Tax departments today: at-a-glance insights for tax leaders

Structure

➢ Tax departments most often fall within finance...

59% CFO
17% Another finance head other than CFO
9% CEO
4% General Counsel, Chief Operations Officer, Head of Treasury
13% Other

➢ ...and are usually located in the same country as their organizational headquarters.

81% Tax department located in same country as organization’s HQ location.
19% Tax department located in different country from organization’s HQ location.

Responsible tax

➢ Most tax departments have a code of conduct to frame their risk tolerance and tax decisions...

13% Yes, we have a tax code of conduct and it is publicly available
48% Yes, we have a tax code of conduct for internal use only
38% No, we do not have a formal tax code of conduct

➢ ...with some disclosing this information publicly. Nearly one-third are actively planning to do so in the future.

14% Yes, we do this already
20% Somewhat, we disclose some limited tax information as part of our CSR approach
56% No

Wish list

➢ Additional personnel and tax technology topped the list for tax leaders, when asked where they would invest additional budget if they had it.

33% Additional personnel
32% Tax technology
19% Process optimization
11% Training and education
4% Outsourcing

➢ Tax leaders ranked the following three process improvement priorities as very important over the next 5 years.

40% Consulting more with other business units
34% Tightly connecting provision and compliance processes
40% Achieving standardized processes

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.
Most organizations use pre-tax or after-tax measures to assess business unit performance, which often affects incentive compensation decisions.

- For corporate executives:
  - 55% Yes
  - 45% No

- For business unit management:
  - 51% Yes
  - 49% No

Performance is often measured by the impact the tax department has on the business across a range of metrics, with these five most-often topping the list of importance.

- Tax risks are managed appropriately: 57%
- Accuracy of returns and avoidance of penalties: 55%
- Effective tax rate is as expected (no surprises): 45%
- Tax compliance deadlines (internal or jurisdictional) are met on schedule: 49%
- Tax risks are consistent with corporate risk profile: 40%

60% of respondents expect to see some or significant increase in investment in tax-specific technologies in the next 5 years.

38% of organizations plan to acquire country-by-country reporting software in the next 5 years.

17% have 1-5 full-time resources focused on tax technology.

81% do not yet have any full-time resources focused on tax technology.

Tax departments are investing an average of 4% of their operating budget in tax technology solutions.

Compliance-related software is the most-used tax software today.

4% of organizations have 1-5 full-time resources focused on tax technology.

Business impact

- Today’s tax department is often consulted on the overall business strategy for the organization. For most, this represents an increase in the last 2 years.
  - 61% Increased
  - 37% Stayed the same
  - 2% Decreased

- Most tax departments have oversight from a board member (or board-level individual) as tax continues to rise in importance on the board agenda.
  - 61% Yes
  - 39% No