Global Tax Outlook 2025

Reimagining tax compliance: A strategic toolkit for change

Introduction

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Global Head of Tax

This year's BDO Global Tax Outlook report arrives at a time of great change.

First, the regulatory landscape bears little relation to that of ten or even five years ago. We have seen a sea change in the focus, strategy and conduct of tax authorities across the world, as government treasury and finance leaders feel the pressures of trade wars, low growth and political tension.

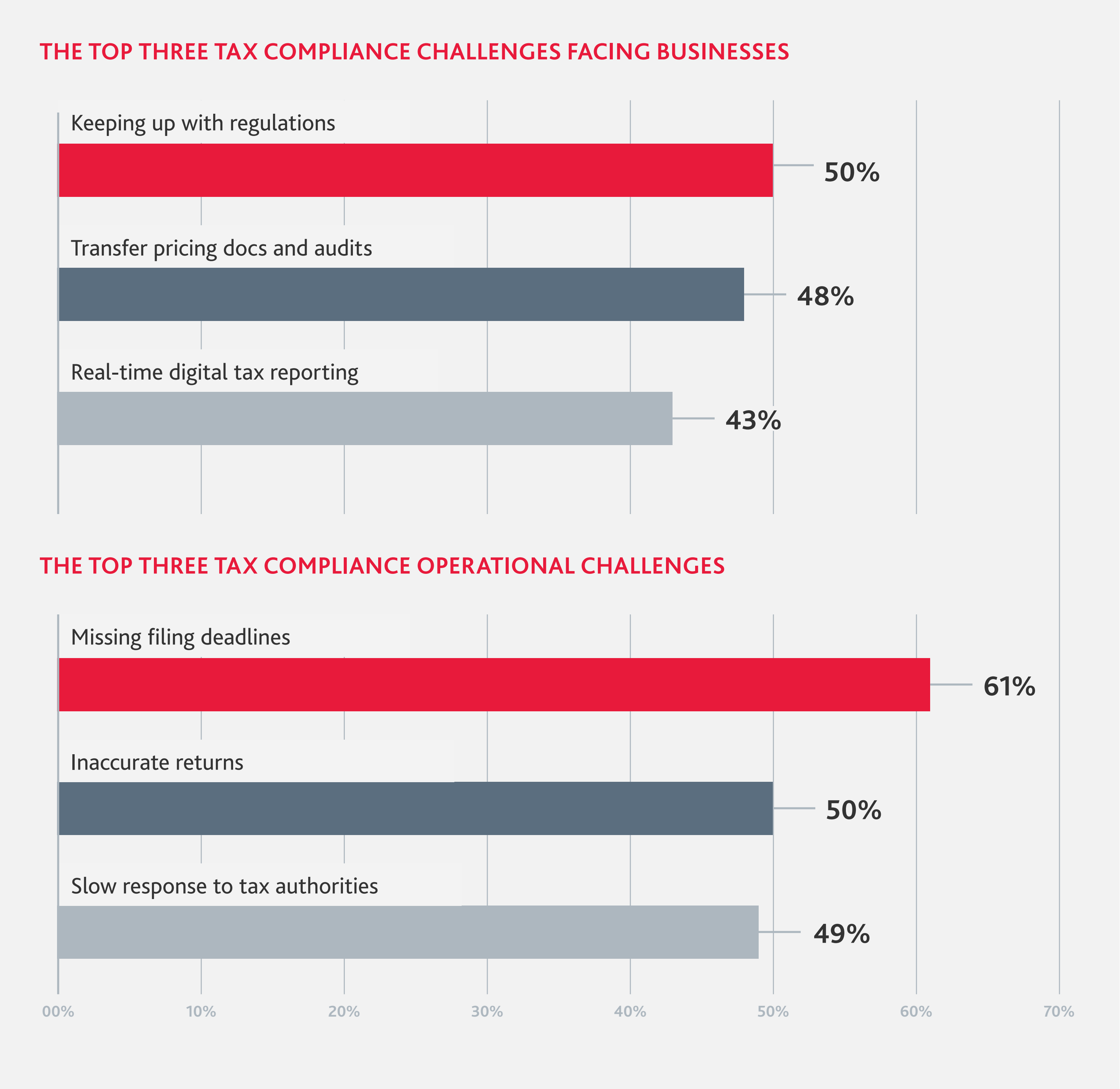
Second, tax leaders must strike a balance between developing a long-term vision and focusing on the day-to-day pressures inherent in compliance work. Our research paints a vivid picture of tax leaders working tirelessly to design and create compliance frameworks that not only protect the business from regulatory risk but also bring the tax function into alignment with business strategy.

Finally, they're doing this with thinner resources. As pressures mount on the bottom line, compliance functions are often stretched to their limit, with both technology and headcount squeezed to deliver a mandate that grows more complex every day.

To meet these challenges, organisations need partners that can deliver quality of service that goes beyond simple compliance. They need to know that the people they work with understand their critical risks and have a shared interest in ensuring optimal compliance performance at all levels.

This report brings into focus exactly what tax leaders and CFOs want from their tax compliance partners: a commitment to quality, a focus on innovation, and a willingness to collaborate effectively. As we deepen and develop our client relationships, it is heartening to see the emergence of new practices that suggest businesses and their professional partners are working together more successfully, collaborating where necessary while retaining appropriate in-house expertise.

We must move beyond a simple illustration of the challenging tax compliance landscape, a system of interlocking, man-made structures that has grown increasingly complex. In this report, we offer a clear path forward. ■



Contents

The challenges of tax compliance in 2025

Energised regulators and internal resourcing pressures are creating new challenges for tax compliance leaders

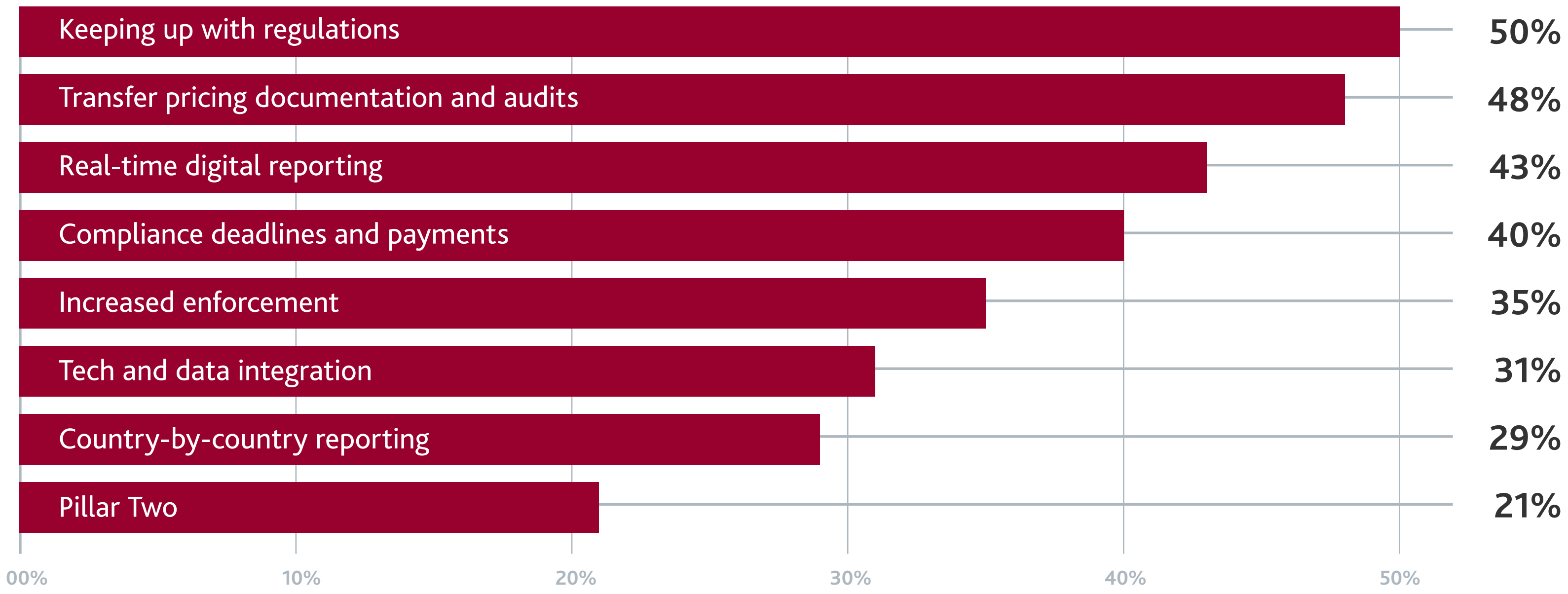
Tax function leaders have rarely been under greater pressure. While much of this is due to the ever-shifting regulatory burden, other emerging strains are combining to create a situation where tax compliance no longer sits on the back burner but demands a place within the organisation's core strategy.

"Various factors are driving this pressurised environment," says Ed Gibson, a partner at BDO UK's International Tax practice. "The first thing is the volume of compliance tasks that businesses now face, covering new taxes coming online as well as new transparency requirements. That creates a ratchet effect of more and more compliance-related activities."

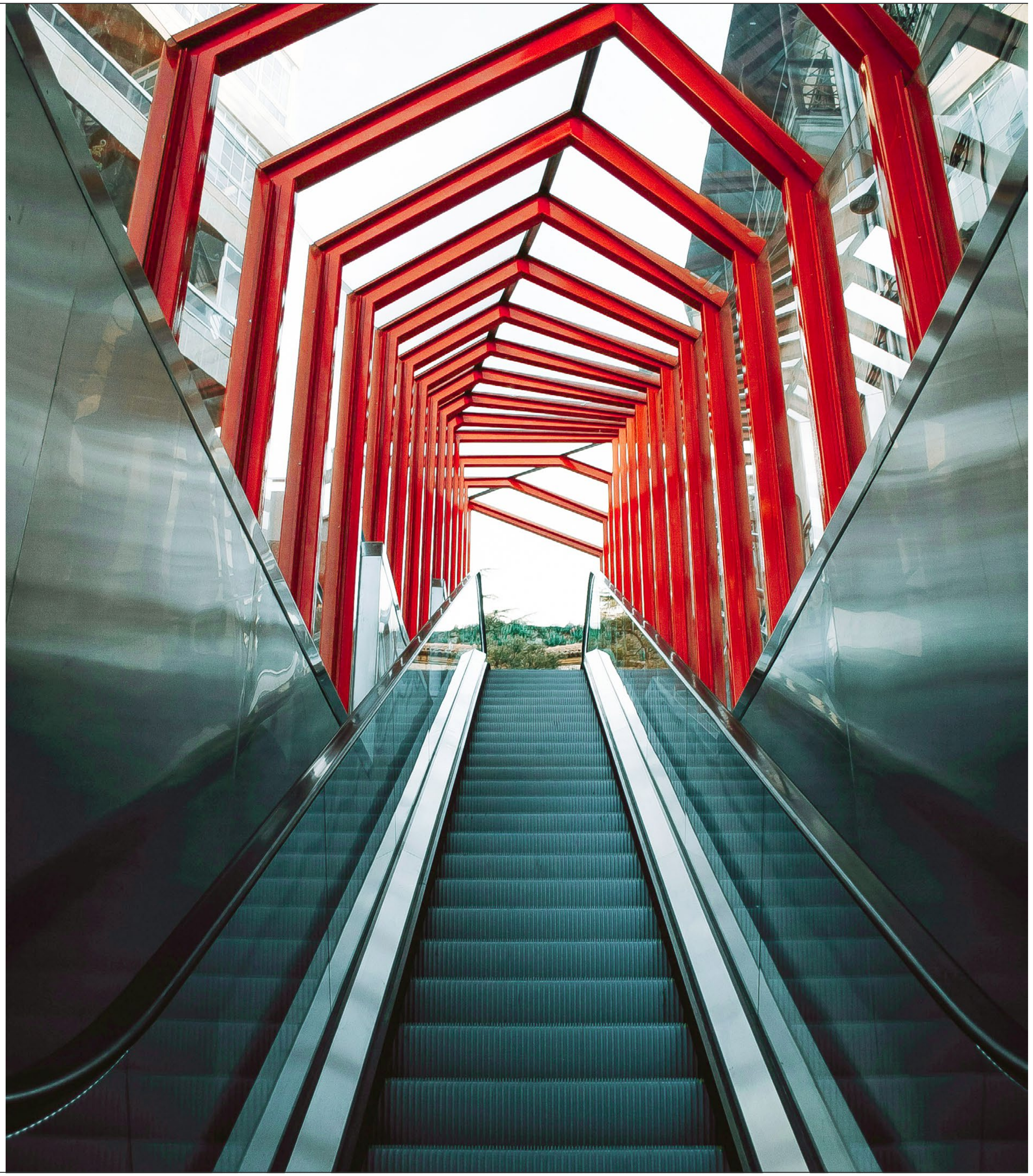
Regulation is a central theme: half of the businesses surveyed cite 'keeping up with regulations' as their biggest challenge. A closer look reveals several specific areas where compliance teams are being stretched, with more than one in three leaders highlighting increased enforcement as a key compliance challenge. ▶

TAX LEADERS ARE STRUGGLING WITH REGULATION, TRANSFER PRICING, REAL-TIME REPORTING AND MORE

Q. What are the biggest tax compliance challenges your organisation currently faces?



Sorted by top three. Respondents could choose more than one option.



