



Effect of changes in technology on tax compliance

How has technology dramatically changed the tax compliance landscape?

In October 2016, leaders from Deloitte Americas Tax & Legal joined approximately 250 attendees from 40 countries at the Inter-American Center of Tax Administration's (CIAT's) inaugural technology meeting.

The event brought together Latin American tax authorities, taxpayers, tax technology vendors and tax advisory firms to focus on technology solutions and data analytics. This focus highlights the fact that changes in technology have dramatically changed the tax compliance landscape and the ability of the tax authorities to gather and analyze information; taxpayers also must be prepared to use technology to meet their tax compliance obligations and respond to any inquiries from the tax authorities.

Technology has become either the disruptor or the enabler for new ways of doing business worldwide. Innovation takes place everywhere, on a daily basis, and is no longer limited to social media or other apps; to the healthcare, pharmaceutical and military sectors; or to "millennial stuff." Technology is now business-as-usual, and the tax authorities are doing their part to embrace this trend.

New electronic methods (e-invoicing, e-accounting, e-reporting and e-auditing), along with advanced tax-focused analytics, are top of mind for tax authorities and tax executives, and technology has dramatically changed the landscape.

For example, in Europe, 14 countries have adopted either the "Standard Audit File for Tax" (SAF-T) or a modified version of the SAF-T, and another 15 are currently implementing the standard. The SAF-T is an attachment to the corporate income tax return, created in a uniform format to be archived or provided by businesses, to allow ready access to data in the case of tax audits and/or advanced data analytics carried out by tax authorities.

In Latin America, countries such as Brazil and Mexico have fully implemented e-invoicing and e-accounting, and the tax authorities in these countries continually are extending and enhancing reporting mechanisms to collect, process and analyze more business data.

New opportunities arising from changing technology

Many traditional technology and consulting players participated in the CIAT meeting, including many companies and Deloitte. In addition, a new kind of niche players joined in, including tax technology vendors.

The evolving technology landscape leads to new business opportunities. At the CIAT meeting, it was discussed how technology enables tax operations in areas like e-invoicing, the US Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) reporting, country-by-country (CbC) reporting (under the OECD recommendations), detecting and/or reducing fraud, tax compliance, and tax analytics.

Even though Deloitte's eminence is recognized in many of these areas, it is necessary to continue to evolve. Technology is the key to take the current tax service offerings to the next level, and set a new standard of efficiency, business performance and insightful advice for clients. To this end, Deloitte has established partnerships with certain tax

technology vendors, while maintaining focus on offering value-added services on top of commoditized offerings.

The bottom line is that tax authorities have been able (to different extents) to automate data acquisition from taxpayers. Data acquisition, which used to focus primarily on tax-related data, is growing in scope by collecting non-tax data that, when linked appropriately with tax data and compliance rules, enables a far broader understanding of the business operations of taxpayers.

Tax authorities are becoming ready to audit, analyze, correlate, simulate and trend more data. Deloitte can help clients to anticipate potential headaches in relation to tax compliance obligations, and to develop more efficient/less risky business models for tax and other purposes. From e-invoicing to advanced tax analytics, Deloitte is pursuing new opportunities to enhance our core tax services with new leading-edge technology tax services.

- Jorge Martinez
Partner & Latin America Tax & Legal Deputy Chief Technology Officer
Deloitte Colombia
jemartinez@deloitte.com

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500[®] companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 225,000 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.