



# Tax Technology

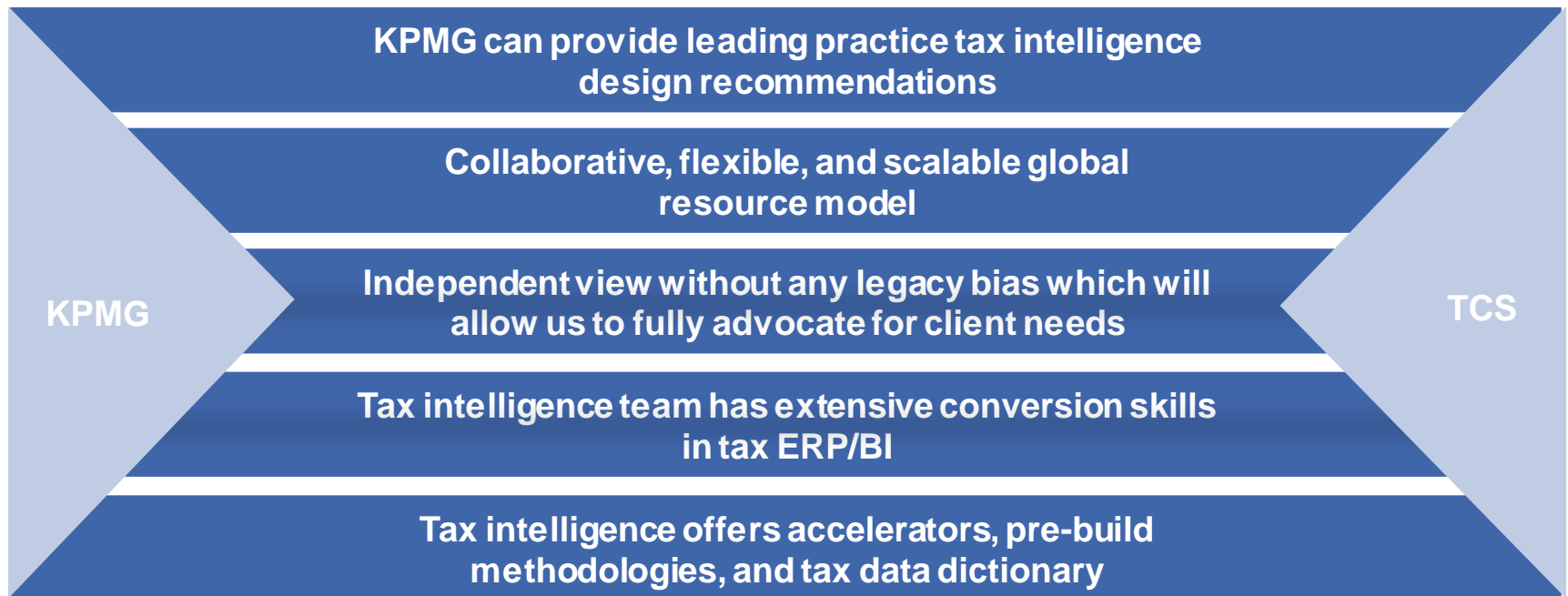
## Transfer Pricing Solution

(Joint Offering of TCS & KPMG)

July, 2014

# Why KPMG and TCS

## KPMG and TCS can lead the market for tax intelligence methodologies



# Common challenges faced by Tax Teams

- Unavailability of robust data capability to monitor, maintain, operate, and gain insights in a constantly changing business environment.
- Regulatory Compliance, Tax risk and audit, Tax planning, and Revenue Protection are extremely complex and fraught with financial risk.
- Existence of Manual processes across various tax functions raises the level of risk to the CFO office and adds inefficiency.
- Poor and highly subjective tax planning, delays in ETR for the financial closure process, costly & time consuming regulatory audit defense.
- Complexity in constantly changing business scenarios like M&A, new product introduction, etc, frequently result in inaccurate/incomplete transactions, leading to regulatory non-compliance, expensive investigations, large fines, and unwarranted negative publicity.

Tax departments have invested in various “silo technologies/processes” in the hopes of identifying and correcting these inaccuracies, but they have fallen short of meeting the MNC’s complete needs for Tax and Audit reporting in areas such as automation, predictive patterns, data quality, process standardization, and related risk mitigation

# Tax Technology Offerings

## Tax Intelligence

### Tax Data & Analytics Services

Achieving an integrated common tax data model enables provisioning data to all tax functions in an automated manner that eliminates the need for several manual reconciliations and common tax sensitized information. This would include, but not limited to, data assessment, organize, tax sensitize, and integrate tax data across multiple systems.

