



Tax Reimagined 2024: Perspectives from the C-suite

September 2024

Introduction

Tax departments stand at the precipice of an exciting transformation, poised to chart new courses in an evolving landscape. Our latest edition of ***Tax Reimagined: Perspectives from the C-suite*** illuminates the dynamic changes and various disruptions impacting corporate tax departments. This includes what KPMG calls the "tax trifecta:" the impending expiration of the Tax Cuts and Jobs Act (TCJA) provisions in 2025 ("the tax cliff"), the ongoing enactment of the Organisation for Economic Co-operation and Development (OECD)'s global tax deal, and waves of regulatory change. These shifts, combined with economic fluctuations, geopolitical developments, and the integration of technologies like generative AI, present a landscape both challenging and rich with opportunity for innovation and growth.

To harness this potential, leaders are facing a dual mission: (1) anticipate and navigate unexpected or unprecedented scenarios and (2) future-proof the department. This approach involves embracing AI, cultivating tech-savvy talent, leveraging data for informed decisions, and refining operating models for enhanced efficiency.

Equally crucial is the opportunity to strengthen stakeholder trust and amplify value within organizations. By addressing these areas, tax leaders can steer towards a future marked by resilience, innovation, and strategic influence. This will ultimately position tax departments as drivers of positive change, ready to lead their organizations into an era of opportunity.

Sincerely,



Rema Serafi
Vice Chair – Tax



Kevin Jackson
National Managing
Partner – Tax



Brad Brown
Chief Technology
Officer – Tax

Executive summary

The latest KPMG *Tax Reimagined 2024: Perspectives from the C-suite* report surveyed 500 US C-suite executives at companies with an annual revenue of \$1 billion or more. The findings reveal how tax departments are grappling with new complexities while also expanding their value proposition.

Here's a summary of the survey's key findings:

Mastering the maze of change

While an overwhelming majority agree that the current environment in tax is more challenging than ever before to predict and plan for, tax leaders remain hopeful about the opportunities ahead to build resilience and maintain trust within their larger organizations.

The tax policy tightrope

The C-suite agrees that complying with the global minimum tax (also known as Pillar Two) will be costly, and they foresee significant impacts from the expiration of numerous TCJA provisions in 2025. Tax departments will need to adapt swiftly to mitigate potential risks for their organizations and provide a competitive edge.

Generative AI: The missing puzzle piece

Almost all leaders have plans to continue investing in generative AI capabilities for their tax function and recognize that the technology is here to stay. But as it continues to bring about a transformative and cultural shift, promising a more streamlined approach to tax management, it's having an impact on talent in the tax department.

The data epicenter

There is a consensus that better leveraging data from across the entire organization will help tax departments anticipate future challenges and influence business decisions. Leaders also agree that the tax department needs to use data more strategically to enhance trust among the company's core stakeholders.

Tax departments: A steadying force

C-suite leaders are increasingly willing to leverage a managed services model, and over half are already using outsourcing, co-sourcing, or managed services to help navigate regulatory disruptions. They believe collaborating with a third-party will increase their tax department's efficiency, impact and overall influence.

Mastering the maze of change

It's no secret that corporate leaders have entered an era of unprecedented disruption, but it's also true that with great change comes great opportunity. The "tax trifecta"—the combination of the forthcoming 2025 tax cliff, the ongoing implementation of the OECD's global tax deal, and constant regulatory changes—presents executives with both significant challenges and exciting possibilities to innovate and lead in the months and years ahead.

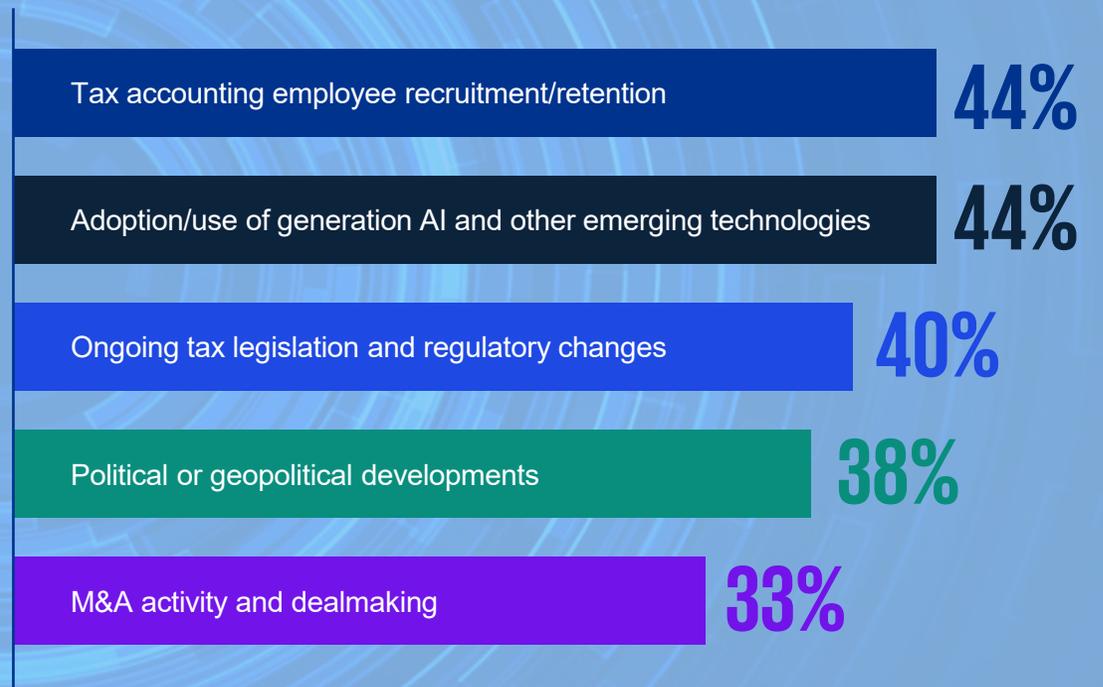
While the landscape is complex, it's also ripe for transformation. The anticipated changes that the outcomes of the 2024 U.S. elections will bring, economic shifts, and emerging technologies like generative AI are not just reshaping the workforce but opening doors to new efficiencies and strategic advantages. In fact, nearly all C-suite respondents (95%) agree the current tax environment is more challenging than ever before to predict and plan for. However, this complexity offers corporate tax departments a unique chance to demonstrate their value and drive organizational success.



Corporate tax departments are uniquely positioned to guide businesses through disruptive times.



What do you think will be the biggest disruptors impacting your corporate tax function?



Talent management and emerging technologies remain at the forefront of disruption. But these challenges are mirrored by opportunities: generative AI, for example, holds the promise of significant changes in how tax departments operate, with half of the surveyed executives anticipating transformative to revolutionary impacts. Similarly, while recruiting and retaining top talent remains crucial, it also presents an opportunity to reimagine operating models.

In this dynamic environment, corporate tax departments are uniquely positioned to guide businesses through disruptive times. By anticipating changes, preparing for multiple scenarios, and building resilience, they can enhance trust and establish themselves as key drivers of strategic decision-making. While navigating this maze of change is challenging, it also presents an opportunity for tax departments to emerge as innovative leaders, steering their organizations towards new paths of success.

95%

agree the current environment in tax is more challenging to predict and plan for than ever before

51%

believe the integration of generative AI technology will bring transformative to revolutionary change to the future of corporate tax departments

The tax policy tightrope

The C-suite have their eyes fixed on two major developments that will create new levels of complexities for tax departments: the sunset of numerous provisions from the 2017 TCJA and the ongoing implementation of Pillar Two.

The tax cliff—the expiration of almost all individual provisions and numerous business provisions within the TCJA at the end of 2025—is rapidly approaching. This looming deadline represents one of the most significant tax legislative events since the TCJA's enactment in 2017. With more than \$4 trillion in tax increases scheduled to take effect, extending these cuts would not only substantially reduce federal revenue but also complicate efforts to address the growing budget deficit at a time where every dollar counts. Extending them, however, would put significant pressure on Congress to raise taxes elsewhere, including on corporations.

Meanwhile, Pillar Two—part of the OECD's Global Tax Deal—is now a reality. Often referred to as the global minimum tax, the regime took effect on January 1, 2024, in more than 30 countries, and was designed to ensure that multinational enterprises pay a minimum effective tax rate of 15% on income earned in every jurisdiction in which they operate.

To what extent do you agree or disagree with the following statements on the OECD's Pillar Two requirements? Graph below highlights those who agree.



While these changes present significant challenges, our survey reveals some encouraging signs of organizational readiness. Notably, 90% of respondents recognize that Pillar Two requires a deep understanding of both financial reporting and international tax concepts. This awareness suggests that organizations are actively preparing to navigate these new regulations.

Furthermore, 89% of leaders acknowledge that Pillar Two will require cross-functional and enterprise-wide collaboration, including tax, accounting, finance, HR, IT, and more. This recognition could lead to more integrated and efficient operations as departments work together to address these new regulatory challenges.

Nevertheless, our survey shows that C-suite leaders are bracing themselves for these changes, which will likely impose greater tax liability and compliance costs, and lead to more complex tax computations. 86% of the C-suite agree that complying with Pillar Two will be costly, while 71% foresee significant impacts from the expiration of the TCJA provisions.

As we approach 2025, the relative costs and tradeoffs associated with these provisions will become increasingly important, shaping how businesses prepare for and respond to the evolving tax landscape. The added cost of compliance, coupled with new legislation and regulations, underscores the need for tax departments to adapt swiftly to mitigate potential risks and provide a competitive edge.

86%

agree that complying with Pillar Two will be costly for their companies

71%

foresee the expiration of the Tax Cuts and Job Acts provisions at the end of 2025 to have a high or moderate impact on their business

Generative AI: The missing puzzle piece

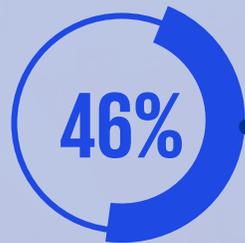
The answer may very well lie in generative AI. A vast majority of leaders (88%) believe generative AI is the key to helping their organizations navigate the challenges brought on by Pillar Two. What's more, they're willing to make the investments necessary, with an eye toward incorporating the technology into everything they do. With generative AI no longer a new frontier or abstract concept for tax departments, nearly all respondents (98%) said they plan to invest in AI or generative AI capabilities for their tax function in the next 12 months—and of those investing, 50% said they plan to invest \$500,000 to \$1 million in the technology.

Despite the rapid adoption of the technology by all business sectors, there are still questions about what integration looks like in practice—particularly how generative AI will augment tax talent. According to our survey, many are also open to using the technology in their tax departments, seeing benefits when it comes to workflow automation (46%), tax compliance activities (42%), and cost optimization activities (40%).

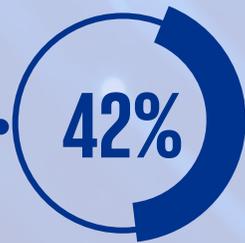
88%

believe generative AI is the key to helping their organizations navigate the challenges brought on by Pillar Two

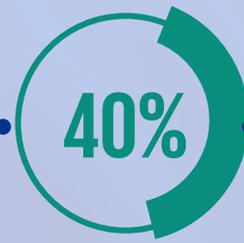
What activities within your tax and finance department do you think would benefit the most from the use and/or integration of generative AI?



Workflow automation



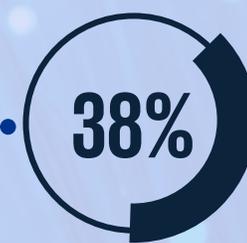
Tax compliance activities



Cost optimization activities



Tax planning activities



Risk management and/or risk assessment tasks

More significantly, the rise of generative AI has shifted tax leaders' perspectives on the most essential skills for tax professionals. For the past few years, our survey has polled the C-suite about their hiring preferences, asking whether they'd rather hire tax experts who can learn technology, or technology experts who can learn tax. Since 2021, we've observed a notable trend: there's been a 12-point increase in the preference to hire technology experts who can learn tax. This shift indicates that the C-suite increasingly favors technological proficiency as a foundation, with tax knowledge viewed as a skill that can be acquired subsequently.

