Tax Function Benchmark 2025 | PwC

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Content

Introduction and key findings

In times of geopolitical unrest, companies face unforeseen developments that follow each other in rapid succession. This makes it clear that organisations must be future proof to effectively respond to these changes. The tax function plays an increasingly important role as a business partner.

Looking at recent developments within the tax landscape, these bring both challenges and opportunities that require a transformation of the tax function. An overwhelming amount of data, a shortage of people, and increasing compliance obligations force organisations to proactively respond and actively involve their tax function in the broader strategy of the organisation. Organisations also experience increasing public pressure to exhibit more transparent tax behaviour.

The benchmark in this report provides insight into the current position of the tax function within organisations regarding budgets, the number of FTEs, data, processes, technology, compliance, and organisational structure. For the benchmark study, more than 100 tax executives shared the progress of their tax function.

This report focuses on how well the tax functions of organisations are prepared for future changes. Special attention is given to the balance between efficiency and the strategic role in business renewal while navigating complex regulations and technological advancements. The report is supplemented with analyses and insights from (tax) experts at PwC.

> "This all means that tax functions need to do more with fewer resources, requiring a redesign and modernisation of processes. Investments in the futureproofing of the tax function are necessary, with new technologies playing an important role. Additionally, developing skills, promoting a strong corporate culture, and renewing working methods are crucial for a successful transformation."

Remco van der Linden
Markets leader - Tax, Legal & Workforce | PwC Netherlands

Key findings from the PwC Tax Function Benchmark 2025

I. Increasing workload and compliance requirements

a. 79% of tax executives expect the workload for the tax function to increase in the next 1-3 years, driven by growing compliance requirements.

b. Currently, 50% of the time in the tax function is taken up by compliance-related tasks, while only 20% is spent on strategic advice. This leaves too little room for other crucial transformation activities. 15% of the time goes to structuring and merger & acquisition activities, and only 5% to education.

II. Budget constraints and the need for investment

a. 66% of tax executives expect the budget for the tax function to be insufficient in the next 1-3 years.

b. Although 62% expect the budget to increase, only 5% of the budget is spent on technological investments and 3% on upskilling employees. To create a future-proof tax function, more investments in technology and education are necessary.

III. Role of technology and challenges in adoption

a. 48% of tax executives believe that technological solutions can help solve capacity issues. 32% are certain of this.

b. Only 8% currently use AI for tax purposes, while 41% are still exploring the possibilities.

IV. Governance and structure of the tax function

a. 52% of organisations have a centralised tax function model, while only 16% have a decentralised model.

b. Shared Service Centres are used in only 21% of cases for tax-related activities, mainly for compliance with Corporate Tax and indirect taxes.

V. Compliance challenges and risk management

a. 67% of respondents have recently or previously faced a tax audit, and only 59% are "likely" sure that their tax administration is accurate, up-to-date, and complete.

b. 57% of respondents indicate that they do not have a robust Tax Control Framework (TCF). An organisation without a robust TCF not only risks financial and reputational consequences but is also less equipped to adapt to the future and take advantage of new opportunities in a dynamic environment.

Tax function vs. tax team

The report distinguishes between the tax function and the tax team. The tax function includes everyone in the organisation involved with tax matters, even outside the specialised tax team. This includes financial analysts and operational staff. The tax team itself is the core of tax expertise, consisting of specialised professionals. This distinction highlights the need for collaboration and communication to meet tax obligations and achieve strategic goals.

The tax function under pressure

Ensuring tax compliance is a core task of the tax function. The benchmark shows that nearly 50% of the time is spent on compliance-related tasks, alongside 20% for strategic advice and 10% for managing tax controversies. 67% of respondents have recently faced an investigation by the Tax Authorities. The Tax Function Benchmark shows that only 59% of tax executives consider their administration accurate and complete. New reporting obligations, such as Pillar Two, increase the pressure on capacity and knowledge within the tax function. This forces organisations to look for more efficient ways of working and possibly review their current structure. Technology can play a crucial role in alleviating capacity challenges and improving data quality, allowing processes to run more efficiently and the tax function to better respond to changing obligations.

