsibilities

- Compliance responsibilities
- Initiate technology set-up activities and maintenance
- Centralized data collection, processing and mapping
- Technology support
- Producing D&A insight



Split of responsibilities

- Local expertise and knowledge of business
- Complex country related tasks
- Legislative updates and local insights
- Ownership of local technology solutions to support local compliance processes
- Identification of local risks and opportunities



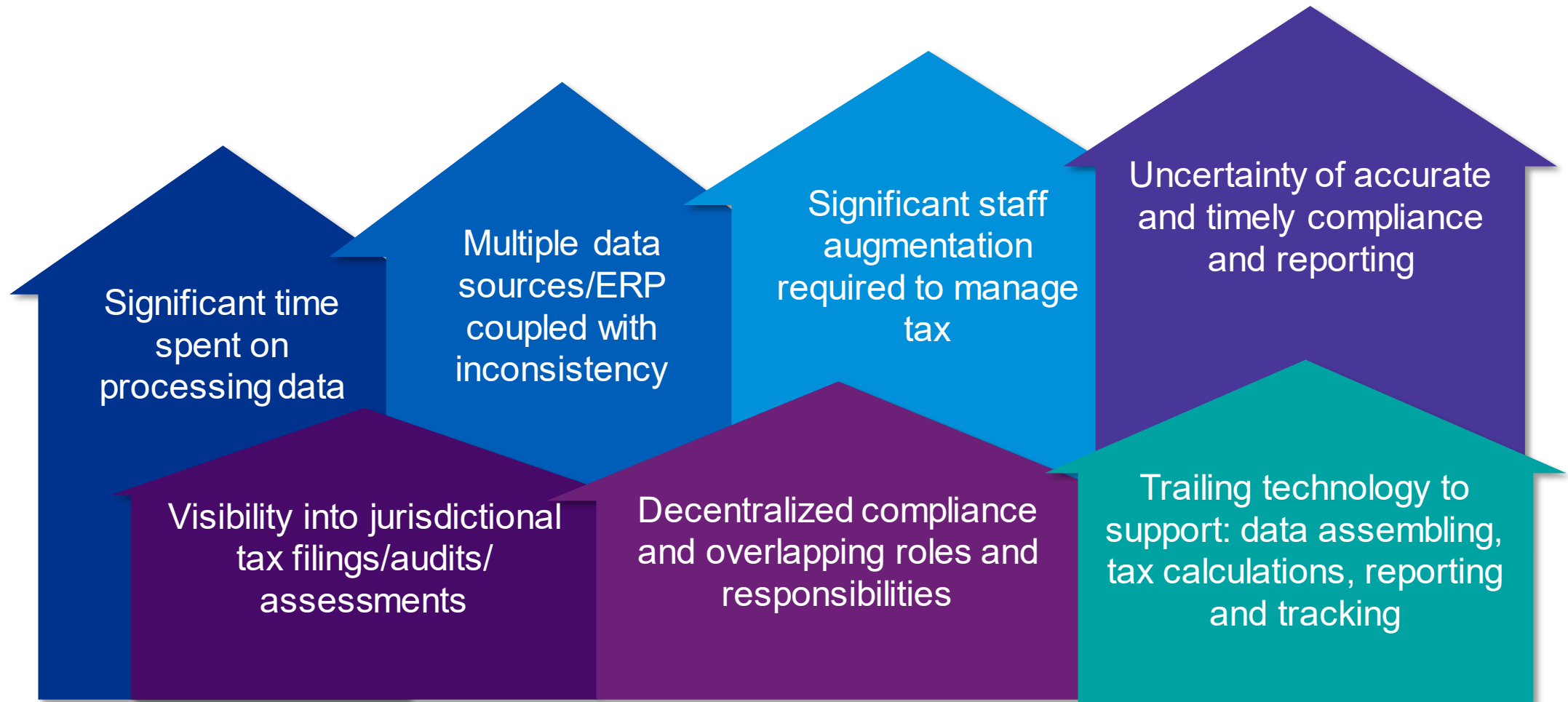


How clients can develop their TOM



Sandesh Mahagaokar
Partner, Tax Reimagined
KPMG in India

What we hear from tax function stakeholders

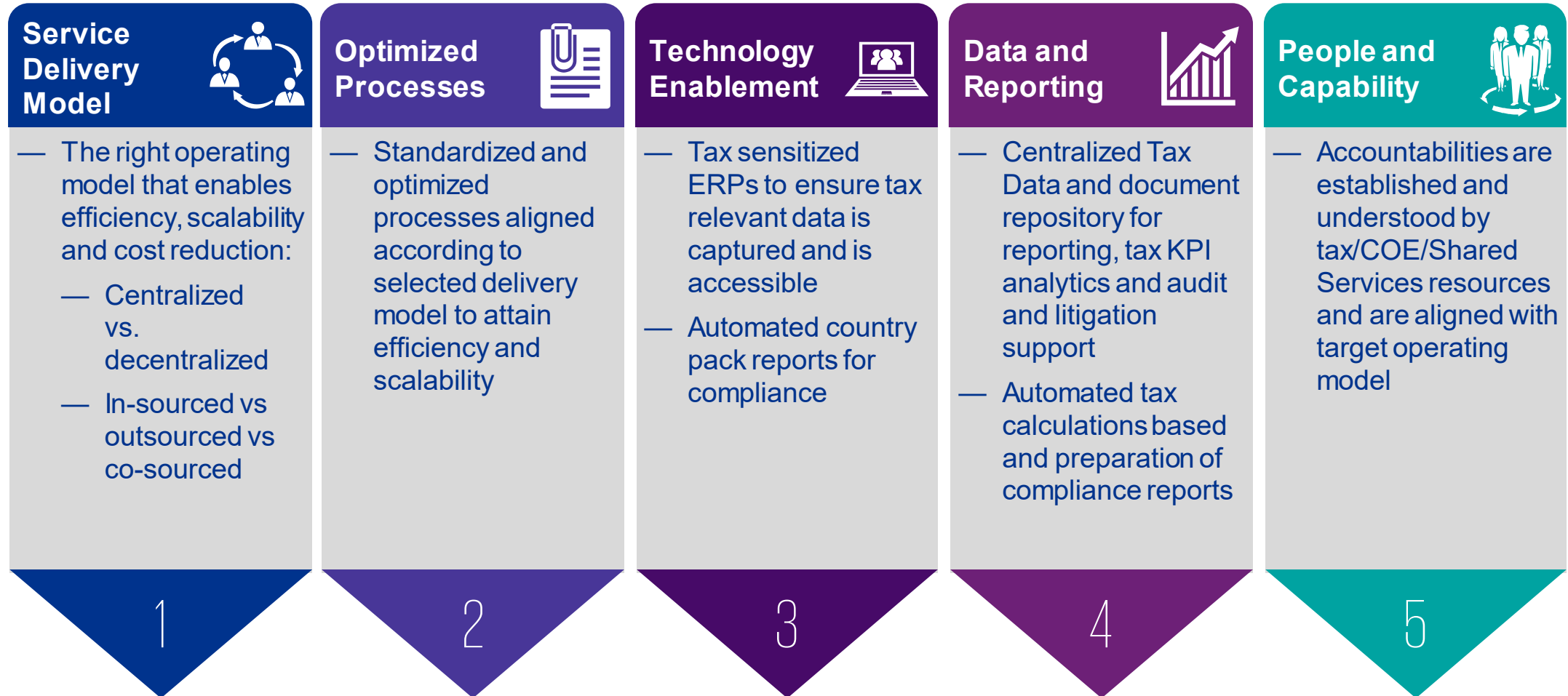


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Key expectations from an optimal TOM








