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INNOVATION, TAX TECHNOLOGY AND GOVERNANCE: DISCUSSION ABOUT BRAZILIAN MODELS

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ABSTRACT

This theoretical-practical discussion intends to reinforce some of the main aspects of tax technology and governance in the shared services model, discussing the integration of the areas of Governance, Controllership and Taxation, including the relationship between employees and employers in the social security dimension, and how they relate to each other to meet the demands of the organization, the market and the government. Tax planning and management means thinking about business security, compliance and control. However, other inherent objectives deserve special attention, such as optimization of processes and applied technologies, all aimed at making the business entity more competitive. There is much confusion and oscillation in Brazilian jurisprudence on tax-related issues. From the rescue of concepts and applications of mapping, modeling and management of processes and the convergence between the areas of governance and control, it was possible to identify challenges of an organizational and tax nature, mainly social security aspects that regulate employees and employers. Service sharing brings together people, processes and technology from global trends and increases value delivery for leading companies. The Brazilian examples of Vale's Global Tax and Petrobras' Financial Operations Center broaden the discussion and connect key aspects addressed by the organizations and the revisited literature. Innovation is present in government control and inspection mechanisms and also in companies' review, analysis and auditing activities. Emerging technologies are a reality to support compliance with tax obligations. It was noticed that companies adopt different shared practices according to their strategies and business models. This is the second work of the project that analyzes the shared services model from the perspective of governance, controllership and taxation. The scientific contribution lies in realizing the challenge of tax management in Brazil, broadening the understanding of the phenomenon of sharing services and strengthening the relationship between what is discussed in academia and what happens in the economy.

Keywords: Governance, Tax Technology, Process Management, Tax Management, Shared Services.

INTRODUCTION

The tax technology adopted by public and private agents in Brazil is considered advanced when compared to other countries. Innovations arise in projects to reduce general costs and comply with government legislation. Many organizational resources and efforts are applied to new solutions, governance models and technologies aimed at business competitiveness and the mitigation of tax risks. In Brazil, the tax obligation is basically divided into two parts: the information necessary for the company's and the government's fiscal control over business operations; and the payment of the tax. In the economic and social dimension, it is considered an important act of corporate responsibility, promoting the development of countries and regions or markets. Control of tax obligations is based on process management.
To complement this reflection, it is worth recovering Bernanos' (2020) reading on the civilization of machines - technology - and capitalism, on the agenda in the dispute between the main geopolitical leaders, predestined to the totalitarian model since the rise of the English empire, from an economic, social and cultural perspective. Still according to Bernanos (2020), machines did not multiply based on the needs of man or society, but according to those of speculation, this is the key point. In Brazil, machines, equipment and software are innovated for information science and technology, from communication to more tax information. This phenomenon is present in fiscal networks, a concentration model of business operations. Processes involving tax technology and governance are structured on information platforms considered essential for operational modernization and the implementation of best internal control and risk management practices. At this point, it is important to recover that Scientific Management, at the end of the 19th century and the beginning of the 20th century, was discussed on the assumption that behavior at work could be engendered, designed according to the principles of rationality and efficiency. The main thinker of this revolution was Frederick Winslow Taylor (Davenport, 1994), who evolved the industry with the study of "times and movements" and the mechanistic way of organizing processes. Taylor is considered, by several theorists, the forerunner of this area, proposing, therefore, the use of a scientific method for business administration, focusing on operational efficiency and effectiveness, still in the Industrial Economy model. Innovating to improve business processes is a recognized path to organizational agility and competitive advantage. Currently, the main business leaders are looking for new models of productive restructuring and contributions to business value. However, they are constantly faced with the difficulty of practically and continuously managing the basic life cycle of a process - planning, execution, control and results. The corporate and tax governance movement brought to important business and economic groups new structures, entities and business management practices aimed at stakeholders, in the Brazilian context, the government and society in general. It is worth noting demands of the organization, the market and the government. At this point and for the purposes of this analysis, control and fiscal aspects will guide the discussions. Business innovation brought new control models, basically signaling the inclusion of executive processes in the Accounting, Inspection, Tax and People Department areas in the shared structure of services, with or without executive processes in the Financial area. In some

