

Survey Report

# The Speed of Regulatory Change and AI Are Redefining Global Tax Compliance

How Finance, Manufacturing and Retail Leaders Are Responding and Keeping Pace



SOVOS

 CFO DIVE

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**The indirect tax landscape continues to be defined by the need to keep pace with accelerating government mandates.** Increasing enforcement of visibility across governments worldwide, with expanded real-time reporting mandates and tightening implementation timelines reshaping how finance leaders evaluate risk and processes.

“When it comes to the regulatory environment today, companies and their systems are finding it challenging to catch up because of the speed at which these rules and regulations are coming,” says Swati Garodia, Chief Product Officer at Sovos.

The margin for error narrows with each transaction because of this reality.

A survey conducted by StudioID on behalf of Sovos reflects this heightened pressure to elevate compliance to an operational control point. Respondents across finance, manufacturing and retail overwhelmingly prioritize accurate real-time

data reporting and investment in automation like artificial intelligence (AI), yet many continue to operate within fragmented system environments.

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CHIEF PRODUCT OFFICER AT SOVOS

This research report examines how these three sectors are responding to regulatory speed, where structural preparedness is advancing, and how tools are evolving to support compliance in a real-time enforcement environment.

## Survey Respondents

300 Globally and US-based

### Roles

CFO



EVP/SVP/VP of Finance



Senior Director/Director of Finance



### Industries

Manufacturing



Financial Services



Retail



### Annual Revenues

\$500.1 million to \$1 billion



\$1.1 billion to \$5 billion



More than \$5 billion



# The Pace of Regulatory Change

Real-time validation requirements and compressed implementation timelines increase an organization's exposure to risk. As governments expand transaction-level controls, tax compliance errors are more likely to interrupt operations. These implications extend beyond tax reporting, and can affect liquidity, supply chain throughout the business or the overall customer experience.

Over half (58%) of survey respondents describe new and ongoing domestic and global government corporate tax compliance mandates as complex

for their company, with 44% indicating that they're changing too quickly to manage effectively. Among country and regional developments expected to impact operations in the next 12 to 24 months, respondents cite ViDA, the UAE Corporate Tax Expansion and Brazilian Tax Reform as top concerns.

As the pace of regulation increases across jurisdictions, organizations may need to reassess whether their existing systems and models are capable of absorbing change at the speed it is occurring.

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# Urgency and Readiness to Respond

Recognition of the acceleration of regulatory mandates does not necessarily translate into structural readiness. Prior survey findings from [\*The Future Of Indirect Tax: How Finance Leaders Are Staying Ahead of Changing Regulations\*](#) report found that the majority of finance leaders report having invested in a global tax compliance platform to keep up with evolving mandates, with 61% indicating investing in fully automated solutions to prevent discrepancies between internal records and tax authority data.

Making the right types of investment in technology to respond to the speed of regulatory change remains an ongoing challenge, as 43% of respondents indicated that ensuring the platform

chosen seamlessly integrates with existing accounting or ERP systems is still their biggest challenge when it comes to complying with current and upcoming mandates.

What's more, over two thirds (75%) of respondents agree that limitations in tax compliance prevent their organization from being more strategic in business decisions. Some of these include VAT/GST exposure, multi-jurisdictional reporting requirements, and indirect tax complexity from global sourcing and supply chain operations.

"Compliance is not going to wait for anyone," says Garodia. "Mandates don't wait for you to be ready."