Key elements of an optimal TOM



Centralized co-sourced TOM

	Data Extraction 	Data Analysis 	Preparation 	Review and Approval 	Submission/ Payment 
In-house Delivery Center	<ul style="list-style-type: none"> — Centralized data collection from source systems 	<ul style="list-style-type: none"> — Identify gaps/ mismatches in data — Perform control checks as per framework/SOPs 	<ul style="list-style-type: none"> — Prepare draft filings/reports on prescribed templates — Prepare payment requests based on templates 	<ul style="list-style-type: none"> — Respond to queries from reviewers as required 	
Local country teams along with Global tax compliance provider or local third parties		<ul style="list-style-type: none"> — Review accuracy of accounting records, balance sheet & P&L — Provide technical adjustment entries 	<ul style="list-style-type: none"> — Support with local business knowledge — Ensure draft filing are aligned as per local laws 	<ul style="list-style-type: none"> — Review and approve journals and filings — Identification of local risks and opportunities — Perform Tax technical reviews and controls 	<ul style="list-style-type: none"> — Approves payments calculations — Filings and payments to tax authorities — Coordinate interactions with tax authorities
Home office/COE	<ul style="list-style-type: none"> — Ensure that the tax account reflects accurate financial activity that happened within the year — Obtain insights from the data for tax planning and risk identification/mitigation 	<ul style="list-style-type: none"> — Provide inputs on critical tax technical areas — Ensure adherence to all Global tax policies and local laws 	<ul style="list-style-type: none"> — Key inputs into global tax reporting — Review quarterly risk questionnaire and filings 	<ul style="list-style-type: none"> — Accountable for Tax Audit delivery — Manage relationships with tax authorities 	<ul style="list-style-type: none"> — Overall management all global compliances including the accurate and timely filing of statutory accounts, tax returns and transfer pricing, Tax Audits and group service

Centralized managed services TOM

	Data Extraction 	Data Analysis 	Preparation 	Review and Approval 	Submission/ Payment 
Third Party Delivery Centers	<ul style="list-style-type: none">— Centralized data collection from source systems	<ul style="list-style-type: none">— Identify gaps/ mismatches in data— Perform control checks as per framework/SOPs	<ul style="list-style-type: none">— Prepare draft filings/reports on prescribed templates— Prepare payment requests based on templates	<ul style="list-style-type: none">— Respond to queries from reviewers as required	
Global tax compliance provider with lean local country teams		<ul style="list-style-type: none">— Review accuracy of accounting records, balance sheet & P&L— Provide technical adjustment entries	<ul style="list-style-type: none">— Support with local business knowledge— Ensure draft filing are aligned as per local laws	<ul style="list-style-type: none">— Review and approve journals and filings— Identification of local risks and opportunities— Perform Tax technical reviews and controls	<ul style="list-style-type: none">— Approves payments calculations— Filings and payments to tax authorities— Coordinate interactions with tax authorities
Home office supported by global tax provider	<ul style="list-style-type: none">— Ensure that the tax account reflects accurate financial activity that happened within the year— Obtain insights from the data for tax planning and risk identification/mitigation— Overall management all global compliances including the accurate and timely filing of statutory accounts, tax returns and transfer pricing, Tax Audits and group service				
		<ul style="list-style-type: none">— Provide inputs on critical tax technical areas— Ensure adherence to all Global tax policies and local laws	<ul style="list-style-type: none">— Key inputs into global tax reporting— Review quarterly risk questionnaire and filings	<ul style="list-style-type: none">— Accountable for Tax Audit delivery— Manage relationships with tax authorities	

