



# Chief Tax Officer Insights

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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.





# The CTO dilemma: Plan ahead or wait and see?

In an era of unprecedented disruption, speed is crucial. Businesses cannot afford to wait until the way forward is clear. Quick action is key to the ability to compete. To take it, top decision makers need smart, informed strategic plans from functional leaders.

Nowhere is this truer than in the tax function. Today, major business decisions rely on forward-looking tax insights: how to structure the business, where to base operations and people, when to make large investments. Companies are especially grappling with what global and U.S. tax reform means for their businesses and how best to implement changes. Effective tax planning could be the difference between overall tax efficiency and tax liabilities that hurt overall business value.

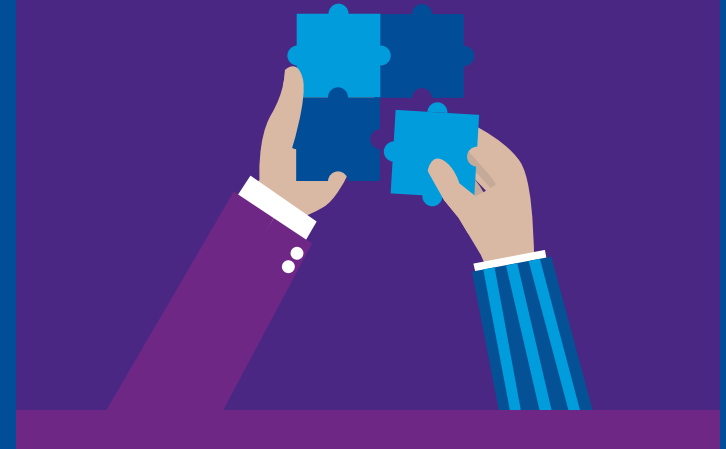
Yet in the face of an uncertain global regulatory environment, CTOs face a difficult dilemma. They know their timely insights are critical as businesses plan for the future. But the ever-changing tax environment may make a reactive approach to tax planning increasingly attractive to some CTOs.

The challenge is that tax planning requires deep knowledge of current tax code, both global and domestic. But there are so many new and complex regulations that true mastery is fleeting—especially in the absence of formal guidance from tax authorities. The widespread ambiguity about specific applications of new tax laws and proposals have made some CTOs cautious about carrying out planning opportunities based on recent tax reform. Many CTOs are hesitant to take positions based on the proposed regulations that could be inconsistent with the final regulations. This includes changes to how foreign profits are taxed under U.S. tax reform—global intangible low-taxed income (GILTI), base erosion and anti-abuse tax (BEAT), and more—as well as the ongoing worldwide debate about taxation in the digital economy. CTOs that do move forward with planning typically include an exit strategy to allow the organization to pivot if the tax environment shifts.

So plan ahead or wait and see? Which approach may be best for a particular business remains to be seen.

## Questions to consider

- **What tax insights do your business executives need to effectively plan for the future?**
- **How confident are you in your current tax forecasts and analysis?**
- **What barriers prevent your tax function from delivering useful insights to decision makers?**







# Clearing the fog: Modeling amid uncertainty

Despite regulatory uncertainty, many CTOs are forging ahead with efforts to model the potential effects of U.S. and global tax reform. Recent legislative changes are game changers for many businesses, especially organizations with global operations. Modeling enables tax functions to increase visibility into their organizations' current tax profile and uncover opportunities to potentially improve their future tax position.

Today, modeling plays an especially significant role in cross-border tax planning. CTOs are focused on modeling both international tax provisions introduced under the 2017 U.S. Tax Act and existing provisions that have been in the tax code for some time but remain complex to understand and implement. For multinational organizations, these provisions can substantially alter how much foreign income is subject to U.S. taxation, as well as the organization's global effective tax rate.

Facing increased uncertainty, CTOs are exploring new and more powerful models that incorporate reform and regulatory changes. More in-depth modeling is needed to understand the complicated interdependencies between post-tax reform rules and their total global tax impact.

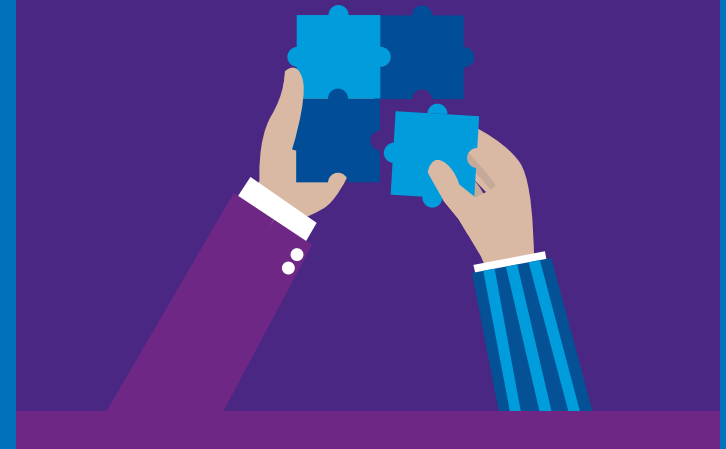
Recognizing that implementing a new model would require a significant commitment of internal resources, CTOs are considering leveraging models from third-party advisers. Powerful new external models are helping CTOs gain insights into the impacts of tax reform by allowing for more extensive analysis and scenario planning than many common in-house tools.

Although certainty over modeling results remains difficult pending final regulations, leading-edge modeling solutions have been tested in the current tax climate and are also regularly updated with the latest technical tax guidance, allowing them to keep up with the latest interpretations of regulations from the U.S. Department of Treasury and Internal Revenue Service.