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cases, Controllership and Finance walk separately, with well-defined roles, deliveries and relationships; in other models, considering the business strategy and available resources, one can absorb the other, under the tutelage or command of a higher hierarchical entity. It is a construct in constant evolution. Tax planning is a major challenge for a Brazil with the Federal Union, 26 States of the Federation, the Federal District and more than 5,500 municipalities. It is a large state, with confusing legislation and many inspection bodies, which demands a high investment in technology from companies to control operations and tax activity. The scenario became even more difficult with mergers and acquisitions, creating groups or companies that operate in different segments of the economy with specific legislation. In addition to tax obligations, many companies began to act in the so-called “grey areas” and take discussions to court. Here, it is important to comment on issues between employees, employers, taxes and social security. Sharing services is the best possible solution for concentrating a qualified team, using technology platforms for managing and crossing data related to operations and taxes. It is a worldwide trend that provides broad integration between strategies, processes and people, facilitating control, optimizing processes and transaction costs and reducing corporate tax risks. Today, in Brazil, it is impossible to think about Tax Planning and Control without considering investments in information and communication systems. Areas involving employment relationships between employees and employers (companies), obligations to send documents and pay taxes within a social security dimension demand specific tools for correct compliance with the law. The objective of this research is to discuss tax technology and governance in the shared services model, discussing the integration of the areas of Governance, Controllership and Taxation, including the relationship between employees and employers in the social security dimension, and how they relate to each other to meet the demands of organization, market, government and other interested parties, considering examples of Brazilian companies.

METHODS

The present work was developed through a bibliometric survey on business processes in the dimension of shared service centers, which support structures of tax technology and governance. In addition, organizational models and trends were observed, with emphasis on controllership and taxation, especially related to aspects of social security. Examples of Brazilian companies expanded the analysis and pointed out ways for the proposed discussions. As for the research objectives, conceptual, qualitative, exploratory and explanatory characteristics are presented. This is the second work of the project that analyzes the shared services model from the perspective of governance, controllership and taxation. The latest research will continue to focus on public governance models, with case studies in Brazil and Europe. As in the Social Sciences, economic and business phenomena are constituted, founded and transformed from multiple determinations that are essential to them. Such determinations are constitutive of the phenomenon itself, are part of it, are determined or compose other relationships. Knowledge is not produced, therefore, from a simple reflection of the phenomenon, but must reveal, in the phenomenon, what constitutes it and which is, in principle, obscure; the method of producing this knowledge presupposes, therefore, that the phenomenon is discovered as it really is behind the appearance, and more, what even determines that it appears the way it appears, promoting important discussions (Andery *et al.,* 2014).

