

# Global Tax Outlook 2023

November 2023





# Contents

## Introduction

Welcome to the 2023 edition of BDO's Global Tax Outlook.

The global economy is emerging from the shadow of the COVID-19 pandemic, but it is facing new challenges from geopolitical tensions, energy price shock, inflation, and ongoing supply chain security challenges. At the same time, the world faces new and pressing challenges associated with climate change, aging populations, increased migration, and digitalisation. At a time when multilateral cooperation is most needed, a new age of geoeconomic competition threatens to slow, if not reverse, globalisation.

Tax has an increasingly important role to play in how the world, region, and each country confronts the turbulence in the global economy over the coming years.

We conducted our research for Global Tax Outlook 2023 through the late Spring and early Summer of 2023. Produced in conjunction with research organisation Meridian West and drawing on the expertise and insights of BDO experts around the globe, Global Tax Outlook 2023 reveals some clear trends, threats, and opportunities, that are emerging in the tax world.

Global Tax Outlook 2023 aligns with BDO USA's [BDO Tax Strategist Survey](#). It brings together views from across Europe, the Middle East, and Africa, as well from Asia, the Pacific regions, and other parts of the American continents.

The report reflects the views of more than 630 senior decision-makers, representing 48 countries. To maintain balance and ensure accuracy, we obtained the views of at least 30 respondents in each of the major economies included in the survey. All respondents were tax experts, whether on compliance and reporting, or on planning, structuring, and advisory matters. The report reflects the views from 11 industry sectors, from asset management to retail and consumer products, and from professional services to manufacturing. All types and sizes of business are represented.



**ROBERT AZIZ**  
Global Head of Tax

## Foreword


### Welcome to Global Tax Outlook 2023.

In our last edition, published in 2020, we described how Tax was changing during truly unprecedented times. COVID-19 presented new, widespread challenges to both businesses and governments around the world, many of which continue today. The level of economic alert remains elevated. The fiscal measures adopted to support businesses and the economy through the pandemic came with a large bill. The fallout has been compounded by inflationary pressures, an energy price shock, and growing geopolitical tensions. At the same time, the world faces a growing need to address climate change, demographic change, global migration, and accelerating digitalisation.

Amongst these pressures, Taxation has, and will continue to, play a central role in meeting these economic challenges. It is no surprise that Tax policy continues to evolve at a rapid pace around the world, bringing more complexity and a heavier compliance burden alongside steadily rising effective rates of tax. The Tax function, therefore, must sit at the centre of an organisation's strategic decision-making.

Our research this year reveals that Tax leaders face five main challenges – Risk, Cost, Efficiency, Talent, and Disputes. Tax functions are grappling with the need to embrace innovative technologies as well as ensuring their Tax professionals can acquire the skills to meet the extended demands being placed upon them. They are facing rising costs alongside pressures to achieve unprecedented levels of efficiency and performance. Our findings demonstrate, and confirm what we hear daily from clients, that the evolution of the Tax landscape is forcing leaders to evolve their thinking on how to meet both short-term demands and long-term strategic priorities. It means building a Tax function on sustainable foundations, but one which is agile enough to meet new demands at very short notice. Our report delves into these issues and sets out our key responses to help Tax leaders face them, now and as we look to the future.



A hand is shown holding a magnifying glass, focusing on a waterfall cascading down a rocky cliff in a valley. The surrounding landscape is hilly and covered in dry, brownish vegetation. The sky is overcast. The magnifying glass is held in the foreground, framing the waterfall.

## **Executive Summary**

**Global Tax Outlook 2023** reveals that the trend towards tax being a more strategic function of the business continues.

However, the modern tax function faces **Five Challenges** that threaten to fundamentally change the future shape of tax compliance, reporting and planning.

We have identified the emergence of **Three Responses** being adopted by tax functions as they prepare to meet these challenges.

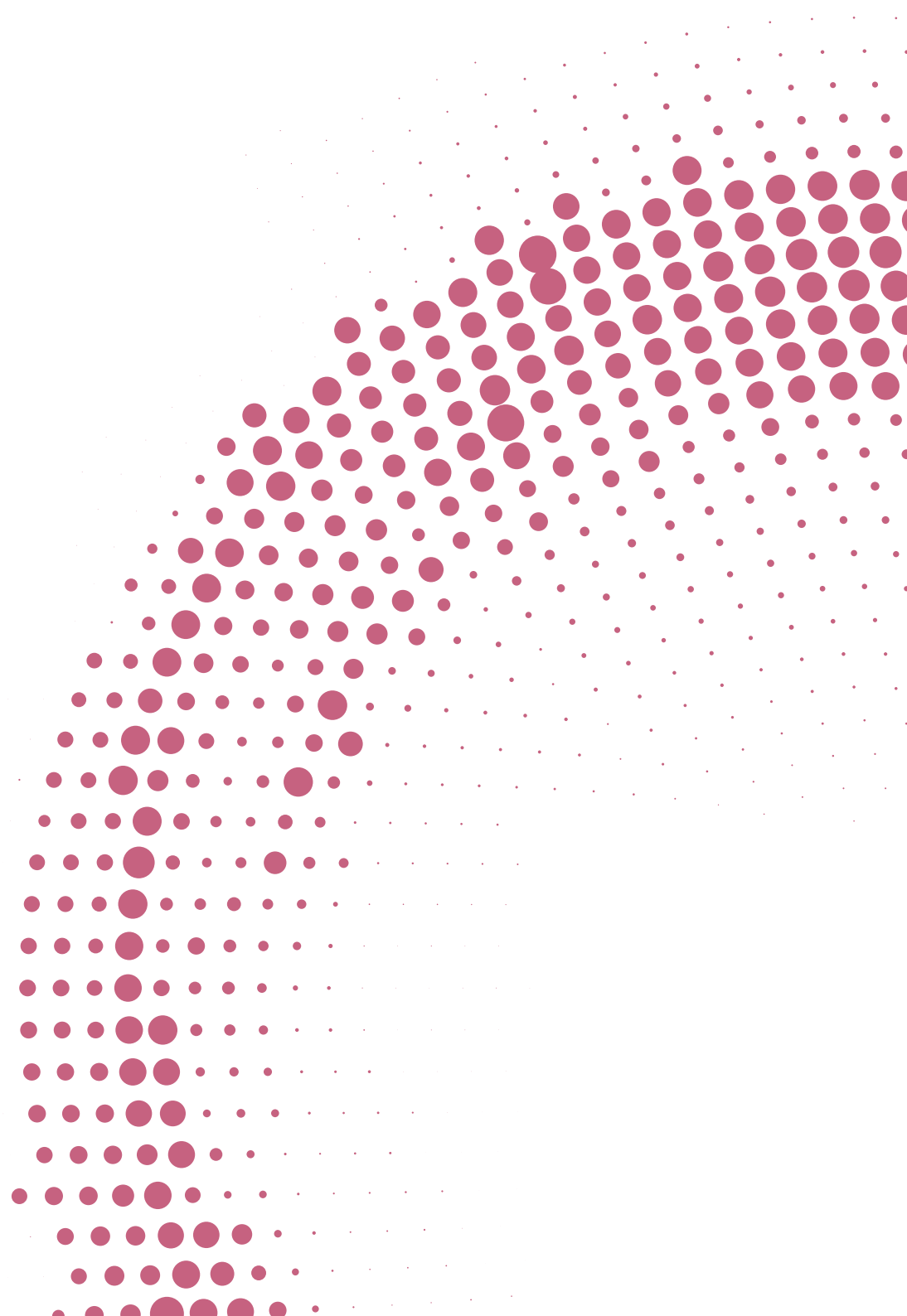
Finally, the importance and impact of Environmental, Social and Governance ('ESG') factors are increasingly prevalent as the tax function builds for a more sustainable future.

### **A Strategic Tax Function**

The role of tax has transformed from a compliance-focused department into a strategic business function that needs to align closely with an organisation's strategy and commercial operations.

The tax function has been evolving for several years. It is no longer perceived as a back-office function tasked primarily with compliance and reporting. Although it retains that role, organisations now fully recognise the critical importance of the tax function across their commercial activities and are expanding the responsibilities of tax and inviting tax department input on strategic business decisions.

Tax has secured a regular place in Board discussions across a wide range of business critical areas, such as business restructuring, economic resilience, mergers and acquisitions, and workforce planning. The tax function's shift to a strategic business role signifies the importance of its contribution to the overall, long-term success of the business.



## Five prominent challenges dominate the tax agenda for modern tax departments.

These challenges are interconnected and will require careful navigation.

### The Five Challenges

Organisations are experiencing increased total tax liability, with the upward trend set to continue for the foreseeable future.

Total tax liabilities are rising globally. This is not surprising given the level of government intervention during the COVID-19 pandemic, and the subsequent economic shocks. It is a trend that is likely to continue for some time as countries start to tackle climate change and other global challenges (such as demographic change). Pressure on tax leaders to examine strategies to optimise tax efficiency are likely to rise.

There is a shortage of candidates with the necessary skill sets to meet the evolving needs of the tax function in their organisations.

The expanded role of the tax department requires a new and diverse set of skills. Tax leaders are facing challenges in finding, and retaining professionals with the wide range of skills required to understand and adapt to new tax rules, appropriately implement new technology, and embrace the strategic oversight demanded by the organisation.

Businesses are encountering an increasingly complex tax landscape. This is exacerbated by increased scrutiny from different stakeholders across multiple fronts.

The legislative tax landscape is increasingly complex. At the same time, there are heightened levels of scrutiny from all types of stakeholders, from fiscal authorities, the media, civic society, and tax justice campaigners.

Complexity has significant consequences for businesses, making it crucial for tax leaders to proactively manage tax policies, procedures, and governance in a way that ensures compliance in an increasingly transparent world.

Against the backdrop of increased workload, budgetary pressure, rising tax liabilities, and greater scrutiny, the tax function is having to enhance the efficiency of its performance.

The need to control expenditures across an organisation, including the tax function, is increasingly prevalent. The tax department must balance its increased workload within significant budgetary constraints. Tax departments need to find new ways to optimise limited resources and to implement new and creative processes to effectively manage the increased responsibilities within a sustainable operational framework.

In a world of growing geoeconomic tensions, tax complexity, and risk, tax disputes are becoming more prevalent.

Tax disputes are a common occurrence in today's complex and costly business environment. Disputes can have severe consequences, including increased financial burdens and reputational damage. The tax function needs to develop effective policies to mitigate the risk of tax disputes arising in order to actively manage and resolve tax disputes efficiently.

Successfully navigating the interconnected Five Challenges of Risk, Cost, Efficiency, Talent, and Disputes will be paramount for tax function leaders in the years ahead. By confronting these challenges proactively and employing effective long-term strategies, tax leaders will be able to sustainably contribute to their organisation's future success, while still meeting their compliance obligations.

## Three Responses

Modern tax functions are embracing Three Responses to address the Five Challenges.



### The Three Responses

#### Embracing Technology to Enhance Tax Functions

Tax functions are upgrading their tax technology capabilities. This is the top priority across all three regions.

To stay competitive, tax functions recognise the need to upgrade and future proof their technology infrastructure. Implementing advanced tax software and automation tools can streamline processes, enhance and improve data management, and address compliance obligations. By utilising technologies such as data analytics, tax functions can uncover insights, identify tax planning opportunities, and mitigate risks.

#### Upskilling through Training for Strategic Roles

Tax functions are upskilling existing team members to take on more strategic roles, rather than increasing headcount.

The need to upskill existing team members has become crucial. By providing training and development opportunities, tax functions can equip their professionals with the necessary skills and knowledge to navigate complex tax regulations, emerging technologies, and become more commercially aware of the business' strategic priorities.

#### Harnessing the Power of Collaboration

Tax functions are collaborating with external partners to fill capacity gaps or access specialist knowledge and resources.

To bridge capacity gaps and access specialised knowledge, tax functions are increasingly turning to outsourcing. Collaborating with external partners provides tax functions with the flexibility to manage expanded workloads and complex tax issues and focus on value-added responsibilities. Outsourcing also offers the advantage of tapping into specialised expertise and resources that may not be readily available in-house.

Meeting the Five Challenges means tax functions are under increasing pressure to work smarter and more efficiently.

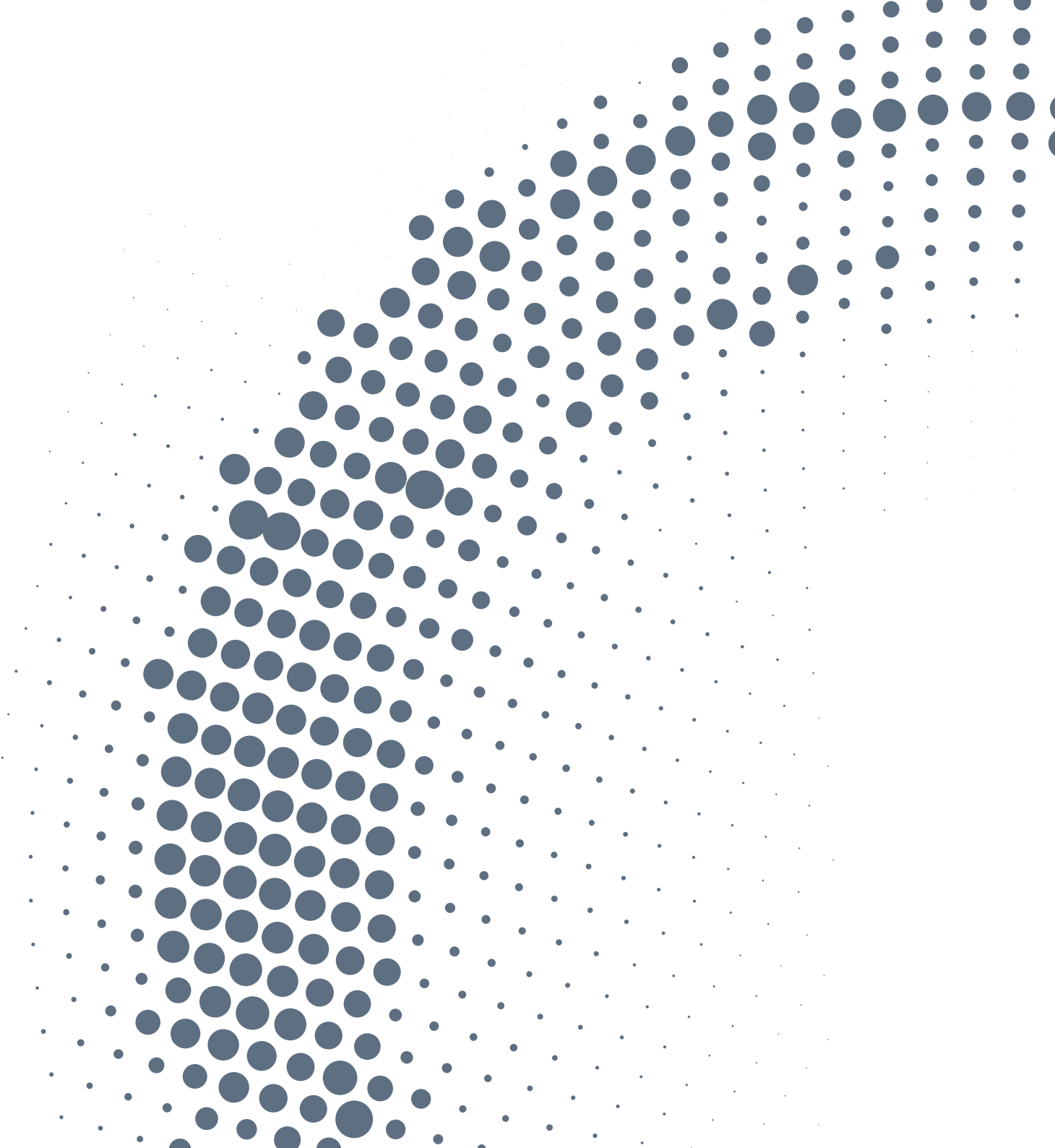
Tax departments are adopting, whether voluntarily or out of necessity, Three Responses. By combining these responses, tax functions can optimise their effectiveness, improve compliance, manage risk, reduce costs, and focus on contributing to the organisation's long-term commercial strategy.

