



Putting it all together
Using technology
to drive tax
business processes

For tax departments, the record-to-report cycle involves several distinct “mega processes”— compliance, cash management, estimates and extensions, provisions, controversy management, and tax planning — not to mention the day-to-day administration of department operations. In many organizations, the groups responsible for each of these tax mega processes operate in “silos.” These groups often utilize internally designed tools (often based on Microsoft® Office Excel® or Microsoft® Office Word®) for many tasks, and these tools are typically not connected across tax mega processes — much less with other corporate functions. As a result, many tax departments move data across these “mega processes” manually. This may limit them from capitalizing on synergies and efficiencies across functional areas. It can also potentially expose them to the compliance risks if the environment has a limited audit trail, lesser control points, and inconsistent management reporting and capabilities.

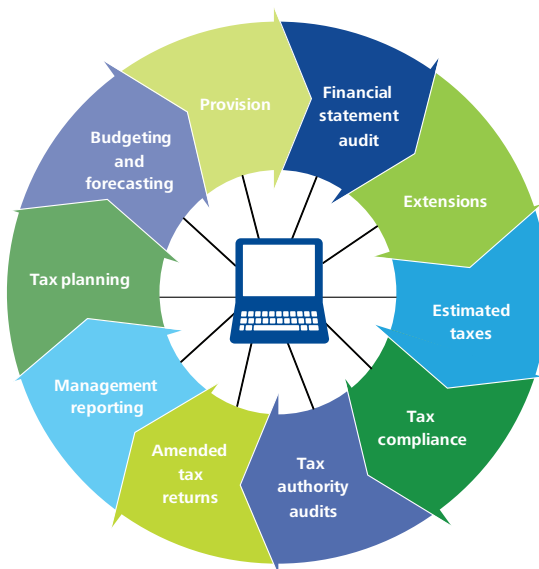
Deloitte hosted a Dbriefs webcast to review some of the current tools and trends that can help tie together separate tax processes and facilitate the use of common data. Presenters discussed a streamlined approach for the record-to-report process and provided thoughts around developing a tax department of the future, and then they reviewed some enabling process management technology (PMT) solutions, including business process management solutions, such as portals. They also discussed ways to build a more efficient and effective tax department, one that has more time for strategic and high value-added activities.

The integrated tax lifecycle

We view tax as a lifecycle that incorporates standardized processes, shared data, and the right tools to deliver an integrated view of tax reporting. This approach:

- Eliminates tax process silos.
- Streamlines data usage across multiple tax processes.
- Helps manage risk of errors in financial and tax compliance reporting.
- Enables multiscenario forecasting and analysis.

Integrated tax lifecycle

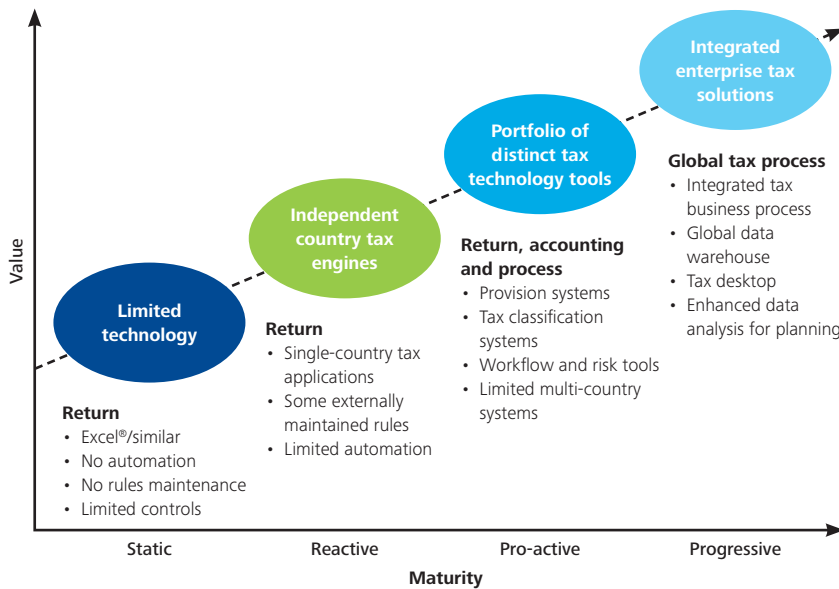


Tax departments that move data across these “mega processes” manually may limit them from capitalizing on synergies and efficiencies across functional areas.

