



TAX NEWS & VIEWS PODCAST

Episode - Inside the 2025 Tax Transformation Trends Survey

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Carrie Falkenhayn: From Deloitte Tax, welcome to the Tax News and Views Podcast.

In this series, we talk to specialists from Deloitte about the latest business issues and developments. I'm Carrie Falkenhayn, your host for Tax News and Views. Today, we're going to be discussing some of the outcomes from Deloitte's 2025 Tax Transformation Trend Survey, which provides some interesting insights into what's going on in the minds of tax leaders as they think about their departments.

Joining me today are two leaders working with clients on transforming their tax departments. We have Nathan Andrews and Emily VanVleet. Welcome to the show! And Nathan, I am going to start with you. How are tax functions responding to cost pressures?

Nathan Andrews: Thanks for the question, Carrie. I'd categorize the approach tax functions are taking in kind of I'll say those that can be controlled or dealt with in the confines with, typically the tax department budget, and those that, may require some support, or often require some support from, the enterprise. We're certainly seeing, within the tax department, continued centralization and standardization of processes to drive efficiency. We also continue to see, as we've seen for a couple of decades now, leveraging automation to continue to reduce the manual work and costs and handoffs among systems and departments and such. But interestingly enough, in our last tax transformation survey, we've actually seen, and we've seen this increases year over year, with respect to a couple of tactics. One is the increased use of outsourcing, and the second is the increased use of internal shared

service centers. When we talk about outsourcing, what we're referring to is typically engaging a service provider to handle discrete tax work, or perhaps some level of outsourcing of some or all of a tax function. And that's actually the leading cost reduction strategy from our survey results, with adoption rising to 81% of respondents in 2025. But we've also seen an expansion of the use of shared service centers for tax-related work. And it's actually the second most popular way to cut costs, from our, from our survey. 58% of the respondents, and again, that's, year-over-year, increase, increases in both areas as well.

These approaches align with finance transformation objectives overall. They also align with enterprise-level adjustments to centralization of accounting activities and centers. And from a tax perspective, we still see indirect tax as a common area to move. I think the important thing here is we continue to see finance and IT integration. Again, that's a trend that's held true for as long as we've been doing the survey, and so tax departments are increasingly spending their time around tax data and processes to serve, from broader finance systems like ERPs, to serve, their needs, and actually power more efficient outsourcing and uses of shared service centers.

Carrie Falkenhayn: It certainly sounds like there is a lot there, for tax leaders to be thinking about. Emily, what are some quick wins for cost reduction in the tax function?

Emily VanVleet: Yeah, thanks, Carrie. You know, combining the concepts of quick wins and cost reduction can get a little bit interesting, because the major strategies that Nathan just described, you know, many times take a little bit of time to sit up and really get running in a way that deliver true cost efficiencies. That certainly is true for a tax function that is starting the journey toward a shared service center, and it also, many times, is true for different types of automation activities or initiatives that tax teams may invest in. So, I honestly, you know, the most, the most dramatic way to change your cost footprint pretty quickly actually is through outsourcing. But I would say, based on experience, that you also have to be willing to consider your outsource provider as really your partner, kind of, in technology and transformation. So, as you make those types of changes to your operating model, you don't want to constrain processes to how they've been done in the past. Instead, you really want to think about these types of operating model shifts as levers for change. And so, in that way, you can manage to kind of leap ahead from a technological standpoint. While not necessarily bearing all of the cost of that technology implementation yourself. Another area I would just touch on, Nathan just mentioned, you know, improving data. And improving your data is very important to kind of the longer-term cost footprint that you're going to have as a function. And so those types of initiatives aren't necessarily quick wins, but they can be really significant. And the potential quick win element is more around identifying those data management initiatives that already exist outside of tax, maybe finance transformation initiative, as Nathan alluded to. And so, many of our clients are just overall, right, enterprise-wide, in the process of standing up a data management platform like Snowflake, or like Databricks, or certainly there are others in the market, and those initiatives can mean that a budget already exists, right, that tax can potentially benefit from.

And so, the process, then, of obtaining that transformation budget can be streamlined so that you can get started on your data optimization journey faster and start driving toward cost reduction more quickly. The final thing I would just, you know, spend a couple of minutes on has to do with simplification. So, Nathan talked about centralization, standardization. Nathan, I think those were two terms that I heard you use. I also have many clients who are focused on simplifying processes. Because sometimes tax, the way that we do the work of tax can just turn into kind of behemoth processes over time. And if you just continue to run those processes without really asking some critical questions, they can become unwieldy and start to increase cost unnecessarily. So, as examples, I'm working with clients who are reconsidering their tax accounting methods in the interest of simplicity, others who are working on simplifying their legal entity organization structure in the interest of simplicity. You can reconsider materiality thresholds, are we doing too much

work in areas that just don't really matter that much. Are there ways to simplify calculations and processes and still arrive at an acceptable outcome?

Carrie Falkenhayn: So you focused in those areas. Nathan, talk to us about how you'd measure ROI on technology investments for tax?

Nathan Andrews: So there, there are four common, we'll call them key performance indicators. They're essentially numerical measures that, that can be quantified that will, you know, allow a company to measure ROI, and they can be measured individually, or you could come up with an index, but we typically see cost savings, improved accuracy, increased speed, and better risk outcomes. And again, all of those can be quantitatively determined, as well as have a quantitative component as well. You know, cost savings is certainly the primary driver, but I think it's very, very important to understand that, seldom do we see a tax department, a tax executive evaluate their investment in technology on a single factor. That's the reason you'll see accuracy, speed, risk mitigation. And another element that we're seeing. Seen more often is, rather than look at technology as kind of a discrete investment to support, for example, better compliance and reporting outcome. We're seeing, and Emily referenced it in the context of simplicity, we're actually seeing, an evaluation of how much, tax savings or tax minimization can result by virtue of having freed up the resources and, and, worked with the appropriate partners with the depth and breadth to be able to. To help, provide other tax outcomes, again, beyond those that you'd see traditionally. As part of, compliance and reporting, Emily mentioned, and I do want to call this out, I consider it kind of an embedded transformation.

