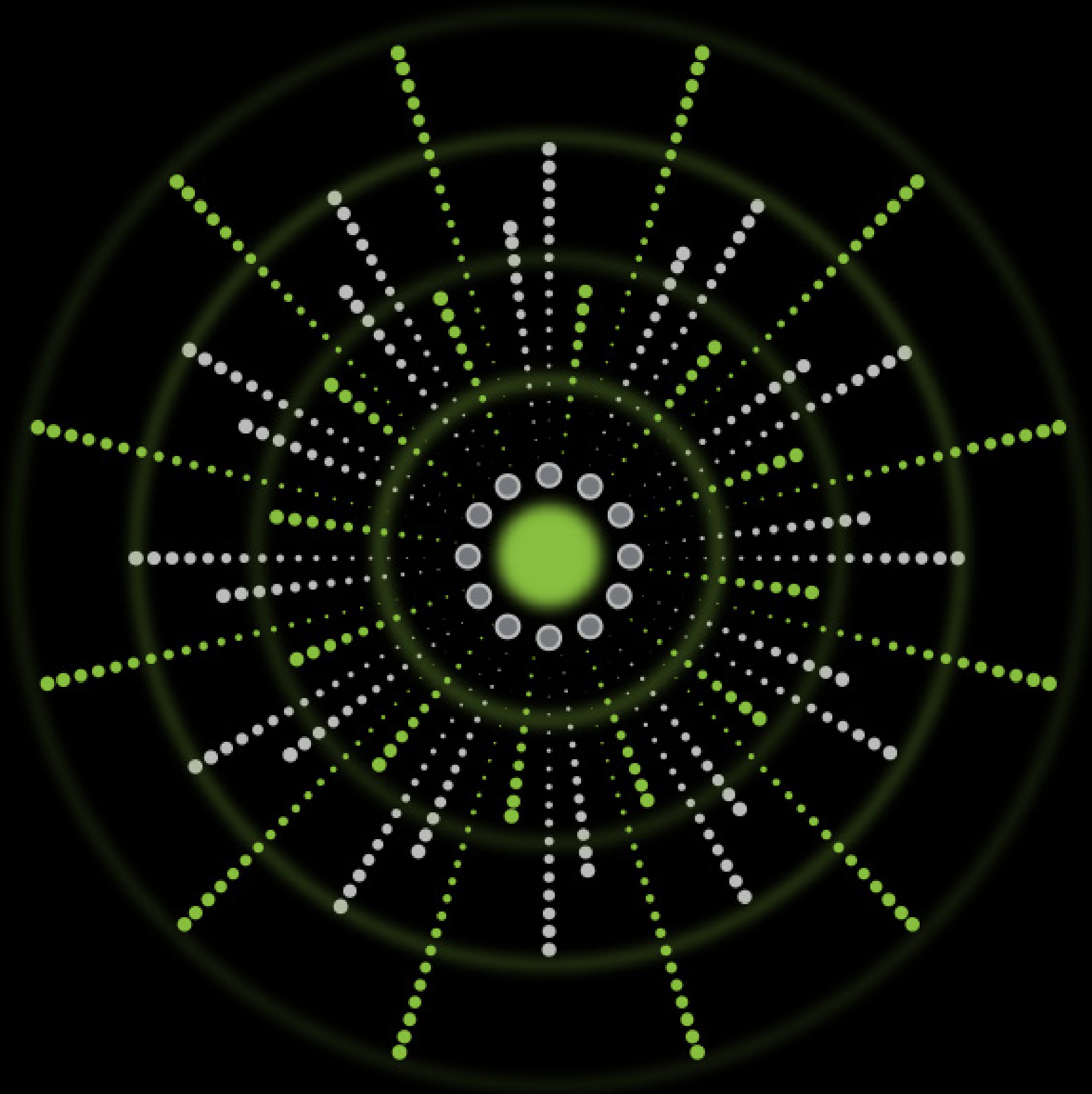

Unlocking new value with tax technologies

Global tax management survey

Introduction

As organizations across the globe embrace new technologies to streamline operations, reduce costs, and deliver value, tax departments are taking note—and action. Indeed, according to Deloitte's latest Global tax management survey, more than half of respondents have increased their focus on digital and tax technologies in the past two years. Early indications are that this focus will only accelerate in light of the COVID-19 pandemic.

