



# Tax Reimagined

**The role of digital in tax**



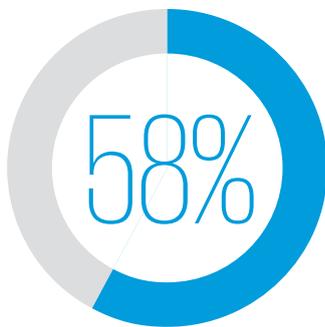




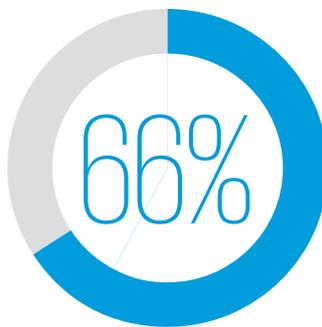
Developments in technology  
impact every aspect of our daily  
lives from how we communicate  
with each other to how we  
travel, how we work, how we  
pay for goods and services.

**A natural consequence of developments in technology is that it will continue to impact on how taxes are calculated, collected and reported to tax authorities.**

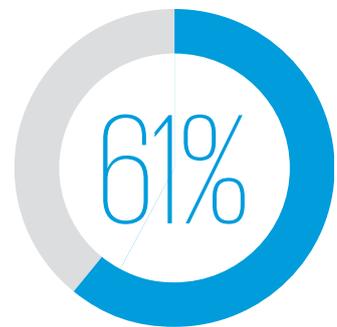
**As tax authorities become more sophisticated with their analytics capabilities, without a change in the way compliance is managed, businesses will have to deploy significant resources reacting to tax authority changes.**



58 percent of respondents said their tax administration has made significant investments in technology.



66 percent of respondents rate technological skills of their administration's auditors as either highly or moderately skilled.



61 percent of the countries report technology based systems are used in risk assessing taxpayers.

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**Source:** KPMG International - Global tax administrations leveraging technology July 2018

Automation and technology enablement will play a key role in how tax authorities operate. Tax authorities are increasingly leveraging new technologies that can quickly analyse millions of records to accurately identify issues, thereby reducing the resources and time required to conduct an audit. In many cases, the tax return itself is no longer the sole focal point of an audit. Instead, taxpayers are increasingly requested to share the underlying data behind those numbers and a tax authority can compare the tax return to the underlying workings that support it.

Finally, tax authorities, including the Revenue Commissioners, are transitioning to real time taxation and increased data sharing.

Tax Reimagined in a digital context is about recognising the power and value in harnessing data. It is not difficult to foresee its impact on both taxpayers and tax authorities when it comes to managing both opportunities as well as risks.





