



Session code:
5373

Tax Reimagined

2023 KPMG Africa Tax Summit
Tax amid disruption and uncertainties

Cape Town, South Africa

—
4-5 April 2023



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Agenda

1 | Why now?

2 | Operating model

3 | Governance

4 | People

5 | Data, systems and technology

6 | How we can assist

Today's presenters



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KPMG in the UK



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01

Why now?



External factors impacting Tax functions

There are a number of external factors impacting global tax functions, the potential value they can deliver and the role and effectiveness of their people. The diagram below shows the themes in which these factors sit and the different impacts they have.



Regulatory

- Utilisation of technology
- Direct access to data and use of data analytics
- “Costs” of non-compliance
- Higher compliance standards
- Real-time data access
- Increasing penalties



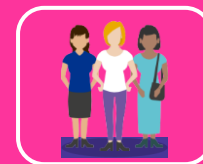
Technology

- Cloud
- Intelligent automation
- Enterprise data strategies
- Block chain
- Cross function business digitisation and enablement
- Analytics and insights



Economic

- Budget constraints
- Access to Big 4 scalability
- Labour arbitrage in remote locations
- Managed Services
- Transformation
- Data access



Social

- Digital vs. Human labour
- Evolving workforce skills
- Career opportunities
- Gig economy
- Alternative workforce and workplace solutions
- Impact of global pandemic



Political

- Global tax reform
- Globalisation vs localisation
- Tax transparency and increased responsibility
- Data residency, ownership, privacy
- Global pandemic response
- Changing environments

Characteristics of a Future-ready Tax Function



Focused resources



Optimised costs & processes



Data integrity, accuracy & insight



Integrated technology



Meet regulator obligations



Optimised Tax Function

Top Current Trends Impacting Tax Functions



Cloud ERP Migration

Organisations are investing in migrating from expensive on-premise ERP systems to cloud ERP solutions. This is due to costs, system end of life, and benefits that cloud can provide that would otherwise be costly.



Process Automation with AI capabilities

Tax has historically received minimal investment in technology given it is not a front of house revenue generator. This is shifting for a number of reasons. Organisations are approaching automation through discreet pieces of work, embedding AI and machine learning as part of the automation.



Transparency and Workflow Tools

Organisations with complex tax functions are seeking technology that can support ISO9000 frameworks and provide transparency of status internally as well as with 3rd party organisations.



Data Analytic & Forecasting Capabilities

Data analytics and predictive models are being used to support the tax compliance process. Developing analytics aligned to common tests conducted by regulatory bodies, and the identification of risks and variances in trending is increasing the accuracy of the process.



Resourcing Models

Various approaches to resourcing are being explored with a focus on less traditional models that may provide better leverage of secondees during peak times, co-source outsource models versus in-house resourcing. Technology innovation is challenging traditional models.

Top Current Trends Impacting Tax Functions



Improved Tax Governance

Various authorities are focusing on organisations governance frameworks forcing organisations to improve tax governance. Documentation of end to end processes to demonstrate adequate controls are in place has become a regulatory requirements forcing organisations to address quickly.



Regional models vs Country specific models for global organisations

Global organisations are moving more towards regional service delivery models with centralised management, technology, and single point of contracting, away from country specific service delivery models. This is resulting in less overhead in managing service delivery as well as streamlined contracting and invoicing processes.



Implementation of Tax Engines and Determination tools

The deployment of tax engines and determination tools continues to be a trend as the technologies are deployed not only at a country level but also regionally and globally as large corporates seek to create standard and robust tax processes underpinned by technology.



Transfer Pricing Operationalisation

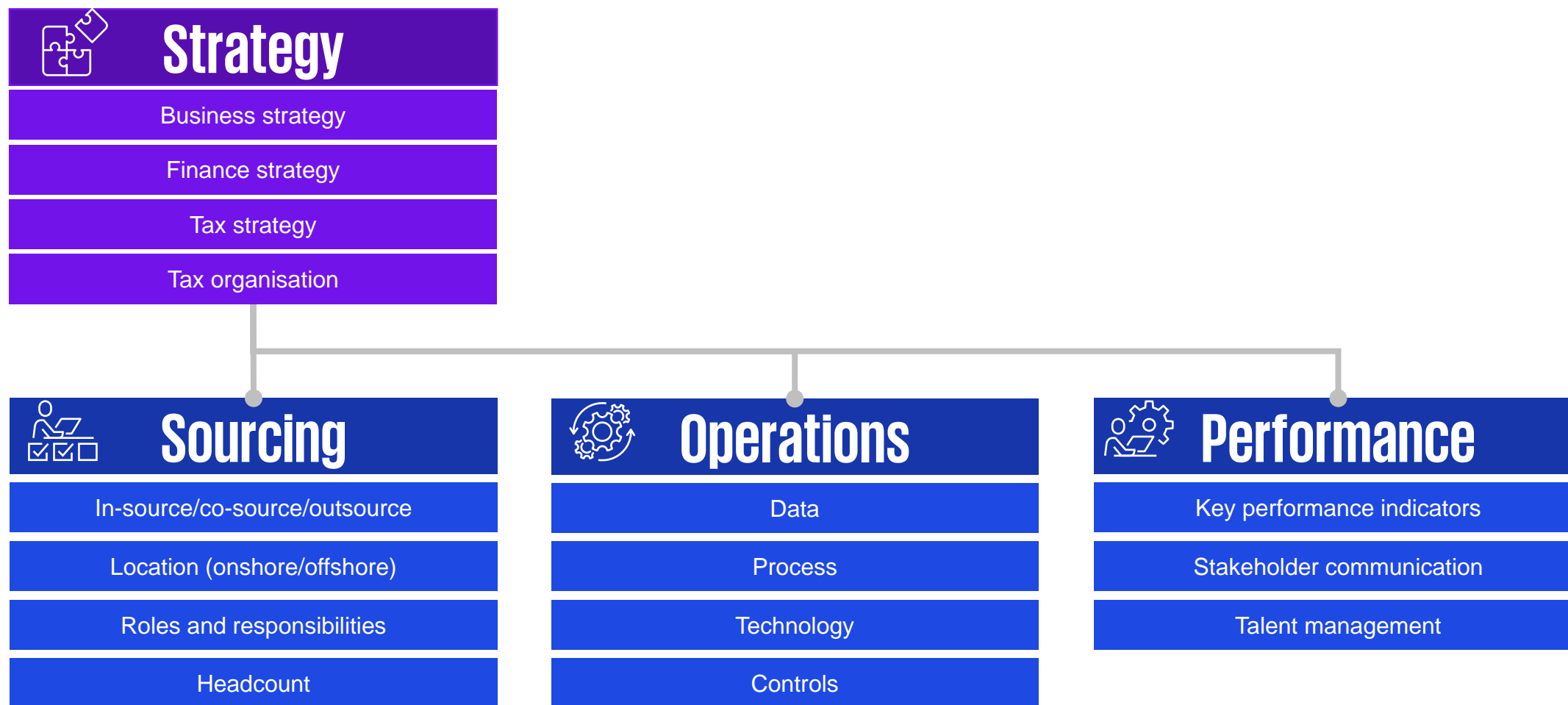
The complexities of transfer pricing regulations in global environments is driving the uptake of technology solutions and a more standardised approach to transfer pricing.



