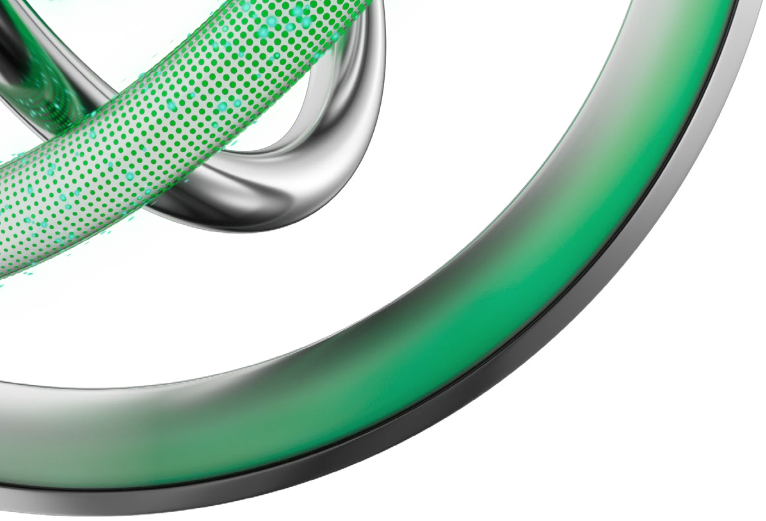
Beyond outsourcing: Closing the Finance, Tax, and Payroll alignment gap



In today's dynamic business landscape, the role of the Chief Financial Officer (CFO) is complex. Beyond traditional financial oversight, CFOs are expected to drive strategic value, manage risk, and leverage technology across the entire finance function. Many of the processes that determine whether their objectives are achieved (tax compliance, statutory reporting, payroll, workforce data, and finance operations) sit across multiple functions, systems, and owners. Sometimes, this can result in an operational alignment gap that can result in compliance exposure, workforce disruption, hidden cost, and missed opportunities for strategic insight.

To understand the key transformation trends in tax functions and how perspectives vary between functions, Deloitte surveyed 1,300 finance and tax leaders. A key issue impacting enterprise performance was a need for a more connected operating model, one with shared data, clearer ownership, joint governance, and the ability to run critical processes with resilience and insight. For CFOs, understanding and resolving these misalignments is a strategic priority and creates an opportunity to move beyond outsourcing as a cost lever and toward operating models that deliver measurable value.

Here are six key insights for CFOs regarding their tax departments:

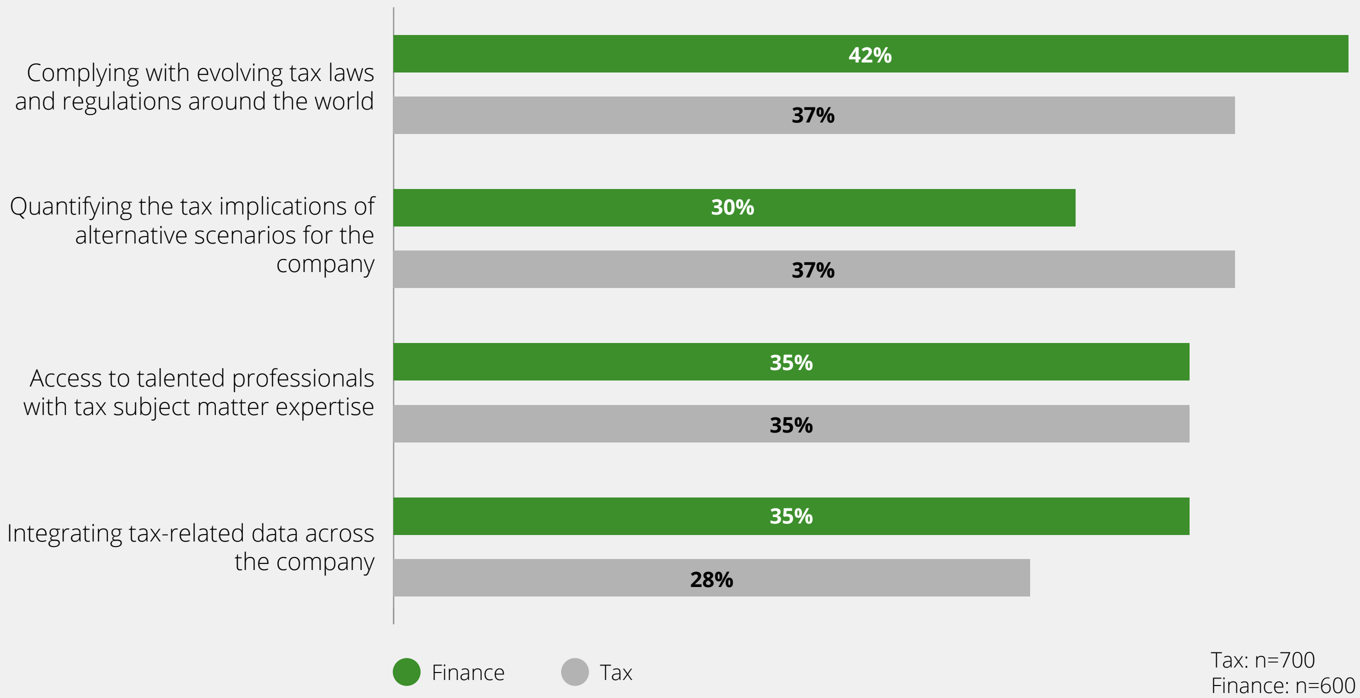
1. **Compliance risk is enterprise-wide, not necessarily owned by one function:** misalignment between Finance, Tax, and Payroll can increase exposure and slow response to regulatory change
2. **Disconnected data can constrain decision-making:** without shared data foundations, Finance may not be able to fully leverage tax and workforce insights
3. **Unclear ownership can drive hidden cost and control gaps:** duplication, rework, and fragmented accountability remain widespread
4. **Outsourcing strategies are evolving, but often lack a value lens:** cost is often prioritized over resilience, control, and transformation capacity
5. **AI adoption is accelerating, but foundations may not be in place:** data quality, controls, and governance are common barriers
6. **Decision rights are a critical enabler of transformation:** without shared ownership of data, technology, and investment, change may not scale

