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RESEARCH REPORT

Tax Technology and Automation in SAP Environments

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Executive Outlook

Tax and finance leaders in SAP environments are continuing digital transformation initiatives globally. Benchmarking against industry-wide global tax automation practices offers an opportunity to measure an organizations' existing path and celebrate or take course correcting action where needed. Across the globe tax technology adoption (including intelligent mapping, RPA, AI and Machine Learning) is accelerating. This is good news. AI and automation adoption in tax is paramount to eliminating blockers that slow business value creation. Value creation today is dependent on high-performing ecosystems, a web in which tax plays a key role.

Fueled by unique challenges, automation and AI adoption priorities differ by region. Europe, Middle East, and Africa (EMEA) lead in adoption to address strategic transformation (63%) and ESG requirements. Asia Pacific, Australia, and New Zealand (APC & ANZ) are advancing integration and compliance capabilities (43%). North America (NA) and Latin America (LATAM) are using AI and automation to drive efficiency, and audit readiness. These differences highlight how important it is for tax automation and AI adoption paths to be regionally specific.

Recommendations for Leaders

- **Accelerate AI and Machine Learning Adoption:** 92% of organizations are investing in AI to improve accuracy, enable predictive analytics, and reduce manual effort.

- **Continue Centralizing the Tax Data Governance Framework:** 37% globally are focused on AI and automation to maintain tax data cleanliness and accuracy. This includes automated validation rules, real-time data mapping to ERP systems, and periodic audits to eliminate inconsistencies. Clean data ensures reliable compliance reporting, supports AI-driven analytics, and reduces risk during audits or regulatory changes.

- **Prioritize Integration Across Business Functions:** 50% of global respondents cite integration as a top priority, connectivity across tax, finance, and ERP systems are critical for efficiency and compliance. When choosing third-party solutions, look for those that are embedded in SAP S/4HANA, while supporting composable architectures to keep the SAP core clean.

- **Metric Efficiency Gains and Cost Reductions:** Efficiency (40%) and cost reduction (34%) remain key drivers, especially in North America and APJ & ANZ, where automation is linked to faster close cycles and audit readiness.

- **Strengthen Compliance and Data Security:** Compliance (29%) and security (26%) are top concerns globally, with LATAM and EMEA showing heightened sensitivity due to evolving regulations and privacy mandates.

- **Invest in Real-Time Reporting and Scalability:** 31% of respondents want real-time insights, while 29% seek scalable solutions to support growth and regulatory complexity.

DART
MODEL FRAMEWORK

TAX TECHNOLOGY AND AUTOMATION IN SAP ENVIRONMENTS

DRIVERS

GLOBAL PRIORITIES

- Advancement in AI and machine learning globally (36%)
- Regulatory complexity and compliance requirements (32%)
- Need to scale tax operations to meet business growth and expansion (30%)
- Gain real-time tax data (30%)

KEY REGIONAL HIGHLIGHTS

- EMEA – Sustainability (100%) and real-time reporting (96%) requirements
- LATAM – Reduce tax costs (50%)

ACTIONS

GLOBAL PRIORITIES

- Increasing reliance on external applications (42%)
- Increased use of AI and automation (40%)

KEY REGIONAL HIGHLIGHTS

- LATAM – Integrating tax with other business functions (67%)
- EMEA – Integrating tax with other business function (63%)
- NA – AI and ML adoption (46%)
- APJ & ANZ – Cost reduction and efficiency improvements (43%)

REQUIREMENTS

GLOBAL PRIORITIES

- Implementing end-to-end tax automation (57%)
- Integrating tax across the enterprise (65%)
- Automating to ensure compliance in direct and indirect tax (41%)
- Aligning tax strategies to SAP S/4HANA migrations (39%)
- Improving data management and quality (37%)

KEY REGIONAL HIGHLIGHTS

- LATAM – Incorporating AI into tax processes (67%)

TECHNOLOGIES

GLOBAL PRIORITIES

- Sales & Use Tax determination (44%)
- Single point of truth for data (43%)
- Intelligent mapping (43%)
- E-Filing and e-document management (41%)
- Tax control frameworks (37%)
- Global Indirect Tax reporting (37%)
- Tax localization solutions (36%)
- Audit management software (31%)

Industry leaders are proving that with automation and AI tax and finance teams can stop navigating what's in front of them and start proactively protecting and driving new levels of value creation in the business. Regulatory complexity is increasing, but so too is the need for scale that meets business growth and expansion. This is where the efficiency, visibility, and predictive capabilities tax professionals gain from advancing AI and automation, deliver dividends.

