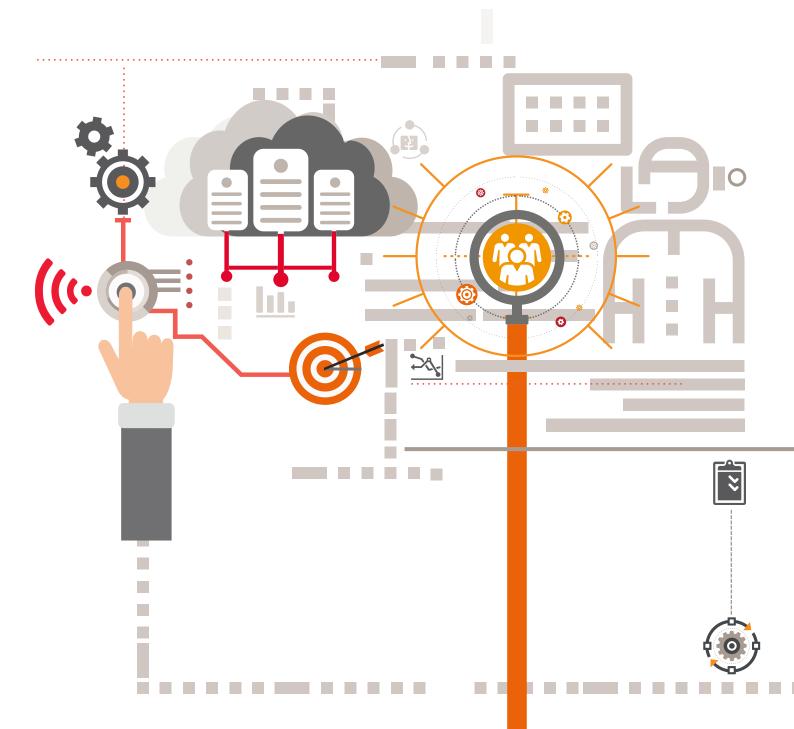


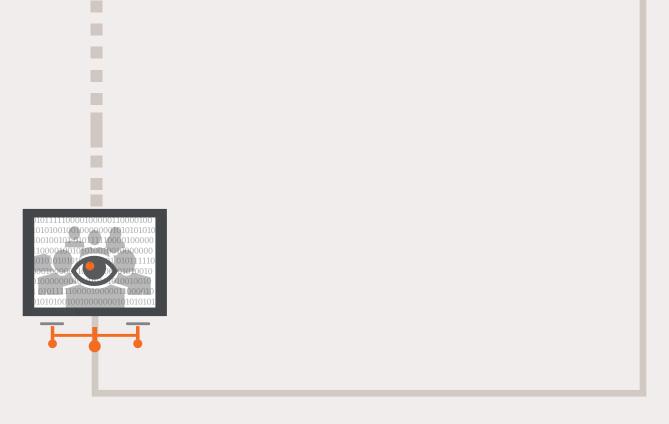
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Introduction

Technology changes the way we live and do business. It paves the way to do things in previously unimagined ways. In the world of compliance, businesses feel the impact of technology on the way they collect, record and transmit data, and increasingly on how they pay taxes.

Tax authorities have greater visibility into business data and can conduct realtime rather than annual scrutiny, analytics and follow-up. Meanwhile, increased data sharing between taxpayers and tax authorities raises questions about data integrity and cyber-security, and the need for secure and trusted systems.

This survey was designed to better understand the challenges businesses face, their abilities and objectives regarding digital transformation, especially in terms of accounting and tax compliance.

