

The State of Tax

Challenges Facing the
Modern Tax Director

How Can Technology
Transform Tax?

How Can SAP
Help You?

Future-Proofing
Tax

SAP® Solutions for Global Tax Management | PUBLIC

Digital Tax Transformation Handbook

Helping Directors Transform Tax

THE BEST RUN





What Is Expected of the Modern Tax Director?

It's commonly said that two things are certain in life: death and taxes. Tax is unavoidable and it is vital that you get it right. Failure to do so can result in financial or legal penalties or paying too much tax unnecessarily. That being said, remaining compliant and reporting accurately is no easy task. The shift toward digital taxation has made this more complicated still. The main factors that are changing tax in the modern era are:

Governments going digital: Real-time data collection and electronic filing enable governments to gain greater transparency over tax. You cannot afford to make mistakes.

Innovative technologies: The cloud offers tax departments greater flexibility to add new parameters for new jurisdictions as well as adding technologies, such as AI and blockchain.

Tax laws are stricter than ever: Companies are now at a greater risk of non-compliance and can be held liable. They need to be accurate to avoid penalties and fines.

The ultimate goals for the modern tax director should be:



Achieve compliance



Reduce costs



Save time



SAP and Its Partners Are on Hand to Provide Expert Support

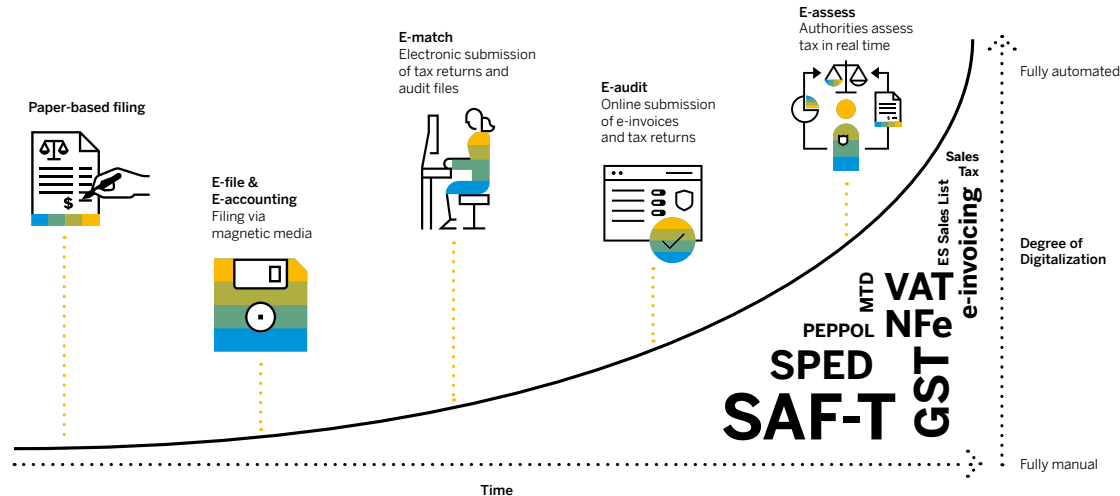
SAP and its partners work closely with global companies of all sizes to provide tailored solutions for global tax management. The journey doesn't stop here though. Tax directors can turn to experts for support throughout the entire tax cycle to define an effective strategy and put it in action. Whatever your needs, we have you covered.

“Leading finance organizations are **driving digital transformation** and fundamentally changing the way we bill, collect, report, and pay taxes, and how we plan for and control constantly changing businesses.”

Thack Brown, COO at SAP North America



The Changing Face of Tax throughout the Years



The way tax is calculated and paid has changed dramatically over the years. Where once these tasks would have been completed on paper, the rise of computers led to practices such as electronic filing. This eliminates the vast amounts of paperwork for tax authorities and tax payers alike. The internet and advanced databases provide tax authorities with the tools they need to gain greater transparency over the whole tax process. Consequently, this leaves little margin for error.



Challenges Facing the Modern Tax Director

Tax Determination:

Authorities now request more data than in the past, and in some countries, they require it in real time. Tax must be calculated within strict timeframes. Indirect taxes such as VAT are widely known, but tax authorities often impose new forms of tax. Tax directors must find a way to determine taxes correctly. Not only is it business critical but failure to do so can result in serious financial implications.

Tax Reporting:

Throughout the world, government tax authorities are asking companies to file tax returns and audit files online. To top this, the tax directors of these companies have to handle challenges that arise due to late tax adjustment. Tax directors must find a way to reduce the large amount of effort necessary for such compliance reporting activities as well as avoiding the risks and penalties involved in filing incorrect reports to the government.



Tax Controlling:

Large global tax functions are usually widely distributed across multiple locations and operate with heterogeneous platforms that are sometimes not connected. Misreporting as well as over- or underpayment can result in

non-compliance, penalties, or losses. Tax directors must determine the right checks and balances that work despite the heterogeneity of platforms and processes, and must take necessary corrective measures.

“Having **real-time information** about all taxable transactions allows the tax authorities to cross-check the data with the received periodic tax declarations and uncover inconsistencies or fraud with much greater ease.”

Knut Barthel, Senior Product Director of Globalization Product Management at SAP SE



Driving Innovation with Technology

AI is now established as an essential tool in finance and tax departments as a result of growing data volumes and complexity. It supports processes including expense management, audits, fraud prevention, anti money laundering (AML), tax law compliance, procurement optimization, and more. It is now a competitive necessity.

Blockchain technology supports a decentralized and distributed ledger. By using an immutable digital ledger, it succeeds in permanently linking certain information to a specific transaction between two or more parties while offering consensus about the authenticity of the information.

Big Data not only enables greatly improved data processing performance. It also helps create tax and finance processes that rely on a single source of data truth. This will drive data standardization in tax and finance processing. Touchless transactions and blockchain enable companies

to streamline and automate processes. Staff can focus on other value-adding tasks. The future workforce will be supplemented with algorithms and bots which support the creation of new operating models.

Global enterprise tax advisories viz. Deloitte, EY and PwC are some of our partners driving end-to-end tax transformation journey for customers to adapt to the rapidly evolving regulatory framework using these latest technologies. This type of tax transformation involves:

- Determining taxes correctly
- Meeting statutory tax reporting requirements
- Having the right control framework to ensure tax data consistency

In this section, our partners talk about these challenges and how they can help companies overcome them.



Transforming Tax Determination in a Digital World

Companies throughout the world are digitalizing, if they haven't already, and this applies to tax too. Digitalizing tax usually involves transforming the way you determine, control, and report taxes. These days, tax authorities request more of your transaction data and, in some countries, they require this in real time. It is therefore business critical to determine taxes correctly at the first time of asking. Authorities also sometimes introduce new forms of tax, and businesses have to keep up with these changes in tax determination. If not, this could incur severe financial implications for your organization. To elaborate, let's consider the following:

Accounts receivables:

Undercharging taxes could result in margin loss, whereas overcharging tax could result in client dissatisfaction and disputes. With businesses being omnichannel, it is necessary to determine taxes consistently across all the digital

channels. An application programming interfaces (API)-based approach to determine tax accurately and in real time is an effective solution.

Accounts payables:

Even now, companies struggle to determine taxes correctly. We can see this happening in direct tax scenarios such as withholding taxes or purchase-to-pay scenarios in the procurement process. Taxes need to be determined accurately at every step of the purchase cycle, i.e. from RFP until the final invoice and payment momentum. Organizations use multiple solutions that cause data fragmentation. Here again, an API-based solution to determine taxes is an effective approach.



The ideal goal is to create what are commonly known as touchless processes. All relevant data is captured, and transactions are tax determined, calculated, analyzed, cross-checked, and reported accurately. Traditionally, within SAP® systems, the basic tax determination has been done in the SD tables. But with integrated tax technology solutions that include the tax service in SAP Localization Hub, such indirect tax determination can be done more accurately and in real time. Complying with new regulations is easy due to cloud delivery models besides integration options with other tax engines your company might use. Such an integrated tax service, together with tax controlling and reporting, is something we at PwC believe you should consider for your organization's tax transformation road map.



Marc Hoessels

Director, Tax Technology, PwC



A New Era for Tax Reporting

Today, tax departments are under pressure to add value to the business and to transform to a real-time, data-driven tax function due to the changing nature of regulations. We studied how companies can successfully transform and which technologies enable it. Our insight originated from the following questions: What is the art of the possible if different technologies are combined to reimagine the future of tax? How will tax-related work be done in future, and who will do it? How can the tax function contribute more to the company's success?

A data-driven tax function goes hand in hand with leveraging technology. Companies need to comply with regulations and submit a host of transactional data periodically, via SAF-T, returns, and reports – all of which is done on an increasingly real-time basis. Tax is being

digitalized. Therefore, determination needs to be sophisticated through solutions such as the tax service in SAP Localization Hub, sometimes augmented with external tax content. Automated tax analysis can be done in SAP Tax Compliance, and reporting should be completed with minimal manual effort. The demand for tax data accuracy is high, resulting in less available time for adjustments, corrections, and compiling reports.



SAP solutions for advanced compliance reporting (ACR) allows you to report to the tax authorities by means of VAT returns/SAF-T, analytics, and workflows. This is flexible and can be customized to your needs for the various countries your company operates in. Analytics also provide insights into how tax is reported across the globe: It even supports an audit trail that will satisfy the needs of internal and external auditors. Together with SAP Document Compliance, ACR will help your company meet all periodic reporting obligations in real time. To top it off, managed tax services, relevant tax content, and apps from us will help your tax department add value to your organization.

So, are you ready to reimagine your tax function?

Deloitte.

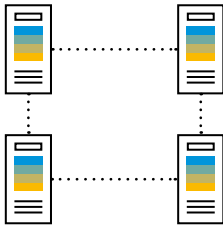
Jan De Clercq & Eliza Alberts-Muller
Partners, Deloitte



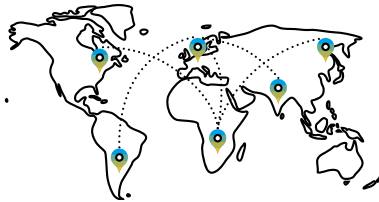
Integrate Tax Data Management and Controls

In today's complex business environment, an increasing level of tax regulations and digital reporting are accelerating change. Traditional approaches that involve manual input are no longer adequate; nor are many of the other manual, disparate, and repetitive tax processes that have existed for decades.

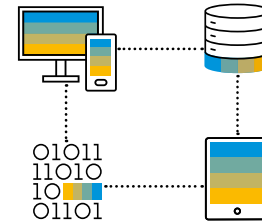
Modern global tax functions at organizations are likely to be:



Decentralized



Distributed across
multiple locations



Using heterogeneous
technologies



Navigating this can present a significant challenge to the tax and finance personnel at your organization who have to rely on data that may neither be stored nor managed consistently. Not only can material risks arise, but the opportunity to leverage integrated technology to drive efficiency diminishes. Tax processes that transcend multiple systems run the risk of miscalculated liabilities, misreporting, and over- or underpayment of tax. This ultimately causes non-compliance for the organization, leading to unexpected tax issues.

Companies require integrated, accurate, and agile tax solutions to cater to this complex need. Now, with advanced data management and process capabilities that are available within SAP, you'll find a more digitally enabled approach that allows you to not only review all transactions, but also to apply a standard control

framework in near real time. Advanced analytic techniques such as machine learning can be embedded into the process to improve efficiency and enable new resource models. SAP Tax Compliance can increase efficiency and enhance visibility, thus helping you leverage your enterprise technology investment. Similar to SAP Tax Compliance, EY offers a variety of solutions that seamlessly integrate with SAP technology within our agile tax framework.

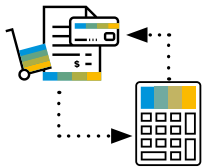


André Hengst & Todd Bixby
Partners, Tax Technology and Transformation
Ernst & Young GmbH, Ernst & Young LLP



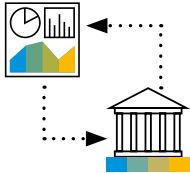
SAP Tax Transformation Road Map

Tax can be roughly divided into two interlinked cycles: **transactional** and **analytical**.



Transactional:

This happens in real-time between businesses and also between business and government. Tax is frequently calculated and determined – sometimes millions of times per day during business transactions. Also, tax related events and data, sometimes have to be reported in real-time to the government authorities.



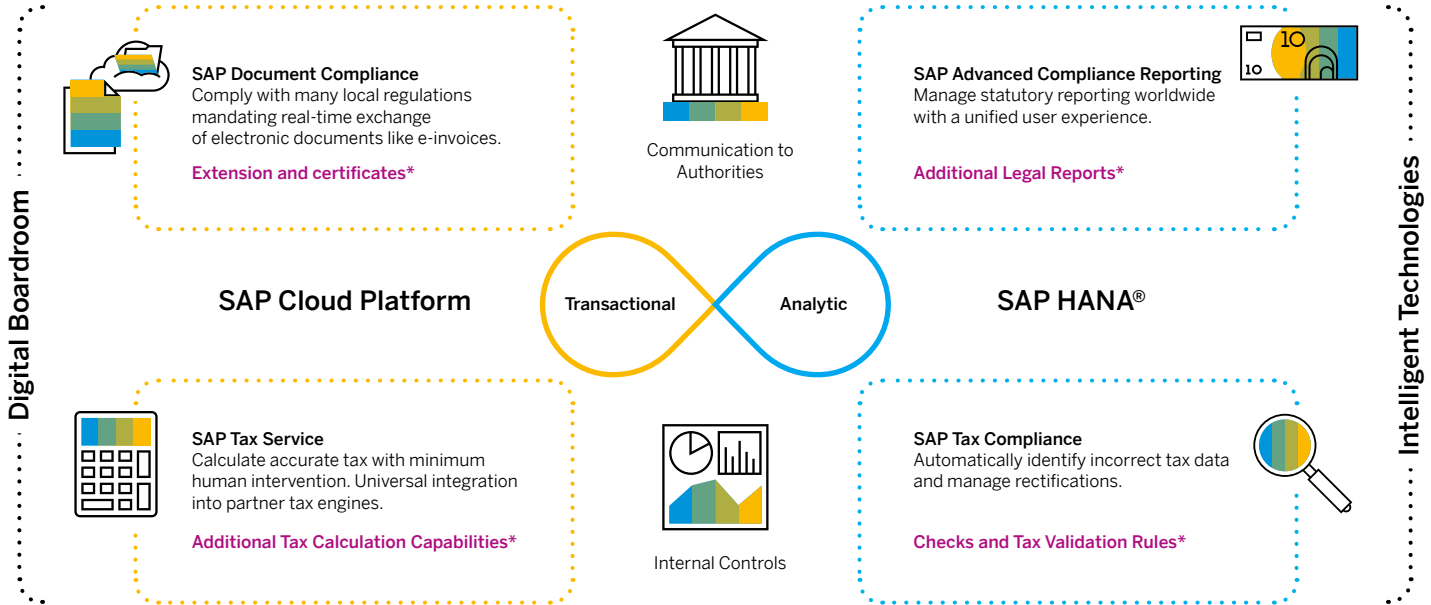
Analytical:

This happens periodically. Businesses have the need for internal control mechanisms to ensure accuracy of tax data. They must also consolidate all tax-relevant transactions of a reporting period, file report to authorities and be prepared for tax audits.

SAP solutions for global tax management provide companies with the tools they need to manage both transactional and analytical tax requirements from start to finish.



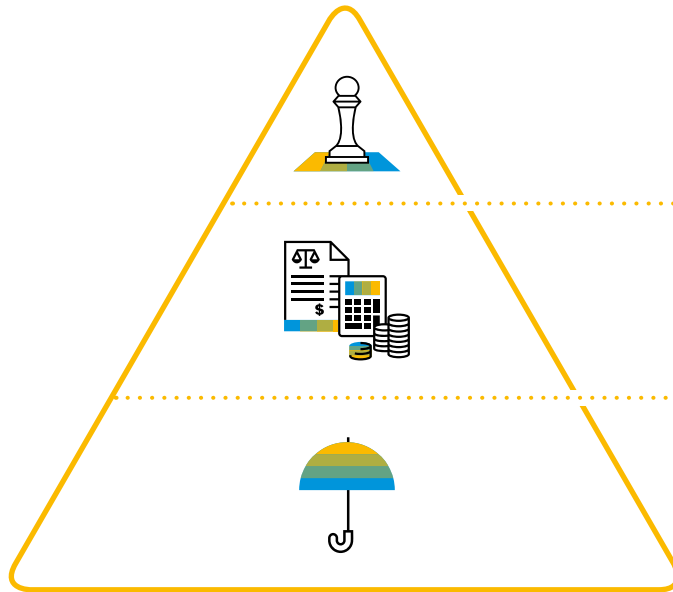
SAP Solutions for Global Tax Management



*Partner content



Value Stairway for Tax Management



Strategic Tax Management

- Global visibility of tax compliance status
- Predict cash position net tax in real time
- Avoid double- or over-taxation

