

Survive Smarter: **Why Tax Digitalization Means** **Act Now or Get Left Behind**



WHITE PAPER



Leverage disruptions to your team as an opportunity to secure executive buy-in and funding.

Technology is increasing the rate at which pressures impact your indirect tax team — including the range of challenges you face from inside your organization and the world beyond. The fact is that your team's trusted and true processes may not be sufficient to address these increasing pressures — but the good news is these pressures actually present new and valuable opportunities for your business.

It's time to shift your team from survival mode to a proactive and strategic way of doing business. Tax departments don't have the luxury of a predictable timeline to respond to pressures, so it's important to make a plan now.

This white paper will show you why the key to relieving the pressures felt by your team is leveraging disruptions to your team as an opportunity to secure the executive buy-in and funding for a tax technology solution that will help your team survive smarter.

The High-Pressure Landscape for Indirect Tax Departments

What does it mean to survive in the ever-changing landscape of indirect tax?

A surviving indirect tax department is skilled at tasks like keeping up with changes in rates and rules, staying on top of compliance, and sending punctual responses to audit requests to avoid estimated audits.

However, continuing to survive in today's tax world is increasingly difficult because you're facing several ongoing challenges. Internally, you're constantly working on repetitive and time-consuming compliance and audit work with little time for strategic and value-add activities. You may struggle to quickly answer questions from the C-suite when tax topics dominate the headlines. Maybe even your neighboring business units, like finance and marketing, are investing in technology to keep up and stay current — but is tax?

Beyond your business walls, you're facing increased complexity, because states and countries can make very different requests of a company. Increased regulatory changes are being observed around the world, with examples like SII, SAF-T, India GST, and GCC VAT. Tax authorities are investing heavily in utilizing technology and building teams in new ways, like hiring data scientists to work with information from taxpayers.

You may think you can survive in the short term, but as the government maximizes technological advances for efficient collection and verification of transaction information — in addition to standard tax return detail — it will continue to disrupt your standard operating procedures. The pressure to stay compliant is higher than ever, but the changing legislation makes this difficult. Your team probably spends a lot of time compiling, adjusting, and reconciling data to make sure your tax returns and statutory filings are accurate. But even then, is your confidence high that risk is low?

And what if simply surviving isn't enough? With all of the pressures handled by the indirect tax team, can you clearly articulate what the single biggest pain point is for your team? Or is it the standard tax answer of "it depends", based on the day of the month or what audit requests are outstanding?

The dated approach that many indirect tax departments take is using manual processes, which can be very time-consuming and don't forgive human errors. There may also be multiple ERPs and disconnected systems. Then there's the quality of the data itself — bad or incomplete data results in bad reporting. And any inability to anticipate and have timely responses to changes can leave you vulnerable to risk and exposure. How much longer can your indirect tax team survive in its current state?

It's time to accept that the team's trusted and true processes will not be sufficient to address the pressures that are increasing faster than ever. Instead of fearing change, you can focus on pursuing a wealth of opportunities for your team and your business. It is very possible to move the indirect tax team from survival mode to thriving in a world of ever-changing and expanding regulation. You might feel like you're on a successful autopilot path, but the impacts of insufficient process and technology could have you in last place before you know it.

Digitalization: What it really means for your tax team



Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities. It's the process of moving to a digital business, while also improving customer interactions and sustaining interest and engagement.

There are two driving forces behind tax departments moving to digitalization — customer expectations and government mandates.

Customers desire a fast, frictionless buying experience and, as a vendor, not getting tax right the first time creates inefficiencies and bad experiences. In an e-commerce scenario, for example, missing tax or the wrong tax could result in a customer abandoning a purchase. By providing positive experiences, you can improve your top line and your bottom line through efficiency. And through digitalization, you can also focus on external customers and internal stakeholders.



In addition, governments have put more burdens on corporations and become more aggressive in how they collect through leveraging technology. Governments are getting ahead of the curve with access to the same technologies as corporations, and they can consume data for value in ways that they weren't able to do in prior periods. So for tax teams like yours, keeping pace with this rate of change through technology is becoming more and more of a necessity.

