

2023 Tax and Finance Operations Survey

Results for Financial Services

June 2023



EY

Building a better
working world

Disclaimer

This material has been prepared for general informational and educational purposes only and is not intended, and should not be relied upon, as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

Neither the EY organization nor any of its member firm thereof shall bear any responsibility whatsoever for the content, accuracy, or security of any third-party websites that are either linked (by way of hyperlink or otherwise) or referred to in this presentation.

The views of third parties set out in this presentation are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

Agenda

- 1 Organizations are changing
- 2 Companies are looking to co-source
- 3 Talent
- 4 Legislative, regulatory and transparency
- 5 Data and technology
- 6 Cost and budget
- 7 Financial Services-specific questions
- 8 Appendix: Additional Slides



About the survey

Conducted **anonymously** by
Oxford Economics



50 questions related to:

- ▶ Transformation, Outsourcing, Talent, Legislative and Regulatory change, Data and Tech and Cost
- ▶ Benchmarking
- ▶ Process optimization
- ▶ Business change, e.g., friend-shoring

- ▶ 1,600 leaders with 500 CFOs & 800 VP Tax
- ▶ 18 industries
- ▶ 32 countries

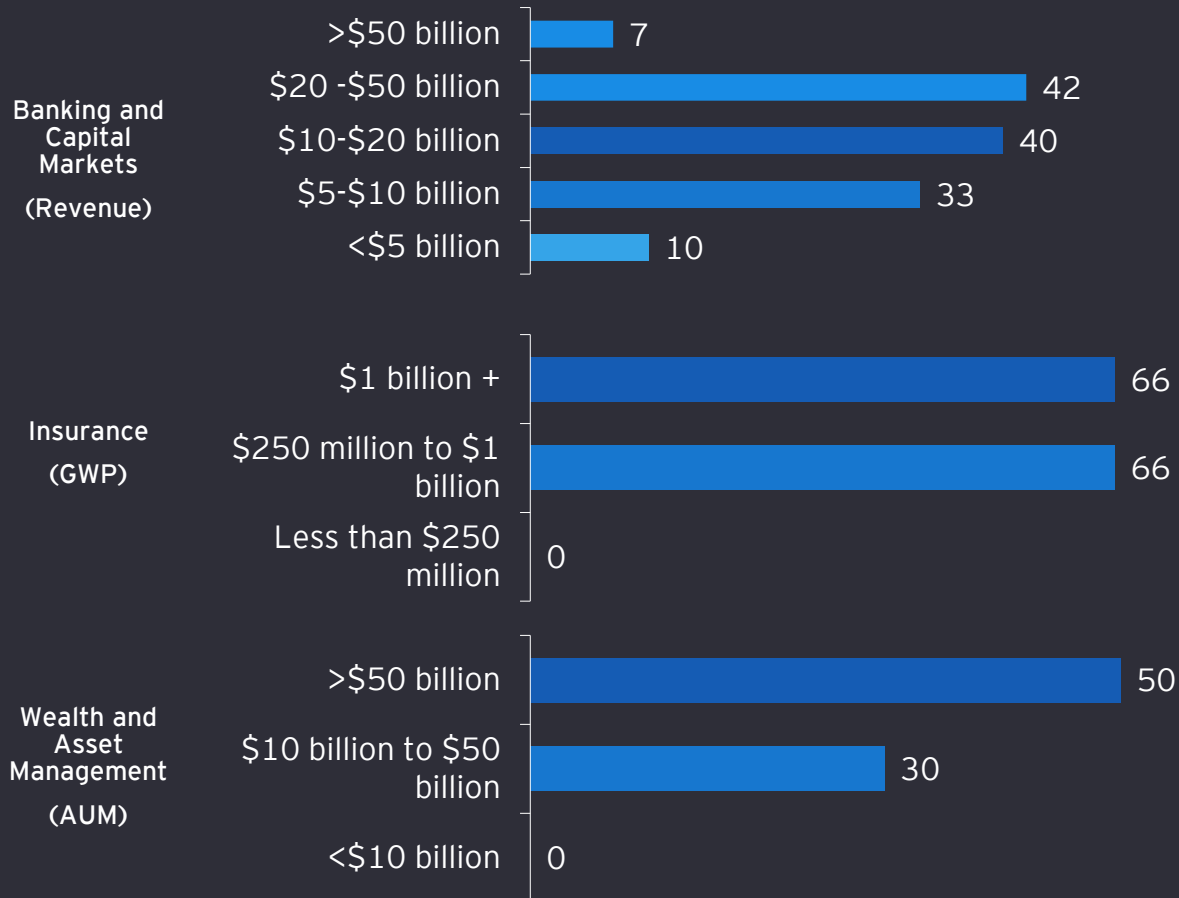
Demographics for custom peer comparison:

- ▶ Revenue (including 380 \$20b+ companies)
- ▶ Number of ERPs
- ▶ Countries of operation
- ▶ Number of legal entities
- ▶ Employees
- ▶ Public vs. private

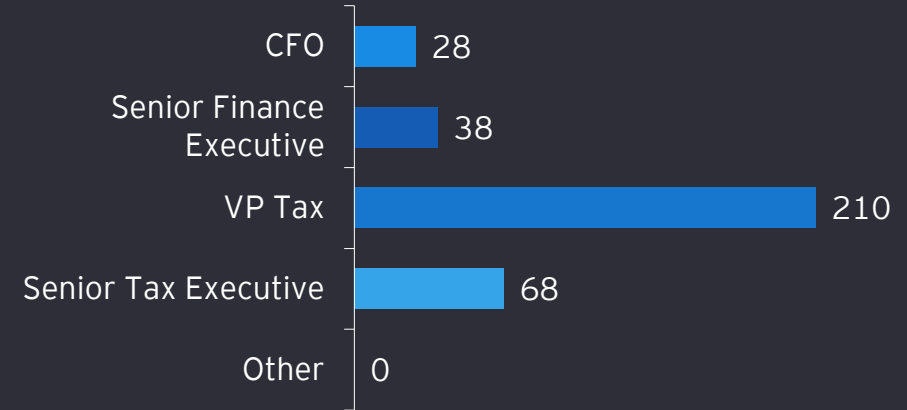
- ▶ Five years of powerful trend data
- ▶ Expanded benchmarking
- ▶ New topic areas, including: Generative AI, workforce trends and supply chain
- ▶ Sector-focused questions for Banking, Insurance, WAM and Private Equity
- ▶ Input from business leaders

About the Financial Services sample

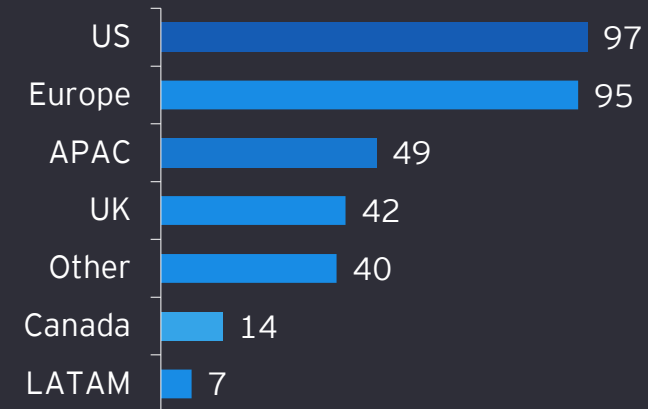
By Revenue/ AUM/ GWP*



By Role



By Geography



*AUM - Assets Under Management; GWP - Gross Written Premium

How are companies responding in the current environment?

Talent



40%

struggle with at least three talent areas (e.g., motivating teams, retaining talent and avoiding burnout)

Legislative

Regulatory



82% expect moderate/significant change from BEPS 2.0; **only 32%** have completed an impact assessment

59% expect three or more emerging reporting requirements to have a significant impact



Technology



66%

state lack of sustainable plan for data and technology is biggest barrier to achieving their vision

Cost

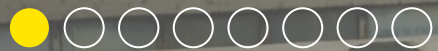


90%

plan to freeze or reduce cost of their tax and finance function

Average reduction in tax function budget over the next 24 months	4% (2023)
	6% (2022)
	8% (2020)
	10% (2018)

2023 EY Tax and Finance Operations Survey; Financial Services n=344



01

Organizations
are changing

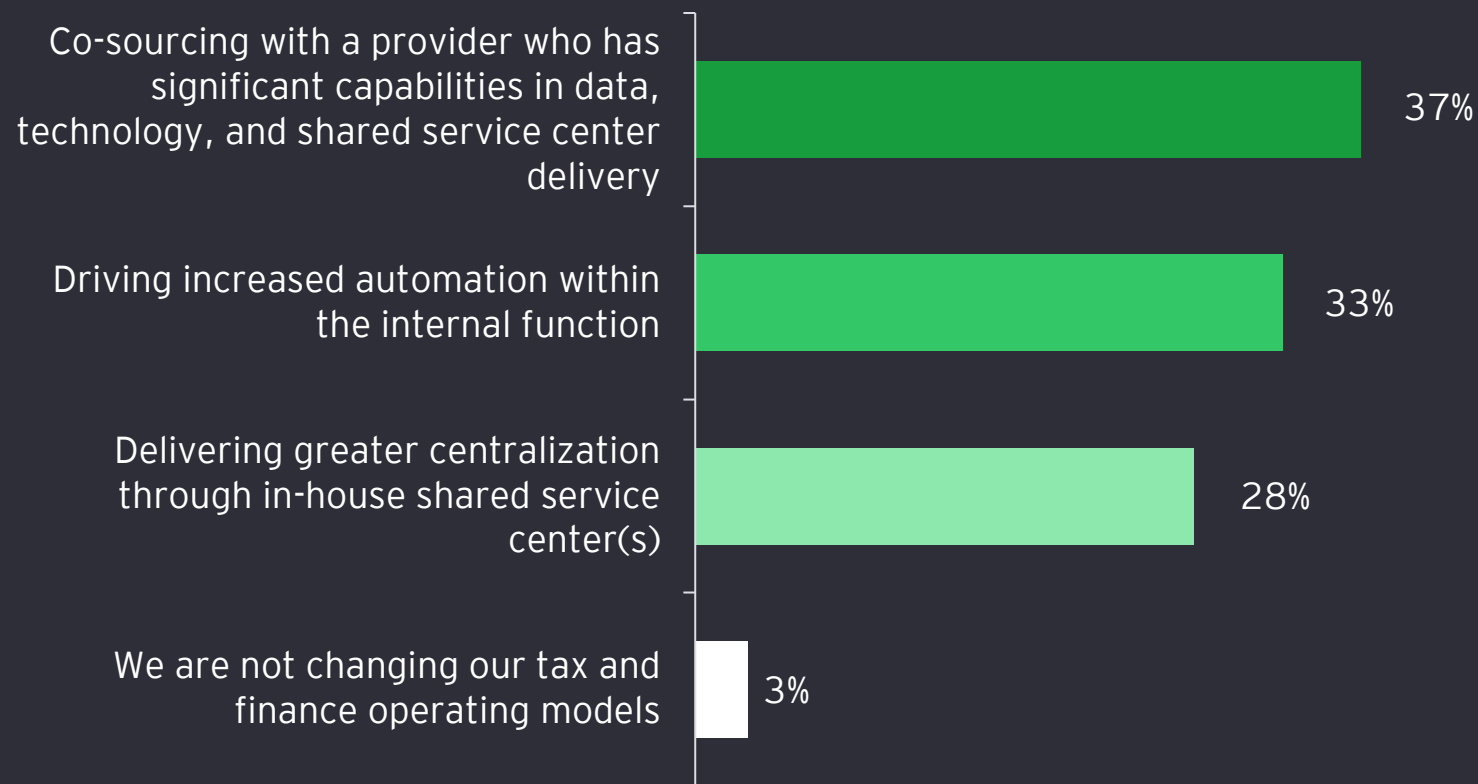


What is the most important change your organization's tax and finance function is considering or making to their operating model?

97%

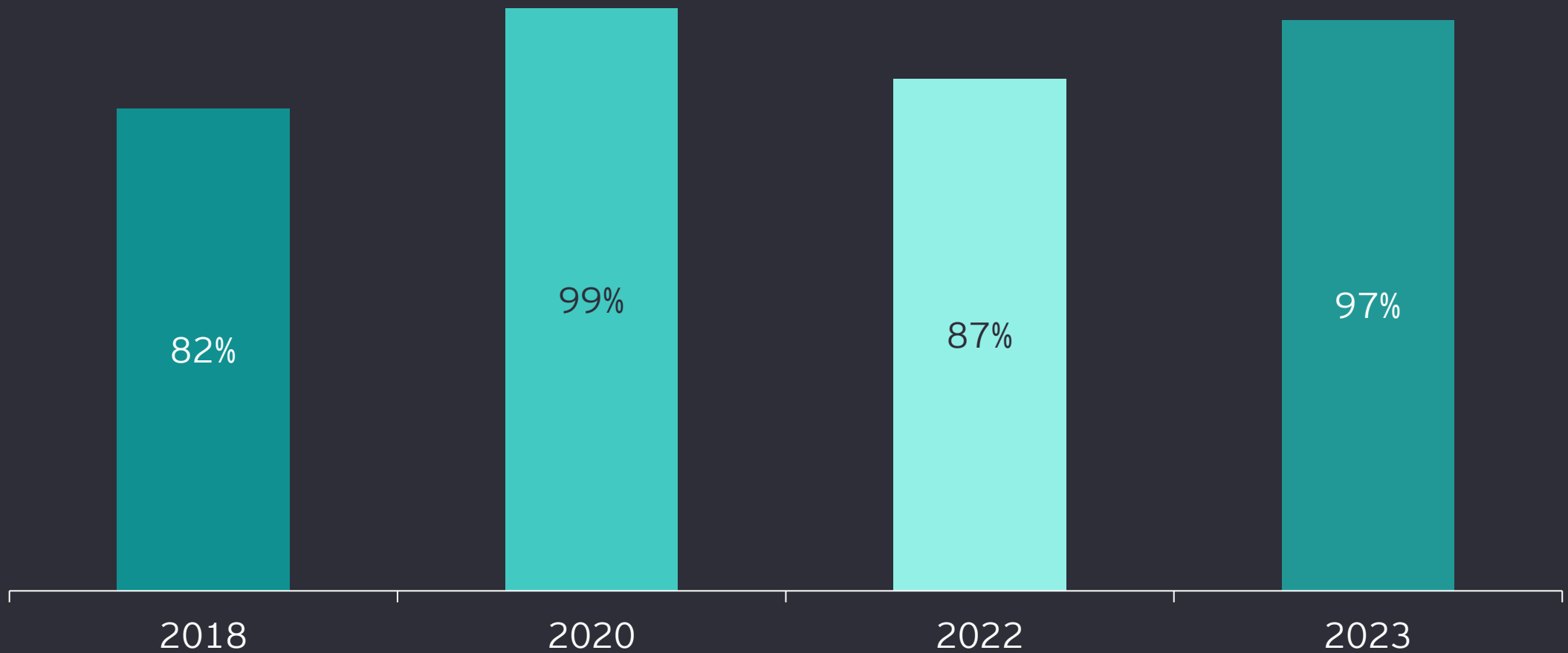
are changing their tax and finance operating model

Percent making or considering change



Time series: Companies continue to prioritize changing their tax and finance operating models

Percentage changing operating model



Where do your tax personnel currently spend their time, and where would you prefer them to spend their time?

Companies want more focus on high-value activities

Routine compliance activities

(e.g., routine data collection/cleansing; workpaper preparation, tax return compliance related and reconciliations)

High value-added activities

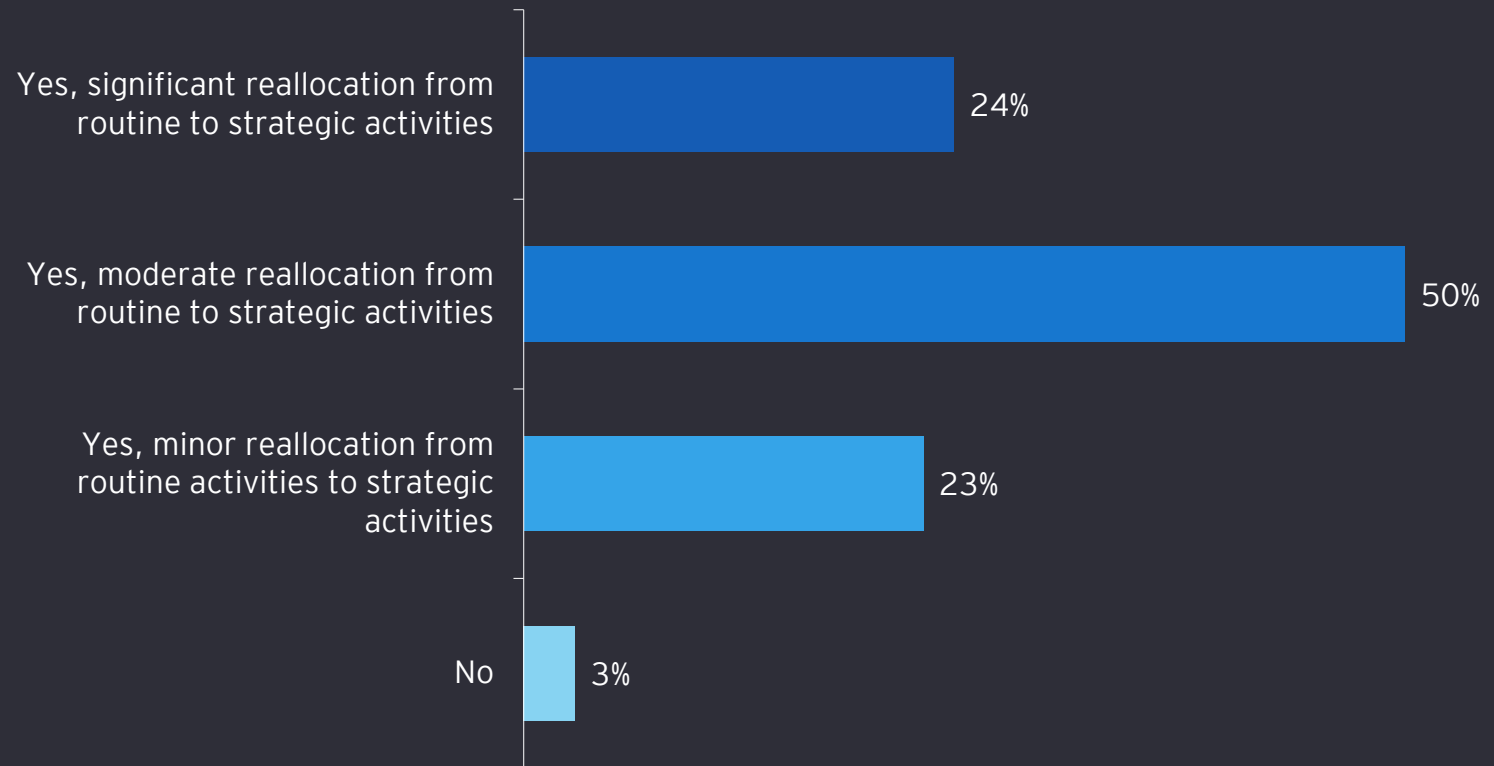
(e.g., high-value data analytics, tax planning, tax controversy, strategy, communications; risk management)

	Time spent	
	Currently	Preferred
Routine compliance activities (e.g., routine data collection/cleansing; workpaper preparation, tax return compliance related and reconciliations)	72%	61%
High value-added activities (e.g., high-value data analytics, tax planning, tax controversy, strategy, communications; risk management)	28%	39%
	100%	100%

Do you anticipate that your organization will reallocate any of its tax and finance budgets from routine activities (e.g., tax compliance) to strategic activities (e.g., legislative, planning and/or controversy) over the next 24 months?

Most (97%) companies are reallocating tax and finance budget to strategic activities

Percent who anticipate making a budget reallocation



To what extent are you in the process of or planning to make changes to your organization's supply chain to move activities to lower risk locations (i.e., "friend-shoring")?

