Benchmarking Indirect Tax in a data-driven era

2026 KPMG Indirect Tax Benchmarking Survey

Foreword

Tax authorities are moving rapidly towards real-time, data-driven oversight, and indirect tax functions are now expected to do far more than prepare periodic returns. Indirect tax professionals are likely to take on the role of data managers within the tax function; acting as the gatekeepers to Finance and ERP system changes; and being at the forefront of AI implementation across tax. The 2026 KPMG Indirect Tax Benchmarking Survey examines how large organizations are reshaping their VAT/GST capabilities to prepare for these upcoming changes.

The survey looks at how VAT/GST functions are structured and resourced globally, and how responsibilities are divided between central teams and local markets. It also explores how organizations are managing e-invoicing and increasingly granular tax data obligations across multiple jurisdictions, and how they are preparing for AI-enabled processes and real-time reporting requirements.

The findings aim to provide practical benchmarks for indirect tax performance and risk management, while highlighting common pain points and emerging challenges. The findings are intended to help businesses pinpoint where their current operating model may be under strain, identify opportunities to strengthen indirect tax management through governance and controls, reduce manual effort through better use of data and technology, and build a robust case for targeted investment in people, processes and systems.

The 2026 KPMG Indirect Tax Benchmarking Survey highlights shifts towards greater centralization and outsourcing of compliance, the growing importance of VAT/GST to the business, and the progressive expansion of the roles and responsibilities of indirect tax professionals. The survey is the latest iteration in a series that began in 2011 and provides ongoing commentary into the developments within the indirect tax function over the past 15 years. We trust you will benefit from our findings.

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Trends reshaping indirect tax

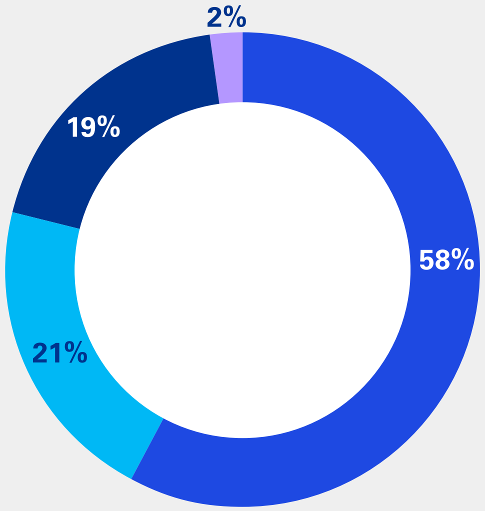
Challenge of data quality and utilization of AI

Data quality is now the defining challenge for indirect tax functions. Most respondents confirmed that managing data quality is their biggest concern, ahead of audits, tax authority interactions and even meeting compliance deadlines.

This concern is not new, but its significance is rapidly increasing. In the 2021 survey, 44 percent of respondents identified data quality as their top challenge; by 2026, that figure has risen to 58 percent. This upward trend highlights the growing complexity of the regulatory environment as regimes become more data-intensive and real-time.

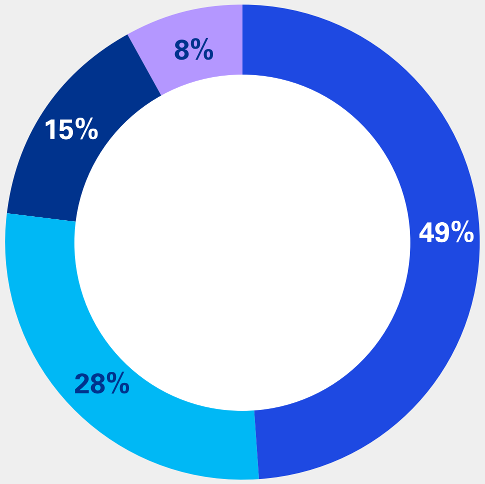
Additionally, AI is viewed not as a tool to reduce workforce size, but as a means to enhance data quality. Around 49 percent of respondents reported that their primary use case for AI will be to improve data quality. While there is interest in using AI to support indirect tax compliance (for example, in return preparation and reconciliations) and to help with document drafting and research, the main objective is clear. AI is seen as a key tool for transforming VAT/GST functions from being “data intensive but not data ready” into a more controlled, data-driven operating model.

