



# THE NEW TAX PROFESSIONAL

## TAX TECHNOLOGY CLASSICS

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## **Embracing the Future: Navigating the Changing Landscape of Tax Professionals**

The world of tax professionals is undergoing a rapid transformation, propelled by the relentless advancement of digitalization and automation. These revolutionary forces are reshaping the daily practices of tax professionals, leading to a profound shift in their traditional workflows. As a result, one crucial question looms large: How can tax professionals ensure their continued relevance in this ever-evolving landscape?

While many tax professionals acknowledge the imminent impact of technology on their field, only a fraction possess the necessary expertise to effectively navigate the realm of tax technologies. This knowledge gap raises significant concerns about their prospects. In response to this pressing challenge, this preface serves as a glimpse into the complexities faced by the new breed of tax professionals. It also outlines innovative learning models tailored for knowledge workers and highlights the core competencies that will empower tax professionals to thrive amidst these changes.

Within the following pages, we delve into the implications of emerging tax technologies on the future of the profession. We examine the dynamic job market that awaits tax professionals and explore the far-reaching consequences for in-house tax experts, tax authorities, and tax consultants. By understanding the profound impact of these developments, tax professionals can better position themselves to capitalize on new opportunities and effectively serve their clients.

Covering every facet of knowledge that the modern tax professional must grasp to remain indispensable to their clients, this article shows learners the essential skills and insights for success.

As we stand at the precipice of a transformative era for tax professionals, it is crucial to embrace this changing landscape with an open mind and an unwavering commitment to continuous learning. Together, let us embark on this exciting exploration of Tax Technology, empowering ourselves to thrive in the future of taxation.

Join us on this transformative journey, and let the voyage begin.

# 1. Changed roles of Tax Professionals

## Introduction

The rapidly changing world of tax is being transformed by both business change and robust tax regulatory environment. Increased globalisation and digital transformation are changing the re-ordering of business operations and the complexity of tax. The implementation of the Organisation for Economic Co-operation and Development's (OECD's) Base Erosion and Profit Shifting (BEPS) project, in particular its Country-by-Country (CbC) reporting initiative, is pushing the need for transparency and cross-border information reporting. Tax leaders are thrust into more critical, visible roles and demanding new skills regarding their position of tax considerations in business decision making.

Global taxpayers are now confronted with more heavy tax compliance requirements, more developed tax enforcement measures, as well as a rise in aggressive tax audits. More accurate reporting is required in less time, while tax professionals also face an increasing pressure to aid the overall organisation by helping with strategic decision making. This increase in global tax compliance requirements together with outdated, inefficient, manual processes take up more valuable resources. At the same time, it increases the involved risks.

Another global challenge is that of talent, which may be the key factor in which organisations are confronted in enabling and sustaining growth development. One of the challenges they are confronted with is the shift of demographics/aging populations, certainly in the most developed countries. This means that there will be fewer workers that support a growing number of senior citizens. Second, growing global demand by sustaining economic growth will require a whole lot on new employees. The problem is there are not sufficient of them. It is likely for issues of labour mobility and innovative use of technology to become more important to fill up the talent gaps. Third, a challenge regarding employability. For the modern economy new employees need to be educated with new skills. There is a shortage in many countries though of people educated in science, technology, engineering and math. There is also a shortage of managerial and leadership talent, mostly in some developing economies that should lead the future growth. Last, there is a changing meaning of expectations of how, when, where and why we work. Expansion of women in organisations, generational and cultural changes are creating a different meaning of work itself. Women are underrepresented in the CEO and COO ranks of large firms. Organisations and society as one must adapt to these shifts. One of these changes is employees demanding greater flexibility. This is also the main reason employees quit their job. Therefore, companies should increase greater flexibility among workforces or risk losing them.

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.

The role of the old tax professional will be taken over by computers. This means there will be a new cycle of humans interacting with machines. Current tax professionals can protect their job by becoming part of this new cycle. The relevant workforce 5 years from now should be fit for purpose. This is fit for purpose on digital transformation and digital disruption, of various business models.

To sum up, there are 2 important developments which affect the new tax professional:

- Workflows that are currently manual are being digitalised. For example, through Blockchain and AI; and
- To what extent will the tax professional stay relevant.

## Definition of Tax Professional

What is the definition of a tax professional? A tax professional is a person that is qualified to calculate, file and sign income tax returns on behalf of individuals and businesses. They can also represent the taxpayer during IRS examinations of tax returns. There are various types of job titles these professionals may have, as well as various certifications and educational levels; individuals and businesses need to choose which type of tax professional will best suit their situation

There are broadly 3 types of tax professionals; as a:

- In-house tax professionals at corporates; or
- Tax consultants; or a
- Tax professionals working at the TAs

The new tax professional will increasingly become a so-called knowledge worker. So what is a knowledge worker?

Knowledge workers were first mentioned by Peter Ducker in his book the landmarks of tomorrow (1959). He said knowledge workers are high-level workers who apply theoretic and analytic knowledge to develop products and services. These 'knowledge workers' were going to be the most valuable assets of a 21st- century organization because of their level of productivity and creativity.

Knowledge workers include the professionals in information technology fields, such as programmers and technical writers and much more, but also public accountants, lawyers, physicians and financial analysts. Knowledge workers make a living out of thinking, other than manual laborers who have to perform physical tasks.

### Different stages: the journey from "source of data" to "best practices"

Today, a tax professional needs to know everything on source documents.

Examples:

- Local tax laws;
- Tax treaties;
- UN and OECD models;
- Various Multilateral instruments.

In addition, the tax professional needs to be aware of recent changes in all these different sources. Tomorrow, tax professionals mainly deal with applied knowledge. All the information from the source documents already have been translated – by a very few knowledge workers using AI driven technology – to information that can be applied directly. For example, e-Bright offers courses on BEPS and explains everything the tax professional needs to know on the subject. As a result, the tax professional does not need to read all the 22,000 pages on the OECD report on BEPS as well as the way BEPS has been implemented in various countries. It is expected that less than 10 percent of the current workforce still will be involved in the source documents. The other knowledge workers use solutions like e-Bright to gain the already applied knowledge. This saves a lot of time.



Figure 1 - the journey from “source of data” to “best practices”.

Less than 5 to 10 percent of professionals in the future will go to the original source. They will be working on transforming source information into applied knowledge. They will develop tools like memory trainers for knowledge distribution to other knowledge workers.

e-Bright Memory Trainers

By means of e-Bright’s memory trainers, professionals get to know the basics of “best practices” on Value Chain Analysis, transfer pricing or BEPS within only a few months. Professionals train themselves on the topic by studying practical examples. In addition, repetitive questions and e-exams help the professional to accelerate training cycles.

**Tax and automation**

In the past, the tax professional had an important role to manage all the data needed for tax purposes. In addition, he had to share the requested information with the tax authorities. Among tax authorities there was a difference in what information to share, as well has how it should be shared. This is visualised below:

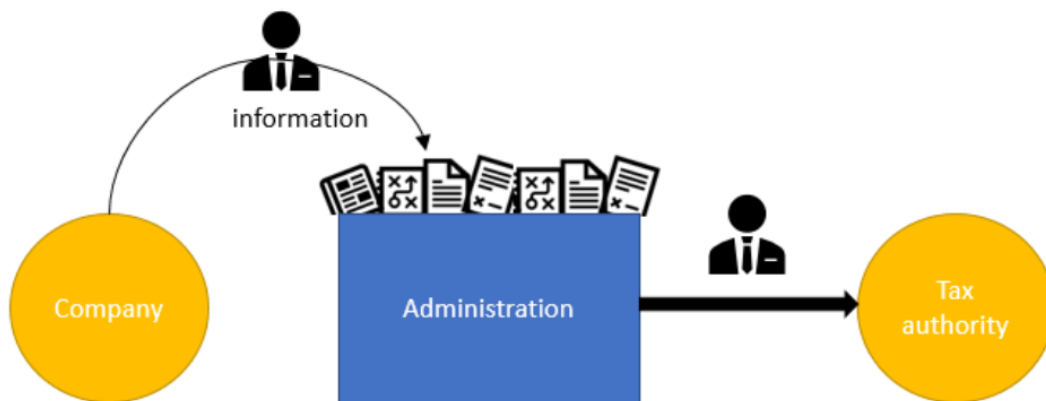
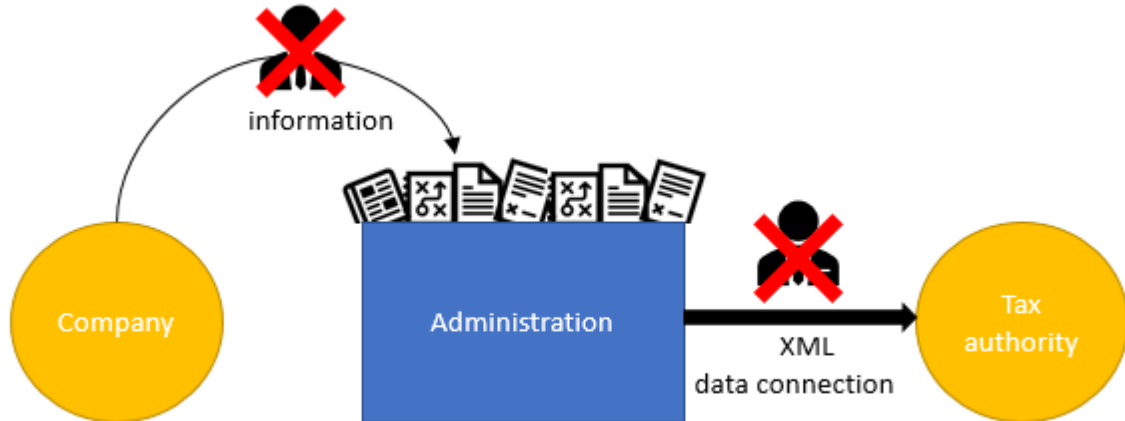


Figure 2 - Traditional role of the tax professional.

The figure below visualises the new way of working. A company collects all its tax relevant information in an administration box. This administration box consists of an ERP system, legal, HR and tax databases, data warehouse, business intelligence, etc. This so-called administration box, is in turn, directly connected with the tax authorities. The tax technology software selects all relevant data for the tax return and files the tax return at the tax authority in the requested XML format.



*Figure 3 - New role of the tax professional.*

Due to digitisation and automation, the tax professional's role has changed dramatically. Data processes have been automated, and, as a result, do not require manual work by the tax professional any longer. Automated and integrated tax provision and compliance processes, as well as data source systems, have replaced spreadsheets to generate real-time, tax-ready information with greater efficiency. These efficient systems have the consequence that the time needed to complete tax reporting progress is significantly reduced. Advanced tax technology software makes it possible to file tax returns automatically in the required XML format. In order to have for example CbC Reports in a consistent format and to allow for automation, an electronic template has been developed. The electronic template is an XML schema (extensible mark-up language). This facilitates electronic preparation, filing and exchange of the CbC Reports.

Also, at the side of the tax authorities, technology diminishes the role of its tax professionals. Now algorithms check the filings and even content and risk management aspects.

This raises the following questions: How does the tax professional remain relevant at corporate level? What does it mean for today's and future tax consultants? And what is the impact on tax authorities?



Automation in all industries

Automation is not only changing the world of the tax professional, but the entire economy. It is a global development across all industries that because of automation jobs will change or even disappear.

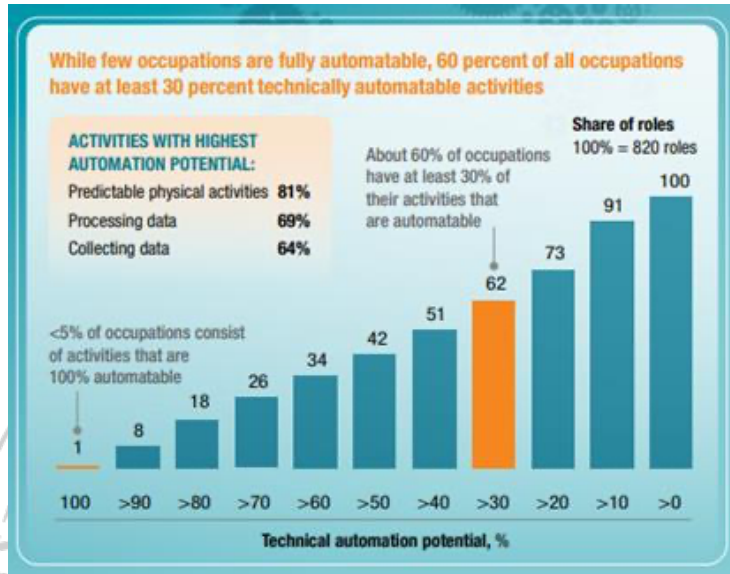


Figure 4 - Technical automation potential by adapting currently demonstrated technologies.

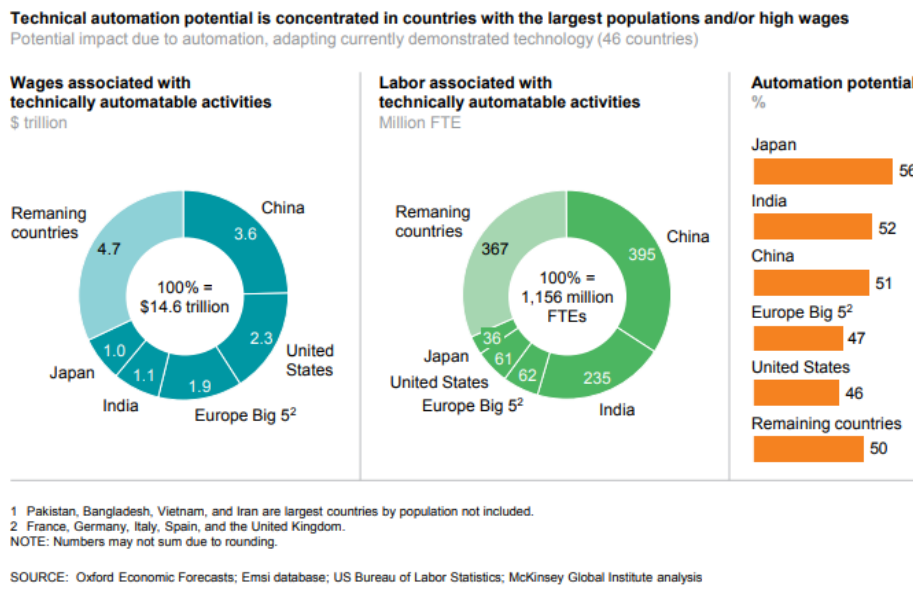


Figure 5 - source: A future that works: automation, employment, and productivity, McKinsey Global Institute.

The largest impact on workers could be in labour-intensive sectors in India and China, whereas in other countries it will be across multiple sectors.

Automation is transforming work. 45 percent of activities of most jobs could be automated by current technology. This does not mean 45 percent of the jobs will be displaced, but 45 percent of the activities within a job. Benefits could be:

- Reducing costs;
- Increasing throughput;
- Improving quality;
- Improving customer satisfaction;
- Improving productivity;
- Improving services.

It is important to have an understanding how to transform these processes. IT, digitisation and automation are tools to enable transformation.

### Jobs of the future

In a survey conducted among Australian tax executives in 2018, 85 percent of respondents replied that the tax world will face (further) major changes within the next 5 years. They reported that they believed big data/data analytics, robotic process automation and AI/machine learning will have the greatest technology impact on their field of business in the future. However, only a small number of the respondents stated that they actually have working knowledge of these technologies, as visualised below. Obviously, this is a big concern for the future.

