The Contribution Gap

Increasing the visibility and influence of indirect tax and compliance

Thomson Reuters Institute

Executive summary

The indirect tax (IDT) and compliance functions within corporations are facing a "contribution gap", in which its strategic value to the organization is largely invisible, hindering the function's influence as well as its ability to secure adequate and consistent funding.

However, this gap also represents a strategic opportunity, as the problem is about visibility and recognition — not capabilities. Corporate IDT functions are delivering strategic value that isn't being measured, communicated, or funded at the level their contributions warrant.

Closing this gap requires both a governance shift and change in how compliance infrastructure is built: Moving it from fragmented point solutions towards integrated platforms that can support both compliance execution and strategic insight. Those IDT functions that have managed to close the gap share identifiable characteristics, such as formal engagement with the C-Suite, structured measurement of high-value contributions to the business, and deliberate technology deployment.

Corporate IDT functions are delivering strategic value that isn't being measured, communicated, or funded at the level their contributions warrant.

The time to implement these changes is now because IDT functions find themselves under increasing pressure from two primary drivers: *i*) regulatory change is accelerating faster than teams are able to absorb it; and *ii*) the technologies that can best address that — automation, platform consolidation, and particularly AI — are, in many cases, advancing faster than IDT functions are currently deploying them.

To examine these issues deeper, the Thomson Reuters Institute surveyed 290 indirect tax professionals in organizations in the United States, Canada, Mexico, and Brazil. The findings identify what separates top-tier IDT functions from the rest — and how the path of the top performers can be replicated.

Key findings

- **Regulatory velocity is increasing** — Keeping up with changing tax rules and regulations across multiple jurisdictions is the top challenge that IDT professionals say they're facing today.
- **System fragmentation is a "hidden tax"** — Fully (87%) of survey respondents say their organizations use multiple systems to track and reconcile taxes across different jurisdictions, representing a hidden tax of manual reconciliation that consumes the capacity for strategic work.
- **A "contribution gap" undermines perceived value** — Only about one-third (32%) of IDT professionals say their function significantly contributes to organizational objectives, even though 88% rate their contribution as *significant* or *moderate*.
- **Structural barriers stand in the way of strategic influence** — The contribution gap, governance misalignment, and limited C-Suite access prevent many IDT functions from demonstrating the strategic work that they're already doing and hinders their efforts to secure additional resources.
- **AI use is wide but shallow** — Almost all IDT professionals say they are using AI, but most use is passive, such as regulatory summarization, non-deliverable deployment across audit risk, anomaly detection, or basic workflow automation. Potentially transformative uses of AI are not yet widespread.
- **Tech adoption is split, and the gap is widening** – Half of IDT functions are in the early stages or behind the curve on technology deployment. For those still operating on legacy infrastructure, the window to catch up narrows with every new regulatory mandate cycle.
- **Skills gaps are a structural risk** — More than half (54%) of respondents say they expect all team members to need both tax expertise and technology fluency within the next two years. Upskilling is the top planned investment, even ahead of new tools including AI.

32%

of respondents say their function significantly contributes to organizational objectives, though 88% rate their contribution as either *significant* or *moderate*.

99%

of indirect tax professionals are using AI but most use is passive. Only 23% are using agentic AI for workflow automation.

49%

of indirect tax functions are in early stages or behind the curve in technology adoption – and the gap with early movers is widening.

54%

of respondents say both tax and technology expertise will be required for all IDT staff within the next two years.

Source: Thomson Reuters 2026

Leadership as strategic partners

Increasingly, IDT professionals are repositioning their role within the organization as not merely a compliance function, but also as strategic partners. Top-tier IDT functions are succeeding in these efforts because they are methodically addressing constraints, enabling them to deliver and demonstrate greater value to the business, our research shows.

The survey found that those measures include implementing processes, adopting technologies, and addressing talent and skills needs that enable those functions to keep up with regulatory changes, manage multi-jurisdictional tax processes, and effectively communicate the function’s value to senior management.

The benchmark group of top IDT professionals cites a lengthy list of contributions to their organizations, including reduced errors and faster transactions, fewer business disruptions, improved contract management, faster transaction cycles, and increased visibility of tax positions — the very types of improved business metrics that win approval from C-Suite management, from the CFO to the CEO.

