



Tax Transformation, Modernization and Oracle Cloud Migration

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Executive Summary

Building the tax function of the future often hinges on the success of tax transformation efforts. This paper examines how industry-leading organizations design strategies that can help achieve success via:

- **An understanding of the factors driving the need for tax transformation;**
- **A vision for the tax function of the future;**
- **Strong partnership among finance, tax and IT teams;**
- **Tax's inclusion in finance transformations, technology modernizations, and cloud migrations;**
- **A plan for addressing five transformation priorities; and**
- **External collaborators with proven track records and longstanding relationships.**



Strategies for Successful Tax Transformation

How finance, tax and IT groups work together to help build the tax function of the future

Turbulence is unsettling to many airline passengers, but it can also be misleading. Anxious fliers often react to bumps by running through illogical worries. After all, commercial aircraft are designed to handle far more air chop and turbulence than most passengers will ever encounter. And many passengers tend to experience turbulence subjectively, overestimating the degree to which their plane is actually bouncing.

A similar dynamic exists across most business realms, including finance and tax groups.

The accelerating pace and intensifying complexity of external change (business turbulence) typically requires finance and tax teams to transform so they can become more agile and efficient while supporting and/or leading the internal changes their businesses require. This mandate necessitates a response that demonstrates digital-era logic. In this case, that translates to new strategies for tax transformation and the technology modernizations and cloud migrations that can propel these far-reaching adjustments. (Technology modernization involves rewriting legacy applications for the cloud; cloud migration refers to the movement of existing workloads to the cloud; and transformation describes the holistic transitions to digital capabilities that can both modernization and enable cloud migration.)

Chief financial officers (CFOs), tax leaders, Chief information officers (CIOs) and the groups they lead are key stakeholders who can help enhance the efficacy of tax transformation plans by considering what drives the need for this change and how enterprise resource planning (ERP) systems and tax technology solutions continue to evolve. This foundational knowledge can help finance, tax and IT leaders collaborate more effectively while 1) establishing that tax transformation is wedded to finance transformation; and 2) getting crucial success-drivers in place. Tax leaders also should consider the interrelationship between advanced tax technology and hiring and retaining high-level tax talent.

Today's rapid pace of business change and intensifying complexity can make cloud-based ERP and tax automation not only logical, but a strategic necessity.

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PwC’s 2023 Cloud Business Survey

Cloud Technology’s Tangible Value

Seventy-eight (78%) percent of executives participating in PwC’s 2023 Cloud Business Survey indicate that their companies have adopted cloud in most or all parts of the business. Additionally, 10% of responding organizations have demonstrated the highest level of cloud technology adoption and maturity. These “cloud-powered companies,” according to PwC’s 2023 Cloud Business Survey, “have reinvented their businesses through cloud, they report fewer barriers to realizing value and they’re doing so at a rate twice that of other companies. And even in the current business environment, they expect to see continued revenue growth of 15% or greater.”¹

There are other reasons for tax leaders to consider embracing cloud technology. First, the pace and magnitude of external disruptions are forcing many organizations to make larger adjustments more frequently. Many of these strategic pivots – entering new geographies, leaving markets, bundling digital services with existing products, consolidations, spinoffs, and rapid moves to near-shoring and same-shoring to name several – can have major implications on tax compliance and tax planning activities.

Second, ongoing and widespread adoption of omnichannel sales and services across various industries, accelerated by the global pandemic, can pose new tax compliance complications. These challenges typically require tax groups to make swift adjustments while keeping tax determination and calculations airtight from a compliance perspective and as “invisible” as possible from a customer experience standpoint.

Third, tax compliance requirements continue to increase in volume and complexity while extending to new types of digital transactions.

Tax Automation’s Accelerating Evolution

As businesses confront broader, faster and more complex compliance challenges, tax and finance teams should transform accordingly to be more agile and efficient in the face of change. Fortunately, the supporting technology systems and applications that finance and tax leaders deploy to help achieve greater performance agility have made substantial strides in recent decades.

