

# Brave new (digital) world: What lies ahead for the tax department

Technology is having far-reaching implications on the tax profession, and this only looks set to continue as the digital age advances. Deloitte's **Kathy Scherer** examines how these developments are unfolding.

**W**e've seen the articles: This new technology will disrupt that profession. The technology and the profession may vary, but the point is clear. Powerful forces are shaping the future of work.

And the future is near. In 2015, the World Economic Forum asked over 800 business leaders when they thought governments would begin collecting taxes via blockchain. 73 percent of respondents said they expected this to happen by 2023. Further, it is predicted that by 2025 self-service finance will be the norm. Accountants using spreadsheets will be replaced by technology that does 90% of the work without human intervention.

Blockchain, artificial intelligence (AI), robotic process automation (RPA), cloud computing, the Internet of Things (IoT) – in this brave new world, smart, connected technology is challenging organisations and leaders to rethink the very dimensions of work. For tax professionals, this process begins with a basic question: What does the future of work look like?

## Where tax has been

The tax profession has seen major shifts in recent years, including moves from paper to electronic tax filing, calculators to spreadsheets, and emails to shared drives. Now, technology is poised to build on each of these enhancements.

Beyond standard electronic tax filing, for instance, many tax authorities around the world are setting their sights on technology to enable digital collection and analysis of tax. For example, we're seeing more countries in Latin America model after Brazil's real-time reporting system. And many European regulators are moving to Standard Audit File for Tax (SAF-T) protocols. Spreadsheets are being replaced with web-based platforms, which in turn are being outfitted with machine learning software and AI to significantly reduce manual data entry, transform data, and speed up review processes. And shared drives are being retired to make way for more collaborative platforms that include functionality beyond document management.

Each shift offers more efficient, effective ways to complete existing tax tasks.

## Where tax is going

Companies need to prepare themselves for the digital age ahead. One approach to this is through the Work, Workforce, Workplace framework:

- **Work** – the type of work tax departments will be doing in the future;
- **Workforce** – the workforce composition, skills, and capabilities required;
- **Workplace** – the structures, tools, and environments that enable the workforce to create value in the future.

Through this lens, tax leaders can build a vision of the future (see Figure 1) that has the potential to reshape the world of tax – today.

## Work

As data is increasingly aligned and integrated across an organisation, more financial transactions – supported by cloud-based



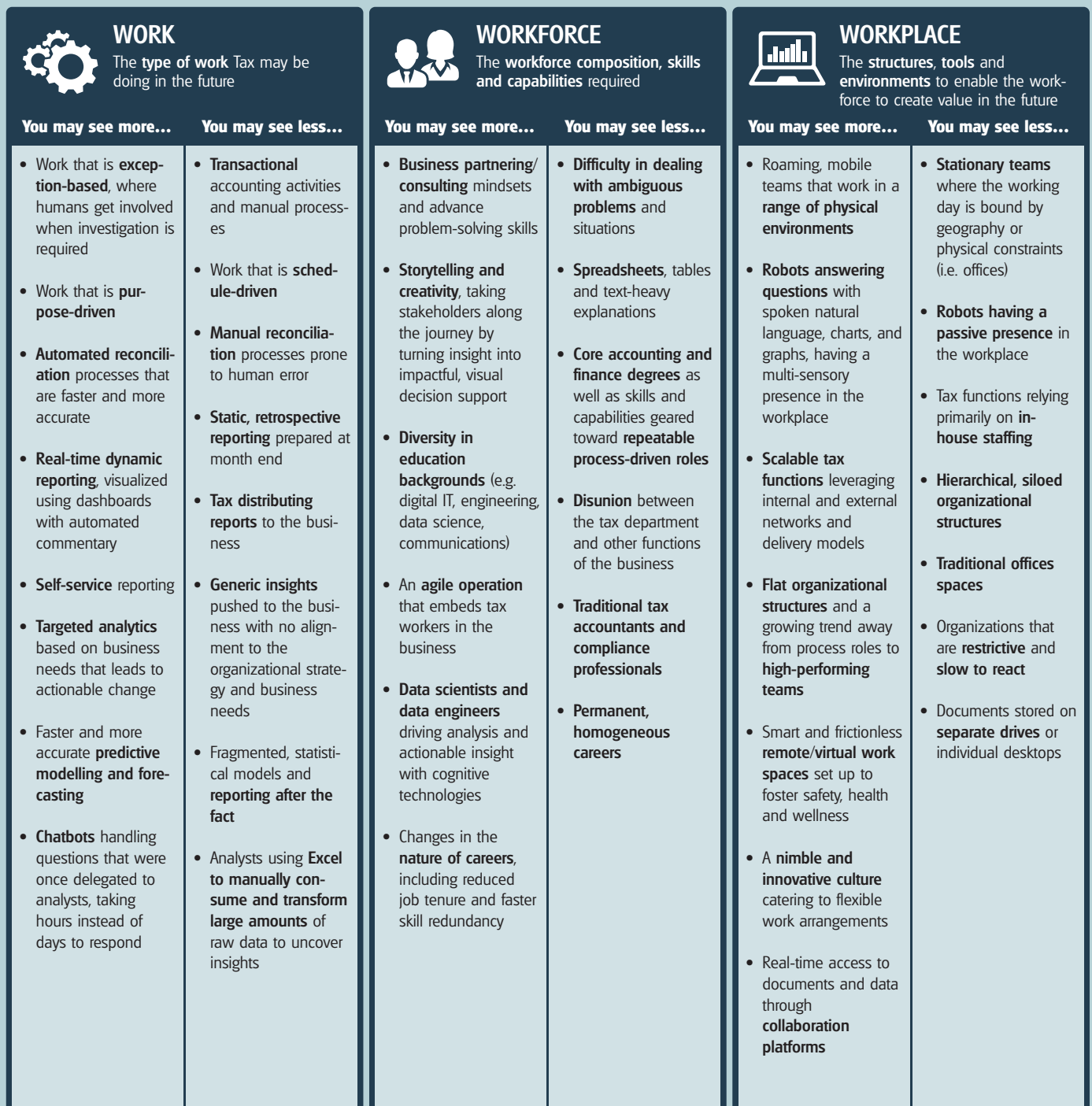
Digital advances could mean big changes for the tax profession