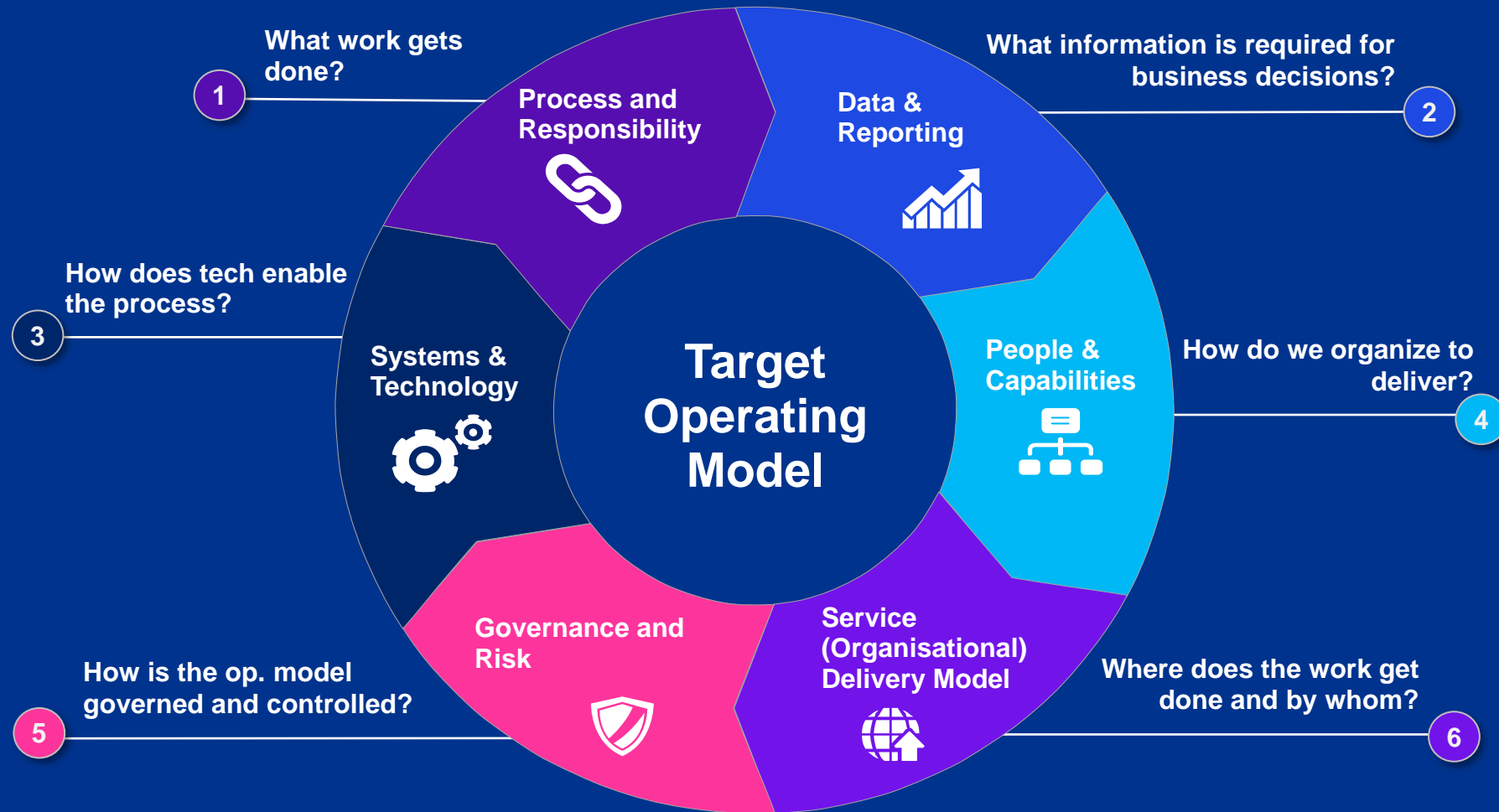
Tax Data warehouses and data lakes

Tax functions are increasing leveraging their organisations IT capabilities such as data lakes and data warehouses to enhance the process of extracting data, processing the data and enabling it to be standardised globally.

Tax performance optimisation needs to be strategy-led



Components of Target Operating Model



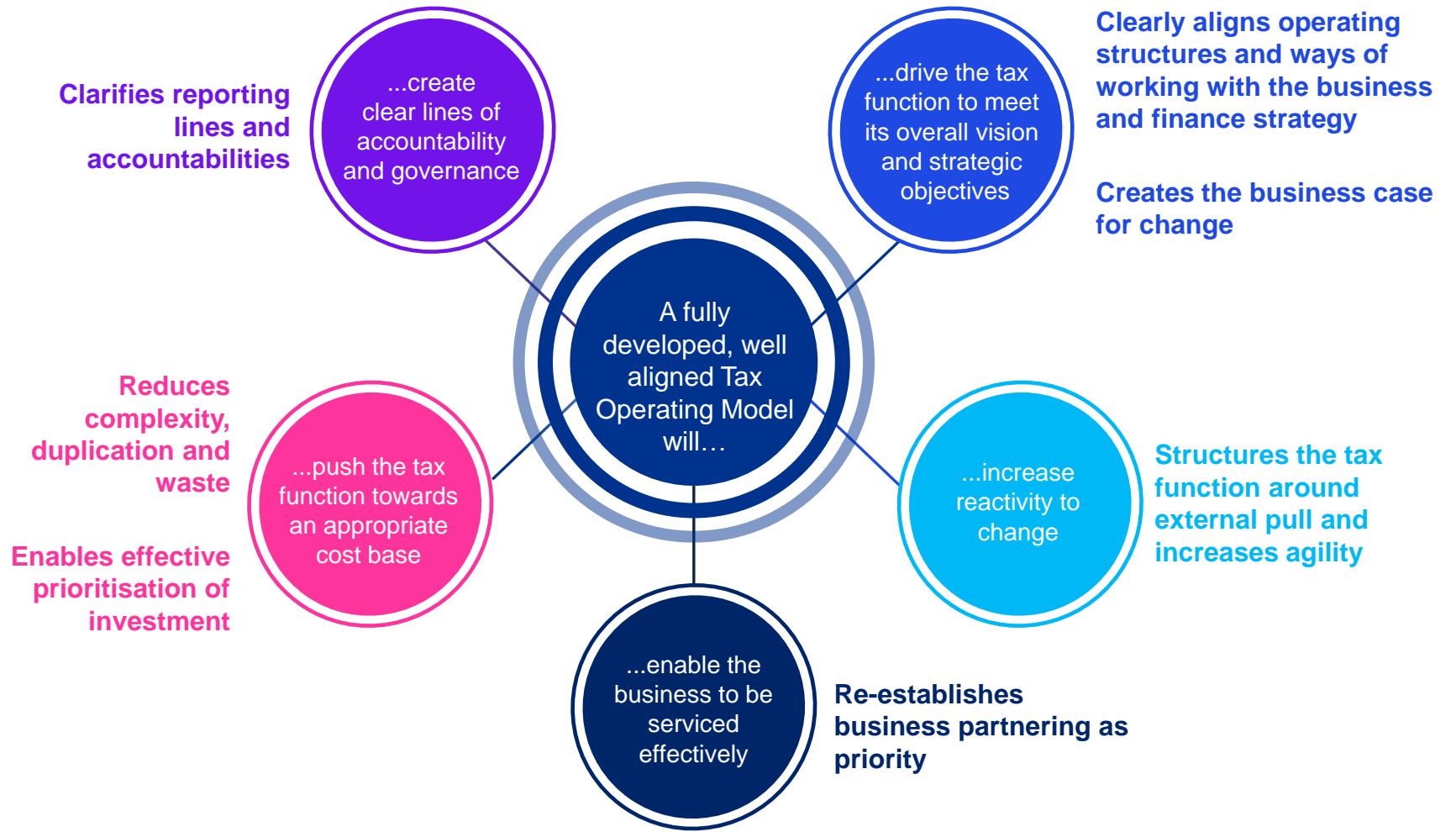
02

Operating model



Benefits of a well aligned Tax Operating Model

By taking a technology-enabled holistic approach to develop a future state target operating model it is possible to achieve benefits such as cost reduction, improves quality, and unlocked value. The diagram below shows how benefits are linked to qualities of a well-aligned tax operating model.



