

A hand is shown interacting with a futuristic, glowing digital interface. The interface features vibrant, abstract patterns in shades of blue, purple, and green, suggesting data or complex information. The background is dark, making the glowing elements stand out.

# Tax Function of the Future

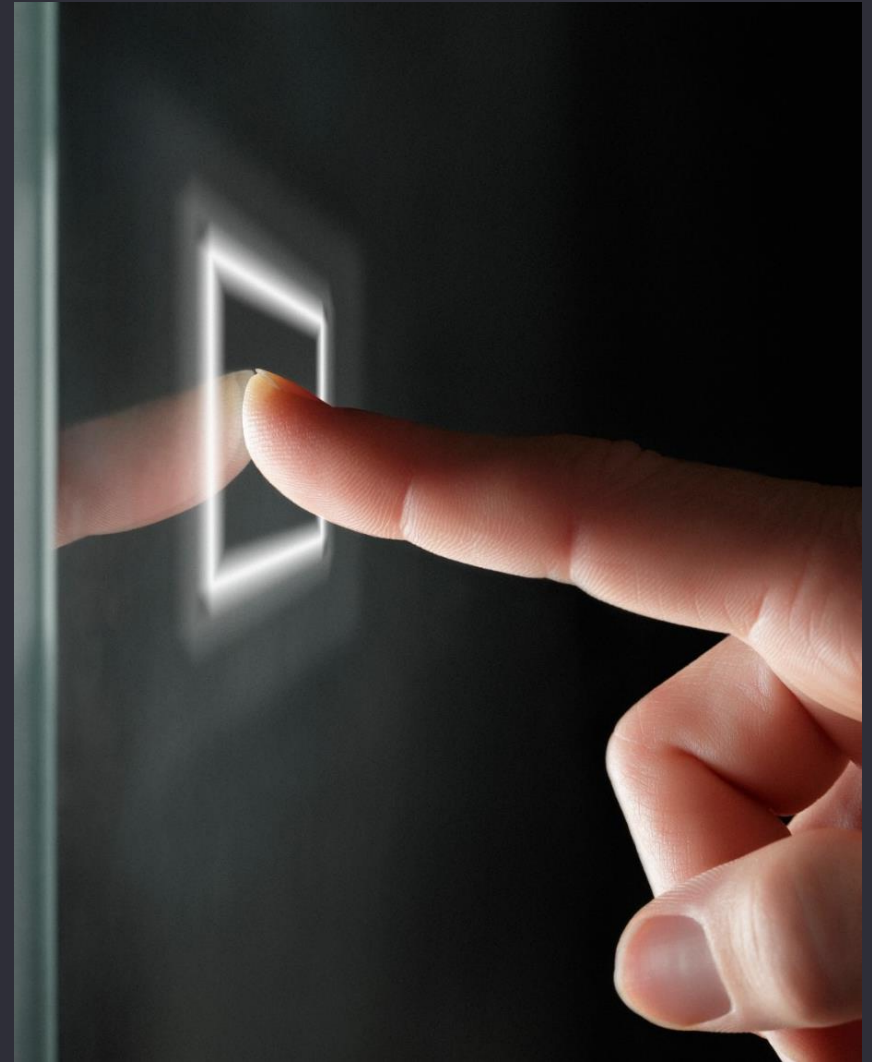
Charity Tax Group

November 2021

# Agenda

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1. Introductions
2. Tax function — the journey so far
3. Digital tax administration trends
4. Impact of digital tax administration
5. New tax trends — what taxes might you be responsible for in the future
6. Key takeaways



# Speakers

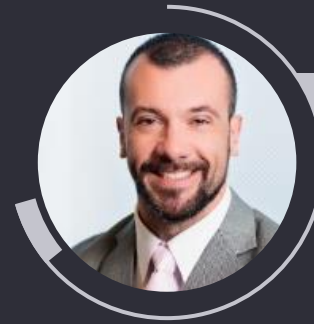
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# 1. Tax function — the journey so far ...

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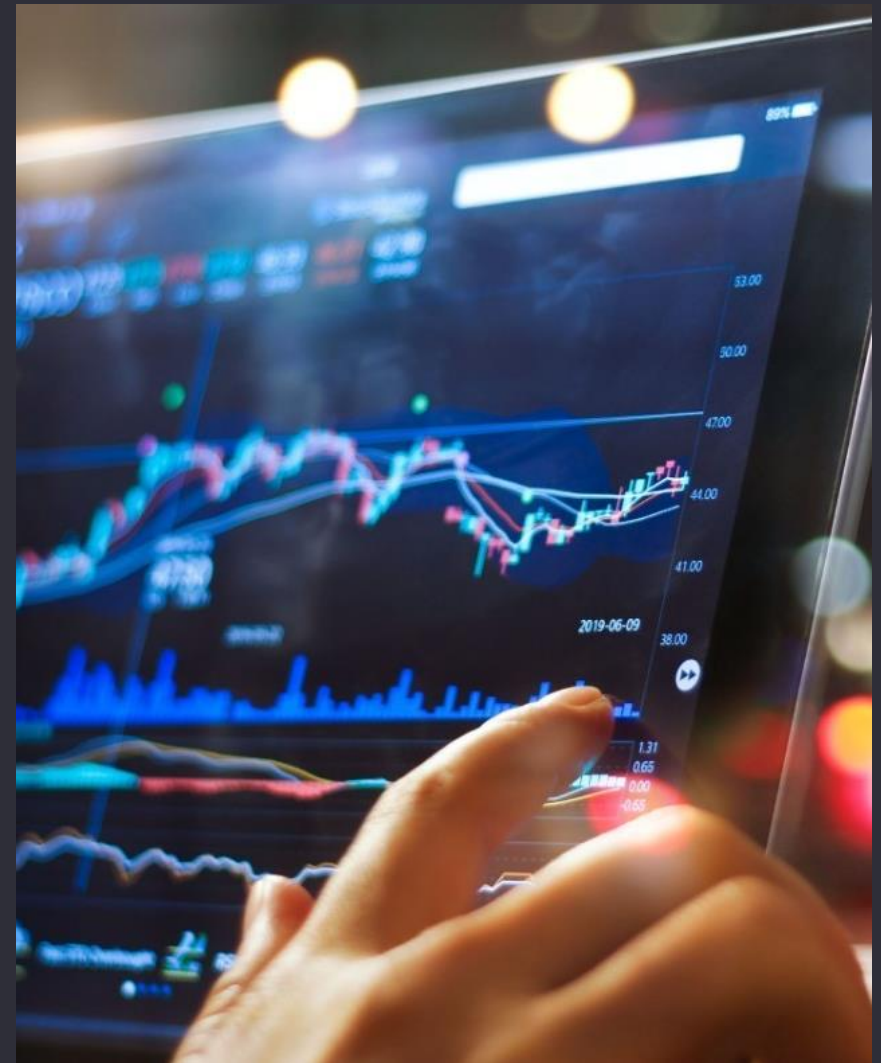
- ▶ 1990's/early 2000's: a side gig for accountants, submitting returns
- ▶ 2002: Halifax plc and Others — watershed around public scrutiny on tax compliance
- ▶ 2002 — 2010: specialist tax functions develop in house (primarily UK focused)
- ▶ 2019: Making Tax Digital for VAT — first steps in the UK to a digital tax administration



