



Digital Transformation in Tax Compliance and Statutory Reporting 2023 Survey Report

Australia, India, Japan, MENA, and Southeast Asia

**PART
TWO**

**Digital Agendas: How Tax Compliance and
Finance Leaders are Preparing for 2024**



Foreword

I am delighted to introduce our inaugural *Digital Transformation (DX) in Tax Compliance and Statutory Reporting 2023 Survey Report*. Tax compliance and statutory reporting professionals face a diverse range of pressures, and these call for adaptability and innovation.

Traditional expectations, such as driving efficiency, enhanced value, and ensuring timely compliance, have historically been a trigger for technology adoptions. Amid a shifting regulatory landscape and global economy in flux, the scope for innovation has expanded even further.

DX lies at the heart of this evolution. It encompasses the profound shift in organisations' strategies, processes, and technologies to harness the power of digital advancements.

DX can incorporate automated processes and integrations, leveraging content-driven expertise, and exploring cutting-edge technologies like artificial intelligence and robotics. It can empower corporate professionals to transcend the limitations of manual processes and reach new levels of effectiveness and agility.

The demand for real-time data on a global scale has propelled decision makers to accelerate their DX strategies. Some organisations even aim to surpass the technological capabilities of governments, financial regulators, and tax authorities. Going beyond compliance, pioneering decision makers are pushing the boundaries of what tax technology can do for their business.

In this context, the *Digital Transformation in Tax Compliance and Statutory Reporting 2023 Survey Report* series becomes an invaluable resource. It unveils the journey of tax compliance and statutory reporting professionals who are embracing the digital revolution.

The report's findings offer valuable insights into current practices, plans, and priorities for the next 12 months. Overall, these professionals are driving tax technology roadmaps that shape a future characterised by transparency. Such digital transformations are bringing about a range of benefits, including stronger regulatory relationships and an enhanced brand reputation.

Carl Olson
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Introduction

As the global economy continues to evolve, tax compliance and statutory reporting functions are facing unprecedented challenges and opportunities. The COVID-19 pandemic has accelerated the need for businesses to adapt and innovate, while regulators are demanding for more transparency and better quality of data. How are tax and finance leaders preparing for the future of their functions, and what strategies will they deploy?

To mark the start of our report series on digital transformation (DX) in tax compliance and statutory reporting, we released Part One, *Macro Trends Driving Tech Adoption in Tax and Finance*.

Part One analysed the factors that are driving the adoption of technology, such as evolving macroeconomics, changing relationships with regulators, and increasing centralisation of tax and finance operations. It also explored the perceptions and attitudes of corporate decision makers towards tax technology, and how they assess its value and fit for the future. Part One set the stage for a deeper dive into the DX aspirations and strategy of tax and finance functions, which is the focus of Part Two.

Part Two, *Digital Agendas: How Tax Compliance and Finance Leaders are Preparing for 2024*, reveals the levels of investment corporate decision makers plan to allocate to technology over the next 12 months. The report also illustrates the diverse range of plans on the digital transformation agenda, from enhancing existing systems to implementing new solutions. It also shares decision makers' five-year plans and how ambitious they really are, as well as the factors that influence their choices and priorities. And finally, the survey findings in Part Two highlight the perceived importance of tax transparency, and how technology can support it in a complex and dynamic environment.

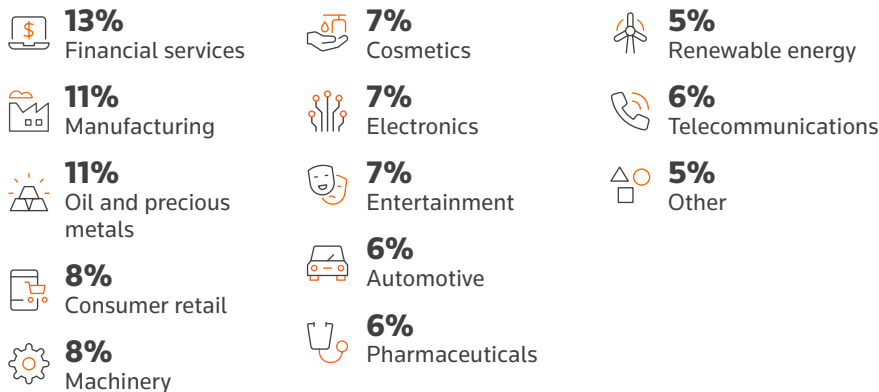
This report provides insights and guidance for tax and finance leaders who want to embrace digital transformation and unlock its benefits for their organisations.

