Chief Financial Officers and Chief Technology Officers:

Answering the data dilemma for the Tax and Finance function

Part of the EY and Microsoft Executive Tax and Finance briefing series

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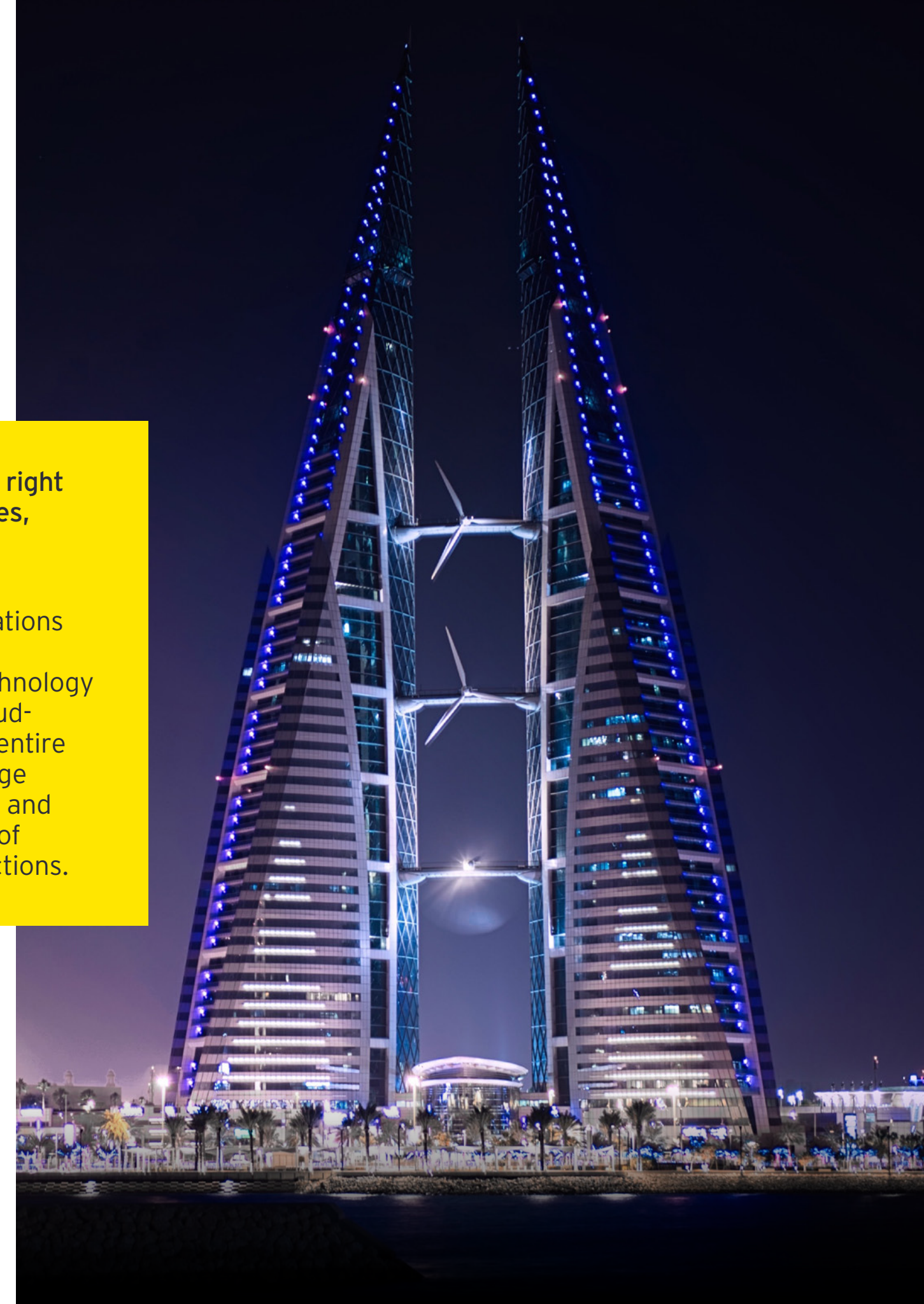
for tax and finance function transformation

Chief Financial Officers (CFOs) are navigating a period of unprecedented change. Every industry is being impacted by rapid regulatory change, talent and cost pressure, geopolitical uncertainty, not to mention COVID-19.

Corporate functions such as tax and finance are being challenged to transform from 'back office' to value-creating business partners.

▶ How do you adjust quickly to meet these expectations?

▶ How do you enable highly trained tax and accounting talent to provide "anytime and predictive insights" for better critical business decision-making?

▶ How do you ensure they can also continue to meet statutory tax compliance and audit requirements?

Technology, in combination with the right data strategy and business processes, can help.

The good news is that, in parallel with these pressures, many organizations are undergoing significant digital transformation, led by the Chief Technology Officer (CTO). Mass migration to cloud-based technologies is transforming entire enterprises, leading to a major change in how companies can store, extract and manage data – this gets to the core of better enabling tax and finance functions.

Accelerating the need

for tax and finance function transformation

Nearly 70% of enterprise organizations are currently migrating data enterprise resource planning (ERP) applications to the cloud, most commonly SAP, Oracle and Microsoft Dynamics. The pandemic has accelerated the shift toward the cloud.[1]

According to new International Data Corporation research[2], most enterprises will put a mechanism in place to accelerate their shift toward cloud-centric digital infrastructure and application services, twice as fast as before the pandemic.

According to Forbes[3], 74% of Tech Chief Financial Officers say that cloud computing had the most measurable impact on their business back in 2017. Imagine where we will be in another five years if the pace of change we have witnessed during COVID-19 continues...

