SAPinsider

RESEARCH
REPORT

Global Tax Management

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Executive Summary

CUSTOMERS ARE FEELING the pressure of increasingly complex global tax requirements and tax landscapes, according to SAPinsider's recent study on Global Tax management. Conducted for the third consecutive year, SAPinsider's tax research surveyed more than 150 customers to gain a holistic understanding of how they are transforming their tax strategies and processes to address their most pressing challenges and requirements.

The positive trend for tax professionals is that global organizations are increasingly allocating resources to tax transformation and process improvement which are paying off, reducing tax related challenges and complexities while enhancing the overall performance of tax compliance initiatives.

As a result, SAP customers are continuing to invest in tax technologies and re-engineering tax processes for greater visibility, automation, and compliance. 63% of respondents to this year's survey indicated their budgets staying the same or increasing for investments in global indirect tax compliance, compared to 57% from last year's survey **(Figure 1).** Only 8% of tax professionals reported a decrease in budget, a 5% decline compared to 2023.

Tax Pain Points Remain Consistent

When it comes to tax pain points, the top three challenges have remained the same year-over-year **(Figure 2).** While control and governance challenges consistently remain as the top challenge,

Figure 1: How Does Your Current Budget for Global Indirect Tax Compliance Compare to Last Year?
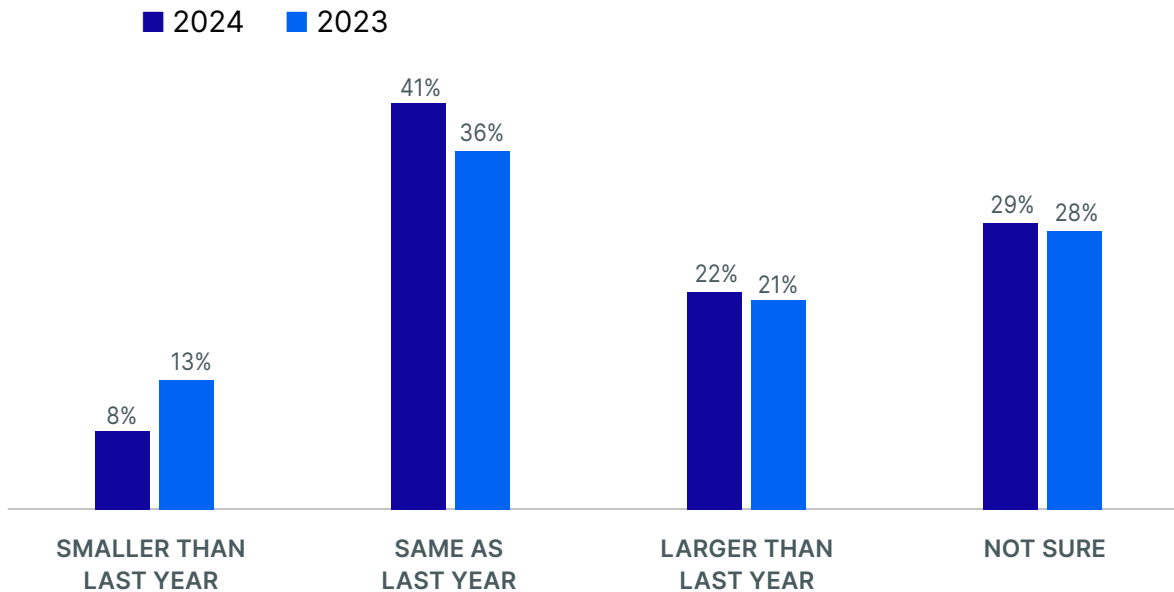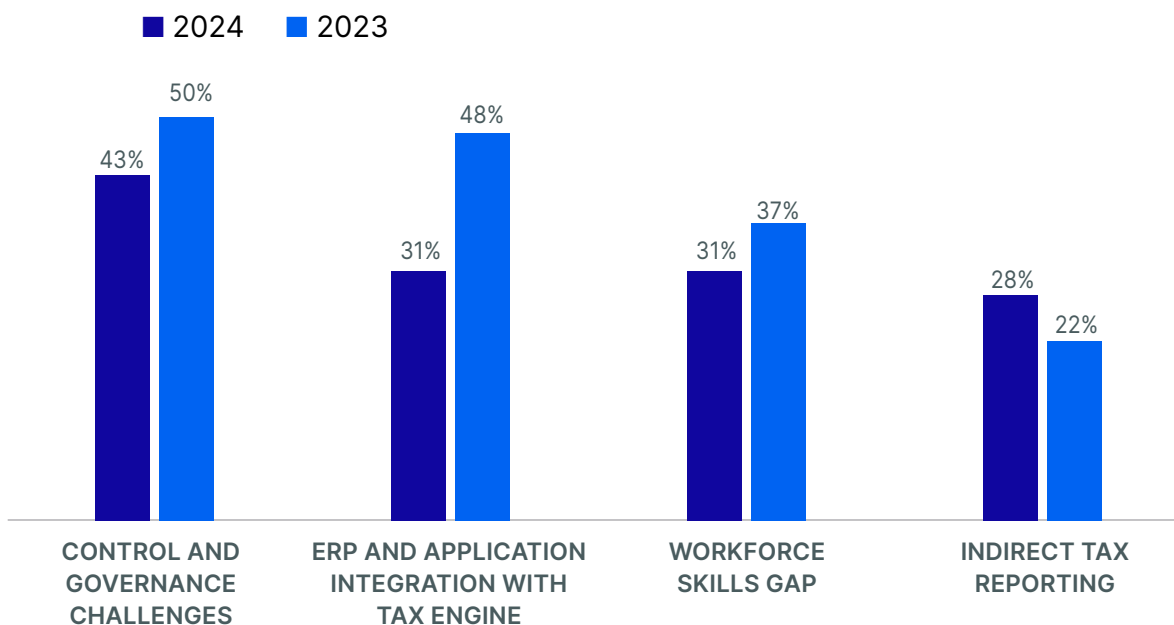
■ 2024 ■ 2023

