Navigating the forces of change in tax

Tax policy, artificial intelligence and talent

KPMG. Make the Difference.

KPMG International | kpmg.com

Foreword

As global tax policy continues to evolve at an unprecedented pace, organizations across all sectors are feeling the pressure to adapt. From the implications of BEPS 2.0 and global minimum tax frameworks to the growing focus on ESG and the rapid emergence of Gen AI, tax functions must now operate within an increasingly complex and interconnected landscape.

In the GCC region, and particularly here in Qatar, we are witnessing a shift towards stronger governance, enhanced transparency, and increased alignment with international standards. While the global momentum around responsible tax practices and digital transformation is evident, local tax functions must also balance the unique economic and regulatory nuances of our markets. For many businesses, this means rethinking their tax operating models to improve efficiency, ensure compliance, and create long-term value.

This report captures the key imperatives that will shape the future of tax—globally, regionally, and locally. I encourage tax leaders to use this insight to evaluate their strategies, embrace innovation, and empower their teams to drive transformation. As we move forward, the ability to remain agile, leverage technology effectively, and respond proactively to both risk and opportunity will define the success of tax functions—not just in Qatar, but across the globe.

Barbara Henzen

Partner, Head of Tax
KPMG Qatar

"In today's evolving landscape, tax is no longer just about compliance — it's about driving strategy, enabling innovation, and building resilience for the future."

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Contents

04 Introduction
Strategic imperatives for tax leaders

06 Tax policy
Coping with a dynamic and unpredictable tax environment

13 Artificial intelligence
Making Gen AI work for tax

17 Talent
Elevating and empowering tax teams for tomorrow

20 Staying ahead
Transforming the tax function for the future

24 Reimagining tax
How KPMG firms can help

26 Tax insights
Explore related content

27 Contributors and contacts
Who we are

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Introduction

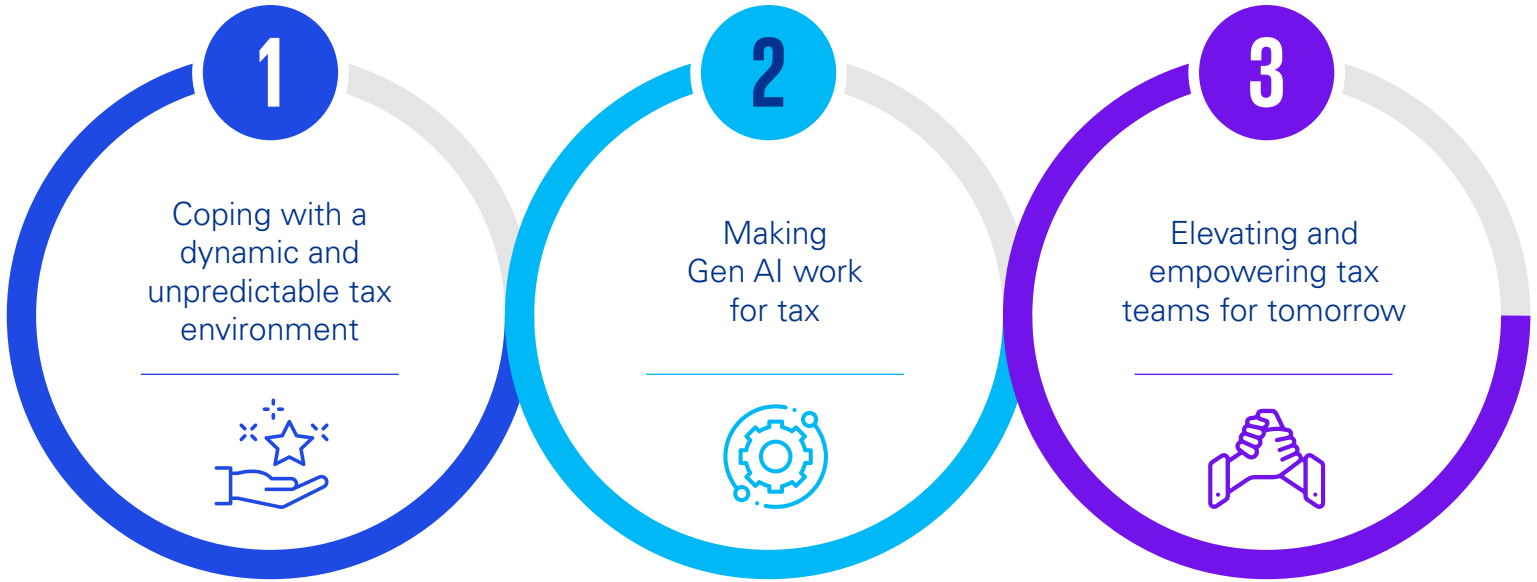
© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Strategic imperatives for tax leaders

With so many developments and trends reshaping tax policy and business practices across the globe, it's no wonder many tax leaders may be unsure where their energy and attention will produce the biggest impacts.

Externally, tax bases are under threat from demographic changes, trust in governments and tax systems is diminishing, tax talent is in short supply, and the global tug-of-war between tax cooperation versus competition continues. Internally, cost-cutting pressure is intensifying amid widespread finance transformation and rapid technological change.

To help tax leaders decide the best path forward for their teams and their organizations, three key areas that tax leaders need to understand and manage are:



In light of these forces of change, organizations should not only adapt but also embrace innovation. By proactively responding to these evolving demands, businesses can strengthen their tax functions, ensuring they are not only resilient in the face of challenges but also positioned for future success.

The discussion in these pages seeks to provide an informative and insightful analysis of how these developments are influencing tax functions and how the business environment and direction of tax policy is likely to evolve in the years to come. We also highlight some important actions for tax leaders to consider as they work to position their teams for success in the new global reality.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Tax policy

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Coping with a dynamic and unpredictable tax environment

> With many countries electing new leaders in 2024, the uncertainty caused by tax policy changes will only continue in 2025.
>
> — **Deirdre Fortune**
> Global Head of Asset Management Tax
> KPMG International

Evolving regulations and fast-changing world events are putting significant pressure on tax functions. In the *KPMG 2024 CEO Outlook*, respondents identified the business issues likely to affect their organization's prosperity over the next three years. A significant majority, 79 percent, agree or strongly agree that new emerging trade regulation will negatively impact their organizations, while 56 percent express similar concerns regarding regulatory demands.[1]

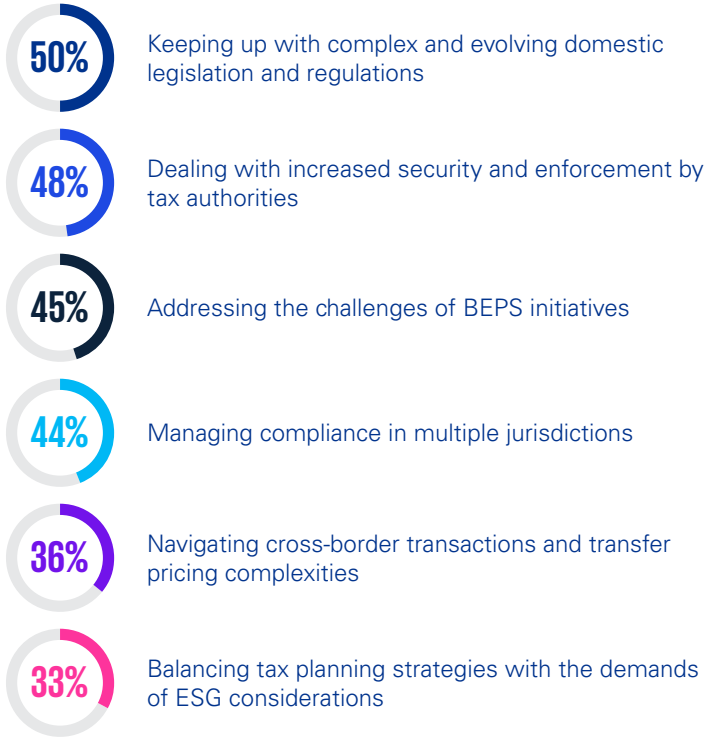
Faced with potential new tariffs (and a subsequent trade war), rising energy costs, and highly complex and fast-changing local and international tax regimes, companies are rethinking their global footprint and supply chains. As Christian Athanasoulas, Global Head of International Tax and M&A Tax, KPMG International, notes: "Businesses may have chosen their manufacturing base for its low labor costs, or to take advantage of lower-tax and R&D incentives. The threat of tariffs, along with new global minimum tax rules, could undermine such benefits."

The tariffs could have a significant adverse impact on global trade, with consequent declines in global GDP and living standards. There has also been a failure to gain full consensus on most elements of the Base Erosion and Profit Shifting (BEPS) agenda through the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework, with global minimum tax the only real area of agreement. Initiatives from the United Nations (UN) increase the possibility of many developing countries placing withholding taxes on cross-border services — which causes further questions about where companies locate.

Governments have always sought to optimize their tax revenues while maintaining an environment that is friendly to businesses and investors. However, the challenge of funding public services in more developed economies has been exacerbated by aging populations and a falling taxpayer base. In Europe, for example, the mean age is 40 in the UK and almost 47 in Germany, compared to 19 in Nigeria.[2]

With the COVID-19 pandemic having placed further strain on governments' balance sheets, corporate tax leaders are maintaining a close watch on future tax decisions that could impact their businesses — which adds to the broader uncertainty over the tax burden. According to the *KPMG 2024 CTO (Chief Tax Officer) Outlook*, the number one challenge faced by tax functions is keeping up with complex and evolving domestic legislation and regulations (50 percent).[3]

Tax function challenges in the current tax landscape



Note: Survey participants may select up to three.
Source: 2024 KPMG Chief Tax Officer Outlook, KPMG in the US, 2024.

[1] KPMG 2024 CEO Outlook, KPMG International, 2024.
[2] Median and average age in global comparison, World Data Info, December 2024.
[3] 2024 KPMG Chief Tax Officer Outlook, KPMG in the US, 2024.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

> The BEPS initiative is the most impactful tax policy change in the last generation.
>
> — **Christian Athanasoulas**
> Global Head of International Tax and M&A Tax
> KPMG International

For instance, when a tax team is modeling the implications of an international M&A transaction, it cannot accurately predict the likely tax rate due to comprehensive legislative and regulatory changes across the globe.

The ongoing challenge of tax on digital business

Governments are particularly keen that new, digitalized businesses — some of whom have shifted profits legally to low- or no-tax jurisdictions — pay appropriate taxes in the locations where they make their profits.

Tax regimes have traditionally been oriented towards physical assets, making it relatively more straightforward to tax wages, sales of goods and services, bank deposits and mineral resources where they are located. However, the value of new services and products is increasingly rooted in highly mobile software, patents, trademarks and other intangibles.

For example, should the value of a new Gen AI app be taxed in California, where it was developed? In the UK, where the servers are located? Or in the countries where it is marketed and licensed? If the value for tax should be allocated across all of these countries, what factors would decide how, and by whom, this allocation is determined?

One of the challenges is timing. The complete business life cycle for digital enterprises does not occur simultaneously, which forces companies to create plans for emerging requirements while also addressing the difficulties presented by existing tax systems and regulations.

When asked which factor has had the greatest impact on their organization within the last year, 60 percent of respondents to the *KPMG Global Tax Benchmarking Survey* cite "tax reform" with a specific reference to digital taxes.[4] As Lachlan Wolfers, Global Head of Indirect Taxes, KPMG International, explains, "Digital services taxes (DSTs) typically apply to online advertising, online marketplaces and social media, but not to online retailers selling their own products, streamers of proprietary content, or providers of cloud computing services. However, DSTs are still evolving and in the future are likely to encompass the full range of digital services."

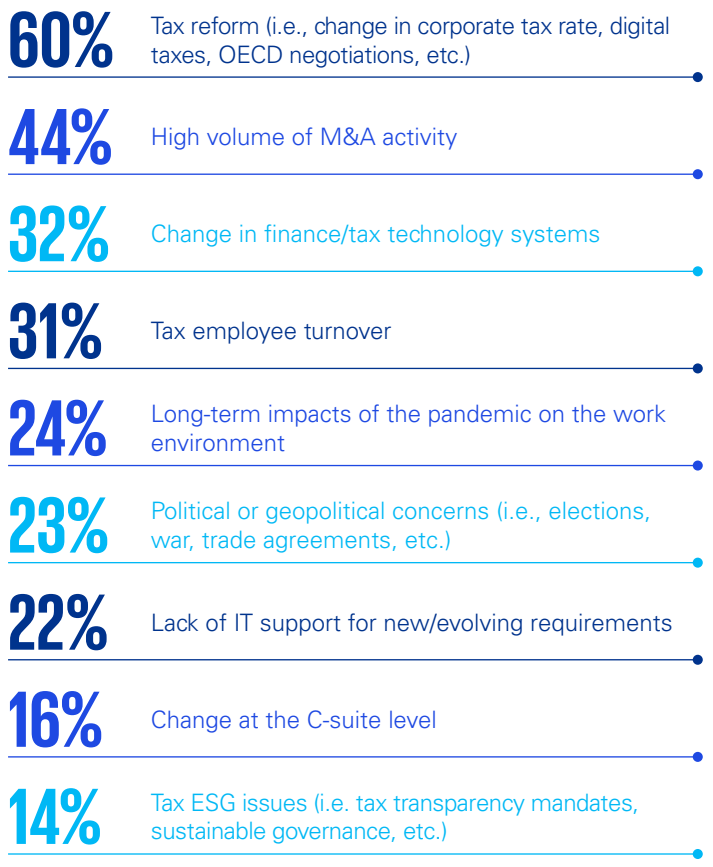
Commenting on DSTs, Grant Wardell-Johnson, Head of Global Tax Policy, KPMG International, notes, "The failure to reach agreement on tax measures involving the digital economy may result in the proliferation of DSTs. Given the importance of the US tech industry, this is likely to result in retaliatory action from the US in the form of increased tariffs."

E-invoicing is on the march

According to the KPMG report *The future of indirect taxes to 2030*, the main objective of electronic invoicing (e-invoicing) is to enhance value-added tax (VAT) compliance and reduce the VAT gap. However, in future, tax authorities are expected to expand the usage of e-invoicing, loosely following a four-phase approach:

- Phase 1: Utilize collected data to enhance VAT compliance through data matching, which ensures that the VAT output tax matches the VAT input tax of the business customer.

Top disruptors impacting organizations within the last year



Note: Survey participants may select multiple response options.
Source: KPMG Global Tax Function Benchmarking Survey, KPMG International, 2023.

[4] KPMG Global Tax Function Benchmarking Survey, KPMG International, 2023.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

- Phase 2: Leverage the data collected through e-invoicing and require taxpayers to reconcile their VAT returns (and be able to explain deviations).
- Phase 3: Use data gathered through e-invoicing to pre-fill VAT returns.
- Phase 4: Employ the data collected through e-invoicing to enhance compliance across other taxes, including transfer pricing and corporate income tax.

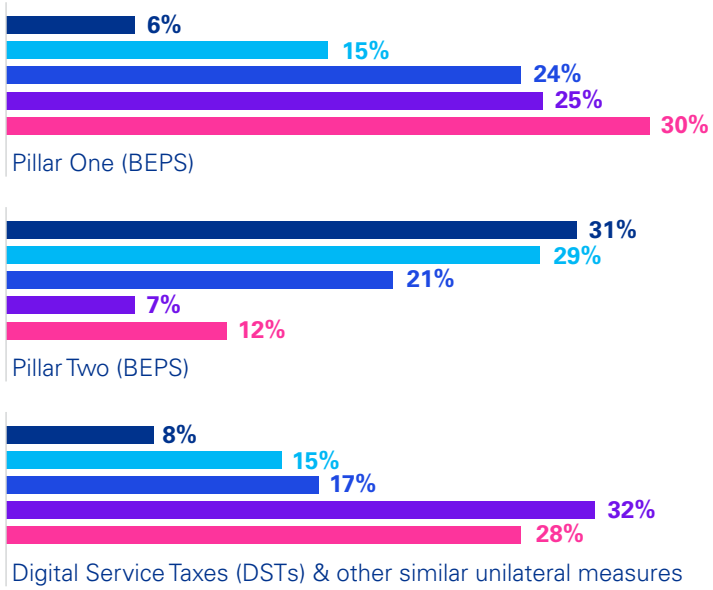
"Companies will no longer have the luxury of submitting indirect tax returns, because electronic data, on a digitized invoice, is going straight to a tax authority, who will create a VAT return," says Lachlan Wolfers, Global Head of Indirect Taxes, KPMG International. "This means they won't have time to correct any errors as the tax authority will already have access to that data. So, getting it right in the beginning is becoming crucial. Consequently, e-invoicing becomes more than a tax issue; it's a business issue that, if not done properly, can create massive business disruption. If the invoice is not compliant, you cannot issue it, which can actually stop all operations."

The evolution of BEPS — where does it go from here?

For the past decade, there have been significant efforts to align the international tax system with the global economy. The OECD has become the forum of choice for countries to develop policies that reshape how businesses are taxed.

A large number of countries have adopted some element of the OECD's Pillar Two framework — or have introduced corporate income tax for the first time. However, the future of BEPS 2.0 remains uncertain. The US government has rejected a number of elements of what it terms the "OECD's Global Tax Deal"[5] and is publicly pursuing protective measures, while the position of China and India on Pillar Two remains unclear.

Assessing the impact of international tax rule changes on organizations



Source: KPMG Global Tax Function Benchmarking Research — Ongoing, KPMG International, 2024.

Moreover, the OECD and its Inclusive Framework appear unlikely to finalize a deal on Pillar One, its proposed alternative to DSTs and other similar measures. A renewed focus (and alternative ideas) will be required if DSTs are finally going to be removed. It seems likely that there will be further revisions to the Pillar Two framework by the OECD throughout 2025. Additionally, there are likely to be further developments about 'Amount B' — the OECD's effort to simplify and streamline transfer pricing for marketing and distribution activities.

In the ongoing *KPMG Global Tax Function Benchmarking research*, which presents the views of tax leaders from large, primarily multinational companies around the world, BEPS Pillar Two is identified as a significant or very significant change facing their organization (60 percent).[6]

"The additional compliance burden arising from the introduction of the global minimum tax is probably the largest challenge for multinationals in the new tax environment," says Grant Wardell-Johnson, Head of Global Tax Policy, KPMG International. "This will take many forms, including completion of a global information return, and will involve dealing with revenue authorities on audits — and potentially disputes on uncertain areas."

The UN's zero draft proposal — fragmentation or alignment with BEPS?

Many developing countries lacked faith that the OECD, with its more developed members, is inclusive enough as a forum for renegotiating tax rights. In 2023, 125 primarily developing nations voted in favor of a UN resolution to tackle international tax cooperation at the UN.

[5] Sam Sholli, "Trump: OECD's pillar two 'no force or effect' in US," International Tax Review, January 21, 2025.
[6] KPMG Global Tax Function Benchmarking research — ongoing, KPMG International, 2024.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

The resulting Terms of Reference (ToR) for a framework convention on international tax cooperation was approved by the UN General Assembly in December 2024. The ToR aims to establish a "system of governance for international tax cooperation" and "ensure fairness in the allocation of taxing rights under the international tax system."[7] An intergovernmental negotiating committee has been formed to draft the framework convention and two early protocols over the next three years, with the committee expected to complete its work in 2027.

One of the early protocols will focus on the taxation of income generated from cross-border services in an increasingly digitalized and globalized economy. The second early protocol will deal with prevention and resolution of tax disputes. These protocols will require approval by two thirds of voting states.

ESG taxes and incentives cloud the waters

As global efforts intensify to curb harmful emissions and achieve carbon reduction targets, tax policymakers increasingly leverage fiscal measures to drive the transition towards renewable energy. These measures typically manifest as either incentives ("carrots") to promote sustainable practices or penalties ("sticks") to deter environmentally detrimental activities.

In the US, the Biden administration has predominantly embraced a "carrots" approach, as evidenced by the 2022 Inflation Reduction Act. This legislation earmarked substantial financial incentives for renewable energy initiatives, projected to catalyze over US$1 trillion in investments. However, under the Trump administration, a shift in this approach may occur, though the implementation of new policies remains uncertain.

On the other hand, Europe has tried to adopt a "carrots" and "sticks" approach, combining incentives and regulations to spearhead climate protection efforts. The European Green Deal, established in 2019 and formalized in 2020, is a roadmap of tax and non-tax policy initiatives to transform Europe into the first climate-neutral continent by 2050. Additionally, in September 2020, the European Union (EU) set a target to reduce emissions by 55 percent by 2030 from 1990 levels.

To meet this target, the European Commission adopted a series of legislative proposals under the "Fit for 55 package," which includes the EU Carbon Border Adjustment Mechanism (CBAM). This mechanism imposes tariffs on carbon-intensive imports like steel and cement to mitigate carbon leakage and encourage global climate action. Carbon taxes, functioning as indirect taxes similar to excise duties, are increasingly influencing VAT collection by embedding carbon costs into the taxable supply price.

Moreover, the EU is advancing additional legislative measures, such as the EU Deforestation-free Regulations and the Corporate Sustainability Due Diligence Directive, to facilitate a data-driven transition to sustainability. The EU's funding program further supports this transition, with a seven-year budget dedicated to fostering economic growth, social cohesion, and environmental sustainability through investments in research, infrastructure, and regional development.

Globally, countries like Australia and Canada are also introducing incentives for green investments, while the EU has relaxed state aid principles to accommodate tax concessions. The proliferation of incentives will likely heat up competition for capital worldwide.

As Loek Helderman, Global ESG Tax & Legal Lead for KPMG International, explains, "Companies need to assess their carbon footprint of imported products to determine whether it's more cost-effective to produce within the Eurozone. And the list of products is likely to expand to more raw materials over time, which will affect a greater number of organizations."

> "ESG isn't just about climate change. There's growing scrutiny over 'fairness' in tax, and stakeholders are increasingly looking at responsible tax behavior, which has become key for any multinational nowadays."
>
> **Loek Helderman**
> Global ESG Tax & Legal Lead
> KPMG International

[7] Zero Draft Terms of Reference, United Nations Department of Economic and Social Affairs — Financing for Sustainable Development, June 7, 2024.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Key actions for tax leaders

Work with the C-suite to embed tax into strategy to manage risk and, ultimately, deliver greater value

Tax risk is very much part of a company's wider commercial risk. With varying approaches to trade tariffs around the world, companies should be navigating the geopolitics of customs, trade, and movement of goods. Tax leaders should engage with the C-suite and senior management to explain the sources of tax risk and to highlight opportunities.

For a topical issue like e-invoicing, for instance, tax teams can work with procurement and sales, to convey just how critical it is to get invoicing data right the first time, to avoid damaging disruptions to operations and cash flow. And, as Lachlan Wolfers, Global Head of Indirect Taxes, KPMG International, notes, "If a company is considering entering a new market, or conducting a transaction with a business partner, tax needs to be there, to understand the impact, and help with issues like optimizing the tax liability of the supply chain."

In the *KPMG Global Tax Benchmarking Survey Report,* tax leaders, when asked which theme aligns most closely with their tax function's primary strategy, "value creation" was the top response (35 percent). Respondents indicated that they are looking to help build value primarily by generating cash tax savings in the face of rapid legislative changes and evolving tax regimes, flexible scenario modeling, advanced planning and forecasting, and generating incentives.[8]

Mike Linter, Global Head of Private Enterprise Tax, KPMG International, says, "Tax is an enabler for what organizations want to achieve strategically. Private enterprises, for example, are making up an increasing proportion of businesses, and they want to know how much personal risk they're exposed to when selling firms or thinking about succession."

When tax teams are focused on value, ESG regulation, in particular, can be viewed not merely as a compliance risk but as a basis for competitive advantage. Companies that are seen to take an ethical and responsible approach to tax should be well-positioned in the eyes of investors, consumers and other stakeholders. This calls for tax leaders to have conversations with various stakeholders including investor relations, corporate affairs, sustainability, finance, and others, to ensure a consistent approach to adapting sustainability and ESG into policies.

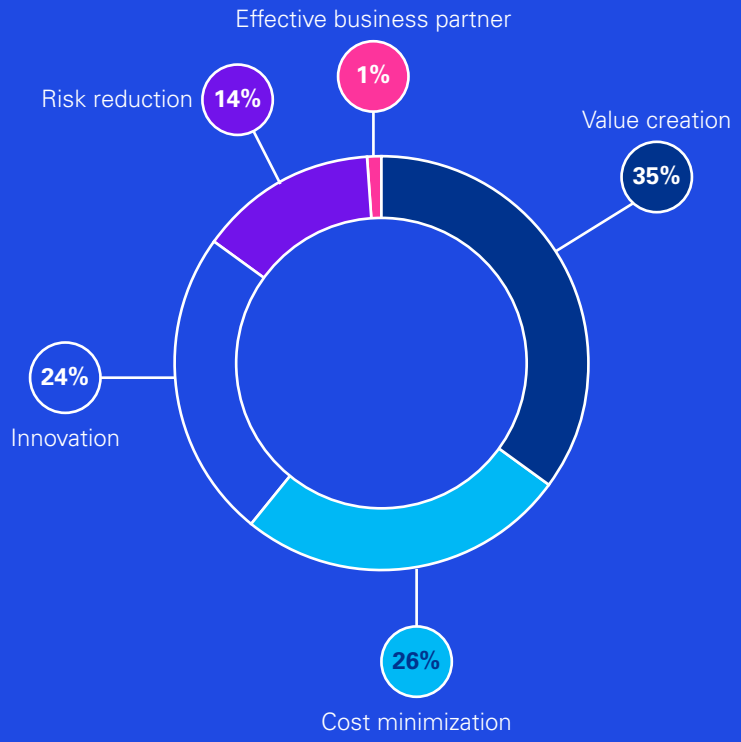
Monitor and conduct modeling to keep up with tax trends and assess their impact

"In an uncertain, volatile world, businesses need to prepare for a wide range of scenarios for differences in effective tax rates, significant tariffs, the nature of incentives for foreign direct investment and tax and trade disputes," notes Grant Wardell-Johnson, Head of Global Tax Policy, KPMG International. "CTOs should be considering many 'what if' scenarios that would not normally be considered."

To address this fast-changing environment, tax teams should have processes that help them keep abreast of new, upcoming taxes and incentives around the world to identify both gaps and opportunities. As companies plan investments into factories and production facilities to become more compliant with their sustainability goals and reach net-zero carbon emissions, they need to understand which regulations in which countries could be either helpful or prohibitive.

Deirdre Fortune, Global Head of Asset Management Tax, KPMG International, says it's vital to understand where a company has the greatest exposure: "With countries continually changing tax laws, tax professionals must know what that means for their organization, which calls for dynamic modeling and predictive ability, to concisely bring the data together. To do this, you need to have people on the ground who know the local regulations."

Aligning tax function strategies: Key themes and priorities



Source: KPMG Global Tax Function Benchmarking Survey, KPMG International, 2023.

[8] KPMG Global Tax Function Benchmarking Survey, KPMG International, 2023.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Key actions for tax leaders

Create an effective data strategy

Tax compliance is under threat as tax authorities move quickly to apply automation, Gen AI and data analytics to their tax audit and enforcement work. Across Africa, for example, tax authorities can reconcile an organization's data across all taxes within minutes. In Uzbekistan, tax authorities can retrieve data from up to 74 distinct sources, allowing them to view not only a company's overall tax profile but also details like where each company director ate their most recent business meal.

Today's organizations need the same or better visibility as tax authorities across financial and tax data, or they run the risk of errors and penalties.

Burcin Nee, Head of Global Transfer Pricing Services, KPMG International, emphasizes that, "This is particularly relevant for transfer pricing, where the majority of tax controversies occur. Aligning tax policy with rules is important, but it's even more critical to implement the policy properly, and to generate reliable data from the systems during an audit."

Repeat errors or an inability to produce data to answer queries can taint a taxpayer's reputation with tax authorities. For indirect taxes, future compliance will not be achieved merely through inclusion of sale and purchase data, but also by the corresponding output taxes collected and input taxes claimed. Tax authorities want to know the methodologies behind these figures — not just the reported amounts. Given these pressures, more and more companies are seeking to leverage financial systems transformation projects to improve the way they collect data across compliance areas.

BEPS 2.0 also presents significant data challenges, with tax professionals required to synthesize large volumes of data to evaluate the implications of the global minimum tax for their organizations. In the ongoing *KPMG Global Tax Function Benchmarking research*, 77 percent of respondents identified "data issues" as the number one issue preventing tax functions from utilizing tax data more strategically.[9]

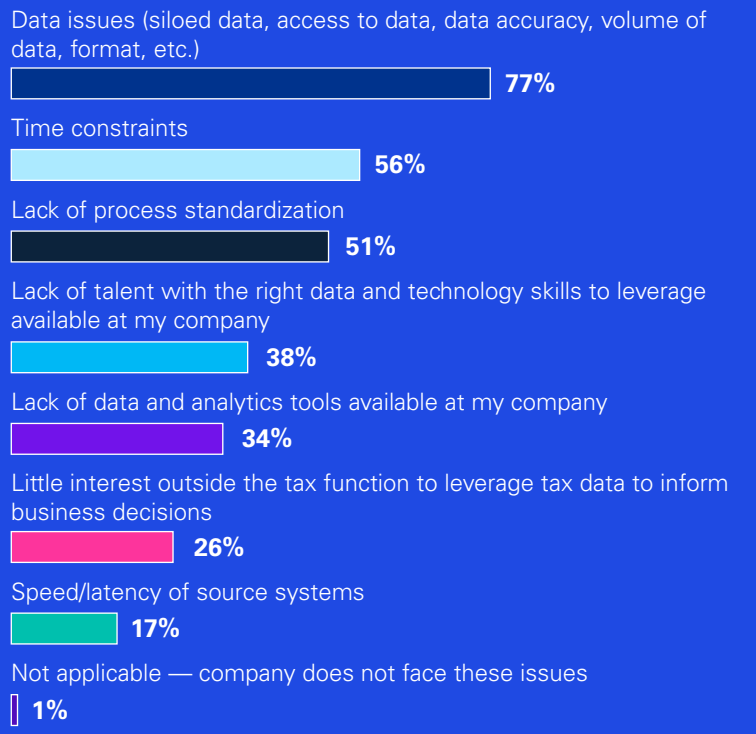
Additionally, to address ongoing tax risks, tax functions should be proactively engaging with tax authorities and getting forward-looking tax rulings (Advance Pricing Agreements), as well as utilizing other dispute resolution avenues made available by the OECD International Compliance Assurance Programme (ICAP).

Not only is acquiring the right data challenging, but a bigger question is how tax departments use this information to deliver valuable strategic insights that shape business strategy, manage risk and drive growth. The *KPMG Tax Reimagined 2024: Perspectives from the C-suite* report surveyed 500 US C-suite executives. Virtually all (95 percent) of the respondents believe leveraging data more effectively will help anticipate future challenges.[10]

Since BEPS 1.0, there has been country-by-country reporting (CBCR) under the OECD transfer pricing rules. As tax transparency requirements intensify, tax authorities in the EU and Australia are now making this reporting public, placing even greater importance on the availability of reliable data. Extracting this information calls for ERP systems set up to identify and gather this data, along with sophisticated, automated technology. Tax has not traditionally been involved in finance transformation or ERP updates. Technology solutions can support the tax transparency agenda by providing a clear overview of the global tax footprint. The right solution can enable automatic extraction and transaction identification across ERP systems, keeping manual configurations to a minimum.

In future, tax leaders should establish a "seat at the table" as part of the enterprise data strategy and road map, to highlight the dependencies, and avoid a situation where they have to manually report to tax authorities.

Identifying barriers to strategic use of tax data

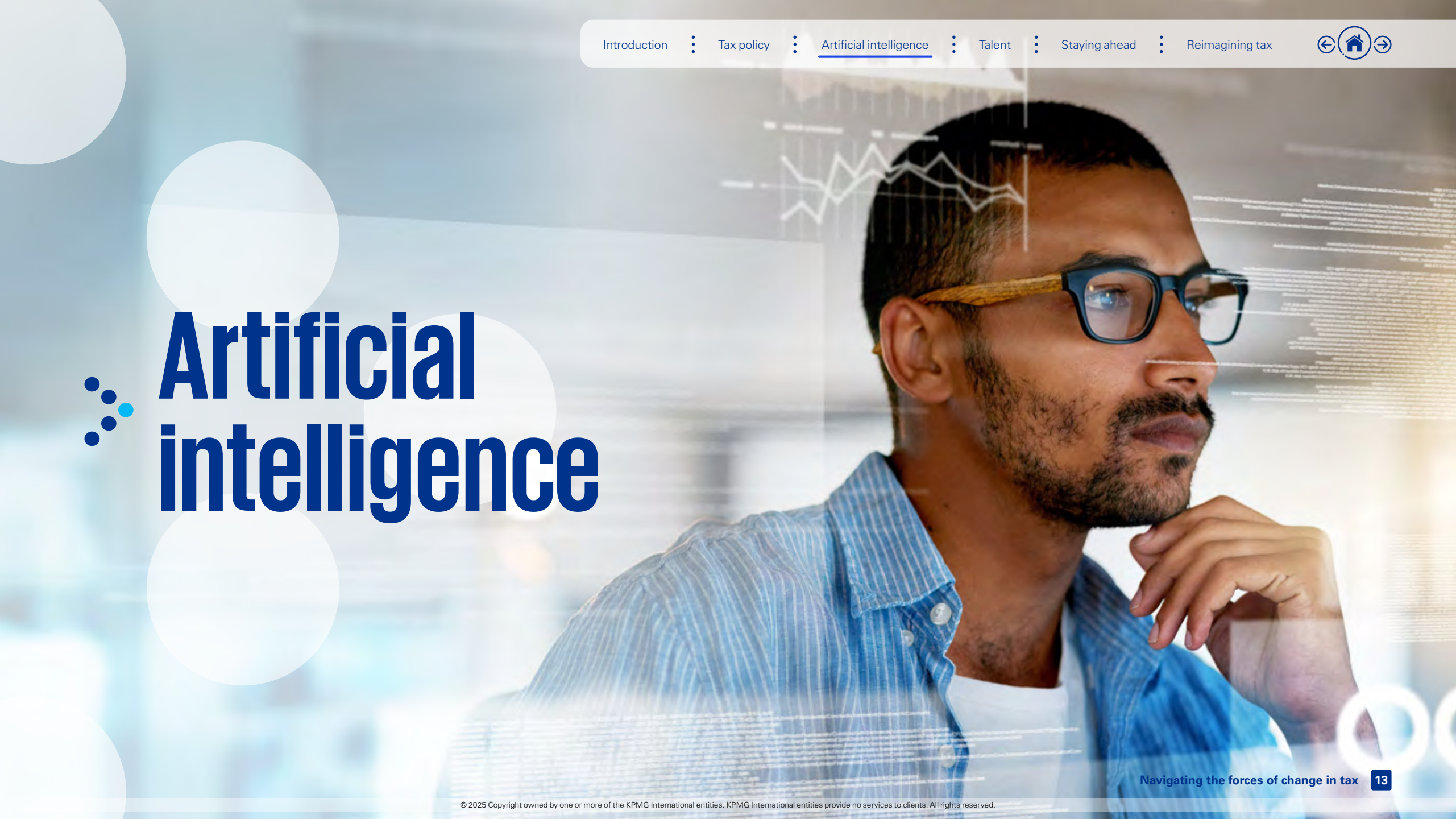


Source: KPMG Global Tax Function Benchmarking Research — Ongoing, KPMG International, 2024.

[9] KPMG Global Tax Function Benchmarking research - ongoing, KPMG International, 2024.
[10] KPMG Tax Reimagined 2024: Perspectives from the C-suite, KPMG in the US, 2024.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Artificial intelligence



© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Making Gen AI work for tax

As Christian Stender, Global Head of AI for Tax & Legal, KPMG International, notes, "In a world of constant change and limited resources, there are huge pressures on tax functions, and Gen AI clearly offers a great capability to drive efficiency and productivity."

Gen AI can streamline tax compliance and reporting processes, reducing the time and effort required for these tasks. It can also enhance the analysis of information — such as contracts — facilitating more effective communication with tax authorities during disputes and tax controversies. By scanning and summarizing large volumes of data, Gen AI provides valuable insights into the global tax landscape, enabling organizations to stay informed and be responsive to changes.

Furthermore, Gen AI assists in navigating complex tax transactions by identifying patterns and trends, thereby uncovering potential risks (such as latent tax liabilities) and opportunities. This technological advancement not only boosts efficiency but also empowers tax departments to focus on strategic decision-making and value-added activities.

In the case of a merger or acquisition, due diligence involves reviewing thousands of documents, including tax returns and legal agreements and otherwise, and Gen AI can streamline and speed up such a task. Gen AI can also instantly answer a wide range of queries — such as determining the withholding tax rate between two countries.

Future applications: Leveraging Gen AI for tax function tasks

Source: KPMG Global Tax Function Benchmarking Research — Ongoing, KPMG International, 2024.

The *KPMG 2024 CTO Outlook Study* reveals a growing use of Gen AI by tax functions, with 29 percent already deploying Gen AI and a further 26 percent exploring its use.[11] And according to the *KPMG Global Tax Function Benchmarking research* on the use of AI in tax functions, respondents say the main tasks in which they envisage using Gen AI are reducing time spent on routine and repetitive tasks (84 percent), managing and interpreting large volumes of data (59 percent), assisting with tax research and strategic tax planning activities (52 percent), and improving tax compliance and reducing risk (48 percent).[12]

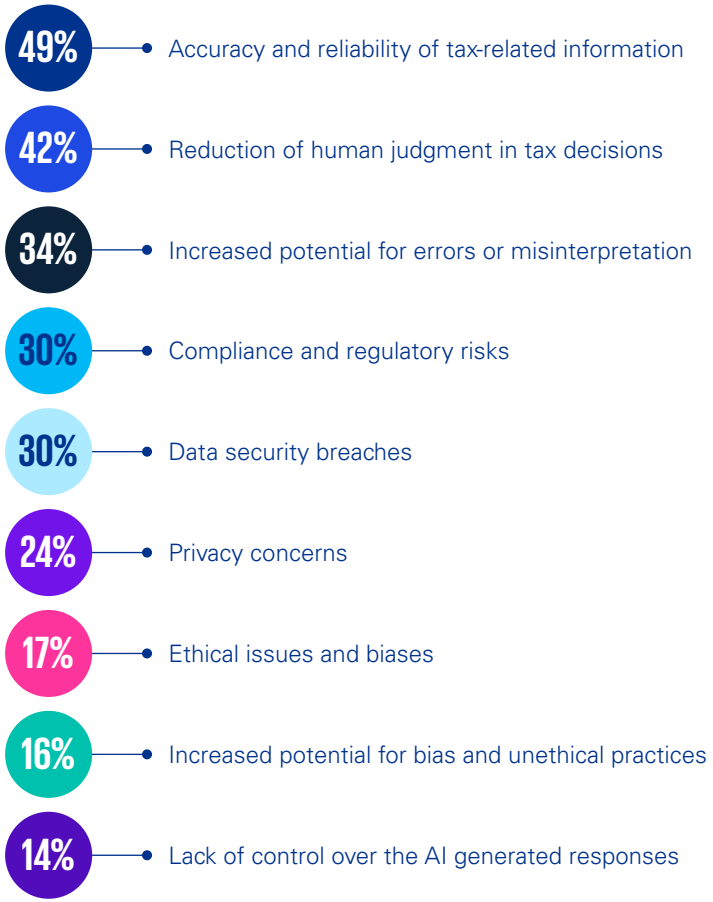
Lachlan Wolfers, Global Head of Indirect Taxes, KPMG International, sees huge benefits from embracing Gen AI and automation: "A simple analysis of indirect tax returns could tell you how many invoices are being processed and their value – which could lead to a shift to cumulative invoicing, with fewer invoices, faster processing and lower costs. Automating indirect tax return preparation also reduces time and errors, and can help companies recover significantly larger amounts of VAT."

AI is not without its risks — something acknowledged by respondents to the *KPMG 2024 CTO Outlook Study*. The single biggest concern, voiced by almost half (49 percent), is the accuracy and reliability of tax related information, with 42 percent worried about the decrease in human judgment over tax decisions. Overall, a majority (61 percent) say they feel at least some level of discomfort in using Gen AI tools in tax.[13]

[11] 2024 KPMG Chief Tax Officer Outlook, KPMG in the US, 2024.
[12] KPMG Global Tax Function Benchmarking Research — Ongoing, KPMG International, 2024.
[13] 2024 KPMG Chief Tax Officer Outlook, KPMG in the US, 2024.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Exploring potential risks of AI tools in organizational tax functions



Note: Survey participants may select up to three.
Source: 2024 KPMG Chief Tax Officer Outlook, KPMG in the US, 2024.

Christian Stender, Global Head of AI for Tax & Legal, KPMG International, emphasizes that, "Data privacy, security and ethics are a significant challenge, and tax teams need to be comfortable that Gen AI can apply appropriate guardrails to meet regulatory standards and avoid damaging breaches or leaks that can lead to fines and harm corporate reputations."

Tax functions also need to consider how their transfer pricing policies might change in light of Gen AI, how they can use this technology to improve transfer pricing management, and how would the tax authorities use Gen AI to engage with taxpayers — especially for audits.

AI is not just a tool for making decisions; it is also the product of potentially subjective decisions made by programmers. It can also be hard to verify the source and accuracy of data that flows into Gen AI models, which could undermine the reliability of the outcomes. Consequently, it's vital to rely on technologies that provide maximum transparency over the thought processes influencing the "backend" of the solution. This enables tax departments to understand how, and on what basis decisions were made. Data and knowledge management also take on greater importance, to preserve trust in the outputs of Gen AI.

In some countries, tax authorities are very well informed and may have better information on a company than the company itself — partially thanks to the use of Gen AI. This pressures organizations to use the same kinds of technology should they be asked to defend their tax position. Advances in technology, specifically e-invoicing and Gen AI, enable tax authorities to determine in quasi-real-time which organizations are performing certain types of transactions and whether they are susceptible to fraud. These tools are invaluable for tax authorities to ensure they collect the right amount of VAT.

For example, in Canada the Canada Revenue Agency (CRA) employs AI and machine learning to analyze large datasets, helping to identify patterns of non-compliance and prioritize cases for audit, while in Singapore, the Inland Revenue Authority of Singapore (IRAS) uses AI to improve tax compliance by analyzing data to detect anomalies and potential tax evasion, enhancing their risk assessment capabilities.

As Aldo Mariani, Head of Global Tax Dispute Resolution & Controversy Services, KPMG International, observes, "Tax leaders should recognize the critical role that Gen AI can play in navigating the complex landscape of tax compliance and administration — including preparation for tax audits. As some tax authorities increasingly adopt Gen AI technologies to streamline their operations, enhance audit processes, and address disputes, it becomes increasingly important for tax leaders to leverage similar tools in their own strategies."

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Key actions for tax leaders

Prioritize Gen AI trust, security and ethics

When applying Gen AI, tax teams should be confident that the activity is appropriate for Gen AI, that the data that underpins and trains the model is reliable, and that there are rigorous controls to ensure safe use.

Gen AI trained on publicly available data may not initially be controlled and trusted in a tax practice context. These should, therefore, be enriched with appropriate knowledge specific to each use case. Tax has a finite universe of data, and tax professionals are familiar with tax laws and secondary sources, like policy documents and tax authority opinions. Combining this knowledge with a taxpayer's financial data — including tax accounts, calculations and work papers — makes it easier to define content that feeds into Gen AI models. Daily update processes should input new tax legislation, cases, guidance, and other relevant developments — and discard out-of-date information, such as statute amendments and tax positions superseded due to a court appeal.

When using models, tax professionals also need to know how Gen AI approaches a task and where the content is sourced, with options to request summaries of source documents, relevant quotes, advice on a source's relative weight or value, and recommendations for additional information. Equipped with such understanding, they can explain to auditors how the algorithm arrived at its final number. A Gen AI tax virtual assistant should be based on specific internal knowledge and experience.

For each use case, the sources should be precisely defined, to significantly improve the quality of the results. This is a retrograde consideration, starting from the expected outcome, defining the necessary internal and external sources that determine the result.

"We want to have full confidence that whatever is being produced with Gen AI is compliant with all the risk processes that we apply manually," says Loek Helderman, Global ESG Tax & Legal Lead, KPMG International. "For instance, in ESG, we have been developing a climate policy and regulatory dashboard that incorporates regulations in many countries on all the ESG regulations around the globe — and monitors any changes in regulations. Gen AI can help, but, for now, at least, it still requires a very solid manual review to preserve trust."

Gen AI should not be viewed in isolation; instead, it should be used with traditional technologies, helping tax teams make informed decisions. Integrating Gen AI into existing systems and processes combines both approaches' strengths while compensating for their weaknesses. Established technologies offer stability and proven methods, while Gen AI provides innovative approaches and efficiency gains.

Look beyond the tax department to access wisdom

When it comes to adopting very fast-evolving new technologies, tax teams should avoid trying to go it alone. By leaning into other parts of the organization and beyond to outsourcers and other partners, they can discuss ideas and understand lessons learned within and outside the tax function. Partnerships with professional services firms, via co-sourcing or managed services, not only help deliver compliance but also benefit from these firms' infrastructure, which can accelerate the transformation of the tax function. Younger employees may be more knowledgeable about Gen AI, and initiatives like sponsored ideation and competitions can bring interesting new use cases.

Keep humans in the loop

Although it brings exciting possibilities, Gen AI is not a direct replacement for humans, which places continued emphasis on tax professionals' ability to apply their analytical skills and their ethical and moral judgement to tax and, critically, to challenge outcomes. "Gen AI ultimately emphasizes the importance of relationships," notes Mike Linter, Global Head of Private Enterprise Tax, Tax & Legal, KPMG International. "Companies may have the data, but they still rely on people they trust to interpret it and help them make a decision based on that data."

> "Gen AI can accelerate the future-ready tax function by enabling a fundamental rethinking and redesign of business processes."
>
> — **Christian Stender**
> Global Head of AI for Tax & Legal
> KPMG International

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Talent

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Elevating and empowering tax teams for tomorrow

What's needed is a broader skill set for a high performing tax function, based upon strong technical knowledge and sound commercial and business judgement, to complement technical know-how. Reflecting the increasing need for more agile workforces, with a greater need for new skills and capabilities than ever before, the *2024 KPMG CEO Outlook* reveals that 92 percent of CEOs are looking to increase the overall workforce over the next three years, with 80 percent agreeing that organizations should invest in skills development to safeguard access to future talent.[14] Yet, when it comes to the connection with global mobility, there's a significant gap.

Two-thirds of global mobility leaders indicated their functions are "not at all involved" in employee skills development activities, and less than 60 percent are "not at all involved" in employee succession planning, based on findings from the *2024 KPMG Global Mobility Benchmarking Survey* report.[15]

To keep up with geopolitical, regulatory, and technological change, tax leaders need to acquire the right capabilities to deliver value to their organizations. This includes stakeholder engagement skills, whether with regulators, the CFO or the board. At the same time, tax talent is increasingly scarce. According to the *KPMG Global Tax Benchmarking Survey*, employee recruitment and retention is the joint biggest disruptor impacting the corporate tax function (44 percent), with almost a third of respondents (31 percent) reporting that tax employee turnover has had a significant impact in the past year.[16]

One factor to consider is the changing expectations of younger tax professionals, who may not seek the same linear career paths of previous generations — and look to organizations that can offer them a variety of experiences, as well as flexibility over where and how they work.

Perhaps not surprisingly, technology, and specifically Gen AI, is driving technological change. More than half (51 percent) of the tax leaders surveyed believe Gen AI will bring "transformative to revolutionary" change to the future of tax functions, and an overwhelming majority (86 percent) agree that Gen AI tools will help supplement the talent needs in their tax function.[17]

As Gen AI becomes more embedded into tax work, the skill set of tax professionals has to change accordingly. Automation of many traditional tax tasks liberates workers to perform more strategic value-added activities. When asked what skills the future tax professional will need, 53 percent say strategic thinking and 48 percent say effective change management. Additionally, technological proficiency is becoming a foundation skill, with tax knowledge being something that can be acquired subsequently.[18]

Aldo Mariani, Head of Global Tax Dispute Resolution & Controversy Services, KPMG International, says the rise in tax risks calls for new types of talents: "There's a growing need for knowledge and interpretation in how to manage tax disputes and structure a defense — and to prevent a dispute from occurring in the first place. Which means building or acquiring skills and understanding of essential tax payer rights, procedural rules and how these impact substantive tax matters in a tax controversy."

With Gen AI taking over entire layers of work, there's also a danger that emerging tax professionals no longer "learn by doing" over several years. To develop the good judgment that comes from reviewing and preparing tax returns and acquiring specific local expertise, companies must develop fresh ways to build skills and local knowledge — possibly by retaining some work that could be done by Gen AI, even if that is slightly less efficient.

Outsourcing and co-sourcing

The increased pressures of regulatory compliance and controversy is putting a huge strain on tax functions — not least for transfer pricing. While a combination of recruitment and learning and development can help develop additional skill sets, it's unlikely to bridge the rising talent gap — especially when funding for new hires is limited.

Outsourcing and co-sourcing have long been a staple practice for most tax teams, as Christian Athanasoulas, Global Head of International Tax and M&A Tax, KPMG International, observes: "Companies are looking at different labor models — and how they can potentially use a third-party organization to help them with their tax compliance and tax reporting under a managed service arrangement. One of the benefits of a managed service is that companies no longer need to hire for those peaks."

Service providers are now seen as a way to source hard-to-find technology skills, with 41 percent of survey respondents saying that the most significant benefit of outsourcing/co-sourcing is greater access to advanced technology. One quarter (25 percent) of the companies surveyed plan to increase their use of co-sourcing/outsourcing or tax managed services.[19]

[14] KPMG 2024 CEO Outlook, KPMG International, 2024.
[15] 2024 KPMG Global Mobility Benchmarking Survey, KPMG International, 2024.
[16] KPMG Global Tax Function Benchmarking Survey, KPMG International, 2023.
[17] Ibid.
[18] Ibid.
[19] Ibid.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Key actions for tax leaders

Rethink the employee experience

Respondents to the *KPMG Global Tax Function Benchmarking Survey* are aware of the need to adapt to changing employee needs and desires. Forty-one percent are redesigning job roles and responsibilities within their tax department, and 47 percent say alternative work arrangements (like telecommuting) are used to encourage high performance.[20] However, as remote working increases, tax leaders should think about how they can maintain learning and team-building as well as offer cross-functional opportunities to mix with others from the wider business, IT, legal and other functions. If workers feel they're learning something new as part of fulfilling careers, they are more likely to join and stay.

According to Grant Wardell-Johnson, Head of Global Tax Policy, KPMG International, "The key to attracting top talent lies in the recognition that a career in taxation involves such a rich diversity of skills, perspectives and dynamics. These include understanding the geopolitical realm, dealing with local political and parliamentary processes for new legislation, being an intrinsic part of M&A transactions, the ability to understand and create value from large data sets, as well as legal interpretation. It also involves considering a variety of 'what if' scenarios, both in the current environment and looking into the future. It's this dynamic environment that sets the platform of opportunity and interest for a career."

Adapt to a blended workforce

Given the competition for tax talent, a blended workforce of full-time and 'gig economy' workers can help organizations acquire appropriate skills. A recent study of 3,000 US professionals found that 38 percent worked freelance, rising to 43 percent for Millennials and 52 percent for Gen Z.[21] Tax teams need to engage such workers by offering a variety of experiences, including training and mobility opportunities, enabling them to advance their careers.

Update the selection criteria for third-party providers

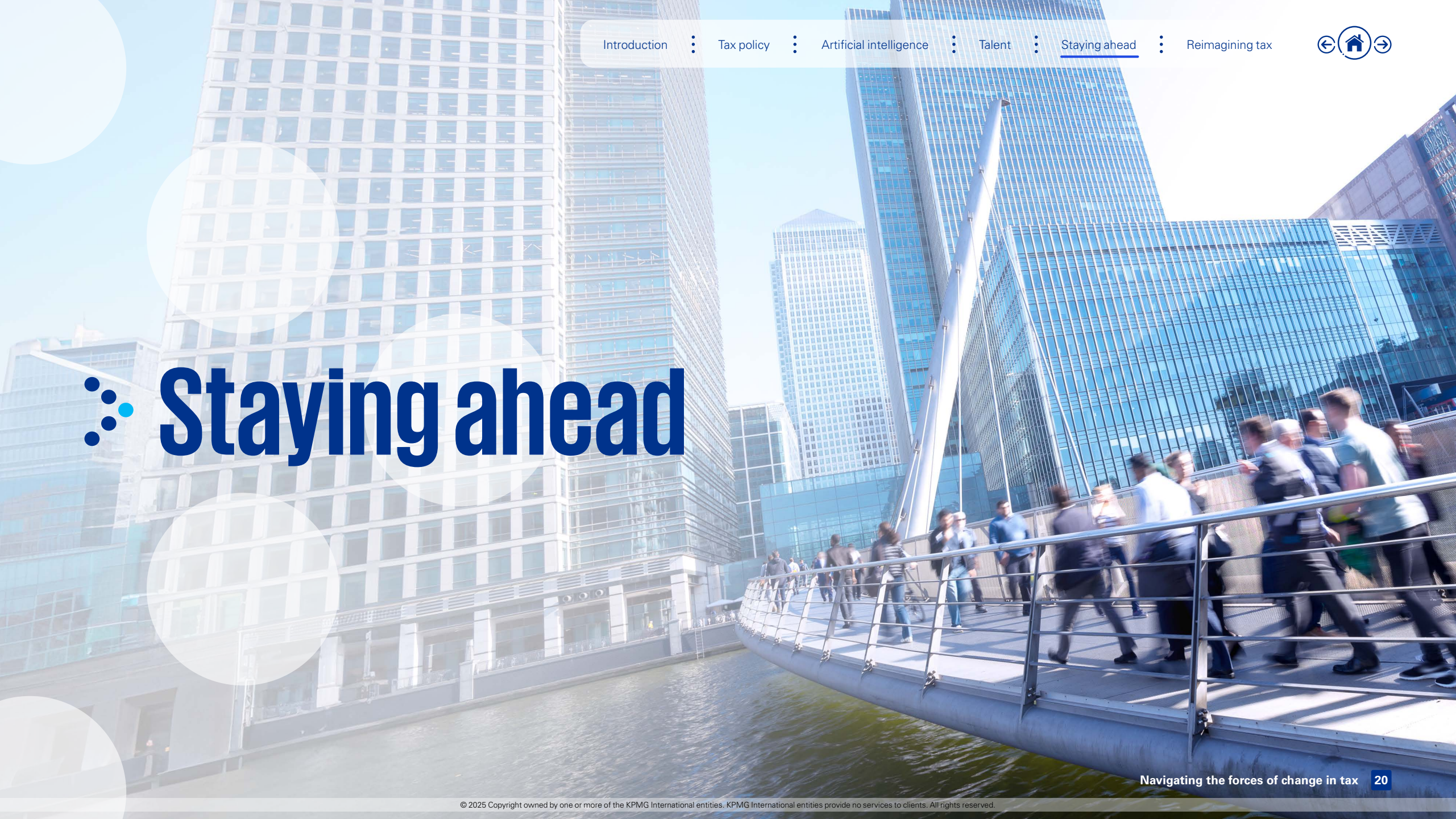
In the *Tax Reimagined 2024: Perspectives from the C-suite* report, most tax executives (79 percent) say that a third party's investment in and/or adoption of Gen AI would persuade them to buy managed services from that provider.[22] Tax skills and industry knowledge scale are no longer the sole criteria for choosing an outsourced or co-sourced provider; they should also be carefully scrutinized for their capabilities in Gen AI and other critical technologies.

> "As technology reshapes the tax landscape, the key to success lies in blending traditional expertise with new skills and perspectives. By leveraging a mix of full-time and freelance talent, and partnering with tech-savvy service providers, tax leaders can create agile teams ready to tackle the challenges of tomorrow."
>
> **Marc Burrows**
> Head of Global Mobility Services
> KPMG International

[20] KPMG Global Tax Function Benchmarking Survey, KPMG International, 2023.
[21] Diane Gherson and Lynda Gratton, "Highly skilled professions want your work but not your job," Harvard Business Review, May-June 2024.
[22] KPMG Tax Reimagined 2024: Perspectives from the C-suite, KPMG in the US, 2024.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Staying ahead



© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Transforming the tax function for the future

A confluence of forces is putting increasing pressure on tax teams' resources and capabilities, data availability, quality and reliability, and working structures and governance. The advent of AI and the implementation of BEPS 2.0 are reshaping the tax function, requiring leaders to navigate a complex array of issues. These challenges are further compounded by geopolitical uncertainties, internal financial transformations and economic pressures, both domestically and globally, which are testing the resilience of traditional tax operating models.

Tax compliance faces heightened scrutiny as authorities increasingly leverage automation, AI, and data analytics to enhance their audit and enforcement processes. For example, in Brazil tax authorities employ the Public Digital Bookkeeping System (SPED), which integrates various tax-related data and uses analytics to streamline compliance and enhance audit capabilities. In India, tax authorities have implemented the Goods and Services Tax Network (GSTN), a comprehensive IT platform that uses data analytics to monitor compliance and detect tax evasion. Also, the State Administration of Taxation in China uses big data and AI to improve tax collection efficiency and to identify fraudulent activities.

Organizations should achieve a level of data visibility and accuracy that matches or surpasses that of tax authorities to avoid errors and potential penalties. Poor data quality can raise significant concerns with tax authorities, and repeated mistakes or failure to provide necessary data can damage a taxpayer's credibility, prompting further investigation. These challenges extend to the ever-expanding financial reporting requirements, with tighter deadlines and tougher scrutiny, not only from auditors and regulators, but also from customers.

Despite these challenges, there are significant opportunities for organizations to transform their operating models and enhance their strategic role within the business. By evolving in tandem with other business functions, tax teams can deliver greater value and position themselves for success in an unpredictable future.

> "Transforming the tax function isn't a one-time fix; it's a continuous journey. By embracing new tech, streamlining processes, and building strong partnerships, tax teams can move beyond just crunching numbers to becoming essential business allies that add real value and adaptability in a world full of surprises."
>
> **Susie Cooke**
> Global Tax Transformation Leader
> KPMG International

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Six key steps to consider when building a future-ready tax function

1

Transforming your tax function requires a comprehensive redesign of your operating model, focusing on the purpose of its components from end-to-end. "There is no silver bullet to tax transformation," observes Susie Cooke, Global Tax Transformation Leader, KPMG International. "You can put in technology, but if you haven't trained your people, got the right skill sets, or put it in the right service delivery model and processes, the technology will likely fail. So you have to look at it as a holistic target operating model transformation."

