



Africa Tax Quarterly Newsletter

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In this fifth edition of our Africa Tax Quarterly Newsletter, we look at Managing Disruption and Tax Technology.

With countries focused on responding to the Coronavirus pandemic (COVID-19), the necessary lock downs have caused significant business and economic disruptions. This has had a substantial impact on how companies manage, amongst other priorities, their tax affairs.

Everything that can be done virtually is being done virtually to limit human contact in an attempt to flatten the curve. Business leaders are needing to respond with new technologies that help support this shift to more people working from home.

Amidst this background, harnessing the power of technology and unlocking the value residing in company's data will require a business's tax function to understand and manage its role in this vital exercise. As we continue to work from home for the foreseeable future, there is greater urgency for businesses to focus more effort on strategies for sustainability while maintaining compliance.

Our Tax Technology and Innovation team have put together an edition that looks at how you can utilise tax technology tools to manage disruptions in current environment.

As always, if you have any comments, feedback or suggestions of what you would like us to cover in future issues, you are welcome to contact Preshnee Govender at preshnee.govender@kpmg.co.za

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1. Tax Technology Overview

How tax technology can improve your tax department?

Technology and innovation can be the difference between a tax department that is on the defensive, a department that is simply keeping pace and one that is proactively building a proud tax narrative inside and outside of the organization. A host of tax technologies have been developed to help tax leaders and their departments tackle regulatory change, facilitate streamlined processes, turn data into value and enable effective collaboration across the tax department and beyond.

Most tax technology solutions in the market today can be broadly placed into one of four categories:

1. Insights
2. Compliance
3. Process management
4. Platforms



Insight related solutions

Provide insights into the accuracy of your tax related data, to help you either identify potential tax risks up-front, or enable you to identify errors or inconsistencies in your tax filings.

Benefits:

- Provides insights to help manage tax risks
- Provides insights to identify cashflow and savings opportunities



Compliance related solutions

Help you prepare, or file, tax returns more efficiently, more accurately, or in a more highly automated way. For example a tool to help prepare automated VAT/GST returns.

Benefits:

- Remove inefficiencies in existing manual processes
- Ensure greater accuracy and/or transparency of tax returns



Process management solutions

Solutions which help to manage either a specific process or an end-to-end process, by making the right information available to the right person at the right time.

Benefits:

- Generate efficiencies and accountability for decision-making
- Ensure clear lines of responsibility
- Share information within the organisation



Platform (components)

Hardware or software solutions which typically are built into tax technology software, or which enable or facilitate the automation of compliance or the delivery of insight related solutions.

Benefits:

- Enable or facilitate compliance, insight and process management solutions
- Investment is not seen as a benefit of itself, but rather a means to an end



2. Tax Intelligence Solution Tool

An example of a typical insights solution is **KPMG's Tax Intelligence Solution** (TIS). TIS is KPMG's global data and analytics solution for tax purposes. KPMG has developed specific modules of TIS for VAT/GST, Customs, Transfer Pricing and Direct Tax. This solution has been used for more than 250 clients worldwide, has more than 50+ standard exception reports for VAT/GST and it was developed using a 'common data model', meaning that it works for most ERP systems.

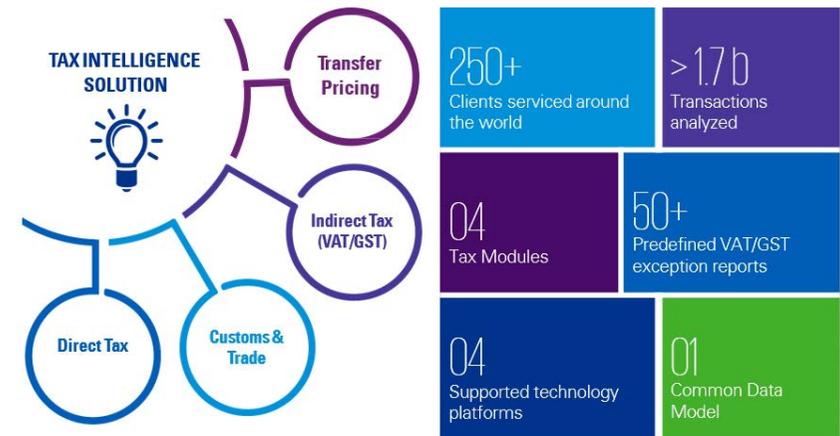
Current business challenge:

In times like these, an organisation's priorities are mainly focused on maintaining cash flow and minimising the negative implications of the global and local impact of the COVID-19 pandemic. Even before the COVID-19 global pandemic and the economic slowdown, our Tax Authority was tasked with increased tax collections. The current crisis will unfortunately only contribute to an increased focus on tax collections. Indirect Tax (VAT/GST) is a focus area for tax collection for all of the countries, we expect to see an increase in VAT investigations and audits. The COVID-19 pandemic has and will change the way we do and look at our business. We believe it is essential to focus on optimising cash flows, improving efficiency and saving costs. At KPMG, we focus on tax technology services to assist in answering this question. With this in mind TIS is a unique tax technology solution that will assist and add value to your business by identifying VAT/GST opportunities.

