Algonomia EDHEC BUSINESS SCHOOL | Augmented Law Institute FIDAL AVOCATS

[Study] The digital maturity of tax departments

BEST PRACTICES

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Presentation

About ALGONOMIA

Algonomia is the first Tax Tech to support the tax departments of major international groups in their digitalization. Born in 2017 from the will to transform the world of taxation, Algonomia develops software solutions based on innovative algorithms and combined with ergonomic interfaces, in order to allow its users to gain efficiency in their daily tasks and to refocus on the core of their expertise. The start-up has experienced strong growth since its creation and has gained the trust of several major CAC40 groups, with thousands of users in France and Europe today.

algonomia.com

About EDHEC Augmented Law Institute

As a pioneer in the field of law and management education and research for nearly 30 years, EDHEC Business School has set up the EDHEC Augmented Law Institute with the ambition to position knowledge, skills, and the legal function at the heart of business and societal transformations.

Leveraging the academic excellence of internationally renowned professors, the EDHEC Augmented Law Institute has developed programs aimed at educating "augmented" lawyers and managers. The institute also aims at producing valuable research work for organizations. To achieve this objective, the EDHEC Augmented Law Institute supports

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the platform that manages talents and legal transformation through the "ALLL" trade name. The EDHEC Augmented Law Institute has over 700 graduates in initial training (Business Law Management course and LL.M Law & Tax Management) and nearly 150 certified professionals in executive education.

About FIDAL

Fidal, an independent French law firm, has been a benchmark in the business world since 1922.
With 1300 lawyers and legal advisors present in 87 cities across France, Fidal works in close proximity to economic players - businesses, chief executives, investment funds, local authorities, nonprofit organizations, international groups - and is thereby committed to serving their growth and local development. Its multidisciplinary approach allows it to address the major economic and societal challenges.
Since their issues do not stop at the borders of the law, the firm's clients enjoy access to a business ecosystem composed of subsidiaries (Fidal Fiducie, Fidal Innovation, Fidal Notaires...) and partner firms (financial, transaction, human resources advisors...). Fidal is also a founding member of the unyer international legal network and a member of the WTS Global tax network.

FIDAL
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Some respondents

CRITEO

Maïté MELAYE-OLIVIER

VP Tax Group, Critéo

"Digitalization is clearly necessary in order to scale an organization or integrate new target companies. However, unfortunately, implementing a tool takes time, requires a budget, as well as bandwidth from operational teams, which is not always possible, when there are other business issues or mandatory reforms that need to be deployed. This is the reason why it is a real challenge to find internal resources, but this is a necessary evil because if you make no investments, you will pay the price two years later."

DASSAULT SYSTEMES

Zacharie GABAIL

Director, WW Transfer Pricing, APAC Tax, Dassault Systèmes

"The Digital Revolution of the tax department is underway, it's still time to get on board."

Guerbet

Jean-Michel Ferragatti

Tax Director, Guerbet

"Digitalization is underway, and preparing for it through discussions with peers is the best way to approach it. I would like to express my appreciation to the teams for organizing this very enlightening and reassuring survey."

ROQUETTE
Offering the best of nature™

Angélique Vienne

Group Head of Tax,
Roquette

Daniel Abraham

Accounting Director
France, Roquette

"As a global player in plant-based ingredients, it was important for us to contribute to this study, which provided us with the opportunity of examining our vision, practices, and challenges in terms of digitalization for the tax unit. We had constructive discussions with the project team, and made this topic a priority among other current tax issues as a result."

Schneider Electric

Clément Bresson

Group Head of Tax & Customs,
Schneider Electric

Adrien Trou

Tax Accounting Director,
Schneider Electric

Tom Reynolds

Tax M&A & Business Structuring
Vice President,
Schneider Electric

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Executive Summary

Digitalization lies at the heart of companies' strategic challenges. The tax function is no exception. The law firm Fidal, the Augmented Law Institute of EDHEC Business School, and the Tax Tech Algonomia have joined forces to analyze the actual progress of the tax departments of large French corporations in terms of digitalization.

Over a period of 4 months, **13 companies agreed to undergo an extremely detailed audit** conducted through interviews, in the form of a 99-question questionnaire. Both anxious to know their score and curious to compare themselves to their peers' benchmark, 23 tax professionals took the time to conduct a thorough assessment of their actual progress in the area of digitalization. Collaborative efforts between an academic institution, a law firm, and a technology solution provider have resulted in the creation of a comprehensive 360° study. It was built on the skills, network, and expertise of each one of them as a front-line observer and participant in tax digitalization.

77%

of respondents state that digitalization is key in their company.

69%

declare that they have a budget to carry out digitalization projects.

38%

declare say they are too time-constrained to properly progress on this major issue.

If we go deeper into details, variances emerge, depending on the tax topics addressed. For example, when it comes to transfer pricing management, one in two surveyed companies admits that, in the current state of their process, the required investment in time and resources is too high, for limited results. Conversely, regarding the generation of the tax return, 82% of respondents consider their process to be adequate, although it is always possible to improve management. Our study clearly shows that in large French companies, the tax function digitalization is underway. However, there is significant heterogeneity in the level of progress in tax digitalization among tax departments.

So, one-third of the tax departments surveyed state that they currently do not have performance indicators, while another third of respondents have reported having a clear vision of their digitalization plan.

Some companies, particularly advanced ones, can be an inspirational model.

Here's what they have in common.

First and foremost, in most cases, the most advanced tax departments can **rely on a larger-scale process within the company**. This could be a **comprehensive digitalization plan** that the tax function can leverage, or a genuine corporate culture focused on technology, due to its core business. It may also involve the existence of a dedicated support team which is used to meeting business needs through project-based collaborative efforts with cross-disciplinary teams. It is more challenging to transform the tax function in an isolated way if other areas of the business are not also undergoing deep change.

Furthermore, it is evident that **it is crucial for a person to embody digital transformation** in tax management - a key player identified in the company, who not only conveys the message, but also promotes a culture of tax digitalization, raises awareness, generates possibilities, and serves as a go-to person for peers both in the tax department and other departments. Whether this employee may have the position of **Tax Transformation Manager, Tax Digitalization Manager, Head of Tax Digitalization**, the creation of a position with adequate resources becomes a driving force supporting digital transformation.

Some pioneers have already reached a stage where they benefit from:

- Dedicated business tools
- Data feeding from a data lake (an immense database) shared with the finance department
- Access granted to each tax professional through an identification system, within defined security boundaries
- Data with specified and audited processing modes for security reasons

Like 50% of the companies surveyed, they have understood the utmost importance of digitalizing the tax professional's tasks: **making technology, beyond mere compliance, a reliable instrument for strategic decision-making**.

However, there is no need to be ashamed if you are not there yet. It is likely that the majority of tax departments are in the same situation. This is the main methodological limitation of our study.

Indeed, the topic is only emerging at this stage. Therefore, it is highly probable that the companies that agreed to answer the questionnaire and share their valuable time and processes did so precisely because they had something to share. Hence, we cannot conclude that our sample is representative.

At the very least, the companies that responded had already embraced the topic and were curious about our approach. And in the realm of tax digitalization, curiosity is undeniably the primary quality to gain.

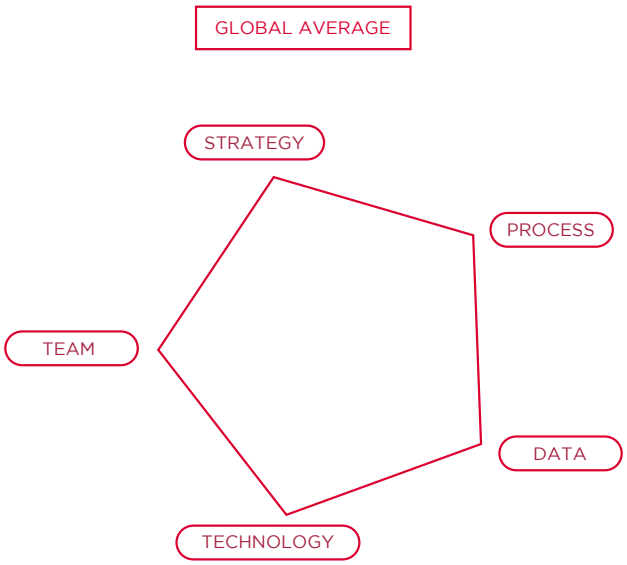
3 levels of interpretation

This white paper can be comprehended through three levels of interpretation:

Firstly, if you are interested in the tax function as a whole, for example, because you are a Group Tax Director, a CFO, or simply because you want to have an overview, the first part is for you.

Part 1: Dimension-based presentation of study results

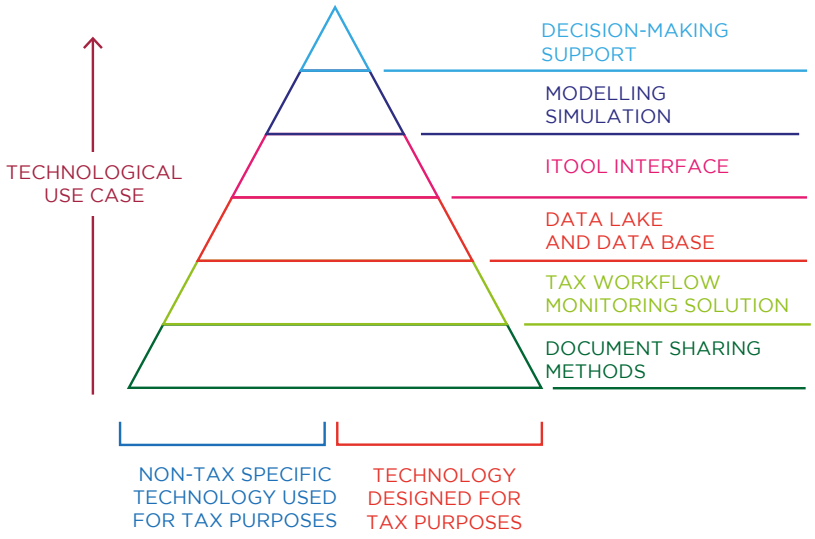
- Strategy
- Processes
- Data
- Technology
- Team



Next, a second key for understanding is suggested to you based on technological use cases, focusing on the technological tool approach.

Part 2: Presentation of study results based on technological use cases.

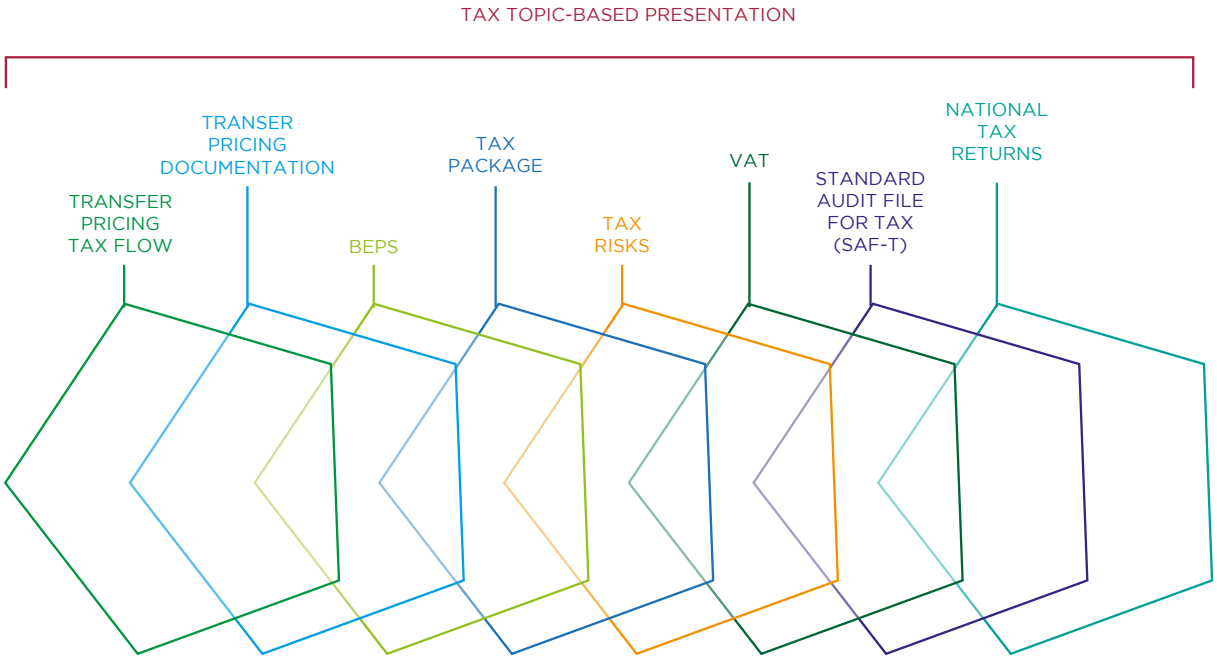
- Document sharing methods
- Existence of a tax workflow monitoring solution
- Database
- The development of dedicated interface(s) allowing data processing between different tools
- The possibility of data modelling and the ability to simulate and compare different scenarios.
- Data analysis capability and decision-making support



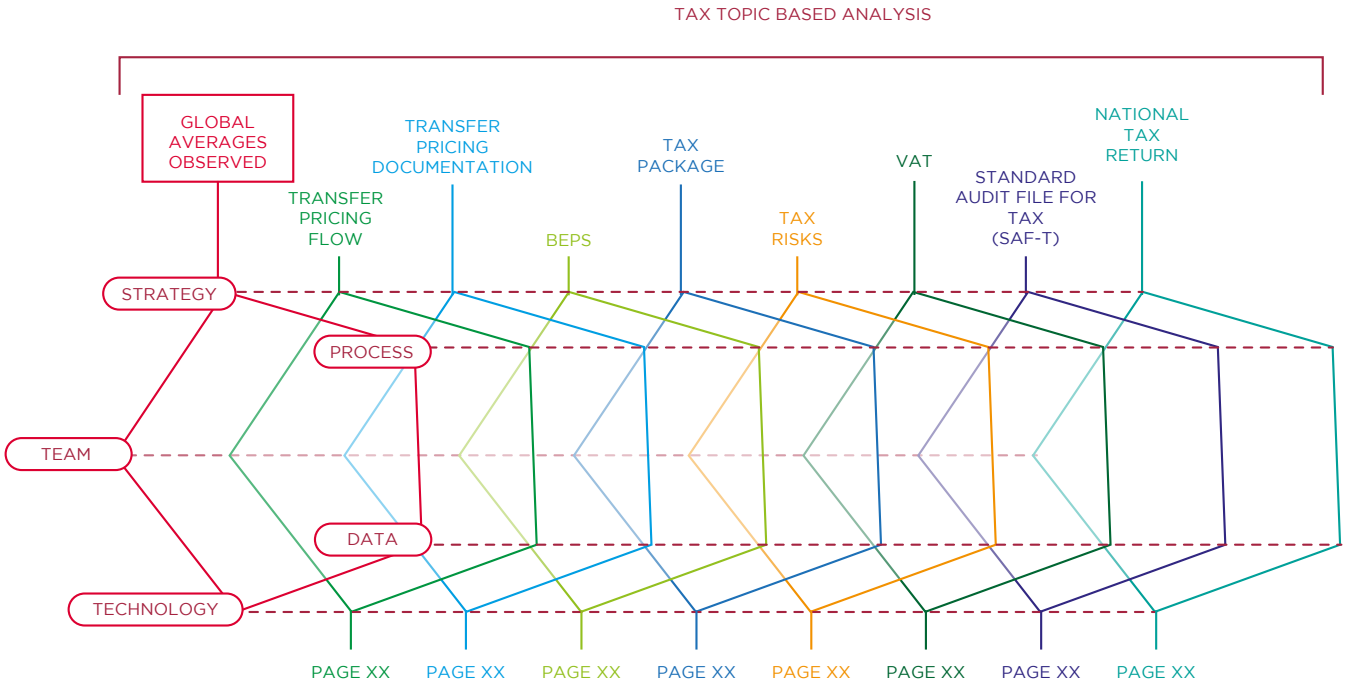
Lastly, if you are a tax practitioner and are specifically interested in the results pertaining to a particular tax expertise area, you may read the results of this whitepaper based on tax subjects according to a third model.

