


Preparing the tax function for disruption:

Six lessons from Brexit





Brexit is a rapidly evolving situation with extremely disruptive implications for how businesses pay tax and develop tax strategies. Our recent [webcast](#) discussed how businesses could prepare for what's ahead even when the endgame remains unclear. Given this, we're continually updating the [timeline of Brexit milestones](#), as well as our legal experts' interpretation of what the [latest developments mean](#).

Keeping track of rapid political developments is the relatively easy part. Although Brexit dominates the headlines now, it's not unusual for businesses across the world to face constantly shifting political landscapes that make tax planning both essential and difficult. The lessons learned from Brexit are transferable. It is possible to develop resilience to withstand tax disruption on this scale.

Our key message is that it's [never too late to act](#). Although it's tempting to take a 'wait and see approach' to planning when you're caught in a fluid and fast-moving environment, that's rarely the best option. Our [Tax Function of the Future](#) series aims to predict the challenges that tax functions may face today or in the future and offer solutions that mitigate the impact and capitalise on opportunities.

Here are six 'no regret' actions that will help prepare tax functions for uncertainty on the scale of Brexit and fortify resilience in the face of disruptive events.

1

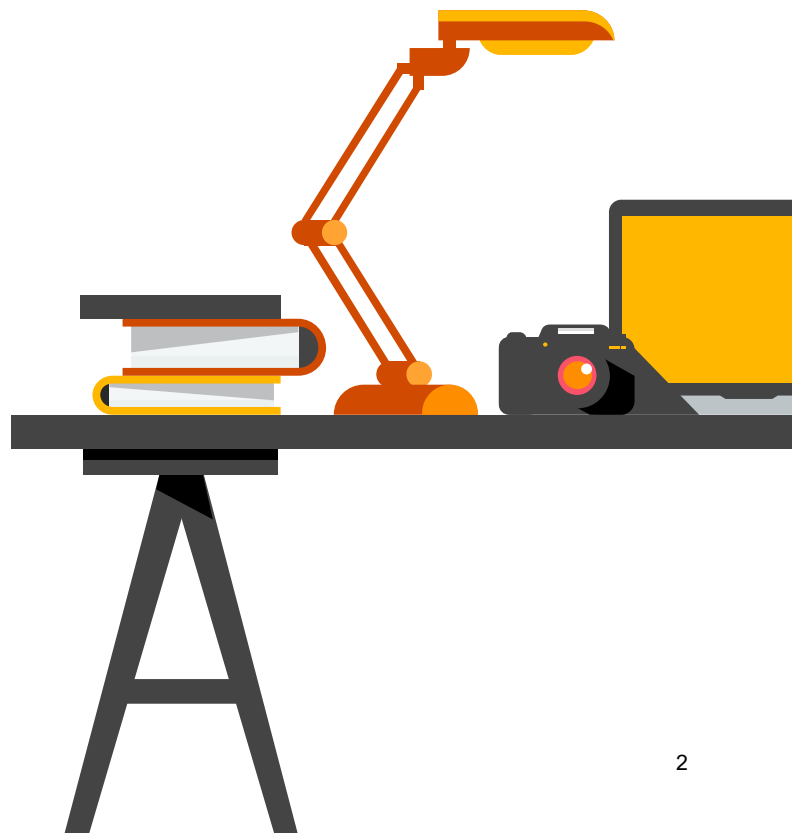
Act on data

Data isn't used in the same way when tax systems change. For example, in a post-Brexit world, different information may be needed when goods, services and people cross the border between the UK and EU. The first step to prepare for any big tax changes is to assess and identify any data deficits. Who is responsible for the new data the tax function will need? Close collaboration with other functions will make sure that the data needed is available, reliable and consistent.

2

Understand your tax sensitivities

Disruption inevitably has tax implications, some of which are immediately obvious and some of which are not. Brexit, for example, evidently changes the tax requirements that UK-based businesses must meet in the short and long term. The tax implications of digital disruption in many sectors, by contrast, were not immediately apparent. During any disruption, it's essential to carry out a detailed assessment of the tax repercussions, the additional taxes that may need to be paid, and the processes in place to address the changes. Understanding the sensitivity of your business model and tax position to various disruptive scenarios is essential to allow you to be on the front foot.



3

Speak to your people

Change is unsettling with ramifications that go beyond professional considerations.. Clear, regular, proactive communication – including the opportunity for employees to ask questions and explain their concerns – is essential throughout any disruptive event. People will need reassurance about the continuity plans that are in place, so they, in turn, can provide reassurance to others. For example, EU citizens working in the UK and UK citizens working in the EU, need support and advice on how Brexit will affect them and need to know what the business is doing to help.

4

Prepare the supply chain

Supply chains are always susceptible to changing rules. With Brexit looming, the possibility new customs rules and costs arise in a number of scenarios. Every part of a supply chain needs to be aware of what will be expected under each potential scenario: Who will complete the required customs declarations – the business, a third party logistics provider, the supplier? How will you make sure that the right data is available to the right people when it's needed? Can any shipments be rescheduled? Is a different supply change now preferable? Temporary manual processes may be needed in the short term, so make sure that the right procedures and controls are in place.

5

Actively contribute to continuity planning

It's essential that tax has a seat at the table when circumstances change and collaborates closely across all relevant functions. Tax should be an essential consideration in any strategic planning and this becomes even more important during massive disruptive events. At the tax function level, detailed continuity planning should begin with a mapping of the areas of risk to understand how disruption will impact the function. Decide who should be responsible for business continuity for each area of risk, including contingency planning to backfill their roles if needed. When disruption escalates, rapid decision-making becomes the norm, so a clear governance policy will be needed.



6

Plan to be agile

Does the tax function have all the skills and resources it needs to effectively plan for disruption? Does it have the capability to determine, as quickly as possible, the financial impact and tax implications? Brexit won't be the only disruptive event that tax functions will experience – a proactive approach, including an honest assessment of ongoing capabilities and where they need to be strengthened, is essential. Many countries are revising their tax systems in ways that will affect business planning; India, Saudi Arabia and the UAE all introduced VAT in 2018, for example. Would your tax function have the resources available to invest in systems changes and tools to manage this kind of transition?

The most agile tax functions are characterised by comprehensive data analytics tools and expertise, scenario modelling skills, integrated governance structures and a comprehensive tax risk framework.



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