



Tax function operating models evolve as demands escalate

The tax managed services opportunity

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Forward

In a high-pressure tax environment, no one can do it alone.



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With rapid changes to the tax landscape, tax functions face heightened obligations, escalating responsibilities, increased complexity, and unprecedented uncertainty. In this unpredictable business environment, scaling capabilities to keep up with evolving regulations, increasing data demands, emerging technologies, changing talent needs, and added workload feels like a never-ending game of catch-up.

Tax and finance leaders recognize that a new tax operating approach is needed to unlock modern capabilities and unleash them at the pace of change. But what does a winning tax model of the future look like? More challenging still, how do they start to design, build and execute it?

In our work helping organizations reimagine the tax function to deliver greater value in this evolving business landscape, we see a promising approach gaining momentum—implementing more comprehensive sourcing strategies, including integrated, efficient and adaptable managed services solutions.

Across diverse industries, leading tax functions are increasingly embracing managed services with marked success. The 2023 KPMG Chief Tax Officer Insights report shows 83 percent of CTOs plan to expand their use of outsourcing/co-sourcing or managed services models for tax activities ranging from routine daily tasks to complex cross-functional processes. Notably, reliance on third party relationships across the sourcing model spectrum increased 53 percent since our previous benchmarking survey report (2018-2022).¹

This report shares facts, insights and guidance drawn from our market-leading experience partnering with organizations across virtually every industry to build digital, global and efficient tax operating models. We hope it helps you take the first steps towards seizing the managed services opportunity within your organization's tax function.

¹2023 KPMG Chief Tax Officer Outlook (KPMG LLP, 2023)

What's inside?

Find out what tax and finance leaders need to know about managed services and its potential as a game-changing sourcing strategy for overwhelmed tax departments:



What are the key drivers of operational change in the tax function?



What are managed services (including differences from outsourcing and cosourcing)?



How do managed services address today's major tax operational challenges?



How can your organization start to seize the tax managed services opportunity?

Tax function pressures amplifies

Operational change is the only
way forward.



“Overly complex” is the most accurate description of today’s tax environment. Tax functions face an unprecedented amount and pace of change, with constant flux both externally and internally. This environment of disruption and uncertainty spans multiple, interrelated areas, making it almost impossible to keep up with.

It’s not for lack of trying. Efforts to leverage technology for core tax activities are widespread in most tax departments, with leaders combining high-potential emerging technologies and trusted existing solutions to boost productivity and efficiency. According to the 2024 KPMG Chief Tax Officer Outlook Study, 30 percent of tax functions plan to increase their investment in technology.² However, the harsh reality is that digital investment and transformation alone often fall short in addressing the major operational challenges faced by tax departments today.

**Here are some of the complex drivers straining
enterprise tax operating models.**

² 2024 KPMG Chief Tax Officer Outlook (KPMG LLP, 2024)

The evolution of tax operating models

The managed services difference



To stay compliant, productive, and strategic amid such massive complexity and disruption, a business-as-usual approach to tax is not a viable option. Tax functions require advanced tools and skills, yet investment has lagged, workload has increased, and resources are scarce. Traditional in-house tax teams often lack the capability and agility to meet ever-increasing expectations and responsibilities. New levels of connectivity, adaptability, efficiency, scalability and insight are needed—levels that simply cannot be effectively achieved alone.

As such, tax and finance executives are confronted with a critical question with significant implications for their organizations' future: What operating model will best position our tax function to stay ahead of the changing landscape? Increasingly, the answer is **tax managed services**. Managed services are rapidly becoming a popular solution for businesses of all sizes looking to transform their tax departments.

A tax managed services delivery model is a collaborative, comprehensive sourcing approach that brings together key teams to provide the best possible contingent of talent to deliver the tax function. Implementing managed services allows for a blend of internal and external resources, leveraging the expertise of both the in-house team and the service provider. This model enhances the tax function's operational efficiency and effectiveness by allowing for flexibility in scaling resources based on the organization's evolving needs and priorities.

