



## TAX AUTOMATION - THE FUTURE OF TAX COMPLIANCE

### Abstract

Automation is slowly transforming virtually every operational aspect of business across the board. And finance and accounting functions are no exception. Solutions such as next-generation enterprise resource planning (ERP), robot-as-a-service (RaaS), or dedicated automated tax compliance software augment human capabilities with intelligent automation and improve the speed, accuracy, and efficiency of tax compliance. But does this trend extend beyond day-to-day finance operations and marketplace ecosystems? In this POV, we will explore the reliability of tax automation and whether it helps streamline critical and compliance-centric finance operations.

## Predicting the future of finance

The [Work Automation Index 2022](#) has revealed that 26% of a business' automation efforts are focused on finance operations, surpassing even IT operations' share by a percentage point. In response to the changing business landscape – and reliance on online business model in response to the pandemic – automation of finance functions, such as returns and refunds, procure-to-pay, record-to-report, and order-to-cash, has been ballooning year-on-year.\* This has resulted in finance and accounting emerging as the most automated business function, at nearly 39%.<sup>[1]</sup> As technology and data analytics capabilities have evolved, the resources to reimagine finance and accounting operations are now available to businesses. So, where is the finance and accounting industry heading? As per the [Finance 2025](#) report, here are the eight emerging trends in finance.<sup>[2][3]</sup>

### The finance factory

As automation and blockchain solutions evolve, financial processes become leaner and more simplified. Apart from transactional finance and accounting functions, business and specialised finance functions – such as reporting, forecasting,

and tax compliance – will also continue to evolve and move towards automated solutions.

### The role of finance

With automated operations, the role of finance will evolve to focus more on gaining business insights and adding value to the business. However, for this to succeed, even specialised finance functions, such as tax compliance, need to be automated, which is now possible with the help of tax automation software solutions.

### Finance cycles

As data processing and analytical capabilities evolve, periodic reporting will cease to drive strategic and operational decisions. Instead, businesses will focus on real-time data to glean insights and drive decisions.

### Self-service

With automated finance solutions, self-service will become the norm for the finance and accounting industry. To aid with that, artificial intelligence (AI) and machine learning (ML) models that cater to business needs already offer easy-to-understand and actionable information.

### Operating models

Emerging solutions such as algorithms and robots, a diverse workforce of finance professionals, and new service delivery models will emerge and give rise to the finance-as-a-service operational model. However, this demands focus on functions beyond transactional finance – such as forecasting, budgeting, and tax automation – to strengthen finance and accounting's core capabilities and enhance the delivery value of the service.

### Enterprise resource planning

ERP is evolving with blockchain and automation solutions. The embedded finance applications and microservices will also evolve, becoming significantly simpler and more efficient.

### Data

Standardised, high-quality data is, and will continue to be, the foundation of finance automation. However, despite evolving analytical capabilities, automated finance solutions will likely face data quality issues because of numerous other contributing factors, such as inconsistent units and formats, obsoletes, duplicates, and irrelevance.





## Workforce and workplace

Core finance knowledge will no longer be sufficient for individuals to join the new workforce as the onus of automation is on data scientists and business analysts. Therefore, individuals capable of customising and configuring digital tools will be valuable additions to the team.

## Transformation of tax compliance

Modern businesses are transforming. This is no longer a preference but a prerequisite to surviving the changing global landscape, future-proofing their assets, and keeping up with changing legislative and regulatory requirements. As a result, the [2022 EY Tax and Finance Operations Survey](#) has revealed that **84%** of the responding businesses are actively transforming their tax and financial operating models to incorporate automation solutions, co-sourcing, and shared service centres. About **96%** of the businesses are reallocating their budgets to focus more on strategic interventions. Consequently, **64%** of

the tax functions have become a part of strategic or IT transformation initiatives, such as ERP implementation, over the past two years. About **95%** of businesses expect their tax and finance personnel to augment their core expertise with data analytics and technical capabilities. And as access to such talent becomes scarce, companies plan to invest anywhere between \$500,000 to over \$6 million in tax technology over the next three years.<sup>[4]</sup>

Moreover, the legislative and regulatory requirements are changing rapidly in response to the changing business

environment and ecosystem during the pandemic. Even government authorities are responding to these requirements with an integrated tax compliance approach, cross-legislation reconciliation, and prioritising the integration of tax functions and technological solutions. However, **59%** of businesses still feel that emerging digital tax filing requirements will increase the cost of tax functions.<sup>[4][5]</sup> But, with the right technology and data, a business can ensure tax compliance while reducing costs, driving value, and managing risks effectively.

