2025 State of Tax Professionals Report

Technology is driving growth and change

Thomson Reuters Institute

In 2025, accounting firms are leveraging technology to gain efficiencies, spur growth, improve client service, and create a more productive and rewarding workplace.

Every year, we ask tax professionals in tax, audit & accounting firms of all sizes around the world to share what areas of the business they are focusing on and what their top priorities are going to be in the coming year. Responses to our annual survey provide a detailed snapshot into the various challenges currently facing tax leaders and how they are planning to address these issues. The survey also yields valuable insights into the many ways in which macro-market trends such as technological innovation and the search for qualified talent are influencing decision-making at the highest levels of the tax, auditing & accounting profession.

Top priorities for 2025

Survey participants for 2025 represented tax, auditing & accounting firms in the United States, the United Kingdom, Australia, Canada, and Latin America. More than half of the respondents (54%) were either partners or principals in their respective firms.

According to these tax leaders, their top priorities for the coming year are going to be:

1	2	3	4	5
Improved efficiency and add more technology	Grow firm and expand their client base	Increase talent retention and development	Expand and improve client services	Explore pricing options

Source: Thomson Reuters 2025

Power trends: Growth and technology

In terms of priorities, the most dramatic leap in this year's responses compared to those from the 2024 report, is that *growth* jumped to the second-most cited priority this year, compared to being in fifth place in 2024.

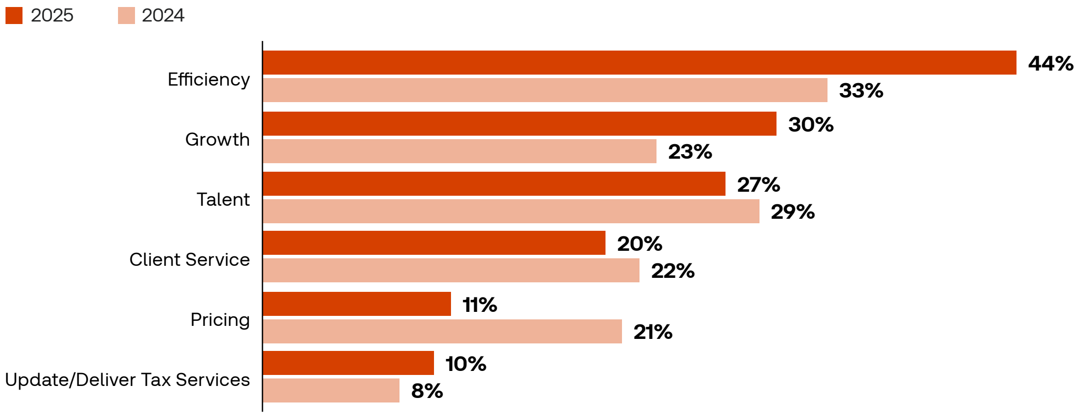
Several forces are driving this push for more growth. One significant factor is the fear of being left behind as tax, audit & accounting firms jostle for position in the race for better technology and superior talent. Both technology and talent require additional investment, of course, and boosting revenue through growth is one way to acquire the necessary capital.

Another contributing factor is that the automation of routine tax work is allowing firms to diversify their service offerings into areas like tax strategy and business consulting, so firms — particularly midsize and large firms — are competing for a different group of business clients who want and need those services. The larger the firm, the more services they can offer and the more clients they can accommodate — hence the need to grow.

FIGURE 1:

Efficiency & growth are greater focuses

Considering your role as a leader within your firm, what are your strategic priorities for the coming 12 months?



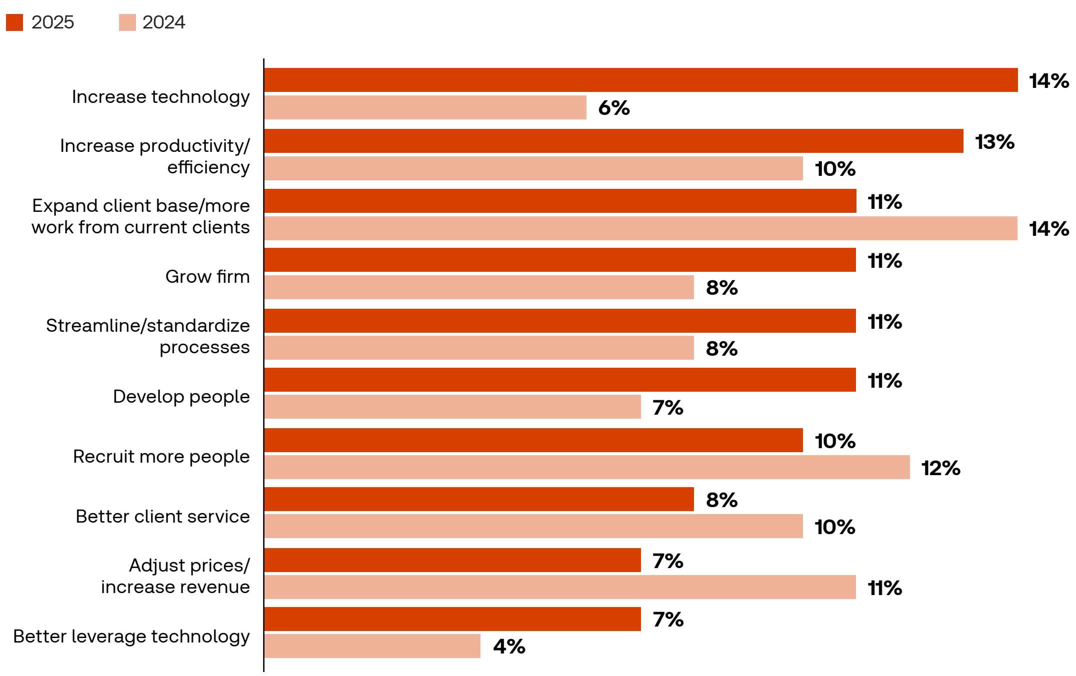
Source: Thomson Reuters 2025

Nevertheless, the drive for *efficiency* remains the top priority for most firms, as it has been for the past three years. Streamlining workflows and processes through more effective use of technology is the predominant strategy firms are using to gain those efficiencies, according to respondents, but outsourcing, training, and better resource allocation were cited as effective methods as well.

FIGURE 2:

Increasing technology is the top priority

Considering your role as a leader within your firm, what are your strategic priorities for the coming 12 months?



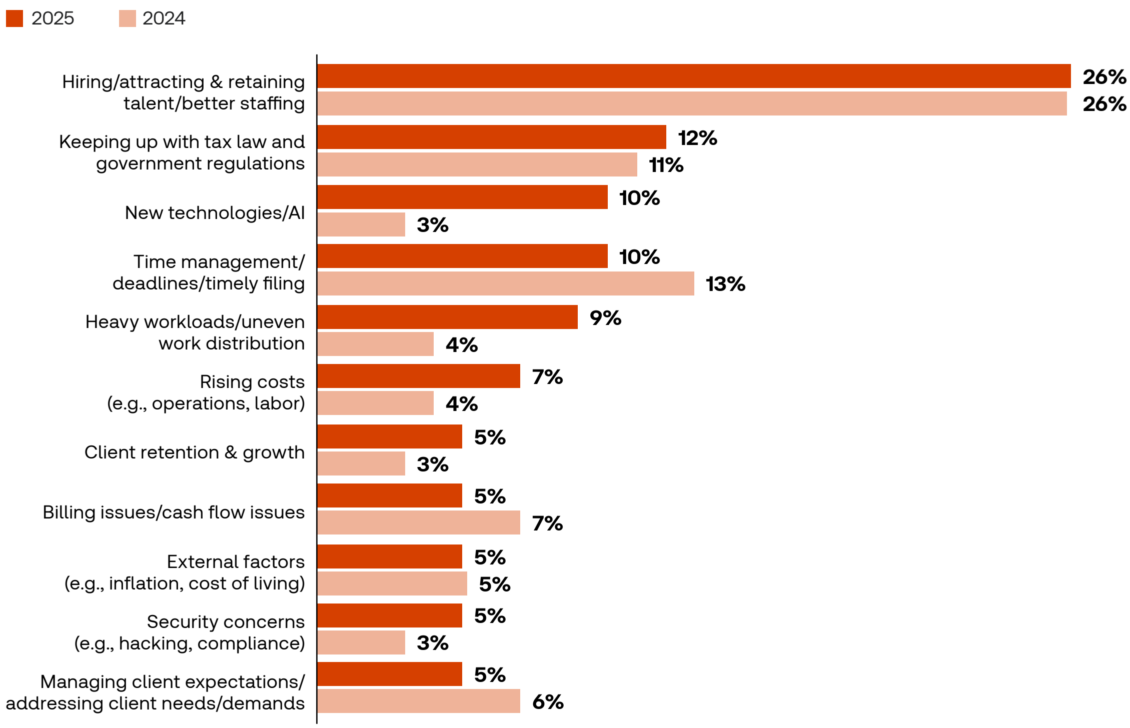
Source: Thomson Reuters 2025

Challenges

FIGURE 3:

Talent remains the top challenge

Please list what issues or challenges, if any, "keep you awake at night".



Source: Thomson Reuters 2025

Accounting firms may have goals, but achieving them usually means overcoming numerous obstacles and facing down at least a few cold, hard realities.

The top challenges firm leaders said they are facing in 2025 include:

1 Hiring, attracting, and retaining quality talent

2 Keeping up with ever-changing tax laws and regulation

3 Incorporating new AI technologies

4 Executing better time management and meeting deadlines

5 Managing heavy workloads and uneven resource distribution

Source: Thomson Reuters 2025

Other challenges include rising operational costs, client retention and growth, cash-flow issues, inflation, security concerns, and managing client expectations. However, the ongoing talent shortage in the accounting profession continues to put pressure on firms to pay higher salaries, offer flexible work options, and establish more viable career paths to attract and keep the best people.

