

How will you reimagine your approach to tax?

EY Tax and Finance Operate (TFO)



EY

Building a better
working world

What is driving the need for change? Market forces are triggering ongoing challenges for tax functions.

Organizations are struggling to deal with a variety of tax function challenges. They are realizing that their current tax operating model is no longer effective.

Technology

- ▶ Digital transformation
- ▶ Rapid shift in skills needed
- ▶ Need for investment in technology

Risk

- ▶ Lack of global transparency
- ▶ Inability to manage inconsistent positions
- ▶ Challenges managing data across systems and locations



Tax function challenges



Talent

- ▶ Shifting competencies and skill gaps
- ▶ Aging workforce and succession challenges
- ▶ Location challenges and struggle to retain skilled professionals

Legislative change

- ▶ The pace of change is accelerating
- ▶ Greater transparency requirements
- ▶ Increased enforcement activity is creating greater workload and risk

Cost and value

- ▶ Cost reduction and predictability initiatives
- ▶ Pressure to do more with less
- ▶ Tax expected to act as a value-added business partner
- ▶ Movement to a shared services model

How can we help you respond to these challenges? Define a target tax operating model.

Many organizations are establishing new operating models for their tax function. Tax and Finance Operate (TFO) is EY's technology-driven tax service delivery model that utilizes highly skilled global resources. We will help you define a tax operating model that may further your strategic efforts and bring new innovation and transformation to your tax function.





