

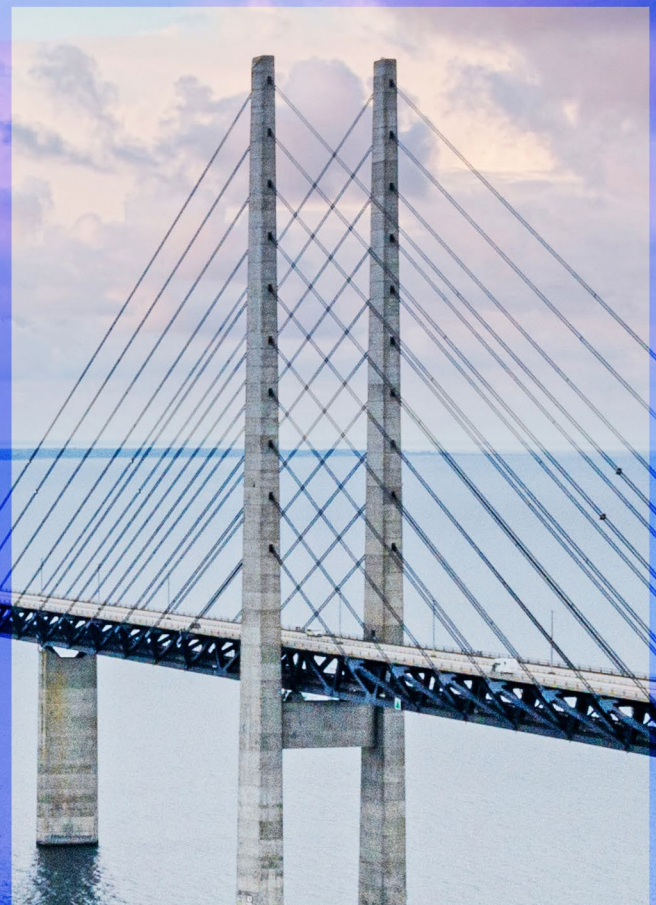


Inside global tax functions:

**How they are managing
today and transforming for
tomorrow**

Special report:
Tax, technology and data

**2023 KPMG Global Tax Function
Benchmarking Survey**



KPMG International

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How does your company's tax function stack up against its peers when it comes to tax, data and technology?

For tax executives of multinational organizations, benchmarking against comparable tax functions can be a powerful tool for reflecting on your current position and planning how to prepare your function for the future.

To help, KPMG International conducts an ongoing survey of the tax functions in multinational organizations around the world. The data gained offers insights into tax functions around the world and how they are evolving in their structure, governance, priorities and performance measures, through the use of technology and more.

In this special report on tax, technology and data, we zero in on data from close to 200 tax leaders of organizations headquartered in 22 jurisdictions. The data offers insights specific to tax functions and how they are evolving in their tax operating models to leverage technology and data and analytics (D&A) to deliver more strategic value.

What do the latest results tell us? Chief tax leaders are starting to see the benefits of their completed tax transformation initiatives and have learned some valuable lessons from projects that failed. Going forward, the success of plans to continue upgrading the tax function's technological and D&A capabilities will depend on having the right skills, budget and buy-in for change in place across the company.

This report presents an overview of selected key findings from the survey data through to early 2023, and highlights some important takeaways for tax leaders.

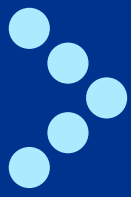


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About the survey

- KPMG International's Global Tax Function Benchmarking Survey charts the evolution of leading tax departments and identifies operational benchmarks for high-performing tax teams.
- The selected findings in this summary report are based on a survey of **close to 200 leaders** in charge of tax policy and operations of companies in all major sectors, with participants from 22 jurisdictions worldwide.
- Over **65 percent** of respondent organizations has more than US\$5 billion in annual revenue or turnover. About **90 percent** has global tax departments serving operations in multiple countries/jurisdictions. About two-thirds of respondent organizations are public companies.
- Tax leaders can still participate in the survey. By doing so, you will have the opportunity to receive personalized insights into how your tax department compares across key areas. Please visit kpmg.com/taxbenchmarking or email tax@kpmg.com to learn more.



Tax transformation today

In recent years, the ability to deploy, manage and derive strategic value for tax technology and data efficiently and effectively has become a hallmark of leading global tax functions. For many of the global companies responding to this survey, creating value has moved to the center of their tax function strategies.

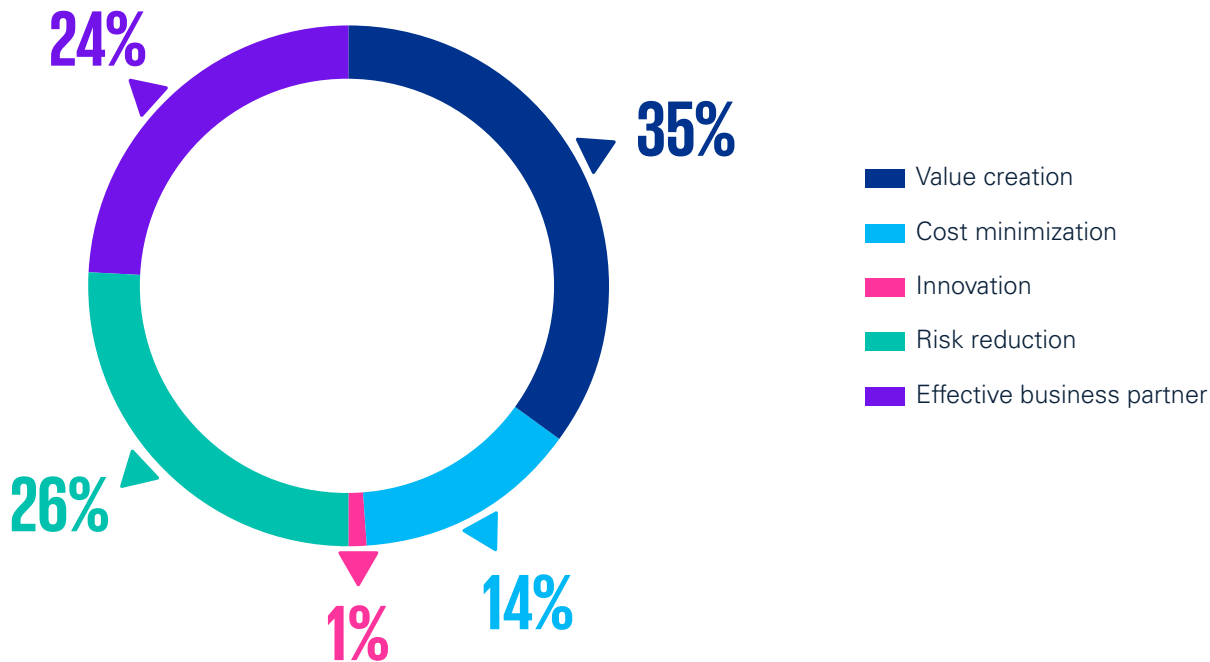
The ability to generate savings and realize opportunities in a world of rapid legislative change and evolving tax regimes increasingly depends on smart uses of technology for flexible scenario modeling, advanced planning and forecasting, and generating incentives.

Digitalized systems and processes are also crucial for managing risk, minimizing costs and other top tax function priorities.

Enabling these abilities requires significant investments in tax operating model transformation backed by a company-wide commitment to change.



Which of the following themes most closely aligns with your tax function's primary strategy?