Other key findings from this year's survey include:

- Firms worldwide recorded an average revenue gain of 21.3%, resulting in a 25% rise in average profits
- Half (49%) of respondents said they plan to use technology to increase profits in the coming year
- Although larger firms are flourishing, smaller firms (those with 1-3 people) said they risk losing more than 13% of their business to easier methods of self-filing
- Almost half of respondents (47%) said investing in AI should be a top priority for their firms
- Almost two-thirds (65%) of respondents said their firms' growth strategy revolves around expanding their client base and making better use of technology and automation
- A large portion of respondents (45%) said recruiting new talent will be their biggest challenge in the coming year
- To address the talent issue, almost two-thirds (63%) of respondents from large firms are reallocating administrative tasks and general bookkeeping to those employees without accounting qualifications
- Three-quarters of survey respondents said their clients "strongly" desire more tax and business advice in addition to tax preparation
- And yet, 75% of respondents said their firms continue to cite business and individual tax-return preparation as their most profitable service

METHODOLOGY

Surveys for the *2025 State of Tax Professionals Report* were conducted in the first quarter of 2025. The survey involved 639 respondents from tax, audit & accounting firms of all sizes, with 30% from small firms (between 1 and 3 people), 49% from midsize firms (4 to 29 people), and 21% from large firms (30 or more people). By region, 53% of the responding firms were from the US, 17% were from Canada, and the rest were from firms in the UK, Australia, Brazil, and Argentina. The vast majority of respondents (86%) reported having leadership roles in their organization, and more than half (54%) were either partners or principals.

Looking at priorities for 2025

An in-depth analysis of the top priorities cited by respondents in the 2025 State of Tax Professionals report yields critical insights into what tax, audit & accounting firm leaders see as the key drivers in their industry.

PRIORITY 1: Better efficiency through technology

Driving efficiency — primarily through technology — has been the top priority for most firms for several years, and this year is no exception. It is now widely accepted that many routine tasks and back-office functions can and should be automated, and that doing so is essential for firms that want to grow and diversify their service offerings.

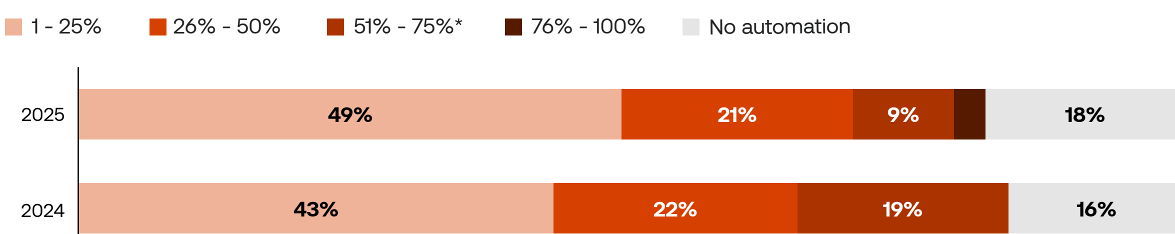
Depending on firm size, however, automation can serve different strategic purposes. Midsize firms (those with between 4 and 29 people) tend to use automation to help them compete with larger firms by allowing their professionals to devote more time to tax strategy and business advisory services; whereas larger firms tend to lean on technology to streamline workflows, gain efficiencies of scale, and establish service differentiators —such as superior data security and analysis — that other firms cannot offer. Larger firms also serve more Fortune 500 corporate clients that generate enormous amounts of tax data and require a level of data-gathering and analysis that only more advanced tax technologies can provide.

Automation: Opportunities and obstacles

FIGURE 4:

Estimated level of automation

What proportion of the tax workflows in your office would you estimate are automated?



*In 2024 'More than 50%' was asked. The 19% shown in the 2024 51-75% section represents 50-100%.

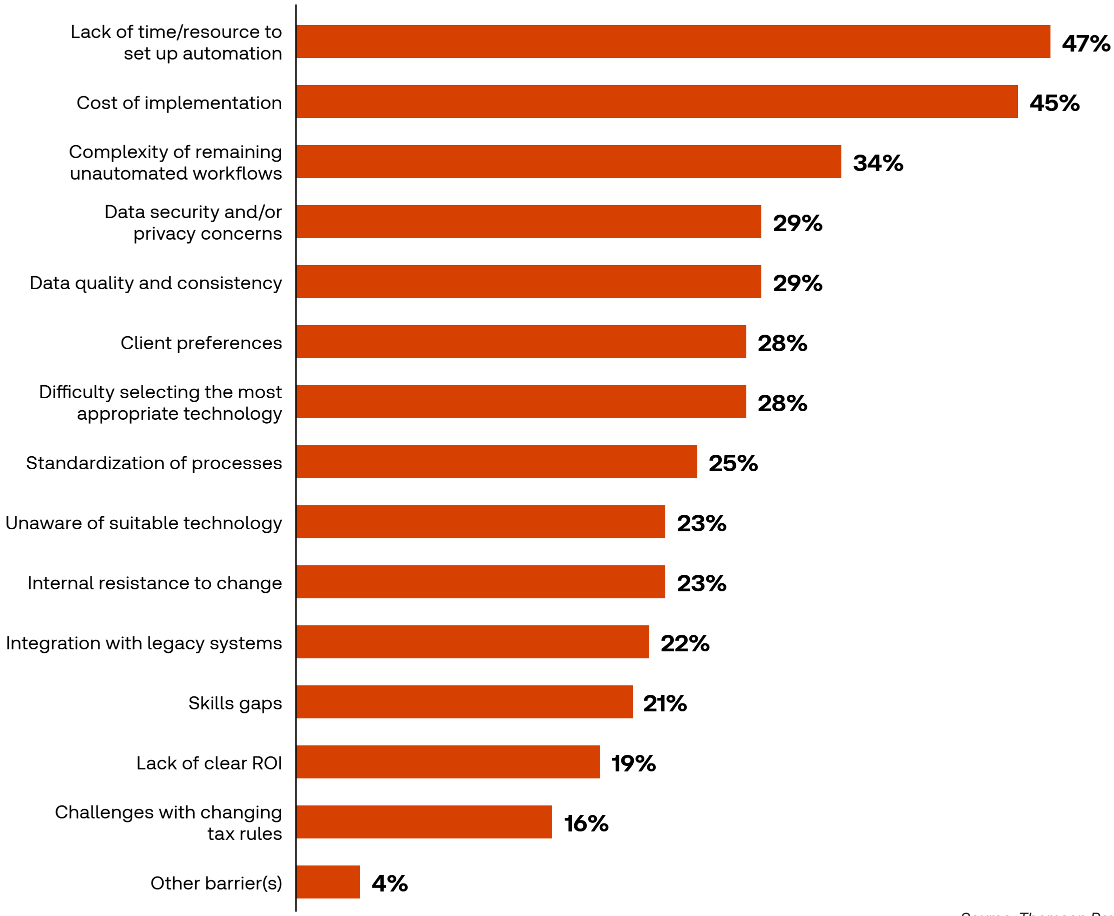
Source: Thomson Reuters 2025

The percentage of firm operations that are automated varies, but in general midsize firms automate a higher percentage of their work than large firms because a greater proportion of the work at large firms is devoted to consulting and advisory services, which can't be automated. Overall, about half (49%) of the respondents to this year's survey estimate that one-quarter of their tax workflows are automated, while 21% said that up to half are automated. And 18% said they use no automation at all.

FIGURE 5:

Main barriers to automation

Which of the following are currently the main barriers to automating a greater proportion of workflow process?

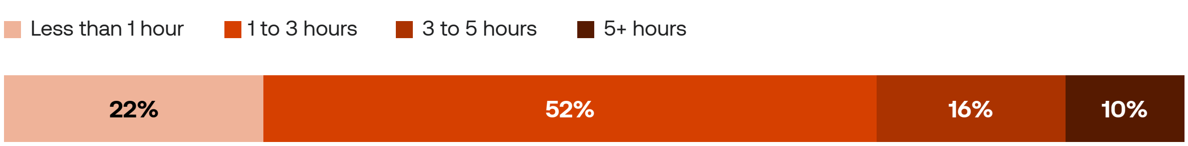


Source: Thomson Reuters 2025

That said, the wish list for most firms includes more automation, not less. Many obstacles stand in the way of that goal, however. Almost half (47%) of respondents said the biggest reason they can't (or don't) pursue more automation is lack of time and resources, followed closely by the cost of implementation (45%). Many other reasons were cited as well, including workflow complexity, data security and quality, client preferences, and difficulties with identifying and selecting the appropriate technology.

FIGURE 6:

How long does the average tax return take?



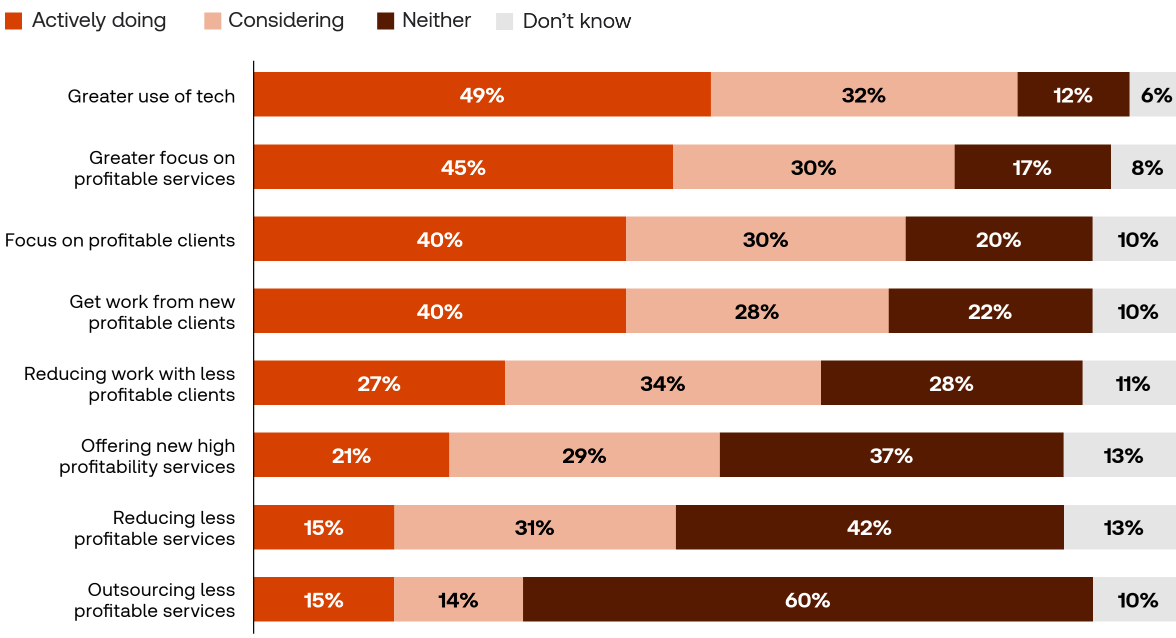
Source: Thomson Reuters 2025

Losses to do-it-yourself programs

FIGURE 7:

Tech continues to be the top strategy to improving profitability

Which of the following is your firm actively doing, or considering doing in the next 12 months, to improve profitability?



