



# Global Conference, Paris

>Partnering for client success

❖ QUALITY TAX ADVICE, GLOBALLY

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## Plenary II: International Tax Structuring That Works; Implementation Pitfalls To Avoid

❖ [www.taxand.com](http://www.taxand.com)

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# Introduction

- ❖ What can go wrong in implementation?
- ❖ Battlefields for tax traps
- ❖ How to fail to become a global player
- ❖ Hidden tax traps in decision making
- ❖ Lessons learned: standard crisis management
- ❖ Tax and commercial risk: unforeseen consequences
- ❖ Unforeseen consequences of a TP decision



# Introduction

- ❖ Unforeseen cash management problem
- ❖ Pattern of common errors
- ❖ Root causes
- ❖ Common errors during planning
- ❖ Common errors during execution and maintenance
- ❖ Taxand's Take



# What Can Go Wrong In Implementation?

Donald Rumsfeld's famous quote applies also to implementation in tax

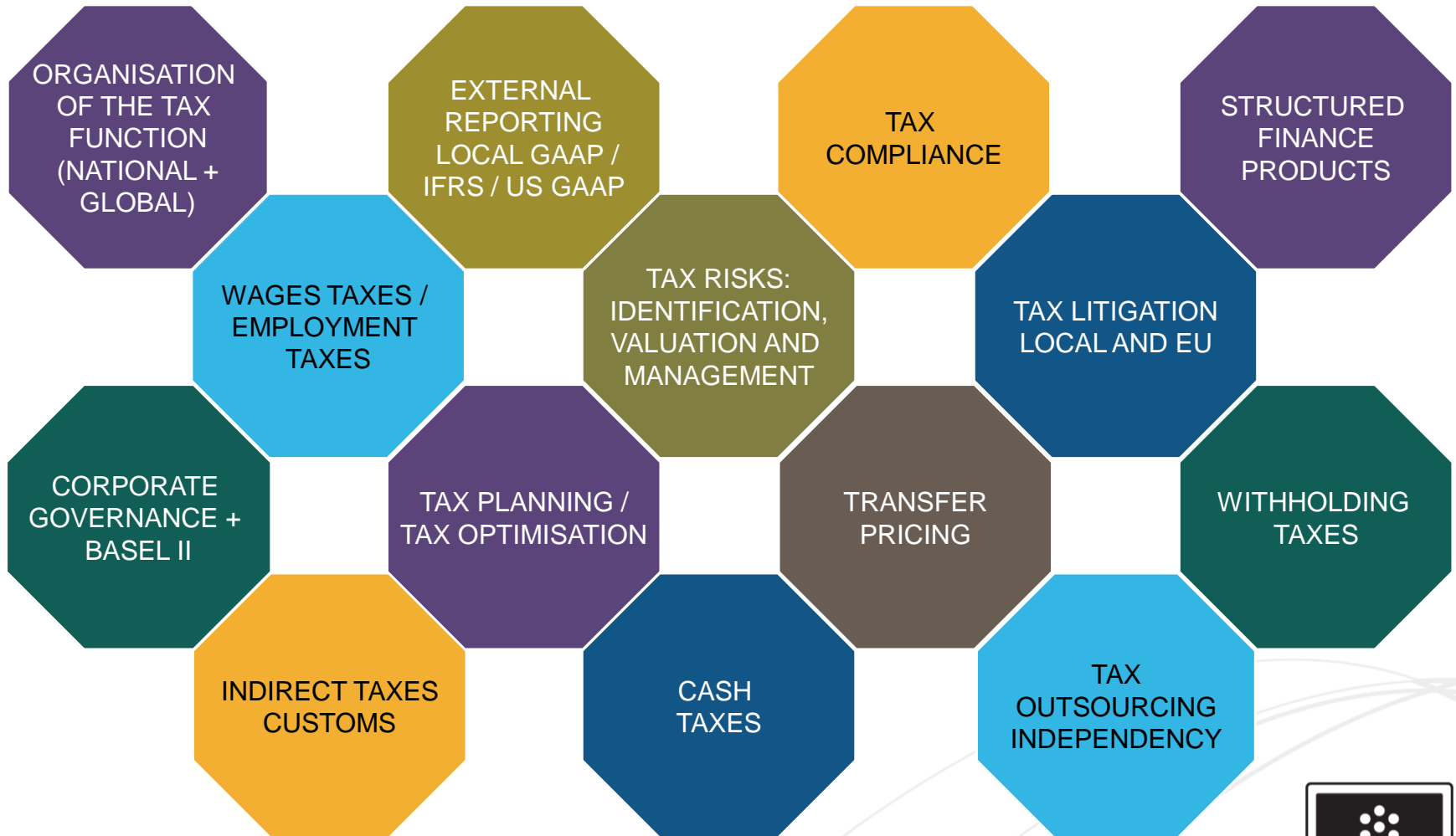
*“ There are known knowns;  
there are things we know we know*

