The Tax Technology Implementation Guide

A Resource for Tech Companies

Tax leaders' roles are evolving, especially within tech companies.

As tech tax leaders explore **moving or expanding operations**, they must consider key business decisions and comply with increasingly complex regulatory requirements. Further, tech companies tend to grow very rapidly, which means their tax departments must be able to quickly scale to meet the business's evolving needs.

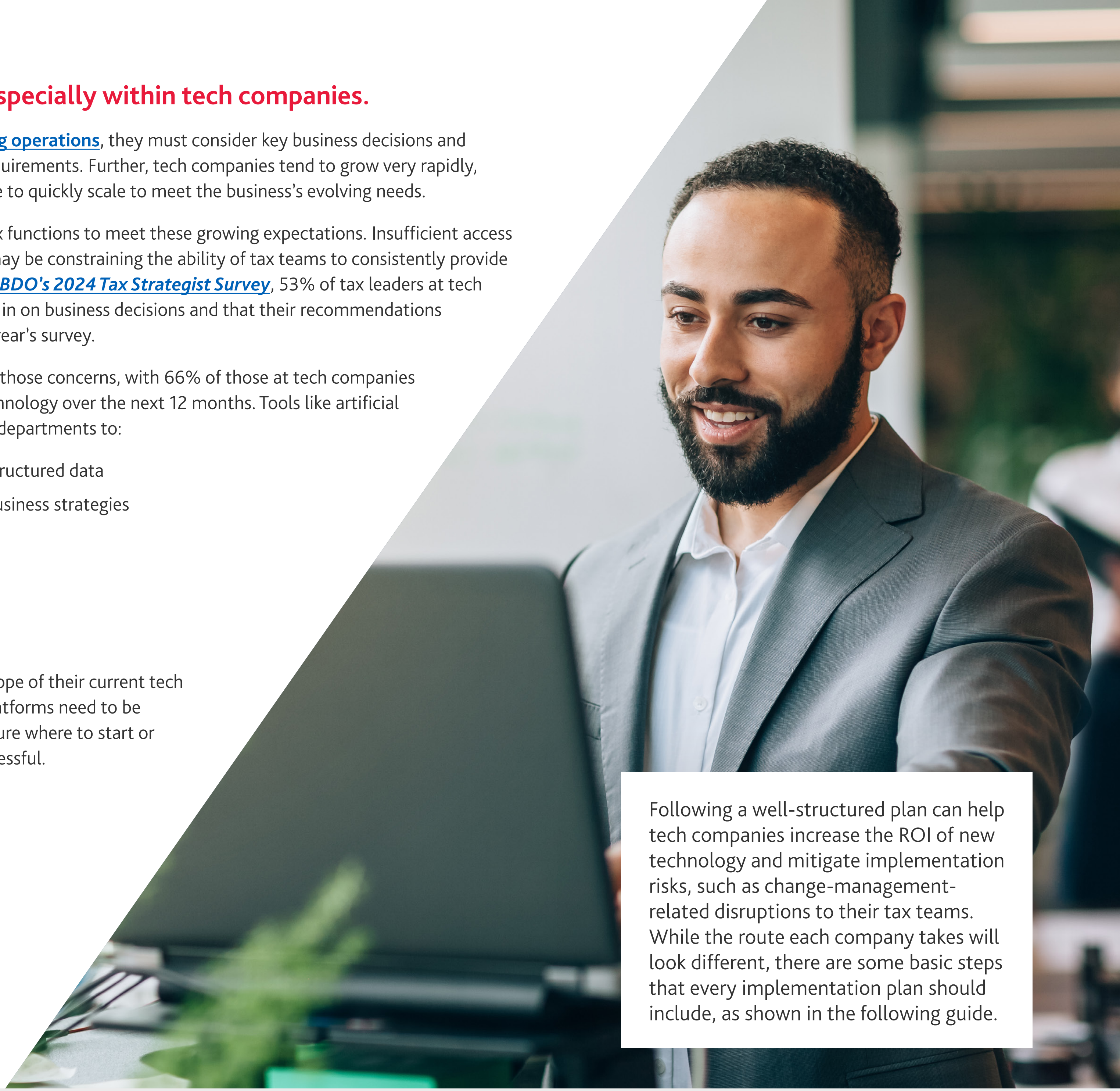
A lack of resources makes it difficult for some tax functions to meet these growing expectations. Insufficient access to tax talent combined with growing demands may be constraining the ability of tax teams to consistently provide strategic input across the business. According to ***BDO's 2024 Tax Strategist Survey***, 53% of tax leaders at tech companies say they're regularly invited to weigh in on business decisions and that their recommendations carry significant weight, down from 77% in last year's survey.

