10th Edition

2024

GLOBAL TAX MARKET ASSESSMENT

The ONLY annual report providing the corporate tax profession a global perspective from a recruitment and retention point of view.

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2024 GLOBAL TAX MARKET ASSESSMENT

EXECUTIVE SUMMARY AND KEY TAKEAWAYS FOR THE U.S. TAX MARKET

Introducing the 10th annual Global Tax Market Assessment (GTMA), a collaborative report by TaxTalent, TaxSearch, TaxForce, and BPA. This annual resource provides predictive insights for the tax profession in regard to hiring, development, and retention. Each year, the GTMA analyzes the accuracy of the previous year's predictions and offers valuable perspectives to help shape the industry's trajectory for the year ahead. This report addresses various critical topics impacting the tax industry, but the one common denominator year after year is the lack of supply in many facets due to many issues. The topics we anticipate to cause the most pressure on supply in 2024 are reflected in the key takeaway summaries below.

GENERATIONAL CHANGES IN LEADERSHIP

Significant shifts in leadership are reshaping the tax profession due to retirements among baby boomers. Younger leaders from Gen X and millennial generations will face the challenge of managing a tax department during an economic downturn, which they probably have not experienced before. Adaptability and preparedness will be crucial for the tax profession as it faces these demographic changes in the coming years. This includes proactive measures such as succession planning, knowledge transfer, talent attraction, skill development, and industry collaboration to address these challenges and ensure a smooth transition in leadership roles. We believe that these demographics will carry over to the service providers for both public accounting and law firms, as well as the government tax authorities or tax professionals in government agencies (federal, state, and local levels).

UNKNOWNS IN 2024

Tax leaders will confront uncertainty tied to economic factors and the impending 2024 elections, potentially influencing supply and demand in the tax profession. Despite the unknown outcomes, proactive preparation is essential for tax leaders to anticipate and mitigate potential market impacts. This includes being prepared for changes in the talent supply and demand, plus potential shifts in tax policy and legislation. Tax leaders must focus on retaining key talent, even in a downturn, and being agile in responding to evolving tax landscapes. Developing influencing skills and considering all possibilities will be essential in this competitive and uncertain environment.

INCREASED DEMAND IN TAX SPECIALTY AND FUNCTIONAL AREAS

The U.S. tax industry will grapple with supply and demand challenges in specialized areas such as indirect tax, state and local income tax, federal tax compliance, tax accounting, tax audit, and international tax planning. Challenges are heightened by retirements and the demand for younger talent, emphasizing the importance of strategic workforce planning.

Strategies for tax departments to counteract these supply issues include succession planning, talent assessment, recognition and rewards, goal setting, and collaboration between finance leadership and HR. Tax departments should take action now to secure their future stability and effectiveness in the face of ongoing supply and demand challenges.

CHALLENGING LEVELS OF HIRING

The high demand for tax professionals across all levels in the tax department stems from factors such as the retirement of experienced professionals and a shortage of younger talent entering the field. Candidates wield increased bargaining power in the job market, amplifying supply challenges. While economic corrections may temporarily alleviate shortages issues, proactive planning will be needed long term in this area as well.

WORK POLICY TENSIONS

The corporate tax landscape is transforming with diverse work policies with each (remote, hybrid, and onsite) presenting unique challenges. In 2024, fluctuating work policies and shortages of well-rounded younger tax professionals will lead to talent gaps, training challenges, and difficulties in recruitment and retention. Preparing for these shifts is imperative for organizations to adapt successfully to evolving work policies. To address these challenges, companies should prioritize investment in training initiatives, tailor their recruitment strategies to different organizational levels, balance digital and in-person training methods, and anticipate corrections in the tax job market. Getting ready for these changes is crucial for organizations to successfully adapt to changing work policies and meet the evolving expectations of corporate tax professionals.

After reading this executive summary for the U.S. section of the 2024 Global Tax Market Asssessment, we recommend that you take the time to review the full report in order to fully educate your executive teams and address the more critical issues identified in the assessment. The teams at TaxTalent, TaxSearch, TaxForce, and BPA will be hosting a **FREE Q&A webinar on February 7th from 1-2:15pm** where you will have the opportunity to ask the questions your tax department, HR teams, and financial leadership desperately need the answers to. **Register now to reserve your spot and ensure access to the recording.**

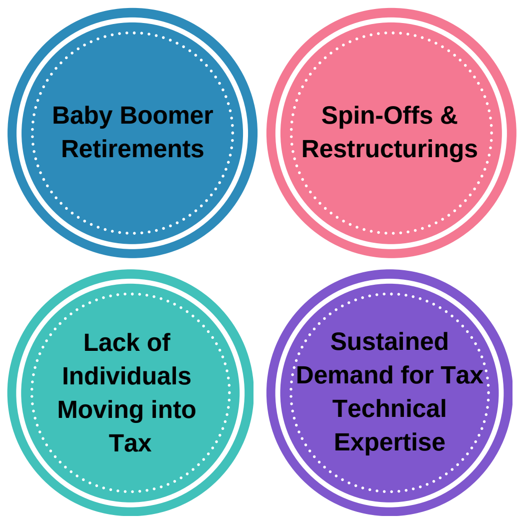
INTRODUCTION TO THE U.S. TAX MARKET

For a decade, the teams at TaxTalent, TaxSearch, TaxForce, and BPA have provided the tax industry with annual insider knowledge and forecasting of the tax hiring market. With a strong reputation and an extensive network encompassing tax hiring authorities, CFOs, and HR teams, we stand as the go-to advisors for tax leaders seeking to address the ongoing supply challenges in the tax sector. Over the course of the last ten years, the Global Tax Market Assessment (GTMA) has pivoted its focus annually to address a multitude of pressing topics, adapting to the ever-evolving landscape of the tax industry. One issue that has persisted throughout this decade-long journey is the perpetual challenge of candidate supply within the tax domain.

When we introduced the first GTMA, we already knew where the supply problems began. Several contributing factors, all under the same umbrella, have kept these supply and recruitment challenges going, affecting how we retain and develop talent year after year:

CONTRIBUTING FACTORS

To supply and demand struggles in tax



Supply and Demand

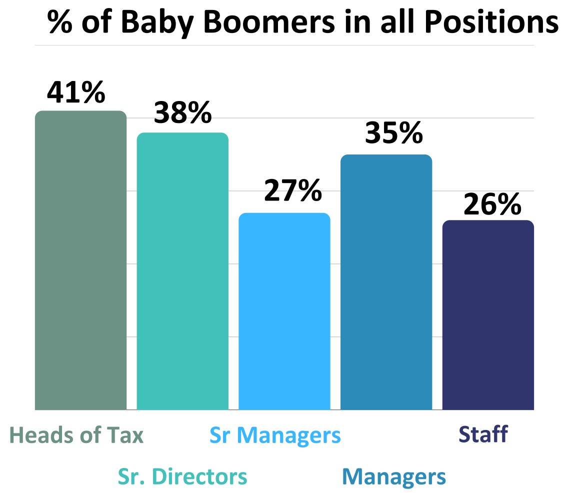
a. The retirement of baby boomers
b. Sustained demand for tax technical expertise
c. Lack of individuals moving into tax
d. Corporate spin-offs and restructurings

This issue has only grown more acute over time. Supply and demand have remained a persistent challenge for over ten years, with overarching issues in talent supply becoming increasingly evident.

