TAX VISION 2025

TAX TECHNOLOGY CLASSICS

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Tax Vision 2025: Embracing the Digital Transformation of Tax Workflows

The world of tax is undergoing a rapid and transformative change. From the implementation of new regulations and standards to the digitization of processes, tax professionals are facing unprecedented challenges. In this whitepaper, we explore Tax Vision 2025, a comprehensive plan to navigate the digital transformation of tax workflows and equip tax professionals with the necessary skills and tools for success.

This article delves into the key drivers of change, such as the BEPS project, SAF-T standard, public country-by-country reporting, and the introduction of a minimum tax rate. These developments point towards an accelerated digital transformation of the tax landscape, impacting tax departments and their workflows in significant ways.

We highlight the need for tax, finance, and IT professionals to collaborate and work together as multidisciplinary teams to effectively navigate this digital transformation. We emphasize the importance of adopting a smart tax data approach, where transactional and cumulative data categories are leveraged for reporting and compliance purposes.

Furthermore, we discuss the evolving roles of tax professionals in this new era. From VAT Technology professionals who design digital interfaces with tax authorities to Tax Data and Tech Controllers responsible for managing and connecting data workstreams, tax professionals must adapt and acquire new skills to thrive in this changing landscape.

To standardize and automate tax workflows, we examine the steps organizations can take, drawing insights from the successful transformation of finance departments. We explore the benefits of migrating tax systems to the cloud, enabling real-time data access and analytics for informed decision-making. The integration of tax technology software solutions within cloud-based ERP systems is also discussed as a future direction for tax departments.

Drawing on Gartner's top strategic technology trends, we analyze their impact on tax workflows and professionals. Trends such as robotic process automation, low coding, and the emergence of tax middleware solutions are explored in detail. We also delve into the role of AI, blockchain, and cloud solutions in reshaping tax workflows and bridging the gap between taxpayers and tax authorities.

Finally, this article addresses the impact of the next generation of tax technology on tax professionals and organizations. We discuss the potential for self-assessment tools and AI-driven processes that could streamline tax compliance and limit the need for extensive human intervention. The importance of adapting to these changes and acquiring the necessary skills to remain relevant in the future is emphasized.

For tax professionals, finance leaders, and IT experts involved in tax-related data architecture projects, we provide invaluable insights and practical guidance on navigating the digital transformation of tax workflows. By embracing Tax Vision 2025, organizations can optimize their tax processes, improve compliance, and position themselves as strategic partners to their management boards and business colleagues.

In this rapidly evolving tax landscape, the time to act is now. Explore the transformative possibilities and equip yourself with the knowledge and tools to thrive in the digital era of tax.

1. Why is change in tax a challenge?

The world of tax is rapidly changing. From a diverse landscape of data, processes, workflows, and tax-trained professionals, to a 'data to a digital mailbox with tax authorities' cycle.

The BEPS (Base Erosion and Profit Shifting) project, the SAF-T standard, the introduction of a so-called public country-by-country reporting, the application of pre-clearance for e-invoices on VAT compliance the bunch of 15% minimum tax rate (Pillar II), and the development of a universal tax audit file focusing on customs-related as well as wages-tax- related data all seems to point into the direction of an acceleration of the digital transformation of the tax world. It looks like most in-house tax departments have up to 100 workflows that could be influenced.

This whitepaper is addressing the Tax Vision 2025 – and the tax technology transformation plan to get you there – translated to your tax work spot. This will impact the profiles of tax knowledge workers, the use of rigid but compliant processes as well as the appropriate technology tools.

The whitepaper targets tax, finance and IT professionals involved in such tax-relevant data architecture projects, who are all exposed to and often involved in a continuous digital transformation of their in-house tax workflows. The multi-disciplinary nature of a digital transformation requires tax, finance, business, and IT to work together in one team.

A digital transformation is only the next step after the tax rules are 100% harmonized and standardized. Multiple projects run by governments have put an important step in the direction of standardization of taxes and the way tax-relevant data packages are reportable to tax authorities.

Beyond the "People, Process, Technology" approach, a smart tax data approach is essential, where:

- Category I – Transactional data caters for reporting on VAT, TP, DAC-6, customs, etc.,
- Category II – Cumulative data caters for reporting on CIT, CbCr, Pillar II, Tax accounting, etc.

  The digital transformation we talk about in this White Paper will become a prerequisite – not only to be 'real-time tax compliant to the tax authorities' – but in addition to be partnering with your management board, audit committee, and your business. This means you need to be able to present your cost-benefit analysis – like the ROI per project – for tax workflows more and more.

