

Implementing a robust system to manage tax reporting

When Whitbread needed better ways of calculating chargeable gains, deferred tax and other asset related tax reporting, it turned to tax technology specialists Tax Automation and its Capital Assets Database (CAD) system.

Background

Whitbread plc is the UK's largest hotel, restaurant and coffee shop operator with around 40,000 employees. Established in 1742, Whitbread is one of the UK's oldest and most well-respected companies. Now the UK's biggest hospitality company with well-known brands such as Premier Inn and Costa, Whitbread also has an impressive portfolio of restaurants including Brewers Fayre, Beefeater Grill, Table Table and Taybarns.

Tracking the cost of capital assets

Whitbread's varied portfolio of hotels, restaurants and coffee shops comprise a mix of freehold and leasehold property. Paul Godfrey, Tax Reporting, Processes and Controls Manager at Whitbread, is responsible for the tax accounting for all these assets. As such he needed to find a better way to track the tax base costs in order to support chargeable gains computations. Accounting for property base costs, chargeable gains, rollover and indexation for hundreds of properties, with a value of £2bn, was starting to get very unwieldy, especially as everything was being managed in manual excel spreadsheets.

Paul Godfrey takes up the story:

"At Whitbread we have a lot of data which was becoming difficult to manage. We needed an automated way of calculating chargeable gains and deferred tax. We therefore set about looking for a solution that could automate the process, store all our costs and help us produce the calculations more cost effectively.

The technical complexities of accounting for deferred tax can be extremely challenging and require robust data and calculations. Our main aim with acquiring new software was to put all these tax calculations into one system, calculate the numbers for our year end accounts, and manage the rollover claims that we submit on an annual basis."

Finding a robust solution

In February 2014, Whitbread undertook desk research and identified Tax Automation as one of several potential suppliers. Whitbread put together a specification and sent this out to the three suppliers that looked to be the best fit. Tax Automation's Capital Assets Database (CAD) system was one of the solutions on the shortlist. CAD automates calculations of actual, projected and contingent capital gains as well as capital allowances, depreciation and temporary difference reports. Impressed by CAD's capabilities, Whitbread invited Tax Automation to demonstrate the system along with presenting their proposals for managing



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what would be a complex implementation. Subsequent to these discussions, the decision was taken to appoint Tax Automation. Paul continues:

"We selected CAD because it was the best fit for our technical requirements, the Tax Automation team's proposals addressed our concerns and the solution could be delivered on a hosted platform which eased the implementation from an IT perspective."

Once appointed Tax Automation further refined how Whitbread's needs would be met by its existing systems, what changes and configurations Tax Automation and Whitbread would have to undertake, and what changes to reports would be required. Tax Automation immediately set about compiling all this information while Paul started to pull together and cleanse all the data to load into the system. Tax Automation completed the system set up, agreed what the various legal entities were and which properties were held by which legal entity, as well as details of all the costs to be loaded into the system.

In addition to the data loading, Tax Automation developed new detailed reconciliation reports within CAD to better support Whitbread's deferred tax requirements along with an Excel model fed from CAD that allowed bespoke calculations specific to Whitbread to enable them to generate the final tax figures.

Getting the seal of approval from the auditors

The project is now complete and CAD is fully functional and implemented. In total the whole exercise took about six months from start to finish. This was down to the fact that Whitbread wanted to undertake detailed User Acceptance Testing (UAT) before going live and also because of the complexity of the data that needed to be loaded into the system in the first instance to generate the required reports. Paul Godfrey concludes:

"Fundamentally this was about having a robust system to do those calculations for us. I did quite a bit of testing back to my original excel spreadsheets to ensure the system was doing what it was supposed to do and it was accurate. I think the whole process went so smoothly because Tax Automation involved us in the various development steps. For example we were invited to Tax Automation's offices to see how the system worked part way through the build which helped us iron out any issues. In addition there was also plenty of training and support over the phone in the lead up to the system going live."

Tax Automation was extremely flexible, helpful and approachable, and always accommodated our needs. I am pleased to say that our external auditors have had a good look at the new system and are very happy with it and the way we have loaded the calculations – thanks to Tax Automation."