## Biggest challenge companies face in implementing current and upcoming e-invoicing mandates

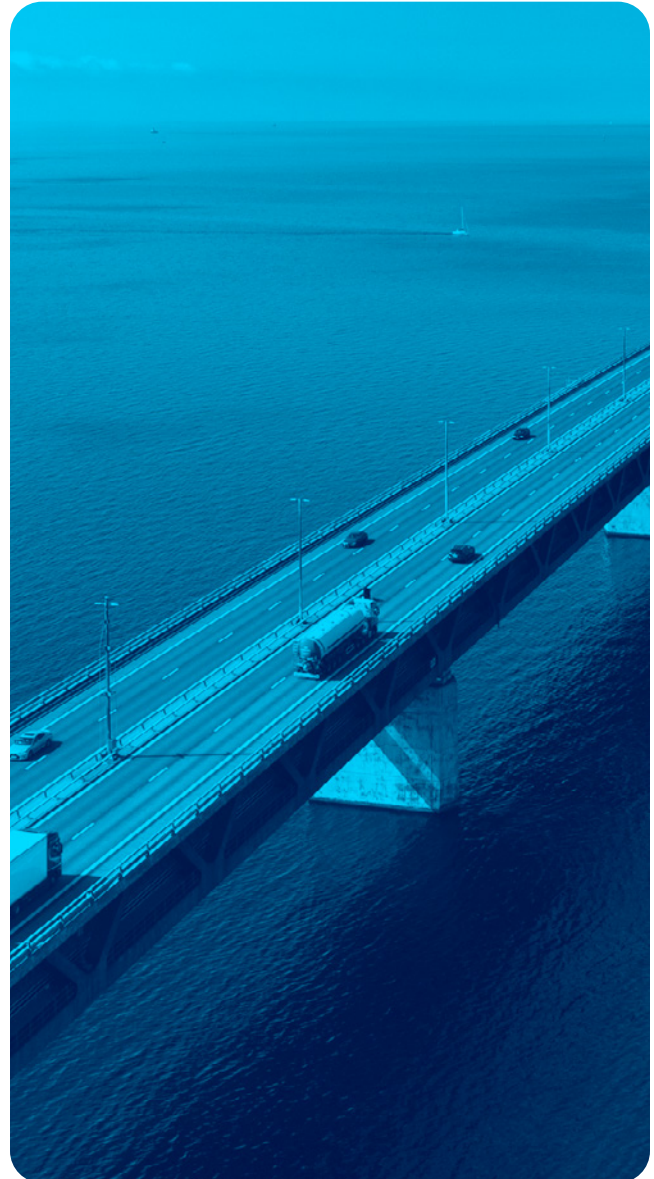


# Why Keeping Pace Remains Difficult

Organizations need to align their data, reporting, and systems across multiple regulatory frameworks simultaneously as regulations continue to expand across multiple jurisdictions. Processes and infrastructure need to withstand scrutiny that must be absorbed into existing operations frameworks, making it increasingly complex.

Survey findings suggest that organizations are attempting to address this pressure through multiple initiatives. When asked about their top two tax and compliance priorities for the next fiscal year, over half of respondents mentioned developing a more robust risk management plan, while 39.3% plan to evaluate or implement AI-driven tax compliance tools, and 36% aim to place tax planning more centrally within their business strategy.

Other process-oriented improvements like auditing internal procedures (18%) and reducing expenses tied to point solutions (12%), also are priorities for respondents. The wide range of objectives suggests that tax compliance priorities are unfolding across multiple fronts at once, which could signal why it remains difficult to keep pace.



**50%+**

of survey respondents mentioned developing a more robust risk management plan when asked about their top two tax and compliance priorities for the next fiscal year.

Technology challenges reinforce this challenge. While 38% of respondents report consolidating systems into fewer platforms, 26.3% continue to rely heavily on multiple point solutions, and 12% operate with a mix of manual processes and point systems.

“We are seeing that companies are choosing the mandates and the products that they need for tax compliance right away, before they choose the strategic solutions for the long-term benefit of the organization,” Garodia says. “That’s natural because businesses simply won’t be

able to transact in jurisdictions unless they are compliant, in addition to having a very high risk of penalty.”

When tax compliance obligations take precedence over broader transformation, strategic initiatives such as AI adoption, platform consolidation and advanced analytics often take a backseat to immediate regulatory needs. The difficulty in keeping pace reflects the complexity of restructuring systems while continuing to operate within them.

## Perception of biggest compliance risks for organizations in the next 2 to 3 years

Pace of new government mandates and regulatory changes



Increasing complexity of global operations (e.g. expansion into new jurisdictions)



Rising cost of compliance technology and staffing



Lack of readiness in adopting AI-enabled solutions



Inability to recruit or retain specialized compliance talent





**50%+**

of respondents mentioned accuracy in data and insights as the most important AI capability.

**46%**

emphasized balancing efficiency and security concerns.

## Exploring AI as a Support Mechanism for Tax Compliance

Artificial intelligence is emerging as a strategy in how finance, manufacturing and retail organizations respond to regulatory speed and operational complexity. Adoption is advancing across finance, manufacturing and retail, though maturity varies across functions and use cases.

Survey responses indicate strong interest in AI-enabled capabilities, prioritizing accuracy and precision over speed. Over half of respondents mentioned accuracy in data and insights as the most important AI capability, followed by 46%

who emphasize balancing efficiency and security concerns and 30% indicate looking at factors like the ability to track changing regulations.

Responses also imply that AI could help with growth strategies and digital transformation initiatives. More than half of respondents (58%) said that tax and compliance systems influence decisions related to adopting or scaling AI-enabled solutions in addition to strategic insights, such as expanding geographies and introducing new products to market.

