Stories from Business Practice:

Digital Upskilling in the Area of Taxes and Customs Duties

WU EXECUTIVE ACADEMY

"As clients are digitalizing their operations, they are expecting the same from their advisors" (Stefan Groß). The LL.M. Digitalization & Tax Law taught at the WU Executive Academy combines knowledge of tax law, customs law and other types of taxes with innovative technologies that enable the automation of tax processes. A large number of outstanding master's theses featuring innovative ideas point to the enormous potential in this field. Tax Tech is becoming a reality. Find out how the LL.M. Digitalization & Tax Law can be your key to success in the ever-evolving world of labor.

Prof. Dr. Robert Risse

INTRODUCTION

In today's world of work, everything hinges on continuously expanding your expertise and acquiring new competences to keep up with the challenges posed by digitalization and automation – upskilling is the order of the day. Particularly in the realm of taxes, a thorough understanding of the impact of technology is a sine qua non for future success. The Vienna University of Economics and Business's LL.M. Digitalization & Tax Law offers the perfect opportunity for professionals to level up their skills in order to take the next professional career step. In the course of this program, you will learn to expand your skills and take on more advanced tasks without ceding your current role. Read on to learn more about the achievements of former and current students of the LL.M. Digitalization & Tax Law and their master's theses on practice-oriented topics.

TAX COMPLIANCE & DIGITALIZATION

a) Digital maturity models for tax functions

Maturity models are growth models that can help decision-makers get the information they need to assess the status quo and work out targets for their organization i.e. for their specific tax and customs function. For a while now, tax functions have been under pressure to transform their processes and prepare for the digital needs and requirements expected to arise in the future. In this process, adapted business models driven by digitalization, innovations in the methodology and technology used in an organization, and the digital transformation of tax administration are key factors that will be the acid test for corporate, tax authority, tax functions and the entire tax consultancy industry. Against this backdrop, digital maturity models for tax functions are developed to assess the current and predict the desired states of digital maturity of a tax function. Following a systematic literature search, students have evaluated and categorized existing maturity

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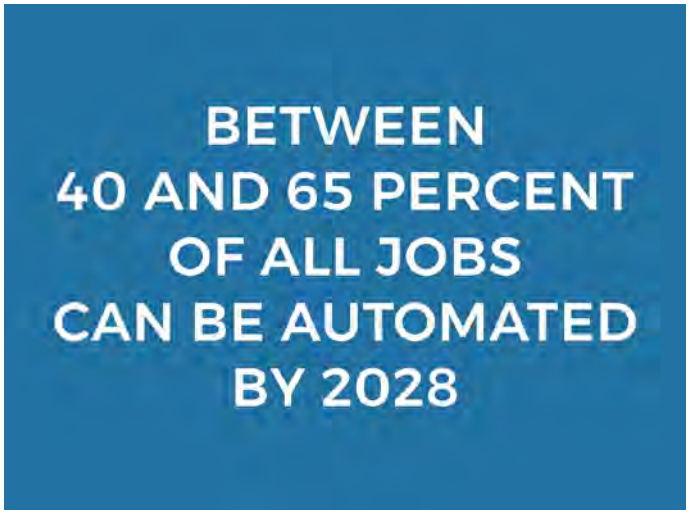
models for tax purposes in their master theses' projects. More specifically, they have investigated business process maturity models, digital maturity models, and specific tax administration models. For the latter, they have also considered the discussion published in the OECD report on "Tax Administration 3.0.[1]"

b) Tax compliance topics

Several students have explored the topic of tax compliance management systems in their master's theses. This involves fundamental principles of tax compliance as much as the first steps to automate the respective processes within a digital ecosystem. One graduation paper deals with the question of how the need to digitalize the tax function's processes could be implemented in practice. Particularly the matrix structures prevalent in large companies make for different degrees of process complexity, which need to be evaluated and addressed. There is already an abundance of use cases where protagonists avail themselves of the brave new data world. As examples: the questions whether there is a largely automated assessment of cross-border employment relationships or the comparative tax burden analysis due to hidden profit distribution in EU law are discussed in detail. A further study addresses the technical possibilities in the context of a Tax Compliance Management System (TCMS) – the effects of process mining and robotic process automation (RPA) on compliance processes in the area of indirect taxation were scientifically analyzed. The students also dealt in detail with the rights and obligations of taxpayers in the digital age and how the new digital tax compliance fits into the existing rules of procedural law. And how the tax administration should handle taxpayer data against the backdrop of new technologies in order to provide taxpayers with legal certainty at an early stage is also the subject of a forward-looking master's thesis.

The opportunities, challenges, and risks for taxpayers that are a side-effect of the advance of the digitalization of tax administration systems have been explored in another thesis. Many tax authorities aim to support taxpayers in every possible way and search for new digital solutions together with them. This way they build a good rapport with them to create what has been termed "cooperative tax compliance." An approach in this respect is to offer new communication channels and digital services available in almost real-time to sustainably improve the experience of customers, i.e., taxpayers.

A common finding across several research projects: the availability and acquisition of data and technologies are among the most serious challenges. At the same time, taxable corporations, legal entities are becoming more and more transparent due to the large amount of data they need to share, which calls for a secure legal framework. One student has dealt with the risks posed by a loss of information and how associated problems and challenges could be proactively addressed.