## A Sustainable Tax Function

Sustainability is now a key consideration for tax functions around the world that permeates many of the challenges they face and the responses necessary for them to adapt.

Despite limited understanding of the connection between tax and sustainability, it is an increasingly important consideration for the tax function. Tax leaders appreciate that it is crucial for organisations to recognise, define, and act on the link between tax practices and sustainability goals.

In addressing the Five Challenges and adopting the Three Responses, the modern tax function of the future is placing sustainability at the centre of everything that it does. This is illustrated by the recognition of the importance of transparency in tax matters. By prioritising the integration of tax with an organisation's wider sustainability strategy, and adopting sustainability across the tax function, tax leaders will continue to influence the organisation's commercial strategy in the long-term.







# The Strategic Tax Function

The role of tax has evolved from a compliance-focused department into a strategic business function that needs to align closely with an organisation's commercial operations.

## Strategic

The business tax landscape and the role of the tax function have evolved significantly over recent years. This evolution continues, but Global Tax Outlook ('GTO') 2023 suggests that the tax function has now shifted from a predominantly compliance and reporting-focused function into a department that has assumed a key strategic function.

Which of the following three statements best describes the tax function in your organisation?

67%

Regularly invited to weigh in on business decisions before they are made, and recommendations carry significant weight

19%

Invited to weigh in on business decisions before they are made, but recommendations carry minimal weight

14%

Only consulted about business decisions after they are made to map tax impacts

Tax now forms an integral part of an organisation's decision-making process.

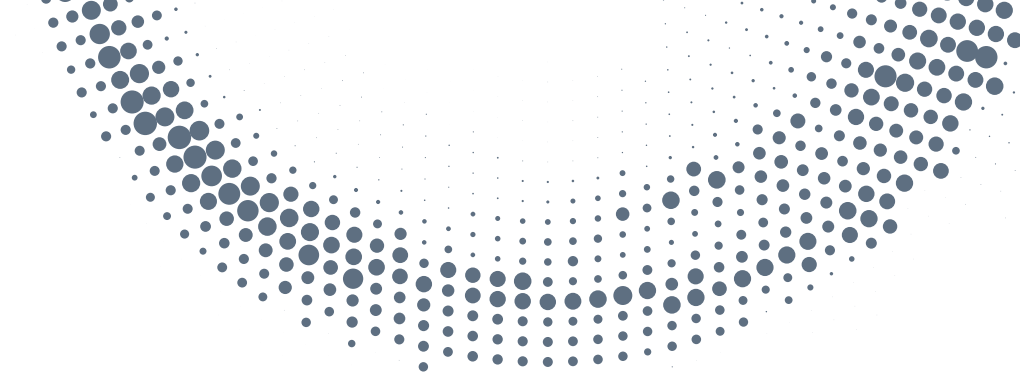
67% of tax leaders describe their function as 'regularly invited to weigh in on business decisions' and influence the strategic direction of travel of the organisation.

Our research suggests over almost nine out of ten (86%) tax leaders surveyed are regularly invited to contribute tax expertise business decisions before they are made. Over two thirds (67%) consider that their input carries significant weight. This represents a distinct shift in attitudes since 2020. In our [Global Tax Outlook 2020](#), a minority (39%) of tax leaders surveyed felt that the tax department was 'seen as a true business partner'.

This shift is reflected by a reduction in the proportion of tax leaders who consider that their impact on business strategy is more passive and inconsequential. Our research shows that just 14% of respondents consider the role of the tax function is limited to analysing the tax effect of decisions already taken. This is a significant decrease from the majority (61%) that reported, in GTO 2020, that the tax function 'rarely influenced business decisions', identified as 'compliance focused', and was 'viewed as a 'back office' cost'.



As the C-suite grapples with evolving regulatory demands, persistent economic volatility and digital transformation challenges among others, the tax function is regarded as an invaluable strategic partner by company leadership.



Which of the following three statements best describes the tax function in your organisation?



Regularly invited to weigh in on business decisions before they are made, and recommendations carry significant weight



Invited to weigh in on business decisions before they are made, but recommendations carry minimal weight



Only consulted about business decisions after they are made to map tax impacts

64%

23%

13%

EMEA

69%

16%

15%

Americas

72%

13%

14%

APAC

The general trend is reflected across the globe.

The transformation has been most pronounced in the Asia-Pacific region where 72% of tax leaders now report being actively involved in business decisions.

In EMEA, 64% of respondents consider that tax function recommendations carry significant weight. In addition, the total proportion of respondents that report contributing expertise before decisions are made (irrespective of weighting) is higher (at 87%) than in any other region.

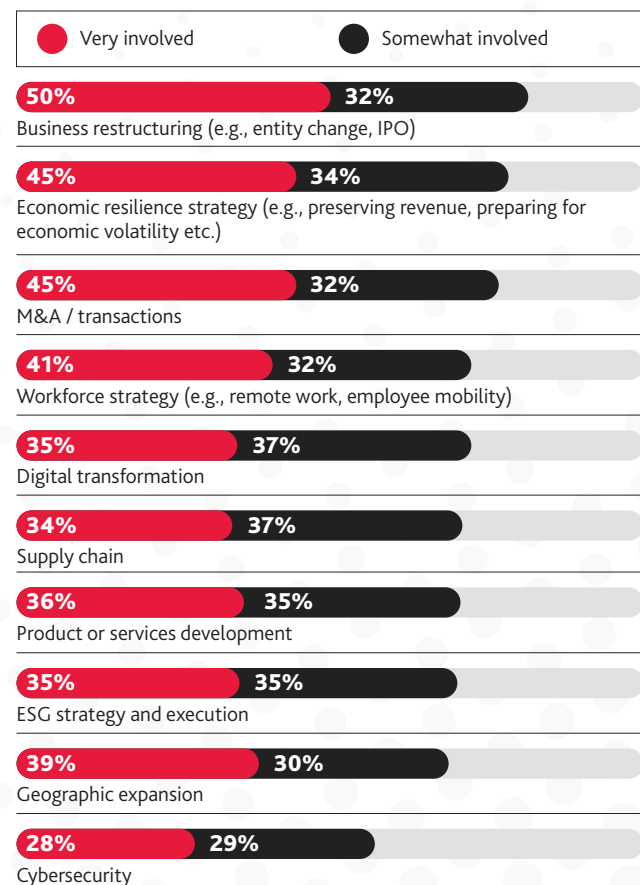
Response rates across the Americas are consistently high, with 69% of tax leaders considering that their input and recommendations carry significant weight. This global trend supports the findings in the [BDO U.S. Tax Strategist 2023](#) survey, which concluded that 'the tax practitioner's strategic input is key to enhancing resilience and achieving business success'.

## Commercial

The tax function's strategic involvement is not confined to any one area. GTO 2023 suggests that the tax function is involved with an organisation's strategic decision-making across all major commercial activities.

Tax is now a key consideration in a business' growth and transformation. This requires the involvement of tax leaders when devising strategies at the executive level.

To what degree are your business leaders currently involving the tax department in strategic discussions in each of the following areas?



In addition to being involved in directly tax-related areas (such as business restructuring (82%), economic resilience (79%), and M&A (77%)), the tax function is now being involved in discussions on issues where (traditionally) the tax implication is less obvious. GTO 2023 indicates high levels of tax involvement in all the following areas:



The 'T-shaped tax function' emerges, characterised by a broad reach and deep expertise. Tax functions are involved across a wide range of strategic priorities that require a more comprehensive understanding of business strategy, priorities, and operations.



Tax executives have a unique perspective on their businesses. They see the impact that external agents of change have on a company's financials. Forces of change are converging on businesses and having multifarious effects on tax departments. Macroeconomic challenges, new customs and trade rules, evolving global and domestic compliance requirements, and increased IRS funding in the U.S. all have tax executives on high alert.

The lack of clarity around how tax policies like the OECD two-pillar framework might ultimately advance in each jurisdiction underscores the importance for business leaders to understand the effect of business decisions on their tax positions. Tax teams should continue to educate business leaders on the benefits of mapping the tax impact of every business decision. Excluding the tax department from strategic decision-making is likely to result in unintended consequences.

The tax department sits at the nexus of external tax forces and internal business strategy – a position that offers incredible value to company management. Every business decision has a tax implication, so tax should factor into the conversation to drive optimal business outcomes. As tax leaders strive to take on the role of strategic advisor to the C-suite, they need to find efficiencies in tax operations to manage their growing responsibilities.



**MATTHEW BECKER**  
National Managing Principal of Tax  
BDO USA

However, the alignment of tax with an organisation's commercial strategy appears to be more mature in the U.S. than in other regions. This is marked when comparing the level of involvement across different types of commercial activity:

**Global Tax Outlook**
**U.S. Tax Strategist**
**67%**
**73%**

Say the tax function is regularly invited to weigh in on **strategic business decisions**

**50%**
**56%**

'Very involved' in **business restructuring**

**45%**
**67%**

'Very involved' in **M&A**

**45%**
**61%**

'Very involved' in **economic resilience**

**41%**
**52%**

'Very involved' in **workforce strategy**

**35%**
**69%**

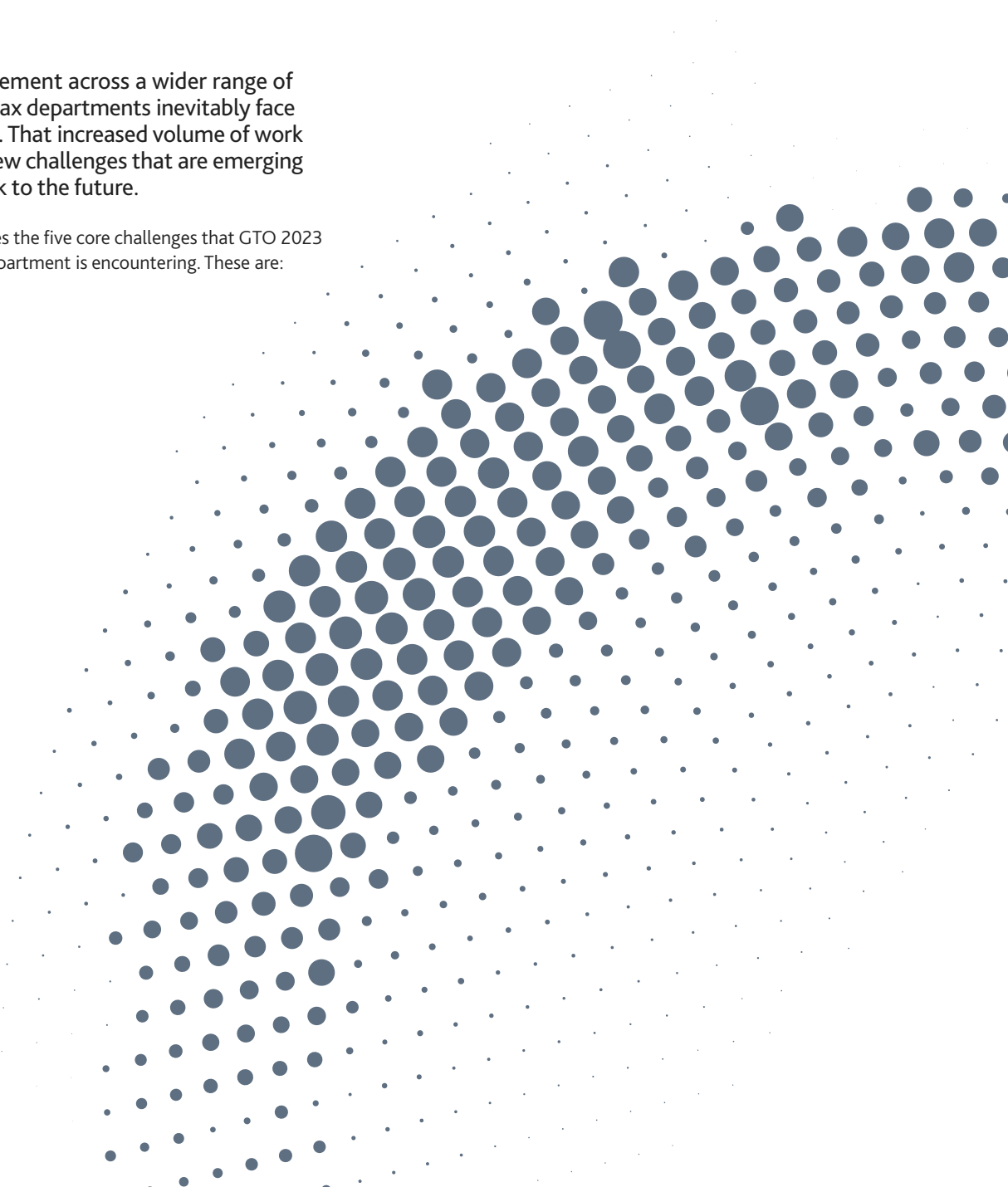
'Very involved' in **ESG strategy and execution**

In all categories assessed, including the core areas of M&A, restructuring and economic resilience, U.S. tax functions consistently report higher levels of being 'very involved' in strategic decisions.

## New Challenges

With greater involvement across a wider range of business priorities, tax departments inevitably face a growing workload. That increased volume of work is exacerbated by new challenges that are emerging as tax functions look to the future.

The next section explores the five core challenges that GTO 2023 reveals a modern tax department is encountering. These are:







# The Five Challenges

The modern tax function faces Five Challenges that dominate the tax agenda.

As the modern tax department consolidates its evolution into a function that is more closely aligned to an organisation's commercial priorities, Global Tax Outlook 2023 reveals that tax leaders face five interrelated issues:

## The Five Challenges

Meeting these challenges will require tax leaders to adopt a holistic, long-term view of the tax function; it will not be possible to address them individually.