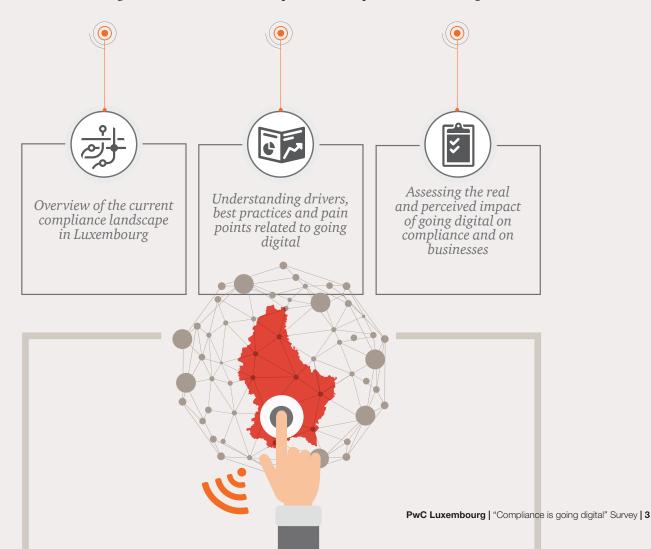
Why did we conduct the survey?

Given our global vantage point and access to a wide range of clients in Luxembourg, and ultimately to better serve the community, we wanted to:

- Understand the current Luxembourg compliance landscape;
- Better understand the drivers, best practices and pain points related to going digital;
- Assess the real and perceived impact of going digital on compliance, and on businesses in general.

How did we conduct the survey?

We've put together a concise survey of 13 questions, and sent it out to CEOs, CFOs, Head of Tax, Head of Accounting of financial institutions and operational companies in Luxembourg.



This is what we asked.

01

04

The Future

Do you think tax/VAT returns will still exist in 3-6 years' time?

02

Hiring and Training

Does digitalisation impact on training programmes and the type of profiles you look to hire for accounting and tax functions (technology or new profiles)?

03

Costs and Savings

Do you expect your business to incur additional ongoing costs as a result of digitalisation?

Do you expect your business to benefit from significant cost reductions as a result of digitalisation?

Changes and Challenges

In what direction do you think your business model for the tax compliance/accounting function will change?

Besides financial functions such as tax and accounting, do you expect any other corporate functions benefit from digitalisation?

What are the main features that technology should bring to the tax/accounting function?

What are the most important challenges regarding data?

What are the main challenges in producing information for preparing tax/VAT returns electronically?

05

Tools and Systems

Do you use the same information system software in all jurisdictions in which you carry out reporting?

What are the main disadvantages of the tools you have seen for accounting/tax purposes?

Have you already started to review internal processes to take advantage of technology?

06

Budgets

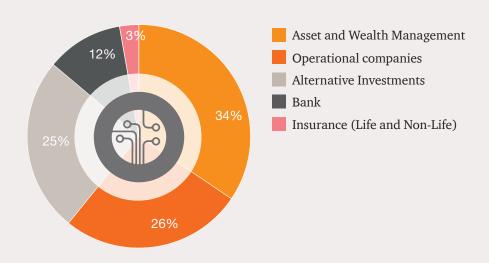
What budget do you foresee for technology costs associated with digitalisation?

This report provides our most significant findings on the digitalisation of compliance in Luxembourg.

Who responded? Respondent's company profile

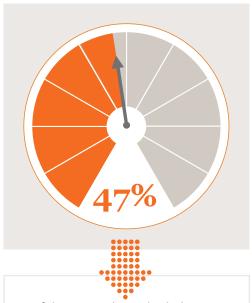


Industry representation of respondents

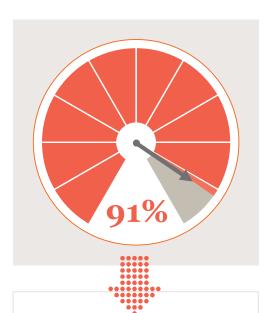


One third of the respondents were from the Asset and Wealth Management industry, 25% were from Alternative Investments (Private Equity and Real Estate Structures) and 26% from Operational companies. The responses imply an interest across the boards of Luxembourg industry sectors in Tax digitalisation.

Key findings



... of the respondents think that tax/ VAT returns will not exist in 3-6 years. They think that a standard audit file retrieved from accounting will be transferred to the tax authorities for each period, increasing **the importance of using technology** early in the process.

