



Tax Leaders: Assess Operational Tax Maturity to Address Risk

HOW MATURE ARE YOUR TAX OPERATIONS?

Is your tax function fully aligned to navigate increasingly complex compliance demands and add strategic value to your organization? Are you confident your tax team can readily identify all the tax risks facing your organization before they become a problem?

Part of the answer lies in your organization's operational tax maturity, which encompasses the overall effectiveness and efficiency of your tax function. Mature tax functions have the right processes and technologies in place, and even more importantly, they thrive in organizations that include tax leaders at the table when important business decisions are being considered. However, many organizations do not include tax leaders in those conversations, which can result in real operational tax risk.

To manage risk, tax leaders should broaden their purview from the core priority — managing tax compliance and liability — to leveraging strategic tax approaches for effective business outcomes. [BDO research](#) uncovered a split between the level of input that tax leaders have into decision-making across businesses outside tax. **Tax Strategists**, which take mature tax practices to the next level, are considered valued advisors within the organization, provide input into decision-making across functions, and are better able to measure and mitigate tax risk. **Tax Tacticians**, on the other hand, are tax leaders who do not have a consistent seat at the table, leaving their organizations more vulnerable to unanticipated tax risks.

Is your business at risk because of a lack of operational tax maturity? [Take the Tax Operations Maturity Model Assessment](#) and read on for five questions to help determine if you are prepared for today's emerging tax risks.

Tax Leaders' Roles in Their Organizations:



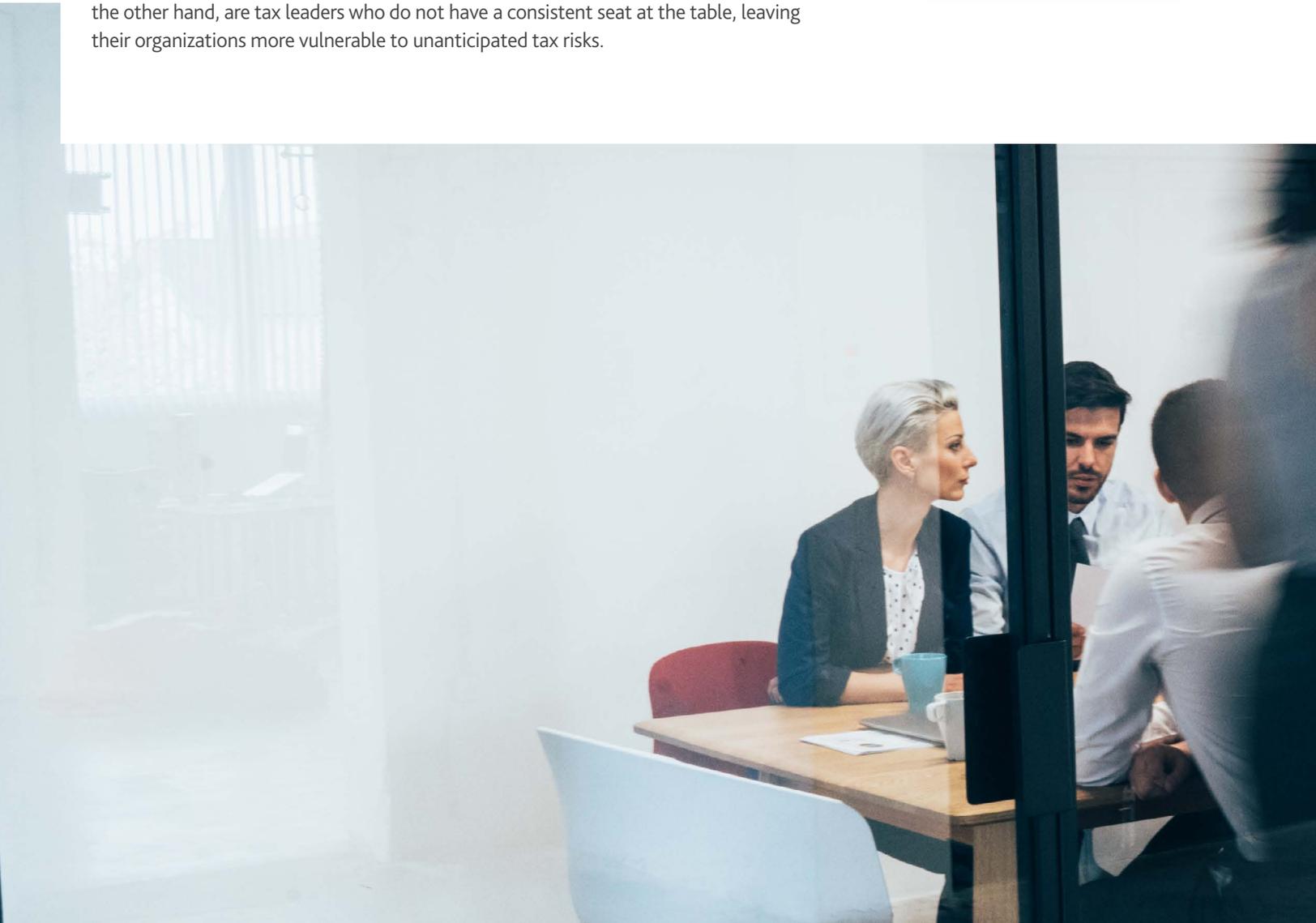
Tax Tacticians

71%



Tax Strategists

29%



DO YOUR TAX LEADERS HAVE A SEAT AT THE TABLE?

Is tax a regular item on your C-suite agendas?

Tax leaders' mandates span the whole business, and every business decision has a tax implication. Tax has always been complicated, and its complexity is increasing at an exponential rate. Without giving tax leaders a seat at the decision-making table, businesses may risk more than the consequences for noncompliance. Involving tax leaders in strategic decision-making puts the tax function in a unique position to drive sustainable value.

Input from tax leaders is vital to protecting the best interests of the business and avoiding unexpected tax issues in areas including product or service development; environmental, social, and governance (ESG) strategy and execution; geographic expansion; workforce strategy; and digital transformation initiatives.

Tax Tacticians can take a more strategic approach by defining cross-business tax goals that go above and beyond addressing total tax liability. They should start by focusing on the areas of the business with the most potential for impact, such as workforce strategy or operational expansion.



The key to elevating the tax function is more than knowing where, when, and how much you pay in taxes. It is knowing what drives value for your business — and knowing which tax levers to pull to get there.



MATTHEW BECKER
National Managing
Principal of Tax



IS YOUR TAX TEAM SUFFICIENTLY RESOURCED?

Does your tax department have the necessary people, processes, and technology to carry out all tax activities?

Building the right tax team is an essential part of the tax leader's mandate and is critical for elevating the tax function and supporting business growth.

Tax leaders must understand and define how tax and non-tax roles help achieve tax goals. Once roles are defined, tax leaders should regularly implement skill assessments and training to address gaps and educate personnel about ongoing tax issues such as technical updates and changes in tax law.

Skill assessments also allow tax leaders to identify where the department needs additional support and where they need to seek external tax advice. That could include determining the right mix of co-sourcing and outsourcing to support in-house talent and create a workforce that can scale up or down based on business needs. Co-sourcing and outsourcing can also help tax leaders build a workforce strategy that adjusts with regulatory shifts, international expansion, and major tax changes, instead of demanding an overhaul each time. BDO research indicates that Tax Strategists are more likely than Tax Tacticians to leverage co-sourcing, outsourcing, and external advice. To improve the effectiveness of their tax teams, Tax Tacticians should advocate for a more flexible tax workforce strategy that allows them to take advantage of outside resources.

Top Three Areas Co-Sourced or Outsourced in the Last 12 Months:

Tax Technology Implementation /Optimization



Tax Strategists

77%



Tax Tacticians

41%

Tax Credits and Incentives



Tax Strategists

75%



Tax Tacticians

49%

Global Tax Compliance



Tax Strategists

75%



Tax Tacticians

36%



A mature tax department has the necessary budget, technology, and personnel resources to do the job. Those resources enable tax leaders to develop a proactive and flexible tax workforce strategy that allows them to measure tax success, address talent gaps, and manage tax risk. Mature tax departments also allow tax leaders to become Tax Strategists because they have more time to invest in tax strategy that brings business value.



MICHAEL WILLIAMS

Income Tax Provision

Services (ASC 740) and Tax Risk Services Principal & National Practice Leader

HAVE YOU EVALUATED YOUR TRANSFER PRICING POSITION LATELY?

Does your organization need to review its transfer pricing positions?

Scrutiny of transfer pricing policies is on the rise as tax authorities worldwide look for ways to recover lost revenue from recent economic turbulence. Further, if your tax structure does not adapt to ongoing changes in business operations, you could be subject to additional tax exposure.

Companies should have a formal transfer pricing policy that is reevaluated regularly. There should also be a process for ensuring any intercompany transactions that could affect transfer pricing are reported to the tax team. Changes in business operations, regulatory updates, new corporate structures, and other internal and external factors can all affect your transfer pricing position. It is essential to ensure you have appropriate monitoring procedures in place to respond to changes that could affect your transfer pricing position.

See how BDO can help create or update your [transfer pricing strategy](#) ►

73%

Of tax executives say **global transfer pricing audit activity** will present a challenge to their organizations in the next **12 months**.

