



Tax Reimagined 2023: Perspectives from the C-suite

June 2023

Introduction

Tax departments are every company's hidden advantage. In this year's *Tax Reimagined: Perspectives from the C-suite* survey, results show that with smarter-than-ever technology — like artificial intelligence — at their fingertips, tax professionals can focus on high-impact work that is more strategic and ultimately helps advance a company's future and its competitiveness. The savviest tax leaders understand that harnessing the power of the latest technological advancements will set tax departments up for success — and help companies understand how best to make use of their secret weapon: data.

The modern tax department can add great value by delivering both compliance and consultative guidance — and this has never been truer than today — with ever-changing tax legislation and regulations, economic uncertainties and the transition to stakeholder capitalism. If tax departments can leverage the best technology while retaining talent with the right balance of tax technical and technology skills, they'll be well-positioned to help organizations manage risk, respond to increasing ESG pressures, and predict the next big business decisions.

We firmly believe, in the near future, tax departments will be recognized as strategic powerhouses, deserving of stronger investment and a more prominent seat at the C-suite table. This year's survey results bolster this belief and provide insights into how and where tax leaders should start to truly make the most of all that tax departments can do for organizations.

Sincerely,



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Executive summary

The *KPMG Tax Reimagined 2023: Perspectives from the C-suite* report findings emphasize the role technology will play in the transformation of tax as it expands its mission from a compliance function to a broader value creator for the business.

We surveyed 500 US C-suite executives at companies with an annual revenue of \$1 billion or more and found that whatever the issue—addressing regulatory compliance, responding to market events and new tax legislation, or hiring talent—the underlying solution lies with technology and innovation.

The good news is... Progress is well underway.

Artificial intelligence – the next frontier for tax departments

Most tax departments are already using some form of artificial intelligence (AI), and those that aren't are eager to start. To move forward on their AI journeys, executives are willing to pay.

When tax comes face-to-face with ESG

Companies are underprepared to publicly share greater details on their tax contributions – highlighting the need for better technology to wrangle the necessary data.

Measured speed – the 21st century business currency

The pace of change is quickening and responding with speed is essential. C-suite leaders are turning to sourcing arrangements to ease the burden on staff, leverage technology investments of third parties, and keep the business from falling behind.

A convergence of tax and tech – the anatomy of the modern tax professional

Though more tax executives are considering hiring tech professionals, C-suite leaders remain challenged to find talent with the right mix of skills needed to support a modern tax department.

The predictive power of tax

While compliance will always be a critical function of every tax department – tax has value to add far beyond preparing and submitting tax returns. Armed with the latest AI technologies, the moment is now for tax leaders to change the outlook for the modern tax department.

