2017 Tax Risk and Controversy Survey Series

Finding your glow: how businesses can optimize their tax function

Building a better working world

This report is the fourth in a series discussing the EY global 2017 Tax Risk and Controversy Survey. It examines in more depth how businesses are meeting the challenges of managing risk in a rapidly evolving and digitalized tax environment. To receive other reports in the series, please visit **ey.com/taxriskseries** or connect with your local EY Tax contact.

"For many years, focus on the effective tax rate (ETR) was the number one priority for a tax director. In this year's survey, ETR ranked fourth, behind global tax compliance and reporting (GCR), cash flow and repatriation, and tax audit and controversy management. This shows that businesses are focusing more on the essential elements of tax control management, rather than on how tax affects their bottom line."

– Rob Hanson
EY Global Tax Controversy Leader

Finding your glow: how businesses can optimize their tax function

Today's tax function is facing enormous pressures from a wide range of sources. There has been a tremendous amount of legal and regulatory changes, and an explosion of new reporting and disclosure obligations brought about by the base erosion and profit shifting (BEPS) initiative. There is also increased sharing of information among tax authorities, more aggressive enforcement and rapid advances in technology. These forces have created new risks and heightened the need for businesses to keep pace with global tax developments.

Managing tax risk used to be a straightforward matter of getting the numbers right. Now, the stakes are much higher. The precision of today's targeted enforcement, and the sheer volume of issues and authorities involved have amplified the pressure on tax functions to have the right resources to keep up with requests and the right technology to supply the answers. Having ineffective tax processes and controls can have profound consequences for businesses in terms of financial penalties or reputational damage from non-compliance.

Businesses are taking steps to adapt their tax functions to a global tax environment that demands greater transparency, real-time compliance and accountability. Indeed, in the EY 2017 Tax Risk and Controversy Survey of 901 tax and finance executives in 69 jurisdictions, the effectiveness and efficiency of global tax compliance and reporting (GCR) ranked, on a weighted basis, as their top area of operations and controls focus in the next two years. This was in sharp contrast with prior surveys.

Businesses' top areas of tax operations and controls focus in the next two years

1. Effectiveness and efficiency of GCR
2. Cash flow and repatriation
3. Tax audit and controversy management
4. Management of the ETR
5. Strategic business transactions
6. Internal control and remediation projects
7. Adjusting to new digital requirements with process or technology (e.g., country-by-country reporting; electronic filing changes in countries like Mexico, Brazil, Spain and others)
8. Management of tax function operating costs

"For many years, focus on the effective tax rate (ETR) was the number one priority for a tax director," says Rob Hanson, EY Global Tax Controversy Leader, who is based in Washington, DC.

"In this year's survey, ETR ranked fourth, behind GCR, cash flow and repatriation, and tax audit and controversy management," Hanson continued. "This shows that businesses are focusing more on the essential elements of tax control management, rather than on how tax affects their bottom line."

However, the survey results also reveal that many businesses aren't taking full advantage of the tools, technology and personnel that will enable their tax functions to run more efficiently and become a strategic business partner and value creator. While compliance has emerged as a top priority for businesses, in many cases the tax function has to contend with scattered and/or insufficient resources. A lack of access to modern technology and tax software is a major roadblock. Because tax functions have traditionally operated independently from the rest of the business, tax has often been at the bottom of the priority list for information technology (IT) investment.

This underinvestment in technology means that many businesses are lagging behind tax administrations in the use of digital technology and data analytics. An increasing number of tax authorities are building sophisticated data-gathering platforms that enable matching and sharing of taxpayer data. They are then using data analytics to mine this data to help increase tax collections, target compliance initiatives and improve overall efficiency. The move toward tax digitalization is allowing tax authorities to collect tax data in real time or near real time and is, in some cases, allowing taxpayer information to be cross-referenced and shared among governments and agencies.

The previous three reports in our 2017 Tax Risk and Controversy Survey Series used light as a metaphor to analyze the tax risk facing multinational businesses. The first report, *Tax steps into the light*, presented an overview of the survey findings. The second report, *Out of the dark*, explored how businesses are responding to the BEPS initiative. The third report, *Dimming the glare*, identified emerging trends in tax controversy management.

This fourth report examines in more depth how businesses are meeting the challenges of managing risk in a rapidly evolving and digitalized tax environment. It aims to illustrate how enterprises can "find their glow" by using digital tools and, in appropriate cases, outsourcing some or all of their tax functions.

