



Tax Function Benchmarking Survey

Summary of results

Switzerland

—

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Contents page



Introduction

2



Survey results

3

Strategy

3

Sourcing

5

Operations

9

Performance

16

General

18



Contacts

19

Introduction

There is no shortage of challenges and opportunities facing today's tax functions. Rapid globalisation, new developments in tax laws, changes in accounting standards and increased demands from tax authorities are all increasing the burden on tax and finance departments. In addition, the COVID-19 global pandemic has taught us all the importance of remote working and building a team that can adapt to strenuous circumstances. All the while tax functions are challenged with providing more and better reporting and compliance, in less time.

Across the KPMG organisation, we are investing US\$5 billion over five years in technology, people and innovation to help accelerate the digital transformation of KPMG firms and our clients, with more than US\$1 billion being invested in tax & legal technology specifically through that period. Through this investment we have combined our technology, transformation and compliance capabilities under a new framework — Tax Reimagined.

Tax Reimagined framework

Tax Reimagined is a technology-enabled holistic approach to help organisations develop a strategy for their tax function and design a target operating model to enable them to reduce costs, mitigate risks, improve quality and drive more strategic value across their organisation.



In our Tax Function Benchmarking Survey of Swiss companies in 2021, Heads of Tax and Finance were asked about the current state and future plans for the strategy, sourcing, operations and performance of their tax functions.



35 companies



Headquartered (or with a regional HQ) in Switzerland



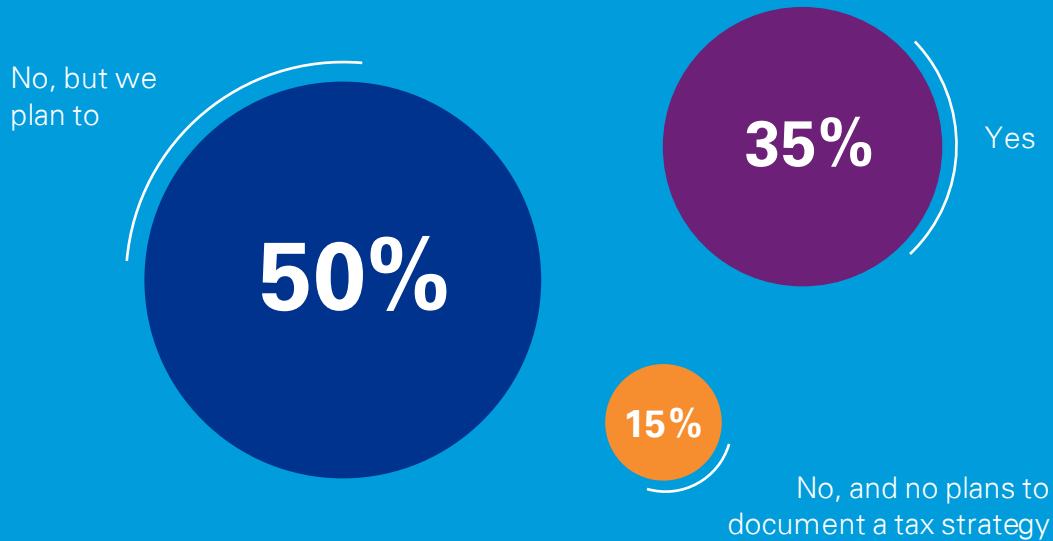
Broad range of industries



80% of respondents have >50 entities worldwide

Strategy

Most companies surveyed either already have a documented tax strategy / tax governance policy or plan to put one in place



Common key points covered by the tax strategy – for those organisations that have one – include governance and responsibilities, as well as principles guiding tax planning, relationships with tax authorities and compliance.



KPMG's comments

- In Switzerland there are currently no plans to require companies to publish their tax strategy by law. In other countries, however, obligatory public disclosure of tax strategies is being considered or has already been implemented.
- Additionally, for a number of years tax transparency has been widely debated, which has led to a number of initiatives such as the OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and reporting requirements such as Country by Country Reporting.
- Having a documented tax strategy or governance policy approved by the board, whether published or not, is a helpful first step towards demonstrating good governance.

Survey results

Strategy

We asked companies how they would describe the current state of their tax function

We have an idea of how our tax function needs to transform but have not yet put a plan into action

Going through a transformation at the moment

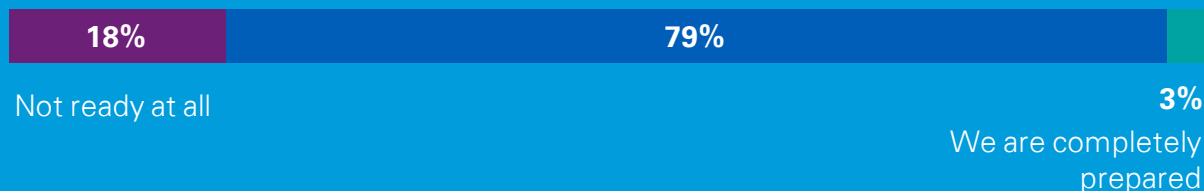


KPMG's comment

Clearly, transformation is a hot topic within tax functions currently, whether this is due to the need to deal with ever-increasing compliance obligations, aligning with other internal transformations, such as finance transformations, or simply because the current operating model no longer fits the needs of the tax function or the tax strategy vision.

