



Navigating the future of tax

2024 KPMG Africa Tax Summit

Johannesburg

—
16-17 April 2024



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Today's presenters



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01

A future ready tax function



Polling question

Q1: Which of the following themes most closely aligns with your tax function's primary strategy?



Value creation



Cost minimization



Risk reduction



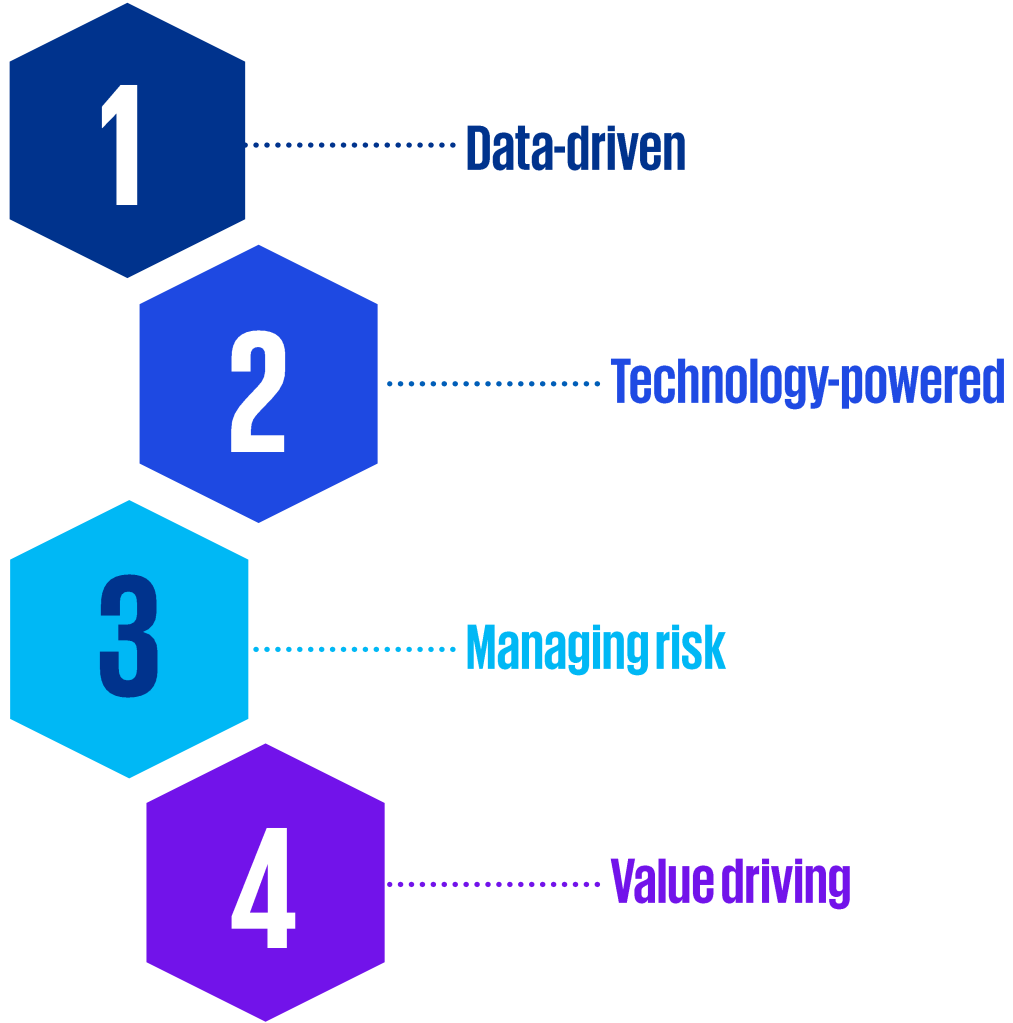
**Effective
business partner**



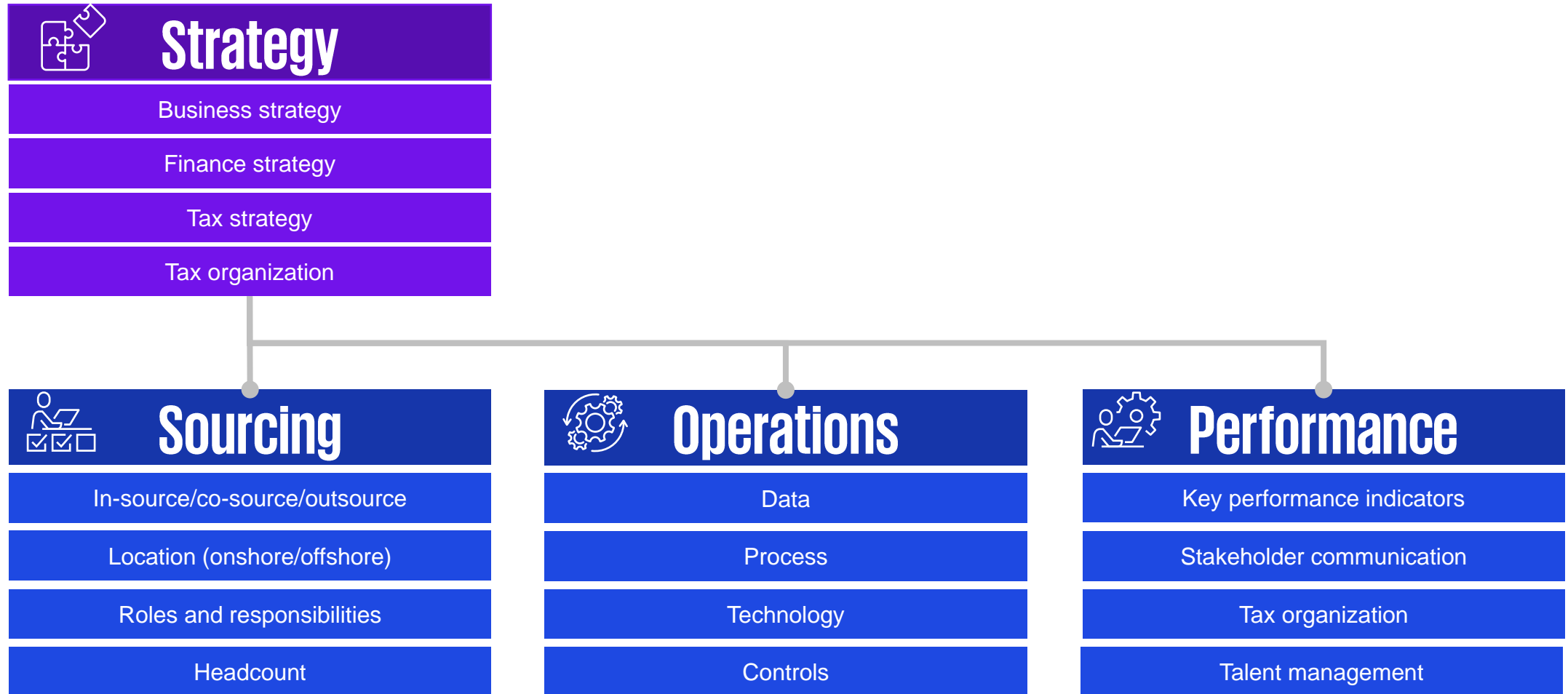
Innovation

What is the portrait of the modern tax department?

