The State of Direct Tax Operations 2026: From Events to Outcomes

How multinational tax functions can reuse data, strengthen ownership, and make the next requirement easier than the last



From events to outcomes

Direct tax is entering a period of change that is becoming harder for tax teams to absorb through established ways of working. The traditional tax operating model is event-driven. The same underlying information is rebuilt for provision, compliance, GloBE Information Return (GIR), Pillar 2 reporting, planning, and audit support. Future tax functions will reuse that information across outcomes instead of reconstructing it for every new requirement.

Tax authorities are becoming more data-driven. Regulatory requirements continue to expand. Businesses expect tax teams to provide more insight alongside compliance. At the same time, AI is changing what tax teams can automate, analyze, and deliver.

For tax leaders, the pressure is coming from several directions at once. Compliance expectations and data volumes are rising, talent is harder to secure and retain, and technology is moving faster than many established operating models can absorb.

CSC surveyed 400 senior tax and finance leaders across multinational organizations in the U.S. and Europe, the Middle East, and Africa (EMEA) to understand how prepared today's tax functions are for this new environment.

The research suggests the biggest challenge is not the opportunities and risks around AI—it's whether the tax function has the data, governance, and operating model to respond when the next requirement arrives.

AI is bringing this issue into sharper focus. New tools still depend on data that teams can access, understand, and trust, with clear ownership and governance around it. In addition, the shift toward greater in-house capability does not mean tax functions will operate without external expertise. It means that fundamental relationship is evolving for the benefit of all parties.



> There is no universal blueprint for getting there. The appropriate operating model will depend on an organization's regulatory profile, technology landscape, talent mix, and business priorities. The common requirement is not a specific structure or technology platform, but trusted tax information that can be governed, accessed, and reused across multiple outcomes.
>
> **Ted Pacheco**
> President, CSC Corptax

Highlights of our 2026 research

CSC surveyed 400 senior tax and finance leaders at multinational organizations across the U.S. and EMEA, representing a range of sectors, including financial services, technology, manufacturing, healthcare, consumer, and energy. The research found:

The pressure is coming from every direction



Tax authorities becoming more data-driven is seen as the biggest external challenge, cited by 56% of respondents. This was followed by talent shortages and retention (53%).

AI is moving faster than many tax functions can absorb



Almost all respondents (98%) expect tax authorities to significantly or moderately increase use of AI and data analytics over the next three years.



Only 16% believe their current operating model is fully capable of supporting AI deployment; 64% say they're capable, but changes would be required.



AI governance is still developing: Just 25% say their governance frameworks are fully implemented; 72% say frameworks are in development.

Technology is delivering value, but the tax function is still playing catch-up



60% believe investment in direct tax technology has lagged behind other finance tech; only 10% have seen significant, sustained investment over the past decade.



This gap is striking, as 77% say direct tax technology delivers returns on investment that are somewhat or significantly higher than those of wider finance technology.



Performance measurement is relatively immature. Only 20% consistently track and use tax-function key performance indicators (KPIs), while 71% track some metrics informally.

The data problem is becoming harder to ignore



73% store tax data across a combination of internal systems and external providers; only 12% keep core tax data entirely in internal systems they control.



70% say historical tax data is accessible but requires consolidation before it can be used effectively for analysis or AI deployment.

The cost of the current model is already visible



84% of senior tax and finance leaders say current limitations in direct tax data impact their organization's ability to optimize its tax position. Most describe the impact as moderate.



97% somewhat or strongly agree that improving tax data and technology could contribute to reducing their organization's effective tax rate over time.



There may be room to capture more tax planning opportunities, as **71% of respondents say their organizations have passed up potential opportunities** at least occasionally over the past three years, although only 9% say it happens frequently.

Regional context: Different pressures, similar challenges

The responsibility of the direct tax function varies by market, particularly across EMEA, so the regional findings should be read as directional rather than as a direct like-for-like comparison.

