

The Tax Controversy Department of the Future

Overview

Adapting to a changing tax controversy environment

Businesses everywhere face ever-growing challenges to managing their tax controversy workloads.

They are experiencing rapid regulatory change, government desires to raise tax revenues, and completely new ways of taxing mobile profits. Revenue authorities are becoming more empowered and capable, exchanging taxpayer data and adopting more forensic, multi-sided, whole-of-group approaches to audits.

53%¹ of tax department leaders say they expect a tougher tax enforcement landscape in the coming three years, while 66% say that tax controversy management has become more important to them. Yet only 24% say they have complete visibility of all open tax disputes and audits globally.

Against such dramatic changes, it will be too late to take a strategic approach once tax audits have commenced. Organizations who want to be able to manage disputes effectively in the future need to make investments - in people, processes and technology - now. EY's 'Tax Controversy Department of the Future' is an approach to help them do just that, focusing in on leading practices in every area of tax risk and controversy management.



Leading tax controversy departments have:

Stronger relationship with key revenue authorities

- ▶ Fewer unexpected disputes
- ▶ A clear decision-making process on when to initiate litigation

Tax risk management embedded in the overall business control framework

- ▶ Actively and consistently identifying business developments and changes that may be creating new tax risks
- ▶ Mitigation of risks of financial penalties, surcharges and interest
- ▶ High levels of tax certainty overall and lower levels of reputational risk
- ▶ Minimal disruption from staff turnover

Greater visibility and insight

- ▶ Using technology to gain insight, execute controls, substitute controls and support manual controls
- ▶ Visibility over, and control of, all current enquiries, audits, disputes and litigation
- ▶ Increased connectivity between tax and the wider business strategy
- ▶ Increased planning confidence
- ▶ Staff more effectively focused on key activities

Developing an effective response

The Tax Controversy Department of the Future operates around four key strategic drivers.

▶ Transparency

Responding to controversy before it occurs via top-down governance, systems and processes that enhance monitoring, compliance and dispute resolution

▶ Proactivity

Helping mitigate the impact of controversy by having a full picture of risks and a comprehensive strategy to manage them

▶ Consistency

Securing quick and effective resolution, allowing the company to move forward

▶ Predictability

Anticipating the location in which a tax audit will arise, and being ready to answer the questions posed

The Tax Controversy Department of the Future

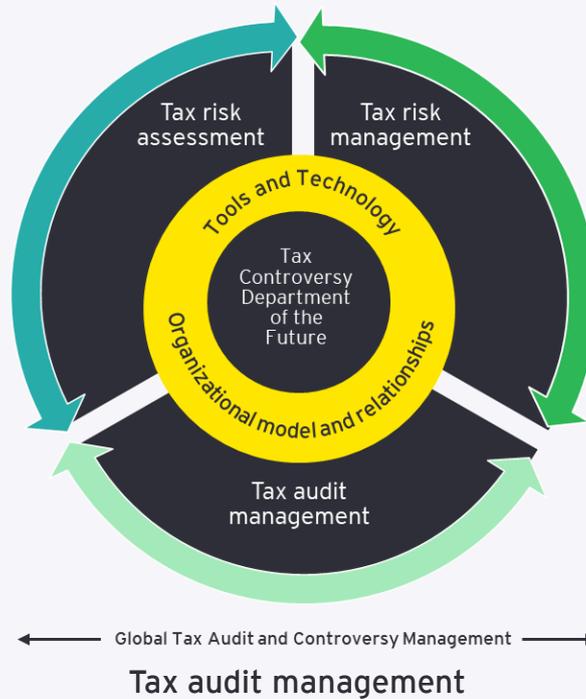


How does it work?

The Tax Controversy Department of the Future is a single, consistent framework which is made up of three key solutions - Tax risk assessment, Tax risk management and Tax audit management. Each solution has been broken down into the work typically carried out by a tax department in responding to and managing tax controversy - from dispute prevention through to litigation - and each solution constitutes a series of leading practices. All three solutions are supported by additional leading practices in the areas of organizational model and relationships and tools and technology

Tax risk assessment

- ▶ Stop controversy before it occurs via top-down governance, systems and processes that enhance monitoring, compliance and dispute resolution
- ▶ **Focal points:** Solid corporate governance and risk assessment procedures



Tax risk management

- ▶ Help mitigate the impact of controversy by having a full picture of risks and a comprehensive strategy to manage them.
- ▶ **Focal points:** Tracking for improved visibility and control, use of dispute resolution processes such as APAs, rulings, etc.