In 2014, the initial wave of baby boomer retirements from top-level tax positions left us concerned. As Gen Xers began vacating their roles and Millennials settled with their lower-level positions, we foresaw the impending supply constraints and the worrisome loss of institutional knowledge at the top. Subsequently, many tax departments initiated succession planning, sometimes necessitating the replacement of one departing baby boomer professional with two millennials. While we did witness a brief period where Gen Xers assumed leadership roles, the unexpected pandemic accelerated baby boomer retirements at the highest levels (#1 and #2 positions), amplifying concerns about a significant loss of knowledge.

Our predictions accurately anticipated the emergence of a gap in Senior Manager roles due to the bubble created by the last downturn in the economy, but only in the last couple years have we seen the lack of supply across all of the lower levels as well.

INTRODUCTION TO THE U.S. TAX MARKET CONT'D



As we write this for 2024, we are seeing more alarming data from our database showing that we are slated to lose conservatively 41% of our heads of tax to retirements, and more concerning is the number of baby boomers we are set to lose across all levels of the tax department. You will read in this year's report some new concerns tax, HR, and finance leaders should be aware of as we replace decades of experience and knowledge with a new generation of leaders. The pool we have tapped into is extremely diverse

It covers everything from the largest companies in the world, that are U.S. based, to middle market companies with smaller tax functions. The demographic impact will have an impact on every one of these tax functions. We will address these impacts and discuss this in further detail in our upcoming free live webinar on February 7th.

Throughout the history of this report, we also experience, year after year, the sustained demand for tax technical skillsets. In 2014, we identified a surge in demand for tax accounting and reporting processes, and foresaw increased demand in areas such as transfer pricing, indirect tax, and tax planning due to the OECD's BEPS action plan. Since then, baby boomer retirements have coincided with significant industry changes, including the implementation of the Internet Sales Tax, pressure from VAT/GST regulations, TCJA tax reform, ESG standards, and more. Despite our warnings regarding these impending challenges, the supply of talent in critical tax technical areas such as transfer pricing, audit, tax planning, state tax, indirect tax, tax accounting, and reporting remains insufficient.

These major issues, combined with the overall lack of tax professionals entering the profession in general and the never-ending spin-offs and restructurings, intensify the glaring lack of supply. With over a decade of history behind the Global Tax Market Assessment, the complexity of the U.S. tax code remains as formidable as ever. The question persists: will there ever be enough qualified tax professionals in the U.S. to address these persistent gaps? Whether we seek to fill high-ranking positions or roles in state or transfer pricing, the demand consistently outpaces supply. How can we empower tax departments to manage these tensions effectively, retaining their valuable talent while recruiting and nurturing the right individuals in an industry marked by perpetual change? These are the challenges that will continue to define our work in the years to come.

U.S. TAX MARKET RECAP OF 2023

Every year, we review our predictions from the previous year and rate ourselves on how we did. Our unique relationship with the tax profession allows us to analyze our findings "from the inside." Each recap below is accompanied by the grade we give ourselves on last year's predictions.

1. The Likely Great Tax Exodus A

Our 2023 prediction surrounding the demographic exodus of baby boomers across the tax profession gets an A, as we expected this issue to persist for at least five years. While we did not yet see a “brain drain” over the last year, we are destined to see that big wave as retirements are only going to continue and increase for the next several years. More than ever before, we are hearing about the younger baby boomers (ages 60-62) in tax wanting to retire earlier. This will accelerate and intensify the problem of disappearing talent.

2. The Probable Public Accounting/EY Split B-

Among the many uncertainties of 2023, the potential EY Split was one thing we considered more likely to occur, especially given the initial hiring of a CFO. Fast forward to now, the split is not happening, primarily due to a lack of tax resources in the U.S. Because of the resourcing of the audit arm, the proposal did not gain backing and support from the Partners in the U.S. and did not move forward. That said, we were correct in the reasons why this type of split would make it difficult for tax leaders, which boiled down to the exact issue surrounding tax resources in the U.S.

U.S. TAX MARKET RECAP OF 2023

3. The Potential OECD Pillar 1/Pillar 2 and its Timing A+

The uncertainty surrounding the prospect of OECD's BEPS initiative continues to hold firm. With an impending election, our skepticism about any significant strides in this area has deepened. The ongoing ambiguity has left many businesses in a state of suspended animation, having twice experienced the delay of this pivotal legislation. Companies, which have previously devoted substantial time and resources to scrutinizing the potential consequences of BEPS, now find themselves questioning whether these efforts will ultimately yield the anticipated outcomes.

4. Possible Economic Recession A-

In last year’s report we anticipated that the uncertain economic climate would potentially impact retention and recruitment. Additionally, we predicted that if we were to move into a recession, we found it unlikely that the hiring and retention market would react similarly to what we had seen in prior downturns. Due to various factors impacting the supply and demand of talent in the profession, we anticipated that even in a recession, we would likely remain in a candidate-driven market where the demand for talent outweighs the supply. While fortunately, a recession did not occur in 2023, we did see companies and firms in various industries implement cost-cutting measures, hiring freezes, and headcount reductions in response to the uncertain economic outlook. While this would have started to shift us into more of an employer-driven market in the past, we still have remained in a candidate-driven market. In that sense, our predictions as to how the hiring market would react differently.

5. Supply and Demand A

Overall, our prediction that no tax department would be safe from some form of supply and demand struggle in 2023 was correct. However, departments may have had it easier than anticipated due to several factors. Not only did many companies remain flexible during the hiring process and adjust their needs, but we also saw many step up and align their open roles with appropriate compensation levels. Additionally, countless individuals were promoted internally, and economic conditions plus concern of a recession left many delaying retirement for a few more years. For some of these same reasons and more, 2024 may not leave tax leaders and candidates as fortunate.