  The main question remains: do we want tax workflows to be just compliance or is your ambition to be(come) the co-pilot to your business colleagues?

2. Who is making the digital transformation happen?

The role of the future tax professional will be more holistic. Tax leaders are thereby obligated to participate actively and constructively with a broader range of external and internal stakeholders. Their responsibility domain is expanded in comparison with that of the past.

In the future, a new set of jobs will appear. The changing economy will eliminate certain jobs, but it will also demand for new jobs in various industries as shown below.

New jobs of the future
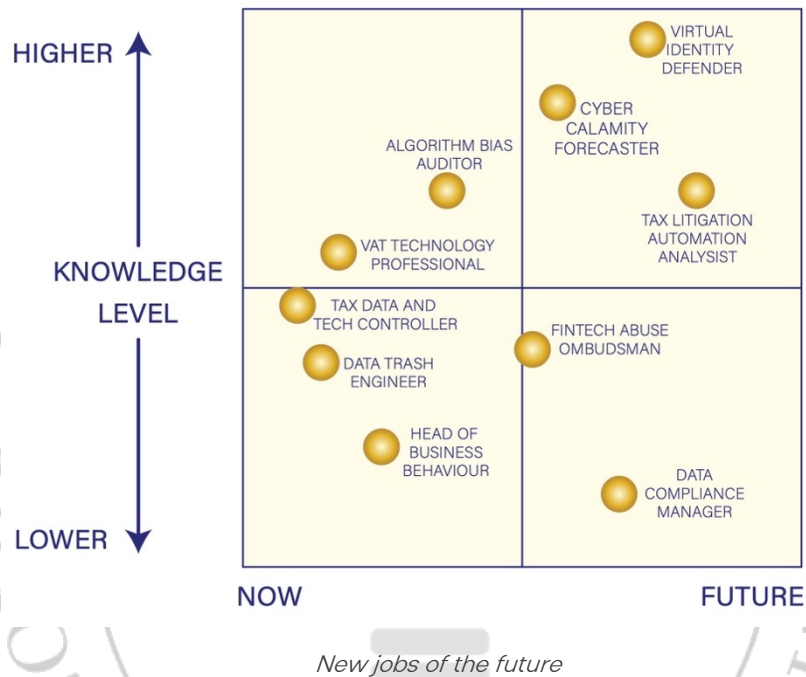
The figure above depicts examples of possible new jobs of the future. Automation, Big Data, AI, etc. result in demand for new types of jobs.

A "futuristic" description of the 3 tax toles in this picture are:

- VAT Technology professional – this professional will run design sessions with the digital XML interface with tax authorities as the output model (e.g., clearing the e-invoices with the tax authorities), while through reversed engineering of data sets and conversion tools & algorithms the road from "data to digital" is being defined.
- Tax Data and tech controller – this professional will connect to at least 20 sources of data through a variety of "quality control checks on data" to be the "ready to use for tax purposes dataset", while at the same time connecting data work-streams and multi-disciplinary teams to create "effective and efficient" tax data model & software tools.
- Tax litigation automation analyst – this professional will support the lead tax litigators, who bring the cases in front of tax courts through use of tools like TrialPad. The analyst role will be to connect the datasets on the value chain of a company with a variety of data analytics. Quantitative data analytics will drive the "search for outliers vis-à-vis the tax law and legislation, while Qualitative data analytics is checking with legal technology which court case decisions need to be included in the analysis to prepare for a court dispute.
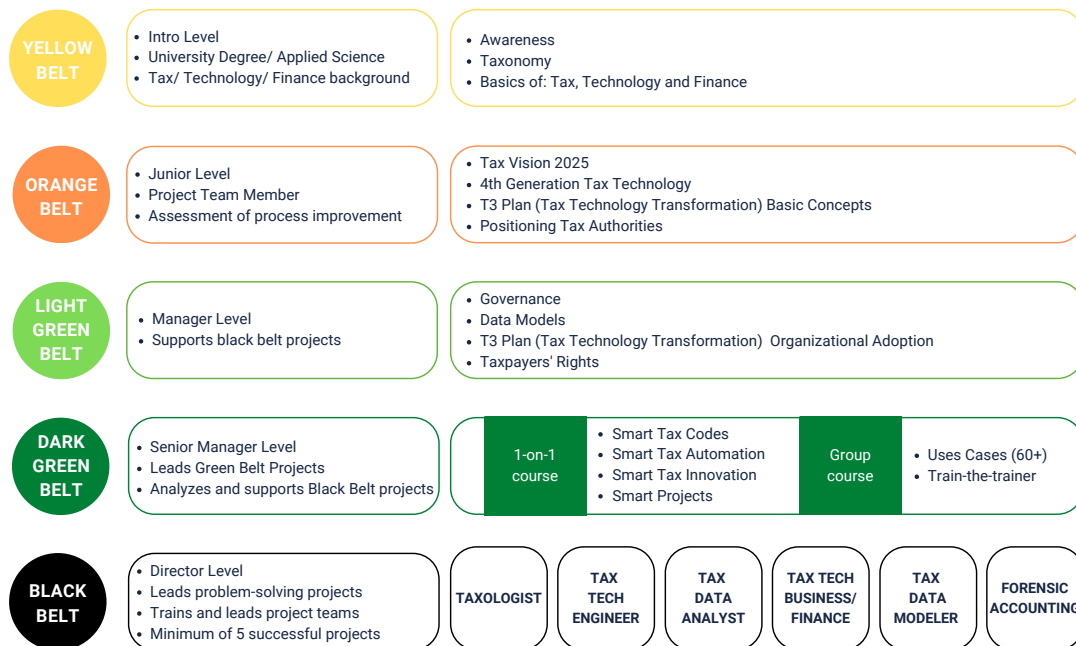
The following questions will have to be addressed in the organizational set-up of your in-house tax group:

- Who from your team – or alternatively in your finance and IT teams - is interested or even inspired with this new way of working?
- Which different skills sets are required compared to today's skill sets of my in-house tax professionals?
- When discovering a significant gap in skills, how do I come up with a digital skills transformation plan?
- How do I sell it to my in-house team as well as to my CFO?
- Do I want to upgrade 'tax data architecture and management' as one of the most strategic activities of in-house tax in the future?
- How does the balance - between tax workflows fully manual versus fully automated look like today and what are the organization and tax authorities expecting in the next 3 years?
- If I believe the current 'old school generation' of tax professionals in my team is not catching up fast enough, what are my options to get up to date within the Tax Vision 2025 to achieve progress on digital transformation within 12 months?

Note that these challenges are not solved by tax professionals learning IT. The secret is for them to gain an understanding of technology and transformation, what it means, what it can and cannot do for tax, and how to get the best out of it while avoiding the pitfalls. We call it tax technology awareness training, or 'taxology'.

The data-driven treatment of taxes will put a reset on how 'People, process and technology' interact. As an illustration, a recruitment ad today and in the future might show considerable differences.

The below outline of such a "talent coaching" or "career planning" in tax technology is offering tax, IT, finance, and other professionals the chance to obtain a certified degree as a tax technology specialist through a so called "belt system for tax technology specialists":

YELLOW BELT	• Intro Level • University Degree/ Applied Science • Tax/ Technology/ Finance background	• Awareness • Taxonomy • Basics of: Tax, Technology and Finance

ORANGE BELT	• Junior Level • Project Team Member • Assessment of process improvement	• Tax Vision 2025 • 4th Generation Tax Technology • T3 Plan (Tax Technology Transformation) Basic Concepts • Positioning Tax Authorities

LIGHT GREEN BELT	• Manager Level • Supports black belt projects	• Governance • Data Models • T3 Plan (Tax Technology Transformation) Organizational Adoption • Taxpayers' Rights

DARK GREEN BELT	• Senior Manager Level • Leads Green Belt Projects • Analyzes and supports Black Belt projects	1-on-1 course	• Smart Tax Codes • Smart Tax Automation • Smart Tax Innovation • Smart Projects	Group course	• Uses Cases (60+) • Train-the-trainer

BLACK BELT	• Director Level • Leads problem-solving projects • Trains and leads project teams • Minimum of 5 successful projects	TAXOLOGIST	TAX TECH ENGINEER	TAX DATA ANALYST	TAX TECH BUSINESS/ FINANCE	TAX DATA MODELER	FORENSIC ACCOUNTING

Tax Technology Certification Program – Belt System

The role of tax directors is also changing, where they need to function alongside CEOs and CFOs as partners to solve tax-related implications of complex business decisions. To meet an organization's tax needs, the tax directors must be strategic, communicative, and possess the leading capacity to boost, inspire and manage a diverse team of resources.