In the 1970s and 1980s, when bookkeeping and accounting software resided on mainframe computers managed by “data processing” departments, finance and tax groups largely focused on centralizing their process. The 1990s featured an emphasis on process optimization and control improvements. ERP systems emerged as an alternative to the stringing together of disparate “best-of-breed” solutions. The turn of the century ushered in the cloud era, which has helped companies manage ever-increasing business and compliance complexity. More recently, ERP ecosystems have greatly expanded thanks to powerful application programming interfaces (APIs) that allow ERP systems to integrate with smaller, more specialized cloud-based applications and new and emerging technologies, including artificial intelligence (AI), machine learning, advanced data analytics, robotic process automation (RPA) and more.

The current combination of advanced technologies and digital transformation enables cloud solutions to meet real-time business demands. Within tax groups, this means deploying cloud solutions that can offer flexibility, scalability and features such as edge computing. Tax-focused edge computing solutions can help organizations calculate tax at a local point – a cash register or check-out tablet in a physical retail store, for example – while simultaneously managing those transactions centrally. This capability can help increase the performance, reliability, scalability and security of a company’s tax calculation system.² Leading tax groups are also beginning to harness data analytics solutions to equip tax managers with actionable insights that can help them increase efficiency, reduce audit risks and contribute to the finance group’s drive to reduce costs by removing complexity and uncovering “hidden opportunities” throughout the organization.³

Tech, Talent and the Tax Function of the Future

The rapid advancement of tax technology is having profound effects on the talent and skills tax leaders strive to recruit, develop and retain. Tax groups with the latest tax automation solutions can gain recruiting and retention advantages that have become more valuable as a long-term shortage of accounting and tax talent continues to pose resource challenges.⁴ The most skilled tax professionals want to use effective and advanced tax technology tools. At the same time, tax leaders are leveraging a new breed of talent along with talent management approaches to build the tax function of the future.

Defined broadly, the tax function of the future is designed to respond to a complex set of rapidly changing regulatory, data, people and process demands through a combination of leading practices, emerging technologies and new talent management strategies.⁵ This ability requires tax technology that can seamlessly connect to a broad collection of crucial tax touch points (e.g., ERP/accounting, e-commerce, procurement, billing and supply chain systems and applications), help satisfy changing compliance requirements; and generate strategic business insights. The tax engine's data management capabilities can produce a range of outputs including real-time reporting, audit reports, and performance analytics.

Tax professionals have always possessed deep knowledge of technical tax compliance requirements and processes along with tax planning expertise. As tax technology has evolved over time, more tax professionals have focused on developing technology skills related to data analytics, statistics and specific ERP, accounting and tax solutions. More recently, industry-leading tax professionals have begun expanding their interpersonal and process-related skills, including those related to process improvement and change management. Highly effective tax professionals often combine those so-called softer skill sets with high levels of proficiency in data analysis, AI, RPO and other emerging technology areas.

“As tax leaders hire and develop their teams today, they’re looking for folks who can understand how to slice and dice tax data to produce trending analytics related to what’s most important to managing the tax department,” PwC Principal Tim Kirkpatrick reports. “More tax functions can employ dedicated tax IT, data and project management specialists who can help develop, champion, and execute the tax technology and transformation strategies.”



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Tax + Finance Transformation: More Than the Sum of its Parts

Marc Duclos, Vertex Senior Director, Global Strategic Partnerships, points to another vital tax competency that can help drive successful tax transformations. “Companies should have tax professionals who can build out the requirements their tax group needs and then communicate that information to IT so that IT can include those requirements in a new AI or machine learning application,” explains Duclos, who also stresses the growing value of the partnership between tax and IT.

A healthy tax-IT partnership helps integrate tax transformation activities into larger ERP cloud migrations and overall finance transformation. This helps explain why Duclos advocates for tax’s inclusion on a well-represented finance/ERP transformation project team. “Successful cloud migrations are those in which each department that use or implement the technology work together from the start,” Kirkpatrick agrees. “That type of participation and collaboration enables the marriage of relevant skill sets – tax, IT, finance, AP, AR, procurement, the sales team and more.”