"The second thing we're seeing is much more aggression from tax authorities in terms of how they are enforcing these new rules," Gibson says.

"In practice, that means having to make sure the business is doing everything right and questioning the tax function when they submit these returns," says Gibson, who cites the fact that teams are, on average, spending a quarter of their time dealing with tax queries from the authorities.

"That demands the highest levels of accuracy, so you can stand behind the numbers that you are putting forward," he says. Elements such as transfer pricing and general compliance activities are also vital, he notes.

As a consequence, Gibson says the relationship between businesses and tax authorities is under growing pressure. "That means it is crucial that businesses have a constructive relationship with their tax authority to stay compliant."

As Head of Tax at AkzoNobel, Ralf Pieters is at the sharp end of the struggle. With external pressures ramping up and the business demanding more, "it's always about doing more with less, or at least with the same type of budget," he explains.

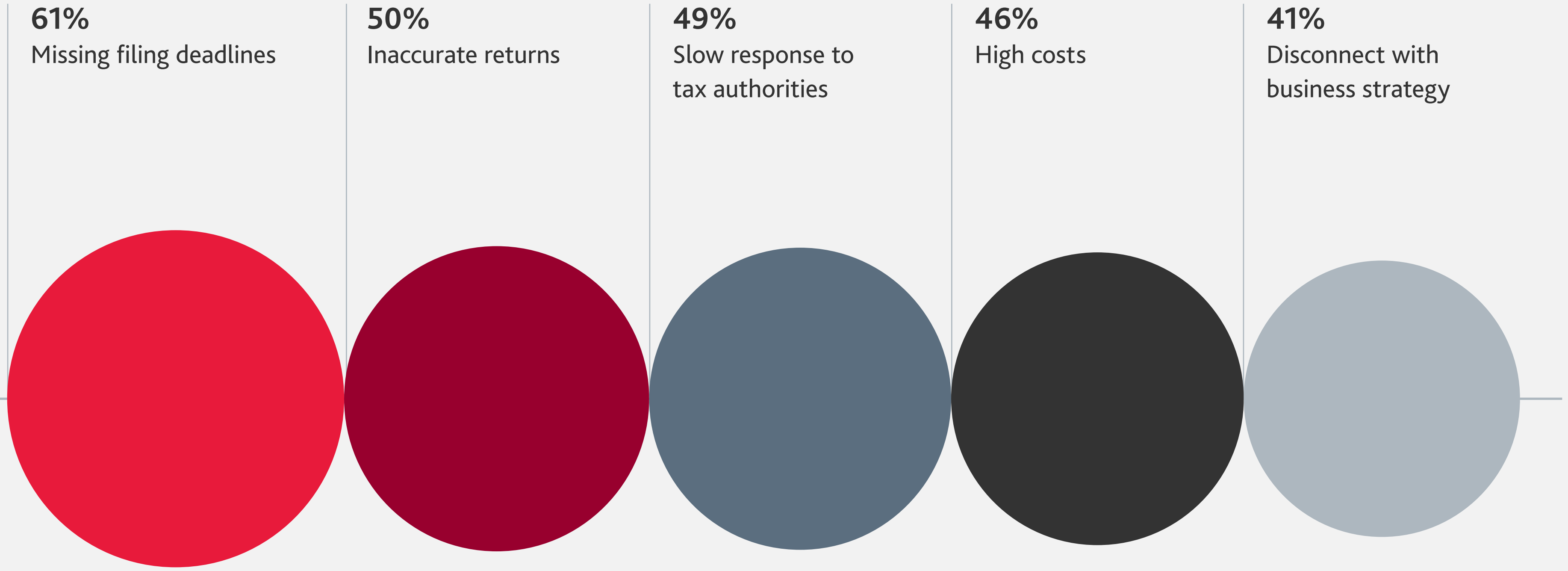
This is a real challenge, Pieters says, partly due to the introduction of the OECD's Pillar Two framework and the increase in digital mandates. "For instance, there's the increasing level of e-invoicing requirements and digital tax reporting requirements that go on top of Pillar Two."

These pressures are creating internal operational problems. As the research shows, more than half of respondents admit they have missed filing deadlines and submitted inaccurate returns. A significant number also highlight rising costs as well as difficulties responding to regulator enquiries in a timely fashion.

Back in 2023, we saw a relatively static environment with little volatility in investment levels. In 2025, by contrast, we're seeing tax leaders take a more proactive and nimble approach to closing their efficiency gaps and addressing operational weaknesses. ▶

THEIR TEAMS ARE ALSO BATTLING WITH MISSED DEADLINES, ERRORS AND COSTLY INEFFICIENCIES

Q. Do you have these problems with your tax compliance operations?



> "It's crucial that businesses have a constructive relationship with their tax authority to stay compliant."

Ed Gibson
International Tax Partner, BDO UK

Sixty-two percent of respondents are upping their investment in skills and training for their teams – a significant increase – while almost half (47%) are spending more on outsourced solutions, up from a quarter in 2023. That suggests CFOs are responding to a more dynamic landscape (in regulatory terms, costs and internal pressures) with a more varied and flexible approach.

For Pieters, a hybrid outsourced approach is now the 'new normal', combining strong in-house expertise with access to a flexible and responsive compliance resource when needed. "We do have outsourced partnerships for corporate income tax compliance and VAT compliance in certain regions, for example," he explains. "So in that sense, we were familiar with the hybrid model."

Pieters explains that when designing a solution specifically for Pillar Two, the business initially headed towards an approach that involved working with a technology partner, while retaining significant work internally.

"There was no doubt that a solution [for Pillar Two] would require quite an upfront investment, as would upskilling and perhaps adding resources to the team," he says. "So that's where we decided to push the pause button and instead opted for an outsourced solution. We were assuming that it would be excessively expensive, but it turned out to be quite an acceptable cost, so we were quite happy with the conclusion we reached."

This hybrid approach, where clients and partners work together to identify areas suited to outsourcing while retaining other activities in-house, is emerging as the dominant model in tax compliance. However, it demands agility and a willingness to adapt according to circumstances.

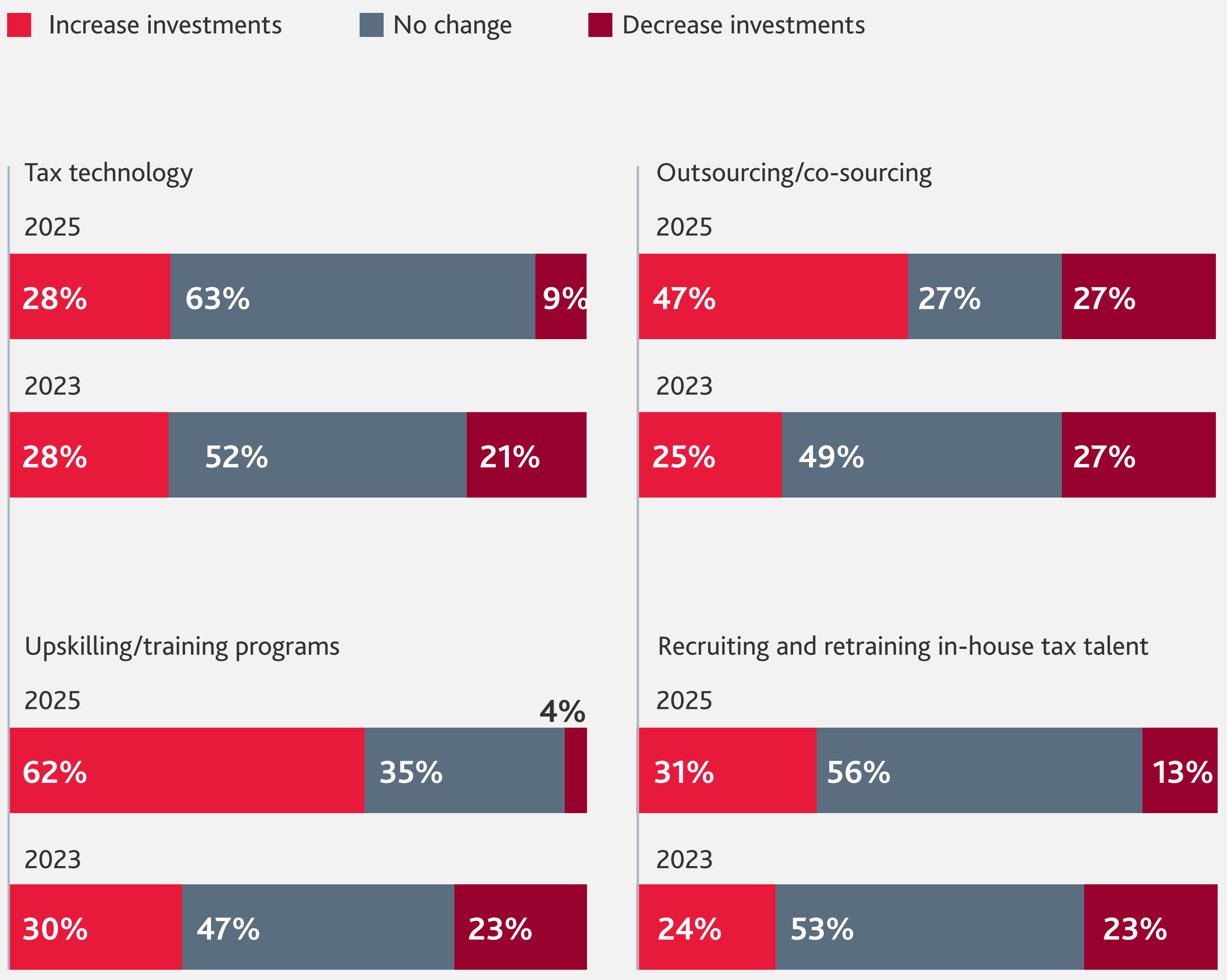
"We are very agile as a team and don't just approach similar projects the same way," says Heather Norko, VP Tax and Treasury at Elastic. "It depends on the scale, the magnitude and the technical expertise that's needed. We always aim to partner someone on my team with the outsourcing provider as the key go-to person to provide the requests."

Fostering that close collaboration is becoming more important as the tax landscape shifts, Norko says. "We have to work through a number of different angles and levels: whether that involves an in-depth conversation around risk perspective or looking at how others are handling the same situation in the industry, it's about communication."

