



No stranger to change

How tax functions are navigating continuous strategic and tactical challenges

KPMG Global Tax Function Benchmarking Survey

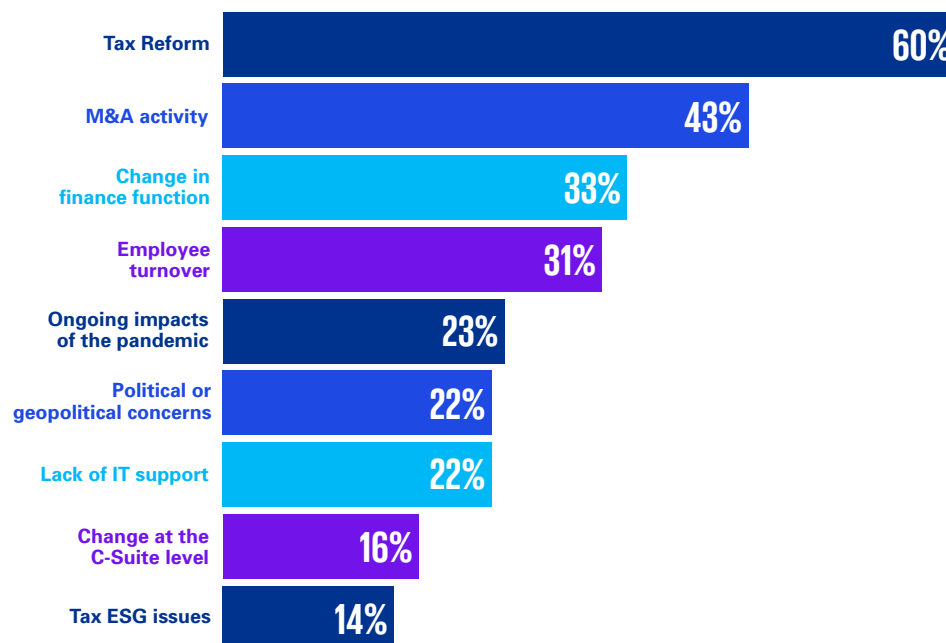
No matter their sector, market or tenure, all tax function leaders know that in this business, change is constant. But today's changes—and the ones just around the corner—feel different.

Facing disruption in many forms, KPMG presents a data-driven guide for global tax leaders

Familiar disruptors have not gone away. Regulatory, technological, economic, and social shifts continue to drive the tax agenda and challenge the operational status quo. The existence and persistence of broad global issues impacting tax may be a fact of life, but that doesn't mean they can be ignored. However frequent, triggers like tax reform, deal market activity, and resource constraint still require an agile response from tax teams.

Tax leaders are also finding themselves reacting to less familiar disruptors—the long-term impacts of the pandemic, complex geopolitical tensions, and emerging environmental, social, and governance (ESG) mandates, to name a few. As these trends unfold, anticipating what's to come and preparing tax function resources, technology, and processes for an uncertain future is becoming as crucial a priority as managing the day-to-day work of tax planning, reporting and compliance.

Key disruptors impacting the tax function



KPMG launched the Global Tax Function Benchmarking Survey to find out how corporate tax departments across industries and around the world are adapting to this environment of continuous disruption. This research is based on responses from global tax executives about the trends impacting their tax function and their approaches to navigating ever-changing strategic and tactical challenges.

The chief finding, spanning all survey topics: Global tax functions are no stranger to change—or the exploration that comes with it. Instead of bowing to pressure, the majority are embracing change as an opportunity to reimagine what the tax function can look like. To deliver added value and impact, tax functions are pursuing new strategies, redesigning organizational models, leaning into new capabilities, and integrating data and technology in innovative ways.

This document presents key data and insights from the research, along with the perspectives of KPMG tax leaders, to help remove the guesswork about how your tax function is progressing on its own change journey. We hope it helps you set the right targets and build a strong foundation for enhanced value, growth and performance in the world of tax.

