

Tax Function Survey Results

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Affecton: the tax team. A consulting service dedicated to improving the direction, performance and reputation of in-house tax teams.

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Introduction

The 2006 Affecton Tax Function Survey examines the management of the tax function in leading financial organisations.

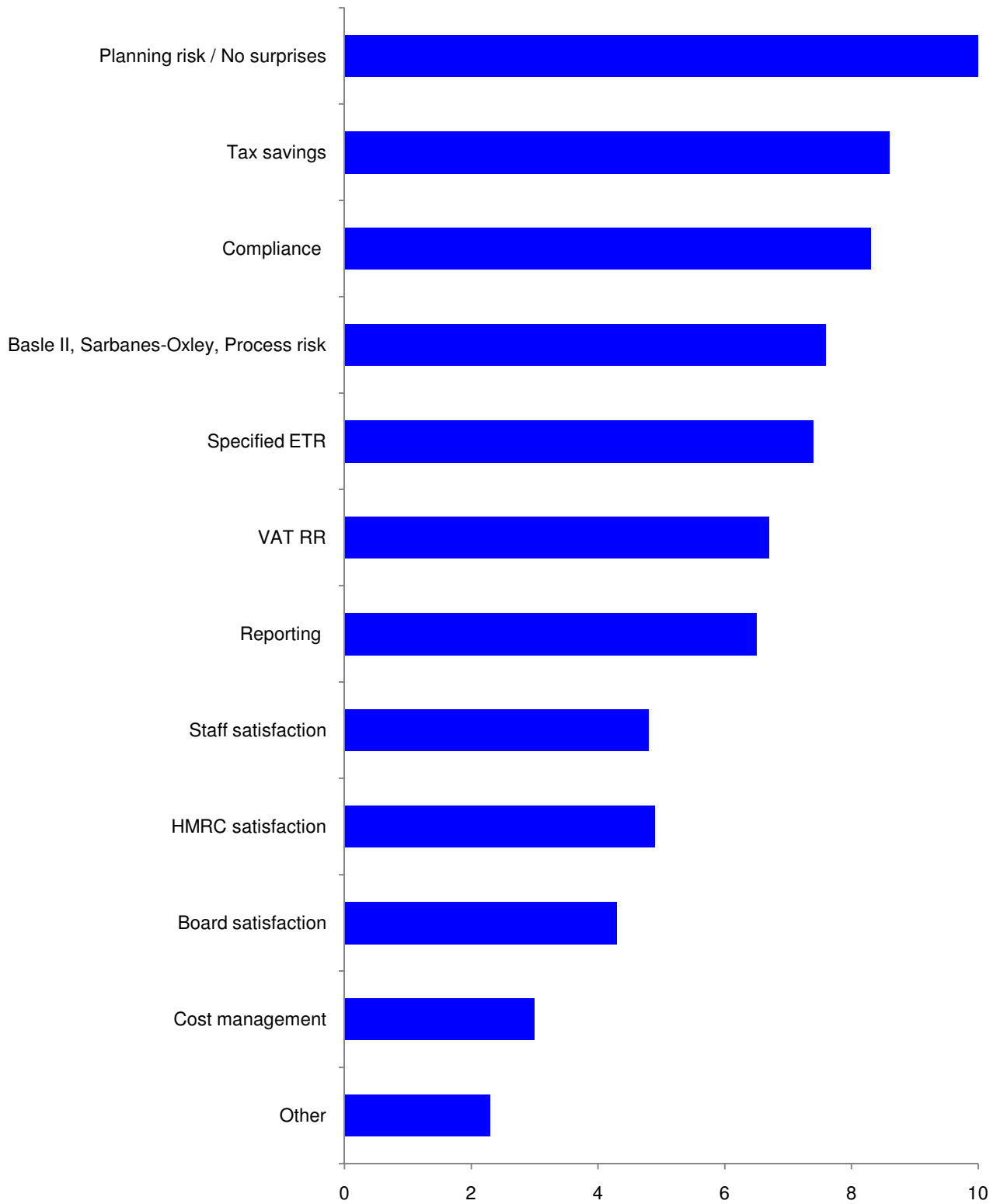
The survey findings are based on confidential in-depth interviews with Heads of Tax at 10 leading financial service companies (banking and insurance) with tax functions ranging in size from less than 10 to over 100 tax professionals.

The summary findings and conclusions are included in this report. Much more detailed analysis was undertaken in completing the report. We are happy to provide more information to anyone who is interested in any particular aspect of this research. All our research is internally funded and made freely available, subject to acknowledgement of source.

We wish to acknowledge our gratitude to all those who participated in this survey. Your generosity in time and thought is much appreciated.

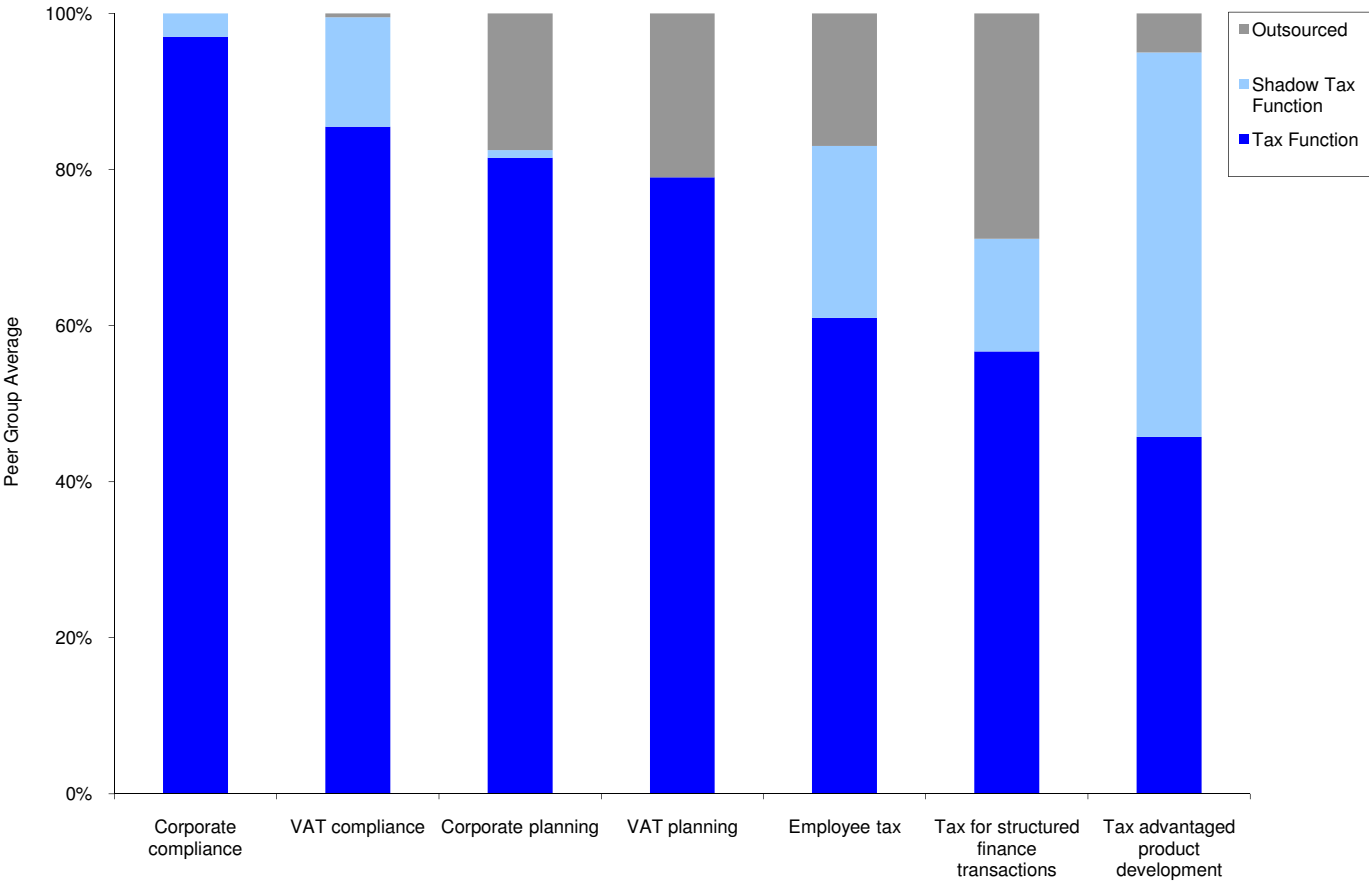
1 Tax Function Role and Objectives

What are the objectives of the tax function (ranked)?