"As a result, our team really gets a lot of different experience, because they not only learn technically from the outsourcing provider, they also learn what the business is doing internally to help the company grow." ■

TAX LEADERS BELIEVE OUTSOURCING AND UPSKILLING CAN HELP THEM COPE WITH ANY DOWNTURN

Q. If economic conditions worsen, how will your organisation's plans change?



The cost of tax compliance

CFOs and tax leaders face a growing cost burden around compliance – and the direction of travel is concerning

Our research shows that 66% of businesses surveyed expect their compliance costs to rise in the coming year. Critically, worries over cost are not limited to those leading larger organisations. While 59% of CFOs in bigger companies say high costs are a concern, that figure rises to 80% when speaking to smaller businesses.

This makes sense: these firms often don't have the resources to deal with greater complexities, so they will be asking for more help. But it begs the question: what is behind these cost increases and greater complexities?

The main factor is the changing behaviour of regulatory bodies, which are now taking a much more aggressive and proactive approach. In particular, the rise in the number of ad hoc enquiries undertaken by regulators is creating a situation where more resources – in both technological and headcount terms – must be allocated to the compliance function to ensure the organisation is ready to respond to any and all enquiries.

That takes a variety of forms, but it all adds up to a greater workload for compliance teams overall.

CFOs are responding in a variety of ways, but it is revealing that 71% highlighted cost as a key driver behind the decision to outsource tax compliance operations. ■

66%

of businesses expect their spending on tax compliance to increase in the next 12 months

59%

of CFOs say high costs are a major problem with their tax compliance operations

This rises to

80%

for those from small businesses

When tax operations miss the (strategic) mark

AkzoNobel's Ralf Pieters argues that treating tax as a strategic matter, not a tick-box exercise, is essential if compliance is to add real value

"It's vital to build a bridge between tax requirements and the wider business agenda."

Ralf Pieters
Head of Tax, AkzoNobel

While it is encouraging that a large proportion of businesses say their tax team spends enough time on strategic issues, two in five report a disconnect between their tax compliance operations and their business strategy.

"Certain people tend to see tax as a 'tick in the box'," says Ralf Pieters at AkzoNobel. "They think that 'tax needs to sign this off at some point', ideally at the end of the process, so they can at least cover themselves. But of course, it's a lot better if it's the other way around."

This highlights a dilemma at the heart of tax compliance: how do we ensure tax is an integral part of strategic planning that both prioritises tax planning and allows businesses to grasp opportunities?

Pieters admits it can be difficult to achieve that alignment. "If the people involved have worked in this format and know the drill, it's no problem. But of course, there will still be situations where it might be in different locations or for different functions, where things are changing and tax is not involved."

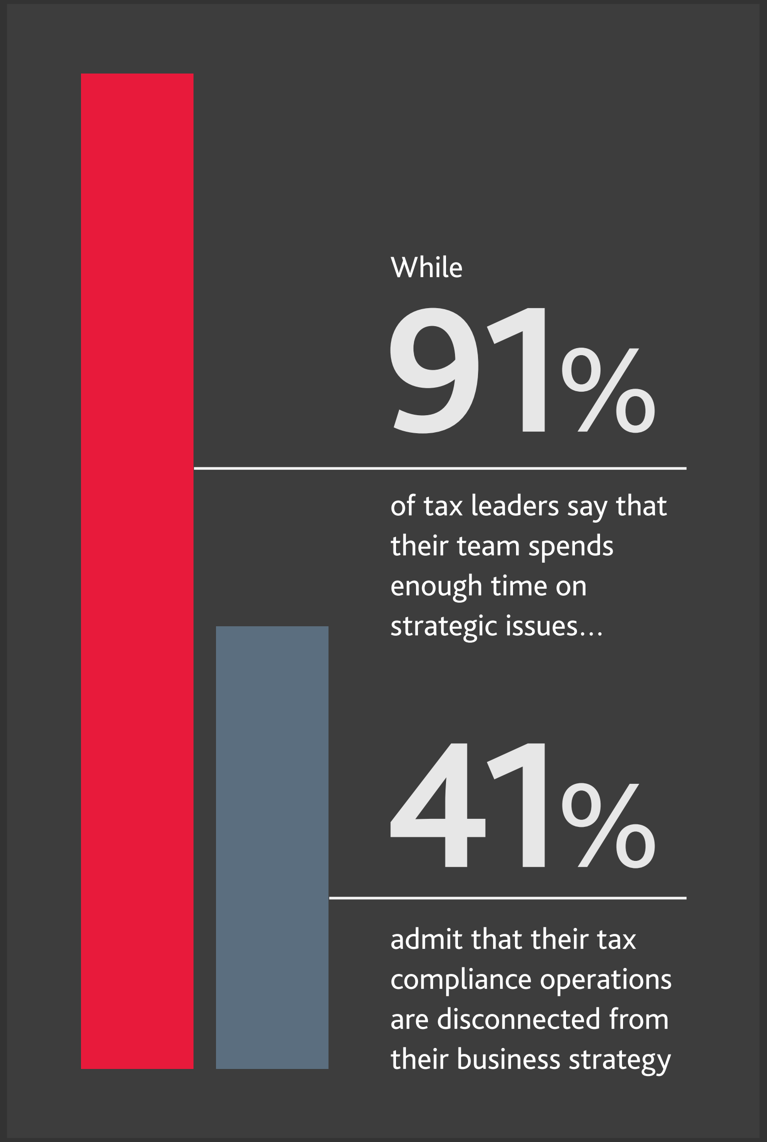
When it goes wrong – and tax is not aligned with the business – risks won't be identified in a timely fashion, he warns. Pieters uses the example of an external acquisition: if you haven't considered all the tax exposures, you may end up purchasing a company with embedded liabilities, making it hard to manage.

"Obviously in that scenario you want the tax team to be involved early. And when it's not scalable, when for instance you embark on a massive acquisition, then all of a sudden there may be a danger that you struggle to ensure you're compliant with your global tax obligations."

Pieters has been proactive in addressing this dilemma by prioritising cross-functional collaboration. AkzoNobel recently hired a Head of Tax Operations and Technology to develop more cohesion between functions.

"It is a global trend in tax that highlights the importance of master data, but also the importance of understanding your end-to-end processes related to compliance," he says.

"It's vital to build a bridge between tax requirements and the wider business agenda. It's also important to consider the connection between technological implementation and the business's broader operations and strategy."



The shifting tides in tax compliance outsourcing

Corporates are leaving behind the 'one size fits all' model in favour of flexible outsourcing models that adapt to business needs

Compliance outsourcing has developed and morphed over time to meet the changing demands facing companies. From the beginning, some businesses leapt straight into a fully outsourced model, while others took a more cautious approach and only outsourced a portion of functions.

Those trends have now consolidated into a clear picture, with 71% of companies surveyed adopting some form of outsourcing. The overwhelming majority take a case-by-case approach, with 60% opting to outsource some functions while keeping some in-house.

Let's take it a step further. What does a successful outsourcing arrangement look like?

According to Ed Gibson at BDO, an effective partnership is built on a clear division of responsibilities.

"It's simple: everybody needs to understand who is doing what," Gibson says. ▶

For instance, businesses need an outsourcing partner that understands the company, he explains. If these partners simply provide a rigid, formulaic service, things might get missed. And that's not all: without taking the time to get to know a company's operations, outsourcing partners might overlook a nuance in the business that could be responsible for underlying issues.

"Ultimately, if you don't have that clarity on how the two pieces fit together, you'll just end up with missed expectations and things being overlooked and going wrong."

Ralf Pieters' approach at AkzoNobel is perhaps the archetype of the new outsourced model, where agility and flexibility are key.

"First of all, there's always a risk-based prioritisation. What are the things that we absolutely must do? Once we have analysed and discussed that, we can have a better understanding of how automation can be applied towards a particular task or function."

There have been recent suggestions that Pillar Two may undergo some significant revisions in the medium term. This is proof of the need to stay agile, Pieters says. "Maybe the huge complexity that Pillar Two embeds currently might not be there in the longer run," he notes. "But that depends on what will be negotiated and decided ultimately around safe havens, exemptions and so on. But basically one of the things we're doing in this era of greater uncertainty – especially around Pillar Two – is retaining a focus on being completely flexible."

This approach reflects the findings of the research, which show that CFOs prioritise flexibility (69%), quality of service (66%) and cost control (57%) when deciding on their compliance outsourcing strategy.

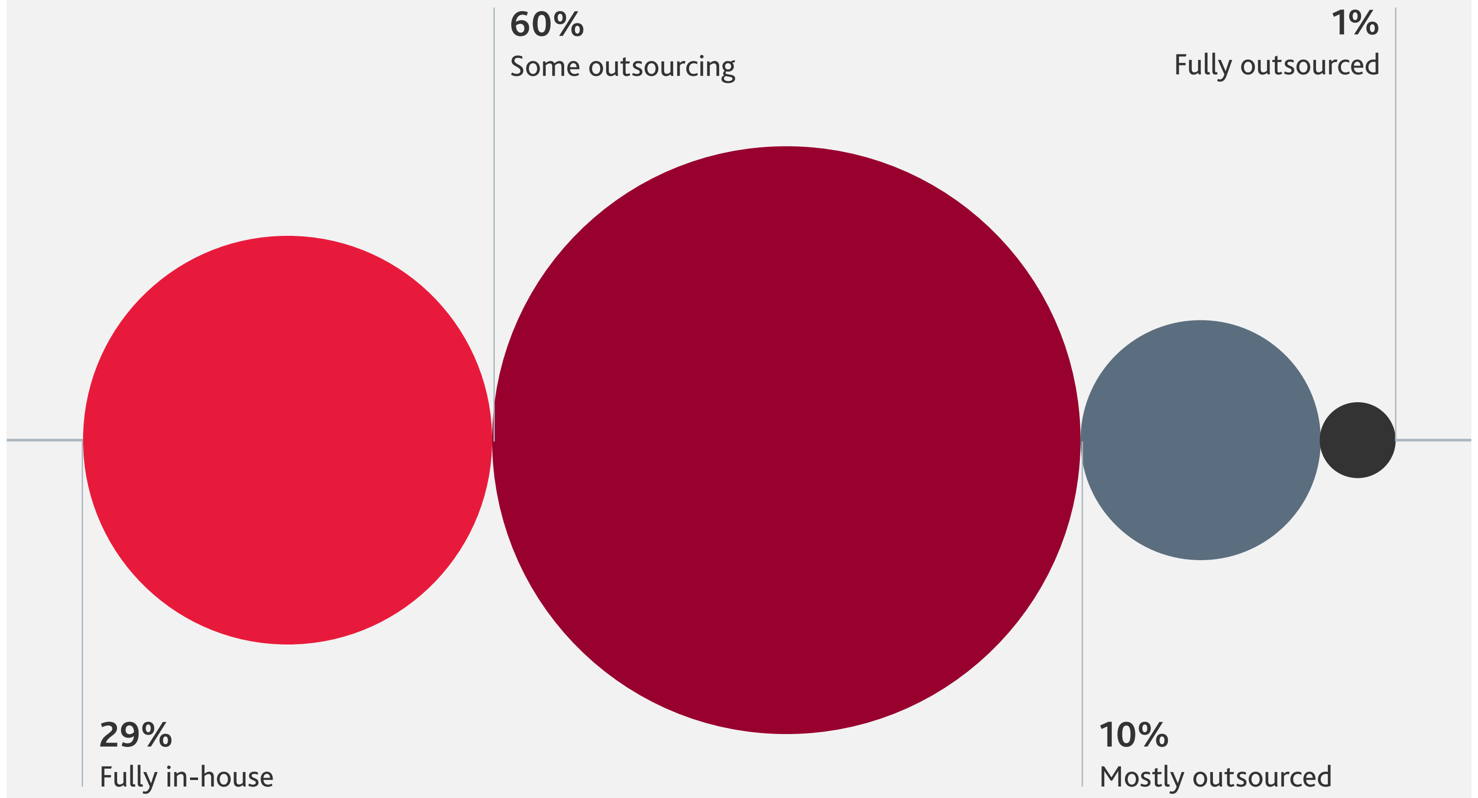
That has seen AkzoNobel use all the tools available to anticipate future regulatory and operational needs, whether that be investing in a technology solution, upskilling the team, or adjusting its approach to outsourcing. ▶

> "Businesses need an outsourcing partner that understands the company. If these partners simply provide a rigid, formulaic service, things might get missed."

