Quick guide to **better understand your tax teams** in a COVID era

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When it comes to leveraging technology to aid the C-Suite decision-making process, where does your tax department stand?

Which zone would your company fall in? Light Blue, Blue, Red, Yellow or Orange? (Refer to the graphic below).

Seeking answers to the right questions can help tax professionals add significant value to their organizations.
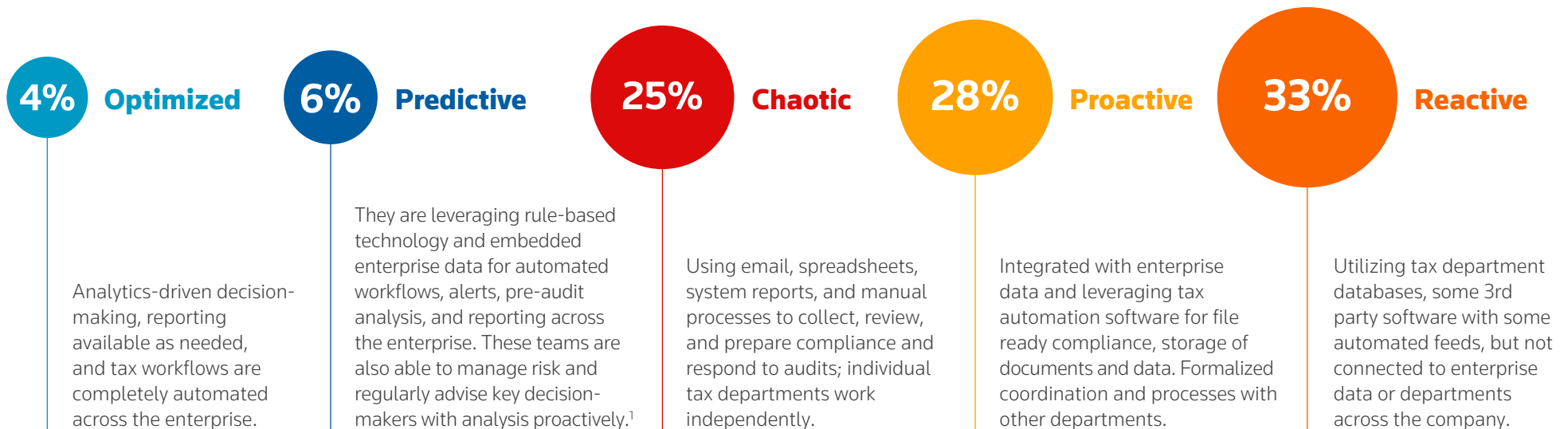
The Thomson Reuters – Acritas 2020 Corporate Tax Department Survey had 58% of the respondents stating that their departments were technologically ill-equipped to deal with the challenges of rapidly changing tax regulations around the world. These are what we term as **Red** and **Orange** zones.

Only 10% of the respondents felt that their enterprises were in the **Light Blue** and **Blue** zones, using technology in a manner that not only made the tax management processes efficient but also enabled analytics-based decision making.

The survey had over 300 respondents, almost 50% of whom held senior roles in their tax teams. They were quizzed on a range of issue from resource levels, skillset gaps, and critically, on the use of technology and automation.

This is how they characterized their tax department's state and their ability to leverage technology.

Tax head's view of their departments - ability to leverage technology

4% Optimized

Analytics-driven decision-making, reporting available as needed, and tax workflows are completely automated across the enterprise.

6% Predictive

They are leveraging rule-based technology and embedded enterprise data for automated workflows, alerts, pre-audit analysis, and reporting across the enterprise. These teams are also able to manage risk and regularly advise key decision-makers with analysis proactively.[1]

25% Chaotic

Using email, spreadsheets, system reports, and manual processes to collect, review, and prepare compliance and respond to audits; individual tax departments work independently.

28% Proactive

Integrated with enterprise data and leveraging tax automation software for file ready compliance, storage of documents and data. Formalized coordination and processes with other departments.

33% Reactive

Utilizing tax department databases, some 3rd party software with some automated feeds, but not connected to enterprise data or departments across the company.

[1] *The percentages don't add up to 100 because some respondents didn't answer a few questions.*

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To summarize, a majority of the respondents said their corporations **are in the Reactive and Chaotic zones,** using antiquated/ manual methods and processes to manage taxes.

This should be a matter of grave concern for the CEOs and CFOs of these enterprises as it leaves them exposed to non-compliance with tax regulations and consequent financial and reputational risks.

Additionally, these organizations were, clearly, not getting the best out of a team of highly qualified and talented specialists and tax experts. The survey found:

- **Chaotic** teams were significantly more likely to feel under-resourced and were looking to address this by leaning more heavily on existing team members and external advisors.

- **Optimized** and **Predictive** teams were more likely to look to technology and have more efficient overall budgets, relative to revenue.

> That mindless cut-and-paste stuff... it's not the best use of talent.
>
> I was frustrated at how much time my team was spending on value-added work — I don't pay them to manipulate data in Excel. I pay them to analyze data, understand what it means to us, and file returns.

After the outbreak of the COVID-19, a follow-up pulse survey was conducted to understand the impact of the pandemic. According to the respondents, the expectations from the leadership to improve efficiency and performance were always high.

The epidemic has, however, added to these pressures as they now have to deal with expectations with curtailed resources (thanks to hiring freezes) and budget cuts. The sudden shift to a remote working routine, with attendant concerns on efficiency and data security, have only exacerbated the situation.

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Respondents recommended several steps that can address these challenges. Here are the key suggestions.

Keep abreast of tax legislation and share your views

There are databases that will keep tax pros informed of new legislation while providing examples and interpretation, and there are also peer groups they can join to share concerns and ideas.

Keep close to the business to plan more effectively

Tax teams will need to take a higher profile internally than they may have in the past. For example, they could launch an internal communications program that keeps their internal stakeholders informed of tax issues facing their business units and helps ensure stakeholders are in the loop on significant initiatives.

Invest in technology to gain control and to be in a better position to respond

Our data suggest that by taking a strategic approach to their technology investments and becoming more efficient and adequately resourced, tax departments will be in a much better position to handle the workload and understand the implications of any new legislation.

Invest in people, to ensure teams have the right skills to benefit from the technology

It is important to keep tax teams motivated and enthusiastic. These teams need to feel a sense of ownership of any new processes or technologies. This requires a combination of clear communications, practical training, and supportive leadership.

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The verdict seems to be clear.

Corporate tax heads can deliver more value to their Boards and greater job satisfaction to their teams if they develop and communicate a clear strategy, bringing in new skills and new technology, and measuring the effectiveness of their operations.

As a tax professional, if you are also pondering on some of these issues and trying to figure out how to meet the multifarious challenges head-on, **you need to seek answers to the following questions:**

? **Are you able to deploy a global tax technology strategy?**

? **Are you confident your existing tax technology can meet the needs of a distributed workforce — all types of tax, in all regions?**

? **Can you provide the C level with global visibility into tax risk and exposure?**

? **Will your preferred technology partner, keep abreast of important technology — including blockchain, AI, and machine learning?**

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