Strategic co-sourcing



Co-sourcing

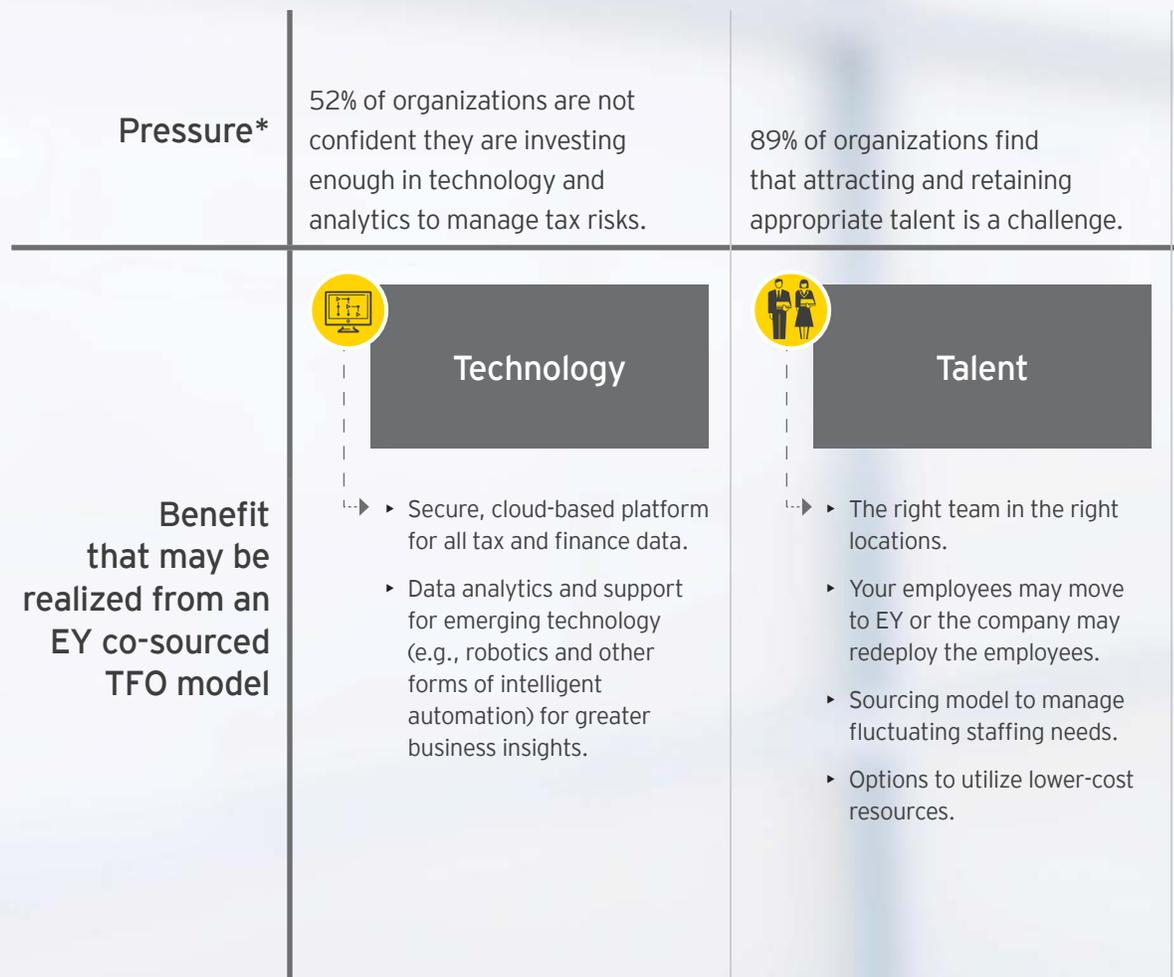


Transformation

| | Strategic co-sourcing | Co-sourcing | Transformation |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Definition | <ul style="list-style-type: none"> ▶ A significant portion of tax operations is transferred to the strategic service provider to operate. The provider is responsible for people, process, data and technology (through strategic centralization). ▶ Client retains responsibility for strategy and policy. | <ul style="list-style-type: none"> ▶ Contracting of a discrete tax area that is a portion of the tax processes to the provider. ▶ The in-house team supplies the required inputs for portions of a life cycle to the provider. The provider then delivers the output as a service, using its own staff, processes and models. | <ul style="list-style-type: none"> ▶ Project-based work to improve efficiency, lower costs and mitigate operational risk. ▶ Often involves completion of a current and future state assessment to prioritize the work to be completed. |
| People | <ul style="list-style-type: none"> ▶ The strategic service provider may hire individuals from the client's tax function. ▶ Leverages provider's centralized, global service delivery. ▶ Potential for tactical, rationalized retained client organization. | <ul style="list-style-type: none"> ▶ Leverages provider's centralized service delivery. | <ul style="list-style-type: none"> ▶ Client and provider team together to design the project. |
| Process | <ul style="list-style-type: none"> ▶ The strategic service provider is responsible for executing on in-scope processes. ▶ Client retains ultimate accountability. ▶ The provider drives continuous improvement and transformation. | <ul style="list-style-type: none"> ▶ Relevant provider standardized process based on scope. | <ul style="list-style-type: none"> ▶ Global methodology used to evaluate and transform client processes for improvement and automation. |
| Data and technology | <ul style="list-style-type: none"> ▶ The strategic service provider creates a common technology interface. ▶ Primary management of the tax data lies with the provider. | <ul style="list-style-type: none"> ▶ Relevant provider technologies are deployed based on scope. ▶ Client is responsible for data management. | <ul style="list-style-type: none"> ▶ Client uses in-house systems and purchased or self-developed tools. |

Why TFO Now? A reimagined approach to tax that works for you.

Cost savings and high quality do not need to be mutually exclusive. Our clients have found that moving to and co-sourced TFO model allows them to save money over time while realizing significant benefits and improvement in quality.



* Source: Euromoney Institutional Investor Thought Leadership; EY Tax and Finance Operate, *Reimagining the tax and finance function: TFO Survey Report*, October 2017

93% of organizations are concerned with maintaining consistent positions.

95% think that there will be an increase in their tax risk profile.

84% of organizations are taking action due to deficiencies in their current target operating model.

94% of organizations would like to reduce the cost of the tax function over the next 24 months.



Governance and risk management

- ▶ Centralization of compliance management and key tax positions.
- ▶ Assistance to understand the impact of legislative and regulatory changes and proactively manage risk on a continuing basis.
- ▶ Greater transparency and tax planning data through dashboards and analytics.



Global network

- ▶ EY's global footprint allows you to stay current on the ever-changing global legislative and regulatory environment.