These IDT function leaders are showing the way, and their path to the top tier is identifiable as a complementary mix of strategic measurement metrics, regular C-Suite engagement, and deliberate investments in technology tools and skills.

The "contribution gap": Turning IDT functions' invisible value into visible benefits

The defining tension today is that while the IDT function carries meaningful strategic influence, it does not receive the proper recognition within the organization for its strategic contributions. In turn, this negatively affects the IDT function's ability to secure needed levels of resources, including funding, staffing, and technology.

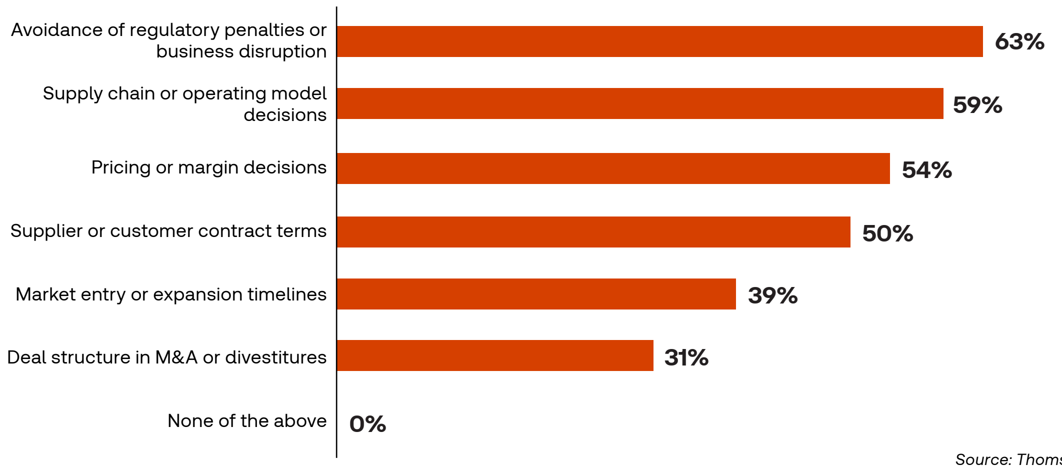
IDT professionals openly acknowledge this contribution gap. While 88% of those surveyed rate their function's contribution to the organization as either *significant* or *moderate*, only 32% rating their contribution as *significant*.

The reality is that IDT functions carry significant influence in shaping business decisions. Most respondents report that their function directly influences several major business factors, including helping the organization avoid penalties and business disruption, while influencing supply chain, pricing, and contracts. Many also acknowledge the influence their IDT function has on markets, as well as M&A or divestiture decisions.

FIGURE 1:

IDT functions directly influence major business decisions

In the past 12 months, has your indirect tax function directly influenced any of the following?



