



# Managing change in indirect tax & compliance.



Thomson Reuters  
Institute

## Executive summary

Like professionals in many industries, indirect tax professionals are dealing with a fast-changing global landscape. Regulatory compliance and automation are evolving rapidly, and technology is becoming an increasing part of planning discussions, particularly because AI — and especially generative AI (GenAI) — is poised to transform how indirect tax work is performed.

In turn, this will have a significant impact on job roles and skills requirements, and how the indirect tax function fits within the organizational structure of many businesses.

To examine this more fully, the Thomson Reuters Institute recently surveyed 206 indirect tax professionals in organizations in the United States, Canada, the United Kingdom, and Germany about the challenges they are facing, how they are addressing these challenges, the impact of new technologies including AI, and how roles and responsibilities are changing in the industry.

## Measuring success

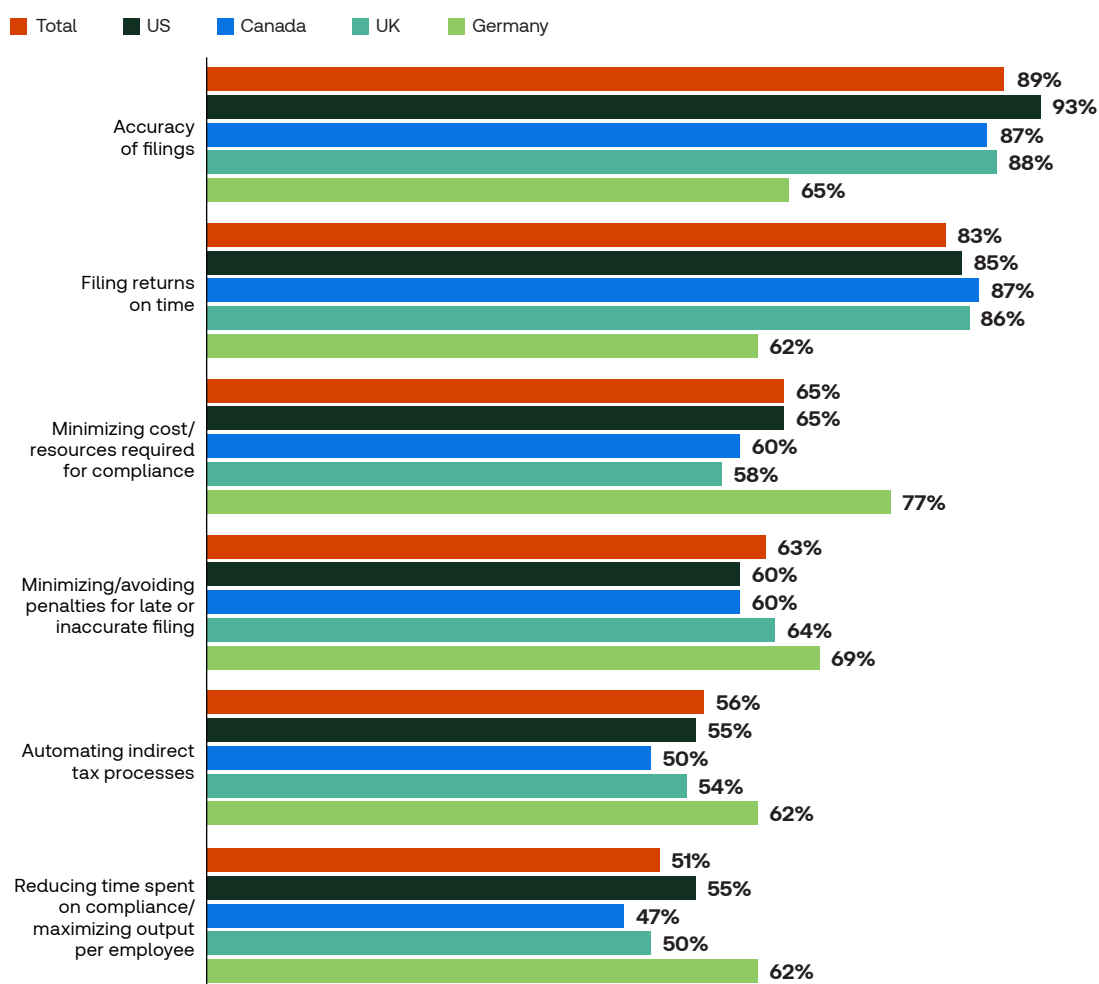
The key measures of success for indirect tax professionals are accuracy of filings (mentioned by 89% of survey respondents), filing returns on time (83%), and minimizing cost and resources required for compliance (65%).

