Manage your tax data like a supply chain operation

Part of the webcast series from KPMG ignition tax

Transforming your tax operating model journey

February 22, 2023

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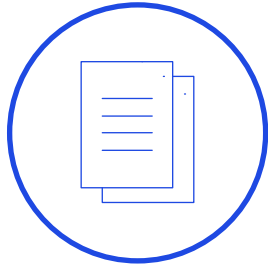
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In order to receive CPE credit:

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Questions will appear in the slide portion of your media player, and may or may not be verbally addressed by presenters.

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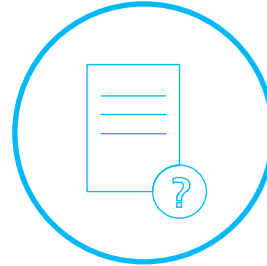
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With you today

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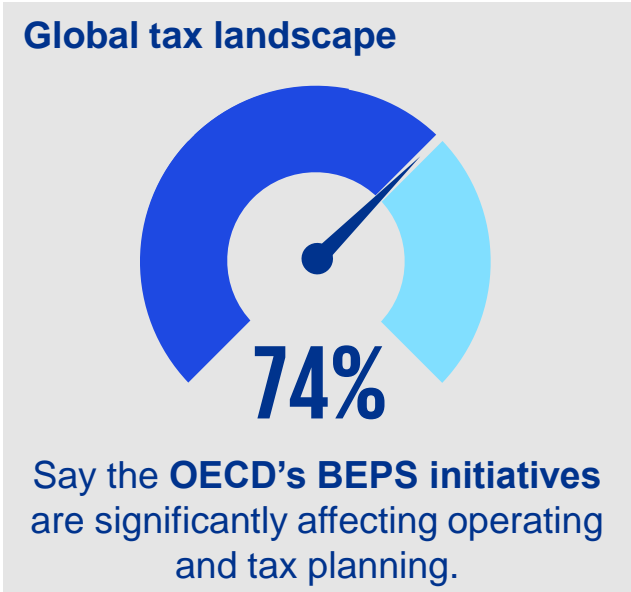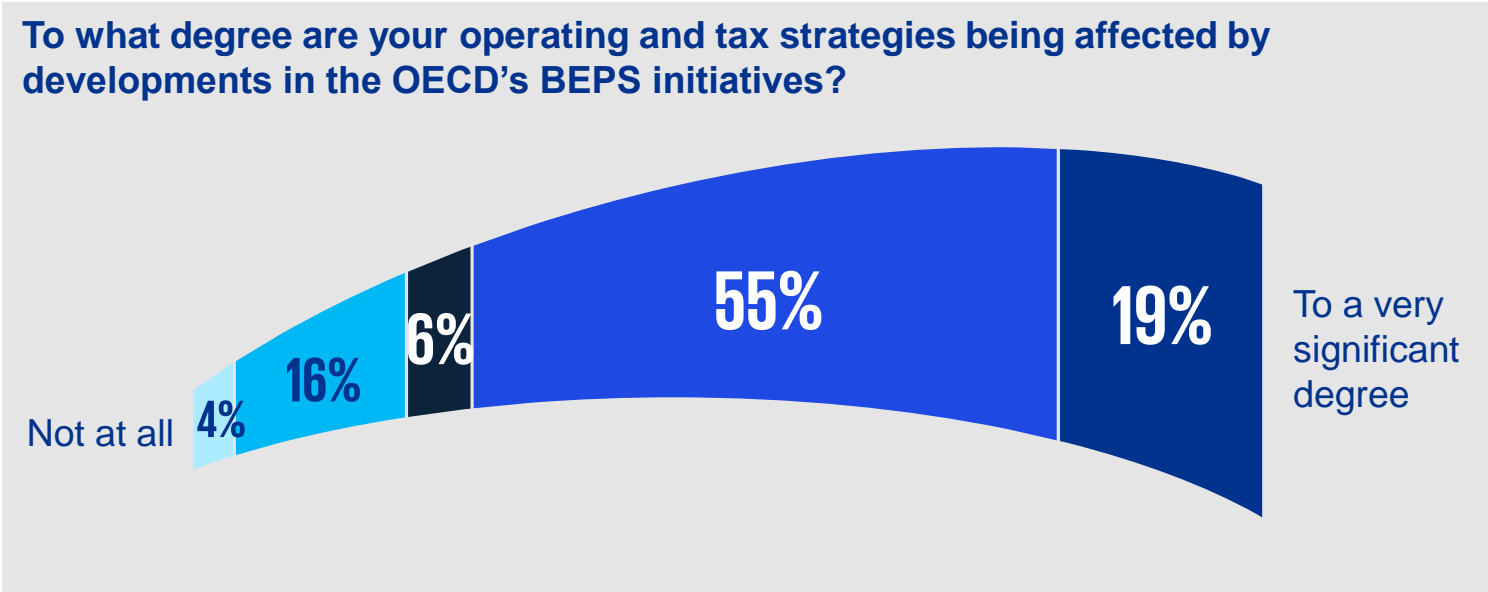Ignition – Data &
Analytics