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## Harnessing the power of automation

Traditional tax functions are incompatible with regulatory, process, and data demands of the contemporary business environment. To take tax function and compliance to the future, it is necessary to harness the power of automation solutions and make tax functions a part of your innovation and cloud strategy. Tax compliance has now become a catalyst for building trust and driving strategic outcomes within a business. And to

achieve that goal, businesses need to focus on enhancing data quality, automating tax compliance processes, and rethinking operational models to integrate tax compliance throughout their business models.

For tax leaders to understand their data requirements, they need to evaluate the current data quality issues and use these insights to drive business-wide strategic decisions, which is the first step towards

tax automation using next-generation ERP systems. Creating a tax-sensitised environment for financial data and influencing the information processed at every level are crucial steps in achieving automated tax compliance. Although fully tax-sensitised ERP for tax automation may be an elusive goal, dedicated automated tax compliance software solutions can be a way forward.<sup>[6]</sup>

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## Transforming tax functions

Lack of planning (**37%**), the inability to respond to legislative changes (**32%**), lack of technological resources and expertise (**24%**), and budgeting constraints (**6%**) remain the biggest barriers to tax automation. You can successfully overcome these barriers and transform your tax functions for automated tax compliance with the help of four simple steps:<sup>[4]</sup>

- **Re-evaluate your operating model:** Continually assess and update your operational model, in collaboration with tax leaders, to appropriately respond to

changing business priorities, evolving business landscape, and legislative and regulatory changes.

- **Determine what stays in-house:** If you opt for automated tax compliance software, decide on the high-value activities that need to remain in-house for better efficiency, accuracy, and security. Then, you can optimise existing resources, technology, and data processes for tax automation.
- **Decide what to co-source:** Co-sourcing several routine, repetitive, rule-based,

and data-driven activities to a third party can reduce the workload on the in-house team and pave the way to tax automation transformation.

- **Consider a hybrid approach:** A hybrid approach may also work best – keeping compliance-critical tasks in-house and co-sourcing the remaining ones. With a hybrid approach, automated tax compliance software solutions can ensure the efficiency and effectiveness of your tax compliance.



## Tax automation success

A successful business transformation renders professionals more flexible. In demanding instances like tax operations, such change is invaluable. Successfully automating tax functions can bring you the following benefits.<sup>[7]</sup>

- **Scalability:** Automated tax compliance software facilitates the scaling of tax functions across expanded business activities or expansion into new geographical markets, automatically addressing the changing tax compliance legislations.

- **Regulatory compliance:** Automated tax compliance solutions can look up relevant regulatory compliance requirements from government authorities and apply them to your financial data. This means your business stays in line with the latest regulatory compliance even with the rapidly changing legislative requirements.
- **Efficiency:** Tax automation can streamline the tasks of data entry, processing, validation, extraction, and tax calculation. This can make

tax compliance more efficient by eliminating delays in manual processing and reduce the potential for human error.

- **Integrability:** Tax automation software can help your business consolidate and integrate data from different sales channels — retail, website, and online marketplace — and accurately calculate applicable taxes for respective economic activities.



## Robot-as-a-service for tax automation and compliance

Automation-as-a-service (AaaS) or robot-as-a-service (RaaS) is one of the software solutions that uses robotics and intelligent automation technologies for tax automation. Leveraging RaaS, you can transform your tax compliance processes,

reduce costs, minimise inefficiencies, and augment your workforce with digital tools for better productivity. RaaS can handle tasks such as data extraction, management and validation, reporting, tax audits, and return filing. It offers

accuracy, speed, and efficiency across all tax compliance functional areas. Using RaaS for tax automation can help your business augment human capabilities with intelligent automation for optimal tax compliance efficiency.<sup>[8]</sup>

## Conclusion

The contemporary business landscape is changing rapidly, whether it's digital transformation or rapidly evolving tax compliance regulations and legislations. Although transactional finance functions

are well on their way to being fully automatic, automation of specialised functions such as tax compliance is still evolving. Modern businesses around the globe have understood the need and

effectiveness of tax automation and have begun dedicating resources towards transforming tax functions.

\*For organisations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed organisational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like living organisms will be imperative for business excellence. A comprehensive yet modular suite of services is doing precisely that. Equipping organisations with intuitive decision-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, **Live Enterprise** is building connected organisations that are innovating collaboratively for the future.

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