



December 2024

DETAILED
FINDINGS

From The Benchmark Report:

Tax Technology Innovation and Automation

Rizal Ahmed, Chief Research Officer, SAPinsider

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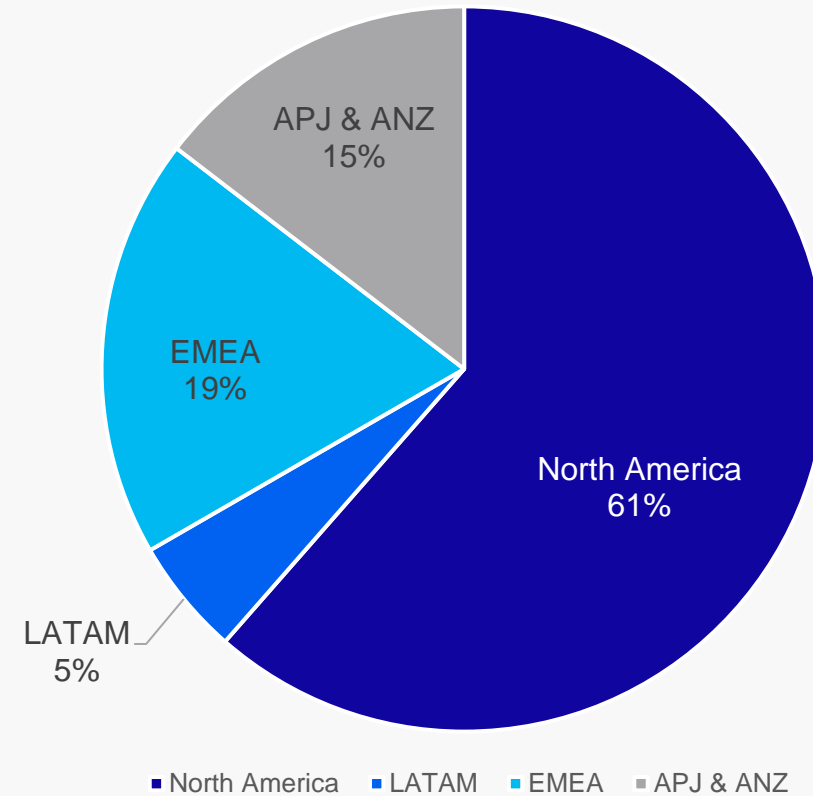


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Between September and December 2024, SAPinsider surveyed and interviewed tax teams from our community about their investments in tax technology automation and innovation. This is the second year of this type of study. From a geographic perspective, most came from the North America and EMEA regions.

On the industry side, we saw a significant portion of our sample from core industrial manufacturing, software and technology, financial services, and retail and distribution. Other industries represented include public sector as well as hospitality, transportation, and travel.

Major Regions Represented

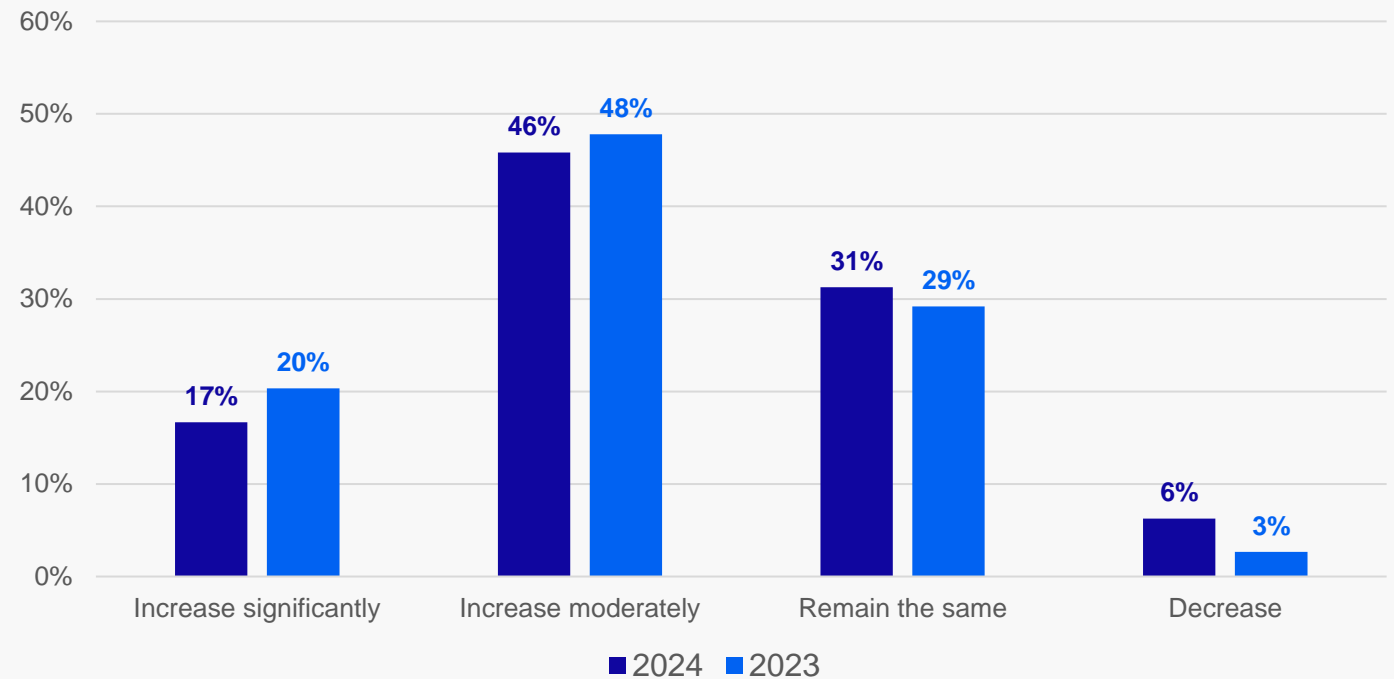


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The good news is that most companies are providing the resources to support tax innovation and technology investment. A majority of survey respondents report that the budget allocation towards tax technology innovation for the next two years is increasing. Also, 17% of tax professionals in our research say that budgets are increasing significantly. Only 6% say that their budgets will fall for the next two years. This is only a slight jump of three percentage-points in our year-over-year comparison.

“We are increasing our investment in tax technology, innovation, and automation for a number of reasons that include changing regulations, compliance requirements, cost controls, and people. We want our people focused on those activities that produce the highest amount of value, and we want to reduce time on mundane tasks that should be automated.” VP, Global Taxes, Global Flooring Manufacturer

