

THOMSON REUTERS

ONESOURCE™

Trends in Data Analytics Headed for the Tax Department



WHITE PAPER

Tax departments both large and small are constantly in need of accurate data to remain compliant amidst ever-evolving global tax regulations. But what if you could connect and analyze your data in a way that not only enabled compliance but allowed you to make better business decisions? While manual data analysis has historically been the only option for tax professionals, advances in big data and data analytics are slowly but surely making their way to the tax department and will eventually allow a level of insight never before seen.

Big data is defined as “extremely large data sets that may be analyzed computationally to reveal patterns, trends and associations*.” In the tax department, this means all of the data within an organization that affects tax. Having access to this data and analyzing it offers a vast range of benefits, especially given evolving global regulations and the increased scrutiny of disclosures. Further, because tax is such a massive consumer of financial and accounting data, the corporate tax department is the perfect place to really put data analytics to work. It’s not about having access to all of the data within your company, but instead having access to the right data — and getting it fast enough to use it effectively.

By using the power of data analytics, tax professionals can work at the same level of detail as tax authority auditors. Transactions become multi-dimensional as users gain the ability to pivot, drill into and filter the most relevant information throughout the financial close process, all without exporting to Microsoft® Excel®. Further, big data’s bandwidth for processing millions of transactions in minutes enables tax departments to close faster, reconcile more easily, find anomalies ahead of authorities and be more nimble to the many internal and external challenges of a complex global landscape.

Analytics can be integrated into many and varied activities of a tax department, improving day-to-day work in the following ways:

- Transaction-level transfer pricing testing and adjustments posted within the monthly close cycle
- Prospective price or margin setting for intercompany transactions
- Compiling and organizing data for compliance (i.e., country- by-country reporting, international tax schedules, etc.)
- Better tracking of tax positions and effective tax rates
- Facilitating strategic business decisions based on in-depth understanding of tax and business trends

In an ideal world, big data for a tax department goes beyond systems, departments and organizational divisions — and serves the business in its entirety. Systematically applying data and analytics across all dimensions 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 detailed, clean book and tax data for all of their global entities. However, the latest developments in technology are bringing us closer to that end. So, when it comes to data analytics in the tax department, it’s time for tax professionals to take full advantage of the possibilities these new technologies present.

* https://en.oxforddictionaries.com/definition/big_data

Latest advancements in tax data analytics

The main goal of a tax data analytics is to connect structured and unstructured data that originates from different functions, teams, geographies and companies, to provide a more efficient mechanism for accessing, processing and analyzing data to gain improved, or completely new, insights.

There are many obstacles in achieving tax data analytics nirvana. One 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. Another obstacle is managing all the relevant transactional-level data, industry benchmarks and other metrics brought in from outside sources. A tax professional is responsible for locating, mapping and synthesizing all relevant data in order to create standardized and suitable reports for regulation authorities, corporate reporting, planning and business decision-making. This is where advances in tax technology come in.

General advancements in database technology mean that the quantity and integrity of data is much less of an issue than in the past. While there was once a time where tax professionals might sample a subset of the data for audit, today an automated process can test all the data in a reasonable amount of time.

New database technologies such as NoSQL or In-Memory Databases that are typically associated with big data offer benefits that relatively few tax systems currently leverage. Additionally, because big data is often managed by IT teams and generally only considered for enterprise-wide deployments, it often peaks as only a “wish list” item for tax departments. The unique requirements of a tax department may not even be considered. However, with challenges like shrinking staff, growing compliance demands and rapidly expanding data needs, tax professionals desperately need this technology now. In the end, tax departments have two options: Continue to sit back and wait for enterprise-wide big data tools or take the initiative to invest in a technology solution specifically designed to manage big data and provide data analytics to meet the unique needs of the tax department.

Rather than wait for enterprise-wide deployments, more and more tax departments are choosing hosted solutions that deliver big data technology for their data-intensive processes. The area of operational transfer pricing is a prime candidate for these benefits as tax and accounting teams can gain automation, speed and the ability to analyze critical global tax information for planning and financial optimization. **By choosing a cloud-hosted solution, the dependency on IT teams is eliminated as software development and maintenance is left to trusted and experienced technology partners.**

Data analytics for today's demanding tax environments

Because many corporate tax departments are overwhelmed by increasing workloads and shrinking deadlines, most tax professionals only consider analyzing tax data when they have extra time – and that's not often. If there is any takeaway from understanding the data analytics trends that are headed for the tax department, it's that a focus on review and analysis is especially critical as tax professionals look to elevate their position within their organization and ensure tax is involved in key business decisions.

While most of us are still trying to remain compliant in a world of ever-changing regulation, it's important to look beyond the stereotypical duties of the tax department and know that advances in technology enable us to consume data and draw conclusions more quickly and efficiently. For forward-thinking tax departments, the trend of data analytics will enable a holistic, global tax story that will aid in both compliance and strategy. Work together with your tax technology provider to understand their data analytics offerings and the benefits they can bring to your organization.

By harnessing the power of analytics, 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 an organization can adapt nimbly to the evolving change that has become a staple of the global tax landscape — and perhaps that is the greatest power of all.

Stay ahead with Thomson Reuters ONESOURCE™ Operational Transfer Pricing

Automating and standardizing the operational transfer pricing process is fast becoming the industry standard for transfer pricing navigation. Companies can now make strategic decisions with increased confidence and reduced effective tax rate volatility. ONESOURCE is the critical tax technology relied on by most corporations to meet their changing tax and business needs, leading the industry with transfer pricing technology.

Solve the challenges of operational transfer pricing by:

- Centralizing and standardizing the application of your transfer pricing policies.
 - Processing millions of records to produce functional, detailed analysis in minutes, not weeks.
 - Automating allocations and transactions to support informed decision making at all levels.
 - Tracking specific record changes over time with audit trails, for full transparency and traceability.
 - Tracing final allocations back to source data, including all intermediate steps and calculations.
 - Managing the entire transfer pricing process with workflow tools that allow for sign-off of critical steps.
-

CONTACT US TODAY

888.885.0206

tax.tr.com/operational-tp

taxaccounting.onesourcesales@tr.com

