



Tax in a data-driven world

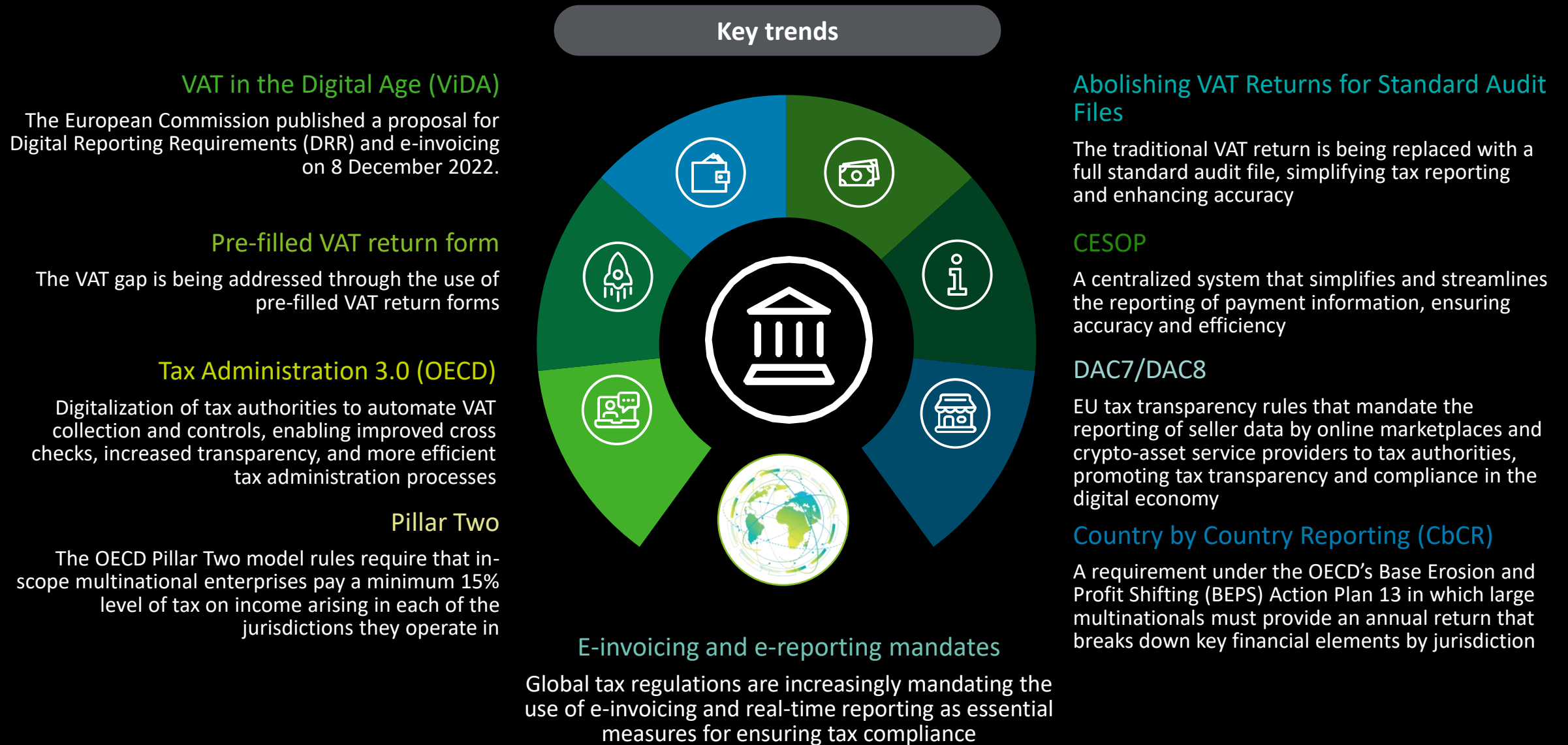
More regulations, more data, more technology

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Digital compliance and reporting trends shaping the future of tax



Tax in a data-driven world - More regulations, more data, more technology

Key technology considerations in tax transformation

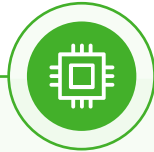


Compliance with changing tax laws and regulations continues to sit firmly as the top priority for tax departments surveyed¹. New regulations are driving tax to transform its approach and improve access to reliable, accurate, and fit-for-purpose tax data.



Customizing technology for global compliance

Customizing enterprise technology (e.g., ERP systems, GenAI), for Tax addresses multiple near-term challenges



Deciding how to invest

Deciding whether to build or buy technology capabilities to fulfill Tax's needs is a difficult and pressing issue



Internal collaboration and obtaining budget

Over time, Tax's control over its technology strategy and budget has shifted to the sit with Finance or IT



Finding the optimal implementation and maintenance program

Transformation roadmaps driven by an appropriately-skilled team are key to successfully deploying and maintaining technology investments



Learn more about the report:
Visit www.Deloitte.com/taxtech
or scan the QR code.