How to get started

Technology-enabled holistic approach is important to develop a future state target operating model for your tax function. One that reduces costs, maintains and improves quality, and unlocks value.

How to get started with the journey:

1 Understanding the business and tax disruptors for your organization and its impact on tax and business strategy

2 Conduct an assessment of the current tax function through a workshop or process review

3 Develop a high-level blueprint which links strategy to delivery. This represents how your business will consistently structure tax operations across the organisation and provides an outline of the accountabilities, responsibilities and interactions across the whole business in relation to tax. It includes:

- Identifying your sourcing, operations and performance requirements for the anticipated target operating model and develop the business case for transformation
- Defining the tax data and analytics strategy and the development of near term and long term goals
- Develop a road map to facilitate the transition towards the tax function target operating model

4 Develop a road map to facilitate the transition towards the tax function target operating model

Polling question slide

Please select what best describes your current tax operating model:

A.

Entirely centralised – tax department responsible for all taxes

B.

Generally centralised with some in country inhouse tax support

C.

Generally centralised with support from other business functions e.g. finance

D.

Decentralised – tax department responsible for oversight but in country inhouse tax responsible for taxes (operational)

E.

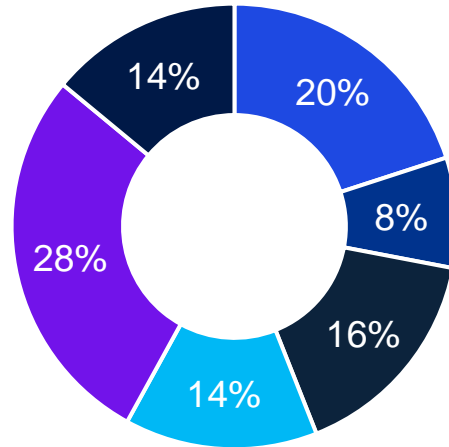
No tax department – all taxes covered by other business functions e.g. finance.

F.

Tax mostly outsourced

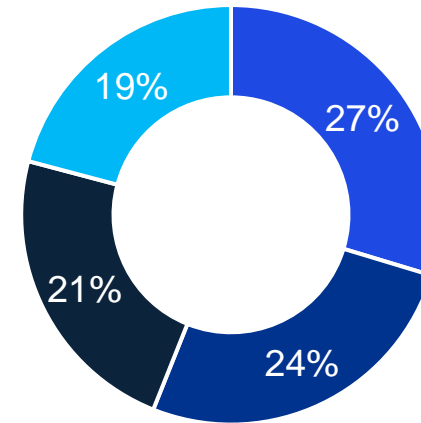
Organisational model - survey

Southern Africa



- Entirely centralised – tax department responsible for all taxes
- Generally centralised with some regional/in country inhouse tax support
- Generally centralised with support from other business functions e.g. Finance
- Decentralised – tax department responsible for oversight but regional/in country inhouse tax responsible for all taxes (operational)
- No tax department – all taxes covered by other business functions e.g. finance
- Tax mostly outsourced

East Africa



- No tax department - all taxes covered by other business functions e.g. finance
- Generally centralised with support from other business functions e.g. finance
- Entirely centralised- tax department responsible for all taxes
- Decentralised - tax department responsible for oversight but regional / in country inhouse tax responsible for all taxes (operational)
- Tax mostly outsourced

03

Governance



Tax governance and risk

The Board should have visibility over the tax affairs of the company at all times.

The tax governance philosophy of the company should:

Derive from the overall business strategy

Communicate a tax risk policy aligned with the company's overall business risk policy

Clearly outline the company's policy on tax planning and related processes and controls

Be unambiguous, agreed and supported by the Board

By having such a strategy in place:

Investors can be assured that tax is managed consistently in support of business strategy and appetite for risk

Regulators and tax authorities can be assured that tax is managed ethically, with robust processes and controls

Boards, audit committees and senior management can be assured that the business is not overpaying tax and is meeting its legal obligations

What are your ESG tax transparency, risk management and governance goals?

Polling question slide

How frequently is tax on the agenda at board meetings?



