

Tax/TP governance strategies

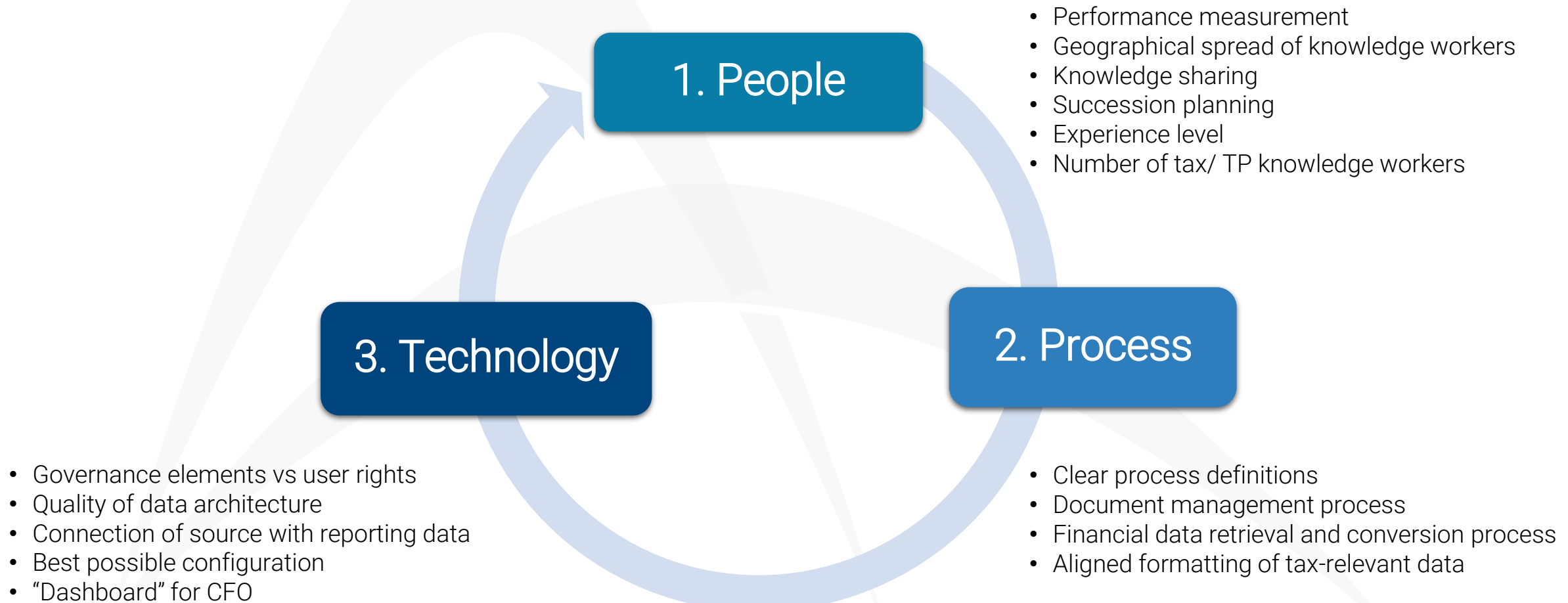
General Framework

Tax Control Framework

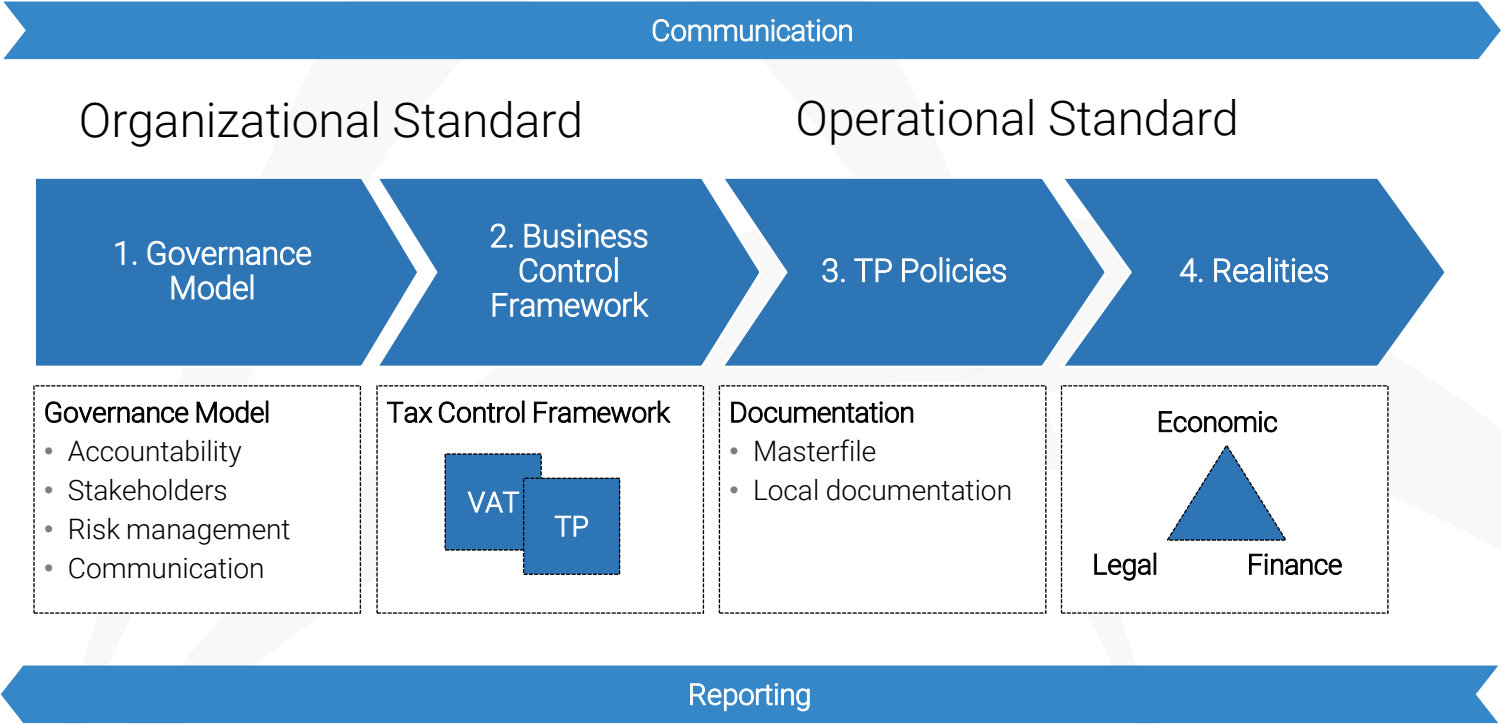
Transfer Pricing Control Framework

General Framework

Setting up Governance model – General Framework



Setting up Governance model – Governance Best Practices



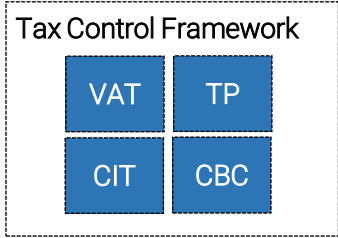
Setting up Governance model – Organisational standard



Organizational Standard



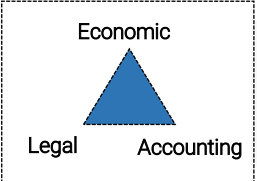
- Governance Model**
- Accountability
 - Stakeholders
 - Risk management
 - Communication