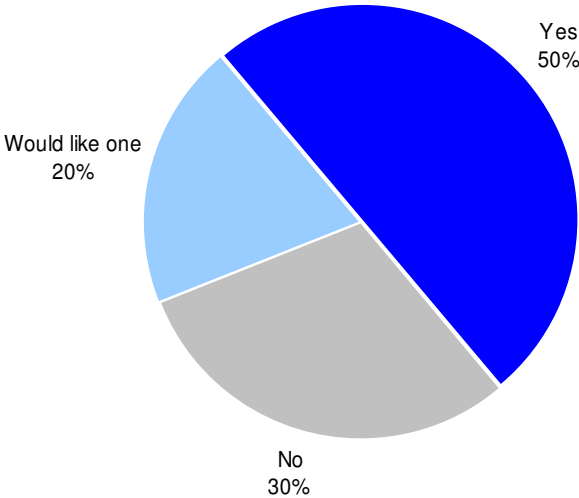


- Broad objectives are set for the tax function. However, targets are not usually set against which performance can be measured.
- Most Heads of Tax described a significant increase in the relative importance of compliance and risk in the last few years.

What are the responsibilities of the tax function?



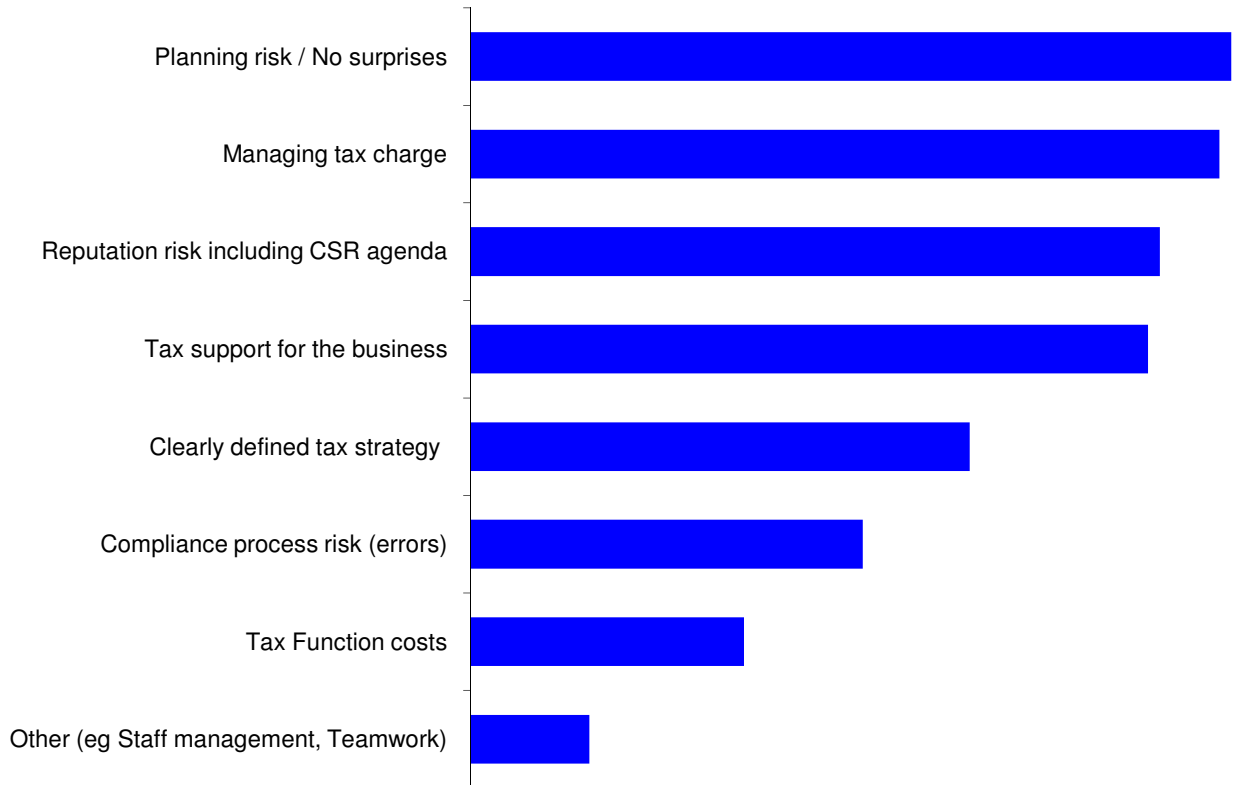
Do you have a tax policy/strategy?



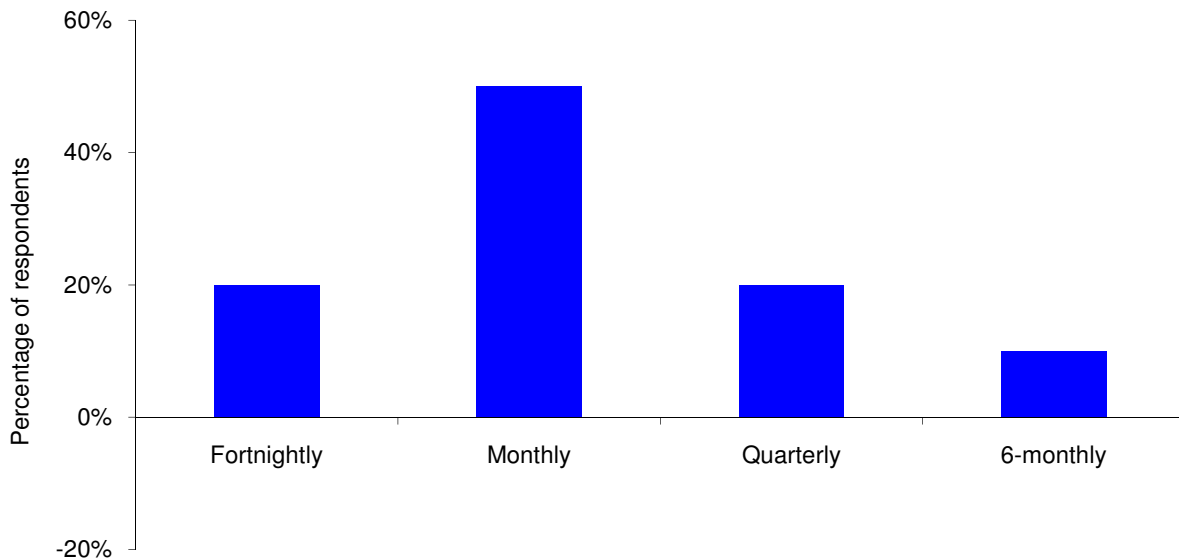
2 Interaction with Board, Business and HMRC

Board

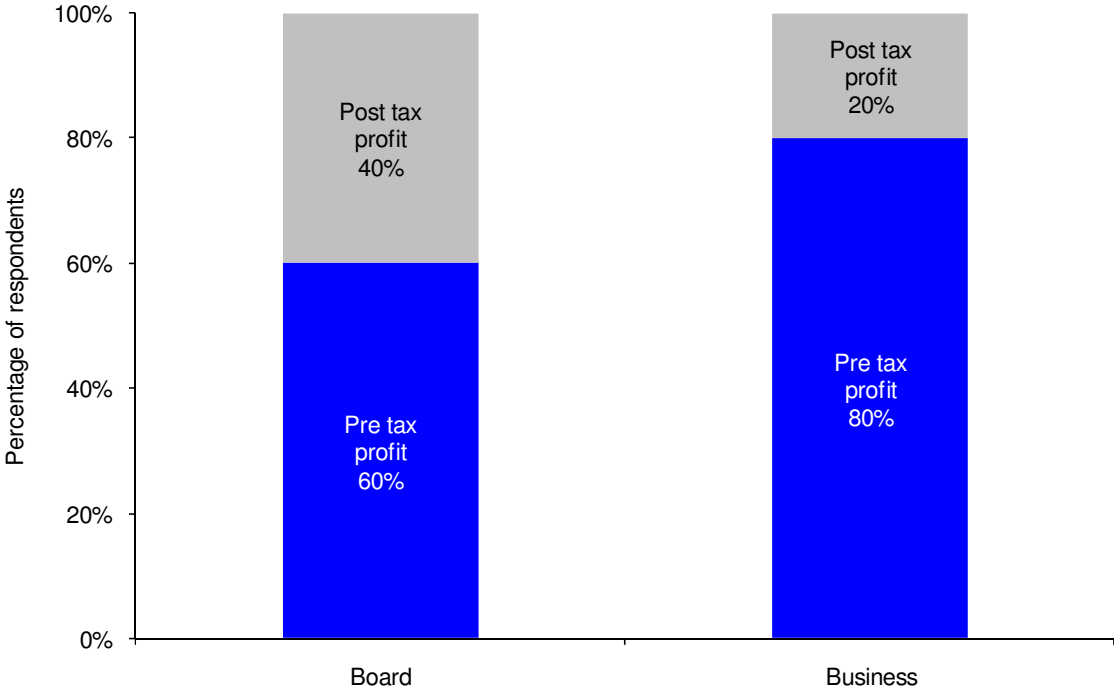
Rank the importance of the following aspects to the FD/Board.