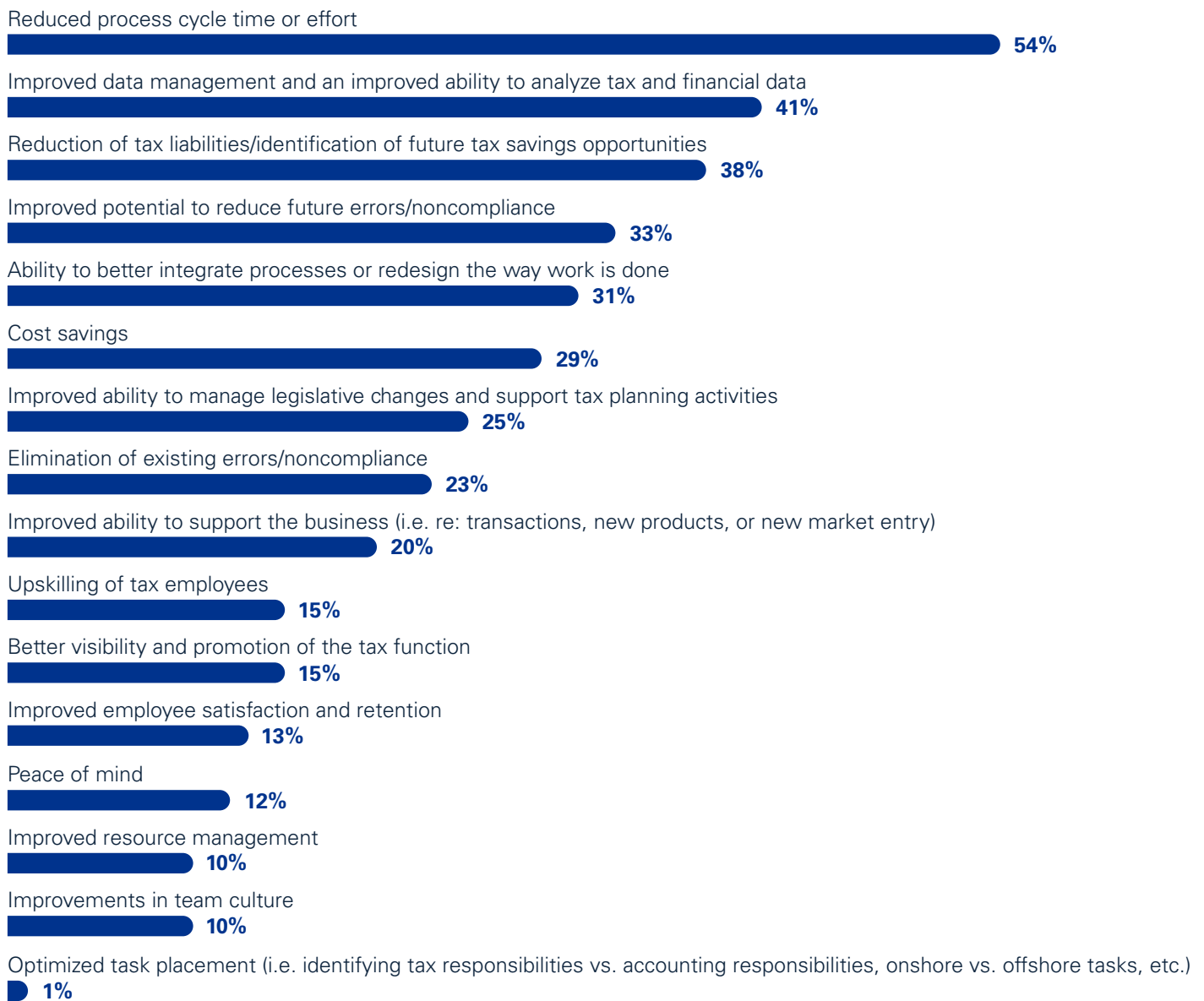
What is the status of tax transformation in today's tax functions? Virtually all Chief Tax Officers reported that their companies have undertaken tax transformation/technology initiatives, with varying degrees of success.

The top benefits realized from their tax transformation initiatives are:

- reduced process cycle time or effort
- improved data management and an improved ability to analyze data
- reduction of tax liabilities/identification of future tax savings
- improved potential to reduce future errors/non-compliance
- ability to better integrate processes or redesign the way work is done.



In general, what benefits have been realized from any successful tax transformation/technology initiatives that you have undertaken?



When asked what makes a tax transformation project successful, having the appropriate skillsets to carry out the transformation topped the list of factors, followed closely by effective change management. It was also considered important that the technology solutions sufficiently supported the transformation's objectives and needs.

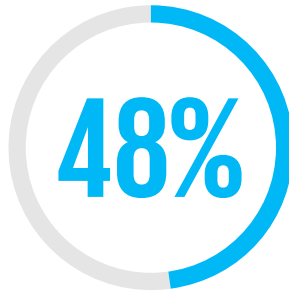
Tax leaders who have seen unsuccessful transformation projects attributed the failure most commonly to resistance to change or ineffective change management, followed by limited buy-in from IT and/or the wider business. Also cited were improper or lack of budget, lack of skills to carry out the transformation, and technology solutions that did not work as promised or expected.



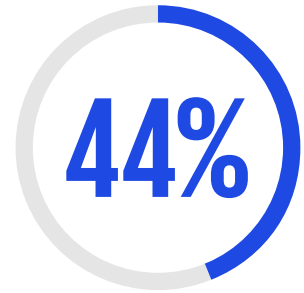
Why have your tax transformation or technology initiatives/projects been successful?



Appropriate skillsets to carry out transformation



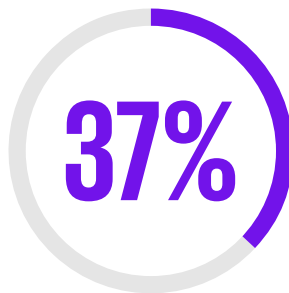
Effective change management



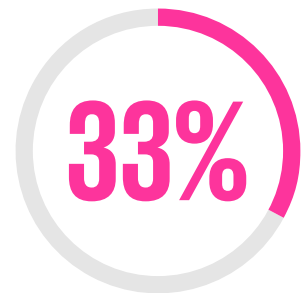
Technology solutions sufficiently supported objectives and requirements



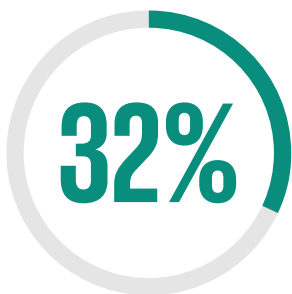
Alignment between key stakeholders and impacted teams



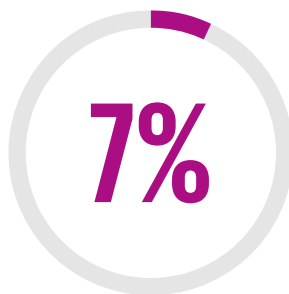
Sufficient budget and/or resources



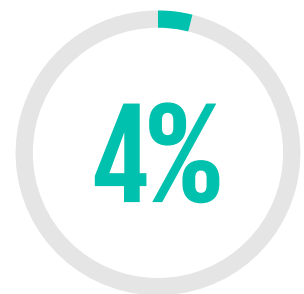
Elimination of outdated technology and redundant processes



Buy-in from IT and/or the wider business



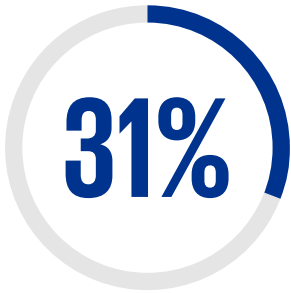
Robust technology onboarding or maintenance plans



Other



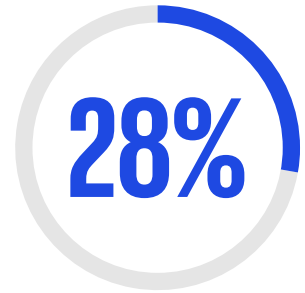
Why have your tax transformation or technology initiatives/projects (if any) been unsuccessful?



Resistance to change or ineffective change management



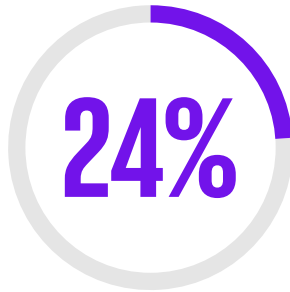
Limited buy-in from IT and/or the wider business



Improper or lack of budget



Lack of skills to carry out transformation



Technology solutions didn't work as promised or expected



Lack of alignment between key stakeholders and impacted teams



Outdated technology and redundant processes were not eliminated



Lack of technology onboarding or maintenance plans



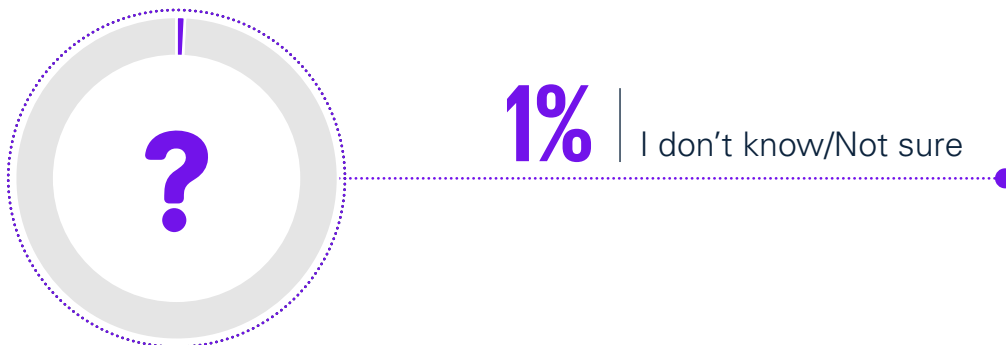
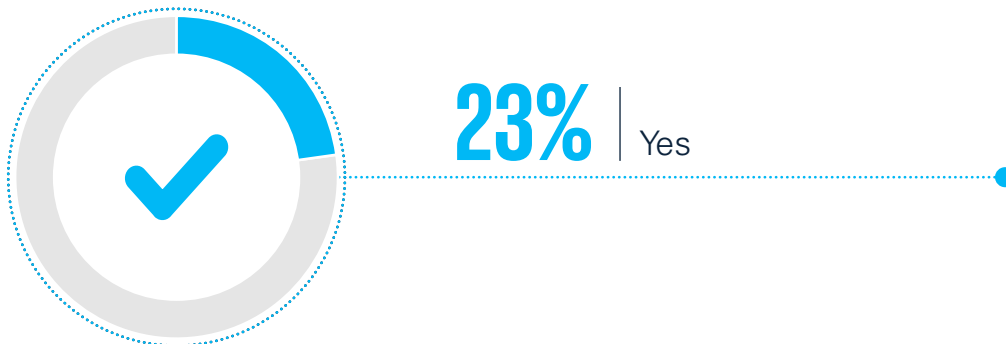
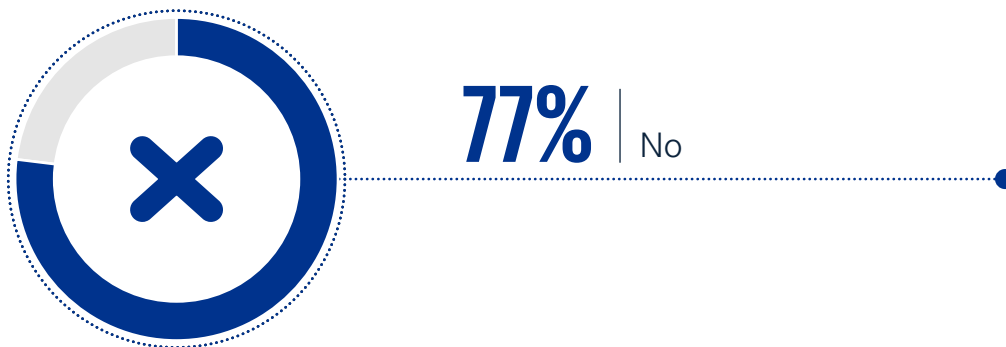
Other