- ▶ Securing quick and effective resolution. allowing the company to move forward

- ▶ **Focal points:** Exam and audit management, Mutual Agreement Procedure, appeals, mediation, arbitration and litigation

Organizational model and relationships

EY teams work with you to identify the most effective organizational model for the Tax Controversy Department of the Future including:

- ▶ A full RACI (Responsible, Accountable, Consulted, Informed) approach to all Tax Controversy processes.
- ▶ A clear linkage and ongoing communication between business strategy, tax planning and tax controversy
- ▶ Clear protocols between tax controversy and other parts of the tax department
- ▶ Agreed protocols on how your organization engages with revenue authorities - assigning responsibility between the local, regional and global elements of your tax department
- ▶ Helping to ensure availability of or access to non-traditional skills - financial analysis, data analysis, valuation, advocacy, negotiation
- ▶ Considering potential co-sourcing arrangements to ensure flexible access to leading resources where and when needed

We also advise on leading practices for both internal and external relationships such as:

Internal relationships

- ▶ Establishing regular touch points between Tax, Finance and IT organizations to review ongoing data, process, technology needs
- ▶ Establishing regular touch points between Tax and other business units
- ▶ Helping to ensure ongoing relationships/briefings between Tax and General Counsel / PR (internal and external) / Corporate Communications group

External relationships

- ▶ Build ongoing relationships with Competent Authorities
- ▶ Establishing properly resourced, scheduled touchpoints with revenue authority Customer Relationship Managers
- ▶ Provide consistent feedback to revenue authority on perceived strengths, weaknesses and opportunities for improvement

The Tax Controversy Department of the Future

Using the right tools and technology

EY teams provide clients with a leading, secure solution that:

- ▶ Facilitates detailed in-audit workflow tracking
- ▶ Provides real time dashboard reporting of open audits around the world
- ▶ Can supply automated and standardized replies to simple and routine tax enquiries
- ▶ Provides a document repository for storing and managing prior responses to tax authorities
- ▶ Can help anticipate forthcoming audit areas based on your historical data, leveraging existing tax data including direct and indirect filing data, tax controversy, transfer pricing, public information (utilizing e-Discovery).

Data is key and EY teams can help you to identify and replicate in-country data analytics routines known to be applied to their data by national revenue authorities in the post-filing environment, reducing the incidence of incoming enquiries

We can also help you turn raw data into a format acceptable by the tax authorities and automate data extraction from source systems

We can supply our technology assistance in numerous different ways - as standalone technology services, as a fully managed service or as an internal enablement engagement, building upon your existing technology use



Working with EY teams

The Tax controversy Department of the future is fully flexible. EY teams can work with you to help you identify those elements most critical for your business - whether that is a single leading practice, a selection of elements or the whole program.

When it comes to implementation, we can either help you with a design and implementation process which you then operate or we can assist you to run the process (or elements of it) on a day-to-day basis. Outsourcing all elements of your controversy management processes to EY may also be a discussion of interest to you.

Learn more

Learn more about EY's Tax Controversy Department of the Future:

Luis Coronado

EY Global Tax Controversy Leader and Global Transfer Pricing Leader

+65 6309 8826 | luis.coronado@sg.ey.com

Rob Weber

EY Global Business Tax Services Leader

+1 212 773 5590 | robert.weber@ey.com

Jeffrey M Michalak

EY Global International Tax and Transaction Services Leader

+1 313 628 8460 | jeffrey.michalak@ey.com

Gijsbert Bulk

EY Global Indirect Tax Leader

+31 88 407 11 75 | gijsbert.bulk@nl.ey.com

Marcus Geuenich

Head of Tax Criminal Law, EY Germany

+49 160 939 16177 | marcus.geuenich@de.ey.com

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets. Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate. Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

©2021 EYGM Limited.
All Rights Reserved.

EYG no. 000002-21GbI

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk