

FINANCIAL SERVICES – INSURANCE INDUSTRY

Tax function topics

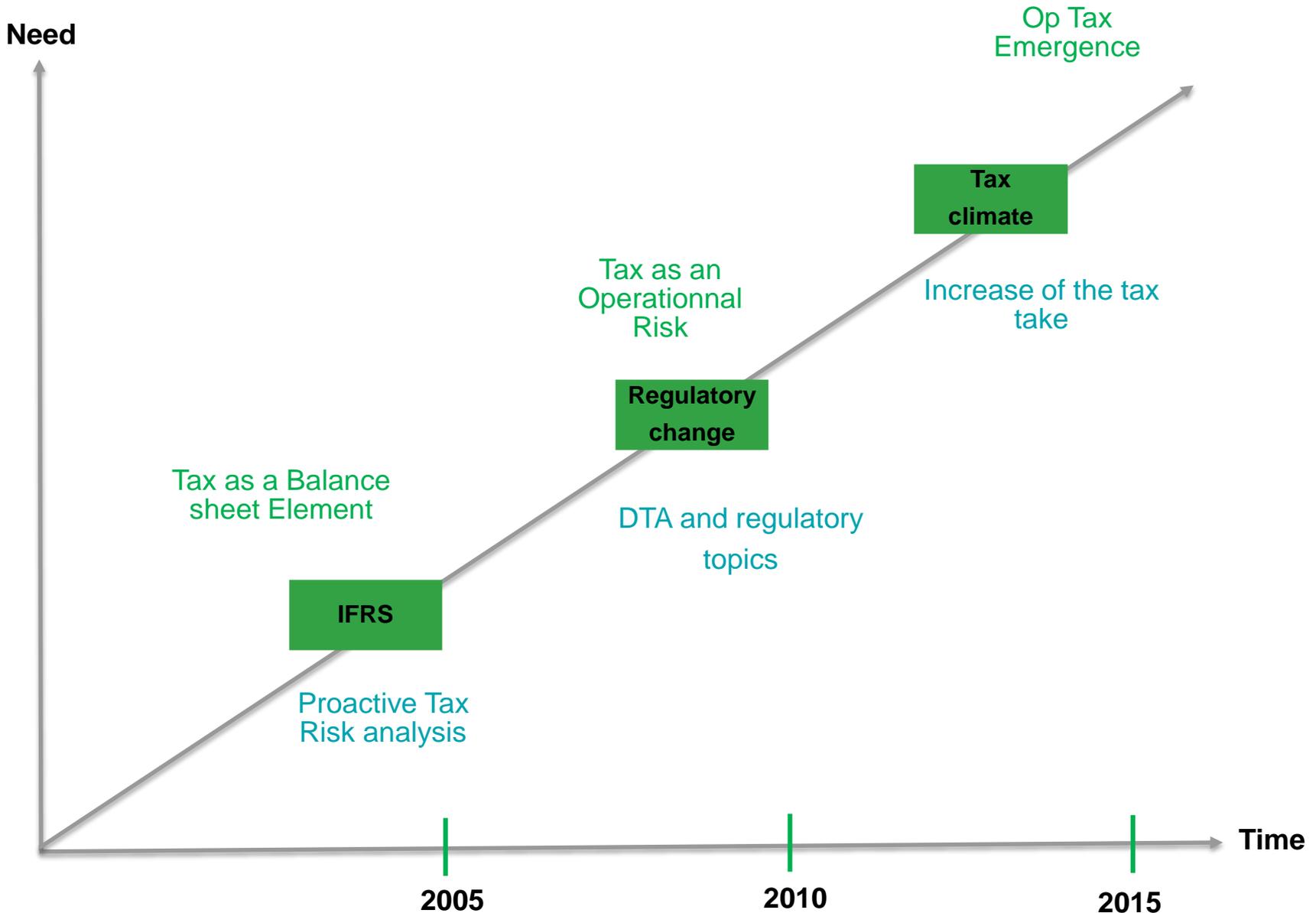
Matthieu Dautriat

May 2016



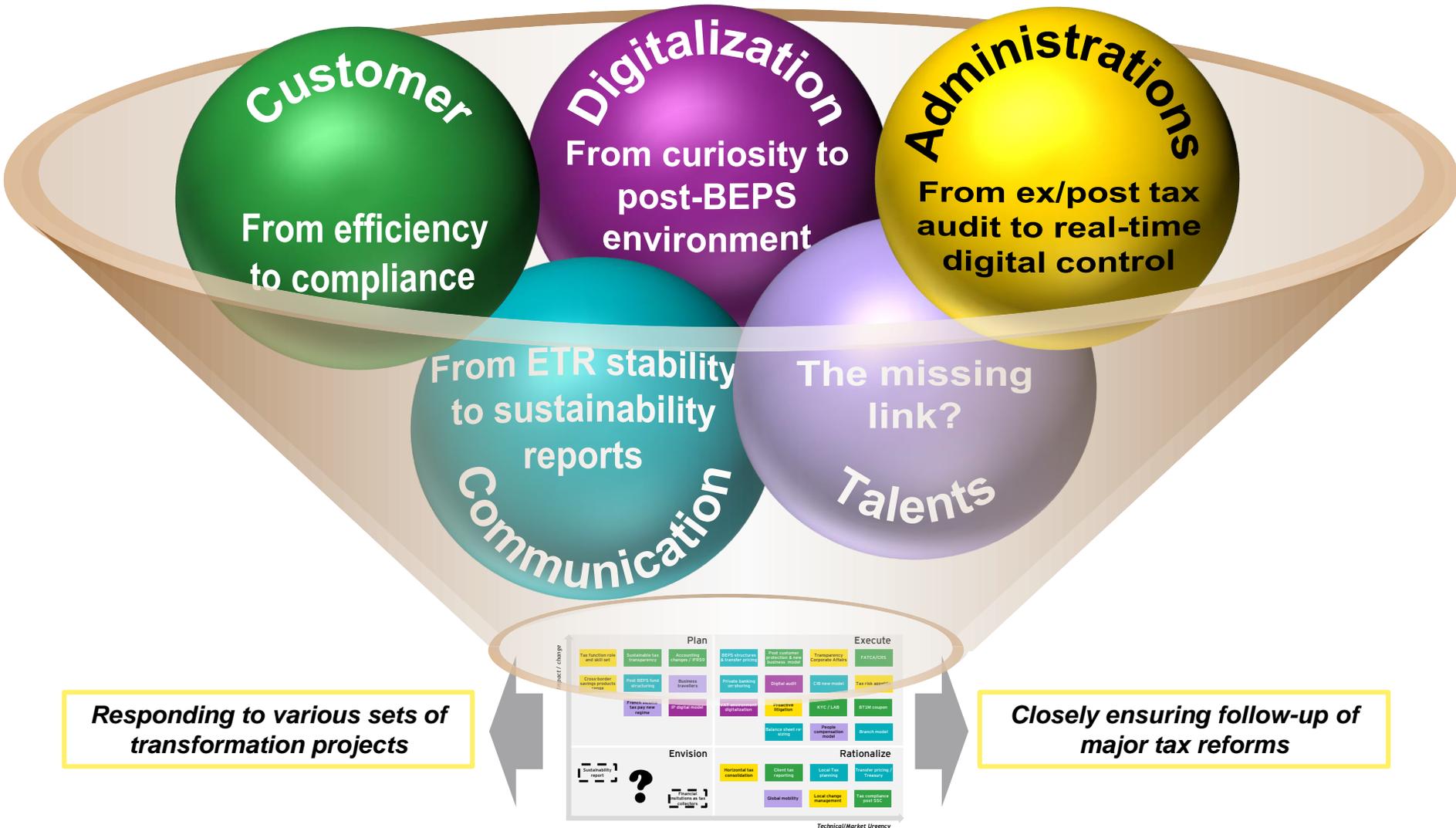
Building a better
working world

Tax Risk Management : The growing historical need

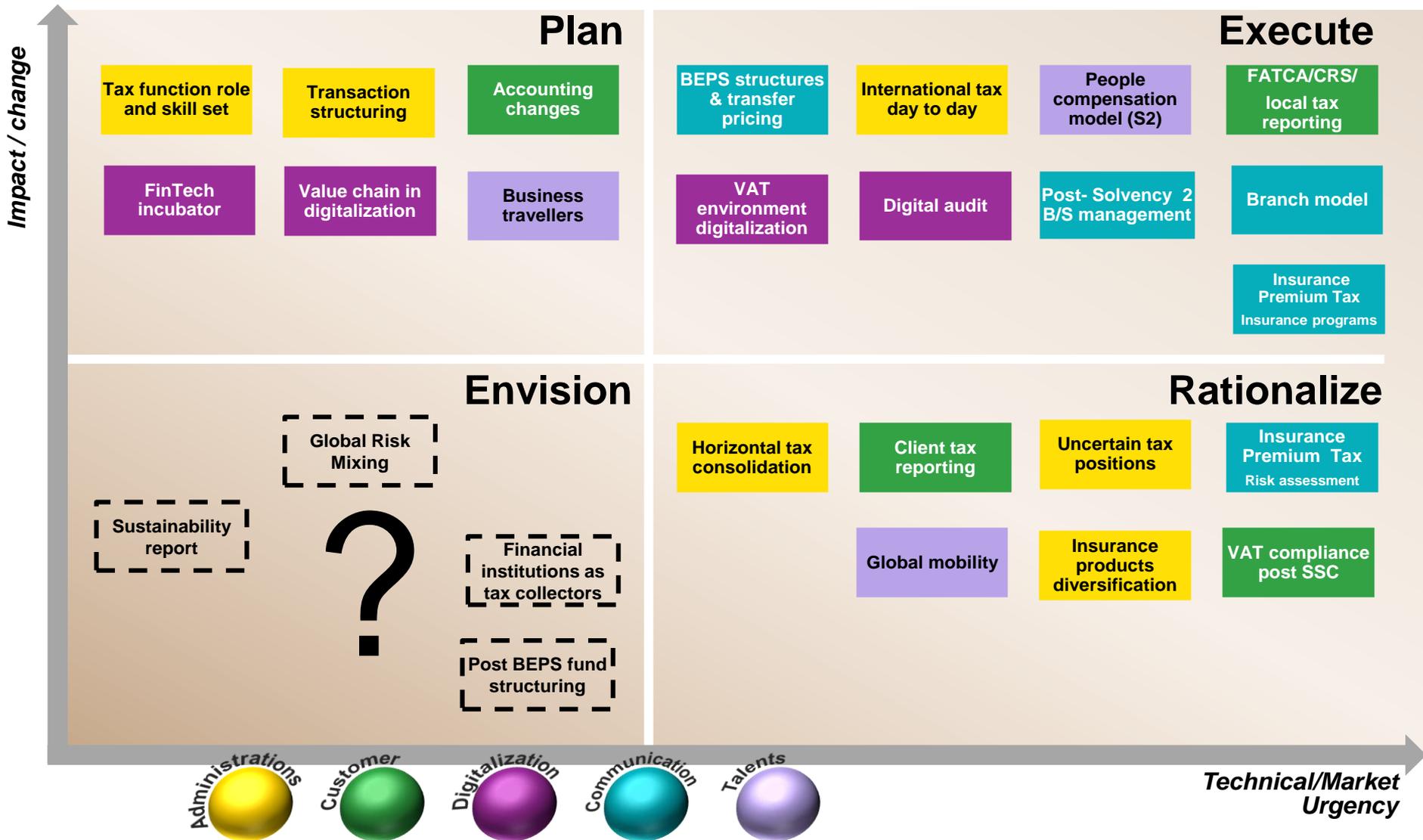


Background and challenges of Tax, Legal and Regulatory functions

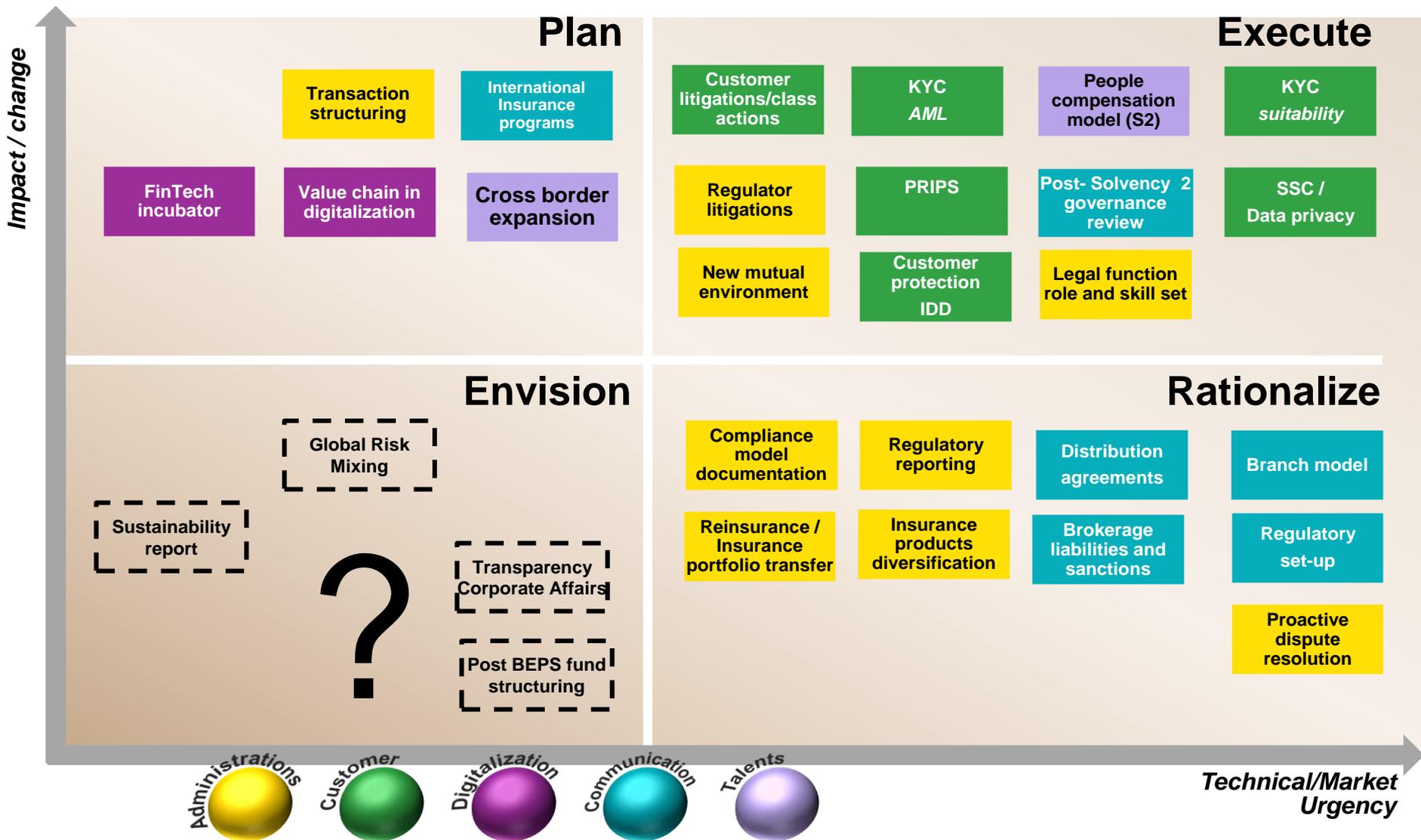
FY16 financial services agenda: a crowded space



