



# Win-win

Reimagining tax drives value  
in more ways than you think

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The opportunities to innovate the tax function are vast, but you won't know where to start or how to move forward without understanding all the potential outcomes. Cost efficiency is just part of the story. Think about value more broadly to unleash the full power of tax transformation.

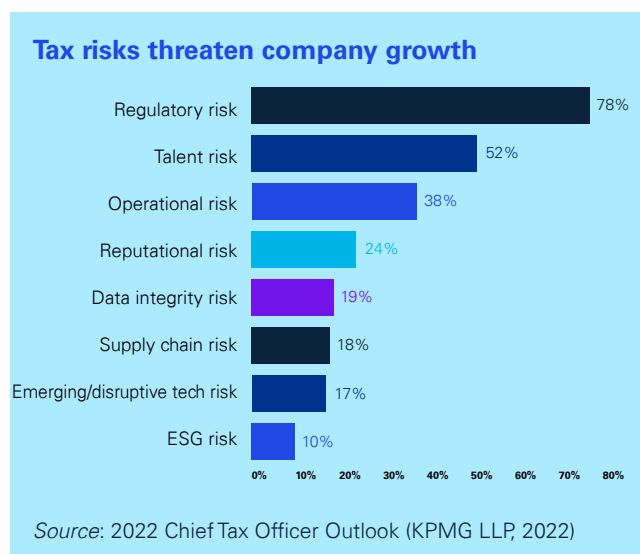
### The situation: Disruption everywhere

- “Control costs.” “Improve efficiency.”
- “Do more with less.”
- “Uncover growth opportunities.”
- “Guide the business.” “Plan for the future.”
- “Embrace emerging technology.”
- “Capitalize on data.” “Predict what’s coming.”
- “Reduce risk.” “Manage uncertainty.”
- “Enhance compliance.”

If your tax department is under pressure to evolve, you're not alone. KPMG LLP surveys of 600 C-suite executives in 2021<sup>1</sup> and 2022<sup>2</sup> reveal a clear trend among corporate decision-makers: The majority want tax to play a more strategic role in the overall business.

A confluence of economic, political and regulatory developments is pushing tax front and center for many companies. Sweeping tax changes, wide talent gaps, deep regulatory scrutiny, growing attention on ESG, expanding supply chain complexity, and emerging technology and digitization are just some of the forces affecting tax and business performance.

To navigate the new reality, there is a strong desire among top business leaders to innovate a modern, agile, forward-looking tax function that is resilient to the fast-changing market environment and delivers greater benefits across the organization.



<sup>1</sup> Tax Reimagined 2021: Perspectives from the C-suite (KPMG LLP, 2021)

<sup>2</sup> Tax Reimagined 2022: Perspectives from the C-suite (KPMG LLP, 2022)

## The challenge: Knowing how to step up

It's a new era for tax. With C-suite leaders thirsty for change and willing to invest in it, corporate tax functions are seeking opportunities to shift from compliance to strategy, transforming how they operate to drive more value in more ways.

The door is open for tax to reimagine what it does and how it does it. But for many tax departments, the path forward isn't quite clear.

A host of questions emerge: What problems are holding tax functions back from unlocking the full value they can deliver? What technology, data platforms and skills should tax functions evolve first? Where are different approaches and operating models needed to harness technology and talent to effectively meet organizational goals?

For multiple reasons, planning and executing tax transformation is highly complex. In fact, only 35 percent of C-suite leaders describe their organization's tax function as strategic, and a large portion don't consistently see their tax functions as innovative, modern or flexible.<sup>3</sup>

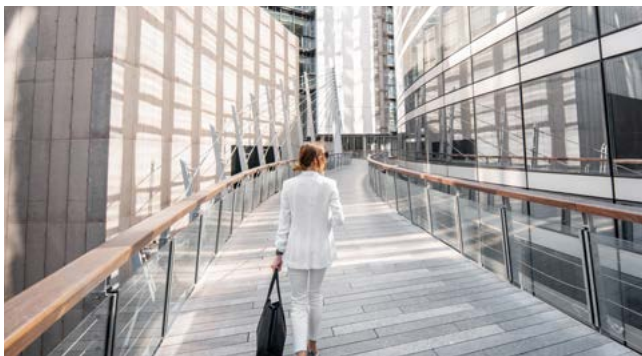
### Calls to add value

- **78%** of C-suite leaders agree their company's tax function should be used for more than just managing taxes.

### Willingness to invest in tax

- **93%** of C-suite leaders say they give priority to the tax function when it comes to investment of resources.

