



In the vault with KPMG

Tax technology in banking – The cloud



How banks can benefit from cloud transformation

Digital acceleration and a surge in alternate payment methods means your bank must engage with customers in more meaningful ways.

Digital acceleration is challenging banks and financial services firms to reimagine the way they operate. As banks continue to tap into the benefits of an expanding digital landscape, cloud platforms offer the agility and resilience required for enterprise-wide transformation. However, simply plugging into the cloud may not generate value or enable market speed. Your bank must understand how to optimize platforms and make technology meet business challenges while managing risk.

Factors driving change in the banking industry

Today, customer centricity is essential to everything an organization does. A surge in digital payment methods, mobile wallets, and contactless payments means your bank needs to integrate and engage with customers in more meaningful ways. The following factors are driving banking industry change:

- **Rapid digitization:** Today, your bank is expected to operate across both virtual and physical domains to seamlessly meet customer demands while harnessing the potential of the digital economy.
- **Transformation:** Financial institutions must rethink distribution models and manage the costs of building new capabilities to enhance the customer experience and business operating models. This is driving the transformation of front-, middle-, and back-office processes.

- **Remote work:** Embracing new ways of working has become the norm. While banks have effectively managed the mass transition to remote work, investing in the right worker support and training will be key to your success.

Decommissioning older technologies with cloud can help your bank drive operational scale, assess big data, and make more informed decisions to deliver positive portfolio gains. With accelerated reliance on cloud platforms, building cyber resilience and enhancing digital security is crucial:

- Protect your organization against cyber risks.
- Defend against and limit the severity of attacks.
- Ensure continued survival in the aftermath of cybercrime.

How can tax benefit from cloud transformation?

From automation to scalability and enhanced efficiency—the benefits of cloud computing for your tax function can be significant.

- **Modernization:** In many modernization initiatives such as ERP implementations, cloud technology makes it easier to implement and upgrade systems.
 - Cloud democratizes technology, giving large and small companies equal access to computing power.
 - Successful cloud ERP transformations are holistic in nature as they operate in an agile way while addressing different data consumption needs.
 - Cloud initiatives can greatly benefit different tax areas such as transfer pricing and indirect taxes.

- **Data management:** Cloud-native platforms extract and analyze data from disparate systems in multiple formats while enhancing the data lifecycle and catering to evolving regulatory requirements.
 - Artificial intelligence operationalizes data and analytics-driven decisions to help tax departments stand out in a competitive marketplace.
 - Tax compliance and reporting domains can significantly benefit from such initiatives.
- **Collaboration:** Collaboration has become a foundational component for tax departments. With a hybrid work culture, there has been a significant shift in both employee and customer engagement.
 - Cloud-based collaboration platforms, including integrated chat, calls, and documents help improve productivity in day-to-day operations.
 - Elastic cloud computing is gaining pace, allowing easy scalability and reduced costs for banks.
- **Risk and governance models:** Adopting “cloud first” has become a strategic priority in digital transformation, but legacy security, risk, and compliance capabilities need to evolve.
 - Your bank can balance supporting cloud innovation with having a risk-based governance structure that includes policies, procedures, and personnel.
 - Cloud hosting helps you implement and stay current with industry security standards so you can build redundancy, safeguard data, and prevent cyberattacks.

Getting started on the cloud journey

A well-crafted digital strategy and roadmap is crucial for your tax function to transform and deliver desired value. KPMG can help you:

- Embark on a transformation journey with your tax operations and benchmarking services
- Help you evaluate your position with respect to your industry peers.

The future of tax is less about optimizing and more about addressing business issues such as environmental, social, and governance (ESG) and associated global regulations that drive financial impact. While banks may never eliminate cost pressures, focusing on new ways of value creation is imperative. Tax functions need to significantly invest in talent and skills to achieve success in the cloud.

Cloud technology and digital tools are becoming increasingly important as financial institutions look for ways to improve client service, empower employees, and reduce costs. Although the benefits of cloud are substantial for financial services firms, you should also evaluate emerging risks across data security, third parties, and regulations to gain a competitive advantage.

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