#### Intercompany Transfer Pricing Solution - IPS

IPS brings automation across Tax Data, Tax Processing, and Tax Reporting and allows companies to more effectively monitor and plan financial results of intercompany transactions.

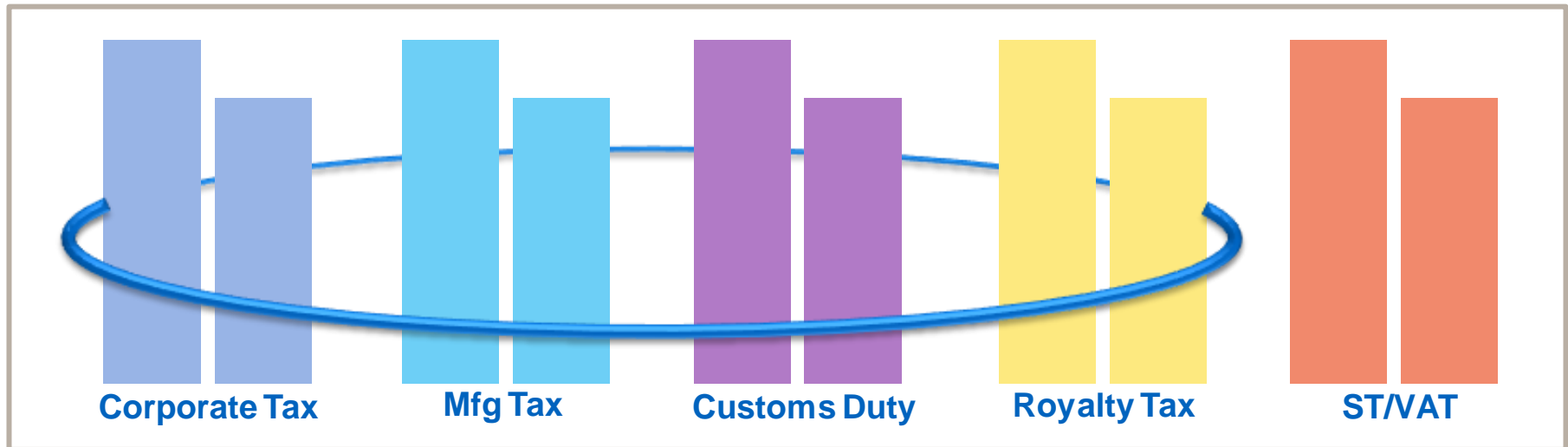
#### Medical Device Excise Tax Solution

Developed a systemic solution to meet Medical Device Excise Tax requirement that can be integrated with your existing systems to achieve a higher level of automation and accuracy.

**TCSs' expertise in delivering technology solutions and partnering with Big Four consulting firms for domain expertise to provide Tax Intelligence suite**

# Viewpoint on Transfer Pricing

The lowest cost supply chain often does not drive the highest profit



Transfer Pricing is the amounts charged in cross-border transactions between affiliated legal entities involving sales of goods, services and licenses

Overall tax Liability depends on transactions among subsidiaries that allow for allocating expenses to high-tax countries and shifting profits to low tax countries

Tax authorities eye on related-party transactions & year end adjustments: Arms Length Principles to be followed

# International Developments Across Industries

## Globalization

Increase in volumes of cross border transaction all over the world

## Consolidation of business

- Companies are growing bigger and bigger
- Increase in demand for control, control becomes more complex

## Efficient Tax Management

- Transfer Pricing is one of the key tax risk areas for CFOs
- The challenge companies are facing is insufficient tax management information

## Regulatory Compliance

- Increase of audit pressure of tax authorities
- Tax compliance requirements become more strict
- Companies want to be in control for tax: from wait and see towards monitor and act