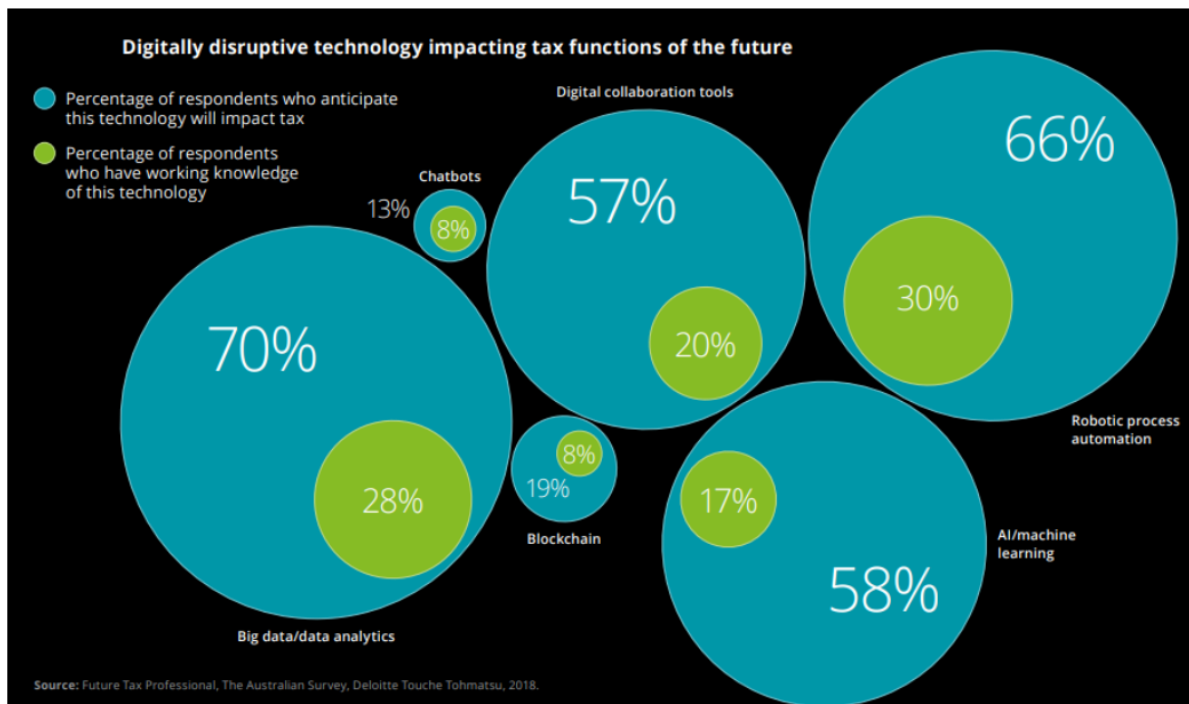


Figure 6 - Digitally disruptive technology impacting tax functions of the future. Source: Future Tax Professional, The Australian Survey, Deloitte Touche Tohmatsu, 2018

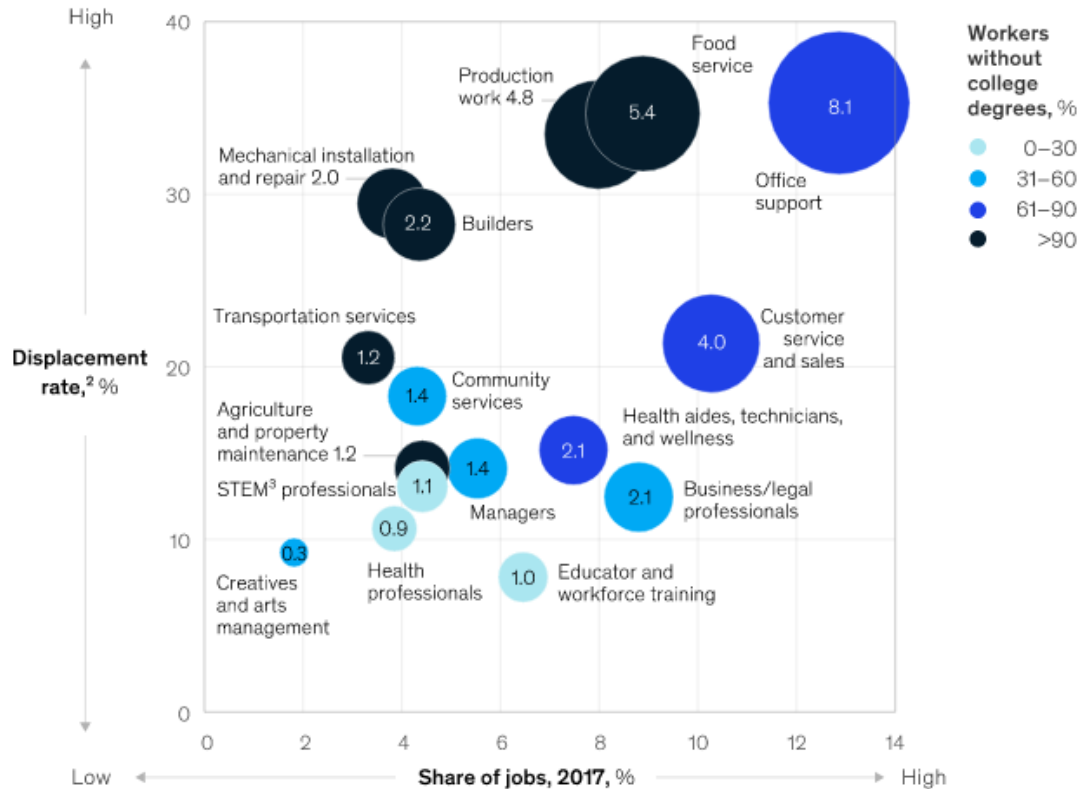
Obviously, this development is not limited to tax functions. The entire economy is changing, which has a huge effect on the future of business. Accordingly, the jobs of the future will be different than those of today. Certain jobs will disappear and new jobs will be created. Let's have closer look at the jobs of the future.



Jobs that won't be there anymore in the future

In the future, numerous current jobs will become obsolete. A lot of manual work will disappear as it will be taken over by computers and machines. Technology like AI, blockchain and robotic process automation will become more and more important and will make manual labour redundant. The work will be done more efficiently.

**US jobs displaced in midpoint adoption scenario<sup>1</sup> by 2030, millions of full-time equivalents**



<sup>1</sup>Based on share of automatable activities for occupations within each category.  
<sup>2</sup>Full-time equivalents displaced in midpoint automation scenario by 2030. In office support, for example, technology could handle activities that account for more than 35% of all hours worked, or equivalent of 8.1 million full-time workers.  
<sup>3</sup>Science, technology, engineering, and mathematics.  
 Source: US Bureau of Labor Statistics; McKinsey Global Institute analysis

Figure 7 - US jobs displaced by 2030. Source: The future of work in America: People and places, today and tomorrow, McKinsey.

The figure above shows the displacement rates of job categories caused by automation in the US by 2030. Some of the currently largest categories have the highest displacement rates. These categories are office support, food service, production work, and customer service and sales. According to McKinsey, almost 40 percent of today's US jobs are in categories that are likely to shrink between now and 2030.

Jobs that may not exist in 2025

Figure 8 - source: *The rising importance of tax talent, EY.*

Data entry keys therefore will not be needed anymore. This work will be done completely automatically. Referees won't be needed anymore. Advanced cameras and computers will check sports games at the smallest detail to ensure the rules are being adhered to. Cashiers will not be needed anymore, as by means of cameras, sensors and AI it will be tracked what products a consumer buy. In addition, a computer will link the consumer to his bank account by means of his phone, and will withdraw the value of the purchased products from it. Personnel will not be needed for that. Amazon already opened its Amazon Go cashier-less store in 4 US cities, but also other companies are working on this concept.

Jobs that will still exist in the future

Figure 9 - source: *The rising importance of tax talent, EY.*

Although these jobs will remain, technology will also have an effect on these jobs. For example, surgeons will increasingly work with high-tech equipment and robots while doing surgeries.

