AI Era Requires Continuous Tax and Finance Transformation

By Stuart Lang2026-02-09T04:30:14000-05:00

Tax and finance functions are at a pivotal moment: The adoption of generative artificial intelligence and agentic AI is poised to transform how they operate. However, success depends on a relentless focus on accuracy, trust, and data quality.

The *2025 EY Tax and Finance Operations (TFO) survey* findings reveal that while 86% of leaders rank data, AI, and technology as top priorities, 80% still struggle with foundational data issues — an essential prerequisite for trustworthy AI outcomes. Accurate AI outputs are more critical for these functions due to their regulatory compliance obligations.

According to megatrends identified by the global EY organization, CEOs of top-performing organizations are increasingly looking to use "nonlinear, accelerated, volatile and interconnected" changes around the world as a catalyst for action. As part of that, they increasingly expect tax and finance functions to go beyond meeting basic compliance obligations to deliver more value by bringing insights into broader business strategies, including scenario planning, deals, and supply chain changes; 79% identify this as a top priority in the coming two years.

To seize this tremendous opportunity, tax and finance executives should use trusted data and AI to lead the business by delivering new insights that surpass CEO expectations. Rather than a one-time, project-based exercise with a defined end point, tax function transformation must be ongoing and relentless, creating clarity and confidence to help teams respond to change.

Ultimately, tax and finance functions need an organizational structure that facilitates businesses responding smartly and strategically to a growing array of priorities in order to deliver consistent advice and incremental value across the organization. To do this effectively, tax and finance executives need to unlock more time to be even more strategic, accessing real-time data in a format that allows for powerful AI solutions.

Many tax and finance teams recognize the potential for GenAI and agentic AI to improve effectiveness and unlock value, yet they struggle with data silos and quality issues that undermine reliable, accurate outputs. Leading practices are emerging, but successful widespread adoption

remains a work in progress.

Currently, many tax and finance functions (as well as regulatory authorities) rely on deterministic AI, or machine learning, which gives consistent outputs every time for a given input. This makes sense because compliance must be accurate, and if tax and finance functions know their data inputs are sound, they know they can trust the outputs.

GenAI and agentic AI are probabilistic, relying on large language models. They can handle ambiguity and incomplete data, but this can yield different results for the same inputs, which presents challenges to tax and finance departments, whose compliance work demands accuracy and precision. While the features of probabilistic hold great promise—it is expected to boost the effectiveness of tax and finance functions by up to 30% and free up 23% more budget for pursuing high-value activities—harnessing it confidently remains a challenge.

Data is lifeblood, but right now, it is a bottleneck to progress. Eighty percent of tax and finance functions, per the survey, say insufficient AI-ready data is a significant barrier to advancing AI within their organizations, with only 17% (tax) and 13% (finance) rating themselves as "very effective" at managing data, largely due to persistent silos. Ninety-one percent say their data is stored in too many silos, especially on local hard drives.

Best-in-class organizations centralize and sensitize data using modern AI data cloud platforms, such as Databricks and Snowflake, making data accessible across systems. And technology solutions are integrated, rather than focused on point solutions.

But these leading organizations are in the minority; 75% of tax and finance functions are still in the earliest phases of deploying GenAI. Just 21% say it is significantly easy for them to build technology applications for their tax functions, and just 39% say they're moderately or fully prepared to deploy AI agents.

As a result, 78% are turning to third-party providers that are investing heavily in AI to realize the benefits through those global investments in advanced tools, such as AI agents that collaborate and operate semi-independently to automate processes. Best-in-class organizations also prioritize the enterprise orchestration of AI agents into efficient and seamless end-to-end processes.

Agentic AI: Promise and Practicalities

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The global EY organization conducted qualitative interviews with tax and finance executives to gain more insights into the survey's findings. Current use of AI in tax and finance remains experimental, but leaders anticipate rapid transformation, including in interactions with tax authorities and the automation of compliance tasks.

Seventy-five percent of tax and finance functions say they're in the earliest stages of using GenAI. For example, 81% say using AI for data acquisition and cleansing in the next two years will have an impact on their tax function, while 79% say driving automation to deliver tax compliance and 70% say using it for analytics and scenario planning will be impactful. Just 27% expect it to be useful in things like modeling legislation, delivering insights and only 10% say it will have a big impact on closing the talent gap in tax. As AI matures, it is likely those lagging use cases will increase exponentially in tandem with growing confidence in large language models.

"We are not yet at the place where we would use AI to make a tax filing or even less a submission because the government doesn't even accept it. But I think those will come quite soon," the CFO for a large multinational luxury goods retailer said. "I would say in the next five years, most tax filings will probably be supported by an AI agent."

Despite the challenges with data, AI is already changing the way many tax executives work and how they spend their time. The chief tax officer of a global bank said he already uses AI to cut through the barrage of tax and regulatory updates he receives every day.

Separately, the head of tax at a German online subscription service said his company has a dedicated AI team that is helping the tax function. He's been investigating how to leverage their knowledge to figure out how to use AI to automate compliance obligations. Beyond regulatory reporting cycles, he's interested in using it to streamline the maintenance of master and local files for transfer pricing as well as managing indirect tax records, including value-added taxes.

"The AI team is mostly helping us with the resources on compliance and reporting … to help our internal team to develop and spend less resources on searching through our documentation and don't waste 20 hours on preparing a memo," he said.

The head of finance at a global e-commerce and cloud computing company agreed that working with a partner provides the function access to the latest technology at scale. That's consistent with the 78% who say working with a third-party provider with deep AI capabilities will moderately or significantly benefit their tax function.