Digital Transformation Strategies Include Tax

One of the most exciting insights from this year's research is that 90% to 100% of organizations in SAP environments now include tax teams in transformation strategies across all regions. Even with the clarity of knowing one data point doesn't tell the whole story, this finding is meaningful. It signals a growing recognition of tax as a strategic partner rather than a compliance function. Tax teams deliver value by optimizing global tax positions, reducing risk through proactive compliance, supporting real-time decision-making with accurate data, and enabling cost savings through automation and process efficiency. Additionally, tax plays a critical role in digital initiatives like e-invoicing, ESG reporting, and cross-border compliance, ensuring transformation aligns with regulatory requirements and business goals.

+90%

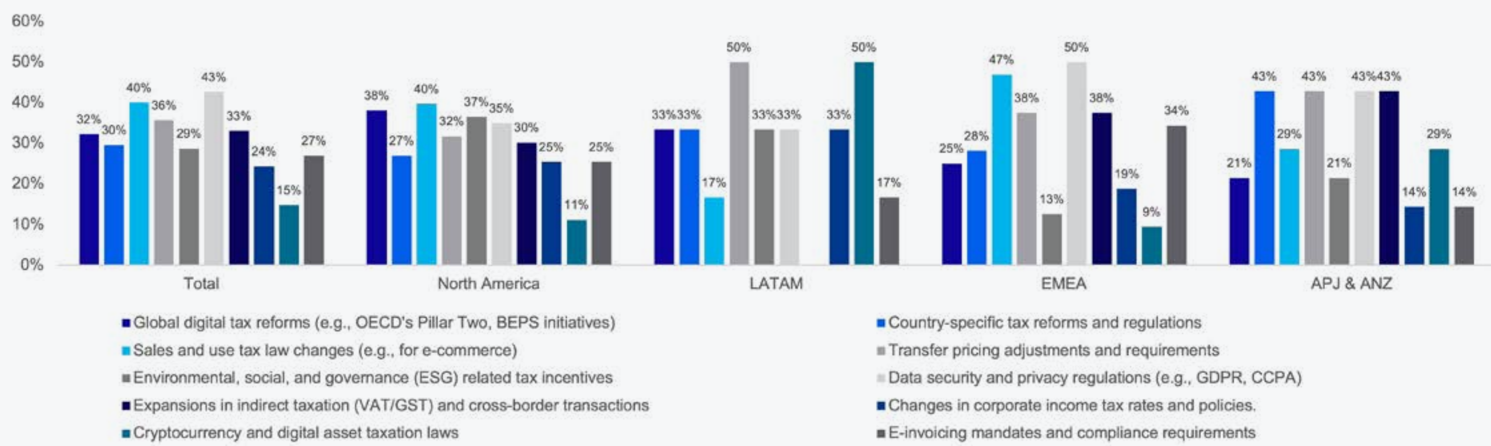
include Tax in Transformation Initiatives.

Changes in Tax Law Impacting Automation Strategy

One of the biggest challenges tax, finance, and GRC leaders face is tax law changes. They impact technology and automation strategies (**Figure 1**): data security and privacy (43%), Sales & Use Tax updates (40%), and transfer pricing (36%) topping the list globally. Regional differences touch the surface of illustrating how complex the challenge is. EMEA struggles with GDPR and e-commerce tax (50%, 47%). The APJ & ANZ region faces indirect tax expansions and country-specific reforms (43%), and LATAM ranks transfer pricing and crypto taxation highest (50%).

FIGURE 1

Changes in Tax Law that Impact Automation Strategies



Remaining in control means gaining visibility into what is uncertain. Organizations won't ever preempt regulations, but Tax, Finance, GRC, and IT teams are accelerating adoption of AI and automation to work in real-time, lowering risk profiles, ensuring compliance mandates, and reducing filing errors. AI and automation transform how organizations manage these complex regulations:

- **Data security** and privacy mandates, automated controls and AI-driven anomaly detection reduce compliance risk.
- **Tax engines** integrated with SAP S/4HANA deliver real-time rate updates that ensure Sales & Use Tax, Value Added Tax (VAT) and Global Service Tax (GST) accuracy.
- **Analytics and modeling** powered by AI can model intercompany transactions and flag inconsistencies.
- **Centralized automated reporting** enables scenario modeling that support timely compliance with regulations like the OECD's Pillar Two (Global Minimum Tax) and BEPS requirements.

