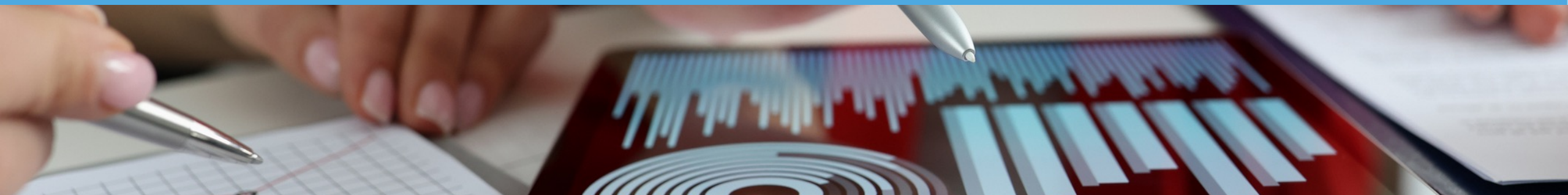


TAX TECHNOLOGY INNOVATION AND AUTOMATION 2023

DETAILED FINDINGS FROM
THE BENCHMARK REPORT
By Ogo Nwanyanwu **December 2023**

DETAILED FINDINGS



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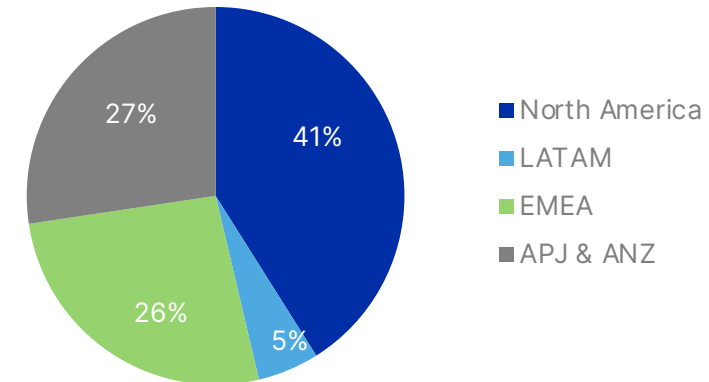
DETAILED FINDINGS

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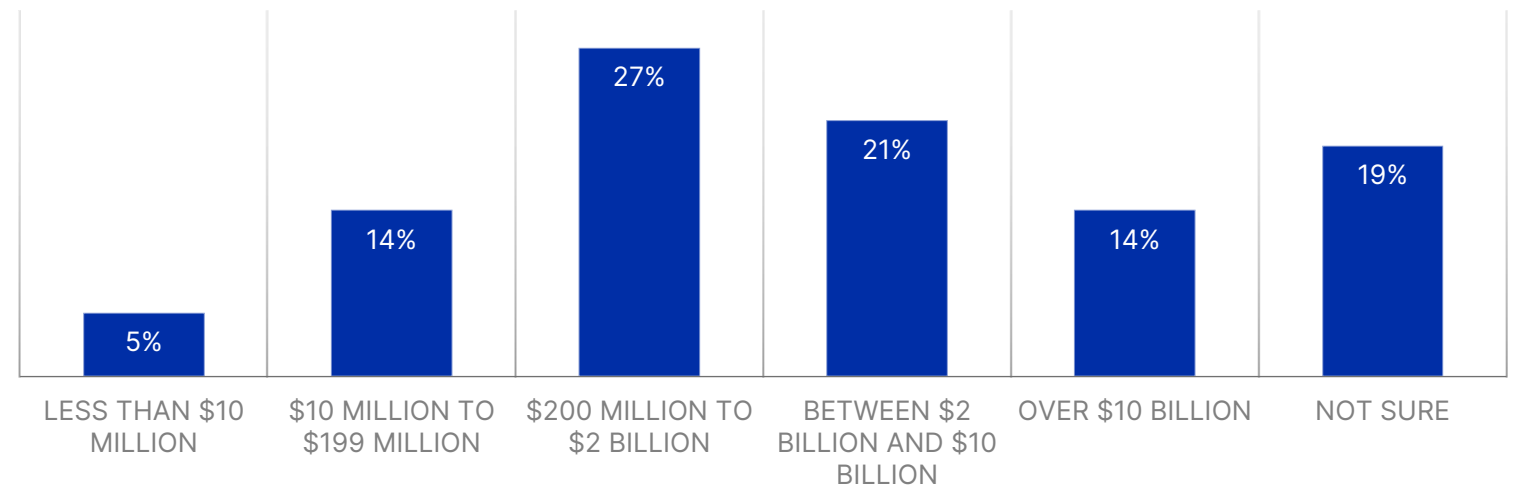
Between October and December 2023, SAPinsider surveyed 138 of its finance and tax community members to understand the drivers, challenges, barriers, and technology utilization of multinational organizations regarding their approach to tax technology innovation and automation.

The survey participants came from various geographical regions worldwide and represented diverse organization sizes, contributing to a comprehensive dataset.

Region



Annual Revenues



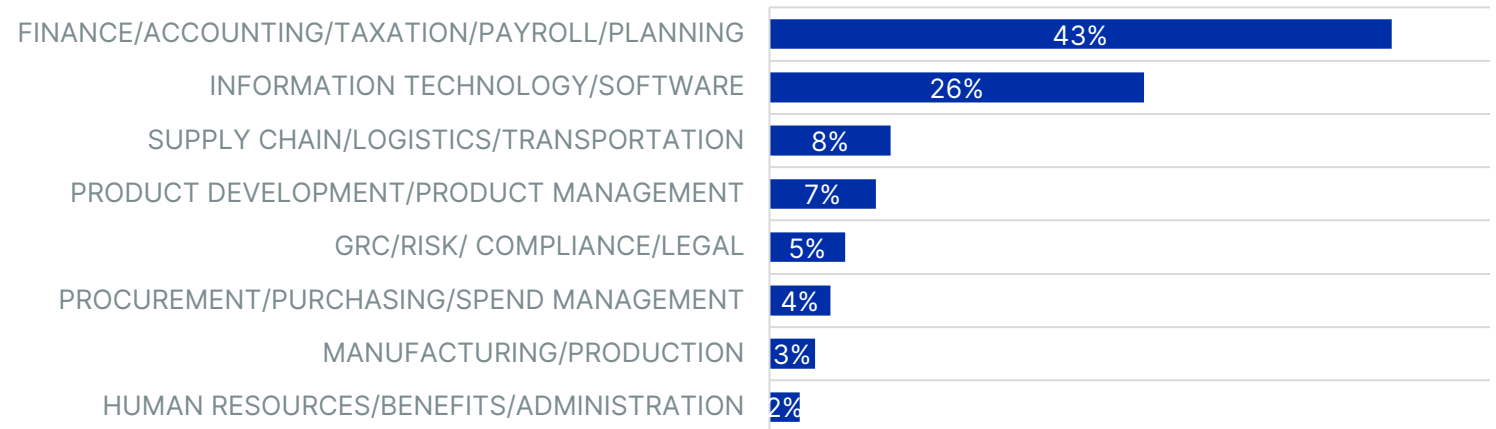
DETAILED FINDINGS

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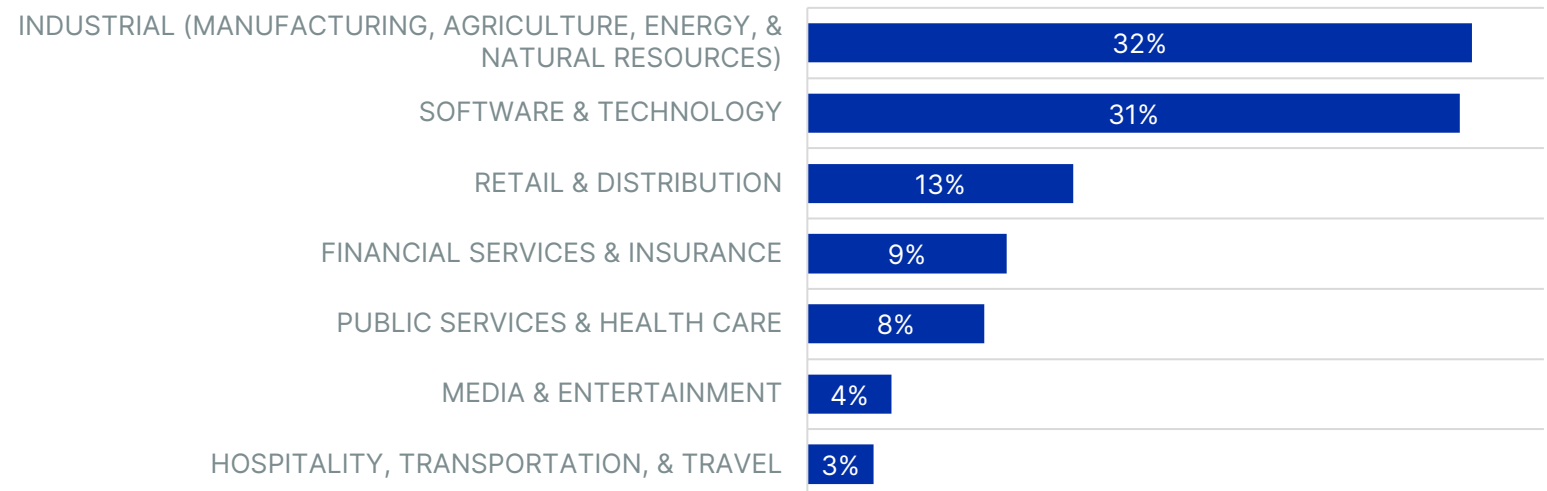
The survey primarily targeted individuals who held positions in finance lines of business, information technology, or hybrid roles responsible for making decisions within their respective organizations.