Source: Thomson Reuters 2026

Finding the right level of engagement

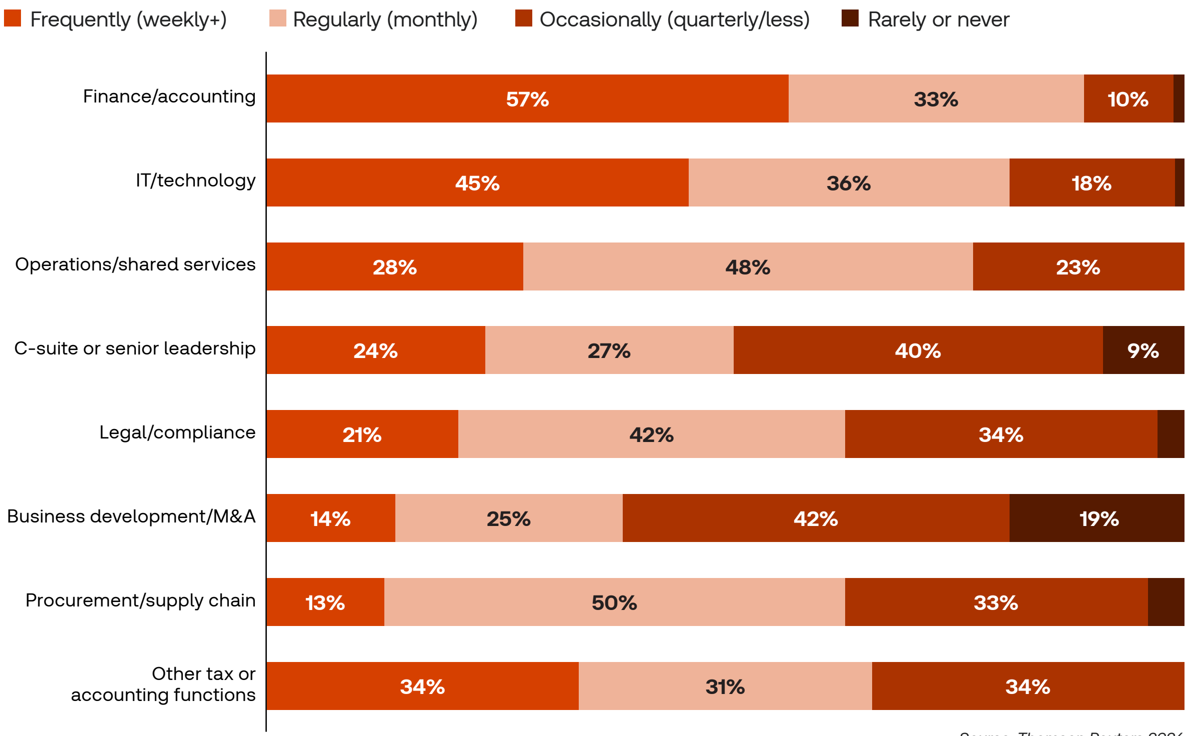
A portion of the contribution gap is due to IDT professionals inadequately engaging with senior management. Less than a quarter of respondents (24%) say they regularly engage with the C-Suite, and even fewer with business development (14%) and supply chain (13%) teams within the organization. This is in spite of the fact that respondents say they directly influence many of those functions' decisions. And only a little more than one-third (37%) say they are pro-actively advising the business.

And where this engagement is taking place matters. The IDT function is finding that it's earned a seat at the table, but perhaps not at the right table. Respondents say their function frequently interacts with finance & accounting (57%) and IT (45%), where engagement tends to be more about operational issues and is not where strategic business issues are actually being decided.

FIGURE 2:

IDT functions have limited engagement with C-suite

How regularly does your indirect tax function work directly with each of the following parts of your organization?



Source: Thomson Reuters 2026

Those IDT functions that are able to win a seat at the decision-making table are in a stronger position to provide strategic contributions. One tax professional who was surveyed, noted that "embedding IDT earlier enabled us to be part of supply chain and market expansion decisions rather than reviewing transactions after execution."

The "invisible value" problem: Delivering strategic value, but not getting the credit

However, the bigger issue may be one of measurement. Despite influencing major decisions on supply chains (with 59% of respondents saying this), pricing (54%), market entry timelines (39%), and M&A deal structures (31%), most IDT functions are primarily measured on compliance metrics, not the value that they contribute to the organization.

This is the "*invisible value*" problem: IDT functions deliver strategic impact but do not systematically capture, quantify, or communicate their role in that. Instead, filing accuracy and timeliness remain by far the dominant success metrics for most IDT functions. Meanwhile, business value metrics — such as avoiding penalties, involvement in strategic decision-making, and proactively advising the business — are measured by half or less of IDT professionals responding to the survey.

This gap represents a major strategic opportunity to elevate IDT functions and their support of the business. One tax professional noted that "our providing timely IDT information enables stronger operational and financial decisions."

Yet, without a measurement framework that reflects actual contribution, those organizational benefits are largely invisible, and the IDT function will remain under-resourced relative to the value it delivers.

TR Institute's View

Closing the contribution gap

The contribution gap isn't merely a visibility problem — it's a strategic alignment problem. The IDT function already shapes pricing, supply chain, market entry, and risk decisions, but those contributions sit upstream of the metrics that are traditionally used to evaluate tax functions. Closing the gap requires reframing IDT not as a downstream compliance activity, but as an upstream *decision enablement* engine.

Strategic influence is happening earlier than it's being measured. IDT functions routinely prevent disruption, accelerate market entry, and shape commercial structures — but none of these appear in compliance dashboards. Until measurement frameworks are reworked to capture decision enablement, IDT's impact on the organization will remain undervalued.