If you're going to be able to keep pace, you must start acting now — what's different this time is that governments are going to force customers to collect, maintain, and flexibly present data at the transaction and invoice level.

Technology is a powerful way to give you time to do what you enjoy, think critically, and strategize. Technology isn't about replacing qualified professionals — it's about getting them back to what they signed up to do without drowning in manual tasks. Plus, getting tax right the first time improves buyer/supplier relationships and also saves the tax team from unnecessary distractions.

Why You Need to Reevaluate the Indirect Function Today



Never doubt that your team can always be smarter and faster from a tax perspective.

To ensure the indirect team is successful going forward, you need to survive smarter. But what does this mean in the ever-changing landscape of indirect tax?

A strategic indirect tax department has:

- A consistent approach to compliance to remove the risk associated with varied processes across business units and or locations — including the ability to have accurate and dependable tax positions at the time of purchase/sale that will ease the audit process
- The foresight and flexibility to restructure the indirect tax team for a successful organization in the future — knowing what tax can own in order to reduce the dependency on consultants and IT, and understanding what needs outside expertise and influence
- The ability to support the business — during new operation creation, M&A activity, sizable capital purchases, etc. — to ensure the right tax considerations have been made in a timely manner
- The proactive spirit to become a partner with the finance department and see what technologies other tax teams and the larger finance team are adopting, or if there are technologies available at an enterprise level; conversely, if technology is lacking across the finance team, that can build a business case to invest (e.g., analytics software)

Never doubt that your team can always be smarter and faster from a tax perspective, taking the data you have and leveraging it to your benefit. The biggest mistake would be to wait to see what

technologies are going to become commonplace, instead of taking action — because if you don't start leveraging technology now, you may never be able to catch up and keep pace.

The ongoing global tax legislative initiatives show that the adoption of forward-thinking technology is not optional — it's absolutely crucial to succeed.

Tax professionals may be hesitant to use technology such as automation, for fear of being left behind. Fear not — technology will always need skilled professionals like you for operation and maintenance in order for it to be successful. But most importantly of all, automation frees you up from time-draining manual tasks so you can focus on more strategic and profitable activities that benefit your business.

It's all about being proactive, not reactive, with your data — getting as much data as you can, figuring out how it relates, ensuring accuracy, and running extensive analytics.



You have the power to be the catalyst of positive change and elevate your team by shifting the indirect tax department's perspective within your organization.

You have the power to be the catalyst of positive change and elevate your team by shifting the indirect tax department's perspective within your organization. You can transform uncertainty into opportunity by building support for funding and investing in tax technology to automate indirect tax. If management doesn't understand the need for good tax technology, they need to see how it can be the path to strategic success. A couple of ways to do this is by getting ahead of ERP decisions and finding allies in other departments that are already working with emerging technology. And remember the purpose of tax technology is not about headcount reduction — rather, it's about giving your team valuable work, resources, time, and the ability to stay lean and move quickly.

You can leverage disruptions to your team as an opportunity to secure the funding for a tax technology solution that will shift your team from survival mode to proactive and strategic — and elevate your department as a source of true value inside and outside of your organization. By changing your mindset and leaving the status quo behind, you can update your tax technology to improve your operations and processes, save time and money, boost efficiency, and create tremendous value for your business.

Conclusion

The timeline that tax departments will have to respond to pressures is not predictable — therefore, it's essential that you start making a plan now. If you don't shift to a strategic mindset regarding the technology, people, and processes in your business, it will be extremely difficult to get out of survival mode.

It's time to look ahead — and contrary to popular opinion, you don't need to have all the answers. Instead, you can focus on being proactive and developing processes that are flexible enough to help you adapt and thrive, no matter what changes come your way.

The key is a comprehensive tax technology solution. Don't just survive and get by putting out little daily fires as they pop up during your workday — instead, focus on long-term strategy that will prevent these fires from starting in the first place. While tax technology easily automates manual work and keeps up with changes for you, you can concentrate on strategic work that increases your profits and clearly demonstrates the value of your indirect tax department.

For more resources on surviving smarter, visit tax.tr.com/onesource/survival-to-strategy

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