Tax and ERP Automation – Setting up tax for success

April 17, 2024

1:00 PM – 2:00 PM EDT

RSM

Today's presenters

Michael Charette
Partner, Tax Technology
Consulting

Julio Fernandez
Managing Director, Tax Technology
Consulting

John Ihne
Senior Manager, Center for
Advanced Tax Technology
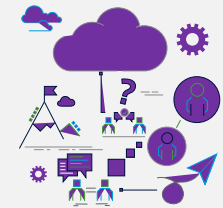
Agenda

Following this session, you will be able to:

Tap into the practical for strategies to influence decision-making

Understand how to leverage people, processes, technology and data for ERP success

Enhance your knowledge and tools to drive ERP success, unlocking efficiency, compliance and strategic decision-making

Begin bringing these ideas to life in your organization

Enterprise resource planning and tax

What is an ERP?

Sales & Marketing

Finance & Accounting

Reporting & Analytics

CRM

Enterprise Resource Planning Platforms

Planning

Human Capital

Production

Inventory

The source of truth for:

Corporate income tax	Sales tax
Transfer pricing	Consumer use tax
Credits & incentives	VAT
Information reporting	Customs & excise

There is a tax consequence for every financial process

ACQUIRE TO RETIRE
- Efficiently track and manage assets – **including federal, state, and international tax depreciation and property taxes**
- Establish clearly defined Cap-Ex processes & policies and **maximize R&D credit opportunities**

SOURCE TO REPORT
- Deliver robust reporting and analytics **with & without taxation impacts**
- Develop a quality financial **and tax provision close that seamlessly flows to tax return compliance**

PLAN TO DEFEND
- Create, protect and maximize future value through **improved compliance, minimized risk exposure, and reduced expense burdens DESPITE changes in global tax policy and regulations**
- Implement best-fit tools and technologies to deliver a **digitally-enabled and agile tax department**

PROCURE TO PAY
- Proactively manage vendors and suppliers and **back-end U.S. and foreign person regulatory filings**
- Establish strategic sourcing function
- Utilize digital workflows for requisition, PO, and invoice processing
- **Integrated supply chain** – manage 'landed costs' including VAT, customs, duties, excise taxes, and transfer pricing

HIRE TO RETIRE
- Deliver a **seamless employee experience**
- Effective **labor management**
- Data-supported **performance management**
- Optimize **opportunity zones and workforce-based tax credits and incentive programs**

ORDER TO CASH
- Serve customers **faster and more effectively**
- Reduce errors and delays **with integrated billing and revenue recognition solutions**
- Effectively manage **cash inflows and cash tax outflows**

PLAN TO ACT
- Sophisticated budgeting, forecasting, and planning capabilities – **including Cash Taxes and Effective Tax Rate impacts**
- Data-driven decision-making – **incorporating changes to tax policy and legislative action**
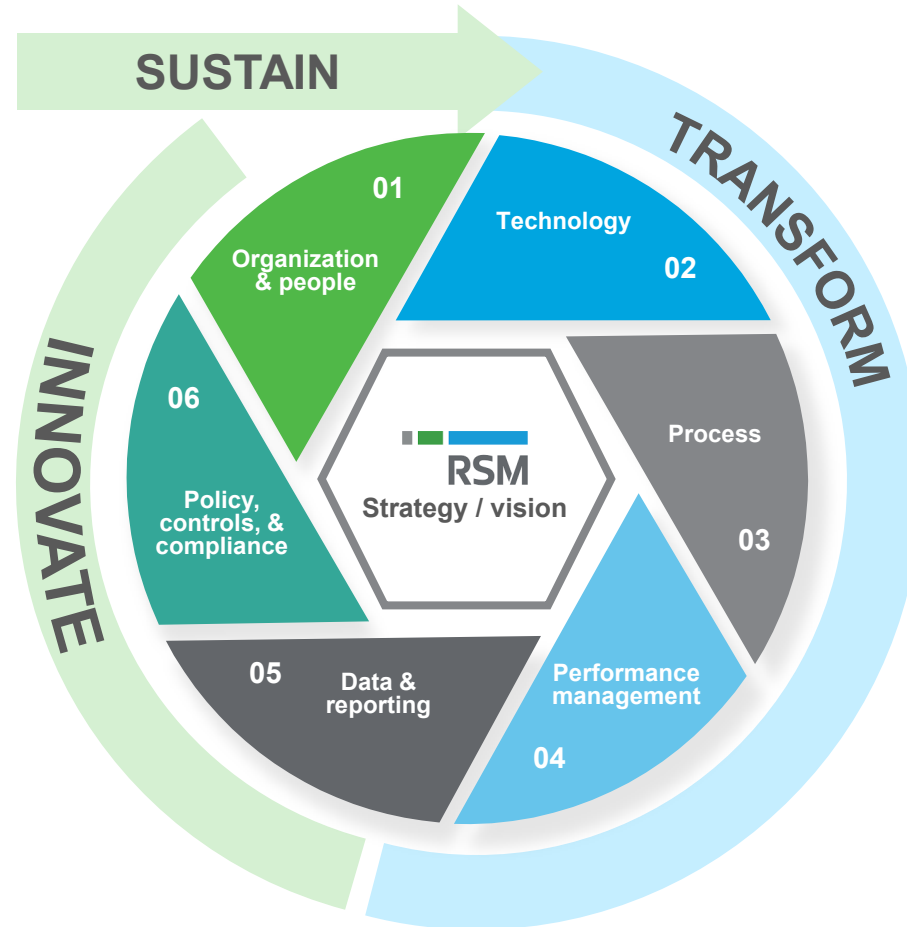

