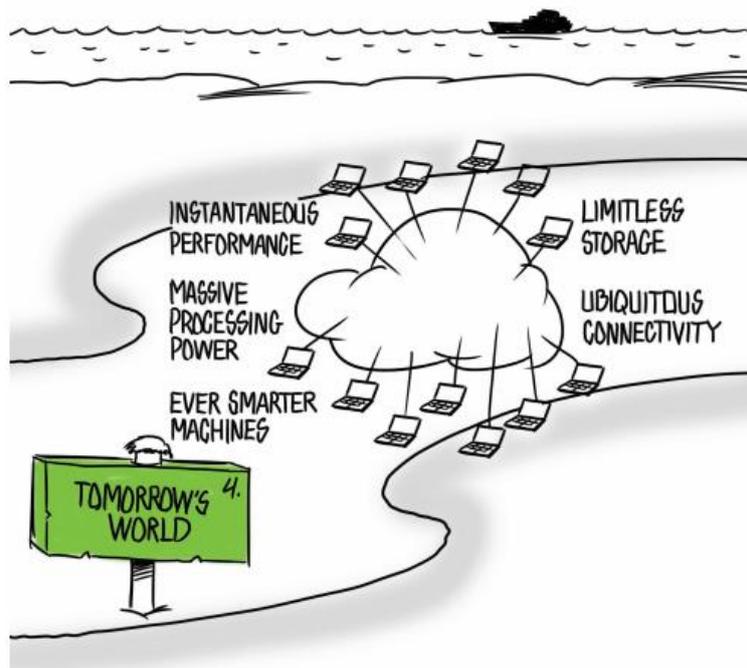


Tomorrow's world

These technology trends will have a major impact on our world. We can expect transformational change affecting all our professional and personal lives. Admittedly, there are barriers and impediments that will slow progress such as concerns about privacy of data and security of systems combined with the natural reticence and reluctance for people to adopt the material change involved. However, we believe that the competing objectives of transparency and confidentiality will settle and we will see the appropriate protection of data and regulatory restrictions on the use, storage and transfer of data suitable to still meet the public interest in transparency and accountability. Meanwhile the future digital environment will advance and we can expect:

- Significant improvement in the performance of our technology leading to higher degrees of satisfaction and value;
- Widespread access through mobile technologies offering potentially ubiquitous connectivity;
- Memory capacity that will cease to be a limiting factor and ultimately offer limitless storage for the vast data sets in use in a digital world;
- Increases in machine performance and programming approaches which will offer massive processing power to be applied to the increasing availability of data; and
- Machines that are smarter and ever more capable.

There remains a debate about the pace at which these trends will develop and how quickly they will affect our profession but there is no doubt that the markets are already moving: preparing for and indeed expecting to see progress and adoption of these technologies and this change



Tomorrow's tax and legal world

The combined effect of these wider technology developments will bring about a sea change in the way tax authorities and other regulators meet their objectives and manage their responsibilities. Revenue authorities already require large volumes of data to be filed. They have defined the structure and format in which data needs to be maintained and provided through, for example, filing schemas and standard audit files (like SAF-T). In some territories tax authorities already require full Accounts Payable and Receivable ledgers (with invoice level detail) and subsequent periodic Trial Balance financial ledgers to be submitted. These territories include Brazil, Poland, France and Spain (where AP and AR ledger details are required to be provided within 4 days).

