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Our Tax digital future

Introduction

The next 5 years will be a period of significant technological advancement for various professional service areas including the tax arena. It is hard to predict precisely what new developments will emerge but we can look to current and recent trends to guide our predictions for the future digital landscape and the ways in which it will impact the profession.

In this way we have developed our view of the tax digital future. Specifically we have identified the defining technology changes we expect, the effect we believe they will have in the tax and legal arena, the impact that will have on businesses and the way it will shape the future working environment the tax and legal professional can expect.

Overall, we anticipate a professional environment almost overwhelmed by rapid change, with an increased demand on the time and energy of those practicing within it. But our view is that we can discern the future from the evidence around us now and appropriate plans can be laid to prepare for that future. That said however, to be successful, plans must be set carefully and people and businesses must remain nimble, adjusting strategic actions as market developments unfold.
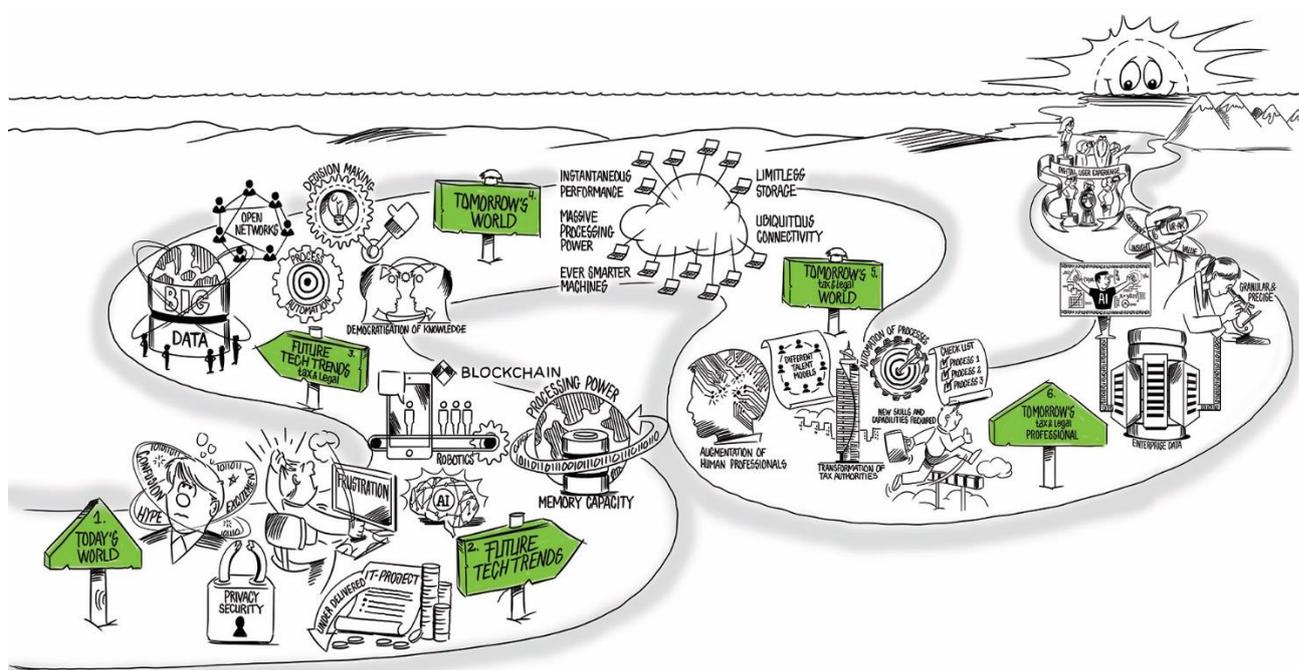

Today's world

Today's digital environment in the tax profession is characterised by a strange dichotomy. On the one hand we hear much talked about technology: the

dramatic advances made and the huge opportunity IT presents. We are inundated with explanations of exponential growth and Moore's Law, of the impact of artificial intelligence and the disruption coming from technologies such as Blockchain.

