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Dbriefs U presents:
**The Impact of Tax on Corporate
Decision Making — How Its
Role is Evolving in Today's
Economy**

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Agenda

- Impact of tax on corporate cash planning and overall strategy
- How tax executives balance risk with urgent tax issues

The enhanced role of tax

Tax can be potentially positioned as a strategic, value adding player in business decisions.

- **Involvement:** Tax's growing presence in enterprise-wide risk management
- **Integration:** Understanding and acting upon tax consequences in business decision-making may enhance the potential for a robust outcome
- **Managing:** Laying the groundwork and controlling tax risk and reward within the company's risk management framework

Major areas of responsibility for corporate tax departments

- Financial reporting
- Tax compliance
- Tax planning
- Tax risk management

Financial reporting

- Internal control testing (Sarbanes-Oxley compliance)
- ASC 740 {FIN 48} — identification and disclosure of uncertain positions
- Forecast of ETR (effective tax rate)
- Reconciliation — tax return to financial statement accounts
- Preparation of income provision and tax footnote for financial statements and 10k
- Informing management on tax issues for MD&A of financial statements
- Assisting CFO with preparation for analyst calls
- Response to SEC inquiries relating to income tax accounting
- Advising on financial reporting aspects of tax planning
- Working with external auditors on audit of income tax accounts

Tax compliance

- Data management and integration
- Integration of tax reporting technology with enterprise applications
- Obtain and maintain documentation in support of major tax decisions/opinions
- Maintain tax calendar
- Coordinate in-house preparation vs. outsourcing
- Calculate and prepare quarterly estimated payments
- Forecast cash flow needs for tax payments and communicate with finance function
- Recover overpayments of prior taxes
- Manage relationship with the Internal Revenue Service
- Calculate differences between financial accounting and taxable income

Tax planning

- Evaluate tax strategies for:
 - Permanent cash tax savings
 - Impact on effective tax rate
 - Risk management issues
 - Listed transactions

Tax risk management: The risk intelligent tax executive

- The traditional view of tax and tax risk is
 - Siloed
 - Focused on assessments, penalties, and avoidance of unintended stakeholder impact
- A risk intelligent approach considers
 - Tax as a common thread running through and impacting many if not most business risks
 - Rewarded risk (the value gained through risk appropriate tax planning)
- Until tax considerations are appropriately integrated into an organization's approach to risk management, the job is incomplete

