

The background of the cover is decorated with blue wavy lines that create a sense of movement and depth, flowing from the top right towards the bottom left.

The Future of the In-House Tax Department

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Whitepaper
2022

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1. What is the perfect future of in-house tax?

The Organizational model in a changing world

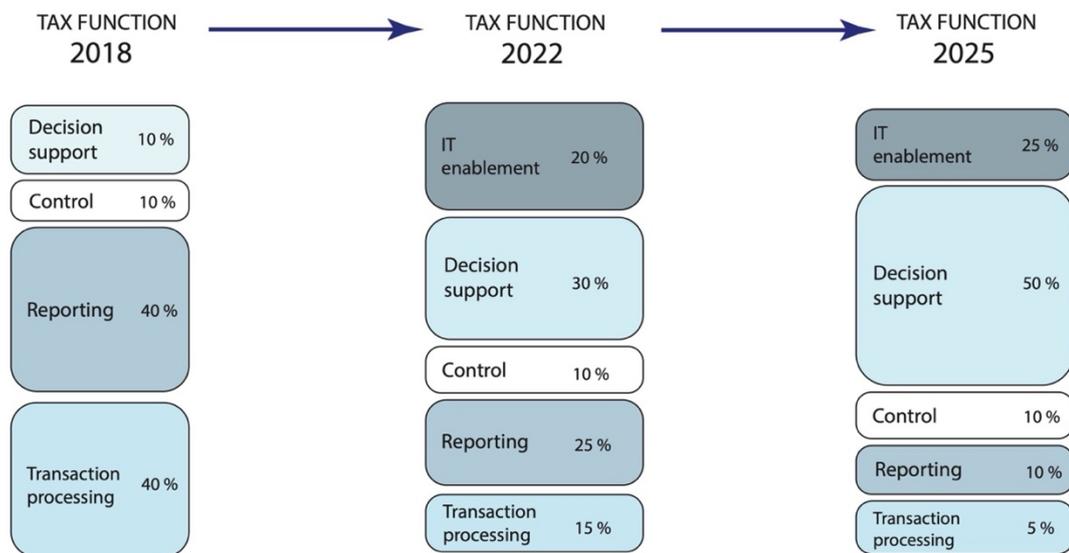
- History: A traditional in-house tax organization has, within its functions, a compliance and planning division, a tax control framework to manage tax risk and the finance and IT departments as crucial impact units for delivering tax-relevant data to in-house tax specialists.
- In today's in-house tax organization, finance, IT, and data-skilled professionals have joined the group. Sometimes, tax professionals must become finance, IT or data professionals or play a dual role.
- In tomorrow's world, the in-house tax organization should carry different roles, for example:
 - i. A relationship management role for both internal as well as external 'clients';
 - ii. An adequate planning professional supporting the business on a pre-transactional base;
 - iii. A data analytical role, which filters data and 'outliers' to the 'real tax specialists' to address the 'outliers' but only when the data analyst cannot easily resolve the 'outliers';
 - iv. A significant flow of data sets in which tax ERP specialists prepare data from the 'source tier' so that it is ready and clean for tax purposes and to be shared with various stakeholders such as tax authorities;
 - v. A senior digital tax officer, often called a "taxologist", pulls all of these workflows together;
 - vi. A tax control framework that evaluates existing and emerging tax risks while allowing the tax department to plan for new forms of taxation and regulation; every risk, from regular transfer pricing to digital sales tax, requires a dynamic version of a control framework.

Although most heads of tax are fully aware of the latter trend, few have taken significant steps to restructure the in-house tax department to be (come) future-proof.

2. What is in-house tax doing?

In a war for skilled talent, as outlined in the "The Future of the Tax Talent" white paper, the view on what in-house tax is doing has changed considerably.

The below chart adds a future vision for 2025 as well:



The question is how this impacts your future search for talent to deliver these partially automated workflows.