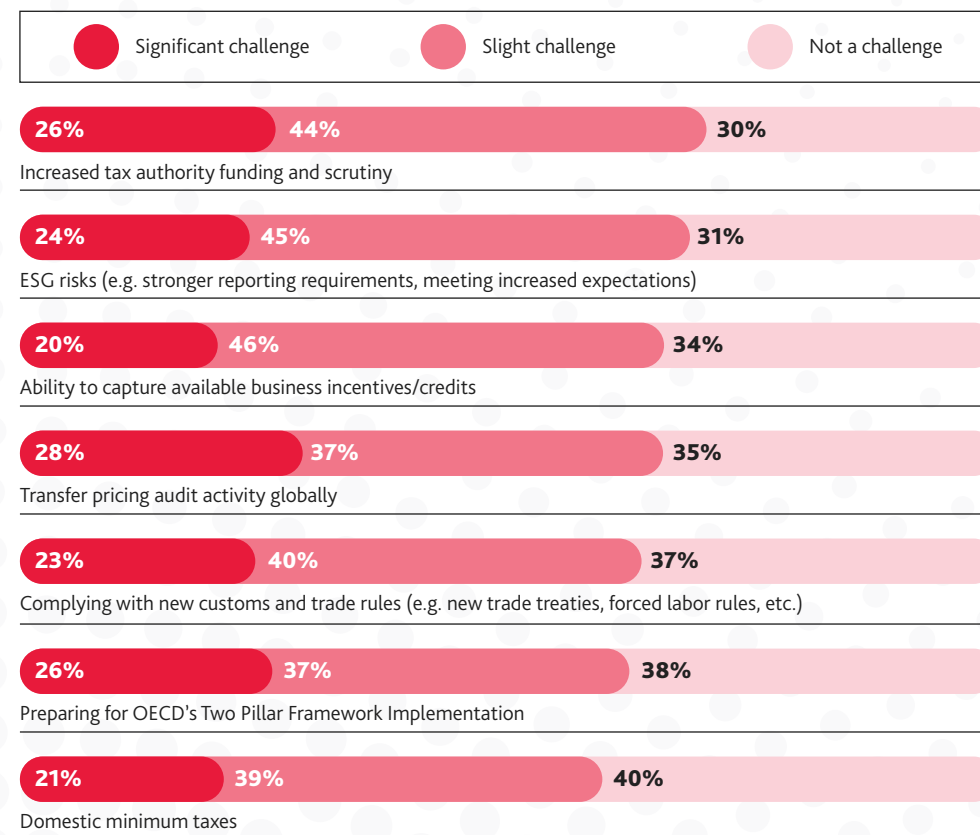
### Risk

Businesses are encountering an increasingly complex tax landscape. This is exacerbated by increased scrutiny from different stakeholders across multiple fronts.

Tax law and regulation is constantly, and rapidly, changing. Factors contributing to increasing complexity include frequent legislative changes that attempt to adapt to globalisation, digitalisation and geoeconomics.

Tax functions face an environment characterised by competing and intersecting external demands. Tracking and navigating complexity is now more critical than ever. It will require tax leaders to pro-actively adopt policies that ensure continued compliance.

How would you rate the following tax challenges to your organisation in the next 12 months?



The complexity in the law is exacerbated by close scrutiny from stakeholders, including fiscal authorities, the media, and civic society. With 70% of respondents reporting complexity as a challenge for their organisation across the next 12 months, increased scrutiny represents the main concern for tax leaders.

Transfer pricing audit activity is rated by 28% of respondents as a 'significant challenge', which illustrates the increase in intervention by tax authorities.

Similarly, meeting increased disclosure expectations associated with ESG and sustainability risks, rated as the second most pressing challenge overall (with 69% of respondents reporting it as a challenge), demonstrates that tax departments are operating under increased scrutiny of their organisation's internal governance procedures and societal impact. Faced with the mounting importance of ESG reporting, tax functions can no longer afford to remain disconnected from a company's broader sustainability strategy.



These challenges amplify one another, driving tax decision-makers to seek greater efficiency and oversight of their compliance processes. Our data reveals that tax leaders are aiming to achieve this by taking on increased responsibilities and leveraging the full potential of existing and new tax technologies.

GTO 2023 reinforces the findings of the [BDO Global Risk Landscape Report 2023](#); tax leaders are facing a '[risk multiplier](#)' effect. Complex, intersecting global risks are creating a 'multiplier effect' for tax leaders.

For example, the digitalisation of the economy led to the G20/OECD BEPS Project, and ultimately, to the proposed Two Pillar Framework. As BEPS measures and the global minimum tax (the Pillar Two GloBE rules) are rolled out around the world, businesses face a multitude of subtly different implementation regimes, taking effect at different times. With 26% of respondents reporting that it is a 'significant challenge', preparing for the [adoption of Pillar Two](#) sits alongside tax authority scrutiny, and only just sits behind transfer pricing, as one of the most pressing concerns for tax departments.

In the future, similar complexities could arise in relation to other areas. Obvious candidates include carbon pricing (as part of efforts to combat climate change) and unilateral measures adopted by countries seeking to use the tax system to protect domestic markets and supply chains. Recent tax-gear regimes having cross-border implications include the Inflation Reduction Act (IRA) in the United States and the Carbon Border Adjustment Mechanism (CBAM) in the European Union.

When operating in this more transparent environment, tax functions will need to assure themselves that the policies and procedures they devise and implement demonstrate their organisation's compliance with appropriate transparency and accountability requirements.



Tax directors face constant challenges in managing tax risk and ensuring effective operations. Businesses of all sizes must navigate complex tax regulation and manage risk effectively. Tax authorities worldwide require robust tax behaviours and effective risk management. Boards seek assurance over global operations, including tax, and this has become more challenging in these uncertain times due to increased pressure on tax authorities to raise revenue and governments to review tax laws.

Tax directors value a consistent approach to enhancing tax operations, managing risk, and developing a robust tax control framework. So how is this possible? In our work with our clients, the top three things on the wish-list for tax directors are:

- 01** A culture of no surprises over tax risk: This requires a clear vision for strong tax risk management, with a defined tax risk appetite, clear roles and responsibilities, a formalised risk identification methodology, a 'living' risk and control matrix, and defined reporting lines
- 02** Confidence in meeting evolving regulatory requirements: Tax directors want tax processes that are fit for purpose, compliant with legislation, nimble enough to respond to change of law and able to withstand scrutiny from tax authorities and boards
- 03** A transparent and efficient Tax Control Framework (TCF): This requires alignment of tax operations with the wider business's governance (and ESG) agenda, adopting clear tax principles and demonstrating responsible tax behaviours. The Tax Control Framework helps tax directors enhance their current state and develop a roadmap to ensure effective global tax operations

All of these align to many of the tax challenges identified in our Global Outlook Survey (see p.14).

So where to start? Begin with a benchmark review of tax operations, set clear objectives, and manage tax operations strategically. From here, develop a tax roadmap to a desired TCF, aligned to OECD guidance, and this will provide a path to improved tax performance. Of course, technology and automation is playing an increasing part in supporting tax directors on this roadmap, and as indicated in the survey, our data reveals that "tax leaders are aiming to achieve this through leveraging the full potential of existing and new tax technologies.



**JAMES EGERT**  
Partner, Global Tax Assurance  
and Risk Management  
BDO UK

 **Cost**

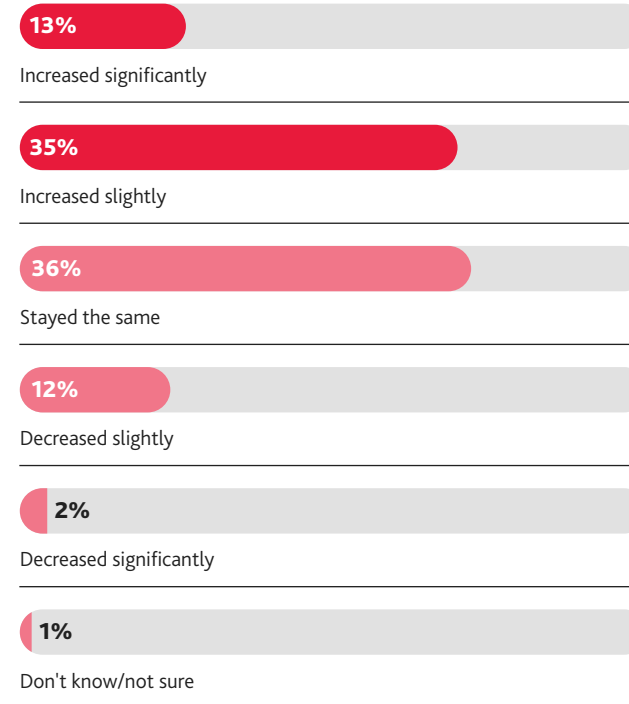
Organisations are experiencing increased total tax liability, with the upward trend set to continue for the foreseeable future.

Nearly half of all respondents (48%) report an increase in their organisation's total tax liability over the past 12 months. Only 14% reported a reduction in liability.

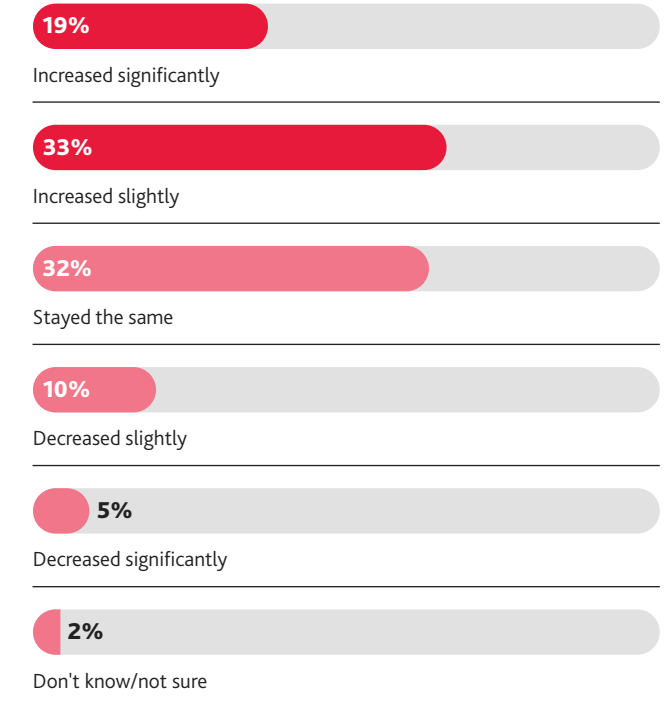
The higher tax burden of the last 12 months reflected in our research is unlikely to be a temporary blip. Over half of respondent (52%) expect tax costs to continue to increase, with almost one in five (19%) expecting that rise to be a significant increase. Only 15% expect their organisation's total tax liability to decrease.

Unsurprisingly, increased total tax liability emerges as a significant concern for global businesses: Tax is a cost to the business and can have a significant impact on the 'bottom line'.








How has your organisation's tax liability changed over the last 12 months?



How will your organisation's total tax liability change over the next 12 months?



Although there are moderate variations, the picture is quite consistent across the regions.

Americas	APAC	EMEA	Global
 <b>52%</b> Expect an increase	 <b>49%</b> Expect an increase	 <b>45%</b> Expect an increase	 <p>Continued weakness in the global economy is expected to have the greatest impact on total tax liability over the next 12 months.</p>
 <b>13%</b> Expect a decrease	 <b>24%</b> Expect a decrease	 <b>13%</b> Expect a decrease	



There are several reasons underlying the global trend towards increased total tax liabilities.

These include:

### Global economic shocks

Almost one third of tax leaders (32%) expect the 'performance of the economy' to have the greatest impact on total tax liability over the next 12 months. This is by far the most important factor, and twice the level of response as the next largest factor (business expansion, at 16%).

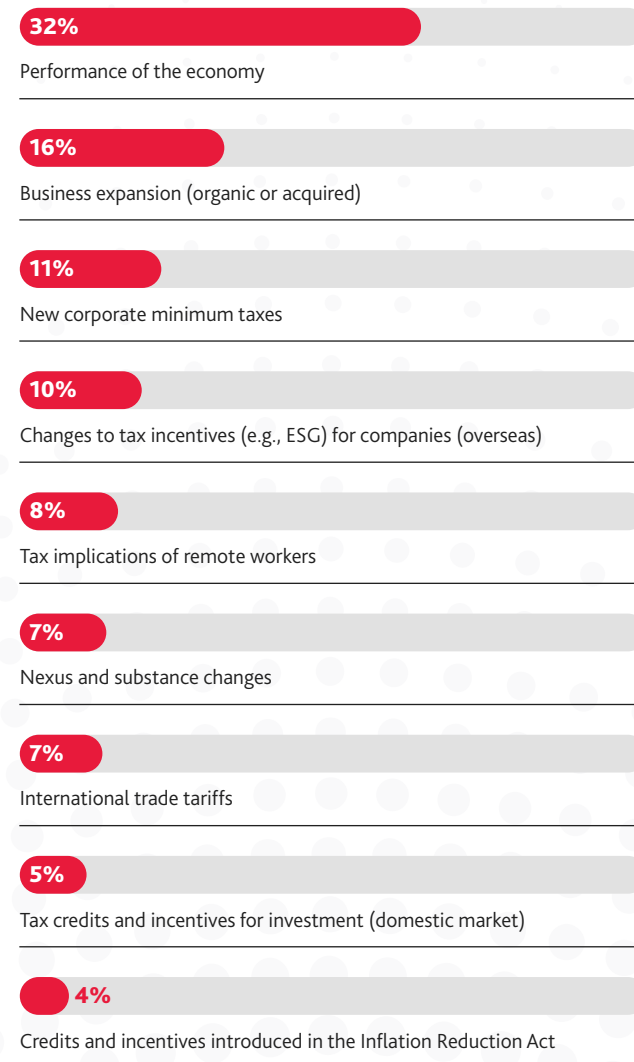
Economic fluctuations can influence tax liabilities, with recessions or other economic disruptions potentially leading to changes in tax policies and rates. The supply and demand economic shocks during and in the aftermath of the pandemic have been exacerbated by the war in Ukraine and the consequential energy price fluctuations. These factors have resulted in inflation rising globally, making the repayment of government debt more expensive.

### Government intervention during the COVID-19 pandemic

To support economies and industries during the pandemic, governments worldwide implemented various tax-gear relief measures. As economies recover, governments are seeking to recoup lost revenue and repay national debt accumulated during the pandemic.

Increasing taxes, whether through new taxes, increased rates, frozen thresholds, or an expanded tax base, are obvious sources for governments seeking additional revenues.

Which of the following do you anticipate will have the greatest impact on your total tax liability over the next 12 months?



### Confronting the major challenges

Modern economies and societies face major new global challenges that will necessitate both local action and international collaboration. The major global challenges include:



Addressing these challenges are likely to have implications for taxation, either as a device to influence behaviours or to raise additional revenues. As with responses to the pandemic, this is likely to see the overall tax burden rise.

### Global anti-avoidance tax rules

Over the past decade or so, the G20 and OECD have engaged to combat abusive tax avoidance activities (base erosion and profit shifting) by multinational entities. That effort has led to changes in international tax rules to address, among other things, tax treaty abuse, substance issues, and double non-taxation.

The G20/OECD Two Pillar Project, which aims to reallocate taxable profits to the market jurisdiction and introduce a global minimum effective rate of tax, builds on the rules introduced by the original BEPS project. With 11% of respondents reporting it as having an impact, new corporate minimum taxes are expected to have the third greatest impact on total tax liability in the coming year. The combined effect is creating a more complex, higher tax landscape with commensurate compliance challenges.

International efforts to collaborate on taxation have, to date, focused on direct corporate taxation. With those efforts coming to fruition, some are considering what might come next. Other than income taxes, the largest sources of tax revenue are normally consumption taxes and taxes on employment income. It is logical to expect governments to turn to these sources to increase the tax take. It also makes sense that international collaboration on tax matters may also focus here.

Strategic tax leaders should continue to keep an eye on the horizon for changes that signal the further evolution of taxation, globally and domestically. Such changes will bring more complexity, more risk and, in most cases, higher liabilities.

There are several implications for businesses as they look to the future. These might include:

#### **Increased pressure on tax function leaders**

As tax liabilities increase, tax leaders will inevitably face pressure to optimise tax efficiencies to protect the company's 'bottom line'.