Budget Allocation for Tax Technology for Next Two Years

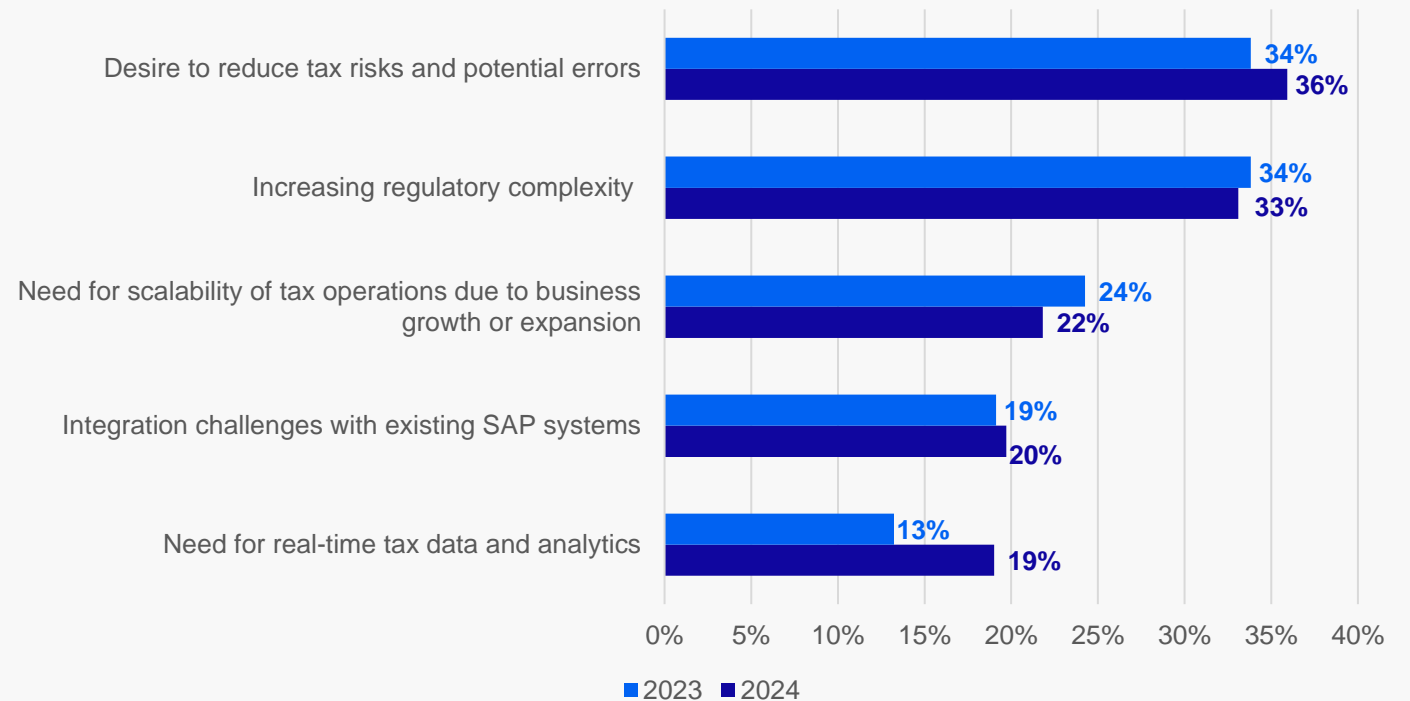


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The desire to reduce tax risks and potential errors remains the top driver of tax technology investment as it has for the past two years as 36% of respondents chose this as one of their primary drivers. Increasing regulatory complexity and compliance requirements was not far behind garnering 33% of responses. Increasing digital mandates and changes in regulations across the globe are making it tough for tax teams in global organizations to keep up.

The need to support the scalability and complexity of the business rounded out the top three drivers for 2024. Corporations are pushing into new regions, reinventing their business models, and pursuing new customers, all of which impact their internal tax organizations.

Top Drivers of Tax Technology Investment

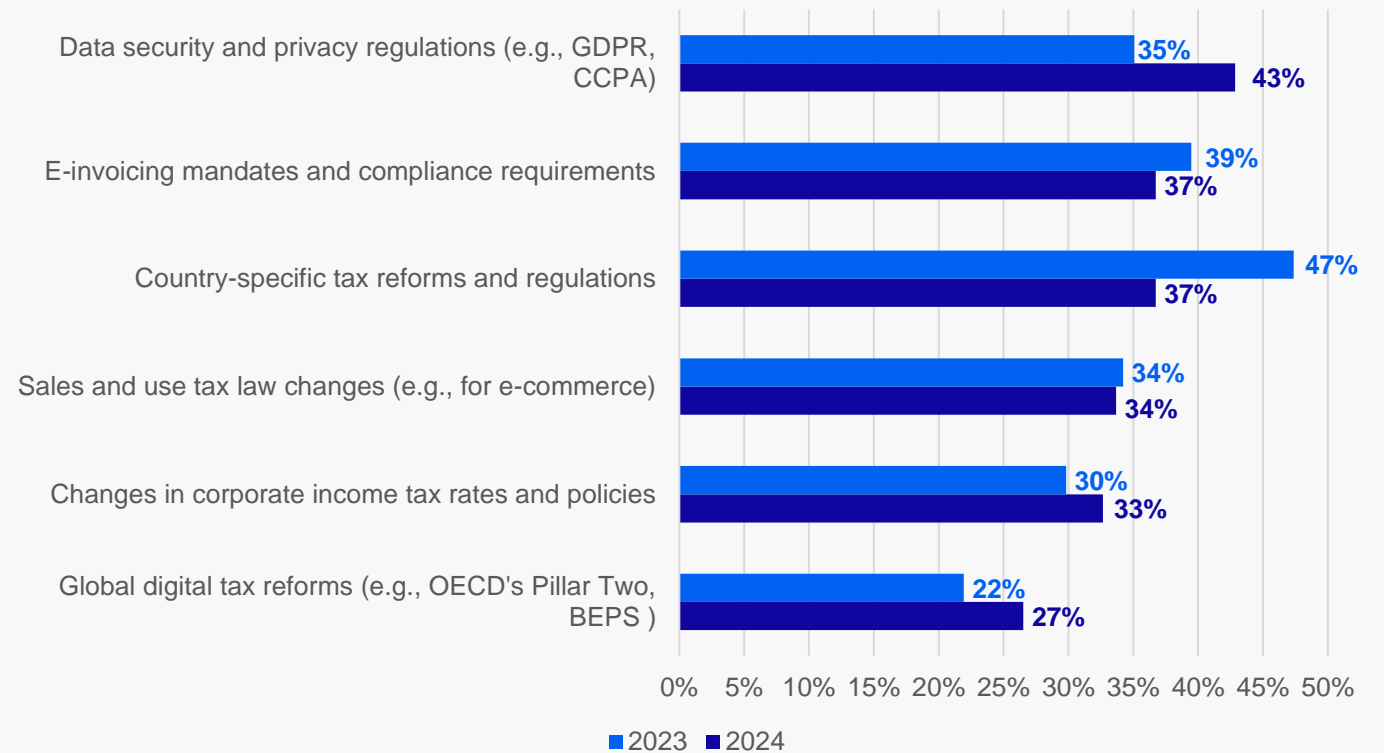


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Data security and privacy laws such as GDPR have emerged as the top concern influencing tax technology investments and innovation strategies in 2024, eclipsing country-specific tax reforms and regulations, which remains a pain point and is the number two change that our respondents are focused on.

Cloud applications, mobile technologies, and a more tech savvy workforce are creating data at a faster pace than ever before. Managing this data with the changes in emerging regulations poses a significant challenge across most businesses and that includes tax.