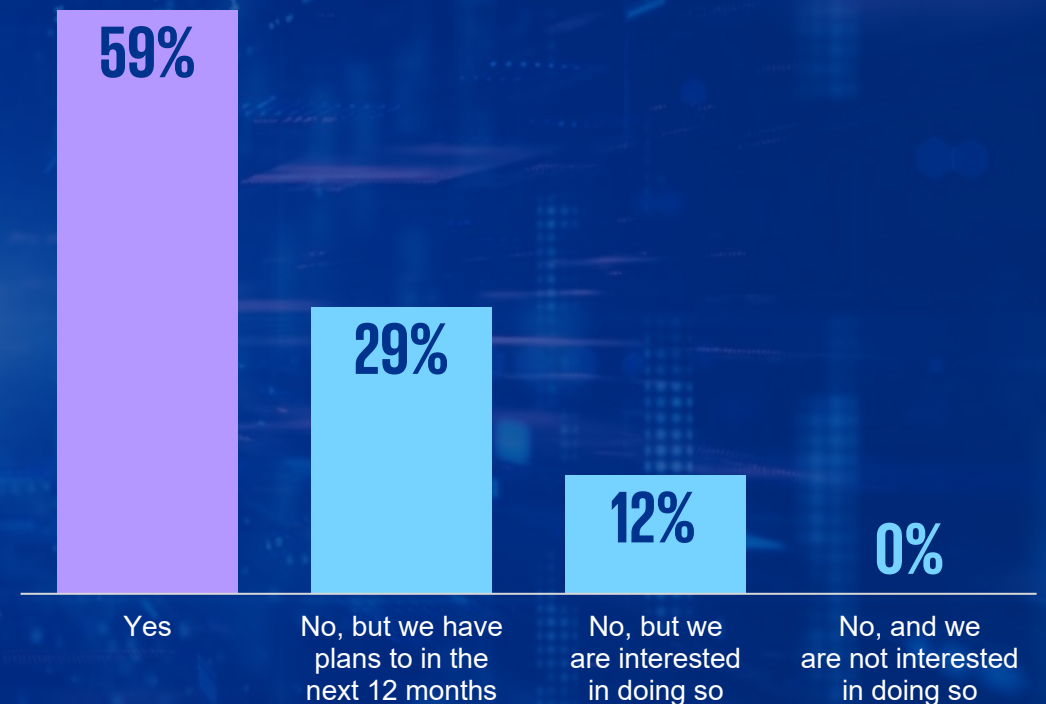
Artificial intelligence

The next frontier for tax departments

Artificial intelligence is already being implemented in many tax departments to automate routine tasks, identify potential tax risks, improve compliance and reporting accuracy, and enhance tax planning and forecasting. AI is also being used to analyze large volumes of data to identify patterns and trends that can help tax departments make more informed decisions. But this level of machine thinking is just the beginning. Advances in technology happen quickly—and dramatically. One only needs to look at the hype caused by the introduction of certain generative AI tools in late 2022 to speculate on what the next step in automation can do for business.

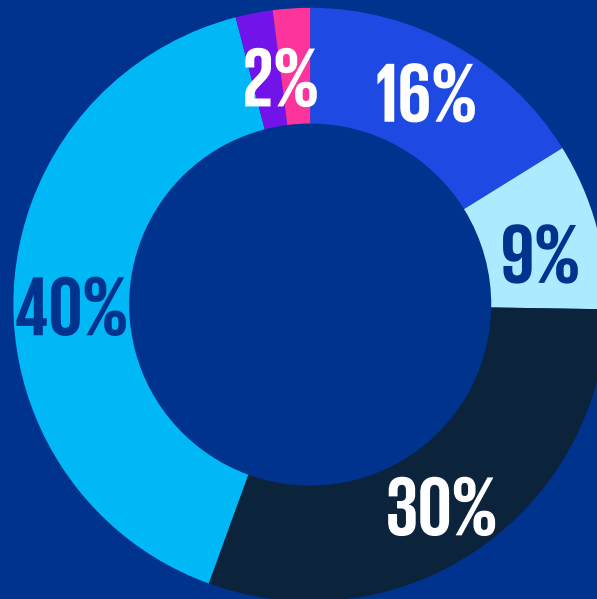
C-suite leaders overwhelmingly recognize AI's potential to transform their organizations. More than half (59%) are already using emerging AI technology in their tax or finance department to make workflows more efficient and to reduce the strain on existing talent. And of the 41% who aren't yet using AI, nearly all are interested in doing so.

Is your organization currently using emerging AI technology in your tax or finance department?



How much does your organization plan to invest in AI capabilities for your tax function in the next 12 months?

- Less than \$500K
- \$500K – less than \$1M
- \$1M – less than \$10M
- \$10M+
- We are not investing in AI capabilities
- Don't know/not sure



Leaders also recognize these applications are only the first step in the AI revolution. Almost all agree that AI is the next frontier for corporate tax departments and are eager to move forward. And they're willing to bet big. Nearly three-quarters (70%) say their organization plans to invest \$1 million or more in AI capabilities for their tax function in the next 12 months. Included in this majority are 40% of respondents who say they plan to invest \$10 million or more.

AI may be a technology challenge, but its solution requires people. As AI advances, it will take on tasks of greater complexity, and executives agree the proliferation of AI will change the human capital strategy in their tax departments. An overall reassessment of roles and skill requirements will be essential to bring the total power of a human-plus-machines workforce to fruition.

