



## Tax Operate

Reimagining the way tax operates for the future

March 2022



# Introduction

In modern economies, taxes are the most important sources of governments' revenue for public spending and building infrastructure for the people. Efforts to strengthen the enforcement of tax compliance by governments have included investments in building improved assessment and audit capacities, new technologies designed to reduce the scope for tax avoidance, improved collection methods, efforts to expand access to third-party information and policy changes designed to reduce the scope for evasion. In the past years, tax authorities have been adopting new technologies to improve the ways tax is administered, reported and managed. But recent history suggests that the wave of digitization will fundamentally change the relationship between tax authorities and taxpayers. Tax leaders<sup>1</sup> also are already facing disruption with the emergence of new business and operating models, as well as the varied challenges posed by rapidly changing compliance obligations and evolving international tax policy.

## Emerging trends in modern taxation

It is imperative to note that the quest for greater transparency and real time reporting by tax authorities are making tax functions consider how they can move further upstream in their data sources and enterprise resource planning (ERP) systems. This is forcing tax functions to digitize and automate their processes to improve access and provide timely data and reports to the tax authorities.

Today's business environment is being transformed rapidly as the forces of globalization, digitization and social transformation take hold the way companies operate. This imposes pressure and challenges for tax, resulting in the need for new operating models that add more value, while maintaining quality, transparency and reducing costs. The turbulent future requires flexibility to enable tax to adapt to disruptions.

One of the major trends impacting the tax function of the future is the increasing compliance requirements from tax authorities and need to avoid punitive sanctions for delayed or non-compliance. The tax function of the future will be majorly impacted by tax authorities' transformation, digital transactions, the future of tax work and the decisions to be made by businesses based on technological innovations.

The tax authorities are transforming from taxpayer systems to tax authorities' systems. This move has been from paper-based returns, ERP systems/accounting software, production of electronic returns, electronic audits and currently real-time reporting. This is particularly driven by data, improved technology and increasing legislation. Tax authorities are beginning to integrate taxpayers' system to theirs to get real-time reporting of transactions.

<sup>1</sup>C-Suites leading tax strategies in organizations.

Countries like Italy, Greece, Turkey have made it mandatory for taxpayers to issue e-invoices and electronically submit all their transactional accounting information to the tax authorities for review. In Nigeria, Federal Inland Revenue Service launched an online platform (TaxPro Max) for filing of all tax returns and payment of taxes to provide a consolidated overview of the taxpayers' status without having to visit the tax offices. With the progress being made by tax authorities all over the world, a digital tax strategy is the way to go in the tax functions of companies of the future.

No doubt, businesses are generally facing new challenges which range from rapidly changing regulations, technology, and limited resources for handling tax compliance and processes. With that is the expectation for timely optimized reporting, value addition and cost efficiency for a modern operation of the Tax department. Companies are therefore addressing these tax challenges by redesigning and transforming their tax department through focus on operations, technology, and talent.

The problems organizations face are varied and solutions are peculiar to each organization, however, they relate to concerns around tax team doing manual and repetitive tasks, difficulties in obtaining data needed to file returns, reconciling data, visibility over transactions being carried out, much time spent to get information from the business, insufficient fund to invest in technology and human resources. In operating a modern tax function, technology solution would be helpful in preparing computations or automation for returns to address inefficiencies in the existing systems and/or processes; data analytics solutions that would be helpful in providing insights to the future, process management solution and other solutions that facilitate automation.

The way the tax function should operate in a digital world requires that businesses must be agile and flexible enough to adapt quickly to disruptive business circumstances. This is to enable businesses build greater resilience into their own tax functions and position for the future.

99

**The tax function of the future will be majorly impacted by tax authorities' transformation, digital transactions, the future of tax work and the decisions to be made by businesses based on technological innovations**



The automation of processes within the tax function has the potential benefits of reducing cost, alleviate resource challenges, re-direct focus on activities that create value and job satisfaction. Digitization of the tax function will bring about growth management, enhanced insight, improved efficiency, expanded knowledge base, improved cash flow as well as risk management.

In the light of the rapidly changing compliance expectations across different jurisdictions, automation of the tax function is clearly not optional, as businesses need it for an effective tax planning.

## Preparing for the future of taxation

The reimagined tax function will be one where there will be automation of tax activities involving rule-based repetitive data management that impact the tax compliance process. Automation will not override professional

judgment, intuition, communication, and advisory skills. However, it is important for businesses and tax professionals to prepare for the transformation of the tax department in the following ways:

### ***Monitor the disruptive technologies being introduced within and around the tax system –***

Tax functions must understand the digital transformations going on with the tax authorities and within their organizations to implement the appropriate technologies and adequately upskill their employees to supplement and improve current processes.

### ***Tax department assessment –***

Companies must begin to carry out a tax department assessment that will help the companies assess their tax functions. For example, as more compliance tasks are automated with robotic process automation (RPA) and artificial intelligence (AI), in-house tax professionals may be freed up to take on other value-adding roles within the organization.

### ***Transformation road map –***

Conceptualizing operational vision for the future will be key in assisting tax functions define and execute long-term technology road map to transform the tax functions and consider various operating models and configurations

### ***Cultivate the right framework –***

Given where most tax functions are today, the shift towards the tax function of tomorrow will require significant change management and leadership. It is about creating a progressive, adaptive, and forward-looking culture within the tax function.

### ***Taking ownership of the reskilling required –***

The transformation of tax department talents will require both new approaches and new investments by organizations if it is to become a reality. Until that happens, tax professionals must take ownership of their future and reskill for the transformation by becoming more tech savvy and expanding analytical skills to leverage data.

### ***Outsourcing the tax department –***

Transformation can be achieved by partial or full outsourcing of the tax department. The third-party service provider deploys its tax technology platform to ensure enhancements to the company's data process and technology to help improve efficiency and drive value. The third party also offers solution to talent challenges by providing competent and experienced tax professionals at all levels including potential talent transfers.



99

**In the light of the rapidly changing compliance expectations across different jurisdictions, automation of the tax function is clearly not optional, as businesses need it for an effective tax planning**

## Conclusion

The future of tax is here. There is an increased demand for change and emerging technologies that will affect the tax function and its operations. In transforming and reimagining the way tax operate, digital transformation which involves effective use of data to generate insights and relevant information is critical.

Outsourcing the tax department which is the strategy many organizations are adopting could be used to achieve operational, technological and talent benefits. Organizations must therefore be ready to embrace this change and put plans in place to ensure it fits into its strategy. In the same vein, tax professionals must be better equipped with the requisite skills and be positioned to function in the digitalized and ever-changing tax system.

### Authors



**Patrick Nzeh**  
Partner, Tax Operate



**Abdul-Hafiz Ibrahim**  
Senior Manager, Tax Operate



    DeloitteNigeria  [www2.deloitte.com.ng](http://www2.deloitte.com.ng)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

Deloitte & Touche, a member firm of Deloitte Touche Tohmatsu Limited, is a professional services organisation that provides audit, tax, consulting, business process solutions, financial advisory and risk advisory services. Deloitte provides audit, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high quality service to address clients' most complex business challenges. To learn more about how Deloitte's over 334,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

© 2022. For information, contact Deloitte & Touche. All rights reserved.

[www.facebook.com/DeloitteNigeria](https://www.facebook.com/DeloitteNigeria) | [www.twitter.com/DeloitteNigeria](https://www.twitter.com/DeloitteNigeria)