2020 GLOBAL TAX MARKET ASSESSMENT

The Leading Forecasting & Predictive Analysis of Trends Impacting the Tax Industry Globally

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# TABLE OF CONTENTS

## 2020 Key Takeaways ................................................................. 3-4

## U.S. TAX MARKET ASSESSMENT

### 2019 Review ........................................................................... 5

### 2020 Predictions ................................................................. 6-15

- The Exodus Begins - Demographic Impact on Tax ........................................... 6 - 8
- Current Market Conditions .......................................................... 9 - 10
- The Roll Out of Global Tax Reform ............................................................ 10 - 12
- In-House vs. Outsourcing /Co-Sourcing Arrangements .................................. 13 - 14
- Technology’s Impact on Tax .............................................................. 14 - 15
- Conclusion .............................................................................. 15

## NON-U.S. TAX MARKET ASSESSMENT

### European Tax Markets ............................................................ 16 - 25

- 2019 Review ........................................................................ 16 - 17
- 2020 Predictions ................................................................. 18 - 24
- Conclusion ........................................................................ 25

### Middle East and Africa Tax Markets ............................................... 26 - 30

- 2019 Review ........................................................................ 26 - 28
- 2020 Predictions ................................................................. 29
- Conclusion ........................................................................ 30

### Asia-Pacific Tax Markets .......................................................... 31 - 35

- 2019 Review ........................................................................ 31 - 33
- 2020 Predictions ................................................................. 34
- Conclusion ........................................................................ 35

### Latin America Tax Market .......................................................... 36 - 41

- 2019 Review ........................................................................ 36 - 38
- 2020 Predictions ................................................................. 39 - 40
- Conclusion ........................................................................ 41

## COMPANY INFORMATION ......................................................... 42

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2020 KEY TAKEAWAYS USA

1. The Exodus Begins - Demographic Impact on Tax
   This will have the most substantial and long-lasting effect on the tax market.

2. Current Market Conditions
   Over the next year, we do not anticipate the hiring market to slow down. Historically, we have seen the employment market and economic conditions stay favorable during an election year.

3. The Roll Out of Global Tax Reform
   U.S. Tax Reform resulted in a domino effect on a global scale. Regions and countries will continue to implement tax reform and regulations of their own to ensure they receive the tax revenues they perceive as “fair.”

4. In-House vs. Outsourcing /Co-Sourcing Arrangements
   While some companies will outsource their entire tax department, we anticipate more companies will look to utilize a co-sourcing model with outside firms, resulting in a more strategic and value-adding solution, particularly in the areas of compliance and technology.

5. Technology’s Impact on Tax
   Due to tax reform and regulatory changes, many tax departments put major technology initiatives on hold. We anticipate they will move forward with their plans more aggressively in 2020.

Want to Discuss the Global Tax Market Assessment Further?

Register now for TaxTalent’s 2020 Global Tax Market Assessment Webinar to be held March 4th at 1:00 pm (EST). This is your opportunity to engage with top tax professionals from around the world and discuss topics pertinent in today’s industry. Limited seats are available!
2020 KEY TAKEAWAYS GLOBALLY

1 European Tax Market
- More in-house resources will be allocated to address and manage the risks of the increasing compliance burden.
- Once areas are automated, Tax departments can focus more on business partnering.
- Retention of key staff and developing a positive team mentality will be more important than ever.

2 Middle East and Africa Tax Markets
- Recruitment activity across the GCC region has been modest, compared to previous years, with the exception of KSA.
- We expect to see a greater demand for transfer pricing and international tax professionals.
- The compliance burden will increase, so companies will need to hire more local country advisors with the appropriate soft skills to handle this effectively.
- VAT recruitment was less of a trend compared to previous years. Talks of VAT implementation in countries like Kuwait, Qatar and Oman are reportedly being deferred to at least 2021. It will be interesting to monitor how this impacts recruitment in 2020.

3 Asia-Pacific Tax Market
- Technology is making the taxpayers more transparent to the tax authorities.
- For 2020/2021, we foresee BEPS 2.0 and Pillar II resulting in a material impact as to how MNCs see their positions.
- The combined effects of U.S. tax reform and the OCED’s recent initiatives are forcing U.S. MNCs to revisit holding structures, along with their tax planning and TP positions.
- Understanding the business, and quickly, is absolutely key to being successful as a Tax function. We expect more changes to come regarding cross-border activities as part of the BEPS action plan. There will be high demand for indirect tax, transfer pricing and regional tax professionals across APAC, particularly China, Hong Kong, Singapore, Japan, Malaysia, Thailand and South Korea.

4 Latin America Tax Market
- The technological links between taxpayers and tax authorities will be stronger than ever.
- There will be a huge demand for tax professionals who understand business models and can work with systems.
- The size and volume of audits (across all taxes) will continue to increase.
- Tax reform implementation will continue across LATAM.
- There will be high demand for indirect tax, transfer pricing, customs advisory and regional tax professionals across LATAM, in particular, Mexico, Panama, Argentina, Costa Rica and Brazil.
United States 2019- Predictions

Each year, TaxTalent reflects upon the previous year's report and evaluates the accuracy of our predictions. Below is what we forecasted in 2019, and what came to fruition.

Review the 2019 Global Tax Market Assessment Here.

- **Tax Reform**
  As predicted, tax reform continued to be a big issue for tax departments throughout 2019, primarily due to constant and ongoing changes. We did see an increase in hiring for international positions, but not as much as anticipated.

- **De-consolidations, Spin-offs and M&A**
  Throughout 2019, de-consolidations, spin-offs, and M&A continued to shape the tax industry. Just as we expected, this trend was one of many factors that added to the increased demand and minimal supply of resources and human capital in tax.

- **Aging In-House Population**
  In this area, our predictions were slightly premature. The exodus of Baby Boomers from leadership roles did start, however there was not as much movement as anticipated. We cover this topic once again in the 2020 GTMA report.

- **Tax Technology**
  In 2019, public accounting firms were very aggressive with selling the concepts of outsourcing and co-sourcing in order to get ahead of many departments’ implementation of technology. Due to the impacts of tax reform, software implementation took a back seat and did not take off as much as anticipated.

- **EU Voluntary Disclosure Directive**
  The full results of the EU Voluntary Disclosure Directive have yet to be seen in the U.S. Just as expected, the more discussions that are held around this topic in the market, the more questions arise. What we are most interested in uncovering is to what degree this will affect the use of outside advisers.
2020 Predictions

The Exodus Begins - Demographic Impact on the Tax Industry

There has been a considerable emphasis on tax technology and tax reform over the past few years. However, there is another topic that will have an even more significant impact on the industry than these two combined. The "elephant in the room" relates to the mass wave of Baby Boomer retirements and the effect it will have on human capital/people management.

