**Thomson Reuters ONESOURCE**

# Tax data management reimagined: From manual processes to digital excellence

Thomson Reuters™

By prioritizing data management, organizations can improve tax compliance, optimize efficiency, and adopt a more proactive approach to tax management.

# Tax data management reimagined: From manual processes to digital excellence

Effective tax data management is more crucial than ever in today's fast-changing business landscape. Corporate tax departments face numerous challenges, including navigating complex rules and regulations, keeping pace with technological developments, and addressing a talent gap. To succeed in this changing environment, corporate tax teams must embrace change. This is not only to ensure compliance, but also to gain more efficient, flexible, and strategic advantage.

This white paper explores the current state of tax data management, highlighting the urgent need for transformation. We delve into the challenges faced by corporate tax departments and outline the essential steps to modernize tax operations. By prioritizing data management, organizations can improve tax compliance, optimize efficiency, and adopt a more proactive approach to tax management. This strategic shift changes tax data management into a valuable asset.

## Embracing the future of corporate tax data management

Tax organizations failing to adapt to the digital era risk falling behind in compliance, operational efficiency, and strategic planning. Using technology and data analytics, the tax function can gain deeper insights, reduce manual workload, and make more informed tax decisions. Advanced tools streamline procedures, automate repetitive tasks, and free resources for strategic activities. By improving efficiency, hidden opportunities are revealed, and potential risks are mitigated.

Digital transformation empowers tax departments to transition from a reactive stance to a proactive role as strategic partners. With reliable data and efficient processes, they can provide actionable insights that inform key business decisions. This shift goes beyond compliance, integrating tax data into strategic planning.
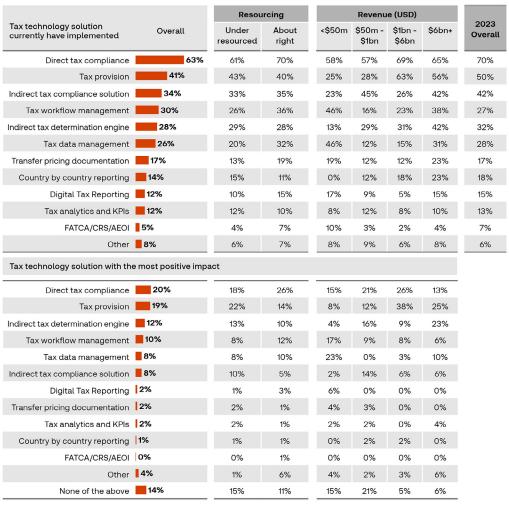
By having reliable and easy-to-find information, organizations can make decisions that match their goals. This will help them be resilient and work well even when they face more pressure and a future that is not certain.

# The current landscape of tax data management

The present state of tax data management includes both conventional and contemporary approaches. While some progress has been made, many tax departments still use manual processes or partly automated systems. In a 2024 Corporate Tax Department Technology survey by the Thomson Reuters Institute (TRI), 60% of respondents estimated that between 10% and 50% of their tax departments' work processes are automated. This disparity highlights a significant gap between the potential of technology and its current utilization in tax departments.

In the same survey, just under half of participants (49%) reported that their departments use a data warehouse, data lake, or other storage systems to facilitate data sharing. Additionally, fewer than one-third use network communication tools such as APIs. In the TRI 2024 State of the Corporate Tax Department (SOCTD) report, only 26% of respondents indicated that they had implemented a tax data management system.

## Most common and most valuable tax solutions

| Tax technology solution currently have implemented | Overall | Resourcing | | Revenue (USD) | | | | 2023 Overall |
|---|---|---|---|---|---|---|---|---|
| | | Under resourced | About right | <$50m | $50m - $1bn | $1bn - $6bn | $6bn+ | |
| Direct tax compliance | 63% | 61% | 70% | 58% | 57% | 69% | 65% | 70% |
| Tax provision | 41% | 43% | 40% | 25% | 28% | 63% | 56% | 50% |
| Indirect tax compliance solution | 34% | 33% | 35% | 23% | 45% | 26% | 42% | 42% |
| Tax workflow management | 30% | 26% | 36% | 46% | 16% | 23% | 38% | 27% |
| Indirect tax determination engine | 28% | 29% | 28% | 13% | 29% | 31% | 42% | 32% |
| Tax data management | 26% | 20% | 32% | 46% | 12% | 15% | 31% | 28% |
| Transfer pricing documentation | 17% | 13% | 19% | 19% | 12% | 12% | 23% | 17% |
| Country by country reporting | 14% | 15% | 11% | 0% | 12% | 18% | 23% | 18% |
| Digital Tax Reporting | 12% | 10% | 15% | 17% | 9% | 5% | 15% | 15% |
| Tax analytics and KPIs | 12% | 12% | 10% | 8% | 12% | 8% | 10% | 13% |
| FATCA/CRS/AEOI | 5% | 4% | 7% | 10% | 3% | 2% | 4% | 7% |
| Other | 8% | 6% | 7% | 8% | 9% | 6% | 8% | 6% |

