

# Building a Case for Change

*How to Amplify the Strategic  
Value of Your Tax Function*



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“ *Tax executives have two choices: persist in the status quo or build a compelling business case for change.* ”

Andrew Burman  
Principal, Tax Transformation, Ryan

Managing tax complexity is a growing concern for companies globally. Compounded by market, legislative and technological factors, there exists today a rare combination of events and circumstances beyond many organisations' control. Tax departments find themselves in an unprecedented situation, where these challenges evolve and multiply, without respite or resolve. As tax functions become bogged down in compliance-related requirements, even the once-optimistic promise of digitisation can also become, in itself, yet another point of controversy to be assessed, clarified and transformed. Facing increasing complications in their reactive deliverables, tax departments are seemingly limited in their proactive potential to become a profit-focused, strategic contributor within their organisation.

**Most tax professionals want to operate on a more strategic level.** They recognise the importance of transforming their tax function to meet the changing tax landscape, and they have confidence in their ability to bring strategic value to their organisation beyond audits, compliance and data management. **Yet the road forward is often hampered by a persistent disconnect between how decision-makers in finance and the tax function view the role of tax.**

## Examples of Changing VAT Compliance in Europe



**FRANCE:** Effective 1 January 2022, the use of import VAT reverse charge became compulsory in France. Consequently, the declaration and payment of import VAT will be made directly in the French VAT return declaration instead of the customs declaration. Therefore, any businesses importing goods into France require a French VAT registration number.

**NORWAY:** In Norway, the VAT return is being replaced with a new digital e-VAT return. The current return has been eliminated from periods effective 1 January 2022. Instead, taxpayers will tag their data from their ERP systems with specific Standard Audit File for Tax (SAF-T) codes before submitting the data to the tax authority in an XML format.

**ITALY:** Italy will abolish its Esterometro filing and expand its Sistema di Interscambio (SDI) digital reporting to cover cross-border invoices issued and received. This is expected to come into effect on 1 July 2022.

# Energise to a Future-Solving Circle of Tax and Finance Collaboration

## *from the Downward Spiral of Low-Value Reactive Work*

As Andrew Burman, Tax Transformation Principal at Ryan, explained, this lack of vision can polarise the tax and finance functions beyond where they are now. “The fallout of failing to transform,” he said, “other than not meeting compliance targets, is that tax will be forced to evolve its own little cottage industry of processes. **Tax departments will have to find ways to put suboptimal datasets together to get something that makes sense.** This, in turn, is likely to result in an even greater disconnect between finance and tax, and the **ongoing inefficient use of resources and talent.**”

“Without a clear vision and commitment of resources, tax professionals will be stuck in a low-level, repetitive loop,” Burman added. “Consequently, tax executives have two choices: persist in the status quo or build a compelling business case for change.”

Tax leaders who persuade finance to share their vision of their department’s potential can secure the investment needed to build a tax centre of excellence. **Tax functions like this—with an ambitious, farsighted project and the capacity to operate strategically— attract and retain the best talent, and this talent is able to institutionally embed streamlined compliance and data management processes.** In this way, the reactive loop of addressing mandatory requirements can be upgraded and replaced by a virtuous circle in which the **tax function becomes a valuable institutional asset to the organisation.**



### MARKET PERSPECTIVE

“*Compliance is arguably the key function of the tax department and, when planned properly, can be strategic itself. For example, increasing demands in time and data from tax authorities, while intensive and intrusive, can be utilised as a foundation to internally justify investment in transformation.*”

Head of VAT for a Multinational Manufacturing Company

# Understanding the Current State of the Tax Function in Europe

Recently, Industry Dive, in conjunction with Ryan, an award-winning global business tax services and software provider, polled finance and tax executives in Europe to understand the disconnect between the tax and finance functions, the resulting challenges that tax departments face and how best to address those challenges.

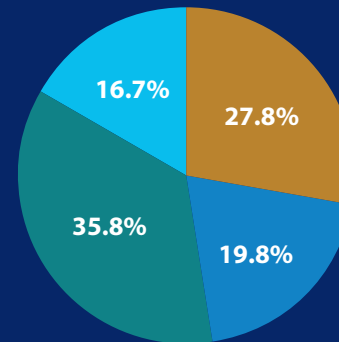
Responses were collected from 161 executives—78 Chief Financial Officers and senior finance executives, 73 Vice Presidents of Tax and senior tax executives, and 10 Chief Executive Officers. More than half (55.3%) of the respondents came from companies with more than 1 billion euros in annual revenue; roughly 20% represented companies with revenue between 500 million and 1 billion euros; and the remainder came from companies with revenue between 100 million and 500 million euros.