Worldwide PwC surveys, such as the Global Tax Controversy Dispute Resolution, highlight the urgency and relevance of change for the Dutch market. There are certain aspects that particularly deserve attention for Dutch companies:

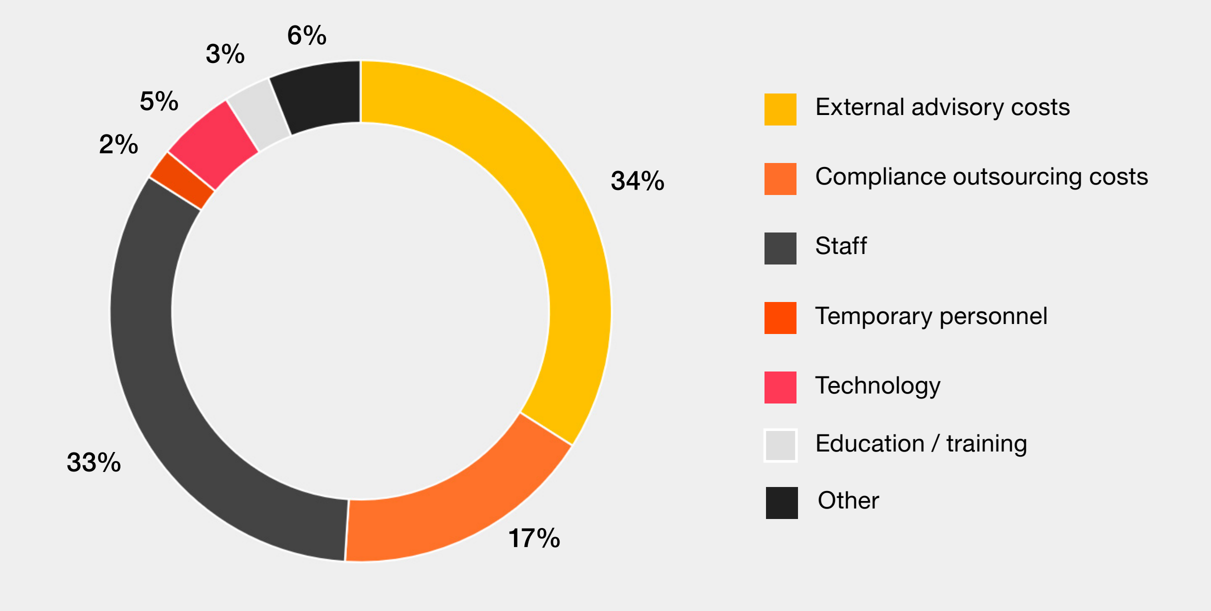
1. Increasing tax audits and transparency requests
Tax authorities worldwide have made significant progress thanks to technology and data analysis. The shift from a 'tell me' to a 'show me' approach means they now demand concrete evidence and transparency in tax reporting and compliance. With AI and advanced data analysis, they can process data more efficiently and quickly to detect discrepancies and enforce compliance. This increases the (future) likelihood of audits and potential fines for companies that do not meet these standards.

2. Concerns regarding Pillar Two
Companies with headquarters in different jurisdictions will directly face the implementation of Pillar Two. These companies must prepare for the impact on their global tax position and adjust their tax function accordingly.

3. Complexity due to internationalisation
Companies with a strong international presence and activities in various countries face complexity. This requires a focus on effective relationship management with multiple tax authorities to avoid disputes.

4. Need for support
The increasing complexity and compliance requirements often demand specific expertise to make the tax function future-proof. Engaging specialist support is important for many international enterprises.

Budget allocation



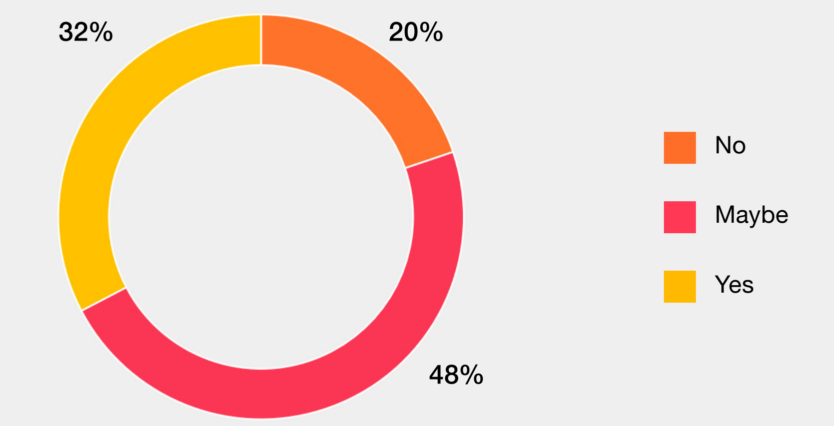
The use of technology

Although technology offers significant benefits, only 5% of the budget goes to technological investments and 3% to upskilling. This is in stark contrast to the potential of technology to make the tax function future-proof. Investments in data and technology can often leverage on broader project budgets, such as those for financial transformations or IT initiatives.

