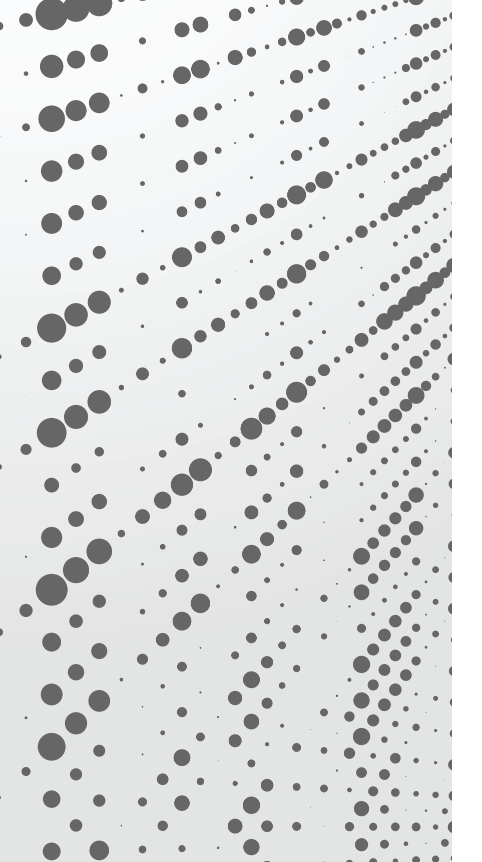
Thomson Reuters Institute

The 2022 State of the Corporate Tax Department

Balancing technology and talent for optimal efficiency



Executive Summary

If there is a common thread that runs through the responses to our *2022 State of the Corporate Tax Department* survey, it is that the technology needed to meet the growing demands of the digital economy is pulling corporate tax departments in several directions all at once.

First, the expanding digitalization of the global economy has created an ever-evolving and increasingly complex business and regulatory environment, which in turn puts pressure on corporate tax departments to supply governments with tax data faster and more accurately than ever before, leaving little room for error. Internally, corporate tax departments are also being asked to do more — collect and analyze data across the enterprise, conduct wider-ranging risk assessments, provide strategic intelligence, participate in business planning, and find new ways to extract value for the corporation — and they are being asked to do it all faster and with fewer resources.

The technology needed to meet the growing demands of the digital economy is pulling corporate tax departments in several directions all at once.

The direct consequence of all of these additional demands is that the professionals doing the work in corporate tax departments are feeling squeezed. Indeed, more than half of the respondents to this year's survey said they did not have the resources they need to do their jobs. As a result, older employees are retiring, mid-career professionals are fleeing more frequently, and younger workers are strongly indicating they want a better work/life balance. This means that companies are finding it difficult to replenish their workforce with people who have the requisite skillsets to meet the variety of new challenges corporate tax departments are facing.

Here again, technology is a major factor. In many cases, deploying more sophisticated technology is the only practical way for tax departments to meet the myriad demands on their time, but many organizations still lack the resources and budget to take full advantage of modern tax technologies. And in most organizations, there is also a significant skills gap when it comes to using tax technology as effectively as possible. Indeed, the top two skills gaps that were identified by respondents to this year's survey were tax technology expertise and leadership skills, neither of which are taught with much urgency in accounting programs at most colleges and universities.

All of these converging factors are making it necessary for companies to develop more robust training and mentoring programs in the areas of technology and leadership, and for managers to cultivate corporate cultures that improve retention and place a higher priority on job satisfaction for up-and-coming employees. Greater effectiveness and efficiency may be

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the ultimate goals, and technology may be an important means to that end — however, the results of this year's survey suggest that a more harmonious balance between the demands of technology and the needs of employees is the more sustainable path to both business success and institutional resiliency.

For all of these reasons and more, the *2022 State of the Corporate Tax Department* report focuses on strategic priorities and goals that companies have set for themselves, as well as various aspects of in-house department management, including technology usage and talent development.

In the order they are presented, the five main areas explored in this report include:

Strategic priorities — preparation for regulatory change, and ensuring digital resiliency;

Technology — usage, impact, and tools;

Spending — revenue, internal/external costs, and tech budgets;

Resources — allocations and implications; and

Talent — retention, skills gaps, career development, succession planning, and working patterns.

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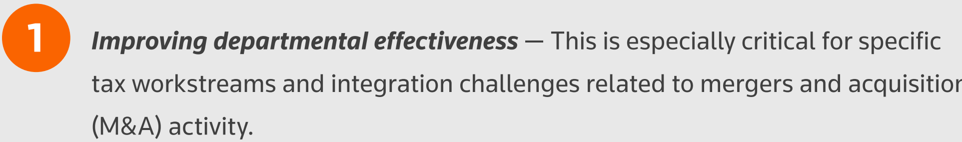
Key findings

In 2022, the top four strategic priorities for corporate tax departments are:



1. ***Improving departmental effectiveness*** — This is especially critical for specific tax workstreams and integration challenges related to mergers and acquisition (M&A) activity.

2. ***Safeguarding risk*** — For example, keeping up with tax reform and regulatory changes.

3. ***Finding efficiencies*** — These can be identified either through new tech, automation, or streamlining workflows.

4. ***Developing talent*** — Finding, recruiting, training, mentoring, and succession planning.

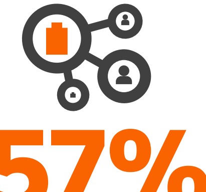
Other key findings revealed in the survey report include:

73%

of respondents expect to see changes in government tax requirements in jurisdictions in which they operate over the next two years — a 16-percentage point increase over last year.

92%

of those working in the tech sector expect regulatory changes this year.



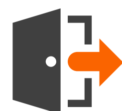
57%

of tax department employees said they feel they do not have the resources they need to meet the challenges they face.

64%

of survey respondents overall said the biggest obstacle preventing them from achieving their professional development goals was "lack of time."

58%



of tax professionals over the age of 60 say it is unlikely that they will be working at their current company in the next five years, due primarily to retirement.

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- Of the factors that would drive employees to leave their job, significantly more women (30% vs 7% of men) feel lack of mentorship would push them out.
- 61% of tax professionals have been at their current company for less than ten years.
- The top three reasons tax department employees give as motivation to leave their current organization for another job are:
  - a) feeling under-appreciated;
  - b) lack of career progression; and
  - c) unhappiness with the company culture.
- Regarding technology usage, fewer tax departments this year describe their use of tech as being *proactive, optimized,* or *predictive*, which suggests that efforts to obtain and implement more advanced tax technology may not be progressing as swiftly as some departments would like.
- A majority (55%) of tax department employees are currently working hybrid schedules, and roughly one-third are working fully remote, particularly in the tech and finance sectors. Still, a majority of these workers also say they feel "highly connected" to their team and department.

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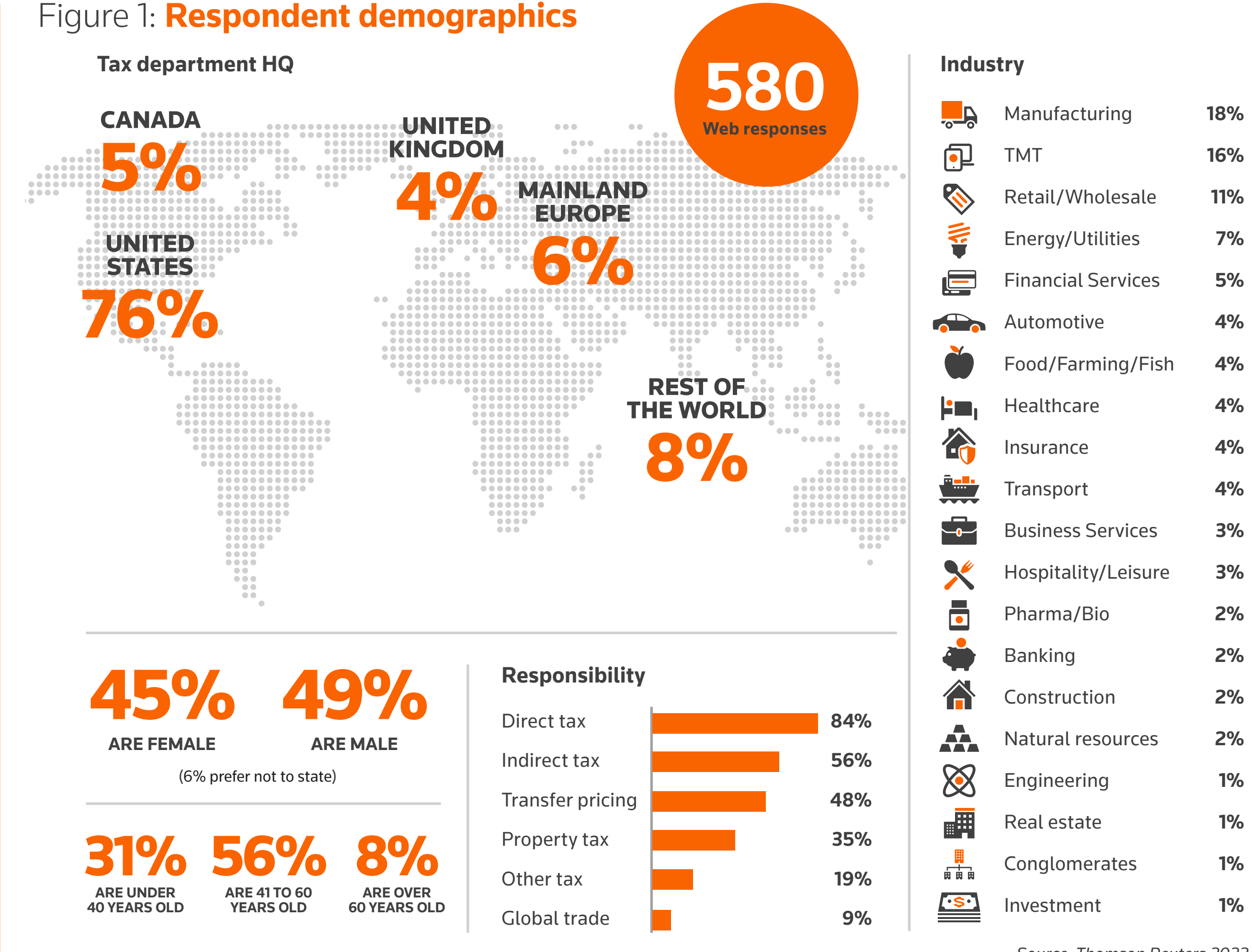
Research methodology

The results of the *2022 State of the Corporate Tax Department* report were derived from 580 responses to a web survey conducted in April 2022. Of the respondents, 93% of them hold senior positions in their respective companies, and 72% are either Vice Presidents of Tax, Chief Tax Officers (CTO), Directors, or senior managers of tax and technology.

Figure 1: **Respondent demographics**



Source: Thomson Reuters 2022

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Section 1: Strategic goals, priorities and challenges

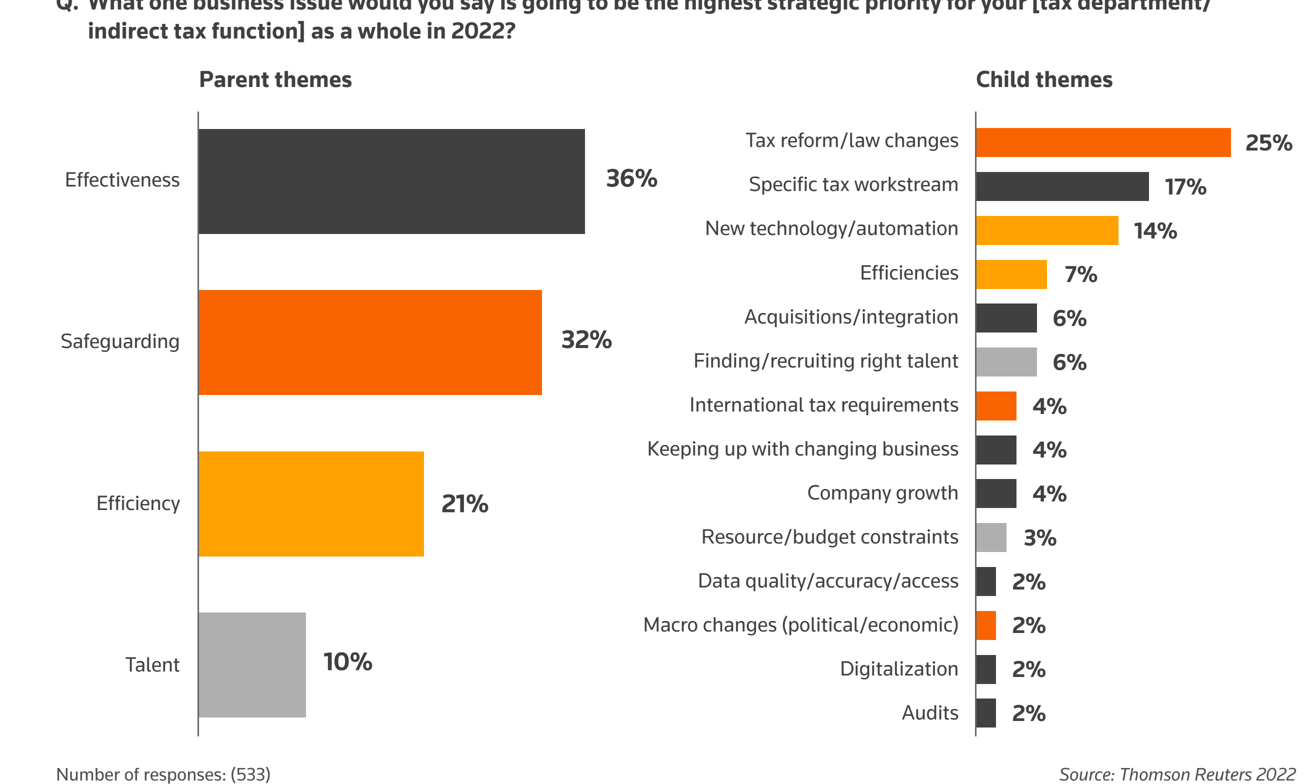
Overall, most of the strategic priorities and challenges cited in this year's study are consistent with those referenced in the surveys over the past two years, with the differences being largely a matter of degree.

For example, as in the past two surveys, tax reform remains the top strategic challenge. This year there is significantly more concern about government legislative activity, and more departments feel less prepared technologically to deal with coming regulatory changes.

Likewise, finding talent with the right skillset remains a top-three challenge, but again, finding and keeping great people with sufficient technical skills amid *the Great Resignation* has become an even more pressing challenge — which is why much of the latter part of this report is devoted to matters of talent and culture.

Figure 2: **Departmental effectiveness is the top priority for tax departments in 2022**

Q. What one business issue would you say is going to be the highest strategic priority for your [tax department/ indirect tax function] as a whole in 2022?



Number of responses: (533)

Source: Thomson Reuters 2022

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As for broader strategic priorities, departmental effectiveness and risk management (safeguarding) remain top concerns, along with efficiency and talent.

Ranking priorities always involves tradeoffs, of course, because no one wants to minimize the importance of a priority. Nevertheless, this year we asked respondents to identify their "highest" strategic priority, and then organized the results according to theme. The *child themes* in the accompanying chart refer to specific priorities or sub-themes of the larger themes on the left and are color-coded to identify the umbrella theme under which they are associated.