KPMG Global Tax Function Benchmarking

Survey highlights

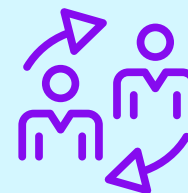


Value creation

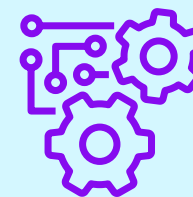
is the #1 strategy pursued by tax functions



83% plan to automate/improve processes to enhance the employee experience



25% plan to increase use of outsourcing or managed services



37% plan to increase use of global resource models



84% have realized benefits from tax transformation and technology initiatives



Analytic tools

are the #1 technology planned for future implementation/usage



77% struggle with data quality issues

Embracing a value creation mindset

As complex external political, economic and social forces put tax in the spotlight, the tax function's role in the broader finance organization is as vital as ever—and maybe even more. Tax is increasingly seen as a partner to the C-suite and a driver of strategic business outcomes, adding a host of competing priorities and responsibilities to the tax function.

As the role of the tax function evolves, so are the strategies being pursued. Companies are generally placing greater emphasis on value creation than in the past. Risk reduction and effective business partnering are also important goals as tax functions seek to contribute more intentionally to enterprise-wide business goals.

Cost efficiency is no longer the only focus as companies seek to enhance the value delivered by the tax function. In fact, for larger companies—those with revenues over \$5 billion—respondents indicate that cost minimization is rarely the tax function's primary strategy.

Primary strategies pursued by tax functions

35%	Value creation	Focusing on generating cash tax savings, flexible scenario modeling, and planning amidst an environment of rapid change
26%	Risk reduction	Prioritizing effective governance, controls, and visibility around tax; meeting regulatory requirements while minimizing financial, reputational, and tax risks
24%	Effective business partnering	Ensuring strong communication with relevant business stakeholders, a high level of tax awareness, and that tax always has a “seat at the table”
14%	Cost minimization	Minimizing the cost of the tax function to the company's bottom line through efficient teams, outsourcing, and streamlined processes
1%	Innovation	Transforming through investments in emerging technology, advanced business concepts, and the latest in data transformation tools & analytics



Questions to consider

1. How are you ensuring that tax has a voice in the room?
2. Does your current tax team have the skills to effectively collaborate with the business?
3. Are your current processes and technology capable of supporting the business in new ventures (i.e. scenario planning and modeling)?

Becoming a better business partner

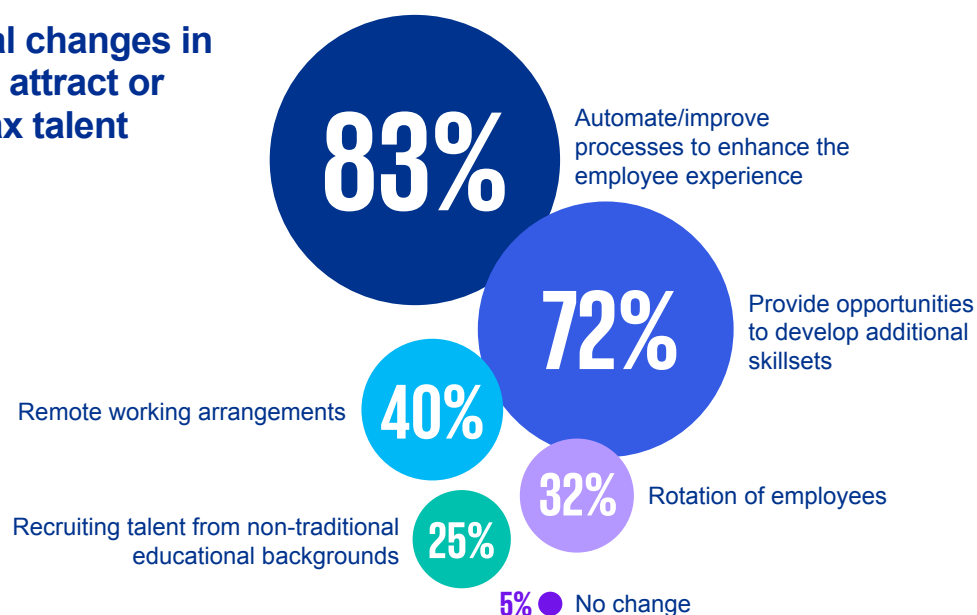
A Fortune Global 500 company wanted tax to be a key organizational value creator—including a driver of global initiatives—but its current structure and processes stood in the way. When a newly promoted Global VP of Tax took the reins, it was an opportunity to drive change. First, the company redefined the strategic vision for the previously decentralized tax function that had limited global coordination and alignment. The company then brought its priorities to life by speaking with its tax teams in every market to gain a global perspective and insights on how to improve key tax processes consistently. Throughout this exercise, the global tax team, along with KPMG, identified and co-solutioned opportunities to grow its capabilities to derive actionable insights and value for the organization. While the opportunities ranged from process changes, technology solutions, to data management strategies and overall organizational changes, each one was focused on transforming tax into a better business partner and dramatically upscaling the tax function's ability to deliver economic value to the company.



