2025 State of the Corporate Tax Department

Amid market uncertainty, tax departments are making slow progress toward a more strategic, proactive future

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People who work in corporate tax departments can be forgiven for identifying a bit too closely with the movie *Groundhog Day*. Every day these dedicated professionals wake up hoping the world around them will change, and every day they discover that mysterious, seemingly intractable forces are thwarting their efforts to move toward a more active and ambitious vision for their department.

Corporate tax professionals *want* to move into a future in which their tax function contributes more to the organization in terms of strategy and business intelligence, but the immediate and growing demands of compliance along with chronic shortages of talent and resources often stand in the way.

Tax departments *want* to automate more repetitive processes to free up time for more strategic, proactive work; however, budget constraints, infrastructure limitations, and organizational inertia often prevent them from upgrading their department's aging tax technologies.

58% of tax departments are under-resourced—and 59% lack confidence they can upgrade tax tech in the next two years.

Yet tax department leaders are optimistic about the possibilities for generative AI (GenAI) and other AI tools to help them meet compliance obligations and keep up with regulatory changes. However, most tax departments either don't use these tools, don't have access to systems that can run them, or — often in the case of GenAI — are waiting for tax-specific applications that go beyond basic research and document summarizing.

Slow progress with a side of hope

Ongoing challenges involving budget, talent, and technology have been holding back tax departments for many years, of course. For example, more than half (52%) of survey respondents say their in-house tax departments expect at least some additional budget to invest in new tech tools and capabilities over the next couple of years, according to the *2025 State of the Corporate Tax Department Report*, published by the Thomson Reuters Institute and Tax Executives Institute. And roughly half of respondents say their tax departments are also actively planning to introduce new technology or automation into their workflows soon, especially technologies that supported by machine learning and GenAI.

On the talent front, more than one-third of respondents (38%) say their tax departments intend to hire more qualified tax professionals over the next year or two (up from 32% who said this our 2024 report). And fewer respondents (14%) said their tax departments would be asking existing team members to work longer hours and overtime to pick up the slack created by retirements, compared to 19% who said that last year.

Still, the lament of *too much work and not enough time* is a consistent theme that runs through this year's report. Departments hampered by a lack of resources and antiquated technology are a significant contributing factor. Indeed, 58% of survey respondents say their departments are under-resourced, and 59% say they lack confidence in their department's ability to sufficiently upgrade their tax technology and automation over the next two years.

Two sides of tech

Regarding technology's role in tax management, however, there are undercurrents of both frustration and hope in this year's report. On the frustrating side, many respondents say their tax departments have not incorporated new technologies and automation as quickly or as extensively as they might like. Yet, they are hopeful that new technologies, once implemented, will help them do their jobs more efficiently, lightening the load of having to compensate for a lack of qualified new talent and the loss of more experienced team members to retirement.

Although companies often stretch their resources in the pursuit of efficiency and cost-containment, evidence is also mounting that under-resourced organizations often end up paying for their lack of investment in talent and technology in the form of more penalties, audits, and outsourcing costs — as previous iterations of this report have shown.

This year, at least half of respondents from *under-resourced* departments say their departments incurred penalties over the past year, whereas only about one-third of respondents who say their department's access to resources was *about right* report incurring penalties.

Key findings:

- Among the top priorities for tax professionals and their departments in 2025 were, unsurprisingly, *tax compliance*, especially improving accuracy and avoiding tax penalties; and *tax planning and strategy*, especially around navigating uncertainty and change.
- Among the top challenges for 2025 identified by respondents were *navigating political uncertainty*, such as constantly changing regulations and fluctuating tariffs; the lack of qualified tax talent; and *managing the digital transformation* of both their department and organization, especially moving from legacy systems to more modern resource planning systems (ERPs) and centralized data and communications networks.
- Tax professionals report spending more than half their time on reactive work, mostly around compliance. They would prefer to spend about two-thirds of their work time on strategic and proactive analysis, with the remaining one-third spent on daily reactive work.
- The percentage of respondents who say their department is *under-resourced* rose to 58% this year, compared to just 51% who said that last year, a sizable jump for a single year. More worrisome, just 26% of respondents from under-resourced tax departments say it is *very likely* that they could provide timely and accurate forecasting for the business, while 43% of respondents from departments seen as sufficiently resourced say they could.
- Of those respondents who say their departments are implementing new technologies, 57% say that would include GenAI, and 36% referenced machine learning. Interestingly, two-thirds of respondents say their department is *not* using GenAI — yet. And of the one-third of respondents saying their departments *are* using GenAI, it's mostly for basic research and document summarization.
- The largest groups of respondents reporting that their companies are at the *proactive* stage of their technological development are those from smaller companies (less than $50 million in revenue) and the largest companies (more than $5 billion in revenue). And tax departments in companies located outside the United States are more than twice as likely to be operating at the highest levels (*optimized* and *predictive*) of the technology adoption scale than those within the US, according to respondents.

Methodology

The Thomson Reuters Institute's *2025 State of the Corporate Tax Department* report is an in-depth analysis of survey responses from senior decision-makers in corporate tax departments around the world. The goal of the report is to gain insight into tax department leaders' strategic priorities and challenges, as well as their views on technology, resources, budget, and staffing.

The findings in this report were gathered through a 15-minute online survey completed by 288 decision-makers in corporate tax departments around the globe. The surveys were conducted during July and August 2025.

A large percentage (90%) of survey respondents were in top leadership positions, including senior directors and managers, chief tax officers, VPs of tax, and tax managers. More than half (56%) of respondents were from US companies.

The industry sectors surveyed included manufacturing, technology/media/telecoms, retail, energy & utilities, financial services, pharmaceuticals, healthcare, and more.

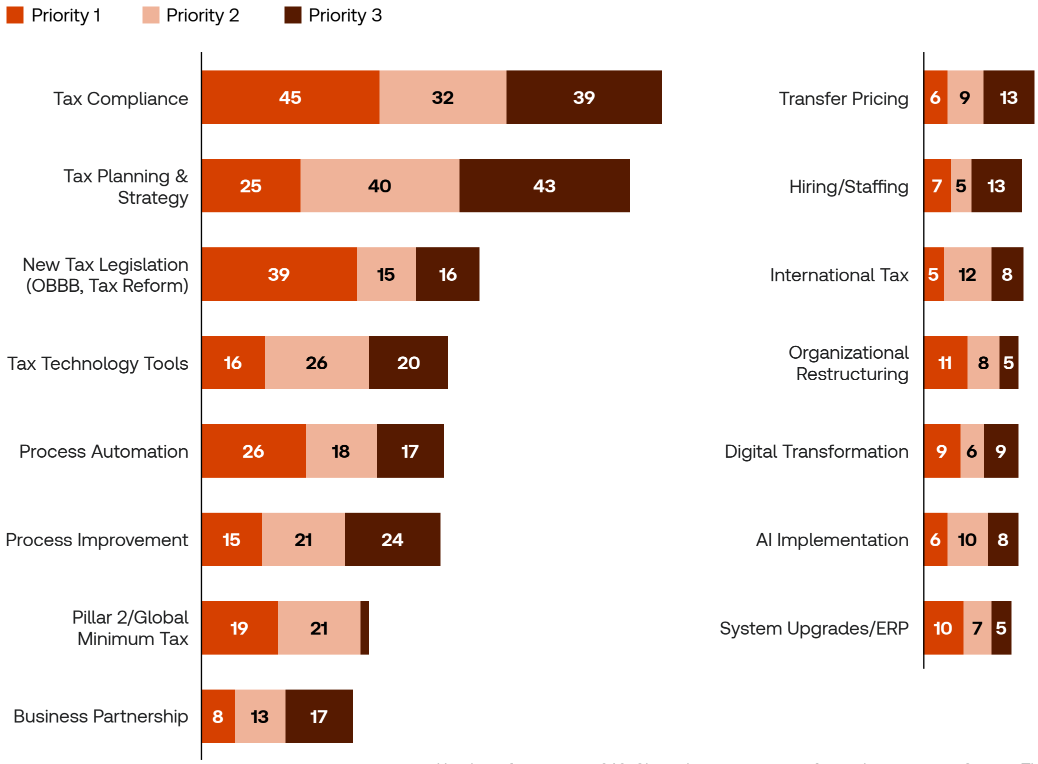
For a more complete breakdown of the demographic details, consult the appendix at the end of this report.

Section 1: Goals, priorities & challenges

Top priorities: Toward a more proactive tax department

FIGURE 1:

What are your tax department's top three strategic priorities in the next 18 months?



Number of responses: 260. Chart shows raw counts for each priority. *Source: Thomson Reuters 2025*

The top priorities for tax departments worldwide remain roughly the same as in past years, with tax compliance, tax planning and strategy, and keeping up with new tax legislation continuing to top the list. When ranking priorities, however, more respondents this year cited keeping up with new tax legislation as a top concern, particularly around the massive tax regulation changes introduced by the recently passed One Big Beautiful Bill Act (OBBBA).