	2024	2023
SMALLER THAN LAST YEAR	8%	13%
SAME AS LAST YEAR	41%	36%
LARGER THAN LAST YEAR	22%	21%
NOT SURE	29%	28%

Figure 2: What are the Most Significant Pain Points Impacting Your Overall Tax Management Strategy?

■ 2024 ■ 2023

	2024	2023
CONTROL AND GOVERNANCE CHALLENGES	43%	50%
ERP AND APPLICATION INTEGRATION WITH TAX ENGINE	31%	48%
WORKFORCE SKILLS GAP	31%	37%
INDIRECT TAX REPORTING	28%	22%

garnering half of responses in both years' studies, ERP and application integration with a global tax engine is the second most mentioned pain point (43%). The workforce skills gap continues to rank as the third most pressing issue, highlighting the importance of hiring and retaining top talent.

The encouraging development is that the year-over-year response rates have declined, indicating that an increasing number of customers are making progress with their overall tax strategies. This is corroborated by the increasing maturity of tax compliance performance which is discussed in the next section.

Corporate Income Tax Compliance and OECD Consuming Significant Time and Resources

Corporate Income Tax Compliance continues to consume the most time and resources of respondent organizations with 53% reporting it to be the biggest focus area, highlighting a 6% increase year-over-year. The only other project area that jumped significantly was OECD's Base Erosion and Profit Shifting Initiative (BEPS)
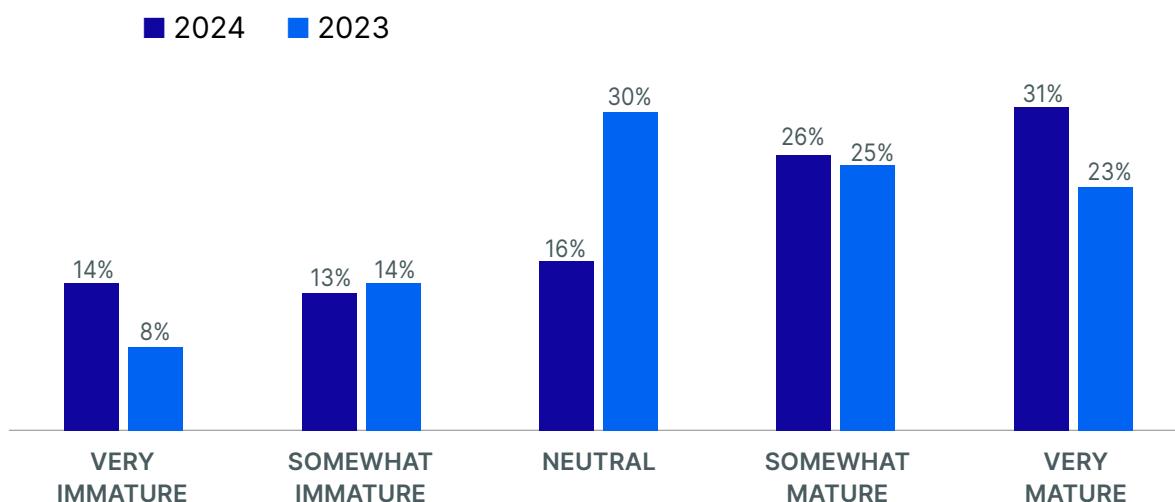
which grew 10% moving from 13% of responses in 2023 to 23% in 2024. This indicates how BEPS legislation is significantly affecting the way companies document, report, and file taxes in different countries. Organizations need to embrace and implement new frameworks that help support tax and accounting processes from transfer pricing to country-by-country sales, and reporting.