Risk intelligence in today's environment

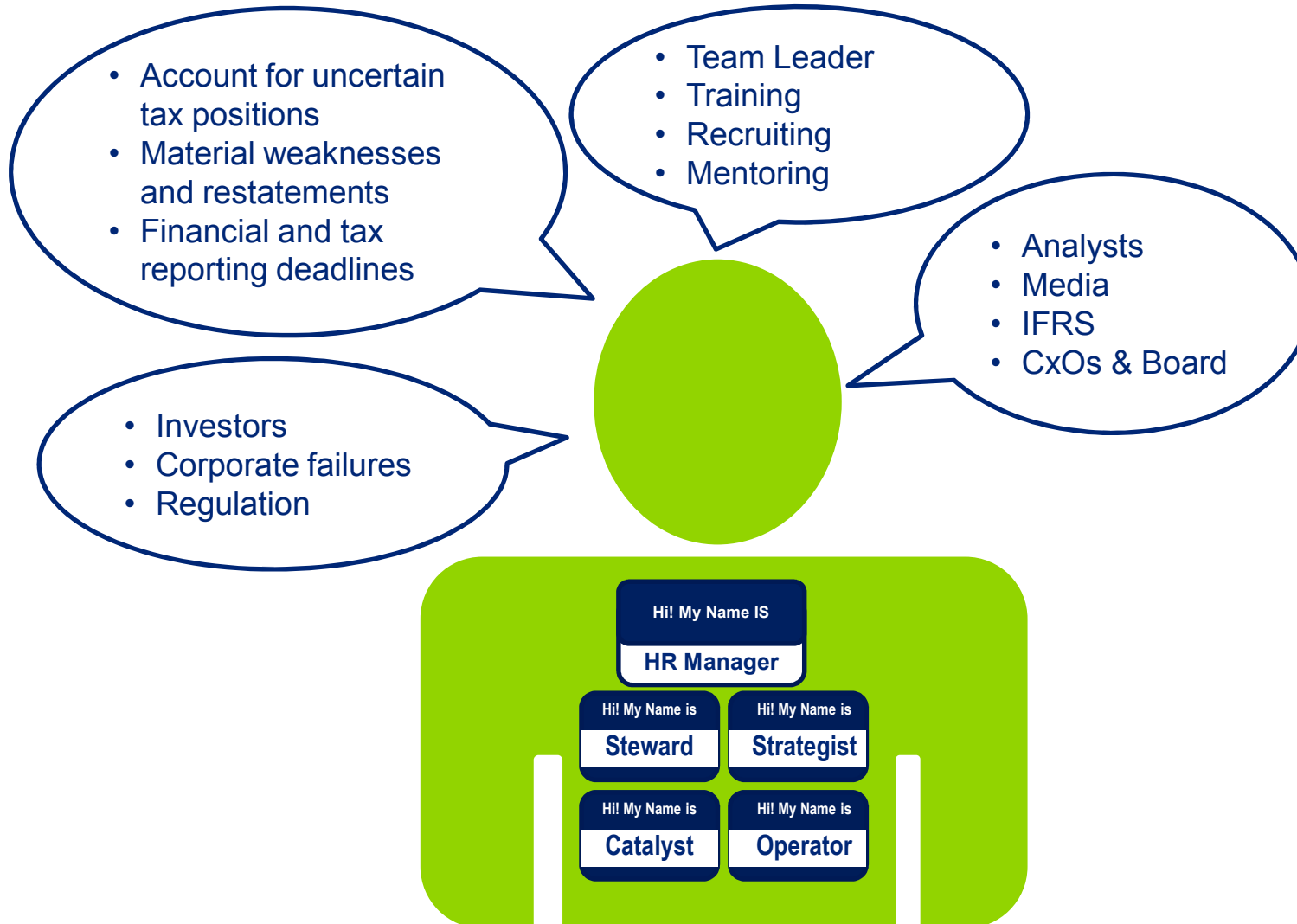
- Risk management is a fundamental driver and preserver of enterprise value
- External forces exert pressure and create new tax risks
 - Rapid globalization
 - Accounting scandals
 - Economic pressure
 - Government and tax authority activities
- Failure to respond effectively can result in
 - Lost opportunities
 - Diminished financial results
 - Regulatory or legal exposure
 - Fines and penalties

Tax risk management is a strategic concern to be addressed

- Many tax leaders and functions may find themselves challenged to execute a risk intelligent approach to tax risk management
 - Departments may be resource constrained and lack adequate leadership or expertise
 - Accountability is growing for tax, but empowerment to make a difference at the C-suite is limited
 - Gaps, redundancies and errors remain in the source data
 - Separate, yet dependent tax processes and technology persist

A risk intelligent approach to tax may produce an approach that not only overcomes these barriers but also drives value throughout the enterprise.

Tax executives juggle multiple responsibilities



Tax executives juggle multiple responsibilities (cont.)

- Tax executive's responsibilities include not only the technical roles of being a steward, strategist, catalyst, and operator but encompasses the soft-skills or HR/team leader roles such as:
 - Training
 - Recruiting
 - Mentoring
- Steward — Protect and preserve assets of the organization
 - Accurate and timely compliance
 - Effective audit defense
 - Traditional tax planning
 - Risk management
- Strategist — Provide financial leadership
 - Tax-effective business decision making
 - Proactive cash flow planning
 - Finance transformation
 - 9 – Post merger integration

Tax executives juggle multiple responsibilities (cont.)