Other priorities, such as concerns about technological transformation, likely were cited because many corporate tax departments are in a period of technological transition as they move from legacy infrastructures to centralized ERP systems and more reliance on automation and AI.

Tax departments in transition

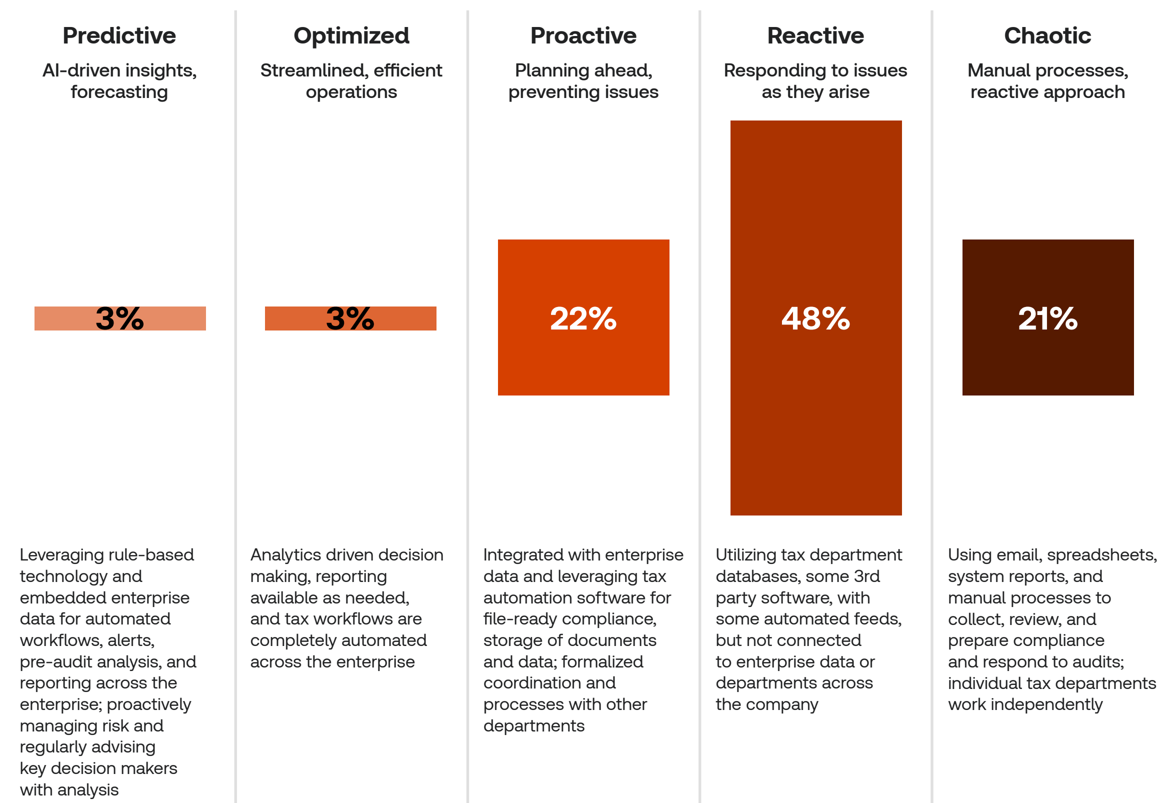
This year's survey results introduced an interesting paradox. On one hand, a majority of respondents report that their departments are still in the reactive or chaotic phase of their technological development. This phase is characterized by the use of some process automation and improved tax software, but little or no enterprise-wide data-sharing or cross-functional communication.

And yet, when asked about their top priorities for the next 18 months, respondents rated digital transformation, AI implementation, and ERP systems upgrades dead last. Because concerns about tax tools and processes rated so much higher, these results suggest that many companies have already done the hard work of planning for upgrades. Having committed to technological transformation, many departments are now grappling with the challenges of infrastructure rebuilding, retraining their workforce, and incorporating new tools.

FIGURE 2:

Automation

Which of the following statements best describes your tax department's approach when it comes to the use of technology and automation?



Source: Thomson Reuters 2025

Not surprisingly, these transitions take time. Only about one-quarter of all respondents indicate that their companies have entered the *proactive* stage of their technological development, in which centralized data-sharing, automation, and cross-departmental communication are coordinated to the point that they are delivering noticeable efficiencies and actionable insights.

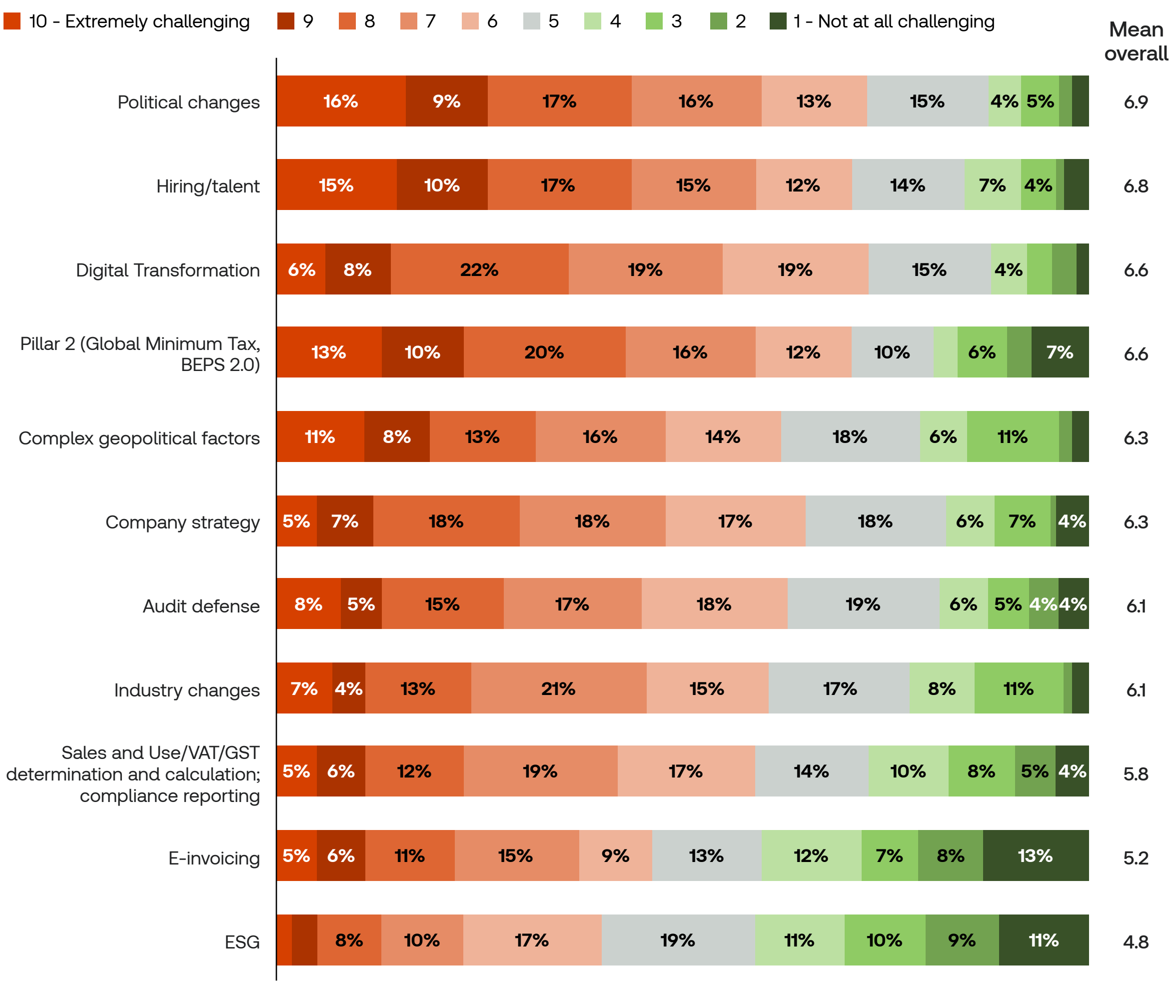
Interestingly, a lower percentage of respondents this year say their companies are advancing to the proactive stage of their technological development than said that last year. However, there other factors beyond technology that may be forcing some companies to retrench into a more reactive mode.

Top challenges: Familiar obstacles & uncertain outcomes

Historically, achieving the right balance of talent and technology has been among the top challenges that many tax departments still are facing, and staffing issues is typically the top concern cited in our surveys. And because qualified tax professionals are in such short supply, many corporate tax departments find themselves so under-staffed that they don't have time to even fully utilize the tech tools already at their disposal.

FIGURE 3:

How challenging are each of the following items for your tax department?



Source: Thomson Reuters 2025

However, this year another significant challenge rose to the top of the list — navigating the current political environment and the accompanying geopolitical upheaval that comes with it.

