

Changes in future tax function according to Unilever

'I FORESEE A SUBSTANTIAL CHANGE IN ROLES'

KPMG's Loek Helderma was invited to Unilever Head Quarters in London to talk about (the future of) tax with Unilever's CFO, Graeme Pitkethly and EVP Global Tax & Treasury, Janine Juggins. RAAD reports.



Janine Juggins
Executive Vice
President Global Tax
& Treasury Unilever



Graeme Pitkethly
Chief Financial Officer
Unilever



Loek Helderman
Loek is Tax Partner at KPMG
Meijburg. Until 2010 he worked
at Unilever as VP Tax and as a
member of the Global Tax
Leadership Team

Loek Helderman: Could you describe how the current tax function is organised in Unilever?

Janine Juggins (JJ): "The tax function at Unilever is a global function in that all tax professionals report to the global head of tax. At a manager level there are roughly 85 people around the world working in the tax group. And then at a junior to manager level it's in the range of about 175. We are very decentralised, so most of our tax professionals are located in country, alongside our businesses. The only place where we wouldn't have a tax representative in country would be where the country simply isn't big enough. We also have a corporate team that sits in a few places, London, Rotterdam, New York and Singapore. But apart from that it's really sitting alongside our businesses. In most of our big countries we've outsourced tax compliance - corporate income tax return - to one of the Big Four."

In terms of the challenges of the tax function, what do you see as the main challenges of a tax function the size of Unilever today?

Janine: "We very much support the OECD BEPS initiative to reform international taxation so that profits are taxed where value is created. We aim to make sure that we pay the right amount of tax in the right place and use our tax principles to guide us when difficult judgements need to be made. We would like to see similar improvements in preventing double taxation and increasing certainty for businesses to invest. We face a number of tax audits across the world and these take a lot of time and resources. Eliminating these uncertainties would be beneficial for tax authorities and taxpayers alike."

Graeme Pitkethly: "Three big forces are changing the landscape and making it different in a way. One is technology, because technology is now a fundamental enabler of taxing authorities, governments and companies in terms of changes in the way business is done. The second one is there's a tremendous shift in any business value creation from tangible sources of value creation to intangible sources of value creation; I

think the most fascinating discussion is where does intangible value reside? The third big force is economic nationalism, resulting in a different more adversarial global order as a consequence of the political environment in every country."

Janine: "I would like to add another force of change. We are coming from an era which has seen a huge loss of trust. Part of rebuilding that trust is that tax authorities no longer assume that the taxpayer has been acting in good faith and has done their best to comply with regulation. Tax authorities now want to test every single statement. There is an enormous focus on transparency. These four forces are going to shape the tax environment of the future. We might end up in a scenario where the tax authorities are producing the tax returns and the taxpayer is auditing it. A complete reversal of roles is where we are heading in the future."

And in terms of the tax function as such and the people in tax, are there any particular issues concerning the required set of skills for tax professionals?

Janine: "Yes, this is a hot topic, as you know, in the tax department. We try to imagine the future: what does the tax department look like in five years' time? What types of things might they be doing differently compared to today? And what type of skills does that require? Is it easier to train an IT- person in tax skills or is it easier to train a tax person in IT? We're working our way through all of those types of questions. Let's not forget that you have to understand what is happening within the business in order to do the jobs of finance and tax properly. The second thing is that, indeed, we all have to become much more technologically aware, maybe not specialists, but definitely aware."

Graeme: "If you go out five years, maybe seven or ten years, I think generally speaking you see a blurring of functional distinction. I think the company in the future might not have very distinct HR or Finance or Audit or Tax. Of course a degree of expertise will remain necessary, but broadly speaking business is driven by technology, by data, by thinking more about



In 1884 Lever & Co starts producing 'Sunlight' soap. The success they have achieved means that, today, 2.5 billion people will use the products to feel good, look good and get more out of life.



The Unilever Sustainable Living Plan, launched in 2010, describes three goals before 2020:

- Improving health and well-being for more than 1 billion people
- Reducing environmental impact by half
- Enhancing Livelihoods for millions of people

the activity of a business. Thinking through the lens of the consumer experience, thinking about the lens of the employee experience, thinking about the lens of the customer experience, you can join things up in a much better way that doesn't require the complexity of functional distinction. Another thing we've learned is that you can have very strong functions, but in those functions, the power comes from the ability to collaborate across the functions and across the different parts of the business relatively seamlessly. This inevitably gives rise to a blurring of the distinction of what a finance director does versus an HR director versus a supply chain director."

Janine: "Yes, we're certainly using technology skills as an additional profile preference when looking at potential candidates these days. But the area that we are already focusing on is bringing to life the use of tax technology in practice. In order to make it less daunting and more accessible we have implemented a number of small projects in the area of tax technology. People looked at areas where they had pain points in their current processes and asked themselves: how can technology help? This kicked off a number of interesting and helpful projects, which helped people embrace technology and become more used to thinking in terms of the potential of technology."

