KPMG Tax Fixed Asset Review Automator
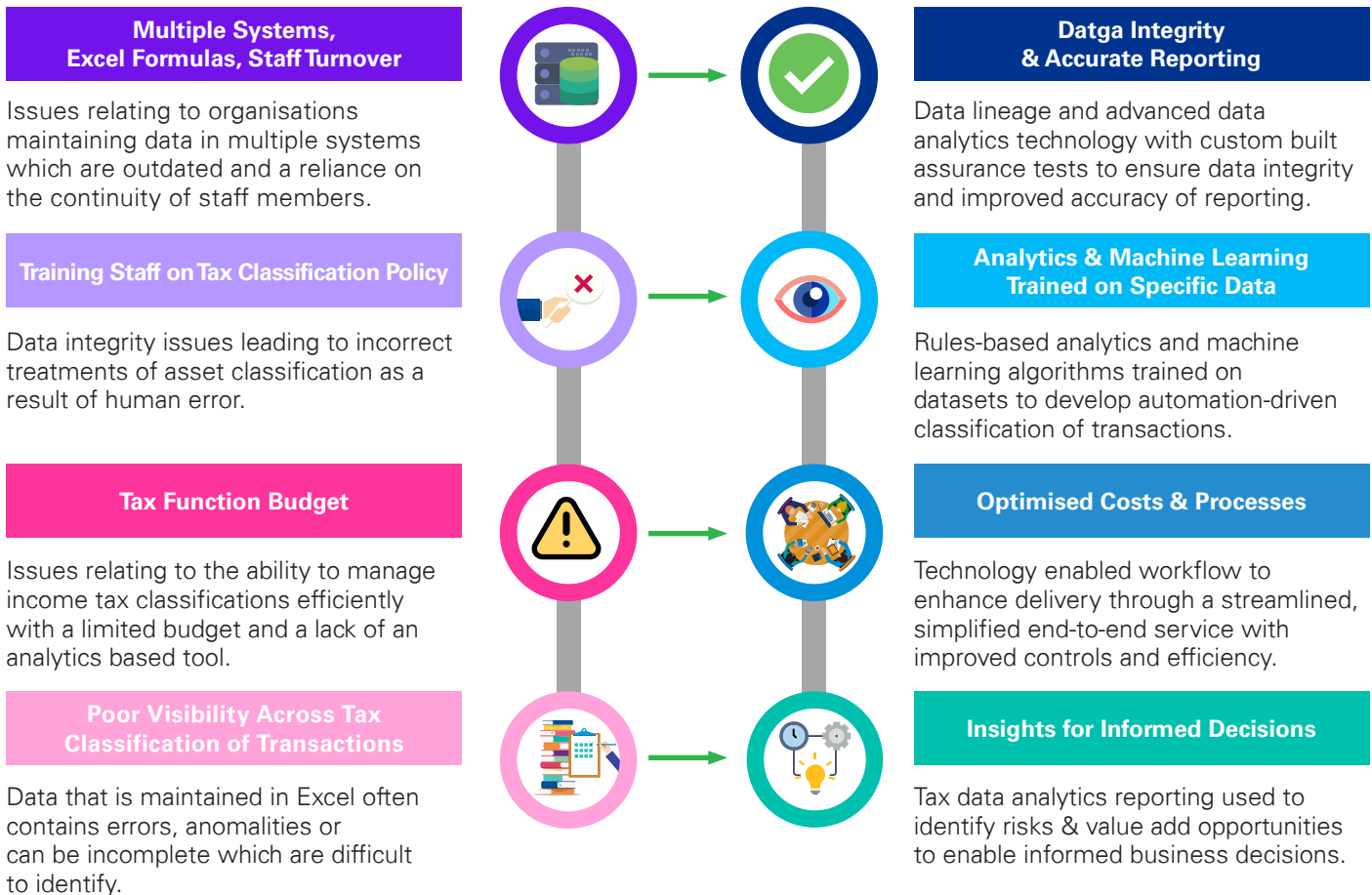
Automation & Artificial Intelligence

A new way to manage and review
Tax Fix Assets Registers

Excel formulas, multiple worksheets, calculations that confuse, irreconcilable differences – How did the Tax Fixed Asset Register (FAR) become so cumbersome? The answer in many ways is quite simple.