Strategy — Operational Transfer Pricing, Sales Tax, Consumer Use Tax, VAT, Goods & Services Tax, Corporate Income Tax, Information Reporting, R&D. Organization & People, Technology, Policy, Controls & Compliance, Process, Data and Reporting, Performance Management.

How does an ERP change
and finance transformation
impact the tax function?

Motivation for ERP change

- Consolidation of legacy systems
- ERP does not match company goals
- The company has outgrown its ERP system
- ERP doesn't integrate with other key systems
- ERP is slowing down their business processes
- ERP is not user-friendly
- ERP data is not accessible
- Customers are impacted by an ERP deficiency
- ERP is too expensive to license or maintain

Target operating model framework

01 Organization & people

Aligning people with specific roles and responsibilities within an organizational model that is responsive to change and utilizes formal programs for developing the next generation of leaders

06 Policy, controls & compliance

Defining a common business language that is disseminated across the organization and identifying proper segregation of duties to balance cost, risk, and quality of output

05 Data & reporting

Standardizing and governing data to balance source system supply with reporting and analytic demand

Strategy

Capturing and refining Tax strategy that empowers employees to become valued business partners that execute processes with targeted outcomes in alignment with business goals

02 Technology

Integrating transactional, storage, and reporting systems end-to-end to drive Finance automation across critical business processes and data elements

03 Process

Designing tasks and activities with clear ownership in order to execute business objectives with efficiency and effectiveness

04 Performance management

Developing KPIs that align with strategic goals and enable operational efficiency and performance improvements that create enterprise value

Phases of an ERP implementation

ERP phases

DISCOVERY	DESIGN	IMPLEMENT	TEST	DEPLOYMENT/ POST-DEPLOY
Establish understanding • Understand overall program milestones and timing **Develop business requirements with a tax lens** • Update or provide requirements traceability matrix tied to process flows **Align target operating models** • Update process flows to include tax swim lanes	**Partner with clients' System Implementers (SI)** • Identify and address gaps • Provide detailed configuration requirements • Update process flows and documentation • Provide ad hoc support **Develop a testing plan** • Provide a tax lens to the testing design as needed • Build test scripts	**Update supporting process flows and documentation** • Update tax swim lanes to identify any needed design changes • Configuration, customizations, integration, and data migration occur in this phase	**Perform User Acceptance Testing** • Provide testing assistance as a functional user and document via the requirements traceability matrix **Develop use cases for further testing** • Identify gaps and create scenarios to enhance additional testing **Conduct end-to-end testing**	**Provide go-live support** • Provide hands-on support to answer questions and troubleshoot **Provide dedicated hyper care support** • Provide additional support after the go-live period

The tax leaders' role for each phase of ERP implementation

1 Discovery:

Focus on ensuring Tax has a seat at the table.

Understand the scope of the ERP project and its potential tax implications.

Know the key milestones and deliverables.

2 Design:

Ensure tax requirements are part of the overall requirements.

Ensure key reports, tax-related workflows, downstream systems or data are accounted for.

Review the impact on your tax operating model.

3 Implement:

Define tax codes, rules, and calculations within the ERP systems.

Review and validate any configuration.

Ensure your team is part of any conversations on data migration.

4 Test:

Ensure your test cases incorporate the information you covered during the design phase.

