



Strategic Shifts:

The Dynamic Role of Emerging Technology in Tax Teams, Processes, and Operational Paradigms



Introduction

Indirect tax compliance is becoming increasingly complex. US Sales and Use Tax changes have reached a 10-year high, and global expansion into new tax jurisdictions brings added exposure to compliance risk. However, many native enterprise resource planning (ERP) solutions have limited tax calculation and compliance capabilities, requiring organizations to utilize external technology resources to help mitigate compliance risks.

Organizations should embrace innovation in their tax departments as the tax landscape evolves. The right technology can help transform the department's operations and image within the enterprise. Adopting the latest technology can positively impact the organization's ability to attract and retain new joiners in the workforce who would otherwise have pursued a career elsewhere.

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Leveraging Technology for Enhanced Tax Team Performance

Like other areas of the enterprise, technology is changing how tax teams operate. Yet, for Michael Bernard, Vice President, Chief Tax Officer with Vertex, the success of the tax team concerning sales and use tax depends on a simple yet inherently complex calculation.

“If you don’t produce a proper and correct invoice, then customers will either not pay you or pay you short, and you’ll have significant customer satisfaction issues,” says Bernard. “And what’s the last item that always goes on an invoice? We all know it’s the tax amount. So, whether it’s proper taxation or an exempt purchase or sale, that number should be right,” he adds.

As sophisticated software solutions, automation, and artificial intelligence (AI) become more prevalent, tax professionals’ roles and responsibilities are evolving.

In addition to streamlining cumbersome and manually intensive processes, improving accuracy, and driving efficiency, tax technology can support business growth and digital transformation.

Collaboration and communication can improve with the proper solution, mainly when tax teams use cloud-based platforms for seamless data sharing. This, in turn, makes real-time collaboration for remote teams a reality.

“Think back at the beginning of the pandemic; there were two things that many corporate tax departments did not possess: “remote access to key financial systems and a substantive tech stack which was needed to support e-commerce.” says Bernard. “A lot of money was spent to provide tax professionals with a fully remote work environment and direct access to key financial systems.



Empowering Tax Teams Through Technology

Adopting new technologies like deep learning, a subset of machine learning (ML) and generative AI (GenAI) allow for professional growth, which enables upskilling and reskilling. While technology can provide every employee the opportunity to upgrade their skills, it is beneficial for senior employees to add value so they can extend the life of their careers.

“By taking a strategic and proactive approach to upskilling their teams and assessing the team’s needs, tax leaders can empower their teams to leverage emerging technology like deep learning and GenAI to help drive innovation, efficiency, and value in the tax department. GenAI is changing the way tax teams tackle daily tasks. Some examples we’ve seen are using this technology to summarize documentation and research, generate and standardize tax requirements provided to product teams and the business, and to draft routine controversy responses.” says Kaveeta Patel, Director of Indirect Tax Operations with PwC.

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I think it's also important to seek support. See if your organization has a dedicated data science team that you can leverage or engage external collaborators to develop pilots and provide training or technical assistance to help your team overcome challenges and accelerate the adoption of emerging technology within the tax department.

Kaveeta Patel,
Director of Indirect Tax Operations, PwC

The latest technology solutions also make redefining roles and responsibilities possible. These solutions help automate routine tasks, thereby improving efficiency and can eliminate manual errors. Streamlining tax workflow is critical to running a high-performing tax department. Tax professionals often benefit and can shift from tactical to strategic advisory roles which helps to reframe the tax department as a profit center vs. a cost center.

As importantly, adopting emerging tax technology counters the inherent complexity of ever-changing tax regulations. This allows tax teams to streamline the process of monitoring, interpreting, and implementing tax regulations which is particularly critical for businesses scaling for growth and expanding into new tax jurisdictions.

Therefore, instead of spending the majority of their time applying tax regulations, staff can analyze the impact of pending regulatory changes, identify opportunities for tax optimization, and provide proactive advice to key stakeholders. Redesigning tax roles in this way can help increase job satisfaction, making tax careers more attractive for newer tax professionals.

Reinventing Tax Operations with New and Emerging Technology

So, in what additional ways can the latest technology improve how the tax department functions?

ML (Machine Learning) and GenAI, both subsets of AI have transformed many business areas, and the tax department is no exception. Intelligent automation of complex tax processes and predictive modeling for tax planning and forecasting are two areas in which AI can help.

AI helps automate repetitive and time-consuming tasks which can free up limited resources for higher-value activities. These technologies can automate data collection and processing, including integrating data from disparate sources. Automation can reduce manual labor, errors, and inconsistencies. It also helps remove mundane tasks, which can be a selling point when hiring new employees.





Streamlined, repeatable processes also enhance compliance and reporting. “Expanding into new tax jurisdictions introduces a range of additional complexities and risks. Different countries have their own tax laws and compliance requirements, which can be extremely difficult to navigate,” notes Patel. “Even outside of the language and cultural barriers. Navigating through different determination and reporting requirements with various formats and submission processes can certainly increase compliance risk.”