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Tax departments of the future

Enhancing value through evolving technologies



Technological maturity within the tax department

Compared to other corporate departments (e.g., finance, information technology), the tax function historically has been slow to follow technology trends and to begin incorporating technology and process management into its efforts. The exhibit “Tax department of the future” suggests that tax technology adoption lies on a continuum, with more advanced and integrated solutions increasing the value that tax can offer to the business.

Many tax departments fall toward the bottom left of the diagram above — in the “static” state characterized primarily by Microsoft Excel®-based technology, with little or no

automation and highly manual controls. Tax departments in the “reactive” state use single-country tax engines, which are more effective at addressing country-specific compliance issues but still offer little or no automation and interactivity with other tools. The “proactive” model emphasizes use of tax-specific technologies, such as ONESOURCE® or CORPTAX® compliance and provision software. More often than not, though, these remain largely stand-alone systems with little or no interaction with other systems. To the far right of the continuum is the “progressive” model — a “tax department of the future” that utilizes integrated processes and technologies, centralized data, and embedded controls, providing better visibility to management and consistent reporting and other outputs throughout the tax lifecycle.

To move from left to right on this continuum, tax departments should develop a solid foundation based on:

- **People and organization.** A sophisticated tax function’s personnel have the right tools and training. They have clearly defined and communicated career paths. They operate under a common vision and strategy.
- **Processes and policies.** In a mature tax function, processes are enabled by data and a comprehensive technology vision, and they facilitate cross-discipline interaction. Tax policies are well aligned with the function’s strategic intent.
- **Technology and systems.** A mature tax function has automated noncore tax activities and embedded planning decisions in its tax technology. Its tax systems are integrated where appropriate.
- **Data and information.** The ability to capture, store, and use common data across tax disciplines is the foundation from which improvements are derived. The key to an effective data layer — tax-sensitized enterprise source data — sounds simple, but achieving it is among the most complicated challenges for tax functions today.

Ultimately, the tax department of the future produces results in four areas: cost effectiveness, process efficiency, quality, and value-adding activities. The table below

summarizes benefits in each of these areas, with particular areas of importance highlighted in bold.

Tax departments of the future produce results that are:

Cost effective	Process efficient	High quality	Value adding
Responsibilities require tax core competencies.	Processes are standardized across tax functions.	High-level, specific skills are accessible when needed.	Tax function goals are aligned with corporate and business unit goals.
Resources are focused on critical, relevant tasks.	Processes and data are integrated in the tax function and with the accounting/finance functions.	High-level or specifically skilled staff are not overburdened.	Tax planning is part of strategic business decisions and balances opportunities and risks.
Organization is designed to handle change.	Processes are automated where appropriate.	Review steps are appropriate for specific tasks.	Tax provides on-site support to business units for tactical and strategic issues.
Workforce numbers and skills are balanced.	Documentation is effective and managed for easy access.	Communication is effective across tax functions.	Business leaders are aware of tax positions and compliance risks.
Workload is distributed to appropriate skill levels.	Knowledge is captured and leveraged.	Succession planning and short-term backup are in place.	Tax “value” is defined with business leaders using common and agreed-upon metrics.
Performance measures are tied to goals and are monitored.	Workflow is managed to prevent surprises.	Continuous training is required for staff.	Tax processes are documented with appropriate controls.

The diagram (below) depicts how the tax department of the future might look from a technology perspective. On the left are the core financial systems and consolidation tools. Data from these systems feed the central components of the tax technology solution, a data store, and an integrated calculation engine. Above this are the central process management tools, including workflow engines, document management tools, dashboards, and tax portals. On the far right are the outputs — consistent, accurate, statutory management reporting.

Enabling technology: Process management technology
Process management technology (PMT) solutions are at the center of managing tax workflows and processes.

