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Tesco Tax Team Takes Ownership of Data by Investing in Tax Automation's CAD System

When Tesco wanted to protect themselves from a potential loss of legacy data, they turned to Tax Automation's CAD system and invested in a comprehensive chargeable gains tax reporting and computation system

Introduction

From 2019 to 2021, tax reporting software specialists, Tax Automation, worked with Tesco's tax team to successfully implement its Capital Assets Database™ (CAD) a market leading database solution that helps property and asset-intensive organisations manage tax compliance and reporting. This initiative involved significant cleansing of data from a legacy system, as well as safely handling data from newly implemented Oracle Fusion , and was part of a wider business finance transformation programme.

Avoiding any potential loss of data

The primary goal for the project was to avoid the potential loss of legacy finance data, however the Tesco tax team also identified that CAD presented an opportunity to take ownership of the current and historic finance data for the Tesco property estate required for accurate tax reporting, tax compliance and tax planning for the business. This was a substantial project for Tax Automation, which involved identifying and uploading into CAD the capital histories of over 3,000 stores, along with more than 25,000 historic rollover and holdover records. In addition to capturing the capital histories of the Tesco property portfolio, every transaction has been coded for its Chargeable Gains treatment, meaning accurate CG computations are available whenever required – actual disposals, planning scenarios as well as tax reporting across the entire group.

Simon Holman, Group Tax Director at Tesco, was integral to the project and Tax Manager, Jo Price, had daily oversight and was the primary contact, handling any queries, working with Tax Automation to transfer the relevant legacy data. Jo subsequently took responsibility for the day-to-day use of CAD by her team based in both the UK and India. Simon Holman takes up the story:

> *"We knew going into this project that it was essential to protect our existing data at a granular level. Given the size of our property estate, we did not underestimate the size of the finance transformation project."*

Making the business case for CAD

This was a huge undertaking and required buy-in from several stakeholders around the business. The fact that Tesco was going through a transformation project at the time helped, according to Simon:

Uploading the capital histories of over 3,000 stores along with 25,000 historic rollover and holdover records

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"It is difficult to say, 'we would like to accelerate work by doing this large CAD project upfront' however, because the alternative option might have risked data loss and it was clear implementing CAD future proofed the data, we were able to justify the initiative."

A complex and multi-faceted programme of work

The pandemic, combined with a mixture of circumstances beyond Tesco's control, delayed the project slightly. Simon adds:

"There was complexity in this project from the start, not just in the volume of data relating to the Group and its property ownership, but the historic ownership structures for some properties have their own complexities."

"Communication with the team was exceptional, they were always so friendly and approachable."

Jo adds:

"We had to start from scratch and match what we had, and what data we could load into CAD. To ensure we safely and correctly managed the massive amounts of data, we assigned rules around how we were going to categorise everything. Once we had those rules in place, we could go and focus on the outliers and not spend huge amounts of time looking at every line item in detail.

"Tax Automation handled this big project well, despite unavoidable delays, and they truly understood the value of good support. Communication with the team was exceptional; they were always friendly and approachable. The team was very quick to respond to questions and if they didn't have the answers they would go away and come back with solutions."

Visibility around disposals

The project was successfully delivered in 2021 and the benefits go beyond just avoiding data loss. Now Tesco has more visibility around its disposals. Using CAD, it can scenario plan with the property team when they are thinking about making disposal decisions. With thousands of properties, it is very difficult to scenario plan upfront; now this is much easier – thanks to CAD. Simon comments:

"Working with Tax Automation always felt very professional. With unforeseen delays and complexities, the whole team was always focused on getting the project done right and there was never an unexpected conversation about project fees. The Tax Automation team was skilful on both the tax technical side and IT side. Nigel Rainer worked collaboratively with our IT team to get the project over the line. We thank them for all their hard work."

Uploading VAT records into CAD

Today Tax Automation continues to work with Simon and Jo and their colleagues in India providing ongoing support and training. In fact, when Jo gave her colleagues in the wider tax team an overview of CAD, the VAT team identified an opportunity to utilise CAD to maintain the VAT administrative data relating to Tesco Group's property portfolio, including providing a data repository for copies of HMRC documents. Now Tax Automation is working with Tesco's VAT team to add the new data fields required for the VAT-related data to upload 3,000-plus VAT records and documents into CAD. This means that Tesco's Tax team has ownership of historical property data and can handle future finance transformations.

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Data cleansing – a pragmatic approach

Loading the capital histories and associated rollover and holdover records for over 3,000 sites is a daunting task which can seem insurmountable. However, by working with an experienced team and being prepared to make pragmatic decisions where there are either gaps or potential conflicts in the data available makes the project manageable.

Tax Automation's extensive experience paid dividends for Tesco in terms of advice and support as they undertook this major project. The Tax Automation team has considerable experience in working with legacy data, including multiple Excel spreadsheets used to track rollover and holdover claims going back over 40 years. Bryony Clinton, Commercial Director at Tax Automation, commented: "All CAD implementations involve a significant data cleansing and analysis exercise, with rollover relief records generally causing clients the most concern. We are used to working with multiple spreadsheets maintained by different staff over decades which inevitably means there are anomalies, gaps and duplications in the data. Our approach is to make decisions based on the data available and ensure there is a clear audit trail behind those decisions.

Thanks to CAD the Tesco team can now scenario plan with the property team around potential disposals.

"We have found that once CAD is up and running the feedback from HMRC and auditors is that they have the assurance that everyone has done their best with the historic data available, but that going forward the quality of the data captured and decisions made is fully recorded in a tried and tested, fully auditable system."

The team at Tesco now has this assurance and can move forward with confidence that there is excellent visibility over their system.

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