Global Tax Market Assessment

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

2022 EDITION

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U.S. Tax Market Assessment 2021 Recap

Demographic Exodus within the Tax Profession

At the start of 2021, TaxTalent predicted that the high likelihood of reworking the Tax Cuts and Jobs Act of 2018, additional pressures on budgets, along with leadership and management challenges surrounding the COVID-19 pandemic, would accelerate the rate at which Baby Boomers were retiring. As a result of these retirements, Millennials and GenZ would be promoted into leadership roles sooner than their predecessors. This is exactly what we saw happen in 2021. New proposed tax legislation from the Biden Administration, which increased the workload while still under tight budgets, while leadership tried to manage new headaches regarding remote working policies helped expedite Baby Boomer's retirements. We anticipate the retirements will continue to happen at an expedited rate, causing an interesting trickle-down effect, impacting Millennials and Gen Z.

The Impacts of ESG on the Tax Profession

Last year, we highlighted the "social" element of ESG and noted that companies would push to hire a more diverse workforce. We hit the nail on the head when this came to fruition in a big way, as diversity recruitment is a topic of conversation on almost every search we work on. We believe this will continue for the foreseeable future. While environments and corporate governance are constantly changing, at this time, we continue to stand firm in the belief that diversity within tax will be the leading ESG challenge from a staffing and retention perspective. Companies and professional service firms must make changes in their hiring practices to attract a more diverse workforce at the entry levels within the tax profession due to the captive labor pool in tax. As you will read in this year's report, the "social" element of ESG will continue to be a headlining topic moving forward.

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

In our 2021 Global Tax Market Assessment, we predicted companies would embrace the remote work atmosphere, and most would adopt the hybrid model versus fully remote. Our predictions were correct and supported by a survey conducted of Chief Tax Officers in late 2021, where 72% of those tax departments had adopted the hybrid work model.

We also saw the rise in tension between employees' and leadership's expectations of in-office versus remote environments, as we predicted. However, even we did not anticipate the degree to which this tension would create retention headaches for departments nationwide. COVID-19 changed everything related to remote work, and we are still learning the impacts it will cause. Continue reading to learn more about the effects being identified.

U.S. Tax Market Assessment 2021 Recap Continued

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

We predicted that 2021 would begin an evolution where companies shift away from focusing solely on ETR or cash tax planning and begin to focus more on tax policy and controversy matters due to the current attention on transparency for taxpayers globally. At this point, we are comfortable saying this prediction was accurate. This year, we have seen signs of this evolution taking place as more tax policy and tax controversy responsibilities have been added to planning-oriented roles. We have even seen companies create positions focusing on policy and controversy based on the level of activity in the space. This has also caused companies to think differently about balancing tax technical versus communication and influencing as we expected. As noted earlier, we view this trend as evolutionary instead of a pendulum shift, so the transition has begun and has been gradual in 2021, but we expect it to continue impacting the profession in the future.

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

Our prediction for the future tax department structure is ongoing. Our statement in last year's Global Tax Market Assessment says it all. "We envision an evolutionary shift away from shared services and co-sourcing solutions and we believe this will accelerate as technology automates tasks for indirect tax compliance and federal income tax, as well as some of the reporting functions."

We feel our prediction is accurate, although more of a long-term prediction evidenced by the word evolutionary. We have seen this shift, especially as automation continues to enhance the optimization of financial operations, and we will start to see the shared services and co-sourcing models shrink over time.

We also predicted tax departments would need to become very agile, add more value and embrace the Specialized Interim Workforce or "SIW." This was spot on and is ongoing. Tax Departments have started to develop the ability to recruit remotely to find people faster, increasing their agility. Some have realized the importance of adding the "SIW" interim staffing model, which also grows that agility. However, to get more robust agility as Baby Boomers are exiting the profession over the next few years, more companies need to embrace this model, which we anticipate will happen with younger leadership being more open to this concept.

Nothing that occurred over the last year leads us to believe our prediction of the future tax department structure is not on target, but it is an evolutionary process.

Preface for 2022 Predictions

As we all know, this is a CRITICAL time for the tax profession and we are dealing with some unique challenges. We will release many reports this year but if you read only one, this is the one to take the time to read. Our Global Tax Market Assessment is the ONLY annual report available that gives the tax profession a global perspective from a recruiting and retention point of view.

In this year’s GTMA, you will notice the issues discussed in each section will repeat throughout other sections due to how interlaced they are with each other. This is to ensure the understanding of how dramatically each issue impacts the others.

Looking beyond our assessment for 2022, there will be issues facing the tax profession that need to be addressed now for future years to come. We don’t know what our workplace structures will look like, but we do know we are going to need to focus more time and energy as a profession on how we develop staff in these new work environments. With so many new tax departments being formed and a heightened demand for tax professionals across the board, we need to tackle the supply problems we are seeing head on. Additionally, there needs to be an emphasis on how to handle the increased workload from the audit perspective, here in the states as well as overseas.

THE 5 MAJOR U.S. KEY TAKEAWAY SUMMARIES FOR 2022

1 Major Factors Impacting Hiring and Retention in the Current Tax Market

2021 proved to be quite the "bounce back" year compared to the down market we experienced in 2020 due to Covid-19. While we anticipated 2020 would just be a bump in the road, 2021 surprised everyone with how rapidly the market recovered. With such a fast recovery and the market being white-hot, we expect a ripple effect in the ability to recruit new employees and the retention of existing employees. It is critical for tax leaders to be prepared for both planned and unexpected turnover in 2022.

2 The Demographic Impact

In 2021, we predicted the retirements of Baby Boomers would be expedited due to the potential for new tax reform, personal health concerns around COVID-19, and budget constraints, which is exactly what unfolded. Unfortunately, we don't see this trend slowing down in 2022 due to the potential for new tax reform right around the corner, new strains of the COVID-19 virus, and new policies for managing teams working remotely. We anticipate seeing strong implications of the "trickle-down" effect this is causing, where Millennials and Gen Zs are pulled up into higher roles much sooner than their predecessors and much sooner than they are ready.

3 Impacts of ESG on Staffing, Retention, and Development

The social element of ESG is being emphasized more in tax due to staffing, retention, and development issues resulting from racial diversity pressure specifically focused on the African American and Hispanic targeted pools. The demand for this candidate profile has surpassed the supply of available talent within the U.S. tax profession. This tension between supply and demand rising from the impact of ESG is more significant than we anticipated last year, and we believe it will be an even bigger deal this year than we thought.

4 How Remote Work Will Impact Permanent and Interim Staffing

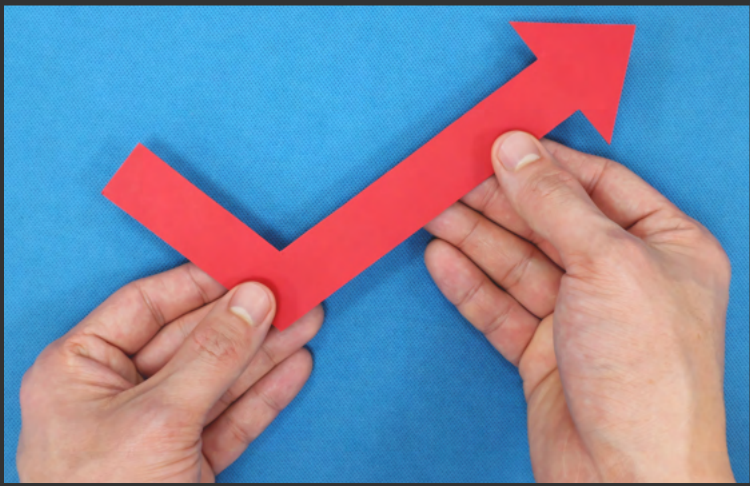
As more companies shift to hybrid and remote working models, we have begun to see some impacts on shifting the current hiring market to a candidate-driven one where there is a high demand for talent but a low supply. Regarding permanent staffing, we anticipate more companies to announce their back-to-office policies, which will create a compounding effect on companies' and firms' ability to compete with others in retaining talent, attracting new hires, and increasing pressures on compensation demands in 2022. On the interim staffing side of the fence, remote work has created a surge in activity in that area, a trend which we expect to continue in 2022.

