



Tax technology trend in Latin America

Interview with Hernán Katz, Partner & Latin America Tax & Legal Chief Technology Officer, Deloitte Mexico

01. What is the trend in tax technology in Latin America?

The trend in the LATAM region is very clear. The tax authorities are investing heavily in technology and analytics—they are building their own teams and acquiring their own STEM (science, technology, engineering and math) capabilities and, at the same time, working with technology vendors.

The results of these initiatives across the region are obvious. Electronic invoicing has become mandatory in many countries (e.g. Argentina, Brazil, Chile, Mexico and Peru) and most countries in the region

have implemented programs relating to electronic invoicing. Electronic accounting already applies in Brazil and Mexico, and the remaining countries are likely to follow. Electronic tax audits are also now the rule in many countries.

There is thus a completely new channel for interaction between the tax authorities and taxpayers in the LATAM region.

02. Do these changes disrupt the ways that companies traditionally manage tax?

Absolutely. The new technology allows

the tax authorities to have real time information about taxpayers. Access to new, valuable information sources means that the tax authorities can start working with data analytics—applying a range of statistics and math-based methodologies to leverage big data and start to build robust models for risk assessment and case selection.

If you combine the information gained from data analytics to information obtained through recent regulatory initiatives, such as FATCA and CbC reporting, the tax authorities will have in their possession an incredible amount of taxpayer data.

These developments presage the end of any asymmetry between the information in the hands of taxpayers and that available to the tax authorities. Companies need to be aware of and fully understand that the tax authorities are acquiring considerable knowledge about their businesses.

Tax audits will be a tougher proposition. We are already witnessing this in Mexico—the launch of electronic audits designed to increase the collection of tax revenue by the SAT demonstrates the clear correlation between the increase in revenue gathering and the investments the SAT is making in technology.

03. What is Deloitte doing to help clients navigate the new tax environment?

We are investing heavily in tax technology and analytics capabilities. We have highly effective, flexible tools that help clients comply with rules, such as FATCA, CRS and CbC reporting.

We are helping our LATAM clients refine and update their tax procedures, compliance and reporting processes, and carry out assessments of their tax teams and current processes and technologies.

The procedures, technologies and human resources used by many companies for

the last 10 years no longer are out of date. Companies need to embrace change to take advantage of the new environment.

There are many efficiencies to be gained by adopting new tax technologies that automate tax management systems—integration of systems, effective process management, better ability to access and analyze data, etc. that can help drive business decisions and facilitate the tax compliance process.

Data analytics is a tool that can help a company's tax function make smarter, critical real-time decisions to identify trends, drive efficiency and improve the performance of their business.

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