VAT and E-invoicing, sales and use tax compliance along with e-invoicing and real-time reporting mandates round out the top four initiatives consuming respondents' time and resources. These regulations continue to evolve and change rapidly requiring global tax teams to keep pace and adopt technologies and processes to help support these critical requirements.

Customers Advance in Global Tax Compliance Management Maturity

Overall, the research highlights that organizations are advancing in their maturity for global tax compliance management, with 31% of respondents reporting a very high level of maturity compared to 23% in 2023. The percentage of financial and accounting professionals

Figure 3: How Mature Do You Believe Your Organization is Regarding Global Tax Compliance Management?

■ 2024   ■ 2023

	VERY IMMATURE	SOMEWHAT IMMATURE	NEUTRAL	SOMEWHAT MATURE	VERY MATURE
2024	14%	13%	16%	26%	31%
2023	8%	14%	30%	25%	23%

who characterized their global tax compliance management as neutral fell to 16% from 30%. Other answers were comparable year-over-year suggesting that those who were neutral last year have progressed by investing in tools, personnel, and learning from their early experiences.

What Are the New Drivers of Global Tax Management Strategy?

Globalization, the increasing complexity of tax regulations, and the demand for improved visibility into tax processes and compliance are growing as priorities for tax leaders and professionals. Looking at SAPinsider's year-over-year results, regulatory and compliance complexities continue to be a top influencer of tax strategies with 42% of respondents reporting this as the top focal point compared to 35% from last year. Supporting this is the 10% increase in those who reported that addressing global tax requirements is a top influencer of tax strategy.
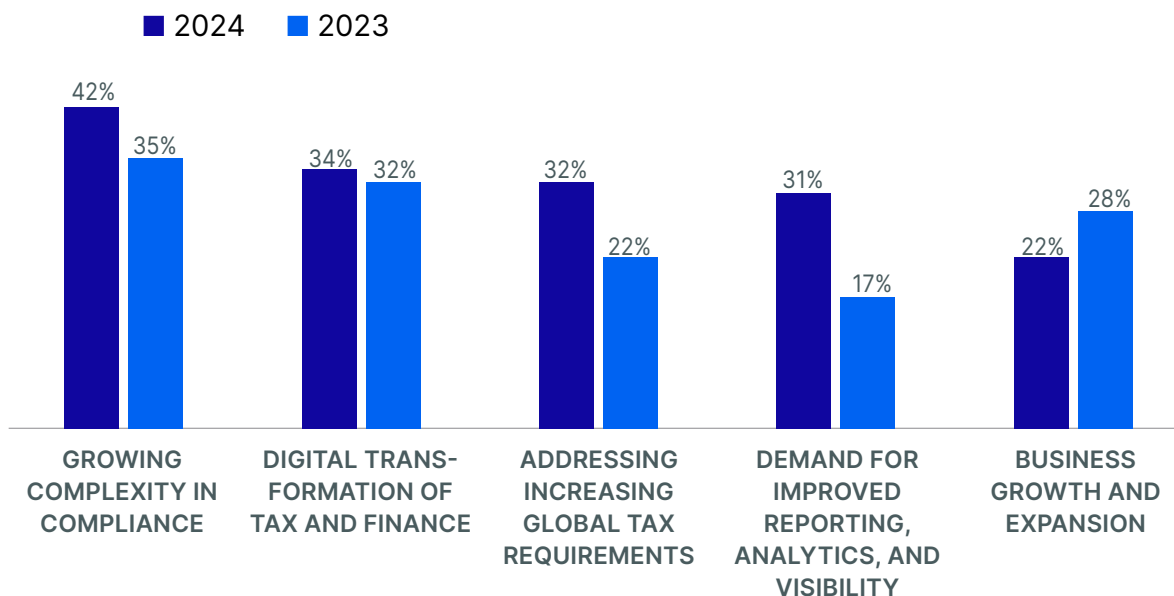
Compliance and regulatory complexities have made it difficult for organizations to fully understand their tax landscapes, which is why the demand for improved reporting, analytics, and visibility has surged significantly with a 14% increase from 2023. This is indicative of the growing necessity for investments and efforts in understanding tax data and generating insights accessible to the tax teams. With companies requiring a single source of truth and clean master data to serve as a necessary foundation for improving visibility, the emphasis on improved reporting, analytics and visibility was more pronounced this year.