SHARING AND MANAGEMENT OF BUSINESS PROCESSES

Davenport (2000) defines a process as a series of activities ordered by time and space, with a beginning, a very well defined set of inputs and outputs and a purpose. For Werkema (1995), process is a set of causes or factors that aim to produce a certain effect. He also highlights that an enterprise can be seen as a large process or set of smaller processes or activities and tasks, which are also composed of even smaller processes, activities or tasks, and so on. This hierarchical property of the processes is very important, as it allows the control of each constituent process separately, which allows better management of workflows. It is a consensus among several authors that process modeling is a set of activities in chronological order that demonstrate the relationships between processes, people and information and that allows improving processes, reducing costs, risks and processing failures, thus increasing business results. In Brazil, tax activity requires a huge allocation of resources, highlighting the development of platforms. The pressure of a corporate world that seeks performance and business value through the concentration and optimization of transactional processes has placed the shared model in the strategy of important companies. Currently, since the 2010s, strategic processes are components of the planning and implementation of call centers. The need to increase operational efficiency due to productivity requires adaptability and flexibility through the management model and the use of emerging technologies. Castro (2013) states that this model has been joined by world-class companies or economic groups due to the possibility of obtaining competitive advantage through value creation. According to Melon and Pidd (2000), it is difficult to develop efficient approaches for mapping and modeling, as well as process management without understanding the "process" within the organization. Most of the literature simply adapts or quotes the definitions put forth by the pioneers of reengineering and sharing. One way to understand business processes is to consider multiple perspectives, flows, and integrated systems, based on sets of assumptions. For Hammer and Champy (1994), the business process can be defined as a set of activities with one or more types of input, which generates a value output for the customer. Thus, the delivery of products to the customer can be considered the value created by the process. Following the objective proposed in this research, Accounting and Law are longtime partners in the evolution of civilization. To talk about tax planning and control it is necessary to know the constitutional principles, as well as accounting principles and processes. Understanding and correctly applying Brazilian legislation is a challenge for companies with complex operations. According to Fabretti (2009), accounting is the science that studies, registers and controls assets and the changes that administrative acts and facts operate on it. At the end of each fiscal year (Brazil), it demonstrates the result obtained and the economic and financial situation of the entity. Companies are also responsible for reporting their taxable transactions and calculating taxes, including those related to employees. This is only possible with the use of computerized systems that evolve along with the government's inspection mechanisms. Tax accounting is quite new and its approach is directly linked to the study of taxes and tax legislation. Fabretti (2009) refers to the objective of applying in practice the concepts, principles and basic rules of accounting and tax legislation, simultaneously and appropriately. For this, it is necessary to use specific technologies between systems and support tools: review, analysis and audit. Business information transmitted to the government is subject to verification via integrity or cross-checking. The needs for planning and integration of services prevail, which, in the current models, are possible in the controllership areas within shared services centers and with attention to tax aspects guided by the best governance practices. This makes sense due to the volume of tax obligations and the amount paid by companies to maintain the State. In the design phase of the shared services center deployment project, business processes are considered candidates for sharing. They must be mapped from end to end, observing flow, time, phases, technologies (platforms), applied controls, resources and results. The decision is strategic and presented in accordance with the company's corporate governance model.