1. Compliance risk is a shared concern, not necessarily function specific

Both Finance and Tax respondents identified *compliance with evolving tax regulations and laws* as a top challenge for the next three to five years (Figure 1). Finance professionals were slightly more likely to view this as a major issue (42%) than Tax respondents (37%), suggesting that Finance may see the broader enterprise impact of regulatory change and potential missteps.

At the same time, Tax respondents (37%) were more likely than Finance (30%) to identify the challenge of *quantifying the tax implications of alternative scenarios.* This highlights an alignment gap: Finance may assume Tax can readily provide scenario insight, while tax teams may be constrained by fragmented data, limited analytical capacity, or unclear access to planning assumptions.

Figure 1. **Greatest challenges in meeting tax department needs**



Payroll adds another layer of complexity. It sits across Finance, Tax, and HR, and is affected by labor law, social security, withholding obligations, and workforce policy changes. A payroll error can quickly become a workforce trust and reputational issue, requiring C-level intervention. Changes may have an instant direct impact on reporting and compliance in addition to affecting the workforce in net salaries.

CFO considerations: Treat compliance risk as an enterprise operating model issue, not just a functional issue. Build structured, two-way dialogue between Finance, Tax, Payroll/HR, and IT on compliance risks, scenario planning, and business change.

Payroll/HR considerations: Position payroll accuracy, resilience, and employee trust as strategic outcomes, not just back-office measures.

Joint considerations: Establish shared risk forums and escalation routes for regulatory change, payroll disruption, tax scenario modeling, and data quality issues.

2. Shared data can enhance Finance, Tax, and Payroll performance

Despite data being foundational to finance performance, it remains fragmented across Finance, Tax, and Payroll/HR. Finance respondents (35%) were more likely than Tax respondents (28%) to identify tax-related data integration as a challenge (Figure 1). This suggests that tax teams may focus on meeting immediate compliance requirements, while Finance often needs tax and payroll data to support wider reporting, forecasting, analytics, and decision-making.

This challenge is particularly relevant for business process models, where the goal is often to collect data once and use it for multiple purposes (tax, accounting, statutory reporting, workforce cost analysis, corporate secretarial obligations, and management insight.). A lack of integration can lead to inefficiencies, manual workarounds, and increased risk. For example, payroll and HR data is often stored across multiple systems, local providers, and market-specific processes. Limited visibility and control can increase reconciliation effort, slow down reporting and make it harder to identify risk before it affects employees or regulators.

