DEPLOYING
A TAX TECHNOLOGY
STRATEGY

FOR THE MODERN TAX DEPARTMENT

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GLOBAL TAX MANAGEMENT®

TAX DEPARTMENTS AT WARP SPEED

When companies experience real change – whether through new products, divestitures, mergers and acquisitions, or by way of legislation at the state, federal, and international levels – tax departments are expected to adjust practically overnight. Our need to be agile and to analyze data is more important than ever. Yet, while the responsibilities of tax departments increase, resources often do not follow suit.

Under these conditions, the ability to adapt models, draw comparisons, perform analytics, and effectively communicate data insights have quickly shifted to a necessity. More and more, corporations are accepting that tax is a key business decision driver. Therefore, for tax departments to be viewed as a valued partner, they must operate in technology enabled ways that offer insights and analysis based on data and ever-changing scenarios. This transformation requires the integration of tax software, enterprise applications, data management software, BI tools, and even collaboration technologies in ways that effectively transform raw data, adapt for changes to calculations, automate manual processes, and create meaningful outputs for easy end-user interaction and understanding.

REVVING UP THE TAX ENGINE: WHERE TO START

In too many cases, tax teams with finite resources will hastily adopt a new technology to meet a short-term need. This results in a patch-work approach to tax technology that often leads to underutilization of expensive software licenses, and a general tendency toward inefficient or ineffective technology solutions. While technology solutions may be purchased and implemented, they are often not leveraged enough to have the transformative effect that tax departments, and organizations overall, need.

Getting ahead of new demands requires corporate tax departments to think differently. Leveraging technology appropriately eases the burden of living in the unpredictable, ever-changing environment we are in, by allowing your tax department's people and processes to be dynamic and efficient. Here is how to get started.

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SYSTEM CHECK: EVALUATE YOUR PROCESSES

Tax touches nearly every aspect of an organization. Selecting the right tools for tax department transformation requires taking a big-picture view of your tax department's specific processes – including how data insights will be communicated and leveraged across your company's ecosystem, and how additional technology platforms will integrate with those already in place.

Effective process evaluation must expand beyond a general knowledge of your systems and tax processes. It requires evaluation at the micro and macro levels from different perspectives. Consider the current and future needs and existing resources as well as all tangential processes. Some micro areas relate to internal calculations for provision, compliance, sales and use tax, etc. Other, more macro areas include general communication, document management, and data gathering.

For each area, evaluate the current tool, or tools, used and assess challenges. Inefficiencies can be related to time, data accessibility, workflow, exposure to risk, and other matters. The more specific you can be in your evaluation of these processes, the more secure you can be about tightening any inefficiencies. For example, if time is identified as a challenge, determine exactly how so. Is it that too much time overall is spent on the task, or that the overall time is fine, but the time spent on preparing is too high as compared to the reviewing and analyzing?

When performed appropriately, an assessment results in a clear, fact-based vision of requirements, possible solutions, and a proposed future state for tax technology. Unfortunately, proper execution can be time consuming and difficult for tax resources. Challenges present themselves surrounding knowledge of software availability, capabilities, and alternate technology solutions. Understanding exactly what is possible is a critical component to building and deploying an efficient and effective tax technology strategy. A precise, detailed process evaluation is key to the selection of an optimal tax technology stack that performs well and integrates with other systems across the organization. If internal resources are not available to dedicate time to this effort, consider working with a third-party firm to help lead the evaluation and offer non-biased findings and recommendations. The data from this evaluation will inform the business case and once approved, the required investment should be made.

QUESTIONS TO ASK DURING THE EVALUATION PROCESS ?

What internal resources, departments, and stakeholders should be included in the evaluation?

Are core tax software solutions in place, updated and used best?

Why is it still hard to do a piece of this function even though I have 'Y' implemented?

Are there applications licensed at the enterprise level I should be using?

This problem could be solved with two different applications I license. Which should I use?

As I bring more technology solutions into the department, do I need/want technology-focused personnel?

Do the core products I use have others that they integrate with best?

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CHOOSING YOUR LANE: DETERMINING THE RIGHT TECHNOLOGY FOR THE JOB

As technology continues to advance, having access to - and understanding - several types of applications that you can integrate will help you create optimal solutions. Be sure to have your bases covered with solutions that can generally address common challenges and help automate time-consuming tasks.