Uncertainty about tariffs, trade routes, regulations, filing rules, and supply-chain security have now emerged as a major concern, especially at large multinational companies that operate in and throughout multiple countries and jurisdictions.

And new regulations — such as the European Union's Pillar 2 requirements and the US's OBBBA — have kept tax departments around the world busy with tax professionals everywhere trying to understand how those changes affect their business and its tax strategy.

How all this will play out remains to be seen, but it's clear that corporate tax departments are on edge and eager for more clarity and stability in global markets.

Section 2: Strategic/proactive vs. tactical/reactive

Every organization experiences tension between the desire to achieve its goals and the many factors that prevent or impede progress toward those goals. In corporate tax departments, unfortunately, the organization's larger goals (efficiency, cost-cutting) don't always align with the tax department's wants and needs (more staff, better technology) or its own long-range goals (more strategic and proactive work, less reactive chaos).

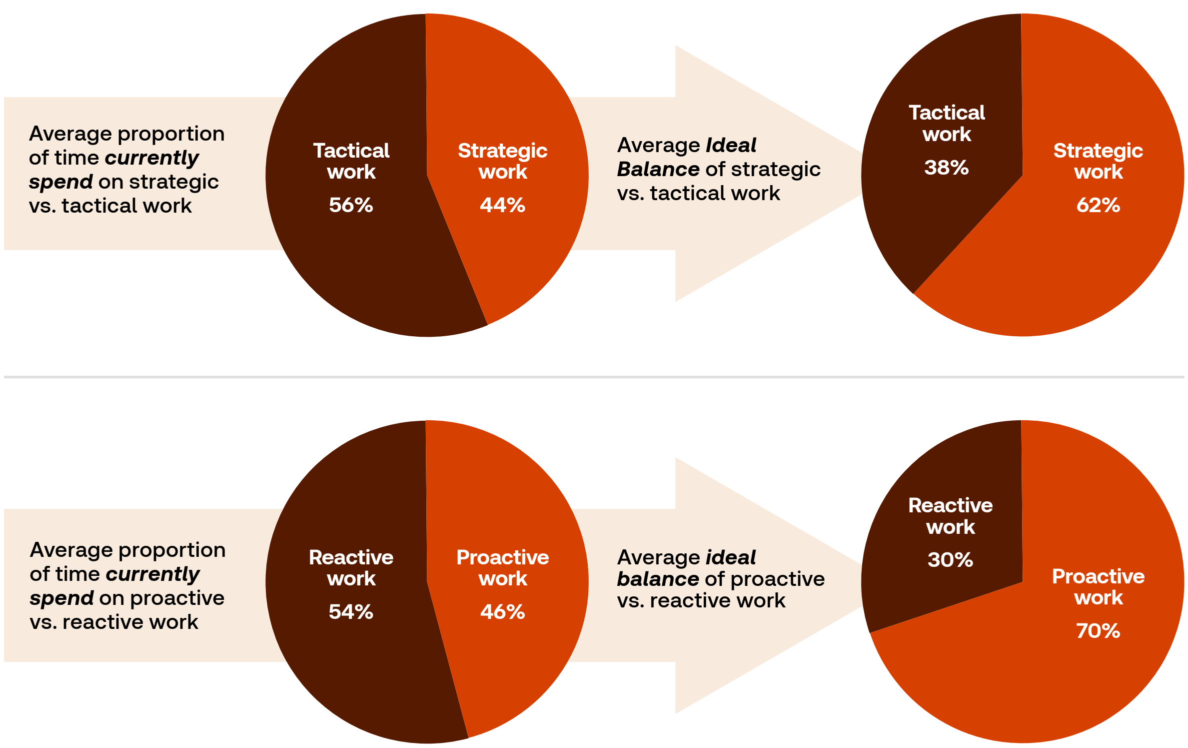
Consequently, tax departments often have trouble achieving the ideal balance between making strategic or proactive contributions to the organization and the more tactical and reactive work that tends to consume most of their time.

How tax professionals spend their time

On the strategic and proactive side, corporate tax professionals always seem to be in a constant battle to prove their worth beyond mere compliance. Access to enormous amounts of financial data and vastly improved analytical tools give tax professionals the means to provide much more accurate tax planning and forecasting, but their days are often occupied by more pressing and immediate issues involving regulatory compliance, reconciliation, reporting, audits, and filing.

FIGURE 4:

Strategic and proactive work: getting the balance right



Source: Thomson Reuters 2025

Currently, tax professionals — not surprisingly — report they're spending more than half of their time in a tactical or reactive mode with much less time spent on strategic or proactive pursuits. Ideally, respondents say they would prefer to spend much more of their time — up to 70% in some cases — on strategic or proactive analysis and forecasting, and less time on reactive or tactical execution of daily tax duties.

FIGURE 5:

Reasons why respondents are unable to achieve the ideal balance of work (strategic/proactive vs. tactical/reactive):

Too much work, too little time...

Excessive work volume

"Too many day-to-day responsibilities."

"Day to day work levels are high and demands of the business do not allow much spare time for strategy work."

"Too much due."

Heavy compliance burden

"Too many compliance activities."

"Too much compliance, reporting and details to get involved, not sufficient talents to assist and process hiccups."

"Day to day compliance burden."

Limited internal resources

"Lack of suitable headcount to take up tactical work."

"The lack of resources is a huge burden."

"Low headcount in the tax department."

"Short-staffed so spend more time doing reactive work."

Time constraints

"Pressure of time."

"Insufficient time, urgent vs important."

"There are always last-minute issues or problems to resolve that didn't allow time to be more proactive and forward looking."

Source: Thomson Reuters 2025

Of course, there are many reasons why respondents say they are unable to achieve a more ideal balance between strategic/proactive and tactical/reactive work, most of which can be summed up in that familiar refrain, *too much work, too little time*.

Specifically, respondents cited several obstacles to their goals, including excessive work volume, a heavy compliance burden, limited internal resources, and time constraints.

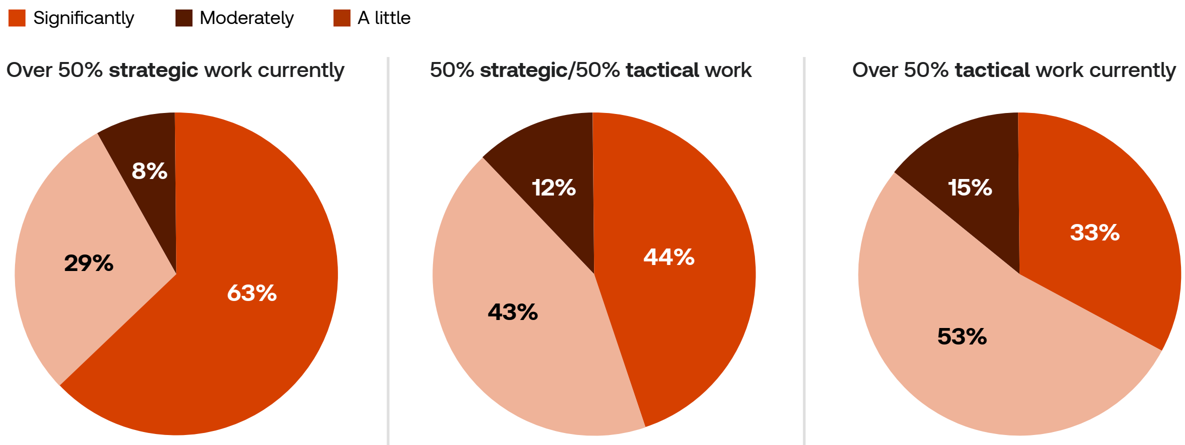
Corporate tax professionals today face "too many day-to-day responsibilities," says one respondent; while another sums up: "There are always last-minute issues or problems to resolve that don't allow time for us to be more proactive and forward-looking."

How tax pros feel about their contribution to organizational goals

The way that tax professionals feel about the contribution they're making to the organization appears to be directly related to the amount of strategic or proactive work they feel they are doing.

FIGURE 6:

To what extent would you say your tax department currently actively contributes to your organization's overall objectives?



Any percentage is referring to time spent.

Source: Thomson Reuters 2025

For example, on average, around 3-in-10 respondents who say they spend more than half their time on *tactical* or *reactive* work say they feel they are making a significant contribution to their organization's overall objectives.

And if this question is posed to those who say they spend more than half their time on *strategic* or *proactive* work, that figure almost doubles on average.

One respondent says that "weekly meetings with the management team are now in place so that we can update management on tax issues," noting that this has allowed the team to offer more proactive advice on business strategy.

FIGURE 7:

What are the greatest constraints your tax department faces in delivering greater value to the organization, if any?

Staffing and resource

"Not enough talents."

"Resources (time and money and headcount)."

"Hiring of talent. For a global company of our size, we have a significant finance department but a severely lacking tax department with only 5 FTE across 20+ countries."

