GLOBAL TAX MARKET ASSESSMENT

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

2021 EDITION

PUBLISHED BY: Tax Talent®

IN CONJUNCTION WITH:

TaxSearch® Incorporated

BPA

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1. **The Impacts of ESG on the Tax Profession.**
Companies need to be aware that financial leadership will be making a push to adopt and adhere to ESG standards. While it is yet to be seen how tax will be affected by each individual area of ESG, we predict issues surrounding racial diversity will be a leading cause of tension.

2. **Update on the Demographic Impact.**
Because of increased workloads and budget constraints, compounded with personal health concerns surrounding COVID-19, we expect the rate at which Baby Boomers retire from the tax profession will accelerate in 2021. This will cause Millennials and Gen Z to take on leadership positions much earlier in their careers than their predecessors.

3. **Predictions of how Remote Work will Affect Permanent Staff and the Consulting Budget.**
Moving forward, companies will embrace a remote work atmosphere as it became vastly more acceptable post COVID-19. Most companies will not shift to a full remote tax department, but a hybrid model. This willingness and acceptance of remote project-based work presents another unique opportunity through the Talent Economy. This will increase the quality of the consultant talent pool dramatically, while also reducing the cost.

4. **What will the Future Tax Department Structure Look Like Post COVID-19?**
In 2021, we predict tax departments will begin to morph in the way they are structured. This will be an alternative to the singular, managed services approach that the public accounting firms present.

5. **The Likely Shift from ETR Tax Planning to Tax Policy and Controversy.**
In the past, there has always been an emphasis on how to drive down ETR and/or create cash tax planning opportunities. As departments are forced to address transparency, core members of their team must develop an expertise in influencing skills. In 2021 we will begin to see an evolutionary shift from technical, creative tax planning skills to influencing skills at the policy and controversy levels.

Want to Discuss the Global Tax Market Assessment Further?

Register now for TaxTalent's 2021 Global Tax Market Assessment Webinar to be held March 24th 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!

Register For The Free Q&A Webinar

2021 KEY TAKEAWAYS GLOBALLY

1 European Tax Market

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- Flexible Working is Here to Stay
- The Digitisation of the Tax Authorities in Europe

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Recap of 2020 United States Predictions

Each year, TaxTalent reflects upon the previous year's report and evaluates the accuracy of our predictions. Below is what we forecasted in 2020, and what came to fruition.
Review the 2020 Global Tax Market Assessment Here.

Tax Technology

With tax reform finally behind us, we predicted there would be a big push to get needed tax technology up and running in 2020. Unfortunately, COVID-19 had other plans. As companies toggled between financial concerns, unknowns surrounding hiring, remote work situations, etc., many placed their tax technology initiatives on the back burner once again. Alternatively, many companies chose to move forward with full outsourcing or co-sourcing of their tax department to public accounting firms assuming this would solve their tax technology problems.

Current Market Conditions

Between retirements, tax reform, and the election, the stage was set for an extremely active, candidate-driven market in 2020. As the impending COVID storm wreaked havoc on the nation, budgets tightened across the board, creating a hiring pause. Because of this, the first half of the year did not track at all with our predictions. Typically, around 70% of tax hiring is done from March-June, but this was not the case. Once the realization was made that the hiring process could be managed remotely, hiring picked up. We saw one of the most active second halves of the year to date, as positions needed to be filled to manage the backlog of work. This was supported by the stock market bouncing back. Further, we predicted the exodus of Baby Boomers would continue in 2020. Not only were we correct, but coronavirus accelerated the rate at which Boomers were retiring, especially in the second half of the year, when the initial shock of the pandemic subsided. Perhaps this was an attributing factor to the active second half of the year.

In-House vs. Outsourcing /Co-Sourcing Arrangements

In 2020, we presumed the Big4 would continue to make a strong push for their outsourcing initiative, which was absolutely the case. In fact, the outbreak of coronavirus gave them a convenient pretext to promote their services even more aggressively. Additionally, we predicted most companies would opt for a more strategic co-sourcing arrangement, which was correct. We did not see many new, full outsourcing arrangements initiated in 2020. Read more about this in our white paper, "Buyer Beware."

The Roll Out of Global Tax Reform

Most of the heavy lifting surrounding tax reform was completed in 2019, but we predicted changes from treasury would come to the forefront in 2020. While it was much later in the year than tax hoped, this did occur and explained many of the questions which were previously left unanswered.

The Exodus Begins - Demographic Impact on Tax

We forecasted this trend would have the most substantial and long-lasting effect on the tax market, but we could never have guessed a pandemic would accelerate it. As health concerns became top of mind for "at-risk" individuals, Baby Boomers began to exit the workforce sooner than expected. Now more than ever, the pressure is on to ensure tax departments have a well-devised succession plan in place.

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2021 Predictions

The Impacts of ESG on the Tax Profession.

The last few years have not been easy on the tax profession. Between tax reform and new regulatory changes, it seems that as soon as one obstacle was conquered, another would evolve. Unfortunately, we are not in the clear yet.

ESG or "Environmental, Social, and Governance," are standards for operations that socially conscious investors use when screening potential investments. While all components of ESG possess importance, we would like to focus on the social element of ESG as we see this area causing the biggest headache for tax. In 2021, we believe there will be a major push to diversify corporate in-house tax departments, which will prove to be a struggle due to the lack of African American and Hispanic individuals in the tax profession. Each business function will be scrutinized by ESG standards, but there are a few unique factors that will cause significantly more stress for tax.