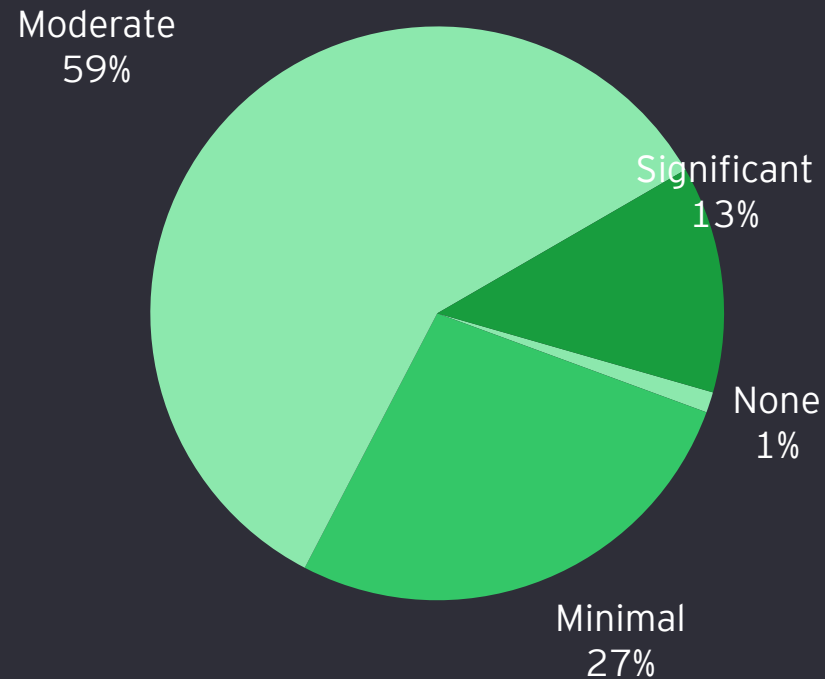
72%

Have already made moderate to significant changes

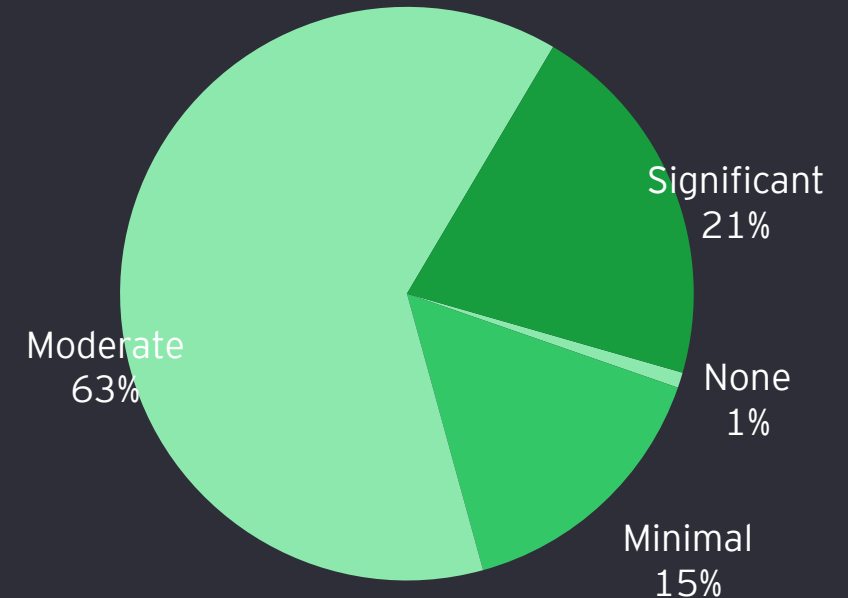
84%

Are planning to make moderate to significant changes over the next 2 years

Have already made changes to their supply chain



Planning to make changes over next 2 years to their supply chain





02

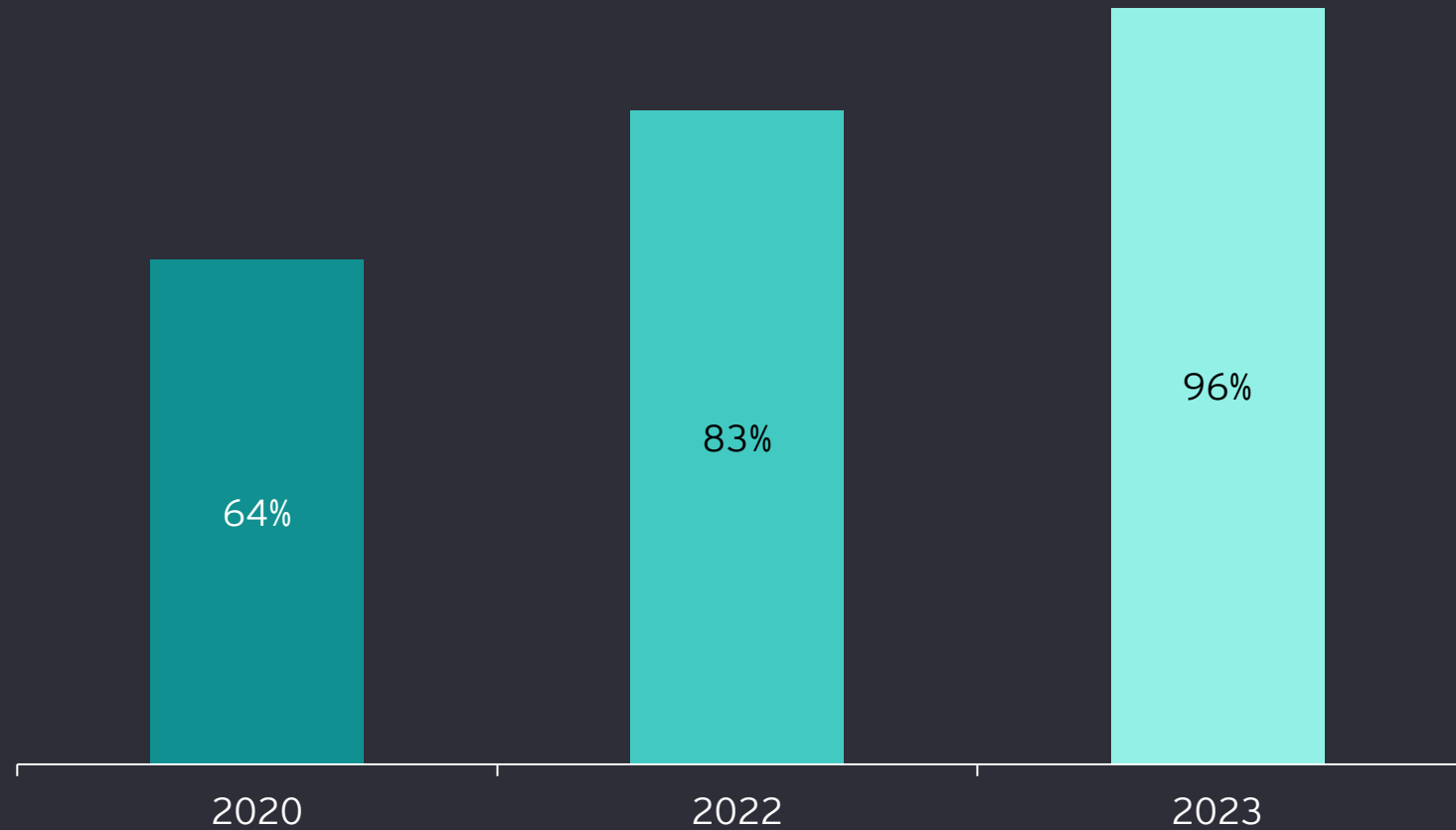
Companies
are looking
to co-source

Time series: What is the likelihood of co-sourcing select tax and finance activities within the next 24 months?

96%

more likely than not to co-source in 2023; 32 percentage points increase since 2020

Percent of companies more likely than not to co-source

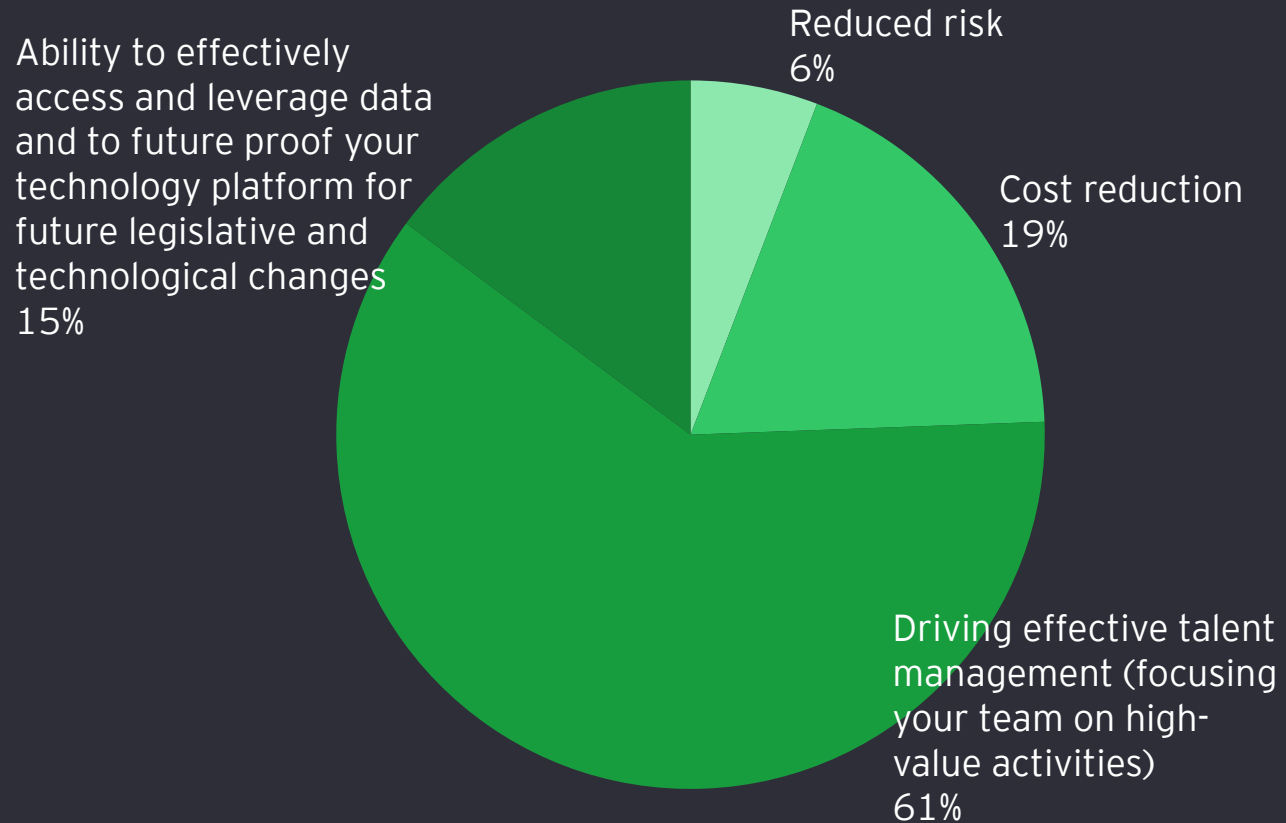


What is the most significant benefit of partnering with a provider to co-source your multi-country tax compliance and statutory reporting activities?

61%

see driving effective talent management as the most significant benefit of co-sourcing

Benefit of co-sourcing





03

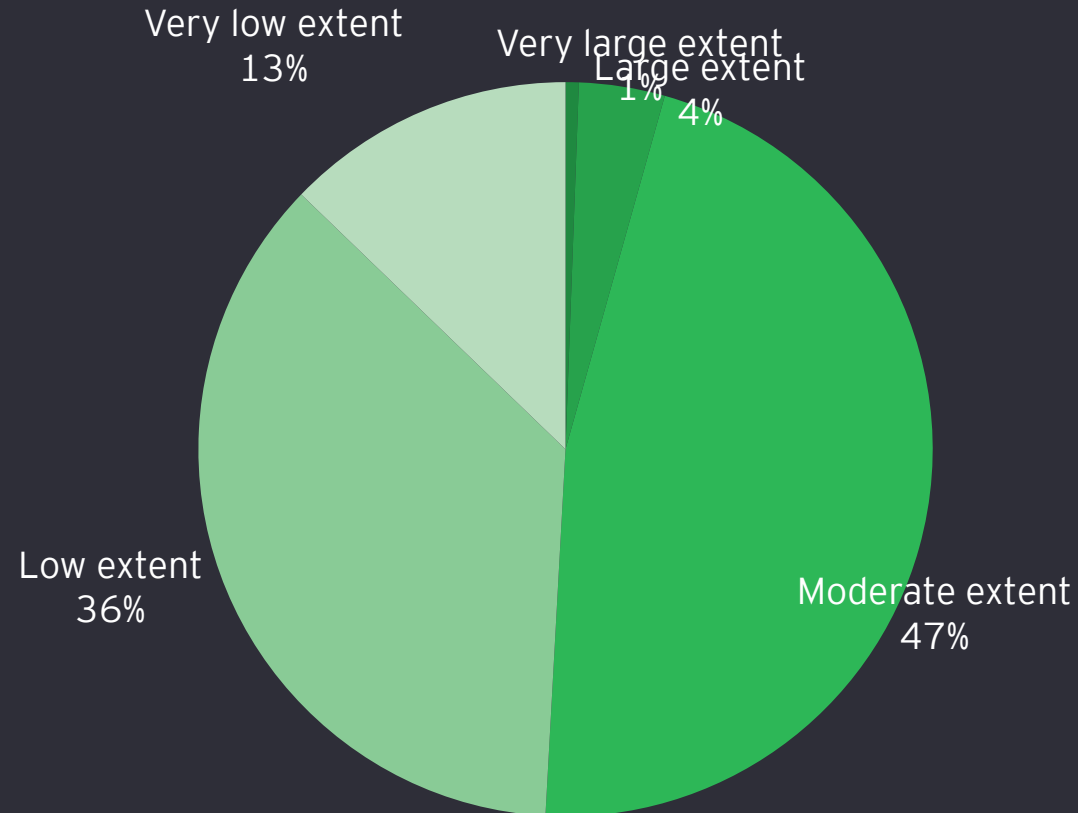
Talent

To what extent will your tax personnel need to augment their tax technical skills with data, process and technology skills in the next three years?

51%

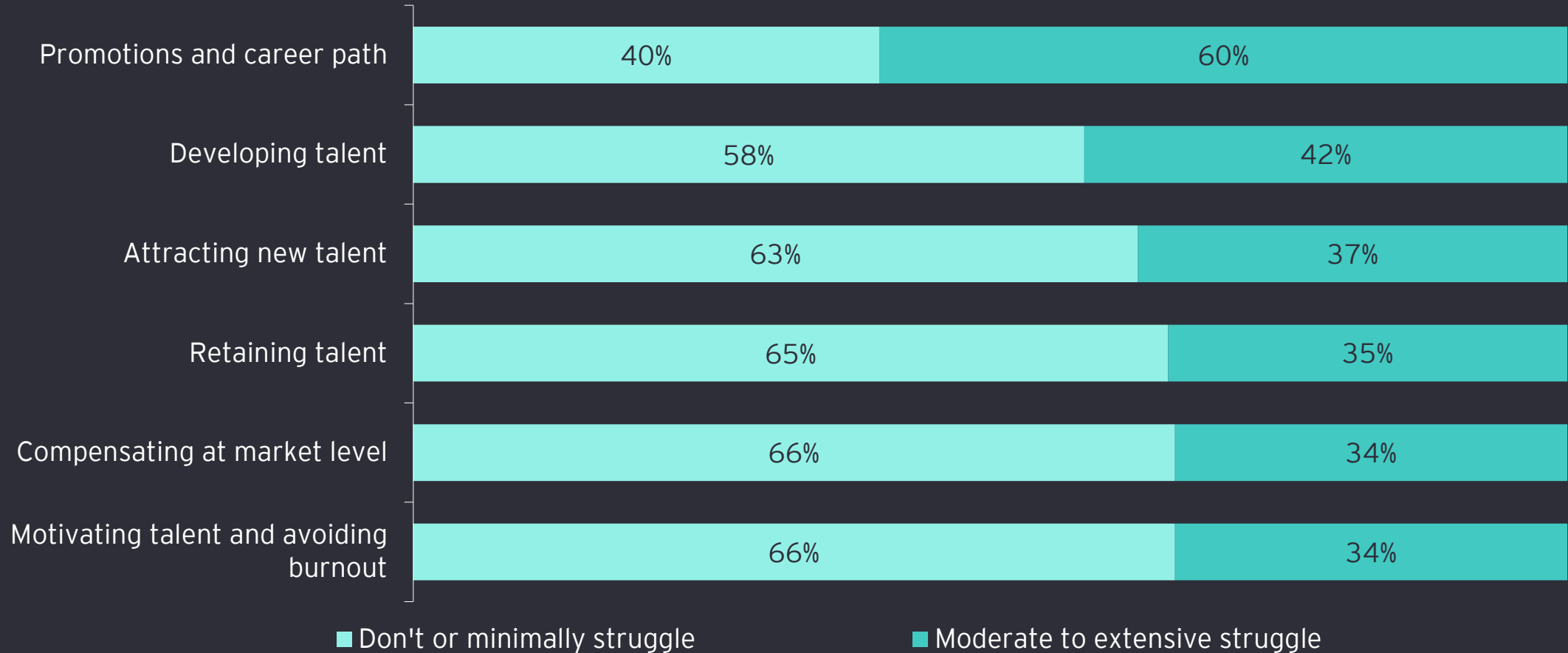
say their tax personnel need to augment their tax technical skills from a moderate to very large extent

Percent who need to augment skills



Which of the following aspects of talent does your tax function struggle with today?

Percent who struggle with aspects of talent

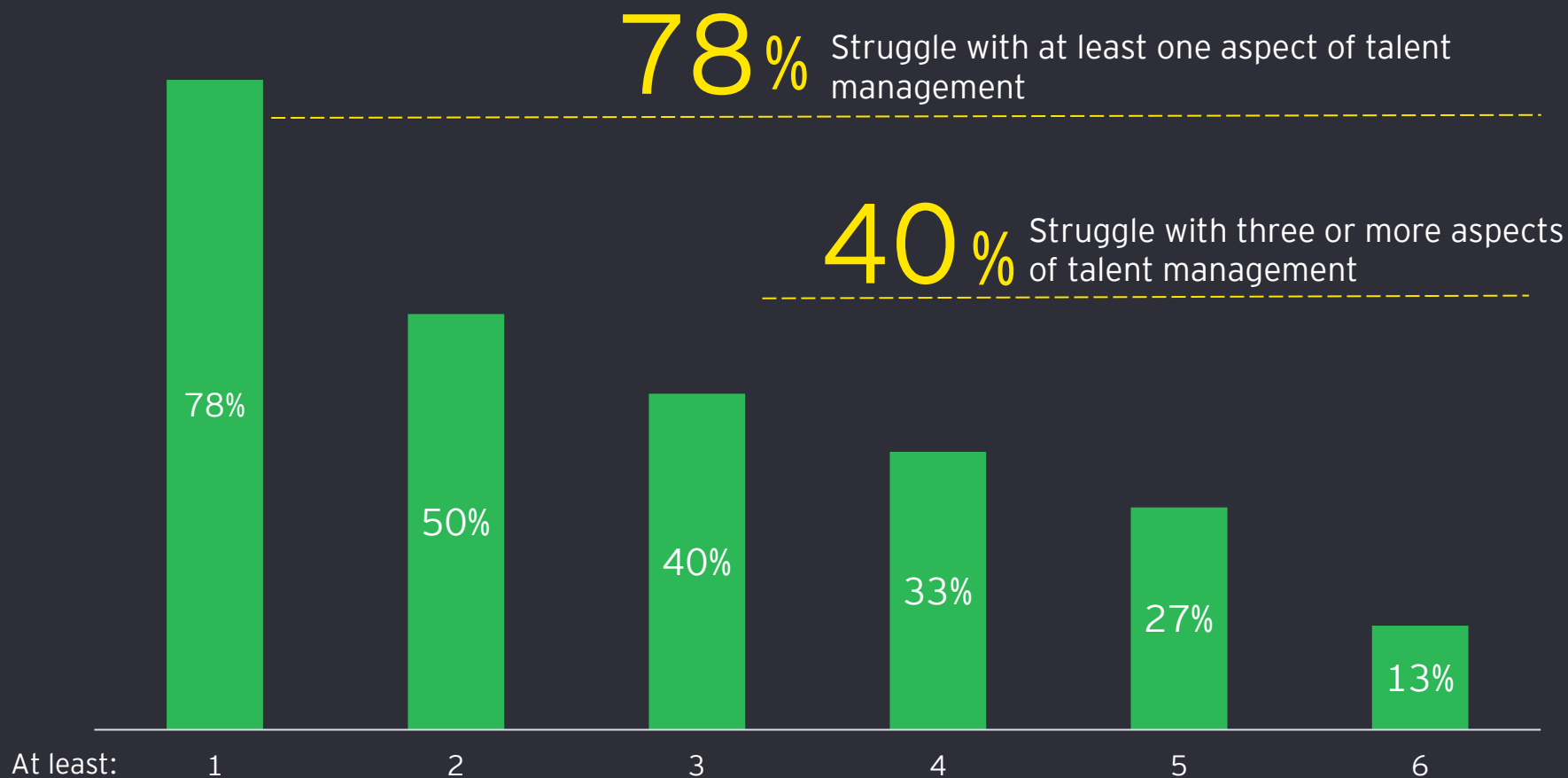


Which of the following aspects of talent does your tax function struggle with today?