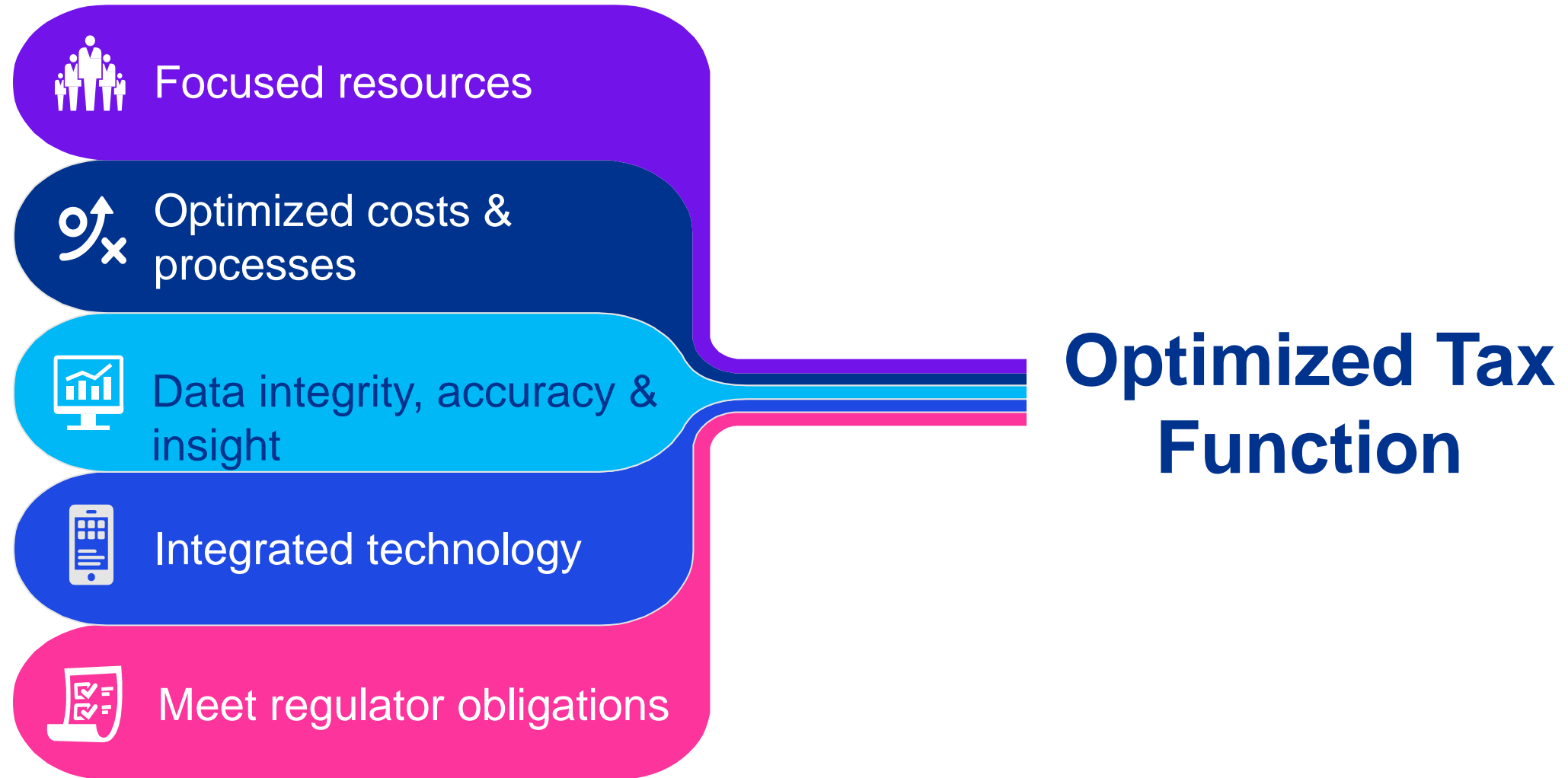




Tax performance optimization needs to be strategy-led



Tax performance optimization needs to be strategy-led



Best practice tax function

- Role of the tax function (change in profile required — compliance back-office vs risk management function)
- Required skills (taxologists; data analysts; technology skills required; tax skills; accounting skills; multi-disciplinary teams)
- Compliance in fast changing tax environment, navigating from ‘gather, review, submit’ to ‘1st time right, real-time submission, detective review’
- Pro-active involvement in business to provide insights real-time
- Insight driven
- Responsible, transparent taxpayer agenda
- Automated processes (‘digital labour’)
- Technology enabled
- Resource relocation (‘refocus’) human effort
- Transition from controversy management to 1st time right

Business implications of Digital Labor



Cost Efficiency

Estimates suggest that a software robot is approximately 1/3 of the cost of an offshore FTE. Digital labor savings are estimated to be between three and ten times the cost of implementing the automation



Productivity/ Performance

Software robots work 24/7, and 365 days a year; do not take vacations; and perform tasks at digital speeds



Consistency/ Predictability

Expected reduction in mistakes, accidents, regulatory violations and fraud



Quality/ Reliability

Software bots do what you tell them to do — when properly configured they do not make mistakes and thereby eliminate human error



Employee Satisfaction & Innovation

Eliminating mundane and repetitive tasks frees up human talent to innovate and create



Scalability

Software robots scale instantaneously at digital speeds to respond to fluctuating workloads. There is also no overtime, no hiring challenges and no training.

What are we seeing in practice in Africa?



Tax Audit management

- Real-time reporting
- Collaboration
- Tracking



Data and Technology

- Data quality
- e-Invoicing
- Build vs Buy



Managing Compliance

- Integration
- Automation
- Centralization

Current Tax Outlook — Tax Transformation Trends

- Uptake of technology by revenue authorities in East, West and Southern Africa —
 - electronic filing — it is easier and cheaper for taxpayers to fill out tax returns
 - electronic payment systems using real time online options such mobile money or RTGS
- Tax authorities access the immense data and information on:
 - sales and wages in real time
 - electronic invoicing systems allow immediate access to data on firm sales
- Better data collection, combined with increased processing power of technology

- Other benefits of deployment and integration of technology in the tax space:
 - lower the cost of collecting taxes
 - expansion tax bases
 - secure storage of sensitive data

02

Process improvement

Polling question

Q2: How much time do you estimate that your tax function resources spend on extracting, transforming or loading data (vs value-added analysis)?



<10% of their
time



Between 10%
and 30%



Between 31%
and 60%)



More than 60% of
their time



Unsure

Polling question

Q3: Which one of the following tax processes are the most time consuming and manually performed in your organization?

A.

Accounting and reporting of income tax and uncertain tax positions

B.