Strategic Priorities by Theme

Effectiveness — Meeting deadlines and complying with tax requirements will always be a tax department's primary responsibility. The difference now, however, is that the deadlines are tighter, and the requirements are more complex. Companies that have invested in technology to fully or partially automate specific tax workstreams (*e.g.*, transfer pricing, value-added tax (VAT), effective tax rate, etc.) are much more capable of managing the day-to-day workload these metrics entail. Indeed, every company has a different level of technological sophistication, which directly impacts their tax department's ability to handle broader responsibilities such as the logistics involved in M&A activity/integration, keeping up with business changes, ensuring the accuracy and quality of corporate data, and the ongoing challenges of digitalization.

Safeguarding — Identifying and managing all types of corporate risk, both internal and external, is something tax departments have been hyper-focused on during the pandemic. Despite supply chain issues and other disruptions, however, keeping up and complying with various law changes and regulatory requirements due to tax reform in the United States, Europe, and elsewhere, remains a top concern. Avoiding legal disputes is also a top priority, of course, but an additional and growing concern involves protecting the organization against risks and uncertainties associated with global macro-events such as political upheavals (*e.g.*, the Russia/Ukraine war), inflation, and the continuing ripple effects of the pandemic.

Efficiencies — New software capabilities and automation are the primary drivers of efficiency in most corporate tax departments, but the *efficiencies* here also refers to the day-to-day challenges of producing the data and information required for tax planning and compliance. Optimizing workflows and aligning business processes is part of the hunt for greater efficiency, as is eliminating "sludge" from M&A activity that requires the integration of data from several different systems. Many tax departments still struggle with meaningful measurements of departmental efficiency, however, even though these metrics are crucial to determining return on investment (ROI) on any potential or existing technological investments.

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Talent — Finding people with the right skillset is an ongoing challenge for many tax departments as older workers retire and more mid-level workers jump to other companies or abandon the industry altogether. Therefore, recruiting and training people for specific job functions continues to be a priority for tax departments, particularly when it comes to familiarizing recruits with a company's tax technology, as technological acumen is still the industry's largest skills gap. Mentoring, career trajectories, and succession planning are also part of the talent-development puzzle, as is creating a company culture that encourages loyalty and respect.

Top 3 Strategic Challenges

1. Tax reform

The implications of tax reform once again emerged as a top priority this year largely because of uncertainty around looming tax initiatives in the US and Europe. In the US, an expected regulatory backlash aimed at the tech sector and potential changes included in the Biden administration's Build Back Better bill (which has been delayed in Congress) are a top concern. And in Europe, eventual implementation of Pillar 2 of the Organisation of Economic Co-operation and Development (OECD) Inclusive Framework, which imposes a 15% global minimum tax on multinational corporations on income generated within jurisdiction in which they operate, is on everyone's mind.

Indeed, as the accompanying chart illustrates, when broken down by business sector, fully 92% of those working in the tech sector expect significant changes in government requirements within the next two years. And overall, almost three-quarters (73%) of tax departments in other sectors such as food, health, finance, energy, and other industries also expect to be affected by significant regulatory changes.

Figure 3: **Tech most likely to expect changes to government requirements (Indirect tax)**

Q. In the coming 1-2 years, are you expecting to face significant changes to government requirements in any of the jurisdictions in which you operate?

Yes | No | Statistically significant difference to overall

Sector	Yes
Overall	73%
TMT	92% (↑)
Consumer, food, health	72%
General industries	70%
Financial institutions	64%
Energy/utilities/natural resources	61%

Number of responses: Overall (271); TMT (52); Consumer (57); General industries (81); Financial institutions (25); Energy (23) low   *Source: Thomson Reuters 2022*

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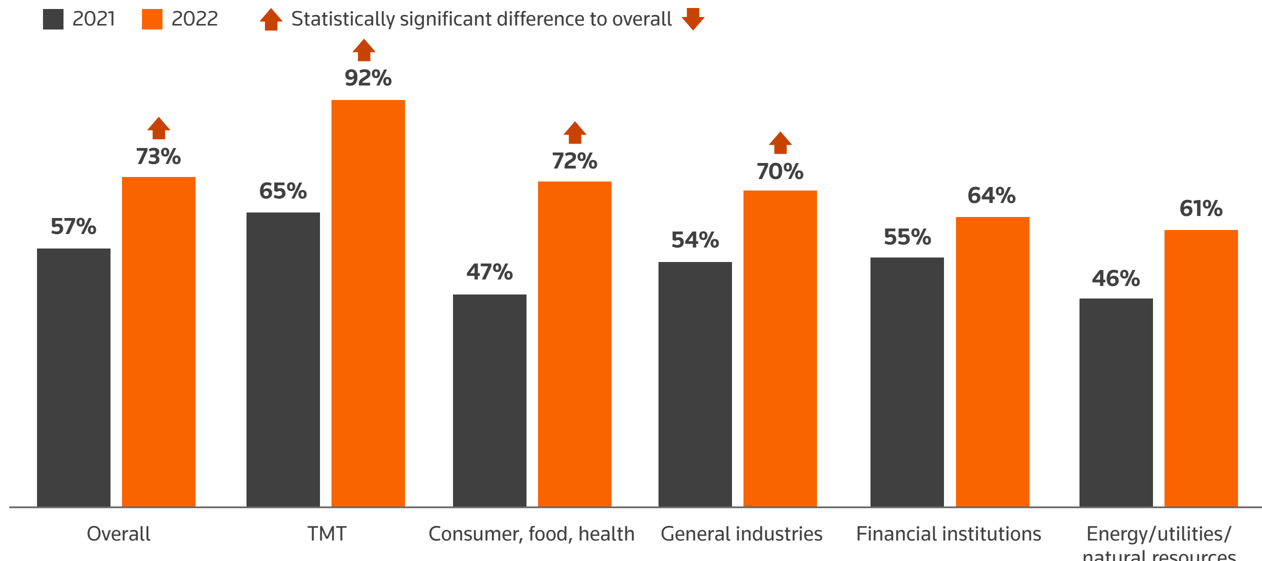
And as the next chart illustrates, expectations of imminent government action are significantly higher than they were in 2021 across every business sector studied. On average, overall expectations of regulatory change are 16 percentage points higher than they were last year, but they are particularly pronounced in tech and consumer/food/health sectors, both of which have been impacted disproportionately from macro-events such as the widespread shortage of semiconductor ships, societal backlash against tech/social-media companies, and supply-chain disruptions caused by the ongoing pandemic and the conflict between Russia and Ukraine.

Figure 4: **Expected changes up across all industries from 2021 (Indirect tax)**

Q. In the coming 1-2 years, are you expecting to face significant changes to government requirements in any of the jurisdictions in which you operate?



Number of responses (2021, 2022): Overall (394, 271); TMT (49, 52); Consumer (66, 57); General industries (118, 81); Financial institutions (56, 25); Energy (26, 23) low

Source: Thomson Reuters 2022

2. Specific workstreams

Corporate tax departments must collect, review, reconcile, and organize an enormous amount of data from different business units within the company that often are reporting from offices around the world. And workstreams for different types of taxes — transfer pricing, VAT, cash taxes, tax credits, corporate tax, effective tax rate, incentives, BEAT, GILTI, BEPS, etc. — all require different information and calculations. If this data isn't provided in an accurate and timely manner, the tax department has a tougher time doing its job. Throw in enough chaotic processes juggled by over-worked employees working on time-sensitive deadlines, and errors can start to creep in.

Larger organizations that have invested in tax technology and have automated many of these processes have a distinct advantage over companies that haven't. The truth is, however, many companies do not have the budget or resources to make such an investment and are still grappling with the more basic challenges of digitalization.

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3. Technological capabilities

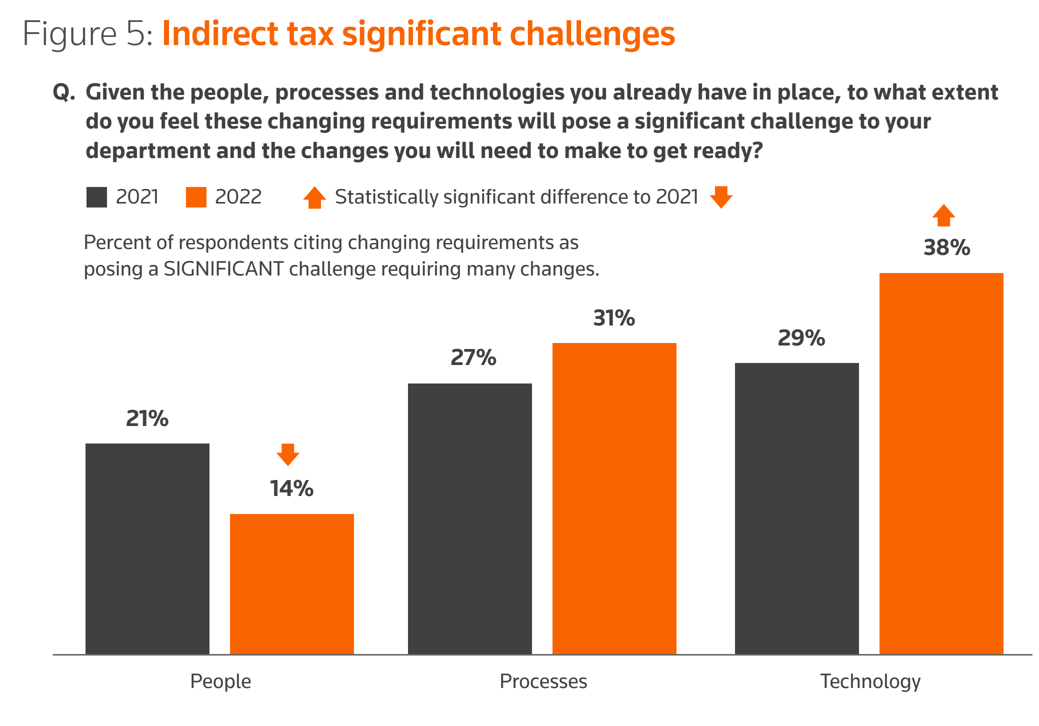
Technology's role within a tax department is complicated because access to more sophisticated tax technology tends to dictate whether and how well the department's various challenges and responsibilities can be met in a timely and accurate manner.

Sadly, almost two-thirds (64%) of respondents to this year's survey self-identified the level of their department's technological sophistication as *chaotic* or *reactive*, whereas last year, fewer of them (53%) categorized themselves this way. As we will see, a general lack of budget and other resources is the main culprit here, as more than half of this year's survey respondents also say they are under-resourced. And unfortunately, a lack of ability or willingness to invest in better technology tends to load more work onto people who are already stretched, which can affect job satisfaction and morale, erode a company's culture, and even motivate people to look for jobs elsewhere.

Meeting the challenge

Because changes in government tax requirements are almost certain, and companies are more concerned about how to handle them, the question then becomes: What do companies need to do in order to prepare?

Figure 5: **Indirect tax significant challenges**



Number of responses (2021, 2022): People (392, 319); Processes (395, 319); Technology (395, 316) *Source: Thomson Reuters 2022*

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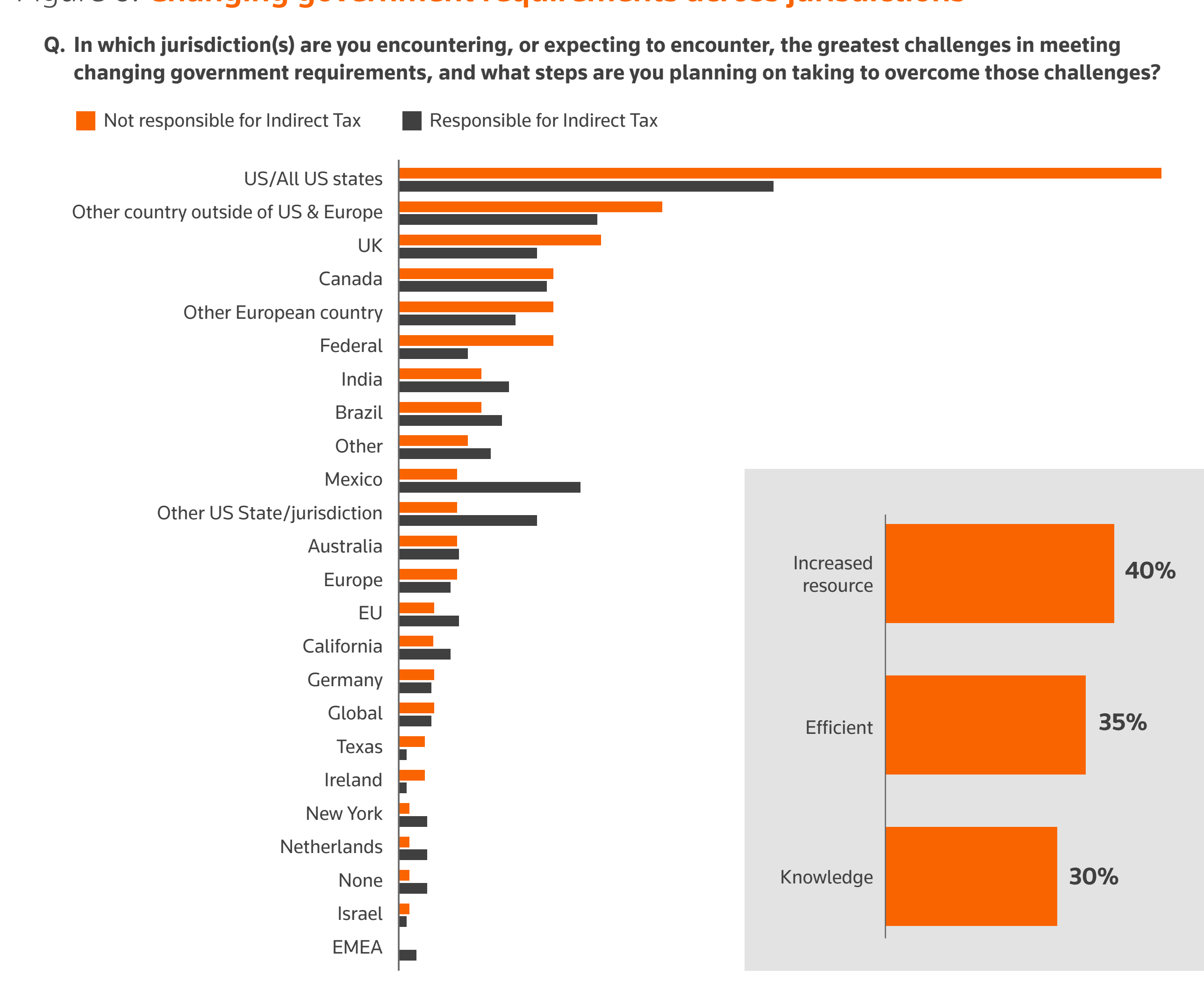
In term of people, processes, and technology, 38% of respondents responsible for indirect tax in 2022 answered that their biggest challenge in preparing for upcoming governmental changes is going to be in the area of technology — up from 29% last year. The expected impact on processes is only slightly higher than last year, and there appears to be less concern about necessary staffing changes this year than last.

Figure 6: **Changing government requirements across jurisdictions**

Q. In which jurisdiction(s) are you encountering, or expecting to encounter, the greatest challenges in meeting changing government requirements, and what steps are you planning on taking to overcome those challenges?



Number of responses (Responsible for Indirect Tax 159); (NOT responsible for Indirect Tax 117)

Source: Thomson Reuters 2022

Jurisdictionally, changes in US state tax regulations are expected to present the greatest challenge, and certain states, such as California, Texas, and New York, are more of a concern than many entire countries. Changes in the United Kingdom (UK) and Canada are also high on the list, and though the European Union is ranked lower than Australia or Mexico as to which jurisdictions present the greatest challenge, written responses in the survey cited the OECD's Pillar 2 as a coming change of almost universal importance.