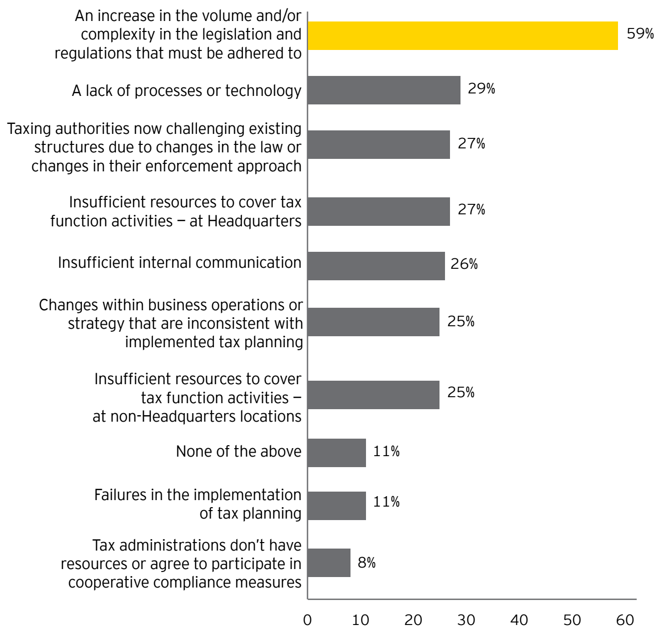
Businesses could use technology more effectively

While digital technology is reshaping business and operating models, technological transformation is only beginning to emerge for many tax functions. Given the tax function's traditional role as an inward-looking and isolated unit, tax technology has often lagged behind the development of wider enterprise resource planning (ERP) and financial software.

As global tax information reporting requirements continue to evolve and tax authorities rely more heavily on data when making compliance and audit determinations, having technology-enabled, cutting-edge tools will be absolutely essential to streamline and standardize routine activities and processes. This will enable tax functions to spend more time on value-adding and forward-looking tax work.

Our survey respondents recognized the important role of technology, citing "a lack of processes or technology" as the second-most influential source of an increased level of tax risk and controversy for their company.

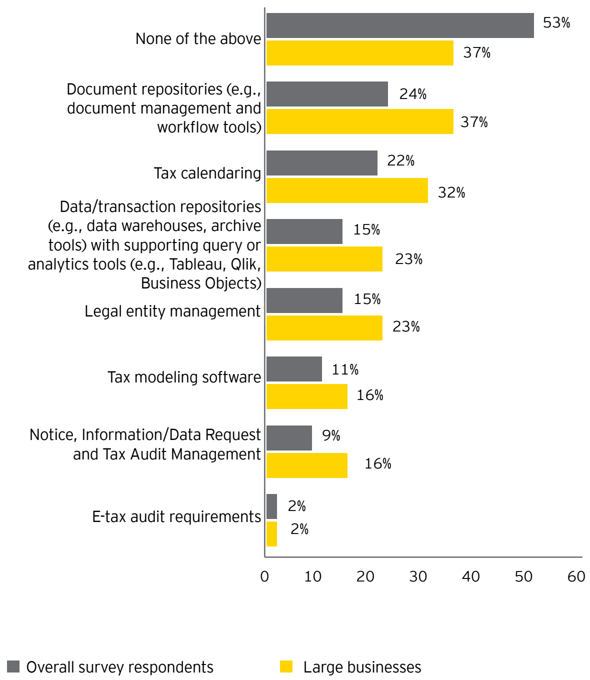
Which of the following factors are most influential to an increased tax risk and tax controversy in your company?



Multiple responses allowed

Nevertheless, the results suggest that businesses are, in general, not yet making effective use of technology to drive greater efficiencies, improve tax processes and manage risks. A relatively small number of respondents said they are using technology or software tools to enable and support a range of routine processes, while the type of technology and software tools used by those respondents varies – no one solution dominates.

Does your tax function make use of technology or software tools to enable and support any of the following processes?



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What type of technology or software tools does your tax function use?