Operational efficiency issues

"Flow of information."

"Structure and business is set up based on needs of clients not strategic."

"Different priorities of the company."

"Organizational structure."

Technology and process gaps

"Tax technology that limits automation."

"We need better technology or AI functionality."

"Lack of upgradation of technology specifically designed to automate repetitive processes."

Strategic exclusion and communication barriers

"Lack of internal communication + Company is OBSESSED with their EBIT and don't really care about tax."

"Lack of cross functional collaboration and communication."

0.4% of respondents said they had no significant constraints

Source: Thomson Reuters 2025

While it is hardly surprising that those who spend more time on strategic or proactive work tend to feel they are contributing more directly to their organization's overall objectives, all respondents cited several factors that their *department* is facing that limited its ability to make a greater contribution to organizational goals.

Among these limiting factors cited are a lack of staff and resources, operational inefficiency, technology and work process gaps, outdated technology and lack of automation, barriers to proper communication, and the exclusion of the tax function from participation in cross-functional collaboration.

The need for more supportive leadership

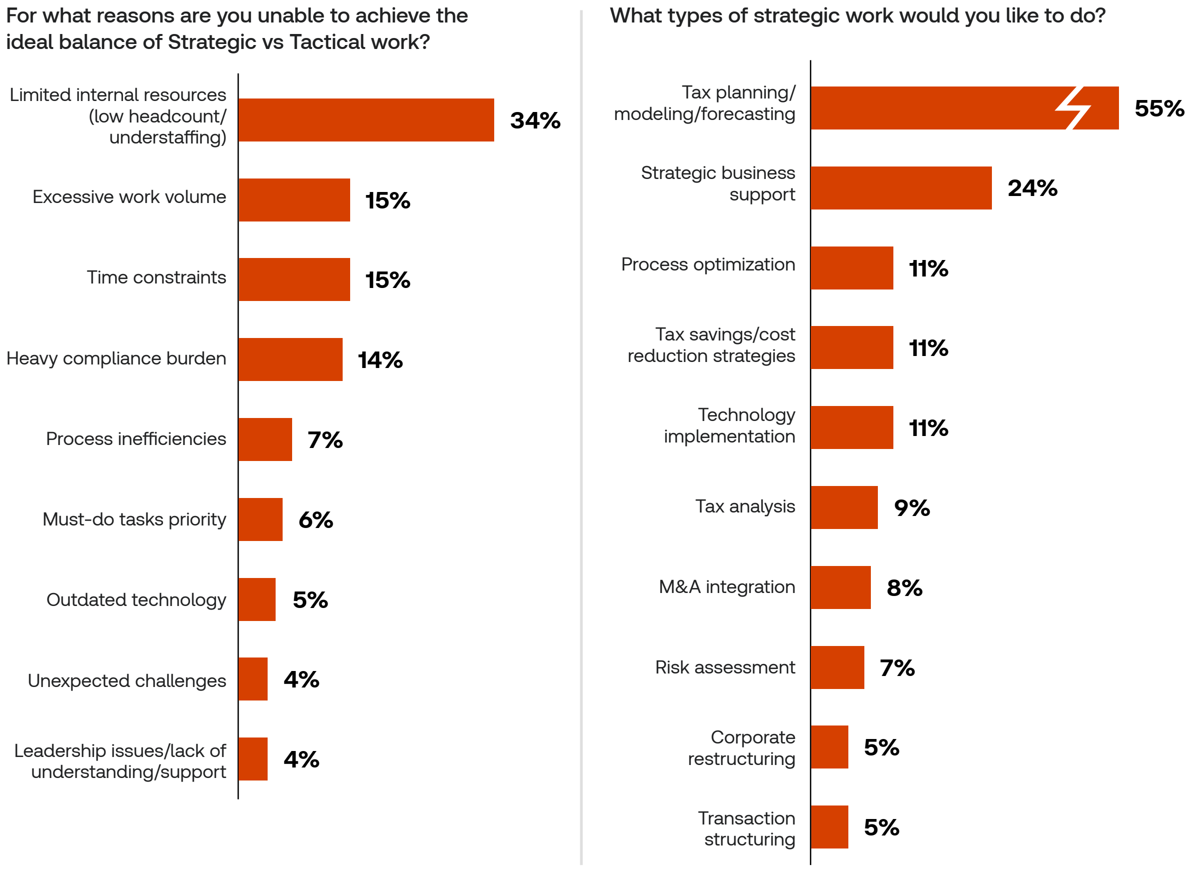
At organizations in which some or all of these factors impede efforts to improve the tax function's status and performance, the larger problem is often lack of leadership. Either the organization's leaders don't want their tax department to move beyond compliance, or they don't recognize the value of a tax department that dedicates more of its time to strategic, forward-looking data analysis and other value-added pursuits.

"Management doesn't understand the benefits of a long-term tax strategy," laments one survey respondent.

Fortunately, the swift evolution of digital taxation and accompanying tax technologies is making the need for conversations about the tax department's expanded role more urgent and necessary.

FIGURE 8:

Balance of strategic vs. tactical work



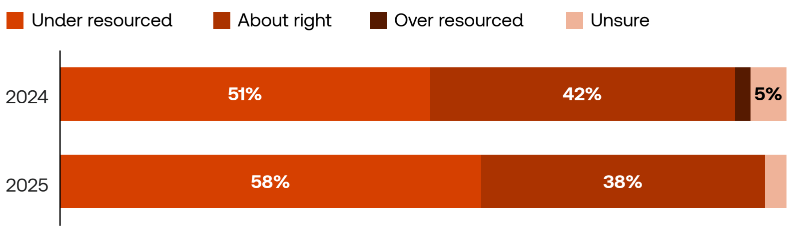
Source: Thomson Reuters 2025

If given the opportunity to pursue more strategic and proactive work, more than half (55%) of respondents say they would like to do more tax planning, modeling, and forecasting; while 24% say they would like to be more involved in strategic business support.

Section 3: Talent & resources

FIGURE 9:

Thinking about your tax department, as things stand would you describe it as...?



	Percent change YoY
Under resourced	22%
About right	37%
Over resourced	11%
Unsure	20%

Source: Thomson Reuters 2025

Over the past several years, talent acquisition and retention have been a consistent source of concern for many tax department leaders, especially those at smaller companies (those with less than $1 billion in annual revenue).

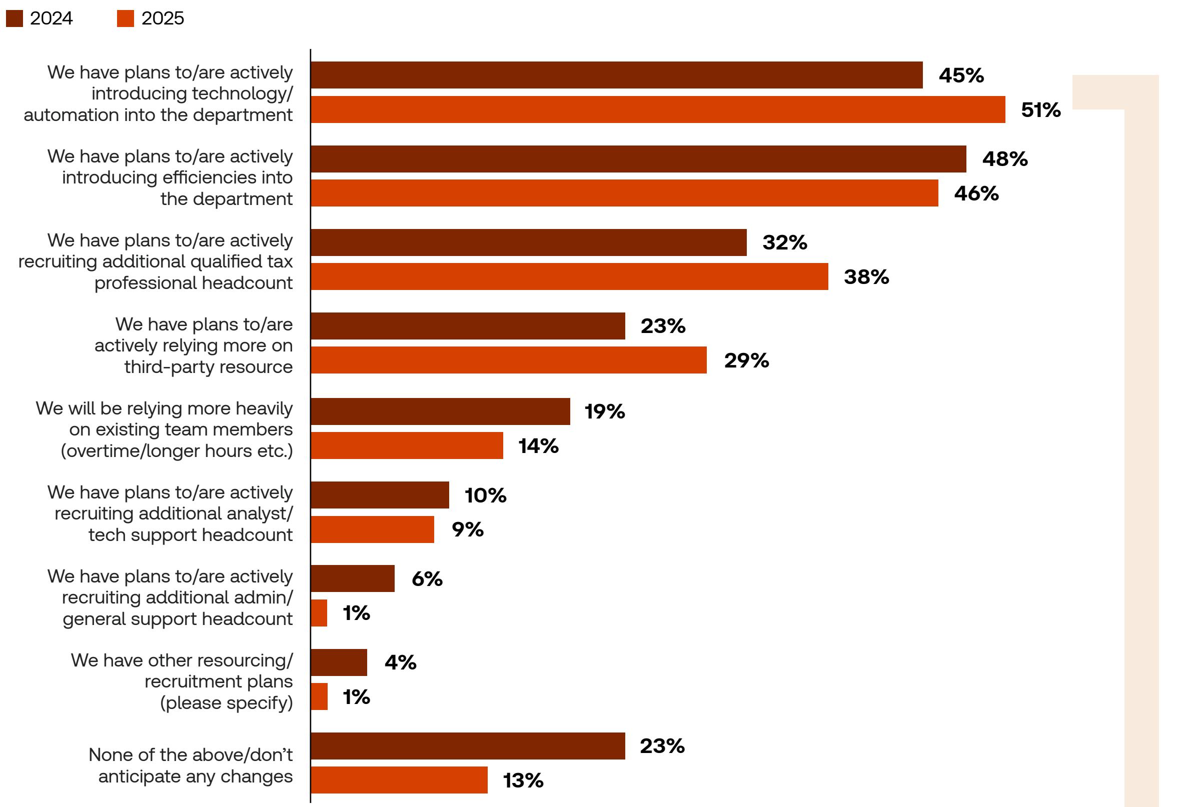
In our 2023 and 2024 iterations of this report, the average percentage of respondents who said their departments were *under-resourced* hovered around 51%. This year, however, the percentage of respondents who say their department is under-resourced climbed to 58% — a 7-percentage point jump in one year. Additionally, the percentage of respondents who say their department's access to resources is *about right* dropped four percentage points this year.