Tax leaders are turning to technology to address those concerns, with 66% of those at tech companies planning to increase their investments in tax technology over the next 12 months. Tools like artificial intelligence (AI) and machine learning allow tax departments to:

- Analyze large reserves of structured and unstructured data
- Provide data-backed tax insights to inform business strategies
- Automate routine processes
- Identify patterns
- Meet tight compliance deadlines

…and more.

As demands on tax teams expand beyond the scope of their current tech stacks, many tech companies' tax technology platforms need to be upgraded. At the same time, many firms aren't sure where to start or how to ensure their tech implementation is successful.



Following a well-structured plan can help tech companies increase the ROI of new technology and mitigate implementation risks, such as change-management-related disruptions to their tax teams. While the route each company takes will look different, there are some basic steps that every implementation plan should include, as shown in the following guide.

Tax Technology Implementation Guide

Phase I: Project Initiation

Goal: Gather the foundational information needed to support technology selection and determine the approach to implementation

- Evaluate the current system through interviews and brainstorming sessions
- Identify goals and related KPIs
- Document processes and data flow
- Identify and document problem areas and concerns
- Create project summary memo
- Prepare ROI support

Phase II: Systems Design

Goal: Define the process flow of the new technology and create supporting resources

- Design process flow overview document
- Create a specifications and requirements document
- Create and compile resources to support technology implementation, including:
  - Plan for staffing the new tech
  - IT documentation (e.g., data governance strategy, data storage information, IT contact list)
  - Database of existing tools
  - Change management plan

Phase III: Development

Goal: Create and test the foundation for the new technology

- Create a database to host all data needed for the new tech
- Create data source connections
- Identify audit and/or transaction logs to be generated
- Obtain any libraries and/or components needed for the new solution
- Create, test, and debug code in sandbox environment (if needed)
- Confirm accuracy of deliverables and results
- Create notifications to ensure programs run as expected
- Consider additional monitoring as needed

Phase IV: Implementation

Goal: Implement and deploy the new technology

- Meet with necessary teams to discuss technology deployment
- Deploy the tech in a test environment
- Test implementation
- Reconfigure and retest
- Review security procedures, privacy rules, and access levels
- Deploy the tech in a production environment
- Create training documentation
- Conduct training sessions with users

Phase V: Iterate

Goal: Analyze the performance of the technology and identify opportunities to optimize

- Summarize ROI achieved
- Conduct post-implementation meetings and assessments
- Identify additional areas for improvement based on initial results

Taking the First Step

Knowing you need to implement new technology is just the first step of the process — the next step is determining how to start.

There is no universal method for tech implementation: The best approach will depend on several factors that vary by organization. For that reason, we recommend tax leaders start the tech implementation process with **information gathering**. Tax leaders must understand what makes their organizations unique before they can determine how to customize implementation plans to best meet their needs. To begin the information-gathering process, consider the following questions and why they're important to your company:

What is your budget?

Your budget will determine what resources are available to support tech adoption. When considering a new tool, make sure you budget for ongoing maintenance and upgrade costs beyond the initial investment. You should also consider how the tool may affect other costs, such as those associated with the change in internal controls needed to integrate the technology into the current provision process.

What kind of tech staff does your organization already employ?

You need the right internal experience and support for successful tech implementation. If your company doesn't have sufficient in-house resources, you may need to consider hiring a third-party advisor or entering a co-sourcing or outsourcing arrangement.

Does your tax team have any co-sourcing or outsourcing arrangements?

If your tax department co-sources or outsources work, you'll need to consider whether these outside organizations will have access to your new tech. If they do, you must address the security implications of allowing outside access to your tech, as well as the training necessary to help new users adapt to the tool. You'll want to consider what tech your outsourcing provider is already using so you can determine whether it truly needs access to your tech.