Given the quick turnaround times needed for effective modeling and scenario planning, CTOs are also seeking more automated solutions. Automation is especially useful in capturing tax and financial information tax functions did not previously collect, but is now needed for the more sophisticated and detailed modeling required in today's complex environment.

## Questions to consider

- **Are you confident in your understanding of how recent tax reform has affected your global tax position?**
- **Are your tax models updated with the latest reform and regulatory changes and guidance?**
- **Do you have the data needed to test scenarios in more sophisticated and powerful models?**





```
19/08 16:23:37 INFO util.MainUtil: resolving application jar from found...
19/08 16:23:37 INFO planner.MainPlanner: using application jar: /home/...
19/08 16:23:37 INFO proxy.AppProxy: using app id: 517726442294082720...
19/08 16:23:38 INFO wrapped.FliClientFormet: Total input paths to process : 1
19/08 16:23:38 INFO Configuration.Approximation: wrapped.output.compress...
19/08 16:23:40 INFO util.Version: Concurrent, Inc - Cascading 2.5.2
19/08 16:23:40 INFO flow.Flow: [K] starting
19/08 16:23:40 INFO flow.Flow: [K] source: Hfs["testDelimited[""abc", "]",
19/08 16:23:40 INFO flow.Flow: [K] sink: Hfs["testDelimited[""token", "],
19/08 16:23:40 INFO flow.Flow: [K] parallel execution is enabled: true
19/08 16:23:40 INFO flow.Flow: [K] starting jobs: 1
19/08 16:23:40 INFO flow.Flow: [K] allocating threads: 1
19/08 16:23:40 INFO flow.FlowDriver: [K] starting step: (1/1) output/hc
19/08 16:23:40 INFO client.MProxy: Connecting to ResourceManager at sandbox...
19/08 16:23:40 INFO client.MProxy: Connecting to ResourceManager at sandbox...
19/08 16:23:40 INFO wrapped.FliClientFormet: Total input paths to process : 1
19/08 16:23:40 INFO reproduce.JobScheduler: number of splits:2
19/08 16:23:40 INFO reproduce.JobScheduler: Submitting tokens for job: job_13...
19/08 16:23:40 INFO util.FormClientImpl: Submitted application application_13...
19/08 16:23:40 INFO reproduce.Job: The url to track the job: http://sandbox...
19/08 16:23:40 INFO flow.FlowDriver: [K] submitted hadoop job: job_1387243...
19/08 16:23:40 INFO flow.FlowDriver: [K] tracking url: http://sandbox.hor...
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19/08 16:24:12 INFO util.MainUtil: deleting temp path output/hc/_temp...
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# Data and tech: Unlocking operational excellence

When it comes to planning and modeling—and nearly every other core activity of the tax function—one of the biggest challenges for CTOs in post-reform era is gathering all of the data they need.

In today's complex business environment, the data requirements for even the most basic tax processes are colossal. To navigate the interconnected web of new global tax laws, tax functions need more data at a more granular level than ever before.

Volume is one challenge. Source is another. From calculation to provision to compliance to planning, tax processes increasingly rely on financial data collected from other parts of the organization. Gathering this data is a massive undertaking, as is processing and cleansing it to make it usable. This is especially cumbersome when data is managed in a manual and decentralized fashion.

It is in these areas that technology is playing a key role in tax department operations. New technologies offer a host of options for improving how the tax department manages data. Tax functions are investing in advanced technologies to streamline the data collection and management effort, including workflow management tools, data analysis tools, and automation technologies.

CTOs agree that automation tools are the key to unlocking greater efficiencies and business insights in the tax function. They can save thousands of hours of work by taking over the mindless and time-consuming data handling work of the tax function. And while efficiency remains goal for CTOs as they explore automation, it also brings additional benefits, such as reducing human error and freeing up talent to focus on more strategic, value-added tasks.

However, implementing, scaling, and maintaining automation technologies remains a challenge. For one, it is hard to keep up with the latest technology developments. Given the sheer number of tools in the market, CTOs struggle at the beginning of projects to decide which best suits their needs. They also must weigh whether to build their own internal tools or work with advisers to implement existing ones.

CTOs are also challenged to justify continued automation investments, finding that in some cases new tools resulted only in initial pockets of ROI, not significant, long-term cost savings.

To help gain value from automation and other technology investments, CTOs are focusing on improving project management and governance. Indeed, a lack of

connectivity and integration between tax and the business is a shared trait of many failed technology implementations. CTOs are finding that tax resources are best included throughout the implementation process, so new tools effectively address tax needs.

CTOs are approaching technology implementation in a variety of ways. Some are establishing a steering committee to guide future automation projects, consisting of stakeholders from tax and other departments, including IT, HR, and Legal. The committee is responsible for selecting, guiding, and governing a pipeline of technology projects through completion. Other tax functions plan to form an internal center of excellence devoted to enterprise automation. A third group will rely on outside consultants who can bring specialized automation experience and be a source of ongoing automation support, closing potential knowledge gaps otherwise caused by internal employee departures.

## Questions to consider

- **Does your tax function have access to business data necessary for modeling ongoing regulatory change?**
- **How are your tax operations managing today's massive data requirements?**
- **What challenges do you face as you implement technology to manage data and streamline the work of the tax function?**



## For further information

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

## Topical Resources

[KPMG's Tax Reform Website](#)

Numerous resources to help stay abreast of the latest developments

[The Tax Data Dilemma](#)

How tax organizations are addressing their data access and quality issues

[KPMG's international tax reform analyzer](#)

Helping tax functions model the potential impact of the new U.S. tax legislation

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**Jeff LeSage**

**Americas Vice Chairman, Tax**

**T:** 212-872-2100

**E:** [jclesage@kpmg.com](mailto:jclesage@kpmg.com)



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