CFO considerations: Treat fragmented data as a structural barrier to enterprise performance and not solely IT issue. Mandate a single, governed data foundation across Finance, Tax, and Payroll/HR, with clear ownership, enforceable standards, and investment aligned to enterprise, not just functional outcomes.

Payroll/HR considerations: Make payroll data visibility, input quality, and exception management central to payroll transformation.

Joint considerations: Define common data standards, reconciliations, and controls that support statutory, tax, finance, and payroll outcomes.

3. Unclear ownership can create hidden cost and operational risk

The survey points to differences in how Finance and Tax perceive ownership of activities such as corporate income tax returns and payments, and statutory accounts preparation. These discrepancies suggest that roles, responsibilities, and effort may not be consistently understood across functions.

Where ownership is unclear, organizations may face duplicated effort, manual workarounds, inconsistent controls, or critical tasks falling between teams. In Payroll, the risk is amplified because the process often depends on timely inputs from HR, Finance, Tax, local teams, technology platforms, and external providers.

A connected operating model should therefore clarify not only who performs each task, but who owns the outcome, who controls the data, who approves exceptions, and who is accountable when issues arise.

CFO considerations: Review process ownership across Finance, Tax and Payroll/HR to identify duplicated effort, control gaps, and opportunities for standardization.

Payroll/HR considerations: Clarify payroll process ownership across inputs, approvals, calculations, funding, reporting, issue resolution, and employee communications.

Joint considerations: Move from task-level responsibility matrices to shared accountability for end-to-end outcomes.

4. Outsourcing: A maturing strategy with evolving benefits

Most of the Finance and Tax respondents to the survey recognize the benefits of outsourcing, including cost reduction, access to technology, and flexibility to scale. However, tax departments consistently perceive greater benefits from outsourcing across all categories compared to Finance. This could be attributed to tax functions having a longer history of outsourcing, particularly due to the inherent complexity of tax regulations across multiple jurisdictions.

Finance respondents reported a slightly higher level of willingness to move tax processes to lower-cost resourcing models (which includes use of shared services, outsourcing, and moving tax processes out of Tax). The differences were particularly pronounced for compliance in the investment management and banking sectors (Figure 2). While 40% of Finance respondents in Investment Management would prioritize *corporate income tax returns and payments* for cost management, and 35% *indirect tax returns and payments*, only 5% and 10% of Tax respondents respectively earmarked those processes for cost reduction.

Conversely, Tax respondents in Banking and Capital markets earmarked *corporate tax returns* (38%) and *indirect tax returns* (30%) for cost reduction compared with Finance's 16% and 12% respectively. This may be explained by Investment Management typically having small tax teams with a high compliance volume, which could encourage use of external help. In Banking, which typically has a higher prevalence of shared services centers, Finance may consider that compliance is already optimally resourced, while Tax may see it as a process ripe for outsourcing to free up their time for more strategic value-add advisory work. Many banks also insource their accounts because of audit and regulatory reporting requirements.

Figure 2. **Priorities for lower cost models**

	Investment Management		Banking Sector	
	Finance respondents	Tax respondents	Finance respondents	Tax respondents
corporate income tax	40%	5%	38%	16%
indirect tax	35%	10%	30%	12%