Every meeting



Monthly



Quarterly



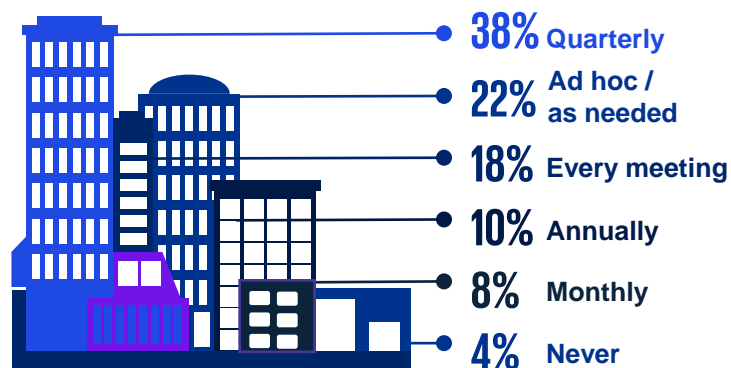
Annually



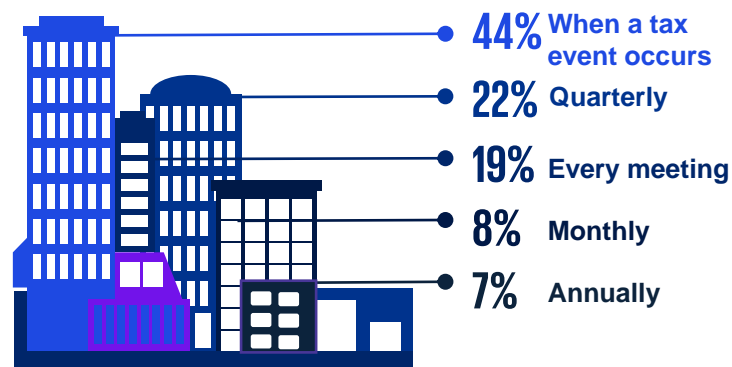
Ad hoc / as
needed

Governance and risk management – board involvement in tax affairs

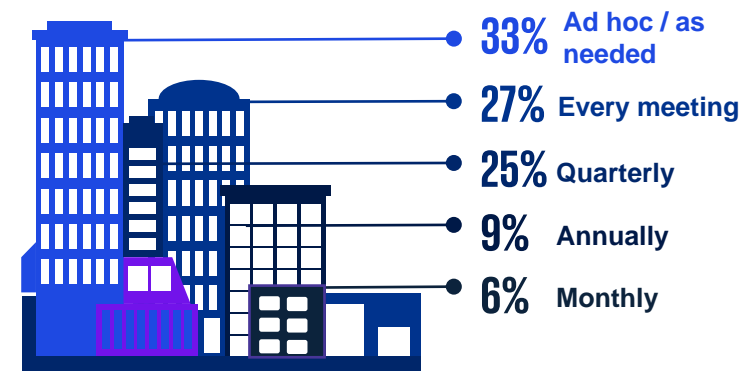
Southern Africa



West Africa



East Africa



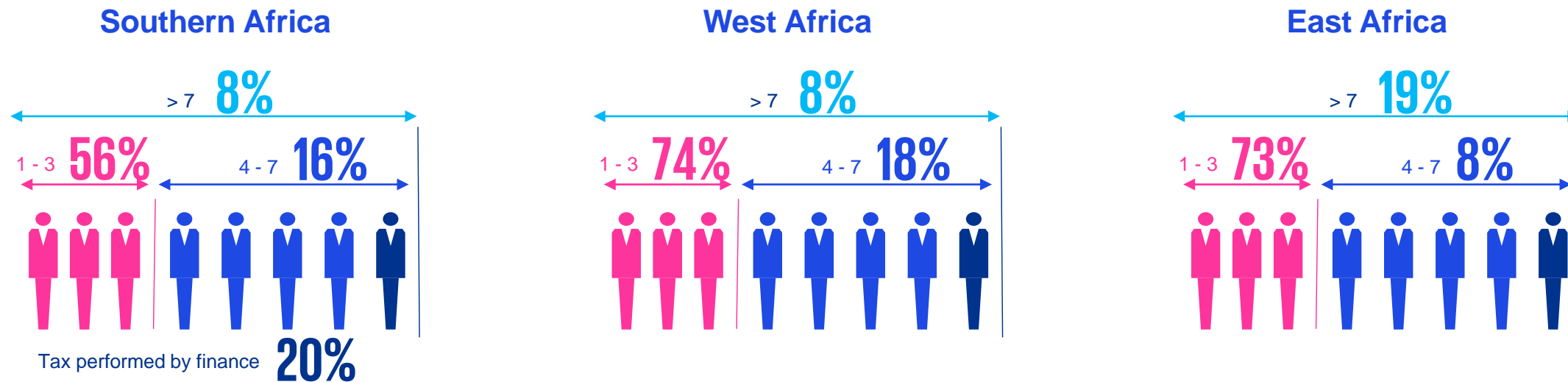
04

People



Talent management / skills

Tax function size



In all regions the most of the tax team members are accounting professionals

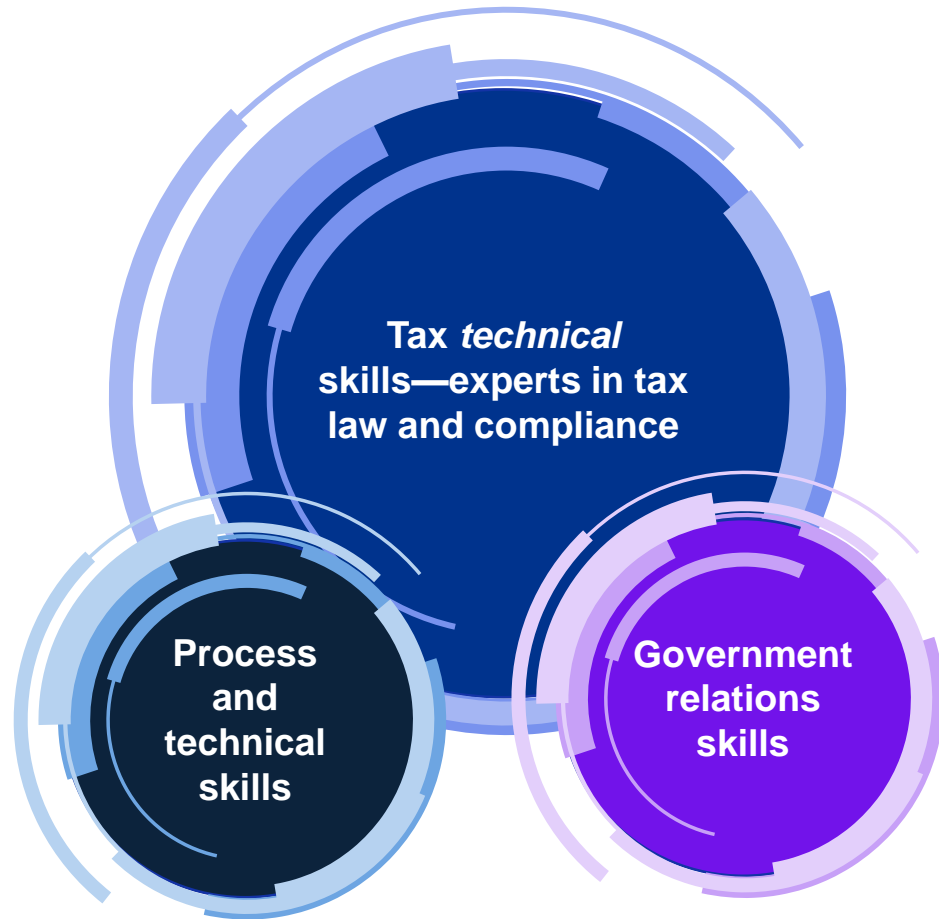
Top 3 KPIs:

Tax compliance deadlines are met

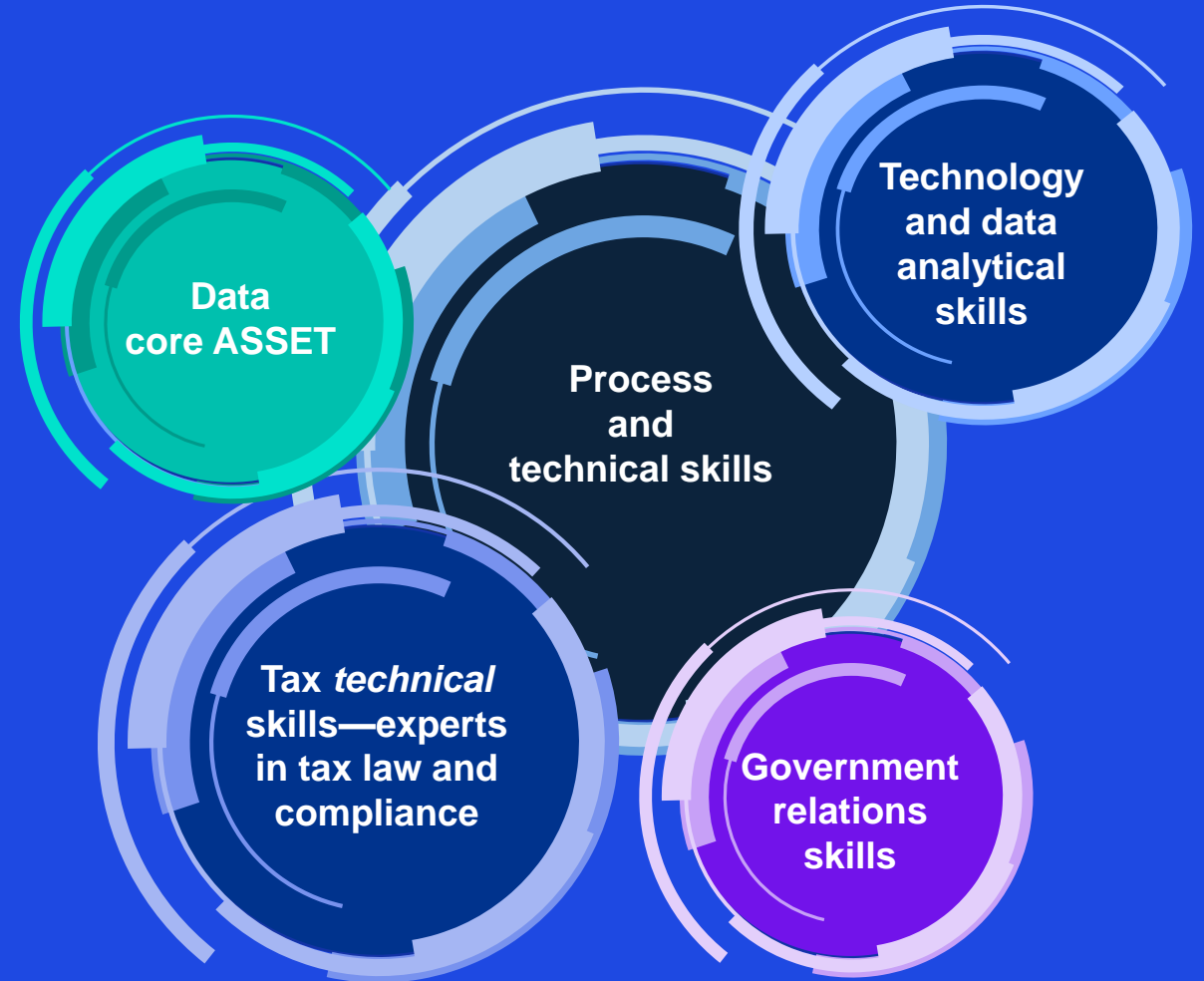
Accuracy of returns and avoidance of penalties

Tax risks are managed appropriately

Yesterday



Today / Tomorrow



05

Systems, data and technology



Key data challenges



And this is even going to be a bigger challenge.....



Increasing reporting frequency

Examples

-  Spain
-  Italy
-  Hungary
-  Japan
-  Chile



Increasing reporting details

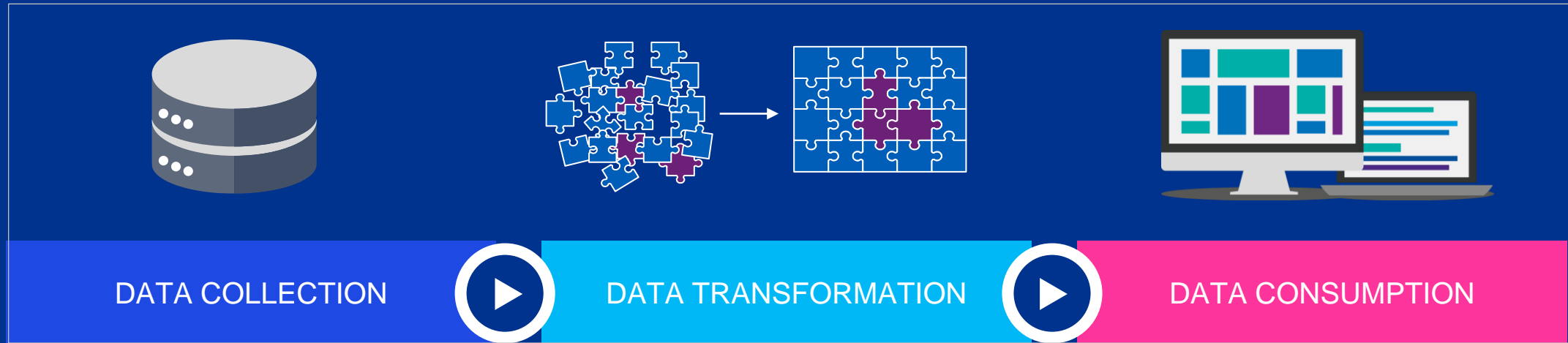
-  Poland
-  Norway
-  Lithuania
-  Brazil
-  Portugal



Government controlled invoicing

-  China
-  Korea
-  Indonesia
-  Mexico
-  Brazil

This is what happens in reality



80 percent of the process in terms of time spent

20 percent of the process

80%

20%

Polling question slide

Level of ERP data editing required to enable use for tax purposes?

A.

Requires significant editing to make it useable for tax purposes

B.

Requires moderate editing to make it useable for tax purposes

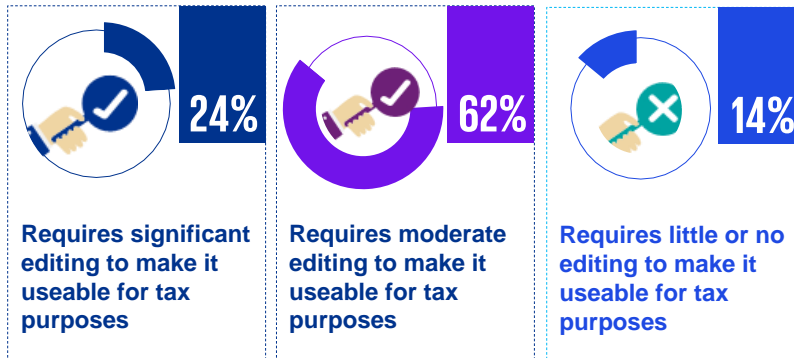
C.

Requires little or no editing to make it useable for tax purposes

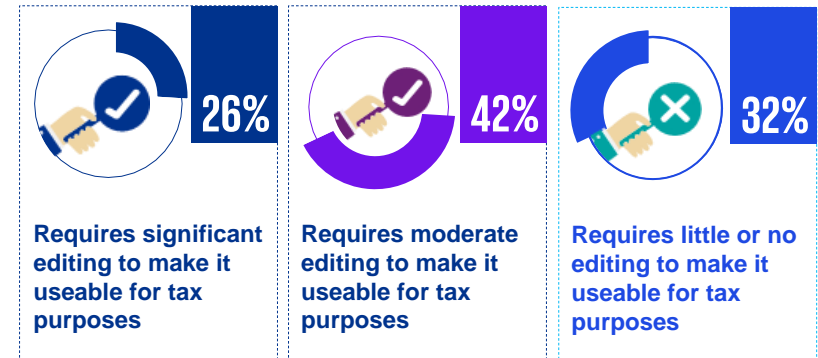
Data and Information - Quality of data received for tax purposes