Resourcing strategies

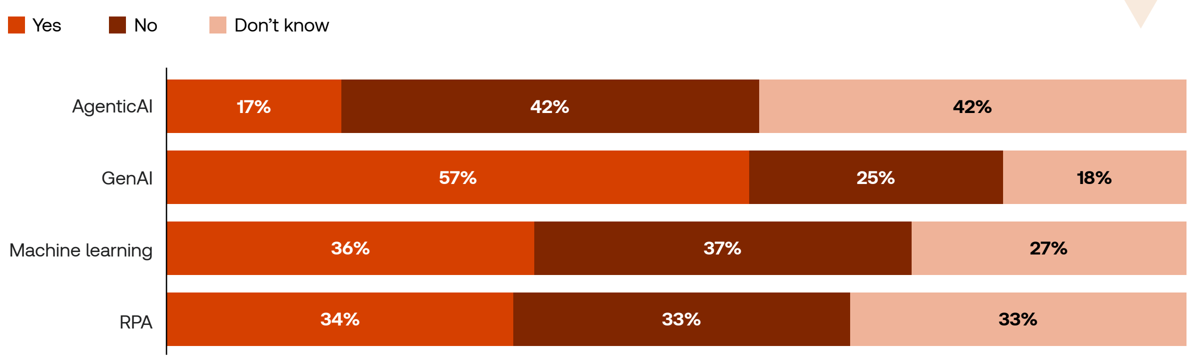
FIGURE 10:

Recruitment

Thinking specifically about the resourcing/recruitment strategy for your tax department, what, if any, changes do you anticipate making in the next 1-2 years?



Does any of the technology you are introducing include the following?



Source: Thomson Reuters 2025

Apart from more aggressive recruiting, the standard playbook for addressing resource scarcity among many corporate tax departments has been to introduce more technology and automation, create more efficient workflows, and outsource such tasks as filing preparation, indirect tax compliance, routine data reporting, and audit defense.

These strategies are still very much in play. This year, more than half (51%) of respondents say their department's main resourcing strategy involves introducing more technology and automation (compared to 45% in 2024). Also increasing this year as resourcing strategies were increasing headcount and relying more on third-party outsourcing, while the percentage of respondents saying their departments are pursuing greater efficiency as a strategy dropped a bit compared to last year.

Of those respondents at departments that are implementing new technologies, 57% say their new technology would include GenAI, and 36% say machine learning. Interestingly, 17% say their department plans to explore more advanced AI-driven technologies such as agentic AI.

Headcount

Globally, the average headcount for a corporate tax department eight tax professionals, with support from one analyst or tech professional and one general administrative staffer.

Small companies (those with less than $50 million in annual revenue) tend to have more professionals on the payroll than do larger companies (those with up to $1 billion in annual revenue). While this may seem counter-intuitive, smaller companies often have complex tax scenarios and less technology at their disposal, so they are more likely to handle many tax matters internally and manually, often hiring more staff to manage that workload.

Companies at which respondents called their department's resource allocation *about right* are hiring at least a few more tax professionals than average, with the largest companies adding more analyst and tech support than the average (5 support staffers compared to an average of 3) as well.

FIGURE 11:

Talent

What is your current FTE (full time equivalent) headcount of tax professionals, analyst/tech support and admin/general support across your tax department?

Overall average headcount (mean)		Tax professionals	Analyst/tech support	Admin/general support
Within country		14	9	6
Globally		32*	27	17*
	Globally			
Revenue	Less than $50m USD	20	12	14
	$50m - $1bn USD	15*	18	17*
	$1bn - $5bn USD	21	24	12*
	More than $5bn USD	63*	43	24*

Average global headcount for those whose resources are 'about right' (mean)		Tax professionals	Analyst/tech support	Admin/General support
Revenue	Less than $50m USD	34	16	22
	$50m - $1bn USD	18*	24	29*
	$1bn - $5bn USD	16	30	6
	More than $5bn USD	56	51	37*

All respondents, excludes outliers* and 'Don't know' responses.

Source: Thomson Reuters 2025

Section 4: Using technology to leap from reactive to proactive

In Figure 2 earlier in this report, we see a model that identifies the stages of corporate technology adoption and their impact on how in-house tax departments operate.

On this adoption curve, the long-term goal for most tax departments is to move out of the *chaotic* or *reactive* stages of technological development and into the *proactive* stage, in which their company has integrated and centralized their data through an ERP system, broken down silos to facilitate cross-departmental coordination and communication, and allowed the tax department to leverage automation for greater speed, accuracy, and efficiency.

From reactive to proactive: The journey continues

As a practical matter, however, most respondents (70% in this year's survey) say their companies are still navigating the leap from reactive to proactive. These also happen to be the most volatile and time-consuming stages, in which entire technological ecosystems are being replaced and new processes and workflows.

Even after the necessary technological infrastructure is in place, however, only 6% of respondents say their departments are operating optimally — a statistic that has not budged much in the past couple of years despite the rapid adoption of new tax technologies. This is unfortunate, because much of the power tax departments can leverage to contribute more vibrantly to their organization's overall strategy and decision-making is based on their ability to gather, analyze, and report on the vast amounts of financial data that flow through the department.

While proactive may be the goal, today's corporate tax professional may be forgiven for taking a more reactive stance to the substantial rise in uncertainty across the global tax landscape due to shifting trade alliances, changing regulations, fluctuating tariffs, and other complex geopolitical factors. This instability has forced many tax departments into a cautious, wait-and-see stance that makes forecasting much more difficult. Whether or not a company's tax department is *technologically capable* of more advanced analytics, the utility of those models may be blunted somewhat by the market's current lack of predictability.

Small companies are making big gains

FIGURE 12:

Automation (by revenue & country based)

Which of the following statements best describes your tax department's approach when it comes to the use of technology and automation?

		2024	2025
Overall	Chaotic	21%	21%
	Reactive	45%	48%
	Proactive	24%	22%
	Optimized	4%	3%
	Predictive	2%	3%
	None of the above	4%	3%

		2025
Overall	Chaotic/reactive	68%
	Proactive	22%
	Optimized/ predictive	7%
	None of the above	3%

2025									
	Revenue (USD)					Country based		Resource	
	Less than $50m	$50m to less than $500m	$500m to less than $1bn	$1bn to less than $5bn	Over $5bn	US	Rest of world	Under resourced	About right
Chaotic/reactive	63%	84%	75%	73%	61%	71%	65%	77%	55%
Proactive	25%	13%	22%	15%	27%	22%	21%	19%	26%
Optimized/ predictive	4%	0%	3%	8%	10%	4%	9%	4%	10%
None of the above	8%	3%	0%	3%	1%	3%	5%	1%	8%

