



# Making Tax Digital

**Making technology  
investments that count**

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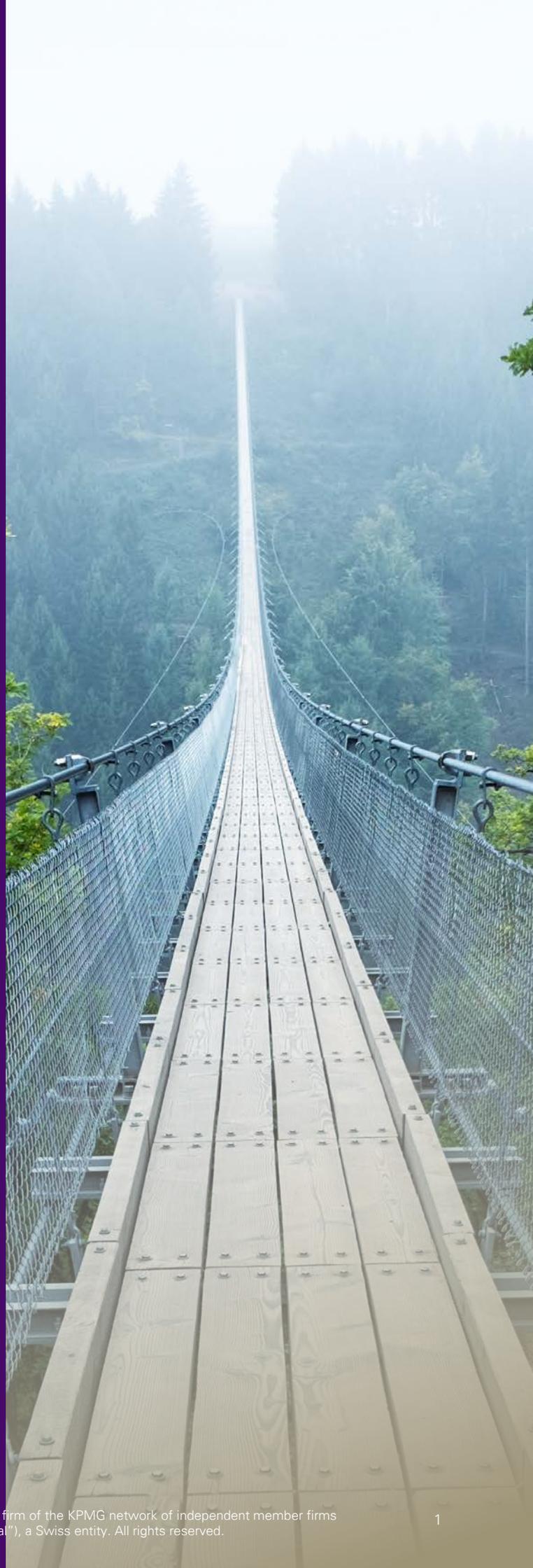
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Many tax authorities have been investing in digital transformation, for example, 'Making Tax Digital' in the UK. It will enable them make better use of data to focus resources on earlier intervention strategies as tax analysis moves into real time. In addition to these advances, the tax risk and transparency agenda has been elevated to the boardroom level over recent years, and as a result, organisations are recognising the need to invest in tax technologies fit for the future.

New technologies that support Global Mobility programmes, for example, will help transform these functions into a more strategic support for the business with significantly less focus on transaction processing support that will become more automated.

With so many new and emerging technologies to choose from, how do you go about evaluating those most suitable and adaptable to your organisation's needs? This paper aims to help you navigate the many options.



# Be realistic in your expectations

It is critically important to be realistic about what will be achieved in the early days with tax technology.

Sometimes, tax leaders associate automation of the tax compliance process with the idea that, each month, they will be able to press a single button on a computer and produce a perfect tax return, fully correct and complete. If that was true, then the role of the tax manager would likely become redundant very quickly. But there are many benefits to be gained through early incarnations of automation, long before total automation is a reality. Why do we say that total tax automation is more aspirational than real, at least in the period leading up to 2020?

While we may all wish for perfection in tax automation, it's important to recognise why limitations exist. For example, total automation within the global mobility team would require an organisation to have perfect data globally in its HR, payroll, relocation management and expenses systems, and for that data to be collected and stored in a way that is deliberately set up for (and accessible by) the Global mobility team; it would require the data to be complete, with no manual reconciliations or adjustments needed. This is difficult right now in most organisations, especially multinational entities operating across multiple jurisdictions. The reality is more like the following:

- **Many organisations maintain data in multiple systems,** this will often require some form of reconciliation because those systems may not always 'speak' to each other. If we think of the need to report taxable expenses in the UK, in real-time where not captured on a PSA, to automate this we would need to make your payroll and expenses systems reliably communicate with each other.
- **The data that is maintained in systems often contains errors or anomalies or is incomplete,** because in many cases much of the data is still entered manually. In the future, this may change with advances in optical character recognition (OCR) technology, but this is still a few years away for most organisations. Taking the expense example further, if these are self-reported how can you make sure that your employees have selected the correct category of expense when making a claim?
- **Most systems are not built with the tax function in mind,** so we cannot expect the reporting data to be perfectly suited for the tax function's needs. Within a HR system, it is unlikely that the needs of the global mobility team will have been designed in as a primary feature, given mobile employees are only ever likely be a small percentage of the total employees on a payroll.