The successful adoption of generative AI into tax functions represents a transformative and cultural shift to a more efficient, accurate and strategic approach to tax management. One key area where generative AI plays a significant role is in the collection and analysis of data.

86%

agree that generative AI tools will help supplement the talent needs in their tax department

98%

plan to invest in AI or gen AI capabilities for their tax function in the next 12 months

50%

say they'll invest \$500K-\$1M

The data epicenter

In the digital age, the mantra of "data, data, data" continues to echo through corporate halls. However, the true challenge lies not in data acquisition, but rather in its strategic application. Tax departments are uniquely positioned to transform from mere data repositories into powerful engines of organizational insight and decision-making.



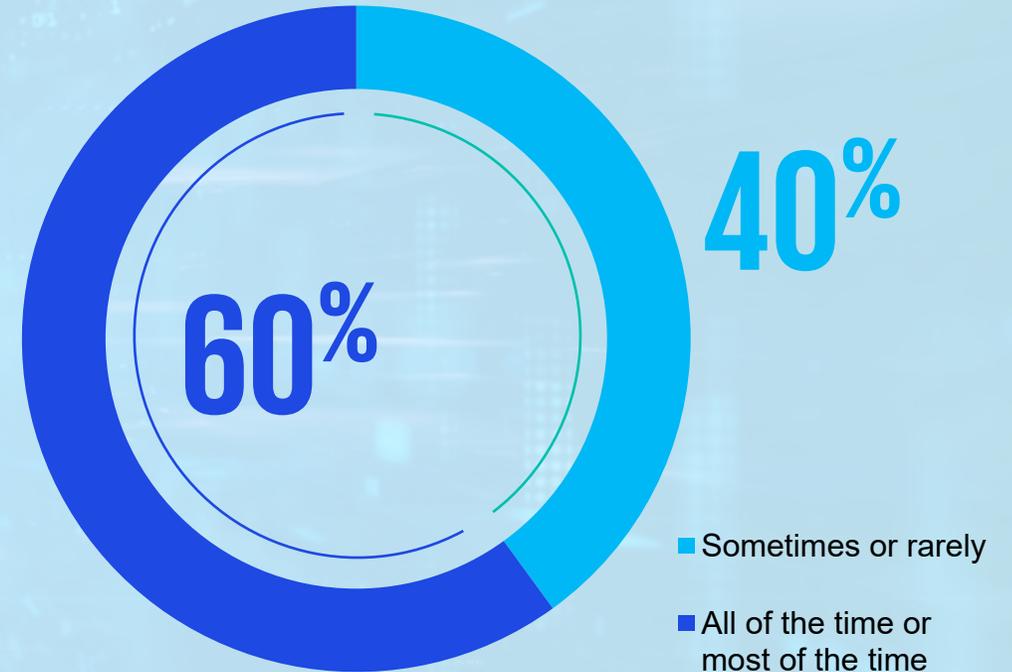
By harnessing the power of data analytics, corporate tax departments can provide insights that shape business strategy, manage risk, and drive growth.



The transformation of tax departments into "data departments" is not just beneficial—it's imperative. As guardians of critical financial information, tax teams have the potential to make data-driven decisions across the entire organization. An overwhelming number (95%) of executives say that leveraging data more effectively will help anticipate future challenges, which further underscores the changing role of the modern tax department. However, the gap between aspiration and reality is stark, with just over half (60%) actually putting this into practice and reporting regular use of data to influence decisions.

Faced with this reality that diverges from aspiration, tax departments must seize the moment to establish themselves as indispensable strategic partners. By harnessing the power of data analytics, they can provide insights that shape business strategy, manage risk, and drive growth. The key lies in not just collecting data, but in translating it into actionable intelligence that resonates with stakeholders across the organization.

How often does your tax department leverage data to help drive decision-making for the broader organization?