Source: Thomson Reuters 2025

Although adding to their tech stack is not on everyone's bucket list for 2025, almost half (49%) of respondents report that technology figures heavily in their plans to improve profitability, followed by a greater focus on the most profitable service offerings and clients, nurturing new clients, and reducing the amount of time devoted to less profitable services and clients.

Interestingly, while profits for accounting firms have been going up overall, many tax professionals are still concerned about the amount of work they are losing to do-it-yourself tax programs. Indeed, respondents to this year's survey estimate that they are in danger of losing an average of 11.35% of their revenue to the advancement and ease of self-filing solutions. Small firms (1 to 3 people) stand to lose the most (13.59%), however, that is likely because their business tends to focus more on individual filers, who are the primary target for DIY tax software.

FIGURE 8:

Losses to DIY: Small firms are most at risk

The average percentage of firm revenue that respondents believe is at risk from people choosing to file their own tax returns:

13.59%	10.96%	8.61%	11.35%
Small firms (1-3)	**Medium firms** (4-29	**Large firms** (30+)	**Average**

Source: Thomson Reuters 2025

The next tech wave: GenAI

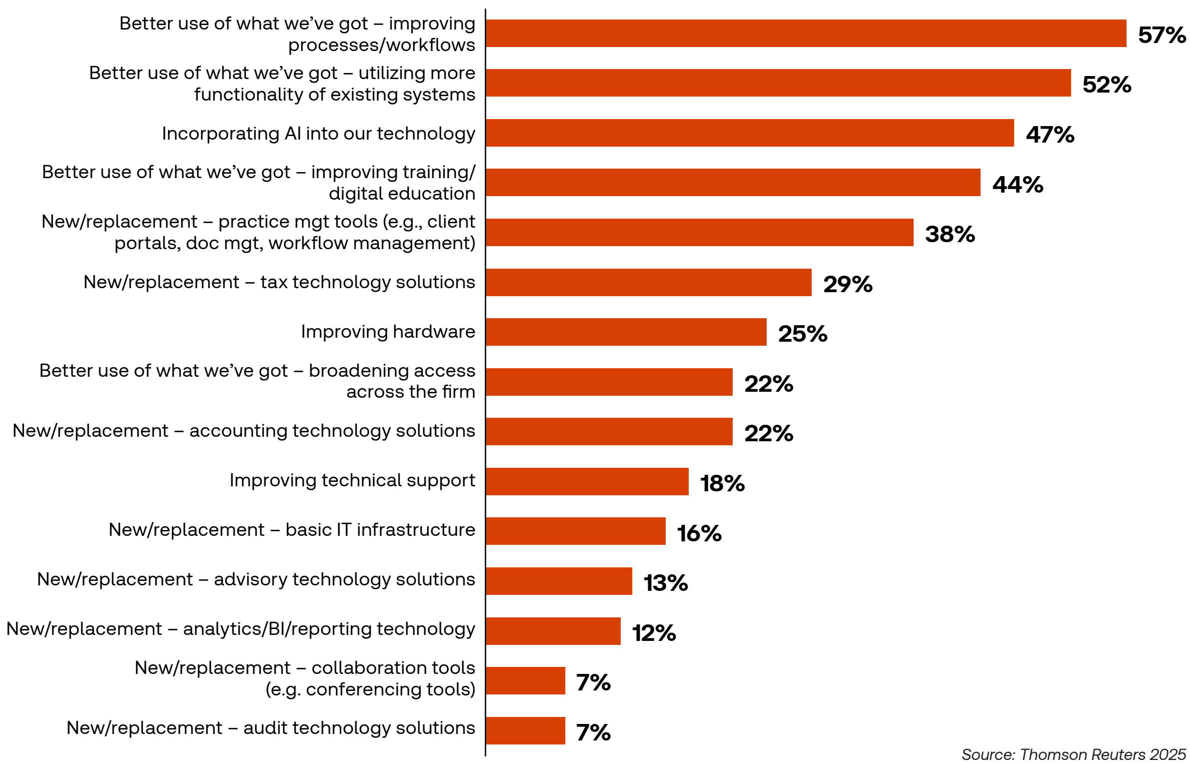
Although tax automation has gotten most of the attention over the past few years, another potential game-changer for the profession is generative AI (GenAI), which has the potential to transform the way accounting firms operate while accelerating productivity in ways that were unimaginable just a few years ago. Not only will GenAI expand the range of accounting functions that can be fully automated, tax tools and solutions that incorporate GenAI soon will enable more granular and accurate financial forecasting, offer more expansive scenario-modeling capabilities, and help firms provide more insightful tax strategies and decision-making support based on real-time analysis of much larger sets of data.

For many reasons — data security among them — accounting firms have not historically been early adopters of new technology. Currently, tax professionals who use GenAI do so primarily for research, while others are waiting for more compelling use cases and applications to materialize, according to survey respondents. Still, some firms have developed their own chat-bots, which serve as a kind of electronic assistant, but these too are primarily research tools, even if they are also being used to answer basic tax questions from clients and the general public.

FIGURE 9:

Investment priorities

Thinking about your firm's investment (both financial and time) in technology over the next 2 years, which of the following types of investment should be prioritized for maximum impact? (rank 1-5)



Source: Thomson Reuters 2025

Nevertheless, interest in leveraging AI is the *only* category of technological investment that increased in this year's survey, with almost half of respondents (47%) saying it should be a high priority. Virtually every other category of technology saw a decline in relative importance as a priority this year — perhaps because this is because so many firms already have invested heavily in technology over the past few years, the need for new tech is not as urgent.

Recent tech investments may also explain why getting better use out of the technology firms already own was cited by more than half of respondents as the top technology investment priority over the next two years. Indeed, 52% said getting more functionality out of existing systems should be a top priority, and 44% cited the need for improved training and digital education programs. Only 29% thought investing in new tax solutions should be a top priority, and less than a quarter of respondents said their firms should focus on replacing accounting systems, analytics tools, or audit solutions.

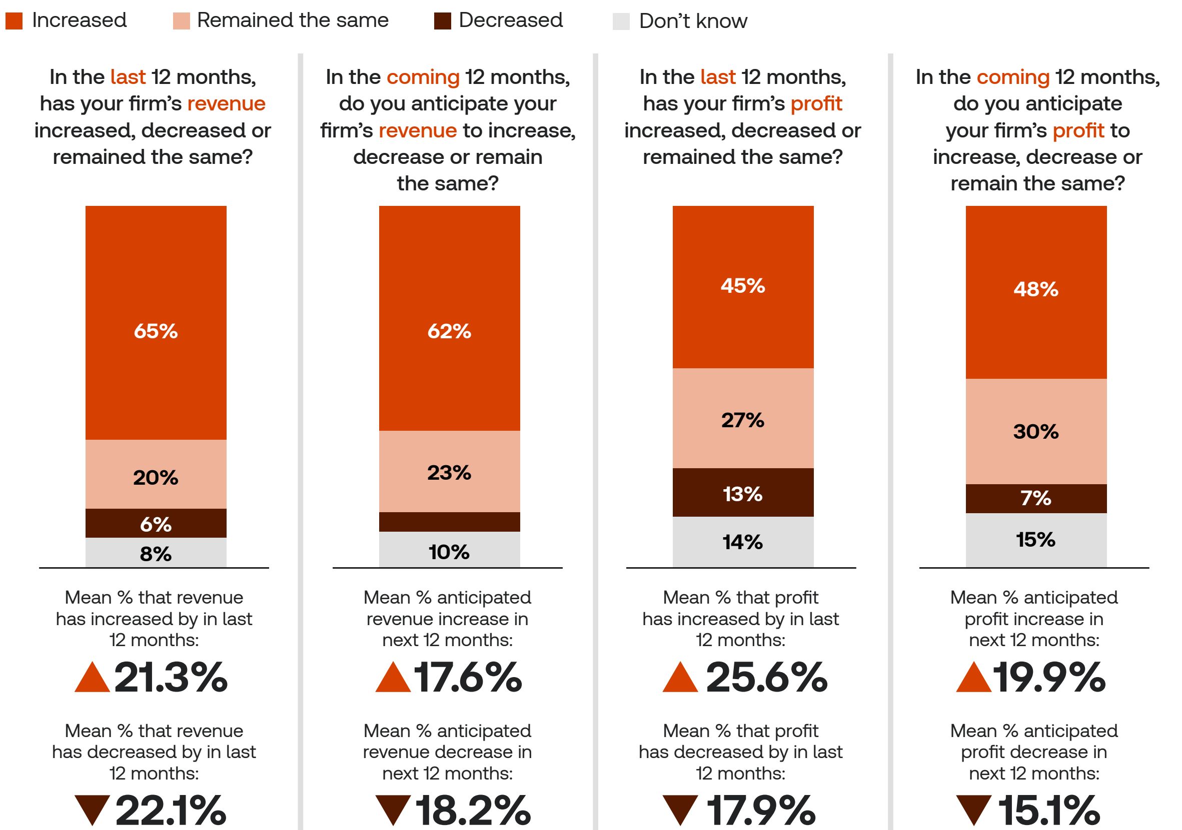
The TR Institute's View: Don't neglect training

Accounting firms that have recently upgraded their technological infrastructure and tax technologies are understandably eager to see a return on their investment, but those returns are unlikely to materialize if the firm has neglected an equally important aspect of technological upgrades: training employees to get the most out of the new systems and tools at their disposal. Technology alone cannot solve an organization's problems. The only way to take full advantage of a new system's capabilities is to recognize that the *system* includes the people who use it, making it critical to ensure that those people have the knowledge and skills to realize the technology's grand promise of greater efficiency, productivity, and profit.