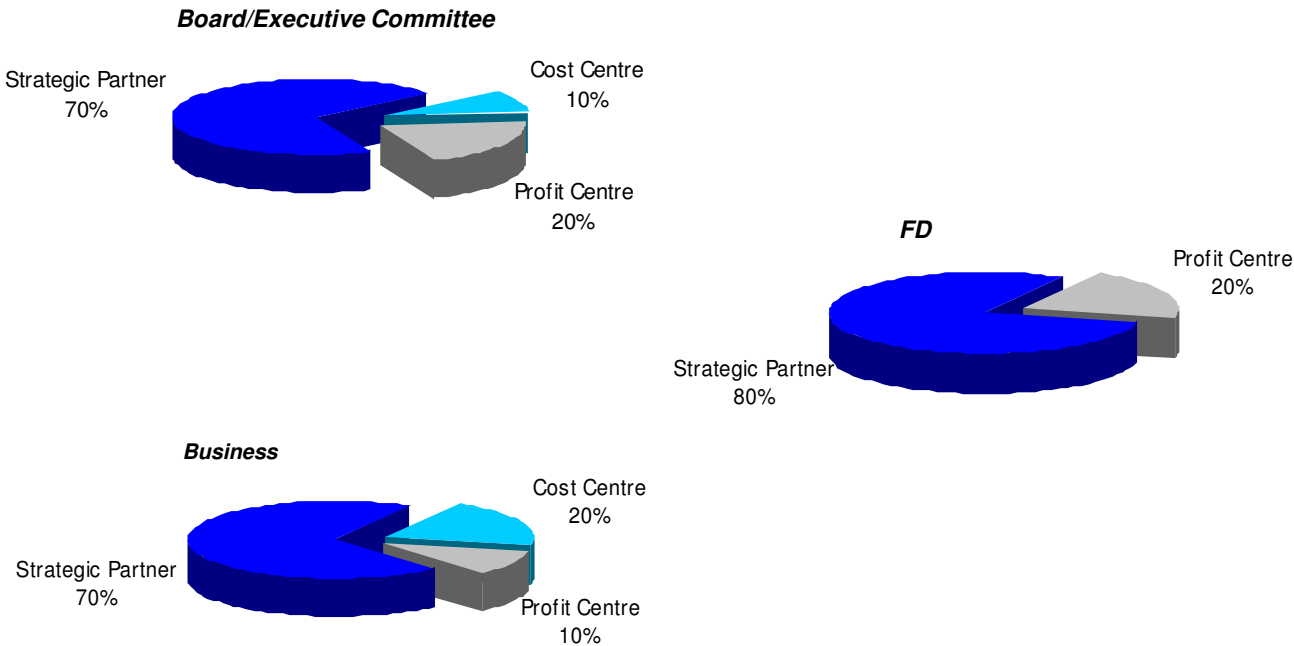
How often do you have a progress review of tax with the FD?



Which is more important?



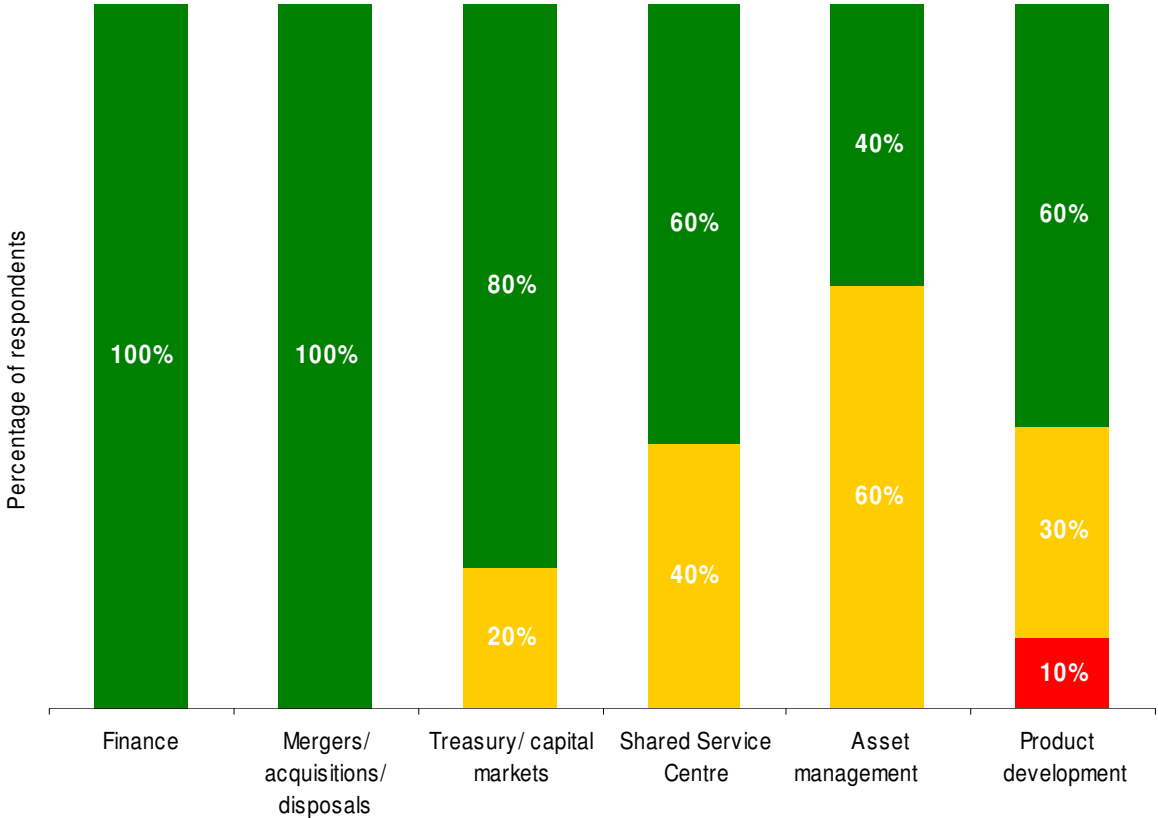
How do you think the tax function is perceived within the organisation?



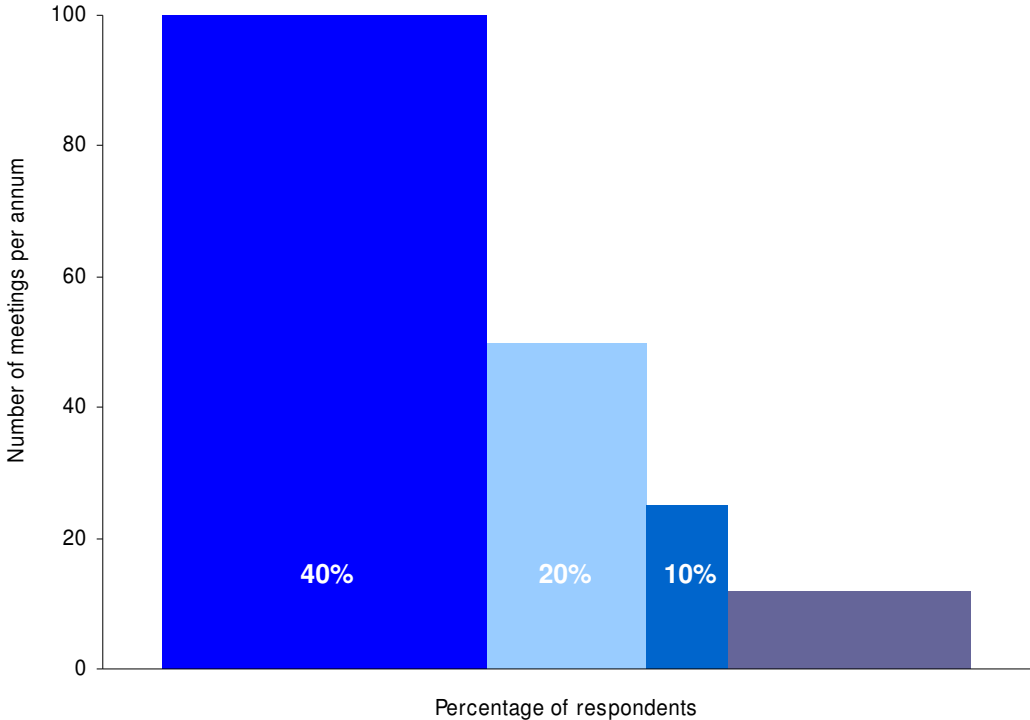
Business

Rate the tax function’s relationship with business in the following areas.