Data generated from the ERP

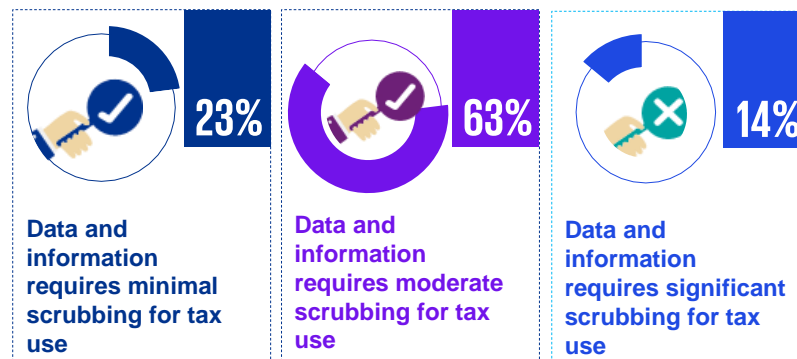
Southern Africa



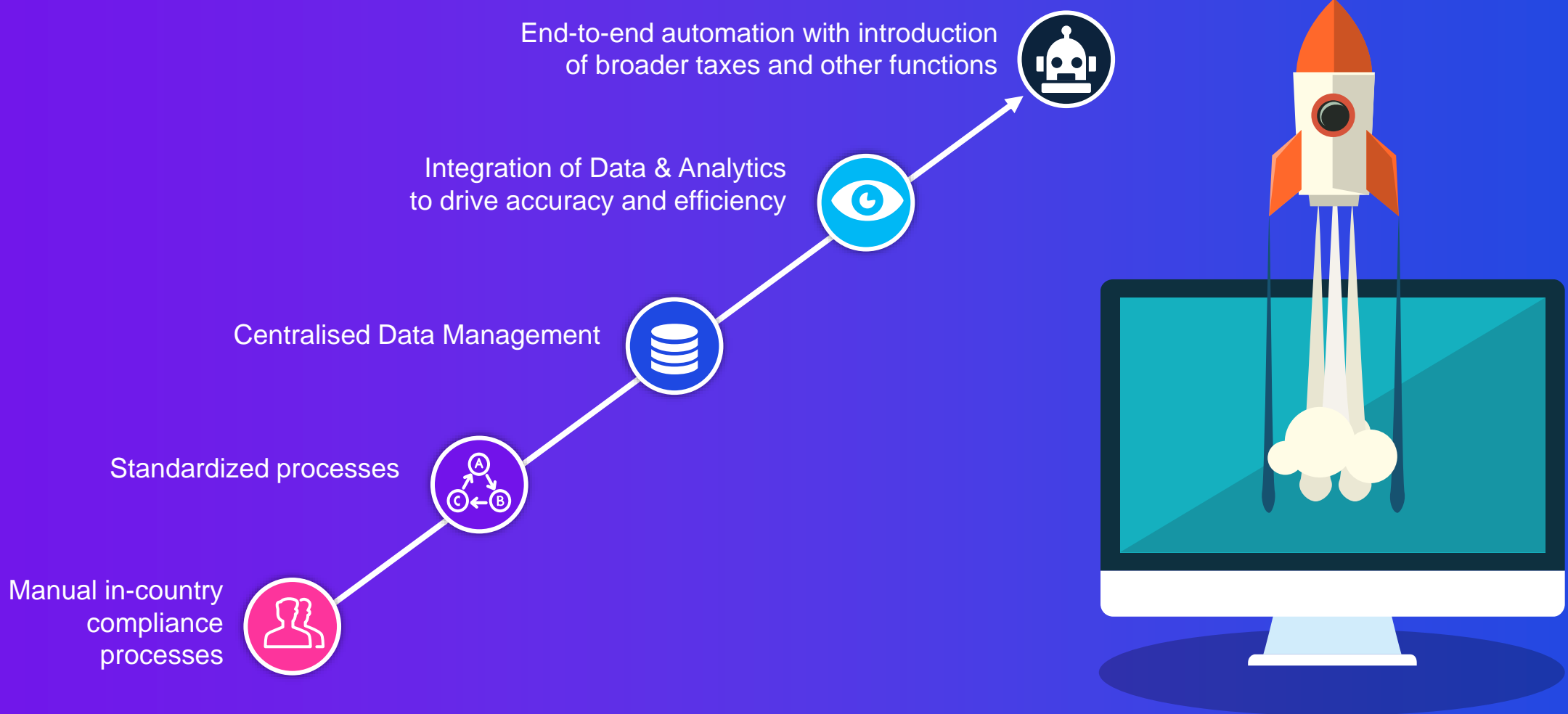
East Africa



West Africa

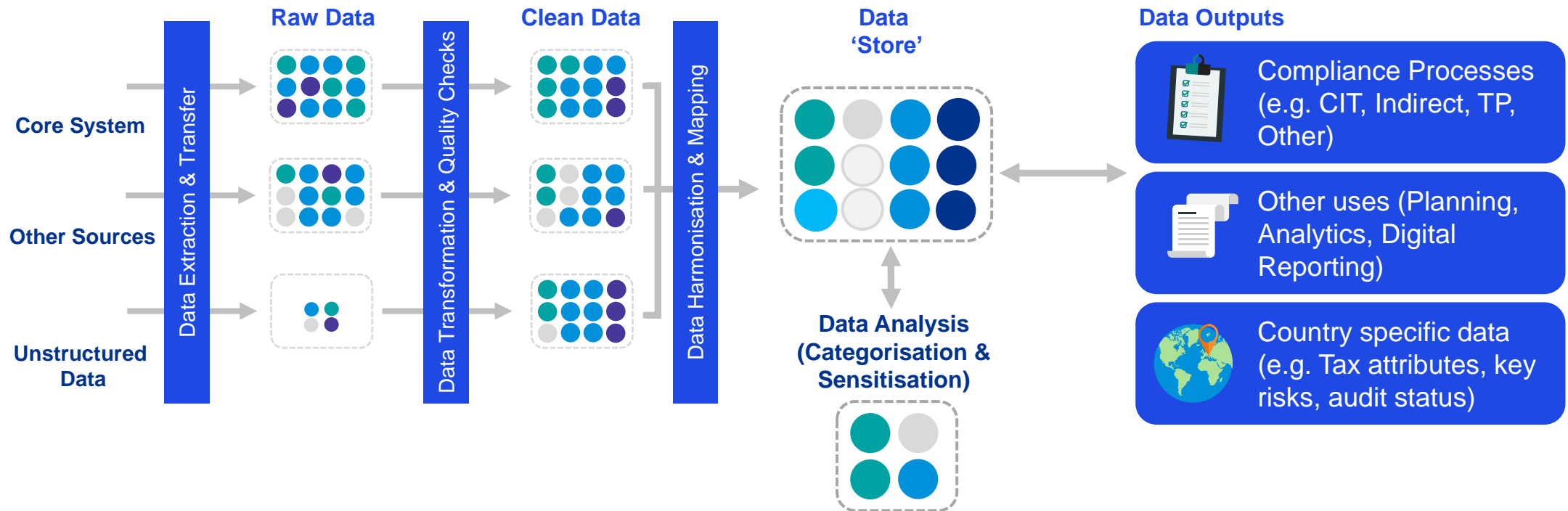


Client Tax Transformation Journey



Data

Starting with accurate, structured data is the holy grail for the tax function. Tax can't operate effectively without it. In our experience, sustainable transformation can't happen until tax has developed standardized, integrated processes and common data models - a way to organize data from many sources and formats into a standard structure and share it seamlessly between different systems, applications, and resources.



What does Future Proof Data Management lead to?