In Patel’s experience, using compliance software means companies have a pre-loaded solution that changes with the regulatory environment. From language translation to monthly content updates, the software allows tax teams to expand into new jurisdictions quickly and confidently.

Real-time tracking and application of regulatory changes can become a reality. So, too, can the automated creation of tax returns and related reports. In turn, both upstream (tax calculation) and downstream (filing and compliance) indirect tax compliance become more efficient.

Improved data analytics and streamlined processes results in faster, higher quality insights in comparison to legacy, manually intensive processes. With that in mind, big data and ML produce efficient, timely, and relevant predictive analytics which can help identify tax savings, risks to mitigate, and processes to enhance.

“Compliance is typically an easy, quick win for tax teams, using automation to gather data from various sources, performing data cleansing or normalizing steps, doing some aggregation or data transformation are often easy ways to automate compliance. These can be time-consuming, low-value monthly activities that tax teams are often thrilled to get off their plate,” says Patel.

“We see automation used to support broader indirect tax processes. Deep Learning and Generative AI are powerful resources in a practitioner’s toolkit to categorize products and services on both the purchase and sales side, efficiently. These technologies are also being used for anomaly detection and to help streamline the reconciliation and review processes from several different data sources. Reconciliation can be manual and meticulous, especially with many disparate data sets. So, automating reconciliation and then layering on analytics is often very impactful,” adds Patel.

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Attracting the New Joiners to the Workforce to a Career in Tax

In addition to streamlining tax operations and reducing compliance risks, another considerable benefit of tax technology is shifting the perception of the department's role from a cost center to a strategic business partner.

Fueling innovation, supporting digital transformation, reducing operational costs, and increasing cash flow are critical to business performance. With more efficient operations enabled by the latest technology, tax departments can assign staff to help with enterprise-wide initiatives to help reduce costs that otherwise would be impossible to undertake.

Additionally, attracting up-and-coming talent to tax careers is also possible as the department can offer exciting opportunities to use the latest tax technology. Rather than being overlooked by candidates, the tax department can provide a dynamic and challenging work environment for tech-savvy tax professionals with reduced manual, repetitive labor.

“Here in the US, we have lost almost 340,000 accountants who have decided to leave the profession,” says Bernard. “The new joiners to the workforce today have choices. They can go into tech or finance. One of the toughest things for people to enter the profession today is a little bit lower pay than some other finance professionals, longer hours, and the fact that it’s just not as attractive for them.”

Because the pipeline is shrinking, Bernard believes organizations should automate procedures as the number of new joiners who will do that type of manual work is dwindling. Moreover, Bernard encourages businesses to invest in their tax tech stack to establish a competitive advantage in recruiting and retaining people. “If you’re not implementing better point solutions, if your ERP is not a leg above others, potential employees will likely have choices,” he adds.

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Challenges and Considerations

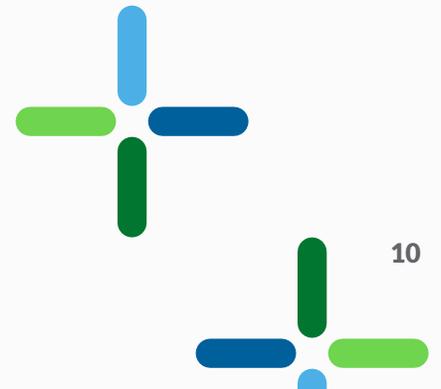
Before a tax department can adopt the latest technology and capture the long list of benefits it can provide, it is often critical to develop and communicate the tax technology value proposition. Once developed, communicating it to key stakeholders, such as IT, Finance, and operations, can generate support.

Furthermore, ensuring the tax department is involved in any new ERP implementation (or upgrade existing) early in the process can adequately align necessary data requirements. Bernard views this as the opportune time to engage in a third-party solution.

“If you’re undertaking a significant transformation around your ERP system, that’s a key time to do it. Because you’re not only going to change your underlying accounting and finance procedures, but you’re probably going to affect AP, AR, Treasury, etc.”

Since native ERPs often possess limited tax calculation and compliance functionality, including tax technology within the scope makes sense. “You have to make sure that the ERP system has the information that it needs to pass to the tax engines so that they can do the calculation and produce a proper invoice,” says Bernard. “From a control standpoint, an ERP should have a great integrator in the middle and a great tax engine on the other end so they can confirm that the work is done quickly,” adds Bernard.

Managing change and cultural shifts within tax teams is as important as selecting the right technology solutions. At the same time, technology can transform how the tax department functions. Employees should believe in the department’s direction.





“As a consultant for over a decade, I’m confident there is no one size fits all. I think companies need to assess the complexity of their indirect tax function and their business, understand their operating model, assess their current footprint, and consider future expansion so they can assess the right approach,” believes Patel.

“In designing any ERP, I think fit to standard is key. This approach decreases customization, preserves the integrity of the ERP, and certainly helps with updates in general maintenance,” says Patel. “So, using a bolt-on tax engine or a compliance solution with standard integration means the third party manages that content outside the ERP, automatically on a monthly basis. This means a lot less reliance on IT and more management and oversight of tax determination by the tax team,” adds Patel.