Operational Standard



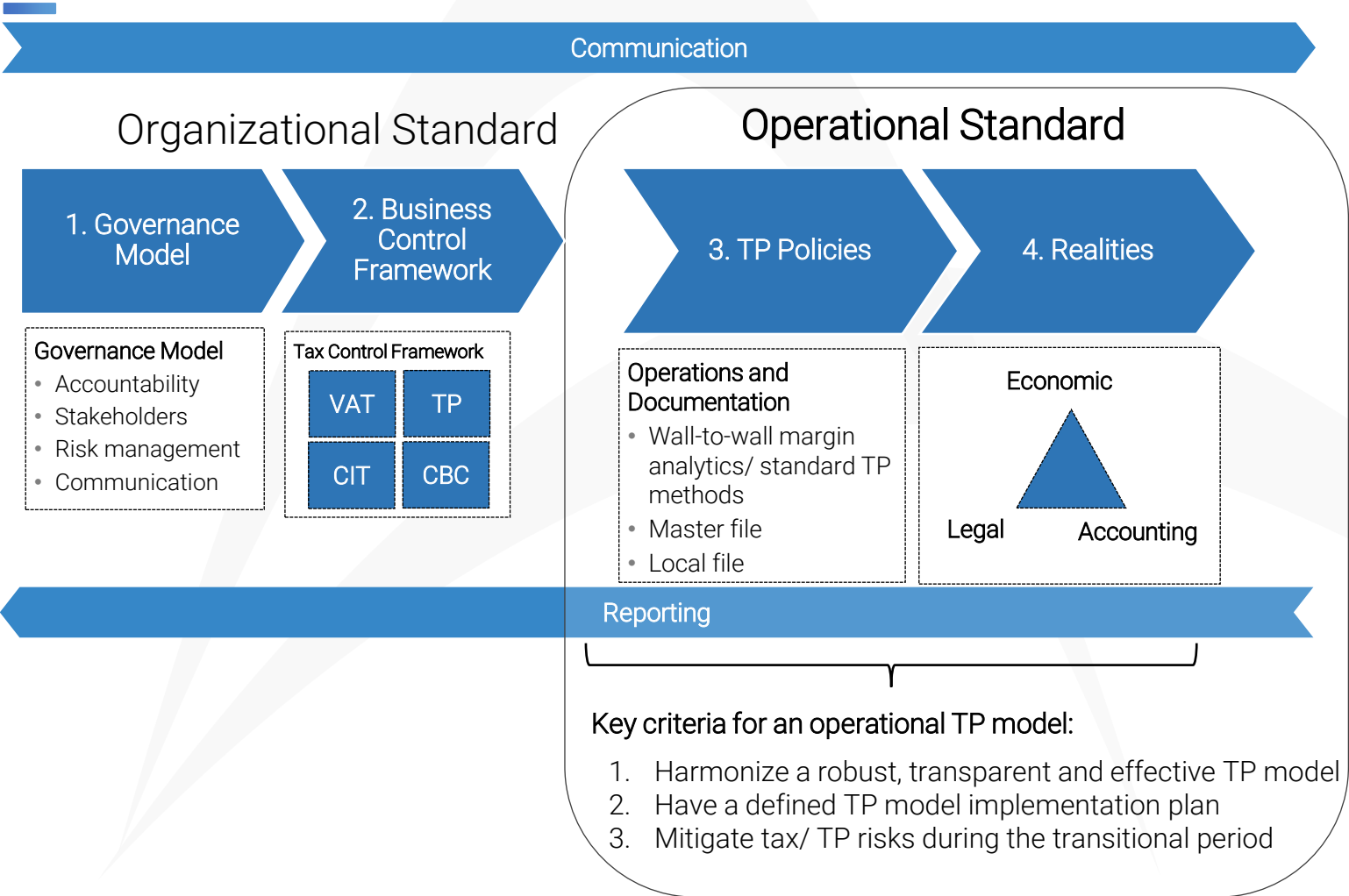
- Operations and Documentation**
- Wall-to-wall margin analytics
 - Masterfile
 - Local documentation



Key accountabilities of Lead Group Tax:

1. Tax policy
2. Tax compliance
3. Tax risk management
4. Tax optimization

Setting up Governance model – Operational Standard



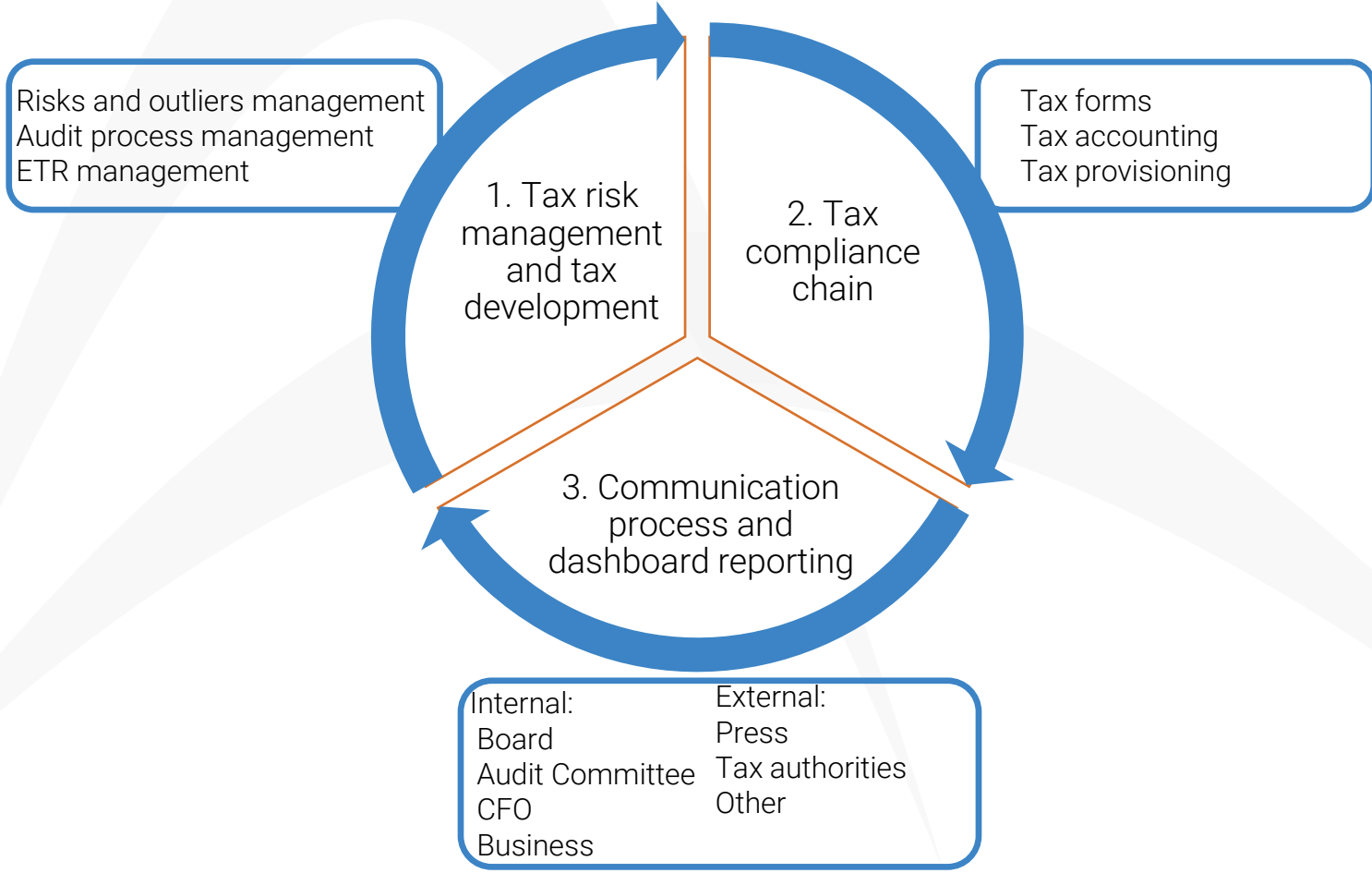
General Framework

Tax Control Framework

Transfer Pricing Control Framework

Tax Control Framework

Tax control framework



Tax control framework RACI

Workflow/Person	Head of Tax	Head of TP	Head of Indirect Tax	Head of Wages Tax	Group Controlling	Group Accounting	Group Legal	Group Treasury	Local Mngt.	Local Finance	Business Team	External Consultants
1. Tax risk management												
2. Tax development												
3. Tax compliance chain												
4. Communication process												

R (Responsible): Person who is assigned to perform part or all of the work, *A (Accountable)*: Person who has the authority to sign off on the work before it is effective (ONLY ONE PERSON!), *C (Consulted)*: Person who provides information or expertise necessary to complete the project, *I (Informed)*: person who needs to be notified of results but need not necessary be consulted.

Tax control framework RACI: Tax risk management workflow

	Head of Tax	Head of TP	Head of Indirect Tax	Head of Wages Tax	Group Controlling	Group Accounting	Group Legal	Group Treasury	Local Mngt.	Local Finance	Business Team	External Consultants
1. Country risk matrix												
2. Transactional/entity risk matrix												
3. Instructions to finance, business and ERP												
4. Audit process												

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Tax control framework RACI: Tax development workflow

	Head of Tax	Head of TP	Head of Indirect Tax	Head of Wages Tax	Group Controlling	Group Accounting	Group Legal	Group Treasury	Local Mngt.	Local Finance	Business Team	External Consultants
1. Define ETR drivers												
2. Regular reporting on ETR												
3. Outlier analysis on ETR												

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Tax control framework RACI: Tax compliance chain workflow

	Head of Tax	Head of TP	Head of Indirect Tax	Head of Wages Tax	Group Controlling	Group Accounting	Group Legal	Group Treasury	Local Mngt.	Local Finance	Business Team	External Consultants
1. Data extraction												
2. Loading tax forms												
3. Quality checking tax forms												

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Tax control framework RACI: Communication process workflow