The tax group represents an important, and highly unique “consumer” of ERP data. Making accurate tax determinations and calculations requires large volumes of detailed transactional information related to address, ZIP codes (including Zip+4), and latitudinal and longitudinal data along with other sales, accounting and distribution data.

Tax’s early and active involvement in ERP transformation initiatives can help tax groups gain complete and convenient access to the ERP data that tax engines require to produce accurate determinations and calculations. This upfront participation also can help provide tax professionals with the opportunity to nurture more collaborative relationships with their finance, accounting, procurement and sales colleagues so that those groups understand what tax-relevant data should be captured when onboarding new customers, creating a purchase order, accepting an invoice or paying a bill.

In situations where tax groups or project teams should advocate for the inclusion of tax technology and tax professionals in finance transformations or ERP cloud migrations, the following points can help make a compelling business case:

- 1. Large transformations come with tax risks; it’s better to get ahead of those risks from the start:** Any ERP implementation can create risk to downstream tax processes. An incremental up-front investment in tax helps mitigate those risks.
- 2. Including tax can help increase the ROI and cash savings that helps fund the project:** Organizations can drastically reduce their tax operations costs by leveraging a tax engine as part of their Oracle Cloud (or other ERP) migration to streamline indirect tax operations.
- 3. Tax is one of the largest, and most demanding, consumers of ERP data:** Tax functions are highly dependent upon accurate, timely data from the ERP system. As such, finance transformations and ERP migrations to the cloud should position their tax teams so they can get the right data, in the right format, with the right connectivity within a new system.
- 4. Getting tax “right the first time” is more cost-effective and efficient than doing so after the fact:** Excluding tax from finance transformations often results in the creation of additional manual processes to develop automated workflows that layer on to the overall ERP to remediate functionality gaps. These workarounds can be costly and time-consuming to execute on an ongoing basis.

Tax leaders should keep another, more personal point in mind when it comes to tax’s inclusion in ERP cloud migrations: “These transformational exercises represent once- or twice-in-a-career opportunities,” Kirkpatrick adds. “You may only get one bite at this apple, and it pays to get it right.”

Starting Five: Tax Transformation Success-Drivers

Tax transformation strategies, including those that involve technology modernization and/or cloud migrations, necessarily vary by organization and tax group. CIOs and IT groups typically set the company's technology strategy, so finance and tax teams investing in new automation should look to align with IT on data and reporting requirements early in the migration process. This approach helps limit downstream disruptions.

Although tax technology roadmaps differ, successful tax transformation strategies can help address a common set of priorities and activities, including:

- 1. Tax-IT partnership:** Tax leaders rely on their IT leader counterparts to assist with the tax automation selection process, manage the vendor through the solution's lifecycle, and establish that integration requirements are fulfilled among addressing other technology needs. "Tax leaders who work to strengthen the two-way conversation between their tax department and the IT department demonstrate industry-leading practices that can help drive the success of a tax transformation project," Duclos asserts. Kirkpatrick agrees. "When tax technology moves to the cloud, tax departments tend to spend less time on manual activities associated with legacy on-premises solutions and more time on tax planning, analysis and other higher-value activities," he explains. "IT also applies different skills and a different mindset in a cloud environment. It's important for tax and IT to understand how each other's requirements and roles evolve after a cloud migration." That mutual understanding, Kirkpatrick adds, "opens up transformation possibilities for that can have really positive impacts on the business." Collaborations beyond the organization are also important to these efforts (see External Collaborations can help drive success side bar).
- 2. Planning for tomorrow's needs today:** Cloud technology solutions leverage Internet delivery to provide updates, new functionalities and advanced features quickly and frequently. These updates typically occur every six to 12 weeks (on-premises systems tend to be updated every 18 months or so). Frequent updates can give companies improved access to functionality and related innovations developed by leading vendors.⁶
- 3. Embracing a digital-first/cloud-first strategy:** With few exceptions, many organizations are now digital companies, or are in the process of digital transformation. Cloud technology undergirds many digital transformation efforts, for good reasons. Cloud technologies can offer a host of benefits, including increasingly stout security, the flexibility to help quickly scale up or down quickly to changing business risks and opportunities, and ever-increasing features and functionality (e.g., monitoring and high availability). It's no surprise that many CIOs game plans describe "cloud-first" strategies.
- 4. Integrated platforms, systems and solutions:** ERP ecosystems continue to expand as large technology vendors invest more knowledge and resources in establishing systems that can easily interact with other applications and solutions. Application Programming Interfaces (API) are the prime enabler of this large-scale integration effort, and tax leaders should expect their tax technology partners to have the APIs and interfaces required to participate in ERP ecosystems.
- 5. Key features and capabilities:** Advanced tax automation provides data visualization and reporting, scalability, flexibility and increased security. The vendors who can provide this automation should deliver holistic support throughout the lifecycle of the project, from pre-implementation to post-implementation.



