

Achieve Results*

Tax Function Effectiveness:
Helping companies achieve best in class tax functions



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Achieve Compliance*

Tax Function Effectiveness:
Helping companies reshape their structure & resources

Client challenge

A subsidiary of a large, multi-billion dollar telecommunications company is planning a tax free spin-off from its parent. The subsidiary has relied heavily on its parent for corporate Tax services and now needs to establish a high quality Tax function of its own to ensure Sarbanes-Oxley (SOX) compliance from Day 1.

PwC value

Planning for a spin-off or other corporate restructuring of any magnitude is complex and time consuming. PwC assisted by developing a comprehensive plan for Tax Function operations that included recommendations for organization design, critical technologies and key processes.

PwC worked closely with company management to plan, design and implement a Tax organization for the subsidiary including developing a Tax function budget that was both cost effective and appropriately calibrated to manage the unique Tax risks impacting the company. PwC also co-developed recommendations with the company to enable an effective Day 1 SOX compliant Tax function, as well as a 12 - 24 month transition plan for the subsidiary that included compliance outsourcing and hiring the critical skills and competencies the subsidiary will need after the spin.

PwC's involvement has since been extended to include consulting on several Tax technical matters related to the spin-off transaction, ongoing involvement with an ERP implementation project to represent the requirements of the company's tax function and consulting on several state and local tax issues.

Impact

As a result of the efficiencies realized by working with PwC to design the operations of the new Tax function and implementing our recommendations to maximize efficiencies, the company was able to establish processes consistent with SOX 404 requirements and create a sustainable Tax operations model for the future.

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Achieve Cohesiveness*

Tax Function Effectiveness:
Translating the “deal” to the “do”

Client challenge

Two large financial institutions located in different cities have received regulatory approval to merge. Each legacy Tax function has approximately 25 people and a well established history of processes, strategy, structure and roles. These companies need to develop a plan to combine their separate tax functions into a single efficient and effective tax operation.

PwC value

Translating the “deal” to the “do” isn’t always easy. Competing considerations associated with people, processes and technology as part of corporate mergers can be complex—particularly given today’s regulatory environment—burdening internal resources and often cannibalizing the very efficiencies hoped to be realized through the merger.

PwC assisted the client by co-developing operational work streams for the newly combined tax function. These work streams included designing the organization chart for the new tax organization—including defining roles, responsibilities and reporting lines, as well as determining the optimal head count for each tax area. In addition, PwC worked collaboratively with our client to support decisions to acquire a new technology platform to support the tax function that included tax provision software, a workflow system, document management and a tax web portal to enhance communication and staff deployment between their two locations. PwC also worked with the company to design and implement a 1099/1042 reporting process along with a related technology road map to ensure that the newly merged organization satisfied their compliance requirements. Finally, PwC continues to team with the company’s tax function to provide consulting assistance on technical tax issues related to the merger transaction and otherwise.

Impact

With PwC’s assistance, the newly merged organization was able to combine two separate tax departments into one efficient tax operation that meets all of the organization’s tax needs—including tax accounting, tax compliance, planning, controversy and information reporting for 1099/1042’s. PwC also worked with the company to reassess processes and key controls to ensure ongoing 404 compliance.

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Achieve Knowledge*

Tax Function Effectiveness:
Building best in class tax technology

Client challenge

A major financial services company and SEC registrant is utilizing inefficient and risk laden spreadsheets to compute its current and deferred tax provisions and prepare the related management reports and footnote disclosures. The spreadsheets are heavily dependent on off-line data provided late in the financial close process that requires a significant validation and manipulation effort when time is very short.

PwC value

Finding the right enabling technology isn't easy given the growing number of options available today. It was important to understand the full scope of data requirements necessary to support the tax accounting, planning, compliance and controversy deliverables for this clients specific tax function.

PwC reviewed the company's current tax provision process, as well as the overall tax operations to determine their broader tax IT needs. Utilizing PwC's knowledge of industry best practices, insight into the market leading tax technologies and current trends, we provided the company with a technology architecture solution tailored to meet their specific tax operation needs. PwC coordinated demonstrations of tax provision technology systems and worked with our client to prepare a written business case setting forth system pros and cons as evaluated against their unique requirements and a "build internally" option being considered.

