

Inside the finance factories

Critics say tax compliance centres lead to missed tax-planning opportunities for clients and limited career progression for staff. Proponents dispute this and point to the cost efficiencies

KPMG's Tax Centre of Excellence launched in Glasgow's International Financial Services District on 1 July, creating more than 150 jobs. It aims to process client tax returns from the firm's 22 UK offices. Centre director Colin Williamson says: 'By centralising our tax compliance work we will create cost and operational efficiencies which will benefit both our clients and us.'

Operations on this scale may throw up snagging issues, so work will be migrated gradually and capacity built up slowly. 'We expect to take at least a year to get up to speed, but our clients won't see any teething problems as we have processes in place to mitigate the impact of these,' says Williamson.

The risk factors

There are risks that centralisation can affect control and communication, and that some tax planning and advisory prospects will be missed because of the heavy reliance on systemised procedures. Some say an assembly line approach means that tax planning opportunities are not actively looked for. However, Anna Young (name changed), who works in a tax returns processing centre at a top 10 UK accountancy firm, disagrees: 'In my experience the emphasis, although mainly on tax returns preparation, is also on spotting opportunities and we are measured against the number we spot.'

On the other hand, Young admits she and her co-workers are considered by other tax staff within the firm 'just as processors': 'They don't see what we see. When it actually comes down to it, each case is individual. Each person submits their information in a different way and each client has different expectations, so the overall experience is as far removed from a factory or mere processing approach as you can be.'

Being able to nurture close client relationships is also key. Local offices may have more time to add value with advisory work if compliance processing goes elsewhere. 'Software tools and online filing has reduced the client

value in tax compliance,' adds Jake Iles, director at independent property tax specialist Six Forward.

'The introduction of a general anti-abuse rule (GAAR) has moved the emphasis from sophisticated schemes to commercial planning that is tax-efficient by making best use of reliefs and allowances in the way parliament intended. While this would appear to close the opportunities for tax planners, in reality the tax adviser role will become critical in ensuring clients pay no more tax than required.'

In a processing centre, getting the software right is paramount, but it is the people who must be able to deliver

way,' says Williamson. Young's firm also offers opportunities for career progression in personal tax compliance. 'People can also branch out into corporate tax or advisory,' she adds.

Offshoring compliance

Other Big Four firms have set up tax compliance centres overseas. Deloitte has centres of tax excellence in Belgium, India and Singapore. Its global compliance centre in Belgium handles more than 18,000 VAT and CIT returns in 40 countries, and files more than 500 statutory accounts every year for many large organisations looking for a pan-European service.

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a service that clients can trust. 'It can take 10 months to change a technology platform, but 10 years to create a team of qualified people,' says Simon Watson, head of global outsourcing at BDO, which provides global compliance services, company secretarial, payroll and business process outsourcing at its processing centres around the world.

What kind of personnel want to work at processing centres? Some of the positions at KPMG's centre have flexible working hours and the firm has targeted graduates, parents returning to work as well as mature professionals looking for a career redirection. All will be 'skilled tax professionals, from junior to senior managers', Williamson says.

In a standalone tax compliance centre, staff may have limited career opportunities, but this is not the case in a large, multi-disciplinary firm like KPMG. 'We've had a number of employees enquire about moving into our compliance centre, either on secondment or permanently, and anticipate being able to offer opportunities to move the other

Offshoring compliance comes with challenges. 'It's important to find the right balance between centralising activities to achieve economies of scale and using local expertise to get the best compliance service,' says Watson. 'This is why we use a hybrid model where the processes are co-ordinated centrally but executed locally – it enables us to guarantee local compliance while centrally controlling costs.'

Smaller firms also offshore book-keeping and tax compliance to countries with considerable expertise. Mukesh Shah, director of FisherE@se, part of accountancy firm HW Fisher & Company, says: 'We operate multiple centres in India as joint ventures. Cloud computing has changed the way book-keeping services are provided, and it's important we do this to stay ahead of our competitors. We also take advantage of the time difference.'

Do people in Bangalore, say, know about UK tax compliance? 'All staff are vetted by our joint-venture partners and are qualified to undertake the required services,' says Shah. 'Performance is



continually reviewed and compliance training is provided so that they are fully aware of the legislation and guidelines,' he adds. Staff are also fluent in English. 'There will always be cultural differences but this is part of the excitement of today's global marketplace.'

Offshoring is not for everyone. 'We tried outsourcing to India but it didn't work for us,' says Carl Reader, director at Dennis & Turnbull (D&T). 'We could not manage the operation remotely and we didn't manage the process well with our existing staff, either. They feared change and job losses and, in turn, were

reluctant to assist the outsourcers and tried to nit-pick problems.' Instead, D&T developed its UK expertise in servicing franchising and tuition. 'In franchising we effectively act as a compliance centre on behalf of franchisors, who get all their franchisees to use us for all their accounting needs,' says Reader.

Many other SMEs are developing back-office accounting, payroll or tax returns processing as specialisms. 'By outsourcing their payroll, firms save on the cost of software and training,' says Diane Brennan, managing partner at Jackson Stephen. 'Also, HMRC is

currently contacting those who are unaware of RTI and as a result haven't started submitting their returns but this shouldn't affect those who have outsourced their payroll to us.'

Brennan dismisses criticism that this is an assembly line or factory approach. 'We take an individual approach which includes processing to a high standard while managing specific client requirements, with plenty of client contact and on-hand support,' she says. ■

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