Tax authorities are going digital
Stay ahead and comply with confidence
Digital tax administration: why is this happening now?

Around the world, budget deficits are driving a need for new revenue sources. Governments are focusing on real-time reporting to drive compliance and collection. Tax authorities will have direct access to company data; in some cases, allowing taxpayer information to be cross-referenced and shared across agencies.

As governments worldwide determine the best approach to developing their digital capabilities, companies have to keep up with the pace, and EY can help bridge the gaps in data quality and operational readiness.

Digital tax changes in force across Europe, the Middle East, India and Africa (EMEIA)

Tax administrations are going digital across EMEIA at an unprecedented pace. Are you ready for digital tax administration where you operate?

Digitization levels

**Level 1: E-file**
Use of standardized electronic form for filing tax returns required or optional; other income data (e.g., payroll and financial) filed electronically and matched annually
*Kenya, the Netherlands, Nigeria, Qatar, Saudi Arabia, Sweden, Switzerland and Ukraine*

**Level 2: E-accounting**
Submit accounting or other source data to support filings (e.g., invoices and trial balances) in a defined electronic format to a defined timetable; frequent additions and changes at this level
*Austria, Belgium, Finland, Germany, Greece, Italy, Lithuania, Luxembourg, Norway, South Africa and the United Kingdom*

**Level 3: E-match**
Submit additional accounting and source data; government accesses additional data (bank statements) and begins to match data across tax types, and potentially across taxpayers and jurisdictions, in real time
*The Czech Republic, Denmark, France, Hungary, Ireland, India, Poland, Portugal, Slovakia and Turkey*

**Level 4: E-audit**
Level-2 data analyzed by government entities and cross-checked to filings in real time to map the geographic economic ecosystem; taxpayers receiving electronic audit assessments with limited time to respond
*Russia*

**Level 5: E-assess**
Government entities using submitted data to assess tax without the need for tax forms; taxpayers allowed a limited time to audit government-calculated tax
*Spain*

**Little to no digital activity**

Digital tax changes in force across Europe, the Middle East, India and Africa (EMEIA)

Tax authorities are going digital: stay ahead and comply with confidence
As tax authorities embrace digital tools and increased data analytics, companies need to have visibility and structure around the data sources, formats and content delivered digitally to governments around the world. Failure to do so can lead to risk of intensified audits and automatic assessments, increased tax penalties, refund denials or delays, and reputational and operational risks.

Below is a brief overview of the shifting responses to digital tax administration and the potential risks of not acting.

### Shifting responses to rapid digital tax changes

<table>
<thead>
<tr>
<th>Reactive</th>
<th>Proactive</th>
<th>Strategic response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-off responses at each jurisdiction</strong></td>
<td><strong>Requirement review, risk and exposure</strong></td>
<td><strong>Data quality</strong></td>
</tr>
<tr>
<td>▶ Local</td>
<td>▶ Gain visibility of:</td>
<td>▶ Avoid submitting data to the authority before it is tested</td>
</tr>
<tr>
<td>▶ Tactical</td>
<td>▶ Tax requirements</td>
<td>▶ Test system capacity to manage digital tax requirements</td>
</tr>
<tr>
<td>▶ Compliance focused</td>
<td>▶ Global footprint</td>
<td>▶ Standardize for consistency</td>
</tr>
<tr>
<td>▶ Ad hoc demand on finance IT</td>
<td>▶ Audit risk</td>
<td>▶ Perform analytics</td>
</tr>
<tr>
<td>▶ Mainly manual</td>
<td>▶ Timely ability to respond to audit requests</td>
<td></td>
</tr>
</tbody>
</table>

### Risk

<table>
<thead>
<tr>
<th>Reactive</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Inability to timely provide required submissions</td>
<td>▶ Reduced exposure to tax audits</td>
</tr>
<tr>
<td>▶ Inadequate review of data correctness and completeness</td>
<td>▶ Timely response to submission requests</td>
</tr>
<tr>
<td>▶ Potential for more exhaustive audit procedures</td>
<td>▶ Increased confidence in the ability to comply</td>
</tr>
<tr>
<td>▶ Penalties or additional assessments</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reactive</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ “Surprise” e-assessments or e-audits</td>
<td></td>
</tr>
<tr>
<td>▶ Stranded credits</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reactive</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Missed or incorrect filings</td>
<td>▶ Missed opportunities to leverage IT projects</td>
</tr>
<tr>
<td>▶ “Fire drill” IT projects for day one compliance</td>
<td>▶ Lack of accountability for meeting submission requirements and accuracy of submitted data</td>
</tr>
<tr>
<td>▶ Penalties for incomplete or late submissions</td>
<td>▶ Excessive disruption to team, systems or operations</td>
</tr>
<tr>
<td>▶ Penalties or additional assessment for not having proper audit documentation for correct period</td>
<td></td>
</tr>
</tbody>
</table>
Do you have confidence in your data?

More than ever, companies need to have visibility and structure around data sources, formats and content delivered digitally to governments around the world. Companies must be confident that their data is not only accurate but also consistent with requirements.