To ensure that AI functions at its highest potential, human intelligence and critical thinking are essential. That means tax departments should increase the number of their professionals who possess skills in technology, computer science, and data analysis. Companies that don't yet have those capabilities may consider working with a third-party provider to stay ahead of the curve... and the competition.



40% say they plan to invest \$10 million or more in AI capabilities for their tax department.

When tax comes face-to-face with ESG

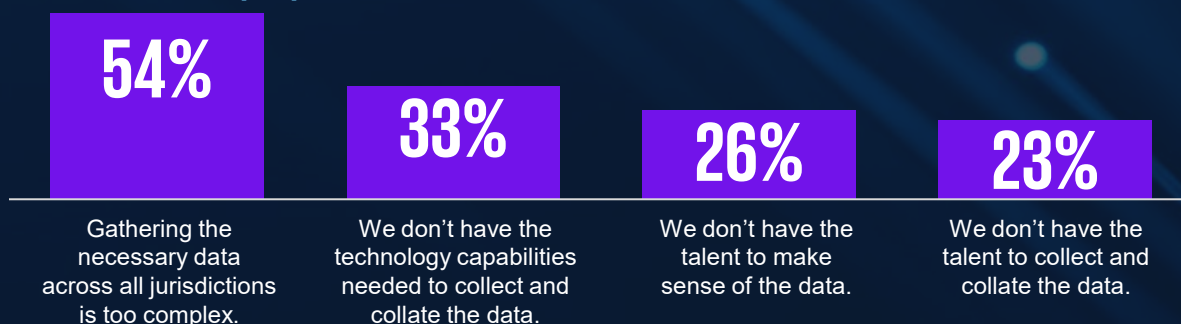
It's no secret: The intersection of tax and ESG has risen to the top of the C-suite agenda with increased pressure from stakeholders and regulators to provide greater transparency on how companies are meeting their tax obligations.

To meet the increased pressure, companies face several obstacles. More than half of C-suite leaders cite the complexity of gathering data from all jurisdictions as the top reason for their unpreparedness to disclose their total tax contributions, followed by 33% who say they simply don't have the technology capabilities needed to collect and collate the data. In addition to being unprepared, C-suite leaders are worried about the risks in doing so, citing difficulties recruiting new talent (42%) and giving away competitive intelligence (40%) as their primary concerns.

Although C-suite leaders acknowledge the importance of interlocking their tax and ESG strategies, the clock is ticking, and C-suite leaders are remiss to think time is on their side. In fact, more than 60% say it will be at least five years before they are mandated to disclose their total tax contributions. Meanwhile, the European Union is pushing ahead on country-by-country reporting, requiring multinational groups operating in the EU and that exceed certain size thresholds to publish greater details on their tax affairs. And in the US, the Financial Accounting Standards Board recently released draft plans calling for more comprehensive income tax disclosures for public companies.

C-suite leaders need to prepare now. It's crucial they use their tax data to formulate their own narrative – rather than risk that story being told for them.

Which of the following, if any, are reasons why your organization would not be prepared to disclose its total tax contributions?



The clock is ticking, and executives are remiss to think time is on their side.



My organization is currently prepared to share its total tax contributions.

Measured speed the 21st century business currency

Geopolitical tensions. Economic uncertainty. Regulatory and legislative changes. The past few years have given business leaders a lot to worry about when it comes to events affecting their company's success and financial resilience. And as the pace of change quickens, leaders need to be nimbler when addressing challenges or risk losing their competitive advantage.

