

Why Manufacturers Are Struggling to Keep up with Tax Compliance Changes

Manufacturers face uniquely complex indirect tax compliance requirements because each step in their multi-jurisdictional supply chains comes with different VAT, sales and use tax rules. Since these taxes are levied across all stages of the value chain, correctly determining rates and liabilities is more difficult for manufacturers than it is for simpler service-only businesses, and accelerating regulatory change—along with a push for real-time or near-real-time transaction reporting—further adds to the challenge. Errors or violations can disrupt production processes and supply chains, meaning that noncompliance poses a mission-critical risk to the business.

Findings from a recent Sovos survey of finance leaders across industries show that today's manufacturers are struggling to keep up with tax compliance requirements. They'll need to consolidate and modernize their technology systems if they're to overcome this increasingly complex challenge—a prerequisite for global expansion.

Manufacturers struggle to keep pace with accelerating regulatory change and increasing complexity.

The speed of regulatory change is both a core business challenge and major operational risk for manufacturers.

43%

of manufacturers say that regulatory change is happening too fast to manage effectively.

61%

report that the rate of change of government mandates is their number one compliance risk.

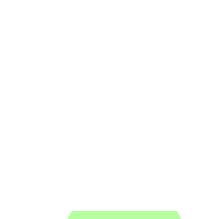
75%

say that tax compliance obligations are holding back their strategic decision-making.



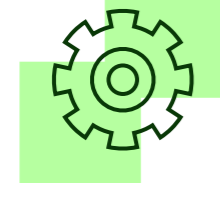
Technology silos add to tax compliance risk.

Disconnected systems remain the norm in this industry, even though siloed technologies are not up to the challenge of managing complex global operations.



43%

report that ERP and system integration is their biggest compliance challenge.



26%

of manufacturers still rely heavily on multiple point solutions.



30%

of manufacturers have not yet begun consolidating tax and compliance software systems.



Manufacturers are eager to embrace AI.

AI adoption has gained strong momentum, but it is not yet mainstream in this industry.

39%

of manufacturers say that regulatory change is happening too fast to manage effectively.

81%

believe AI will significantly improve compliance accuracy.



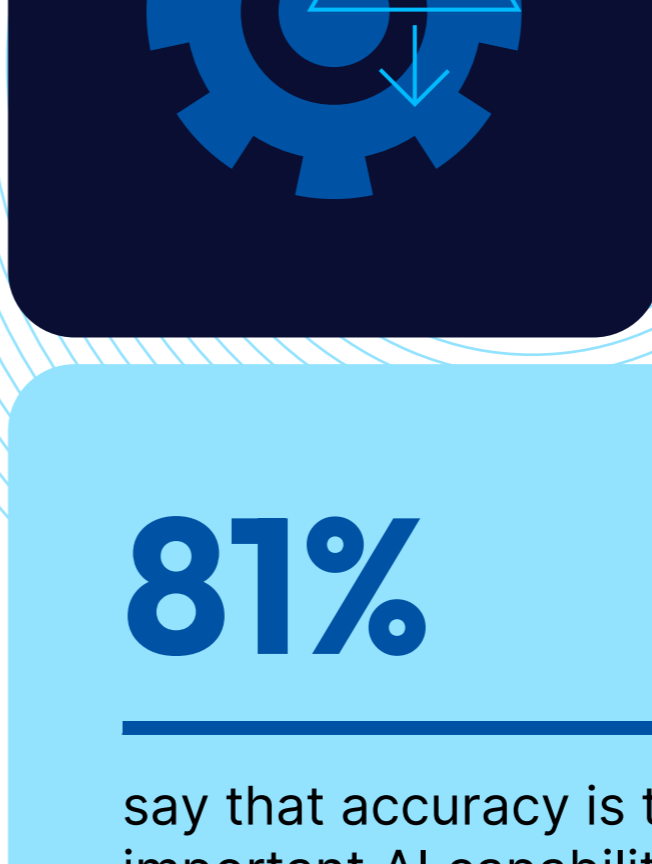
49%

say AI will significantly improve regulatory alignment.

Risk management is an even higher priority than AI adoption, and finance leaders don't yet wholly trust AI.

48%

of manufacturers say that building out their risk management plan is their top tax compliance priority.



86%

are highly concerned about the data security risks that AI poses.

81%

say that accuracy is the most important AI capability.

Leaders aren't seeing clear returns on their investments in tax compliance software.

There's more to gaining value from tools than merely implementing them: manufacturers require the right support and employee training as well.



56%

of manufacturing finance leaders cannot demonstrate clear ROI on their tax compliance platform.



43%

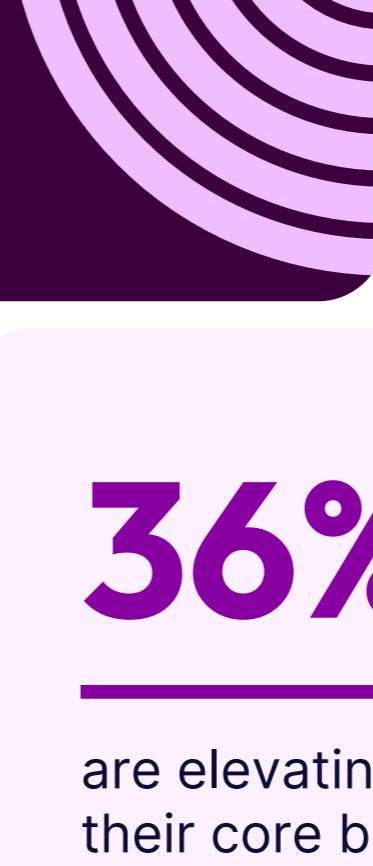
are investing in training internal teams on tax compliance technology.



In the future, tax compliance—and the operational risks it can pose—will be increasingly important to business decision-making.

56%

of manufacturers say that expanding global operations is increasing the complexity of compliance.



36%

are elevating tax planning into their core business strategy.

Manufacturers have traditionally been perceived as late adopters of emerging technologies, but this paradigm must change if they're to compete successfully in an increasingly complex global marketplace. Across geographies, the growing need for real-time reporting and tax compliance accuracy poses ever-greater operational risk. Manufacturers will need the right partners and solutions to meet these requirements. However, the right solution will not only support compliance but will also generate high-value data that can be used for strategic planning purposes.

Interested in learning more? [Download the full report on findings from the survey here.](#)

This infographic is based on an online, invitation-only survey conducted by Studioid on behalf of Sovos in January 2026. The survey included 300 finance leaders at the director level and above, across the retail, manufacturing and financial services industries. Approximately one-third of respondents work in the manufacturing sector. Respondents primarily hold roles in finance and tax and represent organization with annual revenues ranging from \$500 million to more than \$5 billion.