What is your biggest concern in relation to VAT/GST?



- Managing data quality
- Managing increased tax authority audits/interactions
- Meeting all compliance requirements (submissions and payments)
- Managing and updating team skill set

What will you be initially deploying/investing in AI?



- To improve data quality
- In indirect tax compliance
- To draft/review documents
- To carry out research

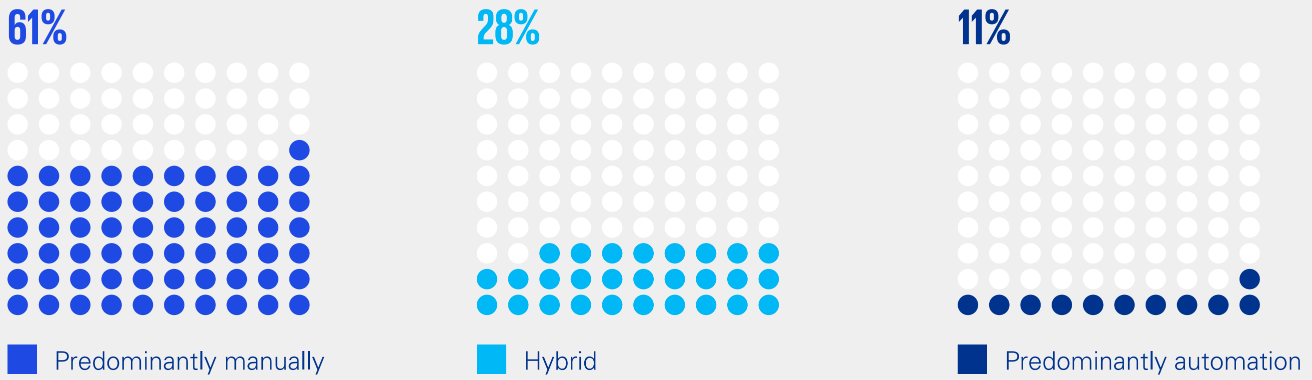
Reliance on manual corrections and legacy ERP systems

While the scope and data intensity of indirect taxes have increased, many organizations still rely on ERP systems and processes that were not designed for today's level of real-time scrutiny. According to our recent survey, only 23 percent of respondents believe their ERP systems are fit for purpose.

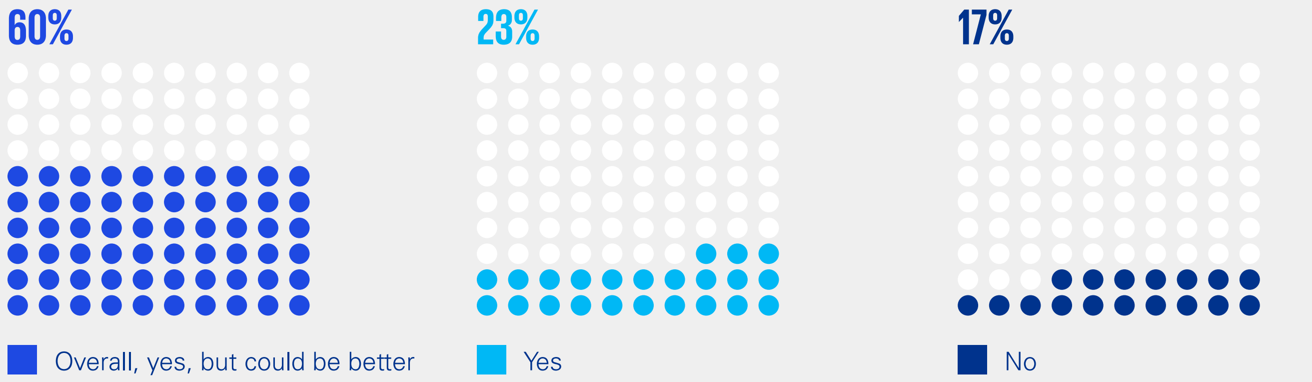
Heavy reliance on manual corrections and aging systems makes it difficult to scale, sustain control and meet real-time obligations. It raises the risk of errors, leads to inconsistent treatment across jurisdictions and creates gaps between policy and execution. Furthermore, this dependence on outdated systems makes it harder to leverage AI, analytics and automation, as the underlying data and processes are fragmented and require intervention.