Tax leaders are facing unprecedented external forces, even as they're often asked to "do more with less" in their organizations. While exponential advances in technology are challenging enough, add to that the ever-shifting regulatory requirements, an overload of data, and the transformation of their businesses and/or business infrastructures, and it's clear that many tax leaders are looking for ways to respond. The call to do more with less has been further amplified as the implications of the global pandemic and subsequent economic impacts continue to unfold.

Increasingly, those leaders are finding solutions by employing new technologies that fuel tax innovation. And while these mounting pressures—both those anticipated and unforeseen—require quick movement to address critical needs, there is a significant opportunity to consider and invest in technologies that can help the tax department flex and scale to face current and future uncertainties.

From data-wrangling tools that extract and format the data required to comply with multiple jurisdictional rules to enterprise resource planning (ERP) solutions in the cloud that integrate tax technologies with other finance and business applications, many of the technologies—and solutions—are already being actively deployed and delivering real results.

Let's take a closer look at the interrelated drivers behind the increased focus on tax innovation technologies and how tax leaders can leverage them to bring new value to the business.

Global tax changes, shifting regulatory requirements spark action

Today's tax regulations are constantly shifting—and becoming ever more complex—as organizations face changes including US tax reform, digital taxation, country-by-country reporting requirements, the Standard Audit File for Tax (SAF-T) standard, and now legislative changes in response to the COVID-19 pandemic and related economic downturn. Tax leaders have responded in a variety of ways to comply with these new demands. Not surprisingly, technology solutions are a logical first choice.

A full 70 percent of respondents to the survey facing SAF-T and real-time reporting obligations say these requirements have been a significant driver of their investments in technology. Many survey participants also shared that implementing the technology necessary to respond is their No. 1 challenge.

As new requirements have been introduced over the past few years, many tax leaders have put solutions in place for each jurisdiction's mandates—meaning many are left with a number of disparate systems and tools rather than an integrated approach. Most CFOs interviewed as part of the survey expressed the need for tax technology tools and systems to be more integrated, both across tax and across the business. In addition, the sudden shift to a virtual work environment in response to COVID-19 raises the level of urgency around developing more integrated processes.

Increasingly, even as some jurisdictions adopt more of a global theme with their regulatory requirements, it will be ever more important for tax leaders to think long-term about implementing integrated, agile technology platforms to support tax innovation and address the inevitable uncertainties to come.

Data overload presents challenges—and potential opportunities

While "big data" isn't new—businesses have been mired in data for decades—the speed of change in digital innovation, coupled with advances in digital performance and capacity, have produced an unprecedented explosion of data in organizations today. And because nearly every business transaction has a tax implication, tax functions are at the center of the data storm.

As a result, tax leaders are turning to increasingly available technology tools that allow the capture, integration, and analysis of enormous data sets with relative ease. Not only do these tools enable increased transparency and more efficient compliance and reporting, they also unlock new insights into the data. Those insights, in turn, drive the quest for additional data to increase the level and depth of understanding of the business's tax positions.

Culling insights from business data is indeed a high priority for tax leaders: 72 percent of respondents to the survey said that obtaining more value and insight from the data is a driver for technology investment.

Cost effective, user-friendly data-wrangling tools are a popular choice for many tax organizations looking for greater insights into their business' data. Thirty-three percent of the Global tax management survey respondents said they have already invested in data-wrangling tools, and 38 percent plan to invest or invest further. Other innovative tax technologies like data visualization, robotic process automation (RPA), blockchain, and artificial intelligence are potential solutions as well.

Whatever the solution, tax organizations are increasingly using technology to not only streamline compliance and reporting, but to perform deeper analysis of previously scattered data sets to help sustain and improve the tax position of their businesses. Increasing automation and insights will also be helpful to sustaining the performance of the virtual tax department.

Tax climbs aboard as businesses transform

As many businesses respond to the growing pressures of digitalization, globalization, and heightened competition by adjusting their business models, revamping their supply chains, or shifting their customer base, tax organizations are forced to modernize to meet—and even advance—the agility of the business.