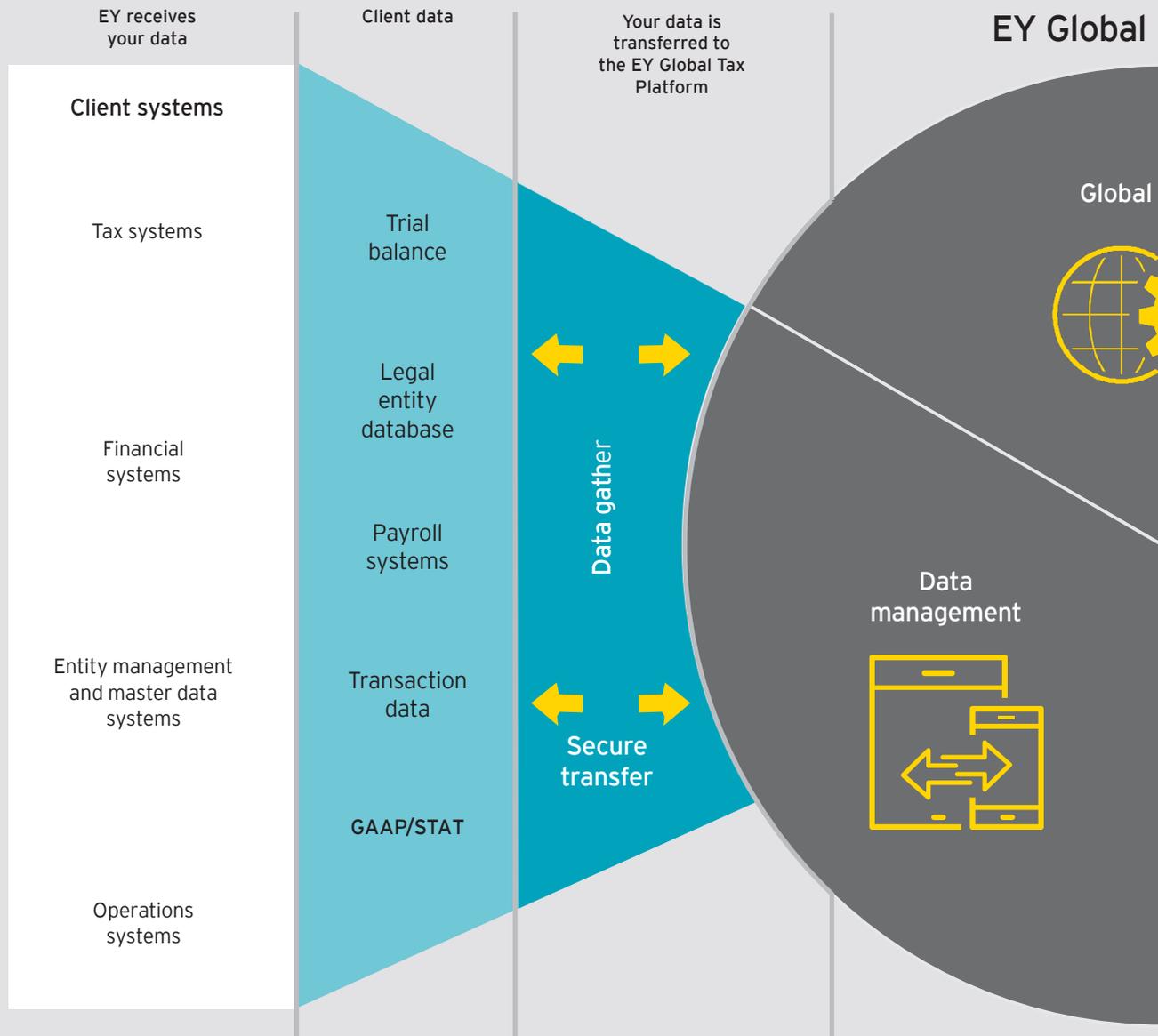
Cost savings

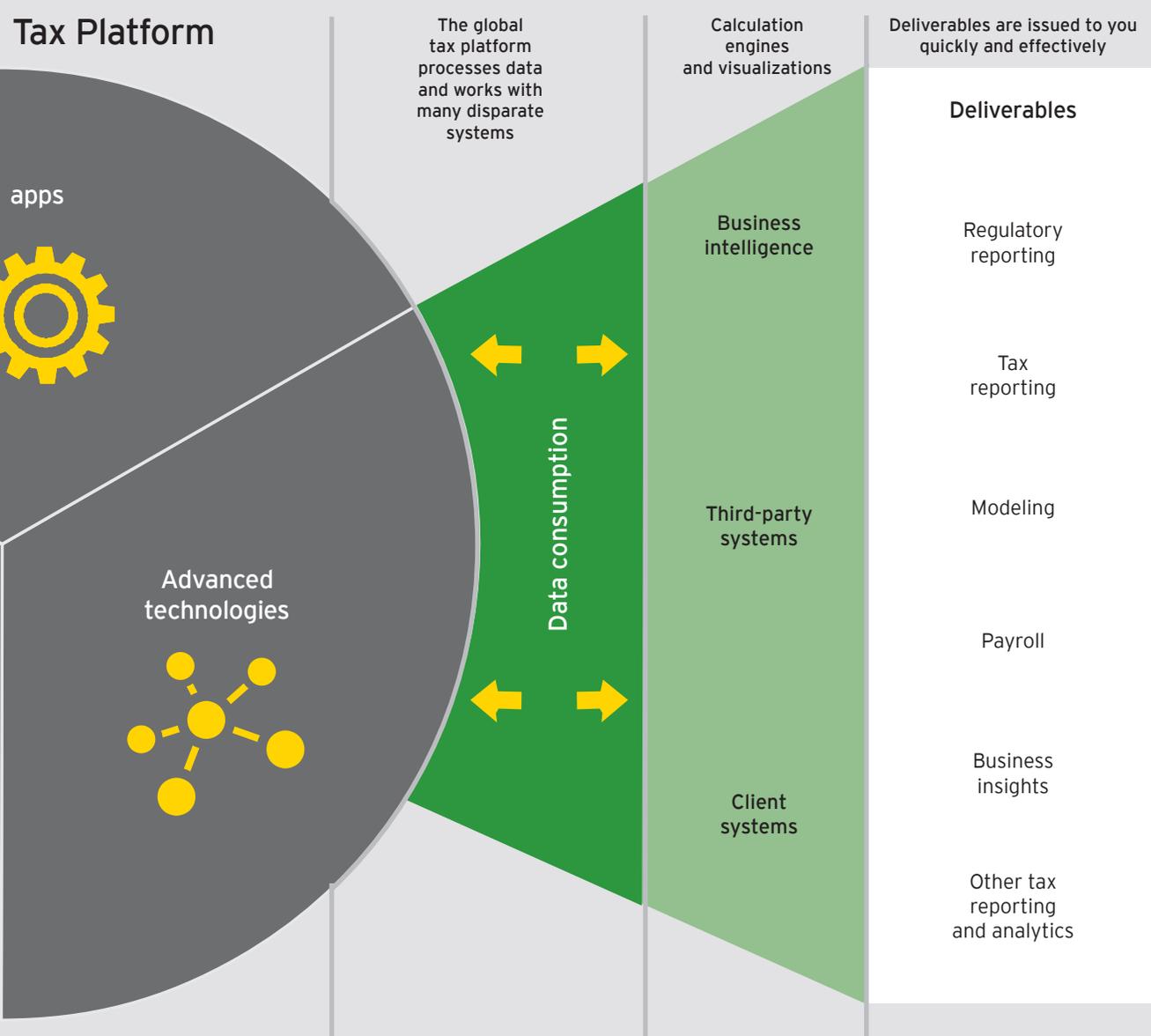
- ▶ A co-sourced engagement reduces costs through process, operating model efficiencies and technology.
- ▶ We work with you to further drive efficiencies into the co-sourced processes to realize continual cost savings.
- ▶ The average strategic co-sourcing cost over five years is typically 15%-20% below the current operating budget.

How will you leverage technology to elevate your tax function in the digital era? EY Global Tax Platform.

EY Global Tax Platform (EY GTP) is our cloud-based suite of integrated tax services that includes a collaboration portal, data management and reporting and analytics. It was designed for flexibility and configuration with your existing data and systems and is enabled by intelligent automation.

In addition, we are making significant financial investments in tax technology every year to enable a “future-proof” technology suite that provides global connectivity, reuse of data and business insights.





TFO engagement experience

We have already established a strong track record of successfully assisting organizations with the move to a partially or fully co-sourced tax model. We will bring you the benefit of our experience as we work together to implement the tax model that may work best for your organization. Below are a few examples across various sectors:

| | Power and utilities | Banking and capital markets | Professional firms and services | RE, hospitality and construction | Media and entertainment |
|-----------------------------------------|----------------------------------|-----------------------------|---------------------------------|----------------------------------|-------------------------|
| Client industry | | | | | |
| Market cap | \$58.9b | \$294.6b | \$3.4b | N/A | \$8.2b |
| Revenue | \$23.6b | \$87.4b | \$5.8b | \$10.6b | \$7.5b |
| Number of countries they do business in | 1 | 42 | 27 | 4 | 220 |
| Client employees onboarded to EY | | | | | |
| Tax services provided by EY | Tax planning | | | | |
| | Tax forecasting | | | | |
| | Tax accounting | | | | |
| | Transfer pricing | | | | |
| | Statutory reporting | | | | |
| | Direct tax compliance – domestic | | | | |
| | Direct tax compliance – foreign | | | | |
| | Indirect tax compliance | | | | |
| | Tax audit management | | | | |
| | Technology and data management | | | | |
| | Other | | | | |

EY | Assurance | Tax | Transactions | Advisory

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