Association of Financial Mutuals.

Technology in the Tax Function

Deloitte.

Future of Tax

Controversy reimagined

Transparency vs Privacy

Geopolitics & taxation

New types of tax

Transforming for intelligence

Digital Transformation

Intelligent transformation

Tax transformation triggers

Efficiency

Increased regulatory change

Diversification of tax roles

Tax specialists

Blended specialisms

Finance

ESG

Tech

TAX

Global communication, local processes

Increasingly Glocal

Global interoperability

Digital Platforming

Need for flexible solutions

Pick 'n' mix cloud solutions

Market Dynamics

Scriberia

Strategic Objectives

↓

Problem Identification

↓

Technology Stack Considerations

↓

Solution Design and Build
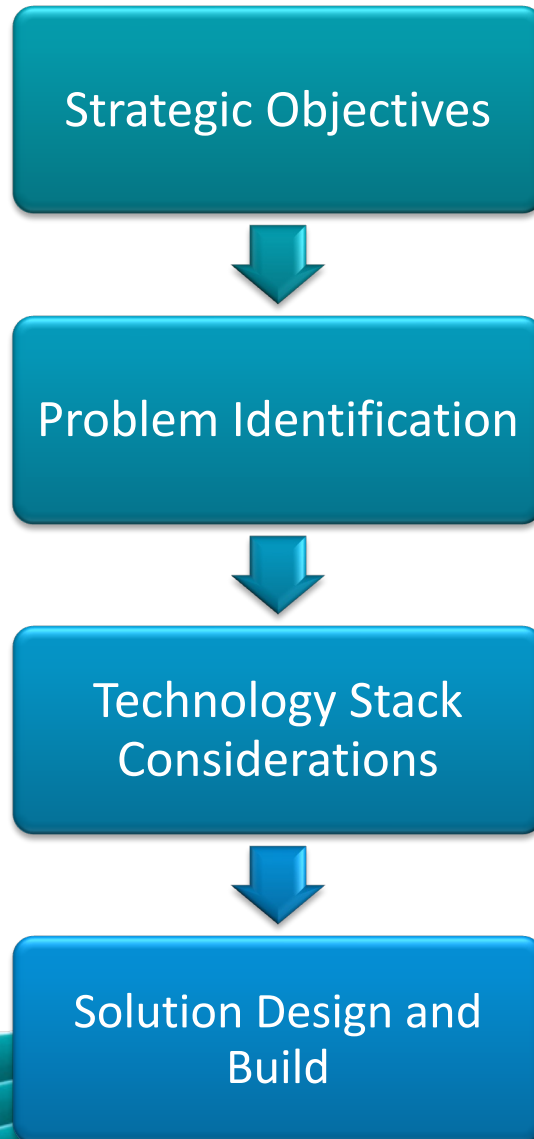
Flexible solutions for true agility

The first wave of digital transformation has involved digitising existing processes on big ERP platforms to drive efficiencies and increase resilience. With the evolution of specialised cloud solutions, we're moving into a world of multi-provider transformations.
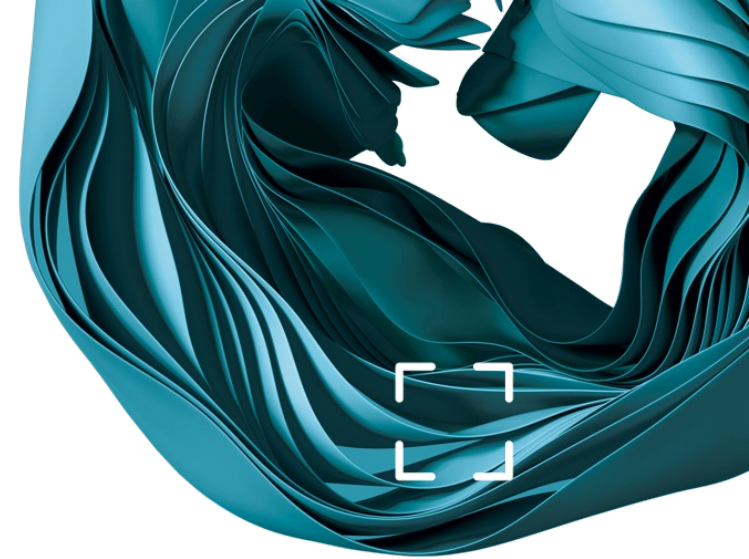
Multi-vendor cloud solutions can unlock growth levers such as operational agility, specialised digital capabilities and differentiated delivery models.