The contribution gap closes when IDT leaders reframe their function's identity, from "*We ensure compliance*" to "*We shape decisions, reduce risk, and accelerate growth*."

Regulatory velocity is accelerating, and fragmentation is the unseen enemy

Keeping up with changing rules is the top challenge

The accelerating pace of change in the global regulatory environment is pushing many corporate IDT teams to their limits.

Keeping up with the constantly changing tax rules and regulations across multiple jurisdictions is far and away the most pressing challenge, respondents say, ranking well ahead of the demands of e-commerce and digital products, keeping tax calculations up to date in financial systems, and adapting to e-invoicing.

Managing simultaneous shifts in state and provincial rules tops the list of challenges for respondents in both the US and Canada, and Mexico's updates to its CFDI (Comprobante Fiscal Digital por Internet) system create a unique burden at the intersection of e-invoicing and digital commerce.

As one IDT professional summed it up: "Constant worldwide regulatory shifts require non-stop system re-coding, placing a high strain on internal tech talent."

The rise of digital business models adds further pressure — cross-border services, marketplace facilitator rules, and platform transactions have outpaced traditional compliance frameworks. Further, e-invoicing and continuous transaction control (CTC) mandates remain significant challenges, although the focus has shifted from mandate awareness to seamless technical integration.

The "hidden tax" of system fragmentation

Making the situation of keeping up even more difficult is a problem that is a recurring refrain that surfaced repeatedly across the survey results: System fragmentation.

The vast majority of organizations (according to 87% of respondents) use multiple systems to track and reconcile their taxes across different jurisdictions. This sets off a cascade of problems, including:

- **Cost** — creating "hidden tax" cost for manual reconciliation across systems
- **Efficiency** — processing moves slower
- **Accuracy** — introducing more opportunities for errors
- **Resources** — diverting resources from other tasks
- **Management** — requiring additional oversight and management

An overwhelming 85% of respondents say that manually reconciling data across multiple systems is either one of their biggest operational challenges or creates meaningful additional workload.

Critically, these problems also leave less capacity for executing strategic work and advising the business on major issues. "Our tax function lacks enough time to move from compliance to strategic support," one respondent explained.

TR Institute's View

Keeping up with change

Keeping up with the pace of regulatory change is the defining challenge for today's IDT functions. Multi-jurisdiction regulatory changes, CTC mandates, product classification, and error reduction all compete for the same finite capacity within teams.

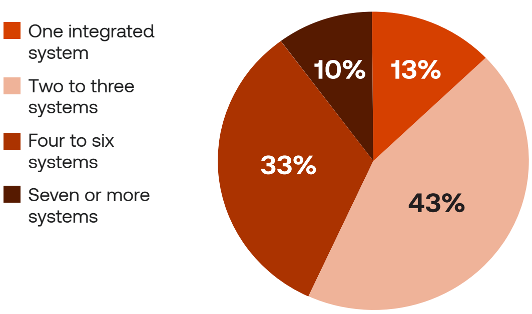
More than half of IDT functions (with 55% of respondents saying this) use enterprise resource planning (ERP) programs, plus a third-party tax engine, with manual reconciliation bridging the gap. However, every hour spent on that handoff represents a portion of professionals' time that then cannot be used for strategic work.

Fixing system fragmentation needs to be more than an IT project — it has to be a strategic priority for the IDT function and the organization itself.

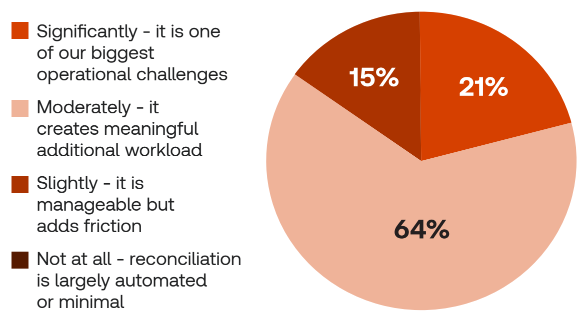
FIGURE 3:

The fragmentation burden: Too many systems, too much manual work

How many separate technology systems does your indirect tax function currently rely on for compliance processes (e.g., ERP, tax engine, e-invoicing platform, reporting tools)?



To what extent does the need to manually reconcile data across these systems add to the burden of regulatory compliance?



