



Thomson Reuters Institute

2024 Corporate Tax Department Technology Report

Despite hopeful optimism, most departments face long road to reach next generation technology capability

Executive Summary

The past few years, particularly since the global COVID-19 pandemic, corporate tax departments have emphasized technology like never before. The move to remote work necessitated stronger centralized databases and increased cloud technology. New data and workflow-centric roles have arisen within departments, introducing tax technology as its own worthwhile job discipline. And recently, the rise of new technologies — like generative artificial intelligence — promise new workflows and quicker, more accurate research and documentation.

Many corporate tax departments see a bright future as the marriage of deep tax knowledge and technology allows tax professionals' expertise to shine.

However, despite the forward-thinking optimism, the practical fact remains that many corporate tax departments haven't yet achieved that next generation reality. The *2023 Corporate Tax Technology Report*, produced by the Thomson Reuters Institute

in conjunction with Tax Executives Institute, reveals a corporate tax world still looking to catch up with available technology by formalizing its tech leadership, exploring automation, and moving departments' overall technology posture from operational to strategic.

According to the survey conducted as the basis for the report, many respondents said their tax departments do not yet feel confident in their technology capabilities. More than half described their organization's technology position as *reactive* or *chaotic*, while less than 10% said they believe it to be *optimized* or *predictive*. Few also feel satisfied with the various solutions in their technology stack, and overall feel their department's personnel are either *somewhat* tech competent or not tech competent at all.

These attitudes are reflected in how departments are organizing their technological capabilities. Indeed, as some have begun the process of formalizing their operations, many are still yet to fully integrate workflows and systems. About half of respondents said their departments now have a point person for technology strategy, but those responsibilities are delegated to a wide variety of roles, often falling to employees that have hybrid tax and technology roles. Even those with dedicated technology roles often view those job functions as more operational or administrative than strategic, perceived as ancillary to the department's true business of tax work.

This report reveals a corporate tax world still looking to catch up with available technology by formalizing its tech leadership, exploring automation, and moving departments' overall technology posture from operational to strategic.

Similarly, respondents at just over half of departments said they are training staff on technology, and most departments conducting training just do it a few times per year or less. Further, three-quarters of respondents said their departments do not track metrics to determine the success of technology implementations. Taken together, these findings indicate that even when corporate tax departments introduce new technologies, they may not have the required processes, trained talent, and infrastructure to ensure that technology's success.

Still, there remains reason for optimism that these technology positions will change, lending credence to the fact that more than 80% of respondents said they feel hopeful or excited for the future of tax technology. About two-thirds

said they anticipate their

department's technology budget increasing within the next 3 to 5 years, while even more feel their department's technology capabilities will increase over that time span. And while very few corporate tax departments are actively engaging with new technologies like artificial intelligence, more than half are either exploring or considering adopting AI into their day-to-day work.

Ultimately, these figures demonstrate a corporate tax world that hasn't yet begun to adopt widespread technology change but is interested in taking the first steps. Many corporate tax departments still need to make internal changes to fully take advantage of technological advancements, including formalizing the technology chain of command, introducing ways to measure technology outcomes, and making the most of technology budgets that, while largely owned by the tax function, remain unclear or in their infancy. Those institutional barriers can be overcome, of course, and corporate tax departments remain hopeful that they will be able to take advantage of technological advances within the coming years.

"I think AI is a great tool, but I think it's far too early to say that it's going to transform the tax department," explained one survey respondent. "Perhaps for a very large department with dozens of employees, but for a relatively small tax department, I think AI will provide more of an assistive function rather than a huge overhaul. I think technology adoption will only continue to grow, however, as generations become more accustomed to technology and its potential."

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Key Findings

Lacking maturity — Many respondents said they believe their corporate tax departments are behind in their technology maturity. Nearly half (47%) categorized their organization's technology maturity as *reactive*, while an additional 11% categorize it as *chaotic*, meaning that departments may be using some databases or third-party software but on an unintegrated basis. This distinction was particularly acute in companies with less than \$1 billion in annual revenue, in which 16% of respondents categorized their technology maturity as chaotic and 48% as reactive. On the other end of the scale, just 6% called their technology maturity *optimized* (with analytics-driven decision making and automated workflows), and just 1% said they were *predictive* in their technology function, meaning they were using proactive data to manage risk across the enterprise. Interestingly, a lack of maturity does not necessarily mean misalignment with overall business objectives — 39% of respondents also said their department's technology strategy was *very aligned* with the rest of the business.

Rating tech competency and success — One reason for the pessimism around overall maturity could be the perceived technology competency of the tax department's employees. More than half (57%) of respondents rated their department's tech competency as *somewhat competent*, while an additional 30% rated it *not competent*. There isn't much movement to increase competency either — just 57% of respondents said their departments provide technology training to tax professionals, including fewer than half of departments within companies below \$1 billion in annual revenue. Even among those departments that offer training, for 72%, that training occurs a few times a year or less, including 24% in which training occurs less often than yearly or only as needed, according to respondents.

Evolving job roles — Respondents were roughly split between those that said their department had a dedicated point person for technology strategy (50%) and those that did not (46%), with the remainder saying they did not know). However, even among those departments with a point person for technology, there was a wide variety of roles that actually carried out that function, with Director of Tax, Tax Manager, and VP of Tax among the most common. What is clear, however, is that hybrid tax/technology roles are still the dominant way departments use their personnel, as 47% of respondents said their departments have hybrid roles for which both tax and technology are expected functions. Interestingly, these roles could be evolving: 41% of respondents said they anticipate changing current job roles to accommodate technology growth, and 32% anticipate entirely new job roles as a result of technology.

Experiencing stratified budgeting — Respondents are again largely split on whether their tax department owns its own technology budget (47%) or whether it is shared elsewhere within the business, most often with Finance. However, more than two-thirds (69%) said they are empowered to make technology purchases independently regardless. Among respondents who were familiar with their department's budget for technology, the results were highly stratified by size of department: The average annual technology spend is \$166,000; but is \$60,000 for tax departments with between 1 and 3 employees, compared to \$255,000 for larger tax departments. The annual average budget for *new* technology purchases, meanwhile, was \$94,000 overall, but \$26,000 for smaller tax departments and \$140,000 for larger tax departments.

Leveraging AI and new technologies — Overall, tax departments feel dissatisfied with their technology stack, with respondents roughly split between not satisfied (47%) and somewhat satisfied (47%). However, many departments also have not yet invested in new technologies. Just 9% of respondents said their department has integrated AI into their daily work, while about half (47%) say that less than one-quarter of their department's processes are automated. There also remains a question of whether departments actually know the success rate of their new technology implementations, as just 27% of departments actually capture success metrics related to technology, with satisfaction/happiness, usage rates, and return on investment (ROI) the most common, according to respondents.

Seeing technology as disruptor — Despite perceiving their departments with a lower maturity level, many respondents said they feel that change is coming to the industry. Although few tax departments (4%) believe they approach AI as active users of artificial intelligence, for instance, an additional 28% are exploring it and 44% are considering it. More than three-quarters (78%) said they believe their department's tech capabilities will increase over the next 3 to 5 years, while 65% said they also believe tech budgets will increase over that same span. And when respondents were asked about their sentiment towards the future of tax technology, 68% said they were hopeful and an additional 18% said they were excited, while only 5% reported being fearful or concerned.