Just under one-quarter of respondent companies have a tax technology or process improvement person or group dedicated exclusively to tax technology matters or tax process transformation. The most common activities they perform are (in ranked order):

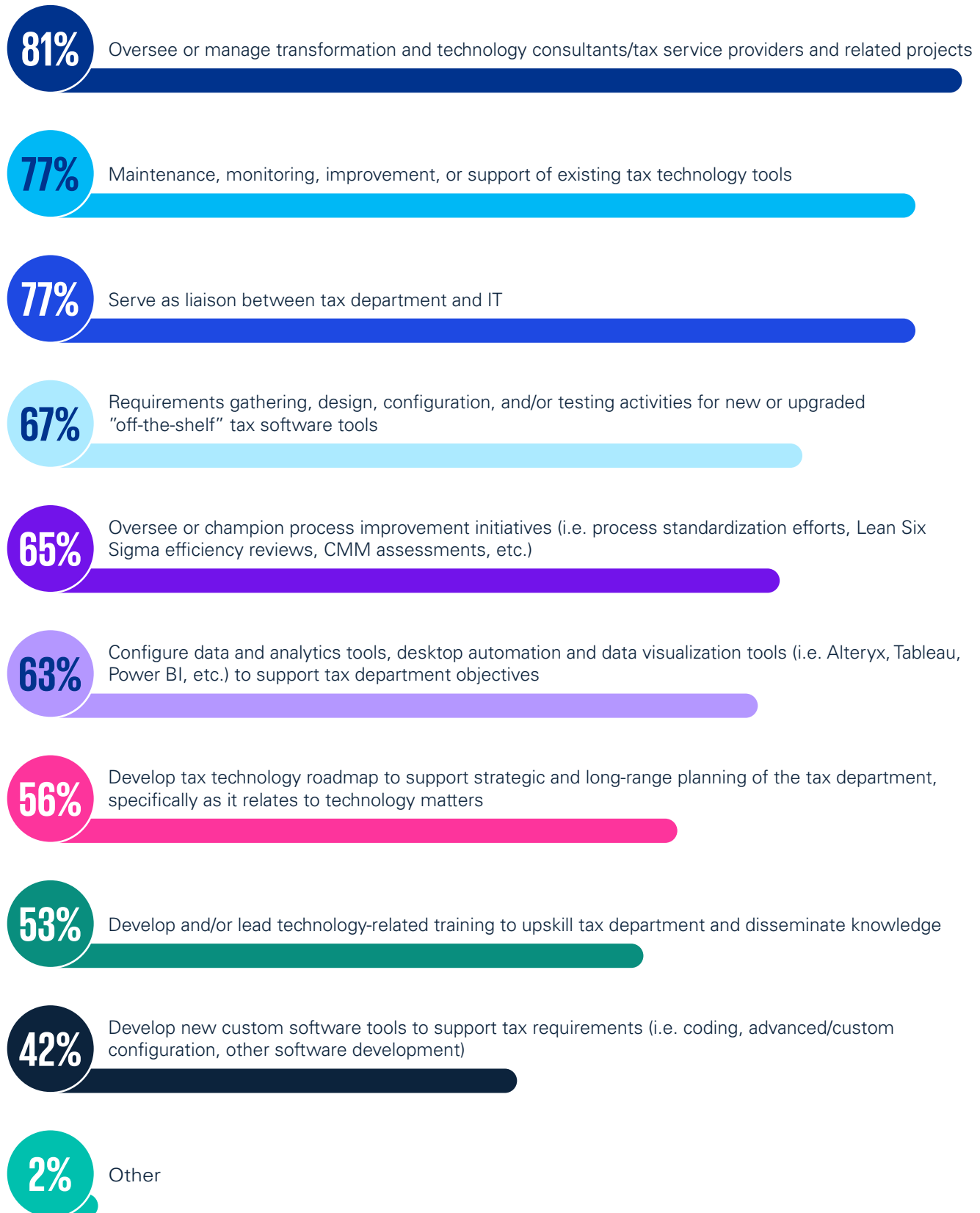
- overseeing or managing transformation and technology consultants/tax service providers and related projects
- liaising between the tax function and IT
- maintaining, monitoring, improving or supporting existing tax technology tools
- developing and implementing new or upgraded off-the-shelf tax software tools
- overseeing or promoting process improvement initiatives.

Within your tax function, do you have a dedicated tax technology or process improvement group (One or more persons dedicated exclusively to tax technology matters or tax process transformation)?





What activities do they perform?





Leveraging D&A

While companies are calling on their tax functions to make more strategic use of their tax data, tax teams are challenged in a number of ways. More than three-quarters of respondents said data issues were preventing them from utilizing tax data more strategically. About half cited time constraints and lack of process automation. One-third pointed to a lack of talent with the right skills and a lack of available data and analytics tools.



What issues prevent your tax function from utilizing tax data in more strategic ways?

Data issues (siloe d data, access to data, data accuracy, volume of data, format, etc.)



Time constraints



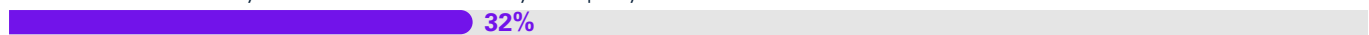
Lack of process standardization



Lack of talent with the right data and technology skills to leverage available tools



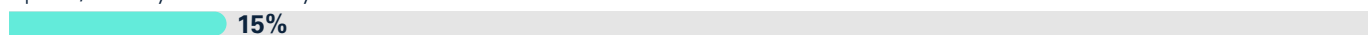
Lack of data and analytics tools available at my company



Little interest outside the tax function to leverage tax data to inform business decisions



Speed/latency of source systems



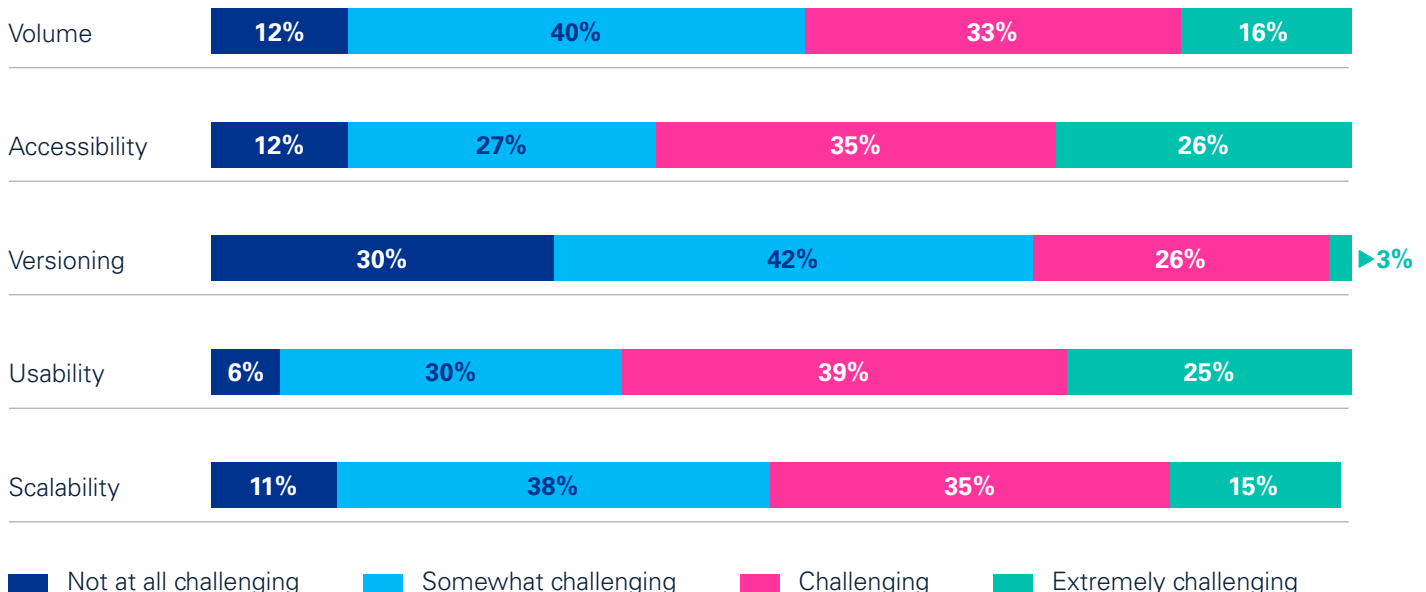
Not applicable — company does not face these issues related to data analysis



The most severe issues reported by Chief Tax Officers about their data are (in ranked order):

- difficulties accessing data stored in multiple, disparate systems
- data that is not available directly from source systems in actionable formats and requires manual manipulation (consolidation, extraction or transformation/reformatting) before being used in tax calculations
- high volumes of source data and calculations that make working with data cumbersome and time-consuming.

