KPMG

Transforming the in-house tax function in China through technology

A practical guide to 2020

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Part B

Now let's begin our journey

Starting on a journey to embrace technology, even on an incremental basis, is necessary to keep up, and also maintain or even enhance the value of the tax function to the organisation it serves.

So by now we have hopefully helped you to understand some of the problems within your organisation which tax technology may help you to fix; we have shared with you a framework through which to consider how most tax technology solutions fit; we've discussed the need to consider incremental change, and acknowledged the need for realism (and patience).

Now we move into the really important aspects of tax technology, and given our emphasis on keeping this simple, we've broken down the issues into their most fundamental building blocks. Specifically:

1

Why would you do it? In other words, why do you wish to transform your in-house tax function to be ready to embrace technological change?

2

What should you do? That is, what types of tax technology do you need in your organisation?

3

Who should help you to do it? What people will you need?

4

How should you do it? That is, how should you prioritise between different types of technology solutions, and how should you build a business case to do this?

5

Does it work in China? These are specific issues to troubleshoot before deploying any tax technology solution to serve your business needs in China.

In the following sections we explore each of these questions in turn.

Section 5

Will it work in China?

In this section of the publication, we examine many of the specific issues which can arise in either developing, purchasing, or adapting tax technology solutions for the Chinese market. This discussion of specific issues is designed to ensure that any technology investment decisions you make are suitable to meet local market needs. All too often we see large international accounting firms marketing 'whizz bang' tax technology solutions which have been developed elsewhere, and which simply do not work appropriately in China. All KPMG tax technology solutions which are marketed by KPMG China have either been developed specifically for the Chinese market, or have been thoroughly adapted and tested for the Chinese market.

Our summary of the specific issues to troubleshoot are:

(1) Different ERP systems – as mentioned earlier in this publication, it is important to know that in China the use of internationally recognised ERP systems such as SAP, Oracle, and JD Edwards is less prevalent. Instead, the market for ERP solutions is relatively decentralised, and includes not only these international providers, but also many domestic providers such as Kingdee, Inspur, Aisino, Yonyou and other local providers. As such, your organisation should ensure that any tax technology solutions or embedded data extraction tools can work effectively with your ERP system in China, especially where it is a domestic ERP system.

(2) Multi-language functionality – For many multinational companies, they will need bi-lingual capabilities for their tax technology solutions. In many cases, this accommodates both their head office personnel as well as their domestic team in China. Furthermore, even if the technology solutions have both English and Chinese language capability, the quality of that bilingual content may be lacking. This testing should form part of any product assessment.

(3) OCR technology – increasingly, tax technology solutions may include optical character recognition technology. In essence, this is technology which 'reads' or 'scans' words on a page and reproduces it. For example, you may use tax technology solutions which are able to scan and 'read' the content of VAT invoices, contracts, or bank receipts. Those providers of leading OCR technology internationally may have strong capabilities in English, but may not have the capability to read Chinese characters. As such, any OCR technology embedded in your technology solutions which is intended to read Chinese documentation such as invoices, needs to have this capability.

(4) Data security – it is fair to say that concerns around data security rank amongst the most significant challenges for any organisation doing business in China. Any deployment of tax technology solutions will typically require approval from within your IT department. Amongst the first questions they will ask is whether data must be extracted from the ERP system, the extent of any such data request, and where that data will reside. It is not unusual in China to have tax technology solutions deployed 'on premises' – meaning that the data never leaves the organisation's secure IT environment so as to obtain approval from the IT department.

(5) Cloud based solutions – along similar lines, businesses in China need to ensure they comply with State Secrets legislation and various other legislative instruments governing the collection and storage of data in China. As such, where tax technology solutions are to be deployed in a cloud environment, the hosting location for that cloud service (whether in China or not) will often be of critical importance.

Finally, and perhaps most obviously, any tax technology solution needs to be adapted for the Chinese market from a tax perspective. The nature of the tax regulatory environment is often quite different from that of other countries – for example, in the deployment of China's Golden Tax System and the controls over the invoicing processes.

What all of this leads to is the need to carry out careful due diligence on potential tax technology solutions to ensure they are suitable, useable, scalable, adaptable and deployable in the Chinese market.

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