Aspects of Talent Management

- ▶ Promotions and career path
- ▶ Developing talent
- ▶ Attracting new talent
- ▶ Motivating talent and avoiding burnout
- ▶ Retaining talent
- ▶ Compensating at market level

How many aspects of talent do you struggle with



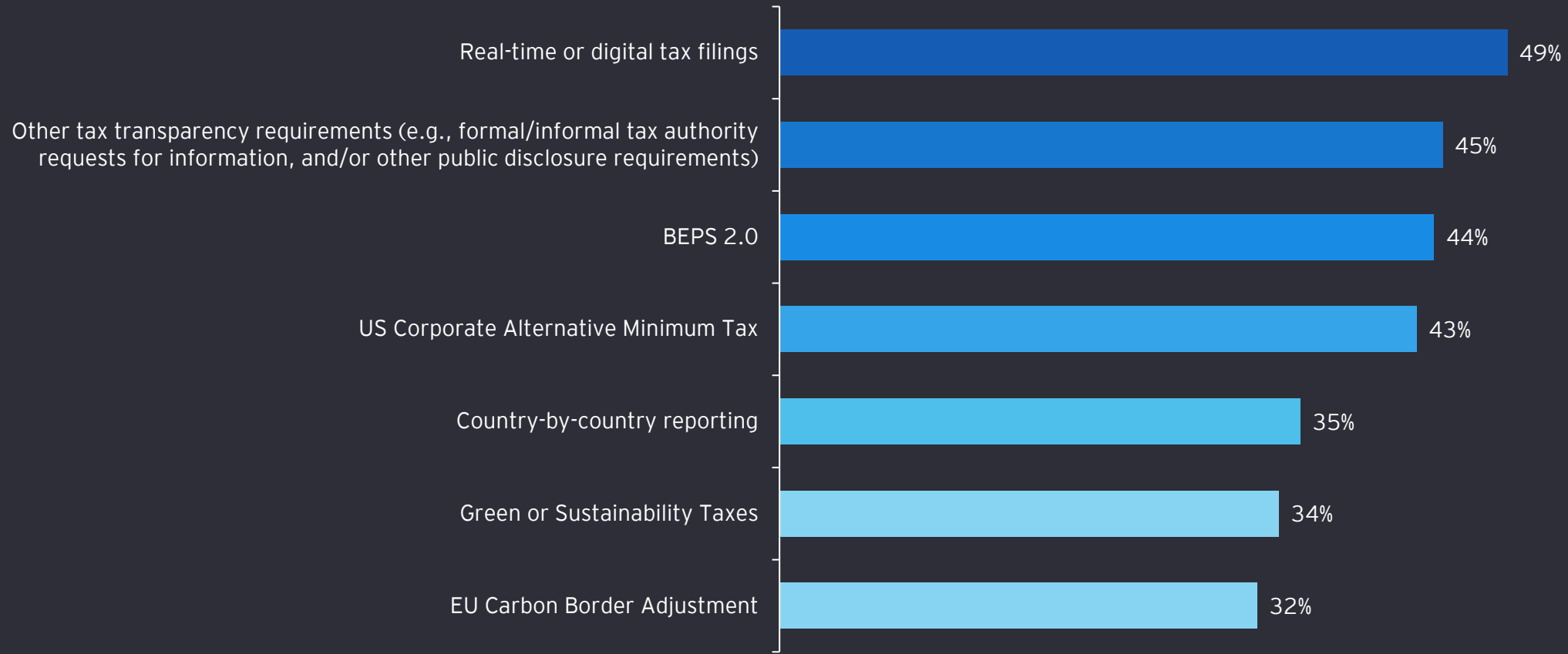


04

Legislative,
regulatory and
transparency

Which of the following new or emerging reporting requirements will have a significant impact on your organization's tax and finance function?

Reporting requirements impact

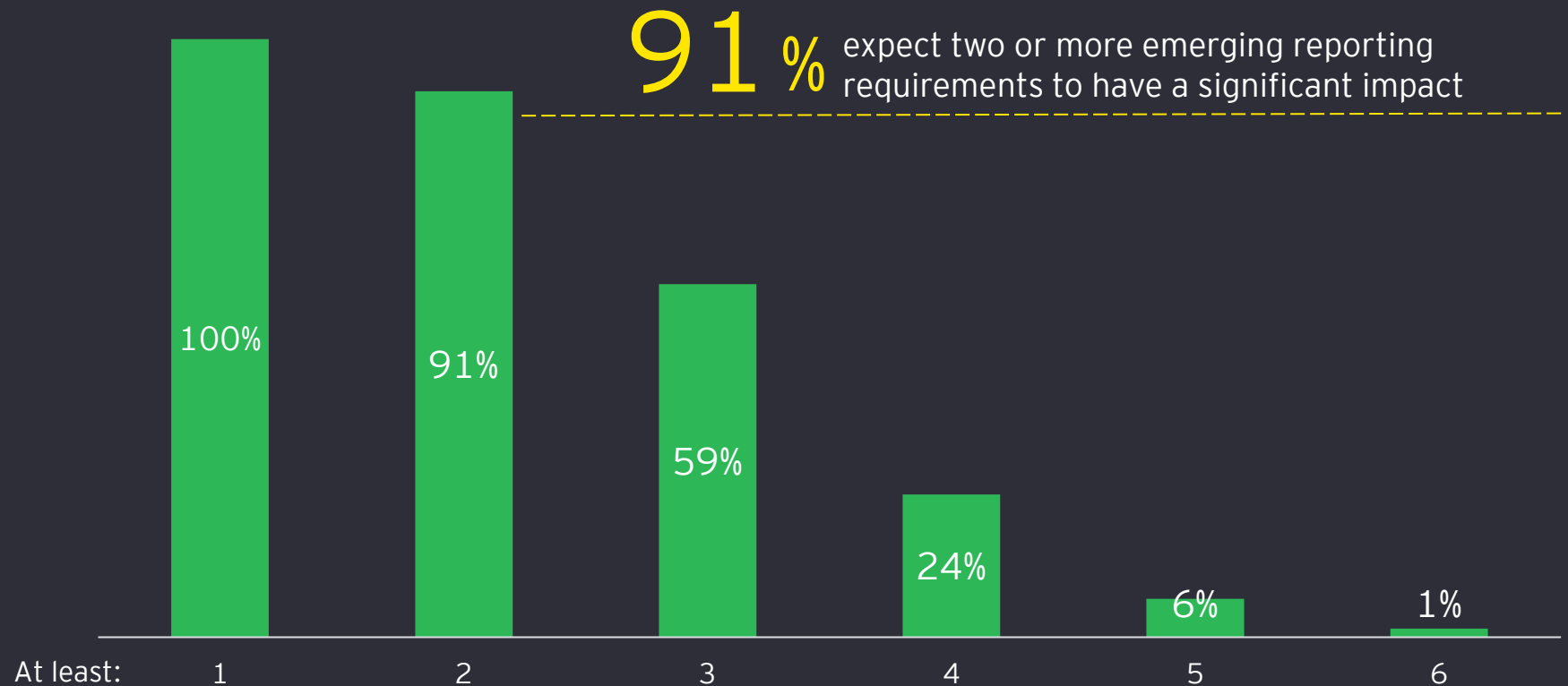


Which of the following new or emerging reporting requirements will have a significant impact on your organization's tax and finance function?

Emerging reporting requirements

- ▶ US Corporate Alternative Minimum Tax
- ▶ Green or Sustainability Taxes BEPS 2.0
- ▶ Real-time or digital tax filings
- ▶ EU Carbon Border Adjustment
- ▶ Country-by-country reporting
- ▶ Other tax transparency requirements (e.g., formal/informal tax authority requests for information, and/or other public disclosure requirements)

How many new or emerging reporting requirements will have a significant impact?

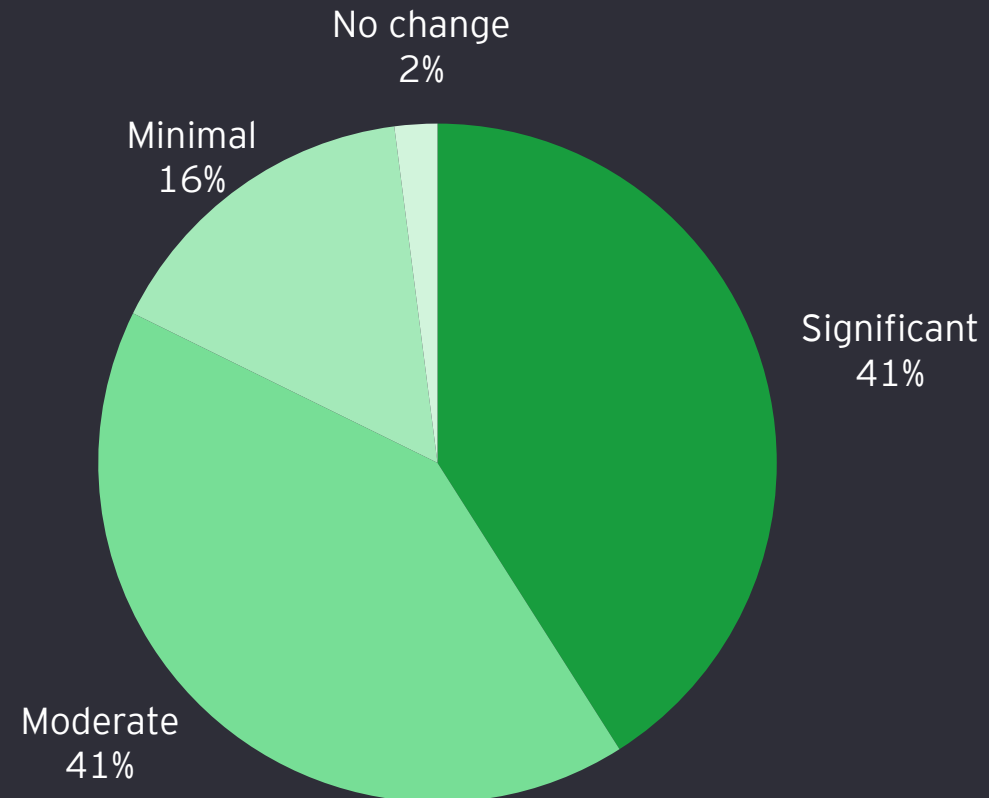


How do you expect your tax planning strategies and business operations to change once Pillar Two of the Base Erosion and Profit Shifting model legislation (BEPS 2.0) is in effect to provide for a country minimum tax?

82%

expect a moderate to significant change to tax and business operations from BEPS 2.0

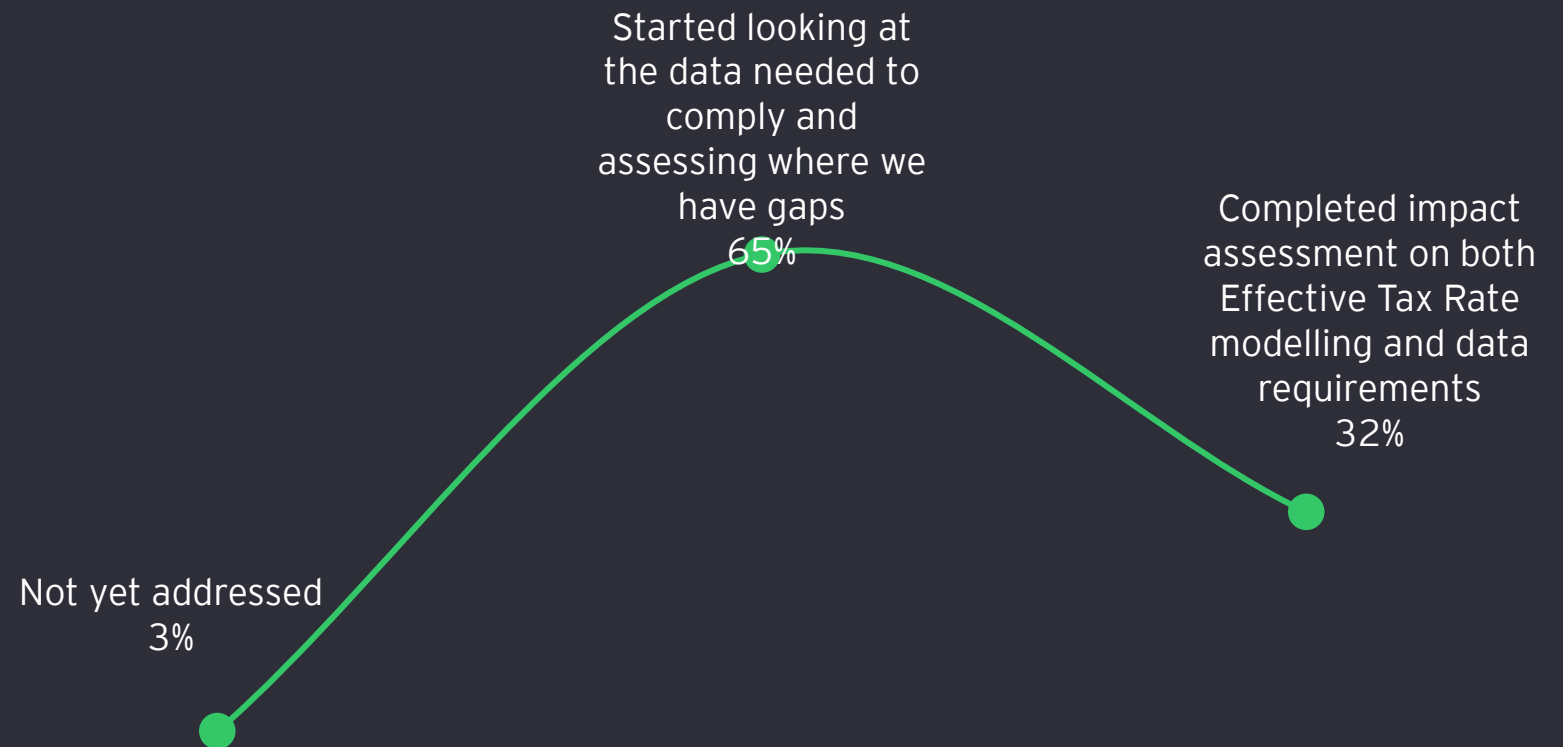
Percent who expect change from BEPS 2.0



Which of the following best describes how your organization is preparing for BEPS 2.0 Pillar Two?

Only
32%
have completed an
impact assessment

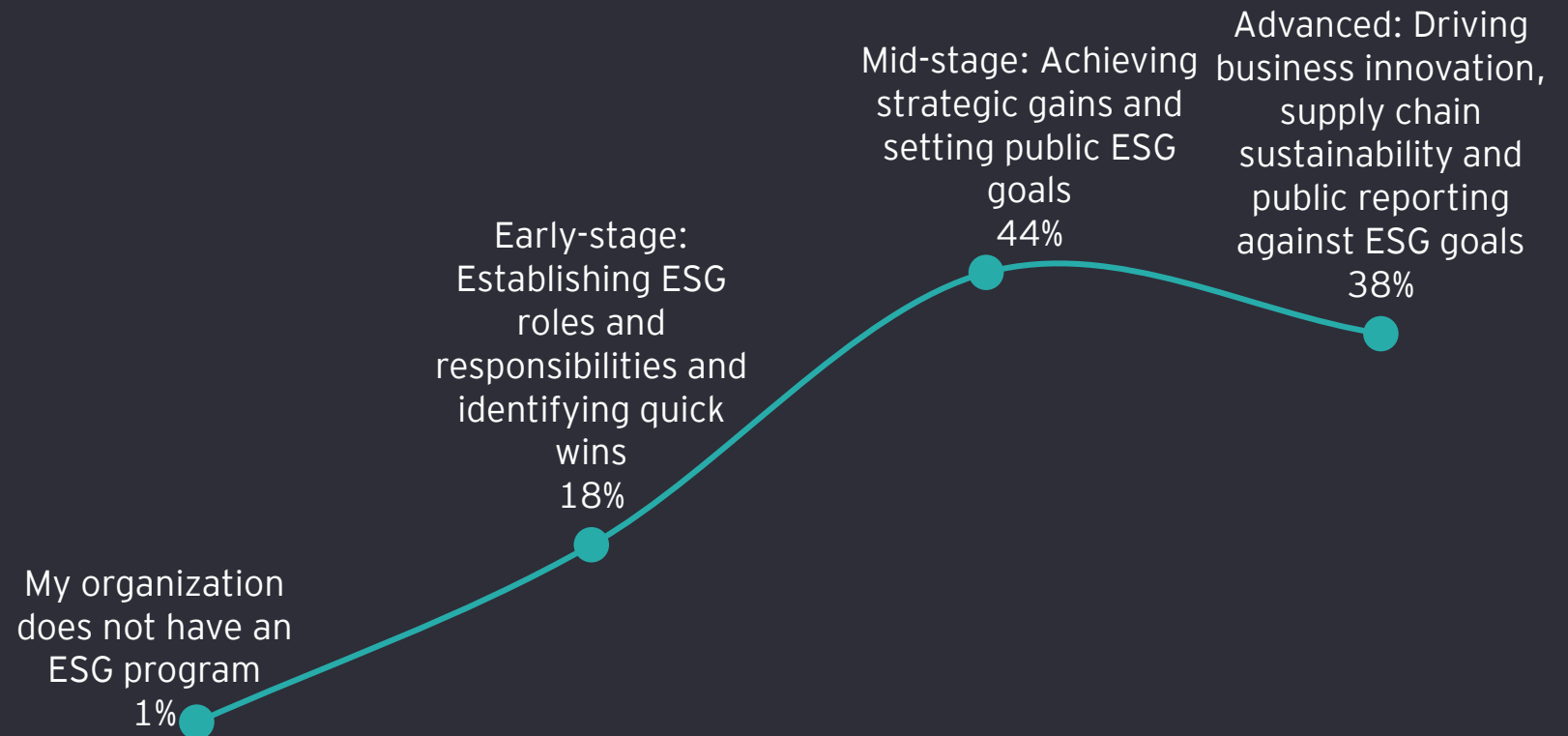
Where respondents are based on their BEPS journey



Where do you see your organization on its environmental, social and governance (ESG) journey?

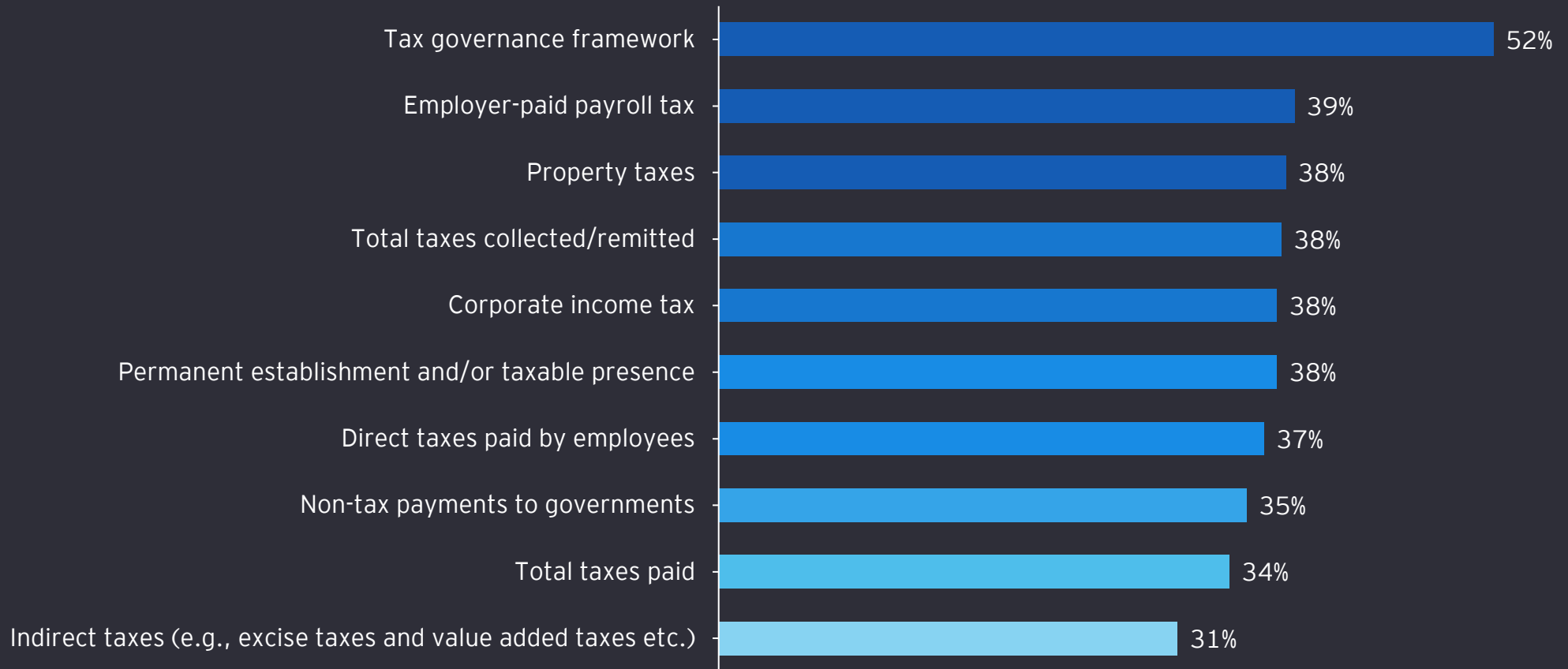
Only
38%
are at an advanced stage in their ESG journey

Where respondents are based on their ESG journey



Given increased attention on public transparency in tax reporting, on which of the following do you anticipate making voluntary public disclosures, e.g., disclosures not mandated by the government?