74% of CFOs/CTOs believe technology is having a profound influence on the CFO.[4]

98% of CFOs are changing their business model.[4]

73% of CFOs are likely to consider outsourcing part of their tax and finance functions in future.[4]

This presents an opportunity for CFOs and CTOs to combine forces to prioritize tax automation and strive toward a more data-powered enterprise.

[1]"The impact of Cloud on ERP" Cloud Security Alliance, November 2019 (accessed via cloudsecurityalliance.org)
[2]"Worldwide Whole Cloud Forecast, 2020-2024" International Data Corporation, October 2020 (accessed via idc.com)
[3]"Roundup of CloudComputing Forecasts" Forbes, April 2017 (accessed via forbes.com)
[4]"2020 EY DNA of the CFO" survey, EY, 2020 (accessed via ey.com/cfo)

The data agenda in tax

Data management is already rising up the agenda

As global organizations redefine the operating models of their corporate and operational tax functions to take advantage of cloud and digital technologies, they are increasingly focusing on data management as a key enabler.

Data is the common currency of all tax functions. One COO of the tax function at a global bank we spoke to, described their organization as primarily a large data processing agency. EY surveys repeatedly report costly, inefficient processes driven by data issues. It is common to hear of organizations spending 40-70% of the compliance cycle cleansing data[5].

Whilst data management has been topical for several years now, it is only recently that tax functions have begun to look at data as essential to their strategy and day-to-day operations. We are increasingly supporting companies' Tax and Chief Data Office teams develop new ways of working to address the digital transformation of tax.

Tax authorities are increasingly going digital, too

It is not just tax functions of corporates that are focusing on the possibilities of data and digitalization in tax. Tax authorities around the world are increasingly requesting data be shared electronically and then applying data interrogation techniques to identify potential anomalies. There is a strong compliance imperative for organizations to be proactive with their tax data management.

Key questions for tax functions

▸ How do we ensure our data is high quality?

▸ How do we govern and protect our data?

▸ How do we best apply technology to fully leverage the value of our data?

Now is the time to accelerate focus on data management

The technology available to tax functions continues to exponentially evolve offering almost unlimited possibilities to store, retrieve, process, combine and interrogate data. Cloud computing and applications that increase the generation and integration of data all play a part.

In tax, this digitalization offers speed, efficiency and simplification gains to compliance processes and the potential for the function to add more value to the organization it serves by better data driven decision making.

Building a cloud-enabled data strategy for tax and finance functions

It's clear, data is an important strategic asset. With organizations considering or already embarking on cloud transformation, what are the essential elements for an effective cloud-enabled data strategy for tax and finance functions?[6]

1. **Data strategy:** having a data strategy sponsored by the C-suite that starts with the existing data and technology landscape across the enterprise

2. **Architecture:** building data interoperability enabled by data fabric and common data model architecture that underpins the data strategy and interacts with the rest of the organization

3. **Technology:** accelerating progress by leveraging 'ready-built' existing technology assets that support those needs

4. **Transformation:** developing a comprehensive plan for transformation across each tax and finance domain, from intercompany transfer pricing to direct and indirect taxes, and ensuring there is a robust roadmap in place to bring the tax workstreams together longer-term

[6]"Why Data and Analytics Are Key to Digital Transformation". Gartner, March 2019 (accessed via gartner.com)

Mastering these elements is vital to manage a growing data landscape, overcome operational silos, increase data agility whilst complying with increasing regulations.

The starting point for change

Strategy, architecture, technology and transformation

The Chief Data Officer (CDO) is central to building on and executing a successful data strategy. A new way of working and collaboration is required between the CFO, CDO and CTO.

1. Your data strategy

Together, the right enterprise data and technology strategy can be built and executed to better meet business needs and deliver more value.

The CDO can define enterprise-wide data strategy and governance. The CFO is key to setting the tax and finance data strategy and needs and the CTO can help stakeholders access data and leverage technology to achieve data strategy goals.

Having a clear data strategy will help to inform the re-design of the tax and finance function, and the technology required to underpin it.

2. Your data architecture

Once you know your data strategy, next comes the architecture that can re-define how data can be accessed and organized.

Data interoperability and data fabric are fast becoming the latest buzzwords for every tax and finance function. A data fabric is a single environment consisting of a unified architecture. Services and technologies run on the architecture, and helps an organization manage its data. It enables accessing, ingesting, integrating and sharing of data in an environment where the data can be batched or streamed in the cloud (or on premise – if you are operating in a hybrid world). The ultimate goal of a data fabric is to use your data to gain a better insight into your company to make better business decisions.

Once you have this, building a Common Data Model (CDM) for tax and finance functions is key. The CDM is a common, standardized language across all of your technology applications and data. This means that they can now talk to each other – you have a structured dataset. This can simplify, for example, the process of tax classification. With this, you can build a tax and finance function data continuum to drive substantial operational benefit and significantly reduce operating costs.

3. Your technology making it happen

Then we get to the technology assets that are needed. Many major organizations are choosing to outsource or co-source the operations of their tax and finance functions because of increasing complexity and the efficiencies that can be gained from leveraging other organizations – like EY's – significant investments in cloud-enabled tax and finance function platforms. For those who choose to keep operations in-house, there are two key actions. Firstly, tax-sensitizing and configuring existing business applications, for example ERP systems and secondly, leveraging enterprise-licensed workflow automation tools, for example Microsoft Power Platform. This is critical to achieve greater efficiencies, manage increasing workloads and complexity, all whilst delivering business insights.

4. Your transformation plan

Finally, transformation. Having the right policies and processes, skills and training, people and operating model around data and technology change is the final but most critical step. A cloud-enabled tax and finance function can better run the day-to-day operations, meaning more time for your talent to transform into a strategic business partner for the rest of the enterprise.

