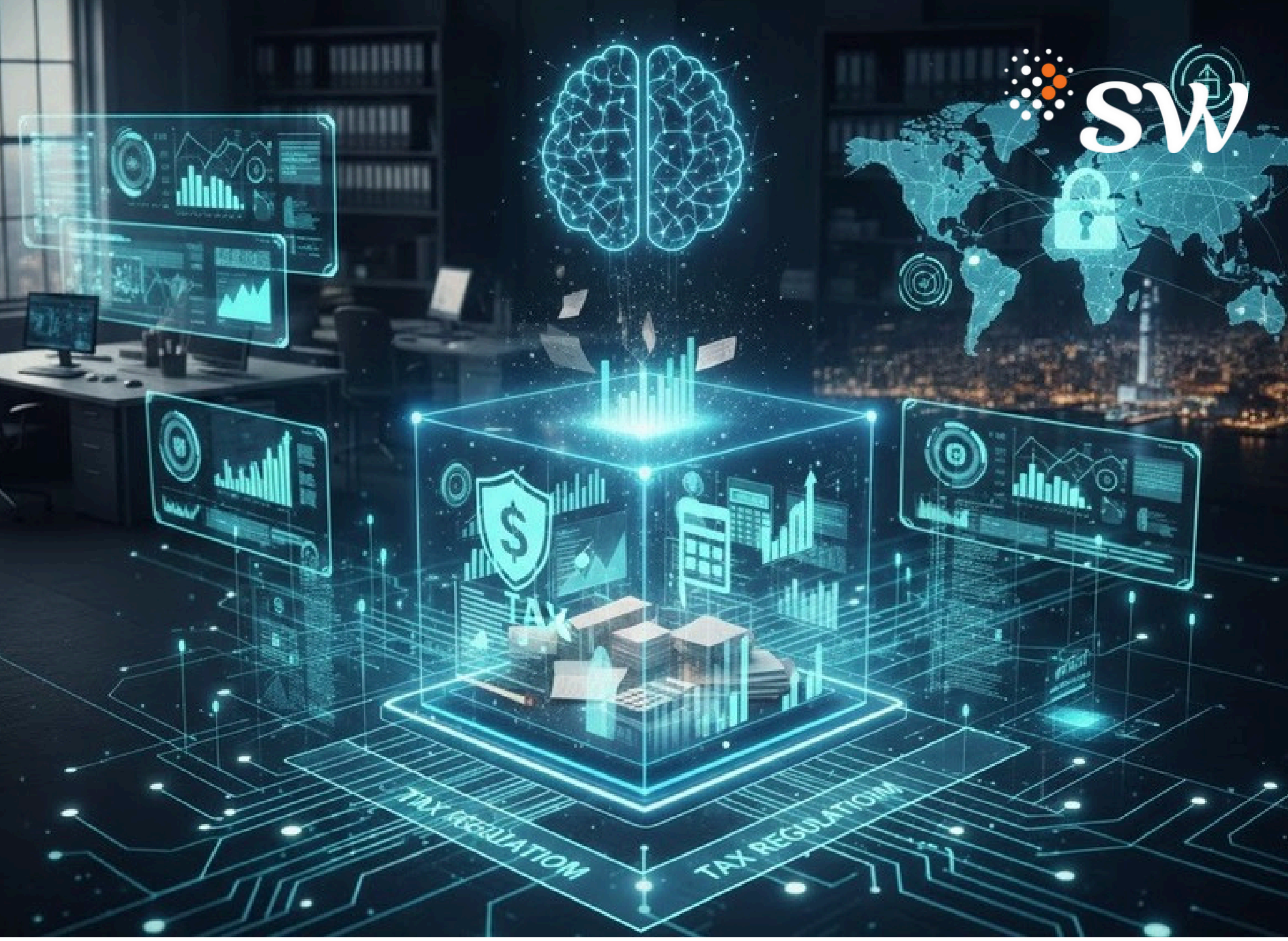

What is the need for Transformation of Tax Function?

For the organization to achieve efficiencies in cost centres, transformation of different department is being explored. Out of all the departments in a business, tax department is one of the most important functions for any organisation. Without any form of control over tax positions and tax compliances, the company would be unable to have robust business practices.

Nowadays, Companies are looking at their short-term and long-term requirements to efficiently and effectively manage their tax operations by taking bold and creative approaches to position tax to meet the needs of their organization for both, today and the future.

As per current scenario, tax and their operating models are at an inflection point, more now than ever, and are significantly challenging current tax operational strategies. It has become critical to have a tax and finance function with the right mix of people, process, technology, data and Knowledge.