A wide range of industries was represented in the survey, and the responses were spread relatively evenly across 13 countries. Within this white paper, the responses and analysis of the finance and tax groups separately determine if they held different perspectives on the key issues and challenges affecting tax management.

## The Survey Included:

### RESPONDENTS FROM:

- |         |                |
|---------|----------------|
| Austria | Luxembourg     |
| Belgium | Netherlands    |
| Denmark | Norway         |
| Finland | Sweden         |
| France  | Switzerland    |
| Germany | United Kingdom |
| Ireland |                |



### WITH REVENUES OF:

- €100 million to €500 million
- €500 million to €1 billion
- €1 billion to €5 billion
- more than €5 billion

### WHO WORK IN:

- Aerospace/Defense
- Auto/Industrial/Manufacturing
- Business/Professional Services
- Chemicals
- Construction
- Education
- Energy/Utilities
- Financial Services/Real Estate
- Food/Beverages/Consumer Packaged Goods
- Hardware/Software/Networking
- Healthcare
- Insurance
- Media and Entertainment
- Nonprofit
- Pharmaceuticals/Biotechnology/Life Sciences/Medical Devices
- Retail/Consumer Products
- Technology
- Telecommunications
- Travel and Transportation
- Wholesale/Retail

# Defining and Addressing “The Disconnect Risk”

## *The Foundation for Building the Case for Change*

The results reflect a significant lack of alignment between the perceptions of finance and tax. What is seemingly a simple “disagreement in opinion” should not be taken lightly, as **internal business investments and strategic decisions are influenced by these perceptions and biases**. This gap forms the crux of what we refer to as “The Disconnect Risk.” It is this risk that must be overcome in order for tax to be deemed worthy of a seat at the strategy table. **“A lack of alignment between functions compounds the increasing level of intricacy that already needs to be addressed—both within the tax ecosystem and the general business landscape,”** remarked a survey respondent.

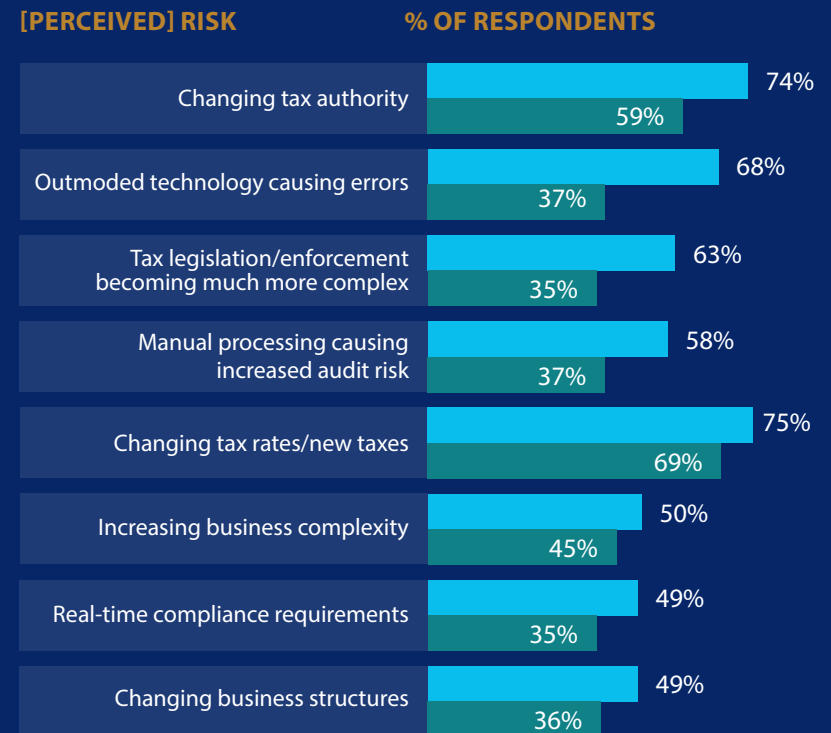
The white paper additionally offers insights from Ryan’s tax experts into how tax practitioners can advocate for their interests to minimise the disconnect and meet the challenges of the evolving global tax environment. We find that these disconnects in the perceptions of finance and tax are **likely to slow the adoption of necessary tax automation technology, increase audit risk and costs and impede tax departments’ ability to maximise their strategic value to their companies.**