Verify that tax calculations, reporting, and compliance features function correctly.
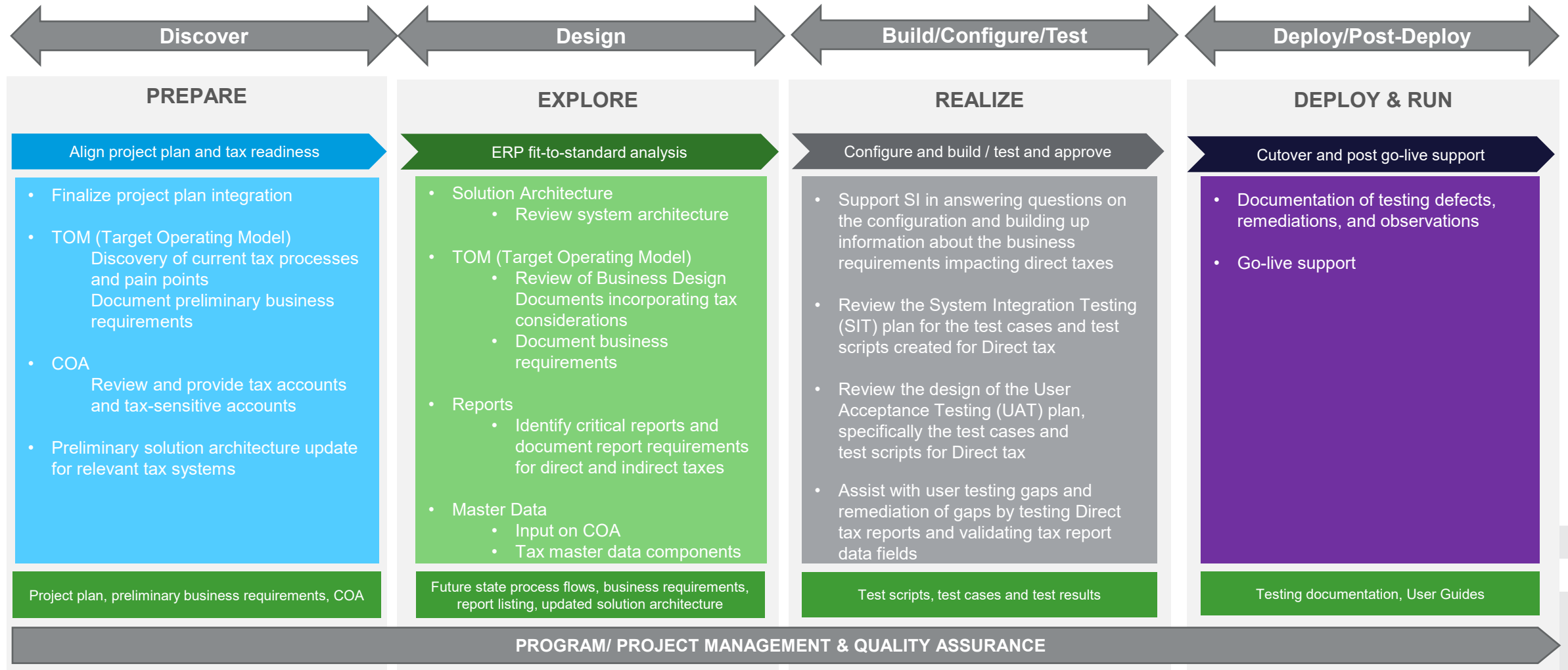
5 Deployment/Post-deploy:

Ensure proper documentation, training, and change management practices are incorporated.

Identify opportunities for optimizing tax processes and leveraging additional features with the ERP system.

Roles in an ERP implementation

Roles	Key Qualifications
ERP implementation partner	• **Provides in-depth knowledge of the industry, ERP development tools, coding languages and business processes** to develop an ERP that is configured appropriately to the customer's needs
Company	• **Collaborative and dedicated core process experts** that can support the end-to-end implementation – specifically around guiding the configuration the ERP system, providing training and conducting testing
System integrator	• **Significant data migration and integration experts** define a holistic data architecture future state vision across the ERP program
Organizational change management	• **Provides expertise with implementing large scale change programs to proactively identify adoption risks** based on leading indicators – with the ability to quickly pivot as needed
Program and project management	• **Provides leadership skills to participate in solving challenges** that occur over the lifecycle of the project

An implementation approach – recent client example

Discover	Design	Build/Configure/Test	Deploy/Post-Deploy

STRATEGY & VISION

PREPARE

Align project plan and tax readiness

- Finalize project plan integration

- TOM (Target Operating Model)
  - Discovery of current tax processes and pain points
  - Document preliminary business requirements

- COA
  - Review and provide tax accounts and tax-sensitive accounts

- Preliminary solution architecture update for relevant tax systems

Project plan, preliminary business requirements, COA

EXPLORE

ERP fit-to-standard analysis

- Solution Architecture
  - Review system architecture

- TOM (Target Operating Model)
  - Review of Business Design Documents incorporating tax considerations
  - Document business requirements

- Reports
  - Identify critical reports and document report requirements for direct and indirect taxes

- Master Data
  - Input on COA
  - Tax master data components

Future state process flows, business requirements, report listing, updated solution architecture

REALIZE

Configure and build / test and approve

- Support SI in answering questions on the configuration and building up information about the business requirements impacting direct taxes

- Review the System Integration Testing (SIT) plan for the test cases and test scripts created for Direct tax

- Review the design of the User Acceptance Testing (UAT) plan, specifically the test cases and test scripts for Direct tax

- Assist with user testing gaps and remediation of gaps by testing Direct tax reports and validating tax report data fields

Test scripts, test cases and test results

DEPLOY & RUN

Cutover and post go-live support

- Documentation of testing defects, remediations, and observations

- Go-live support

Testing documentation, User Guides

PROGRAM/ PROJECT MANAGEMENT & QUALITY ASSURANCE

Tax data management

RSM

Bad data creates problems

How do I know?

