



## The metamorphosis of the tax leader's impact

The tax function is embracing analytics and AI—are you?



### It's time to explore new approaches

You don't need us to tell you that the last few years have been a massive challenge for businesses. As a tax leader, you've had to step up in all kinds of new ways, sorting through emerging, complicated legislation and uncovering measures to protect your company and its employees amid economic fluctuations. You may have been closely involved in M&A activity, cash-flow management, or other strategic decisions, helping to keep your company going and even taking it to entirely new heights—and in every case, bringing extra value to your business. That's no small feat.

But change is not behind us, not by a long shot. In fact, even pre-COVID-19, major changes were happening in the business and tax worlds; the pandemic has only served as an accelerator. One of those changes is the shift to analytics and artificial intelligence (AI) to drive business decisions.

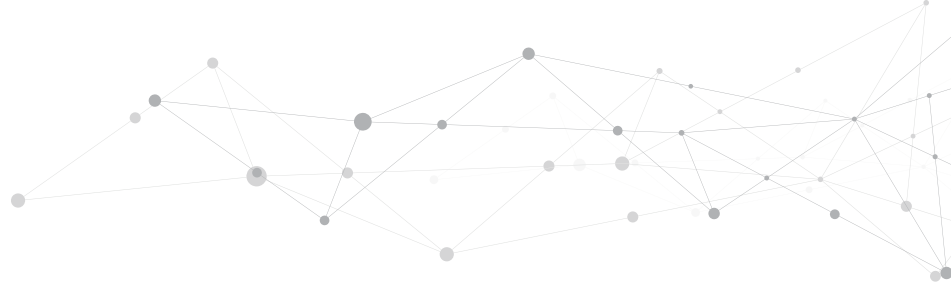
Revenue authorities worldwide are already starting to use digital methods and capabilities to streamline their core tax functions.<sup>1</sup> For one, the Canada Revenue Agency continues to develop innovative

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*The ever-growing complexity of the business environment is leading organizations to dive deeper into approaches that harness the power of analytics and artificial intelligence.*

**John Ruffolo, Founder and Managing Partner, Maverix Private Equity**

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new ideas and techniques for using advanced analytics in the areas of audit, collection, and benefits. Moreover, the Canada Border Services Agency (CBSA) is modernizing and transforming the importing process through the innovative, multi-year CBSA Assessment and Revenue Management (CARM) project, with the goal of increasing efficiency through digitalization.<sup>2</sup>

Nine in 10 respondents to Deloitte Global's 2021 Tax transformation trends survey of tax and finance executives worldwide said that digital tax administration will have a moderate or high impact on tax operations over the next five years—and several heads of tax said the trend was moving faster than expected.<sup>3</sup>

Revenue agencies worldwide are going digital, building workforces that pair tax experts with tech-savvy newcomers equipped to take advantage of the latest technologies—so your tax department needs to adapt, too. Chances are, you've already started exploring these ideas—and now is the time to really dive in.

The concept of AI can be intimidating to some, but it doesn't need to be. AI is broad, encompassing not just computer

science, but other fields such as psychology, philosophy, and linguistics. But in general, it simply involves having computers handle tasks that would normally require human intelligence. Rest assured, though: it's already all around us—for example, digital assistants make use of AI.

Using analytics and AI doesn't require years of training either, as many people may think. In fact, these tools are most effective when specialists with deep tax and industry knowledge, coupled with curiosity, are simply guided to approach problem-solving differently.

"Companies that embrace analytics and AI are exploring new ways of working and of shifting human focus across the organization to activities that drive better decisions and competitive advantage," says Nihar Dalmia, a partner in Consulting and leader of Deloitte's AI platform CortexAI™. "But the benefits go way beyond that—analytics and AI allow tax leaders to completely redefine their roles by providing strategic value to their companies."

Our advice is to keep it simple. Think big, but start small—and act fast.



