2023 Edition

GLOBAL TAX MARKET ASSESSMENT

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

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TAXFORCE

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U.S. 2022 RECAP

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 **Major Factors Impacting Hiring and Retention in the Current tax Market** A

As we outlined in 2022’s Global Tax Market Assessment, there were six major factors we predicted would drive a very active job market, leading to tensions due to high levels of hiring and companies working to retain their current employees. We give ourselves an A rating, as all of these factors collectively led to general inflationary conditions and ushered in the buzzword of 2022 being, “inflation.” This specific topic came up numerous times with tax, finance, and HR leaders throughout the year, and we anticipate 2023 will continue to feel the effects of inflation.

2 **Demographic Exodus within the Tax Profession** B

Sometimes we don't quite hit the nail on the head. Our prediction on this topic gets a B rating. Yes, we agree that the decrease in the baby boomer population is continuing, but we were surprised at how little it changed from 2021 to 2022. Currently, baby boomers still account for conservatively 47% of heads of tax and 39% of the #2s who report to them, a trivial decrease from 48% of heads of tax and 41% of #2s in 2021. The question is, will this trickle effect continue or is there a cliff coming? This question forced us to dig deeper, and in this year’s Global Tax Market Assessment, you will read about a new eye-opening factor coming into play.

U.S. 2022 RECAP

3 The Impact of ESG on the Tax Profession A

In 2022, we predicted that the social element of ESG would be emphasized more in tax from a recruitment, retention, and development standpoint, especially regarding the demand for diverse candidates. We rate ourselves high with an A on this one, as every search we had during 2022 emphasized bringing a diverse pool of candidates to the table, with additional scrutiny on the racial side. We discussed this need with every client we worked with and continued accountability throughout the search process. We expect this to be an ongoing issue with no short-term resolution.

4 How Remote Work Will Impact Permanent and Interim Staffing A+

In last year's report, we anticipated that remote work would create challenges for companies and firms alike when it came to retaining and hiring talent, as well as increase the pressure on compensation demands. We were on target with an A+ across the board on this prediction as tax leaders found themselves navigating an unprecedented candidate-driven market due to supply and demand issues. With competitors being able to offer remote roles, we saw a dramatic increase in the supply of candidates and demand to retain existing employees. The increased competition for talent in the market created new challenges as we saw higher rates of turnover, difficulty recruiting new talent, and increased pressure on compensation. Tax leaders often needed to adjust compensation to retain top performers and bring new employees in the door. On the interim staffing side, remote work turned out to be an unexpected positive as the supply of candidates increased tenfold.

5 Salary & Title Inflation A+

Our prediction that the tax market would experience tremendous salary and title inflation gets an A+ rating and turned out to be more significant than we thought. This is for various reasons, including the impact of remote work, the shortage of tax people, companies spinning off new entities, and the exodus of baby boomers. Demand far outweighed the supply with the compounding issue of remote work, especially in low-cost-of-living environments, which only added fuel to the fire. We have been spending quite a bit of time educating financial and HR leadership on this issue and how it is only going to continue to get worse.

2023 U.S. KEY TAKEAWAYS

The Year of Uncertainty

The tone of this year's Global Tax Market Assessment (GTMA) will sound a little different than in previous years. In the past, we could put a stake in the ground with our predictions, but at this time, it would not be practical. 2023 is forecast to bring a new level of unknowns, which is why we are labeling it upfront as the year of uncertainty.

When it comes to staffing, recruitment, retention, and development in tax, several challenges will affect the trajectory of the tax department, sure to leave tax leaders struggling to truly envision their needs for the year. We know these are going to happen but the impact is uncertain. We are going to do our best to provide some guidance, but everyone will need to stay on top of everything, be agile, and prepare to move quickly. ***The top five key takeaways for this year's GTMA revolve around the following topics and the uncertainty they bring:***

01 THE POTENTIAL OECD PILLAR 1/PILLAR 2 AND ITS TIMING

The year of uncertainty remains strong as we wrap our heads around the OECD Pillars debacle. Many companies are at a standstill due to the anticipation of if and when this prospective legislation will pass after being delayed twice. Companies have already spent time and resources analyzing what the impact will be, but will they come to fruition? Beyond staffing issues, added workload, and the need to adjust structures, is there a bright side?

02 THE PROBABLE PUBLIC ACCOUNTING/EY SPLIT

When it comes to if and when EY will split its audit and consulting functions into two entities, we have more questions than answers on what the ramifications will be. While it is likely we will see Ernst & Young split, we are still determining how it will be structured, and when it will happen. The potential implications for recruitment, retention, and development in the tax industry are wide-ranging, with both positives and negatives, but will undoubtedly be difficult to navigate.

2023 U.S. KEY TAKEAWAYS CONT'D

03 THE POSSIBLE ECONOMIC RECESSION

The uncertainty surrounding the current economic climate in the United States and overseas could have a wide-ranging impact on recruitment and retention in the tax industry. We will discuss the "what ifs" and our concerns, but only time will tell.

04 THE POTENTIAL FOR A GREAT TAX EXODUS

Despite seeing fewer retirements than expected from 2021 to 2022, we anticipate a brain drain over the next several years, as data displayed in this report shows that we are far from being at the tail end of this issue. In fact, it's probably just the beginning. Along with the significant number of baby boomers still working in tax roles, there is a group of boomers in the #1 and #2 levels that no one is talking about—those younger boomers who are nearing retirement age which, depending on a variety of factors, will only accelerate the great tax exodus. That being said, does the possible economic recession make this assumption less certain? Will there be a significant impact, or will the need to stay employed through a recession scare the remaining boomers into extending their careers?

05 SUPPLY AND DEMAND ISSUES IN TAX

Supply and demand issues in tax are not going away any time soon, and how they will impact each tax department is dependent on so many factors. As you will read in this year's report, each of the previous key takeaways will result in major supply and demand issues regarding hiring, retaining, and developing tax professionals. If one thing is sure about 2023, it's that no tax department is safe from some type of supply and demand struggle. Will any of the factors we discuss positively impact supply and demand in the current market?

Managing the uncertainties of 2023 will require all members of the tax department to:

1. **Be attentive**, as things could change quickly
2. **Be agile**, as changes are likely to occur
3. **Be prepared** to think through the likely scenarios

2023 U.S. KEY TAKEAWAYS CONT'D

The topics we discuss are important and should not be put away on a shelf. Tax leaders should already be greasing the wheels with HR and finance leadership to ensure a backup plan. The more uncertain things are, the more agility becomes essential.

Keep your eyes and ears open throughout the year as our firms strive to keep the tax industry up to date on these topics. You can always find timely and relevant tax thought leadership content on TaxTalent.com. If you are struggling with any of these subjects and need to bounce anything off of us, please reach out. We are happy to assist - it's our way of giving back to the tax profession.

REGISTER for the free GTMA Q&A webinar on

March 22nd at 1pm EST.

We will discuss these times of uncertainty for U.S. tax departments in 2023. We may not have all the answers but it's important that you raise the questions.

THE POTENTIAL OECD PILLAR 1/PILLAR 2 AND ITS TIMING

To start off our discussion of uncertainty, the potential implementation of Pillar 1 and the upcoming implementation of Pillar 2 in the EU, UK, and South Korea could greatly impact the U.S. tax market. Companies have already had to spend time and resources analyzing what the impact will be, but the big question on our minds is will the legislation pass and when? Tax leaders must recruit, retain, and develop the arsenal needed to keep up.