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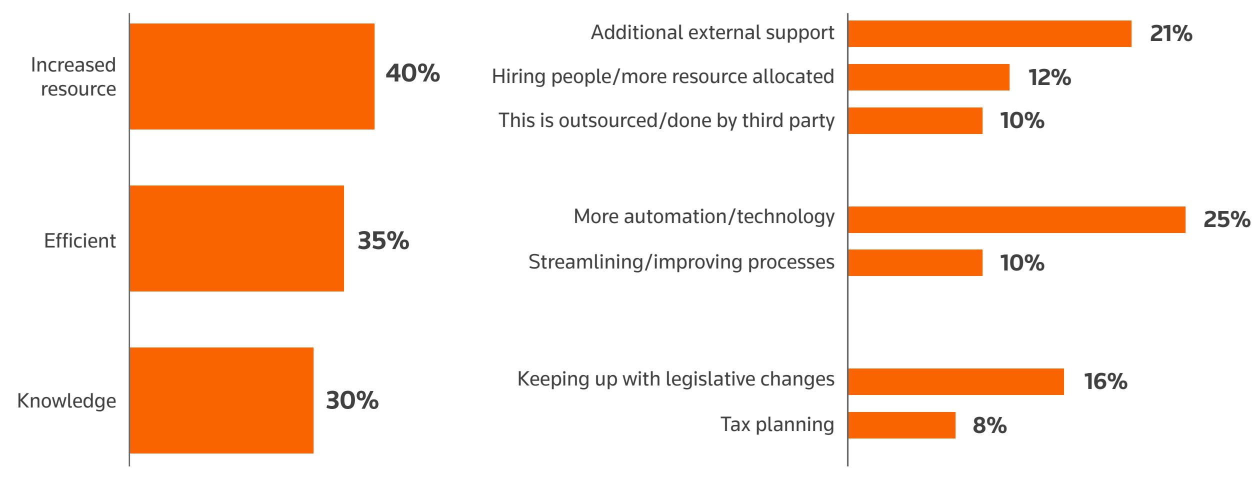
Figure 7: Changing government requirements across jurisdictions

Q. In which jurisdiction(s) are you encountering, or expecting to encounter, the greatest challenges in meeting changing government requirements, and what steps are you planning on taking to overcome those challenges?



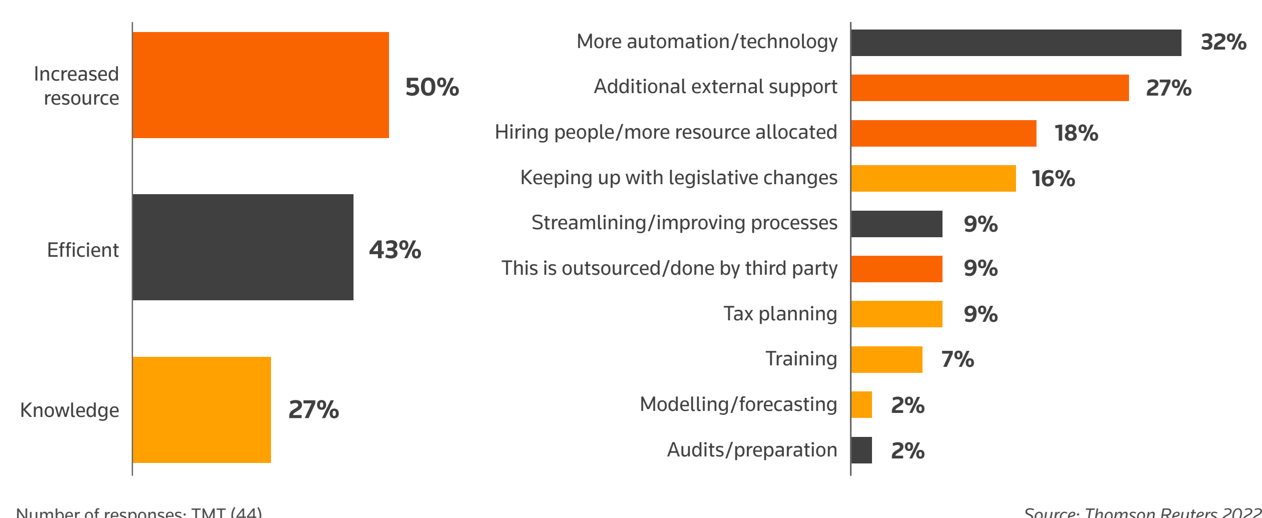
Number of responses (Responsible for Indirect Tax 159); (NOT responsible for Indirect Tax 117)

Source: Thomson Reuters 2022

In order to deal with coming regulatory changes, 40% of respondents said they would need additional resources in the form of external support, new hires, and outsourcing to a third party. More than one-third (35%) cited the need for more efficient automation technology and streamlined processes; while 30% said they would need to work harder to keep up with legislative changes and implement better tax planning.

Figure 8: Changing government requirements impacting the Tech sector

Q. In which jurisdiction(s) are you encountering, or expecting to encounter, the greatest challenges in meeting changing government requirements, and *what steps are you planning on taking to overcome those challenges?* – TMT sector



Number of responses: TMT (44)

Source: Thomson Reuters 2022

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These needs were even more pronounced in the tech sector, where almost everyone expects regulatory changes sometime within the next two years. In the tech sector specifically, fully half of companies said they need additional resources in the form of external support and outsourcing, while 43% cited the need for more automation/technology and process streamlining, and 27% said they need more tax knowledge and training.

MANAGEMENT TIPS:

- Companies' tax departments that see themselves at the chaotic, reactive side of the tech sophistication scale should develop a thorough five-year tech-development plan, and work hard to get buy-in from their C-suites.
- Don't forget that one of the things a well-developed and supported automated system can do is keep track of, and calculate, any tax changes due to regulatory reform.

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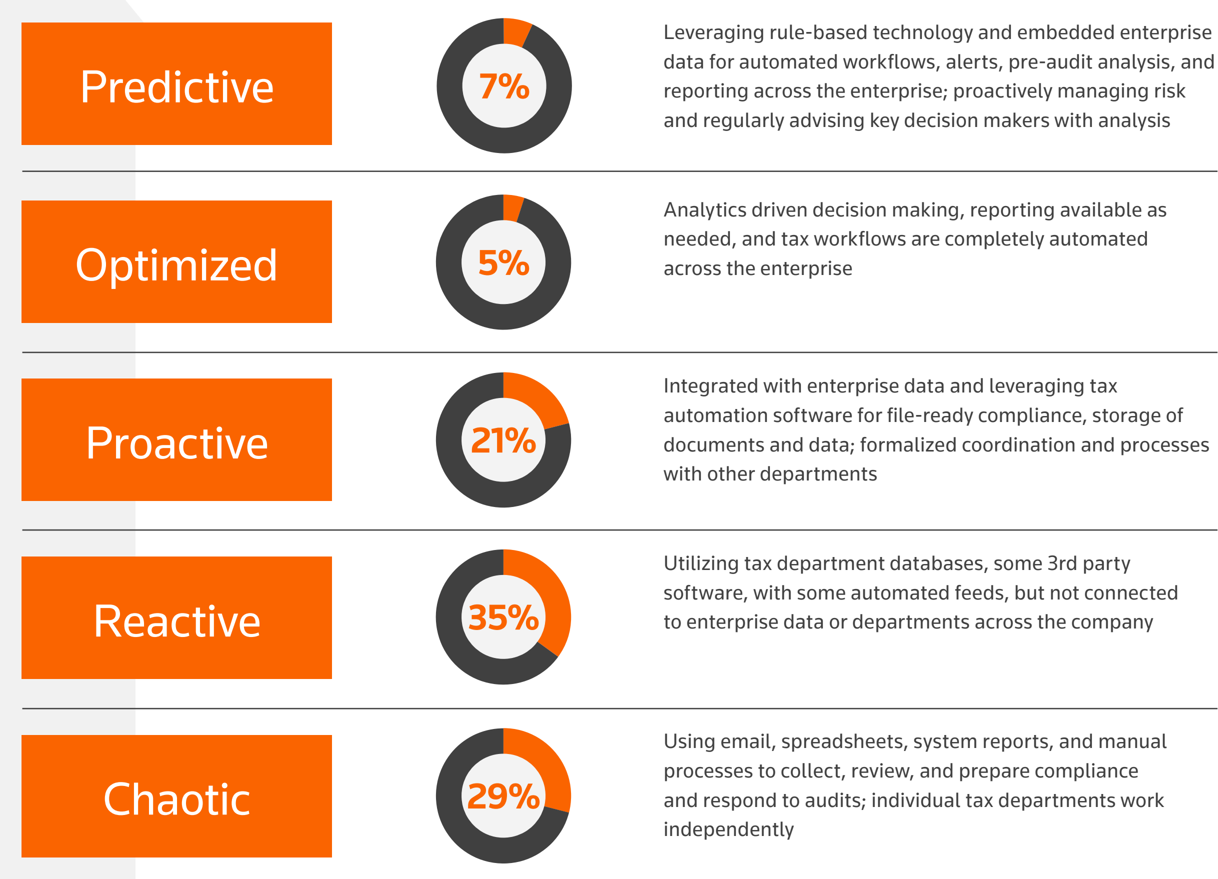
Section 2: The technological journey continues

In the grand scheme of things, the main drivers of change in corporate tax departments are the increasing digitization of the government taxation regime around the world, efficiencies enabled by tax technology, and the broader range of business intelligence and insight available to companies through more sophisticated analytics of their own tax data.

Technology is at the heart of all these change drivers. After all, ever-improving tax technologies are what allow governments to demand tax data from corporations in something close to real time, and the expanding capabilities of tax technologies are what create the efficiencies that corporate leaders have come to expect, if not demand. Technology also enables the more robust forms of risk assessment and strategic intelligence that corporate leaders have come to rely upon.

Figure 9: **Technology – increasing levels of sophistication**



Number of responses: (575)

Source: Thomson Reuters 2022

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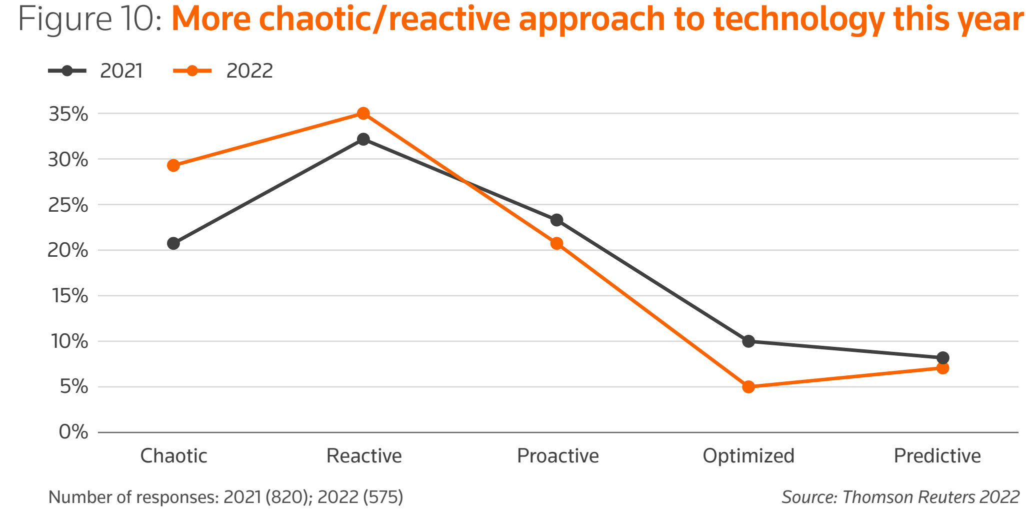
Figure 10: **More chaotic/reactive approach to technology this year**



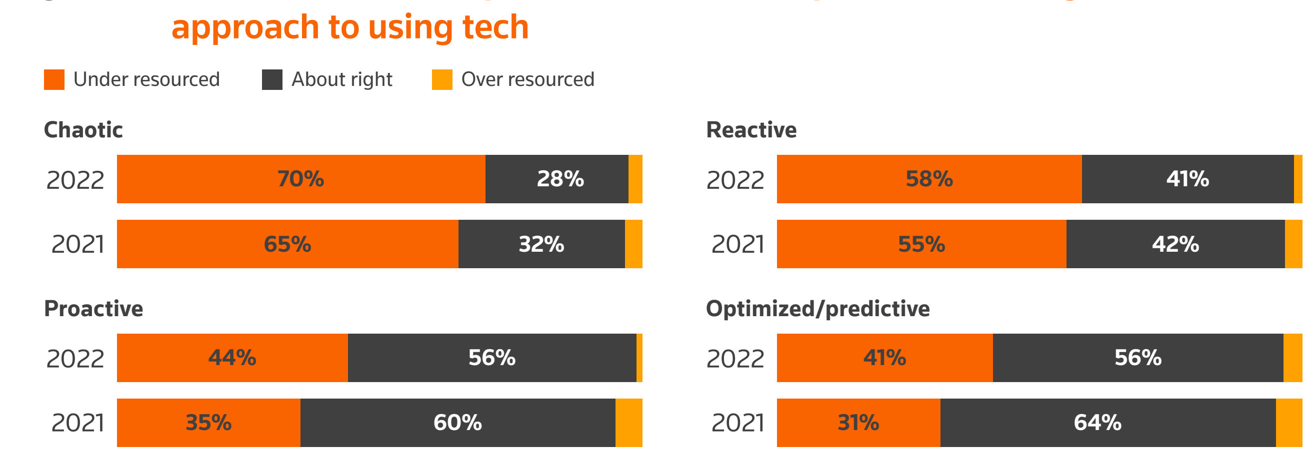
Number of responses: 2021 (820); 2022 (575)

Source: Thomson Reuters 2022

Given the increasingly important role technology is playing in the global tax universe, one might expect that corporate tax departments themselves are at least keeping up with the pace of change — unfortunately, that does not appear to be the case. As mentioned above, compared to last year's survey, almost two-thirds (64%) of this year's survey respondents rated their department's level of technological sophistication at either the *chaotic* or *reactive* stage of development (up from 53% a year ago). Under that categorization, departments may have some tax technology in use, but the company's systems, departments, and data aren't integrated enough to take full advantage of automation.

Further, fewer companies this year rated themselves as either *optimized* or *predictive*, the highest stages of development, in which the departments' fully integrated, enterprise-wide automation of workflows and reporting allows for proactive risk management and participation in strategic decision-making. Last year, 10% of departments rated themselves as *optimized*, compared to only 5% that did so this year. *Predictive* companies dropped, from 8% to 7%, as well.

Figure 11: **Under-resourced departments more likely to have less organized approach to using tech**



Number of responses: (2021/2022) Chaotic (162/162); Reactive (256/194); Proactive (181/117); Optimized/predictive (137/61).

Source: Thomson Reuters 2022

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Technology is a resource, of course, so it's not surprising that departments claiming to be under-resourced are also those more likely to find themselves on the *chaotic* end of the scale, where spreadsheets and manual processes still prevail, and tax departments are still highly siloed.

