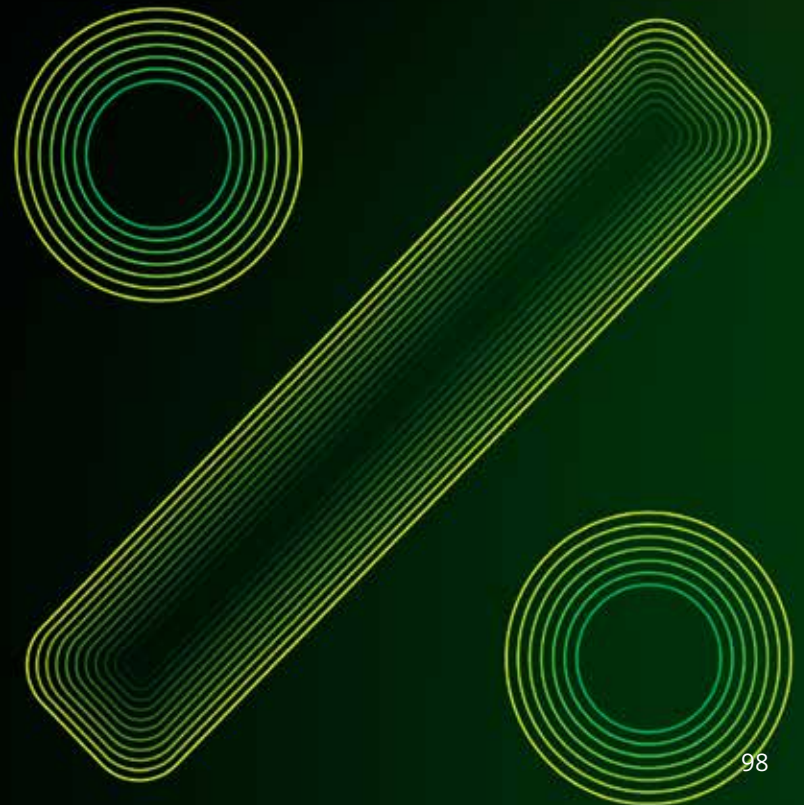


Office of Tax

As companies undergo digital transformation, adopt new working methods and explore growth opportunities, they increasingly depend on the tax function to navigate the complexities of this changing landscape while also enhancing shareholder value and growth. In today's technology-driven environment, the tax function has become a vital source of business insights, facilitating more informed and strategic decision-making. Organisations now recognise that tax plays a crucial role in shaping and optimising their overall business strategy.

Tax leaders believe their teams need access to real-time information on direct and indirect taxes worldwide to make effective decisions using technology.



Major tax trends impacting “shareholder value” and growth through joint ventures

Ventures in India have evolved from basic foreign collaborations to complex ownership and financial structures. While successes exist, challenges such as exit strategies and partner alignment persist. Tax planning is crucial for these ventures, with professionals not only ensuring compliance but also optimising business strategies. By encouraging leaders to consider potential joint venture partners across the value chain, tax experts can uncover growth and efficiency opportunities. Companies are increasingly thinking creatively and exploring beyond traditional joint venture boundaries.

- **Value creation through JVs**

JVs allow businesses to step outside their comfort zones, share profits and risks with partners, and more effectively capture markets by pooling resources, knowledge and expertise, ultimately strengthening their competitive position.

- **Role of supply chain**

Effective supply chain management improves efficiency and integrates tax considerations such as royalties and technical fees, enabling companies to create both operational and financial value.

- **Alternative Dispute Resolution (ADR) in JVs**

When JVs encounter difficulties or partners wish to part ways, companies use ADR mechanisms such as negotiation or arbitration to resolve disputes efficiently and amicably, preserving business relationships without resorting to litigation.

- **Family-owned businesses and start-ups**

Many family-owned businesses are increasingly incubating start-ups or forming JVs with financial investors to either turn around distressed businesses or scale up start-ups through capital infusion and expertise.