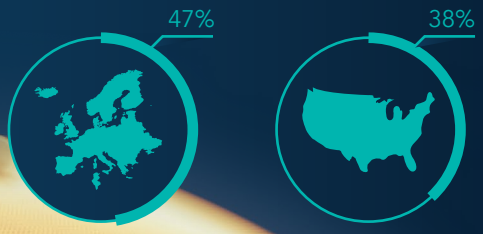
In the U.S., the direct tax function typically centers on federal and state corporate income tax, transfer pricing, and tax provision or accounting. Some organizations also place payroll tax compliance within the team.

Across EMEA, the same function may have a wider operating remit. It often covers country-specific corporate income tax, transfer pricing, value added tax (VAT) or goods and services tax (GST), employment taxes, social contributions, and more extensive transfer pricing documentation. VAT remains an indirect tax, even where the tax team owns the process.

EMEA's challenge is capacity

The U.S. is more focused on increasingly data-driven authorities. EMEA respondents are more likely to cite rising expectations without corresponding resources, 47% compared with 38% in the U.S., while U.S. respondents are more likely to cite tax authorities becoming more data-driven (61% versus 52%).

These differences suggest that organizations are facing similar underlying pressures, but not always in the same order.



Why event-driven models are breaking

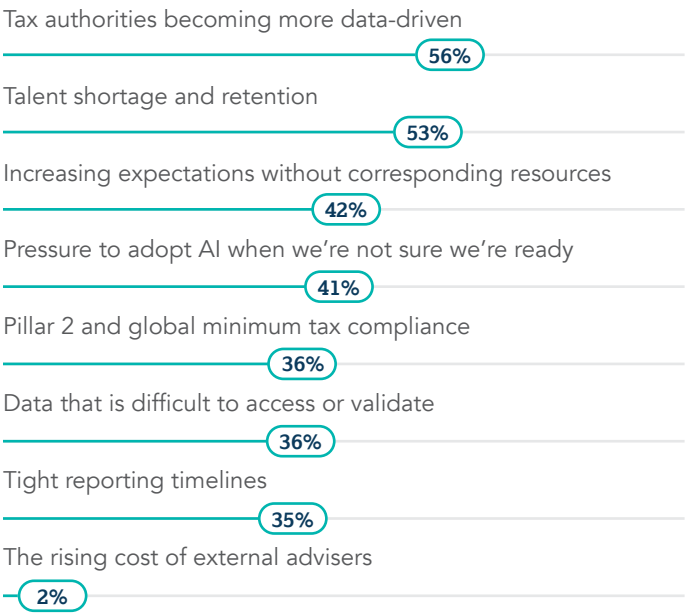
Tax teams are under pressure. They are being asked to absorb more changes and meet new requirements without additional resources or rebuilding processes. Regulatory scrutiny, talent shortages, rising expectations, and AI are all adding to the mix. When the operating model is organized around individual compliance events, each new requirement can mean another round of data preparation, reconciliation, and coordination.

The pressure compounds

The survey shows how these pressures stack up. Beyond data-driven tax authorities, talent shortages, and resource pressures, 36% identify Pillar 2 compliance, 36% struggle with data that is difficult to access or validate, and 35% cite tight reporting deadlines.

More reporting creates more demand for data. Limited capacity makes manual processes harder to sustain. And every workaround can become another process that someone must maintain.

What are the biggest challenges your direct tax function is currently dealing with?



Can your team see the anomaly before the authority does?

As authorities use more analytics, the test becomes simple: Can your team see the anomaly before they do?

Can it compare current and historical positions, trace the source, and explain the result before a filing or an inquiry? If not, an authority may be seeing something in your data before you are.

Workarounds become the operating model

Tax teams have long relied on practical fixes: a spreadsheet bridging two systems, a provider holding a specialist dataset, a local team keeping the context, or a small group of experienced people who know how a process really works.