Agenda

01   Welcome

02   CTO survey

03   Tax data problem

04   What is a data supply chain?

05   Creating and optimizing your data supply chain for tax

06   Technology & people

07   Q&A and closing remarks

02

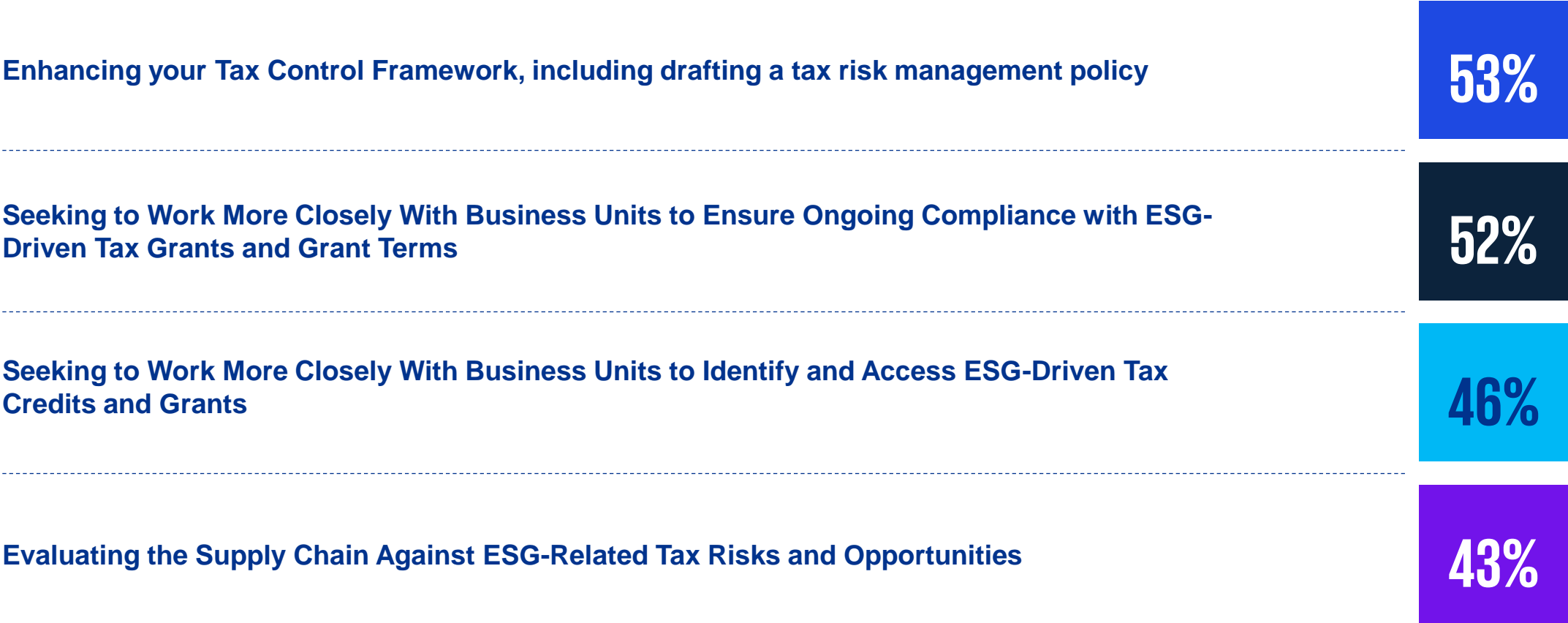# CTO survey

U.S. and global tax landscape

Only **1** in **5** CTOs believe their tax function is well positioned to comply with OECD Action 13

To what degree are your operating and tax strategies being affected by developments in the OECD's BEPS initiatives?

Not at all **4%** **16%** **6%** **55%** **19%** To a very significant degree

Global tax landscape

74%

Say the **OECD's BEPS initiatives** are significantly affecting operating and tax planning.

60%
of CTO's agree that tax regulations in the U.S. (distinct from rate hikes) will be used to increase taxation over the next two years

Tax and ESG

**What Steps is the Tax Department Taking to Address ESG Related Risks and Opportunities?**

Enhancing your Tax Control Framework, including drafting a tax risk management policy

53%

Seeking to Work More Closely With Business Units to Ensure Ongoing Compliance with ESG-Driven Tax Grants and Grant Terms

52%

Seeking to Work More Closely With Business Units to Identify and Access ESG-Driven Tax Credits and Grants

46%

Evaluating the Supply Chain Against ESG-Related Tax Risks and Opportunities

43%

Tax talent evolution

How strongly do you agree with the following statements?
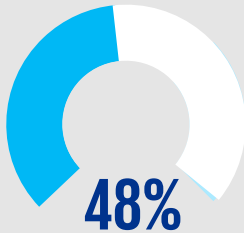*(Those who replied agree or strongly agree)*

Find it increasingly difficult to attract and retain talent for the tax department

49%
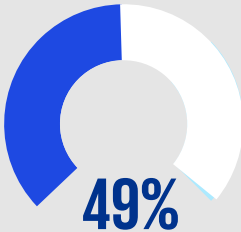
Need staff with both tax and technology knowledge

45%
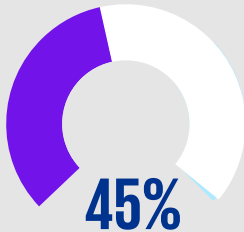
Tax specialists tech skills are in high demand but short supply

48%

Thinking about the hiring requirements for your tax department, are you shifting toward hiring tax professionals that… *(select one)*

19%	22%	59%
Have a strong tax background who can learn technology	Have a strong technology background who can learn tax	Have a healthy mix of tax and technology

48%
of CTO's say tax specialists with technology skills are in high demand, but short supply

Global trends impacting the tax function

Political	Technology	Economic	Social	Regulator
Everchanging tax laws and regulations	Technology-enabled controls	Globalization v. localization	Talent	Digitalization of Tax Reporting
Global tax reform	Intelligent automation	Budget constraints	Digital v. Human labor	"Cost" of non-compliance
ESG	Enterprise data strategy	Outsourcing	Hybrid work environment	Higher stakes = Increased risk and opportunities
Tax transparency mandates	Cloud	Transformation	Evolving workforce skills and desires	Aggressiveness of tax authorities
Corporate citizenship	Cross function business digitization	Data access	Gig economy	
		Mergers and acquisitions		

Technology allows businesses to adapt to the everchanging regulatory environment while managing the cost of compliance and tax exposure.

