

**Tax Function of  
the Future series:**  
A focus on today

May 2017

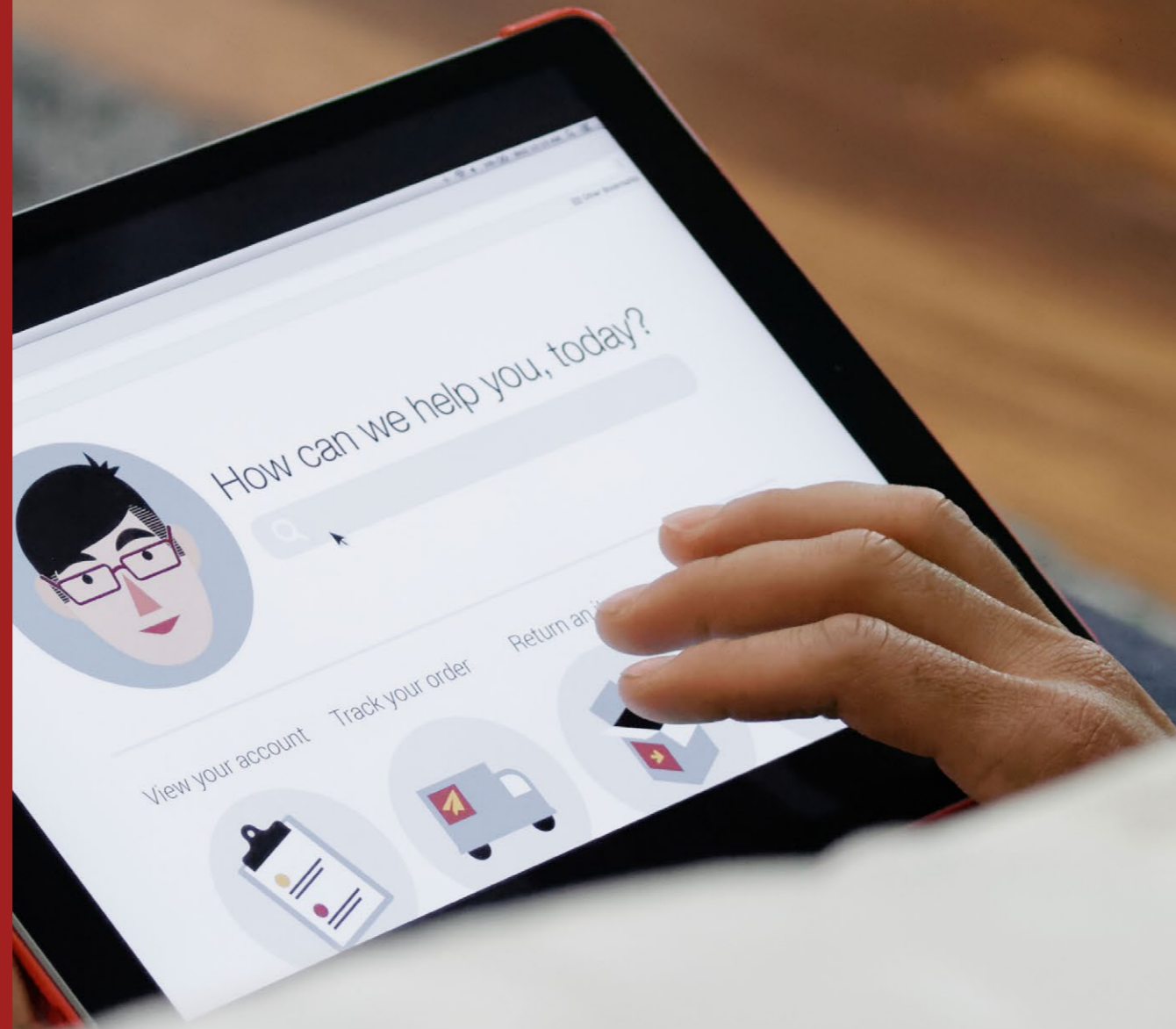
# **Spotlight:** Robotic Process Automation (RPA) What Tax needs to know **now**

Leading-in

A closer look

Wrapping up

Connect with us



# Leading-in



Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

Wrapping up

Summary of RPA benefits

How to get started

Connect with us

We introduce you to ***Tax Function of the Future – A Focus on Today***, our new series that spotlights topics that are relevant for Tax, with a focus on what Tax needs to do **now** to successfully operate in this increasingly complex tax and business environment.

The [Tax Function of the Future series](#) predicts challenges that Tax functions may face in the future and offer potential solutions. Prior papers presented insights on new legislative and regulatory challenges and the resulting impact on risk management; discussed the need for Tax to focus on data analytics and to play an integral role in broader Finance transformation initiatives; and highlighted the importance of enhancing income tax reporting processes. Most recently, our Focal Point on Tax Analytics examined a critical and rapidly emerging trend for Tax—the robust and expanded use of enterprise performance management (EPM), business intelligence (BI), and analytics tools and capabilities, referred to as “Tax Analytics”.



This spotlight on Robotic Process Automation (RPA) continues to explore the importance of technology in enabling Tax function processes, focusing on emerging trends in RPA and its impact on the Tax function. We explain what robotics entails and provide examples for practical application within Tax. In this paper, we highlight the benefits of RPA and why it is important for Tax functions to understand their technology landscape. Finally, we suggest workable actions that Tax should take **now** to get started on the journey to enhanced robotic process automation.

*“And as we look to history to help us predict the future, we cannot deny that automation, in particular robotic process automation, is today’s version of outsourcing - unstoppable.”*

*—Frank Casale, Founder of the Institute of RPA*





# Leading-in

Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

Wrapping up

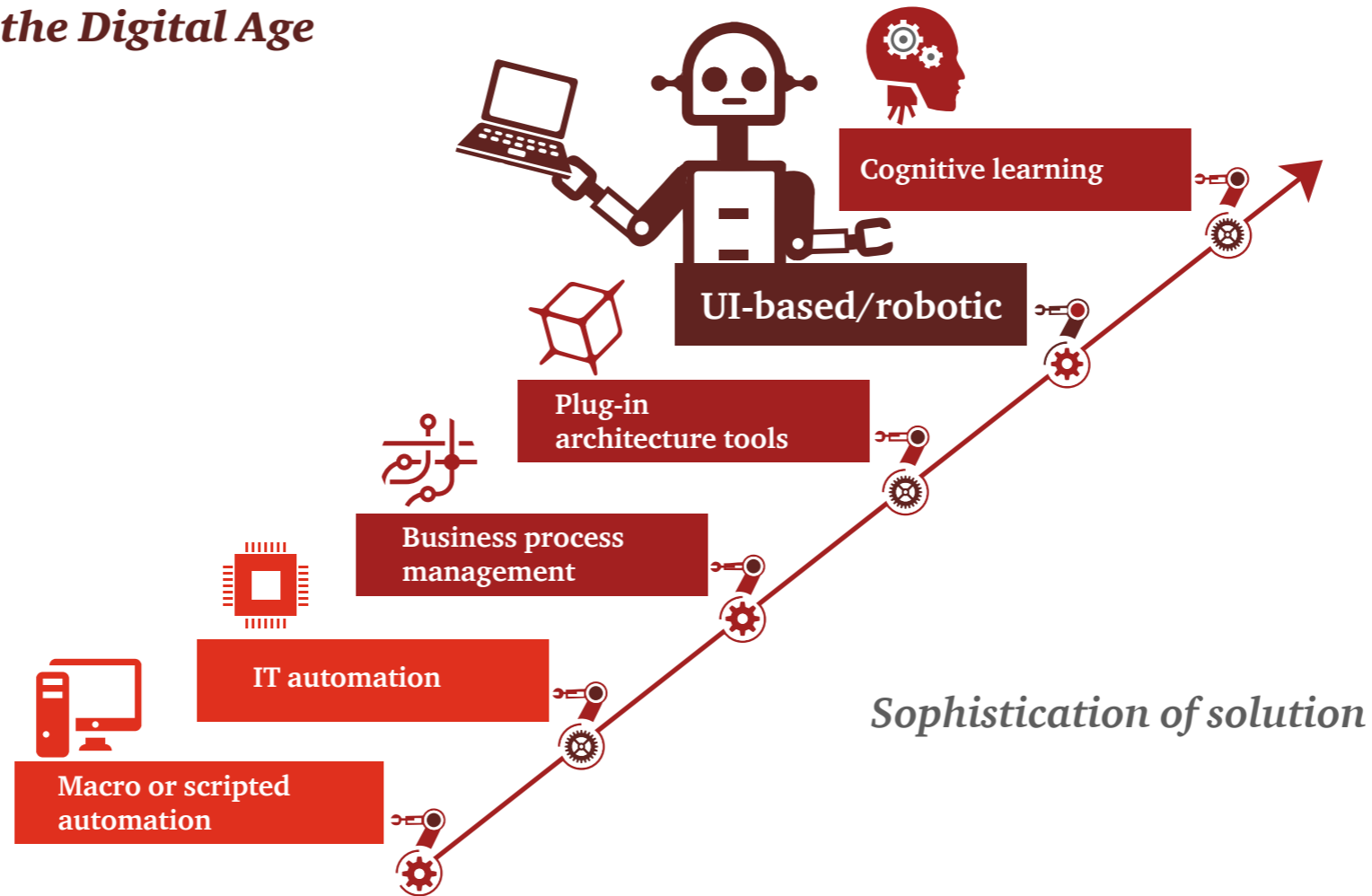
Summary of RPA benefits

How to get started

Connect with us

The emergence of smart robotic process automation changes the game:

## Intelligent Automation in the Digital Age



On a continuum of advancements in intelligent digital automation, user interface (UI)-based robotics is maturing as a feasible solution to streamlining Finance and Tax processes that are still manual and time-consuming despite IT, plug-in, and other automation efforts.

# A closer look

Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

Wrapping up

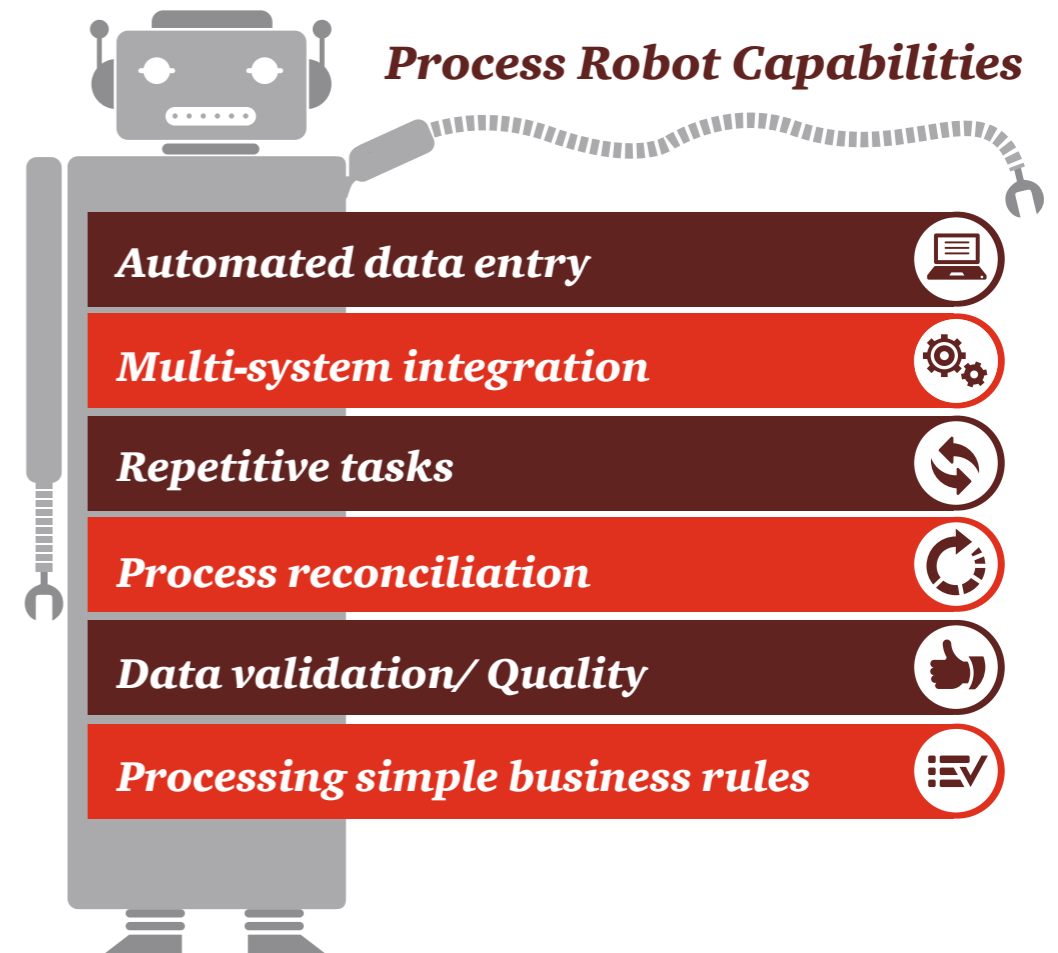
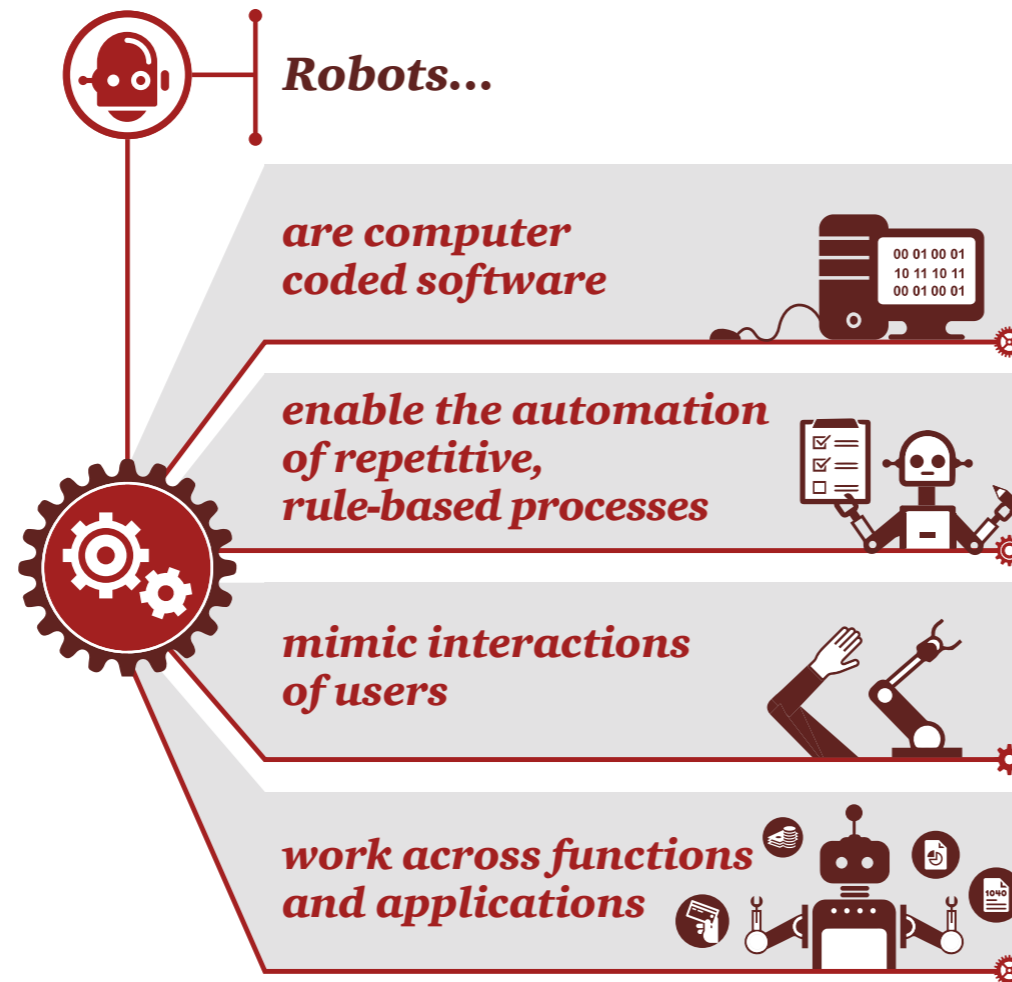
Summary of RPA benefits

How to get started

Connect with us

## What is Robotic Process Automation (RPA)?

RPA is a feature of intelligent process automation (IPA) that describes logic driven robots executing pre-programmed rules on mostly structured data. RPA takes productivity optimisation to the next level by redefining work and reassigning employees to execute higher-value activities. Process bots are capable of independently performing simple human-like functions such as interpreting, deciding, acting, and learning.





Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

Wrapping up

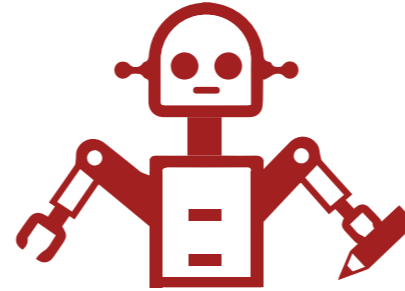
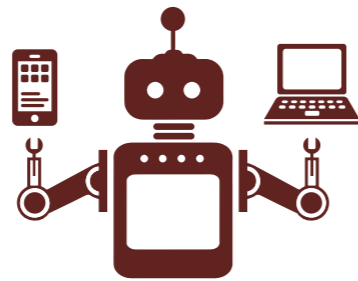
Summary of RPA benefits

How to get started

Connect with us

## How does RPA work?

### RPA – Key Features



#### Technology-Agnostic

- ◆ RPA can work across legacy ERPs, mainframes, custom applications, desktop applications, and any other types of IT platforms.
- ◆ Any technology platform that can be utilised by a human can also be navigated by an RPA robot.

#### Non-Intrusive

- ◆ RPA leverages other application software through the existing application's interface; therefore, it is not technically integrated.
- ◆ Since complex integration is not required, RPA programs can be launched in a matter of days or weeks, resulting in low cost of implementation and high return on investment.

#### Scalable and Traceable

- ◆ Staff can be trained to maintain, program and deploy robots.
- ◆ Bots are subject to full audit with visibility to security access and modifications.

# A closer look



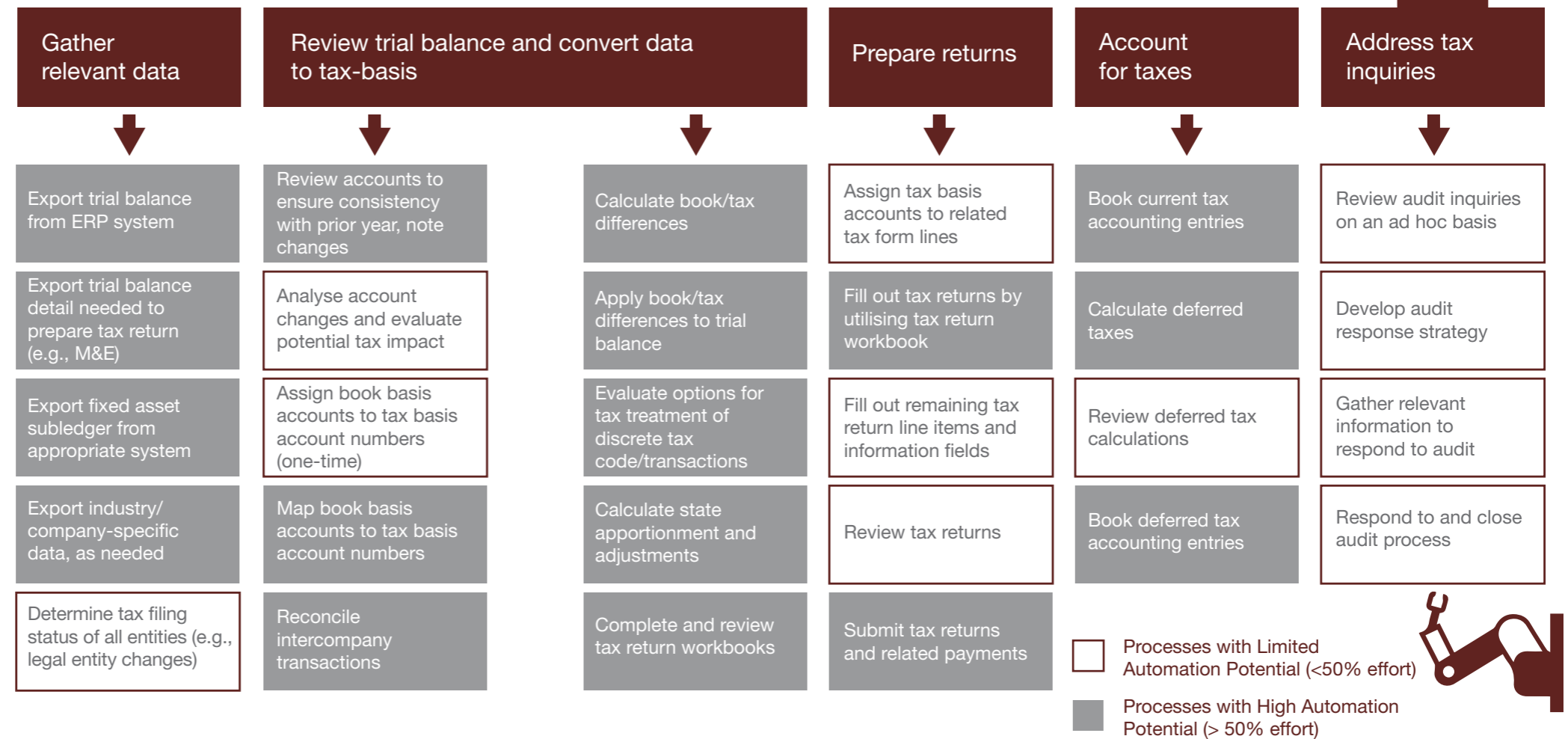
- Leading-in
- A closer look**
- What is RPA?
- How does RPA work?
- How does RPA apply to Tax?
- Wrapping up
- Summary of RPA benefits
- How to get started
- Connect with us

## How does RPA apply to tax?

The future is now for Tax. Process robotics can apply in every area of the Tax function where manual, repeatable, and time-consuming processes are still in effect AND even if Tax has already implemented technology solutions for direct and indirect tax compliance and reporting.

RPA can perform activities related to the following direct or indirect tax functions:

### Examples of RPA Tax Opportunities



# A closer look



Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

Wrapping up

Summary of RPA benefits

How to get started

Connect with us

## RPA for income tax provision reporting?

RPA can facilitate the use of source financial systems in gathering the data needed for tax calculations and reporting. The following case study reflects how RPA can streamline a time-consuming income tax provision process:



### RPA Case Study - Income Tax Provision

**Background:** ABC is a global consumer healthcare company with over 100 legal entities in multiple countries, US states, and foreign municipalities. ABC operates with various financial systems, trial balances, and charts of accounts. ABC's financial results, including the income tax provision, are consolidated and reported by US Finance on a quarterly basis.

**Issue:** ABC uses income tax provision and compliance software for the year-end provision and tax return process; however, Tax relies on manual spreadsheets for interim provision calculations that require a quick turnaround. Due to disparate financial systems and processes, gathering and reconciling data is a manual, time-consuming process. ABC seeks to streamline its income tax provision

process, improving completeness and quality of data that ultimately results in a more accurate income tax provision calculation.

**PwC Solution:** ABC engaged PwC to deploy RPA associated with the following provision processes:

1. Pull raw financial information from ERP systems
2. Clean up and reconcile accounts (e.g., intercompany)
3. Organise data by legal entity versus management reporting
4. Analyse account changes (accrual book/tax adjustments)

5. Flag significant account differences for follow-up investigation

**Impact to ABC:** As a result of robotic process enhancements, ABC was able to:

- Accelerate timing of the income tax provision, reducing manual effort by 10-25%
- Efficiently gather and manipulate financial information, creating legal entity accrual adjustments
- Improve accuracy due to increased visibility into accounts and significant impact
- Reduce the amount of staff time used to perform low-value work (data extraction and manipulation)



# A closer look



## Leading-in

### A closer look

#### What is RPA?

#### How does RPA work?

#### How does RPA apply to Tax?

## Wrapping up

#### Summary of RPA benefits

#### How to get started

## Connect with us



### **PwC prediction**

Most global tax preparatory compliance and reporting activities, including data collection and reconciliations, will be performed within the company's shared service centre or will be co-sourced with a third party.

## **RPA for shared service centres?**

In our first Tax Function of the Future publication, we predicted that Tax functions will leverage shared service centres to manage the increasing volume of compliance-related activities at a lower cost.

In fact, we've found that Tax's use of shared service centres for collection of data and performance of routine activities falls into the following three general scenarios:

1. Never used a shared service centre
2. Limited use for indirect (e.g., sales & use, VAT) and direct tax activities
3. Dissatisfaction with a shared service centre approach for Tax

### **Managing organisational structure and risk**

There are various organisational structures and methods of aligning responsibilities pertaining to the data and activities needed to meet Tax requirements.

In some cases, Tax is heavily involved in all aspects of the function; however, gathering data and routine tax activities are sometimes the responsibility of another function, such as Finance, which may leverage shared service centres or centres of excellence. In cases where Tax is not directly involved, it is still critical for Tax to collaborate with other functions to ensure that the processes associated with tax-related activities are executed in a manner that minimises risk for the Tax function and the organisation overall.

With rapid advancements in technology, Tax should **now** look at or re-consider how RPA can effectively perform tasks that involve a high volume of transactions, repeatable manipulation of data, and communication with other enterprise systems efficiently—all at a much lower cost and minimal risk. RPA can be deployed within or without a shared service centre. The adjacent graphic displays examples of the direct and indirect tax activities that RPA can perform within the context of a shared service centre.



### **Examples of RPA corporate tax return-related tasks:**

- ✓ Populate tax returns with financial data
- ✓ Automated import of financial tax workbook into tax return forms (using tax return software)
- ✓ Complete non-financial tax return line items and information fields
- ✓ Execute work-flow processes for tax returns and initiate electronic estimated payments
- ✓ Gather and analyse high volumes of US state apportionment data (from payroll, fixed assets, and financial systems)

### **Examples of RPA indirect (sales & use, VAT) tax return-related tasks:**

- ✓ Interact with bolt-on indirect tax solutions and financial systems to complete high volumes of tax returns
- ✓ Auto-coding of invoices for tax
- ✓ Execute work-flow processes for tax returns and initiate electronic payments
- ✓ Gather transactional details and supporting invoices in response to multiple jurisdictions' audit requests



# Wrapping up



Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

**Wrapping up**

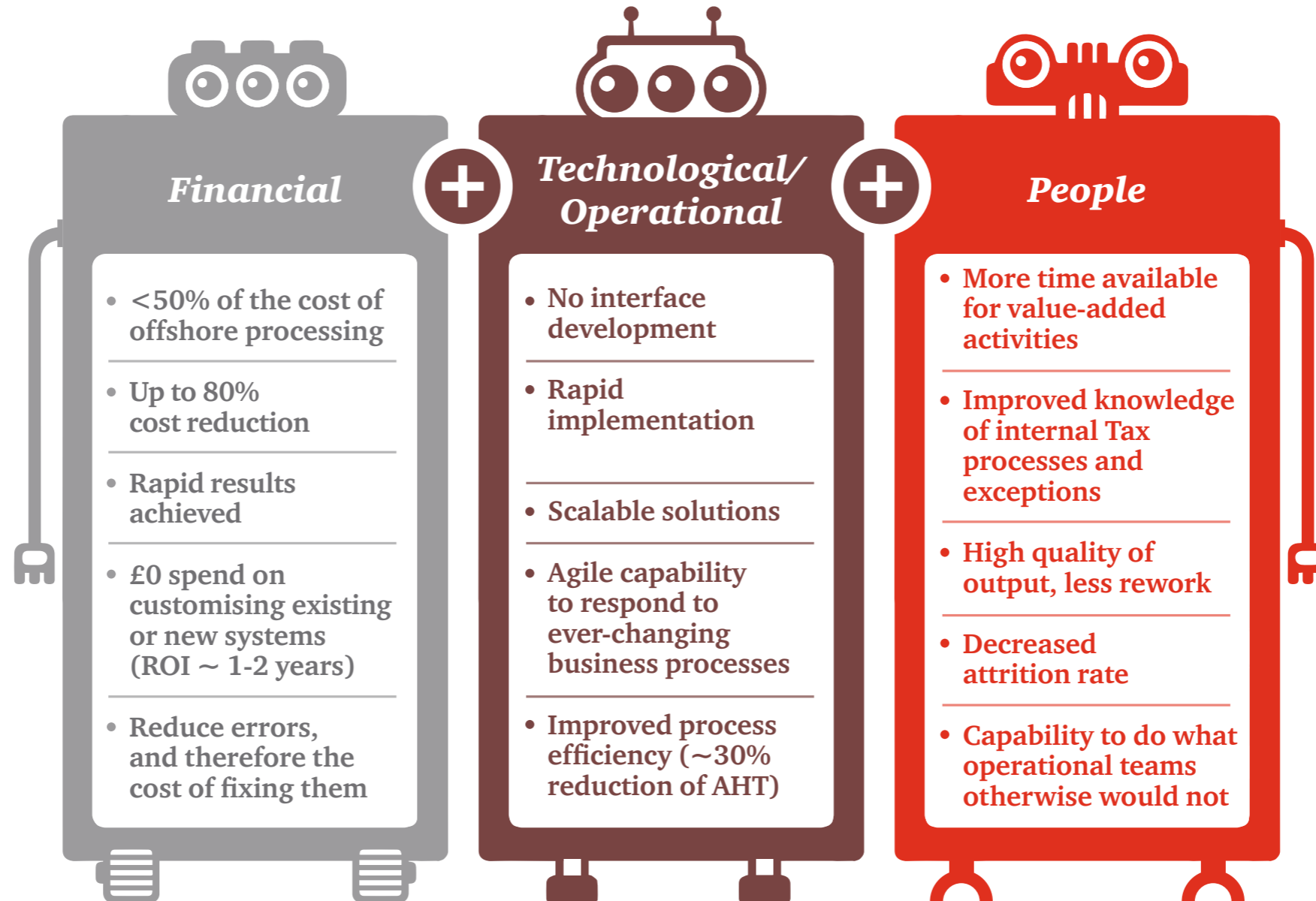
**Summary of RPA benefits**

How to get started

Connect with us

## *Summary of RPA benefits*

RPA can have a significant impact on a Tax organisation as a result of its ability to reduce cost and re-direct focus on activities that create value and job satisfaction. Moreover, RPA technology is easy to deploy and works across all financial systems and processes.



# Wrapping up

Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

**Wrapping up**

Summary of RPA benefits

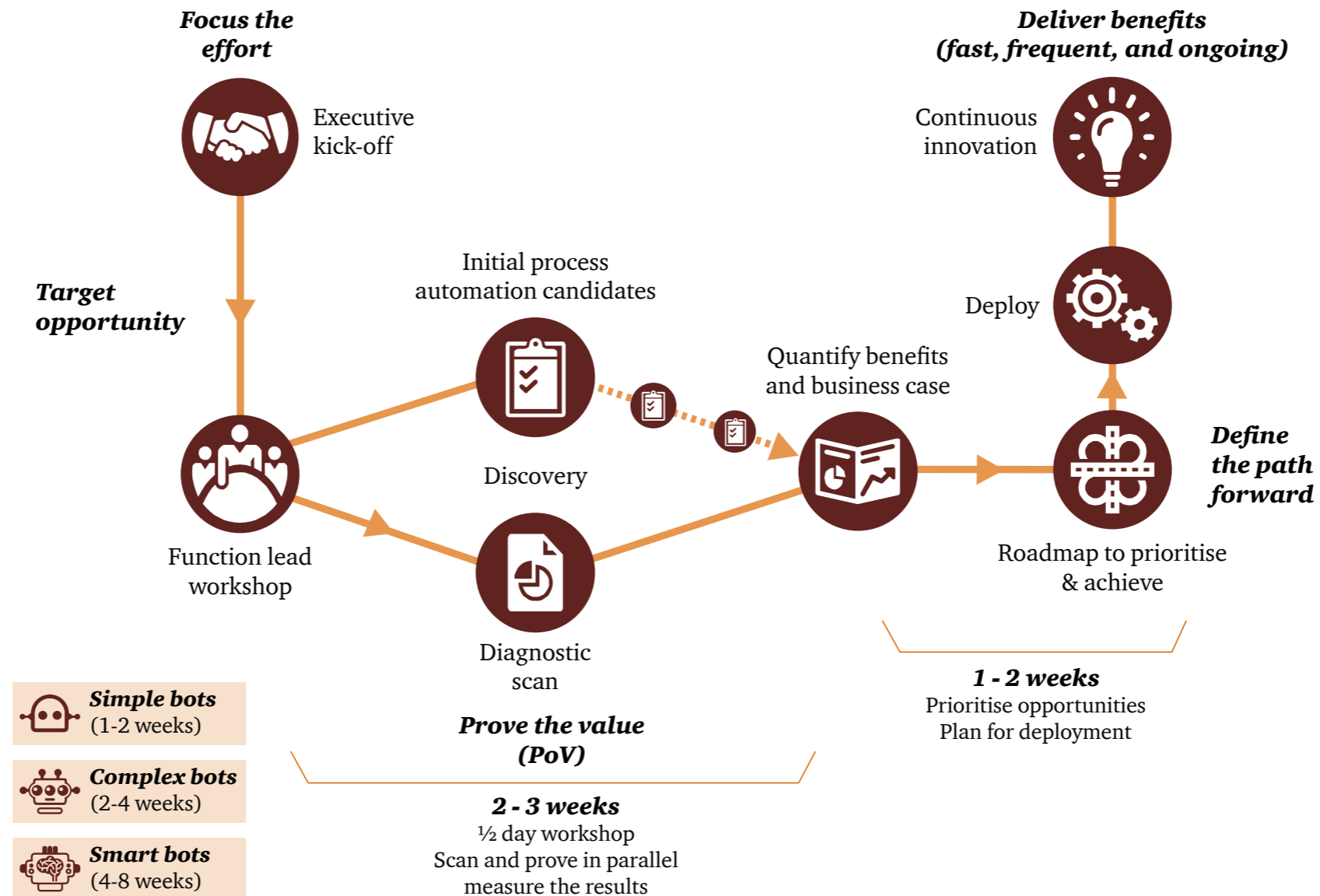
**How to get started**

Connect with us

## How to get started now with RPA

The journey to RPA innovation is not complex. It begins with the discovery of manual processes that are candidates for automation.

### Example of an RPA project approach



# Wrapping up



Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

**Wrapping up**

Summary of RPA benefits

**How to get started**

Connect with us

## **What actions should Tax functions take now?**

- ✓ Assess needs/investigate qualifying processes (consider time and resources currently consumed).
- ✓ Evaluate whether RPA is already deployed by other functions.
- ✓ As needed, collaborate across functions to evaluate vendor solutions (proof of concept, proof of value, organisational/CoE or shared service centre impact).
- ✓ Develop a roadmap for RPA working with Finance, IT, HR, Supply Chain, and other impacted functions.

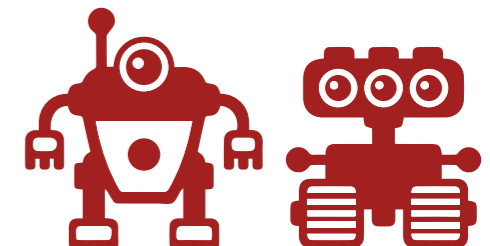


### **Tip**

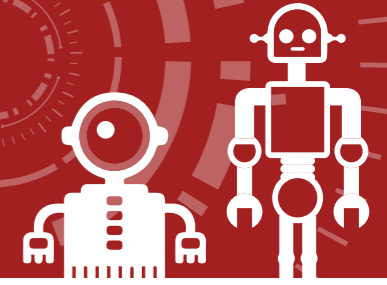
For RPA, Tax needs to start with understanding its underlying processes because there is no benefit in applying robotics to a process that is broken. The technology is an enabler but not a comprehensive solution in itself. RPA is one of many tools that can be used to achieve operational excellence; therefore, if Tax defines the appropriate processes and gains efficiency, Tax is one step closer to creating high-performing teams that add real value.

*“Using robots to perform tax related activities in our shared service centre has not only resulted in a better work product, but also less frustrated people in the Tax department.”*

*— Joe Chirichella, Becton Dickinson*



# Connect with us



Leading-in

A closer look

What is RPA?

How does RPA work?

How does RPA apply to Tax?

Wrapping up

Summary of RPA benefits

How to get started

Connect with us

To have a deeper conversation about how these issues and predictions may affect you and your business, please contact:

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