Percent making voluntary public disclosures

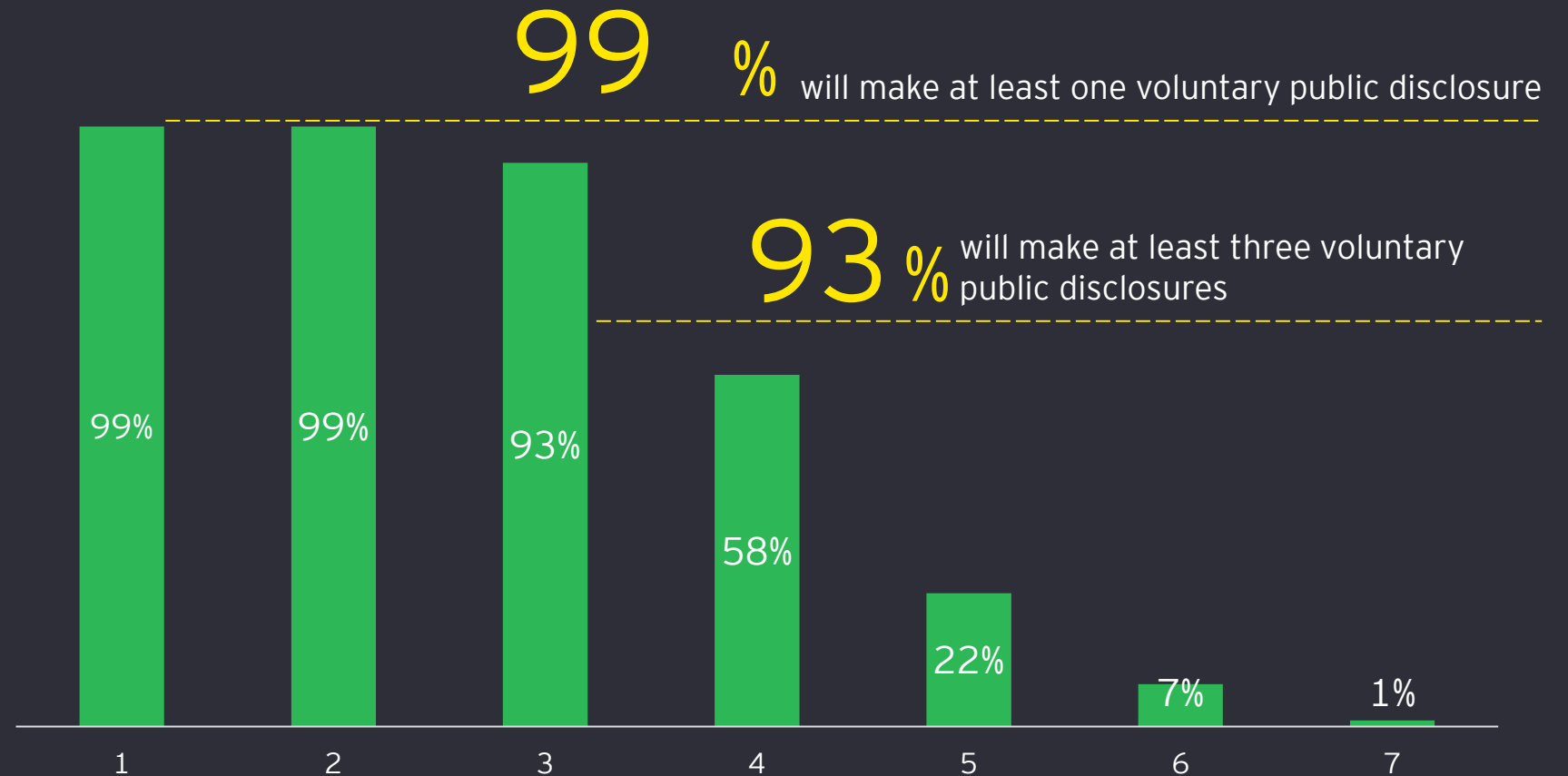


Given increased attention on public transparency in tax reporting, on which of the following do you anticipate making voluntary public disclosures, e.g., disclosures not mandated by the government?

Percent who will make voluntary disclosures

Voluntary public disclosures

- ▶ Tax governance framework
- ▶ Property taxes
- ▶ Employer-paid payroll tax
- ▶ Corporate income tax
- ▶ Total taxes collected/remitted
- ▶ Non-tax payments to governments
- ▶ Total taxes paid
- ▶ Direct taxes paid by employees
- ▶ Permanent establishment and/or taxable present
- ▶ Indirect taxes (e.g., excise taxes and value-added taxes, etc.)





05

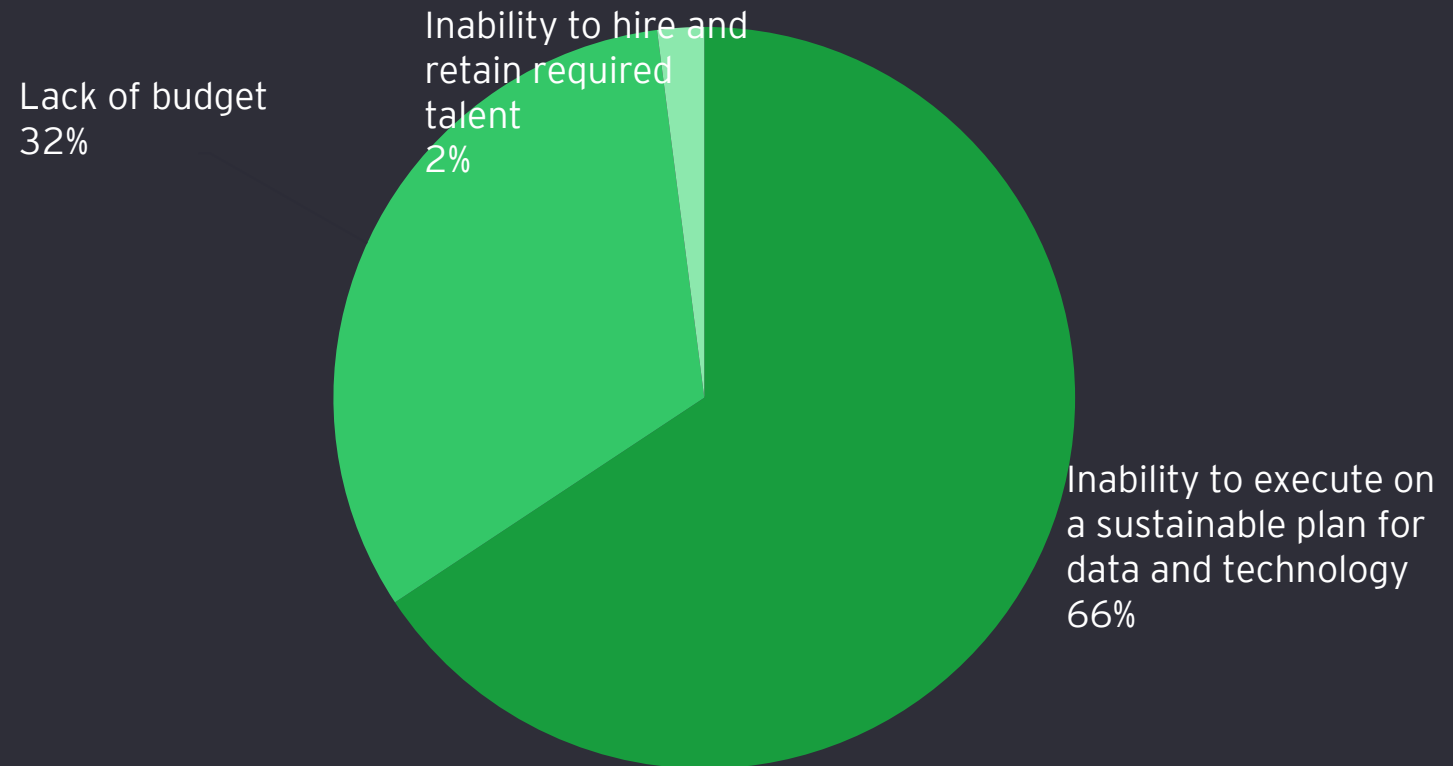
Data and technology



What is the biggest barrier preventing your tax and finance function from delivering its purpose and vision?

Most respondents state the lack of sustainable plan for data and technology is the #1 barrier

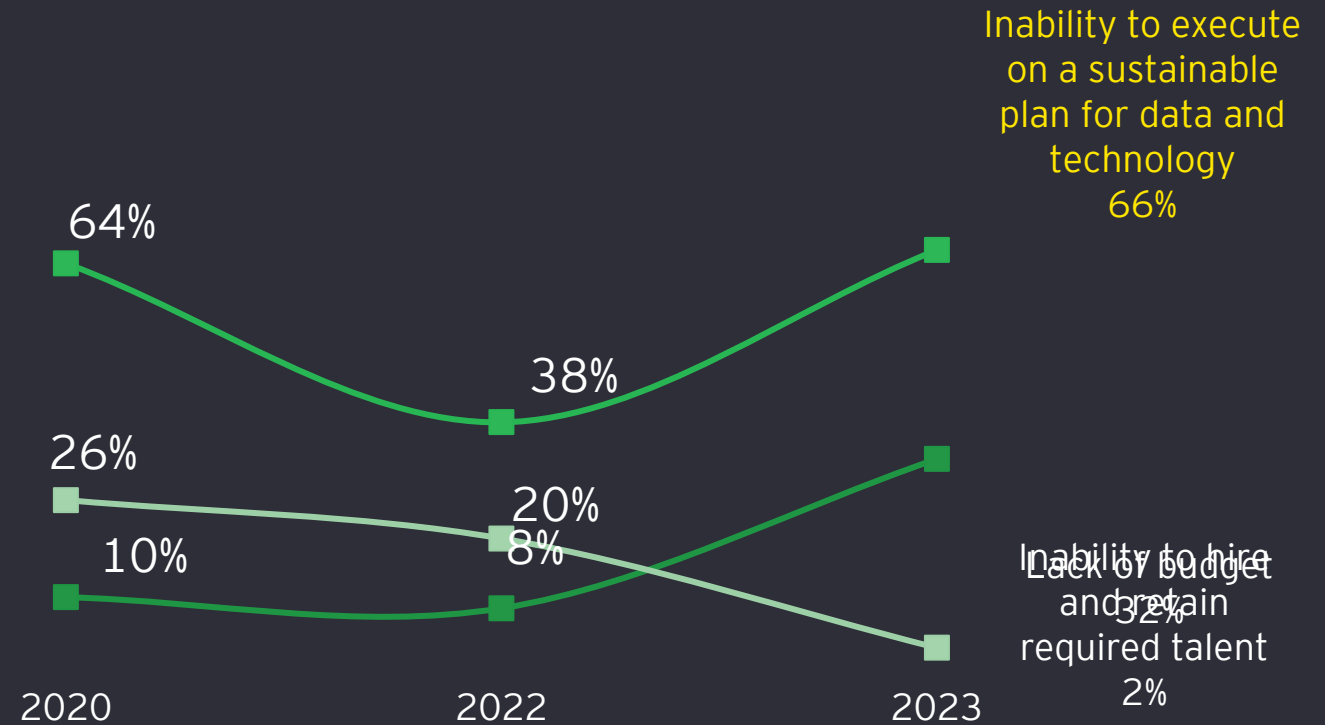
Biggest barrier to delivering purpose and vision



Time Series: What is the biggest barrier preventing your tax and finance function from delivering its purpose and vision?

Lack of sustainable plan for data and technology has consistently been the #1 barrier

Biggest barrier to delivering purpose and vision

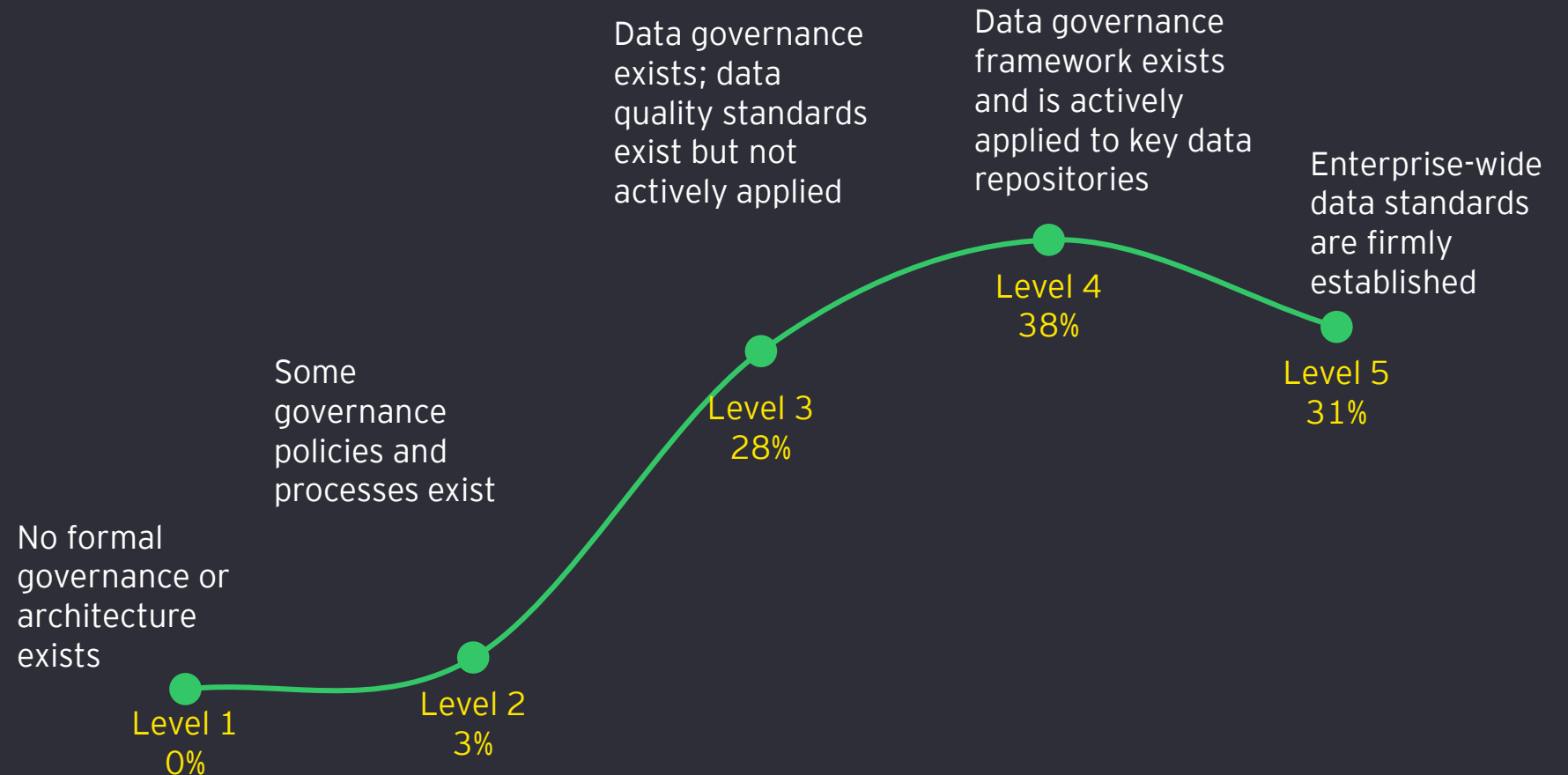


*In 2020, 1% selected 'other'; in 2022 there was an additional option: 33% selected ability to identify, evaluate and respond to legislative and regulatory changes

How do you rate your tax and finance functions' data management maturity?

Most respondents rate their data management at higher maturity level

Tax and Finance function data management maturity

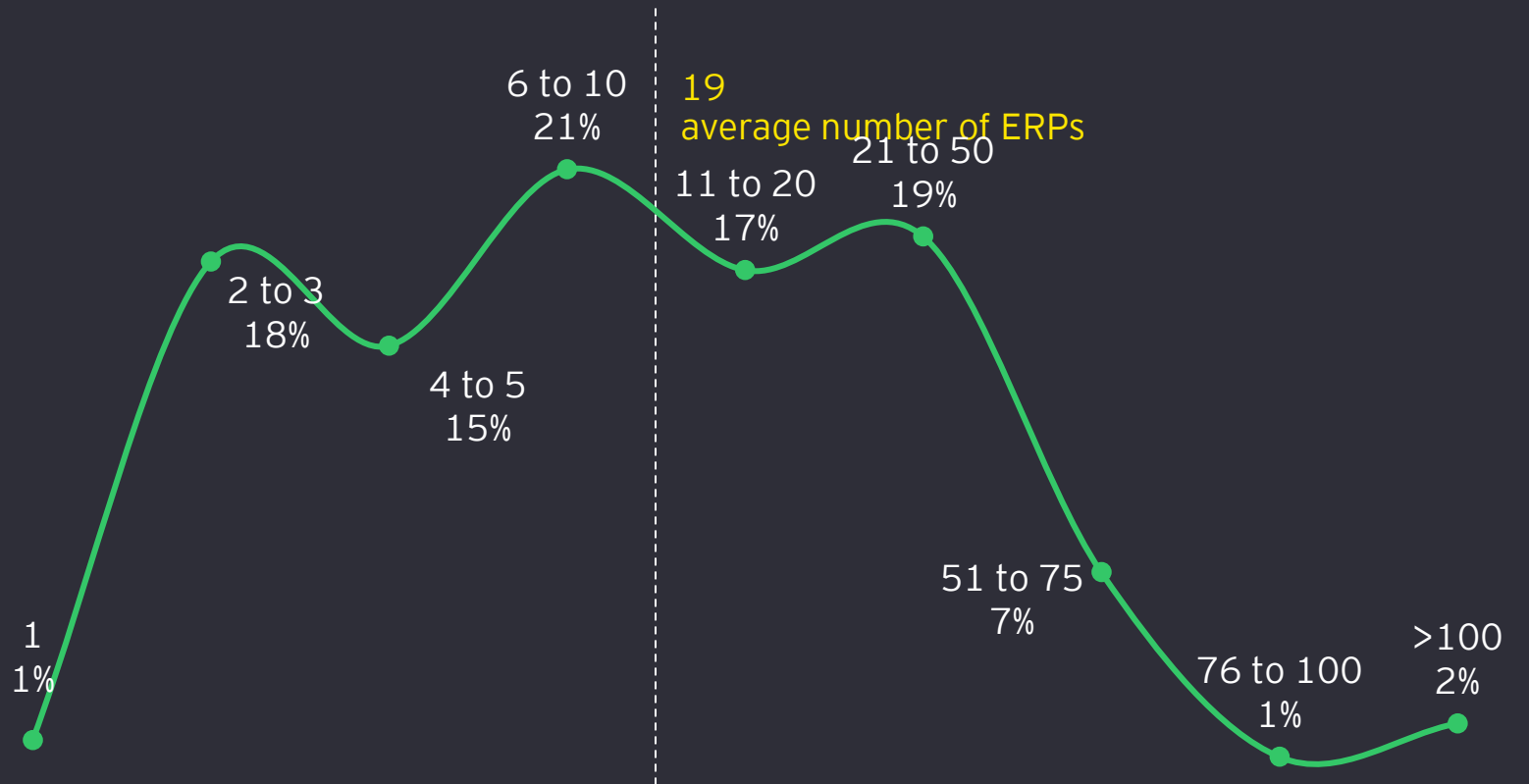


How many Enterprise Resource Planning (ERP) systems (including different versions) does your organization have globally that are data sources for the tax function?

19

Average number of ERP system data sources for the tax function

Number of ERPs (each instance is treated as a separate system)



Are your Enterprise Resource Planning (ERP) and source systems set up to capture relevant tax information?