End-to-End Tax Automation on The Rise

This year we see organizations showing a preference for tax automation to be applied as an end-to-end approach (57%). The question is: What does managing tax end-to-end really mean? And when is it accurate to say an organization has reached full end-to-end visibility? Regulations are constantly changing. This requires solutions that are composable and allow the organization to scale in a moment's notice. This isn't a debate about whether organizations should choose SAP "native" solutions over third-party vendors. It is a statement about the flexibility in technology architectures needed for tax to gain the visibility to operate beyond compliance.

Many organizations start by automating select tasks (24%), incrementally improving over time. This approach can fit well within digital transformation efforts allowing the organization to continue meeting tax requirements while aligning tax technology iterations to digital initiatives. There are still many organizations not automating tax using manual spreadsheets (23%), which is surprising given respondent demographics, uncertainty around the regulatory environment, and accelerating changes to regulatory requirements across global jurisdictions.

Drivers of Tax Technology

Advancements in AI and machine learning are defining approaches to tax automation (36%) with the highest influence being seen in LATAM (50%) (**Figure 2**). Increasing regulatory complexity and compliance requirements (32%) along with the need to scale tax operations to meet business growth and expansion (30%) are also driving automation approaches. In EMEA 100% cite a focus on ESG and 94% are challenged by real-time electronic data requirements. Across regions lowering tax risks and potential errors remains a driver, with greater emphasis in EMEA (69%) and LATAM (50%).

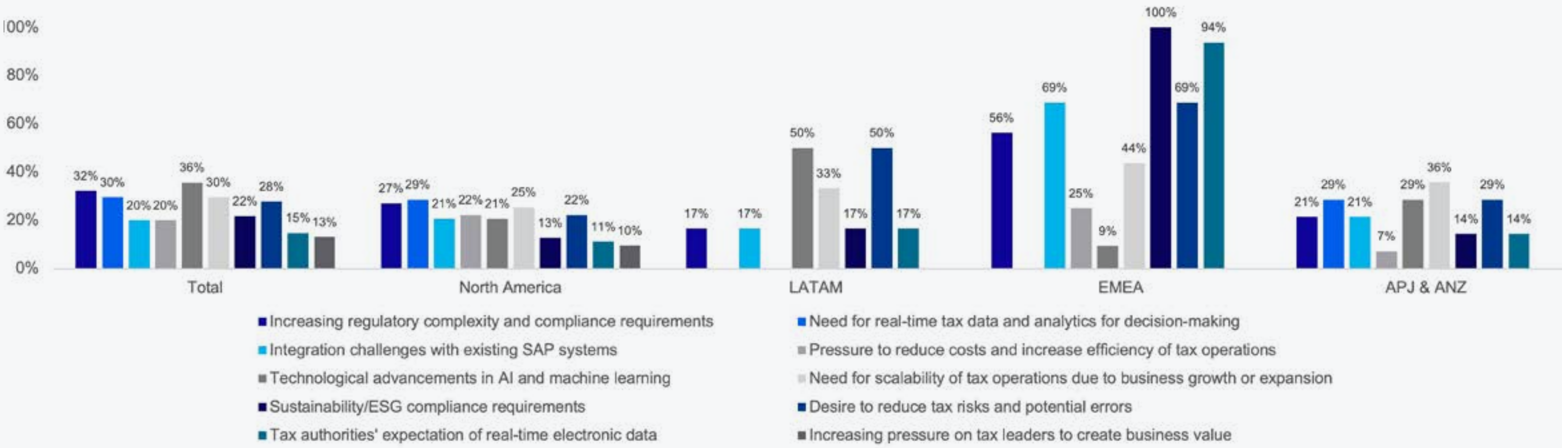
INSIDER PERSPECTIVE

"Our focus on automation is for greater efficiency."

RETAIL & DISTRIBUTION, NORTH AMERICA.

FIGURE 2

Drivers of Tax Technology and Automation Approach



Tax Technology Innovation Strategies

Tax technology leaders are executing automation in ways that align with their digital transformation goals and regulatory complexity. Globally, the most significant focus areas include:

- Automating direct and indirect tax reporting (41%),
- Developing a comprehensive digital tax strategy tied to SAP S/4HANA migration (39%), and
- Improving data management and quality in tax reporting (37%).

