TAX EXECUTIVES INSTITUTE

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# 2024 State of the Corporate Tax Department

As talent squeeze looms, many companies' tax functions see technology as the solution

Thomson Reuters Institute

# Executive summary

Corporate tax departments are rarely expected to be on the cutting edge of technological adoption. Too often, in fact, they're relegated by their companies to the less sunlit areas of corporate operations, in which simple tax preparation and compliance duties make up much of their mandate.

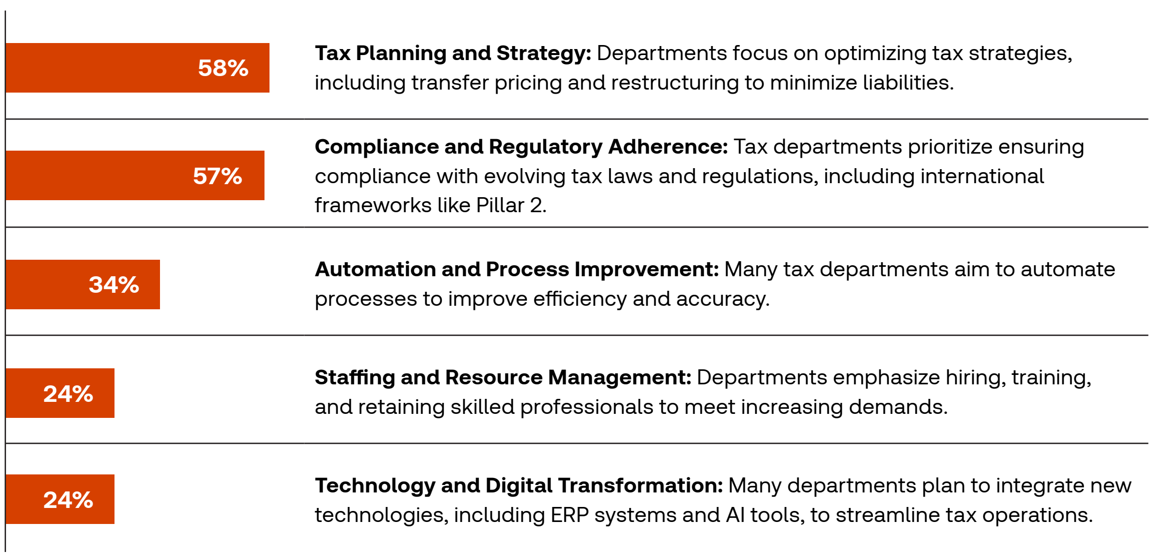
And portions of The *2024 State of the Corporate Tax Department* survey report certainly underscore that reality — almost 60% of survey respondents cited *tax planning & strategy* and *compliance & regulatory adherence* as their two top priorities for the next 18 months. There was, however, an undercurrent of expectation that new technologies could help in-house tax departments greatly with what many agree is the biggest problem they face: The loss of seasoned talent as the great wave of Baby Boomer retirements begins to take its toll.

Indeed, many respondents to this year's survey said that automating work processes and improving efficiency would not only help with the talent crunch, but would also allow many in-house tax professionals to do what they strongly wish to do — spend more time on strategic and proactive tasks that could benefit the company in the long run.

FIGURE 1:

## What are your strategic priorities for the next 18 months?

% top three mentions




*Source: Thomson Reuters 2024*

This year's survey report, published annually by Thomson Reuters Institute in partnership with Tax Executive Institute, gathered responses from more than 250 decision-makers within corporate tax departments across several global regions and over a variety of industries.

And while more than one-half of respondents said their internal tax department is under-resourced, which often leaves the company more vulnerable to audits and penalties, an almost equal amount said they expect their departments' technology budget to increase beyond its usual annual rate in the coming year, indicating a perceived willingness by companies to get their tax functions the modern tools they need to do their jobs more effectively and better deal with the expected loss of talent. (In fact, more than one-third of respondents cited *automation & process improvement* as a top priority, higher than even *staffing & resource management* despite these talent concerns.)

When asked specifically for their thoughts, one respondent within a tax department at a US-based company said their team's priority was to "hire international tax professionals and improve their US group's skillset with technology." While several others cited the importance of talent retention and identifying growth opportunities to keep top talent, one tax leader at a Canadian company said their goal was to "hire talent with IT skills, re-tool the team, and provide meaningful career opportunities" for those professionals that stay on.

**More than one-half of respondents said their internal tax department is under-resourced, which often leaves the company more vulnerable to audits and penalties.**

Clearly, as this year's report shows, many tax department leaders are fully aware of the talent crisis that threatens to swamp their boat, but are looking proactively for answers among the many tax-specific tech solutions and tools out there in order to keep sailing forward.

# Key findings

- Talent acquisition is the most significant challenge facing tax departments, respondents report, noting that compliance with Pillar 2 and the Global Minimum Tax regulations also are a significant challenge.
- Respondents say they wish to shift their work balance toward doing more strategic, proactive work while spending less time on tactical and reactive work.
- The top strategic priorities cited by respondents center around ensuring compliance internationally, automating work processes, ensuring proper staffing, and making time for value-added planning.
- More than one-half of respondents (51%) said their tax department is under-resourced, a slight increase from last year when 47% cited this problem. (Under-resourced departments are more likely to be impacted by audits and penalties.)
- Most tax departments (79%) have automated half or less of their work processes, respondents say. More concerning, two-thirds of respondents described their tax departments as *reactive* or *chaotic* in their approach to technology. Many also said they feel ill-equipped to make improvements.
- Less than one-quarter of the average tax department's budget is spent on technology, but change is anticipated as almost half of respondents said they expect the technology budget to increase beyond the usual annual rate.

**51%**
said their tax department is under-resourced, a slight increase from last year

**79%**
of respondents' have automated half or less of their work processes

# Methodology

The Thomson Reuters Institute and Tax Executive Institute annual *State of the Corporate Tax Department* survey report is conducted with senior decision-makers in corporate tax departments across the globe to gain insight into tax department leaders' strategic priorities and challenges, as well as their views on technology, budgets, and attracting and retaining talent.