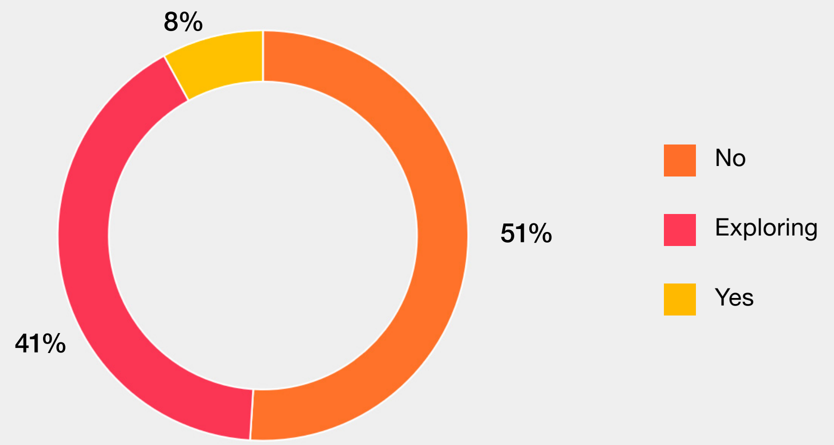
> "Tax functions often operate too much within the constraints of their own budget. This misses opportunities to leverage data, technology, and other resources that can also be relevant for other departments. By collaborating better with IT, finance, and other departments, tax functions can benefit from broader project budgets. This helps to increase efficiency and better respond to changing requirements and regulations."

Hans van der Leeden
Digital Tax Transformation Leader | PwC Netherlands

Can technology help to reduce the workload?



Do you currently use AI for tax purposes?



Tax professionals clearly see the significant potential of technology: 33% are convinced that technology can help, and 48% think this might be the case. After all, there are numerous technological innovations available that can transform tax functions. Despite this conviction, currently only 8% are using artificial intelligence (AI), highlighting the need for change. While 41% are already exploring AI possibilities, 51% have not yet taken this step, indicating that significant opportunities remain untapped.

PwC's Global Reframing Tax Survey shows that 95% of tax professionals acknowledge that their function is technologically behind, despite clear benefits. This picture aligns with the results from this benchmark, which specifically focuses on Dutch companies and thus provides a unique insight. The Global Tax Controversy Dispute Resolution Survey emphasises that AI can be useful for managing workloads due to increasing audits and data demands. PwC's Global Reframing Tax Survey also reports that 41% of tax professionals need additional support in implementing new technologies.

Although the implementation of technological solutions is recognised as an effective way to address the increasing workload and complexity of compliance, many organisations struggle with where to start and how to tackle these challenges. It is important to understand that these challenges can be overcome and that organisations can benefit from targeted steps to leverage technology and ensure better data quality.

Comparison with Global Reframing Tax Survey

Central to the Tax Function Benchmark is the analysis and evaluation of trends and developments within the Dutch tax sector. The benchmark provides an in-depth insight into how organisations in the Netherlands are adapting their tax strategies in a changing landscape of regulations and technology. In this context, the Global Reframing Tax Survey serves as supporting material by providing a global perspective and enabling comparisons. While the Dutch Tax Function Benchmark specifically focuses on the national market and its unique challenges, the Global Reframing Tax Survey offers additional insights into how international trends can influence the Dutch tax dynamics. Together, these studies help organisations gain a better understanding of both local and global tax strategies and their place within them.

The future of the tax function: time for action

The tax function is more important than ever before. The question remains whether it is ready for the future, especially in a hybrid environment where both human and technological skills are needed. Due to the tight labour market, it is uncertain whether there are enough specialists available, and investments in technology lag behind due to limited resources. This emphasises the importance of a critical look at budgets and their allocation.

