

Tax authorities are going digital

Stay ahead and comply with confidence



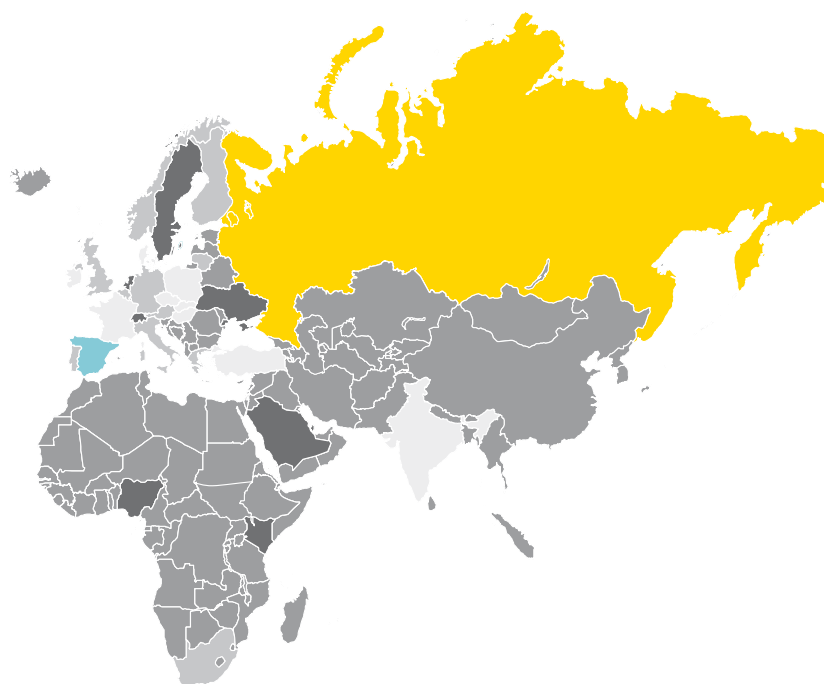
Digital tax administration: why is this happening now?

Around the world, budget deficits are driving a need for new revenue sources. Governments are focusing on real-time reporting to drive compliance and collection. Tax authorities will have direct access to company data; in some cases, allowing taxpayer information to be cross-referenced and shared across agencies.

As governments worldwide determine the best approach to developing their digital capabilities, companies have to keep up with the pace, and EY can help bridge the gaps in data quality and operational readiness.

Digital tax changes in force across Europe, the Middle East, India and Africa (EMEIA)

Tax administrations are going digital across EMEIA at an unprecedented pace. Are you ready for digital tax administration where you operate?



Digitization levels

Level 1: E-file

Use of standardized electronic form for filing tax returns required or optional; other income data (e.g., payroll and financial) filed electronically and matched annually

Kenya, the Netherlands, Nigeria, Qatar, Saudi Arabia, Sweden, Switzerland and Ukraine

Level 2: E-accounting

Submit accounting or other source data to support filings (e.g., invoices and trial balances) in a defined electronic format to a defined timetable; frequent additions and changes at this level

Austria, Belgium, Finland, Germany, Greece, Italy, Lithuania, Luxembourg, Norway, South Africa and the United Kingdom

Level 3: E-match

Submit additional accounting and source data; government accesses additional data (bank statements) and begins to match data across tax types, and potentially across taxpayers and jurisdictions, in real time

The Czech Republic, Denmark, France, Hungary, Ireland, India, Poland, Portugal, Slovakia and Turkey

Level 4: E-audit

Level-2 data analyzed by government entities and cross-checked to filings in real time to map the geographic economic ecosystem; taxpayers receiving electronic audit assessments with limited time to respond

Russia

Level 5: E-assess

Government entities using submitted data to assess tax without the need for tax forms; taxpayers allowed a limited time to audit government-calculated tax

