VAT Data Analytics

Use data to increase performance.

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Introduction

- What to expect from this session?
- What not to expect from this session?
The Basics – What is Analytics, Why Now and How to Get Started?
The Power of Data

Faster
Better
Cheaper
Analytics is high on the executive agenda

<table>
<thead>
<tr>
<th>Data Volumes &amp; Technology Capacity</th>
<th>Data volumes continue to grow exponentially. Today’s analytical computing capacity and analytical tools can meet the challenge.</th>
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<tbody>
<tr>
<td>Regulations</td>
<td>Regulators are demanding deeper insight into risk, exposure, and public responsiveness requiring integrated data across the enterprise.</td>
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<td>Profitable Growth</td>
<td>The need to remain competitive compels investments in analytics infrastructure and tools to improve insight into financial, economic, environmental and market information.</td>
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<td>New Signals</td>
<td>Holistic signal detection from traditional internal and external structured and unstructured data must be integrated and monitored for operational insight and decision-making.</td>
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<td>Hidden Insight</td>
<td>The growing complexity has raised the stakes at all levels of decision-making. Decision makers need more powerful tools for uncovering hidden.</td>
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What can Data Analytics do for Tax?

- Tax deals with large volumes of data
- Monitor and respond to changes in regulation
- Improve quality of Tax data
- Make better strategic decisions
In the **U.S.**, strict requirements have been enacted to identify potential weaknesses of tax processes.

In **Europe**, the trends are more to move to e-audits and deliver a SAF-T to the authorities:
- UK – SAO
- NL – TCF
- Germany – SAF-T, e-audit

In **South Africa**, SARS is implementing more stringent regulation regarding reconciliations. That requires companies to fully understand their systems and data.

In **China**, new regulations require large taxpayers to grant the tax authorities increased access to their internal tax risk control systems.

In **Australia**, since 2010 large businesses have been assigned a risk rating by the Australian Tax Office (ATO). The risk rating was derived from extending and enhancing data analytics and risk profiling techniques.

In **India**, the strategy seems to be having more audit-based controls opposed to physical controls. Relaxation of controls is coupled with introduction of strict penalty provisions including provision for prosecution.

Why now? Increased scrutiny from tax authorities.
De belastingdienst reduceert zijn controle werkzaamheden door gebruik te maken van controle informatie van anderen.

Bron: Controle Aanpak Belastingdienst (CAB) blz 7
De mate van reductie
Voor de hoogte van de reductie op de klassieke steekproef geldt de volgende reductietabel als handreiking.

Figuur 12 Reductietabel

<table>
<thead>
<tr>
<th>Positieve voorinformatie</th>
<th>Reductie van de steekproef met</th>
<th>Te verrachten werk</th>
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<tbody>
<tr>
<td>Opzet en bestaan van de interne beheersing</td>
<td>75%</td>
<td>25 dual purpose tests</td>
</tr>
<tr>
<td>Opzet, bestaan en werking van de interne beheersing, waarbij aan de werking door externe deskundigen of de organisatie zelf aanvullende werkzaamheden zijn verricht (monitoring).</td>
<td>87½%</td>
<td>25 dual purpose tests. Voorts bespreking van de uitkomsten van de monitoring en de uitgevoerde vervolgacties (&quot;follow-ups&quot;)</td>
</tr>
<tr>
<td>Controles door derden, of de organisatie zelf, met dezelfde reikwijdte (scope) en nauwkeurigheid als de Belastingdienst hanteert</td>
<td>100%</td>
<td>Bespreking uitgangspunten en indien gelijk aan Belastingdienst: beoordeling 10% aselect aangewezen dossiers</td>
</tr>
</tbody>
</table>

Reductie 87½%

De bespreking van de uitkomsten van de monitoring richt zich in het bijzonder op de gehanteerde reikwijdte en de kwaliteit van de uitvoering. Data-analyse is een vorm van monitoring die sterk in ontwikkeling is. Het gesprek met de organisatie over de uitgevoerde vervolgacties richt zich zowel op de aanpassingen die zijn doorgevoerd in de populatie die met data-analyse is beoordeeld, als op de ontwikkeling van de interne beheersingsmaatregelen. Daarmee hebben ze ook betrekking op het leren vermogen van de organisatie.
Maturity scan

Where have we come from? Where are we now?