The findings in this report were gathered through a 15-minute online survey with 251 decision-makers and influencers in corporate tax departments across global regions, conducted in August 2024.

The sample was drawn from lists provided by Thomson Reuters. Participants were screened to ensure that they were decision-makers or influencers in a corporate tax department.

The following industry sector categorization has been used throughout the report:

- ***Services*** — Business Services, Engineering, Hospitality/Leisure, Real Estate
- ***Energy/Natural Resources*** — Energy/Utilities, Natural resources (mining), Food/Farming/Fisheries
- ***Finance/Insurance*** — Banking, Financial Services, Insurance, Investment
- ***Pharma/Bio/Health*** — Pharmaceuticals/Bioscience, Healthcare
- ***TMT*** — Technology/Media/Telecoms
- ***General Industries*** — Automotive, Manufacturing, Construction, Transport/Logistics/Distribution
- ***Other Sectors*** — Government/Public Sector, Not-for-profit, Retail/Wholesale, Conglomerates, Other/no primary sector

For a more detailed breakdown of survey respondents' demographics, please see the Appendix at the end of this report.

## SECTION 1:

# Challenges around daily work

Concerns around hiring and retaining top tax talent topped the list of most significant challenges that tax department leaders said their departments are facing today. Indeed, almost 4-in-10 respondents rated hiring concerns as highly challenging.

Interestingly, compliance issues surrounding three separate tax regulations — Pillar 2, the Global Minimum Tax, and Base Erosion and Profit Shifting (BEPS) 2.0 — were listed as the second, third, and fourth most significant challenges that corporate tax departments were facing today.

FIGURE 2:

### The most significant challenges for tax departments

■ 8 ■ 9 ■ 10 – Extremely challenging

| | Overall (8 / 9 / 10 – total) | Industry sector | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Services | *Energy/ natural resources | *Finance/ insurance | *Pharma/ bio/health | *TMT | General industries | *Other |
| Hiring/talent | 18% / 5% / 17% – **39%** | 35% | 39% | 45% | 31% | 35% | 42% | 39% |
| Pillar 2 | 14% / 5% / 18% – **36%** | 47% | 13% | 30% | 27% | 61% | 31% | 36% |
| Global minimum tax | 14% / 6% / 13% – **34%** | 32% | 20% | 36% | 18% | 50% | 32% | 35% |
| BEPS 2.0 | 13% / 5% / 14% – **32%** | 38% | 15% | 37% | 22% | 42% | 27% | 32% |
| Company strategy | 15% / 5% / 8% – **29%** | 15% | 25% | 31% | 29% | 34% | 39% | 24% |
| Political changes | 14% / 4% / 9% – **28%** | 23% | 40% | 33% | 14% | 32% | 28% | 24% |
| Industry changes | 16% / 6% / 5% – **27%** | 16% | 37% | 39% | 21% | 30% | 27% | 21% |
| Complex geopolitical factors | 12% / / 8% – **24%** | 21% | 25% | 19% | 9% | 33% | 24% | 27% |
| E-invoicing | 9% / 5% / 6% – **20%** | 26% | 9% | 13% | 17% | 24% | 20% | 21% |
| ESG | 7% / / 5% – **15%** | 6% | 6% | 16% | 18% | 25% | 16% | 17% |

*Small sample size. Interpret with caution.

*Source: Thomson Reuters 2024*

In fact, some industry sectors seemed, quite logically, more concerned over these compliance issues than others. For example, respondents in both the Services and the TMT (Technology/ Media/Telecoms) sectors cited compliance with Pillar 2 as a much more significant challenge than the average, while *industry changes* are more likely to be seen as a significant challenge by respondents in the Finance and Insurance industries.

## The balance of work

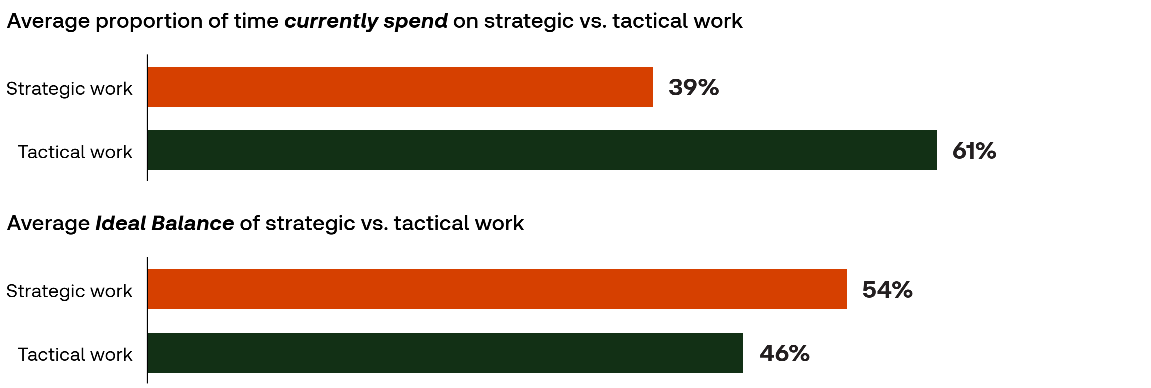
Given the pressures corporate tax departments surely feel around their workload and the push to be more cost-efficient, it's unsurprising that many tax professionals are thinking a great deal about how they balance their work time among the myriad tasks they face daily.

For example, many tax professionals surveyed say they are now spending most of their time on tactical work but want to shift the balance to doing more strategic tasks.

In fact, respondents said they are spending an average of 61% of their work time on tactical tasks; while ideally, they said they would like to be spending less than half of their work time on tactical work (46%), and the majority of time (54%) on undertaking more strategic tasks.