Analysis shows, within the next few years, there is a very high risk of losing more than one-third of the Heads of Tax, as a majority of individuals in these roles are currently age 60 or older. To add to these concerns, there is a realistic probability the numbers will be even higher, as 64 percent of Heads of Tax are presently age 55 and up. To further exacerbate the situation, 52 percent of senior-level tax professionals, theoretically in line to take the helm, are also older than 55-years of age. Read more in TaxTalent's article Your Next Big Tax Headache: It's Not What You Think.
What does this mean for you and your department? The solution is both simple and complex. Simply put, if you do not already have one, you must implement a succession plan now. It would help if you looked at your plan from all angles, which is where the strategy becomes a little more complicated.

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You may believe you are not at risk of losing your Head of Tax, as they are not nearing retirement age, or perhaps you have a clear heir-apparent, making it seem your plan is in place. Although you may not be worried about losing your #1 (or #2 for that matter) to retirement, you must be aware your team leaders will be approached by other companies seeking top talent. Be sure compensation is in alignment with the market. Companies are willing to pay top dollar to obtain and hold on to a strong candidate. Also, open the lines of communication with your leadership team. Hold weekly meetings to uncover any areas of distress and offer solutions to fix them. You can also provide other incentives, such as operating a few days a week remotely to help promote a better work-life balance. Offers from competing companies can be enticing; however, the happier an employee is in their current situation, the less likely they will be to place their hand in the cookie jar.

Take a more in-depth look at the demographic crisis in your region in TaxTalent's Article, *Assessing Exposure to the Tax Leadership Shortfall*.

As the Baby Boomers prepare for retirement, the torch must be passed to the next generation of leaders. This, in itself, will cause a new wave of challenges. As a result of new regulations, Gen X'ers, who have long awaited the opportunity to step into the #1 role, are questioning if they even want the added headache that comes with the title. Those who do step up will be put to the test as they try to manage the vastly different generations above and beneath them.
Millennials and Gen Z, with significantly less experience than their predecessors, could be promoted much earlier in their careers than those before them. We offer this advice: Review the talents of your younger team members, establish who the top 5% players are, and do everything in your power to develop and retain them. While the work ethic of the Millennial generation has been questioned before, the top performers of this generation could be the key to your department’s future success.

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TaxTalent takes a closer look at the different generations in the article 'Four Generations, One Tax Team.'

For more information on the impacts of human capital/people management, watch TaxTalent’s two-part webinar series.

Watch The Exodus Begins

Watch Leading Your Multi-Generational Tax Department
Current Market Conditions

In 2020, we predict the job market will continue to be extremely active. Below are the three most influential factors as to why we believe this to be true:

1. **Tax Reform**
   
The increased workload that we expected to see in 2019, due to U.S. Tax Reform, held true and will continue to be felt throughout the upcoming year. In our 2019 Tax Hiring Outlook, we pointed out there was an 88% increase in companies expecting to utilize the Big 4 accounting firms last year. We attributed this enormous increase in the use of consultants to the added workload caused by U.S. Tax Reform. TaxSearch, Inc, continues to expect large workloads related to U.S. Tax Reform and the response of nations outside the U.S. as they adjust their tax laws. This means accounting firms will continue to have aggressive hiring strategies, while corporate tax departments will continue to beef up their staff in response to large workloads. Due to our captive labor pool in the U.S., the effects of this talent shortage will keep the market active in 2020.

2. **Baby Boomer Retirements**
   
   Demographics will play a significant role in terms of the lack of resources needed to staff departments adequately in the foreseeable future. In turn, this will keep the market active in the upcoming year. In 2017 and 2018, many Baby Boomers retired as a result of the drastic changes that were going to take place in the U.S. Tax Code. Almost all of the retirees we spoke to at that time indicated they lived through the 1984 amendments, and they were not interested in going through something similar at the tail end of their career. Retirements continued through 2019 but were much less than the previous two years. We expect 2020 will be a robust year for retirements now that tax departments have had time to react to U.S. Tax Reform. Many tax leaders

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**Start thinking about creative ways to obtain quality candidates, as when the market tightens, talented professionals tend to more closely consider factors that influence their quality of life.**
have indicated they would like to transition their companies through tax reform and would feel comfortable handing off their department to someone else after the company had weathered the “tax reform storm.”

### 2020 Election

Historically, election years have been fruitful from an economic perspective, which usually leads to strong hiring in tax. The Dow Jones ended 2012 with a 7% gain, the NASDAQ up 15%, and the S&P increased 13%. In 2016, the Dow Jones ended with a 16% gain, the NASDAQ up 7%, and the S&P up 9%. Additionally, when we went back and looked at prior hiring cycles during election years, revenues in our firm increased by 44% in 2012, and 49% in 2016. While this is in no way a concrete prognosis for 2020, this trend, combined with many of the factors listed throughout the Global Tax Market Assessment, gives us confidence that the economy will continue to be strong in the coming year. If this is true, companies will continue to be aggressive with their hiring efforts. Those that are not expecting to hire new staff this year must look at their succession and retention strategies so they can be prepared should surprise resignations happen.

Talent attraction will become increasingly difficult in the coming years. Start thinking about creative ways to obtain quality candidates, as when the market tightens, talented professionals tend to more closely consider factors that influence their quality of life. While we do not see a lot of companies offering fully remote work environments, satellite offices are becoming much more prevalent in the U.S. TaxTalent will soon be releasing an article that uncovers the pros and cons of this solution. In the meantime, you can read about how companies in Europe are more apt to embrace a remote work environment in BPA’s portion of the GTMA.

### The Roll Out of Global Tax Reform

As predicted in our 2019 report, tax reform was the primary focal point for tax departments last year. Departments had to turn their attention to the more complex tax code that reform created. We saw a continuous increase in headcount within tax operations throughout the last year. This trend does not seem to be slowing down and is expected to continue into 2020. Tax professionals persist in working through the new calculations reform has handed to them. While we still do not know all that lies ahead, we believe there are impacts that have yet to be uncovered. As we examine the future, we anticipate an uptick in the tax controversy area, particularly as the returns reflecting the new tax code make their way into the audit cycle.
United States 2020 Assessment

On a global basis, tax reform is having a ripple effect. Since reform, the tax advantages many countries previously had over the United States have diminished. With companies still struggling to adjust to the new rules and regulations, we now have another layer to add as countries try to compete for their lost revenues. The new Digital Service Tax (DST) is a prime example.

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The potential for a major shift in how companies are taxed on a global basis is currently being addressed with the Organization for Economic Cooperation and Development (OECD) in the forms of Pillar 1 and Pillar 2. As you can see in an excerpt from an article recently posted by OECD, there is a dramatic difference between the two options. This will cause major implications to the shareholders of multinational companies.

- **Pillar 1 - Re-allocation of profit and revised nexus rules**
  This pillar will explore potential solutions for determining where tax should be paid and on what basis (nexus), as well as what portion of profits could or should be taxed in the jurisdictions where clients or users are located (profit allocation).

- **Pillar 2 - Global anti-base erosion mechanism**
  This pillar will explore the design of a system to ensure that multinational enterprises – in the digital economy and beyond – pay a minimum level of tax. This pillar is intended to address remaining issues identified by the OECD/G20 BEPS initiative by providing countries with new tools to protect their tax base from profit shifting to jurisdictions, which tax these profits at below the minimum rate.