One of the main challenges for (Dutch) corporates is to identify areas where the tax function and risk management can be improved by using technology. Do you agree that that is a driver for getting into technology?

Janine: "Finding the right business case and getting the funding is a big hurdle, particularly with the more expensive projects. But one of the great innovations that we trialled last year in Unilever, is the creation of a "digifund" for small projects allowing people to bid for funding without the drama or the big business case. This made it easier to get going and that is really important."

Graeme: "Today I see far less risk in large scale IT problems, compared to the past. There are many technologies available nowadays, and it is hard to make a really bad technology choice. But when writing RPAs (Robotic Process Automation) for instance, two things are important: first of all, you have to think about the access of what the robot is doing and you have to have proper control over it. Secondly, you need to think about the ethics of data reten-

→ **Graeme Pitkethly, Chief Financial Officer Unilever**
Pitkethly joined Unilever in 2002 and was previously Executive Vice President and General Manager of the Unilever UK and Ireland business. Prior to this he held a number of senior financial and commercial roles within Unilever, including Senior Vice President of Finance for Global Markets, Global Head of M&A, Head of Treasury, Pensions and Tax and Chief Financial Officer of Unilever Indonesia. Graeme brings considerable internal and external experience to the role having spent the earlier part of his career in senior corporate finance roles in the telecommunications industry and at PricewaterhouseCoopers.

→ **Janine Juggins, Executive Vice President Global Tax & Treasury Unilever**
Juggins joined Unilever as SVP Global Tax in 2013. Ms. Juggins joined Unilever from Rio Tinto where she served as Global Head of Tax. In July 2018 she became Group Treasurer at Unilever in addition to her tax responsibilities. She has more than 25 years' experience in the international tax arena. Her career also took her to FTSE 250 engineering business APV, where she served as Head of Tax, and as VP of Tax-Trading at Enron Europe. She is Chair of the UK CBI Tax Committee.

'Strictly separated departments of HR, Finance and Tax may disappear'



tion in your business. This is a really interesting area for companies to think about. Also relevant for the Big4 for that matter"

What is your view on the role of the Big Four? What do you expect from them?

Janine: "It is important to speak to many advisors to get a good perspective of the latest developments. It has been good working with advisors, particularly where they have got specific technology that we've then been able to deploy to our own systems and data. Concerning RPAs and addressing pain points in our current processes, once you've taken the first few steps and built some confidence, I think it's actually quite important to step back and think about not just automating the process that you've got, but ask yourself -possibly with the help of an advisor- whether there's actually a different way of doing things to start with."

Back to the tax function as such. During the EMA Tax Summit in Rome last year in a panel session we touched on the size and content of a tax functions. The speakers estimated that in three to five years' time, 20% of people will be data analytics, technology experts, with a tax background. Do you see this happening in three to five years?

Janine: "The routine work will be automated, but you are still going to need somebody who can deal with the tax auditor in a country, who understands the culture, the context, and the tremendous importance of getting the tax audit right. Time freed up by automating the routine can also be spent on more value add opportunities. But I do see that, in terms of the skillsets, you will need to have people with greater ability to interrogate systems or at least people who understand how data is treated within the system and how you may use the data. In other words: you need somebody who has -on the one hand- the specific IT-knowledge to get the data out and how to deal with the

data, but who -on the other hand- knows what he/she is looking for."

Then there is the development of tax authorities changing the way they levy tax, using technology. What do you think of this development?

Janine: "Concerning transactional taxes we are moving more into the sphere where it is not going to be the companies that prepare the tax returns, it is going to be the other way around in terms of burden of proof. When it comes to direct taxes, we have to wait and see what is going to happen in the digital economy space and whether that drives further changes in the international tax system."

Does Unilever want to be a frontrunner in transparency?

Janine: "Since the launch of our tax principles in 2013 we have been sharing more information each year, the information that we think will be useful to the potential audience and addressing the key areas of concern. We have a page, What Matter To You - Tax, on the sustainability tab of our website. You are required in the UK now to talk about your tax strategy, so that's covered in there. Also you will find a lot of additional explanation including how our governance framework is set by our tax principles, what they are, a few examples of how they're applied, what we think about tax incentives. So we are quite open."

Unilever has been at the top of the Dow Jones Sustainability index for many years. Is that a deliberate goal?

Graeme: "Our business model is all about a multi stakeholder approach with purpose at its heart. Responsible, sustainable, consistent and profitable growth is not only the right thing to do but will deliver benefits for our consumers, suppliers, customers, employee and our shareholders. The Dow Jones Sustainability Index recognises our performance in many areas and the transparent way in which we communicate our performance." ■