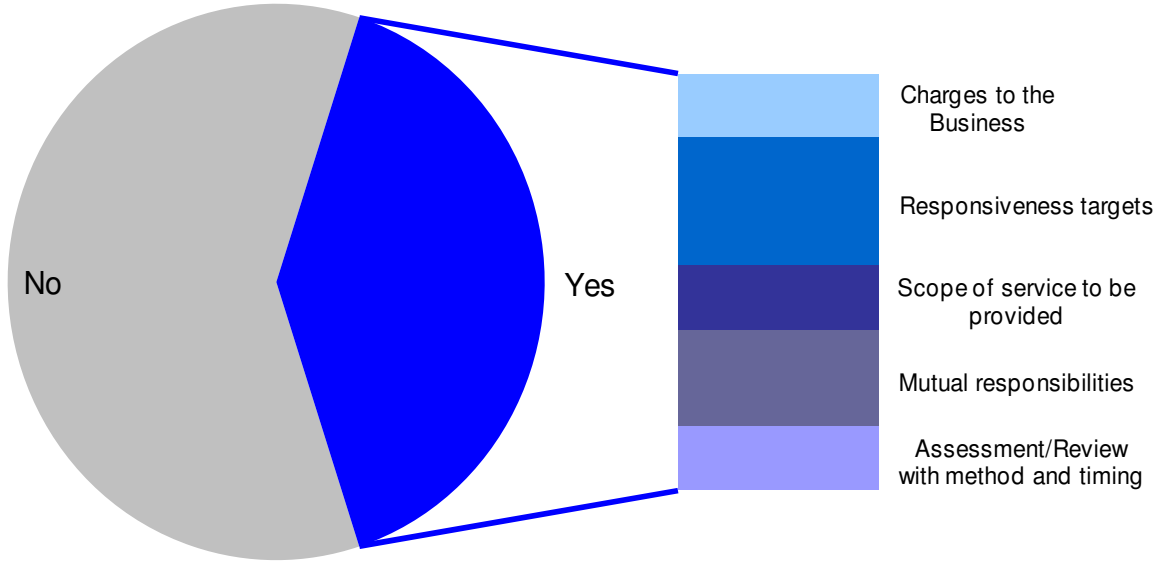
Red is distant/difficult and green is close/productive.



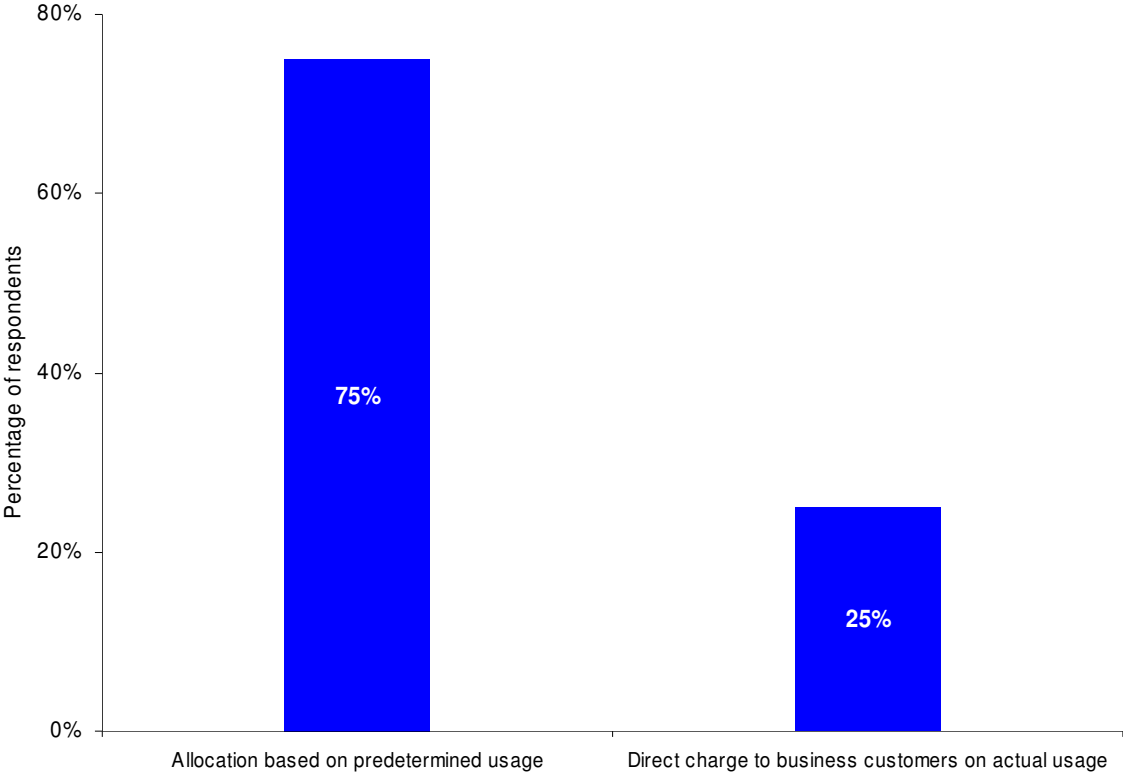
How often do you, or members of your senior team have contact with senior Business personnel?



Do you have Service Level Agreements with the Business?



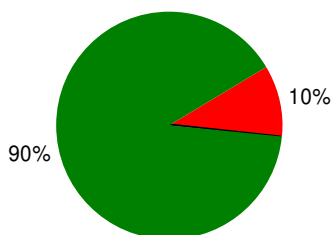
How are the costs of the tax function recovered?



HMRC

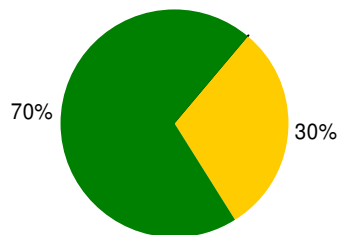
How would you rate your relationship with HMRC?

Red is distant/difficult and green is close/productive.

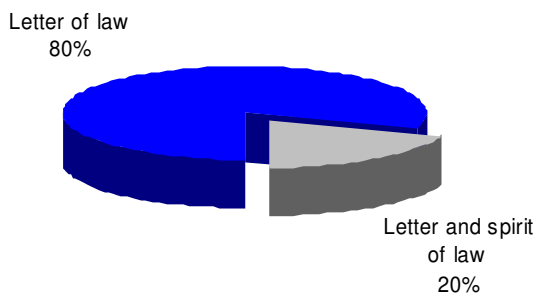


How would you rate your department's ability to complete computations, manage correspondence and deal with HMRC issues on a timely basis?

Red is often behind and green is totally under control.



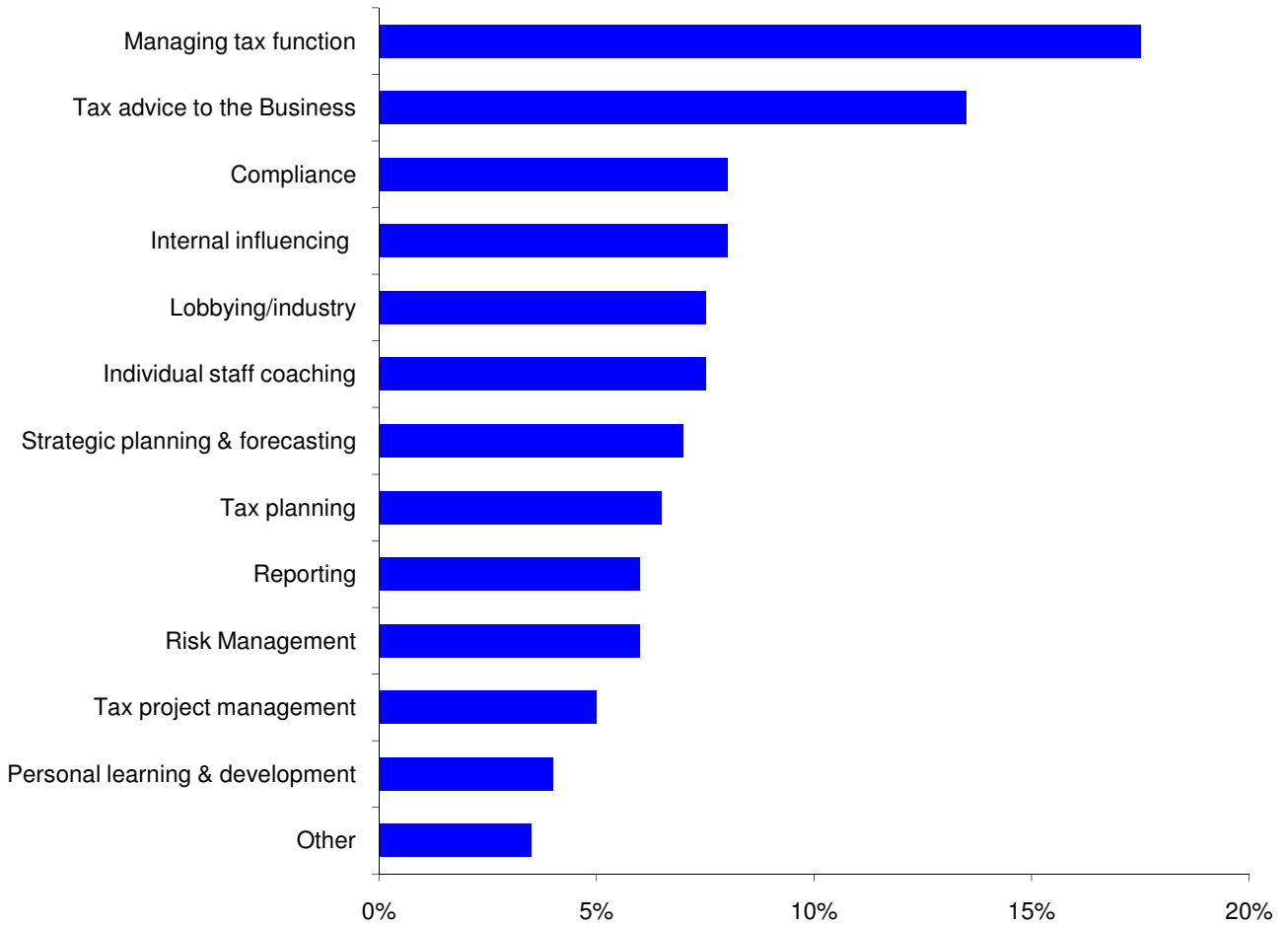
What are your views on the right amount of tax and risk that an organisation should take?