At GTM, we typically look at technology in the following categories:

● Data/Document Collection

These technology platforms perform data and document collection, typically using standardized templates and requests created from a master template. Templates can be locked down and configured to limit data inputs and are stored in a central location for efficient distribution and completion. The sign-off of workflows can be assigned or created as necessary for status tracking and reporting.

Data/document collection platforms also allow for integration with tax software using add-ins or APIs to create an efficient end-to-end process. Main players include ONESOURCE DataFlow, Microsoft SharePoint, and Workiva.

Sample Use Cases:
Data/Document Collection

CbCR questionnaires	5471 data
UTP questionnaires	R&D surveys
Tax packages (M1 and foreign)	
Nexus questionnaires	
Cash tax forecasting	
Apportionment data	
Tax basis balance sheet	

● Data Preparation and Wrangling

These platforms are used for data preparation, calculations, and analysis, automating processes that were previously manual. With the potential for delivering a high return on investment (ROI) from a time savings perspective, software within this bucket is applicable for more than just the tax function.

Products like Alteryx Desktop and Server, along with Power Query, Tableau Prep, Knime, Dataiku, Trifacta, and Paxata can improve transparency and performance throughout the company. They are also able to integrate well with tax software through connectors, Excel add-ins, and other reports and exports.

Sample Use Cases:
Data Preparation & Wrangling

Trial balance management, merging, and formatting	
Sales and use tax preparation reconciliation, and review	
Transfer pricing allocations, charge-outs, and segmentation	
Data recollections and competitive analysis	
Analysis of accounts for tax sensitivity	
GILTI and tax reform models	VA modeling
Preparation of CbCR data	R&D tax credit analysis
Cash tax forecasting	ETR analysis
Payable data preparation	Return to provision
State apportionment	Fixed assets and depreciation

Tax Software

Tax software platforms are used to execute something very specific for corporate tax, and many departments will have different platforms in place for the tax functions performed in house (such as income tax provision, income tax compliance, sales/use tax, tax fixed assets, etc.) Main players include Thomson Reuters ONESOURCE®, Corptax, Longview, Vertex, and Avalara.

These platforms calculate and prepare foreign and domestic income tax returns and facilitate meeting reporting requirements. State modules compute state apportionment and modifications, while international modules calculate foreign inclusions, tax reform calculations, and Form 1118.

Sample Use Cases:
Tax Software

Income tax provision
Income tax return
Tax fixed assets
Sales tax determination
Sales tax compliance
Estimates and extensions
Property tax
Transfer pricing

Business Intelligence & Data Visualization

The ideal outcome for a modern, technology-driven tax department is to be more adaptive and analytical, and to be able to assess risk and model the impacts of inevitable twists and turns in tax policy. Business intelligence and data visualization platforms help accomplish this. They are used to create and publish charts, graphs, key performance indicators (KPIs,) maps, and more. Visually depicting your data through dashboards enables quick insight, interactive analysis, and drill-down capabilities. These platforms can connect to multiple data sources, integrate with data management tools, and allow for analytical reports to be embedded directly within external platforms.

There are many solutions in the marketplace in this space, but some common ones deployed by tax departments include Microsoft PowerBI, Tableau, and Qlik.

Sample Use Cases:
BI/Data Visualization

Management or "Last-mile" reporting
Interactive visualizations and dashboards
Multi-dimensional comparatives and analytics
Cross platform / integrated reporting

● RPA

Robotic Process Automation (RPA) solutions bridge the gap between technology and human interaction where the latter is still required in methodical ways. RPA is best applied to highly repeatable, tedious, and time-consuming tasks such as manually pulling data for review.

Sample Use Cases:
RPA Platforms

Automation and integration of legacy systems
The execution of manual reports from source systems and tax software
The start of Alteryx workflows, to run VBA code, etc.
The import of tax data to tax software

● Other Relevant Technology

Data warehouses, data marts, and data lakes are solutions that help with the central storage and accessing of data. Data warehouses are enterprise-wide solutions with advanced controls and features that work well in a compliance environment. Data marts are more simplified versions of data warehouses, and data lakes are more agile solutions focused on the staging and processing of data.

