Why a Total Tax Mindset is Key to a Successful Managed Services Relationship

BDO

WHAT TO LOOK FOR WHEN SELECTING A TAX SERVICE PROVIDER

As tax leaders navigate an increasingly complex environment defined by tax policy shifts, heightened stakeholder expectations, and chronic talent shortages, many are turning to outsourced providers of tax services.

The challenge lies in identifying an advisor that best fits your organization's business needs, culture, and goals. The right managed services provider can help you meet compliance requirements, mitigate tax risk, access new technologies, and capitalize on tax planning opportunities.

An effective services provider has an ownership mindset toward your organization, approaching every engagement from the perspective of a business owner or chief executive rather than a vendor. Driven by this ownership perspective, a strategic advisor synthesizes tax data across all areas of the business and works seamlessly across tax and other business functions — enabling a total tax mindset.

A total tax approach requires a deep understanding of your organization's business operations and holistic tax profile — from tax accounting through planning, compliance, and controversy. This is critical to uncovering tax risks, identifying planning opportunities, and informing broader business decision-making.

In this piece, we outline essential qualities to consider when selecting a tax managed services provider and discuss why a total tax mindset drives successful relationships. We also explore the methodologies that inform that mindset.

Ownership Mindset

Effective advisors approach every client with an ownership mindset. They understand your organization's broader goals beyond its immediate compliance needs and proactively identify the tax implications of those business decisions across all jurisdictions and types of taxes. This requires proficiency and experience not only in tax, but in business strategy.

For example, if you are evaluating an acquisition, your provider should be able to analyze how the deal would affect the total tax liability of the new entity, while uncovering opportunities for tax efficiency. This would involve going beyond the typical tax work of conducting tax due diligence and planning the transaction's structure. A provider with an ownership mindset anticipates downstream tax implications and potential business developments.

Similarly, for organizations assessing the impact of tariffs, the right provider can help you understand tariff costs, associated compliance requirements, and overall tax liability impacts, while simultaneously examining broader consequences. For example, an advisor with a total tax mindset recognizes the interplay between customs valuations and transfer pricing and can develop integrated strategies based on your organization's unique facts and circumstances.

Equally important, a strategic advisor must understand the priorities and concerns of your organization's various stakeholders. Whether engaging with the CFO, the controller, the head of tax, the board of directors, or the head of supply chain, the managed services team should tailor their communications to each stakeholder and demonstrate how tax impacts strategic objectives across the enterprise.

Cross-functional, but Centralized Approach

A **total tax approach** requires access to enterprise-wide data and insights to comprehend the complex interplay between tax strategy and operations. The ability to glean insights from data is essential for understanding how tax considerations influence organizational decisions and how these decisions influence tax. Effective providers achieve this understanding by collaborating seamlessly with various client functions to understand the full tax picture.

While internal tax teams may struggle to break down the silos that separate legal, human resources, financial planning and analysis, and other functions, a skilled external counselor can orchestrate collaboration across your organization. With a view into holistic organizational data, an experienced provider can draw a line from function to function to illustrate how decisions compound to slow or accelerate cash flow and to grow or shrink tax liability.

Technology can amplify cross-functional collaboration to enable a total tax mindset. This starts with a tax data strategy that streamlines the process of acquiring, transforming, and centrally storing data, including both inputs from other parts of the organization and data that is a result of tax processes. Technology tools, including traditional tax engines as well as emerging technologies like AI agents, layer on to the data strategy to help streamline required processes, drive actionable insights, reduce risk, and create value for the organization overall. With a data strategy in place, the managed services team can more easily transfer information and extract insights across tax filings, jurisdictions, and project engagements.

Risk-Informed Insight

Effective tax risk management requires comprehensive data collection and analysis capabilities, as well as the knowledge and foresight to spot emerging risks. When evaluating providers, look for an advisor that can analyze data across the tax lifecycle and the strategic mindset to proactively identify and flag areas of tax risk. A sage advisor proactively spots sources of risk, even beyond the scope of the current engagement.