Basic KPI Reporting

Visual data exploration

Segmentation

Predictive Modelling

Simulation & optimalisation

Analytical Maturity

Transactional

Increasing business value

Strategic

Data analytics

Traditional Business Intelligence
An approach for getting started

Just because analytics can represent a big opportunity for your tax organization doesn’t mean you have to go big from the beginning.

Fix the data

Tax functions need to collect, integrate and standardize data so it can be readily available to analyze. Without all the information at hand, you may not get the full picture.

Think profit center

If you think of your department as a profit center, then you are half way there. Analytics is a powerful tool for not only spotting issues, but opportunities too.

Get interactive

Look across the core. This will improve collaboration among tax professionals and stakeholders, and help you get to the core of the business.

Start here

1. **Tools:** conduct inventory of analytics technology
2. **Talent:** Yes, you’ll need rocket scientists
3. **Pilot:** Come up with a short list of priority areas to start with
4. **Time’s up:** You’re already ready

**Power of Data**
Data analytics in Indirect Tax
Tax Data Analytics – How is this impacting you?

- Global Tax Strategy Development and Execution
- Tax Accounting
- C-Suite Communications
- In-Country Taxation
- Finance/Capital Structures (Treasury Support)
- Indirect Tax
- Risk & Controversy Management
- Regulatory Compliance
- Customs
- Tax Resource Management
- Transfer Pricing
Indirect Tax Reporting Process

Managing Risks
- Duplicate invoices
- Incorrect customer #
- Hidden VAT

Adding Value
- Input tax accrual

How do we get Tax decision-making right for such a large volume of data?
Case Study 1 – Indirect Tax Monitoring

- No integral, complete and fact-based overview
- Analyses are cumbersome and time consuming

Analytics will respond to some of your needs

- How do we use the data in systems to find cash potential?
- How to monitor our tax position?
- Do we recover all the input VAT timely, correctly and fully?

Benefits

- Continuous monitoring
- Time efficient analyses
- Ability to quantify tax risks/savings
- Scale-able, rapid deployment
- Limited impact on existing IT infrastructure
Case study 2: Visibility Supply Chain

Complication
- Global Company is importing product into a single distribution country
- They do not have a clear visibility how the supply chain works/all import VAT is recovered

Analytics will respond to some of your needs
- Direct view on the supply chain
- Confirm that the business model is followed
- Detect any import VAT leakage
- Combine fiscal and logistic information
Case 3: support to ERP implementations

Wish to analyze the efficiencies & weaknesses in the new SAP environment for tax post go-live. This covers:
- Review of the general tax settings
- In depth screening of the tax treatment of the identified critical flows
- Analysis of the reporting of those transactions

Scope & Approach
As part of the system and process review, A Tax Data Analytics solution was implemented including a visual, interactive dashboard, which provides instant insight in the most important Tax risks and opportunities.

Results
The solution made it possible to efficiently evaluate high volume Tax Transaction data within a very short time frame and validate certain business rules/risk areas. Also, they could identify some minor gaps in certain business processes and optimize the process accordingly.
Case study 4: Industry Specific (FSI)

**Complication**
- VAT is not fully recoverable
- Get insight in exempt versus zero rated revenue
- No single data source

**What are the main benefits?**
- Analytics will respond to some of your needs
  - Create insight on the revenue streams by business unit
  - Direct view on current application of the pro-rate and optimization opportunities
  - Combine ERP and sub-system information

**How does it work?**

**Typical complications**

**Sample architecture**

- Data source
- Analytics engine
Thoughts and Reflections
Closing thoughts and reflections

Start with the data your tax department already has and grow it organically.

Look across the enterprise, become collaborative, and begin thinking of the tax function as a business service center.

Tax analytics is a strategic imperative to an advanced, global tax management strategy.

Tax must get engaged to help their company keep pace with its competitors.
... the pace of all this change can be staggering

To reach 50 million participants

Radio took 38 years

TV took 25 years

The internet took four years

Facebook took two years