GENERATIONAL CHANGES IN LEADERSHIP

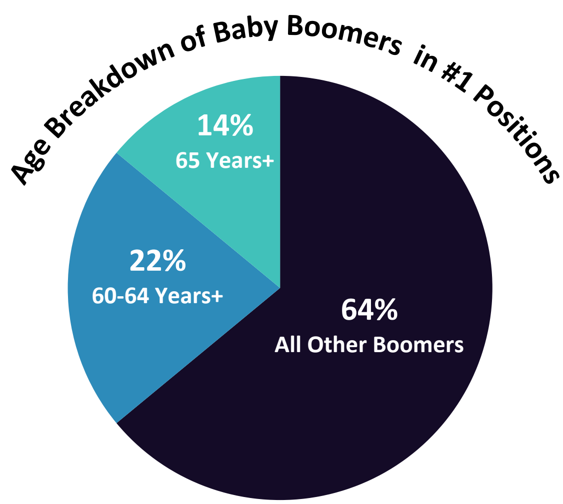
KEY TAKEAWAY FOR 2024

The tax profession is undergoing significant generational changes in leadership, driven by baby boomer retirements. Younger leaders will face the challenge of managing a tax department during a time of economic uncertainty, which they likely have not experienced before. Adaptability and preparedness will be crucial for the tax profession as it faces demographic changes in the coming years. We believe that these demographics will carry over to the service providers for both public accounting and law firms, as well as the government tax authorities or tax professionals in government agencies (federal, state, and local levels).

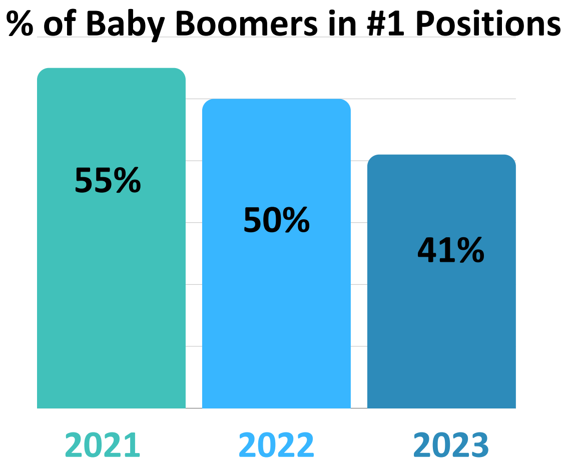
2024 is shaping up to be a pivotal one for the tax profession, marked by significant generational changes in leadership due to the changing of the guard resulting from an acceleration in baby boomer retirements. With the growing pressure on budgets and headcounts, we predict that younger heads of tax, primarily representing the Gen X and millennial generations, will find themselves in the driver's seat as they grapple with preparing for a potential economic downturn. The last major downturn of comparable magnitude occurred in 2008, when many of these emerging leaders were not yet occupying the leadership roles they hold today. As such, they need to gain firsthand experience in managing a tax department during a crisis, which raises concerns about how they will navigate the impending challenges.

These newer leaders, while brimming with potential, face a steep learning curve when it comes to economic turbulence. They must confront issues related to budget constraints, cost-cutting measures, and the critical need to justify every dollar spent in the current economic climate. The dynamics of today's financial landscape are vastly different from the days when their boomer predecessors were leading the way, and this presents uncharted territory for them.

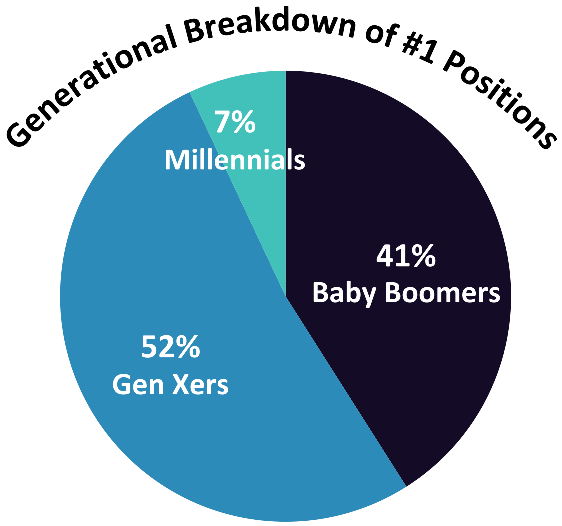
The demographic landscape of the tax profession is a critical factor in these predictions. Notably, numbers from our database show a significant percentage of current heads of tax are baby boomers aged 65 and older, making up 14% of the leadership, while an additional 22% fall in the 60-64 age group. This demographic composition indicates the likelihood of a substantial portion of experienced tax leadership retiring in the coming years, particularly given the trend of younger boomers opting for early retirement.



GENERATIONAL CHANGES IN LEADERSHIP CONT'D



As you can see in the chart to the left, there has been a distinct trend in retirements over the last few years: from 2021 to 2023, there was a significant **surge in retirements at the highest levels of leadership, with a shift from 55% down to just 41% of baby boomers holding these positions.**



The good news is that **for the first time in tax history, our data is showing a transition to Gen Xers currently being the largest cohort holding #1 titles, from 46% in 2022 to 52% in 2023 taking the lead from the baby boomers. (see right)**

Will this trend persist into 2024, or will there be a leveling off as baby boomers decide to hang on a few more years? While it's challenging to predict with certainty, the data suggests that the decline in experienced leadership will continue.

To address these impending challenges and mitigate potential disruptions before these newer leaders are in over their heads, the tax profession must take proactive steps:

1. **Succession Planning:** Tax leaders should prioritize succession planning within their departments. Identifying and nurturing potential successors is crucial to ensure a seamless transition when experienced baby boomers retire.
2. **Knowledge Transfer:** Encouraging retiring tax leaders to actively mentor and share their expertise with younger colleagues is essential. Establishing formal knowledge transfer programs can help preserve institutional knowledge and bridge the generational gap.
3. **Attracting Talent:** To maintain a robust talent pipeline, the tax profession must make efforts to attract and retain new talent. This includes promoting careers in tax to younger generations (including those still in college), offering competitive compensation and benefits, and creating a more inclusive and diverse workplace.
4. **Skill Development:** Investing in the ongoing development of emerging tax leaders is vital. Providing training and resources to enhance their leadership skills and equipping them with the tools needed to navigate economic downturns will be essential.
5. **Industry Collaboration:** Collaborating with industry associations and organizations can facilitate the sharing of best practices and insights on leadership transitions. Learning from the experiences of other sectors can provide valuable guidance.

These are some of the things we recommend for our clients during strategic staffing, retention, and development assessments.

As we venture into 2024, the tax profession stands on the cusp of a significant generational shift in leadership roles. While this shift brings fresh perspectives and innovation, it also poses challenges due to the lack of experience in managing economic downturns. Proactive measures such as succession planning, knowledge transfer, talent attraction, skill development, and industry collaboration will be instrumental in preparing the tax profession for the demographic changes ahead. **Tax leaders' adaptability and preparedness in addressing these challenges will be critical to continued success as the remainder of the largest population in tax heads towards retirement.**

UNKNOWNS IN 2024

KEY TAKEAWAY FOR 2024

Tax leaders are facing uncertainty related to the economy and the upcoming 2024 elections, which could impact supply and demand in the tax profession. While the specific outcomes are unknown, tax leaders must proactively prepare for potential market impacts.