Winning the race for tax talent

Tax functions need people with the right skills to manage increasingly complex and rising workloads. But they are increasingly hard to find. In fact, according to an American Institute of Certified Public Accountants' (AICPA's) 2021 report, the number of new CPA exam candidates decreased by 17 percent between 2019 and 2020.¹ At the same time, more than one in three respondents to the KPMG Global Tax Function Benchmark Survey (31 percent) say employee turnover is a key disruptor for their tax function, ranking the third on the list.

Potential changes in order to attract or retain tax talent



To win the race for talent, companies are eyeing significant changes to improve the attractiveness of a tax career with their organization. Eighty-three percent of respondents are seeking to enhance the employee experience by automating and improving processes. Three-quarters are looking to provide employees opportunities to develop additional skill sets in areas such as strategic thinking and proficiency in technology to supplement more traditional analytical skillsets.



Questions to consider

1. Have you analyzed your tax department resources to identify areas of strength and areas where additional capability or talent would best support the tax function's goals?
2. Do you have mechanisms in place to ensure all team members have a mix of responsibilities that expand their horizons and force them to think outside the box, and are not simply executing consistent routine processes each month or quarter?
3. Have you evaluated future recruiting and job profiles to ensure candidates have the right mix of accounting, tax, legal, technology, and data experience necessary to drive existing tax function processes and improve them in the years ahead?

¹ American Institute of Certified Public Accountants: "AICPA 2021 Trends report," March 24, 2022



Questions to consider

- 1. Efficiency:** Is the delivery model used most effective at streamlining processes and reducing cycle time?
- 2. Expertise:** What level of specialized skills or expertise is required and what is the most efficient way to access that talent?
- 3. Strategic:** What tax activities are important contributors to our company's competitive advantage? And which ones are not?

Optimizing the organizational structure

Today's tax function needs to thoughtfully define an organizational model* that can support effective performance against a multitude of objectives. With the tax function playing an increasingly vital role in the broader finance organization, there has been an evolution in how tax departments are structured over time.

While a hybrid structure remains the most popular option among survey respondents given its flexibility, data also shows an increase in co-sourced/outsourced functions. Twenty-five percent of companies surveyed plan to increase their use of co-sourcing/outsourcing or tax managed services. This may demonstrate the shift many tax functions are making from a cost center to a value center by outsourcing certain tasks to focus core resources on higher profile activities, including critical analysis and tax planning.