- **LLP vs. entity structures**

LLPs can be a beneficial JV structure in non-manufacturing sectors, but they face challenges, particularly in accessing financing, as banks are often reluctant to lend to LLPs compared with traditional corporations, with the choice of structure depending on business needs, industry type and tax consideration.

- **Exploring non-obvious collaborations**

Companies should explore JVs not only with competitors but also with suppliers, distributors or distressed companies, as these “reverse-engineered” collaborations can enhance the entire supply or distribution chain.

Technology fuelling tax transformation

- The future of tax compliance is moving towards full automation, with data automatically feeding into tax authorities, minimising manual requests for information.
- The transition towards technology-enabled tax functions is rapidly increasing, with 92 percent of companies aiming to be fully technology-enabled within the next five years (up from 79 percent in 2023).
- Participants in the Deloitte 2024 GST survey acknowledged the growing importance of tax technology in improving invoicing processes, enhancing financial efficiency and reducing ambiguity in compliance.
- Companies are recognising the need for tax technology leaders within their organisations, especially at India-headquartered global companies. Tax professionals now need a strong understanding of tax and technology.
- There is strong recognition of improvements in supply chain efficiency, with participants noting that technology is helping streamline operations and remove previous uncertainties.
- The focus on tax technology has shifted towards helping clients manage and analyse the vast amounts of data generated. About 95 percent of Deloitte's 2024 GST survey responses indicated data management was crucial, particularly for tracking customer behaviour, sales trends and market dashboards.
- The ongoing benefits of data accuracy from direct reporting through invoicing systems are noted, though businesses remain responsible for ensuring that vendors have discharged their tax obligations properly, especially under Section 16 GST restrictions.
- Due to ongoing changes in tax regulations and government systems, integrating updates into tax-related systems within set timelines is challenging. This requires continuous adjustments while ensuring 100 percent accuracy in computations, compliance and reporting.

The adoption of automation and digitisation in tax processes has improved, but system implementation and data management still face challenges. Companies are focusing on enhancing system features and security while also seeking outsourced solutions for tax technology management and investing in internal capabilities.