03
Tax data problem

Tax data problem defined

…the *inability* to **identify**, **collect**, and **leverage** **data** to efficiently and effectively support compliance, planning, and opportunity management within the **tax** function.

Tax challenges

- Poor Data Quality

- Legal Entity Reporting and Tax Sensitive Accounts

- Data Identification and Gathering

- Tax Technology Support

- Limitations of Current Systems

Tax Challenges

The Multiplier: Thousands of Tax **Jurisdictions**, Complex and Changing **Tax Laws**, Numerou**s Tax Types**

How did we get here?

ERPs **CRM**

MRP **HR/Payroll**

- Each team has different objectives
- Data is recorded in desperate systems creating silos
- Implemented to meet immediate needs without future in mind
- M&A activity creates even more diverse technology landscape

Data Strategy

Identify

Store

Provision

Process

Governance

Financial **Tax**

Business Analytics **ML/AI**

- Each team has different objectives
- ETL process is fragmented and data is duplicated
- Data security/privacy is hard to manage
- Available data may not meet reporting requirements

Technology/Systems

04

What is a data supply chain?

Supply chain overview

Main Operations

| Raw Materials | Supplier | Manufacturer | Distribution | Retailer | Consumer |

Tax Process
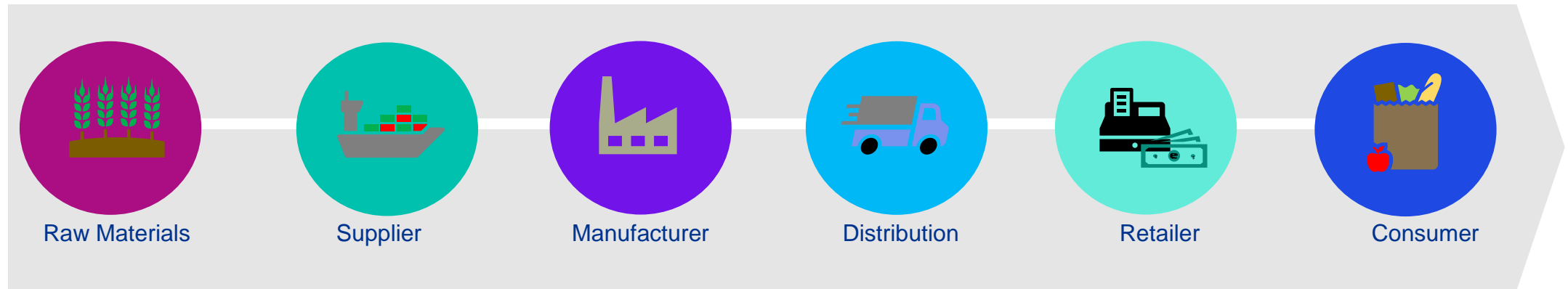
| Raw Data | Collection | Processing | Data Store | Tax Analysis & Workpapers | Tax Reporting & Insights |
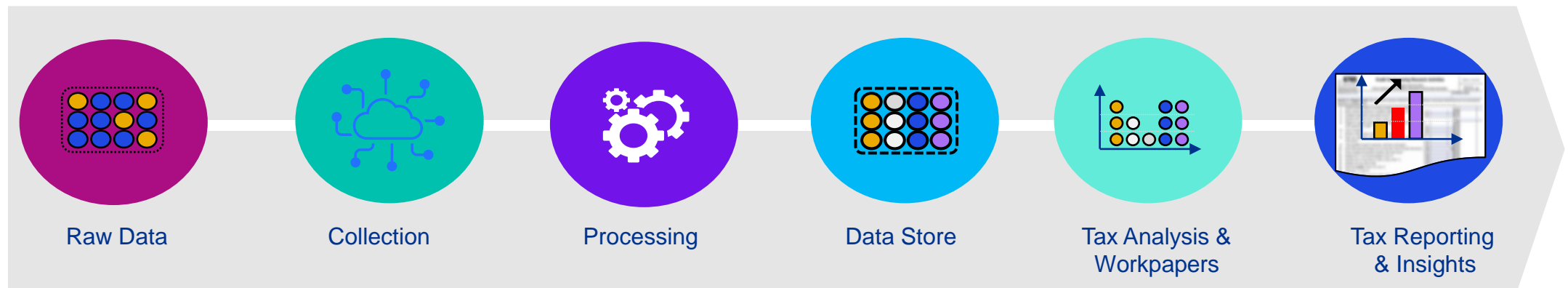
Tax data supply chain management

Tax Process

Raw Data	Collection	Processing	Data Store	Tax Analysis & Workpapers	Management Tax Authority
• Data quality • Data accessibility	• Integrations • Transfer methods • File Format • Privacy • Data Automation • Multiple Data Sources	• Data Automation • Unstructured to Structured Data Conversion • Standardizing Tax Data • Consolidating	• Technology selection • Data architecture • Data lineage • Data Governance • Data Security • Centralizing Data Storage (Data lakes & Warehouses)	• Descriptive Analytics and Dashboarding • Predictive Analytics • Scenario Planning • Data Validation Analytics • Roll-forwards	• Compliance • Provisions and Financial Reporting • Audit Readiness

Importance of a strategy

Reactionary	Strategic

Where can we be next year?

Vision of where we need to be five years from now

GOAL

GOAL

Versus

Where we are now?

Actions taken in response to circumstances

TIME

Where are we now?