Finance technology also has an impact from a tax perspective. Solutions like enterprise resource planning (ERP), general ledger (GL), and corporate performance management (CPM) systems also play a significant role in corporate tax.

Application Programming Interfaces (APIs) allow developers to programmatically integrate applications where human interaction may once have been required. APIs can be used to push and pull data to/from cloud reporting platforms, integrate out of the box software applications, and trigger workflows or processes to run.

When it comes to differentiating the value of similar technology with varying price points, consider the following:

- Ease of deployment and use
- Specific functionality and potential functionality gaps
- Integration with your existing technology stack

- Ease of deployment and use
- Necessity and availability of skilled tax technology talent
- Existence of an active user base community

Whether it is by decreasing time spent manually manipulating source data and performing calculations or by increasing accessibility of data, technology helps tax departments meet the mounting demands of increased reporting requirements, data transparency, and real-time analysis. In turn, tax departments transform from overwhelmed data preparers to value-added strategic components of the organization.

THE BUSINESS CASE: WHAT TO INCLUDE?

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When making the case to implement new technologies, the bottom line should be results driven. Be clear on the level of investment, expected return, and estimated timing to realize peak benefits. Here are some components to cover:

- **Executive Summary:** state what business need is being solved

- **Current Situation:** describe the "as is" state and issues meeting business demands

- **Proposed Solution:** outline what options were considered and what solution is recommended

- **Strategic Alignment:** Identify how this solution aligns with company and department strategies

- **Benefit Analysis:** define tangible benefits in terms of monetary value and intagible benefits in terms of improvement value (faster, shorter, less, etc.)

- **Cost Summary:** list total projected costs to detail economic feasibility

- **Business Impact:** describe how long the business function will operate without the proposed project, before it significantly affects the ability to conduct business or meet required obligations

- **ROI:** include a return on investment calculation and expected payback period

EMPOWER YOUR PEOPLE TO MANAGE CHANGE

People are another integral part of ensuring the success of any technology implementation.

Managing change is controllable if handled properly. Change is not a one-time event; it is continuous. Building and maintaining a technology-driven tax department requires buy-in from all stakeholders and a culture that not only accepts change, but also embraces it.

Figuring out user roles as they relate to software should not be taken lightly. Identifying and labeling someone as a 'software champion' can help ensure the continued use and development of that technology within the entire department. Working specific technology-related projects into employee goals and objectives places a priority on embracing the concepts.

Any new job requisites should include a mention of the tools used by the department and preferred familiarity with them. From a staffing perspective, it should be intentionally made clear that no technology used by the department is dependent on a sole person, ensuring redundancy in the event of turnover or prolonged absence. To ensure user acceptance, involving end users for the duration of technology implementations is helpful. Training anddocumentation should also be significant aspects of any implementation. User guides specific to your usage of a given technology should bedeveloped with enough detail to be used for refreshers, onboarding, and/or continuity planning. Encouraging and/or requiring employees to attend continued learning activities for their products and to collaborate with their peer networks about solutions is helpful.

IMPLEMENTATION

Now that you have established the needs of your organization and your tax department and have selected the technology solutions that best serve your collective purposes, implementation begins. The implementation of your specific tax technology will look different depending on the requirements, use cases, and solutions selected, but will go through similar phases:

TECH TIP
APPOINT A SOFTWARE CHAMPION

Designating someone on your tax team who is a power user of a technology solution as your "software champion" gives the rest of your department a go-to resource for questions on using the application. The champion can also serve as the liason with third-party vendors regarding tool functionality and additional needs. This helps to encourage team adoption of the software and ensures that the tax department is getting the most out of its technology investment.

● **Planning and Design**

This phase happens after the software has been selected, so requirements should already be well known and documented. Even so, the implementation kicks off with a phase that includes some further planning and design.

Incorporating the requirements into a project plan by layering in a timeline is key to managing expectations. The project plan should include expectations around the time commitment of stakeholders throughout the project.

The planning and design phase also includes blueprinting out both the software design and process design to ensure all stakeholders are aligned with how the software will be configured and how its usage will impact the future-state process. It is critical that these blueprints are created at the same time to ensure that the software configuration will enable the future state process and vice-versa.