Very few companies consider that their tax functions are well prepared for the future, for example considering digital data exchange and real-time reporting

We are preparing, but there is still more to do



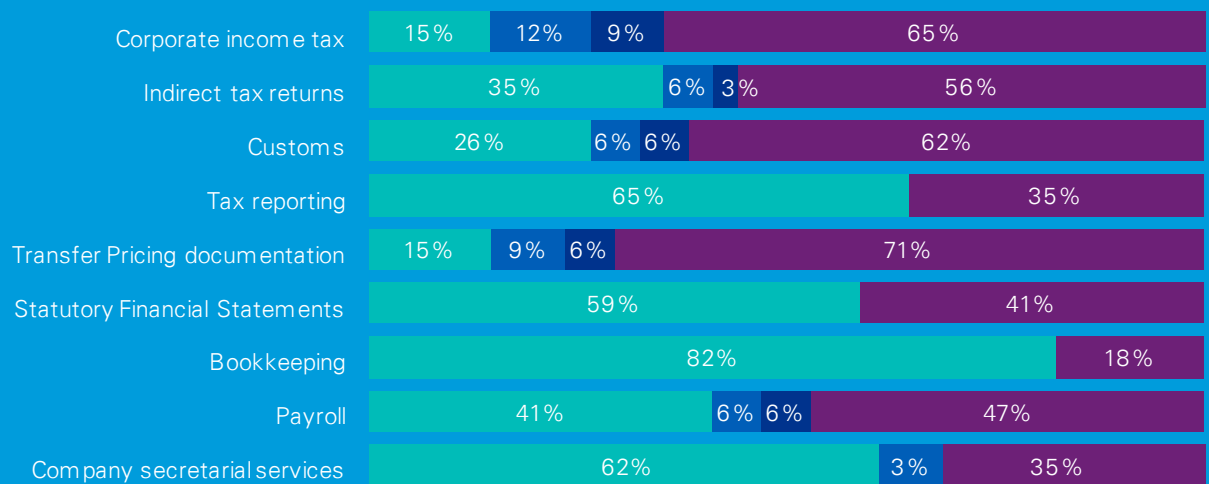
KPMG's comment

Real-time reporting already exists in certain countries, and the level of digital exchange of data with tax authorities will only increase. Now is the time for tax functions to get prepared to ensure that future compliance obligations can be met and to reduce the risk of in-depth audits from tax authorities – or indeed be ready for what conclusions the tax authorities might draw from increased data access.

Survey results

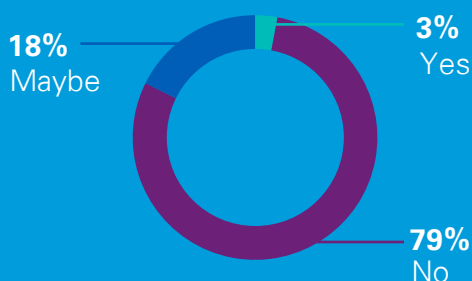
Sourcing

Most companies either have a mix of insourcing and outsourcing or fully insource their compliance activities, depending on the type of compliance



Most companies do not plan to outsource compliance activities that are currently insourced...

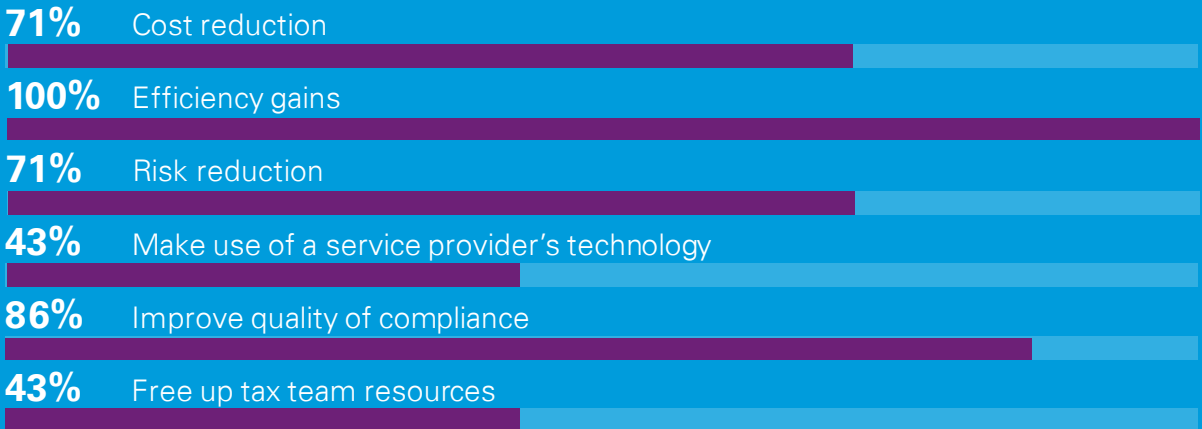
... although nearly half of those companies outsourcing to multiple service providers may consider moving to a single service provider



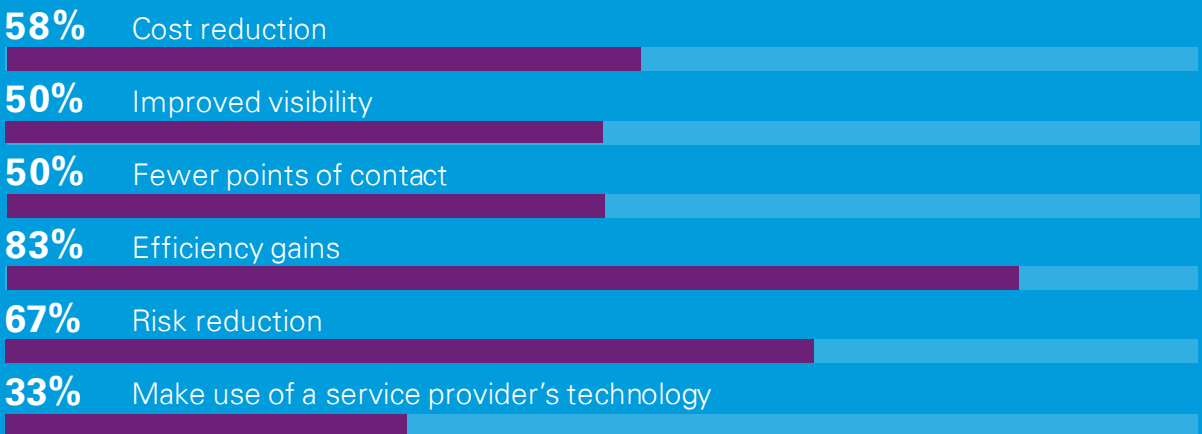
Survey results

Sourcing

We asked what was driving the desire to change for those companies considering changing from insourcing to outsourcing...