Many organizations are also looking to upgrade the ERP systems that support their business infrastructures or, in an increasingly prevalent move, migrate ERP to the cloud. According to the survey, 43 percent of respondents have already invested in upgrading their ERP systems to improve the accessibility and quality of tax data, while 35 percent plan to invest in this area or invest further. At the same time, 27 percent of respondents reported their organizations have moved to cloud-based ERP, with 30 percent planning to invest or invest further in this initiative.

These efforts present an opportunity for tax leaders to partner with other business functions in ways they may not have in the past. As businesses embark on infrastructure transformation, whether it's an ERP upgrade, an ERP cloud migration, or a finance department overhaul, it's important for tax to be a key part of that process to unlock the value tax can deliver to the organization.

To put this into practice, tax departments should consider formalizing their approach to tax technology tools in the same way the broader business has developed their plan for transformation. This means defining a clear tax technology roadmap, securing sufficient budget, and identifying an owner to lead tax technology efforts. According to the survey, while many organizations may have one or two of these elements, only 19 percent of respondents have all three factors important to the success of tax innovation technology. While this is up from 12 percent in the 2016 survey, it still represents an opportunity for tax leaders to take action. Further, 40 percent of respondents identified as their company's global tax decision-maker or leader indicated that they serve the role of the individual responsible for tax technology. This may not be the best fit, given the myriad other demands those leaders face. Organizations are then presented with an additional responsibility to identify individuals better suited to lead their tax technology efforts, while they also work to secure sufficient budget for tax and ensure a technology plan is in place.

While priorities within the tax technology plan may look different post–COVID-19—for instance, many tax departments have reprioritized the need of a virtual collaboration platform to support visibility across processes, document sharing, workflow, and calendar tracking—there is an important balance in addressing immediate, crisis-driven technology needs while continuing to focus on strategic, longer-term initiatives such as ERP modernization or cloud migration. For some companies, these larger transformations may be slowed by funding constraints, but for others, the migration to a cloud infrastructure has suddenly become business critical. Regardless of pace, the tax department can now begin to engage as an integral stakeholder in finance transformation, both as a key user of financial data and as a partner contributing to the business case for transformation.

The way forward: Tax technologies deliver value to the business

Many tax organizations have already made great strides in responding to the influences of complex regulatory requirements; voluminous, scattered data; and business and infrastructure transformation, while others are in more of an exploratory phase. But wherever their organizations stand, tax leaders are increasingly turning to technology for answers—and finding new ways to add value to the business.

Although value is defined differently by different organizations, it commonly involves a mix of risk management, cost reduction, and agility from the tax function. The benefits of technology deployment to tax organizations align with those elements:

Increased efficiency from the ability to capture data, in real time, at the source so that "tax just happens," reducing risk and costs while allowing for deeper insights into the data.

Fairness in that transparency is enhanced and outcomes are monitored, helping to reduce risk and better anticipate what's ahead.

Better effectiveness, which allows for a reduced tax gap.

Lower costs in the administration of tax, while tax planning and policy design are improved.

To realize those benefits—and deliver new value—tax leaders must first make a sound business case to their C-suite to secure the necessary funding for technology investments, a not-so-common practice of traditional tax departments that often served more on the periphery of the business than at its core.

It's important for tax leaders to focus on the return on tax technology investments, which can be a new mindset for them. Tax leaders have the opportunity to emerge as a strategic partner to influence the bottom line, especially if they integrate some key points into their business case:

- Align with corporate goals
- Show high return on investment
- Manage the organization's risk profile
- Satisfy procurement requirements
- Justify the use of corporate resources
- Explain the solution and vendor choice

The ROI of tax to the business comes when the organization has the necessary investment to deliver that return. Tax departments tend to be the largest consumers of financial data, so investment in tax can help save time and money. At the same time, tax departments are faced with pressure-filled global compliance and reporting burdens, which create risk that can be better managed with increased investment. By developing a business case and investing in new technologies, tax will have the time and access to data insights that can help drive earnings and create new value for the business.

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