Table 1:

### *How Various Internal and External Risks Impact an Organisation’s Ability to Effectively Manage Tax Changes*

TAX  
FINANCE



**EXAMPLES:**

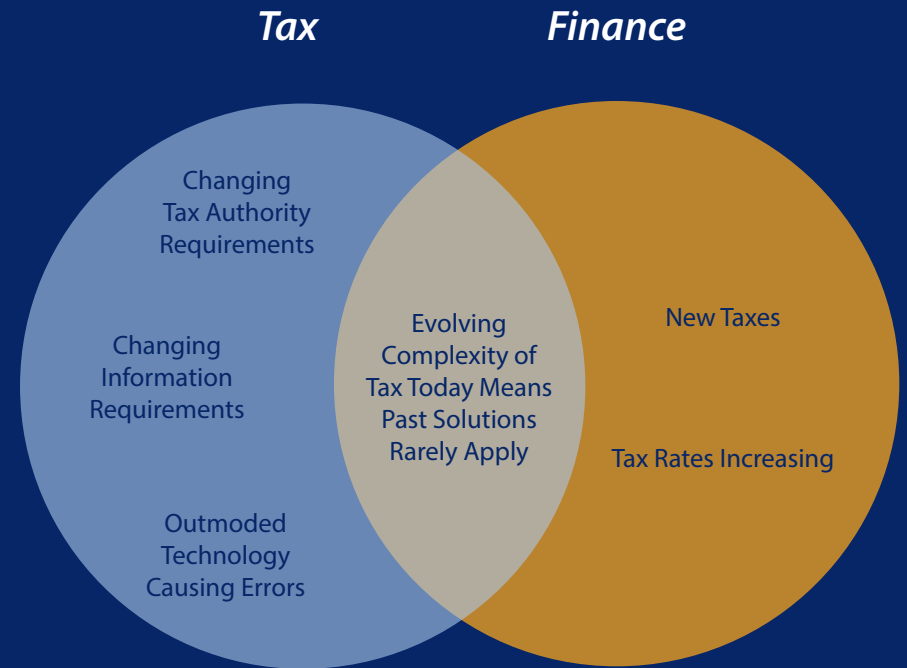
**Function-Driven Differences**



Tax professionals are far more concerned than finance executives about the **effect of outmoded technology** on their ability to meet the growing challenge of tax's evolving changes. They also consider their departments **under-resourced** and feel their organisation **lacks a clear strategic vision** when it comes to transforming its tax function. Tax executives focused on compliance and reporting were worried about the state of their technology stacks, stating that outmoded systems would likely **reduce the effectiveness of the tax function in the next three years**.

CFOs, however, say their vision for tax transformation is clear and well-financed. **CFOs saw new taxes as a top risk, reflecting their focus on financial performance, whereas the heads of tax cited changing tax requirements as a top concern.**

**Both tax and finance executives recognise the evolving bureaucratic entanglements of the tax environment over the next three years.** However, more tax executives than finance executives were concerned that changing information requirements would affect their tax function and that outmoded technology would pose a significant challenge (see Table 1: How Various Internal and External Risks Impact an Organisation's Ability to Effectively Manage Tax Changes).



**OPINION ON TAX FUNCTION RESOURCING**



**OPINION ON TAX STRATEGY**



## DISCONNECT 1:

### Outmoded Technology

Those close to the tax function recognised the benefits new technology can bring, and the fact that finance executives didn't share this perception pointed to a potential lack of investment to modernise today's tax functions. **Tax professionals need to demonstrate that an investment in tax technology has multiple benefits, including reduced audit risk, a more efficient use of department employees' time and a sustained return on investment.** However, they first have to bridge the different perceptions of risk.

Tax professionals were far more likely than finance executives to be concerned about the ability of their technology systems to handle the increased convolution in tax legislation. **The survey found that 68% of tax executives said they felt that outmoded technology causing errors would impact the effectiveness of their tax function in the next three years, compared with 37% of finance executives holding this view.** Meanwhile, both recognise that real-time compliance requirements would require process and technology changes.