Regulatory Changes That Most Significantly Impact Tax Technology Investment



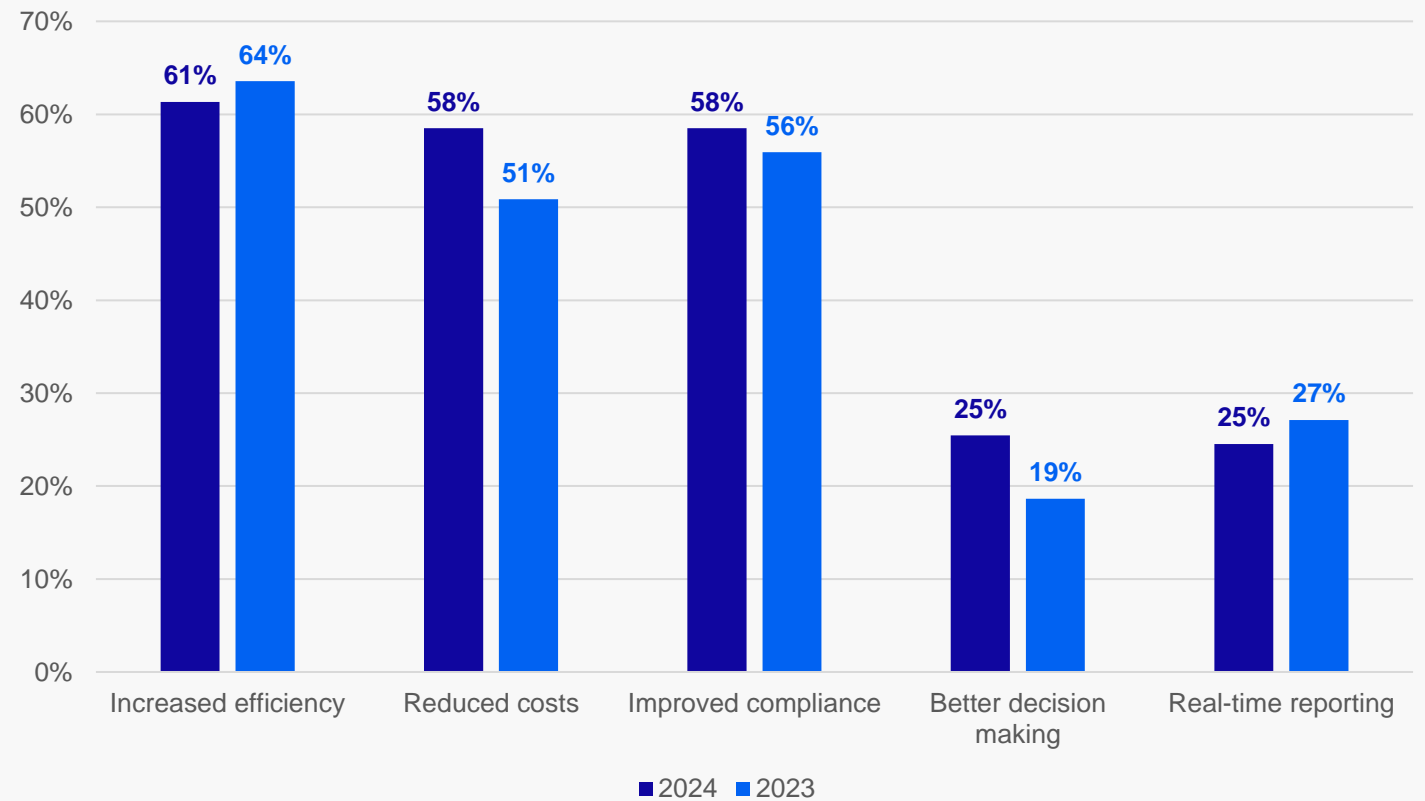
5

While tax activities and investments are being funded, many respondents are still feeling pressure to increase efficiency and reduce costs. These were the top benefits that customers expressed they wanted to achieve from their investments in tax technology.

“We have less budget and headcount allocated to tax than we have had before. This has forced us to work even more efficiently with the tight deadlines that we have in front of us.”

Finance and Accounting Leader, Retail and Distribution Company

Expected Benefits of Tax Technology Investment

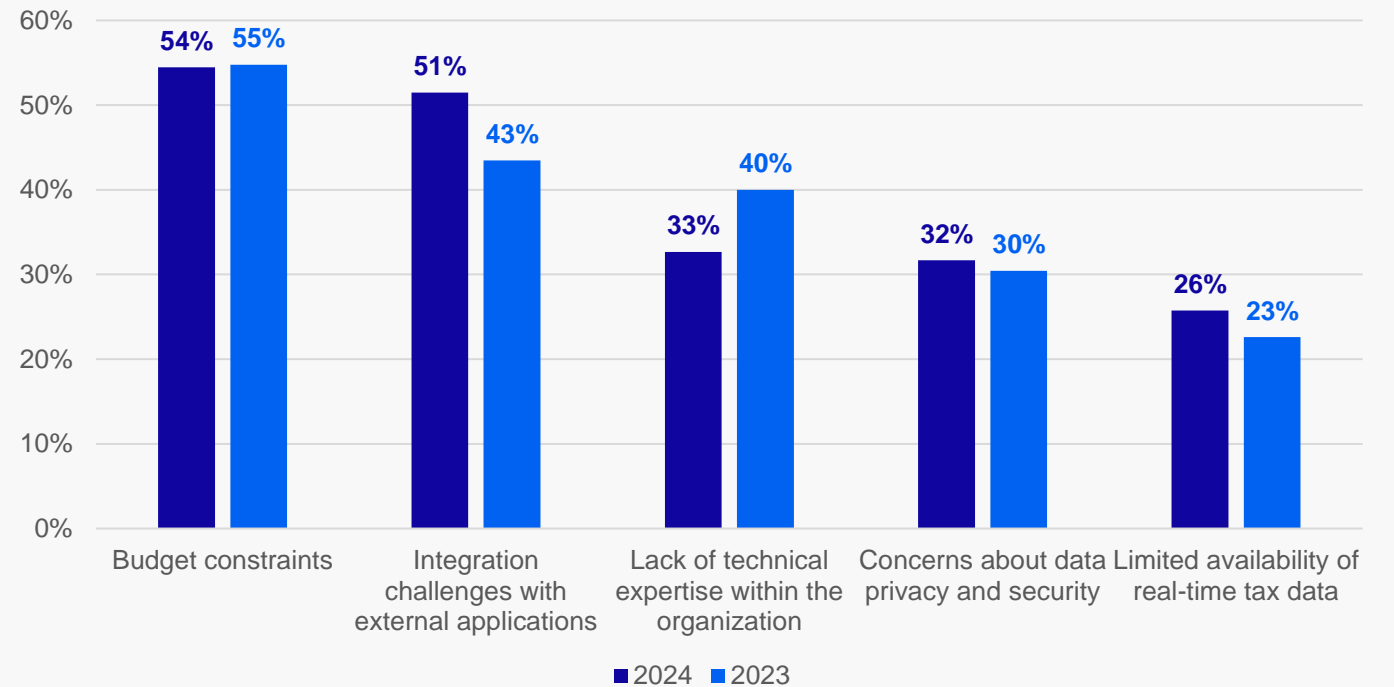


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Despite the increase in budgets for tax technology investments, tax teams are still feeling constrained by resources. The massive business application sprawl that most respondents face has heightened integration challenges with both internal and external applications.

The rapid pace of change in technology also requires new expertise that many respondent organizations do not have. They must expand their skills and deal with the challenge of data privacy and security.