... and we asked the same question to those considering switching from multiple service providers to a single service provider

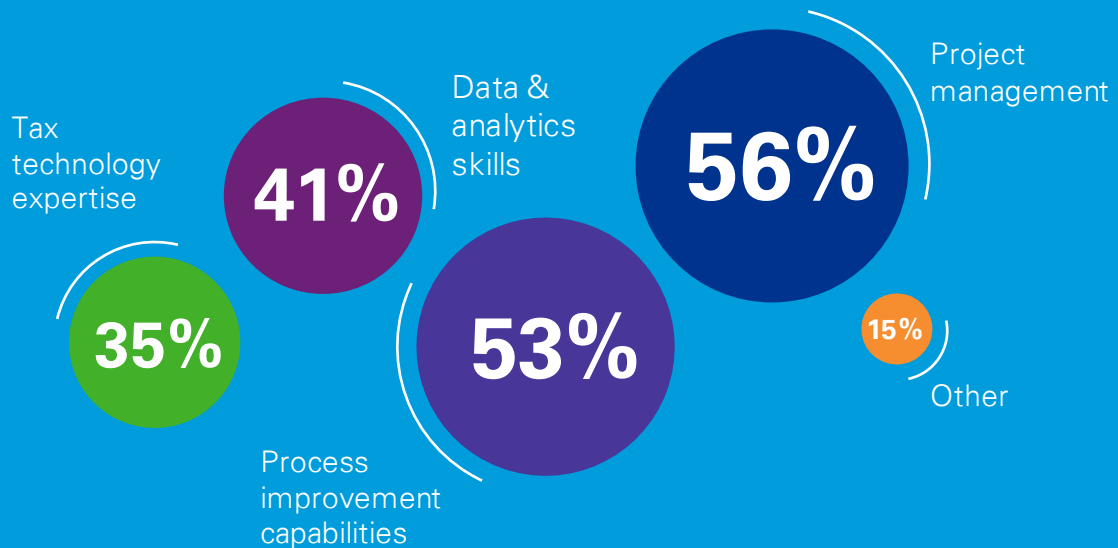


KPMG's comments

- Efficiency gains were clearly important to those wanting or considering a change towards outsourcing or switching to a single service provider.
- Cost and risk reduction were also important drivers, as well as a desire to improve the quality of compliance for those considering a move away from insourcing.
- Making use of a service provider's technology, freeing up tax team resources, improved visibility and fewer points of contact were considered important to a lesser extent.

Sourcing

Besides tax technical expertise, tax function heads are also looking for more operational capabilities such as project management, process improvement, data & analytics and tax technology expertise when recruiting new team members



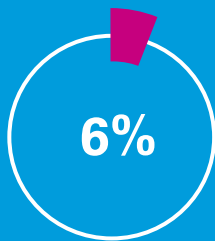
KPMG's comments

- Making the right choice for your company with regards to in- or outsourcing depends on your tax function's vision and strategy, whether you have the right resources and capabilities within tax or finance, and whether it make sense to leverage a third party provider for specific processes.
- Based on our survey results, Swiss companies employ a varied mix of in- and outsourcing depending on the type of compliance activity, however at KPMG we have noticed an increasing amount of companies looking to outsource compliance activities over the last few years.
- It is also increasingly common for us to receive requests for proposal (RFPs) that include multiple compliance services, whereas in the past it was unusual to receive an RFP that covered more than one or two compliance services. There may be significant untapped synergies to be realised by providing one data set to one service provider that could then be used to drive multiple compliance processes.

Survey results

Sourcing

The majority of respondents were only somewhat satisfied with their current sourcing model for compliance