Ed Gibson
International Tax Partner, BDO UK

OUTSOURCING HAS BECOME THE DOMINANT TAX COMPLIANCE MODEL

Q. What is your operating model for tax compliance?



“At the moment, given the uncertainty around Pillar Two and budget restraints, we have decided to go for a more flexible, efficient, fully outsourced solution, to ensure we are compliant and don’t have any doubts,” he says. “That also reduces the investment needed for a solution that might not bear fruit.”

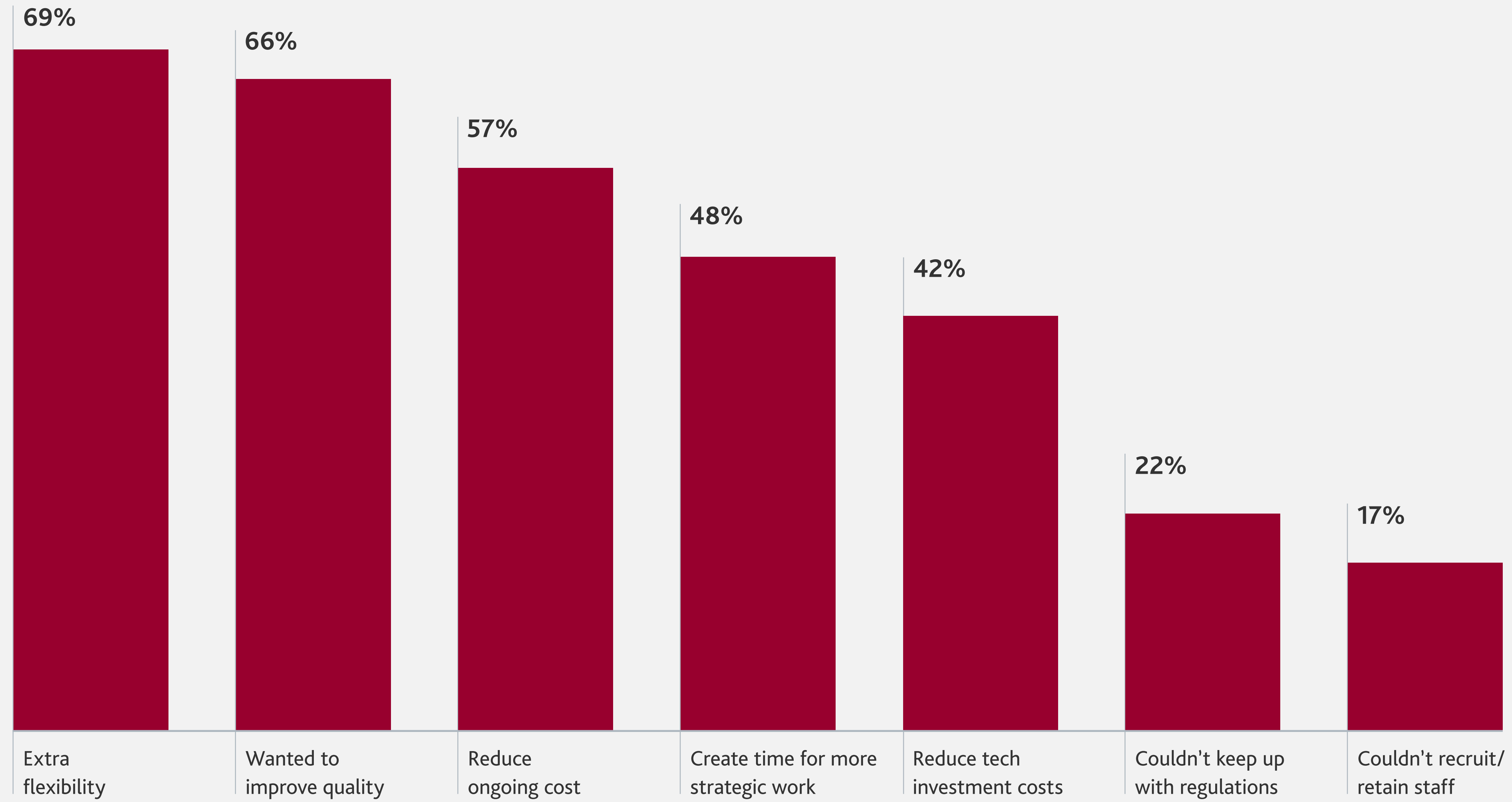
For Heather Norko at Elastic, the greatest benefits from outsourcing tax compliance centre around the opportunity to relieve her team of tedious compliance tasks. “They don’t need to worry about e-file validations, country-specific formats, or how the information gets delivered,” she says.

“This means that we’re able to keep a smaller team that can focus on enabling business growth, scaling cash savings and so forth. With that technology embedded in the relationship, it really moves those tasks to specialists who can do it for multiple clients.”

With the pace of technological change increasing and tax authorities ramping up their oversight and enforcement strategies, it’s not surprising that more businesses are focusing on a hybrid outsourced model that can bend and flex on demand. ▶

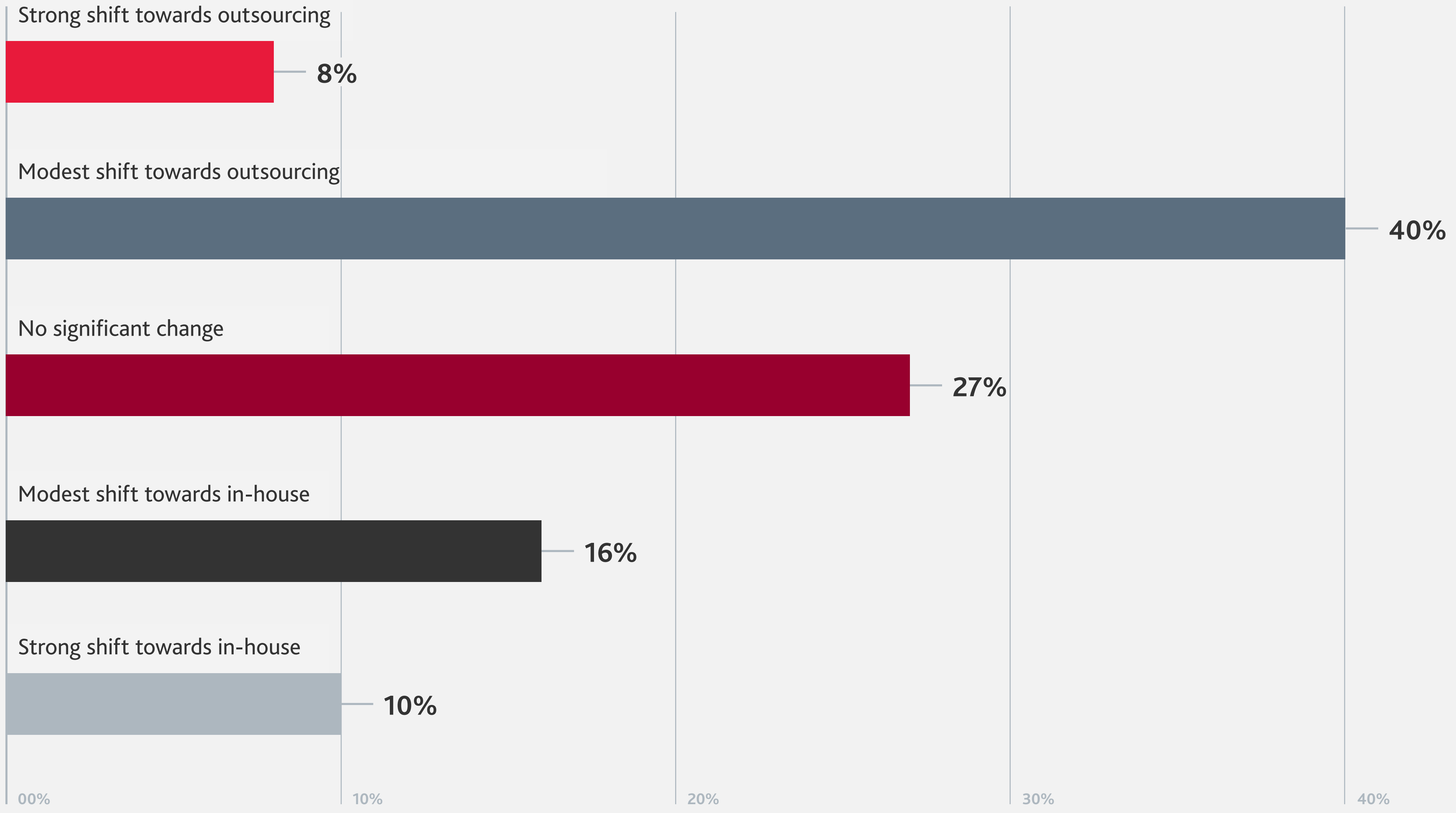
STRATEGIC GAINS, NOT JUST COST SAVINGS, ARE DRIVING OUTSOURCING

Q. What was the trigger(s) for your firm outsourcing tax compliance?



THE TREND TOWARDS OUTSOURCING IS SET TO ACCELERATE

Q. In 24 months time, do you envisage



That is set to continue, with 40% of respondents saying they expect to see a shift towards more outsourcing over the next few years. It's a sentiment that reflects both the acceptance of outsourcing's benefits and caution around overcommitting to a partner or strategy that might not be fit for purpose further down the line.

But striking the right balance is tricky, particularly if the client doesn't have effective internal systems or – crucially – a good data strategy. With 59% of respondents identifying data quality as the biggest challenge in getting outsourcing right, Gibson explains that no outsourcing partnership can overcome poor data management. ▶

> "No outsourcing partnership can overcome poor data management."

Ed Gibson
International Tax Partner, BDO UK

In many cases, corporate data "is not in an ideal situation" for most groups, he says. "It's messy, and you might have multiple different systems because of growth through acquisition."

This means the highly automated solutions promised by the outsourcer can run into issues, he warns, with an attempt to fit a standardised process around very disorganised data. "This creates a misalignment between what the company thinks they're getting versus what the outsourcing provider is actually able to provide."

