Evaluating Your Tax Technology: Journey to Transparency
INTRODUCTION

Most Australian corporations are already well underway with actions and strategies to address the ATO’s BEPS initiatives. Establishing justified trust is the next step on the journey to transparency.

Whether you’re a tax manager, tax director, or other tax operations professional now is an ideal time to examine where technology can continue to expedite this process, whilst ensuring valuable resources remain focused on the strategic needs of the business and are not pulled further into the compliance mire.

Evaluating current tax systems will be the first step in your journey towards transparency.
STEP 1: ASSESS YOUR PROCESSES AND TECHNOLOGY LANDSCAPE

What is an assessment? Tax managers are generally aware of the landscape of systems and processes supporting their daily activity. In addition to the systems utilised within their own departments, they often know who and what impacts data both upstream and downstream and who manages the workload and content. They may also have knowledge of tools and procedures other departments use that are most relevant to Tax. If this is the case, what is left to assess?

A proper assessment entails more than having a general knowledge of your systems and a detailed understanding of your tax processes. It involves drilling a layer deeper to look at the world from different angles in an attempt to capture the full picture of what truly exists. An assessment must include both the macro and micro and should be performed from several perspectives.

Start by defining the problem you’re going to assess. For example, is the problem your tax compliance process, or is it the overall tax department content management approach?

Once you’ve defined the problem, begin to sketch out the process from end-to-end to identify how you will need to go about your assessment and who to include. Compile a list of stakeholders to meet with and consider those who may benefit from your efforts.

So how do you start your assessment? It is always best to begin at the beginning, which is with what we already know, and then seek the missing information. The goal of any assessment is to gather data to identify risks, opportunities, and priorities; formulate a plan, gain approval, and implement a change. Strong documentation will make a difference in your ability to support your results and recommendations forward. It may not be necessary to start from scratch if there are existing lists or documents that capture information you are looking to compile. Be mindful to validate any information you receive as accurate and up-to-date.

General questions to ask before you begin

- What is your department’s tax technology strategy?
- Have you met with tax leadership and your colleagues to articulate and document that strategy?
- How are you prioritising what is most important for your tax department?
- How does that translate in the world of technology?
- How is that strategy impacted by the organisation’s key risks and approach to risk management? What are the strategic priorities for the company and the most significant risks?
- How is your company mitigating those risks?
- What are your relationships with IT and finance within the organisation? Do you have strong partnerships? If not, Why?
- How can these relationships be broadened?
- Do you have a plan or roadmap for managing your technology landscape over the next five years? If you do not have a plan, why not?
- Who currently manages the technology supporting tax? What is the process?

Don’t get overwhelmed, the right technology partner will guide you through the right approach.

We have a selection of sample questions in our toolkit on pages 8 and 9 to guide you through the process.
STEP 2: MAP RELATIONSHIPS

The sharing and processing of tax data and documents is rarely clean. Most handoffs are not system-to-system, and information rarely goes from Lucy to Jane and then into a system without some degree of manipulation. There are calculations, transformations, and new source data and inputs along the way.

The results of your assessment may have already called out several relationships between people, processes, or technologies, and it’s likely you are already brainstorming ways to utilise technologies across teams. In Step 2 we take this to the next level to map the relationships to other areas of tax and beyond tax.

What is critical is for genuine appreciation to be developed between tax and finance about why each area requires certain information. The idea is to encourage a spirit of collaboration, breaking down the silo approach that typically applies today.
STEP 3: TAKE IT GLOBAL

Multinational organisations face many tax and financial reporting challenges as legislators and tax authorities around the world pass new laws to regulate compliance. Gone are the days when local finance teams could make local decisions as tax compliance is increasingly becoming an international process – often global, frequently regional. New international legislation such as country-by-country reporting requires multinationals to have a consistent process across multiple countries to manage source data and compliance reporting.

To meet these new challenges, many organisations are now looking to centralise compliance and reporting across multiple jurisdictions in Shared Service Centres and Centres of Excellence. Tax systems play a vital role in these projects, standardising control processes to eliminate risk, reduce costs, and allow for more flexibility and better change management.

Even if your organisation is not undertaking a major project to centralise tax functions, it’s important to consider how other parts of your organisation are managing tax and how tax systems can work better to improve processes across jurisdictions. Several factors will influence the extent of the work you need to do to include global tax.

Ask yourself:

- What are the tax reporting lines globally?
- Which of my tax processes are dependent on foreign-location data or systems (inputs or outputs)?
- Are there any foreign locations on tax systems that my group owns or administers?

Do not be intimidated if others immediately default to the phrase, “It cannot be done.” You may be surprised to learn that a tax manager in China is going about the same process you are to assess their current landscape and develop a plan to improve. By combining efforts, you may find new channels of support.
STEP 4: COLLABORATE

Once you have completed your list of process and technology issues, begin to look for common results and patterns. Issues can fall into several categories or types. Attempt to organise your issues into groups such as system performance, process gaps, source data, training issues, and high-risk requiring immediate response. By completing this exercise, patterns should begin to emerge. One example is the typical pattern involving too little training.

In most cases, you will need help to analyse your issues. With the exception of minor process or training issues, it is not recommended that you take on the burden to diagnose by yourself. Ask for assistance from experts to who will be able to call upon their expertise to identify the potential cause and eventually recommend a course of action.

From here, you have taken the initial steps to build an understanding of your processes, data, systems, and tools that comprise your tax ecosystem.