The U.S. tax industry is a captive labor pool. Due to our tax code's complexity, it is unlikely someone from a different country would be able to step into a U.S. tax department and be successful, especially considering most tax professionals outside the U.S. work on the indirect side.

Professional service providers are by far the largest employer of entry-level tax professionals. Conservatively, 85% of corporate in-house tax professionals started their career at a professional service provider in accounting or law. Because these firms charge exorbitant rates, clients demand high-quality workers. To obtain skilled entry-level employees, they must recruit those who graduate with honors from highly accredited tax programs. Unfortunately, there is not a high volume of African American and Hispanic individuals attending such programs. Take a closer look into these statistics.

> ***Conservatively, 85% of corporate in-house tax professionals started their career at a professional service provider in accounting or law.***

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The harsh reality is there is no easy button to fix this underlying problem, however, there are some steps we can take now to help alleviate some of the pressure of this issue in the future. Take an in-depth look into this topic in our article "Tax Diversity Standards of Tomorrow."

In the short-term, tax departments should focus on recruiting entry-level talent from both the schools targeted by professional service firms and those they do not always pursue. Initiatives should be taken to brand the tax profession and entice students into this career field.

When looking for long-term solutions, we must stop relying so heavily on professional service firms to train our entry-level staff. Departments must push to develop in-house training programs to help groom our future tax leaders.

We encourage you to leverage your buying power when working with the Big4 by requesting African American and Hispanic staff when possible. Further, when considering which outside providers you will work with, select those that have taken strides as far as promoting diversity internally and with new hires.

We cannot increase the number of diversity candidates in the profession overnight. However, by starting the conversation now and making our position known, we can begin the pursuit of our end goal of easily adhering to ESG standards.

We encourage you to leverage your buying power when working with the Big4 by requesting African American and Hispanic staff when possible.

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Update on the Demographic Impact.

In late 2018, TaxTalent released a groundbreaking white paper that uncovered that the tax industry must prepare to lose two-thirds of its Heads of Tax in upcoming years. Compounding that, 52% of the number 2's reporting to the Heads of Tax will be retiring in the same time frame. Since this discovery, our team has been educating tax, HR, and financial leadership and insisting they think seriously about their succession plan.

Fast forward to 2020, those who have listened to the facts and acted, are now grateful. Because of increased workloads and budget constraints, compounded with personal health concerns surrounding COVID-19, we are seeing an accelerated rate at which Baby Boomers are retiring and we fully anticipate this to continue in 2021 and beyond.

Here we will discuss what you should expect throughout 2021 as well as links to additional resources to ensure your department is prepared.

COVID-19

Probably the most apparent reason for the acceleration of Boomer retirements is that our oldest generation is at the highest risk for health complications caused by the virus. Already nearing the end of their careers, many industry leaders are choosing to ride off into the sunset a few years earlier than expected, opting to spend their later years enjoying more time with friends and family. On top of health concerns, the COVID-19 lockdown allowed Baby Boomers to grasp how much they need in the bank to live comfortably during retirement. After cutting out commuting costs, luncheons, professional attire, leisure activities, etc., this older generation is realizing they already have the means to retire.

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The Economy

Unlike most economic downturns in which the stock market makes a "U" shaped recovery, in 2020, our market bounced back remarkably fast in a "V" like manner. In the past, market downturns tend to cause those nearing retirement to stick it out a few more years to recover any losses incurred, but this is not the current case. By nature, tax professionals are financially savvy and tend to be more risk averse. Because of this, many had already adjusted their portfolios to be conservative before the market crashed. Thus, they did not take a huge hit financially and are already in the same or better position as they were pre-pandemic, allowing them to move forward with retirements.

Budget Constraints and Added Workloads

This generation has been put through the wringer. Not only did they work through several fluctuations in the market, but they have been faced with numerous regulatory changes, including tax reform in 2018. After overcoming one obstacle after the next, the uncertainties surrounding COVID caused budgets to tighten across the board, forcing them to complete immense workloads with less allocated resources. Although most have found a way to adjust their departments to the "new normal," they are not in the clear yet. The 2020 election has placed the Democrats in charge of the House, Senate, and Presidency. The ground is fertile for the party to make drastic policy changes, and based on our research, we believe this will come to fruition, meaning another hurdle for tax.

With everything they have been through in the past and the unknowns of the future, **Boomers in the tax profession are asking themselves, "why would I subject myself to this any longer?"**

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A Security Blanket

Stepping into retirement can be scary. Some question if they saved enough, while others are not ready to leave behind a career they devoted their entire lives to. Luckily for Baby Boomers, there is an added security blanket when retiring. The sudden shift to remote work opened the door to the Talent Economy, allowing tax departments to access a nationwide talent pool of consultants. As we lose nearly two-thirds of our tax leadership during a time where budgets are tight, and workloads are expected to increase, the demand for experienced consultants is skyrocketing. Should a Boomer decide they no longer want the headache of a full-time position, they can join the Talent Economy and pick up project-based work as they please.

Are you interested in joining the Talent Economy or acquiring a Talent Economy worker? Learn more at TaxForce.com.