Finance respondents   Tax respondents

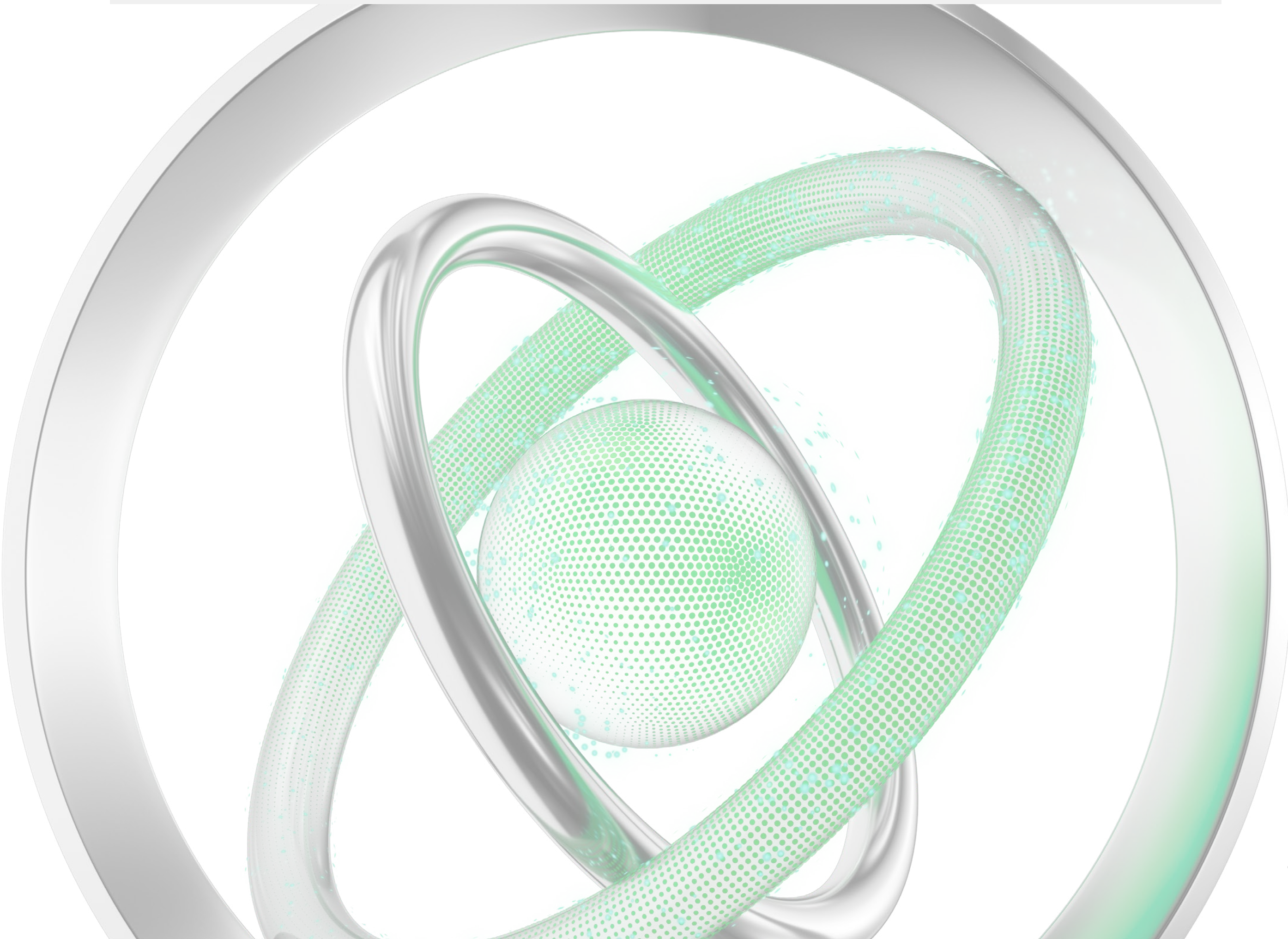
While outsourcing is often seen as a cost-saving measure, it's useful to consider the broader value proposition. In Payroll for example, cost management is important, but service providers are evaluated on more than just cost. "Buying cheap" can lead to significant issues down the line, such as the vendor failing to deliver, requiring additional investment to rectify. The value often lies in gaining expertise, mitigating staff turnover risks, and leveraging advanced technology, while enabling Finance, Tax, and Payroll/HR to refocus joint efforts on higher-value, strategic activities.

Companies handle outsourcing in different ways depending on where they are in their maturity (whether organizationally or departmentally)—if they are at the beginning, they may be more prone to outsourcing, even fully outsourcing a process or function. Larger entities also sometimes consider outsourcing even when they have existing shared service centers.

CFO considerations: Evaluate sourcing and operate options beyond cost: weigh sourcing models based on control, resilience, transformation capacity, and value creation, and actively rebalance work toward higher-value activities across Finance, Tax, and Payroll/HR.

Payroll/HR considerations: Assess providers and operating models on service quality, regulatory coverage, employee impact, data protection, continuity, and issue resolution, not only price.

Joint considerations: Create a retain, transform, automate, co-source, or externalize decision framework across Finance, Tax, and Payroll/HR processes.