Actions driven by strategy

TIME
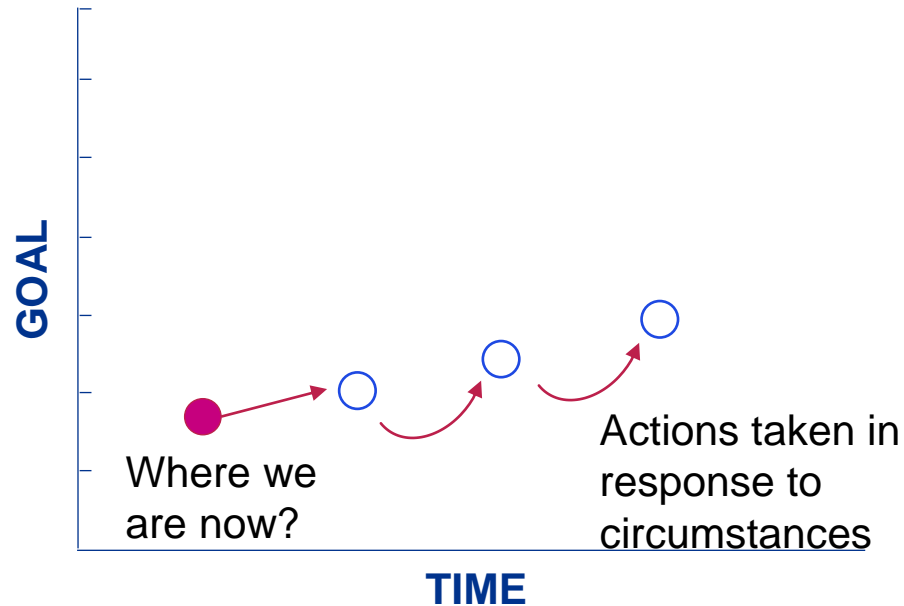
Reactionary planning is one reason companies stagnate
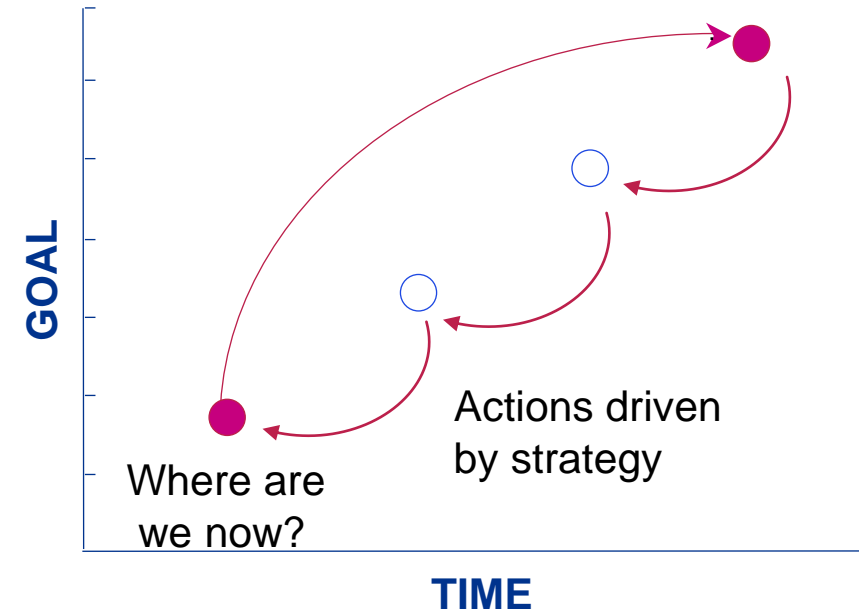
Strategic planning ensures your actions are aligned with your overall vision

So how do we approach data?

Like a supply chain...