PRIORITY 2: Looking for ways to grow

FIGURE 10:

Expected growth in revenue and profit remain stable



Source: Thomson Reuters 2025

Financially speaking, 2024 was a good year for most tax, audit & accounting firms and their professionals. Despite the persistent challenges facing the profession in general — a chronic talent shortage, overwhelming workloads, technological encroachment, ever-changing tax laws, and more — almost two-thirds of respondents said their firms have reported an average or mean revenue increase of 21.3% over the past year. And for almost half of the respondents, their firms' revenue increases resulted in a *profit* bump of 25%.

Expectations are that the coming year may not be quite as lucrative, but successful firms around the world are still expecting revenues and profits to increase between 17% and 20% in 2025, according to survey respondents. At the same time, roughly one-quarter of respondents report that their firms' overall financial picture did not change in 2024. Only a small percentage — 13% or less — said their firms' profits decreased.

The TR Institute's View: Technology is spurring success

Interestingly, these revenue gains align almost exactly with predictions in our 2024 survey, in which a majority of respondents said their firms were expecting a 21% revenue increase on top of 2023's remarkable 24% revenue jump. These consistent revenue gains suggest rather strongly that the accounting profession's two biggest megatrends — wider adoption of technology & automation and a shift away from routine tax preparation toward a broader range of business advisory services — are serving the profession quite well.

Many people have concerns about the impact of AI and other emerging technologies on how professional services are managed and delivered, but the evidence thus far suggests that the onward march of technology is helping (not hurting) accounting firms' ability to provide the services and guidance their clients want and need.

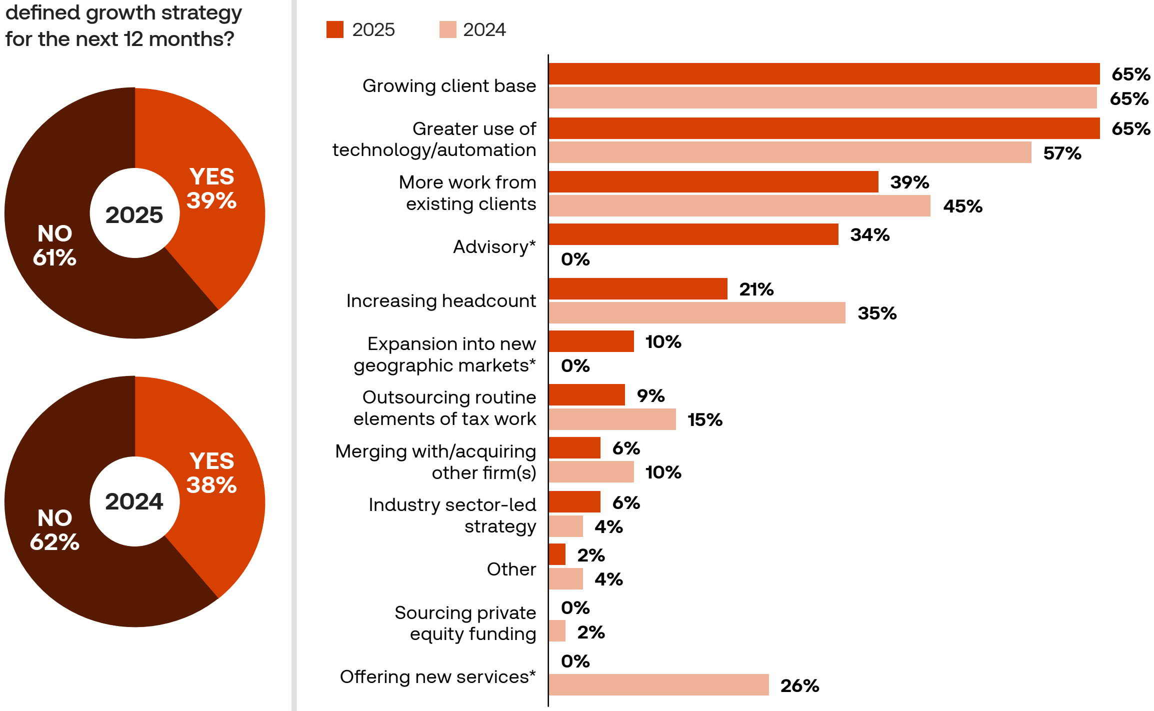
Growth strategies

FIGURE 11:

61% do not have a defined growth strategy

Does your firm have a defined growth strategy for the next 12 months?

Which of the following will be most critical to your growth strategy in 2025?



*Advisory & Expansion to new markets not asked in 2024;
Offering new services not asked in 2025.

Source: Thomson Reuters 2025

Growth is desirable and welcome for many firms, but growth itself is not always the result of a deliberate strategy. In fact, most firms *do not* have a defined growth strategy. Overall, only 39% of respondents said their firms have a growth strategy in place, and most of the firms that do have a growth strategy are on the larger side. Indeed, only 26% of respondents from small firms said their firms have a growth strategy, whereas 40% of those from midsize firms and 63% from large firms said their firms do.

As for *how* firms plan to grow in the coming year, most firms are following roughly the same playbook, according to respondents. Almost two-thirds (65%) of respondents said their firms' growth strategy revolves around the one-two combination of growing their client base and making better use of technology and automation. These two tactics are often viewed as complementary, because automating more basic services and functions frees up time for professionals to pursue and develop new clients. However, 39% of respondents said their firms also plan to generate more (and better-paying) work from existing clients.

A hiring slowdown

One element of growth most firms will not be pursuing in the coming year is an increase in headcount. Only 21% of respondents said that hiring more people is currently part of their firms' growth plans, down from 35% who said that last year.

Several factors may be at play here: *i*) hiring more people cuts into profit margins; *ii*) leadership may feel that their current staff still has the bandwidth to manage a growing workload (which may be true if the firm has recently made a large technological investment); and *iii*) the accounting profession's chronic talent shortage may have convinced some firms that recruiting, training, and developing new hires is more difficult and costly than simply asking existing personnel to do more.

The private equity option

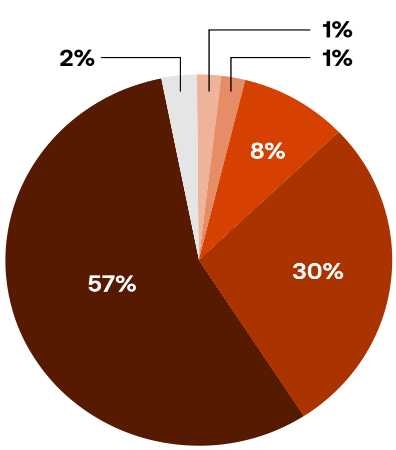
FIGURE 12:

PE firms investment into tax firms

Which of the following would you say best describes your firm's attitude to securing private equity funding?

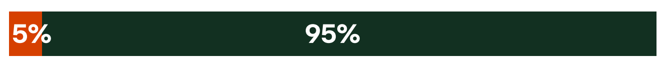
- Already proactively looking to secure PE funding
- Planning to start proactively looking to secure PE funding
- Not proactively looking, but would be interested if a PE firm approached us
- Not proactively looking, and unlikely to be interested if a PE firm approached us
- Haven't thought about it/not on our radar
- Other

11% Open to PE funding

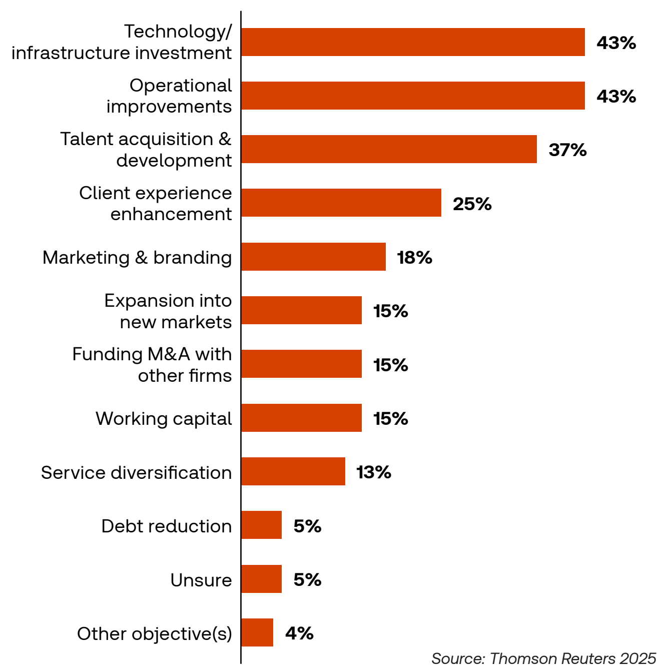


Does your firm already have private equity funding?

Yes No



What were/ would be your firm's primary objectives in securing PE funding?
(Asked only to those respondents who don't currently have PE funding)



Source: Thomson Reuters 2025

Private equity partnerships are particularly attractive to midsize tax, audit & accounting firms that are eager to grow quickly and need an infusion of capital to fund technology investments and other enhancements in order to compete — or, in some cases, to streamline and improve the firm's performance for a potential sale.

Although openness to PE funding has increased over the past few years, only a small number of respondents (5%) said their firms have actually inked a deal, although 11% said their firms are either currently looking or planning to look for PE funding. Another 8% said their firms would be open to discussion if a PE firm approached them, but the vast majority (87%) of respondents said their firms simply aren't interested.

Of the respondents at firms that *are* interested in PE funding but don't yet have it, 43% said they would use the incoming PE funds to invest in better technology and other operational improvements, while more than a third (37%) said they would invest in talent acquisition and development.

In this year's survey we also asked respondents who have PE funding what advice they would give to firms that are considering PE investment. Conducting *effective planning* was the top response, followed by performing *thorough due diligence*, both to evaluate the PE investors and their terms, and to research their track record prior to interviewing them. As one respondent advised those interested in PE: "Ensure your goals align with the private equity firm's vision, including growth strategy, operational changes, and exit plans, to avoid conflicts and maximize the partnership's success."

The TR Institute's View: Private equity due diligence is essential

Private equity can certainly open the door for opportunities that might otherwise be out of reach for many tax, audit & accounting firms, but not all PE firms are the same. To increase the chances of a successful partnership, it's important to conduct thorough due diligence. That means verifying the firm's track record, understanding the firm's operational strategy and financial goals, including their exit plan.