Digital Platforming

Need for flexible solutions
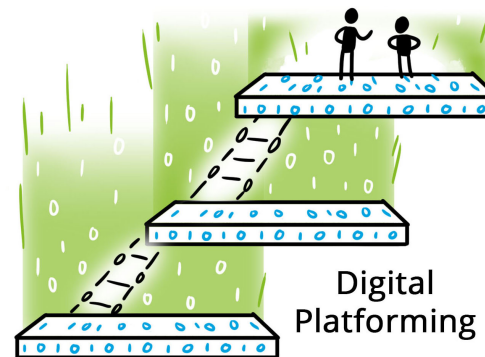
Pick 'n' mix cloud solutions

What does this mean for the Tax function?

AI and other innovative technologies have triggered a wave of use case development and investment across the tax function, enabling organisations to shape new functions, increasing efficiencies, and accelerating end-to-end growth.

Strategic Drivers

- Post Merger Integration Tax Considerations
- Regulatory requirements
- Risk
- Advancing Technology and modernisation
- Cost Control/ Resource Constraints
- Transparency requirements
- Economic uncertainty and market disruption
- Internal change

Components of the Tax Function

Tax

Financial Accounting Operations, Tax Provision	Business partnering, Fund Transaction and Advisory
Group Tax Reporting & ETR management	Corporate and Partnership Audit Support
Pillar 2	Transfer Pricing Documentation
Corporate Tax Compliance	Indirect Tax Compliance
Tax risk management	Operational Transfer Pricing & Funding
Investor Reporting	Incentives (e.g., R&D, ESG)

HR

Flow-thru & Partnership Tax Compliance	Immigration
Global Information Reporting	Global Mobility Tax
Stamp duty and FTT	HR & Payroll Process Outsourcing
Withholding taxes incl: Customer taxes	Cross-border Work & PE risk
Employment Taxes incl: Employment related securities	Treasury Taxes & Structured Finance

Pension administration	
Equity compliance	
Compensation & Benefits	

Regulatory Compliance

- Mergers and acquisitions
- Legal entity optimisation
- Treatment of Regulatory Capital
- Regulatory Tax Change

Legal

- Legal Entity Management
- CESOP

Generative AI Use cases
- Document Generation
- Document Summarisation & Retrieval
- Knowledge Extraction
- Data Querying & Analysis
- Data Visualisation & Image Generation
- Q&A Chatbot

Enablers / Differentiators / Infrastructure

- Governance & Leadership
- People
- Controls
- Process
- Technology and data

Sourcing Options

- Insourcing
- Embedded in the Line
- Outsourcing

Generative AI comes with risks and limitations

There are some limitations to consider when using Generative AI

Bias

Bias in; bias out. If the training data is biased (e.g., over/under-representation of a population cohort, sexism, racism), then the outputs generated could also exhibit biases. **Bias reductions in the training data and/or human supervision during Generative AI model training is needed**

Malicious Behavior

To maintain operations and customer trust, **proactively minimizing risk from malicious behavior** on the network is critical. For example, a customer service bot revealing confidential information to a hacker either by prompt or unintentionally

IP Protection & Infringement

SaaS-AI companies may use prompt payloads to train future versions of the Generative AI model, **potentially including confidential data that could expose the user to IP infringement claims** – how could this affect your organization's competitiveness in the market?

