



# Chief Tax Officer Insights

February 2024

Chief tax officers (CTOs) are expected to align tax with business goals, drive strategic value, increase transparency, and improve the efficiency of tax operations. *CTO Insights* is designed to highlight top-of-mind issues for tax executives and ways CTOs are addressing these opportunities and challenges. We are confident that you will find the information in each issue of *CTO Insights* practical and actionable in demonstrating the value you and your department bring to your organization.

## Topic in this issue

**Game changer:  
Can generative AI  
revolutionize tax  
function efficiency?**



## Tax functions explore a new technology frontier

Facing increasing regulatory complexity, downward budget pressure, heightened compliance mandates, geopolitical disruptions, a tumultuous economy, and expanding strategic responsibility, corporate tax functions are striving to do more with less. Automation and innovation are increasingly crucial to both managing day-to-day tax planning and reporting tasks and contributing tax insights to help inform strategic business decisions.

For most key tax function issues, a primary underlying solution continues to be technology. Tax organizations already integrate a broad set of tools and solutions to drive efficiency and improve business outcomes, and they are constantly seeking ways to further optimize their processes through technology enablement.

With the emergence of generative artificial intelligence (GenAI)—an evolution of AI algorithms that is disrupting how businesses develop knowledge and optimize processes—the possibilities of technology transformation of the tax function have reached new, vast heights. GenAI offers exciting possibilities to accelerate tax operations like never before.

This technology can be a game changer, but only if tax leaders fully understand and capably navigate the risks to people and process. This edition of *CTO Insights* highlights how tax leaders are preparing to balance innovation opportunities with risk management to take advantage of today's most transformative technologies.

## 01 GenAI: What's in it for tax?

It is no secret that GenAI tools have taken the world by storm. The possibilities for using GenAI to transform how enterprises create content, engage users, develop software, and analyze data at scale appear limitless.

Tax departments—like most other business functions—are now grappling with identifying the applications of GenAI in tax and understanding how to integrate solutions into their ecosystem and processes to drive speed to value.

Indeed, GenAI presents enormous use cases in tax. From contract review to document analysis to drafting responses to scenario planning, GenAI tools can help automate and accelerate day-to-day, routine, and administrative tax compliance and controversy work. They also can streamline and democratize data extraction and visualization, providing faster, wider access to aggregated knowledge and insights.

Some CTOs even describe GenAI tools as “virtual assistants,” empowering tax professionals to make sense of large chunks of data, isolate higher-risk activities from more routine transactions, and draw insights more effectively. Capitalizing on these capabilities can ultimately enable tax functions to focus more on value creation and strategic tasks.

## 02 GenAI and the tax talent conundrum

There is no denying that technology such as GenAI will have a dramatic impact on talent, but it is not a replacement for human intelligence. Digital disruption is changing the nature of work and the workforce, which means tax executives must sharpen their focus on upskilling their talent pool to stay relevant.

Rather than replacing people, technology needs to be approached with a “human at the center” mindset. GenAI promises to elevate tax teams, enabling them to use their skills and expertise in the most effective ways possible. CTOs unanimously agree that the human touch will remain indispensable in the process. They believe that, despite significant advancements in technology, the essential task of monitoring and ensuring data accuracy will always necessitate human oversight.

In addition, the latest technology advancements and rising workloads are creating demand for higher-value roles that require advanced skills and creativity. GenAI is reinforcing this paradigm even further. As a result, large multinationals are turning to talent with digital fluency and strategic thinking to supplement more traditional analytical skill sets, but they are increasingly hard to find. According to the 2023 KPMG Global Tax

Function Benchmarking Survey, 31 percent of corporate tax departments identified employee turnover as the key disruptor to their tax function.

Attracting and retaining top-tier tax talent has become more challenging as concerns about job automation and staff reductions heighten among graduates. Many feel the current “five-year rule” to get tax certification has disincentivized potential talent from entering the field, as students might be discouraged by the additional time and investment required. While most CTOs feel addressing this barrier will help draw much-needed talent to tax, many are also eyeing enhancing employee experiences and offering upskilling opportunities to improve the attractiveness of tax careers within their organizations.

## 03 The right tax structure for the new reality?

Over time, technological disruption, changing talent needs, and other pressures and forces have contributed to an evolution in how tax departments are structured. Although a hybrid structure remains the most popular option among executives for its flexibility, there is also an increase in cosourced and outsourced functions.