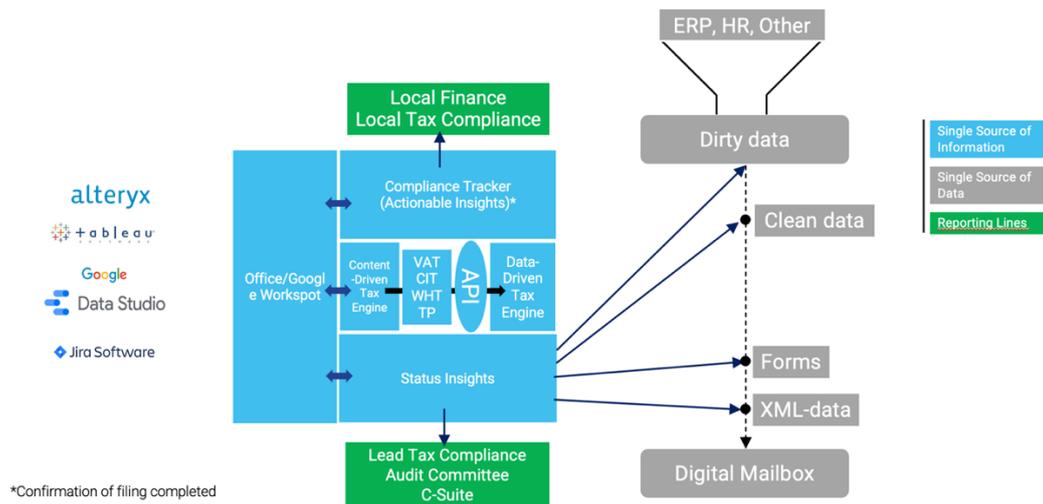
This version of the tax function 2025 assumes that in-house tax has access to "real-time tax relevant" datasets, resulting in a more significant role for your business colleagues in "decision support."

At the same time, it impacts the standardization and budget limitations for other more compliance-driven processes.

3. How do 'people' tasks become 'process & technology' initiated tasks? Change as the permanent factor?

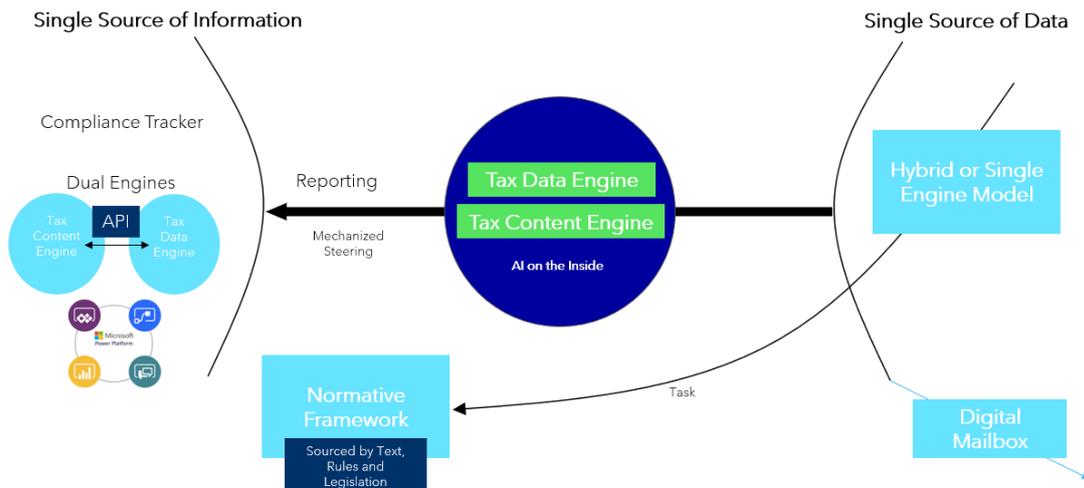
Today's 2022

Today there is an active mode between the 'single source of data' and the 'single source of information', which means there are plenty of human interventions on data flows.



Tomorrow 2025

In the future, the fully autonomous working 'single source of data' will require no or minimal human intervention, i.e., the arrow will only go from 'right to left.'



