

ARTICLE

Tax Technology and Transformation

Choosing the Right Solution for Different Tax Situations

The range of tax technology tools available to us as tax professionals is constantly growing, changing and evolving, which makes the job of selecting the right tool for the job increasingly difficult. We will consider some useful tests to apply to help narrow down the decision and provide a handy graphical tool to represent them.

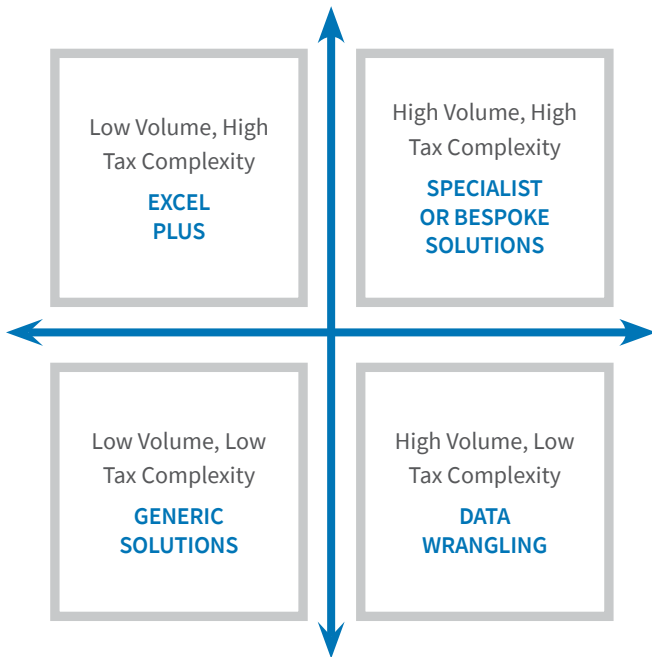
It is not so long ago that the only tax technology tools a tax department needed to consider in the UK were (i) Excel or another spreadsheet, (ii) OneSource or AlphaTax, and (iii) bespoke software or more Excel. However, in the last few years we have seen a huge growth in specialist tools for areas such as transfer pricing, tax provisioning and tax depreciation, as well as generic tools used in tax departments such as databases, dashboards and data wrangling.

As the pressures of increased regulation, decreased times to comply and greater scrutiny of tax data combine to force tax departments into greater use of and reliance on tax technology, how is the Head of Tax or Finance Director supposed to make well-informed choices?

The Right Tool for the Job

It is indeed a truism that if you own a hammer then every problem will look like a nail, which is why anyone making a purchasing decision to implement a technology solution in a tax department must be a well informed buyer. As the leading independent tax technology advisory practice, FTI Consulting are happy to provide you with a guide to help you find the right tool for the job based on some key questions:

- How urgent or frequent is the task (is it ‘mission critical’)?
- How large is the volume of tax data to be processed?
- How complex are the tax decisions?
- What is the cost of the solution (external, internal, and people)?



A simple approach is to start with the volume and complexity questions. Low volumes and low complexity can be dealt with through any generic office tool such as Excel. Increasing volume would benefit from a data wrangling tool such as Alteryx, whilst increasing tax complexity requires additional integration or controls that come with Excel plus VBA for example. High volume and complexity suggests that even more is needed from your tool and so either specialist tax software or a bespoke solution would be appropriate.

Tax Authority Digitalisation

One of the biggest changes in recent years is the number of tax authorities requiring electronic filings of data; both with increasing data volumes and decreasing times to comply. Tax data is increasingly automated to meet these regulatory pressures, especially due to the frequency and/or urgency of making filings.

In the UK this is hugely influenced by Making Tax Digital (MTD). Not only are specialist tools needed for MTD API submissions, but the whole tax data trail leading to submission has to be digitally linked. This makes the automation element of solutions non-negotiable in the future, making many existing tax processes out-dated and insufficient. It also makes tax a future part of mission-critical ERP/GL systems.

What Does the Solution Cost?

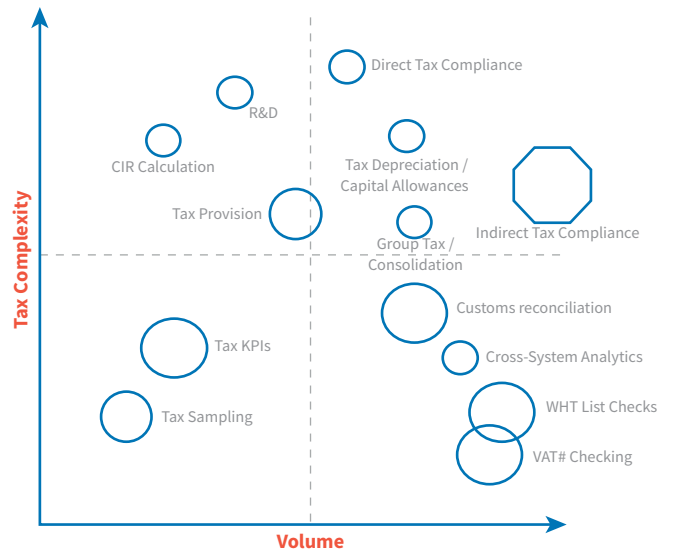
We also need to measure the cost of any solution, and that is not as simple as a headline price on a sales brochure. Software can come with upfront costs, implementation costs, configuration costs, and recurring licence and maintenance costs.

Equally important are the staff costs for you: how much of your own time and that of colleagues in finance and IT will be dedicated to getting the software in and working?

You should also look at the impact of your software choice on your people. Will the solution work for them, or will it require them to work for it? The success of a solution is entirely dependent on whether or not your people want to use it.

Choosing the Right Tool

In the grid below we have taken the volume/complexity axes and then added in different tax tasks urgency and frequency represented by dot size, and digital links by dot shape.



If you add solution costs/people impact to this picture for each and all solutions you consider, then you have a single guide for decision making. You can see the most appropriate solution types for different processes in the tax department, helping you to be a smarter buyer of tax transformation and tax technology, by using our tried and tested methodology.

Experts with Impact

FTI Consulting is a senior led organisation, so each and every project and piece of advice will benefit from the skills, knowledge and experience of our Experts.

We will provide you with the quality and consistency of service that you should expect and deserve.

Through our membership of WTS Global, we are proud to be able to provide like minded tax technology experts across the world should you need local advice abroad.

FTI Consulting can provide the full range of tax technology advice and expertise to your organisation, both today and tomorrow as we are a non-Audit practice.

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