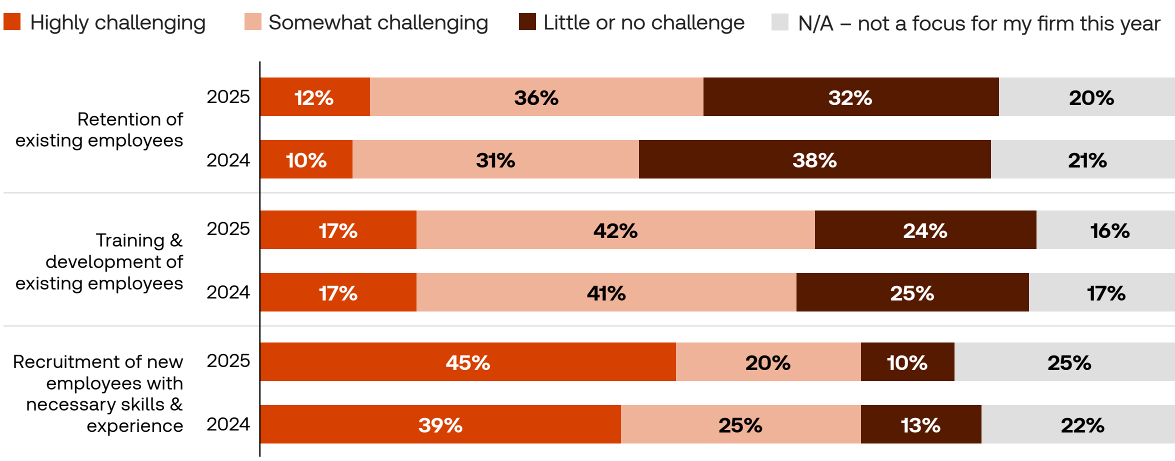
It's also critical to ensure there is a compatible cultural fit, perhaps by asking others about their experience working with the firm. Also, be aware that PE firms can offer more than just money. An experienced PE firm can also provide business expertise, alternative growth strategies, and other innovative ideas. In any case, understanding all aspects of the value proposition that private equity brings to the table is the best way to ensure a successful venture.

Priority 3: Tackling the talent challenge

The talent shortage in the accounting profession is a chronic and ongoing problem that is unlikely to be resolved anytime soon. Fewer college graduates are going into the profession, retiring accountants are taking institutional knowledge with them, and finding recruits with both the requisite tax knowledge *and* adequate technical skills is a constant challenge.

FIGURE 13:

To what extent do you expect each of the following to pose a challenge for your firm in 2025?



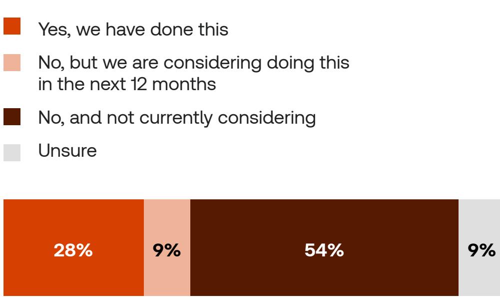
Source: Thomson Reuters 2025

Indeed, when asked what their biggest challenge in 2025 would be, survey respondents overwhelmingly pointed to "recruitment of new employees with the necessary skills and experience." The percentage of firms citing recruitment as *highly challenging* also rose to 45% this year, compared to 39% in 2024. The pressure to retain existing employees rose slightly as well, with 48% of respondents classifying it as either *highly* or *somewhat challenging*, up from 41% last year.

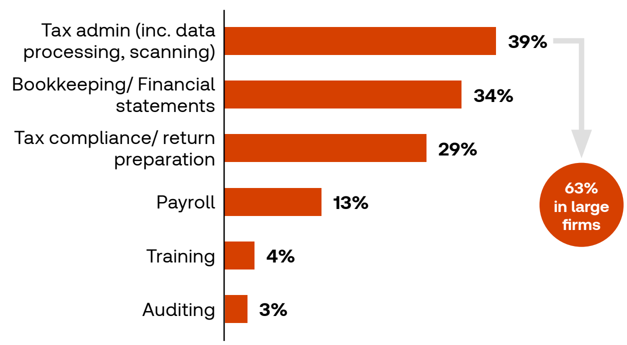
FIGURE 14:

Non-qualified staff often handle tax admin

Has your firm reallocated tasks from tax/ accounting professionals to others without similar qualifications, in the past year?



What tasks [have you reallocated/are you thinking of reallocating] in this way?



Source: Thomson Reuters 2025

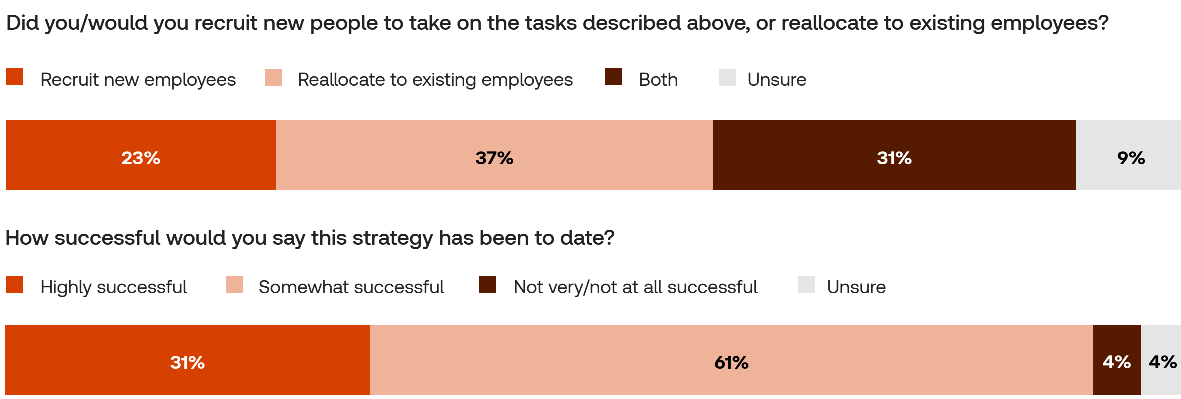
To circumvent the talent issue but still operate efficiently, many firms have adopted the strategy of reallocating tasks that were once performed by only tax, audit & accounting professionals to administrative personnel with fewer qualifications. Indeed, 28% of respondents said their firms had reallocated tasks to less qualified personnel over the past year, and another 9% said their firms are considering doing so over the next year.

The most commonly reassigned tasks are administrative in nature, involving such office work as data processing, scanning, and general bookkeeping. More than one-third of respondents said their firms have already reallocated these types of tasks to lower-level employees or are considering it, and almost two-thirds (63%) of respondents from large firms are taking this path. Remarkably, more than one-quarter (29%) also said certain aspects of tax compliance and tax-return preparation are being done by people without full tax or accounting credentials.

Reallocation: mostly successful

FIGURE 15:

Use of non-qualified staff for certain tax tasks



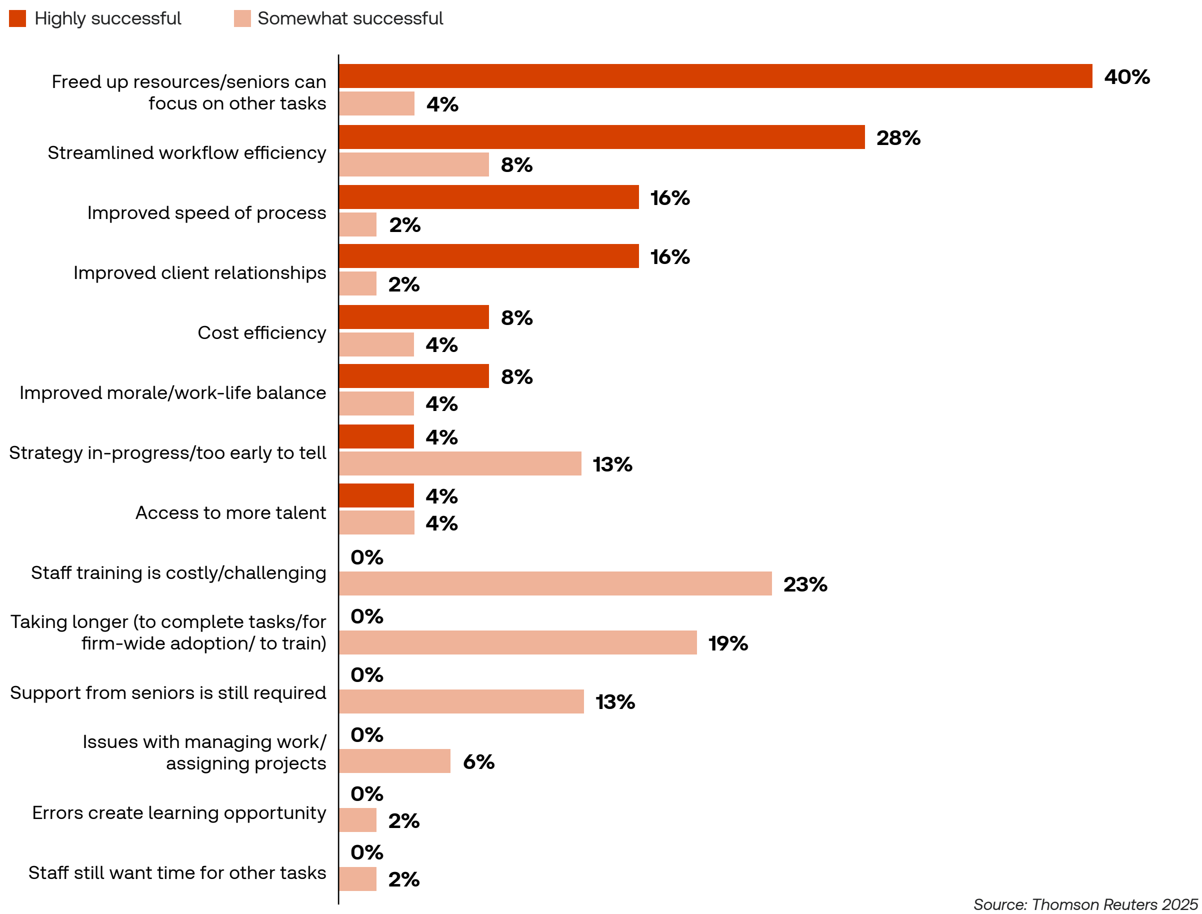
Source: Thomson Reuters 2025

Strategically, more than one-third (37%) of respondents said their firms would rather reallocate tasks to existing employees rather than recruit new hires (23%), and 31% said their firms prefer to do both.