Technology enablement and data & reporting

Local Country Team

Data ownership

Delivery Centre

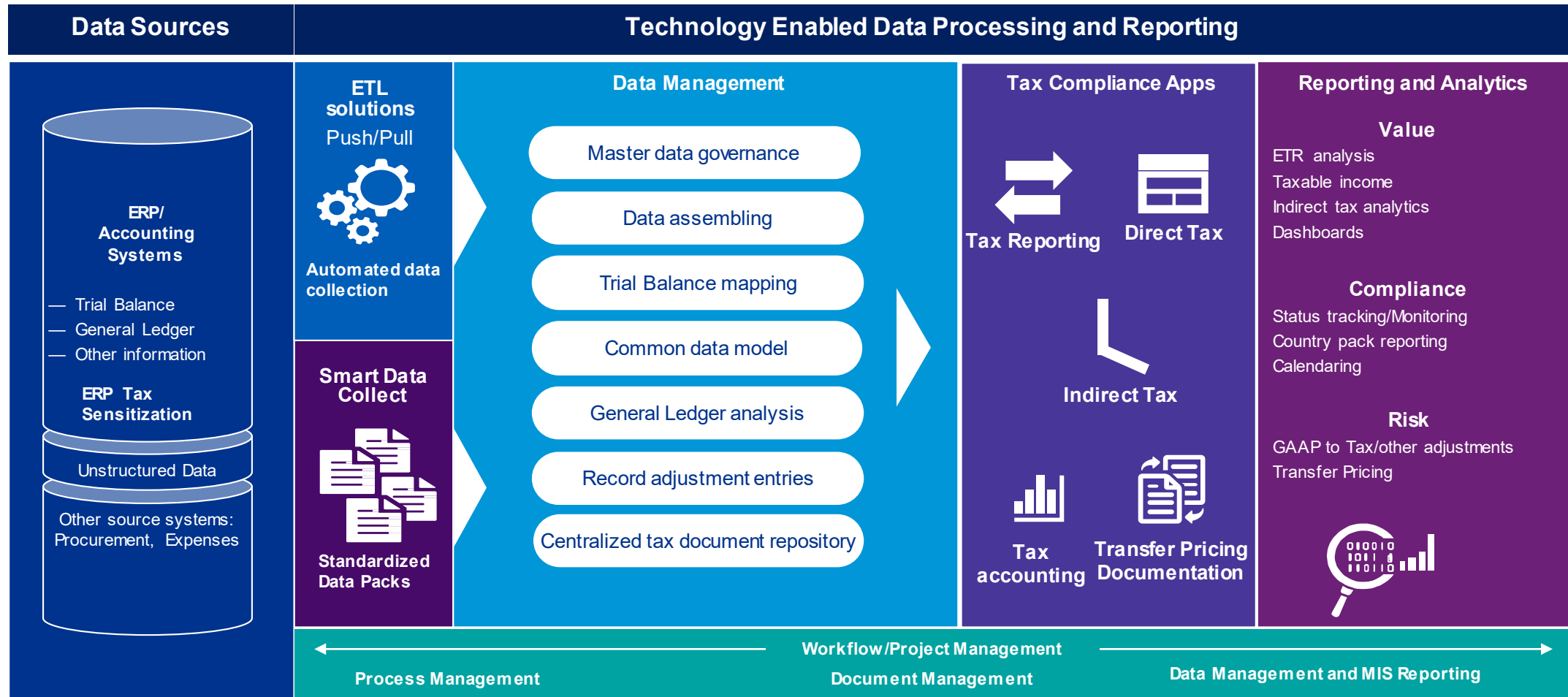
Automatic Data Extraction, Population and Analysis