65%

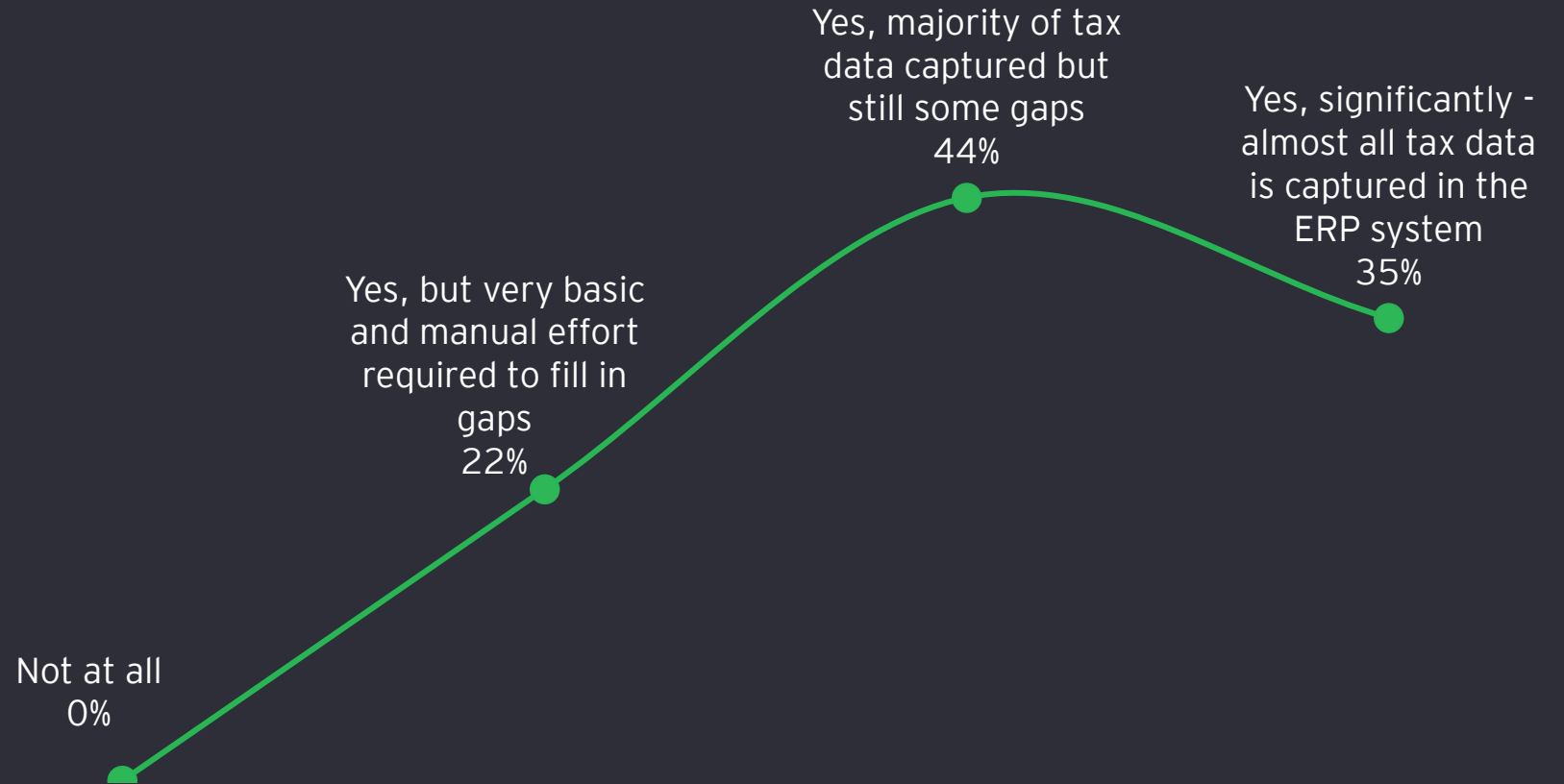
have some gaps

Only

35%

companies capture most of tax data

Level of ERP tax sensitization

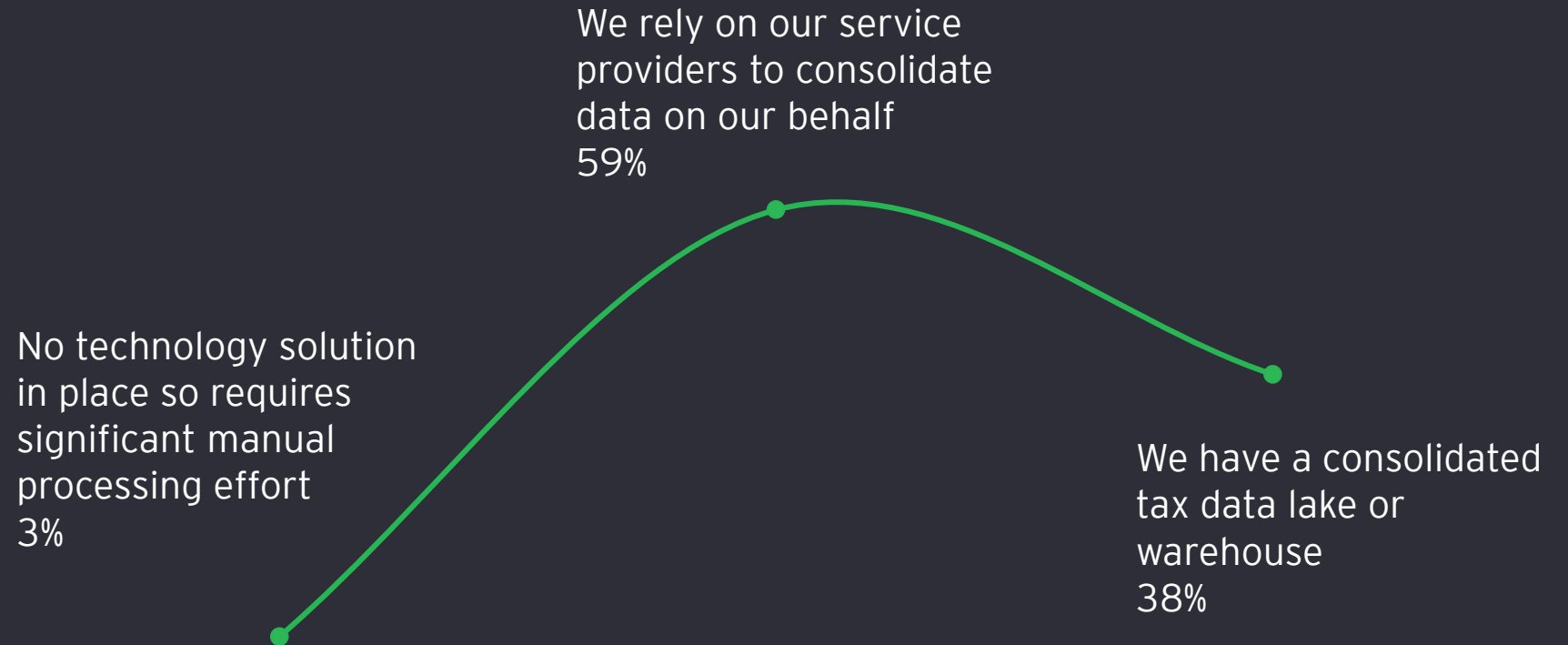


How do you consolidate tax reporting data out of multiple ERP systems?

59%

rely on service providers to consolidate tax data on their behalf

How respondents consolidate tax data

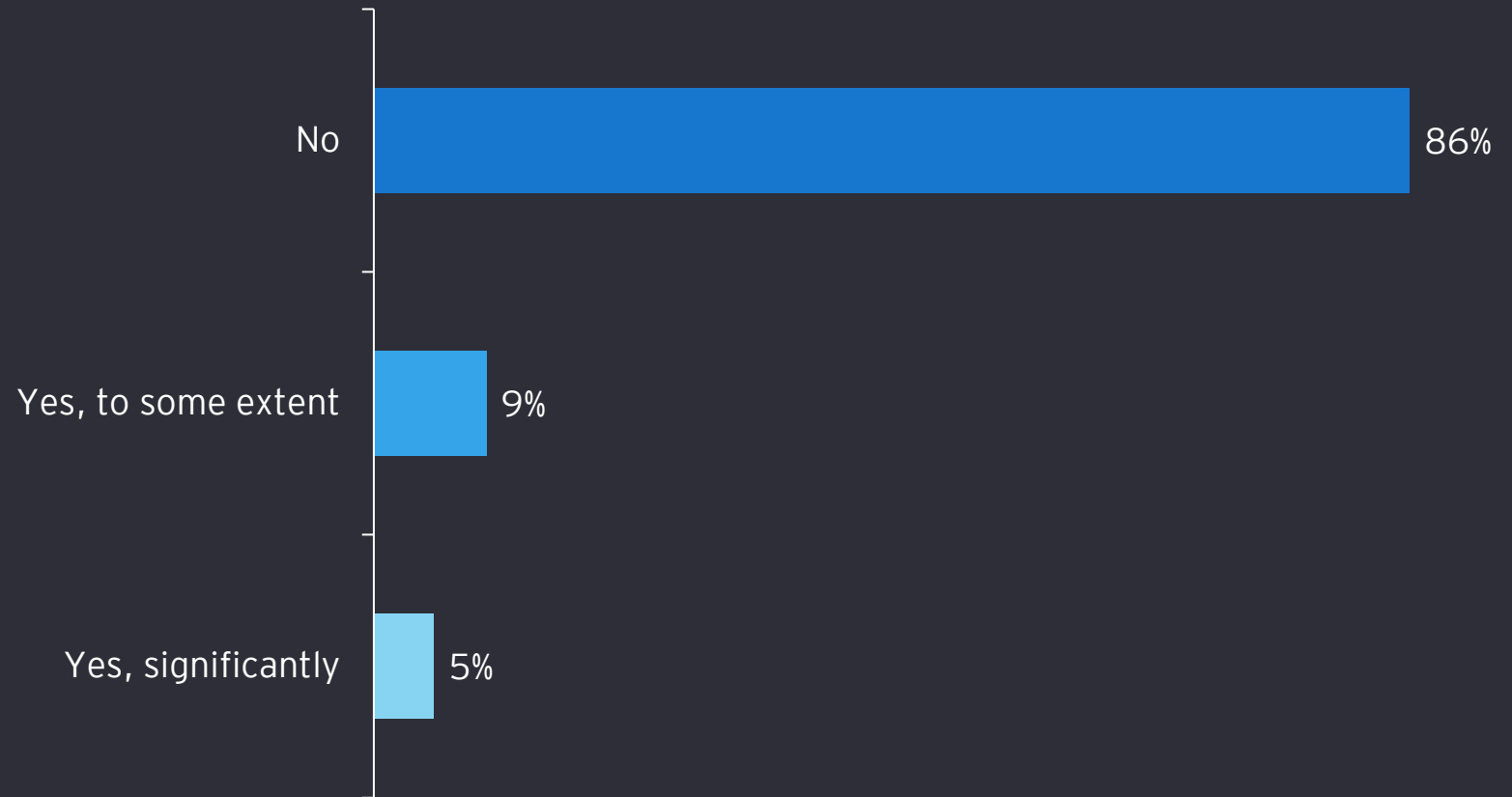


Do you believe ChatGPT or similar generative AI tools will help drive increased effectiveness and efficiencies within your tax function?

86%

do not think generative AI tools will drive increased effectiveness and efficiencies within their tax function

Generative AI tools help drive effectiveness and efficiency





06

Cost and budget



To what extent does your organization plan to change its tax and finance function budget over the next 24 months?

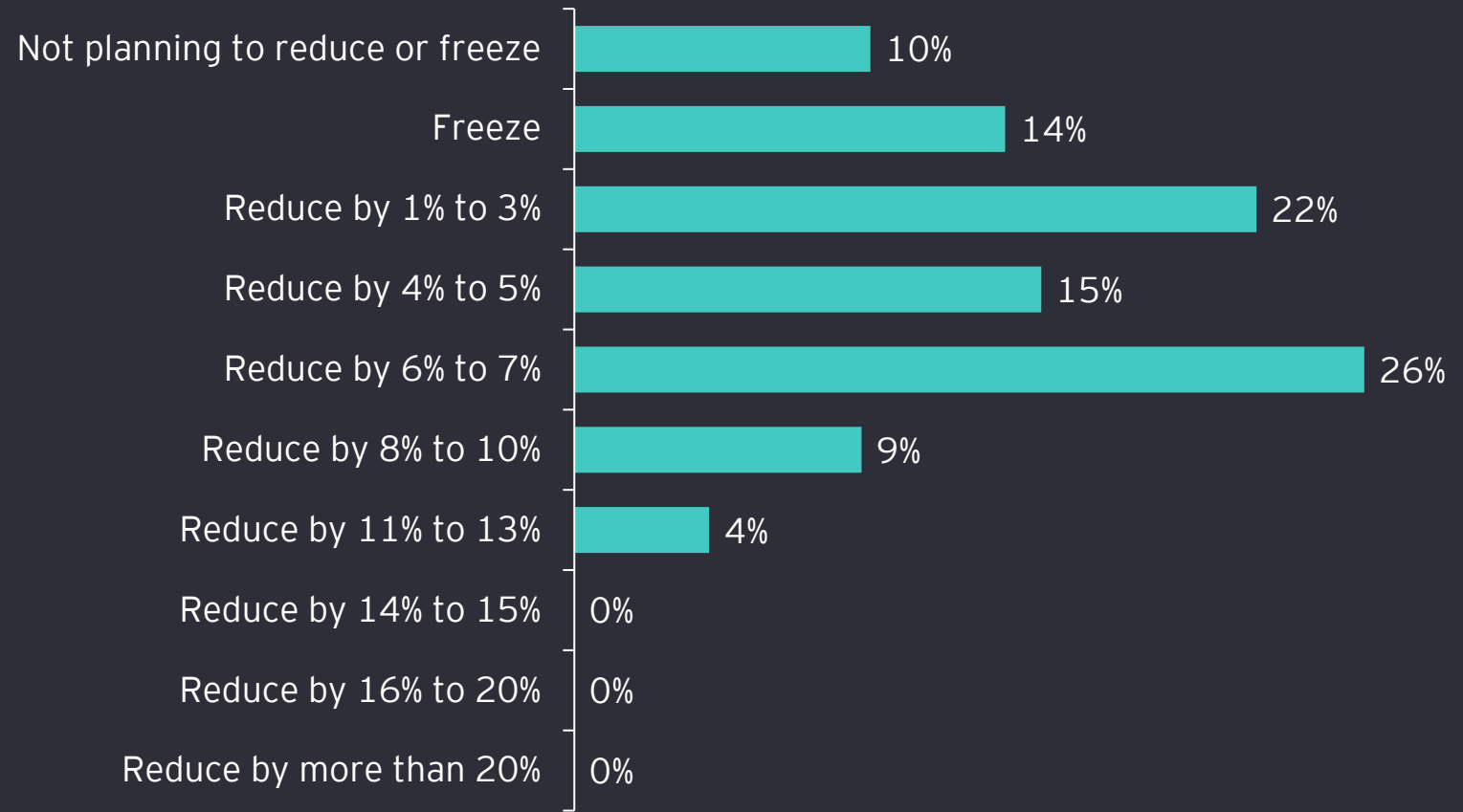
90%

Plan to freeze or reduce tax and finance function budget

4%

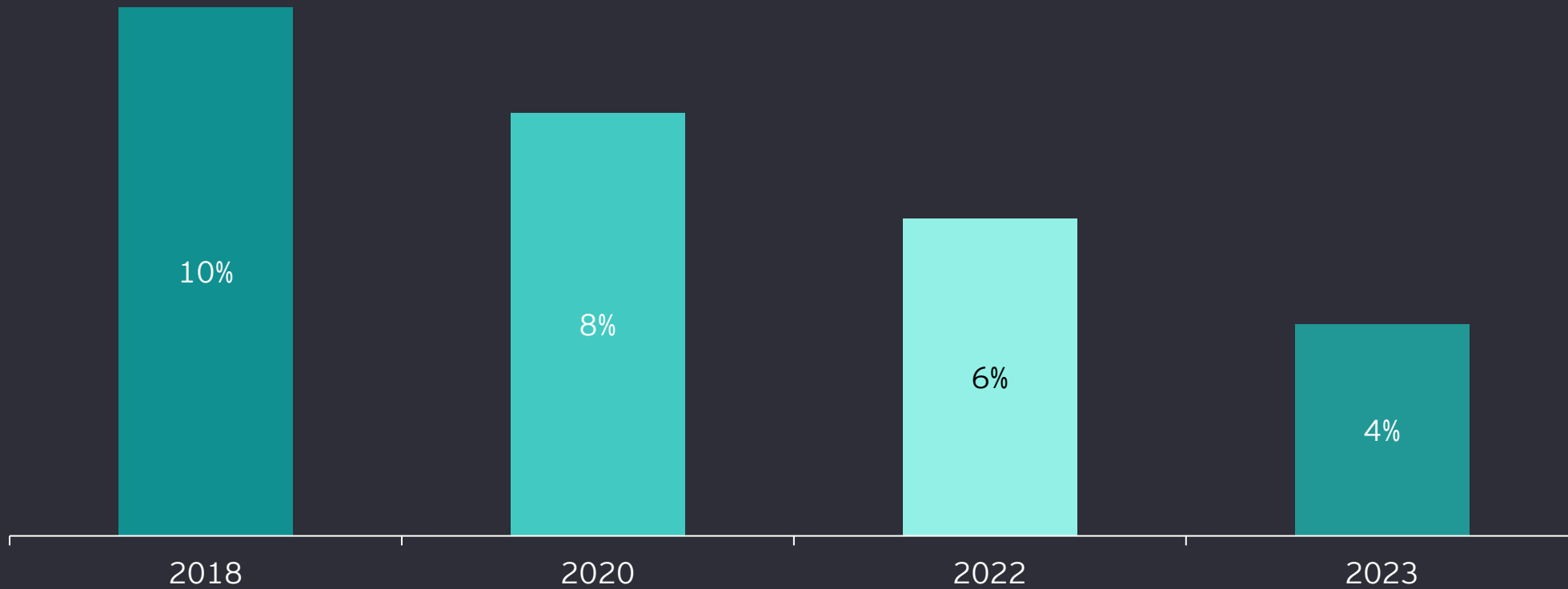
Average reduction in budget over the next 24 months

Extent of budget reduction



Time Series: Average budget reduction over the coming 24 months expected in each survey

Average target budget reduction



What percentage of your tax department's budget is on each of the following areas
internal vs. external spend

Area	Internal spend	External spend
Tax Compliance	13%	14%
Tax Planning	15%	13%
Transactions	14%	12%
Tax controversy including litigation	13%	16%
Accounting for income taxes	15%	11%
Tax technology	12%	17%
Other activities	18%	17%
SUM	100%	100%

To what extent does your organization plan to change its tax and finance function headcount over the next 24 months?

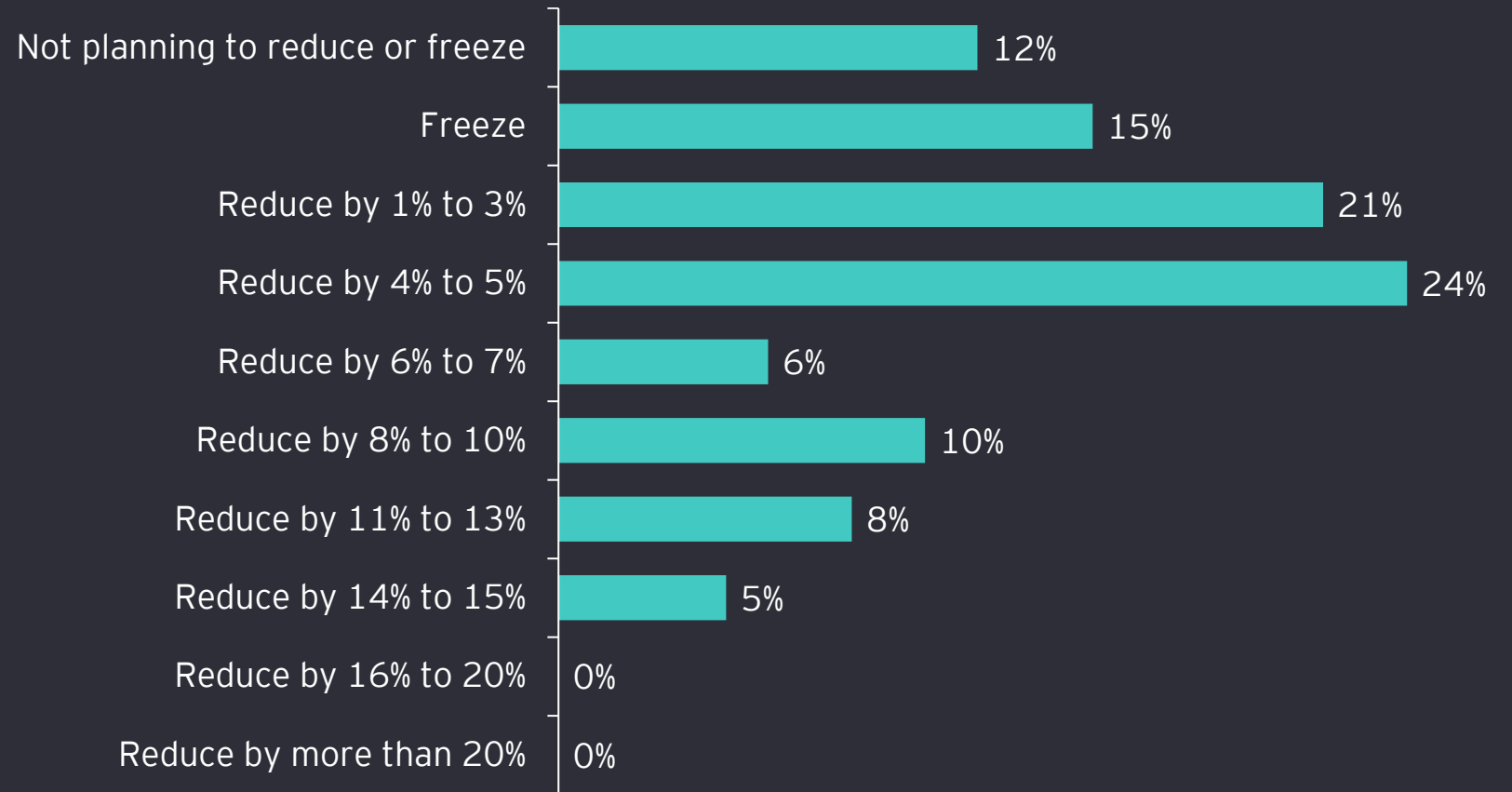
88%

Plan to freeze or reduce tax and finance function headcount

4%

Average reduction in headcount expected over next 24 months

Average target headcount reduction





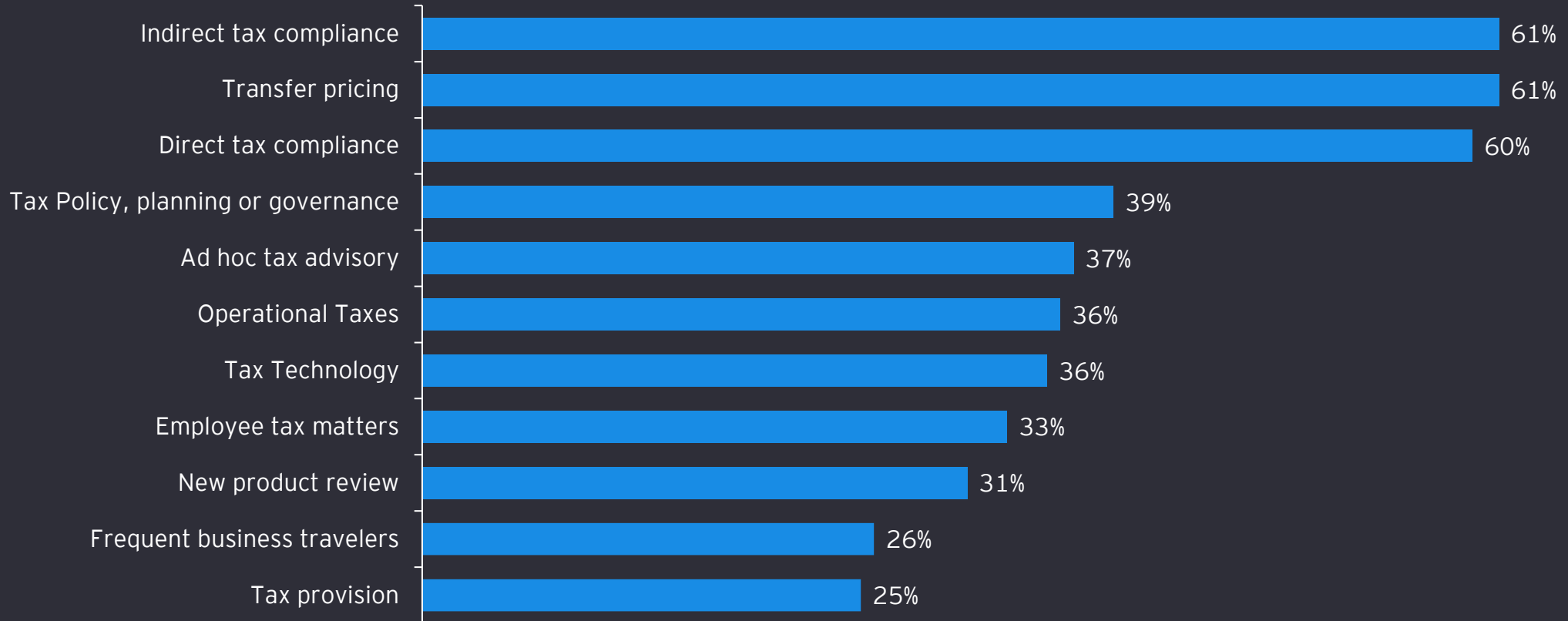
07

Financial Services-specific questions



Which of the following tax processes are co-sourced? (Asked only to Banking and Capital Markets respondents)

