



# THE FUTURE OF THE IN-HOUSE TAX DEPARTMENT

## TAX TECHNOLOGY CLASSICS

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## **The Future of the In-House Tax Department: Embracing Change and Creating a Future-Proof Organization**

Are you ready for the tax department of tomorrow? As the world rapidly evolves, so too must the in-house tax organization. Gone are the days of traditional tax functions limited to compliance and planning. Today, finance, IT, and data-skilled professionals have joined the ranks of tax specialists, blurring the lines between roles. But what will the future hold?

In this thought-provoking article, we explore the changing landscape of in-house tax departments and envision what the perfect future looks like. We delve into the evolving organizational model, highlighting key roles such as relationship management, planning professionals, data analysts, tax ERP specialists, and the all-encompassing taxologist. We also explore the importance of a dynamic tax control framework that addresses existing and emerging tax-related risks.

While many tax leaders are aware of these trends, few have taken significant steps to future-proof their tax departments. This article aims to inspire and guide tax professionals, offering insights into the skills and roles required in the coming years.

The article also discusses the transition from people-driven tasks to technology and process-oriented workflows. We examine the impact of automation and the potential for a fully autonomous tax function fueled by standardized data. Furthermore, we explore the certification of tax professionals and the need for a structured approach to ensure the accuracy and reliability of tax processes.

As you read through the article, you will gain valuable insights into the future of in-house tax departments and discover the challenges and opportunities that lie ahead. We also address the changing workforce dynamics, where younger generations dominate the labor market and demand a different approach to recruitment and job satisfaction.

Join us on this journey into the future of the in-house tax department. Whether you are a tax professional, a tax leader, or simply curious about the evolving tax landscape, this article will provide you with a fresh perspective and ignite your imagination. Get ready to embrace the future and make your tax department future-proof.

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

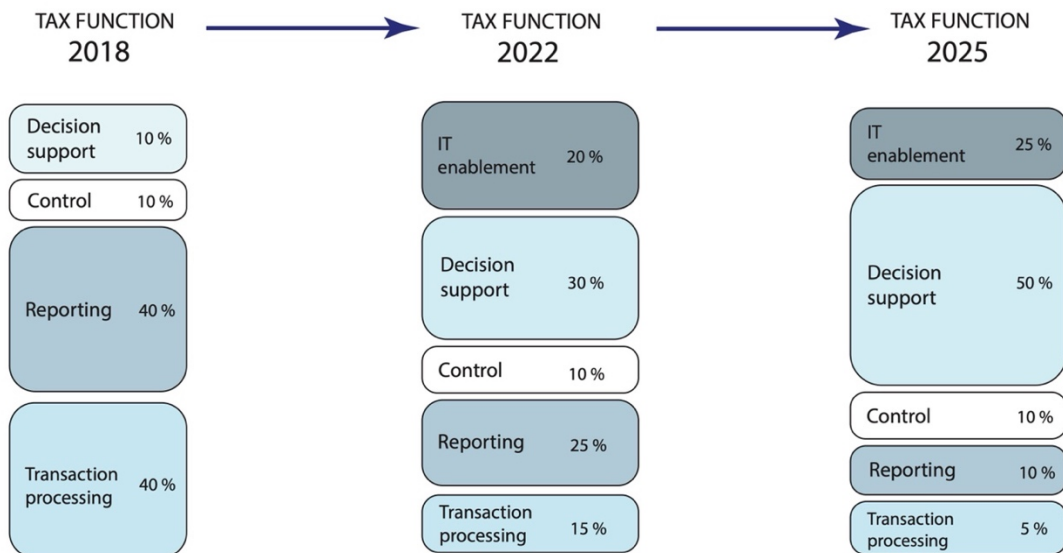
### The Organizational model in a changing world

- 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:
  1. A relationship management role for both internal as well as external 'clients';
  2. An adequate planning professional supporting the business on a pre-transactional base;
  3. 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';
  4. A major flow of standardized data, where tax ERP specialists, prepare the data from the 'source tier' to be ready and clean for tax purposes and be shared with different stakeholders such as the tax authorities;
  5. A senior digital tax officer, often called a "taxologist", who pulls all of these workflows together; and, finally
  6. A tax control framework that assesses both existing and emerging tax-related risks, while allowing the tax department to prepare for new forms of taxation and regulation From a regular transfer pricing risk to a digital sales tax risk, dynamic version of a control framework is required.