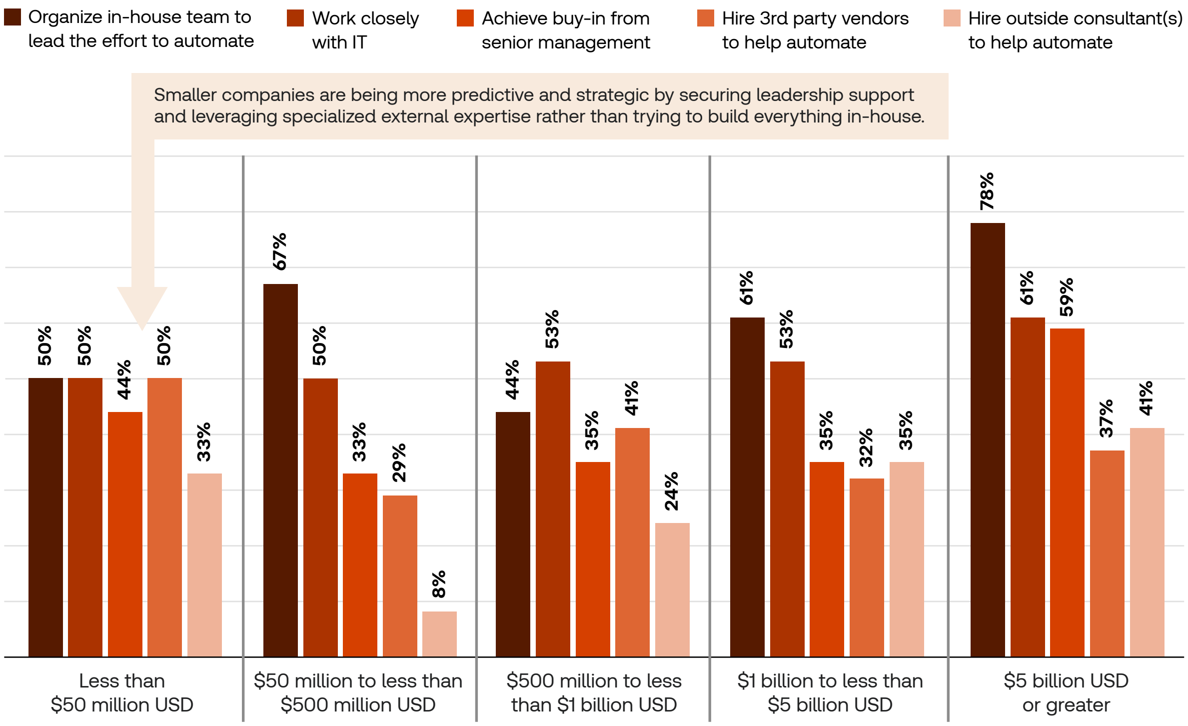
Source: Thomson Reuters 2025

Interestingly, the highest percentage of respondents reporting that their companies are at the proactive stage of their technological development are those from smaller companies (those with less the $50 million in revenue) at 25% and from the largest companies (those with more than $5 billion in revenue), at 27%.

Internationally, respondents from companies outside the US are more than twice as likely as their US counterparts to say they are operating at the highest levels of the technology adoption scale. This isn't particularly surprising, however, because the European Union's aggressive push to digitize all forms of corporate taxation has prompted companies operating there to adopt digital tax technologies much faster than they might have otherwise.

FIGURE 13:

Which of the following, if any, has your tax department done in your effort to automate standard processes? (by revenue USD)



Source: Thomson Reuters 2025

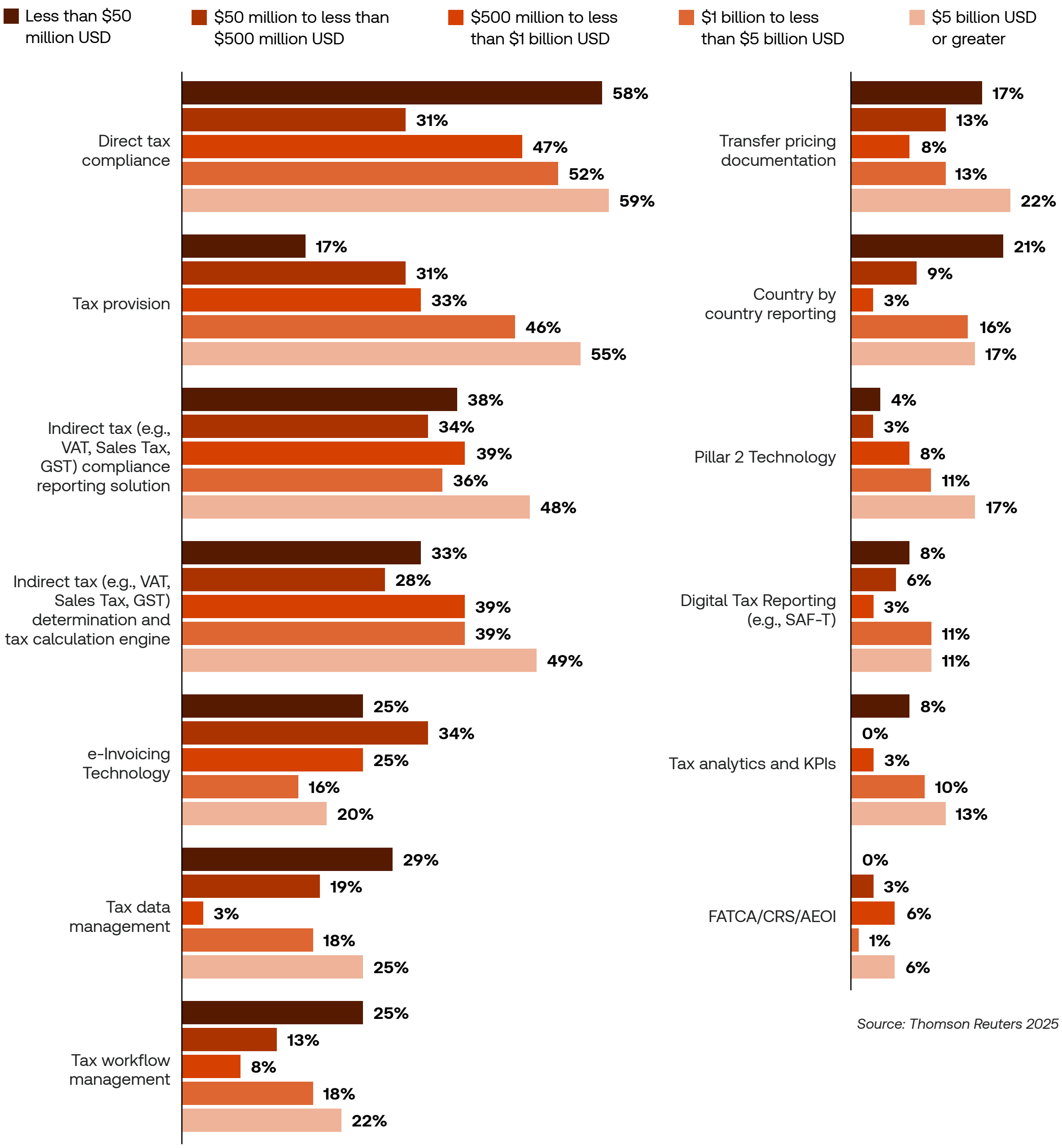
An interesting dynamic appears to be taking place when you look at what companies are actually doing to move up the tech adoption curve. Smaller companies are more likely than all but their largest counterparts to get buy-in from senior management for technology purchases and adoption, according to respondents. These companies also are more likely to hire third-party vendors to help automate their tax processes rather than try to build everything themselves.

By comparison, midsize companies (those in the $50 million to $500 million range for annual revenue) — which incidentally are those whose respondents are reporting the least amount of technological advancement — are much more likely to have an in-house team lead their automation efforts and are far less likely to rely on third-party vendors for help with automation.

Aside from stretched resources and limited budgets, what we may be seeing from respondents at these midsize companies reflects a more cautious, wait-and-see-what-works approach to the adoption of new technologies. While this cautious strategy may offer some advantages in terms of control, it also runs the risk of putting these companies too far behind the technological curve to catch up.

FIGURE 14:

Which of the following tax technology solutions do you currently have implemented? (by revenue USD)



Source: Thomson Reuters 2025

Proportionally, smaller companies also invest much more heavily in direct tax compliance software than other size segments. Indeed, 58% of respondents from smaller companies say they're already using direct tax compliance tools, which significantly outpaces all other segments. This suggests that smaller companies are focusing on their basic compliance processes by using proven technologies *before* investing in more advanced solutions to address issues such as Pillar 2, digital tax reporting, and tax analytics.

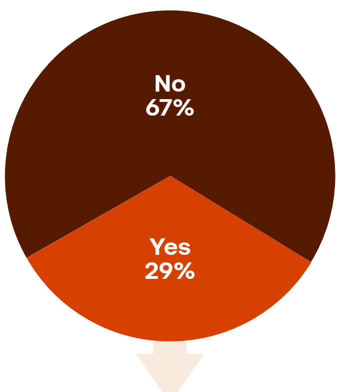
To be fair, however, most companies appear to be following a similar pattern. The most widely adopted tax technologies continue to be focused on direct tax compliance, tax provision, and indirect tax reporting and calculation. Also, about one-in-five respondents say their companies have also introduced e-invoicing solutions and tax data management software, both of which are solutions that are expected to grow as mandatory e-invoicing and real-time tax-data reporting spread to more countries worldwide.

The elusive promise of GenAI

FIGURE 15:

GenAI

Are you currently using GenAI?