Global enterprise resource planning (ERP) systems that don't quite manage Australian tax depreciation rules well have warranted the need for tax FARs to be managed externally in Excel. In addition, having multiple finance systems, staff turnover, and new business acquisitions often means the overburdened tax manager could only provide a cursory glance over the FAR at tax return time. This makes the integrity of the tax FAR difficult and time-consuming for tax managers to accurately maintain.

KPMG Tax Fixed Asset Review Automator (KPMG Tax FAR Automator) has been designed to specifically alleviate an organisation's pain points in managing the tax fixed assets process and to improve accuracy, efficiency and insight. KPMG Tax FAR Automator combines tax technical expertise with our data analytics, artificial intelligence and automation capabilities. Appreciating that a "one size fits all" solution does not work, we have developed a modular offering that is customisable and bespoke to our clients' particular business needs.

Meeting the challenges in reviewing transactions for tax purposes

Multiple Systems, Excel Formulas, Staff Turnover

Issues relating to organisations maintaining data in multiple systems which are outdated and a reliance on the continuity of staff members.

Datga Integrity & Accurate Reporting

Data lineage and advanced data analytics technology with custom built assurance tests to ensure data integrity and improved accuracy of reporting.

Training Staff on Tax Classification Policy

Data integrity issues leading to incorrect treatments of asset classification as a result of human error.

Analytics & Machine Learning Trained on Specific Data

Rules-based analytics and machine learning algorithms trained on datasets to develop automation-driven classification of transactions.

Tax Function Budget

Issues relating to the ability to manage income tax classifications efficiently with a limited budget and a lack of an analytics based tool.

Optimised Costs & Processes

Technology enabled workflow to enhance delivery through a streamlined, simplified end-to-end service with improved controls and efficiency.

Poor Visibility Across Tax Classification of Transactions

Data that is maintained in Excel often contains errors, anomalies or can be incomplete which are difficult to identify.

Insights for Informed Decisions

Tax data analytics reporting used to identify risks & value add opportunities to enable informed business decisions.

Further considerations:

- Some advanced tax functions use finance systems such as SAP, Oracle, and Microsoft Dynamics to manage their tax fixed asset registers. The challenge, however, is ensuring the accuracy and efficiency of on-boarding new fixed assets and maintaining existing assets on the register for tax purposes.

- New business acquisitions also put pressure on tax functions to review capitalised assets and accounting effective lives allocated by the finance team, often giving rise to inefficient and incorrect tax outcomes. Often a "near enough is good-enough" approach to transferring the assets into the tax FAR is the default position due to time constraints.

- On top of this, the Australian Tax Office (ATO) are increasingly reviewing companies with large tax depreciation claims via Streamlined Assurance Reviews under the Justified Trust initiative, applying data analytical approaches in their review. The responsibility for tax depreciation claims and capital allowance disclosures often resides solely with the tax function, scoped out of tax compliance engagements by third party tax advisors due to the costly nature of the exercise. This poses an ongoing tax risk to Management and the Board.

How it works: Modules of Tax FAR Automator

1. Tax FAR Diagnostic

KPMG Tax FAR Automator initially performs a diagnostic on your tax fixed assets by applying a suite of data analytical tests to identify issues and anomalies to be actioned such as assets which have not been depreciated, cost inconsistencies between accounting and tax, erroneous calculations based on the depreciation method and effective life, duplicate entries, negative written down values, and sub-optimal use of the low value cost pool rules. The Tax FAR Diagnostic is regularly run by an organisation as part of their corporate income tax preparation process.


