



Tax Reimagined 2022: Perspectives from the C-suite

DRAFT

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Introduction

The tax profession is at a pivotal moment of transformation, largely driven by technological advancements and the increasing complexity of the U.S. and global tax regulatory landscape. Both the 2021 and 2022 editions of the *Tax Reimagined: Perspectives from the C-suite* survey indicate a paradigm shift across the tax profession, with tax departments increasingly relying on a more diverse talent pool that possesses a broader set of tax-technical *and* tech-enabled capabilities.

In this new environment, tax and finance leaders are asking themselves questions about the capabilities of their tax departments with growing urgency. Questions like: How are we empowering our tax professionals to leverage new technologies? What new skills do they need to succeed? Are we recruiting from the right candidate pools? Are we providing high-quality training to upskill our talent in ways that support evolving business needs? What are the potential short- and longer-term implications of the ongoing shift in needed skill sets?

The tax departments and tax professionals that embrace this change will be best positioned to succeed. Those that combine deep tax technical knowledge and experience with critical thinking, broader perspectives, technological know-how and digital agility will bring the greatest strategic value to organizations in today's fast-changing business environment. And those that don't, risk being left behind.

Sincerely,



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Executive summary

The KPMG Tax Reimagined 2022: Perspectives from the C-suite report underscores the sea change in expectations and needs under way in the tax profession. Our survey of 300 C-suite executives at large companies shows that tax departments over the past year have fallen short in taking greater advantage of emerging technology and data, but have embraced new recruitment and retention policies to attract a more diverse and inclusive workforce that is more technologically savvy. While leaders continue to stress just how integral technology is to the future of the tax department, the survey results also indicate that more needs to be done to turn these words into action. And one of the actions many still need to take is hiring more professionals with coding, data and analytics (D&A) and other technology-forward skills, as well as providing more training in those areas for current employees.



An evolving tax department

Greater use of tax data will drive more actionable business insights. The ability to harness the power of D&A will depend on a variety of forces.



Defining the future tax professional

If current trends continue and fewer students enter the profession, many organizations will need to take bold new approaches to recruit and retain professionals.



More investment in diverse pipelines

As the tax department transforms amid the shifting recruitment landscape, organizations seek tax talent with broader skill sets.



A mismatch between today's capabilities and tomorrow's ambitions

Until organizations can hire more talent with the skills to leverage data and technology, a skills gap will remain between the value tax departments want to deliver and the value they are able to deliver.

While the tax profession is at an inflection point, we believe opportunities abound for those willing to think and act boldly.

An evolving tax department



In our 2021 study, 73 percent of respondents admitted that their organizations did not know how to use tax data in a forward-looking way. One year later, we see slight progress in how companies are leveraging their data to add greater value to the organization. However, the improvements aren't consistent – or sufficient – and tax departments should be utilizing tax data to inform business decisions across all of the key areas on the right.

Despite recent tax policy changes, 52 percent of organizations are not using their tax data for scenario planning around tax policy.

To mine the value often hidden in tax data, organizations should consider either recruiting more tech-savvy talent or outsourcing / co-sourcing aspects of their tax departments.

Not mining insights from tax data is a missed opportunity, especially given the recent advances in innovation in D&A. The tax departments that deliver the most value to their organizations will be those that are best able to organize, synthesize, analyze and visualize their tax data.



Percentage of C-suite executives not leveraging tax data for each of the following:



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Defining the future tax professional



As leaders in the profession lean into technology and D&A, they are taking steps to attract and retain individuals with the right skill set – which includes both tax and accounting, and also data and technology skills.

While accounting still remains a core competency for tax professionals, C-suite executives ranked coding as the most needed skill in our 2022 survey. Interestingly, strategic thinking, which ranked the most important skill in the 2021 survey, fell to the least important skill in 2022.

In light of these findings, there seems to be a disconnect between leaders' stated hiring objectives and their actions. Specifically, most leaders (57%) said they would still prefer to hire tax experts who can learn technology, and not vice versa. This could partly explain the emerging gap between the growing need for in-house technology skills and the existing capabilities in many organizations.