The core competencies of the new tax professional are:

- Coding and data modeling
- Communication
- Project management
- Mathematics and logical thinking
- Learning to learn and being agile

These core competencies are skills for modern life, or in other words, skills needed to stay relevant in the future. They define the knowledge worker. The new professional will need to master these core competencies to be able to work with applied knowledge. They can be seen as a prerequisite. Once a professional masters these core competencies, the professional can train extended competencies. Extended competencies are professional-specific competencies, such as knowledge of BEPS, tax, VAT, etc. This extended knowledge needs to be gained and trained within a rather short timeframe, keeping your future knowledge worker highly adaptable to a constantly changing future of tax.

3. What are the steps to standardize and automate your tax worflows?

Today, Finance has already gone through a full transformation. Automation, use of AI, blockchain, etc. have already reached the finance department. Billing and crediting, expense management and preparing financial statements are just some examples of important workflows in finance that have been automated and that require minimal human intervention. Bottlenecks are being eliminated, activities are being better sequenced, and first-time accuracy is being achieved. Time-consuming and error-prone manual tasks are becoming automated. Successful ERP projects can increase the effectiveness of compliance processes and controls as well as accelerate cycle times, while also facilitating high performance by providing insight to the business.
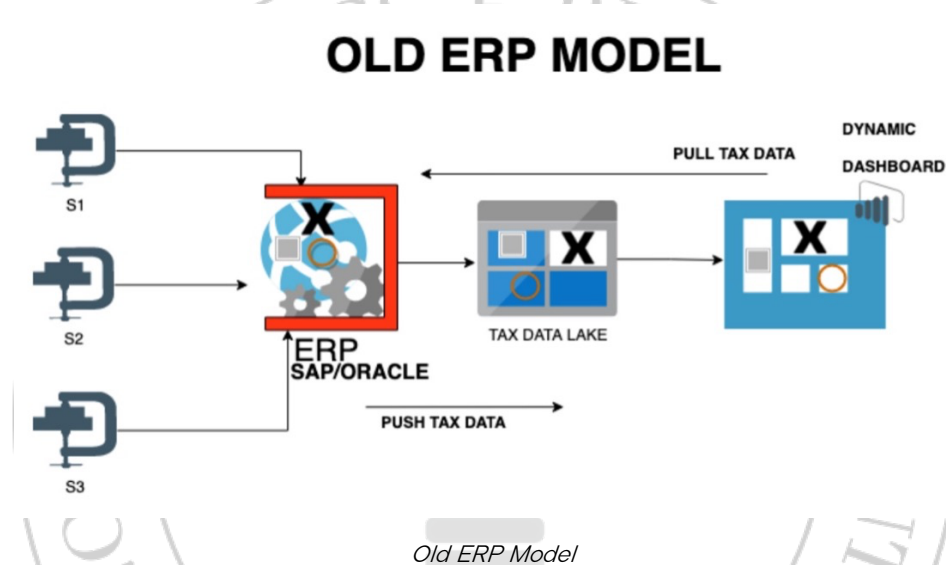
Old ERP Model

In today's ERP model, illustrated above, data[1] is replicated in two different stores both in the ERP system and the tax data lake. Storing them twice on different boards is not an efficient way. The red wall refers to this obstacle to the tax department. For that reason, the data first will be pushed from ERP to the tax data lake. If the system is smart, a dynamic dashboard pulls the data. In this way, there is a dual path.

When migrating the ERP to AWS, benefits include: more money saved, upgrades and maintenance, accessibility and scalability, simplified compliance, easier customization, real-time data & implementation, improved productivity, and better analytics.[2]

With the use of cloud-based applications, data can be stored and accessed anytime, anywhere. Enterprises can adopt analytics solutions for real-time informed decision-making and embrace predictive analytics to gain actionable insights from data generated through internal business processes as well as external market sources. It leads to an integrated view of data, optimizing the tax accounting process and maximizing the time

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[1] Illustrated as 'X, square and circle'
[2] To see more: https://www.cfo.com/accounting-tax/budgeting/2016/02/sooner-finance-erp-moves-cloud-better/

spent on data analysis and review. By transferring its ERP platform to the cloud, HeleCloud delivers a VanMoof case like the one depicted in the diagram below.[3]