On the other hand, our personal experience of IT in the workplace can be a very different matter. New technologies are often confusing, the excitement feels like hype and the real benefits seem to lie in a remote distant future. Day to day technology can be difficult to use with frustrating levels of performance. We are overwhelmed by issues of data privacy and security and IT projects always seem to overrun, exceed budget and under deliver performance.
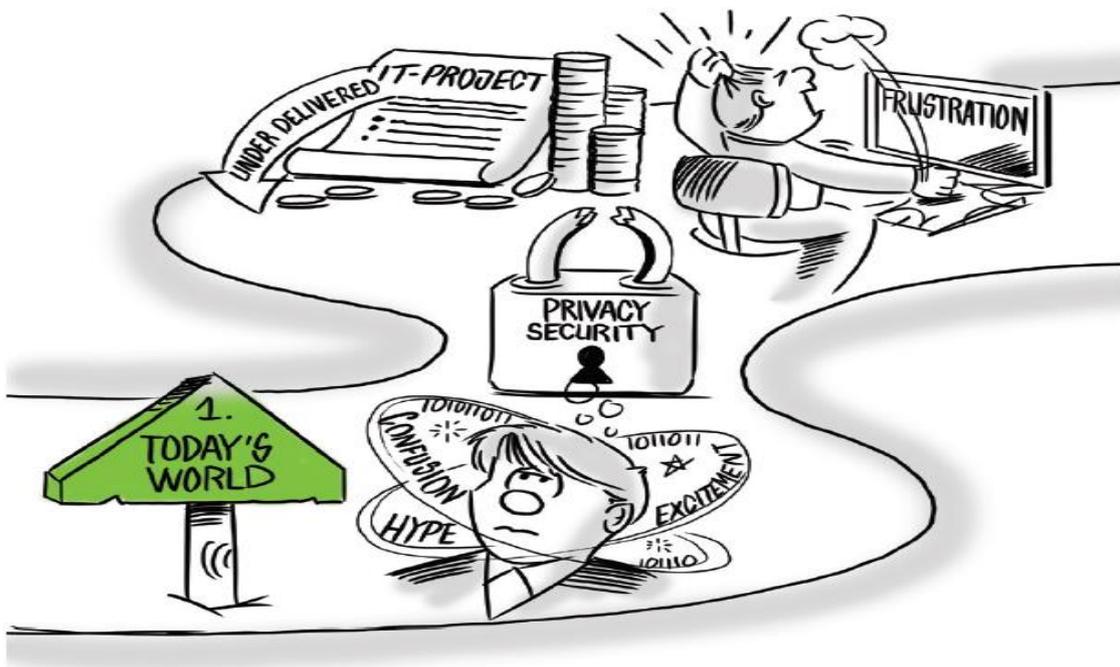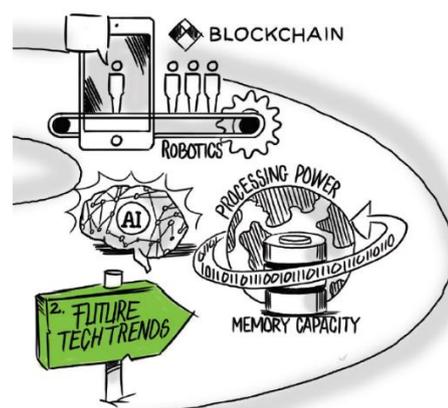

The future technological trends we expect

However, despite this current experience, we believe that technology developments in the future will be dramatic and satisfaction levels will improve equally dramatically.We look to the experience in our personal lives for example with apps, social media and the internet of things, and believe that the phenomenal progress there will be reflected in our professional environment.

In particular, we expect significant increases in:
• Processing power;

• Memory capacity;

• Connectivity;

• Artificial intelligence;

• Robotics;

• Blockchain technologies.