Delivery Centre and Local Country Team

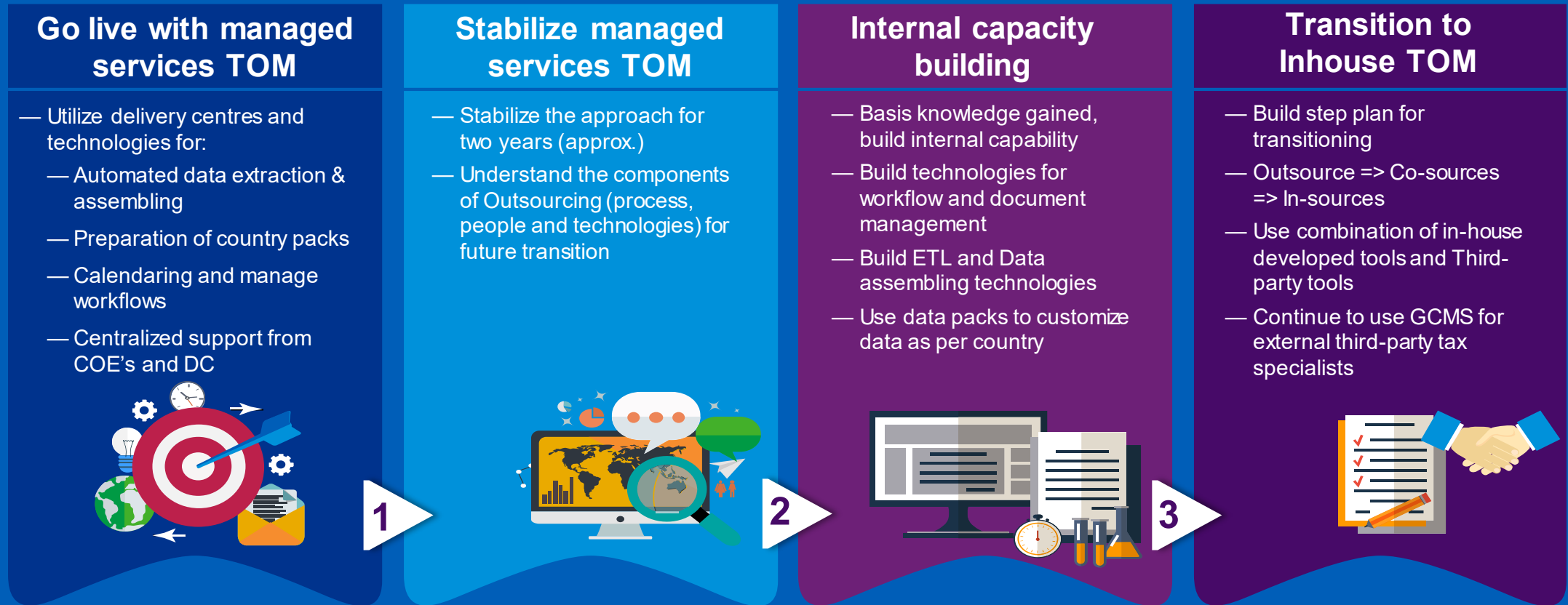
Preparation, review and filing

Head Office Functions

Business partnering



TOM approach — build, operate, transfer



Alternatively, as a hybrid approach for developing capability and capacity in-house — create own Delivery (Shared Service) Centre