Concern for this type of technology is still a defining factor, as risk awareness remains high. About 86% percent of respondents report being extremely or very concerned about data security with AI-enhanced solutions. This hesitation makes sense, considering the need for these types of tools to offer a high degree of confidence in environments that demand audit defensibility.

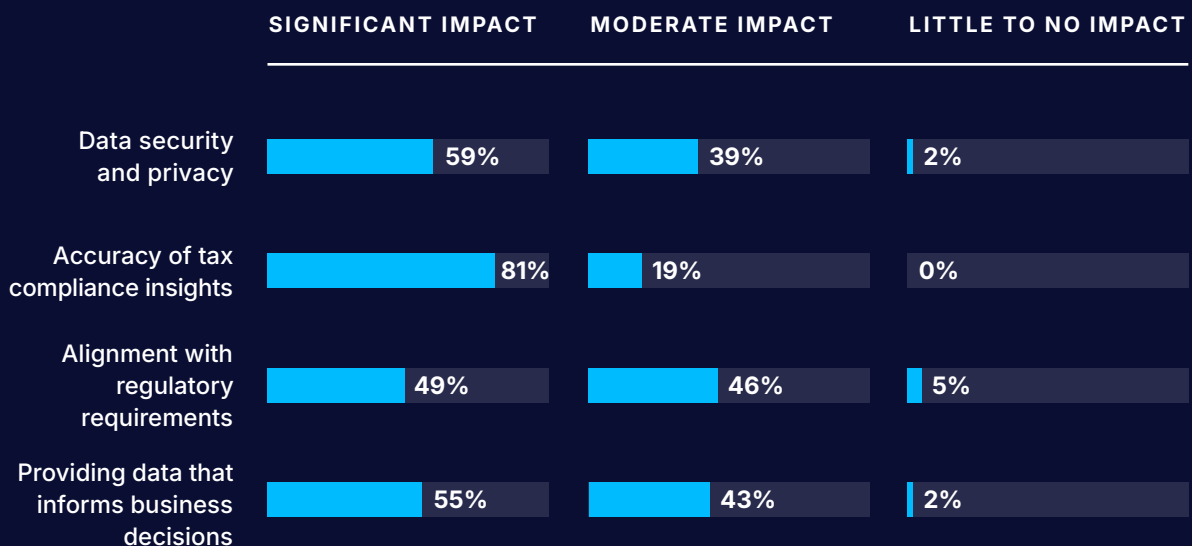
“One of the mistakes some tax teams are making is that they are treating AI as the solution, rather than as the accelerant that it can be,” Garodia says. “The AI technologies that are coming to market today are genuinely powerful, but they can only accelerate whatever foundation you have built.”

AI may enhance responsiveness, but its effectiveness depends on data integrity and cohesion in your systems and processes.

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## Belief in how significant an impact AI agents can have on company workflows



# What Preparedness Looks Like in a Faster Regulatory Environment

Although investments in tax compliance platforms are widespread, preparedness in a real-time regulatory environment is more defined by structural integrity rather than adoption of new tools.

The value of integrating platforms remains uneven. 44% of respondents report seeing a positive ROI from their global tax compliance platform investments, while 49.7% say they have not yet seen definitive returns. This gap could suggest that companies are working on integrating effective technologies, but the value depends on how effectively foundational systems, data and processes are aligned with them.

When it comes to strategies to improve indirect tax and compliance, leaders point to a broad number of initiatives. Respondents indicated that 43% of them were training existing internal teams on specialized tax technology topics, and close behind at 42% were leveraging technology vendors. Additional efforts like hiring specialized talent and experimenting with tax technology had a similar percentage of responses.

These responses seem to suggest that improvement efforts are distributed across multiple fronts rather than concentrated in a single area. When there are many seemingly competing priorities, organizations need to pursue them in a sequence that makes sense for them.

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Garodia says that organizations need to first prioritize compliance, then strengthen the underlying structure that can support multiple improvement efforts. Specifically, that means looking at the data infrastructure and redesigning a process that can support both compliance and strategic growth.