**Tax technology solution with the most positive impact**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Direct tax compliance | 20% | 18% | 26% | 15% | 21% | 26% | 13% | |
| Tax provision | 19% | 22% | 14% | 8% | 12% | 38% | 25% | |
| Indirect tax determination engine | 12% | 13% | 10% | 4% | 16% | 9% | 23% | |
| Tax workflow management | 10% | 8% | 12% | 17% | 9% | 8% | 6% | |
| Tax data management | 8% | 8% | 10% | 23% | 0% | 3% | 10% | |
| Indirect tax compliance solution | 8% | 10% | 5% | 2% | 14% | 6% | 6% | |
| Digital Tax Reporting | 2% | 1% | 3% | 6% | 0% | 0% | 0% | |
| Transfer pricing documentation | 2% | 2% | 1% | 4% | 3% | 0% | 0% | |
| Tax analytics and KPIs | 2% | 2% | 1% | 2% | 2% | 0% | 4% | |
| Country by country reporting | 1% | 1% | 1% | 0% | 2% | 2% | 0% | |
| FATCA/CRS/AEOI | 0% | 0% | 1% | 0% | 0% | 0% | 0% | |
| Other | 4% | 1% | 6% | 4% | 2% | 3% | 6% | |
| None of the above | 14% | 15% | 11% | 15% | 21% | 5% | 6% | |

*Source: Thomson Reuters 2024*

**The industry is ready for change. It needs to move from manual processes and quick responses to a modern, integrated approach that uses advanced technologies to their full potential.**

According to the 2024 SOCTD report, tax departments tend to adopt technology in a reactive and disjointed manner, rather than planning. Unfortunately, almost half of the participants (49%) said their departments don't have the money to improve their technology or automation. The report showed that almost two-thirds of respondents said they didn't have enough time to research and plan for using new technologies. This was the main problem that stopped their department from upgrading. Specifically, 67% of them reported this as the reason.

In conclusion, the findings reveal an underfunded and fragmented approach to technology adoption. Tax teams rely on various tools and platforms independently, lacking a cohesive and integrated strategy. This hinders operational effectiveness and limits the ability to extract valuable insights for strategic decision-making. The lack of a clear tax data management plan underscores the need for a more integrated and forward-thinking approach. The industry is ready for change. It needs to move from manual processes and quick responses to a modern, integrated approach that uses advanced technologies to their full potential.

## Increasing demands and constraints on corporate tax departments

Corporate tax departments face unprecedented pressure to adapt their data management strategies. Demands on tax professionals are escalating due to various factors, necessitating a more strategic approach. Limited time for comprehensive data analysis, often exacerbated by outdated technology, hinders effective decision-making.

As businesses grow in complexity, tax teams face heightened expectations to provide strategic insights despite resource and budget limitations. External pressures from tax authorities moving to digital administration make for worse internal challenges. Evolving regulations, including the implementation of Pillar 2.0, further complicate matters by increasing data volumes and shortening financial close windows.

As identified in the 2024 SOCTD report, difficulties in recruiting and retaining top talent in tax data management exacerbate these challenges. The talent shortage results in understaffed departments ill-equipped to manage the growing complexity of tax data. This, coupled with the challenges of managing unstructured data, creates a perfect storm hindering the extraction of valuable insights

To address these issues, organizations must rethink their tax data strategy and embrace digital transformation to improve efficiency, improve compliance, and drive strategic decision-making.

With the right tools and centralized data systems, tax departments can shift focus from routine compliance tasks to providing actionable insights that inform critical business decisions.

# The urgent need for transformation in tax operations

The modern business environment demands a radical transformation in tax data operations. Increasing data volumes require new ways to manage them. Old systems and processes become barriers to efficiency and accuracy because they are not up to date. These outdated methods not only consume valuable time and resources but also increase the risk of errors and non-compliance, leading to financial penalties and reputational damage.