Figure 12: **Technology – increasing levels of sophistication**

Differences by size of organization

	Chaotic		Reactive		Proactive		Optimized		Predictive	
Year	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2022**	**2022**	**2021**	**2022**
Overall	**21%**	**29%**	**32%**	**35%**	**23%**	**21%**	**10%**	**5%**	**8%**	**7%**
<$50m USD	17%	42%	25%	19%	22%	26%	17%	7%	10%	5%
$50m-$1bn USD	23%	37%	31%	29%	17%	18%	16%	4%	7%	7%
$1bn-$6bn USD	26%	29%	38%	41%	22%	16%	5%	4%	6%	9%
Over $6bn USD	19%	24%	34%	41%	28%	24%	6%	5%	9%	5%
Under resourced	29%	36%	38%	36%	17%	16%	5%	3%	6%	5%
About right	14%	20%	28%	35%	29%	29%	12%	6%	11%	9%

Number of responses: (2021/2022) Overall (820/575); <$50m (122/43); $50m-$1bn (180/84); $1bn-$6bn (238/189); Over $6bn (171/191); Under resourced (368/312); About right (378/226).

Source: Thomson Reuters 2022

When viewed by the size of organization, however, it's apparent that smaller companies (those with less than $50 million in revenue) are feeling the hardest technological squeeze. In 2021, only 17% of companies with less than $50 million in revenue reported feeling chaotic, whereas 42% of companies that size identified as *chaotic* in 2022. And last year, 25% of companies with less than $50 million in revenue rated themselves *reactive*, compared to only 19% that did so this year. Likewise, only 23% of companies with between $50 million and $1 billion in revenue rated themselves *chaotic* last year, and that number jumped to 37% this year.

Tech budget

When it comes to acquiring and implementing new technology, unsurprisingly, money is the biggest hurdle for most tax departments. For many, demonstrating a return on investment (ROI) on a large technology outlay can be a challenge, and to really leverage the capabilities of a centralized, cloud-based system, the tax function must coordinate with other departments and have the initiative itself championed from upper management.

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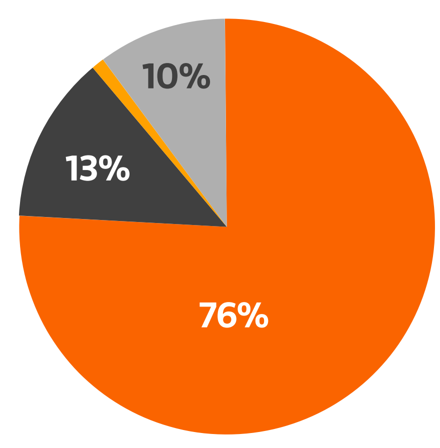
Figure 13: **Technology – budget**

Q. In your organization, which department's budget does tax technology come out of?

Q. In what circumstances does tax technology come out of a budget outside of the tax/accounting department?

- Accounting & tax department budget
- IT department budget
- Other department budget (please specify)
- It depends



Those who answered 'it depends' typically explained that sometimes the technology overlaps various functions, and budget is shared between the accounting & tax department, and the IT department:

"Globally utilized Corporate Tax software is paid by IT, but specific locally utilized Tax software is paid by Tax/Accounting."

"If there is a benefit outside of tax then most likely cost is shared between tax and other department."

"When the technology overlaps tax and other functions."

Number of responses: (577)

Source: Thomson Reuters 2022

Given the budgeting structure at many companies, however, this kind of coordination can be difficult. In three-quarters of companies (76%), for example, investments in tax technology come out of the accounting & tax department budget, whereas only 13% comes out of IT — stats that are consistent with last year's study. Only a very few (10%) companies allowed for budget crossover, and then only if the benefit of the technology investment was "shared between tax and other departments."

This of course means that when making the case for new tax technology, leaders in the tax department must demonstrate how *other* departments throughout the rest of the company will benefit, not just the tax department.

MANAGEMENT TIPS:

- When calculating ROI on a tax tech investment, don't forget to include improvements to the organization's strategic intelligence and the time saved assimilating different technologies from M&A activity.

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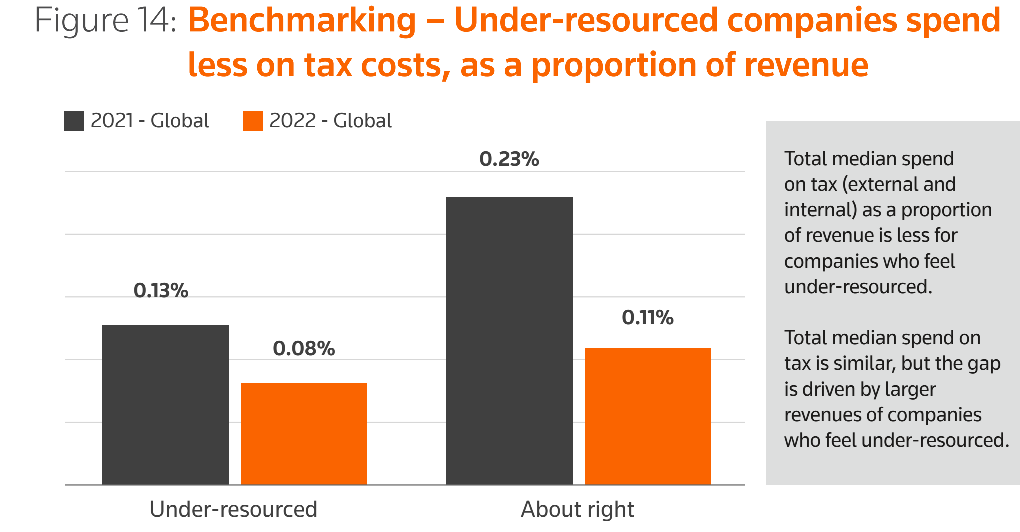
Section 3: Tax department spending

Figure 14: **Benchmarking – Under-resourced companies spend less on tax costs, as a proportion of revenue**

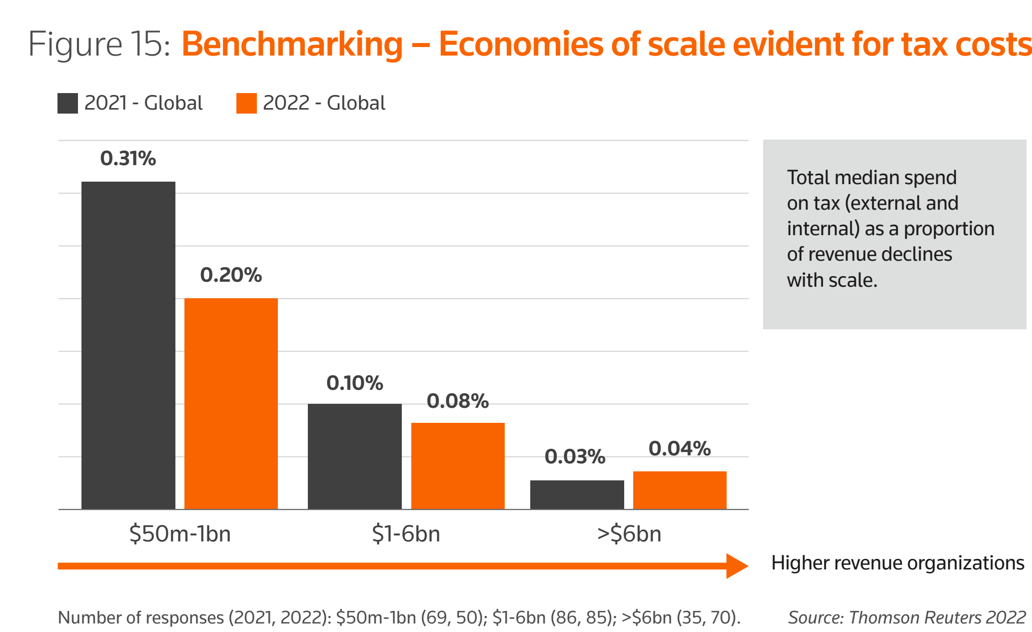


Number of responses (2021, 2022): Under-resourced (114, 120); About right (114, 88). *Source: Thomson Reuters 2022*

The overall budget for corporate tax departments was up in 2022, but as might be expected, companies that report being under-resourced tend to spend less on tax costs in proportion to their revenue. In 2022, the median spend on the tax function for under-resourced companies was about .08% of revenue, whereas in departments that felt their budgets were "about right," spending was up around .11% of total revenue.

Cost of a tax department

Figure 15: **Benchmarking – Economies of scale evident for tax costs**



Number of responses (2021, 2022): $50m-1bn (69, 50); $1-6bn (86, 85); >$6bn (35, 70). *Source: Thomson Reuters 2022*

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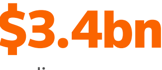
When it comes to tax costs, however, significant economies of scale kick-in based upon how large an organization may be. In 2022, the median total cost of running a tax department was .20% of revenue for companies that had revenues between $50 million and $1 billion, but down around .04% for companies with revenues of higher than $6 billion.

Figure 16: **Revenue and budgets**



median revenue

$1.1m

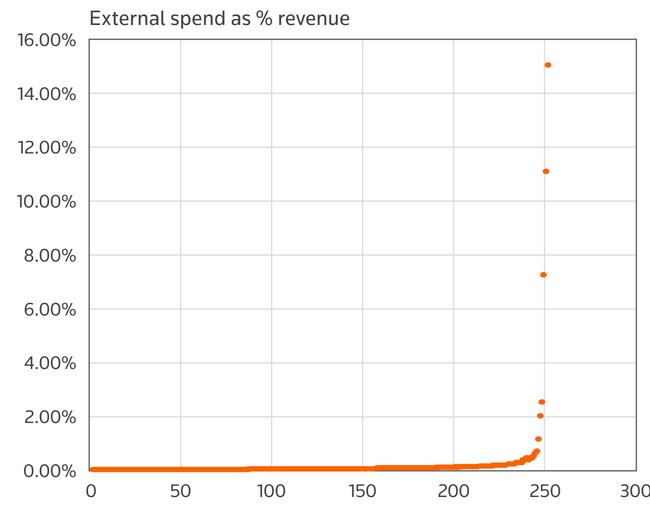
median internal budget

$700k

median external budget

0.03%

median external spend to revenue ratio

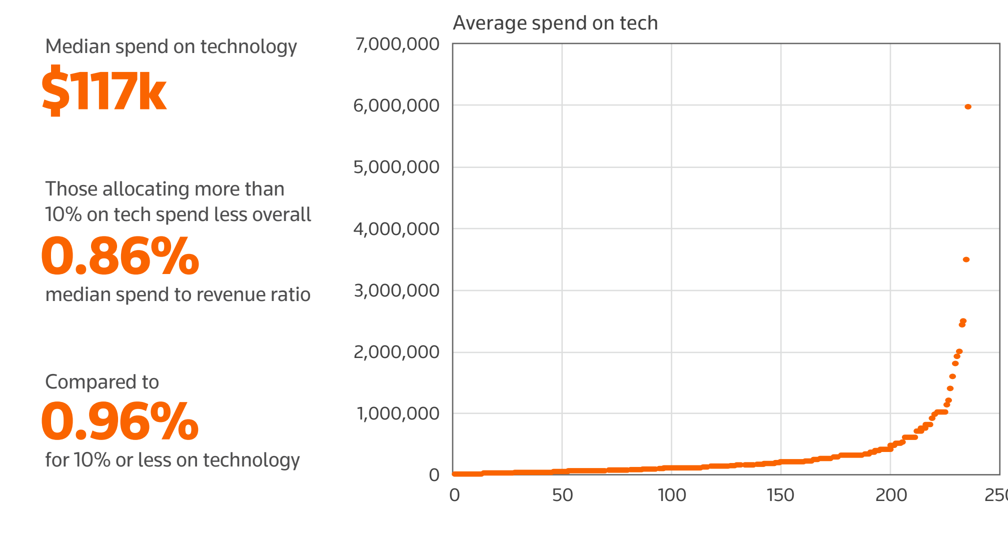


Number of responses: (244-407).

Source: Thomson Reuters 2022

Looking at median revenue-to-budget ratios, the median budget for companies responding to our 2022 survey was $3.4 billion, while the median budget for technology was split between $1.1 million for internal budgets and $700,000 for external budgets, resulting in a median external spend-to-revenue ratio of .03%. Almost all the companies responding in 2022 spend less than 1% of revenue on external tax support, and as the chart above illustrates, only a few companies spend more than 2%.

Figure 17: **Average spend on technology**



Number of responses: (142-243).

Source: Thomson Reuters 2022

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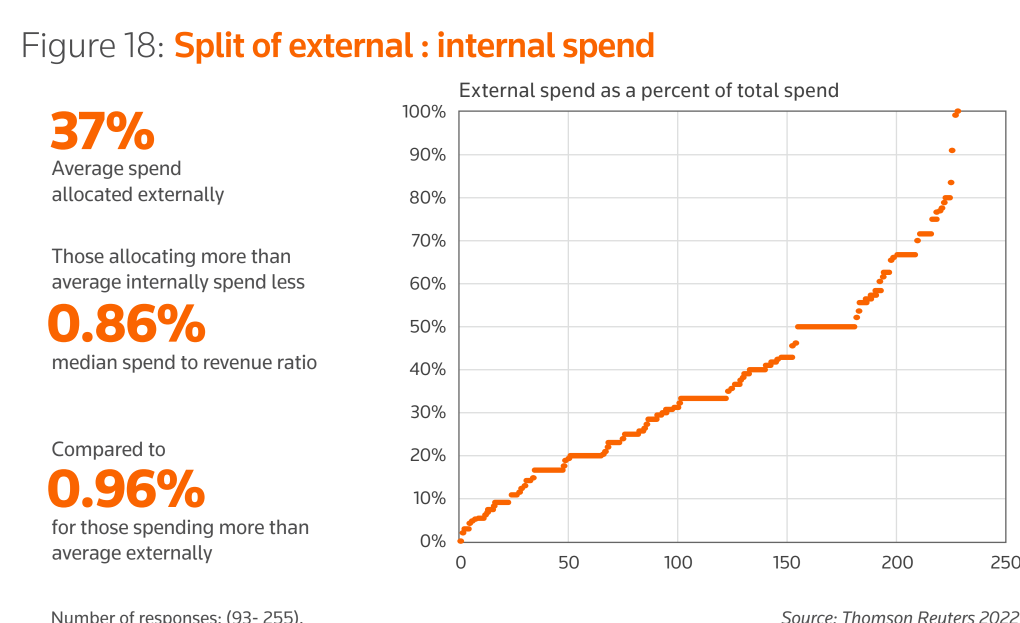
In raw dollars, companies that spend more than 10% of their tax department budget on technology tend to spend *less* on their *overall* tax budget. For example, companies that spend 10% or less of their tax budget on tech spend a median of .96% of their overall budget on the tax department itself, while those companies that spend *more* than 10% of their tax budget on tech spend only .86% of overall revenue on the tax function.



The average external allocation as a portion of total spend is 37%.

Figure 19: **Total spend as a proportion of revenue**

Impact of resourcing being 'about right'

Total spend as a proportion of revenue (median)		Total	Resourcing 'about right'
Overall		0.09%	0.11%
Role	VP of Tax/Senior Director of Tax	0.09%	0.12%
	Director/Senior Manager of Tax	0.09%	0.09%
Responsibility	Direct Tax	0.09%	0.12%
	Indirect Tax	0.1%	0.12%
	Property Tax	0.1%	0.12%
	Transfer Pricing	0.09%	0.12%
Organization HQ	US	0.09%	0.11%

Total spend as a proportion of revenue (median)		Total	Resourcing 'about right'
Overall		0.09%	0.11%
Industry	General industries	0.09%	0.12%
	Consumer, food and health	0.05%	0.06%
	TMT	0.2%	0.2%
Gender	Male	0.1%	0.11%
	Female	0.08%	0.12%
Age	41 to 50 years	0.08%	0.06%
	51 to 60 years	0.1%	0.15%
Revenue	$50m-$1bn USD	0.2%	0.18%
	$1bn-$6bn USD	0.08%	0.1%
	Over $6bn	0.04%	0.05%

Source: Thomson Reuters 2022

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As mentioned above, the sweet spot for resourcing in tax departments that feel they've got it "about right" is around .11%, but for companies with revenues between $50 million and $1 billion it's up around .18%, and up as high as .2% in the tech sector.