Background and challenges of Tax function

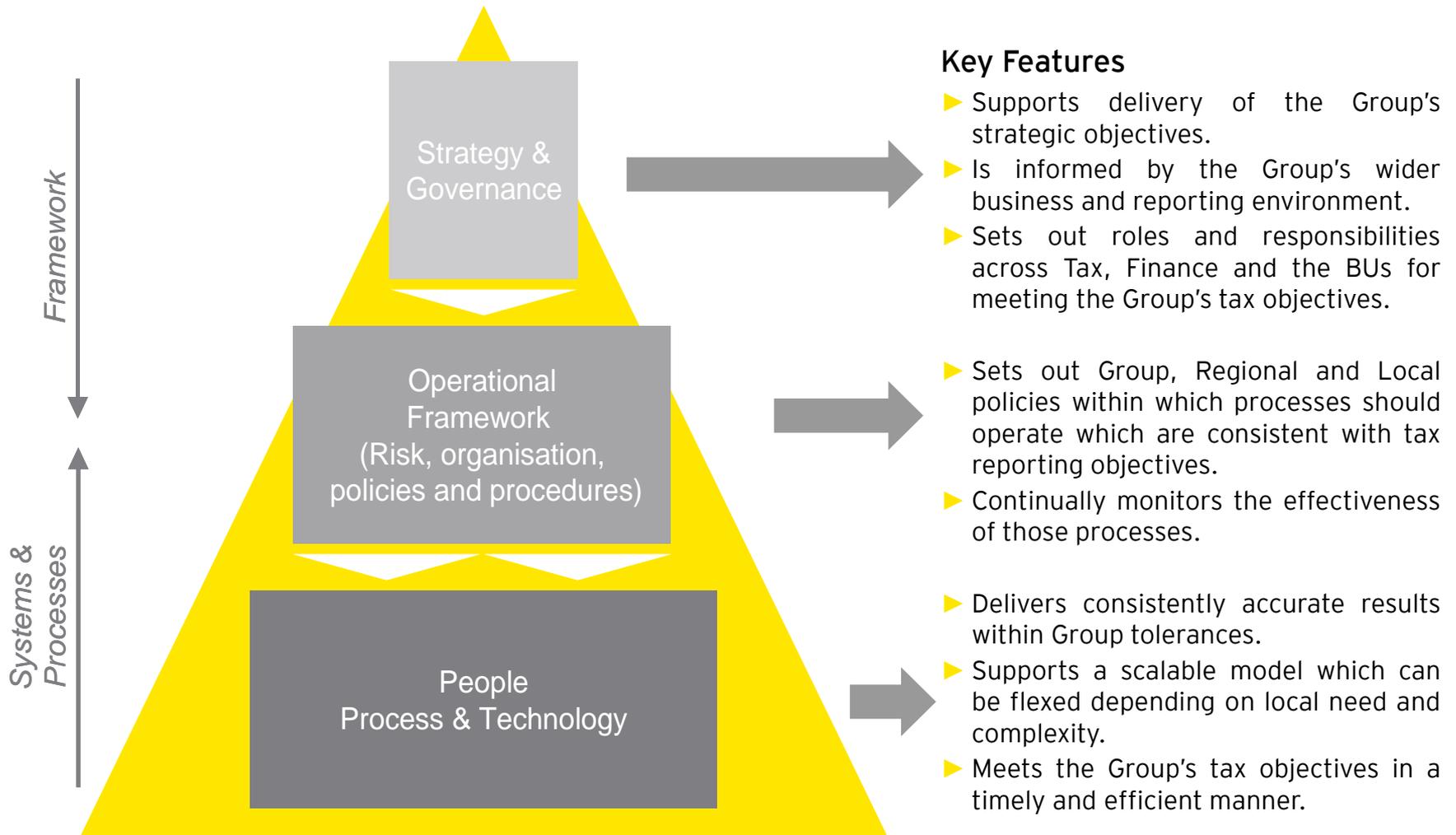


Background and challenges of Legal and Regulatory functions



Some concepts over tax function

Tax function key parameters



Some concepts over tax function

Tax function key parameters

1. Operation Strategy

- ▶ Develop and implement foreign, national and local tax strategy
- ▶ Monitor and support tax legislation and policy
- ▶ Develop and monitor tax risk management framework
- ▶ Establish scope and governance of tax operations

4. Governance

- ▶ Develop and monitor tax risk management framework
- ▶ Establish scope and governance of tax operations
- ▶ Establish and publish tax policies and procedures
- ▶ Develop and confirm internal controls for tax

5. Processes

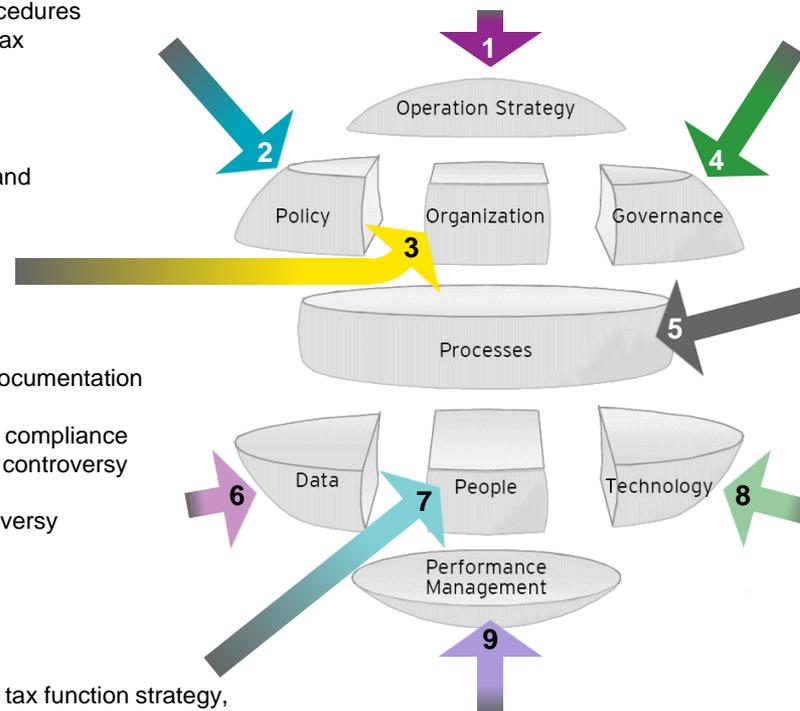
- ▶ Provide transaction advice and business support
- ▶ Establish and publish tax procedures
- ▶ Develop and confirm internal controls for tax
- ▶ Record retention and contemporaneous documentation
- ▶ Manage corporate income tax accounting
- ▶ Manage corporate income tax and related compliance
- ▶ Manage corporate income tax exams and controversy
- ▶ Manage indirect taxes (i.e., VAT)
- ▶ Manage indirect tax exams and controversy
- ▶ Manage transfer pricing compliance
- ▶ Manage income tax withholding

8. Technology

- ▶ Develop and confirm internal controls for tax
- ▶ Maintain tax master data
- ▶ Manage corporate income tax accounting
- ▶ Manage corporate income tax and related compliance
- ▶ Manage corporate income tax exams and controversy
- ▶ Manage indirect taxes (i.e., VAT)
- ▶ Manage indirect tax exams and tax controversy
- ▶ Manage transfer pricing compliance
- ▶ Manage income tax compliance

9. Performance Management

- ▶ Establish and publish tax policies and procedures
- ▶ Develop and monitor tax key performance indicators



2. Policy

- ▶ Develop and implement foreign, national and local tax strategy
- ▶ Monitor and support tax legislation and policy
- ▶ Develop and monitor tax risk management framework
- ▶ Establish and publish tax policies and procedures
- ▶ Develop and confirm internal controls for tax

3. Organization

- ▶ Develop and implement foreign, national and local tax strategy
- ▶ Establish scope and governance of tax operations