# 1. Tax function — the journey so far... (cont'd)

## Tax professional's traditional role

- ▶ Managing tax cost and effective tax rate
- ▶ Extracting/cleansing/reworking data manually
- ▶ Managing timely submission of returns
- ▶ Responding to HMRC enquiries
- ▶ Dealing with problems after they have arisen

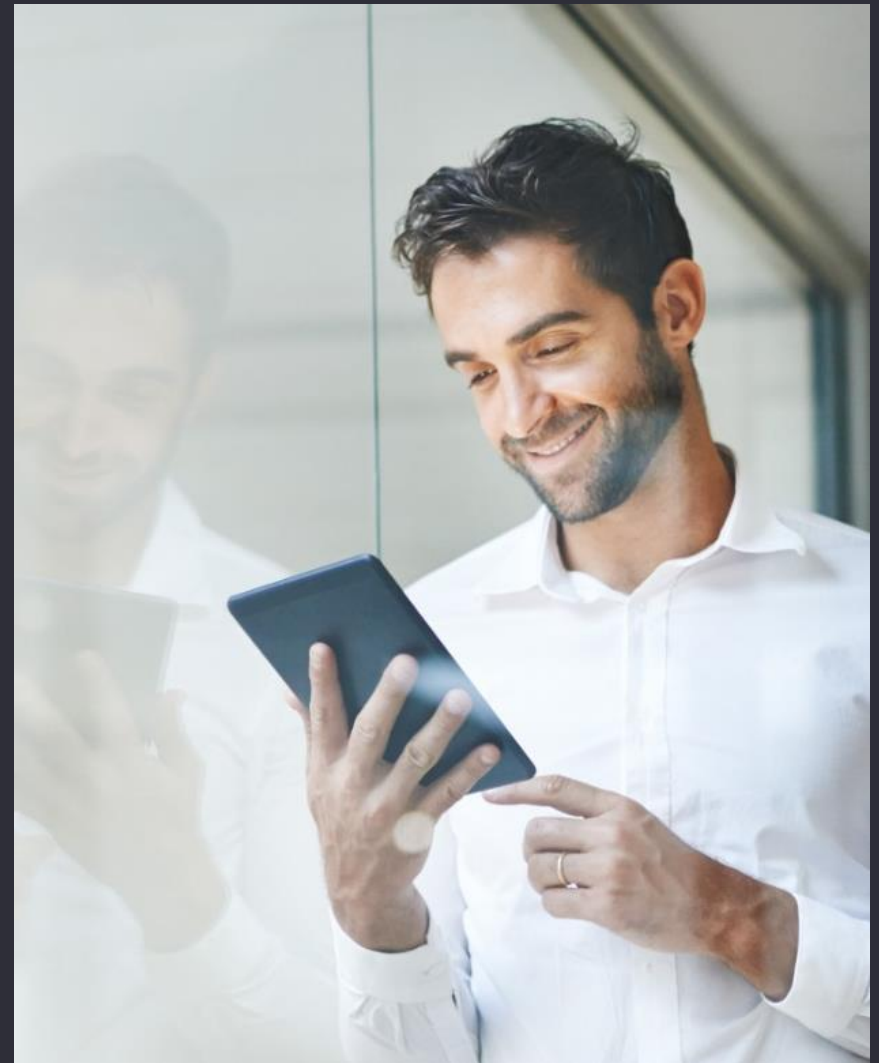


# 1. Tax Function — the journey so far... (cont'd)

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## Tax professional's role in the future

- ▶ International remit
- ▶ Digital tax administration (DTA)
- ▶ Managing real-time reporting
- ▶ Mastery of new technology
- ▶ Emergence of new taxes
- ▶ Proactive business partner at the heart of strategic discussions



# Digital tax administration trends

# Tax administration digital maturity levels

## Level 1: 'E-file'

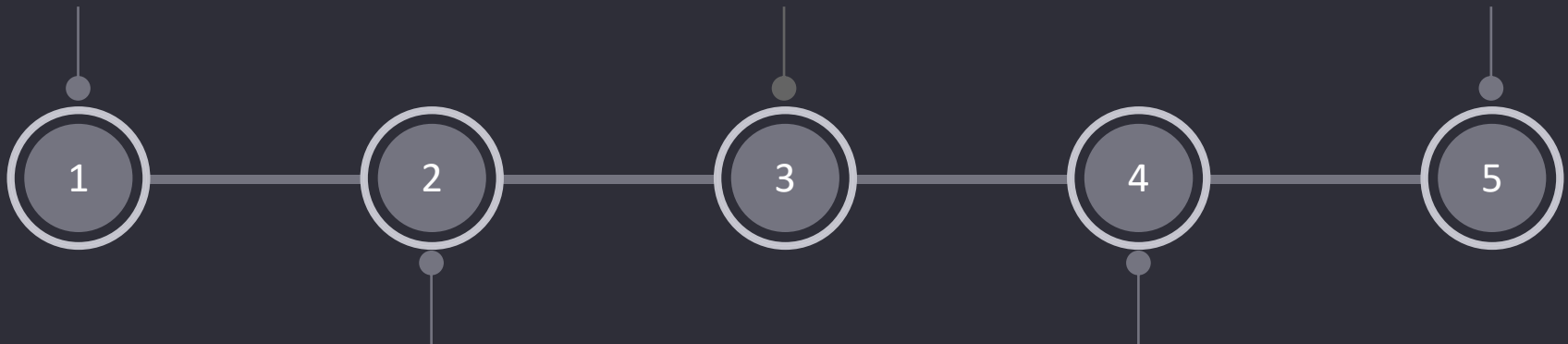
Use of standardised electronic form for filing tax returns required or optional; other income data (e.g., payroll, financial) filed electronically and matched annually.

## Level 3: 'E-match'

Submit additional accounting and source data; government accesses additional data (bank statements), begins to match data across tax types and potentially across taxpayers and jurisdictions in real-time.

## 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.



## Level 2: 'E-accounting'

Submit accounting or other source data to support filings (e.g., invoices, trial balances) in a defined electronic format to a defined timetable; frequent additions and changes at this level.