Figure 20: Global total headcount

Impact of resourcing being 'about right'

Global total headcount		Total		Resourcing 'about right'	
		Mean	Median	Mean	Median
Overall		**32**	**12**	**22**	**13**
Role	VP of Tax/Senior Director of Tax	23	13	18	12
	Director/Senior Manager of Tax	48	14	21	14
	Tax Manager/ Assistant TM	18	10	15	10
Responsibility	Direct Tax	31	12	21	13
	Indirect Tax	19	10	17	11
	Property Tax	19	10	14	11
	Transfer Pricing	25	12	21	13
	Global Trade	18	11	18	12
Organization HQ	US	27	13	22	13

Global total headcount		Total		Resourcing 'about right'	
		Mean	Median	Mean	Median
Overall		**32**	**12**	**22**	**13**
Industry	Financial institutions	21	11	20	8
	General industries	25	13	18	13
	Consumer, food and health	19	12	16	13
	TMT	41	16	31	17
Gender	Male	35	11	20	13
	Female	25	13	25	13
Age	31 to 40 years	50	12	21	13
	41 to 50 years	24	12	22	13
	51 to 60 years	21	10	19	12
Revenue	$50m-$1bn USD	8	4	13	5
	$1bn-$6bn USD	18	10	15	11
	Over $6bn	63	32	38	30

Source: Thomson Reuters 2022

Headcount

For tax departments, having the right number of people in each role is a key factor in departmental effectiveness.

How do those numbers translate into number of employees?

In 2022, the average corporate tax department had a headcount of 32, but the average headcount for companies claiming their resourcing was "about right" was 22. Interestingly, the median headcount was about the same — 12 or 13 — no matter what. However, larger companies with more than $6 billion in revenue employ an average of 63 people in their tax departments. In terms of responsibility, more people are devoted to direct tax and transfer pricing than other areas of tax; and by industry, the tech sector tends to employ more tax pros than other industries by a fairly wide margin.

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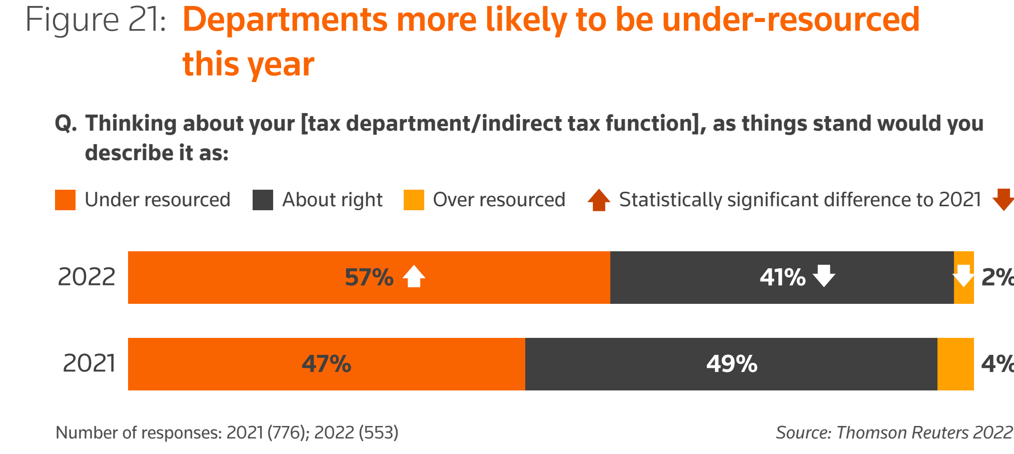
Section 4: Resources — getting it right

Because effectiveness and efficiency are such important strategic priorities for tax departments in general, it should be noted (although, it should almost go without saying) that the most effective, efficient tax departments are those that have sufficient resources to fulfill their responsibilities without piling undue pressure on existing staff.

Perhaps it's because so much regulatory change is expected, and many tax departments know they are not fully prepared — but nevertheless, there appear to be fewer companies in 2022 that feel adequately resourced than there were last year.

Figure 21: Departments more likely to be under-resourced this year

Q. Thinking about your [tax department/indirect tax function], as things stand would you describe it as:



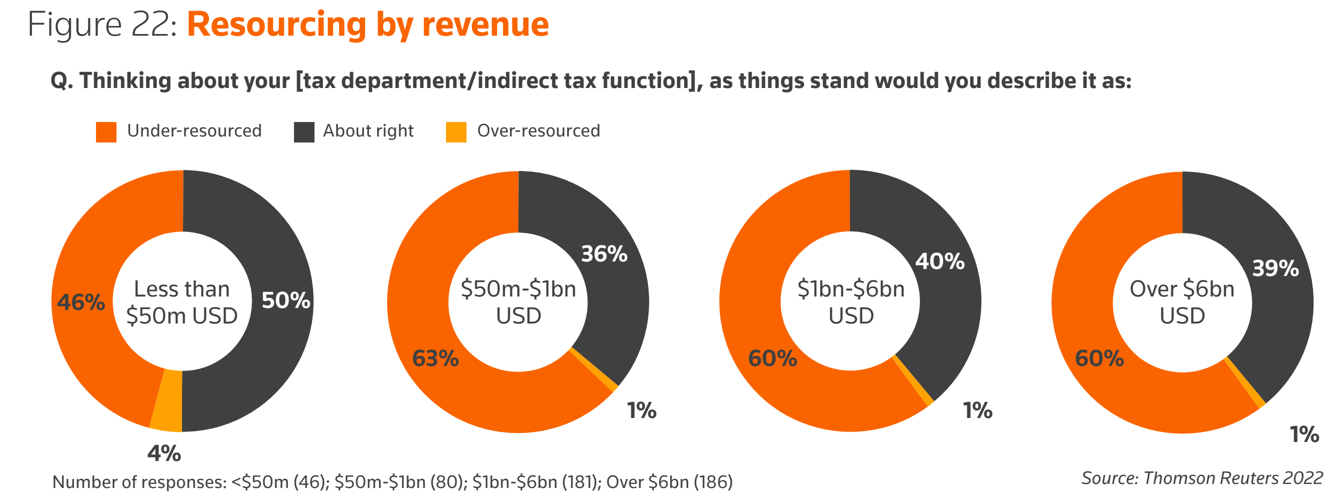
Number of responses: 2021 (776); 2022 (553)

Source: Thomson Reuters 2022

Indeed, 57% of respondents this year said their departments were under-resourced, which is a 10-percentage point increase over last year. The good news is that 41% still feel they've got their resourcing "about right," and a lucky 2% say they actually have more resources than they need.

Figure 22: Resourcing by revenue

Q. Thinking about your [tax department/indirect tax function], as things stand would you describe it as:



Number of responses: <$50m (46); $50m-$1bn (80); $1bn-$6bn (181); Over $6bn (186)

Source: Thomson Reuters 2022

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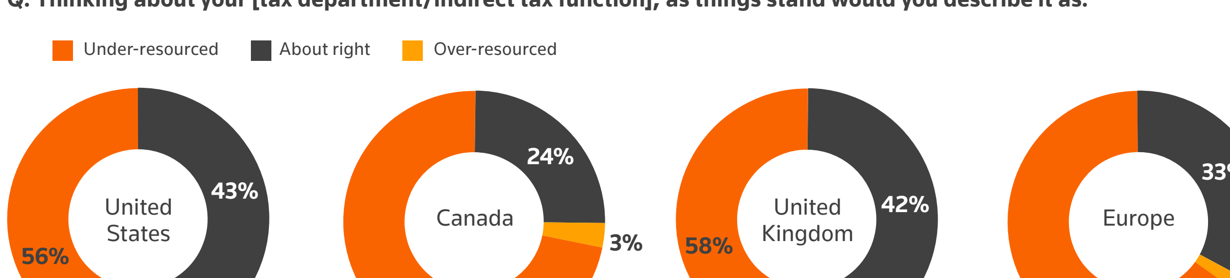
Interestingly, companies with less than $50 million in revenue were more likely to say they have the resources they need, but companies in this category were also the ones most likely to say they are behind the curve technologically. This may be because smaller companies are more likely to have a smaller global footprint and are therefore less concerned about regulatory changes outside their operational jurisdictions. It could also mean, however, that the tax function at these companies is more focused on reporting and compliance, so fewer of them have yet to stress their legacy systems to the breaking point.

In any event, while 46% of companies with less than $50 million in revenue said they are under-resourced, that number jumps to 63% for companies with more than $50 million in revenue, and holds relatively steady beyond that. In other words, once you get above $50 million in revenue, regardless of the company's size, the majority of corporate tax departments don't feel they have the resources needed to do their jobs. And if you break this down by country, it appears that companies headquartered in Canada and Europe are more likely to feel under-resourced than those in the US and UK.

Figure 23: **Resourcing by organization HQ**

Q. Thinking about your [tax department/indirect tax function], as things stand would you describe it as:



Number of responses: US (410); Canada (29); UK (26); Europe (43) Low

Source: Thomson Reuters 2022

Shoring up resources: What to do?

As for how companies plan to address their resource deficiencies in the next year or two, the majority of companies appear to have a similar strategy: First, find as many efficiencies as possible — primarily through tax technology upgrades and automation — then recruit and hire qualified tax professionals to fill the gaps, and/or outsource remaining work to a third party.

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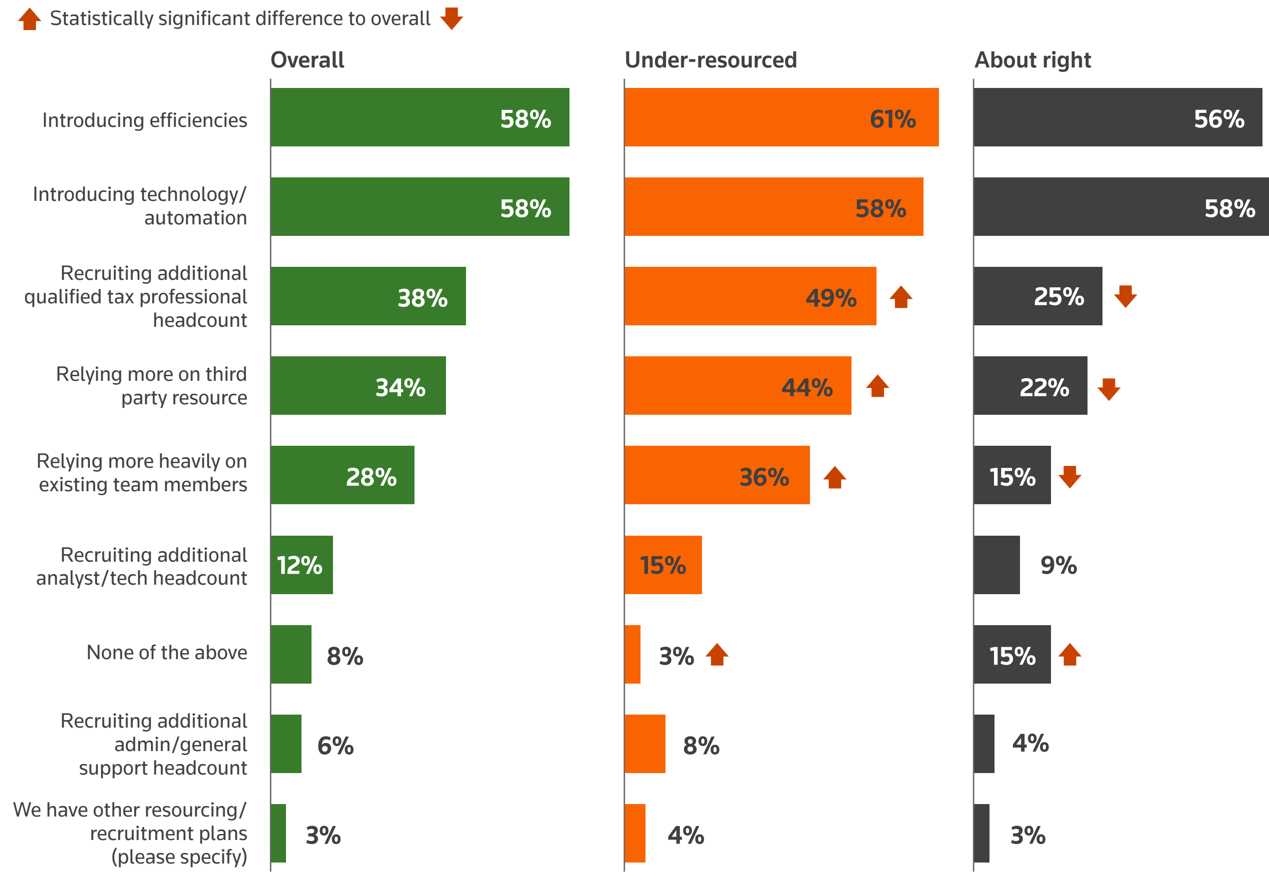
Figure 24: **Changes in resourcing/recruitment strategy**



Number of responses: Overall (554); Under-resourced (307); About right (218)

Source: Thomson Reuters 2022

Interestingly, the starkest differences are between what under-resourced companies say they are planning to do compared to what companies with a better resource balance are planning. In addition to introducing technological efficiencies, almost half (49%) of under-resourced companies anticipate adding to their headcount while also asking more of their existing team members and outsourcing more work to a third party. Alternatively, companies that claim their resourcing is "about right" have roughly the same technological game plan, but foresee much less need to hire extra people (25%), add to the workload of existing employees, or outsource work to a third party.

MANAGEMENT TIP:

- Optimal resourcing isn't just about numbers, it's also about people — so asking employees what they need and what they lack is a metric that shouldn't be overlooked.

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Section 5: Talent — finding and keeping good people

The increasing need for corporate tax departments to adopt more sophisticated forms of technology in order to keep up with changes in regulatory requirements and demands for more strategic intelligence is also changing the nature and character of the tax & accounting profession overall. As older workers retire, younger staff entering and advancing in the profession need a different skillset than their predecessors, one that includes more advanced technical skills, better leadership and communication skills, and a better understanding of their company's overall business strategy.

However, the companies in need of this broader skillset are also finding that they must meet the next generation of employees at least half-way. Younger workers who have lived through the pandemic now have different expectations about how their careers should progress, how they prefer to work, how they expect to be treated at work, and how loyal they are likely to be if their expectations aren't met. Further, because job opportunities are so fluid these days, experienced mid-career professionals are more likely to jump ship as well if they feel like their careers have stagnated.

Companies that fail to recognize these cultural shifts are likely to lose good people to those companies that do — and as any HR person in the business can testify, the competition for qualified, technically competent tax professionals has never been more intense.

Career progression: The current and future workforce

In order to help companies and their tax departments better understand what to expect from the current and future tax workforce and what needs still have to be met, our 2022 study focused a number of questions on these and other workplace issues.