* Organizational models can be characterized as

Type-of-tax-based – structured reporting lines based on tax categories such as direct taxes, indirect taxes, and foreign taxes

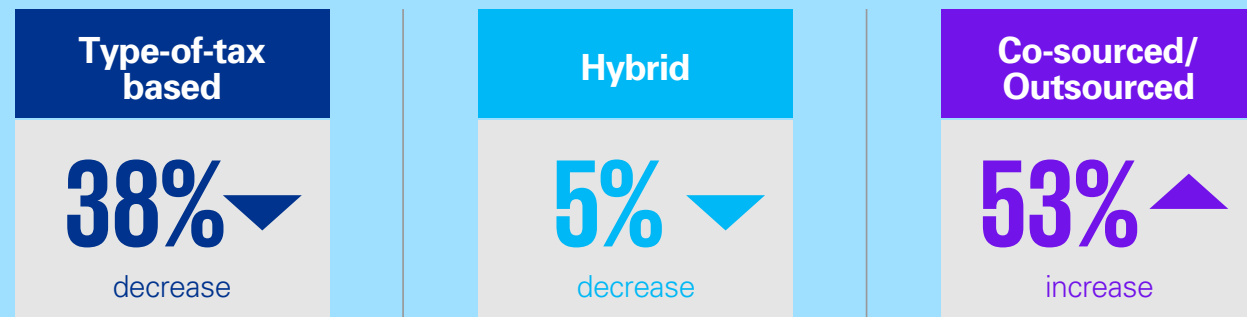
Function-based – structured reporting lines based on defined job functions such as compliance, reporting, planning, and controversy

Hybrid – a combination of type-of-tax and function-based structures

Co-sourced/outsourced – all or a significant portion of tax function performed by service providers

Distinct tax/reporting groups – reporting lines separate for provision and general tax function

Notable percentage changes since previous survey



These values represent the relative percentage change of responses from the KPMG Tax Function Benchmarking Study 3.0 2018-2022 and the current survey. It does not represent a change in the absolute value of responses received.

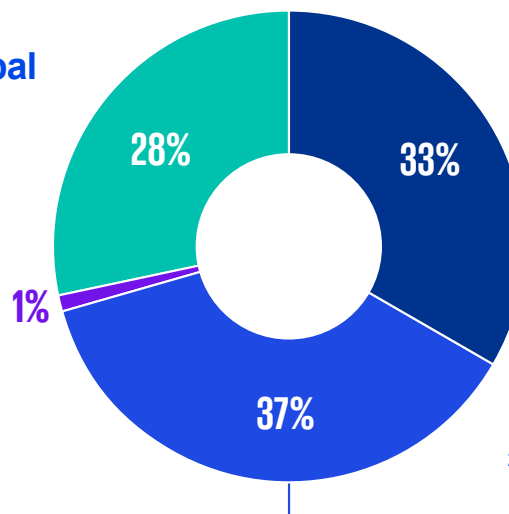
Leveraging global resource models

To realize productivity gains, tax departments are increasing their use of different sourcing and delivery models. By transferring common processing tasks outside of the central tax team, tax leaders can efficiently operate high-volume and repeatable tasks, quickly scale human resources on an as-needed basis, and take advantage of specialist capabilities.

Overall, there is an increasing trend to partner with external tax service providers on co-sourcing and managed services, which may offer a combination of low-cost delivery models and/or advanced capabilities and technology. Additionally, nearly 40 percent of respondents plan to increase their use of global resource models like shared services, global business services, or Centers of Excellence that are available or supported by their company. This is in addition to one third of companies who indicated that they already leverage these capabilities within their organization and will continue to do so.

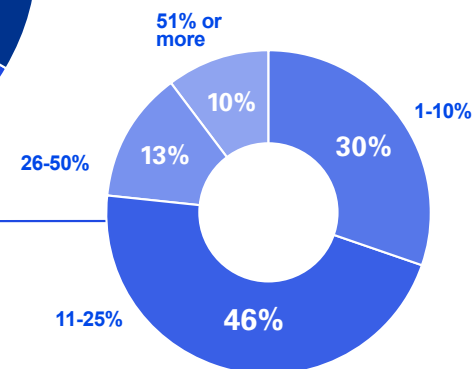
Use of Global Resource Models

- Stay the same
- Increase
- Decrease
- Not sure



Global Resource Models refer to the tax function's leverage of Shared Service Centers (SSC), Global Business Services (GBS), and/or Centers of Excellence (COEs).