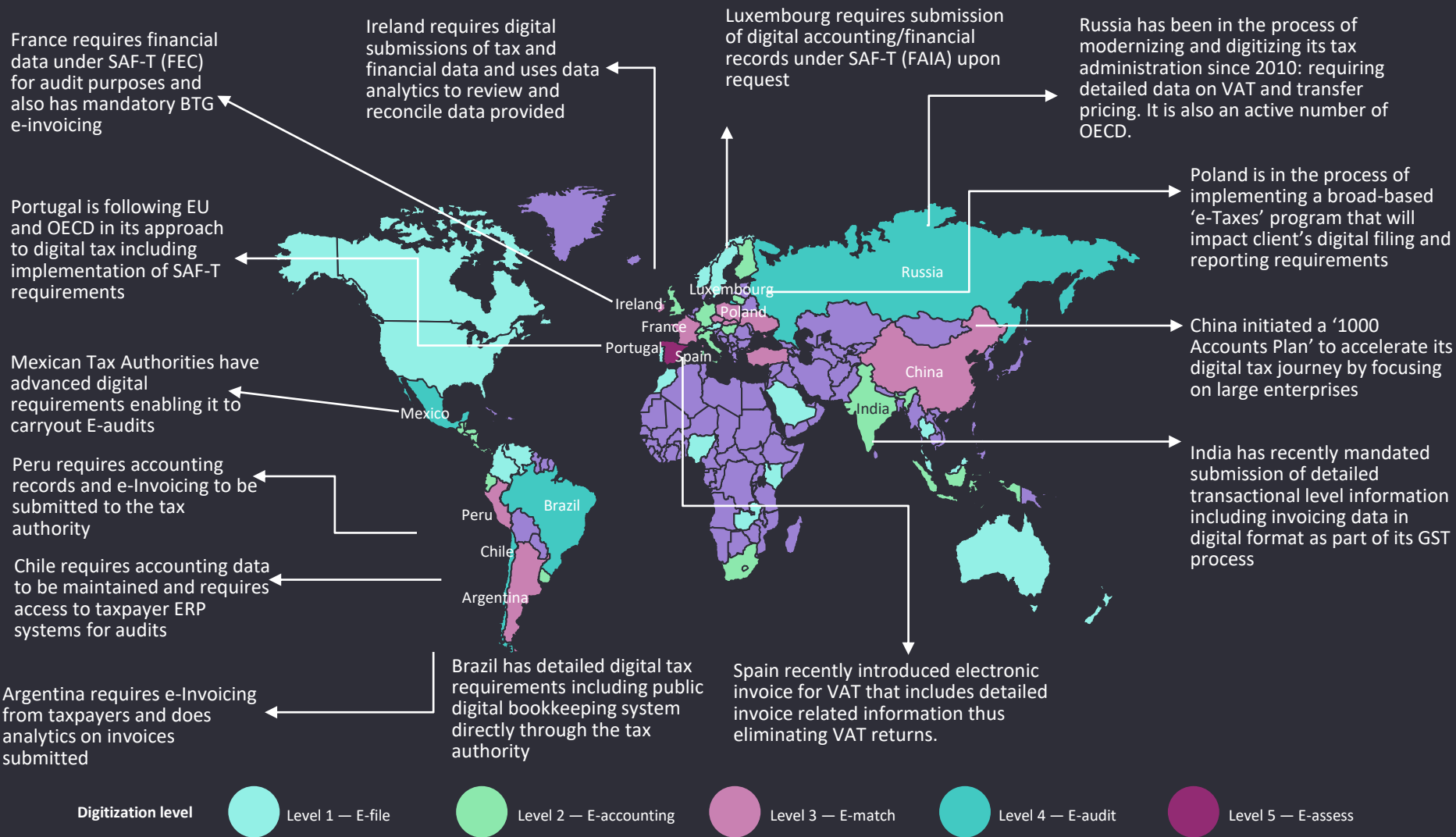
## Level 4: 'E-audit'

L2 data analysed 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.

Note: Not all governments collect the same information or treat it the same under this model. Further, the move to digitisation is not necessarily linear.



# Digital Tax Administration — The Evolution





# The e-Invoicing S-Curves: Digital Tax Administration — The trend is evident!


## Section 1.4.2 — Upstreaming of compliance management

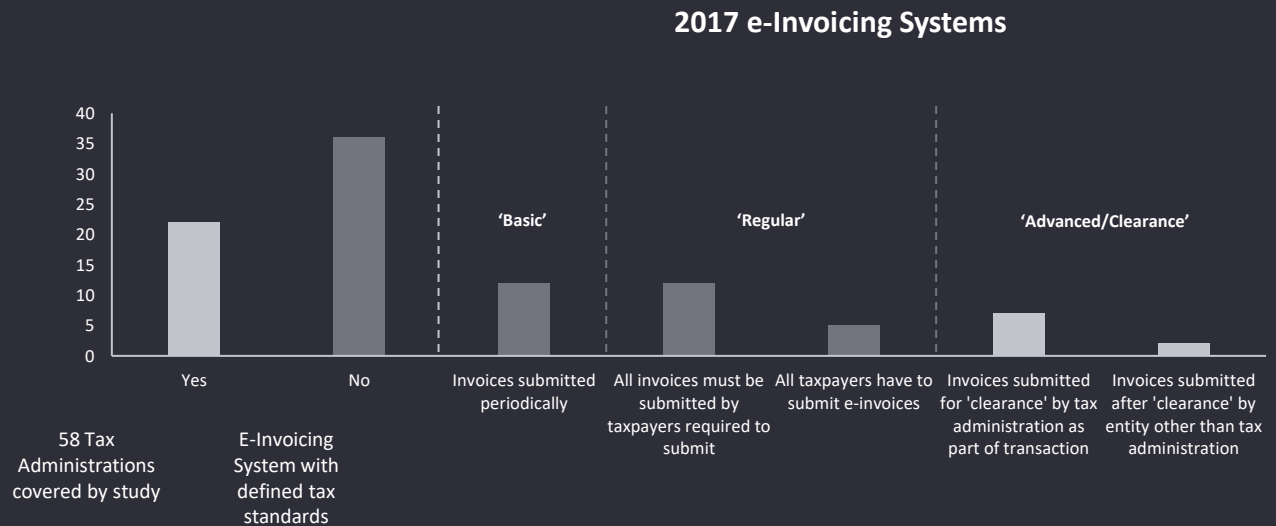
‘A number of tax administrations are now adopting approaches for businesses that increasingly incorporate elements of compliance-by-design... effectively **upstreaming compliance management and interventions**. Two examples of this are e-invoicing and online cash registers.