Very
dissatisfied



Somewhat
dissatisfied

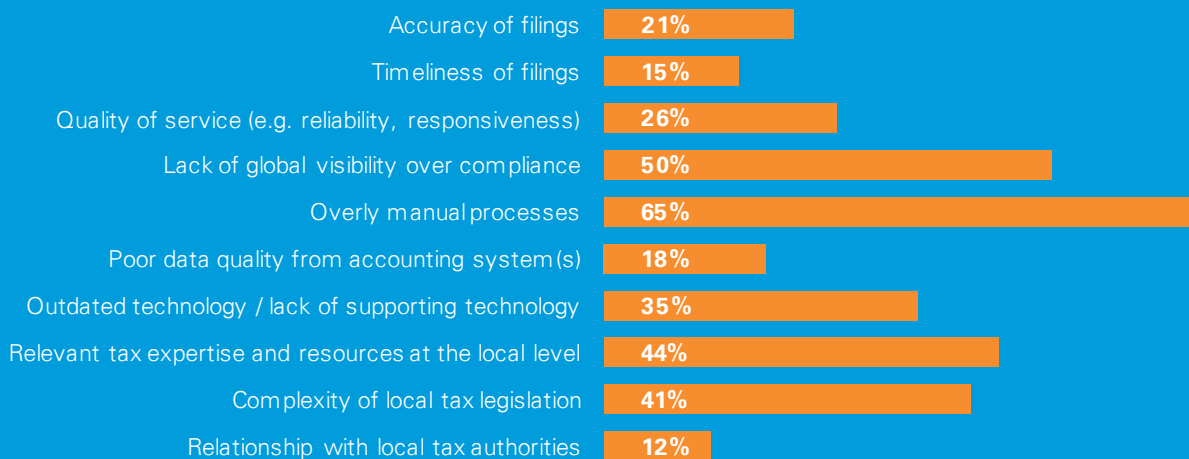


Somewhat
satisfied



Very
satisfied

The key challenges identified were as follows



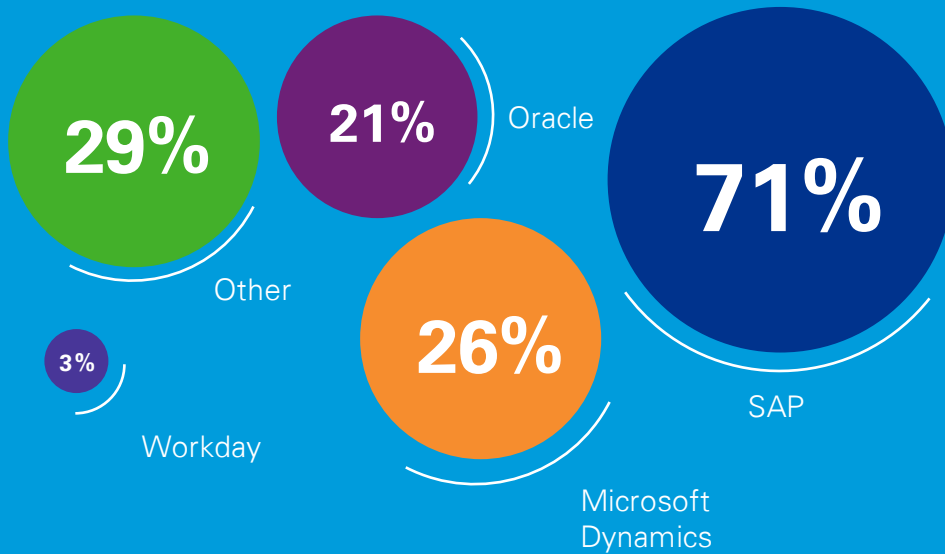
KPMG's comments

- Challenges including overly manual processes and outdated technology are topics that come up often in our discussions with clients, who are concerned about a corresponding risk of error and potential inefficiencies in their compliance processes.
- Similarly, a lack of global visibility over compliance is a key concern. Greater visibility should provide clarity on whether there are appropriate controls in place to ensure accurate and timely compliance, whether risks are appropriately mitigated and whether processes could be more efficient and effective.

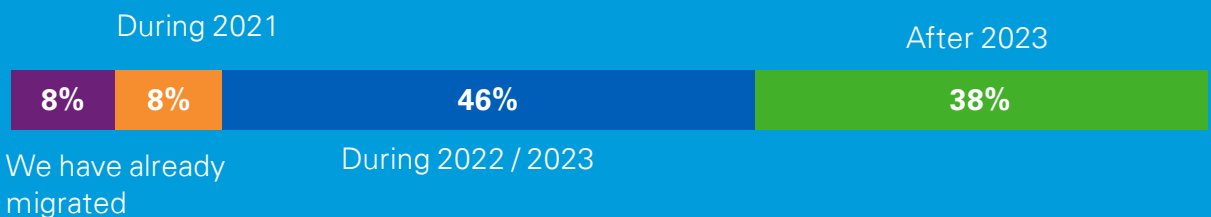
Survey results

Operations

SAP is the most common ERP system used within the companies surveyed, whilst more than a third of companies use more than one ERP system



The majority of organisations using SAP have not yet migrated to S/4HANA



KPMG's comments

- SAP is the most widely used accounting system in the companies we surveyed.
- The migration to S/4 HANA can be considered a "once in a lifetime" chance for tax functions to take the opportunity to automate or digitalise tax processes, and transactional based taxes in particular.
- It is therefore very important for the tax function to be integrated into the migration project as soon as possible in order not to miss the chance to build desired tax requirements or sensitivities into the system.

Operations

Most respondents rated the quality of data available from their accounting system(s) as “good” or “adequate”



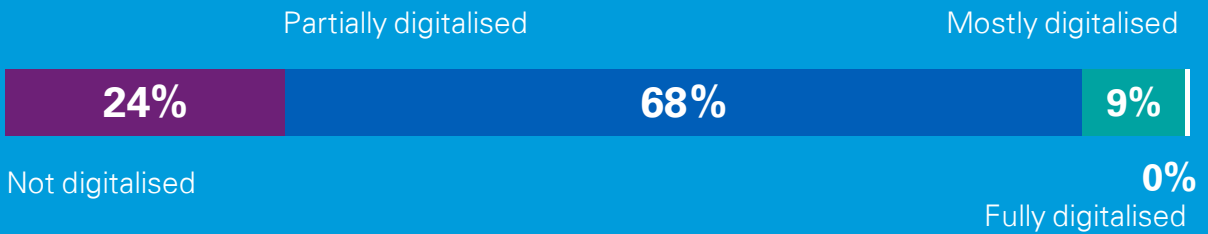
KPMG’s comments

- Whilst many respondents rated the quality of data available as “good”, a significant proportion gave an “adequate” rating and a fifth said the data quality was “insufficient”, suggesting that there is plenty of scope for improvement.
- Reasons given for lower ratings included that having multiple ERP systems made it difficult to extract data in a meaningful way, that there was a lack of granularity, and that ERP systems were not sufficiently geared towards tax.

Survey results

Operations

Most companies describe their tax department as partially digitalised or not digitalised...