Research methodology and demographics

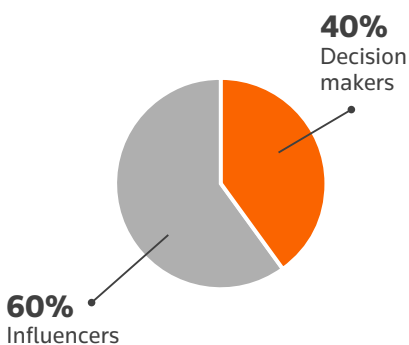
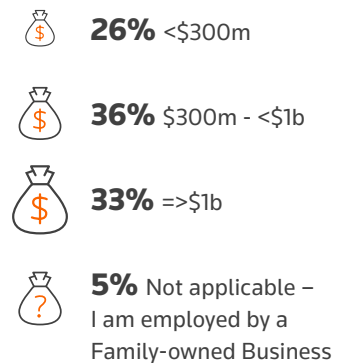
The *Digital Transformation in Tax Compliance and Statutory Reporting 2023 Survey Report* draws on quantitative insights from a survey of 650 professionals. The survey was conducted by iResearch Services for Thomson Reuters in May and June, 2023.



INDUSTRY SECTORS



ANNUAL REVENUE



Participants had a significant or central role in a specialised activity relevant to the topics covered in the questionnaire. These included:

- Corporate tax compliance and reporting,
- Environmental Social and Governance (ESG) or Corporate Social Responsibility (CSR),
- in-house tax advisory,
- operationalising finance or tax technologies,
- statutory reporting,
- transaction management and
- indirect tax compliance and reporting.



**PART
TWO**

Digital Agendas: How Tax Compliance and Finance Leaders are Preparing for 2024



DX ASPIRATIONS AND STRATEGY

Investment in DX

Anticipated spend on technology revealed

Digital transformation never stops evolving. Enterprise technology infrastructure located on the premises of an organisation and in the cloud require continual maintenance. From software updates to custom upgrades, hosting and implementation, the technology is always changing (and as it should be). This can require subscription costs, switching to an alternative technology, training and development or the hiring of new IT staff.

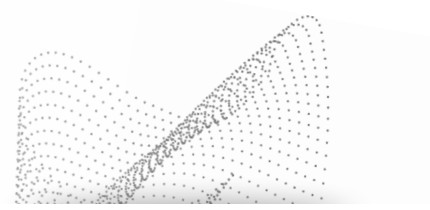
Our survey asked decision makers about their technology investment plans over the next 12 months. There are a multitude of use cases associated with tax compliance and statutory reporting. Therefore, it is little wonder that investment will continue to rise.

Almost seven in ten (67%) say their spend on tech will rise by 10% or more, but less than 50%. The decision makers who fall into this category may be approaching tech implementation more cautiously. Or they may have fewer technology upgrades required for the year ahead.

Of the respondents, 17% foresee a substantial increase of more than 50% in their investment. Such a significant commitment illustrates the high value some decision makers are placing on DX projects.

The survey also queried the relationship between the U.S. economy and how this may impact technology budgets. Should there be a U.S. recession, a majority (74%) believe that their technology budgets would rise in response. This may indicate the potential for greater risk and growing compliance pressures should there be an economic downturn.

The appetite for business growth and expansion, and increasing regulatory scrutiny contribute to the need to invest in DX. Businesses are recognising these factors and responding with increased investments.

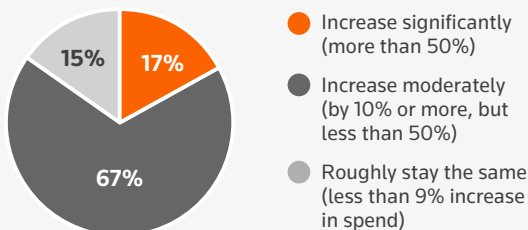


A majority of decision makers (84%) will increase spend on tax tech by 10% or more in the next 12 months.

Nearly three quarters of decision makers (74%) believe a U.S. recession would trigger an increase in budget capacity for technology expenditure.

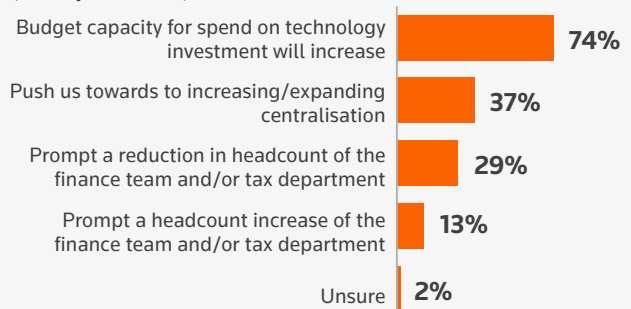


FIG. 8
Over the next 12 months, you anticipate that your organisation's spend on tax and finance-related digital transformation projects will...