Centralization and Automation of Data Controls Rise to Number One Tactic to Support Tax Drivers

Companies are accelerating automation adoption and centralizing the management of tax data controls to enhance their overall tax strategy. This was reported as the top answer in 2024 rising from 42% to 53%. The surge underscores the importance of having reliable, compliant, and secure tax data to support tax processes and technology investments.

Figure 4: What Are the Factors Most Impacting Your Organization's Global Tax Management Strategy?

■ 2024 ■ 2023

Factor	2024	2023
GROWING COMPLEXITY IN COMPLIANCE	42%	35%
DIGITAL TRANSFORMATION OF TAX AND FINANCE	34%	32%
ADDRESSING INCREASING GLOBAL TAX REQUIREMENTS	32%	22%
DEMAND FOR IMPROVED REPORTING, ANALYTICS, AND VISIBILITY	31%	17%
BUSINESS GROWTH AND EXPANSION	22%	28%

Leveraging advanced analytics, AI, and reporting consistently remain the second most critical action customers are taking, with nearly half of respondents (45%) reporting adopting it to offer greater visibility to their tax teams and executives.

The other top responses remain consistent year-over-year. Leveraging the move to SAP S/4HANA to further automate and minimize errors was identified as the third highest response this year with 44% of respondents reporting it.

Data Theme Continues with Top Requirements

Seamless data management across core financial processes and establishing a single source of truth remain the top requirements for tax professionals in 2024. The theme of visibility among complexity continues as companies struggle to provide dashboards and reports that reflect accurate activity and processes across the tax landscape.

Clean and harmonized data was the number one requirement for respondents in 2023 and 2024 with close to half 49% of respondents reporting it for both years. Establishing a single source of truth remained the second most reported response (42%) and is closely related to the need for clean for harmonized data.

Rounding out the top three this year was developing a deep understanding of local tax compliance among team members. Notably, this response grew the most year-over-year, rising from 29% in 2023 to 37% percent in 2024. The trend supports the increasing complexity of global regulations being a key pain point tax teams are facing.

Electronic Documentation, Controls, and Localization Solutions Lead the List of Adopted Solutions in 2024