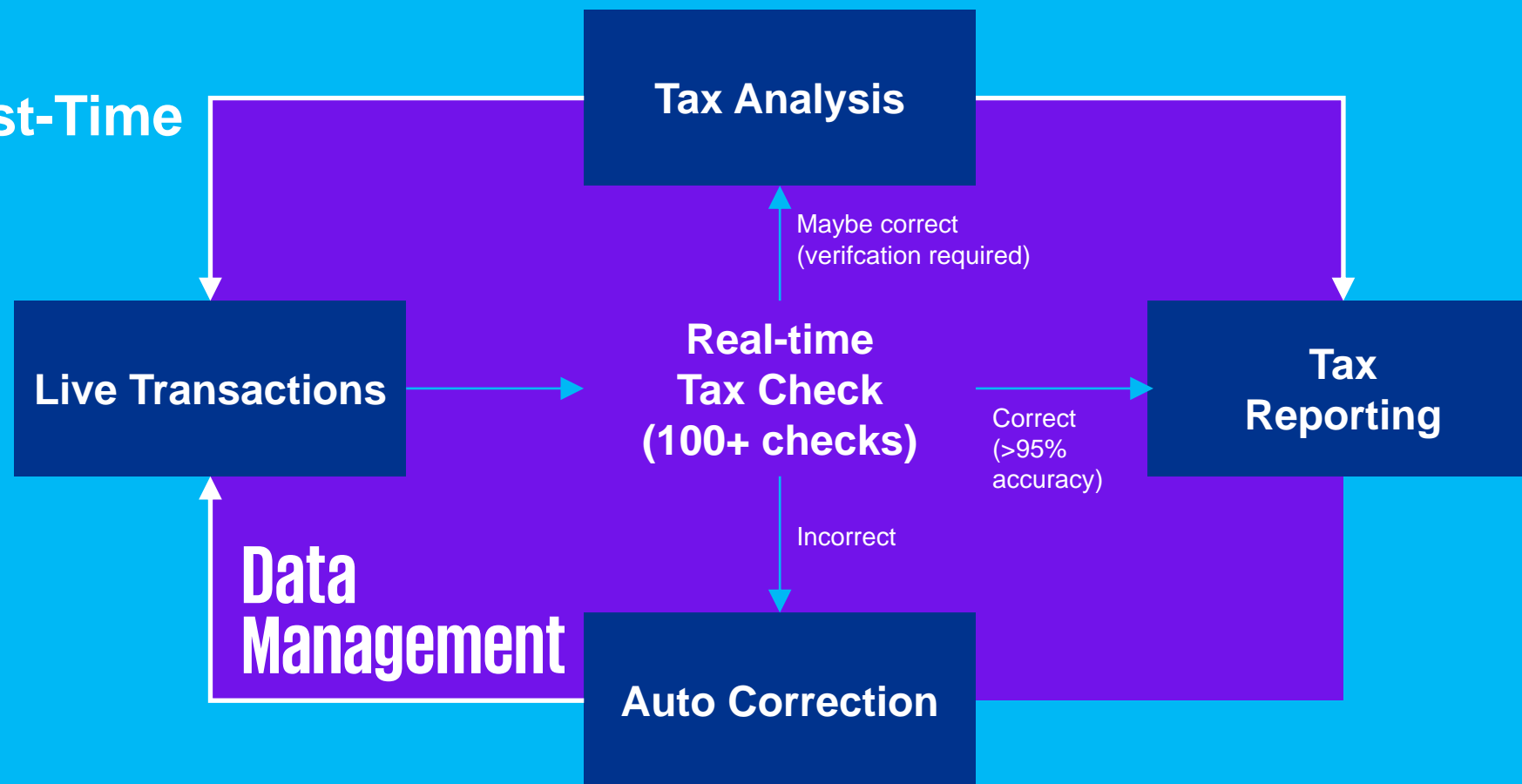
Data needs to be...



The future: Compliance by Design

Enabled by Data Management

**Towards First-Time
right**
– by Design



Polling question slide

Which of the following limits investment in technology for the Tax Function in your organisation?

A.

Technology cost outweighs the visible benefit

B.

Unavailability of data to justify the spend on technology

C.

The organization just doesn't see the need

D.

The current agenda/level of sophistication of the tax authority does not justify the investment

What is the Business Case for Data Management?



Single source of truth



Global tax visibility & insights



Control & assurance



Tax savings



Effective use of resources / FTE reduction



Compliance process efficiencies

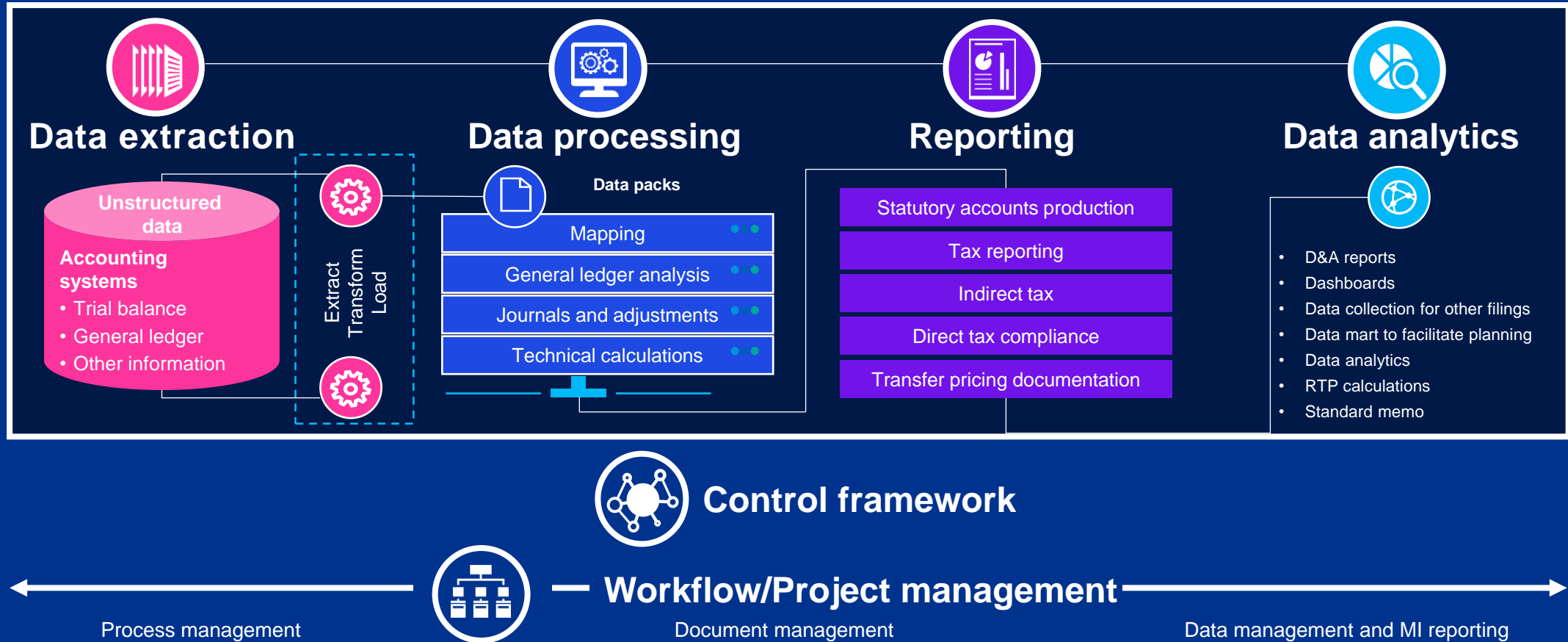


Must-have to comply with Tax Administration 3.0



Navigating solutions

Framework — Operations



Polling question slide

Does your organization's tax strategy include a strategy for the adoption and application of technology for tax processes?