These fixes work. The problem is when they become permanent dependencies and the same information must be rebuilt, checked, and explained every time a new requirement arrives. Cycle times get longer. Reviewing takes more time. More of the process depends on the people who know the workaround. And strategic work gets pushed aside because the calendar is full of preparation and reconciliation.

The cost of organizing around individual events is rising. The practical goal is simple: Make the next requirement easier to handle than the last, with less rework and less need to reconstruct the same information.

> Tax teams are being asked to absorb more change without the luxury of rebuilding the process each time. The practical goal is an operating model that makes the next requirement easier to handle than the last.

Ted Pacheco
President, CSC Corptax

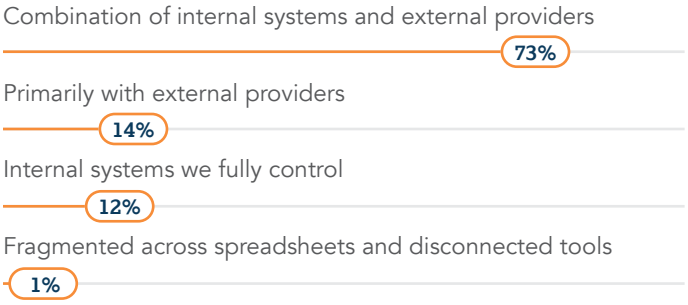
The accessibility gap

The practical test for a tax function is whether it can find, understand, validate, and reuse information quickly, wherever that information resides.

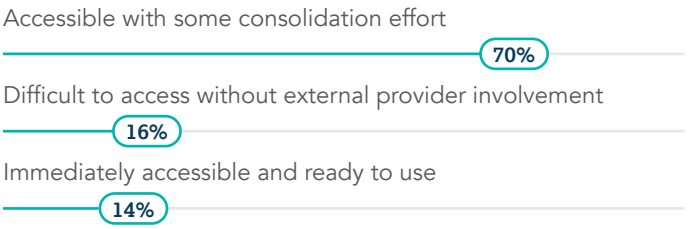
The research shows why this remains difficult. Only 12% of respondents say they keep core tax data entirely in internal systems they control. Historical information adds another layer: Just 14% say it's immediately accessible and ready for analysis, while 70% need to consolidate it first.

This is both an accessibility and an ownership challenge. Multinational tax functions work across jurisdictions, finance systems, shared services, providers, and specialist platforms. So, can teams access the information they need without starting another manual collection exercise?

Where does your core direct tax data primarily reside?



How accessible is your historical direct tax data for analysis or AI deployment?



The same data gets rebuilt for each event

Provision, compliance, GIR, Pillar 2, and audits often draw on much of the same underlying information. But if that information isn't available in a reusable form, the team must reorganize, reconcile, and reinterpret it for the next requirement.

None of these solutions are necessarily wrong. A provider keeps a dataset because that works for one engagement. A finance system stores values in the format it needs for accounting. A specialist tax system maintains its own records. A spreadsheet bridges the gap. Each solution does the job it was designed to do. The problem appears when the tax team needs to bring all that information together for a different purpose.

Accessibility matters more than location

Greater internal control doesn't mean bringing every dataset or process inside the organization. What matters is whether the tax function knows what data exists, who owns it, how to get it, and whether it can be reused.

A tax function can own its data while using an external platform or provider to run part of the process. The important point is that access and control are clear, including in the relationship with the provider.

With 73% of respondents storing tax data across internal systems and external providers, putting everything in one place isn't necessarily the answer. The better test is whether the team can retrieve, validate, and analyze information when it needs it, without relying on informal requests or provider-specific workarounds.

Why this matters for AI

AI can summarize, compare, classify, and identify patterns far faster than a team working manually. But it can only work with the information it can access.

If historical data is fragmented or inconsistent, the work doesn't disappear. It moves somewhere else. Teams still must prepare the inputs, check the outputs, resolve differences in definitions, and trace the answer back to its source.

