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Has the level of scrutiny on corporate taxation come to a crescendo, or has the real scrutiny just begun?

At the time, the 2007 enactment of the FIN48 (Uncertain Tax Positions) seemed like a far reaching requirement by the regulators. Yet, FIN48 seems to have only whet their appetite for greater transparency, and the stakes have only become higher.

Industry-leading companies such as Caterpillar, Apple, and Amazon continue to

Among the primary challenges faced my most MNEs is the fact that the financial systems currently in place do not support adequate tax reporting for the new tax transparency requirements (e.g. lack of legal entity detail, lack of a tax-sensitive chart of accounts, etc.). These systems were implemented years ago- long before corporate taxation had become front page news.

First and second generation financial systems, such as general ledgers and financial consolidation systems, were implemented primarily to support statutory and management reporting. Tax Reporting was an afterthought, and typically relegated to spreadsheets or stand-alone solutions from tax return vendors. The fundamental problem with this approach is that the tax reporting cannot be done from the financial book of record.

Instead, almost all tax reporting has been accomplished as an offline "reconciliation" instead of a core part of the reporting originating from the financial systems. This results in two primary issues for MNEs. First, the offline reconciliations represent a material disconnect in the auditrail of reporting a book number to the final tax number. Secondly, the resulting inefficiency caused by the offline reconciliations creates significant inefficiencies in the various tax reporting processes.

Most finance and tax executives recognize that the underlying financial systems are not adequate for tax reporting, but were hesitant to make the enormous investments required to overhaul their technology. However, the convergence of increasing tax scrutiny and the well-timed evolution of finance solutions are driving many leading companies to begin making the necessary changes in their financial reporting processes.

The emergence of cloud-based financial systems represents the light at the end of the

offering solutions that are tailor-made for corporate tax professionals and fully integrated into the financial reporting systems. This arms tax with the proper technology to better support current and future tax transparency requirements.

It's important to note that, corporate tax stakeholders cannot be a bystander in this process of technology evolution. Without active engagement with their peers in finance and IT, it is possible that the same mistakes can be made in the newly implemented financial systems. Prudent tax executives will take a proactive role in technology selection and implementation. The new level of scrutiny on corporate tax justifies this. Furthermore, the inclusion of tax requirements in financial systems will greatly reduce the level of effort required to support tax reporting requirements – thereby saving millions of dollars in lost productivity.

Through engagement in the next generation of financial system implementations, virtually the entire tax function can be materially improved. Processes such as the corporate tax provision, tax compliance, and controversy management can be improved through better alignment with financial systems. Perhaps one of the greatest potential areas for improvement is the transfer pricing process. A simple discussion focusing on risk management and process efficiency should capture the attention of your executive peers in finance and IT.

For multinational enterprises (MNEs), the stakes could not be larger. Tax Reporting is no longer just a consideration for the corporate tax function. This level of scrutiny has elevated corporate tax reporting to a board-level concern. In response, tax reporting must become a fundamentally integrated part of the corporate financial systems. Yesterday's disconnected approach to corporate tax reporting is no longer an acceptable risk to bare, and the proactive executive currently has a golden window of opportunity to enact the change.

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