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2020 European Corporate Tax Managers Survey

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EXECUTIVE SUMMARY

Coming into 2020 with major issues such as global trade wars and Brexit at the top of mind, corporate tax managers' plans for the year were dramatically complicated by the fallout from the COVID-19 pandemic. Suddenly thrust into a remote working environment, the tax function now faces a raft of questions posed around corporate tax, staffing, technology implementation, and supply chain issues.

Indeed, the pandemic and the economic uncertainty it has brought with it are forcing troubling issues, such as business continuity, to the forefront of many tax managers' minds. In previous years, business continuity was not an issue that most tax teams had considered. Now it's become not just a question of having the right resilient technologies; tax teams also have to assess their processes alongside how much work is outsourced versus done in-house, as well as how teams can collaborate and share confidential data with outside service providers securely.

Interestingly, the pandemic has given tax teams a reprieve of sort, in that it has delayed introduction of regulations and allowed teams more time to manage impending or changing regulations — such as those coming from the Organisation for Economic Co-operation and Development (OECD), the European Union's DAC-6, and country-specific digital tax reporting programmes like *Making Tax Digital* in the U.K. Of course, the pandemic has also brought new regulation challenges, such as the temporary changes to value-added tax (VAT) rates in the U.K., Ireland, and Germany.

"By taking a holistic view of end-to-end tax management, companies are increasingly looking to automation as a key driver in process change."

Even in the absence of the pandemic, these tax regulation changes would have been a full plate. Now, however, these issues are adding to the pressure on tax departments to ensure they have clear transparency and visibility over organisational set-up, strategic plans, and existing and future contracts. Unsurprisingly, all of these challenges amid the pandemic have caused short-term setbacks for some companies with regard to this year's tax-reporting season.

Rather than succumbing to the weight of all these challenges, survey respondents said their tax departments are actively preparing to not just meet compliance targets, but to reconfigure the tax function itself, reviewing processes, departmental structure, and the tax technologies utilised.

By taking a holistic view of end-to-end tax management, companies are increasingly looking to automation as a key driver in process change for companies, according to the survey, with compliance software and document management tools being used to replace manual processes. Further, software that looks at specific tax issues, such as global trade or country-by-country reports, is increasingly being deployed in response to a greater focus in these areas from regulators. And companies also are seeking to implement concepts such as shared service centres and global tax resource models to more efficiently group together processes and staff.

Tax managers are certain that the ability to embrace technological innovation is vital to be a leader in the sector. As newer technologies, such as robotic process automation (RPA), artificial intelligence (AI), blockchain, and other developments advance new use cases for the tax department, the profession will increasingly need to understand how to best utilise available technologies. This proficiency can be achieved through a mixture of staff education, the addition of IT or data science roles within the tax department, and both internal support from IT and external support from consultants and vendors.

Given this, it was not surprising that when tax managers were asked what they would spend additional funds on (assuming those funds were on top of their allocated budget and could only be invested in one area) that tax technology was the preferred area of spending (29%), closely followed by adding talent (26%).

Today's tax function is being dragged into the broader challenges of increased efficiency and reduced costs as organisations struggle to balance the business in the new COVID-19 world and beyond. Technology can help, of course, but given current conditions, organisations and their tax teams may find themselves without robust capital budgets to invest. And as organisations look to reduce spending on outsourced services, they may at the same time expect their tax departments to manage with existing or reduced headcounts.

Even amidst this maelstrom, tax departments are on a journey to become digitised and data-driven, survey respondents say. And while the challenges the tax function faces immediately and over the short-term are significant, the ability to harness the power of data via expert deployment of technological innovations will underpin how the tax department successfully responds to these challenges, creates internal efficiencies, and supports the business as a true strategic partner.

Capitalising on digitised tax management: *Optimising people, processes & technology*

The tax landscape at the start of 2020 was dynamic and daunting. Corporate tax managers were dealing with recent changes from regulators, facing increased scrutiny of their global supply chains, and trying to understand where e-commerce developments and digital firms fit into existing tax liabilities. At the same time, geopolitical pressures from issues such as the U.S.-China trade conflict and the U.K.'s exit from the European Union promised to dramatically redraw the cross-border tax picture.

By any measure, 2020 was going to be a challenging year for corporate tax managers.

By early March, however, the exponential growth of the coronavirus pandemic around the world overtook all of these concerns. Practically, the pandemic meant tax departments were suddenly forced to work remotely and manage business continuity issues for this first time as lockdown measures to combat the virus were enforced worldwide. The severe economic shock that many regions continue to experience has forced corporate tax departments to rip up existing forecasts and instead focus on trying to understand the repercussions across their business. At the same time, countries have brought in a raft of temporary measures to mitigate the effect of the pandemic on businesses including VAT rate changes in UK, Ireland and Germany, thereby causing further changes to the tax picture for many corporations.

Into this, the *2020 Thomson Reuters European Corporate Tax Managers Survey* tries to forge some understanding of what corporate tax managers are currently going through, what challenges lie ahead, and how best they can turn those challenges into opportunities. Indeed, the survey results substantiate the various areas in which emerging and established technologies can serve the tax function and highlights the key areas of concern that corporate tax managers are struggling with.

The survey also explores the tax function's place within the corporation and the structure of the department, the regulatory challenges that are top of mind, and the skills and technology that are required to be tomorrow's tax leader.

Methodology

The *2020 Thomson Reuters European Corporate Tax Managers Survey* encompasses feedback from 350 corporate tax managers from Austria, Belgium, Germany, Ireland, Luxembourg, the Netherlands, Spain, Switzerland, and the United Kingdom. The executives represent a wide array of businesses, including consumer products (10%), energy (6%), financial services (10%), healthcare (10%), life sciences (10%), manufacturing (10%), pharmaceuticals (7%), professional services (20%), retail (10%), and telecoms (7%).

The companies surveyed had enterprise-level revenues between €200 million to €499 million (18%); €500 million to €999 million (20%); €1 billion to €4.99 billion (31%); and €5 billion or greater (31%).

In addition, we conducted a series of in-depth interviews in April and May 2020 with 10 senior tax executives from around the globe.

SECTION 1: THE CHALLENGES OF THE CURRENT MARKET

"Geopolitical issues seen before the pandemic have not disappeared, they have merely been pushed back."

One of the most serious impacts of the COVID-19 pandemic for corporations has been the shock the virus has dealt to global and national economic activity.

Unsurprisingly, given these historically low data points, the economy is the preeminent concern for tax managers in 2020. More than half of corporations (53%) say that the global economic environment is front of mind for their organisation, while the domestic economic situation is of pressing importance for 46%. The geopolitical environment, meanwhile, is front of mind for 43% of organisations.