"My own perspective is that you have got to partner with the professionals to deliver value fast," he said. "I've seen that across the last three businesses I've worked in where we've tried to develop something in-house but would've been better off working with an external provider."

Vendors offering proven tools provide off-the-shelf value to businesses struggling to develop their own internal agents. For example, a vendor may already have an AI tool to review financial statements by applying rule-based checks, anomaly detection, and analytical assessments, reducing manual effort and enabling professionals to focus on higher-value activities. The business then can apply critical human review to check for accuracy and compliance.

Tax Functions Are Under Pressure

Even as tax and finance functions strive to improve their GenAI and agentic AI capabilities, they are adapting to real-world changes to their broader business operations. The survey finds 81% of respondents will make moderate to significant changes to how they run their business in the coming two years, including to their supply chains, in response to geopolitical pressures. Some 26% will make significant changes, which is more than twice the prior year. Building agility into tax and finance operating models is now essential.

Tax and finance teams must navigate ongoing global disruptions, regulatory changes, and rapid technological advances. These include on-again, off-again tariffs and trade disputes; military conflicts; newly elected governments implementing new laws and regulations; sustainability obligations; technological change; and, of course, global tax reform of an unprecedented scale.

Pillar Two, and related uncertainty, was an urgent challenge identified in the survey, overshadowing tariffs, national tax reforms, digital and real-time filings (including e-invoicing) and managing tax controversy. Even as 81% say Pillar Two rules are the top regulatory or legislative change potentially affecting their business, just 21% say they're very prepared to comply with BEPS 2.0 global minimum tax reporting requirements.

Rising tax liability and compliance complexity will impact business decisions and increase the need for ongoing knowledgeable guidance. As a result, tax and finance functions will likely advise on Pillar Two implications on an ongoing basis.

Additionally, tax transparency is a growing concern. A decade of work by the OECD, the EU, and

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individual jurisdictions including Australia have shifted the paradigm of what information businesses share about their tax affairs with the public, requiring tax and finance executives to further tax transparency. In response, businesses are preparing to be more transparent they've ever been–the proportion of survey respondents saying they will voluntarily and publicly disclose total taxes paid has more than doubled to 80% from 37% just two years ago.

As transparency increases, tax authorities are leveraging real-time data and advanced analytics, reshaping the relationship between business and regulators.

To stay ahead, teams must modernize operating models, make accurate disclosures, and align public and private reporting—areas where AI is beginning to help. However, data remains a persistent challenge, as nearly half (45%) of leaders cite lack of a sustainable data, AI, and technology strategy as their top barrier. Integrating the type of granular data necessary to facilitate deep analytics from multiple sources and establishing strong governance is now critical.

Trust in Your People

Even as modern tax and finance functions wrestle with data to make AI work effectively, they need a modern talent strategy to ensure outputs' accuracy and to facilitate the necessary agility for an effective operating model.

While tax and finance leaders have earned higher profiles in most global organizations in recent years, they say they're struggling to find the time, people, and resources to meet growing responsibilities. This has become more difficult in part because 61% of leaders expect the retirement of senior tax professionals to significantly impact their functions, and 66% anticipate fewer accountants entering the profession will be a detriment. These trends compound existing resource constraints and underscore the urgency of modernizing talent strategies, especially as current time allocation remains heavily skewed toward data wrangling and compliance activities.

Internal tax personnel currently spend 53% of their time on routine tax activities and 16% on highly specialized activities. Survey respondents say they would like to see the amount of time spent on routine activities slashed to more than half (21%) and time spent on highly specialized activities double to 34%.

Success now requires professionals with strategic judgment, critical thinking, and fluency in

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technology and data analytics. To meet this need, 89% of tax and finance leaders say they're upskilling their existing workforce, 81% are hiring people with skills other than tax technical capabilities, and 62% are redefining roles and responsibilities, including the creation of focused teams dedicated to high-value activities.

The growing use of co-sourcing is freeing up internal teams to focus on advisory work, with 85% reporting improved ability to focus on high-value activities. While excellent tax technical skills are likely to be the top criterion, tax executives are placing a higher value on more intangible skills that are necessary to analyze and communicate data effectively.

Almost all respondents agree that strategic thinking and problem-solving skills plus the ability to think critically will be essential in future tax professionals to manage the constant disruption, with 78% citing the importance of communication and collaboration skills.

The capacity to upskill and reskill the workforce is vital to realize the potential of technologies like AI. It stands to reason that users of the quickly evolving technologies are the ones willing and able to learn, adapt, and grow.

Building Blocks of Continuous Transformation

Agility and resilience are essential for tax and finance teams to thrive amid disruption and deliver AI-enabled value.

Transformation is ongoing. To succeed in today's disruptive environment, tax and finance leaders must take five essential steps to build a modern operating model that is truly fit for purpose:

- 1. **Build a foundation of trusted, granular data.** Establish a single, accessible source of high-quality data to support compliance and strategic insights.
- 2. **Empower professionals to work with AI and data.** Equip teams with the skills and tools to innovate and collaborate effectively with advanced technologies.
- 3. **Implement clear standards and governance that facilitate a responsive operating model.** Adopt governance frameworks that balance control and flexibility for responsive, scalable operations.
- 4. **Continuously improve cross-functional collaboration.** Foster alignment and integration across functions to add to the value of technology and data.
- 5. **Work with trusted providers to accelerate transformation.** Leverage strategic partnerships

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and co-sourcing to drive innovation and deliver sustainable results.

By focusing on these building blocks, tax and finance leaders can not only keep pace with disruption but also drive lasting value for their organizations in the AI era.

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