These execution paths align with a market heavily focused on digital transformation where tax is included in these strategies (90%).

Globally, advanced analytics (29%) and AI-driven tax processes (28%) are gaining traction, particularly in LATAM, where incorporating AI and machine learning into tax processes leads at 67%, indicating a strong push toward intelligent automation. EMEA shows higher emphasis on enhancing tax reporting with visualization tools (38%) and transitioning to cloud-based solutions (38%), reflecting lower levels of maturity and a push for more integration across platforms.

The APJ & ANZ region is prioritizing digital tax strategy (64%) and ESG compliance (36%) to align tax with sustainability goals. Organizations in North America are balancing investment across automation (35%), integration with business functions (29%), and continuous professional development (29%), underscoring a pragmatic approach to modernization. These trends collectively highlight a global shift toward cloud-enabled, AI-powered tax ecosystems that deliver agility, compliance, and strategic insight.

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Technology Landscape

Tax Integration Across the Business

Tax integration maturity is advancing globally, with 65% of organizations achieving full integration and proactive collaboration. APJ & ANZ regionally leads in integrating tax across the business ecosystem at 71% of respondents indicating that tax is fully integrated, followed by EMEA (59%) and North America (49%). LATAM is showing progress with standardized integrations across finance (33%) but no seamless or full integration. Manual processes remain minimal at 6% overall, signaling strong movement toward connected tax ecosystems.

Path to Adopting SAP S/4HANA

We continue to see SAP S/4HANA adoption accelerating, with 57% of organizations fully transitioned. APJ & ANZ leads at 71%, followed by EMEA (66%) and LATAM (67%). North America lags at 32%, with 35% still implementing. Planning remains modest globally (15%), which strengthens our confidence that most organizations globally will be complete with SAP S/4HANA migrations within 12 to 18 months.

Use of SAP BTP to Support Tax Innovation and Automation

SAP BTP adoption as a path to support automation is growing, with 43% using it to integrate tax technologies, automate some manual tasks and develop custom applications 26%. LATAM, AMEA, and APJ & ANZ regions are leaning into BTP use for integrating various tax technologies and automating manual tasks. North America is prioritizing its use for custom development (30%).

Technologies in Use or Planned for Tax Automation

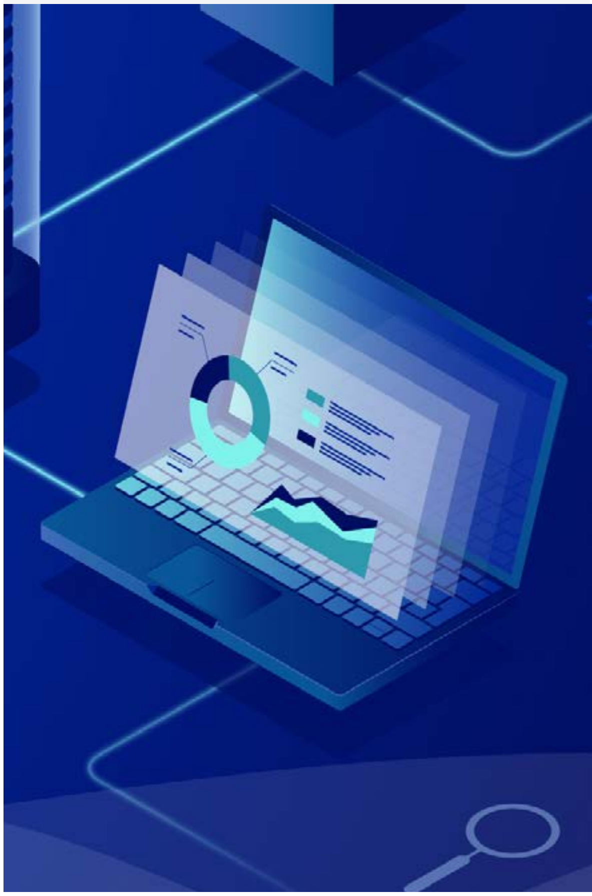
Tax leaders are increasingly adopting technologies that enhance automation, integration, and compliance within SAP environments. Collectively, these technologies form the foundation for a comprehensive digital tax strategy aligned with SAP S/4HANA migration and global compliance demands. Current usage is highest for:

- Sales and use tax determination tools (44%),
- Single points of truth for financial data (43%),

INSIDER
PERSPECTIVE

"Data quality improvement and overall data management is a top priority."