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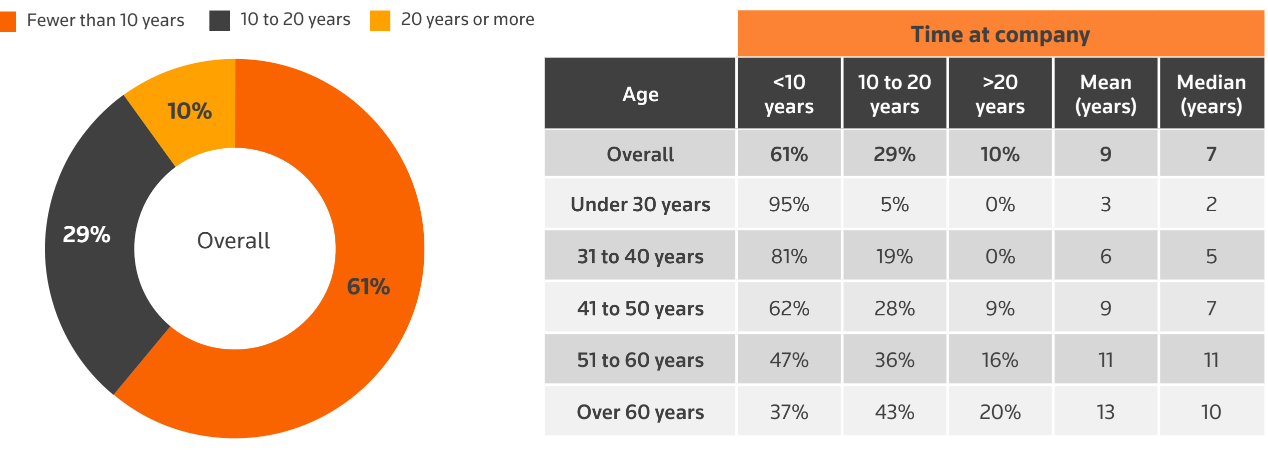
Figure 25: Approximately 60% have been at their current company less than 10 years

Q. For how long, to the nearest year, have you worked at your present company? Please include time spent at a previous company if your previous company merged with your current one firm.



Age	Time at company				
	<10 years	10 to 20 years	>20 years	Mean (years)	Median (years)
Overall	61%	29%	10%	9	7
Under 30 years	95%	5%	0%	3	2
31 to 40 years	81%	19%	0%	6	5
41 to 50 years	62%	28%	9%	9	7
51 to 60 years	47%	36%	16%	11	11
Over 60 years	37%	43%	20%	13	10

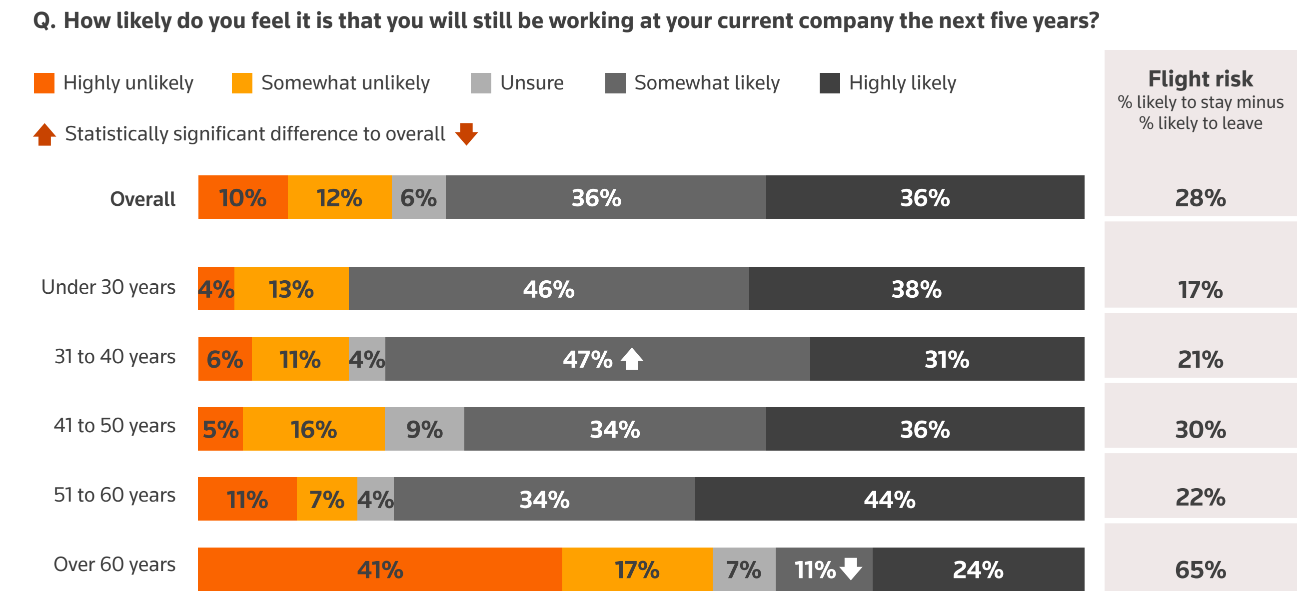
Number of responses: Overall (556); Under 30 (22); 31 to 40 (145); 41-50 (151); 51-60 (165); Over 60 (46) Low

Source: Thomson Reuters 2022

To begin with, our 2022 research shows that almost two-thirds (61%) of the current tax workforce has been working at their current company for 10 years or less — and, despite everything, they are fairly loyal.

Figure 26: High flight risk among those aged 41 to 50 years

Q. How likely do you feel it is that you will still be working at your current company the next five years?



Number of responses: Overall (579); Under 30 (24); 31 to 40 (156); 41-50 (155); 51-60 (167); Over 60 (46) Low

Source: Thomson Reuters 2022

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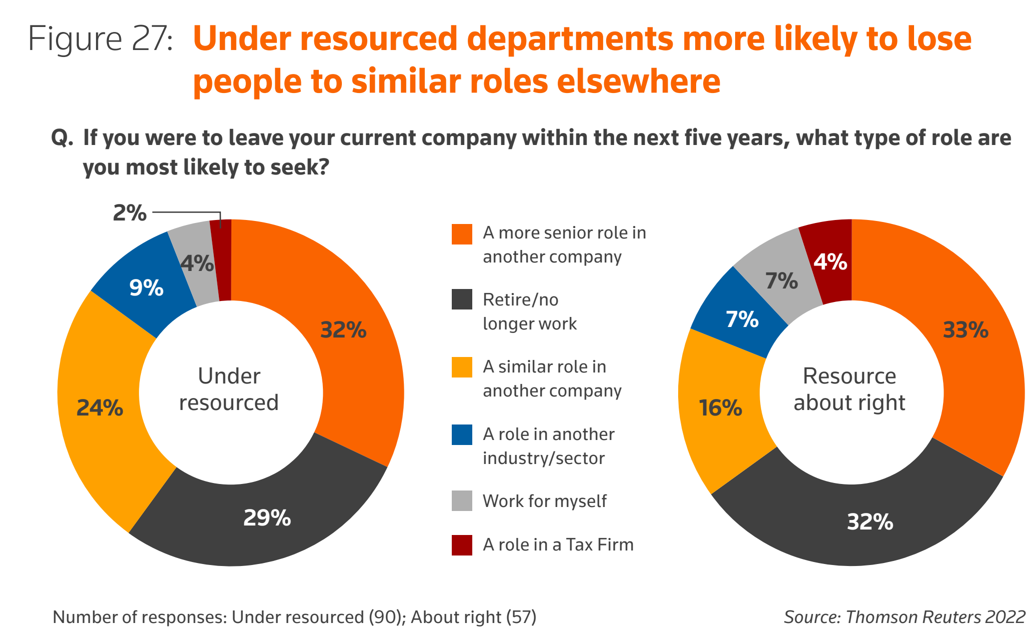
When asked how likely it is that they will still be working for their current company in five years, only 17% of workers under 30 thought they would leave, and only 21% from ages 31 - 40 thought they might flee. By far the highest flight risk exists in the over-60 crowd, two-thirds of whom said the exit door was in sight, largely due to retirement.

In terms of flight risk, companies should be most concerned about mid-career professionals, those between 41 and 50 years of age. Often this group represents the valuable veterans who are highly experienced, have a great deal of institutional knowledge, and — especially if they aspire to higher leadership positions — are looking to make a definitive career move.

In this year's survey, almost one-third (30%) of employees ages 41-50 were unsure whether they'd stay in place for another five years, and 18% of those ages 51-60 said it was either "somewhat" or "highly" unlikely that they'd be staying. Further, under-resourced companies reported being more likely to lose people who are simply moving to a different company to work in a similar role.

Figure 27: **Under resourced departments more likely to lose people to similar roles elsewhere**



Number of responses: Under resourced (90); About right (57)

Source: Thomson Reuters 2022

Keeping the troops happy

As for the most common reasons given for considering a move, "feeling under-appreciated" tops the list, followed by lack of career progression, unhappiness with the company culture, compensation, and a general lack of investment in the tax department itself.

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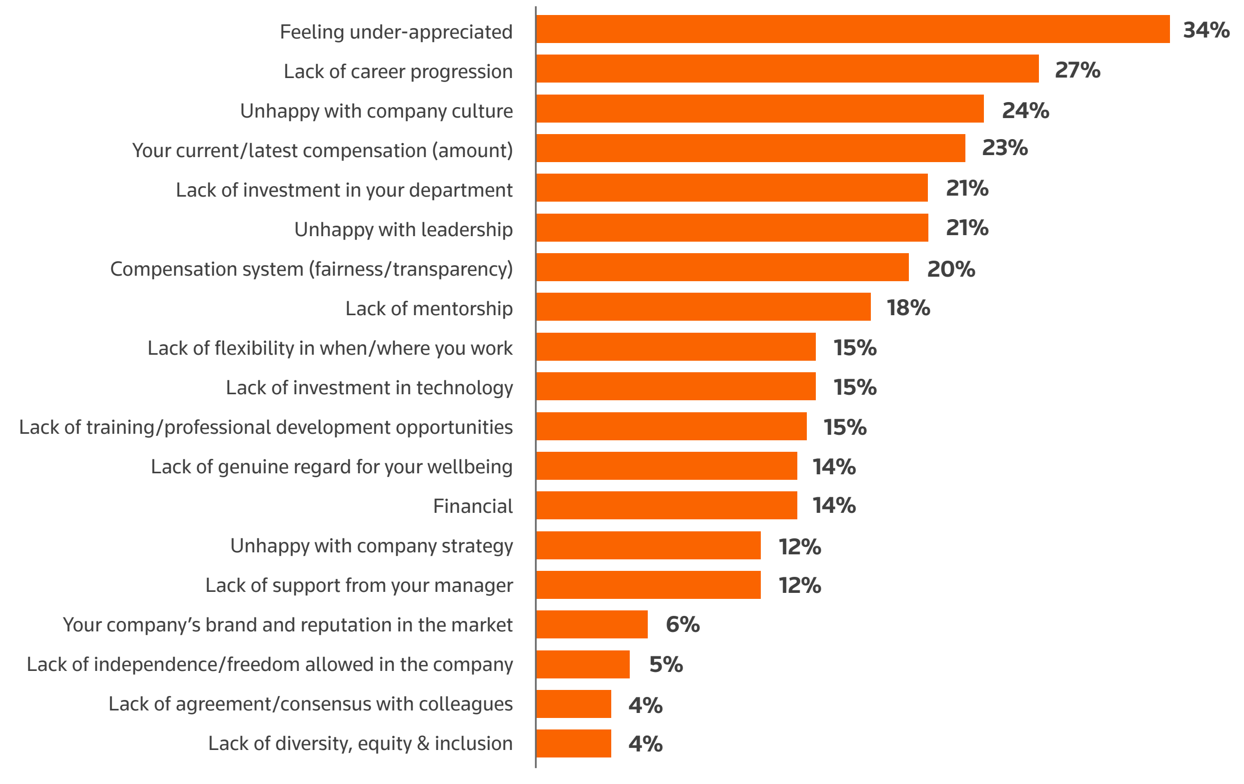
Figure 28: Feeling under-appreciated and lack of career progression drives flight risk

Q. Are any of the following factors making you consider moving?

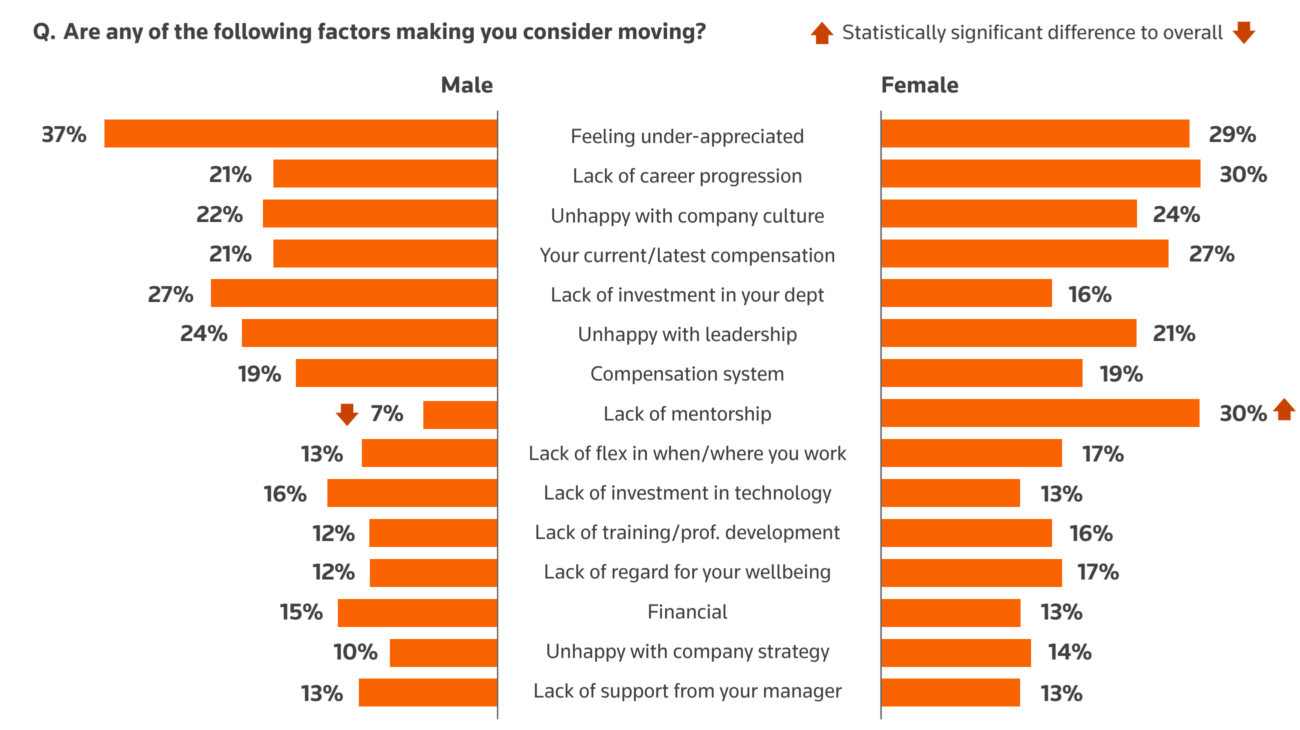


Number of responses: Overall (142)

Source: Thomson Reuters 2022

Figure 29: Females point to a lack of mentorship significantly more so than males

Q. Are any of the following factors making you consider moving?



Number of responses: Male (67); Female (63)

Source: Thomson Reuters 2022

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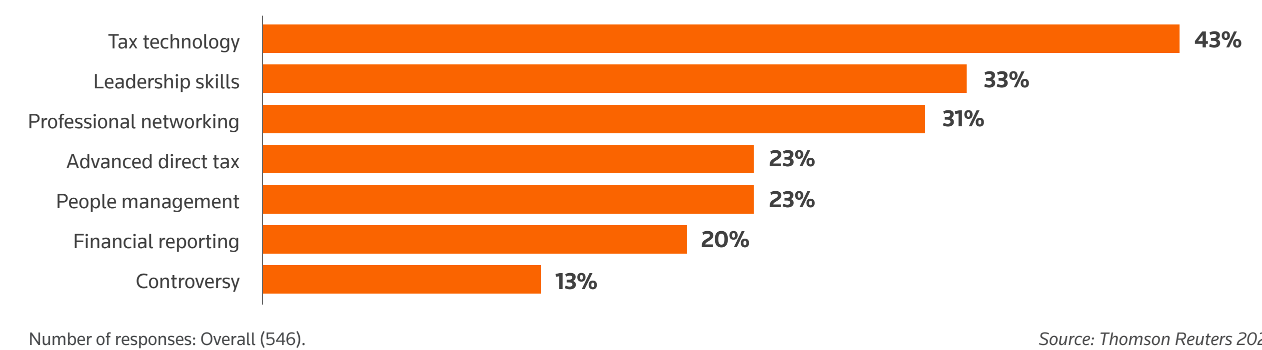
When broken down by gender, however, women are far more likely than men to cite "lack of mentorship" and "lack of career progression" as reasons for job dissatisfaction. Men, interestingly, were more likely than women to feel under-appreciated — yet another reminder that job frustration in the workplace comes in many forms.