Only
23 percent
of respondents believe their ERP systems are fit for purpose.

How do you correct data quality today?



Is your ERP system fit for purpose for meeting your tax requirements?



Rising complexity and resourcing

Rising complexity of indirect tax is colliding with static and often mismatched resourcing, creating a real risk for many tax functions.

Indirect tax teams are no longer dealing with VAT/GST in isolation or simply producing periodic returns. They now typically own a much broader set of regimes, including e-invoicing (33 percent), tax data reporting such as SAF-T and transaction-level submissions (26 percent), customs and excise (16 percent), environmental taxes (8 percent), and, in many cases, digital services taxes (18 percent). However, resourcing is not keeping pace with this shift. Almost 60 percent of respondents expect VAT/GST headcount to remain broadly unchanged over the next five years, despite expanding obligations and more data-intensive regimes.

Moreover, about one-third of organizations report having no technology specialists on their indirect tax teams. Even as the work becomes more data-driven and technology-based, businesses are simply not equipped with enough people with the right technology skill set to effectively respond to these challenges.

In addition to VAT/GST, are you responsible for any of the following:

33% E-invoicing

26% Data management related to tax obligations

18% Digital services taxes (and similar)

16% Customs and excise taxes

8% Environmental taxes

Percentage of organizations

What percentage of your global VAT/GST headcount has a primary technology specialism?

How do you expect your VAT/GST headcount to change in the next five years as a result of AI?