Better access means less of that work must be repeated the next time the information is needed. It also makes change easier because the same information can be reused across different requirements. The aim is that each new requirement adds to what the team can reuse, rather than creating another standalone process that must be maintained.

> Tax data does not have to sit in one place to be useful. What matters is whether the team can find it, understand it, trust it, and reuse it without starting again.

Ted Pacheco
President, CSC Corptax

AI is a stress test for the tax operating model

AI is moving from experiment to something tax teams increasingly must plan for. Tax authorities are expected to increase their use of AI and analytics, while corporate tax teams are testing where the technology can save time and improve analysis.

But there's a difference between a team being comfortable experimenting with AI and a tax function being ready to use it at scale. While 73% of respondents describe their team's AI readiness as moderate and 19% as high, only 16% believe their current operating model is fully capable of supporting AI deployment across the function. A further 64% say it could do so with some changes.

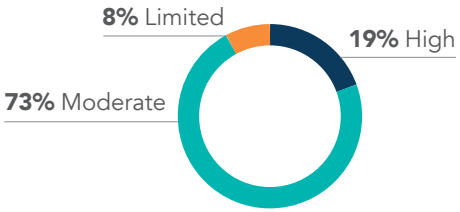
That distinction matters. A pilot can work with curated inputs, a small group of people, and close supervision. A more conclusive assessment happens when you try to use it across the function. Then you need reliable data, clear accountability, workable review controls, integration with existing processes, and people who understand both tax and technology.

Governance should enable controlled use

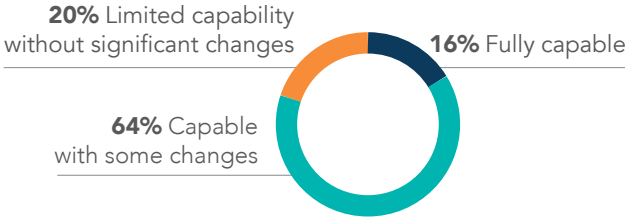
Formal governance is still catching up with how AI is already being used. Only 25% have fully implemented a framework, and 72% are still developing one. At the same time, 88% believe employees are using unapproved AI tools at least occasionally.

People are already using AI to find faster ways to get the work done. The problem comes when they don't have clear answers to basic questions: Which tools can I use? What data can I put into them? Who needs to review the output? What do we need to keep as a record? And who's accountable for the final answer?

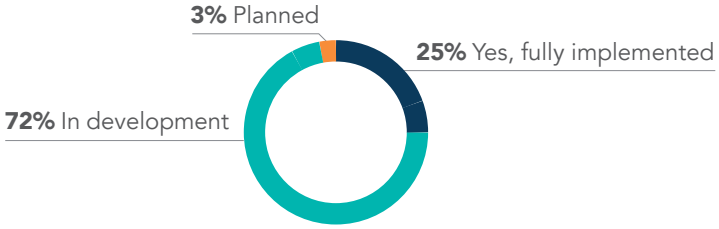
How would you rate your direct tax team's readiness to work effectively with AI tools?



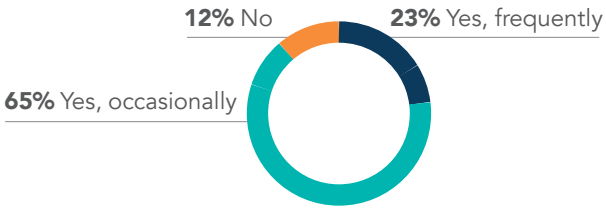
To what extent can your current operating model support AI deployment across your direct tax function?



Does your organization have a formal AI governance framework that covers your direct tax function?



To your knowledge, are employees within your direct tax function using AI tools that are not formally approved?



> AI governance has to be usable by the people doing the work. If the rules are too vague to guide day-to-day decisions, teams will find their own path, and the control problem simply moves outside the formal process.