Reliance on manual processes and disparate data sources hinders the identification of strategic opportunities and the ability to respond swiftly to regulatory changes. In an age where real-time data access and analysis are crucial for agility, organizations must prioritize data integration and centralization. This shift enables tax professionals to gain deeper insights, make more informed decisions, and stay ahead of evolving tax regulations and business dynamics.

Advanced technologies streamline processes, reduce manual effort, and improve overall operational efficiency. Changing tax data operations is also crucial for enabling tax professionals to assume more strategic advisory roles. With the right tools and centralized data systems, tax departments can shift focus from routine compliance tasks to providing actionable insights that inform critical business decisions.

This proactive approach not only improves compliance but also makes the tax function a valuable strategic partner within the organization. It helps to achieve the company's goals and encourages growth and resilience in a changing environment.

# Challenging the status quo and identifying barriers

Many companies depend on "good enough" tools like generic spreadsheets for tax data management. While offering basic functionality, these tools are not designed for the complexities of modern tax regulations. This reliance on inadequate solutions leads to inefficiencies, fragmented data, and cumbersome processes. Ultimately, these shortcomings hinder accurate record-keeping and complicate compliance efforts.

Non-specialized tools create hidden problems in tax management, including a lack of transparency in processes. Without specialized integration between systems, information becomes siloed, hiding a comprehensive view of a company's tax liabilities and opportunities. This fragmented approach results in duplicated efforts, manual data entry, and increased error risk, consuming valuable resources. Ultimately, this hinders the tax department's ability to provide timely, accurate insights for strategic decision-making.

Resistance to adopting new technologies poses a significant barrier to tax data integration. Concerns about cost, complexity, and potential workflow disruptions discourage many businesses. However, delaying digital transformation can hinder progress and leave organizations at a competitive disadvantage.

Overcoming these challenges requires moving beyond traditional methods and embracing innovative and integrated solutions for managing tax data. Businesses must recognize that the status quo is no longer sustainable in a rapidly changing regulatory and technological landscape. By proactively identifying and addressing these barriers, organizations can establish a more efficient, compliant, and strategic approach to tax data management, ultimately driving improved business outcomes.

"This is an inevitable solution in my opinion, and resources that are not fit to be used will find themselves at the back of the line."

# Starting the transformation with data

Changing tax data management begins by addressing a critical issue: limited direct access to data. Data silos often plague tax departments, leading to inconsistencies and inaccuracies that impede strategic decision-making. Implementing a centralized tax data management system is the crucial first step to overcoming these challenges. By combining tax data from disparate sources, organizations ensure the consistency and accuracy necessary for compliance and operational efficiency. A centralized system also enables the application of advanced data analytics tools, unlocking previously inaccessible insights. This empowers tax professionals to identify trends, refine strategies, and make more informed decisions.

Automating data collection, processing, and reporting not only reduces manual workload but also enhances efficiency, allowing tax departments to focus on strategic initiatives. This shift from a reactive to a proactive approach is pivotal for fostering business growth and resilience. However, robust data governance and security measures must be prioritized throughout the transformation journey. Safeguarding sensitive tax data is paramount, and implementing stringent protocols ensures data security and compliance with regulatory requirements.

Equally important is training tax experts on data management and analysis to fully leverage the power of tax data. Equipping the team with the right tools and knowledge ensures they can effectively use data to drive strategic impact.

A primary hurdle in this evolution is obtaining complete and usable data. The arduous task of data preparation for analysis can be a significant barrier. Starting the transformation with a data-centric approach enables organizations to establish a streamlined and strategic approach to tax data management.
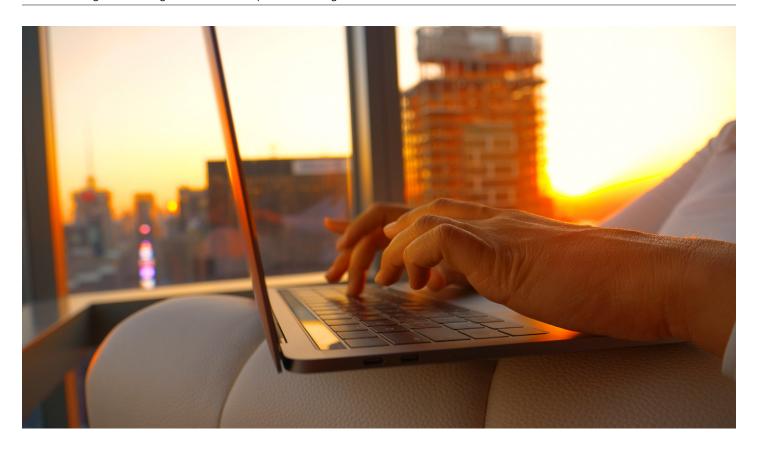
This comprehensive strategy ensures data is not just a resource but a powerful instrument for fostering operational excellence and informing strategic decisions.