The 2023 KPMG Tax Reimagined Survey: Perspectives from the C-suite indicated that 94 percent of companies are willing to outsource or cosource their tax functions. This reflects a shift for tax functions, moving from a cost center to a value center, by outsourcing certain tasks to focus core resources on high-priority activities such as critical analysis and tax planning.

Organizations are also revisiting return-to-office policies to hire and retain talent. Businesses aim to foster better collaboration and training opportunities through hybrid work models. Focusing on cultivating in-house expertise, supplemented by outsourcing and automation of lower-level functions, could prove beneficial for tax departments moving forward.

Ultimately, CTOs who empower their teams to leverage emerging technologies will not only be better placed to manage budget and headcount constraints but also elevate the tax function to be an agent of transformation and strategic insights. And since making a case for investments in transformation can be challenging, tax teams should first define their strategy, establish metrics for success, and develop a clear and actionable roadmap for execution. This up-front planning will help them effectively articulate value and execute against their technology transformation objectives successfully.

## How to harness the power of GenAI in tax responsibly

While organizations are tapping into the promise of GenAI to achieve new levels of optimization, concerns remain due to the overly sensitive and confidential nature of tax information. Moreover, adopting GenAI is a massive change management effort. As with any innovative technology, it is critical that tax leaders give forethought to the ethical boundaries and regulatory frameworks within which it must operate, the privacy considerations governing its usage, and its effects on workforce and culture.

Here are some initial ideas for tax organizations to get started with their responsible AI journey:

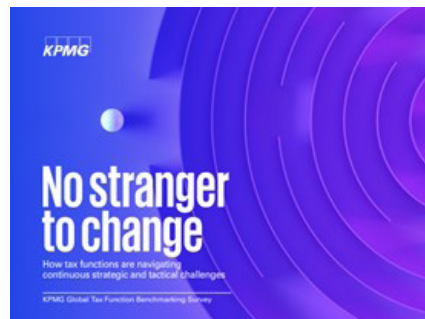
- Identify tax processes that can reap maximum benefits from GenAI, and then make strategic investments.
- Establish a robust data infrastructure that addresses shortcomings in data availability, data quality, and data integration.
- Explore new use cases or leverage existing ones to experiment with the technology and achieve tangible quick wins.
- Utilize AI sandboxes and historical data to analyze potential applications and implement a control layer for quality assurance.
- Pay attention to the impact GenAI will have on the workforce and take steps to counter any cultural resistance.
- Reshape the service delivery model to maximize efficiency gains, including developing new capabilities and competencies, addressing talent gaps, and embracing new ways of working.
- Have a clear vision of “what is next” to avoid diminishing returns and ensure continuous improvement.

Many CTOs are also leaning on the expertise of external firms when it comes to strategies for developing GenAI capabilities. Based on the scope of work, organizations need to strike the right balance between the classic “rent, buy, or build” decisions, while maintaining cost-effectiveness.

## Questions for CTOs to consider

- Which tax processes are best suited for GenAI implementation, and how can you reap maximum benefits?
- How can CTOs enhance short-term and long-term AI investment strategies to ensure maximum return on investment?
- How are you tackling the ethical and privacy concerns while implementing AI tools in your tax operations?
- Are your talent strategies aligned with the new skills and competencies required in the tax domain?
- How effectively are you communicating the value of technology transformation to your stakeholders?
- How can you foster a continuous improvement mindset to stay agile in today’s rapidly evolving technology landscape?

## Related insights



### No stranger to change

Learn how tax functions are navigating continuous strategic and tactical challenges.



### Tax Reimagined 2023: Perspectives from the C-suite

Explore insights into how and where tax leaders should start to truly make the most of all that tax departments can do for organizations.

For previous editions of *CTO Insights*, please visit [read.kpmg.us/cto-insights](https://read.kpmg.us/cto-insights).

Follow the KPMG LLP Tax practice on Twitter: @KPMGUS\_Tax.

## Contact



**Rema Serafi**  
**Vice Chair – Tax**  
KPMG LLP  
E: [rserafi@kpmg.com](mailto:rserafi@kpmg.com)

Learn about us:  | [kpmg.com](https://kpmg.com)

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. USCS010629-3A