	Internally developed software – templates (e.g., Excel spreadsheets)		Internally developed software – application (e.g., Microsoft Access, SharePoint, custom programming)		Third-party software available for purchase/ license		Use software provided by outsourcing, accountancy or professional services provider	
	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses
Notice, Information/Data Request (IDR) and Tax Audit Management	60%	51%	21%	24%	25%	29%	10%	7%
Document repositories (e.g., document management and workflow tools)	34%	26%	40%	47%	42%	36%	11%	12%
Data/transaction repositories (e.g., data warehouses, archive tools) with supporting query or analytics tools (e.g., Tableau, Qlik, Business Objects)	33%	26%	39%	47%	43%	38%	16%	17%
Tax calendaring	47%	41%	16%	15%	36%	41%	13%	14%
Tax modeling software	53%	59%	13%	17%	47%	46%	11%	12%
Legal entity management	27%	15%	18%	18%	52%	60%	11%	12%
E-tax audit requirements	39%	33%	15%	0%	69%	100%	0%	0%

Multiple responses allowed

Moreover, while the majority of respondents were satisfied with their tax function's skills and competencies in sourcing necessary data for tax authority notices and information requests, as well as the overall accuracy and granularity of that data, a sizeable number of respondents (29% of overall respondents and 35% of large businesses, defined as global businesses with more than US$3 billion in annual revenues) said they were not satisfied or were very unsatisfied with the length of time it took to gather the data.

"It sounds like people are getting the job done, but with extraordinary effort," says Shawn Smith, EY Global Tax Technology and Transformation Leader, who is based in New York. "It doesn't have to be this way – there are new tools that can help tax functions streamline processes and collect and use their data in quicker and smarter ways."

What is your level of satisfaction with the following issues related to notices and information/data requests from tax authorities?

	Very satisfied		Satisfied		Neutral		Not satisfied		Very unsatisfied	
Overall survey respondents / Large businesses	Overall	Large	Overall	Large	Overall	Large	Overall	Large	Overall	Large
The length of time it takes you to source the requested data	4%	6%	26%	26%	42%	34%	24%	28%	5%	7%
Availability of skills/ competencies of your tax function members to source the requested data	12%	17%	44%	45%	34%	28%	9%	8%	2%	2%
Overall accuracy of data sourced	6%	8%	46%	52%	35%	27%	11%	12%	2%	2%
Granularity/detail of data sourced	5%	8%	36%	39%	43%	33%	14%	18%	3%	3%

Multiple responses allowed

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– Shawn Smith
EY Global Tax Technology and Transformation Leader

Tax functions are struggling to keep pace with digital tax administration

The inefficiencies and increased risks caused by a lack of modern technology access are being compounded by the increasing digitalization of tax administrations. Many countries are implementing new data submission and electronic auditing requirements, creating an additional set of operational challenges. Businesses may have difficulties in accessing their tax and financial data, especially when it is spread out among multiple ERP systems. Moreover, tax processes may not support new submission requirements.

Complying with digital tax requirements is complicated by the fact that data submission requirements can vary by country. Such variances include the file format in which data must be submitted, the timing of submissions, and the scope of taxes or transactions covered.

"Tax administrations, historically, have not been considered to have advanced technology capabilities – but that is changing rapidly in many countries," says Houston-based EY Digital Tax Administration Services Leader Carolyn Bailey. "Now, with increasing demands from tax administrations for data coupled with their use of advanced technologies, the challenge of keeping up has grown exponentially."

As tax authorities move data gathering (i.e., compliance) closer to the point where a transaction originally occurred (i.e., "moving upstream"), businesses must understand that the data they are submitting may well be less "polished" than data that has been tax-sensitized, checked for errors and generally prepared for final submission. This could create new friction between businesses and tax authorities around the testing of data that hasn't been quality-checked as closely as it should be.

Consequently, audit notices might increase, and businesses will have to respond to incoming inquiries in an efficient and timely manner. A failure to keep up could lead to penalties and disagreements over the amount of tax assessed. In some cases, requests for refunds may be rejected if the business is deemed to be noncompliant in other areas.

"Tax administrations, historically, have not been considered to have advanced technology capabilities – but that is changing rapidly in many countries."