This may lead to attempts to identify planning and structuring opportunities to reduce tax liabilities. In addition, the tax function will seek to maximise available tax incentives, credits, and deductions. It is noteworthy that a significant proportion (19% combined) of tax leaders identify changes to tax incentives overseas (10%) and in domestic markets (5%), and the U.S. Inflation Reduction Act (4%) as likely to have the greatest impact on their total tax liability.

#### **Impact on financial performance**

Economic headwinds can adversely impact an organisation's financial position. Allied to higher effective rates of tax, a business' profitability can be directly affected, hampering prospects for growth and expansion.

This can create pressures on all business functions to reduce costs and find efficiencies. This is explored in more detail in the discussion of the third challenge, Efficiency, in the next section.



The international tax landscape continues to evolve at pace, making it more complex for multinational enterprises to stay compliant. Many of these measures affect businesses trading remotely in jurisdictions without any physical or other registered presence for tax purposes. Such businesses need to invest heavily in establishing processes capable of monitoring changes so they can respond appropriately. For large multinationals, the introduction of Pillar Two (from 1 January 2024 in many countries) will represent a sea change, bringing with it the potential for increased corporate income tax liabilities through the introduction of a minimum 15% effective rate of tax, as well as significant compliance burdens and systems challenges. The OECD estimates that Pillar Two will result in average effective tax rates increasing, across all jurisdictions, by approximately 0.6%. We expect organisations will start to look elsewhere for efficiencies and savings to moderate the impact. One possible area of increased activity will involve tax credits and incentives regimes as governments, unable to rely on headline rates alone, attempt to reshape the competitiveness of their tax codes. It is likely that most organisations impacted by Pillar Two will find there to be a relatively limited cash tax cost, but they will still need to implement the new systems and processes to be compliant; these new systems and processes will carry significant cost, time, resource, and training requirements. Finally, as with any new international tax rules, uncertainty, and consequently, disputes, will inevitably follow. Without proper management, such disputes can bring further financial and reputational costs.



**ROSS ROBERTSON**  
Partner, Corporate International Tax

BDO UK

## Efficiency

Against the backdrop of increased workload, budgetary pressure, rising tax liabilities, and greater scrutiny, the tax function is having to enhance the efficiency of its performance.

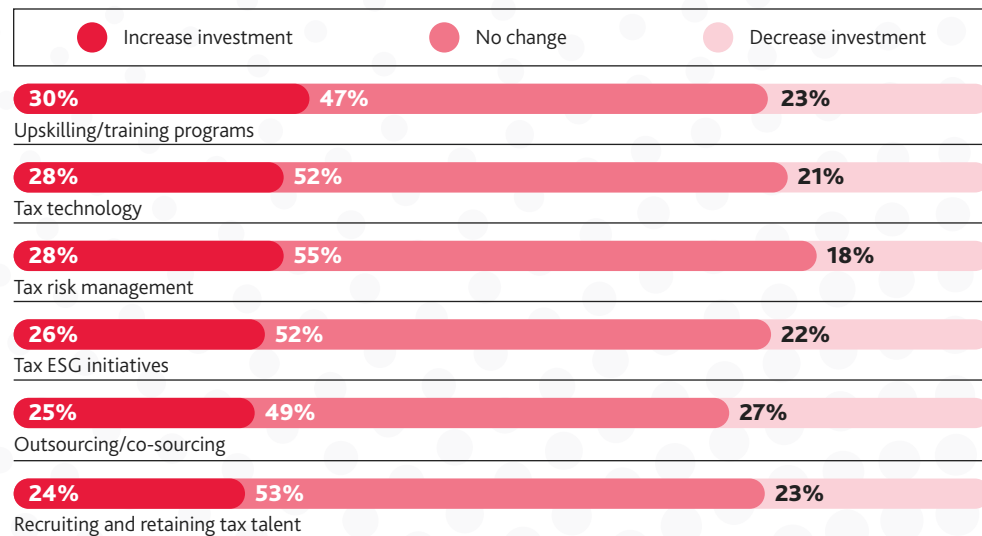
Although the tax function's influence is growing, GTO 2023 suggests that most are being asked to assume greater responsibility with limited (if any) increase in budget.

 Our research shows a polarisation in approach to the tax budget if economic conditions worsen:

approximately expect an <b>25% increase</b>	<b>50%</b> anticipate <b>no change</b> in external spend	another <b>25%</b> expect a <b>decrease</b> in investment into tax
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Tax leaders are being tasked with building cost-effective teams that maximise efficiency but continue to deliver high performance. Respondents to our survey are reporting that they are being challenged to find ways to deliver more value with the same or fewer resources: the tax function is being asked to do more with less.

If economic conditions worsen, how will your organisation's plans change for the following?



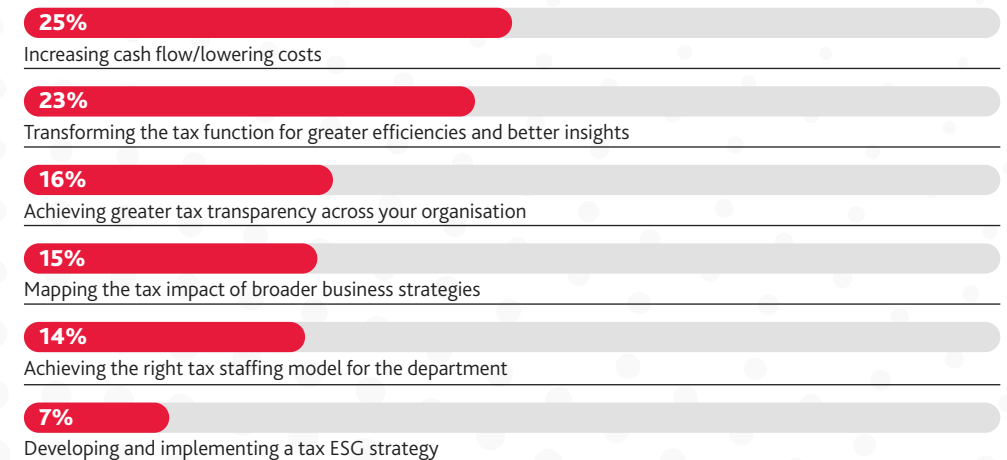
A large majority of respondents (around 70–80%) report that they anticipate no change or a reduction in their budget (across a variety of investment priorities) if economic conditions worsen.

The need to enhance efficiency is unsurprising. As costs, including taxes, continue to rise, and margins tighten, controlling expenditure will inevitably become more important for businesses. The tax function will be no exception.

GTO 2023 reveals that, against the backdrop of recent economic and geopolitical turbulence, most tax leaders say their primary goal is efficiency. The two most important goals for tax department in the coming year are:

- ▶ 'Increasing cash flow and/or lowering costs' (25% of all respondents), and
- ▶ 'Increasing tax function efficiency' (23% all respondents).

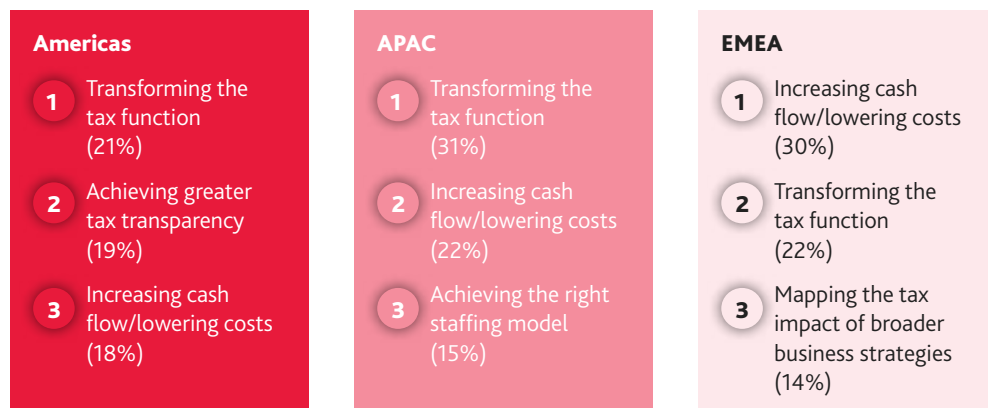
Which of the following is the primary goal for your tax department in the next 12 months?



In combination, these two 'primary goals' point to the importance of efficiency. Both also point to the importance of the tax function in driving (and finding) greater efficiency and productivity for both itself and the wider organisation. Finding efficiencies dominates the tax function's agenda as tax leaders simultaneously seek to balance costs with their expanded responsibilities.

 Transforming the function to increase efficiency is a common goal for tax leaders (23% cite as their primary goal for the year ahead). Achieving this transformation can positively affect cash flow through decreased levels of manual work and subsequent reduced operating costs.

Across the regions, transforming the tax function (to meet its strategic objectives) ranks as the top goal in both the Americas and (even more markedly) APAC. Transformation ranks as the second highest goal in EMEA (behind Increasing Cash Flow and/or Lowering Costs), but with a slightly higher similar proportion of respondents (22% in EMEA, as opposed to 21% in the Americas) identifying it as their top priority for the year.



Confidence about controlling costs appears to be higher in the Americas. This affords a lower ranking in goal importance for 'Increasing cash flow and/or lowering costs', and allows tax departments to focus on transformation and, surprisingly, meeting specific challenges (such as transparency). By contrast, the situation in both EMEA and APAC is more rudimentary, with the priority being on minimising costs and enhancing basic structures to support this drive towards tax function transformation.

The dichotomy is more marked when comparing the GTO 2023 results with those that emerged from the [BDO U.S. Tax Strategist 2023](#). Only 11% of U.S.-based tax leaders identify 'increasing cash flow and controlling costs' as their top goal; that response climbs steeply to 25% globally.

**Global Tax Outlook**

**25%**

Increasing cash flow/lowering costs as the primary goal

**23%**

Transforming the function for greater efficiencies as the primary goal

**U.S. Tax Strategist**

**11%**

See increasing cash flow/lowering costs as the primary goal

**19%**

See transforming the function for greater efficiencies as the primary goal



GTO 2023 has demonstrated that efficiency is the core theme for Tax leaders as they look to improve the performance and success of their function.

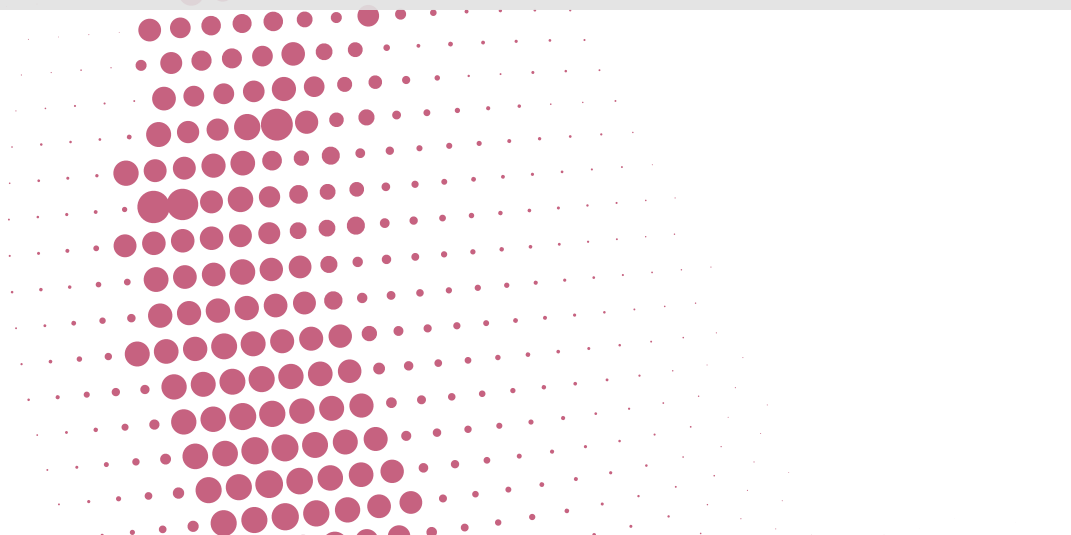
Compliance is core to each organisation's strategy, and our research shows that transforming the tax function ranks as the top goal for these Tax leaders. Advising clients on Global Tax Compliance and Reporting is core to BDO's offering, where we focus on compliance transformation by marrying efficiency with effectiveness.

Tax leaders must embrace Technology to achieve this – it offers a way of streamlining process without sacrificing more of the time of their busy teams. Any technology leveraged by Tax leaders should be used correctly – whether making the most of existing technology, implementing a new light-touch, efficient yet affordable out-of-the-box solution, or by implementing a full Technology suite that gives Tax functions access to instant project status tracking, dashboards and analytics.

Effectiveness can be achieved by working with an efficient Technology solution backed by real-life expertise and real-time Tax advice. These two elements in combination can help Tax leaders to answer the right questions and spot opportunities for adding value or reducing risk. Do anti-hybrid risks apply to multiple territories? What opportunities do we see to simplify and optimise cross-border transactions? What impact will tax trends potentially have on our business?



**STEPHANIE PRONK**  
Partner, Corporate International Tax  
BDO Netherlands







## Talent

As the tax function assumes a more strategic role, tax leaders have identified a shortage of candidates with the necessary skills to meet the evolving needs of the tax function in their organisations. This has created a skills gap and a talent crisis.

GTO 2023 identifies recruitment as a major challenge for modern tax functions. Globally, more than one in five respondents (21%) identify recruitment of tax talent as their top challenge for the next 12 months.

Which of the following will be your top challenge in the next 12 months?

27%

Using new technology, tools, and techniques

22%

Increasing volume of work and higher expectations

21%

Finding and retaining talented people

12%

Communicating and collaborating with other areas of the business

9%

Identifying the right performance metrics

8%

Managing a workforce that is at least partially remote

The proportion of respondents identifying finding and retaining talent as their top challenge was particularly high across both APAC (26%) and EMEA (24%).

Difficulty in finding and retaining adept tax professionals reflects the changing, and increasingly strategic, nature of roles in the modern tax department.

Tax leaders across the globe are reporting a lack of candidates with the necessary skills to meet the demands of the tax function's more strategic responsibilities along with the growing complexity of its more traditional compliance and reporting role.

The tax profession has always required specialised knowledge and expertise to navigate the complex world of tax regulations and compliance. However, modern tax professionals are increasingly being asked to play several roles simultaneously, including:

1

### Embracing Strategic Oversight

The tax function will need to rely on professionals who can contribute to the organisation's strategic commercial priorities.

2

### Adapting to Tax Complexity

Tax leaders need to find tax professionals who possess the skills to understand, and rapidly adapt to, new and complex tax laws, often across multiple jurisdictions.

3

### Implementing and Working with Tax Technologies

The tax department needs professionals who can effectively adopt and implement emerging technologies to streamline processes and enhance efficiency.

Many tax professionals currently lack the specialised knowledge and experience required to address these new areas. Put simply, the global tax function is facing a growing, and increasingly severe, recruitment and retention crisis.



A sparse and underqualified candidate pool is leaving tax functions on the back foot, unable to adequately adapt to the management of new and emerging tax and compliance requirements.

According to GTO 2023, 29% of tax leaders report that candidates lack the specialised knowledge and skills they require.

By a considerable margin, this is identified as the top recruitment challenge. Failing to find, recruit, and retain appropriately skilled professionals will have significant implications for businesses and the tax industry.

Which of the following is your top challenge in attracting and retaining tax talent?