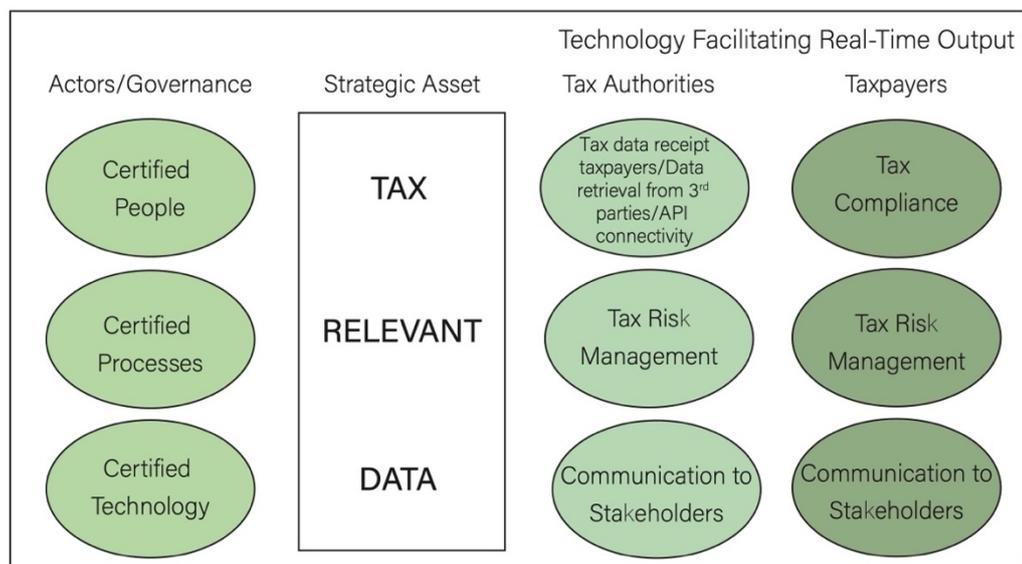
In other words, many tax workflows will no longer be subject to human intervention.

4. How to get your “People, Process & Technology” (PPT) certification?

4.1. How to move people functions into process and technology?

When qualified actors drive the appropriate deliverables by taxpayers towards tax authorities and vice-versa, the following chart provides you with a structured approach to the questions:

- (i) Who are the qualified professionals?
- (ii) What certified processes are available? and
- (iii) Which software and technology reflect the blueprint of the relevant processes and allow the appropriate human interventions?



When comparing both Actor/Governance roles to tax authorities, there are no significant differences in the people, process, and technology roles. Professionals' backgrounds and training methods are very similar in most countries.

The differences still exist in the application of tax law and regulations as well as the managing and interpretation of tax-relevant data.

When it comes to technology-facilitated output, there are significant differences as well as commonalities, such as:

- The taxpayer prepares datasets and tax forms to be tax compliant, while tax authorities receive such datasets and tax forms and strengthen their internal risk management by using tools such as deviation recognition algorithms.
- While the tax authorities prepare a validation of the data sets and forms being filed, the taxpayer assesses the tax risks it faces by not being fully compliant and by taking

taxable income positions that may be viewed differently by the tax inspector. Furthermore, tax authorities share some tax-relevant data with other tax authorities.

- Taxpayers and their advisors typically communicate with their internal management, which includes the board, audit committee, and operational departments in a corporation, as well as the tax authorities. In recent years, this group has been learning how to communicate with other stakeholders, like the public domain, but there is a significant challenge in terms of the language to use in order to make this communication an efficient and effective process. For example, as part of the 'taxpayer being a good corporate citizen,' tax functions are required to comply with ESG reporting requirements. The communication by the tax authorities covers - besides constant communication between the taxpayers and their advisors - a much wider group of stakeholders such as banks, NGOs, social security authorities, etc.