Compared to last year's report, we have more clarity on which market forces will be affecting supply and demand and how those will affect tax hiring and retention.

1. **The state of the economy**
2. **The upcoming 2024 election**

Although only time will tell which direction the economy and the upcoming elections will go, tax leaders can still take action to prepare for the potential market impacts these unknowns may have on the tax profession in the short and long term. To prepare for these uncertainties, Heads of Tax must proactively educate upper management, financial leadership, and HR on the fluidity of the tax environment and ensure that they have the resources required to be agile in navigating the potential impacts these two unknowns may have on tax.

The State of the Economy

It appears the tax hiring market has been holding its breath for the past year when it comes to the economy. At the tail end of 2023, it appeared that as departments were still putting pressure on budgets and being proactive in cost cutting, the looming uncertainty from last year would continue moving into 2024. While no one has a crystal ball to determine when a downturn will occur or how significant it will be, we do anticipate that if a recession were to occur, the hiring and retention market in tax would likely respond differently than prior downturns. Despite the possibility of a recession, we anticipate that the job market is unlikely to shift heavily in favor of employers because of the diminishing talent pool, driven by factors such as the baby boomer exodus and the persistent high demand for talent resulting from regulatory changes.

Tax leaders must be ahead of the curve in focusing on how to retain key players on their teams, as well as preparing financial leadership and HR for the fact that a downturn will likely not result in more ease in staffing and hiring but will likely do the opposite. Laying the groundwork to have the resources needed to navigate an increasingly complex tax landscape in 2024 will be key. Heads of tax must also be prepared to face problematic decisions in staffing if they need to cut headcount due to budgetary constraints.

Now is the time to identify the key players, as that will be critical to retain and develop their teams. While there will likely be pressure to eliminate seasoned individuals in departments due to the higher compensation those roles demand, tax leadership must be careful to avoid losing invaluable legacy knowledge. This poses a bit of a conundrum. Heads of tax need to be prepared to think outside the box in how they utilize not only their permanent budget but consulting budget as well. Services like TaxForce can assist in getting needed support without running up significant consulting costs.

The Upcoming 2024 Election

The specific impact that the 2024 elections may have on tax policy and legislation is hard to determine early on without a clearer picture of which candidates are running, their platforms, their stance on tax, etc. However, regardless of which parties win elections at the federal, state, and local levels, these elections will likely impact tax policy and legislation in general because tax is increasingly utilized as a political tool. This has been apparent with the rate at which we see significant changes in rules and regulations taking place in recent years vs. past decades. Prior election years have been good years for hiring in tax, and we have seen firsthand how developments in tax policy affect the demand for talent in tax. Based on these factors, the demand for talent will likely increase as tax departments work to prepare for any potential changes in tax legislation. Bearing this in mind, it will be necessary for tax leaders to prepare their internal teams to be as nimble as possible so they can effectively navigate the changing landscape of tax policy that will likely result from this upcoming election at the federal and state levels. They will also need to help develop key players on their team to have the ability to not only effectively articulate changes in tax policy to key stakeholders but to influence those teams external to tax as well.

While we do not have clarity on the outcome of the 2024 elections or what the economy will look like this upcoming year, **we anticipate that the demand for talent will remain high this upcoming year regardless of these unknowns.** Tax leaders must be prepared to navigate an increasingly competitive climate for attracting and retaining talent, even in the case of a downturn or changes in the political arena. With so many unknowns circling the economy, elections, and what they may bring, tax leaders need to consider all possibilities. They should also sharpen their personal and team's influencing skills to effectively educate upper management on what will be needed in their tax departments for them to be agile and successful in a fluid tax environment.

INCREASED DEMAND IN TAX SPECIALTY AND FUNCTIONAL AREAS

KEY TAKEAWAY FOR 2024

The tax industry in the U.S. is facing supply and demand challenges in various specialty areas, including state and local income tax, federal tax compliance, tax accounting, tax audit, and international tax planning. These challenges are exacerbated by factors such as retirements of experienced professionals and a shortage of younger talent entering the field.

As highlighted in our introduction, supply and demand issues have persistently plagued the U.S. tax industry for years, particularly since the bubble that began forming after the last downturn in 2008. However, as we enter 2024, there are some specific functional and specialty areas we predict will be further affected by the current supply and demand issues.

1. State and Local Tax: A byproduct of baby boomer retirements, coupled with a shortage of younger professionals entering this specialization, we are witnessing a growing demand in the state and local tax domain overall. The trend we have come to know in this area is that individuals who have specialized in state and local have stayed in the field for the duration of their careers. Despite efforts to automate, there is a rising demand within state and local indirect tax, especially in the sales and use tax sector. This might be a short-term issue and resolve itself when tax departments automate the indirect tax area, but it is too soon to know. The demographic changes could impact specializations like state and local more at the lower levels, mainly due to the older baby boomers hanging on longer, further exacerbating the supply-demand challenge in this area.

2. Federal Tax Compliance and Tax Accounting: The demand in this area is still strong due to technology again taking a backseat to the economic market and the anticipation of Pillar I and II in 2024 adding additional workload to tax departments. Additionally, as companies are realizing there is no time to wait to add the needed technology, we see the demand increasing and since this pool of individuals is already small, it will greatly affect the supply.

3. **Federal and State Tax Audit:** The federal and state tax audit area is another specialty that we are seeing an increase in demand and expect it to continue to increase as taxing authorities in the U.S. and around the world ramp up their staff and increase the need for revenue.

4. **International Tax Planning:** We have been seeing a rise in demand in the international tax space as a result of Pillar 2, particularly global tax planning. We are seeing a lack of supply in this area as we witness a growing number of companies recognizing the need to be nimble in adjusting their tax strategy to new rules and regulations.

INCREASED DEMAND IN TAX SPECIALTY AND FUNCTIONAL AREAS CONT'D

What can be done to counteract the supply issues in the above specialty tax areas as well as others?

It is imperative for tax departments to proactively address the challenges posed by the supply and demand issues in the coming years. The outlined strategies are essential steps we review with our clients during annual and quarterly meetings to assist in safeguarding the department's stability and effectiveness.