5. AI needs trusted data, clear controls, and human accountability

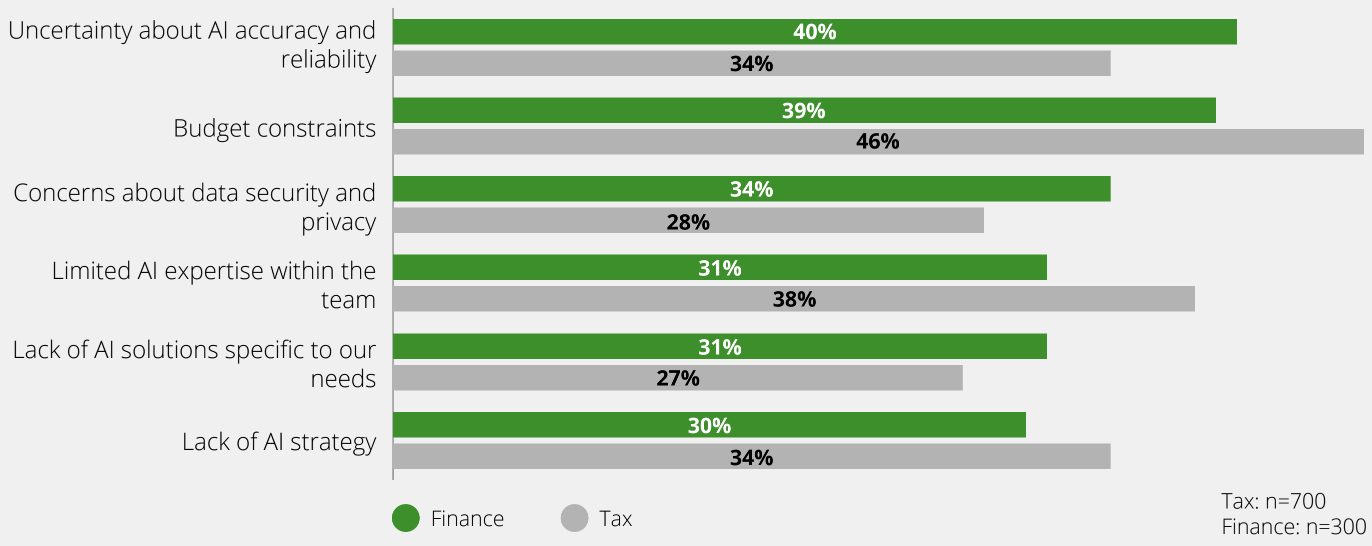
The survey highlighted a strong consensus between Finance and Tax on the future need for AI skills. This area has rapidly risen to become the number one skill requirement in Tax for both functions. This indicates a shared understanding of the transformative potential of Artificial Intelligence in Finance and Tax operations.

Finance and Tax respondents were aligned on the growing importance of AI skills. They also identified barriers such as *uncertainty about AI accuracy and reliability, budget constraints, data security and privacy concerns, limited AI expertise, and lack of strategy* (Figure 3).

While some tax departments are prioritizing moving tax data management and technology to a lower-cost resourcing model, the advent of AI suggests that investment in these areas may actually need to increase to harness the full benefits of new technologies. Furthermore, the emergence of roles like Tax Operations Lead (added by 46% of Tax respondents) and Pillar Two Lead (added by 43% of Tax respondents in the last two years) underscores the growing complexity and specialization within tax departments.

Finance respondents seemed slightly more open to using AI, potentially envisaging fewer constraints (figure 3). Interestingly, 46% thought *budget constraints* were a hindrance to implementing AI while the budget holders, Finance, saw it as less of a problem (39%). *Uncertainty about AI accuracy and reliability* was a top three issue for both these heavy users of data

Figure 3. **Barriers to AI implementation**



When delving deeper into the priorities for using AI in Tax, both departments were largely aligned on tasks such as improving accuracy, detecting errors, and automation, although neither seemed keen on any single AI use case (20% of Tax respondents and 19% of Finance respondents stated *automating routine data entry and processing* as the top task they would use AI for, which perhaps suggests a cautious approach). This caution is understandable. Finance, Tax, and Payroll/HR are responsible for high-stakes data and compliance outcomes. AI can support automation, anomaly detection, workflow routing, reconciliations, and insight generation, but it cannot compensate for poor data, weak controls, or unclear accountability. In Payroll, AI-enabled processes must be designed with particular care because they involve sensitive employee data and outcomes that affect individuals directly. Accuracy, explainability, privacy, and escalation processes are therefore critical.

CFO considerations: Invest strategically in AI capabilities and upskilling initiatives for finance, tax and payroll/HR teams so that use cases are defined collaboratively and reflect shared priorities. Recognize that while some processes could be optimized for lower costs, critical technology and data management functions will require continued investment to stay ahead. Recognize and address tax concerns upfront: invest in data quality, clarify controls, and involve tax SMEs in any outsourcing or automation design.