Biggest Barriers to Tax Technology Innovation and Automation

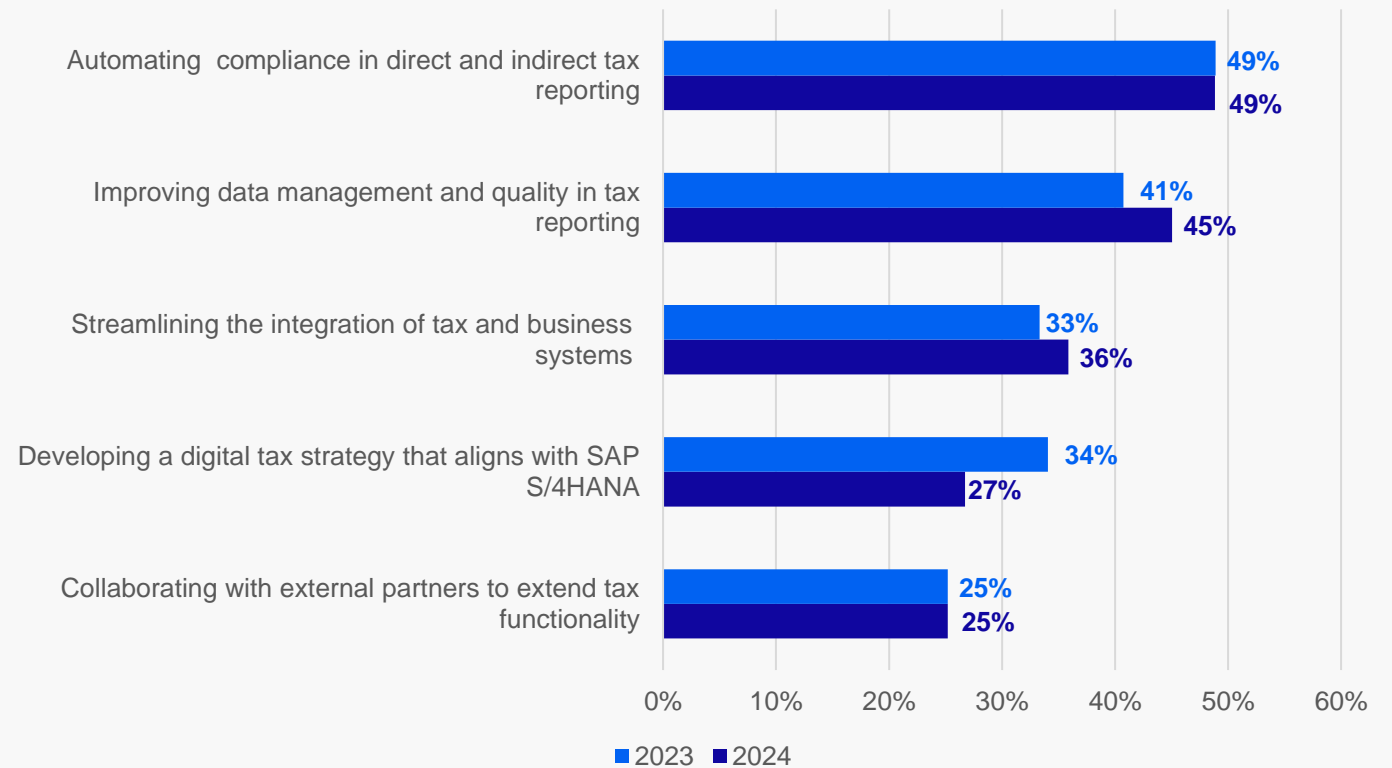


7

Many tax teams are focused on improving their data management processes and providing reporting and visibility to their business stakeholders. This has been a consistent theme throughout the two years of this study. The top strategy embraced by respondents is automating and ensuring compliance with both direct and indirect tax reporting. Nearly half (49%) of respondents in the study chose this as their most strategic focal point.

Improving data management and quality in tax reporting was second in this category and only a few percentage points behind our top answer (45%). Integration continues to be a consistent theme and pain point for respondents that needs to be addressed.

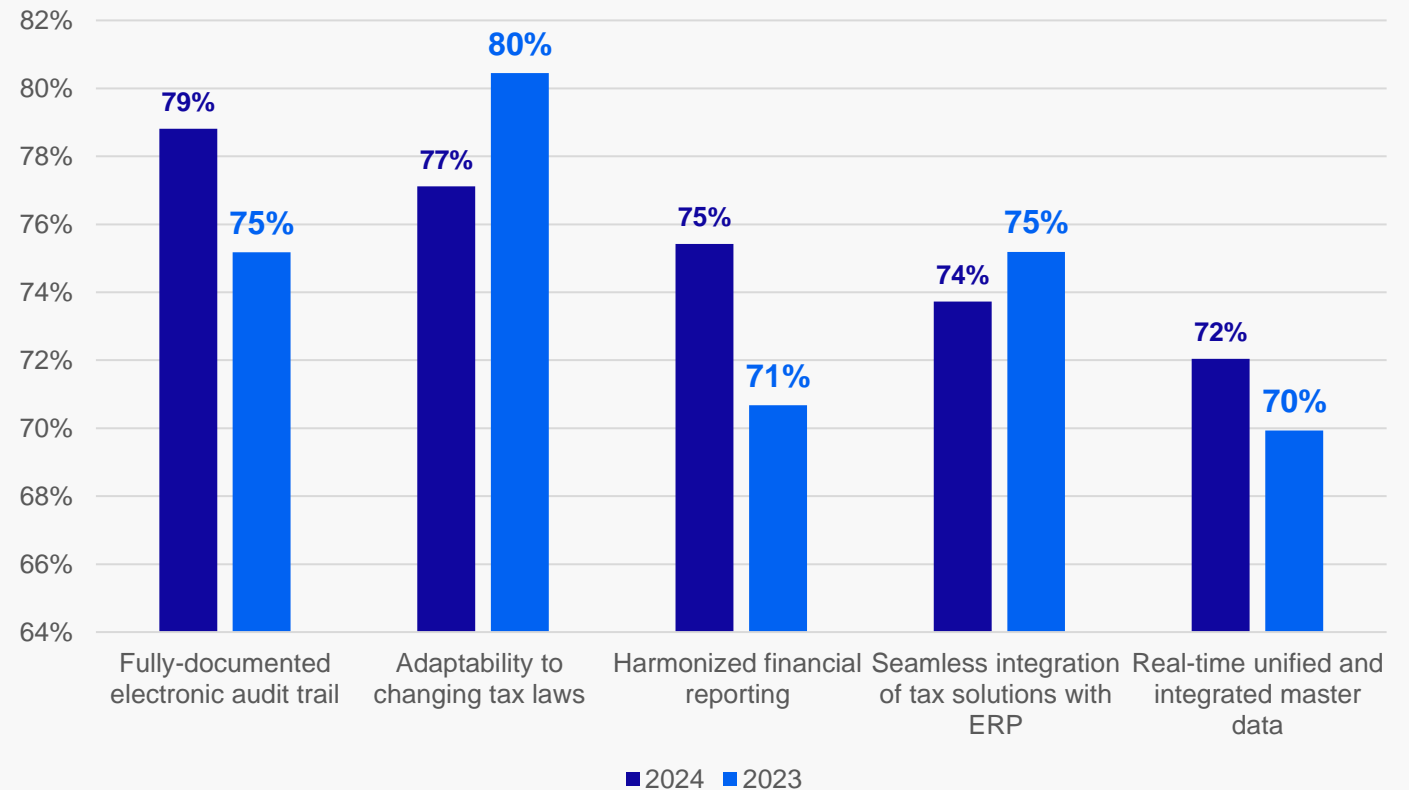
Top Tax Technology Innovation and Automation Strategies



8

The push for digitization of tax transactions and audit information has elevated the need for creating a fully digital audit trail to the top of the list of requirements as 79% of respondents rated this as important or very important. This response edged out ‘adaptability to changing tax laws and regulations’ which was the top requirement in last year’s study. This need for flexibility is still rated high amongst tax teams as it fell to second on the list of top responses. The rapid change in regulations is keeping our respondents on their toes as they need to maintain both fluidity and resilience as part of their overall strategy for tax technology and innovation. .