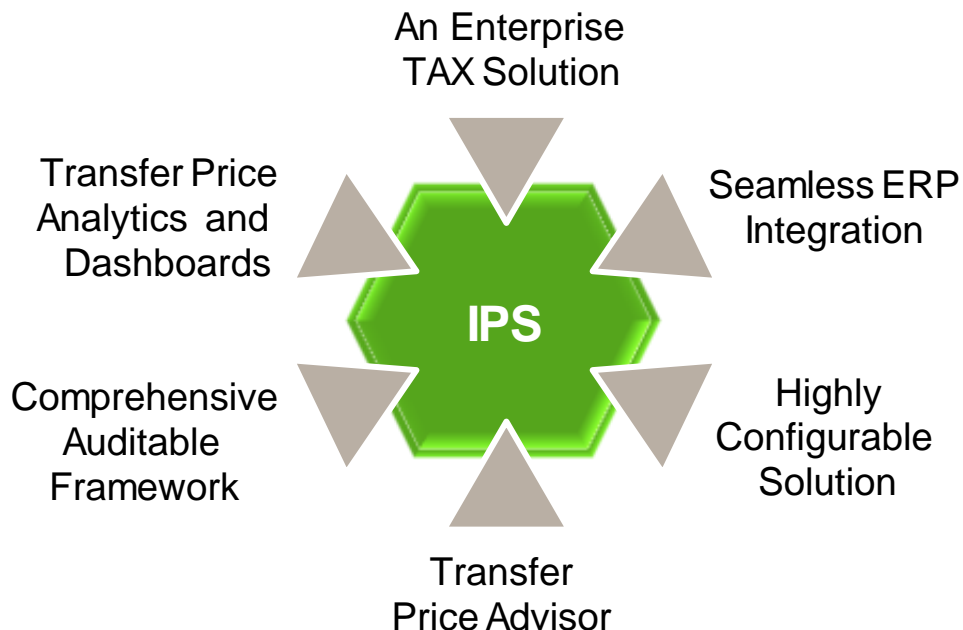
## Complex and volume of ERP Data

- Enormous amounts of data in the ERP systems are not turned into transparent management information
- Business Intelligence is required to enable tax management reports and dashboards

# TCS-KPMG Transfer Pricing Solution

## Highlights

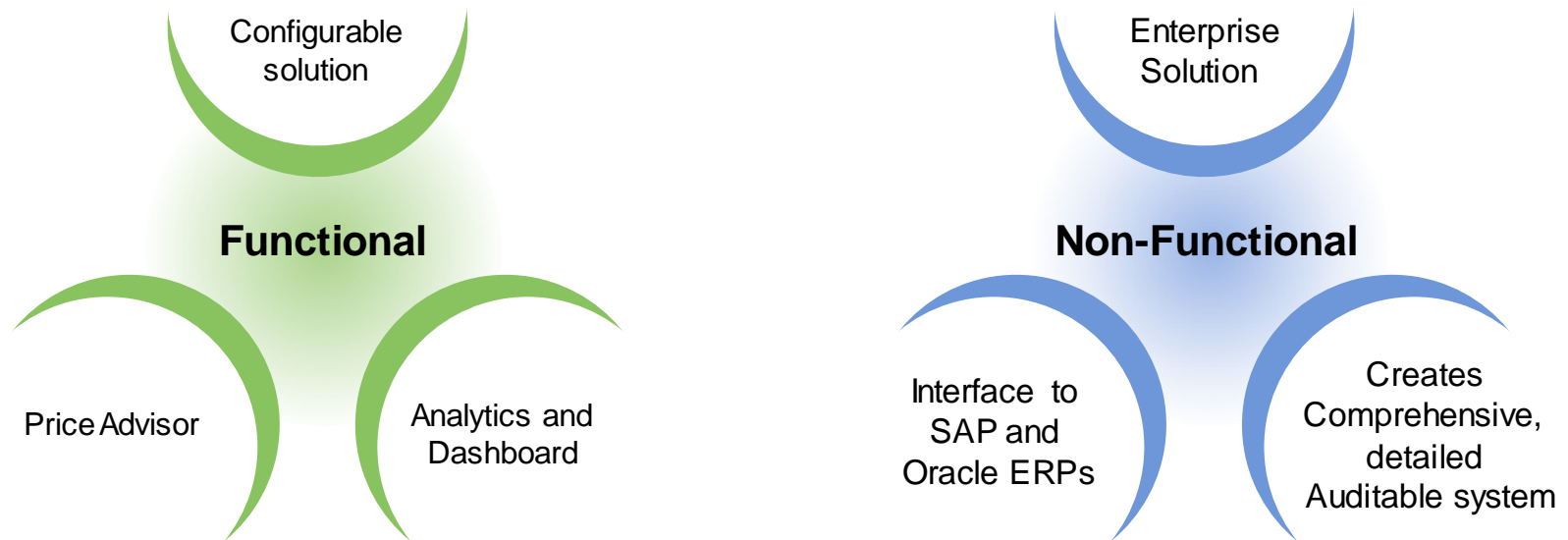
**Intercompany Pricing Solution (IPS)** brings automation across Tax Data, Tax Processing, and Tax Reporting and allows companies to more effectively monitor and plan financial results of intercompany transactions.