68%  
of tax executives

37%  
of finance executives

felt that outmoded technology causing errors would impact the effectiveness of their tax function in the next three years.

## THE CASE FOR CHANGE 1:

### Future-Proofing the Tax Function

The scope of these changes is often difficult to predict, and the majority of tax professionals in this survey didn't know where to start (see Table 3: Barriers to Tax Transformation). Meanwhile, according to Ryan's experts, there is a cost-effective way forward.

**"When it comes to building a technology transformation road map, it's not a one-size-fits-all process,"** said Jun Miyake, Tax Technology Principal at Ryan. "What we typically do when building a road map for a client is to first determine what technology they currently have. Then we build a process of change for the short, medium and long terms. We don't align ourselves to one particular product but try to make the most of what they already have. If they don't have the right products, then we recommend what's most appropriate for their unique circumstances and that can be delivered quickly."


## DISCONNECT 2:

# Effectiveness of Tax Function

Tax and finance executives were widely divided on the effectiveness of the tax function, making it an even **greater challenge for tax professionals to demonstrate the potential strategic value they can contribute and secure investment.**

CFOs focused on tax savings said they believed tax professionals could do a better job with tax recovery and cost optimisation, while tax executives said they believed they were capturing most of the savings possible. This can be seen in the data, with 31% of finance executives saying their tax function was not effective at optimising tax recovery, compared with 5.5% of tax respondents. Similarly, 24% of finance executives stated that their tax function was not effective at containing costs, compared with 1.4% of tax executives (see Table 2: Opposing Views of Tax Function Effectiveness).

**While some tax functions choose to keep all operations in-house, others utilise outsourcing to help improve efficiencies.** According to respondents who fully outsource their indirect tax, 40% rank their ability to optimise tax recovery as “very effective” compared to 14% of respondents from organisations where indirect tax is not outsourced. Similar differences in ranking were also seen across other areas of direct and indirect tax, including managing regulatory complexity and audit risk. Overall, 64% of respondents from organisations where direct tax is fully outsourced and 50% of respondents from fully outsourced indirect tax managed organisations expressed their tax function is “very effective,” indicating there remains room for incremental and targeted improvements.



*“Working with a tax partner can help by first uncovering the material savings to allow for investment in tax transformation technology as well as free up time for tax professionals to perform higher value-added work.”*

Scott Fowler  
Principal, Client Services, Ryan



Regardless of what is creating this difference in perception between tax and finance, the results aren't surprising, explained Suzanne den Breems, Principal and VAT Recovery Practice Leader at Ryan. "Tax tends to focus on what could lead to the biggest problems and may not necessarily be aware of the same issues as the finance team," she said.

## THE CASE FOR CHANGE 2:

# Amplifying Success in Tax Management

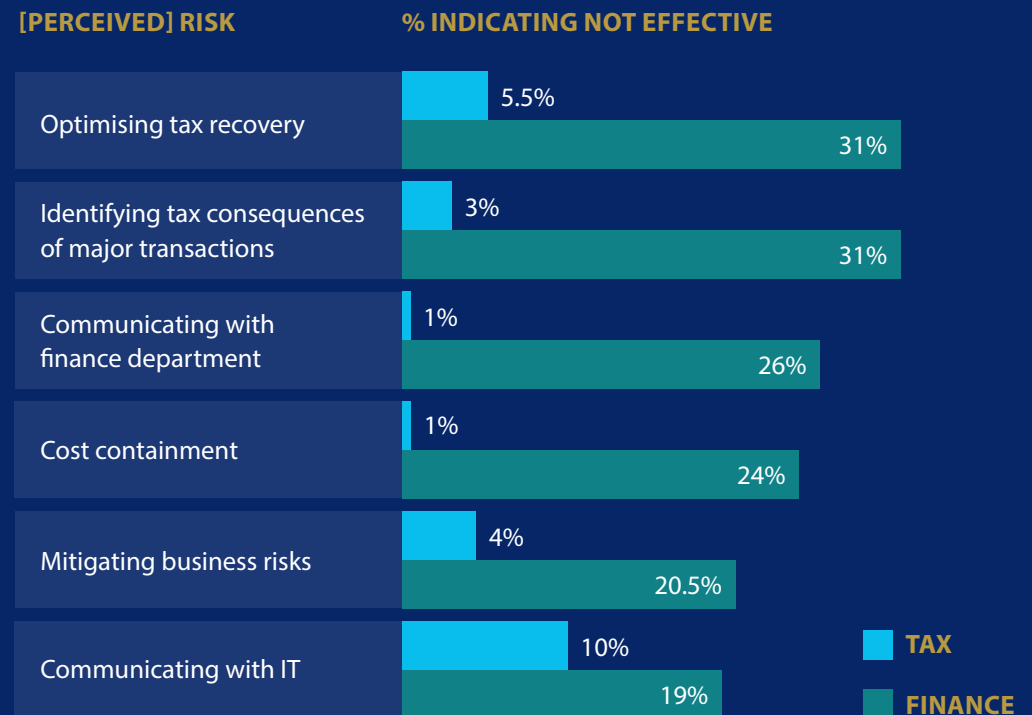
However, for companies that do transform their tax functions, the benefits have become clear, explained Scott Fowler, Client Services Principal at Ryan. "It's important for tax executives to communicate these benefits to the C-suite in a way they understand," he said. "Working with a tax partner can help by first uncovering the material savings to allow for investment in tax transformation technology," he added, "as well as free up time for tax professionals to perform higher value-added work. This might include focusing on tax efficiencies or looking at sourcing and tax ramifications of how goods flow or impacts of changes in both direct and indirect tax laws on how the company or production might be structured."