Most Important Requirements for Tax Technology Innovation

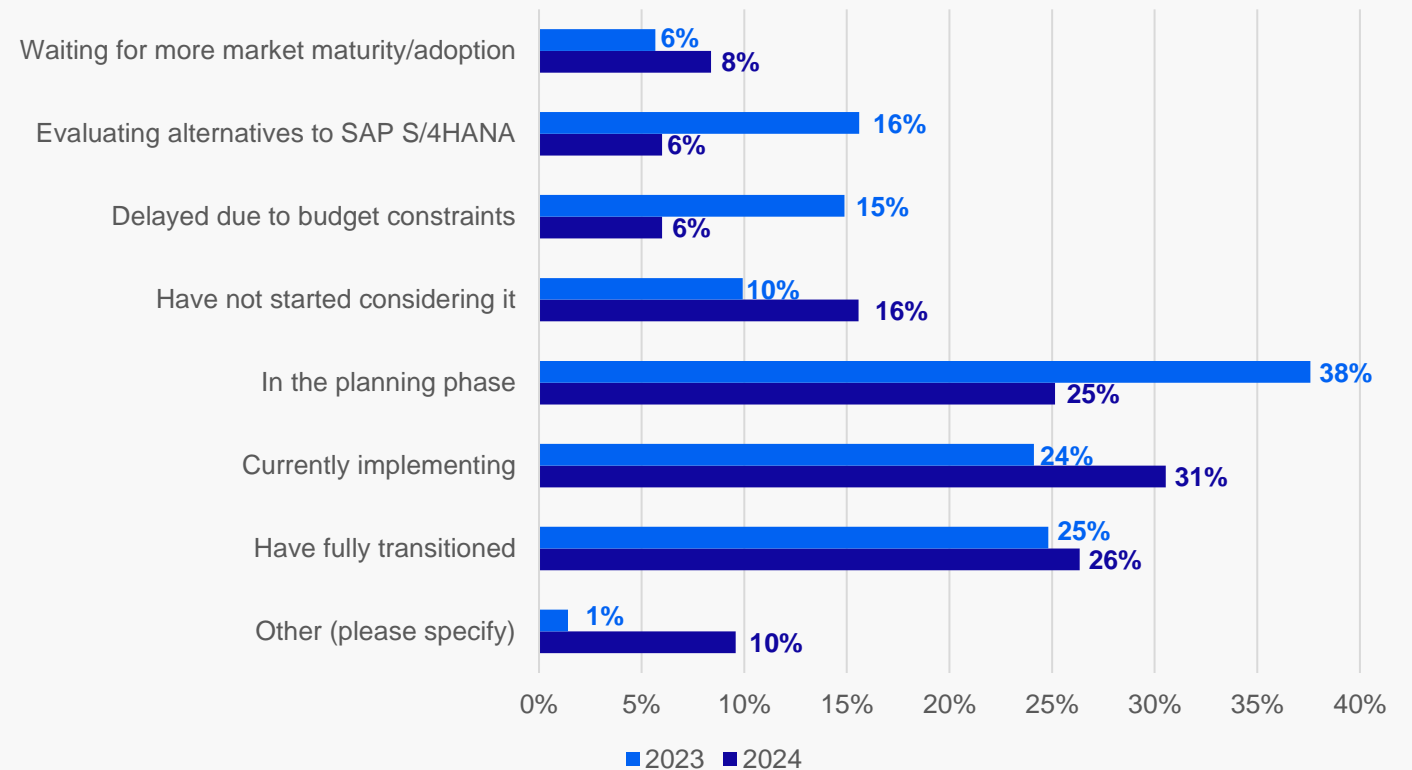


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The pace of technological change throughout business has never been greater. And as 2027 approaches, the acceleration of companies plans for SAP S/4HANA continues. This once-in-a-decade project is garnering significant attention amongst SAP customers and again offers a unique opportunity for tax to leverage this investment and focus to innovate their existing tax processes.

When we look at where our respondents are with SAP S/4HANA, we see that over half of the respondents in the survey 57% have fully transitioned to SAP S/4HANA or are currently implemented. This is an 8% jump over last year’s findings.

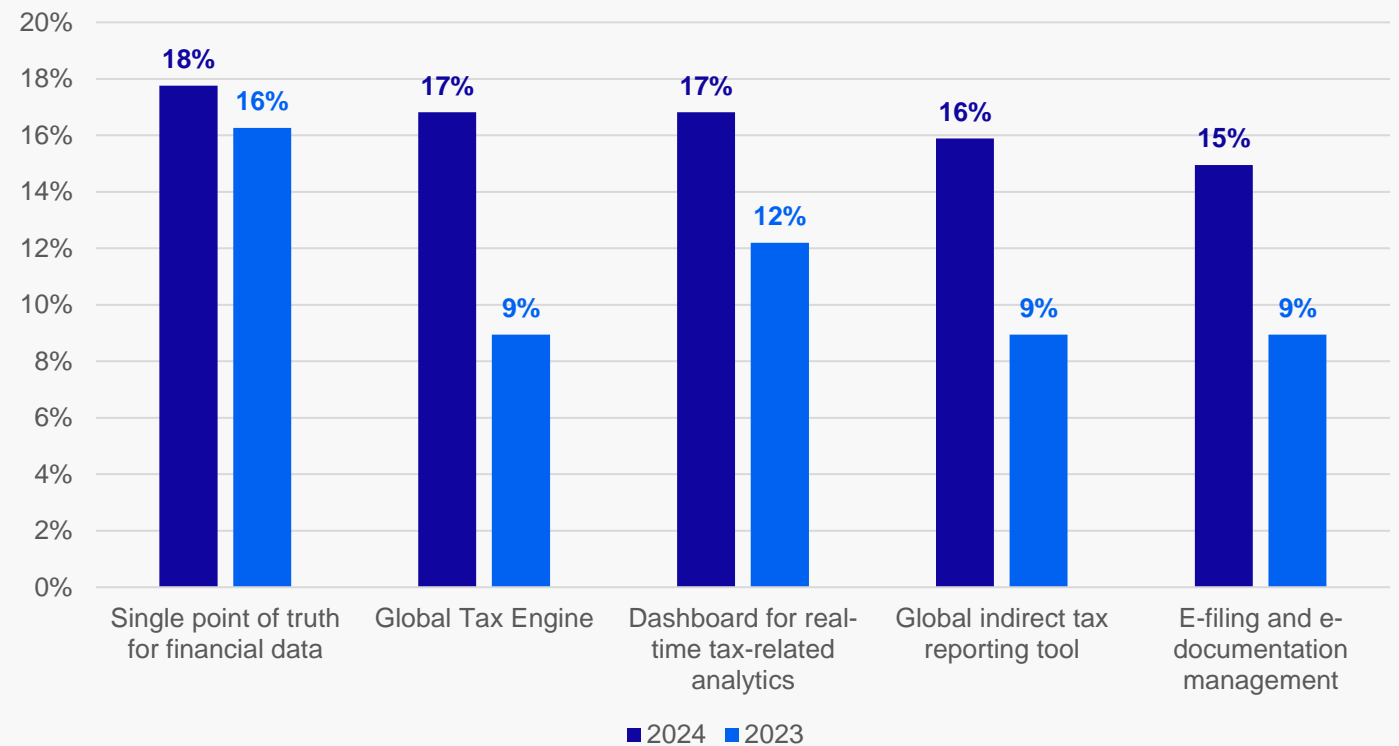
Where Are Customers With SAP S/4HANA Adoption



10

Investments in newer tax technologies are just starting to ramp up. Based on the data we expect to see further investments in emerging technology and solutions over the next few years. As we look at current implementations of tax technology, we see that 18% of respondents are in the process of building a single point of truth for tax and financial data. 17% of respondents are in the process of building dashboards for real-time tax analytics and investing in global tax engines. The need for visibility and coverage across the jurisdictions that they do business in are key priorities.

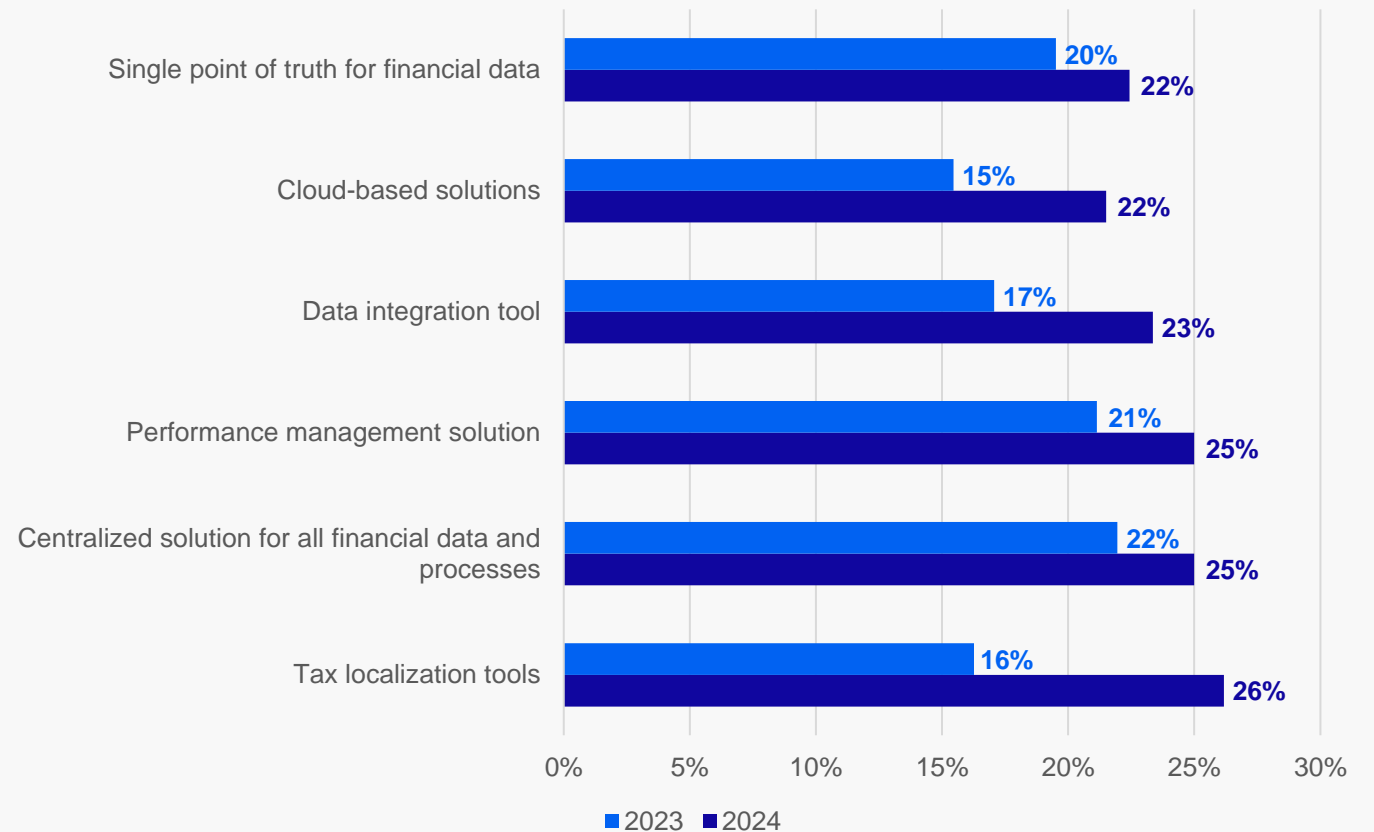
Tax Technologies Currently Being Implemented



11

When we look at what technologies respondents are implementing over the next 24 months, we see some increasing activity and adoption. Over one quarter of respondents (26%) will look to implement tax localization tools while 25% will be installing centralized solutions for all financial data and processes and performance management offerings. 23% need data integration solutions again highlighting the growing complexity of business application landscapes. Continued investment in global tax engines and other cloud-based tax solutions round out the top tax technology investments.

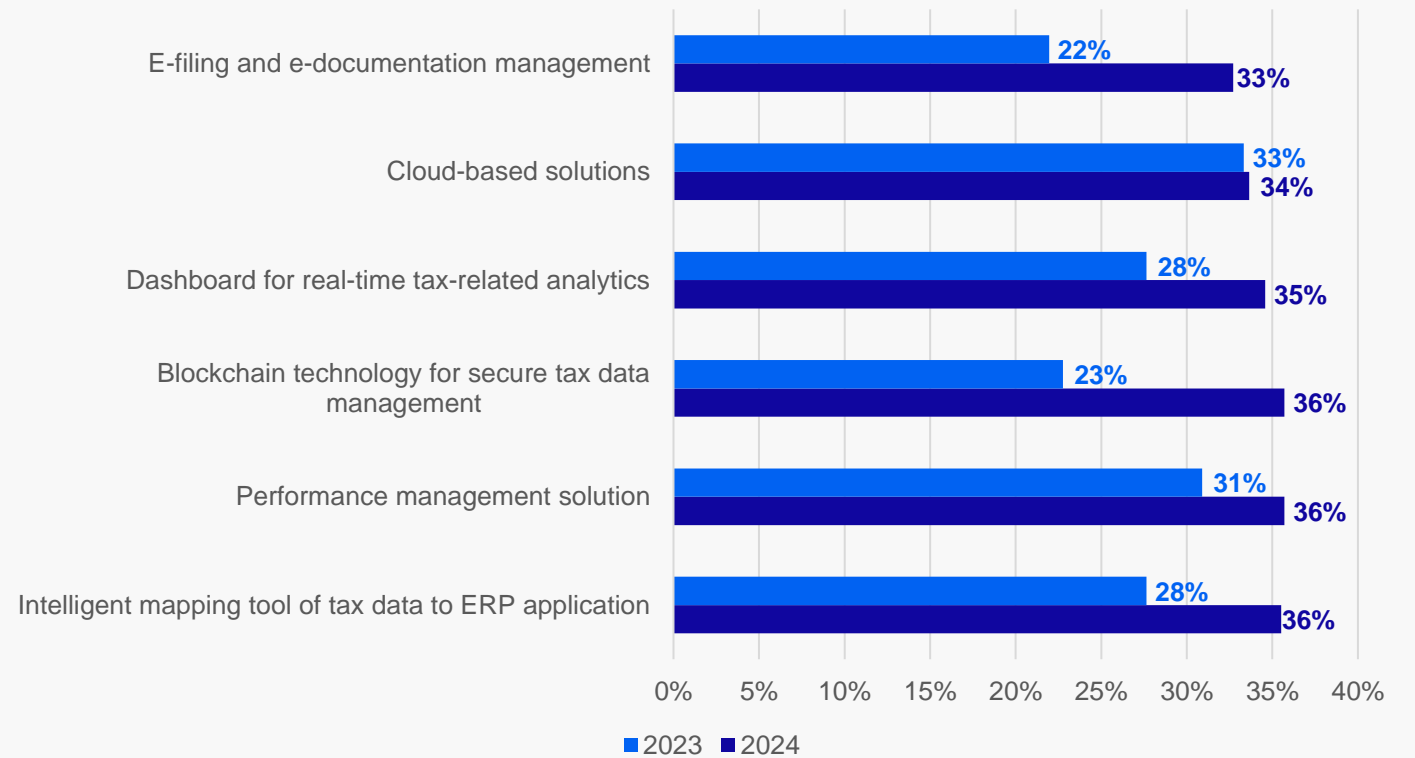
Tax Technologies Being Implemented in Next 24 Months



12

The activity is not stopping in the near term, as many tax teams in our survey are evaluating new tax solutions and preparing for the next wave of solutions. Among the top areas of examination include intelligent mapping tools of tax data to ERP applications, performance management solutions, and blockchain technology to secure tax data and processes. We also saw further investments in dashboards and real-time analytics. The next few years will continue to be about integration, data, and visibility. Leaders and stakeholders want to have confidence in their data, know that their information assets are secure and compliant, and be able to consolidate the single point of truth across their application landscape.