Source: Thomson Reuters 2026

Tech & AI: Is the glass half-full or half-empty?

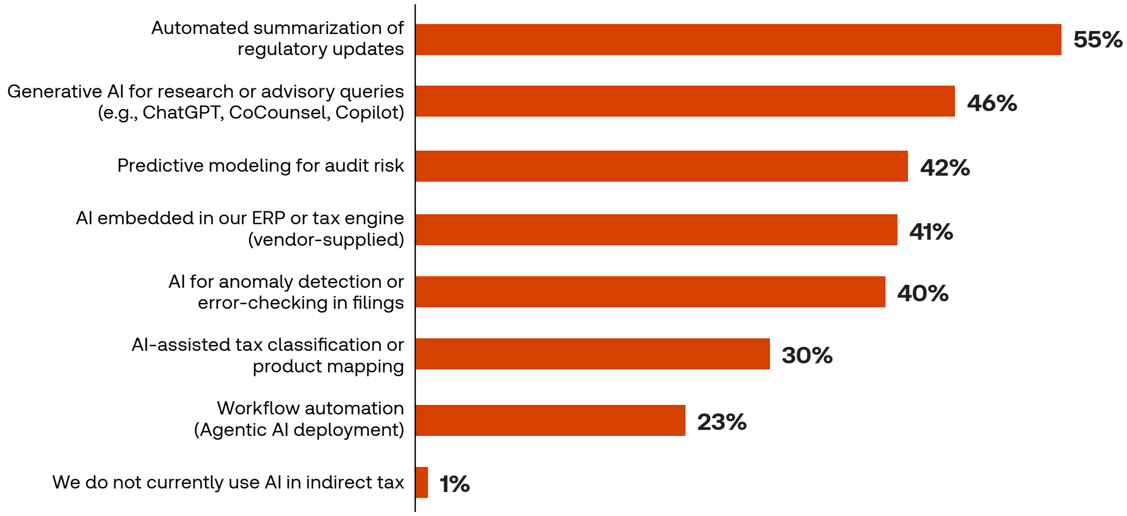
Today, unsurprisingly, the use of AI is widespread — virtually all respondents (99%) say they currently use at least one AI capability. However, AI use is not particularly deep across most IDT functions.

Automated summarization of regulatory updates is the only AI capability that is being used by more than half of respondents, our research shows, and this is regarded as a more passive use of AI. Meanwhile, more *transformative* AI capabilities, such as research and advisory queries, audit risk predictive modeling, anomaly detection and error checking, as well as workflow automation through agentic AI, are each being used by less than half of respondents currently.

FIGURE 4:

AI usage is wide, but not deep

Which of the following AI or AI-assisted capabilities does your organization currently use for indirect tax?



Source: Thomson Reuters 2026

Looking at the overall tech picture, about half of respondents consider their IDT function to be either in the early stages of automating tasks or behind the curve using outdated systems. Interestingly, the same proportion — about half — say their company either already has established technology and are not planning any immediate changes, or are exploring advanced technologies including further use of AI.

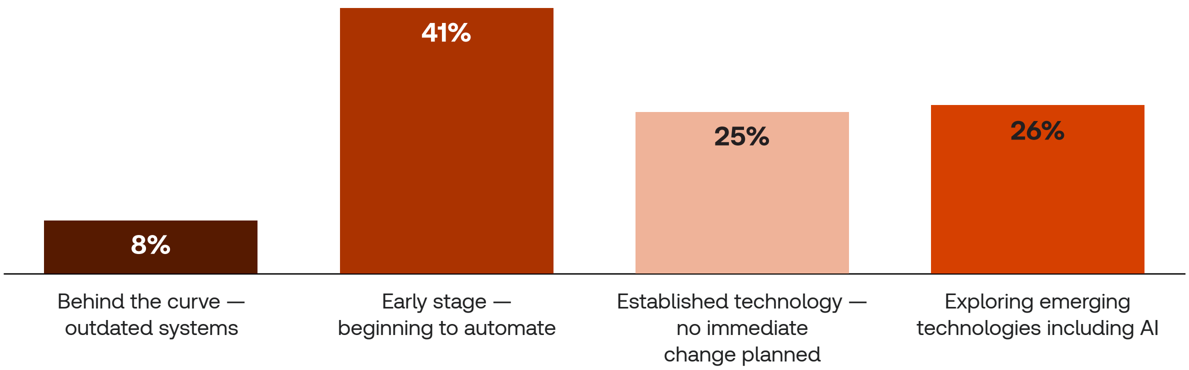
Looking more closely at the survey results, it's noteworthy that only a quarter of respondents say they are exploring emerging technologies, including AI, to help better manage their IDT function. This means that most IDT professionals surveyed are not yet planning to move towards adopting more transformative AI capabilities.