TaxTalent has released several documents to help you prepare your department for the mass exodus of Baby Boomers. Please review the list below and/or give us a call at 843-216-7444 to discuss circumstances specific to your department.

- Keys to Avoiding Crisis as Corporate In-House Tax Leadership Prepares to Retire
- Preparing Millennials for the Exodus
- The Exodus Begins Webinar Series
  - Part 1 – Shifting U.S. Tax Leadership
  - Part 2 – Leading Your Multi-Generational Tax Department

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Predictions of how Remote Work will Affect Permanent Staff and the Consulting Budget.

As COVID-19 swept across the nation, businesses were forced to shut their doors and conduct business as usual remotely. Contrary to our beliefs, tax departments across the country adjusted remarkably well to the "new normal." Major transactions and closes that "had" to be completed in an office were able to be done by teams remotely. This revelation opened huge doors for the tax profession.

Remote work and full-time staff - It is no surprise employees have different perspectives when it comes to remote work. Some love it, as it provides them with a better work-life balance. Others find that they operate more efficiently in an office setting, free of household distractions. Strong arguments can be made both for and against remote work, which is exactly why we believe most tax departments in 2021 will not function as a fully remote department but will adopt a hybrid model.

What is a hybrid model? Just as it sounds, it is a combination of employees who work in the office and remote. We believe project-based work will be completed fully remote. Further, more seasoned staff who have proven themselves and do not have large teams reporting to them, will come to the office a few days, and work the remainder of the week from their home. This will create a synergetic balance, allowing employees to feel the freedom of working from their home office when their schedule and workload permits, while at the same time giving teams a chance to come together and collaborate in-house.

As our industry goes back to the office, we are beginning to see some tension between the employee and leadership's expectations of how much time should be spent in the office vs. remote. Read more about this topic in Risky Business - Top Risks of Remote Hiring for Hiring Authorities and Employees.

The Silver Lining of Remote work- In 2020 we saw a remarkable change. The ever-booming gig economy evolved from delivery drivers and small part-time jobs, into the robust Talent Economy. While medical and law professions have been taking advantage of Talent Economy professionals for years, it wasn't until the sudden shift to remote work that tax was able to understand its potential.

No longer confined by geographical barriers, tax departments now have access to a nation-wide pool of professional consultants with an array of talent. As an alternative to the pricey Big4 staffing model, we foresee the Talent Economy will become far more widely utilized in 2021 for a multitude of reasons.

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Unprecedented Talent

While the Big4 employs many qualified tax professionals, unfortunately, many of them lack in-house experience and therefore, do not fully understand the underlying business model. Through the Talent Economy, companies are able to obtain workers with more experience in the exact area they are seeking.

Cost-Effective

Studies show, the tax department consulting budget is typically the number one or number two highest cost of any department. These extremely experienced Talent Economy workers come at a fraction of the price, especially now that travel fees are no longer a factor.

Ever-Growing

As discussed in the demographic update section of the GTMA, we are expecting to lose nearly two-thirds of our Heads of Tax over the next six years. Many Baby Boomers who are retiring are not quite ready to completely throw in the towel yet and are opting to take on contract work. This means that over the next few years, the Talent Economy will be consumed with extremely talented individuals ready to tackle challenges within your department.

Companies such as TaxForce are leading the charge for Talent Economy workers in tax. They offer individual consultants or teams one-off full-time projects, reoccurring projects, and projects on a fractional basis. Ultimately, the Talent Economy will dramatically increase the quality of the consultant talent pool while also reducing the cost tax departments incur.

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What will the Future Tax Department Structure Look Like Post COVID-19?

Over the years, the professional service firms have started several important discussions. Most recently, they've raised critical questions about the tax function of the future. While we have a different perspective, we are thankful for the opportunity to expand the conversation. In this paper, we will offer one alternative to the previously proposed model with the hope of stimulating a deeper conversation about the topic. Through these discussions, we hope you determine which model is best for your department.

When considering the limited nature of past discussions and the tremendous challenges ahead, we fear many tax functions may find themselves unexpectedly blindsided by what's to come. As such, we have identified what we believe to be three key elements crucial for a future tax function's success:

Agility

- Exceptional future tax leaders will need flexible solutions for addressing everything from predictable and cyclical work fluctuations to unexpected, one-off demands.

Value

- Tax is being asked to do more with less, and cost-effective solutions are essential.

Access

- Effective future tax functions will require quick and easy access to hyper-targeted, specialized just-in-time talent via an intuitive, digital platform.

Having spent over 30 years helping tax departments develop, grow, and evolve, we just don't see tax functions giving up in-house control. Rather, we envision an evolutionary shift away from shared services and co-sourcing solutions, and we believe this shift will accelerate as technology automates tasks for indirect tax compliance and federal income tax, as well as some of the reporting functions.