The rise of AI-powered tools, particularly generative AI, is set to revolutionize the tax landscape. While 47% of C-suite executives in 2023 viewed data analysis as the most critical skill for tax professionals to have, the advent of generative AI has democratized these analytical capabilities. The technology is now leveling the playing field, allowing even those without advanced technical skills to derive meaningful insights from complex data sets.

However, it's crucial to view generative AI not as a replacement for human expertise, but as a powerful augmentation of it. The high percentage of respondents in agreement (86%) that these tools will supplement talent needs reflects an optimistic but potentially oversimplified view. The reality is more nuanced: while generative AI may reduce the need for universal advanced data analysis skills within tax departments, it simultaneously elevates the importance of data interpretation, strategic thinking, and ethical considerations in AI application.

Looking ahead, we envision a future where generative AI empowers tax professionals at all levels to engage more deeply with data-driven decision-making. This doesn't diminish the value of data analysis expertise; rather, it amplifies its impact. The most successful tax departments will be those that strike a balance—leveraging AI to handle routine analysis while focusing human expertise on higher-order strategic thinking and stakeholder trust-building.

95%

agree that better leveraging data from across the organization will help their tax department see around the corner and influence smarter business decisions

93%

agree their tax department needs to use data more strategically to earn the trust of their company's core stakeholders

Tax departments: A steadying force

With tax challenges becoming more complex, organizations are recognizing the need for external support to help them traverse the quickly evolving tax landscape.

For many, an alternative operating model has become the go-to solution for when tax departments run the risk of being overwhelmed by complicated compliance demands. In our survey, 87% of C-suite leaders are increasingly willing to leverage a managed services model with over half already using outsourcing, co-sourcing, or managed services to help navigate regulatory disruptions like Pillar Two, and another 38% considering using one of the three models.



By harnessing the power of data analytics, corporate tax departments can provide insights that shape business strategy, manage risk, and drive growth.



agree their corporate tax department is a key player in helping their organization increase multistakeholder trust

Collaborating with a third party is more than a question of keeping ahead of the game. C-suite executives also view their tax departments as key players in helping their organizations increase multistakeholder trust and putting to good use the resources of a third-party will only increase the tax department's efficiency, impact, and overall influence.

Here, again, generative AI plays a lead role. With nearly all reporting plans to invest in AI or generative AI capabilities for their tax function in the next year, and 79% saying a third-party's investment in and/or adoption of generative AI would persuade them to buy managed services from that provider, it's clear that generative AI is driving significant investment decisions in the tax department.

87%

are becoming more willing to leverage a comprehensive managed services model for their tax function

52%

are currently using outsourcing, co-sourcing, or managed services models to help their tax function navigate Pillar Two requirements and another 38% are considering using one of the three models

79%

say a third-party's investment and adoption of generative AI would persuade them to buy managed services from that provider

Conclusion

Cultivating trust in unpredictable times

Over the years, tax departments have strived for a greater role in strategic decision-making; and today, their efforts have come to fruition. An impressive 9 out of 10 C-suite leaders say their tax department is a pivotal contributor to enhancing trust among diverse stakeholders.

With constant legislative and regulatory changes, the rise of generative AI, and dynamic workforce shifts reshaping the business landscape, the moment for tax departments to step up and lead is here. Tax possesses the unique potential to foster trust amid a kaleidoscope of business disruptions. The key to building trust lies in strategic actions, innovative tools, and leveraging the investments of external providers to ease the burden. By confidently owning their influence, tax departments can do more than just navigate the storm of change—they can guide their organizations towards a future that is not just resilient but empowered.

Today, the tax department's role goes well beyond compliance and operations. It has real power and influence on decision-making, steering the ship, setting the course, and building trust to sail smoothly through every wave.



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Contact the authors



Rema Serafi
Vice Chair – Tax



Kevin Jackson
National Managing
Partner – Tax



Brad Brown
Chief Technology
Officer – Tax

Survey methodology

The KPMG “Tax Reimagined 2024: Perspectives from the C-suite” survey was conducted by Wakefield Research (www.wakefieldresearch.com) between June 20 and July 12, 2024, among 500 US C-suite executives at companies with annual revenue of \$1B+. The margin of error for this study is +/- 4.4 at 95% confidence.