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

## 2. What is in-house tax doing?

In a war on skilled talent, as outlined in the “future of tax talents” white paper, the view on what in-house tax is doing has changed considerably. The below chart adds a future view into 2025 as well:



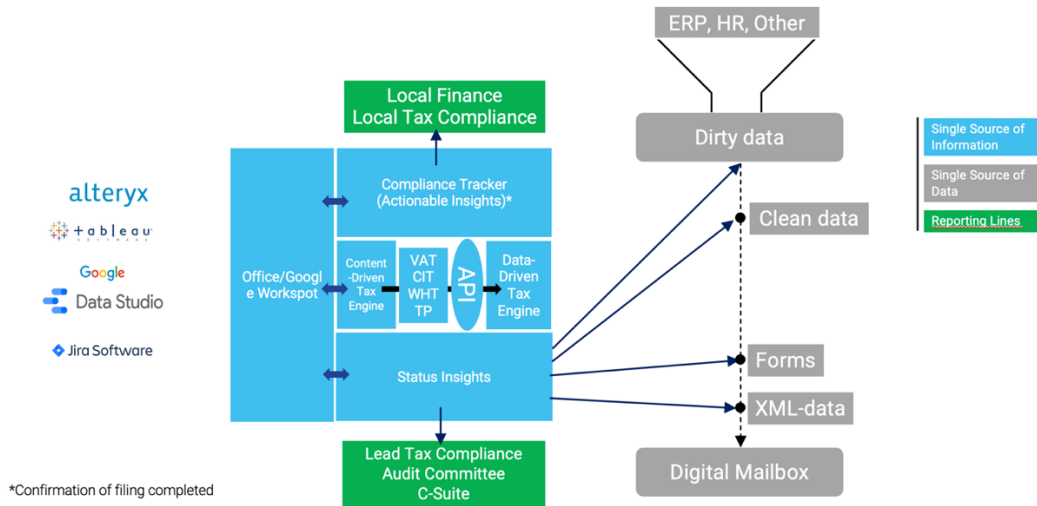
The question is how this impacts your future search for talent to deliver these partially automated- workflows.

This version of the tax function 2025 assumes that in-house tax has access to “real time tax relevant” datasets, hence the larger role of “decision support” to your business colleagues. At the same time, it impacts the standardization and budget limitations for other -more compliance driven- processes.

### 3. How to transition “people” tasks into “process & technology” initiated tasks? Change as the permanent factor?

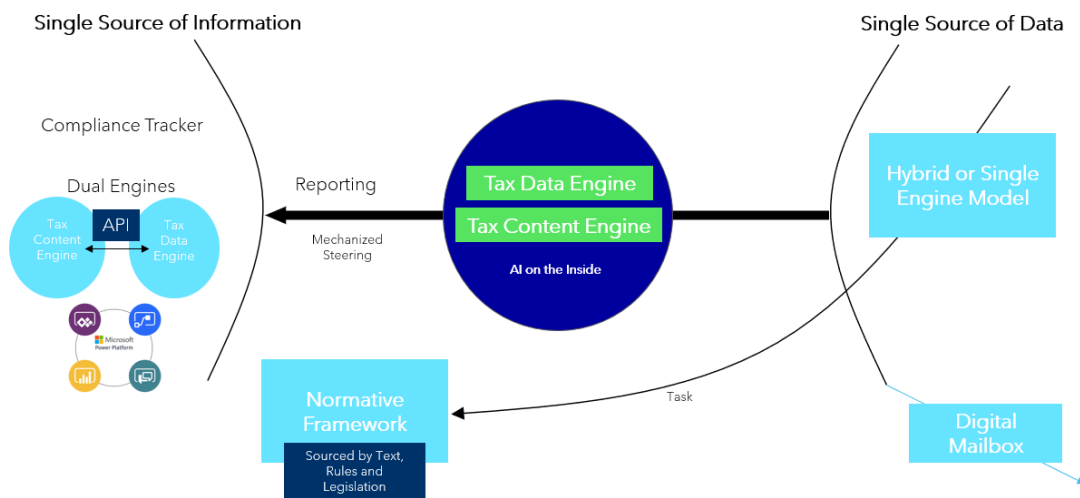
Today's 2022

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



Tomorrow 2025

In tomorrow's world, the full autonomous working 'single source of data' will allow no or little intervention by humans, i.e., the arrow only goes from 'right to left'.