- Detailed enterprise data is not centrally available and is gathered through inefficient manual processes
- Data gaps between what is recorded for books and records and what is needed for timely statutory reporting and tax compliance
- Reactive tax reporting vs. proactive tax strategy
- Frequent manual transformation of enterprise data
- Complicated processes and manually created spreadsheets
- Disparate data, processes, systems, and lack of standardization creating key person risks
- Struggling to leverage enterprise technology for tax
- Inability to scale due to the increasing tax reporting requirements

Data challenges in modern tax functions

Modern tax processes can be complex and challenging. The tax department consumes a large amount of data from financial systems, other departments, silo data from spreadsheets, and external providers.

- **Collection of data:** Data wrangling occurs frequently when collecting necessary data

- **Data availability and quality:** Finding tax-related data that is consistent, accurate, and complete is a daily challenge

- **Data volume:** Managing data efficiently, especially with complex tax calculations and reporting requirements

- **Data intelligence & understanding:** Leveraging data to extract insights for tax planning, compliance, and risk management

- **Tax data process mapping:** The tax calendar is always busy, making tax data processing mapping a low priority. Tactical wins over strategic

- **Reusability of your data:** Building and using other places is uncommon

- **Integration with ERP systems:** ERP has been implemented without considering the tax function. The data structure is not aligned with the corporate strategy

Success Tip:
Adopting technology strategically can help your tax function transition from re-active to pro-active.