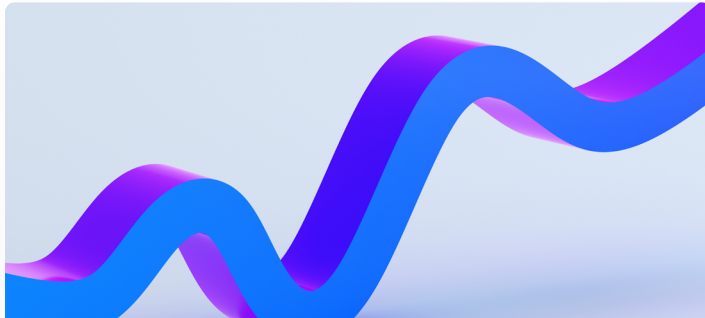
In a managed services relationship, the combined team includes a dedicated core service provider team, service provider specialists and, potentially, rebadged tax professionals from the client organization. (In some cases, the client organization is standing up a tax department for the first time, with no team members to rebadge). Together, they co-manage all aspects of specific

Where does managed services falls on the sourcing spectrum?

Managed services, outsourcing, and co-sourcing are different approaches to handling tax operations within an organization.

A capability and capacity boost

Broad benefits of the tax managed services model



As tax and finance leaders seek more flexible and efficient ways to operate their tax function, managed services is emerging as a transformational solution. By delivering access to external expertise, advanced technology, and operational structure, managed services is fast becoming a popular, trusted solution for organizations to enhance the capability and capacity of the internal tax team to meet ever-growing demands and drive business value.

Indeed, managed services—more than any other sourcing strategy—has the potential to holistically address the range of operational issues that keep tax and finance leaders up at night, from managing fluctuating workloads, to the adoption of advanced technologies, to attracting and retaining talent, to controlling costs amidst a changing regulatory environment.

The 2024 KPMG Chief Tax Officer Outlook³ reveals multiple, critically important reasons heads of tax plan to embrace this comprehensive sourcing strategy: greater access to advanced technology (41 percent), improved managerial focus on higher value-added issues (39 percent), addressing the problem of attracting and retaining in-house talent (38 percent), greater scalability (38 percent), greater assurance or reduced risk (37 percent), more rapid access to new markets or opportunities (35 percent), and lower costs (26 percent).

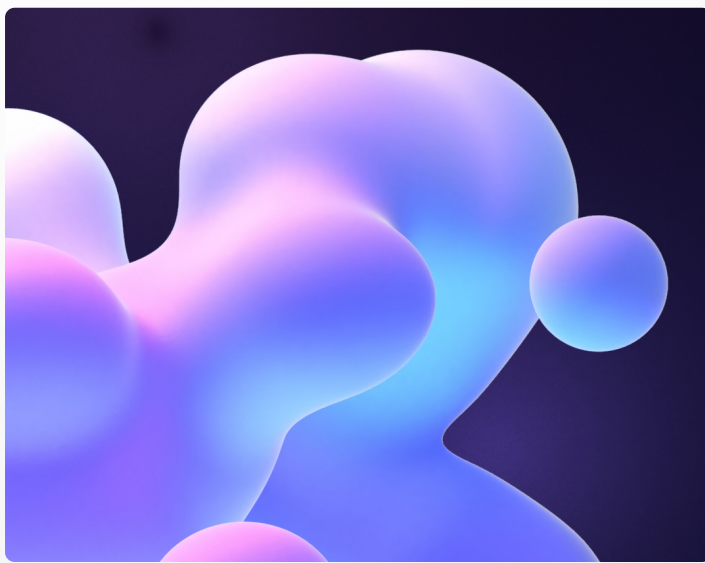
Here is a deeper look at how a managed services relationship provides tax departments a comprehensive model that addresses a broad range of operational challenges.



³ 2024 KPMG Chief Tax Officer Outlook (KPMG LLP, 2024)

Trailblazing tax services for the real world

Managed services solution helps HP Inc. reengineer tax operations



Click on the tab to read more information

The Result



KPMG thoroughly examined the current state of tax operations to help HP Inc. develop a roadmap to achieve a tax model of the future that addresses key internal and competitive challenges.