### Achieve deeper insights through tax analytics and AI

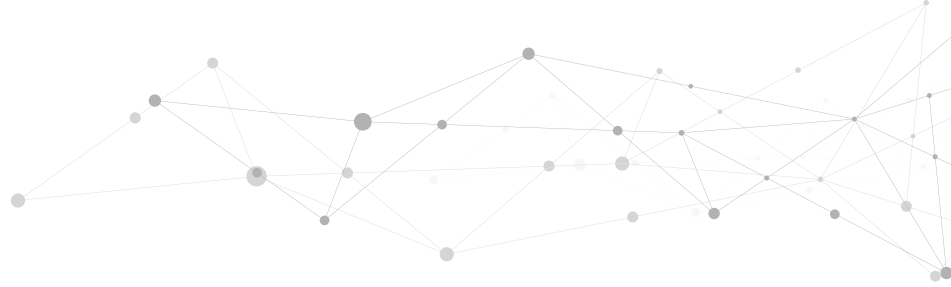
We know you're already using data to help your business identify issues and seize opportunities. Yet even though the concept of big data has been around for a decade, companies still vary significantly in the extent and depth to which they're using their data to generate insights and drive decisions. Businesses that *get it* are truly leaping ahead. If you haven't fully embraced these concepts yet, or haven't done as much as you know is possible, there's no better time than now.

By diving deeper into analytics and AI, you can aggregate and draw conclusions from multiple data sources, which can help

*Tax leaders have the opportunity to transform their teams' core compliance and planning responsibilities by providing meaningful insights and analyses to core functions in their organizations.*

you provide innovative solutions to your company's specific challenges. As a tax leader, you can embrace technology and





thus add significant value to your business. This can help your teams:

- Anticipate trends, spot anomalies, and reduce international effective tax rates by analyzing global compliance data
- Streamline quarterly and annual tax-provision processes while using the data generated for better tax-planning insights
- Improve business operations by verifying, in near real-time, the tax treatment of individual transactions across multiple jurisdictions

Monique Rudder, a Deloitte Tax partner and innovation leader, stresses the importance of these benefits, particularly the near real-time evaluation of specific transactions. "By offering that kind of next-level service, tax leaders are empowering their businesses to make more confident tax decisions."

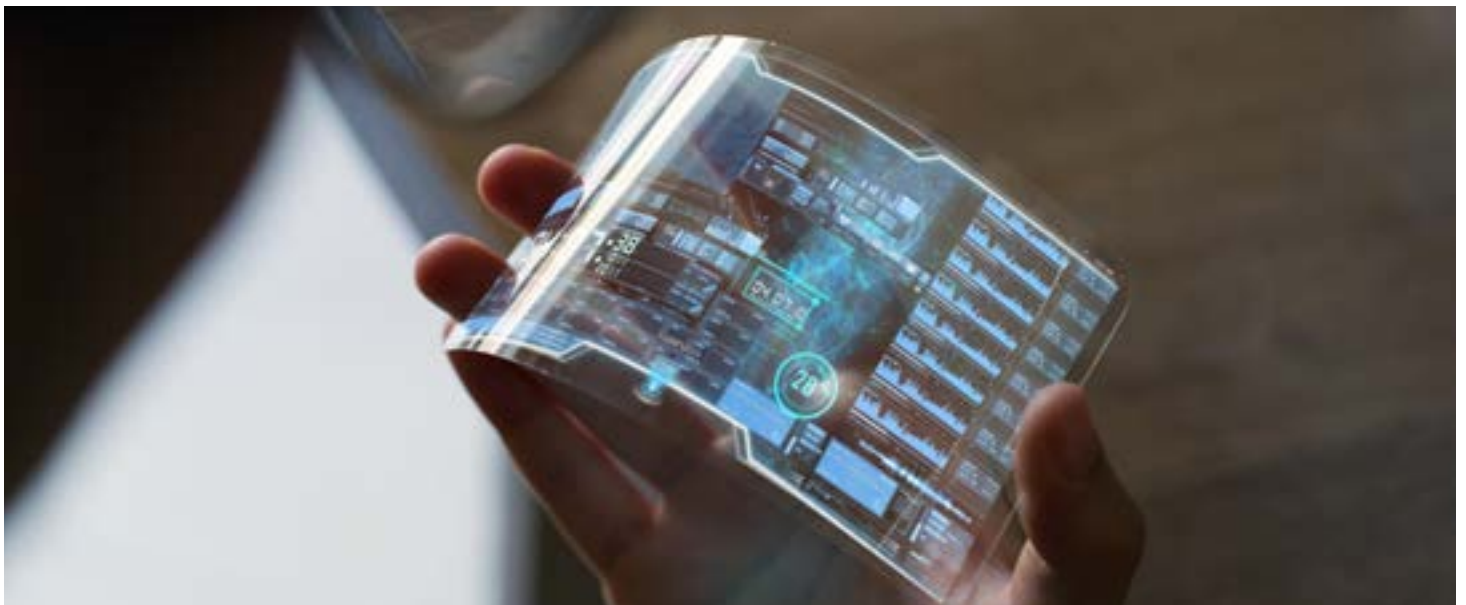
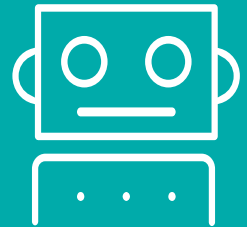
In fact, according to our *Becoming an Insight Driven Organization* report, a significant and growing number of companies are adopting behaviours that will allow them to be AI-enabled, and business analytics are quickly becoming mainstream across many parts of organizations. In addition to the more traditional analytics tools such as Microsoft Power BI, more than two-thirds of companies have deployed at least one advanced tool, such as SAS, an open-source tool, such as R, a programming language, such as Python, or an AI tool to access and generate business analytics.<sup>4</sup>