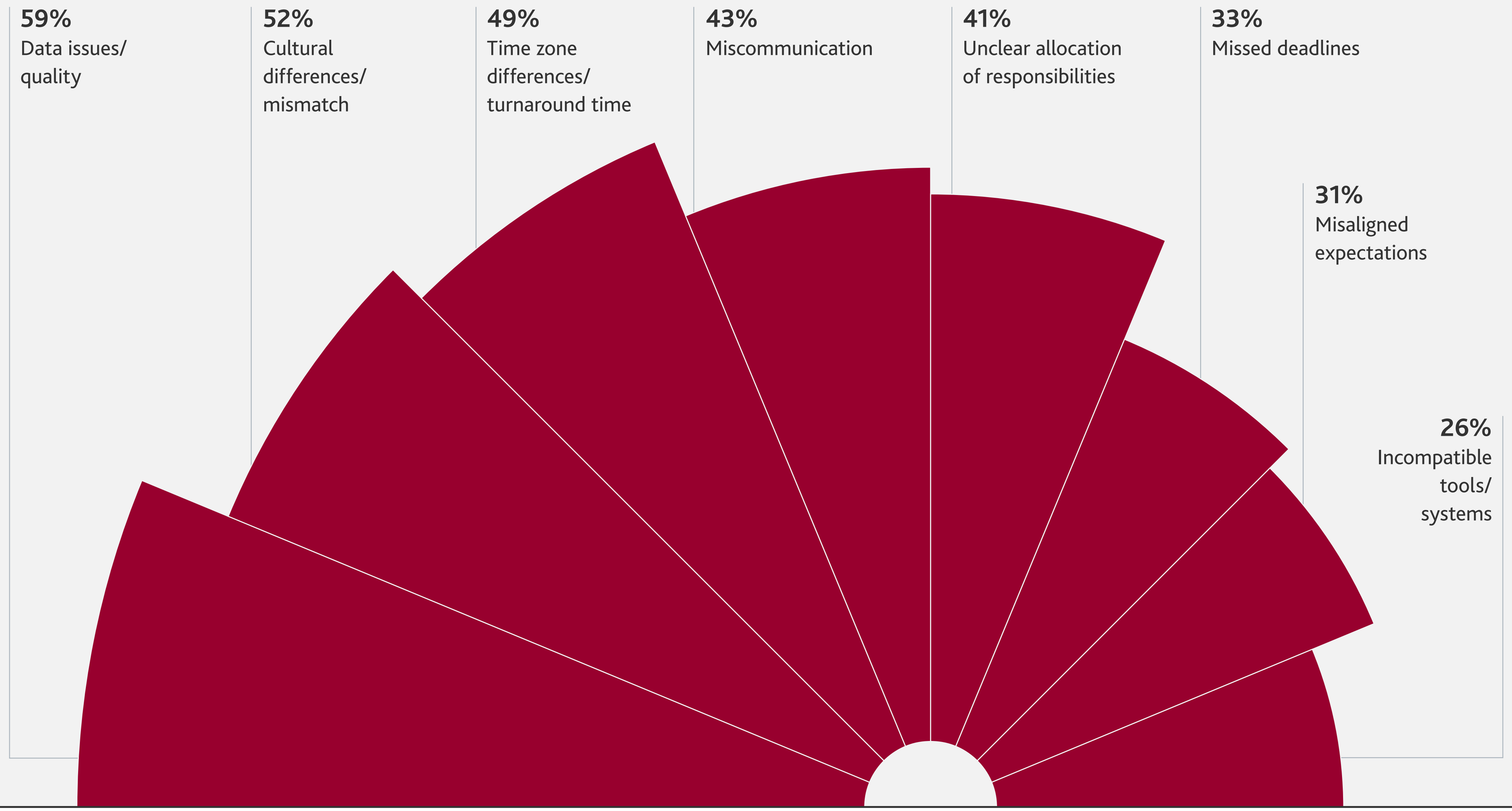
Given the potential for ballooning costs as the regulatory landscape shifts over time, alignment between parties is crucial. For Gibson, a successful partnership depends on each party understanding the other's challenges, shortcomings and drivers.

"You need somebody who can be very flexible in terms of how they deal with a chaotic world of data," he says.

In cases where data sources are muddled and incoherent, the outsourcing provider should be able to work with the company to solve these issues, whether via workarounds or through a wider project to standardise the data and improve the overall process. ■

BUT THERE ARE CHALLENGES TO OUTSOURCING, ESPECIALLY WHEN IT COMES TO DATA AND COMMUNICATION

Q. What areas of friction exist between your in-house and outsourced teams?



Decoding "high-quality" tax compliance

Quality counts: BDO research shows that 86% of leaders rank team quality among the top three criteria for assessing a compliance partner. But what exactly does high quality in tax compliance entail?

Heather Norko, VP Tax and Treasury at Elastic, sat down with **Michael Williams**, Tax Principal at BDO USA, to reflect on how relationships must move beyond compliance towards strategically valuable partnerships.

HN: I think 'quality of service' really comes down to one thing: partnership. Whoever we look at to co-source our compliance, we see them as an extension of our team. And if you think about tax as a life cycle, where there is planning and annual or quarterly reporting, then everything should feed into compliance. By developing that partnership and building a trusted relationship, it helps me and the team to bring the business operations on board and enable the business to scale with a tax focus.

MW: The key to that successful partnership is proactivity. So in an outsourced model, it's really about driving the initial planning meeting and reaching out to coordinate with the business and their tax team. A focus should be on coordinating local offices so that the internal tax team can focus on higher-value tasks. It's about staying a step ahead: regular planning meetings are essential to ensure a proactive approach and timely delivery. Ultimately, the business needs to be able to trust that their partner is on top of things.

HN: That trust point is crucial. Obviously building that up doesn't happen overnight: it's created by continuous touch points and updates as to what's going on in the business and where we're headed, whether that be a new country, changes to the underlying business structure, acquisitions, as well as global legislation.

Like many of our peers, we've seen an increase in audits since Covid. As the rules have become more complex and more detailed, auditors are going to the same level of detail, complexity and due diligence: as a result, the audit is now going much deeper.

We're very fortunate because we can use our partnership with a compliance vendor to represent us upon audit. They have that history and background with the company, they know our business, they know how we've grown and they've reported that in the tax returns; this makes them the best people to represent us with the authorities.

MW: This is where the quality of the relationship is really important as an adviser, particularly with tax compliance. When a new regulation is proposed, we can reach out to Elastic to discuss the compliance implications and how they may impact its tax positions.

There's also the financial statement element. If you think about tax positions, there's a requirement that if a tax position doesn't meet a certain threshold, there may be financial statement implications. So to Heather's point, not only are we helping from an audit perspective, but we're also providing guidance from a financial statement perspective in terms of what that might mean: whether there may be disclosure considerations, for instance.

From our standpoint, we're not doing our job if we're not bringing a holistic view of the tax landscape to the client and the impacts to the client's business. ■

86%

of leaders rank team quality among the top three criteria for assessing an outsourced provider

The five weak links in the outsourced tax data chain

Businesses face a range of pitfalls when setting up outsourcing partnerships, but smart thinking can boost the chances of success

59% of leaders say that data issues and quality are an area of friction between their in-house and outsourced tax teams

01

INACCURATE OR INCOMPLETE DATA INPUTS

Missing or incorrect data can confuse and delay tax processes and lead to a much higher risk of error, making it difficult to apply tax treatment correctly. This will take different forms depending on the organisation, but if leadership fails to integrate tax considerations into other systems and processes, it can lead to inadequate tracking of tax-sensitive items or a poorly designed taxonomy that makes it harder to determine tax sensitivity. This often stems from a fundamental disconnect created by a lack of ownership and poor data management protocols that can stymie a smooth and efficient exchange of data.

02

TAX AS AN AFTERTHOUGHT IN SYSTEM DESIGN PROCESSES

Treating tax considerations as an afterthought might save time at the beginning, but it can lead to trouble. “It’s really important that the tax team has a seat at the table at the strategic level early on,” says Ralf Pieters at AkzoNobel. “So that means as soon as possible when critical decisions are being shaped.” Pieters uses the example of planning M&A activity as a test case for getting tax compliance input: “It’s really important that tax is involved early in the game to be able to identify risks but also identify opportunities.”

03

POOR INTEGRATION

Properly integrating disparate systems can mean the difference between an effective outsourced compliance arrangement and a dysfunctional relationship that fails to achieve the hoped-for efficiencies. Failure to integrate systems can have many root causes, including a lack of attention to detail, poor planning or misaligned objectives. Whatever the cause, the impact can be immediate and significant, knocking a project off course right from the start.

04

COMMUNICATION FRICTION

No matter how aligned the outsourcer and the business may be, there is always the potential for things to get lost in translation. Whether that is a delay in exchanging data thanks to cumbersome manual processes, friction between two disparate sets of established processes slowing things down or time lags created by a lack of automation, getting the two sides to mesh seamlessly (with the right level of control) can be tricky.

05

LIMITED REAL-TIME VISIBILITY

There is a growing trend towards more real-time reporting, with tax authorities giving strong indications that this will remain the direction of travel. Tax leaders must ask themselves whether their strategies are supporting that move towards real-time data collection or whether they risk being left behind as compliance cycles continue to accelerate and become more intense.

Tax risk management frameworks: do they make a difference?

Most businesses have a tax risk framework, but their value depends on their adaptability to growth and increasing complexity

James Egert
International Tax Partner
BDO United Kingdom
Global Tax Assurance and Risk Management Centre of Excellence Leader

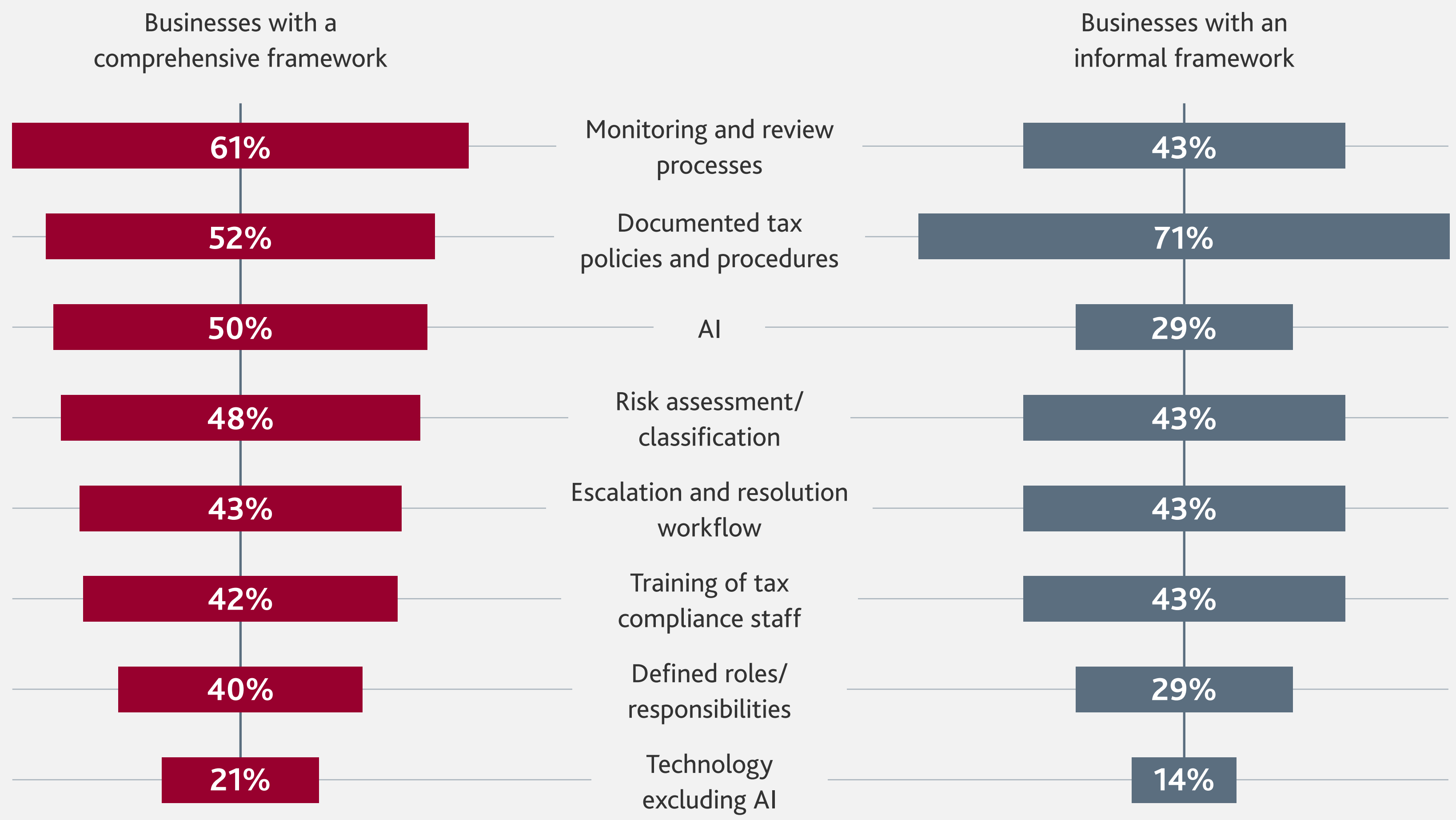
Ultimately, tax risk management frameworks do make a difference. However, to be truly effective, they must be deeply embedded within an organisation's culture and operations.