- IPS is an automated solution which operates within your enterprise IT landscape.
- Compatible with multiple enterprise IT platforms and systems and thereby leverages your existing IT investment.
- Seamless integration with Source ERP and ensured data quality, reliability and granularity.
- Continuously monitors intercompany pricing positions and generates dashboards and management reports.
- Provides prospective intercompany pricing adjustments to achieve compliance and automates intercompany price adjustments to source ERP.

# TCS-KPMG Transfer Pricing Solution

## *Highlights (Contd..)*



- Address operational Transfer Pricing issues
- Available for Tangible and Non Tangible Business (Fin Svc) in both Oracle and SAP Platforms
- Non-invasive application that sits on top of ERP systems
- Provides a near real time holistic view of financials associated with inter-company transfers for corrective actions

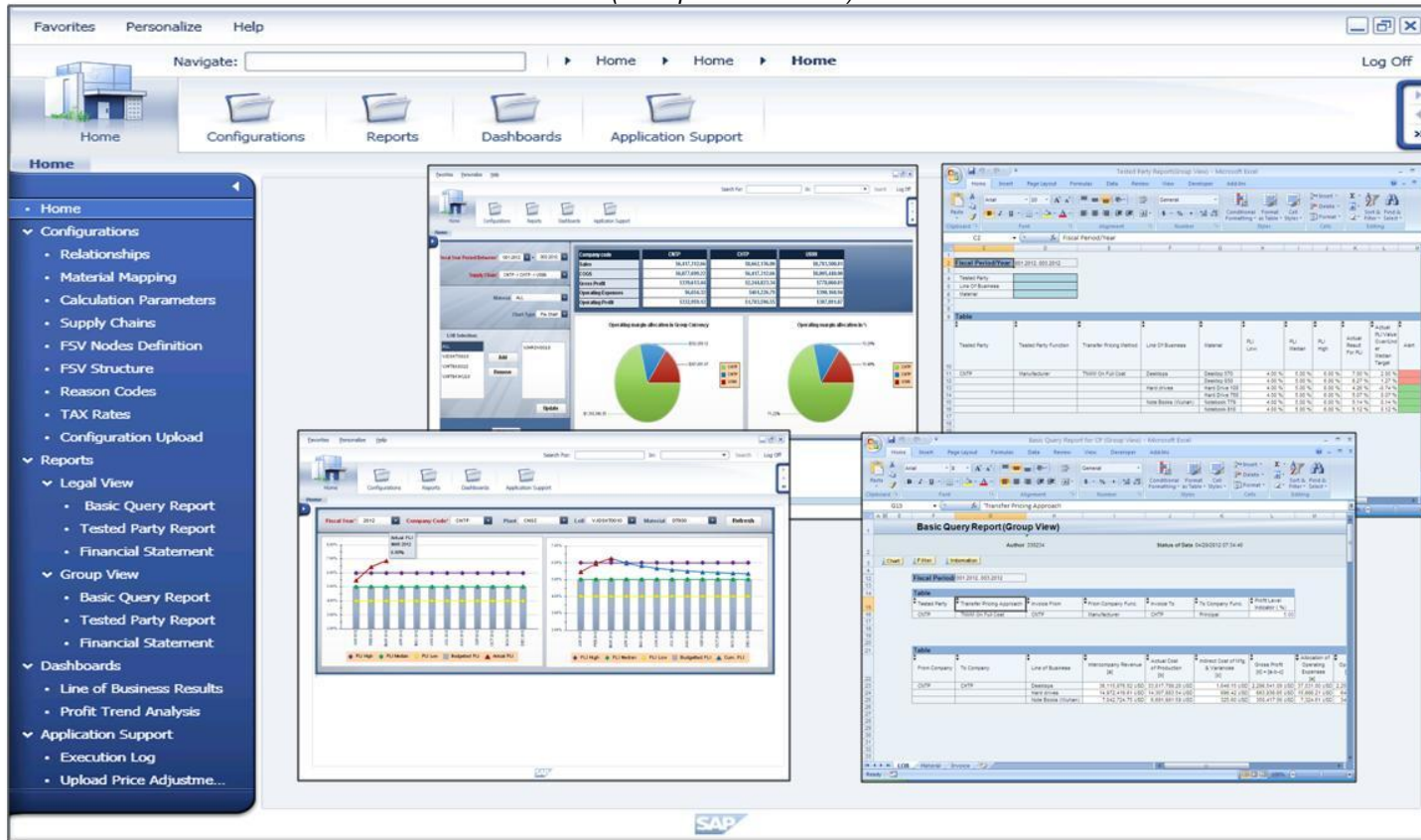


# TCS-KPMG Transfer Pricing Solution

## Highlights (Contd..)

*Built within Client's Oracle/ SAP business intelligence environment...*

*(Example screenshots)*



### Industries

- Manufacturing
- Automobiles
- Hi-Tech
- Financial Services
- Life Science and Health Care ..

### Entities

- Limited Risk Distributor
- Manufacturer
- Reseller ..

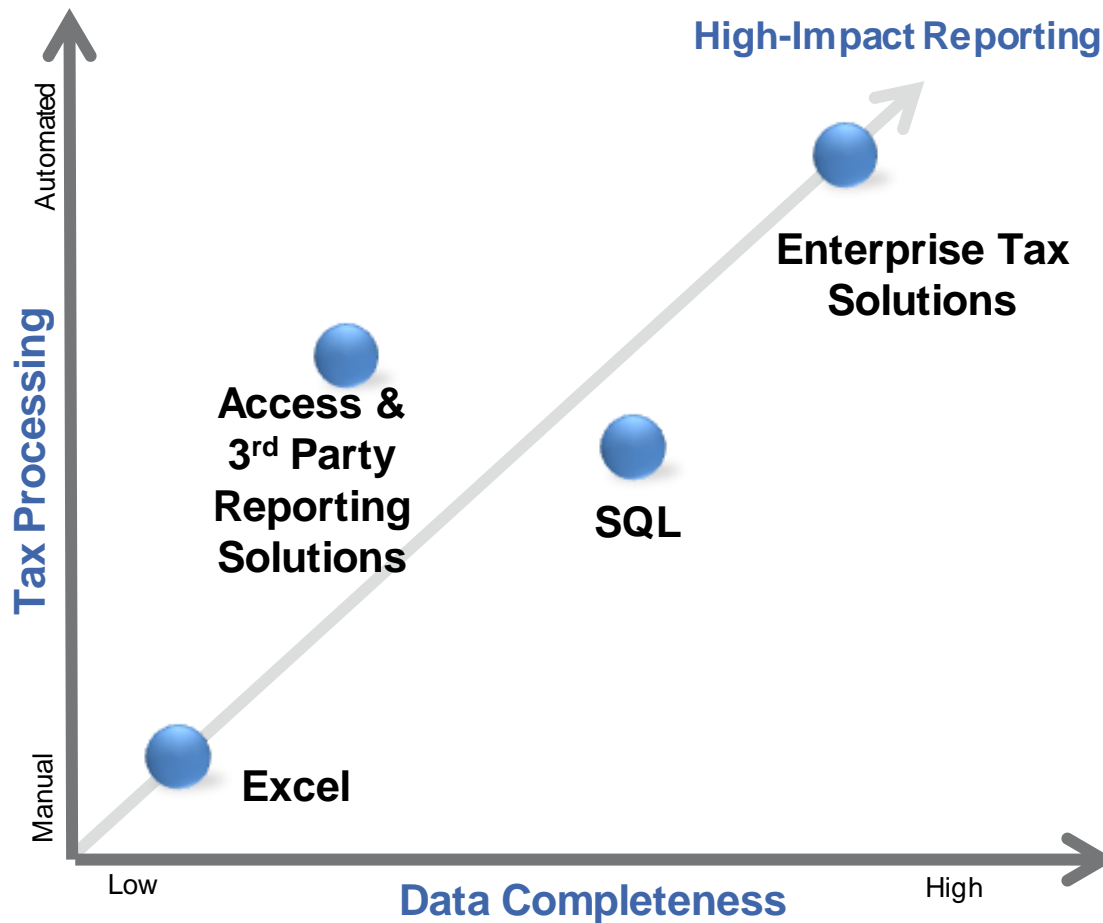
### Products

- Tangibles
- Financial Services
- Royalty

*Delivers increased accuracy, reductions in manual processes and spreadsheets, and near real-time monitoring and adjustment capabilities*