Professions in which the human component is crucial will remain to exist in the future. But even for example psychologists, a highly people-skilled job, use technology to assist them. With Big Data, a huge amount of data can be stored in a database and behavioural variables can be crossed and analysed. This way it will be easier to understand behavioural reactions under specific circumstances and appropriate treatments can be developed. The internet is already being used extensively to take certain tests, do some online sessions or even the complete therapy. Virtual reality can be used to train or heal people who for example have certain disorders. However, the human component of the psychologist will still be important.

Nurses will use technology to track and manage patient data. They will also work with robots that can release certain tasks from the nurses.

Also, sports trainers will have a wealth of data on their athletes. This is already happening today. Trainers hire data analysts that track biological data of the athletes, like hearth rate, throughout the trainings and make individual trainings based on/accustomed to that. Also, the position in the field of for example soccer players during their matches is tracked and analysed. Based on that, individual players are being trained on their specific flaws. Technology almost transfers sports into exact science.

Archaeologists will be using more advanced techniques to do new discoveries. Already today, archaeologists use drones with thermal imaging cameras and mapping instruments. In addition, they use satellite imagery and 3D and geochemical analysis, as well as highly advanced underwater surveillance equipment. Virtual tools display how ruins must have looked like centuries ago. Technology will become an even bigger part of the job of the future archaeologist, which in turn also changes the required skillset of archaeologists.

Popular jobs in the future

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.

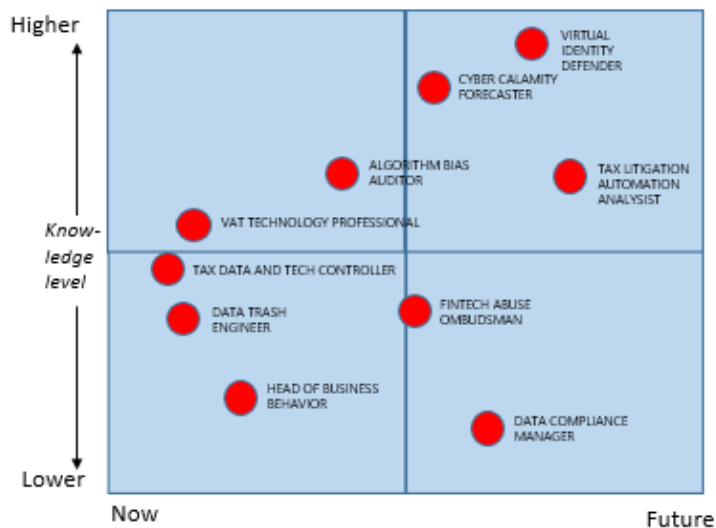


Figure 10 - New jobs of the future.

In the future, the demand for knowledge workers will even be higher than it is today already. Due to the increasing importance of technology across the entire economy, jobs such as software developers, computer systems analysts and data analysts will be popular in the future.

The healthcare industry is growing because of aging. Generally, people live longer and in many (developed) countries the percentage of elderly is growing. Technology is changing healthcare. For example, AI is improving the quality of chatbots, and so chatbots will be used more in the healthcare industry in the future. However, this raises ethical questions, which developers, doctors, policy makers and patients need to consider. Nevertheless, there will still be a high demand for (senior) carers. It is unlikely that robots will have adequate soft skills, such as social and emotional intelligence, anytime soon.

Unprepared

A research performed by EY among employers across Australia and New Zealand found that these leaders expect significant changes of their workforce in the next 3 years.

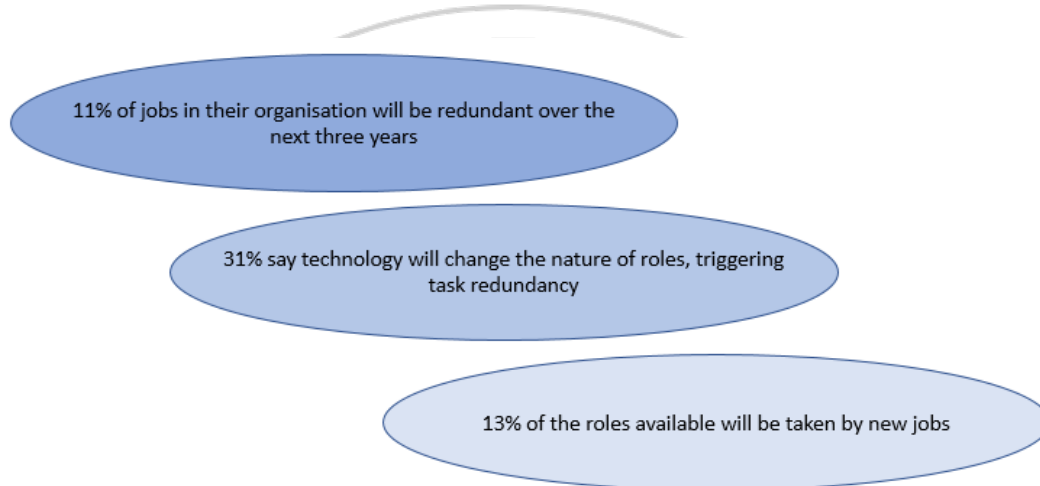


Figure 11 - source: *The rising importance of tax talent, EY.*

However, most of the organisations are not prepared for these changes.

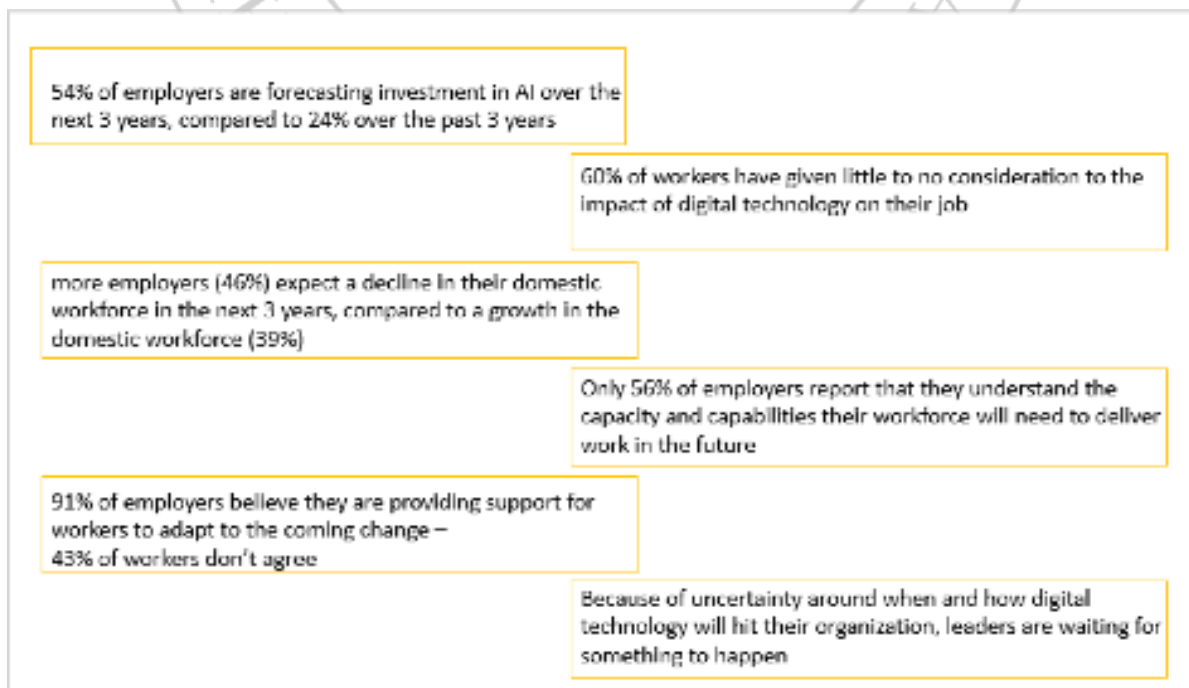


Figure 12 - Source: *Stop talking about the future of work, EY.*

## Changing skillset

All these changes in jobs also result in changes in the required skillsets for these jobs. Nevertheless, many of today’s workers do not match these required skillsets for the future. For example, good ICT skills will be needed because of automation and digitalisation. But according to the OECD, 6 out of 10 adults lack basic ICT skills. Technology can bring many benefits for the future, yet workers need to learn new skills in order to make use of those advantages.