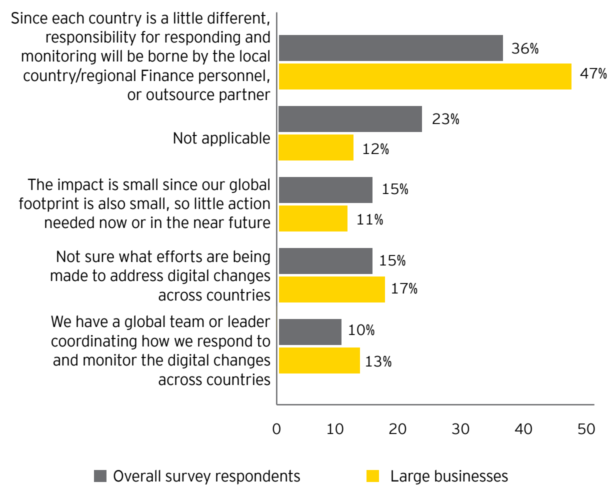
– Carolyn Bailey
EY Digital Tax Administration Services Leader

"As digital tax administration advances in sophistication, tax executives must pursue a holistic strategy that assures accurate local compliance and global visibility."

– Jon Dobell
EY Global GCR Leader

Despite the risks businesses face in not overhauling their controls and processes to conform to the digital environment, many have not yet taken steps to develop a coherent strategy. When asked how their businesses are responding to new digital requirements, a sizeable number of respondents (36% of the overall survey population and 47% of large businesses) said that because each country is a little different, responsibility for responding and monitoring will be borne by the local country or regional Finance personnel, or outsource partner. Fifteen percent of all respondents (and 17% of large businesses) said they were not sure what efforts are being made to address digital changes across countries.

Adjusting to new digital requirements (e.g., electronic filing changes in countries like Mexico, Brazil, France, Spain and others, where additional general ledger and invoicing information is required) is an emerging process and technology risk for global companies. What response below best reflects your view on how your company is responding?



"As digital tax administration advances in sophistication, tax executives must pursue a holistic strategy that assures accurate local compliance and global visibility," says Jon Dobell, EY Global GCR Leader, who is based in Sydney, Australia. "Businesses that try to address the global phenomenon of digital tax administration by developing point solutions for a single country will quickly fall behind. Whether a business decides to form a single global response or a series of regional responses, the solution needs to be more effectively managed by tax leadership. Right now, it's essentially out of sight and out of mind."

Businesses should shift oversight and control of tax processes from the local level to headquarters

Many businesses may look at their home country controls and processes and think everything is running smoothly. Outside the home country, however, local controls and processes may not be as robust as they should be. Depending on the local country, this could be due to several factors, such as:

- Tax knowledge is not as high it should be.
- The use of shared service centers has reduced the number of local resources; however, headquarters support has not necessarily increased to keep pace with the increasing exposures in order to offset that change.
- Audits in general may be far more robust, thereby increasing the risk of controversy.

Having globally ineffective controls can create risks for businesses in several ways: financial risks (costs related to interest and penalties; additional costs may be required to mitigate adverse assessments); reputational risks (companies may be called to publicly defend their reputation in tax matters; public and media scrutiny can damage corporate reputation, revenue and brand value) and personal risks (risk of litigation and vulnerability to personal liability).

Despite the risks of taking a decentralized approach, our survey results revealed that headquarters tax personnel have relatively little operational oversight and control over processes in other countries. The local processes with the highest level of headquarters oversight and control were tax risk and controversy regarding income taxes at 38% (42% among large businesses), and income tax reporting/tax accounting at 35% (38% among large businesses). The local processes with the lowest level of headquarters oversight and control were customs and duties compliance, and payroll/social taxes compliance, both at 11% (8% and 5%, respectively, among large businesses).

What degree of operational control or oversight does Headquarters Tax personnel have over the following processes in the home country/headquarters?

Overall survey respondents / Large businesses

	Both operational control and oversight		Oversight only – no operational control		Consultation, if necessary		No involvement	
	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses
Tax risk and controversy – income taxes	75%	85%	13%	8%	8%	6%	5%	0%
Tax risk and controversy – indirect taxes/other	62%	68%	19%	18%	12%	13%	6%	2%
Income tax compliance	69%	79%	16%	13%	10%	8%	5%	0%
Income tax reporting/tax accounting	71%	80%	16%	13%	8%	6%	5%	0%
Indirect tax compliance	54%	58%	21%	23%	17%	16%	8%	4%
Withholding compliance	48%	47%	25%	27%	19%	21%	9%	5%
Customs & duties compliance	27%	20%	19%	19%	30%	37%	24%	25%
Payroll/Social taxes compliance	28%	14%	16%	17%	36%	47%	21%	22%

What degree of operational control or oversight does Headquarters Tax personnel have over the following processes in other countries?