Transitioning to the new model

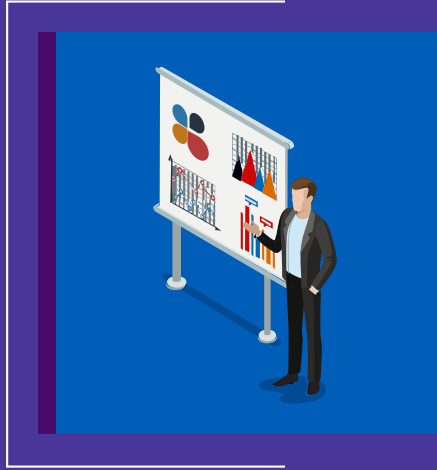


Aysha Sammy
Director, Tax Reimagined
KPMG in the Netherlands

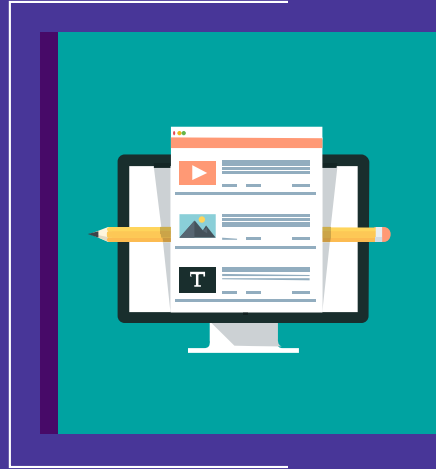


Ralf Bauer
Director, Tax Reimagined
KPMG in Germany

Approach to transition



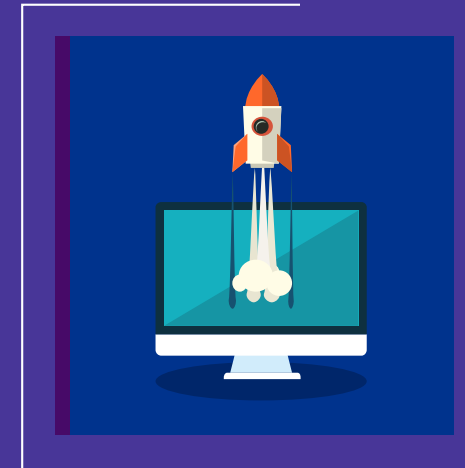
Mobilisation & planning



Design



Implementation



Go-live

Process enhancement through KPMG's Lean 6 Sigma

Workshop agenda



Understand current state end-to-end process



Identify key challenges, risks and process improvement opportunities



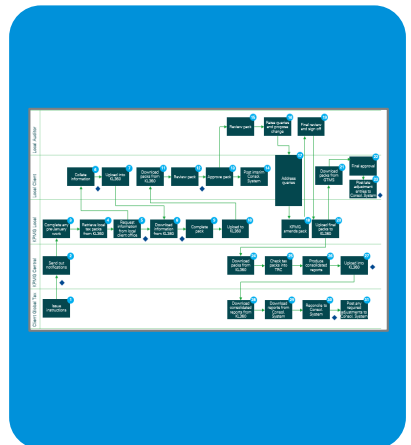
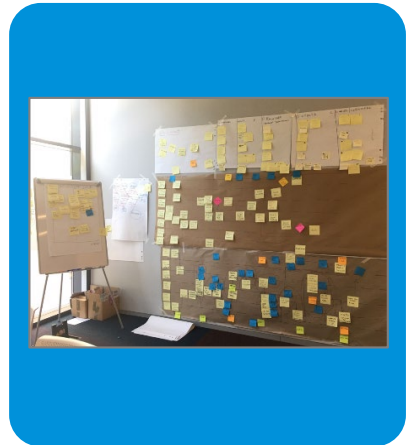
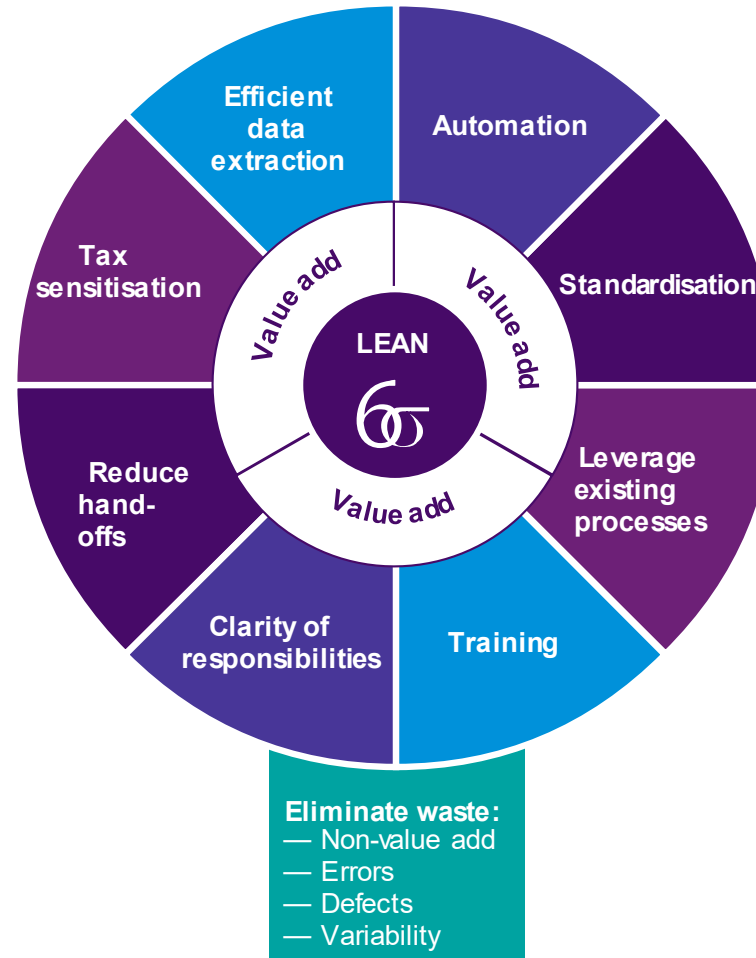
Evaluate vision for future state operating model



Brainstorm process improvement solutions to achieve future state



Road map for achieving improvements



Approach to transformation



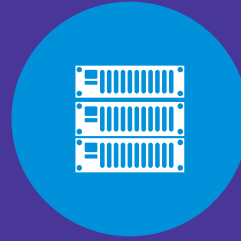
Compliance and Transition Model

- Standardized approach to managing compliance and transition across all countries and tax types
- Resource model to reflect changing focus of tax authorities



Governance, Risk and Controls

- Implemented, documented and operated
- Central control and visibility
- Better reporting, escalation and understanding of tax risks



Technology, automation and data analytics

- Compliance technology
- ERP system improvements
- Automated data transfer
- Analytics strategy to add insight