The changing role of the tax function

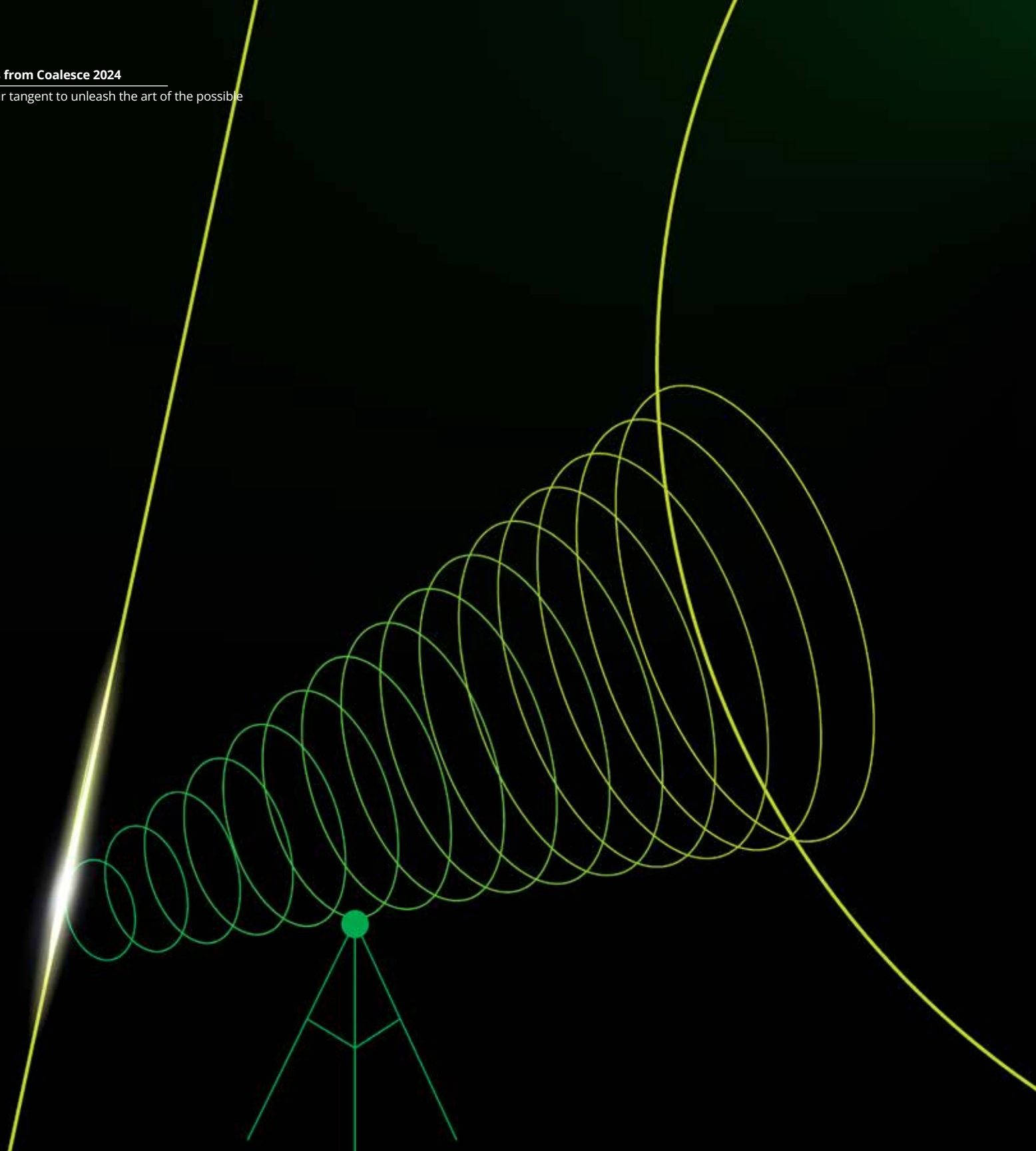
The role of the tax function is rapidly changing from focusing on traditional work, such as transaction processing, reconciliation, reporting and tax compliances, to business partnering, supply chain restructuring, predictive analysis, tax controversy and driving enterprise value through technology. The next-gen digital technologies will augment new human skills/capabilities and allow the tax function to deliver net new value-added work. Top five themes shaping the future of the tax function:

- Cost and efficiency remain top priorities for tax, following compliance with evolving tax laws and regulations.
- Holistic data management and integrated systems are a challenge but are required for insight-driven compliance.
- Outsourcing remains a prime strategy to access technology capabilities at scale.
- Tax leaders are finding new avenues to resource work outside the tax department.
- Future skills requirements are giving rise to the “hybrid tax professional.”

"The future of taxation will be shaped by data and AI insights, driving automation, efficiency and improved compliance, while enabling tax professionals to focus on strategic tasks and providing predictive analysis for better decision making."

- Gokul Chaudhri,
President - Tax,
Deloitte South Asia





The way forward

In conclusion, a blend of strategic foresight, technological advancements and evolving business models is shaping the future of the tax function. As companies increasingly depend on technology to enhance efficiency and ensure compliance, tax professionals are shifting from traditional roles focused solely on reporting and compliance to becoming strategic partners who contribute to business growth, value creation and operational optimisation.

The rise of joint ventures, innovative tax structures and non-traditional collaborations emphasizes the necessity for tax leaders to adopt a more holistic, value-driven approach. However, challenges persist, particularly in areas such as data management, system integration and developing the skills needed to navigate the intersection of tax and technology.

Ultimately, tax functions must be agile and proactive, equipped with technological tools and the expertise to guide businesses through the complexities of a rapidly changing landscape. This will ensure that they create sustainable value and maintain a competitive edge in an increasingly digital world.

CFO