More than half of respondents (56%) also cited automating indirect tax processes as a measure of success. One of the primary drivers for this may be that a similar percentage (51%) said that reducing time spent on compliance and maximizing output per employee is a measure of success, and automation can certainly be an important means to improving efficiency and individual employee productivity.

FIGURE 1:

### What do you consider the best measures of success?

Success measures used to assess indirect tax compliance function



Source: Thomson Reuters 2025

## Top challenges

There has been a shift this year among the top challenges that indirect tax professionals are facing. Last year, *technology & automation* and *resource constraints* were most commonly mentioned as a top challenge, followed closely by *time management* and *data management*.

This year, *regulatory compliance* is most frequently cited, after being ranked third last year. *Technology & automation* has dropped from the top of the list of challenges to number two this year, while *resource constraints* has fallen from being the second-most cited challenge last year to the third-most cited. In the UK, *resource constraints* is the most frequently mentioned top challenge this year, while in Canada, *technology & automation* is the most frequently cited.

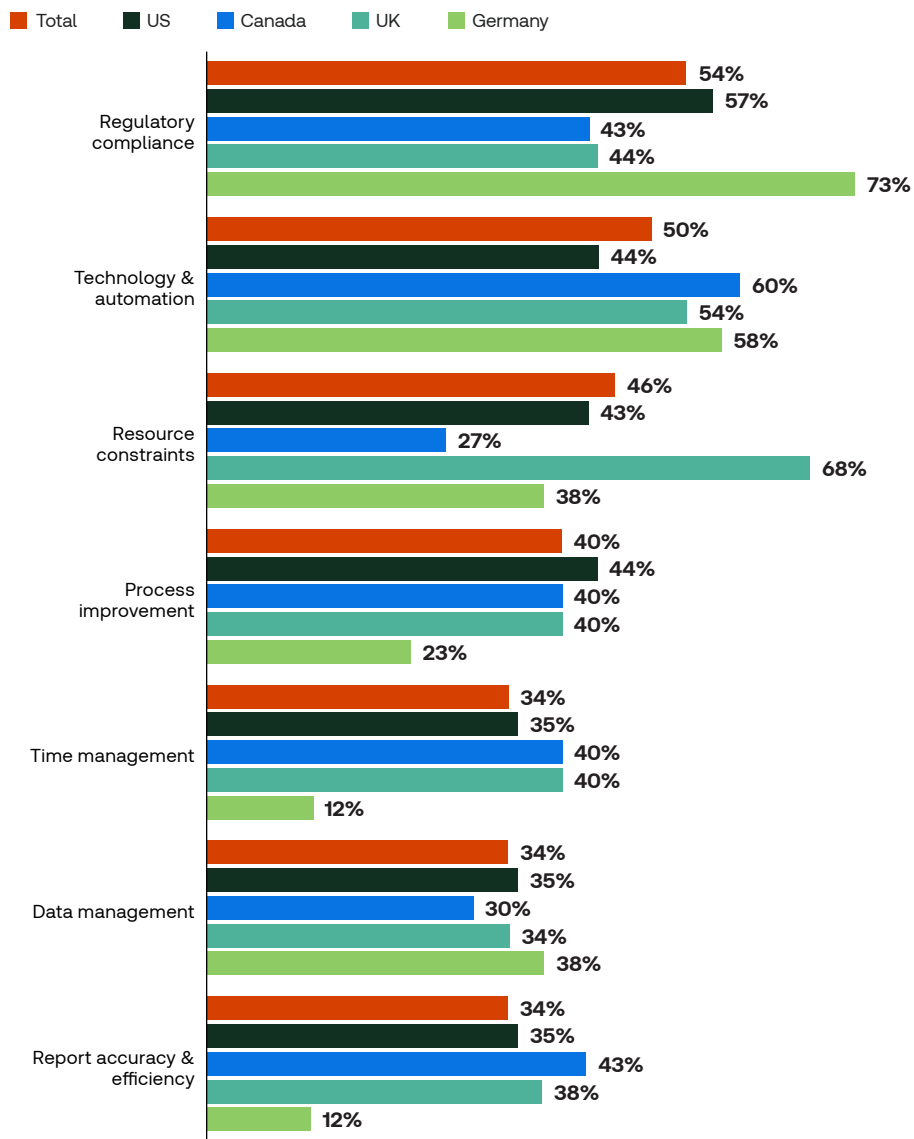
The overall results suggest that indirect tax professionals feel that, at least on a relative basis, they are better able to manage their technology challenges, or that it at least is no longer their top challenge at the moment. Their top priority now is focusing on ensuring regulatory compliance. At the same time, it's also possible that technology challenges have not necessarily diminished, but instead, growing regulatory complexity in the market is simply taking precedence.