“ Most often, tax is focused on compliance as opposed to optimisation because a tax audit is what keeps them up at night. If there's a problem, they've got a lot of explaining to do as well as dealing with a very unhappy tax inspector. So, being able to work on recovery or strategy or transformation is a luxury of time they don't have.

Suzanne den Breems  
Principal and VAT Recovery Practice Leader, Ryan

Table 2:

## Opposing Views of Tax Function Effectiveness



### DISCONNECT 3:

## Lack of Alignment on Transformation Strategy

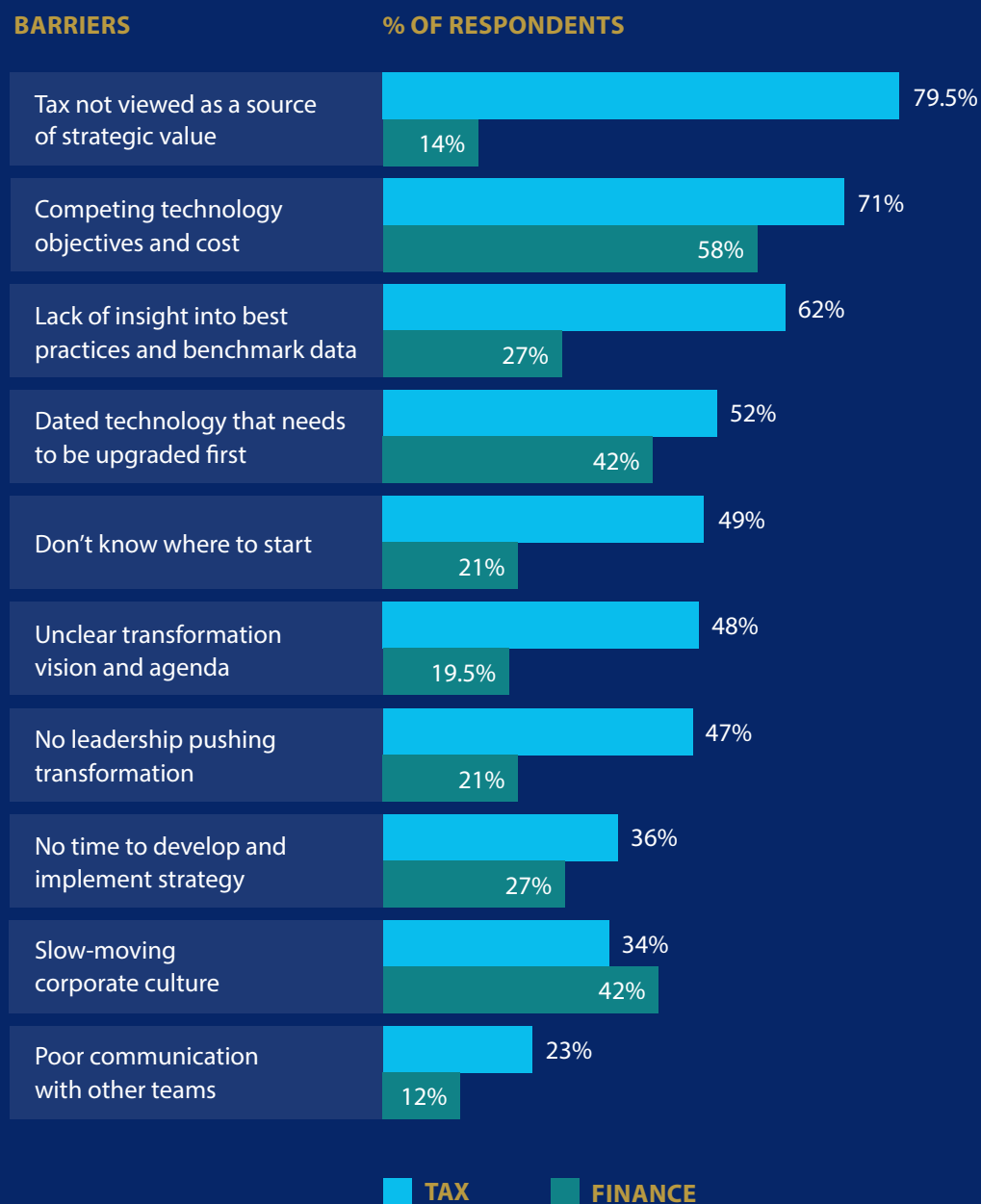
Most tax and finance professionals agree that it is important for the tax function within their organisation to become more efficient, cost-effective and better integrated with the business. Yet tax and finance professionals don't agree on how to accomplish that transformation.