29%

Lack of candidates with specialised knowledge

16%

Unable to offer competitive wages/raises

14%

Lack of strategic vision for the tax department

12%

Lack of new graduates who are studying accounting

11%

Retiring workforce

9%

Unable to compete with competitors' offers to work with the latest technology

9%

Unable to provide competitive remote/hybrid work flexibility

Nearly one in eight of total respondents (12%) cite a lack of new accounting graduates as the key driver of the recruitment challenges they face. This concern is not new. The declining pool of accounting graduates was the subject of a report, [Decline in applicant numbers raises alarm for recruiters](#), published in late 2022 by the ICAEW.

The lack of candidates is compounded (and caused) by an apparent lack of interest in undertaking a career in tax. GTO 2023 reveals a high level of concern among tax leaders that new entrants to the workforce are uninterested in a career in tax. A career in taxation has a growing perception problem.

Reasons given for this perception problem are diverse. 14% of tax leaders cite a lack of vision for the tax department. Another 16% believe that the career does not offer sufficiently competitive wages, with the effect that qualified candidates follow alternative paths. A further 9% point to their inability to offer flexible work conditions (possibly related to the compliance-driven nature of more junior work) as the key concern, with the same percentage – 9% – identifying an inability to offer opportunities to work with the latest technology as a core issue.

In combination, these factors create substantial hurdles for replacing (11% of respondents identify the rate of retirement of experienced tax professionals as their top challenge), recruiting, and retaining skilled tax professionals.

However, GTO 2023 diverges from the findings of the [BDO U.S. Tax Strategist 2023](#) survey on this point. As with confidence in the economy generally, and the need to focus on reducing costs and increasing cash flow, tax functions based in the U.S. appear to be less affected (or, rather, less concerned) by the talent crisis than those based in other countries.

As already outlined, 21% of global respondents identified 'finding and retaining the right people' as their top challenge over the next 12 months. This ranked as the third most pressing issue, behind only 'leveraging new technology' and 'increasing volumes of work'. By contrast, for U.S. Tax Strategist respondents, the 'talent crisis' is a less pressing issue, with only 12% of respondents identifying it as their top challenge; this makes it the lowest-ranked challenge amongst the available response options.

#### Global Tax Outlook

## 21%

See finding and retaining talented people as the top challenge

## 29%

Report a lack of candidates with specialised knowledge

#### U.S. Tax Strategist

## 12%

However, while the talent crisis may be less prominent for U.S. tax functions, one quarter of U.S. tax leaders are reporting a lack of candidates with the skills they need. If that continues to be the case, we expect the talent crisis to quickly become a more prominent challenge in the U.S.

## 25%



Effective talent management is crucial for the success and growth of any organisation. The importance of attracting, developing, and retaining skilled tax professionals is no exception. This is currently being driven by an increased demand for specialised technical knowledge and the ability to grasp the rapidly evolving regulatory landscape and complexity of tax.

Based on our research and expertise, attracting, and recruiting the top tax talent will necessitate the development of a strong employer brand. This will involve not only providing competitive compensation packages, but also creating clear internal paths for career growth and progression. Developing and retaining talent, through strong, ongoing professional development will be equally vital. We expect that successful tax functions will have embraced a culture of continuous learning that enables tax professionals to both stay updated on their competencies and expand non-tax technical skills. Adopting this approach will also help narrow the skills gap.

Promoting employee satisfaction will address turnover challenges. This might be achieved through the adoption of policies designed to ensure employees feel valued which we now also expect to necessitate the effective integration of technology across the tax function. Implementing technology and innovation will streamline some of the more mundane tax procedures,

introduce new skills, increase productivity, and free up time for the more valuable and valued tasks.

We believe that by understanding the key talent challenges and by adopting appropriate strategies to address them, organisations will be able to thrive in what is a highly competitive environment. Effective talent management yields improved performance and provides stability for the tax function, which can then continue to contribute positively to the organisation's long-term growth and success.



**ALICIA DEFREITAS**  
Global Head of People & Culture  
BDO Global

## ✕ Disputes

In a world of growing geoeconomic tensions, tax complexity, and risk, tax disputes are becoming ever more prevalent.

Tax disputes have become an increasingly prominent feature of today's global business environment. Growing geopolitical and trade tensions, combined with governments' efforts to raise additional revenue, are leading to greater complexity in regulation and larger liabilities for taxpayers.

If not effectively managed, all types of tax disputes (whether purely domestic or cross-border) can have far-reaching implications. These can include (among other things):



**Substantial financial implications** (due to penalties, interest payments, and additional tax liabilities)



**Extended periods of uncertainty**



**Increased compliance burdens and costs** (associated with dispute resolution and litigation)



**Diversion of resource**



**Reputational damage** (impacting customer, business, and investor relations)



**A higher-risk profile** with tax authorities, regulators, and other stakeholders, which could result in increased scrutiny and additional future disputes

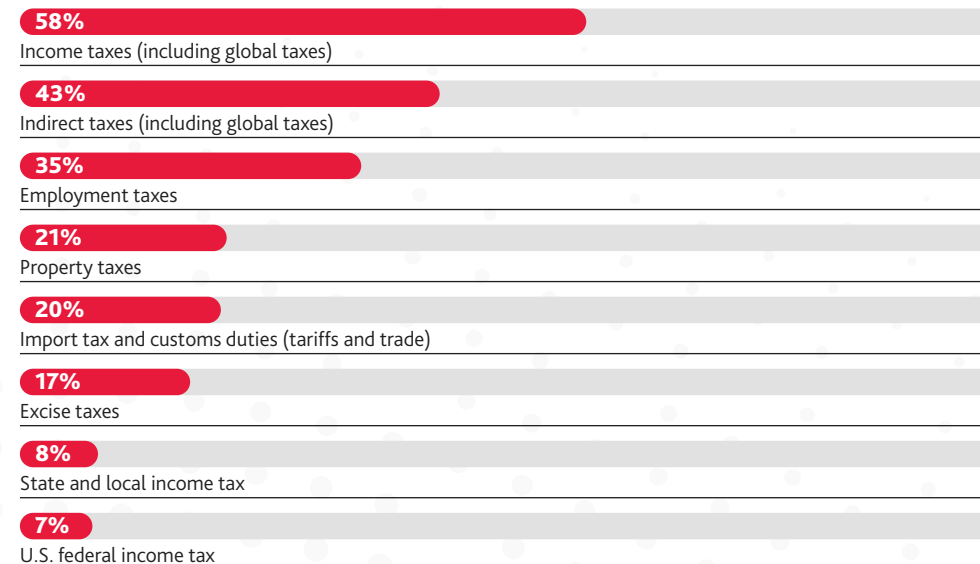
Establishing comprehensive and effective policies for the prevention, mitigation, management and resolution of tax disputes is now an indispensable part of good corporate governance.

GTO 2023 reveals the extent of the challenge.

**Globally, one in four tax functions report having been involved in at least one type of tax dispute in the past 12 months.**

Of those, more than half (58%) report they have been involved in a tax dispute relating to income taxes.

Which of the following tax disputes was your company involved in in the last 12 months?



Note: Disputes concerning U.S. Federal, and U.S. state and local income taxes are only those reported by respondents to the [BDO U.S. Tax Strategist 2023](#) survey.

Income taxes represent the most important source of tax revenue for most jurisdictions around the globe. With many taxpayers encountering increased scrutiny over their tax affairs, and growing pressures in relation to disclosure, timely reporting, and payment of taxes, it is not surprising that most tax disputes concern income taxes.

Equally unsurprising is that the next two most significant types of tax disputes relate to indirect taxes (second, with 43% of respondents) and employment taxes (ranked third, with 35%), the next two major sources of tax revenues for governments. It is also no coincidence that, after income taxes, indirect taxes (at 35%) and employment taxes (32%) are reported by respondents as accounting for the largest overall portion of their organisations' tax liabilities.

Disputes involving a cross-border element can be particularly disruptive because they can often involve the possibility of double taxation, complex tax treaty-related issues, and the taxpayer will normally be left with an extended period of uncertainty and additional compliance burdens while the two tax authorities argue over the correct tax treatment of a particular transaction. Despite the existence of treaty-based dispute resolution mechanisms, such disputes can be long-lasting. In addition, international tax disputes involving perceived tax avoidance activities can also represent the greatest threat to the reputation of the organisation.

Regionally, reported levels of tax disputes were highest in EMEA (at 29%), followed by APAC (at 28%), with, surprisingly, the Americas in third (at 19%). However, the type and nature of tax disputes is remarkably consistent across all three regions, with both income taxes and employment taxes featuring in the top three types of disputes in all three regions. Income taxes represent the largest source of tax disputes in both the Americas and across EMEA. Indirect taxes (at 70%) are, by far, reported as the biggest source of disputes for tax functions based in APAC.

### Americas

1

Income taxes  
(44%)

2

Employment taxes  
(33%)

3

State and local  
income taxes  
(30%)

### APAC

1

Indirect taxes  
(70%)

2

Income taxes  
(59%)

3

Employment taxes  
(44%)

### EMEA

1

Income taxes  
(64%)

2

Indirect taxes  
(43%)

3

Employment taxes  
(33%)

Establishing comprehensive and effective policies for the prevention, mitigation, management, and resolution of tax disputes should now be an indispensable part of good corporate tax governance.

Strategies for dealing with tax disputes might include:

#### Early Identification and Assessment

Identifying and assessing potential tax disputes as early as possible is critical so that steps to mitigate them can be taken promptly. This will involve staying informed about changes in tax laws and regulations (in any jurisdictions where the organisation has a taxable presence), monitoring tax audits, and analysing potential areas of disagreement with the tax authorities.

#### Effective Communication and Documentation

Clear, transparent, timely, and effective communication with the tax authorities will be key in resolving tax disputes. To the extent it is appropriate, tax function leaders should maintain open lines of communication with the tax authorities, responding promptly to inquiries, and provide complete (to the extent necessary and relevant) and well-evidenced explanations of tax positions. This will require robust internal policies, procedures, and data collection.

#### Collaboration with Legal and Tax Experts

Tax leaders should work closely with their legal counsel and [tax dispute resolution specialists](#) to develop and execute sound tax processes and develop dispute resolution strategies.

#### Regular Monitoring and Review

Tax function leaders should establish processes for regular monitoring and review of their tax operations. This will help identify areas of weakness and potential exposures. Regular reviews facilitate continuous improvement of processes, which should help to minimise future disputes.



Our findings show a rising proportion of businesses being involved with some sort of tax-related dispute, and increasing numbers expecting some sort of tax-related dispute to emerge in the coming year... that is hardly surprising given the ever-deepening complexity of the regulatory environment, both domestically and internationally, especially at a time when national governments need to raise more revenue, but when business profit margins are also tight (putting pressure on entities to lower their effective tax rates), how much tax is payable, and to whom, is now more likely to be an issue of contention between taxpayer and fiscal authority, and between fiscal authorities themselves, than ever. BDO has an international team of tax disputes resolution experts advising both multi-national organisations and private individuals on a range of tax dispute issues, helping them to reach a swift resolution and develop a strategy to avoid future contentious issues.



**ANTONIO PUENTES MORENO**

Partner, Head of Tax Controversy

BDO Spain





# The Three Responses

Modern tax functions are embracing Three Responses to meet the Five Challenges.

As expectations of tax functions mount, and their role becomes more strategic, they have had to evolve to address the Five Challenges

In GTO 2023, tax function leaders report adopting a range of strategies to respond to the Five Challenges. However, our research suggests that the tax function is having to work smarter within the constraints of its available resources. GTO 2023 suggests three main responses are emerging:

## The Three Responses



## Technology

Tax functions are upgrading their tax technology capabilities. This is the top priority across all three regions. Tax law and regulation are constantly, and rapidly, changing. In this climate, the tax function faces an increasingly complex legislative tax landscape. Factors contributing to increasing complexity include frequent legislative changes that attempt to adapt to globalisation, digitalisation, and geoeconomics.

GTO 2023 makes it clear that technology has become business-critical in the tax function. It is by far the most important tool available to tax leaders and permeates all aspects of the department's operations.

Over a quarter (27%) of respondents reported that the adoption and effective use of new technology, tools, and techniques is likely to be their top challenge in 2024. The integration of appropriate tax technology was consistently cited as the top challenge across all three global regions covered by our survey.

Which of the following will be your top challenge in the next 12 months?

27%

Using new technology, tools, and techniques

22%

Increasing volume of work and higher expectations

21%

Finding and retaining talented people

12%

Communicating and collaborating with other areas of the business

9%

Identifying the right performance metrics

8%

Managing a workforce that is at least partially remote

Embracing tax technologies has the potential to transform tax functions. They can increase productivity by automating repetitive tasks, improving data accuracy, providing real-time tax insights, and enabling departments to focus on their strategic roles. Adopting innovative technology can better equip tax departments to navigate complexity, enhance efficiency, and mitigate risk. When integrated appropriately, technology can be transformational for the tax function.


The adoption of tax technology has numerous features.

**Tax Technology for Automation**

Tax leaders are targeting direct tax compliance processes as an automation priority.

GTO 2023 reveals that direct taxation processes rank as the top priority (with 31% of respondents) for tax departments in a position to increase automation during the year. This reflects the importance of direct tax compliance in tax functions globally.

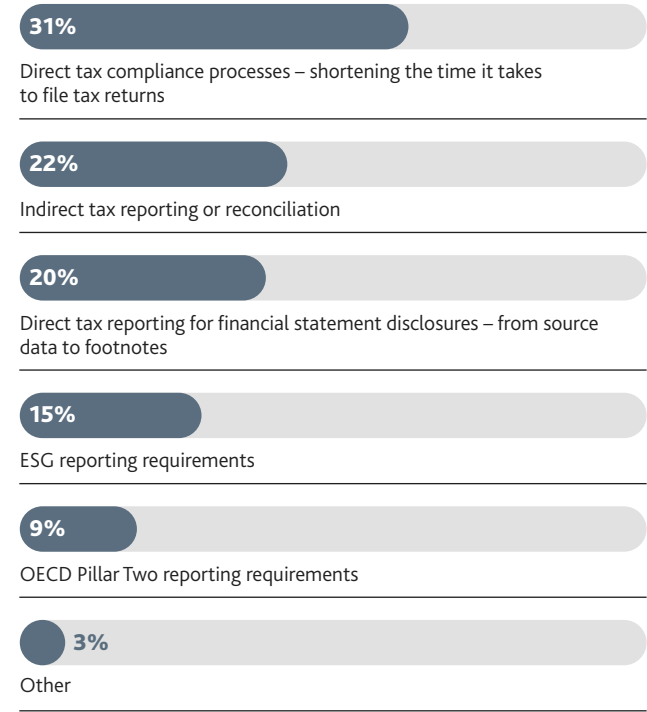
Automating activities like total tax liability calculations, maintaining consistent documentation for audits, and report generation can free up the function to focus on other business areas.



Increased efficiencies in core delivery services can help the tax function realise its strategic potential.

It also reflects the rising level of complexity in meeting direct tax compliance obligations including, for example, because of the implementation of the G20/OECD base erosion and profit shifting recommendations and minimum standards around the globe. It is no surprise to see the OCED's Pillar Two reporting requirements make a standalone entry onto the list (with 9% identifying as a priority).

**What is your top priority for process automation in 2023?**



Secondary priorities for automation include, predictably, 'indirect tax reporting or reconciliation' (cited by 22%) and 'direct tax reporting for financial statement disclosures' (cited by 20%). However, it is also worth noting that 'ESG reporting requirements' was identified by a significant minority of 15% of all respondents.