TAX TECHNOLOGY AND GOVERNANCE

Discussions about governance returned in the 1990s after global frauds by accounting and auditing firms were detected. Despite the theme being predominantly addressed by the areas of Economics and Administration, the literature suggests genesis in the great navigations and in the first joint-stock companies. Many institutes that work in public or private administration emerged to discuss and propose rules of business conduct based on specific pillars. In Brazil, the Brazilian Institute of Corporate Governance (2022) advocates transparency, equity, accountability and corporate responsibility. Likewise, it reports corporate governance as an international trend, which arrived in Brazil as a form of business conduction, with responsibility (here, including tax obligations) and transparency. This corporate dynamic encompasses aspects such as the relationship between partners, board of directors, board of directors, inspection and control bodies and other interested parties (here, government and society are highlighted). Silveira (2015) presents the global pillars of governance: (i) transparency and integrity of information; (ii) voluntary information and accountability for decisions taken; (iii) performance evaluation, fair compensation and meritocracy; (iv) independent balances in the decision-making process; (v) sustainability and long-term vision in conducting the business; (vi) respect for formalities, controls and independent supervision; (vii) ethical tone and behavior of leaders; (viii) cooperation between employees and promotion of the collective interest of the organization; (ix) equity and promotion of the effective participation of all shareholders; and (x) internal diversity, fair treatment of stakeholders and absence of discriminatory policies. Governance recommendations signal capital expectations and organizational needs for corporate, economic, social and other responses. In this research, the aspirations point to compliance practices and internal controls, controllership as an important entity for tax management and information to support decision-making. It is known that in Brazil taxation is a very sensitive component and therefore demands a lot of investment and organizational attention. Sharing financial, accounting and tax services in terms of strategic and operational alignment (productivity) can mean achieving competitive advantage through value delivery. The areas discussed in this section have distinct process elements that form a value system. This function must converge with the company's strategy and each component controlled and evaluated by delivery and results. They are performance indicators that operate from standardization to the execution of each process or driver, maintaining a constant feedback channel for information and corrections in real time. As mentioned, the government has access to all business activity operations, which are transmitted by companies in specific formats, called SPED[1] files. The use of emerging platforms and technologies ensures the best possible functioning within a framework of shared services. The configuration of the Controllership area was adjusted to meet the new demands of the organization, the market and the government (tax legislation). Professionals working in shared controllership services developed new integrated skills for internal customers and other stakeholders, who demanded complete and reliable information. In Brazil, the Vale Group opted for the centralization of all accounting and tax enforcement processes, choosing those that represented the greatest corporate risk and organized by country or region of production operation, whether iron ore or fertilizers. Thus, a model called Global Tax was born, studied and parameterized for world-class operations. A Brazilian technology that reached quality parameters, certainly due to the complex tax legislation. Matos Sobrinho (2020), in his master's research, suggests that general guidelines published by national, international and supranational bodies point to the use of technological tools as an important component in the development of tax governance, observing the level and form of demand for the themes around legal requirements and their application processes, the efficient use of systemic technological innovations are even more inseparable in terms of building corporate and tax governance. Magalhães (2013) observes the attributes, benefits and elements of centralization and decentralization and their relationships with efficiency: grouping resources, leveraging technology and creating economies of scale. In fact, a shared services environment goes beyond notions of efficiency and effectiveness to one of value. These are fundamental factors that contribute to maintaining the model and shared investment in areas that work together, such as Controllership and Taxation. The structuring and allocation of resources of the former is planned according to the global strategy of the latter, which is also adjusted by national legislation. Petrobras is the largest taxpayer in Brazil and decided to centralize its financial operations in 2008. According to Castro (2013), the Strategic Plan reports a tax problem as a determinant for the adoption of the shared services model, due to the lack of alignment of the 175 management and control operations that the company maintained throughout the country. The Financial Operations Center emerged with the mission of integrating the Financial, Accounting and Tax areas, including social security processes that monitored employees and service providers. The tax issue at Petrobras is so complex that, today, there is an entire floor at the company's headquarters, the shared services site, to work on the computerization of processes through the implementation of SAP ERP, which requires support and auditing systems (specialized platforms) to meet regulatory demands in the form of supplementary tax obligations. Castro (2013) argues that the tax governance model should be thought of from the very model, structure and practices of corporate governance, with extensive mapping and modeling of all the processes involved, highlighting the transactional ones, aligned with the management of taxes, considering all parts, taxes and costs. All of this working on a technological platform that supports the volume and complexity of the tax enforcement activity of a large economic agent, such as Petrobras. In this case, the Technology area maintains a duplicate layer of transaction data for use by tax support tools. More recently, a tax framework was implemented to meet the demand in a centralized manner, with features for reviewing, analyzing and auditing SPED files for transmission to the government. The company's world-class service-sharing strategy has ranked the legal requirement high on its tax liability. In this sense, the innovation process is continuous and follows emerging technologies. Matos Sobrinho (2020) argues that hiring new solutions with such functionalities potentially contributes to a more effective service: in cloud systems, data & analytics, artificial intelligence and machine learning, ensuring correct compliance with the tax obligation. Return to the issue of tax planning. For Latorraca (2000, p. 37), It is customary to call Tax Planning the business activity that, developing in a strictly preventive manner, projects administrative acts and facts with the objective of informing the tax burden in each of the available legal options. The object of tax planning is ultimately tax savings. By comparing the various legal options, the administrator obviously seeks to guide his steps in order to avoid, whenever possible, the

[1]Digital file standardization system for monitoring and controlling tax able transactions in Brazil.