FIGURE 3:

### Spending time on *tactical* vs. *strategic* work

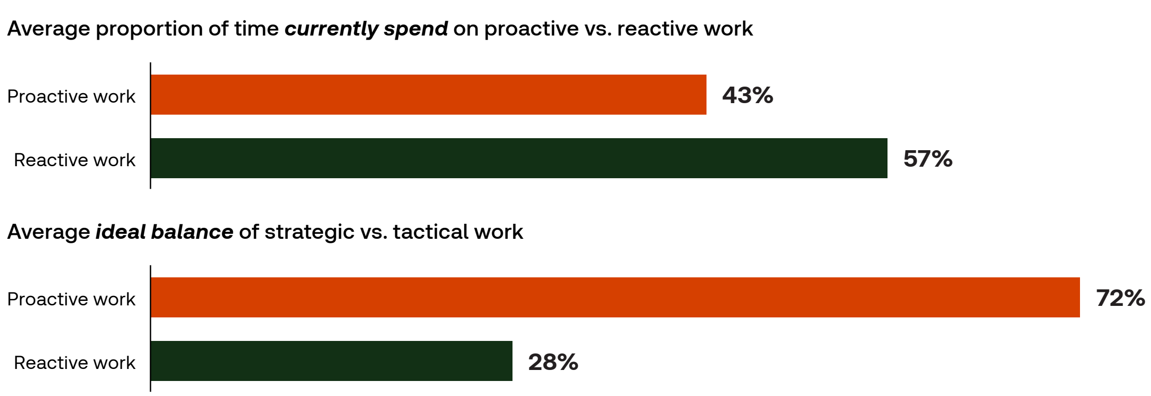



*Source: Thomson Reuters 2024*

Further, many corporate tax departments currently allocate more time than they would like to on what they see as reactive work, with about 57% of their time, on average, being taken up with tasks that are reactive, rather than proactive and more forward-looking.

FIGURE 4:

### The balance between *proactive* and *reactive* work



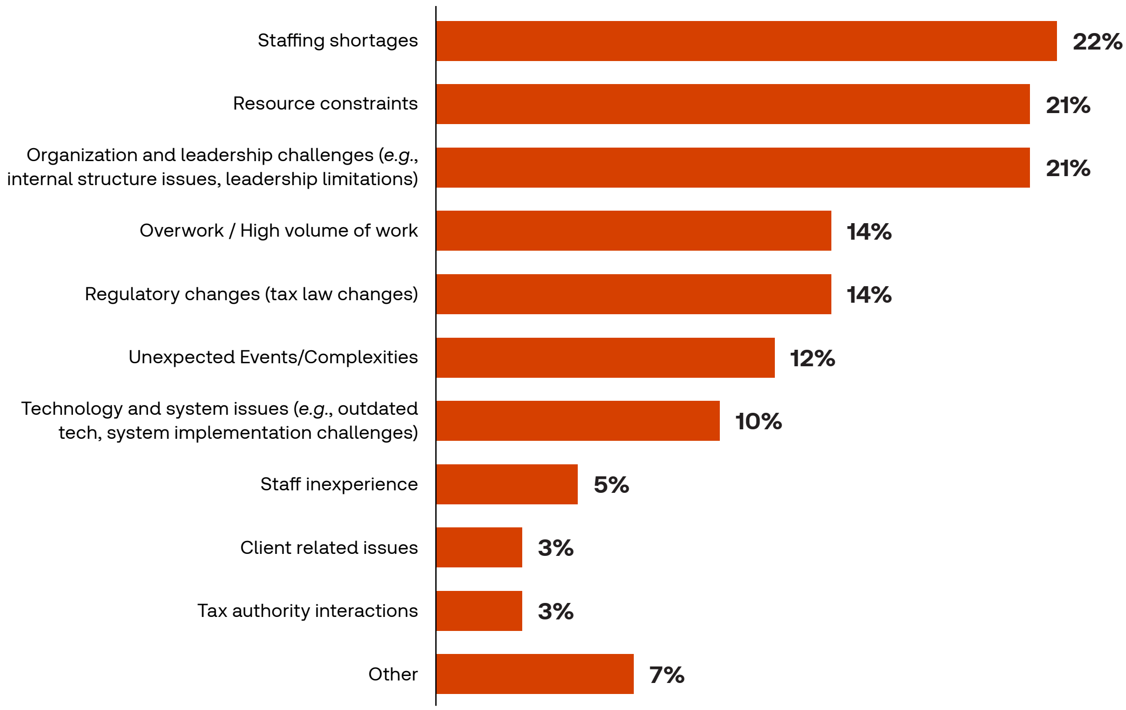

*Source: Thomson Reuters 2024*

Again, ideally, corporate tax professionals said they would like to shift that balance, and spend just 28% of their time — roughly half as much as they're spending now — on reactive tasks. Indeed, in their ideal balance, they would be spending almost three-times as much time doing *proactive* work, such as providing strategic advice to the company or undertaking projects which would add value to their companies' bottom lines.

Yet, what are the obstacles keeping tax departments from reaching this ideal balance, both in increasing the amount of strategic and proactive work they do?

FIGURE 5:

## Reasons for being unable to achieve their desired work balance




*Source: Thomson Reuters 2024*

For many tax professionals, the reasons come down to resources and leadership. Almost equal portions of survey respondents cited staffing shortages, resource constraints, and organizational or leadership challenges, such as issues with internal structure or leadership limitations.

When asked to offer specific insights on this issue, one survey respondent said that there were "not enough people on the team, and not enough money to pay for external advisors to help."

Another complained that at their company, "management and tax teams not aligned on optimizing tax goals with operational goals." Still another said there were simply "too many small day-to-day requests from other departments that need to be dealt with."

Given this insight, it becomes clear that many in-house tax professionals are struggling with their company's overall commitment to its tax functions, both in terms of staffing and investment, which is leaving many such professionals frustrated with leadership.

Let's take a deeper look at the challenges of talent and lack of investment, which seem to loom the largest in the minds of many tax professionals.