Methodology

The first *Corporate Tax Technology Report* is a joint effort between the Thomson Reuters Institute and Tax Executive Institute and was undertaken to better measure the behaviors and attitudes of corporate tax departments on the topics of technology strategy and budget, personnel, usage, and future plans.

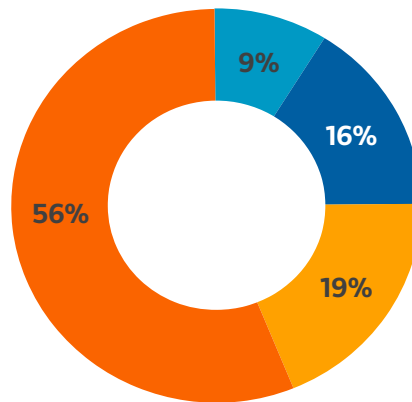
This year’s survey was done via a 30-minute online survey with 171 corporate tax professionals, conducted in September 2023. The sample was drawn from lists provided by Thomson Reuters and Tax Executive Institute, and participants were screened to ensure that they were technology decision-makers within a corporate tax department.

Just more than half of respondents reported working in companies with more than \$1 billion in total annual revenue, and about two-thirds of respondents worked in tax departments of 4 employees or more. The most common job title for respondents was Director of Tax/Tax Director, followed by Tax Manager and VP of Tax.

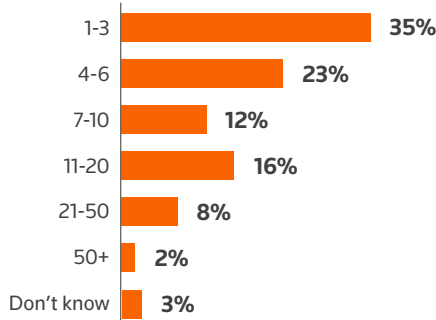
Demographics

Annual Revenue

- \$100M to \$250M
- \$250M to \$500M
- \$500M to \$1B
- More than \$1B



Full-time tax department employees



Most common job titles

| | |
|------------------------------|-----|
| Director of Tax/Tax Director | 22% |
| Tax Manager | 19% |
| VP Tax | 11% |
| Head of Tax | 6% |
| Senior Tax Manager | 4% |

Source: Thomson Reuters 2023

SECTION 1:

Current situation

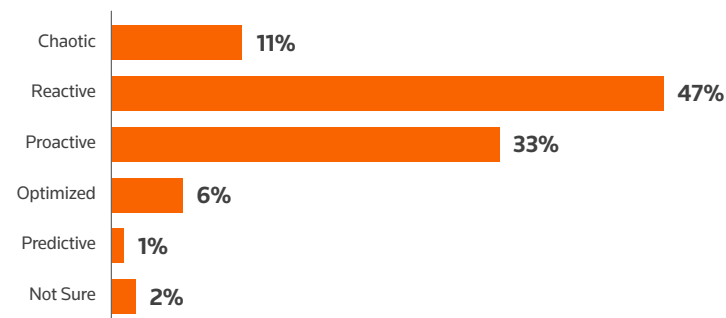
In recent years, corporate tax departments have begun to adopt more technology for both internal workflows and external work process purposes. By and large, however, most corporate tax professionals believe their organization still has not achieved technological maturity.

Nearly three-fifths of respondents categorized their organization as laggards on a technological maturity curve, either as *reactive* or *chaotic*, designations that mean those departments may be using some databases or third-party software but are not fully integrating their technology within their workflow. Less than 10% of respondents, meanwhile, categorized their organization's technological maturity as *optimized*, meaning their department leverages analytics-driven decision making and automated workflows; and just 1% called it *predictive*, indicating the department is using proactive data to manage risk across the enterprise.

FIGURE 1:

Organization's position on technology maturity curve

Nearly three-fifths (58%) characterize themselves as laggards on the technology maturity curve – either largely reactive (47%) or chaotic (11%).



* Indicates significant difference from comparison.

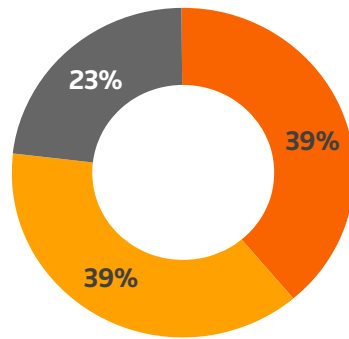
| Revenue | |
|--------------|--------------|
| <\$1 Billion | \$1+ Billion |
| *16% | 7% |
| 48% | 46% |
| 25% | *40% |
| 9% | 4% |
| 0% | 1% |
| 1% | 2% |

Source: Thomson Reuters 2023

These trends were more pronounced at smaller companies. At companies with annual revenue of less than \$1 billion, 16% of respondents called their technology maturity *chaotic*, compared with just 7% of respondents from companies with more than \$1 billion in annual revenue. On the other hand, 45% of respondents from those larger companies called their technology *proactive* (a middle-ground designation) or better, compared with just 34% of respondents from smaller companies.

However, just because many corporate tax departments feel they are lagging in their technological maturity, that does not mean they are necessarily falling behind their larger companies' technology vision. On the contrary, many respondents said they feel their departments' technology strategy aligns with that of the larger business, with nearly 40% saying their departments' tech strategy is *very aligned* with the larger business.

FIGURE 2:
Alignment between tax department and larger business tech strategies



Close to one-quarter (23%) say that their department's technology strategy is not aligned with that of the larger business. Nearly 40% state that they are very aligned to the organization.

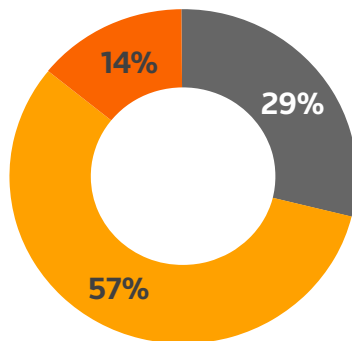
- Very aligned
- Somewhat aligned
- Not aligned

Source: Thomson Reuters 2023

This means that tax departments with fewer employees feel *less* aligned with those with more employees — 33% of respondents in departments with fewer employees felt not aligned, compared with just 17% of respondents at departments with 4 employees or more.

To tackle those strategies, corporate tax departments are by and large mixing two methods — perfecting current technologies while upgrading to new technology. There is a slight lean, however, towards new technologies, particularly at companies with annual revenue of less than \$1 billion.

FIGURE 3:
Organization's primary technology focus



A majority (57%) are trying to balance perfecting their current technology with upgrades to new technology.