As multinational companies are still dealing with the law changes of tax reform, they will now have to brace themselves again; this time on a global level. As the agendas are pushed for additional taxes globally, the question still remains as to whether it will be a nexus and profit allocation (Pillar 1), or a minimum level tax system (Pillar 2) that forms the new laws. Discussions and decisions are still being sorted through; thus, it is unlikely we will have clear answers soon.
In correlation with the topics above, as a U.S. tax professional, it is also important to note the impact of EU Mandatory Disclosure. You can view further details of DAC 6 in the Europe section of this report. What we are most interested in uncovering is to what degree this will affect the use of outside advisers (both accounting and law firms), as they will be required to disclose your information.

In the upcoming year, tax departments should be prepared for more issues surrounding international tax. In turn, individuals who understand international tax will continue to be in high demand.
In-House vs. Outsourcing /Co-sourcing Arrangements

In 2019, the Big 4 continued to make a push for the outsourcing model in regards to the tax function. However, in the past, these outsourcing arrangements have rarely been successful due to the following factors:

1. Public accounting firms are motivated by utilization and billable hourly rates, which does not align with the goal of in-house tax leadership as they are driven by increasing shareholder value and reducing risk.

2. Outsourced employees are forced into a public accounting environment. Because this is not their ideal work environment, many will choose to leave and find an in-house role that is more aligned with their career goals. This results in a loss of valuable legacy knowledge, plus leaves the remaining staff with an increased workload.

3. Many skills, like interfacing with teams outside of tax, are sometimes difficult for even the most talented advisers to attain if they don’t have a lot of exposure working in an in-house tax environment.

The push to outsource is not new, as firms such as Arthur Andersen encouraged companies to explore outsourcing in the past. Knowing this, it is important to note, not one of the larger companies that fully outsourced their department in the 80’s and 90’s remains that way today. We have seen a similar lack of success for outsourcing in situations like the GE/PwC arrangements for the reasons stated above.

*It is important to note, not one of the larger companies that fully outsourced their department in the 80’s and 90’s remains that way today.*

Many departments now recognize outsourcing as an unrealistic long-term model. However, nearly every large department incurs situations where they need outside help. We anticipate departments moving away from outsourcing and towards co-sourcing arrangements. Areas in which we typically see the need for co-sourcing include compliance, tax accounting, and indirect tax. Fortunately, with new advances in AI and robotics, there are plenty of opportunities to streamline and automate these areas, while allowing remaining issues to be co-sourced by internal shared service groups or external consulting companies. Co-sourcing can also be useful when departments need deep industry experience in an area for a limited time.
Technology continues to be at the forefront of the tax industry, as many companies will buy and implement new software in 2020. While technological advances are expected to drastically impact the field, departments continue to be distracted by tax reform and the demands it has put on tax. Last year, the added pressures of tax reform pushed tax technology projects to the back burner. However, companies are aware of its importance and the inevitable changes it will bring to tax.

The alternative to implementing tax technology has been the Big 4’s continuous push for outsourcing and co-sourcing tax departments (discussed in 2019’s GTMA). In many cases, major accounting firms are bypassing the Heads of Tax and going straight to the CFO’s and Controllers, in order to get them on board with the idea. This has caused some dissonance between tax department heads and their Big 4 service providers. Although this is often a good strategy for the major accounting firms, it has been known to backfire on occasion.
Companies clearly understand the importance of adding different technology platforms to their departments to help streamline processes and make them more efficient. How many departments will move forward with their initiatives this year remains to be seen.

**Our strongest advice is to avoid being the beta at all costs when interacting with technology companies.**

When interacting with technology companies in 2020, our strongest advice is to avoid being the beta at all costs when interacting with technology companies. As is usually the case with technology, it is safe to say vendors will over promise and under deliver, at least in the near future. In time, technological advances will catch up, and the industry will start to see some of the promised deliverables. We certainly do not expect technology to significantly impact tax in 2020, but we still recommend taking the lead in your department and closely evaluating decisions regarding tax technology that will directly affect your team.

**Conclusion**

With over 30 years of industry knowledge, the TaxSearch team, in conjunction with TaxTalent and BPA, has become powerful predictors in assessing upcoming industry trends. However, with advances in technology, as well as other critical factors, we feel 2020 holds many unknowns.

Unforeseen circumstances can dramatically alter the forecasts within this report. Politics, policy changes, and advances in other industries can all severely impact the economy and tax industry. In the time it took to develop this report, the Coronavirus made headlines and its effects have yet to be determined.

With that, we advise you to utilize the information throughout the 2020 Global Tax Market Assessment to help build and maintain world-class tax departments; however, if the unexpected should arise please do not hesitate to reach out to our team for advice.

[Contact the TaxSearch Team Now!](#)
Europe 2019 - Predictions

Technology and Regulations

Last year we predicted that tax transformation projects, along with the increasing use of tax technology to automate processes, would enable tax professionals to spend more time on value-added work. Whilst this has been the case for many, the implementation of technology varies greatly across different markets. For some, tax technology always seems to be coming, but never really quite gets there. The real change only seems to happen when Tax Authorities demand it, which is happening more frequently. Whilst technology solutions are still some time away for Corporate Tax (probably two to three years), 2019 has brought plenty of success stories for companies automating VAT and Transfer Pricing (TP) documentation.

Whilst we predicted the increased regulations would be a burden in 2019, highlighting the EU Mandatory Disclosure and MLI, we underestimated how time consuming it would be. With CbCR functioning and into its third year, disclosures are up and TP documentation is constantly increasing, all of which is changing the very purpose of the Corporate Tax department.

2019 - What Actually Happened?

Regulation, Regulation, Regulation!

The Base Erosion and Profit Shifting (BEPS) revolution is starting to produce more tangible effects on day-to-day activities. The transparency required by BEPS and related initiatives is forcing Tax departments to be more proactive and efficient in collecting data from many different sources, systems and people worldwide. CBCR feels like it has been around forever, and now -- combined with EU mandatory disclosure rules -- the Tax world has never been more transparent. Moreover, countries like Poland and Croatia have gone beyond the scope required by the EU directive.

This new tax-transparency initiative increases reporting requirements, which will boost the level of transparency surrounding potential loopholes and harmful tax practices. With stricter disclosure fully in force by mid-2020, this represents one of the most significant changes for Tax departments in recent years. Processes need to be mapped, documentation needs to be in place, and reporting must be made to every country involved, all written in the local language. From the long-held perception of a tax professional having a mix of just legal and accounting skills, we now see the emergence of the tax data analyst. Big data may be here, but it’s what you do with it that counts!