enterprise resource planning (ERP) – are becoming seamless and automated. Supported by tools such as RPA and machine learning, tax professionals can do less 'data wrangling' and focus more on risk management and strategic planning.

For example, RPA-based software robots, or 'bots', can take on the work of transforming and importing data from various sources into a unified database for the tax provision calculation. Bots can move data from the trial balance into the compliance software and automate the generation of low-complexity returns. As transactions are recorded and calculations are automated in the system, algorithms can instantaneously alert stakeholders to exceptions that require their attention. In this scenario, most of the work related to transactional reporting will be automated or simplified. Key responsibilities of the tax professional shift to helping to design, build, and maintain these interconnected systems while providing greater value to the function through insights generated in real-time and analysing risk for the business.

The result? Tax Professionals are relieved of the time consuming efforts of having to collect, clean, and format data. Focus can be directed at providing faster, more accurate forecasts, predictive models, and increasing overall value to the organisation. Instead of spending time responding to repetitive data requests, they will leverage voice or messaging platforms to build a system that can search and respond to frequently asked questions such as adjustment codes, location details, ownership structure, payroll locations, etc. Rather than copying, pasting, and consolidating data from disparate sources with spreadsheets, tax teams will connect data tables through a drag-and-drop interface. In this scenario, ad-

Figure 1



Copyright © 2018 Deloitte Development LLC. All rights reserved.

hoc, fragmented reporting will be out, while real-time, visually-rich dashboards providing valuable insights will be in.

Simultaneously, outside the organisation, tax authorities are advancing at a rapid pace. They are deploying new technology to gather and analyse tax data, requiring information at greater frequencies and in more detail than ever before. The stage is being set for regulators to potentially use blockchain to access companies' financial data directly and then return a tax assessment, using a platform conceptually similar to one that the Chinese city of Shenzhen is piloting, according to the Bitcoin Exchange Guide. In this pilot, the tax bureau in Shenzhen will allow merchants to submit invoices through a blockchain-enabled electronic invoice system allowing for immutable sharing and storage of transaction records among parties.

### Workforce

As the dimensions of work change, so too will the workforce. The tax organisation of the future will have people working side-by-side with machines. Its tax professionals will be expected to demonstrate business acumen and new skills such as technology and data management.

In-house staff may count off-balance-sheet workers such as contractors and freelancers among their colleagues. Specialists in robotics, blockchain, and cognitive technologies will join teams of traditional tax-technical specialists. Diverse talent operating models will draw on a portfolio of labor that is full-time, contingent, or even crowdsourced (contributed from a community).

Technology will pick up rules-based work. For example, machines might learn to classify items in trial balance reports based

on pre-configured guidance for determining the tax category. Meanwhile, chatbots could take the task of responding to simple information requests from stakeholders, such as previous year tax treatments, or statutory tax rate changes.