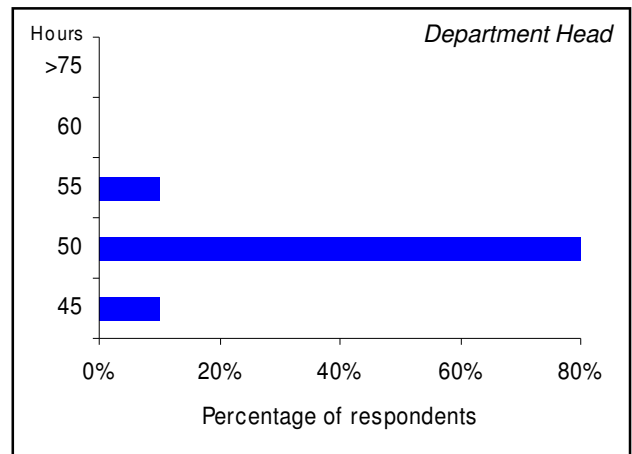
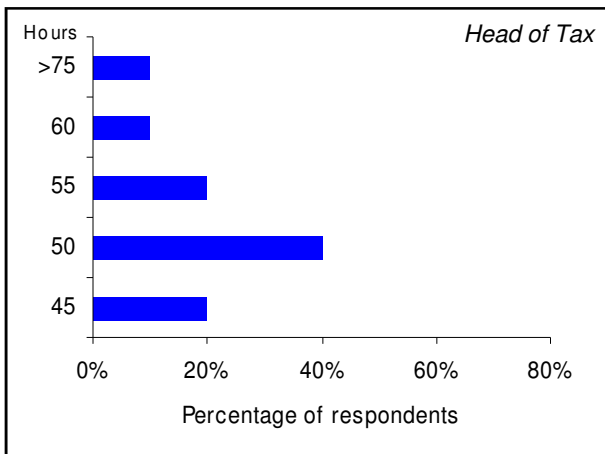
- There is an appreciation by Heads of Tax that managing the tax burden and associated tax risk is a complex balancing act requiring judgement to be exercised on a project by project basis.
- Most Heads of Tax expressed the view that organisations should pay tax as the law requires i.e. as set down by Parliament.
- Where there is lack of clarity in the law then organisations should legitimately be able take advantage of this to reduce their tax burden.
- There was general agreement that such planning requires high standards of implementation including a strong commercial framework and business purpose as well as full disclosure to HMRC.
- The approach to risk-taking varied between organisations. In all cases, Heads of Tax were conscious of the impact that planning could have on the reputation of their organisation with stakeholders and customers. Further, good relations with the Revenue were perceived as desirable and likely to result in benefits for the organisation in the long term.
- The HMRC's drive against tax avoidance has resulted in little change in the way companies approach tax projects. However, some companies mentioned increased formality and a more cautious approach to planning. For example, a shorter timeframe is now used for the cost/benefit analysis of projects reflecting the speed with which counteracting legislation may be introduced by HMRC.

3 Resource and Structure

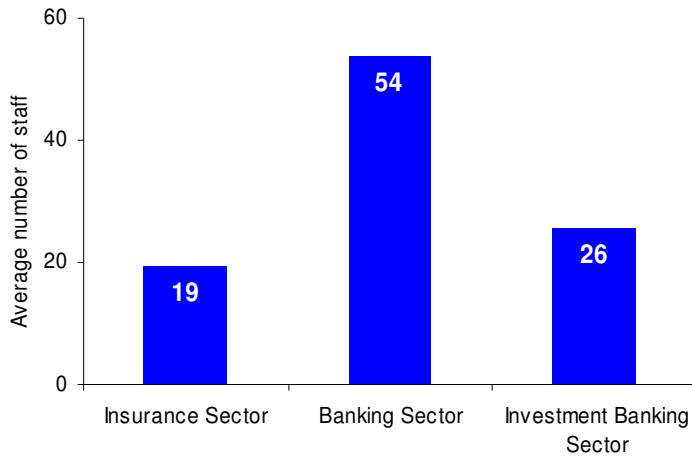
How do you as Head of Tax allocate your time?



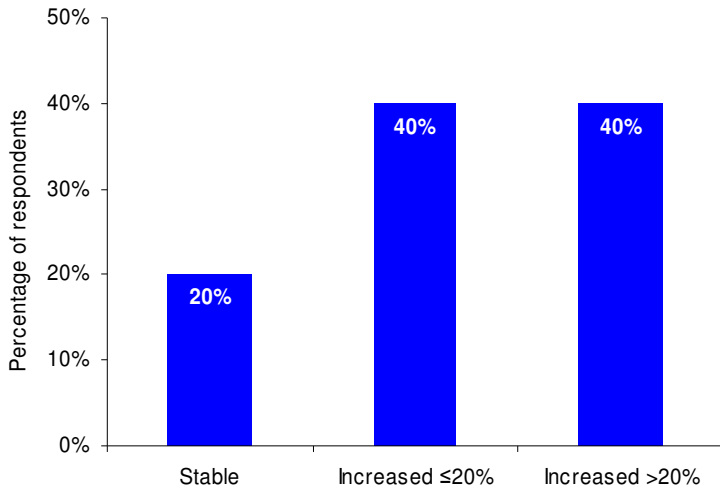
How many hours do you as Head of Tax and the senior management team work on an average working week?



How many professional tax staff are there in the Group?

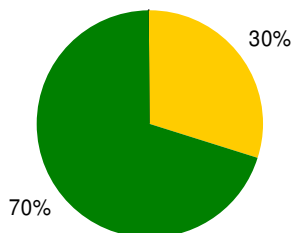


How has the tax function budget changed over the last 3 years?



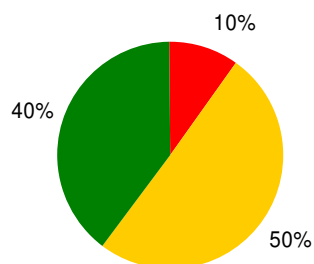
How would you grade the adequacy of resourcing of the tax function?

Red is severely under resourced and green is fully resourced.

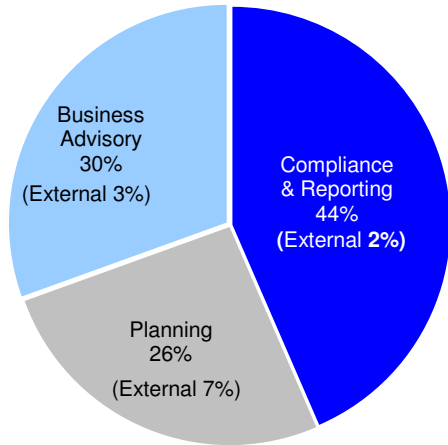


How are the skills and competencies matched to the work requirements of the tax function?

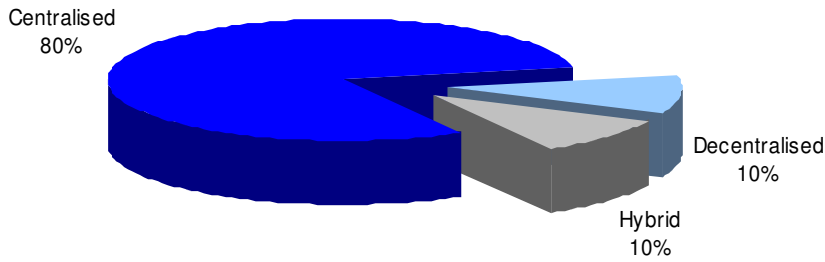
Red is poor match and green is perfect.