Ted Pacheco
President, CSC Corptax

Pilots are encouraging—scaling is the harder test

The early results are encouraging. Eight percent say AI pilots exceeded expectations, and 65% say they met expectations, while 27% report mixed results.

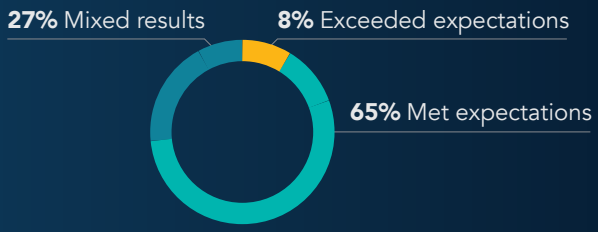
Chief financial officers (CFOs) and tax leaders also see the results differently.

CFOs are more cautious about pilot outcomes. Thirty-six percent report mixed results, compared with 24% of chief tax officers and heads of tax. One possible explanation is perspective. Tax leaders may be closer to individual cases, while CFOs may be looking harder at whether those results can be repeated at scale and produce a measurable return.

The differences also show up in what leaders focus on. Thirty-four percent of chief tax officers and heads of tax say AI governance is fully implemented, compared with 21% of CFOs. CFOs are more likely to prioritize upskilling, at 41%, compared with 34% of tax leaders.

That pattern runs through the wider research: CFOs are more cautious about past direct tax investment, while tax leaders are more concerned about talent capacity.

If your organization has piloted AI in direct tax, how did it compare to your expectations?





of CFOs report mixed results from AI pilots



of chief tax officers say AI governance is fully implemented



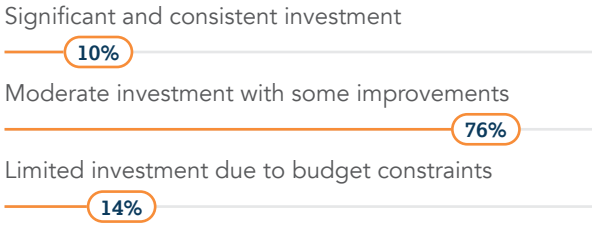
of CFOs say upskilling their team is critical to AI enablement

Tax has technology—the question is whether it works together

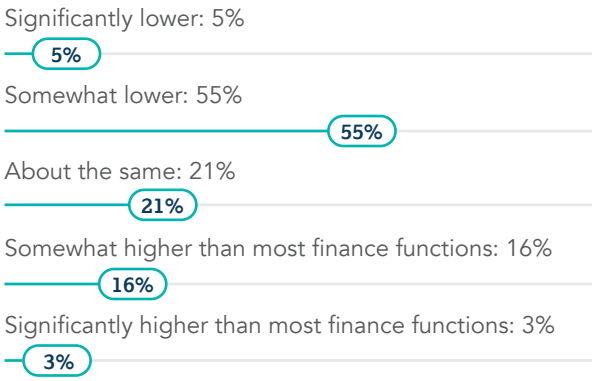
Tax has not stood still on technology. Over the past decade, 76% report moderate investment and 10% sustained, significant investment. But 60% still say investment in direct tax has lagged behind investment in broader finance technology, even though 77% believe tax technology delivers somewhat or significantly higher returns.

The result is a mixed environment. Just over half (53%) describe their systems as mostly integrated, while 42% still report fragmentation in their technology environment. This is distinct from the 1% who say their data is fragmented across disconnected tools (see page 6). A team may therefore have useful tools without a clear view of whether they are reducing cycle time, improving control, creating capacity, or contributing to better tax outcomes.

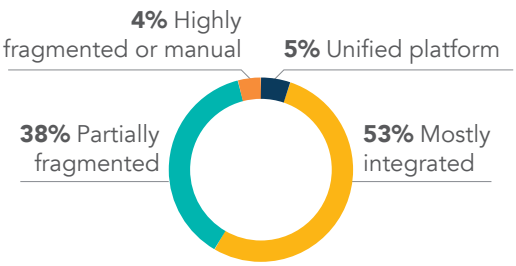
Over the past decade, how would you characterize your organization's level of investment in direct tax technology and infrastructure?



