

Brokerage Firms Need to Re-Evaluate Tax Management Practices to Mitigate Increased Risks and Costs, says Broadridge

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LAKE SUCCESS, N.Y., May 1, 2012 /PRNewswire/ -- Accelerating government regulations, increasing tax reporting requirements, and growing client demands have significantly increased tax compliance risks and costs for brokerage firms. A new paper from [Broadridge Financial Solutions](#), Inc. (NYSE: BR) entitled, "[Navigating a Perfect Storm of Tax Complexity](#)," provides strategic guidance on how brokerage firms can transform their tax processing and reporting models as governments in the U.S. and around the world hunger for tax revenues.

Four distinct factors are converging to create a perfect storm of tax reporting complexity, including more tax reporting detail and backup withholding requirements by governments at all levels; increased demand for tax reporting accuracy, transparency and timeliness; new cost basis reporting requirements; and changes to the [Foreign Account Tax Compliance Act](#).

According to Broadridge, the significant expenses associated with supporting tax processing and reporting – including staff with tax processing experience – has become a standard cost of doing business. With tax reporting costs increasing rapidly, executive management is taking notice and increasingly seeking to redesign their [tax processing and reporting](#).

"The tax reporting process is ripe for transformation," said Michael Alexander, Executive Vice President & Chief Operating Officer, Broadridge Business Process Outsourcing Solutions. "Complexity and costs continue to increase with no end in sight. This is beginning to lead many companies to take a strategic approach to tax management to reduce risks and costs while positioning themselves for long-term competitive advantage."

Brokerage firms will continue to bear a growing burden for documenting tax details and withholding proper state taxes. An increasing demand for tax reporting accuracy and heightened complexity is creating an evolution from seasonal to year-round tax management. As this evolution unfolds, there are several best practices to help firms more effectively manage their tax operations, including:

- **Leverage Technology For Year-Round Tax Transparency** – Operating costs of running tax departments have become increasingly higher and companies are looking for strategies to run their businesses more efficiently. By committing to a comprehensive front-to-back office tax reporting software, to be utilized year-round, firms are better positioned to provide full transparency and tax access to advisors and investors;
- **Reduce Corrections to Increase Cost-Efficiency** – With the new regulatory changes, broker-dealers are experiencing correction rates of 10% across the industry. Since corrections are a costly component of tax reporting, reducing the correction rate is critical to cost-efficiency, especially in light of expectations for an increase in cost basis complexities through 2013;
- **Transforming Tax Management Processes** – Following the first round of newly-mandated cost basis reporting in 2011, the industry is anticipating a magnification in future reporting mandates, particularly in the fixed income markets. Leveraging third-parties with proven, scalable tax management solutions can significantly reduce costs, risk and complexity.

To obtain a copy of the white paper, "[Navigating a Perfect Storm of Tax Complexity](#)," please visit: www.broadridge.com/tax

About Broadridge

Broadridge is a technology services company focused on global capital markets. Broadridge is the market leader enabling secure and accurate processing of information for communications and securities transactions among issuers, investors and financial intermediaries. Broadridge builds the infrastructure that underpins proxy services for over 90% of public companies and mutual funds in North America; processes more than \$4 trillion in fixed income and equity trades per day; and saves companies billions annually through its technology solutions.

For more information about Broadridge, please visit www.broadridge.com.

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