## SECTION 2:

# Talent and resources

More than half (51%) of survey respondents said they feel their tax department is under-resourced, which is comparable to 2023, and was a considerable source of consternation in last year's report. Also like last year, respondents from those companies with more than $50 million in revenue are more likely to report their tax department being under-resourced than those at smaller companies.

Indeed, more than half of respondents (56%) from those smaller companies report their level of resources received is *about right*, roughly 14-percentage points above the average.

FIGURE 6:

### Feeling under-resourced

| Overall | Revenue (USD) | | | | Organization headquarter | | | | | 2023 Overall |
|---|---|---|---|---|---|---|---|---|---|---|
| | <$50m | $50m - $1bn | $1bn - $6bn | $6bn+ | United States | *Canada | *United Kingdom | *Europe | *ROW | |
| Under-resourced **51%** | 35% | 57% | 57% | 54% | 48% | 58% | 70% | 58% | 44% | 47% |
| About right **42%** | 56% | 36% | 40% | 40% | 44% | 42% | 30% | 42% | 36% | 48% |
| Over-resourced **2%** | 2% | 3% | 2% | 2% | 2% | 0% | 0% | 0% | 8% | 2% |

*Small sample size. Interpret with caution.

*Source: Thomson Reuters 2024*

Interestingly, feeling under-resourced seems more driven by the size of the overall business; and it's unclear whether even *headcount* is a factor as to whether a tax department was considered under-resourced or not.

The overall average headcount in corporate tax departments in their home country was 9 tax professionals, and 1 analyst and 1 administrative or general support staffer.

Not surprisingly, these levels went up the larger the overall business became, with those companies with more than $6 billion in annual revenue having an average 36 tax professionals in-house, roughly five-times as many as those companies with less than $50 million in annual revenue. Yet, this could be somewhat misleading. A $6 billion company is much larger than a $50 million company, of course, but when you break down revenue per tax professional, it could suggest that tax departments aren't increasing in size sufficiently along with company revenue, even when certain economies of scale are figured in.

## The consequences of under-resourcing

Of course, as survey respondents attested to — both in last year's survey and in this one. There are heavy consequences to pay for keeping your tax department under-resourced. For example, respondents from under-resourced departments said their companies were more likely to incur tax audits and penalties over the past year, describing these penalties as more frequent and more costly.

FIGURE 7:

## The consequences of having an under-resourced department

| In past year, organization incurred… | Overall | Resourcing: Under resourced | Resourcing: About right | Lack of resource headcount for technology implementation: Yes | Lack of resource headcount for technology implementation: No | 2023 Overall |
|---|---|---|---|---|---|---|
| Any tax audits | **62%** | 72% | 54% | 74% | 57% | 61% |
| Any penalties | **43%** | 50% | 35% | 53% | 39% | 42% |

| Number of tax audits incurred in past year | Overall: 1 to 3 | Overall: 4 to 5 | Overall: 6 or more | Median | Resourcing (Median): Under resourced | Resourcing (Median): About right | Lack of resource headcount for technology implementation (Median): Yes | Lack of resource headcount for technology implementation (Median): No | 2023 Overall (Median) |
|---|---|---|---|---|---|---|---|---|---|
| | **39%** | **26%** | **35%** | 4 | 5% | 4% | 5 | 4 | 5 |

| Value of penalties incurred in past year | Overall: <$10K | Overall: $10K to $50K | Overall: >$50K | Median | Resourcing (Median): Under resourced | Resourcing (Median): About right | Lack of resource headcount for technology implementation (Median): Yes | Lack of resource headcount for technology implementation (Median): No | 2023 Overall (Median) |
|---|---|---|---|---|---|---|---|---|---|
| | **31%** | **31%** | **38%** | $30,000 | $50,000 | $20,000 | $47,500 | $22,500 | $20,000 |

*Source: Thomson Reuters 2024*

On average, almost two-thirds (62%) of all respondents experienced some form of tax audits in the past year; yet more of those from under-resourced departments (72%) experienced audits than did those respondents from tax departments that they felt had *about right* resourcing (54%). This 18-percentage point difference translates to some real pain for under-resourced departments, which also, on average, had more audits over the past year than about-right resourced departments. Worse yet, under-resourced departments had a median average of $50,000 in the value of penalties, compared to just $20,000 for about-right resourced departments.

Despite all this, many respondents feel that their tax departments will be able to provide timely and accurate forecasting to their companies, with 84% saying this; and help their companies minimize tax liabilities (80%), and avoid incurring penalties (69%) in the coming year.

However, even in the face of this apparent confidence, those respondents from under-resourced departments felt they were still behind their better-resourced peers in demonstrating an ability to minimize liability, avoid incurring penalties, and avoid incurring tax audits.

## Anticipating changes in resourcing

When asked specifically about what changes they anticipate management making in their tax department's resourcing and recruitment strategy over the next two years, large portions of survey respondents pointed to improving efficiency (48%) and increasing automation (45%). Almost one-third of them said they believe their department has plans to actively recruit new tax talent in the coming two years.

FIGURE 8:

### Key resourcing priorities

| Anticipated changes in resourcing/recruitment strategy in next 1-2 years | Overall | Resourcing | |
|---|---|---|---|
| | | Under resourced | About right |
| Have plans to/are actively introducing efficiencies into the department | 48% | 51% | 44% |
| Have plans to/are actively introducing technology/ automation into the department | 45% | 53% | 35% |
| Have plans to/are actively recruiting additional qualified tax professional headcount | 32% | 44% | 21% |
| Have plans to/are actively relying more on third-party resource | 23% | 24% | 20% |
| Will be relying more heavily on existing team members | 19% | 26% | 11% |
| Have plans to/are actively recruiting additional analyst /tech support headcount | 10% | 15% | 7% |
| Have plans to / are actively recruiting additional admin/ general support headcount | 6% | 7% | 5% |
| Have other resourcing/recruitment plans | 4% | 5% | 5% |
| None of the above/don't anticipate any changes | 18% | 6% | 33% |
| Don't know | 5% | 5% | 2% |

*Source: Thomson Reuters 2024*

Interestingly, respondents from those tax departments they considered under-resourced said they anticipate that their businesses are more likely to introduce a range of resourcing strategies including increasing automation, increasing headcount, and relying more on existing team members.