¹Deloitte [Tax Transformation Trends 2023](#) report

Data and new regulations drive tax transformation

Background

Immediate access to reliable, accurate, and fit-for-purpose tax data is essential to be able to meet complex tax obligations, real-time reporting requirements, and increasing expectations of tax transparency.

Many factors are having a significant impact on tax strategy and operations:

- Regulations: OECD's Pillar Two rules, CESOP, ViDA, e-reporting and e-invoicing
- Tech challenges: Version control, manual data collection, data formats, and the impact of Generative AI
- Tax authority digitalization: Collecting and sharing more detailed data, increased transparency

Deloitte's Tax Transformation Trends survey revealed:

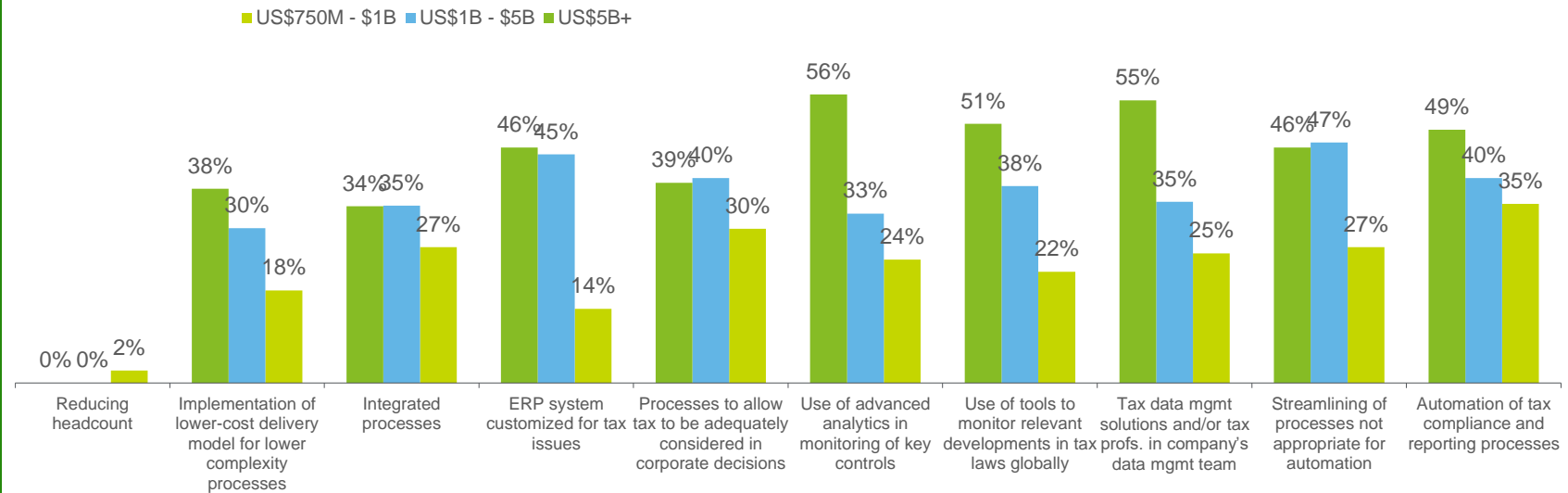
- 24% of tax and finance professionals intended to implement an ERP systems customized for tax issues in the following 12 months (the highest proportion of all transformation activities)
- 37% said they have fully implemented the use of tools to monitor tax law changes around the world
- 38% said they had not yet fully implemented data management solutions and/or having tax professionals in the data management team.

1. Customizing technology for global compliance



- Compliance is a top priority for the tax department
- To achieve it, comply with Pillar Two, or calculate their global tax liability, tax departments need accurate, timely, tax-related data integrated across their organization.
- Companies have been working to put in place data management and technology demanded by today's environment, but many have more work to do.
- The desire to continue customizing ERP systems for tax is not surprising: Modern ERP systems can provide accurate, granular data that tax teams need, while still supporting management-level reporting.