*There are known unknowns;  
there are things we know we don't know*

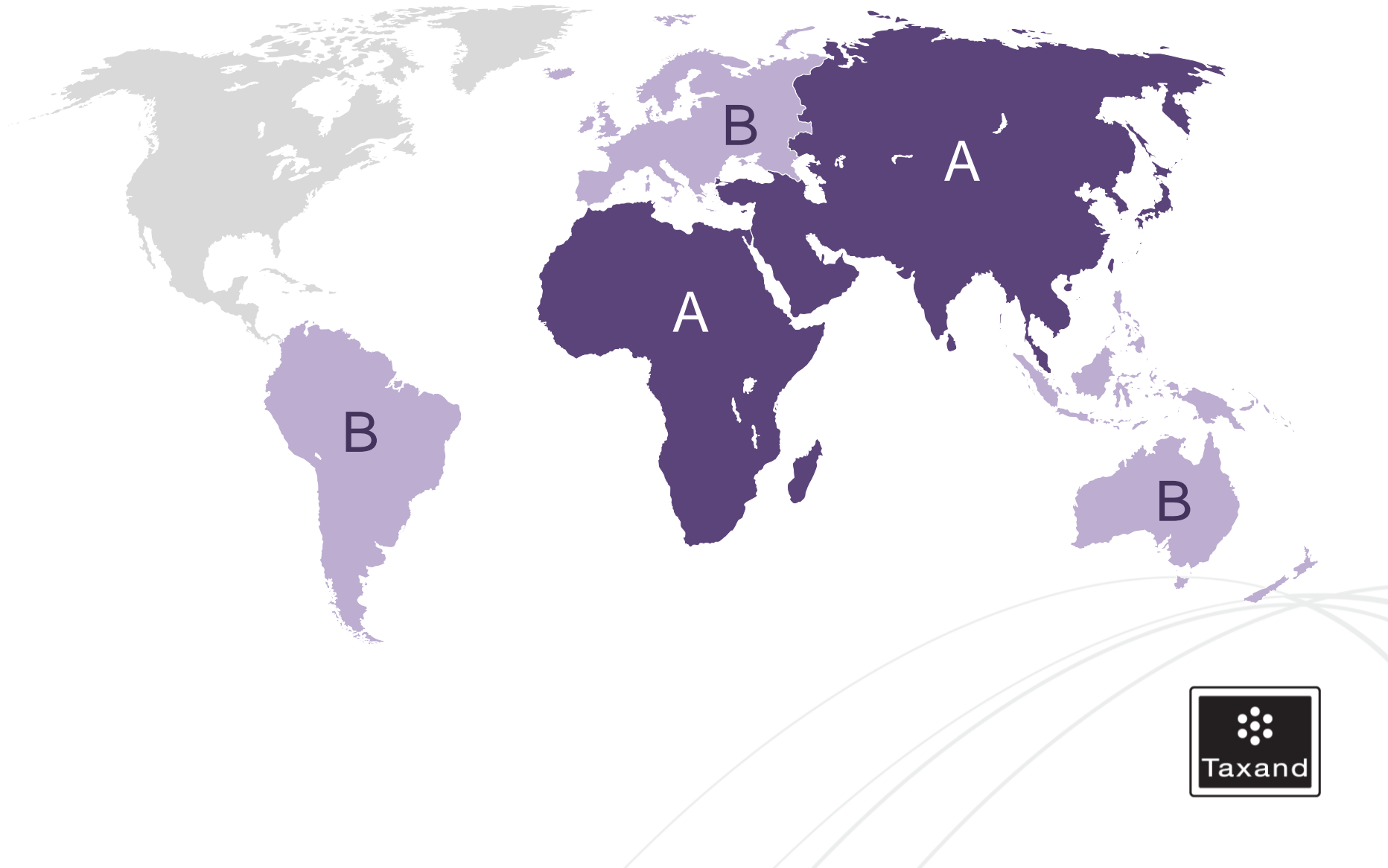
*But there are also unknown unknowns;  
the ones we don't know we don't know ”*



