



TAX NEWS & VIEWS PODCAST

Episode - GenAI for tax: Enhancing data management and compliance

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Carrie Falkenhayn: From Deloitte, tax welcome to the Tax News and Views podcast in this series we talk to specialists from Deloitte about the latest business issues. I'm Carrie Falkenhayn, your host for tax news and views. And this is our second episode of our GenAI for tax micro series. We're calling this series getting your data ready from raw data to GenAI excellence in this episode. We're going to delve deeper into the dynamic world of GenAI emphasizing the critical importance of high quality and relevant data. This includes discovering data management strategies that may help facilitate seamless integration into the compliance systems. You'll acquire essential knowledge on the effective data governance practices enabling consistent quality and usability while driving value and innovation within your organization.

I'm joined by 2 of my Deloitte colleagues, Sharad Jha and Jeff York. And Sharad, I'm going to start with you right now, tax departments are one of the largest consumers of data and an organization. So talk about why high quality and relevant data is critical in the context of GenAI for tax?

Sharad Jha: Thank you very much, Carrie, for having me on this podcast. And really happy to do this with Jeff when it comes to why high quality and relevant data is critical. In context of GenAI, I would say that for tax department in organizations, high quality and relevant data have always been critical, but it just becomes much more prominent when it comes to GenAI. And one of the things that I like to look at is the path to realizing the vision of the leading tax departments for an effective, efficient tax process, having most accurate reporting and insightful and actionable information that path goes through data and tax

data. If you can think about it, it's the most critical aspect to give you an overall picture financial picture of an organization, from planning to unlocking insights and high quality and relevant tax data is actually key to get there. Poor quality data could lead to inaccurate results, and even worse, the lack of relevant data could lead to incomplete or misleading insights, and both these could cause an erosion of trust in GenAI being in its early phases. We want to make sure that when you are building any GenAI application or initiative within the organization that you are focusing on data 1st and high quality and relevant tax data is where I would start from.

Jeffrey York: And Sharad, I would add to that that one example is something that we might call speed to insight. So, using generative AI as an interface, users can query interact with disparate data sources much more naturally really helps them overcome hurdles of the more traditional business intelligence techniques like connecting to multiple data sources and manually building dashboards and visualizations which ultimately allows them to reduce the time required to generate insights at the end of the day, locating and analyzing data becomes almost conversational through generative AI, which is really different from how tax users have historically interacted with the data.

Carrie Falkenhayn: It's a really interesting concept of using generative AI to help you get to high quality data. What are some of the leading practices for managing data to make sure it's ready for GenAI Integration?

Sharad Jha: That's an excellent question. Most of the companies that we work with, and in the multinationals, I mean, they have huge amount of transactional data volumes and usually have very complex ERP landscape. And what that leads to is your data being dispersed across numerous systems across different geographies across the world. And that leads to big challenges when it comes to managing data, and especially for GenAI. So one of the things that that we work with clients on is to identify and catalog their data sources across the globe across their organization and making sure that the data that is available in across these multiple sources are accessible by the tax departments or the folks who need access to it, because we are a lot of times surprised to see that there is a data set which could really help a tax department. But Tax Department either is not even informed about it, or if they are, they don't have access to it. So that's where I would start with identifying the data sources and cataloging them. And once you do that, then it comes the second. I would say the best practice would be storing it in some kind of a central environment, whether it's a cloud-based environment or it's a localized tax data hub. But having that data sourced from multiple sources, but stored in one single place, makes it easy for you to manage that data, manage the quality of data, govern that data.

And I would say that in that same way the next thing would be the data quality which requires you to clean the data as it comes from multiple sources, validate the data, run some tax validation rules, business validation rules, and so on. On the data, and most often and not you would have to transform that data to make it more consistent and standardized their formatting, and so on.

And the reason why you do that is that data becomes much more reusable downstream as you start to integrate it with visualization tool, with your tax engines, with your reporting engines. And what have you? So I would say that data access, identifying, cataloging your sources of data, storing it centrally in cloud or in some tax data hub, and then having a pipeline for data, cleaning and transformation.

Jeffrey York: And Sharad. What you've described is not necessarily easy. But what's interesting to me is that GenAI can actually help us with that process. So first, it can help us assess the quality of the data on the front end, including finding any gaps or anomalies in the data that you've described. And then, secondly, it can help us enrich our data by combining data from various sources and modalities and augmenting it with new attributes. So, for example, adding a line item, description and tax paid from an invoice image back into an original transactional data set that came out of an ERP can provide additional data points for comparison and analysis. It ultimately helps users confirm the completeness of the ERP data that's often

used to make tax decisions. And I guess, ultimately using generative, AI to assess enrich data, can improve the data, quality and enable the insights that we discussed earlier in the podcast.

Sharad Jha: You know, you need all this data, and you need these best practices to be able to provide GenAI applications the data it needs. But at the same time, GenAI is, as Jeff rightly pointed out, that it's a great tool to even help us get there. So yeah, lot of usage of all that technology.

Carrie Falkenhayn: One of the topics that we talk a lot about on this podcast is the changing global regulatory environment and how it continues to change, and the demands seem to be ever increasing on tax departments. How might GenAI support an organization in managing their regulatory compliance?