By mastering these four elements, CFOs can get more out of their finance and tax data, and cloud technology.

The journey doesn't need to be taken alone and deploying an ecosystem approach can help you drive real, sustainable change faster.

Let's work together

> Technology is reshaping every business as data, growth and competitiveness all become inextricably linked. Historically the tax and finance industry has been slower to embrace new technology – despite being the most data-rich business function. This translates into a huge opportunity for CFOs and CTOs to come together and create the Modern Finance Function – using data in a new way to unlock value throughout the organization.
>
> **Ralph Haupter**
> EMEA Corporate Vice President Microsoft

> Data is one of the most strategic and powerful assets for an organization. Together, EY and Microsoft teams are working with tax and finance leaders across the globe to address their data challenges and empower their businesses to make data-rich business decisions to accelerate growth.
>
> **David Coen**
> EY EMEIA Microsoft Tax Alliance Leader

Deploying an ecosystem approach
to address your tax and finance function needs

Wherever you are on this journey, EY and Microsoft teams have collaborated bringing global subject matter knowledge in tax and finance functions, coupled with world-class technology capability, to help you drive real, sustainable change.

Whether you see tax and finance function outsourcing, co-sourcing or improving your existing technology investments as the answer, EY and Microsoft teams work together to modernize your current setup. With Microsoft technologies powering almost every enterprise in the world, there is often more value to be extracted from your existing technology investments. The following pages outline how EY and Microsoft teams together can support change for tax and finance functions.

"

EY and Microsoft teams are redesigning the back office together. Between us, we have the technology and subject matter knowledge to do this in an efficient and scalable manner across enterprise. We are witnessing the CFO and CTO community working together, to bring about meaningful change for their organizations by using their data estate (especially in tax and finance functions) to lower operational risk, rationalize processes and bring better value and insights to their people.

Suzi Russell-Gilford
EY Global Microsoft Tax Alliance Leader

"

Sharing how Microsoft uses EY's tax technology for our own global tax processes inspires the CFO and CTO community. It points the way for how each tax function can harness intelligence to make their own business processes smarter.

Juana Fernandez Silva
EMEA Strategic Partners Sales Director
Microsoft

EY Global Tax Platform

Outsourcing or co-sourcing reimagined

EY teams can help you reimagine your tax and finance operating model to keep pace with evolving regulation, technology and talent demands, by leveraging EY's significant investment in technology, people and process.

The award winning EY Global Tax Platform (GTP) is the supporting technology for managed services for tax and finance, supporting all aspects of the tax lifecycle – planning, provision, compliance and controversy.
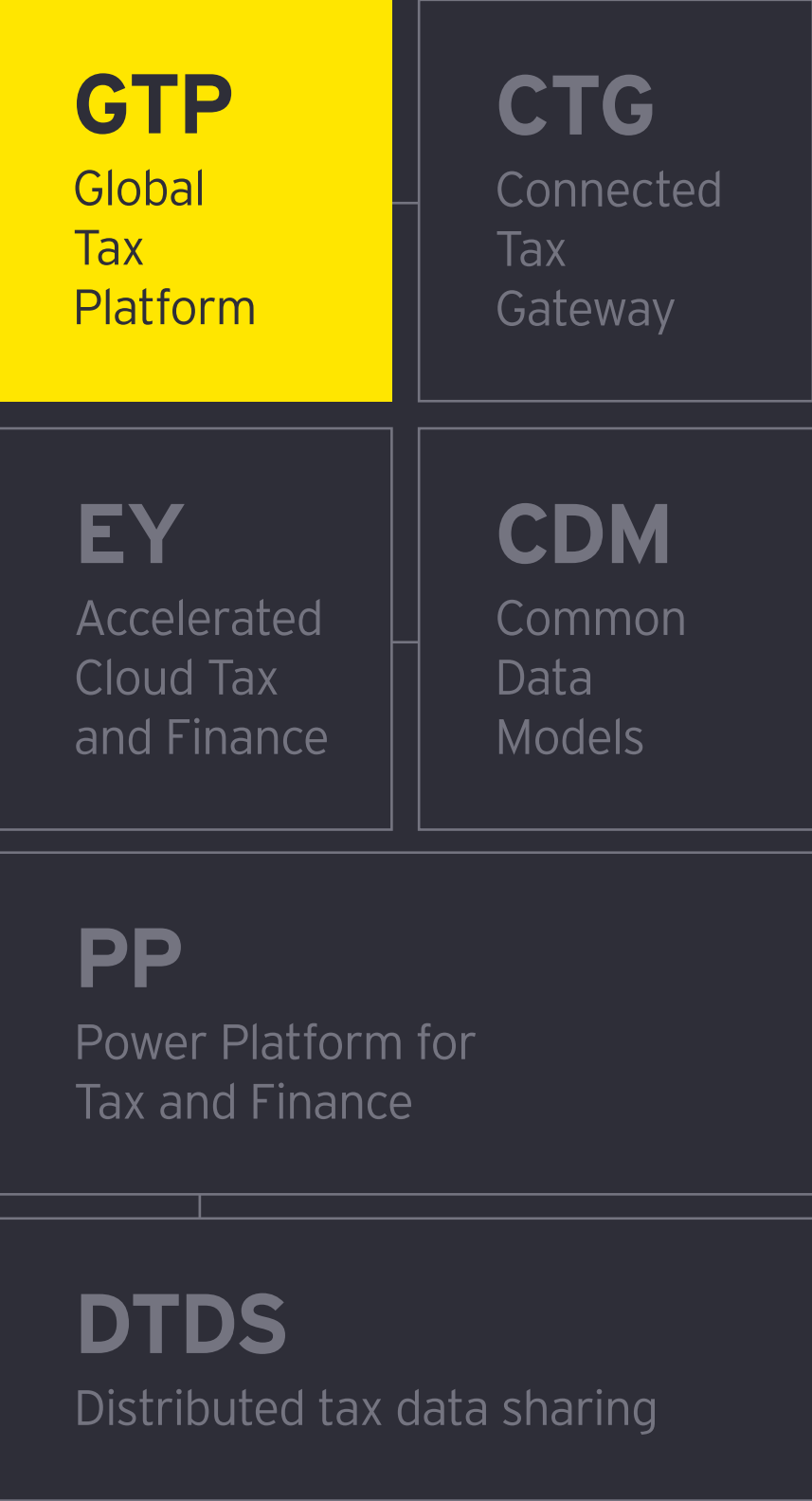
Built by leveraging our technology and managed services domain knowledge, EY GTP redefines how tax operates, utilizing Microsoft Azure cloud technology to gather and store data in a safe, secure environment.