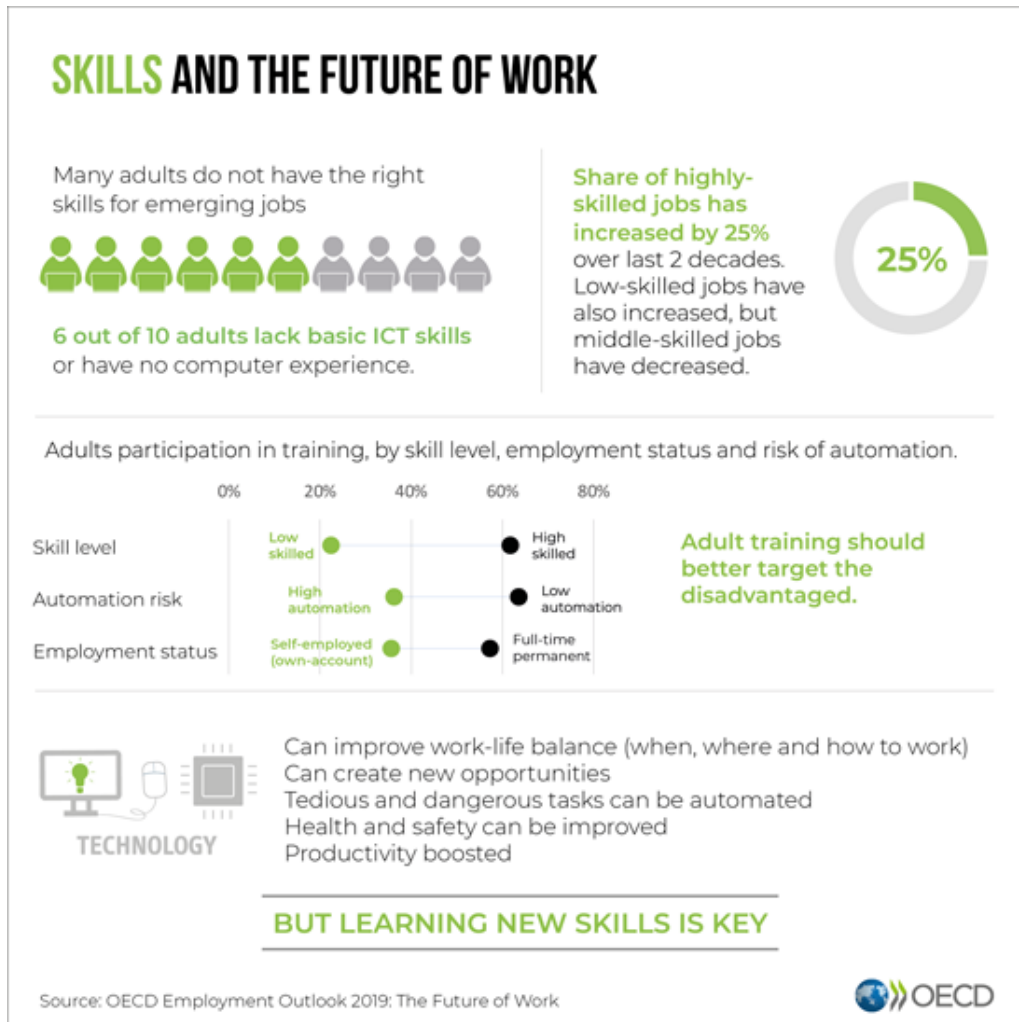


Figure 13 - Skills and the future of work.

Recruitment ads clearly picture the nature of a job and the requested skills. Below you find an example of a typical recruitment ad for tax professionals in the present, as well as an example of how a typical recruitment ad for tax professional might look like 5 years from now.

### Example: recruitment ad for tax professional in the present

Here is an example of how recruitment ads for tax professionals look like in the present. What you read below are some examples we took put together.

#### Job description:

Tax optimisation for the customers. Helping organisations assess, anticipate and manage the implications of changing business and regulatory environments.

Furthermore, the following tasks that are asked of a tax professional are:

- Extracting data from various systems for tax reports;
- Communicate with auditors, tax advisors, external consultants and IT vendors;
- Preparing materials and presentations for committees/board meetings;
- Preparing annual reports;
- Monitor and ensure the general global tax compliance.

#### Requirements

- Master degree in fiscal education;
- 2+ years of experience in a relevant area
- Familiar with the international tax issues and tax treaties;
- Self-reliant, efficient and structured
- Good social and communication skills;
- Controls the basic English vocabulary for economics both written and spoken;
- Solution oriented;
- Responsible for your own work;
- In depth knowledge in IFRS.

### Example: recruitment ad for tax professional 5 years from now

#### Job description:

Tax. Alongside with CEO and CFO working through the tax-related implications of complex business decisions.

#### Requirements:

- Proficient communication skills
- Able to communicate tax principles in simplified business language
- Solid knowledge of IT, big data, intellectual property and supply chain management
- Excellent in assessing the quality and meaning of data
- Basics on coding and data modelling
- Maths and logical thinking
- Project management
- Agile
- Leadership and strategic thinking
- Flexible

Extended skills, such as tax intelligence, business model intelligence and legal intelligence could be further developed during the first 3 months of employment by means of memory training on tax, business models and legal.



These examples show that the roles of tax professionals, and therefore their requested skillset, are under considerable change. Let's compare the present with the future: What is the skillset tax professionals have today and what type of skillset do they need in 5 years?

A tax professional in present day is asked to work on themselves and have knowledge in the basic tax terms, but they are not asked to have a technical background or on other subjects. For tax professionals in the future, a more rounded skillset is required besides a strong technical orientation. This means they need to be able to assess the quality and meaning of data, collaborate with people outside their area and communicate tax principles in simplified business language. With such a new skills profile, a new, multidisciplinary approach is needed to tax and leadership education. Not only will tax professionals be assumed to deal with tax issues, but with the entire range of risks in the real world. This means a tax professional needs to be able to understand IT, big data, intellectual property and supply chain management as well.

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. In order to meet an organisation's tax needs the tax directors must be strategic, communicative and possess leading capacity to boost and manage a diverse team of resources.

#### The core competencies of the new tax professional

- Coding and data modelling;
- Communication;
- Project management;
- Maths 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 in order to be able to work with applied knowledge. They can be seen as a prerequisite. Once a professional masters these core competencies, he can train extended competencies. Extended competencies are professional-specific competencies, such as knowledge on BEPS or tax technology. This extended knowledge needs to be gained and trained every approximately 18 months.

#### **Tax and the board**

The demand for full transparency reflected in the agendas and action plans of international organisations (like the OECD, UN, EU) are expected to create a pressure that will impact the executive level of corporations. Corporate criminal liability for tax matters seems to be a winning force as can be seen from the German government's proposal to introduce a corporate criminal liability regime. Moreover, the increasing volume of reporting rules at board level are reflected in the requirement in the UK that the tax strategy of the company must be approved and signed-off by a named individual at the executive board level, making tax accountability a reality in the boardroom.

Therefore, it is important for the new tax professional to discuss tax matters in the board. But how to talk tax in the boardroom? To facilitate an effective dialogue with executives and non-executives in the boardroom, some of the following issues are important to be addressed:

What does BEPS mean in the boardroom?

- Increased transparency;
- More scrutiny on the actual actions of senior people;
- Accountability;
- Increased risk of criminal charges.

How do you organise tax and governance in your communication to the boardroom?