These systems produce vast amounts of data which allow tax administrations to undertake detailed and possibly close to real-time analysis of risks’.

 **\$58bn** additional tax revenue

 **50%** reduction in VAT Gap

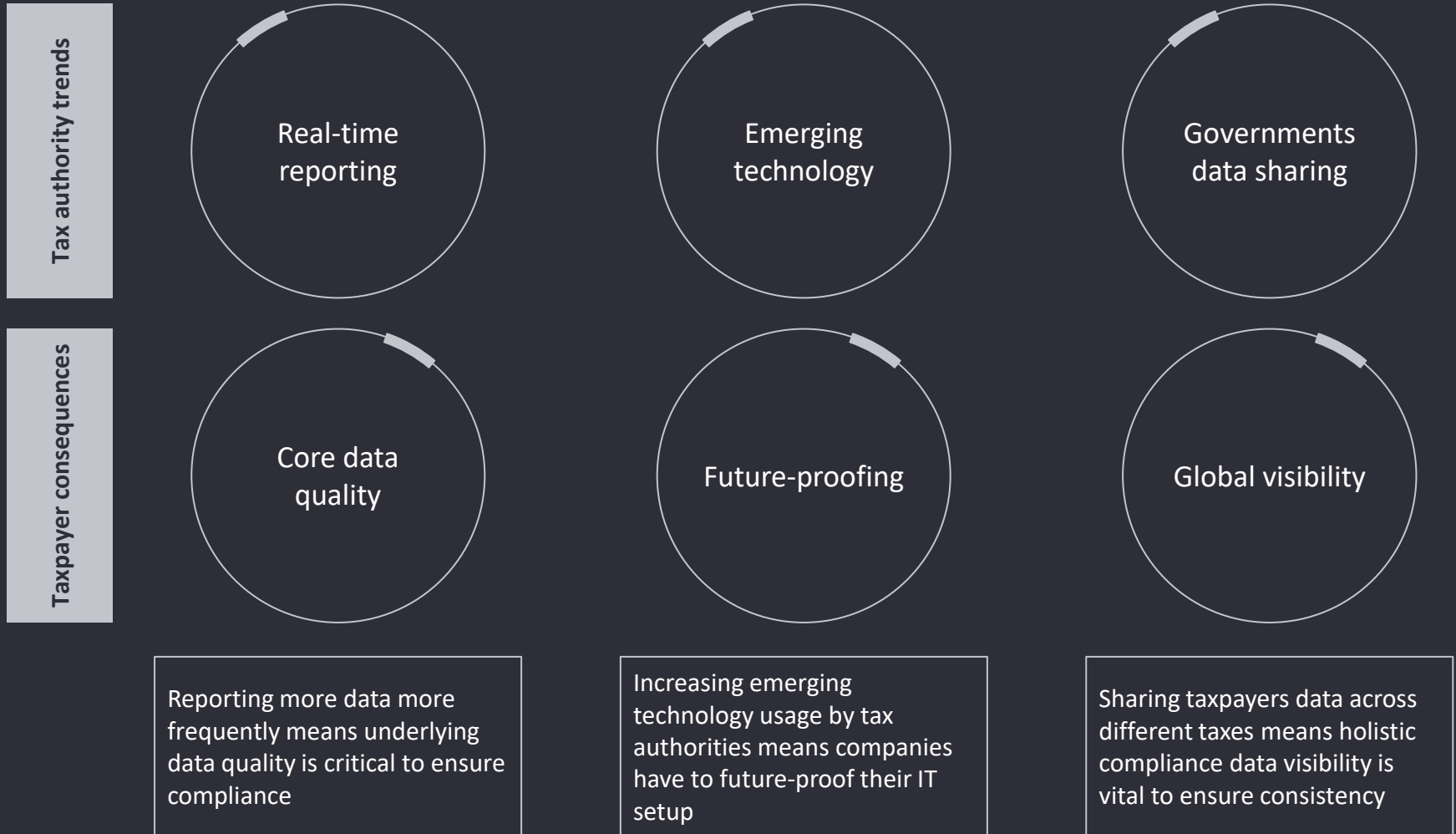
 **38%** increase in VAT collected



Source: OECD — Tax Administration 2019

# Tax authority trends and taxpayer consequences

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# A fundamental shift — from outputs to inputs

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We are seeing a fundamental shift from a regulatory and enforcement environment traditionally focused on returns (outputs) to a regulatory and enforcement environment based on data (inputs).

## Electronic Invoices (e-invoicing)

- ▶ Generated and submitted on a per transaction basis;
- ▶ Formats and transmission modes vary from country to country — invoices can be generated in financial systems;
- ▶ Commonly used in Latin American countries but recently gaining traction in other parts of the world.

## Electronic Accounting (e-accounting)

- ▶ Accounting and financial information (such as G/Ls, trial balances, JEs) submitted to tax authority in prescribed formats on a periodic basis (e.g., monthly, annually);
- ▶ Common requirement in a number of European countries but also being requested in China as well as other countries.

## Standard Audit File for Tax (SAF-T)

- ▶ The SAF-T standard is adapted to the needs of each country;
- ▶ Predominantly in Europe (but not all European countries have a SAF-T mandate);
- ▶ SAF-T file structure is broadly similar to that used by the Latin American countries with respect to electronic accounting.

## Other electronic forms and declarations

- ▶ Submission of tax information and tax returns (e-filing) using special software packages or portals;
- ▶ Standard tax forms (income & VAT returns);
- ▶ Customs declarations and operational, industry-specific transmissions (such as manufacturing);
- ▶ VAT ledgers electronic submission, monthly or real-time.

A close-up photograph of a hand with dark skin touching a tablet. The tablet screen displays a vibrant, abstract data visualization with blue, yellow, and orange lines and shapes. The background is dark and out of focus.

# Impact of digital tax administration

# Tax authorities are disrupting the tax function

98%

of companies surveyed, with global headquarters in countries with digital tax administrations, are organising their response to DTA in a centralised and globally consistent manner.

There has been an average increase of

40%

in tax transformation spend, annual technology budgets and the hiring of data skills in the companies surveyed.

Companies surveyed with global headquarters in countries with digital tax administration are less confident in their monitoring of these requirements.

31%

73%

of companies surveyed plan to increase tax headcount with people with data and tech management skills.

Only

49%

of the companies surveyed have a plan beyond the current year.

41%

of companies surveyed do not use commercial tax accounting software.

But the companies that do are

50%

more efficient.

EY point of view

Tax authorities are driving changes that are increasingly impacting corporate taxpayers. These changes require filing through digital methods, more information, more real-time filing and the employment of data analytics for risk profiling and auditing.