- **Establish clear succession plans** for every position to ensure continuity and minimize disruptions.
- **Conduct assessments to match individuals** with their roles based on technical and EQ skills to promote optimal performance.
- **Offer opportunities to cross-train individuals internally**, especially since there is a shortage of up-and-coming talent in most technical tax areas.
- **Recognize and reward top performers** to motivate and help retain them.
- **Establish regular goal-setting meetings and foster their professional growth** to ensure alignment with their aspirations.
- Build a company culture that **values and supports employees personally and professionally.**
- **Consider automating** in relevant areas when possible.
- In the case of excessive workload, **prevent burnout by hiring contractors** during peak periods or when team members are on leave.

Finally, it is crucial for finance leadership and HR to collaborate, staying informed about the tax market and adapting to recruitment challenges. By being proactive and implementing these strategies, tax departments can fortify themselves against the uncertainties of 2024 and will secure a bright future for their department. The sooner these actions are taken, the better positioned the department will be to navigate the evolving landscape of talent acquisition and retention.

KEY TAKEAWAY FOR 2024

There is a high demand for tax professionals across all levels in the tax department, driven by factors like the 2008-2012 recession, retirements of baby boomers, and a shortage of younger tax talent. Candidates currently have more bargaining power in the job market, exacerbating supply issues further. While economic corrections may briefly alleviate supply challenges, proactive planning remains vital for long-term management.

We are witnessing an unprecedented need for tax professionals in all roles of the tax department, from top tax to lower-level manager and senior positions. We have been anticipating demand for senior managers as they move up to replace departing baby boomers, but we are now seeing a vacuum effect as companies do not have managers to fill the vacant roles. We predict this factor, combined with the enormous generation of baby boomers still retiring from the profession, the undersized generation of Gen Xers, and under-experienced generation of millennials, will only further diminish the supply of well-qualified individuals in 2024. Additionally, candidates have gained substantial leverage in the hiring market over the past year, enabling them to take advantage of available opportunities. We expect this trend to persist well beyond 2024 and impact the supply for years to come.

This exceptional demand for tax professionals across the board is due to several factors:

1. **Fewer candidates coming into tax** in general via graduate tax programs
2. **The bubble created by the COVID-19 pandemic** when hiring was put on hold
3. **The bubble created by the 2008-2012 recession** and the subsequent slowdown in staffing and training at public accounting firms

As we see Senior Managers who have held these positions for a long time finally move up into the vacant #1 and #2 roles, **the supply to fill the shoes down the chain is equally, if not more scarce**. In our earlier section on the baby boomer exodus, we discussed additional tensions we will see over the next couple of years, as baby boomers currently make up over a third of all positions across the department, from tax staff to tax managers and heads of tax. At our firms, we are seeing a lot more critical searches at the lower levels, but there are different expectations regarding office policies and compensation. **Our supply struggles will only be magnified across all levels of the tax department.**

Despite tax leaders contending with the tension surrounding candidate expectations across the board versus what companies want to offer, **keeping those 10-15-year people retained and happy is critical for succession planning.**

CHALLENGING LEVELS OF HIRING CONT'D

The best way to do this is through continued development toward their career goals, whether that be succession planning, opportunities for advancement, options to cross-train, etc. Tax leaders will need to think more long-term and plan to be less reliant on professional service firms to train and develop talent when retaining the top-tier professionals within each role.

Due to the firms struggling with staffing issues themselves, **we are already seeing the technical caliber of the individuals coming out of public accounting and law firms dropping.** Internal long-term strategies such as training and internships would be a wise investment to develop more entry-level talent in-house.

If there is an economic correction this year, it would probably level off some of the supply tension. Fewer opportunities would be available, so the fight for talent would be less intense. No matter how the market goes, **the key for tax leaders to successfully manage their supply long-term is to build a plan to develop the #2s and their successors.** As planning begins to fall into place, the individuals currently in the lower-level positions will naturally develop and fill the gaps up the chain.

WORK POLICY TENSIONS

KEY TAKEAWAY FOR 2023

The corporate tax landscape is undergoing a significant transformation in work policies, with remote, hybrid, and onsite models each posing their own challenges. The changes anticipated in 2024 and beyond — including a shortage of well-rounded candidates, especially among younger cohorts — will result in a talent gap, training and development challenges, and difficulties in attracting and retaining qualified professionals..

In the corporate tax landscape, there's a significant transformation in work policies with remote, hybrid, and onsite models posing challenges for middle market and Fortune 500 companies. According to Tony Santiago's TaxNotes article, "Three Tension Points Affecting the Corporate Tax Market," 83% of corporate tax departments have adopted hybrid work models. We predict this shift will lead to a shortage of well-rounded and developed candidates, particularly in younger cohorts. While it may take a couple of years beyond 2024 to start feeling the effects of this, we are predicting 2024 to be more of a transitional year as this issue is not going anywhere.

The implications of this transitional year include:

1. **Talent Gap:** In 2024, the impact of reduced office time on younger cohorts' skillsets will become more pronounced. Due to the ongoing prevalence of hybrid work models, a continued shortage of quality candidates is predicted. Current candidates are of a different caliber than we have seen in the past, or companies are just not getting any candidates. Tax leaders need to start thinking about how to close the gap.

2. **Training and Development:** The hybrid and remote nature of work disrupts traditional in-house mentoring and learning experiences. Both hybrid and fully remote companies are struggling with training, hampering lower-level employees' growth. There's a call for increased investment in training initiatives, but striking a balance between digital and in-person training is crucial for seamless knowledge transfer and skill development.

3. **Attracting and Retaining Talent:** Hybrid work is the most common model, followed by remote work, where candidates often overestimate the availability of such roles. As expected, in-office work is less favored across the board, making it difficult to hire fully in-office tax departments. The current work policy tensions make recruitment challenging, especially as flexibility becomes a priority. Individual contributors often find less need to be physically present in the office. Paradoxically, challenges tend to arise for those same professionals (Senior Manager and below), where in-house collaboration is traditionally beneficial.

WORK POLICY TENSIONS CONT'D

To address the challenges posed by evolving work policies, companies should consider several key strategies:

1. **They should prioritize investment in training initiatives**, allocating resources to offer more comprehensive training opportunities, particularly tailored to remote and hybrid work settings. This investment is crucial for closing the skills gap that may emerge as work models shift.
2. A strategic approach to recruitment is essential. Companies should **recognize that different organizational levels have unique needs and preferences regarding work models, and tailor their recruitment efforts accordingly** to attract top talent effectively.
3. **Striking a balance between digital and in-person training methods is vital** for seamless knowledge transfer and skill development in a rapidly changing work landscape.
4. It's crucial to **anticipate the correction expected in the job market's stabilization**, where employees will have more influence over their work location preferences.