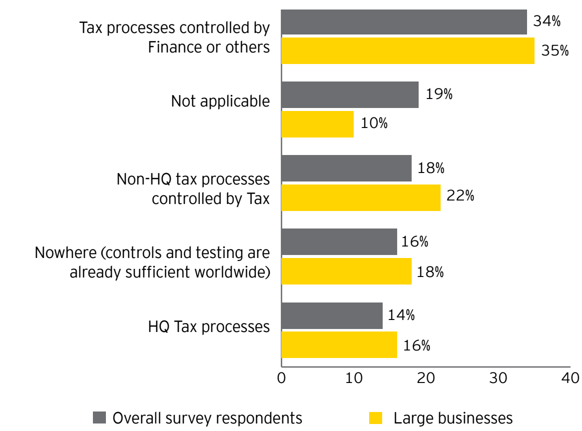
	Both operational control and oversight		Oversight only – no operational control		Consultation, if necessary		No involvement	
	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses	Overall survey respondents	Large businesses
Tax risk and controversy – income taxes	38%	42%	35%	37%	16%	17%	12%	5%
Tax risk and controversy – indirect taxes/other	25%	26%	37%	40%	22%	25%	16%	9%
Income tax compliance	27%	26%	37%	42%	20%	20%	16%	11%
Income tax reporting/tax accounting	35%	38%	35%	41%	17%	16%	14%	6%
Indirect tax compliance	18%	15%	30%	34%	30%	30%	23%	21%
Withholding compliance	18%	15%	32%	34%	28%	30%	23%	21%
Customs & duties compliance	11%	8%	21%	19%	32%	36%	36%	37%
Payroll/Social taxes compliance	11%	5%	18%	15%	32%	40%	39%	40%

"Businesses should consider implementing a globally-coordinated strategy, such as a tax control framework (TCF), which enables headquarters to take a broader and more controlled view of compliance in other countries."

– Gabrielle Carlsson
EY Global GCR Markets Leader

The need for better coordination of compliance activities was reflected in the response to the question of where survey respondents would like to see additional controls or testing to lower their business's tax risk across tax processes. Thirty-four percent of all respondents (and 35% of large businesses) said they'd like to see additional controls of tax processes controlled by the finance department or others, while 18% of respondents (and 22% of large businesses) would like additional controls of non-headquarters tax processes controlled by the tax function.

Where would you like to see additional controls and/or testing to lower your company's tax risk across tax processes?



"I think there's a growing recognition that a lot of tax risk occurs in other parts of the business, including how they record data and what data they give to the tax function to use," says Dobell. "The issue here is around consistency. With more consistent global processes and better line of sight by headquarters into local and regional processes, the risks associated with inconsistent approaches and inconsistent "stories" can be avoided. For example, multi-country reviews can raise inconsistencies in approach around transfer pricing, and also in how one country views the functional analysis, and how head office allocations are handled."

"Businesses should consider implementing a globally-coordinated strategy, such as a tax control framework (TCF), which enables headquarters to take a broader and more controlled view of compliance in other countries," says Gabrielle Carlsson, EY Global GCR Markets Leader, who is based in Sydney, Australia. "A TCF can help businesses get control of their tax position across all jurisdictions, identify and mitigate risks in a timely manner, and validate full compliance with tax legislation in their countries of operation."

In addition, adopting a TCF can help bridge the communication and information gap between the tax function and the rest of the business. A TCF is used not only by tax functions, but also by personnel from other departments, such as risk managers, controllers, internal audit and IT. Such collaboration can improve the quality and flow of information, and reduce bottlenecks and inefficiencies. A well-designed TCF can lead to a tax function that is embedded within the organization and improve the overall performance of the business.

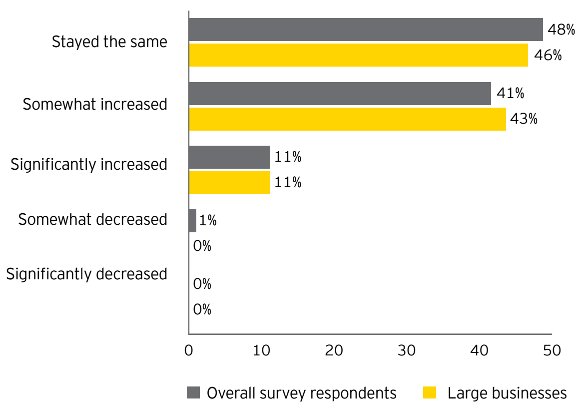
Boards and CEOs are getting involved in tax, but more business partnering is needed

In a post-BEPS world, businesses can no longer afford to focus only on how tax decisions affect their bottom line. Being technically compliant with the letter of the law isn't sufficient. Businesses must consider not only whether their tax decisions will meet globally-agreed coherence and substance standards, but also be if they will be deemed "fair" and "acceptable" by multiple stakeholders, such as tax advocacy groups, the media and the general public.