Compared to investment in broader finance function technology, how would you rate investment in direct tax?



How would you describe your direct tax technology environment right now?



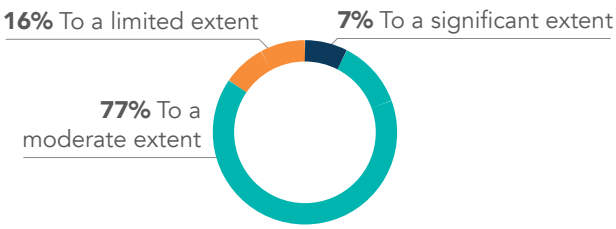
The cost of standing still is already visible

Tax teams are already feeling the effects of the current model. Eighty-four percent of respondents say limitations in their direct tax function impact their organization's ability to optimize its tax position, with most describing the impact as moderate. And 71% say their organizations have passed up potential tax planning opportunities at least occasionally over the past three years, although only 9% say it happens frequently.

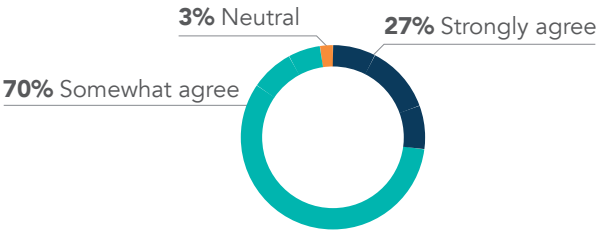
At the same time, 97% strongly agree or somewhat agree that better tax data and technology could help reduce their organization's effective tax rate over time.

The survey doesn't show that better technology automatically produces a lower tax rate. Rather, it shows that tax leaders see better data and technology as giving their teams more capacity, insight, and control to make better decisions. The cost of the current model is therefore practical: Work gets delayed, planning opportunities may be passed up, and improvements that work in part of the function can be difficult to scale.

To what extent do you believe limitations in your direct tax function may limit your organization's ability to optimize its tax position?



To what extent do you agree with the following statement: "Improvements in data and technology within the direct tax function could contribute to reducing our organization's effective tax rate over time."



Before you scale, ask five questions

- Will this make the next requirement easier than the last or simply help us work faster inside the current process?
- Can the solution work with information we already trust, or does every use case require new preparation and reconciliation?
- Who owns the answer when AI becomes part of the workflow?
- Can the output be reused across provision, compliance, reporting, and analysis, or is it another standalone process?
- How will we know whether this created capacity, reduced rework, or improved decisions?

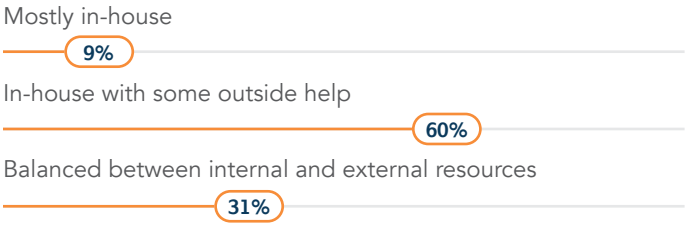


Building a tax function designed for continuous change

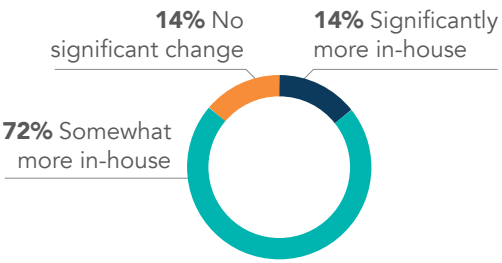
Tax functions are looking for greater control over how the work gets done. Today, 60% operate mainly in-house with external support, while 31% use a more balanced mix of internal and external resources.