The survey aimed to understand the specific roles that the respondents carried out within their organizations and the industry sectors in which their organizations functioned.

Department or Functional Areas



Industries



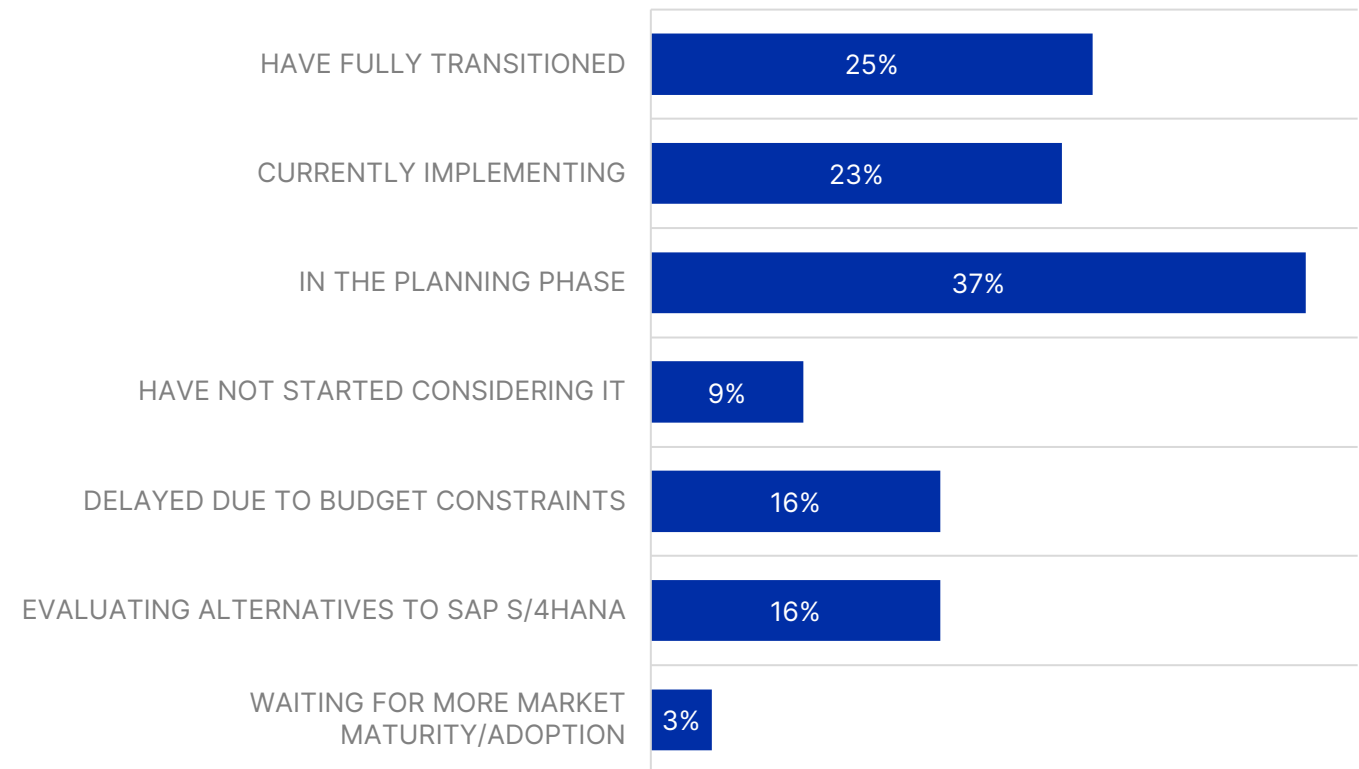
DETAILED FINDINGS

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In the SAP S/4HANA adoption journey, 25% of respondents have fully transitioned, 23% are in the implementation stage, and 37% are planning the transition. A small group, 9%, haven't started, while 16% are delayed due to budget constraints, and 16% are exploring other options. Only 3% are waiting for more market maturity.

For tax leaders, this indicates varying levels of readiness for implementing advanced tax technology. The stage of SAP S/4HANA adoption influences tax technology strategy and solution adoption. SAPinsiders must consider their organization's specific stage to tailor their tax technology innovation strategies effectively.

Status of Organizations' SAP S/4HANA Adoption Journey



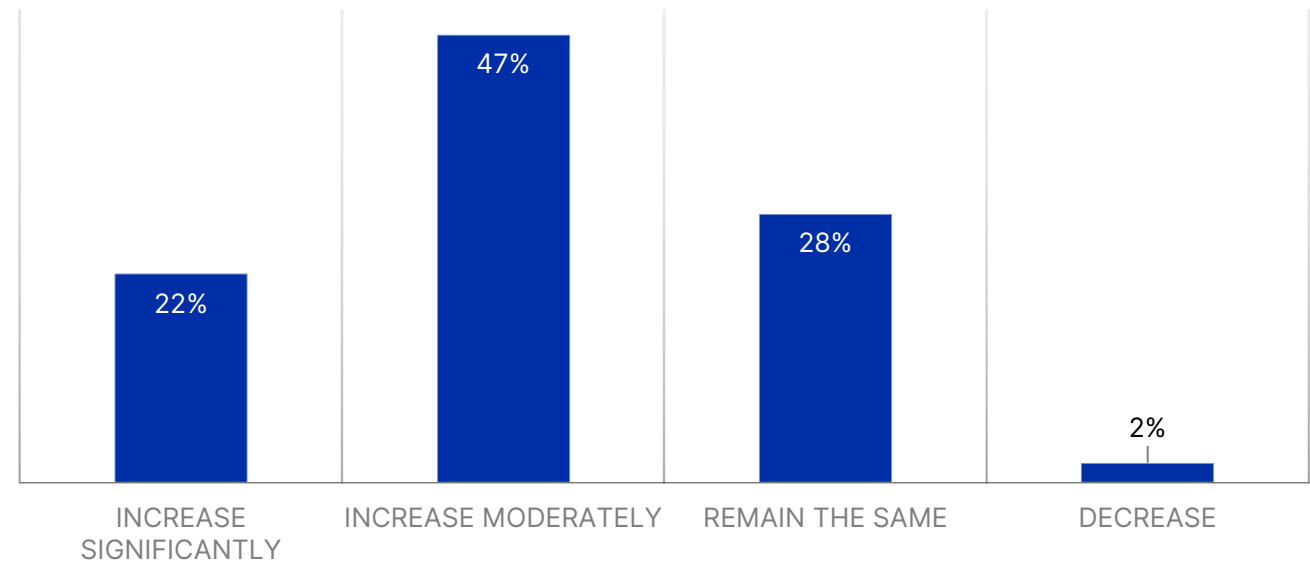
DETAILED FINDINGS

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Nearly seven in ten finance and tax leaders anticipate an increase in their budget allocation towards tax technology innovation, with 22% expecting a significant increase and 47% predicting a moderate rise. This suggests a growing recognition of the value and necessity of investing in tax technology.

Roughly 28% expect their budgets to remain unchanged, indicating a cautious approach or satisfaction with current technology levels. This trend reflects a strong commitment to advancing tax technology capabilities.