EY GTP combines a common data platform with the power of dashboards, reporting and advanced analytics to better support your evolving needs. By gathering data from disparate systems and sources into one seamless platform, you can transform data into insights that will support informed decisions.

> " Corporate tax and finance functions need to accelerate transformation of their operations if they're to emerge, ideally stronger, from the impact of COVID-19. Get it right, and they can deliver long-term value, creating teams and processes that can cope with the road ahead.
>
> **Stuart Lang**
> EY EMEIA Tax and Finance Operate Leader

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CTG
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Common
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PP
Power Platform for
Tax and Finance

DTDS
Distributed tax data sharing

EY Global Tax Platform

Your world running on ours, better

GTP – International Stevie Awards

- ▶ **Gold:** Innovation of the Year – Business Services Industry (2021)
- ▶ **Silver:** Achievement in Cloud Platform (2020)
- ▶ **Silver:** Achievement in Product Innovation (2020)

GTP – American Stevie Awards

- ▶ **Gold:** Achievement in Cloud Platform (2021)
- ▶ **Silver:** Achievement in Product Innovation (2021)
- ▶ **Bronze:** Innovation of the Year – Business Services Industry (2021)

GTP's easy integration with the Microsoft platform makes it a great fit for most organizations.

If you're already running Microsoft Cloud applications such as Azure, you can:
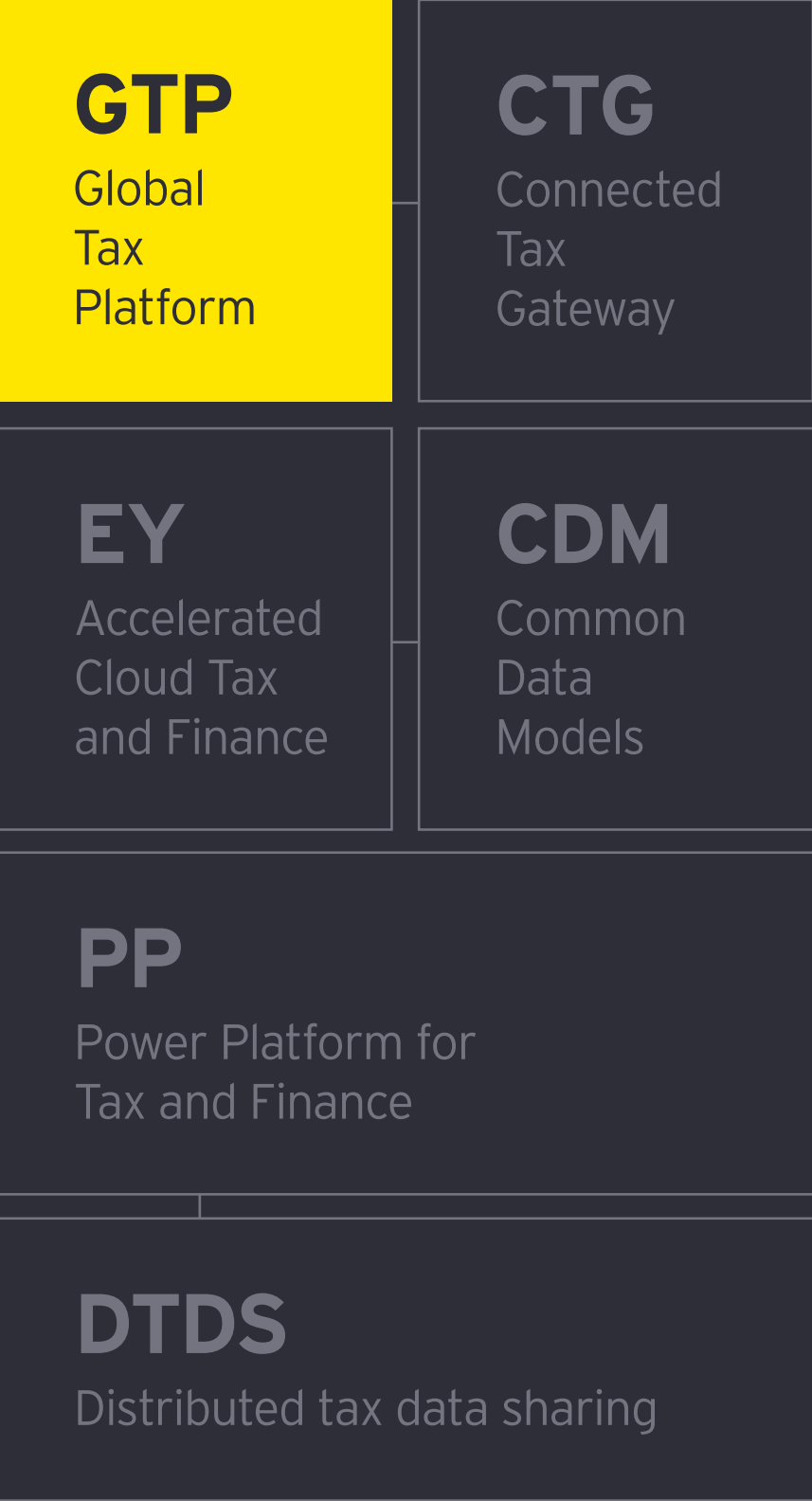
- ▶ Connect GTP to your Azure data lakes for simplified and automated information exchange
- ▶ Automatically and securely feed back tax and finance data into other business systems
- ▶ Quickly and easily derive insights from your data to answer business-critical questions

