EMERGING ISSUES IN THE TAX LANDSCAPE

20TH MARCH 2021

Agenda

I.   Introduction

II. Emerging Issues in the tax landscape

- Evolving regulatory environment (ICPAK, KRA, LSK)

- The Rise of Tax Transparency and Tax Cooperation

- Operational separation of audit from other practice areas

- Technological Advances

- New Frontiers of Taxation

III. Future Trends

- The tax function of the future

- The tax administration of the future

IV. Q & A

Emerging Issues

Evolving Regulatory Landscape

KRA

Legal Notice No. 60 of 2012, the KRA (Tax Agents) Regulations 2012 providing for tax agents registration by the Commissioner

LSK

Representation in the High Court on tax matters can only be done by Advocates. No limitation in the Tax Appeals Tribunal

Regulatory landscape

KESRA

The Finance Act 2020 introduced amendment to Section 5 of KRA Act providing for legal framework for the establishment of an institution to offer capacity building and training on tax, customs and revenue administration

ICPAK

The Council, in year 2020 approved guidelines on issuance of multiple licenses following the amendments to the Act. licences to be issued

Move towards establishment of an independent Tax Institute? What model? UK, South Africa, Nigeria, other?

The Rise of Tax transparency and Tax Cooperation

From exchange of information to CRS

Since 2010, the 161 member countries of the Global Forum on Transparency and Exchange of Information for Tax Purposes have responded to over 250,000 requests for information and recovered nearly EUR 7.5 billion additional revenues.

In 2017, the CRS providing for automatic exchanges of financial information was introduced

African countries have managed to significantly broaden their bilateral relationships for exchange of information by joining the Convention.

These have increased to 3262 in 2020 compared to 913 in 2014 (see the recently published Tax Transparency in Africa 2020), leading to an eightfold increase in the number of requests for financial information sent by African countries. In turn, these requests have yielded USD 189 million of additional revenue between 2014 and 2019.*

*zyda manatta, exchange of information: a butterfly effect on domestic resource mobilization

Trends in tax transparency in Africa

Progress made in the development and implementation of transparency and exchange of information (EOI) for tax purposes since 2014
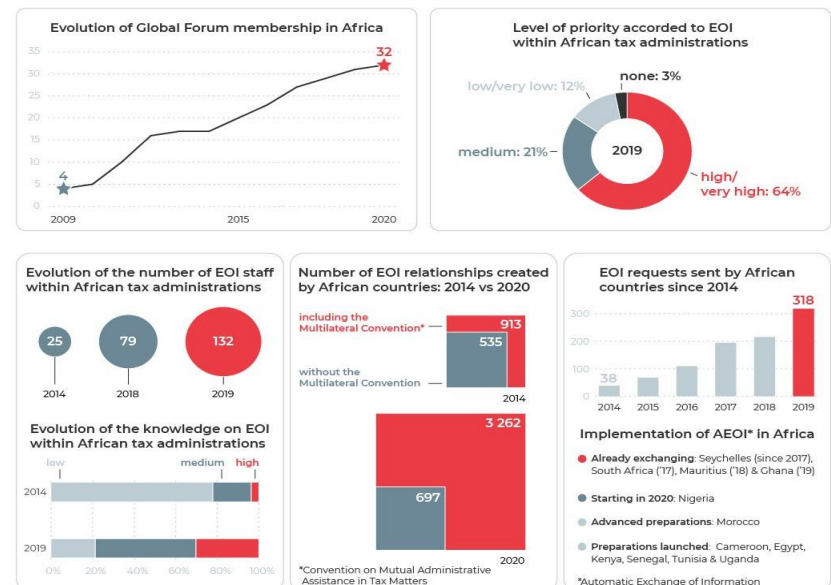
Source: Tax Transparency in Africa 2020 - Africa Initiative Progress Report: 2019

Emerging Issues

The Rise of Tax Transparency and Tax Cooperation

Tax cooperation is driving domestic tax issues beyond sovereign borders

Increased adoption of Conventional tax systems in "tax havens" jurisdictions

Common Language and culture in relation to taxation driven by impact of tax cooperation

Is there potential emergence of a "Global Revenue Authority?"

Globalization of tax practice

Emerging Issues

Operational Separation of Audit from other areas of practice in the UK

❖ The FRC of the UK set a [deadline](#) of June 2024 for the Big Four accounting firms to separate audit practices from the rest of their other operations to avoid potential conflicts of interest.

❖ Auditors will be operating in their own vacuum, without the benefit of the insight from the consulting side of the business.