These reputational risks, coupled with a harsher compliance and enforcement climate, have made it more important than ever that businesses align their tax strategy with their overall corporate strategy and that tax functions become more involved in business decision-making at a strategic level. Boards and C-suite stakeholders need to understand that their business's tax profile is both a financial and reputational issue. Tax functions should be meeting periodically with their board, senior management and other business units (as appropriate) to brief them on key tax risks and the potential impact of tax decisions on the broader business.

Our survey results showed that boards and senior management are getting more involved in tax matters. Over half of the respondents (52% of the overall survey population and 54% of large businesses) said their company, board and/or CEO's oversight relating to tax risk and controversy management has increased somewhat or significantly over the last two years.

Over the past two years, has your company, CEO and/or board of directors' oversight relating to tax risk and controversy management:?



As to whom tax functions are providing periodic briefings on how tax risks or controversy are managed, a large majority of survey respondents (73% of the overall survey population and 82% of large businesses) said they are briefing the CEO or CFO. However, outreach to other business units has been more limited. Forty-one percent of all survey respondents, and 60% of large businesses, said they are briefing their audit committee, but less than half of both survey populations said they are briefing the board, internal audit or corporate risk department, human resources, and other businesses units.

Do you provide periodic briefings on how tax risks and/or tax controversy are managed to any of the following entities?

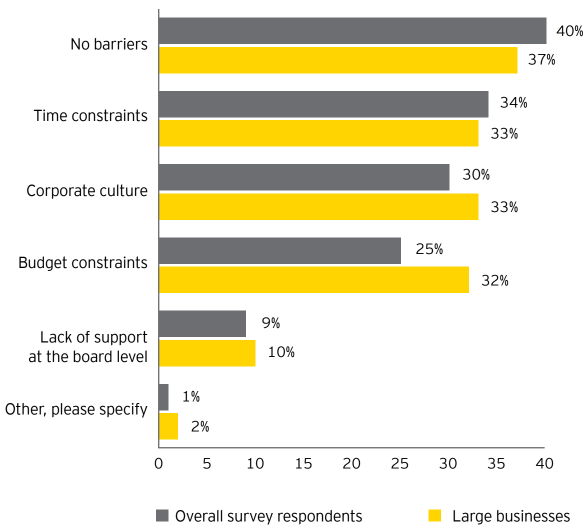
Multiple responses allowed

"It's not surprising that a large number of respondents said they're briefing the CEO or CFO, who is the boss in the vast majority of cases," says Hanson. "I'm more surprised that tax people aren't talking as much with other business units. There's significantly more business partnering that could be occurring."

Indeed, collaboration between the tax function and the rest of the business is a crucial component of the tax team's ability to effectively perform its role. The tax function needs information and data from other business units for both decision-making and compliance.

But interestingly, despite the increased profile tax has taken on boardroom agendas across all industries and sectors, a relatively large number of survey respondents (30% of the overall survey population and 33% of large businesses) ranked corporate culture as a key barrier in raising the profile of tax risk and controversy management in their business.

Which barriers do you face in raising the profile of tax risk and tax controversy management in your company?



Multiple responses allowed

"The survey results may not seem so surprising if you realize that these risks generally reflect a problem in the past, and the question becomes 'whose fault is it?'" says London-based Kelly Richardson-Lewis of Ernst & Young LLP.

"Is there a corporate culture of openness and collaboration that facilitates raising problems through the ranks without fear of retribution or blame being assigned?" continued Richardson-Lewis, a Director at the EY EMEIA Global Compliance and Reporting Center. "We've seen on many occasions that the local teams want to 'handle' the problem so the team doesn't get criticized or worse. Most problems can be handled in that manner, but they sometimes spiral out of control and by that time, strategic options may be more limited."