The effect on recruitment has been to push the Global Head of Tax to look for new resources who are skilled in IT systems and data reporting procedures, as well as a decent level of tax and accounting education. Not easy to find. Some companies have tried to convert people from
Finance, with mixed success. This has also changed the way the Global Head of Tax communicates with Senior Management. For example, encouraging the investment of scarce resources into new IT systems that may appear to add no real value to the business, unless you use the data collected intelligently, and for other planning purposes. It might also include spending on advisory fees and new hires. Depending on internal circumstances, this may put more pressure on tax optimisation initiatives, which are traditionally seen as where the Tax department adds value. This strikes at the heart of the very purpose of the Tax department. Is it a compliance centre, or a value-add business partner? Although this debate is not unique to 2019, it is now more tangible in day-to-day activities and priorities.

We’ve seen the shift over the past few years from a focus on planning to a focus on risk, compliance, tech and transformation. At the top of the agenda for larger corporations are compliance and risk management. Planning in the sense of debt funding, IP planning and efficient M&A is still relevant and current, but BEPS, BEPS II and digital tax are making it increasingly difficult to do anything out of the ordinary.

Where do the driven, innovative thinkers go now? Well, some PE-backed enterprises still offer the opportunity to be inventive, although it’s significantly constrained from where we were five to 10 years ago. Blue chip corporate roles need to be challenging on the audit, controversy, and tax transformation fronts to be considered interesting.

For those in the UK, the workload is at an all-time high as preparation for Brexit (with multiple false-starts), Making Tax Digital (mainly VAT), IR35 changes (anti-avoidance), increased transfer pricing requirements and the continued implementation of U.S. Tax Reform have all featured. IR35 is probably the biggest challenge, and many companies are only just starting to come to terms with it. The fact that the legislation has not yet gone through and we are still awaiting definitive guidance from HMRC does not help, but companies have to prepare nonetheless. Making Tax Digital for large, complex groups was deferred to 2020 so that is something we will evaluate in next year’s assessment.

The increased politicisation of Tax has not helped in 2019. Increased pressure from media, public committees and parliaments has meant that tax authorities, previously willing to engage constructively with taxpayers (such as Dutch and HMRC), are now less willing to do so. This means Tax functions are less able to have conversations and receive any degree of certainty in relation to material issues.

To summarise, with compliance obligations increasing, 2019 saw the continuation of DAC 6, BEPS and group-reporting regulations. Some companies have reacted to U.S. Tax Reform by restructuring parts of the business. We have seen an increase in reporting regulations, transparency requirements and the very pressing point of trying to ensure the sustainability of any planning.
2020 Predictions

We forecast that 2020 will be focused on BEPS 2.0, the political landscape in the U.S. and impact to tax rules, automation, and the tax authorities increased use of technology. We anticipate more confrontation with ever more aggressive Tax Authorities and the Press

BEPS 2.0: The Biggest Change to the Global Tax Order in 100 Years

With BEPS 2.0 around the corner, it looks like we are moving to a world where tax calculations are based on profit allocation. The OECD is working on the largest reform to the taxation of multinational companies in almost a century - a comprehensive shift from profit taxation to turnover-based taxation, with more focus on the customer. Preparation for the first two pillars of BEPS 2.0 will be a continued burden on time and resources in Tax departments in 2020. Unilateral actions by Governments to implement Action 1 BEPS 2.0 project (pillar 1 and 2) will be a drain on resources. We expect that 2020 will be about companies gaining consensus, while applying their influence to turn this into a workable plan. Beyond that, we feel that 2021, 2022 and 2023 will be about implementing any necessary changes. If, for example, a multinational makes sales in 180 countries but only has a taxable presence in 40, how will the company (administratively and in terms of resources) deal with resulting increase in tax filings and compliance?

If, for example, a multinational makes sales in 180 countries but only has a taxable presence in 40, how will the company (administratively and in terms of resources) deal with resulting increase in tax filings and compliance?
Governments will continue to aggressively pursue revenue collection to balance budgets, which may come under pressure due to economic slowdowns or even recession caused by global uncertainties (e.g. impact of global trade war). Unilateral actions by Governments to implement Action 1 BEPS 2.0 project (pillar 1 and 2) and digital taxes will fuel the risk of reciprocal tariffs. For this shift to work, there are still many hurdles to overcome. Should there be any carve outs? Who will be the central authority? What to do about companies with a margin below 20%? Will the UN and WTO be more active in 2020 to show they also have a seat and voice at the tax agenda table? How do you achieve consensus from over 100 countries, especially when it appears we are now trying to start with ‘an outcome’ and then trying to retrofit it into principles that everyone can get behind?

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Technology Changes

For a number of major MNCs, 2019 was a year of continued transformation and embedding new ways of working. To achieve this, everyone has had to get on board and change the way they work, which continues to be more of a human issue than a tax issue. For some MNCs, Tax is now ahead of Finance in the transformation process. This can lead to problems when trying to quickly answer tax queries and provide requested documentation, as you need to be able to gain access to data whenever you need it.

2020 continues to be about Tax Departments proving their worth either in $ values or by enabling and adding value to the businesses. It is easy to articulate this when Tax has been instrumental in a multi-million financial transaction, but more difficult when trying to put a value on a process improvement. How do you find the balance between people projects (i.e. involvement in process improvements) and big-ticket value projects (where big sums are involved)? A number of companies are now considering how someone chooses what they plan to deliver and why.
For less mature organisations, pressure is mounting to respond to tech changes. We are at a tipping point - with a real need to use technology rather than Excel spreadsheets. In the past, big companies purchased a single tech solution, now they are becoming more comfortable at combining multiple solutions. The Big 4 will need to rethink their strategy, as it will be more difficult to sell a single solution. Companies will be able to pick best-in-class solutions and link them up as tax professionals become more aware of different products (and what they can do), while becoming more skilled and comfortable in how to use technology.

Tax strategy, processes, procedures and compliance are now the focus. Technology will play a role in planning for BEPS 2.0 and EU MDR tracking. Indirect tax can be fully automated, but corporate tax automation is still two to three years away.

Rather than acquiring bespoke solutions, the strategy for some has evolved into using existing platforms as far as possible (e.g. SAP) and data tools (e.g. Alteryx) to develop in-house tax technology. This has several benefits. By using existing platforms you can maximise on-going internal IT support, as they have to maintain them anyway, and by using tools such as Alteryx, you can design automated tax workflows (e.g. CBCR, transfer pricing, PSA) rather than having to implement and deploy multiple solutions.

Outsourcing Combined with Technology
We believe 2020 will see more companies outsourcing certain functions. Companies will have to consider the sustainability of talent in local tax markets. The challenge is retaining talent in Shared Service Centre locations e.g. Bratislava or Budapest, where new companies often set up and then entice staff away by offering more money.

As compliance requirements for Tax departments increase, there is only so much capacity, so some have no alternative but to increase outsourcing. In addition, rarely a month goes by without additional filing requirements for electronic supply VAT registrations. The next phase of BEPS, addressing the digital economy, is likely to further increase corporate tax filing requirements in many territories.
The driver for successful co-sourcing are the technological advances a company can make by partnering with another resource that is further advanced in this space. The time companies have to find, extract and clean data has been significantly reduced by tax authorities, meaning that companies must become much better at data management.