- Upgrading to new technology
- A balance of perfecting and upgrading
- Perfecting current technology

| | Revenue | |
|---------------------------------------|--------------|--------------|
| | <\$1 Billion | \$1+ Billion |
| Upgrading to new technology | 35% | 24% |
| A balance of perfecting and upgrading | 51% | 63% |
| Perfecting current technology | 15% | 14% |

Source: Thomson Reuters 2023

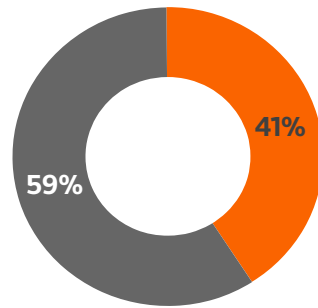
These figures indicate that many companies are actively looking to purchase new technologies or upgrade their current capabilities as new technologies arise. But as they do so, many tax departments are tackling these upgrades in the absence of a larger digital transformation initiative within the department.

FIGURE 4:
Initiatives to engage in broader digital transformation

Three-fifths do not currently have an initiative to broaden digital transformation in their tax department. Of those that do, the initiatives are most often spearheaded within their department (61%).

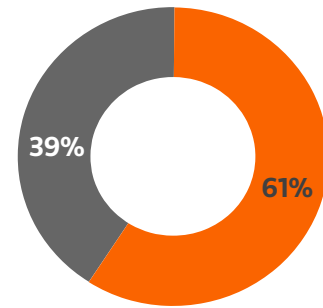
Initiative within tax department to engage in broader digital transformation

■ Yes ■ No



Department responsible for spearheading initiative

■ Tax department ■ Elsewhere in the organization



Source: Thomson Reuters 2023

Indeed, smaller tax departments in particular have not implemented broader digital transformation initiatives, with 28% of departments of three employees or fewer reporting these plans, compared with 48% of departments with 4 or more employees. Among tax departments that do have these initiatives, however, the department itself has largely been tasked with spearheading the initiative rather than it being led from elsewhere within the organization.

SECTION 2:

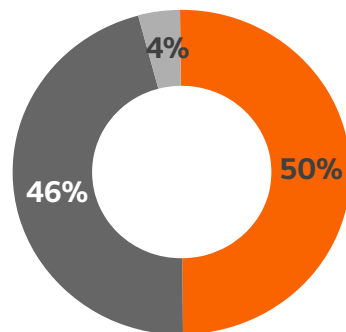
Human resources and technology competency

To help further these technology strategies, corporate tax departments are beginning to develop lines of reporting and in some cases specific roles or new positions to tackle technology implementations and processes. However, there remains no set standard for how technology personnel should be organized in corporate tax departments, leading to a disparate set of job titles, hiring approaches, and distribution of technology duties across the department.

Only about half of respondents say they even have a point person within the department who is charged with leading tax technology strategy. Interestingly, this is particularly prevalent at tax departments with more employees and at larger companies, where increased bureaucracy may muddy the waters and reporting lines for technology.

FIGURE 5:

Dedicated person for tax technology strategy



One-half of respondents say they have a point-person charged with their tax technology strategy.

| | Revenue | | Tax dept employees | |
|------------|--------------|--------------|--------------------|-----------|
| | <\$1 Billion | \$1+ Billion | 1-3 | 4 or more |
| Yes | *59% | 44% | *63% | 43% |
| No | 36% | *53% | 35% | *53% |
| Don't know | 5% | 3% | 2% | 4% |

* Indicates significant difference from comparison

Source: Thomson Reuters 2023

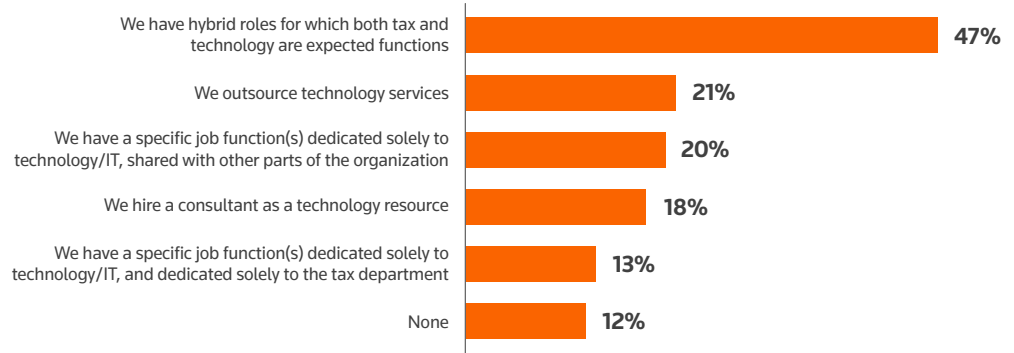
The job titles that function as these point persons for technology strategy vary widely as well, with the most common ones being Director of Tax (or Tax Director), Tax Manager, and VP of Tax. Among all respondents with a point person, however, eight different titles received votes from our researchers' list, and an additional 20% indicated that the point person's job title was outside the given list. Clearly, there is no uniformity among corporate tax departments for which job title should lead technology strategy.

A similar trend emerges when respondents were asked about their departments' approach to staffing technology resources. A plurality of departments say they have hybrid roles for which tax and technology are expected functions. That approach is not uniform, however,

and in fact is just one of many approaches departments are taking to staff technology personnel. And 12% of respondents said their departments have no set approach to staffing technology matters at all.

FIGURE 6:
Technology resource approach

Nearly one-half (47%) say that their tax departments have hybrid roles where both tax and technology are expected functions.



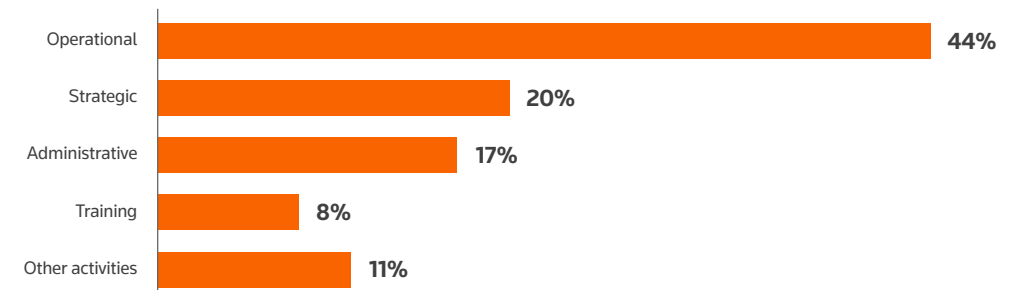
Source: Thomson Reuters 2023

Notably, just 33% of respondents said their tax departments have personnel solely dedicated to technology, whether those personnel live within the tax department or elsewhere within the organization. These personnel also hold a variety of titles — with Chief Information Officer and Tax Technology Manager being the most common, although those titles only occurred at just about 10% of departments with dedicated technology personnel.

However, even those tax departments with dedicated technology personnel are not necessarily empowering their personnel to make strategic decisions. Respondents said those dedicated technology personnel typically spend most of their time on operational activities — just 20% said their dedicated technology personnel spend most of their time on strategic activities.

FIGURE 7:
Distribution of dedicated tax IT/tech pro’s daily activities

Dedicated tax IT/technology professionals spend most of their time (44%) on operational activities.