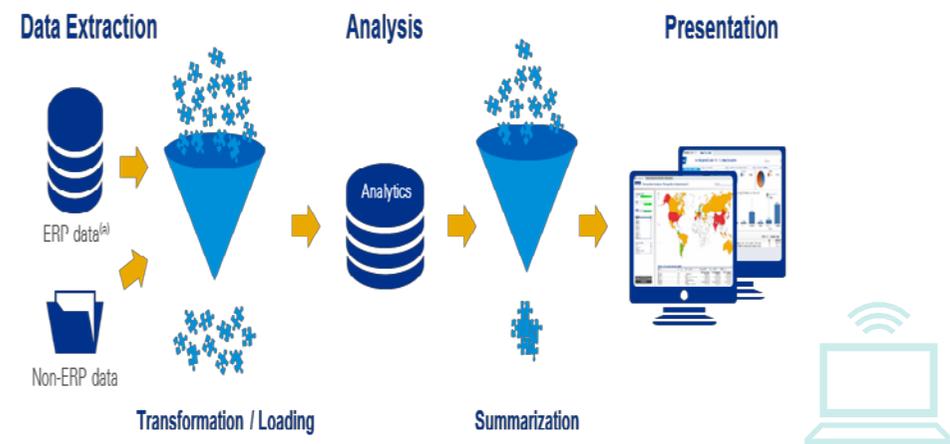
KPMG solution and added value:

TIS is an enterprise based IT solution that extracts transaction level data and using bespoke analytical tests, and populates dashboards with relevant exception data. The KPMG TIS tool helps clients:

- o Obtain insights into potential cash savings,
- o Identify system configuration improvement opportunities, proving harmonisation in business operations and financial processes,
- o Detect tax determination errors earlier, therefore reducing the risk of penalties,
- o Obtain fact-based insights to identify irregularities,
- o Accelerate input tax credits and improve working capital, and
- o Optimise supply chain from a tax perspective to eliminate refund claims in jurisdictions where refunds are difficult/ailing.



Tax Data & Analytics Methodology



2. Tax intelligence Solution Tool (cont'd)

Case Study: Multi-national Automotive Client

For one of our clients in the automotive manufacturing industry data was extracted and transformed using our insights related solution to evaluate the tax process and control environment as part of an audit engagement. This data was subsequently loaded into our tax compliance related solution to prepare a reconciliation between the VAT/GST returns and the annual financial statements that is required by the Revenue Authority for annual submission. A year later, we were able to assist the same client with queries from the Revenue Authority on another project using a combination of our tax technology solutions.

Case Study: Major Retailer

We had an IT engagement with a major Retailer to transform their HR and Finance department systems onto the cloud. As part of this project, our tax team had to do a detailed review evaluation of the current VAT configuration rules and whether enhancements are required prior to moving onto cloud. In order to evaluate the VAT configuration and their control environment we used a portion of our insights related solution. The Head of Tax was impressed with the VAT insights and visibility obtained from this project and requested that we perform a gap analysis reconciliation covering different tax disclosures (Income Tax, VAT, Employee Tax and Customs). Since we are using the same data set, but creating different visualisations and insights according to the client's needs, they also requested us to perform a savings review.

Next steps:

At KPMG we use our tax technology solutions as enablers to perform our tax services faster, better and with more value to our clients. In these times, KPMG is working with clients to provide real-world tax expertise underpinned by best-in-class Tax Technology solutions.

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Tax Intelligence Solution Methodology

Indirect Tax

VAT compliance/efficiency cockpit

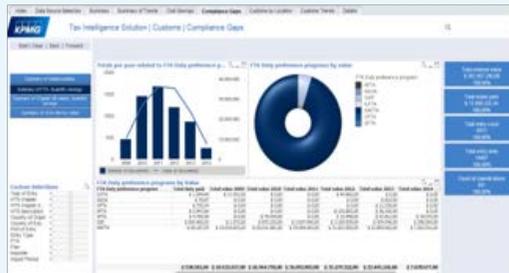


Purchasing – VAT reclaim analysis



Trade & Customs

Customs compliance gaps

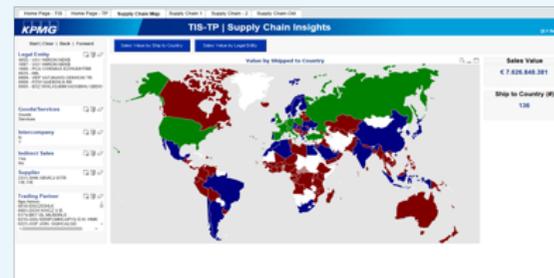


Cost savings

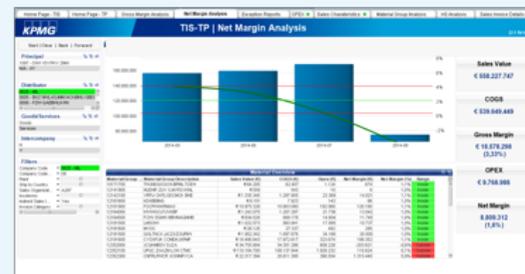


Transfer Pricing

Global transactions – services and goods



Gross/Net margin evaluation





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