Raw Data

Collection

Processing

Data Store
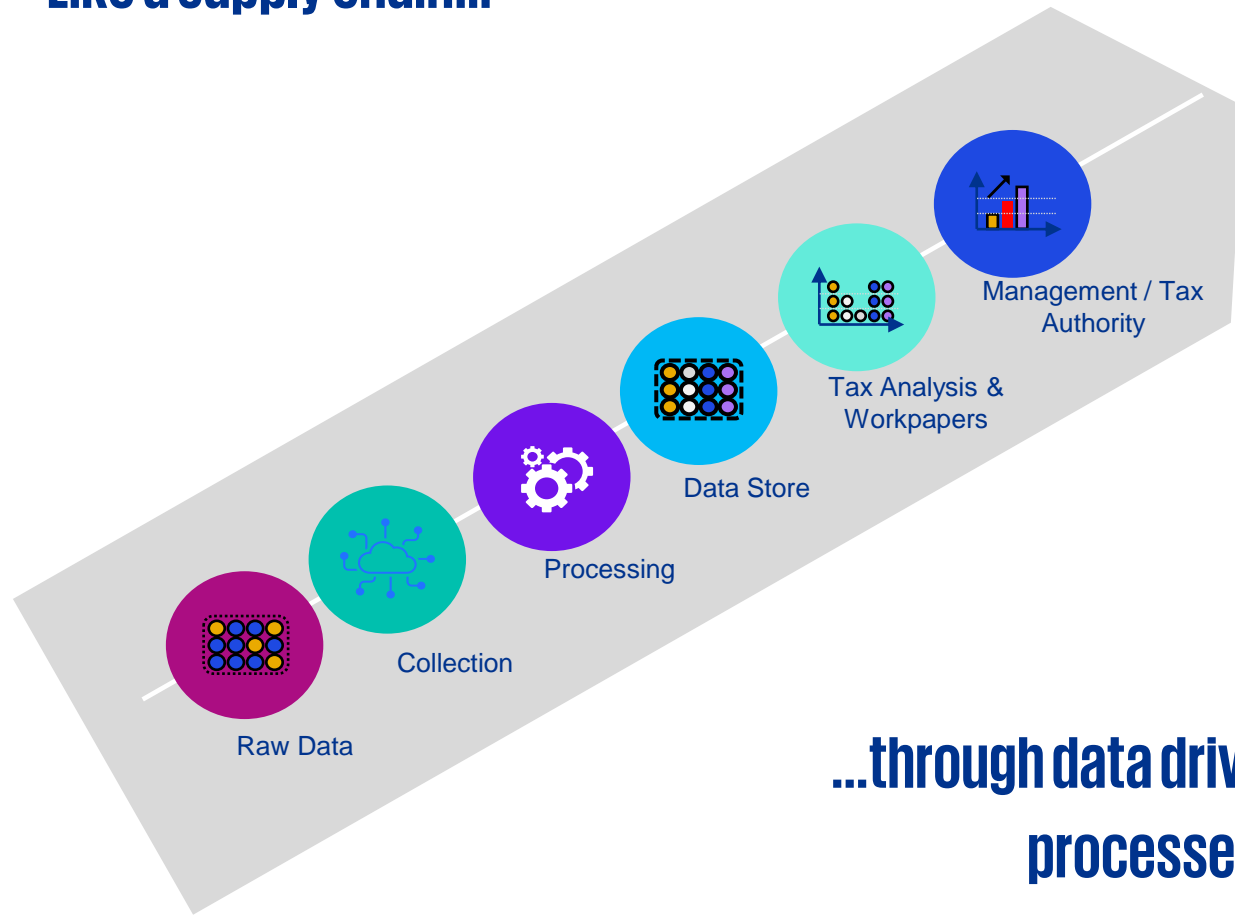
Tax Analysis & Workpapers

Management / Tax Authority

...through data driven processes...

Technology

DATA

Process

People

05

Creating and optimizing your data supply chain for tax

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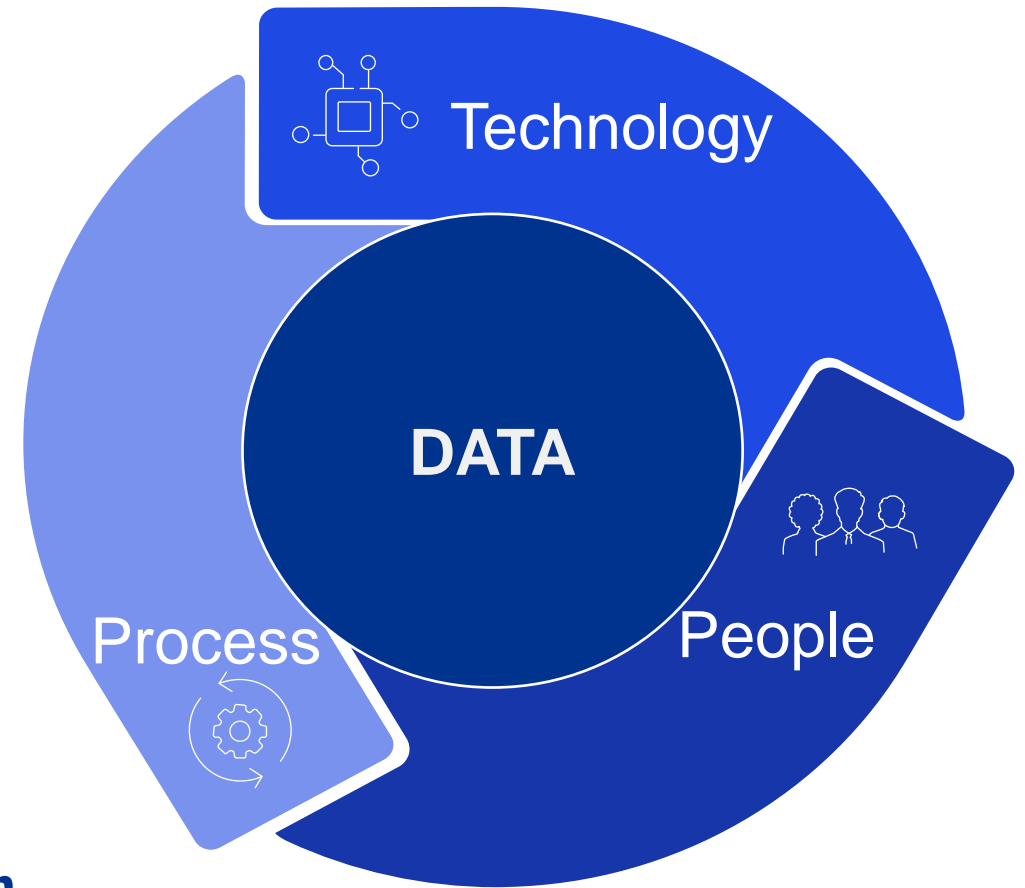
Typical tax data lifecycle
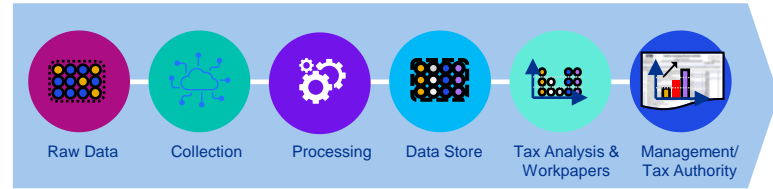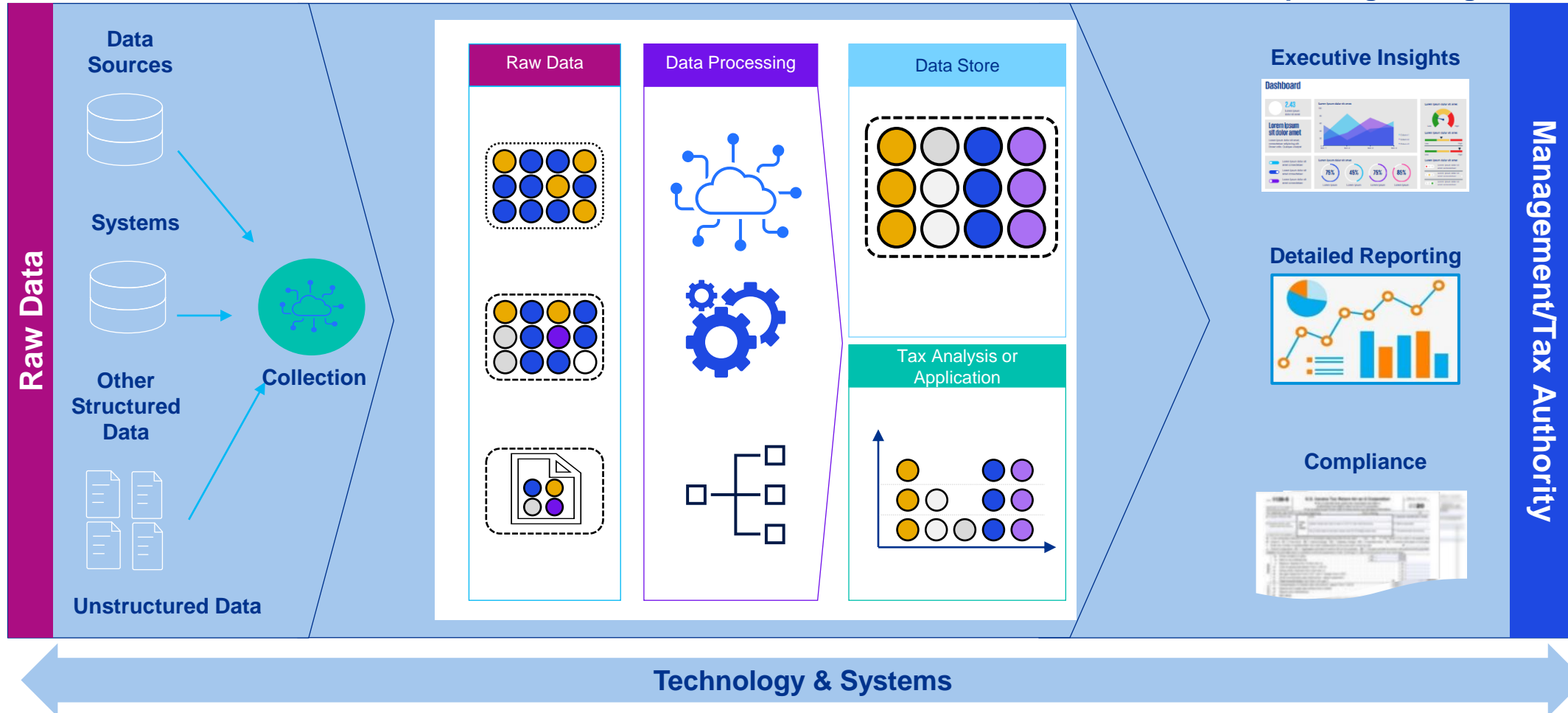
Data management impact analysis

High Impact, Low Effort

High Impact, High Effort

Impact

Low Impact, Low Effort

Low Impact, High Effort

Effort

Solution design workshop

1 Current state processes, data sources and role/ responsibilities

2 Understand pain points, challenges and concerns

3 Future state design

4 RACI/Work plan

Solution design workshop (continued)

1

We don't know the status of our filings

We don't know what we don't know

2

▲

Understand pain points, challenges and concerns

3

Not enough time to review!

I can't get data

We struggle with converting compliance to planning

4

We need more integration

We are always playing catch up

Solution design workshop (continued)

Future state design

The Now

The Hopeful Tomorrow

The Dream

Current state

Encountered

Obstacle

Understand and overcome

Next future state

Ideal state

Solution design workshop (continued)

RACI/Work plan
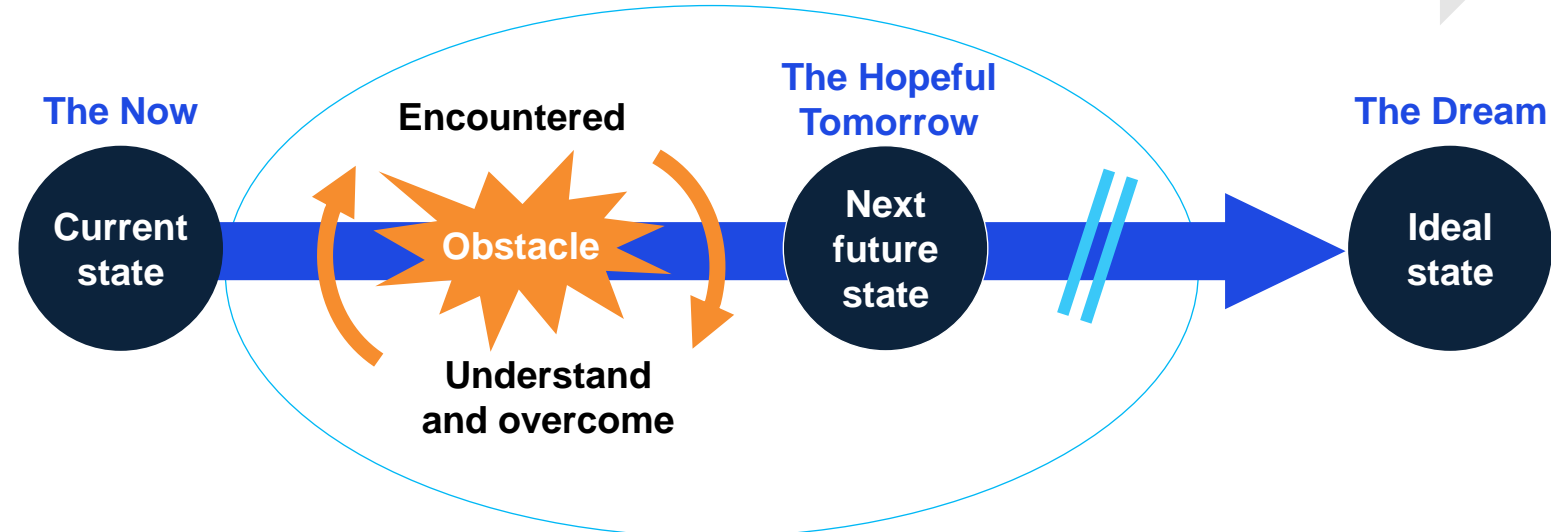
R	A	C	I
Responsible	**Accountable**	**Consulted**	**Informed**