# Avoid choosing the solution first

With new technologies seeming to hit on a weekly basis it can be really tempting to go with the newest kid on the block, which may not be the right fit. Instead make sure you follow a clear plan to identify what you want to do.

First understand what is the issue you are trying to address, then look at the range of options you have available.

Below is a useful framework to follow:



## **Investigate**

Understand what the problem is, be it a change in obligations from tax authorities, a change of your organisation's policy or an efficiency enhancement.



## **Consider participants**

Understanding who is affected by a process will help tremendously when it comes to choosing an option.



## **Analyse needs**

Understanding how the current processes work and what they deliver will help identify the best options.



## **Evaluate options**

It is important to have a clear understanding of all the costs, benefits and risks when assessing an option. Risks are often overlooked so it is careful to consider the chance of failure especially when using new technology.



## **Define requirements**

Knowing the detail of what is required is vital before committing to a course of action. It is important to work with technology specialists throughout, but it is vital at this phase.



## **Deliver change**

With new technology it is highly recommended to have a degree of flexibility during delivery, to take account of changes in your business and new delivery methods.

# Consider all the options

There are countless technologies out there which may be the best fit for your project. Below are some broad areas that might be considered, but they are by no means the complete set.

	 <b>Robotic Process Automation Platform</b>	 <b>Custom application</b>	 <b>Off-the-shelf</b>	 <b>Software as a Service</b>
<b>What</b>	These platforms allow you to develop quick solutions with a lower skill level than traditional technology.	These are bespoke pieces of software tailored to your exact needs.	Tools which meet the majority of your requirements and just require you to install them.	Similar to off-the-shelf, but takes away the need to install on your local systems and instead you just pay for the service.
<b>When</b>	If you have a number of high volume processes which rely on using multiple legacy systems	If your problem is special to you, and nobody else is trying to fix it.	If your problem is common to a number of organisations and you don't have any really specialist requirements, there should be a product out there.	Similar to off-the-shelf, with the caveat that this will involve sending data externally so you will need to review the risk position with your IT team. This is often coupled with consultancy to ensure the best product for you.
<b>How</b>	There are three major vendors in the market place to license the software from. You can then choose between having an internal team to develop each process or engage with an external provider	You will need highly skilled developers and designers to make the most of these projects. These may exist internally to your organisation or can be provided by other vendors.	Research vendors, determine your needs and find the best match.	Same as off-the-shelf
<b>Example</b>	Invoice handling is a common area of usage for RPA. This is because it is possible for the incoming invoice to be processed and reconciled against accounting software.	Some organisations have built a custom assignee management systems to integrate their global HR and payroll applications.	They range from the everyday such as Microsoft Office to more niche products such as payroll systems.	Multi-jurisdictional payroll instructions and data collection and consolidation services are provided in this way.

# Next steps

Tax is evolving and modernising from post transaction to real time analysis and tax functions are investing in new digital solutions to deliver value for their businesses.

Our Tax Technology specialists are happy to help in defining your projects and helping you choose the right solution.

Please let us know if you would like to hold a session to discuss the possibilities.

# Contact us

For further information please contact the advisors below or your advisor at your local KPMG office.



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## About KPMG's Global Mobility Services (GMS)

Aligning our thinking to your talent management objectives, we can support you with the planning and management of your international workforce.

GMS provides advisory, compliance and administrative services, along with outstanding technology, to help you manage an international workforce.

Our network across KPMG member firms of over 4,000 leading specialists supports more than 2,500 companies across 140 countries worldwide. The tools and advice we provide helps to simplify business functions and reduces time spent on compliance, making the assignee experience more seamless.

For many organisations, the pressure to compete effectively has led to an increase in the size and complexity of their global workforce, placing greater demands on international human resource teams.

Managing compensation, tax compliance and global mobility is becoming more costly, complex and time consuming.

GMS brings together a wealth of tax, technology, immigration and mobile administration services to help you manage your global workforce in an easier, safer and far more efficient way. Whether you are considering expansion or relocation to a new location, an acquisition or more streamlined processes to help you manage your existing workforce, our practice can help support you.

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