FINANCIAL SERVICES FIRM, EMEA.



• Intelligent mapping tools for tax data to ERP systems (43%),
• E-filing and e-documentation management (41%), and
• Cloud-based solutions (37%).

Looking ahead, leaders should prioritize technologies that embed AI and can help with completing routine compliance tasks, lower risks by detecting tax data anomalies, prepare tax teams for audit activities, and address localization requirements. Our prediction is that technologies in place today: intelligent mapping tools, RPA, and even some localization tools will disappear as AI capabilities in tax continue to advance and become more embedded in solutions.

Use of AI and Machine Learning

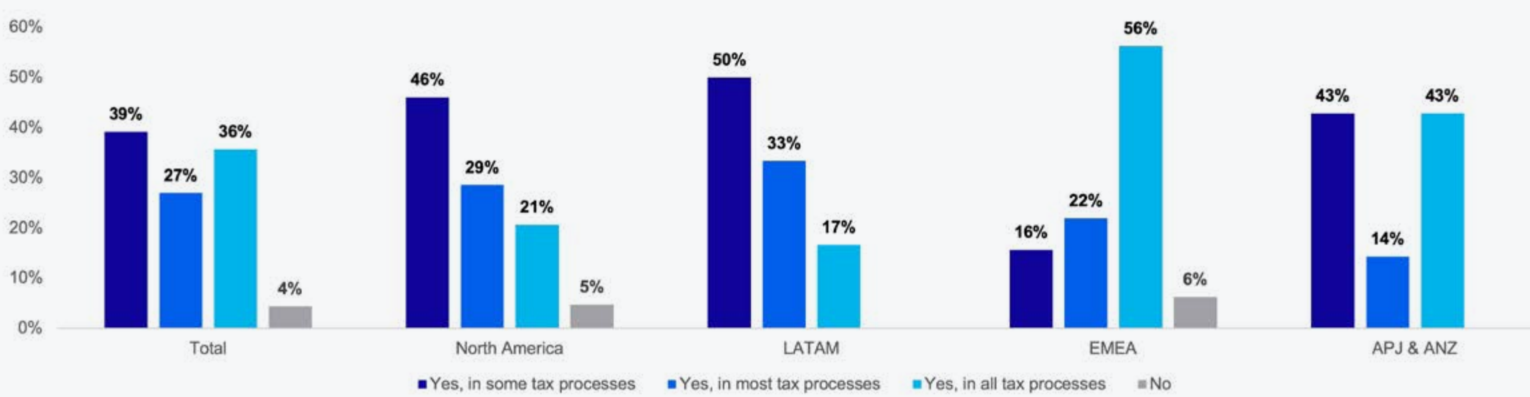
It is exciting to see that 92% of organizations in our survey are using some form of AI in tax processes. AI is accelerating globally (**Figure 3**), with 39% of organizations using it in some processes, 27% in most, and 36% across all processes. Regionally EMEA leads with 56% fully embedding AI into tax processes. LATAM is also showing adoption progress with 50% applying AI and Machine Learning to some tax processes and 33% indicating it will be used in most processes. Organizations in the APJ & ANZ region are fast follows at 43% automating some or all tax processes. In North America adoption is gradual where 46% of some tax processes are being transformed applying AI and Machine Learning.

92%

Using AI in Tax Processes Globally

FIGURE 3

Technology Landscape Use of AI and Machine Learning in Tax



Use of Data and Analytics for Decisions

Tax analytics adoption is advancing, with 62% of organizations embedding analytics into strategic decision-making. APJ & ANZ lead at 64%, followed by EMEA (59%) and North America (51%). Manual reporting persists in LATAM (17%) and EMEA (13%), while predictive tools remain minimal across all regions.

Benefits and Improvements from Tax Automation

Perceived Benefits of Automation

Globally, organizations expect improved compliance (60%) and increased efficiency (40%) as the most significant outcomes of tax technology adoption. Other anticipated benefits include enhanced data security (37%), better decision-making (35%), and improved scalability (34%). Lower priorities are real-time reporting (18%) and enabling a more strategic role for tax (14%).

In North America, compliance (51%), and better decision-making (38%) lead expectations, with moderate focus on cost reduction (37%) and integration (35%). In the LATAM region efficiency dominates at 83%, far exceeding other benefits; integration (50%) is also a key expectation. In EMEA, similar to North America, compliance (69%) and scalability (47%) are top priorities, alongside security (44%), signaling a strong emphasis on control and resilience. In the APJ & ANZ region, compliance (64%) and efficiency (64%) are equally critical, with security (50%) also highly valued.