FIGURE 16:

Use of non-qualified staff for certain tax tasks

Please explain how successful this strategy has been



Source: Thomson Reuters 2025

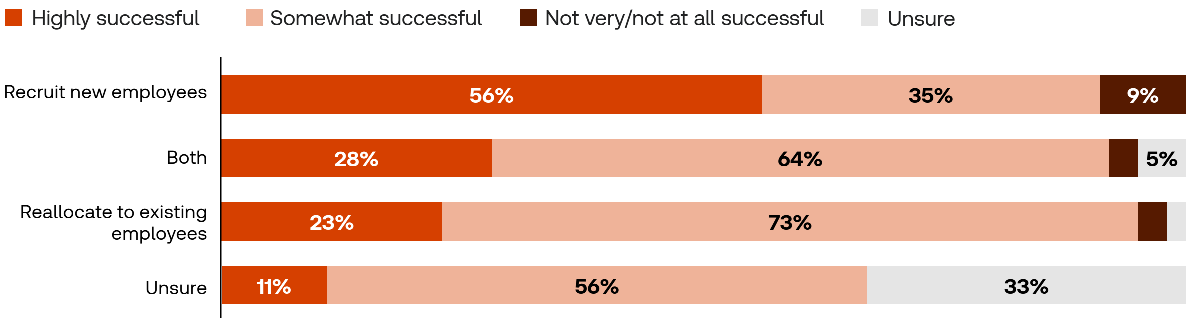
Still, as a tactic for dealing with an immediate staffing problem, reallocation appears to be fairly effective. In fact, 31% of respondents said reallocating certain tasks to less-qualified staff has been *highly successful* for their firm, although almost twice that (61%) said task reallocation was only *somewhat successful*.

The benefit most often cited by respondents is that reallocation *frees up time* for senior personnel to focus on other tasks, followed by *more efficient workflows and processes.* A small portion (16%) also said reallocation has *improved relationships with clients*, presumably because, again, it frees up time for senior personnel to pay more attention to client needs.

FIGURE 17:

Recruiting new employees

Did you/would you recruit new people to take on the tasks described above, or reallocate to existing employees? How successful would you say this strategy has been to date?



Source: Thomson Reuters 2025

In general, most firms that favor reallocation prefer to recruit and train new employees to do these jobs rather than transfer the tasks to existing employees. And 91% of respondents said their firms were having some measure of success with new hires. Meanwhile, 73% said that reallocating lower-level work to existing employees has only been *somewhat successful*, perhaps because taking on administrative office tasks is not the favorite activity for someone who has proper tax, audit & accounting credentials — although, of course, that depends on the employee.

The TR Institute's View: Addressing the talent shortage

Many factors are contributing to the shortage of young talent entering into the tax, audit & accounting profession, including higher education costs, better-paying career options, demographic shifts, certification hurdles, and the industry's enduring reputation for long hours, especially during tax season. Last year, the American Institute of Certified Public Accountants' National Pipeline Advisory Group published a report[1] outlining a comprehensive strategy for addressing the profession's talent dilemma. The report identifies several strategies for tackling the problem, but the big takeaway is that none of the group's recommendations will do much good if there isn't a coordinated effort by all industry stakeholders — schools, accounting firms, professional societies and associations, regulators, and other advocates — to change the prevailing narrative around the profession and communicate a consistently positive message to young people that an accounting career can be an extremely rewarding way to make a living — and have an enjoyable life.

1 See *Accounting Talent Strategy Report*, National Pipeline Advisory Group of the American Institute of Certified Public Accountants (AICPA), 2024; *Executive Summary* available here: https://www.accountingpipeline.org/wp-content/uploads/2024/07/NPAG-Strategy-Report-Executive-Summary.pdf.

Priority 4: Adapting to changing client needs

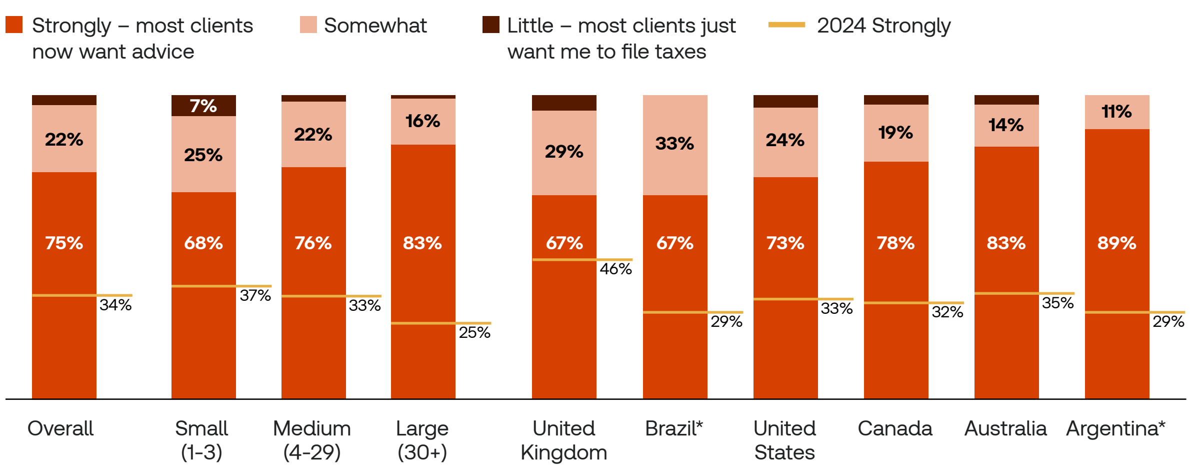
Because automation and other technologies are performing an ever-greater share of the manual data-gathering and processing of tax returns, tax, audit & accounting firms of all sizes have been expanding their range of client services to include tax strategy, financial planning, business consulting, decision support, and other advisory services. Not only is this expansion of services offerings an important way for firms to increase revenues, it is also a necessary response to customer demand for such services. Most importantly, this expansion of offers are now a possible adaptation given the many ways in which technology is transforming how tax, audit & accounting professionals are serving their clients.

Additional advisory services

FIGURE 18:

Demand for advice increases

To what extent do you feel your clients want you to act as a trusted advisor, as well as filing their taxes?



Source: Thomson Reuters 2025

Indeed, when asked whether their clients *want* additional advisory services above and beyond tax preparation, 75% of survey respondents said their clients *strongly* desire more tax and business advice. The portion of respondents citing advice-hungry clients jumps to 83% at large firms (those with 30 or more employees), but holds strongly at 68% for small firms as well.

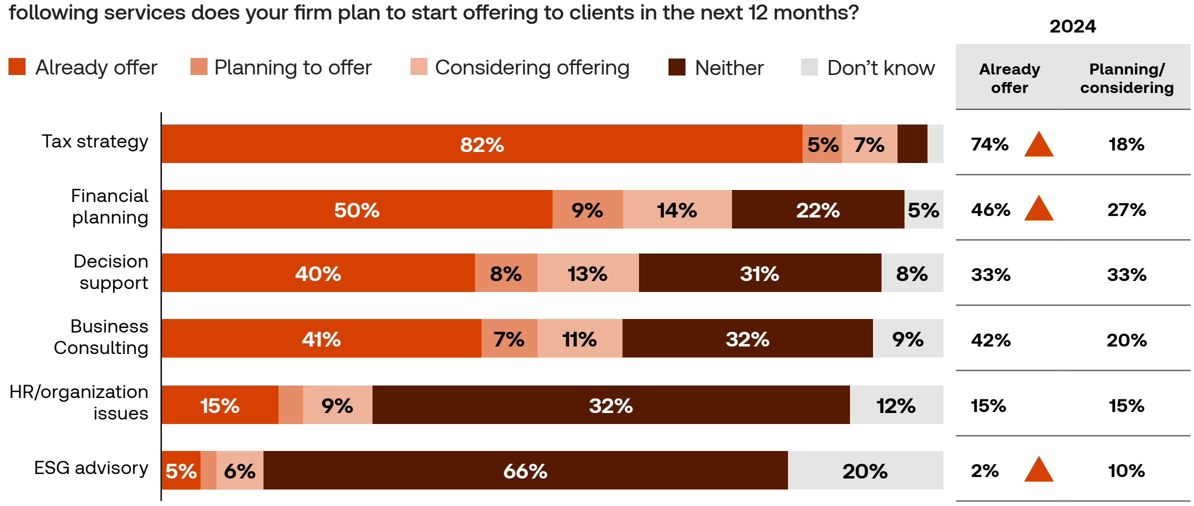
Internationally, the trend lines are similar. Among respondents from Latin-American countries, for example, those from Argentina report that roughly nine out of ten of their clients want advisory services, and two-thirds of respondents from Brazil said their clients are indicating the same. Australia is another country with high demand for tax advice, at with 83% of respondents saying clients are asking for this;, and the US and Canada are not far behind at 73% and 78%, respectively. Demand for such services in the UK and Brazil lag behind other countries, but respondents from the UK still report that more than two out of three clients (67%) are looking for additional tax guidance and business advice.

Meeting customer demand

FIGURE 19:

Most firms will offer tax strategy within 12 months

From the list below, please confirm which of the following your firm offers/which of the following services does your firm plan to start offering to clients in the next 12 months?



Source: Thomson Reuters 2025

This growing appetite for advisory services was evident in last year's survey as well, when respondents from firms of all sizes said they were planning to add services to meet customer demand. Responses to this year's survey suggest that many firms — although not all — have followed through on those plans.

Last year, for example, 74% of respondents said their firms already offered strategic tax advice, and another 18% said their firms were planning to or considering it. This year, 82% said tax strategy is already part of their firms' portfolio (an 8-percentage point jump) and 12% said their firms are planning or considering it. Overall, the availability of financial planning also increased slightly from last year, to 50%, up from 46%.