A new era of remote and flexible work has already transformed a number of industries through the early gig economy and later talent economy. Advances in communication and cloud-based technologies, combined with the impact of COVID-19, have opened the tax profession to the talent economy's **Specialized Interim Workforce, or SIW.**

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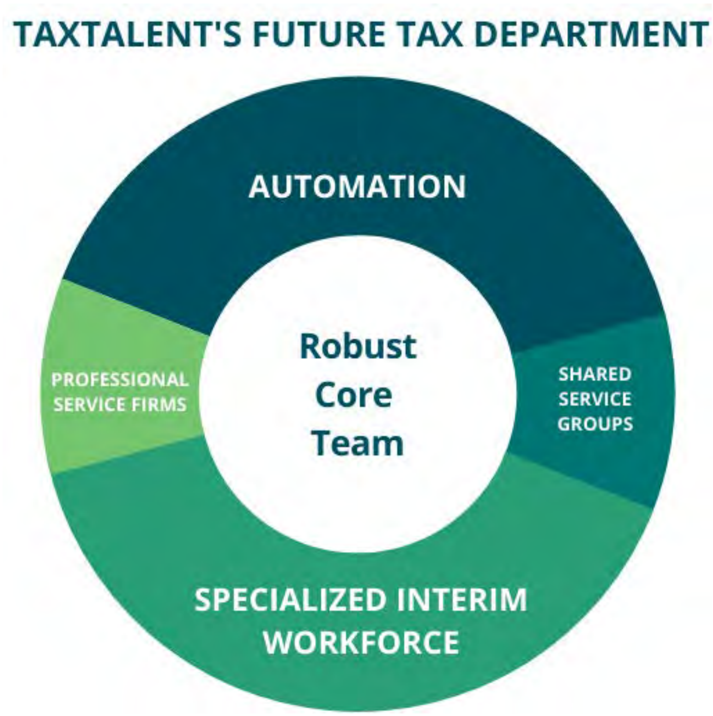
In tax, the SIW includes contractors, part-timers, freelancers, semi-retired former executives and independent consultants available for short-term hire, often on a project basis. We feel this talent marketplace will further accelerate the shift from professional service providers, as highly experienced SIW professionals can work from anywhere and are available at a fraction of professional service firm prices.

Taking these factors into consideration, we propose the future tax function could thrive as a synergistic unit, comprised of three fundamental cornerstones:



1. **Robust Core Team** – As the department's backbone, this unit's knowledge of critical underlying business concepts is vital. Some of these individuals will be responsible for overseeing the implementation of technology and automation, as well as other efforts such as tax controversy and audit, tax planning, etc. The retention of these key team members, development of a talent pipeline, and expansion of this group will also help leadership ensure the department's future success.

2. **Automation** – Implementing technology and automation will allow future tax departments to cut costs and improve productivity. We foresee this as most applicable to tasks that are "repeatable," such as compliance and reporting.

3. **Specialized Interim Workforce (SIW)** – Over the past few years, the Talent Economy has taken off. With the sudden shift to remote work caused by COVID-19, it became clear that tax professionals could complete critical tasks remotely. No longer confined by geographical barriers, tax departments now have access to a nationwide pool of contractors who can assist with project-based needs. In the future, we believe the SIW will both significantly reduce the consulting budget (one of the highest costs a department incurs), while greatly increasing the quality of service provided. Furthermore, we anticipate that the tax industry's SIW will grow exponentially as a result of the network effect: As talented tax professionals see the offers of unique project work available, more will sign up; and as employers see how the SIW allows them access to affordable, experienced otherwise unattainable, short-term talent, more of them will utilize it.

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No longer confined by geographical barriers, tax departments now have access to a nationwide pool of contractors who can assist with project-based needs.

In addition to the three groups above, we anticipate that future tax departments will also employ two additional services on an as-needed basis:

4. Professional Service Firms - While we believe there will be a significant shift toward the SIW, the large law and accounting firms will continue to be involved in high-value memo and opinion writing, as well as leading complex global structuring projects. However, we anticipate that much of the compliance and reporting legwork will be handled by the Talent Economy's SIW, giving companies more control over the cost of projects.

5. Shared Service Groups - Most tax functions delegate repetitive tax work to shared service groups in lower-cost jurisdictions, but we predict that many of those tasks will soon be automated. While we don't believe shared service groups will disappear altogether, we think they will take a smaller portion of most budgets than in the past. Similarly, any skilled work currently performed by shared service groups is likely to move in-house to the core team or be addressed by the SIW.

While none of these changes are guaranteed nor expected to occur overnight, we anticipate most tax departments will begin to experience elements of these transformations in 2021. Forward-thinking tax leaders are urged to contribute to this dialogue and begin to prepare by:

a) Building strong core teams.
b) Identifying effective targets for implementing automation and smart technologies.
c) Investigating and utilizing the vast skills offered by the Talent Economy's SIW.

Our hope is to generate a deeper conversation around this topic, realizing there will be no "one-size fits all" solution. Register now for our upcoming webinar about this topic which will encompass a robust conversation about the tax department of the future, allowing you to determine which option is most suitable for your team.

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The Likely Shift from ETR Tax Planning to Tax Policy and Controversy.

In 2021, we will start to see tax departments evolve in response to the transparency initiatives, supported by aggressive tax jurisdictions and the automation of tax data. Corporate tax planning has generally been considered the most valued skillset a U.S. tax professional can have. However, when COVID-19 and the stimulus packages came into play, transparency rose to the forefront as the need to generate additional revenue grew.

Because of this, the ability to influence tax policy, decision making, and defend at the audit controversy level, will slowly evolve to become a more sought-after skill as there are less opportunities in creative tax planning. This is at the very early stages, however, here is a quick snapshot of what we expect to come to fruition over time:

1. **Tax Policy -** Tax departments will seek forward-thinking individuals who possess strong tax policy development skills. These people will help structure the policies before they are implemented. They then will look to acquire post-implementation specialists. These are candidates with the expertise to follow new policies, while also legally minimizing the tax debt as much as possible.