Source: a group of 100 of the largest multinational companies from the EY 2020 Global Tax Technology and Transformation Survey.

# EY 2020 Tax and Finance Operate survey

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**84%**

of all respondents expect **digital tax filings** to **increase the workload** of the tax and finance function

**36%**

of **Heads of Compliance** felt the organisation was **adequately prepared** to comply with the requirements, against **60% Heads of Tax** and **65% of CFOs**.

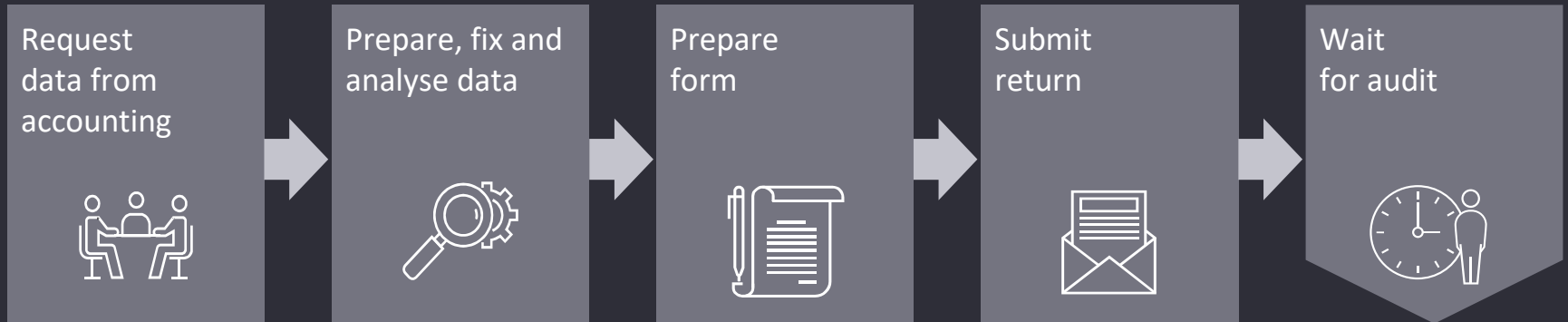
**73%**

of **Heads of Compliance** felt complying with emerging digital tax filing requirements and other electronic transactional government filings would **increase** their organization's **tax risk profile**, compared with **54% Heads of Tax**.