Meanwhile, the percentage of respondents saying their firms offer decision support and business consulting held steady at about 40%, even though last year one out of five respondents said their firms were planning to add these services this past year, but evidently didn't.

The TR Institute's View: Tailor added-services to client needs

For tax, audit & accounting firms that want to diversify, tax strategy is the obvious place to start, partly because it is in the wheelhouse of the expertise that current tax professionals already have, and partly because it is easier to up-sell existing clients on additional strategic tax advice if the firm is already doing the client's taxes.

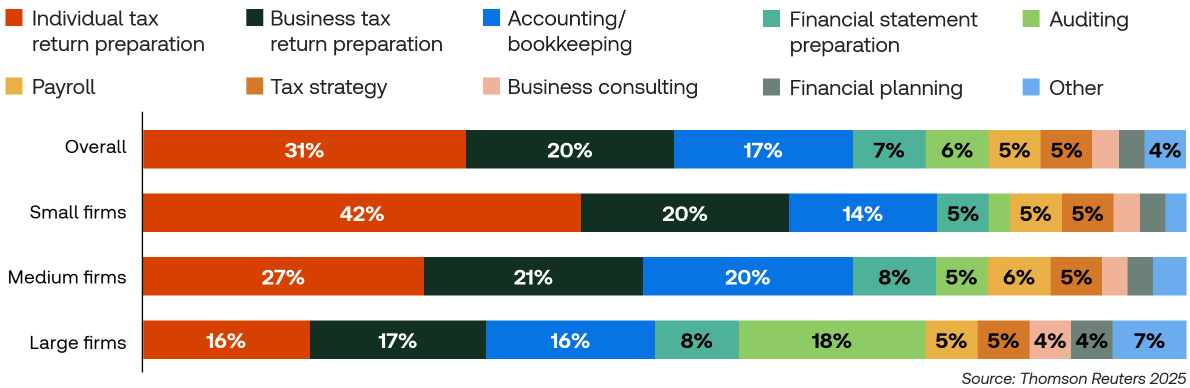
Financial planning and business consulting, on the other hand, are somewhat different disciplines, which means firms that want to add these services to their portfolio may need to seek additional certifications or hire people with expertise in those areas, especially if they have clients that need industry-specific guidance. How tax advice is delivered and to whom depends to some extent on the size of the firm, however. Small and midsize firms tend to serve more individuals and small businesses, whereas large firms serve more and larger companies. Nevertheless, strategic tax advice tailored to the needs of the client, whether they are an individual or multinational company, remains a valuable and needed service.

Tax prep still rules

FIGURE 20:

Large firms have most diversified offerings

Approximately what proportion of your firm's revenue currently comes from each of the following services:
(As a proportion of total responses with services not offered represented as 0)



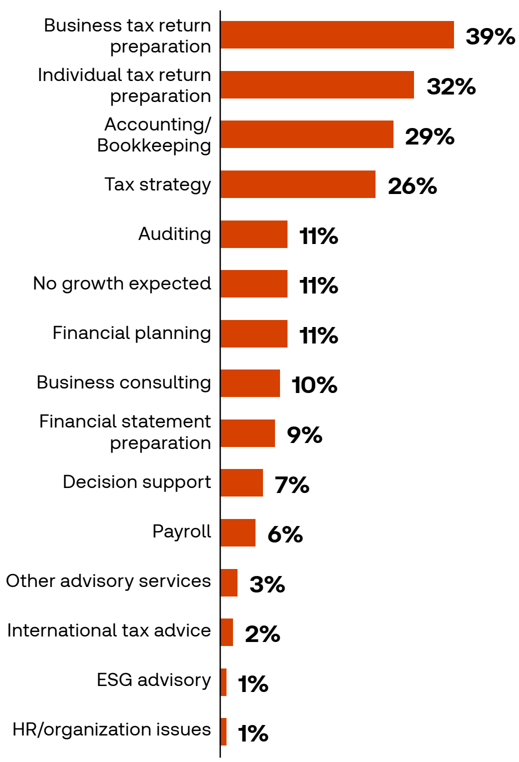
Source: Thomson Reuters 2025

One of the possible reasons why some firms have not chosen to diversify their service offerings is that despite all the talk about advisory services as an additional revenue stream, tax-return preparation for individuals and businesses continues to be the most profitable activity in which tax, audit & accounting firms can engage.

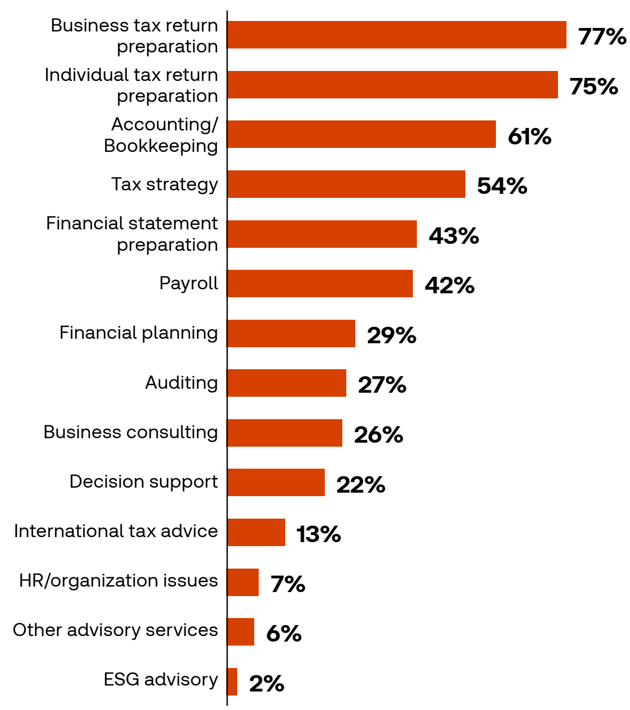
FIGURE 21:

Tax return prep is still profitable

And in which services do you anticipate seeing the greatest % revenue growth in the next year?



Of the services your firm offers, which are currently the most profitable?



Source: Thomson Reuters 2025

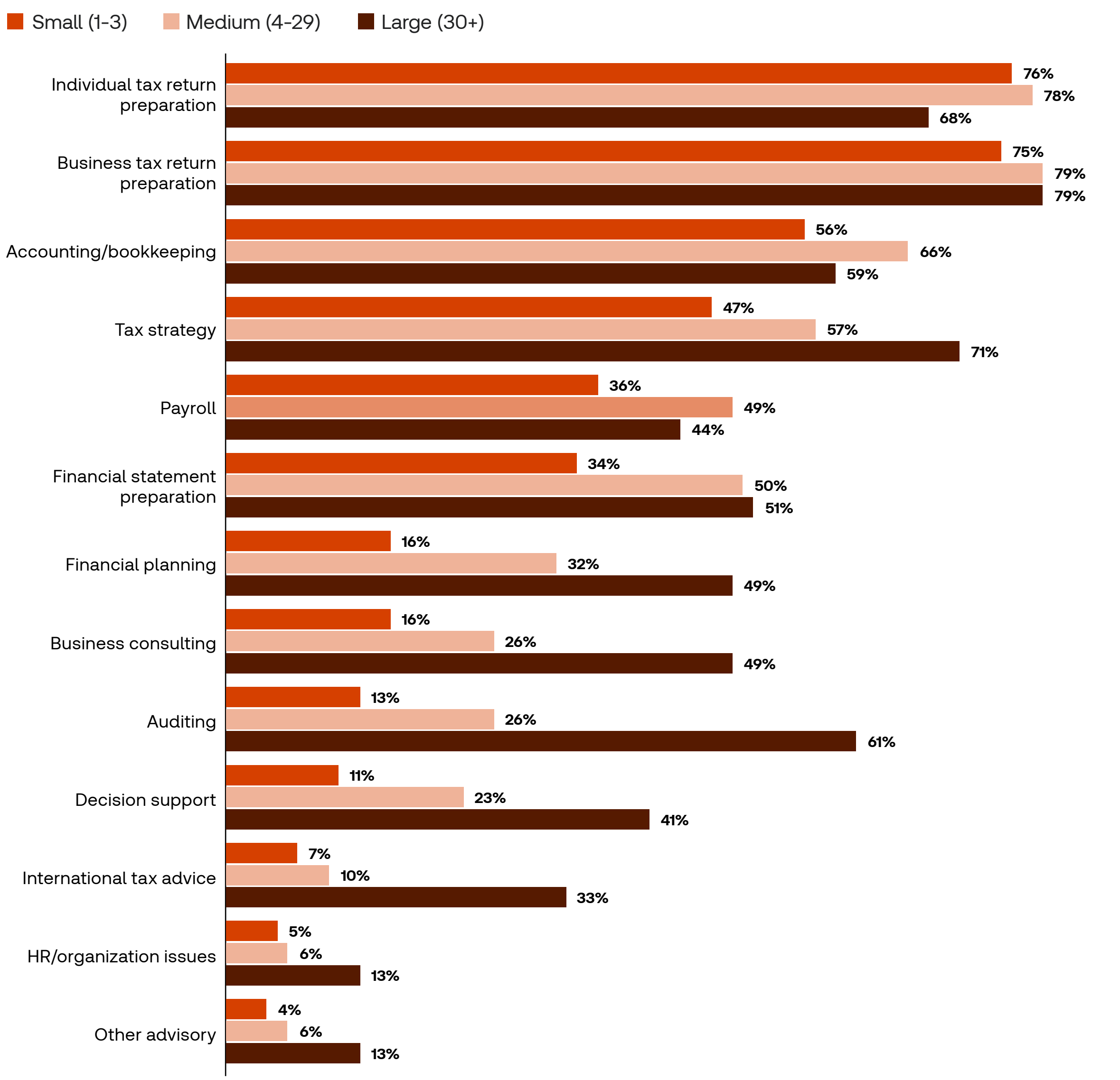
This year, more than 75% of respondents cited business and individual tax-return preparation as their firms' most profitable service, followed by accounting & bookkeeping (61%), tax strategy (54%), and financial statement preparation (43%). Overall, respondents said that just about one-quarter of their firms' profits come from either financial planning (29%), business consulting (26%), decision support (22%), or other forms of professional advice.

Furthermore, less than 11% of respondents said their firms anticipate much revenue growth from these services in the coming year; rather, expectations are that the greatest revenue growth will continue to come from those top three tried-and-true services: tax preparation, accounting & bookkeeping, and tax strategy.