Over the next three years, 86% expect their tax function to become more in-house. That doesn't necessarily mean doing everything internally. It points to tax teams wanting greater control over their data, decisions, and processes.

How would you describe your current direct tax operating model?



Three years from now, how do you expect your direct tax operating model to evolve?



More in-house doesn't mean doing everything yourself

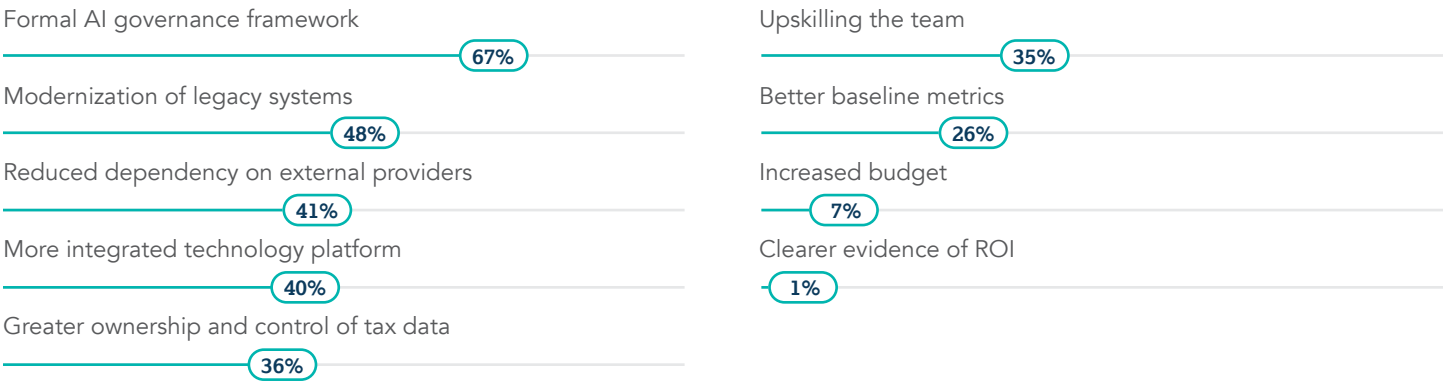
The important distinction is between doing the work and owning how the work gets done. A tax team doesn't need to perform every activity internally to retain control. But it should be clear about who owns the priorities, the data, the decisions, and the measures used to judge whether the process is working.

In practice, that means knowing who makes the decision, who owns the data, how the workflow operates, who reviews the output, and how the team can access information held by a provider or platform.

The same issue appears in the AI findings: 41% identify reducing reliance on external providers as one of the changes needed to prepare for AI.

Greater internal ownership doesn't reduce the importance of external expertise. It changes where that expertise adds value. Tax functions can retain control of their data, priorities, decisions, and outcomes, while using external specialists for transfer pricing, controversy support, documentation, technology implementation, jurisdictional knowledge, or additional capacity. The goal is a complementary model in which the tax function retains visibility and access, while partners provide expertise, technology, and capacity where they add value.

What are the most important changes required for your direct tax function to be ready for an AI-enabled future?



What does this look like in practice?

In practice	What needs to be clear	What it changes
Accessible data	The team knows who owns the data, what it means, where historical data resides, and how to access information held by providers	Less collection, reconciliation, and rework
Effective governance	Team members know which tools they can use, what data they can put into them, who reviews the output, and who owns the final answer	Faster and safer adoption without pushing AI use outside the formal process
Integrated workflows	Information can move between provision, compliance, and reporting without being rebuilt at every handoff	Fewer manual bridges and duplicate steps
Clear ownership	It's clear who owns decisions, priorities, data rights, and measures, even when parts of the process sit outside the team	Greater control without bringing every task in-house
Capable teams	Team members can combine tax judgment with data, technology, and process skills	More capacity for analysis and planning
Specialist support	Partners provide expertise, technology, or capacity where it adds value, with clear ownership and access	Flexible capacity without loss of visibility

This also changes the job. Talent shortages and retention are already major concerns, cited by 53% of respondents. A tax function that continues to ask people to spend large amounts of time collecting, reconciling, and rebuilding information may find that challenge harder to solve. Used well, technology can shift more of the team's time toward investigating issues, applying judgment, and identifying opportunities.