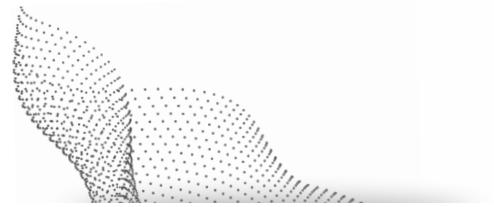


Base: Respondents from "Decision Maker Survey" (n=257)

FIG. 9
If the U.S. enters an official recessionary period, how will this affect your tax and finance operations? (Multiple choice)



Source: Thomson Reuters



Digital roadmaps

Diverse range of plans are on the agenda

Executives plan which technology investments their organisations will make in the coming year far in advance. They typically formalise their planning in the form of a digital roadmap. They include features such as new tech investments, rollouts, and projects contributing to companywide strategies.

The decision makers who took part in our survey selected which technologies feature on their roadmap for the future. Whilst the group selected a diverse spread of features, investing in new, purpose-built tech was the most commonplace.

Over three in five of the respondents (62%) are planning to invest in purpose-built tax technology with API functionality. In-house tax technology is on the roadmap for close to one in three decision makers (30%). The same proportion (30%) plan to upgrade their native ERP systems. These results reflect a growing trend towards transforming tax operations to achieve cost savings and real-time data.

Furthermore, over one in four decision makers (26%) foresee restructuring their tax teams, either partially or fully. The goal here is twofold: to reduce operating costs and to repurpose the tax department to concentrate on higher value activities. This reflects a shift in the role of tax departments from an operations function to a more strategic one.

Over three in five decision makers (62%) said their tax and finance-related roadmaps included investing in purpose-built tax technology.

Next year, there will be a rise in cloud adoption. Two in five decision makers' (40%) digital roadmaps feature migrating on-premises software to cloud-based alternatives.

Less than one third (28%) will experiment with smart tech, automations, and generative AI.

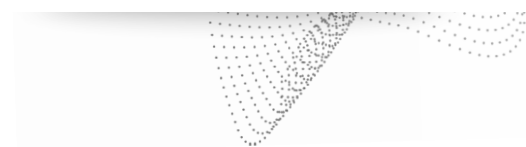
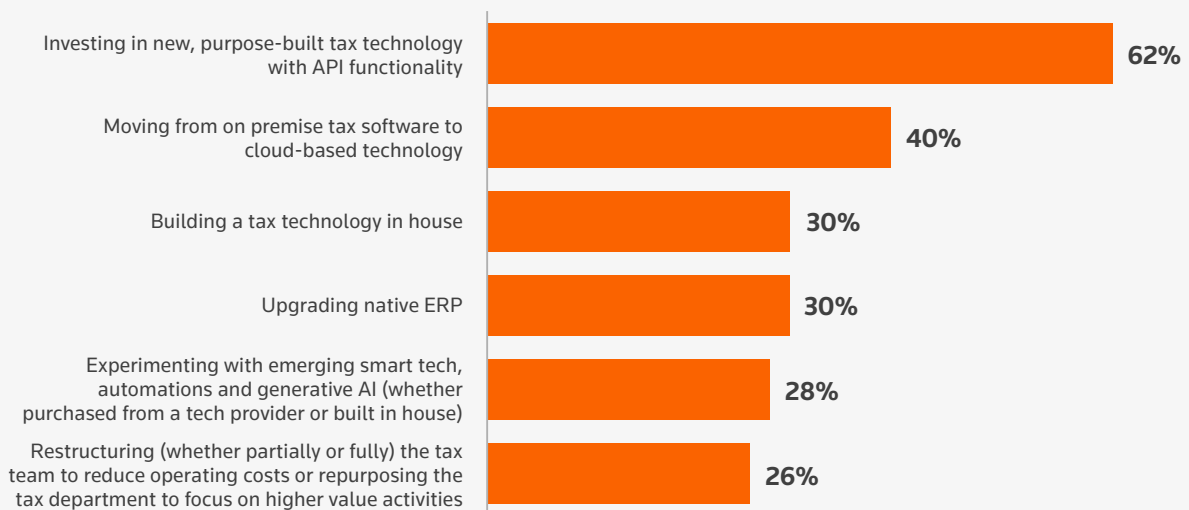


FIG. 10

What is featured in your tax digital roadmap for the future? (Multiple choice)