# Battlefields For Tax traps



# How To Fail To Become A Global Player



# Hidden Tax Traps In Decision Making

- ❖ Market leader A for a specific sort of household products
- ❖ Euro-American group B acting in the same business
- ❖ A wants to become a global player



# Hidden Tax Traps In Decision Making

One year later: Global CFO of A and B group is facing several challenges

- ❖ Conversion to IFRS globally
- ❖ NOL issues and DTA mismatches
- ❖ Synergies failed
- ❖ Finance centre
- ❖ Licence centre



# Hidden Tax Traps In Decision Making

•• The financial model

•• The financial centre

•• The licence centre

•• “Virtual” tax assets and liabilities

# Hidden Tax Traps In Decision Making

## What we did...

### ●● Month 1

- ⌘ Implementation of a global database

### ●● Month 3

- ⌘ Scenario planning with existing software

### ●● Month 2

- ⌘ Tax optimisation

### ●● Month 4

- ⌘ Decision making and implementation

# Hidden Tax Traps In Decision Making

## Results

- ❖ Shutdown of four countries and of the finance centre
- ❖ Relocation of licence centre into a loss making country
- ❖ Reduction of taxable profits in profit making countries balanced with NOLs in two countries
- ❖ CFO and tax director left

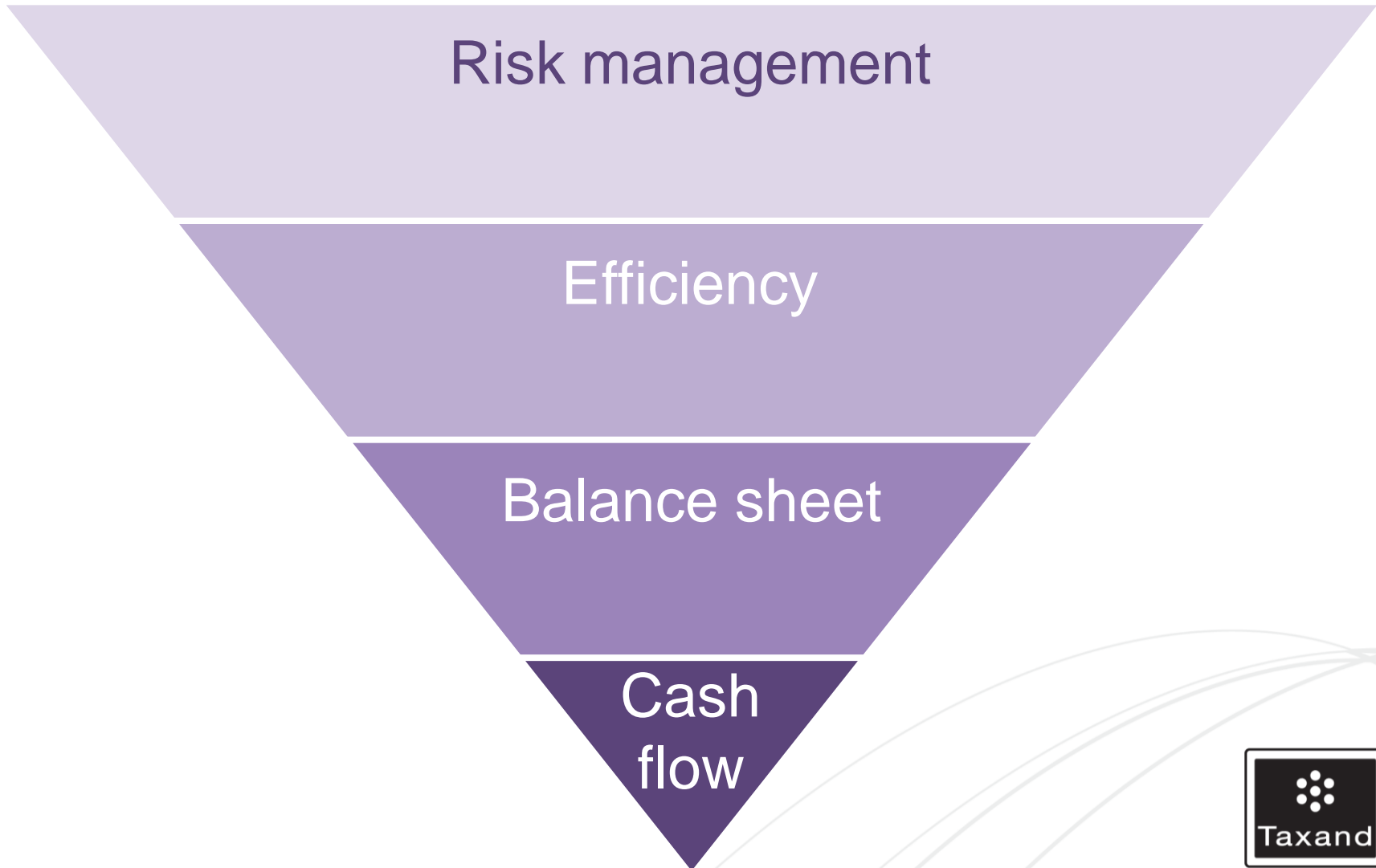


# Hidden Tax Traps In Decision Making

- ❖ Managing ETR
- ❖ Global Transfer Pricing
- ❖ Global tax reporting system
- ❖ Global tax risk management system



# Lessons Learned: Standard Crisis Management



# Tax & Commercial Risk: Unforeseen Consequences

## ❖ Simple scenario

Company A  
buys  
Company B

B had  
commissionaire  
structure

A wanted  
to move to LRD  
structure

## ❖ Change in transfer prices

## ❖ New standards were uploaded

# Unforeseen Consequences Of A TP Decision

- ❖ System went live
- ❖ No change occurred
- ❖ *“Partial interference with our field of vision”*
- ❖ Collective failure



# Unforeseen Consequences Of A TP Decision

- ❖ What went wrong?
- ❖ Incomplete communication plan
- ❖ This was an unknown unknown
- ❖ Risk management?

# Unforeseen Consequences Of A TP Decision

- ❖ Further unforeseen risk
- ❖ Cash management
- ❖ VAT liabilities – lumpy
- ❖ Treasury impact

# Unforeseen Cash Management Problem

Before ...

