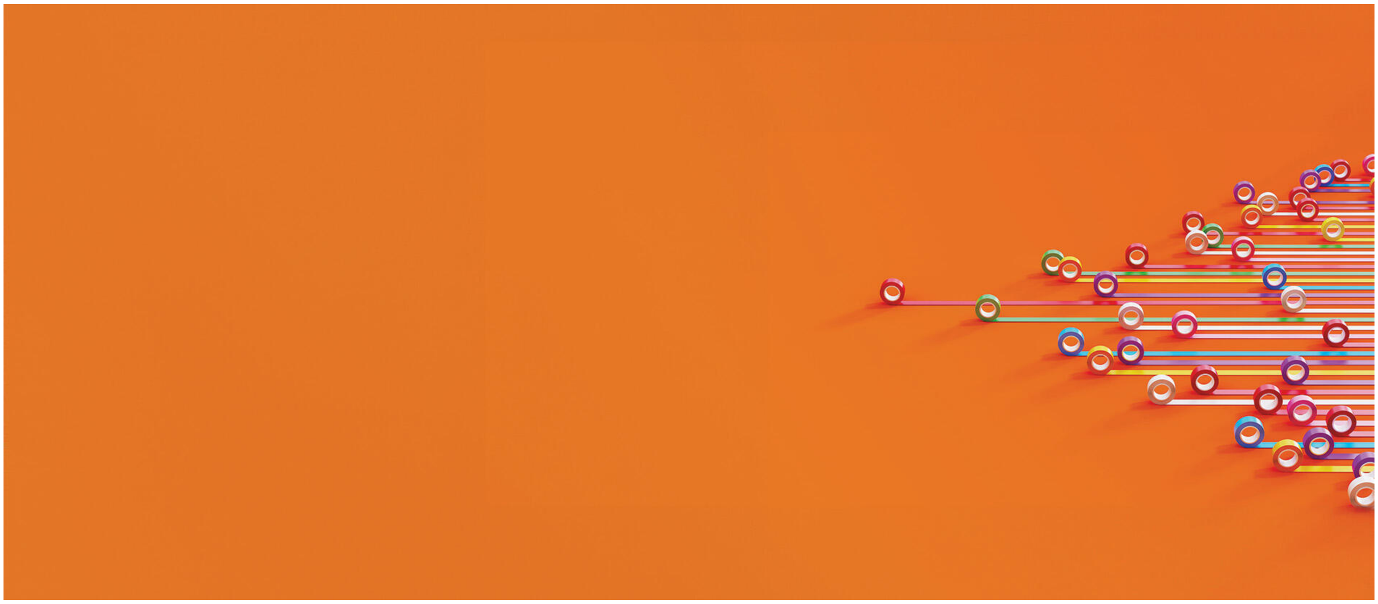
The role of tax leaders: bringing about transformation

General Features Management of taxes



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As finance transformation continues to be a top priority for CFOs, tax leaders need to more effectively support their management's change efforts.

Key Points

What is the issue?

Tax leaders, or chief tax officers (CTOs), play a crucial role in supporting finance transformation efforts led by CFOs. As finance transformation and digital talent become top priorities, tax leaders must align with these goals to effectively contribute to organisational change.

What does it mean for me?

CTOs should focus on developing efficiencies and enhancing the digital aspect of tax within their departments. This involves assessing tax capabilities, considering outsourcing, ensuring scalability and improving processes and technology. Tax departments are also increasingly integrating technology to bridge the digital gap with the rest of the finance function.

What can I take away?

Embracing change and aligning with finance transformation goals are essential for success.

We all have bosses. We all need to manage up. As John Baldoni, an internationally recognised leadership coach, put it, managing up is about being the most effective employee you can be, creating value for your boss and your company. For tax leaders or chief tax officers (CTOs), understanding the agenda of the chief financial officer (CFO) is a must.

The priorities of the chief financial officer

There are numerous studies and surveys on this topic; however, two concepts are ubiquitous in the past few years: finance transformation and digital talent.

As business leaders seek real-time insights, digital skills in finance around data and analytics are becoming pivotal. A survey by Gartner, the 'Top five finance trends and priorities for CFOs in 2025' (see tinyurl.com/2s36589n), reveals that CFOs continue to make investments in the autonomous finance function of the future. It concludes that sourcing and retaining digital talent is in the top five priorities for CFOs. The surveyed CFOs predict that by 2027, one in two finance employees will be 'digital talent' (employees who create, modify, configure or customise finance technology capabilities) – compared to the current one in five.