Often, a *greater proportion* of respondents from under-resourced departments were seeking these solutions as well. For example, more than half (53%) of respondent from under-resourced departments said their departments had plans to further automate the department while just 35% of respondents from department with *about right* resourcing levels said the same thing.

Clearly, while many tax professionals at departments they consider to be under-resourced are acutely aware of their dilemma they face, they are increasingly looking to utilizing new technology solutions and tools to help them make the most of the resources they have available.

## SECTION 3:

# The pace of technology adoption

Technology and its impact on corporate tax departments is an issue that tends to present many in-house tax professionals with quite a conundrum: While they recognize the potential value of new tax tools and solutions, especially those driven by artificial intelligence (AI), they also see their departments struggling with the resources, willingness and leadership to make any significant transformation of their work processes happen.

“There is a lack of technology development and process redesign within the tax department, and there’s too much reliance on manual processes, Excel, and older technologies,” said one respondent from a large US company, adding that their under-resourced department also faces “limited budgets and lack of time to make updates.”

Not surprisingly, this has resulted in a slower pace of automation among corporate tax departments overall with close to 80% of respondents saying their departments have automated less than half of their work processes, a portion that hasn’t changed much since our last report in 2023.

FIGURE 9:

### Levels of automation

| Level of automation of standard processes | Overall | Resourcing | | Revenue (USD) | | | | 2023 Overall |
|---|---|---|---|---|---|---|---|---|
| | | Under resourced | About right | <$50m | $50m - $1bn | $1bn - $6bn | $6bn + | |
| No automation | 11% | 12% | 10% | 15% | 17% | 6% | 4% | 10% |
| 1-24% | 37% | 41% | 32% | 31% | 36% | 48% | 33% | 35% |
| 25-49% | 31% | 33% | 29% | 19% | 28% | 31% | 46% | 10% |
| 50-74% | 16% | 11% | 20% | 23% | 14% | 14% | 15% | 10% |
| 75-100% | 6% | 3% | 9% | 12% | 5% | 2% | 2% | 42% |

*Source: Thomson Reuters 2024*

Interestingly, a higher proportion of respondents from small businesses, those with less than $50 million in annual revenue, have automated *more than* half of their work processes. Indeed, with more than one-third of small business respondents (35%) saying this, it represents a level of automation that is around *twice* that of larger businesses.

The reason for this may be that smaller companies didn’t really invest in the legacy technology that still encumbers larger companies and their tax functions, leaving smaller companies freer to pursue automation opportunities when they arise. Of course, it also could be that tax departments at smaller companies may have been able to find the time to set up the automation simply because they have less complexity, simpler processes, and less data — and thus, they may be easier to automate.

## Most common tax solutions used

Given these somewhat stilted levels of automation, it’s revealing to see what tax solutions are most used by in-house tax teams, and more importantly, what solutions they consider most impactful to their daily work.

The clear favorites among tax solutions were tools for direct tax compliance, with almost two-thirds of respondents (63%) saying their department has already implemented this into their work processes. Tax provision solutions, which help tax departments figure out their companies' tax liabilities, were also commonly used, with 41% of respondents saying their department utilize this.

Interestingly, those respondents who considered their departments well-resourced were much more likely to use tax data management solutions than their under-resourced peers, indicating perhaps that this solution was one that may be currently out of the budgetary grasp of many tax departments.

Not surprisingly, the larger a company was, the more likely its tax function was to use a range of solutions.

FIGURE 10:

## Most common and most valuable tax solutions

| Tax technology solution currently have implemented | Overall | Resourcing: Under resourced | Resourcing: About right | Revenue (USD): <$50m | Revenue (USD): $50m - $1bn | Revenue (USD): $1bn - $6bn | Revenue (USD): $6bn+ | 2023 Overall |
|---|---|---|---|---|---|---|---|---|
| Direct tax compliance | 63% | 61% | 70% | 58% | 57% | 69% | 65% | 70% |
| Tax provision | 41% | 43% | 40% | 25% | 28% | 63% | 56% | 50% |
| Indirect tax compliance solution | 34% | 33% | 35% | 23% | 45% | 26% | 42% | 42% |
| Tax workflow management | 30% | 26% | 36% | 46% | 16% | 23% | 38% | 27% |
| Indirect tax determination engine | 28% | 29% | 28% | 13% | 29% | 31% | 42% | 32% |
| Tax data management | 26% | 20% | 32% | 46% | 12% | 15% | 31% | 28% |
| Transfer pricing documentation | 17% | 13% | 19% | 19% | 12% | 12% | 23% | 17% |
| Country by country reporting | 14% | 15% | 11% | 0% | 12% | 18% | 23% | 18% |
| Digital Tax Reporting | 12% | 10% | 15% | 17% | 9% | 5% | 15% | 15% |
| Tax analytics and KPIs | 12% | 12% | 10% | 8% | 12% | 8% | 10% | 13% |
| FATCA/CRS/AEOI | 5% | 4% | 7% | 10% | 3% | 2% | 4% | 7% |
| Other | 8% | 6% | 7% | 8% | 9% | 6% | 8% | 6% |