	Head of Tax	Head of TP	Head of Indirect Tax	Head of Wages Tax	Group Controlling	Group Accounting	Group Legal	Group Treasury	Group Public Communication	Local Mngt.	Local Finance	Business Team	External Consultants
1. Compliance cycle (green/red)													
2. Status of audits and other outliers													
3. ETR trends and drivers													
4. Communication with tax authorities													
5. Public and media relations													

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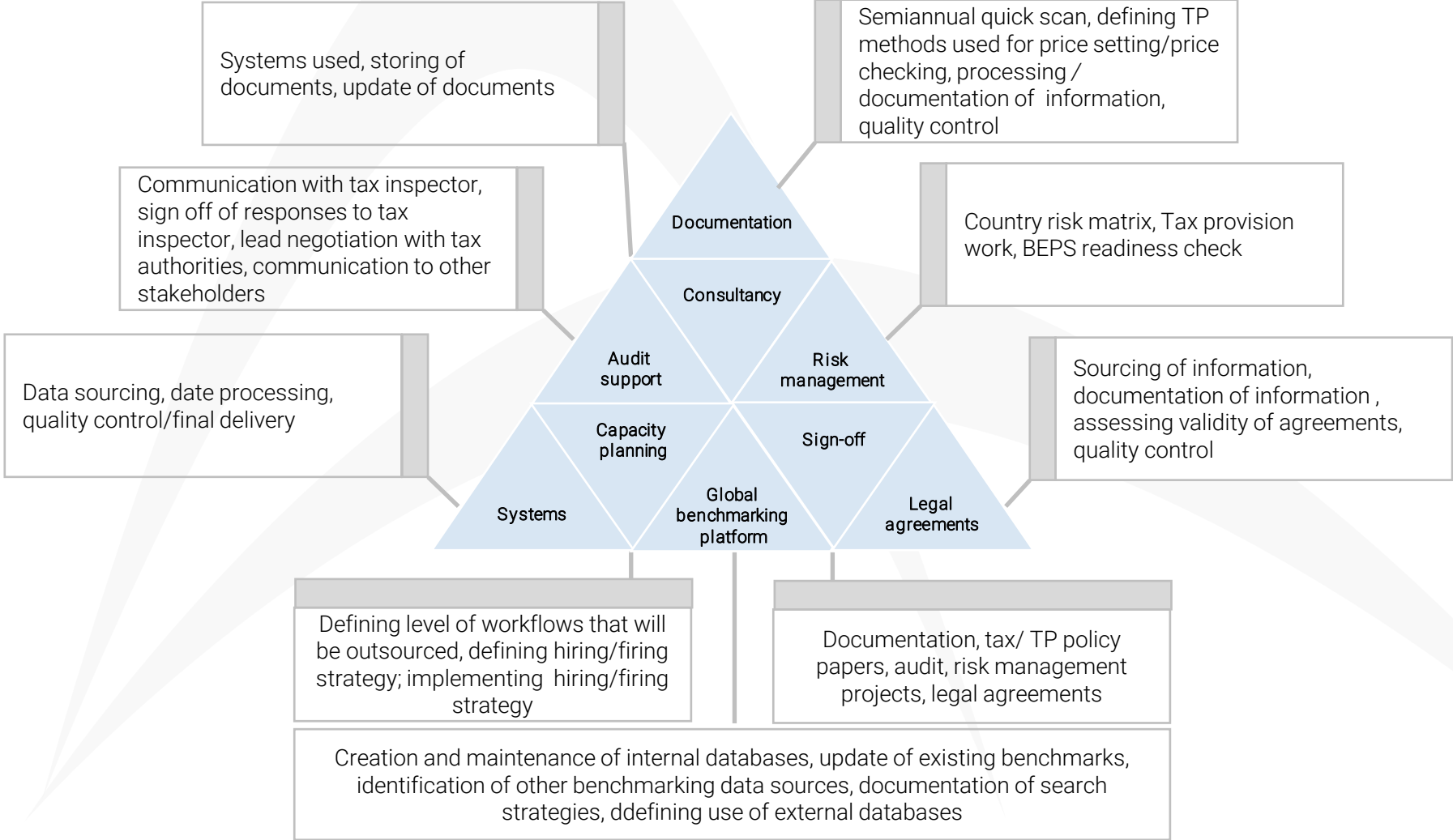
General Framework

Tax Control Framework

Transfer Pricing Control Framework

Transfer Pricing Control Framework

Introduction to the nine building blocks of a successful TP function



TP Governance Model Example: current state summary (level 1)