...and most use technologies which are only partly connected or are stand-alone solutions



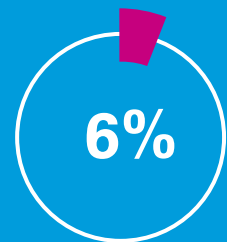
Our technology landscape follows an overall concept: all control processes are integrated with interfaces to all relevant areas in the company



We use technologies which are partly connected, partly stand-alone solutions



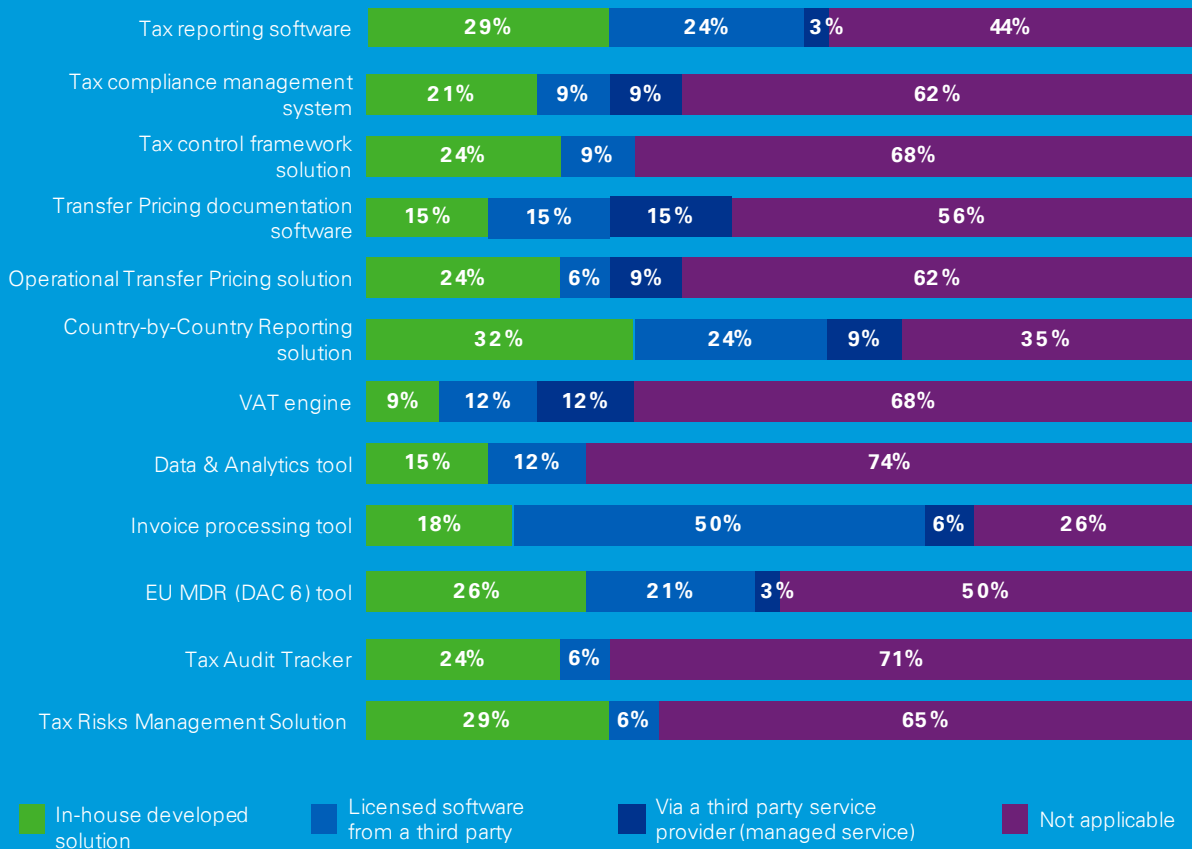
We use technology as pure stand-alone solutions