Graphic: Top Benefits Experienced from Tax Automation and AI

68%	56%	51%	48%	47%
REDUCED MANUAL EFFORT	ENHANCED VISIBILITY	IMPROVED ACCURACY	FASTER CLOSE CYCLES	GREATER AUDIT RESPONSIVENESS

Actual Improvements from Tax Automation & AI Adoption

Improvements experienced from AI and automation are out-pacing expectations. Leading organizations are experiencing reduced manual effort (68%), enhanced visibility (56%), improved accuracy (51%), faster close cycles (48%), and greater audit responsiveness (47%). Organizations in the APJ & ANZ region are eliminating manual activities (86%) and improving accuracy (71%), while in North America respondents are benefiting from visibility (59%). The LATAM region is experiencing efficiency gains (67%) and audit readiness (67%), while organizations enhancing tax automation and AI use in AMEA are seeing faster close cycles (53%).

Impact of Tax Automation on Risk and Compliance

Tax automation significantly improves risk and compliance performance, with 41% of total respondents reporting substantial transformation and 25% significant improvement. The EMEA region sees this impact most strongly with 85% seeing significant or substantial transformation leading to tax viewed as a strategic contributor to business decisions; the APJ & ANZ region follows at 72%. North America shows a moderate impact comparatively on risk and compliance 57% identifying significant or substantial impact. The LATAM region follows seeing moderate improvement in compliance deadlines (50%) but lacks transformational impact.

Automation Priorities and Barriers to Implementation

Looking ahead, organizations are prioritizing deeper integration and advanced technologies to transform tax operations. Globally, the top priority is greater integration with other business functions (50%), followed by more emphasis on AI and Machine Learning (42%) and efficiency improvements (40%). Regional differences are striking: LATAM leads in integration (67%) and compliance (50%), while North America emphasizes AI (46%) and efficiency (38%). EMEA shows the highest focus on integration (63%) and scalability (31%), whereas APJ & ANZ prioritizes efficiency (43%), compliance (36%), and real-time reporting (36%). Across all regions, cloud adoption remains moderate, signaling gradual movement toward digital platforms.

Where to Focus in 2026 and Beyond

50%

Tax Technology Integration with Other Business Functions

42%

AI and Machine Learning

Across regions integration challenges (56%) persist, due to the heightened focus on SAP S/4HANA migrations. Organizations globally are also recognizing the importance of strong management practices and updating hiring practices as resistance to change (45%), and skills gaps (lack of technical expertise 39%) persist. Some organizations are also still weighed down by budget constraints (38%), data privacy concerns (36%), and a lack of clarity about the ROI (24%) of AI. Regionally, APJ & ANZ see integration issues (71%) as a barrier to tax automation and AI adoption, while organizations in North America struggle most with resistance to change among employees (51%). In the LATAM region privacy concerns (50%) are seen as a key obstacle to tax transformation initiatives.

Third-Party Solutions Used

In medium, large, and enterprise size global organizations it is common to see use of multiple third-party solutions for tax (**Figure 4**). Avalara (46%) is the most widely used tax vendor globally, followed by Taxmarc (36%), TaxJar (28%), and ClearTax (29%).

Organizations in the LATAM region overwhelmingly use Avalara (100%) and TJC Group (50%). In EMEA organizations favor Taxmarc (56%) and Avalara (53%). The APJ & ANZ region also prefers Avalara (50%) and ClearTax (36%). North America shows balanced adoption, led by Thomson Reuters (38%) and Vertex (33%).