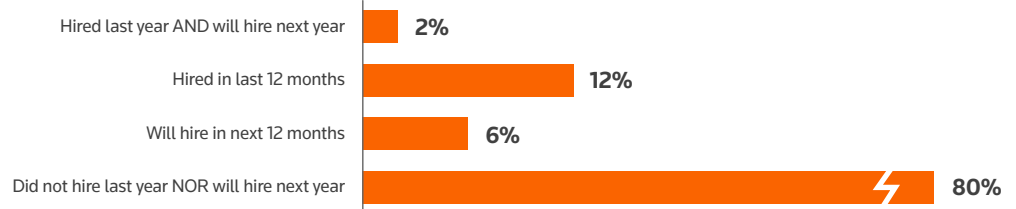
Source: Thomson Reuters 2023

If corporate tax departments are looking to move up the technology maturity curve, however, it does not seem that they see hiring as their most likely avenue to do so. Very few companies are currently staffing technology personnel dedicated to the IT and tax departments, with even fewer expected to hire these personnel over the next year than did in the previous 12 months. And while slightly more companies are turning to technology consultants or outsourced technology services for personnel, a majority still said they have not hired within the past year, nor were they anticipating hiring within the next 12 months.

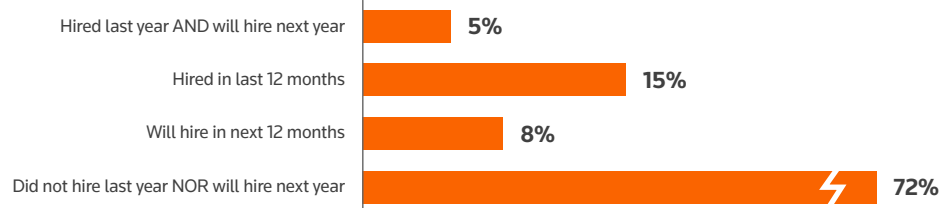
FIGURE 8:
Hiring technology resources

Recent and projected technology hiring trends are fairly bleak, with most saying they didn't hire tech resources in the past year and do not plan to hire next year. The strongest growth has been and will continue to be outsourcing services.

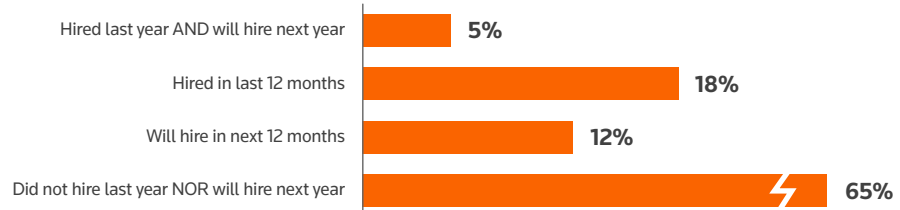
Internal hire dedicated solely to IT and tax department



Technology consultant



Outsource technology services

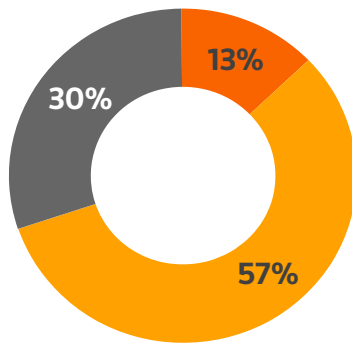


Source: Thomson Reuters 2023

For those departments actually hiring dedicated tax technology professionals, they typically hire for the role from one of two main career paths: tax professionals who become proficient with technology, or technologists that learn the intricacies of the tax industry. Those departments that have hired tax technology professionals within the past 12 months were roughly split among those two paths – 48% indicated their hires primarily had a tax background, while 44% reported that their hires primarily had a technology background.

Beyond those professionals with technology as part of their job description, technological competency within the tax department is a mixed bag. In ranking their department personnel’s tech competency from 1 to 10, the majority of respondents rated their department as somewhat competent, while nearly one-third rated their department as not tech competent.

FIGURE 9:
Tax department personnel technology competency



Respondents describe modest levels of personnel technology competency within tax departments, rated 1 to 10.

- Very competent (9, 10)
- Somewhat competent (7, 8)
- Not competent (1-6)

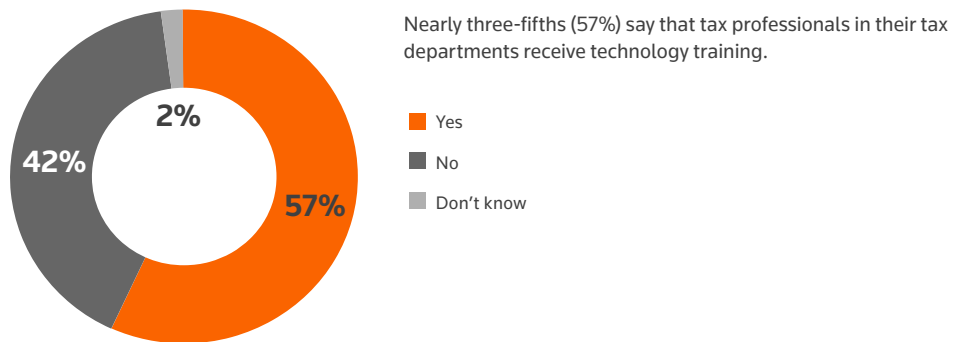
| Tax dept employees | |
|--------------------|-----------|
| 1-3 | 4 or more |
| *20% | 9% |
| 53% | 58% |
| 27% | 33% |

* Indicates significant difference from comparison

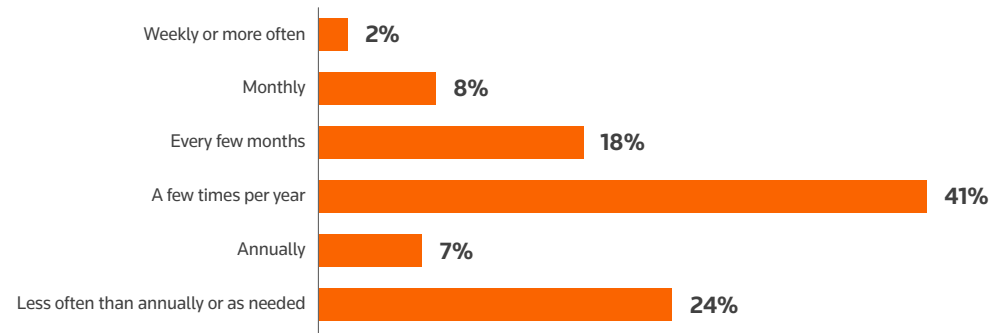
Source: Thomson Reuters 2023

Interestingly, just as smaller tax departments with 1 to 3 members reported more defined point people in charge of technology strategy, so too do those smaller departments report more tech competency: 20% of respondents in smaller departments said their personnel were *very competent*, compared to just 9% of departments with 4 or more employees.

Perhaps one reason behind the moderate technology competency at many tax departments is a relative lack of technology training. Slightly more than one-half of respondents said their corporate tax departments provide technology training to their tax professionals, and of those that do, the training can occur infrequently.

FIGURE 10:**Providing technology training to tax professionals****Frequency of training**

It's most common for technology training to happen a few times per year (41%) or less (31%) for those conducting training.