Tax technology will continue to evolve as the tax landscape becomes increasingly complex. The latest technology solutions allow businesses to embrace automation and access unprecedented levels of tax intelligence. Collaboration with ERP technology providers, accounting & consulting partners, and system integrators can be crucial to successful implementations.



Conclusion

Given the inherent complexity of sales and use tax, the constantly evolving regulatory environment, and the challenges organizations can face in achieving compliance, embracing innovation is no longer optional but essential for success.

Just as significantly, technology can elevate the role of tax professionals. From proactive tax planning to risk management, tax teams can look beyond today's tactics and adopt a strategic view. Consequently, they can contribute to business strategy and long-term growth rather than being mired in tax tactics.

Adopting new technology is not without challenges. Tax leaders should carefully consider their unique needs, communicate the technology's value proposition prominently, and be willing to manage change effectively. By collaborating with key stakeholders, tax departments can navigate this transformation and unlock the potential of emerging technologies. They can also attract newcomers to the tax profession, which can provide a distinct competitive advantage.





About Vertex

[Vertex Inc.](#), is a leading global provider of indirect tax software and 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 1,300 professionals and serves companies across the globe.

For more information, contact Vertex today at <https://www.vertexinc.com/contact-us>

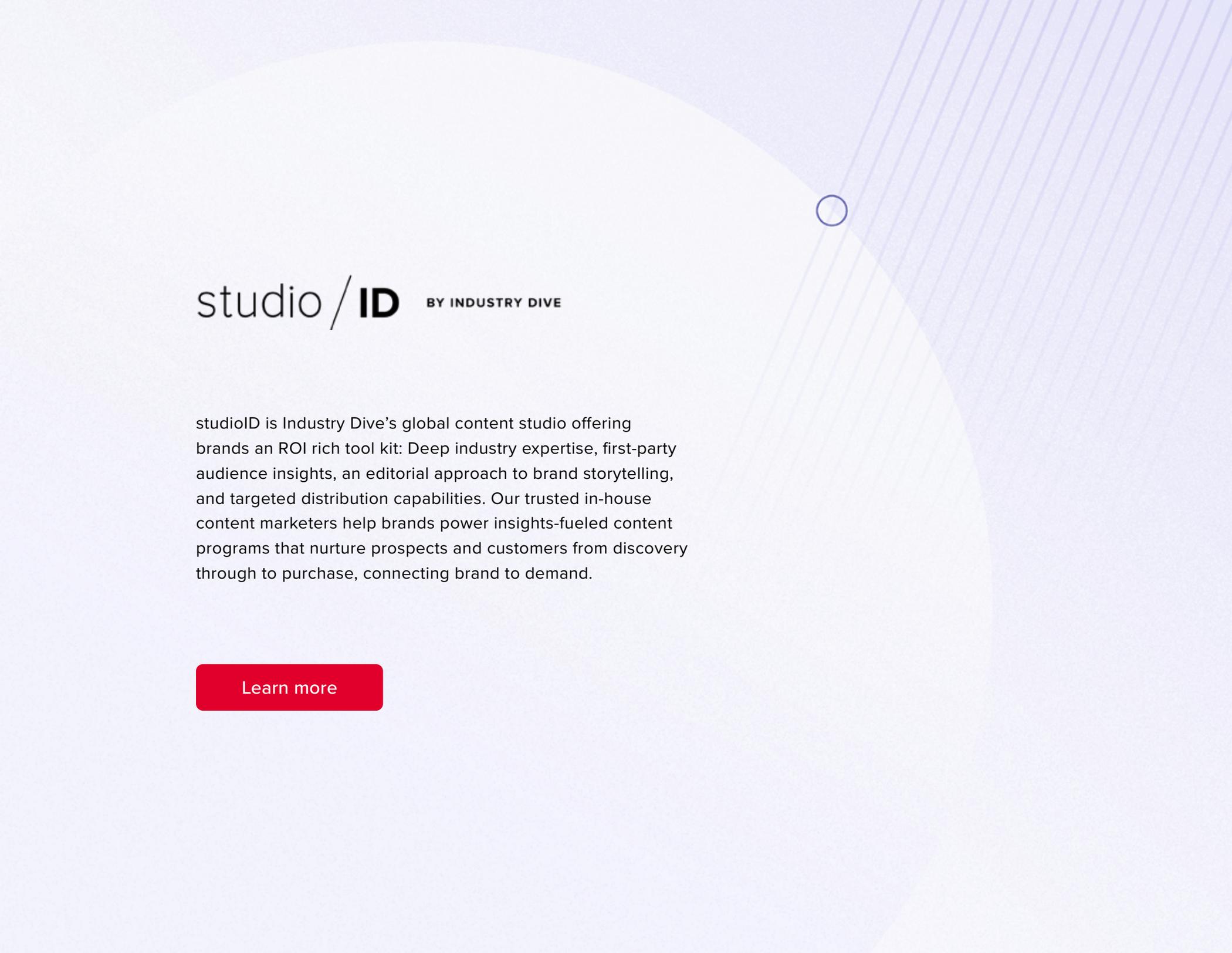
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