Figure 30: Technology the main skill gap identified as needing to be addressed

Q. What, if any, skills or experience gaps do you need to address in order to make a successful career move in the next five years?



Number of responses: Overall (546).

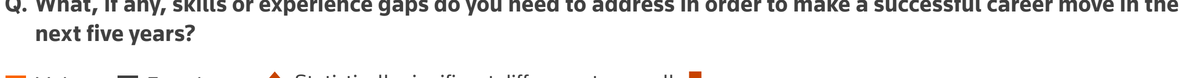
Source: Thomson Reuters 2022

Skills gaps

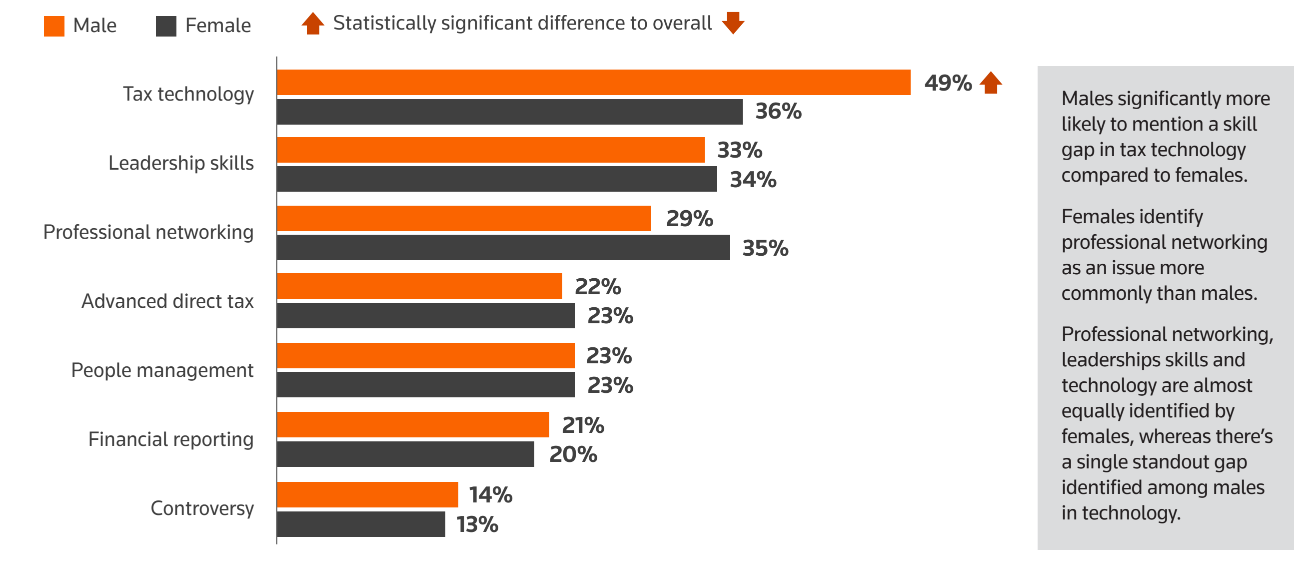
For those who want to advance their careers, technical knowledge and leadership skills are the areas tax professionals feel they should focus on.

Given the increasing role of technology in tax departments, coupled with the rapid pace of technological change, it is perhaps not surprising that expertise in tax technology continues to be cited as the most pressing skills gap for people who want to move up in their careers.

Figure 31: Males identify technology skill gap more frequently than females



Q. What, if any, skills or experience gaps do you need to address in order to make a successful career move in the next five years?



Number of responses: Overall (546); Male (257); Female (241)

Source: Thomson Reuters 2022

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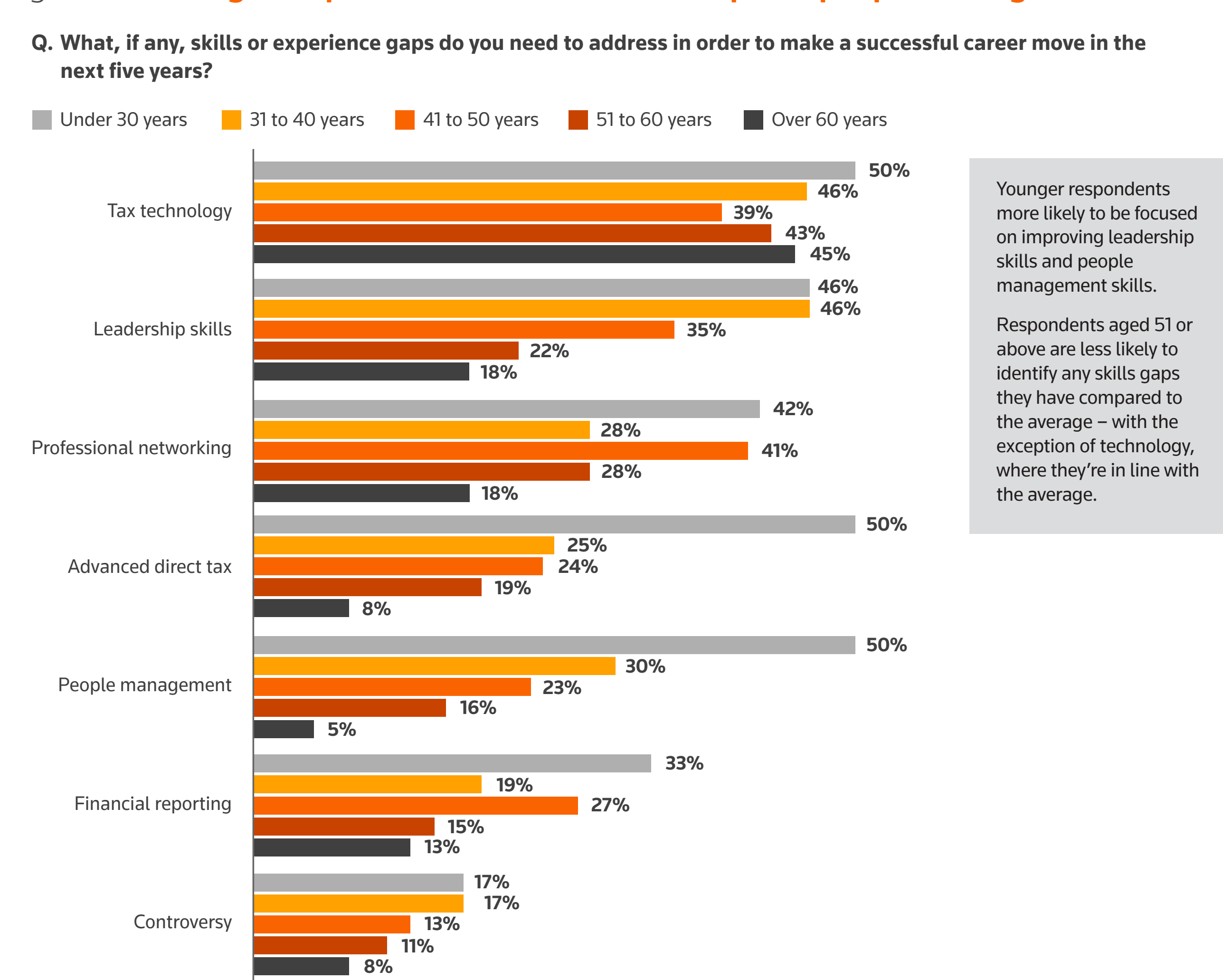
Interestingly, in this year's survey, almost half (49%) of male respondents identified tax technology as the skills gap that they are most concerned about, whereas only 36% of women did. By contrast, women were more likely to think professional networking and leadership skills were areas on which they should focus to advance their careers.

Figure 32: **Younger respondents focus on leadership and people management skills**

Q. What, if any, skills or experience gaps do you need to address in order to make a successful career move in the next five years?



Number of responses: Overall (546); Under 30 (24); 31 to 40 (155); 41-50 (150); 51-60 (152); Over 60 (38) Low

Source: Thomson Reuters 2022

In addition to tax technology skills, younger respondents — those under 40 years old — were more likely to express interest in improving their leadership and people management skills. Meanwhile, veterans above the age of 51 were less likely to acknowledge any skills gaps other than technology, where they admitted at least some room for improvement. And those hoping to advance their career into a senior role at another company were more likely to identify leadership and people management skills as keys to greater success.

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Figure 33: More senior roles require leadership and people management skills

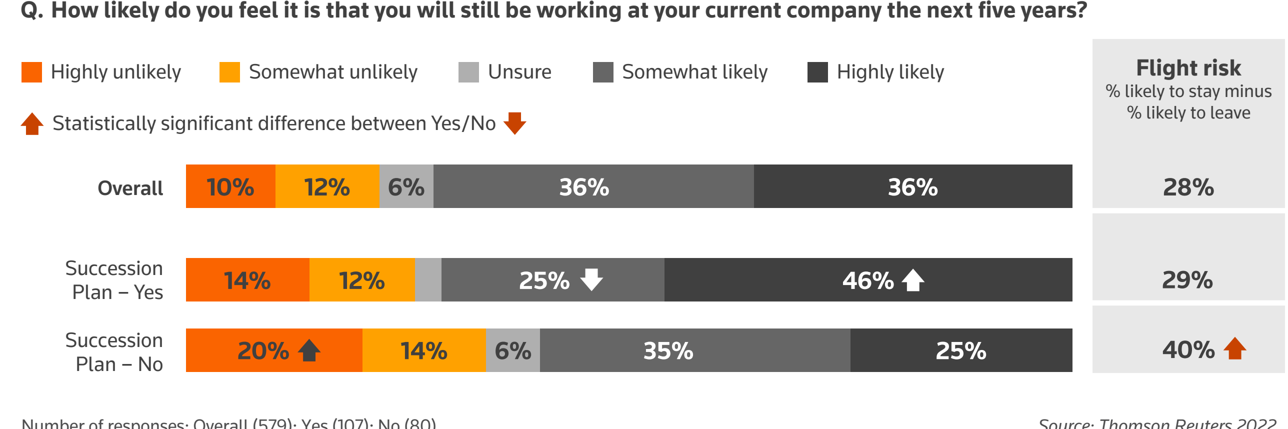
Q. What, if any, skills or experience gaps do you need to address in order to make a successful career move in the next five years?

Number of responses: Overall (546); Similar role (34); More senior role (48)

Source: Thomson Reuters 2022

Figure 34: Those without succession plans have greater flight risk

Q. How likely do you feel it is that you will still be working at your current company the next five years?



Number of responses: Overall (579); Yes (107); No (80)

Source: Thomson Reuters 2022

Succession planning

There are risks involved in not developing a succession plan, but many departments are reluctant to develop one because would-be successors on staff don't have the proper skillset.

For upper executives or managers eyeing the top spots within a department, a succession plan can be either good news or bad news, depending on where one sits in the pecking order. Of course, for tax departments, not having a succession plan comes with risks of its own. According to this year's survey, the probable flight risk at companies *without* a succession plan is roughly 11-percentage points higher than companies with a succession plan in place.

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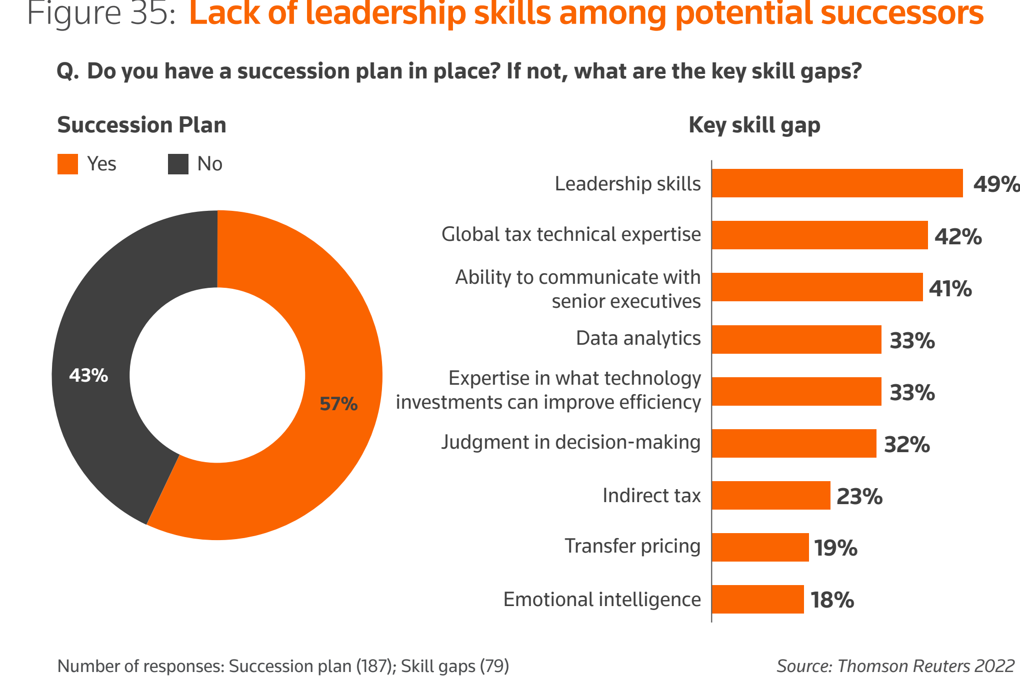
Figure 35: **Lack of leadership skills among potential successors**

Q. Do you have a succession plan in place? If not, what are the key skill gaps?



Number of responses: Succession plan (187); Skill gaps (79)

Source: Thomson Reuters 2022

Still, only 57% of the companies in this year's survey said they had a succession plan, and the average length of experience for those next in line was 10 to 20 years. So, experience is a definite prerequisite; yet, other skills come into play in leadership roles as well. Indeed, companies that had yet to decide on a successor said the most important skills they are looking for include:

- leadership skills
- technical expertise in global tax
- ability to communicate with senior executives
- experience with data analytics
- expertise in how technology investments can help department efficiency
- good judgment in decision-making

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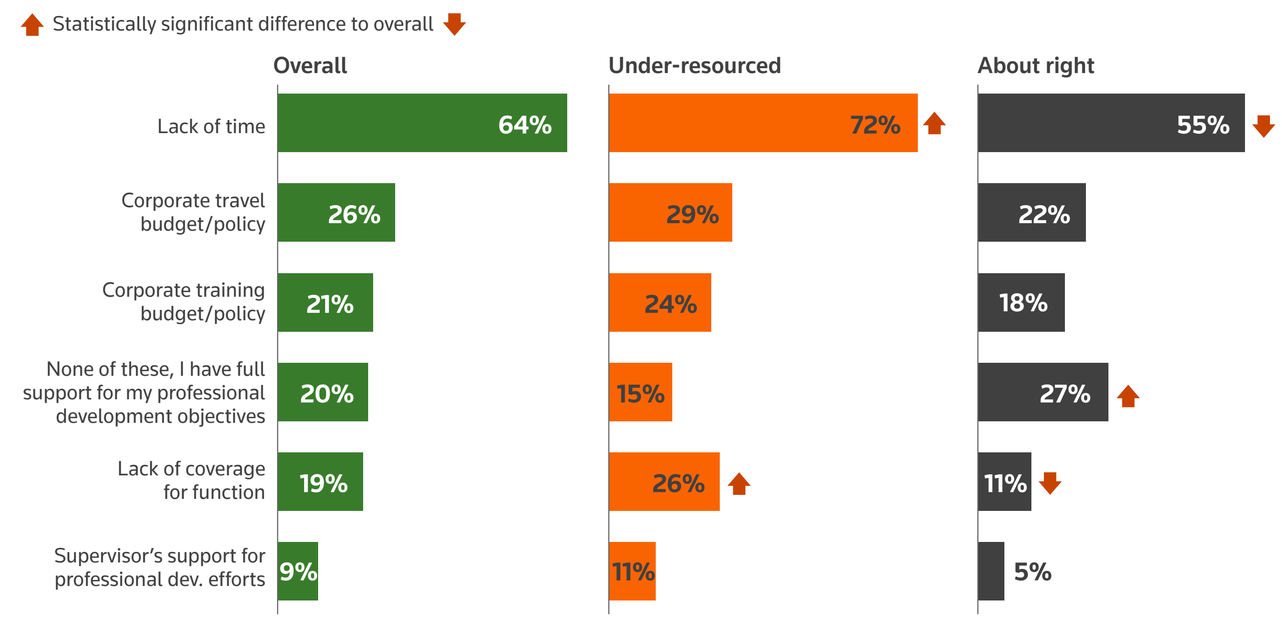
Figure 36: **Lack of time hinders professional development among under-resourced**



Number of responses: Overall (569); Under-resourced (310); About right (223)

Source: Thomson Reuters 2022

Filling skills gaps

No matter where they work, professionals across the board say lack of time and sparse travel and training budgets prevent them from pursuing their professional development goals.