58% Largely unchanged

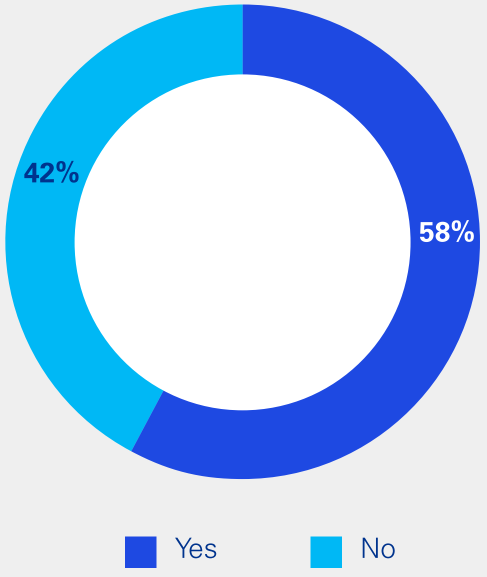
21% Increase

21% Decrease

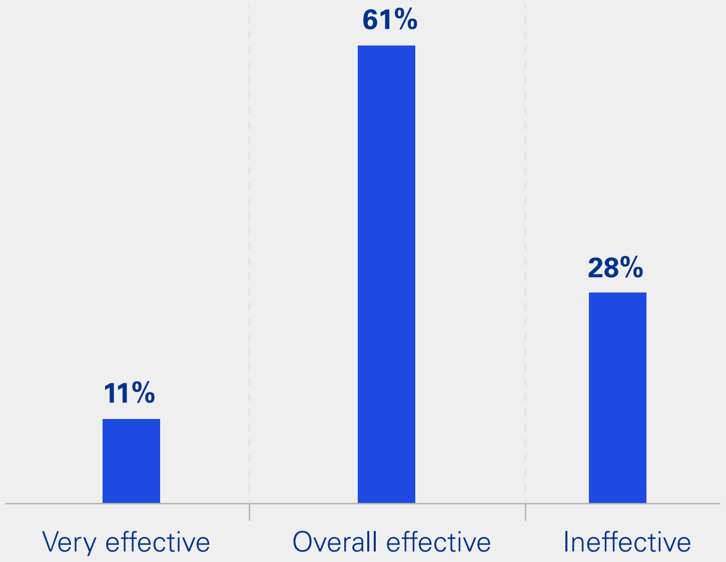
Tax control frameworks

For many organizations, indirect tax is still being managed without a robust, fit-for-purpose control environment. Only 58 percent of respondents indicate they have a tax control framework specifically dedicated to VAT/GST, and 28 percent report that the processes and controls in place are ineffective. Compared to the 2021 survey, where 42 percent of respondents stated they had no tax control framework at all, there has been some progress. However, the quality and coverage of these frameworks still fall short of what is needed for today's risk and regulatory environment, especially as tax authorities are bringing these issues into focus.

Do you have a Global VAT/GST Control Framework?



How effective do you think the processes and controls have been at identifying and mitigating risks in your business?



The road ahead for indirect tax

Compliance delivery models: The continued shift to centralization

The 2026 KPMG Indirect Tax Benchmarking Survey confirms a clear and accelerating move away from purely local, in-house VAT/GST compliance towards more centralized and scalable models. In 2021, 44 percent of organizations prepared returns locally; this has now fallen to around 23 percent. During the same period, the percentage of returns prepared centrally has remained steady at around 32 percent, while the use of external providers for co-sourced models has increased.

Taken together, this trend shows that the "gap" created by declining local preparation is being filled by central hubs and external partners, rather than by local teams. Organizations are deliberately shifting towards centralized and externally supported models to achieve greater consistency, control and efficiency across their global VAT/GST footprint, and to better manage increasingly data-driven and real-time compliance requirements.

During the same period, the percentage of returns prepared centrally has remained steady at around **32 percent,** while the use of external providers for co-sourced models has increased.

How would you best describe how VAT/GST compliance is managed in your business?

In-house centrally	32%
In-house locally	23%
Co-sourced	26%
Outsourced	19%

E-invoicing: Ownership and implementation

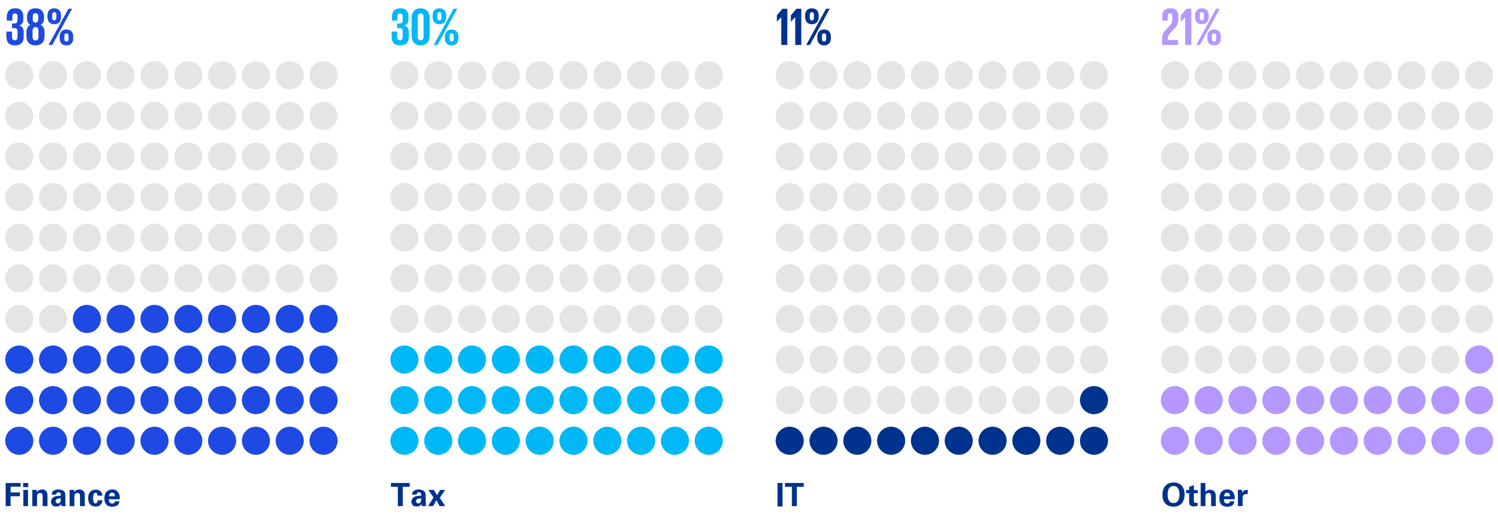
While e-invoicing is now becoming central to indirect tax, its ownership is fragmented. Responsibility most often sits with Finance (38 percent), followed by Tax/Tax Technology (30 percent) and IT (11 percent). Some organizations even report mixed or unclear ownership, which makes it harder to align tax requirements, finance processes and IT delivery — increasing the risk of gaps in control and accountability.