Base: Respondents from "Decision Maker Survey" (n=257)

Source: Thomson Reuters

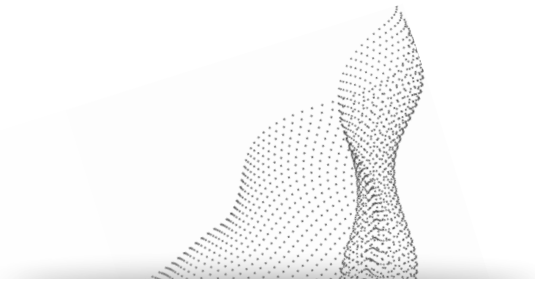
DX ASPIRATIONS AND STRATEGY

Vision for the future

Five-year DX plans fall short on ambition

Most of the decision makers for tax compliance and statutory reporting functions we surveyed have humble aspirations. Despite the widespread understanding that technology can prove value beyond cost savings, the ceiling for 59% is to be compliant enough.

Just shy of one in three decision makers (32%) desire for their organisation to be as automated and centralised as possible. If technology can future-proof organisations, then the companies with the boldest of ambitions will be the most resilient.



Most decision makers do not have a desire to carry out a bold digital transformation plan. Nearly three in five (59%) are satisfied with operations working just enough to be compliant and maintain company reputation.

Close to one in three (32%) want their department to be as automated and centralised as possible.

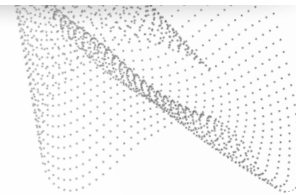
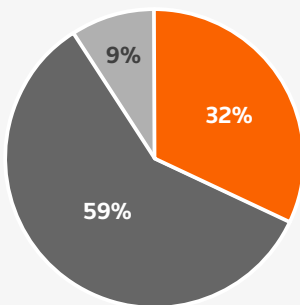


FIG. 11

When it comes to digital enablement and transformation, where do you want your organisation's finance and tax department to be in five years' time?



- As automated and centralised as possible - Where technology is carrying out every process and report imaginable 100% accurately, with a strategic overlay of unique human insight and knowledge only where necessary.
- Improved but not a leader in digital transformation - For operations to work just enough to be compliant and maintain company reputation.
- No change - We are fine where we are or have reached the limit of what we have set out to achieve with digital transformation.

Base: Respondents from "Decision Maker Survey" (n=257)

Source: Thomson Reuters

SEIZING OPPORTUNITIES

Horizon scanning

Tax transparency reigns

The global push for tax transparency is top of mind for the decision makers who participated in our survey. There are many opportunities that tax and finance departments can seize in the next 12-14 months. However, almost half (49%) aim to be a corporate leader in tax transparency and reporting primarily.

Multiple sectors are experiencing challenges to attract and retain talent. Close to one in three decision makers (27%) will combine talent and technology to boost departmental resilience.

Close to half (49%) will most likely seize the opportunity to be a **corporate leader in tax transparency**.

Combining talent and technology to create a more **resilient department** resonates the most for 27% of decision makers.

FIG. 12

What opportunity is your tax and finance departments and/ or centralised services most likely to seize in the next 12-24 months?



Base: Respondents from "Decision Maker Survey" (n=257)

Source: Thomson Reuters

Conclusion

As tax and finance departments face increasing pressures and expectations from regulators, stakeholders, shareholders and customer, they need to find ways to adapt and thrive in the changing landscape. Our survey reveals that decision makers are prioritising tax transparency and reporting, as well as investing in talent and technology, to enhance their resilience and performance.

Tax transparency and reporting is not only a compliance obligation, but also a strategic opportunity to demonstrate corporate social responsibility and value creation. By aligning their tax policies and practices with their business goals and values, decision makers can build trust and reputation with their internal and external audiences. They can also leverage the data and insights generated by tax reporting to inform their decision making and risk management.

Talent and technology are two key enablers of tax transparency and reporting, as well as of overall departmental efficiency and effectiveness. Decision makers recognise the need to attract and retain skilled professionals who can navigate the complex and evolving tax environment, as well as to equip them with the right tools and platforms to automate and streamline their workflows, enhance their collaboration and communication, and access and analyse data. By combining talent and technology, decision makers can create a more resilient department that can respond to challenges and opportunities with agility and innovation.

Our report provides a snapshot of the current state and future direction of tax and finance departments, based on the perspectives of decision makers across various sectors and regions. We hope that this report will inspire and inform tax compliance and finance professionals as they embark on their journey of transformation and resilience.

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