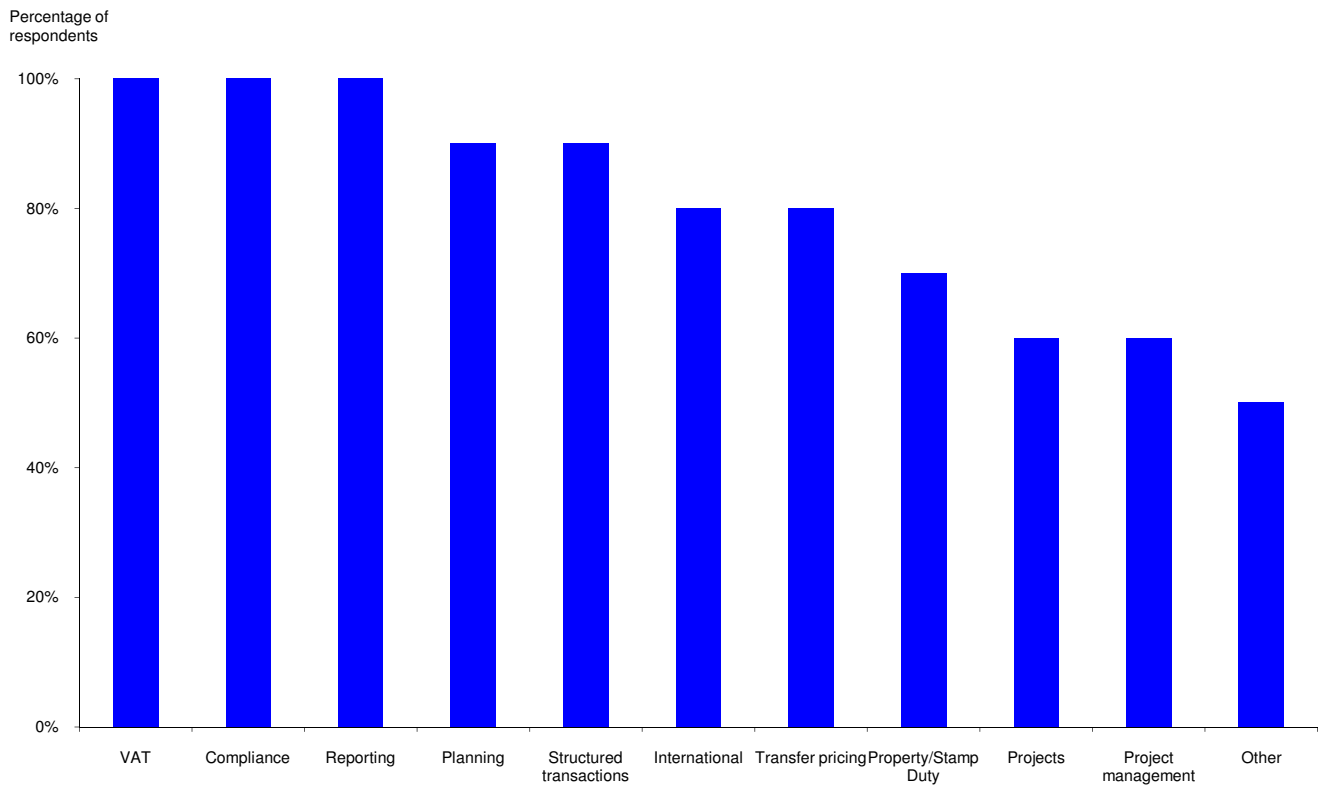
What is the allocation of resources between compliance, planning and business advisory including external resources?



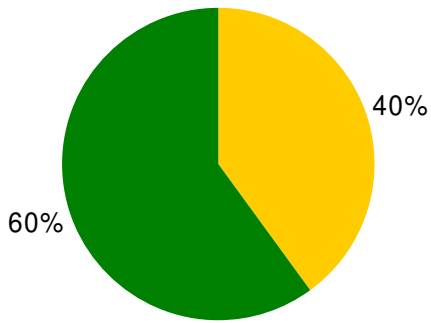
How do you structure the function?



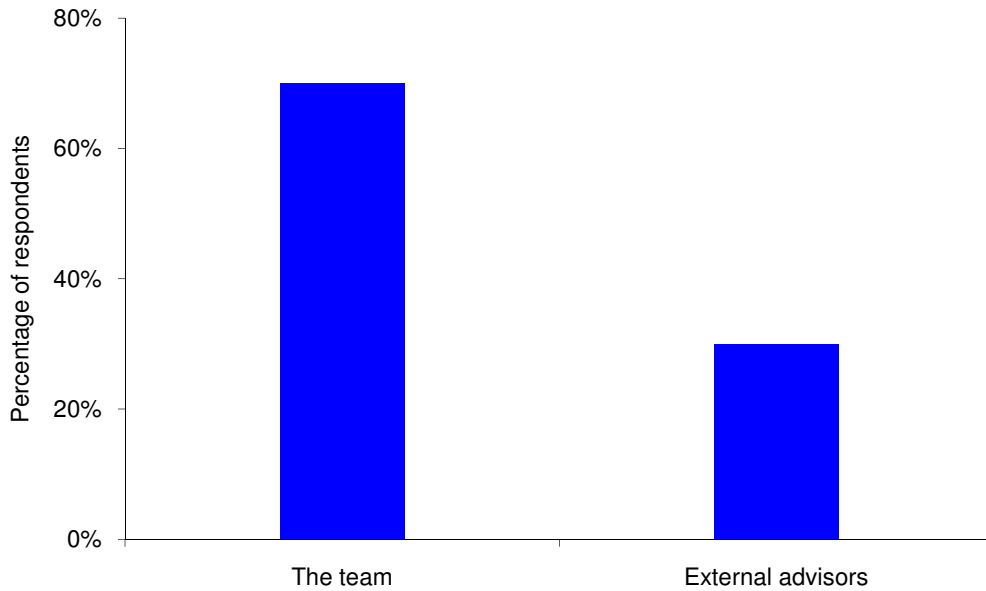
What areas of tax specialisation do you have in your Group?



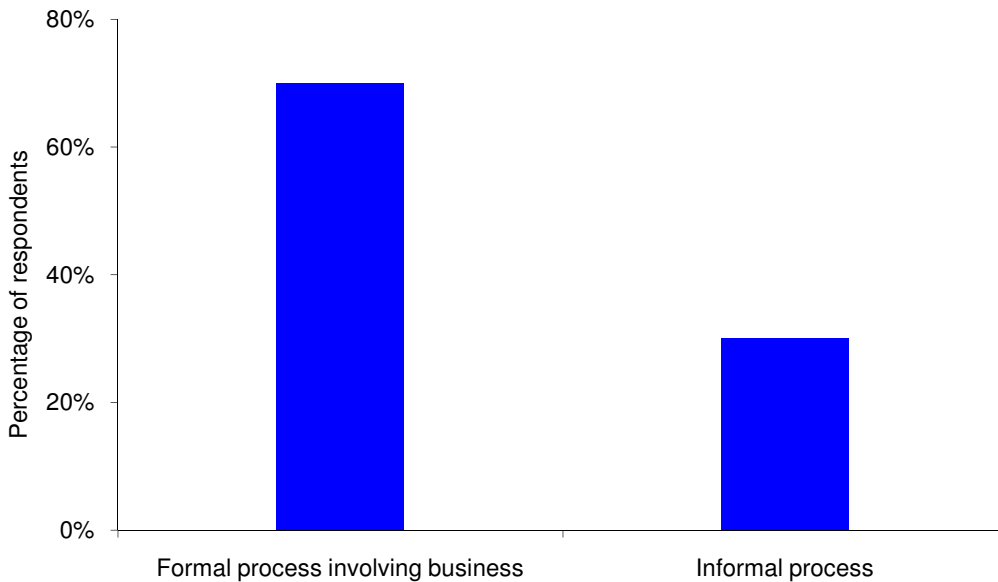
How would you rate the adequacy of documentation of the main tax function procedures so all staff (particularly new joiners) can understand what is required?
 (Red is not well documented and green is very well documented)