Sharad Jha: AI can enhance the regulatory and tax compliance by providing consistency across various modes. You know, when I say modes, it's like when you are communicating with the tax authorities in different countries, jurisdictions, and so on. A lot of that discussion could be in written form. Some could be in form of a transcript from A, from a phone call that you had with the authorities. All right. Yeah. So, for example, in Germany you receive an IDR in German, and you are a US headquartered company, and you want to have some kind of consistency in the way you're responding to those IDRs because it could be a cross border issue. And then the 3rd is the context. That is this, a transfer pricing across border dispute? Is it something to do with our tax return filing? And so on.

So I would say that GenAI can enhance all these different layers, the modes of communication bringing the information, the written form and the spoken form over phone calls in one single repository, making sure that language is no longer a barrier, that when I'm responding to a German authority and to the French authority, and to the Us. That I'm being very consistent on the issues that are being discussed here.

And of course, the context and with high quality data, we can really improve the efficiency and the and the effectiveness of of this whole process. And you know, task compliance process one of the key things that we can do. Yeah. So with high quality data, it can improve the efficiency and effectiveness of task compliance process through automating and classifying structured data and unstructured data. Like I mentioned the transcripts on the phone call to provide real time insights enabling organization, the organizational agility that you need in a dynamic regulatory environment, because the key is that you want to stay a step ahead. And if you have access to such structured and unstructured data which can provide you real time insights, then you are able to identify any missteps ahead of time, and therefore are able to course correct, and that agility is going to be more and more critical because of the dynamic regulatory environment that we see in our world today.

The second area where I see GenAI supporting organizations is by keeping on top of the tax regulations, because you have things changing in different countries that you operate in by staying on top of those policy proposals and legislations, and so on, researching that taking a position, finding out how those new legislation may impact your current reporting structure being more proactive in addressing, you know, addressing those issues upstream and allowing your professional to focus on more higher level analysis and strategic activities as opposed to spending a lot of time going through these legislations and doing impact analysis and so on. GenAI is an excellent tool to help organizations streamline automate. You know, there's there's a lot of value that can be derived out of GenAI. When it comes to. You know these these kind of regulatory compliance changes, and staying on top of those changes.

Carrie Falkenhayn: Got it.

Jeffrey York: So, Sharad, I think, said another way. Generative AI is a tool that can be used to summarize complex laws, regulations and court decisions. As you mentioned, where clients are moving toward real time data analysis, and some countries are even requiring even more real time reporting. And so for clients to be able to get real time insights into their data before they have to submit it to the tax authorities is really

really important. With all that in mind, I think I'd only add that it's important to note that shouldn't be taking the place of our tax professional. Really, you know, human review and understanding is still paramount, even if it can help us summarize the law and gain these insights in real time.

Sharad Jha: Point. So when I point out about GenAI capabilities, and how it can streamline and automate, the human component or human in the chain is most critical. Absolutely so. Thank you for pointing that up, Jeff.

Carrie Falkenhayn: What to wrap up here? What are some practical steps that tax leaders can be doing now with their data and their systems, to deploy GenAI in an efficient manner, and to make sure they get a high return on investment?

Jeffrey York: Thanks, Carrie, I'd say the 1st thing to do is really to start small. So to translate business needs into solution design and use cases just by understanding your current state, your data sources, your pain points and your challenges. And once you've identified these things, you can use these designs to create a tax technology roadmap that's centered around a tax data model that supports the transactional operational and decision-making needs of the tax department. I think it's also important to engage in enterprise. Wide AI initiatives that shape solution designs that help address tax needs. Often AI and generative AI budgets don't exist in tax. They really exist outside of tax. So there's really no need to create the wheel and make a tax only business case. Instead, you can highlight the potential benefits of aligning tax with financial systems and business processes which can create a compelling business case for tax to join the existing GenAI or AI initiatives within the organization. And then, finally, I would convert this vision to value, if you will set clear expectations on the return, on investment, on any dependencies and on the significance of the good quality data and centrally available data that we've discussed throughout the podcast here, including establishing a strong data, governance protocol at the end of the day. This will set the foundation for defining success and achieving the value of this new technology that we have available to us.

Sharad Jha: Jeff, I would just reiterate the point around having some kind of a roadmap which is centered around tax data model, because I feel that the best practices that we were talking about earlier for GenAI. When it comes to data management, that is key. And while you are waiting for, let's say, any internal AI initiative or any sort of investment that allows you to dabble more in AI. These are some of the data management things that you could be doing today and cataloging your information, trying to get the transactional operational data under better management or more centralized management. And absolutely, these are some of the steps that I would recommend. All my clients do that today, so that they are ready, when the time comes for them to experiment and scale GenAI applications that their foundation is already there.

Carrie Falkenhayn: Sharad and Jeff. Thank you so much for those helpful comments and great examples of how organizations can think about their data and prepare for the opportunities that will come with GenAI. Really appreciate your conversation today. If our listeners would like more information, they could reach out to Jeff or Sharad on LinkedIn, but mostly I hope, you are able to join in and listen to the other episodes in this series around GenAI. In the meantime, I hope everyone continues to be well. Take care.

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