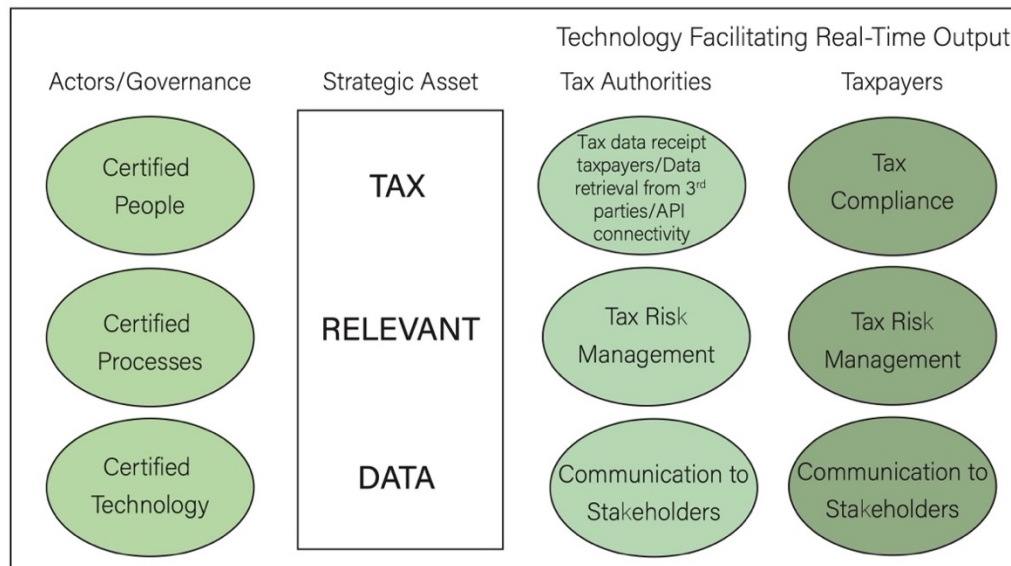


In other words, lots of tax workflows will not be exposed anymore to “human interventions”. This storyboard is fully synced with the “in-house tax departments’ activities” as shown in the previous section.

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

##### 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 allows the appropriate human interventions?



When comparing both Actors/Governance roles vis-à-vis tax authorities, you see no major differences between the people, process, and technology roles. The background of professionals and the way these are trained is in most countries very much the same. The application of tax law and regulations and the treatment and interpretation of ‘tax relevant data’ is where the differences still apply.

When you look at the technology facilitated output, there are obvious differences and common places as well, such as:

- The taxpayer prepares the datasets and tax forms for being tax compliant; while the tax authorities are the receiver of such datasets and tax forms and strengthen their internal risk management by employing tools such as deviation recognition algorithms.
- The taxpayer assesses the tax risks it runs by not being fully compliant and by taking taxable income positions which might be looked at differently by the tax inspector, while the tax authorities are preparing a validation of the datasets and forms being filed. In addition, tax authorities do exchange a portion of the tax-relevant data with other tax authorities.
- In terms of communication, the taxpayers and their advisors typically communicate with their internal management – which includes the board, audit committee, and operational departments in a corporate – as well as with the tax authorities. In more

recent years, this group is learning how to communicate with other stakeholders like the public domain, although there is quite a big challenge regarding the language to use to make this communication an efficient and effective process. For instance, tax functions are obliged to comply with ESG reporting requirements as part of the 'taxpayer being a good corporate citizen'. The communication by the tax authorities covers – besides constant communication with the taxpayers and their advisors – a much wider group of stakeholders such as banks, NGOs, social security authorities, etc.

In summary, although everyone always believes there are vast differences when a tax professional works on either side, the outline above sets the scene that those differences are maybe not that material in nature. In addition, the data-driven way the tax process enhanced by technology will be run is bridging the differences at a relatively fast pace.

### **What is the definition of a certificate?**

The word certification is defined as:

1. A professional who has passed an exam that allows third parties to trust that they're dealing with a qualified professional;
2. A service or a product is being offered based on a pre-defined manner, protocol, or process derived from pre-determined starting points;
3. A technology which is delivering an upfront agreed-upon functionality that can handle 'tax relevant data' to be collected, validated, reworked, and shared with the 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 come up with a global certification process, which bridges the current level of certificates and degrees on taxation? i.e., if we look at today's landscape on 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 on how the technology can enhance the execution of such tax workflows.

- How to transfer the necessary communication skills? i.e., yesterday we talk about “taxes in the boardroom”, tomorrow we are talking about “taxes as a significant element of the ESG strategy of a company”.