# Enterprise Tax Solutions

## *Competitive Environment*



Enterprise Tax Solutions are KPMG and TCS alliance technologies that bring automation across Tax Data, Tax Processing, and Tax Reporting to achieve the following objectives:

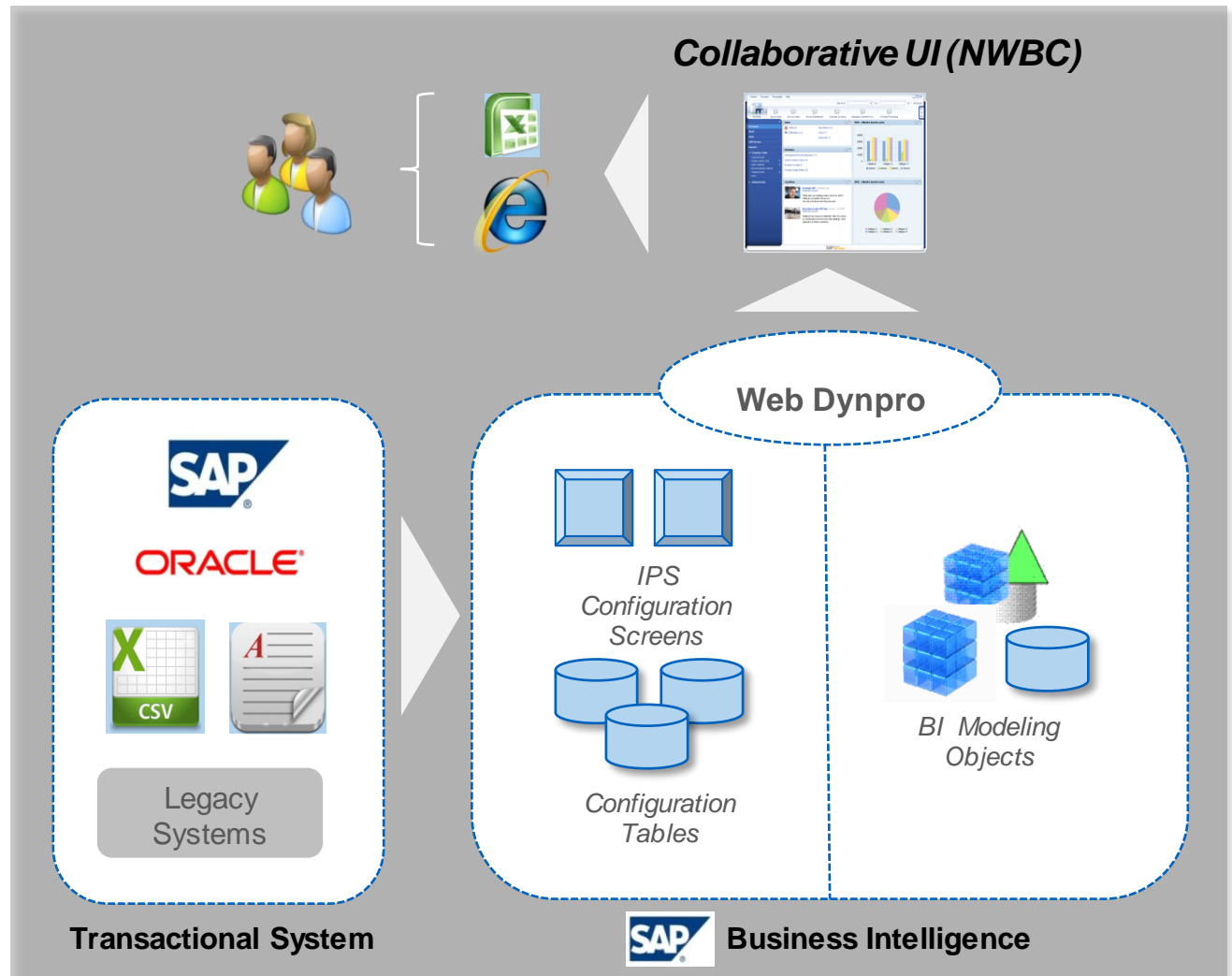
- **Data Completeness:** Leverages transaction-level data from the original source : Enterprise Data
- **Automated Process:** Automated means of normalizing and harmonizing data to suit various tax processes
- **Near Real-time Reporting:** Providing near real-time proactive analytics to measure and assess tax KPIs