Payroll/HR considerations: Use AI to improve payroll accuracy, exception detection, and service experience, while maintaining human oversight for sensitive decisions and escalations.

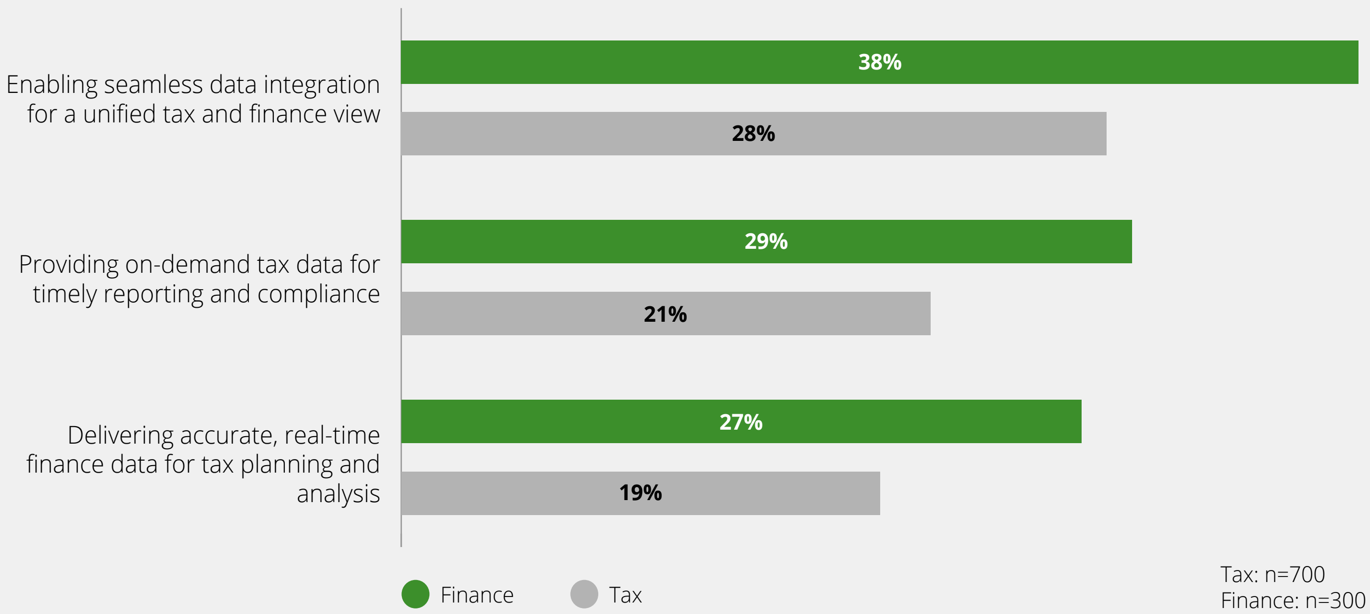
Joint considerations: Build AI use cases jointly across Finance, Tax, Payroll/HR, and IT, with agreed controls, data standards, privacy requirements, and success measures.

6. Decision rights often determine whether transformation scales

A fundamental barrier to collaboration between Finance and Tax is misaligned ownership of technology, data, and investment decisions. Although both Finance and Tax reported that Finance largely controls technology strategy and budget, there was a difference in the extent to which they allocated ownership. While 11% more finance leaders (61% compared with 50% "of tax leaders") reported they largely set/control tax technology strategy and budget with some input from Tax, 28% of tax leaders said they control their tax technology strategy with budget controlled by Finance—finance respondents didn't share the sentiment, with only 17% agreeing.

This ownership gap can create structured misalignment, driving different views on the feasibility of change and their perceptions of the need for ERP enhancements, limiting the ability of Finance and Tax to act in a coordinated way. For example, 81% of tax respondents thought their ERP system meets their needs for tax planning and analysis (73% for Finance), while overall, Finance was more likely than Tax to say their ERP does not fully meet their needs (figure 4). Particular attention should also be paid to payroll and HR systems, which, due to specifics of the payroll/HR cycle, need to be fully operational, thus creating pressure on any enhancement implementation timelines.

Figure 4. **Current ERP system failings**



The same issue applies to payroll and HR systems. Payroll platforms must remain operational through every cycle, which can constrain transformation timelines and increase the risk of poorly sequenced change. Without joint governance, ERP, HRIS, payroll, tax and finance system decisions may be optimized locally rather than for enterprise outcomes.