Tax processes currently co-sourced

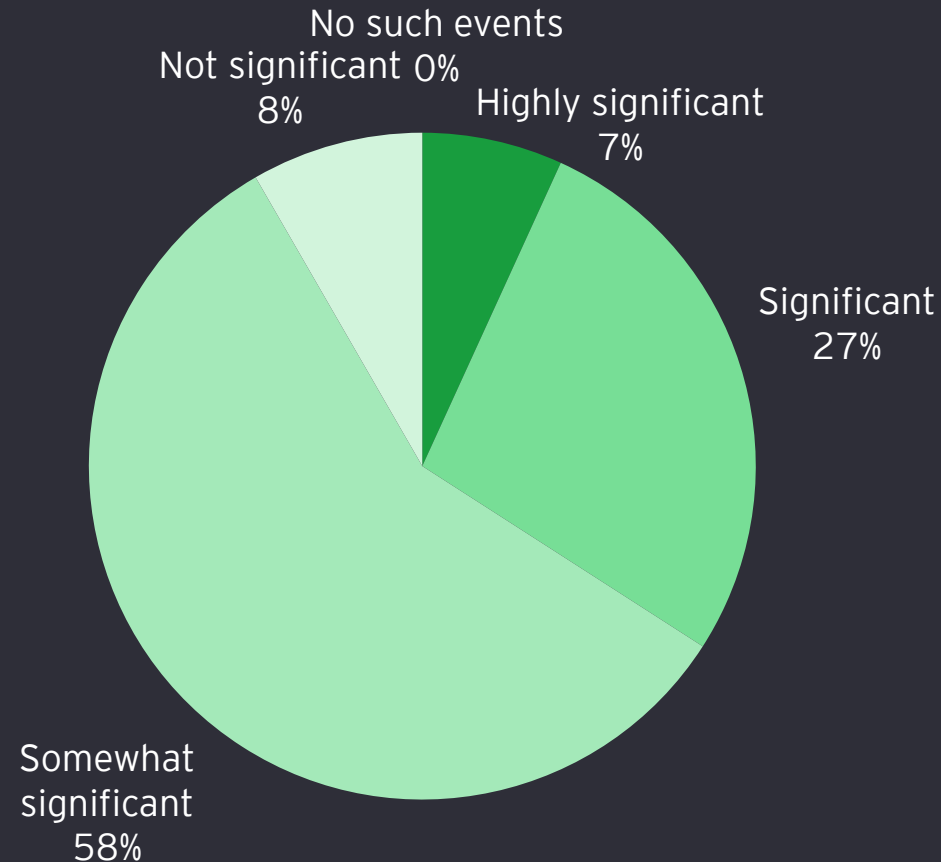


Have you had an operational tax incident in the last 12 months? If so, what was the significance of the event? (Asked only to Banking and Capital Markets respondents)

92%

Experienced a "somewhat" to "highly" significant operational tax incident over the last 12 months

Impact of operational tax incidents in the last 12 months



Do you have a fully documented tax risk governance framework recording key risks, controls and the allocation of responsibilities etc? (Asked only to Banking and Capital Markets respondents)

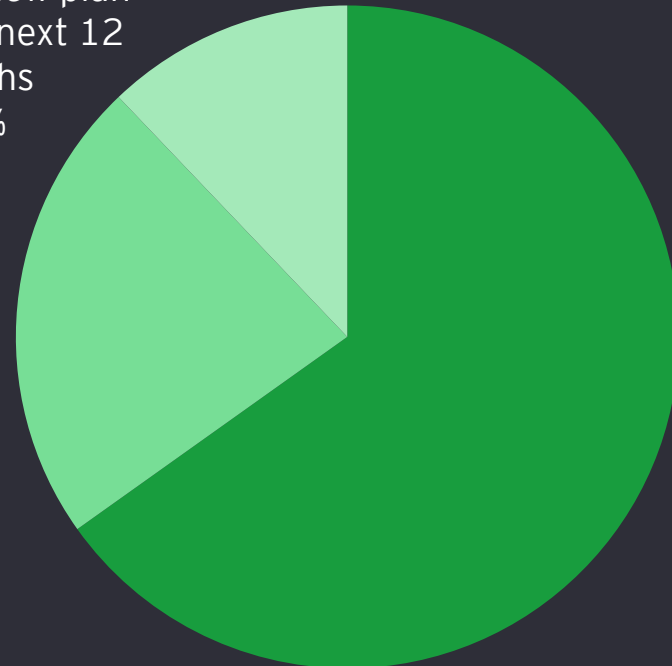
35%

Do not have a fully documented tax risk governance framework

Use of fully documented tax risk governance framework

Plan to enhance existing plan or develop a new plan within the next 12 months
12%

No
23%

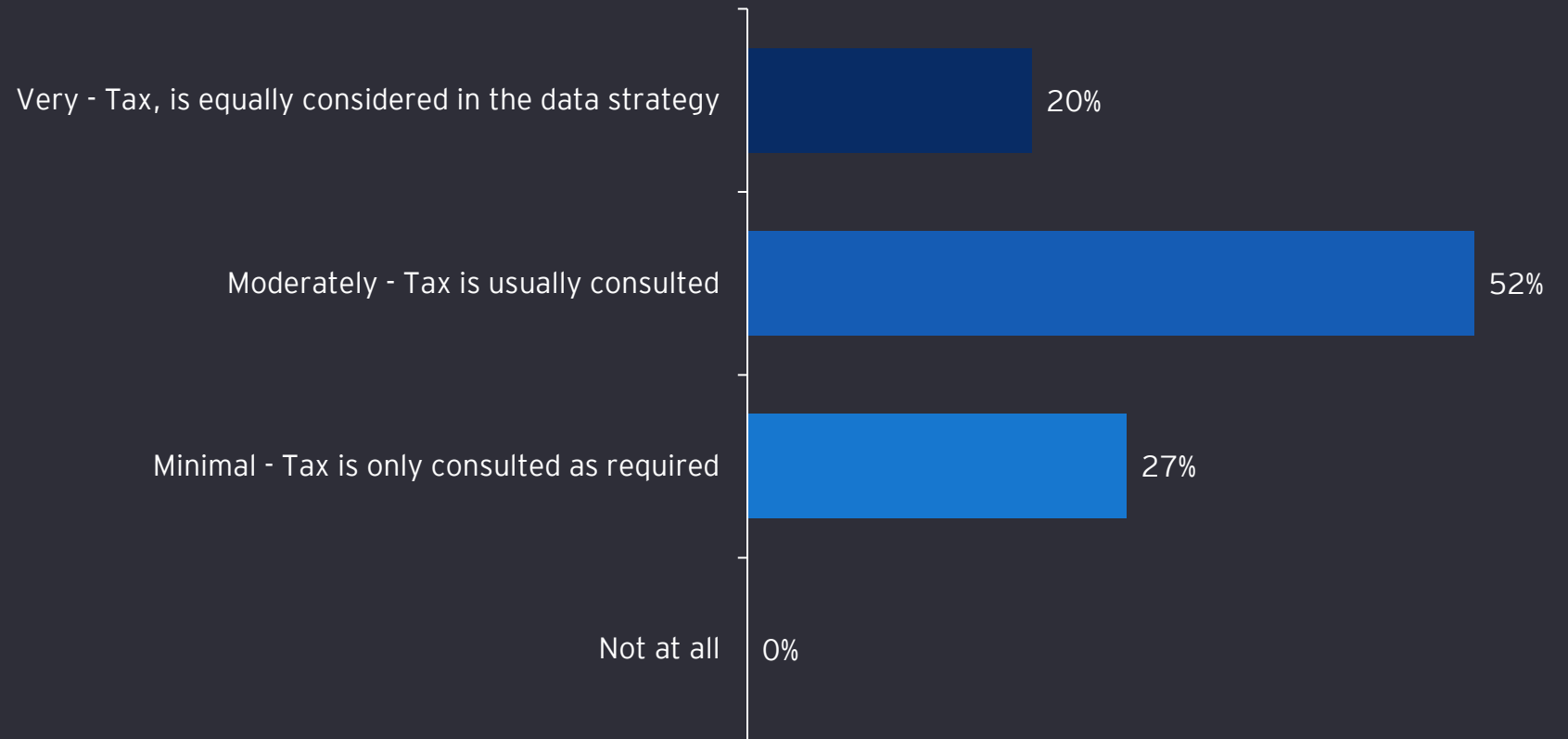


Yes
65%

How integrated is Tax with the broader finance and data strategy? (Asked only to Insurance respondents)

Only one in five Insurance companies consider tax function in their broader finance and data strategy

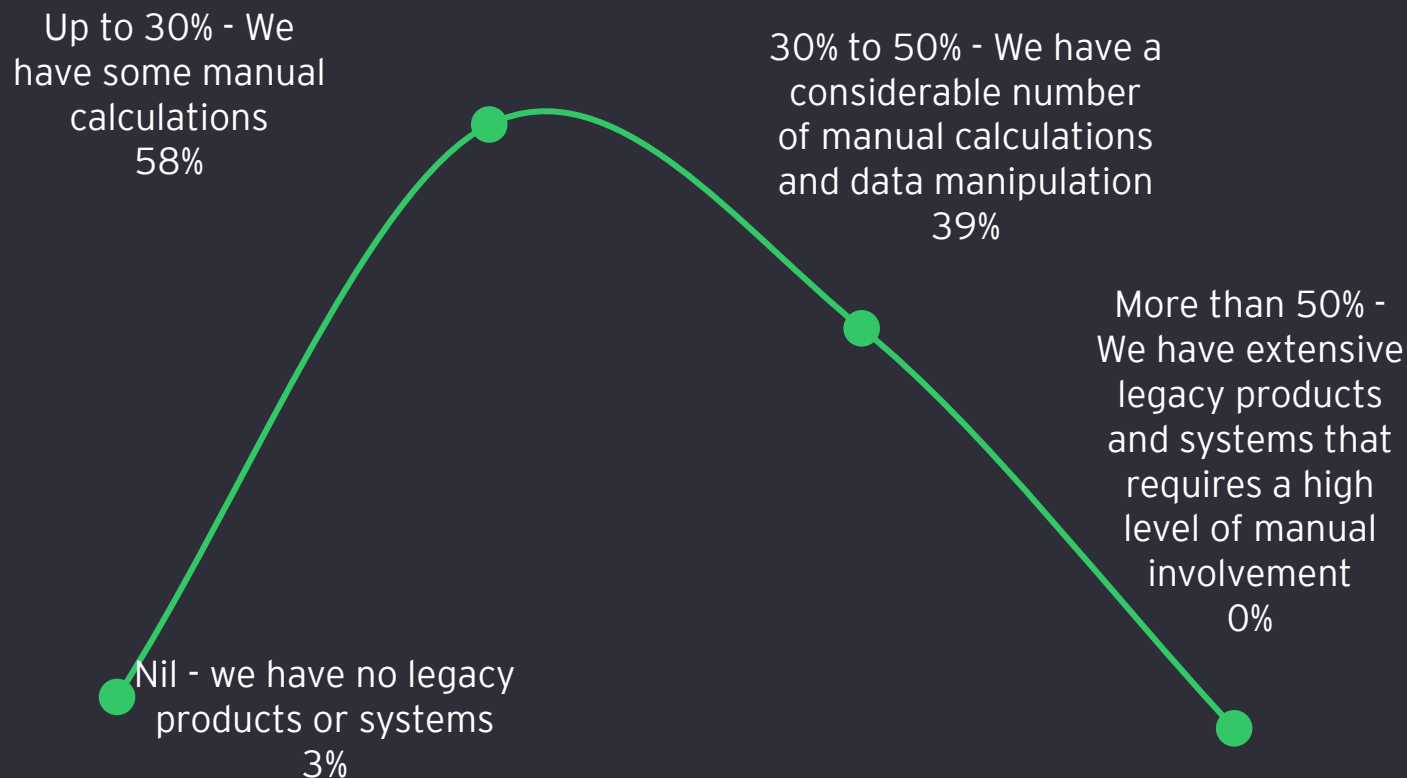
Role of tax function in broader finance and data strategy



Insurers typically have numerous legacy systems and products that require manual tax calculations. How much of your compliance effort is directed toward this? (Asked only to Insurance respondents)

None of the Insurance companies have extensive legacy products and systems that require high level of manual involvement

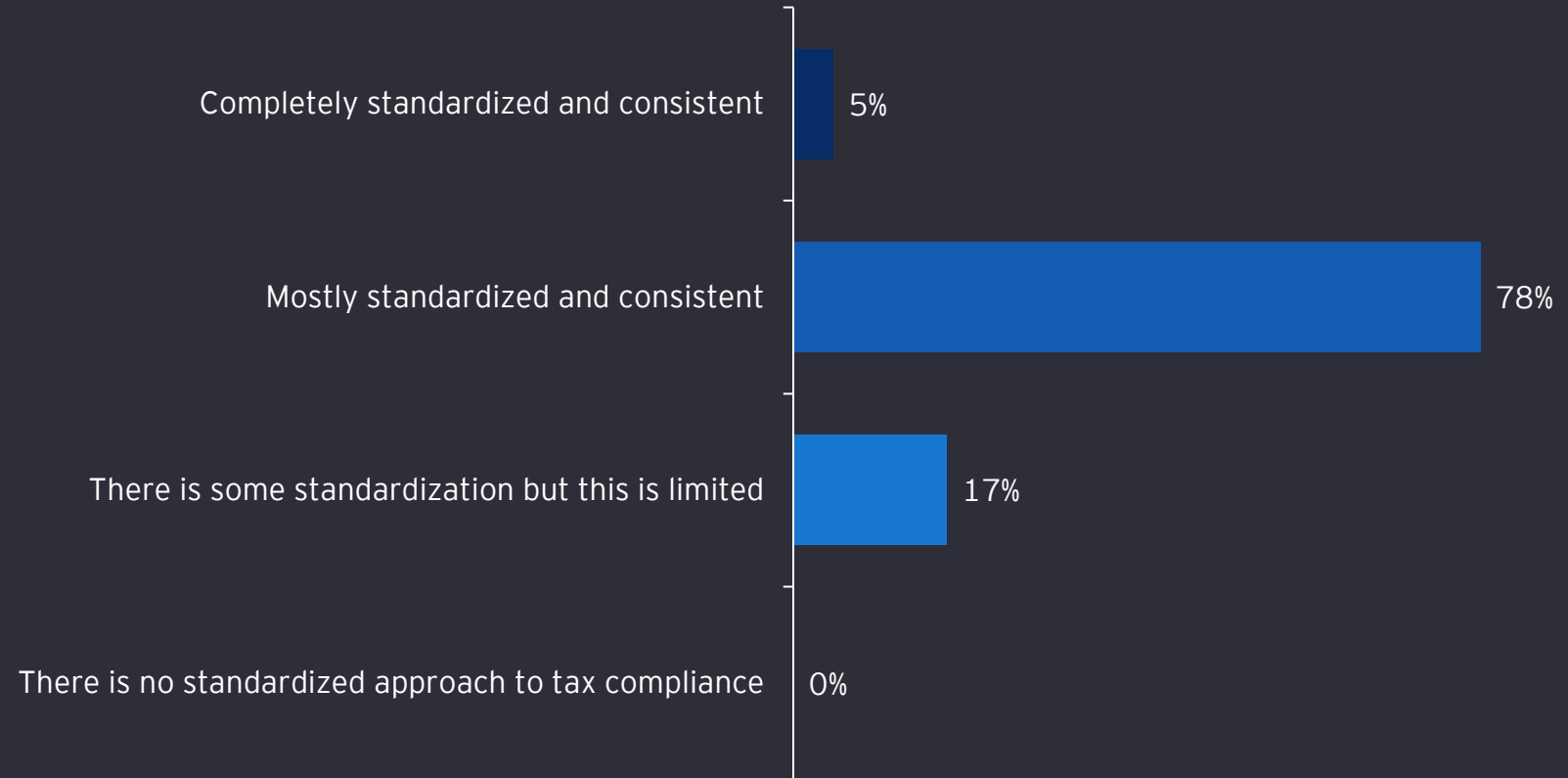
Use of legacy products and systems, requiring manual involvement



Is there a standardized and consistent way of working and approach to tax compliance across each jurisdiction in which you operate? (Asked only to Insurance respondents)

Very few Insurance companies have completely standardized and consistent approach to tax compliance across jurisdictions

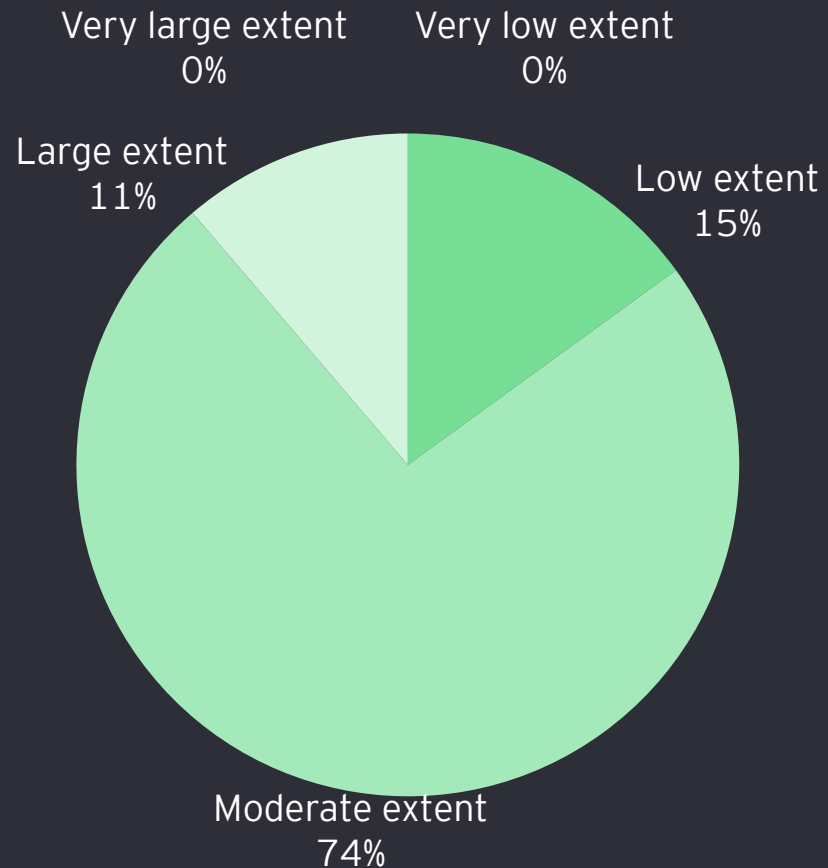
Approach to tax compliance across jurisdictions



How content are you with the depth and breadth of the withholding tax service offered?
(Asked only to Wealth and Asset Management respondents)

Only one in ten are largely content with depth and breadth of the withholding tax service offered

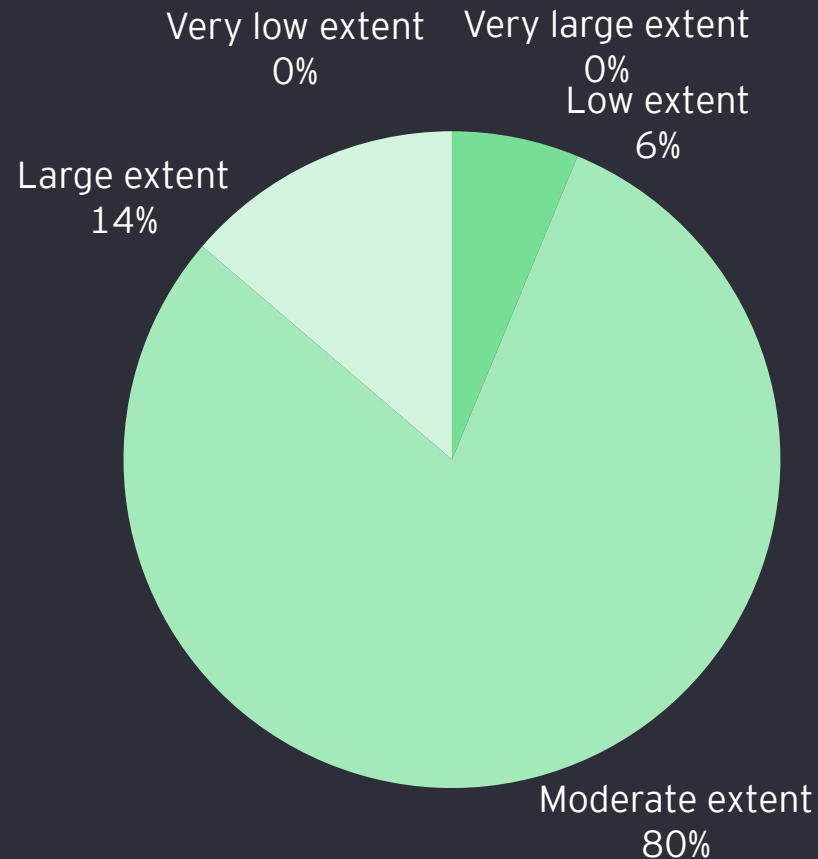
Level of content with the withholding tax service offered