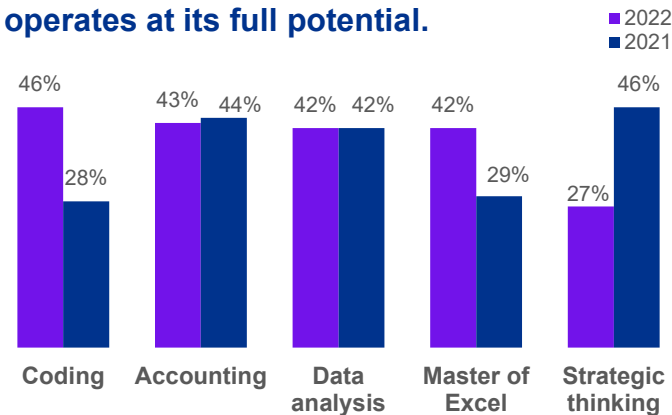
Leaders who want to remain competitive will need to modernize their hiring practices, possibly by taking a “tech-first, tax-second” approach to hiring talent that supports certain aspects of the tax department.

This shift could already be underway, though slowly. Our 2022 survey showed a 2 percentage point gain in the number of respondents who prefer to hire a tech expert who could learn tax, rather than vice versa.

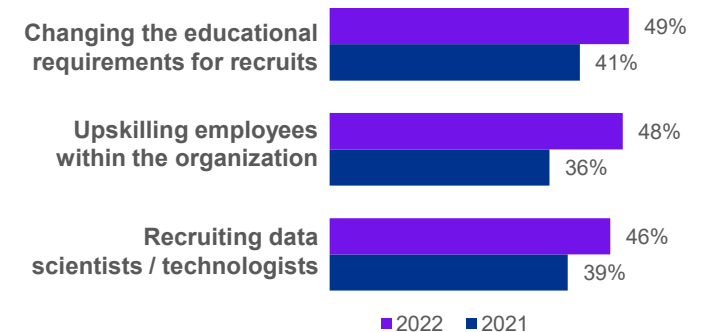


Leaders should take a “tech-first, tax-second” approach to hiring talent that supports certain aspects of the tax department.

Skills needed to ensure the tax department operates at its full potential.



New approaches to bring in tax talent.





More investment in diverse pipelines

The makeup of the tax profession and tax department at top companies is changing. With more women and individuals from underrepresented groups being hired, the profession is becoming more diverse. This is a welcome change.

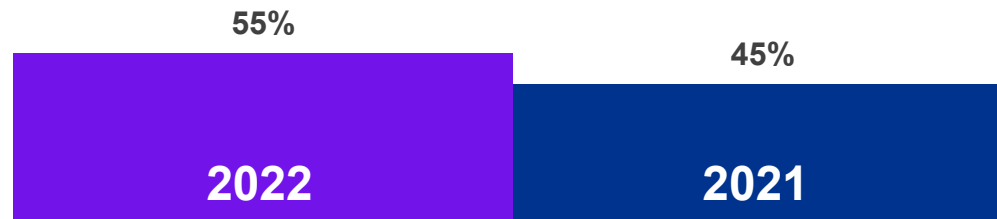
More leaders say their organizations are setting goals to hire more under-represented talent, including Black, Indigenous and people of color (BIPOC) candidates to have more diverse skills and perspectives. We're also seeing more recruitment from nontraditional colleges and universities, along with outreach to underrepresented talent. As a result, organizations are seeing more women and talent from underrepresented groups join their tax teams.



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Compared with last year, more leaders say their organization is recruiting from nontraditional colleges and universities.



More investment in diverse pipelines (continued)



While the profession is making strides when it comes to diverse hiring practices, our survey results showed many leaders are encountering difficulty in recruiting and retaining professionals with the right skills. Inflation, higher wage demands and a lack of competitive rewards or benefits are compounding the difficulty in many cases, especially when it comes to retention.

Nevertheless, fewer survey respondents in 2022 expressed a willingness to outsource or co-source aspects of their tax department compared with 2021. Furthermore, 48 percent of C-suite executives say they are expanding efforts to upskill company employees, up 12 percent from last year.