That, in turn, could potentially widen the gap between top-tier IDT functions and those that are more challenged to adapt to fast-moving regulatory and technology environments. And for the latter group, the window to catch up narrows with every new regulatory mandate cycle.

FIGURE 5:

Tech adoption is showing significant divergence

Which of the following would you say best describes your company's state of development in terms of leveraging technology for your indirect tax activities?



Source: Thomson Reuters 2026

TR Institute's View

Finding your place on the technology curve

The near-equal split between IDT functions that are in the early stage of tech adoption or are behind the curve, and those that have implemented technology solutions or are exploring emerging technologies, presents an interesting question of perspective: Does this represent an opportunity or potential shortcoming in technology adoption?

With roughly half of respondents saying their IDT function lacks established tech infrastructure, there clearly is opportunity for many organizations to advance their IDT function by adopting automation. Realizing the benefits of efficiency gains and cost savings will be a major step forward for those teams. They will, however, need to carefully plan next steps and technology investment priorities, given their budget limitations.

Further, implementation can be a bottleneck. Our survey found that while IT support is initially strong at the purchasing stage, it often drops significantly at implementation and rollout, which can create delays.

For those IDT functions that already have implemented technology solutions, there is still more work to be done. For example, a significant portion of those respondents say their function has no plans for immediate changes. In the fast-moving regulatory and technology environments, however, that stance can leave them at risk of falling behind — both in compliance and competitively.

And while many IDT professionals say their functions are actively exploring emerging technologies, advanced AI capabilities are still under-deployed across many key areas, leaving the full benefits unrealized.

Tech investment strategies: Prioritizing people and tools

More than half of respondents (54%) say they expect to see greater investment in compliance capabilities over the next two years. However, a key question will be whether the tech investments are reactive and simply being done to keep pace with changing needs — or whether they are strategic and proactive to help advance the IDT function. Interestingly, the survey results suggest the latter.

Fully 60% of IDT professionals say the investments are being made to improve or enhance their function's tax technology. And nearly half say they are using regulatory deadlines as a catalyst for broader digital transformation, turning compliance pressure into a modernization opportunity.

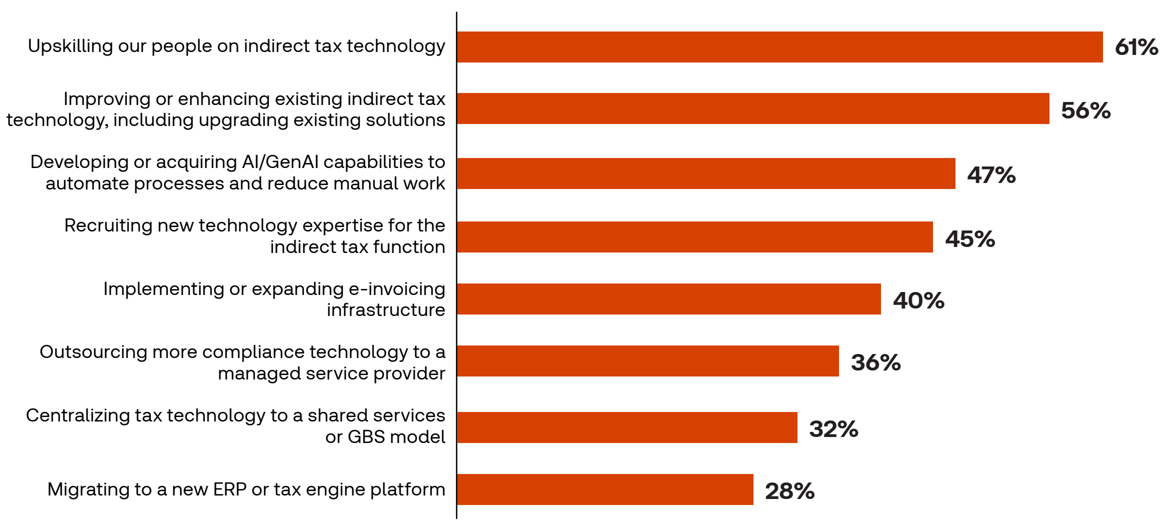
At the same time, governance can often present a structural impediment to tech investment. While most IDT professionals (82%) say their organization has compliance strategies that are centrally led, Finance departments control technology purchasing in more than one-quarter of respondents' organizations. That means that the people closest to the problem do not control the budget, which can result in tech investments getting optimized for cost, not capability.