most costly procedure from a tax point of view. In fact, in Brazil, given the scenario of legal uncertainty established not only by legislation and its application, but also by the divergence of decisions of Superior Courts, which oscillate the understanding of tax matters, supposedly due to interpretation or capital interests, the reduction of risks and tax management gain significant importance for companies with complex operations, in different economic segments. The mitigation of tax risks and compliance with obligations are carried out using technologies developed or customized for the reality of the business. The difficulty affects all operations considered as a taxable fact and must be reported to the government in a specific format. An area that is currently much discussed is social security, using technologies for reviewing, analyzing and auditing information sent by people and companies to the control and inspection departments. This research also identified that the excess of tax (government) and care (companies) obligations causes errors in overpayment of taxes, certainly changing business strategies and results. As presented in this discussion, in the Brazilian case, the legislation promotes innovation both in the government's control and inspection mechanisms and in the review, analysis and audit activities incorporated in shared structures, with the support of specialized systems that try to guarantee the correct fulfillment of the tax obligation - information or amounts paid. Legal uncertainty promotes large investments in control structures with the best technologies available in the market, which still lack parameterization, considering size or economic segment.

RESULTS

This theoretical-practical discussion intends to reinforce some of the main aspects of tax technology and governance in the service sharing model, discussing the integration of the Controllership and Taxation areas, including the relationship between employees and employers in the Social Security dimension, and how they relate to meet the demands of the organization, the market and the government. Planning and managing taxes are challenges for Brazilian companies, meaning thinking about tax savings and ensuring compliance with legal obligations. The examples of Vale's Global Tax and Petrobras' Financial Operations Center broaden the discussion and connect key aspects addressed by the organizations and the revisited literature.

The shared services philosophy is based on the objective of adding value to the business, seeking to reduce costs and increase compliance and control, in addition to strategic growth through the improvement of governance and management practices, focusing on transactional services, freeing up other units, transferring processes to the main activities of the company. A company based on process management understands the organization in a systemic way, meeting the needs and expectations of all interested parties, but mainly the internal customer, considering the entire global or national economic group. It is understood that the implementation of governance, in this text, using technologies and expert systems, aims to meet demands between organization and people, market and capital, regulation and other stakeholders, contributing to the planning of shared controllership and taxation operations. Shared services bring together human capital, processes and technology in a physical or digital structure (platforms) capable of optimizing and aligning processes within a business philosophy committed to continuity and growth in a responsible and transparent manner, prioritizing internal controls and management of corporate risks. Even so, there are sustainability and continuity factors that must be studied and considered in business planning. Tax legislation becomes increasingly extensive and complex due to changes and the creation of new laws and decrees at all times, a factor of corporate legal uncertainty. With this, companies need plans to have their specific objectives inherent in them, establishing better ways to achieve them. There is a lot of confusion and oscillation in Brazilian jurisprudence on issues related to taxes, which demands a large investment and allocation of resources. In addition, Brazil has a vast tax burden, including various taxes, contributions and fees, not to mention that each tax, depending on the granting of competence conferred by the Brazilian Federal Constitution, can be collected by the Federal Union, 26 States of the Federation, the Federal District and more than 5,500 municipalities. The amount of existing taxes in Brazil is very high. Finally, Brazilian tax legislation promotes business confusion, especially when it comes to social security taxation, which varies according to the way the employee is hired and the employer's business model. Therefore, it understands the strong need to adopt a shared management model for accounting and tax services, aiming at reducing risks and tax management. The research brought tax accounting, a new area of tax studies and applied legislation, reinforcing the use of technology. This is the second work of the project that analyzes the shared services model from the perspective of governance, controllership and taxation. Future research will focus on the implementation of governance models in public management. The scientific contribution lies in perceiving the challenge of tax management in Brazil, expanding the understanding of the phenomenon of sharing services and in strengthening the relationship between what is discussed in academia and what happens in the economy.

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