

A modern glass skyscraper with blue-tinted windows, reflecting the sky and surrounding buildings. The building is the central focus of the background. In the foreground, there are green trees and a street lamp. On the left side, there are three horizontal bars in red, yellow, and blue.

MAZARS INTERNATIONAL TAX CONFERENCE 2019 FS BREAKOUT SESSION

3 OCTOBER 2019



CONTENTS PART I

1. OPENING
2. DAC 6
3. DIGITAL ECONOMY
4. INFORMATION REPORTING FACTA/ CRS
5. FUTURE PROOFING TAX FUNCTION
6. Q&A



DAC 6

Erik Stroeve

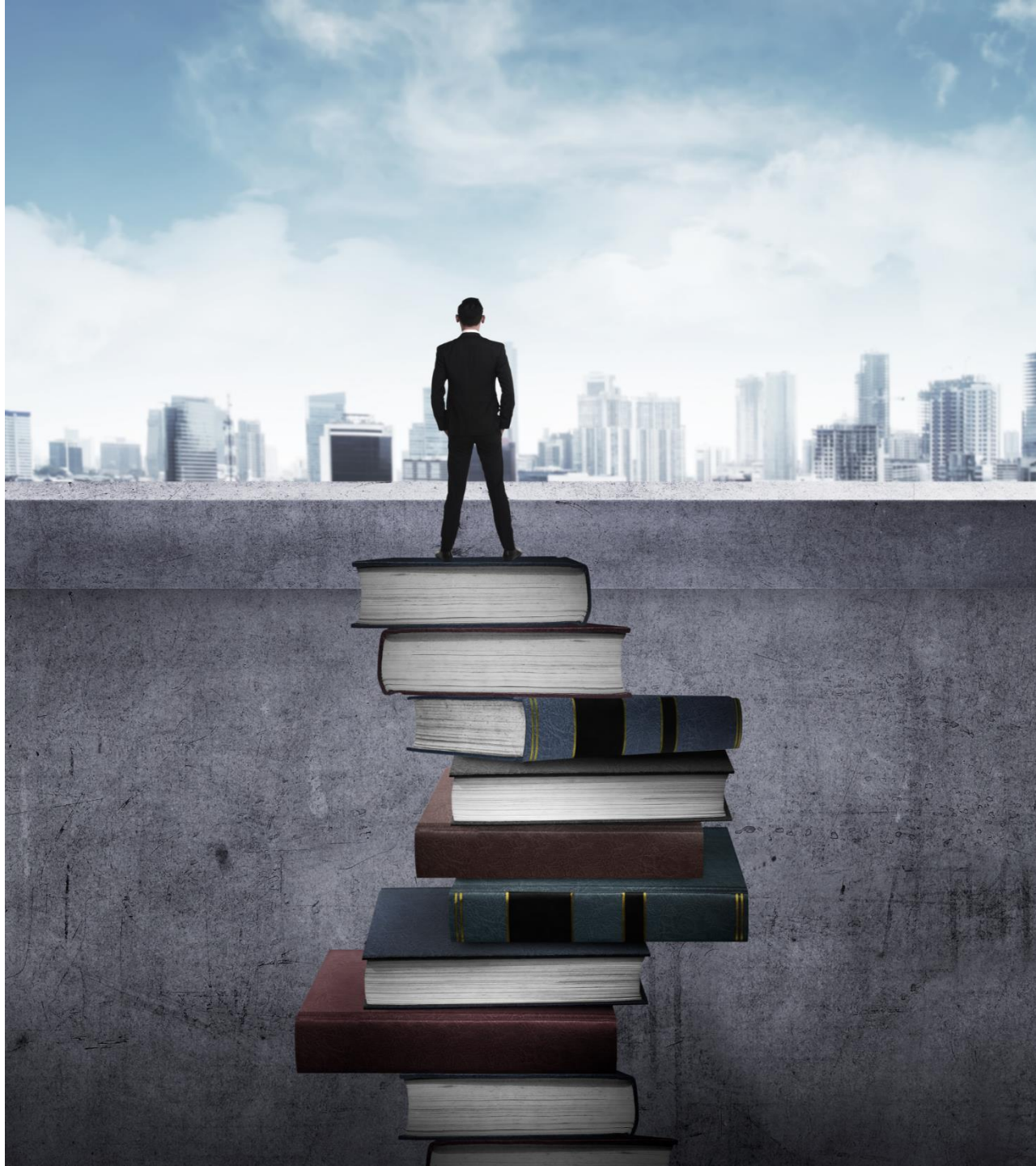
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1. BACKGROUND AND INTRODUCTION
2. DETAILS OF DIRECTIVE ON ADMINISTRATIVE COOPERATION VI
3. TRANSFER PRICING HALLMARKS



BACKGROUND & INTRODUCTION

What is the Directive on Administrative Cooperation VI?



INTRODUCTION

- In a nutshell:
 - Disclosure obligation for Intermediaries for certain transactions, series of transactions, structure or scheme
 - Cross-border arrangements between member states and between member state and third countries
 - Quarterly automatic information exchange between member states (1st: 31/10/2020)
 - Identification of schemes through **hallmarks**
 - Directive relates to all types of direct taxes and specifically carves out some (indirect) taxes as VAT, customs and excise duties
 - Entry into force on 25 June 2018
 - Implementation into national law by 31 December 2019
 - Application from 1 July 2020



DIRECTIVE ON ADMINISTRATIVE COOPERATION VI

Zooming in on DAC 6



■ When is it reportable?

- Any cross-border arrangement or series of arrangements should fulfill at least one of the hallmarks
- A hallmark is a characteristic of features of a cross-border arrangement or series of arrangements, which, according to the EU, indicates a **potential risk of tax avoidance**
- Scope of the hallmarks is very broad
- Some of the hallmarks are subject to a gateway criterion: main benefit test, others are not; see your hand-out.
- Main benefit test to filtering down which arrangements shall be reported
- Hallmarks are reevaluated every two years

- What happens with the reported information?
 - Exchanged to other member states by means of the automatic information exchange protocols
 - On a regular basis: within one month from the end of the quarter in which the information was reported

TRANSFER PRICING HALLMARKS

Group Discussion



E. Specific hallmarks concerning transfer pricing

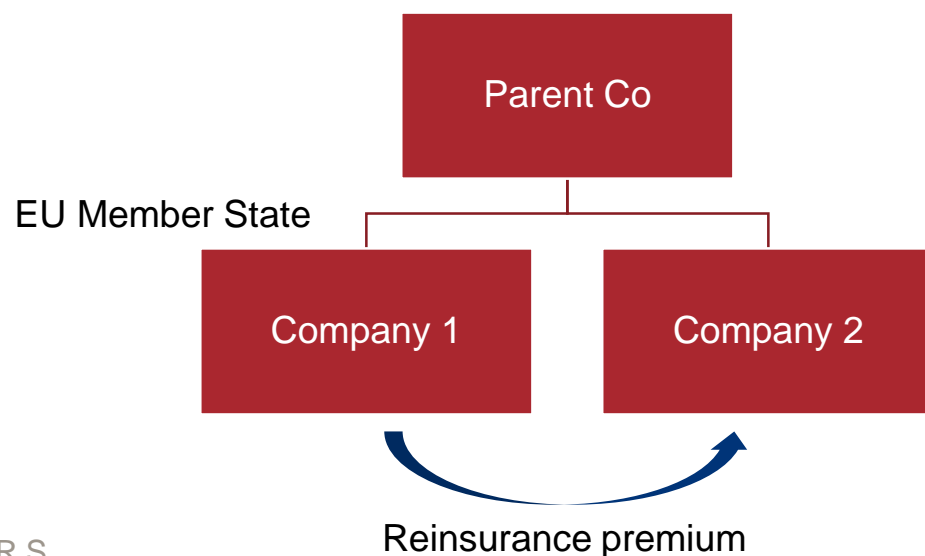
1. An arrangement which involves the use of unilateral safe harbour rules.
2. An arrangement involving the transfer of hard-to-value intangibles. The term "hard-to-value intangibles" covers intangibles or rights in intangibles for which, at the time of their transfer between associated enterprises
 - (a) no reliable comparables exist; and
 - (b) at the time the transaction was entered into, the projections of future cash flows or income expected to be derived from the transferred intangible, or the assumptions used in valuing the intangible are highly uncertain, making it difficult to predict the level of ultimate success of the intangible at the time of the transfer.
3. An arrangement involving an intragroup cross-border transfer of functions and/or risks and/or assets, if the projected annual earnings before interest and taxes (EBIT), during the three-year period after the transfer, of the transferor or transferors, are less than 50 % of the projected annual EBIT of such transferor or transferors if the transfer had not been made.

EXAMPLE – INTRA-GROUP REINSURANCE

Company 1 and 2 have the same parent company.

Company 1 is an insurance company in an EU Member State and cedes reinsurance to Company 2, which is outside EU.

Payment of reinsurance premium by 1 to 2.



1. Relevant taxpayers?

Yes, both companies implemented a relevant cross-border arrangement.

2. Hallmark?

Hallmark E3 is potentially in point, as a cross-border transfer of risk has occurred.

BUT:

Grandfathering long standing reinsurance arrangements?

What about renewals under Brexit or US Tax Reform?

3. Who?

Intermediary or, where there is no intermediary or the intermediary will not report due to legal professional privilege, the relevant taxpayer.