Most businesses say they have some form of a tax risk management framework, though the situation varies: 56% of tax or finance leaders surveyed describe their approach as comprehensive, while 46% say their frameworks are still informal or in development.

James Egert, Global Head of Tax Assurance and Risk Management at BDO, explains that the comprehensiveness of these frameworks tends to vary based on the size and complexity of the organisation. "If you're talking to some of the large, established businesses, especially in the FTSE 100, they tend to have quite established tax risk and control frameworks in place," he said. ▶

STRONGER FRAMEWORKS ARE HIGHLY STRUCTURED AND INCLUDE AI, WHILE DEVELOPING ONES LEAN HEAVILY ON POLICIES

Q. Which elements are included in your tax risk management framework?



56%

of leaders say they have a comprehensive tax governance framework

46%

say it's still informal or in development

Conversely, many fast-growing businesses often rely on informal practices and casual conversations to identify tax risks. This could mean a tax issue is overlooked until late in the process. For example, Egert says it's not unusual for a senior leader to refer to a commercial decision or change that has been made in a business process or strategy, only for the tax director or CFO to highlight a potential tax impact that had not been taken into consideration.

"To avoid those moments, businesses need more formalised tax risk frameworks that include expected standards of conduct in relation to tax behaviours," Egert adds. "These frameworks should be designed to proactively identify tax risks rather than reactively respond to them."

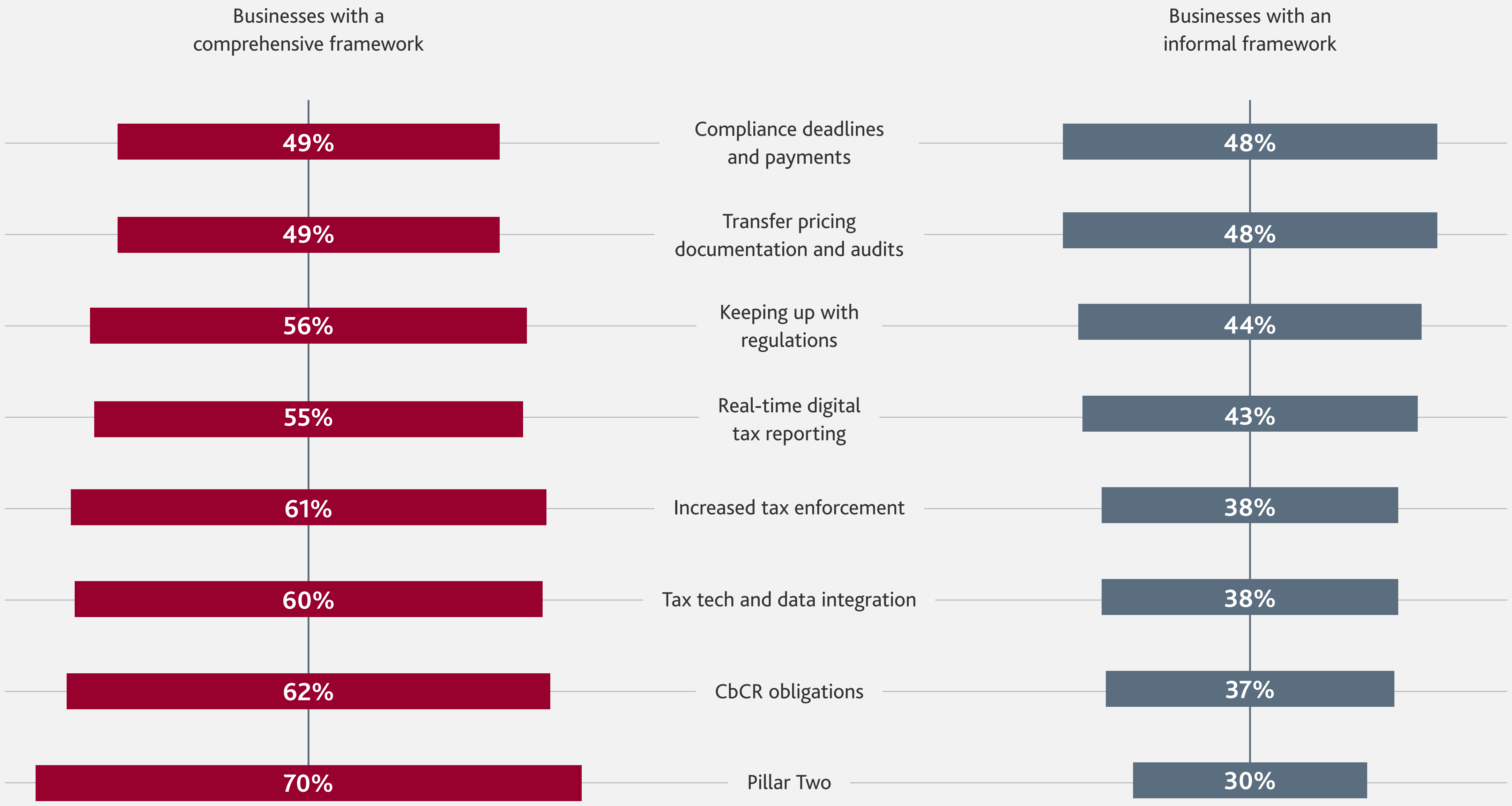
For all businesses, whatever their size, Egert sees an increasing need for the right mechanisms, governance structures, controls, escalation and reporting lines – essentially a 'tax control framework' – to spot tax issues before they become surprises.

Paul Whiteley, Group Head of Tax at LEK Consulting, says success depends on a clear understanding of the importance of tax risk, the impact it can have on the business, and the need to properly manage that tax risk. "That goes across not just people who have tax responsibilities, but people in the broader business."

Egert agrees. "Historically, the focus for tax teams was all about compliance and tax optimisation. Now, it's much more about business partnering and risk management. The more that the tax director continues to see themselves as a strategic partner in their business, the stronger the management of tax risk will be."

COMPREHENSIVE FRAMEWORKS REVEAL DEEPER TAX TECH AND COMPLIANCE CHALLENGES

Q. What are the biggest compliance challenges your organisation faces?



A new era of tax enforcement is here and businesses must keep up

As tax authorities take a more proactive approach to detection and enforcement, businesses must match them stride for stride

Gordon Gao
Tax Partner, BDO China

Patrick Bernd Findeis
Partner, BDO Germany

Among the various insights generated by this year's research, two stark revelations have emerged.

The first is the unanimous agreement among tax leaders that regulatory scrutiny has increased markedly in the past five years.

The second revelation is equally challenging: tax leaders predict that the scope and intensity of that regulatory scrutiny is only set to increase.

The reasons are many and varied: a growing need for tax authorities to crack down on abuse of the tax system at a time of growing inequality and economic stress; greater communication between national regulators; and the significant impact of new technology that allows regulators to monitor, oversee and detect avoidance and evasion.

Gordon Gao, tax partner at BDO China, says the downstream impact on organisations is clear. Companies are spending more time responding to regulatory enquiries and require greater resources to ensure standards are maintained. This leads to mounting pressure on tax teams to deliver compliance excellence every day to maintain positive relationships with the tax authorities.

"If businesses go straight into an adversarial relationship with their tax authorities, the resultant heightened scrutiny and reduced trust can prolong reviews and drive up costs," Gao explains. "Given that, it's usually best for these businesses to involve a tax compliance specialist partner in their negotiations."

Gao says there are two key building blocks of an effective compliance relationship. "First, trust is essential. Second, the businesses need to be actively involved, principally so that the right documentation is provided to the authorities at the right time. That's why advisers must be closely aligned with the client's strategy, understand the risks they face and know how they should approach any interaction with authorities."

As our research shows, managing a relationship with tax authorities can be tricky if investigations begin. Patrick Bernd Findeis, partner at BDO Germany, says the businesses with the best relationships are those with a clear commitment to engaging with the tax authorities in a proactive way. He explains that in Germany, for instance, regulators allow companies to make a voluntary disclosure. ▶

This means that within a few weeks, the tax authorities can check what the business filed in the previous month.

"When they conduct a regular audit and they find that something went wrong from a taxation point of view, the company can typically appeal on the basis of admitting their failure and showing proof they did not act wilfully or with gross negligence," Findeis says.

As a result, if something objectively does go wrong, companies are better placed to start a constructive conversation based on trust and transparency. "A constructive and transparent approach is definitely taken into consideration by the tax authorities when they're deciding whether a penalty is required," adds Findeis.

This points to an increasingly collaborative approach to tax compliance, where more active tax authorities are harnessing technology to facilitate easier and swifter disclosure that can expose errors.

And companies are responding. When this research was last conducted in 2023, 12% of leaders said they were not taking any of the listed actions to respond to an increase in scrutiny from tax authorities. This year, no one gave that answer – all are responding in some way. ▶

BUSINESSES ARE NOTICING HIGHER PRESSURE FROM TAX AUTHORITIES

81%

say their time spent on responding to queries from tax authorities has increased over the last two years

49%

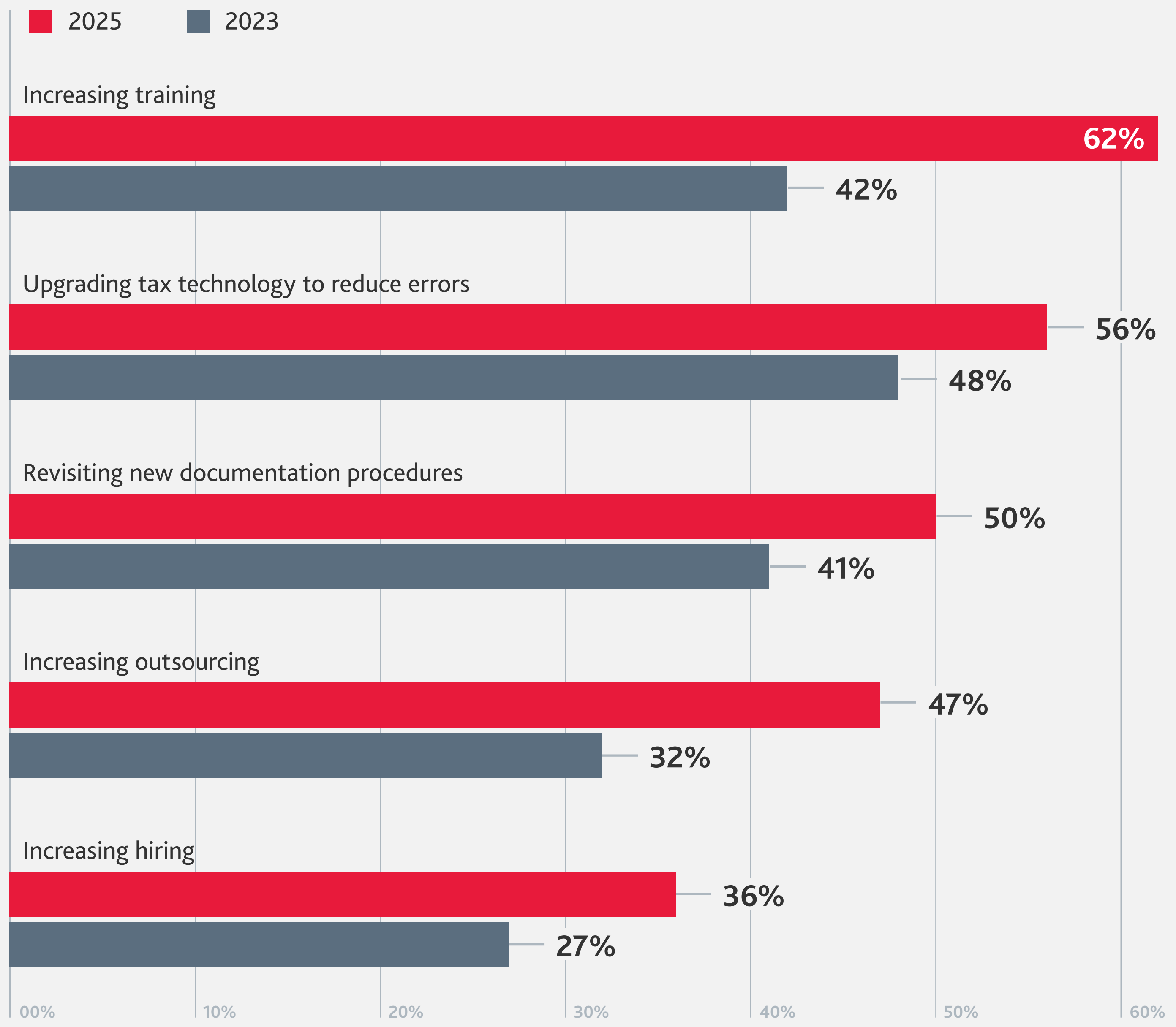
of leaders say that slow responses to tax authorities is a major problem with their tax compliance operations