2024 also saw a sharp increase in key tax technologies adoption. Organizations have nearly doubled the adoption of e-filing and e-documentation management solutions as a result of governments increasing requirements around digital tax filing and data storage, globally **(Figure 5)**. 40% of respondents report currently using these offerings compared to 22% in last year's study. 39% of respondents also reported currently using a tax controls framework tool compared to 25% from last year.
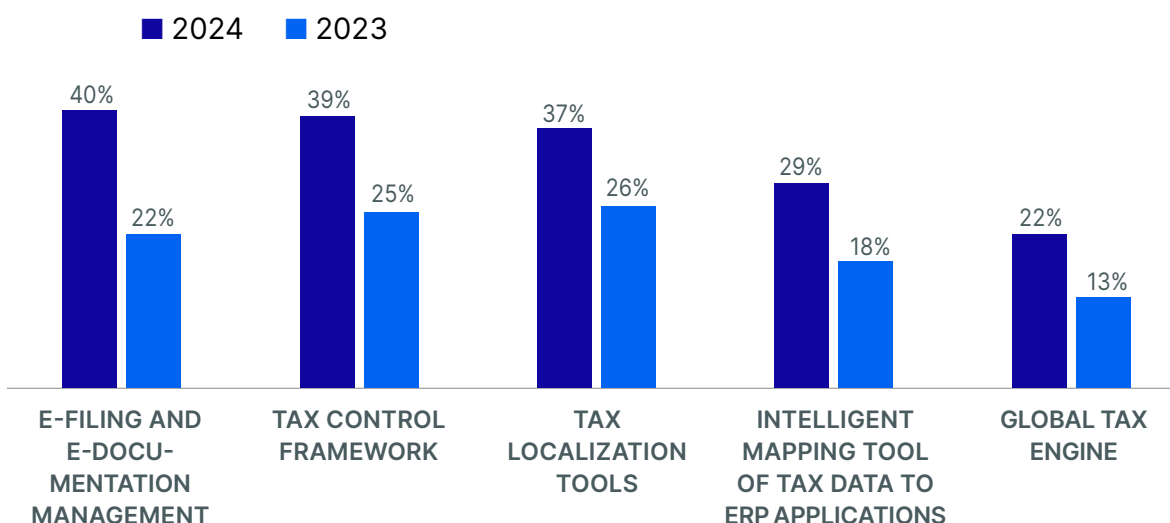
As compliance becomes increasingly complex, the need for a centralized framework has become paramount. Tax localization tools round out the top three solutions and saw significant growth in year-over-year adoption, moving from 26% in 2023 to 37% in 2024. This aligns with the actions needed to support strategy. Having localization skillsets and knowledge are key priorities for organizations due to increased complexities on both global and local levels.

Figure 5: Top Tax Solutions Currently Implemented

■ 2024 ■ 2023

	2024	2023
E-FILING AND E-DOCUMENTATION MANAGEMENT	40%	22%
TAX CONTROL FRAMEWORK	39%	25%
TAX LOCALIZATION TOOLS	37%	26%
INTELLIGENT MAPPING TOOL OF TAX DATA TO ERP APPLICATIONS	29%	18%
GLOBAL TAX ENGINE	22%	13%

Current implementations of new tax technologies remain relatively sparse but focused. While basic automation of routine tax compliance processes is the top solution, it is currently being implemented only by 17% of respondents. Tax controls frameworks and global indirect tax reporting tools are being worked on but only by 12% and 10% of respondents. While this is expected to increase in 2025, 20% of respondents aim to implement other solutions in the next 12-24 months and include intelligent mapping tools that integrate tax data into ERP solutions. Nearly a quarter of respondents reported having concrete plans for this solution (23%). Unsurprisingly, this is a top priority given strategic focus on providing end-to-end visibility of tax and compliance activities.

Tax localization tools earned the third rank followed by a string of solutions being implemented by 20% of survey respondents including sales and use tax determination, efiling and documentation, and global indirect tax reporting tools. This indicates the growing trend around automating and digitizing core tax determination, documentation, and reporting solutions.

Overall, Cloud Based Solution Adoption Continue at Steady Pace

The transition to cloud-based business solutions is occurring across business application categories including tax solutions. Over one-fifth (21%) of tax professionals reported using a cloud-based global tax management system compared to 18% from last year's study. An additional 22% reported currently implementing a cloud-based global tax solution, while 26% reported currently evaluating offerings in this area.

When it comes to the scope of cloud solutions companies are implementing or seeking to implement, a majority of customers continue to focus on both Direct and Indirect tax determination and compliance. While 58% reported both encompassed in their overall solution, similar to last year, 25% reported implementing cloud for direct tax only, and 17% using or planning to use cloud for indirect tax support.

However, there is a marked increase in customers who choose to stay on-premise. 27% say they have no plans to migrate compared to only 11% from last year. Customers in this area want more a of a sense of control and feel like

they need to keep tax data and processes on-premise for security and compliance comfort.