DIGITALISATION OF THE ECONOMY

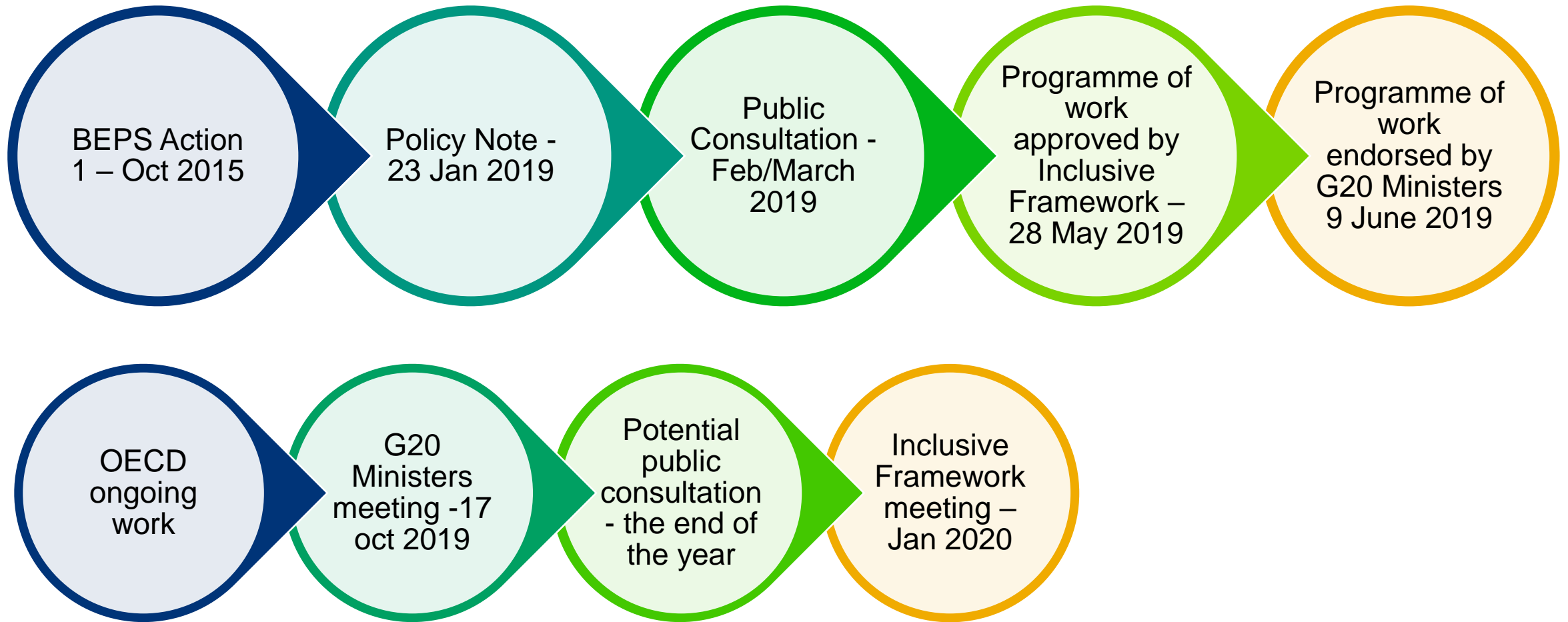
Renata Ardous

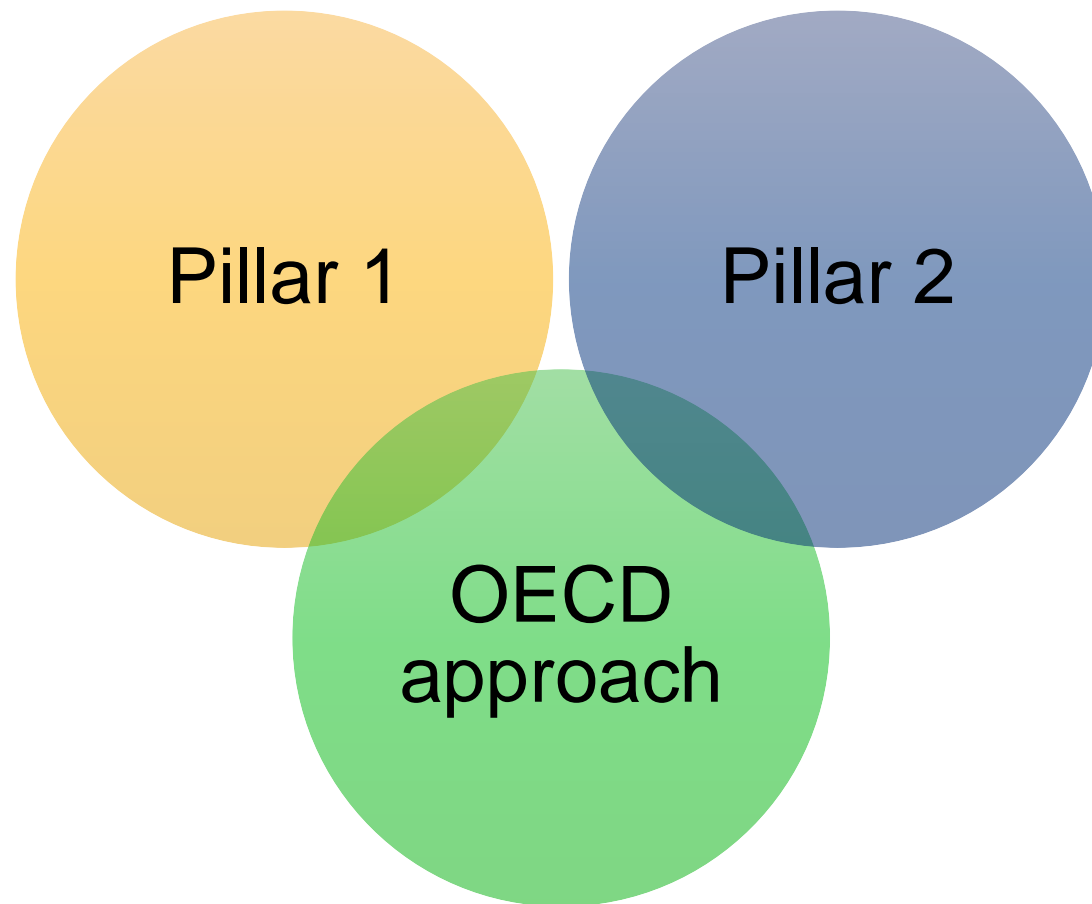
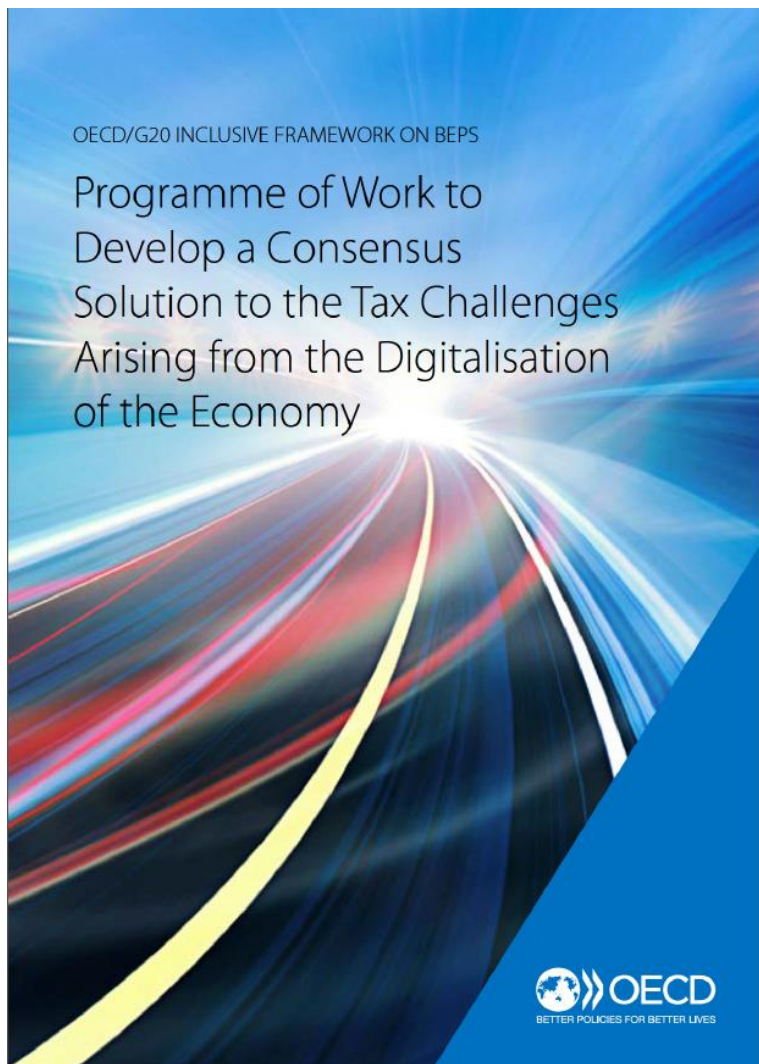
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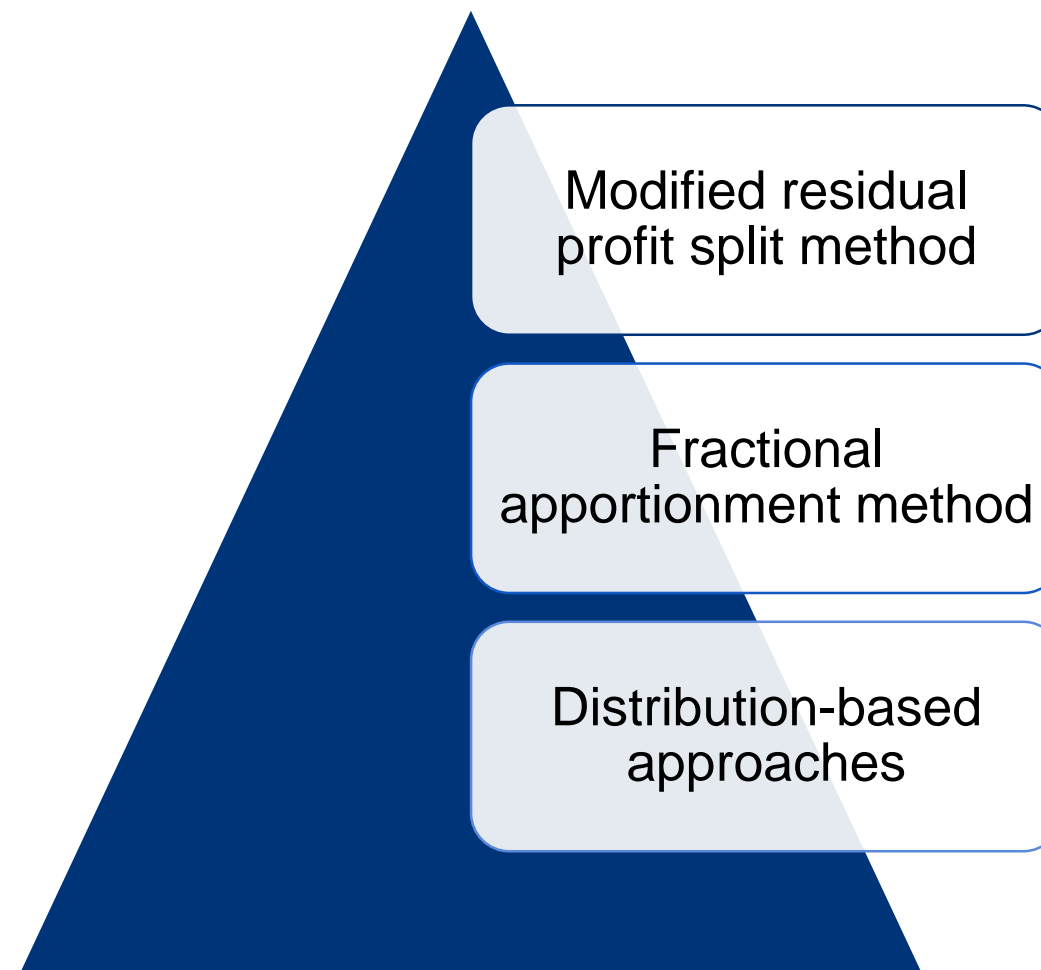