Without doubt, the pandemic and the accompanying economic turmoil are bringing serious issues, such as whether the business can continue operating, to the minds of many tax managers, whom in previous years, would not have thought much about it. This has meant that survivability for many companies is not just an issue of using the right technologies or having the right talent, it means that tax teams need to holistically assess all their processes in this new environment, with heightened alert over security, remote working, and controlling spending.

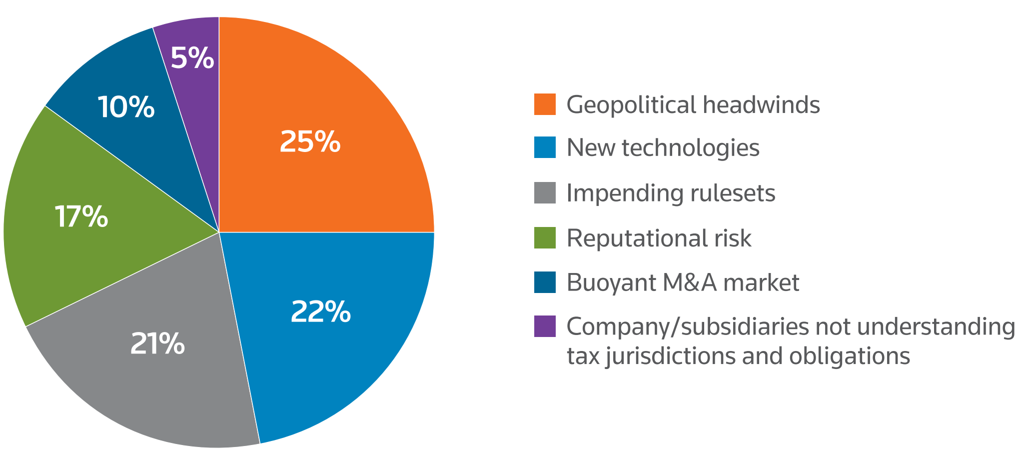
As organisations struggle to balance their business in the current environment and beyond, they may find themselves pressed on capital budgets, outside spending, and staffing issues. Their tax teams, among all other business units, will feel this pressure and no doubt be asked to share in the pain.

As tax teams move forward in these times, these critical concerns, more than any other, will continue to dominate until the pandemic passes.

Macro issues still a top concern

Even before the pandemic, macro issues — such as the U.K.'s exit from the E.U. and trade tensions between the U.S. and China — saw the threats of a variety of cross-border tariffs and tax changes bubble up. These issues remain and will likely cause even greater challenges as the world looks to emerge from the pandemic. Not surprisingly then, one-quarter (25%) of all tax professionals surveyed said the current geopolitical headwinds around the world remain a top concern.

Figure 1 – Which area of tax reporting provides the biggest challenge for your organisation currently? And in the next two years?



Other key issues

In the survey, corporate tax managers cited several other issues that present certain challenges to their tax function, including:

Digital tax reporting

Perhaps the biggest single challenge to European tax departments is the rapid advancement of digital tax reporting. Most tax authorities are now working to remove as much human interaction as possible in the compliance process, leveraging automation and analytics to crack down on evasion and fraud. These new data submission and electronic auditing requirements are challenging corporate tax departments to keep pace, forcing reviews of internal tax compliance processes and technology as tax authorities demand more data and transparency. Businesses must also keep abreast of new rules, understand their impact and cope with the speed of change, among other challenges.

Many national tax authorities are choosing the value added tax (VAT) to start their digital tax journey before moving on to other tax types and accounting treatments. Although tax authorities are seeing the benefits of collaborating across jurisdiction, most are choosing their own digital tax reporting standards. Even though the OECD's Standard Audit File for Tax (SAF-T) is gaining traction in Europe, the design and implementation of digital reporting standards generally occur at the national level, resulting in numerous differences. In the U.K., the *Making Tax Digital* programme is well advanced with the approaching deadline for April 2021 adding more requirements for automation and penalties for non-compliance. This variation in standards and implementation timelines adds further to the challenges of compliance for larger organisations.

Further, tax teams also face the challenge of the increased mandatory use of electronic-invoicing in many countries where regulators are requiring automated document exchange connections.

Although the compliance burden across Europe varies, the direction of travel is obvious — the time to submit returns is being reduced while the amount of data required is increasing. This is driving tax teams to look beyond the compliance process in isolation and to manage VAT holistically in order to improve tax calculation accuracy in source systems. Compliance can no longer be an afterthought, rather it must be part of the complete VAT lifecycle.

Digital tax differences

Further, tax policies in countries across the world are being rewritten as governments attempt to add new rulesets or expand existing legislation to account for the lucrative digital sector, as with France's Digital Services Tax. The lack of standardisation from country to country, however, poses a challenge for corporations worldwide.

Policy inconsistencies between jurisdictions are having an impact across the entire supply chains of large multinationals. Corporations are realising they need to keep up to date with information from tax authorities in every jurisdiction in which the company already operates, as well as in those it plans to in the future.

The OECD's BEPS initiative

Alongside the various national developments of digital tax legislation, some of the biggest changes to hit the tax world in 2020 are the base erosion and profit shifting (BEPS) proposals from OECD and G20. Domestic BEPS practice uses the differences between countries' tax systems to mitigate tax responsibilities. The OECD says that BEPS practices cost countries between $100 billion and $240 billion (USD) in lost revenue annually, the equivalent to 4% to 10% of total global corporate income tax revenue.

Through the OECD/G20 Inclusive Framework on BEPS, more than 135 countries are implementing a 15-point action plan to tackle this resource drain. In addition, 2020 is due to be the year that the two pillars of BEPS — revised nexus and profit allocation rules, and the global anti-base erosion proposal — are finalised.

Not surprisingly, when survey respondents were asked to look down the road to 2022, one-quarter of them (25%) identified these impending regulatory additions and changes as their biggest challenge, an increase of four percentage points compared to the 2020 score.

Assessing tax authority performance

The survey also found that corporations tend to favourably assess their national tax authority. More than three-quarters of tax professionals (78%) either agree or strongly agree that their national tax authority takes a considered view of an issue before regulating it. Tax authorities are also likely to offer tax breaks or other inducements to entice multinationals to set up shop in their jurisdiction — approximately two-thirds of tax managers (67%) say that their tax authority is prone to so-called 'sweetheart' deals with large corporations.

Data duplication

Overlap or fragmentation of government activities can have the unintended consequence of creating unnecessary duplication of tax data for corporations. This is a serious issue when operating in a single jurisdiction, and can be made even more challenging when operating across multiple national borders or within a supranational organisation such as the E.U.

The survey found that virtually all tax leaders (99%) experience unnecessary duplication of at least 11% or more of their tax data across jurisdictions, with a similar overwhelming number (98%) reporting the same in their domestic jurisdiction. Having 31% or more unnecessary tax data duplication is a problem for around one-third of all corporations, both across national jurisdictions (33%) and within domestic jurisdictions (32%).