[1] OECD, Tax Administration 3.0: The Digital Transformation of Tax Administration (OECD 2020), https://fmos.link/18690 (accessed: 03.04.2023).

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ERP[2] SYSTEMS SUCH AS SAP S/4HANA AS ENABLERS OF TAX COMPLIANCE

The digital transformation is first and foremost driven by the extended use of advanced IT, such as analytics, mobile computing, social media, and intelligent embedded devices. But also improvements in the use of traditional technologies such as enterprise resource planning (ERP) are currently in the focus. With this in mind, a recent graduation thesis chose SAP S/4HANA as a case example to explore how an ERP transformation focused on business process management could be methodically supported.

Another student has investigated ways to achieve holistic and unambiguous data availability beyond data silos. Will companies need to introduce a single source of truth (SSoT) in their ERP systems? Will the much-discussed tax data lake become a prerequisite? S/4HANA can establish an SSoT within an ERP system, but where tax purposes are concerned, further information such as metadata and event logs will be required. For this purpose, S/4HANA provides a functionality to integrate tax fields in a multitude of processes. Against this backdrop, a student has explored the question of how tax conformity could be increased in a targeted way by implementing so-called tax tags in S/4HANA transformation projects. An example are details regarding transfer pricing categories that can directly be added to the booking when the respective field is created. For an automated review of compliance with customs regulations, a field for commissions and brokerage for strategic procurement processes pursuant to Art. 71 (1)(a)(i) UCC can be added.

DIGITALIZATION FOR VARIOUS TAX TYPES

Many master's theses have dealt with the so-called distributed ledger technology (DTL) in the shape of a blockchain. One graduate student has investigated how the use of blockchain technology could contribute to effectively combatting VAT fraud in the EU.

Other students have dealt with the taxation of security and utility tokens in the framework of potential double taxation or even double non-taxation. The sky is the limit when it comes to ideas on how to use blockchain in tax law, for instance regarding the question of which prerequisites must be met for a combination of blockchain and artificial intelligence (AI) to represent transfer prices true to the arm's length principle.

Another master's thesis on the topic of transfer pricing has explored if and how blockchain technology could be used to improve transfer pricing compliance. Thanks to the decentralized and encrypted nature of blockchain transactions, they harbor the potential of improving the process of price formation while simultaneously ensuring legal certainty for all stakeholders involved, i.e., authorities, auditors, and taxpayers. Yet another student has investigated whether a benchmarking mechanism could be a part of blockchain. This could be represented, e.g., through a consensus mechanism or smart contracts.

Also the potential for harmonizing transfer pricing, value added tax, and customs schemes has been investigated. More specifically, a student has explored the uniform transaction value represented for all stakeholders within a shared transaction blockchain. Another student also working in the field of transfer pricing has looked at adequate interest rates for inter-company loans with the aid of an AI-based algorithm. In the area of VAT and transfer taxes, the project has considered the implications of electronic B2C remote sales of goods and their effect on VAT payment in the EU with a focus on their effectiveness, deficiencies, and technology-based applications. Yet another graduate student has discussed how cross-border VAT disputes on the African continent could be solved digitally.

[2] Enterprise Resource Planning

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DIGITAL TAX AUDITS AND TAX DISPUTES

Another focus area for several master's theses concerns the changing relationship between taxpayers and finance authorities as more and more digital tools are becoming available. One student has studied how a process-oriented approach based on Business Process Modeling Notation (BPMN) and Process Mining could improve the operation efficiency and effectiveness of a tax control framework (TCF). A TCF is mainly used by finance authorities to check and ensure that effective tax control mechanisms are in place. To evaluate a TCF, process models are discussed based on BPMN, decision modeling notation (DMN), and process mining. For this artificial process, notation elements are defined to serve as a kind of shared language between companies and tax authorities and furthermore offer a clear overview of the end-to-end process including the process flow, responsibilities, and the corresponding checks. In this context, students have also evaluated the benefits of process mining, which can be used to identify instances in which the actual implementation fails to conform with the process as it should be.

A further group of students have worked on the proposals for taxing the digital economy that are part of BEPS Action 1. A burning question in this context is whether existing dispute resolution mechanisms will be sufficient to deal with conflicts arising from new tax regulations for the digital economy and the challenges they will bring in their wake. Another thesis has dealt with this question by discussing alternative proposals for settling cross-border tax disputes. In addition to a technology-based proposal, the possibility of implementing an international institutional tax arbitration court to serve as an independent and effective dispute resolution mechanism is explored.

CONCLUSION

The LL.M. Digitalization & Tax Law is making a significant contribution to researching topics in the realm of tax law tech and to driving the further development of digitalization in the field of taxes and customs. The wide variety of topics students have dealt with in their master's theses bear evidence to the broad range of topics and approaches covered in the program, endowing students with a sound understanding of the newest developments in the field. The program also offers the unique possibility to pursue further education in a dynamic environment and take on more advanced tasks without having to step aside from one's current role. We are already looking forward to reading our future students' theses about upcoming developments and trend-setting topics.

LL.M. DIGITALIZATION & TAX LAW

Content: International Tax Law, Transfer Pricing, VAT, Disruptive Tax Tech, Process Mining as well as Use Cases and Innovation Approaches
Duration: 12 months, part-time
Language: Englisch
Academic Qualification: Master of Laws (LL.M.)

LL.M. DIGITALIZATION & TAX LAW

Further information:
short.wu.ac.at/llm-digitax