In addition, only 16% of IDT professionals surveyed said they formally measure ROI on their technology, making it difficult to build a compelling case for expanded tech budgets.

FIGURE 6:

Upskilling people is the most common technology investment

Which of the following technology investments does your organization plan to make in the next 12-24 months?



Source: Thomson Reuters 2026

Currently, IDT functions are emphasizing technology investment in people as much or even more than they are in tools. Upskilling team members is the most common planned technology investment, ahead of upgrading technology solutions, expanding e-invoicing infrastructure, or even acquiring AI technologies. This clearly demonstrates that many IDT functions are taking decisive action to close a growing skills gap.

The skills gap and talent challenge

IDT professionals report skills gaps across several key areas of their work. For example, more than half of respondents say they observe skills gaps in areas such as supply chain, pricing, avoiding penalties or business disruption, or supplier or customer contracts. These gaps are less about tax knowledge, and more about compliance in a business sense. That means what gaps are seen come from a lack of understanding how tax interacts with operational and commercial decision-making.

This clearly points to the need to expand both tax and technology skills, and many respondents agree that transformation is currently underway in their IDT functions. Most respondents (54%) say they expect all staff to need both tax expertise and technology fluency within the next two years. In addition, they believe AI use won't shrink their function's headcount — only 6% say they are expecting numbers to fall because of AI.

Growth of the hybrid professional

Instead, IDT professionals foresee increasing development of "hybrid professionals" who possesses both deep tax knowledge and technological fluency. This reflects widespread recognition that the current regulatory environment demands human tax expertise alongside the use of advanced technology tools. The majority of respondents are planning to upskill staff in both regulatory and technology knowledge, enabling them to address the growing skills gaps by building and growing from within.

Indeed, relatively few respondents say their organizations are embedding pure technology specialists within the tax function, and instead prefer to retain and leverage the experience and institutional knowledge of existing staff.

TR Institute's View

Addressing the skills gap

IDT functions increasingly operate at the intersection of tax compliance and business decision making, and unfortunately, that has contributed to the rise of a skills gap among IDT professionals. However, that gap is not about tax expertise but instead exists because modern regulatory environments demand a blended capability. IDT tax professionals today need to understand how tax shapes business models, supply chains, pricing, and risk.

IDT leaders are already taking steps to build such fluency in both tax and technology across their teams. This will enhance their ability to translate complex tax rules into operational business strategies and should be supported by organizations.

10 steps to optimize and elevate the IDT function

As the report has emphasized, the key challenges for IDT functions in organizations do not necessarily reflect a lack of core capabilities, but rather are more about optimizing the resources they already have. For example, closing the contribution gap — in which the IDT function's strategic contributions to the organization remains largely invisible — by raising the team's visibility and encouraging recognition of the team's strategic value, would be a significant way to advance the IDT function.

Analyzing the results of those IDT leaders who have achieved measurably better outcomes reveals several actionable steps, many of which do not even require additional resources or investment. These steps include:

1. **Make the hidden value visible by reframing success metrics**

   Emphasize strategic key performance metrics alongside compliance metrics, including such vital measurements as business decisions influenced, regulatory risks avoided, commercial value created, tax liabilities and costs reduced. Avoid simply measuring filings completed accurately or on time.

2. **Increase C-suite engagement deliberately and regularly**

   Conduct quarterly IDT briefings at the CEO and CFO level, framing them in business terms to make the function's strategic contributions visible: quantify risk exposure, document cost avoidance, and list the ways that strategic decisions were enabled.