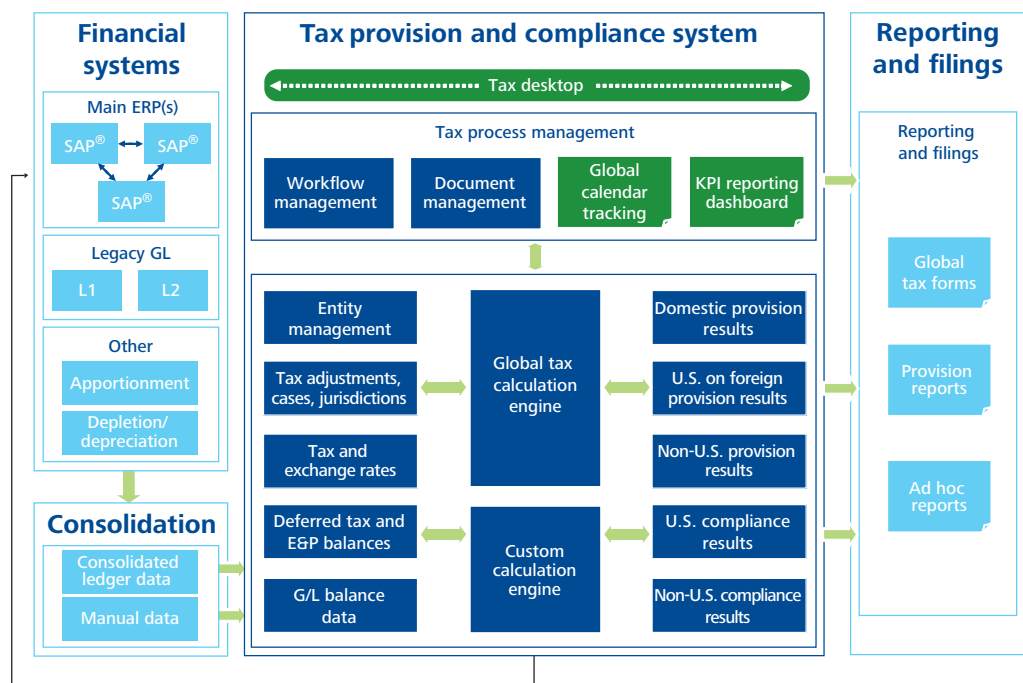
The basic building block of a PMT solution is a **workflow design tool and engine** that a business user — someone in the tax department — uses to model elements, such as:

- How work moves or “flows” through the process.
- Who needs to touch what.
- Where appropriate approvals exist.
- Where work cycles back from multiple approvals.
- Where one event must occur before a process can begin.

These tools are becoming more versatile, easy to use, and accessible to finance and tax functions. Often, they reside within a portal or even within their own applications in order to help users define and manage processes.

One of the most robust pieces of a PMT solution is the ability to **sense activities and events**, such as a general ledger’s close or that elements of the general ledger are ready for tax preparation or analysis. There are many ways to use these tools to detect activity without having to make manual checks, for example, through e-mail notices or task lists that itemize to-dos or the status of tasks performed by others.

Finally, **dashboarding** provides customized views for individuals from vice presidents to staff-level personnel. For example, a customized view can allow a certain individual or groups to see and resolve tasks and subtasks with urgent issues or to identify ways to improve and enhance a process.



Portals: An integrated view

Portals are generating more attention in discussions around technology in the tax function. Before evaluating the potential role of a portal, it is important to understand what a portal is and is not.

Portals are most valuable when they encompass as many processes as possible. For example, a finance portal that encompasses tax information as well as finance information may be exponentially more valuable to the organization because of the breadth and scope of the data that it captures and presents.

The picture below is an example of a typical portal home page. Tabs at the top of the page enable users to navigate quickly among major processes: planning, compliance, and provision (or any number of other key processes). The lower part of the screen uses Web parts to aggregate information — for example, tasks or a calendar — from any relevant process and presents it in a way that is personalized to the user’s role and responsibilities. The right side also uses Web parts to present information in which a tax user might be interested, for example, stock price, weather, a world clock, and links of interest.

