2016

Global Tax Market Assessment

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KEY TAKEAWAYS

Predictions for the U.S. Tax Market

• Due to the impact of OECD & BEPS we will see a continued demand for both international tax planning and transfer pricing skillsets. Additionally due to the pressure by Country-by-Country reporting, we anticipate to see an increase in demand of tax accounting and reporting positions.

• Demographics will continue to have an impact on staffing for 2016 as the increase in the number of Baby Boomers retiring will have a ripple effect and have a major impact on Gen Xers and Millennials.

• We are clearly in a candidate driven market and so we expect to see the increased pressures on retention and turnover both natural and surprise turnover. Additionally we expect there to be upward pressure on compensation packages within the tax profession throughout 2016.

• The unsung skillset in tax is communication. Both companies and individuals need to understand the impact of developing this skillset and the benefit it will have.

Predictions for the Non-U.S. Tax Market

• **Europe:** Businesses in Europe will face increased demand for tax professionals in 2016 as companies prepare for increased workloads from BEPS. Finding & retaining the best talent will be a key challenge for tax leaders. The modernization of tax departments continues as people look to COEs and SSCs as a way of creating more efficiency.

• **LATAM:** Continued investment in people, processes & technology to ensure tax risks are minimized.

• **APAC:** Greater burden on Tax Departments in the form of increased requirements for Transfer Pricing & other documentation. MNC Tax Teams realigning, restructuring & recruiting to react to the changes in the demands put upon them. Increase in the need for transparency of information in APAC & developing countries, particularly as a result of country-by-country reporting.

• **Middle East:** MNC Tax Teams realigning, restructuring & recruiting to react to the changes in the demands put upon them & to prepare for legislative changes. Tax is gaining more visibility internally & externally, so businesses need to have a robust & centralized tax function to continue to effectively manage compliance, risk & business advisory obligations.
OECD/BEPS
As we predicted in our 2015 Global Tax Market Assessment, we are now seeing the effects of tax reform uncertainty unfold. Although we have more clarity now as more countries are signing up for BEPS and OECD setting timeframes for when Country-by-Country reporting needs to be indicated, there is still some uncertainty on several impacts that have yet to play out.

As we anticipated, some companies are ahead of the curve on BEPS and OECD. This is facilitating an increase in staffing on the transfer pricing side. However, we did not see a significant increase on the international tax provision side in 2015. We believe this will increase in 2016. (see 2016 predictions)

We accurately forecasted the major growth in demand for transfer pricing knowledge, which we believe will also continue to increase. (see 2016 predictions) 2015 revealed a significant increase in demand for pure transfer pricing tax professionals, as well as an increase in interest to attain transfer pricing expertise within more general tax roles. This is especially true in mid-cap and below companies who are unable to justify or afford hiring transfer pricing specialists. We also saw more pressure in the public accounting firms to provide expertise in this area.

We started to see the Non-U.S. Foreign Local Tax “wildcard” implications crystallize in 2015. Although we did not see a staffing impact with Country-by-Country reporting being adopted, we recognize this is going to be an issue going forward as we discuss more in our market predictions.

State Taxes
We predicted in 2015 that the Internet Taxation Policies for sales tax were going to be a major issue, and it certainly played out that way. Here in South Carolina, we unfortunately lost our tax exemption and we have now joined the 26 other states that must adhere to the Internet Sales Tax. With Amazon pushing to tax in every state, we expect to see the Internet Sales Tax become a slippery slope as it is adopted into every state. The tracking implications on the company side are monumental. This trend had less of an impact than anticipated because of the delay period the international regulations needed to trickle down to the state level. That being said, the trend is definitely still there.

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Demographic Issues
Last year, our prediction was spot on concerning the Baby Boomer tax professionals feeling more comfortable to retire or thinking about retiring in 2015 due to three factors:

1. Improved economic conditions
2. Regulatory pressures
3. The growing acceptance in contract work

With the contracting model becoming more accepted within companies, Baby Boomers felt secure enough to leave their companies, knowing that contract-based assignments could bridge the gap between their professional life and retirement.

Global Indirect Taxes
While we are seeing more companies struggle with this issue, global indirect taxes have not yet translated into the uptick in demand we expected. We now forecast that global indirect tax skills will mirror our earlier predictions for demand in transfer pricing skills. We were ahead of the curve for transfer pricing and we still expect companies will be dealing with global indirect taxes in 2016 and beyond.