2. **Controversy -** Post-COVID-19, we expect a more aggressive auditing environment worldwide. It will be pertinent to obtain individuals with the ability to negotiate and litigate. This will become increasingly harder to find as the Baby Boomers exit the workforce, leaving Millennials and Gen Z to fill their shoes. Not known for having strong influencing skills, the challenge will be accelerating the development of our younger generation's EQ skills.

To have success in the future, tax as a profession must make a focused effort to increase the talent pool and resources in these areas. Without a development plan, it will be extremely challenging to find individuals with a strong technical background, coupled with the EQ skills required to influence policy creation.

While the technical aspect of tax will always be the foundation of the profession, it is essential we pay attention to the development of our younger generation's influencing skills. We foresee new entities will create training in these areas and we highly suggest you consider implementing them in your department once they are presented.

Rest of World 2021 Assessment

Across all geographical regions outside the US, there were common themes for 2020 and expectations for 2021.

2020 saw a slowdown in progress on BEPS 2.0 and a reduction in the number of audits - as tax authorities diverted time & resources to helping businesses & individuals via tax reliefs & tax payment deferrals. There has also been unilateral tax reform and tax legislation changes being made in a number of countries and these are very hard for in-house tax departments to plan for. Tax transformations and the implementation of tax automation plans have continued at pace and most companies have reported that the focus has been on protecting cash, minimising risk and this has been an opportunity to make tough decisions on the viability of business lines and ways of working.

Inevitably, 2020 has seen certain industries thrive (technology, pharma, consumer products) whilst others, previously considered to be staples, have struggled (advertising, retail outlets, airlines & travel), with oil & gas going through a painful period of reinvention.

Globally, we have seen an enforced experiment in remote working (and whilst it is clear it is not ideal) and it is acknowledged universally that it has worked and some form of hybrid working will remain in place for the long term. We have also seen the rise of video conferencing facilities.

For 2021, the consensus is that governments will want to recoup budget deficits and this will definitely be seen in a marked increase in the volume & aggressiveness of audits - predominantly aimed at MNEs but it is also likely that we will see tax rate rises as many tax authorities look for new ways to generate income through wealth taxes.

Recap of 2020 European Predictions

Below is our previous forecast for 2020 and what actually happened.

Last year we predicted the biggest topics for in-house tax department would be BEPS, tax technology, outsourcing compliance, DAC-6, Transfer Pricing audits, US Tax Reform and flexible working. Whilst the last few years have been characterised by the tax landscape becoming more complex with a range of changing global tax regulations, coupled with increasing globalisation of business, the COVID-19 pandemic rapidly changed corporate priorities.

- **Protecting and repatriating cash, securing new funding, taking advantage of reliefs and refunds, reconsidering business risks, and investing in technology have all been competing for attention.** Falling revenues for many companies has meant less focus on digital tax and BEPS and a greater focus on cash tax initiatives to deliver working capital benefits, supply chain restructurings and legal entity rationalisation.

- **Outsourcing of tax compliance continued apace.** Tax departments had to balance the need for tax compliance with new rules such as DAC-6 (pushed back until the end of February 2021) with unprecedented risks. Many companies initially reduced reliance on external advisors to preserve cash but had a lack of in-house resources to pick up the slack so they returned to the Big4 for help by September.

- **The push to implement Tax Technology continued but without the same emphasis.** While progress has been made in automation of indirect taxes, unfortunately for transfer pricing and corporate tax there are still no tools that are all encompassing that do not require a lot of customisation.

- **We correctly predicted the increased use of technology in tax departments would change the way they operate,** but we obviously did not predict governments around the world making daily teleconferencing from home compulsory. No one expected hybrid working (one or two days in the office per week) or fully remote working from home to have become the norm in such a short space of time.

- **There was general slow-down and delaying by tax authorities,** mainly on implementation of tax legislation and deadlines and the slow progression of tax audits. In the first half of the year there were many European companies looking for stronger tax resources in the US to cope with US Tax Reform. The biggest rise in activity was seen in indirect tax, in particular Customs and Excise tax professionals required at all levels of seniority.

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Key Takeaways for 2021

1. **Controversy, Transparency, and Corporate Social Responsibility**
2. **BEPS 2.0 - The Last Hope for a Multilateral Solution**
3. **Flexible Working is Here to Stay**
4. **The Digitisation of the Tax Authorities in Europe**

2021 Predictions

As we move into our second year of the COVID-19 pandemic, a lot of topics that were predicted a year ago will resurface, if they have not already. Against a backdrop of ever more aggressive audits, the key topics again will be preparing for BEPS 2.0 and digital taxation, making better use of technology to automate processes and adjusting to more flexible office hours. 2021 will be an opportunity for some to radically restructure the Tax function, drive long term change to ways of working, the technology we use and re-engineer supply chains. MNEs will make themselves more agile, restructure along business or geographical lines, embrace 3rd party support and greater use of technology in compliance.

DAC 6 will be the star in 2021 even though there are real practical difficulties implementing DAC 6, with most of the tax community currently struggling with the reporting tool. With the Brexit process finally over, HMRC have confirmed that DAC 6 reporting will still be required for a limited time. In 2021 the UK will consult on and implement the OECD's Mandatory Disclosure Rules as soon as practicable, to replace DAC 6 and transition from European to international rules.