Expected % increase in use of Global Resource Models



Questions to consider

1. As tax resource roles become more consultative and analytical, how can your tax department adjust how you leverage co-sourced and/or managed services models?
2. How is your tax department enhancing internal analysis and planning activities to act in an advisory capacity to the broader organization?
3. To realize productivity gains, how can your tax department leverage capabilities of shared resources to efficiently process high-volume repeatable tasks and provide human resources on an as-need basis?

The case for transformation

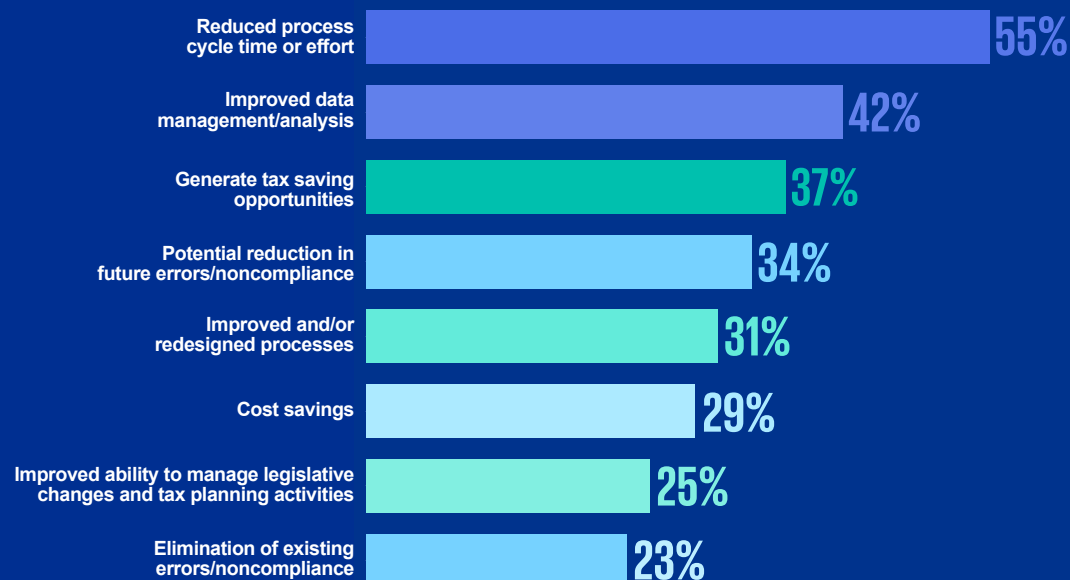
In an age of constant change, tax functions that are willing and able to adapt will be best positioned for success. The survey results are strong proof: 84 percent of respondents say they have realized a variety of different benefits from tax transformation and technology initiatives, regardless of program goals set. Similarly, few reported that their transformation efforts didn't deliver any benefits, further reflecting the ongoing need for tax leaders to maintain a continuous improvement mindset.

The most cited benefits from transformation activities are the ability to reduce process cycle time and an improved ability to manage and analyze data. A large number of respondents also name tax savings and risk/error reduction as key results achieved. Tax leaders who make a significant investment in transforming processes, implementing new technologies, and supporting the growth of tax talent ultimately reap benefits and cement tax's value-creation role within the overall organization. With the fast-paced changes

and increased complexities in the tax landscape, tax leaders must transform their function to be more efficient and accurate.

As making the case for investments in transformation can be challenging, companies should first define their strategy, establish metrics for success, and develop a clear and actionable roadmap for execution. This upfront planning will help them effectively articulate value and execute against their transformation objectives.

Realized benefits from transformation initiatives



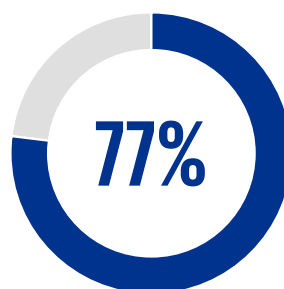
Questions to consider

1. How can technology and process improvement help address current pain points and inefficiencies in your tax department?
2. How can collaboration with other departments and stakeholders, and strong data integration across the enterprise, help your tax department improve risk mitigation and drive greater business and strategic value?
3. Do you have the clear tax transformation vision, strategy and plan you will need to earn support of senior leaders to secure resources and drive change?