Where the best tax ideas come from

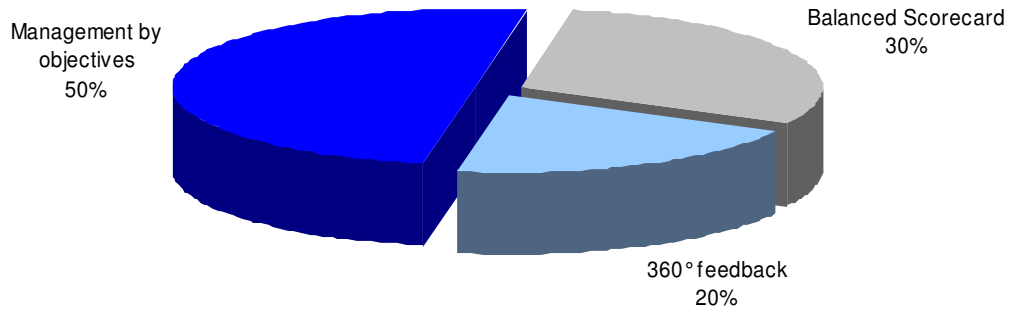


How ideas are developed

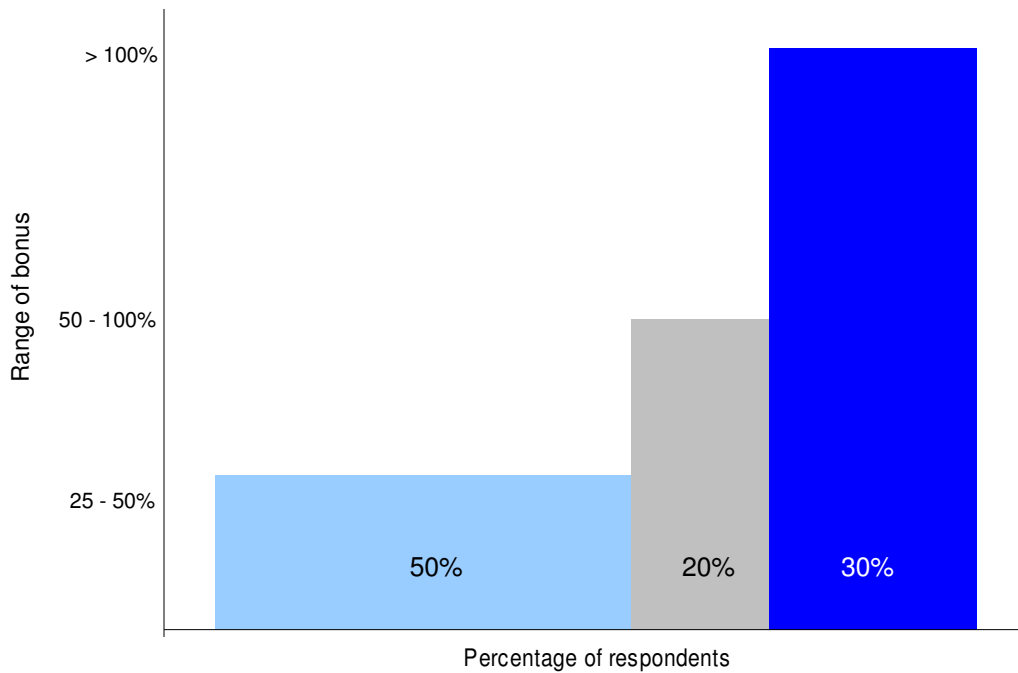


4 Performance Evaluation

What method of performance evaluation is used in your organisation?

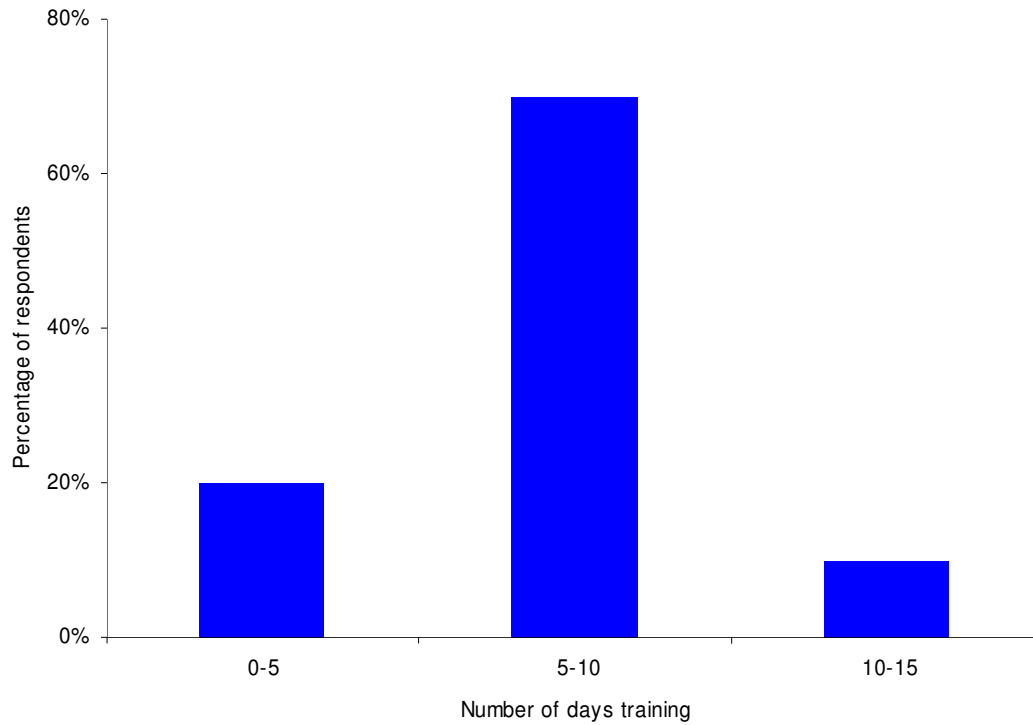


Head of Tax performance related pay.

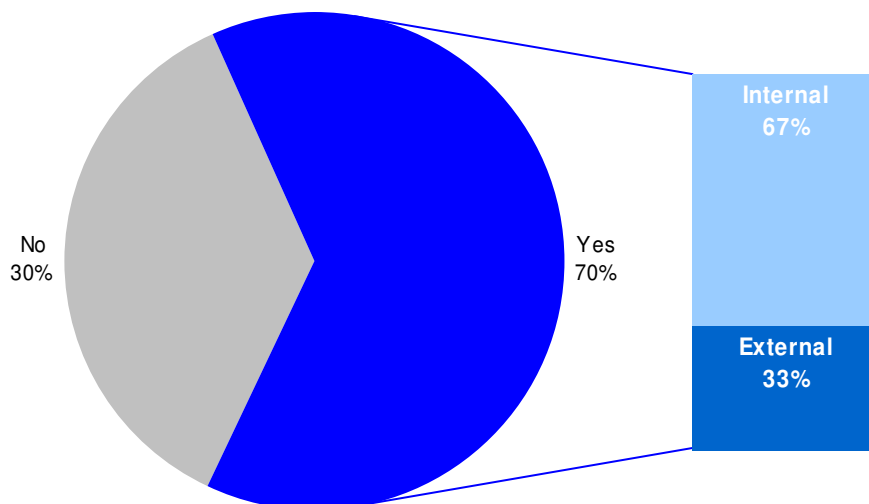


5 Management, Training and Development

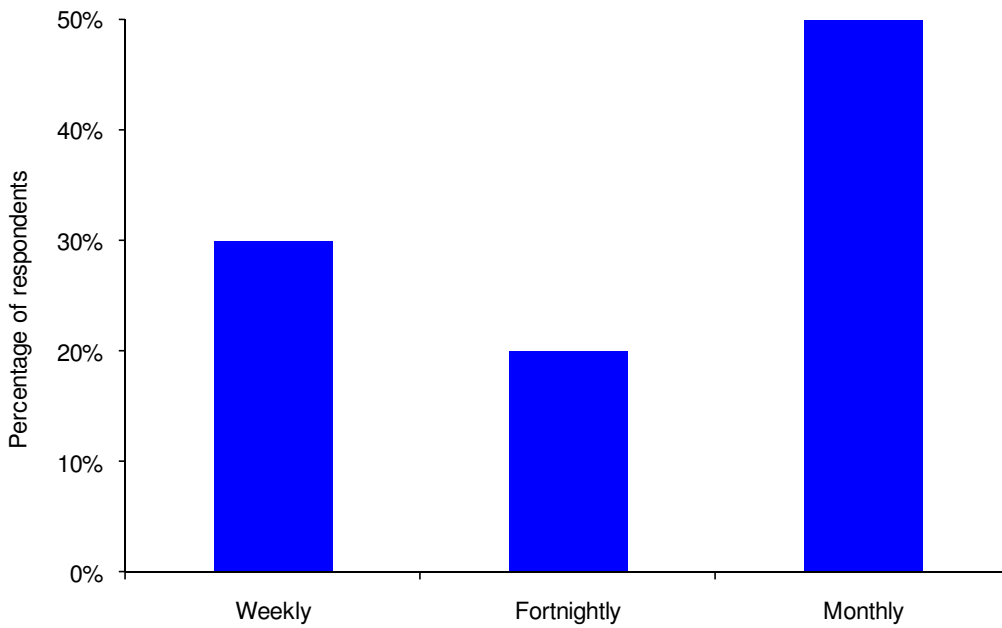
How many days formal structured training do staff receive on average per annum?