Tax data example
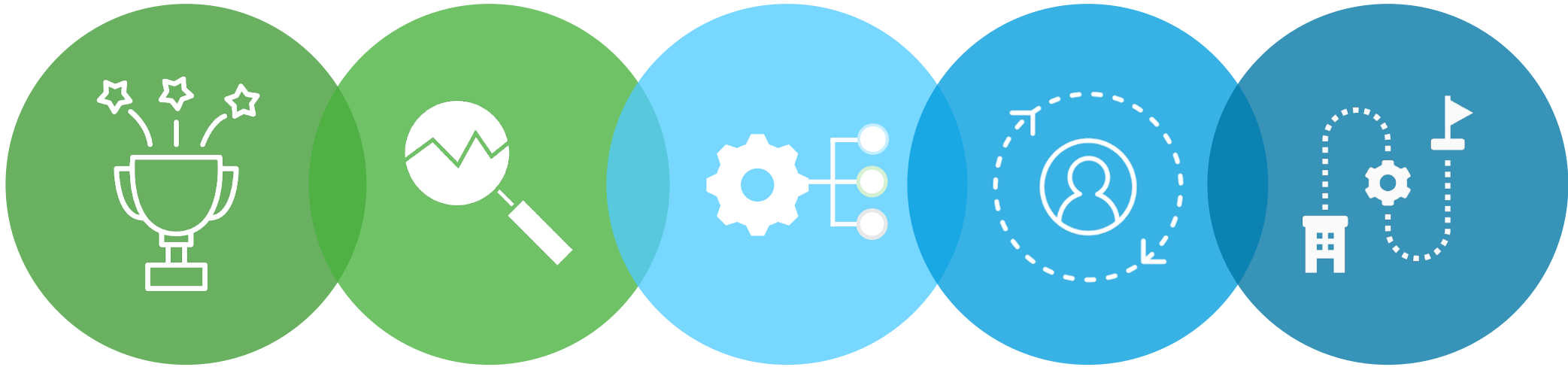
The tax data journey is complicated
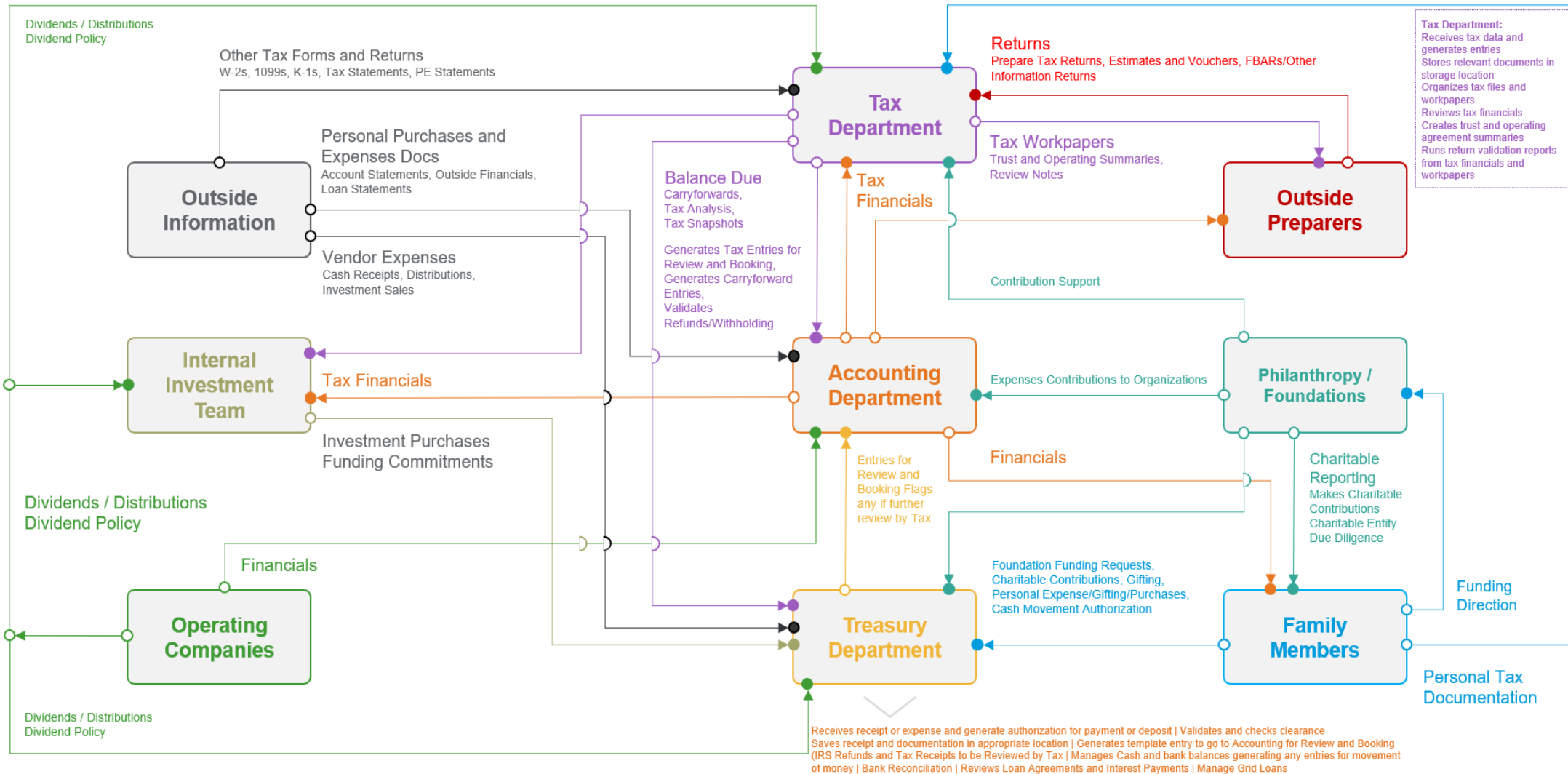
Benefits of effective master tax data management

Enriched data quality

Ensures that data is accurate, complete, consistent, and valid by applying constraints and rules

Enhanced decision making

Building a structure of accountability surrounding key data domains, systems, and/or projects