# Benefits of transformation

The benefits of transforming tax data management practices are numerous and far-reaching. Modernizing these processes leads to more reliable and consistent tax data reporting, reducing errors, minimizing potential penalties, and ensuring smoother compliance with tax regulations.

Digital transformation makes tax operations easier. Tax professionals can focus on more important tasks instead of doing the same things over and over again. Automated tools and advanced analytics can do simple tasks. This lets tax professionals focus on planning, risk assessment, and other important activities. This not only enhances the efficiency of the tax department but also allows them to contribute more strategically to the overall business plan, aligning their work with broader organizational goals.

Advanced tax data management systems provide enhanced transparency and control over tax data, empowering more informed decision-making and strategic planning. Real-time access to accurate and comprehensive data allows businesses to identify trends, optimize tax positions, and respond effectively to regulatory changes. The ability to make data-driven decisions equips organizations to navigate the complexities of the tax landscape with greater agility and precision.

**By embracing digital transformation, organizations leverage their tax data's full potential, transforming it into a strategic asset for growth and success.**

Flexible data and process technology are essential for navigating unknown tax challenges. This adaptable foundation allows organizations to overcome major tax constraints. Furthermore, transforming tax data management strengthens collaboration between tax departments and the wider organization. This data-driven culture promotes insight sharing and synchronized efforts toward shared objectives. Ultimately, this fosters more cohesive and effective tax data strategies that lead to improved business outcomes. By embracing digital transformation, organizations leverage their tax data's full potential, transforming it into a strategic asset for growth and success.

## Conclusion

Effective tax data management is not a luxury but a necessity in today's dynamic business environment. By adopting a proactive and efficient tax data strategy, companies can transform their tax functions from cost centers into strategic assets, streamlining operations, and providing valuable insights to navigate the challenges of changing tax regulations and market dynamics.

Embracing advanced tools and data analytics revolutionizes how businesses manage their tax data. This reduces manual effort and operational costs while providing deeper insights for informed decision-making. By harnessing technology, tax departments evolve from reactive entities to proactive strategic partners, delivering actionable information that drives business decisions and improves overall performance.

With ONESOURCE, you gain peace of mind knowing your tax processes are efficient, accurate, and audit-ready.

# About Thomson Reuters ONESOURCE: Tax data and process management

Thomson Reuters® ONESOURCE empowers tax professionals like you to take control of your data and processes, ensuring accurate and timely filing of returns and compliance reporting.

**Here's how ONESOURCE helps you:**

- Centralize and standardize data: Break down data silos by integrating information from various sources into a single, centralized platform. This allows for a single source of truth, improving data accuracy and consistency across all tax processes.

- Automate workflows: Streamline repetitive tasks with automated workflows for data collection, transformation, and sharing across systems. This reduces manual errors, saves valuable time, and allows your team to focus on more strategic initiatives.

- Enhance collaboration: Facilitate seamless communication and collaboration between teams and departments involved in the tax process. ONESOURCE provides a centralized platform for information sharing and task management, ensuring everyone stays informed and aligned.

- Meet deadlines with confidence: Benefit from improved visibility and control over your entire tax lifecycle, enabling you to proactively manage deadlines and ensure on-time filing.

- Strengthen audit defense: Maintain a clear audit trail and comprehensive documentation with ONESOURCE, providing you with the necessary evidence to confidently defend your tax positions during audits.

**Tax data and process management — ONESOURCE — Tax & Accounting | Thomson Reuters**

**Thomson Reuters**

Thomson Reuters is a leading provider of business information services. Our products include highly specialized information-enabled software and tools for legal, tax, accounting and compliance professionals combined with the world's most global news service – Reuters.

For more information on Thomson Reuters, visit **tr.com** and for the latest world news, **reuters.com**