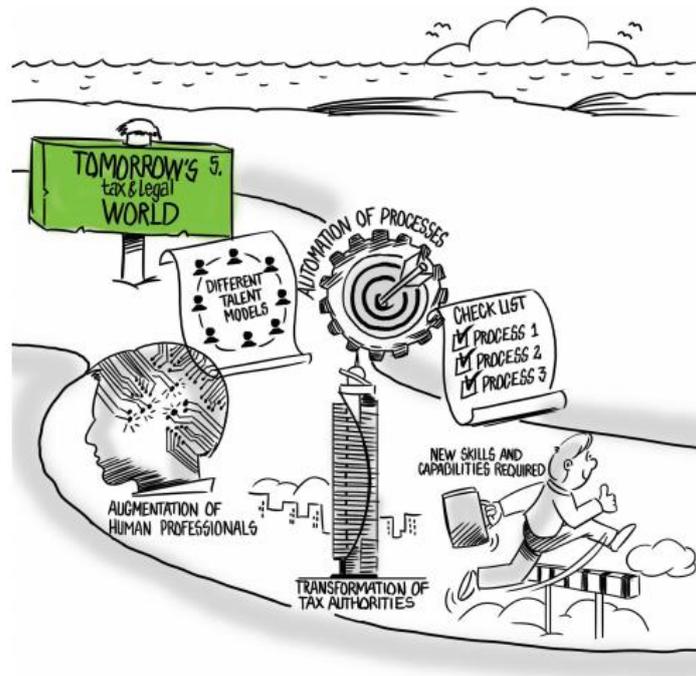
In 5 years' time we believe most tax authorities will be requiring fuller data sets to be filed or made available and in real time, or close to it. Indeed they are likely to move beyond this. Rather than require the data to be filed and managing the transfer and storage of large volumes of data, they may simply publish the algorithmic routines that they require to be run across data sets and then review the results. This will save the effort of data transfer and rely on taxpayers to maintain a digital record. This will also accelerate the time at which Revenue Authorities can review and investigate a client's information.

With these dramatic changes we can expect a significant impact on our professional lives - how we work and what we do. As tax and legal professionals, the relationships and roles we have within our organizations and with those we advise will be different. We can expect to be doing more work earlier in the process as transactions are recorded or internal controls are put in place and then also in the later stages in areas of controversy and dispute resolution.

Consequently, the skills and capabilities required will be very different from today. We can expect to see a blend of "automation and augmentation" impacting the workforce. Manual processes will be replaced by automation of data flows and the impact of robotic process automation. At the same time professionals will be augmented by artificial intelligence technologies embedded into the ways we access our knowledge and experience in order to apply it to business circumstances.

We believe this will cause us to look hard at processes and our resource models to get work done. Tax processes will be decomposed into individual tasks and allocated to new workers not always needing deep tax skills. The evolution of the sharing and social economy will open up talent networks, crowd sourcing models and the so called "gig" economy to the tax and legal marketplace.

In addition, the skills we need will be different. On the one hand, everyone will need increased technology skills. On the other, professionals will also have to know how to combine technology with the very human skills still essential in any relationship with the rest of a business: empathy, creativity, emotion and morality.



Tomorrow's tax and legal professional

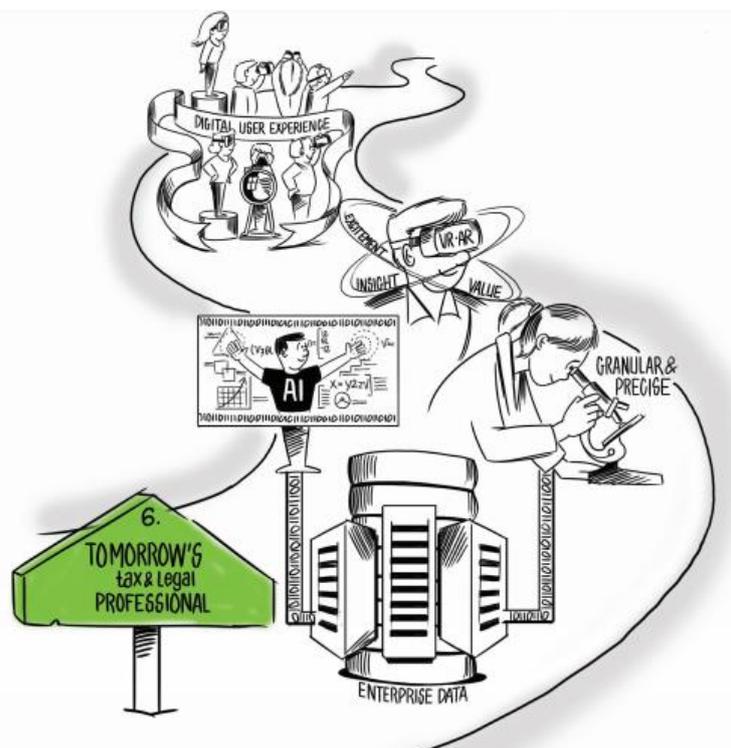
These developments pose a significant question: what will be the nature and volume of future work? When the impact of automation and augmentation increases what will tomorrow's workforce do to replace the time currently spent on today's processes? Ultimately, what will be the right balance between human and machine? Whilst digital transformation will require major change and pose considerable challenges, we believe this future will also offer significant opportunity. It seems clear that Revenue authorities will embrace technological change and use it to gain access to global data sets and thereby create more tax transparency. This will increase the demands on tax and legal professionals coming from increased complexity, rapid change and heightened risk. However, by embracing the new technologies for handling and analysing data, tax and legal professionals will be able to improve compliance processes, enrich their tax and legal analysis and provide greater understanding and value to their organizations.