> **Microsoft uses EY's Global Tax Platform**
>
> We needed a solution that could scale to ingest, evaluate and process vast amounts of financial data from around the world. GTP is one of the best-in-class solutions, given the way EY has leveraged the scale and capability of Microsoft's technologies to solve this complex enterprise problem.
>
> Daniel Goff
> Corporate VP
> Worldwide Tax and Trade at Microsoft

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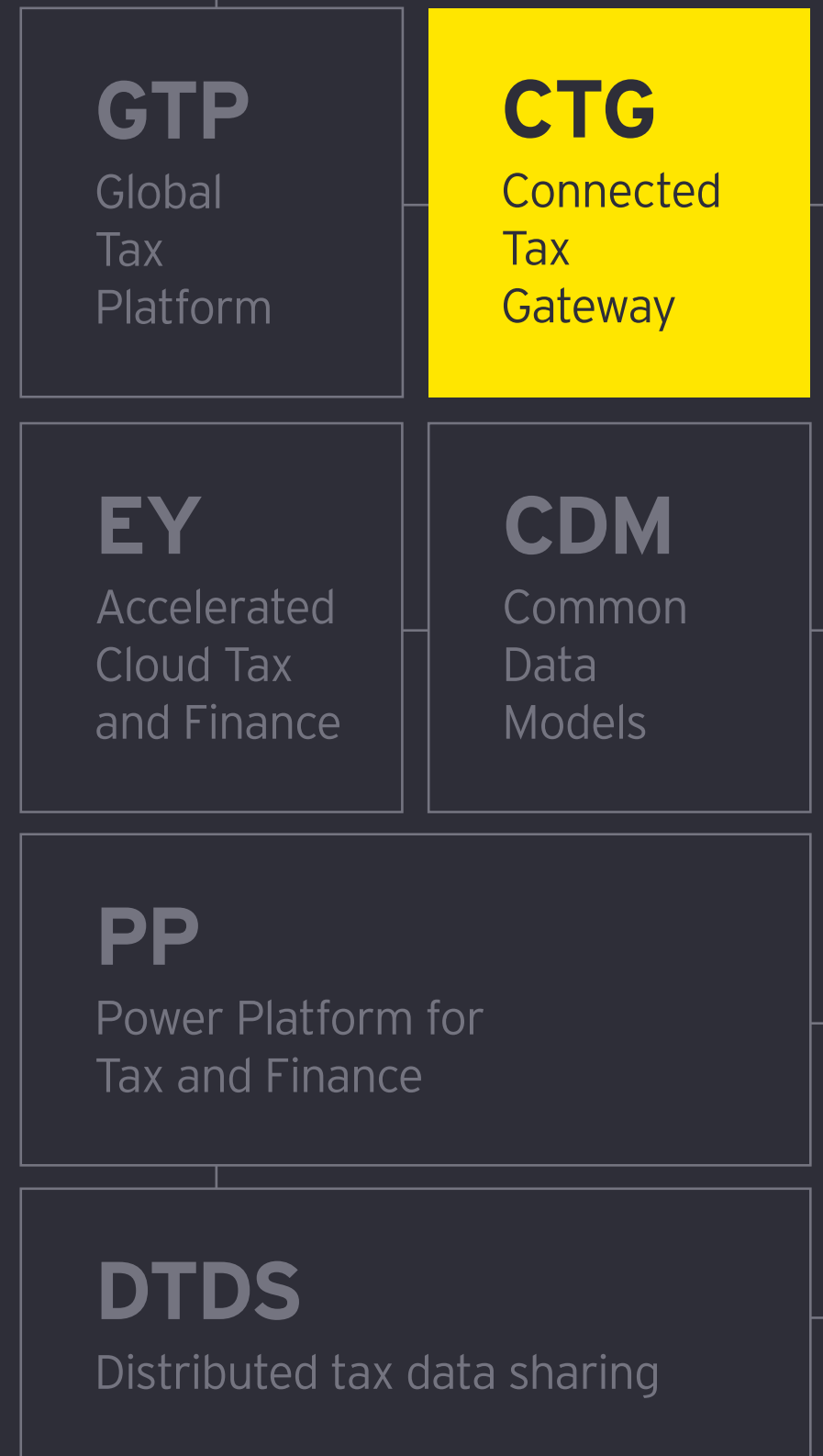**DTDS**
Distributed tax data sharing

EY Connected Tax Gateway

Get more out of your existing in-house Microsoft technologies

For those wanting to keep operations in-house, we've got the support you need to make more out of your in-house Microsoft technologies.

EY's Connected Tax Gateway (CTG) combines the power of leading-edge integrated Microsoft enterprise technology with EY's tax technical, tax process and global tax operational knowledge.