Data consistency

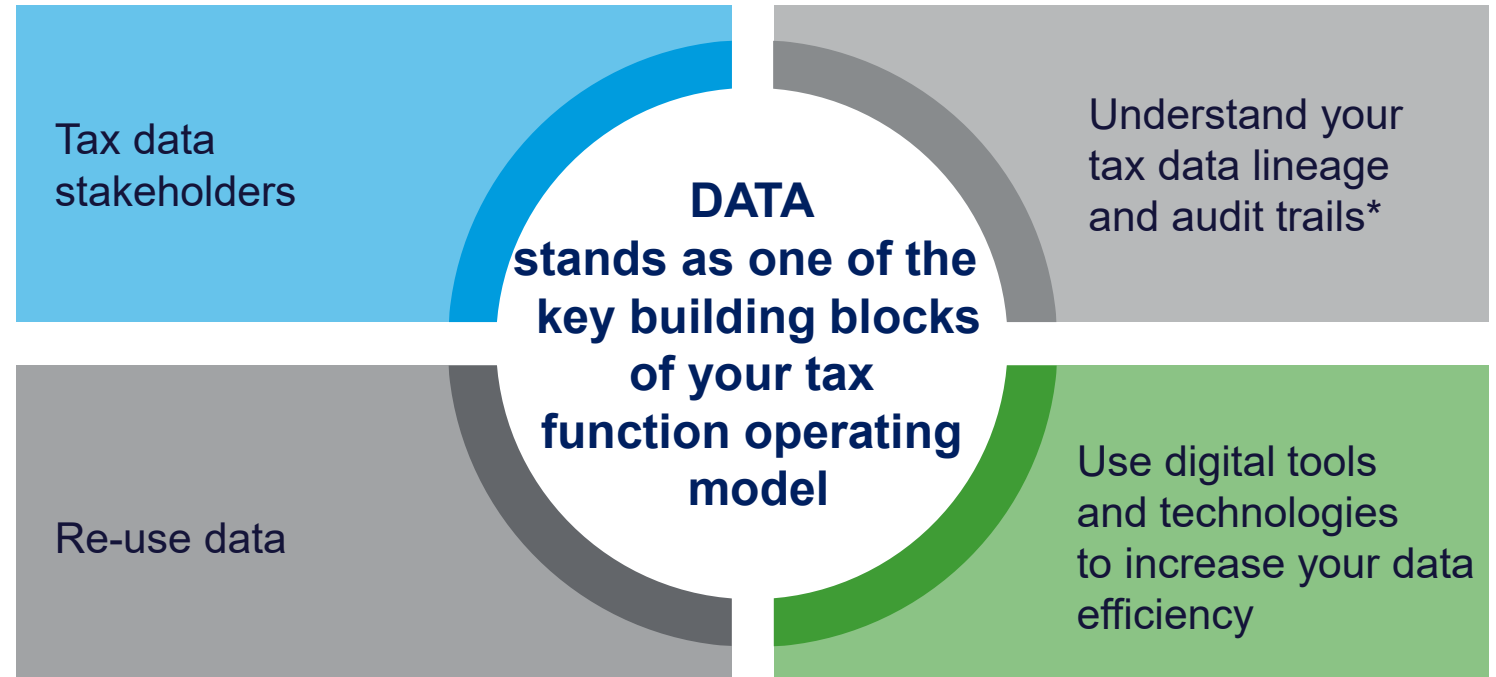A single, trusted source of truth for key data entities; Eliminates data silos and inconsistencies across multiple data sources & processes

Operational efficiency

Reduced data redundancy and duplication within critical sources for streamlined data entry, updates, and access, saving time & resources

Transparency

Increasing visibility of data assets through promoting data & business literacy

Data at the center of your tax function

Tax data stakeholders

Re-use data

DATA stands as one of the key building blocks of your tax function operating model

Understand your tax data lineage and audit trails*

Use digital tools and technologies to increase your data efficiency

* Data lineage and audit trails in the tax function enhance transparency, compliance, and accountability by providing a clear historical record of data transformations, sources, and usage. This facilitates accurate reporting and reduces the risk of errors or discrepancies.

Tax function transformation post-implementation

Building a sustainable tax operating model

"Today, the problem most companies face in executing their digital transformation is not access to technologies but a shortage of workers with digital and data science skills."

Harvard Business Review, January 2024
Using "Digital Academies" to Close the Skills Gap
by Rubén Mancha and Salvatore Parise

Harvard Business Review Article

The war for talent

On the benefits side, organizations with more advanced upskilling programs report more significant innovation, digital transformation, productivity, business growth, and employee engagement and retention.

Benefits of upskilling

By taking a data and process-centered approach, you will build a sustainable Tax Operating Model.

An efficient, effective, and financially supportable tax operating model over the long term.

Progress is achieved gradually over time through the implementation of a roadmap, incorporating incremental enhancements aligned with a strategic plan for a desired target operating model.

Taking a data-centered approach

Target operating model framework

The finance framework applies to tax but at a smaller scale

01 Organization & People

Aligning people with specific roles and responsibilities within an organizational model that is responsive to change and utilizes formal programs for developing the next generation of leaders

06 Policy, Controls, & Compliance

Defining a common business language that is disseminated across the organization and identifying proper segregation of duties to balance cost, risk and quality of output

05 Data & Reporting

Standardizing and governing data to balance source system supply with reporting and analytic demand

Strategy

Capturing and refining Tax strategy that empowers employees to become valued business partners that execute processes with targeted outcomes in alignment with business goals

02 Technology

Integrating transactional, storage, and reporting systems end-to-end to drive Finance automation across critical business processes and data elements

03 Process

Designing tasks and activities with clear ownership in order to execute business objectives with efficiency and effectiveness