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Controversy, Transparency, and Corporate Social Responsibility

Whilst tax transparency & CSR have had to take a backseat in 2020, the feeling is that as normality resumes, the media and the public will be looking at which companies have been good or bad taxpayers in 2020. They will be closely following who took advantage of all the reliefs and support available from the government but still made staff redundant. There will be more conversations on how to link the fair share of tax that MNEs pay to their social license to operate. This will be happening against a backdrop of ever more contentious and aggressive tax audits. In such times it will be especially important that in consumer facing businesses, tax leaders link up with colleagues in media relations to ensure that the reputation of the organisation is fairly represented. In all countries, the tax authorities suspended on-going tax audits with some even assisting companies in applying for COVID-19 incentives. 2021 will see new taxes, policy changes and legislation coming from various countries including VAT changes in Germany, plus plastics taxes, sugar taxes, and potential wealth taxes in many other European countries.

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BEPS 2.0, the Digital Economy and Hope for a Multilateral Solution

Managing the monster that taxation of the digital economy is growing into with its departure from the arms-length principle and the blatant unilateral land-grabs by various jurisdictions, is going to be on the minds of many in 2021. BEPS discussions continue and tax leaders are still needed to involve themselves in the right conversations in terms of influencing policy & international debate.

Will the US throw its weight behind the digitisation program? If BEPS 2.0 is not approved what will be the alternative? We should not underestimate the huge commitment it requires from both companies and countries to make it possible. Turnover tax vs profits-based tax. With European countries putting different emphasis on the different pillars, it is hard to see where the compromise will be made. Germany is more inclined to support a minimum effective tax rate, whereas France is more inclined to support pillar 1, much like China and India. Whether or not BEPS 2.0 gains traction or not, some countries like the UK, France, Czechia and Italy are moving to a national digital services tax. That signal was enough to bring the US to the table and really start discussing possibilities. This will become clearer in 2021 as we get to know the Biden administration. Any EU and/or OECD implementation will likely be delayed to 2022 due to COVID-19 with any new proposal being slowed down if not cancelled. Somehow, we must reconcile the agile, virtual, operational world we have developed with the traditional operational footprint that tax authorities cling to from 50 years ago in relation to PE risk.

Flexible Working is Here to Stay

Although not going as far as to say tax staff can be based anywhere, it is now clear that tax professionals can effectively get their work done remotely. The challenge remains of how to integrate newcomers. There are generational issues at stake here with older, more experienced professional longing to return (at least in part) to a more office-based environment, and a younger generation enjoying the benefits of working from home (all the more so, as COVID-19 restrictions are lifted in 2021). Questions remain on the ability to develop careers, relationships with key stakeholders & team members; and the importance (or otherwise) of watercooler chats to find out what is going on in the organisation. Many complain that 100% remote working resulted in the need for every discussion that could have normally taken five minutes face-to-face now has to be booked as a virtual meeting often lasting 30 minutes. Most companies are keen for staff to spend some time in the office going forward.

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Many MNEs have stated that the way they use the office in the future will be very different – continuing to be an important place to collaborate & interact, with working from home becoming part of the average week for the majority. Even the country from which the employment duties are performed is becoming less relevant, which will also bring its challenges for compensation packages, alongside managing cross border worker rules, wage tax and PE implications.

It is now clear that tax professionals can effectively get their work done remotely

Across Europe we have also seen employees revaluate their long-distance commutes to forgo job offers of greater seniority or salary in favour of a role with an employer that is based closer to home - even though they are in the office for 2 days per week. The pandemic has simultaneously made us more comfortable working remotely yet also showed the limits of having lives spread across national borders. Unless something is 100% remote (still very rare in the permanent jobs market) being close to the office still has value. For many, all this means an increase from one day to two days per week working from home.

The Digitisation of the Tax Authorities in Europe

Real time audits are on the way in Europe. Much of this has been on hold in 2020 but this will return in 2021. Companies will have to work hard to prepare for this and will have to engage in a different way with each tax authority across the region. We will need to wait and see what happens in 2021 in terms of Government responses once the effects of the pandemic are quantified. There is a big challenge ahead to deal with the global trend of tax authorities seeking to collect information from ERP systems by real-time by electronic means.

Recap of 2020 Middle East & Africa Predictions

Below is our previous forecast for 2020 and what actually happened.

- **Due to increased scrutiny, transfer pricing was expected be higher up on tax executives' agenda than ever before.** Companies across the GCC region were predicted to need more transfer pricing managers or international tax professionals with good exposure to TP. There were fewer dedicated in-house transfer pricing positions than we were anticipating but we saw more corporate tax roles with a greater transfer pricing component to them.

- **We also predicted more regional tax leaders for Sub Saharan African matters across all companies that have operations in this region to navigate the complex and challenging tax landscape.** So far, we can say that East and Southern Africa were hardest hit by the economic impacts of COVID-19. Although Sub-Saharan African countries have managed to keep the COVID-19 virus relatively under control, economic activity is still projected to decline by 3.3% in 2020, confirming the region's first recession in 25 years according to the world bank. This has had an impact on recruitment with significantly less activity across all parts of Africa.