New ERP in the cloud
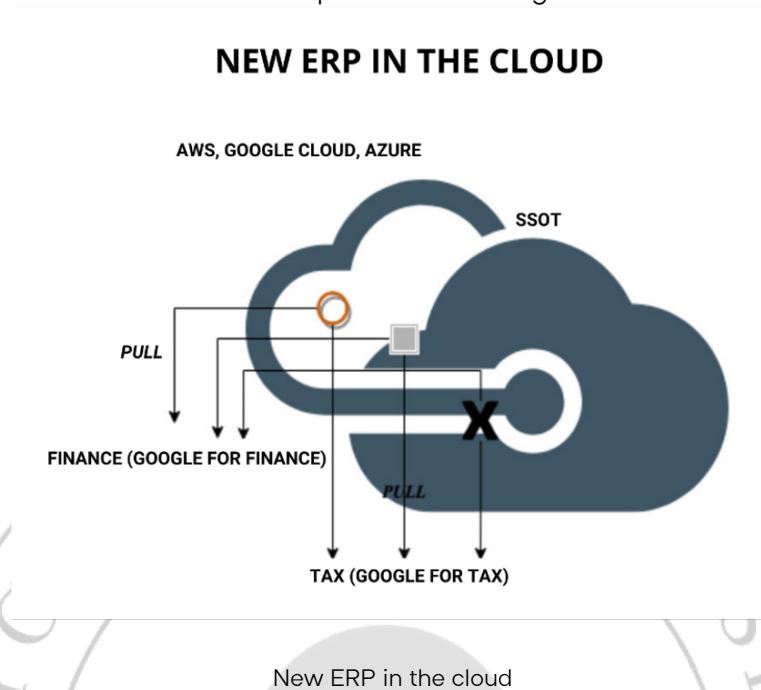
In this diagram of a Cloud-based system, all data in the one SSOT is a matter for the finance or tax department. The data can be pulled by both finance and tax departments at the same time without any confirmation by finance professionals.

Finance moved their system to the Cloud, what is next for tax?

In the future, if a tax technology software solution will be embedded within the cloud-based ERP system -with API connectors, that might have some benefits for tax. One is to ensure its continued ability to meet its own global compliance obligations using high-quality data. The second reason is to help enhance the overall operational effectiveness of finance. With the use of cloud-based applications, data can be stored and accessed anytime, anywhere.

4. What are the trends according to Gartner?

Given the top 10 strategic technology trends published by Gartner, this is how Gartner states the impact on tax workflows and tax professionals:

- RPA will be a bigger application for pushing in a dynamic manner tax relevant data to the right forms in the right format.
- Future tax work spots will be complemented beyond today's simple set up of desktop computers.

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[3] To see more use cases: https://helecloud.com/case-studies/vanmoof-rides-into-the-future-with-aws/

- Low coding will allow 'basic functionality' to be the groundwork to shorten development time and reduce the cost of tax software applications by a factor of 10 or more.
- Like what happened with Xero - an ERP platform - where accountants from all over the world were adding their own application to the app store of Xero, tax middleware solution will offer a range of tax applications – preferably through PAAS or SAAS based solutions at affordable prices.
- Trust in tax software will be measured against the level of acceptance of such solution for tax authorities (certification as the norm), i.e., does the dataset in XML you've produced fit the digital mailbox of your tax authorities will become the only 'norm of being compliant'.
- If in today's world there are limited devices used in the tax workflows, you can expect that number to grow exponentially.
- Cloud solutions will deliver nearby execution points for taxes as well, e.g., for determination of VAT treatment and rules on "market platforms", where instant check-outs should be 100% tax compliant.
- Blockchain could bridge the gap of distrust between parties who either never worked together or have conflicting interests potentially like the taxpayer versus the tax authorities.
- Early adopters of AI – the tools that use computer systems for performing human-like tasks – will be the tax authorities through AI assistants/bots, audit scans etc.

So how do these trends stack up to the next generation of tax technology being offered in today's world?

According to the "Top Technology Trends for 2022: "Hyper automation", Gartner estimates that more than 56% of organizations have an average of four or more concurrent hyper automation initiatives underway, while over 15% have more than 10. This increase in hyper automation is a result of C-suite demands for accelerated growth and operational excellence. The continued expansion of many hyper automation initiatives is subsequently increasing the need for high-performing fusion teams.

Gartner defines fusion teams as multidisciplinary teams that blend psychology or analytics and business domain expertise and share accountability for business and technology outcomes. Rather than organizing their work by functions or technologies, fusion teams are generally organized by the business capabilities, business outcomes or customer outcomes they support. Such teams do not have a prescribed reporting structure, nor do they have required levels from the IT function.