When gauged across a 5-year horizon, we believe that there will be more work to do in both managing the change and the consequence it provokes: the greater accuracy that the new technologies will offer and require for both tax and legal processes. And the nature of that work will be different. The digital transformation will reduce time spent processing, improve analytical capabilities and create significant new opportunities for businesses to manage their tax and legal obligations



It's hard to be precise about what our tax and legal digital future will be, but certain characteristics seem clear:

- 1.** We will be data driven leading to a more holistic approach at the enterprise level. We will manage that data better. We will harness its power to act faster, provide richer insights and create business value for the organizations we serve.
- 2.** Big data will lead to greater granularity, precision and accuracy. We will work with integrated data sets including all aspects of the underlying transactions – both the structured and unstructured data elements. This will allow enhanced analysis at the transaction level of detail rather than relying on the sampling and estimation we may have been forced to use in the past.
- 3.** Algorithms will increasingly be the way we apply our expertise, our knowledge and experience. And we will need to apply that expertise earlier in processes as real time reporting takes hold and accelerates the times at which data is submitted.
- 4.** Robots will take more of the strain. In the future, robotic process automation technologies will evolve, become easier and cheaper to deploy, and as a result will become ubiquitous tools for professionals to use to streamline processes. In addition, they will become smarter, infused with AI, and therefore have greater impact.
- 5.** The user experience will be more digital. Professionals will consume information in a more personalised way through video and other mixed reality media. At the moment we generally work in email interacting through a keyboard. In the future we can expect much more use of natural language processing, talking to virtual agents and connecting through online forums.



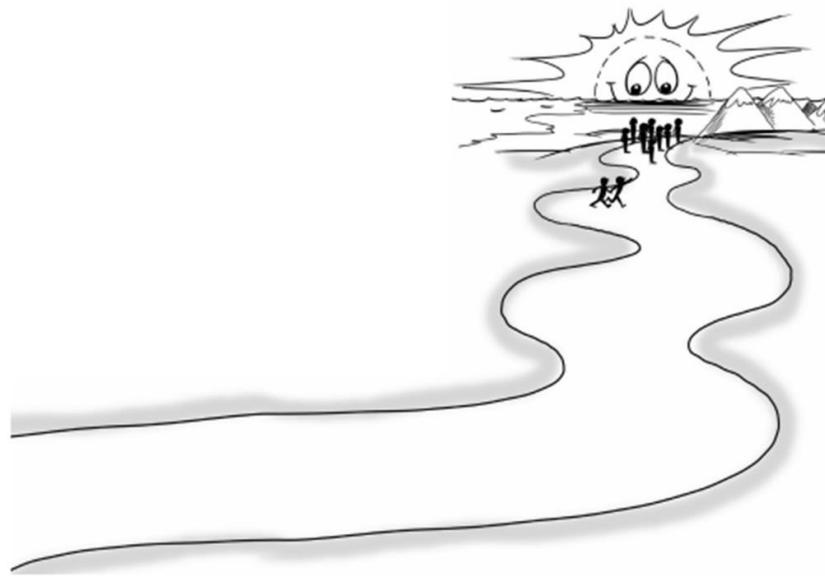
In Summary

We believe that the tax and legal professional will continue to be deluged with a significant pace of change and associated risk as we continue into the digital future. It is hard to be confident of what precisely that future holds but we believe you can discern today the defining digital trends, anticipate the impact that they will have and set plans accordingly. That said, we also know that in 5 years' time we will be working with technologies that have yet to be invented, which means we must continue to monitor developments and remain agile - to experiment and adopt new technologies.

And in that regard, it is perhaps worth keeping Abraham Lincoln's advice in mind: **'The best way to predict your future is to create it.'**

"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction."

Bill Gates Microsoft



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