A business's corporate culture should facilitate open discussion, which can help escalate tax risk and controversy issues earlier so that the entire organization can benefit and manage the issue appropriately. Collaboration can bring about useful advice from other departments that have tackled the same or similar issue.

"Companies need to examine their target operating model and decide where they want to be best in class and where they want to be best in cost."

– Dave Helmer
EY Global Tax and Finance Operate Leader

How outsourcing is helping businesses become both best in class and best in cost

The 21st century tax department is under pressure like never before. Tax functions are struggling to attract and retain the right talent who can serve not only as effective business partners but also adroitly handle today's challenges around data, technology and automation. Tax functions are also struggling to keep up with the volume of legislative and regulatory changes. Developing a sustainable technology solution is particularly challenging, given how fast technology is changing.

At the same time, tax functions are being asked "to do more with less." This means that tax functions must balance C-suite demands for cost reductions, while finding ways to respond more efficiently and effectively in an increasingly complex tax environment. The combination of these challenges makes it even more difficult for tax functions to serve as value-added business partners in the organization.

In light of these challenges and diverging objectives, many leading businesses are reviewing their tax target operating models to determine which activities should be viewed as "best in class" and which should be viewed as "best in cost." Best-in-class activities are those deemed to be of higher value and should be performed with optimal effectiveness, either in-house by employees with the appropriate skills and expertise, or outsourced to a specialist external provider. Examples of best-in-class activities include governance, planning, managing tax authorities and complex tax audits, tax policy, tax modeling and forecasting, communication and strategic connectivity to other business units.

Best-in-cost activities are those deemed as lower value and should be performed at minimal cost through centralization, sourcing from lower-cost locations or low-cost third parties. Examples include completion of tax returns, controversy and notice management, data collection, and reconciliations.

When making these decisions, businesses must examine their priorities around cost minimization, value creation and risk management. Once a decision has been made to designate an activity as best in class or best in cost, businesses must decide whether they want to "own" that task by keeping it in-house, or alternatively outsource the task to an external provider. Many businesses choose a hybrid approach in order to maximize the effectiveness and efficiency of their tax function.

In today's environment, keeping an activity in-house would generally require an internal transformation aimed at optimizing a business's existing people, process, data and technology. Under a functional outsourcing arrangement, businesses are outsourcing select activities to an external provider. The third-party provider becomes responsible for managing the implementation of the business's corporate objectives with regard to the outsourced function, as well as continuously improving the function and running it as a managed service. Many companies are considering transferring a significant number of activities (people, processes and technology), such that they would be outsourcing a substantial portion of the overall tax function.

There are pros and cons to keeping activities in-house versus outsourcing. An internal transformation is the most traditional and may be the most comfortable solution, as it creates the least amount of change and disruption. But it requires significant management focus and capital investment. And many find it hard to attract, retain and effectively deploy talent with the right skills. Moreover, sustaining a robust tax function in a rapidly changing environment may be the most difficult challenge of all.

Functional outsourcing can ultimately reduce overall tax and IT costs, and pivot internal resources for more strategic activities. Because the third-party provider bears the burden of making significant investments in the operating platform, the business is able to embrace change more effectively. However, functional outsourcing requires a significant change effort as well as management and governance of a new operating model.

"Companies need to examine their target operating model and decide where they want to be best in class and where they want to be best in cost," says Dave Helmer, EY Global Tax and Finance Operate Leader, who is based in Washington, DC. "Functional outsourcing is an attractive option that may help companies become both best in class and best in cost. However, whether companies decide to 'own' or outsource an activity, they must have a platform to automate and structure their data."

How to find your glow

There are three things businesses can do immediately to help manage risk in this increasingly digitalized and globalized tax environment.

1 | Businesses need to close the digital gap

Tax functions generally have lagged behind tax administrations for years, and the digital gap is increasing risks exponentially for those who don't invest in new technology. Digitalization is accelerating the timing of tax reporting and filing obligations for businesses. It is also upping the pressure on data governance, availability and quality, as well as refocusing controversy professionals on "digital audit defense."

There is a wide range of digital tools that can be customized to suit businesses' needs. These tools, including robotic process automation, artificial intelligence, blockchain, cloud solutions, data lake development and business intelligence innovation, have applications well beyond meeting tax filing obligations and can use tax function data to deliver insights and improvements to the entire business.

2 | Decide on how to deliver both best in class and best in cost when reshaping your tax operating model

Building a modern tax function requires a costly investment and attention to detail beyond simple technological improvements. Businesses must focus on putting the right people with the right skills in the right places.