- **The compliance burden and revenue mobilisation effort did continue to increase but in-house tax teams had to adapt and do more with what they had, especially when external recruitment has been put on hold.** At the time of writing, VAT implementation has been deferred well into to 2021 for Oman and Kuwait with Qatar possibly pushing it back further. As such, VAT recruitment has not been as high on the in-house recruitment agenda for the GCC region.

Although Sub-Saharan African countries have managed to keep the COVID-19 virus relatively under control, economic activity is still projected to decline by 3.3% in 2020...

Middle East & Africa 2021 Assessment

Key Takeaways for 2021

1. **Governments Looking for Tax Relief Relating to Deferred Tax Filing and Payment Deadlines**
2. **Focus on Strategic Tax Planning and Impact Mitigation**
3. **VAT Implementation Measures in Specific Countries**
4. **Continued Revenue Mobilisation Efforts in Africa**

2021 Predictions

There will be more proactive measures by governments to implement tax relief and deferment schemes relating to deferred tax filing and payment deadlines, exemption from certain customs duties and guarantee requirements, and significant exemption from tax penalties.

There could be a greater focus by tax leaders across the regions on strategic tax planning and impact mitigation by tax managers during this operational 'survival mode' in the post-COVID-19 world.

Businesses will be starting to gear up for VAT implementation measures in specific countries like Kuwait, Oman and possibly Qatar. There is a desire for businesses to do more with existing in-house tax staff. There will also be continued revenue mobilisation efforts in Africa.

Recap of 2020 Asia-Pacific Predictions

Below is our previous forecast for 2020 and what actually happened.

- **Technology making taxpayers more transparent to the tax authorities -** pace has been slower than anticipated in 2020 due to COVID-19 but will increase in urgency & pace in 2021.

- **We predicted BEPS 2.0 & Pillar II having a material impact on how MNEs see their positions -** like in LATAM, Middle East & Europe progress on this slowed in 2020 due to the impact of COVID-19.

- **The combined effects of US Tax reform & OECD's recent initiatives forcing US MNEs to revisit holding structures, tax planning & TP positions -** many companies had to invest heavily in tax transformation projects to harmonise and standardise and to become more transparent, but with the challenge of each country's tax authorities interpreting things differently.

- **To be successful, Tax Departments need to be able to quickly understand the business -** this remained as important as ever.

- **We expected high demand for indirect tax, TP & regional tax professional across APAC -** we saw an uptick in the number of US companies recruiting such professionals for the first time & adding to existing teams in particular in Singapore, Hong Kong, China, Japan, Taiwan, Korea & India.

Asia-Pacific 2021 Assessment

Key Takeaways for 2021

1. **Governments Plan to Introduce New Taxes, Increase Tax Rates & Increase the Number of Audits -** Tax Reform expected in many countries.

2. **Increasing Tax Automation by Tax Authorities to Increase Transparency -** companies need to invest in tax automation to keep up with this demand and ensure compliance, whilst ensuring talented tax professionals can focus on value-added projects.

3. **Increasing Focus on Re-imagining Supply Chains Across APAC & Globally -** to create a more agile & resilient supply chain.

4. **BEPS 2.0 to Become More Important Due to the Digital Shift by Consumers Accelerated by the Pandemic -** Online giants may be a target for governments looking to refill coffers.

5. **Remote Working - Benefits -** No longer location dependent when trying to find tax talent though there may be tax issues / PE issues as a result.

Asia-Pacific 2021 Assessment

2021 Predictions

COVID-19 has resulted in huge budget deficits for many countries across APAC and this means governments will need to raise additional tax revenue.

Tax authorities in many jurisdictions across the region have been co-operating well with businesses, with some authorities announcing voluntary payment programs for taxpayers to wrap up tax audits, but 2021 will see a significant increase in more aggressive audit activity. A number of companies have experienced this already in 2020. For example, cases that had been accepted by the tax authorities in various countries (like Australia) being reopened again & tax disputes in many countries, including Indonesia, Philippines, India & Japan (all providing evidence that the tax authorities are trying to raise additional tax revenue).

By comparison, the Chinese tax authorities have been keen to be seen as working in partnership with businesses in 2020 in an attempt to encourage business growth. We had expected MNEs to be facing audit pressure on TP & other taxes but, in reality, many audits were postponed or cancelled. Technology implementation accelerated with online filing, electronic invoicing, robot processing & AI solutions being actively promoted by the authorities.

More than ever before, the tax function has to be more deeply integrated with C-suite, key stakeholders & with project teams (right from the bidding stage) to advise on tax costs & risks and this has generated more work for the tax function. 2020 has seen a tremendous amount of work on legal entity rationalisation, M&A and many other projects, looking for ways to bring down ETR as well as focus on identifying & fixing tax leakage & tighten up cash tax management.

In anticipation of a return to a more aggressive world, where the tax authorities in all countries will want to recoup funds paid out in financial support to businesses, many tax departments of MNEs have recognised the need to prepare for this. COVID-19 has forced companies to reassess what they are doing, how they work & where (for example, why do we make a product in a specific country? why are we not located closer to our customers?)

COVID-19 has forced companies to reassess what they are doing, how they work & where

Asia-Pacific 2021 Assessment

There is (and will be) a lot of commercial movement as business leaders look to restructure, scrutinise businesses that are making marginal profits / losses and make decisions on what to do with such businesses. Companies should also look out for tax opportunities driven by the push in digital initiatives in countries like China & Singapore.