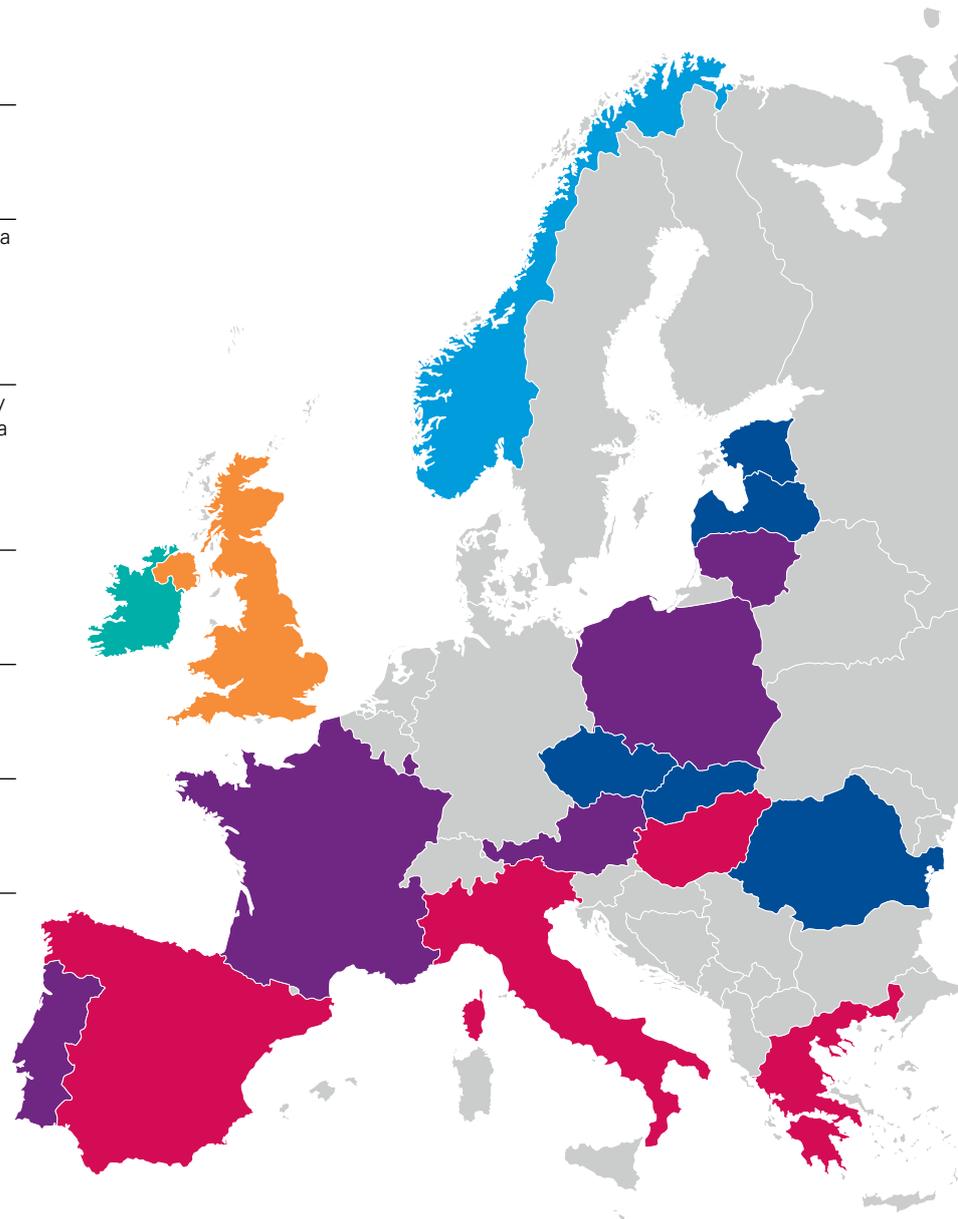
## Digital reporting

# A move to increased digital reporting

A growing number of tax administrations around the world are using initiatives such as SAF-T (Standard Audit File for Tax) reporting, financial data submission and e-invoicing as a way of obtaining complete records of tax transactions and producing their own assessment of tax liabilities.

A number of European countries have implemented, or are in the process of implementing, enhanced digital reporting. We expect this to only increase in the coming years.

<b>Planning for SAF-T</b>		
Norway		
<b>Current SAF-T Countries</b>		
Austria	France	Lithuania
Luxembourg	Portugal	Poland
Spain		
<b>Detailed VAT Reports</b>		
Czech Republic	Estonia	Hungary
Italy	Latvia	Romania
Slovakia		
<b>Real Time Reporting – VAT</b>		
Hungary	Spain	
<b>Making Tax Digital – VAT</b>		
United Kingdom		
<b>Electronic Invoicing</b>		
Italy	Greece	
<b>PAYE Real Time Reporting</b>		
Ireland (also operates in the United Kingdom)		
Move to “real time” DWT in Ireland (as announced in Budget 2019) is expected to result in a significant increase in DWT yield for the Irish exchequer		



## Tax authorities

# A clear benefit to tax authorities

**International examples clearly demonstrate how tax authorities are increasingly using technology as a means to efficiently collect taxes from taxpayers and to tackle tax evasion.**

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In Finland, a photograph is taken to identify a person making a withdrawal at an ATM. The images are available to the tax authorities as required.