The technology trends defining the future of the tax profession

Of the general trends outlined above, we believe there are 5 main areas of technological advancement that will materially affect the tax profession in the future:

1. Data – big data sets, massively improved performance and memory capacity at scale;

2. Process automation – robotic process automation and integration of financial and other systems;

3. Decision making – AI augmenting our compliance and consulting capabilities;

4. Democratisation of knowledge – publically available and easily accessible knowledge and information: A "Google for tax and legal rules"

5. Open networks – talent sourcing, crowd problem-solving and sharing ecosystems.

In our view these trends will define the way tax authorities and regulators transform and the way businesses will have to respond. These trends are also opportunities for businesses and thus should form the foundations of any digital tax strategy and associated transformation.
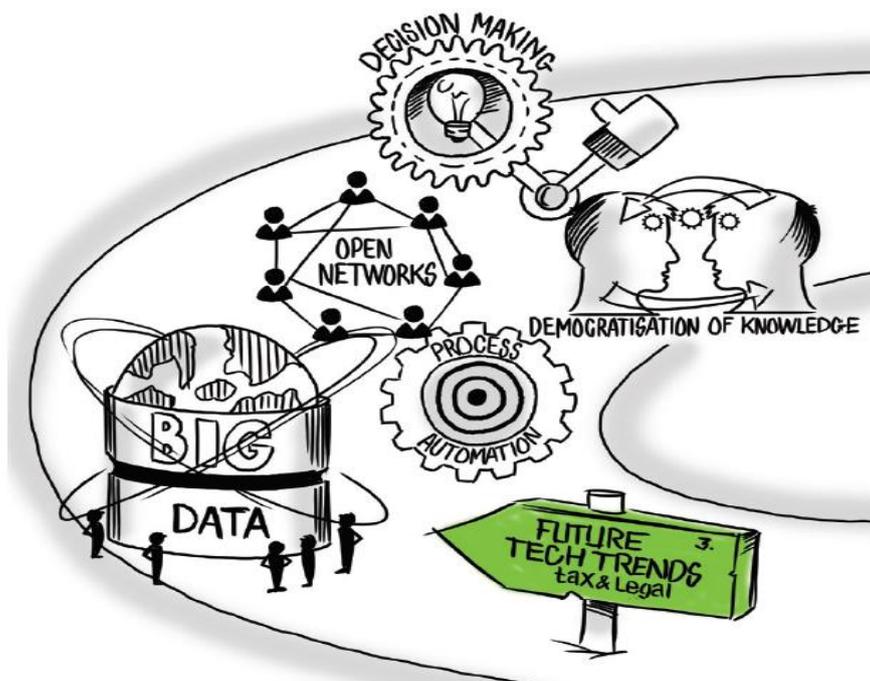
1. Data

The phenomenon of "big data" is having a dramatic impact on the way that tax work is undertaken. The processing power and capacity of machines mean that performance and data volumes are no longer limitations to the amount of data that can be analysed.

The granularity of data that can be used; the way transactions are recorded and then accessed; real time reporting and unlimited time periods for data retention and storage will transform the application of tax rules and regulations. Instead of data sampling, estimating and extrapolating we will work with precise and complete data sets. Within 5 years we will be at a point where the details of all transactions can be quickly and easily investigated and classified for tax purposes and evidenced for legal interpretation.

In addition, the way transactions are effected will change. There is much said today of Blockchain technologies. In our view, widespread use of this technology will take more than 5 years. However, we can expect that Blockchain will emerge in certain localised areas where there is a requirement for a high degree of trust and public reliance

(for example in public registries of land titles or for secure transactions in some specific financial markets). Nevertheless, Blockchain aside, in 5 years we will see much more digital impact on transactions and dealings between taxpayers and tax authorities and judicial bodies.
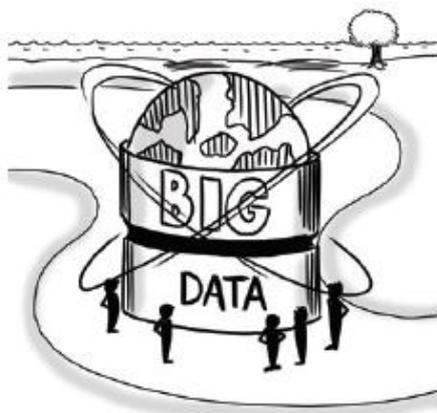

2. Process automation

In the past, data collection has often been an ad hoc and rather laborious process. This requires manual analysis and rework of the data to classify it for tax purposes or for legal interpretation. To improve that data landscape businesses have worked to structure the data and record it in their financial and other systems and more recently adopted technologies such as Robotic process automation to streamline the collection processes.