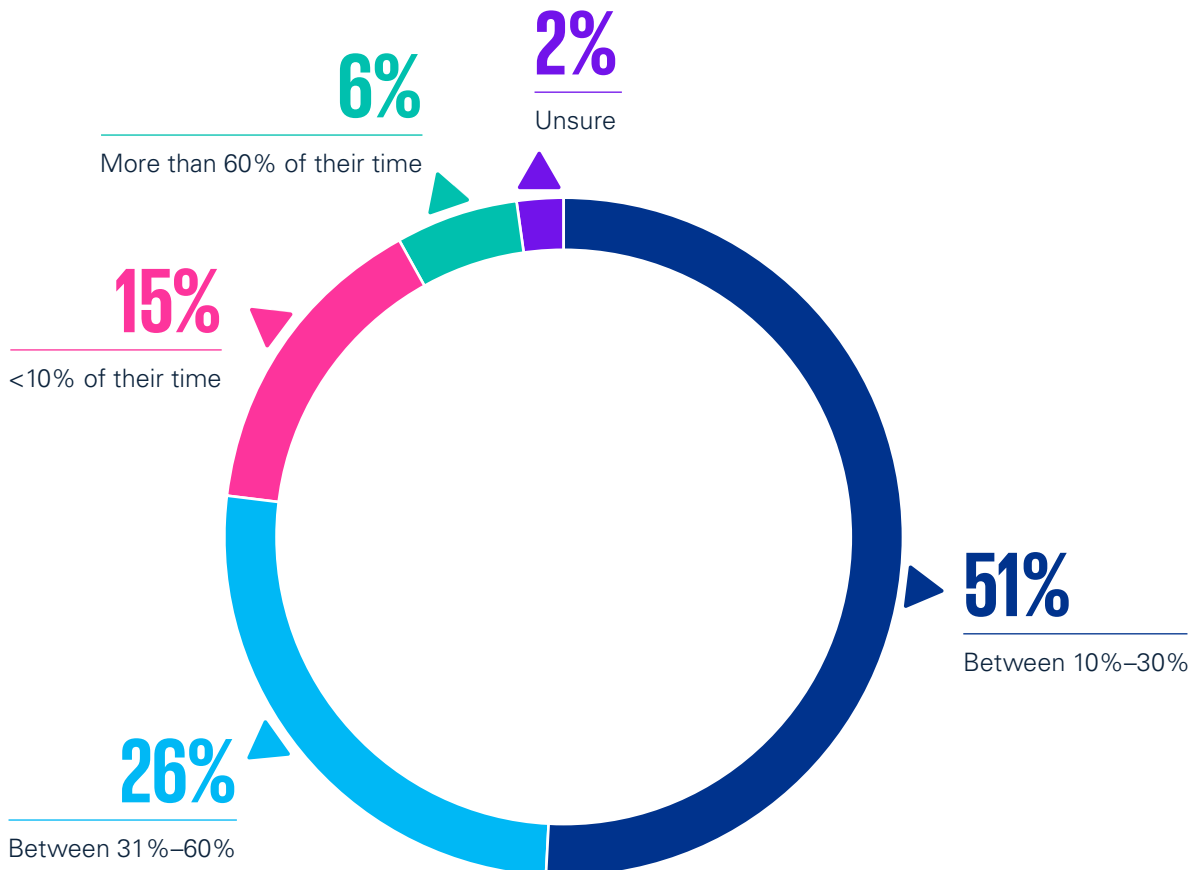
Rate the following data issues you experience in the tax function, if any, based on their severity.





The work needed to make data usable for tax consumes a considerable portion of the tax team's time. About half of the respondents estimate their teams spend 10–30 percent of their time extracting, transforming or loading tax data. Another quarter of the respondents spend between 31–60 percent of their time on this low-value work. A small minority (15 percent) manages to devote less than one hour in ten to data manipulation, freeing up significant tax function resources for activities that add more value.

How much time do you estimate that your tax function resources spend on extracting, transforming, or loading data (vs value-added analysis)?





Use of D&A tools

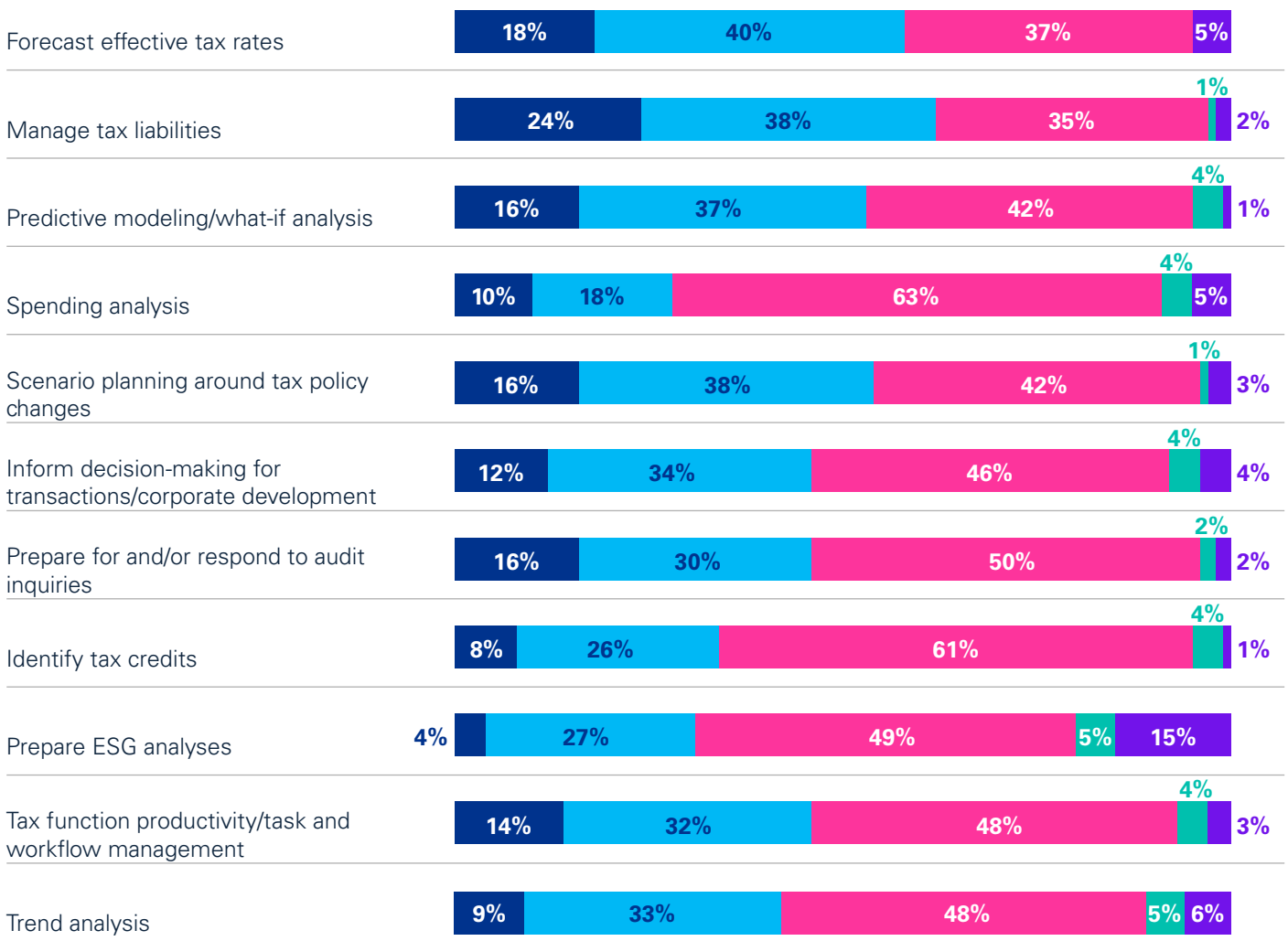
How are tax functions using D&A tools today? About one-quarter of the responding Chief Tax Officers said they currently leverage tax data analytics tools for managing tax liabilities followed by forecasting effective tax rates as next most common ways tax functions are putting D&A tools to work.

A large proportion of tax functions aim to increase D&A usage in these three areas, as well as for scenario planning around tax policy changes.

These results suggest companies are moving in the right direction but may be missing out on opportunities to derive more benefit from D&A. For example, Chief Tax Officers surveyed indicated no intention of leveraging D&A for analyzing spends (63 percent) or identifying tax credits (61 percent).

The top tax areas where Chief Tax Officers surveyed think D&A capabilities produce the most value are direct tax, home jurisdiction indirect tax and transfer pricing.

Which statement best describes how your organization currently leverages tax D&A tools for each of the following.



■ Currently leverage tax D&A Tools
■ Do not currently leverage tax D&A Tools but considering
■ Do not currently leverage tax D&A Tools and not considering

■ Don't know/Not sure
■ No responsibility for this tax area



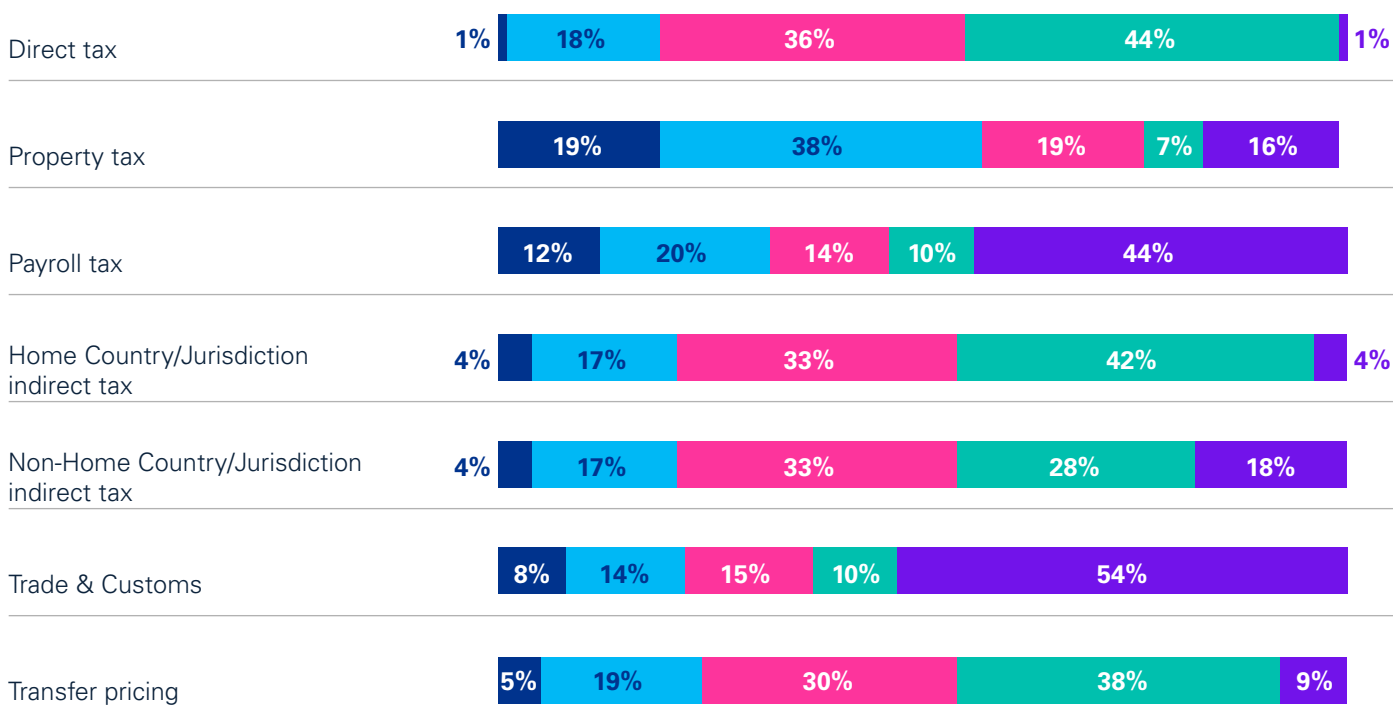
To gauge the level of sophistication of current D&A usage, Chief Tax Officers were asked what sorts of questions they now use D&A tools to answer. The respondents were most likely to seek descriptive “what happened?” information, for example, by comparing tax returns from prior years to see what happened in the current year. About half as many respondents (21 percent) use D&A for governance and review, using standard procedures and checks to confirm the data’s veracity.

Even fewer respondents now use D&A to ask more diagnostic, predictive or prescriptive questions. Among the tools that Chief Tax Officers intend to implement in the future, the most common are those designed to answer predictive questions over “what will/could happen?,” for example, by modeling how changes in estimated future revenue would affect a company’s tax cost and cash position.

The second most common tools that tax functions plan to adopt are those enabling diagnostic “why it happened?” questions, such as reviewing trial balances against financial statements to find any correlations between business activities.

Fewer tax functions now or plan to use D&A tools for governance and review, using standard procedures and checks to confirm the data’s veracity.

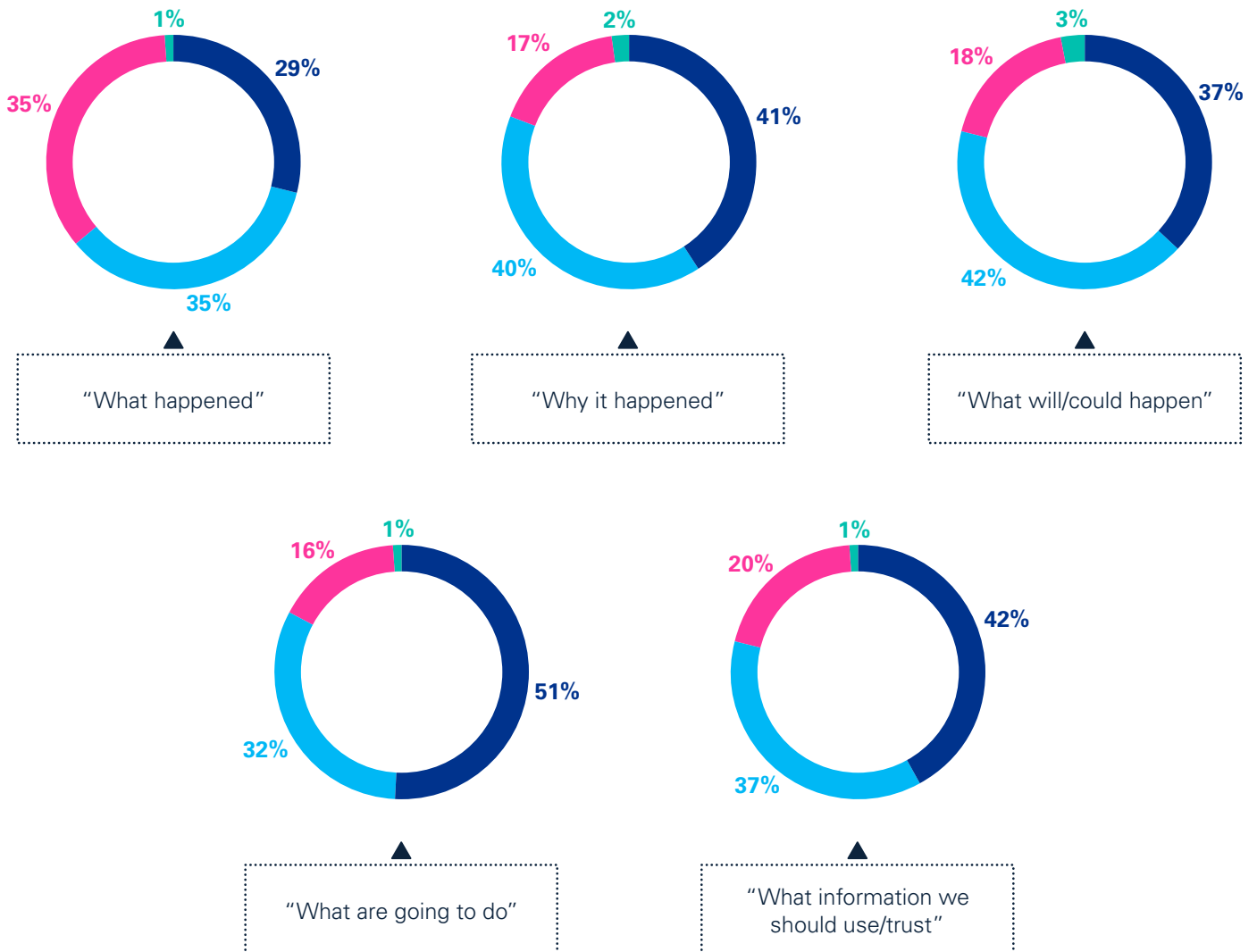
How valuable do you perceive the capabilities of D&A tools to be to the following tax areas?



- Not at all valuable
- Somewhat valuable
- Valuable
- Extremely valuable
- No responsibility for this tax area



Do you use D&A tools to help answer these common analytical questions?



- D&A tools are not used and we have no plans to use these tools in the future
- D&A tools are not used, but we are intending to implement
- D&A tools are used for some processes alongside other tools
- D&A tools are exclusively used to answer this question



Just over two-thirds of Chief Tax Officers are likely to go to internal IT functions for help with technology or recommendations while just slightly under two-thirds report going to external service providers for this. Under half seek assistance or advice from external technology or software vendors.

Tax data sources

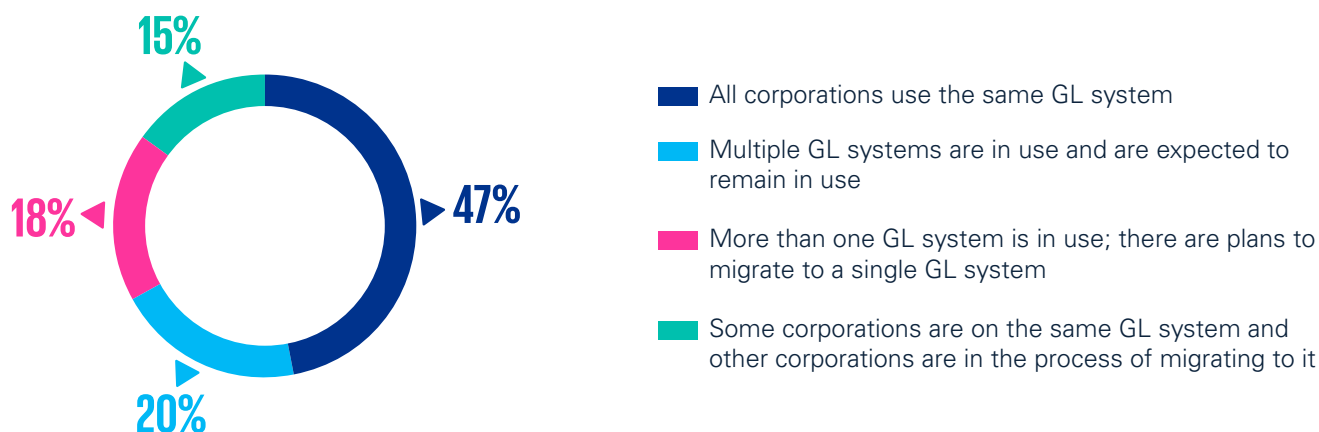
Almost half of the surveyed companies use the same accounting or GL system for the company and all subsidiary corporations, and another 15 percent is in the process of migrating additional corporations to a common GL already in use by group companies. Eighteen percent plan to move to a single GL system in the future.

The accounting or GL system supports legal entity accounting for a high majority of the respondents.

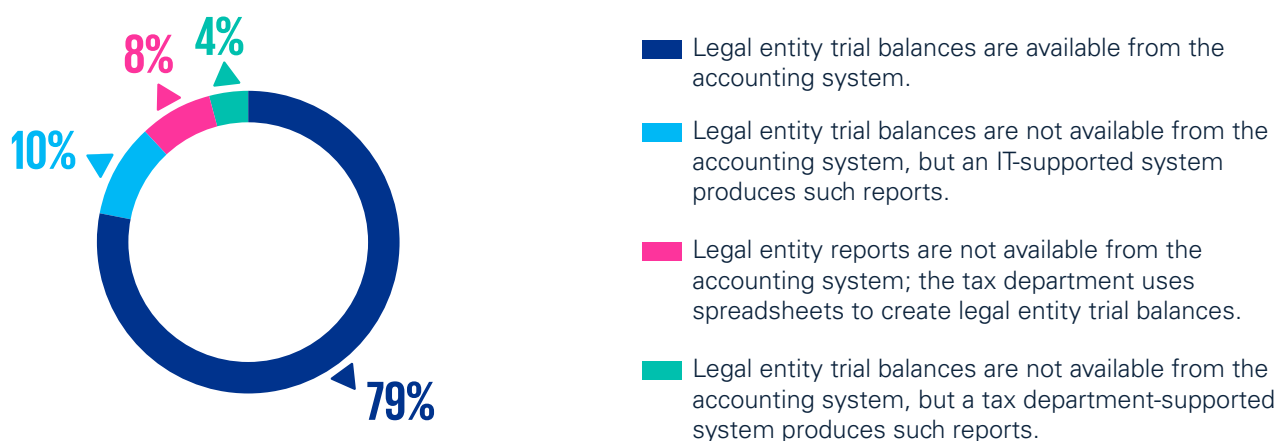
The consolidation system provides consistent account information for 58 percent of the respondents. Another 20 percent can access consistent account information from both the consolidation system and subsidiary GLs. Almost one in five said their charts of accounts are not consistent across companies.

Forty-three percent of the respondents said their intercompany accounts are at a sufficient level to identify tax-significant counterparties and transactions. About half said this level is only partially sufficient.

To what extent is the same accounting or GL system used by the company and its subsidiary corporations?

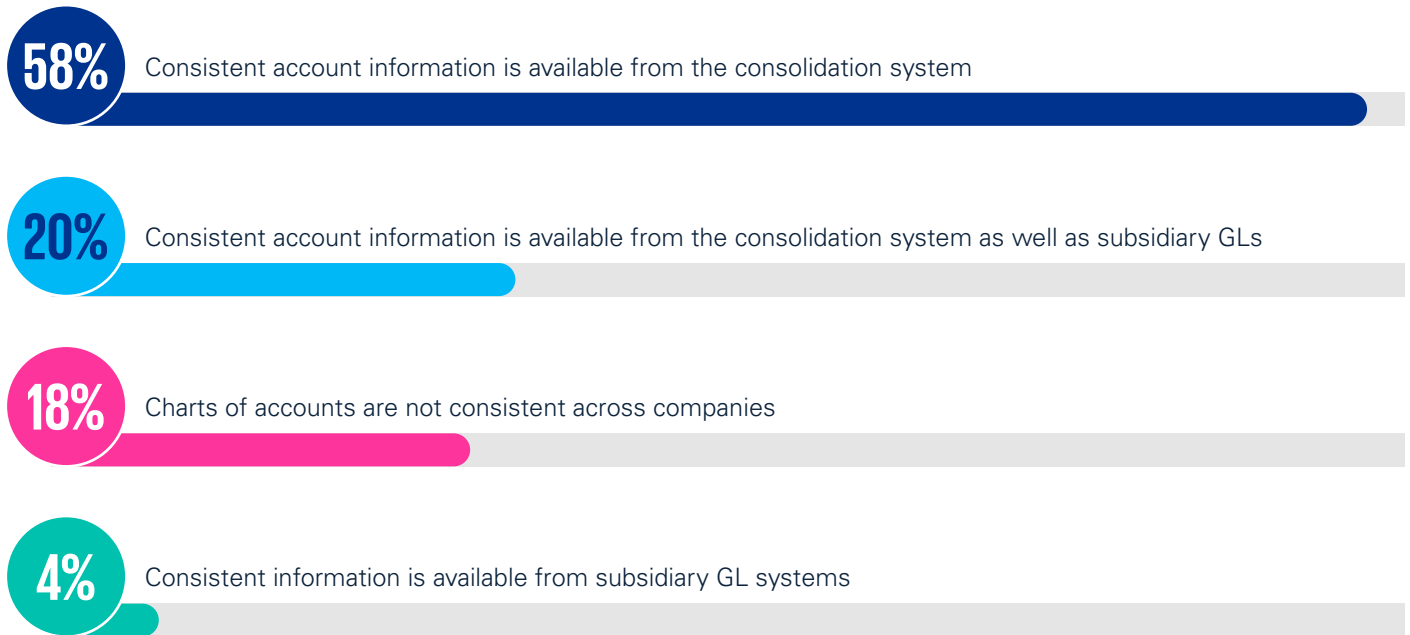


To what extent does the accounting or GL system support legal entity accounting?

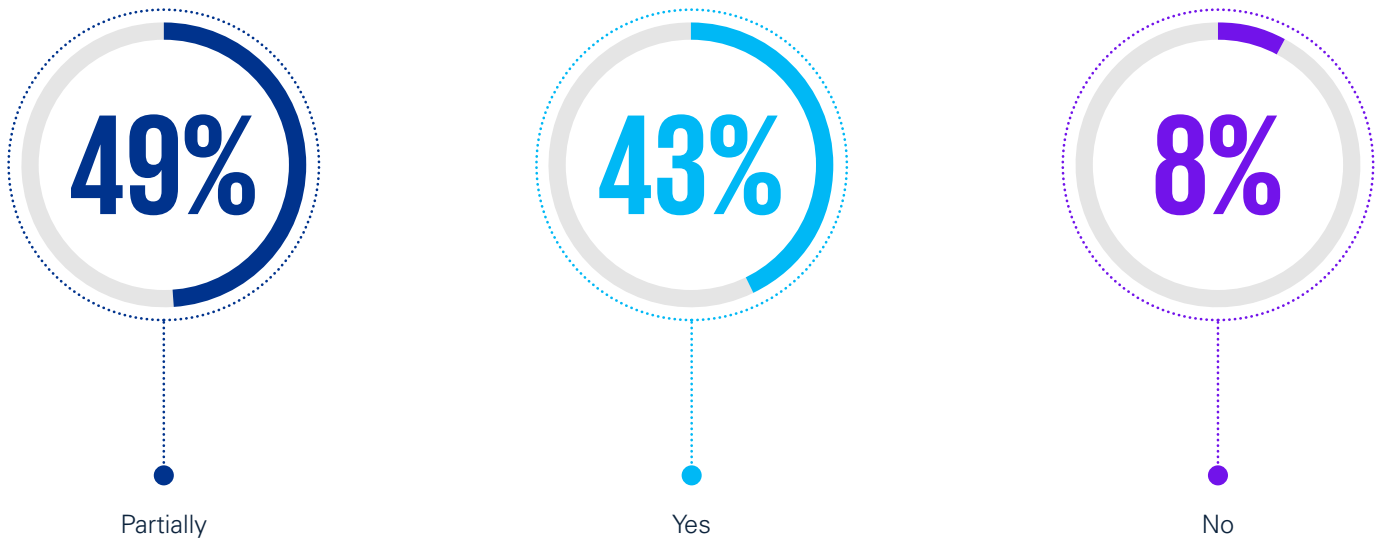




To what extent is a consistent chart of accounts used by corporate entities?