Anticipated Budget Allocation for Tax Technology Innovation in the Next 2 Years

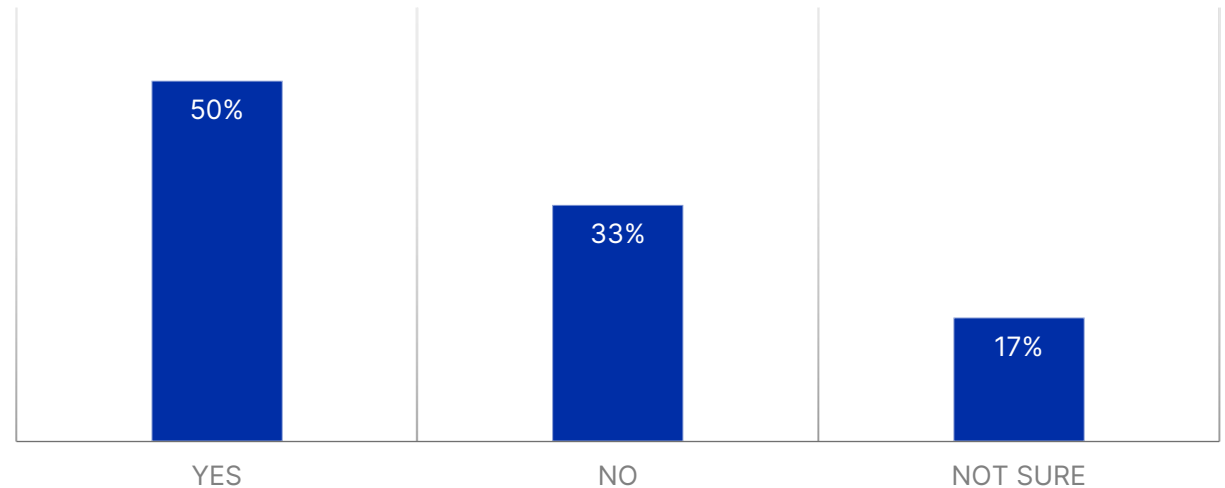


DETAILED FINDINGS

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Half of the respondents surveyed said their organizations have an enterprise transformation strategy that includes tax strategy planning and innovation. This indicates a proactive approach where tax considerations are integrated into broader business transformation efforts and aligned with business goals. However, 33% do not have such a strategy, highlighting a potential gap in aligning tax planning with overall organizational changes. Additionally, 17% are unsure, suggesting a lack of clarity or awareness about the inclusion of tax strategies in their enterprise transformation plans.

Integration of Tax Strategy in Enterprise Transformation



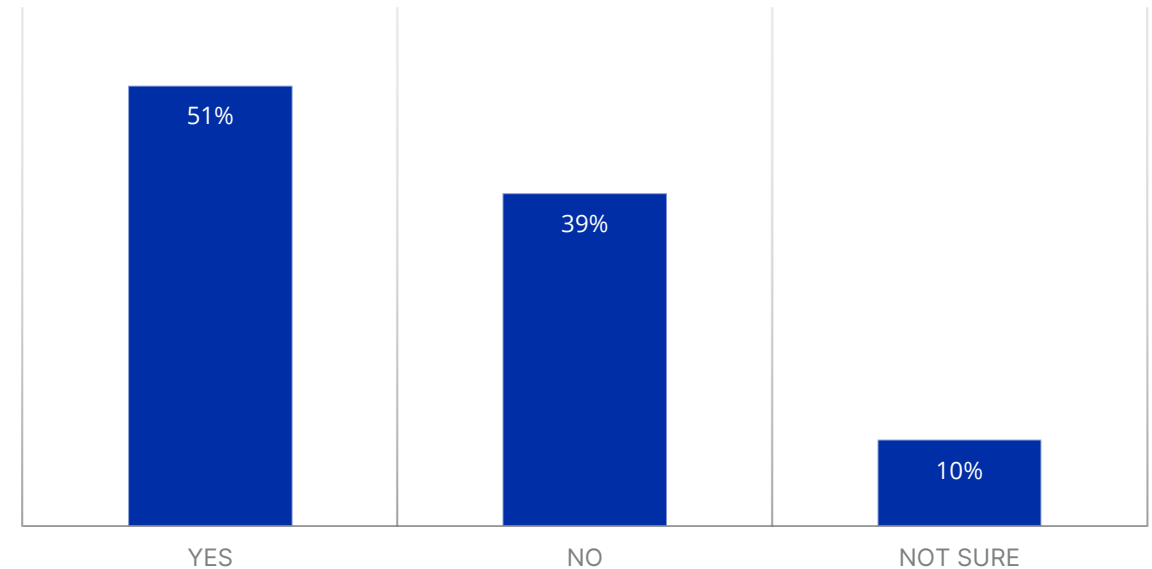
DETAILED FINDINGS

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The survey findings indicate over half (51%) of respondents face challenges with their current tax technology, directly impacting business operations. For finance and tax leaders, this highlights a critical area of concern, as inefficiencies or issues in tax technology can lead to compliance risks, operational delays, and potential fines. Such challenges could affect decision-making processes, financial reporting accuracy, and the ability to respond effectively to regulatory changes.

Addressing these challenges, organizations can leverage SAP modules and solutions from SAP partners to create an integrated tax technology ecosystem, resolving issues related to compliance, processing inefficiencies, and system integration.

Impact of Issues in Current Tax Technology Landscape on Business Operations





Tax Technology Innovation and Automation



DRIVERS

- Desire to reduce tax risks and potential errors (34%)
- Increasing regulatory complexity and compliance risk (31%)
- Tax authorities' expectation of real-time electronic data (28%)



ACTIONS

- Automating and ensuring compliance in direct and indirect tax reporting (50%)
- Improving data management and quality in tax reporting (42%)
- Developing a comprehensive digital tax strategy that aligns with move to SAP S/4HANA (32%)
- Streamlining the integration of tax systems with other business functions (31%)



REQUIREMENTS

- Adaptability to changing tax laws and regulations (82%)
- Fully-documented audit trail (79%)
- Seamless integration of tax solutions with ERP systems (78%)
- Real-time unified and integrated master data (74%)
- Harmonized financial reporting in a single system (72%)



TECHNOLOGIES

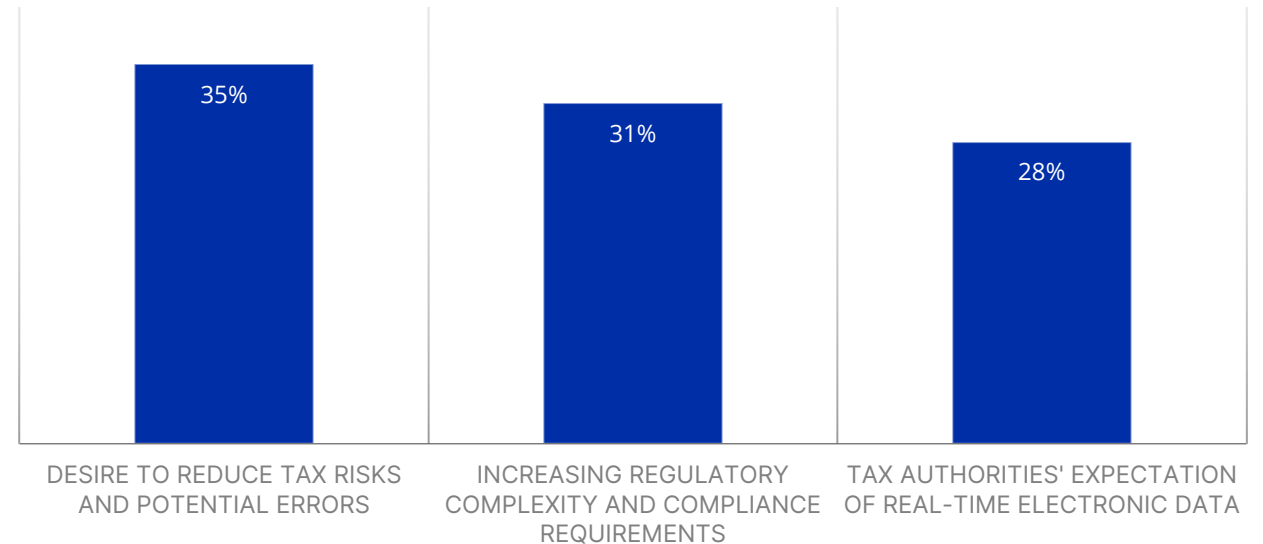
- Sales and use tax determination tool (35%)
- E-filing and e-documentation management (34%)
- Single point of truth for financial data (28%)
- Data integration tool (27%)
- Tax localization tools (27%)
- Audit management software (25%)
- Centralized solution to control all financial data and processes (24%)
- Cloud-based solutions (24%)
- Intelligent mapping tool of tax data to ERP application (24%)
- Global indirect tax reporting tool (21%)
- Global Tax Engine (21%)

DETAILED FINDINGS

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This finding indicates that finance and tax leaders should prioritize tax technology innovation strategies around three key areas: risk reduction, regulatory compliance, and real-time data processing. With a primary factor of reducing tax risks and errors (35%) to ensure their tax systems are robust, accurate, and minimize the likelihood of mistakes. The concern over increasing regulatory complexity (31%) means staying updated with changing tax laws and integrating solutions that can adapt to these changes is crucial. With 28% driven by the need for real-time electronic data from tax authorities, there's a clear imperative to invest in technologies that enable immediate data processing and reporting.