The three main automation priorities are consistent across all three regions:

**Americas**

- 1 Direct tax compliance processes (28%)
- 2 Direct tax reporting (22%)
- 3 Indirect tax reporting or reconciliation (21%)

**APAC**

- 1 Direct tax compliance processes (29%)
- 2 Indirect tax reporting or reconciliation (26%)
- 3 Direct tax reporting (25%)

**EMEA**

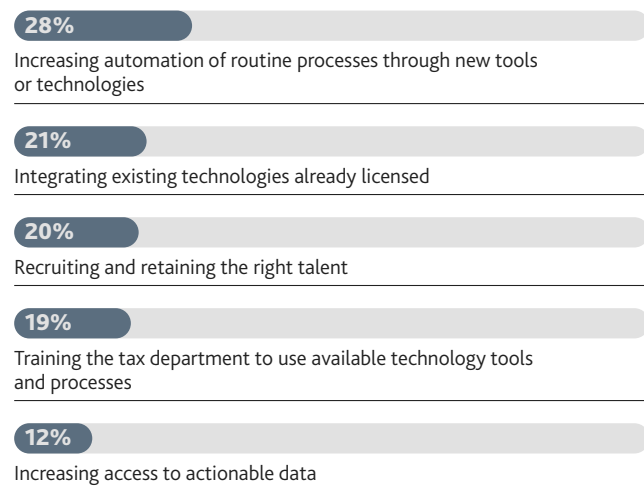
- 1 Direct tax compliance processes (34%)
- 2 Indirect tax reporting or reconciliation (20%)
- 3 Direct tax reporting (16%)

### New Tax Technology

Tax leaders are focused on finding new technological solutions to meet traditional compliance responsibilities.

More than one in four respondents (28%) report that 'increasing automation of routine processes through new tools' is their tax department's top priority in the next 12 months.

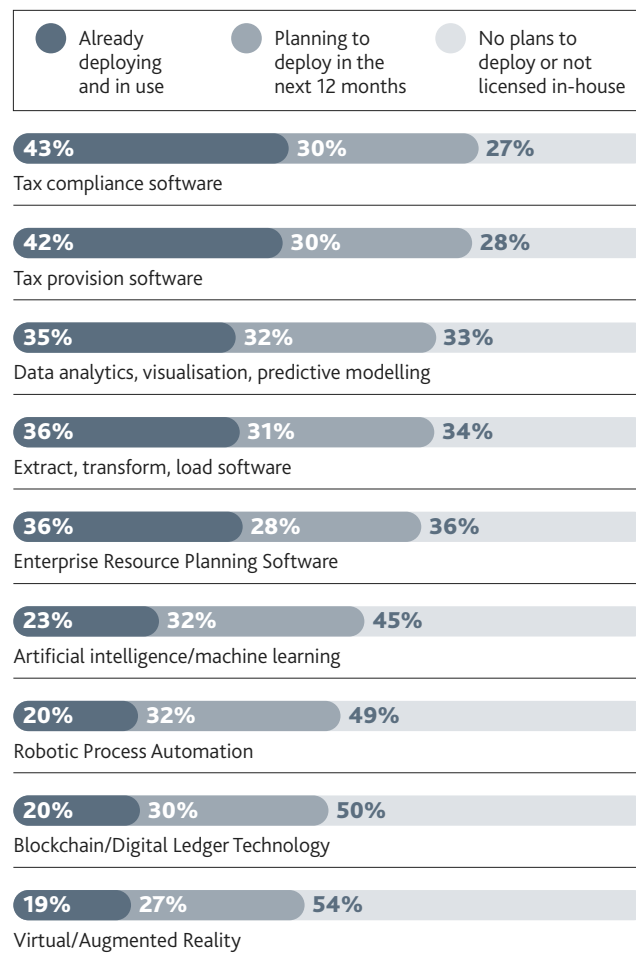
Which of the following will be the most significant priority for the tax department in the next 12 months?



When implemented efficiently, automation can reduce costs, the risk of error, and free up valuable resources to concentrate on more complex, more strategic, demands. This alone constitutes a huge efficiency gain for the tax function and should help it meet the efficiency challenge.

At 43% and 42% respectively, 'tax compliance software' and 'tax provision software' are the most deployed technologies by tax functions today. A further 30% anticipate adopting these technologies within the next 12 months.

Is your organisation deploying or considering deploying any of the following technologies for its tax function?

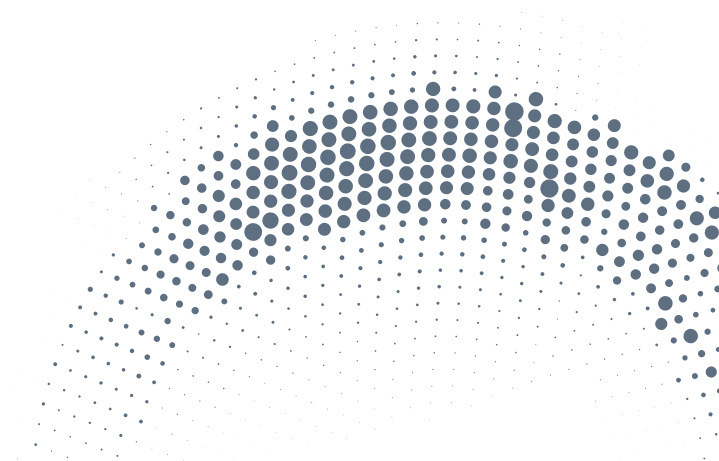


GTO 2023 suggests that the uptake of the most advanced technologies remains low but is anticipated to grow quickly. There appears to have been a significant shift in approach to tax technology since 2020. The trajectory suggests more than half of respondents will be deploying more advanced technologies in the next 12 to 24 months.

Tax leaders are targeting the deployment of advanced tax technologies over the next 12 months.

Emerging tax technologies, such as Robotic Process Automation ('RPA'), can minimise the need to centralise data from multiple accounting systems. While deployment levels of advanced tax technologies are currently low, tax leaders have shown enthusiasm to begin using them over the next year.

To illustrate the trend, consider the case of RPA, which at the time of the survey, was deployed by just 20% of respondents. However, another 32% reported that they planned to deploy RPA during 2023. If that rate of adoption is realised, 52% of tax functions surveyed will have adopted RPA by the end of the year. This represents a significant shift in ambition. In GTO 2020, just 33% of those surveyed reported having used, or having plans to use, RPA. Similar trends can be seen in plans to deploy data analytics, blockchain, and AI/machine learning technologies. Even in the sphere of virtual and augmented reality, nearly half (46%) of tax departments surveyed expect their organisation to be deploying the technology in some capacity within the year.



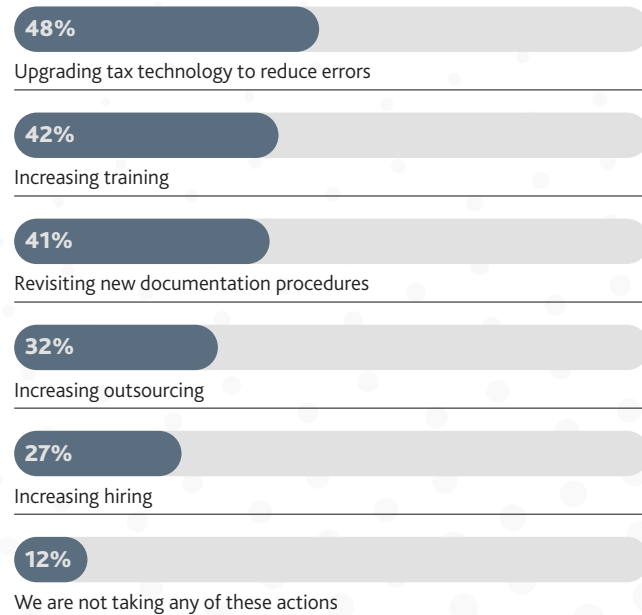


## Upgrading Tax Technology

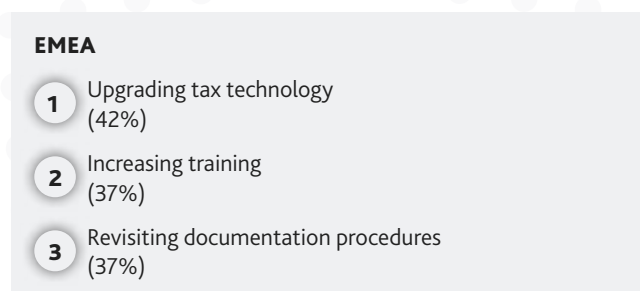
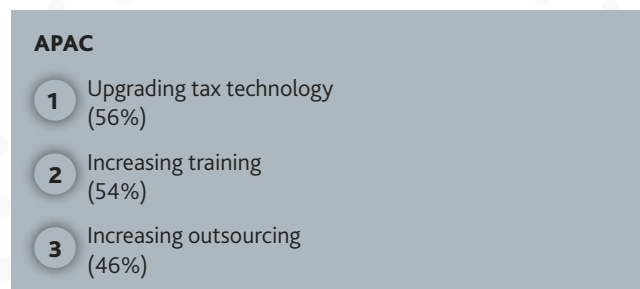
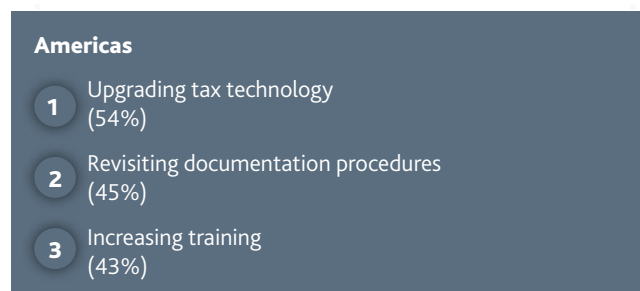
Nearly half (48%) of respondents report that they will upgrade tax technology to reduce errors.

Technology can help meet the risk associated with increased levels of tax authority scrutiny and intervention.

How is your organisation responding to any increase in scrutiny from tax authorities?



The picture is consistent across all three regions, with 'upgrading tax technology' ranking consistently as the top priority.



Across both the Americas and APAC, the response rate is comfortably above 50%. Although EMEA brings the global average down, technological improvements remain the primary response to operating in an increasingly transparent environment.

## Training and Data

The greater emphasis on adopting new tools (over integrating existing technologies) suggests that existing solutions are either incapable of meeting all the demands, or that the tax department has lacked the resource to integrate them fully.

This might explain why nearly one in five respondents (19%) report that training the tax department to use available tax technology is a priority. The effective implementation of novel tax technologies necessitates specialist expertise and understanding. The new 'tax technologist' role – someone who can function as a conduit between tax technicians and experts in information technology – is clearly increasing in importance.

Technology is only as good as the data on which it relies. Although ranking 5th (of the five options available), it is significant that one in eight tax leaders (12%) identify 'access to actionable data' as their most significant priority.

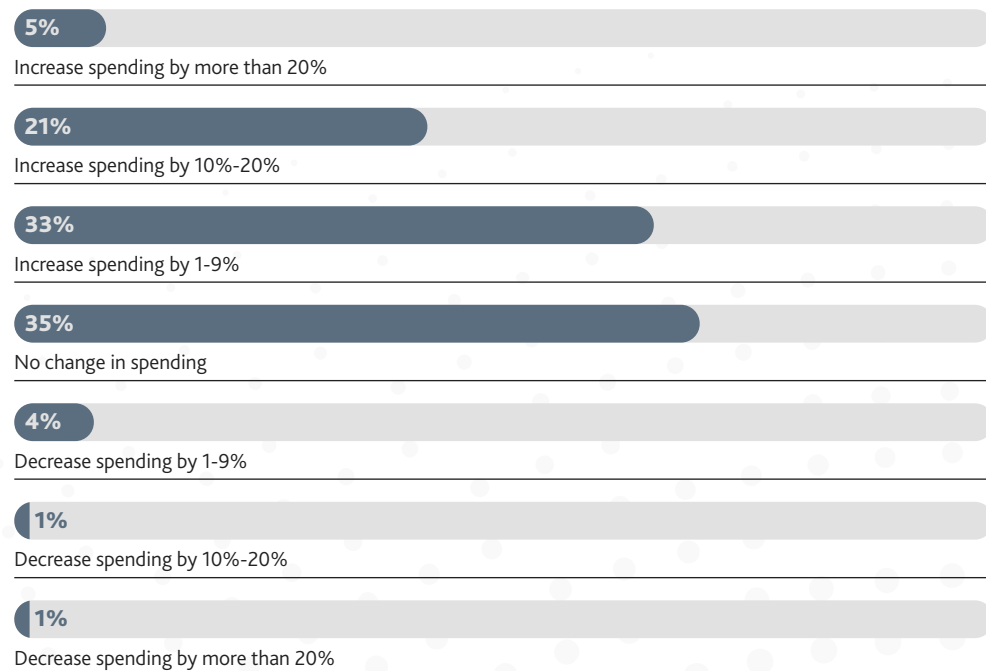
Tax-related disclosure obligations are likely to grow in the coming years. Meeting these obligations will depend on an organisation's ability to efficiently gather, process, and analyse data, to facilitate compliant, comprehensive, and effective disclosures. Identifying and collecting data that can be processed and analysed will help tax functions to both meet their compliance obligations more efficiently and identify potential risks, exposures, and emerging trends more quickly.

## Budgets for Tax Technology

Nearly three in five respondents (59%) expect an increase in their tax technology budget over the next 12 months.

This is a higher portion of respondents than in GTO 2020, when less than half of respondents (48%) were expecting their technology budgets to increase. This suggests that organisations are realising the power and importance of tax technologies. It is also perhaps an acceptance that investing in technology supports tax functions realising greater gains in efficiency, reducing costs overall. Investment in tax technology is one area where budgets seem to be protected.

How has your organisation budgeted for investing in tax technology in the next 12 months?



Just over one third of tax leaders (35%; significantly down from the 48% reported in GTO 2020) expect their technology budgets to at least remain static. Only 6% (effectively level with the 5% reported in GTO 2020) report that they expect their budget to be cut.

It is likely that where budgets for investment in new technologies are restricted, tax functions will find it more difficult to increase automation and efficiency. These departments will need to leverage greater value from their existing technologies and will need to focus on other internal levers, such as increased training for existing staff.



Tax leaders need to continue to make the budget case for the digital transformation of the tax function. More than one in three (35%) of tax leaders predict they will be managing static budgets over the next year. This is likely to be the biggest barrier to automation.

Regionally, the biggest increases in spending are anticipated across the Americas region, with the greatest pressure being felt across EMEA. This is unsurprising given the relative attitudes and expressed priorities outlined elsewhere in this report.

Americas

75%

Increase

23%

No change

2%

Reduction

APAC

67%

Increase

30%

No change

3%

Reduction

EMEA

48%

Increase

46%

No change

6%

Reduction



Businesses are experiencing a period of unprecedented change, as tax authorities increasingly require digitised tax calculations, filings and invoicing, and new tax obligations. This is driving businesses to change the way they capture, process, and report their tax data. A good example is the new global minimum tax calculations, which large businesses will soon need to prepare. Compliance here will rely on accessing and analysing hundreds of data points across multiple jurisdictions, many of which won't have been considered before by tax or finance teams.

Data, and hence technology, underpins a tax function's ability to respond to these challenges and businesses need to redefine their strategies. The complexity of today's demands means a continuing reliance on key individuals and Excel spreadsheets is no longer viable.

Successful businesses are adopting a more holistic approach. No longer focussing on best in class point solutions, but instead looking at the best integrated options and taking advantage of market standard software. Traditional and new entrant tech companies have responded well, expanding core solutions

to do more, innovating (for example, integrating AI), and bringing new products to the market at more competitive rates than ever before. Technology solutions are now accessible to all.