FIGURE 22:

Consulting/advisory services more profitable as firm size grows

Of the services your firm offers, which are currently the most profitable?



Source: Thomson Reuters 2025

Profitable services and firm size

As Fig. 22 above shows, firm size has a lot to do with which services can potentially yield the most profit. At smaller firms, for example, an average of 42% of revenue comes from individual tax-return preparation and 20% from tax returns for business, whereas at midsize firms, revenue sources are spread more evenly — individuals (27%), businesses (21%), accounting/bookkeeping (20%). At large firms, however, no more than 17% of revenues come from any one of these areas, and a higher percentage comes from consulting services and auditing.

Indeed, the larger the firm, the more profitable consulting and advisory services become. This profit differential is evident when it comes to tax strategy, certainly, but larger firms really diverge from their smaller counterparts in the areas of financial planning, business consulting, auditing, and international tax advice, all of which see much higher portions of large-firm respondents citing these areas as most profitable than respondents from midsize or small firms.

PRIORITY 5: Determining price and value

Last year, the issue of pricing models asserted itself as a top priority among our tax, audit & accounting firm respondents for the first time ever, and this year it remains a top-five priority. As firms loosen their grip on traditional hourly pricing, they are now employing a variety of pricing models for different services based on such factors as the nature of the service, the time involved, the value delivered, client preferences, and whatever model seems the most logical for the service in question.

It's worth noting, too, that the diversification of pricing models isn't driven by some master formula for revenue maximization, but rather by clients that say they want more predictability in the cost of their outside firms' services. Hence, project-based pricing or a retainer fee might be the preferred option for a client that has a strict budget and does not want to be surprised by runaway hourly billing costs.

Pricing models

As firms diversify and expand their services offerings, it also makes sense to attach different pricing models to different types of services. Charging hourly rates or a flat fee might work well for preparing individual tax returns, for instance, but consulting services that require specialized industry expertise and save clients millions of dollars may be more justifiably billed according to the value of the service delivered, known as value-based pricing.

FIGURE 23:
Pricing strategies

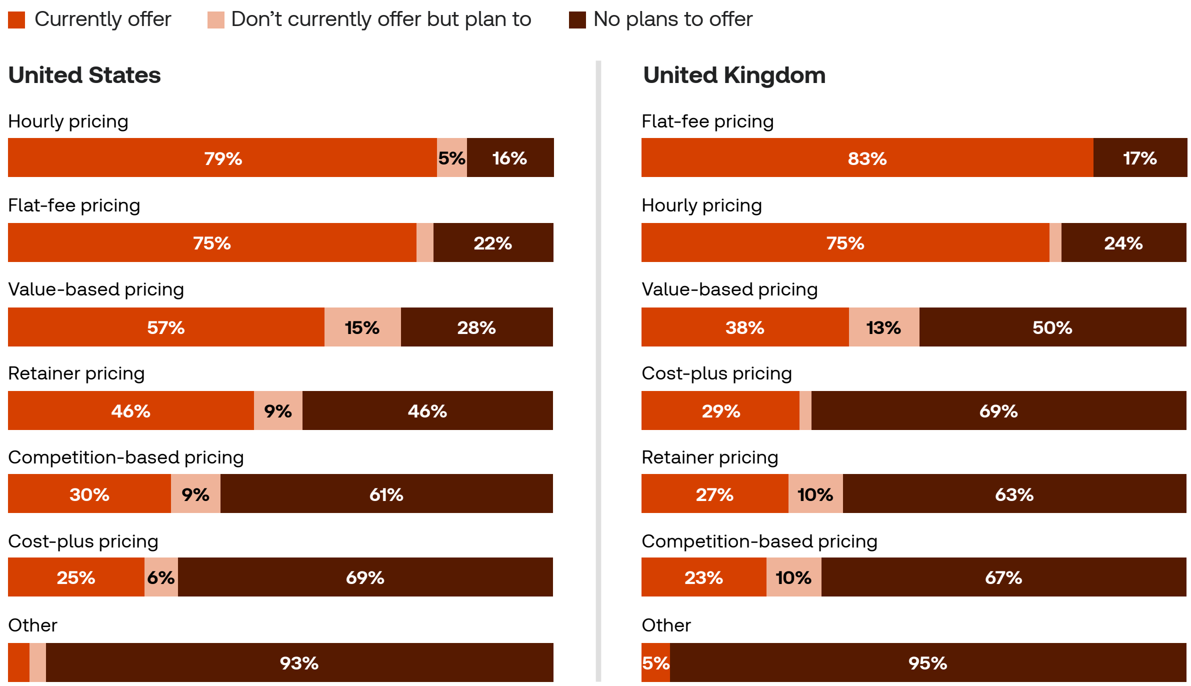
Which pricing strategies is your firm using, or planning to use, in the next twelve months?

Source: Thomson Reuters 2025

In general, however, firms across the board have diversified their pricing strategies, adding options in almost every category, regardless of firm size. Small and large firms alike have added hourly and flat-fee pricing, such that roughly three-quarters of respondents said their firms offer these pricing options now, up from 62% in 2024. Indeed, 90% of respondents from large firms said they now offer hourly pricing (up from 75% in 2024), and 81% of respondents at large firms said they offer flat-fee pricing, up from 75% in 2024. And at midsize firms, the biggest gains were seen in value-based pricing, with more than half of respondents from midsize firms (56%) saying they use this pricing model in 2025, up from 48% in 2024.

FIGURE 24:

Pricing strategies: US vs. UK



Source: Thomson Reuters 2025

In the US and the UK, hourly and flat-fee pricing are still the most popular pricing options. However, value-based pricing and retainer fees are more prevalent among US firms than they are among those in the UK. Firms in Canada and Australia also lean heavily on hourly and flat-fee pricing, whereas firms in Latin America, particularly Brazil, appear to prefer flat-fee pricing.

The TR Institute's View: Price strategically

Accounting firms are diversifying their pricing models partly to meet customer demand for more predictability and partly to connect billing rates with the true value of the service being offered.

To determine how pricing models are affecting revenue, firms should conduct a pricing audit for the various services they provide, then apply different pricing models to each service and see what the numbers say. The trend, however, is toward offering clients a range of pricing options and giving them the choice. This approach does not always maximize the potential profit of a given service, but it does help solidify relationships with clients that want to feel as if their outside accounting firm is working for them, not against them.

Regional patterns and trends

United States:

- On average, respondents from US firms said they intend to hire six junior tax professionals in 2025, the highest across all regions
- Half of those from US firms said their firms intend to boost profitability by focusing on the most profitable services and using tech more effectively

United Kingdom:

- As part of their tech investment, UK respondents said improving training and digital education will be their firms' highest priority
- Tax returns in the UK take longer to file than in other regions

Australia:

- Australia is the country least likely to have a defined growth strategy in place for the next 12 months
- 57% of respondents from firms in Australia said their firms intend to improve processes and workflows through increased use of technology — the highest proportion of all regions

Canada:

- Respondents from Canadian firms said they intend to focus on expanding their client base to fuel growth
- Canadian firms are the least likely to have Private Equity funding

Brazil:

- More Brazilian firms (63%) have a defined growth strategy than any other region
- Brazil automates more workflow processes than anywhere else, with 37% of Brazilian respondents saying half to three-quarters of their processes are automated
- 69% of Brazilian respondents said their firms intend to incorporate AI into their technology in the coming year — the greatest proportion of all regions

Argentina:

- 18% of Argentinian firms have Private Equity funding, compared to an average of 5% elsewhere
- According to respondents, the biggest challenge facing firms in Argentina is keeping up with new tax laws and regulations

Conclusion

The tax, audit & accounting profession has essentially been stratified into three basic tiers: small firms (those with between 1 and 3 people) whose business is primarily tax preparation; midsize firms (4 to 29 people) that offer a wider range of services but whose customers are primarily individuals and small-to-midsize businesses; and large firms (30 or more people) that offer the broadest range of tax strategy, business, audit, and advisory services, and primarily cater to the needs of larger entities such as Fortune 500 companies and various governments around the world.

All three of these tiers are being impacted by macroeconomic trends such as inflation, technological advancement, scarcity of talent, political upheaval, and numerous other issues — and all three tiers must devise strategies for dealing with these challenges.

Firms of different sizes are affected by these forces in different ways, however:

- **Small firms —** A reliance on individual tax preparation makes small firms more likely to lose business to self-filing software, but their size makes it more difficult to leverage technology and diversify their business by adding consulting services.
- **Midsize firms —** To compete with larger firms for both talent and business, midsize firms are under pressure to invest in technology, expand their service offerings, recruit high-quality talent, and prune away their least profitable clients — all while trying to differentiate themselves through higher levels of customer service.
- **Large firms —** To stay on top, large firms must leverage all their advantages and resources and maintain extremely high levels of expertise and professionalism. This means continuing to invest in the latest technology, diversifying services, broadening and deepening their areas of expertise, and hiring the best talent. In addition to competing with midsize firms for talent, however, large firms are also competing with other professions in which technical skills are equally valued, if not more so, and starting salaries are significantly higher. True, large firms have more resources than their smaller competition, but they must keep investing and innovating to maintain their position atop the accounting food chain.

The big question: What will AI's impact be?

Of all forces exerting pressure on the tax, audit & accounting profession, however, none has more potential impact than the advancement and adoption of improved AI tools and further development of GenAI.

Not surprisingly, large firms are leading the way in AI adoption, developing tools for contract analysis, advisory support, research assistance, data analysis, communication, and other applications, much of it automated. It remains to be seen precisely how these developments will affect accounting operations overall, but technology's impact on the profession thus far suggests that as more routine tasks are automated, the work of accountants will continue to evolve toward more interpersonal advisory services. Indeed, technical skills will be in high demand, and the work of an accountant will involve more analyzing, assessing, and interpreting of AI-generated data for their human clients.

In the meantime, proactive tax, audit & accounting firms will continue to find ways to operate more efficiently, encourage growth, maximize profits, and serve their clients to the best of their ability. At the moment, most firms are enjoying steadily increasing profits and feeling optimistic about the future. The hope is that this trend will continue, no matter what the forces of change and disruption serve up in the coming years.

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