Optimised resource model

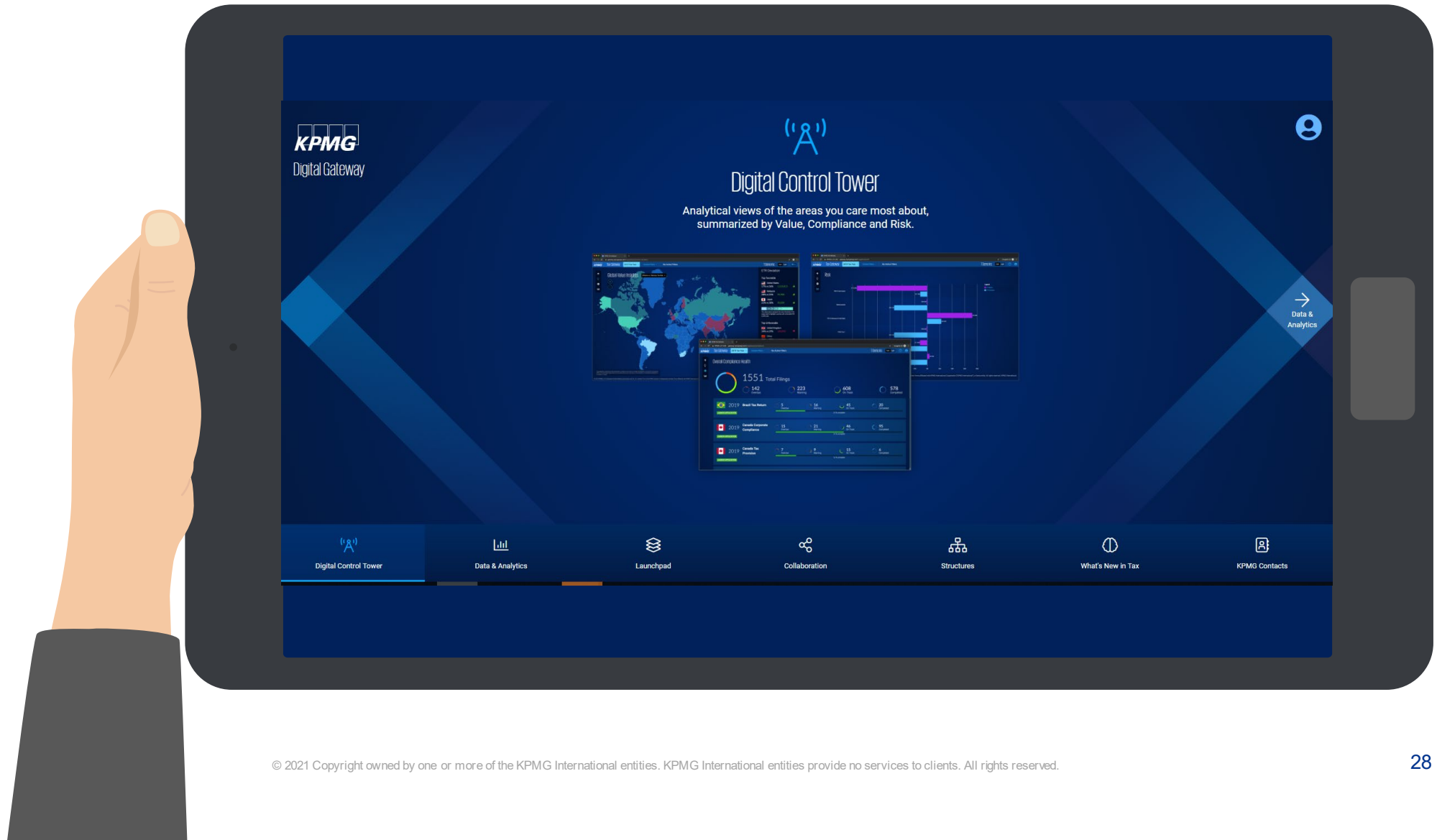
- The right mix of in-house, outsourced, local and centralized teams
- Leverage of shared services
- Access to resources where and when needed



Efficient & standardized processes (L6S)

- Mapped, improved and documented processes from the outset
- Eliminate inefficiencies
- Define ideal state operating model
- Clarity on accountabilities

KPMG Digital Gateway





Questions?