In the future we believe this will change dramatically. Increasingly, we will automate the classification of transactions using, for example, machine learning applications which perform text based search and apply pre-set rules, learning from previous analysis to predict the appropriate tax treatment.

Artificial intelligence will do the job without needing to rely on up front recording in structured accounting ledgers or after-the-event manual review and allocation in spreadsheets.

Combined with the increase in the extent of data to work with, these cognitive technologies will produce a much higher degree of accurate tax classification for all transactions and business events taxpayers undertake.
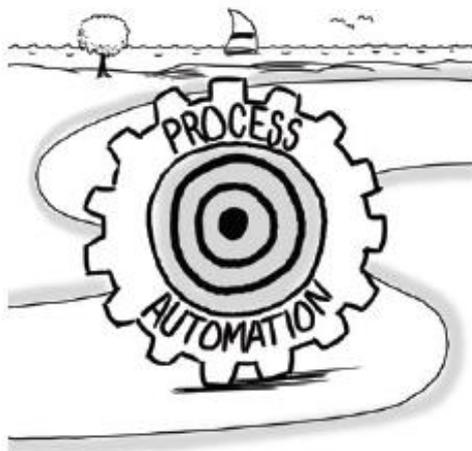
3. Decision making

Artificial Intelligence will have a similarly dramatic impact on the application of tax judgement. These same cognitive technologies improving data classification will enhance the professionals capabilities: machine learning, pattern matching, fuzzy logic and natural language processing will allow complex tax analysis to be undertaken by technology. These developments pose a significant opportunity to reduce time and effort, improve quality and accuracy and ultimately to raise the bar of what can be achieved.

4. Democratisation of knowledge

Some 10 or 15 years ago a US practitioner might have approached an adviser and asked what the tax rate was in, say, Belgium. The adviser would have looked it up and maybe checked with their local team in Belgium and then written back with the answer – for which they would have charged a time-based fee. Today this seems very unlikely. Unless there were some serious complications, a US practitioner would have direct access to this information through a variety of on-line sources. This trend will continue and over the next 5 years practitioners will get ever more sophisticated access to information and knowledge of the tax and legal rules and regulations to which they are subject.

In addition, increasing transparency and access to information and knowledge will have implications for global tax policies that will change the legislative underpinning and interaction between authorities and taxpayers

DEMOGRATISATION OF KNOWLEDGE
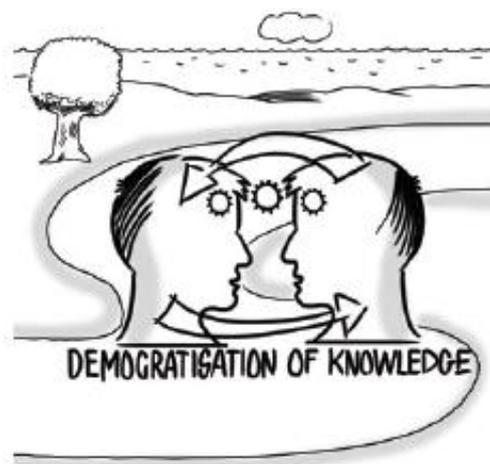
5. Open networks

Online work platforms have grown significantly in a number of areas of the economy. Labour platforms such as Guru.com with some 1.5million people, Upwork. com and Mechanical Turk (mturk.com) are creating widespread networks of freelancers available for task based work. Tax teams are no longer entirely based on full-time employees. However, crowdsourcing or open talent models in the tax market seem further off when compared to the progress in IT, graphic design and finance.

We believe this position will change over the next 3-5 years as three developments in tax converge. New skills will need to be accessed around data, analytics and technology; the breaking down of tax processes into individual tasks through automation and standardisation will highlight specific work routines that could be allocated to new workers not needing deep tax skills; and the evolution of the sharing and social economy will better connect potential supply and demand and open new resource pools keen to work in different remote and virtual ways and within different reward models

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