Top Factors Impacting Approach to Tax Technology Innovation



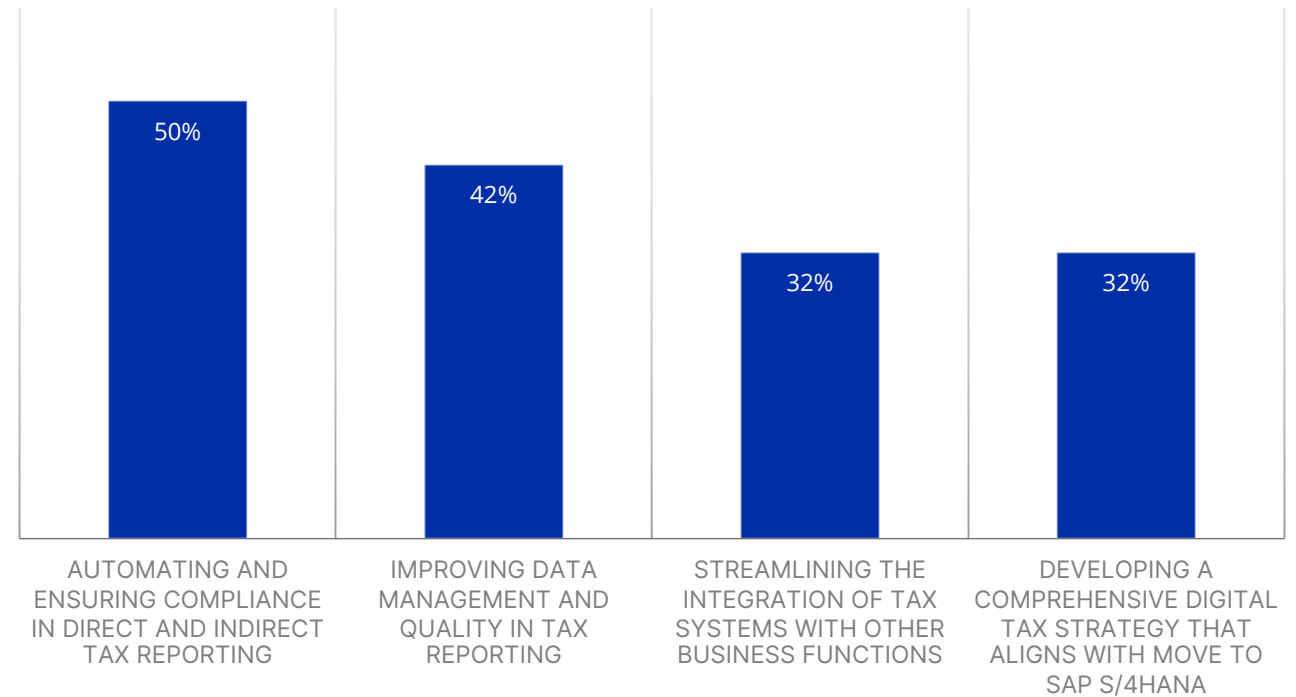
DETAILED FINDINGS

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Regarding tax technology innovation and automation strategies, organizations prioritized automating and ensuring compliance in direct and indirect tax reporting (50%), improving data management and quality in tax reporting (42%), developing digital tax strategies aligned with the transition to SAP S/4HANA (32%), and streamlining integration of tax systems with other business functions (31%).

These priorities suggest that finance and tax leaders should focus on advanced automation, data accuracy, system integration, and aligning tax strategies with broader digital transformation in SAP ERP environments.

Top Strategies Employed for Tax Technology Innovation and Automation



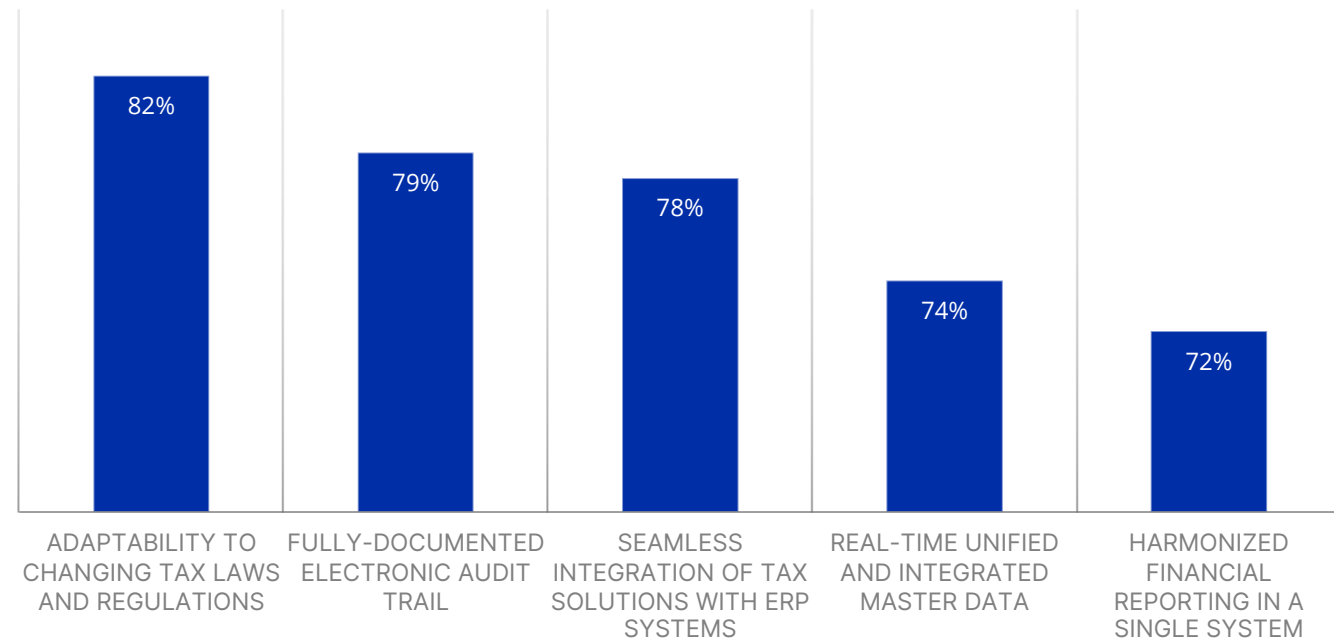
DETAILED FINDINGS

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For tax technology innovation and automation strategies, the importance of various capabilities is ranked as follows: Adaptability to changing tax laws and regulations is critical for 82% of respondents, indicating a high priority for flexible systems that can quickly respond to legal changes. A fully-documented electronic audit trail is essential for 79%, emphasizing the need for transparency and traceability in tax processes. Seamless integration of tax solutions with ERP systems is vital for 78%, underscoring the importance of cohesive and efficient system interoperability.

Real-time unified and integrated master data is important for 74%, highlighting the necessity of accurate and instantaneous data for effective tax management. Harmonized financial reporting in a single system is key for 74%, reflecting a preference for consolidated and streamlined reporting structures.