Forty-eight percent of tax professionals in our survey said they felt their company's vision for how the tax function needed to evolve to meet future challenges was unclear. However, finance professionals disagreed, with only 19.5% indicating that their transformation agenda was lacking vision. Almost half of tax professionals (47%) blamed this on leadership for not pushing their transformation agenda.

The vast majority of tax professionals (79.5%) said they felt that the lack of investment was due to the tax department not being seen as a source of strategic value. On the other hand, the majority of CFOs (58.4%) said it was due to funding being spread thin among competing technology projects (see Table 3: Barriers to Tax Transformation).

Table 3:

### Barriers to Tax Transformation



## THE CASE FOR CHANGE 3:

# Driving Enterprise Value by Leveraging Common Wins

The consensus around the need to improve tax management and administration is uniform, despite the lack of alignment on the tax transformation strategy. Finance and tax function leaders also align on the expectation that in the next three years, the tax function will need to be more proactive, better integrated with rest of the business, more efficient and less reliant on manual processes.

Similarly, respondents across both functional areas agree that improving processes and systems for storing, analysing and retrieving tax data will need to be improved. More than half (56%) of respondents from the tax function expressed this as being “very high priority/critical” compared to 56% of respondents from the tax function, further highlighting the awareness the tax function has on the need to adopt technologies to facilitate this need.

Nowadays, to authorities, tax is a means to obtain detailed transactional business data through expanded reporting requirements. They can then draw conclusions from the data and apply these at a wider scale, beyond tax. As indicated by a survey respondent, the unavoidable challenge of more intensive data requirements is therefore also an opportunity for the tax function to be a proactive partner with IT and finance departments on:

- 1. DATA CAPTURE:** Calibrating systems to enable accurate and timely gathering of data at the origin with finance buy-in on data quality, and
- 2. DATA REPORTING:** Selecting the right technology tools in conjunction with IT that comply with the tax authorities’ requirements for complex data submissions.





Companies have no other option but to report what the tax authorities require, and to accomplish this, a proactive tax, finance and IT approach is required. This is the common win.

Armed with these focus areas of investment, a **clearer vision and initial improvement opportunities can be identified internally that may lead to tangible savings, which could then be invested into future long-term transformational tax projects.** These first steps may include, but are not limited to:

- ▶ Purposeful deployment of automation for efficiency and data accuracy
- ▶ Improved storage, analysis and retrieval data systems to address real-time information needs
- ▶ Inclusion of tax as part of the proactive planning process for revenue maximisation
- ▶ Removal of internal silos by assessing, advising and transforming the tax function, as a whole, for optimised alignment



## Assess

Assess "current tax state" to uncover transaction gaps with detrimental economic impact and provide solutions that eliminate those gaps.