Spain

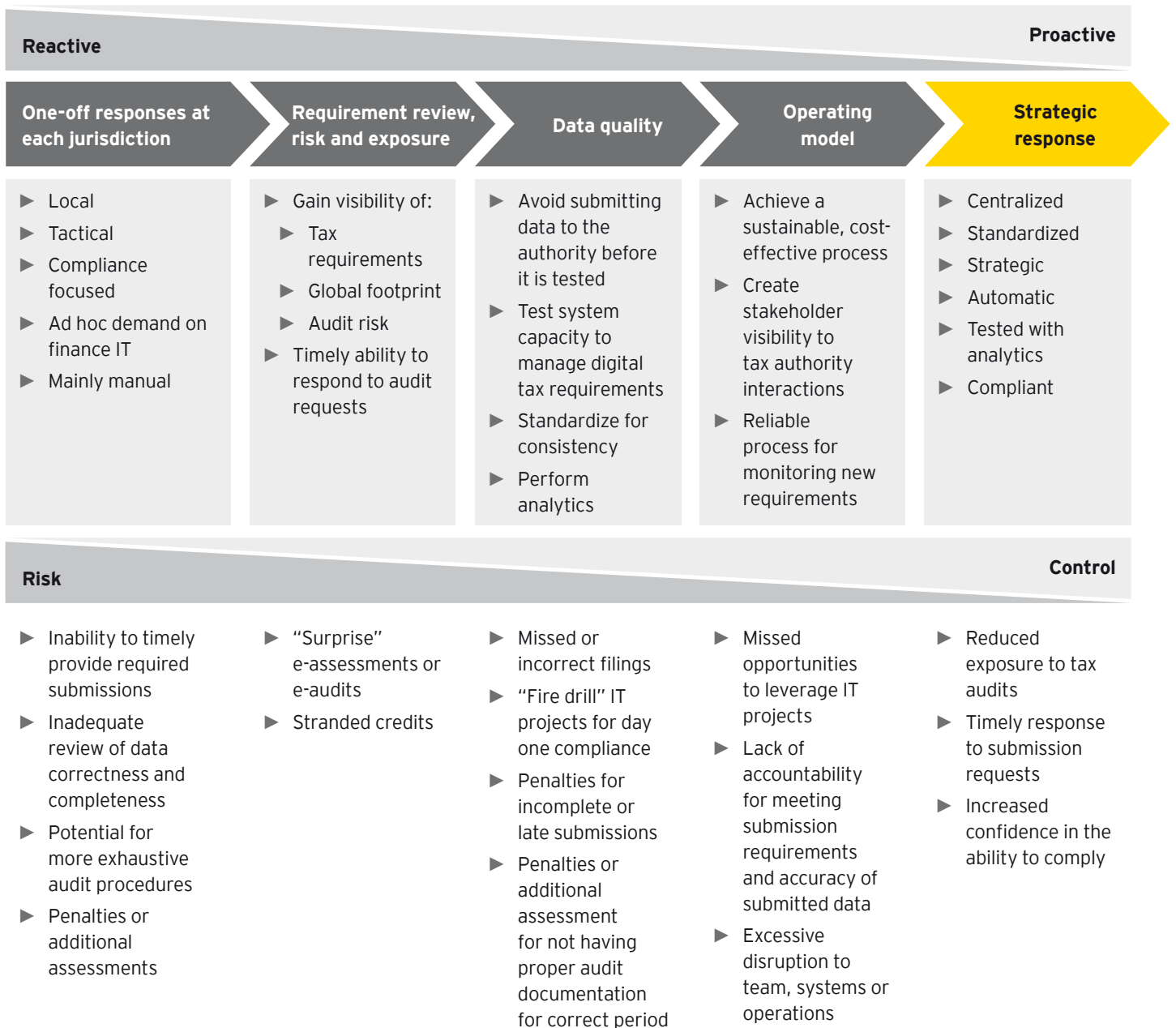
Little to no digital activity

Shifting responses to rapid digital tax changes



As tax authorities embrace digital tools and increased data analytics, companies need to have visibility and structure around the data sources, formats and content delivered digitally to governments around the world. Failure to do so can lead to risk of intensified audits and automatic assessments, increased tax penalties, refund denials or delays, and reputational and operational risks.

Below is a brief overview of the shifting responses to digital tax administration and the potential risks of not acting.



Do you have confidence in your data?



More than ever, companies need to have visibility and structure around data sources, formats and content delivered digitally to governments around the world. Companies must be confident that their data is not only accurate but also consistent with requirements.