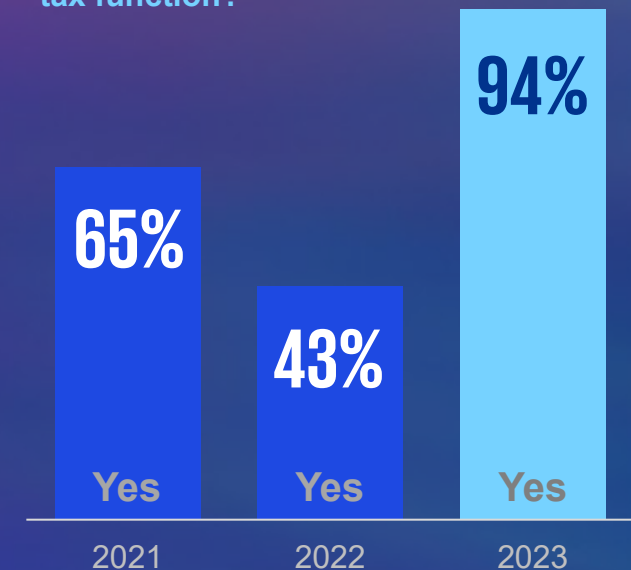
For tax departments, it's no different. Chief Tax Officers and Chief Financial Officers have been faced with unprecedented disruption over the past few years. Think: the legislative and regulatory burden of the Tax Cuts & Jobs Act, navigating the stops and starts of BEPS 2.0, responding to the increase in tax audits and getting up-to-speed on complying with the Inflation Reduction Act – just to name a few.

On top of these market forces, C-suite leaders are grappling with the pace of change and the constantly evolving technology and talent landscapes. Nearly three-quarters (73%) of C-suite leaders say it's been very difficult to recruit tax talent in the past year, and many organizations have turned to alternative sourcing models to equip and strengthen their tax departments with the necessary skillsets and technologies for proper data analysis.

In fact, the appetite for various sourcing options has increased, with 94% of respondents more willing to outsource or co-source their tax function over the past year, compared to 43% in 2022 and 65% in 2021. These fluctuations likely represent organizations trying to keep their footing in the face of significant tax legislative and regulatory changes, the disruptions caused by the pandemic, inflation, and the Great Resignation. Nearly all executives (99%) would consider an alternative sourcing model to leverage the technology expertise, tools, and skills of a third-party provider to combat their challenges by recruiting professionals with technology-savvy skills.

As business continues to evolve, C-suite leaders will need to consider how they can best respond to changing market forces with measured speed.

Over the past year, are you becoming more willing to outsource or co-source your tax function?



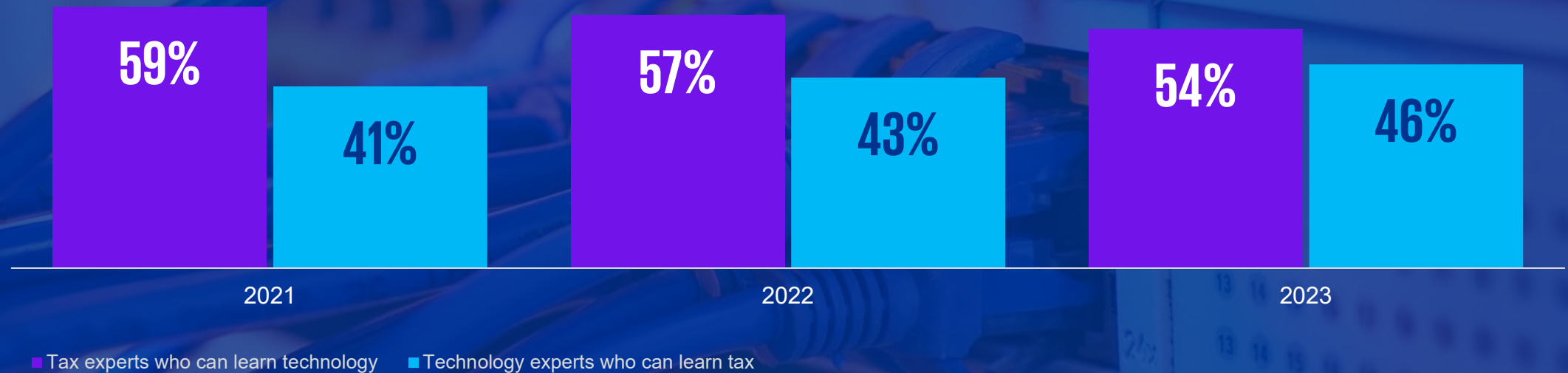
A convergence of tax and tech

The anatomy of the modern tax professional

While accountants and tax attorneys will always remain the backbone of the tax profession, C-suite leaders are realizing data is the key to unlocking further value from their tax departments. Executives are beginning to modify their thinking around recruiting to seek out technologists and data scientists for certain parts of their organization.