Preparation of corporate tax statutory returns and reports

C.

Preparation of indirect tax statutory returns and reports

D.

Employees' tax returns and reports as well as expatriate tax management

E.

Transfer pricing calculations (targeted policies, reporting and assessment against targets)

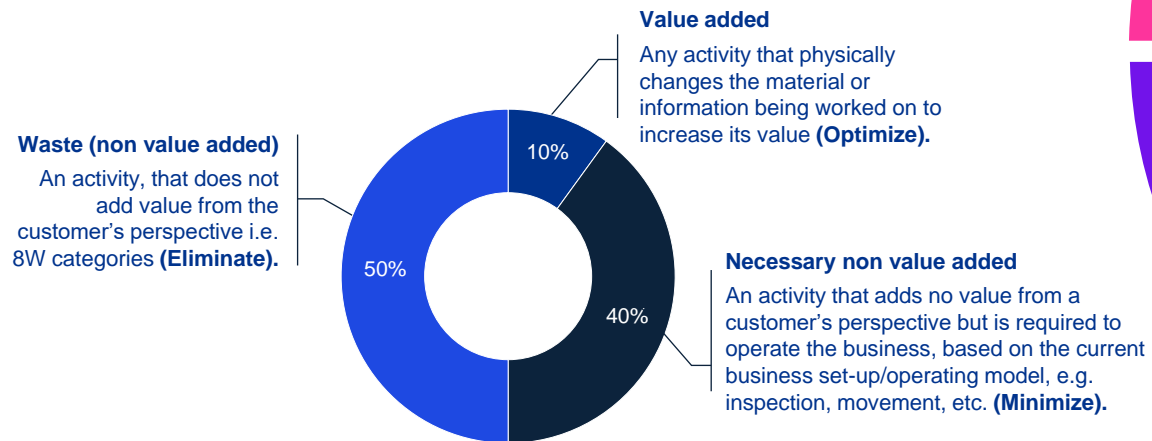
Lean 6 Sigma process reviews

Focus on E2E process, value, waste elimination

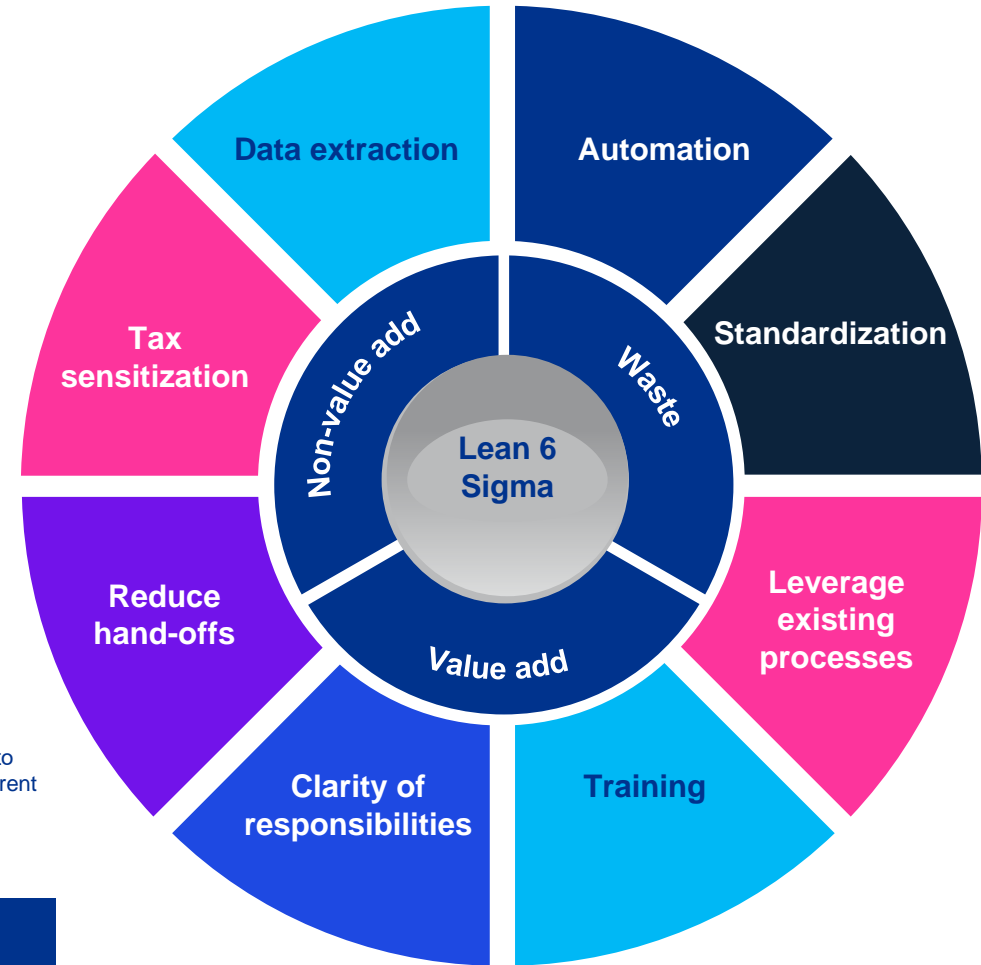
Following our Lean methodology helps identify and eliminate Waste within a process and focus on improving the value adding activity. During a workshop event we focus on:

- Removing activities that do not add any value;
- Optimizing activities that add value;
- Minimizing those activities that need to be done but do not necessarily add value.

The diagram below shows the activities that make up a typical process.



Waste elimination is not doing more in a shorter time... it is reducing and/or eliminating wastes continuously.



Case study 1 – Process Improvement

Scenario setting (external pressures)

3 mins

Painting a picture to set the scene for this session

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Key dimensions (case studies)

15 mins

2-3 clients walkthrough a their experience of each of the following components:

- Designing the tax organization
- Determining the right Service Delivery Model
- Optimizing functional processes
- Enabling the above through performance insights and data
- See following page.
- Moderator to make links to show the components are inter-linked

Learnings (practical insights)

5 mins

- Discussion on the practical challenges and workarounds
- Outcomes achieved
- One key learning (golden nugget or provocative perspectives) from each speaker

Bringing it together (the case for change)

2 mins

- The importance of an iterative business case including senior stakeholder buy-in
- How these tax functions are being assessed re their contribution to the business
- Wrap up...and why its critical to just get started!

03

Data

Polling question

Q4: What issues prevent your tax function from utilizing tax data in more strategic ways?

A.

**Data issues
(siloes data,
access to data,
data accuracy,
volume of data,
format etc.)**

B.

**Lack of process
standardization**

C.

Time constraints

D.

**Lack of talent
with the right
data and
technology skills
or lack of data
and analytics
tools available in
company**

E.

**Little interest
outside the tax
function or
leverage tax data
to inform
business
decisions**

What we hear from our clients

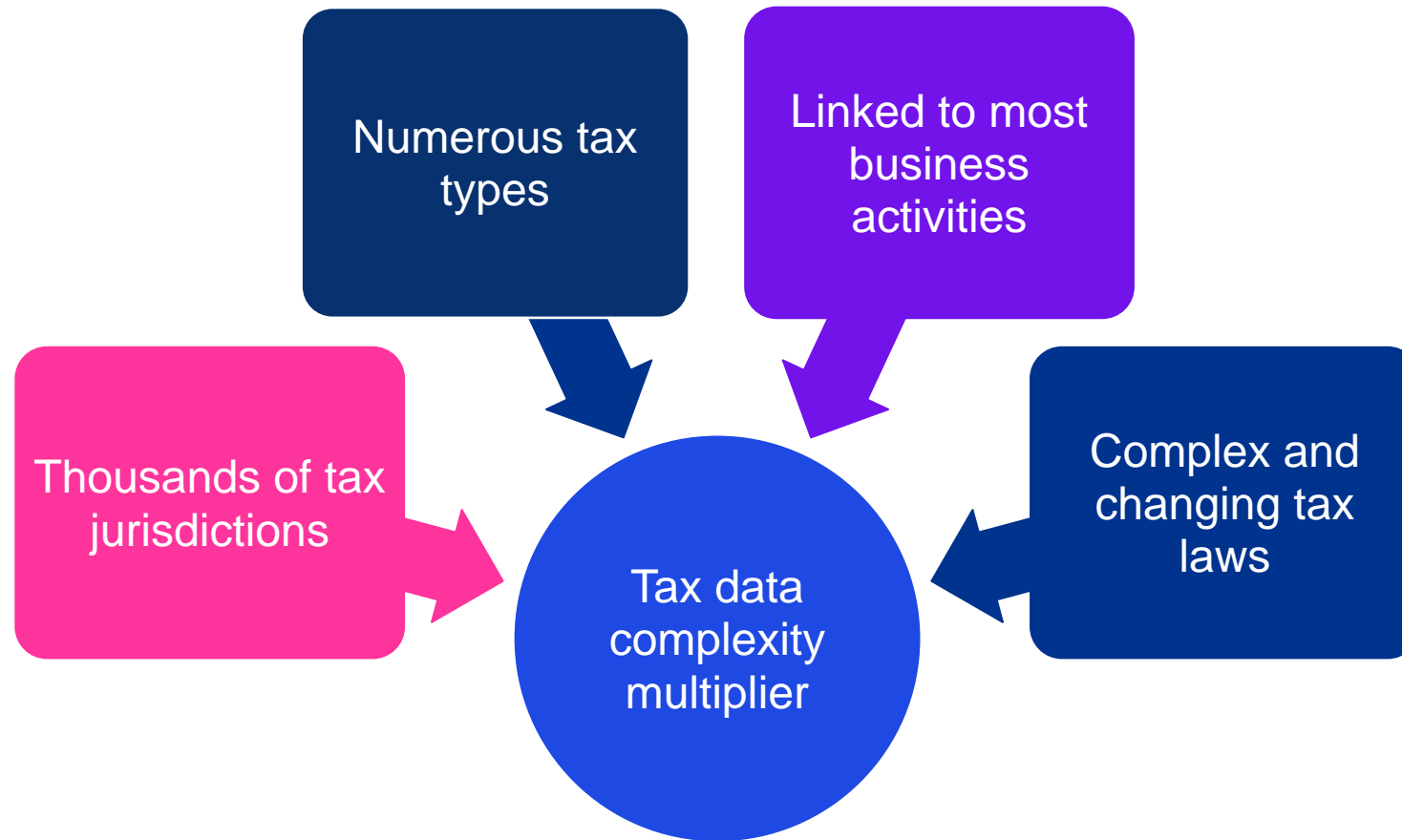
“

The people in our Tax team spend a lot of time doing manually oriented tasks to support our tax compliance process - how do we reduce that?

”

- “ Our organization has **trouble obtaining the data** we need to prepare our tax filings — the data often has to come in from many different sources - is there a better way?”
- “We need to spend a lot of time each month **checking, adjusting and/or reconciling data** to ensure the accuracy of our tax returns, and even then, we are never really sure it is correct?”
- “As a Tax Manager, I struggle to have **visibility over the activities or transactions** being carried out by the business. Is there a way to help me with this?”
- “I’ve heard the **tax authorities are investing heavily in technology** so that they can carry out data and analytics testing. I don’t know what they may find with my organization.”
- “I spend most of my day trying to get the information from the business, in managing **tax problems for transactions which have already happened** — how do I prevent problems from arising?”
- “The **budget** in my organization **will not be sufficient** to allow me to hire new people, or to invest in technology to help me fix some of our existing problems.”

Tax is complicated



The world changed...

Global trends

- Real-time reporting
- E-invoicing
- VAT fiscalization
 - Data driven tax assessments
 - Estimated assessments as a result of SARS Verification audit

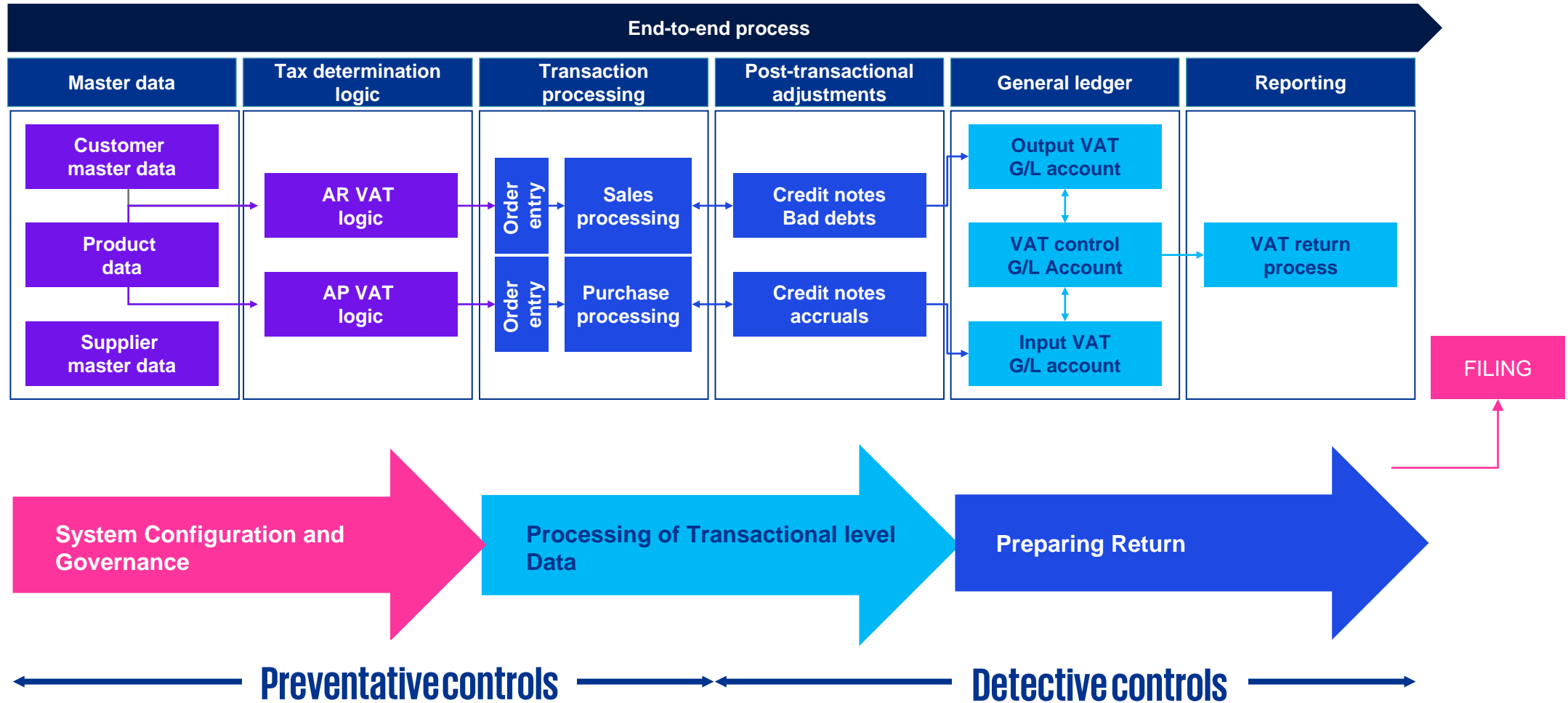
What is the key to all of this?

Data and the readiness thereof

Data Impact

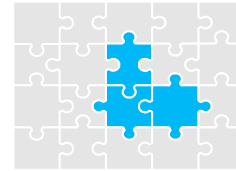
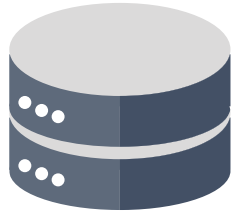
1. That is cognitive technology (Data and why it cannot be ignored)?
(<https://www.youtube.com/watch?v=1WBwnhtvMAI>)
 2. KPMG Cognitive Automation and Innovation
(<https://www.youtube.com/watch?v=-U9Yb0iRpH4>)
 3. Think forward
(<https://www.youtube.com/watch?v=amFe8WZP8DY>)
- **Moore's Law: Computer processing power doubles about every 18 months**
 - **90% of data today was created in the last two years**
 - **10% of data created since existence of humankind**
 - **This explosion of data cannot be handled without moving to technology solutions**

Tax Data and end-to-end process



The Tax 'Data' Challenge

Tax departments spent a lot of time on non-tax related activities, like data collection, cleansing, processing, etc. — mostly done in spreadsheets



Data extraction

Data processing

Compliance & insights

80 percent of the process in terms of time spent

20 percent of the process

Organizations should get the foundations right and reduce the required efforts to 30 percent

Adding tax value to business through tax planning and forecasts

Drivers for data management



Increased complex real time reporting requirements and tax authority digitization



The availability of more data through single instance ERP systems



The awareness of significant manual effort in data collection and analysis



The availability of robotics and machine learning to automate compliance

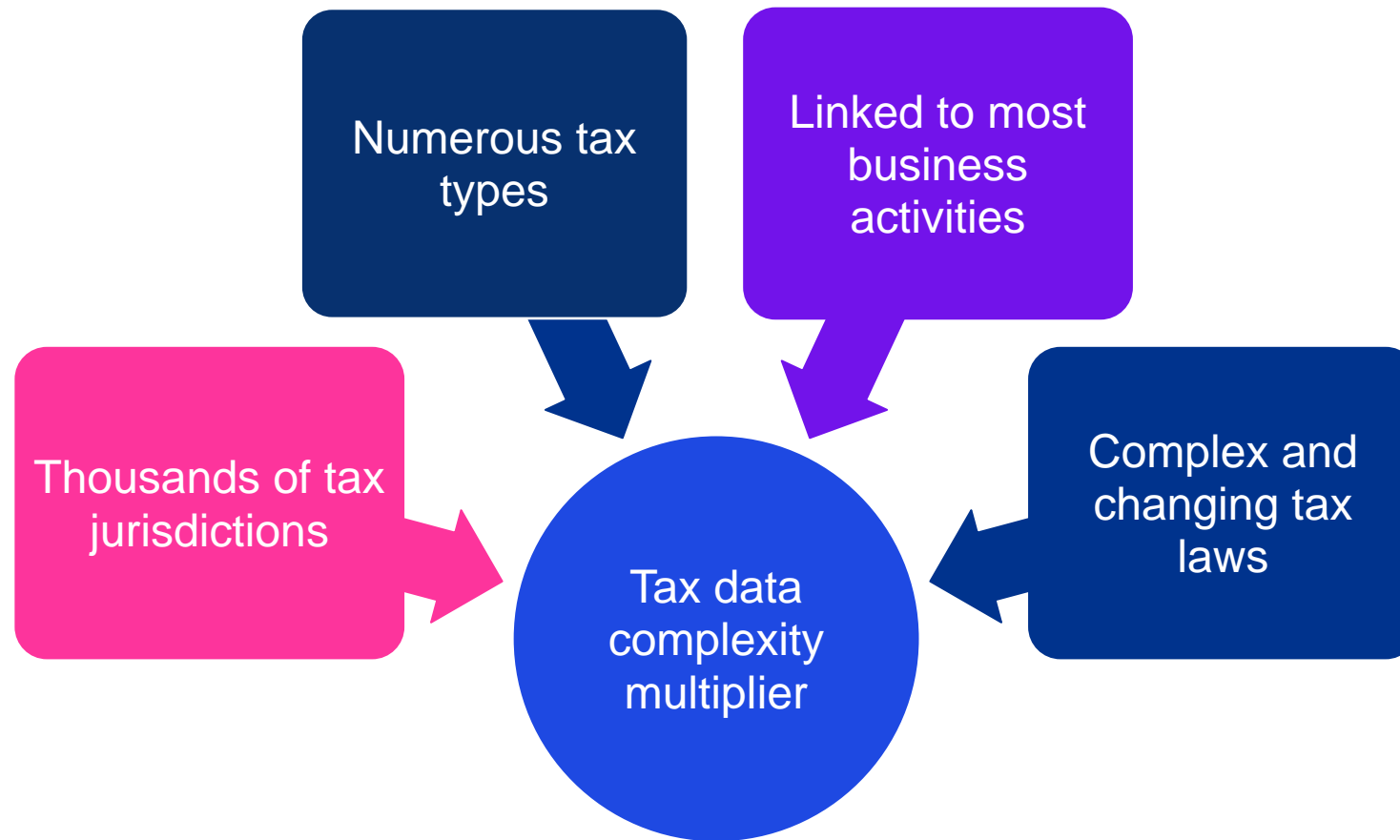


Global and Regional Shared Services centralizing finance and tax functions



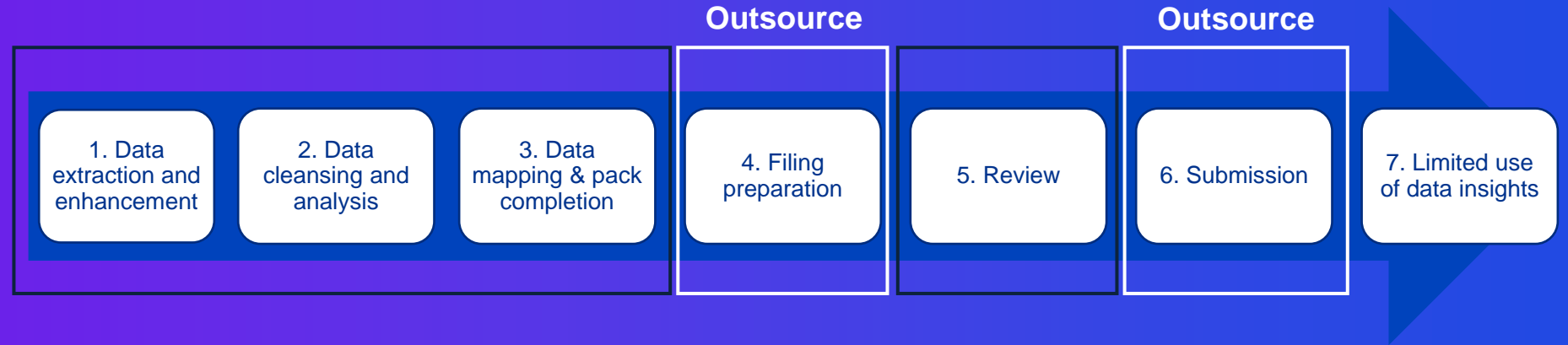
Tax authorities demanding attestation of finance governance, controls and transparency

Tax is complicated

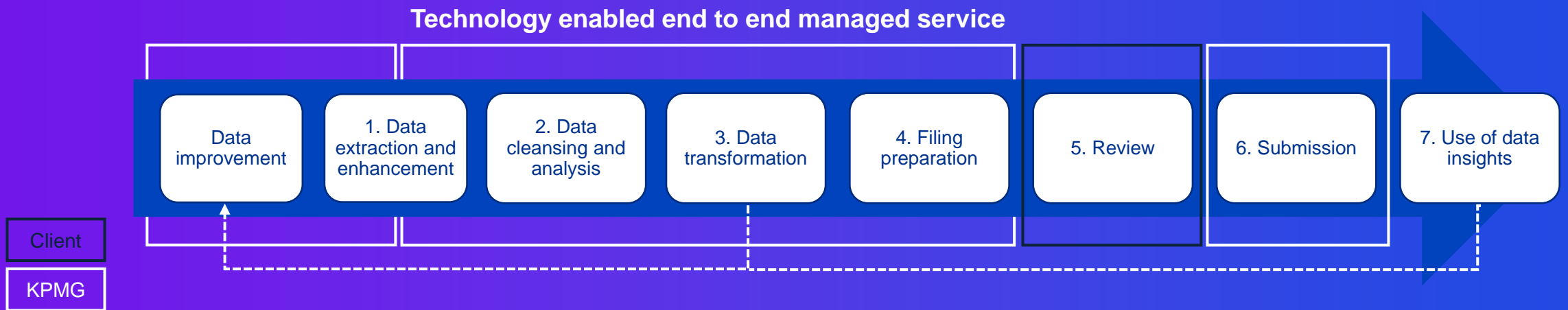


Current vs Future state compliance & data management

Traditional Compliance Process



Technology Enabled Compliance Process



Client

KPMG



Case study 2 – Data

Scenario setting (external pressures) 3 mins

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Key dimensions (case studies) 15 mins

- 2-3 clients walkthrough a their experience of each of the following components:
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Learnings (practical insights) 5 mins

- Discussion on the practical challenges and workarounds
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Bringing it together (the case for change) 2 mins

- The importance of an iterative business case including senior stakeholder buy-in
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04

Technology

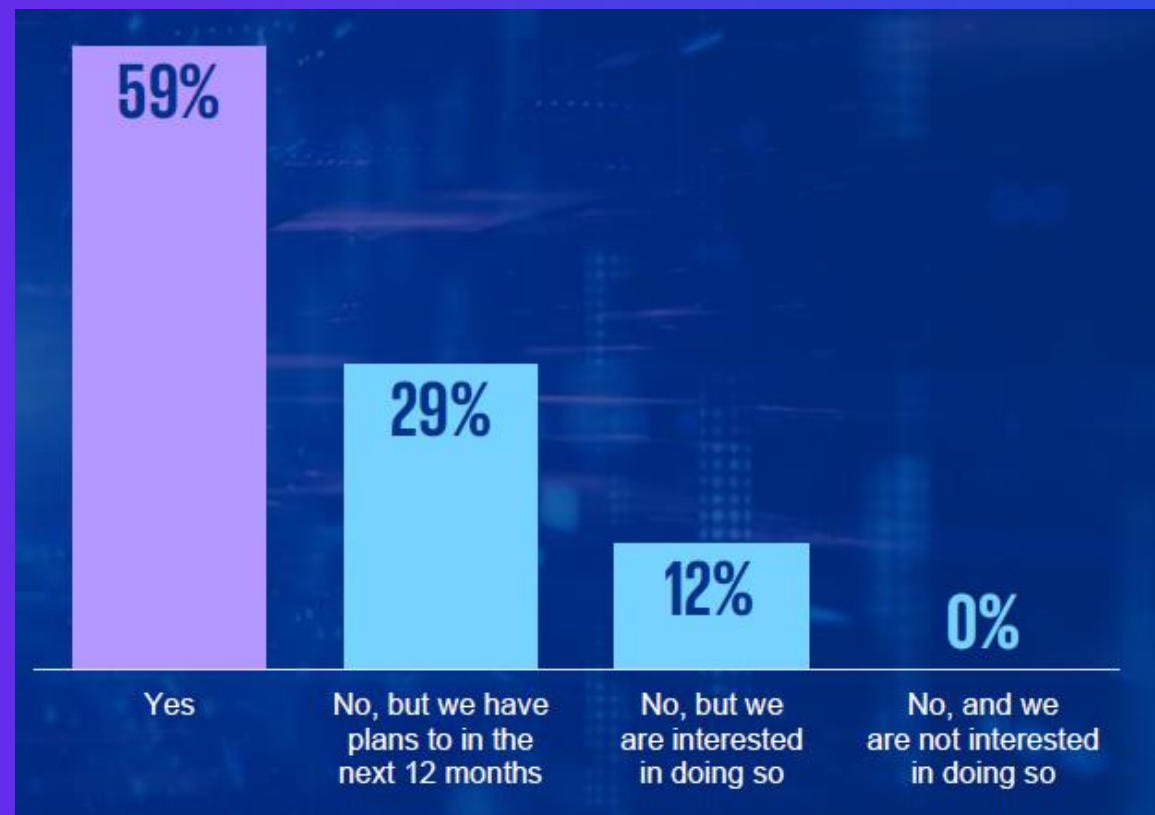
Artificial Intelligence — the next frontier for tax departments

C-suite leaders overwhelmingly recognize AI's potential to transform their organizations.

