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Tax analytics: Striking gold?

Despite being focused on numbers, tax leaders within companies have been slower to adopt analytics.¹ The leading companies that are beginning to address the area focus primarily on tax planning, with the goal of reducing taxes and better understanding the financial implications of different tax decisions.

Historically, companies have not generally captured their tax situations and outcomes in structured formats. This made it difficult to develop models that link tax circumstances and attributes to specific tax payment outcomes. In addition, tax structures and data can be extremely complex, especially for global corporations operating in multiple jurisdictions.

Despite these difficulties, companies have increasing numbers of common data sets that tax leaders can leverage to bring more fact-based insights to each organization. This is a good sign—particularly as CFOs and Chief Accounting Officers apply analytics principles with greater frequency. Along with tax leaders, they can pull an organization together through a greater focus on data.

Some of the most interesting work in tax analytics today is on simulation models that explain or predict tax levels under particular circumstances. If the tax rate was 32 percent last year and 34 percent last quarter, executives want to know why the rate is changing.

The tax planning of the future will likely be more analytical than it is today. Astute tax executives should be preparing now by working on data infrastructure, assembling the right people and skills, and acquainting managers with the art of what's possible. It's time for the quantitative field of tax to take its game to the next level.

#AnalyticsTrends2015

1. Davenport, Tom. "Tax Analytics: From the Inside Out." 2014.

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The So What:

"Be prepared" is a good motto for leaders taking on tax analytics. Many governments around the world are requiring more and more tax data to be submitted in standard electronic formats. This is not merely to be more efficient or save a few trees. The reason many of these governments are requiring this is so that they may perform their own analytics from both technical and industry perspectives. They are also changing the way that they conduct audits. It may be important to understand what trends your organization's detailed data might reveal before you extend access to large amounts of data.