Finance transformation: the key ingredients

Finance transformation programmes should align with broader organisational initiatives. A well-run finance transformation programme usually has the following ingredients:

A high-level sponsor: This would typically be the CFO, who will ensure support throughout the process and address potential bumps in the road.

Clearly defined roles: The necessary roles should be established for the overall programme, including an executive sponsor and a programme manager. Additionally, each workstream should have an assigned leader. For the tax workstream, it is expected that the CTO will assume the leadership role.

A clear structure: Establishing a roadmap with defined stages, visual steps and described outputs is key. Transformation initiatives are projects or collections of projects, and using project management terminology and tools is recommended. Resources such as the Project Management Institute offer comprehensive guidance in this area (see https://www.pmi.org).

Open communication: The importance of keeping every stakeholder up to date is difficult to overestimate. Crisp and friendly periodic status updates from the programme lead, endorsed by the executive sponsor, can go a long way.

A successful finance transformation programme has three key elements:

- Be market driven: the team should routinely aim for sustainable revenue growth through client acquisition and retention.
- Be efficient: profitability growth and performance improvements should be measured by various KPIs.
- Be digital: digital transformation is increasingly important, including systems, processes and talent.

CFOs are now frequently being asked to lead more enterprise initiatives outside of finance, so CTOs can support finance transformation efforts beyond just the tax workstream. We will now examine how tax leaders can contribute to wider finance change efforts in two different lanes – both within and outside the tax department.

Transformation Lane 1: within tax

Within Transformation Lane 1, which is inward-looking, CTOs mostly need to contribute to developing efficiencies, and to the digital aspect of tax.

Efficiencies in the tax department

To identify and pursue clear business aims which the transformation can deliver, CTOs will need to consider the following:

- **Tax capabilities:** A good first step is a complete and documented inventory of tax capabilities, including identifying those that contribute to overall growth and better align with the rest of the finance function.
- **Sourcing:** Upon a thorough review of tax capabilities, a CTO should question which are best outsourced and which should be retained.
- **Scalability:** Consider which approach – regional, local or hub-and-spoke – would be most efficient for the department's various undertakings. (A hub and spoke model is a network structure where a central point (the hub) serves as a connecting point for multiple other locations (the spokes), facilitating efficient communication, distribution and resource management.)
- **Processes:** In the tax world, data duplication and resulting inefficiencies are usual suspects.
- **Technology and data:** Reviewing the tax stack and the use of shared data points might uncover real benefits for a CTO.

In practical terms, the change might initially look small and not worth pursuing; however, many tax leaders find the results of efficiency improvements to be remarkable. See ***In practice: the results of efficiency improvements***.

Technology in the tax department

On the digital front, it is often assumed that tax might be a 'chokepoint' in the transformation of finance technology, where a historical lack of interest in tax and local complexities has been preventing technology advancements. Making tax less of a black box and addressing the digital gap between tax and the rest of the finance function is a clear priority for CTOs these days.

Driven by this demand, the tax technology market is booming, with start-ups entering this market at an unprecedented pace. A brief period of research would reveal a tax technology universe of thousands of systems and solutions, from tax engines and pillar two reporting to tax analytics and tax research. These technological advances can lead to a certain democratisation of tax technology, previously mostly employed by big global businesses.

A further indication of the above is the recent launch of dedicated educational programmes, such as the Diploma in Tax Technology by the CIOT. This can help tax professionals in small and medium enterprises to boost their niche digital skills, along with representatives from larger multinationals.

No one can avoid artificial intelligence (AI) when discussing the digital aspect of tax. The good news for tax professionals is that there is no longer a handicap here when compared to the rest of the finance function. The most impressive developments, especially in GenAI, are relatively new and the language barriers or unstructured data are no longer showstoppers.

We should also consider the AI journey of critical tax player: tax administrations. A recent report by the OECD found that four in five tax administrations report using or implementing AI for future use (see tinyurl.com/cee9evpa). HMRC is adopting AI to enhance its tax compliance and enforcement strategies, with the aim of significantly reduce the workload of tax agents while greatly increasing the tax revenue. There is a clear parallel between government tax administration and company tax department dynamics.