*Source: Tax Reimagined 2021: Perspectives from the C-suite (KPMG LLP, 2021)*



## The approach: View value in many forms

In this article, we begin to tackle one of the major obstacles to successful tax modernization: defining what value really looks like. As you'll soon see, it is more ambiguous than you think.

KPMG research shows that many companies view tax transformation efforts as an exercise in productivity and cost savings, and don't typically perceive the full possibilities. Our 2021 tax benchmarking survey revealed relatively muted views of the potential of technology and data and analytics to achieve even the most basic goals: drive tax process efficiencies and generate tax savings.<sup>4</sup>

Measuring progress by dollars and cents alone misses out on a myriad of other advantages new approaches to tax deliver. Real success is based on numerous factors above and beyond the bottom line. In our extensive work helping companies create future-ready tax operations, we've seen how smart, structured investments in the tax function translate not only to financial benefits, but to cultural, competitive, reputational and regulatory advantages too.

In today's complex global business environment, tax concerns are interwoven into nearly all aspects of corporate operations. Tax departments answer to, support, and even guide many different stakeholder groups—each with distinct goals and expectations from tax. Because value means something unique to each part of the organization, tax leaders must understand their different perspectives and viewpoints before embarking on a transformation journey. When they take that crucial step back, the path to change becomes clearer.

Below, we examine the value of a reimagined tax department through the lenses of three of tax's key stakeholders: **people, communities, and the business**. While these areas do not encompass all tax function stakeholders, unpacking how reimagining tax creates value for each helps provide a clear view of the true potential power of tax modernization across the enterprise.

<sup>3</sup> Tax Reimagined 2021: Perspectives from the C-suite (KPMG LLP, 2021)

<sup>4</sup> Achieving a data-driven tax function (KPMG LLP, 2021)



## People: Creating better tax jobs and empowering future tax talent

Nearly everyone agrees: It is hard to hire good tax talent.<sup>5</sup> As demands on the tax department grow, KPMG research shows that talent risk is a significant concern of Chief Tax Officers as well as the broader C-suite. The significant majority of C-suite leaders say it has been difficult to both recruit (83 percent) and retain (79 percent) tax talent this past year.<sup>6</sup>

**Nearly half (48%) of C-suite executives would prefer to hire a technology expert that can learn tax, and not vice versa.**

*Source: Tax Reimagined 2022: Perspectives from the C-suite (KPMG LLP, 2022)*

The problem is twofold. On one side, reliance on data and enterprise technology is transforming how tax departments operate and creating a knowledge gap between those who designed the systems and have been with the company for years and the rest of the organization. On the other, expectations are growing on tax to collaborate across functions and contribute to enterprise decision-making. As such, data interpretation is becoming a key skill in the tax function. While technology prowess is still considered a less critical skillset than technical knowledge about the tax code and related regulations, the need to lean into technology and data & analytics (D&A) is slowly shifting hiring practices toward a “tech-first, tax-second” approach, with 49 percent of tax functions changing the educational requirements for recruits, 48 percent upskilling current employees, and 46 percent recruiting data scientists and technologists specifically.<sup>7</sup>

These trends are driving tremendous changes for tax talent in terms of the day-to-day appeal of their jobs, the skills they need to sustain a successful career, and their opportunities to grow and advance in the workforce.

Fortunately, modern tax operating structures embrace automation, artificial intelligence, and cosourcing and outsourcing to handle many routine tasks, creating multiple benefits for corporate tax employees. Unburdened by some of the repetitive tasks associated with tax report filing and other compliance responsibilities, internal tax function professionals can focus their time on in-demand strategic activities, such as advanced planning and analysis as well as developing

more connections with the front office driving more tax value throughout the organization. They also gain back hours to devote to upskilling, building the strategic skills they will need to rise through the professional ranks. This includes gaining access to leading emerging technologies that will hold a key place in the future of tax. The benefits even expand outside of work hours, when tax professionals can spend freed up time doing things they enjoy with friends and family.

A managed services offering provides accelerated transformation of an organization’s tax function by aligning success factors of both the provider and organization, and by leveraging the provider’s scalable human capital model and technology capabilities. In a managed services alliance, there is an in-depth analysis around the human capital requirements necessary to execute both in the near and long term in the most efficient manner, and often results in a transition or “rebadge” of internal employees to the alliance partner. It has been consistently demonstrated that Tax functions leveraging a managed services operating model reduce their tax operating costs, meet global regulatory demand more effectively, managed the overall risk in the function more efficiently, and provide robust career paths for their tax professionals, including new growth and advancement opportunities and the ability to learn new technology and leading processes.