The general consensus seems to be that it is no longer efficient to do compliance ‘in house’ and companies should be embracing a model of co-sourcing or outsourcing. The popular view is that the in-house team should own the process and complete a final review, but tech now enables the sourcing model to be super efficient and free up the Tax team. The result for recruitment is that you now need less junior staff, as the bots can handle that process. However, you will need more middle management in tax – those at manager and senior manager level – and the hiring of these individuals is becoming increasingly difficult in a highly competitive market. You want a team of rounded business tax people, with ‘business’ being the key word. You don’t just need tax specialists; you need pragmatic, versatile people who can embed themselves in the business, but still have a ‘tax mind’.

**EU Mandatory Disclosure Regime (DAC 6)**

In 2020 and beyond, companies will need better (and quicker) systems to report group consolidated tax numbers, as CFOs continue to drive leaner finance target operating models. The software in the market is just not good enough, cheap enough or quick enough to implement, so people will continue to paper over the cracks until AI provides better solutions.

For 2020, DAC-6 is a main priority. Many companies are currently selecting the tool to do this from a Big 4 firm. The main challenge will be to identify the transactions that will need to be reported. Experimentation and learning on the job will be the order of the day.
Transfer Pricing

The aggressiveness of many tax authorities will lead to one of two possible approaches by taxpayers: Those with large enough positions will seek more certainty via APAs, while others will eliminate cross-border charges, instead making TP adjustments and accepting double taxation as a cost of doing business. Transfer Pricing professionals will remain in very high demand, as they deal with the above and orientate to BEPS 2.0.

Transfer Pricing professionals will remain in very high demand, as they deal with the above and orientate to BEPS 2.0.

U.S. Tax Reform

The consensus in Europe is that there is still massive uncertainty as to how the rules work, plus a lag in Regs. U.S. Tax Reform is starting to become better understood and is filtering through to the next iteration of BEPS. We also had the fallout from Wayfair, as U.S. states started to implement new rules for sales taxes. This has increased European-based MNCs’ U.S. state sales tax obligations significantly, and it may be something that will have to be outsourced in the near future. In addition, European-based Tax teams are starting to consider how they will be impacted by the various digital sales taxes being implemented around the world.

From a European perspective, the increased complexity has led to a need for more competent U.S. tax directors. Traditional tax directors were more compliance focused, with less planning experience. For European groups there is now a requirement for a strong U.S.-based tax resource. Increasingly, there is more focus on sales tax audits and state tax audits. This is in part a result of U.S. reform, as states become more and more strapped for cash.

Staffing and Retention

The completion of Brexit and the U.S. elections will accelerate the Baby Boomer retirements, as they gain the financial confidence to retire. The UK’s future outside of the European Union is now a certainty, so businesses can start to plan ahead. This will have a positive effect on investment.

With the next generation of HoTs taking the reins earlier -- and, by association, hitting higher salaries sooner, coupled with salary growth from demand outstripping supply -- we will see a ‘knock-on’ effect in the talent supply as the Gen X’ers will themselves retire sooner. Retention bonuses and LTIPs will become increasingly important to retention and succession planning.
Forward-thinking companies on the HR front (flexible work, holidays, soft benefits) will win on the talent front as the Millennials rise up the seniority ranks. Leaders who prioritise staff development and find ways to reduce mundane and repetitive work will retain staff provided they demonstrate a vision of opportunity and pay well enough.

Recruitment is challenging, and the supply of newly qualified tax professionals from the Big 4 is extremely thin, as is the market for broadly-skilled tax generalists. Increasingly, MNCs are training graduates from scratch, and we think this trend will continue. For the younger generations, the attractions are the opportunity to work in the Global HQ, variety of work, good pay, and a flexible working week.

A number of Tax Leaders have said that 2019 has been (and 2020 will be) about the Tax department being resilient.

Many of the largest MNCs are already recruiting for technology/processes/data specialists within the Tax function. No longer can Tax rely on internal IT functions for this help, as the resource needs to reside within the Tax team. This has also included data scientists seconded in from accounting firms, and it is likely such people will be recruited into the Tax department permanently in the future.

It has been interesting that a number of Tax Leaders have said that 2019 has been (and 2020 will be) about the Tax department being resilient. With the incessant attacks on major companies, aggressive audits and the need for transparency, the role of a tax adviser today is miles away from what it was even five years ago. For more-senior tax professionals, the role has completely changed. This is perhaps less so for the younger generation. Many tax leaders are now are in defence mode (non-technical work) justifying tax positions. They need communication skills, digital skills understanding and data ownership, and must answer questions such as how do you interpret data and how do you deal with tax authorities trying to interpret that very same data in the worst way possible?. The big questions are:

1. What is the role of the Tax function?
2. How do we keep up with the constant change?
Tax Leaders today must be public relations agents and work with different people within the company (investor relations, government relations, external relations). Corporate tax leaders must be able to explain the tax position in the public sphere. Just take a look at the very public debacle of the New York Times vs Fred Smith, FedEx Chairman and CEO. All tax leaders should take note, regardless of the size or geographical footprint of your company. 

In some industry sectors, Tax Leaders also have to spend time supporting their staff. In this ever-changing world and with the Tax agenda and environmental issues firmly in the public eye, we are even hearing of instances of family members asking a parent why, for example, they work for an oil or gas company? We are in an age where, even if a specific company is doing great things environmentally, it is often only the bad news that is published.

**Flexible Working**

Many believe that a team is stronger when working together and the rest of the business can find you. However, once fully engaged in a company, and with the technology that is now available, it is possible to benefit from a better work-life balance whilst still maintaining productivity. Other tax leaders accept (and lament) that many people want to work from home or want flexible hours. It depends on your location. If you don’t offer what is available elsewhere, you immediately reduce the pool of candidates.

We are likely to see an increase in full-time staff working a flexible week. Two-day, part-time roles will continue to be very niche. Three-day and three-and-a-half-day working weeks will grow. Whilst not ideal to employers, the demand growth will give power to employees to set their terms. The Gig Economy is increasingly invading the professional services world.

Some companies and industry sectors cannot compete on salaries alone and have decided to provide as much flexibility and autonomy as possible to enable individuals to learn, grow, develop and enjoy working. This has been persuasive enough for some people to opt for a job offering more life balance, instead of a higher paying role with a less flexible employer.
Conclusion

In 2020, we predict the European Tax Market will see:

1. More TP Professionals.
2. More tech-savvy tax professionals.
3. More audit / dispute resolution skills.
4. Tax technologists - people with strong systems / tech skills to work within Tax team.

More in-house resources will be allocated to address and manage the risks and increasing compliance burden. The challenge here is that this is a highly competitive market and the pool of quality candidates appears to be getting smaller.

Tax departments continue to focus more on business partnering and implementing projects. You can’t just provide advice and let others run it, so the Tax team is no longer a back-office function. We see Treasury, Legal, Accounting and Supply Chain all looking to Tax to join the dots. Tax needs to manage the journey from A to Z.

