

Overcoming Corporate Tax Pressures

During this period of challenging economic recovery, businesses across the nation are cutting costs to remain profitable. To do this, they have turned their attention to improving performance through greater precision and control—tax performance included.

Improving tax performance means finance executives must first overcome a number of challenges, five of which were explored in detail by CFO Research Services in a December 2011 survey of finance and tax executives.

Challenge 1: Intense Regulatory Scrutiny and Aggressive Enforcement

While finance and tax executives agree that the pressures created by tax-related reporting and control requirements will increase over the next two years, research reveals a difference in opinion on how effectively organizations have kept up with these regulations.

“These differences suggest to us that some finance executives are underestimating the pressure that tax has been placed under by these requirements, making it difficult for everyone to agree on tax priorities and allocate adequate resources to meet them,” said Celina Rogers, editorial director of CFO Research Services, during “Finance and Tax Executives on Tax Management in a Challenging Recovery,” a webinar discussing the survey results.

Challenge 2: An Expanding Tax-Function Mandate

A shift in the tax function’s broad mandate is another area that both finance and tax executives can agree on. However, they disagree on how this mandate is changing.

“What these results suggest to us overall is that many finance leaders will have very high expectations for their tax function’s contribution to these very high-value tax planning sorts of activities in the coming months—expectations that they may not have communicated fully to their own tax departments,” said Rogers.

Challenge 3: Doing More with Fewer Resources

The tax function mandate is expanding at a time when tax resources could not be scarcer. However, while 69 percent of tax respondents say that their companies’ tax functions are currently under-resourced, only 50 percent of finance executives agreed.

“This perception gap is very important because finance organizations often hold the tax department’s purse strings, so in many cases it is ultimately up to finance to ensure that resources and expectations in tax are fully aligned,” said Rogers.

Challenge 4: An Influence Deficit

Moving tax executives to a higher profile role would only make sense if the tax function is charged with a broader, higher-value contribution to the overall business landscape. However, finance and tax executives do not place the same value on this shift, with 73 percent of tax executives backing the increased responsibility compared to 47 percent of finance executives.

Rogers adds: “A lot of finance executives might be well-advised to consider how more leadership and influence for the tax-function might help them to produce better results.”

Overcoming Corporate Tax Pressures

page 2 of 2

Challenge 5: Building a business case for automation

To overcome resource scarcities, many tax departments have sought out increased automation of certain functions. However, many finance and tax executives note that tying returns directly to tax technology investments is a challenge when developing a business case for these technologies.

“When we segment the results by function, and compare finance and tax executives’ responses...we also find some pretty pronounced differences of opinion between these two groups, which may also make it challenging for tax executives to build that strong case for tax automation,” said Rogers.

Overcoming Challenges

In order to overcome these challenges, it is important that finance and tax executives come together to achieve shared goals. Creating an atmosphere of open communication is an important step in both setting and achieving these goals. What this study suggests is that while finance executives are often focused on the results produced by tax departments, tax executives are focused on the process required to produce those results.

“Both finance and tax executives agree that a more robust, higher-value contribution from tax is something that is much to be desired,” said Rogers. “If finance and tax executives take that common ground as a starting point for a renewed conversation about the tax function’s contributions to the enterprise, they may in fact find that there’s an opportunity to sort out some of these differences and they can use that conversation as a springboard for further improvement and change.”