Although more leaders still prefer to hire tax experts who can learn technology (54%), more 2023 respondents expressed a willingness to hire technology experts who can learn tax (46%), compared to 43% in 2022 and 41% in 2021.

Who would you rather hire for your tax department?



Nevertheless, tax departments face a significant challenge when recruiting technology candidates: No one has ever confused a tax job with a high-tech career. To make tax more attractive to tech specialists, organizations are beginning to demonstrate to candidates that their tax or finance department is deploying the latest technologies, like AI. In fact, nearly half of respondents (47%) say revamping the perception of a tax career is their primary focus to attract and retain new tax talent.

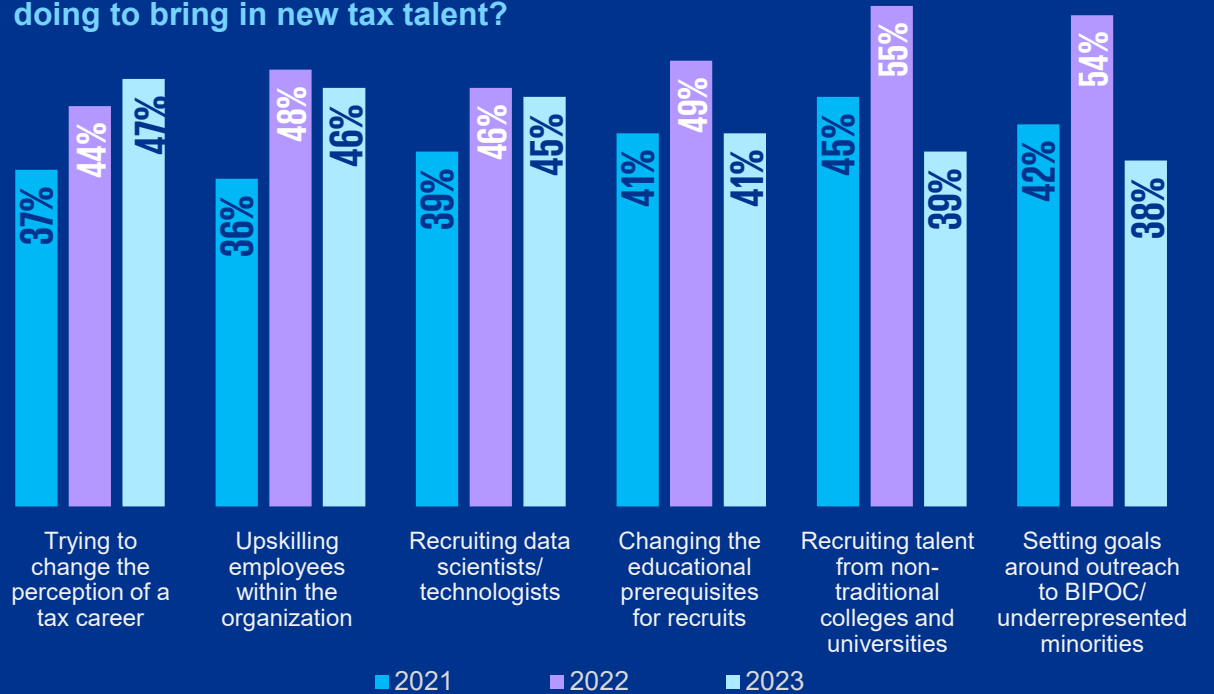
When it comes to the talent challenge, the need to move fast shouldn't mean leaving broader workforce modernization efforts behind. In 2023, leaders have deprioritized recruitment from non-traditional colleges and universities and outreach to talent from underrepresented backgrounds.