We anticipate that 2020 will see more companies recognise that the leader of a global project does not have to be based in the Global HQ. Many global TP leaders, for example, are located across the world. Such changes require effective communication skills, people leadership skills and an ability to work effectively with people geographically spread across the globe. The recruitment challenge for 2020 is not about recruiting at all. Rather, it will require doing all you can to keep your brightest and best. This could mean moving staff in and out of Tax, providing opportunities overseas and offering flexibility.
Middle East & Africa 2019 - Predictions

1. A greater focus on transfer pricing (TP) across the region in response to changes in regulation and tax reform. Due to increased scrutiny, TP will be higher up on tax executives’ agenda, more now than ever before. In recruitment terms, we predicted there would be a higher demand for international tax professionals with TP experience.

2. An improved economic outlook was expected across the Gulf Cooperation Council (GCC) region which attributed to more non-oil economic activity. This will accelerate ‘in-house’ recruitment activity, which has stagnated over recent years.

3. Working to overcome the perception that larger companies are not paying as much tax locally as they perhaps should be, will remain high on corporate and tax leader agendas.

4. There will continue to be a greater push for ‘revenue mobilisation’ efforts across Africa.

2019 - What Actually Happened?

Transfer Pricing (TP)

Since our last report, we’ve seen the introduction of the TP bylaws for the Kingdom of Saudi Arabia (KSA) by the General Authority of Zakat and Tax (the “GAZT”). This is further evidence that countries across the GCC region are focusing on tax collection, as well as broadening their tax base.

As a result, transfer pricing is becoming an area subject to increasing scrutiny by the tax authorities. In fact, more tax leaders are citing transfer pricing as something that is on their minds. This is also having an impact on how tax is perceived and handled at the c-suite / director level.

We have noticed recruitment in Tax increase across KSA in particular

It is perhaps not surprising that we have noticed recruitment in Tax increase across KSA in particular, although most of this seems to be taking place in practice, rather than in-house.
Assessment of 2019
Middle East & Africa Predictions

Similarly, across the African continent, tax leaders have commented on how TP documentation and cash repatriation regulations are becoming more stringent in many countries.

Surprisingly, in 2019 we did not receive a single recruitment brief looking to hire someone dedicated exclusively to Transfer Pricing in Africa or the GCC region. We see this elsewhere in the world, so it will be interesting to see if that changes in 2020.

Economic Outlook
In our 2019 report, we talked about an improved economic outlook across the GCC region, attributed to more non-oil related revenue. We felt this would result in an increase in recruitment activity.

First, the good news, economic indicators (such as the PMI) cited by the World Bank, suggest that non-oil growth continued its momentum in the first part of 2019 across the UAE.

At the time of writing, Saudi Aramco has just had its first day of trading on the Riyadh stock exchange in what is now the world’s biggest IPO. The market value on the first day was close to a staggering $1.9 trillion; making it easily the world’s most valuable listed company! The proceeds of this sale will be used to fund their investment programme into non-oil related matters. This is consistent with some of the diversification themes explored in previous reports, with the ability to visit Saudi Arabia as a tourist for the first time providing an exciting example.

This is mirrored across Africa, with growth figures in Sub-Saharan Africa being described as “modest” overall by the World Bank. However, there are exceptions to this, with the IMF (October 2019) reporting the top GDP growth in countries like Ghana, Ethiopia, Côte d’Ivoire, Sudan and Rwanda.

This is one of the reasons, perhaps, why we haven’t seen an increase in recruitment activity across the region in 2019, compared to earlier years.

However, growth in other economies across the GCC appears to be modest at best. This is one of the reasons, perhaps, why we haven’t seen an increase in recruitment activity across the region in 2019, compared to earlier years.
Assessment of 2019
Middle East & Africa Predictions

Tax Authorities and Challenging the Perception of Tax
More frequent and aggressive tax audits are a trend we have noted in all of our reports, and this theme remains consistent today. Tax leaders across the region have commented on how TP documentation and cash repatriation regulations are becoming increasingly stringent.

There will also continue to be a greater push for ‘revenue mobilisation’ efforts across Africa, as transaction taxes (like VAT and withholding taxes) remain in the limelight.

So what does this all mean from a recruitment perspective?

Companies are placing more emphasis on hiring tax professionals with the personality, charisma and relationship-building expertise required to handle this robust environment.

The Sub-Saharan African region is where the majority of recruitment has taken place for us, with organisations usually opting to hire a regional leader that has oversight across a cluster of countries.

Companies are placing more emphasis on hiring tax professionals with the personality, charisma and relationship-building expertise required to handle this robust environment. Relevant language skills are also a very important criteria when we take in new briefs.
2020 Predictions

In light of the above, we predict that companies across the GCC region will start to increase their hiring in transfer pricing or bring in international tax professionals with good exposure to TP. This will especially be true in KSA. In fact, as the profile of tax becomes higher at the c-suite level, we are surprised to have not already experienced increased recruitment activity occurring in 2019. We predict this will change in 2020, especially in-house.

We anticipate more tax recruitment activity across Africa in 2020, especially in places like Ghana and Cote d’Ivoire, as their economies continue to grow. Having a regional tax lead for Sub-Saharan African matters is going to be a common characteristic across all companies that have operations in this region, in order to navigate the complex and challenging tax landscape.

Key Takeaways for 2020

1. Recruitment activity across the GCC region has been modest, compared to previous years, with the exception of KSA.

2. We expect to see a greater demand for transfer pricing and international tax professionals.

3. The compliance burden will increase, so companies will need to hire more local country advisors with the appropriate soft skills to handle this effectively.

4. VAT recruitment was less of a trend compared to previous years. Talks of VAT implementation in countries like Kuwait, Qatar and Oman are reportedly being deferred to at least 2021. It will be interesting to monitor how this impacts recruitment in 2020.
Conclusion

With the stakes higher than ever, it’s very important to hire the most capable person you can for a job.

A general trend (and something we have discussed in the past) involves the recruitment methodologies some companies adopt to hire tax talent. For example, whilst advertising a role online can be a cost-effective strategy; it should not be relied upon exclusively. Often, the best people are not actively looking to move and will not be captured by such advertising.

Also, the candidate experience is at the forefront of the minds of many progressive HR functions. Getting this wrong can have a detrimental impact on your brand, as well as negatively influence your ability to attract top candidates.

Clients value our ability to adopt a sophisticated, comprehensive and sensitive approach to identifying and attracting the most exceptional tax talent, something we have been doing since 1993.

For questions on the Middle East and Africa assessment contact James Preselo (Middle East and Africa) / Office: +44 (0)20 7432 4536 / Email: james@bpasearch.co.uk
Assessment of 2019
Asia-Pacific Predictions

Asia-Pacific 2019 - Predictions

In summary, we expected a greater need for Tax Functions to develop stronger bonds within their businesses, such as the need to develop an automation / technology strategy. We predicted that tax authorities would tighten their grip through increased and more aggressive tax audits. We also believed that companies would need to update existing tax strategies and policies, plus ensure they have the right resources in the right place across the region. All of these predictions have proven to be correct.