Other

Operations

We asked what enabling technology is being used in the tax function

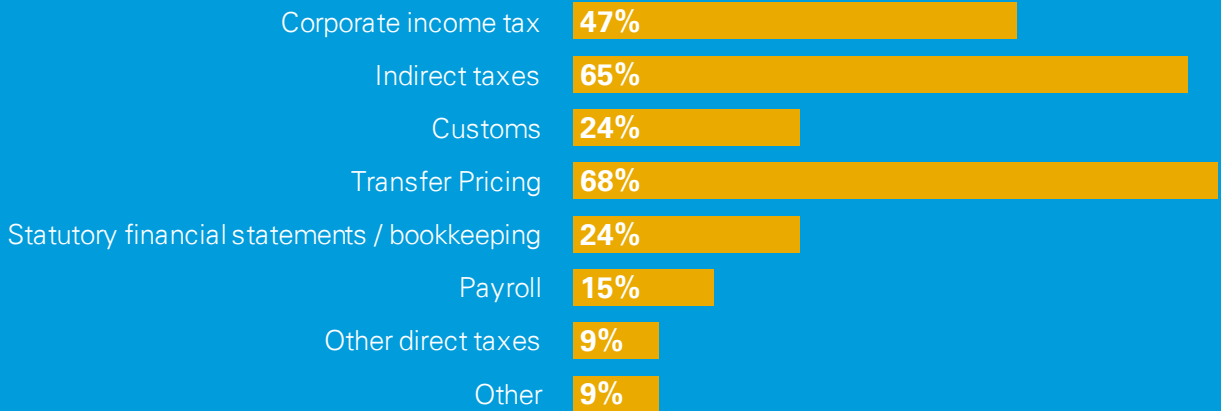


KPMG's comments

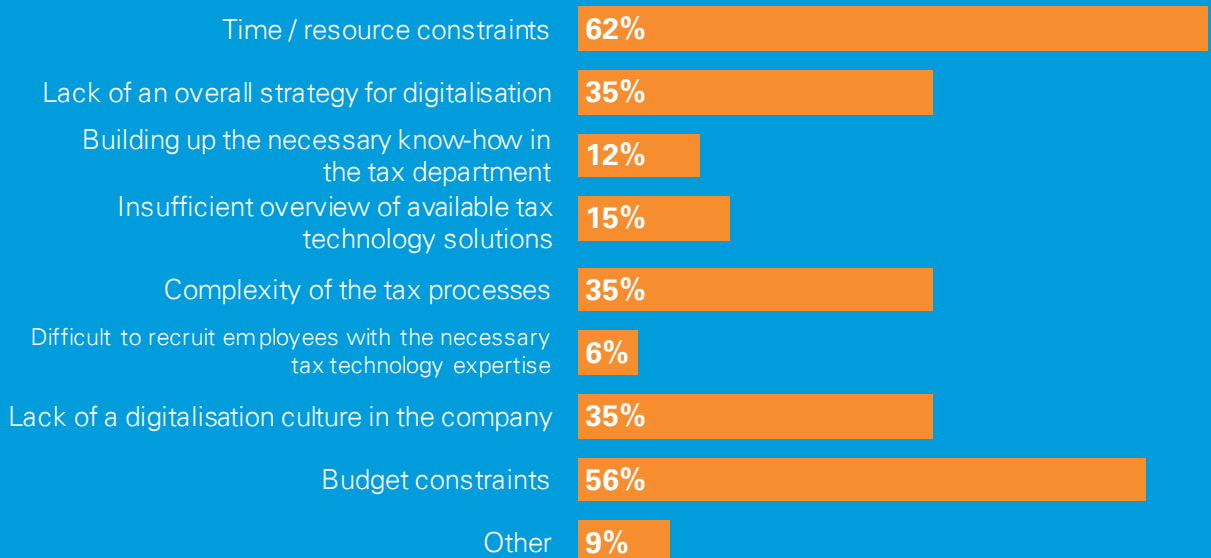
- Generally speaking, the use of technology within tax functions in Switzerland appears quite limited.
- The responses received regarding current levels of digitalisation are mirrored by the increasing number of enquiries we are receiving to support Swiss headquarters in developing a digital roadmap for the global tax function.
- Key expectations for increasing the level of digitalisation of the tax function may include: reducing manual efforts and increasing accuracy of processed data outputs, facilitating an effective governance and control framework and providing clear analyses and insights for decision making.

Operations

We asked where the greatest opportunity for (further) digitalisation measures were...



... and what the biggest challenges were with regard to further digitalisation



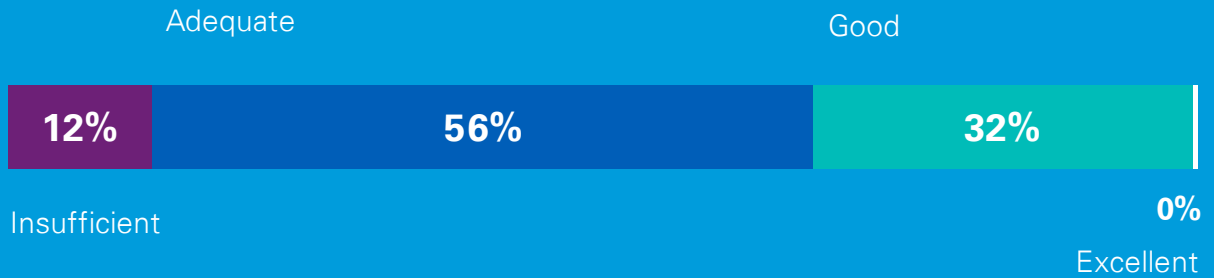
KPMG's comments

- Time and resource constraints as well as budget constraints were mentioned as the most common challenges.
- Interestingly, more than a third of respondees stated that a lack of a digitalisation culture within the company and also a lack of an overall strategy with respect to digitalisation were challenges. We expect that working in COVID-19 times may accelerate and improve the level of digitalisation within companies in general.

Survey results

Operations

Most companies rated their tax processes and controls as “adequate” or “good”



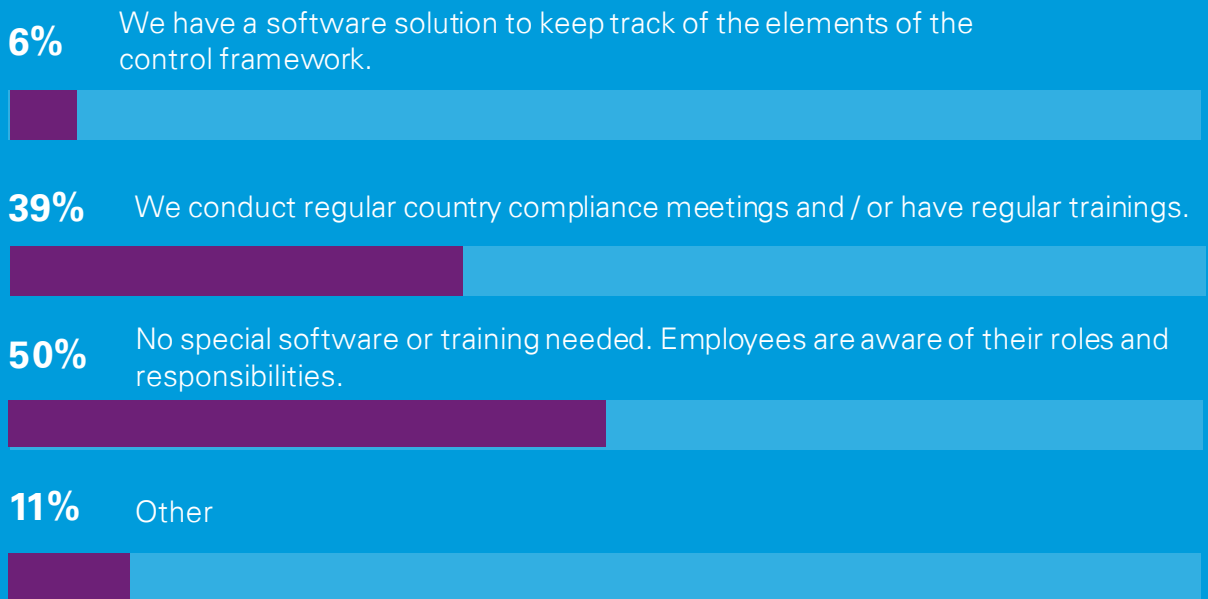
Just over half of companies have a documented tax control framework in place