Top Requirements for Tax Technology Innovation



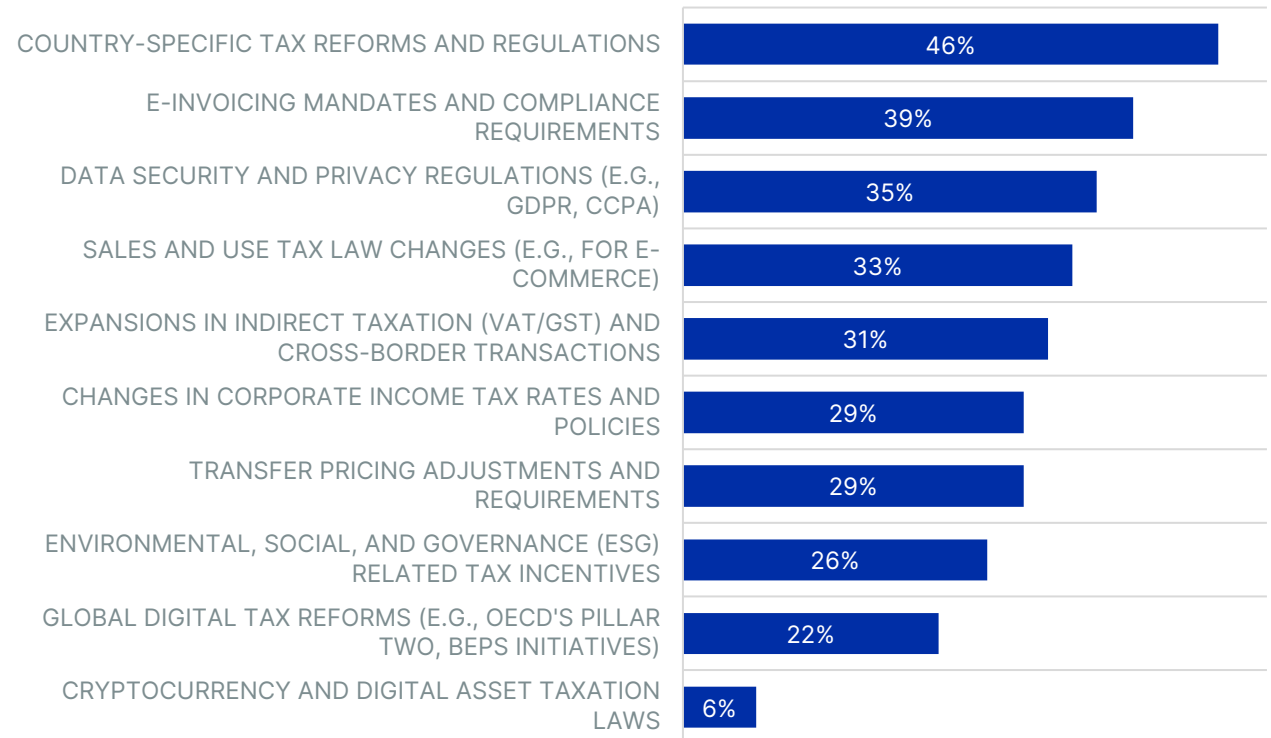
DETAILED FINDINGS

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The study highlights several regulatory and tax law changes that are significantly influencing tax technology and innovation strategies. Prominent among these are country-specific tax reforms and regulations (46%), highlighting the need for adaptable solutions that can effectively accommodate local tax variations. Next are e-invoicing mandates and compliance requirements (39%), necessitating efficient systems to facilitate compliance. Data security and privacy regulations, including GDPR and CCPA (35%), are critical, indicating a need for stringent compliance measures.

Furthermore, updates to sales and use taxes (33%), along with expanding indirect tax mandates, including VAT/GST, cross-border transactions (31%), demand enhanced capabilities in tax systems to accurately calculate and apply these taxes across diverse jurisdictions.

Top Regulatory and Tax Law Changes Influencing Tax Technology and Innovation Strategies



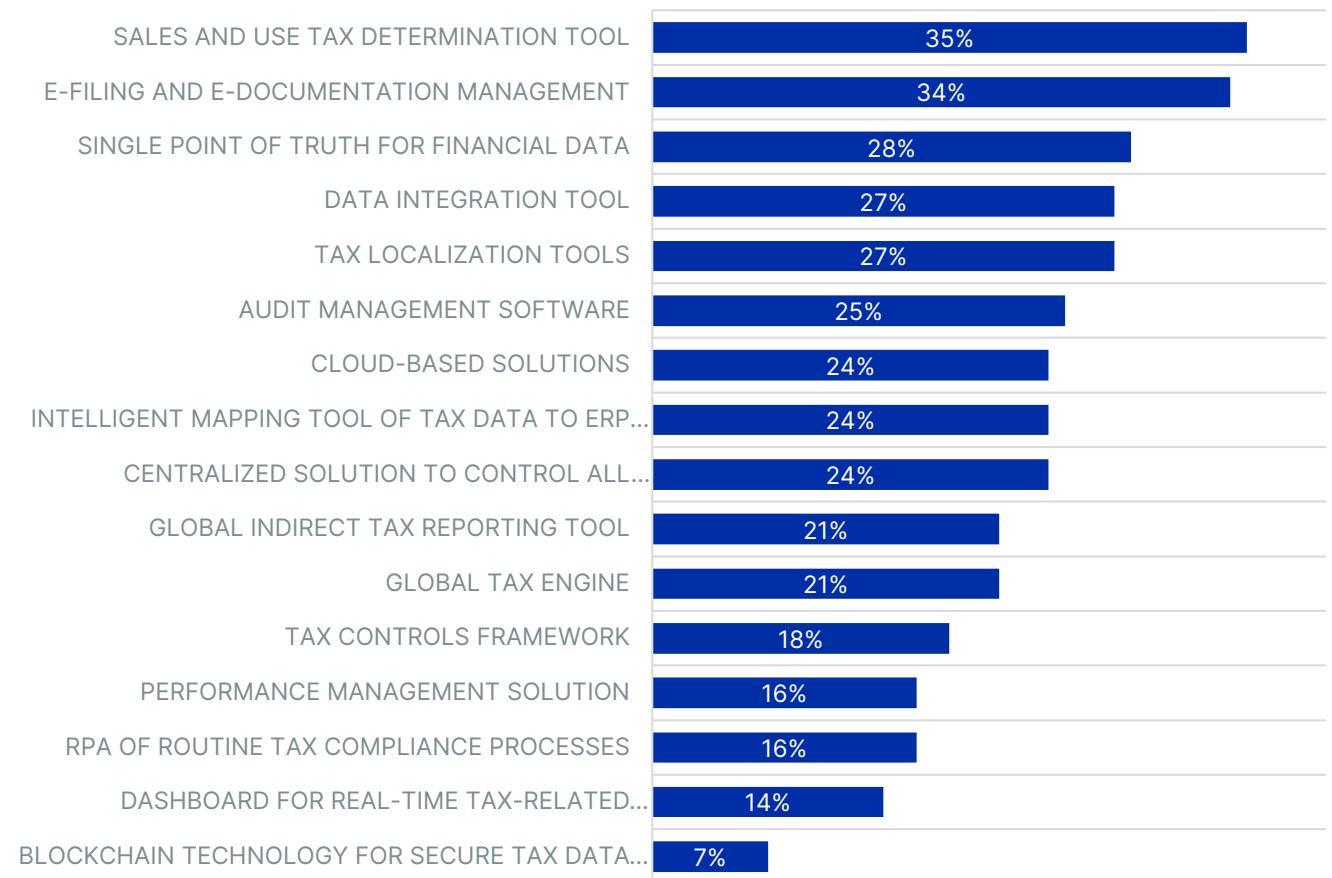
DETAILED FINDINGS

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In supporting tax technology innovation and automation strategies, organizations using SAP ERP environments predominantly utilize sales and use tax determination tools (35%). E-filing and e-documentation management systems are employed by 34%, indicating a shift towards digital compliance.

A single point of truth for financial data is crucial for 28%, emphasizing data centralization, while data integration tools are leveraged by 27%, highlighting the importance of cohesive data ecosystems in tax management. Tax localization tools are used by 27%, reflecting the need to manage region-specific tax requirements.