Source: Thomson Reuters 2023

Even among the respondents who say that technology training occurs in their departments, 31% of the time that training occurs annually or less frequently, and 41% of the time the training occurs just a few times a year. In just 10% of tax departments, meanwhile, technology training occurs monthly or more frequently.

SECTION 3:

Technology planning and budgeting

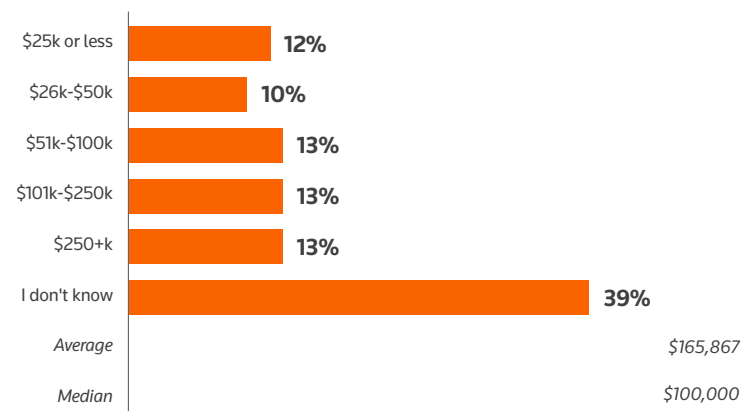
For the most part, corporate tax departments are budgeting funds to increase their current technological capabilities and upgrade as new technologies emerge. However, many of those budgets remain unclear and nebulous to even those within the tax tech ecosystem, and many tax departments lack formal feedback mechanisms to determine whether technology projects are ultimately successful.

Overall, when asked about overall technology budgets and spending, many corporate tax respondents either remained in the dark about firm dollar figures or were not willing to share those dollar figures. Nearly 40% of respondents, for example, answered that they did not know their tax department's annual spend on technology, a potential reflection of the overall maturity and tech competency in many departments.

Among those respondents who reported a technology budget, the dollar figures were varied — 12% of total respondents reported spending less than \$25,000 on technology annually, while 13% of total respondents reported spending more than \$250,000 on technology. The differences are particularly stark when comparing tax departments with three or fewer employees to those with higher headcounts.

FIGURE 11:
Tax department average annual technology spend

Two-fifths (39%) don't know their tax department's annual technology spend, but of those who do, roughly \$166,000 is the average estimated annual spend.



* Indicates significant difference from comparison.

| Tax dept employees | |
|--------------------|------------|
| 1-3 | 4 or more |
| *33% | 1% |
| *20% | *5% |
| 13% | 14% |
| 12% | 14% |
| 2% | *20% |
| 20% | *46% |
| \$59,688 | *\$255,281 |
| \$30,000 | \$200,000 |

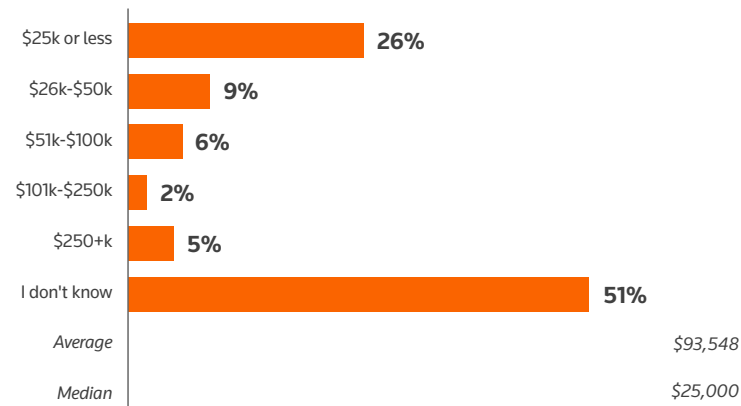
Source: Thomson Reuters 2023

Even though smaller tax departments (by headcount) report higher levels of tech competency and more defined technology leadership, their spending trails far behind departments with 4 or more employees. Indeed, companies with more tax employees spend on average over four-times more than those with fewer tax employees – a \$200,000 to \$30,000 split if measuring by median spend, or a \$255,281 to \$59,688 split if measuring by average spend.

All these trends largely hold true when looking solely at spending on *new* technology as well. In this case, budgets are even more nebulous, as more than half (51%) of respondents said they did not know their department’s new technology budget total. Of those who did reported figures, the totals were understandably lower than total spend, with about one-quarter of total respondents spending below \$25,000 on new technology. However, 5% reported spending more than \$250,000 on new technology alone, causing another large split between smaller and larger departments.

FIGURE 12:
Tax department’s average annual budget for new technology

More than one-half (51%) do not know their tax department’s annual *new* technology budget, but of those who do know, \$94,000 is the average budget.



| Tax dept employees | |
|--------------------|------------|
| 1-3 | 4 or more |
| *47% | 16% |
| 5% | *12% |
| 3% | 8% |
| 0% | *3% |
| 2% | *7% |
| 43% | 54% |
| \$25,956 | *\$140,449 |
| \$10,000 | \$50,000 |

* Indicates significant difference from comparison.

Source: Thomson Reuters 2023

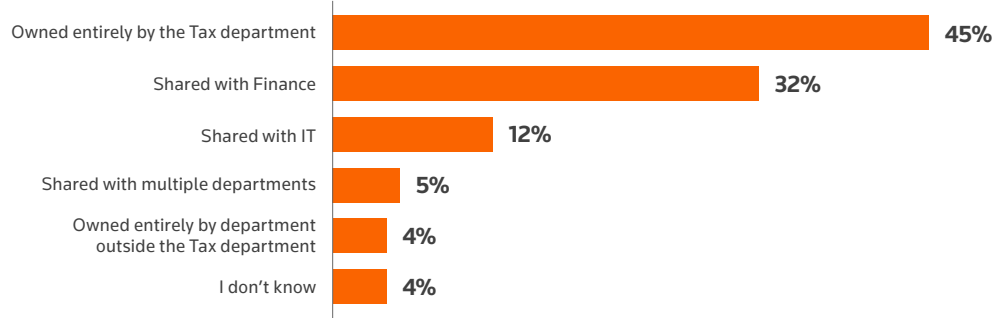
These disparities were not lost on respondents. One noted that “AI will likely change research and other tax areas significantly but may take time to trickle down to companies below the Fortune 500 and served by the Big 4 to others due to cost thresholds and lack of adequate knowledge of AI.”

As for who actually controls the budget itself within the organization, ownership is roughly split between the tax department itself and others, with the tax department slightly more likely to own the technology budget in larger organizations. Among the budgets that are shared, the finance department is the most likely partner, followed by the IT department. For just 4% of respondents, the technology budget is owned entirely outside of the tax department.

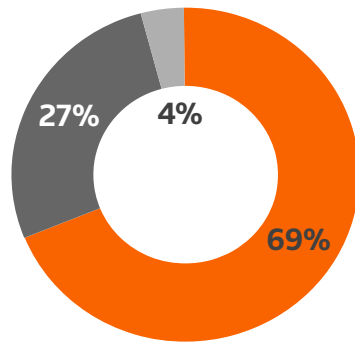
FIGURE 13:

Owner of tax department technology budget

Nearly one-half (45%) say the tax department’s technology budget is owned entirely by the tax department. Finance is the department with which they’re most likely sharing budget.