**What is the value of a certificate in tax?**

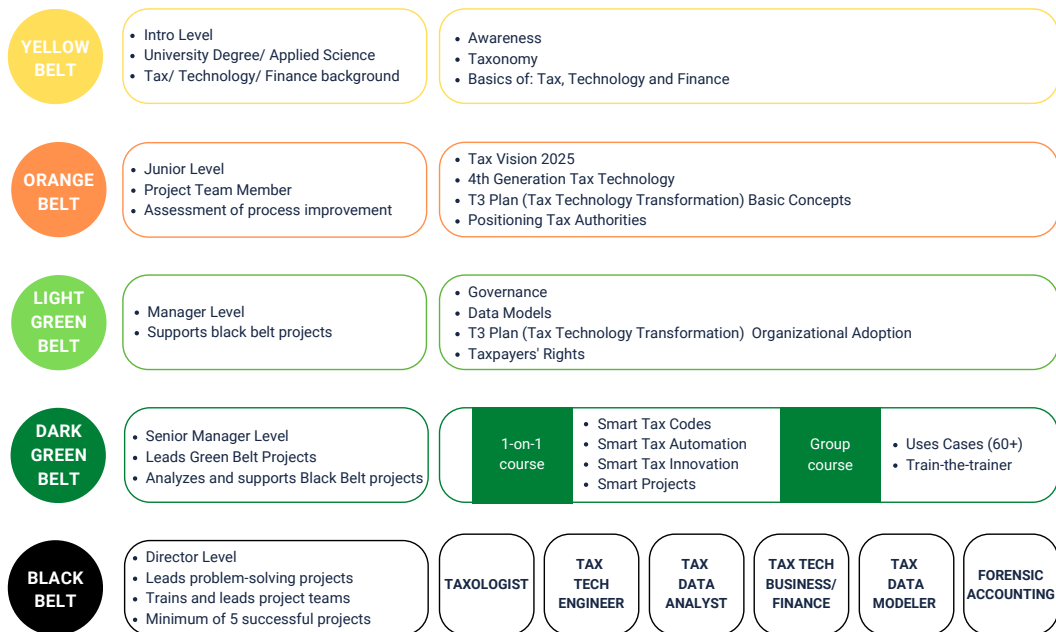
If only certified people use certified processes which are being facilitated by certified technologies, the accuracy of getting the ‘dirty data’ from the individual transactions a corporate is involved in to the ‘clean data’ handed over to the tax authorities could be enhanced significantly.

A question is whether the certification of professionals will be sufficient, or whether the full cycle of people, processes and technology requires a degree of standardization as well as certification. In today’s world the reliance on certified tax professionals is the main standard. However, if international tax starts out on a road to convergence – illustrated by the Pillar I and II proposals by the OECD and its inclusive members - we could consider starting relying much more on the certified processes creating a consistent ‘blue print’ process to be converted into software.

**What types of certificates are available in the market?**

A variety of –mostly academic– trainings are offered addressing ‘tax + technology’. However, the below visualized version delivered to tax professional adds a ‘train-the-trainer’ compared. This ‘Belt System for Tax Technology Specialists’ was launched early 2022 by e-Bright together with other private training institutes and universities.

**LEARNING JOURNEY AND PROFILES**





The Belt System is a certification for today's tax technology professionals. It has necessary training and certification for tax technology teams who lead the digital transformation of tax workflows. Depending on your entry level of professional, they can:

- Start with the Yellow Belt (Intro level) and Orange Belt (Junior level) to build awareness.
- Make a career out Tax Technology through 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?

"Where do you see yourself in five years?", the candidate asked the recruiter. Yes, you read that right. The tables will flip soon, and here's why. 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.

The reasons for this lack of new colleagues are twofold. On one hand, it's about a structural shortage of available and educated personnel. Coming years, the number of people exiting the labor market (people retiring) will be booming. The number of people entering the labor market is a lot lower. With more demand for work and a shrinking supply, shortage is imminent.

But the second effect is much less known: The workforce is becoming younger. And we mean: a lot younger. While the number of people retiring is rising rapidly, the number of employees between the ages of 45 and 65 is shrinking, and the number of people aged 25 to 45 is increasing. So not only is the older group disappearing, but the middle-aged group is also shrinking as well. So much so that by 2030, Generation Y & Z will make up most of the working population.

And that's a different ballgame. Unsurprisingly, this is prompting organizations to engage in expensive recruitment campaigns aimed at 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 transformation 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 opens the opportunity for multinationals to "re-set" their entire in-house tax department and make it instant by "future proof".

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 be soon having to be replaced

by recognizing the teams 'tax and technology' driving the digital transformation. However, where do you fit in the taxologist with his/her direct reports like data miners, data analyst, data ERP specialists etc. is a question not yet addressed by most of the in-house tax team leads.