▶ Leverages the benefits of Microsoft SharePoint functionality to track activities across the full end-to-end tax lifecycle and manage documents

▶ Features Microsoft's Power Platform tools including Microsoft Power Automate to provide alerts and updates to stakeholders on the status of critical obligations and tasks across the tax function, reducing the risk of missing statutory due dates

▶ Deployable to your cloud environment, CTG delivers visualizations, reporting and dashboards, created in Microsoft Power BI, to provide insights and visibility across the spectrum of tax responsibilities

▶ Provides a collaboration environment to connect people, processes and data anytime and anywhere

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EY Accelerated Cloud Tax and Finance

Leveraging your investment in Microsoft Dynamics 365 Finance and Operations

Combined with specific tax configuration for Microsoft Dynamics 365 (D365), our approach helps to provide scalable systems designed to future-proof your tax and finance functions' environment and get more out of your ERP investment.
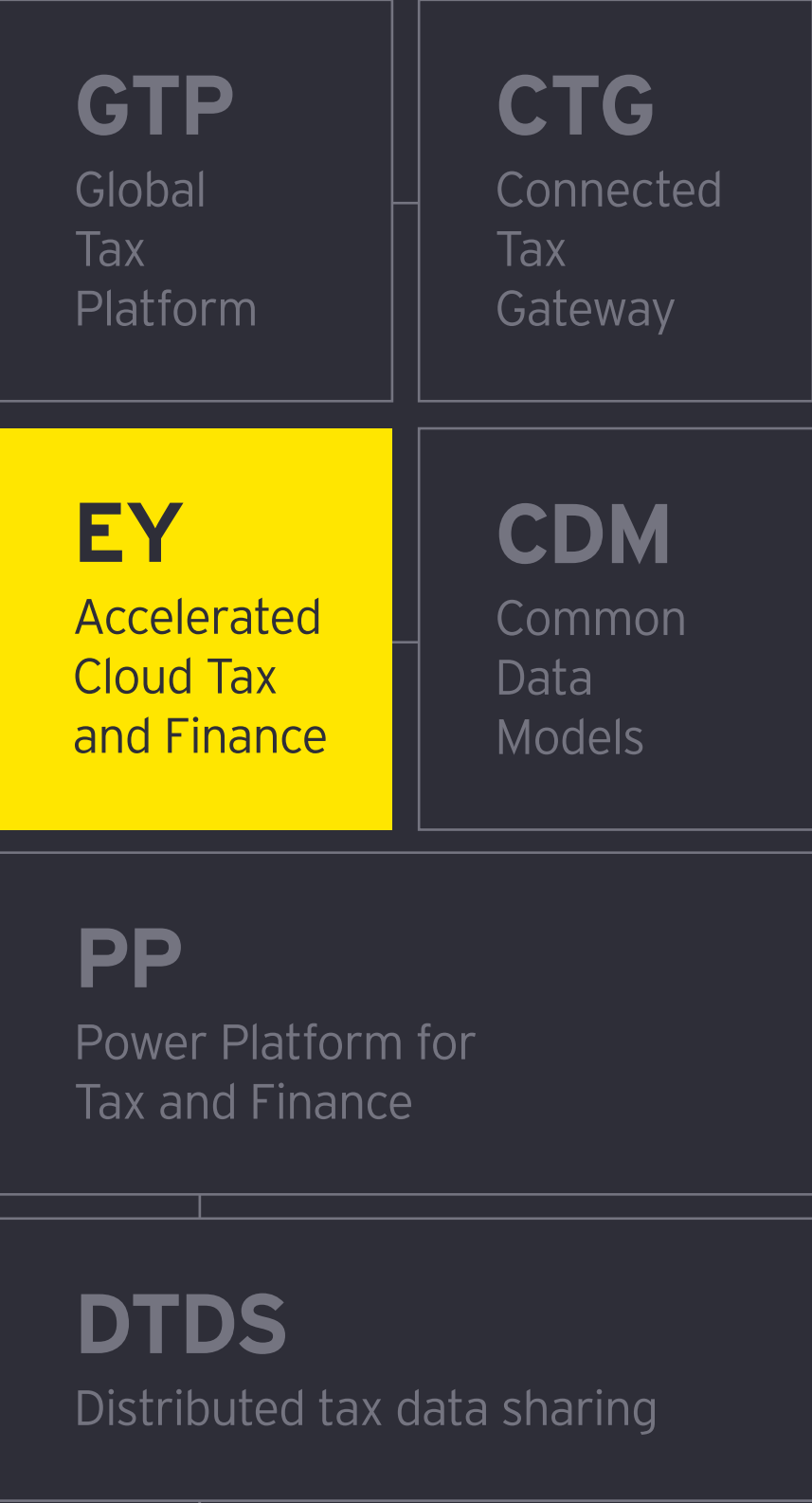
When effectively configured and managed, D365 can help support better tax compliance, maintain governance controls, and adapt to the changing business environment. So you can:

- ▶ Unlock cash from better data insight and reporting

- ▶ Reduce costs through digital transformation of tax processes

- ▶ Enhance the readiness of tax data to meet upcoming digital tax obligations

- ▶ Remove the need for significant reporting implementations in the medium term

- ▶ Integrate data between tax and the wider finance function – increasing operational efficiency and facilitating business partnering

- ▶ Reduce risk and increase efficiency through the tax sensitization of upstream finance processes

Microsoft Dynamics® 365

Dynamics 365 Finance is Microsoft's Enterprise Resource Planning (ERP) system for global organizations

GTP Global Tax Platform

CTG Connected Tax Gateway

EY Accelerated Cloud Tax and Finance

CDM Common Data Models

PP Power Platform for Tax and Finance

DTDS Distributed tax data sharing

Common Data Models (CDMs) for tax and finance functions

EY and Microsoft teams are building CDMs for tax and finance functions that can underpin and connect your business applications.