# High Level Architecture -SAP

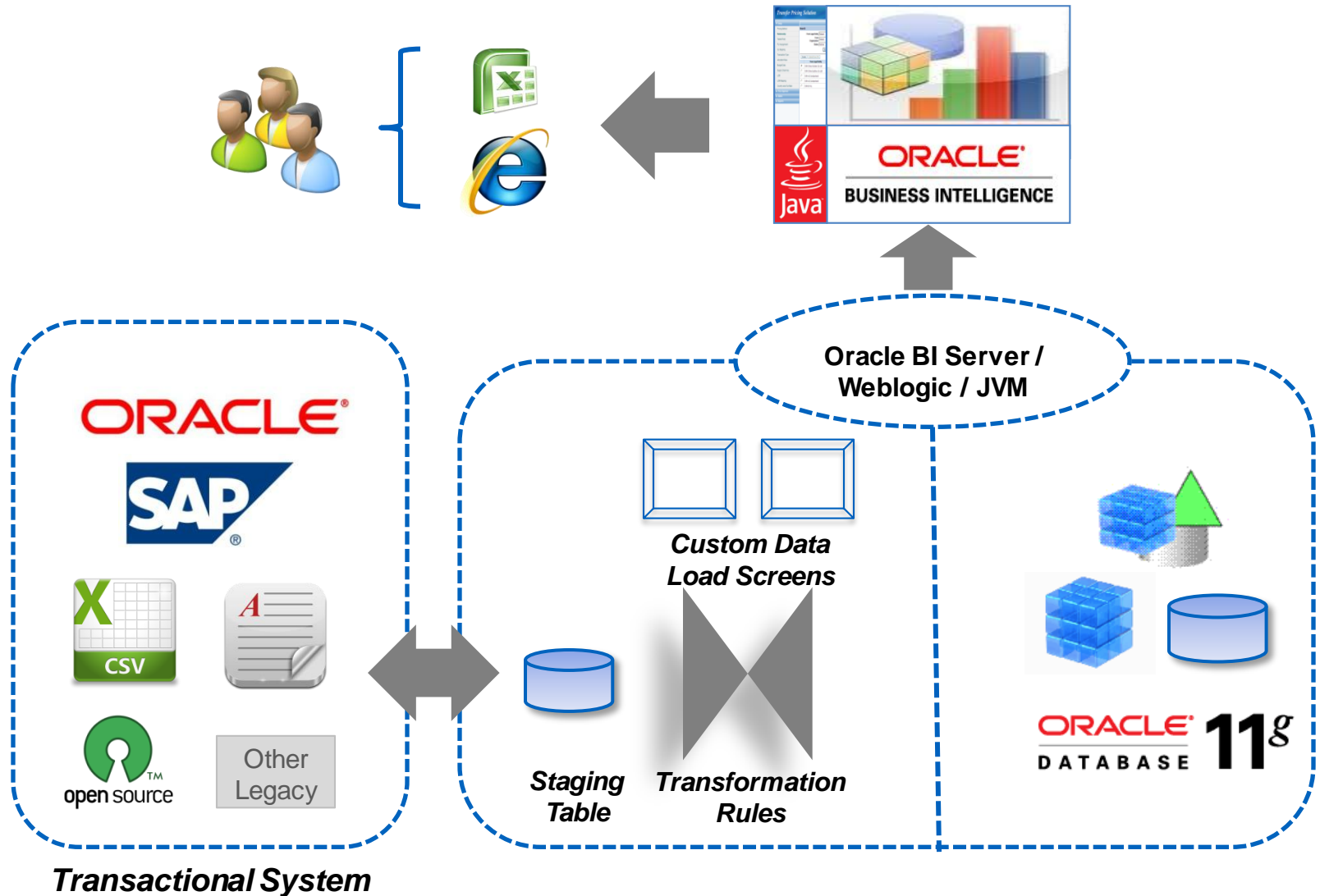
## Technology Stack

- SAP BI 7.0
- NWBC 3.00
- SAP BEx Suite
- SAP BO Dashboard Designer 4.0  
(Also available in BEx suite)
- Screens in Web Dynpro

*"IPS" resides in SAP Business Intelligence Framework.*



# High Level Architecture -Oracle



# Case Study - US Semiconductor Manufacturer.

## About Company

- Provider of critical products and materials used in advanced Hi-Tech manufacturing industry like semiconductors, Flat Panel display Manufacturing, compound Semiconductor, Disk Data Storage, Aerospace, Solar Energy, life Sciences and Emerging technologies.
- Headquartered in Billerica, Massachusetts; with R&D, customer service, analytical labs and manufacturing in Asia-Pacific, Europe and North America.
- Company employees 2,800 people worldwide, with roughly half employed in Asia-Pacific or Europe.