6. Data

- ▶ Maintain tax master data
- ▶ Record retention and contemporaneous documentation
- ▶ Manage corporate income tax accounting
- ▶ Manage corporate income tax and related compliance
- ▶ Manage corporate income tax exams and controversy
- ▶ Manage indirect taxes (i.e., VAT)
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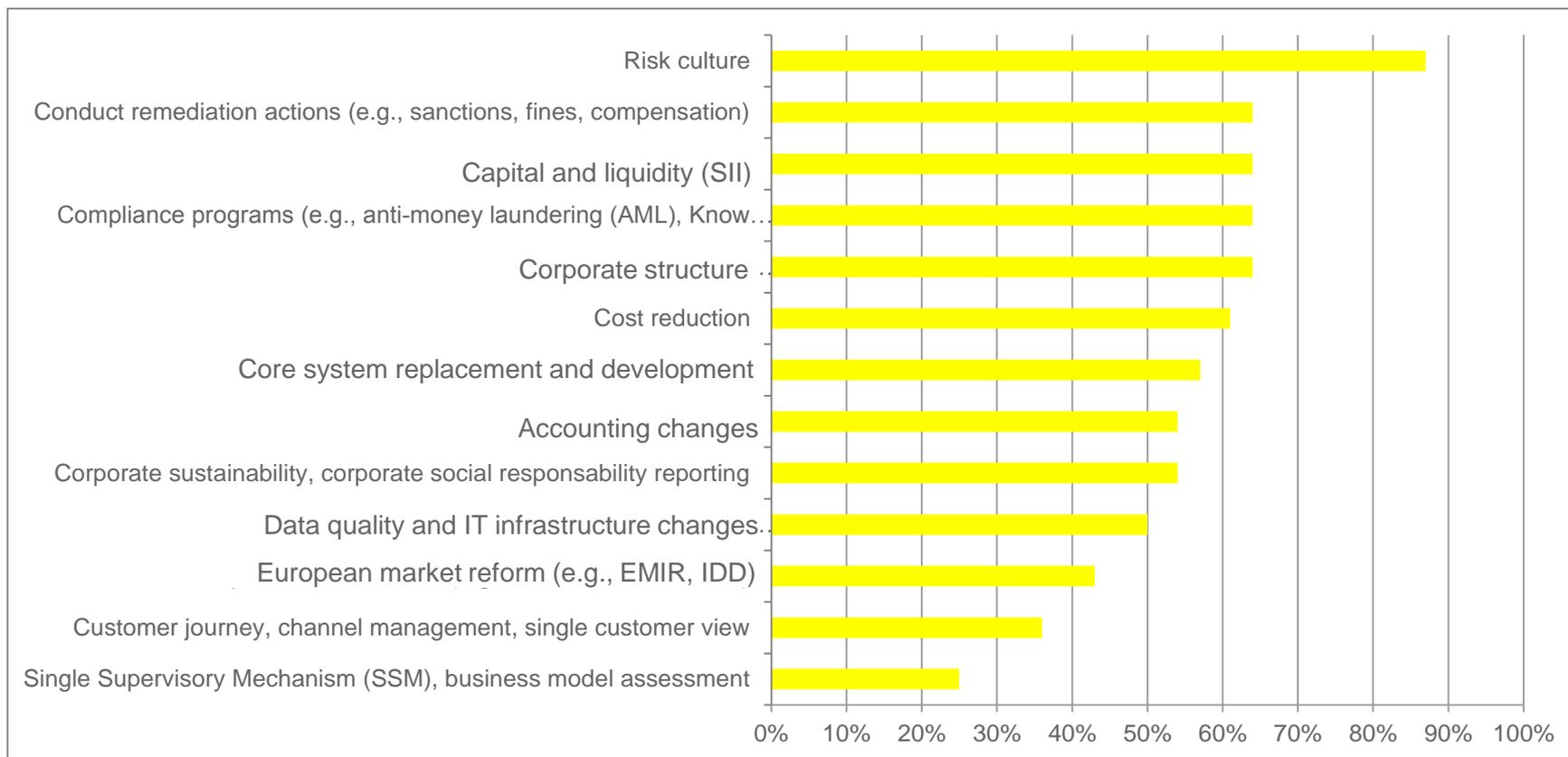
7. People

- ▶ Develop and implement tax function strategy, structures and positions
- ▶ Tax governance and administration
- ▶ Develop and train employees

What are you doing?