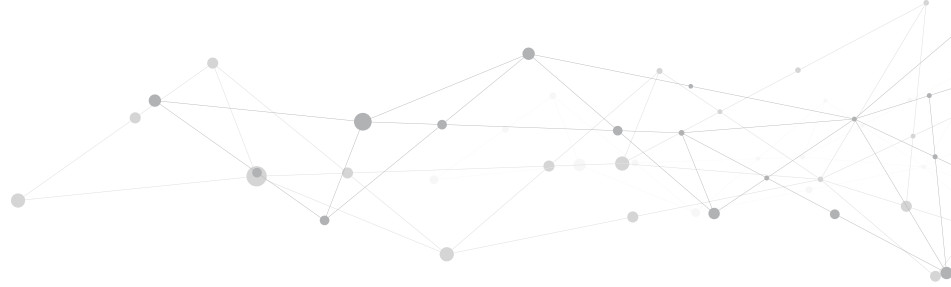
## An example of AI application in the tax realm

In the world of tax, knowledge is king. However, staying up to date with new tax laws, regulations, and the volume of updates can be difficult. Deloitte, in collaboration with Signal AI, helps to transform how changes to tax laws and regulations can be monitored and assessed on a near real-time basis. Signal AI's proprietary technology—which actively monitors more than 100 trusted regulatory sources, tax authorities, and reliable bodies, and assesses information from news and other media—is trained by Deloitte tax specialists to understand key regulatory developments and to uncover relevant new tax and market changes.

Key benefits include:

- Saving time and reducing the manual effort needed to understand important regulatory changes
- Keeping pace with near real-time automated alerts about specific tax areas, such as digital services—with local terminology deciphered and clarified—and staying informed of the prevailing sentiment of worldwide experts about these trends
- Identifying risks and opportunities regarding specific tax positions
- Increasing visibility of trends to help manage, review, and use them to help anticipate changes in laws and regulations





## Maintain your momentum as a strategic partner

From the tax transformation trends survey, we found that more businesses are seeking strategic counsel from their tax teams in areas such as these shown below:<sup>5</sup>



*Your C-suite needs input on tax issues affecting all facets of the business—creating unprecedented opportunities for tax leaders equipped with the right tools and processes to deliver enhanced value.*

Data can help you maintain the momentum you've built as a strategic partner to the business. A great place to start is to identify key value drivers and critical data points to monitor, including:

- Supply-chain shifts, such as organizational changes in the sourcing and movement of goods
- Tax-reform changes, such as Canada's proposed Digital Services Tax and the OECD's Pillars 1 and 2
- Global indirect taxes, such as GST/PST/HST/QST, VAT, sales and use taxes, customs duties, and tariffs