Either way, it places the industry in an interesting position as it prepares to deal with the sweeping changes that will result from the adoption of GenAI, potentially leading to another reshuffling of challenges and priorities in the near future.

FIGURE 2:

## What do you see as your top challenges?

Top challenges in achieving goals for indirect tax function



Source: Thomson Reuters 2025

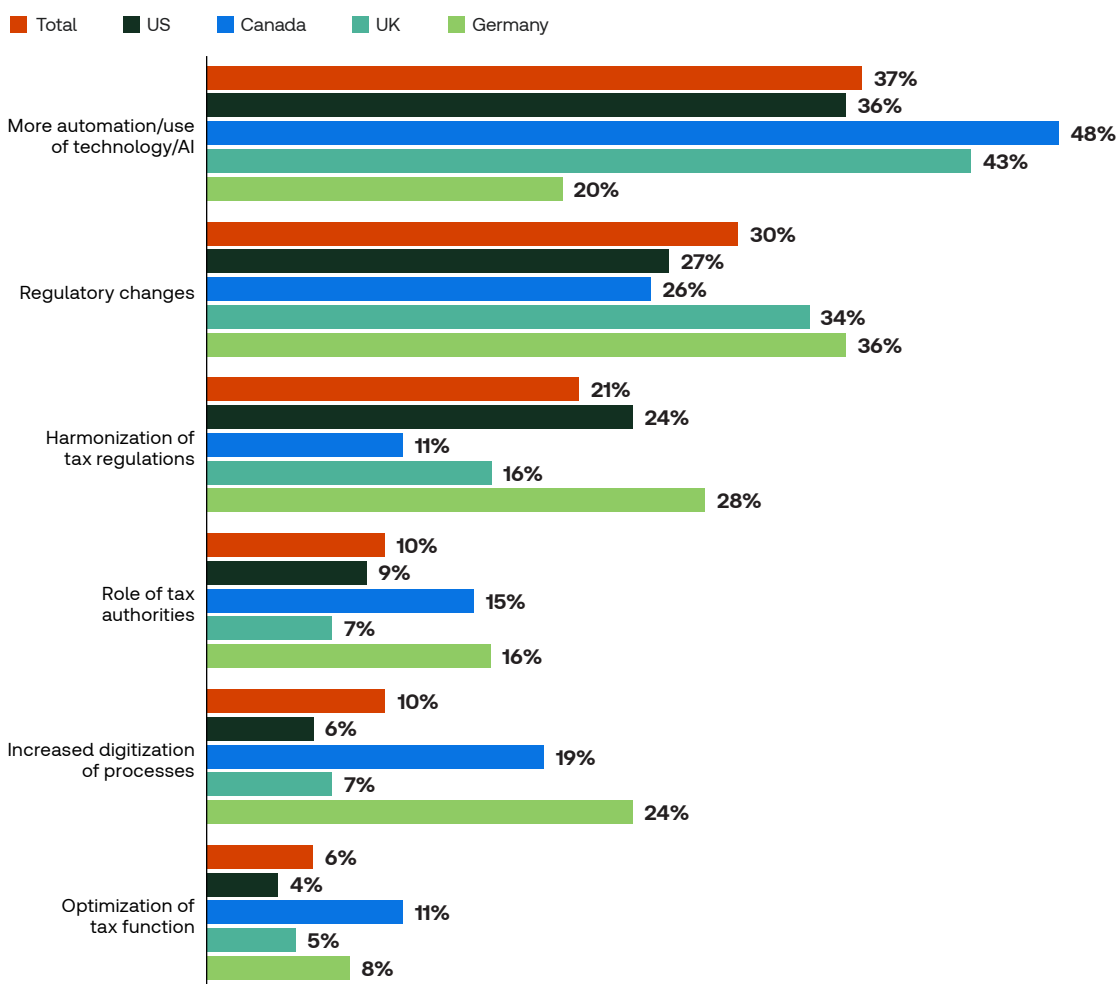
## Falling behind the technology adoption curve

