



Building the business case for technology investment in the global tax function

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For today's tax functions, the pressure to transform is extreme. On the one hand, external expectations are shifting: tax authorities are increasingly digitalizing their operations and corporations need to be able to keep up. At the same time, the fundamentals of global tax are becoming much more complex as the OECD continues to rewrite its rules to reflect the emerging realities of today's business landscape.

The pressure is also rising internally; the majority of organizations are already undertaking their own digitalization journey and are looking to the tax function to provide more strategic insight and organizational agility. They expect their tax leaders to have a vision for the future of tax in an increasingly digital world, which aligns with the overall corporate transformation agenda.

Against this backdrop, most tax leaders now recognize that yesterday's approaches are no longer fit for purpose in today's digital environment.

Time to face the music

While many tax leaders have successfully avoided the sharper impacts of these pressures for the past few years, Deloitte's global perspective suggests that few tax functions can put it off any longer.

In fact, many tax functions may now be facing a "perfect storm" of disruption they can no longer avoid. For most companies – particularly large enterprises – the catalyst has been the decision by some of the major ERP vendors to shift towards newer technologies and cloud offerings. With the "transformation clock" now counting down, tax leaders are being asked difficult questions about how they plan to align their tax ERP investments with the broader business ERP strategy and what it will take to bring tax up to speed.

These internal pressures from ERP system changes are exacerbated by evolving regulation and advanced digitalization of tax authorities. This is forcing companies off email and spreadsheets and onto a range of different (sometimes conflicting) technologies and tools. To remain compliant, succinct and strategic technology investments are required.

Getting competitive

For tax leaders, it is increasingly clear that they need to begin fighting for technology investment dollars. Gone are the days where tax leaders could solve their problems by throwing more resources at them. Today's CFOs expect the tax function to not only fundamentally demonstrate their value to the organization, but also compete against other parts of the business for an appropriate piece of the organization's total technology investment budget.

The challenge is that many tax leaders lack the requisite experience in competing internally for investment. Only a handful have participated in any large IT projects themselves. Many may struggle to articulate the value-add they expect from investments into new technologies, let alone the potential broader costs and benefits for the larger organization.

Mind the gaps

Deloitte's experience suggests there are four key aspects of investment business case development that tax leaders find challenging:



Identification

Tax leaders invariably understand the hard costs and benefits of technology enablement (e.g., software and licensing costs, headcount reductions, time saved, etc.) but they struggle to identify many of the other organizational benefits that can be achieved, such as improved quality and tax compliance assurance, reduction in errors, and improved employee engagement. Few, if any, have a clear view of how improvements in the tax function might influence other functions, or how interdependencies from other functions will influence tax management.



Quantification

Hard costs and benefits are relatively easy to quantify; the inputs and equations are fairly familiar to tax leaders. Quantifying the “softer” costs and benefits, however, has proven challenging. For example, what is the value of avoiding a material restatement due to incorrect calculations? How can you calculate the potential financial impact of negative compliance news? Will tax authorities penalize taxpayers for using outdated technology in the future? Quantifying these risks and associated costs often requires a level of estimation and guesswork – uncomfortable concepts for many tax leaders.



Alignment

CFOs don't just want to manage headcount and speed up existing processes to add value. They also expect their investment dollars to help the organization achieve its strategic objectives. Creating alignment between the tax technology investment plan and the organization's long-term transformation journey is key, particularly for those organizations already moving towards a cloud-based ERP environment. Yet, experience suggests that tax leaders often struggle to demonstrate how their tax transformation plan (assuming they have one) helps deliver the organization's strategic objectives.



Communication

Let's face it, the tax function is not well understood by the rest of the organization. In part, this is because tax often presents itself internally as being complicated and highly technical. But it is also because tax leaders have (historically) devoted little time towards articulating the vision and value of the tax function properly. Investment requests for tax technology, therefore, are often assessed without a full understanding of the wider context.

Taking the lead

The good news is that, over the past year or so, many tax leaders have recognized their traditional approach to developing business cases for investment is hampering their ability to deliver their evolving operational objectives.

They now understand they need to compete for investment and are taking steps to help ensure their next request is successful.

What are successful tax leaders doing?

Taking the time to understand the strategic vision

They are sitting down with their CFOs, COOs, CEOs, and other leaders to discern what matters most to them. They are looking for opportunities to leverage investments in tax technology to help deliver on their executives' goals and objectives. And they are using that insight to improve their business case alignment.

Planning and prioritizing their transformation journey

They are thinking critically about their future target operating model and working to develop a transformation roadmap for operating the tax function globally. They have prioritized their top investment business cases and are able to articulate comprehensively how these investments help deliver the organization's goals.

Building support early

Rather than waiting to be included in the technology and transformation discussion, they are proactively telling their story and articulating the case for change in the tax function. They are taking the time to socialize their roadmap with the CFO and using this feedback to improve their overall investment case iteratively.

Developing experience with technology

Recognizing the need to move swiftly, they are starting to look for smaller technology projects that can deliver quick wins while helping the tax function gain experience with technology implementation and strategy. They are leveraging this experience to improve their understanding of the technology environment and its interdependencies.

Getting help from others

They are working across the organization and also with a range of external advisors to ensure they are putting forward the best business case possible. They recognize the need to deliver a broader case for change than they might have in the past and are keen to incorporate best practices from both other parts of the business and the wider market.

Time to act

Tax leaders are reading the writing on the wall. They understand the time for transformation is now. And they know technology will play a huge role. Without the proper support and investment, their ongoing remits will quickly become insurmountable.

Over the next few years, tax leaders that want to succeed, not just survive, will need to get much better at competing and making the case for investment. With global organizations moving into cloud-based and globally-standardized ERP environments, tax leaders understand they need to act now if they want to shape the future operating model for a digital tax function.

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