	Lead Group Tax	VP Group Tax	Head of TP	Group Controlling	Group Accounting	Group Legal	Group Treasury	Segment Controlling	Local Mngt.	Local Finance	Business Team	External Consultants
1. Consultancy – Advisory and implementation	A/R	A/R		I	I		R/C	I			R	C
2. Development/ maintenance of TP documentation	A/R	R						C	r	A/r		C
3. Risk Management	A/R	A/R		R/I	R/I			R		R		C
4. Audit support	A/R	A/R		I	I				I	A/R		
5. Systems (central data management & retrieval)	A/R	A/R			R/I			R		R		C
6. Capacity planning – Insource/ outsource	A/R	A/R								A/R		
7. Global benchmarking platform (outsourced to third parties)	A	A						I		R/I		C
8. Sign-off TP documents	C/I	C/I							A	A		
9. Legal agreements- set up and implementation	A/R	A/R			I	I				I		

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Example of the current governance model versus future state

CURRENT STATE

- Fragmented **allocation of accountability responsibilities** (i.e., A profiles in the RACI matrix) of tax/ TP function
- Too concentrated **performance of tax/ TP day-to-day activities** (i.e., R profiles in the RACI matrix) at the level of in-house senior tax team (i.e., Lead Group Tax and VP Group Tax)
- No clear and transparent **allocation of TP duties** communicated to all stakeholders
- Implicit rather than explicit **capacity planning**
- Lack of standardization, central coordination and automation of **tax/ TP function**

FUTURE STATE

- Centralized **tax / TP management by in-house tax/ TP senior team** (keep “A’s” with Tax Team ensuring centralised control over all TP processes).
- Clear and transparent **allocation of tax/TP roles and responsibilities to the Business and Finance community** (Move “R’s” to finance/business/local) freeing up management time of the central tax team to deliver value and manage risks.
- Set-up and implementation of efficient, standardised and harmonised intercompany **agreements allowing central and efficient tax risk management of intercompany transactions**.
- Full alignment of **“economic reality = legal reality= financial reality”**. This will support a more **sustainable and more efficient risk management model!**
- Explicit **strategy on TP/ tax capacity planning**
- Establishment/ upgrade of **transfer pricing systems** (central data management & retrieval of all relevant global TP data):
 - A **transfer pricing reporting tool** from an in-house user perspective;
 - A **platform** that provides transparency and centralization across the in-house tax team;
 - A detailed **account level connectivity** that relates to the essential raw data.
- In-house TP coaching and trainings

Future Organisational model- Focus on being in control

Delegation of Rs to the right side of the organization would free up capacity at the senior level of tax/ TP function, leading to more time being devoted to effective tax risk management and careful ETR planning.

	Lead Group Tax	VP Group Tax
1. Consultancy – Advisory and implementation	A/R	A/R
2. Development/ maintenance of TP documentation	A/R	R
3. Risk Management	A/R	A/R
4. Audit support	A/R	A/R
5. Systems (central data management & retrieval)	A/R	A/R
6. Capacity planning – Insource/ outsource	A/R	A/R
7. Global benchmarking platform (outsourced to third parties)	A	A
8. Sign-off TP documents	C/I	C/I
9. Legal agreements- set up and implementation	A/R	A/R

- Accountability/ responsibility profiles stay as is
- Accountability/ responsibility profiles move to the right/ extra tax/ TP FTEs
- Neutral position

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TP Governance Model (RACI) future state summary (level 1)

	Lead Group Tax	VP Group Tax	Head of TP	Group Controlling	Group Accounting	Group Legal	Group Treasury	Segment Controlling	Local Mngt.	Local Finance	Business Team	Executive Committee	External Consultants
1. Consultancy – Advisory and implementation	A		R							R			
2. Development/ maintenance of TP documentation			A	R	R	R	R	R			R		
3. Risk Management	A	R	R	R	R		R	R		R			
4. Audit support	A		R							R			
5. Systems (central data management & retrieval)			A	R	R		R	R		R			
6. Capacity planning – Insource/ outsource	A	C	C					C		C			
7. Global benchmarking platform (outsourced to third parties)			A				R						R
8. Sign-off TP documents									A			A	
9. Legal agreements- set up and implementation			A/R						A				

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Thank You

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To ensure the highest quality and seamless service provision, thereby meeting international standards and regulations, a global team of dedicated professionals and specialists is a key and determining factor.

Through linking three ecosystems: Tax, Transfer Pricing and Valuation, Tax + Technology and Tax Litigation and Mediation – we deliver a world of tax in control.

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