PILLAR 1 – PROFIT ALLOCATION

The OECD reported it is exploring three approaches

- to determine how much of an MNE's profit is to be allocated to market jurisdictions,
- and then how to allocate that profit among those market jurisdictions.

The three approaches being explored are:



Non-physical
presence nexus
rule →
transformation of
the economy

Rule would require
a remote but
sustained and
significant presence

Group level
approach (rather
than legal entity
level)

Revenue thresholds

BUT additional
factors: targeted
marketing activities;
digital presence

MLI- potential
changes – existing
treaties OR a new
multilateral
approach

 POINTS TO CONSIDER

- Elimination of double taxation
- Dispute prevention and resolution
- Administration
- Changing existing treaties

Income inclusion
rule

Switch-over rule

GloBE

Undertaxed
payment rule

Subject-to-tax rule



INFORMATION REPORTING FACTA AND CRS

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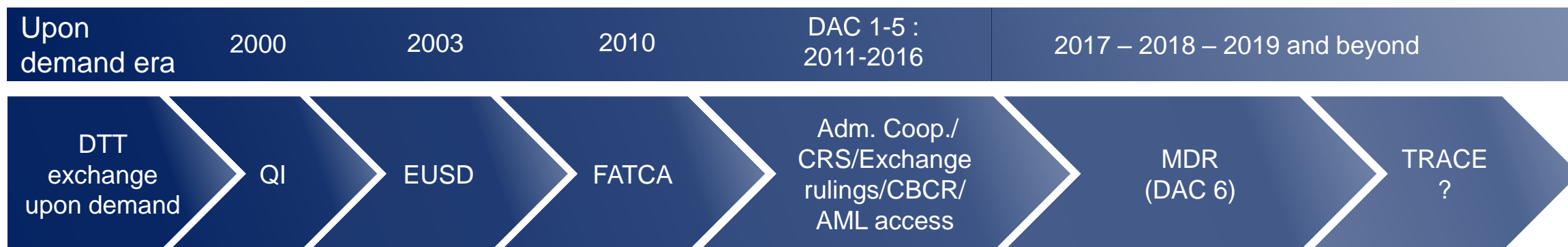
FATCA / CRS

What post-implementation issues do we still encounter regularly?



INTRODUCTION - AUTOMATIC EXCHANGE OF INFORMATION – EVOLUTION OF A SPECIES

- The switch from the “exchange of information upon demand” era to the “automatic exchange of information” era was a slow process between 2000 and 2010
 - The EU Savings Directive (EUSD) was a first move in that direction, but took long political negotiations to be adopted, with initial carve-outs for banking secrecy jurisdictions (anonymous savings withholding tax instead of exchange of information), and was a directive containing huge loopholes
- Things accelerated substantially with the introduction of FATCA
 - Especially the “IGA Model 1” based on automatic exchange of information towards the US through local competent authorities became a worldwide success...
 - ... and was used, through the OECD, as a basis to accelerate the roll-out of the Common Reporting Standard globally
- Within the EU, the DAC 1 to 6 were quickly adopted in the period 2011 to 2018
 - The current framework does not only include CRS-based automatic exchange of information but also automatic exchange amongst authorities on ao salaries and pensions, automatic exchange on rulings, and CBCR reporting. Additionally, as from August 2020, a first exchange under the DAC 6 (MDR) will occur, which retroactive effect up to June 2018
- Next phase will be the control processes and effective audits / certification obligations in respect of ao FATCA/CRS compliance



- Even years post-implementation, cases of non-compliance and poor compliance regularly appear

Issues across industries	
The entity classification headache persists	<p>In numerous cases, entities are still struggling with self-certifications of their status:</p> <ul style="list-style-type: none"> • Is an entity an FI, Passive NF(F)E, Active NF(F)E, or other category? • Is its FATCA and CRS classification the same, or not?
Verifications by FIs – Different market practices & knowledge levels	<p>We noted quite different levels of verifications made on «reasons to know» by financial actors – some are more vigilant than others by e.g. systematically requiring FATCA/CRS classification memo’s in case of any doubt on an entity’s status. Training of personnel in charge is not always up to speed.</p>
Who are the controlling persons of Passive NF(F)E?	<p>Another area of confusion: we are frequently confronted with wrongly completed data on controlling persons, e.g.:</p> <ul style="list-style-type: none"> • mixing persons in control of equity and senior managing officials; • entities or trusts notified as controlling person...
Data protection and over-reporting risk	<p>We still see regular cases of non-compliance with data protection notification obligations (e.g. with the Luxembourg specific obligations), and/or lack of awareness on the significant exposure to penalties under the GDPR in case of wrong reporting/over-reporting of personal data.</p>

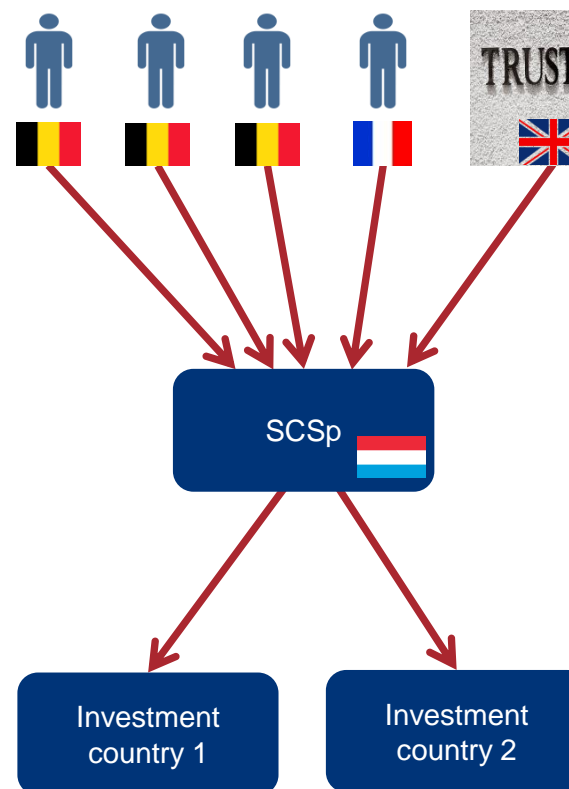
FATCA / CRS – COMMON ISSUES

- Even years post-implementation, cases of non-compliance and poor compliance regularly appear

Banks	IM - Funds	Life insurance	PE / RE (non-supervised)	Securitization
Review of account holder classification; e.g. investment funds accepted as Passive NF(F)E without documentary evidence.	Application of deemed compliant statuses not always correct and/or issues regarding ongoing monitoring. PPM's and prospectuses not always correct.	Product classification of life insurance and pension products can be quite complex and not always entirely mastered.	Awareness issues in certain cases, e.g. entities clearly operating as «financial institutions» not always identified.	Awareness issues in certain cases, e.g. entities clearly operating as «financial institutions» not always identified
Systems to automate reporting not entirely operational / presenting certain gaps (e.g. XML with errors preventing exchange with authorities)	Management companies wrongly classified and/or wrongly registered for FATCA purposes.	Procedures to ensure classification of BO's upon decease of the insured person not always present or incomplete.	Operational procedures often not present.	Operational procedures often not present.
Data protection obligations not always entirely met.	Data protection notifications not applied in certain cases.	Data protection obligations not always entirely met.	Awareness on data protection obligations not always present.	Awareness on data protection obligations not always present.

FATCA / CRS – EXAMPLE OF NON-COMPLIANCE

- Luxembourg SCSp invested into real estate through AOC's
- The SCSp is not supervised and is an AIFM
- Interest holders of the SCSp are unrelated individuals and a trust
- The SCSp was declared as Passive NF(F)E
- However in this case, it is clearly a FI for FATCA and CRS purposes
- Consequence: a significant remediation project was required to:
 - Setup the self-certifications to be used
 - Obtain self-certifications from all "account holders" and verify "reasons to know"
 - Classify all account holders for FATCA/CRS purposes
 - Remediate the necessary FATCA/CRS reporting for several years
 - Remediate data protection notifications under Luxembourg laws
 - Setup operational FATCA/CRS procedures and an ongoing compliance programme
 - Train relevant personnel for understanding and executing FATCA / CRS obligations



FATCA / CRS – RISK OF NON-COMPLIANCE

- Compliance with FATCA /CRS obligations is strongly linked with AML/KYC (same documentary basis) and the DAC 6 (containing e.g. specific hallmarks in respect of CRS avoidance)
 - Importance of making the link, and ensuring compliance across these areas
- In case of non-compliance with FATCA/CRS obligations:
 - Not only a risk of local penalties (e.g. in Luxembourg, up to 500K€ + 0,5% on non-declared amounts)
 - In non-IGA and IGA Model 2 countries additional exposure to IRS enquiries/sanctions and/or personal liability of FATCA Responsible Officers
 - But also reputational risk!

OTHER INFORMATION REPORTING AND WITHHOLDING ISSUES



RISK OF NON-COMPLIANCE WITH OTHER INFORMATION REPORTING AND WITHHOLDING

- Compliance with other types of foreign information reporting and withholding is closely linked with FATCA/CRS but needs to be considered separately as well
 - Section 1441, 1446 and other tax withholding
 - Section 871(m)



FUTURE PROOFING TAX FUNCTION

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1. CURRENT GAME-CHANGERS

2. IMPACT ON THE TAX OPERATING MODEL

- Tax Strategy
- Corporate Performance Measurement
- Organisational Design
- People
- Process
- Technology
- Data





FUTURE-PROOFING THE TAX FUNCTION

CURRENT GAME-CHANGERS



CURRENT GAME-CHANGERS

- Globalisation
 - New markets, products and services
 - Supply chains, capital, substance
- Digital transformation
 - Business embracing digital technology which impacts tax
 - Process automation
 - Big data (financial services and retail)
 - Machine learning
- Tax authority demands
 - Automatic exchange of information
 - Digital tax models (e.g. upload of entire data sets, real time reporting of data)
 - Requires “upstream” move by tax functions to be closer to underlying data
- Social pressures and tax transparency
 - Tax Justice Network
 - Tax contribution
 - Reputation management
- Cost efficiency
 - Pressure on finance and tax functions to seek the most cost efficient ways of getting the job done
 - Transformation projects



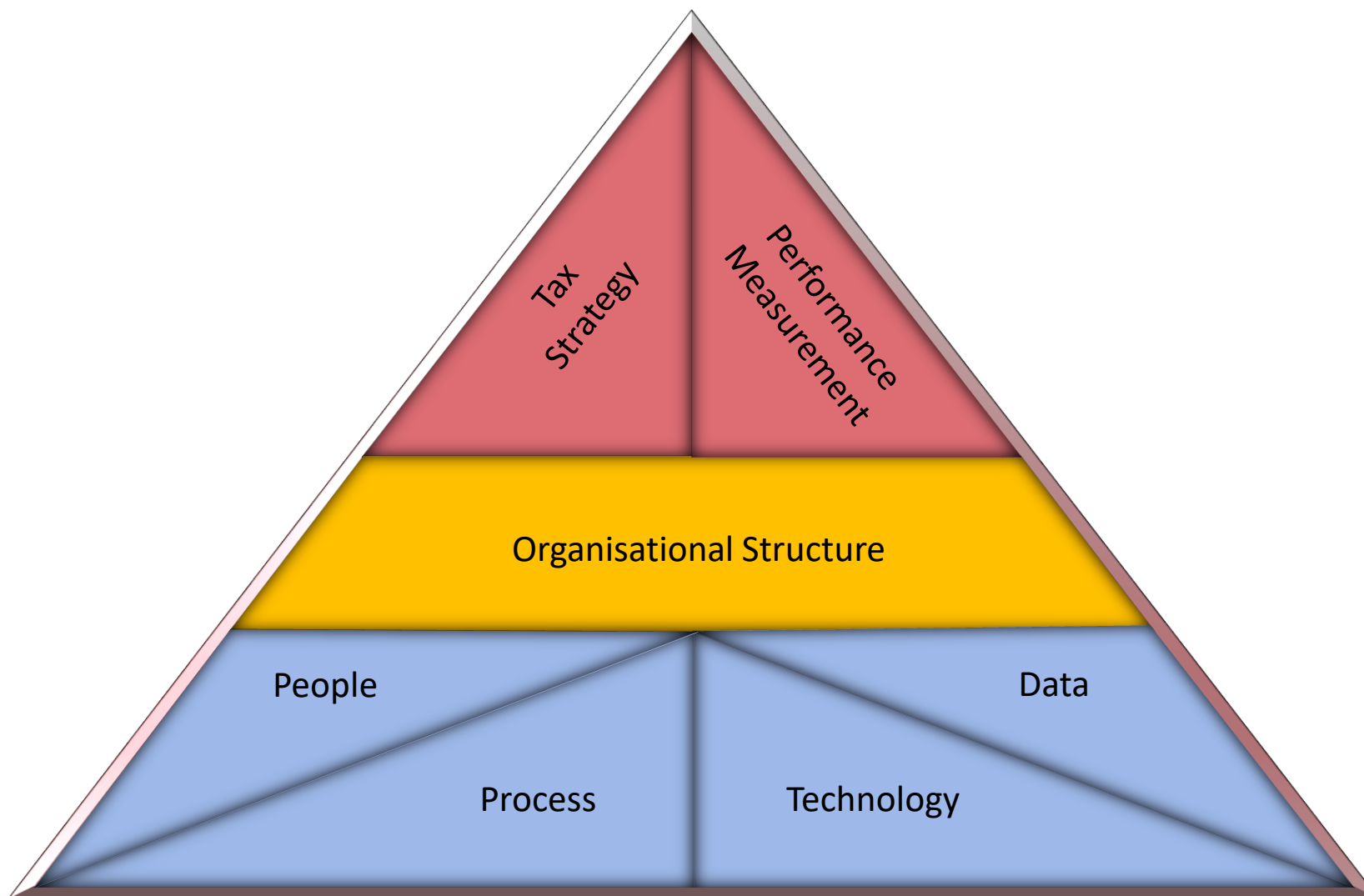


FUTURE-PROOFING THE TAX FUNCTION

IMPACT ON THE TAX OPERATING MODEL



TAX OPERATING MODEL





TAX STRATEGY

- A formalised and clear Tax Strategy is critical – brings confidence to tax affairs
- Determine tax strategic objectives and ensure these are aligned to business strategic objectives
- Clearly define accountability and governance structures for tax
- Identify all internal and external stakeholders impacted by tax
- Articulate tax risk appetite and align to wider business risk appetite
- Tax decision-making framework
- Underpinned by a formalised Tax Policy



PERFORMANCE MEASUREMENT

- Management of tax risk via tax control framework
- Management of effective tax rate (benchmark against peers)
- Cash taxes paid
- Alignment to wider corporate KPIs
- Alignment to Head of Tax's own KPIs
- Time spent on tax compliance versus tax planning
- Staff engagement, retention and career progression
- Adoption of automation to drive efficiency
- Leveraging off existing in-house technologies to enhance tax performance – e.g. data analytics
- Participation by tax on key committees



ORGANISATIONAL STRUCTURE

- Traditional FS tax function models based on:
 - Technical tax specialisms
 - Geographical location
 - Hub and spoke
- Move towards shared services (e.g. tax compliance and accounting)
- Creation of centres of excellence (e.g. transfer pricing, controversy)
- Outsourcing of non-core activities
- Fully managed service



PEOPLE

- Millennials – deeply concerned about purpose
- Generation Z – social media and technology obsessed
- Diversity of skills required in tax today
- Proficient in data analysis, statistics, technology, process improvement, project management, communication
- Taxologists – combination of tax and IT skills
- Tax risk management experts – combination tax and risk management skills
- Both are communicators and interpreters



PROCESS

- Standardisation and automation of processes
- Use of shared service centres to deal with repetitive, low value processes
- Outsourcing of non-core activities to third parties
- Supported by automated workflow management
- Leading to cost savings





TECHNOLOGY

- Bite-sized automation is a growing trend:
- Data analytics (notably for indirect taxes)
- Robotic process automation (e.g. downloading statements from tax authorities, gathering data, posting tax entries)
- Machine-learning (e.g. classification of accounts from a TB, deductible versus non deductible expenses)
- Workflow management with data repository



DATA

- The major challenge for most FS organisations – multiple systems that are not integrated; tax sits downstream
- The trend is to move towards:
- Tax sensitisation of data at source meaning that data is tax-ready when it arrives in the tax department
- Extraction of reliable and clean data from the ERP system or underlying systems for onward submission to tax authorities
- Use of third party ‘data hubs’ on the rise
- Choice of technology should be dependent upon reliability and quality of data



CONTENTS PART II

1. OPENING
2. DAC6 SOLUTIONS
3. VCA SOLUTIONS
4. INFORMATION REPORTING SOLUTIONS
5. TAX FUNCTION FRAMEWORK
6. Q&A



DAC6 SOLUTIONS

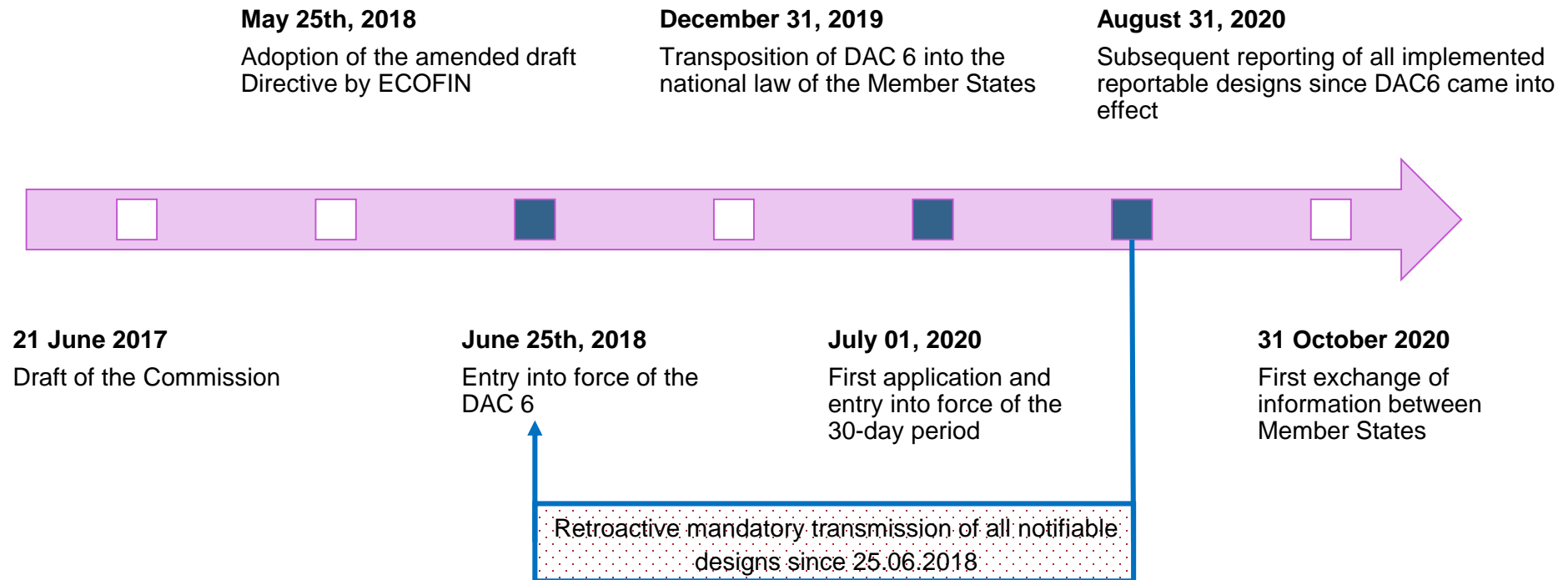
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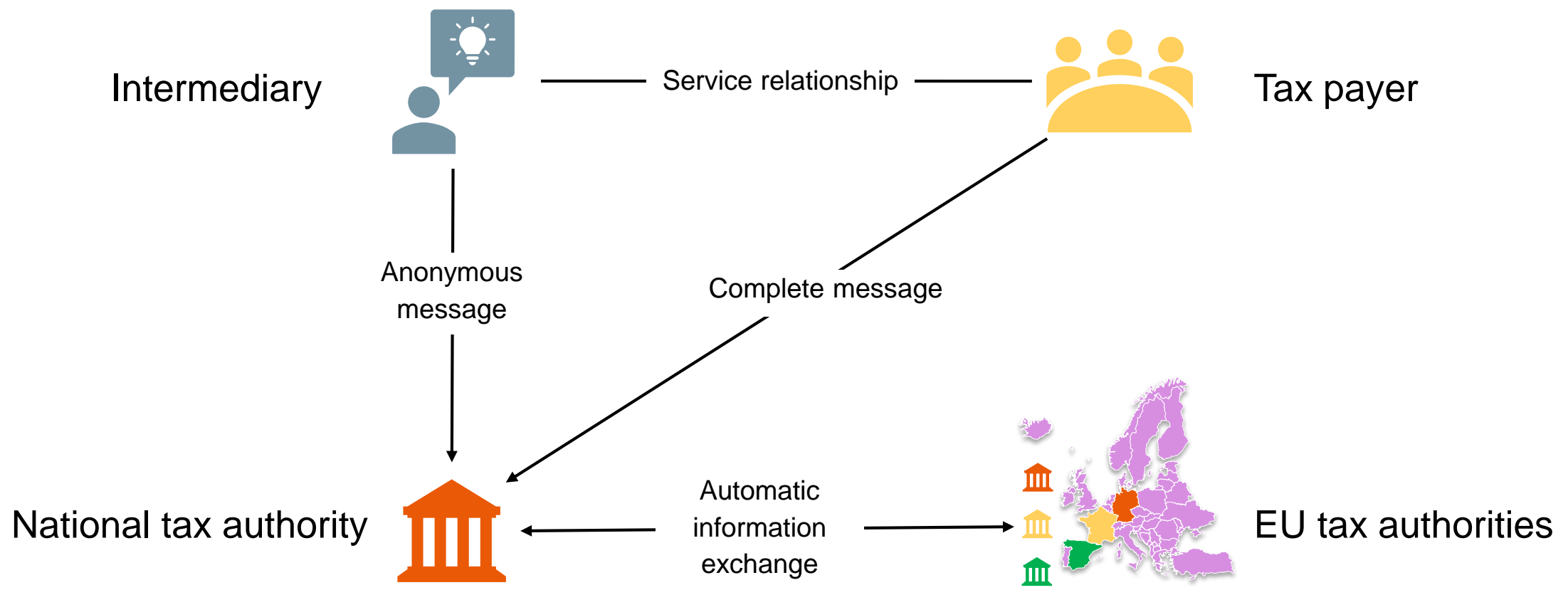
DAC6 TIME AXIS