Never have the challenges been as great, and never before has the tax technology market been so geared up and ready to support the increasing demand. The starting point for change is the development of a simple plan, a vision, that sense of a 'target operating model'. That drives the creation of business cases which should front load tangible benefits.

Change is relentless and inevitable in the world of tax, and leaders need to adapt and find new ways of managing their obligations and ensuring they can capture and report in accordance with legislation. We can help ensure that you don't get left behind.



**IAN BOWDEN**  
Partner, Tax Technology  
BDO UK



## Training

Tax functions are relying on upskilling their existing team members to take on more strategic roles, and effectively implement tax technologies, rather than increasing headcount.

The talent challenge is forcing tax functions to look inwards, to their current workforce, to fill the skills gap emerging because of the new responsibilities being assumed by the department.

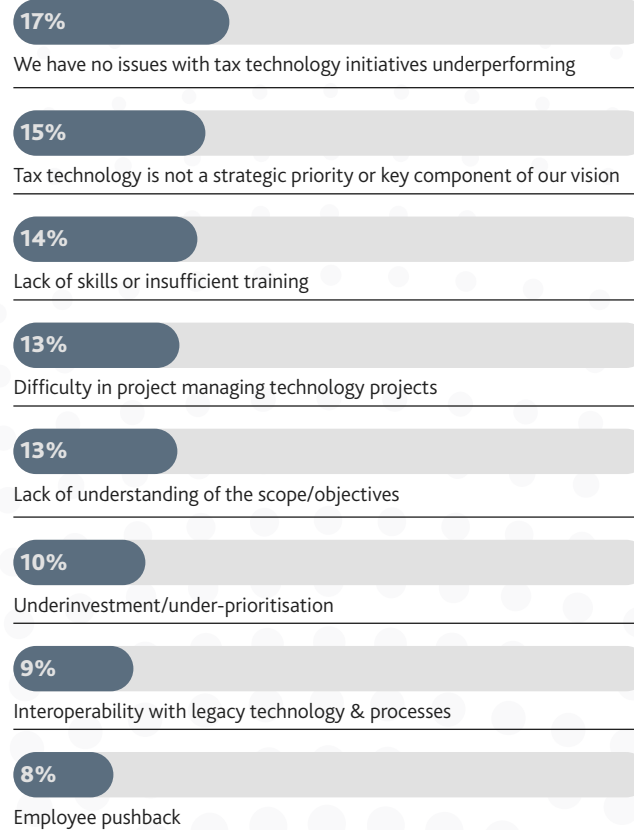
Successful training programs that reach beyond the traditional tax technical elements will form a necessary part of the tax function's measures to address its perception problem, and create more attractive, broader, career paths. These training programs will clearly need to equip members of the tax department with the strategic and commercial skills they now need. This should enable workers to move in and out of the tax department, bringing (and taking away) valuable, transferable skills to and from the tax department, and throughout the organisation.

Training on tax technology illustrates the inward focus of 'tax training'. The importance of tax technologies in enabling tax functions to work smarter is obvious, but to be effective, the technologies will need to be implemented and operated by tax professionals who can understand their benefits and limitations.

The trend is reflected in budgetary considerations. Although the differences are minor, a larger portion of respondents are expecting an increase in investment for upskilling and training programs for existing employees (30%) (alongside Tax Technology (28%)) than for any other area if economic conditions worsen.<sup>1</sup> The areas where budgetary spend is being protected suggest that tax functions are looking to protect and develop resources they already have (along with leveraging technology) to meet the Five Challenges.

There is a close relationship between training and technology. GTO 2023 reveals that a lack of skills training is one of the main reasons tax technologies sometimes fail to deliver against expected outcomes.

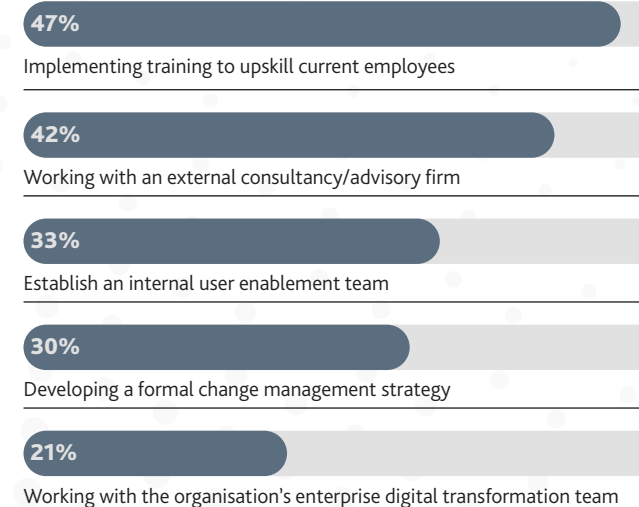
### What is the top reason tax technology initiatives might underperform at your organisation?



'Lack of skills or insufficient training' is cited by 14% of those surveyed as the main reason for tax technology underperformance in their organisation.

It is unsurprising that 19% of respondents identify 'training the tax department to use available technology tools and processes' as their tax department's most significant priority for the next 12 months (see: the section on [New Tax Technology](#), page 29). It is noticeable that this is as important to tax departments as attempting to recruit staff with specialist tax technology skills (identified as the most significant priority by 20% of respondents).

### What plans does your organisation have to enable employee adoption of tax technology?



Reinforcing this conclusion, almost half (47%) of tax leaders surveyed report that they plan to 'implement training to upskill current employees' to more successfully adopt tax technologies. The training is part of a wider approach that combines other inward-looking, strategies (including 'establishing an internal user enablement team' (planned by 33% of respondents), and 'working with the organisation's enterprise digital transformation team' (to be adopted by 21%)), to plug the technology skills gap.

<sup>1</sup> See section on the Efficiency challenge above for more discussion on the budgetary constraints on tax departments.



## Outsourcing

Tax functions are collaborating with external partners to fill capacity gaps or access specialist knowledge and resources.

GTO 2023 suggests the third response to the Five Challenges is out-sourcing and co-sourcing.

Collaboration with third-party partners is driven by the expansion in the tax departments' responsibilities at a time when budgets and resources are constrained. Where appropriate, outsourcing is being embraced by tax functions to increase capacity, harness new technology solutions, and meet their obligations as efficiently as possible.



Tax leaders are looking to build strategic partner relationships with outsourced providers to fill skills gap and support with technology optimisation.

### Outsourcing delivers:

#### ► Tax Technical Expertise

Tax functions can benefit from external providers who specialise in complex or niche areas of tax, or have knowledge of specific jurisdictions or regions, which can help relieve the burden of global tax compliance. Such talent is less likely to be readily available in-house.

#### ► Capacity

Tax departments can leverage outsourced infrastructure and software and increase short-term staff capacity to assist in high-volume work. In this way, the pressure on internal teams can be alleviated, and periods of peak workload managed. This can be especially powerful in areas involving tax data compilation, analysis, and preparation, and compliance filing obligations.

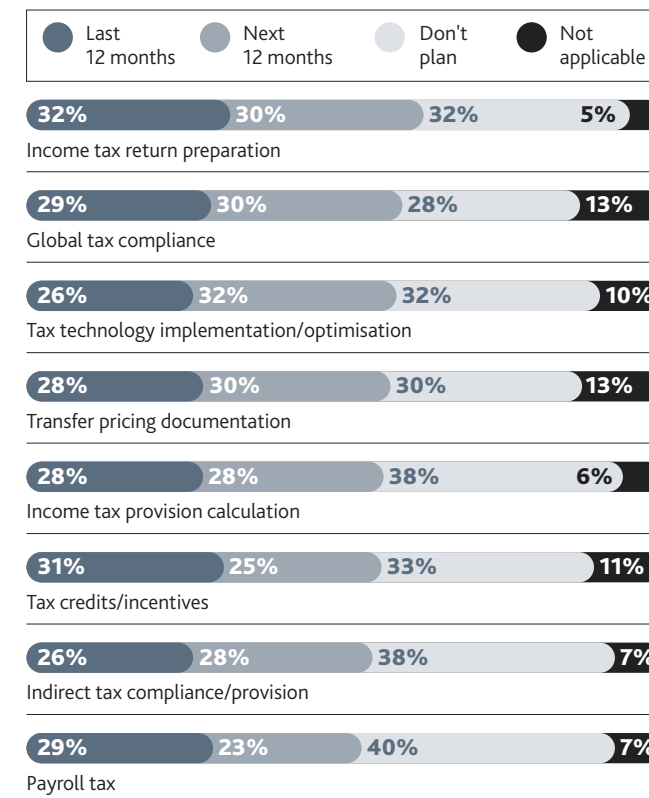
#### ► Technology Expertise

The rapidly evolving nature of tax technology can quickly create a skills gap within organisations that can take time to plug through training. Outsourcing can help bridge this gap by providing access to expertise in the latest tax technology tools and solutions. In addition, appropriately targeted providers can often be at the forefront of technological advance. Aligning with these providers can be invaluable in the exploration and adoption of transformational emerging technologies and processes.

GTO 2023 shows that outsourcing has been used across a wide range of function responsibilities, from routine compliance and reporting, tax provision calculations, and payroll, through to more complex tasks such as preparing transfer pricing documentation and tax credit and incentives work.

Rates of use of outsourcing and co-sourcing across all areas are remarkably consistent. Up to a third of respondents report that they have collaborated with external partners over the past year. An additional three in ten (approximately) expect to outsource part of their operations during the current year.

How has/will your organisation supplement(ed) your existing staff via co-sourcing or outsourcing in the following areas in the last 12 months/next 12 months?



In the last 12 months, tax leaders have focused on outsourcing to increase capacity around core tax activities, including 'income tax return preparation' (32%), 'payroll tax' (29%), 'global tax compliance' (29%), and 'tax credits and incentives' work (31%).

While these core areas are likely to remain important in the next year, it is noticeable that outsourcing of the 'implementation of tax technology and optimisation' sees a significant jump in importance (from 26% in the past year to 32% in the next year). This makes implementing tax technology the top-ranked operation that outsourcing will be used to supplement existing staff during the next 12 months.



This reinforces not only the clearly growing importance of tax technology, but also suggests that tax functions now stand at a point of transformation when its widespread adoption moves from being advantageous to being essential.

In combination, tax technology and outsourcing have become central to increasing efficiency and managing the tax function's increased volume of work. With the demand for tax function outsourcing expected to grow, the tax function will need to carefully assess how to offload tasks (most likely where those tasks are routine, time-consuming, or can benefit from specialised expertise) to maximum benefit to the department.



The key trends highlighted in GTO 2023 reflect the strong and rapid growth we are witnessing in the global outsourcing market. There are many reasons why businesses might choose to outsource parts of their tax function. Reasons we commonly encounter include:

- 01** Filling a knowledge gap: For example, this might arise in situations where a business is transitioning part of its tax operations to a Shared Service Centre (SSC) but needs to retain local jurisdictional expertise to manage the transition properly and to assure local compliance
- 02** Supporting business growth: The outsourcing of certain services can, in appropriate circumstances, facilitate business growth on a path that is both scalable and flexible. This is particularly true where businesses are planning for global expansion and need to secure local knowledge quickly
- 03** Preparation for a strategic move: Businesses that are preparing for a significant strategic move, such as an initial public offering (IPO), for example, are likely to find that it needs to meet new tax obligations for an larger number of stakeholders. Outsourcing some tasks or operations, to ensure appropriate and timely tax controls and compliance are adopted, in such circumstances can be hugely beneficial

Contemplating the outsourcing of tax function responsibilities provides a business with an opportunity to scrutinise its processes and understand individual elements of its operations. It can also reveal potential entry points for a comprehensive Tax Control Framework (TCF). This, in turn, not only offers possibilities for increased operational efficiency (including, for example, improved data collection and exchange, quicker turnaround times, and quality controls and enhancements), but can also steer organisations towards a more comprehensive tax outsourcing strategy.

The role of technology can be transformative in tax outsourcing. Numerous applications already exist for process optimisation and automation, while dashboards for data management are also now readily available. However, in our view, the critical consideration is to ensure technological solutions are aligned with the unique requirements of the business. It is important to remember that the success of outsourcing cannot be achieved solely by implementing any given solution, regardless of how modern or efficient it may seem. The effectiveness of any programme of outsourcing will always depend on a thorough understanding of the business' tax (and wider commercial) requirements before identifying and implementing a technological solution that best addresses them. The 'million-dollar question' is always: does the proposed solution address the organisation's needs? In the dynamic modern business landscape, the need for a holistic, and bespoke, approach to tax outsourcing is essential. A standardised one-size-fits-all strategy no longer suffices.

BDO's Business Services & Outsourcing and GC&R teams work to deliver exceptional quality within a flexible, cost-effective model that scales to meets our clients' needs, now and in the future.



**MARLOES WILLEMSE**  
Partner, Global Outsourcing  
BDO Netherlands



## The Sustainable Tax Function

Sustainability is now a key consideration for tax functions around the world that permeates many of the challenges they face, and the responses necessary for them to adapt.

The modern tax department has evolved into a more strategic function, assuming greater responsibility and more aligned with the commercial priorities of the organisation. However, as the tax function completes this evolution, it faces new challenges that require it to adapt again and find new responses as it turns to the future.

Meeting the Five Challenges, and adopting the Three Responses, can be the basis for building a more sustainable tax function.

GTO 2023 reveals the growing impact that environmental, social, and governance (ESG) considerations are having on the tax function. As the organisation adapts to ESG demands, the tax function will need to evolve again. The tax function will need to embrace long-term sustainability as a guiding principle in all that it does.

Although understanding remains limited, the relationship between sustainability and tax is gradually becoming clearer. It now permeates most (if not all) of the features of the modern-day tax function as examined in GTO 2023. Although not yet a top priority, ESG and sustainability considerations are increasingly prominent.

GTO 2023 analyses the understanding and implementation of sustainability practices within tax functions. It demonstrates how it lies at the core of the increasingly strategic responsibilities being assumed by the tax function.

Sustainability helps explain the Five Challenges, and it will help guide the Three Responses (and others) tax departments will need to adopt to meet them.