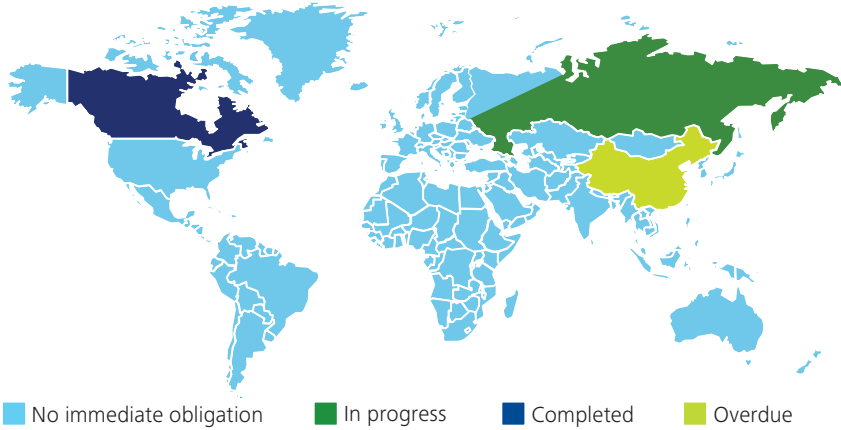
Beyond the home page, portal users have access to several powerful management capabilities. One of the most valuable is the ability to manage workflow and routing by providing a current view of the status of activities

What is a portal?

A portal is:	A portal is not:
<ul style="list-style-type: none"> • A single “place” or interface from which users can access multiple types of information organized around a common task or idea. • A place where users can complete self-directed tasks. • A “one-stop shop” for information and transactions. • Easily usable by the intended audience without significant training or support. 	<ul style="list-style-type: none"> • A piece of software, rather software enables the portal. • A conventional Web site; rather, it is a mechanism for combining information, transactions, support, and management and governance and presenting them in a Web format. • Necessarily expensive and complicated. • Specific or limited to one function.

in a particular process so that users can detect issues before they become problems. Portals also enable an organization to maintain a current document library or centralized storage and access for relevant tax documents and information. Users can tag or label documents using defined taxonomy — characteristics such as tax year, document type, tax process, entity, code section — so that others can find relevant information easily later on. Taxonomy also reduces dependence on folder structures, which can create ambiguity (for example, if one user believes a document belongs in a provision folder while another user believes it should be located in a planning folder) and facilitates more effective archiving and document record retention policies.

Global view



Portals also provide the capability for maintaining global calendars. The dashboard and communication capabilities can provide users with customized, intuitive visual indications of metrics or indicators, such as global effective tax rate, process status, or resource utilization. For example, a color-coded visual map of the world might show that returns are complete in Canada, in process in Russia, and overdue in China.

Available technology

There are three primary categories of available technologies: tax point solutions, stand-alone solutions, and enterprise-level solutions.

Tax point solutions often provide a good starting point; for some users, they may serve as a longer-term solution. ONESOURCE® WorkFlow Manager and CORPTAX® WorkSpace are two such tools for helping manage the tax process — from checklists to tasks to workflows. These products typically have “manual” workflows, meaning individuals still have to manually check off tasks in order to indicate the process status. They also offer document management capabilities, as well as a “tax-friendly” user interface.

Standalone solutions on the other hand typically address particular capabilities and can plug into just about any environment. Examples include:

- Global 360, a process and document management tool that is tightly integrated with Microsoft® SharePoint®
- MetaStorm®, a process management and optimization tool that can sense bottlenecks and aid in improving processes.
- Lombardi, part of IBM’s WebSphere® suite.
- Pegasystems®, originally a rules engine and now a product that defines process through policy and procedures.
- Savvion®, a process management and optimization tool from Progress Software®

Enterprise resource planning (ERP) and large-scale tools include:

- Microsoft® SharePoint®, which has a workflow engine, as well as robust document management and portal features.
- Oracle® Workflow, which includes modeling, automation, and continuous improvement capabilities.
- SAP® NetWeaver™, which includes role-based workflow inside the ERP system.

The Oracle® and SAP® products are closely associated with an organization’s ERP. They typically are used for substantial organizational workflows and may or may not be able to extend into the tax function depending on configuration and organizational willingness.

Together, these technologies have expanded the possibilities for integrating the tax function across processes. They are more tax-friendly, intuitive, and business-oriented than past solutions. It is very possible that some of these tools may already be in use within your organization — for example, in finance to manage accounts payable or other complex processes — and with at least some level of internal experience and know-how.

The tax department that embraces these new technologies and fully utilizes their capabilities will find itself on the path to the “tax department of the future” and playing a more strategic role in the enterprise.

Additional resources

For more resources that can help address the challenges tax departments face today, visit www.deloitte.com/us/movetaxforward.

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