



CTO Insights

Issue Spotlight – The evolving role of the CTO

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Businesses and regulators are demanding quicker and more streamlined tax reporting. Tax compliance is becoming more complex, especially for global organizations. The tax function is being called on to provide upper management with data-driven insights that inform broad, strategic business decisions. The regulatory environment has gained unprecedented attention by the mainstream media.

In light of these forces, the role of the Chief Tax Officer is evolving significantly.

In this *CTO Insights – Issue Spotlight*, we examine the changing expectations on, and responsibilities of, the CTO in today's high-stakes tax environment, including how they add value to the business, prepare the business for potential legislative changes, and size and staff the tax function in light of the current economic environment.

Adding strategic value

Tax has shifted away from solely a back-office function. As organizations recognize that more data and more insights are critical to achieving a competitive advantage, the role of the CTO has changed. CTOs now have a seat at the leadership table and are increasingly involved in significant organizational decisions. After all, tax and finance have a pulse on key performance indicators that can help business leaders see around the corner, avoid surprises, and prepare strategically for what's ahead.

One way CTOs are adding strategic value to the business is through modeling activities. Whether the business is anticipating a new regulation, a geographic expansion, or a merger or acquisition, tax modeling can help leadership prepare for any kind of outcome.

Another way is by integrating with the broader leadership team. Although it takes time to earn the trust of leadership and understand the business well enough to provide insights that make an impact, the CTOs we work with say they are making headway. Many are making a point to meet with senior management to demonstrate that they are not “just tax people.” They often focus conversations

on educating leaders on the business impact of current, top-of-mind tax issues or to reminding them of how tax is helping to grow the business or adding value in other ways, such as through tax savings.

CTOs say it is very important to find effective ways to communicate what business leaders need to hear. That might mean presenting on specific, timely topics—such as U.S. tax reform—directly to the CEO and COO, rather than solely financial management, as has historically been the case.

The uncertain regulatory environment

The outlook for U.S. tax reform is still uncertain and the global landscape continues to change. Numerous proposals continue to float around, but details are largely lacking and the path forward is still undetermined.

Still, one thing is clear: Tax is in the spotlight, particularly in the United States. With the Trump Administration and Congress continuing to express a strong desire to reform the tax code in the current term, news media coverage of the topic is extensive and constant.

Never before has the tax department played such an integral role in the success of the business. Chief tax officers (CTOs) are expected to align tax with business goals, drive strategic value, increase transparency, and improve the efficiency of tax operations. KPMG LLP's (KPMG) *CTO Insights* is designed to highlight top-of-mind issues for tax executives and ways CTOs are addressing these opportunities and challenges. We are confident that you will find the information in each issue of *CTO Insights* practical and actionable in demonstrating the value you and your department bring to your organization.

As a result of all of this attention, business leaders in every industry and every state are taking note. CTOs are fielding more questions than ever about what the future holds under a reformed tax code—and what the organization should do to prepare for it. Senior leaders from audit committee members, CFOs, board members, and the CEO, want regular insights on the potential impact of the various reform proposals on their organizations and their industries, including both risks and opportunities.

From an operational standpoint, CTOs we speak to say they are largely focusing on two areas:

- Planning: Analyzing best and worst case scenarios under anticipated tax reform.
- Modeling: Calculating the post-reform potential impacts to the organization.

From a process standpoint, they are emphasizing stakeholder education. That's a major undertaking with numerous moving parts, including providing high-level analyses of potential impacts and recent proposal changes to senior management and communicating the company's position to policymakers in the hopes of helping shape a beneficial tax landscape.

Sizing and staffing the tax function

With many organizations exercising caution in spending given a new administration in the White House and an uncertain global economic outlook, many tax functions are facing budget cuts. Yet as downsizing occurs, tax is also expected to do more. As a result, CTOs are challenged to rethink how tax performs its duties and garner support for the department among leadership.

To cope with shifting department sizes coupled with increased expectations for performance, many CTOs are turning to intelligent automation technologies. Technology has long been prevalent in the tax departments, but today's digital labor tools are much more powerful than the software and systems of even the recent past. They enable CTOs to bring together masses of data for faster, deeper analyses of tax positions while also streamlining basic and routine tax processes, thereby eliminating the need for some staff roles and enabling tax professionals.

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Given the vast complexities involved in automation projects, it is no surprise that many fail to achieve expected results. However, a clear strategy, combined with careful alignment of skills, support tax technology automation success.



Questions to consider

- How do you measure results and clearly articulate the value the Tax department brings to the organization?
- Which aspect of current tax reform proposals (e.g., rate structure, denial of net interest expense deduction, expensing) would have the greatest impact on your company?
- Are you considering intelligent automation technologies to cope with shifting department sizes and increased expectations?

For further information

Explore the resources below for deeper insights on the topics in this edition of CTO Insights.



Tax Innovation Web site

For tax innovation capabilities that can help improve and sustain performance, manage risk, and deliver value through tax.



Outlook for U.S. Tax Reform Web site

For ongoing KPMG insights on the outlook for U.S. tax reform.



Chief Tax Officer Insights – June 2017

Our latest issue discuss recent developments on U.S. corporate tax reform as well as the growing significance of robotic process automation.



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The information in *CTO Insights* is based on discussions between KPMG professionals and CTOs at their clients as well as with government contacts.

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