● **Software Configuration and/or Development**

When implementing tax technology, there are commonly used configurations to be made within applications. This includes establishing user access and rights, loading entity structure and information, creating adjustments codes, configuring rules on how to treat data, and designing, configuring, or developing standard outputs. Often, there is also a need to load historical data, files, etc. into software. This phase of the project creates a functioning product.

● **Processes Establishment**

The process establishment phase of implementations is what takes a functional product and makes it high performing. Now that the base-level technology has been created, the process around it can be established. Integration can be developed for both source and target systems, supplemental midstream calculations or rules can be incorporated, and tangential or adjacent needs can be addressed.

● **Testing and Transition**

The first piece of this phase includes the various testing activities such as integration testing, user-acceptance testing, and parallel testing. Depending on the technology implemented and the process for which it is leveraged, testing requirements will be different. That said, it is always a key component of a successful project from a change management perspective.

During and after testing, as part of transition, end-users and administrators are trained on the functionality of the product. Training is often performed by both the software provider and implementation service partner, with the software provider, focusing on the software functionality and the service partner on its specific application in this scenario.

Documentation such as customized user guides and maintenance procedures are created and provided during this phase. Transition also frequently includes "hypercare" for support during the "go-live" period and period or two thereafter.

CONTINUAL PROCESS IMPROVEMENT

Even the finest implementation will require some sort of adjustment as the tool is used in live scenarios, functionality improves, and/or business requirements change.

Adapting applications based on discoveries resulting from real-world usage will have a significant impact on user acceptance. Obtaining user feedback during testing and live usage scenarios, and responding appropriately to that feedback, informs the long-term success of technology solutions. When necessary adaptations are identified, it is important to respond in a calculated fashion.
If a change is substantial, change management needs to be considered around timing, testing, training, and documentation. Assessing the requirements, evaluating the downstream impacts, and determining the appropriate time and approach for incorporating the change are all key to successfully tweaking systems. Being responsive and willing to enhance implementations as tools are usedencourages a positive attitude to technology as well as eventual full adoption and optimal use of tools instead of abandonment.

Knowing the current version and process for upgrading versions of any software utilized is also crucial. Often, users who upgrade versions do not review release notes or implement the newly released functionality. Evaluating and understanding new functionality could identify possible opportunities through implementation of those features.

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Another good practice is to formalize periodic reassessments, or step-backs. These are times to determine if technology is still aligned with the businesses' needs and able to support the scope of the corporate tax department's current as well as anticipated future state. This can often be achieved through an open dialogue with internal stakeholders, evaluating what is working and what is not, understanding changes in business requirements or vision, assessing advancements made in the market, and discussions within peer groups.

Periodic reassessment of the overall tax technology plan ensures that it remains aligned with business needs and the scope of the corporate tax department's functions. As further changes in business needs transpire, subsequent adjustments to the plan may be necessary to effectively support the business.

PARTING WISDOM

The modern tax department as we know it is no longer optional. Advanced technology is necessary for companies to prepare for, and navigate, tax compliance and thrive in an environment where the only true constant is change. Adjusting to legislative updates, mergers and acquisition activity, new product innovation, and other changes requires near-instant action if organizations are to avoid negative tax impacts and stay at the forefront of their markets.

Implementing a technology-enabled culture ensures the continued ability to improve tax outcomes and business processes by empowering people with effective solutions. Better workflows, automation, and actionable insights powered by real-time data is the holy grail of the modern tax department. You can get ahead of new demands by ensuring that your tax department is equipped with the right technology and resources to keep up. Leveraging tax technology appropriately eases the burden of living in the unpredictable, ever-changing environment we are in, by allowing your people and processes to be dynamic and efficient.

- ## LEADING TAX
- ## DEPARTMENTS
- ## FORWARD

Global Tax Management (GTM) is a corporate tax services firm dedicated to helping mid-size and large multinational corporations address complex tax operations. GTM takes operational tax burdens off tax and finance leaders, providing high-level tax expertise at value driven rates without any independence issues. For over 25 years, GTM has provided the expertise to build, operate, and manage tax functions for its clients. Core services include tax provision, compliance, international tax, indirect tax, tax automation, tax training, and tax consulting and planning services. GTM is a 100% employee-owned company (ESOP) and is distinguished as a best workplace, healthiest employer, top accounting firm, and fastest-growing company. The firm is a U.S. alliance partner of WTS Global.

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