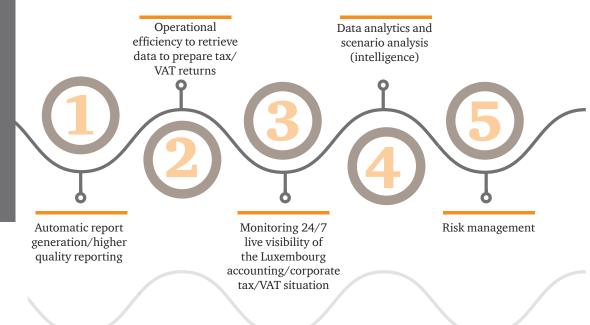


... of the respondents have already started to review or are expected to **review internal processes** to take advantage of available technology in the next 12-18 months.

Digitalisation is coming, but a lot will still be done manually even in 3-6 years. The respondents have started to, and will continue to review internal processes to take advantage of technologies.

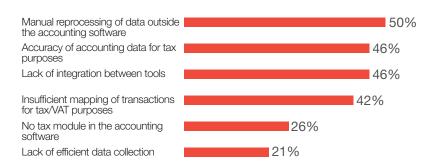
The main features that technology should bring to the tax/accounting function are:

According to the respondents, the most important challenges regarding data are data quality, integrating multiple systems and data storage & security!



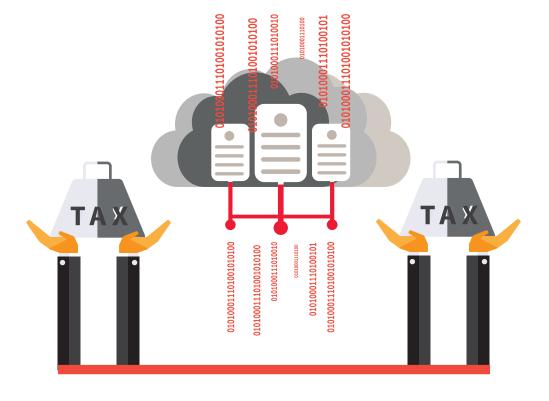
The respondents expect digitalisation to provide automatic report generation, operational efficiencies, data analytics and real-time monitoring for risk management.

"In my view the tool should be a realtime tool, easily accessible, and with a sufficient functionality to track comments back and forth." "The main issue is that there is no system that would cover the needs at least for a significant group of countries." The main challenges in producing information for the preparation of tax/VAT returns are the following:

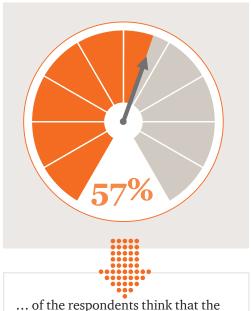


The main challenges are manual reprocessing of data outside own accounting software, accuracy of accounting data and lack of integration between tools.

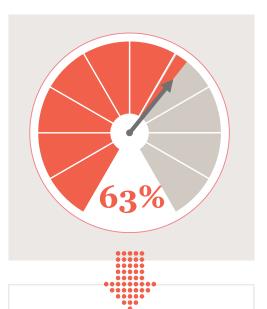
At the moment, more than half of tax/VAT returns are processed outside the entities' accounting software.



The respondents thought that the greatest disadvantage of their existing accounting/tax tools was their inability to respond to specific needs of each company/industry. In general, the majority of respondents expect they would have to do more tax work with service providers using a co-sourcing approach.



... of the respondents think that the greatest disadvantage of the tools that they have seen for accounting/tax purposes is that they are not tailored to their needs/characteristics.



... of the respondents would change their business models into a **more cosourcing** (mixed approach working with a service provider).

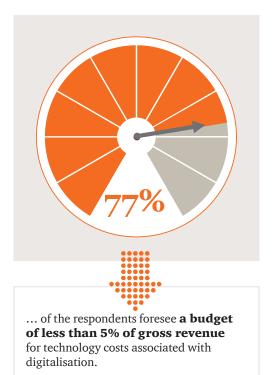
Besides these challenges, **several respondents stated they use different software over different jurisdictions.** However, some of them mentioned that they are trying to standardise systems over the different jurisdictions, although with country specifics.