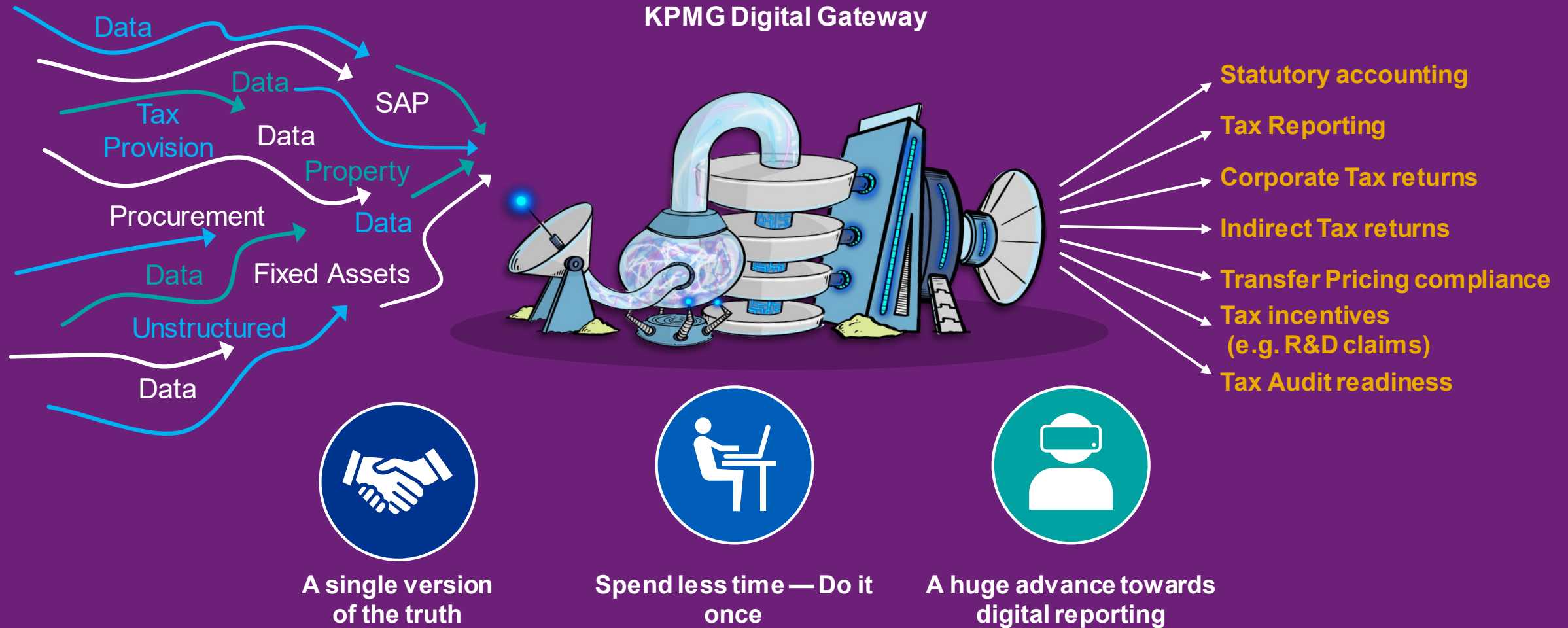


Wrap up



Jay Ayrton
Partner,
Head of Tax Reimagined
in EMA

What can good look like?



Provocative statements



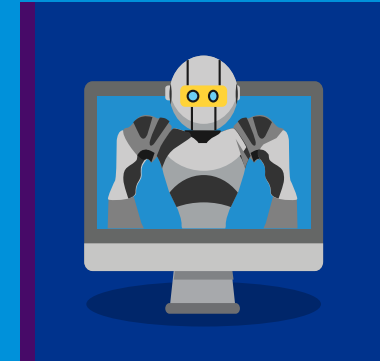
Tax functions don't leverage their outsourcing contract to accelerate transformation



Tax operating models have evolved in response to events rather than business needs



80 percent of tax processes belong and are better-managed outside the Tax Function



70–80 percent of tax compliance effort can be automated



Thank you





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