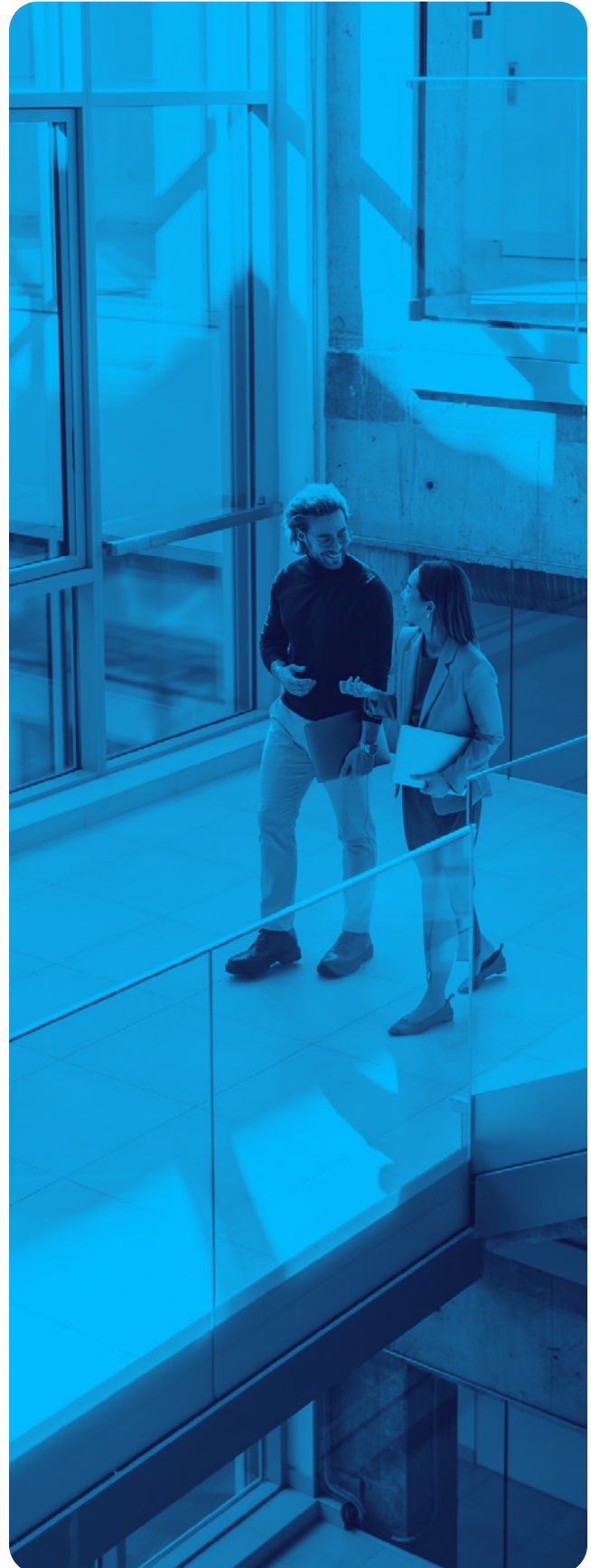
“The data that the tax and compliance teams are sitting on is pure gold in terms of its ability to be the most accurate because of the time spent cleaning, scrubbing, and getting it right to be able to submit it to the tax authorities,” she says.

Having clean, structured and accessible data becomes a strategic asset. It also helps organizations decrease risk and leverage technology as part of a holistic process to deliver real value. Regulatory updates can be incorporated through configuration and process adjustments.

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In this sense, preparedness centers on visibility and control. Organizations that can consolidate fragmented systems, standardize data flows and embed governance into core processes are better positioned to meet current mandates and anticipate new ones more efficiently.



# Readiness as Competitive Advantage

The strength of tax and compliance systems increasingly shapes an organization's ability to execute strategic initiatives without disruption. While interest in emerging technologies such as AI-enabled tax compliance tools continues to grow, their value depends on the strength of the foundation supporting them.

Survey findings reinforce this, as a majority of respondents indicate that limitations in tax and compliance prevent them from operating more strategically. At the same time, continued investment in consolidated platforms and AI-

enabled capabilities shows the need to anticipate regulatory changes instead of reacting to it. Integrated systems are increasingly viewed as mechanisms for strengthening visibility and responsiveness.

Leaders who wait to align the right processes and technologies risk falling further behind as regulatory complexity intensifies. In today's environment, preparedness is about recognizing change and having the systems and structure in place to respond quickly, confidently, and with control.

## About the Research

Sovos collaborated with CFO Dive's studio ID to conduct an online, invitation-only survey of 300 finance leaders, director level and above, in January 2026. These decision-makers worked in financial service, retail, or manufacturing, whose job functions are mostly finance and tax.





# SOVOS

Sovos is transforming tax compliance from a business requirement to a force for growth. Our flagship product, the Sovos Compliance Cloud platform, enables businesses to identify, determine, and report on every tax obligation across the globe. Sovos processes nearly 20 billion transactions per year, helping companies scale their compliance strategy in 150+ countries.

More than 100,000 customers – including half the Fortune 500 – trust Sovos' tax and regulatory expertise and unparalleled integration with their business applications. Learn more at [sovos.com](https://sovos.com).

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