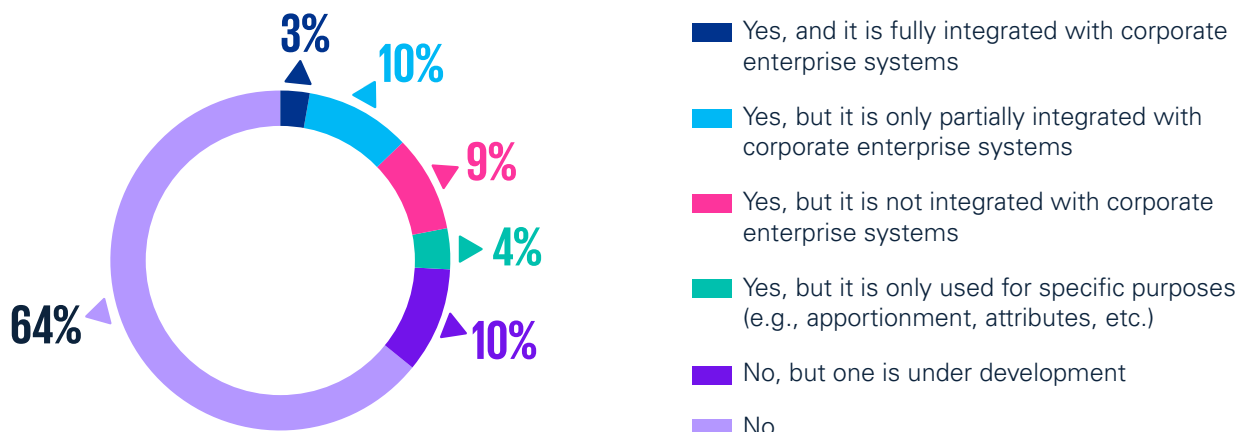
Are intercompany accounts at a sufficient level of detail to identify counterparties and transactions with tax significance?





While 26 percent of tax functions house their tax data in a tax data mart or warehouse, the data is fully integrated with corporate enterprise systems in only 3 percent of respondent companies. Over 60 percent of responding tax functions do not use a tax data warehouse.

Does the tax function house its income tax data in a tax data mart or tax data warehouse?



Accessing data

How do today's tax functions access standardized/structured accounting information? Just over half of the respondents said they access it directly from tax function desktops, with some ad hoc reporting permitted. Forty-two percent get the information from tax function desktops, with options for standard reports based on predefined parameters. Forty-seven percent receives reports from the accounting function.

Collecting unstructured data that cannot be produced through system reports is more of a struggle. Three-quarters of the respondents rely on non-standard email requests to gather this information, while 45 percent request the information through standardized tax information packages or templates. Fewer tax functions use technology solutions such as data collection software (31 percent) or survey/questionnaire tools (30 percent).

How does the tax function access standardized/structured accounting information?

Accesses it directly from tax department desktops, ad hoc reporting is allowed

51%

Accounting group provides reports from system

47%

Accesses it directly from tax department desktops, standard reports with predefined parameters are available from system

42%

Other

2%



Priorities for tomorrow

Looking ahead, the Chief Tax Officers surveyed are looking to improve their tax function's processes through standardization and more use of technology.

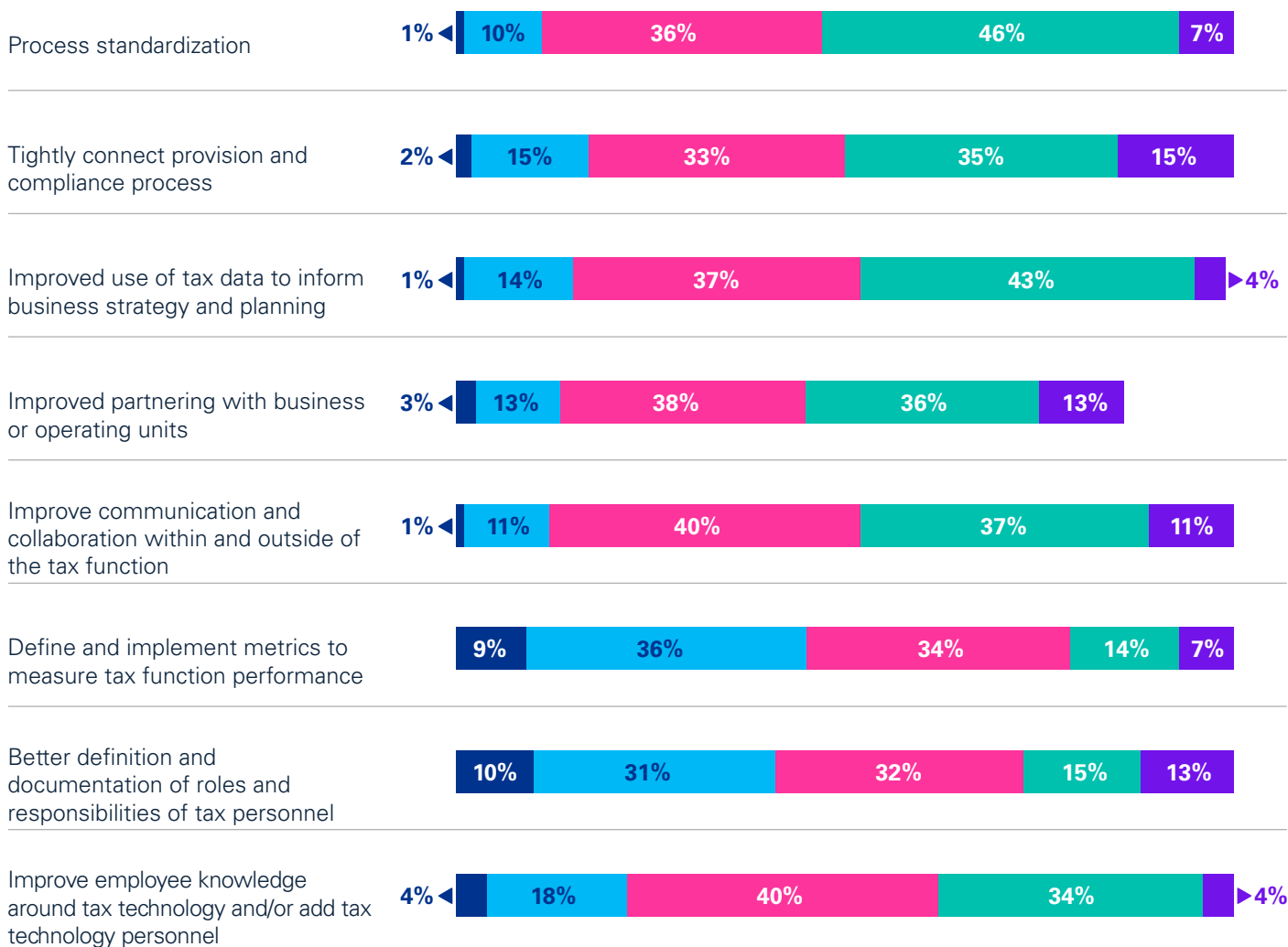
When asked what process improvements they most hope to achieve, process standardization and improved use of tax data to inform business strategy and planning ranked the highest as important or extremely important (82 percent, and 80 percent respectively).

Just over three-quarters of the Chief Tax Officers surveyed thought it important or extremely important to improve communication and collaboration within and outside of the tax department. Another 11 percent have already achieved this.

Also important for three-quarters of respondents was enhancing employee knowledge around tax technology and/or to bring in more tax technology personnel to the tax department. So far, only a small minority (4 percent) have made this step.



Please rate the following process improvements you hope to achieve.



- Not at all important
- Somewhat important
- Important
- Extremely important
- Already completed

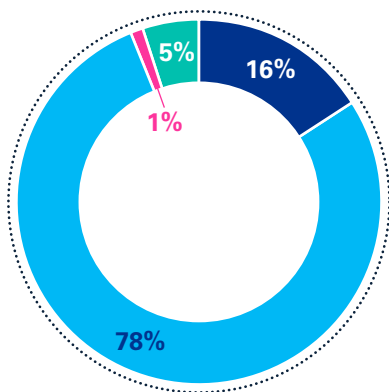


In the next five years, 78 percent of Chief Tax Officers expect to see technology changes to the systems supplying tax information to improve the overall leverage of enterprise finance IT systems for tax purposes. Sixty-six percent foresee increased use of a consolidation system data or a data warehouse for tax purposes.