To accomplish this, companies need to first evaluate their current tax function and then determine their ideal target operating model. As part of this analysis, businesses must decide which activities should be treated as best in class and which should be best in cost. Moreover, companies need to have a comprehensive plan in place around data and technology.

Companies should explore functional outsourcing as a way to become more effective and efficient in managing their tax function.

3 | Build an operating model that helps prevent, manage and resolve tax disputes in an efficient and cost-effective manner

The BEPS reforms and intense scrutiny of corporate taxation have created a turbulent tax environment. Tax authorities are now relying on new sources of data to get a more complete picture of where companies' profits are taxed, and they are adopting robust audit and exam tactics. With many governments now demanding data in real time or near real time, disputes are flaring up earlier in the tax life cycle.

In this fast-moving climate, it is critical that businesses adopt a proactive and globally-coordinated approach to managing tax that enables them to timely identify potential areas of dispute and resolve — or at least narrow the scope of — the issue as quickly as possible. To minimize the impact of exams and audits, businesses should evaluate their current processes and controls to identify, and develop a plan for ameliorating, any weaknesses. Further, businesses should invest in the right technology and digital tools so they can improve the accuracy and consistency of data as much as possible.

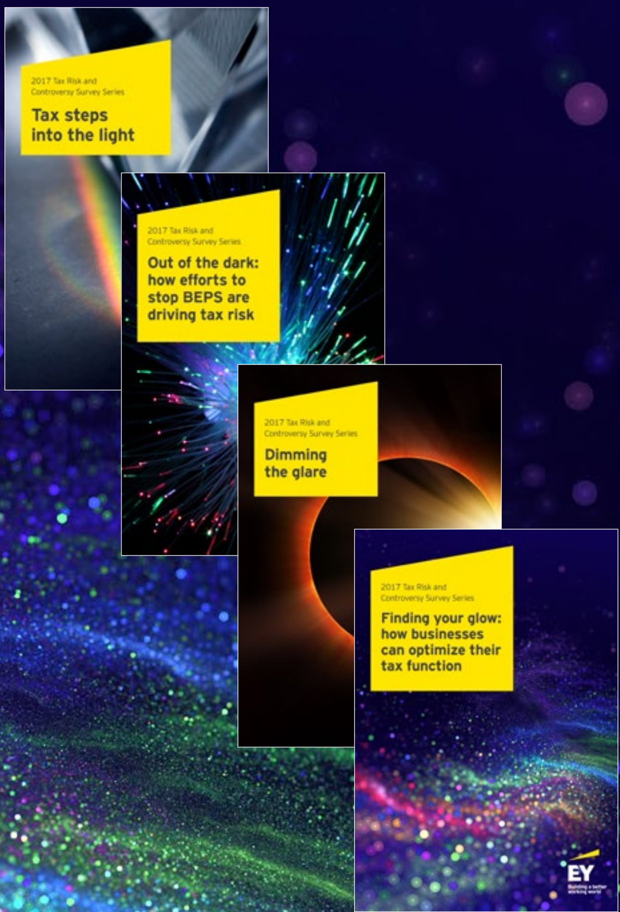
Conclusion

As anyone with an outdated device knows, keeping up with technology is a never-ending and sometimes costly task. It is nonetheless essential, particularly when being up-to-date is critical to avoiding disruption in business. Tax departments' struggles to catch up with tax authorities in the digital space has been a perennial theme of the EY Tax Risk and Controversy Survey. But the emphasis in the 2017 rendition on compliance shows that the technology gap is now an acute concern. Businesses must make digitalization a priority if they intend to mitigate tax risk in the years to come.

Survey methodology

The survey was conducted between January 2017 and February 2017. The survey was distributed via email and conducted using an online tool in English, Spanish, Chinese and Japanese; 90% of respondents chose to complete the survey in English. Routine reminders were sent out to respondents who had not completed the survey. Once an adequate number of responses had been recorded, the survey was closed. Any survey with two-thirds or more of the questions answered was considered complete for analysis purposes. The respondents included 901 tax and finance executives, representing more than 17 industry sectors in 69 countries. Figures contained in the report may not add to 100% due to rounding, non-reporting of "don't know" responses and no responses. Questions with fewer than five respondents are not reported in the interest of data confidentiality.

Tax Risk and Controversy Survey Series



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