Every department has milestones that it’s expected to reach in the course of a fiscal year. Leadership generally has longer-term goals that they want or need to meet. Check with your tax leaders on their short-term and long-term goals. Build your overall goals both short and long-term and in alignment with the broader goals of tax and your organisation.

Ask about your organisation’s plan on a global scale. Is there an effort to achieve organic growth? Are there plans to expand geographically or to a new line of business via merger or acquisition? Are there global initiatives within the organisation that tax can partner on? What are the organisational drivers that tax must respond to (e.g. Finance Transportation, ERP migration, etc.)?

It’s vitally important that your tax technology plan includes a risk assessment, but often this activity has already been performed by tax leadership. Ask to review any risk assessment or plan that may be in place and trace the impact to your results. Call out any gaps and close them. This will also assist you to prioritise your issues in alignment to the organisation’s priorities. If a risk assessment hasn’t been completed, meet with your leaders and ask them to help you compile one.

In addition to noting your risks, identify what could potentially hold you back from being able to take action with your technology plan. Every group within every department of every enterprise is limited at some point in their available resources, time, and money, but be specific.

See page 10 for a selection of sample questions in our toolkit.
**SOLUTION SPOTLIGHT: BEPS ACTION MANAGER**

BEPS Action Manager was developed to provide unparalleled value across three areas in response to the OECD’s BEPS framework:

**PREPARATION:** Integrated with up-to-date global BEPS research and content including local legislative rules, timings, and data requirements for CbC, Master File, and Local File specifically based on individual profiles. Users can take action in real time by having all BEPS research and related information in one solution.

**EXECUTION:** Transparent entity and financial data mapping means data points are traceable back to the source documents. Our software responds to data inputs by automatically allocating tax structures and jurisdictional rules while providing quality control and override mechanisms to ensure CbC report development is precise. Users are free to focus on data integrity and tax strategy letting the software respond to current jurisdictional rules.

**RISK MANAGEMENT:** Insight into data ensures your transfer pricing story corresponds throughout CbC, Master File, and Local file reports. Our analytical framework predicts risk areas, supports value creation, and validates all three tiers of reporting. Tax becomes a center of excellence that makes a positive impact on the entire organisation.

Thomson Reuters ONESOURCE BEPS Action Manager combines research, data management, entity charting, document storage, reporting and analytics in a single solution, enabling worldwide compliance and multidisciplinary collaboration for multinational enterprises in a post-BEPS era.

Interested in a demo? [Click here](#).
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TEMPLATES & TOOLKITS

Form 1: Sample Systems Inventory Questions

WHAT TECHNOLOGIES/ APPLICATIONS/ PROGRAMS/ TOOLS IS YOUR GROUP USING?

Tax Systems
- What application(s)?
- Fully hosted, partially hosted, in-house hosted?
- Any research tools or subscriptions?
- Global systems?
- Add-ins or plug-ins being used?

Enterprise Resource Planning Systems
- What application(s) or specific system(s)?
- How many instances?
- Where globally are different systems used?
- Is our ERP out of the box or customized?
- Any systems interfaced directly (i.e. bolted-on) to the
  - ERP that Tax uses (e.g. Indirect Tax Determination)

Legal Entity Systems
- What application(s)?
- Who “owns” the system (e.g. Legal)?
- What other systems maintain separate LE data?

Financial Forecasting Systems
- What application(s)?

Financial Consolidating Systems
- What application(s)?

Document Management Systems and Tools
- What formal application(s)?
- What informal methods (e.g. hard drives, cloud, etc.)?
- Are there systems off-site that store files such as with outsource providers or archiving facilities?
- What about paper filing systems or processes?

Hosted or Cloud platforms such as SharePoint, FTP
- Sites, etc.
- Which URLs or systems?
- Fully hosted, partially hosted, or in-house hosted?

Microsoft Office
- What components of Office?
- What version(s)?
- Are there different versions used globally?
- Are there add-ins or plug-ins being used?

- Email
  - What application(s)?

- Others?
  - Databases or warehouses?
  - ETL Tools?
  - Time and expense reporting?
  - Portal / Intranet Systems?

List EVERY application you use during your workday.
TEMPLATES & TOOLKITS

Form 2: Sample Technology Issues Questions

WHAT ISSUES, IF ANY, ARE YOU EXPERIENCING WITH YOUR TECHNOLOGY TOOLS?

For each system, identify...

- Is the system/tool too complicated or cumbersome to use?
- If yes, in what ways (e.g. confusing user interface, difficult to navigate, inability to extract data or information, etc.)?
- Can the system do everything I need it to do?
- If no, what doesn’t it do?
- Are there system performance issues?
- If yes, what type (e.g. slow, time-outs, certain functionality sometimes does not work, system returns different results, etc.)?
- Is the system compatible with the technologies my colleagues are using?
- If no, where are the incompatibilities?
- Does the system meet enterprise requirements (e.g. hosting, security, access, record retention, etc.)?
- Is the system on a version more than one version back from current?
- If yes, when is the support end-date?
- Are there system or environment issues keeping tax from migrating to the newest version?
- Other issues?
## TEMPLATES & TOOLKITS

### Form 3: Goals, Risks, And Constraints

**IDENTIFY ALL YOU CAN, AND BE SPECIFIC. EXPAND THE LISTS AS NEEDED:**

### Goals

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### Risks

- **Audit & Compliance**
- **Reporting**
- **Operational**
- **Strategic**
- **Other?**

### Constraints

- **Limited Resources**
- **Limited Time**
- **Limited Budget**
- **Other?**
For additional information

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