Generative AI Model Performance

Generative AI models are comprised of billions of parameters (model size) and trained on petabytes of data. In theory, the larger the Generative AI model, the better the output. **Generative Models take time to produce outputs, which may limit real-time use cases**

Token Size Limits

Most Generative AI models have around a 32k token size limit. Some larger ones can process over 100k tokens in a single call with the largest around 200k. 32k tokens are approximately 30-35 pages for the entire query. This **limit makes it difficult to process larger documents**

Hallucination

Generative AI models might output statements that are factually false. Sources and citations are unavailable for most Generative AI models. Users should be conscious that **outputs could be inaccurate** and perform due diligence to validate generated content

Confidentiality & Privacy

Generative AI Models are built on data sharing. **Consent for data used** (confidential information, personally identifiable information) is necessary, and the **residency of data in geo-locations should also be compliant with legal and contractual requirements**

Cost

Generative AI models generally offer a pay-as-you-go billing mechanism, and the cost per use of sophisticated Generative AI models is materially significant. **Fine-tuning the biggest Generative AI model and running large documents through several times could quickly run up a bill of tens of US $1,000s**

Text Formatting

Generative AI models are **good at understanding text, but they struggle when the data are in irregular formats** or when the position of the text on the page (e.g., infographic, presentation slide) is relevant to the context and understanding. Other emphasis generators, such as bolded text, font color, etc., don't play a role yet

Ethical Use

Is the AI being used in a manner consistent with the purpose of the overall exercise? **Is a human being brought into the loop to decide whether the AI's suggestion needs adjustment before actual use** or whether the use of AI is ethical (e.g., submitting an AI-generated essay as your own)?

Leaning in – what difference will involvement from Tax actually make?

Without Tax workstream

Corporate Income Tax Compliance:
- ERP standard COA
- ERP standard Fixed Assets

Indirect Tax:
- ERP standard tax codes
- ERP standard condition table

Operational Transfer Pricing:
- Only legal entity

Pillar 2:
- Only entity or jurisdiction setup

Tax Provisioning:
- CoA input (inherited from CIT)

Other Taxes:
- No integration with expenses systems
- Basic WHT setup

Change Management

Programme Management

With Tax workstream

Corporate Income Tax Compliance:
- Tax sensitised CoA
- Tax sensitised Fixed Assets
- Tax optimised Reporting

Operational Transfer Pricing:
- Correct datasets & reports
- Automated monitoring
- Automated calculation
- Controlled invoicing/ settlement
- Scenario planning and analytics

Tax Provisioning:
- Considered design of tax close
- Consolidation specific datasets
- Sustainable automated solutions

Indirect Tax:
- R-R relevant tax Codes & accounts
- Automated tax code calculations
- Local filings automated
- Digital reporting solution
- Tax Compliance checks
- Integration with purchasing, billing

Pillar 2:
- Correct datasets & reports
- Automated calculation
- Scenario planning and analytics
- Report generation

Other Taxes:
- Employee tax reporting
- Expenses and tax codes
- Withholding tax calculation and processes
- Tax incentives

Change Management

Programme Management

Integrated Controls framework (supporting UK SOX and SAO)

Target Operating Model fit for new systems and processes

Business readiness

Get really clear on the Vision and Roadmap for the new Tax Function

Be ready ahead of the Imagine/Design phase

Understand the demands on your people and have backfill options where needed

Tax policy decisions – identify and plan those that are required that impact design decisions

Prioritise – you are not going to get everything so what are your showstoppers

Key lessons learnt to enable effective preparation

Ensure that you have the right Tax workstream support

Maximise your technology options and flag well ahead

Think differently, this is the opportunity to break existing restraints

Get the right balance between localisation and standardisation

Educate stakeholders on the breadth and impact of Tax – often these are not well understood

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