Survey results

Operations

For those companies that have a documented tax control framework, we asked how they ensure that their employees bring it to life



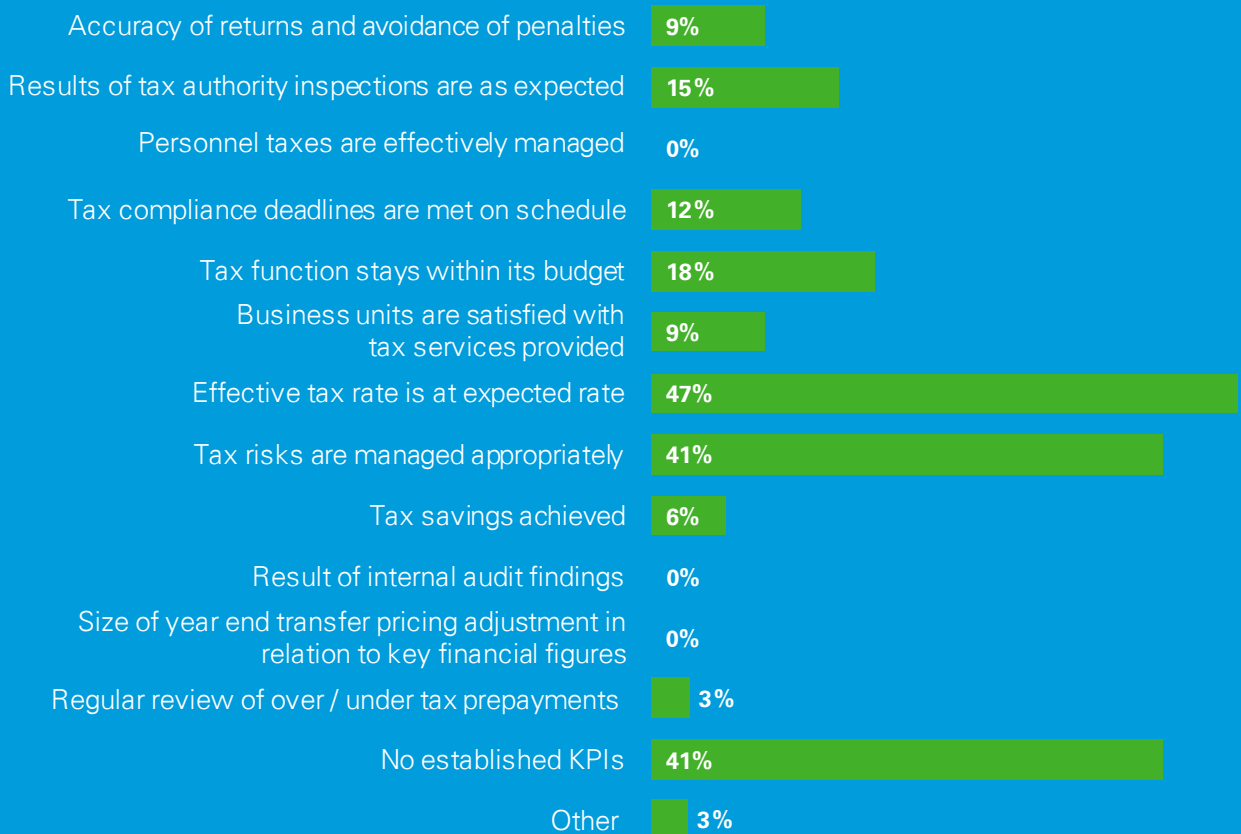
KPMG's comments

- Two thirds of the participants rated their tax processes and controls as adequate or below. Considering the increasing attention towards compliance and reporting on tax matters to stakeholders and tax authorities, this will only increase the need for better processes and controls in future.
- Since the OECD published a guide for building better tax control frameworks in 2016, an increasing number of countries worldwide, e.g. Germany, UK and Denmark – but not Switzerland so far – have introduced local regulations that require the set-up of a robust Tax Control Framework.
- We can see there is a clear trend towards developing a tax control framework, with a third of participants planning to develop such a framework and over half having one already in place.

Survey results

Performance

Effective tax rate (ETR) remains a popular key performance indicator (KPI) for tax functions