On the solution side, there is more clarity in direction. Around two-thirds of respondents favor a global solution provider for e-invoicing where possible, as they seek standardization, scalability and consistent controls across jurisdictions.

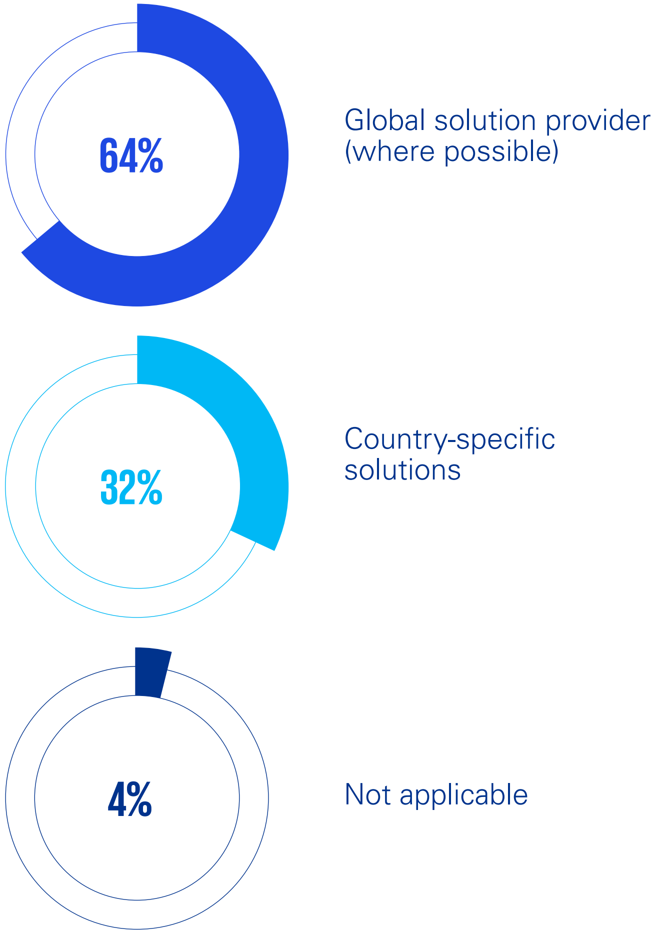
However, about a third of organizations still rely on country-specific tools to meet local mandates. This results in a hybrid landscape that reinforces the need for clearer governance and closer coordination among Tax, Finance and IT.

As many countries in the European Union (EU) implement e-invoicing between now and 2030 as part of the VAT in the Digital Age measures, we can expect more organizations to seek 'repeatable frameworks' that enable large-scale e-invoicing implementation.

Who is primarily responsible for e-invoicing?