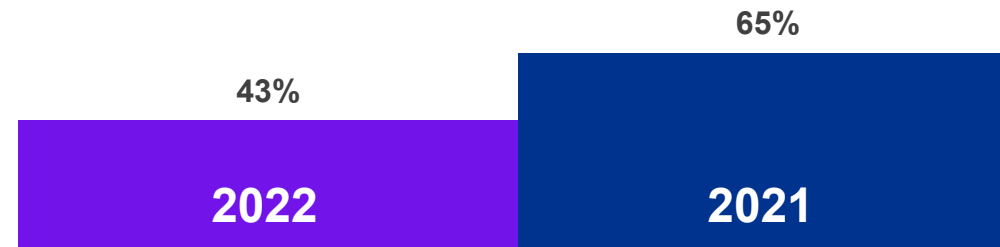
83%

Say it has been difficult to recruit tax talent this past year

79%

Say it has been difficult to retain tax talent this past year

Percentage of C-suite executives who say they are more willing to outsource or co-source their tax departments.



A mismatch between today's capabilities & tomorrow's ambitions

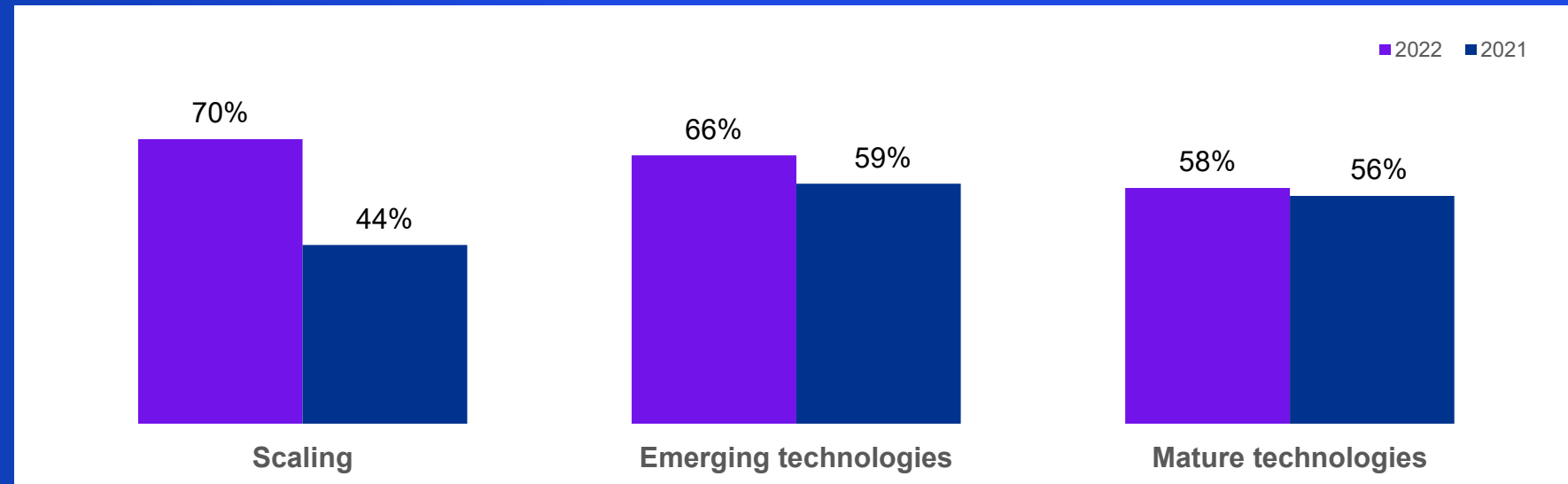


To meet their evolving tax needs, C-suite executives are beginning to adjust educational prerequisites, upskill employees and recruit more tech-savvy talent. However, the evolution won't happen overnight. For at least the next few years, a gap will likely remain between the capabilities of many tax departments today and the capabilities they need to succeed in the future.