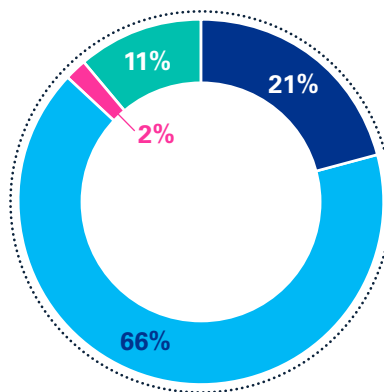
Also in the next five years, the respondents said the tax software or technology categories that are most likely to see new implementations or replacements are (in ranked order):

- analytic tools
- data transformation software (e.g., Alteryx)
- robotic process automation.

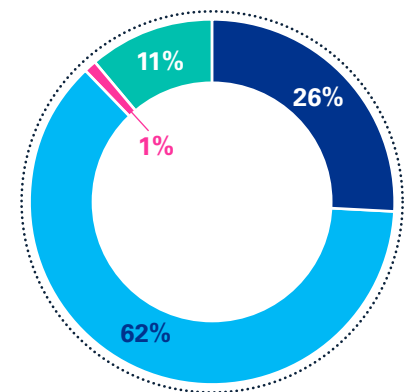
In the next 5 years, what technology changes do you anticipate in the systems that supply tax information?



Overall leverage of enterprise finance IT systems for tax purposes



Use of consolidation system data or a data warehouse for tax purposes

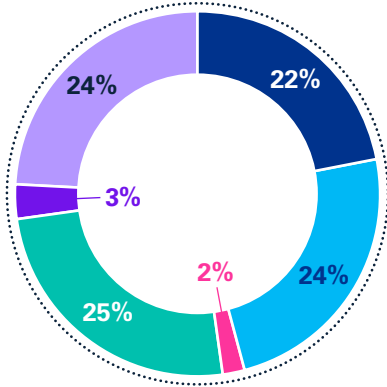


Tax sensitization of GL, other accounts, or business forecasting systems

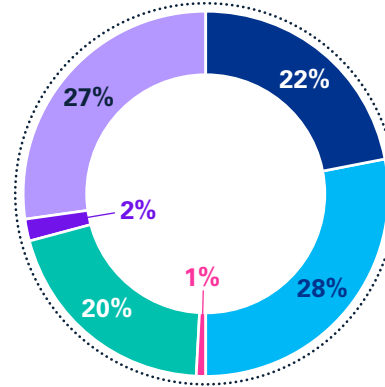
Stay the same Increase Decrease Not sure



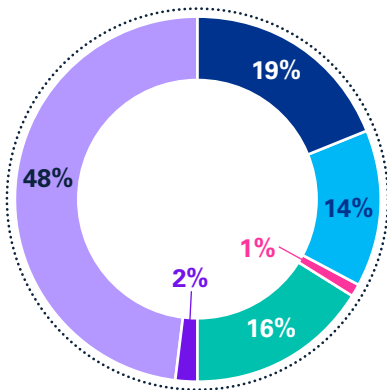
For the following software or technology categories that may or may not be used in your tax function, please identify your plans relative to each system over the next five years.



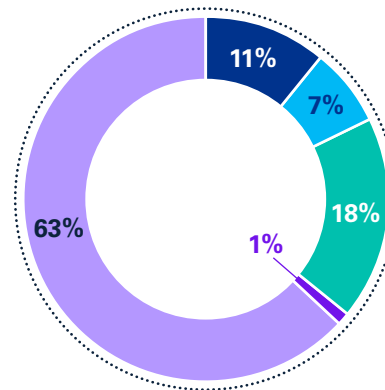
Off-the-shelf provision system



Workflow tool/document management system



Transfer pricing software



Tax audit/controversy management software

- Implement first system/tool
- Increase use of existing system/tool
- Decrease use of existing system/tool
- No change in use of existing system/tool
- Replace or abandon existing system/tool
- Do not use currently, do not intend to implement this system/tool



Internal support and resources

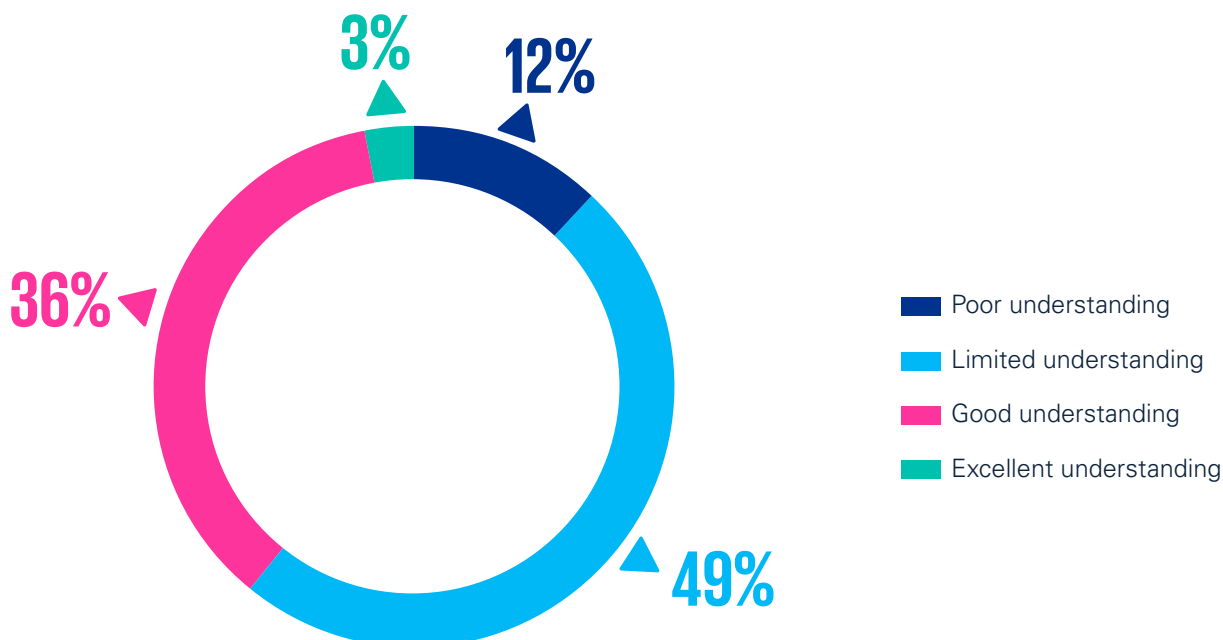
While survey results suggest many Chief Tax Officers have ambitions to further leverage technology in their functions, it also appears they have internal obstacles to overcome to realize their vision.

As noted earlier in this report, Chief Tax Officers said the top reasons why past tax transformation projects have failed are:

- resistance to change or ineffective management
- limited buy-in from IT and/or the wider business
- improper or lack of budget
- lack of skills to carry out the transformation

About half of the Chief Tax Officers surveyed said their finance IT resources had a limited understanding of the tax function's data needs. Thirty-six percent thought finance IT had a good grasp of tax data needs, and only 3 percent said this understanding was "excellent."

How would you rate the understanding of the Tax Department's data needs by your Finance IT resources?



The companies surveyed had an average annual worldwide budget for tax department administration of just over US\$6.5 million, with the bulk of this amount allocated to compensating tax talent and consultants. Only five percent, and about US\$325,000 remains for tax technology projects on average annually.

Supporting success

At this level of investment, many tax functions may struggle to keep up with future demands to improve compliance efficiency while adding value in an increasingly complex international tax environment.

As we also noted earlier in this report, tax transformations are more likely to succeed when they are supported with appropriate skills, effective change management, the right technologies for well-defined goals, alignment with the business and sufficient budget and resources.

To deliver this support, an emerging best practice, now used by about 25 percent of respondent companies, is to dedicate a tax technology or process improvement person or group exclusively to championing tax transformation.



Key takeaways:

- In recent years, the ability to deploy, manage and derive strategic value for tax technology and data efficiently, and effectively has become a hallmark of leading global tax functions.
- Enabling these abilities requires significant investments in tax operating model transformation backed by a company-wide commitment to change.
- Companies are calling on their tax functions to make more strategic use of their tax data, but tax teams are challenged by data access and format issues, time constraints and lack of process automation.
- The work needed to make data usable for tax consumes considerable tax team time — up to 60 percent for one-quarter of the respondents.
- The top priorities cited for future process improvements were process standardization and use of tax data to inform business strategy and planning. Enhancing employee knowledge around tax technology and/or to bring in more tax technology personnel to the tax department was also considered important.
- Tax transformations are more likely to succeed when they are supported with appropriate skills, effective change management, the right technologies for well-defined goals, alignment with the business and sufficient budget and resources.
- To deliver this support, an emerging best practice, now in place at one-quarter of respondent companies, is to dedicate a tax technology or process improvement person or group exclusively to championing tax transformation.

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Designed by Evalueserve.

Publication name: Inside global tax functions — Special report: Tax, technology and data

Publication number: 138883-G

Publication date: August 2023