In conclusion, while everyone believes there are vast differences when a 'tax professional' works on either side, the overview above suggests that those differences may not be so significant. The data-driven approach to the tax process, enhanced by technology, is bridging the gaps at a relatively fast rate.

4.2. What is the definition of a certificate

The term certification is defined as follows:

- i. A professional who has passed an exam that allows third parties to trust that they're dealing with a qualified professional;
- ii. A service or a product is being offered based on a pre-defined manner, protocol, or process derived from pre-determined starting points;
- iii. A technology that provides upfront agreed-upon functionality for collecting, validating, reworking, and sharing 'tax relevant data' with relevant stakeholders.

The first set of questions when a certification process is set up for professionals is:

- What type of professionals are involved in the tax process? i.e., do professionals in tax need a university law degree or is an in-house trained finance manager with adequate knowledge of tax matters sufficient?
- What is their level of education and training? i.e., are the academic courses offered going to be sufficient for the modern tax knowledge workers or not?
- How do these professionals keep up to date with a fast-moving world of taxes?
- How to keep these professionals informed about the impact of technology on taxes?
- How to set criteria for certification of modern knowledge workers? i.e., besides expert insight, the next generation of tax knowledge workers comes with the attributes such as a basic understanding of coding, adaptive learner, project management and communication skills with all stakeholders.
- How to create a global certification process that bridges the current level of certificates and degrees on taxation? i.e., if we look at today's landscape of

certification of professionals, most of these are not necessarily connected with a certified process and certified usage of technology.

- How do we link people to the process and technology certificates? i.e., you would expect the qualified professionals to be adequately trained on the relevant process and also on how the technology can enhance the execution of such tax workflows.
- How to transfer the necessary communication skills? i.e., yesterday we talked about "taxes in the boardroom", tomorrow we will talk about "taxes as a significant element of the ESG strategy of a company".

4.3. What is the value of a certificate in tax?

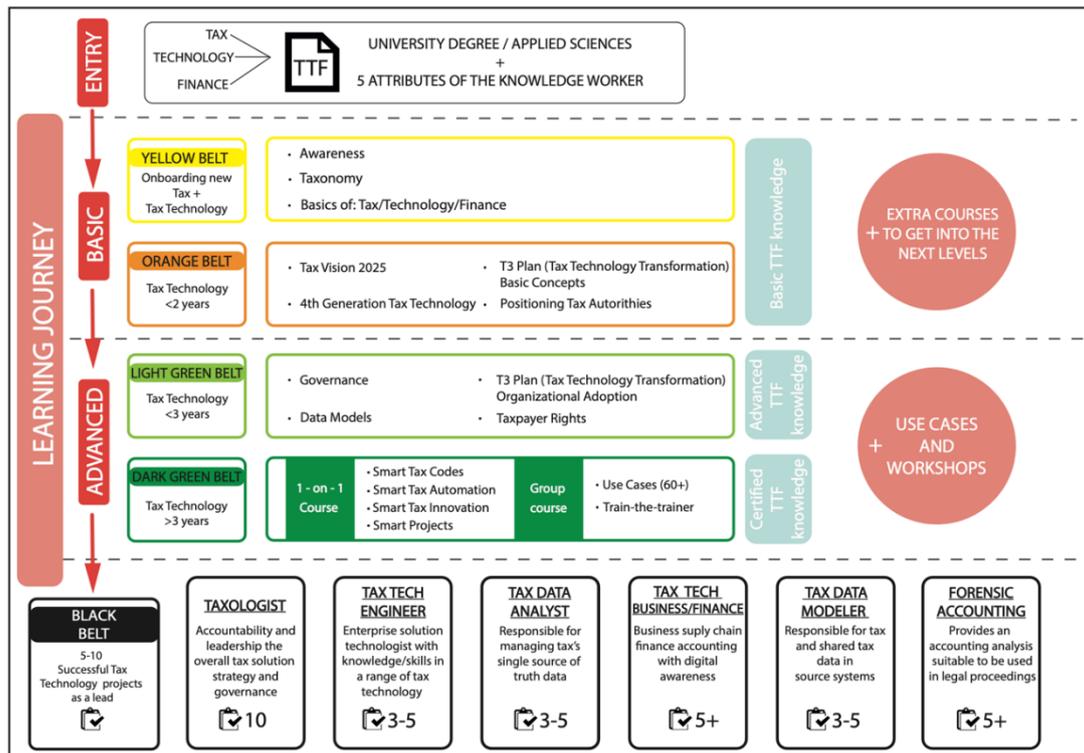
If only certified people use certified processes facilitated by certified technologies, the accuracy of converting 'dirty data' from individual transactions in which a corporation is involved into 'clean data' handed over to tax authorities could be significantly improved.