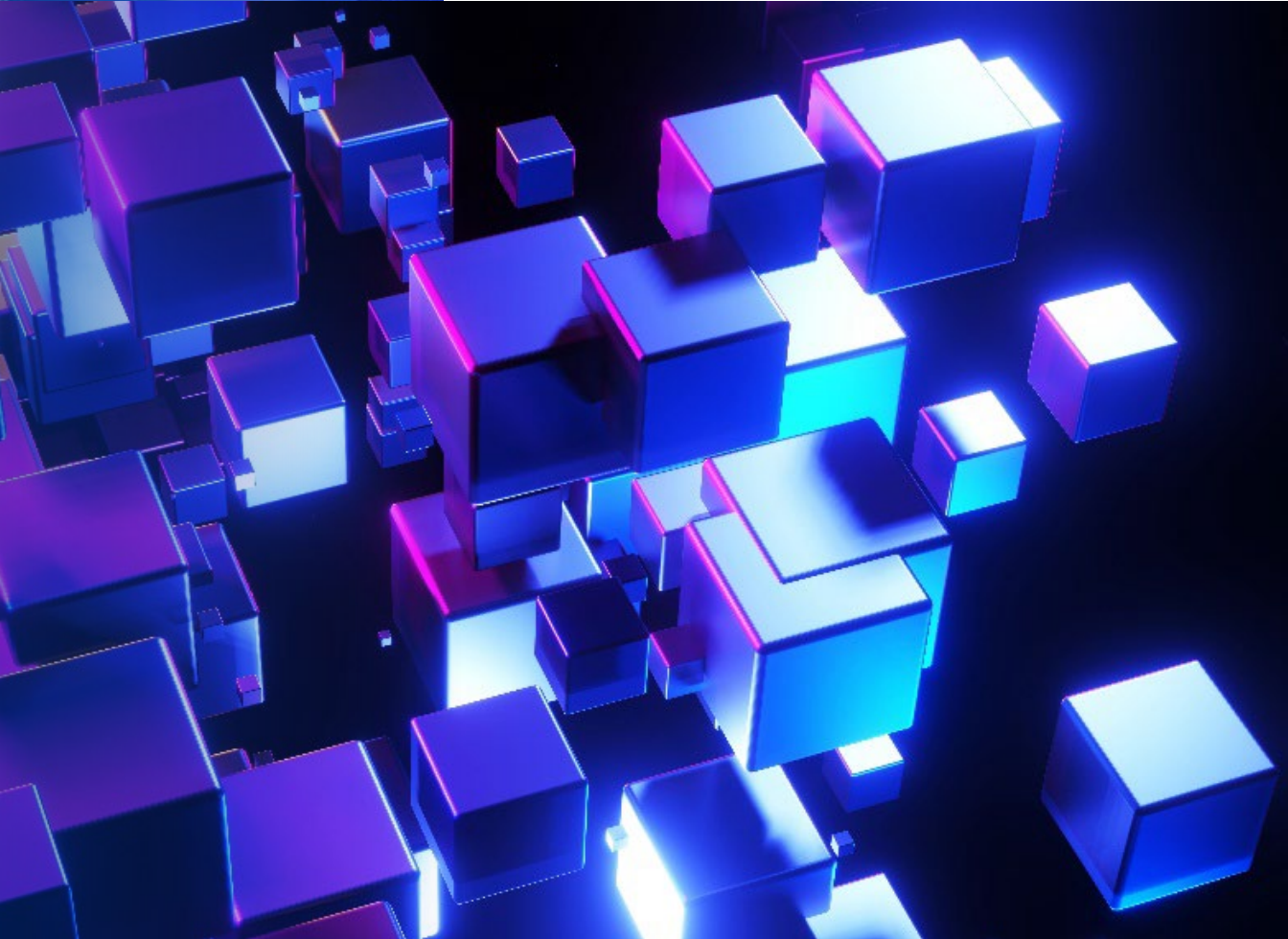
Seventy percent of C-suite executives said scaling technologies (cloud, D&A tools, analytic and visualization) are important tools for tax talent to know and use, while 66 percent selected emerging technologies (AI, blockchain, metaverse and quantum computing). The least number of respondents (58 percent) stated that mature technologies, such as spreadsheets and databases, were important tools for tax talent – an indication executives are seeking tax professionals who can go beyond spreadsheets and analyze databases using cloud-based technologies and data visualization tools.



Tools most relevant to succeed in tax.



Conclusion



Emerging technology is posing new challenges and opportunities. In addition, growing recognition of the need for new tech-related skills and the importance of DEI are persuading many companies to reconsider their hiring practices and policies. As organizations and the tax landscape continues to evolve, our 2022 KPMG survey shows that tax departments must reimagine not just their processes and technology but also the skills their professionals need to get the job done.

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Survey Methodology

The KPMG “Tax Reimagined 2022: Perspectives from the C-suite” survey was conducted by Wakefield Research (www.wakefieldresearch.com) between May 18 and June 3, 2022, among 300 U.S. C-suite executives at companies with annual revenue of \$1B+. The margin of error for this study is +/- 5.7 at 95% confidence.

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