A CDM enables your applications to speak the same language about the information you care about.

If you've ever deployed integrated line-of-business software, you'll know that integrating other systems can be challenging.

The CDM is a first step to making those integrations faster and less painful. Once in place, it can help your organization keep pace with the latest digital tax initiatives and much more.

> "
>
> Tax and finance functions must be able to close the technology and data gap. From the use and deployment of technology and data, through to design of operating models, process controls, data governance to drive business value as data sharing explodes to pass more insights back to the business.
>
> **Richard Clough**
> EY Global Tax Chief Data Officer

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Microsoft's Power Platform for Tax and Finance

97% of Fortune 500 companies are using Microsoft Power Platform

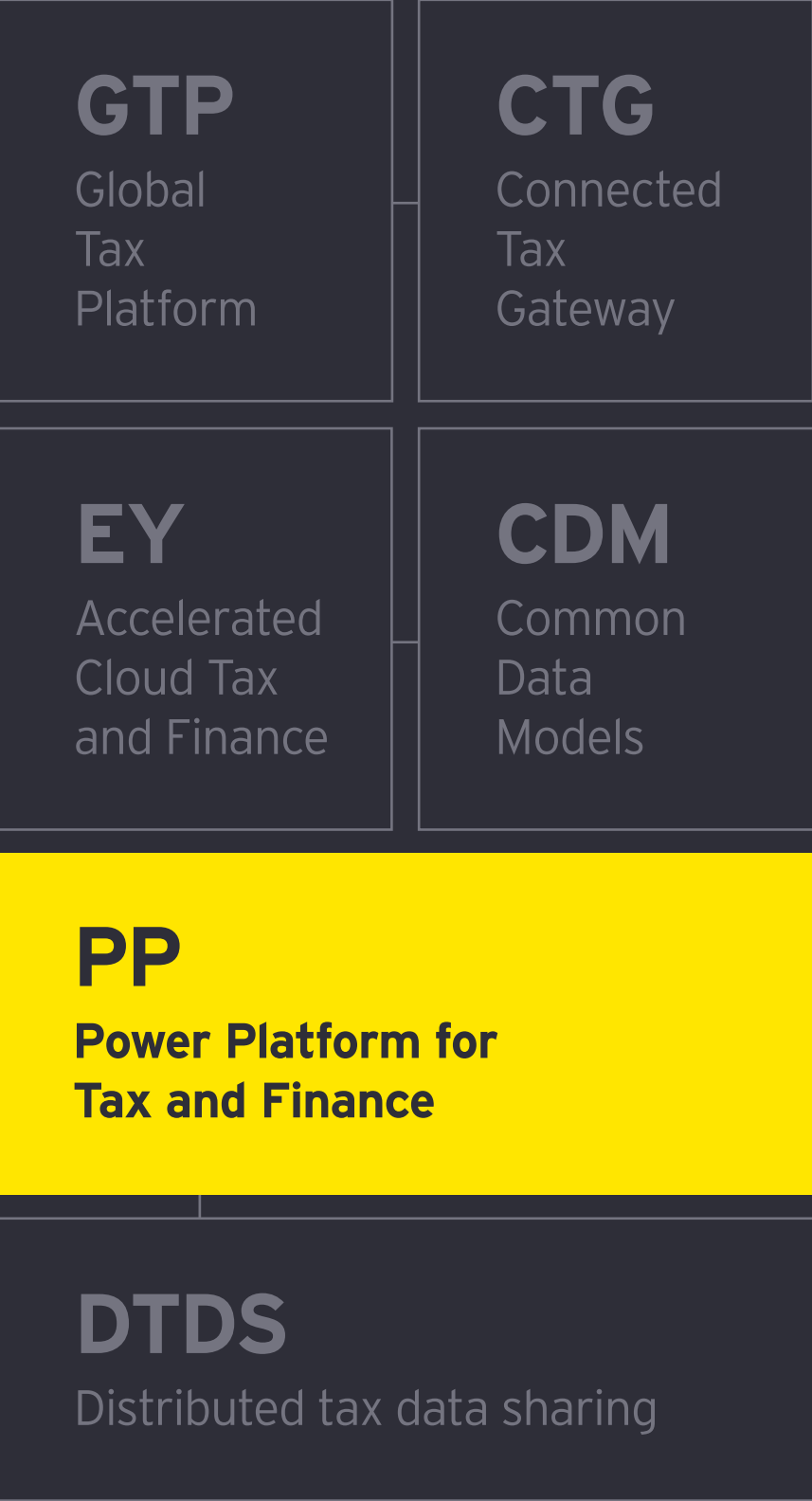**This presents a major opportunity for Tax and Finance functions.**

Microsoft's Power Platform for tax and finance functions is used for the EY portfolio of tax and related services for implementation within your Microsoft 365 environment. It can also be deployed as an add-on to the EY Global Tax Platform to increase operational efficiency and gain insight into your tax operations.

With Microsoft Power Platform, you can:

▶ Use Microsoft Power Automate to automate the process of creating VAT returns across several countries

▶ Use Microsoft Power Apps to manage the influx of regulatory and legislative changes

▶ Stay in control across workflows, data frameworks and reporting visualizations, process automation, document and form management, and tax calculation applications

Microsoft Power Platform is a suite of business intelligence, app development, and app connectivity software applications including Microsoft Power BI, Microsoft Power Automate, Microsoft Power Applications and Microsoft Power Virtual Agents.