Impact

PwC was able to assist the client not only in developing a broad-based IT architecture to support tax operations and improve efficiency and quality overall, but also in addressing the company's immediate tax provision technology needs. By replacing the outdated spreadsheet system with a highly automated system, the chance for errors within the tax provision calculation has been reduced substantially. In addition, as a result of the IT changes, in-house resources now have more time to devote to other value added activities such as tax analytics.

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Achieve Goals*

Tax Function Effectiveness:

Achieving SOX 404 compliance & long term planning goals

Client challenge

A privately owned, multi-billion dollar food manufacturing and frozen food home delivery service organization wanted to become Sarbanes-Oxley (SOX) 404 compliant within the next 12 - 24 months even though there was no regulatory requirement to do so.

PwC value

Navigating the compliance challenges of SOX—particularly under a short time frame—can be difficult and time consuming and often distracts company tax personnel from their day to day responsibilities.

To better understand the business and financial reporting challenges, PwC held a kick-off meeting attended by all of the client's US tax personnel, the purpose of which was to describe the objectives and approach for the project. PwC conducted interviews with all of the client's tax personnel, business unit CFOs and certain accounting and treasury personnel who either provide data to or use data provided by the tax department. PwC also met extensively with the client's internal IT leaders to determine how tax could better leverage the company's existing ERP system and other technology used within the finance organization. Through these meetings and interviews, PwC was able to identify key impediments to raising the performance levels of the tax function and gained insight into critical processes and high risk areas within the tax function. A report with PwC's recommendations for becoming SOX 404 compliant was presented to the senior tax executive and subsequently to the CFO jointly with the company's tax leaders.

Impact

The company is actively implementing the key recommendations made by PwC to restructure its tax department by moving certain functions back to finance and/or the business units and making strategic hires to fill competency gaps in the FAS109 and SOX 404 technical areas. By becoming SOX 404 compliant, the company has expanded its options for future transactions—including a potential sale of one or more of its brands and/or a transaction which will help the company raise capital or reduce debt.

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Achieve Insight*

Tax Function Effectiveness:
Assessing tax competencies

Client challenge

A multi-billion dollar energy company restated its earnings and reported material weaknesses in multiple areas within the finance function (including tax) which culminated in a resignation of the company's CFO. In an effort to assess the skills of the organization and re-establish credibility with Wall Street, the newly hired CFO conducted a global technical competency assessment of its finance and tax functions.

PwC value

Understanding resource needs is important, but having the "right resources" in place is essential. It not only improves efficiencies and value, but also reduces company risk of technical oversight or missteps.

In collaboration with the client's VP of Tax, PwC was asked to assess and identify the relevant and essential specific technical competencies for the client's tax personnel. PwC then created a benchmark rating for each discrete role and staff level within the tax department. Finally, PwC conducted interviews with all of the client's tax personnel and prepared individual reports assessing each person's competencies. Individual feedback sessions were held with each participant, as well as with the client's leadership, to communicate PwC's findings.

Impact

- This engagement provided the company with valuable insight into the tax function, including:
- Assessment of individual and enterprise wide technical tax skill competencies
- Areas for individual development by technical specialty (i.e. Tax accounting, international tax, M&A, state and local taxation)
- Identified opportunities to re-deploy staff either within the Tax function or other areas of Finance to better leverage individual competencies and align career objectives with organizational goals
- Identified those having strong leadership competencies to facilitate critical succession planning within the tax function and,
- Improved ability to recruit and retain personnel by using the role definitions (job descriptions developed and clearly setting forth benchmarks for the expectations management has for the technical competency of its personnel and linking these to the annual performance evaluation process.

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Achieve Quality*

Tax Function Effectiveness:
Fixing a broken tax function

Client challenge

A multi-billion dollar manufacturer of farm and construction equipment is experiencing control issues and significant resource constraints within its tax function.

PwC value

PwC was asked to assess the company's current tax function and make recommendations for improvement. PwC interviewed all members of the company's tax department, as well as key finance, treasury and business leaders. PwC also reviewed the company's tax controls and processes and prepared a report that identified a number of key changes that were necessary to address the company's resource and control issues—including a redesign of the annual tax provision process and explaining why and very specifically 'how' the tax function should and can be involved in the pending implementation of SAP.

Impact

Through its recommendations, PwC was able to assist the company in maximizing the usefulness of its limited tax resources so the client can best manage through this challenging period and restructure its tax operations over a period of years into a high performing global tax department.