Current Technology Utilization for Tax Technology Innovation and Automation



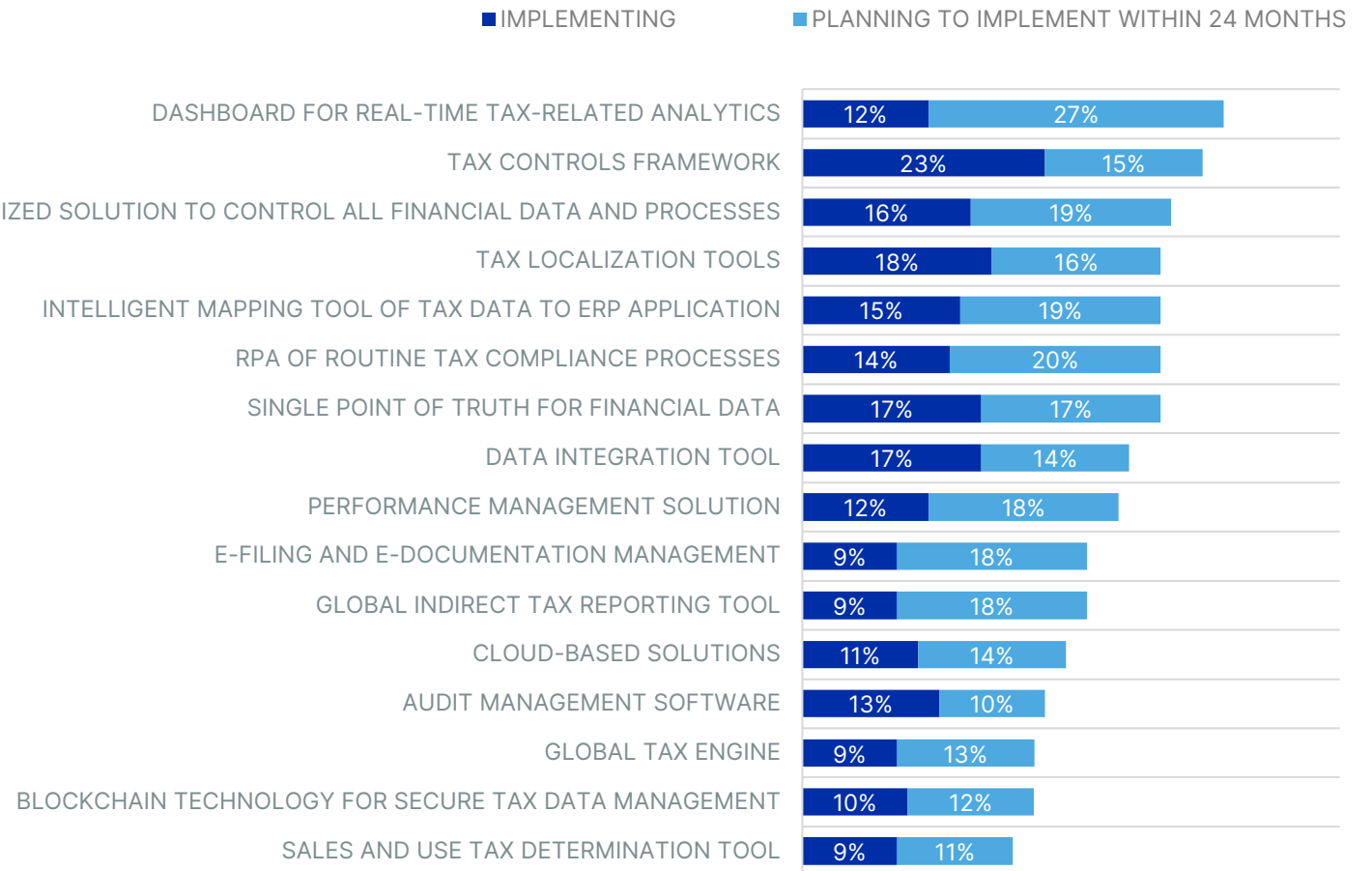
DETAILED FINDINGS

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Finance and tax leaders plan to implement dashboards for real-time tax-related analytics (39%), highlighting the emphasis on instant insights for decision-making. Centralized solution to control all financial data and processes (38%), and intelligent mapping tools for aligning tax data with ERP applications (34%), indicate a focus on centralization and accurate data management for enhanced decision-making and compliance.

Equally prioritized at 34% is a single point of truth for financial data, and RPA of routine tax compliance processes, indicating a strong focus on data integrity and automation.

Tax Technology Implementation Plans to Support Innovation and Automation Initiatives



DETAILED FINDINGS

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Organizations in SAP ERP environments are evaluating several technologies to support tax technology innovation and automation strategies. **Cloud-based solutions are leading with 37%, indicating a strong interest in the scalability and flexibility offered by the cloud. Robotic Process Automation (RPA) for routine tax compliance processes is being considered by 31% of organizations, showing a trend towards automation for efficiency.**

Additionally, 31% are evaluating performance management solutions, followed by global indirect tax reporting tool, global tax engine, and dashboard for real-time tax-related analytics, all at 29% reflecting a focus on performance monitoring and compliance.

Tax Technologies Being Evaluated to Support Innovation and Automation Initiatives



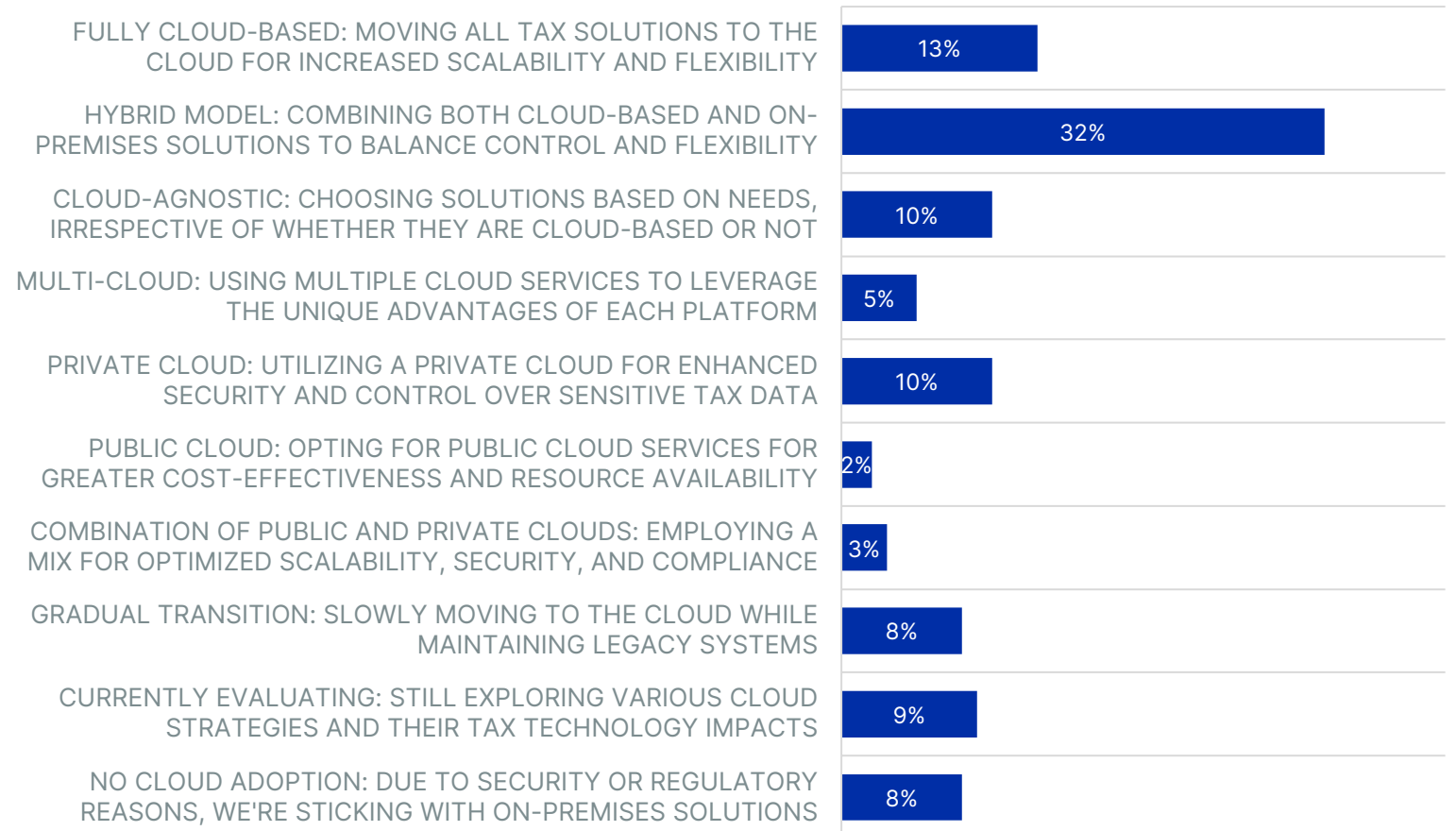
DETAILED FINDINGS

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Organizations are diversifying their cloud deployment choices to support tax technology innovation. A significant 32% prefer a hybrid model for its balance of control and flexibility, while 13% opt for fully cloud-based solutions for scalability.

Notably, 10% use private cloud for enhanced data security, and 10% are cloud-agnostic, focusing on need-based solutions. Multi-cloud and public cloud strategies are less common. Roughly 8% of organizations avoid cloud adoption due to security or regulatory concerns, and another 9% are still evaluating their cloud strategy options.