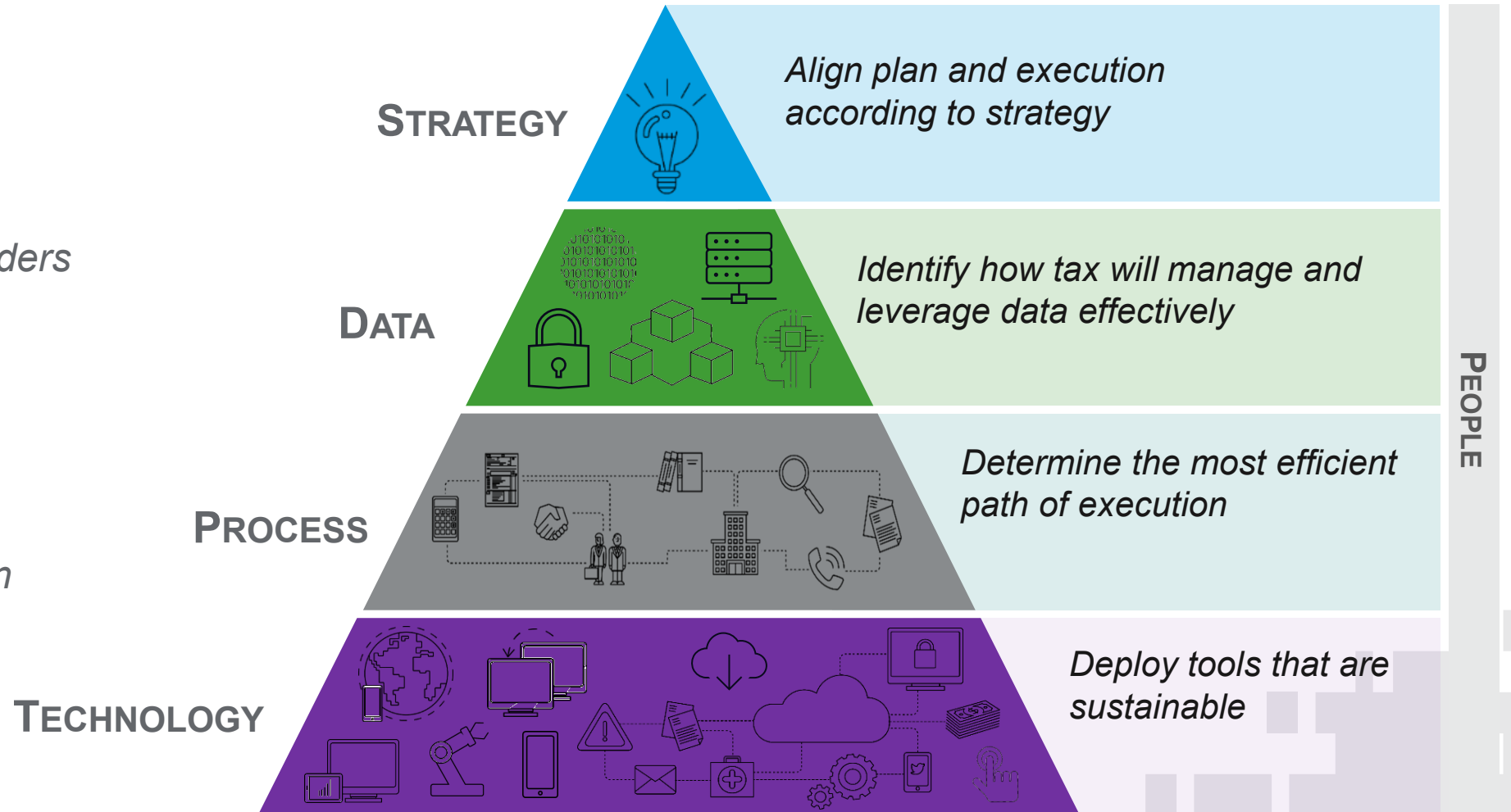**04 Performance Management**

Developing KPIs that align to strategic goals and enable operational efficiency and performance improvements that create enterprise value