A skilled advisory team assesses tax risks throughout the tax lifecycle, from provision through to compliance and controversy. You should also communicate with your provider about the risks you consider critical, so that the team understands your priorities. This enables the advisor to identify risks while collaborating with you to mitigate factors that exceed your **tax risk management** guidelines.

BDO'S APPROACH TO TAX MANAGED SERVICES

At BDO, we combine cross-functional collaboration, an ownership mindset, and risk-focused analysis to deliver our total tax methodology in every client engagement. We understand how each step in the tax lifecycle influences the next, which equips us to identify potential tax risks, improve processes, and develop strategies to help lower total tax liability. We leverage comprehensive data analysis capabilities and insights gained from advising hundreds of clients across multiple industries and geographies to generate both tax and business insights that help drive decision-making.

The illustration below outlines our philosophy on the tax lifecycle, demonstrating the interconnected nature of each stage and how BDO can help at any combination of stages, based on client needs:

Total Tax Managed Services

BDO helps synthesize data, documentation, and processes across all phases of the tax lifecycle.

Data from the provision stage can indicate where cash is currently located to identify potential planning opportunities.

Transfer pricing adjustments in year-end financial reporting may also indicate if a business should consider changes to its transfer pricing strategy.

Provision is where tax professionals can also identify potential uncertainties, such as uncertain tax positions that will need to be remediated in compliance (e.g., income sourcing or deductions).

Once planning opportunities have been identified, the business may choose to:

- Restructure entities
- Pursue credits or incentives
- Adjust transfer pricing positions
- Carry forward or back net operating losses
- Defer or accelerate income recognition

All of which have tax compliance implications.

The compliance process reveals patterns in areas where tax authorities commonly scrutinize or challenge tax positions. By analyzing tax filings and monitoring industry-wide trends, BDO can help identify potential issues that may attract attention from tax authorities.

Fines or payments uncovered during the audit and dispute process will need to be recorded in financial reporting.

BDO understands the evolving **tax policy** and regulatory landscape and applies a total tax approach to give tax leaders a comprehensive view of tax liability. We assess how new legislation and regulations may impact your overall tax position, as well as analyze the broader implications for your business goals.

Our integrated service model means that every client engagement benefits from the full spectrum of BDO's tax knowledge. Our team of tax practitioners collaborates seamlessly to deliver a unified **total tax managed services** offering. We maintain consistent methodologies while adapting our tools and processes to meet your unique requirements and goals. Our objective is to build a long-term relationship as your trusted advisor, with a focus on providing insightful planning and skillful execution with minimal disruption to your teams and business.

Regardless of engagement scope or our entry point, we approach every client engagement with a total tax mindset, enabling organizations to improve efficiency while identifying tax risks and uncovering planning opportunities. Additionally, you can engage our services to the degree that best suits your needs while retaining internal capabilities or working with other providers.

GLOBAL TAX OUTSOURCING

Multinational businesses, which may encompass numerous business entities with disparate tax systems, face heightened tax complexity, making it even more important to understand total tax liability on a global scale. For example, if a tax authority in one region is auditing tax payments, assessing and understanding the potential impact in other regions could help mitigate the potential for future disputes.

BDO provides a consistent and structured delivery model that is managed through a central team for a coordinated total tax approach. Our multidisciplinary teams are backed by the BDO global network, but our nimble, flat structure allows us to remain agile.

EMPOWERING TAX TO DRIVE BUSINESS VALUE

The expanding demands and expectations for the tax function require strategic thinking from tax leaders that extends beyond traditional compliance. This also creates an opportunity to shift the organization's view of the tax function from cost center to value driver. A total tax approach empowers tax executives to serve as true **tax strategists** who have a seat at the leadership table and advise the C-suite on key business decisions from a tax standpoint. However, developing this integrated perspective often requires working with an experienced, trusted advisor who can provide the framework and knowledge necessary for success.

Whether you are planning an acquisition, expanding into new geographies, implementing new technologies, or developing new revenue models, our team will work closely with your organization so that every decision is informed by business insight and strategic tax planning.

Ready to turn tax complexity into competitive advantage?

CONTACT US TO LEARN MORE

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

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