“

Multinational companies must have a transfer pricing strategy that allows them to adapt quickly as both global tax regulations and their business evolve. Transfer pricing is a critical compliance exercise when if properly aligned with a company's operations can be a strategic value driver for the business.



BARB DERUS

U.S. Transfer Pricing National Practice Leader



HOW ACCURATE AND EFFICIENT ARE YOUR COMPLIANCE AND REPORTING PROCESSES?

How do you manage compliance and reporting?

Mature tax departments have thorough compliance and reporting policies and control frameworks to reduce the risk of noncompliance. That includes defining, documenting, and regularly updating year-end reporting and accounting processes, as well as tracking compliance and reporting deadlines.

Mature tax departments also rely on technology to help automate and execute reporting and compliance requirements more accurately and consistently. Whereas tax engines have historically been the de facto end-state for tax technology, newer cloud-native capabilities allow for more sophisticated connectivity, transformation, storage, and analysis of large sets of data. When combined with thoughtful master data management, departments that effectively wield those strategies will be the ones to realize exponential value from artificial intelligence across tax datasets.

Tax Strategists understand the importance of investing in technology and leveraging data to inform decision-making and to uncover and address tax risk. To elevate the strategic value of the tax function, Tax Tacticians should determine where investing in tax technology could yield the highest return for the business. Because of the sheer volume of data that tax departments must compile and analyze, data-ingestion and analytics tools may be a good place to start.

Technologies Currently Deployed or Planned for Deployment in the Tax Function:

Tax Professionals Currently Deploying Tax Compliance Software:

	Tax Strategists	68%
	Tax Tacticians	51%

Tax Professionals Planning to Deploy Tax Compliance Software in the Next 12 Months:

	Tax Strategists	27%
	Tax Tacticians	35%

Tax Professionals Currently Deploying Tax Provision Software:

	Tax Strategists	66%
	Tax Tacticians	56%

Tax Professionals Planning to Deploy Tax Provision Software in the Next 12 Months:

	Tax Strategists	32%
	Tax Tacticians	33%

Tacticians are beginning to recognize the benefits of tax technology in greater numbers.

Explore [how to innovate the tax function](#) ►



Implementing tax technology can unlock efficiencies in the tax function and provide tax teams with the strategic intelligence they need to move quickly—but only to the extent it's understood and used.



HALEY DOBRE

Tax Automation & Innovation National Practice Leader

HAVE YOU ACHIEVED TOTAL TAX TRANSPARENCY?

Does tax play a role in defining and executing the business's sustainability and ESG strategy?

New international and domestic regulations, tax credits and incentives programs, and evolving stakeholder demands are all shaping business strategy and prompting leaders to integrate ESG strategies across their organizations.

Tax Strategists recognize the opportunities and risks that ESG issues present and are centrally involved in advising leaders on how to align tax and sustainability strategies.

Tax Strategists also recognize that articulating their organizations' total tax contributions is necessary to advance ESG goals. Understanding total tax contribution is critical because of new ESG-related regulations and stakeholder demand around increased tax transparency.

Tax leaders should prepare for increasingly complex ESG requirements. They can do so by putting processes in place now for evaluating ESG regulations, advising their organizations on how to align ESG and tax strategy, and understanding and reporting on their organization's total tax contribution. [Learn more](#) ▶

“Tax leaders must develop tax strategy that enables transparency and aligns sustainability and tax goals. That will enable them to capitalize on new opportunities such as sustainability-related tax credits and help them achieve regulatory compliance, measure total tax contribution, and mitigate ESG risks.”



JONATHON GEISEN

Income Tax Provision Services (ASC 740)
and Tax Risk Services Managing Director

84%

Of Tax Strategists say their organizations have a strong understanding of the intersection of tax and ESG strategies, **compared to just 29% of Tax Tacticians.**

89%

Of Tax Strategists say the tax department is executing effectively on a formal mandate for advancing organizational ESG strategy, **compared to just 58% of Tax Tacticians.**

WHAT LEVEL OF TAX RISK IS YOUR COMPANY PREPARED TO ACCEPT?

Not all tax leaders are equally involved in strategic decision-making for their organizations, but those who are help drive better business outcomes.

Tax Strategists take a proactive approach to tax planning. They focus on improving the maturity of their tax functions so they can better respond to internal and external factors that may create tax risk. As a result, Tax Strategists have a better understanding of risk-creating scenarios and are better equipped to help their businesses navigate them.

Tax Tacticians, on the other hand, are reactive to those factors and are more likely to be exposed to increased tax risk.

The tax landscape is ever evolving, so it's important that both Tax Strategists and Tax Tacticians continue to focus on improving the maturity of their tax operations to mitigate risks and prepare for the future.

How mature are your tax operations? [Take the Assessment](#) ▶

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