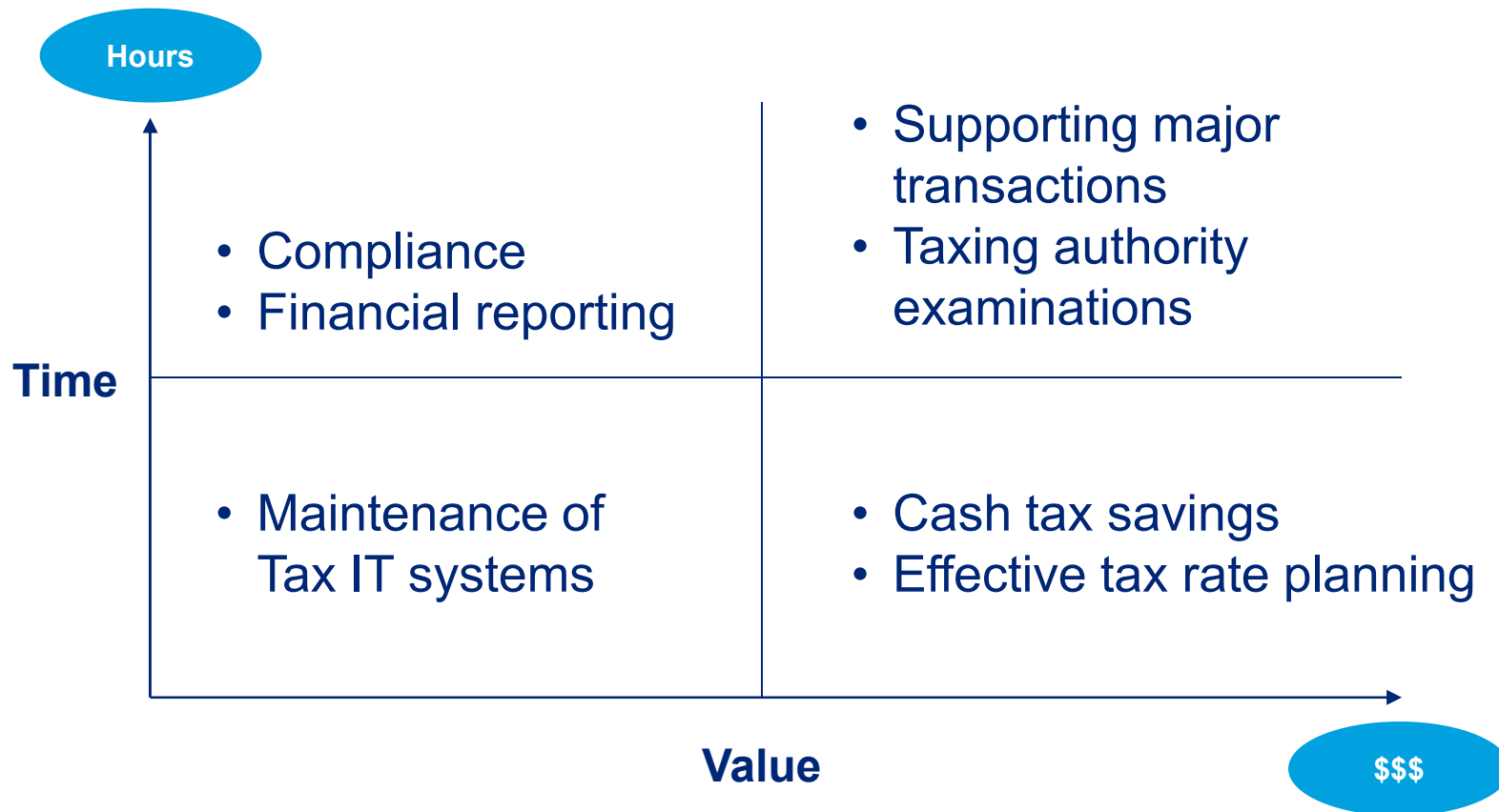
- Catalyst — Stimulate action across the organization
 - Execution of strategic choices
 - Identify and implement tax planning through partnering
- Operator — Balance costs and service levels
 - Customer satisfaction analysis
 - Benchmarking
 - Evaluate alternative resource models
 - Leverage automation opportunities

Contrast of resources to responsibility

- Income taxes account for approximately 15%–40% of the profit and loss statement of major corporations.
- There is a disproportionate ratio of tax resources to other financial, accounting and operating resources relative to the percentage of the profit and loss statement for which they are responsible.

Resource allocation paradox

Compliance vs. Planning — Value Add



Tax's time is now

- Tax is becoming an integral part of how good business is done — from strategy to execution to measuring success
- The opportunities and challenges available to tax professionals are extraordinary

Poll question #1

What external forces have driven change within the tax function in the last several years?

- New accounting requirements (e.g., ASC740 {FAS 109, FIN 48}, etc.)
- Sarbanes-Oxley
- Mergers, acquisitions, and divestitures
- Closer oversight from taxing authorities
- Organizational restructuring
- All of the above

Poll question #2

Where do you see opportunities for leveraging tax expertise in managing risks?

- Better integration of tax reporting and compliance needs in enterprise-wide systems
- Better collaboration between tax and other business units
- Better integration of tax into strategic or operating decisions
- All of the above

Poll question #3

Which of the following is an area where tax may play a significant role?

- Building of a new manufacturing facility
- Acquisition of a foreign subsidiary
- Installation of a new ERP (Enterprise Resource Planning) technology
- Development of a new product line
- All of the above

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