

DIGITAL OVERSIGHT

Tax Function Transformation: Smoother Sailing Through the Storm

By Michael Charette and Danish Qureshi

An unyielding tempest can cause the ship's wheel to spin out of control at any company. In this pandemic, the operational components that keep a business on course—including the tax function—continue to be battered. Who—or what—can grab the wheel and steady the ship toward calmer waters?

In the tax department, digital transformation is positioned to be that hero at the helm, especially given the nature of current trends and emerging challenges. Compliance requirements are becoming more stringent. Audits are becoming more rigorous and the penalties higher. Qualified tax talent is scarce. Budget and profitability pressures are intense, so the risks of noncompliance are greater.

Fortunately, most companies have data, plus the technology to maximize them, and talent, however scarce, to support this. This formula for digital transformation enables companies to do more than stay afloat. It helps them surface actionable business insights that improve key performance indicators during the ensuing compliance cycle.

For the tax function specifically, refining the transformation formula and realizing the benefits require an understanding of three key trends that are forcing many organizations to update their strategies and embrace change.

The first trend relates to access to talent. The competition for talent, especially in smaller markets, has been a well-documented issue for more than a decade. The pandemic has exacerbated this trend, and its impact is now being felt in larger markets. Temporary changes to how and where we work, how and where businesses identify and acquire talent, and what tools we use must be adopted permanently.

The second trend centers on those tools. Employers are looking for multifaceted professionals capable of doing more than just traditional tax compliance work. Businesses also want the tax function to offer insights. However, tax professionals can only provide this additional value if they are given modern tools, technologies, and training.

Third, tax authorities domestically and globally are increasing their digital capabilities, making sweeping investments in technology and tech-savvy staff to ensure every dollar owed is collected. Organizations must transform their people, processes, and technology to successfully navigate these new regimes and remain compliant.

Addressing these three trends in the tax function requires targeted transformation strategies. To that end, boards should encourage


management to consider the following three areas for digital transformation in the tax function:

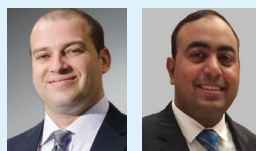
Collaboration technologies. Supporting remote work goes beyond tools to complete projects outside of the traditional office environment. What about the professional and personal value of interactions that teams enjoy in person? The next wave of transformation must focus heavily on how to enhance collaboration, knowledge sharing, and managing the activities of teams working in different locations.

Integrated tax-specific technologies. Given the increasingly complex tax regimes across the globe, many companies have integrated tax functions with existing information technology and finance systems to enhance access to timely, quality information. But what have tax departments done with this information? Many continue with painful and inefficient manual compliance processes. An integrated stack of tax-specific technologies can help automate compliance processes and unlock hidden insights.

Augmented tax processes. There is a general sentiment that technology is going to eliminate jobs. The truth is that highly cognitive activities performed by tax professionals are still far beyond the reach of today's software. Most technologies focus on automating low-cognition tasks, such as data entry and cataloging voluminous information. Tax transformation, then, means leveraging these tools not only to automate but also to support planning and decision-making.

When a tax department attracts the best talent and gives those professionals new tools and training, it can help the organization optimize the tax operating model, seize tax planning opportunities, and enhance the department's responsiveness to the business's needs.

The right tools, technologies, and key performance indicators are important, but transformation starts with talent—professionals who are digitally savvy, future-ready, and able to execute. With talent, the tax function can easily ride the wave of digital transformation and the organization becomes more capable of weathering the storm. 



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