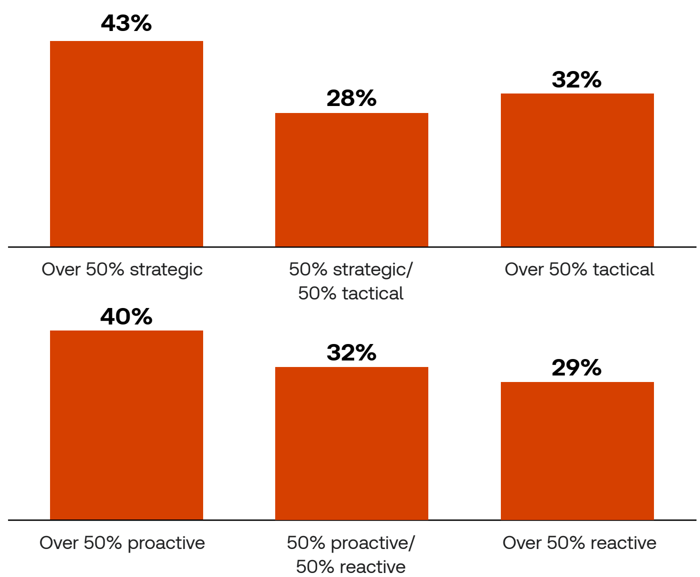


If yes, how are you currently using GenAI?

Research/planning	**51%**
Writing/documentation support	**24%**
Data analysis & insights	**18%**
Task automation & efficiencies	**15%**
Email communication	**12%**

Are you currently using GenAI?

(Proportion of respondents that said 'Yes' to currently using GenAI split by proportion of work that is Strategic/Tactical and Proactive/Reactive)



Practical time-savers

"To simplify my day-to-day, summarizing, drafting emails, get started on the technical research, simple tasks etc."

"It has been used to identify and automate repetitive tasks in my daily work."

Beyond basic research

"Multiple places – however the big jump will come once the Tax Data Hub is completed – several AI opportunities will be driven due to that. Also used to interrogate presentations to gain insight."

"To review and validate sales tax exemption certificates."

Collaborative intellegence

"ChatGPT to stimulate ideas and discussion points where applicable."

"Help facilitate analysis and presentation of ideas."

"Exploring tools and agents that can help speed up processes."

Source: Thomson Reuters 2025

The other technological elephant in the room is GenAI, which is rapidly gaining broader usage in the tax sector but has yet to gain much traction beyond helping with basic tasks. Indeed, two-thirds (67%) of respondents to this year's survey say their department is not using GenAI, at least yet.

Of those who say their department is using GenAI, usage appears to involve such common tasks as conducting research and assist with communication and collaboration. Over time, the true value of GenAI will be measured in time saved on repetitive, time-consuming tasks, allowing users to have more time and attention for more complex and nuanced activities that require more human judgment and expertise.

Thus far, tax professionals say they are using GenAI more for proactive and strategic work than for their daily tactical or reactive work, but not by a significant margin. And judging by non-US respondents, adoption of GenAI in corporate tax appears to be worldwide and multilingual, which is no surprise.

Another interesting aspect of GenAI is that it may one of the first groundbreaking technologies to evolve that is accessible to almost everyone without the need for significant monetary investment. This accessibility may benefit smaller companies by giving them an effective time-saving tool at very little cost. However, as with most tax technologies, the largest companies are most likely to invest in a wider and more sophisticated variety of technologies that incorporate GenAI.

One survey respondent says that "having overall control of all tax processes though a digital platform, then creating greater value through tax-cost optimization" is their tax team's most fervent wish.

For now, GenAI may be leveling the playing field a bit, and, like most user, corporate tax professionals are currently experimenting with the technology to find out where it can help them and where it can't.

Section 5: Risks of resource scarcity and under-investment

As we discussed earlier, more than half of this year's survey respondents say their tax departments are under-resourced and, due to multiple constraints — such as time, budget, talent, and leadership — they do not have much confidence that their departments will add the technology and automation needed over the next 18 months.

Not surprisingly, we found in this and past reports that the decision not to invest in technological upgrades has serious repercussions, chiefly more and stiffer penalties. However, there are also other costs associated with running an under-resourced department, including: missed opportunities for tax saving by, for example, failing to optimize tax structures, claim credits, or identify over-payments; delayed business initiatives due to tax work bottlenecks; increased stress or burnout among the tax team; less accurate tax forecasting and planning; and an impact on talent recruiting and retention.

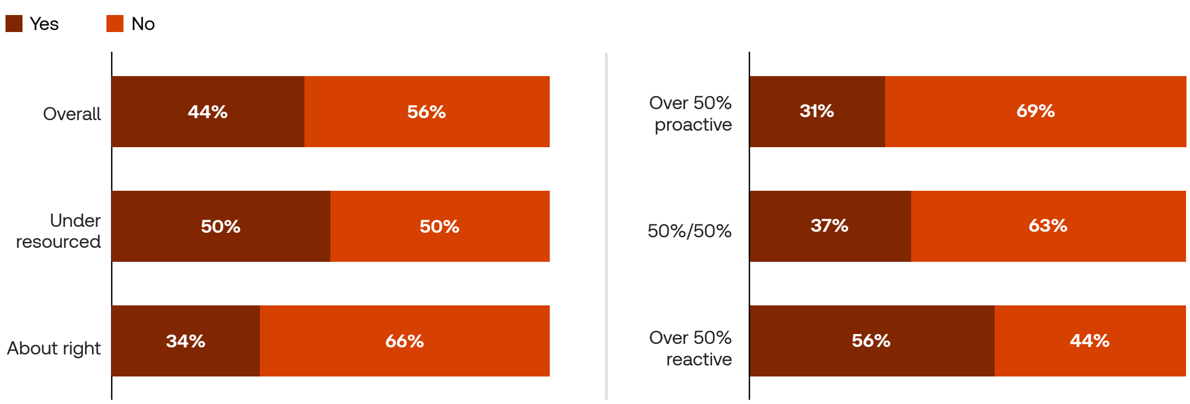
Fewer penalties for companies with adequate resources

Although resource scarcity tends to affect different tax departments to varying degrees — some perceptible, some not — the lack of penalties is one immediate, measurable way to assess this impact.

FIGURE 16:

Penalties

In the past year, did your organization incur any penalties?



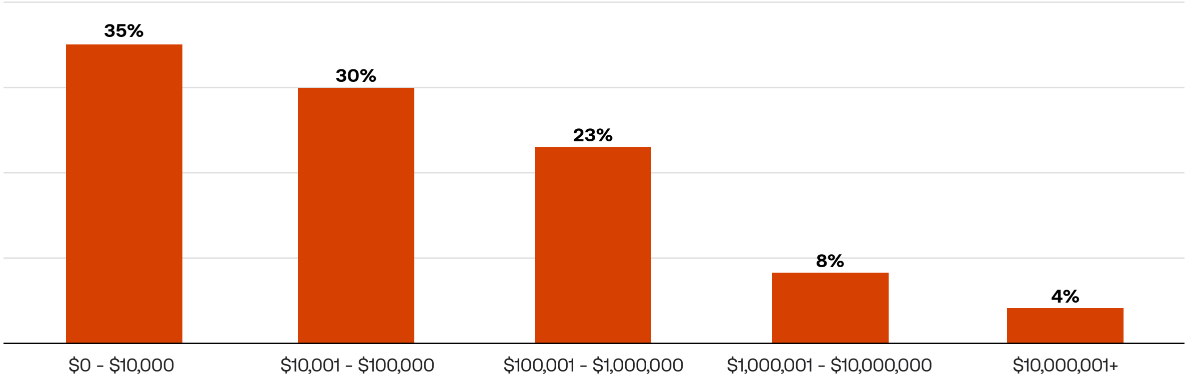
Source: Thomson Reuters 2025

Overall, 44% of respondents say their corporate tax departments incurred penalties over the past year. However, just one-third of respondents from companies with adequate resources incurred penalties, compared to about one-half of respondents from under-resourced departments.

Further, only 31% of respondents who dedicated more than half of their time to proactive work say their departments incurred penalties, whereas 56% of respondents who spend more than half their time in *reactive* mode say their departments faced penalties.

FIGURE 17:

What was the approximate value of the penalties that your organization incurred in the past year?