Tax department technology purchase decision independence



A majority (69%) say their tax department can make most technology purchasing decisions independently.

- Yes
- No
- Don't know

Source: Thomson Reuters 2023

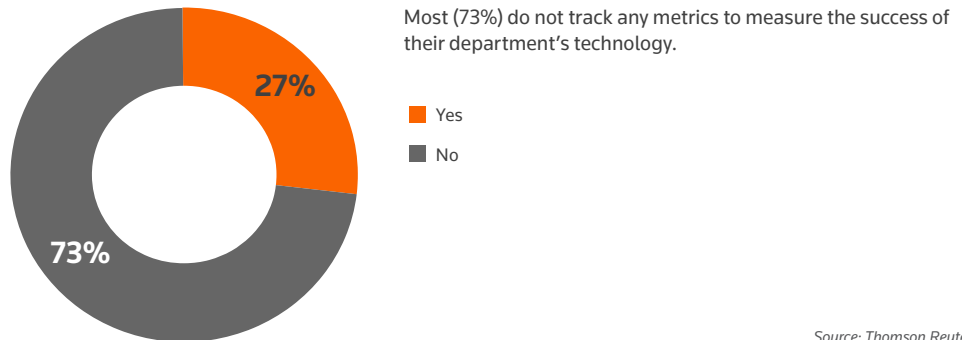
However, even if budgets are shared, corporate tax departments are largely able to independently make their own technology-purchasing decisions. More than two-thirds (69%) of respondents said their tax departments are able to make technology-purchasing decisions independently, a figure that stayed consistent across all company and tax department sizes.

For some, however, the lack of an independent budget could harm the decision-making process, even if the technology would be beneficial. As one respondent explained, “Technology will help immensely, but it is too difficult to get budget approval as the general consensus is that tax is not a value-added function.”

And once technology-purchasing decisions have been made, many corporate tax departments may also have trouble determining the efficacy of implemented technology. As it stands, nearly three-quarters of corporate tax departments do not track any metrics to determine the success of technology within the department, according to survey respondents.

FIGURE 14:

Tax department tracks metrics to determine success of technology



Source: Thomson Reuters 2023

Larger corporate tax departments tend to track success metrics more than smaller departments, as 82% of respondents from tax departments with 3 or fewer employees said they do not track these data points. Among the firms that do track these metrics, three data points were cited by at least 60% of respondents: *satisfaction/happiness*, *usage rates*, and *return on investment (ROI)*. Also, about one-third also cited help desk tickets as a preferred metric.

SECTION 4:

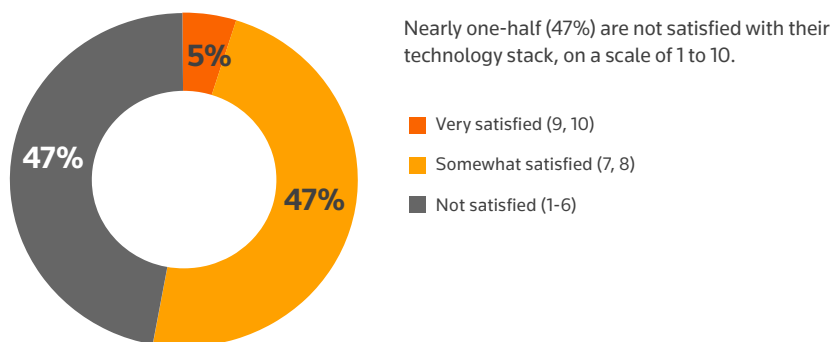
Technology use and satisfaction

Even with an increased focus on innovation in the marketplace, most corporate tax departments believe there is still room to grow their technology stack, as a number of respondents said their departments remain unsatisfied with their current technology offerings. However, there are indications that this may soon change. Several next-generation tax technologies — from data management and workflow management to tax analytics and key performance indicators (KPIs) — have potentially interested buyers. And while most have also not yet embraced technologies featuring artificial intelligence, more than half of respondents also indicated they are interested or actively exploring its use, suggesting a growing acceptance of these tools within the corporate tax marketplace.

When asked to rate their overall satisfaction with their department's technology stack on a scale from 1 to 10, only 5% of respondents gave top marks of either a 9 or 10. Most fell somewhere in the middle, with roughly equal numbers saying they were *somewhat satisfied* and *not satisfied* regardless of the size of their tax department.

FIGURE 15:

Satisfaction with tax department technology stack



Source: Thomson Reuters 2023

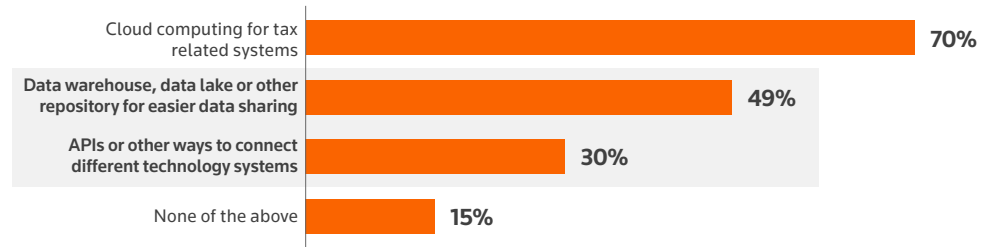
Part of the reason for this lower satisfaction may be that tax departments are still in the process of adopting current-generation technologies for both internal architecture as well as work-product related systems. For instance, some tools on the back-end — such as cloud storage — saw adoption accelerate because of remote work during the COVID-19 pandemic. That crisis has given those tools large (but not universal) usage, with 70% of respondents saying their department uses cloud computing for tax-related systems.

But other integration tools are not being fully utilized: Less than half of respondents said their departments use a data warehouse, data lake, or other repositories for easier data sharing, and less than one-third of departments use network communication tools like application programming interfaces (APIs) or other ways to connect different technology systems.

FIGURE 16:

Technologies used by tax department

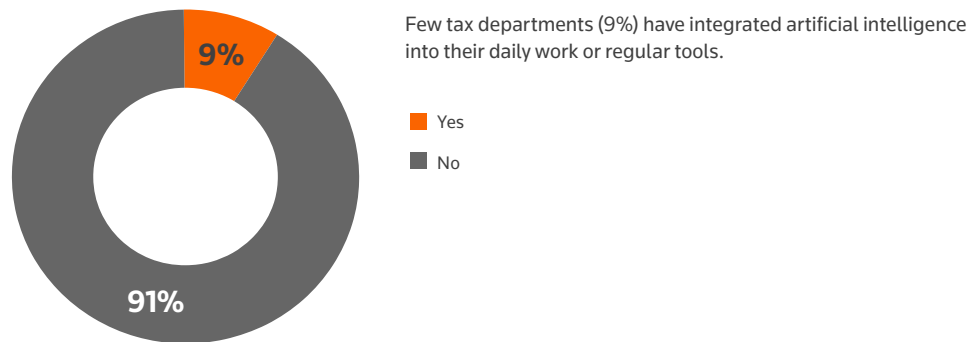
Cloud computing for tax-related systems is more commonly used by tax departments.