How content are you with the management information provided to you by the custodian in terms of withholding taxes? (Asked only to Wealth and Asset Management respondents)

Only one in ten are largely content with the information provided by the custodian in terms of withholding taxes

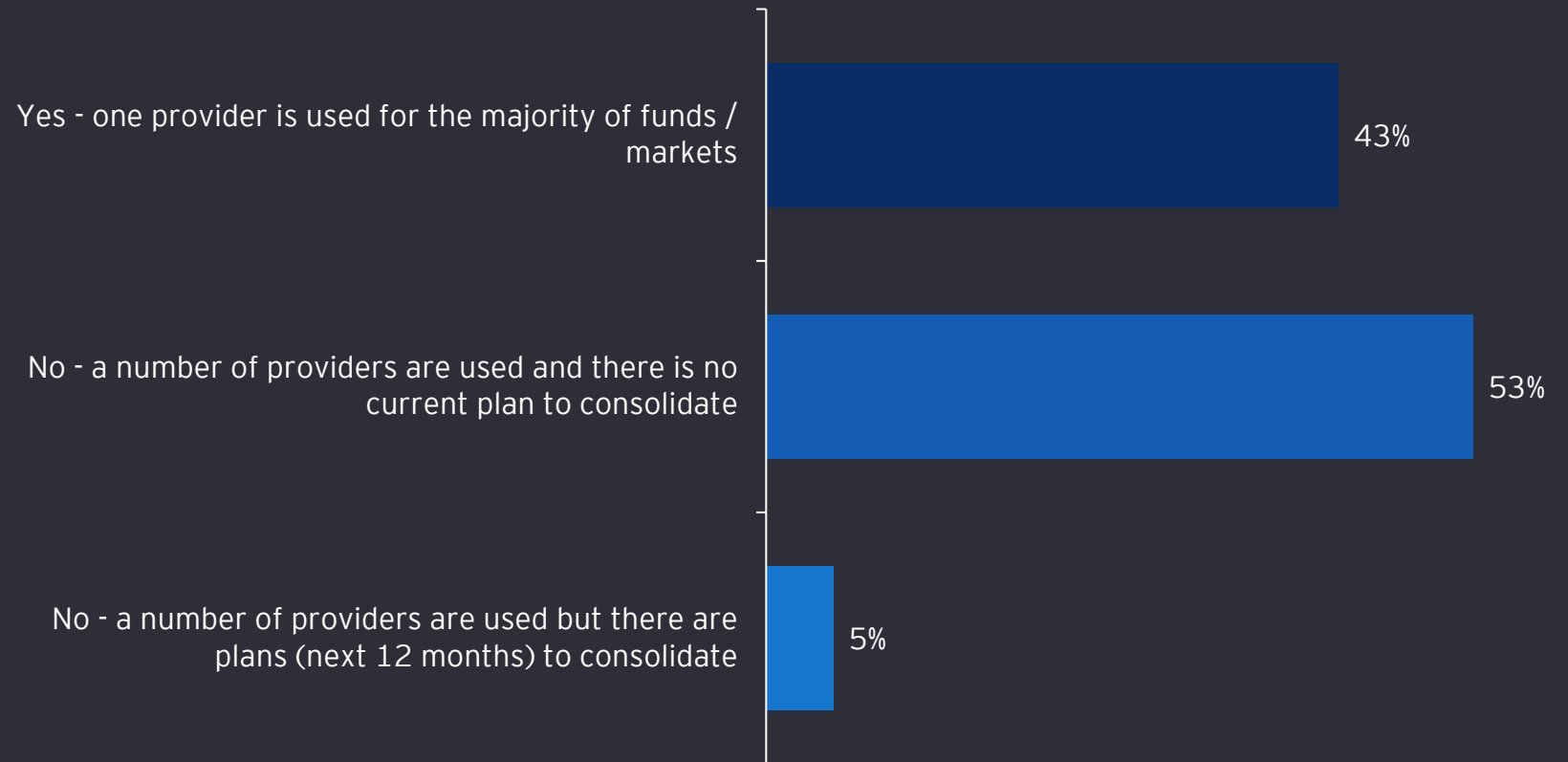
Level of content with information provided by the custodian



Where you to invest in a market that requires the appointment of a local tax agent to fulfil local tax filing obligations, have you consolidated those tax agent services into a single provider?
(Asked only to Wealth and Asset Management respondents)

Only half of the respondents use a single provider for local tax agent services

Consolidation of local tax agent services





08

Appendix: additional slides



Demographics available for benchmarking survey results

Role	N
CFOs and Heads of Finance	500
VP of Tax	800
Tax Managers	300

Ownership structure	N
Public	1258
Private	342

ERPs	N
1 to 5	507
6 to 20	739
21+	354

Headquarters	N
Asia-Pacific	302
Americas	600
EMEI	698

Countries of Operation	N
1 to 9	890
10 to 19	297
20+	388

Legal Entities	N
1 to 10	510
11 to 50	807
51+	283

Revenue	N
<\$10bn	612
\$10bn - \$20bn	348
>\$20bn	378

Headcount	N
1 to 4,999	456
5,000 to 24,999	515
25,000+	599

In addition to
18 industries

Are there concerns with tax data being stored in the cloud?

37%

have no concerns using cloud technology

No concern and embracing cloud technology

37%

Not pushing data onto cloud due to data privacy concerns

63%

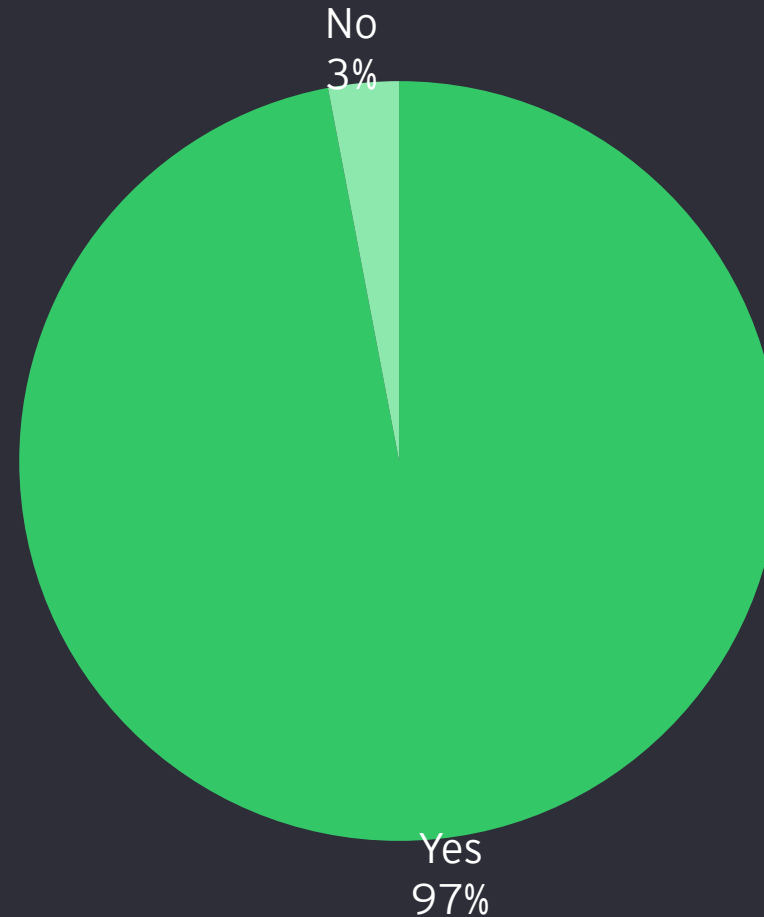
Don't know company policy or position

1%

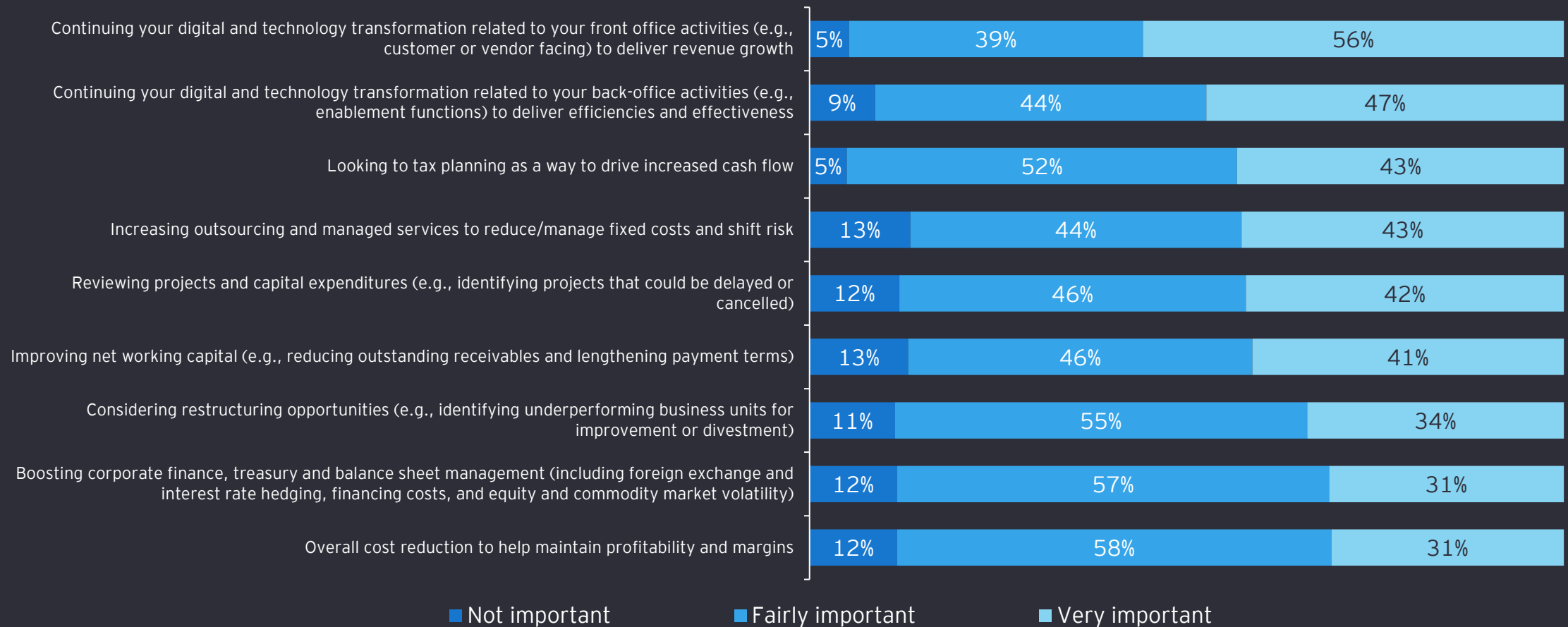
Does your organization have an adequate number of highly skilled tax professionals capable of monitoring, evaluating and implementing tax legislative and regulatory change around the globe?

3 %

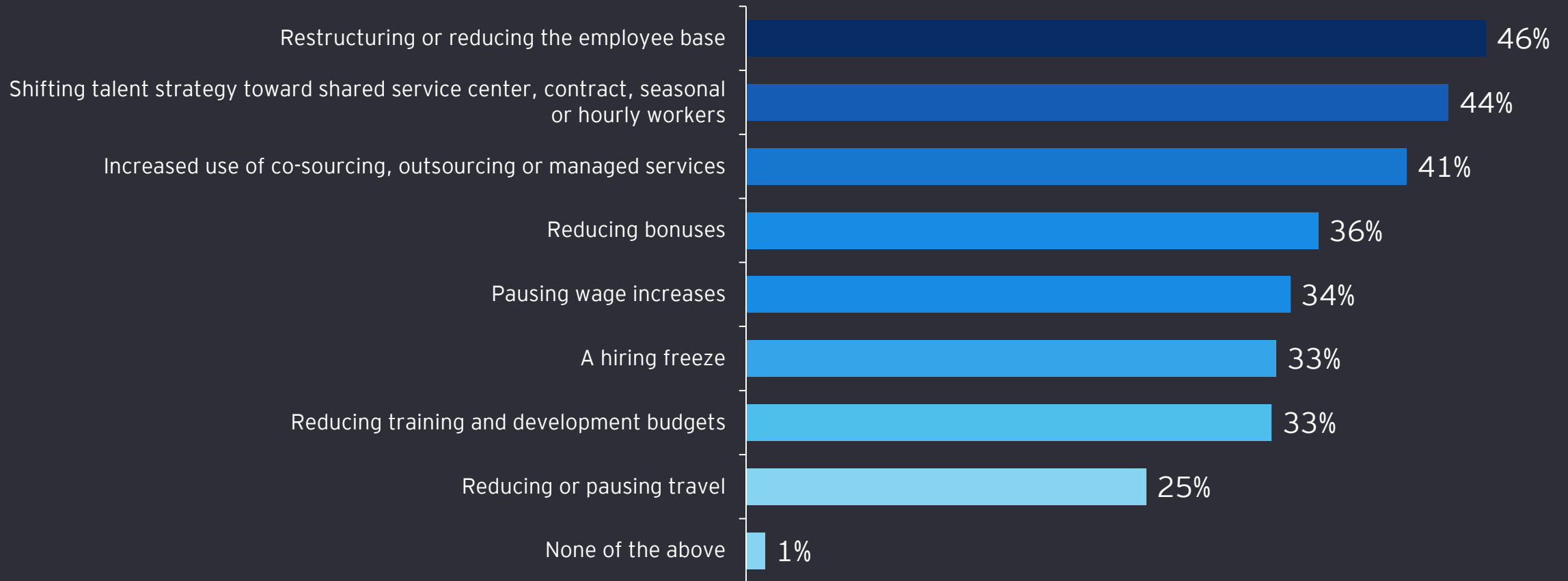
do not have enough tax professionals to manage legislative and regulatory change



To what extent are the following measures a priority for your business over the next six months?

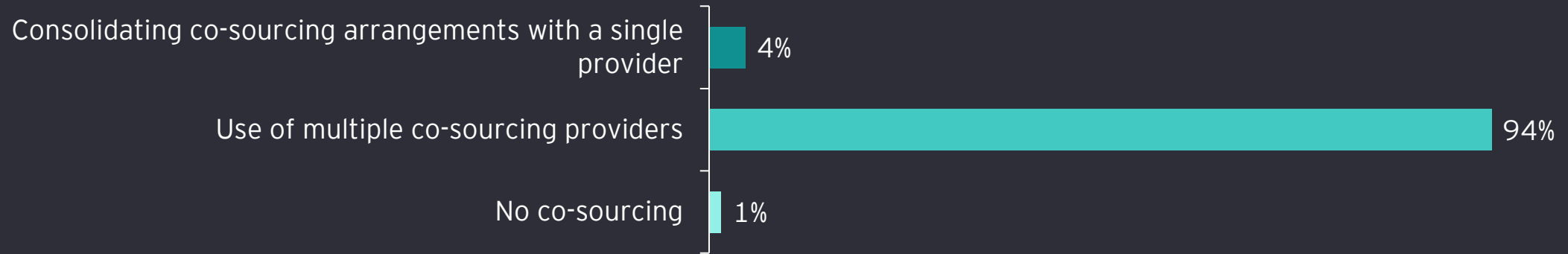


In response to economic headwinds, is your organization planning or considering the following steps in the near term?

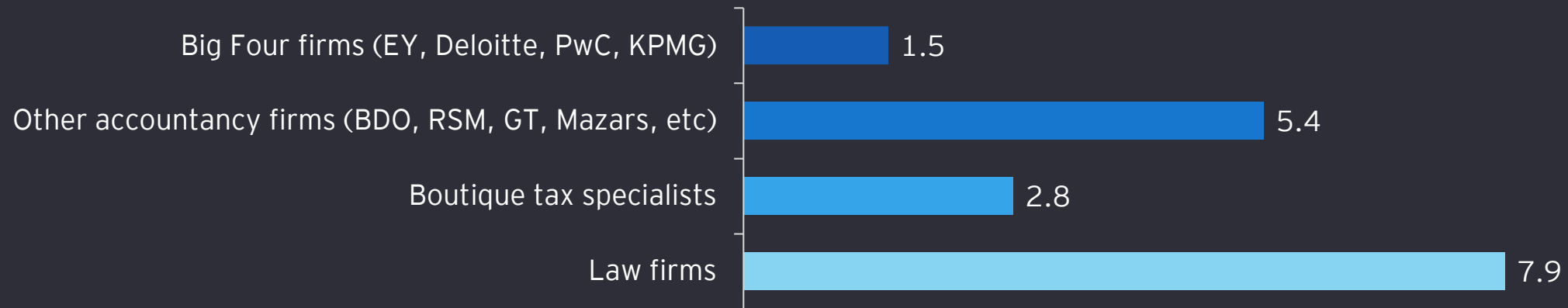


On average, businesses use 1.5 Big Four tax co-sourcing providers

How would you best describe your ideal tax co-sourcing arrangement?



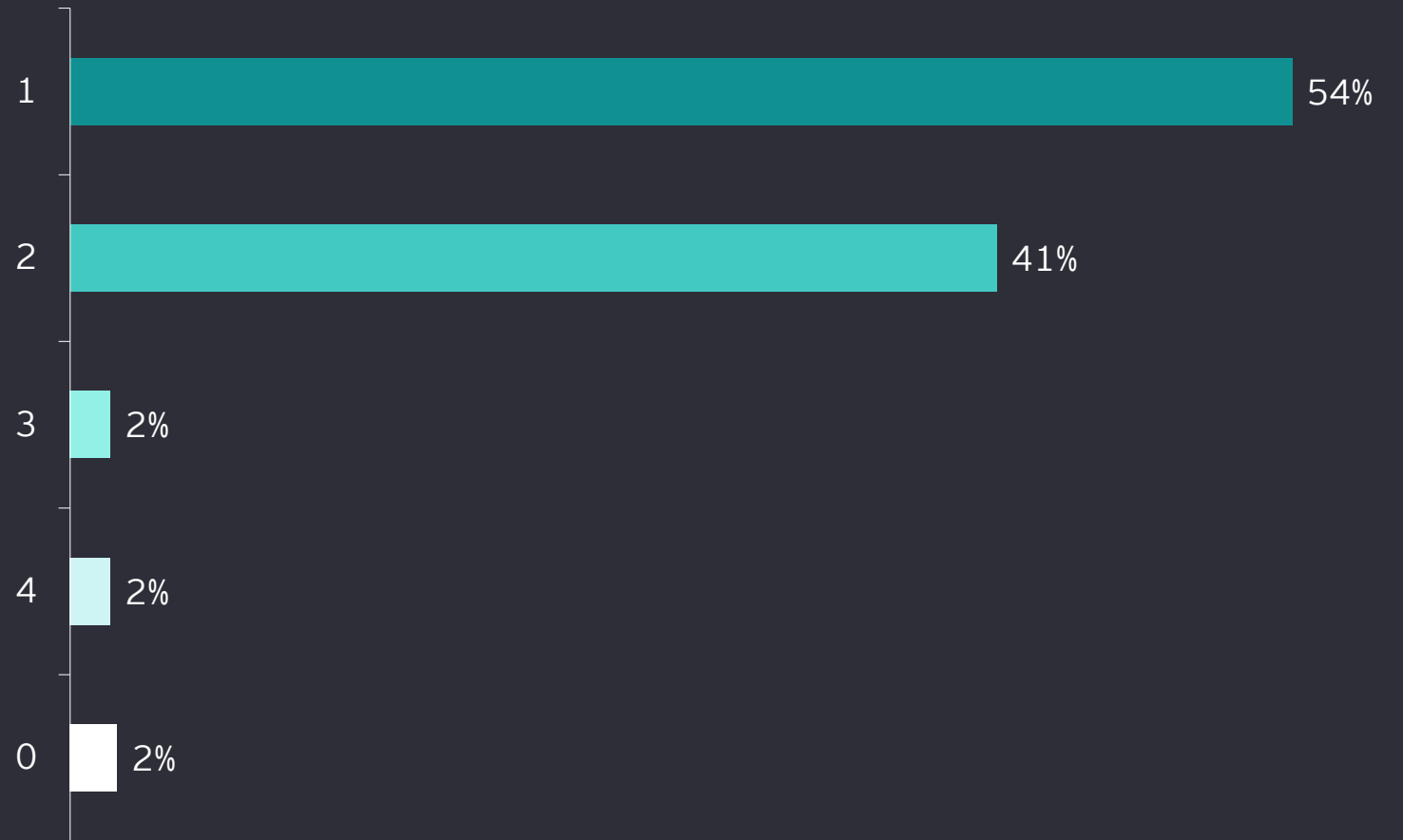
How many external providers of each type do you use for tax co-sourcing services?