We've talked about ROI, or I just talked about ROI on the specific technology investments, but the reason you're seeing outsourcing as a more popular alternative to technology in recent surveys is that Deloitte firms, the Deloitte we've already made these technology investments, we made them in AI, we've, made them in our Intelli platform, our IPACs, platform for asset management, so you benefit from our experience, our investments, and our tools without having to make those investments themselves, and plus you're getting the added benefit of an outsource. So, we're seeing more of this embedded tax transformation within an outsourcing, certainly an area that Emily specializes in.

Carrie Falkenhayn: Emily, what are some of the risks of focusing too much on cost-cutting and barriers, and how can those risks be mitigated?

Emily VanVleet: Yeah, great question. So, in our survey, we ask about key barriers to cost reduction, and those include complex tax processes, right? So, perfectly on point with simplification, but also data management challenges, limited access to budget, lack of resources. And then competing priorities. And so I feel like we've already talked a little bit about mitigating some of those, right, through data management strategies and optimization, investigating and really plugging into finance transformation efforts and finance budgets and resources. So, I'll kind of take the question more from the standpoint of risk because there are also risks involved in focusing too much on isolated tasks to meet immediate or near-term cost reduction targets without really having a plan to optimize your tax function over the longer term from an efficiency and effectiveness standpoint. So, an obvious example of this is that. Audit risk and, you know, potentially regulatory exposure can be impacted if leaders cut too much in certain areas.

Emily VanVleet: And what those areas are, you know, vary business to business and industry to industry. And so building the business case for tax is important to demonstrate where investments are necessary to avoid that situation. So, while cutting costs, tax leaders really also need to be making a business case for investments that are going to deliver strategic value in terms of setting up a cost-optimized model over the longer term that may involve some automation, it may involve upskilling tax teams around things like data and technology and AI. And so usually, when a tax leader takes a critical look at their function, you typically find areas where you can and should legitimately cut back, right?

Areas that have just grown out of proportion over time to the value that they're actually delivering to the tax function and to the business overall. But you also typically find areas where you should continue to strategically invest. And those investments are usually in areas that are going to deliver improved risk management, better data for better planning, and then also enhanced strategic insights for the business as the business continues to kind of change and evolve.

Carrie Falkenhayn: And then, Nathan, what are some of the top cost drivers in the traditional tax operating model?

Nathan Andrews: Well, you just heard, you just heard Emily, refer to business-to-business and industry to industry, and I would say the answer to this question is, is, is similar, but there are, there are kind of three primary drivers of a traditional tax operating model. One is, talent, two is technology.

And the third one is professional services costs. Invariably, you'll see a mix there. And what typically will vary, though, is the dollar amount associated with, with each. And as you just heard, Emily share, there are different ways of tackling, and managing and, optimizing, the costs associated with each of those areas. The talent, technology, and Professional Services are the big three. You may see an industry that's already heavily weighted toward outsourcing, referenced asset management, earlier, investment management. There, you're going to see, a considerably higher footprint in all likelihood around outsourcing costs relative to maybe in-house talent or technology. You might see that in a different lens through, a more traditional, corporate tax department, which may have significant resources and multiple technology platform licenses in-house along with their professional services footprint. So, it'll depend, but those are, those are typically the three areas that are targeted, when looking for, looking for efficiencies.

Carrie Falkenhayn: So, when you think about all of that cost related to talent, Emily, maybe you could share how outsourcing or co-sourcing can play a role in cost management?

Emily VanVleet: Yeah, so we've talked about this a little bit already, right? In terms of the ability or the potential to use outsourcing as a lever for change. Nathan did a great job of describing just what I think of as the technology leapfrog, right? In that our clients are able to benefit from the investments that we have long been making in technology. And so, you know. Again, kind of the key point around outsourcing is that it can serve as a bit of a fresh start, which can just make it easier and faster to unwind some of those, maybe, legacy processes that you know you should change or reevaluate and optimize. Co-sourcing can serve a very similar purpose, but again, depending on how it's designed, right? Because you have to have enough of the third-party provider's involvement to really drive change, and to be able to use, you know, not just kind of the standard income tax people will think about an income tax compliance platform, right? But there are other underlying technologies that the provider, so certainly Deloitte, can bring to bear, and so really evaluating what types of activities are you going to co-source with the provider, versus what types of activities does your in-house team legitimately have, you know, specialized skill sets, historical knowledge, things that are insights into the business, those types of things that are really valuable from your involvement in those processes. We need to make sure that we're maximizing that, while also still having the right level of involvement from your third-party provider to be able to drive that change and kind of jumpstart that change. So I would say that if approached appropriately, both of those models can really help manage cost, can help fill skill set gaps that you may have within your team, or be anticipating, and then also help you get your internal teams focused on what you may consider higher value work.

Carrie Falkenhayn: Well, thank you both for giving us so much to think about. If our audience wants more information, just go to [Deloitte.com](https://www.deloitte.com) and search for 2025 tax transformation trends. You can get a complete copy of the survey there. You could also reach out to any of our speakers directly on LinkedIn. Thank you all for listening in today, and I hope you're able to join us next time. Be well, everyone. Take care.

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