## Communities: Increasing tax transparency and being a better corporate citizen

As corporate social responsibility comes under the spotlight, tax-related decisions are sharing the stage. Stakeholders of every sort—investors, regulators, employees and customers—increasingly recognize the many ways corporate operating models impact the wider world, as well as the power of the business sector to propel positive change through economies and communities. They expect the organizations they transact with to be good corporate citizens, including meeting ESG commitments, paying a fair share of taxes, and making other responsible tax choices that drive more sustainable business. To further this objective, there is growing expectation that businesses will disclose information on their tax strategy and operating model, beyond mandatory requirements.

Growing scrutiny in these areas means the future tax function will play a more essential role in corporate reputation and brand-building. As such, tax transparency is moving up on the C-suite agenda.

<sup>5</sup> 2022 Chief Tax Officer Outlook (KPMG LLP, 2022)

<sup>6</sup> Tax Reimagined 2022: Perspectives from the C-suite (KPMG LLP, 2022)

<sup>7</sup> Tax Reimagined 2022: Perspectives from the C-suite (KPMG LLP, 2022)

<sup>8</sup> Tax Reimagined 2021: Perspectives from the C-suite (KPMG LLP, 2021)



The majority of business executives say their organizations are making their tax policy and strategy publicly available (85 percent)<sup>9</sup> and preparing for more transparency around their tax function as part of their ESG commitments (84 percent).<sup>9</sup>

Innovating the tax function is key to fostering transparency. Why? Because tax transformation helps companies make the most of their tax data. This is easier said than done, though, as seen by 68 percent of companies not currently leveraging tax data to align with ESG priorities<sup>10</sup>. Oftentimes, the data companies need to accumulate is spread throughout the organization and difficult to obtain, validate and report. Absent a transformed data model, transparency reporting can become another item on the list of growing challenges facing already stretched tax departments.

Tax needs to be forward thinking about the data requirements that will be necessary to help their companies set and execute on their strategy while proactively thinking of ways they can work with the rest of the organization to accomplish this. They can no longer afford to be on the back foot, waiting for others in the organization to provide them what they need after other priorities have been served.

However, data is power and insight. With enhanced ability to access tax payment data and discerning analytics around such data, companies become empowered to influence the public narrative about their approach to tax.

Modern tax models embrace new technology and data platforms, enhance predictive analytics capabilities, and evolve tax governance, policies and controls to deliver more accurate, real-time tax data and insights. Improving how tax leverages its data allows organizations to more effectively align to ESG commitments, measure and report on ESG outcomes, and respond to global and domestic tax reform efforts focused on “fair share” taxation. With more data-driven, transparent tax reporting and planning, companies increase public confidence that their tax practices are responsible.

After criticism of its aggressive tax practices, one financial services company embarked on a journey of evaluating their tax principles, publishing their commitments and backing it up with supporting data. These efforts did not go unnoticed. Tax ESG ratings agencies increased their sustainable tax scores and stakeholders gained an improved understanding of the company’s approach to tax through new tax disclosures in the company’s ESG report.

## **Business: Optimizing operations and doing more with less**

As tax functions undergo a period of reinvention, they must also continue to support the business in driving traditional financial objectives: controlling costs, improving budget predictability, identifying savings opportunities, reducing the effective tax rate, and providing tax answers and solutions that directly enable the business to grow—e.g., helping the business address the tax issues related to their supply chain. These are not new expectations but meeting them is getting more difficult. Regulatory pressures demand tax produce results faster and more frequently. Yet resources for tax operations and investment are constrained as ever.

To overcome these challenges, leading tax functions are reimagining how they operate. Future-ready tax operations, which leverage new tools, talent and organizational structures, benefit from better, faster, and smarter processes that can make sense of the vast amount of tax data and glean insights that strengthen business performance.

Technology and data are powerful enablers of process efficiency. Seventy percent of C-suite executives say scaling technologies (cloud, D&A tools, analytic and visualization) are increasingly relevant tools for tax talent to know and use, while 66 percent say the same for emerging technologies (AI, blockchain, metaverse and quantum computing).<sup>11</sup>

**The majority of executives say scaling technologies (70%) and emerging technologies (66%) are important tools for tax talent.**

*Source: Achieving a data-driven tax function (KPMG LLP, 2021)*



<sup>9</sup> Tax Reimagined 2021: Perspectives from the C-suite (KPMG LLP, 2021)

<sup>10</sup> Tax Reimagined 2022: Perspectives from the C-suite (KPMG LLP, 2022)

<sup>11</sup> Tax Reimagined 2022: Perspectives from the C-suite (KPMG LLP, 2022)

Modern enterprise systems help connect and optimize tax and business processes, data and systems that were previously misaligned. Emerging technologies, including intelligent automation, help save time and costs by bridging gaps between systems and replacing manual steps executed by humans. No- and low-code data, extract, transform, and load (ETL) tools help tax teams gather, manipulate and manage data more efficiently.