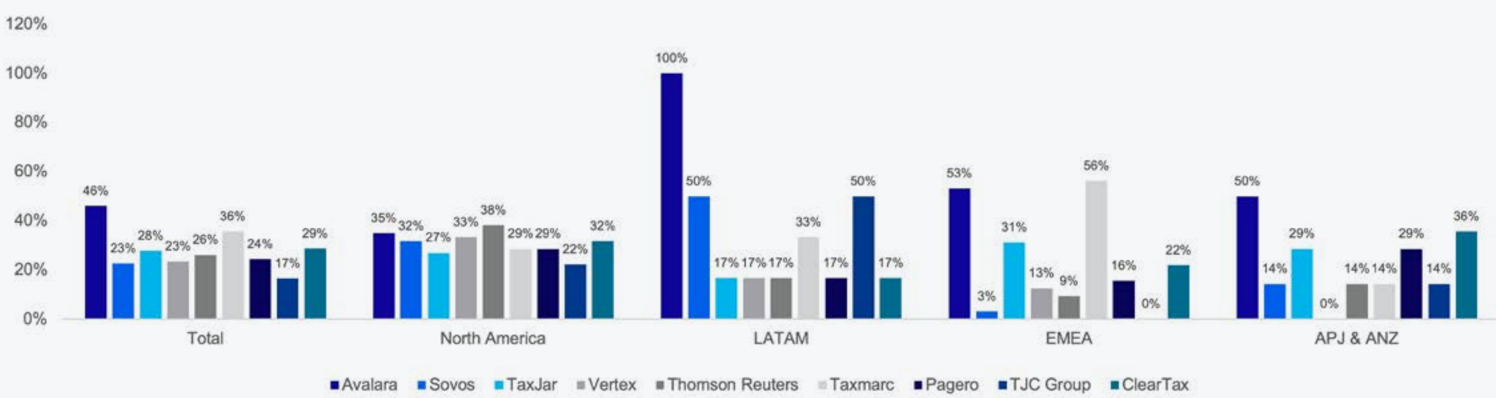
Our findings confirm the use of multiple tax solutions to address different (and sometimes the same) tax needs such as compliance, e-invoicing, and regional tax requirements. A few reasons for these technology overlaps include local requirements, team preference, skills gaps, and M&A activities.

56%

Tax Integration is a Challenge

FIGURE 4

Third-Party Tax Solutions Used



Budgets

Tax technology budgets are rising, which means growing investment in AI, automation, integration, and advanced analytics to meet compliance and efficiency goals. Globally organizations are planning significant increases (49%) over the next two years. EMEA and APJ & ANZ report the largest significant planned increases (at 59% and 57%, significantly). LATAM indicates moderate budget increases (67%). North America budgets are growing steadily (43% significantly, 44% moderately).

ABOUT THIS REPORT

Respondent Demographics

This year's tax technology report highlights global AI and automation practices, including regional insights. Research was conducted in 2025. 115 respondents throughout the year shaped this global view of tax technology and automation in SAP® environments. Surveys are conducted anonymously. Respondents have the option to provide their email at the end of the survey. Interviews are conducted post research to validate findings. Responses are counted when email addresses and IP addresses are unique. Findings are rounded to the nearest percentage.

Respondent regions of operation are: North America (55%), LATAM (5%), EMEA (28%), and APJ & ANZ (12%). Industry distribution is: Financial Services (38%), Software and Technology (30%), Industrial (12%), Public Services & Healthcare (6%), Retail and Distribution (6%), Hospitality, Transportation and Travel (4%), and Media & Entertainment (3%). Organizations range in size: 101-500 FTEs (12%), 501-1,000 FTEs (29%), 1,000-5,000 FTEs (20%), 5,001-10,000 FTEs (26%), and Over 50,000 FTEs (2%). Top roles responding to this survey include Finance/Accounting /Taxation/Payroll/Planning (55%), Business Development/Sales (9%), Product Development/Product Management (9%), Research & Development (8%), Human Resources/Benefits/Administration (6%). Revenues ranged from Less than $10 million to Over $10 billion, with the greatest number of respondents in the $750 million to $2 billion (19%) and $10 million t to $199 million (17%) categories. Regionally, the APJ & ANZ revenues most often fell in the $750 million to $2 billion (43%) range, LATAM (33%) in the same category. EMEA respondents most often reported revenues that are less than $10 million (16%), while North America respondents most often reported $10 million to $199 million (19%) or $750 million to $2 billion (21%).

Survey Process and DART Methodology

Surveys are conducted anonymously. Respondents have the option to provide their email at the end of the survey. Interviews are conducted post research to validate findings. Responses are counted when email addresses and IP addresses are unique. Findings are rounded to the nearest percentage.

This report wholistically looks at the people, processes, and technologies driving Tax technology practices in organizations within SAP technology landscapes worldwide. SAPinsider uses a proprietary DART Model Framework to set context for the environmental factors driving approaches to technology adoption, then identifies the actions, requirements, and technologies organizations use to manage how they address these impacts through their practices, partnerships, and technology ecosystems.

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