Oil and Gas Downturn
As we predicted last year, we saw an increase in market consolidation as well as mergers and acquisitions due to the oil and gas industry downturn. In 2015, the downturn in oil prices was more dramatic than what we first predicted; however, we did not see an impact to the number of layoffs during this time period.
2016 U.S. TAX MARKET PREDICTIONS

Staffing Realities
Overall, we are experiencing a candidate-driven market. The supply cannot meet the demand both in the corporate in-house and professional service areas. From a specialization perspective, tax accounting and reporting is currently the highest in demand. We expect to see another increase in staffing tax accounting and reporting positions. This increase is based on companies continuing to struggle with the Country-by-Country reporting changes coming from the regulatory agencies.

The next area in highest demand will be international tax – specifically those individuals with strong transfer pricing and supply chain skillsets. Even though the recent performance of the stock market has been up and down, we still envision this area of tax to stay in high demand. This is being instigated by the economic recovery and companies shifting their focus to creating more shareholder value. That being said, OECD/BEPS will be a major stimulant in the short-term, increasing the demand for the international tax area. While there will be other tax specialty areas with high demand and low supply in 2016, such as state taxes and mergers and acquisitions, the areas that will stand out will be international tax and tax accounting and reporting. Those professionals with oil and gas specific tax skills will be in lower demand. (see Oil and Gas section)

From a position level perspective, we will continue to see the largest volume in staffing demand at the staff to manager level. This is consistent with our past hiring studies. We will address this as it relates to the challenge of recruiting and retaining the Millennial generation in the next section. While the mid-management to senior-level positions are not at the largest volume, they are the most critical hires in this climate as we continue to deal with the tension between risk mitigation and shareholder value.

Retention and Turnover
In 2016, you will see a natural turnover due to Baby Boomers exiting the workforce. From an overall demographic perspective, Boomers currently make up 44% of the workforce, but the majority of these professionals will retire within the next six to seven years. We predict that in tax, Boomers will leave even earlier as their roles become more demanding and their compensation packages become less aligned with the contributions they are being asked to make.

As we stated previously, the staff to manager level makes up the bulk of open positions – based on our 2014 and 2015 Tax Hiring Outlook, it was anticipated that these positions would make up 92% (2014) and 89% (2015) of open positions. We found in our 2015 Career Satisfaction Survey, 80% of participants responded that the main motivator for career change is the lack of leadership, development, mentoring and training at their current employer. Companies that are not dedicating resources to develop and train their employees will see an increase in turnover, especially while we remain in a candidate-driven market.

From a tax department perspective, the best return on investment for retention purposes is to increase the budget on training, development and mentoring programs. This includes formal continuing education programs supporting your staff to obtain advanced degrees such as a Master’s in Tax or an LLM in Tax.
Companies that execute this will see a strong return on their investment. We will address what types of training and development programs are most effective in our summary.

Another area we believe should be focused on for retention purposes is keeping up with the current market as it relates to compensation. You do not need to be in the top quartile, but you cannot compensate at 50% or below market value and expect your employees to perform in the top quartile. There are compensation tools you can use, such as TaxTalent’s Personal Salary Comparison, which is specialized for the tax profession. Additionally, there are a number of general salary tools such as salary.com and payscale.com.

If you have implemented a development program for your staff and you have confirmed your compensation is at market value, then you have taken the necessary steps to minimize the unnecessary turnover within your tax function. However, you can still have unexpected turnover simply because a candidate-driven market has the potential to provide your staff with career opportunities you are not in a position to match. Additionally, there may be situations out of your control, such as employees outgrowing your current tax department’s structure as well as personal issues (i.e. personal relocation, spousal issues, illness), and no additional training, development or compensation will alleviate these issues. Employees leaving due to outgrowing your tax department is not necessarily a negative occurrence – it can actually help build your brand in the market. It sends the message that people come to your company and they are developed to the point that they can move on to better opportunities. This will make recruiting much easier going forward if that is leveraged in the employer branding process.

### Demographics

#### Hourglass Effect

The overall labor pool in the U.S. is currently shaped like an hourglass. The top and bottom are similar in size and represent the Baby Boomer and Millennial generations, while the middle symbolizes the Gen Xers. In tax, the middle section is even smaller. When Gen Xers were making career decisions in the late 1990’s and 2000’s, they were facing an economic downturn from the dotcom bubble burst followed by the accounting firm scandals. Thus, more people were going into audit and finance rather than tax. During this time, there was also discussion of switching to a flat tax rate instead of an income-based tax rate. This caused a market of potential tax professionals to wonder if tax was going to be a viable long-term career option. The resulting small pool of Gen X tax professionals will have a ripple effect on everything else we discuss in Demographics.