Operating models need clear decision rights: who sets strategy, who funds change, who owns data, who approves process changes, who manages providers, and who is accountable for outcomes.

CFO considerations: Move from informal coordination to deliberate co-ownership of Finance, Tax, and Payroll/HR technology, data, and investment priorities. Use pilots to build trust, but anchor them in a shared roadmap for Finance-Tax transformation.

Payroll/HR considerations: Ensure payroll requirements are built into ERP, HRIS, and finance transformation roadmaps from the start, not treated solely downstream implementation issues.

Joint considerations: Establish cross-functional governance with clear decision rights, prioritization criteria, and performance measures.

Opportunities

The data from Deloitte's Tax Transformation Trends research points to an alignment gap rather than a capability gap between Finance, Tax, and Payroll/HR. Closing this gap is more than simply about improving communication. It requires CFOs to rethink how Finance, Tax, and Payroll/HR operate together, from shared data and technology decisions, to clearer ownership and joint accountability for outcomes.

For CFOs, this is an opportunity to improve control, reduce hidden cost, and unlock better decision-making. For Payroll and HR leaders, it is an opportunity to strengthen workforce trust, compliance, and service continuity. For the enterprise, it is a chance to move beyond outsourcing as a cost lever and toward operating models that create measurable, sustainable value. To read the full Tax Transformation Trends report, visit Deloitte.com/taxtrends.

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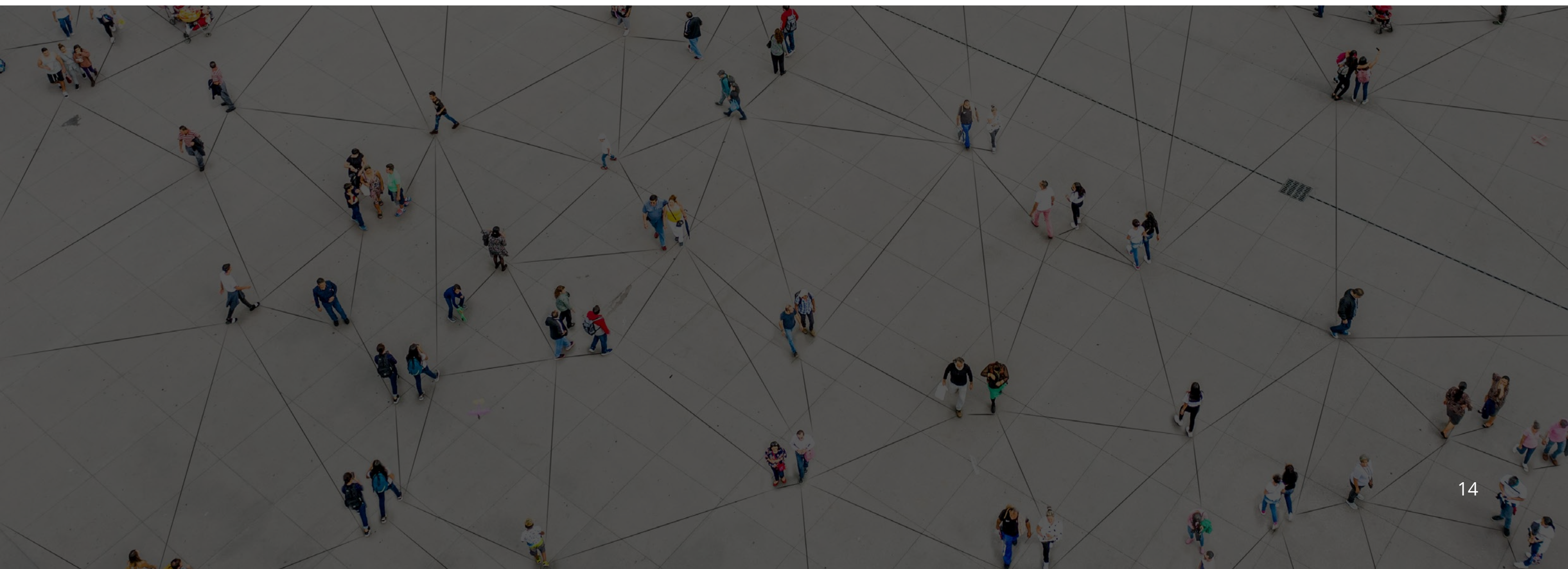

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