Questions to ask:

- 1 What data is being requested by the tax authorities?
- 2 What are tax authorities doing with the data?
- 3 At what frequency do tax authorities require the data, or is it required on demand?
- 4 Which tax authority will require the data next?

Typical digital submission data requirements are broader than the traditional tax return. Tax authorities have access to multiple data sources and, in some cases, are cross-referencing with other sources.

Not just tax data under the microscope

Master data

- ▶ Taxpayer information
- ▶ Vendor details
- ▶ Customer details
- ▶ Banking information
- ▶ Broker details
- ▶ Related party details
- ▶ Tariff information
- ▶ Tax rates
- ▶ Foreign exchange rates and currencies

Transactional data

- ▶ Invoice details
- ▶ Details of relationships with third parties (e.g., banks, financial intermediaries and brokerage funds)
- ▶ Intercompany transactions
- ▶ Customs declaration details
- ▶ Banking transactions and related details
- ▶ Import details and customs payments

Operational data

- ▶ Foreign trade operations
- ▶ Profit sharing data
- ▶ Capital contributions
- ▶ Electronic signatures
- ▶ Tax losses
- ▶ Blacklisted suppliers

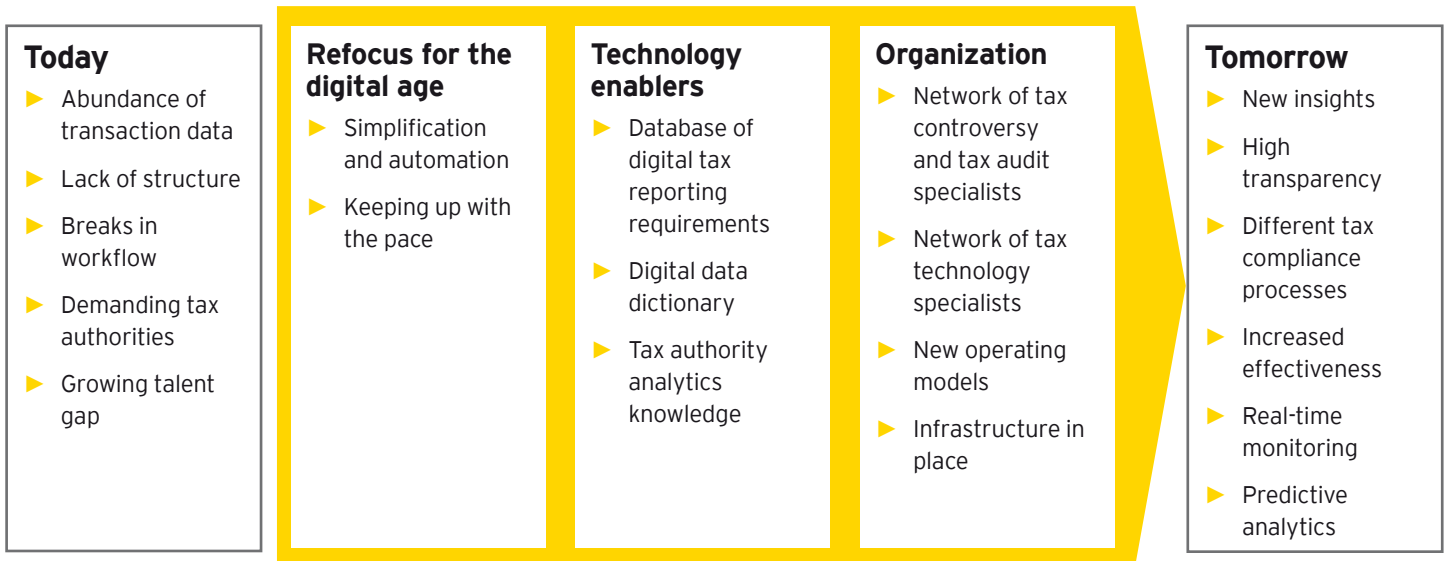
Financial data

- ▶ Accounting statements – income statement, cash flow and balance sheet
- ▶ General ledger, trial balance, journal entries
- ▶ Statutory chart of accounts