❖ Mores scrutiny in audits

❖ AI driven audit tools to review tax compliance

❖ Tax experts working in audit firms back office?

❖ Partners working in tax will need to rely on their own technology platforms for analysis trends, forecasting .
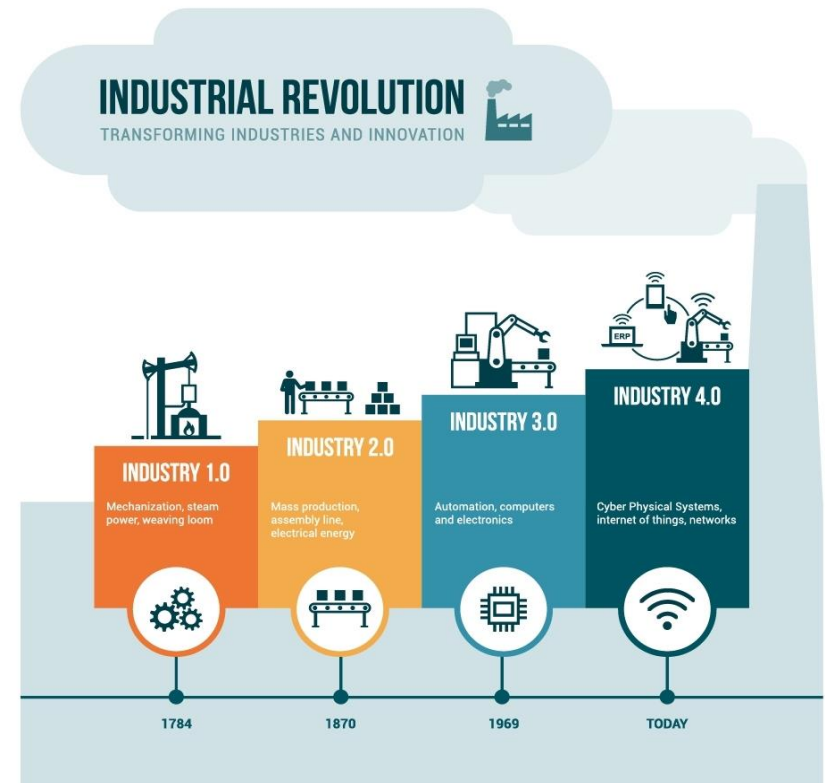
Emerging Issues

Technological Advances

Advancements in the fields of **AI**, **data**, cloud & mobility are accelerating at an unprecedented rate & beginning to converge

Amplifying the effects of the others, they will fundamentally change the way we live & work; and they have already began to do so.

Whilst there have been 3 industrial revolutions to date, the 4th is set to be unprecedented in both it's scale & speed of impact

INDUSTRIAL REVOLUTION
TRANSFORMING INDUSTRIES AND INNOVATION

INDUSTRY 1.0
Mechanization, steam power, weaving loom

INDUSTRY 2.0
Mass production, assembly line, electrical energy

INDUSTRY 3.0
Automation, computers and electronics

INDUSTRY 4.0
Cyber Physical Systems, internet of things, networks

1784   1870   1969   TODAY

Emerging Issues

Technological Advances in Taxation

- ❖ Automation of routine decisions and reporting

- ❖ Enhancement of dashboard monitors

- ❖ Improved forecasting

- ❖ Advanced scenario analysis

- ❖ Adaptive learning based on operations

- ❖ Increased use of tax tools

Emerging Issues

New Frontiers of Taxation

- ❖ Crypto Tax
- ❖ Environmental Tax
- ❖ Others

Future Trends

Beyond technology to unlocking human potential

1.Historically humans & machines were viewed as rivals
Traditional economic research & reporting has viewed humans & machines as rivals, each side competing for the other's jobs.

2. This binary view is an over simplification
It neglects that the largest boost in performance & the creation of novel jobs will come from human & machine working as allies & not adversaries. This is known as the missing middle. [1]

3.AI is an investment in human talent first & technology second
Agencies need to ensure that their workers & AI systems work together to amplify outputs. A human first approach is required, with agency valuing their employees & promoting a culture of entrepreneurship & lifelong learning.