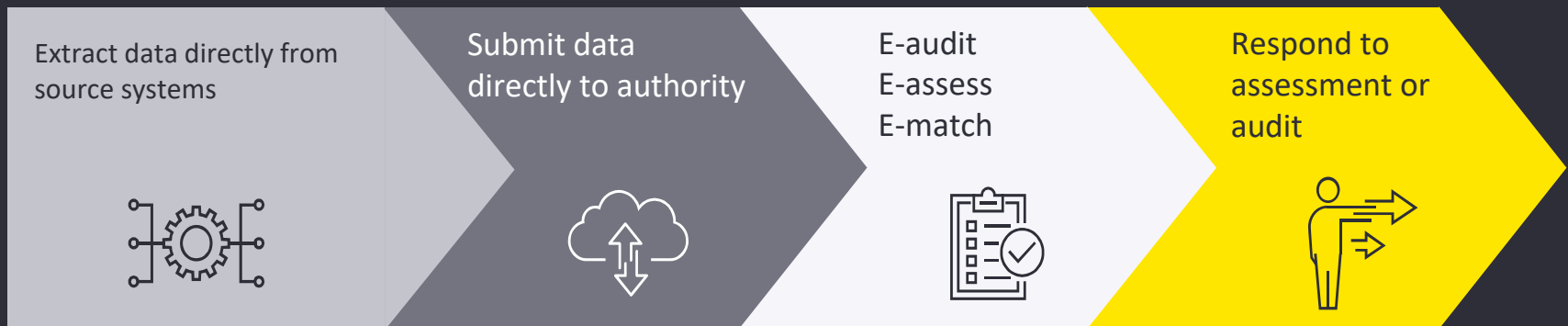


# Impact of DTA on the compliance model

## The traditional compliance model

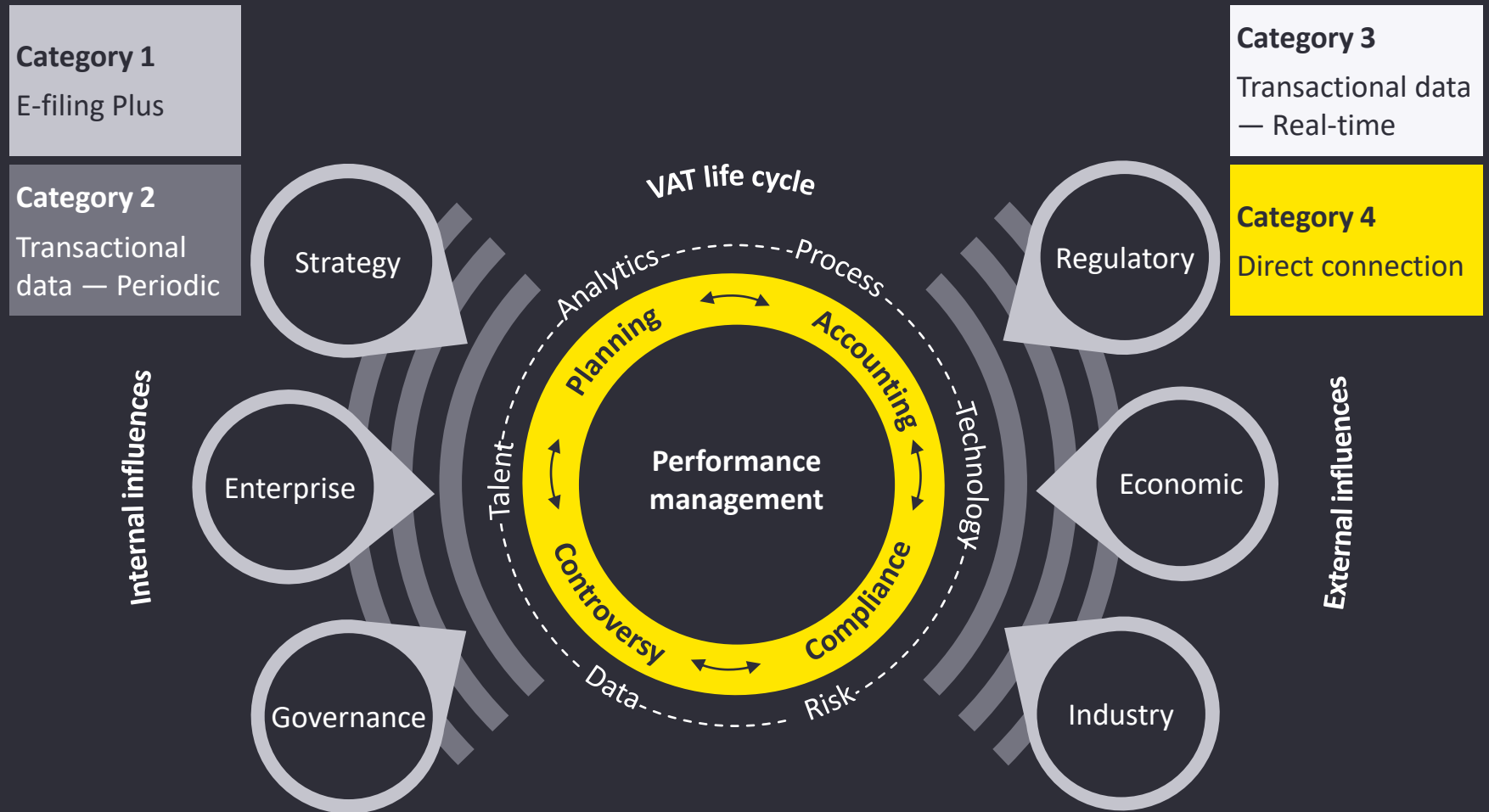


## The digital compliance model

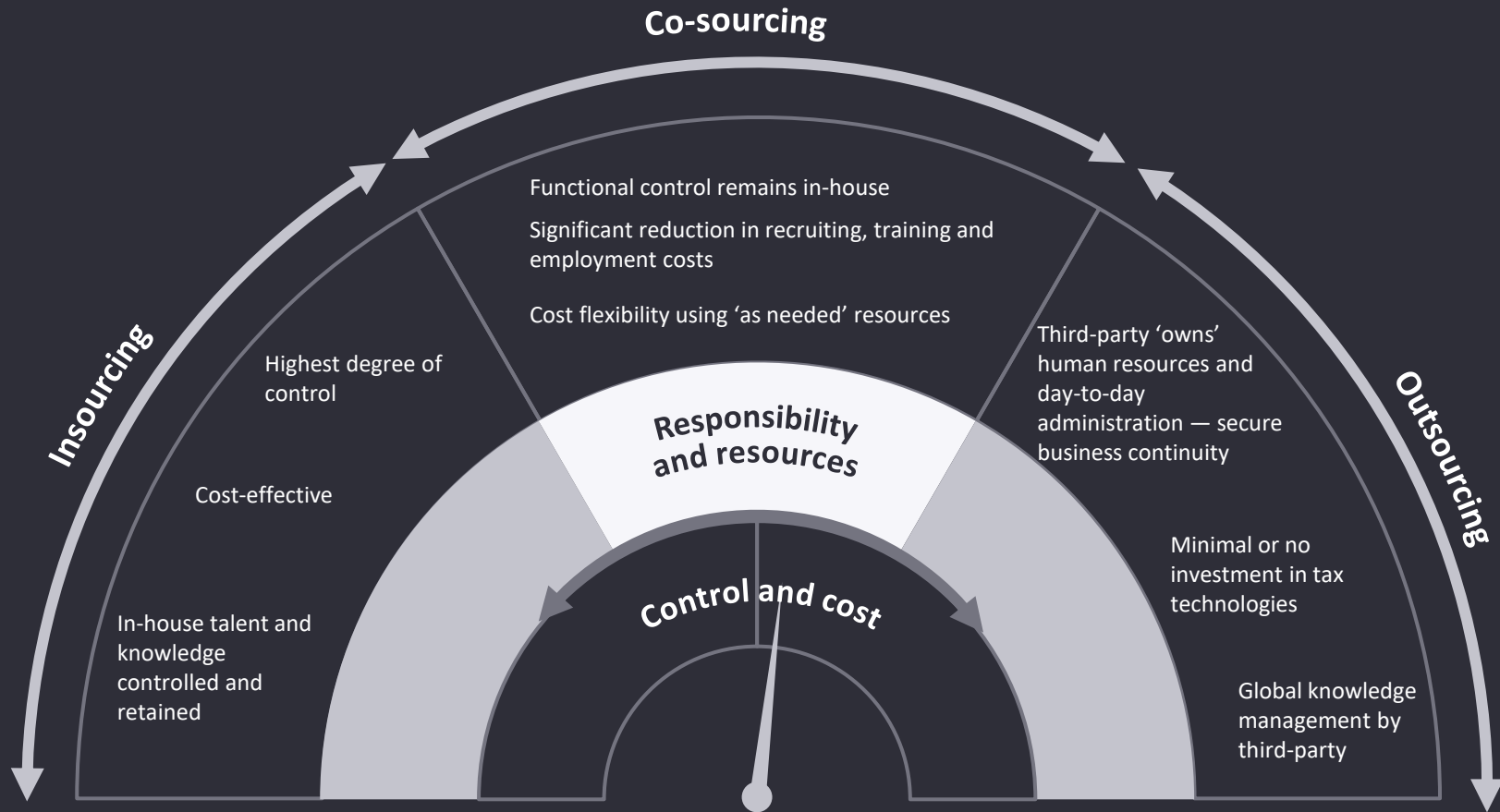




# Where do the new categories of submission sit?

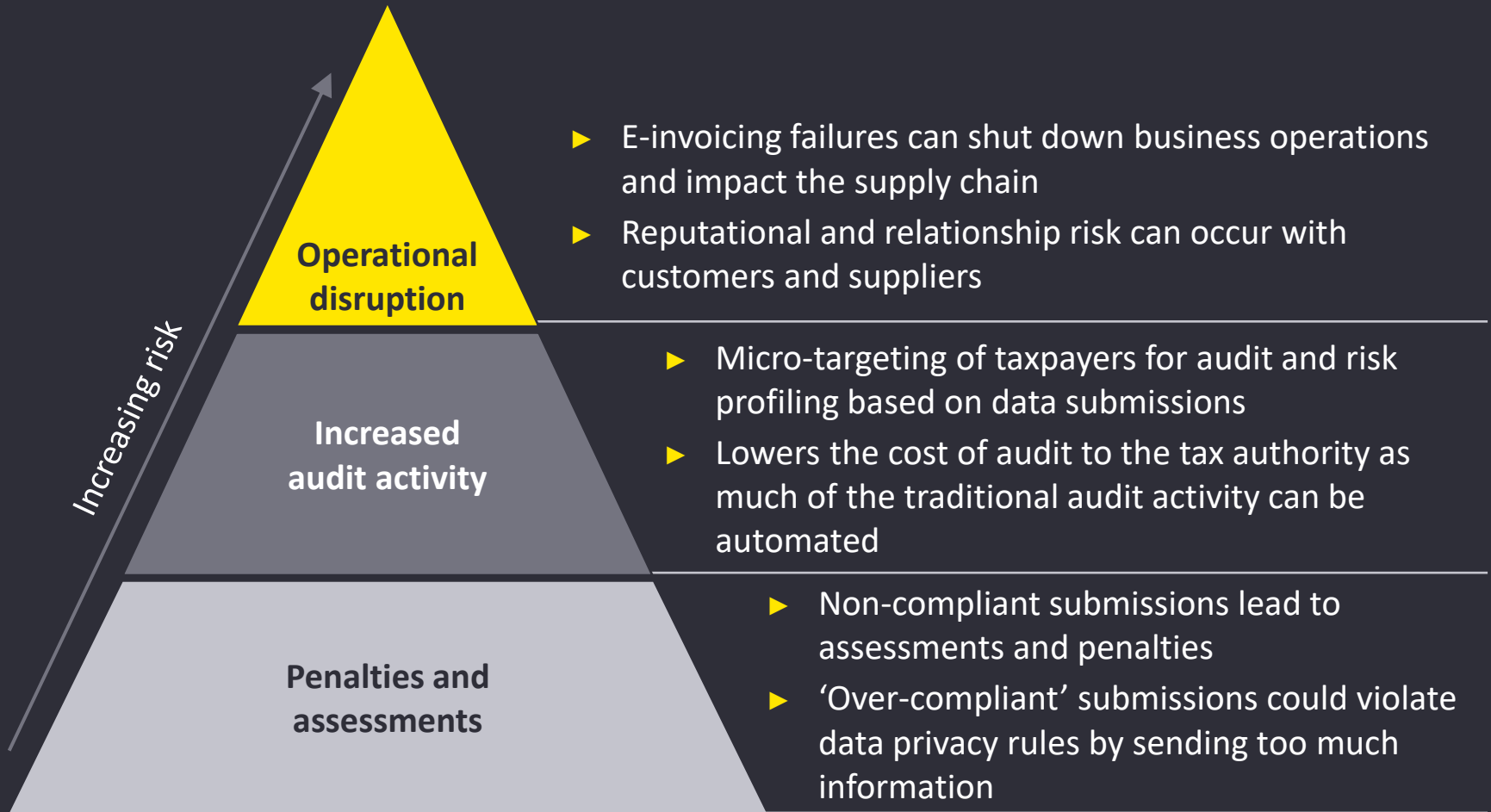


# Tax compliance operating models



# The digital tax pyramid

The impact of increasing data-driven tax controversy and enforcement

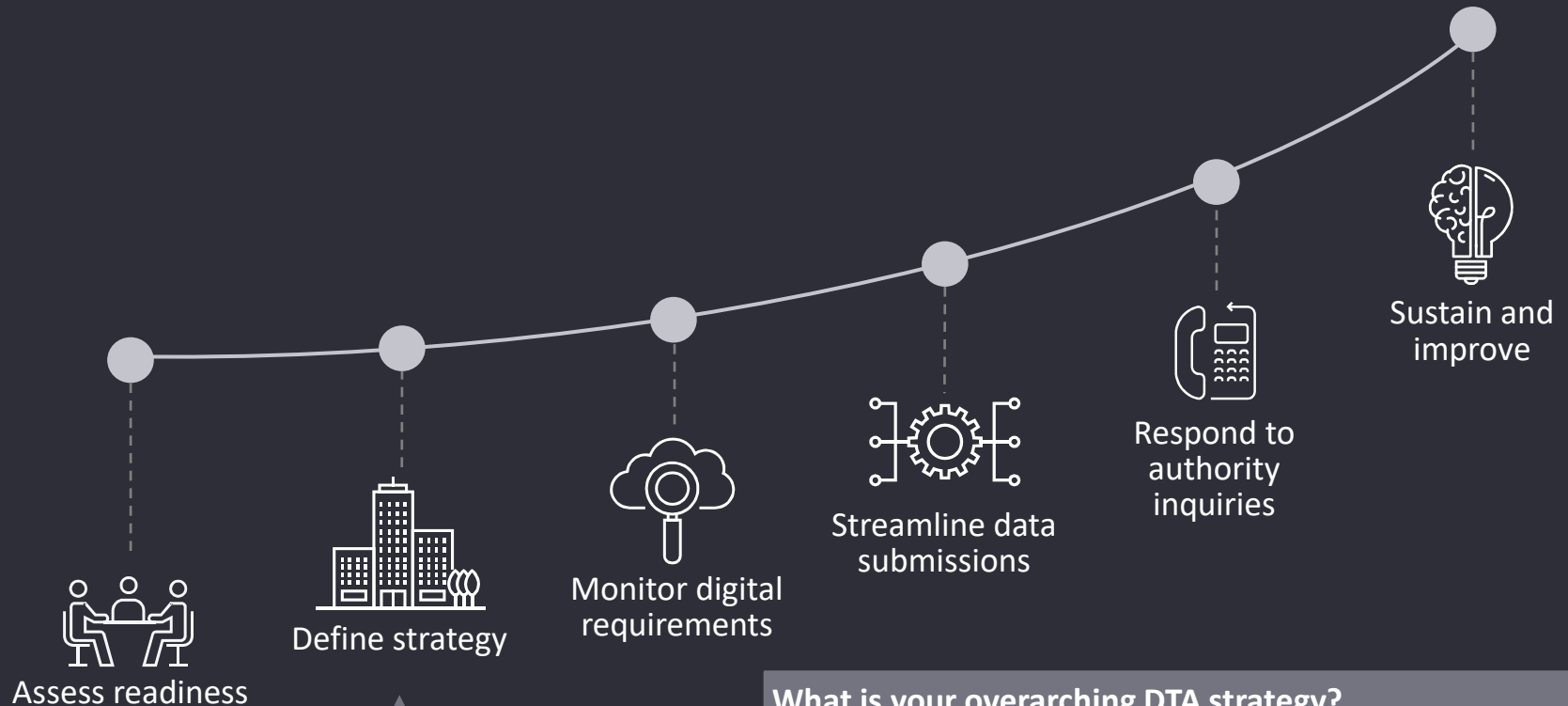




# Preparing for DTA

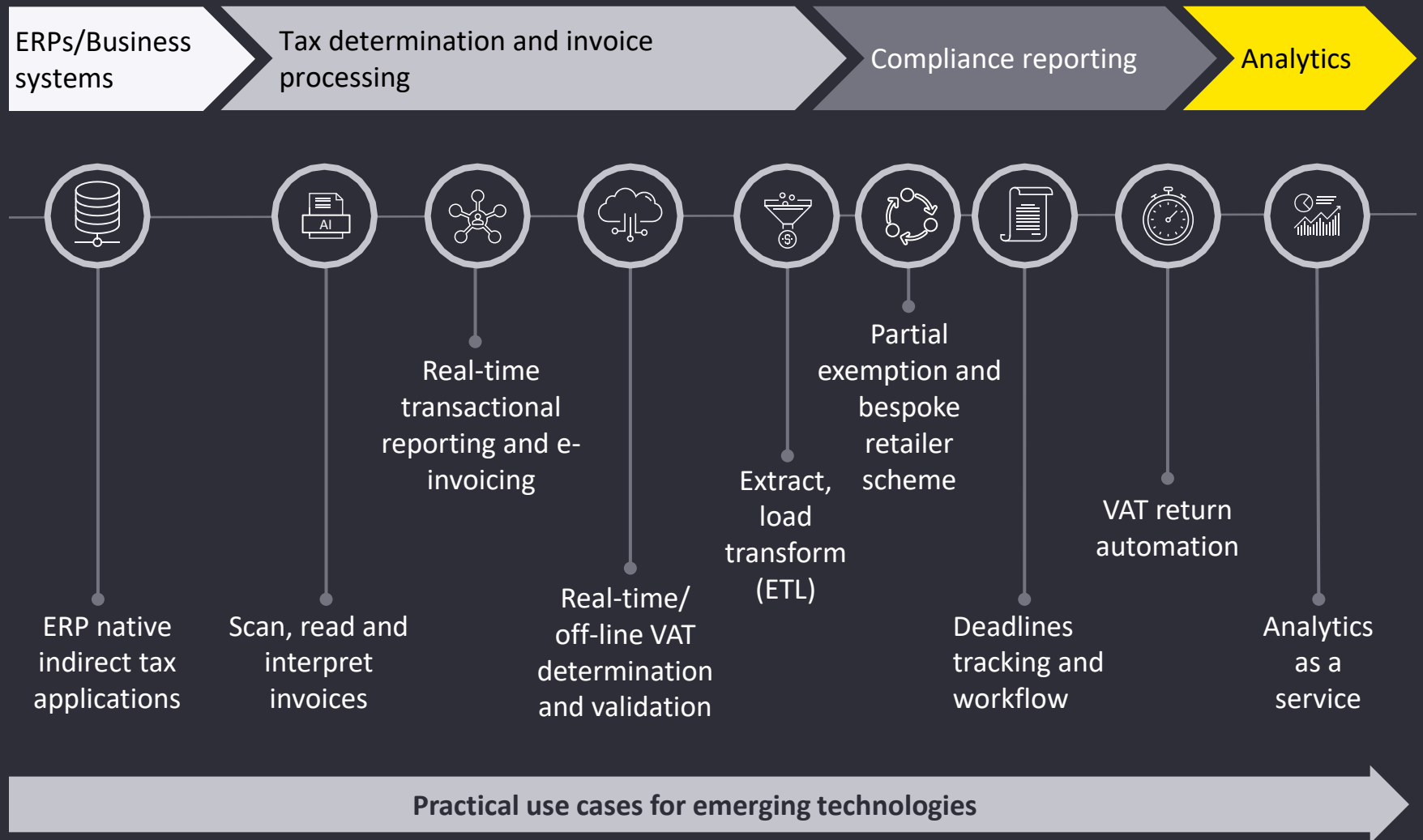
# Preparing for DTA

- ▶ Preparing for digital tax administration today is relevant and appropriate.
- ▶ What should tax, finance and IT leaders consider when developing the charity's response?



**What is your overarching DTA strategy?**  
A standardised approach to address this global phenomenon is far more effective than developing solutions on a country-by-country basis.

# The role of technology



A woman with dark curly hair, wearing a blue and white striped shirt, stands in a data center. She is gesturing with both hands as if presenting. In the background, there is a large screen displaying a world map with glowing nodes and connecting lines. In the foreground, the back of a woman with a blonde ponytail, wearing a grey blazer, is visible as she sits at a desk with multiple computer monitors. The monitors display various data visualizations, including a network diagram and a bar chart. The overall lighting is dim with blue highlights from the screens.