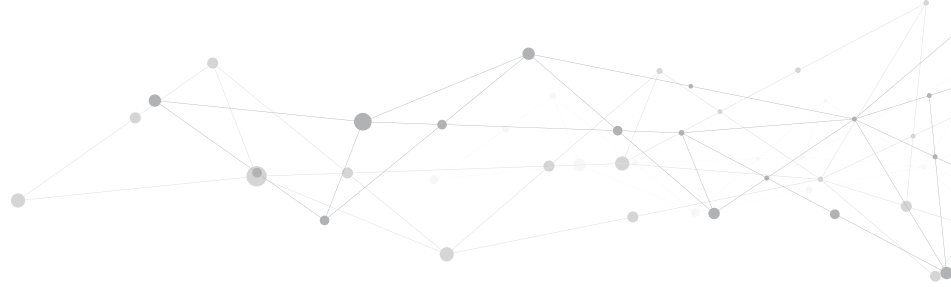
- Transfer pricing, such as by recognizing the dependence on both organizational and outside data
- R&D credit, involving analyzing activities entitling the organization to tax credits

You can then take it a step further by using analytics and AI to identify trends and changes over time—which you can then share with business leaders across the organization.

"Because of these technologies," says Monique, "you're not just answering the question that was asked of the data. You're

building off your data sets and software tools to address your company's specific needs and generate fresh insights into what's happening across the business." This allows you to measure changes in value drivers, make modifications, adjust positions—and demonstrate the true value you can bring as a tax executive, proving yourself ever more beneficial to the C-suite.





## Here's how you can get started

When setting out to improve your tax operations through analytics and AI, the hardest part can be knowing where to begin. These steps can help point you in the right direction.



Start by sizing up your opportunities. Ask yourself big-picture questions such as, “Where could I act to add more strategic value to the business?” and, “Have I considered all the ways that tax-landscape changes are going to affect my organization’s tax positions and operations?”

Talk with people across departments to identify recurring instances when significant time is spent inefficiently. Determine what percentage of a department’s workday is spent on strategic versus compliance issues, and think about how changing your tools and processes could affect this measure.

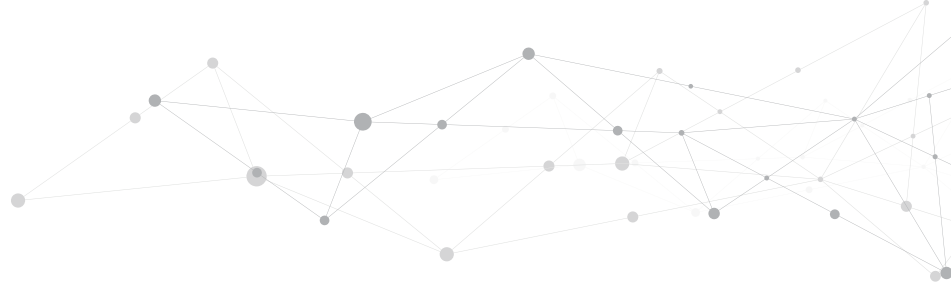
Be sure to include the finance and accounting divisions in the brainstorming, as they often face similar challenges.

Next, prioritize your opportunities based on their potential added value, risk, and ease of implementation. Start with smaller things that have a wide impact and think beyond financial benefits. For instance, a new initiative’s added value might be increased efficiency or mitigated risk. Keep in mind reducing the time your team and other departments spend preparing and formatting related data.

To gauge risk and ease of implementation, consider everything needed to build and maintain your project—but don’t start from scratch. Look at what’s being done in other departments. Are there resources you can use, or key people in your organization who can offer assistance or training that might help you or your team get more comfortable with analytics and AI concepts?

Once you’ve identified your one or two top priorities, develop a proof of value that outlines hurdles, risks, and available assets. Tap into existing analytics and AI tools and resources across the organization. Evaluate the makeup of your team and consider some strategic hiring to enhance the group’s analytics and AI expertise, if needed.

Introduce and explain the benefits of what you’re planning to help others understand the situation so that you can respond to any questions or concerns, and gauge any change-management challenges and then tailor your approach accordingly. There’s no point in taking your new initiative to the finish line only to learn it’s not being adopted because you didn’t get enough input from the people who are expected to use it—or implement the helpful changes they suggested.



## Endnotes

1. "The revenue agency of the future," Deloitte Global, January 13, 2020.
2. "CARM: CBSA assessment and revenue management project," Government of Canada, modified February 25, 2022.
3. "Tax transformation trends survey," Deloitte Global, May 2021.
4. Tom Davenport, Jim Guszczka, Tim Smith, and Ben Stiller, "Analytics and AI-driven enterprises thrive in the Age of With," Deloitte US, July 25, 2019.
5. "Tax transformation trends survey," Deloitte Global.



Let's talk

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