Challenges for the tax department over the next three to five years

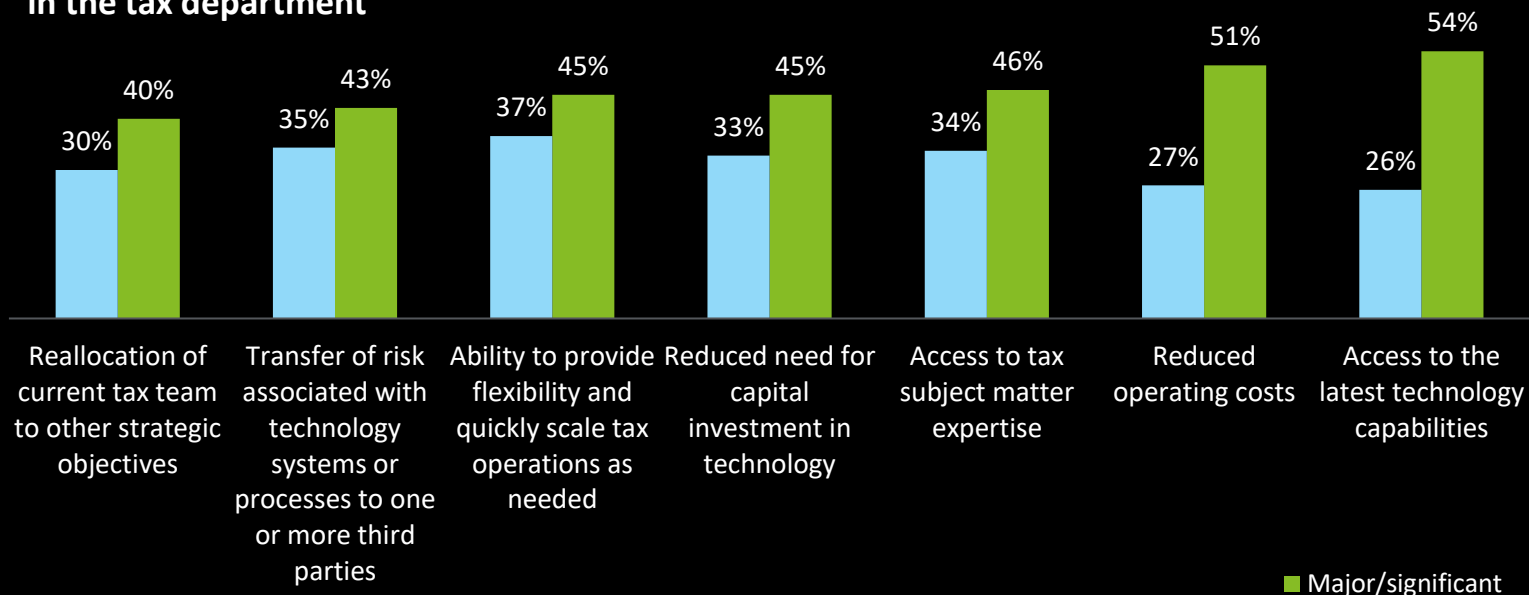


2. Deciding how to invest in technology



- Digital transformation is embedded into most companies' agendas, but it is still difficult to identify clear returns on technology investment
- When resources are constrained, it is worth weighing up the investment needed for developing, buying, maintaining, and replacing technology versus leveraging the technology of an outsource service provider
- Outsourcing can provide a strategy to acquire technology and expertise without incurring significant capital investment

Benefit company has received—or could receive—from outsourcing an entire activity or function in the tax department



3. Internal collaboration and obtaining budget

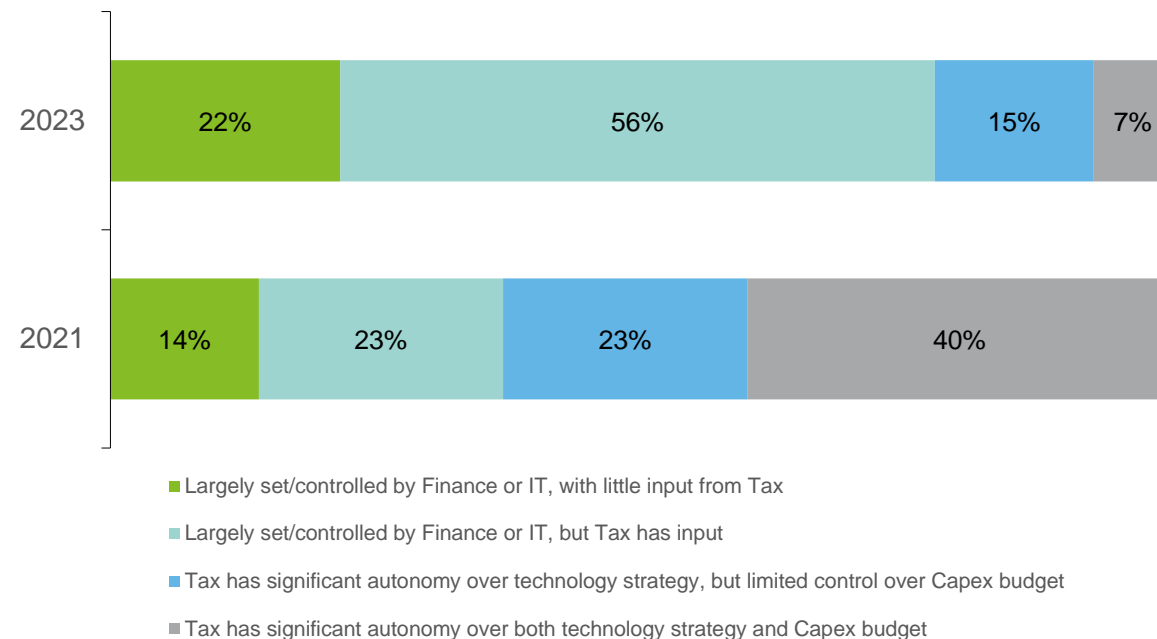


Data management and IT applications are increasingly important to tax departments. Budgets are increasingly shifting to Finance, but it differs by region:

- North American companies: Tax department has more autonomy
- Europe & APAC: more indirect taxes compared with North American income taxes
- It may be explained by the nature of tax department structure in different regions: Decentralization vs centralization

To make the case for budget, tax departments need to demonstrate the value they generate and protect for the company.

Challenges for the tax department over the next three to five years



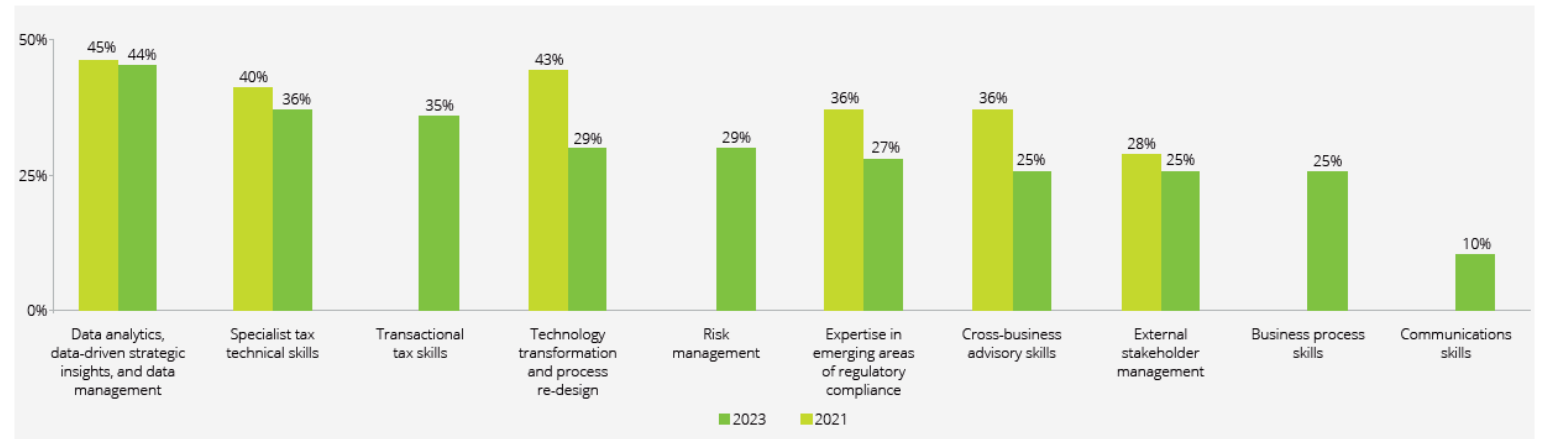
4. Finding the optimal implementation and maintenance program



- Best practice: Rather than focusing on the immediate need, obtain budget and develop a road map, considering the future needs and a holistic view of the tax department's operating model.
- Decide whether to implement in-house or outsource
- If in-house, develop the professional teams with the right skills

Figure 7. Greatest needs in the tax department for skills over the next one to two years

2021 vs. 2023



Note: Percentages do not add up to 100% since respondents could make multiple selections. Some items only appeared in the 2023 survey.

What's next?



- The tax technology landscape is broader than ERP and identifying tax data—tax leaders also need to consider **how many technologies** are really needed to meet their needs, how many are not yet connected to each other, and **how fast technology is changing**, threatening the obsolescence of existing systems.
- The pace at which Generative AI technology and tooling is advancing can make it difficult for businesses to work out the optimum point at which to invest at scale.
- All of this reinforces **the need for a clear strategy and focus on data structures**.
- Today, tax directors are addressing the impact of data within their tax functions and have pivoted by introducing new skill sets within their tax function, which is encouraging. This is, however, just the first step of a continuous journey in which primary stakeholders **use tax data through analytics as a strategic enabler to drive investment decisions**, often these days using dynamic dashboarding and modelling.
- The results of Deloitte's Tax Transformation Trends 2023 survey highlighted the need for data driven insight from compliance activities, more agile partnering with other parts of the business, and a heightened need to integrate technology across functions and jurisdictions.



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Example: The impact of e-invoicing within your organization

Transformation iceberg