| Tax technology solution with the most positive impact | Overall | Resourcing: Under resourced | Resourcing: About right | Revenue (USD): <$50m | Revenue (USD): $50m - $1bn | Revenue (USD): $1bn - $6bn | Revenue (USD): $6bn+ |
|---|---|---|---|---|---|---|---|
| Direct tax compliance | 20% | 18% | 26% | 15% | 21% | 26% | 13% |
| Tax provision | 19% | 22% | 14% | 8% | 12% | 38% | 25% |
| Indirect tax determination engine | 12% | 13% | 10% | 4% | 16% | 9% | 23% |
| Tax workflow management | 10% | 8% | 12% | 17% | 9% | 8% | 6% |
| Tax data management | 8% | 8% | 10% | 23% | 0% | 3% | 10% |
| Indirect tax compliance solution | 8% | 10% | 5% | 2% | 14% | 6% | 6% |
| Digital Tax Reporting | 2% | 1% | 3% | 6% | 0% | 0% | 0% |
| Transfer pricing documentation | 2% | 2% | 1% | 4% | 3% | 0% | 0% |
| Tax analytics and KPIs | 2% | 2% | 1% | 2% | 2% | 0% | 4% |
| Country by country reporting | 1% | 1% | 1% | 0% | 2% | 2% | 0% |
| FATCA/CRS/AEOI | 0% | 0% | 1% | 0% | 0% | 0% | 0% |
| Other | 4% | 1% | 6% | 4% | 2% | 3% | 6% |
| None of the above | 14% | 15% | 11% | 15% | 21% | 5% | 6% |

*Source: Thomson Reuters 2024*

As to how impactful these solutions were considered by respondents, both direct tax compliance and tax provision were cited as those with the most positive impact by about 1-in-5 respondents.

## Being proactive or reactive

How respondents view their department's approach to technology and automation is critically important, no matter which individual solutions or tech tools they may use or favor. And, unfortunately, internal tax professionals' views of how their departments approach questions of technology are somewhat concerning.

More than two-thirds of respondents said their departments have a *reactive* (45%) or *chaotic* (21%) approach to technology, and this was particularly pronounced among those respondents from under-resourced departments of which more than half (54%) considered their departments' approach reactive.

FIGURE 11:

### Approach to technology and automation

| Approach to use of technology and automation | Overall | Resourcing | | Revenue (USD) | | | |
|---|---|---|---|---|---|---|---|
| | | Under resourced | About right | <$50m | $50m - $1bn | $1bn - $6bn | $6bn + |
| Chaotic | 21% | 21% | 19% | 15% | 29% | 26% | 17% |
| Reactive | 45% | 54% | 35% | 38% | 47% | 48% | 46% |
| Proactive | 24% | 19% | 32% | 33% | 19% | 20% | 29% |
| Optimized | 4% | 3% | 6% | 6% | 0% | 6% | 4% |
| Predictive | 2% | 1% | 3% | 2% | 2% | 0% | 2% |
| None of the above | 4% | 2% | 5% | 6% | 3% | 0% | 2% |

*Source: Thomson Reuters 2024*

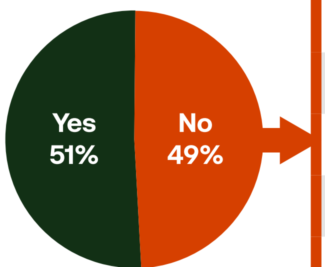
What's more, company size didn't seem to be a factor in this, with the respondents from tax departments in larger companies still notching high levels of reactive approaches to technology and automation, while those from smaller companies were much higher on the other end of the scale, with 39% saying they saw their departments being *proactive* or even *optimized* in their tech approach — more than 10-percentage points higher than the overall average.

Of course, this may be because under-resourced tax departments at larger companies may not have the bandwidth to take a more proactive approach even if they would like to, due to their level of work, overall complexity, and amount of data to be analyzed.

FIGURE 12:

## Feeling ill-equipped to make technology investments

Have adequate resources to improve technology/ automation




| Factors preventing the enhancement of technology and automation | Overall | Resourcing: Under resourced | Resourcing: About right |
|---|---|---|---|
| Lack of time to dedicate to planning or investigate new technologies | 67% | 21% | 19% |
| Lack of budget | 65% | 54% | 35% |
| Lack of resource headcount for technology implementation | 65% | 19% | 32% |
| Lack of technology skills within the existing team | 41% | 3% | 6% |
| Other | 10% | 1% | 3% |
| None of the above | 1% | 2% | 5% |

*Source: Thomson Reuters 2024*

More worrisome perhaps is that about half of respondents (49%) said their departments feel ill-equipped to make improvements to their technology or automation. When those respondents who said they felt this way were queried further as to what factors were preventing their department from enhancing its technology or automation, almost two-thirds of them said it was due to lack of time to plan for or investigate new technologies, with 67% saying this.

Other factors cited were lack of budget (65%), and lack of an adequate headcount for tech implementation (65%). Moreover, 75% of respondents from under-resourced departments cited the lack of headcount for implementation, compared to 41% of respondents from well-resourced departments who said this, clearly demonstrating the widening gap between under-resourced and well-resourced tax departments.

## SECTION 4:

# Spending

In Thomson Reuters *Future of Professionals Report*, released in July, many survey respondents from corporate tax departments cited *exploring the potential for and implementing AI* as one of their highest priorities.

Despite this, less than one-quarter of the average tax department's budget is spent on technology — however, that may be changing. Almost half of respondents to this survey said they expect their departments' technology budgets to increase beyond the usual annual rate, indicating a growing understanding of the importance of keeping up with the latest technology in order to improve on value an in-house function provides to their company.

FIGURE 13:

### Internal department spending on tax technology

| % of internal tax department spend on tax technology and software | Overall | Resourcing: Under resourced | Resourcing: About right | Revenue (USD): <$50m | Revenue (USD): $50m - $1bn | Revenue (USD): $1bn - $6bn | Revenue (USD): $6bn + |
|---|---|---|---|---|---|---|---|
| Less than 10% | 32% | 31% | 30% | 25% | 40% | 32% | 31% |
| 10% to 25% | 48% | 53% | 46% | 35% | 40% | 57% | 58% |
| More than 25%+ | 20% | 16% | 25% | 40% | 21% | 11% | 10% |
| **Anticipating an increase in tax department technology budget over and above a normal annual increase** | | | | | | | |
| Yes | 48% | 53% | 42% | 33% | 48% | 60% | 58% |
| No | 52% | 47% | 58% | 67% | 52% | 40% | 42% |

*Source: Thomson Reuters 2024*

The vast majority of respondents (80%) said their departments spend less than 25% of their budget on tax technology, with 32% saying their department spends less than 10%. Interestingly and somewhat counter-intuitively, many more tax departments within smaller businesses (those with less than $50 million in annual revenue) are spending a larger portion of their budget — as much as 25% or more — on technology. Meanwhile, the internal tax departments at the largest companies (those with more than $6 billion in revenue) are spending around 10%.