How many Big Four firms do you use for tax co-sourcing services?

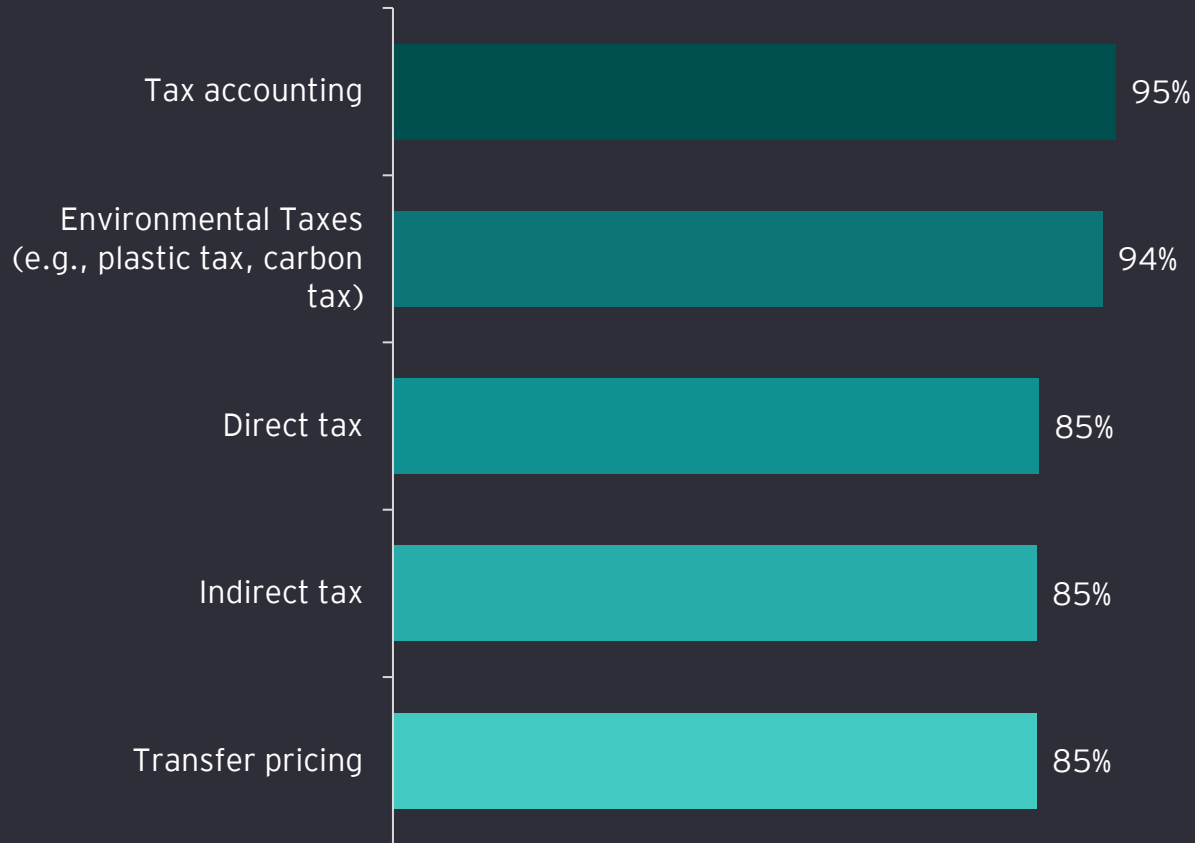
54%

are using only one Big Four tax firm

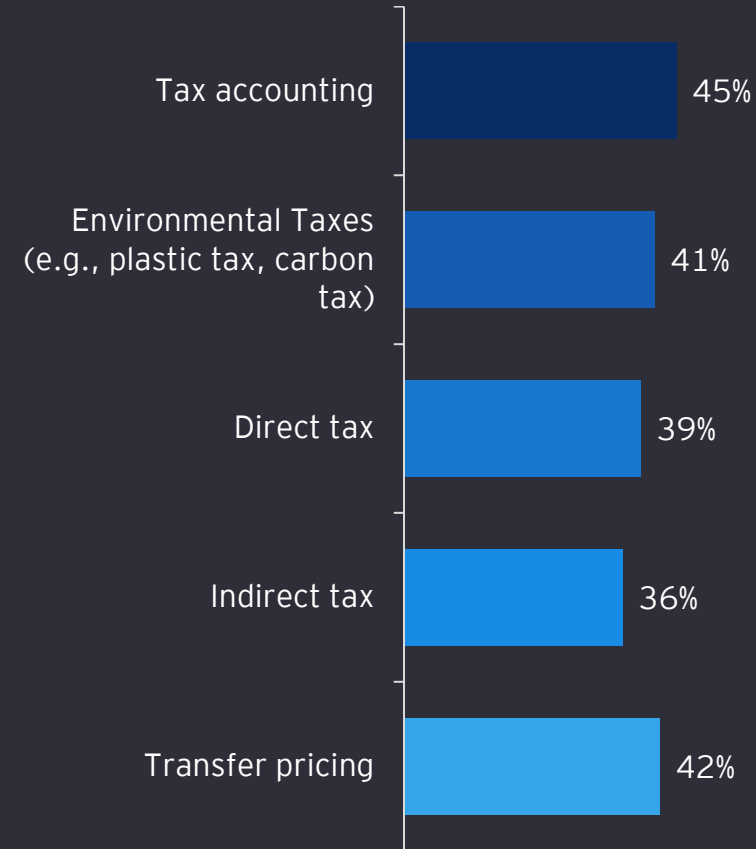


How much of your tax compliance workload is co-sourced?

Percent who co-source any amount of work



Average amount of work co-sourced



How much of your tax compliance workload is co-sourced?

8 out
of 10

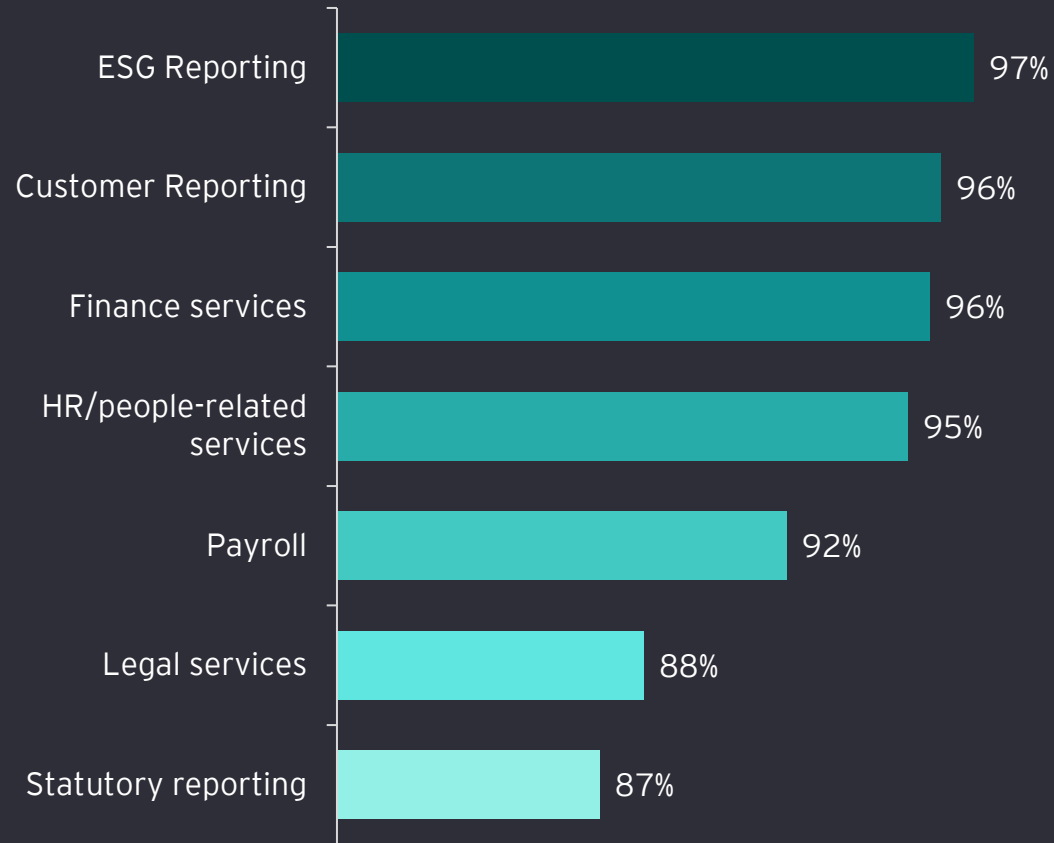
co-source at least one tax
compliance activity

But still significant scope
to co-source more tax
compliance work

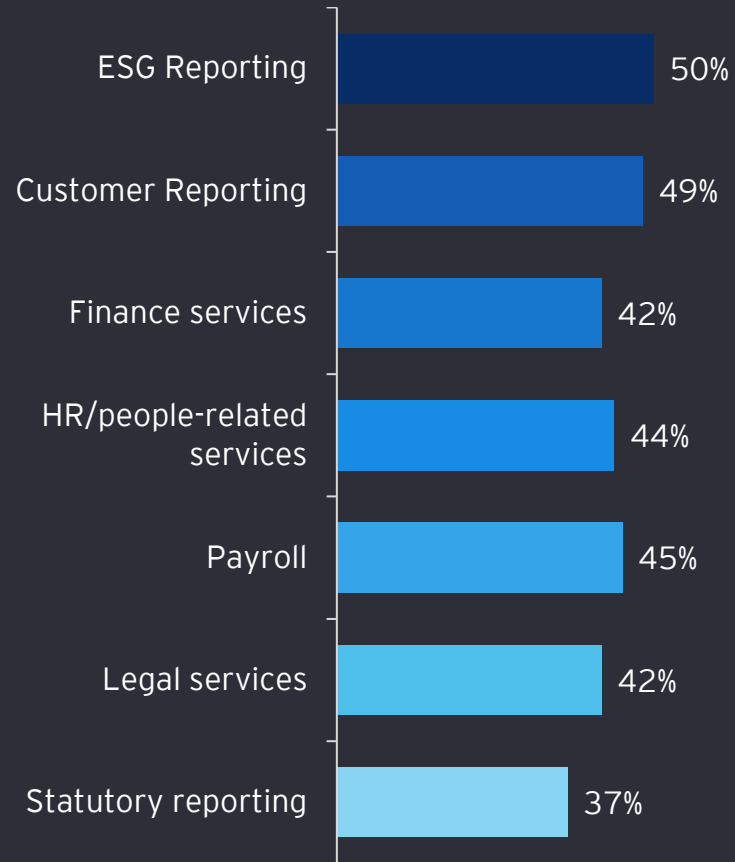
Tax compliance activity	Percent who co-source activity	Average amount of work co- sourced
Tax accounting	95%	45%
Environmental Taxes (e.g., plastic tax, carbon tax)	94%	41%
Direct tax	85%	39%
Indirect tax	85%	36%
Transfer pricing	85%	42%

How much of your non-tax external services are co-sourced?

Percent who co-source any amount of work



Average amount of work co-sourced



How much of your non-tax external services are co-sourced?

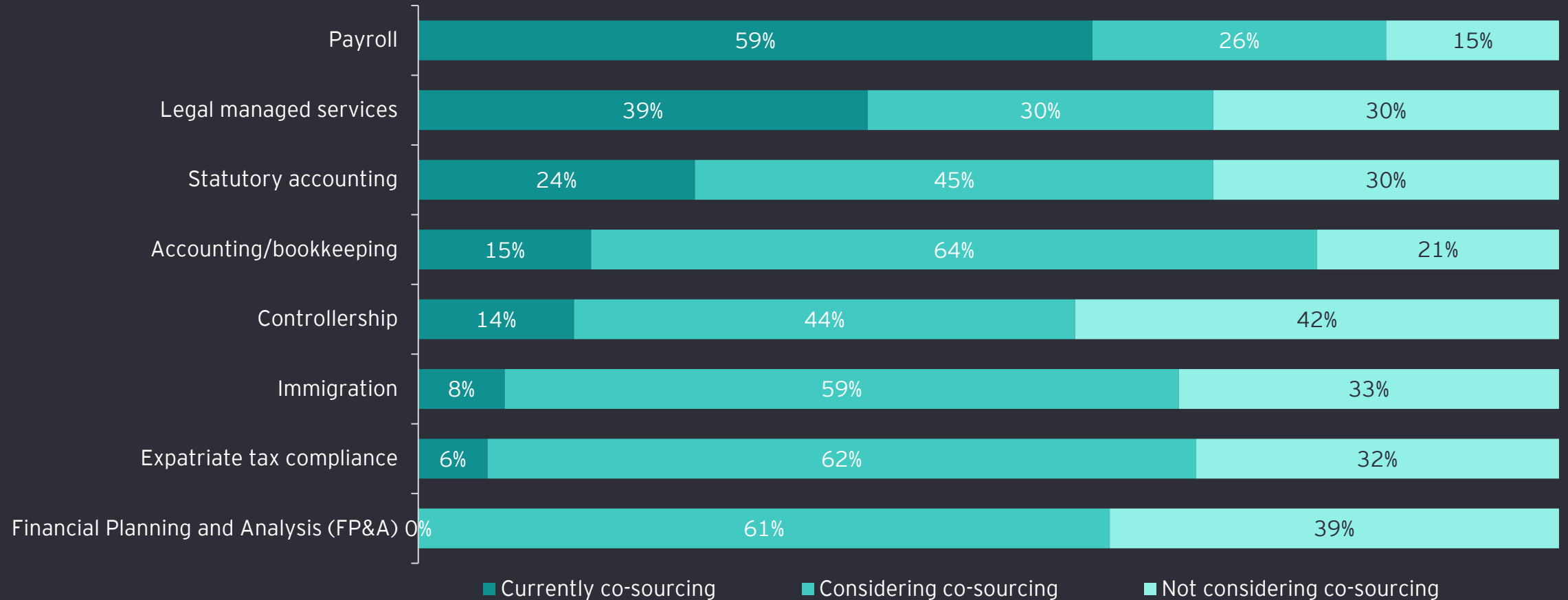
9 out
of 10

co-source at least one
non-tax service

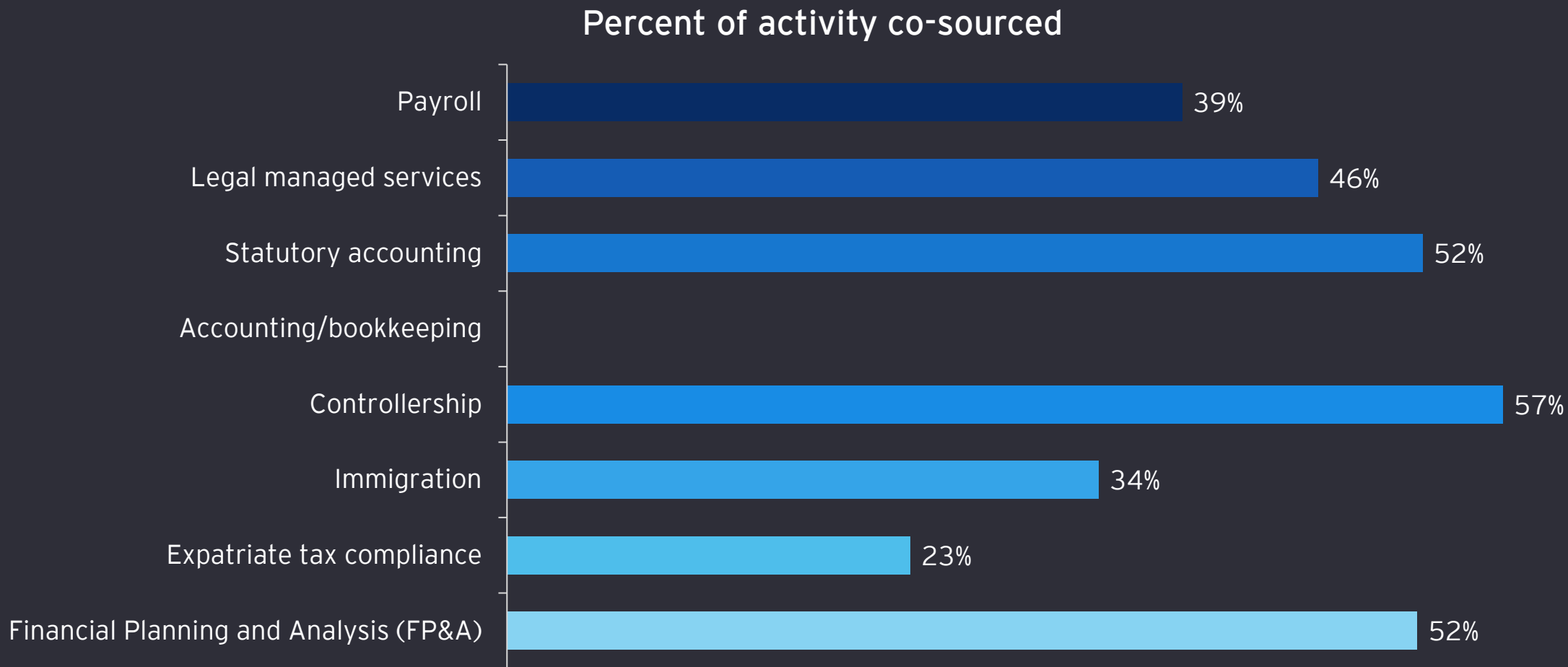
Non-tax activity	Percent who co-source activity	Average amount of work co-sourced
ESG Reporting	97%	50%
Customer Reporting	96%	49%
Finance services	96%	42%
HR/people-related services	95%	44%
Payroll	92%	45%
Legal services	88%	42%
Statutory reporting	87%	37%

Do you currently co-source these capabilities from a third-party provider? (Asked only to CFO or Senior Finance Executive)

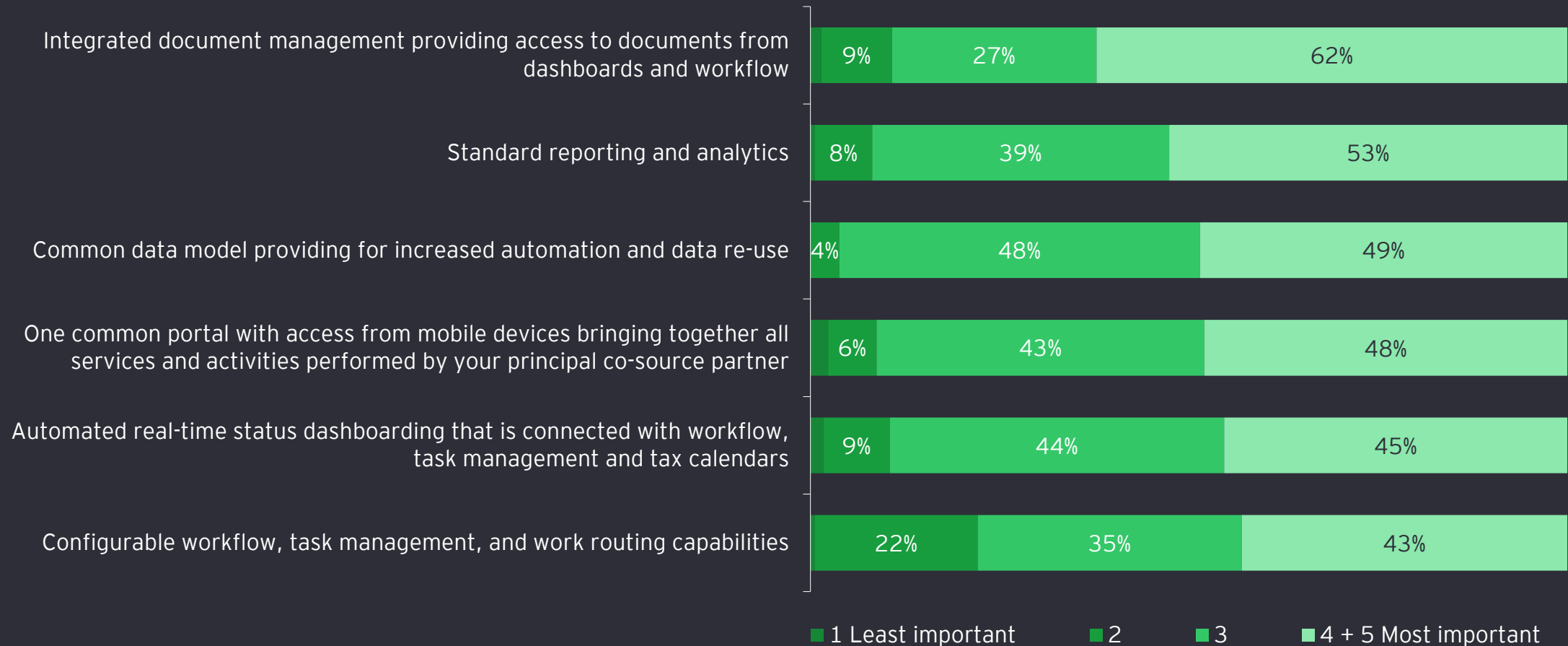
Percent of companies co-sourcing



If currently co-sourcing what percentage of activities are co-sourced? (Asked only to CFO or Senior Finance Executive)



In selecting a tax co-source provider, please score the following process and technology capabilities on a scale of 1 to 5, where 1 = least important and 5 = most important



EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2023 EYGM Limited.
All Rights Reserved.

BMC Agency GA 213434735
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