What suppliers and third-party firms do you work with?

You may be able to work with a firm in your network to support implementing your new technology. You should also consider whether you will allow any firms to access the new tech.

What data management policies does your firm have in place?

Technology requires a strong data foundation to provide valuable insights. You must examine whether your data management policies are sufficient to establish an adequate data foundation for the new tool. If your policies are insufficient, you'll need to revisit and update them before implementing the tech.

What is your company's financial reporting cadence?

Understanding how often your finance function needs to issue reports (and knowing the deadlines for these reports) will help you schedule implementation to reduce disruptions to tax and finance teams.

What is your company's expected growth over the next one year, three years, and five years?

Tech companies tend to grow very quickly. As the company's fact pattern changes — because of a divestiture or acquisition, for example — existing tax technology may be pushed beyond its limits, particularly if it was not implemented with risk mitigation in mind. Understanding how your company is expected to grow can help you select tools that can scale to meet your evolving needs.

Once you've explored these questions, you're ready to start adapting a tax technology implementation plan for your business.

Looking for support in creating an implementation plan for your organization? Reach out to our Tax Automation professionals — we can help you get started.

Common Implementation Roadblocks

Even with a plan customized to fit an organization's specific goals and technological maturity, challenges can still derail the implementation process. Below are some of the most common roadblocks that tech companies face when implementing new tax technology.

Failing to Prioritize Internal Technology

Sometimes, tech companies are so focused on the tech products they're bringing to market that they fail to pay attention to the internal tools that make the business run. Company leadership may not allocate enough resources for these solutions and personnel. It's up to tax leaders to advocate for sufficient resources and support to implement the technology their departments need.

Lack of the Proper Data Foundation

Tech relies on clean, accurate, and standardized data to function correctly. Many companies — even tech companies — don't have the right data foundation to support new technology, which can cause new tools to perform poorly or generate inaccurate results. Before selecting new technology, tech leaders need to closely evaluate their companies' data governance, management, policies, and processes and address gaps that could affect the functionality of any new tools.

Overengineering

The means by which a company implements new technology may be more complex than necessary, which in turn can make the tool harder to use, maintain, and integrate. Tax leaders should prioritize keeping integration as simple and streamlined as possible.

Lack of Sufficient Information

Because new tax technology must integrate with existing tech, tax leaders need to understand what capabilities and tools the company already has. That way, when asking for additional information from other departments, such as sales, tax functions will have a baseline understanding of the tools various teams work with. This makes collaboration among departments easier and more productive.

Failing to Understand the Full Tech Stack

The tax tech stack is more than the sum of its parts. To successfully implement a new tool, tax leaders must first understand how existing technologies interact and how implementing new tech will affect operations. This knowledge will help tax departments avoid unnecessary disruptions to workflows and unintended effects on other tools during the implementation process.

Insufficient Training/Upskilling Programs

New technology can benefit a company only if it's actually used, but it's often difficult to achieve widespread employee adoption of new tools. Employees may feel overwhelmed or confused by the technology and the associated learning curve. Proper training and upskilling programs make the learning process more accessible for employees and improve the probability of achieving widespread adoption.

Treating the Process as Static

Tech implementation isn't a one-and-done process — it's a feedback loop. After the initial deployment, tax leaders should be prepared to assess what's working and what isn't and make updates and enhancements. Failure to leave room for iteration can reduce ROI.

Working With the Wrong Advisors

When implementing new technology, most companies elect to work with a third party to support the process. Choosing an advisor that will support the tax department through the full implementation process, rather than just hitting the "on" button on new technology, is crucial. The right advisor will offer full implementation support, including customized training for employees and resources to set you up for success. Without the right help, tax leaders may struggle to address post-implementation challenges such as lack of adoption.

What's Next for Tax Tech

Implementing new technology is crucial to helping tax leaders and their departments fulfill their ever-expanding roles as strategic value drivers. As technology continues to evolve, strategic tax functions will continue embracing innovation to deliver valuable insights, forecasts, and tax planning strategies to their organizations.

Ready to jumpstart your tax technology journey? Check out our comprehensive **Tax Innovation Guide** to learn how.

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