### Questions to ask:

1. What data is being requested by the tax authorities?
2. What are tax authorities doing with the data?
3. At what frequency do tax authorities require the data, or is it required on demand?
4. Which tax authority will require the data next?

Typical digital submission data requirements are broader than the traditional tax return. Tax authorities have access to multiple data sources and, in some cases, are cross-referencing with other sources.

### Not just tax data under the microscope

<table>
<thead>
<tr>
<th>Master data</th>
<th>Transactional data</th>
<th>Operational data</th>
<th>Financial data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxpayer information</td>
<td>Invoice details</td>
<td>Foreign trade operations</td>
<td>Accounting statements — income statement, cash flow and balance sheet</td>
</tr>
<tr>
<td>Vendor details</td>
<td>Details of relationships with third parties (e.g., banks, financial intermediaries and brokerage funds)</td>
<td>Profit sharing data</td>
<td>General ledger, trial balance, journal entries</td>
</tr>
<tr>
<td>Customer details</td>
<td>Intercompany transactions</td>
<td>Capital contributions</td>
<td>Statutory chart of accounts</td>
</tr>
<tr>
<td>Banking information</td>
<td>Customs declaration details</td>
<td>Electronic signatures</td>
<td></td>
</tr>
<tr>
<td>Broker details</td>
<td>Import details and customs payments</td>
<td>Tax losses</td>
<td></td>
</tr>
<tr>
<td>Related party details</td>
<td></td>
<td>Blacklisted suppliers</td>
<td></td>
</tr>
<tr>
<td>Tariff information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange rates and currencies</td>
<td></td>
<td></td>
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</tbody>
</table>

Tax authorities are going digital: stay ahead and comply with confidence
In this rapidly changing digital tax administration landscape, organizations will need a simple, structured approach in place to manage the new requirements effectively.

### Today
- Abundance of transaction data
- Lack of structure
- Breaks in workflow
- Demanding tax authorities
- Growing talent gap

### Refocus for the digital age
- Simplification and automation
- Keeping up with the pace

### Technology enablers
- Database of digital tax reporting requirements
- Digital data dictionary
- Tax authority analytics knowledge

### Organization
- Network of tax controversy and tax audit specialists
- Network of tax technology specialists
- New operating models
- Infrastructure in place

### Tomorrow
- New insights
- High transparency
- Different tax compliance processes
- Increased effectiveness
- Real-time monitoring
- Predictive analytics

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**High-level process view**

**Data input**
- Import
- Validation
- Storage

**Analyze and process**
- Machine learning
- Calculation engine
- Stored procedures
- Modeling

**Reporting**
- Visualization
- Custom reporting
- Delivery

- **Data gates**: data-focused testing in collection, transformation and submission – integrity, consistency, completeness and formatting
- **Audit risk**: testing of data prior to submission to tax authorities to analyze areas of potential risk
- **Business value added**: analytics that aid the tax function and the business overall
Preparing you for digital tax administration

It can be difficult to keep up with the unprecedented level of change in the digital tax administration landscape, from the submission of transactional source data, which is then matched with your trading partners, to tax authorities using electronic data to calculate your tax liability.

Digital Tax Administration Services

EY’s Digital Tax Administration (DTA) Services provide increased confidence in your readiness to comply with new requirements and the accuracy of your data. Our services can reduce the operational impact on your people, processes and technology. We can help you reduce controversy risk by improving the quality of submitted data and providing visibility of submission status. Our broad approach to the digital tax reporting life cycle helps you to prepare for today and for the future. We can work with you to understand your priorities and requirements, and tailor our methodology accordingly. Our services include:

**Digital readiness review**
- Taxpayer readiness to respond to tax authority requirements in multiple jurisdictions, including recommendations to address gaps

**Digital requirements monitoring**
- Staying abreast of upcoming digital reporting requirements

**Data enablement and implementation**
- Preparing data for digital reporting enabled by our proprietary global digital data dictionary

**Data management and transition**
- Extraction of data, formatting and management of ongoing transmission of digital data to tax authorities

**Data analytics and dashboards**
- Global visibility to status of data transmissions

**Controversy assistance**
- Response to audit requests and notices

**Digital tax compliance**
- Automated data collection and preparation of required digital submissions; cross-checks and validation of data prior to submission to tax authorities

How we add value to your business

**Increase confidence in your compliance with digital tax administration requirements**

With a tried and tested methodology, we have assisted clients in confidently meeting new digital requirements at every stage in the digital tax administration journey.

**Align processes and technology to enhance accuracy, uniformity and efficiency**

Our technology platform will cross-reference data requirements for each jurisdiction and keep you informed of digital tax administration changes.

**Reduce audit and compliance risk by improving submission quality and process visibility, and lighten the operational impact on your people, processes and technology**

We have the technology and business insights to add efficiency to your digital tax administration strategy and operating models.

**Help build confidence with tax administrators and internal stakeholders**

We can assist you with a multi- or single-country tax data management strategy and responses to scheduled or on-demand data submission requests.
Our network in your key locations

EY’s DTA network is based in key locations across EMEIA and can help you to close the readiness gap and work effectively in this new digital tax administration world.

Reach out to us now to help get ready for the digital tax administration wave of change.

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