Getting to grips with technology

New technologies represent the second biggest challenge for tax departments over the next two years. Response in this area remains fairly stable in terms of how many tax professionals see new tech as a big challenge for their organisation (21%, down just one percentage point compared to 2020). This consistently strong concern reflects the importance of understanding the variety of tax technologies available, as well as which ones are particularly suitable for the specific organisation.

Tight tax department budgets require thoughtful investment. Ensuring that comprehensive technology education is provided to current staff, along with the hiring of new, tech-adept employees, will be important to ensure that management of systems and data is as efficient as possible.

Figure 2 – How important is OECD BEPS for your tax function to manage, today and in the next three years?

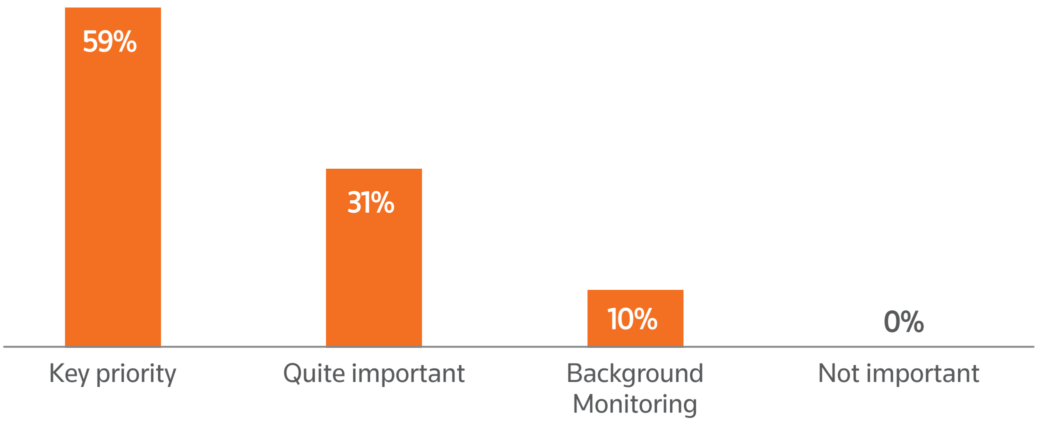
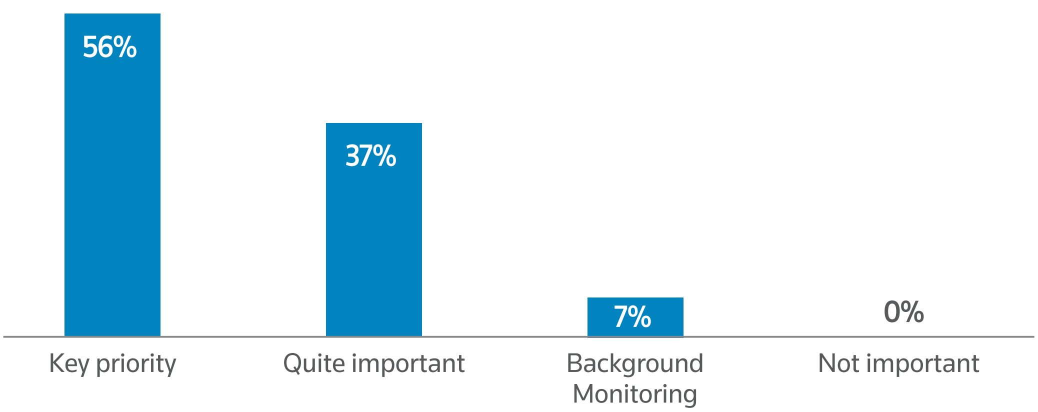


Figure 3 – How important is EU state aid investigations for your tax function to manage, today and in the next three years?



> *"New technologies represent the second biggest challenge for tax departments over the next two years."*

SECTION 2: BUILDING RESILIENCE IN THE CORPORATE TAX FUNCTION

If tax departments want to successfully navigate the challenges of the future, they need to build resiliency into the tax function. To deliver true corporate efficiency, the hours spent managing compliance, the expense of external tax advice, and the cost of tax technology all need to be factored in by tax managers, and considered with their own organisation's structures and geographical spread.

This more holistic perspective on the tax function processes also enables managers to discern key ways that resilience can be cultivated.

The pressure to do more

As the survey has shown, the burden on tax professionals continues to increase. At the same time, the pressure to do more with less as a tax department is forcing managers to be smart with their resources. Managing the compliance and reporting side of tax is arguably the biggest challenge faced by today's multinational tax departments, according to our survey.

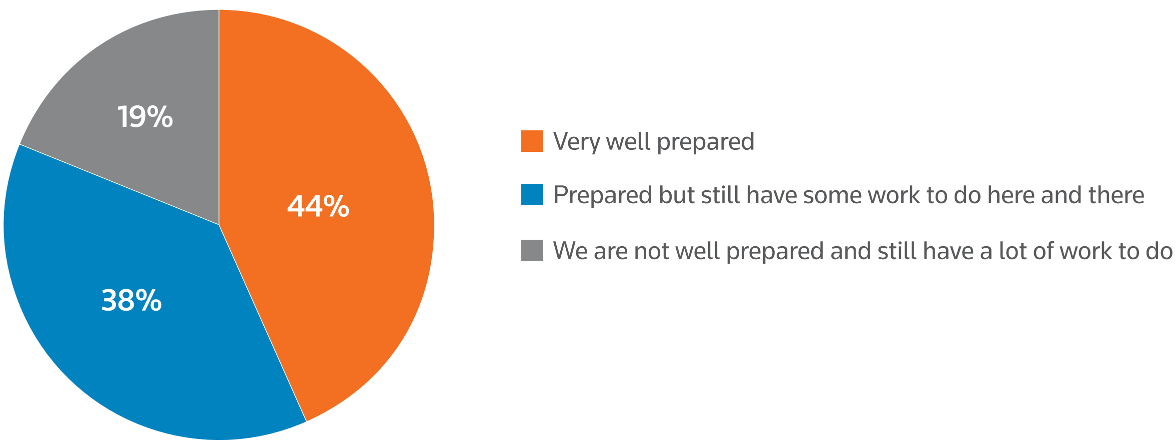
That said, corporations seeking to thrive in this context must develop deep competencies in several critical areas, including understanding their direct and indirect tax exposures and gaining access to full transparency over organisational flows of funds and data. Not surprisingly, well-planned investment and expertise in emerging technologies are the crucial overarching factors in making this process a success.

Figure 4 – How prepared is your tax department for the current tax reporting season?

The survey reflects the challenges that companies are facing in their tax reporting this year, as the fallout from the COVID-19 pandemic continues to hinder businesses and their supply chains. More than two-thirds (69%) of tax professionals surveyed say that they still have more preparation to do in order to be ready for the current tax reporting season. And more than one-third of all companies (37%) said that they are not prepared for the reporting season and have lots to do in order to be ready. By comparison, only 31% say that they are very well prepared.

This perspective appears to be unique to 2020, however, as tax professionals say that their tax department is in better shape for the *next* reporting season in the following financial year. A large majority of tax departments (82%) are prepared to some degree for the following year's tax reporting season, including 44% overall that say they are very well prepared — 13 percentage points higher than those with a similar confidence this year. Only 19% of companies said they are not prepared and have a lot to do for next year's tax reporting season, which is 18 percentage points lower than those in a similar position for this year's reporting.

Figure 5 – How prepared is your tax department for the next financial year?



Given this atmosphere and the need for tax departments to meet these challenges, there are several ways they can improve the resiliency within their teams and place them on stronger footing for what is ahead.

Taking a holistic approach

Taking a holistic view of tax function processes can facilitate better alignment of the reporting element of tax management. It can help tax teams uncover any gaps that exist across the tax and compliance area, allowing the global tax manager to develop improvement initiatives that can drive efficiencies in both the reporting process and other vital company tax processes.

The trend for corporations to manage finances in regional shared service centres has led to the management of local country tax reporting often being regionalised as well — and this has its benefits. Indeed, tax departments should consider the steps involved in offshoring the management of local country tax reporting with an eye toward seeing if that is the most efficient and cost-effective way to do it. Often, when the function is not performed in-house, this process involves a range of potentially inefficient elements, including engaging a service provider, collecting the information necessary to complete the filings, coordinating with the statutory auditor, escalating issues when appropriate, and, in many cases, signing the statutory filings and tax returns.

Standardising the execution and delivery of these tasks lets companies realise the benefits of regionalisation. Automation plays an important role in this, of course, by providing the tax manager with more flexibility in determining what tasks should be delegated to internal staff, shared service centres, and external providers.

It is also crucial to remember that automation brings the potential advantage of being able to better curate current data sources, which could, in turn, positively impact global tax reporting. The overall effects of this complex dynamic should therefore be carefully managed throughout any automation implementation process.

Increasing data visibility

The complexity of regional accounting and tax rules makes it critical for compliance and reporting processes to be organised in a way that ensures visibility to all relevant groups. Companies also require effective controls to escalate issues when they occur, while maintaining proper review and oversight.

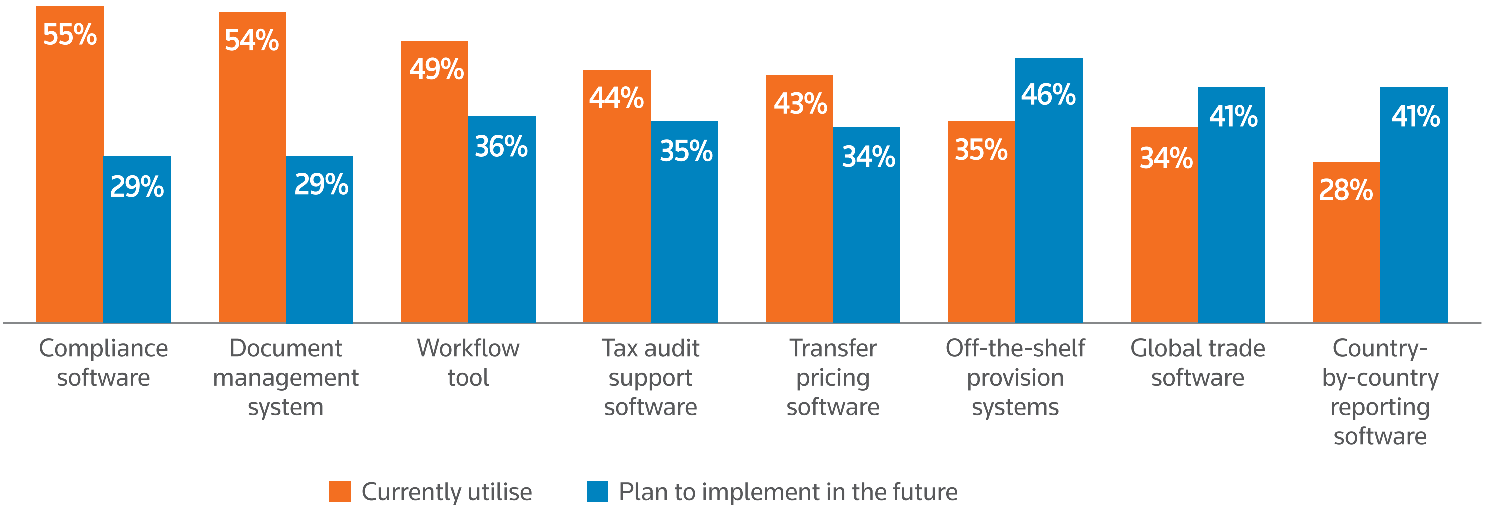
For some organisations, tax processes are labour-intensive and still rely on manual information gathering. Collating and processing accounting information, for example, can be time-consuming and may lead inadvertently to errors and manual manipulation of the underlying data.

By identifying a company's reporting requirements, tax managers can determine the blueprint for a system configuration that best serves these requirements at optimal efficiency. This approach can significantly increase both the quality and quantity of tax-relevant data over which the function has visibility.

> *"By investing in reporting technology, the tax function is able to optimise data sourcing and standardise tax document management."*

According to the survey, the most commonly used types of technology used by tax functions are compliance software (used by 55% of companies) and document management systems (54%).

Figure 6 – Which types of technology does your tax function utilise?



While global trade software (34%) and country-by-country reporting software (28%) are not used by companies as much as other types of technology today, they are both on the corporate radar for use in the future. More than 40% of corporations identified these two technological options as tools that their tax department is planning to implement in the future.

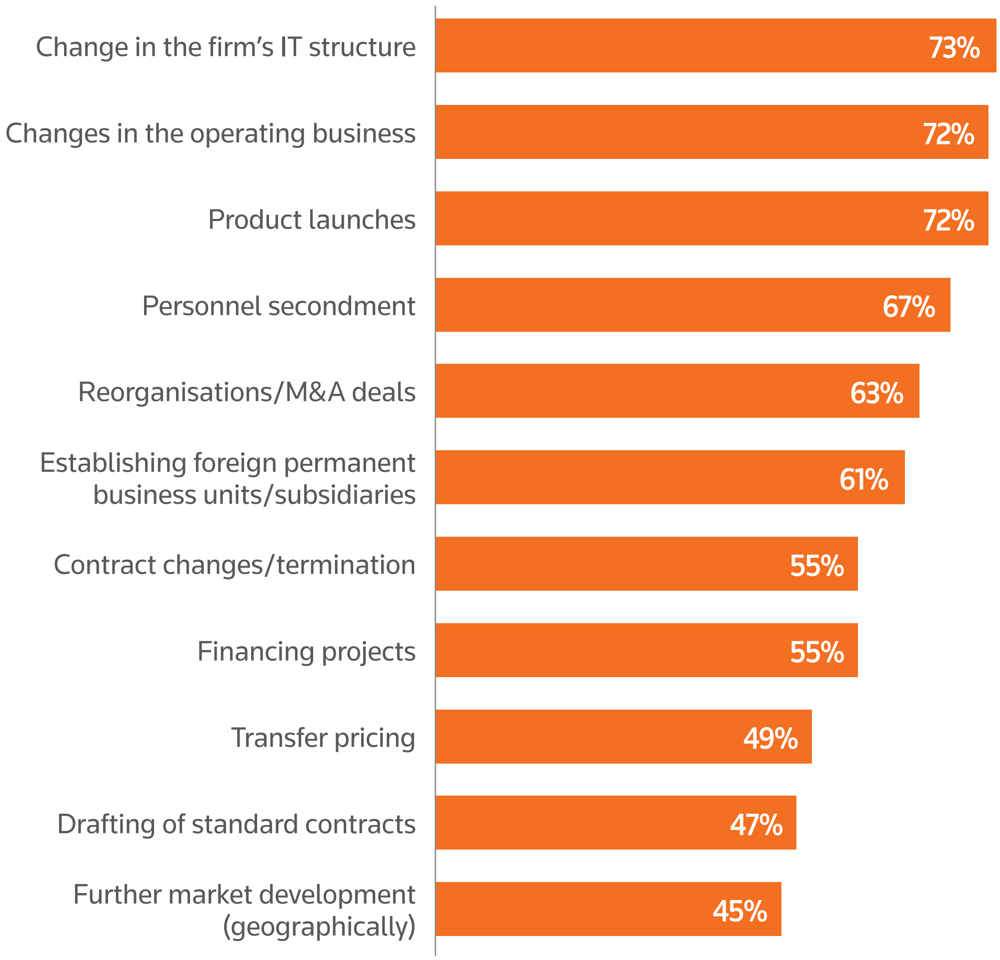
The technology that is most popular for future implementation is off-the-shelf provision systems, with almost half of companies (46%) reporting that they are planning on implementing such systems in the future, reflecting the increasing importance of data visibility for the tax function.

By investing in reporting technology, the tax function is able to optimise data sourcing and standardise tax document management across groups and geographies. The precise and comprehensive definition of a tax function's data requirements will assist the integration of tax and finance systems and, ultimately, improve and streamline the tax reporting process.

Getting closer to other parts of the business

As the tax department is looking at data from all across the organisation, it will become increasingly important for it to gain proximity to other relevant business units in order to both access data and provide guidance on how that data may impact the company as a whole. Three key areas where business functions particularly interface with the tax department are *i)* changes in the company's IT structure (identified by 73% of survey respondents); *ii)* changes in the operating business (72%); and *iii)* the launch of new or updated products (72%).

Figure 7 – In which areas does specific tax policy or general corporate governance require other business functions to involve the tax department?



Other key areas cited by survey respondents as those where the tax function often aids the business include personnel secondment (identified by 67% of tax professionals), reorganisations and M&A deals (63%), and the establishment of foreign permanent business units or subsidiaries.

Using technology to manage tax data

Successfully managing all of these various corporate activities requires access to a vast amount of data, both internal corporate information and external tax requirements and thresholds.

Clearly, technology can play a critical role in supporting the tax department, thus adding value to the business. Having a system that automatically tracks tax rates and rule changes is essential for tax teams in order to keep current with everything that is happening across all of the jurisdictions in which a company faces tax liabilities. By automating this process, tax staff are freed up to spend more time pursuing strategic projects that bring additional value to the company, while lowering costs and reducing the possibility of errors and penalties further down the line.

Tax solutions and enterprise resource planning (ERP) systems have long provided valuable assistance for tax managers. Alongside these familiar tools, newer cutting-edge technologies — including blockchain, RPA, and cognitive technologies, such as AI — increasingly are being applied to the sector. These newer additions help manage the vast quantities of data demanded by modern tax compliance.

With these new solutions now entering the space, the technology available to support tax professionals in managing the compliance and reporting burden is taking another leap forward. Departments that invest in these agile and innovative technologies, along with the skill sets needed for their optimal deployment, stand to reap substantial advantages.

SECTION 3: WHAT DOES THE CORPORATE TAX DEPARTMENT OF THE FUTURE LOOK LIKE?

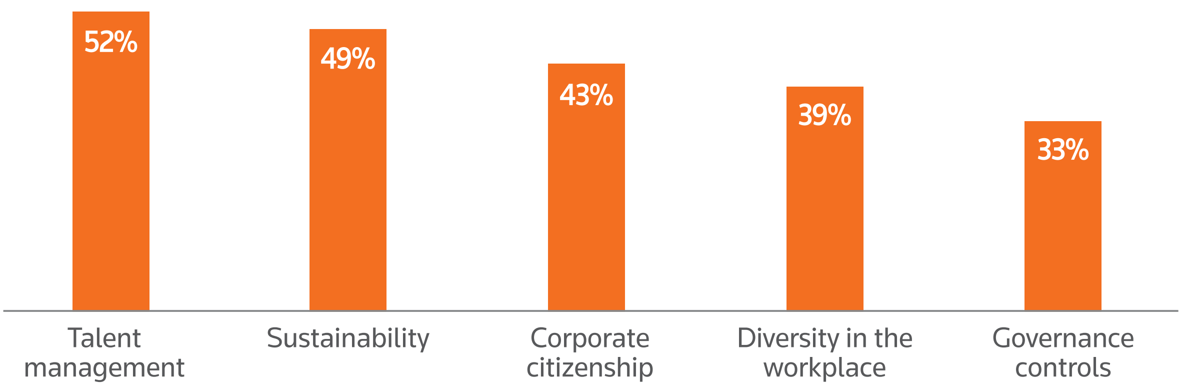
Given the significant changes impacting the global tax landscape, corporate best practices in tax management are naturally evolving as well. Topics such as sustainability, governance controls, and corporate citizenship are becoming embedded into the tax function, while the implementation and publication of a tax strategy are increasingly important.

Tomorrow's tax leader will need to cultivate additional skillsets to improve upon the best-in-class of previous years, as new tax technologies become essential and the influence of the tax department on a company's organisational structure grows and evolves.

Assessing today's tax strengths & challenges

Tax managers are particularly bullish on their approach to talent management, according to our survey, with 52% identifying their organisation as a leader in this regard. A focus on sustainability is also paying off for tax departments, as 49% of respondents said they believe their company is a leader in this area.

Figure 8 – How well do you rate your organisation's approach to:



In other areas, tax managers are less confident about the performance of their organisation. When it comes to governance controls, only 33% of tax professionals identify their company as a leader.

With increasing pressures from regulators for transparency over tax reporting and compliance, this figure is worrying, as departments require clear documentation of tax processes and controls testing to ensure good tax governance, as well as clear channels of communication to senior management in order to provide insight and updates on any tax issues.

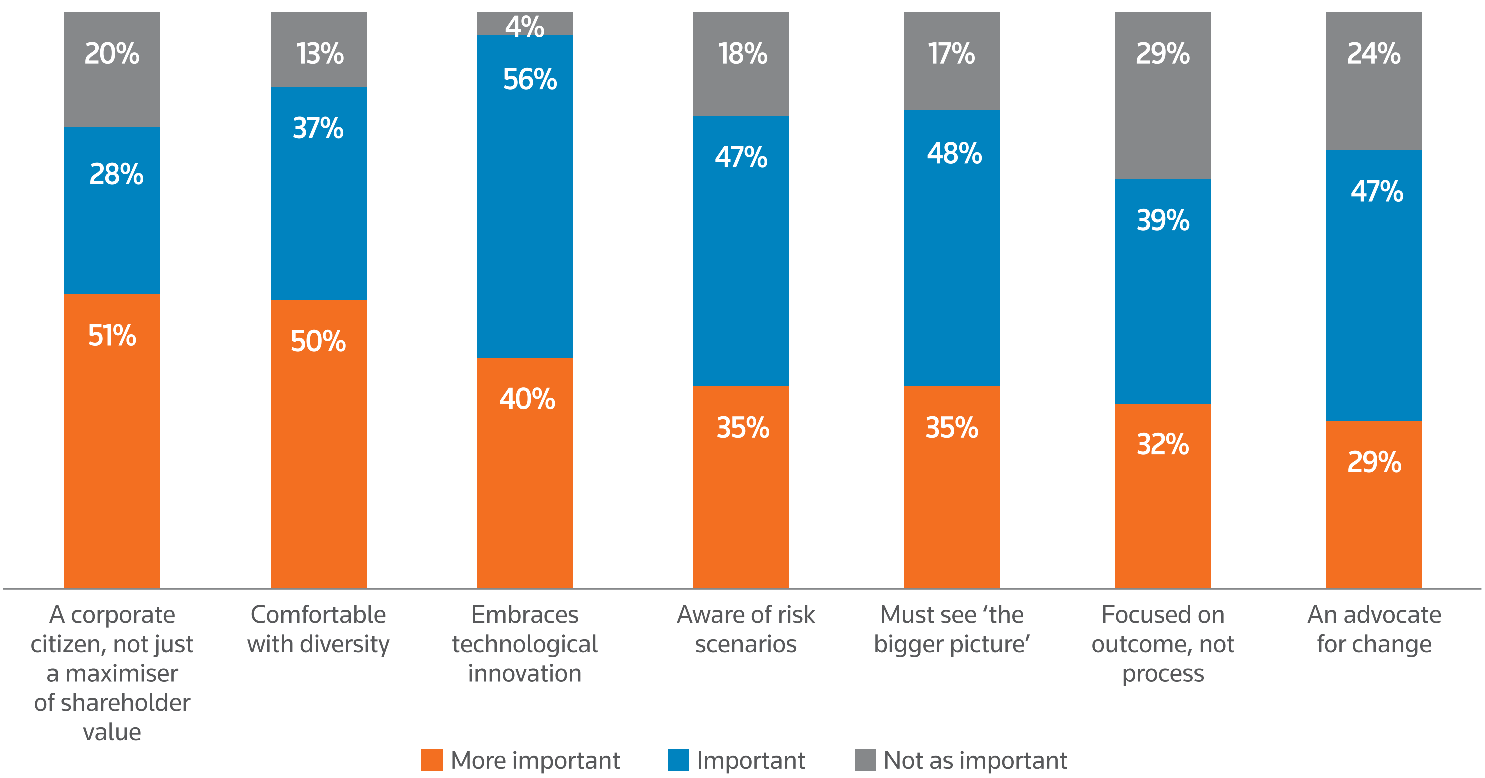
"Technology can be used to support good tax governance, again bringing visibility to data management and reporting."

Technology offers one solution to this leadership dilemma, and it can be used to support good tax governance, again bringing visibility to data management and reporting.

Technology's role in enabling tax managers to do an efficient job is nothing new, as tax systems and enterprise resource planning (ERP) system modules have long provided, and continue to offer, valuable assistance. Alongside these familiar tools, newer exponential technologies — blockchain and robotic process automation as well as cognitive technologies, such as artificial intelligence — are being applied to the sector. These newer additions help manage the vast quantities of data demanded by modern tax compliance.

Indeed, survey respondents strongly cite technology an essential factor in determining who tomorrow's tax leaders will be, with 96% of tax professionals today saying that the ability to embrace technological innovation will be as important or more important to the tax leader of the future than it is today. Overall, 40% or respondents reported that this attribute will be *more important*, which underscores the tax profession's ever-more data-driven journey.

Figure 9 – In terms of "tomorrow's tax leaders", how will their skillsets differ from those currently required?



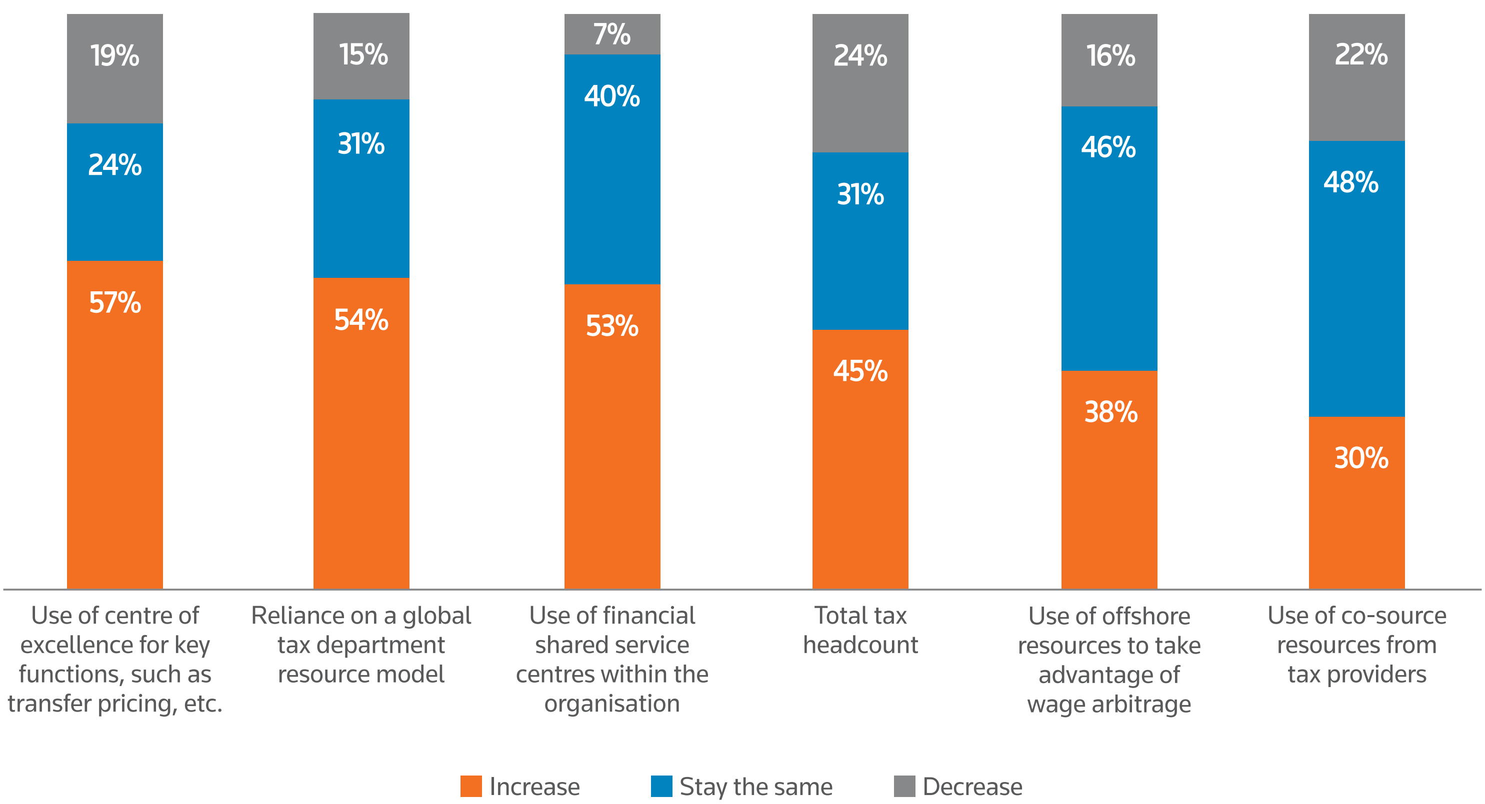
"Survey respondents strongly cite technology an essential factor in determining who tomorrow's tax leaders will be..."

Optimising organisational structure

When our survey asked tax managers to look out to 2025, they said that they anticipate their tax resource model becoming more centralised than it is today. More than half of tax professionals (57%) said they expect their use of a centre of excellence (CoE) to increase. A CoE brings numerous specific tax specialties together in one place, offering a comprehensive resource for everything from planning domestic and worldwide income tax strategy to monitoring legal and regulatory developments, interacting with tax authorities, and more.

The CoE is often deployed in conjunction with a shared service centre (SSC), a facility in which repetitive and non-strategic tasks can be centralised, such as reconciling tax accounts and previewing domestic and global tax reporting. More than half of tax managers (53%) anticipate the use of SSCs will increase over the coming five years.

Figure 10 – How do you anticipate tax resource models changing over the next five years in your organisation?



Over the next five years, the way that tax professionals use the systems that supply them with data will also change. Approximately two-thirds (65%) of tax managers said they plan to increase their use of a tax data warehouse to support their processes. This type of technology can integrate tax data from all corners of the company into one single version for tax purposes — an extremely powerful proposition.

Implementing new tax technologies

The crucial ability to embrace technological innovation is not just a far-off aspiration for the tax leaders of tomorrow. New technologies that can drive significant efficiencies and controls into corporate tax operations already are widely available today.

Artificial intelligence

Tax research is often complicated by numerous variables, including jurisdictional discrepancies, regulatory changes, and multiple interpretations of the law. To clear away the clutter and find the most appropriate answers, today's advanced tax technologies can be programmed to recognise tax-specific nomenclature, terms of art, acronyms, legal frameworks, conceptual relationships, and much more.

Artificial intelligence and other cognitive tools can be used for such predictive work, including modelling the impact of a new regulation or gauging likely outcomes from a tax audit based on previous results. This type of information is critical for tax compliance and can bring enormous value to overall company management.

For example, corporate tax professionals routinely face complex and ever-changing tax codes, shifting trade rules, and increasingly strict rules of compliance. This can place tax professionals in the unenviable position of needing to provide correct answers quickly while also needing deep and thorough research. Tax technology that includes AI-enabled elements can help provide the right information far more quickly and seamlessly.

Robotic process automation

Robotic process automation is perhaps the simplest "new" technology included in tax technology solutions. This valuable tool can help manage repetitive tasks, correct errors, and even find additional data elsewhere in the files, if necessary.

Indirect tax, for example, is a prime candidate for RPA adoption. Manually addressing related areas every month, such as with exemption reconciliations and reverse audits, can be time consuming and repetitive. On the direct tax side, too, simple tasks, including printing pro formas and filing returns, can be hugely time-consuming for large corporations.

Blockchain

Blockchain technology — an open, distributed ledger that records and verifies transactions without any trusted central authority — offers several promising potential uses for the tax function. These include traceable audit trails, automated audit processes, the authentication of transactions, tracking ownership of assets, and the development of smart contracts. Blockchains are resistant to modification of data and cannot be retroactively altered.

Overall, these technological tools are ready to support the automation of tax processes, providing a level of safety, reducing errors, lowering costs, and contributing to department efficiency. Tax managers surveyed said they believe that this automation process and the use of these tools will have an inevitable impact on the corporate structure of the tax function.

A majority of tax managers (60%) said that by eliminating manual processes wherever possible, they believe it is very likely that they will be able to give more focus to value-added tasks. More than half (55%) said they believe this will make the tax department increasingly autonomous, although 48% said they do see automation leading to the tax function being gradually more absorbed into the broader finance function.

People and processors in perfect harmony?

Given all of these exciting developments within tax technology, it is crucial that tax departments also engage and train personnel to make the best use of these emerging tools. The finest automation and insight analytics tools won't drive value if the team isn't aligned with them, or — worse yet — doesn't transform their activities to best utilise these tools.