The hybrid solution merges internal strengths with advanced technology, arming HP Inc. tax professionals with the tools they need to work more efficiently.



KPMG onboarded 125 skilled HP Inc. employees, adding value to both companies. HP Inc. tax professionals combine their knowledge and experience with KPMG's updated technology and validated workflows.

Expect more

Seize the tax managed services opportunity

[Expect more](#)

Quickly assess the appropriate level of sourcing for your tax function.

The KPMG Global Tax Function Benchmarking Survey is designed to help organizations gauge their tax function operations against comparable revenue and industry peers. Use this free, confidential assessment tool to gain exclusive access to key benchmarking data and identify areas for improvements related to resourcing, strategy, technology and organizational changes.

Complete the survey to receive a personalized report with key information about what good looks like for tax operations, your tax function's performance, and process improvements to enhance your tax function effectiveness. Among the wide-ranging insights you'll receive, discover the level of insourcing, outsourcing or co-sourcing needed in your own tax function—including if a managed services partnership could be right for you.

Learn how KPMG Tax Managed Services can enable your lean, agile tax operations.

KPMG Tax Managed Services can help you reimagine your tax operating model to keep pace in today's highly fluid, fast-paced environment with agility and efficiency. We support you across your entire tax lifecycle by providing broad, scalable tax capabilities—fueled by technology, operational expertise, and a deep bench of professionals—that align with your unique needs.

Our comprehensive approach ...

- Methodologies and tools that align to your unique needs
- Services that adapt to changing business requirements, regulations, and risks
- People who help bridge your skills gap, increase resilience, and create opportunities for career growth
- A platform that prioritizes data as the force that drives your tax function
- The latest technology with artificial intelligence (AI) and advanced data analytics

helps your tax function achieve key benefits and outcomes:

- Elevating tax into an enterprise-wide value creator
- Generating capacity for strategy and risk-management activities
- Delivering innovation and efficiency
- Enhanced compliance and reporting capabilities
- Improved risk management
- Greater insights into tax-saving paths
- Career opportunities for transferred talent

Connect with us

Our team of tax specialists is ready to work collaboratively to accelerate your tax function of tomorrow—today.



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David is a Tax partner in the KPMG Business Tax Services practice where he is focused on tax operations technology, process and resource design to accelerate the growth of KPMG's tax managed services business, enhance our delivery model and infrastructure, and support client-service delivery teams. David has more than 20 years of public and in-house tax experience leading global and domestic engagements for multi-national companies involving operational execution and technology implementations. Prior to joining KPMG, David served as a partner in the Tax Managed Services group of another Big 4 and also spent 10 years at GE Capital and GE Corporate holding a variety of Tax Operations leadership roles.



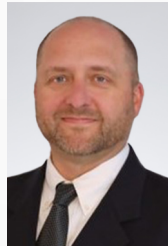
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Chris is a Tax partner leading the KPMG tax managed services practice. Prior to joining KPMG from another Big 4, Chris was the Operations Leader of their managed service platform. In this role, Chris helped pioneer the tax managed service offering in the market and was responsible for operating the go-to market approach, delivery model, technology strategy, human capital strategy, and operations as well as managing financial results of the practice. Earlier, Chris spent 10 years at General Electric where he held various tax leadership positions, and Raytheon Company, where he was the Director of Global Tax Operations.



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Kory is a Tax partner in the KPMG Business Tax Services practice, focused on tax operations process, resource and technology design. He has more than 25 years of experience in the tax operations space, with approximately 20 years in complex multinational corporate tax departments across various industries. During that time, Kory led the tax accounting team for the North American operations of one of the largest global vehicle manufacturers and was the global tax operations leader for the world's leading aircraft finance company. Since returning to public accounting, Kory has led multiple large managed service engagements, focusing on transition, transformation and iterative improvement cycle-over-cycle.



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