Details

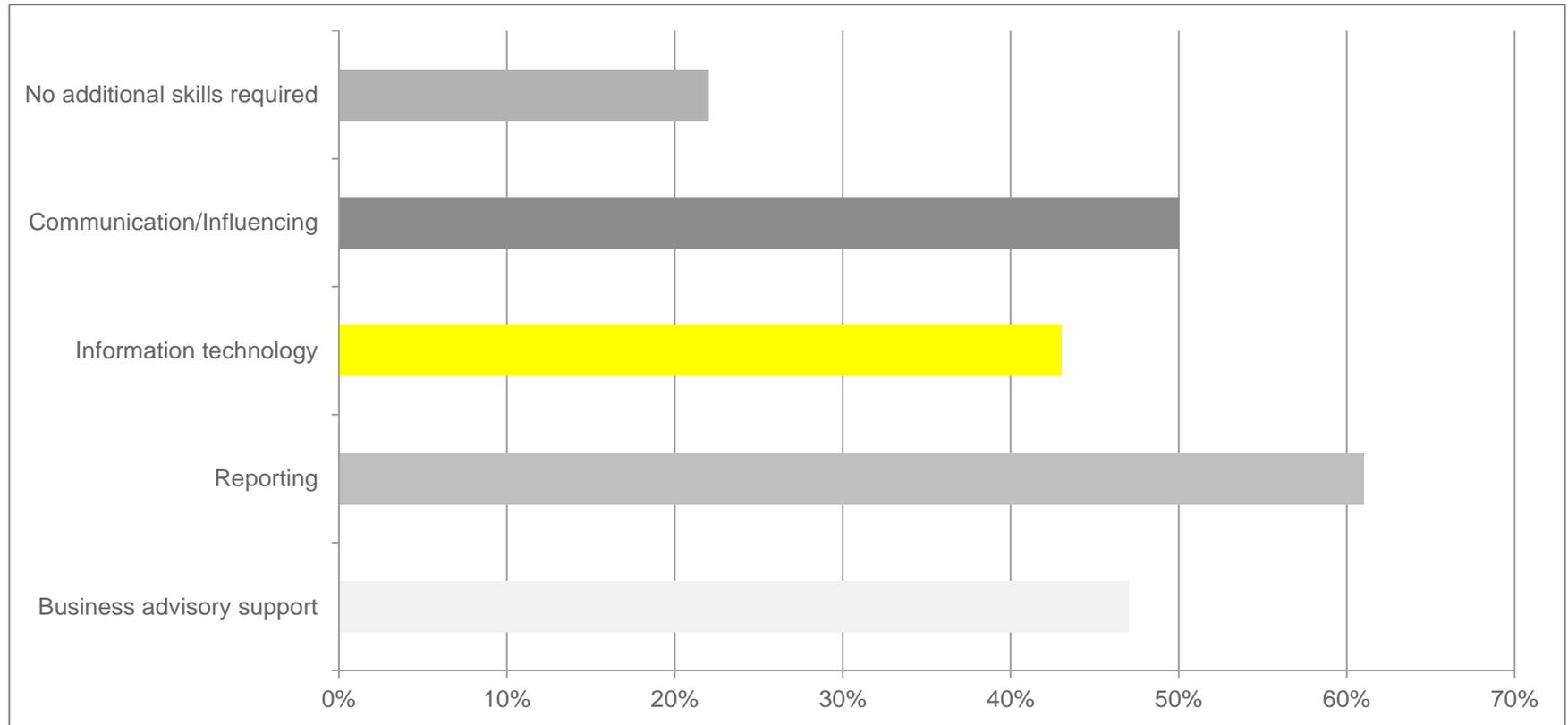
We asked 30 companies to rate their level of tax involvement in group change programs. The percentage shows how many respondents ranked the involvement of tax as a high or medium focus on these issues:



What are you doing?

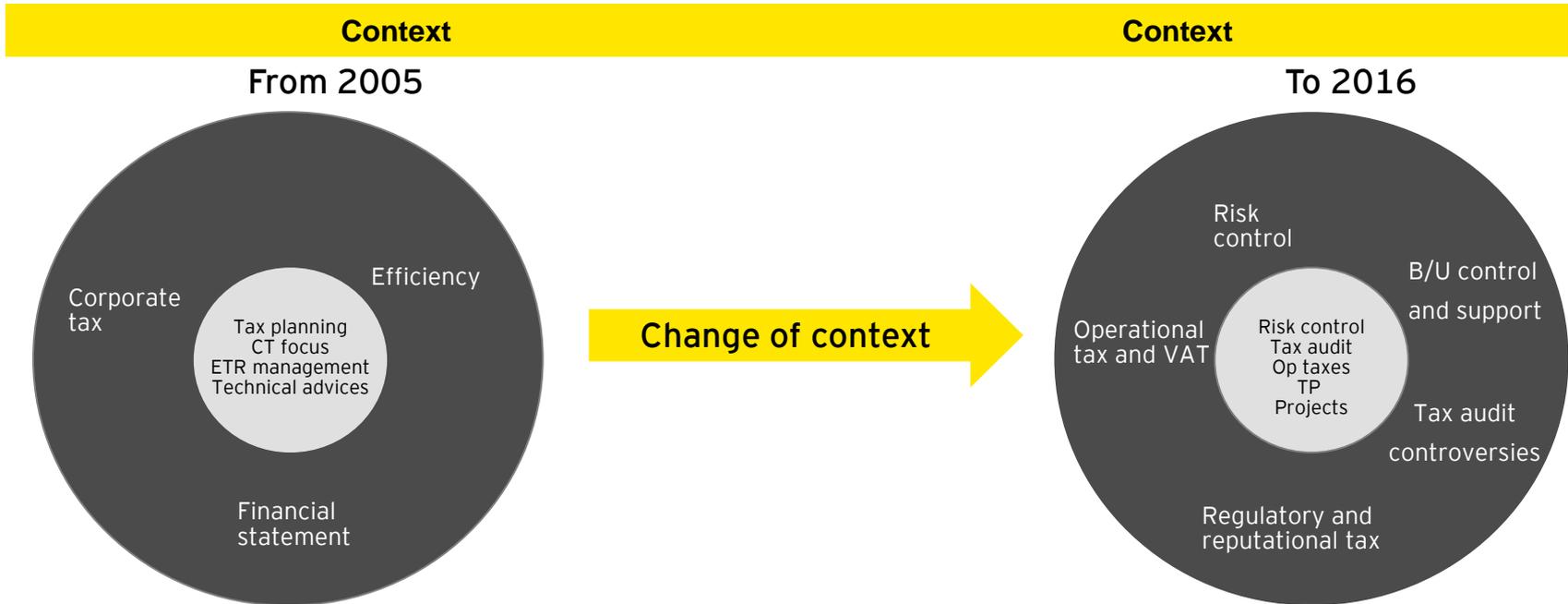
Details

The table below identifies which (if any) additional skills our survey respondents think they will need most in their tax department over the medium term in order to deal with the impact of change:



Outcome

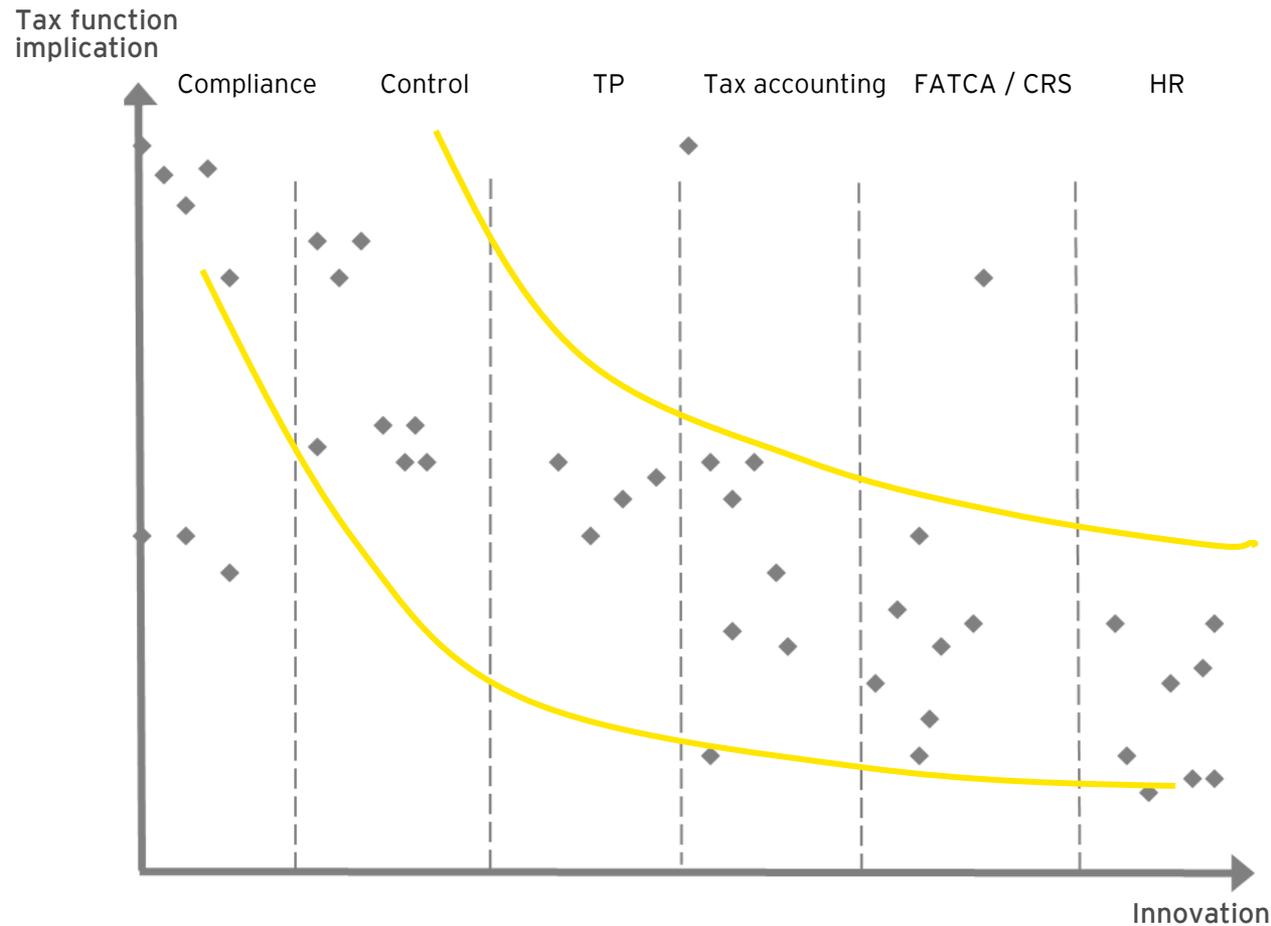
Benchmarking the evolution of Group Tax functions



Topics addressed		Topics addressed	
Planning	<input checked="" type="checkbox"/>	Project	<input checked="" type="checkbox"/>
Financial statement	<input checked="" type="checkbox"/>	B/U support	<input checked="" type="checkbox"/>
Corporation tax	<input checked="" type="checkbox"/>	TP	<input type="checkbox"/>
	<input type="checkbox"/>	Op Taxes	<input type="checkbox"/>
	<input type="checkbox"/>	Financial statements	<input type="checkbox"/>