1. Tax Effective Life Allocation

Applying KPMG's propriety artificial intelligence, KPMG Tax FAR Automator can allocate a tax effective life for assets in the tax FAR, matched against the ATO's list in the Tax Ruling published each year. KPMG Tax FAR Automator can also be used to train multiple machine learning models based on your historical tax fixed assets data to suggest an effective life aligned with your organisation's tax asset policy. This can give a high degree of accuracy when suggesting effective lives in respect of additions to the tax FAR. This can significantly reduce the time that tax functions need to invest in reviewing the effective life allocated to assets on the tax FAR.
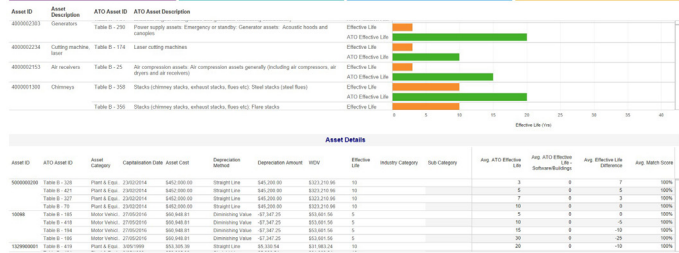
1. Opex/Capex Classification

Moving upstream, KPMG Tax FAR Automator can be deployed to analyse transactions for tax using data analytics and artificial intelligence. This automates the manually intensive task of line-by-line reviews of GL transactions, purchase orders and invoice text to classify capital versus revenue items for tax and identify which assets should be capitalised in the tax FAR.
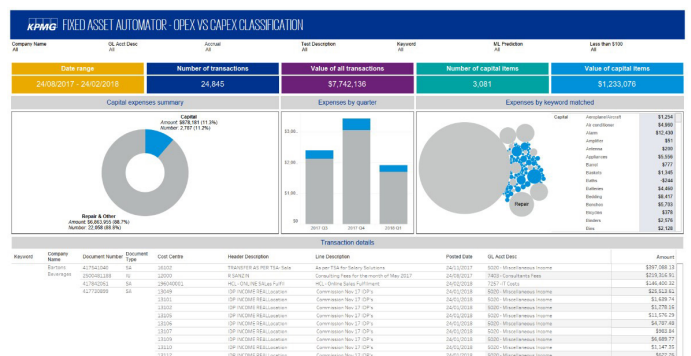
1. Tax FAR Build/Rebuild

KPMG Tax FAR Automator can also be deployed to resolve issues identified in the Tax FAR Diagnostic to perform a rebuild of the tax FAR, using a look-back approach of additions and disposals to rebuild the register from any historical date. KPMG Tax FAR Automator facilitates the build of new registers for situations such as business acquisitions and the allocation of tax values from an allocable cost amount process.

2. Finance System Upload

While many Australian organisations manage their tax FAR external to their finance systems or ERPs (e.g.in Excel), many regional or global business processes require the data to be maintained in such systems. KPMG Tax FAR Automator is flexible to allow Australian tax functions to manage the tax FAR externally but also automate the finance system upload templates to ensure internal business processes are adhered to. We also create upload templates to tax software providers for clients who prefer to manage their tax fixed asset registers there.

3. Ongoing Maintenance

KPMG Tax FAR Automator is deployable as a managed service to support clients to manage all aspects of their tax FAR process, including the initial upfront tax FAR diagnostic, regular identification of transactions which are capital in nature, allocation of a tax effective life, and inclusion of new additions in the register to roll forward on a regular basis.

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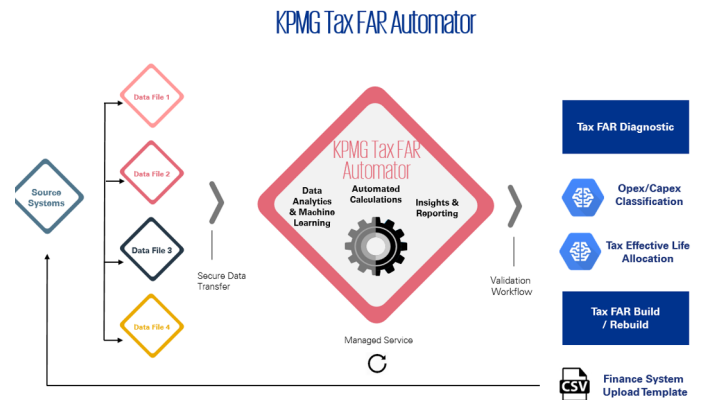
Contact Us

For more information on KPMG Tax FAR Automator or to arrange a demo, please contact your KPMG Tax Advisor.

Technology & Innovation – Deals, Tax & Legal

Tax Data Analytics

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