5 Salary & Title Inflation

The U.S. tax market is currently experiencing tremendous salary and title inflation. This is due to various reasons, including the demographic crisis in tax, captive labor pool, and not enough people available to step into tax roles. In turn, several problems for corporate tax departments have risen, such as salary compressions in their internal tax departments, salary disconnects with other departments, and the failure of individuals being moved into positions they are not ready for.

2022 U.S. Tax Market Assessment

Major Factors Impacting Hiring and Retention in the Current Tax Market



2021 proved to be quite the "bounce back" year compared to the down market we experienced in 2020 due to Covid-19. While we anticipated 2020 would just be a bump in the road, 2021 surprised everyone with how rapidly the market recovered. With such a fast recovery and the market being white-hot, we expect a ripple effect in the ability to recruit new employees and the retention of existing employees. It is critical for tax leaders to be prepared for both planned and unexpected turnover in 2022.

Several factors are contributing to this extremely active tax market. Some of these factors have been building over time, and others have recently arisen. Either way, we expect the market to be active at least through 2022. It's important to better understand these six contributing factors before discussing our predictions.

1.Captive U.S. Labor Pool for Tax Professionals:
The first issue that has existed in tax for a long time will act as an overlay to this entire conversation because it is woven throughout all of the other factors. Unlike other areas such as engineering & I.T., the U.S. has a captive labor pool of tax professionals that cannot be utilized to relieve the stress put on hiring and retention or help with supply and demand pressures. Due to the uniqueness and complexity of the U.S. tax code, we are unable to import tax resources or recruit tax professionals from other countries because they are not able to transition into the U.S. and add value to U.S. tax teams. While there has been some work shipped overseas, the overall amount of work that can be sent offshore is significantly less than the work that must be done by U.S. tax professionals. Keep this bottleneck in mind as we discuss some of the other issues affecting supply and demand, realizing there are no easy answers to increase the supply of U.S. tax professionals.

2. Increase in the overall number of U.S. Tax Functions due to SPAC Transactions, Spin-off Transactions, etc.:
As we have witnessed in recent years, there is a trend of large companies spinning off businesses, causing new tax departments to be created. While a number of the jobs in these new tax departments could come from the original tax function, there are still many new positions that have to be filled with an external hire.

Additionally, there were a historic number of SPAC transactions which in most cases led to new tax positions and, in some cases, a whole new tax department. We have seen nothing that has led us to believe that we will see any reduction in the number of new jobs being created because of these types of transactions in 2022. With the news of companies such as G.E., J&J & GSK, and others expecting to spin-off pieces of their business and the continuation of SPAC transactions, we expect even more new positions to enter the market.

3. Retirements, Retirements, and more Retirements:
As we have discussed in years past, we expect the tax industry to continue to feel some major impacts due to an influx of retirements. There are several reasons why retirements are impacting the tax profession, and you can read about those in the following section as well as in last year's GTMA and in "How Demographics are Affecting Today's Tax Department." We expect retirements to continue in 2022, which will create even more demand in the market without sufficiently replacing the knowledge leaving the market. Additionally, we are also beginning to see new searches arise due to previous retirements. As we expected, many of the people previously hired for these past retirements have not been successful. We have been fielding calls from companies that have realized their initial replacement hires have not worked out as they had hoped and therefore are being forced back into the market looking for a new Head of Tax.

When combined with our current retirement hiring, these unexpected hires, unfortunately, contribute to the supply and demand issues, especially because corporate in-house is not the only one facing retirement challenges. All professional service firms and the government are experiencing a high number of retirements at all levels from middle management to Partner, etc.

4. Pressures on Diversity Hiring due to ESG:
As you will read in this report, we expect the ESG guidelines to continue to put demand on Diversity hiring in 2022. Meeting these guidelines will result in the form of supply constraints as well as title and salary inflation to attract or retain diverse talent in the market. Additionally, being prepared for unexpected turnover due to the increase in demand will be essential if you have diverse talent on your tax team.

5. Remote/Hybrid Option and Vaccine Related Turnover:
A new development in 2021 was how much candidates put a premium on flexible working environments. This conversation around flexibility when we "return to work" comes up in almost every recruiting call we have now, and we don't expect these conversations to subside.

Companies that can offer some amount of flexibility with their policies will have an advantage in the market over companies that do not. At the same time, as more companies take a firm stance on vaccine mandates, there will be some expected turnover. Read on for a deeper understanding of how remote and hybrid working is impacting the tax profession.

6. Continual Tax Code "Tweaks" both at Home and Abroad:
Just as the tax profession was "cooling off" after tax reform, changes to the current tax laws just keep happening across the globe. Continual changes to the tax code and more regulatory pressures by NGOs have increased the amount of modeling and analysis on the possible tax impacts and has created an extraordinary amount of additional work for corporate in-house tax functions and service providers alike. In many cases, this increased workload has led to low morale, which has increased the likelihood of turnover and adds more fuel to the retirement fire as the older generation decides it isn't worth it to work anymore.

How do you prepare and minimize the impact?

There is no magic potion that will slow down this hot job market, and there are no easy answers as to how the profession can navigate the supply and demand issues we face in 2022.

- **Educate top Leadership –** Tax leaders will need to spend a tremendous amount of time educating their CFOs, H.R. and other finance leaders, and their own tax teams about the current state of the tax market and the factors leading to the supply and demand problem. Don't ever assume these leaders understand what is going on in the market. We are constantly surprised at how many CFOs and/or H.R. leaders are out of touch with the nuances of tax and how our labor pool and demographics impact the supply and demand of top-tier talent.

- **Information is Knowledge –** Essential to this education process is making sure you have access to relevant data that will reinforce your position and what is happening in the tax market. When comparing data points, getting "apples to apples" information is very important. Generic quantitative information regarding sales, number of employees, etc., are not specific enough in most cases. Considering qualitative data such as diversity stats, succession planning, the complexity of tax structures, etc., is critical to ensure you are comparing similar situations as those nuances significantly impact salaries and titles.

- **Find Alternatives –** Due to the market's competitive nature, companies should expect that searches will take longer than they have in previous years. This is especially true if your role requires any relocation and/or is expected to be full-time in the office. Therefore, lining up alternative resources to help complete the work so your existing staff does not become overworked and burned out is critical. Resources like loaner staff from the Big4 are obvious solutions, but as pressures on budgets become tighter to make up for salary inflation, alternative resources such as utilizing independent contractors to help relieve this pressure will stretch your consulting budget further. Companies that choose not to offer relief will likely find themselves recruiting for multiple positions soon.

- **Embrace the Youth Movement –** As the pool of more experienced candidates moves up the ranks and steps into jobs necessitated by retirements, those jobs must be filled by someone that is probably a younger candidate and ideally is someone already on your team. These younger candidates will likely ease some salary pressure, but do not be surprised if the savings are not as significant as you might expect. Despite tapping into this pool of younger candidates with more upside, those top-tier candidates will demand a higher salary than prior generations. The higher compensation packages and titles for these younger candidates can be traced back to the supply and demand issues facing the market overall.

These are only a few of the most apparent factors leading to this scorching tax market and just several ways to prepare. In this year's Global Tax Market Assessment, you will read more about the topics of demographics, remote/hybrid working situations, pressures on Diversity hiring, and salary and title inflation. There is no easy button for any of these, but each section will provide realistic approaches to short-term and/or long-term solutions.