Significant management focuses mainly on capital investment needed to achieve this in-house. Is there a better way to do it?

Yes, **Transformation of the Tax Function is the answer to this question.** Now the question is how we can transform the existing tax function.

The answer is Outsourcing or co-sourcing of the Tax Function.

- Outsourcing is a business practice of hiring a party outside a company to perform services or create goods from end to end that were traditionally performed in-house by the company's own employees and staff along with consultants.
- The practice of outsourcing is controversial in many countries arguing that it can cause loss of domestic jobs. Supporters say it creates an incentive for businesses and companies to allocate resources where they are most effective and efficient. This practice can affect a wide range of jobs, ranging from customer support to manufacturing to the back office, but only on the bottom level. The higher level of the different departments enjoy their position by getting consultation from the outside sources.

Structural Transformation when a function is outsourced

- If we look into the present structure of the organization it is more of a triangle shape, where we have a very intellectual group of tax leaders on the top followed by the management personnel which is again followed by a large number of staff at the executive level.
- Transformation of the tax function helps the organizational structure to reduce the execution / manager level staff and the energy of the company saved can be used in other departments.
- Outsourcing the part of tax function of the organization will not affect the positions of the tax leaders or the management personnel but only affect the mid or lower layer of the hierarchy. Transforming the tax function helps the tax leaders and management of the organization through guidance and consultation regarding the tax compliance and advisory of the company.

Acceptability of outsourcing for tax function

Tax transformation trends survey by Deloitte 2021, 44% of C-Suite respondents see outsourcing as the most important strategy for a lower cost resourcing model

C-suite respondents see outsourcing as the most important strategy for a lower-cost resourcing model.

- An array of internal and external forces is shaping the blueprints for today's ideal tax functions. Chief among these factors are ongoing changes in the following areas.

Strategic Drivers:

1.Governance

- With the frequent change in tax legislation, whether the resources available are sufficient to make the team well equipped. There might be chances of business disruption as well.

2.People

- With the advancement of technology, the role of tax team executives changes from technical expert to technology master's as well. Further the cost of increasing team is also a big challenge in many companies.

3.Organizational Set up

- As most organisations work on partnership model i.e. internal team + external consultant, therefore, control over complete process gets missed out. Further, the roles and responsibilities may also get diluted resulting in friction between both team and consultants.

Internal Drivers

1.Responsibilities

In today's dynamic world it is important to have comprehensive process documentation and the expectation from tax team is to add value. Outsourcing tax function can open opportunities to push routine work down to consultant and free tax resources for higher value strategic activities. Improved data quality and documentation can also promote better relationships with tax authorities.

2.Information

- The major problem companies face today is lack of standardized data formats, multiple data owners and processes operating in parallel, and poor management of master data. Enhancing data quality can drive better risk management and efficiency, while single custodian can vastly improve and streamline data management.

3.Technology

- With the advancement in technology the requirement is now not only limited to compliances, it has moved to improve business process through analytics. Therefore, the technology partner should always continue to improvise on the analytics through the data being processed.

Q. What are the benefits of this Transformation of the Tax Function.?

Ans: The major benefit due to which the organization consider the transformation are :

1.Increase in Efficiency

- When you outsource your business needs to an outsourcing partner, they bring years of experience in business practices and expertise in delivering complex projects. Thus, they can do the job better with their knowledge and understanding of the domain. This leads to an increase in productivity and efficiency in the process thereby contributing to the bottom-line of your company.

2.**Focus on Core Areas**

- Transforming the organization by outsourcing different processes would free the blocked energy and enable the people to focus on building the brand, invest in research and development and move on to providing higher value added services.

3.Actionable Insight

- Many Organization that do not wish to invest independently in people, process and technology for internal transformation or who are struggling to achieve the benefits from transformation should consider the benefits of outsourcing to a service provider who can deliver efficiencies through a repository of digital assets and a robust and effective delivery centre model.

A company may want to relook its existing outsourcing strategy and determine the right mix of capabilities they wish to build in-house Actionable vis-a-vis those that should be outsourced.

4.Faster and better Services

- Outsourcing makes your service offerings better with high quality deliverables and decrease the lead time. Thus, you would be faster in getting your ideas converted into products and better at delivering the value-added proposition.

With tax officers evolving through technology on the regulatory front, it’s difficult to imagine business being successful over the long run without making fundamental changes to their operating models. Outsourcing of functions will likely play a big role in those changes. Therefore, it is important for entities to start exploring the option to reap the benefit of better processing of functions and enhancing the scope of function leaders to provide more value addition to business.