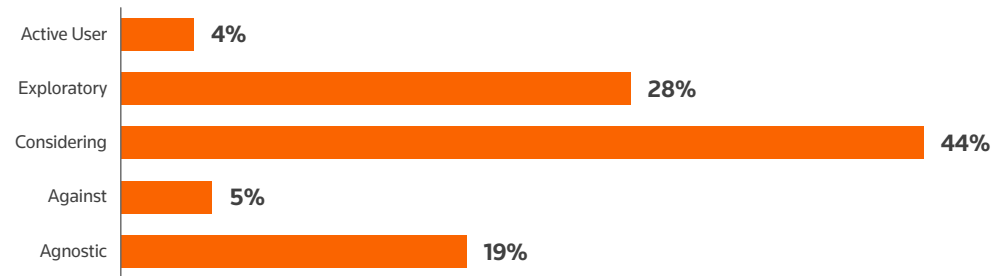
Source: Thomson Reuters 2023

Indeed, tax departments are only employing moderate levels of automation in their tools, the survey shows. The majority of respondents (60%) estimate that somewhere between 10% and 50% of their tax departments' work processes are automated. No respondents said their automation level was 90% of processes, but 17% said less than 10% of their department's processes were automated.

There is reason to believe this level of automation may be changing, however. While the level of artificial intelligence use in corporate tax departments is currently low, more than half of respondents say their departments are either considering or actively exploring AI use. Just 5%, meanwhile, are actively *against* AI use.

FIGURE 17:**Integrating AI into tax department daily work****Tax department attitude toward artificial intelligence**

Although few tax departments (4%) are active users of artificial intelligence, 28% are exploring it and 44% are considering it.



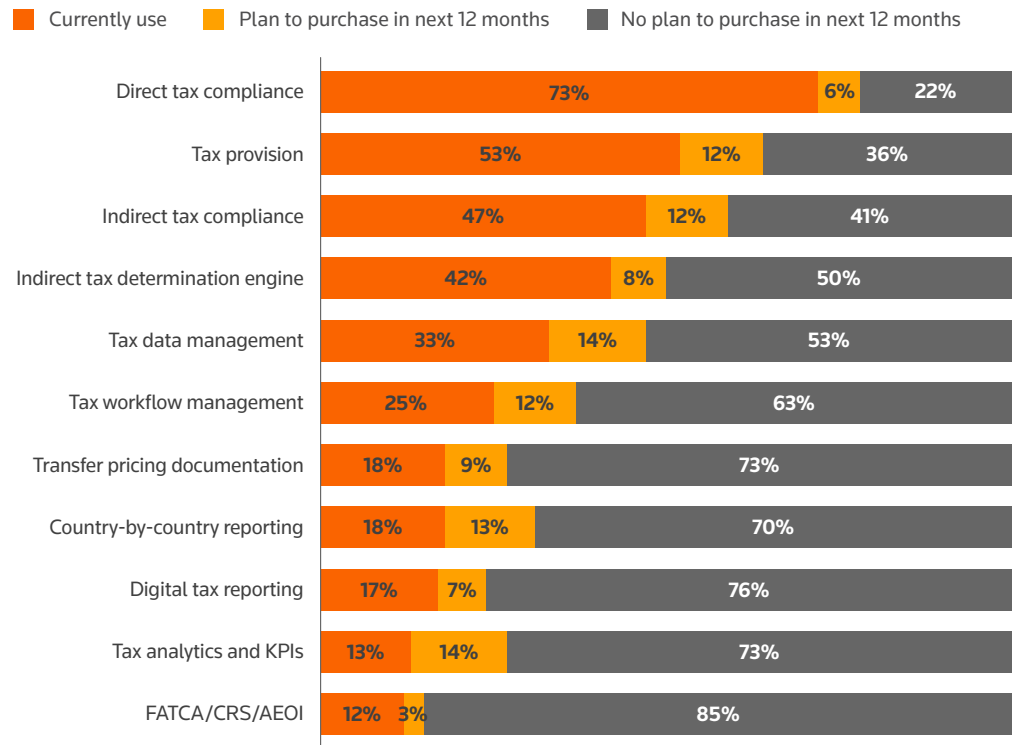
Source: Thomson Reuters 2023

This curiosity is also reflected in how tax departments are planning their software usage. Currently, some types of software solutions, such as direct tax compliance and tax provision software, are used by a majority of firms. Other potentially more niche solutions, such as transfer pricing documentation and digital tax reporting, are used by less than 20% of departments, according to survey respondents.

However, just about every category of software solution is seeing some potential interest from today's tax departments. While just 13% of respondents said they currently use tax analytics and KPIs, for instance, slightly more (14%) said they plan to purchase the technology within the next 12 months. Similarly, while just 18% of respondents currently utilize country-by-country reporting, an additional 13% plan to adopt that technology within the next year.

FIGURE 18:**Current usage of tax technology solutions**

The most commonly used solutions are direct tax compliance (73%) and tax provision solutions (53%).



Source: Thomson Reuters 2023

The key to these potential technology adoptions, respondents said, is demonstrating actual change. “I am open to any type of technology that can give us real and significant improvement,” one explained. “I’m skeptical of a lot of the solutions brought to us that would only provide minimal improvements but would require the team to learn a whole new software and process.”

There is reason to believe that the overall level of technology usage will increase within the next one to three years as more of these solutions are adopted. Whether they are used in a widespread basis among tax departments remains to be seen, but increased availability of this tech for tax personnel is a worthwhile first step to introducing more automation and next-generation technologies into the tax workflow.

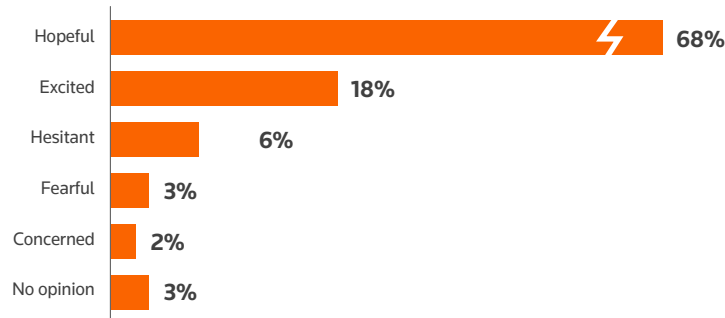
SECTION 5: Anticipated changes and outlook

Just as many tax departments are exploring the potential for new technology purchases, it follows that many are anticipating a technology-filled future for corporate tax departments. Respondents said they expect potential changes in how their departments are staffed, how they are budgeted, and how daily work is performed as new technologies are introduced. And by and large, respondents said they are excited and ready for those changes to occur.

When asked about their sentiment towards the future of tax technology, respondents had one dominant emotion above all others — *hopeful*.