Indirect tax professionals say that greater use of technology and automation, including AI, is by far the most desired future change that they would like to see. More than four-in-ten (37%) respondents rated this as a desired change, well ahead of regulatory changes (30%), and harmonization of tax regulations (21%).

FIGURE 3:

### What are your most desired future changes?

Desired future changes for indirect tax area



Source: Thomson Reuters 2025

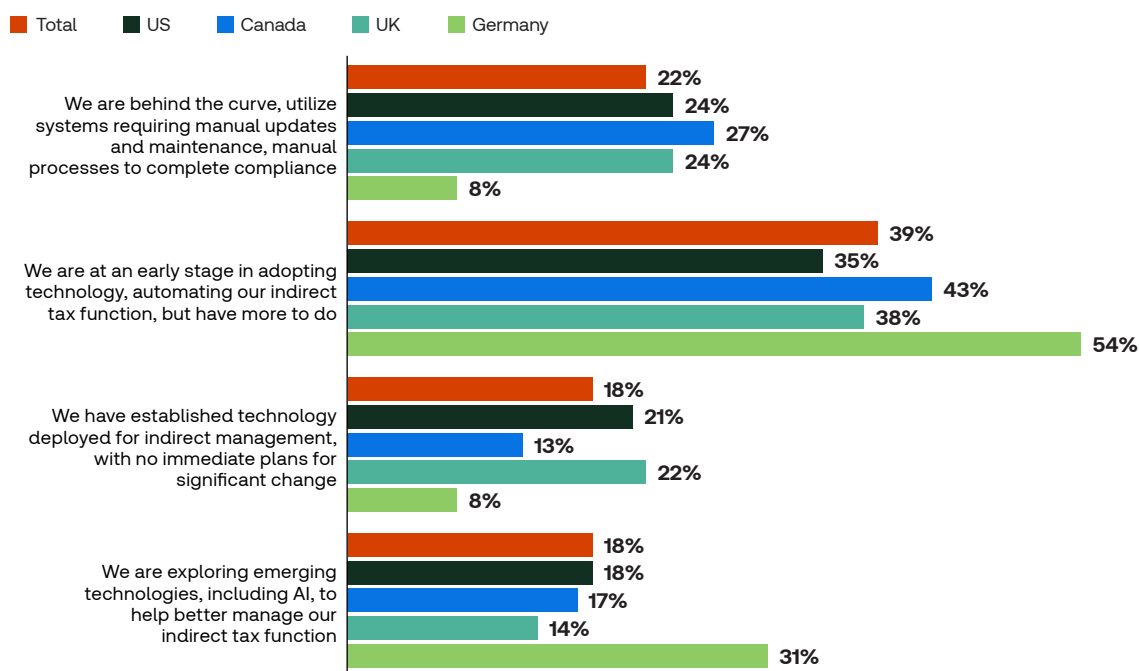
However, indirect tax professionals also report that their organizations currently span a broad range of differing stages of technology adoption. Indeed, fewer than one-in-five respondents (18%) said their organizations had deployed technology to the point at which they had no immediate plans for significant change.