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Building the future of tax with an ecosystem approach

EY and Microsoft teams are reshaping the future of tax with distributed ledger technology to help address global tax and trade challenges.
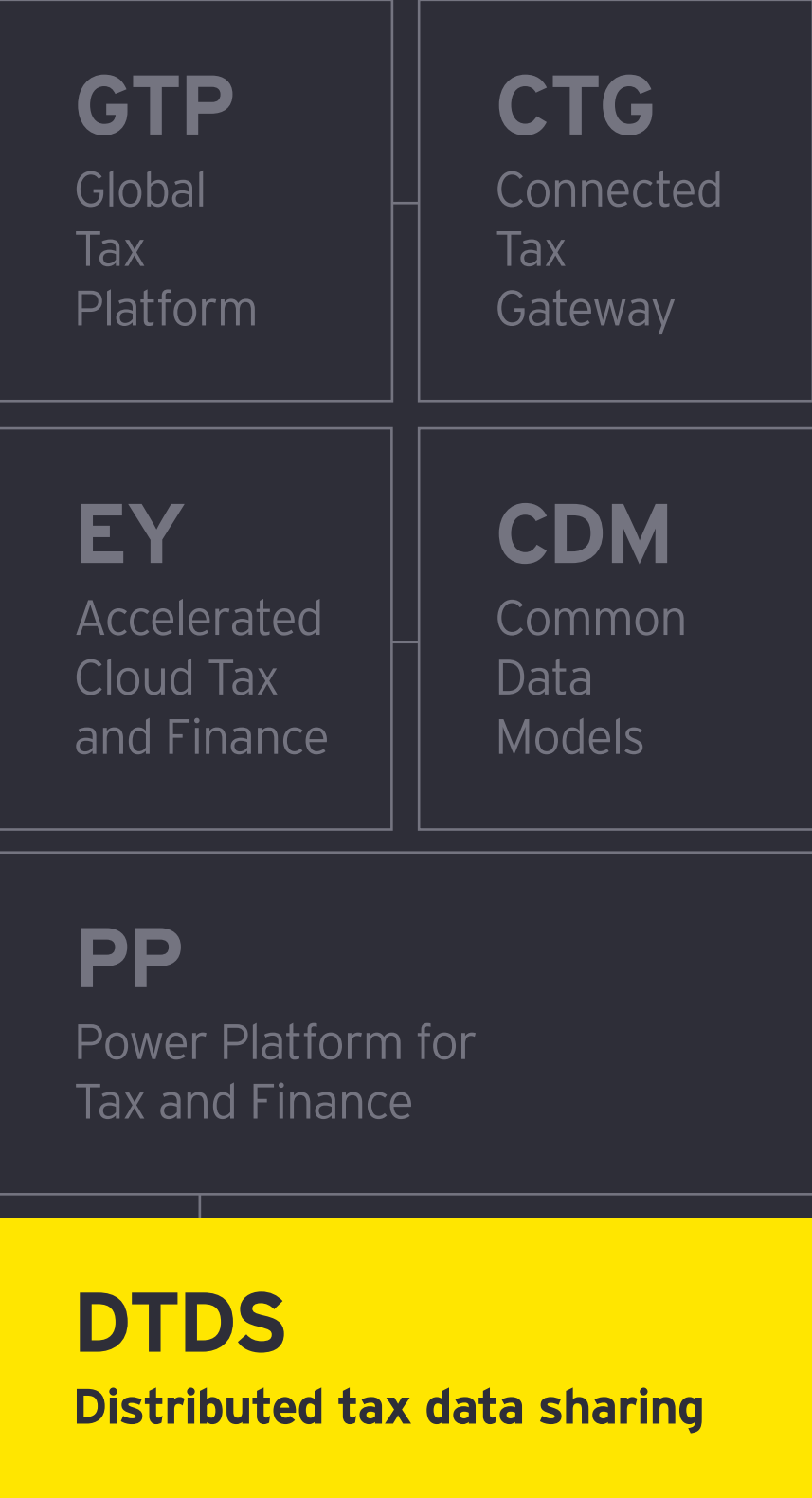
Both industry and government face major problems in assessing and reporting on tax and trade transactions, where there is considerable reliance on data from stakeholders outside their organizations. These data sources may include suppliers and other vendors, financial counterparties, and often involve tax authorities from multiple jurisdictions. Accessing and utilizing data sourced from networks of external data sources creates new issues around data security and privacy, confidentiality, and reconciling disparate data models. EY teams have built technology to help enable the secure sharing of data across organizations and borders for purposes of reconciling tax positions, managing customs and trade data, and directly interfacing with tax authorities.

> ❝
> The lessons learned from this experience and the technology developed have laid the foundation to accelerate faster on other tax and trade use cases. With this, we can help deliver on the promise of distributed ledger technology, and together build the future of tax and trade.
>
> **Dennis Post**
> EY Global Blockchain Tax Leader

The recently released multi-stakeholder report on the TaxGrid™ platform for withholding tax demonstrates how distributed ledgers with advanced privacy technology can help address complex and cross-border tax compliance issues (see **EY press release**).

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Let's explore the art of the possible, together

Your tax and finance function will one day need to operate in the Cloud.

As organizations like yours embark on enterprise-wide transformation, there is a significant opportunity for tax and finance functions to reap the transformative benefits of the Cloud.

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EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets. Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate. Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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EY and Microsoft

The EY and Microsoft alliance combines deep EY insights and experience in disruptive industry trends, new business models and evolving processes with scalable, enterprise cloud platform and digital technologies from Microsoft. EY and Microsoft can help accelerate digital transformation with advanced solutions that support enterprise strategy, transform customer and workforce experiences, create new, data-driven business models, build intelligent, automated operations and bring confidence that these innovative solutions are secure, compliant and trusted

For more information, visit ey.com/microsoft

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