



Voice of the CFO

A recurring conversation with CFOs
on finance-related issues



October 2024

CFOs discuss taxes, workforce, and technology

In conversations with CFOs, we know what's on their minds this time of year. It's taxes, the workforce, the ever-recurring hot topic—digital transformation—and the upcoming US election. Jennifer Acuna, KPMG Washington insider, shared the latest in tax policy and the impact on business. The back-burner simmering issue of the workforce was also discussed, from annual compensation and back to office to building the leaders of tomorrow. KPMG Innovation Lab is envisioning the future

of finance. KPMG believes AI will be embedded in core processes in two to three years and will drive automation. The easiest area to get started is financial forecasting. CFOs are making inroads on the future of finance and shared examples. Robert Kahn, director of Global Macro-Geoeconomics at Eurasia Group, introduced CFOs to the hot geopolitical risks in the world and shared how they're impacting markets and business.

On the CFO agenda

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Exclusive analysis for CFOs

Eurasia Group analyst shares top geopolitical risks²

¹ These comments were shared in early October 2024 and reflect KPMG insights on US tax policies. Our perspective may change as tax policies change with new administrations.

² Robert Kahn from the Eurasia Group shared his views on September 30, 2024. His views are his own or his firm's and may change based on new data on global events that are fluid and uncertain.

Tax uncertainty

Tax policy's impact on business

US tax policy and uncertainty about the tax climate after the election are top-of-mind issues for CFOs. Here is an example of one CFO's frustration about their company's tax obligations.

"My company has issues with previous tax policies and future uncertainties. We either owe \$700 million or zero for 2023. We became profitable that year and now are a billion-dollar net income company with long-term contracts. Some are derivatives. We have the biggest unrealized derivative position in America."

Depreciation can help, but the tax rate is unknown and dependent on which party claims the White House

in November. Stock buybacks also shift the timing of a tax burden. Or CFOs can shift from stock buybacks to dividends, although many prefer buybacks to dividends because they're better for growth.

Jennifer Acuna, KPMG Tax principal, the former chief tax counsel for the Senate Finance Committee, knows firsthand how bills are drafted. Her views on the inner workings of Congress give CFOs a distinct perspective.

Acuna considers three primary election outcomes: Republican sweep, Democratic sweep, and split government that will impact tax policy differently. "Spoiler alert: A

stock buyback tax rate increase is my number one potential provision in an upcoming tax bill, in all three scenarios. For tax policymakers, buybacks are low-hanging fruit due to the lack of pushback from the business. A corporate rate increase is also going to be a top-line agenda item for some policymakers."

This doesn't sit well with some CFOs, including the CFO of an energy infrastructure company. "I think this is a horrible policy. You're taking value away from shareholders and disincentivizing a major avenue for placing the company's resources versus dividends."

Acuna understands the CFO's position and offers them the higher-level view. "In 2025, over \$3 trillion in tax cuts will expire, pressing the need for Congress to act in the tax space to avoid individual and small business tax increases. There will be significant pressure for lawmakers to offset these costs at least in part with tax increases. While the corporate rate will be an attractive lever for Democrats, it does not realistically pay for the anticipated spending. You can't corporate-tax-rate-increase your way out of a multitrillion-dollar bill. It's not politically feasible. Policy drafters are going to look to other revenue sources."

"When you talk to members of Congress, reducing corporate tax complexity is low on their priorities list for business."

—Jennifer Acuna, KPMG Principal, Tax

Workforce that works

Rewarding performance and building leaders

The workforce is a hot issue for CFOs, everything from raises for employees and recruiting new talent to building tomorrow's finance leaders and their thoughts on back to office.

With raises, CFOs seem to coalesce around 3 percent–4 percent for merit or performance increases but vary in compensation models with cash flow as the favored option.

In terms of recruitment, there is strong growth for finance and accounting professionals, data scientists, Oracle-certified professionals, and Workday-certified professionals. Today's hire has the potential to be tomorrow's

leader but only if CFOs and other leaders provide opportunities such as job rotations, mentorships, and training programs.

A CFO shared, "We were trying to move people every couple of years, but they weren't really getting a deep-enough knowledge of the business. We let them stay longer in their roles. The key is to focus on those with aspiration. Otherwise, you get great contributors, but they don't want to grow. We're probably overspending just to ensure we have a deeper bench."

There is a lot of talk about return to work. KPMG CEO Outlook research

shows that 79 percent of US CEOs surveyed expect full return to office in three years. Some CFOs have differing views on return to work.³

"We can't mandate a full-time return because we would lose too much of the workforce," according to a CFO of an automotive retailer. "If you're an individual contributor processing invoices, you can live anywhere as long as you're productive."