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Achieve Efficiency*

Tax Function Effectiveness:

Automating processes to free-up company resources tax analytic effort

Client challenge

As its non-US tax provision became more complex and the adoption of Sarbanes-Oxley 404 required making tax controls a greater priority, a multi-billion dollar paper manufacturer became increasingly concerned about the various manual aspects of its current approach to the tax accounting process. In addition, various leaders within the organization were concerned that members of the company's tax department were spending too much time on computational aspects of the tax provision calculation and too little time on analysis and other value added activities.

PwC value

Given the competing demands on today's tax function, identifying and harnessing efficiencies is even more important to the business and the bottom line.

PwC assisted the company in converting their non-US tax provision process from its historic manual, spreadsheet based approach to a higher level of automation by linking a newly implemented tax provision technology solution to a tax data repository that was populated with 'book data' directly from the ERP (General Ledger). As part of this technology design and software implementation project, PwC assisted the company with mapping key tax data requirements from the company's existing ERP system, instructing local country training on the new tax provision process and software, running a 'proof of concept' during the first year-end on the new system and operating a "help desk" for company personnel during the close process.

Impact

By assisting the client to automate a previously manual tax accounting process, PwC was able to help the company focus its energies on managing tax risk, controls, tax planning and financial reporting for taxes allowing the client's tax department to run more efficiently and better utilize their specialized tax skills.

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Achieve Improvements*

Tax Function Effectiveness:

Dealing with the new challenges of a new company

Client challenge

A large, multinational industrial products corporation sold one of its major divisions to a large private equity firm. The division had significant US operations, as well as operations in 25 countries. The newly formed company (Newco) retained only a limited infrastructure, including one US-based taxed professional, after the sale. Since the sale occurred close to Newco's year-end, the company did not have time to hire and train adequate internal resources for use in preparing and issuing the company's first stand-alone SEC financial statements (Newco has public debt).

PwC value

Even in the midst of a restructuring, companies can't afford to miss a beat when it comes to addressing important financial activities. For companies with limited or untrained resources it can be particularly challenging and may create unnecessary risk for the newly independent company.

PwC assisted the client in establishing a process to complete the global tax provision calculation. In addition, PwC implemented a third party tax provision software program for use in preparing the company's global tax provision calculation. Finally, due to limited internal company resources, PwC assisted the company with the completion of their initial year's tax provision calculation. Subsequently, PwC provided training to the company's growing US tax department focusing on how to prepare the US tax accounting including how to consolidate the foreign provision calculations to allow the client to slowly take this responsibility back in-house and relying on PwC for technical advice and support.

Impact

The dedicated efforts of PwC helped the client through a very challenging time. With PwC's assistance, the company was able to meet its SEC reporting deadlines for the current year. In addition, PwC provided the company with sufficient tools and training to allow them to perform these functions in-house in the future, which in this instance, was deemed more appropriate by the clients Board.

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Achieve Success*

Tax Function Effectiveness:
Realizing efficiency in business operations

Client challenge

A multi-billion dollar aerospace and defense manufacturer had historically faced several challenges surrounding the preparation of their global income tax provision. These challenges included use of numerous ERP systems, decentralized finance functions and highly summarized data in Hyperion that was unsatisfactory for tax reporting. Due to the complexities resulting from the use of spreadsheet data collection packages and provision calculations, tax department employees incurred over 10,000 hours each year on the FIN 18 interim tax rate calculations alone.

PwC value

An efficient operation focuses on working smarter, not harder—particularly when today’s tax function is often doing more with the same or fewer resources.

PwC assisted the company in identifying opportunities to realize efficiencies and reduce the number of manual calculations. Beginning with the implementation of a third party software as the company’s single tax provision technology platform, PwC worked closely with the company’s six sigma team to define the current and future needs of the company taking into account PwC’s knowledge of “best practices,” as well as the quality and accessibility of the company’s tax data. In addition to the implementation of the tax provision technology, PwC also assisted the company to redesign their foreign and domestic information feeds using web-based interfaces, changing their quarterly FIN 18 process, putting increased reliance on interim information, redesigning and expanding their state tax calculations, testing initial tax provision calculations and training client personnel in these new and improved processes and technology solutions.

Impact

The implementation of the tax provision technology platform and the related tax provision process redesign resulted in the elimination of several thousand hours from the annual and interim tax accounting workload. In addition, the company realized a quicker and more controlled closing process. The work done by PwC will help the company realize its goal of an efficient tax accounting process.

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