Ensure Compliance at Minimum Cost

- Reduce complexity by centralizing and reusing
- Remove manual workarounds and inefficient tasks
- Reduce time/effort spent to fulfill tax obligations

Avoid Risk of Non-Compliance

- Fulfill all compliance obligations (e-invoicing, tax returns)
- Gain visibility of compliance issues
- Have processes and tools to mitigate compliance issues
- Avoid penalties for incorrect tax declarations
- Avoid risk of fines or even penal action for negligence



The Requirement for an **Intelligent Enterprise**

Technology is continuously moving the goal posts when it comes to engaging investors, customers, suppliers, regulators, and employees. Tax requirements and regulations are no different and demand that companies provide more detailed information. For this reason, the role of finance is evolving toward active engagement with business partners to automate processes and deliver new insights to workers when they need to make decisions. Leading finance

organizations are driving digital transformation and changing the way we bill, collect, report on, and pay taxes.

SAP S/4HANA® supports today's digital business landscape by integrating business processes and analytics seamlessly. The future of finance is starting to take shape and now is the time to innovate and transform. SAP S/4HANA covers all roles of the CFO office.

“Knowing what the cloud can offer, companies can profit from far better solutions now, leveraging **the cloud benefits** also in the tax area, which means financially a rental model with the option to easily change the provider, and technically immediate availability and adoption.”

Michael Depner, Vice President and Head of Globalization Product Management at SAP SE



Tax Beyond AI

Digital Governments

When it comes to governments transforming their tax processes, South Korea, Israel, Singapore, the UAE, and Estonia are leading the way. By converting records and tax processes to a digital format, these nations are

reducing costs and enabling better interaction with their constituents. But the digital governments of the world aren't stopping there. They are now asking what is beyond digital transformation.

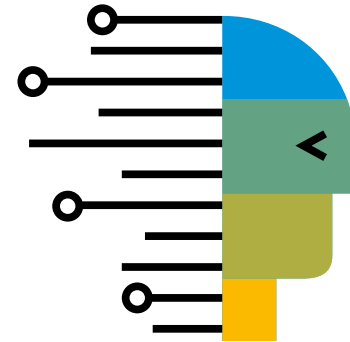
“Artificial Intelligence (AI) is increasingly essential in the CFO office. No longer a high-risk new technology, AI is now proven. AI **supports expense** management and audit, fraud prevention, AML, multi-jurisdiction tax law compliance, procurement optimization, and more. As data volumes and complexity explode, AI is today a competitive necessity.”

Lorien Pratt, Author, Entrepreneur and Decision Intelligence Pioneer



E-government transformation initiatives are ongoing worldwide. A huge amount of resources has been invested in fixing government data collection systems, moving to electronic forms, and establishing internet portals that are available 24/7. Intelligent systems must reflect the needs of their citizens. Only after these needs are understood can governments meet these requirements, maintain quality of service, and identify where they can achieve the best social and economic return on technology investments.

Such examples show what can be achieved with tax management and are setting the trends. The modern tax director must embrace the latest technologies to streamline their tax processes, boost accuracy, and ensure the companies they represent remain compliant.





“One benefit of a strategic approach to e-government, and ultimately intelligent government transformation, is to understand the necessity of working in coordinated platform layers. **A cross-government platform** for consistent information, on top of which digital services are built, is a compelling target for commercial companies. And this same platform can be the basis for providing data for many new use cases, including AI applications that minimize the time required to manage and access data.”

Peter Selfridge SVP & Global Head of SAP Digital Government, Ferose VR,
SVP & Head of SAP Engineering Academy



Addendum

Links to Product Pages

[Advanced Compliance Reporting](#)

[Digital Compliance](#)

[Tax Service](#)

[Tax Compliance](#)

Contributors from SAP

[Benno Eberle, SAP](#)

[Ferose V R, SAP](#)

[Isabel Ayala, SAP](#)

[Joe A Kattackal, SAP](#)

[Knut Barthel, SAP](#)

[Martin Naraschewski, SAP](#)

[Michael Depner, SAP](#)

[Peter Selfridge, SAP](#)

[Sridhar Sundaram, SAP](#)

[Stefan Steinle, SAP](#)

[Sunil Prabhakaran, SAP](#)

[Thack Brown, SAP](#)

[Vishal Verma, SAP](#)

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