OECD Pillars I & II initiative will dramatically change the international tax landscape and although still at blueprint stage, the concepts are very complex, presenting both opportunities & risks to the tax function. The pace of this has been slower in 2020 and reaching consensus amongst members will be very challenging. The digital tax position by the Biden administration is probably going to dictate the speed & direction of the discussion going forward. With the dust settling on US Tax Reform, with a new President, will there be a change of US policy? Will the US put its weight behind BEPS 2.0?

With the dust settling on US Tax Reform, with a new President, will there be a change of US policy?

Tax transformation projects - many companies across Asia-Pacific have mentioned that their commitment to this area has increased in 2020. Cost pressures on the tax function continue to build & the urgency of looking towards technology as an enabler of transformation within tax has increased (and will continue to do so). As companies focus on the need for tax technology as part of a finance transformation programme, this may trigger the tax team to revisit the current team structure and design for a more sustainable target operating model - more tech-driven and more focused on analytical & strategic capabilities.

Recruitment remained buoyant across APAC in 2020, particularly in the fields of TP, Customs Duty optimization & in recruiting regional tax leaders to replace those that are looking to retire in 2021. This recruitment activity will certainly continue in 2021.

Recap of 2020 Latin America Predictions

Below is our previous forecast for 2020 and what actually happened

- **Tax reform to be at the top of the agenda -** new governments in Mexico & Brazil started their reforms with Brazil trying to join OECD by approaching OECD TP standards and also trying to pass Tax Simplification reform. In Mexico, reforms are well & truly underway.

- **The technological links between taxpayers & tax authorities would be stronger than ever (with a better understanding of what each side needs) -** this is a work in progress, but across Latin America many countries have seen marked improvements in both output & an improvement in relations.

- **Size & volume of audits would continue to increase (across all taxes) -** this did not happen (due to COVID-19) as governments saw the need to help businesses by reducing the number of tax assessments, creating mechanisms for Tax deferral & tax suspensions.

- **High demand for indirect tax, TP, customs advisory & regional tax professionals in particular Mexico, Panama, Argentina, Brazil & Costa Rica -** this has been limited only by a company's ability to increase headcount.

- **Anticipated huge demand for tax professionals who understand business models and can work with systems -** the search for such candidates is growing fast. This year saw many online events held on the subject of Tax Transformation. Technology & RPA are moving fast to become a must in all major corporations.

Latin America 2021 Assessment

Key Takeaways for 2021

1. **Adapting to New Methods of Working**
2. **Re-starting Many Major Business Projects that had to be Paused During COVID-19**
3. **Continuation of Technological / Real Time Tax Improvements**
4. **Increasing Size & Volume of Audits**
5. **Tax Reform Will Continue to be High on the Agenda**

Latin America 2021 Assessment

2021 Predictions

Despite COVID-19, across LATAM, companies have had to maintain the same rapid pace of change to ensure they meet their digital obligations (payroll, electronic accounting, invoicing), TP documentation & tax compliance. For 2021, standardising processes & continued automation of compliance activities will be key to optimizing tax structures. The economic crisis has forced companies to look for cost reductions and much of this has been achieved through automation & process optimization.

Knowing that audits will be coming from early 2021 represents a major challenge to the tax department. As well as more aggressive audits, companies can expect further significant changes related to compliance, tax planning & tax reporting. The tax authorities will focus on aggressive tax planning structures and the obligation to report in even greater detail on how companies support their tax compliance & strategies.

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The tax department is key to providing support on all this and for identifying new & better ways of working. The tax department has to support the business to try & maintain levels of revenue and needs to be creative, flexible & innovative to achieve the objectives and to ensure tax contributes to cash and earnings. 2020 has been & 2021 will be about optimizing tax attributes, cash recovery (tax credits), calculating the impact of potential changes from further tax reform and making best use of the tax benefits on offers by LATAM governments (deferred payments & subsidies).

Latin America 2021 Assessment

As tax departments become better at showing how tax can impact cash & earnings, it will be able to position itself better & start supporting the business on other initiatives. The economic impact of COVID-19 is forcing taxpayers to find new & creative ways to optimize tax attributes and tax benefits, whilst at the same time ensuring zero risk on compliance. Additionally, companies are looking for new lines of business, changing deals to keep the customers & adjusting to a more aggressive environment and market.

2021 will be the year that will change people's mindsets & the way they work.

2021 will be the year that will change people's mindsets & the way they work. Creativity, ability to adapt to change & innovation will be very important skills for tax professionals. Tax Administrations have also had to learn how to work remotely & it is expected they will need to work in this way for some time.

In 2020 many companies needed to develop their existing talent within the tax team. From the number of companies asking for our help in 2021, it is clear that additional tax staff will be needed to reinforce existing tax departments.

As we have stated in all other sections of this report, it is envisaged that discussions on BEPS 2.0 will escalate during 2021. As Brazil's reforms continue to align the country more with OECD standards, it has been said by many tax Leaders that the relationship with the Federal Revenue of Brazil is improving and it is hoped that tax harmonisation with OECD countries will bring in more investment from large businesses and see tax reform as an overall positive move.

Want to Discuss the Global Tax Market Assessment Further?

Register now for TaxTalent's 2021 Global Tax Market Assessment Webinar to be held **March 16th 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.

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