The right tools for the job

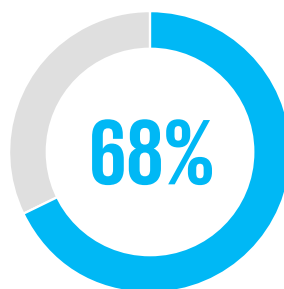
With a seemingly endless array of technology options available today, companies must determine what investments makes sense for their tax function. The top three categories of tools most companies are planning to implement or increase their usage of in the future are analytic tools (e.g., Power BI, Tableau, Qlik), data transformation software (e.g., Alteryx), and workflow/document management systems (e.g., advanced implementations of Microsoft SharePoint/Power Platform).

Investment in analytic tools goes hand in hand with changing workforce demands—namely, tax professionals looking to devote greater focus to more strategic work and making data-driven decisions. The focus on tax portals/workflow/ document management solutions also reflects the new reality of an extended remote workforce and the increasing need to collaborate, track, and share information. A significant number of respondents also indicated their desire to harness the power of Cognitive and Machine Learning tools which suggests AI applications may be the next frontier of tax technology.



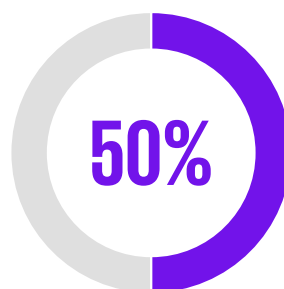
Analytic Tools

Respondents who are prioritizing the **implementation (28%)** or **increased use (49%)** of analytic tools.



Data Transformation Software

Respondents who are prioritizing the **implementation (31%)** or the **increased use (37%)** of data transformation software.



Workflow Tool and/or Document Management System

Respondents who are prioritizing the **implementation (23%)** or the **increased use (27%)** of a workflow tool/document management system.

Tax leaders are investing in leading-edge technologies and advanced data management to help their teams become more agile, cost-effective, and value-adding to the overall business. Technology-enabled and data-driven tax functions are better able to handle the increased demands on the tax function created by tax law changes, increased scrutiny by revenue authorities, and a complex global trade environment.



Questions to consider

1. What specific business needs can technology investments help your tax department address?

2. Will the technology solutions your tax department is considering be able to scale to meet your organization's needs as it grows and evolves?

3. What technology solutions integrate best with existing systems and processes within your tax department and the broader organization?