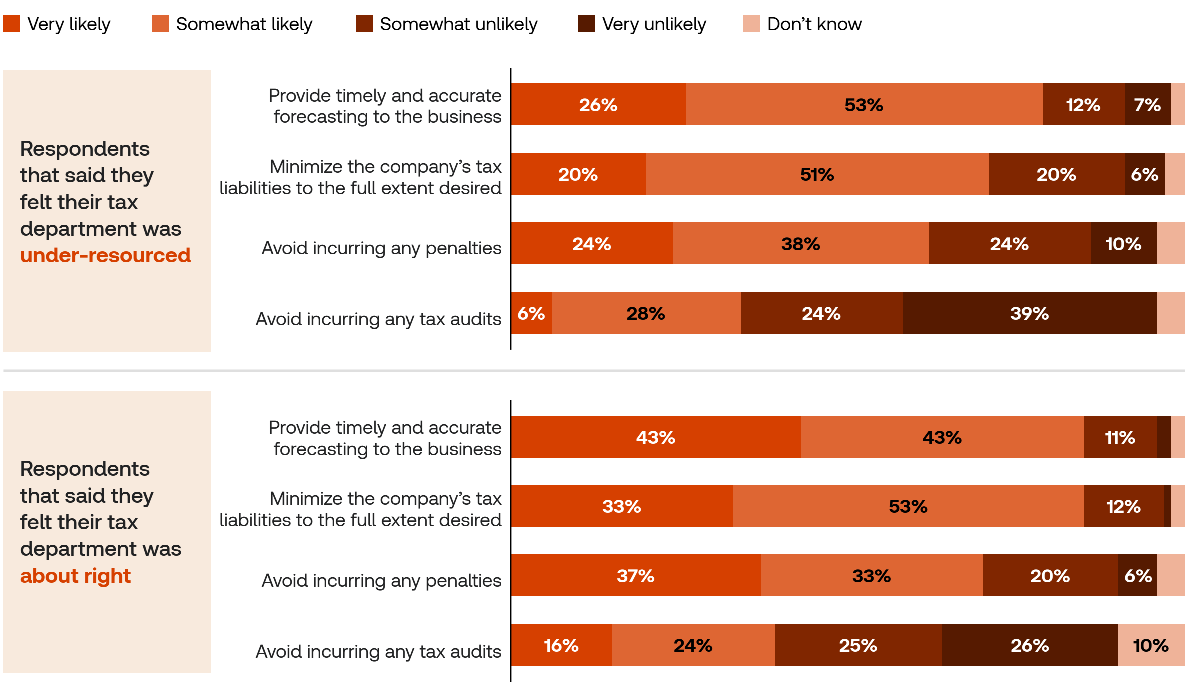
Source: Thomson Reuters 2025

Almost two-thirds (65%) of respondents say the total dollar value of the penalties their departments faced amounted to less than $100,000, but 12% of them say the penalties totaled more than $1 million.

The relationship between resources and performance

FIGURE 18:

In the coming year, given the resources available to your tax department, how likely or unlikely do you think it is that you will be able to do the following?



Source: Thomson Reuters 2025

Confidence in a tax department's ability to avoid penalties and audits in the coming year was also tied directly to the department's level of resources. Only about one-quarter (24%) of respondents who say their department is under-resourced say they are *very likely* to avoid incurring penalties in the coming year, whereas 37% of respondents from adequately resourced departments say they are confident they could avoid penalties.

Similar splits were seen between respondents from under-resourced departments and their counterparts at adequately resourced departments in areas such as providing timely and accurate forecasting for the business and minimizing their company's tax burden.

While respondents from under-resourced departments also say their department is more likely to be audited, the level of resources available to a tax department does not appear to make an appreciable difference in the number or frequency of audits.

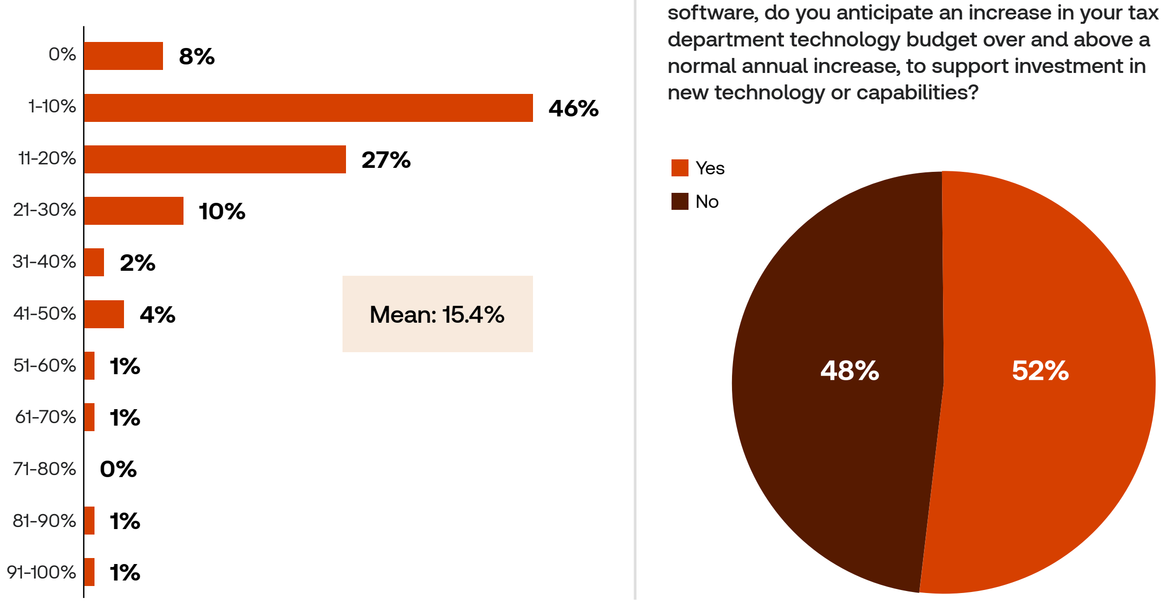
Spending increases on tech

FIGURE 19:

Internal tax department costs

What percentage of your internal tax department costs are currently spent on specific tax technology or software?

Thinking only of your internal tax department costs currently spent on specific tax technology or software, do you anticipate an increase in your tax department technology budget over and above a normal annual increase, to support investment in new technology or capabilities?



Source: Thomson Reuters 2025

Resourcing is of course tied directly to budget, and there are some budgetary items that companies are willing to fund, chiefly technology. More than half of respondents (52%) say that they expected an increase in their department's internal budget for technology and software. This portion was up slightly from last year when 48% said they expected a tech budget increase.

In most departments, less than 20% of a tax department's total budget is spent on tax technologies and software, respondents say, with the average spend being about 15.4% of the overall budget.

FIGURE 20:
External spend

Spend (USD)	Under-resourced	About right
External spend - mean	$3,155,035	$1,6541,142
External spend - median	$750,000	$500,000
Median (total spend as a proportion of revenue)	0.1%	0.1%
Average external spend proportion	44%	37%

Source: Thomson Reuters 2025

Interestingly — but perhaps not surprisingly — under-resourced departments tend to spend a higher proportion of their budget on external tax support (44%) than do fully resourced departments (37%).

Taking the next steps

This report shows that corporate tax departments continue to grapple with a variety of familiar challenges, such as chronic talent shortage, persistent budget issues, and sluggish technological advancements — all of which prevent departments from reaching their full potential. And in the current political environment, in which global alliances are shifting rapidly, a pervasive atmosphere of uncertainty and upheaval has tax department leaders scrambling to assess the impact of these changes on their respective organizations.

Nevertheless, corporate tax leaders are making incremental strides toward a future in which their departments are less reactive and tactical task-masters of compliance and instead are moving toward being more strategic and proactive providers of business insight and intelligence. Indeed, this year's report suggests that many companies are currently doing the hard work of upgrading their technological infrastructure to position themselves for future success.

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Certainly, technology's role in this transition cannot be overstated in the current environment. More capable forms of AI continue to hold the promise of time-saving efficiency, greater accuracy, and more advanced analytics, all of which have the potential to address the many resourcing and budgetary issues tax departments face. Despite automating more routine tax processes, however, the majority of companies are still laying the technological foundation necessary for their tax functions to take full advantage of these emerging technologies.

In the meantime, the search for qualified tax personnel continues and daily life in the average tax department tends to be characterized by too much work, not enough time, and the mounting challenges of compliance in an increasingly complex global tax environment, according to our research.

However, all is not gloom and doom. Those tax leaders responding to this year's survey reported several areas in which they have made progress toward delivering greater value to their organizations. The chart on the next page offers a brief summary of these encouraging steps:

FIGURE 21:

In the last 12 months, what has been the most significant progress your department has made in delivering greater value to the organization?

Talent & resourcing

- **Team development & resources** (hiring staff, team building, training, bringing functions in-house)
- **Business partnership & strategic advisory** (strategic business partner role, supporting decisions, stakeholder engagement, management reporting)

Efficiency & effectiveness

- **Automation & tech implementation** (tax process automation, AI tools, system upgrades, digital transformation, e-invoicing)
- **Process improvements & efficiency** (streamlining processes, reducing timelines, documentation improvements, cost reduction)
- **Cash flow & financial impact** (quantifiable savings, refund recovery, liquidity support, credit realization)

Minimize tax risk

- **Compliance & risk management** (audit defense, regulatory compliance, risk mitigation, governance frameworks, dispute resolution)
- **Regulatory changes & adaptation** (tax reform preparation, new legislation compliance, policy monitoring, government relations)
- **M&A and transaction support** (due diligence, acquisition structuring, reorganizations, transfer pricing projects)

Minimize tax liability

- **Tax planning & optimization** (cash tax savings, ETR management, tax credits, strategic planning, structure optimization)
- **Specific tax areas** (transfer pricing, VAT/indirect tax, R&D credits, international tax (Pillar 2), property tax)

Source: Thomson Reuters 2025

With a bit of luck and a more consistent commitment from corporate leaders to provide tax departments with the tools and resources they need to thrive, successes like these will continue to grow.

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