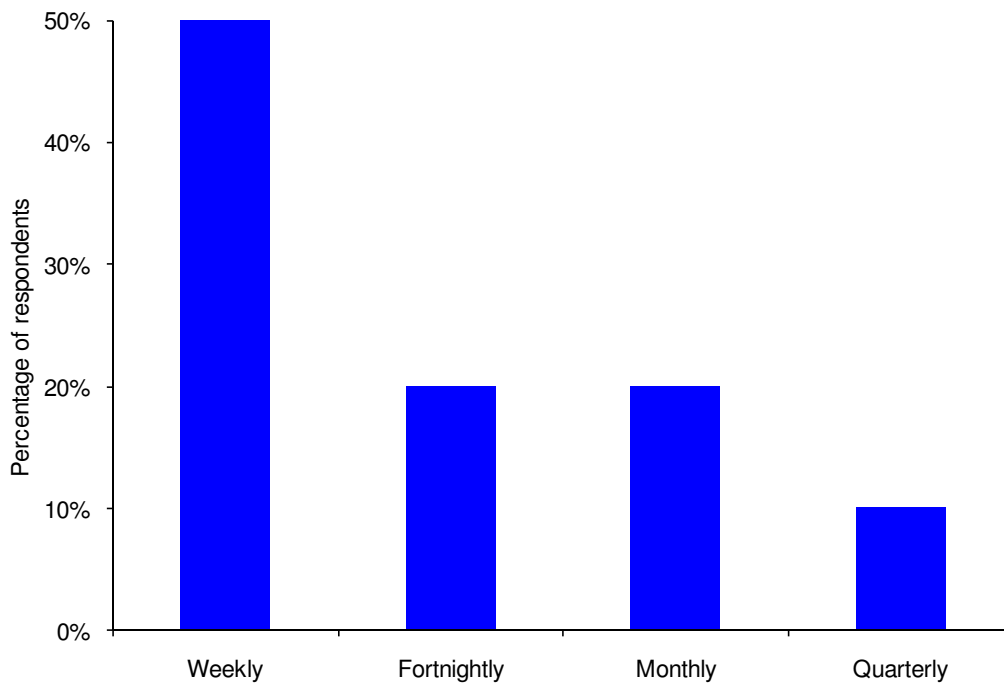
Do senior tax people receive coaching?



How often do you have a progress review with your direct reports?

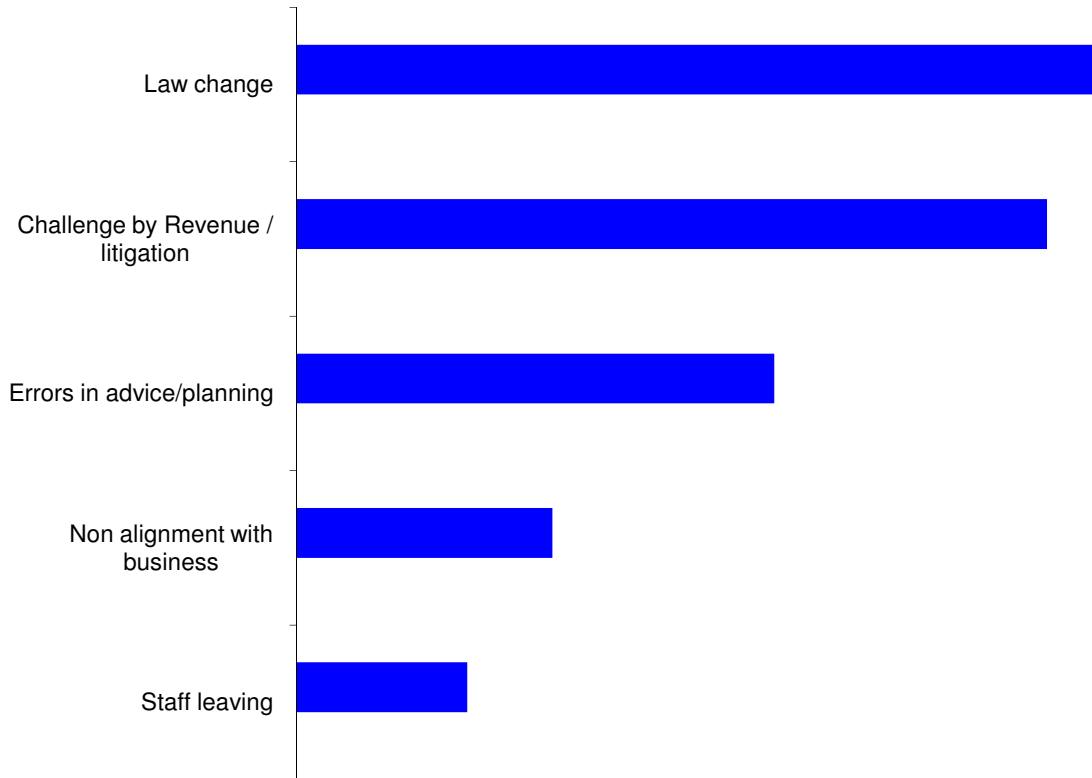


How often do you meet face to face with all the tax staff, either individually or as a group?

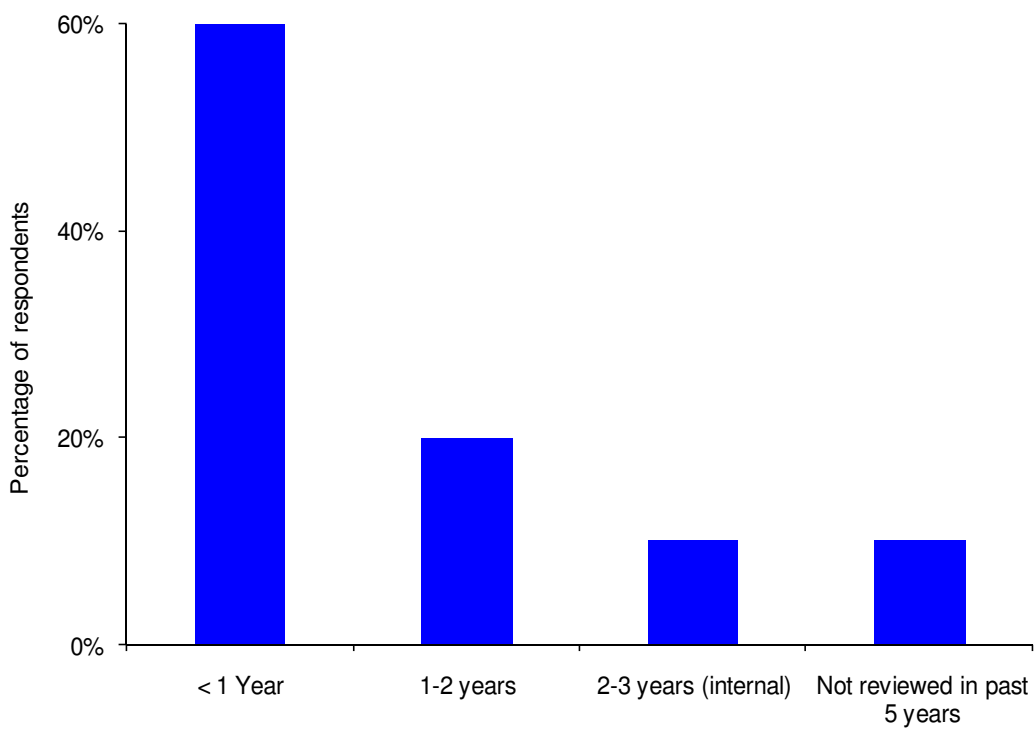


6 Risk

What are your top 3 risk areas?



How often do you independently review tax function risks?



7 Leadership

What in your view are the top three critical factors in managing a successful tax function?

- Be business driven and business aware.
- Provide the business with answers not problems and help them to spot issues
- Get the ear of senior people such as the CFO and other members of the Board.
- Tax should have an adequate profile in the organisation
- Assemble a good team of high calibre individuals with the right mix of skills for the job. These are not necessarily the best and brightest.
- Understand the strengths and weaknesses of the senior team.
- Be able to clearly communicate objectives to the team.
- Create an environment where staff are motivated and want to be there.
- Provide leadership by seeing the big picture.
- Be able to make a decision and move on.
- Be willing to take appropriate risk, have the confidence to take risks.
- Know what you want.
- Hands on management.
- Relatively informal open structure.
- Technical excellence.
- Delivery, getting things done.
- Right risk management and controls.

What are your top three challenges in leading the tax function?

- Getting the business to appreciate the value Tax delivers and the business's responsibilities to Tax.
- Keeping a strong relationship with the business.
- Managing business expectations.
- Getting support from the Finance function.
- Getting the engagement of the Board.
- Lack of resources.
- Recruiting the right people, keeping and developing them.
- Getting consistent buy in to leadership initiatives including the coaching and appraisal process.
- Ensuring consistency of quality in all areas.
- Compliance - a huge burden which can be demotivating for staff.
- Dealing with the impact of the Revenue's morality argument on senior people in the organisation.
- Attitude of HMRC and maintaining relationship with HMRC.
- Pace of change in legislation and complexity of legislation.
- Constant change in business.
- Knowing what's going on in the organisation.