A practical check: Are you set up for the next requirement?

- Can the team get to the data it needs without rebuilding it?
- Is it clear who owns the important decisions and the final answer?
- Can information be reused across provision, compliance, and reporting?
- When a provider holds information, can your team access it when it needs to?
- Does the team spend more time analyzing issues or preparing information?
- Would the next major reporting requirement be easier to handle than the last one?

Make the next requirement easier than the last

The practical test for the tax function is whether the next requirement is easier to handle than the last. That depends less on any single technology than on whether teams can access and reuse their data, apply clear governance, and adapt existing processes as requirements change.

Tax leaders can already see what's changing. Authorities are becoming more data-driven, regulatory requirements are increasing, businesses expect more from the tax function, and AI is accelerating the pace.

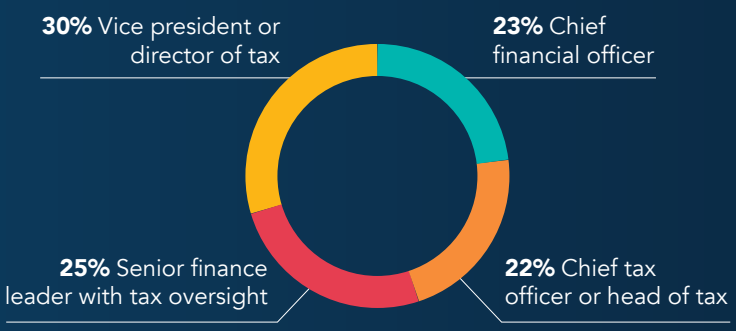
The shift from events to outcomes is ultimately about reuse. Information prepared for provision should be reusable for compliance. Work completed for one reporting requirement should make the next one easier. And an AI pilot should leave behind something that can work in the day-to-day process, not just demonstrate what's possible in a controlled environment.

The goal is straightforward: Stop rebuilding the same information every time the requirement changes. Make it easier to find, trust, and reuse, so that the work completed today makes the tax function better prepared for what comes next.

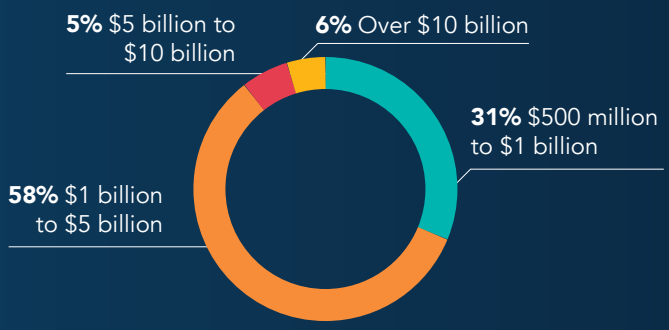


Respondent overview

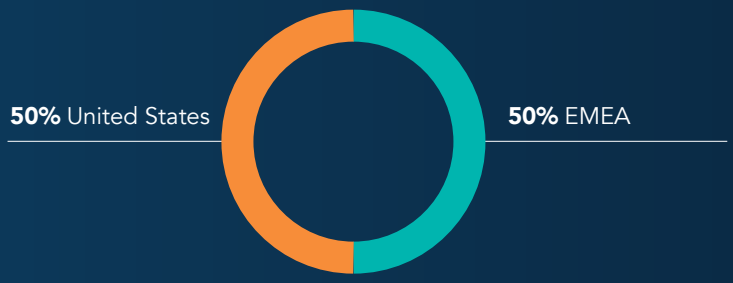
What is your role?



What is your company's approximate annual revenue?



Where is your company headquartered?







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