The question is whether professional certification is adequate, or whether the cycle of people, processes, and technology necessitates some degree of standardization in addition to certification.

In today's world, the standard is to rely on certified tax professionals. However, if international tax begins to converge, - as illustrated by Pillar I and II proposals by the OECD and its inclusive members -, we may start to rely much more on certified processes to create a consistent 'blueprint' process to be converted into the software.

4.4. What types of certificates are available in the market?

A variety of 'tax + technology' training options is available, the majority of which are academic. However, the below-visualized version delivered to tax professionals adds a 'train-the-trainer' compared. The 'Belt System for Tax Technology specialists' was launched in early 2022 by e-Bright in collaboration with other private training institutes and universities.



The Belt System is a certification for today's tax technology professionals. It has the necessary training and certification for tax technology teams who lead the digital transformation of tax workflows.

Each step in The Belt System requires a specific level of knowledge and experience, based on which you can:

- Start with the Yellow Belt (Intro level) and Orange Belt (Basic level) to build awareness.
- Make a career out of Tax Technology through the Light Green Belt (Manager Level) and Dark Green Belt (Senior Manager level)
- Reach the Black Belt (Director level) to manage and execute projects as a lead.

5. What is next?

Nowadays, more and more employers are struggling to attract talent into their organizations. Both in the USA and the EU, unemployment rates are steadily declining despite the current recession. The perspective of structural employee shortage looms over many organizations, unable to offer any structural solution to their recruitment challenges.

There are two reasons for this lack of new colleagues:

- First, it's about a structural shortage of available and educated personnel. In the coming years, the number of people exiting the labour market (people retiring) will be booming. The number of people entering the labour market is a lot lower. Because more people are looking for work than there are available positions, a labour shortage is on the horizon.
- Second, the effect is much less known: The workforce is becoming younger (a lot younger). The number of people retiring is rapidly increasing, while the number of employees aged 45 to 65 is decreasing, and the number of people aged 25 to 45 is increasing.

As a result, not only are the elderly disappearing but so are the middle-aged. So much so that by 2030, Generation Y and Z will constitute the majority of the labour force.

Unsurprisingly, organizations are launching costly recruitment campaigns to engage younger generations. Here's the thing: a recent study found that almost half of Gen Z and millennials would rather be unemployed than unhappy in a job, compared to 25% for previous generations. The same study suggests that employers' desperate attempts to offer big bonuses and copious employment benefits won't necessarily cut it.

A recent survey indicated that (i) complexities in translating the tsunami of tax legislation into practice and "simple business language" and (ii) the high-speed train to digitally transform tax workflows have accelerated the exit of the number 1 and 2 in-house tax positions into retirement or alternative non-tax positions. Although a challenge, it allows multinational corporations to "re-set" their entire in-house tax department and make it instant by "future-proofing."

As a final challenge, the traditional hierarchy of an in-house tax department (i.e. head of tax with specialists like VAT, CIT, TP etc. as direct reports) will soon have to be replaced by recognizing the teams 'tax and technology' driving the digital transformation.

However, where you fit in the taxologist with his/her direct reports like data miners, data analysts, data ERP specialists etc... is a question not yet addressed by most of the in-house tax team leads.

Thank you for taking the time to read this whitepaper.

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