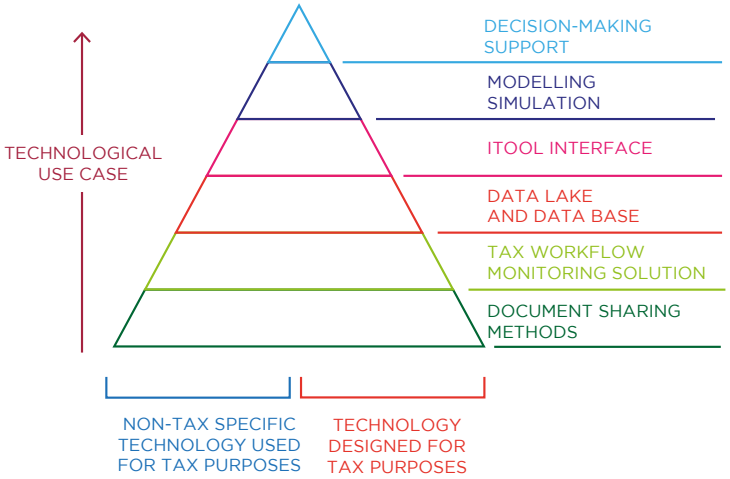
Part 3: Presentation of study results based on tax topics.

- Transfer Pricing Flow
- Transfer Pricing Documentation
- BEPS (Base Erosion and Profit Shifting)
- Tax Package
- Tax Risks
- VAT (Value Added Tax)
- SAF-T (Standard Audit File for Tax)
- National Tax



Visually, the overall contributions of the whitepaper can be presented as follows:





All three keys to understanding presented above were designed to rapidly direct readers to what is most relevant to them, based on their expectations. If you read the report according to a longitudinal approach, you may notice some repetitions, which are logical given the innovative approach to the way results are presented.

A comprehensive table of contents is also available.

Enjoy your exploration and discovery.

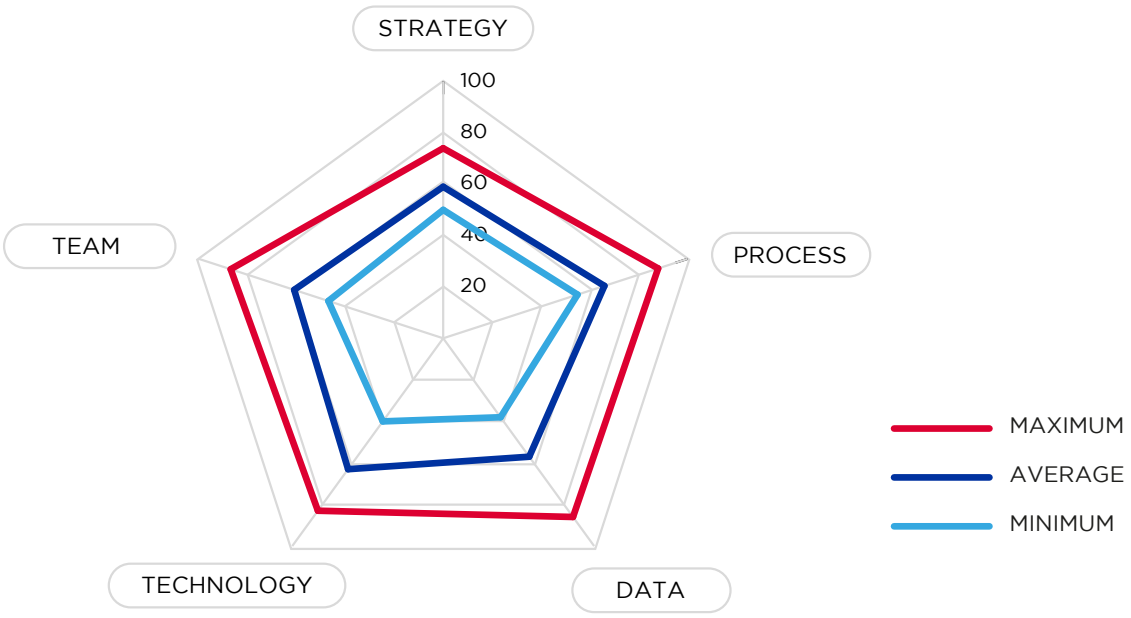
Part 1 Dimension-based presentation of study results

For a comprehensive and cross-cutting approach, findings are presented here based on dimensions.

- Strategy
- Process
- Team
- Technology
- Data

For each dimension, we will start with a brief definition, and then present the key figures that emerge from our study. We will then propose Key Performance Indicators (KPIs) across three lines, before summarizing best practices in the form of a roadmap.

Dimension-based General Analysis



Strategy

Definition

The objective of the analysis of the strategy dimension is to observe whether there is a shared vision within the group regarding the use of digital tools. This applies not only to the tax department but also to the group as a whole. In the context of digitalization within the company, is the tax department actively involved in this overall dynamic, and if so, how? Conversely, in the scenario where the group does not pursue any strategic initiatives, can the tax department independently take the initiative to embark on a digitalization movement for its processes?

Key Figures

During interviews, we observed that 100% of respondents stated that they benefited from the backing of their leaders, often including the CFO themselves, which undoubtedly provides valuable support. Similarly, 100% of respondents reported having not only support from line management, but also operational assistance, whether from the procurement department, IT colleagues, or other support functions. Some mentioned that there is a genuine culture of working in project-mode within the company.

- **100% of tax professionals interviewed stated that they stay informed through consulting firms.**
- **62% mentioned that they collect information through their peers.**
- **54% indicated that they stay informed through their internal teams.**
- **46% reported that they collect information through social media.**
- **31% mentioned that they stay informed through newspapers.**
- **31% of respondents mentioned that they currently have at least one ongoing bidding process**
  - **For national taxes, in 22% of cases.**
  - **For transfer pricing, in 22% of cases.**
  - **For transfer pricing documentation, in 22% of cases.**
  - **For tax returns, in 22% of cases.**
  - **For BEPS (Base Erosion and Profit Shifting), in 12% of cases.**

The study was conducted before the adoption of the OECD Pillar 2 directive, so the percentage of ongoing bidding processes on this subject will have significantly increased since then, as all companies will soon have to make arrangements to comply with the new tax obligations that arise from it. However, no ongoing bidding processes were mentioned regarding the Standard Audit File (SAF-T), tax risk management, or value-added tax (VAT), either because these are not priority issues or because they have already been addressed.

46% of the groups surveyed have **designated a**

team member dedicated to the administration of technological tools within the tax function.

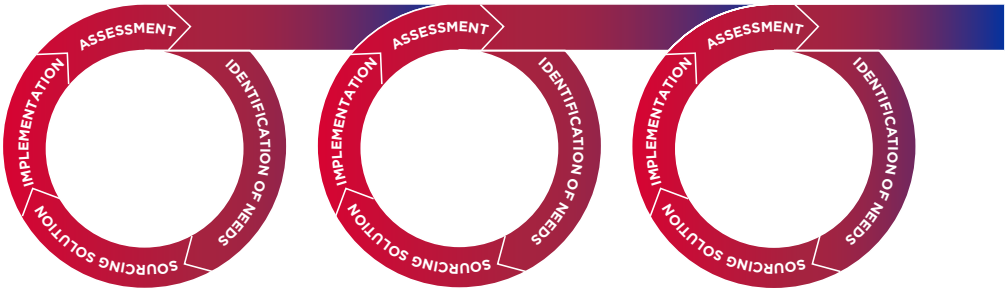
The main benefit of this approach is that digitalization can be embodied within the team. This designated member becomes a go-to person, a preferred contact who can act as a consultant, guide, and coach. They truly embody the "it is possible" mindset. However, the risk is that this may cause disengagement from other team members, who may consider digitalization as someone else's responsibility: "Digitalization is not my role, it's theirs!"

This point highlights the importance of having a clear and shared vision with senior management and within the team. This vision is often materialized through a roadmap, with collective and individual goals in the short, medium, and long term. In this regard, 31% of respondents stated that they have a clear vision of their digitalization plan.

The most interesting process observed is the following:

- Activation of cultural change to facilitate the emergence of a process of identification of needs.
- Identification of needs by the tax team, potentially by structuring a periodical process for collecting needs.
- Sourcing of providers by the procurement department in cooperation with the tax team and IT team.
- Deployment by the IT department, with the involvement of the tax team.
- Importance of collecting feedback during the implementation phase, as well as throughout the service life of tools.

All of this is to be done in an iterative mode: identification of needs, sourcing solutions, implementation and assessment.



When asked about the challenges they face, 15% of companies only have a dedicated budget for tax digitalization, and 54% indicated that their budget is part of the overall financial solutions budget.

Each of these options has its advantages and disadvantages. The benefits of having a dedicated budget include the validation of a clear intention and facilitated activation. However, the main limitation is the risk of conducting isolated projects specific to the tax department alone.

However, budget is not as big a challenge as the availability of human resources : 62% of companies surveyed state that their tax technology is aligned with human skills, as needed, to implement digital transformation, but 38% confess a lack of time to invest in it.

The combination of adequate and available financial resources with human resources, both

in terms of time and competences, is therefore critical for a successful implementation of strategic initiatives.

Other obstacles mentioned for the implementation of digital tools include:

- **54%: Difficult integration with other systems**
- **46%: Lack of budget**
- **15%: Security issues**
- **15%: Tax technology is not a priority**

Barriers to digitalization

Finally, to fully capture the advancements made by the tax department and, more broadly, the extent of its strategic contributions in the company, it is necessary to address the issue of indicators. When asked about their performance metrics to demonstrate the added value of the tax department to Management, the majority of respondents answered positively, while a third had not yet formalized any assessment process.

- We use a dedicated tool with relevant indicators: 8%
- We constantly strive for performance using various methods: 8%
- We have performance indicators: 24%
- It is too difficult: 30%

Key Performance Indicators (KPIs)

For a proper evaluation of the strategic dimension, it is recommended to consider three perspectives.

Awareness: this is the initial step, which involves raising awareness about the main technological tools available and understanding their current use in the group.

Autonomy: Here, the aim is to find the right balance between a tax department with no leeway for action and a tax department so autonomous that it is left alone without operational support.

Progress: It is important to regularly and consistently observe and guide the different stages of implementation of the digitalization strategy in the group as a whole, specifically in the tax department. Care should be taken to ensure coordination of initiatives and interoperability of systems.

Best Practices and Roadmap

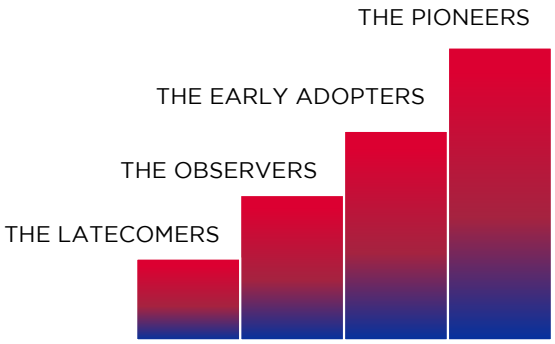
Company typologies observed are as follows:

The Latecomers: Companies that have not yet identified their digital needs in the field of taxation.

The Observers: Companies that have identified their needs and are starting to collect information through technology monitoring – e.g. they participate in webinars or join dedicated thematic networks.

The Early Adopters: Companies that are familiar with the tools available and/or used by their counterparts in other groups and may have initiated requests for proposals (RFPs) or have ongoing sourcing processes or internal development initiatives.

The Pioneers: Companies - they do exist -, that have acquired or internally developed digital tools for tax purposes, designed with efficient interfaces, enabling interoperability with tools from other departments, all assessed through regular compliance measures.



Process

Definition

In a very operational manner, in this dimension, the objective is to evaluate all activities and tasks that contribute to achieving companies' objectives in tax matters..

Key figures

The digitalization of the tax function necessarily requires a pro-active and structured approach.

77% of companies surveyed state that digitalization is important, or even very important, in their organization.

Similarly, **77% say that they have a general understanding of existing digital tax tools** used by other groups, but only 7% have implemented a dedicated process to monitor new technological tools.

92% responded that they have a technical understanding of how each tool addresses tax matters within their organization, but only 41% of them actively contribute to the review processes, while **58% primarily rely on established processes by other teams**. Tax professionals are usually not involved in the decision-making process. Even when a tool has a functionality that impacts the group's taxation, the tax team may not necessarily have full knowledge of its details and effects.

Our study clearly shows that groups intend to establish a proper tax governance. However, for this governance to be effective, it needs to rely on formal mechanisms and well-defined processes, which are still challenging to implement within tax departments.

The decentralization of tax management towards local teams can pose additional problems in the digital transformation of the tax function. In this regard, 46% respondents state that their sub-groups or business units have a certain level of autonomy.

Taking a closer look at the organization of tax department processes, 84% of companies surveyed claim that they know the exact validation sequence for each one of their processes, and 92% are able to identify who is responsible for each task and for the task validation. However, only 23% of them explain that **information can be tracked in real time,** while 77% state that this is not possible, as it is required to contact the person in charge of the task. The need to contact a person to enquire about the progress of a process implies the necessity to know the particular individual in charge, which can be challenging in the long run, considering the increasingly frequent job changes within organizations.

When asked, "How do you assess the quality of your processes?" 46% of respondents state that evaluating the process quality is too difficult, and only 15% claim to have clear quality indicators for process evaluation.

In the absence of quality indicators and/or a clear evaluation method, it becomes challenging to self-assess the tax process and work towards its improvement.

54% admitted that they do not implement an aggregated feedback process, and in practice, information only surfaces when serious malfunctions occur. The general lack of metrics for measuring process outcomes or the role of technology hinders the establishment of an iterative methodology for process improvement, as well as effective performance evaluation or return on investment assessment.

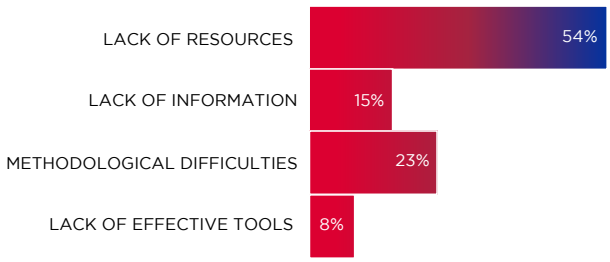
More specifically, evaluating the adequacy of time and resources for different processes is challenging. However, **assessing this adequacy is crucial for transitioning from effectiveness to efficiency**. While effectiveness focuses solely on the outcome, without measuring the resources used to achieve it, efficiency examines the ratio between the quality of the outcome and the resources utilized.

Efficiency may sometimes be pursued through outsourcing. Conversely, in other cases, it may be decided to recruit in-house for managing a process, in order to enhance efficiency. There is not necessarily a question of priority between in-house recruitment and outsourcing. However, it is important to structure and justify your **strategy for outsourcing/in-house recruitment**.

Why choose to internalize one tax topic and not another? Do companies seek specialized expertise? External validation? Or, on the contrary, do they want autonomy and control? Are they looking for better alignment with their specificities? In response to the question, "What tax topics do you currently outsource?" VAT takes the lead as 54% respondents gave that answer. Then, for 46% of them, it was national tax returns and transfer pricing documentation.

When asked about the obstacles to handling these tasks internally, 54% of companies surveyed said that the main obstacle was a lack of resources, 15% claimed that it was a lack of information, 23% said it was due to methodological difficulties, and 8% pointed to the absence of effective tools.

Obstacles to internalization



The choice for outsourcing therefore rather results from a lack of resources - both financial and human -, than a well-thought-out process management strategy, the "tool" aspect playing a minor part in this regard.

Key Performance Indicators (KPIs)

For an optimum assessment of the digitalization of your processes, special attention should be given to the following three aspects: governance, adequacy, and agility.

Governance: In our context, governance means the management framework in which decisions regarding tax processes are made and results are monitored. This governance should be based on a pro-active, enlightened, and structured approach. To achieve this, it is necessary to have a clear overview of the entire tax workflow, and resources involved in each process, including the number of people, time, and tools. The tax mission inherently interacts with the numerous tools already in place in the company, even without any particular involvement from tax professionals.

Adequacy: Adequacy is perceived as the ability of processes to perfectly achieve their objectives with minimum effort and resources. Each group may have implemented more or less effective processes based on their specific needs, and the same process may not be suitable for everyone. To assess the adequacy of processes implemented, it is important to evaluate their quality and efficiency in view of the objectives set.

Agility : Agility refers to the ability to adjust the technological framework and team organization to new processes. Digital transformation is a deliberate and structured movement that also requires agility, for continuous evolution. Moreover, in an ever-changing economic and regulatory environment, agility implies the need to occasionally redefine technological tools, just as tax professionals may need to adjust their working methods to external changes.

Best Practices & Roadmap

Tax governance should be able to rely on quality indicators for its processes and a regular auditing approach to facilitate their evolution over time.

The real paradigm shift for tax departments that understand the fundamental challenges of successful digitalization is to transition from efficiency to effectiveness.

	LATECOMERS	OBSERVERS	EARLY ADOPTERS	PIONEERS
Axis 1: Group-level support for process digitalization.	○	○	○	●
Axis 2: Internal knowledge of existing tools and their tax effects, external monitoring of possible solutions, dedicated team member, shared vision regarding the use of digital technologies.	○	○	○	●
Axis 3: Implementation of real-time monitoring of ongoing tax tasks and validation steps.	○	○	●	●
Axis 4: Processes subject to structured and regular audits.	○	●	●	●
Axis 5: Outsourcing/In-house recruitment, not only based on HR contingencies or other temporary constraints but also developing a well-founded strategy that includes a technological tool component.	○	●	●	●

Data

Definition

The obvious key point of a digitalization project is, of course, data. Data exists within a group in a raw and unstructured state. The challenge is to transform them into accessible, consistent, structured, and reliable digital data. This part focuses on assessing the availability, quality, and security of data utilized by the group in the scope of tax processes..

Key figures

Regarding the data **collection stage**, first and foremost, 46% of respondents declare that they partly use at least one dedicated tool for one or more tax topics. However, the majority of them still rely on manual collection methods: 92% use spreadsheet files (usually in Excel format), and 38% utilize shared spreadsheets such as Teams or SharePoint.

Then, the issue of **data ownership and access** in the group is collectively organized in 23% of cases. Each member contributes to and shares the necessary data with other members of the tax team for a smooth functioning of the department. In 23% of cases, a central manager gathers the data and then redistributes it to the relevant functional recipients. In only 54% of cases, a more advanced system complying with the *need-to-know* principle has been implemented, meaning that technology is used to define the scope of data-access rights based on the job-related needs of each tax professional, without granting unrestricted access to all data. This approach fulfils another requirement, which is data **security**, provided that it is not undermined by persistent parallel practices of exchanging Excel files via email, which is not a secure practice. However, it is important to note that the percentage of groups that have implemented a need-to-know-based system appears to be relatively low considering the sensitivity of the data being handled..

Key Performance Indicators (KPIs)

To develop an effective data acquisition and management approach, three key performance indicators (KPIs) can be suggested.

Accessibility: The autonomy of stakeholders is a key success factor in digitalization. It is important that each individual should be able to access the relevant digital information necessary for the successful completion of their tasks independently. This means that the issues of scope and access rights are crucial.

It is also important to be able to trace the origin of each piece of data. Whether it is provided automatically or not, it should be possible to identify its path and the number of potential processing operations it has undergone, in other words, its audit trail.

Regardless of whether the data is provided manually or not, it is important to be able to trace:

- Who? - the person in charge and the process concerned
- When? - the fiscal year and date of generation
- How? - the source database
- What? - type of data, unit, account
- Where? - entities, counterparts, jurisdictions

Only 38% of respondents have access to all the information necessary for processing their data.

It is therefore necessary to ensure that data itself is accessible, and that its traceability is accessible as well, with a clear history of versions and processing operations, ideally with a direct link to source documents.

Exploitability: Data exploitability refers to the possibility for data to be used in the context of various tax-related topics. To be usable, data must comply with conformity rules at the time of its creation and maintain a certain level of consistency. However, the siloed operation of some companies can result in consistency conflicts between data from multiple sources. For example, data from one department in the group might not correspond to data obtained from another department, or it may be incompatible, or even contradictory. Attention must also be paid to the quality of data, which is measured based on various factors, such as accuracy, completeness, and reliability.

Measuring the data quality level makes it possible for organizations to identify any errors resulting from manual processing. To address these potential issues, it is necessary to work on the interoperability of different databases (especially between the tax department and the accounting department) and even consider co-feeding a common storage location for different departments, such as a "data lake."

Security: Security first raises the issue of unauthorized access to data by individuals who have no valid reason to access it, both within and outside the company. This requires the deployment of technology that aligns with the need-to-know principle. This also raises the question of the risk of data loss and the necessity of data backup. In the background, the issue of the data storage location is present, including its implications for the tax procedure.

Best practices & Roadmap

The Latecomers: These are companies that operate by exchanging flat spreadsheet files via email, exposing themselves to significant risks of errors, particularly in identifying the latest version to work on. Lack of traceability, difficulties in versioning, non-collaborative working support on static files, and maximum security risks... the list of disadvantages is long. For these latecomers, the main challenge is data consistency. The first step is therefore to implement data collection and management processes that ensure their consistency and quality, making them fully usable by different teams.

The Observers: These are the tax departments that use document-sharing technologies, even if they are non-tax-specific technologies. Often, tax teams are not aware of the existence of options and features that can significantly improve data management, including traceability, versioning, and contributor identification, which allow for proper monitoring of processing operations and provide a minimum level of security.

The Early Adopters: These are the tax departments that, being aware of existing datasets and data flows within the company, have implemented automated processing operations for tax data.

The Pioneers: For them, all tax data processing operations are fed into a structured data lake. Each processing operation is referenced, specified, and regularly audited. There are automated control procedures, and the entire tax team is proficient in the steps of tax data processing.

The objective should therefore be to **transition from informal data collection means to a rich financial data lake with a tax dataset component**, to ensure compliance with access rights and data quality standards.

To achieve this, it is necessary to use **tools or technologies that strictly adhere to access rights, based on user profiles, to ensure data security and confidentiality**.

Furthermore, it is **important for tax teams to be directly involved in the documentation and review of automated processing operations, both upstream and downstream, for each tool**, including within certain tools themselves. Indeed, through the deployment of these processing operations, in the form of computer/mathematical calculations, their **tax expertise**, which is unique in the group, will be expressed and they need to do so to co-design and audit the tools.

Technology

Definition

This dimension focuses on the evaluation of the capacity of technologies to meet the group's and tax team's requirements. In this section, technology is considered from a holistic perspective: the strategic dimension of using technological tools. Further, in this study, technology is revisited in a more practical and detailed manner on a use case basis.

Here, all the opportunities given by the technological toolbox lie at the heart of the approach. By accelerating the processing of low-value tasks, technology allows tax professionals to refocus on their core expertise, which is not data processing, but rather the analysis of tax data outcomes.

Key Figures

The recognition of the importance of technology in driving practices forward is usually acknowledged. 31% of companies surveyed state that they have an ongoing tender process, and 46% have ongoing digitalization processes. The movement is underway.

Nearly 50% of responding companies expect the technology used by their teams to assist in decision-making. The ultimate ambition is perceived that way.

However, in practice, **Excel and Word remain the daily tools of tax professionals, and none of the eight tax topics studied is an exception.** Still, tax departments should not be ashamed: 60% of finance departments also use Excel for their projections. The practice of most companies surveyed is manual work assisted by spreadsheets as a "super calculator".

The verdict is clear: 77% of groups surveyed acknowledge that their team wastes time on manual and repetitive tasks that could be automated. The purpose is therefore to augment human resources thanks to technological resources. To achieve this, it is necessary to ensure that tax technology is aligned with human skills in order to implement tax transformation in the tax department: 61% of respondents claim to have this alignment. So, it is possible! However, a clear action plan is needed: 31% of companies surveyed only state that they have established a shared vision regarding the use of digital technology.

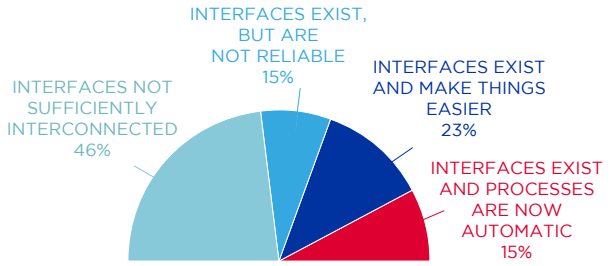
Data is indeed a prerequisite for the proper functioning of technologies implemented, from data collection and processing to the audit of data quality.

Figures speak for themselves: 92% still partly use Excel for data collection, **only 23% have a clear tracking of the various data processing operations and versions**, and 61% do not have automatic controls over the collection of their tax data.

The impact on data quality is significant: manual processing increases the risk of errors, the involvement of multiple participants amplifies versioning issues, and fragmented data collection makes process auditability impractical. Specialized digital tools for data management and processing can mitigate these error risks by establishing correspondences between data versions, eliminating potential duplicates, and validating the quality of new data. We can also mention the principle of "garbage in, garbage out." Indeed, a good tool with poor-quality data will not yield good results, but it will help highlight data quality issues.

The next challenge is the interoperability of tools. Situations observed in this survey vary:

- 46% do not believe that their digital tools are sufficiently interconnected, as they always need to reprocess data from one tool to another.
- 15% state that some interfaces exist but are not reliable.
- 23% declare that intelligent interfaces exist and make everything easier.
- 15% state that all possible interfaces seem to exist for automating data transfers.



If we focus on different tax professions, what about the interoperability between accounting software and various tax filing tools?

- 50% do not have an interface between accounting software and the filing tool for national tax return filing.
- › 92% do not have an interface between accounting software and the BEPS (Base Erosion and Profit Shifting) tool.
- › 57% do not have an interface between accounting software and the VAT (Value-Added Tax) tool.

However, the situation seems to be changing because when tax departments are asked if they are able to request a dedicated interface with other tools, 92% respond positively, and 62% even have dedicated internal resources to facilitate the implementation of interfaces between tools. There is awareness about the need to make processes evolve, and resources are being put in place.

The ultimate goal should be to overcome the initial challenges related to interfaces, and enable tax professionals to focus on deeper issues such as performance, auditability, and usability.

Key Performance Indicators (KPIs)

Performance: how technology contributes to achieving objectives, implementing strategy, and completing tasks.

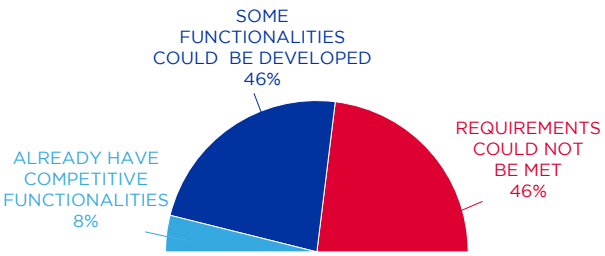
Auditability: the ability of a technological system to be easily audited to ensure that it meets user expectations.

Usability: the capacity of chosen technical solutions to enable a smooth use for teams and create added value.

It is critical for tax professionals to have a vision in order to inspire better designed tools for their future work.

When asked if the technology used by the tax team offers competitive functionalities that meet their requirements:

- 8% declare that they already have ready-to-use competitive functionalities.
- 46% declare that the functionalities they may need can be provided through custom development.
- 46% declare that, in their opinion, the requirements they may have cannot be satisfied.



Tax departments rely on the environment which is provided to them within non-specific office suites too heavily to manage most of their work, which prevents them from accessing functionalities that would meet their needs. This is the reason why it is now necessary to educate tax professionals to work on their pain points and identify their wishes to make the future come true.

Best practices & Roadmap

Technology undoubtedly has a role to play in reshaping the daily practice of tomorrow's tax professionals. The objective of a tool is to free the tax professional from non-"tax" procedures in the processing of a tax use case, such as: tax consolidation calculations, automatic transfer pricing adjustment calculations, and Pillar 2 calculations.

A good tool enables the identification of data quality issues, the exploration of calculation results, and the creation of alternative scenarios to model and provide decision-making support. Additionally, a good tool allows for the transfer of results to other tools through the creation of smart interfaces. All of this helps minimize the non-tax work of tax professionals.

	LATECOMERS	OBSERVERS	EARLY ADOPTERS	PIONEERS
Axis 1: Validation of the strategic need to embrace technology.	○	○	○	●
Axis 2: Implementation of co-design processes to facilitate the technological materialisation of tax professionals' future dreams.	○	○	○	●
Axis 3: Ongoing call for tenders.	○	○	●	●
Axis 4: Launch of projects to create interfaces between various tax tools.	○	●	●	●
Axis 5: Tracing of manual actions performed by operators.	○	●	●	●

Team

Definition

This dimension aims, on the one hand, at assessing the skills already gained or those to be developed by tax teams for the implementation and management of digital tools. On the other hand, its purpose is to understand how the use of technology can enhance collaboration and help teams become more efficient and effective in their various tasks. It is crucial to identify whether technology truly represents an opportunity for tax teams, rather than an obstacle in their daily work.

Key Figures

31% of companies surveyed have a vision regarding the use of digital technology that they have shared with their tax team.

When asked about the existence of any intention within the group of developing digital skills among employees, 70% state that their group is proactive, 15% say that this desire exists but has not been materialized, and 15% state that the project is still in its early stages.

The majority of respondents explain that the resources allocated to digital training are adequate, although nearly 25% of respondents mention that though generic training options are offered, employees do not have enough time.

77% acknowledge that their team wastes time on manual and repetitive tasks that could be automated. Digitizing these time-consuming "non-tax" tasks would enable teams to become more efficient and focus on their true area of expertise.

46% declare that a member of the tax team is dedicated to the administration of technological tools.

Regarding the evaluation of tools deployed based on feedback from teams, only 8% state that they use a dedicated survey solution, while 69% collect feedback orally. Furthermore, 54% admit that they only receive feedback from their teams in case of complaints, while 46% have established a periodical feedback process.

92% of respondents state that they have access to the necessary data from other departments and that they can identify who is responsible for specific tasks and for task- validation within the team. 23% reveal that digital tools are primarily used to interact with other teams and exchange data. Technology as a means of collaboration is one of the initial steps of digitization before having integrated processes and tools that not only encourage cooperation, but also improve team efficiency.

When asked, "Does the technology used by your teams offer competitive functionalities that meet your requirements?", only 8% of respondents state that they already have competitive features ready to use.

For 46% of respondents, the features they may need could be provided through custom development, while the remaining 46% claim that, in their opinion, their requirements cannot be fulfilled. Is this due to a lack of information about existing options and possibilities?

Or do tax professionals fail to envision what is currently achievable with a good tool? Indeed, given the current technological advancements, is it conceivable that tax professionals are still waiting for technology to meet their relatively elementary needs?

Key Performance Indicators (KPIs)

Potential: This involves assessing whether the tools deployed within the group provide an opportunity for the teams to develop their expertise and skills or, on the contrary, act like a barrier due to problems arising from their adaptation or use.

Collaboration: The means provided by digitization to enhance collaboration within the group, including the use of collaborative platforms or tools that facilitate interactions among team members and the exchange of data within the tax department and across different departments of the group.

Evolution: This refers to what the group is doing to drive the digital maturity of its employees, particularly through the implementation of dedicated training programs or workshops.

Best Practices & Roadmap

Tax teams surveyed all have a good understanding of task allocation within the tax team, and deliverables are in place.

However, they struggle to find:

- the time to receive training and fully grasp the issue of digitalization, and
- the time to review their working methods in order to envision new ones.

Tax teams are used to interacting with other departments, but collaborate less effectively within their own teams, as their missions are often compartmentalized.

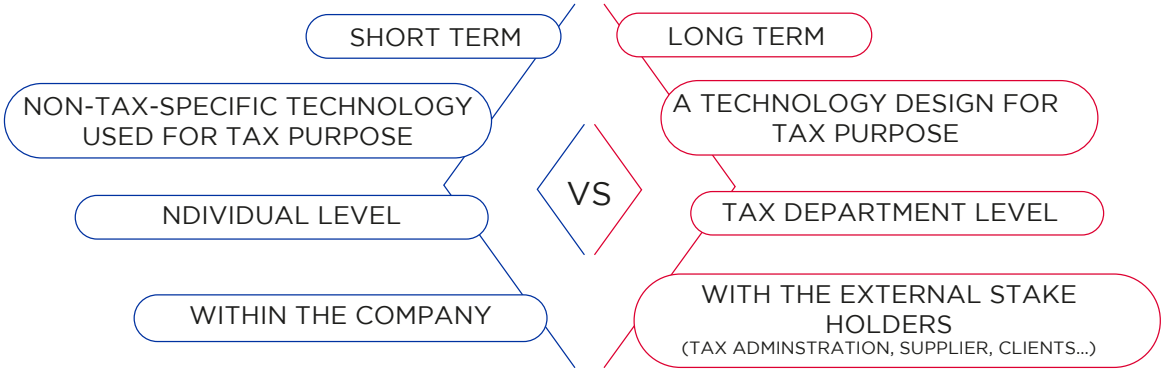
Latecomers are companies that have not implemented any digitalization awareness program nor any training program on the challenges and tools for successful digitalization.

Observers are companies that attempt to engage their team in this area, but fail to acknowledge that skills development can only happen by dedicating time to this issue.

The **early adopting** companies have structured their teams to embrace digitalization as a collective project.

As for the few **Pioneers**, they have multidisciplinary tax teams capable of understanding the specific needs of tax missions and of incorporating appropriate technologies too.

Part 2 Presentation of study results based on technological use case



In this second part, five technological use cases have been identified to provide concrete guidance towards solutions for making professional practices evolve.

The aim here is to address two levels of objectives:

A first level of short-term objectives is to implement technology to address the daily challenges faced by tax teams. The use of digital tools can help them improve efficiency in their tasks and refocus on their core expertise.

The second level of long-term objectives is a true digital transformation of the tax function, where teams are equipped with tools that not only meet their objectives efficiently, but also provide features for analysis, simulation, scenario comparison and decision-making support, enabling them to go even further.

In practical terms, it is important to first identify working methods that are no longer relevant and can be easily changed by adopting non-tax-specific yet powerful tools for tax professionals.

For example, sending Excel files via email with different versions overlapping is likely outdated.

Simultaneously, by considering the overall structure of tax data, more ambitious projects need to be initiated or expanded, to enable tool interoperability and redirect the tasks of tax professionals. This involves freeing them from repetitive and automatable operations and shifting towards higher-value missions assisted by effective modelling, projection, and decision-making tools.

File-sharing technologies

100% of companies surveyed declare that they have a file-sharing solution, which, in 92% of cases, is not specific to the tax department. This means that a non-tax technology is used for tax purposes, without any pre-existing domain expertise. Whether it's an internal Electronic Document Management (EDM) tool specific to the company (in 33% of cases), or external solutions such as SharePoint, Dropbox, Google Drive, Teams... 85% initially state that they find these tools very useful.

However, when we go deeper into detail, 45% state that their file-sharing tool does not effectively allow them to track changes and versions. Sometimes, it is because these options are not well-known or simply not activated. Or it is because the tool does not support it.

Additionally, 42% believe that their document-sharing technology does not allow them to find and archive financial documents as they would like to.

A good document-sharing tool should:

- Provide a shared storage space remotely accessible - this is the archiving function.
- Enable collaborative editing, allowing multiple users to write simultaneously.
- Have versioning monitoring capabilities to ensure traceability.
- Support different file formats.
- Ensure secure access by restricting permissions based on user roles, entities, or business units, thus achieving a level of data confidentiality based on the need-to-know principle.

Task management solution

When questioned about the overall organization within their tax team, our various respondents declared - and this is reassuring news:

- for 92% of them, that they are able to identify who is supposed to carry out each task and validate it.
- for 85% of them, that it is easy to give instructions and ensure compliance by all various stakeholders.
- and for 85% of them, that they know the exact validation sequence for each one of their processes.

The overall observation therefore is that of a good global organization with a clear overview, which may explain the limited development of dedicated task management tools.

Indeed, when asked about the possibility of monitoring their processes and ongoing tasks in real-time, 75% of respondents admit that this is not possible, as they need to contact the task manager. In practice, in 77% of cases, a simple Excel file is used to track tax workflows.

In contrast, 23% of respondents already use a dedicated tool with a business dimension to track the progress of tax workflows in real-time. Two-thirds of them confirm that their tools are equipped with effective alert, reminder, and notification features.

Taking a closer look at the tax topics that have led to the implementation of task monitoring, whether manual or digital, it appears quite logical that **the most fragmented tax topics require close monitoring and have the most firmly established monitoring processes**.

First and foremost, there are **tax filings**: 40% of companies surveyed have implemented task monitoring. Next, for 36% of respondents, there is task monitoring related to **transfer pricing calculations, reconciliation, and adjustments**.

In a forward-looking approach, when asked about the **tax topics they plan to improve** in the near future, **transfer pricing takes the top spot**: 46% of respondents indicate their intention of improving their monitoring technology for transfer pricing calculations, reconciliation, and adjustments.

This is closely followed by 38% of respondents who aim at improving their tax work monitoring technologies for **BEPS declarations (CbCR, upcoming pillars)**, and 31% of them intend to enhance their technology for generating and analysing **tax package** (proof of tax, effective tax rate).

A good tax task management tool should therefore:

- allow for task allocation among different stakeholders
- provide a validation sequence for each process
- include effective alert, reminder, and notification features
- offer real-time monitoring capabilities
- be applicable to multiple tax topics simultaneously
- prioritize deployment for the most fragmented tax topics and/or those where automation saves time and prevents manual errors
- › enable country-specific adjustments
- › be an tool enriched with both tax and business expertise.

Database: a *data lake* that feeds into tax tools

54% of companies surveyed stated that they were not familiar with the definition or use of a data lake. It was therefore necessary to clarify the concept: a massive database that collects all the necessary accounting, financial, statutory and other information in a single digital location for the various tasks of the tax professional.

A *data lake* contains raw data that can be utilized according to different desired uses. In this sense, the data lake relates to the broader notion of big data, which involves handling a large quantity of data. Once these raw data have been organized, filtered, and combined to have meaning, they become a full-fledged database or, on a larger scale, a data warehouse (storage space).

Once these clarifications had been provided, 45% of companies surveyed responded that they had a data lake, some of them answering only after the concept had been explained to them.

Among the companies that have a data lake, only one indicated that the data from the "Finance" data lake automatically feeds into tax processes. However, regarding the others, 66% stated that tax data is not readily available in the financial data lake or is difficult to access. As a result, in practice, the data lake does not feed any tax processes. In some cases, it was mentioned that the tax department had no direct access and had to request the data based on their needs.

At this digitalization stage, the automatic feeding of tax processes into a financial data lake remains more of an inspirational model than a standard feature in the corporate tax profession.

Different strategies for managing digital transformation coexist here. For some tax professionals interviewed, having a dedicated tax data lake is not necessary, and it is more useful to directly leverage the well-constructed and easily accessible financial data lake.

On the other hand, in the absence of an existing financial data lake, it is critical for tax professionals to structure their data and develop a dedicated data lake for the tax department. However, in the case of a parallel co-construction of two data lakes, it is crucial to anticipate the issue of data lake interoperability.

In the absence of automatic data feed, the reality of data collection observed within tax departments is as follows:

92% partly use Excel for data collection.

46% partly use a dedicated data collection tool for one or more tax topics.

38% partly use SharePoint for data collection.

In 25% of cases, ownership and access to data within teams is done through a central coordinator who collects and distributes data; in 25% of cases this is done through co-creation and sharing among team members, and in 50% of companies surveyed, this is based on the need-to-know principle. This means using technology that allows the definition of rights of access to data based on the specific needs of each tax specialist's role, without granting unrestricted access to all data.

Once the database is populated, the issue of the origin and different handling operations to which data was subjected arises. When asked, "**Do you have a clear understanding of the various data processing operations and versions?**" 77% of respondents do not have a clear history of the various data processing operations and versions, and 61% have no automated control over data collection, whether at the local or group level. Only 38% of companies surveyed claim to be able to identify "When/Who/Where/What/How" easily for each collected piece of data.

Indeed, in the case of manual data entry into the database, it is important to be able to trace:

- Who collected the data? - person in charge and process
- When was the data collected? - fiscal year and generation date
- How was it collected? - source database
- What type of data are we referring to? - data type, unit, account
- Where does it come from? - entities, counterparts, jurisdictions

One last important point to highlight regarding the data lake is that of all 46% companies with a data lake, 83% state that they are entirely dependent on IT teams or external services to access data from the data lake. Eventually, 7% of all responding companies only claim that their tax team members know where to find, access, and use all the data necessary for tax processes. Therefore, training tax teams in the rationale of managing and structuring tax data undeniably is the first step in a digital transformation journey.

For the optimal functioning of digital tools in the tax department, it is crucial to address the issue of feeding these tools with reliable information. The optimal solution is:

- Establishing a centralized data lake that consolidates the financial and/or tax data required for various tax processes.
- Involving as many stakeholders and contributors as possible in the existence of this data lake.
- Emphasizing training to enable tax teams to gain a certain level of autonomy in accessing, feeding, and extracting data from this data lake.
- Enabling the data lake to directly and automatically feed tax processes with structured traceability of When/Who/Where/What/How.

Dedicated interfaces for data processing

When asked about the obstacles to the implementation of digital tools, 54% of respondents highlight difficulties of integration with other systems.

Regarding the question: Would you say that your digital tools are sufficiently interconnected? 46% do not believe that their digital tools are adequately interconnected, as they still need to reprocess data from one tool to another; 15% others state that some interfaces exist, but are not reliable.

The interface concept is crucial. By interface, in this study, we mean the concept of a permeable boundary between two systems that allows for the transfer and exchange of data. This should not be confused with the notion of interoperability, which rather focuses on the quality of interfacing.

The first step in helping the tax professional envision an interconnected system is to have a good understanding of the tools and data models already in place in the company.

92% of companies surveyed confirm that they have a technical understanding of how each tool handles tax matters in their organization. However, only 41% actively involve team members in the review processes, while 59% mostly rely on processes established by other teams. These statistics show that tax professionals understand what technology is supposed to contribute to their daily work, but they are neither regular users nor contributors.

First and foremost, the related software for tax professionals is, of course, the one used by the accounting department. Half of the companies surveyed state that they have no interface between the accounting tool and the tax return filing tool for national taxes.

Then come the other software tools: the consolidation tool, the procurement tool, the human resources tool, the legal department tool, the contract management tool, the organizational chart of the various group subsidiaries, and access to statutory data of various entities within the group.

There are several interfacing methods beyond the traditional Excel imports, the most emblematic being API. An API (Application Programming Interface) is a set of rules and methods that enable different software applications to communicate together. Its main purpose is to provide a standardized interface for developers to access the functionality of a system, application, or service without having to know the details of its internal functioning. In fact, for system interoperability to be possible, software developers must have anticipated or at least allowed for data entry and exit points. Without them, each system operates in an isolated way, and no interface is possible.

A software vendor that does not provide an API prevents its users from leveraging the capabilities of its service and benefiting from the convenience of seamless integration with other services and applications.

While waiting for full tool interoperability, data feeding for tax purposes is done manually, using spreadsheets for over 50% of companies surveyed (54%). In the best-case scenario, these are spreadsheets available in a file sharing solution, identification being based on the need-to-know principle and the ability to track modifications (38%). However, more often than not, data is exchanged via non-dynamic Excel files through emails, without clear post-processing visibility of the various processing operations, data versions, or precise contributor identification.

The digitalization of various tasks in the tax department implies:

- A thorough understanding of the existing or upcoming tax tools in the market.
- A good knowledge of the tools used by other departments.
- The creation of APIs to automatically and dynamically retrieve relevant information for tax professionals.
- › The implementation of regular audits of automated data flows and the minimization of manual data feeding into tax tools.

Analysis, Modelling, and Decision-making Support

When asked about areas they believe need improvement in the technical solutions used by their teams, 48% of companies surveyed plan to enhance the decision-making support capabilities of their tools. The in-house tax practitioner is expected to become a true business partner who contributes to the overall vision and strategy of the company..

To achieve this, they need to work in close partnership with Management, particularly the finance department. Among companies surveyed, 60% report using spreadsheets, primarily Excel, for their financial projections. 20% use spreadsheets in conjunction with a generic Business Intelligence (BI) tool, and 50% utilize dedicated modelling solutions.

Business Intelligence, modelling... This requires a different mindset that tax professionals need to gain. They need to think in terms of trend charts, envisioning the tax indicators they would like to see when they open their computers in the morning, or even in real time.

Generic tools without a specific tax purpose already exist in companies (such as PowerBI, Tableau...), and the first tools specifically designed for taxation are emerging (e.g., Algonomia).

However, alongside these tools, the key point is to make tax teams better aware of this new way of thinking.

Tax professionals must apply their expertise to create simple, relevant, and effective visualizations to communicate tax information to decision-makers in their company, thus contributing to the overall decision-making process.

69% of companies surveyed stated that certain tax topics already contribute to financial estimates: 61% mentioned the tax package, 38% highlighted transfer pricing, 23% mentioned tax risks, and an equal percentage mentioned national taxes.

In practice, 70% of respondents report that they use a simple Excel spreadsheet to contribute to financial modelling.

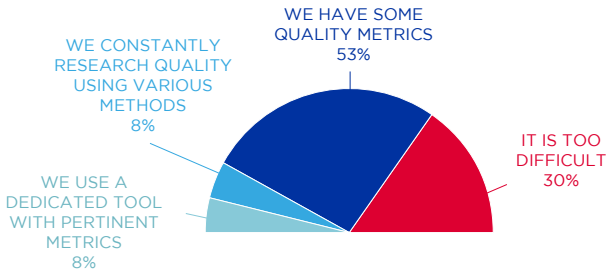
Undoubtedly, to make a more impactful contribution to decision-making at company-wide level, the tax department needs the right tools.

At this stage, 69% of respondents indicated that they do not have the ability to dynamically explore their intercompany flows, which is a preferred prerequisite for better projecting, anticipating, and securing the company.

To fulfil their ultimate mission as contributors to strategic decision-making in the company, tax professionals must:

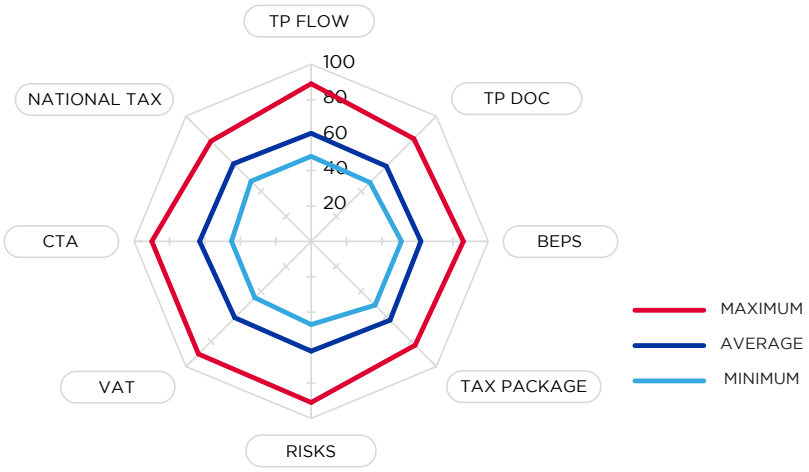
- be proactive for the implementation of a financial data lake in the company that guarantees comprehensive and secure data retrieval for tax purposes.
- Elevate each tax topic to a strategic level.
- Think in dashboard mode and design dedicated dashboards to make tax information meaningful to each decision-maker in the company.
- Demonstrate true added value by developing appropriate performance metrics.

Do you generate performance metrics to demonstrate the added value of the tax department to your management?



Part 3 Presentation of study results based on tax topics

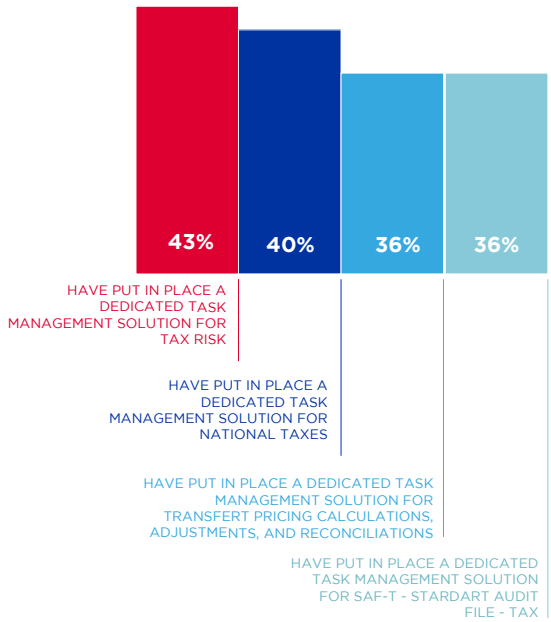
General Analysis based on Tax Topics



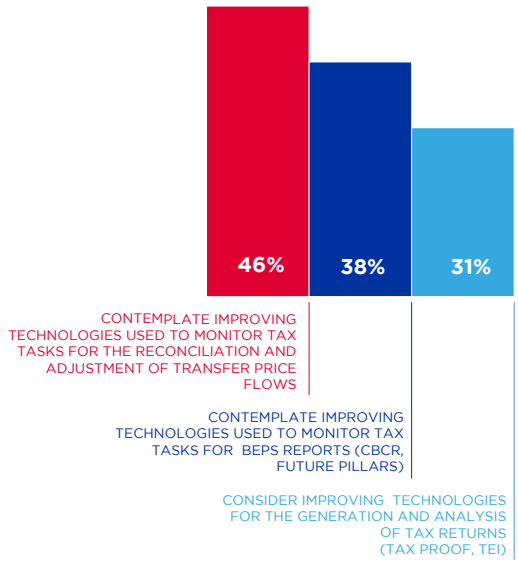
As part of this study, eight tax topics were identified to allow for in-depth and cross-cutting analysis.

For some of these topics, progress in terms of digitalization appears to be more noticeable than for others. Conversely, certain topics emerge as priority areas.

Have you implemented a dedicated solution for monitoring tax tasks within your department for the following tax topics?

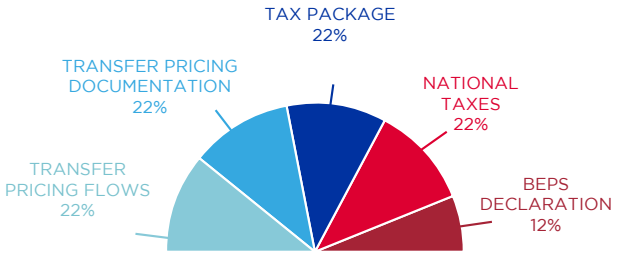


For which tax topics do you plan to enhance these tax monitoring technologies in the near future?



When asked about their calls for tender or ongoing digitalization processes being sourced, 31% of participating companies responded positively; some even initiated multiple projects simultaneously. However, among the various tax topics discussed, none of the respondents mentioned tax risk management, VAT, or SAF-T. Two alternative reasons were given: either the central tax department of the company was already equipped, or the decision to outsource was chosen.

Ongoing calls for tenders concern:



It should be noted here that the study was conducted before the adoption of the Pillar 2 directive, which will likely change the situation regarding ongoing calls for tenders for related subjects.

What tax topics have a tool being deployed?

- 38% have a tool being deployed for transfer pricing management.
- 23% have a tool being deployed for transfer pricing documentation.
- 23% have a tool being deployed for BEPS.
- 15% have a tool being deployed for tax package.
- 23% have a tool being deployed for tax risks.
- 23% have a tool being deployed for VAT.
- 8% have a tool being deployed for the SAF-T
- 15% have a tool being deployed for national taxes.

What tax topics are taken into account in your financial forecasts?

- 69% of companies include certain tax topics in their forecasts, specifically:
- 61% include the tax package
- 38% include transfer pricing flows.
- 23% include tax risks.
- 23% include national taxes.

Use of data lake

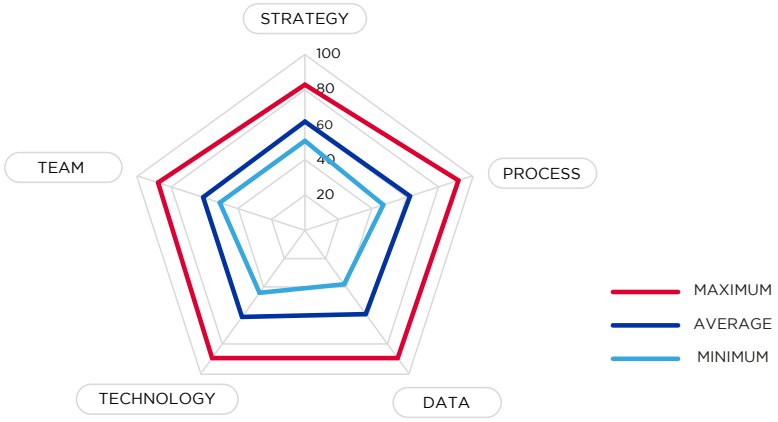
Very few groups have a data lake, but for those who have one, 33% prioritize its use for the two following tax topics: transfer pricing management and BEPS reporting.

After this brief cross-sectional introduction, findings specific to each tax topic will be presented successively, capturing readers who have a spectif tax expertise interest.

Transfer Pricing Flows

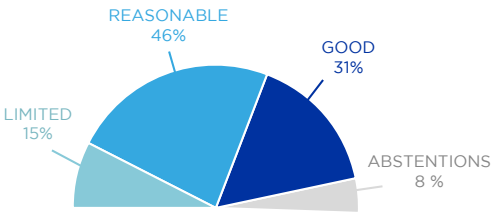
Global Assessment

Definition: Calculations, adjustments, and reconciliations of intra-group flows



Evaluation of Processes

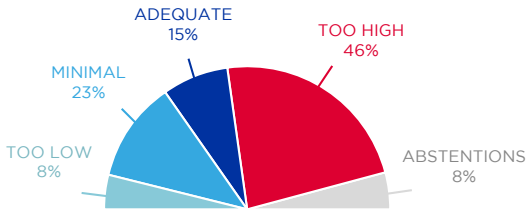
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

How do you evaluate the time and investments into resources required for managing your transfer pricing flows?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Outsourcing

8% fully or partly outsource transfer pricing flows.

Data collection

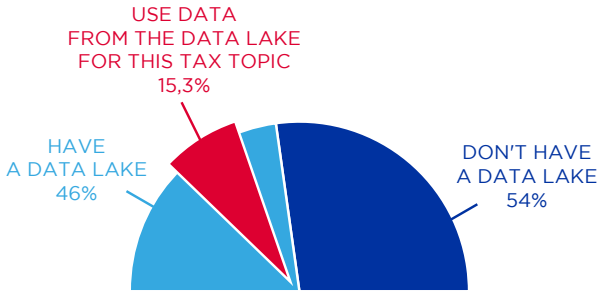
For transfer pricing flows, 61% use Excel to collect their data, 23% use SharePoint, and 31% use a common database with finance.

(8% abstained from answering)

Do you have interfaces between the accounting tool and the various tax return filing tools?

Not for this tax topic

Do your transfer pricing flows use data from the financial data lake?



Tax process monitoring

36%
have implemented a dedicated solution for tax task management within their department for their transfer pricing flows.

55%
dstate that the technology used for monitoring the TP flow process could be improved.

45%
declare that the technology used for monitoring the TP flow process successfully achieves its objectives.

46%
are considering improving technologies for monitoring tax workflows, specifically for the reconciliation and adjustment of TP flows.

Strategy and next steps

Is this tax issue taken into account in financial forecasts?

38%

of companies surveyed include transfer pricing flows in their financial projections.

Are you currently involved in any tender processes or sourcing initiatives for the following tax topics?

For transfer pricing flows,

22%

of respondents have reported having an ongoing tender process.

15%

have ongoing sourcing initiatives for digitalization processes.

Do you have a tool currently being deployed for this tax topic?

For transfer pricing flows,

38%

of respondents have reported having a tool currently being deployed.

Conclusion

While transfer pricing analysis is a topic that is naturally fully relevant when it comes to digitalization, due to its heavy reliance on data, it is ultimately one of the most neglected topics among responding tax teams.

There are two reasons for this:

Firstly, tax teams are often excluded from data flows related to transfer pricing and only act ex-post to make adjustments or, in the worst case, defend transfer pricing practice retrospectively, to ensure compliance with the transfer pricing policy defined in the company's documentation. In some more mature groups, operational transfer pricing processes are in place, which closely align transfer pricing policies with intra-group billing. However, these processes are still distant from the routines of most tax teams.

The second difficulty is more technical than organizational. Transfer pricing analysis requires all teams involved in its implementation to have a good understanding of different transfer pricing methods, various levels of analysis (such as account management segmentation and going-concern concepts), and, to move on beyond simple automation towards effective decision-making support, or the consideration of variations in tax systems to determine impacts.

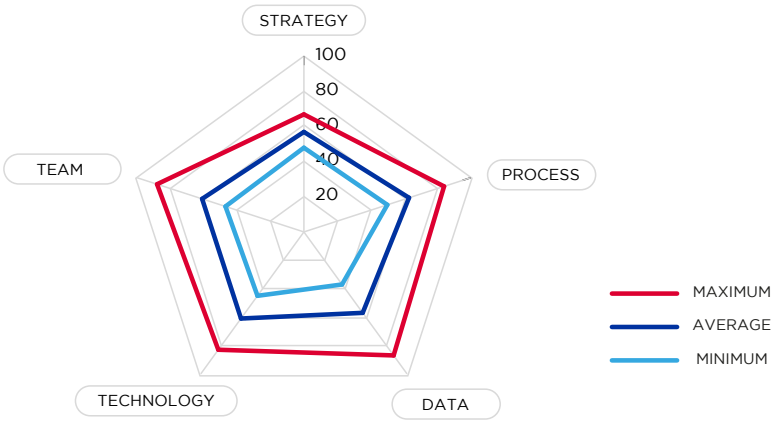
In the near future, tax teams will need to work in close cooperation with IT and Finance teams to directly incorporate data structures and necessary technological components that are emerging in the market into the financial information system.

This will transform the management of transfer pricing flows from handling operations by ill-equipped tax departments (despite investments, as 50% of respondents expressed disappointment) that primarily rely on Excel (as reported by 75% of respondents using Excel for their transfer pricing management processes) to the opportunity of becoming effective contributors to the company's financial performance.

Transfer Pricing Documentation

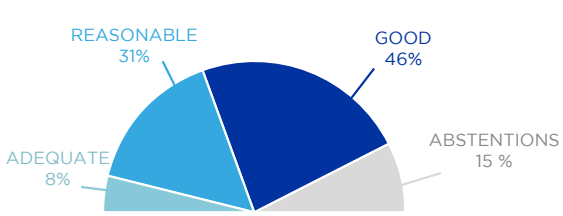
Global Assessment

Definition: Transfer pricing Documentation



Evaluation of processes

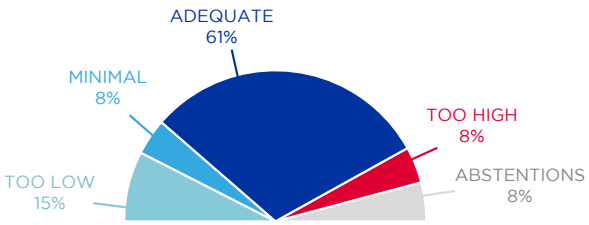
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

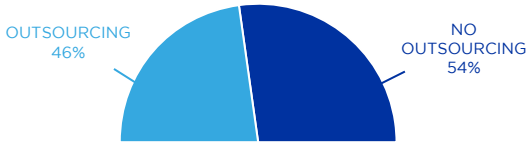
How do you evaluate the time and investments into resources required?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Outsourcing



46% completely or partly outsource the documentation of transfer pricing flows.

Data collection

For transfer pricing documentation, 61% use Excel, 38% use SharePoint, 8% use a common database with the finance team, and 15% use a dedicated tax tool.

(8% abstained from answering)

Do you have interfaces between the accounting tool and various tax return filing tools?

Not for this tax topic

Does this tax topic use data from the financial data lake?

Not for this tax topic

Tax process monitoring

23%

have implemented a dedicated solution for monitoring tax processes in their department for transfer pricing documentation.

8%

state that the technology used for monitoring the process of transfer pricing documentation does not meet its objectives.

(46% abstained from answering)

Strategy and next steps

Is this tax issue taken into account in financial forecasts?

Not for this tax topic

Do you currently have any ongoing tender processes or sourcing for digitalization considering the following tax topics?

15%

have an ongoing tender process for transfer pricing documentation.

15%

have an ongoing digitalization process for transfer pricing documentation.

Do you currently have any tools being deployed?

23%

have a tool being deployed for transfer pricing documentation.

Conclusion

Transfer pricing documentation has been a legal requirement for over a decade now. It is already generally well-integrated into the processes of large groups. The current trend is towards better overall management of transfer pricing policies to improve efficiency, while minimizing the financial and/or reputational risk of the policy chosen. As a result, master files are often generated at central level, and local adaptations in the form of "entity files" only are prepared locally.

From a methodological perspective, the traditional approach consisting in generating transfer pricing documentation through local consulting firms is still prevalent, as shown by our study. This is a natural consequence of the diversity of local formalities regarding "entity files." However, since the publication of BEPS Action 13 by the OECD in 2015, these regulations have gradually become more standardized, and major consulting firms, as well as third-party technology providers, now offer centralized transfer pricing documentation management tools that allow for local adjustments.

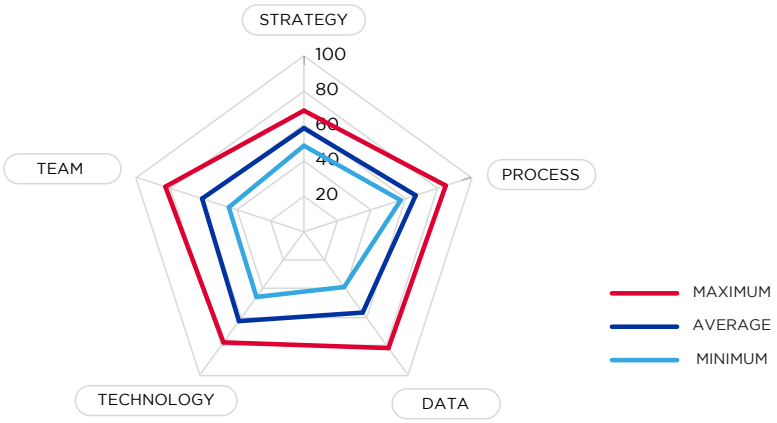
Another challenge reported by groups, in addition to preparing documentation, is monitoring compliance with deadlines for reporting or making available these various documents. Here, we observe a higher level of dissatisfaction and a clear need to be able to track overall transfer pricing compliance at group-level.

In the future, it can be expected that these issues will be supervised centrally, including the completion of financial data in entity files, using a task management system that tracks deadlines based on the relevant jurisdictions.

BEPS reforms and related reports

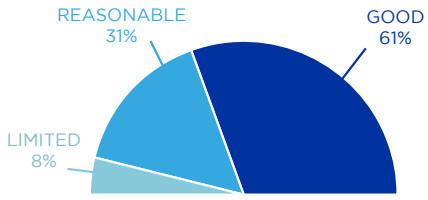
Global Assessment

Definition: BEPS reforms and related reports (Country by Country Reporting (CbCR), simplified documentation, Pillar 2).



Evaluation of processes

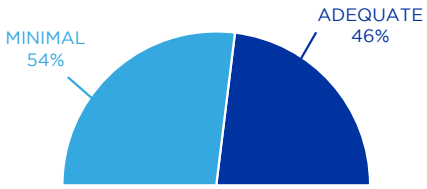
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

How do you evaluate the time and investments into resources required?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Outsourcing

No outsourcing

Data collection

For BEPS, 38% use Excel, 23% use SharePoint, 38% use a common database with finance, and 15% use a dedicated tax tool.

(8% abstained from answering this question)

Do you have interfaces between the accounting tool and the various tax return filing tools?

85%

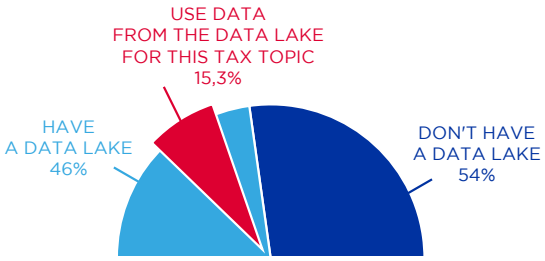
do not have an interface between the accounting tool and the reporting tool for BEPS.

8%

have an interface between the accounting tool and the reporting tool for BEPS.

(7% abstained from answering this question)

Does this tax topic use data from the financial data lake?



Tax process monitoring

15%

have implemented a dedicated solution for monitoring tax work in their department for BEPS.

43%

state that the technology used for monitoring the BEPS process effectively meets its objectives.

((46% abstained from answering this question)

57%

state that the technology used for monitoring the BEPS process could be improved.

38%

are considering improving the technology for monitoring tax work for BEPS filing (CbCR, upcoming pillars).

Strategy and next steps

Is this tax topic taken into account in financial forecasts?

Not this tax topic.

Are you currently going through tender processes or sourcing projects for digitalization for the following tax topics?

8%

of respondents have an ongoing tender process for BEPS.

15%

have an ongoing digitalization process for BEPS.

Are you currently deploying any tools?

23%

have a tool currently being deployed for BEPS.

Conclusion

The management of "BEPS" issues, which primarily involves the production and reporting of CbCR, but will soon expand rapidly to include the other pillars, initially benefited from processes which exist in the consolidation team, by adding legal and HR information on the relevant entities. The process most commonly observed is data extraction from the consolidation tool, supplemented by data from other tools, followed by manual adjustments in an Excel document, before a transfer to tax authorities.

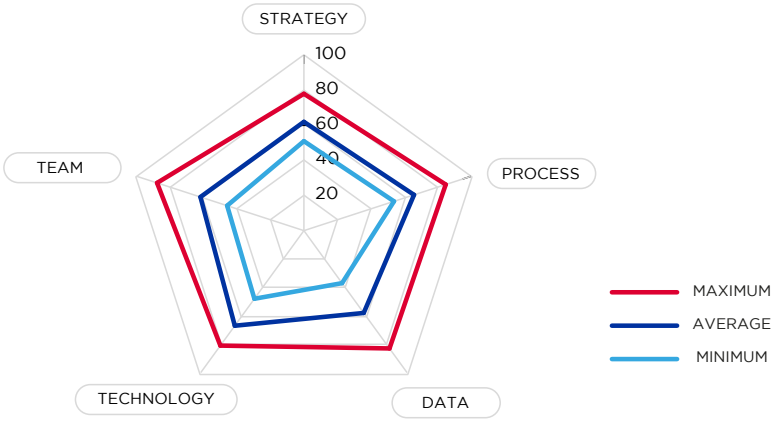
The accuracy and quality of the data resulting from this highly manual process are quite low, which may be acceptable for CbCR data but will not be acceptable for implementing calculations related to Pillar 2. Unlike CbCR, this pillar generates additional tax liabilities, so it will need to be treated with the same level of rigor as other accounting processes. The data used, although similar to CbCR in terms of sources (consolidation tool, equity management tool, HR tools), offer significantly increased accuracy.

We expect that the implementation of a Pillar 2 process involving the consolidation and tax teams will greatly help groups mature their digital processes with mixed data sources and require expertise in taxation, accounting, and IT. These investments can then easily be of benefit for other tax challenges and have a trickle-down effect.

Tax Package

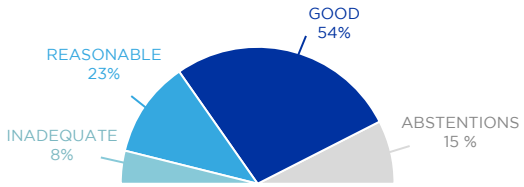
Global Assessment

Definition: The Tax Package topic includes obligations related to tax return filing, tax documentation, reliable audit trail, tax proof and the calculation of the effective tax rate (ETR), covering both their generation and analysis.



Evaluation of processes

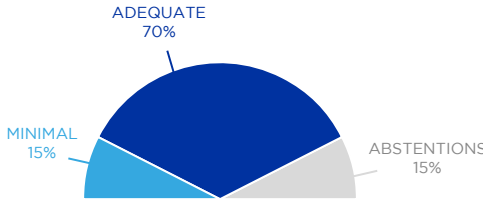
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

How do you evaluate the time and investments into resources required?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Even if there is still room for improvement, it should be noticed that 100% of respondents declare that they are satisfied with the delivery concerning this tax topic.

Outsourcing

No outsourcing

Data collection

For the tax package, 31% use Excel, 15% use SharePoint, 54% use a common platform with finance, and 15% use a dedicated tax tool.

(15% of respondents abstained from answering)

Do you have interfaces between the accounting tool and the various tax return filing tools?

Not for this tax topic

Does this tax topic utilize data from the financial data lake?

Not for this tax topic

Tax process monitoring

31%

have implemented a dedicated solution for monitoring tax work in their department for the tax package.

(15% abstained from answering this question)

31%

state that the technology used for monitoring the tax package process could be better.

38%

state that the technology used for monitoring the tax return process achieves its objectives.

(31% abstained from answering this question)

31%

are considering improving the technology for generating and analyzing the tax package (Reliable Audit trail, tax proof, ETR).

Strategy and next steps

Is this tax issue taken into account in financial forecasts?

61%

of groups include the tax return in their financial forecasts.

Are you currently involved in any tenders or sourcing processes for the following tax topics?

15%

have ongoing tenders for the tax package.

15%

have ongoing digitalization processes for the tax package.

Are you currently deploying any tools?

15%

have a tool currently being deployed for the tax package.

Conclusion

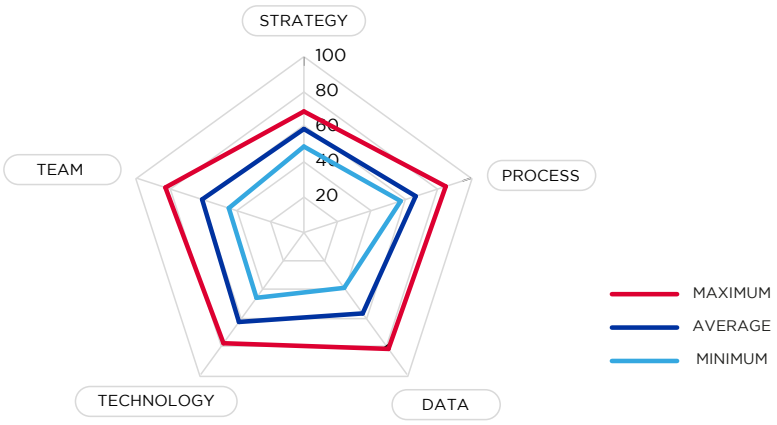
This process is primarily accounting-related and is mostly carried out at consolidated group level. Tax specialists usually only get involved ex-post to understand, analyze, and qualify.

Strangely enough, in the tax return filing process, tax specialists only act as supporting agents without being directly in control. The digitalization of this step therefore becomes commonly used thanks to the initiative of other departments in the company, where digitalization is also underway.

Tax risks

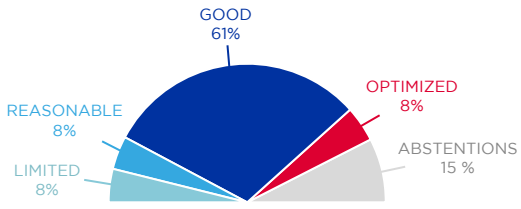
Global Assessment

Definition: This section focuses on the monitoring of tax risks and tax audits.



Evaluation of processes

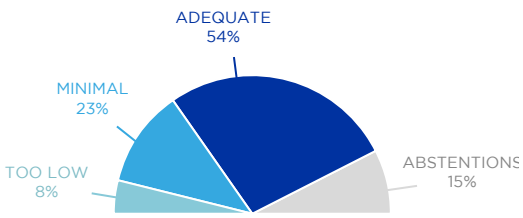
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

How do you evaluate the time and investments into resources required?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Outsourcing

31% completely or partly outsource the management of tax risks.

Data collection

For tax risks, 23% use Excel, 8% use informal means (meetings/phone calls), 8% use emails, 23% use SharePoint, 8% use a common database with finance, and 31% use a dedicated tax tool.

(15% did not respond to this question)

Are there interfaces between the accounting tool and various tax return filing tools?

Not for this tax topic

Does this tax topic use data from the financial data lake?

Not for this tax topic

Tax process monitoring

31%

have implemented a dedicated solution for tracking tax work in their department for tax risks

(15% did not respond to this question)

31%

state that the technology used for tracking the process for tax risks could be better

38%

state that the technology used for tracking the process for tax risks meets its objectives

23%

eplan to improve technologies for tracking tax work for tax risks and audit monitoring

Strategy and next steps

Is this tax topic taken into account in financial forecasts?

23%

of the groups include tax risks in their financial forecasts.

Are you currently issuing calls for tenders or sourcing for the following tax-related topics?

No ongoing calls for tenders

15%

are currently in the process of digitalizing tax risk management

Are you currently deploying any tools?

23%

have a tool currently being deployed for tax risk management.

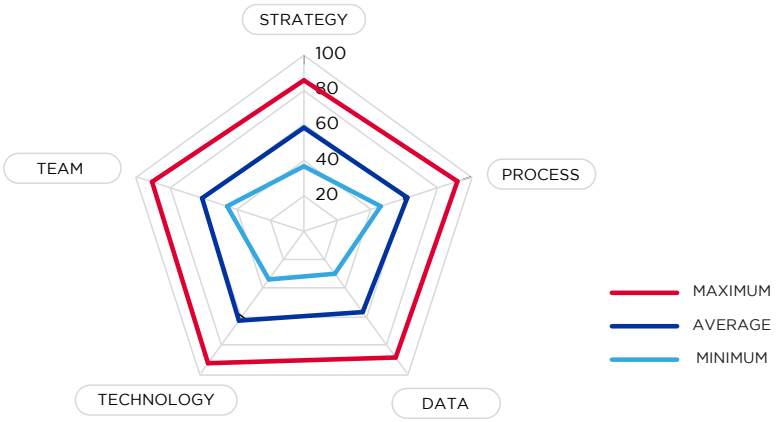
Conclusion

Effective tax management requires a proper control of tax risks. The majority of companies have understood this well and are satisfied with the monitoring process implemented and the investments required for tax risk management. However, there is still room for improvement. For all 25% of respondents which outsource this topic, expectations regarding digitalization seem to be directed externally.

VAT

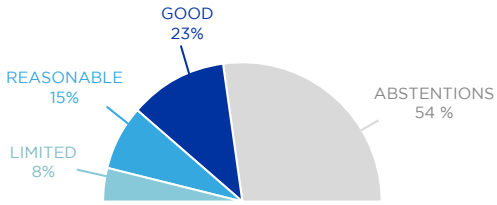
Global Assessment

Definition: This tax matter focuses on the Value Added Tax (VAT), whether regarding its determination (scope of application and rates), filing, or payment.



Evaluation of processes

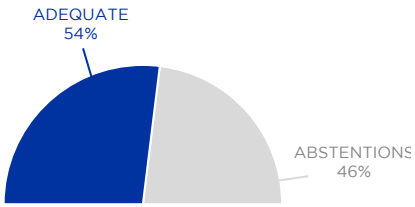
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

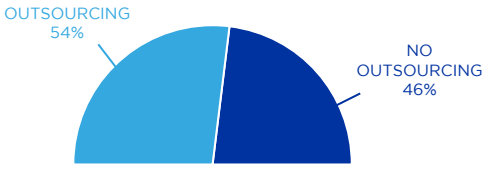
How do you evaluate the time and investments into resources required?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Outsourcing



54% fully or partly outsource Value Added Tax (VAT).

Data collection

For VAT, 15% use Excel, 15% use SharePoint, 7% use a common platform with the finance team, and 23% use a dedicated tax tool.

(46% abstained from answering this question)

Do you have interfaces between the accounting tool and the various tax return filing tools?

31%

do not have an interface between the accounting tool and the VAT filing tool.

23%

have an interface between the accounting tool and the VAT filing tool.

(46% abstained from answering this question)

Does this tax topic use data from the financial data lake?

Not this tax topic

Tax process monitoring

15%

have implemented a dedicated solution for monitoring VAT-related work in their department.

(31% abstained from answering this question)

23%

state that the technology used for VAT process tracking effectively achieves its objectives.

(46% abstained from answering this question)

31%

believe that the technology used for VAT process monitoring could be improved.

15%

plan to improve technologies for VAT monitoring.

Strategy and next steps

Is this tax topic taken into account in financial forecasts?

Not this tax topic

Are you currently having any calls for tenders or sourcing processes underway for the following fiscal topics?

Not for this tax subject

Are you currently deploying any tools?

23%

have a tool currently being deployed for VAT.

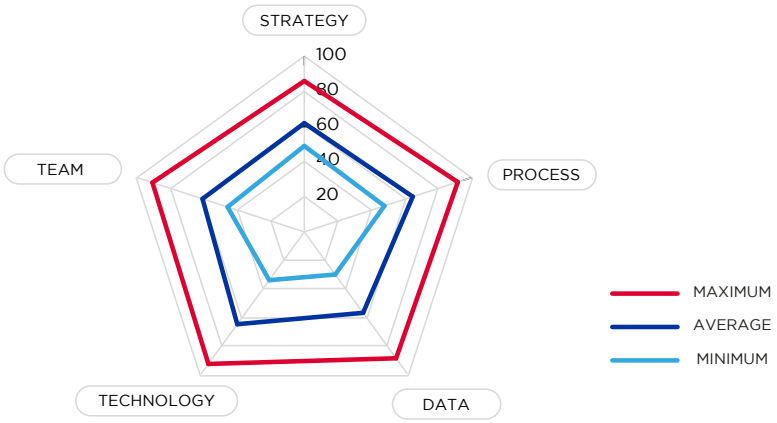
Conclusion

Just like the Standard Audit File for Tax (SAF-T), VAT is not a tax topic on which companies surveyed have expressed a strong opinion. In practice, VAT issues are usually not the direct responsibility of the tax department; either they are handled internally by another department of the company or directly outsourced. This tax topic stands out for a significant number of respondents among companies surveyed, which abstained from answering, which should prompt further research efforts.

Standard Audit File for Tax (SAF-T)

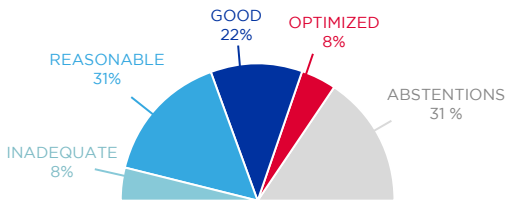
Global Assessment

Definition : This section focuses on the preparation of the Standard Audit File for Tax (SAF-T);
its name used for implementation differs according to the country, from “Fichier des écritures comptables” (FEC) in France to “Fichier d’audit informatisé” AED (FAIA) in Luxembourg. This Accounting Entries file was initiated by the OECD which defines it as a file containing reliable accounting data exportable from an original accounting system, for a specific time period and easily readable due to the standardisation of its layout and format that can be used by revenue authority staff for compliance checking purposes.



Evaluation of processes

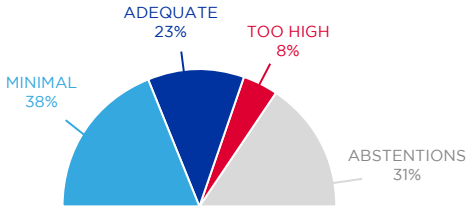
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

How do you evaluate the time and investments into resources required?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Outsourcing

8% fully or partly outsource SAF-T

Data collection

For the preparation of the SAF-T, 23% use Excel, 15% use SharePoint, 15% use a common platform with the finance team, and 8% use a dedicated tax tool.

(46% abstained from answering this question)

Do you have interfaces between the accounting tool and various tax filing tools?

Not for this tax topic

Does this tax topic use data from the financial data lake?

Not for this tax topic

Tax process monitoring

8%

have implemented a dedicated solution for monitoring tax-related work within their department for SAF-T

(38% abstained from answering this question)

23%

state that the technology used for monitoring the SAF-T process could be better

15%

state that the technology used for monitoring the SAF-T process meets its objectives

(61% abstained from answering this question)

15%

plan to improve technologies for preparing the SAF-T

Strategy and next steps

Is this tax topic taken into account in financial forecasts?

Not this tax topic

Are you currently having any calls for tenders or sourcing processes underway for the following fiscal topics?

Not for this tax topic

15%

of companies surveyed have an ongoing digitalization process for the SAF-T

Are you currently deploying any tools?

8%

have a tool currently being deployed for the SAF-T

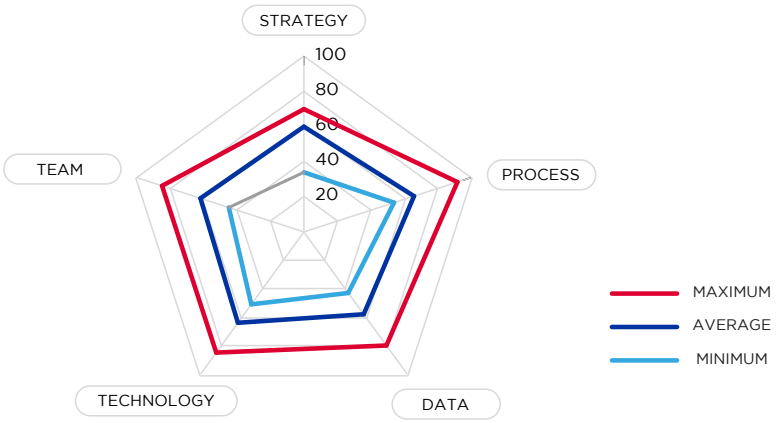
Conclusion

Just like VAT, SAF-T management is not a tax topic on which companies surveyed have expressed a strong opinion. In practice, this tax topic is usually not the direct responsibility of the tax department, but is handled directly at accounting department level.

Reporting of national tax

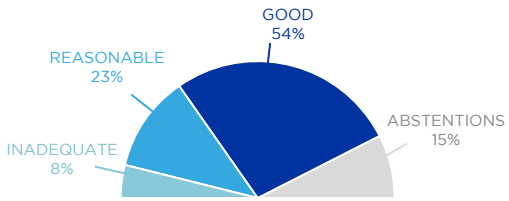
Global Assessment

Definition: This section covers all the reporting obligations of companies towards the various tax authorities of the states in which they operate.



Process assessment

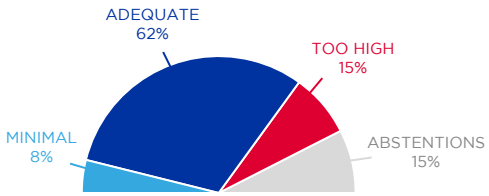
How do you assess the capability of your processes to address this tax topic?



Possible responses:

- **Inadequate**, the process does not achieve its objective
- **Limited**, it barey meets requirements and sometimes fails
- **Reasonable**, the process is reliable for minimal requirements
- **Good**, the objective is reliably achieved
- **Optimized**, it goes beyond expectations

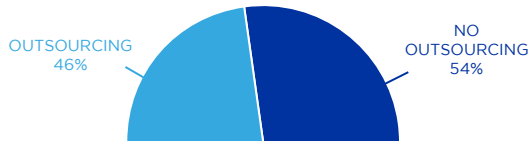
How do you evaluate the time and investments into resources required?



Possible responses:

- **Much too high** for disappointing results
- **Adequate** but requires better management
- **Minimal** resources for good results
- **Too low**, and it shows in the final outcome

Outsourcing



46% completely or partly outsource the reporting of national taxes.

Data collection

For the reporting of national taxes, 31% use Excel, 23% use SharePoint, 15% use a common platform with finance staff, and 31% use a dedicated tax tool.

(23% abstained from answering this question)

Do you have interfaces between the accounting tool and various tax return filing tools?

38%

do not have an interface between the accounting tool and the reporting tool for national taxes.

38%

have an interface between the accounting tool and the filing tool for national taxes.

(24% abstained from answering this question)

Does this tax topic use data from the financial data lake?

Not this tax topic

Tax process monitoring

31%

have implemented a dedicated solution for monitoring tax-related tasks in their department for reporting national taxes.

(23% abstained from answering this question)

8%

state that the technology used for monitoring the national tax-related process does not meet its objectives.

28%

state that the technology used for monitoring the national tax reporting process could be better.

23%

state that the technology used for monitoring the national tax reporting process meets its objectives.

(46% abstained from answering this question)

15%

plan to improve tax reporting technologies.

Strategy and next steps

s this tax topic taken into account in financial forecasts?

33%

of the groups include tax risks in their financial forecasts.

Are you currently conducting any bidding or sourcing processes for digitalization in the following tax topics?

15%

of respondents have ongoing bidding processes for national taxes.

8%

have an ongoing digitalization process for national taxes.

Are you currently deploying any tools?

15%

have an ongoing tool deployment project for national tax reporting.

Conclusion

Regarding the topic of national tax return filing, the study highlights a significant reliance on outsourcing. The obvious reason for this is the fragmentation of expectations from tax authorities in different jurisdictions, which prompts the use of local service providers.

Surprisingly, only 31% of companies surveyed report the implementation a dedicated tax work monitoring solution for this subject. This provides an interesting opportunity to aptly enhance the level of tax digitalization in companies. Implementing a task management tool can facilitate comprehensive monitoring for various deadlines and provide real-time visibility of their validation by tax team members. This is the perfect area for embarking upon digitalization efforts and, while doing so, improving the team's efficiency by optimizing investments into time and resources, while ensuring the quality of results obtained.

Research methodology

The methodological approach for this research study was designed keeping a close watch on field realities, to provoke meaningful questions and explore in depth a profession in search of practical solutions.

Our ambition was to provide an academic perspective on practical realities, drawing from the scientific contributions of organizational theory with a focus on digital maturity (B), and taking inspiration from transformation consultancy to develop a practical methodology rooted in observed practices (C). However, before going into further details, it is important to provide some vocabulary clarifications for those who are less familiar with these words (A).

Vocabulary clarifications:

First and foremost, it is important to clarify the term "digitalization," which should not be mistaken with "digitization".

To Digitize refers to the process of making something digital, such as transforming a paper invoice into a digital format bill.

Dematerialization goes further by considering the entire process aiming at eliminating the use of physical media and transitioning to electronic document management.

Digitalization goes even further as it impacts work methods, facilitating exchanges and collaboration, automating tasks, and improving the quality and speed of execution through the use of digital technologies (such as algorithms or artificial intelligence).

Digital transformation goes beyond that by revolutionizing practices, discharging staff of repetitive and low-value-added tasks, and making previously impossible things possible.

Next, **digital transformation strategies** emerge with the aim of setting objectives and mobilizing resources amid numerous new prospects.

Measuring **digital maturity** becomes necessary to assess progress at various stages of the digital transformation process, whether it is before, during, or after the implementation of a strategy.

A solid and innovative literature review

This study is rooted in academic papers referring to the various fields addressed in this study.

Regarding the concept of **digital transformation**, we will obviously mention Matt et al. (2015) (Matt, C., Hess, T., & Benlian, A. (2015) *Digital transformation strategies*. Business & information systems engineering, 57(5), 339-343), who explain that the use of new technologies implies either changes in the methodology of value creation or changes in the structure of the company itself.

On the notion of **digital maturity**, Aslanova (2020) (Aslanova, I. V., & Kulichkina, A. I. (2020, May). *Digital maturity: Definition and model*. In 2nd International Scientific and Practical Conference *"Modern Management Trends and the Digital Economy: from Regional Development to Global Economic Growth"* (MTDE 2020) (pp. 443-449). Atlantis Press) directly inspired our study by stating that the 5 items characterizing the level of digital maturity of an organization are its strategy, its organization/processes, its teams, the technologies used, and the data available. Other aspects, such as corporate culture, level of expertise, etc., have been proposed in other digital maturity models, and are appropriately summed up by Thordsen (2020) (Thordsen, T., Murawski, M., & Bick, M. (2020, April). *How to measure digitalization? A critical evaluation of digital maturity models*. In Conference on e-Business, e-Services and e-Society (pp. 358-369). Springer, Cham).

However, what is missing in this well-established literature in management theory is its transposition to the tax sphere. Academic research focuses on digital maturity but not on digital tax maturity.

And when the issue of tax digitalization is tackled, this is usually done with a focus on tax administration (Nazarov, M. A., Mikhaleva, O. L., & Chernousova, K. S. (2019, April). *Digital transformation of tax administration.* In International Scientific Conference *"Digital Transformation of the Economy: Challenges, Trends, New Opportunities"* (pp. 144-149). Springer, Cham.) or on the personality traits of tax professionals in Germany (Diller, M., Asen, M., & Späth, T. (2020). *The effects of personality traits on digital transformation: Evidence from German tax consulting*. International Journal of Accounting Information Systems, 37, 100455).

Doyle & Buckley, on the other hand, adopt an approach focused on analyzing the tasks of tax professionals to observe how technology will impact the future daily routines of tax professionals in consulting firms (Doyle E, Buckley, P., *Artificial Intelligence and the Tax Practitioner* - forthcoming).

On the corporate tax side, a study conducted by a consulting firm provides some insights (Deloitte, *Tax transformation trends survey*, Operations in focus, May 2021), but it fails to address the case of France.

The case of France was addressed in Emmanuelle DEGLAIRE's work on *TaxTech: Are tax expert to be replaced by robots?*

However, academic literature on the issue of digitalization of the tax function remains limited to this day.

This study, which is focused on tax professionals working in large French companies, therefore contributes to the theorization of the evaluation of the digital maturity of the tax function in businesses.

Methodology

Questionnaire design

The questionnaire, which lists 99 questions, was built by drawing inspiration from successive sources:

- **Aspects that characterize the level of digital maturity of an organization as proposed by academic research (as mentioned above) and adapted to the tax field, ultimately selecting 5 elements:**
  - Strategy
  - Process
  - Team
  - Technology
  - Data
- **Preliminary diagnosic** interview grid used by Algonomia during its initial meetings with prospective clients.
- Adjusted based on the **feedback from other partners,** namely Fidal and the EDHEC Augmented Law Institute,
- And further refined during the **initial interviews** based on responses and feedback collected.

Company selection

This study is based on the assumption that larger companies are more advanced in terms of digitalization, due to organizational and budgetary reasons. Indeed, investments into digital solutions are high, and the larger the company, the greater the return on investment is expected to be. It has therefore been decided to focus on very large companies, specifically those with annual revenues exceeding 750 million Euros.

As a result, this study did not enable us to verify our initial assumption, due to the absence of surveys conducted among smaller companies.

We may, in a future version, expand the scope of our study to include smaller companies and extend it to the European level. However, this first publication is limited to the scope of France. This is the reason why we were not able, in this study, to verify our initial assumption, because of the absence of surveys conducted among smaller companies. So, this assumption is more of a starting point.

All three partners then relied on their networks to send interview requests via emails. Out of approximately twenty requests sent, 13 companies responded positively. Contacts who responded negatively mostly mentioned scheduling constraints without expressing any reservations about the relevance of the subject matter.

This unusually high response rate can be ascribed to the fact that targets were selected based on prior knowledge by the authors of their interest in the topic of digitalization. So, though the sample tested may not be fully representative of the overall level of digitalization in large French companies, it does provide an opportunity to share best practices among early adopters.

Data collection and processing

Interviews were mostly conducted in person. They took place, from one to two hours, between April and October 2022. As part of this collective report, data collected was completely anonymized.

Each response was entered into a matrix that linked it to the different dimensions studied and assigned a score for each dimension. In fact, the same question can contribute to the score of multiple dimensions.

For example, question 51, "Are there collaboratives tools currently deployed for your teams?" contributes to both the score of the "team" dimension in its subsection "collaboration" and the "process" dimension in its sub-sections "governance" and "adequacy".

An individual report is also prepared for each participating company, explaining their score in more detail, along with personal recommendations.

Conclusion

Conclusions drawn from this study are highly promising: digitalization in the tax field is underway among groups surveyed. Strategic management is seeking digitalization, and tax departments are gearing up for it.

However, various limitations need to be highlighted.

The first limitation relates to the survey itself: i.e. its **representativeness**. As mentioned in the methodology section, most respondents are early adopters, early believers, and it may be risky to infer overall averages solely based on the data of this study. This limitation therefore calls for a greater observation of practices to broaden the panel studied: a larger number of companies, including smaller and non-French companies.

The second limitation is more operational by nature. There is a **gap between desires and actual implementation**. Needs have been identified, initial demonstrations have been made, and early successes have been achieved. However, **it is still too early to talk about a profound digital transformation in the field of taxation**. To put it metaphorically, one should not confuse "buying three refrigerators" with "designing a complete cold chain." The first option undoubtedly represents the early stage of the second. First raise awareness and evangelize, then develop and industrialize.

However, the difference between these two approaches is significant: digitalization as a response or digitalization as anticipation. Is this forced digitalization or a proactive approach in a comprehensive digitalization project for tax management?

The **current context** is highly favourable to digitalization due to underlying regulatory pressure. For example, electronic invoicing requires companies to collaborate across various departments (accounting, purchasing, tax, logistics, and of course IT) in a forced manner. Similarly, compliance with the OECD Pillar 2 reform will be challenging if it only relies on spreadsheet tools. There is no choice but to make working methods evolve.

At the same time, companies are still grappling with the difficulties caused by the COVID pandemic. The war in Ukraine and resulting political uncertainties, as well as inflation and rising interest rates, do not create a favourable economic environment. This is why it is challenging for companies to be fully dedicated to profound structural reform projects such as digitalization and to envision a new digital dimension.

Even when budgets do exist, which may not be the case very often, activating them is not always straightforward in practice. **Human resistance** to change within teams and a **lack of operational know-how** are significant obstacles. In the field of tax digitalization, successfully completing transformation nowadays is not always easy.

Glossary

Cloud: Cloud refers to a remote server or location in the context of computing, which enables the storage, retrieval, and modification of files over the internet from any location and any device.

Dashboarding: It refers to the construction of a visual display that provides access to key updated digital information in a single location.

Data lake: A storage space that brings together raw data that can be utilized for various desired purposes. In this sense, the data lake relates to the broader concept of big data, which involves manipulating a large amount of data. Once these raw data are organized, filtered, and interconnected to make sense, they become a stand-alone database or, on a larger scale, a data warehouse (storage space)..

Drive: In computing, it refers to a storage space. Nowadays, many drives are in the cloud, meaning they are online and accessible via the internet.

Efficiency: Effectiveness focuses on the ratio between the quality of the result compared with resources utilized.

Effectiveness: Efficiency focuses solely on the result without measuring the resources used to achieve that result.

Excel: Microsoft's spreadsheet solution. In common language, a spreadsheet is often referred to as an Excel file, even if it refers to a solution from another software publisher than Microsoft.

Google Doc: Google's word processing solution.

Google Drive: Online storage space offered by Google that allows file sharing.

Google Sheet: Google's spreadsheet solution.

Interface: A communication device between different items from computer programs.

Need-to-know [principle]: A technology that defines the scope of data access rights based on the needs related to the job description of each tax professional, without granting unrestricted access to all data.

OneDrive: Online storage space offered by Microsoft. It is primarily personal but can be shared if needed.

Power BI: Microsoft's data visualization tool. It is used to create various types of charts.

Principle of need-to-know: A rule that defines the scope of data access rights based on the needs related to the job description of each tax professional, without granting unrestricted access to all data.

Sharepoint: Microsoft's collaborative workspace that offers functionalities such as document storage, document sharing, and collaborative writing.

Spreadsheet: A computer program that is used for the manipulation of figures and words and calculations. In common language, a spreadsheet is often referred to as an Excel file, as a reference to the Microsoft solution. There are other spreadsheet solutions available, such as Google Sheets.

Teams: Microsoft's collaborative workspace that offers functionalities such as video conferencing, document storage, document sharing, and collaborative writing. In common language, Teams often refers to the video conferencing feature.

Videoconference: A remote meeting conducted using a digital solution that allows oral communication, such as video viewing, screen sharing, secure or non-secure access, document sharing, and text-based exchange (chat). There are various solutions available on the market, such as Zoom, Teams, Skype...

Abbreviations

BEPS: Base Erosion and Profit Shifting

CbCR: Country By Country Reporting

SAF-T: Standard Audit File for Tax

TP: Transfer Pricing

VAT: Value Added Tax

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