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Tax functions need high-tech tools, KPMG outlook says

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Tax departments need to tool up to be ready for the kinds of tax planning that will occur in the coming 12 months, especially with tax reform implications being considered at the highest levels within organizations.

That's the upshot of KPMG's recent tax outlook study, in which three out of four tax leaders said they are optimistic about company growth in the coming 12 months. Nearly as many, or 64 percent, said they are going to need to make some changes to their organizations to accommodate the direction of tax planning, as 85 percent reported companies are addressing global tax reform, such as the Tax Cuts and Jobs Act, at the board and audit committee levels.

Almost every chief tax officer, or 94 percent, reported in the survey that they have seen their roles change during their tenure, owing to changes in regulation, the business environment, and technological advances. More than 75 percent said they see investment in data and analytics as the biggest change they expect to see in the tax function in the coming 12 months. Only 45 percent of chief tax officers believe their departments have kept pace with technological innovation.

The results suggest a favorable outlook for corporate growth and global economic growth, which drives an expectation among tax leaders that the tax function will grow over the next three years, says David Leiter, national leader of "Tax Reimagined" at KPMG. "CTOs also say the tax function is lagging in terms of using advanced technologies, and they recognize that they need to focus on technology-driven transformation to keep pace with the rest of the organization," he says.

Tax leaders are planning investments in technologies such as data and analytics (79 percent) and other emerging technologies (76 percent), but also in workforce training (70 percent) and attracting new talent (62 percent). By investing in new technologies in particular, tax leaders are looking for greater accuracy and more bandwidth for staff to focus their efforts on more value-added tasks, the survey says.

Taken as a whole, the results suggest tax officers are facing two major forces—disruptive technologies and the regulatory and planning shift occurring with tax reform—that are affecting the tax function. "It's not a surprise that U.S. and global tax reform are creating significant compliance and reporting challenges for organizations," said Leiter. "Tax leaders told us they recognize that robotics, extreme automation, and data enablement could help them manage their compliance needs, keep pace with ever-changing tax and regulatory requirements, and also identify opportunities to bring value to their entire organization."

Even while planning increased spending, many companies are still under pressure to reduce costs, says Leiter. "Balancing those two realities can be complex," he says. Tax leaders in many cases are trying to achieve that balance by spreading their technology spend over multiple years or outsourcing more of their compliance work to service providers who are further along in adoption of technology. ■