FIGURE 19:
Sentiment toward future of tax technology

The predominant sentiment toward the future of tax technology is hopefulness (68%).



| Revenue | |
|--------------|--------------|
| <\$1 Billion | \$1+ Billion |
| 64% | 71% |
| 16% | 19% |
| *12% | 3% |
| 3% | 3% |
| 3% | 1% |
| 3% | 3% |

* Indicates significant difference from comparison.

Source: Thomson Reuters 2023

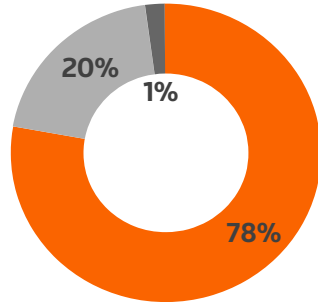
That is not to say there are no negative feelings towards new technology, to be certain. A sizeable portion of respondents from smaller revenue companies in particular feel hesitant towards oncoming tax technologies, possibly as a result of unfamiliarity towards the technology or job security concerns. One respondent noted, “Out past 3-5 years, we believe AI and automation could lessen the need for our department. It is possible that the department as a whole could be eliminated in lieu of cloud-based/outside resources that perform similar duties, whether human or AI.”

Overall, however, it is reasonable to say that hopefulness and excitement abound as new tax technologies come into focus. As a result of these new technological advancements, corporate tax departments also anticipate major changes — not only in terms of overall technology capabilities, but for budgets to grow in kind with technology investment as well.

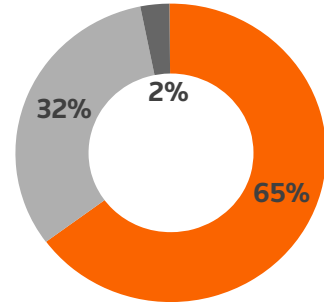
FIGURE 20:
Anticipated changes in capabilities and budget

Most (78%) expect their tax department’s technology capabilities to increase over the next few years, and a majority (65%) expect technology budgets to increase.

Change in tax department tech capabilities over next 3-5 years
 ■ Increase ■ Stay the same ■ Decrease



Change in tax department tech budget over next 3-5 years
 ■ Increase ■ Stay the same ■ Decrease



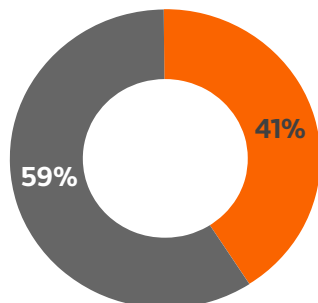
Source: Thomson Reuters 2023

While higher revenue companies are more likely to anticipate increasing technology capabilities in their tax function, departments of all company and employee sizes agree that increases are coming across the board. Notably, many respondents said they also believe this may mean an increase in personnel handling technology – whether through outside hiring or by adjusting current job roles – particularly in larger companies and tax departments.

FIGURE 21:
Anticipated role changes to accommodate technology growth

About two-fifths (41%) expect to change current job roles within their tax departments to accommodate technology growth.

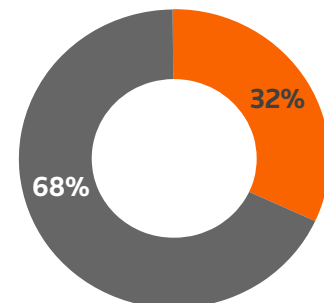
Anticipate changing current job roles in tax department to accommodate technology growth
 ■ Yes ■ No



Anticipated new role due to technology changes

About one-third (32%) expect to change hiring practices as a result of technology changes.

Anticipate new job roles/titles within tax department due to technology changes
 ■ Yes ■ No



Source: Thomson Reuters 2023

Many respondents said they were not yet sure what job roles may shift or change as a result of increasing technology integrations. However, they did foresee a number of potential ideas for new roles popping up within the corporate tax departments of tomorrow, with some of the most common roles suggested including *Tax Technology Manager*, *Tax Analyst*, and *Tax Technology Specialist*.

But the expected tax department changes due to technology go beyond just budgets and personnel. Respondents also pointed to a number of other quality of life improvements that new technology may provide, such as greater efficiency, improvements brought by automation, and a transformation of their tax work because of a stronger data-analytics focus.

FIGURE 22:

How will technology change the tax department?

Common free response answers:

- Improves efficiency
- Improvements through automation
- Technology will be a game changer
- AI's potential to assist tax specialists
- Allows shifts in work to value-added tasks
- Transforms tax work with analytics focus
- Improves compliance
- Aids tax calculations and reporting
- Improves accuracy

Source: Thomson Reuters 2023

Of course, not every potential change was a positive one. Respondents also suggested that technology could bring *approval challenges in tax departments* and admitted to a *growing concern about too much tech reliance*.

Many respondents said they were particularly interested in the ability of new tax technology to free them up for more high-value work. A number were also hopeful in the ability of increased automation to allow them to focus on more strategic work as compared to operational, repeatable tasks. As one respondent noted, "I think the main benefit of technology will be automating time-consuming manual tasks and allow us to focus on the bigger picture."

Conclusion

The corporate tax world has begun to explore the rapidly shifting realm of modern technology, but by and large remains comparatively behind its business counterparts. Among corporate tax departments, overall technology maturity and competency remains low, personnel assignments and measures for technology success remain vague, training is sporadic, and budgets vary wildly based on the size of the company and tax department (and in some cases whether there is even a formal tax technology budget in the first place).

As a result, adoption of key infrastructure and software upgrades remains low, and overall satisfaction of departments' current technology stacks is middling.

There is reason — and optimism — for upcoming change, however. Many respondents said their tax departments see the capacity for change and actively expect both technology capabilities and budgets to grow within the next three to

five years. Some tax departments have instituted wider digital transformation initiatives to get up to speed, and new roles are being created to provide accountability and a point person for technology plans. Artificial intelligence in particular has the eye of many corporate tax professionals, with many departments being either in the consideration or exploration phase of AI adoption. Clearly, there is movement towards a more automated tax future.

Corporate tax is intrigued by the possibilities, but there still needs to be work done to make next-generation technologies fit.

What this future will mean for daily tax work and tax professionals themselves is largely uncertain. Respondents interpreted these trends in one of two ways. First, for some, the lack of hiring is an indicator that technology is intended to replace rather than help. "It will eradicate my job and tax departments completely," said one respondent. Second, for others, the prospect of how technology will affect tax department personnel is a net positive, with one saying, "I don't anticipate downsize[ing] of the tax department as human judgements are still much needed."

Still others see a future where technology and tax personnel are integrated: "I think tax research will be automated due to advancements in AI, but will continue to work alongside highly skilled technical tax professionals."

For the most part, however, it may be too early to tell, particularly when assessing the impact of new technologies like generative AI. By and large, many within corporate tax departments are still in the consideration and exploratory phase, without the necessary underlying architecture to fully activate potentially paradigm-shifting technologies. Corporate tax is intrigued by the possibilities, but there still needs to be work done to make next-generation technologies fit.

That isn't to say that achieving greater technological maturity can't be done — and with increased optimism towards technology's role in the corporate tax world, the work may have already begun.

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