This year's survey also revealed the following trends:

- A majority of customers (53%) start collaborating with their tax teams the beginning of their ERP journey in the planning phases, but another 47% do not get their tax teams involved till later in the project showing that getting tax's seat at the transformation table is still a challenge for many.

- Tax professionals are still early on in their tax controls implementation strategy. 60% report being in the strategy, planning, or evaluation phase of their project while just 29% have reported having reached the testing phase.

- SAP customers are increasing their use of shared services. 35% say they are currently using shared services to support their global tax management strategy and plan compared to 21% from last year. Another 22% are evaluating this option.

Required Actions

Based on the survey responses, organizations should consider the following when evolving their tax strategies, processes, and analytics.

- **Focus early efforts on data preparation, validation, and compliance.** As with many IT and key ERP transformation projects, the foundation of great results is having clean, validated and protected master and transactional data. Our research shows that most organizations are focusing on establishing single sources of truth and tight integration between ERP and Tax systems to provide the necessary visibility for their tax teams and finance executives. As you prepare your own tax transformation projects, do not underestimate the time you will need to prepare your core tax and finance data.

- **Explore AI and automation to provide greater efficiency and visibility in tax.** Tax solution providers and SAP are embedding artificial intelligence and advanced automation within their core solutions. Be active in your own educational process and push your vendors and SAP contacts to better understand how each of them is integrating AI within their current solutions. Find out what are the key technical and business prerequisites to enabling this functionality and begin your own experimentation documenting your lessons learned and wins along the way.

- **Continue to leverage SAP S/4HANA and ERP Transformation as an opportunity to update tax strategy and processes.** SAPinsider research shows that the single biggest project SAP customers are focused on continues to be their SAP S/4HANA upgrade. There are so many pieces to this complex project, from infrastructure and customizations to understanding the true delta in business functionality of SAP S/4HANA vs. ECC. This is forcing most organizations to reevaluate their current business processes and look for opportunities for standardization and improvements. Make sure your tax leadership has a seat at the table in planning this transformation so that you can recognize both quick wins and long-term objectives.

DART
MODEL FRAMEWORK

GLOBAL TAX MANAGEMENT

DRIVERS

- Growing complexity in compliance management, governance, and regulations (42%)
- Digital transformation of tax and finance (34%)
- Addressing global tax requirements (32%)
- Demand for improved reporting, analytics, and visibility (31%)

ACTIONS

- Centralize and automating tax data control framework across all transactional systems (53%)
- Improve tax controls and insights through advanced analytics and reporting (45%)
- Utilize SAP S/4HANA capabilities to minimize errors (44%)
- Implement a global tax engine to enhance automation in tax processes (33%)

REQUIREMENTS

- Clean and harmonized master data (49%)
- Single source of truth for reporting and auditing purposes (44%)
- Deep understanding of local tax compliance among team members (37%)
- Intelligent and real-time tax determination and compliance reporting (35%)

TECHNOLOGIES

- E-filing and E-documentation management (40%)
- Tax control framework (39%)
- Tax localization tools (37%)
- Sales and use tax determination tool (33%)
- Intelligent mapping tool of tax data to ERP application (29%)
- Audit management software (29%)
- Global indirect tax reporting tool (21%)
- Visualization dashboard for real-time analytics (21%)

Appendix: The Dart™ Methodology

SAPinsider has rewritten the rules of research to provide actionable deliverables from its fact-based approach. The DART methodology serves as the very foundation on which SAPinsider educates end users to act, creates market awareness, drives demand, empowers sales forces, and validates return on investments. It is no wonder that organizations worldwide turn to SAPinsider for research with results.

The DART methodology provides practical insights, including:

DRIVERS	These are macro-level events that are affecting an organization. They can be both external and internal, and they require the implementation of strategic plans, people, processes, and systems.
ACTIONS	These are strategies that companies can implement to address the effects of drivers on the business. These are the integration of people, processes, and technology. These should be business-based actions first, but they should fully leverage technology-enabled solutions to be relevant for our focus.
REQUIREMENTS	These are business and process-level requirements that support the strategies. These tend to be end-to-end for a business process.
TECHNOLOGY	These are technology and systems-related requirements that enable the business requirements and support the company's overall strategies. The requirements must consider the current technology architecture and provide for the adoption of new and innovative technology-enabled capabilities.

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