1. Human & Machine, Paul Daugherty & H. James Wilson, 2018

Future Trends

Tax function of the future

❖ **The future** internal and environmental challenges will require Tax to be **nimble** and **accurate** in providing information the enterprise needs for business decisions as well as complying with increasingly complex rules and calculations for tax reporting

❖ Everything will be **digitized**

❖ Large scale use of effective and predictive **tools**

❖ **New ways** of carrying out current tasks

❖ Working **independently** from finance

AI and the future of the tax function | Brought to you by wtsAI (reuters.com)

Artificial Intelligence Ailira's University Tax Law Exam - Bing video

Product demo: Artificial Intelligence in the Tax Function - Bing video

Future Trends

Tax Administration of the future- Customer Service

MOVING FROM ... ▶	TOWARDS ... ▶	UNLOCKING HUMAN POTENTIAL BY ... ▶	... AND ACHIEVING
Capacity limited contact centres	**Service orientated contact centres**	Machines: virtual assistants & chatbots automating transactional contact & conducting sentiment analysis to detect handover Alongside Employees: who are deeply specialist in particular customer segment(s) & receive handovers seamlessly from virtual assistants with full conversational history	• Reduced operating expenses • Improved customer experience • Improved employee satisfaction
One size fits all service	**Hyper-personalisation**	Machines: analysing customer language & sentiment in real time to determine next best actions & establishing personalised content & risk profiles for customers. Alongside employees: who are customer service specialists, trained in how to respond accordingly to the prompts they receive about a customer's circumstances whilst interacting with them	• Increased revenues collected • Reduced compliance costs • Improved customer experience
Compliance & customer service as distinct domains	**Compliance & customer service convergence**		
Focus mainly on answering customer calls & contacts	**New roles**	Machines: to tackle repetitive work Alongside employees: who are increasingly data literate and evaluate the scripts used by the above technologies, dynamically updating them as needed	• Improved employee satisfaction

Future Trends

Tax Administration of the future- Compliance

MOVING FROM ...	TOWARDS ...	UNLOCKING HUMAN POTENTIAL BY ...	... AND ACHIEVING
Compliance Officers in the Back Office	**Compliance Architects & Convergence with the Front Office**	Machines: analysing customer language & intent during conversations & interactions with customers in order to identify potential compliance risks in real time Alongside employees: deeply specialist in customer service, tax policy & data fluent they also support the design & management of taxpayer services to optimise compliance outcomes.	• Increased revenue collection • Reduced compliance costs • Improved customer experience • Improved employee satisfaction
Manual work	**Increased Automation**	Machines : completing simple audit activities & preparing cases/data to support more complex reviews. Alongside employees: who are deeply expert in tax law & who work on more complex cases requiring human judgement	• Reduced compliance costs • Improved employee satisfaction
Challenges with identifying fraud & avoidance	**New abilities to identify previously hidden compliance risks come to bear**	Machines: capable of identifying complex risk patterns in vast amounts & networks of data Alongside employees: with high data fluency who are have additional capacity & increased capabilities to work complex cases	• Increased revenue collection via increased revenue pool & improved collection accuracy • Reduced compliance costs
Rigid rules based detection.	**Dynamic case detection**	Machines: capable of dynamically responding & updating their rules Alongside employees: with the skills to understand how selection algorithms work & identify potential biases	

Future Trends

An illustrative profile of the future Revenue Compliance Officer

Summary

Early intervention through improved & intelligent led customer service, is greatly reducing the occurrence of taxpayer error & the subsequent need for manual audit of simple cases. As a result, Compliance Officers like Jane spend the majority of their time focusing on complex & often deliberate instances of non compliance. AI tools are now used by the agency to search vast amounts of unstructured data & are identifying more complex, previously hidden & undetected cases of non compliance.

It's likely that the vast majority of cases Jane works on will have had some form of criminal activity or deliberate avoidance & gone are the days when a significant part of her day was spent reviewing false-positive's. Jane has deep expertise international tax law & in recent years, has worked alongside data scientist to build expertise in network analysis. As a result she has recently moved into a new role working to detect & prevent instances of international VAT fraud. In addition to her core role, Jane also sits on the agency AI ethics boards due to her comprehensive grasp of tax law & policy.

Sofia
Fraud Detection officer

Top Skills

Technical
- Tax legislation
- Analytical skills & data fluency
- Technical knowledge

Human
- Interpretation & investigation
- Critical thinking & problem solving
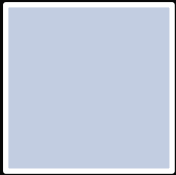- Ethical evaluation

Key Responsibilities
- Analysis of complex cases
- Data analysis
- Supporting prosecution efforts & evidence gathering
- Attendance at the agency's AI ethics board

Conclusion

It is change, continuing change, inevitable change, that is the dominant factor in society today. No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be." ....**Herbert Otto**

THANK YOU