While almost everyone can identify skills gaps they would like to fill, actually filling them is a much greater challenge. Without exception and by a wide margin, "lack of time" was identified as the biggest obstacle to meaningful professional development, especially for under-resourced companies, where almost three-quarters (72%) of respondents said time constraints prevented them from improving their professional skills. These results aren't surprising given that under-resourced companies are also the ones most likely to rely on working their employees harder to get the job done.

Still, even at companies that have a better sourcing balance, more than half (55%) of respondents said finding the time for professional improvement was their primary challenge, followed by limitations in the corporate travel budget, which prevents people from going to conferences and other events where development and networking are encouraged. Overall, 21% of respondents also mentioned lack of corporate training as a hurdle, although 27% of employees at fully resourced companies also felt they had full support for their professional development goals.

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Figure 37: **Most prefer virtual seminars and courses, but not necessarily first choice**

Q. How do you prefer to fulfil your professional development goals?

	First rank	Second rank	Third rank	Not ranked
In-person training (local and nonlocal)	29%	16%	9%	
Virtual seminars and courses	18%	25%	20%	
Webinars	18%	17%	19%	
Self-study	14%	9%	11%	
In-person network	10%	9%	7%	
In-person training (local only)	7%	8%	6%	
Virtual network	4%	4%	4%	

Number of responses: Overall (508)

Source: Thomson Reuters 2022

Development options and preferences

In the limited time they have to enhance their skills, today's professionals have a number of options: in-person training, virtual seminars and courses, webinars, personal networking, and various forms of self-study. Given the choice, however, more people said they prefer in-person training over other methods, but more people overall said their next best choice would be virtual seminars and courses or Webinars.

Figure 38: **Virtual seminars and courses a more common first choice among females**

Q. How do you prefer to fulfil your professional development goals?

	Male: First rank	Male: Second rank	Male: Third rank	Female: First rank	Female: Second rank	Female: Third rank
In-person training (local and nonlocal)	32%	13%	9%	28%	20%	9%
Webinars	18%	16%	19%	19%	18%	19%
Self-study	13%	11%	10%	14%	8%	11%
Virtual seminars and courses	13%	25%	21%	24%	27%	21%
In-person network	11%	7%	5%	8%	10%	8%
In-person training (local only)	9%	11%	7%	5	5	6%
Virtual network	4	2	3%	3	5	5%

Number of responses: Male (240); Female (221)

Source: Thomson Reuters 2022

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Interestingly, when asked to rank their professional development method of choice, almost twice as many women as men (24% vs. 13%) chose virtual seminars and courses as their first choice. Otherwise, the overall preferences of both men and women were more or less equal.

How people prefer to work has also shifted since before the pandemic, when being in the office most of the time was pretty much a prerequisite for tax professionals. Now, the majority of tax teams (55%) are working some sort of hybrid schedule, and only 11% report spending most or all of their time at the office. Those working in the financial and tech industries work remotely more often than those in other industries, and on average, about one-third of all tax professionals work remotely all or most of the time. By country, Canada reports having more remote workers, but the US isn't far behind, and those working in the UK and Europe are more likely to be on a hybrid schedule as well.

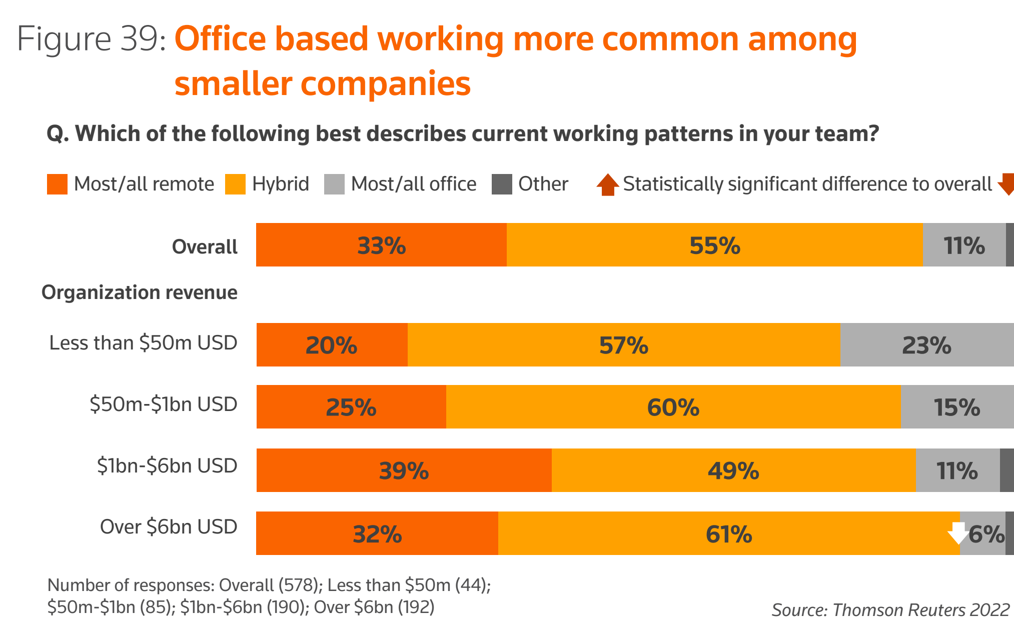

Figure 39: **Office based working more common among smaller companies**

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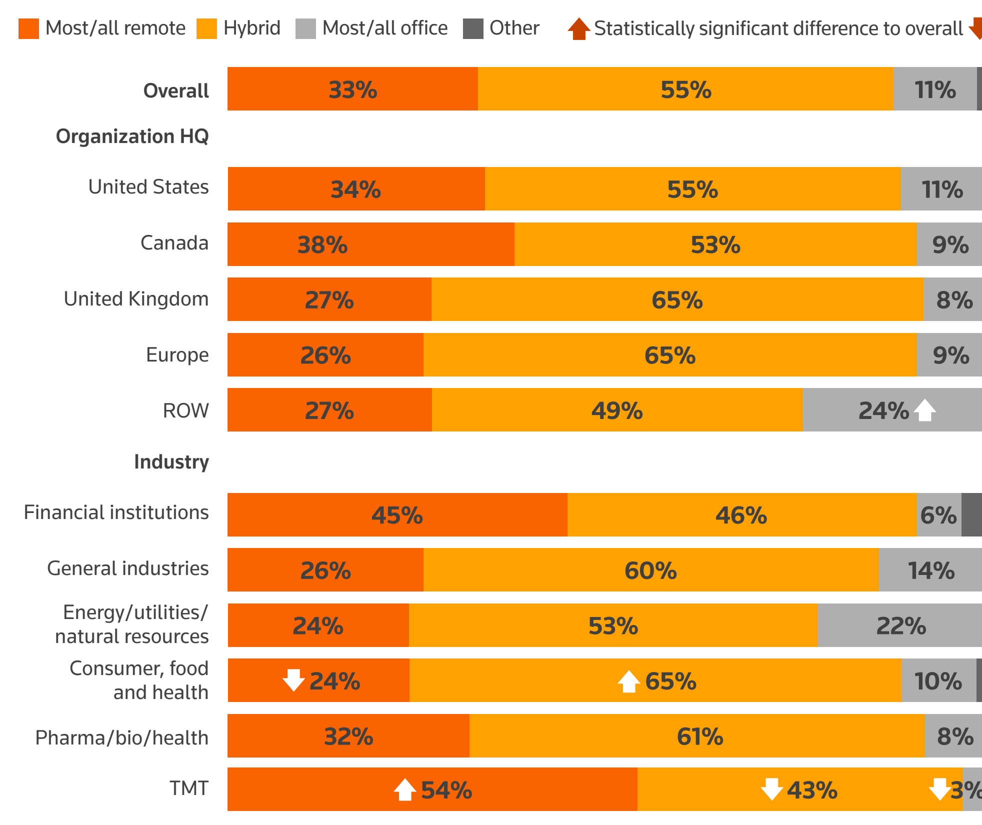
Figure 40: Remote working most common in TMT and Finance industries

Q. Which of the following best describes current working patterns in your team?

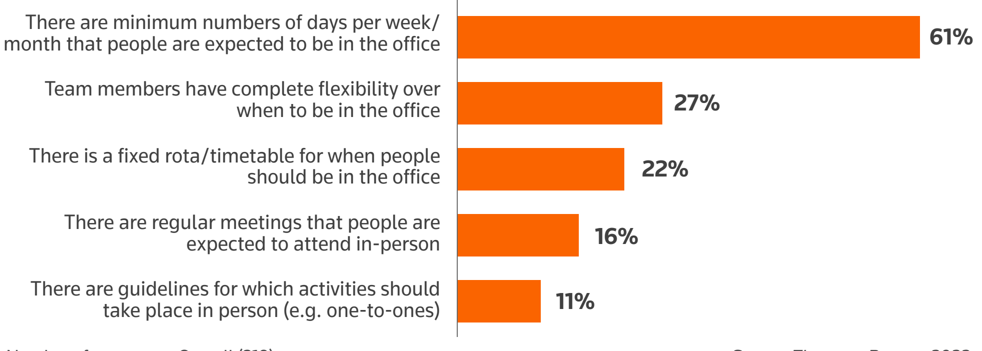


Number of responses: Overall (578); US (427); Canada (32); UK (26); Europe (46); Rest of world (45); Finance (67); General (163); Energy (49); Consumer (129); Pharma (38); TMT (95) Low

Source: Thomson Reuters 2022

Figure 41: Almost two-thirds have minimum numbers of days expected in the office

Q. Which of the following apply to your team's current hybrid working approach?



Number of responses: Overall (318).

Source: Thomson Reuters 2022

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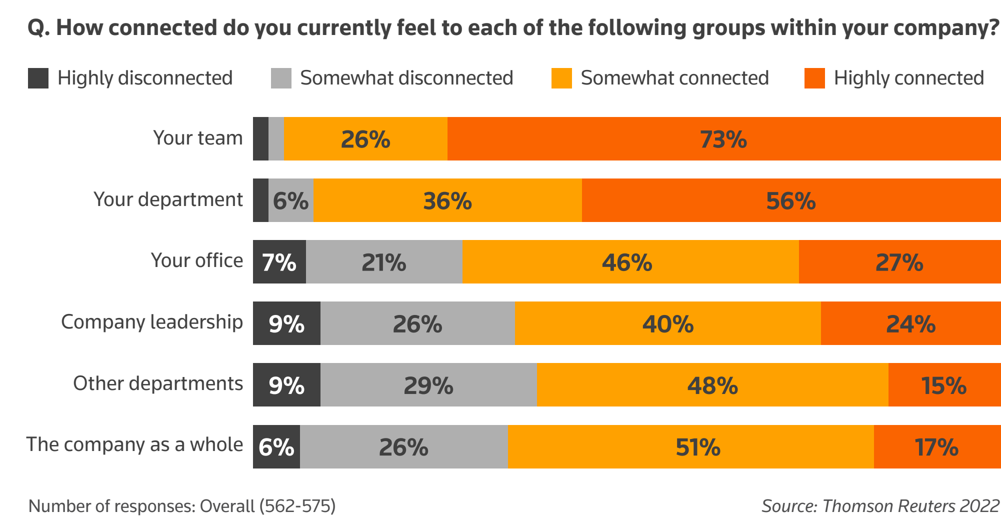
Hybrid schedules are here to stay

As a practical matter, however, the word "hybrid" means something different for every company. Almost two-thirds (61%) of respondents said that their working arrangement requires them to be in the office a minimum number of days per week or month. Only 27% said they had complete flexibility over when to be in the office, and others said their remote time was governed by a fixed schedule or meetings they are expected to attend. Clocking time at the office was also more prevalent at smaller companies, whereas only a small fraction (6%) of tax pros at the largest companies spend most or all of their time at the office.

Figure 42: **Own team/department connection strong, less connected to other departments**



Number of responses: Overall (562-575)

Source: Thomson Reuters 2022

Leaders wishing to turn back the clock on these working trends probably won't have much luck, either. For one thing, the pandemic showed that tax workers are typically more productive when working remotely, due to fewer distractions and less time spent on commuting. And for all their hand-wringing about how their company's culture would be impacted by so much remote work, leaders are now having to stare at the results of studies like ours, which show that despite fewer hours spent in the office, the majority of tax professionals feel highly connected to both their team members and their department. Admittedly however, some of these leaders may have a point, since only 17% of respondents to this study reported feeling highly connected to their company as a whole.

MANAGEMENT TIP:

- At least entertain the idea that giving employees more freedom, flexibility, and support may actually boost their productivity, limit their flight risk, and create a healthier corporate culture.

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Conclusion

Judging from this year's survey results, it's clear that the majority of corporate tax departments are still grappling with the multi-faceted implications of global digitalization, from technological adoption and assimilation to the impact of technology on workforce capabilities and culture. The situation is dynamic, fluid, and largely inescapable. From this point forward, a tax department's success is going to be largely dependent on how it manages its relationship to, and dependence upon, the various technological solutions at its disposal. This includes the people who implement and use the technology, or lack thereof, and the degree to which a company's demands on its employees outstrip the resources available to them to do their jobs properly.

In this environment, a re-commitment to employee development — especially in the areas of technical training, mentorship, communication skills, leadership, management, networking, and career guidance — would appear to be at least as important an investment as the one company's are making in their tax technology. Technology and people go together hand in hand, and few companies can afford to neglect either one.

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