This seeming incongruity may simply mean that 10% of a larger budget might go further than 25% of a smaller budget. However, the commitment to technology investment from the smaller business tax departments is noteworthy.

## Where they see tax budgets going

Equally noteworthy perhaps is that when asked whether they were expecting an increase in the technology portion of their tax departments' budgets above the normal rate of increase, almost half of respondents (48%) said they were.

While, of course, that means that slightly more than half said they were not expecting such an increase, more than two-thirds of respondents from tax departments within smaller firms (67%) said they were not expecting such an increase. Meanwhile, many more respondents from departments within the largest firms (those with $1 billion or more in annual revenue) said they did expect their departments' technology budgets to increase.

It seems somewhat logical that this is all simply a balancing out of budgets and resources: Those smaller business departments that are already spending more of their budget on tech do not expect an increase; while those larger business departments that are spending a much smaller portion of their budgets on tech, do expect an increase.

## Spending on outside tax support

Beyond spending on technology, of course, companies and their tax departments spend a large portion of their budgets on hiring outside tax experts, tax advisory firms, or specialist firms to handle specific tax-related tasks.

Overall, 38% of companies spent $1 million or more on external tax support in the last fiscal year, with 13% spending more than $5 million.

FIGURE 14:

### Companies spending on external tax support

| Global annual spend on external tax support | Overall | Resourcing | | Revenue (USD) | | | | 2023 Overall |
|---|---|---|---|---|---|---|---|---|
| | | Under resourced | About right | *<$50m | $50m - $1bn | $1bn - $6bn | *$6bn+ | |
| Less than $100,000 | 21% | 12% | 30% | 76% | 14% | 2% | 0% | 16% |
| $100,000 to less than $500,000 | 31% | 35% | 26% | 17% | 40% | 39% | 20% | 23% |
| $500,000 to less than $1M | 11% | 9% | 13% | 0% | 20% | 11% | 10% | 11% |
| $1M to less than $5M | 25% | 30% | 21% | 0% | 11% | 41% | 50% | 36% |
| $5M or more | 13% | 14% | 10% | 7% | 14% | 7% | 20% | 13% |
| Median External Spend: | **$450,000** | **$579,300** | **$250,000** | **$10,000** | **$335,000** | **$741,000** | **$1,000,000** | **$780,000** |

*Small sample size. Interpret with caution.

*Source: Thomson Reuters 2024*

There were notable shifts in overall spending on external tax support, including that the portion of those companies spending $1 million or more annually dropped compared to last year when almost half (49%) spent at that level — a decrease of more than 10 percentage points.

Further, while more than half of companies (52%) spending $500,000 or less last year on external tax support — a figure that was over-represented by smaller businesses —in 2023, that figure was just 39%, meaning that many more companies of all sized are spending less on outside tax expertise and service.

Also, and not surprisingly, spending on external tax support was higher among those businesses with under-resourced tax departments, further pointing up the associated costs with keeping a tax department under-funded and under-staffed.

# Conclusion

The *2024 State of the Corporate Tax Department* survey report illuminated how many spinning plates corporate tax department leaders currently have in the air: While they're acknowledging their twin duties of tax preparation and compliance work as their main priorities, they are facing two other more worrisome developments — a growing talent exodus and the lack of resources many departments seem to be experiencing.

Indeed, with half of all those surveyed saying their departments were under-resourced, leaving them more open to the cataclysmic possibilities of more frequent and more costly audits and fines, a great many of the professionals in those departments still have a strong sense of optimism.

And much of that hopefulness seems to spring from the feeling that new AI-driven technology tools and solutions will allow them to make up for both a lack of personnel and resources. In fact, many respondents said they think that embracing new technology and innovative work processes eventually will allow many in-house tax professionals to do what they most want to do — spend a larger portion of their time on strategic and proactive tasks that could benefit the company overall.

**Whether tax department leaders' optimism will prove well-founded or not may depend on whether companies will provide their tax functions with the AI-driven tools they need and the resources to implement them.**

Whether, going forward, tax department leaders' optimism will prove well-founded or not may depend less on toll that the wave of Baby Boomer retirements might have on the tax industry and more on whether companies will provide their tax functions with the advanced AI-driven tools they need and the resources to implement them to overcome these challenges.

As one tax professional within a department at a small Canadian company said it, most succinctly: "We need to find out what AI can do for us."