In practice: the results of efficiency improvements

We recently came across an example concerning the corporate income tax processes of a global organisation with presence in over 60 countries across four continents. The tax team was forced to manage inconsistent deliverables coming for approval from a mix of in-house teams and third-party vendors, which proved painful and far from efficient.

While the team was looking into technological solutions, they undertook a series of ‘baby steps’ improvements. Among them was a two-layer approach to draft tax returns:

- A small, centralised team would look into tactical checks, such as formatting, business logic and clarity of explanations.
- After that, a strategic review followed, with tax experts making judgement calls on important tax aspects.

Surprisingly, the time savings accounted for hundreds of hours for the tax team, allowing faster and more accurate tax filings.

Transformation Lane 2: outside of tax

Remember those three key elements of a finance transformation outlined earlier: market driven, efficient and digital.

Let’s now have a look at how within Transformation Lane 2 CTOs might contribute to the market-driven pillar, which revolves around a relentless client focus and the growth of revenue and sales.

Any transformation involves a standardisation of processes but there is an important caveat. Deviations are still allowed (and needed) for local legal, regulatory or tax reasons. This is exactly where tax comes into the spotlight, so that the historical deviations are critically assessed and the new ones are smartly implemented. See ***In practice: overcoming legacy***.

In practice: overcoming legacy

A recent example of how tax can help other departments is that of a large multinational firm that used to run two separate versions of an enterprise resource planning (ERP) system: one for their APAC region; and another for the rest of the world. The decision was rooted in legacy, based on the previous treatment of some statutory requirements that later became obsolete.

The tax team completed an assessment along with the legal department and the company moved to an ERP single-instance model, which uses a single ERP system for all business operations, both front-end and back-end. This greatly increased visibility and efficiency.

The area perhaps most susceptible to a dependency on tax is billing. With the advent of e-invoicing, the CTO’s elevator pitch for a new tax initiative has become more compelling than ever.

In the UK, e-invoicing is currently voluntary for most businesses. A consultation is currently being carried out by HMRC to promote the wider adoption of e-invoicing. However, many European countries, including Poland, Greece, Turkey, Belgium, Portugal, Germany and the Netherlands, have implemented mandatory B2B e-invoicing, and in France a phased introduction will be mandatory from September 2026. Ignoring e-invoicing can bring operational disruptions, with non-compliant invoices being rejected.

The requirements for international billing could be even more extensive. In certain countries, a commercial invoice in English produced by the central finance system might not be sufficient. Instead, a statutory invoice, in local language, format and with additional local data points, might be needed as well. See ***In practice: local relationships***.

In practice: local relationships

One of the leading global professional services companies recently made some serious efficiency gains in Brazil.

In TMF Group’s Global Business Complexity Index (see tinyurl.com/yppwtmmd), Brazil is consistently ranked as one of the most complex jurisdictions in which to do business. It’s no surprise that a local statutory invoice must contain a lot more data points than the average, such as the details of the municipal tax authority.

The company reviewed its processes around statutory invoices for all its locations, with major changes implemented for Brazil. It developed a clear one-to-one relationship and cross-referencing capabilities between commercial and statutory invoices. This move alone saved hundreds of hours in receivables processes and also improved the collection metrics and client satisfaction levels.

Practical tips for CTOs

The three key element we have identified above – being market-driven, efficient and digital – should serve as a good framework for an aspiring CTO. Some dos and don’ts include:

Being market-driven:

- Start by aligning to your organisation’s business objectives. Wider finance transformation objectives must be the guiding star for any CTO.
- Go beyond just your industry and function for inspiration. Materials from the OECD and local governments might also add value to your transformation efforts.

Being efficient:

- Start by putting down on paper all your tax processes and capabilities. Tax-as-a-black box times are over.
- Drive efficiency efforts both within and beyond tax. Remember Transformation Lanes 1 and 2.

Being digital:

- Upskill yourself. Digital literacy nowadays is akin to oxygen, and we all know what the airlines advise when it comes to oxygen masks!
- Map out the functional versus digital talent needs for tax today and in ‘X’ years’ time. This will help to drive your talent retention and acquisition strategy.

In conclusion

To paraphrase a somewhat sombre old adage, nothing in this world is certain, except death and taxes – and now change. It is becoming increasingly hard to tell whether CTO stands for Chief Tax Officer or Chief Transformation Officer in today’s business world. Both versions have their merits.