As routine tasks become automated and machines learn to interpret data, humans will need to redirect themselves to business partnering, planning, forecasting, and management reporting. Deloitte's recent webcast 'Digital transformation and tax reform: Time for a new operating model?' hinted at this when 1,400 attendees answered a polling question about the most critical skill (besides tax-technical knowledge) that their tax team needed to cultivate. The most popular pick? Business and operational knowledge.

Eventually, soft skills and advanced problem-solving will move to the fore as tax professionals collaborate with other functions to explore opportunities for business impact. Some of this may involve working with data scientists and software developers to create new machine-learning models for extracting insights from connected data systems. The tax professional of the future will also need creativity and analytical skills to tell an impactful, visual story about the insights they uncover.

These developments are likely to change the trajectory of the tax career. The tax department may find itself recruiting people with backgrounds in digital IT, engineering, data science, and even communications. Teams will be characterised by their agility, diversity, and collaboration skills. In response, tax leaders may need to redefine their team's roles and responsibilities.

In an environment like this, where traditional skills can become redundant, an openness to learning and development opportunities will be essential.

## Workplace

To harness disruptive technologies, businesses will need a next-generation tax operating model that, among other things, involves:

- Reengineering processes to eliminate redundant efforts, coordinate data management, and improve resource management;
- Leveraging collaboration-enabling technology to increase access to information, enable workflow management, and improve visibility;
- Gaining more production power by outsourcing to service providers;
- Enhancing analytics to become more forward-looking and strategic.

Put another way, the tax workplace of the future will be custom-built to reflect digital culture, tools, and approaches.

In this new workplace, the old construct – often with top-down hierarchies, large staffs, and siloed processes all on the same campus – may fade away. In its place could be core tax teams that are smaller, flatter, and augmented with alternative resourcing models and machines.

Technology will enable collaboration, integration, and line of sight among geographically dispersed teams. In turn, tax leaders will identify the places, tools, structure, and practices for people to come together to create value.

As labour becomes more diverse, autonomous, and virtual, innovation and leadership may grow more democratic. Collaboration and agility will increasingly define top-performing organisations. Business leaders already say that more of their



**Kathy Scherer**

Managing Partner of Business Tax Services  
Deloitte US

111 S. Wacker Drive  
Chicago, IL 60606-4301  
US  
Tel: +1 312 486 9835  
kscherer@deloitte.com  
www.deloitte.com

Kathy Scherer is the Managing Partner of Business Tax Services at Deloitte US. She began her career at Arthur Andersen and became a partner in 1998. She is passionate about the advancement of women in the workplace and committed to making an impact that matters, both as a leader in Deloitte's Women's Initiative and in the Chicago business community. Kathy was the recipient of the 2017 Illinois CPA Society's Women to Watch Award in the Experienced Leader category. Before she became the Business Tax leader, Kathy led the Central Region for Deloitte Tax.

With over 30 years of experience, Kathy is also the lead client service partner and lead tax partner on a number of major corporate clients, where she leads, develops, motivates, and directs the teams serving these accounts, and coordinates resources to solve clients' complex business issues.

Kathy is married with two children and resides in Chicago, Illinois.

employees are spending time on projects outside their functional area. A flood of new tools – many of them AI-based – is fuelling this shift, each with the potential to enable cross-cultural teaming by giving people more intelligent ways of communicating with one-another.

As for tax leaders, they can act as network architects and role models for the new ways of working. Fundamental to this will be an ability to facilitate the flow and exchange of ideas and providing greater autonomy at the team and individual levels.

## Bring it on

The digital wave disrupting whole industries is now making its way to the corporate tax department. As a result, tax leaders should expect the potential for profound changes in what people will be doing (work), who can do the work (workforce), and where the work is done (workplace).

The future of tax will see the advancement of robotic and cognitive technologies, with technology picking up the bulk of manual and repetitive work. The human part of the tax workforce will represent a diverse cross-section of skills that will mainly focus on developing tax planning across the organisation. And the workplace? It will be more networked, devolved, mobile, team-based, project-based, collaborative, real-time, and fluid than ever before.

In this future, tax professionals face new demands. Critical reasoning and thinking skills, the ability to connect the dots across multiple areas, and a deep understanding of the business will become as essential as the technical tax experience they worked so hard to acquire. Done well, however, this future has the potential to be the most engaging and fulfilling in the history of a much-respected profession.



## Deloitte tax@hand

Deloitte tax@hand is a convenient, customizable tax news and information resource designed for global tax professionals, on any device.

Comprehensive, customizable, convenient and current – visit [Deloitte.com/taxathand](http://Deloitte.com/taxathand) or download the free mobile app from the App Store, or Google Play.

**[www.deloitte.com/taxathand](http://www.deloitte.com/taxathand)**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

© 2018. For information, contact Deloitte Touche Tohmatsu Limited.