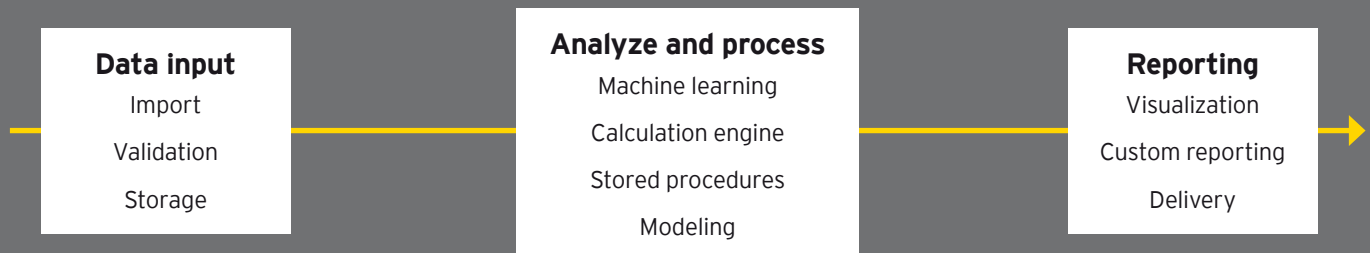
Building your digital approach



In this rapidly changing digital tax administration landscape, organizations will need a simple, structured approach in place to manage the new requirements effectively.



High-level process view



- ▶ **Data gates:** data-focused testing in collection, transformation and submission – integrity, consistency, completeness and formatting
- ▶ **Audit risk:** testing of data prior to submission to tax authorities to analyze areas of potential risk
- ▶ **Business value added:** analytics that aid the tax function and the business overall

Preparing you for digital tax administration



It can be difficult to keep up with the unprecedented level of change in the digital tax administration landscape, from the submission of transactional source data, which is then matched with your trading partners, to tax authorities using electronic data to calculate your tax liability.

Digital Tax Administration Services

EY's Digital Tax Administration (DTA) Services provide increased confidence in your readiness to comply with new requirements and the accuracy of your data. Our services can reduce the operational impact on your people, processes and technology. We can help you reduce controversy risk by improving the quality of submitted data and providing visibility of submission status. Our broad approach to the digital tax reporting life cycle helps you to prepare for today and for the future. We can work with you to understand your priorities and requirements, and tailor our methodology accordingly. Our services include:

- Digital readiness review**
 - ▶ Taxpayer readiness to respond to tax authority requirements in multiple jurisdictions, including recommendations to address gaps
- Digital requirements monitoring**
 - ▶ Staying abreast of upcoming digital reporting requirements
- Data enablement and implementation**
 - ▶ Preparing data for digital reporting enabled by our proprietary global digital data dictionary
- Data management and transition**
 - ▶ Extraction of data, formatting and management of ongoing transmission of digital data to tax authorities
- Data analytics and dashboards**
 - ▶ Global visibility to status of data transmissions
- Controversy assistance**
 - ▶ Response to audit requests and notices
- Digital tax compliance**
 - ▶ Automated data collection and preparation of required digital submissions; cross-checks and validation of data prior to submission to tax authorities

How we add value to your business

<p>Increase confidence in your compliance with digital tax administration requirements</p> <p>With a tried and tested methodology, we have assisted clients in confidently meeting new digital requirements at every stage in the digital tax administration journey.</p> <p>Align processes and technology to enhance accuracy, uniformity and efficiency</p> <p>Our technology platform will cross-reference data requirements for each jurisdiction and keep you informed of digital tax administration changes.</p>	<p>Reduce audit and compliance risk by improving submission quality and process visibility, and lighten the operational impact on your people, processes and technology</p> <p>We have the technology and business insights to add efficiency to your digital tax administration strategy and operating models.</p> <p>Help build confidence with tax administrators and internal stakeholders</p> <p>We can assist you with a multi- or single-country tax data management strategy and responses to scheduled or on-demand data submission requests.</p>
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Our network in your key locations

EY's DTA network is based in key locations across EMEIA and can help you to close the readiness gap and work effectively in this new digital tax administration world.

Reach out to us now to help get ready for the digital tax administration wave of change.

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