Mainland China and Hong Kong

In 2019, we talked a lot about the trade war between the U.S. and China, as well as the impacts on Tax in China, the U.S. and the rest of the world. The U.S. tax reform has been attracting a lot of attention in China, which has its own tax reforms, and overall, we are seeing a huge amount of "change" in the Tax world.

In APAC, the pace of change and the trade war is bringing U.S. MNCs into jurisdictions where the tax system is less developed. This means there is a need for tax talent with solid foundational skill sets, but even more importantly, dynamic enough to deal with unknowns. Companies also want new tax recruits to bring proven regional Greater China / APAC skills, as well as those who have the ability to think globally and across borders.

Many U.S. MNCs in China have been focused on tax audits and tax planning. The number of tax audits increased significantly across Mainland China and HK. We have seen tax officers becoming more professional and more commercial than ever before. We believe defending tax audits will be even more challenging in the future. Additionally, tax planning will need to be adapted, as many strategies used in the past now attract greater attention from tax authorities.

Chinese tax authorities are applying big data technology to identify the tax compliance status of taxpayers, sending out alerts and carefully selecting key tax audit targets. Technology is making the taxpayers more transparent to the tax authorities.
U.S. Tax Reform changes are still being considered and implemented, which is taking some time.

All these changes require tax professionals to be more creative, with the ability to keep pace with an ever-changing environment. Salary, position and development opportunities are still the main things that attract tax candidates. For example, U.S. companies are offering little room for salary increases or changes in the Greater China Tax function in locations such as China, HK, Macau and Taiwan have been informing us of significant (30% +) turnover rates. Tax professionals are finding it very easy to find new positions that appear to meet their demands and expectations. From a candidate perspective, the need to offer a flexible working arrangement is mixed. Many we have spoken to (for this paper) appear to enjoy the office environment. One additional challenge when recruiting in China is that Chinese-parented MNCs are willing to offer salaries significantly above the market rate in order to attract the highest-calibre young tax talent.

2019 has been the year many tax authorities looked to audit from both general corporate tax and transfer pricing perspectives.

BEPS appears to be the main focus, and the complicated and uncertain tax exposure in APAC jurisdictions is creating work for MNCs, particularly for those that must manage and maintain data in order to ensure compliance.

TP and TP-related controversy, most notably in China, has been an ongoing challenge for 2019. This is only going to increase in the next few years, as the tax authorities adapt to the volume of information they now have access to and learn how to use it.

2019 has been the year many tax authorities looked to audit from both general corporate tax and transfer pricing perspectives. This is a trend that we feel will be here stay for many years. At the same time, tax authorities continue to leverage new technology in order to build their capacities with respect to monitoring taxpayer compliance.

The combined effects of U.S. tax reform and the OCED’s recent initiatives are forcing U.S. MNCs to revisit holding structures, TP models, and tax planning and TP positions that have been in place for many years. It is a massive task requiring immediate attention and action.

Traditional operating models, where the Tax function works in a silo, are on a downward trend. Increasingly, especially for Fortune 200 MNCs that have the scale, Tax functions are actively participating in organisation-wide transformation projects, including SAP migration to SAP S/4 HANA. It used to be that tax compliance was considered less important and uninteresting, operating in countries where the tax compliance status is updated in real-time on portals with ‘non-compliance’ excluding companies from bidding in government projects. Tax compliance coupled with data analytics and compliance tools, is now the area of Tax to be in and where every company needs to excel.
Assessment of 2019  
Asia-Pacific Predictions

Singapore
The existing PE concept and customary and familiar arm's-length principles could potentially be affected by both the Pillar 1 "unified approach" of nexus and profit allocation, and Pillar 2 "minimum tax" changes. If BEPS 2.0 (encompassing both Pillars 1 and 2) is implemented, this will create a significant shift in the way companies manage their tax affairs.

The question in 2019 continued to be whether to centralise in-house or to outsource/co-source with third-party providers. There continues to be pros and cons, and a growing number of companies are adopting a hybrid arrangement.

In 2019, for many companies in APAC, a major issue has been the implementation of U.S. tax reform. The early part of 2019 saw restructuring of operations and reporting, in order to encompass the new changes regarding repatriation of ‘after tax’ cash to the U.S.

In addition, 2019 saw changes to tax operations in a bid to encompass automation and shared service centers, in order to reduce tax operation costs. From a recruitment perspective, this has led to an increase in the need for analytical tax professionals for vetting purposes and value-add tax insights to businesses in an effort to navigate tax issues arising from increased cross-border activities to boost sales.

Tax on the digital economy has also been a key issue in 2019. There has been increased scrutiny on data center activities and on digital business. Beginning in 2020, Singapore and Malaysia will be implementing tax on digital business through the GST/VAT and Sales Service Tax mechanism, and we should expect more changes to come on cross-border activities via the BEPS action plan.

Japan
Trying to recruit high-calibre tax professionals remains a key issue in Japan. Part of the problem is that students believe ‘Tax’ will be dealt with by AI in the future. Employers need to think about how they promote the Tax work that the younger generation will have access to. On top of this, many MNCs have been outsourcing tax compliance to the Big 4, but the perception is that the quality of work at the Big 4 is slipping due to a lack of resources.

Many companies have stated that it is important to offer work-life balance, flexibility, a good career path, challenging opportunities and competitive compensation to attract candidates.

Implementing tax technology / tax transformation has continued at a great pace in Japan. There is still a long way to go, but global IT solutions (i.e. semi-automated Transfer Pricing calculation systems, cloud-based tax monitoring and data-sharing tools) are being broadly utilized.
2020 Predictions

There is a lot of material coming from OECD and other sources, and the authorities are interpreting it in different ways. All MNCs are trying to harmonise, standardise and become transparent, but the tax authorities interpret things differently country-by-country… all leading to uncertainty. Tax departments have to be more involved to the point where they are sure that all communications, including those to the general public and media, from all internal functions (including sales teams) have been thought through. Any overselling by an enthusiastic sales director can lead to questions being from the tax authorities, who are actively looking for more revenue to tax. If someone does not understand the ‘global’ tax model and is talking about the activities of one country on a global scale; this can lead to a misunderstanding with authorities.

For many companies it is all about the value proposition. There is great pressure and high expectations from most companies regarding value add and cost efficiency from support functions. Understanding the business, and quickly, is absolutely key to becoming successful as a Tax function, and for many it is even more important than bringing technical tax experience to the table.

In 2020, larger organisations are likely to feel the burden of having to live through tax assessments. For the first time, there has been an information exchange between countries with new CBCR filings in place. The Tax Authorities are now armed with more information than they ever had access to before. Various forms of digital related taxes that have been introduced by various countries are blurring the lines between direct and indirect taxes.

The industry will need tax consultants and in-house tax experts who are more commercially inclined with a ‘big picture’ perspective, rather than tax consultants who are compliance focused and reactive. What are required are trusted professionals who can maintain good relationships with the tax authorities in this uncertain, vibrant tax landscape.

