



Latin America technology impact on US multinationals

How is the Latin America Tax technology environment impacting US multinational companies?

Many tax authorities in the Latin American region have been at the forefront in incorporating technology into the tax compliance and auditing process. The range of taxes managed electronically has expanded exponentially, there has been rapid acceleration in the overall use of technology by the tax authorities, and a marked increase in the frequency and scope of data collected. All this will have implications for taxpayers' business processes, technologies, staffing models and compliance efforts.

In light of the above, many multinationals operating in Latin America (and in other regions) are likely to find themselves facing a compliance environment quite different from that in the US. For example:

1. Taxpayers will need to be proactive in responding to these changes, particularly the increased frequency of data reporting. Many reports are now due monthly rather than annually and/or electronically rather than in hard copy. Companies that complete reports manually will be at a disadvantage due to the frequency and compressed reporting deadlines. From a business process perspective, more frequent reporting creates a need for more frequent reconciliations and responses to inquiries to explain variances earlier in the process. A manual approach to this is unlikely to be sustainable.
2. There has been a noticeable increase in the volume and level of detail of the data being requested, which calls for the introduction of more advanced financial systems or the use of third-party solutions to produce the required tax reports. To the extent possible, it is preferable to extract data directly from the core financial system mapped to a third-party solution or localized enterprise resource planning (ERP) system. This can help reduce the risk of errors related to manual data extraction and address frequent changes in law and rates in many jurisdictions.
3. Many countries require data to be submitted in a standardized format, which frequently requires customization or configuration of ERP systems or the preparation of customized reports.

The above examples illustrate the challenges that the increasing digitization of the tax compliance process are likely to pose for taxpayers. Addressing how these changes impact current processes, supporting technologies, resource models and data requirements for the tax department should be considered in designing a holistic approach for organizations operating in the region as well as globally.

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