Branding around technology will only go so far without recruitment strategies that continue to expand and modernize the tax workforce. As the profession grows more tech-enabled, it becomes increasingly important to have innovators in-house that mirror our society.

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Diverse teams are a business imperative – it's not just the right thing to do from an equity perspective. By returning their focus to recruiting talent from a variety of backgrounds, tax leaders may find new inroads to skilled talent they desperately seek.

Which, if any, of the following is your organization doing to bring in new tax talent?



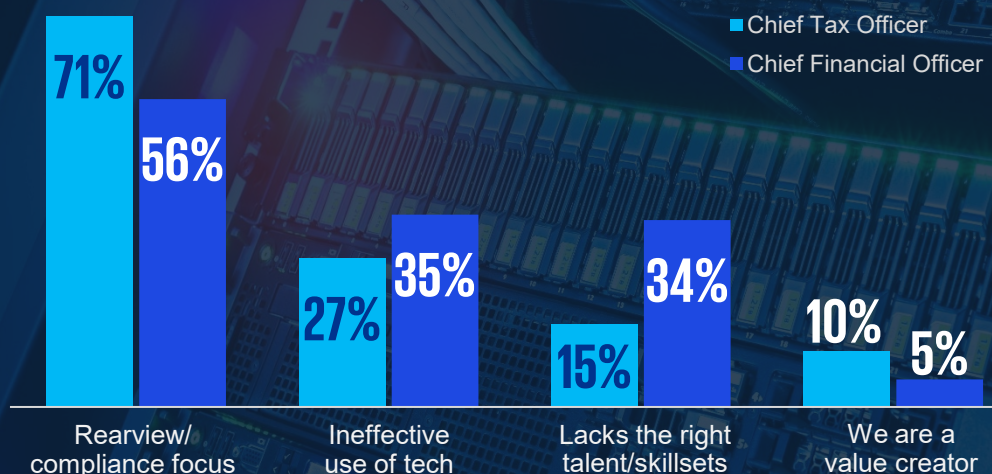
The predictive power of tax

C-suite leaders recognize the value of data with 100% agreeing that leveraging data from across their organizations can help their tax departments see around corners and influence smarter business decisions.

However, many (59%) say their tax department is not viewed as a value creator to the overall business because it's solely focused on compliance/rearview mirror approach. Ironically, more tax leaders held that view than Chief Financial Officers. Respondents also cited ineffectively leveraging technology (32%) and a lack of the right talent or skillsets (30%).

That said, C-suite leaders are committed to investing big in AI technology and talent. This is the right path forward. Emerging technology like generative AI presents a moment for tax to recast as a future-proof department with the unique ability to predict what's ahead.

For which of the following reasons is your organization's tax department not viewed as a value creator to the overall success of the business?



*Small base size: findings are directional.

Tax meets tech

A powerful engine for innovation

Conclusion

As corporate tax departments embrace more sophisticated AI applications, tax will continue to become firmly cemented within the technology-driven frontier of the future. C-suite leaders are dedicated to significant investments that can enhance or facilitate implementation of automation; and once organizations finesse their hiring to match these investments, technology will transform the tax profession.

Already, departments are helping power corporate innovation and are preparing their companies for financial challenges, from sustainability and regulation to risk management. With the corporate tax landscape growing increasingly complex, investment in the tax department is inextricably linked to an organization's long-term health.

The modern tax department has a different seat at the leadership table than in the past. As a department of versatile, tech-savvy strategists, the tax department of the future has its eyes around the corner. Tax, reimagined, is a strategic powerhouse.



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Survey methodology

The KPMG “Tax Reimagined 2023: Perspectives from the C-suite” survey was conducted by Wakefield Research (www.wakefieldresearch.com) between March 10 and March 30, 2023, among 500 C-suite executives at companies with annual revenue of \$1B+. The margin of error for this study is +/- 4.4 at 95% confidence.

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