Cloud Deployment Preferences



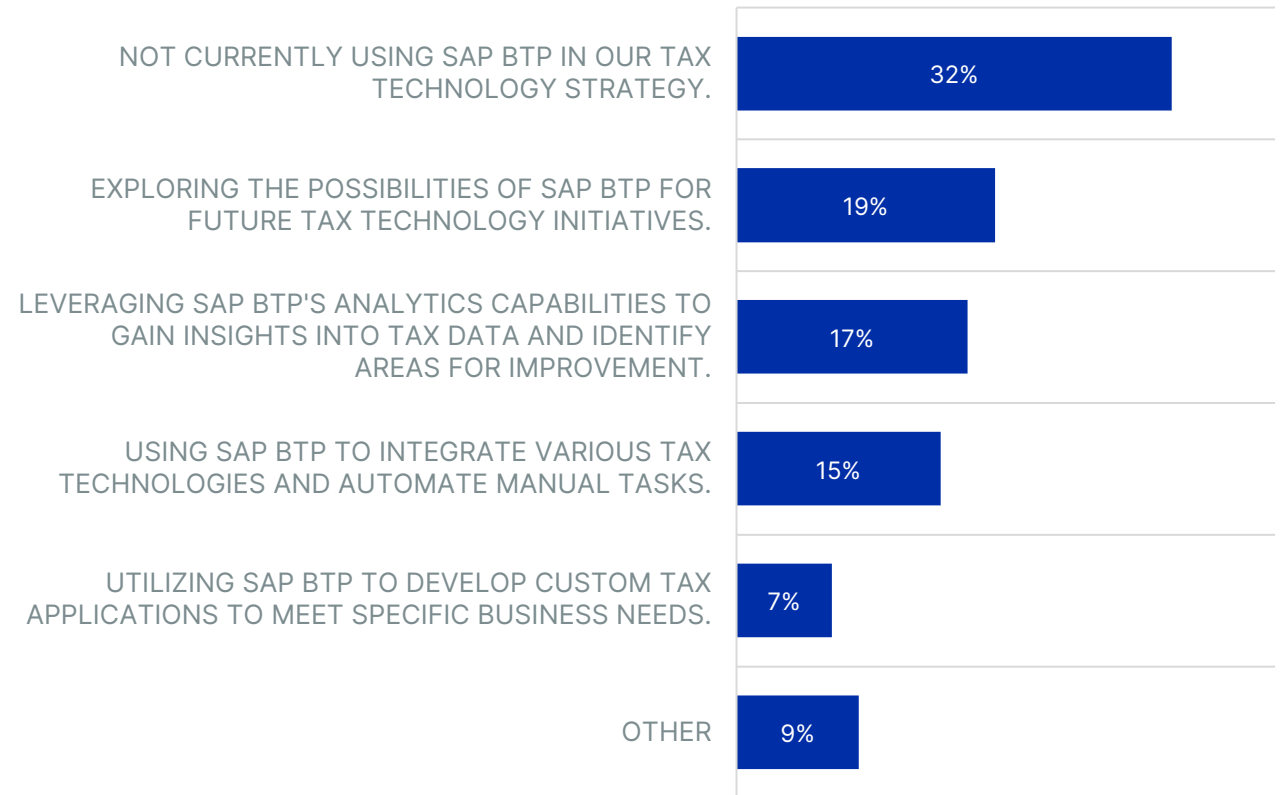
DETAILED FINDINGS

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Among finance and tax leaders in SAP ERP environments, the growing utilization of SAP Business Technology Platform (BTP) indicates a strategic shift towards innovating tax functions. This includes 17% leveraging BTP for analytics to gain insights, 15% using it for integrating and automating tax processes, and 7% developing custom tax applications.

Additionally, 19% exploring BTP's potential shows an openness to future innovations. This adoption reflects a commitment to operational efficiency, tailored tax solutions, and aligning tax strategies with broader business goals.

SAP BTP Adoption for Tax Technology Innovation



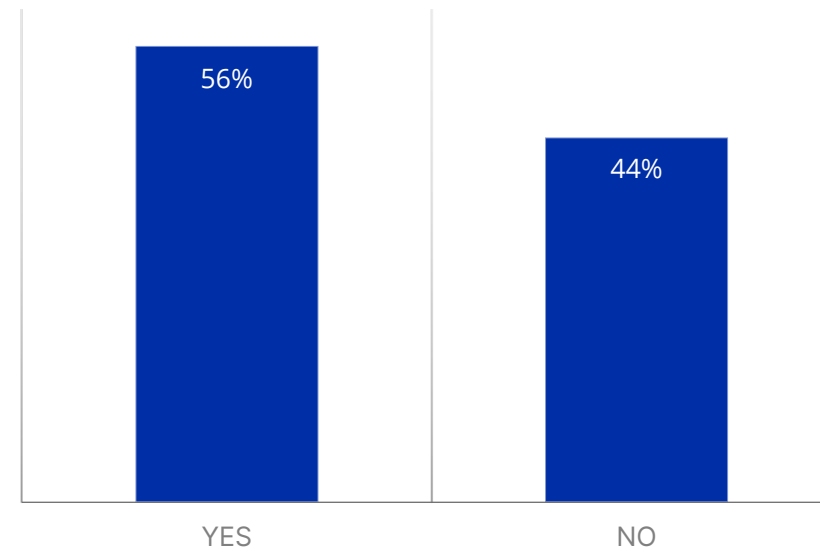
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A notable 56% of finance and tax leaders plan to incorporate machine learning or generative AI in their tax processes, indicating a significant interest in adopting advanced tax technologies for enhanced efficiency and accuracy.

44% are not considering AI enhancements, which may reflect constraints related to resources, expertise, or readiness for such advanced implementations. A number of respondents cited privacy risks as a barrier to AI adoption.

Planned Adoption of Machine Learning and AI in Tax Processes

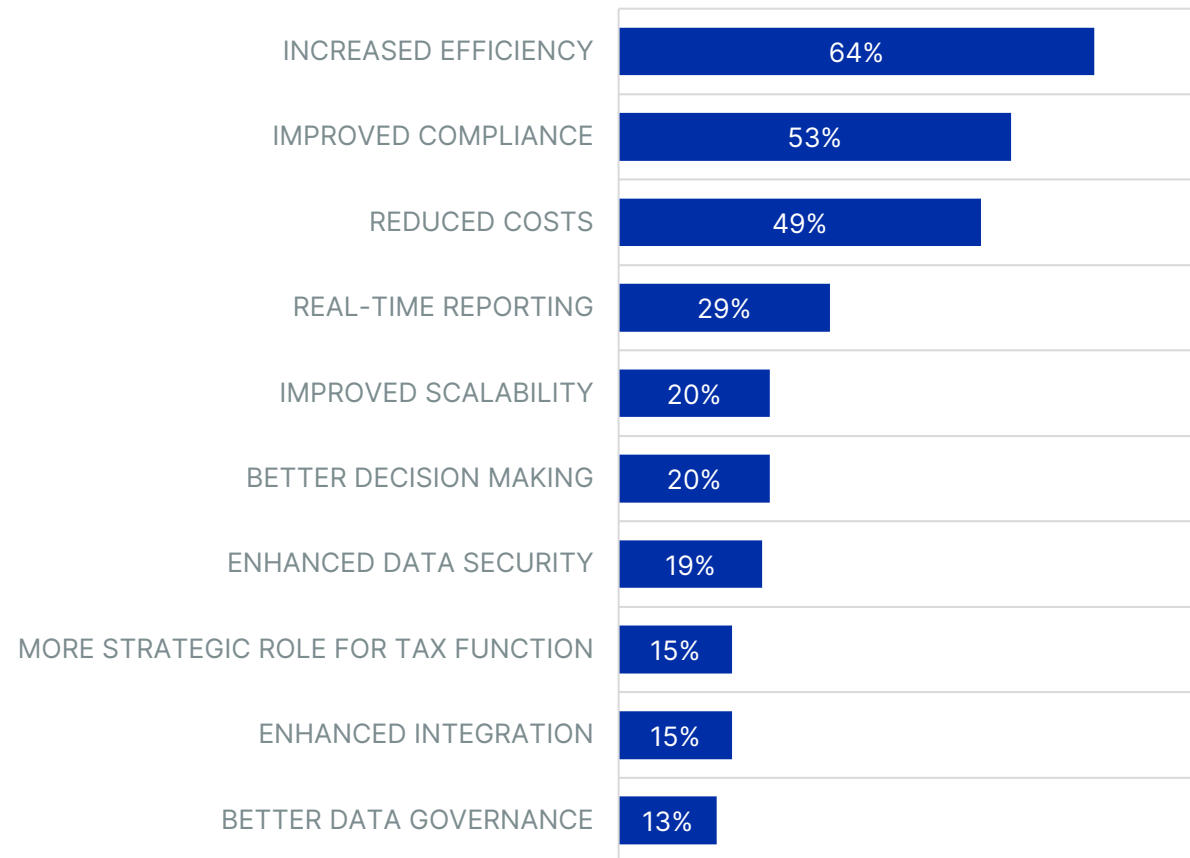


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The benefits organizations expect from tax technology innovation and automation are clear. Increased efficiency is the top anticipated benefit (64%), followed by improved compliance (53%) and reduced costs (49%). These priorities indicate a focus on streamlining processes and ensuring regulatory adherence while managing expenses.