06
Technology & people

It starts with your people

What is Data-Driven Culture

- A strategic mindset where deliberate steps and investments are made to collect, manage, and leverage data as an asset

- A data-driven culture's leaders and teams focus on making decisions and driving outcomes using data insights

Who is the Tax Professional of the Future

- Tax professionals who have the ability to communicate business value and tax rules using data

- Decision makers, tax SMEs, participants, and data scientists have key roles in a data-driven culture

How to Become a Data-Driven Organization

- By empowering your teams with tools and access, so that they have the freedom to explore and ask more of their data

- By thinking beyond ETR and on time returns as tax metrics and instead aligning tax KPIs to corporate KPIs

- By monetizing your tax data through tax planning and savings opportunities

Approaches and considerations

Low-code development platforms empower citizen developers to effectively address the long tail of business applications where demand is often unmet due to resource constraints, domain knowledge or constant change.
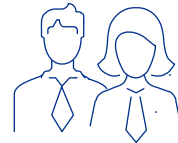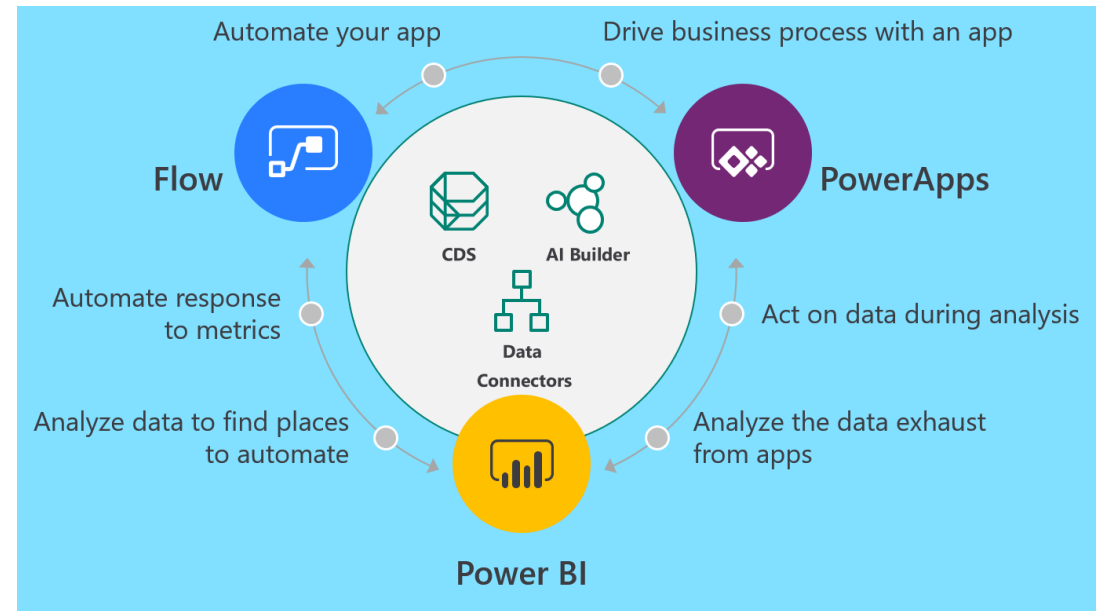
Citizen developers

IT/Admins

Pro Developers

Data producers and consumers		Data engineers and SMEs		Data officers	
Data catalog	**Data Sharing**	**Data quality**	**Master data***	**Data use governance**	**Data privacy**
Business glossary data catalog	Intra inter	Assessment cleaning	Ref. data management master record management	Data policy access governance loss prevention	Privacy operations risk assessment
Publish, discover and curate					

"By 2025, 70% of new applications developed by enterprises will use low-code or no-code technologies, up from less than **25% in 2020"**

Published by Gartner, Inc on Sept 20th, 2021

Automate your app

Drive business process with an app

Flow

PowerApps

CDS   AI Builder

Data Connectors

Automate response to metrics

Act on data during analysis

Analyze data to find places to automate

Analyze the data exhaust from apps

Power BI

When appropriately deployed, Power Platform offers a seamless loop to deliver your tax data connection, automation, collection, review and analysis goals.

