The Velocity of Data Requirements Headed for the Tax Department
Tax departments large and small are in constant need of accurate data to comply with ever-evolving global tax regulations. What’s changed is the full-throttle speed of these requirements.

While manual data analysis — when time allows — has historically been the only option for tax professionals, advances in data analytics are coming to tax departments and promise a level of insight never before seen. Data insight is no longer a “nice to have” option, as more and more tax authorities require invoice and tax data in real time.

Tax departments are now responsible for revealing patterns, trends, and associations in all of the data that affects tax within an entire organization. Having access and the means to efficiently analyze this data offers an array of benefits, especially given evolving global regulations and the increased level of scrutiny.

When tax departments fall short of obtaining and analyzing their tax-relevant data at the speed of business, risk exposure and the subsequent penalties will increase. As technology advances, tax authorities are advancing their technical ability to pivot, drill into, and filter the most relevant information and apply advanced analytical algorithms. The trend towards digital tax and vast amounts of underlying data is already happening in many countries, for example:

- **Real-Time Invoicing** — Argentina, Brazil, Columbia, Costa Rica, Ecuador, Hungary, Indonesia, Mexico, Peru, and Spain
- **Goods and Services Tax (GST)** — India
- **SAF-T** — Austria, Belgium, Lithuania, Luxembourg, Norway, and Poland
- **Making Tax Digital (MTD)** — UK

Data analytics goes beyond systems, departments, and organizational divisions to serve the business in its entirety. Systematically applying data and analytics across all areas of a business — from supply chain to tax regimes — will eventually enable businesses to allocate precious investment funds more quickly and with greater confidence.

Today, very few organizations have access to clean, complete, and detailed tax data on-demand for all of their global entities. However, the latest developments in technology are bringing the profession closer to being able to see their entire tax data picture.
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Challenges and advancements in tax data analytics

There are many obstacles in achieving tax data analytics perfection. One challenge is simply how to map and merge structured data that exists in enterprise resource planning systems and other relationship management tools with unstructured data — generally found in most spreadsheets, workpapers, and productivity applications. Tax professionals are responsible for locating, mapping, and synthesizing all relevant data in order to create standardized and suitable reports for their myriad global tax obligations. This is where advances in tax technology can provide great benefits.

New database technologies such as NoSQL or in-memory databases, which are typically associated with big data, offer benefits that relatively few tax systems currently leverage. In the future, you can expect to see faster processing of tax data, as well as tax systems that can dive deeper into transaction-level detail, where previously only trial balance data may have been utilized. Essentially, this advancement will enable tax professionals to more effectively handle data with both more volume and less structure. These advancements in database technology mean that the quantity and integrity of data is becoming much less of an issue than it was in the past. While there was once a time where tax professionals might sample a subset of the data for audit, automated processes are increasingly testing all the data in a shorter and more reasonable amount of time.

Data analytics for today’s demanding tax environments

Having a handle on all of your tax data is critical — especially as tax professionals look to elevate their position within their organization and ensure tax is involved in key business decisions.

While most professionals are still trying to remain compliant in a world of ever-changing regulations, it’s important to look beyond the typical duties of the tax department and know that advances in technology will soon enable your department to consume data and draw conclusions more quickly and efficiently. For forward-thinking tax departments, using data analytics tools can create a holistic, global tax story that will aid in both compliance and strategy.

Having a software solution that enables you to connect the dots of all your different operations and data sources can be invaluable. Instead of spending time on the minutiae of collecting all the information from various sources that you need to make decisions, your team can focus on high-quality analysis and planning activities. The right tools can help get you out of the “heads down” world of risk management and compliance and empower you to look ahead and ensure tax is viewed as a true value-add for the company.

Beyond just the tools that are available today, it’s also a good idea to ask your tax technology vendor about their technology roadmap and take the time needed to understand the benefits they offer, both now and in the near future. Are they exploring artificial intelligence, natural language processing, and more to enhance your analysis capabilities? Are they looking ahead not just to what’s possible now but what will be possible five years from now? Having a forward-thinking software vendor can ensure that your tax department is staying ahead of technology changes and demonstrate even further value.

By harnessing the power of analytics and innovative technology, tax departments will ultimately enhance their ability to plan strategically, validate results, and influence business decisions. Above all, the effective use of analytics will ensure that your organization can adapt nimbly to the evolving changes that have become a staple of the global tax landscape — and perhaps that is the greatest power of all.

Contact us today for more information on how tax technology can help you stay ahead of disruption

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