- Do you have a board-approved tax governance policy?
- Do you have effective reporting systems?

Does the non-exec and exec boards involve tax in their strategic thinking?

- Operating models involve roles and responsibilities of people and their location;
- Strategies around M&A, Restructuring, Integrations, etc. again involve people, their location as well as where to have a footprint for a given function (i.e., R&D, Manufacturing, Marketing & Sales, etc.).

What is the frequency of addressing tax at the level of the audit committee and boardroom meetings?

- Have board members been briefed to be able to communicate to the media and explain the company's tax profile?
- Does the audit committee engage in tax relevant discussions?
- How often, how long and (from a content perspective) how meaningful are these sessions with the Board?

Are you ready for full tax disclosure to all stakeholders?

- Do you report the impact of full disclosure to audit committee and board members?
- Are you considering to report to the public your "tax paid" positions?

How does tax and technology impact taxpayers' reputation?

- How do publications like Lux Leaks, Panama Papers and Paradise Papers impact your reputation?
- How do you deal with communications with press and NGOs?

How have you dealt with DAC 6?

- Have you reported identified reportable transactions to the board?
- What is your contingency plan if DAC 6 is not fully implemented?

The issues posed above should be dealt with by corporates to be "in control". By means of tax governance, the board room must take a more "hands-on" approach to tax. The tax strategy must be formalised, articulated and owned by an Executive Board member within the business.

What does this mean for the new tax professional? For the new tax professional this means communication with the board is very important. He needs to be trained to communicate in such a way, using plain business language, that the board understands it. At the same time, the board needs to train itself how to ask the right questions.

## Tax and finance

Tax is inherently overlapping with finance. Globally, the majority of tax functions still are a part of the finance function. More than three-quarters of tax leaders report to the CFO or head of finance, less than 10 percent reports directly to the CEO. A good cooperation between tax and finance executives can allow for a better identification of potential problems and opportunities, to increase efficiency and support on risk management. When a company fails to integrate tax data with other financial information, this could potentially expose a company to financial statement errors, unnecessary controversy proceedings and delays.

In the future, tax workflow almost entirely will become a subset of finance. Due to digitalisation, many of today's tax workflows will be automated and become a part of finance, with the same discipline & frequency of reporting.

## Tax and IT

Tax technology plays an increasingly important role in the life of the tax professional. The need for real-time reporting, compliance and more efficiency require the implementation of advanced IT.

It is expected that the use of tax technology will remove a large part of the manual tax work. The complex tax advisory work, however, remains human work, whereby tax professionals are requested to possess broad knowledge. Robots and other software applications take over the simpler tax advice and connection work.

For many companies, tax data is contained in separate Excel sheets on employees' hard drives. That data must be collected in one central system. Everyone knows that it is important, but in practice it is still quite difficult to achieve this. However, if the data is structured in one system, the world is at your feet with regard to data analysis, blockchain, RPA, machine learning, natural language processing and other technological developments. Having your data in order first is the most important thing.

Let's have a closer look at big data/data analytics, robotic process automation and AI/machine learning, and what this will require from the new tax professional.

### IBM Watson

Things IBM Watson (and other AI) can do:

An AI is a computer system that allows a computer to learn new things, adapt new inputs and make better decisions. This is done by computer algorithms that make decisions only with the things it learned. Watson uses a sophisticated learning technique called deep learning. Deep learning uses algorithms to create an artificial neuron network. It can continually learn new things on a job by finding out if things were correct or not.

This is where IBM Watson (and other AI) is a danger for Tax professionals. An AI, for example Watson, can learn how to collect data, like tax laws, and do the work a tax professional normally does, maybe even 10 times faster than a tax professional.

First, second and third generation of tax technology mentioned in chapter 4 is an example of how AI is slowly taking over the work of tax professionals.

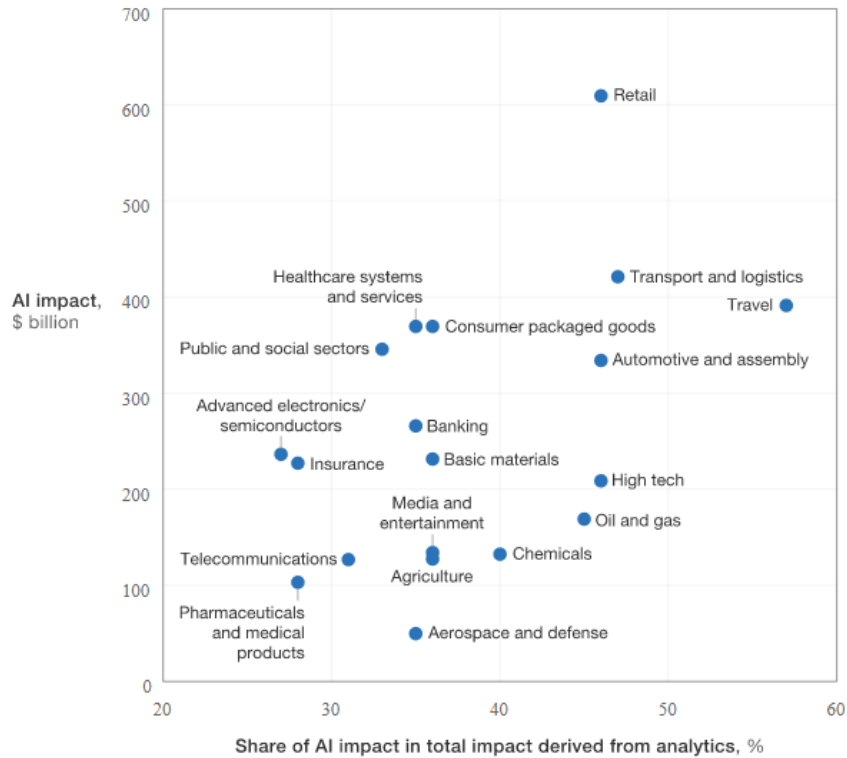


Figure 14 - AI can create value across sectors. Source: AI, automation, and the future of work: Ten things to solve for, McKinsey

Translation problem between tax and IT

Tax and IT professionals do not always speak the same language. Both disciplines have a large set of professional terminology. Many of the terms are often used in abbreviations. This results in noise in the communication between tax and IT professionals, as the one person doesn't always understand the terminology the other is using. In addition, some words and abbreviations have very different meanings in tax compared to in IT. So, when a tax person talks with an IT person, they might each take part in very different conversations, without even being aware of it. Therefore, it is important to have someone involved that speaks both languages, tax and IT, to overcome this translation problem. This is also one of the reasons why good communication skills is part of the core competencies a professional should master.

The table below provides some examples of commonly used abbreviations in tax that are used in IT, but have a different meaning.

	Tax	IT
IP	Intellectual Property	Internet Protocol
PE	Permanent Establishment/ Private Equity	Professional Engineer
CTO	Chief Tax Officer	Chief Technology Officer
MIC	Manufacturer's Investment Credit	Microphone
CPI	Consumer Price Index	Clocks/Cycles Per Instruction
ADIT	Advanced Diploma in International Taxation	Advanced Diploma in Information Technology
PPT	Personal Property Taxes	PowerPoint
VC	Venture Capital	Virtual Circuit
LLC	Limited Liability Company	Logical Link Control

Figure 15 - Same abbreviations, different meanings.

In lots of tax technology projects at least, translator between IT and the tax team is a pre-requisite to run such project in an effective and efficient manner.

## Talent management

There is an overall recognition that many organisations are far behind on talent management. Companies struggle to keep track of key talent on a global basis after a certain point of growth. Agility is essential for success as well as survival in the era of shrinking business cycles and huge global competition. The capability to be flexible and agile is a must so an employee can adapt to new business strategies and models easily. The key challenge of today's talent management is engagement with companies' strategy and shaping talent strategy accordingly. Today it is most critical to take a strategic approach to understand the profound evolution of the potential employees' needs as well as the environment in which these employees are to be found.