## Limited Understanding

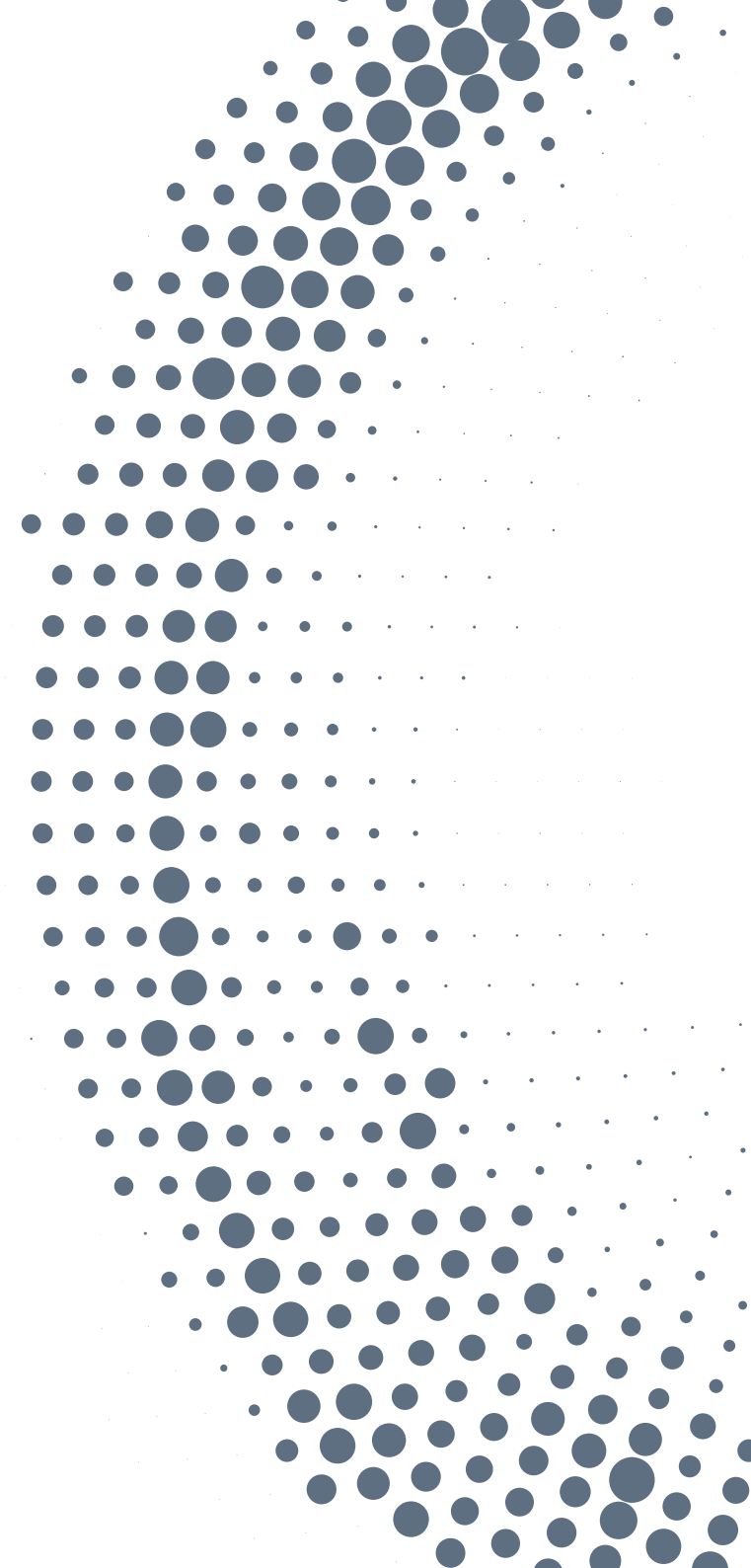
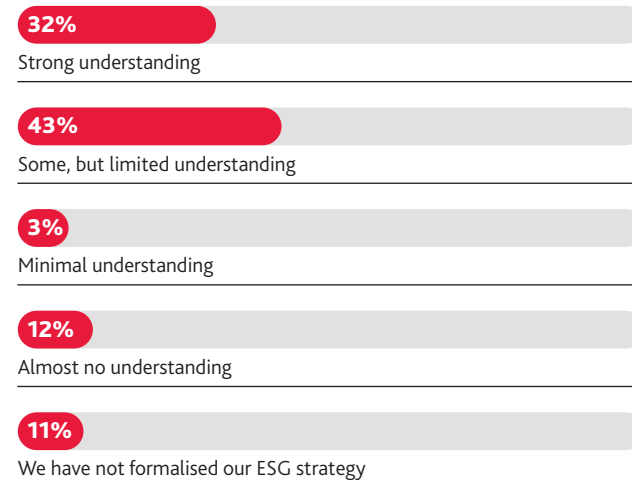
Current levels of understanding of the interplay of tax and ESG are limited.



Only one in three (32%) tax function leaders say their organisation has a 'strong understanding' of how tax intersects with ESG.

Although GTO 2023 finds that 75% of all respondents claim that there is some understanding of how tax intersects with the organisation's ESG strategies, less than a third of tax function leaders (32%) report that the understanding is 'strong'. Nearly half (43%) report that they have only 'some, but limited understanding'. A further 12% report that there is 'almost no understanding at all'.

How well does your organisation understand how tax intersects with its ESG strategies?



Some explanations for this might include the complex and evolving nature of both tax regulation in the area and the evolution of multiple ESG reporting frameworks. There could also be a simple lack of awareness and education. However, what is clear is that a persistent gap in knowledge will lead to significant adverse consequences for businesses.

There are regional differences. Surprisingly, tax leaders in organisations based in APAC and across the Americas report the strongest understanding of how tax intersects with ESG (both regions report that 36% of respondents claim there is a 'strong understanding' of the intersection). That rate of confidence drops significantly to just 28% across EMEA.

Even more surprising is that GTO 2023 (and the BDO U.S. Tax Strategist 2023 survey) indicates an even higher degree of familiarity with tax and ESG in the US. Specifically, 45% of respondents from the U.S. asserted that there was a 'strong understanding', significantly higher than the average for both the Americas (36%) and the globe (32%).

#### Global Tax Outlook

# 32%

Report a **'strong understanding'**

# 43%

Report **'some, but limited'** understanding

# 26%

Report **'minimal', or 'almost no understanding'**

#### U.S. Tax Strategist

# 45%

# 34%

# 20%

It is worth noting that the overall total portion of respondents reporting at least some understanding was similar in the U.S. (79%) and across the globe (75%).

This suggests that the U.S. market, or at least a large part of it, is more advanced on its journey towards embracing the importance of tax matters as part of the wider ESG agenda. It also suggests that the path for the rest of the world is already being laid down.

## Lower priority

Developing a tax and ESG strategy is not yet considered a high priority issue.

Despite the regional variations, the apparent lack of clarity over the relationship between tax and ESG is reflected in the low ranking accorded to ESG in tax functions' goals for the year. Just 7% of tax leaders surveyed in GTO 2023 reported that 'developing and implementing a tax ESG strategy' was their top priority. However, as already discussed, the tax department has other, more pressing, more fundamental, priorities, driven by the Five Challenges.

One obvious explanation of the gap in understanding might be that the linkage between tax and ESG has not always been an easy one to clearly delineate. However, given the growing importance of the tax function being able to align itself with, and contribute to, the overall commercial strategic direction of the organisation at large, the lack of precision in understanding how tax and the organisation's ESG strategy interact should be a cause for considerable concern.

However, there is again a noticeable difference between the global responses and those emerging from the US. For tax functions in the US, achieving greater tax transparency is the stand-out primary goal for the tax department in the next 12 months, with almost a quarter (24%) of respondents choosing it as their priority.

With other priorities weighing on tax departments outside of the US, just 16% of respondents globally rank it as their top priority (well behind 'increasing cash flow/lowering costs' (25%) and 'transforming' the tax function for greater efficiencies and better insights' (23%)). However, it would be reasonable to expect the portion of global respondents prioritising greater transparency to grow rapidly.

#### Global Tax Outlook

# 16%

See achieving greater **tax transparency and the primary goal**

#### U.S. Tax Strategist

# 24%

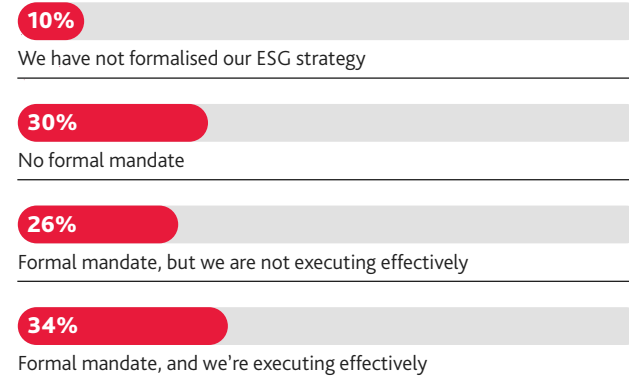


### Ineffective Implementation

Most tax functions have a formal mandate to advance ESG in tax matters but, in most cases, it is not being executed effectively.

Although almost two-thirds (60%) of those surveyed reported that the tax function has a formal mandate to advance the organisation's ESG strategy, almost half of those (26% of total respondents) consider that the tax department is not executing that mandate effectively. This suggests that ESG has already been identified as important, but that the mechanics of implementing the mandate have not yet been worked through.

Does the tax department have a formalised mandate in advancing your organisation's ESG strategy?



Again, tax functions in the Americas are furthest ahead in reporting that they have a formal mandate to execute an ESG strategy in the tax function. Tax functions across EMEA, once again, trail some way behind.

#### Americas

**73%**  
Have a formal mandate

#### APAC

**61%**  
Have a formal mandate

#### EMEA

**50%**  
Have a formal mandate

Unsurprisingly, given higher levels of understanding of the interaction of tax with ESG, and the much higher rates of those reporting the existence of a formal ESG strategy in the Americas, the BDO U.S. Tax Strategist 2023 survey revealed that tax functions in the U.S. appear far more (almost twice as) mature in effectively executing organisations' ESG strategies than their peers around the rest of the world. A minimal portion (just 3%) of respondents in the U.S. report having 'no formal mandate'.

#### Global Tax Outlook

#### U.S. Tax Strategist

**34%** Say they have a formal mandate which is being executed effectively

**67%**

**30%** Say they have **no formal ESG mandate**

**3%**

## Inadequate Data

Poor data capability is holding tax functions back from meeting ESG reporting obligations.

GTO 2023 reveals that tax leaders consider data collection and analysis as the greatest challenge for improving ESG-related tax transparency reporting. Almost one quarter of respondents (24%) cite it as their greatest obstacle to meeting their obligations (or plans) in this area.



Poor data capabilities and lack of formalised ESG strategy are the greatest challenges to ESG-related tax transparency.

Understandably, given the portion of tax functions that either lack a formal mandate (30%) or have not formalised an ESG strategy (10%), the second-ranked factor is a 'lack of a formalised ESG strategy', with 23% of all respondents identifying it as the main obstacle. Staffing constraints also ranks higher (on 19%), reiterating that lack of ESG expertise, and how it relates to Tax, forms part of the talent crisis being faced by the tax function.

What is the greatest challenge to your ESG-related tax transparency reporting?

24%

Data collection and analysis

23%

Lack of a formalised ESG strategy

19%

Staffing constraints

12%

Inadequate reporting tools

11%

Misalignment with the organisation's non-tax ESG leaders

11%

Lack of reporting standards

Challenges in this area also highlight the vital importance, and power, of reliable data collection in the modern tax function. This, in turn, emphasises the critical importance of embedding tax technologies across the tax function that can identify appropriate data sources, collecting them, analysing them, and appropriately processing them.

Meeting current (and future) tax sustainability demands justifies adopting technologies to enhance the efficiency of the tax function.

## Transparency

Transparency in tax matters is an area relevant to ESG metrics that suggests tax leaders have a greater understanding of the importance of sustainability issues than they realise.

Despite more pressing priorities, 'achieving greater tax transparency' was ranked as the third most important goal for tax functions in 2023. 16% of those surveyed identified it as their top priority for the year.

Tax leaders are aware of the growing importance of meeting demands for greater transparency in tax matters. Transparency lies at the heart of the Risk Challenge. Tax functions are expected to operate in an increasingly transparent way.

A significant majority of respondents (58%) reported that their tax function already plays 'a role in developing tax transparency reporting' as part of their organisation's ESG efforts, with both qualitative and quantitative disclosures being made across a range of matters.

Such matters include country-by-country reporting, total tax contribution calculations, as well as tax strategies and the organisation's approach to tax. An additional 18% responded that, while their function has not yet made any type of disclosures, they plan to do so within the year. If that is realised, the portion of tax functions making tax transparency disclosures of some sort will rise to 76%, meaning that fewer than one in four tax functions have not, and have no plans to make any such disclosures.

Has your tax department played a role in developing tax transparency reporting as part of your organisation's ESG efforts?

20%

Yes, qualitative disclosures have been made describing our approach to tax

18%

Yes, quantitative disclosures have been made such as total tax contribution or country-by-country reporting

20%

Yes, both qualitative and quantitative disclosures have been made

18%

No qualitative or quantitative tax transparency disclosures have been made, but plan to within a year

23%

No qualitative or quantitative tax transparency disclosures have been made, and there is no plan to make them within the next year

The growing majority of respondents that are already working on enhancing tax transparency suggests that tax functions are already starting to adapt to the demands the sustainability agenda brings.

Tax functions need to meet the Risk Challenge, characterised by both growing complexity and greater scrutiny from both tax authorities and the public. Tax functions are having to embrace operating in a far more transparent manner.



Business leaders are starting to appreciate the positive role tax plays in sustainability strategies, especially as regulators offer more tax incentives for sustainable business practices. But it's still a relatively new way of thinking, by prioritising long-term value creation over short-term gains.

More than half of tax departments have a formal mandate to advance their organisation's ESG strategy. This should be viewed as an opportunity rather than a burden. In addition to benefits like tax incentives, risk mitigation and compliance, a sustainable approach to taxes encourages transparency, which can deepen relationships with stakeholders and provide opportunity for better partnership with local communities and national partners.

Of course, there are still significant barriers, particularly the lack of data and defined ESG strategies. However, these barriers are likely to fall as companies are compelled to invest in data collection, technology and strategic roadmaps required by emerging regulations in the U.S., Europe and beyond. Tax leaders should be ready, and involved in developing sustainability and ESG strategies.



**KAREN BAUM**  
Managing Principal, Sustainability & ESG  
BDO USA

## The Sustainable Tax Function

Organisations that can successfully align their tax strategies, sustainability goals, and commercial plans stand to gain considerably.

The intersection between tax and sustainability is becoming increasingly important. The emergence of a more strategically focused, influential tax function, in alignment with the strategic direction of the organisation, will need to be reinforced with clear, effective strategies around sustainability in tax matters.

There is a pressing need to improve understanding, data capability, and the formulation of formalised sustainability strategies within tax functions. Understanding the alignment, and implementing those strategies, could produce significant long-term advantages for business.

Addressing the Five Challenges, and adopting the Three Responses, illustrate both the challenges and opportunities that tax sustainability presents. In meeting the Risk Challenge, for example, the growing complexity and transparency in domestic and international tax matters highlights the need to operate tax functions clearly, accurately, and quickly. This will necessitate appropriate adoption of technologies and training strategies. This, in turn, will drive new efficiencies, control costs and tax liabilities, minimise areas where controversy and dispute can arise, and create more rewarding opportunities for a career in tax.

There are also commercial gains to be realised from positioning tax sustainability as a driver of profitability. Such gains may be internal, from the need to enhance the rigour in data collection, analytics, and processing, or refinements to tax processes to drive greater accuracy and efficiencies and transparency. Gains are also likely to be external, from improving compliance, reducing risk, enhancing their brand reputation, capturing commercial value from sustainability initiatives, and driving long-term financial performance. Again, this points to the growing importance of the tax function's alignment with the long-term goals of the organisation. The tax function can no longer afford to be solely concerned with driving down an organisation's effective tax rate.

Sustainability, implemented across the tax function in all its activities, policies, and operational procedures, can support the organisation's strategic aims and objectives. The link between tax practices and sustainability goals is emerging on the frontline of modern business strategies. It is further evidence that tax is helping to shape the operational and strategic decisions of forward-thinking corporations worldwide.

In many cases, sustainability is already being adopted (unconsciously) as a key performance metric within the tax function. This is true not only in transparency reporting, but also in informing tax strategies and the maturity of operating models. The connection is expected to strengthen significantly in the next few years.

Sustainability is already a priority in the evolution of the modern tax function, and will become even more central in the years ahead



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