Yes



No

06

How we can assist



In summary

HOT and CFOs alike are facing two major forces impacting their function – disruptive technology and the tax reform.

There are increased tax reporting requirements by regulators, driving a need for collecting and analysing more detailed data. Tax function can use this data to manage risk and drive value in the organization.

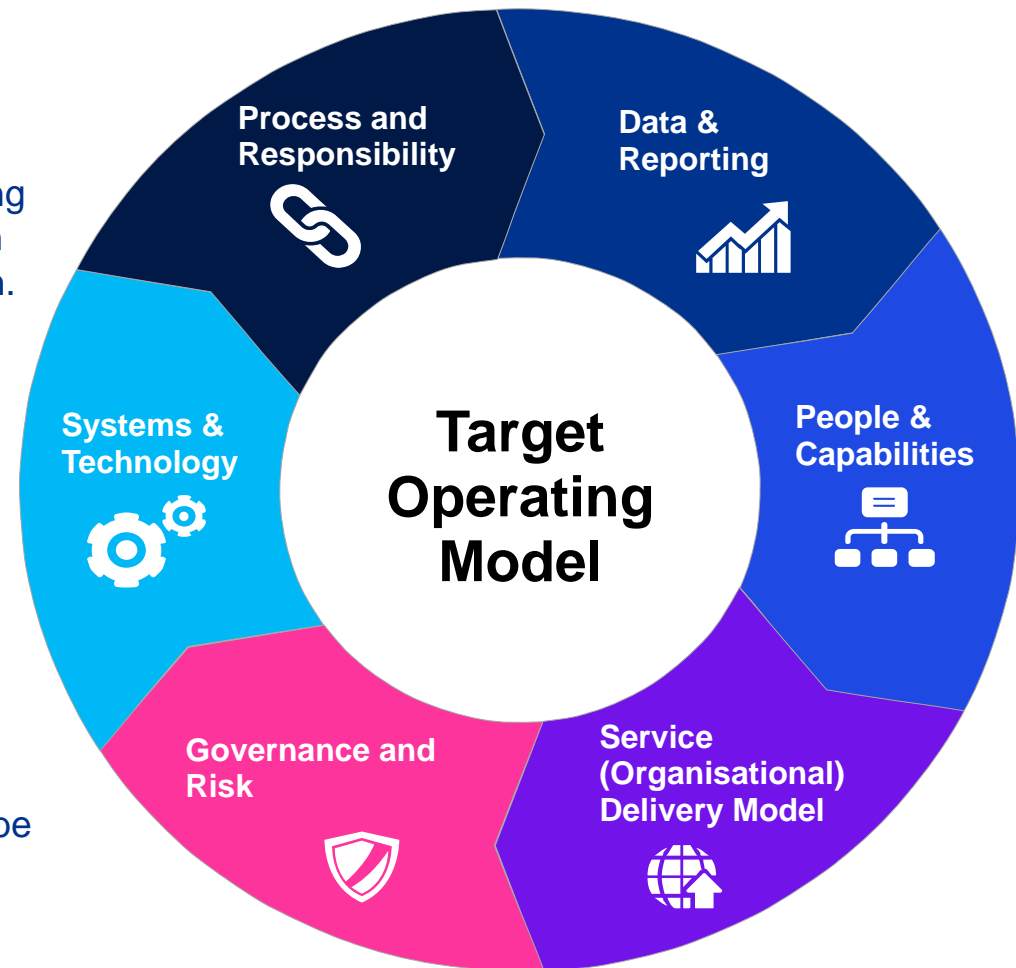
Tax Functions are expected to:

- **Manages tax risk and compliance and**
- **identify opportunities to add value** to the business
- through core **tax management skills** and
- **proactive collaboration** with all parts of the business.

Future ready doesn't just mean technology and transformation maturity - a future ready Tax Function relies on the successful interplay of all the components reflected in the diagram.

In essence, any strategy aimed at transforming the Tax Function should consider all the components of the operating model for it to be effective and successful.

A successful Tax Function of the Future require motivated people with the rights skills to ensure that technology achieves the desired result.



A powerful combination of capabilities

How can you achieve the future state tax target operating model that's right for you? KPMG firms can work closely with you to design closely with you as we design your tax function of tomorrow – one that focuses on adding real value to the business while encouraging innovative thinking, being cost-conscious, and meeting core tax compliance obligations efficiently. We'll help transform your tax function to achieve the scale, functionality, flexibility and cost efficiencies you seek. Tax Reimagined combines the following:

Technology & innovation

- Technology assessment / Implementation
- End to end technology solution design
- Technology migration & implementation
- Custom tools and technologies
- Strategic alliances with leading tech companies
- Robotic process automation
- Cognitive computing

Data

- Data workshops
- Data assessments
- Data lake management storage
- Data analytics workshops and builds
- Data analytics as controls and insights
- Data analytics design
- Machine Learning

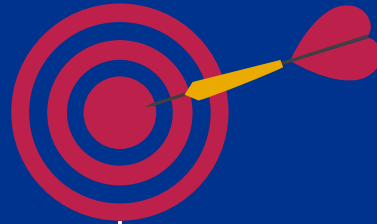
Transformation

- Target Operating model assessment/development
- Shared services / CoE / Hub Migration
- Cost Optimisation
- Sourcing Optimisation
- Process redesign
- Business case preparation and technology
- Transformation roadmaps
- Tax Risk management and control frameworks
- Training – global process ownership, technology change management

Tax Services

- Direct Tax
- Indirect Tax
- Transfer Pricing
- Statutory Accounting
- Book Keeping
- Payroll
- Secretarial
- Tax Reporting
- Company formation and set up services
- Country compliance health checks

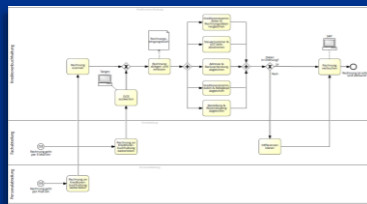
Comprehensive project Approach



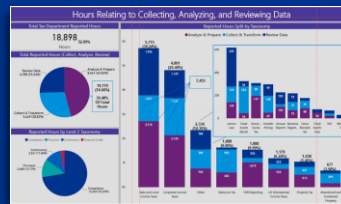
01
Workload assessment of current internal tax resources, external services/providers



02
Process assessment of key tax processes, technology and data



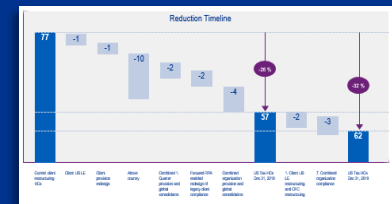
03
Identify key requirements for improved processes



04
Recommend measures and approaches to increase efficiency and deliver roadmap



05
Provide final presentation of results/ recommendations to senior management



Examples of what we are currently doing in Africa



Technology enabled compliance management (Digital Gateway)



Powered Tax and automation of tax system



Reconciliation engines



Automation of tax computation processes



Data analytics using various solutions (depending on client needs) e.g. TIS, IDEA and Alteryx



Review of tax operating model and control framework



Process and tax system control reviews

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