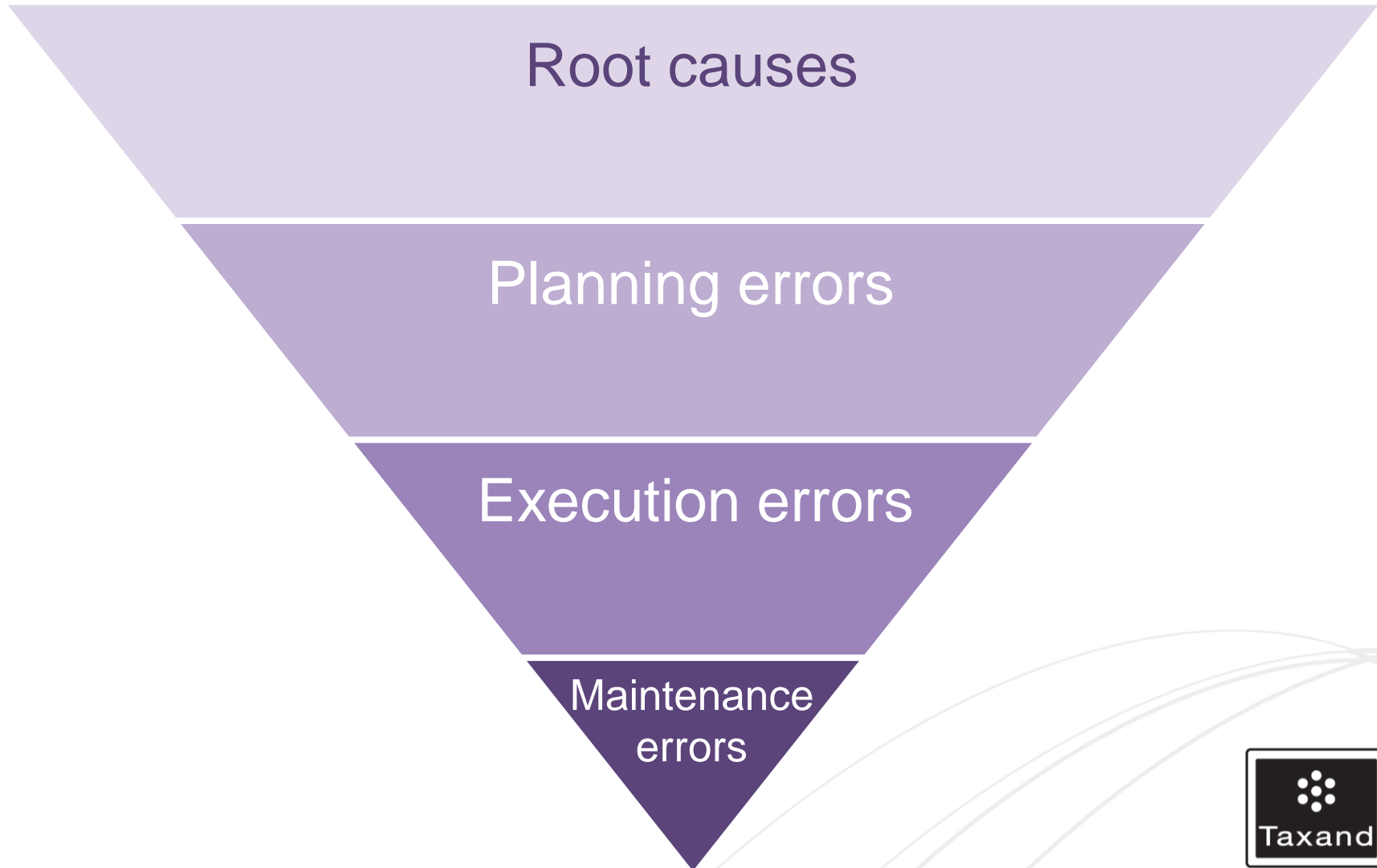
	January	February	March	April	May
A	10	100	-30	150	-50
B	50	10	150	180	-210

# Unforeseen Cash Management Problem

After ...

	January	February	March	April	May
A	100	1,000	-300	1,500	-500
B	500	100	1,500	1,800	-2,100
C	500	500	900	800	600

# Pattern Of Common Errors



# Root Causes

❖ Resources

❖ Scope

❖ Timing

❖ Benefits

❖ Communication



# Root Causes

## Examples



One-country view



Stakeholders not represented



Reliance on in-house



Full budget



Management buy-in



Advisor changes

# Common Errors During Planning

- ❖ Commercial impact – product flow
- ❖ Other areas of tax
- ❖ Geographical differences
- ❖ Financial statement impact
- ❖ IT requirements / impact