Conclusion: Smoother Sailing Ahead

Tax groups should include those success-drivers in their transformation strategies. Doing so can help them execute their tax transformations, technology modernizations and cloud migrations faster and more cost-effectively. That's no small task in a time when more frequent and intense doses of business turbulence are expected to make for bumpy rides in various industries. Getting the building blocks of the tax function of the future in place today can help tax groups let go of their armrests and look for opportunities to add more value.

End Notes

¹PwC. PwC's 2023 Cloud Business Survey, <https://www.pwc.com/us/en/tech-effect/cloud/cloud-business-survey.html>. © 2017 - 2023 PwC.

²Vertex. Vertex O Series Edge, <https://www.vertexinc.com/en-gb/resources/resources-library/vertex-o-series-edge>. Page viewed Aug. 23, 2023.

³Vertex. Vertex Tax Intelligence, <https://www.vertexinc.com/solutions/products/vertex-indirect-tax-intelligence>. Page viewed Aug. 23, 2023.

⁴Michael J. Bernard, Vertex. Advanced Tax Automation = Recruiting + Retention Benefits, <https://www.vertexinc.com/resources/resource-library/advanced-tax-automation-recruiting-retention-benefits>. Page viewed Aug. 23, 2023.

⁵PwC. Tax Function of the Future: A look forward at tax strategy and transformation, <https://www.pwc.com/us/en/services/tax/tax-function-future.html>. © 2017 - 2023 PwC.

⁶Cloud for Everyone – Including the Tax Function, a Vertex White Paper, 2023. <https://www.vertexinc.com/resources/resource-library/cloud-everyone>

External collaboration can help drive success

Tax transformation success often hinges on highly effective collaborations, both inside and outside the organization. Just as finance, tax and IT groups should work together to design successful game plans so, too, do ERP vendors, tax technology providers and implementation partners. Oracle, Vertex and PwC can help fit the bill.

PwC was among the first consulting firms to implement Oracle Cloud and has maintained the record of leadership and innovation ever since. PwC is also the first consulting firm to go-live with an Oracle Cloud-Vertex implementation. Plus, the firm has completed more than 750 Oracle Cloud implementations globally, including more than 45 Oracle Cloud implementation "go-lives" in the past 24 months.

For its part, Vertex has worked with Oracle to jointly developing tax solutions since 1992, and Vertex is the primary vendor Oracle Strategy uses test tax integrations. Vertex also earned Oracle's ERP/EPM ISV Partner of the Year, an award that annually recognizes the independent software that helped improve customer business processes and workflows by providing an industry-leading suite of applications built on Oracle Cloud ERP and/or EPM. "PwC's experience with Oracle and Vertex combined with Vertex's more than 25-year relationship with Oracle brings a lot of knowledge to the table," notes Marc Duclos. "Our work together supports tax, of course, and it also extends to IT and finance teams."

About Vertex

Vertex, Inc. is a leading global provider of indirect tax solutions. The Company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply and grow with confidence. Vertex provides solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value added and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,400 professionals and serves companies across the globe.

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