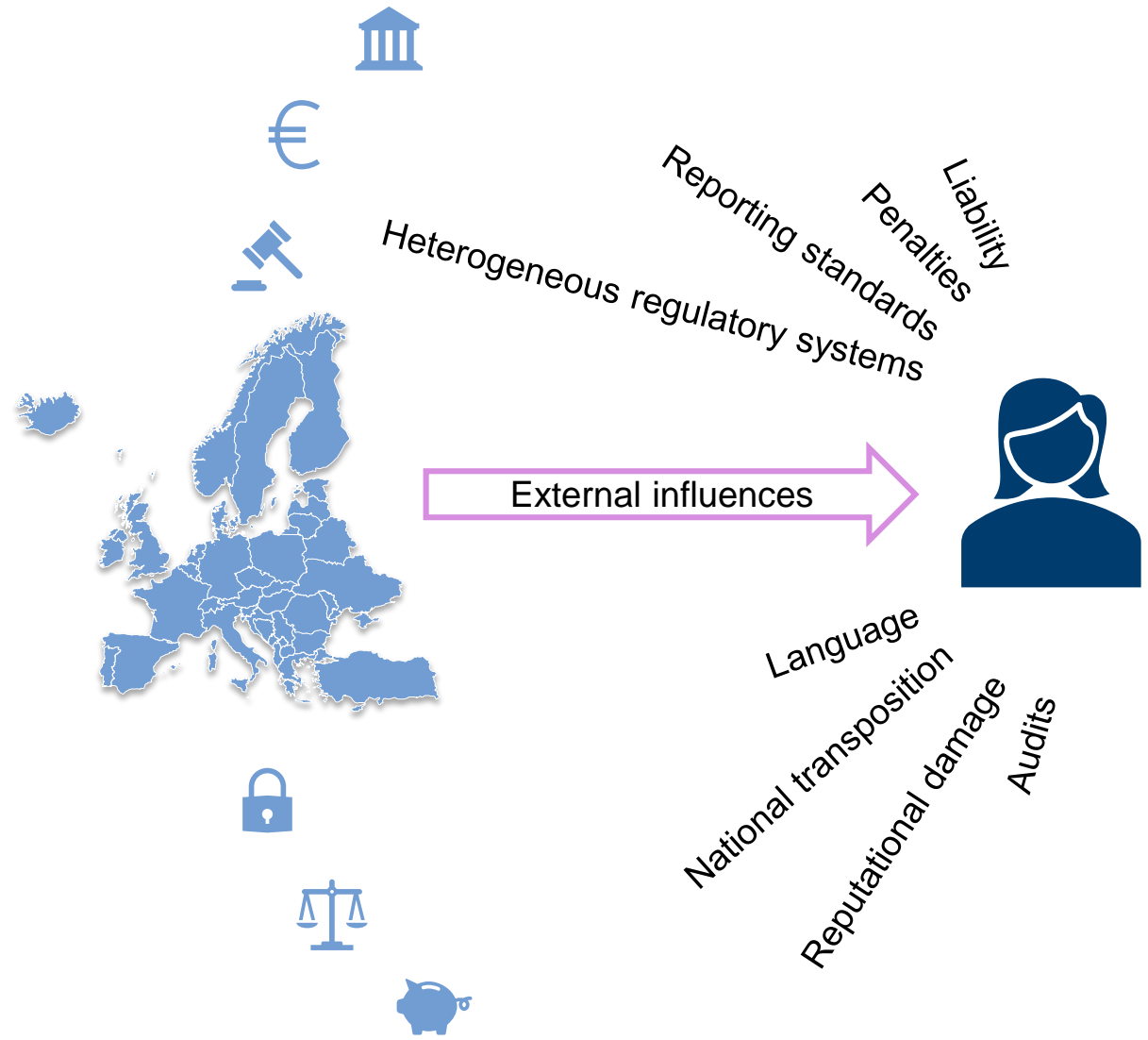
RELEVANT MILESTONES

The retroactive reporting obligation means that transactions that have already taken place must be examined and checked for transmission.



DAC6 STAKEHOLDERS
INTERACTION OF THE PARTIES INVOLVED





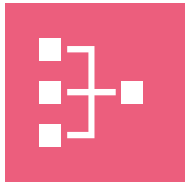
Challenges

-
-
-
-
-



Complexity and uncertainty in implementation

The heterogeneous implementation within the EU is not yet complete. National requirements may not be enacted until the declarations have been submitted.



Information procurement and documentation

The information to be reported is not necessarily available and must first be made available. Complete examination and documentation of the designs is necessary.



Responsibility & Hierarchy of Reporting Obligations

The responsibilities of the individual business units in the recording, valuation and transmission of transactions must be defined. Identification and monitoring of reportable transactions.



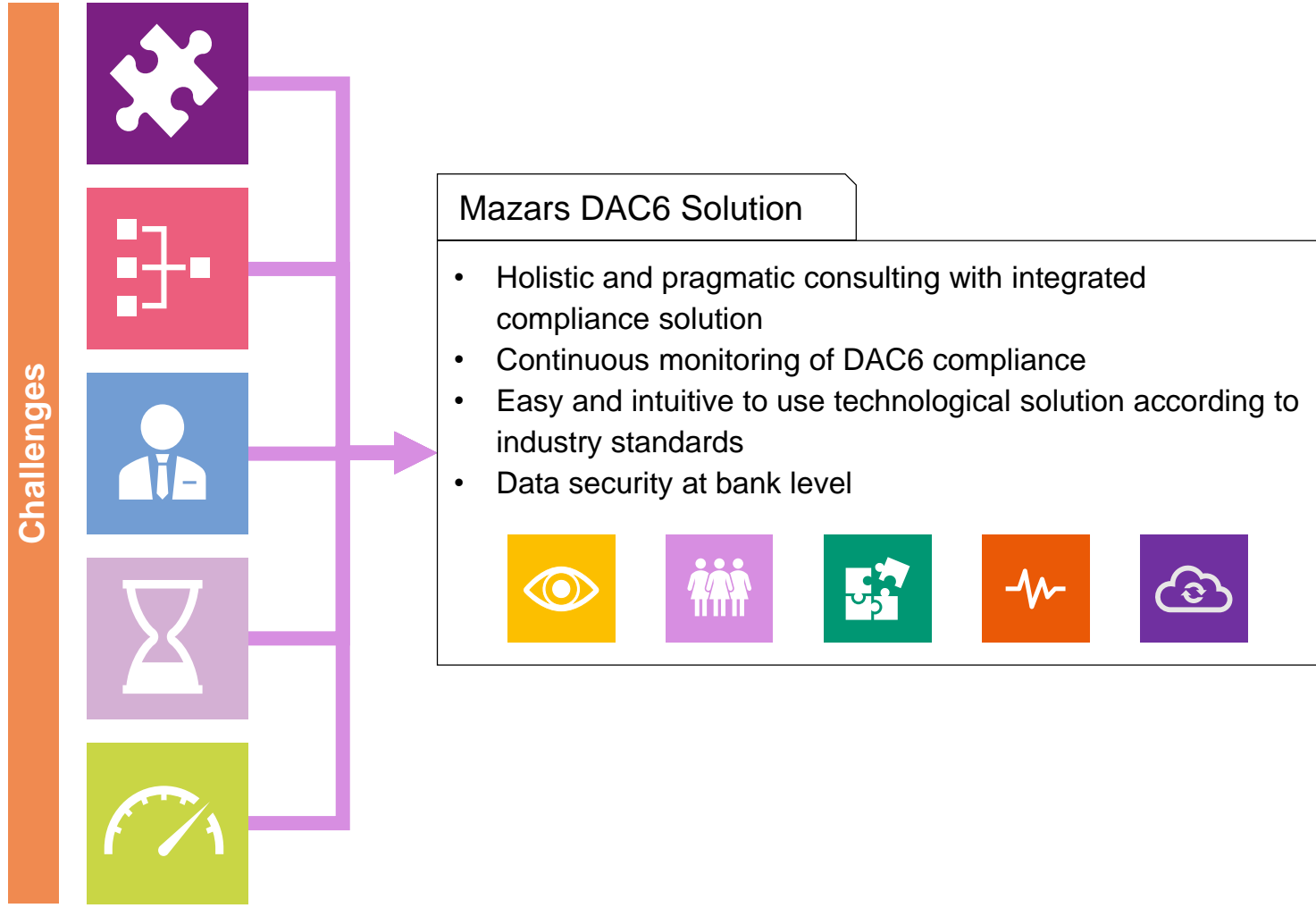
Time and speed

Documentation period has already begun and reporting obligation exists. The later beginning of the documentation means constantly growing additional effort in the processing of the designs.



Efficiency and simplicity

Balance between reputation, sanctions and effort. Development of simplifying interfaces.



DAC6 - OUR SOLUTION AT A GLANCE



Auditing

Retrospective processing of arrangements already carried out.



Initial Phase

Determination of the impact and development of the strategy.



Technology

Introduction of the technological solution.



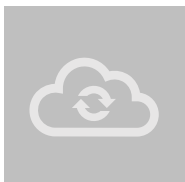
Data and analytics

Creation of BI dashboards.



Update package

Regular updates to DAC6.

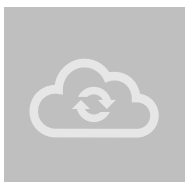


Assignments

- Examination and evaluation of past arrangements
- Identification of standard arrangements
- Documentation on analytical procedure

Outcomes

- Analysis report on past arrangements
- Summary of transactions and evaluations in a further processing format or in a tool
- Standard arrangements types of the past
- Consternation report

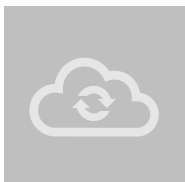


Assignments

- Impact analysis
- Elaboration of the reporting strategy
- Creation of the responsibility concept
- Checking the co-signing catalogs
- Identification of future standard arrangements
- Conducting training courses
- Embedding in the Tax CMS

Outcomes

- Concept for compliance with DAC6
- Understanding of the organization, structure and business areas
- Relevance and tax assessment of the Hallmarks
- Overview of future standard arrangements
- Customer specific questionnaire

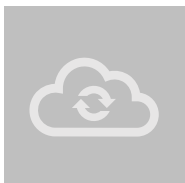
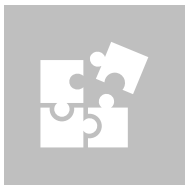


Assignments

- Preparation of the implementation concept
- Modeling and configuration of the reporting tool as a technological solution
- Implementation of the reporting hierarchy and strategy
- Training for affected departments
- Reporting of arrangements via the technical interfaces

Outcomes

- Configured and tested software
- New processes established
- Trained employees



Assignments

- Development of a Business Intelligence Report in Qlik, Tableau or PowerBi
- Comparison of the recorded arrangements with the arrangements available in ERP