Paneuropean benchmark

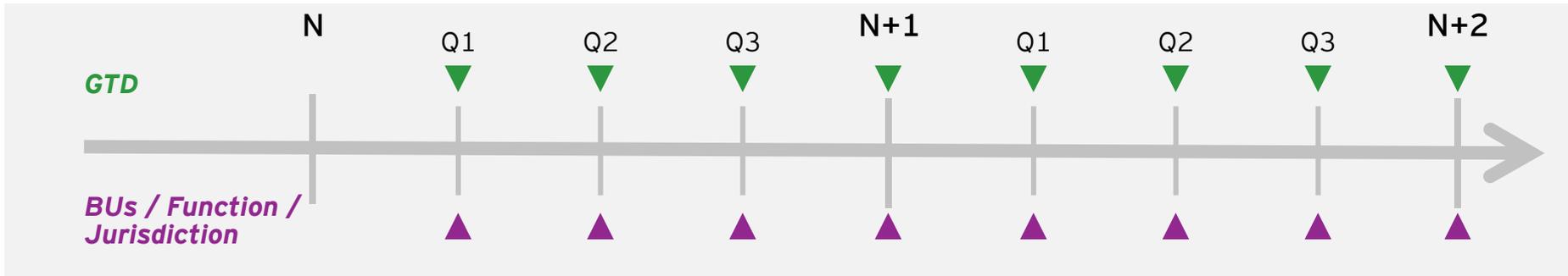
Tax function agenda



Global trend

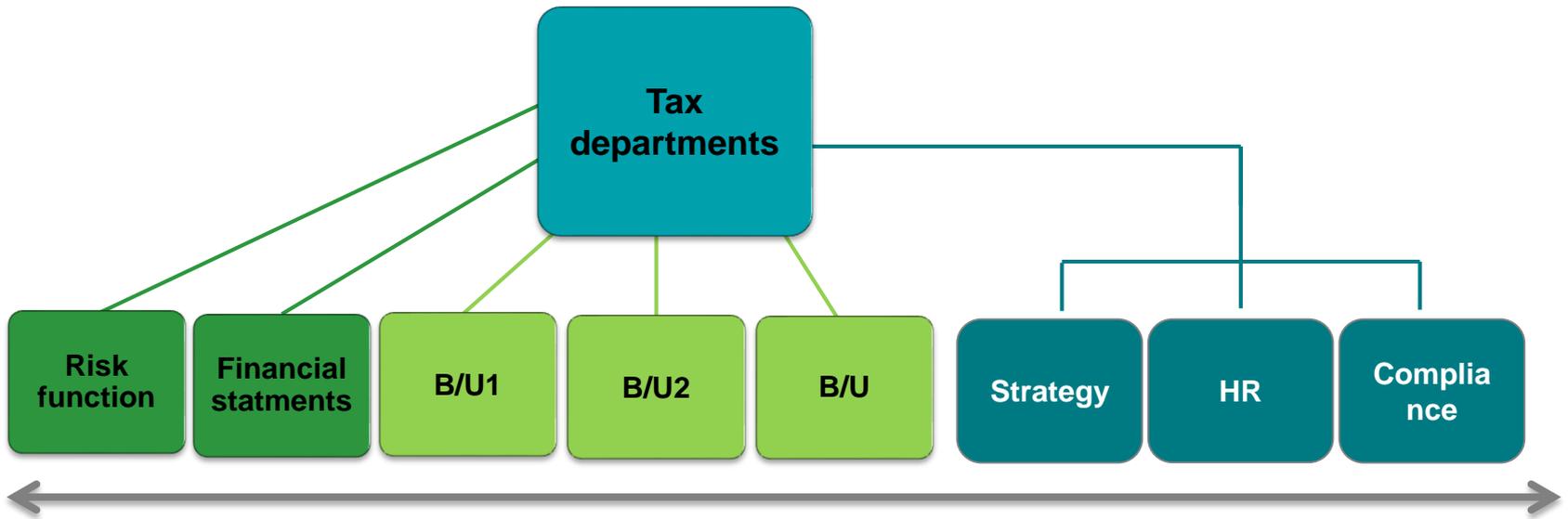
- ▶ In overall, tax functions are rather highly implicated in traditional assignments.
- ▶ However, the tax functions' implication tends to decrease with respect to new challenges.

Risk management, Watch-tower and process

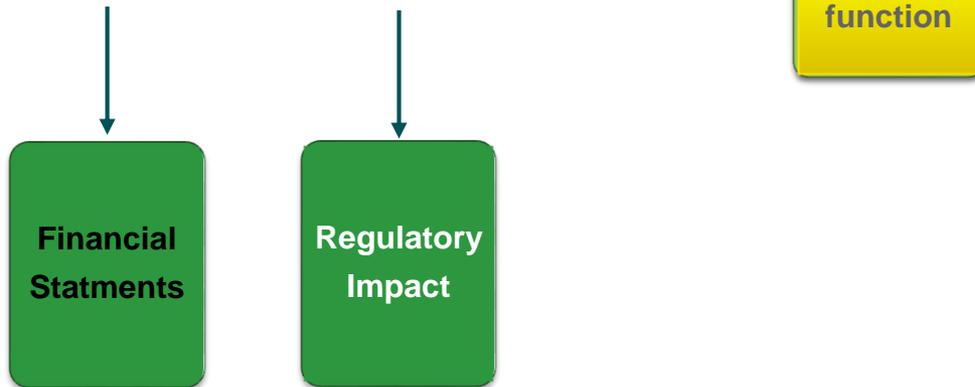


In ME		Q4 FY N	Q1 FY N+1	P&L Var.	
R.U	Description	as of 31/12/XX	as of 31/03/YY		Notes
Tax Risks		(165,6)	(160,8)	4,8	
Central tax risks		(52,0)	(52,0)	-	
XXX	FR - Entity - TVA - Cost sharing association France	-	-	-	
XXX	FR - Entity - VAT - High VAT prorata on IT costs	-	-	-	
XXX	Entity - Transfer pricing risk (CIT) - Offset against Entity DTA adjustments	(166,0)	(166,0)	-	
XXX	Recasting of Entity transfer pricing risk (CIT) - Offset against Entity DTA adjustments	166,0	166,0	-	
XXX	Entity - Transfer pricing risk (VAT)	(52,0)	(52,0)	-	
Local countries tax risks		(113,6)	(108,8)	4,8	
XXX	FR - Thin cap risk	(8,4)	(8,4)	-	
XXX	IT - Non deductible interest (thin cap)	(25,6)	(25,6)	-	
XXX	SP - Non-deductible interest (Branch's free capital)	(7,0)	(7,0)	-	
XXX	US - CIT - Hybrid financing	(21,7)	(21,7)	-	A
XXX	TR - Turkey (Tax audit)	-	-	-	
XXX	TR - Turkey (risks identified in XXX project)	(16,5)	(16,5)	-	
XXX	Turkey - unpaid salary	(5,0)	(5,0)	-	
XXX	Turkey - TP risks for non-cash guarantees	(2,8)	-	-	
XXX	Turkey - stamp tax	(2,4)	-	-	
XXX	Turkey - WHT on loans from Entity	(6,3)	-	-	
XXX	SGP - CIT - Potential disallowance of tax credit claim from structured transaction	(6,1)	(1,3)	4,8	B
XXX	UK - CIT risk on XXX operation	(14,6)	(14,6)	-	
XXX	HK - Entity - CIT - Trading losses on Derivatives	(10,0)	-	-	
XXX	HK-Entity - Compensation for the sale of shares in Entity	-	-	-	
XXX	HK - Entity - CIT - Gain on disposal of interest Entity	-	-	-	
XXX	IT - VAT - Recasting of some naval leasing trade into a sale of goods for VAT purposes	(3,7)	(3,7)	-	
		(165,6)	(160,8)	4,8	

TRM: In practice



► Update of the Risk Map



► NB: A Quaterly Process

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