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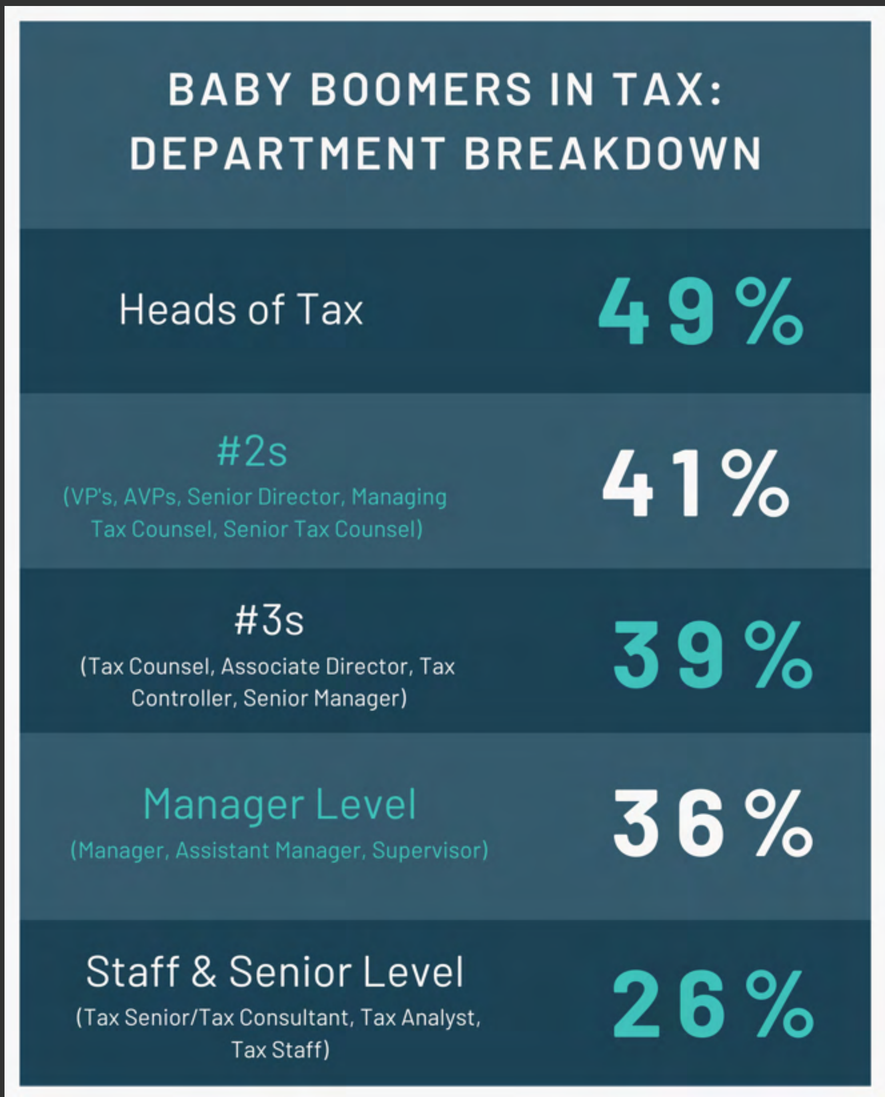
The Demographic Update

In 2021, we predicted the retirements of Baby Boomers would be expedited due to the potential for new tax reform, personal health concerns around COVID-19, and budget constraints, which is exactly what unfolded. Unfortunately, we don't see this trend slowing down in 2022 due to the potential for new tax reform right around the corner, new strains of the COVID-19 virus, and new policies for managing teams working remotely. We anticipate seeing strong implications of the "trickle-down" effect this is causing, where Millennials and Gen Zs are pulled up into higher roles much sooner than their predecessors and much sooner than they are ready.

This trend is one we have continued to bring to the attention of finance and tax leaders and will continue to be discussed throughout 2022 and beyond. In fact, since TaxTalent's initial study at the start of 2019, we have seen many heads of corporate tax departments and number twos retire within the last couple of years, conservatively 20% of Heads of Tax and 24% of number twos.

Our updated report and graphic from 2021 show the astonishing breakdown of baby boomers at every level of the tax department, all the way down to the staff and senior levels. As you can see, the tax profession is going through a significant loss of expertise and knowledge at every level.



Tax departments are now starting to feel the implications of what this means and how they will need to adjust. Due to the high retirement rate and because Gen Xers is such a small pool with higher compensation standards, many Millennials and Gen Z's are being pulled up into roles much faster than their predecessors. Many of these younger cohorts are stepping into these roles with a lot of growth still needed before they can meet the needs of those roles. This, coupled with the flexibility of remote work, has helped add to the pressure we see around inflated titles and salary expectations for top performers who are ready to jump in and have both the technical and soft skills to take on leadership responsibilities.

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The Demographic Update

As mentioned in the previous section, one of the byproducts of this trend that we are already witnessing is the accelerated retirements that have occurred in recent years due to the combination of tax reform and COVID-19. As companies start to realize the person they promoted or hired to step into those high-level roles was not ready or equipped to handle the job, departments will be left backfilling those positions. Is this going to be its own trend? We hope not, but we are aware and prepared.

We won't be able to prevent the top talent from retiring, so it is best to ensure you are doing everything you can to minimize the effects of additional upcoming retirements. There are a couple of recommendations we would make to help accomplish this:

1. **Open lines of communication -** Dedicate the necessary time regularly connecting with your tax team, especially leadership, to understand their career goals, wants and needs, and what they anticipate their timing to be.
2. **Groom the next generation of tax leaders -** Identify the top 10% of the Millennial and Gen Z pools, the ones you believe to have the IQ, EQ, drive, and aspirations to be in leadership at some point in their career and invest in grooming them. Work with them to help them understand where they need to round out their experience to make that next step in their career. Help them to identify a mentor inside or outside of your organization. Dedicating the appropriate time to these team members will not only help from a succession planning perspective and let your team know you are invested in their growth, but it will also make it more difficult for other companies to steal the talent that is critical you hold onto. You are indeed now competing against departments across the country for talent, not just your local market, thanks to the flexibility of remote work.

Due to the fact that there is a larger pool of older boomers, and we are going through an ever-changing tax market, we expect the number of retirements to accelerate faster as this generation continues aging. It is imperative that tax leaders try to get ahead of this and come up with a plan for their tax department before more valuable tax knowledge disappears and we are left with a short supply of qualified talent to fill those shoes.

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Impacts of ESG on Staffing, Retention, and Development

The social element of ESG is being emphasized more in tax due to staffing, retention, and development issues resulting from racial diversity pressure specifically focused on the African American and Hispanic targeted pools. The demand for this candidate profile has surpassed the supply of available talent within the U.S. tax profession. This tension between supply and demand rising from the impact of ESG is more significant than we anticipated last year, and we believe it will be an even bigger deal this year than we thought.

Besides the corporate entities at the C-Suite and H.R. levels stressing the need to increase recruitment in these target areas, we are seeing this demand carry through to vendors such as Accounting and Law Firms and the government agencies that enforce tax laws at the state and local levels. The increased demand for specific target pools (African American and Hispanic) has created a demand dilemma since the supply of diverse, seasoned tax professionals is relatively small, and demand is occurring at such a rapid rate.

Below are **two major factors** that lead to the supply constraints we are now forced to deal with when it comes to increasing diversity headcount in the U.S.

1. **The U.S. tax industry is a captive labor pool, restricting supply.**
The U.S. tax code is different from any other global taxing jurisdiction, resulting in our inability to target and recruit candidates of color from outside of the U.S. or export the work overseas.

2. It is exasperated by the fact that we rely so heavily on our professional service providers in accounting or law to hire and train conservatively 85% of corporate in-house tax professionals.
Because these firms charge such high fees and their corporate clients demand the highest level of expertise, they are limited to recruiting individuals from top schools with the highest grades at the undergraduate, graduate, and law (J.D. or LLM in tax) degree levels. The African American and Hispanic candidates coming out of these schools with Accounting, Finance, or Legal degrees, is a relatively small pool that is highly recruited from by other more attractive professions (investment banking, management consulting, as well as corporate in-house finance and legal functions). These candidates are not typically viewing tax as their primary career direction.