There is a movement toward doing business globally aided by technology. CFOs have outposts and operations in Costa Rica, Poland, the Philippines, India, and elsewhere. AI use cases

that impact the bottom line are also starting to appear.

"One of our clients used AI to go from \$4 per created invoice down to \$0.40 cents. Staffing need went from 120 people down to under 10," as stated by Sanjay Sehgal, KPMG principal, Advisory head of Markets.

³ KPMG CEO Outlook, August 29, 2024

Elevated finance

Leading with intelligent forecasting

Technology and data hold the promise of transforming finance functions. An elevated role for finance could occur in two to three years. By 2027–2028, AI should accelerate core processes with 90 percent of transactions automated. Touchless transactions are where we're headed.

"With faster close cycles and faster planning cycles, finance will have more time for decision-making and get a return on the investment," said Sehgal.

But where do organizations begin to rewire their capabilities? KPMG sees finance as the best area for a top-down (CFO), bottom-up (digital-savvy workforce) strategy that provides

proof of concept and scale by way of automation. Within finance, the process ideal for automation is forecasting. Intelligent forecasting also offers a lighter lift than other use cases.

While AI comes with tantalizing possibilities, CFOs see challenges in the near terms. A CFO for an automotive retailer who is currently going through a digital transformation articulated a key hurdle.

"We have new data sets coming in and replacing old technology with new. Resources are constrained. We're trying to get it all done while still operating the business."

For CFOs, there are issues around every corner related to data and data security, resources, previous tech stack commitments, reporting lines, or any number of company hurdles while pursuing modernization. That's why wins should be celebrated, and one CFO shared their company's journey from an old way of forecasting to an AI forecasting solution that is proving to be more accurate.

"We piloted an algorithm based on recent trends and challenged our people against it with the opportunity to make tweaks to their manual forecast. Eight out of ten

times, their tweaks were wrong. As a result, everyone is starting to trust the automated system more, and it's reinforced with every forecast."

One of the key learnings with emerging technology is establishing ownership and clear lines of support.

"The business needs to own it and drive it. They should have value chains set up to support the business," said the CFO for an automotive retailer. "The business side doesn't have the technical capability, while our IT function is even farther away from the business. It's an interesting growing pain."

Exclusive analysis for CFOs

Eurasia Group analyst shares top geopolitical risks

Robert Kahn, director of Global Macro-Geoeconomics at the Eurasia Group, focuses on macroeconomic policies and the transmission of shocks throughout the global economy.

For his CFO audience, Kahn centered his discussion on white-hot geopolitical risks in the world right now with specific attention given to the US presidential election.

US presidential election

Wading into the US election, Kahn sought to temper his commentary. "I focus on the markets, not just the politics." Eurasia Group is estimating a Trump victory in November with a 55 percent probability. Senate is 90 percent with a Trump win and 25 percent chance the House puts Democrats.

The core of a Trump policy package is tax cuts and higher tariffs, particularly on China imports. Kahn sees tariffs doubling from around 13 percent and then up to 30 percent in subsequent years. The bigger shock would be on immigration. Whatever plan takes shape, it will mean a loss of labor in agriculture and construction.

With tariff causing inflation, combined with a supply shock, we could end up with higher interest rates and even a recession by the end of 2025.

If Harris wins, Kahn believes she would hew the Democratic line in most areas, maybe not in energy policies, and demand certain green initiatives and a child tax credit. By and large, Harris would govern as a centrist Democrat. "With either candidate, we'll have very large deficits."

Quick takes around the world

Robert Kahn offers his quick takes on different countries.

Regional trade agreement in Europe: "If you're sitting in a room with your colleagues in 15-year planning, this should be one of your talking topics." But the near-term pressures globally are toward greater fragmentation.

Despite the current conflict, "There are hopes for a grand bargain in the Middle East after the conflict that provides for longer-term optimism."

"There is tremendous opportunity in Southeast Asia."

"One of my colleagues pounds the table for the prospect for reform and growth in Africa. The test case is Nigeria."

"Argentina is doing a lot of good things, but the near-term Macro challenge toward is daunting."

Key considerations

- Support probusiness lobbying efforts in Washington.
- Collaborate with HR on recruitment/career advancement.
- Ask IT about progress on modernization efforts with data.
- Monitor geopolitical risks that could impact operations.

Additional resources

[KPMG 2024 U.S. CEO Outlook](#)

[From digital to intelligent close](#)

[Catching Up on Capitol Hill](#)

[Tax Reimagined 2024: Perspectives from the C-suite](#)

[AI in financial reporting and audit: Navigating the new era](#)



Sanjay Sehgal
Principal, Advisory
head of Markets
KPMG LLP
T: 330-283-6187
E: sanjaysehgal@kpmg.com



Jennifer Acuna
Principal, Tax
KPMG LLP
T: 202-714-7410
E: jenniferacuna@kpmg.com





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