## Business Case and Project Objective

Key Transfer Pricing business processes were analyzed in the context of systems to identify processes that are automated vs manual. The results were most of the process like

- Data gathering
- Data Analysis and Reporting
- Plan/ Forecast
- Transfer Pricing Adjustments
- Transfer Price Resetting

were manual resulting in data incompleteness, auditability and retrospective adjustments

Company desires an integrated process and technology solution to realize the following objectives:

- Easy access to data
- Easy monitoring of Transfer Pricing results
- Easy way to make changes to transfer prices (make “reset process” more efficient)
- Simplify overall Transfer Pricing processes
- Reduce risk
- Simple user interface/ user experience (must be easy for anyone to use)

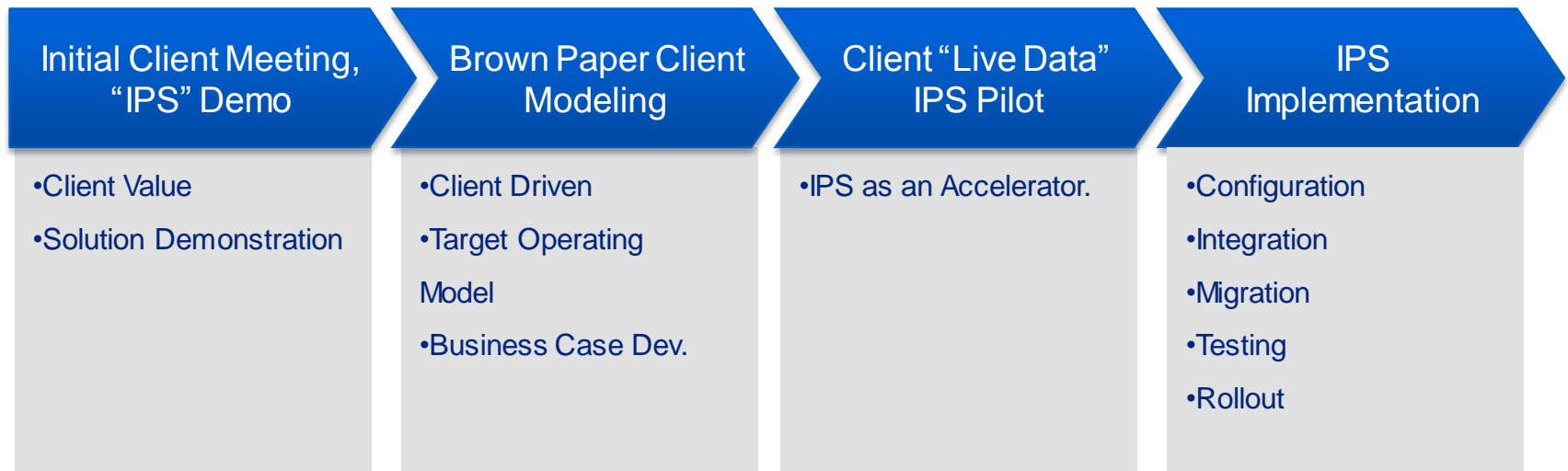
## Solution and Features

TCS is implementing Intercompany Pricing Solution (IPS) framework, a tool to help Company meet their Transfer Pricing objectives that bring automation across Tax Data, Processing, and Reporting to achieve overall

The solution features are:

- Tangible goods
- Transfer pricing methods – Cost Plus and Resale Minus.
- Data Completeness: Leverages transaction-level data from the original source Enterprise Data
- Automated Process: Auto Price Update, Auto Financial JV/Sales invoice
- Dashboard and Near Real-time Reporting: Providing near real-time proactive analytics to measure and assess tax KPIs

# Next Steps





# Thank You

IT Services  
Business Solutions  
Outsourcing