Tax Technologies Being Evaluated

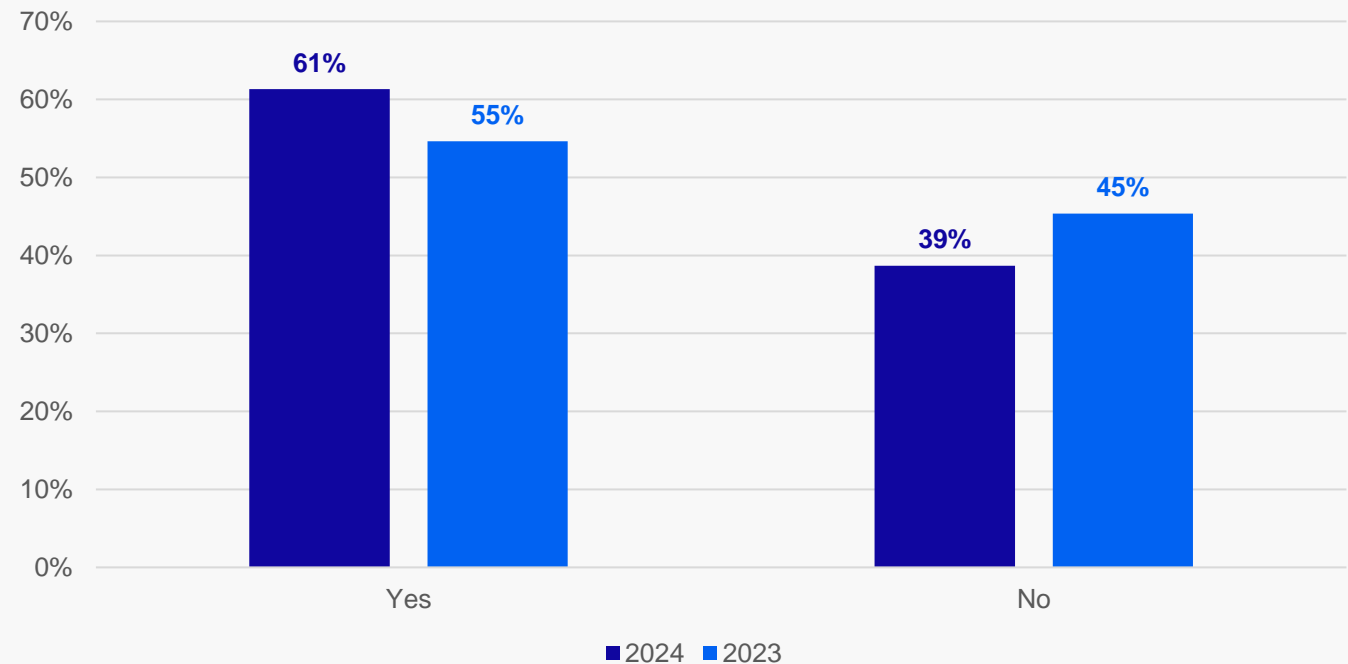


13

Artificial Intelligence is certainly dominating business and tech headlines, but what separates hype from reality when it comes its application for tax teams? According to our survey a clear majority (61%) of respondents are considering using machine learning or Artificial Intelligence in their tax processes. This is a six percentage-point jump from last year's study. Also, when you look at the requirements from slide 8 it shows that AI and ML platform support has risen 13 percentage points year-over-year as a key requirement, which is the largest move than any requirement in the survey.

The availability of AI is increasing as most partners are starting to embed capabilities within their solutions. This is how most organizations are looking to dabble with AI. It's far less expensive and does not require the investments in skills and training that would be necessary if you were to create an AI application on your own.

Are You Considering Using AI or ML in Your Tax Processes?

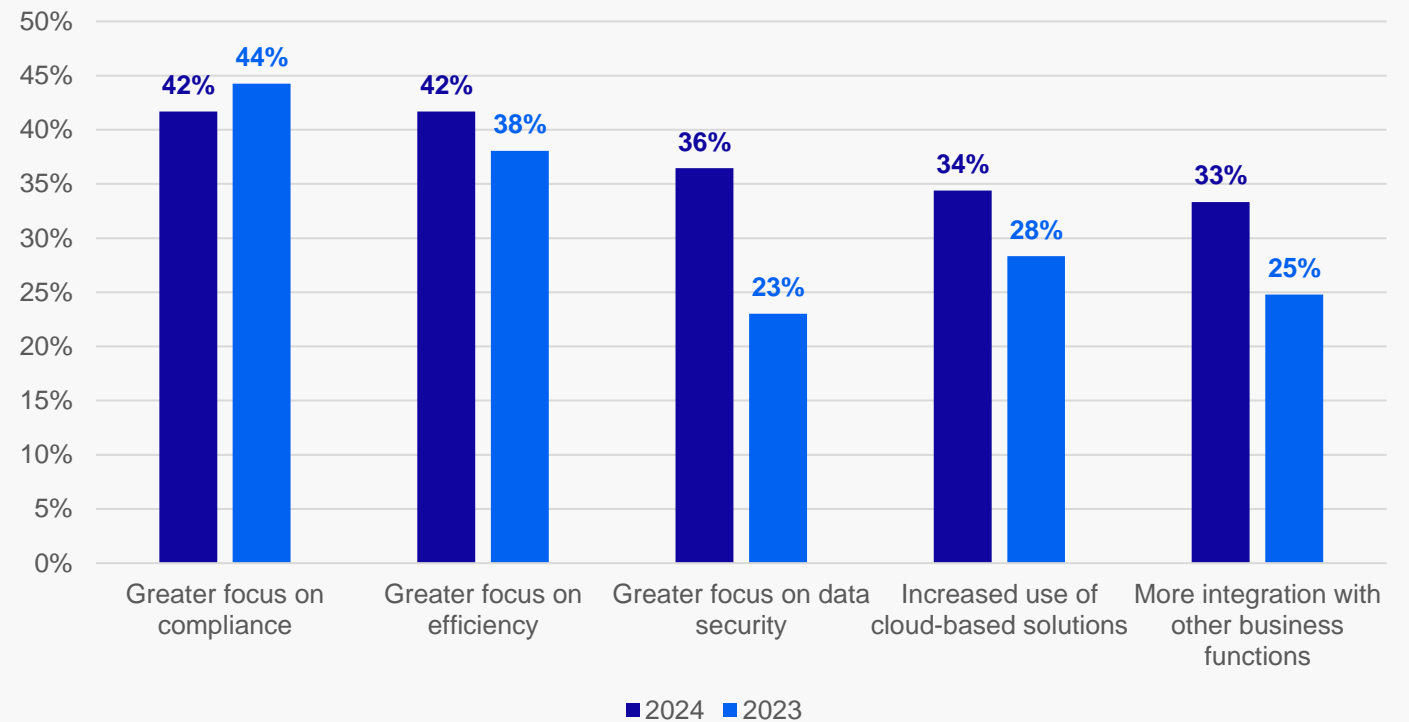


14

With the rapid changes in both domestic and global compliance requirements, organizations in our survey are laser focused on supporting various regulations. This has been a fairly consistent theme throughout the two years of our study.

Efficiency and doing more with the resources allocated is also a top focus for SAP customers. Protecting data and tapping the wealth of cloud-based solutions available are other core initiatives that are high on tax teams' agendas, while integration continues to be an important theme throughout this research study.

What Are Your Future Tax Technology and Innovation Priorities?