In conclusion, as the corporate tax environment navigates the challenges of remote, hybrid, and onsite work policies preparing for this shift is essential for organizations to adapt successfully to changing expectations and realities in the corporate tax sector and beyond. Corporations should invest in training, tailor recruitment strategies, and anticipate market corrections to address these challenges effectively and ensure the supply of skilled professionals. Acknowledging the unique needs of different organizational levels will be crucial in fostering a work environment that aligns with the evolving expectations of corporate tax professionals in 2024 and beyond.

Demand Outstripping Supply

Where have all the tax professionals gone? There are certain countries where we have been scratching our heads as to why there are so many good tax jobs but so few candidates willing to take on those in-house roles. We will now attempt to explain some of the reasons behind this market failure.

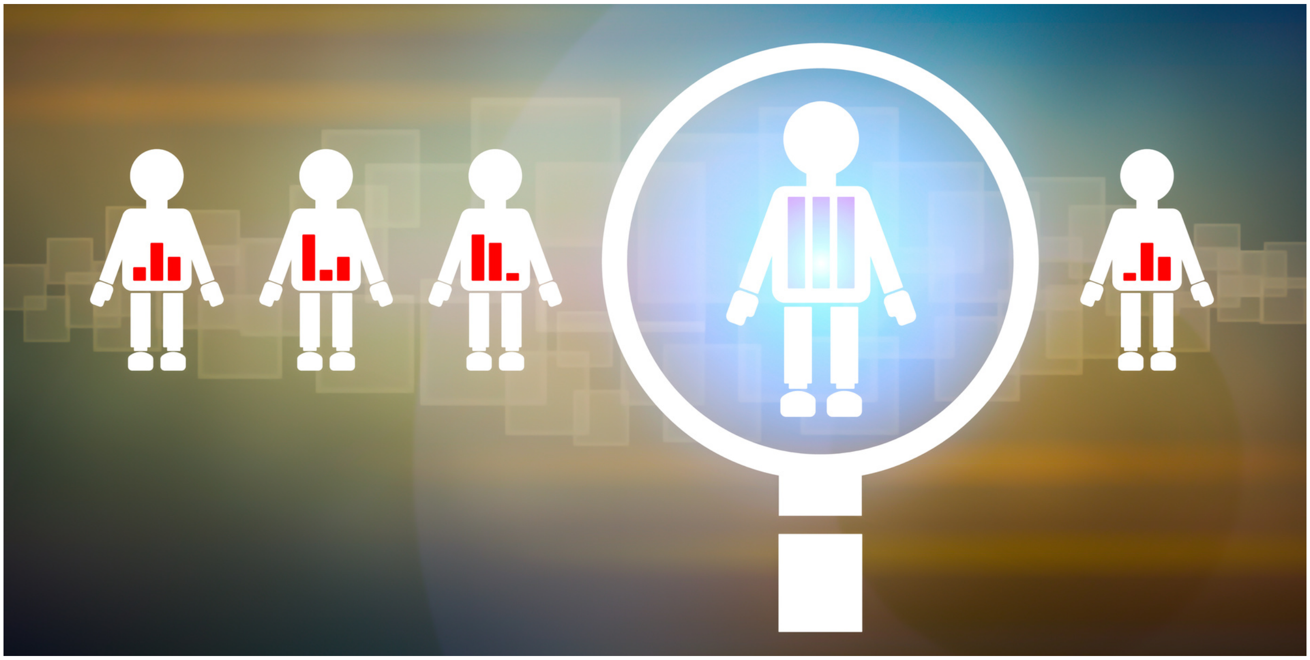
We must acknowledge the fact that the market for in-house tax professionals correlates with economic cycles less than other professions. As such, when there is a dip in advisory fees for the Big 4 (as we saw in the latter half of 2023), the demand for in-house tax talent does not dip as you might expect. If it does, there is a significant time lag.

Some in-house tax functions, which faced challenges in hiring during the candidate-driven market since 2020, are now entering the job market in the hope of filling long-vacant roles. They've learned from the experience of relying on Big 4 advisors during that volatile period, where both their fingers and wallets got burned.

The big trend we have witnessed over the last 12 months has been the lack of supply of tax professionals in certain markets. Germany is one example; Japan and the U.S. are others where there is a real issue with a shortage of supply. There could be cultural reasons for this problem. One reason could be that these countries have a long history of building successful, prestigious, home-grown manufacturing companies that are the employers of choice for the top talent in any field. We see this with European and Japanese-headquartered companies trying to hire tax leaders in the U.S., needing to go the extra mile to attract the best compared to their competitors in the Fortune 500. The same is true in Germany, so U.S. headquartered MNEs need to apply the same rationale and think creatively about how to differentiate themselves to answer the question as to why a German tax advisor would want to work for them rather than a DAX 40 group.

Another factor creating inertia in the German market is a tendency towards longer notice periods. They are, by some stretch, the longest in the known universe. At the lowest possible end, notice periods are three months from month end, going all the way up to six, nine, or 12 months from the end of the quarter. In a few rare cases, they might only take effect from the half year (December or June). Our U.S.-based clients react with a mixture of puzzlement and bewilderment, given how short equivalent notice periods are stateside. However, the fact that the U.S. and Japan also need more supply while having shorter notice periods means the problem cannot just be a result of the speed with which people can change employers. Managers and Senior Managers in the Big 4 and industry in Germany are getting, on average, around three of four approaches every week offering new jobs. This explains why potential candidates are so picky.

Don't bank on the Big 4 supplying the shortfall or attracting more graduates. As the failure of EY's Project Everest showed, the Big 4 cannot unwind their own deep-seated conflicts. Sooner or later, the task of imposing structural changes will fall to governments and regulators around the world. By rejecting demergers on their own terms, the Big 4 have effectively chosen uncontrolled and probably messy break-ups on someone else's terms and clock. None of this creates a lot of excitement to get into tax.



NON-U.S. TAX MARKET RECAP OF 2023

As a global tax search business, we plan to highlight how tax leaders and their teams are having to adapt, as well as the impact on recruitment and retention. Over the last few years, we have seen significant harmonization of tax trends across the different regions of the world. Therefore, we've approached this section from a global perspective, emphasizing occasional distinctions.

Last year, we predicted that the key topics for 2023 in each of the EMEA, APAC and LATAM regions would revolve around:

1. BEPS Pillar 2 preparation
2. Adapting to new work patterns
3. Recognizing (more than ever) the need to automate
4. The competition for tax talent and seeing the world as a smaller, more connected place to source potential tax professionals

With BEPS 2.0 at the implementation stage, we were constantly hearing about the continued need for cost reductions, automation and process improvement off the back of it. Every client, regardless of size, is facing a huge compliance burden, in particular regarding Pillar 2. The general consensus is that Pilar 1 will not get off the ground. The challenge is dealing with all the new tax topics arising while trying to do the 'day job.' The sheer volume and weight of new legislative proposals coming out in the tax world is quite overwhelming (the EU is particularly active). This includes measures on environmental taxes/levies/incentives, and (depending on where responsibility for these lie) these can be demanding on the tax function.

