

Tax Departments And Data Analysis: 3 Ways To Fill The Gap

Law360, New York (August 28, 2015, 3:10 PM ET) --

Part 1 of this series asked tax department leaders to assess whether they have sufficient database analysis skills to keep pace with the new “risk assessment” responsibilities created by the Organization for Economic Cooperation and Development’s base erosion and profit shifting (BEPS) initiatives (click here to read part 1). For tax departments concerned with a gap in database analysis skills, this article provides three practical solutions to address that risk.

Recap of Part 1

Today’s tax department leaders are likely debating the sufficiency of their department’s database analysis skills, particularly in the face of growing volumes of data and tax authorities that are increasing their focus on the value of large-scale data analytics (e.g., the OECD’s country-by-country reporting requirements). Part 1 suggested three possible reasons why tax departments might not have large-scale database analysis skills today:

- Tax department employees receive degrees in accounting, tax or law, and may perceive database analysis skills as outside their capabilities.
- The tax department has historically outsourced database analyses to the information technology department or to outside service providers.
- The need for database analysis is sporadic, only arising from time to time, and may not warrant full-time personnel.

Part 1 discussed several potential disadvantages of having insufficient database analysis resources and posed the following questions:

- Can you train tax department staff to use large-scale database analysis tools?
- Do you perceive your financial planning and analysis (FP&A) group as having better data analysis skills than the tax department and, if so, why?

This article describes three ways that tax department leaders might solve the problem of insufficient database analysis resources.



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Train Existing Resources

Your tax department employees do not need to be computer science experts to use database analysis tools. In our experience, some subset of existing resources can become fluent with analytical tools for commercially available, large-scale relational databases like Microsoft SQL Server or Oracle.

The first step is to determine whether your tax department has access to large-scale relational databases. This is most likely the case. According to InformationWeek's "2014 State of Database Technology" report, 75 percent of respondents surveyed use Microsoft SQL Server and 47 percent use Oracle.[1] In our experience, Microsoft SQL Server and Oracle are robust and well-supported relational databases.

If the tax department has access to large-scale relational databases, the next step is learning the tools to extract insights from the relevant data. Structured Query Language (SQL) is a common programming language used to analyze relational databases. SQL is relatively simple to learn, and self-directed or instructor-led training is widely available. An introductory training course is all that is needed to get started. For example, Microsoft offers a five-day "Querying Microsoft SQL Server" course for business analysts.[2] A basic understanding of relational databases and the Windows operating system are the only prerequisites. In other words, a degree in computer science or information systems is not required. To the extent your staff needs ongoing support, a quick Internet search will often reveal solutions and sample SQL code.

Gaining access to relational database tools and learning to extract information using SQL does not guarantee valuable insights. Finding the best available source of data for your analytical needs is equally important. This involves understanding the company's data repositories (e.g., operational systems or data warehouses), how data was collected, the structure and meaning of individual data elements, whether it contains the level of granularity desired, and assessing its reliability (e.g., accuracy and completeness).

With the above building blocks, tax department personnel can develop database analytics expertise on the job and learn more complex analytical techniques over time.

Recruit Full-Time Resources from Other Departments

A second option is to recruit full-time personnel from other internal departments that have relational database skills but may lack experience in tax (e.g., financial planning and analysis or IT departments). Having full-time access to skilled database resources allows you to involve them in the process from the ground up and teach them the tax-specific nuances of your requests. This will allow them to provide the proactive risk assessment competencies desired. It also mitigates the risks of using "on-demand" internal resources that may have insufficient background into the tax department's analytical needs.

Hire New Employees with Database Analysis Skills

A third option is to hire someone with database skills. If you are growing or replacing head count, add database analysis skills to the job description. One example of relevant verbiage might be:

Ideally, candidate should be proficient with relational database analysis tools (e.g., Microsoft Access, Microsoft SQL Server, Oracle, MySQL, etc.) and have experience with analyzing general ledger and trial balance data.

The suggested verbiage does not make relational database skills a prerequisite, but rather emphasizes the importance of those skills to the position.

Conclusion

Corporate tax departments should critically assess their database analytics capabilities to respond to the proliferation of data and intensifying rhetoric by tax authorities about large-scale database analysis. Using one or more of the practical solutions mentioned above, tax departments can enhance their tax planning, compliance and risk assessment functions.

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[1] Emison JM. 2014 State of Database Tech: Think Retro. InformationWeek. Accessed Aug 20, 2015. <http://www.informationweek.com/software/information-management/2014-state-of-database-tech-think-retro/d/d-id/1114186>

[2] Microsoft. Course 20461C: Querying Microsoft SQL Server. Accessed Aug 20, 2015. <https://www.microsoft.com/learning/en-us/course.aspx?ID=20461C>