Hungary introduced an online cash register where data is recorded with a fiscal control unit. In the first year of introduction (2014), VAT revenue increased by 15% in the sectors for which it was introduced.



In Sweden, 135,000 cash registers have been connected to a fiscal control unit since 2010. This has increased tax revenues by an estimated €300 million per annum.



The introduction of mandatory electronic invoicing in Mexico brought 4.2 million micro businesses into the formal economy.

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**Source:** OECD Technology Tools to Tackle Tax Evasion and Tax Fraud



In the UK, making Tax Digital aims to reduce the 'tax gap', which is currently estimated at £9bn annually across all taxes.

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**Source:** Making Tax Digital for Business – Stakeholder Communications Pack, October 2018



In Ireland, PAYE Modernisation is expected to yield additional Exchequer revenue of €50 million arising from increased compliance levels of taxpayers.

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**Source:** Department of Finance, Summary of Budget 2019 Taxation Measures – Policy Changes





## Preparing for change

# What to think about now...

### 01

#### What impact will the increased use of technology by tax authorities have on my business?

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The Revenue Commissioners and foreign tax authorities are on a trajectory of gathering increasingly detailed data from taxpayers. Businesses are looking to secure an understanding of where they might be impacted and what they need to do to comply.

### 02

#### What risks does submitting further data to the tax authorities entail?

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Businesses are seeking to fully understand and be comfortable with the risk assessments and analysis tax authorities will be undertaking.

### 03

#### Are my systems and processes compatible to comply with these requirements and perform analytics?

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Businesses are assessing their systems and supporting business processes to determine how to comply with changes such as enhanced data filings, eAudits, PAYE modernisation in an efficient way.

### 04

#### What additional value can I extract from the data that I hold?

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To drive further value for the organisation, businesses are looking for opportunities within their data, utilising analytics. Examples may include wider supply chain assessments, finance KPIs and working capital opportunities.

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The changing nature of tax authority compliance requirements and interventions presents a significant challenge for businesses. With the increased use of technology by businesses and individuals, we are seeing increased digital footprints and electronic audit trails.

In order to react to these new requirements, businesses are increasing their investment in tax compliance technology and their existing finance systems to create a robust electronic audit trail in their day to day business processes and finance systems.

In addition to improving compliance audit trails, companies are also realising benefits from these investments through the reduction of manually oriented tasks such as validating, adjusting and/or reconciling data to ensure the accuracy of their tax returns.

# How KPMG can help

KPMG's Tax Technology team can help you to assess and understand both the challenges and opportunities new compliance obligations present. We can develop an approach that works for your business on how technology can support your tax compliance obligations.

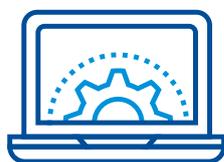
Our multi-disciplinary team has worked with clients and various KPMG service teams to support clients in meeting a variety of requirements.



Supporting clients in **preparation for Revenue audits using Data Analytics** tools and techniques. This includes targeted eAudit self-reviews of key tax risk areas using IDEA and other software to efficiently identify errors or omissions that may have occurred during the tax return process.



Conducting **reviews of end to end processes** as they apply to the management of tax. This typically involves working with various stakeholders (e.g. Accounts Payable, IT, Finance, Tax, etc.) to identify system and process improvement opportunities throughout the tax **'Record to Report'** cycle.



Advising in relation to **IT system requirements and set up** to support tax compliance and reporting requirements. Projects in this area include vendor evaluation, implementation of third party tools, as well as providing client side advice on the configuration of ERP systems such as SAP, Oracle, Ariba, Coupa, Microsoft Dynamics.



Helping clients to **enhance the control environment** around tax by utilising technology and implementing business process improvements. Working with clients to ensure that necessary procedures are in place to meet growing governance and compliance requirements e.g. Directors Compliance Statements, Making Tax Digital, PAYE modernisation, Co-operative Compliance, UK Tax Strategy publication.



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