Expected Benefits from Tax Technology Innovation and Automation



DETAILED FINDINGS

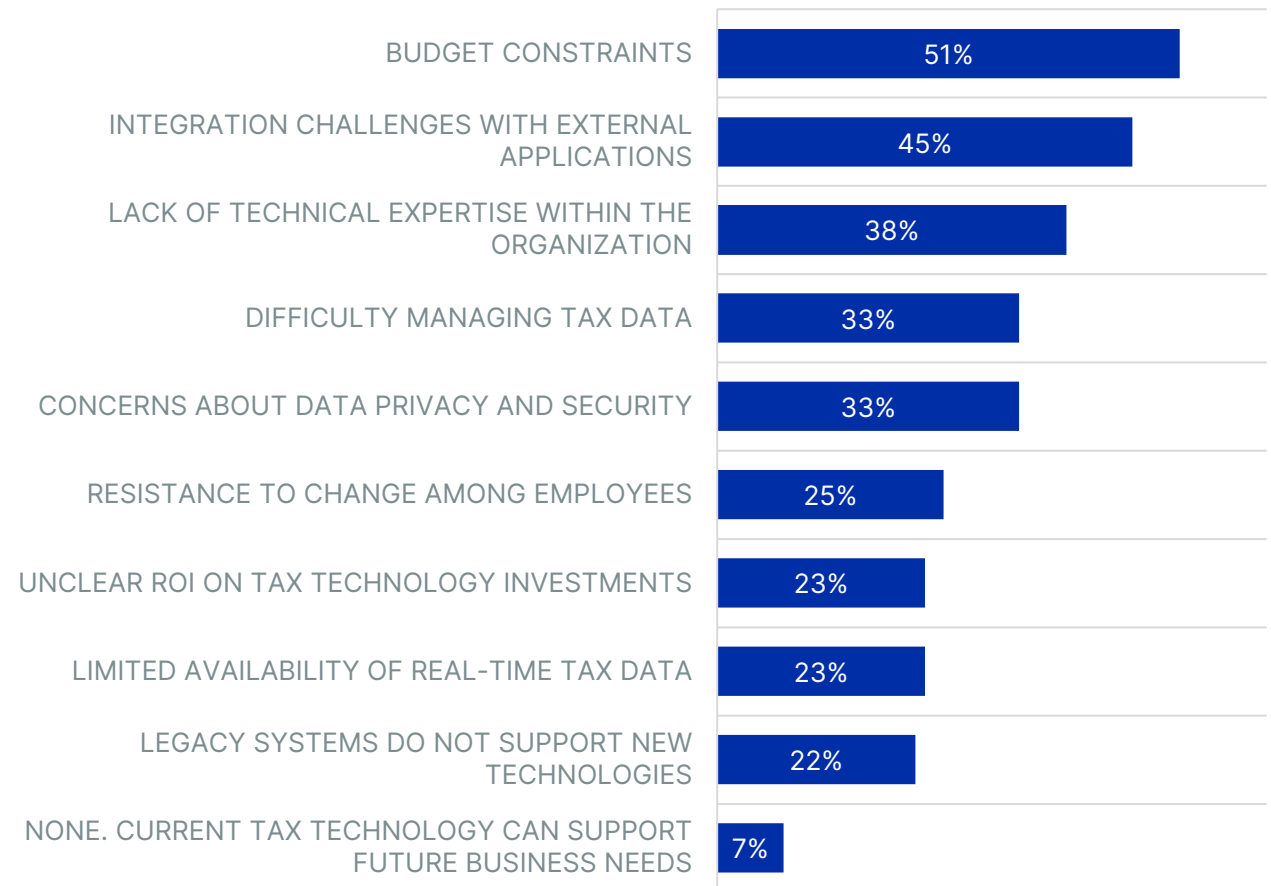
18

The primary barriers to implementing tax technology innovation and automation are budget constraints (51%), posing challenges in securing investment for tax technology; integration challenges with external applications (45%), necessitating a focus on compatibility and seamless system connectivity; and a lack of technical expertise within the organization (38%), highlighting the need for enhanced training, hiring skilled personnel, or partnering with knowledgeable vendors.

Difficulties in managing tax data (33%) and concerns about data privacy and security (33%) are also significant obstacles.

Addressing these barriers is key to successfully implementing and maximizing the benefits of tax technology innovation and automation.

Barriers to Tax Technology Innovation Strategies



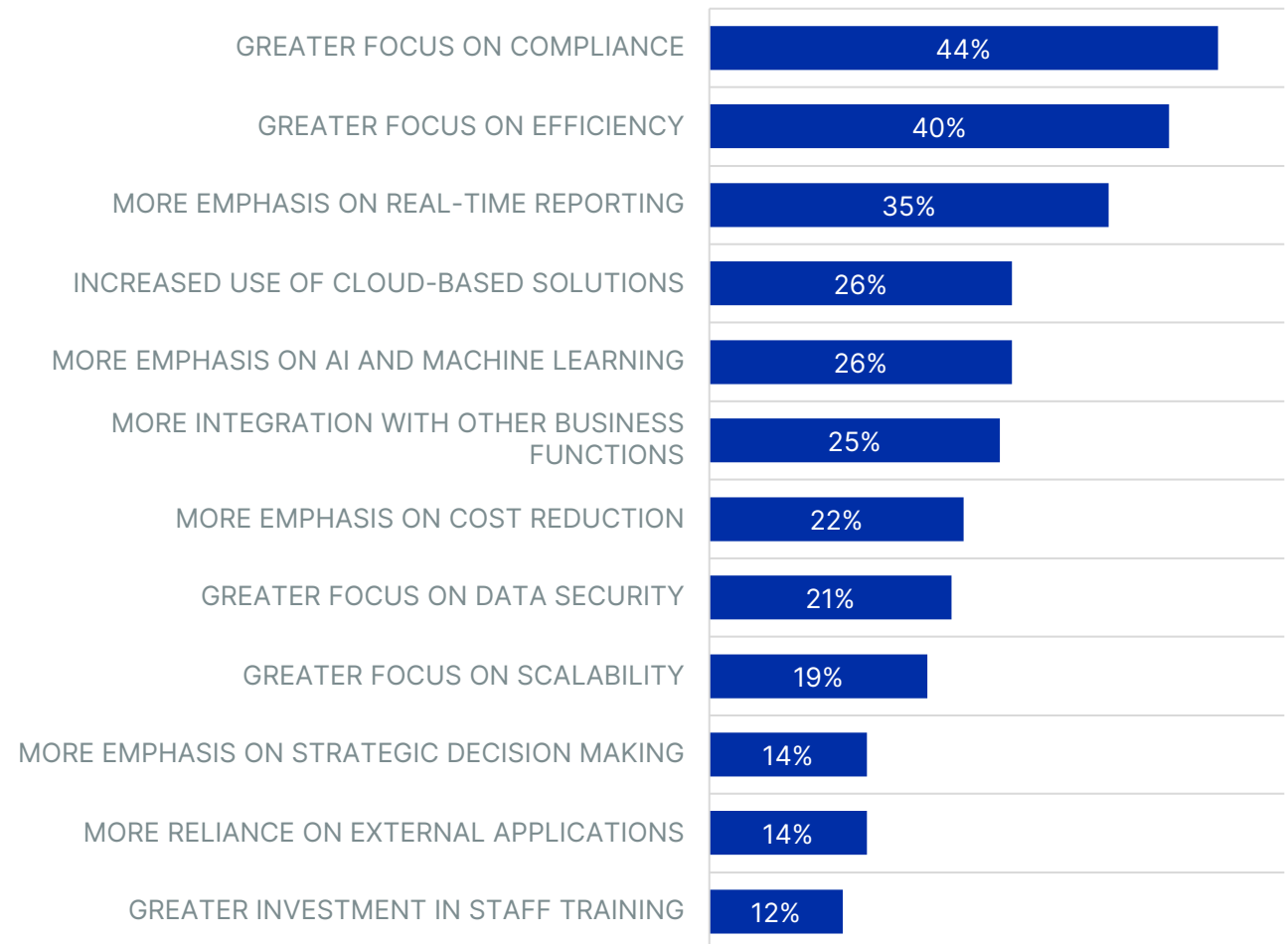
DETAILED FINDINGS

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The survey shows that the top three future priorities in tax technology innovation and automation are likely to be compliance, efficiency, and real-time reporting. The strong emphasis on compliance (44%) underscores the importance of staying aligned with evolving tax regulations.

Prioritizing efficiency (40%) reflects the need for streamlined processes and resource optimization, while the focus on real-time reporting (35%) highlights the growing demand for timely and accurate tax data. These findings suggest that organizations should invest strategically in technologies and solutions that enhance compliance, operational efficiency, and reporting capabilities to navigate the evolving landscape effectively.

Future Tax Technology Innovation Priorities



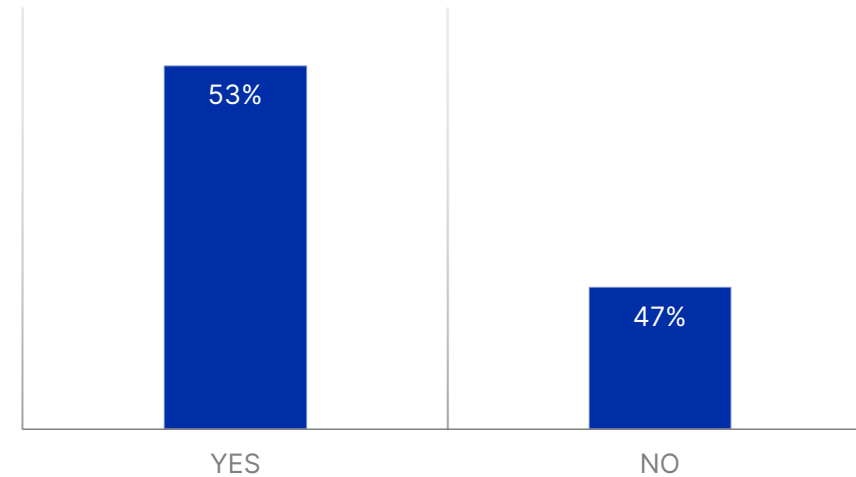
DETAILED FINDINGS

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Regarding organizational readiness for upcoming tax technology changes over the next five years, 53% of respondents feel their organization is adequately prepared, while 47% do not.

This indicates a significant portion of organizations face challenges adapting to future tax technology advancements, highlighting the need for more proactive planning and investment in tax technology strategies.

Organizational Readiness for Future Tax Technology Changes Over the Next 5 Years



THANK YOU

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