

Transforming to a digital tax function: evolution or revolution?



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working world

Not long ago, a company that spent time and money to reimagine its business was considered a visionary. Yet the tax function was very likely a blind spot. Now, with the global digital economy becoming the new normal, reimagining is a strategic necessity and transforming tax is squarely in focus. That said, will it be an evolution under control or a revolution in game-changing transformation? And what will the new digital tax function look like?

We've identified at least three disruptive forces that are significantly altering the old way tax operates and accelerating the rise of the new digital tax function.

- ▶ Real-time global management
- ▶ Data availability and speed of analysis
- ▶ Data feeds to government

Unpacking the disruptors

Real-time global management. Digital technology has, in essence, realigned time, particularly in terms of tax. Digital makes data available in real time, enabling real-time analytics and allowing visibility into process and workflow. At the same time, it is radically altering business and operating models, changing the relationship between the tax and finance functions, and demanding that global organizations manage global tax in real time as well.

Data availability and speed of analysis. Digital technology is making more and better data available from both tax and finance, changing how it's captured and increasing its speed to usability. Digital connects tax and finance through the common language of data. Digital also puts tax closer to the transaction, enabling it to be part of broader business and strategic decisions.

Data feeds to government. This real-time, connected, digital world is enabling governments to get closer to the source of information, providing them entry points and more direct access to transactions, tax and finance data than ever before.

As these forces exert more and more impact, the scope of the tax function becomes broader, the standards it must meet get

more complex, response time must be faster, and the skills that will comprise a high-functioning tax department will be more robust and inclusive of new fields and competencies.

Features and benefits of the new digital tax function

Tax portals + dashboards = global transparency. With growing demands for transparency along with anytime/anywhere access, the new digital tax function will rely heavily on tax portals and dashboards. That means global oversight of tax risks and process must be as transparent from the field or satellite offices as it is at company headquarters. EY design of the new digital tax function provides designated tax team members and leadership with secure, global, 24/7 access to processes, reports and workflow from virtually any office-based or mobile technology, complete with monitoring and sign-off capabilities, controls and documentation.

Access + analytics + speed = enhanced strategic value. With technology speeding up access to data and the analytics around it, stakeholders all along the supply and value chains want more and want it sooner. Traditional models can't keep pace with this growing demand to populate tax-relevant databases in real time.



Digital can. By improving the connection to both financial systems and historical transactions, the new digital tax function can provide the foundation for real-time data that tells the most accurate tax story to the organization. It helps more robust predictive analytics and helps address such global requirements as transfer pricing and BEPS by way of the EY portal's secure access to information, analytics-based insights and user-friendly graphics.

Government access + front-end analytics = upfront alignment with global standards. From country-initiated legislation to globally initiated frameworks, including BEPS and the OECD's common reporting standards, there is an undeniable trajectory of tax authorities asking for information directly from financial systems rather than waiting for the synthesized information from the tax function through its traditional filing process. EY approach to the new digital tax function includes monitoring technologies aligned with what governments are looking for in VAT and other such areas, along with ways to spot exceptions and access to invoices and source documents - all embedded into the financial systems for efficient.

The new tax technologist. Predictions of machine learning and artificial intelligence notwithstanding, the profile of the

tax professional in this new digital environment is changing as well. The new tax technologist will be multilingual, speaking the languages of tax and finance as well as IT. This new subject-matter resource will understand what tax needs, what finance can provide and what IT can do, connecting the dots among them all and deliver more value.

What to do to catch up

Whether evolution or revolution, environmental change is happening at warp speed, making the tax operating model of the past history and accelerating this transformation. Leading edge companies are already making the leap to the new digital tax function. It is strategic, responsive, nimble and home to a new breed of tax professionals

Have you made the leap? Find out what you need to do to catch up at ey.com/TEC.

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