The most innovative tax departments are finding ways to involve themselves in enterprise level investment in technology – from planning through execution - to ensure that tax has a seat at the table. In order to do this, tax must have the capacity and expertise to meaningfully participate in discussions and articulate their requirements to realize the value of the investment. They can then turn their focus to tactical transformation, such as process automation and advanced data reporting.

Alternative sourcing arrangements can also spark meaningful change in the bottom line. Cosourcing and outsourcing in the tax function are increasing as tax functions seek to stay current with rapid technological advances. According to KPMG research, 45 percent of companies are involved in cosourcing relationships or plan to rely on one or multiple tax advisers to support the work of the internal team.<sup>12</sup> To increase ROI, modern tax functions often leverage third-party managed services and solutions to access leading technology and tackle inefficiencies in tax operations. This includes unbundling routine and data activities such as collection, validation and preparation that do not need to be handled by highly trained, skilled tax analysts. Such relationships can free up time for the retained organization to support the business directly in the areas discussed above. The managed service partner also represents an extension of the team that can also assist the business in these areas.

Two examples from KPMG client work illustrate how tax transformation helps organizations meet changing expectations on tax in an optimized and efficient way.

First, the KPMG Tax Reimagined team did a [meticulous forensic assessment of every dimension of a global automaker's U.S. tax function](#)—people, processes, and technology—to give global headquarters greater visibility into gaps and bottlenecks. Based on the evidence uncovered during the bumper-to-bumper review, the KPMG team delivered 70 recommendations on where U.S. tax investments should be made to meet higher global

standards and prepare operations for a future that will likely put only more demands on tax.

Second, in the early days of COVID-19, [KPMG's Tax Reimagined team helped Uber design a global tax outsourcing model](#) that protected the company's short-term liquidity while maintaining its strong commitments to investment in tax technology. Complementary KPMG strengths in tax data compilation, analytics and reporting—configured to Uber's requirements—act as digital force-multipliers and deliver cost efficiencies. Meanwhile, the company's legacy of tax technology innovation remains protected, its mission affirmed.

## How KPMG Tax can help unlock enterprise value

Generally speaking, while tax represents an important and strategic function for most companies, it is not generally considered a core competency. As such, companies look for ways to optimize the tax function without taking focus away from the business. KPMG Tax helps develop tomorrow's tax function today. With our extensive tax knowledge, robust technologies, and an overall culture that inspires ideas and innovation, we can help solve key issues and transform the tax function from an operational requirement into a competitive advantage.

Tax Reimagined is our holistic, transformative approach for developing future-ready tax operations. Spanning strategy, process, sourcing and metrics, all customized to your needs, our technology-first approach helps tax functions reduce costs, improve quality, and drive greater value across the business.

Our capabilities include:

- Tax Compliance Effectiveness
- Tax Technology Enablement
- Target Operating Model Design
- Process Analysis and Redesign
- Systems Integrations
- Digital Transformation
- Data for Tax Strategy
- Managed Service Tax Solutions.

<sup>12</sup> 2022 Chief Tax Officer Outlook (KPMG LLP, 2022)

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Sean's specialty is helping clients bridge the gap between the current and ideal future state with practical, time- and cost-saving ways to automate and standardize processes that result in better quality compliance deliverables with less effort.



**Irene Shen** is the Digital Transformation capability leader in Tax Ignition, the KPMG national practice that specializes in tax transformation and technology. In this role, Irene helps companies optimize their tax function, create business value, and maintain a competitive advantage in a digital-first world. Irene works closely with companies to build foundational digital capabilities by bringing together people, data, process, and technology to innovate and transform while overcoming market and industry disruptors.



**Chris Yeaton** is a Tax partner leading the KPMG tax managed services practice. He has more than 25 years of experience between Big 4 accounting and in-house tax leadership roles. He has extensive experience operating tax functions within complex organizations and currently specializes in advising companies in tax department operating model effectiveness and meeting the increasing challenges facing internal tax functions.

## Read more

[Tax Reimagined 2022: Perspectives from the C-suite](#)

The tax profession is at a pivotal moment of transformation – and C-suite leaders are working to keep the pace

[Tax Reimagined 2021: Perspectives from the C-suite](#)

How are trends in technology and data, talent, tax reform and ESG issues changing the role of tax?

[2022 Chief Tax Officer Outlook](#)

The third annual KPMG CTO survey report examines the future of tax in an unprecedented business environment.

[Achieving a data-driven tax function](#)

The 2021 KPMG Tax Benchmarking survey report spotlights data, analytics and technology trends.

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