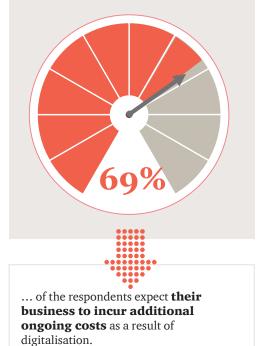
"We try to use one system for our company and tailor it to the local market."

"Depending on how authorities will use the increasing amount of data shared, more work might be triggered by the interaction between tax payers and tax authorities."

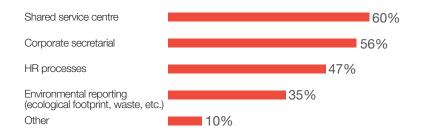
The respondents expect to spend up to 5% of their Gross Revenue on technology costs associated with digitalisation. The majority expect their business to incur additional ongoing costs as a result of digitalisation. The increased costs are mostly likely related to integrated tools, data governance and data security, beeing a big concern for the respondents.

If digitalisation is to save them some money, it would probably be due to lower staff and external provider costs.





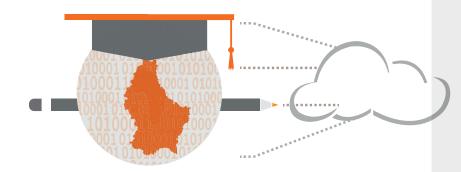
Other corporate functions that could benefit from digitalisation are:



"Would expect all aspects of the value/ supply chain to benefit from digitalisation, including overall client experience"

The respondents expected that shared service centres, corporate secretarial and HR processes could benefit from digitalisation.

The majority of the respondents expect to take digitalisation into account when hiring and training.



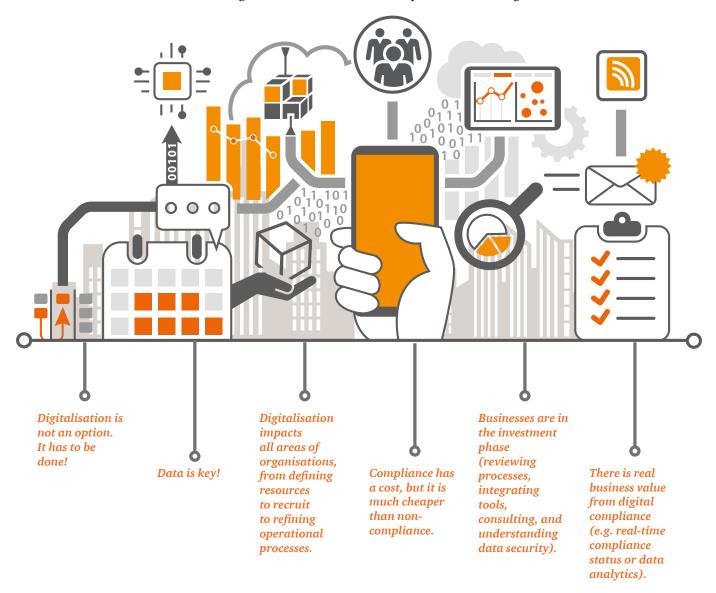
56%

of respondents answered that technology or new capabilities are already taken into consideration when looking for training programmes and type of profiles to hire for accounting and tax functions. Although 44% do not take digitalisation into account, a further 36% expect it to become increasingly critical in the next 12-18 months.

Conclusion - What does this all mean?

The digital economy has come of age through mobile technology, cloud computing, business intelligence and real-time reporting.

We understand from the Luxembourg business leaders we surveyed the following:



The tax function is set to transform and adapt to this new environment. Global compliance requirements have increased in both importance and volume, checks on cross-border transactions become systematic, with immediate sanctions in the event of mismatches. Tax authorities are more often requesting electronic filing and the provision of information in a digital format in the context of tax audits. Inefficient processes and reliance on spreadsheets are inducing risks, whether in terms of accuracy or availability of information.

Digitalisation creates value in terms of accuracy, operational efficiency and fast reporting. Having a digital strategy including aspects such as people, tools and processes has definitely become a must.

It is not too late, but it is time.

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