25%

of a typical tax compliance team's time is spent responding to tax authority queries

INTERNAL SKILLS ARE BEING PRIORITISED OVER TECH TO MANAGE GROWING SCRUTINY

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



> "Best practice now dictates that companies must focus on an integrated strategy that marries smart investment in technology, developing internal teams able to respond to a dynamic regulatory landscape, and the ability to identify the right external support."

Gordon Gao
Tax Partner, BDO China

Findeis says this turn towards a more proactive approach on both sides – regulator and regulated – is having a real impact on behaviour. "Increasingly, we are seeing that organisations with a good foundation in tax technology are working hard to anticipate and foresee what kind of analysis will be performed. That approach means they can obtain, sort and analyse data in anticipation of where the business is headed and what compliance strategies they will need to put in place."

Gao agrees, predicting that the next five years will see greater collaboration between regulatory authorities, companies and their advisers, creating a triangular relationship where everyone involved understands their tasks and interests and works together to ensure a smoother compliance process.

"There is no doubt that the regulatory landscape has changed significantly in the last few years and that is driving a corresponding reaction among businesses," says Gao. "They have recognised that taking a box-ticking and reactive approach to tax compliance is no longer enough."

"Regulators are catching up in terms of their ability to monitor and enforce compliance. Best practice now dictates that companies must focus on an integrated strategy that marries smart investment in technology, developing internal teams able to respond to a dynamic regulatory landscape, and the ability to identify the right external support."

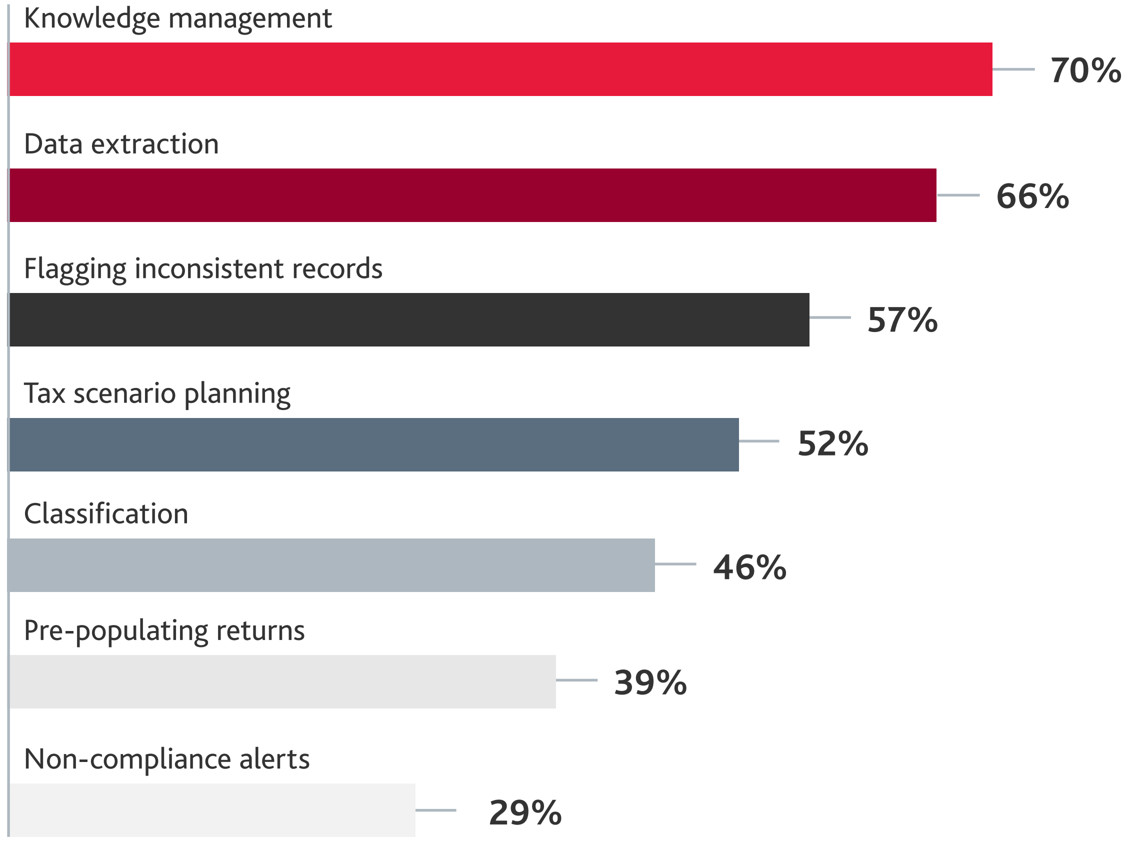
AI is here. How is it delivering?

The impact of AI is already being felt across the board, though it's fair to say that most organisations are still at the beginning of their journey. The research shows that three quarters of respondents are already using AI in the realm of knowledge management, with a further strong majority rolling it out into broader data management processes.

As the journey continues, how will this develop? The majority expect to see improvements in AI's levels of accuracy in the next three years, which will surely boost its adoption. However, there are lower expectations when it comes to AI's impact on strategy and the quality of tax compliance work.

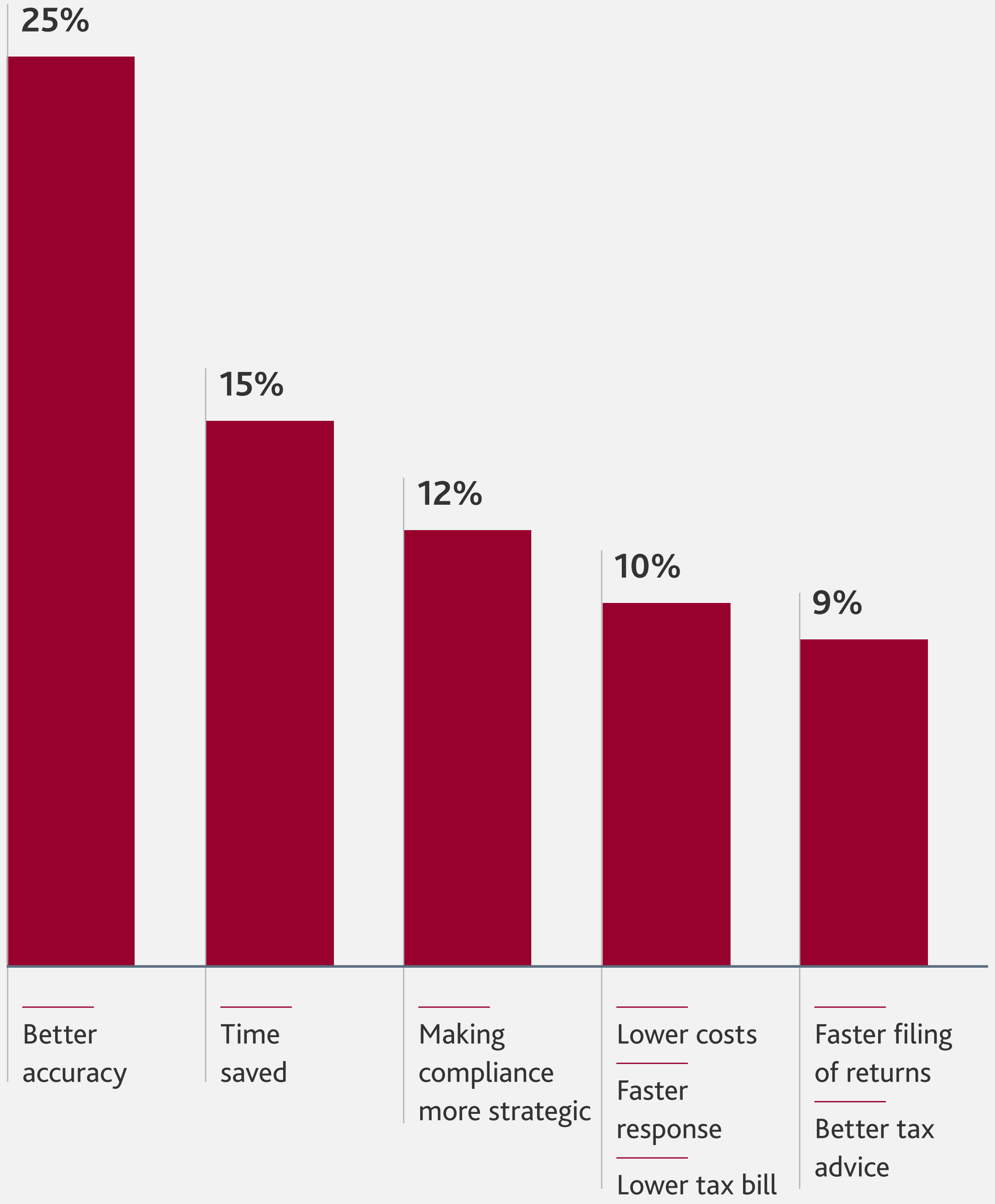
AI IS HANDLING THE BASICS BUT HASN'T CRACKED STRATEGY OR COMPLIANCE YET

Q. Which tasks are aided by AI at the moment in your company?



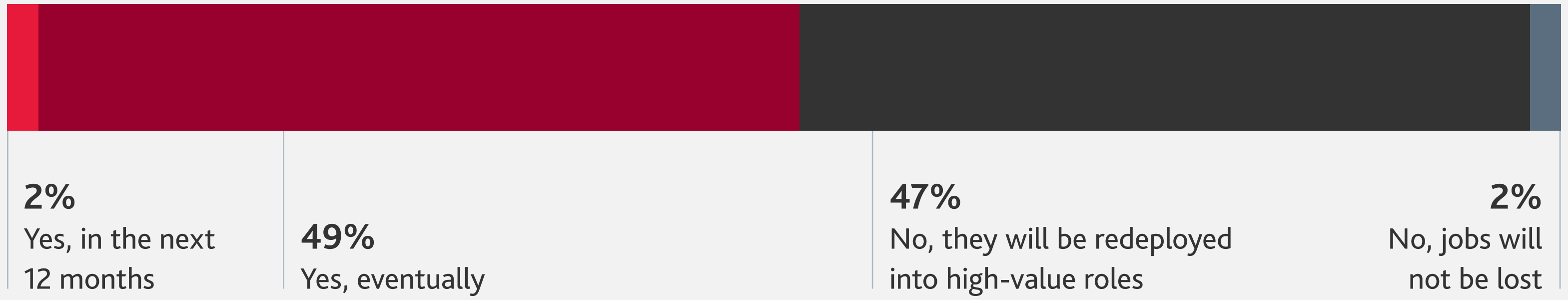
LEADERS PREDICT AI'S IMPACT IN THE NEAR FUTURE WILL BE MOSTLY OPERATIONAL

Q. Which of the following tax compliance outcomes will AI aid most in the next three years?



OPINIONS ARE DIVIDED ON HOW AI WILL AFFECT TAX COMPLIANCE WORKERS

Q. Do you think jobs will be lost from your in-house team or outsourced provider because of AI?



Creating a strategically sharper future for tax compliance

Annette Pogodda-Grünwald
International Tax Partner
BDO Germany
Global Tax Technology Centre of Excellence Leader

Tax compliance is the core of tax delivery all over the world. As our clients go beyond their local markets to take an international approach, they increasingly need a strong technical competence to deliver tax compliance, both internally and through strategic partnerships.