Meanwhile, the majority of respondents said their organizations are either behind the curve (22%) or are only in the early stages of automating functions (39%). This means that more than six-in-ten respondents are still largely relying on systems that require manual updates and maintenance along with manual processes to complete tasks.

FIGURE 4:

## At what stage is your organization in its technology adoption?

Technology adoption stage



Source: Thomson Reuters 2025

Looking ahead, less than one-in-five respondents (18%) said their organizations are exploring emerging technologies, including AI. This raises major questions about their companies' readiness and willingness to make investments in their indirect tax functions, especially around GenAI and other new technologies.

Nevertheless, survey respondents said they are optimistic that their respective organizations will step up their acquisition of new technology. The majority (58%) said they foresee their companies improving or enhancing their technology. And nearly half (47%) said they believe that their companies will specifically develop or acquire AI or GenAI-driven technologies to automate processes and reduce manual work.

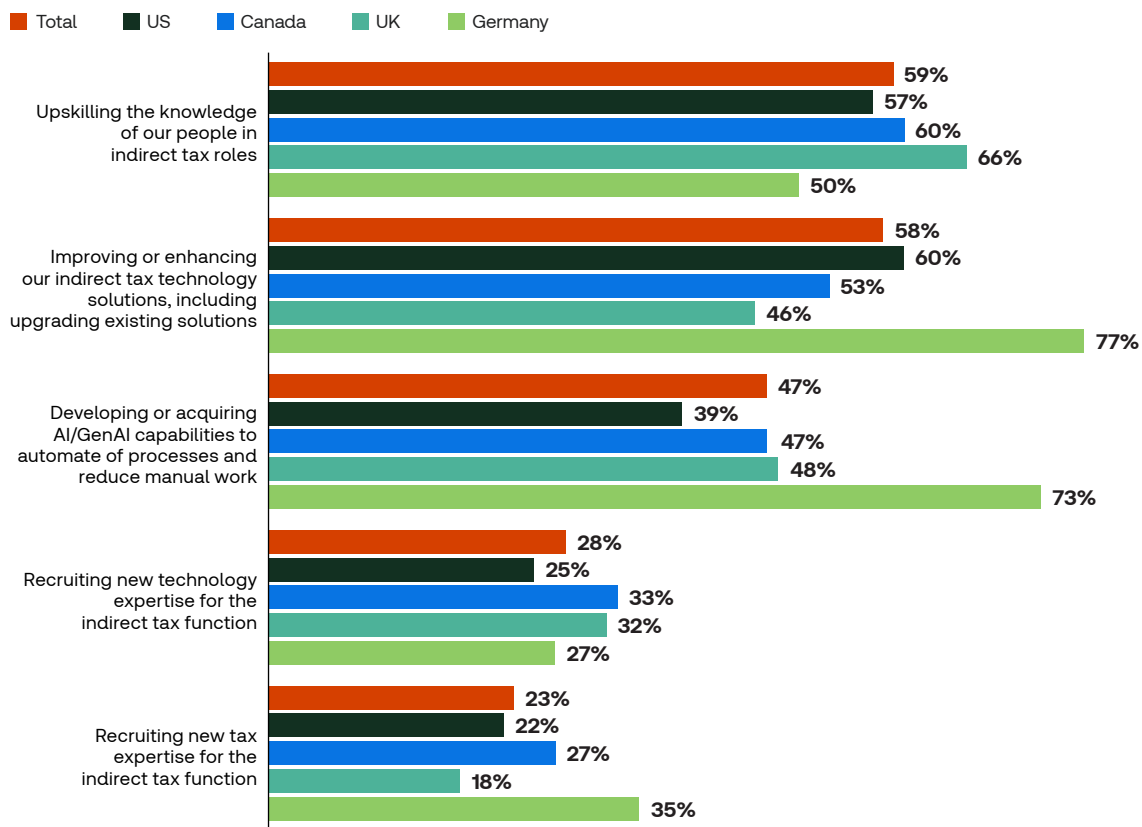
Interestingly, indirect tax professionals in the US were the *least likely* to say that they expect their businesses to increase AI and GenAI capabilities, although it's not known if that's perhaps because many have already adopted AI. Respondents from Germany were by far the most likely to say they expect greater technology adoption going forward, especially around AI & Gen AI.