## Advise

Quantify and document the cost of transaction gaps and outline the business case and road map to improve efficiency and effectiveness.



## Transform

Transform tax for enhanced reliability, accuracy and performance through the proper alignment of people, processes and systems.

# Closing the Perception Gap

## Achieving Total Tax Competency Through an Intermediary

From the results of this survey, it's clear there is a perception gap between finance and tax as well as a breakdown in communication between finance and tax and between tax and IT. While tax didn't see a problem with how it communicated with these groups, finance saw considerable room for improvement (see Table 2: Opposing Views to Tax of Tax Function Effectiveness).

With a goal to ensure the tax department can meet the challenges of an increasingly complicated tax ecosystem while optimising costs and providing strategic value to their companies, a critical question arises. **How does an organisation foster alignment between departments?**

According to Ben Knock, Managing Director and Vice President of VAT Compliance, Consulting and Reclaim at Ryan, it is first about helping CFOs and tax professionals understand the changing tax landscape and why companies need to be prepared. "Often, the people in the tax team are having to be reactive to these changes, so helping the C-suite understand what's coming up, what the implications are and what they can do to make sure their systems are ready for the changes is really important," he said.

### MARKET PERSPECTIVE

“Aware of the dual risk AND opportunity resulting from tax authorities' recent appetite for complex transactional level business data, tax departments must abandon the old role of mere "information processors," instead turning themselves into a true business partner for their organisations. With the necessary support of external advisors and other functions within the business, multifaceted tax information required can now be leveraged as a strategic tool to the advantage of the organisation. The tax department can now be THE strategic partner.