The irony is that the corporate in-house tax departments are pressuring the vendors to bring diverse senior leadership on their projects in the two specific target pools. In fact, one major corporation's general counsel posted a memo on LinkedIn stating just these facts. These demands by corporate in-house clients limit the supply of candidates available to be recruited into their in-house tax functions since service providers are the primary training ground. Professional service firms are incentivized to hold on to this talent much longer and will pay a premium rate to retain these candidates to satisfy corporate client initiatives.

So what do we do to alleviate this issue in the short run?
We stand firm on our statement from last year that we cannot increase the pool of diverse candidates overnight. However, there are short-term steps we can take now to be proactive on this issue.

1.Identify those working in areas we have not focused on recruiting from in the past.

For example, there may be a broader pool of professionals working at public accounting firms we have not yet tapped into beyond Big4 or National firms (i.e., local or regional firms). Furthermore, government agencies (IRS, state, county, or city tax revenue departments) have aggressively gone after and recruited these individuals as Big4, or National firms did not pick them up, most likely due to what schools they attended. In fact, according to our 2018 Diversity Study, 16% of IRS agents were African American and 13% were Hispanic. We can only imagine this number has increased since this data was sourced.

2. We have to be more flexible.

We have to be willing to recruit tax professionals who might not bring everything we desire to the table immediately from a technical or soft skill standpoint.

3. Seek out organizations that might be great networking opportunities for you to recruit racially diverse candidates.

We have recently established an independent networking group on TaxTalent.com. This initiative intends to fulfill our overall passion and purpose of building out the next generation of black and African American tax professionals and constructing a network to accelerate it. We are also working on initiatives for Asians in Tax and Hispanics in Tax. A benefit to building these networking groups is to help identify, develop, and recruit these diverse candidates.

When it comes to long-term solutions, we have some ideas...

1. There needs to be a coordinated effort for the corporate tax profession to be more involved at the high schools and the undergraduate levels of accounting and finance programs to incentivize them to consider careers in tax.

This is where we can promote graduate programs in either Master's in tax, JDs with tax emphasis, and LLM's in taxation. If we can align with these schools to help promote diversity initiatives in these programs, we would be able to broaden the attractiveness of the tax profession prior to them being swooped up by another field.

2. Corporate in-house tax departments need training programs for entry-level tax professionals.

To be less reliant on professional services for the recruitment of entry-level staff, corporate in-house tax departments need to start investing in and providing training. We can market to these diverse candidates, but professional services will continue to have the upper hand if the training is not in place to develop them at the start of their careers.

3. Create mentoring programs for students.

Companies could volunteer their tax department staff to mentor students in any of the school programs. There would need to be an effort to reach out to local schools that have undergraduate accounting or finance programs and offer to speak to promote opportunities in the tax field and the tax industry in general.

This could be done on behalf of the company, or you could personally join one of the tax associations to become more active through their initiatives. This could be associations like Tax Executives Institute, Tax Council Policy Institute, State Taxation Committee, International Fiscal Association (from a tax standpoint). That said, it's important to also think outside the box in terms of diversity and target associations like the National Association of Black Accountants or Latino Tax Professionals Association. The profession needs a concerted effort to really come together and pull these associations in the direction to get exposure into the undergraduate programs.

4. We can aggressively recruit young, racially diverse candidates by setting up remote internship opportunities at the undergraduate and graduate levels to expand and access the pool anywhere in the country.

There could be several positive results from this. Some of these people you might want to convert and hire right off campus, or professional services may recruit others, but because you have a contact with them, you can recruit them later in their career.

5. Companies need to form an internal grass-roots effort at the HR level.

There needs to be a Diversity & Inclusion team to help facilitate networking, marketing, and recruitment of diverse candidates as they will have the upper hand in knowing where to look, how to speak with them, understand their culture, etc. If a company does not have any African Americans or Hispanics in leadership, it will be difficult for them to truly connect or relate to these personas.

These are just some ideas that can potentially help combat this down the road, but there are many others that haven't been thought through yet. It will take many years to increase the labor pool in these areas and, unfortunately, cannot be increased overnight. That said, we have continued to do a great job positioning ourselves on the gender side, but we have yet to see a push on the sexual preference perspective (although we expect this to be an issue in the future). The tax profession and its leadership need to come together sooner than later and share thoughts and additional ideas on this topic. If you have ideas you would like to share with the TaxTalent community, get the conversation started on our TaxTalk Forum.

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How Remote Work Will Impact Permanent and Interim Staffing

As more companies shift to hybrid and remote working models, we have begun to see some impacts on shifting the current hiring market to a candidate-driven one where there is a high demand for talent but a low supply. Regarding permanent staffing, we anticipate more companies to announce their back-to-office policies, which will create a compounding effect on companies' and firms' ability to compete with others in retaining talent, attracting new hires, and increasing pressures on compensation demands in 2022. On the interim staffing side of the fence, remote work has created a surge in activity in that area, a trend which we expect to continue in 2022.

However, the most apparent effect remote work has had on the market is its contribution in helping to create the unprecedented candidate-driven market we find ourselves in today. The high demand and low supply of talent available in this market have resulted in increased competition for companies and firms from both a hiring and retention standpoint.

In 2022, we predict that the demand for more flexible work arrangements will continue to fuel this candidate-driven market in permanent staffing due to three major factors:

1. Increased competition in the hiring market:

Prior to Covid, candidates would typically be limited to considering new opportunities in their commutable geographical area or in areas they could consider relocating to. Now, employers are no longer just competing in these areas. When it comes to attracting and retaining talent, you now have a 3rd type of competition from highly motivated tax functions who are coming after your talent pool, offering fully remote roles from anywhere and not requiring relocation. With remote work becoming more commonplace and tax professionals no longer subjected to these limitations, other companies and firms are contacting them at a rate we have not seen in the past. This has created a high degree of turnover in many departments and firms nationwide, leading to retention challenges. This increased competition has also made it more challenging for those hiring to stand out from the crowd to attract new talent.

2. ***Increasing pressure to provide higher incentives to retain and attract talent:***

Due to remote work, companies and firms must now potentially compete with compensation packages offered by competitors in higher cost of living areas, also leading to the sizeable increase in demand for your staff that never existed before. This, in turn, has put pressure on employers to find ways to incentivize high performers on their teams to stay in order to avoid turnover. This is not only limited to compensation but includes promotion opportunities, more flexible work arrangements, etc. Employers who are hiring have to do so in this highly competitive market, so they are also under pressure to offer more incentives to attract quality candidates.

3. Growing number of tax jobs in general:

Another byproduct of remote work in terms of permanent staffing is the increased demand resulting from the tremendous number of tax departments created due to the highest level of IPOs since 1997, SPACS that never existed at the current level before, and spin-offs. These three components increased the number of tax jobs overall, increasing the number of remote job offerings.

U.S. Tax Market Assessment

How Remote Work Will Impact Permanent and Interim Staffing

COVID-19 has been a gamechanger for remote work within the tax profession. Companies and professional service firms, including the Big4, have been adjusting to market pressures to provide flexibility, with a few even making announcements that tax employees can work from anywhere. A recent TaxTalent survey showed that 72% of corporate in-house companies surveyed confirmed they are in a hybrid model, while the remaining 28% were either fully remote or in a full-time office setting. We anticipate that hybrid work arrangements will continue to be what most companies adopt in the next year, but it's too soon to say whether full-time remote work will become more commonplace. We could potentially see a rubber band effect regarding remote with companies bringing remote hires back in-house.

In regard to interim staffing, however, the sudden switch to remote work has opened new doors of opportunities in the market to companies and consultants alike and has transformed how nearly every industry operates. As a result of the challenges companies face in terms of retention and the longer time frame it takes to hire due to the market factors outlined above, the demand for interim staffing has increased drastically. Because hiring interim staff on a remote basis is typically more manageable (especially with the elimination of per diem costs) than when hiring permanent, companies have been able to take advantage of leveraging much larger pools of talent. Learn more about optimizing consulting budgets via the talent economy in this article, "Revolutionize Your Tax Consulting Budget NOW." We predict that the demand for interim staffing solutions like TaxForce will continue to take off in 2022.