Tax technology landscape

Data Collection	Data Automation & Tax Analysis	Tax Reporting & Insights

Raw Data **Collection**   **Processing** **Data Store** **Tax Analysis & Workpapers**   **Management/ Tax Authority**
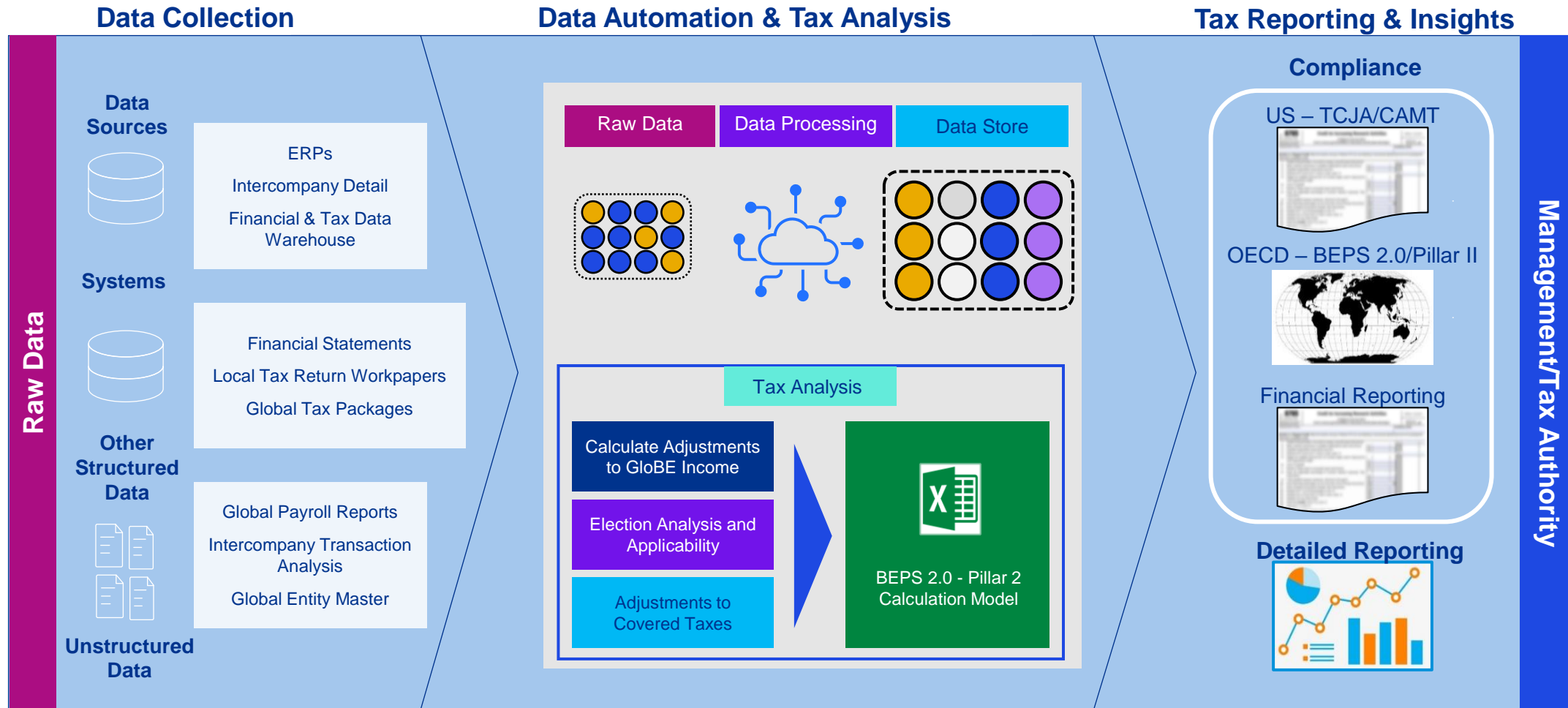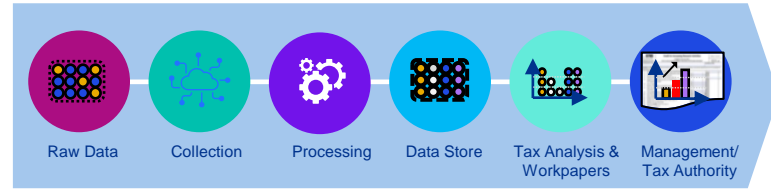
ERP Vendors

Coupa	Oracle	Workday
IBM	Salesforce	Workiva
Microsoft	SAP	

Data Solution Providers

Alteryx	Microsoft	Thomson Reuters
IBM	Sas	
Informatica	Snowflake	

Reporting and Visualization

Microsoft	Tableau	Qlik

Finance Close

Blackline	Thomson Reuters
IBM	Workiva
Oracle	

Cloud Services Providers

Appian	Celonis	IBM	Salesforce	Unqork
AWS	Google Cloud	Microsoft	ServiceNow	VMware

Tax Filling Vendors

Corptax	Thomson Reuters
Longview	Vertex

Tax data lifecycle - BEPS 2.0 Pillar 2

Data Collection

Raw Data

Data Sources

ERPs
Intercompany Detail
Financial & Tax Data Warehouse

Systems

Financial Statements
Local Tax Return Workpapers
Global Tax Packages

Other Structured Data

Global Payroll Reports
Intercompany Transaction Analysis
Global Entity Master

Unstructured Data

Data Automation & Tax Analysis

Raw Data | Data Processing | Data Store

Tax Analysis

Calculate Adjustments to GloBE Income

Election Analysis and Applicability

Adjustments to Covered Taxes

BEPS 2.0 - Pillar 2 Calculation Model

Tax Reporting & Insights

Management/Tax Authority

Compliance

US – TCJA/CAMT

OECD – BEPS 2.0/Pillar II

Financial Reporting

Detailed Reporting

07

Questions and closing remarks

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Q&A

If you submitted a question, someone from KPMG may contact you via phone or email. Or you may contact one of today's presenters directly:

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The player will soon refresh to display an exit survey. Feel free to complete this survey and click the Submit button, your feedback is important to us.

If you met the CPE requirements, you will receive your certificate within 24-48 hours to the email address you entered when logging in. Please send any questions to us-taxwatch@kpmg.com.

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