Outcomes

- Clear display of reporting levels
- Presentation of conspicuous features



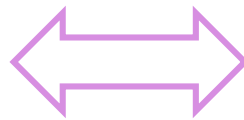
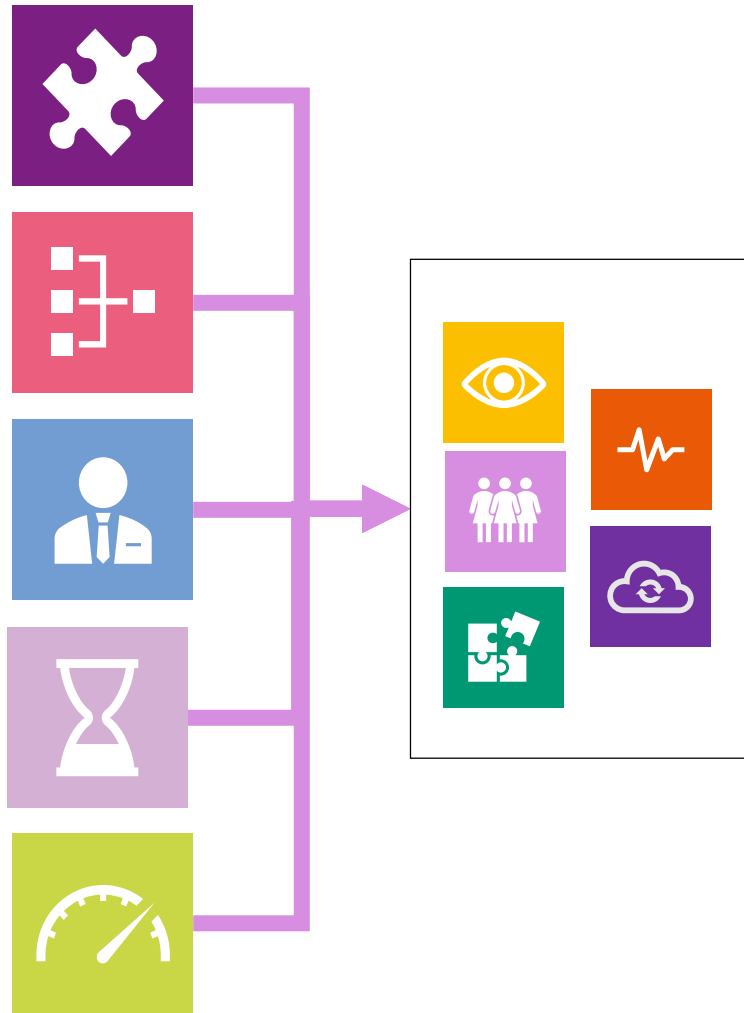
Assignments

- Annual provision of updated questionnaires
- Updated Best Practices
- Accompanying regulatory monitoring
- Uniform presentation of regulatory changes
- Information calls

Outcomes

- Latest information about DAC6

DAC6 - OUR SOLUTION
OUTCOME



- Integrated solution
- Simple and understandable
- Adapted to customer needs
- Clear DAC6 administration
- State-of-the-art technologies
- Low/No IT Impact through SaaS
- DAC6 Compliance
- Processed transitional period
- Clean data status
- Complexity reduction
- Audit ready

DAC6 - OUR SOLUTION

EASY SURVEY MODELLING



The screenshot shows the Mazars DAC6 web application interface for survey modeling. The browser address bar shows "http://dac6.mazars.com". The user is logged in as "Mazars\admin".

Navigation Menu (Left):

- Dashboard
- Surveys
- MasterData
- SurveyManagement
- CMS
- D a c 6
- Administration
- Demo UI Components

TOOLBOX (Left):

- Single Input
- Checkbox
- Radiogroup
- Dropdown
- Comment
- Rating
- Image picker
- Boolean
- Html
- Expression (read-only)
- File
- Matrix (single choice)
- Matrix (multiple choice)
- Matrix (dynamic rows)
- Multiple Text
- Panel
- Panel (dynamic panels)
- Bar rating
- Date picker

Main Editor (Center):

Stakeholder and Engagement

1 . Do persons involved in the design maintain permanent establishments in other territories?

Yes No

Explanation

2 . Is there a (partial) connection between the design and business activities of the permanent establishment?

Yes No

+ Other

Explanation

ADVANCED (Right):

- Choices: [Items: 2] Edit
- Choices By Url: <empty> Edit
- Choices Enable If: Edit
- Choices Order: none Edit
- Choices Visible If: Edit
- Col Count: 5
- Comment Text: Explanation
- Correct Answer: <empty> Edit
- Default Value: <empty> Edit
- Description: Edit
- Enable If: Edit
- Has Comment:

DAC6 - OUR SOLUTION

EASY AND TRANSPARENT ARRANGEMENT MANAGEMENT



The screenshot shows the Mazars DAC6 web application interface. The browser address bar displays "http://dac6.mazars.com". The user is logged in as "Mazars \admin". The main content area is titled "Arrangements" and "Arrangements header info". There are buttons for "Export to excel" and "Create new arrangement". A search bar is present. Below the search bar, there is a section for "Show advanced filters". A table displays the following data:

Actions	Display name	Display name	Display name	Relatedlegal units	Anonymous	Type	Value	Due d
Actions	Bird AG	Test		[[{"name": "First unit", "value": "T"}]]		None		07/30/

At the bottom of the table, it says "Total: 1". There are navigation controls for the table, including a page number "1" and a dropdown menu showing "5". The footer of the application displays "Dac6DemoStandard| v7.0.0.0 [20190930]".

DAC6 - OUR SOLUTION ARRANGEMENT DETAILS



Mazars DAC6
http://dac6.mazars.com

Edit arrangement

Legal unit *
Bird AG Q Pick X

Arrangement
Q Pick X

General

Type
Intermediary

Status
Open

Display name *
Cashpooling September 2019

Tags
dac6 X cashpool X standard X 201909 X + Tag

Related legal units *
Bird AG X Sparrow X Crow X

DAC6 - OUR SOLUTION

FLEXIBLE PERMISSION AND ROLE MANAGEMENT



The screenshot shows the Mazars DAC6 web application interface. The browser address bar displays 'http://dac6.mazars.com'. The user is logged in as 'Mazars\admin'. The main content area is titled 'Organization Units' and includes a navigation sidebar on the left with options like Dashboard, Surveys, MasterData, SurveyManagement, CMS, D a c 6, Administration, Organization Units, Roles, Users, Languages, Audit logs, Subscription, Visual Settings, Settings, and Demo UI Components. The main area features an 'Organization tree' with a '+ Add root unit' button and a list of units: Bird AG (2 Members, 0 Roles), Sparrow (1 Member, 0 Roles), and Group (0 Members, 0 Roles). The 'Bird AG' unit is expanded, showing sub-units like 'Finance and Taxes' (1 Member, 0 Roles), 'Operations' (1 Member, 0 Roles), 'Auditor' (0 Members, 0 Roles), and 'Intermediaries' (0 Members, 0 Roles). The 'Finance and Taxes' sub-unit is selected, and its 'Members' tab is active. A table lists members, with one entry for 'ChristianMueller' added on '09/30/2019'. A '+ Add member' button is visible above the table. The table has columns for 'Delete', 'User name', and 'Addition time'. The total number of members is 1. The bottom of the page shows the version 'Dac6DemoStandard v7.0.0 [20190930]'.



VCA SOLUTIONS

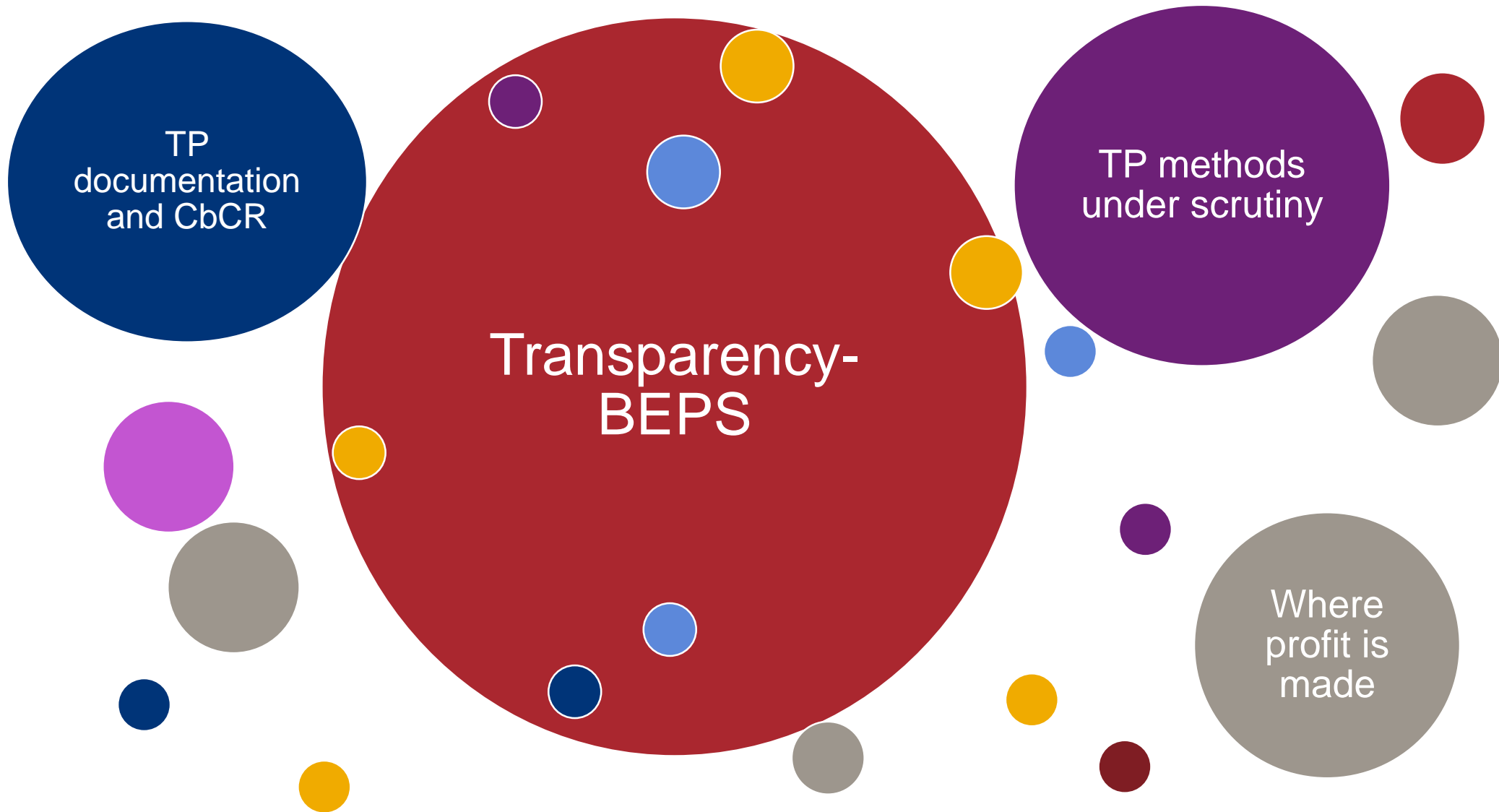
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Mapping

- Outlining the value chain
- Prepare an activity map of the Group
- Identify- IP assets, key risk and map them to the activities
- Functional analysis – master file, TP documentation

Evaluation

- Value assessment
- Heat map
- Understand and map the value drivers within the Group (entity level): people function, risk allocation, ownership of tangible and non-tangible assets

Application

- Review your existing TP model → is it in line with your VCA findings
- Prepare the relevant TP documentation
- Develop a more sustainable model



INFORMATION REPORTING SOLUTIONS

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FATCA / CRS

Solutions - Health checks



- Who is convinced to be fully compliant with FATCA / CRS obligations ?