We didn't foresee how hot specific markets would get. As we have already discussed earlier, the high demand was outstripping supply in Germany, but also the United Arab Emirates and Saudi Arabia. Key themes shaping searches in this region focused on identifying candidates proficient in local tax matters — capable of handling tax audits and fostering productive relationships with tax authorities, particularly those fluent in the local language. Additionally, candidates needed to be globally minded, fluent in English, and adept at functioning effectively within a complex global organization. In the UAE specifically, with the upcoming introduction of Corporate Income Tax, it has been important that candidates have not only been working with UAE taxes in the past but also worked in other jurisdictions that have been paying CIT to ensure they can handle issues and communicate changes effectively with business stakeholders.

Competition has been fierce in countries such as Singapore and China, where demand outstripped supply, and we saw the highest level of counter offerings by Big 4 and MNC employers in an attempt to retain staff. This also had the effect of pushing up salaries considerably in 2023. We also saw a great deal of recruitment activity in Australia, Singapore, China and Hong Kong, Japan, India, Malaysia, Indonesia and the Philippines.

An important focus for many clients was to have Country Tax Leaders/Managers in key APAC countries who have a wide range of skills from tax compliance to tax advisory and transfer pricing. Moreover, they can deal with and build relationships with the local tax authorities in the local language (such as in China, Thailand and Indonesia) while communicating effectively in fluent English with their colleagues and internal stakeholders.

As predicted, workplace flexibility was high up on the agenda in LATAM from a people's perspective. Compared to other regions we recruit in, there is a greater sense of communication and collaboration in LATAM between employees and their employers to continue to make this work. Hybrid working now means flexibility, work-life balance and empowerment for employees, while for employers, it is about making sure productivity and efficiency remain high on the agenda. 2023 was the year to agree on any adjustments to policies, rules and KPIs that must be implemented in 2024 to ensure hybrid working continues to work for both employers and employees.

LATAM tax authorities continued to adapt their structures and systems to maintain virtual communication. A major challenge for in-house tax teams continues to be finding enough people with tax technology, automation, electronic accounting and e-invoicing skills. Tax departments also need people with strategic vision, an interest in what the business does, and who can think of ways for the tax department to add value.

NON-U.S. PREDICTIONS FOR 2024

2024 NON-U.S. KEY TAKEAWAYS

The second half of the Global Tax Market Assessment contains insight on the top global tax trends impacting EMEA, Asia Pacific, and Latin American tax departments. **The top key takeaways for these regions are:**

01 **TALENT IN DEMAND FOR 2024: INDIRECT TAX**

02 **TRANSFER PRICING, TAX CONTROVERSY AND POLICY: INCREASING TAX AUDITS**

03 **A BOOST FOR EASTERN EUROPE**

04 **WAGE INFLATION AND THE COMPETITION FOR TALENT**

05 **HYBRID WORKING: SENIOR LEADERSHIP'S PUSH FOR MORE IN-OFFICE TIME**

06 **BEPS 2.0 CONTINUES TO DRIVE ACTIVITY**

07 **FINANCE TRANSFORMATION: SEEKING EFFICIENCY IN TECHNOLOGY AND AUTOMATION STRATEGY**

Barrie Pallen and Will Sheppard, Directors at BPA Search, are offering private meetings with those who wish to discuss Non-U.S. tax issues further. Please email Will directly at will@bpasearch.co.uk to schedule a meeting.

Talent in Demand for 2024: Indirect Tax

Indirect taxes, including VAT/GST/sales tax, property tax, customs and excise duties, and environmental taxes, are becoming more prominent and demanding worldwide. Amid significant budget pressures post-pandemic, governments are using indirect taxes to meet their revenue needs. We expect to see continued pressure in this market.

The ripple effect of lockdowns from the Covid-19 pandemic is still contributing to the disruption in trade. The conflicts in Ukraine and the Middle East, along with a reevaluation of the risks associated with China, have significantly impacted companies' supply chains. This has led to 'friendshoring' (an emerging trade practice in which supply chain networks concentrate on nations recognized as political and economic partners), with subsequent implications for people's geographic location.

Another big driver of demand for indirect tax professionals has been the adoption of technology and automating manual processes by companies and tax authorities. With more interested parties seeing what is happening in daily operations, the onus is on the business to collect and manage their data.

A third significant driver of indirect tax hiring in 2024 is the continued push for sustainability. Increasingly, governments are using indirect taxes to drive their ESG policies by raising revenues to fund green policies.

Transfer Pricing, Tax Controversy and Policy

Tax audits are increasing across the globe, which has led to a significant increase in the recruitment of in-house transfer pricing (TP) professionals to ensure transparency and consistency of message and to reply to tax authority queries in the right way. Many tax authorities can now access real-time data and are better skilled in the technicalities of TP, so companies need to ensure the accuracy of the tax data that can be accessed. Tax authorities consider TP a source of 'quick wins' and are investing heavily in recruiting TP staff.

Technology and its availability will allow tax authorities to interrogate multiple sources, identify inconsistencies, and raise challenges. BEPS has meant tax authorities have developed strong connections between themselves, which will lead to more multi-jurisdictional tax audits.

There has also been a rise in tax offices dealing with audits through online portals — the lack of face time with tax inspectors makes it difficult to explain complex issues and resolve concerns, leading to unnecessary appeal processes and putting additional pressure on both time and resources.

Tax leaders need to recognize that **handling controversy is not a skill set that all tax professionals have**, and they need to think hard about who should be handling such work in the tax team.

Increasingly, multinationals are focusing on tax policy matters and how to utilize tax to help create a favorable environment for investments. Tax policy changes, such as CBAM in Europe and the Inflation Reduction Act in the U.S., mean we need people in the tax team that can navigate these new regulations and help businesses make the right commercial decisions. There is a merging of government grants/incentives and tax support which means people need to be able to work across both areas.

A Boost for Eastern Europe

Companies are eyeing manufacturing closer to home to bypass cost and security fears, and there is a consequent shift in hiring patterns for tax. A big consequence of localizing supply chains has been the rise in job opportunities in Central and Eastern Europe. Cost-wise, salaries in China have overtaken equivalent salaries in parts of Eastern Europe. Hungary is already Europe's second-largest producer of EV batteries. CEE countries have significant transportation advantages. Goods produced in Zary, which is close to the German border in Poland, for example, can reach 21 million customers within a five-hour drive. This matters both in terms of cost and logistics, but also for corporate sustainability goals.

Hungary has one of the lowest corporation tax rates in the EU at 9% and offers a partial exemption for 13 years after investment.