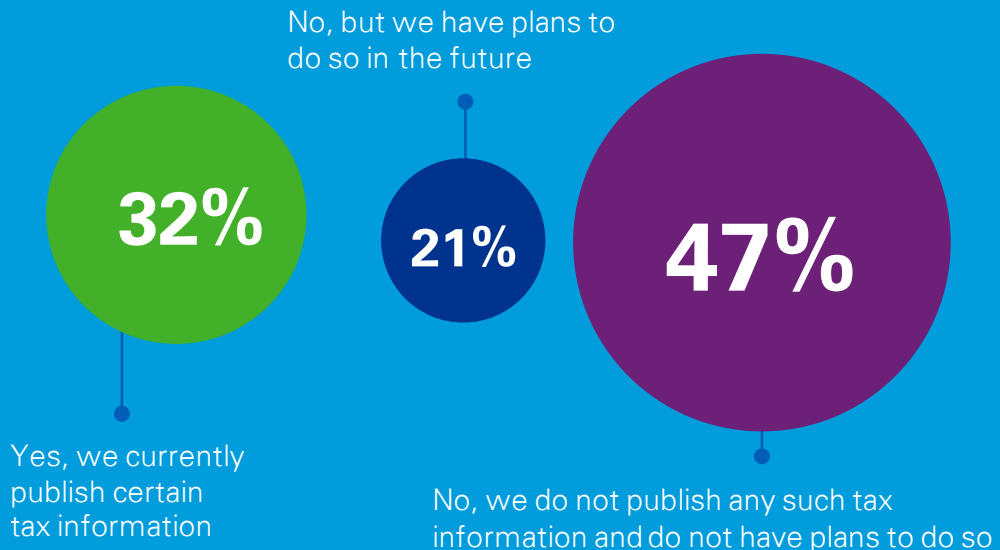
KPMG's comments

- ETR and tax risk management KPIs topped the poll, however not quite half of the respondents in either case mentioned this as one of their KPIs.
- In the current environment, where tax transparency is a hot topic and attitudes to tax are evolving, and in conversations with our clients, we see some movement away from more traditional ETR-based KPIs towards other KPIs which might drive different behaviour but can still demonstrate success for the tax function.
- Interestingly, approximately 40% of respondents stated that their tax function has no established KPIs.

Survey results

Performance

We asked organisations about any plans to make public disclosures with respect to tax



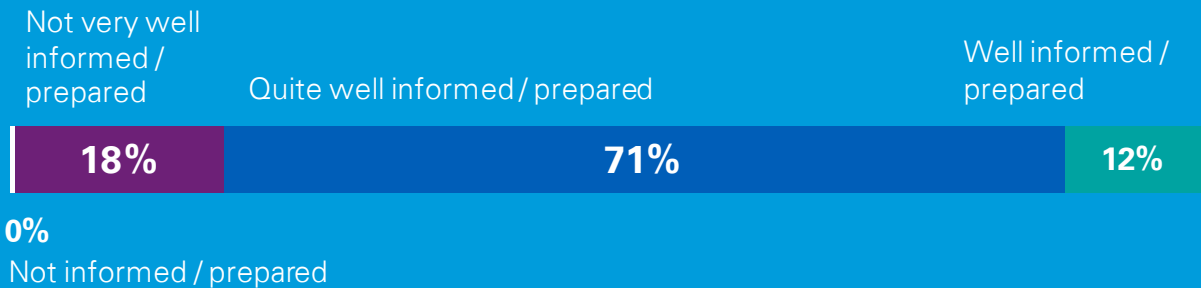
KPMG's comments

- Under Swiss law there is currently no requirement to make any public disclosures with respect to tax. However, there is a global trend towards increasing public disclosures, indicated by measures taken in other countries (for example in the UK, where large business are required to publish a tax strategy) and with the general increasing focus on Environmental, Social and Governance (ESG) matters, for example the recent inclusion of Tax in the widely adopted Global Reporting Initiative (GRI) Standards for sustainability reporting.
- The recent developments with respect to public Country by Country reporting may also affect Swiss headquartered groups with significant operations in the EU.

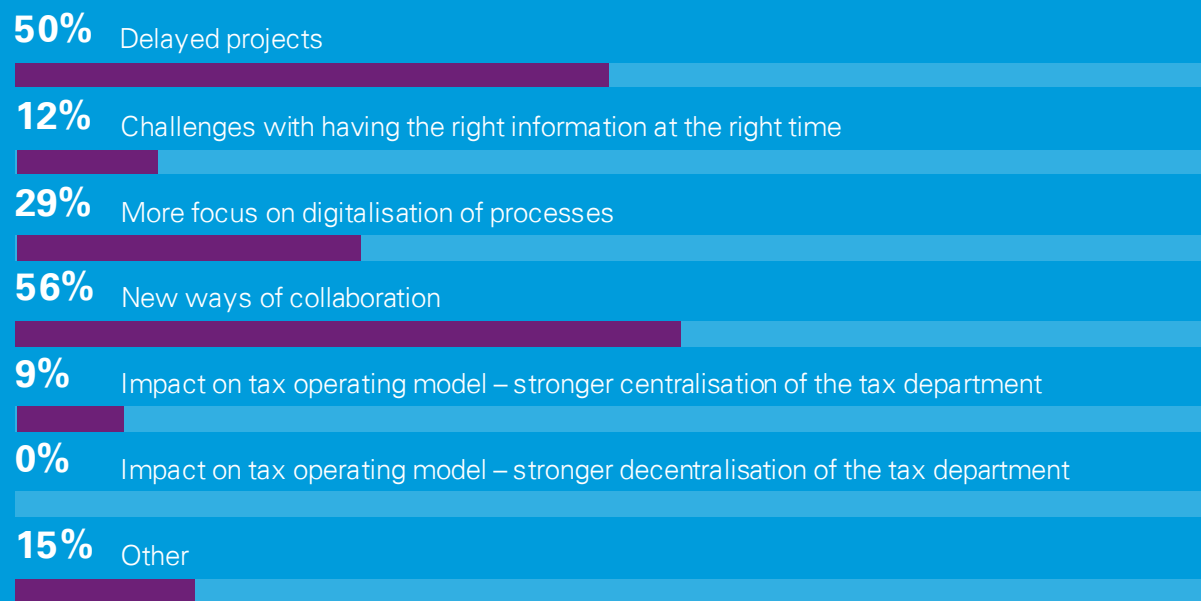
Survey results

General

The majority of respondents felt sufficiently informed and prepared for the future when considering how the world of tax is changing in terms of increased transparency, compliance and reporting obligations and digitalisation



Finally, we asked what impacts COVID-19 has had on the tax function and its planned projects



As we emerge from the COVID-19 pandemic, we expect a greater focus on reimagining the tax function as organisations build upon their new ways of collaboration and ideas for digitalisation of processes, whilst minimising cost and maximising efficiency.

KPMG's comment

Tax Reimagined

Contacts

We would be pleased to discuss the survey results with you and explore how we may be able to support you to reimagine your tax function. Please do not hesitate to contact us.



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