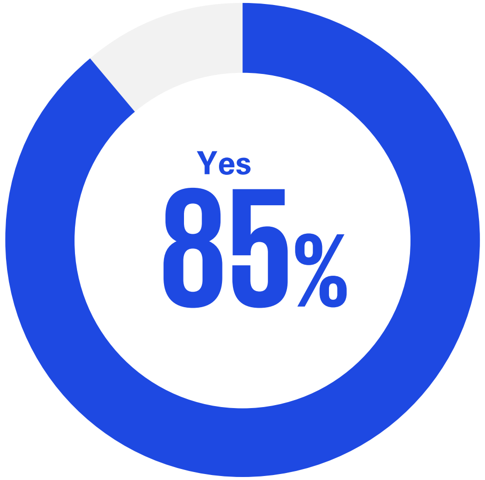
What is your main approach to e-invoicing implementation?



The rising profile of VAT/GST

Approximately 85 percent of respondents indicate VAT/GST is gaining importance within their business. This shift is driven by growth in compliance complexity (more registrations, e-invoicing mandates, DSTs and new reporting requirements), greater focus on cash flow and working capital (non-recoverable VAT and the timing of input tax recovery), and heightened financial and reputational risk. Respondents also highlight stronger linkages between indirect tax and other areas, such as transfer pricing, customs and finance transformation. As a result, VAT/GST is increasingly recognized as a strategic, cross-functional issue that impacts revenue recognition, supply chains, customer experience and cash management — positioning indirect tax teams as key stakeholders in broader business and finance decisions.

Do you think VAT/GST is gaining importance within your business?



Future focus areas

Opportunities ahead

Future focus areas for indirect tax will be shaped by how effectively organizations respond to the combined pressures of data, technology, resources and governance. As tax authorities shift towards real-time, data-driven oversight, indirect tax teams should prioritize improving data quality and implementing controls at the source. This includes modernizing outdated systems and processes to minimize manual intervention and accelerating the adoption of AI and automation in a controlled manner.

At the same time, operating models should evolve to establish clearer ownership of e-invoicing, strengthen central hubs and co-sourced arrangements, and promote closer collaboration among Tax, Finance, IT and the business units. Additionally, developing a robust tax control framework and elevating VAT/GST within the broader risk and governance agenda will be essential for maintaining compliance, protecting value and allowing indirect tax to play a more strategic role in finance and business decisions.

The following key actions are designed to help indirect tax leaders navigate this transition and build an operating model ready for the future.

Data management

- Use AI to enhance data quality, which should help reduce reliance on manual corrections.
- Embed VAT/GST logic and controls into ERP systems.

Compliance delivery models

- Shift towards centralized and externally supported models to achieve greater consistency and control, allowing for better management of increasingly data driven and real time compliance requirements.

Resource effectively

- Develop technology, data and process skills within the indirect tax team.
- Foster collaboration with IT, finance partners and shared services.

Strengthen VAT/GST control frameworks

- Extend existing frameworks to be transaction-focused.
- Align controls with high-risk regions and regimes.

E-invoicing

- Establish clear ownership (Tax vs Finance vs IT) with defined roles and accountability.
- Rationalize tooling, balancing global platforms with mandatory local solutions.