Indirect Tax and Tax Technology Associate Director for a Pharmaceutical Company

### Perceived Top Benefits of Outsourcing Direct Tax Management



### Perceived Top Benefits of Outsourcing Indirect Tax Management



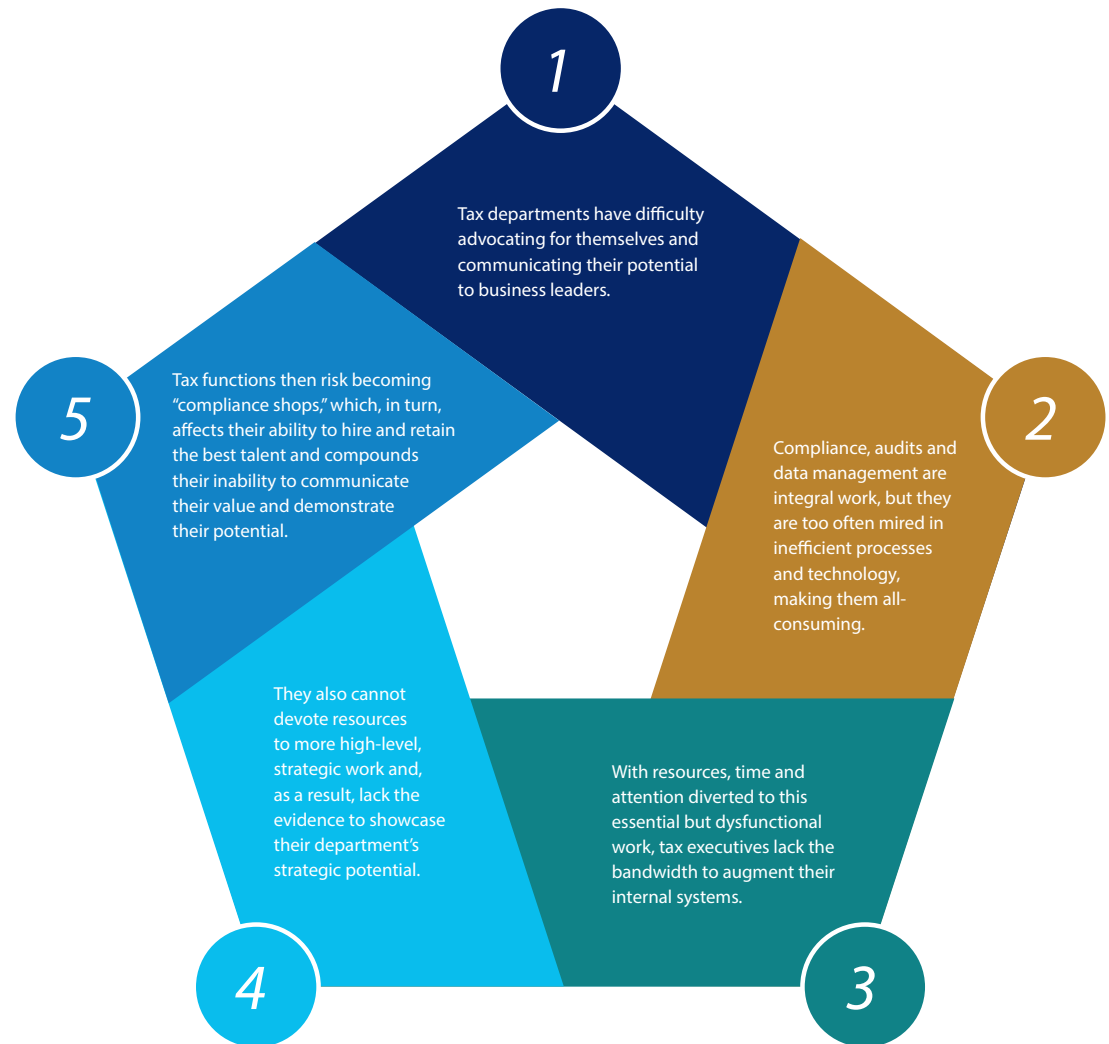
# Fighting the De-Prioritisation of Tax

## *The Challenge is The Opportunity*

The results of this survey demonstrate the importance of the evolution of the tax function and why tax professionals urgently need to bridge the perception gap between finance and tax and raise the profile of the tax function within the C-suite. Too often, tax functions are de-prioritised versus other components, and the research contained in this white paper helps to break down the reasons for this as shown in the five-point diagram.

To that end, having an intermediary that can work between tax, finance and IT, who speaks the language of each, can be of significant value, Miyake added. "It's not expected that these groups speak the same language, so engaging an expert partner who has deep experience in all three and can not only explain why tax transformation is necessary but can also expedite the tax transformation process and help find the budget to do it is much needed."

The ideal trusted partner would help to enable the tax function to facilitate the data collection strategy, which passes the finance department's quality scrutiny, while also presenting data in the correct tax authority-required format with IT and technology support. This paradigm shift has the potential to drive the transformation business case as being both a necessity and an opportunity.





Engaging a partner with deep expertise across all areas of tax can be a first step in **bridging the perception gap, improving communication, breaking the low-level reactive loop and helping the tax department elevate its value within the organisation**, transforming itself from a reactive cost centre into a strategic profit centre.

A partner with broad experience in tax strategy, cost management, compliance, consulting and tax function transformation can provide the depth and breadth of expertise required to ensure companies meet the challenges of the evolving tax landscape. **Ultimately, tax professionals have two choices: persist in the status quo of unrealised potential or become intentional about building a tax centre of excellence.**

## A Best-in-Class Transformation Partner Will:



**Provide expert knowledge with a practical, hands-on approach**



**Assess your existing people, processes, data and systems, removing silos in search for a unified vision, including identifying cross-functional capabilities and limitations**



**Advise on findings, while defining areas of short, medium and long-term options for improvement**



**Ensure recommended solutions are the best fit for your business, avoiding "off-the-shelf" solutions**



**Assist in building a business case and road map for transformational change**



**Empower existing professionals to focus on value-add initiatives, thereby cultivating a best practices environment**



**Elevate the strategic role and profitability of the tax function**



**Assist tax practitioners to create a bespoke training programme to raise transactional and tax awareness in the wider organisation to capture more accurate and valuable data to meet ever-changing reporting requirements**



Ryan, an award-winning global tax services and software provider, is the largest Firm in the world dedicated exclusively to business taxes. The Firm provides an integrated suite of international tax services on a multijurisdictional basis, including cost management, compliance, consulting and technology services. Ryan is a 10-time recipient of the International Service Excellence Award from the Customer Service Institute of America (CSIA) for its commitment to world-class client service. Empowered by the dynamic *myRyan* work environment, which is widely recognised as the most innovative in the tax services industry, Ryan's multidisciplinary team of more than 3,500 professionals and associates serves over 18,000 clients in more than 60 countries, including many of the world's most prominent Global 5000 companies. More information about Ryan can be found at [ryan.com/europe](https://ryan.com/europe).

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