59% are already using AI in their tax or finance department to make workflows more efficient and to reduce strain on existing talent.

The remaining 41% are interested in doing so.

Is your organization currently using emerging AI technology in your tax or finance department?



Tax Reimagined 2023: Perspectives from the C-suite

Pilot approach

Pilot Phase

Information Review & Data Matrix

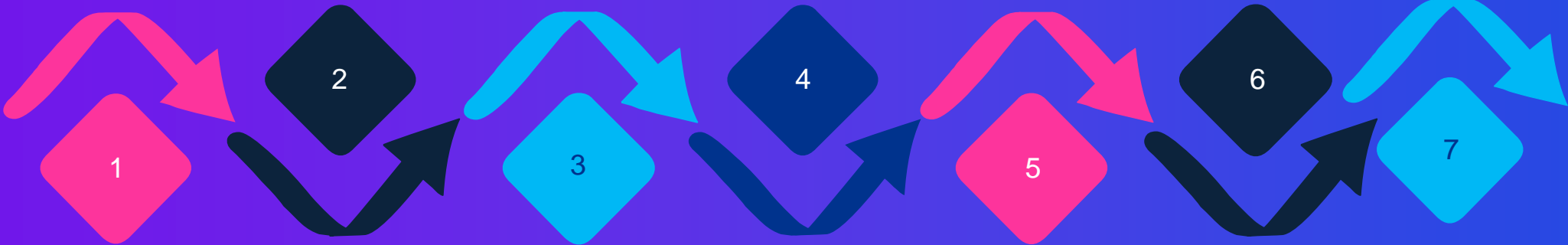
- KPMG review source data and develop initial version of data matrix

Build Automation

- KPMG build data validation, cleansing and transformation routines to transform raw data to usable format.

Findings & Debrief

- Document pilot findings
- Assess cost/benefit of key areas of transformation
- Discuss pilot findings with stakeholders



Planning & Kick Off

- Agree project vision and objectives
- Overview of pilot approach
- Agree pilot scope (process, entities, jurisdictions)
- Agree timelines for pilot
- Understand key challenges

Discovery Workshop

- Walkthrough current data gathering process for pilot jurisdictions
- Identify sources of data (structured, semi structured and unstructured)
- Assess data quality challenges
- Finalize data matrix of requirements mapped to source systems

Build Rule Set

- KPMG build rule set to automate the classification and analysis of transactional detail.

Next Steps

- Agree scope and cost of roll out and timing
- Develop implementation project plan

Case study 3 – Technology

Scenario setting (external pressures) 3 mins

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Examples of what we are currently doing in Africa

- Technology enabled compliance management (Digital Gateway)
- Powered Tax and automation of tax system
- Reconciliation engines
- Automation of tax computation processes
- Data analytics using various solutions (depending on client needs) e.g. TIS, IDEA and Alteryx
- Review of tax operating model and control framework
- Process and tax system control reviews

05

Skills and resourcing

Polling question

Q5: Are you considering any of the following to attract and/or retain tax talent?

A.

Providing opportunities to develop additional skills

B.

Automating and improving processes to enhance the employee experience

C.

Allowing for long-term or permanent remote working arrangements

D.

Rotating employees between tax and non-tax functions

E.

Recruiting talent from non-traditional educational backgrounds (i.e. Computer science, data science)

Polling question

Q6: Which of the following best describes your strategy to address the need for new skills (professionals responsible for tax processes)?

A.

Hiring new resources

B.

Upskill current team members

C.

Use tech resources from other areas of the business

D.

Outsource processes/ components of processes where there are skills gaps.

E.

All of these (A-D)

A convergence of tax and tech

Executives are beginning to modify their thinking around recruiting to seek out technologists and data scientists for certain parts of their organizations.

Leaders still prefer tax experts who can learn technology (54%) but the willingness to hire technology experts who can learn tax (46%) is on the rise (2021:41%)

Who would you rather hire for your tax department?



Tax Reimagined 2023: Perspectives from the C-suite

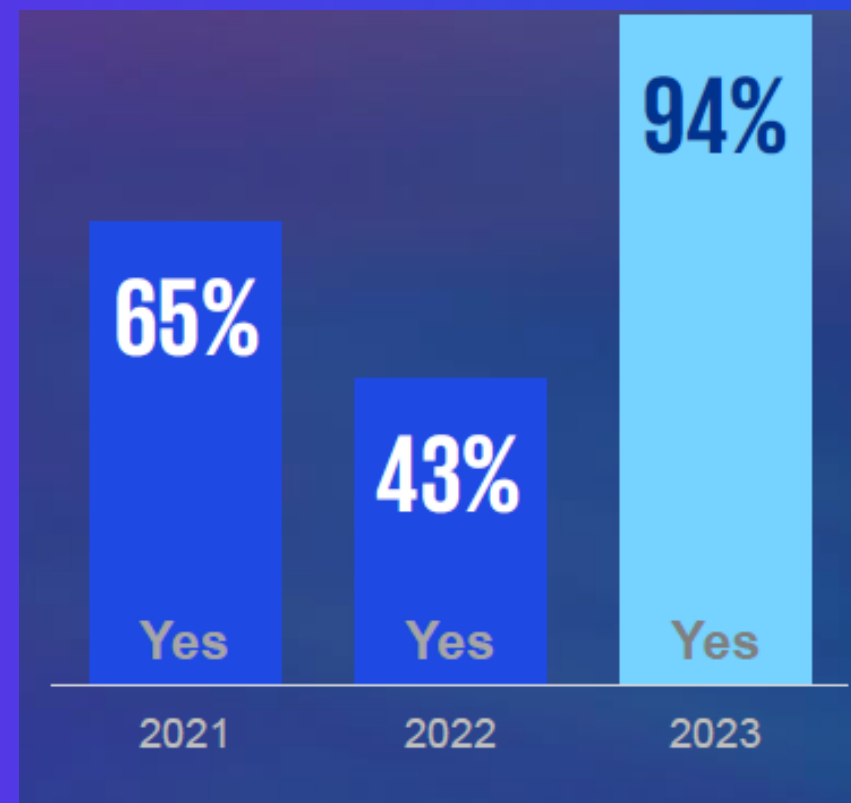
The pace of change — managing risk through strategic resourcing

C-Suite leaders are grappling with the pace of change and constantly evolving technology and talent landscapes.

Many organizations have turned to alternative sourcing models to equip and strengthen tax departments with the necessary skillsets and technologies for proper data analysis.

The appetite for various sourcing options has increased, with 94% of respondents more willing to outsource or co-source their tax functions over the past year.

Over the past year, are you becoming more willing to outsource or co-source your tax function?