The Czech Republic also has corporate income-tax relief for up to 10 years and cash grants of up to around €12,000 per job created. These incentives collectively contribute to a surge in interest throughout Eastern Europe.

Wage Inflation and the Competition for Talent

The Big 4 are increasing salaries to prevent tax professionals from moving in-house. Multinationals must either match these increases, come up with creative solutions to tax recruitment needs, or reshape the tax team structure. There is a real push to invest in recruiting young tax talent for the future and home-grow the tax specialists of tomorrow.

The younger generations are interested in 'life balance' rather than 'work-life' balance; they think nothing of working two years, taking six months out, finding a new job and repeating. We need to find ways to retain their interest and ensure that senior tax professionals and younger tax professionals find common ground and ways to connect. Gaps are developing between tax leaders and less experienced talent who can, in a short period of time, be ready to step up to senior roles. The younger generations crave personal interactions and are much more willing to come to the office.

Significantly less graduates are joining the profession, so there are fewer newly qualified tax professionals for multinationals to hire. With a greater amount of remote working, which can restrict the breadth of experience for individuals to grow and develop, there is a risk that the leaders of tomorrow will not be as well-equipped as their predecessors. Tech skills are becoming an ever more important aspect of tax work. Data analytics will change how tax people function, and the questions being asked by tax professionals in the future will be very different from what they are asking now.

Hybrid Working

2023 saw a greater push to have teams working together — co-located — for at least two days per week. There is pushback from employees who want to work from home more. Implementing a mandatory four-day office workweek at the corporate level may seem beneficial; however, if such a policy results in a significant loss of the tax team, its feasibility becomes questionable. The effectiveness of this approach is contingent upon the talent pool available in proximity to your office location. This is much easier in an international city with a critical mass of talent than if the business chose an office location in the middle of nowhere.

When it was mandatory to work from home, employers in more remote locations enjoyed the benefits of hiring from a greater pool of talent beyond their locality. Now, the pendulum is swinging back the other way, and it is prudent to remember who was hired on a more remote basis and what changes people have made to their lives.

This is still an evolving and contentious issue. Many companies worldwide are now insisting on three days in the office (two from home), with pressure from senior management in several companies to push this further. We are hearing of a significant number of annual company surveys (sent to internal staff across the globe) containing a whole section just on the topic of 'how many days need to be spent in the office'.

Conversely, many tax leaders remain relaxed about the mix between office and home working. Some tax professionals like to be in the office as much as possible, others as little as possible. Much depends on the nature of the tax work — leading a team or business partnering requires face time with key internal/external stakeholders. Remote workers may face the risk of being overlooked for new projects and opportunities, missing out on training initiatives, and potentially impeding their career development. How can the tax leaders of tomorrow be identified through Teams calls?

There is also the risk that a remote working role could be moved to a lower-cost location and could see individuals losing their positions as a result. Current views on hybrid working also vary according to the company's size. For example, in the lower part of the FTSE 100 and across FTSE 250 companies, **the feeling is that more time in the office is preferable. From the perspective of senior management within these companies:**

1. **Senior tax professionals with expert knowledge should be in the office** sharing this experience rather than at home.
2. **These tax professionals should be "seen"** contributing to the company's success.

In return, we are also hearing of companies offering additional financial/remuneration incentives to encourage people to go back into the office more regularly.

BEPS 2.0 Continues to Drive Activity

The focus is now on implementation and ensuring readiness to pay tax from 2024/2025, but clarity is still required. Preparation for Pillar 2 and global minimum tax scenario calculations are taking center stage. Companies need tax people who can work with IT/Finance to ensure all data is captured across multiple countries (some of which have never been gathered before). It would significantly benefit companies to assess preparedness by comparing it to competitors or industry peers.

NON-U.S. PREDICTIONS FOR 2024 CONT'D

Across FTSE 100 companies, the consensus appears to be that the compliance burden is disproportionate to the additional tax that must be paid. Conversely, HMRC, for example, believes there will be a significant increase in the amount of tax to be collected.

There is a real difference between U.S. and non-U.S. parented groups regarding BEPS 2.0. Many non-U.S. parented groups assume BEPS 2.0 is inevitable and are much better prepared. There is a substantial risk that the U.S. will not fully adopt BEPS and will introduce retaliatory measures, which, rather than bring in a standard global approach to international tax, will instead bring in a two-tiered approach. With the U.S. being granted a one-year delay in the application of UTPR (Undertaxed Payments Rule), traction is growing in the E.U. to receive a similar delay. The U.S. delay might actually impact how investors view stocks of U.S. companies vs. European companies.

Several MNCs are lobbying overseas governments to change local tax legislation to ensure these countries stay competitive post-BEPS. In the past, we have never seen companies from different industry groups working together to approach multiple governments, ask for legislative change, and help them draft appropriate language. Cooperation on this scale is a very new development, but if we are to have a global approach to tax (BEPS), there should be a global reaction from taxpayers.

A key aspect of BEPS will be ensuring the quality of data. Soon, MNCs will publish information in multiple reports — some will be in the public domain, and others will only be available to tax authorities. Tech can now interrogate this data and look for inconsistencies, leading to questions, audits and litigation — so you need absolute control of your data. As a result, BEPS has driven the increase in investment in tax automation and tax technology.

Finance Transformations

A modern corporate tax department is characterized by how efficient it is, how well it adapts, and most importantly, how it integrates technology and strategy. Alignment between tax and the business likely has never been more important than it is today. Businesses are embracing a networked organization mindset that focuses on cross-functional problem-solving to tackle these issues and more.

There is little doubt that the pandemic accelerated the automation of work, partly driven by safety concerns but also owing to the attractiveness of substituting labor with capital (technology) as a risk mitigation strategy.

This continues to be high on the agenda, with more pressure than ever to automate processes and own data. Every company is going through some form of transformation in response to tax changes, e-invoicing, digitalization of VAT, new taxes, or the necessary data for Pillar 2 (or all of these). Tax is now considered a central part of any transformation, not just a consequence or byproduct.

It appears that there are still many people out there talking about 'transformation' and 'RPAs' without really understanding what the journey is about or all the work that needs to come prior to this point. Moreover, the exorbitant costs associated with transformation can often lead to diluted plans and hinder progress, resulting in a slow pace of advancement rather than significant change. C-Suite's big concern is not wanting to distract the wider business or provide anything other than peak performance from finance to the business.

Many companies are focused on expenses and looking to drive unnecessary costs out as much as possible, leading to more discussions on outsourcing, co-sourcing, offshoring and a general discussion on the whole Tax Operating Model. Technology plays a big part in this and will play an even bigger role as companies understand what generative AI and other technologies can do for them.

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