



## The Future of Tax & Legal - Embracing Change with Confidence

Tax and legal professionals today face increasing complexity, risk, and ambiguity as technology, regulatory and business transformation converge. It's easy to feel overwhelmed by the change and the infinite number of strategic options. But embracing this change is manageable with the right tools and the right partner.

Deloitte is helping clients navigate this increasingly complex, digital world by leveraging the combined strength of our technology capabilities from our Consulting and Tax & Legal practices, and by placing a continued emphasis on technology investment and skills development to prepare talent to meet the evolving needs of the business.

### **Harnessing Technology to Adapt to Change**

Businesses in all sectors and regions are experiencing the opportunities and challenges that come with the immense changes of the Fourth Industrial Revolution.

Even the most traditional business areas, such as tax and legal, are not immune. Technologies are disrupting business as we know it and in response, global tax and legal systems must transform and adapt to keep pace with these new business concepts and models. And organizations need to invest in their tax and legal departments to ensure they can operate confidently and effectively while minimizing risk.

Tax departments are tasked with executing flawlessly at a fundamental level: Ensure compliance, know the regulations and their implications, be precise, account for all the data, stay ahead of risk, and predict outcomes. And they are asked to do it all in an environment of exponential increases in data, added responsibility within the business, and new mandates from regulators.

As a result, tax professionals are moving to automate and apply analytics to help

account for more data and to achieve greater precision. Technologies such as robotic process automation (RPA), natural language processing (NLP) and artificial intelligence (AI) give tax professionals the ability to work with all the information available in massive data sets. To not only see what has happened, but to more confidently predict what will happen. To be insightful and focus on implications and outcomes rather than being consumed by ensuring the accuracy of the numbers and on-time filing. And to do all this while meeting the increased transparency demands of regulators – who themselves are likely to use robotics and AI to collect and analyze companies' tax data.

Likewise, technology has become a critical tool to help legal departments support rapidly evolving demands from the business and manage regulatory change.

Using Deloitte Tax and Legal professionals

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as an example, when the European Union's General Data Protection Regulation ("GDPR") came into force in 2018 along with the UK Data Protection Act, Deloitte UK's Tax group engaged Deloitte Legal to assess the scope, and remediate where necessary, approximately 45,000 engagement contracts. In the past this would have required a very lengthy manual assessment which would have been inefficient and prone to error as contract negotiations are typically buried in emails and hard to track. Instead Deloitte exercised a combined approach using dTrax, a proprietary artificial intelligence-enabled contract lifecycle management technology, with the support of skilled Deloitte Legal resources to simplify, automate, and streamline the contracting process. The tool allowed Deloitte Tax client relationship owners to provide details about their engagements, which were then assessed by dTrax to determine whether the corresponding engagement contract required remediation. Where remediation was required, dTrax automatically generated a letter varying the Data Protection clause, which was sent directly to the client. If negotiation of the Data Protection clause wording was required, Deloitte Legal resources were able to negotiate by reference to playbooks built into dTrax. This approach drove consistency while keeping contract negotiations managed and recorded within a single platform.

By combining technology with skilled resources, Deloitte UK's Tax team was able to alter the business model, allowing for up to a 50 percent reduction in the number of required legal resources, a 40 percent reduction in the delivery turnaround time per variation letter, and an up to 60 percent reduction in the overall costs. Ultimately, the team gained greater visibility and insights into their contract terms and conditions, which increased their overall compliance and reduced risk.

### Fueling Talent with Technology

While digital transformation is a tech-enabled shift, it requires a collaborative effort to change mindsets and embrace and advance transformation. A successful digital transformation demands a cultural change with a focus on continuous learning and embedding technology into the way we work.

Tax professionals have traditionally been tied up with compliance and the technical side of tax. Yet in this digital age, a robot can now do the data checking and digital tools can classify line items. So, today's, and tomorrow's, tax professional needs to understand the processes behind tax, be able to code, interpret data and make decisions. They have the opportunity to provide far more valuable and strategic input to their organizations, but they must be more adaptable to work with technology to enhance and reinforce their advice.

From the legal perspective, lawyers will need to have a broader range of skills to be ready for the legal landscape of tomorrow. Tomorrow's digital lawyers will need to think and operate in a different way and they will need significant management, business strategy, technology and consulting capabilities to be able to deliver real value to clients. Adoption of the right tools, such as AI and data analytics, will enable legal teams to maximize efficiencies across multiple functions, standardize and adopt best practices, and help gather insights to support better decision making for the business.

### Inspiring Confidence Today and Into Tomorrow with Technology

Deloitte has invested heavily in technology and we are accelerating our efforts in order to help both our own professionals and clients stay ahead. With more than 200 technology solutions in place, including robotics, AI, and machine learning capabilities, Deloitte Tax & Legal is helping clients manage compliance, bridge gaps between countries' accounting principles, and manage research and development incentives claims. As we navigate the Fourth Industrial Revolution, having a tech-savvy foundation in our people and our processes will help set ourselves and our clients up for success and ensure our ability to work confidently now and far into the future.



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