The quality of those partnerships will be the key determining factor in how companies respond to the coming challenges. By finding the right partners and designing effective ways to work together, clients will improve the quality of their compliance functions. What's more, they will also gain access to the leading-edge technology that will drive much compliance activity in the coming years.

While developments like AI may still represent a new frontier to many, that horizon is fast approaching. And although it is currently being applied principally as a knowledge and data management tool, we are already seeing it deployed further up the value chain as it begins to support tax planning and strategy.

Make no mistake: there is greater demand from clients to see the results of that strategy immediately. They want to have the right dashboards and to have processes automated and digitalised to keep up with the increased pace of change.

AI and automation will also represent a challenge to those trying to design their tax compliance operations to be future-ready. They will need to ask themselves what kind of teams they need and where their skills gaps exist.

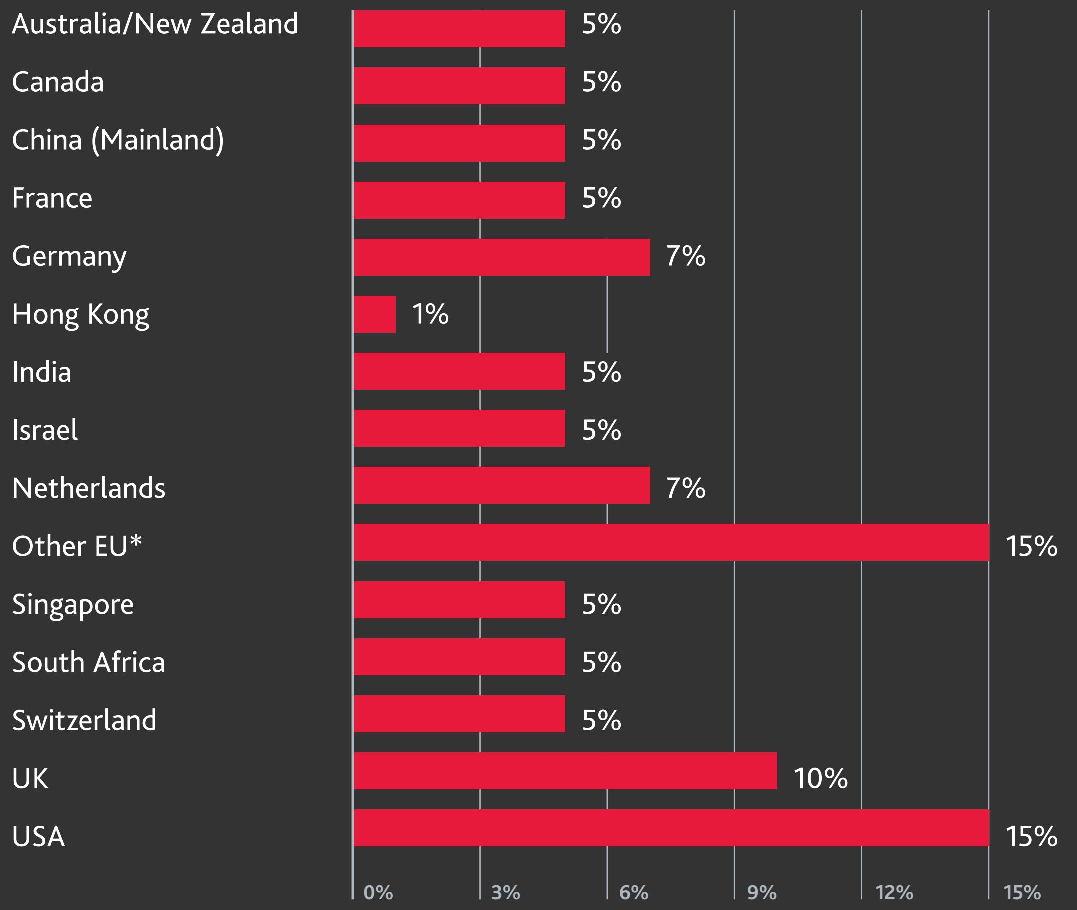
Ultimately, the most important factor in successful tax compliance lies in focusing on quality partnerships and prioritising improvements in how stakeholders adapt and collaborate within an evolving environment. Responsiveness, agility, clear communication and smart investment are essential, alongside a shared commitment to accuracy and reliability. ■

> "The most important factor in successful tax compliance lies in focusing on quality partnerships and prioritising improvements in how stakeholders adapt and collaborate within an evolving environment."

Methodology and demographics

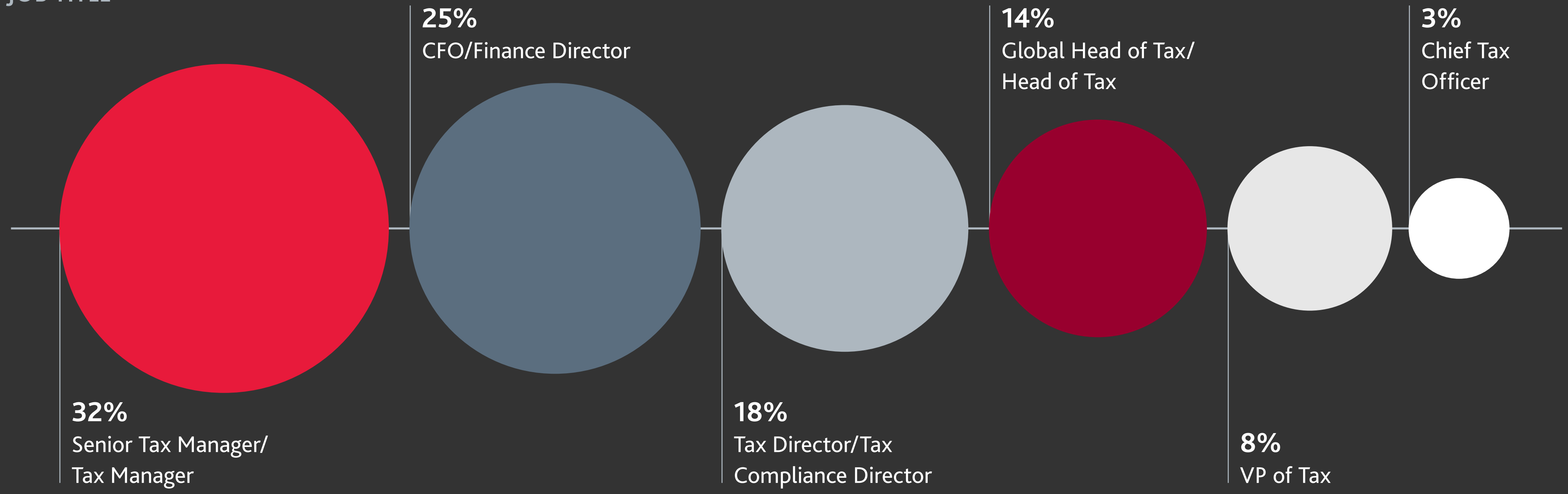
BDO surveyed 500 global tax leaders at businesses across a range of industries worldwide, including renewables, power and utilities, healthcare and life sciences, manufacturing, professional services and more. The fieldwork took place between 12 May and 10 June 2025.

COMPANY HQ

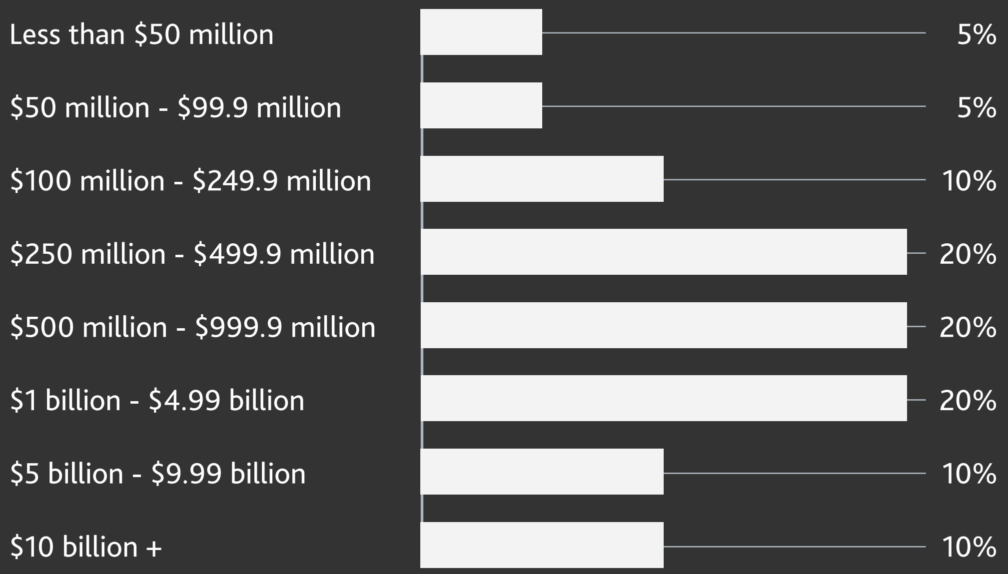


*including Luxembourg, Ireland, Austria, Belgium, Denmark, Sweden, Norway, Finland and Italy

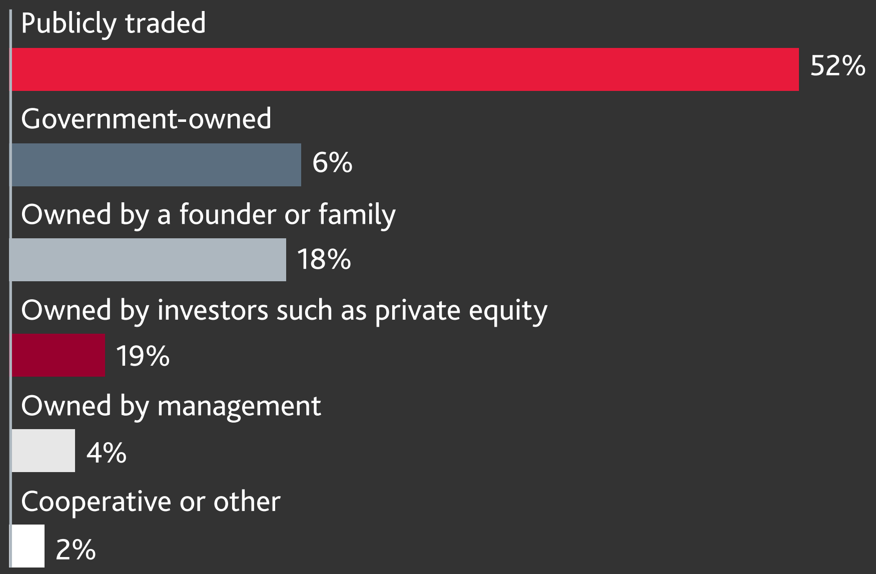
JOB TITLE



GLOBAL ANNUAL REVENUE



OWNERSHIP



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