Tax Reimagined 2023: Perspectives from the C-suite

Case study 4 – Resourcing

Scenario setting (external pressures) 3 mins

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06

Building a case for change

Polling question

Q7: Which of the following limits investment in technology for the Tax Function in your organization?

A.

Technology cost outweighs the visible benefit

B.

Unavailability of data to justify the spend on technology

C.

The organization just doesn't see the need

D.

The current agenda/level of sophistication of the tax authority does not justify the investment

Highlights

Issue led and outcome focused talking points demonstrating key considerations and insights.

Designing the Tax Organization

- Global vs Regional vs Business Lines
- Key 'technical' requirements
- Attributes and capabilities....define the roles, not individuals
- Working with external and internal stakeholders
- Change Management

Determining the right Service Delivery Model

- Different models
- Assessment criteria and organizational culture bias
- Test before you buy — piloting these options
- [...]
- [...]

Optimizing functional processes

- Challenge old thinking — onshore vs offshore
- Centralization and Offshoring are different!
- Real controls...not activities
- People rotation...also tests robustness of processes
- [...]

Enabling all through performance insights and data

- KPIs that matter and you can influence
- Technology to enable insights...not just automate processes
- Continuous maturity assessment
- [...]

Building a Business Case for change — key components



What is the Business Case for Data Management?



Single source of truth



Global tax visibility & insights



Control & assurance



Tax savings



Effective use of resources/FTE reduction



Compliance process efficiencies



Must-have to comply with Tax Administration 3.0

Case study 5 – A successful business case

Scenario setting (external pressures) 3 mins

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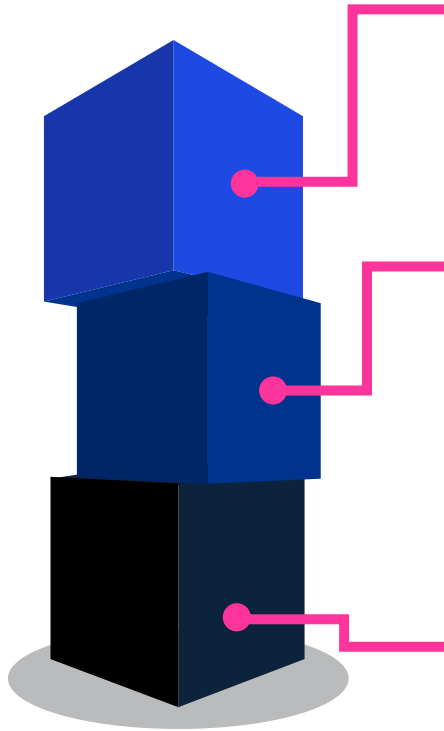
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Three call outs



Data

Data is the foundation of tax transformation. Without a robust strategy to manage your tax data, return on investment from automation will be low.

Automation & Optimization

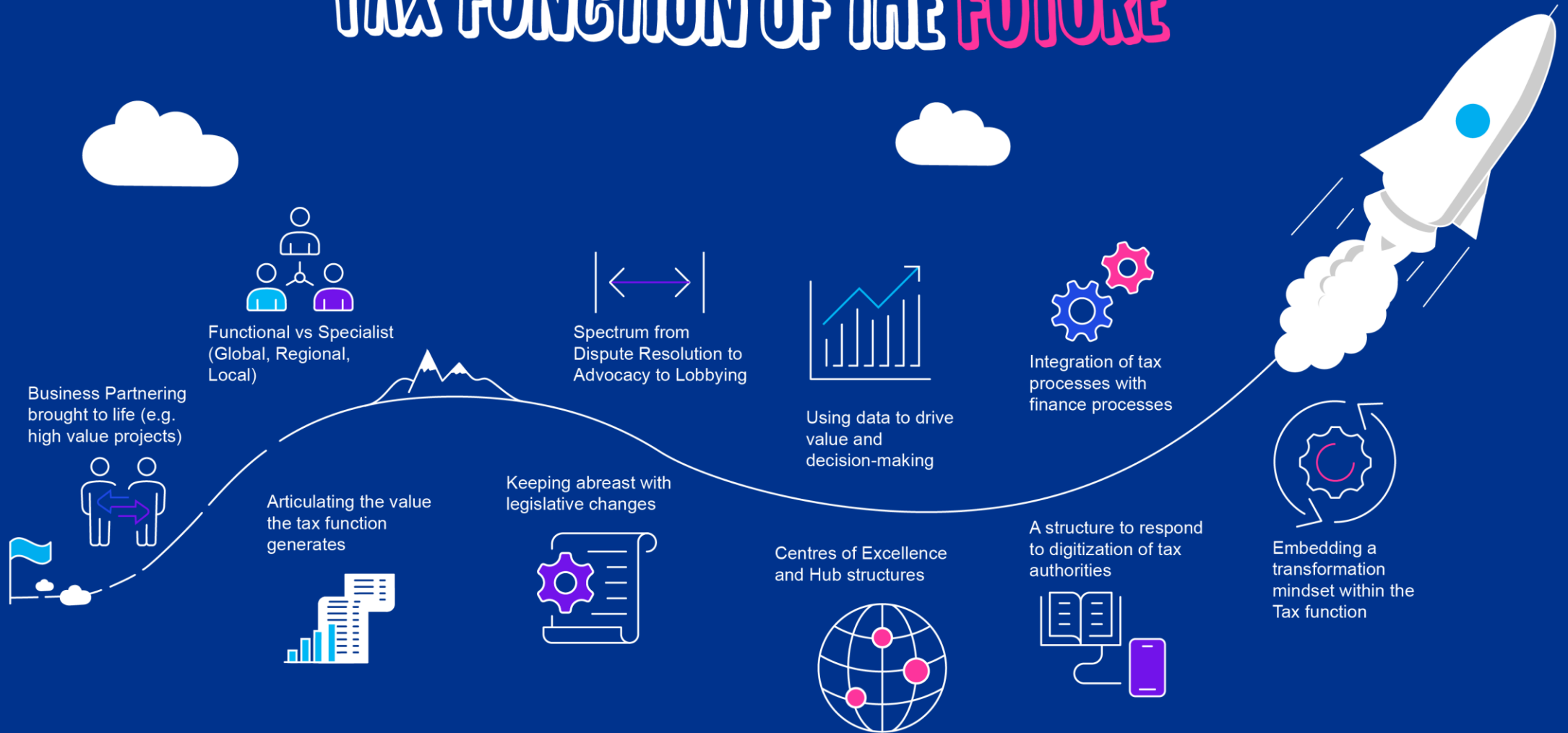
Once you have a solid foundation of good quality, reliable data you can invest in automation and optimization initiatives:

- Implementation of process automation tools to reduce risk and increase efficiency
- Leverage advanced analytics to optimize your tax profile and identify opportunities for continuous improvement.

Digital Skills

To unleash the value hidden in your data, it is vital that your tax professionals are data literate. For the tax professionals of the future, digital literacy will be at least as important as technical skills.

TAX FUNCTION OF THE FUTURE





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