# Tax transformation framework

CHANGE MANAGEMENT APPROACH

CHANGE DRIVERS

1 **MOBILIZE**
Alignment

2 **VERIFY**
Engage stakeholders

3 **DEPLOY**
Build readiness

4 **SUSTAIN**
Support & sustain

STRATEGY
Align plan and execution according to strategy

DATA
Identify how tax will manage and leverage data effectively

PROCESS
Determine the most efficient path of execution

TECHNOLOGY
Deploy tools that are sustainable

PEOPLE

RSM's tax transformation paradigms

The elements of transformation that are in your control

Tax transformation

01
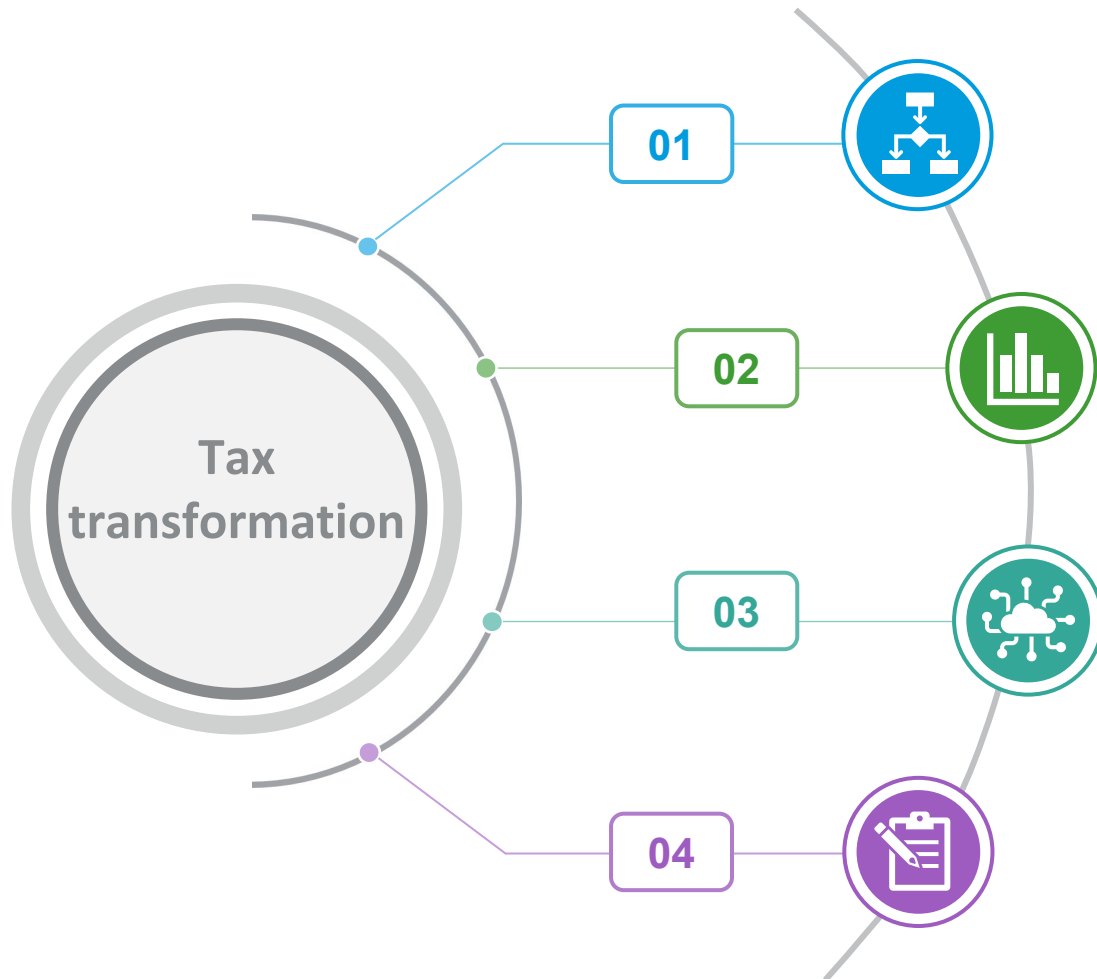
Tax process
Optimizing the tax processes for efficiency

02

Tax data
Managing and harnessing data for maximum efficiency and effectiveness

03

Tax applications
Identifying what developments can be pursued to automate or streamline execution

04

Tax PMO
Identifying the optimal approach to managing collective activities, processes, and deliverables

Opportunities for tax transformation
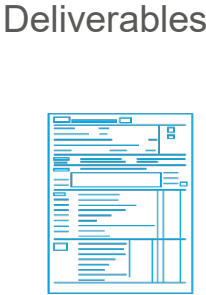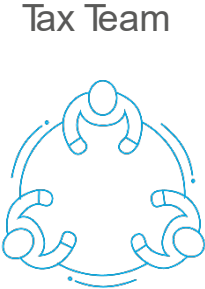
Today's takeaways

Tapping into the practical – key takeaways

Simplify your tax function

01

An ERP system is a vast digital backbone for the organization
In the real world, "ERP" refers to an amalgamation of many systems, all of which tax is dependent on for information

02

Tightly integrate
Tax is tightly integrated with all organization activities; therefore, Tax Leaders have an essential role in organizational change to ensure tax obligations are met

03

ERP is the source of truth for tax data
"ERP" systems focus on operational data. Tax is responsible for collecting, interpreting and managing "Tax Data"

04

Start small and build in phases
Remember, you might not have to undertake a massive overhaul. Create a plan in phases (**People, Process, Technology and Data**)

05

Take a data-centric approach
Remember **data, data and data**: data lineage and audit trail practices. Know your data and its related process

Thank you

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING