Vertex Innovate Tax Podcast - Transcript

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Rob Skinner Hello and welcome to the Vertex Exchange Europe podcast, your go-to for all things indirect tax. I'm Rob Skinner and in this series we'll dive into the various challenges businesses face in the indirect tax world. I'll be chatting with global thought leaders and indirect tax experts, sharing ideas, experiences and advice to help you navigate the ever-changing regulatory and digital landscape.

Today we're talking about tax team transformation. We'll explore why and how tax teams are evolving and what opportunities and pitfalls they might encounter along the way. There's a lot driving this change and we aim to shed some light on what's impacting these transformations.

We'll also look at the journey tax professionals must take, the relationships they need to build and the role technology plays in their success. So I'm excited to welcome our guests for today. Paul Guyer, Vice President and General Manager Europe at Vertex and Harry Porter, Tax Technology Business Lead at Innovate Tax.

Paul and Harry, welcome. It's great to have you on the podcast. To get started can you each tell us a bit about yourself and how you got into indirect tax?

1:13

Paul Guyer Yes sure, thanks Rob. Great to be here with you and Harry today. I've been in the world of indirect tax since 2011. I was probably one of the first people involved in bringing dedicated indirect tax software to the market in Europe.

I fell in love with it and have stayed in the market since then, helping I guess the US headquartered companies that really dominate this market to put booths down and to grow out their businesses in the European region. So it's been a great journey. Yes that's been the last 15 years of my career.

1:45

Harry Porter So I've been in this space now for the last four years and I guess you could probably say that my entry into indirect tax was a little bit of an unusual one. You could probably go back like 10 years ago to a pretty miserable night in our local town where we ended up on a Christmas party and ended up meeting up with what is now my commercial director. Fast forward 10 years and there he is knocking on my door asking me to join.

So similar to Paul, I've been in the technology space for 10 plus years working with businesses both sides of the pond, looking at how technology in particular can create business efficiency. I guess that's really my passion really.

2:24

Rob Skinner Well thanks both. It's really good to have you on the podcast and I'm looking forward to tapping into your expertise. So let's dive right in. Tax team transformation.

Well it's a hot topic right now and I'm sure you're hearing many different stories from customers going on this journey. I know recent research by Vertex among tax professionals in Europe shows that 56 percent have either been through or are currently going through a transformation of their tax functions so it's pretty commonplace. To start the discussion let's explore the background to tax team transformation.

So Paul if I can kick off with you what does tax transformation mean to you and why is it important to undertake this journey?

3:08

Paul Guyer Yes so Rob I think for me it's pretty simple. I think it's reacting to the changing environment. It's something all businesses have to do and all functions to some extent or another and you know I think tax is no different.

It's really accumulation of things that have been going on for a long time. We've had a lot of change in commerce and business generally since you know to and through and after COVID. There's been a lot of legislative change specific to indirect tax and then just generally you know sort of technology and competitive pressures you know they place the requirements of change on the business throughout all the teams there.

So I don't feel like tax is anything particularly different but they have this sort of legislative dynamic that's been really challenging and gathering momentum over the last few years as well.

4:00

Rob Skinner Okay thanks. So yes we've seen sort of significant changes in business operations over the past decade for sure.

If we think about I suppose the macro business world how do you think those kind of macro trends are pushing tax teams to transform more and more today?

4:19

Paul Guyer Yes so I tend to think of it as you know this whole market and you know the tax domain being really driven by sort of three core mega trends and to some extent they have a cause and effect linkage.

So first of all we have the move to cloud or you know digital transformation. What most organisations are doing is gradually moving their technical infrastructure off of their on-premise environments and onto modern cloud-based multi-tenant SaaS platforms and that's driven by their vendors but it's also driven by necessity as well and the enablers that it creates.

I think that what we see this technology shift doing is creating what we would call tech-enabled sales channels. So things that you couldn't do before things like e-commerce, things like operating marketplaces you simply couldn't do that in an analogue environment. So moving from physical to digital from B2B to B2C.

Whatever that sort of expansion or innovation looks like for a business a lot of that is enabled and to some extent by technology as well and I think there's a reactive element to you know economic pressures or a general business environment.

Most companies are seeking to innovate and hedge against some of those headwinds that they see in their core and home markets. The result of all of that from a tax perspective from a legislative perspective is that the tax authorities are then responding to the changes in the way that commerce is conducted where and between whom and when and in what systems and as a result they're changing their philosophies.

So as we move from origin to destination as we move toward taxation of platforms and market facilitators over individual merchants for example. So the philosophy is changing and also their approaches as well. So we see a lot of simplification.

We see tax authorities wanting to lower the cost of compliance for small and out-of-market sellers and then of course digitisation as well and I'm sure we get onto that in a bit. No doubt.

6:36

Rob Skinner Yes so it's a perfect storm really going on out there isn't there in terms of the things that are kind of forcing this to happen. I mean what about internally? Are there sort of internal pressures as well?

6:48

Paul Guyer One of the main things we see a lot of is ERP modernisation. I think that seems to be one of the big challenges for tax teams a lot of times that they kind of engage the community for support and so and I think a lot of times we find them in a reactive mode so they have a lot thrown at them just sort of generally keeping up with the business keeping up with the tax authorities and then we have these big major change projects that come along once every 10 years or so. I think it's hard to be anything other than reactive to that.

So we have this notion of you know pull versus push. Is the tax team you know kind of in the driving seat or are they just kind of on the bus and thankful to be there and I think that being part of the project having a seat at the table and being able to implement change is you know it's a great opportunity in and of itself.

7:45

Harry Porter Yes but it has to come back to I think you said earlier about this whole idea of cause and effect.

If you boil everything down it comes down to what is the business trying to achieve and typically speaking you can put that down into a couple of areas. Either expansion of the printing and markets in capital or they're looking at kind of how do we streamline the business and create efficiencies to raise profits for whatever reason and I think that's where you're seeing all of these you say internal changes kicking off these initiatives around cloud adoption to help create more of these agile platforms and I think that's then just building and compacting that pressure on top of the legislation of change that's coming through on the tax teams.

8:29

Rob Skinner I love the bus analogy. So Harry thanks but if I can turn to you here a bit more around how tax teams are responding to everything that's happening. What's their response like you know are they embracing the change or are they resistant to it or a bit of both and what steps are they taking to sort of approach the transformation?

8:46

Harry Porter The majority of people are trying to embrace it positively so. There are some that are probably just kind of being swept up with the momentum but there is quite a number of organisations that we see really trying to kind of embrace that change and push forward.

But we have to also remember that tax has their own unique challenges. They're probably one of the only departments in the organisation that is responsible for reporting data that they don't actually own and that kind of lack of ownership across the entirety of their process kind of causes some challenges and of course there's also the budget piece which can often be a bit of a hindrance.

How do you actually get that momentum to kind of drive forward? That's probably the hardest point and I think that's where we see quite a variance in terms of capabilities to push this agenda forward.

9.41

Paul Guyer There's an interesting point there about sort of reporting on data that you don't own then becomes about influence. How can the tax department or team or head of tax influence those other stakeholders in the business without necessarily that authority? Yeah for me it's a nuanced skill and something that wouldn't necessarily be recruited for right so what do you see there?

10:06

Harry Porter Yes it's certainly one of those kind of hidden soft skills that can be overlooked and yeah it's a really hard challenge if you just think about it. From the point of data creation that's not tax, that's a master data team or a procurement team or some description.

If we think about the systems that process that data that's IT or it's owned by finance and so it's really difficult and those soft skills are really important to be able to kind of navigate through. In the four years that I've been in this space there has been a kind of maturity curve kind of kick on in terms of how they engage with the business and become more part of it less siloed. We have seen that change really take place and I think a great example of that is the fact that now in 2024 we've seen a lot more stakeholders such as a IT relationship manager or a process owner being involved in these transformation projects alongside the tax teams whereas when I joined in 2020-2021 that really wasn't happening.

It was either tax going to IT trying to procure that budget in a retrospective fashion after they found a solution but now there's a lot more maturity in terms of how they go through that buy-in process and have that buy-in so I think that's really good to see.

11:27

Rob Skinner So what you're saying is it's kind of already moved forward in terms of tax teams feeling rather isolated or trying to sort of go it alone in terms of that what the job that they need to do moving forward whereas now there is that more collaboration they're seeing more connections with IT with finance to make that happen that sounds like a real positive.

11.47

Harry Porter I think so and I think that should only continue to be honest and you could even say it's a couple of steps further we're even seeing things like investment councils being founded and also tax technology councils being founded with some of these organisations that do also include people from different departments in that steering committee which is really interesting to see.

12:10

Paul Guyer Harry what do you put the maturity down to? I'm kind of interested to know.

12:14

Harry Porter I think we're all familiar with the phrase get a seat at the table that's been bounded about for years now at these conferences and I think a combination of others telling their story and showcasing that at conferences and events has had a profound impact and just inter-company networking has helped but also there's a lot of external networking taking place so if we look at certain regions like Switzerland as well as Denmark for example they have these tax groups that all the largest companies all meet together on a quarterly basis I had the pleasure of presenting to one of them in the UK a few months back and it's all these topics that have been discussed in open forum the Good about and the Oakley and I think that again is helping driving the maturity of tax teams because they're learning from one another.

3:06

Rob Skinner That's good so there's actually quite a collaborative environment going on there's more collaboration between peers across the industry which is which is nice to see.

It really is. So I think we're all in agreement that it's a you know while it's an exciting time for tax professionals it's obviously a pretty tough time as well because they've got their day job to do but they've also got this kind of juggernaut of transformation coming down the line as well. It would be interesting to know what kind of anecdotes you're hearing from customers and clients at the moment in regard to this is there anything that really jumps out at you?

13:41

Harry Porter I think first of all it depends on what side of the fence you're sitting on and then there is a fence there is either the businesses that are striving forward and embracing technology and being able to raise business cases and there's the ones that are struggling too.

I think there's reasons for that but I think one of the kind of hidden impacts that is starting to emerge is actually this idea about what happens when you introduce technology. Yes we can see the value curve of bringing in technologies to automate and streamline processes but what happens when that's in place? How does the department change and what influence does that have on the type of roles and the duties that you perform?

I think if we look at other departments across the organisation I draw from some of my other experiences working with finance, IT, HR you start to see the shift towards more of what I call a service orientated model where there's less focus on tasks being performed and more focus on service continuity and making sure that actually the technology is running as it should and you have a way of working that supports the technology and that might be slightly nuanced but I think we are starting to see this kind of division in duties or roles in the text teams.

Those that are focussing their much more on the legal aspects and advisory work within the organisation and then a splinter off for those actually managing the technology or the suite of technologies to deliver the service and that's starting to come through.

You can see that the type of roles and the type of adverts that are being posted so I think that's one thing that's maybe not quite obvious but I think we'll see a transition and certainly other departments have already gone through this kind of migration in type of roles.

15:39

Rob Skinner That's really interesting so actually rather than there being kind of one size fits all profession within tax you're seeing more of a division of specialisms going on and niche roles which I mean I guess you know great opportunity for people in the profession they can kind of specialise more or focus on their strengths more moving forwards which is which is good.

Paul anything to add to that is anything you're seeing from the sort of Vertex customer base?

16:05

Paul Guyer Yeah it's a very sort of technology first angle to that Harry that sort of service orientation and one of the things that we kind of see a lot and not just from a Vertex perspective our customers doing it is more about customer centricity and orientation so how might they leverage technology or you know you know from a tax perspective you know how do we leverage compliance and correctness of tax to improve a customer journey or the customer experience.

So we've seen some really cool examples of that recently and we see tax actually taking an active seat at the table because you want to improve your customer experience if they're buying through multiple different channels you're trying to consolidate that from create a unified experience you want to make sure the price is correct and that the invoice is correct you know also we see organisations putting technology in to manage commercial relationships within their supply chains as well so in a dealer network with financing and customers for example and obviously again it's very commercially orientated and tax plays a big part in that so what we're seeing is actually how our customers are evolving to create better experiences for their customers and how tax is playing a more active role in that than perhaps ever before and I think it goes back to these sort of tech enabled processes where you're back in the days of you know paying paper invoices and sending paper invoices out and you know you still need to get things right but you didn't have as much opportunity to make an impact and see the impact in in real time and measurable ways other than things like DSO for example.

18:02

Harry Porter I'd probably say over the last 24 months we've had the same conversation countless times and this comes to this idea of new ways of trading and tax teams being more involved and it's a very straightforward topic which is when you're selling digitally to unknown customers how do you make sure that the VAT registration number is correct i.e. tax has the right details without slowing down that payment process or that person pressed through an e-commerce channel and that might sound like a really straightforward thing but it does involve all of these departments coming together and it's not just the technology it's also the processes behind that. How do you then support these exceptions?

18.44

Rob Skinner If you've got like automation running right through the customer journey tax has to match up with that doesn't it you know you can't have it as the last bastion of analogue process you know if everything else needs to move at speed.

18:58

Harry Porter When we think about automation and technology there has to still be the controls in place so even though business is transacting at a faster rate than ever before there's still you still need to consider those controls around technology and I think that's where the various departments are coming into play to look at okay how do we do this in a safe controlled manner without jeopardising revenue.

19:22

Rob Skinner Yes but you know a big shift for an administrative function to now be part of the customer journey I think yeah that's a real change. Okay let's move on I'd like to focus I suppose a bit more on Europe. Paul obviously your role is Europe focused you know what's happening in that geographical landscape both in terms of doing business specifically in Europe but also for European businesses who are you know looking to operate globally potentially more than they are today.

19:53

Paul Guyer I think particularly in the European region we have some additional things going on so you know we've got some political situations we're much closer to some of the conflict that's happening around the world and we see that kind of rippling through general sort of sentiment in the market in the in the populace and in business as well. You know economically we've been coming through a challenging period of high inflation, high interest rates, low growth, sometimes declining growth in certain geographies and that's a challenging environment to kind of work through.

One of the things we've seen is from the business community is a turn to innovation as a response to this right so if your domestic or your home markets are challenged and you still want to create growth and value and you know for your for your shareholders and your customers and then we're seeing we're seeing businesses change and adapt to that so we're seeing companies diversify more whether that's to attract new customer segments whether that's to move into new geographies or whether to that's to create new routes to market.

Obviously you know through the COVID period we saw a huge move from brick and mortar to online for example through some of these tech enabled channels we're seeing movement from one-time purchase to subscription models or from physical goods to digital services. Corporations are wanting to get closer to their customers than perhaps they have done before and seeing the value of that and then even adopting some of the newer models like b2b2c or marketplace models so you know we've had lots of great examples of what you would consider really traditional businesses doing this so that really changes things and it enables them to capture growth those pockets of growth that maybe don't present themselves in their typical sort of market that they've been operating in for a long time.

Obviously in Europe the big topic you know the last couple of few years really has been VIDA or VAT in the Digital Age and you know I think that is it's trying to accomplish a couple different things at the same time and actually it's representative really of what most tax authorities around the world are generally trying to do so they're you know in response to these new commerce channels that are being created and the shift of commerce where and how and between whom it's conducted the member states in Europe are trying to make sure that they collect the right amount of tax based on this new environment.

So they're trying to do that but at the same time they're trying to make it easier for businesses to conduct trade and commerce in their jurisdictions they want to attract and be part of that rather than prohibit or limit it and I think that's the same you know pretty much around the world but we're really seeing the European Commission and through VIDA make some pretty big you know sort of systematic region-wide changes towards that. I think the second point is really important in terms of lowering that that cost of compliance or that barrier to entry for the region because that's really the key to you know not just capturing the tax revenues that that are owed but into creating more and stimulating the as well.

So I think VIDA is trying to do that I think a lot of it when you look at the sort of smaller taxpayer end of the market so SMEs, small and mid-sized businesses really what it's trying to do is simplify it's trying to make things easier so if that's through the single VAT registration you know that is a mechanism to make it easier for smaller businesses to conduct trade around the EU in multiple jurisdictions and then if you look at the platform economy that's really about shifting the burden of compliance from the merchants or the home rental homeowners or the taxi drivers to the platforms that are facilitating and creating that that market right so again that's a it's lowering the cost of compliance lowering the barrier to entry for these folks helping them make money it's also a no-brainer for the tax authority as well you know why would you why would you go after a thousand non-European based sellers to collect the VAT that's due rather you can go for the platform that they're all transacting on so that's an obvious one does have the effect of making it harder for the platforms themselves by and large it's a measure of simplification and then the last part of VIDA is really the digital reporting side the e-invoicing side the stuff that gets a lot of press and a lot of attention there in our industry and it's quite interesting because VIDA doesn't really do an awful lot to businesses that are transacting across Europe for quite a while it's concerned with cross-border trade and it doesn't come in you know for a number of years and what we've actually seen the growth in the market in in Europe and around the world is really preceding it so we see member states adopting digital reporting and invoicing mechanisms for their domestic trade and that's out of scope of VIDA you know you might even wonder if tax authorities are taking the opportunity to deploy ahead of time so they get to the opportunity to do things the way they want you know rather than have it mandated to them by the European Commission for example so I think what we're seeing is a little bit of a rush ahead of VIDA in some respects but also I think what a lot of member states are seeing is the positive results of some of the earlier implementations of this type of technology so countries like Spain, Italy, Hungary and particularly in Europe have implemented varying flavours of this and driven some success and success measured in you know reducing their VAT gap and the VAT gap being the difference between the the taxable revenues that should be collected and those that are.

26:37

Harry Porter Yes I think we're going to see another shift as well so everything kind of comes around in cycles at one point in time outsourcing was all the rage in the fashion and there's a number of organisations that spun out huge kind of service centres for managing outsource compliance but what I think we're going to see is this idea well hang a second we're moving to an invoicing model where essentially things like determination and transactional determination needs to be right first time then actually the process of filing returns becomes a lot easier and will we start seeing more companies looking to insource compliance and leverage technology to see those cost savings.

We spoke to a customer yesterday that just tweaked their contract ever so slightly in favour and there was a significant saving nearly it's kind of six figure saving in their compliance contract and that's without going to the full stent of bringing it in source now there will be certainly business case opportunities there to look at kind of taking that one step further and bringing everything in house and using things like technology to manage that compliance process but the more that we introduce technology I think the roles and the department will change because of that that's probably another example whereby e-invoicing might be the first catalyst but we might see some other kind of drivers following on from that to kind of capitalise on it doesn't mean it's not a headache for tax teams right now because they are having to battle with these mandates coming down the line and trying to guess when they're actually going to go live the last couple have um have been delayed is it a case of a ramping up for another kind of missed milestone time will tell I guess

28:28

Rob Skinner So VIDA really is a bit of a double-edged sword in terms of what it's doing yes it's challenging it's something that they've got to think about they've got you know the tax teams have got to start thinking about how they're going to comply with it but actually it's driving opportunity as well for them to think a about how they can get ahead of the game or actually maybe giving them a bit of a blueprint of what they need to do from a transformation perspective but also it's getting them well realising potential opportunities to save or streamline whether that's in sourcing or something else

29:04

Paul Guyer Yes I think it's also just a clear show of the direction of travel particularly in the you know in the digital invoicing part you know by the time VIDA comes in more commerce will be conducted digitally than not at that point you know you cross the fulcrum and really it's a case of why who's not doing it rather than who is we already see that kind of momentum gathering at the moment but I think when VIDA does come along it will be that sort of paradigm shift where at the moment it's opt-in and then you're talking about who's opted out.

29:40

Rob Skinner Harry you sort of alluded earlier to the fact it's never going to go away it's always going to be sort of be a journey is it possible to say where do people be at in five years time with VIDA maybe widely in place and being the other side of it?

29:55

Harry Porter I was going to say something that might not be accepted all around and might upset a few folk, but I do think we're still going to see a lot of people on legacy ERP systems. I think we'll see a lot of the same initiatives going on. I don't think it will be a cut and dry process, transformation never is.

We will see this iterative process going through and depending on what happens with organisations and business will also drive that as well. For example, we're starting also to see the kind of private equity market kick up a gear and look at actually investing in businesses, that typically has a quite profound impact in terms of kind of transformation projects. If you just think about the notion of going out and acquiring four or five businesses, for example, they're all most likely going to reside on their own technology platforms.

How do you integrate those and put controls around that technology stack? That could be some of the driving forces or on the other side of the fence, the hesitation to move if that's their plan. So I do think we'll probably still be doing a lot of the same stuff in five years. I do think the energy will continue to build and I really do hope that more and more tax teams are really looking at actually how can they put in place automation to increase controls.

That's my hope. Don't do it for doing it's sake, do it to increase control and increase efficiency.

31:20

Rob Skinner Yeah, there's a lot to deal with and I mean it may take time. Like you said, it's got to be for the right reasons and at the pace that the organisation can transform alongside all of the other things it's got going on like M&A etc. But it's nicely segues us on into the next section of the podcast really, which is to look a little more deeply at the technology side of things, the tech refresh opportunity. Different organisations are going at that kind of ERP change at a different pace. Some have a plan, some don't. But earlier, as we've mentioned, major shifts in ERP usage as an opportunity for modernisation are happening. Some of these organisations have been on the same ERP platform for years with S4 HANA coming on board.

It's forcing a shift to some degree, but also other ERP providers bringing in Cloud ERP and that being a kind of evolutionary journey for their customers as well. Things are changing. How does the big ERP shift fit with the tax transformation picture? What are the opportunities there for the tax teams?

32:30

Harry Porter It depends on what ERP you're on, Oracle and SAP.

They're unique in their own different ways. So I think from an Oracle standpoint, there'll be more maturity in terms of looking at integration and also standard kind of configuration packets for how they manage the tax, whether that be native or using tax engines. SAP, conversely, has a very different paradigm in the sense that a lot of the more complicated businesses, if we look at companies that are kind of in the heavy supply chain industry, maybe they have a lot of movement of goods or intercompany transactions.

What we see there is actually a reliance on customised ERPs or custom code to really manage the complexity of tax. Now, a lot of that is due to the way that SAP was implemented many years ago and how that tax wasn't really given the opportunity to feed into those kind of upstream processes. But I still think that's going to carry on into the S4 journey.

But we are seeing a kind of an uptick in tax being involved a little bit earlier, which is good to see. But I think the biggest opportunity there is really around moving away from that technical debt and trying to adopt more of an agile platform. And SAP are trying to encourage that with things like a clean core initiative.

And we're even seeing almost architects being employed to govern this idea of clean core. I think that's going to play an emphasis on how people approach tax in the more cloud-based solutions or the new ERPs. That could result in a further adoption of things like tax engines and compliance solutions to really streamline the adoption of the ERP and simplify it.

34:29

Paul Guyer I would say it's a once-in-a-generation opportunity to reimagine that tech stack. And you talk about technical debt. I talk about cleaning up the sins of the past.

Get rid of the skeletons and start with something that is going to last you the next 15 to 20 years. If you're an ECC user, you might have deployed in 2004. And that's before the first iPhone.

The chances are that you're going to have to live with whatever you're putting in for an awfully long time. And you have this kind of one-time opportunity in a specific business to make real change, to leverage the new capabilities that are bought by the platform in a meaningful way, rather than just kind of create a modernised version of the thing that you've had to live with for the last 15, 20 years. So we know which way the world is going.

Commerce in particular is going to be more international. It's going to be more diverse routes to market, and it's going to be more digital as we move through. And whatever you do now has got to prepare you for the next decade or so of that continuous change.

35:38

Rob Skinner You talked a lot about the legacy on the ERP side, but the same applies on the tax side, doesn't it, really? Traditionally, tax functions have relied on or built their own. They've kind of built their own solutions, used spreadsheets, etc. So where are they going with that? And where does that fit into the transformation picture? You talked a bit about the promises that ERP platforms offer around transformation and change, but are they taking the tax function with them or does something else need to be done?

36:07

Paul Guyer As more and more of the tech stack goes onto SaaS or multi-tenant, it's creating a few different challenges.

I think, first of all, the ROI of SaaS is that it's cheaper for the vendor to maintain because it's more replicable and more scalable, and we don't have to support individualised environments for every single customer. That comes with some trade-offs. So you tend to take trade-off in the level of customisation or configuration that's allowed to be able to operate a single platform for thousands or hundreds of thousands of customers.

So that kind of pushes you a little bit towards the homegrown and the supplementation of that a little bit. But the other thing that's creating a different problem is the frequency of updates and new releases. That tends to be much faster on a multi-tenant SaaS platform.

If you have a mission-critical system that's homegrown that needs to keep up and potentially be regression tested or reconfigured every week, what's the burden on the team that supports that? Are they even able to keep up? Are they even able to write code and test it quick enough? I think the other problem that a lot of businesses face, particularly ones that we tend to deal with a vertex, is that more complex organisations tend to have more heterogeneous landscapes. So they might have multiple instances of the same ERP. They might have multiple different ERPs, maybe through acquisition that they've done in the past.

And now, we talked about it, but there are multiple transactional platforms. There's the ERP itself. You have e-commerce platforms, your marketplaces, digital procurement, all sorts of places where the data is kept and processed.

And then to add to that, you have data residency as well. So increasingly, you're seeing your data sit outside the organisation. And even in your ERP, the data's sitting outside the organisation probably now, and it's probably sitting with a hyperscaler.

So there's your homegrown platform leverage, your hyperscaler environment. And is it able to keep up with the requirements around data residency that you have when you transact in different places around the world? It's a super tough challenge. And I think you see this pull from various different ways that is making it increasingly difficult.

You're just not in a static environment anymore.

38:48

Harry Porter To your point around private, public SaaS products, that's a really interesting point as well, because in some situations, I think businesses are going to find their hand forced. If you're used to residing on a private hosted and single tenant solution, or even if it's on your own premise, then you can customise that in most situations to kingdom come.

But if you're now residing on a multi-tenant platform, well, actually those controls are really knocked down. And I think that's going to be another potential area of contention from businesses. What direction do they go in and how does tax have to adapt? Because to your point about spreadsheets, for example, I see that largely as a symptom of an issue upstream.

So again, if we are unable to customise a ERP platform to meet the demands for tax, how do we now manage it? If you couple that with the invoicing, well, there's no real time anymore to do your manual adjustments. It has to be right for this time. So how do we get these processes streamlined and slick really? I think that becomes now the focus.

And again, coming back to what you wrote at the beginning, it's all about cause and effect. We're constantly trying to adapt to either what the business is doing or what industry is doing. It's going to be quite interesting to see what happens.

And there is people out there looking to do more of these kind of technical upgrades, which is like a lift and shift. And I think to your point, Paul, that's an opportunity missed. That opportunity isn't going to come around in another 20 years.

So even if you're going through that process, you really have to fight to make sure that you're kind of pushing forward as a department and getting in there early enough to be able to influence.

40:40

Paul Guyer And I love spreadsheets, Harry, but we can't consider them purpose-built technology. Let's just draw the distinction.

40:51

Rob Skinner They definitely have their uses, I would say. I mean, I guess it's coming full circle back to the seat-at-the-table question and points in many ways in that, as the stars are aligning, it's now or never. You've got to be sitting next to the people who are also part of that decision, the people who are responsible for data, the people who are responsible for the ERP and so on and so forth.

I'd like to just touch on skills, which I think is also related. You've got all of this technology change going on. We touched a bit earlier on these more niche career paths going on in emerging out of transformation, but what else is happening in the skills side of things from a tax function perspective?

41:42

Paul Guyer I take it from a people perspective, are you embracing it to begin with? Maybe you're digitally native, like our kids already are, or maybe you're not, but I think increasingly you have to realise that you're a part of an ecosystem.

So we have internal stakeholders and authorities, that's always been part of doing business for tax and they require a certain language. But I think increasingly now, we talked a lot about the proliferation of tech and how invasive it is in tax. Can you work with your vendors? Do you understand how SaaS is delivered? Can you talk in ways that make sense to people that understand or work in agile, for example? I'm not trying to jump on a bandwagon here, but what about AI? I'm not sure that tax is really fully ready to give over decisioning to an AI model.

We actually had a really interesting conversation with one of our biggest customers about that at Vertex Exchange in Berlin earlier this year. And I think what they said, and this is also how we think about it, is about leveraging AI, but with what we would call human in the loop. How can a tax team harness the processing capability of a large language model? Or how can it think to use a co-pilot for contextual advice and help? And in doing so, help and train these models to be better and quicker and faster and more accurate in the future.

So I don't think everyone has to have all of these skills. When you look across your team, are you covering those disciplines? And how open are you to embracing all of that? I think it's a really exciting time for teams to invest in upskilling and bringing new skill sets into the function.

43:46

Harry Porter I wouldn't say I'm anti-AI, but I think it gets bandied around a bit too much for my liking.

This idea about augmenting those skills, AI and people, to achieve faster results. If we think about, in a way, what I was trying to preface earlier around service orientation in terms of department structure, this is exactly what I'm referring to. The service that you're providing the business is legal advice.

And how do you improve that service to the business? There's a use case there for AI to be leveraged to provide better results and faster with potentially fewer resources. That's not to say that we're trying to get rid of resources. It means to do that task, we need less people, which means we could be doing more for the business and creating further value.

That's where I think the opportunities are.

44:37

Rob Skinner Do you see those kind of soft skills being a whole new area that tax teams have got to adopt? That might be unfair. I'm not sure.

44:46

Paul Guyer We've mentioned it a couple of times already, just about the increasing number of parties in the ecosystem, or in the customer centricity example, how tax is being brought into a customer journey. I guess what it's taken us is it's becoming more and more cross-functional. I think to the point that Harry made about communication just now, what I see is a reliance on influencing skills.

I think you can influence in a couple of different ways. You influence through position or authority in a hierarchy that works, but tax typically isn't in the hierarchy. It's typically outside of it.

The other way to think about it is in terms of personal influence. You influence through your relationship and the trust that you've built. I think tax teams are in a great position to do that.

They're SMEs, they're trusted advisors, they are guardians of compliance and doing things right within the business and steering the course of the organisation correctly. I think that gives them a natural disposition of trust. I think that foundation of using trust as a means to positively influence other parts of the business is increasingly important and not necessarily something that is recruited for.

It's not necessarily on the job description. It's probably one of the more important and emergent soft skills that is really, really needed today.

46:22

Rob Skinner What about the data side of things, the data analysis and interpretation? I know the research that Vertex did recently that looked at how these skill sets were evolving.

That was another area where there was a prediction that there was going to be more need for specialists within the tax function to focus on that ability to understand and analyse data to come up with the answers. How do you think that's evolving as part of the transformation journey? Have you seen any evidence of that?

46:50

Harry Porter Yeah, I think so. There's tools like the PowerApps suite, Alteryx, there's others available, but you're definitely seeing more organisations trying to leverage these tools and investing in the personal development of these tools.

The great thing about this style of solution is it is designed with the end user in mind. It's not kind of guarded by IT folk with a few engineering degrees. This can be self-taught and those skills can be acquired by non-IT people, which I think is really good.

So I'm certainly seeing those sort of skills come about more and more. But I think there's still a long way to go. It's not certainly skills possessed by every tax team.

I don't know what your thoughts are, Paul.

47.38

Paul Guyer If you think about tax, which is why I love it, or VAT in particular, it's everything you buy, everything you sell and everything you move. It's really at the heart of every business model.

And every time any of those things happen, which is continuously and all the time, and if you have a functioning business, there's an implication. And the wealth and the richness of data that's collected in association with those core business activities is tremendous. It is a tremendously valuable data set to the organisation.

I don't think anyone's really stumbled on the perfect way to leverage it yet. And not to say that people aren't doing it and aren't value adding and aren't analysing the data in exciting ways. But for me, it's a bit of a it's a no-brainer is that you have to do something to operationalise the extraction value out of that data.

And if you're not, you're really missing an opportunity.

48:40

Rob Skinner What's interesting is perhaps it's not deep data science experience, it's ability to interpret what comes out of the systems that are available and build the business decision on top of that, essentially. I'd like to turn the attention back to ERP as this major vehicle for transformation of the tax function. You talked earlier about sort of jumping on the bus, not being a passenger. So, let's get down to practicalities. What does the average tax professional need to do if their organisation is going through the ERP change and they know this is an opportunity, but the bus isn't stopping? What do they need to do about it?

49:21

Paul Guyer I'm fortunate enough to be sort of part of our internal OKR process at Vertex, right? And I think about the way that initiatives are prioritised within a business.

So, there's no doubt that a major ERP migration will be, if not the, then one of the top handful of priorities for an organisation in any given period. The level of expenditure, the level of effort, and the level of ROI that it generates are all tremendous and all consuming for business. So, from my perspective, it's about how can tax hook onto that? How can you leverage the mindshare, the investment of effort, the investment of money, and the sheer sort of time expenditure that's being sort of driven within the organisation? And how can you harness that to get the things that you need to get done, done? So, I don't think there's any magic bullet for doing this, but you're not going to get it done two years before it, and you're not going to get it done two years after it.

You know, you've got some cost on one side, and you've got a lack of impetus on the other. So, that's the time. So, however you can get your requirements on the docket, your resources or capacity built into the plan, or your investment into the plan of record, that's the chance to do it.

There are ways to do that. You know, you have, you know, the year of finance, almost certainly. Hopefully, you have your relationships with IT and the system integrators and the platforms that are going to add weight to your arguments.

And then you have a fantastic network of advisors, both from a sort of technology and, you know, also just sort of, you know, from a pure tax perspective as well, and use everyone in your network to support it and make sure you're on the plan, would be my advice.

51:37

Harry Porter Be bold and be confident. So, if we think about a full-blown ERP transformation, we're very much in the millions for the type of businesses that we're working with.

Maybe 10 million, maybe a little bit more. So, the money that tax teams need to transform their departments is probably less than 10% of that. So, actually, when we think about kind of acquiring that budget at that point in time, it might not be as hard as you think, but that is the time to do it when people are planning to spend big money.

And asking for a little bit of it isn't so daunting then.

52:18

Rob Skinner So, timing is everything, really. I think now let's turn our attention to the future. From the coalface, what is future briefing like from a transformation perspective within the function? You know, regulations, as we've said, are changing faster than ever. How does the need for that real-time information fit into the picture of what's going on in the function? What needs to be done from a transformation perspective?

52:42

Harry Porter When we start thinking about future proofing, very much, you should consider it in an agile way. So, what we do to future proof can also be utilised for kind of building that investment as well.

Some simple things that we always advocate for is around a task control framework. And it's very much a theory around how tax teams manage technology and their processes and having good controls and practises around them. And I think a great place for a lot of people to start is really understanding their interfaces and understanding who owns those interfaces.

Because when we think about tax, it's all about data. So, we have to understand where that data is driving from and how it's influencing taxes processes. But by simply starting at this point in terms of mapping out all of those interfaces, you start working with the business.

You start building those relationships that we talked about earlier. You could start even looking to become part of things like a change advisory board, so that whenever there's any upgrades, changes, or renewals of those products, you're part of that discussion. You have visibility of what's going on.

And of course, if you think about the alternative where you're not, you might have the best solution. You might have just raised the perfect business case to buy a tax engine or compliance module. But if any of these interfaces change, that's going to have a knock on effect to the way that you manage your service back to the business.

And that's why it's all interlinked and it has to be done in an agile way. You have to be involved in these points. So, I think that's a great place to start.

I think beyond that, and this is, again, coming back to this idea about being bold and really promoting and storytelling, is starting to create success logs and risk logs, showing both sides of the fence, where you've created efficiencies, where you've created savings or optimised processes, and making sure that the relevant owners of these systems or processes are aware of them, so that they can't be ignored.

54:47

Rob Skinner Let's move it on a bit now. So, if tax teams want to be part of this transformation, what do they need to know to secure a seat at the table? Knowing what their systems need to do in the future means understanding what the gaps are today, right? So, Paul, what do you think?

55:03

Paul Guyer Influence and a position of trust is a really key starting point.
And really, that starts the day that you start at the organisation. So, it takes a long time to build, and maybe at a point in time, you have to recognise what you have and work with that. I think supporting that with good data, good insight into the data that you have, and the impacts of that.

So, is it risk? Is it inefficiency? Is it cost? Like, what does it mean to be able to sort of bring this in to the scope of the project? What value can you create? And then, you know, how can you cooperate that with stories or anecdotes from outside of the business? What have your peers done? What have your competitors done? What are your advisors telling you? Maybe it's the influence and the trust that gets you the seat at the table, but maybe it's being able to really kind of wield the data in a meaningful way that's supported by evidence from, you know, from other examples is a way that you keep it.

56:11

Rob Skinner One final question to both of you. We've covered a lot of ground, which has been fantastic.

If you're going to boil it down, you know, if there were three must-haves that, you know, your average tax professional needed to do to make this transformation work for them, what would it be? So, Paul, do you want to kick off with that?

56:29

Paul Guyer Yeah, sure. I think for me, it's pretty simple. I think, first, you need a vision.

You need to know where you want to get to. And then, I think there are key skill sets to support the move toward that. So, you know, the right people with the right skill sets to take you there.

And then, I think the last thing is good relationships and partnerships in the ecosystem. I think those are the most important things from my perspective. Yeah.

56:51

Rob Skinner I suppose all of those things come first, and they enable the tech to work, essentially, if you've got that wrapping around.

56:58

Paul Guyer Yeah. AI hasn't taken over yet.
We're still operating the tech ourselves. Still got a brain.

56:06

Harry Porter I think the first thing on the docket for a tax team should really be around moving away from people choosing tax treatments for global transactions and moving more towards them choosing information that leads to the tax treatment. So, in essence, using rules and systems to perform those tasks. And that's going to give that kind of repeatability and accuracy and that starting point for compliance.

I think beyond that, I'd also be looking at this idea of agility for systems. I'm really trying to build a kind of a tax processing setup whereby agility is at the forefront of what you do. Because we know that the goalposts are going to change, whether it be e-invoicing mandates coming through, whether it be digital reporting, SAFTI, or even VIDA in the years to come.

And finally, technology is nothing without people and processes. You have to have well-defined processes in place and a good standard operating procedures in place with strong relationships to support them. And that's where things like being part of the Change Advisory Board and so on really plays into that process.

58:22

Rob Skinner Excellent. Well, thanks both for joining us today. I think the discussion has been super useful for the audience. I really value your time.

58:31

Paul Guyer Excellent. Well, thanks, Rob.
Thanks, Harry. Great as always.

58:35

Harry Porter Thanks both for inviting me on.

58:38

Rob skinner So there we have it, the expert's view on tax team transformation. Thanks so much to both of you and a big thank you to all our listeners for tuning into this episode of the Vertex Exchange Europe podcast. We hope you enjoyed the conversation and found it helpful.

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Thanks for listening and see you next time. Bye.