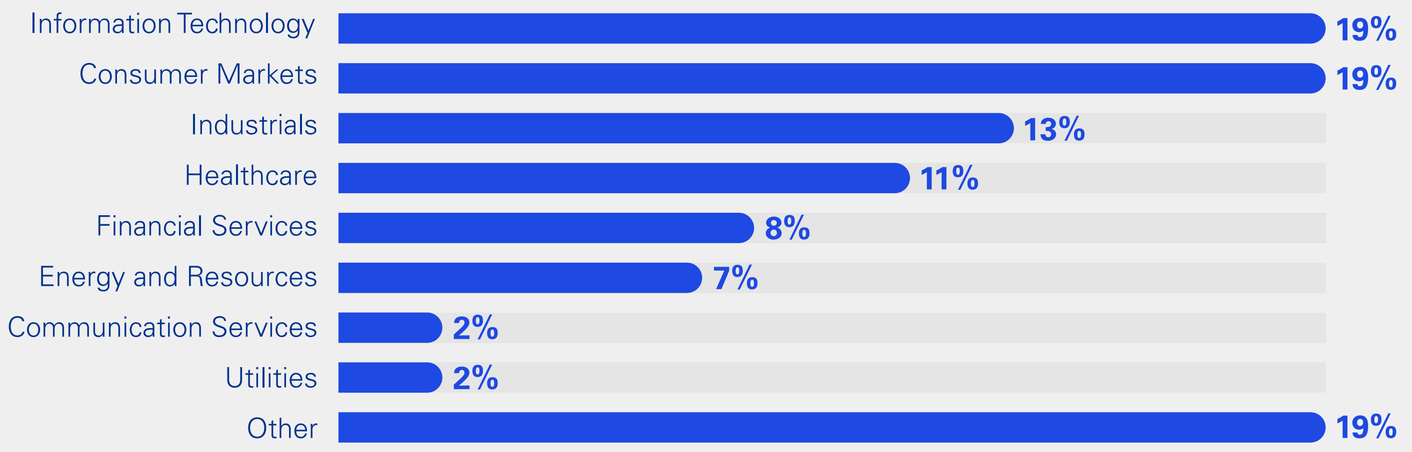
About the research

Survey methodology and demographics

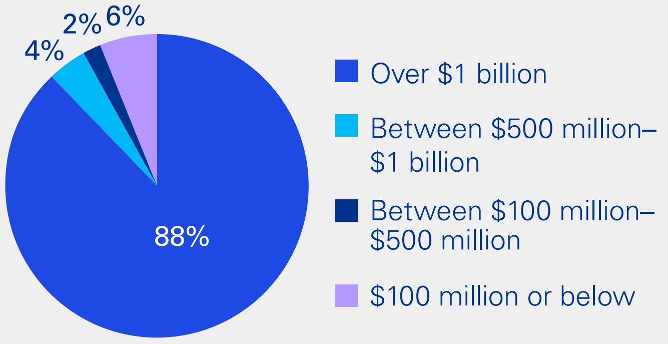
The 2026 KPMG Indirect Tax Benchmarking Survey was completed by senior indirect tax professionals from 53 large multinational organizations across a wide range of industries. Over 89 percent of participating companies report annual revenues exceeding US$1 billion, indicating the findings reflect the practices and perspectives of some of the world's largest and most complex indirect tax functions.

Since 2011, KPMG member firms have conducted regular iterations of this research to track how leading organizations structure, resource and manage their VAT/GST operations. While the sample is intentionally focused rather than broad, it is highly concentrated in large, sophisticated taxpayers and is designed to provide practical benchmarks and directional insights for peers operating at a similar scale. Where relevant, results from previous survey cycles are referenced to illustrate how approaches and priorities have evolved.

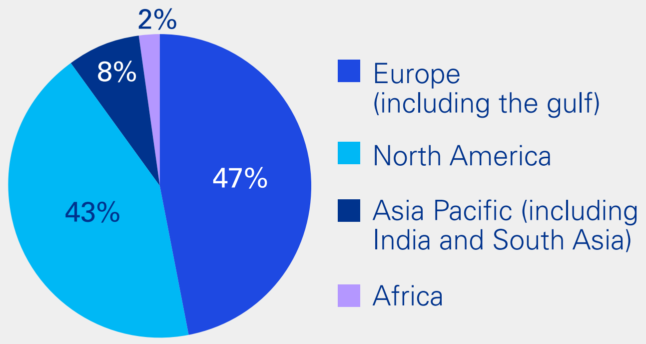
What industry best describes what your business does?



What is the size of your group's business (annual turnover) in USD?



Where is the business headquartered?



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