To accelerate your technology transformation, Gartner suggests the following steps:

- Architect and plan for multiple concurrent hyper automation initiatives. Continue to automate everything that can and should be automated (based on standardized quality processes).
- Demand holistic mapping of collective initiatives, rather than islands of task automation.
- Focus on governance to drive operational resiliency and agility, while optimizing ongoing management and organizational expertise.

- Use fusion teams throughout the iterative process of designing, building, scaling, and governing your hyper automation roadmap.
- Increase the likelihood of successful hyper automation initiatives by focusing on the three areas of fusion team success: co-operate, co-own and co-create.

5. How would the next generation of tax technology impact you?

The flowchart below gives you an impression of how a high degree of self-assessment can be used by tax authorities, where simple AI-driven tools do immediately assess timing of delivery, quality and correctness of the tax-relevant dataset filed by corporates and individuals. At a final stage, this "process mining" would allow corporates to – if no 'outliers' are detected by the tax authorities' AI-driven tools – generate their own final corporate income tax assessment and arrange for payment at the same time. Such advanced infra-structure would significantly limit the number of professionals the tax authorities need to collect the appropriate level of taxes.
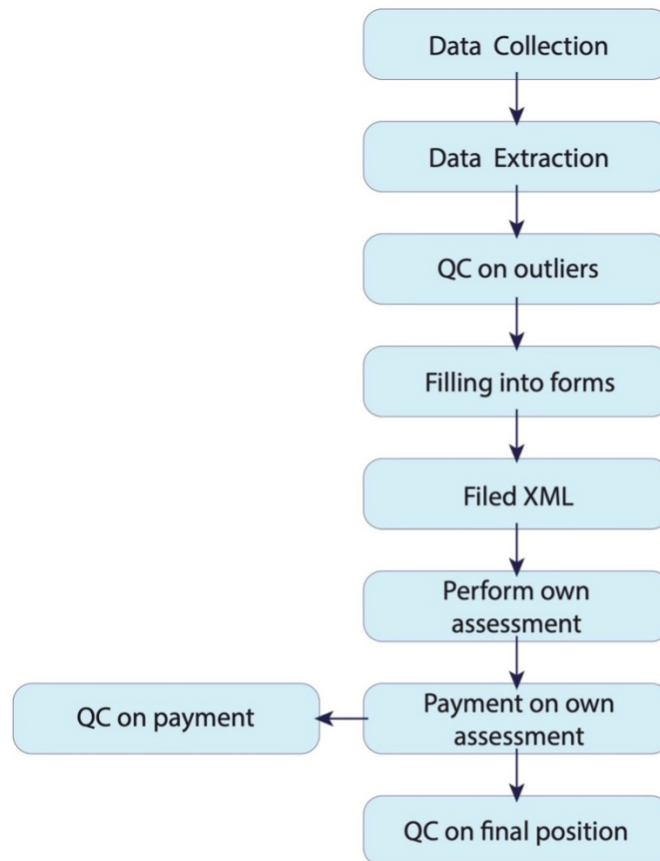
Flowchart for self-assessment by the tax authorities

If we measure time spent on most of the in-house tax workflows, the following chart caters for a permanent "reset on what to spend time on" as follows:

	Now	Future
Collect data	● ● ●	●
Prepare financials for tax provision	● ● ●	● ●
Review	● ●	●
Planning and monitoring	●	● ● ●
Rework	●	-
Reporting	●	-
Analytics	-	●
Risk Management	-	● ●

Reset on what to spend time on

6. Your next steps

The following non-exhaustive list of challenges for today's tax professionals will prove to be an important assessment of whether your role as a new tax professional remains relevant for you as well as for the parties employing tax professionals. Here you can find the non-exhaustive list of challenges for today's tax professional:

a. Recognizing how digital transformation and data processing change.
b. Acknowledging that they might not have the same jobs in 5-10 years due to this development.
c. Future jobs require interdisciplinary knowledge, less specialized departments.
d. CEOs desire creativity in their future workers. Creativity is needed to successfully apply technological developments to a company's everyday business.
e. In a world driven by technology, people skills are more and more important, since the 'human component' will become decisive.
f. Software skills will become a necessity (hardware skills as well, but a lesser extent);
g. Cognitive flexibility; being able to quickly adapt to new processes and skillsets.
h. Workers of the future should keep an open mind towards new technological initiatives that can improve their company's business processes.
i. Intrinsic motivation to stay updated with the new developments in the market. This also applies to the CEOs, given the exponential decrease in company life spans: The average lifetime of companies is shrinking. If you were listed in the S&P 500 in 1935, the life span of a company was 90 Today, it is 18 years.