Key questions that should be considered:

- **Governance:** What is the vision and strategy for your tax function? How does the tax vision and strategy align with the broader organization?
- **Process:** How can your tax processes be optimized, standardized and centralized?
- **People:** What capabilities do you need and what is the skills gap? What are the roles and responsibilities of the tax function?
- **Service delivery model:** What is the best structure for doing your tax work? Outsourced or in-sourced? Centralized or decentralized? Who can you partner with to leverage their investments to accelerate and enhance your transformation?
- **Technology:** How can your tax processes be further enhanced through automation, Gen AI and other technologies? What technology do you need and what is the gap?
- **Performance insights and data:** Can you trust your data to deliver insights and meet compliance demands? What are the key performance indicators that should be considered for the tax function?

> "The scale of change can be daunting, but remember that progress takes time. Once the target operating model has been established, it might look like a huge, monolithic program. But by breaking this down into bite-sized micro-projects, which are executed successfully, you build momentum. Having a clear vision for the tax function's target operating model serves as a guiding star, allowing everyone to take focused and responsible steps toward the goal."
>
> **Sean Bloodwell**
> Global Head of Tax Reimagined
> KPMG International

2

Create a measurable business case and manage stakeholders effectively

It's more important than ever to develop a business case with objectives and key results (OKRs) to measure and communicate the success of transformation. Tax tends to lag behind the rest of the organization in this respect, partly because tax people just want to get on with their daily work. This is often critical to demonstrating the value the tax function can bring and enhancing the tax function's ability to proceed with projects aligned with the vision in the future.

Susie Cooke, Global Tax Transformation Leader, KPMG International, emphasizes that, "Tax is not an island. Tax is part of finance and part of the wider organization. Becoming that better business partner and integrating tax across the business and finance should be of huge benefit, positioning the tax function to receive better data."

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

3 Develop and refine tax governance around responsible tax

Tax should be about more than just compliance: a responsible tax policy views tax as part of the 'S' (Social) in ESG, impacting strategy and reputation, which should enhance the company in the eyes of regulators, consumers and investors. Transparency may also lower the risk of tax audits.

4 Build a robust risk governance framework to identify and manage geopolitical risks

Reporting on current risks, future potential scenarios and crisis readiness can help businesses produce a roadmap for achieving their goals across a range of possible futures.

5 Position performance in terms of value delivered

Highlight the tax function's dual roles as capable compliance function and strategic business partner through key performance indicators (KPIs) that highlight both quantitative performance (e.g., percent of tax returns filed on time) and qualitative achievements (e.g., reduction in tax risk, litigation avoided).

6 Experiment and iterate with agility

The tax transformation journey is a long one, but every journey starts with that first step. And like today's tax careers, the path need not be linear, particularly given the dynamic evolving tax landscape. The best approach is to experiment. Choose a discrete operational area to improve — which might, for instance, involve something as simple as using Gen AI to speed up written communications. Gain confidence from your successes and build from there. Where tax target operating model design is concerned, an iterative, agile approach will likely produce the best solutions.

> "Success starts with the process. You don't just deploy technology or people against a broken process; you first evolve and refine your processes."
>
> **Sean Bloodwell**
> Global Head of Tax Reimagined
> KPMG International

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Reimagining tax

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

How KPMG can help

From a rapidly evolving technology landscape to new tax policy developments, geopolitical change, economic fluctuations, and new ways of working, the need to transform the tax function is more important than ever.

KPMG professionals believe that tax transformation is now a necessity — and that successful transformation requires the right technology and best processes with people whose insights are as broad as they are deep.

Making a world of difference

KPMG professionals can make all the difference on your transformation journey. We offer insights and expert guidance to help you navigate these challenges, harnessing technology and innovative strategies to enhance your tax functions. By collaborating with KPMG, you can better align your tax strategies with overall corporate goals, ensuring that they not only comply with regulatory requirements but also drive value across your organization.

Together, KPMG professionals can help you define and build an ideal target operating model, improve compliance processes, engage in discussions around responsible tax, manage complex transactions, and add more value to the business and beyond. We are united by our values, governed by our Global Tax Principles, and driven by our purpose to inspire confidence and empower change, by delivering the modern tax services and data-driven solutions needed today.

Transforming for a future of value

The KPMG tax transformation services help you attain a more productive and sustainable future state. Our services are tailored to address specific challenges, allowing you to proactively design and develop tax delivery processes in an ever-changing environment. Our holistic approach integrates people and process optimization, technology implementation and strategic advisory to enable you to reduce costs, mitigate risks, improve quality and drive more strategic value across your organization.

Find out how KPMG firms can help you reimagine your tax function.

Tax Services

Bringing deep tax experience, industry focus, and advanced technology to deliver results today and opportunities tomorrow.

AI in tax

Build and deploy responsible, ethical and fair Gen AI solutions that create value across tax operations.

Tax Reimagined

Organizational tax transformation is complex. Transforming your tax operations doesn't have to be.

Digital Gateway for Tax

A single platform solution offering the full suite of KPMG Tax technologies for tax leaders' evolving needs.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

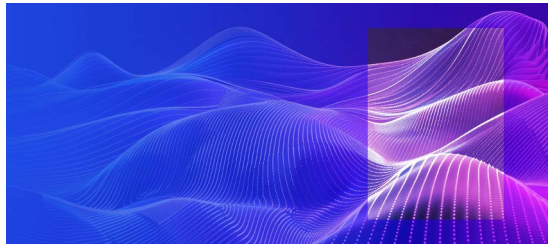
Explore related content

Inside global tax functions

2023 KPMG Global Tax Function Benchmarking Survey

The future of indirect taxes to 2030

Top ten indirect tax predictions for 2025 and beyond



Tax Reimagined 2024

Perspectives from the C-suite

2024 Chief Tax Officer Outlook

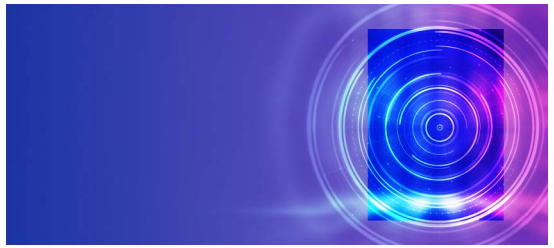
Tax meets tech to meet tomorrow

2024 KPMG Global Mobility Benchmarking Survey

Charting the future — strategic mobility for tomorrow's workforce

Fit for Pillar Two series

How multinational enterprises can prepare for Pillar Two



Responsible Tax series

How responsible tax at an international level works across corporations and tax jurisdictions

KPMG 2024 CEO Outlook

Global CEOs share their views on geopolitics, return-to-office, ESG and Gen AI

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Contributors and contacts

David Linke
Global Head of Tax & Legal
KPMG International
david.linke@kpmg.co.uk

Barbara Henzen
Partner, Head of Tax
KPMG Qatar
bhenzen@Kpmg.com

Haythem Zayed
Partner, Tax
KPMG Qatar
haythemz@kpmg.com

Christian Athanasoulas
Global Head of International
Tax and M&A Tax
KPMG International
cathanasoulas@kpmg.com

Susie Cooke
Global Tax Transformation Leader
KPMG International
susiecooke@kpmg.ca

Mike Linter
Global Head of Private
Enterprise Tax
KPMG International
mike.linter@kpmg.co.uk

Christian Stender
Global Head of AI for Tax & Legal
KPMG International
cstender@kpmg.com

Sean Bloodwell
Global Head of Tax Reimagined
KPMG International
sbloodwell@kpmg.com

Deirdre Fortune
Global Head of Asset
Management Tax
KPMG International
dellenfortune@kpmg.com

Aldo Mariani
Head of Global Tax Dispute
Resolution & Controversy Services
KPMG International
mariani.aldo@kpmg.com

Grant Wardell-Johnson
Head of Global Tax Policy
KPMG International
grant.wardelljohnson@kpmg.co.uk

Marc Burrows
Head of Global Mobility Services
KPMG International
marc.burrows@kpmg.co.uk

Loek Helderman
Global ESG Tax & Legal Lead
KPMG International
helderman.loek@kpmg.com

Burcin Nee
Head of Global Transfer
Pricing Services
KPMG International
bnee@kpmg.com

Lachlan Wolfers
Global Head of Indirect Taxes
KPMG International
lachlanwolfers@kpmg.ca

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Throughout this document, "we", "KPMG", "us" and "our" refers to the KPMG global organization, to KPMG International Limited ("KPMG International"), and/or to one or more of the member firms of KPMG International, each of which is a separate legal entity.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients. For more detail about our structure, please visit kpmg.com/governance.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Designed by Evalueserve.

Publication name: Navigating the forces of change in tax
Publication number: 139823-G
Publication date: February 2025