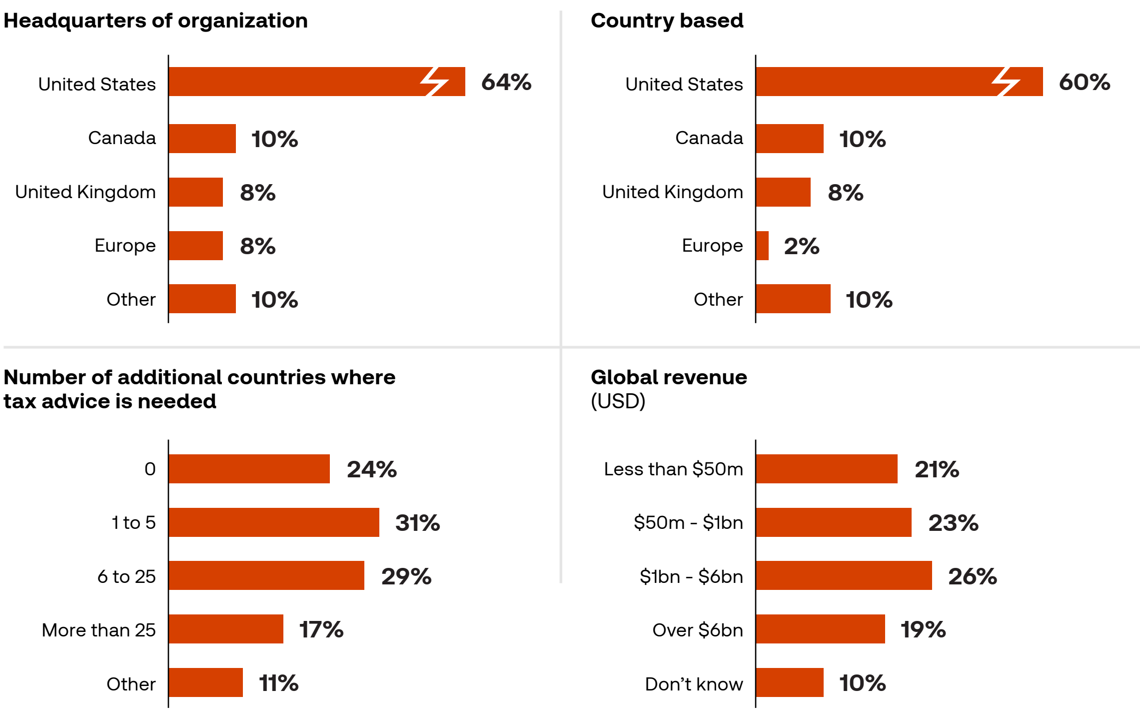
# Appendix

## Respondent tax department demographics:

Some additional demographics of respondents' businesses include:

FIGURE 15:

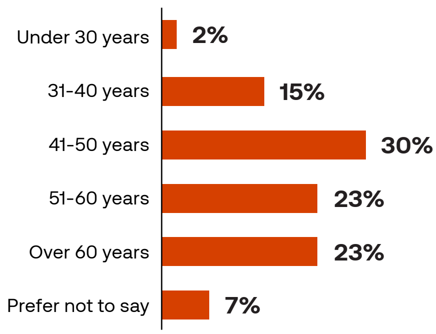
### Respondent firmographics



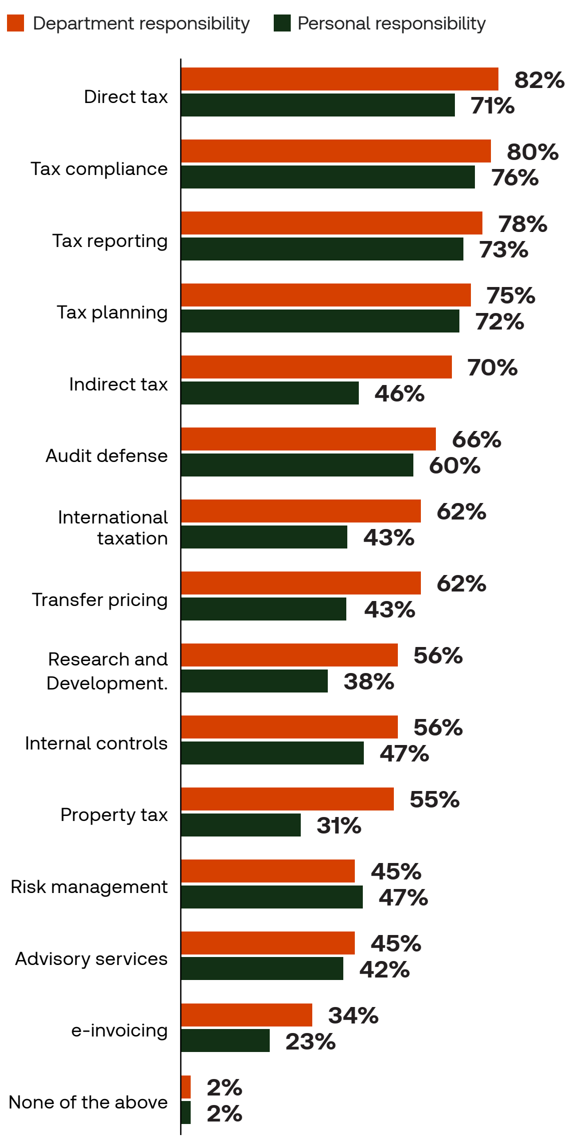

*Source: Thomson Reuters 2024*

FIGURE 16:
## Respondent profile

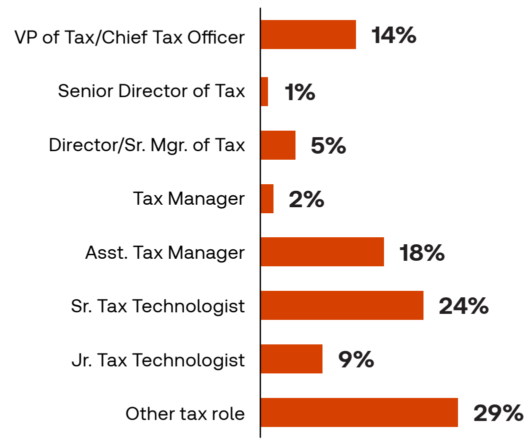
### Age




### Tax responsibility




### Job title




### Industry sector

| | |
|---|---|
| Manufacturing | 15% |
| Technology/Media/Telecoms | 14% |
| Business services | 11% |
| Financial services | 8% |
| Retail/wholesale | 8% |
| Energy/utilities | 4% |
| Insurance | 4% |
| Construction | 4% |
| Healthcare | 4% |
| Real estate | 4% |
| Food/farming/fisheries | 3% |
| Hospitality/leisure | 3% |
| Transport/logistics/distribution | 2% |
| Automotive | 2% |
| Banking | 2% |
| Engineering | 2% |
| Investment | 2% |
| Pharmaceuticals/bioscience | 2% |
| Conglomerates | 2% |
| Natural resources (mining) | 1% |
| Government/public sector | 1% |
| Not-for-profit | <1% |
| Other/no primary sector | 4% |

*Source: Thomson Reuters 2024*

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