The changes under Pillar 1 address BEPS through the development of a new global tax rule, the Unitary Taxation with Multilateral Relief (UTMR), which would allocate profits to countries based on the location of economic activity. Under Pillar 2, BEPS is addressed through the implementation of a global minimum tax. To add fuel to the fire of uncertainty, both Pillars 1 and 2 would require the cooperation of multiple countries, potentially leading to complications when it comes to agreeing on the allocation of funds or the appropriate minimum tax level.

> “The idea that all these countries around the world, with different legal systems, could get to rules that are identical, and then administer them in an identical way, and do that in every case on a day-to-day basis—we've never seen that before. It's a challenge that has never arisen before. And so I think that concern is real. That will be very difficult.
>
> **Barbara Agnus - EY**

In addition to the implementation of the UTMR and the global minimum tax, there is also uncertainty surrounding the potential impact of the OECD's BEPS measures on public corporations and their tax departments. Some have raised concerns that the BEPS measures may result in an increased compliance burden for corporations, staffing issues, added workload, and the need to adjust structures. On the plus side, others have suggested that the measures may lead to a more level playing field for businesses operating in different countries.

What does all of this really mean for recruitment, retention, and development in U.S. corporate tax departments? NOW is the best time to make sure the tax team is equipped. Tax leaders should assess their team to establish individuals with the following skills:

1. The ability to **understand the regulations** themselves and how they interact with U.S. tax law.
2. The **understanding of the potential impact** these proposals could have on the company's existing tax footprint.
3. The **ability to communicate #1 and #2 above effectively** within the finance function but, more importantly, cross-functionally to senior executives and other business leaders regarding changes that may need to be made after analysis.

THE POTENTIAL OECD PILLAR 1/PILLAR 2 AND ITS TIMING CONT'D

All three of the above are very important, but more questions come to mind on how to strategize establishing those skillsets. How much of those skills are needed in the department? Is this just one individual, or are those different people? And how many of those people are needed?

Similar to the 2017 U.S. tax reform, there should be an inventory of the team to determine if they have the modeling and analytical skills needed to understand what the impact will be and what changes are needed to business structures. Applying these concepts to the business is a whole other skill set, so the ability to do the analysis and understand the implications are key skills that will have a premium cost on them. Importantly, unlike the 2017 U.S. tax reform, it will be necessary to utilize foreign tax team members in understanding and implementing reforms. We see three potential routes that can be taken:

1. **Recruit a permanent full-time employee** but keep in mind you will be paying a premium on the candidate(s) that are needed at a time when everyone else will be performing the same analysis. Recruitment is where hiring authorities can have the quickest impact, but it would have the highest cost.
2. **Hire the skills externally** by farming the work out to companies like:
   a. The Big 4 firms who will overcharge
   b. Utilize independent consultants through companies like TaxForce which is more cost-effective and has a better chance of knowledge transfer and return on investment
3. **Develop the skills internally.** While it may be the most cost-effective to do this, it is also the slowest route. Sure, they will know the company inside and out, but it will take longer. Remember if you are developing a rare and valuable skill in the market, retention should be top of mind. The demand for individuals with these abilities will only be greater in the future as we navigate the Pillars potentially for years to come.

Job Seeker Tip

If you are a tax professional looking for a position and you have a skillset relating to these Pillars, take advantage of the marketability you will have in your job search in the near future.

THE POTENTIAL OECD PILLAR 1/PILLAR 2 AND ITS TIMING CONT'D

The uncertainty surrounding the OECD's Pillars 1 and 2 highlights the need for tax leaders to perform a self-assessment surrounding this topic and ask themselves:

Will I take one or more of the three routes above? Can I outsource part of this and handle some of it in-house? Do I have the expertise to teach someone else and if not, do we have the knowledge base to train someone, or will we need external help through training events, or bringing on a consultant to assist in knowledge transfer? Is there anyone currently on the team who is willing to take on this challenge? Does anyone even <u>want</u> to do it?

Don't let these types of questions remain unanswered. Hiring authorities need to assess know-how now in preparation for the potential passing OECD Pillar 1/Pillar 2. **Making no decision is a decision.**

We strive to keep the tax industry updated on trends like this. [Join TaxTalent.com](https://www.taxtalent.com) for Thought Leadership content related to this topic and more.

THE PROBABLE PUBLIC ACCOUNTING/EY SPLIT

The theme of this year continues, with a lot of uncertainty around the EY split and if it will actually go through. It is more likely than not this will happen. If it does split, the repercussions for in-house tax departments are still to be determined.

There are a number of implications the split could cause, and we will hone in on some of the significant impacts we expect to see. The two major outcomes from a hiring and retention perspective will be:

1.The increased shortage of U.S. tax professionals
2.The increased cost of training and retention.

Once the firms are no longer conflicted, there will be a desire for them to grow more aggressively, which will, in turn, demand they have more employees. Couple that with the fact that the consulting firm will potentially be publicly traded, and they will have a fiduciary responsibility to retain the talent better than they ever have. They will likely offer compensation packages similar in structure to what we have been seeing in corporate in-house departments.

Because there will be more of an emphasis on hiring and retaining strong talent amongst the firms, a training issue could arise that we haven't seen in corporate tax previously. For decades, we have relied on the public accounting firms to do most of the hiring and training of entry-level staff before corporate departments hire those same individuals with a little experience under their belts. If the public accounting firms aren't having turnover as they have in prior years, the corporate tax training pipeline will dry up, forcing corporate departments to put better structures in place to train their teams.

THE PROBABLE PUBLIC ACCOUNTING/EY SPLIT CONT'D

It is conceivable to believe that large multinational companies can and will recruit and train tax graduates. Still, many departments of their size have outsourced entry-level tax work or sent it to shared services groups in other parts of the world.

The smaller, middle-market companies don't have the budget, resources, or volume of work to effectively staff and develop a structured training program. This will push this responsibility to middle-sized companies, who will then be at risk for others to recruit that talent aggressively.

So, what do we do about this?

Obviously, this isn't going to occur overnight and may not even occur at all. Whether or not EY splits (and the other Big 4 firms follow) shouldn't prevent tax leaders from building their employment brand in the tax field. This will be essential to compete for tax talent going forward. Department leaders should be focused on not only building the brand of their departments and respective companies but also their own brands as leaders. Having a compelling brand will benefit the ability to retain tax team members, as well as attract new talent in an increasingly competitive market.

Interested in learning more on this topic?

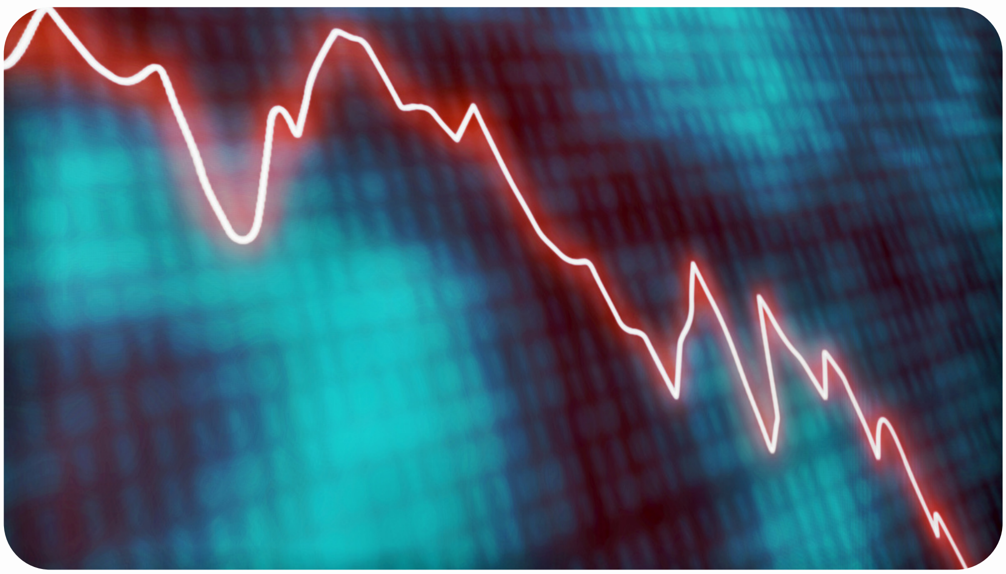
Head over to taxnotes® to read:

How an EY Split-Off Could Affect the U.S. Tax Profession

THE POSSIBLE ECONOMIC RECESSION

The uncertainty surrounding the current economic climate here in the United States and overseas could have a wide-ranging impact on recruitment and retention in the tax industry. This report will discuss the "what ifs" and our concerns, but only time will tell.

With concerns about a potential downturn looming in 2023, the big question on everyone's mind is whether a recession this year would have a similar effect on hiring and retention as prior downturns.



While the hiring and retention market in tax isn't as volatile in comparison to other industries like technology, tax leaders in prior recessions would find themselves in a more employer-driven market due to factors like headcount reductions and hiring freezes, resulting in a decrease in demand for talent and an increase in supply in the market. During these downturns, tax leaders would find some degree of relief from the challenges of hiring and retaining talent with job seekers finding it more difficult to land new roles.

Due to a number of new market factors, which we will expand upon below, we find it unlikely that if we were to move into a recession in 2023, this hiring and retention market would react in a similar manner to what we have seen in prior downturns. If these factors result in a lower supply and higher demand for talent, more angst will be created for tax leaders looking to retain or hire top performers, especially departments experiencing more budgetary constraints.

THE POSSIBLE ECONOMIC RECESSION CONT'D

These market factors include:

- **Demographics:** A big factor that could impact the supply of talent in the market is the exodus of baby boomers retiring from tax in 2023, which you will read more about in the next section. If a significant number of baby boomers retire in mass this year, the supply of talent and legacy knowledge will be significantly constrained.
- **New regulatory changes:** If new regulations like Pillar 1 and 2 are passed in 2023, the additional work created will increase demand for talent in both corporate in-house functions and firms alike.
- **Developments like the EY split:** If additional firms follow this trend, it will create an increase in the need to hire in these firms, further increasing the demand and competition for talent in the market, as you read previously.

Since a multitude of factors could impact both the supply and demand for talent this year in a potential recession, there are a lot of "what ifs" we will need to have on our radar in 2023. With this uncertainty, tax, and finance leaders will need to be agile and nimble and ensure they keep open communication lines with financial and HR leadership. They must be proactive in providing them with the market data needed to ensure they are prepared to address these potential market factors that could impact the supply and demand of talent in a downturn economy. On their own teams, focusing on the development of their staff will be a key factor in retaining talent for tax leaders in this downturn market, particularly if competition for talent in the market remains high.

THE POTENTIAL FOR A GREAT TAX EXODUS

The demographic issue facing tax has been a topic of conversation since 2018, when we recognized this would cause ongoing pain to tax departments across the country in the coming years. While we have already experienced some of this pain, we predict that the tax profession will face the biggest staffing challenge it has ever seen over the next five years. The inevitable cliff of baby boomer retirements is steadily approaching, with those we thought would hang on longer potentially departing sooner than expected.

Let's look at what has already happened with baby boomers in #1 and #2 tax positions in recent years. We saw a large number of retirements from 2019 to 2021. During this time, baby boomers in #1 roles went from 64% to 49%. We also saw a decrease in boomers in #2 roles from 49% to 41% in 2021. This wave of departures was at all ages of the boomer pool but surprisingly consisted of a lot of younger baby boomers (under 65). To our surprise, the number of retirements slowed down in 2022 for both titles, and we only saw 2% leave in each position. (See below)

BABY BOOMERS IN #1 AND #2 ROLES 2019 TO 2022

	2019	2021	2022
Heads of Tax Remaining	64%	49%	47%
#2s Remaining	52%	41%	39%

If we take a deeper look at what happened from 2019 to 2021, we see these baby boomers aren't waiting until the age of 65 to retire, and we think a lot of them were able to stop working before 65 in part due to:

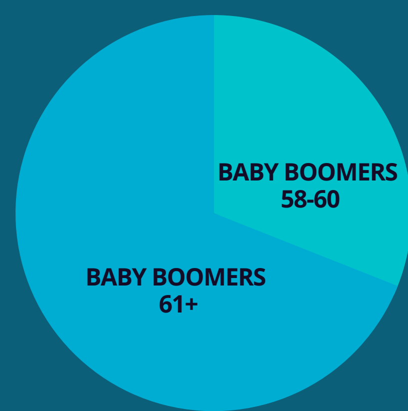
1. **The strong market leading into the 2019-2021 timeframe, left many baby boomers monetarily comfortable to retire.**
2. **COVID introduced itself in early 2020, placing health at the forefront for everyone, especially baby boomers.**

THE POTENTIAL FOR A GREAT TAX EXODUS CONT'D

In 2022, the tone changed, and retirements were delayed. We believe a domino effect of issues played a role in the delays including:

- **Looming talks of a possible recession.**
- **Doors were opened to remote and hybrid schedules, making staffing and retention more difficult, potentially causing many of the #1s and #2s to lose their successors. At the same time, the new working modules became more solidified in early 2022, which offered a continued better work-life balance, making it easier for the boomers to postpone their retirement plans temporarily.**

The realities are unsettling, but so are the questions left behind. Currently, 47% of heads of tax and 39% of the tax professionals in the #2 position are 58 years old or older. Of these individuals, 69% are 61 years of age or older in BOTH pools.



Of the baby boomers at the Head of Tax and #2 levels, conservatively 70% of the remaining boomers in each pool are 61+.

We anticipate that it is highly likely most of these baby boomers will leave before the standard retirement age of 65, setting the tax profession up to lose two-thirds of its heads of tax and #2s within the next four years. If the past has any indication on what the future holds, the younger group of baby boomers could retire at any moment, only accelerating the generation's exit. If we have a deeper-than-anticipated recession, it may keep them hanging on a little while longer. With the uncertainty surrounding this topic, we should not depend on it as this downturn could recover quicker than in the past.

As we envision stepping off this inevitable cliff, how strong is the net below? Behind the baby boomers, we have Gen Xers, millennials, and Gen Zs. Because the Gen Xers are a small pool, we will have to rely on the millennials to step up into roles, many of them well before they are ready and much sooner than their predecessors did, followed by the Gen Z talent.

The succeeding cohorts need to learn everything they can from these baby boomers while they are still available. They have been essential to the world of tax, and a huge resource is being lost as they continue their well-deserved walk out the door. Time spent working alongside or being trained or mentored by any of these seasoned leaders should not be taken for granted.

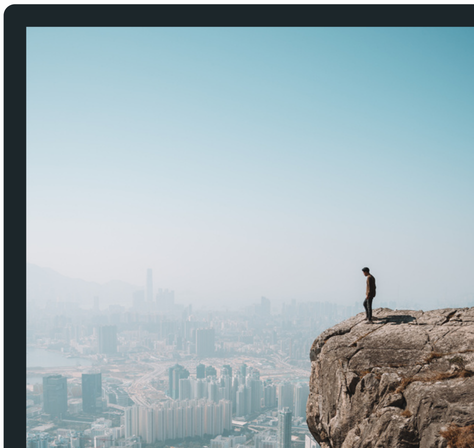
THE POTENTIAL FOR A GREAT TAX EXODUS CONT'D

So, is this early exodus for certain?

As you have read ad nauseam throughout the report so far, the theme of this year's Global Tax Market Assessment is **uncertainty**. While we don't have the answers yet, many questions remain on what could happen with the baby boomer retirements:

- **Could we see a different path?** We very well could.
- **Will economic conditions sway their decisions?** It's possible.
- **Will they choose to leave sooner as we see more global regulatory demands and statutory pressures?** The stress may not be worth it anymore.
- **Will their genuine love of tax push them to stay in the profession longer?** That could be enough for them to work past 65 or take a blended approach and work in a consulting capacity.
- **Will they decide their departments aren't ready and stick it out to build succession?** Reality could be setting in that their successor is not prepared, or they may want to identify and train another successor before hanging it up.

Only time will tell the outcome and implications this will have. The great exodus will occur, but will it be diverted, and for how long? One thing we are certain of, it could go either way. Stay current on these retirement trends - Access more Thought Leadership content on TaxTalent.com for the latest.



Tony Santiago

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While we knew this metaphorical cliff was coming, we couldn't previously foresee when or exactly how bad it would be. At the leadership level, four years is a conservative estimate since, because of the increasing pressures tax leaders face today, many are looking to retire before age 65. Not only are we going to be losing so much of our knowledge and experience, but this is also likely to occur at a vulnerable time regarding the current economic crisis.

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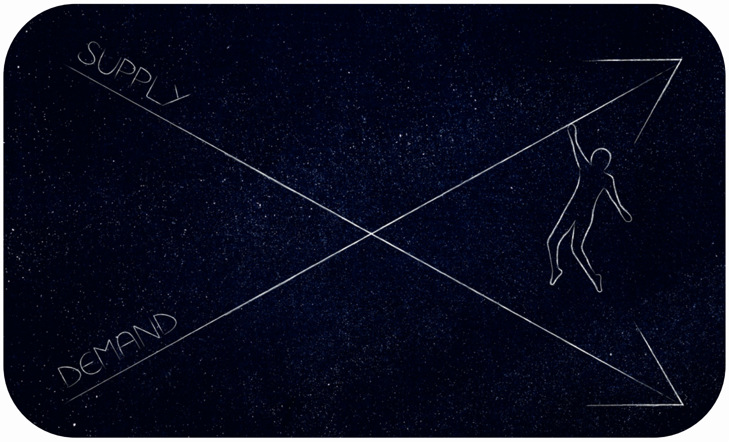
SUPPLY AND DEMAND ISSUES IN TAX

In our 2022 Global Tax Market Assessment, we predicted there would be a ripple effect in tax leaders' ability to recruit new employees and retain existing ones. This was in effect full force and worse than we thought it would be. We expect 2023 and beyond to remain difficult to hire and retain employees simply due to the supply and demand issues facing the tax market.



In addition to the previous takeaways impacting supply and demand, there are five major reasons we will see this continue to be a problem.

1. **Retirements of Baby Boomers:** According to the US Census Bureau, by 2030, all baby boomers will have reached the traditional retirement age of 65. As we stated earlier in this report, this continues to be one of the biggest issues in the tax market with many baby boomers retiring early or by the age of 65. Our due diligence in tracking this information shows in 2022, 47% of heads of tax still remaining in the workforce are baby boomers and 39% of #2's still in the workforce are baby boomers. These are huge numbers and will definitely affect the supply of top tax talent.

2. **A Shortage of Gen X Leaders:** To add fuel to the fire, we have a shortage of individuals that are Gen X leaders (1965-1980) 42-57 years old. Due to the collapse of Arthur Anderson, the Enron scandal and the bursting of the dot-com bubble in the 1990's, it was a discouraging time for people to consider a career in tax. Additionally, a flat tax proposal at the time, compounded this disinterest. Therefore, there is simply not enough seasoned Gen X talent available to fill all the tax leadership positions that will soon be vacated by the baby boomers.

3. **Captive Labor Pool:** We have mentioned this many times before but it needs to be mentioned again because unlike other professions, this is a problem in tax. Due to this problem, the tax industry cannot utilize individuals that are not trained in the uniqueness and complexity of the U.S. Tax Code. We cannot hire tax professionals from outside the U.S. and expect them to be able to transition into the U.S. and add value to U.S. tax teams. This limits our ability to increase the supply of U.S. tax professionals.

SUPPLY AND DEMAND ISSUES IN TAX CONT'D

4. **Continuation of the Number of U.S. Tax Functions Doing Spin-Off Transactions:** This unique trend continues to be a problem that is affecting the supply and demand issue. As more companies are spun-off or created the need to have new tax departments increases. While some individuals can move from the existing corporate company, there are still many new positions that need to be filled.

5. **Remote Working:** Now that we have seen a few years of remote working in action, we think many companies are starting to realize that for some stand-alone positions, it works fine. However, those higher-level leadership roles need to be working in the office a few days a week so they have the ability to work alongside their teams, upper management, business units and cross-functional teams. However, many tax professionals do not want to work in the office and/or relocate to be able to work in the office 3 days a week. This is causing a short-fall of available candidates willing to consider positions that require in-office time and are not local.

If the topics above weren't already difficult to navigate, supply and demand problems will only be amplified by the potential accounting split, the IRS hiring in mass, and the potential implementation of Pillar 1 and Pillar 2. Tax departments will end up burdened with more work and looking to hire. With 2023 looking so uncertain, we broke down some legitimate pros and cons to consider.

Pros

- **Companies will be forced to take the time needed** to make sure they are assessing their tax teams and taking care of them to ensure they do not lose anyone to better opportunities. This includes market salary rates, working with each person on their short-term and long-term goals, making sure the department is properly staffed with full-time permanent and contract employees, and the work environment is a positive one.
- **The retirement of the baby boomers will open up many opportunities** to younger candidates that might not have had a shot at those higher-level leadership roles before.
- **Companies will be forced to streamline processes & procedures** to make sure the department is up to date on software and AI implementation. This will make workflow and deadlines easier to obtain if staffing becomes an issue.

SUPPLY AND DEMAND ISSUES IN TAX CONT'D

Cons

- **When recruiting or hiring new people, you will most likely have to make concessions on technical abilities and/or leadership qualities** due to the lack of professionals available in the market. In many cases, you will need to be flexible on the candidate profile in order to hire someone.
- **If tax professionals are promoted before they are ready** due to not being able to promote within or hire the ideal candidate, it could set them up to fail because they are not ready or don't have the right experience to do the job.
- **If your team is understaffed** and therefore, the team is working much longer hours and under more stress, you run the risk of losing more people. This could snowball into a big problem and drive costs up, due to needing to use outside advisors more, who are most likely also understaffed.

As with all uncertainties, there could be positive or negative results. Our five takeaways are not the only obstacles the U.S. tax market will face this year, and we are facing big issues that we will feel for several more years beyond 2023. You will need to stay vigilant in making sure your current tax team is taken care of and happy to help insulate you from them leaving for other positions that are at a higher compensation, remote or better long-term opportunities. Additionally, any recruiting done in 2023 and beyond, needs to be aggressive and flexible. Make sure you really think through the positions, know the market and compensation, and be open to alternative profiles.

REGISTER FOR OUR FREE GTMA Q&A WEBINAR

March 22nd at 1pm EST

We will discuss these times of uncertainty for U.S. tax departments in 2023. We may not have all the answers but it's important that you raise the questions.

NON-U.S. TAX MARKET ASSESSMENT

2023 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 three key takeaways for these regions are:**

01 **HYBRID WORKING AND THE COMPETITION FOR TALENT**

02 **PREPARING FOR BEPS 2.0:**
NOW IMPACTING HIRING DECISIONS

03 **MORE AGGRESSIVE TAX AUTHORITIES,**
MAINLY REGARDING TP MARGINS AND TAX DEDUCTIONS

EUROPE, MIDDLE EAST, AND AFRICA 2022 RECAP

In Europe, the predicted challenges of BEPS preparation, using more technology and analytics capabilities, and adjusting to new work patterns all played out as expected. The competition for talent exceeded our expectations. The tax market rebalanced with talent shifting from the newer technology companies shedding jobs to the older industries hiring again.

We saw a noticeable increase in hiring of international tax professionals to specifically take on BEPS Pillar 2 preparation, often combining it with tax reporting. Technology is increasingly the mode through which both tax authorities and taxpayers are interacting, and the profiles of corporate in-house tax departments are changing accordingly. ERP skills are no longer the sole domain of indirect tax now as more corporate tax roles require the ability to navigate these platforms amongst other tools. The increased tax controversy is resulting in more dedicated Tax Controversy Directors being hired.

In 2022, hybrid working became embedded in almost all tax departments. Very few companies insist on more than 3 days a week in the office and we saw an increase in remote working opportunities. Some are country specific, some are multi-country searches, in tax this trend seems to be continuing for now. However, data from LinkedIn seems to suggest that the balance of power is starting to shift back to employers as economic storm clouds gather and hiring slows in some areas. **The LinkedIn study** found that three-quarters of executives intend to 'reign in' flexible working and in the last few months of 2022 there was a decline in remote working adverts in the UK, France, Germany, India and the US.

It is noticeable that flexibility will increasingly become a survival issue for many businesses. The tax market in many areas in Europe remains very tight so the ability to open up searches to candidates based in other locations has its obvious attractions. Companies that pull back on flexible working as well as learning & development risk demotivating their workforce and pushing people to competitors that offer more attractive options.

EUROPE, MIDDLE EAST, AND AFRICA 2022 RECAP CONT'D

2022 saw candidates receiving three or four offers at the same time. We also saw the highest level of attempts to counteroffer, particularly by Big 4, than we have seen in a decade. Tax professionals have more choices on how & where to work. However, as we go into a potential global downturn, it is likely that the balance will become equal between candidates and prospective employers. Clearly, you want to stand out from the competition, so offering some form of flexible working, career growth, and job diversity will help.

In the UK, following Brexit, we have seen both firms & companies adopting a truly global approach to recruitment. It is now no more difficult to recruit someone from APAC, LATAM, Middle East or Africa than it is from Continental Europe. The makeup of the tax department is changing and whilst initially it means that employers have to wait longer for someone to start (as the visa needs to be secured, before the resignation process starts), the benefit is the creation of truly diverse tax functions.

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS

In many ways this report is a continuation of last years. With key issues like BEPS 2.0 yet to be resolved, multinationals continue to prepare in anticipation. This combined with the challenges (and opportunities) of post-Covid changes in working arrangements and the continued need for cost reduction, automation & process improvement, will be the focus of this section of the report.

As a company dedicated to assisting companies recruit and retain the highest calibre tax professionals in over 50 countries across the globe, we are going to focus on how all these challenges have an impact on recruitment, retention and the skills required to succeed in today's tax marketplace.

From every client we have spoken to on these topics, the message we are receiving is that in trying to prepare for Pillar 1 & 2, there is a huge additional compliance burden which, in most cases is having to be handled by the existing tax team whilst still ensuring that the 'day job' is managed properly. Data, data & even more data is the focus, with the need to be constantly looking for process improvements to ensure the smooth running of compliance globally.

Tax Controversy and Tax Policy

Aggressive tax audits have returned across EMEA (and globally) and this is expected to continue in 2023. Audits are likely to take longer due to suspicion by tax authorities created for all multinationals as a result of OECD's BEPS discussions.

Several tax leaders have mentioned the importance of having controversy coordinated at the headquarter tax level. This is in response to the rapidly increasing number and aggressiveness of these audits across the globe.

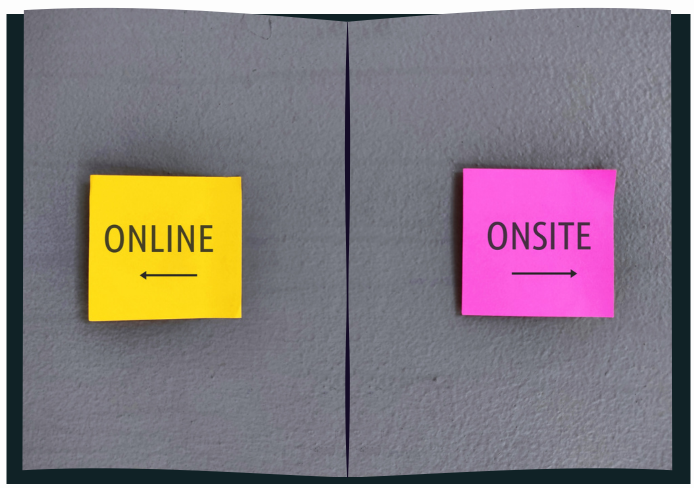
Tax authorities continue to look for ways to obtain real-time access to finance and reporting systems. Their approach to this is going to need a wide range of talent to set up the technology in the first place, to set the rules & guidance for day-to-day recording of transactions and to interpret the tax return that the tax authorities will prepare and send to the taxpayer. This will stretch tax teams operationally as well as having to focus on strategic initiatives.

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS CONT'D

Governments need to raise revenue in the post-pandemic world whilst coping with a global energy crisis. On top of that, in-house tax departments must prepare for the tax elements of the green transition. It is more important than ever to be part of the conversation and help influence outcomes.

Hybrid Working

There have been many changes in the area of hybrid, flexible, and remote working in EMEA tax departments. We expect to see further developments in 2023. Some companies are now insisting on two, three, or four days back in the office. This can be difficult when the tax teams are enjoying operating in a more informal way. There are many tax leaders who are entirely relaxed about remote and hybrid working arrangements.



We have some people wanting to be in the office as much as possible, some who want to be there as little as possible and others enjoying the mix. A lot depends on the nature of the tax work a person does. For business partnering roles in larger companies, there is clearly a need to be spending face-to face time with key stakeholders, tax advisers & the tax authorities.

Some form of hybrid is still very much a positive point when recruiting & retaining tax professionals, but it no longer has the power it once had. As we move into more difficult economic times, some companies will retake power back. It is becoming clearer that those at home are possibly at a disadvantage in terms of the number of projects being given to them, not hearing of new opportunities as quickly as others, and missing the benefit of face-to-face training (for younger tax professionals).

Even within the same company you can see different floors working with different hybrid working arrangements. A vibrant active workplace will only happen if people return to the office. Returning to three days per week will require a mind shift change as people have become used to working from home. Both working from home and working from the office need to be equally respected and finding ways to ‘thread the needle’ on this so everyone is happy will be a challenge.

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS CONT'D

This is a very live issue, particularly for companies that cannot pay top dollar. It is a way to make themselves attractive to potential new joiners. Some people love the freedom of working from home, but face time in the office is important for career development.

Some tax departments are using days in the office to encourage staff to come in, not to do tax technical work but instead for coaching, learning something new, work on non-tax projects, do something worthwhile and bring the team together. Companies are also working on implementing tax technology to make those that work from home feel a part of the team and to ensure they do not feel like second class citizens.

Tax leaders are struggling with non-tax colleagues who want to work wherever they like. This is driving a great deal of tax activity in the areas of employment tax and personal tax. Tax leaders need to decide on where you want the tax team to sit; and need staff to be adaptable & flexible.

BEPS

Multinationals are anticipating a major rewrite of the rules. This is on top of all the other challenges tax teams need to take care of. Far more complexity will be needed for compliance and structuring. In some ways it is good for careers as tax professionals will be in even greater demand. BEPS 2.0 is not something to be ignored and even if the rules are not set to go live until 2024, it all needs to be addressed now. We expect this to continue to increase demand for international tax and tax reporting specialists.

Lack of progress regarding BEPS 2.0 this year means that for 2023, complexity around different tax bases for domestic, Pillar 2, GILTII, BEAT & CFC calculations will continue to be more and more burdensome for tax compliance purposes. The challenge will be to continue to do more (mostly more taxes, more change, more compliance) with less (fewer heads & tighter tax budgets).

There are digital economy regulations to develop worldwide, reinforcing efforts on reviewing multinationals' profit shifting / allocation policies (supply chain, TP & cost sharing). There is likely to be unilateral legislation (for example, some European countries are moving ahead and not waiting for EU unanimous agreement).

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS CONT'D

Implementation plans for Pillar 2 & global minimum tax is a very complex project involving new IFRS rules and new tax regulations including deferred tax as part of the global tax return process. This is part of the BEPS agenda but is a huge compliance project in its own right. Where do we get all the data from? This is a massive project to comply with all the data challenges.

Many do not realize how big an issue this will be for everyone, especially when it is likely that, post implementation of Pillar 1 & 2, amounts will likely be audited by the tax authorities which bring them the opportunity to compare and contrast things like CBCR, ESG, 10-K & other consolidated reporting. This will only become more important post EU public CBCR and will mean that all companies will require a single source of truth and a way to ensure all tax information, however published, reconciles to one another. This will require technological solutions to change the work processes of in-house tax teams and their advisers. Question – will 15% be the new ETR benchmark for multinationals?

On Pillar 2 specifically, the challenge is the mechanics of how to actually comply, i.e. the 150+ data points that will need to be captured for each & every entity, many of which have not been gathered before. Many tax teams have gone straight to cash tax & ETR but the aspect that is really going to make lives difficult day-to-day is around the data collection and transformation piece, to be able to actually file a global minimum tax return. There is a huge role for technology here.

Competition for Tax Talent

Salaries are increasing at their highest rate in years. Employers basically have a choice whether to follow suit and pay what prospective candidates are looking for (and in doing so, potentially upset or have to rebalance pay in the rest of the tax team), settle for less desirable candidates or decide not to and have to wait longer to find less money-focused individuals.

Tax leaders have had to get creative when attempting to hire junior tax professionals into their teams. Certain countries and locations have always been difficult places to hire dynamic and ambitious young tax professionals. We have seen tax leaders convince their HR teams of the need to be flexible on where to hire staff if they are not readily available at the HQ location. When supply is constrained, you need to increase the supply of possible candidates.

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS CONT'D

One solution is to choose a few locations (in up to five countries) where a person could be based, often where the company has a large finance or business function location. Another solution is to make the role remote (or once a month in the office) but within a specific country. A third possibility has been simply to say, wherever we have a legal entity, we can hire. This is only for more senior, self-reliant tax professionals but it greatly increases the access to talent.

Finance Transformations

Finance transformations continue to be high on the agenda as we have covered in previous years' editions. Restructuring will increasingly become a theme as companies want to reduce costs and become more efficient. We are seeing a shift towards the use of solutions providing analytics capabilities (Alteryx, Qlikview, Power BI) rather than trying to automate step-by-step manual processing activities, through the use of RPAs.

There is an increasing challenge to keep up with the new reporting obligations to maintain oversight. Tax technology is presented as the answer (and without tax technology no multinational can operate) but no tax engine or tax reporting tool yet covers, for example, all global indirect tax obligations. The solution providers are struggling themselves to keep up with the ever-changing range of reporting obligations and must be selective in prioritizing customer needs.

Real-time tax reporting and staff shortfalls will force companies to automate & place more reliance on tax processes. Excel is definitely no longer good enough; tax control frameworks will be needed to ensure controls are applied. Every company is going through some sort of transformation either in response to tax changes, new taxes, data requirements, Pillar 1 & 2 (or all of the above).

Tax Leaders Continue to Need to Understand the Business

The need to immerse yourself in the business to understand it and be a truly effective leader is not new but continues to be important. There is increasing pressure for the tax department to be as integrated with the business as possible. In 2022, when completing Global Head of Tax searches, we saw several cases of CFOs requesting the new joiner spend a few months working with the senior business stakeholders before commencing their Tax Leader role.

The penny has dropped for some tax functions that in showing value through partnering with other back office functions along with the businesses, it helps to generate additional funding.

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS CONT'D

Tax should never work in a vacuum and should always make sure it is in alignment supporting business needs.

As tax rates revolve around a narrower range (with 15% as the base) it will become more difficult for the tax function to drive financial leverage as it has in the past. This may mean a greater focus on credits & incentives by the tax function to help R&D initiatives and drive additional value.

Tax leaders are thinking 'what is next for the Centre of Excellence / Centre of Competence?' – is it possible to direct additional activities to these functions, for example, emerging taxes, additional indirect taxes and maybe they are best placed to deal with the all the additional data points that will be needed.

We heard from a number of our large corporate clients that there has been a move to bring the Board and business leaders to governmental fiscal authorities to help influence policy. In doing so, this helps the Board understand the implications of what is being discussed.

The tax team is having to understand and assess new taxes very quickly and then needs to be able to engage with very senior stakeholders to explain financial implications.

With huge volatility in the markets that affect foreign exchange, inflation and interest rates, the challenge is to be comfortable operating in an environment where there can be wild swings in results which makes business planning very hard. Should recession happen, tax leaders need to think about how best to re-deploy tax staff. With such inflationary costs, war in Ukraine & energy cost increases, this leads to supply chain problems (we are hearing of energy bills in some cases rising 6-fold). Tax leaders are being brought into discussions with CFOs to see how costs & taxes can be saved.

Tax leaders will be increasingly involved in using data to facilitate strategic decision making. Tax is often one of the only groups to retain corporate history and so is able to make valuable contributions to forecasting & planning. In this period of volatility, we seem to be living in an ever-changing tax environment where senior management is relying on tax leaders to bring stability (and lessons learned) to discussions, backed up with data and experience of how business has evolved in the past.

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS CONT'D

At some point Boards will realize that accountability for tax needs to be integrated through the tax department and through the Head of Tax. Currently, most businesses have tax accountability dispersed through local CFOs. Boards will want to be able to see ESG reports that have a single point of accountability. This means processes will need to be audited more thoroughly by internal & external auditors. There is currently too much reliance on companies not having open tax audits (and the presumption that things are correct).

Tax Talent in Demand

It is becoming increasingly important to identify who the key people are within the Tax Function globally and make sure they feel appreciated (by many different functions) and remunerated properly. If there is a danger of your best staff being headhunted, try to anticipate this by ensuring salaries remain competitive, offer them long term incentives, think about what their next step might be and consider new roles, locations, challenges for them.

We are seeing the rise in Tax Policy roles within tax departments. There continues to be a focus on IT, data & coding skills in addition to tax technical skills, as companies look to bridge the technology gap in their tax teams. There is a drive for a more diverse & inclusive workforce, in all forms, which will also drive broader recruiting behaviors, meaning more flexibility in offers made by prospective employers.

People are needed who can 'join the dots,' able to support business plans with 'substance'. For 2023, we need more internal coordination worldwide across all Taxes because tax enquiries are more joined up (encompassing CT, VAT, TP & Customs), so we need people who can join the dots and see the bigger picture. Conditions are getting tougher, so it is more important than ever that everyone in the tax department play their part.

There is so much **uncertainty** around the rules and what BEPS 2.0 will look like that you need people that can operate in an environment with a high level of uncertainty and can navigate a course through that uncertainty.

Retaining talent is key. As mentioned, the Big 4 are aggressively pushing up salaries which is rippling through the market. Companies need to decide whether to spend on salary increases or spend on recruitment - one way or another the cost of tax teams will go up and there are only so many highly trained tax professionals.

EUROPE, MIDDLE EAST, AND AFRICA 2023 PREDICTIONS CONT'D

Inflationary pressures and competition for tax jobs in shared service locations is causing problems in retaining tax process people. It is increasingly important that tax people become more aware of emerging trends in the digital space, what this means from a commercial perspective & how transactions will be taxed.

Middle East and Africa

The UAE will implement Corporate Tax starting in June 2023, and most likely, Bahrain will follow. We also expect VAT to be implemented in Qatar now the World Cup is over. E-invoicing is another area that the tax authorities have started to look into with Bahrain expected to follow in implementing it. All these new initiatives will put more pressure on maintaining tax talent, so this would mean that tax leaders need to ensure that they are engaging with their teams to ensure their team’s stability.

ASIA PACIFIC 2022 RECAP

Hybrid Working

Across Asia-Pacific during 2022 there has been a wide variation between different countries in their easing of Covid restrictions and attitude towards continued flexible, hybrid or work from home policies. Some companies have set global hybrid working policies while other companies have taken a local approach. Many tax professionals across the region are back to full (or almost) time back in the office, particularly those working on local tax matters.

Many technological, process, and mindset improvements are being implemented to integrate those who are continuing to work remote by choice or due to continued restrictions (i.e. in China until very recently) and keeping everyone working remotely as engaged as they should be remains an issue.

BEPS 2.0

We all thought we would be further ahead by the time we wrote this next report - as we are not, many of the points raised in last years' assessment are still valid today. Extensive work is being put in by tax teams into tightening controls & governance and preparing for many different possible eventualities. It is a full-time job in its own right! Those with dated or diverse systems are looking at ways to improve, to capture all relevant information for reporting taxes under BEPS 2.0. Even those with the latest technological & systems advancements at their disposal are scratching their heads when trying to consider how to capture all the data that will be required.

Business, Tax & Finance Transformation and Tax Automation

Companies continue to look at their supply chains, business models & group structures. Many companies across APAC have been significantly changing their business models - all requiring heavy input from the tax department. This has also extended to tax automation & keeping up with the tax authorities - this was a major topic for 2022. They need to ensure data that authorities have access to is as accurate as it can be.

ASIA PACIFIC 2022 RECAP CONT'D

ESG

ESG being considered far more important in 2022 - leading to additional reporting by the tax function. Increasingly, companies across Asia want to be seen to be giving more back to the community & society and be seen to be paying the ‘right’ amount of tax.

Tax Audits & Relationships with the Tax Authorities

With tax revenues in 2022 across Asia-Pacific far below average, aggressive tax audits have returned. Conversely, we are also hearing of continued improvement in relations in a number of Asian countries between taxpayer & tax authority in order to attract investment from multinational companies.

Changing Business Environment in Certain Jurisdictions

The business environment is changing rapidly in China with several sectors facing regulatory crackdowns. Many Chinese companies are changing and improving their relationships with tax authorities around the world / some Chinese companies are making strategic moves to reallocate resources from both business & location perspectives. This involves significant tax work and has become the focus of the tax realm for some large China based MNCs as well as European & U.S. multinationals with a significant presence in China.

Who was in Demand in 2022

We have continued to see many US businesses set up for the first time or expand their regional tax capabilities, employing stand-alone regional tax leads or begin to put in place a regional tax team. For 2022, the focus was on ensuring regional tax processes are as good as they can be. Competition has been fierce in countries such as Singapore & 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 2022. We also saw a great deal of recruitment activity in Australia, Taiwan, Thailand, Malaysia & Japan.

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 & Transfer Pricing and are able to deal with, and build relationships with, the local tax authorities in the local language (such as in China, Thailand & Indonesia).

ASIA PACIFIC PREDICTIONS FOR 2023

While Europe and the U.S. appear to be heading into a period of economic slowdown, APAC still offers huge opportunities for growth and increasing numbers of potential consumers. We expect U.S. & European companies to continue expanding their operations across the region and either building upon their existing tax team or requiring their first ever tax person in the region to set up processes or begin building a team. There are a number of key trends we are predicting to arise or continue from 2022 across the region impacting tax departments of multinationals operating in Asia-Pacific.

Hybrid Working

We expect there to be a continuing difference across the region in the approach to flexible working, but it seems the trend is heading back to pre-Covid style working. While we expect many companies to continue to allow staff to work from home when no collaboration is required and encouraging work from office when collaborating with colleagues, tax professionals working in country-specific roles or leading locally based tax teams may be encouraged to work in the office as much as possible.

On the other hand, for regional tax leaders or those working in standalone roles, a flexible approach, being able to work from home when needing to focus on individual tasks, while being able to come into the office to collaborate with colleagues in person may become the ideal approach to keep both employers and employees happy.

ESG

We expect ESG to continue rising the agenda in APAC in 2023 with Tax Governance and how a company is perceived as a taxpayer are both high on the Board's agenda. Tax departments will need to consider how to address it via both reporting and taking advantage of potential tax incentives in particular countries. This may also bring challenges for tax technology as new systems & processes may need to be designed to take ESG into account.

ASIA PACIFIC PREDICTIONS FOR 2023 CONT'D

BEPS 2.0

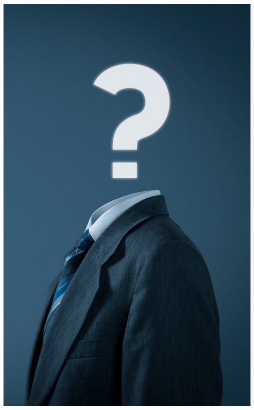
Preparing for BEPS 2.0 is draining everyone in the tax department. Any modelling completed in 2021 is redundant in 2022 due to changing rules and lack of agreement. Many thought Pillar 2 would be agreed by now.

Many countries are creating their own variation / version of Pillar 2 regulations which is leading to greater regulations, compliance, and uncertainty. Morale management is becoming a new skill - providing support to tax staff as plans for BEPS 2.0 need to be constantly revised.

Major Business, Finance & Tax Transformations

These will continue to be very high on the agenda as many MNCs are working towards more automation, simplification of processes & efficiencies and all this places additional stress on the tax department given the heavy requirement of digital and real-time data reporting requirements. This will hopefully lead to greater collaboration between Finance, IT & Tax Departments.

There will be more pressure from top management to reduce costs, balance planning for BEPS 2.0, and other fundamental tax changes with maintaining quality & reputation of work, reducing costs (and headcount in some cases), reducing professional fees and guiding & training local staff to produce the next generation of leaders. In this regard, we are also seeing further tax process optimization through the use of tax technology with enterprise performance management (EPM) being increasingly implemented.



ASIA PACIFIC PREDICTIONS FOR 2023 CONT'D

Businesses are planning to, or already are reallocating some of their tax and finance budget away from routine activities (such as tax compliance) to strategic activities (such as tax policy, planning, and controversy). Investing in the right tax talent across Asia-Pacific or setting up centralized tax hubs in key countries will be crucial. Global and APAC tax Leaders need to really understand the business and be seen to be contributing to the business' growth & development. M&A, IP planning, optimal ETR & business partnering is now a key focus for Tax Leaders. Tax Compliance, Tax Accounting & Tax Audits is more business as usual (basic level of expectation).

Relationship with the Tax Authorities

We expect the aggressive tax audits that have begun across Asia-Pacific to continue in 2023 in many jurisdictions. On the other hand, we also expect certain jurisdictions to continue the business-friendly approach in order to attract investments from multinational companies.

Increasing Competition for Tax Talent

The competition for tax talent will continue across Asia-Pacific in the year ahead with more focus on technology & project management skills. Tax technical skills alone will not work for Tax functions. Significant departure levels from big 4 across Asia has the potential to reduce the quality of work coming from big 4 meaning that a high performing in-house team will become increasingly important in Asia-Pacific.

Which Tax Professionals will be in Demand in APAC in 2023

We expect similar profiles to be in demand as in 2022, including standalone tax leaders in Singapore. We also expect many multinationals to hire Country Tax Leaders in key markets which require a person who knows the tax legislation, is able to speak both English and the local language, and deal directly with the local tax authorities.

We are also finding many companies looking to set up regional or even global finance & tax compliance hubs APAC countries such as Malaysia, India & the Philippines, employing well-educated, internationally minded & ambitious tax professionals where English speaking is common.

LATIN AMERICA
2022 RECAP AND PREDICTIONS FOR 2023

2022 RECAP:

We predicted that tax departments would face the need to increase automation and the use of tax technology to keep up with the Tax Authorities. This has been the case and in 2022, many noted that the technical skills on the tax authority side have dramatically improved. As expected, tax audits became ever more aggressive as tax authorities use all digital platforms - with big taxpayers being the main target.

We predicted that 2022 would see a number of senior tax leaders retiring across LATAM and we were correct. Hiring at the senior end of the market was highly competitive because several large companies had little succession planning in place. Companies have become more flexible on where to hire Regional Tax Leaders to increase the choice of candidates.

PREDICTIONS FOR 2023:

Hybrid working (and Whether Attitudes are Changing)

This is an on-going and evolving topic. Hybrid working means more than cost reductions (for the employer) and better work life balance (for employees). For some companies, the ability to offer very flexible or 100% homeworking has given them access to a much greater and better-quality pool of tax professionals than they ever would have had access to in the past. It does, however, raise the debate of what is important to someone when considering a move - is it the best career move or just greater flexibility? We are even seeing people giving up jobs they absolutely love, just to join another company that is offering greater flexibility!

Companies across LATAM are facing the challenge of how to maintain effective communication between remote working tax team members and their office-based tax colleagues (and other functions).

More specific guidelines and policies are being designed to ensure productivity and provide clarity on what is expected from each role and function as workers move back and forth between the office and remote locations. Interestingly, we are also seeing new joiners being asked to sign contracts specifying a fixed number of days in the office, but the reality is that in the tax team they are joining, existing staff have greater flexibility. This remains very confusing and will continue to be so for some time to come.

LATIN AMERICA
PREDICTIONS FOR 2023 CONT'D

Remote and digital communication with tax authorities is also a reality, with LATAM governments also adapting their structures & systems for virtual communication and official compliance submissions. We saw this happening in 2021 & 2022 and this will continue through 2023.

Increasing Levels of Competition for Tax Talent

This appears to be a permanent challenge for tax. Right now, the main challenges are related to technology, RPA, Electronic Accounting & Digital Invoicing and finding people who can work effectively & successfully in this new environment. It is changing the way companies are audited by the Tax Authority, the way companies interact with customers & suppliers, the way tax departments work and also the way tax teams are structured. Tax departments also need people with strategic vision, that have an 'added value spirit' and can speak in plain language with the businesspeople. These are the skills tax teams need to continue evolving. The challenge is that not everyone has these skills and the ones that do are in very high demand.

Preparing for BEPS 2.0

It appears to be universally agreed by every MNC we spoke to across LATAM that continuing to prepare for BEPS 2.0 must be a priority for 2023, focusing on the allocation of taxation rights between countries, being able to understand and implement the new rules, whilst at the same time calculating tax costs and anticipating the potential impact to business structures.

Major Finance Transformations Continue to be High on the Agenda

Finance areas keep restructuring and changing the models to operate in a more cost-efficient way and to adapt to the needs and priorities of the business. 2022 has seen a great deal more creativity by businesses to generate new products, services & business models. All these changes are a huge challenge for IT, Finance & Tax areas - you need to be fully engaged with the business in order to keep up. We will see continued automation of processes through 2023.

Changing Relationships with Tax Authorities

Technology and remote communications are changing interactions with the tax authorities across the region. Technical skills on the tax authority side are definitely improving and the discussions are different (and in many ways better). In-house tax departments need people who are technically strong and they must strengthen their negotiation & communication skills.

LATIN AMERICA PREDICTIONS FOR 2023 CONT'D

Many businesses across LATAM are facing (and will continue to face in 2023) increasing tax audits due to budget deficits in different LATAM countries. There is a need to achieve synergy with the tax authorities of each country and promote a more active & transparent relationship between both parties to avoid tax surprises.

The tax team can either positively or negatively impact cash & earnings. More recently, tax leaders have become key contributors in the design of business models, flows, intercompany transactions & business structures - with the objective of creating greater business efficiency and reduce tax costs.

This requires tax leaders to really show that they know the business, understand strategies & ensure they are seen as part of all business initiatives. This requires tax leaders to build reliable, creative, and effective relationships and be seen as open-minded and passionate about the business and their (Tax) role in the organization.

Changes & Challenges for 2023

In this tougher global economic climate, businesses (and their tax functions) will need to think more about their customers. There will be increasing & intensive competition between companies more than ever before. Tax leaders need to really understand the business and to be seen making a contribution to the growth & development of the business.

High Demand for Tax Professionals

2022 saw a number of new faces at the helm, as people are either promoted from within or are recruited externally to become Regional Head of Tax or Global Head of Tax. We predict this will continue in 2023 as people make choices based on quality of life and what is best for their career.

Many U.S. companies (revenue around USD 1bn+) continue to recruit their first ever regional tax professional, and this trend shows no sign of changing in 2023.

Indirect tax professionals with strong tax technology & automation skills continue to be in high demand as MNCs try to ensure any VAT recoveries due to them are received and the data that tax authorities receive is as accurate as it can be.

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