It is not anticipated that these market factors will go away in terms of permanent staffing, but there are ways for companies and firms to address challenges in hiring and retaining talent in this market. You can access that in our latest article, "Navigating the Post Covid Hiring Market."

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Salary and Title Inflation

As I am sure you have heard and possibly experienced in your own tax department, the U.S. tax market is currently experiencing tremendous salary and title inflation. This is due to various reasons, including the demographic crisis in tax, captive labor pool, and not enough people available to step into tax roles. In turn, several problems for corporate tax departments have risen, such as salary compressions in their internal tax departments, salary disconnects with other departments, and the failure of individuals being moved into positions they are not ready for.

History shows we have been in this situation before; however, some unique issues will have a longer-lasting impact on the tax field.

The 5 major causes impacting Title and Salary Inflation:

1. The biggest issue facing tax currently is the influx of tax professionals at the #1 and #2 levels retiring or leaving the tax workforce permanently, causing a demographic crisis in tax. We have an aging population in tax where conservatively 49% percent of #1's and 41% percent of #2's are at or are close to retirement age. Additionally, COVID-19 has not helped and has caused an acceleration in retirements for many individuals. Baby Boomers have simply decided they do not want to go back to work and risk their health or deal with long commutes again. They also were not enthusiastic about dealing with new tax law changes that the new administration is bringing after just going through tax reform in 2016.
2. Additionally, unique to the U.S. is a captive labor pool in tax. We cannot import workers from other countries like the I.T. or engineering fields. Therefore, we cannot create additional workers in tax.
3. We do not have enough tax professionals at the mid-level who are ready to step up into the #1 and #2 roles. Therefore, some companies are being forced to promote individuals into higher-level roles before they are prepared due to lack of available candidates in the market.
4. Professional services and the corporate industry are offering huge incentives to their top performers to retain them, including sign-ons, fully remote working situations, retention bonuses, and promotions. This is making it tougher to hire and/or retain top talent, contributing to the lack of individuals available in the market.
5. Lastly, new tax departments are being created due to IPOs, SPACS, as well as de-consolidations creating spin-offs, which is increasing the number of tax positions in general. We referenced this trend in our 2016 GTMA, "…when the de-consolidations do occur, we expect there will be a long-term net gain of jobs with additional tax departments being created that will need to be staffed." This is not a new trend, just finally coming to fruition and making a significant impact on tax.

Ways to alleviate these problems short-term:

1. Do an assessment of your tax team and workload as soon as possible. If you and your team are overworked, take advantage of the "Just in Time" labor force and get help immediately. If you don't, you will lose people to other jobs that offer them a better work-life balance.
2. You will also want a compensation analysis done ASAP if you have not done one recently. Do not compare tax with mid-level operational management. Instead, compare each position with other tax roles similar to your industry and company size.
3. At the very least, make sure your top performers are being paid fair market value in all areas (base salary, annual cash bonus, and long-term incentive) as well as being rewarded for their successes.

Ways to alleviate these problems long-term:

1. Sit down with each individual on your team once a quarter and set short and long-term goals with them. You want to make sure you meet your employees' needs and wants for the experience and training needed to meet their goals. This is an important part of managing people that you cannot put on the back burner. Stay engaged with each one of your employees, have an open-door policy where they feel comfortable talking to you about their needs and wants, and always have your employee's best interests at heart. You want your tax department to be an environment your employees want to work in.
2. Put a succession plan in place for all tax positions, so you are not caught short-staffed if any of your employees do leave. This will promote goodwill and excitement with each employee knowing they have a future at the company.

It's impossible to predict how long this trend could go on as we have never had this many people retiring or general turnover in such a short amount of time, and we have not been through a global pandemic accelerating all of these factors. We do believe that this trend will reverse course at some point in the future, but how long that will take is unknown because as long as the supply of talent remains low, salary and title inflation will remain high.

THE MAJOR 2022 NON-U.S. KEY TAKEAWAYS

Europe, Middle East, and Africa

1. Hybrid Working - The Next Phase
2. Tax in the Boardroom Creating New Challenges and New Opportunities
3. Competition for Talent, Especially in International Tax
4. Finance Transformations Continue to be Top of the Agenda

Asia Pacific

1. Optimising Remote / Hybrid Working Arrangements
2. Preparing for BEPS 2.0, US Tax Reform & ESG
3. Changing Relationships with the Tax Authorities
4. Tax Automation - Keeping up with the Tax Authorities
5. Unprecedented Demand for Tax professionals Across the Region

Latin America

1. The Need for Increased Automation / Tax Technology
2. Additional Challenges for Tax Leaders & Their Teams
3. High Demand for Tax Professionals Across the Region

Non-U.S. Tax Market Assessment

Europe, Middle East, & Africa 2021 Recap

Transparency & Corporate Social Responsibility

Sustainability, carbon and green taxes, and public CBCR have been hot topics of 2021. For many tax leaders, these are very new issues to address, and we will see many more companies of all sizes having to produce detailed tax reports on how they make their profits, where they make their profits, and what contribution they make to the economy and society. Mandatory Disclosure rules (DAC6) was a big topic during the last 12 months.

BEPS 2.0: The Last Hope for a Multilateral Solution

At time of writing, it is clear that there is frustration regarding how little input industry leaders have had into BEPS 2.0. Already, the impact has been to force companies into the digital space to work out how to comply accurately and effectively. Many companies are assessing their capabilities to have visibility of tax disputes globally, monitor global tax policy and legislation changes, considering implementing a Tax Control Framework, building audit defence files, maintaining a database of intercompany agreements, and assessing how to run analytics on their own data. Many of the biggest multinationals are at an advanced stage in many of these areas. In 2021, it was mainly pillar 2 of BEPS 2.0 that was in focus while pillar 1 seems not to have progressed so fast.

Flexible Working is Here to Stay

The norm at this point seems to be two or three days in the office (although this varies depending on Covid levels in each country and whether new lockdowns are necessary). Hybrid is here to stay, though it is unclear whether fully remote as an option is sustainable in the longer term. Training more junior staff has been more difficult. It is possible that 'willingness to return to the office' differs across the generations. Tax rules are not able to cope with the view amongst many employees that they should be able to work anywhere. In the war for talent, many MNCs will look to develop policies to accommodate these requests but will be hampered by social security, employment tax, corporate income tax, and immigration compliance. This is more complicated for cross border workers. Remote working is still only approved in very limited circumstances, for tax reasons (PE risk) but certainly also for team cohesion and company culture reasons.

The Digitisation of the tax Authorities in Europe

Governments are returning to revenue collection and are using digitisation to achieve this. Tax authorities across EMEA are investing heavily in digitisation projects, have new analytics capabilities and we are seeing increased enforcement activity.

2022 Non-U.S. Tax Market Assessment
Europe, Middle East, & Africa

Backdrop

We are in rapidly changing times. MNCs are working to implement BEPS reforms for 2023. There seems to be competition amongst European tax authorities to be seen as the most digitally advanced in the world. Life is full of new rules, new indirect taxes, and more coordinated tax authorities, all of which should be seen as an opportunity by the tax leader to influence the future. Serious thought needs to be given to the shape of the workforce in the next few years (and likely reduced mobility of the workforce). There is a need to get ahead of the reforms, anticipate future tax rises by implementing business model & TP changes now, and reallocate staff to new tasks.

The tax authorities are investing heavily in digitisation and will be armed with new analytics capabilities and increased enforcement powers. Most companies are aware that tax risk and controversy have become increasingly important. Boards of Directors are far more interested in the tax issues of BEPS 2.0, but most do not fully understand the implications. Ideally, there is a need to have complete visibility of tax disputes globally and monitor global tax policy & legislative changes. Then there is the process improvement aspect, considering how to manage end-to-end processes, have a database to maintain intercompany agreements, and run data analytics on your own data.

Hybrid working - The Next Phase

For many tax professionals, flexible or hybrid working is here to stay. Some tax leaders are happy for staff to remain WFH whilst others would like staff back in the office for 2 or 3 days per week. It has become clear that fully remote is not as 'ideal' as many people first thought. When the pandemic struck, tax professionals already working in-house knew each other and understood the corporate culture. The past two years have eroded this connection. Integrating new joiners remotely has been a real challenge! Training more junior staff has been particularly difficult - especially those making their first move in-house.

2022 Non-U.S. Tax Market Assessment
Europe, Middle East, & Africa

The tax rules cannot cope with the view amongst many employees that they should be able to work from anywhere. In the war for talent, many MNCs are looking to develop policies to accommodate these requests but will be frustrated by employment, social security, permanent establishment, corporate income tax, and immigration compliance.

Everyone has a view on how a hybrid model should look (it differs across countries & cultures), but very few (if anyone) can see what this will look like in a few years - which is a problem if you are trying to implement huge changes internally to deal with this issue. Some companies that made huge proclamations about how this will change the world are perhaps regretting that early stance!

All this raises important questions like, what is a tax career? Is it just completing tasks as a remote node in a network, or is it something more? Many non-verbal cues and behaviours are learned from shadowing senior tax colleagues in an office. This will be lost if video conferencing completely replaces physical interaction.

We are now finding some people only want to move to a 100% remote role. This implies that some people prioritize home working - even if they are already in a great company and progressing well. Some people have become disenfranchised from the organisations they joined pre-COVID. The lesson here is to try to maintain team spirit, connection, and career progression all remotely, if necessary. We are even hearing of 'camera off' syndrome where staff are now not turning on cameras for online meetings because the appetite for doing so has diminished. All this remote working has increased the amount of time people spend communicating with each other, but the quality of the interactions cannot be as useful.

The consensus is that spending some time in the office helps staff, especially people new to the company. It helps to generate an understanding of the company culture, the way things get done, the style of language used, and who the key stakeholders are. It provides an opportunity for building closer work relationships and affords the freedom to ask questions, experience more impromptu conversations, and take part in quickly organised business meetings.

There are problems ahead for cross-border workers. Many companies are now creating formal hybrid working policies. The majority of companies we discussed this with stated that employees must live in the country where they are employed. Their home in that country can be their home office but not an overseas holiday home or spending a few months in another country. In locations like Switzerland, for example, where many people live in France or Germany and commute into Switzerland to work, on the days people are in the office in Switzerland, they must stay overnight in Switzerland. You can spend up to 25 days per year working away from the country you are employed and some MNCs are now adding on those 25 days as extended vacation on the holiday calendar. Tax authorities are starting to audit companies to assess the real location of the workforce in an attempt to generate additional tax revenue.

Challenges for Today's Tax Leaders

Two big trends for 2022 are the rationalisation of costs throughout entire organisations via ERP and automation, whilst at the same time, there is a need for new talent to take on challenges like BEPS 2.0. You either have to re-direct existing staff to new tasks or bring in new talent. This has accelerated demand for international tax and transfer pricing specialists across the EMEA region.

In light of BEPS 2.0's developments, it may look like the tax function could have less importance in value generation. Under the guidance of the right tax leader, value generation will still be possible, it will just be harder. You will really need to understand how the supply chain and structures can be modified. Tax leaders will need to think 'out of the box' to look for ways to add value. Tax leaders need to see all these changes as an opportunity to raise their profile and engage more than ever with C-Suite. The tax team will need to be more effective, make big decisions, be ready to restructure & reform, and will need dynamic people.

Tax leaders will need to involve themselves in broader commercial topics, like non-tax incentives (for example, financial, investment & R&D subsidies). Given the lack of tax planning now possible, there is a greater focus on Transfer Pricing and process improvements as ways of creating value. Tax leaders will really need to understand the value chain (from supplier to customer), total taxes, T.P. & business models, tax transparency, CbC, and Pilar 1 & 2 reporting.

Tax leaders will need to work out how ESG & Sustainability fit with the tax function and investigate it before it becomes legislated. Tax leaders will need to get on the front foot to work out how to frame the ESG policy. How does the tax leader influence the business to take advantage of green incentives?

2022 Non-U.S. Tax Market Assessment
Europe, Middle East, & Africa

Public CbCR will mean more companies will have to produce tax reports specifying where the company makes its profits, in which countries, and its economic contribution to society as a whole.

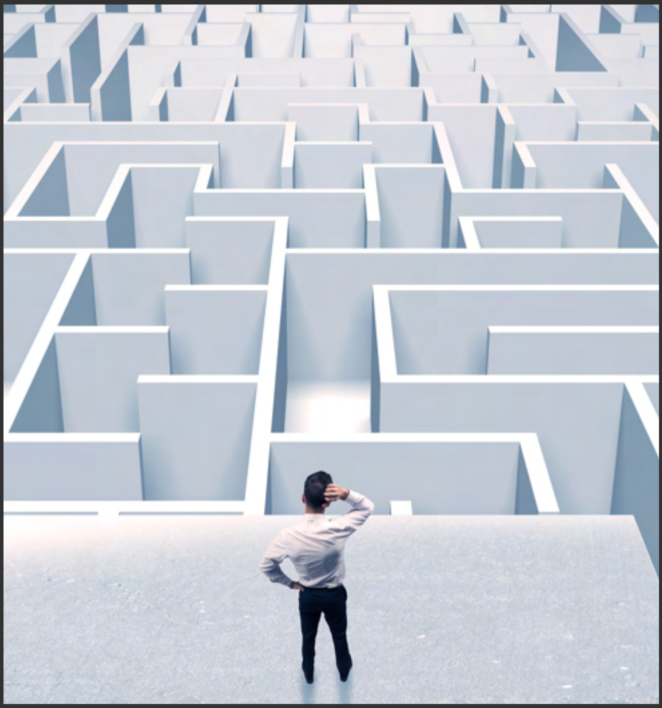
Tax leaders also need to know how to retain and recruit tax talent in a highly competitive market. There is a trend of having "stay" interviews – held randomly through the year where you have an informal chat with your staff member to see what makes them tick and what ticks them off. Crucially, you want to know what it would take for another employer to attract them (money, title, etc.).

Tax leaders are faced with a raft of new taxes - plastic tax, carbon tax, packaging tax, digital tax services. These taxes are designed to encourage a change in behaviour, and the tax leader will need to understand how to account for these taxes and potential costs to the company.

BEPS 2.0 will be a major compliance headache - at best trying to wade through a raft of overly complex new regulations, at worst not fit for purpose. Businesses are becoming increasingly frustrated with how international tax regulations are negotiated without proper input from industry. This will force reluctant companies into the digitisation space to work out how to comply accurately.

With increasing controversy, a new role for many companies within the tax function will evolve: Tax Controversy Lead (with other staff being called upon to assist). We will also see increasing numbers of young, tax tech-minded professionals joining in-house teams as 'taxologists.'

With such tectonic shifts in the external environment, one mundane but key challenge will be to balance the need for external help from the consultants with the usual cost constraints. The consultants always try to maximise fee income during times like these - when the rules are new and unclear. Management will want recommendations without blowing the budget. The other challenge will be to come up with those recommendations. Nobody yet knows how Pillar 2 and U.S. tax reform will shake out and what compensating measures countries (like Switzerland) will take to offset at least some of the impact. These changes could have big organizational implications, so tax people will need to be skilled at blending the tax considerations into the larger picture.



Tax Audits

Tax audits will continue to be aggressive across EMEA as governments attempt to repair fiscal deficits. Some are more open than others to discussions and favourable settlements. In the U.K., for example, there is a new development called Profit Diversion Compliance Facility, which is considered to be a lighter-touch approach by HMRC. They access company data, inform you they have spotted some red flags in the data, give you an opportunity to discuss, give the option of either an extensive HMRC audit or allow the company to conduct its own audit (using Big4), go back to HMRC with a plan of how to bring more profit back to the U.K. It is supposed to be a less confrontational approach with fewer penalties (and more fees for Big4).

Tax authorities don't seem to have yet worked out how to leverage CbCR, but we expect 2022 will see more targeted and informed investigations by them. Separately, the advantages of digital tax reporting are only starting to come online, and while we suspect it will take a couple years for audit procedures to adjust to the real-time information that will be available, when that happens, it will be a whole new game.

Tax Automation / Tax Technology / Transformations

Many global companies will be looking at total, end-to-end solutions, and decisions will have to be made on whether to outsource data, technology & people. Companies will have to decide what and who needs to be kept in-house and what can be leveraged elsewhere. Why invest in technology if the Big4 (possibly) have the best platforms? Many decide to outsource tax operations and leave strategic people in-house to deal with business partnering, strategy, risk management & controversy. You need deep pockets to build internal systems. Some companies have tried to build data warehouses but have struggled, and some need to keep tax and finance data in-house for data privacy reasons (particularly privately-owned MNCs). Tax leaders will need to influence Finance and I.T. functions more than ever to ensure that the data is clean from one end of the process to the other.

Non-U.S. Tax Market Assessment

Latin America 2021 Recap

Adapting to new Methods of Working
Remote working across the region has worked well in 2021; a lot of effort was put into looking for innovative ways to keep home-based tax staff engaged with the team and the company. There is a keenness across the region to have employees return to work for a few days a week (when conditions allow). There have been some instances across the region of tax authorities visiting company facilities unannounced, which in normal working conditions is manageable, but more difficult to deal with when working remotely.

Re-starting Many Major Business Projects that were Paused During Covid-19
Many infrastructure and growth-generating projects reactivated in 2021 across LATAM.

Continuation of Technological / Real-time Tax Improvements
Real-time reporting and new digital obligations across the region continued at pace (with no sign of simplification) resulting in an ever-increasing need by taxpayers to automate and standardise processes. Tax authorities continued to leverage automatic reviews based on electronic analysis as a tax collection tool.

Increasing Size & Volume of Audits
After spending most of 2020 helping businesses across the region by reducing the number of tax assessments and offering tax deferral & suspension initiatives, tax audits have returned in 2021.

Tax Reform will Continue to be High on the Agenda
Companies across the region started to consider the potential implication of reforms in coming years (to try to keep ahead of any potential changes); how do they ensure quality of data; transparency & robustness of business models & structures; how do they best handle their compliance (in house / outsource / co-source / SSC).

High Demand for Indirect Tax, TP, Customs Advisory and Regional Tax Professionals, in Particular in Mexico, Panama, Argentina, Brazil & Costa Rica
Tax recruitment projects resumed in 2021 after the headcount restrictions of 2020. High demand for tech-minded tax professionals across LATAM.

2022 Non-U.S. Tax Market Assessment
Latin America

The Need for Increased Automation / Tax Technology

In many ways, because the LATAM region has been working with real-time reporting and electronic invoicing to meet digital obligations for some time, companies in the region have already had to operate in a more tax automated world. For 2022, we will see greater use of Robotic Process Automation (RPA) in the areas of indirect tax calculations, submitting digital tax returns, and reconciling tax balances (by using software to automate repetitive low-risk tasks). Although mainly used in Shared Service Centers, many companies are looking at this as a very attractive way to reduce costs and time.

Businesses will need faster, more innovative responses and solutions from the tax function to achieve corporate targets whilst still dealing with COVID and the upcoming major changes. The tax authorities are developing new methodologies to take advantage of the available taxpayer information. In Mexico, for example, the government is conducting tough audits to ensure ETR is not the result of aggressive tax planning.

Transparency will also be a priority as governments look to counter tax avoidance in direct response to the OECD's final BEPS guidance, and tax legislation is being modified to attend to this priority and provide governments with more information.

Tax audits are becoming ever more aggressive as tax authorities use all digital platforms - with big taxpayers being the main target.

In summary, across LATAM, 2022 will see continued tax complexity with no sign of simplification and significant scrutiny from the tax authorities in, what will continue to be, a very challenging economic environment.

2022 Non-U.S. Tax Market Assessment
Latin America

Additional Challenges for Tax Leaders & Their Teams

As staff start to return to the office (in some form of hybrid arrangement), tax leaders need to balance the desire of the company to obtain results in terms of revenue or cost targets while also balancing work-life for employees. For those continuing to work from home, the challenge will be to make sure everyone feels part of the tax department.

Tax leaders will have to ensure data is as accurate as possible, successfully conclude audits, deal with higher corporate income taxes, and be ready to provide increasing amounts of information to governments via tax returns.

More than ever, the tax department will need to be seen collaborating extensively with business leaders to show that it is a function that is adding value and is an area that triggers more benefits than costs. Tax leaders and their teams will need to position themselves as key players in the future of their companies by contributing ideas, solutions, and innovative proposals. They will also need to show that they understand how the business is changing and quickly learn how the changing business environment will impact their company's needs.

In 2022 many companies will need to redefine their supply chain to anticipate the changes to come, and tax leaders will need to be at the forefront of that. The tax department will need to align on how it can contribute to transparency and ESG goals.

High Demand for Tax Professionals Across the Region

2022 is a year that will see a number of senior Tax leaders retiring across LATAM and, in several cases, with very little succession planning considered. We have been asked to plan for searches at this level in 2022.

We are also seeing changes in tax professionals' choices as some people make decisions based on quality of life, health & family - rather than just their age or career advancement. This means the talent pipeline has to be continuously addressed in the tax department to anticipate changes that may happen.

As in 2021, we will continue to see smaller (USD 1bn+ turnover) growing businesses recruiting their first regional tax professional on the ground in LATAM. There is a need for someone experienced enough to be able to report back to the parent HQ on tax compliance & reporting, tax risks, the potential for tax audits, and recommend ways to make savings and add value.

We will continue to see the need for experienced indirect tax professionals with very strong tax automation and technology skills to ensure that processes are working correctly and that any VAT recoveries are released from the tax authorities as quickly as possible. This was a huge problem in 2021.

Non-U.S. Tax Market Assessment
Asia Pacific 2021 Recap

Increased and More Aggressive Audits
In many cases and across the region, aggressive audits returned through 2021 as governments attempted to achieve their tax collection targets. Many companies also used this period to close historical cases.

Pressure to Automate
Many more companies have made more use of automation and technology (and in some cases also involving outsourcing of compliance activities) to ensure the accuracy and transparency of data in particular as the rate of technological advancement by the tax authorities across Asia Pacific continues to accelerate. In part, multinationals have had to automate to keep up with the technological advancements within the tax authorities. Finance & Tax data is now more visible to tax authorities than ever before.

Supply Chain Planning
Compounded by the progress of OECD regarding BEPS 2.0 and U.S. Tax Reform, companies continue to assess their supply chains, holding structures, tax planning, and TP positions.

BEPS 2.0
Many companies devoted time to assessing the implications of the proposals, in an attempt to estimate the potential impact and consider their systems and processes. Those with dated and diverse internal systems are taking longer to implement ERP changes to capture all the information that will be required by the tax authorities.

Increased Flexible Working
What we saw varied depending on severity of Covid and each different governments' policy on working from home / office working. Most companies embraced flexible working whilst also encouraging staff to spend some time in the office if they can. Both the hybrid model and permanent remote working appear acceptable and respected alternatives, depending on each person's situation. In many cases, flexible working was in operation in major MNCs pre-Covid.

We Expected High Demand for Indirect Tax TP & Regional Tax Professionals Across APAC
We saw a significant uptick in the number of predominantly U.S. companies recruiting stand-alone direct and indirect tax professionals (in particular in Singapore). Heavy recruitment also in China, Japan, India and across SE Asia. We also saw the retirement of several APAC Tax Leaders in 2021.

Optimising Remote/Hybrid Working Arrangements

Companies across the region learned how to make remote/hybrid arrangements work through 2021, and we are hearing that in 2022, companies are looking to encourage staff to return to the office (when possible) for some part of the week. They are also looking for ways to retain and enhance connections with those staff members working 100% remotely. Companies are refining training and development programs to improve the quality of interactions in virtual conferences and seminars. COVID-19 does not seem to have impacted team sizes but, as we start to emerge from the pandemic, a level of flexibility will be required to remain competitive with other employers. We hear that working from home up to two days per week is the most likely way forward. Companies are looking to arrange more face-to-face regional team-building exercises and hopefully Global Tax Team get-togethers in 2022. Many tax leaders mentioned the challenge of keeping remote workers focused and engaged.

Preparing for BEPS 2.0, US Tax Reform, and ESG

Preparation for these new developments is forcing businesses to streamline and eliminate dormant, inactive, and unprofitable companies, target the closure of historical cases across the region, and tighten internal controls and governance. Tax leaders need to anticipate what this all means and get ahead of it. BEPS 2.0 readiness will be a focus in 2022 as impacted taxpayers start to assess readiness for compliance and reporting. Those taxpayers with dated or diverse internal systems will take longer to make internal ERP changes to capture all relevant information for calculating and reporting taxes under BEPS 2.0.

Companies will need to closely look at the whole supply chain, likely leading to business model and group structure changes. It will allow the tax team to work with senior management and other functions. There will be a need to make the tax framework and projects more sustainable in the long term under BEPS 2.0. Trade wars, the threat of increasing customs duties, and new regulatory constraints (like export controls) will force businesses to revisit and change their Asia business operating models.

To date, the approach to ESG by many MNCs has been mixed but will be considered in a much more meaningful way in 2022. This will result in additional reporting from the tax function, which can form a crucial KPI for the ESG function. Transparency and corporate social responsibilities will be high priorities on the agenda, with companies proactively involved in giving back to the community and society with big CSR initiatives.

Changing Relationship with the Tax Authorities

It is generally accepted that aggressive tax audits will return in earnest in 2022 with tax revenue collection targets high on the agenda, but we are hearing of a number of initiatives in certain Asia Pacific countries that positively impact relations with taxpayers. In India, for example, 'faceless assessments' are being introduced, resulting in greater transparency and emphasis on the merits of the case rather than who the tax officer is dealing with. India has also introduced a Tax Disputes Settlement Scheme to clear pending issues. In China, there has been an improvement in the consistency of interpreting tax regulations.

This is due to an improvement in the professional knowledge of tax officers and the introduction of certain measures such as national panels overseeing cross-province tax issues. Companies have also seen local tax authorities start pilot programs for advance rulings.

In 2022, there will be opportunities for early planning for upcoming changes and preparation for tax controversy. You must revisit functions, assets, and risk profiles across the region and re-design an efficient model for businesses in Asia. An increase in the accessibility of financial and tax data will also improve the visibility within the tax function of evolving tax risks, tools and processes, and externally, help with disputes and audits.

The tax authorities' approach differs from country to country, depending on the local government's priorities. For countries with mature and stable foreign investment, it is more likely that tax administration and Tax & TP controversy cases will be handled more aggressively to release tax authority pressure of tax revenue shortage. For countries keen to sustain and attract overseas investment, the tax authorities are seen to take a more balanced approach to secure foreign investment without compromising tax revenue or tax controversy positions.

Tax Automation - Keeping up with the Tax Authorities

Real-time reporting and tax technology capabilities within the tax authorities will continue to increase. Companies will have to decide how best to manage their data through a major transformation journey, digitising critical tax processes globally, regionally, and locally, or partial outsourcing of data.

The use of technologies to foster cross-border tax team collaboration will be crucial to the success of the global tax team. This is to ensure that information provided by the company to different tax authorities is aligned. This is especially important given that tax authorities have access to CbCR and exchange of information, plus many different data points to know if replies are consistent globally.

The Chinese government, for example, has put huge effort into promoting its electronic VAT invoicing process, which is designed to eliminate paper VAT invoices. This is a win for both the government and the taxpayer by reducing costs and improving efficiency. We also see the introduction of Golden Tax 4.0 - the tax authorities will retrieve huge amounts of tax-related data, and the taxpayers will be subject to more intelligent supervision than ever before.

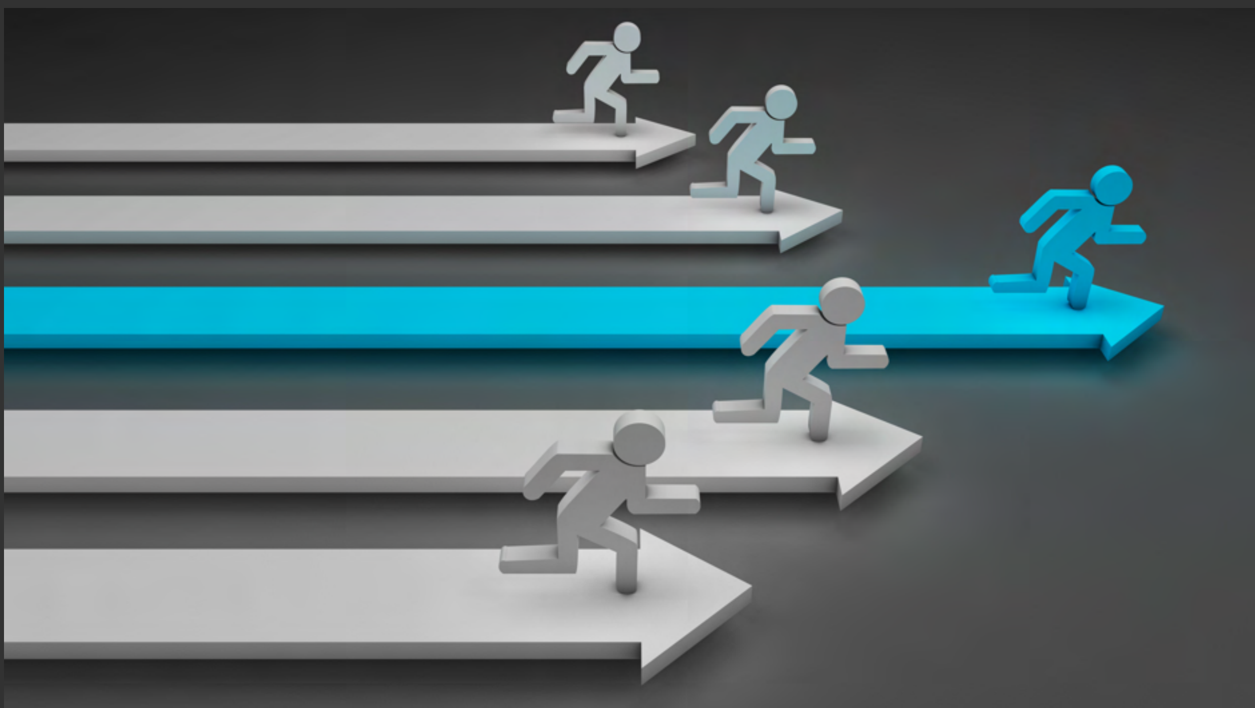
2022 Non-U.S. Tax Market Assessment

Asia Pacific

Who will be in Demand in 2022

In light of upcoming changes, many U.S. and European parented companies will recruit their first Asia Tax Manager to act as the parent H.Q.'s 'eyes & ears' on the ground. The purpose is to raise the profile of the tax function in the region, minimise risk, and implement any HQ-initiated business model changes. This is a continuation of what we have seen happen in 2021.

Many larger U.S. companies are planning to recruit senior tax compliance & reporting Directors in locations like Singapore to ensure regional tax processes are working as efficiently as possible. This location will continue to be seen as the best when recruiting strong regional tax skills. We will also see a continuation in the growth of tax teams in China and Japan to deal with the complexities in these countries. As in 2021, we will also see many tech companies make use of India as it provides an excellent source of tax tech staff, with many looking to set up regional (and even global) tax compliance teams in India.



Recruiting tax professionals across the region in 2022 will be highly competitive as demand increases, salaries increase, and there will be a fight for the best talent. We now need to factor in flexible working as this is increasingly something candidates are asking for, and they are making career decisions on factors such as this.

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