Alongside globalisation comes diversity. The demand of multifunctional, multigenerational, multicultural and gender-balanced workforces is very important when there is international expansion and an intense competition for talent inside an organisation. The key for organisations is to find a way how to train, manage and nurture a workforce that values international experiences and work-life balance.

Another challenge for organisations is dealing with a mobile workforce, and consequently labour shifts and shortages. In today's world, provisional workers are more easily found when needed on a temporary basis because of advanced online platforms in the talent recruitment world. These so called "contingent" workers arrive with their own set of risks and challenges. So, optimising and managing the contingent workforce is required for an organisation to fit that category of workers into the company effortlessly.

Tax talents of the future are becoming so much more important regarding this development. The change of the scope and role of tax functions due to globalisation, transparency and digitalisation faces more complex business models. The traditional tax function is consequently expanding

whereby it's being drawn into the broader business. The engagement of tax executives across the C-suite and the board is one of the steps of developing closer relationships beyond finance, partnering more closely with the operating business units.

Therefore, leading companies have to follow a new direction in recruiting, retaining and developing tax talent for the future. When attracting new professionals, these should master the following 5 core competencies:

- Basics on coding and data modelling;
- Communication;
- Project management;
- Mathematical and logical thinking; and
- Learning to learn and being agile.

On the job, the professionals should be trained to improve their extended competencies, such as tax, business and legal. These are fit for purpose.

Note that the increased use of contingent workers also brings risks for these workers. Some of these are explained in the figure below.



Figure 16 - Non-standard work and the future of work.

In a country like the Netherlands a up to 20% of the labour force falls into the non-standard workers profile, which does come with lots of social and inclusive challenges. Therefore, making sure all of your next generations of knowledge worker embrace the core competencies, and subsequently apply “extended competencies” a fit for purpose base.



## Changing tax education and training

With tax changing as fast as it is many people working in tax are in danger. This because they are not prepared for the digitalization and modernization that is upon us. The old generation of tax is more likely to get thrown out than the new generation simply because they have not seen the new methods of doing tax or the new way of doing it is not what they have learned.

### e-Bright Memory Trainers

E-Bright is an example of a new way of gaining knowledge. By means of e-Bright's memory trainers, professionals get to know the basics of VCA, transfer pricing or BEPS within only a few months. Professionals train themselves on the topic by studying practical examples. In addition, repetitive questions help the professional to remember for the long run. Incorrectly answered questions can also be added to the future question list automatically to improve the retention rate.

### Tax litigators

Tax litigation is another example of how things have changed. In the past, tax litigators needed to know the source documents in order to check if the right value was in the right box. Today, a global tax controversy knowledge worker is involved in the following steps to prepare case ready for courts.

- First, the tax standard is determined. Which rules and regulations apply for this transaction?
- Second, how does the case deviate from the standards? In other words what do court decision (jurisprudence) and EU state aid cases tell you on "lessons learned".
- Third, what are the best practices? Are there important articles published, the judge will look at for this case?
- Fourth, do comparative survey exist to leverage from. For example: what is the difference of how the OECD versus the UN treats intangibles? This is relevant if there is a dispute between an OECD and an UN member state. A comparative survey will be needed to compare the OECD and the UN model.



Figure 17 – New role of the tax litigator.

Junior tax litigators can already prepare the lawsuit by following these process steps. A senior tax litigator then can have a final look and assess the quality of write ups as well as arguments.

The education of tax litigators has changed significantly too. For example, at e-Bright anonymised court cases are used to train junior tax litigators. They are guided through the process steps of these cases, as if they are actually preparing such a case in practice. They earn credits for fulfilling each step and can compete with other junior tax litigators, or they form a team to compete with other teams of junior tax litigators. Such gamification elements increase the fun factor of training and makes it more vivid and practical.

## 2. Impact on in-house tax professionals

Digital transformation has a large impact on in-house tax professionals. Many of the workflows of today's in-house tax professionals are going to disappear, as many will be automated. By looking at developments in finance we can determine whether in tax similar developments are likely to happen. For example, when taking 20 random workflows in tax, 16 of these are likely to be digitalised.

Workflow	Being digitalised?	Workflow	Being digitalised?
TP documentation	Yes	BEPS readiness check	Yes
VAT compliance	Yes	Annual quick scan	Yes
Tax accounting	Yes	Audit	Yes
Customs and trade reporting	Yes	Legal agreements	Yes
Risk analytics	Yes	Benchmarking	Yes
Income tax return preparation	Yes	Outlier analysis (Qualitative)	No
Creating a tax or transfer pricing model for actual tax audits	No		
Data sourcing and processing	Yes		
Tax provision work	Yes		
Country risk matrix	Yes		

In the future, approximately 80 percent of current tax workflows will be a part of finance workflows. Therefore, the tax professional needs to adapt himself to new roles and workflows in order to stay relevant. When 16 out of his current 20 workflows will be automated, the job of today's in-house tax professional might become redundant. Therefore, the role of today's in-house tax professional will need to change. He needs to adapt and find new roles in order to stay relevant.

In the future, in-house tax professionals will focus more and more on the business. Tax knowledge will become less important for the future in-house tax professional compared to today's professional. He will not need to be a tax expert anymore. A basic understanding of tax will be sufficient. This might be hard to understand for current tax professionals. However, since digitalisation is making many of the tax workflows obsolete, the tax professional will need to find new roles and workflows. The visual below displays the future structure of the tax professional.

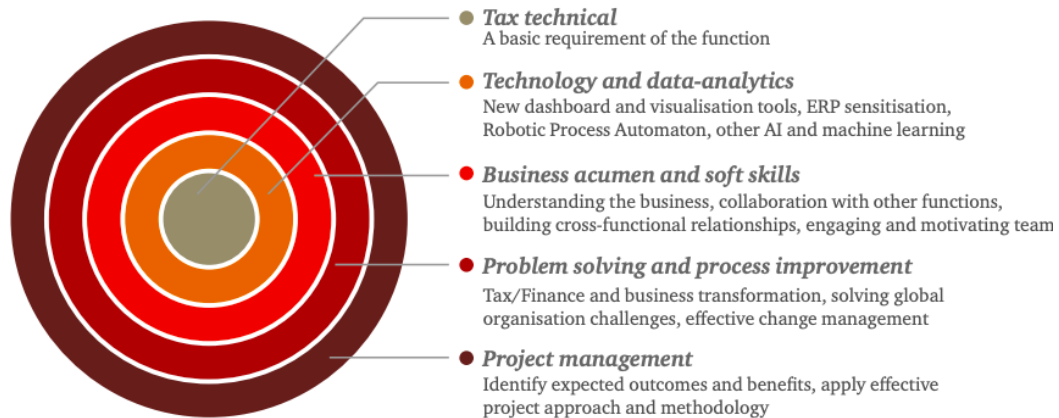


Figure 18 - Source: *The Tax Professional of the Future*, PWC.

A consequence of this development is that for the new in-house tax professional different knowledge and skills requirements will apply compared to the traditional tax professional. He will need to master and use the 5 core competencies for his new roles.

In specific, the new in-house tax professional will need to have excellent proficiencies in communication and project management. The in-house tax professional will not work on a separate island, but will collaborate with other departments. His communication with internal stakeholders is crucial. He will work closely with the board, the finance department and IT professionals. These people have different backgrounds and don't 'talk tax' the way tax professionals were used to. The development of soft skills is important for communication and for engaging and motivating team members. The in-house tax professional also needs to have a good understanding of the business and needs to have excellent project management skills. Data modelling and coding is also an important competency for the in-house tax professional. As technology is becoming a very important in tax, he needs to have adequate knowledge of Big Data, AI and data analytics.

The matrix below illustrates some examples of which of the 5 core competencies are needed for certain workflows of a tax professional.

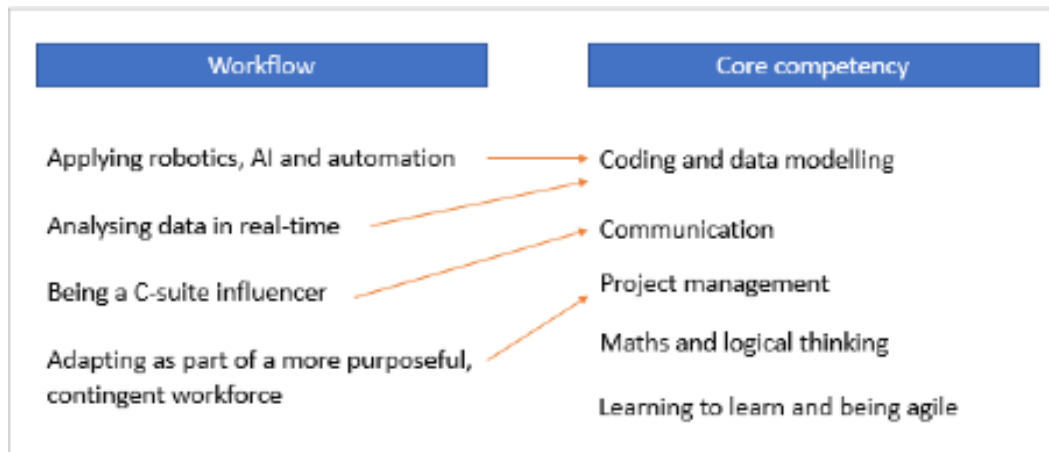


Figure 19 - five core competencies.

Therefore, in order to being able to perform these workflows, the tax professional needs to master the core competencies. In addition, extended competencies are needed for more specific tax, business or legal workflows.

Tax, business and legal knowledge will become extended competencies. These competencies can be trained on the job and will need to be recurring every 18 months on a “fit for purpose” base.

It is crucial for companies to keep pace with the developments. What if the tax authorities introduce new requirements that your company cannot meet yet? Your company will have a serious problem. Companies need to keep track at the policy of the tax authorities. They need to be able to respond to new rules and regulations. In other words; companies need to be in control and should prevent to being caught by surprise.

To many companies and even tax professionals, the developments in tax seem like a far future. But this is not the case. The digital transformation is already happening right here and right now. For example, tax authorities already request the Master File, Local File and CbCR to be filed in a standardised, XML, format. For companies to be able to do this, the base of the organisation must be correct. If a company for example doesn't have an adequate ERP system, it won't be able to standardise its CbCR filing either. This will result in large penalties.

So, for the future of the company, it is important not to look away, but to be proactive to the developments. It might be tempting for companies as well as tax professionals to look away from the imminent changes. However, this will result in a company running out of business, or a tax professional losing his job as his traditional role won't be needed anymore. Adapting to the changes in time is crucial, where the experience is that the human factor is 75% of the digitalization project in tax the disrupting factor.

### 3. Impact on tax authorities

The jobs of tax professionals at the tax authorities are changing too. All the workflows that can be automated won't belong to these tax professionals any longer. In the future, the tax assessment will even become a self-assessment. By means of licenses, companies can do a self-assessment. Since so many of the processes and data will be automated, computers will be able to do most of the work. The in-house tax professional or an intermediate licensee, such as a tax consultant or accountant, can examine whether this has been done correctly. The tax authorities provide the audit algorithms for this purpose.

Tax professionals at the tax authorities will only look at the outliers. By means of a form it can also be examined if a company has all the qualifications and if it meets all the obligations. So, this changes the jobs at tax authorities significantly. In order to stay relevant, the tax professionals at the tax authorities will need to master the 5 core competencies.

You will be working as a MDR-analyst with the GO international. You will be developing and determining the parameters of the full automated selection of the reported tax structures. This will be handled by you as part of a team with your IT colleagues. With your tax expertise, quantitative skills and IT knowledge you will be making 'follow up'-analyses and will provide risk signalling factors in the organisation for further review. In close co-operation with the local tax inspector you will maintain control on the taxpayers' behaviour and will play a role in the proper and timely execution of the tax laws. The focus will be private, mid-sized and large companies. There are commercial-economic as well as tax-legal challenges ahead of you. You will be working closely with colleagues in small but dedicated team and will exchange your expertise and knowledge in this exceptional field of expertise. Besides you will be tracking recent development on your fields of expertise on a 'real time' base and will keep an eye on the political context where your activities take place.

#### Attributes

- you have graduated from a tax law, tax economics or finance & control degree;
- you have at least 3 years of experience in the international tax arena;
- you have shown experience in the crossroad between tax and automation;
- it would be preferred if you have up to date knowledge on the regulations on international exchange of information;
- you have an excellent - written and oral - command of English (technical)

#### Your competencies

- co-operate
- analyse
- client-focussed
- convincing
- flexible

Coding and data modelling, communication and maths and logical thinking are very important competencies for the new tax professional at the tax authorities. The audit process will be so different compared to the past. Data analytics and AI will become extremely important. In the future, tax authorities will mainly have roles available for data analysts, econometricians and developers. Very few will be required to facilitate the "legislative process" and manage the high profile "court procedures".

## 4. Impact on tax consultants

Tax consultants might be affected most by digitalisation, compared to the in-house tax professionals and those working at tax authorities. Many of the processes will be automated, and the in-house tax professional will be able to do most of the work themselves. For tax consultants, workflows in compliance will no longer exist. Companies will be able to do a self-assessment. So, for many tax consultants will not be needed anymore as intermediates between companies and tax authorities for many issues.

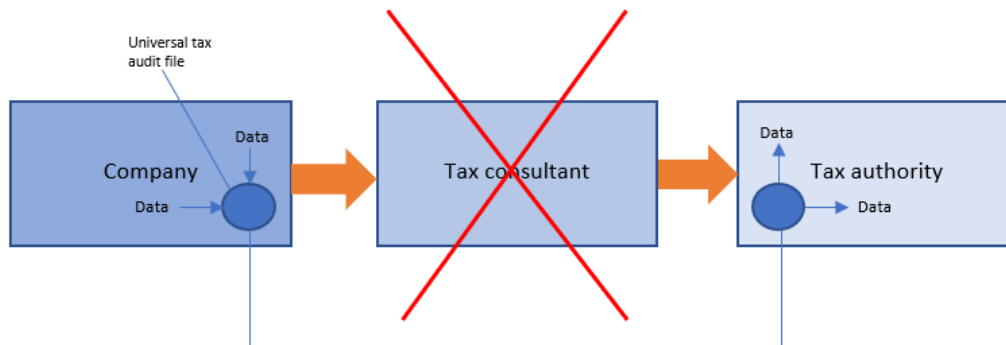


Figure 20 - Impact on the tax consultant's job.

What is left for the tax consultant to stay relevant? They will only stay relevant for very specific roles. For example, their roles in VCA and tax litigation will remain to be important.

### The core competencies of the new tax professional

- Coding and data modelling;
- Communication;
- Project management;
- Maths and logical thinking;
- Learning to learn and being agile.

Coding and data modelling are already covered by in-house tax professionals and tax authorities. Tax consultants might be needed for project management. They will not be needed for maths and logical thinking, if this is sufficiently mastered by in-house and tax authorities. For best practices they could stay relevant. So, in situations where there is a shortage of 1 or more of the 5 core competencies at the in-house tax professionals and at the authorities, and when the tax consultant masters all 5 core competencies, he will stay relevant.

As is the case at any transformation, the component that will transform the slowest during the digital transformation is the human component. However, it is crucial for the tax professional to manage his core competencies. If he does manage to capture the core competencies, he certainly will stay relevant in the "future world of tax".

This booklet is a teaser for a complete course on Tax Technology prepared by e-Bright. The e-Bright Tax Technology course consists of 10 chapters and basically covers everything that the new tax professional should know in order to stay relevant for his clients. Every chapter focusses on a specific topic of tax technology and ends with 10 multiple choice questions to test the obtained knowledge.