3. **Use regulatory mandates as catalysts for change**

   Treat each new mandate as an opportunity to build scalable, centrally governed compliance capability — and not as a one-time local fix. Too many survey respondents say their functions are leaving this compounding value on the table.

4. **Establish a formal technology ROI framework**

   A simple quarterly dashboard — hours saved on reconciliation, error rate vs. prior period, filing cost per jurisdiction, regulatory response speed — transforms budget conversations from subjective to evidence-based ROI, helping justify further tech investments.

5. **Automate data reconciliation first**

   This is the top automation priority for most respondents, and it is among the highest-ROI investments available, creating a gateway to freeing capacity for higher-value strategic work.

6. **Develop a plan for addressing systems fragmentation**

   Form a roadmap for integrating core infrastructure systems. Identify compliance processes that can be consolidated, such as ERP, tax engine, e-invoicing platform, reporting tools, and more.

7. **Move from passive to deliberate AI deployment**

   Vendor-supplied AI and regulatory summarization are now table stakes — that means the next competitive differentiator is deliberate, configured AI. Use this to create predictive audit risk modelling, agentic workflow automation, and scenario planning at scale. Build the roadmap to get there now because the gap between early movers and laggards is already widening.

8. **Align governance on technology purchasing**

   Make sure your function's compliance strategy aligns with the function's technology purchasing. Failure to do so could result in slower adoption, misaligned tools, and continued underinvestment in the IDT function's capabilities.

9. **Build IT partnerships before you need them**

   Involve the organization's IT professionals in your regulatory briefings early. This will help build collaboration and planning with IT and give the IDT function a leg up on its technology roadmap from the start.

10. **Build systematic programs for the hybrid professional**

    Make learning continuous, not episodic, for all professionals, but especially for new hires. Establish a rolling 12-month upskilling program that covers both tax expertise and technology fluency.

Moving beyond the inflection point

The IDT functions within organizations may feel they are at an inflection point that's driven by multiple factors, including accelerating regulatory velocity, technological transformation through AI and automation, and an opportunity to shift from being viewed as a reactive compliance cost center to being valued as a strategic partner

IDT professionals who are proactively addressing these challenges are delivering measurably different outcomes and positioning themselves for greater strategic contributions to their organizations.

The path forward is clear. The benchmark group of top tier IDT functions shows that meaningful progress does not depend on sweeping transformation or massive outside investment, but on deliberate, targeted action. Many IDT functions already have the expertise and insight to operate as a strategic contributor.

AI needs to be viewed not just as a set of tools, but as an enabler of capacity, strategic insight, and influence.

The main differences between these top tier functions and the rest is that the leading group has closed the contribution gap by reframing success metrics, consistently engaging the C-Suite, and making their strategic impact visible. They have reduced system fragmentation, formally tracked technology ROI, invested in upskilling people as much as upgrading their technology, and shifted from passive to intentional AI deployment.

Their experience proves that any IDT function can evolve from a compliance driven cost center into a strategic partner that helps the organization shape business decisions, mitigate risk, and accelerate growth.

The higher phases of maturity require IDT functions to align governance with strategy, measure what truly matters at the business level, and build teams of hybrid tax technology professionals who can operate confidently in a digital regulatory environment. It also requires moving beyond incremental fixes toward scalable, centrally governed solutions. And it requires treating technology — especially AI — not as a set of tools, but as an enabler of capacity, insight, and influence.

Those IDT functions that do not take these steps will remain undervalued and under-resourced regardless of what they actually achieve for their organization.

Ultimately, the future of the IDT function will be defined by its ability to convert compliance complexities, technology needs, and skills gaps into targeted capabilities. Those IDT functions that act now — by measuring strategically, deploying AI deliberately, and communicating their value effectively — will not only keep pace with regulatory change, but will elevate their position within their organizations to one of strategic importance.

Methodology

Research for this report draws on primary data from 290 respondents to a survey conducted by the Thomson Reuters Institute in 2026. IDT professionals in the United States, Canada, Mexico, and Brazil were surveyed. Respondents were tax directors, controllers, CFOs, VPs of Tax, and senior managers responsible for IDT compliance in corporate organizations with annual revenue of $50 million or more.

Organizations ranged from large multinationals to mid-market firms, spanning manufacturing, technology, financial services, retail, and professional services — 72% were publicly-traded organizations, and 28% privately-held firms.

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