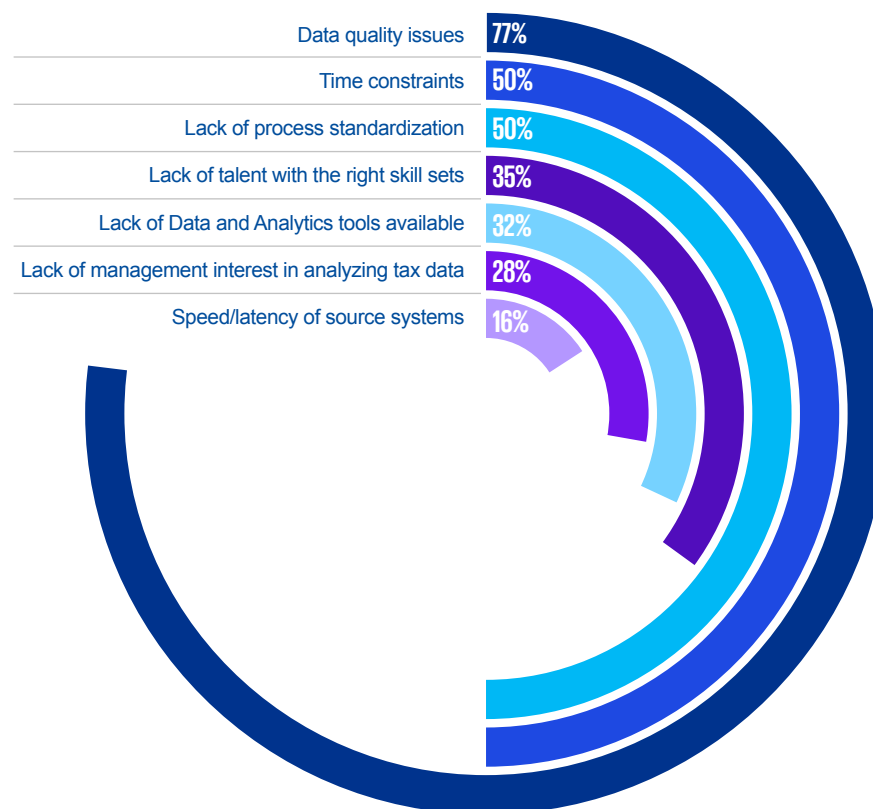
Tackling data challenges

Managing data effectively is one of the biggest challenges facing modern tax functions. Time spent on data management is time **not spent** on data analysis. The sheer complexity of this task can limit tax from utilizing data in more strategic ways.

Companies report that managing data and addressing data quality issues remains a major challenge, requiring a continuing focus. Seventy-seven percent of respondents noted that data quality issues (volume, accessibility, versioning, usability, and scalability) are an obstacle for their teams. Undoubtedly, this is an indicator of why tax functions overall are planning to implement and increase their usage of analytics tools and data transformation software, as well as optimize their enterprise systems.

In our previous tax benchmarking survey, a robust 75 percent of respondents intended to improve their use of enterprise systems to solve tax data challenges. That number has risen to 79 percent today, indicating that there is still a significant opportunity in this area, particularly as companies look to migrate to modern, cloud-based ERP systems.

Key data challenges for tax



Questions to consider

1. Does the tax department have a data strategy and a data-driven culture?
2. Is our data normalized so that we can take advantage of business intelligence tools and analytics software?
3. Do our existing processes and technology readily support automated approaches?
4. Do we currently have the appropriate resource capabilities and skillsets that are able to adopt and leverage investments in technologies? If not, what plans are in place to upskill or hire suitable personnel?

Final thoughts

When change is continuous, embrace it

While the evolving tax landscape brings mounting pressure and numerous challenges, it can also provide opportunities for the tax function to embrace these changes and create additional impact. As business partners to their organization, tax functions can deliver strategic value and drive transformation—whether through driving transformation programs, making operational changes, redefining sourcing models, optimizing enterprise systems, adopting robust technology tools, or through the strategic use of data to make better business decisions.

We hope that you will find the research and perspectives in this report insightful as a data-driven guide to the future of tax.

What does good look like for tax function operations?

Since 2011, our wide-ranging KPMG Global Tax Function Benchmark survey has helped organizations gauge their tax function operations against comparable peer companies to uncover gaps and identify areas for improvement related to strategy, technology, resourcing, and more. You can also participate in this survey and receive a fully customized report. Contact your KPMG professional or this [mailbox](#) to receive an invitation.

Research methodology

Senior-level tax professionals with visibility into their organization's tax function, issues, and decision making are invited to complete the online survey. Survey data is reviewed and validated by KPMG tax professionals after collection. Aggregate data has been dissected and analyzed to develop ongoing insights focused on industries, company size, and topics including ESG, BEPS, the modern workforce, and tax function processes.

The KPMG Global Tax Function Benchmarking Survey is completely confidential—no participants are identified or disclosed during the reporting and analysis process.

Contact us



Chris Zibert

Partner
Tax - Ignition
KPMG LLP
E: czibert@kpmg.com



Amit Ringshia

Principal
Tax - Ignition
KPMG LLP
E: aringshia@kpmg.com

kpmg.com/socialmedia



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