The tax function must have a clear objective of where it stands in five years. It is essential to determine what is needed to bridge the gap and what investments are required. This forms the basis for prioritisation and budgeting for the coming years. It is also crucial for tax executives to secure a strong position within the board. Active steps are needed to strengthen the strategic role of the tax function and make it future proof.

Three pillars for a future-oriented tax function

A future-oriented tax function requires a clear vision and a good understanding of the mandate within the organisation. It is important that the tax function is more involved in strategic decision-making to contribute to innovation and compliance. A future-oriented tax function focuses on the following three pillars:

1. **Developing a vision and strategy**
   Developing a vision and strategy for the tax function within an organisation requires an approach that considers both fiscal responsibilities and broader business goals. It involves a long-term perspective on how tax-related activities should be managed to not only comply with legal obligations but also add value to the organisation.

2. **Embracing data and technology**
   It is crucial to effectively utilise data and adopt the right technologies. By streamlining processes end-to-end and leveraging AI and other automation tools, the tax function can become not only more efficient but also strategically contribute to broader business objectives.

3. **Building a strong business case**
   A business case for the tax function is a detailed plan that describes the justification and benefits of investments in the organisation's tax department. It includes an analysis of the current situation, the necessary improvements, and the expected impact on the organisation.

In all these steps, **collaboration with various stakeholders is of great importance**. The tax function must be more firmly and broadly embedded within the organisation to effectively contribute to strategic decision-making. By working with diverse stakeholders, the tax function can not only meet compliance requirements but also act as a strategic partner in navigating new regulations and organisational changes.

Case study 1
Integration of the tax function in Shared Service Centres during financial transformation

Challenge
During a financial transformation, a multinational decides to set up or expand a Shared Service Centre (SSC). The challenge is to improve efficiency and change capacity while also incorporating tax processes into this transformation.

Solution: integration of tax in the SSC
Within the framework of the transformation, the tax function is integrated into the SSC. This allows tax resources to be centralised, leading to improved efficiency and consistency of processes by sharing best practices.

Key considerations for the organisation:

1. **Cost reduction:** Tasks are centralised, standardised, and moved to cost-effective locations, resulting in significant savings.

2. **Digitalisation:** Automation and analysis tools are implemented within the SSC, making (supporting) tax processes more efficient.

3. **Globalisation:** By serving multiple countries, flexibility is increased, and companies can benefit from global economies of scale.

Results
By incorporating the tax function into the broader financial transformation with an SSC, the company strengthens its ability to operate efficiently and better respond to complex tax requirements. The tax function can then more effectively contribute to the strategic goals of the organisation.

Case study 2
Improving the tax function through centralisation and data optimisation

Challenge
An organisation may face difficulties in effectively managing tax processes and data, with the added pressure of new legislation such as Pillar Two.

Solution: Implementation of a central tax model
The organisation chooses to centralise its tax function and focus on improving data and accounting processes. By using Pillar Two as a "trigger," it enhances data quality and refines its reporting processes.

Benefits

1. **Improved data quality:** Centralisation of tax data leads to better collection and analysis, resulting in clear and accurate reports.

2. **Process efficiency:** Standardised tax processes increase operational efficiency.

3. **Better compliance:** Improved data quality makes the organisation better prepared for audits and allows it to proactively comply with regulations.

4. **Strategic insights:** The central model provides valuable insights that help the company make strategic decisions and promote growth.

Results
By implementing a central data and reporting model, the organisation experiences added efficiency and lower 'cost of compliance,' which not only provides financial benefits but also strengthens the strategic role of the tax function within the organisation.

Appendix

PwC Belastingadviseurs N.V., Netherlands, has conducted the Tax Function Benchmark and it is specifically aimed at Dutch companies. More than 100 tax responsibility professionals participated in the survey. Over 60 of them completed the entire questionnaire, while approximately 40 others filled in a large part of it. The participating organisations are predominantly active in Europe, Asia-Pacific, and North America, in addition to the Netherlands.

- Tax budget
- Tax function setup (people, technology, governance, and processes)
- Tax compliance
- Futureproofing of the tax function.

The benchmark thus provides a picture of the current state of affairs and developments within the tax function of mainly large, multinational organisations. The combination of the survey results and the additional insights from PwC's global surveys offers a complete overview of the challenges and trends facing tax functions. The results can serve as a benchmark for organisations that want to evaluate their own tax function and make it future proof.

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