For 2020 / 2021, BEPS 2.0 and Pillar II will have material impact as to how MNCs see their positions. The digital tax elements of pillar II have been receiving a great deal of press, but it’s concepts like “minimum taxation” and the new mechanisms enabling jurisdictions to tax otherwise untaxed income will be game changers.

In summary, Tax needs to become a mainstream business function rather than a back-end support function.
Key Takeaways for 2020

1. Technology is making the taxpayers more transparent to the tax authorities.

2. For 2020/2021, we foresee BEPS 2.0 and Pillar II resulting in a material impact as to how MNCs see their positions.

3. The combined effects of U.S. tax reform and the OCED's recent initiatives are forcing U.S. MNCs to revisit holding structures, along with their tax planning and TP positions.

4. Understanding the business, and quickly, is absolutely key to being successful as a Tax function. We expect more changes to come regarding cross-border activities as part of the BEPS action plan. There will be high demand for indirect tax, transfer pricing and regional tax professionals across APAC, particularly China, Hong Kong, Singapore, Japan, Malaysia, Thailand and South Korea.
Assessment of 2019
Latin America Predictions

Latin America 2019 - Predictions

LATAM is providing the rest of the world with a glimpse of how tax authorities and taxpayers will interact globally in the not-so-distant future.

We predicted that more companies would embrace technology / transformation, and this has proven to be the case. Companies have had to ensure the robustness of their systems and processes. No one wants to submit information to tax authorities that they cannot explain!

We forecasted that tax professionals would need to improve their knowledge of technology, digital services and e-commerce. This is happening.

LATAM is providing the rest of the world with a glimpse of how tax authorities and taxpayers will interact globally in the not-so-distant future.

2019 saw the continued need to provide more substance on transactions in order to deal with BEPS. Tax advisers need to know the business, how and where it makes its money, and how the Tax Department can play its part. They must have a greater input into how business is conducted across LATAM, as well as an understanding of TP and its global impact.

2019 has seen an even deeper interaction between taxpayers and the tax authorities. The use of technology in the Tax function has increased, and it’s been another year of larger and even more complex audits (across all taxes).

In addition, 2019 has seen a significant increase in demand for Country Tax Managers in key locations across LATAM, particularly in Mexico. The new Mexican Tax Reform came into effect on January 1, 2020 and many U.S. HQs are now recognising, for the first time, the need to have a dedicated tax professional take ownership of key Mexico tax issues, whilst also working very closely with the businesses. In many cases, clients have been looking for candidates who have worked with or in a U.S. MNC and, if possible, have had a secondment to HQ in the U.S.
Assessment of 2019
Latin America Predictions

As predicted, Tax Leaders have had to integrate themselves far more into the commercial business strategy, by learning to speak ‘Business’ and ‘Finance,’ as well as ‘Tax’.

We saw many MNCs outsource compliance activities in 2019, whilst retaining 100% control or co-sourcing on the most important, value added work.

From a recruitment perspective, we saw many clients looking to us to find them tax professionals with process and change management skills to help implement (or devise) their automation agenda.

We experienced high demand for tax professionals with regional, cross border and global-thinking skills, as well as specialists in the fields of Customs, TP, Controversy and Tax Technology.

In an attempt to recruit the best talent regionally, MNCs have had to consider offering greater development opportunities, highly competitive packages and an attractive working environment. This is against a backdrop of advisory firms doing all they can to keep their best talent. This has led to promotions and pay increases, with the inevitable knock-on effect when it comes to recruiting in-house staff.

From a recruitment perspective, we saw many clients looking to us to find them tax professionals with process and change management skills to help implement (or devise) their automation agenda.

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Electronic invoicing and digital billing are now realities in most LATAM countries. This has particularly impacted Mexico, Argentina, Chile, Colombia and Costa Rica; all countries with some of the highest demand for top-quality tax professionals possessing the desirable skills we have already described. Tax authorities now have the opportunity to precisely follow monetary flow through what is billed by commercial operations. This has created a huge compliance burden on taxpayers.
TP obligations continue to escalate as the level of detail requested by tax authorities increases. We have seen some countries, such as Argentina, create new TP obligations, whilst other countries, like Panama, Guatemala and Chile continue to adjust local formats to include more and more detail. Costa Rica is implementing changes in tax legislation, such as implementing a new VAT structure that taxes new and/or additional activities.

The digitalization of the LATAM economy has led to the need for business model changes. In Mexico, for example, certain transactions made via a digital platform have started to be taxed. In 2020, overseas residents providing digital services to recipients located in Mexico will have to pay a monthly VAT. Similarly, Chile is changing its legislation in 2020 regarding taxation on specific digital services.

The definition of PE is also changing across LATAM, and companies have to ensure their business models are aligned with the changing tax legislation.
2020 Predictions

In many LATAM countries, tax reform is at the top of the agenda for businesses, and we anticipate that trend will continue in 2020.

Also, in 2020, Brazil will be seeking approval to changes to its indirect tax structure in an effort to make it all-encompassing, similar to VAT. They will also be reducing the Corporate Tax rate. Chile is looking to implement tax reform, aiming to simplify tax compliance and introduce rules that favour countries with a Double Taxation Treaty with them.

OECD will continue providing new guidance for BEPS project in 2020.

In many LATAM countries, tax reform is at the top of the agenda for businesses, and we anticipate that trend will continue in 2020.

It is hoped that 2020 will start to see the tax authorities better understand information generated by technological platforms with more accurate results in their audits. Similarly, we anticipate taxpayers becoming better prepared to understand what the tax authorities need.

It is hoped that 2020 will start to see the tax authorities better understand information generated by technological platforms with more accurate results in their audits. Similarly, we anticipate taxpayers becoming better prepared to understand what the tax authorities need.
We already know of the LATAM tax-recruitment plans of many U.S. and European-parented MNCs, and we see no sign of a tail-off in recruiting the type of candidates we have described earlier.

The challenge for 2020 is the same as in 2019: attracting talent in a highly competitive market. Companies need to be ready to pay market (and often an above-market) rate to attract the best, with many of the younger generation (those at Tax Assistant Manager and Manager levels) looking for the flexibility of working from home.

They also seek greater responsibility earlier in their career, strong company values, and opportunities for training and self-improvement, plus support for staff with young children.

We see no sign of a tail-off in recruiting the type of candidates we have described earlier.

We forecast that 2020 will be another year where Tax Leaders and their teams will need to be technically strong but also technologically updated and aware of what is happening in all areas of Tax. We need Tax people who can understand and propose more efficient business models and integrate Tax as a key player in key company decisions and business operations.
Latin America 2020 Assessment

Key Takeaways for 2020

1. The technological links between taxpayers and tax authorities will be stronger than ever.

2. There will be a huge demand for tax professionals who understand business models and can work with systems.

3. The size and volume of audits (across all taxes) will continue to increase.

4. Tax reform implementation will continue across LATAM.

5. There will be high demand for indirect tax, transfer pricing, customs advisory and regional tax professionals across LATAM, in particular, Mexico, Panama, Argentina, Costa Rica and Brazil.
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