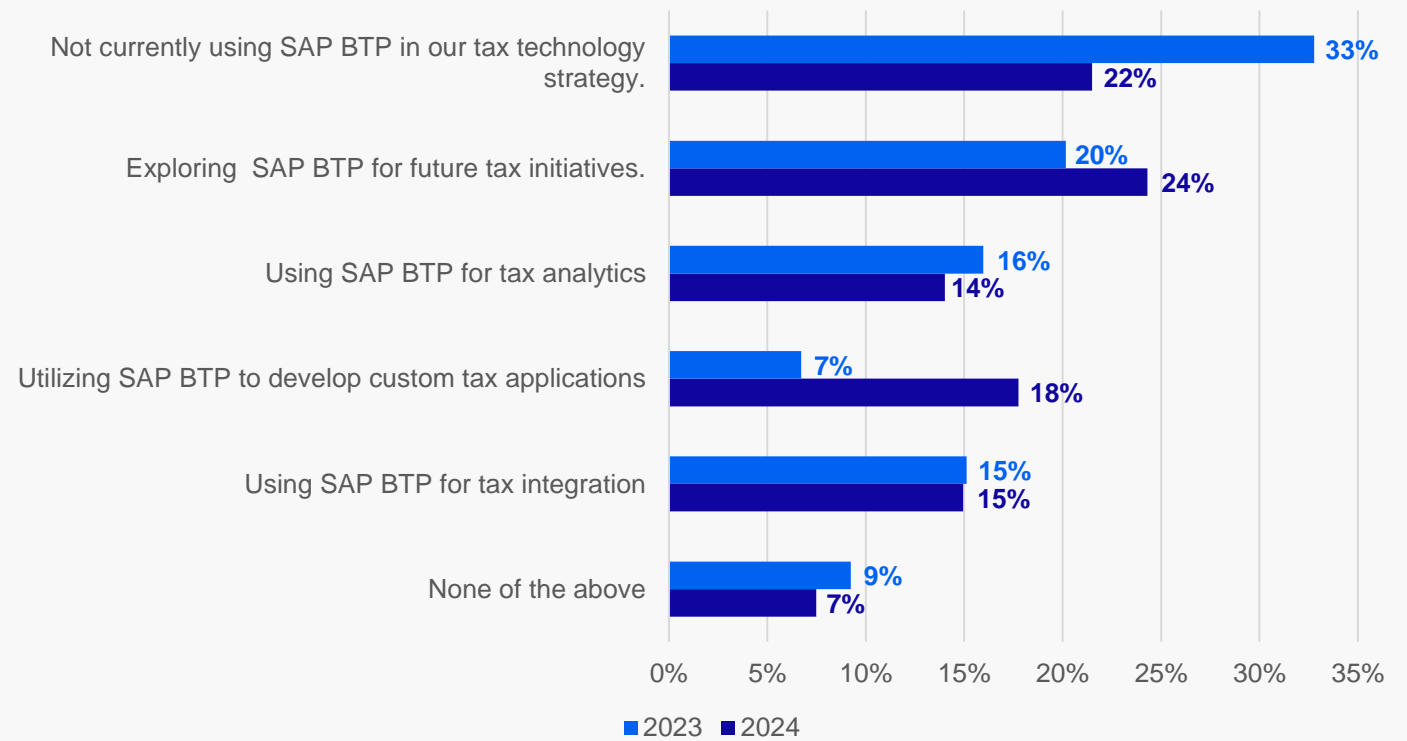
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Interest in and use of the SAP Business Technology Platform is increasing across all SAPinsider research and that is no different in the tax world. Nearly half of respondents in our survey (47%) are currently using SAP BTP for some tax related process whether it be integration, developing custom tax applications, or tax-based analytics. This is a nine percentage-point jump vs. last year.

“Global tax engines are never 100% global and fully compliant with ever-changing national and local regulations and demands of tax authorities, hence the custom development and integration "tax" must be paid all the time.”

Data Architect, Animal Health Company

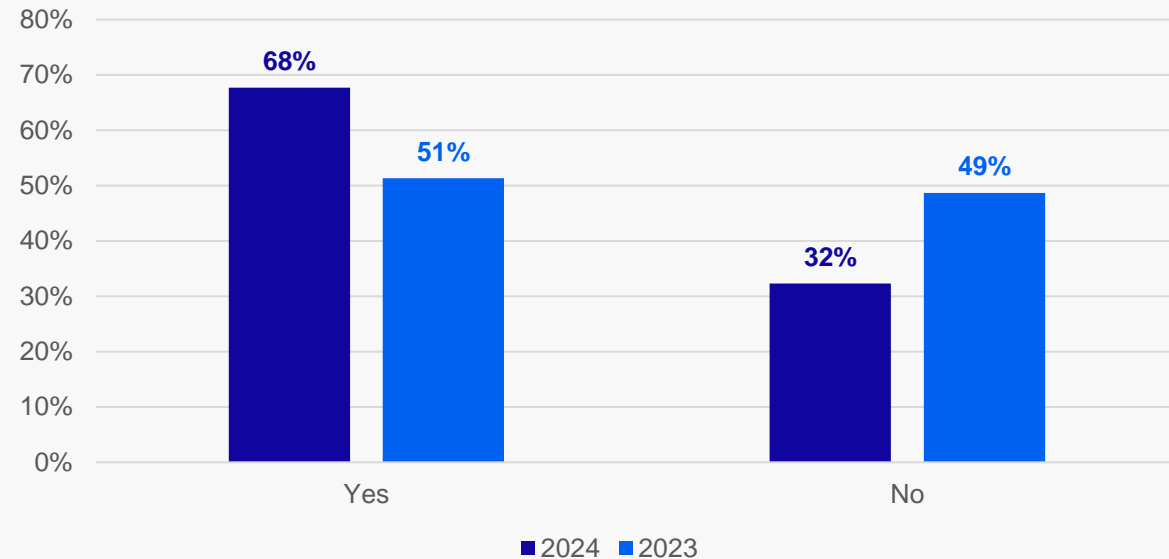
What Best Describes How You Leverage SAP BTP in Your Tax-Related Plans?



16

This year, we are seeing an increase in confidence as over two thirds (68%) assert that they are ready for the changes to come while only 32% are less secure. Teams have had more time to explore and understand the existing business and regulatory landscape and as they move to emerging technologies such as SAP S/4HANA and SAP BTP, and have more experience with third party tax partners, their confidence has risen. This is a good sign with many more changes to come and digest.

Is Your Organization Adequately Prepared for the Tax Technology Changes Expected in the Next Five Years?



Tax Technology Innovation and Automation



DRIVERS

- Desire to reduce tax risks and potential errors (36%)
- Increasing regulatory complexity and compliance requirements (33%)
- Need for scalability of tax operations due to business growth (22%)
- Desire to reduce tax risks and potential errors (20%)



ACTIONS

- Automating and ensuring compliance in direct and indirect tax reporting (49%)
- Improving data management and quality in tax reporting (45%)
- Streamlining the integration of tax systems with other business functions (36%)
- Developing a comprehensive digital tax strategy that aligns with the move to SAP S/4HANA (27%)
- Collaborating with external partners to extend the functionalities of our tax solutions (33%)



REQUIREMENTS

- Fully documented electronic audit trail (79%)
- Adaptability to changing tax laws and regulations (77%)
- Harmonized financial reporting in a single system (75%)
- Seamless integration of tax solutions with ERP systems (74%)
- Tools to clean, refine, and improve the quality of tax data to derive meaningful insights (73%)



TECHNOLOGIES

- Sales and use tax determination tool (24%)
- E-filing and e-documentation management (22%)
- Audit management software (20%)
- Data integration tool (19%)
- Centralized solution to control all financial data and processes (18%)
- Cloud-based solution (17%)
- Single point of truth to control all financial data and processes (18%)
- Cloud-based solutions (17%)
- Single point of truth for financial data (16%)

THANK YOU

Rizal Ahmed

Chief Research Officer

Rizal.ahmed@sapinsider.org



SAPinsider.org

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