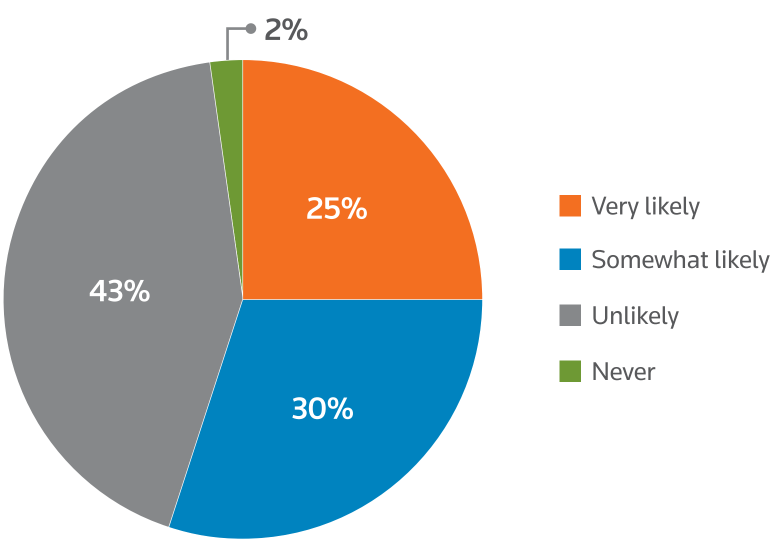
In this fundamentally multifaceted milieu, the tax function needs both tax professionals who understand technology, and technology professionals who know tax. A diverse tax team should include members of both groups who can collaborate to deploy data and analytics in tandem with the available technology to best provide true digital insight.

One area of note is tax managers' approach to headcount. Despite technology bringing automation to manual processes, 45% of responding tax managers said that the prospect of ensuing headcount reductions is either unlikely or will never happen. This compares to a mere 25% who say that scenario is very likely.

"Despite technology bringing automation to manual processes, 45% say that the prospect of ensuing headcount reductions is either unlikely or will never happen."

Managers' confidence in a sustained headcount may well be based on the type of staff that tax departments are hiring. As corporations adopt digitisation and pursue a data-driven approach, the skills of the staff within the tax function need to adapt accordingly. Hiring employees with the technology and data management skills to get the most out of the available technology will be high on many corporations' shopping lists.

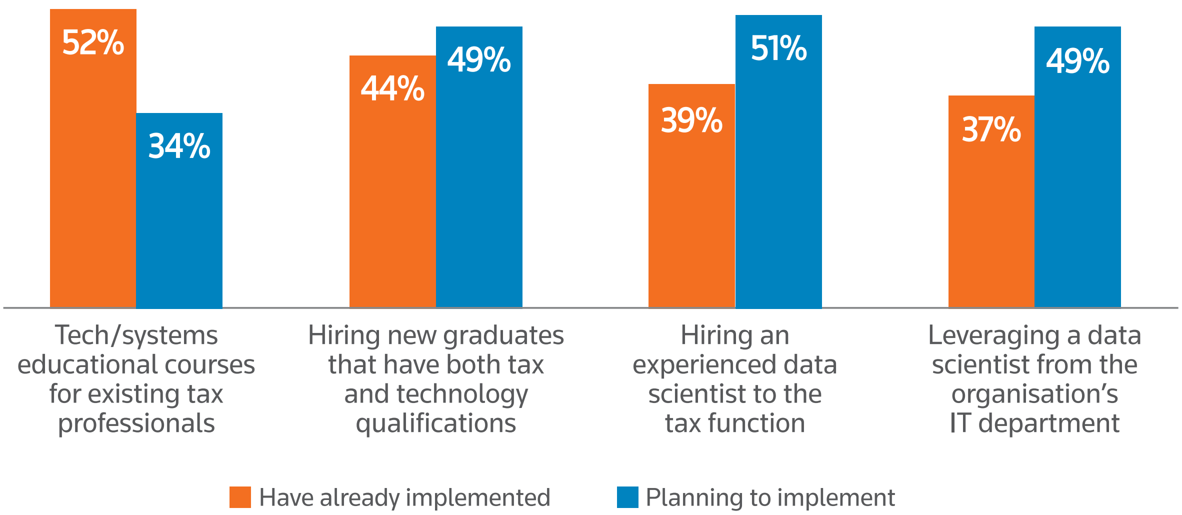
Figure 11 – Do you expect that increased automation will reduce headcount in the tax function?



SECTION 4: THE LOOK AHEAD

In conclusion, the challenges facing the modern tax manager are considerable, but they can be successfully managed. New and evolving technologies — robotic automation, AI, and blockchain — offer hope via their ability to automate and process the vast swathes of data across multiple dynamic jurisdictions that today's corporate tax departments must handle as a matter of course.

Figure 12 – How is your tax function adapting to the opportunities that technologies such as big data analytics, machine learning, and AI offer?



Indeed, tax departments are on a journey to become a fully digitised, data-driven function within their organisations. Adapting to the opportunities that technology offers takes time, and corporations move at different paces, but vital steps should be taken, nonetheless. More than half of all tax managers (52%) say that they have implemented technology or systems for existing tax professionals within their firm, while 44% have already begun hiring new graduates with both tax and technology qualifications.

Hiring an experienced data scientist to the tax function is top of the list of strategic moves that tax managers are planning to implement, with 51% saying it's a priority. In addition, almost half of all tax professionals (49%) are planning to leverage a data scientist from the organisation's IT department. Capitalising on the right mix of tech and personnel is clearly a key imperative for tax managers.

This point was underlined by the response to a survey question asking what tax managers would spend additional funds on, assuming those monies were on top of their allocated budget and could only be invested in one area. Tax technology was the preferred area of spending (29%), closely followed by additional personnel (26%).

"Tax departments are on a journey to become a fully digitised, data-driven function..."

Key takeaways

There were numerous key takeaways from our survey of corporate tax managers, among the most important are:

- The COVID-19 pandemic has clearly had an impact on tax departments' reporting capabilities this year, but the fallout from this global crisis is primarily a short-term issue for 2020.
- The bigger ongoing concerns, for both this year and beyond, revolve around the geopolitical climate and impending rulesets. Anything that has the possibility to dramatically shift the tax landscape, from a flare-up in a trade war to additional transparency requirements, is top among tax managers' concerns.
- Reflecting the various challenges that tax departments are facing, many are reviewing their entire end-to-end tax processes, in order to implement the right tax technology solutions within the function. Most of interest now: Software that facilitates activities such as global trade and country-by-country reporting.
- With the structure of the tax department optimised and processes digitised to create efficiencies, the function is set up to become a strategic partner to the business, especially when tax advice is sought elsewhere within the organisation.
- Emerging technologies are enabling near real-time tax reporting. Cutting edge tools such as RPA, AI, and blockchain can be deployed — separately or more powerfully, in combination — for much of the work that the tax department covers today. And tax managers say that increased technology utilisation will not result in a loss of headcount for their function.

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