# New tax trends — what taxes might you be responsible for in the future

# Tax in sustainability

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## Environmental

- ▶ Carbon taxes and pricing regimes
- ▶ Increased focus on environmental taxes (e.g., plastics taxes)
- ▶ Incentives and funding for sustainability investments

## Social

- ▶ Taxes related to health
- ▶ Tax impact from changing employment models
- ▶ Response to COVID-19

## Governance

- ▶ Tax strategy/governance
- ▶ Increase in public disclosure for tax
- ▶ Tax information in ESG rating



# Tax in sustainability: a holistic approach from policy and planning through to compliance



# Carbon taxes

## 82 Carbon pricing initiatives (48 national, 34 subnational)

These initiatives cover **22%** of global GHG emissions and raised **US\$45 billion** in revenues in 2019.

Denmark, Estonia, Finland, France, Ireland, Latvia, Liechtenstein, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland, and the UK



State and Trends of Carbon Pricing 2019, World Bank Group, May 2020.

# At a glance: EU plastics tax

- ▶ In July 2020, the European Union approved a plastic tax on nonrecycled plastic waste, which was implemented effective 1 January 2021
- ▶ The plan includes a EUR 0.8 per kilogram levy on nonrecycled plastic packaging waste to be paid by member states into the EU budget
- ▶ Single-use Plastic Directive targets: The recycling rate for plastic beverage bottles target: 77% by 2025 and 90% until 2029
- ▶ In the longer term, the solution is for the Commission to develop requirements to ensure that all packaging on the EU market is reusable or recyclable in a cost-effective way by 2030



1 EU Directive

28 national implementations

# Key takeaways

## 6. Key takeaways

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- ▶ The tax function is evolving
- ▶ The move to digital tax administration is here to stay
- ▶ For established taxes, tax functions need to be able to harness data insights to ensure compliance and manage audits
- ▶ Tax is becoming a key tool to drive political and environmental policies on the global stage. Charities need to include their tax professionals at an early stage to protect reputation and revenues.
- ▶ As tax professionals, we need to stay curious, the VAT specialist of today could be the plastic tax/carbon tax specialist of the future.

A woman with short dark hair, wearing a bright yellow ribbed sweater and a yellow lanyard, is speaking into a black handheld microphone. She is smiling and looking towards the right. In the background, a diverse group of people are blurred, some smiling and clapping, suggesting a positive event or conference. The word "Questions" is overlaid in white text on the left side of the image.

# Questions



Thank you

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