# Common Errors During Planning

## Examples



Logistic costs



VAT registration / costs



Statutory accounting differences



FIN 48 reserves



IT workload



Other IT changes

# Common Errors During Execution & Maintenance

- ❖ Product flow compliance
- ❖ Foreign exchange
- ❖ Language issues
- ❖ Fatigue
- ❖ Lost budget support
- ❖ Moving parts – other changes
- ❖ Follow-through on promises / operational



# Common Errors During Execution & Maintenance

## Examples



Import / export regulations



Hedging and P&L impact (Fx)



Document translation / control



Final details incorrect



Elections missed



Legal structure changed



Director travel / behaviour

## Implementation pitfalls are manageable through

Knowledge  
sharing

Active  
management

“What if”  
planning!

And for extreme situations...  
or the “unknown unknowns”...

- ❖ “No-blame” culture
- ❖ Fast reaction times – emergency planning
- ❖ Strategic use of advisors
- ❖ Active advance management of key stakeholders



## Project Practice Director

- Is not a funnel for discontent
- Does not absolve project team of responsibilities
- Has no power to manage the project
- Does not apportion praise or blame

# Taxand's Take

- ❖ Imperative on large projects
- ❖ Sits parallel to engagement team
- ❖ Acts as a funnel for information
- ❖ Regularly meets with team leaders
- ❖ Maximise what is known,  
identify what was previously unknown,  
minimise the level of risk in implementation



The Project Practice Director role is fundamentally to maximise what is known and identify as early as possible what was previously unknown or ignored thus minimising the level of risk in implementation

# Speaker Details



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Richard is the leader of Taxand's global indirect tax team. He is based in Taxand UK where he is a managing director with Alvarez & Marsal Taxand UK. Richard has more than 20 years of experience leading global indirect tax assignments for multinational companies. As well as advising on VAT planning and indirect tax compliance issues, Richard manages VAT technology applications projects and has brought tax cases before the VAT Tribunal, High Court and ECJ. Prior to joining the Taxand UK practice, Alvarez & Marsal Taxand, Richard led the indirect tax compliance and risk practice of Deloitte and was head of the indirect tax team with Arthur Andersen in the UK.



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Rutger is based in Taxand Netherlands where he is a partner with VMW Taxand in Amsterdam. He advises companies on transfer pricing, tax structuring, strategy, decision-making and valuation. Rutger lectures tax decision making at the Rijksuniversiteit Groningen and frequently lectures at various universities in and outside the Netherlands on transfer pricing and tax decision-making. He published a book on transfer pricing and regularly publishes on tax strategy, transfer pricing and tax valuation. Rutger received his Masters degree in Tax Law from the Rijksuniversiteit Groningen and has served as counsel to the Dutch Parliament, advising on tax legislation and tax policy.



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Christoph is based in Taxand Germany where he is a tax partner with Luther in Eschborn / Frankfurt. Christoph has 20 years of professional experience as a tax director in large multinational companies and tax partner in Big4 firms advising companies on tax accounting, tax technology, tax risk management including transfer pricing and tax strategy. Before joining Taxand Germany Christoph was leading the service lines for tax technology and tax management services at KPMG Europe. Christoph has advised multinational clients on tax strategy implementation, tax process optimisation and automation, the design and programming of tax risk management systems as well as transfer pricing master file documentation systems, global tax reporting and tax planning systems and tax assurance for ERP systems.



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Albert Liguori is based in Taxand US where he is a Managing Director with Alvarez & Marsal Taxand. With 18 years of international tax experience, Albert assists multinational organisations to assess and improve their global tax profiles and functionality. He leads a New York-based international tax team that supports clients on cross-border transactions to advance corporate tax efficiencies. Albert was recently the interim head of tax of a \$3 billion global financial services company and led all tax aspects of a multi-billion dollar IPO. He also recently redesigned the supply chain function for a \$1.5 billion global manufacturer, and he has also structured the acquisitions of various U.S. and foreign businesses. Albert often helps companies to respond to tax demands from boards of directors and shareholders, as well as in fostering cross-functional communication.



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