- Who already carried out a FATCA / CRS Health Check ?



- Who is considering a FATCA / CRS Health Check in the next 12 months ?




- Why a Health Check?
 - We have discussed in the previous session that (significant) non-compliance still exists across the various industries
 - 2019 and 2020 will be key years where:
 - either tax audits may be carried out by tax authorities on FATCA/CRS compliance, or
 - countries may have implemented review/certification obligations regarding such compliance (through internal or external mandatory reviews - similar to the QI review processes banks-QI are familiar with)
 - Exposure to penalties and reputational risk arises in case of (significant) non-compliance, and additionally, in FATCA non-IGA countries and IGA Model 2 countries, exposure to IRS enquiries/sanctions and/or personal liability of FATCA Responsible Officers!

- Tailoring a health check
 - Depending on the comfort level as to FATCA/CRS compliance of the business concerned, the health check can be:
 - Limited
 - Extensive
 - Anything in between
 - Components of a Health Check: typically a Health Check can cover and combine the following:
 - Review of operational procedures
 - Review of legal documentation such as general conditions and other relevant contracts (and e.g. PPMs in a fund context)
 - Review of (a representative sample of) account holder files as to classification, reporting and notification obligations
 - Review of classification of banking and insurance products, and classification of investments funds (in particular if deemed compliant statuses applied)
 - Review of compliance programme and testing of effective implementation throughout the organisation
 - Interviews with persons in charge to assess effective knowledge levels and identify possible training needs

SOLUTIONS – HEALTH CHECKS

- Aim of FATCA/CRS Health Checks
 - Identify possible implementation and knowledge gaps
 - Remediate the shortcomings through corrective actions
 - Reduce the risk of penalties and reputational risk exposure by ensuring full compliance with FATCA / CRS obligations
 - Take the occasion to combine AML/KYC and FATCA/CRS Health Checks, which gives rise to project efficiencies



TAX FUNCTION FRAMEWORK

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1. A DIAGNOSTIC ASSESSMENT



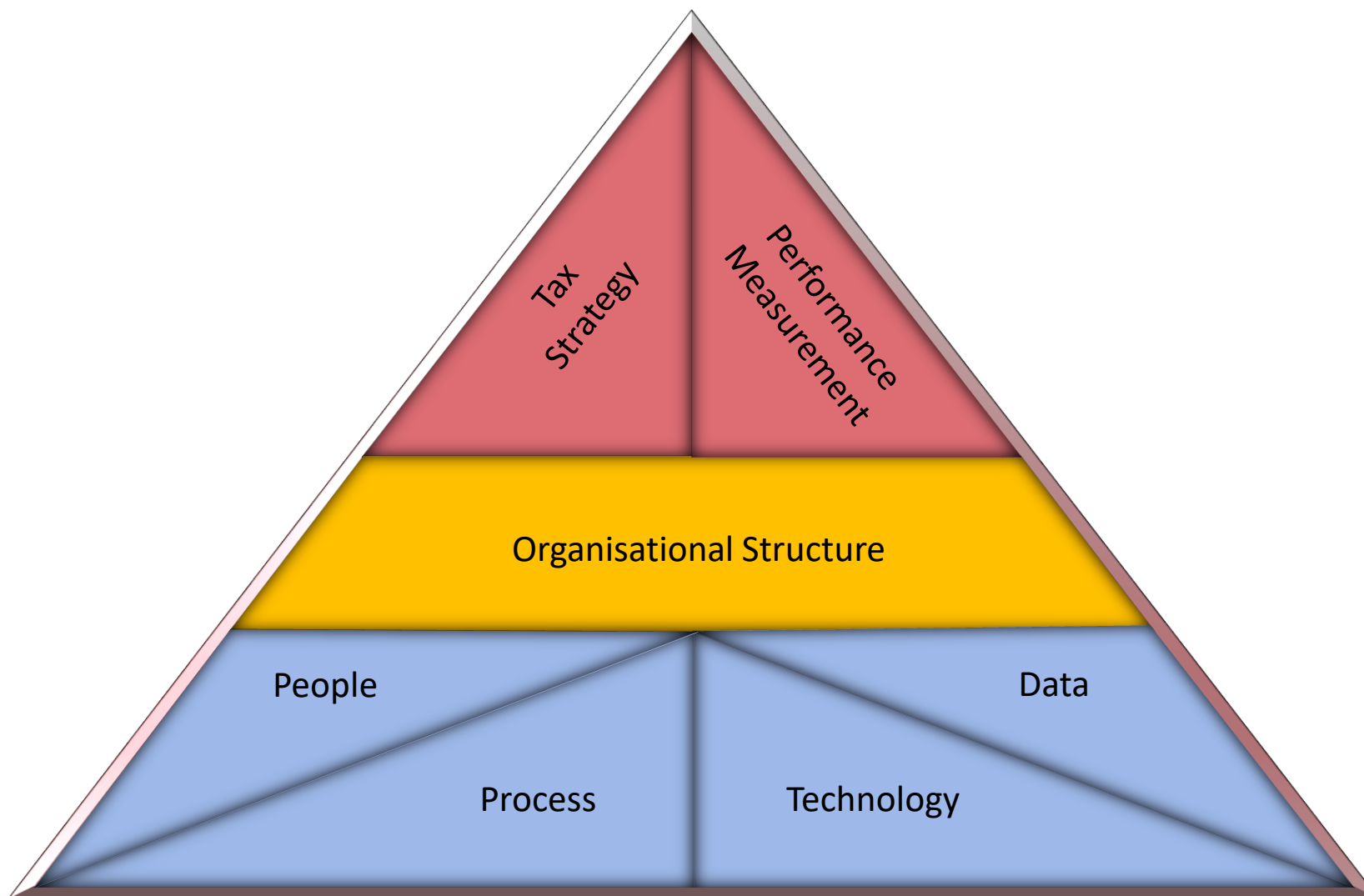


FUTURE-PROOFING THE TAX FUNCTION

TAX FUNCTION DIAGNOSTIC ASSESSMENT



TAX OPERATING MODEL



FUTURE-PROOFING THE TAX FUNCTION – A DIAGNOSTIC ASSESSMENT

	Basic	Established	Leading
Tax Strategy	No formal tax strategy. No clear roles and responsibilities for tax.	Formal tax strategy exists within the tax function but not board approved, not updated regularly, and not aligned to wider business.	Formal, board-approved, integrated tax strategy aligned with the wider business, updated regularly, and underpinned by a formal tax policy.
Performance Measurement	No tax function KPIs at a corporate level. Individual tax team member KPIs may exist.	Informal tax function KPIs exist (usually compliance oriented). Head of tax's KPIs sometimes used as a proxy for the tax function KPIs as a whole.	Clear and measurable tax function KPIs linked to the tax strategy.
Organisational Design	Decentralised tax model. Little or no collaboration or consistency. Tax function isolated from business.	Partially centralised tax function (local territories have only dotted lines to the central HQ tax team). Informal interactions with business. Some involvement in business planning and tax decision making.	Fully centralised, cost effective tax function. Maximum leverage of shared services, outsourcing of non core activities, managed services.
People	Tax roles and responsibilities not differentiated. Tax personnel are generalists and compliance focused. No performance management. No career development.	Tax roles and responsibilities are differentiated based on technical tax specialisms. Basic performance management and career development in place, in line with broad HR policy.	A truly global tax community. Highly specialised tax resources including taxologists and tax risk experts; resources deployed optimally on a global basis.
Process	Not defined, documented and/or inadequate.	Processes are defined, documented. Not standardised globally. Limited automation.	Standardised tax processes globally. Global tax process inventory with clear ownership. Fully automated.
Technology	Very little automation. Heavy reliance on Excel.	Use of some tax technology to support tax compliance and accounting, and workflow management.	ERP system able to produce tax calculations. Extensive use of AI (e.g. RPA) and machine learning.
Data	Data architecture not integrated. Tax departments spends majority of time scrubbing data clean.	More consistency of data definition across the organisation. Progress made in reducing multiple sources of data.	Data received is tax-ready. Use of dedicated tax data hubs. Data security is ensured.



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About Mazars

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