FIGURE 5:

## What anticipated changes is your organization taking to meet current challenges?

Possible changes in order to adapt



Source: Thomson Reuters 2025

Among all respondents who said they do not foresee their companies improving their technology solutions, *budget constraints* were the most common reason why, with almost two-thirds of respondents (63%) citing this. Other reasons cited included *lack of resources to implement new technology* (44%) and *technology not being an investment priority for the company* (36%). In addition, some respondents said that *incompatibility of legacy systems* (26%), and *lack of understanding of ROI* (15%) also hinder adoption of new technology.



## Changing roles & responsibilities

Indirect tax roles within many corporate tax functions are expected to shift over the next few years, respondents said, with significant implications for new roles, training, and organizational structures.

Much of this will be due to the increased use of technology, including AI, which many organizations are expecting will boost efficiency and productivity in indirect tax functions by automating repetitive tasks and minimizing errors. These gains will free up professionals' time for more high-impact activities, such as strategic tax advisory functions, forward-looking planning, and uncovering new business opportunities. As a result, many indirect tax function roles will shift from operational processing to more strategic, tech-enabled advisory functions that will be focused on planning, insight generation, and proactive business support.

This shift in roles will be accompanied by changes in organizational structures because technology adoption will drive smaller, more efficient teams. Indeed, as certain manual roles are reduced, some assignments may be outsourced, consolidated, or absorbed into broader financial functions.

In addition to changes resulting from increased technology adoption, external pressures such as regulatory change and corporate restructurings will continue to reshape indirect tax functions, necessitating leaner teams and greater adaptability.

As all of these changes take hold, indirect tax will increasingly be elevated as a more strategic function within organizations themselves. In fact, indirect tax functions will become more centralized and integrated into business operations, and there will be greater cross-functional collaboration and partnering with key departments and teams to align tax with business goals, strengthen compliance, and contribute to informed decision-making. Indirect tax professionals also will be more directly engaged with senior business leadership and will be called upon to provide centralized reporting and other enhanced services to ensure consistency and oversight.

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**Indirect tax functions will have to become more strategic, centralized, and integrated into business operations**

The evolving skills needed as a result of these changing roles are already forcing many organizations to re-evaluate their plans for training and hiring. As they deal with the changing regulatory and technology landscape, businesses are more inclined to upskill their current staff rather than recruit new expertise.

A majority (59%) of respondents said they expect their organizations to upskill the knowledge of their current indirect tax professionals. And that's far higher than the portion of respondents who said they anticipate their organizations recruiting for new technology expertise (28%) or tax expertise (23%). Indeed, the majority of respondents said their businesses are either providing or considering providing both technology and regulatory training to their indirect tax staff, with slightly greater emphasis on regulatory training (62%) than technology training (55%).

However, one notable shift occurred in the US, Canada and the UK this year, in which fewer respondents said their businesses were planning to provide technology training for their indirect tax staff compared to last year. With regulatory compliance and technology being the two top challenges facing indirect tax operations, now is not the time to take the foot off the gas for training to deal with either of those critical challenges.

## Conclusion

While regulatory compliance is the most frequently mentioned top challenge by indirect tax professionals surveyed across several countries this year, dealing with emerging technologies, including GenAI, remains a daunting challenge. With a large majority of respondents saying they consider their organizations to be either behind the curve or only in the early stages of technology adoption, many companies clearly have ground to make up in this area.

Greater adoption of technology could help many businesses address several of the other challenges they face, including regulatory compliance, as well as improving accuracy, efficiency, time management, and data management. And all of these gains in efficiency and effectiveness could ease the commonly cited burden of resource constraints.

The encouraging news is that indirect tax professionals anticipate their organizations will step up to improve and update their technology solutions. As they do so, indirect tax professionals' roles, responsibilities, skills needs, training requirements, as well as their companies' organizational structures will all change as well.

If businesses can successfully carry through with their needed technology adoption, we can expect significant shifts going forward around how indirect tax professionals view their challenges and priorities.

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