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#### Baby Boomers

In 2015, we continued to see the increase of Baby Boomer retirements and expect an even greater increase in 2016. This onslaught of retirements is going to create instability in the senior-level tax roles. This prediction is supported by the data points harnessed from our proprietary database of corporate in-house tax professionals.

Our database currently has 160 individuals who are 60 years of age and older and are the current heads of tax, within corporate tax departments in the U.S., which represents 10% of our total pool of heads of corporate in-house tax professionals.

Comparatively, we have 292 heads of tax within corporate in-house that are between the ages of 55-59 years of age, which represents 18.2% of the same overall pool in our internal database. Combined, we see that 28.2% of current heads of tax within corporate tax departments in the U.S. are 55 years of age or older.
This startling statistic shows the volatility that will occur in the near future within a large number of corporate tax departments. While the timing of when this group will retire is far from an exact science, there will be certain factors that determine this transition.

We do not anticipate the recent downturn in the stock market to have an effect on the Baby Boomers retiring. Due to their past experience in the 2008/2009 economic downturn, we believe Boomers have learned from the past and have prepared for retirement more effectively.

As we noted in last year’s report, regulatory changes will continue to be a factor affecting Baby Boomer retirements. The added pressures of OECD/BEPS could be a catalyst for Baby Boomers to exit the workforce, possibly earlier than planned.

Gen Xers
Companies are realizing there is a lack of succession planning, particularly in the Gen X pool. It will be instrumental for companies in 2016 to put a succession plan into place, or they may risk being unprepared if they lose their top individuals. Larger companies who are facing multiple retirements may find they have not been able to prepare enough people below, whether it was due to lack of headcount or budget for development.

Due to the increase of Baby Boomer retirements, the Gen Xers are going to be asked to step up into senior-level positions where they are being stretched much thinner than they would have been in the past. Because of this, we predict there will be high potential for some Gen Xers to understaff their replacements and internal departments. This will cause unwanted headaches and issues. This is especially the case when a Gen Xer is promoted internally; often the company fails to replace the position with someone of the same level of experience.

The Gen X professionals are the next logical employees to replace retirees; however, many lack the developmental skillsets or there is a shortage of these professionals. With many Baby Boomers leaving and less experienced professionals coming in underneath the Gen Xers, this will potentially cause on-going pressure for the tax departments when they are trying to meet their goals. There could potentially be a ripple effect of the Gen Xers seeing the Millennials move up much quicker than ever before. While this could cause a lack of motivation on the Gen X side to properly develop these Millennials to move into senior level positions, the reality is Gen Xers cannot survive without these Millennials moving up and being effective in those roles; it is the Gen Xer’s self-interest to make this growth and development happen.

Millennials
As mentioned in the hourglass effect, the deficit of tax professionals in the Gen X pool as compared to Baby Boomers will ultimately result in an upper level management staffing gap. This means that Millennials will need to step into leadership roles much earlier than Gen Xers ever did. As with the Gen Xers, key factors for developing and retaining talented Millennials will center on sound retention and succession planning strategies. This will potentially be a challenge in 2016 for companies that are not thinking ahead to put strategies in place.

We believe that the Millennial generation is torn between doing what it takes to advance in their career and what they’re willing to give up. Many Millennials are okay with not becoming Heads of Tax as long as they are happy at work and have a good work/life balance. Because of their lack of willingness to put in the long hours Baby Boomers did, we predict some companies may hire two people to replace one retiree, something we’ve already started to see. Either Millennials are going to have to come to terms with the hours that are required by companies or the companies themselves will have to figure out a way to accommodate the Millennials’ need for work/life balance. Unless Baby Boomers and Millennials can find common ground, we expect in 2016 that Baby Boomers will potentially have difficulty hiring Millennials or this group will not stay in their position very long. With that being said, we see a growing segment of progressive leaders who are willing to accommodate the Millennials. We will discuss what can be done in this situation in our summary.

Implications for Service Providers
The partner retirement commitments that the public accounting firms are going to be obligated to make
in the coming years is going to become a larger issue as we get further down the path of the Boomers retiring. While it might not result in increased turnover in 2016, more upper-level senior managers and directors see this topic as even more fuel to leave professional services and look at corporate jobs in the coming years. As they approach the partner approval process, many may question the viability of generating enough profits in the current climate to meet the demands of these unfunded partner retirement plans.

Career development will also be a key factor in retaining top talent in public accounting in 2016. As we saw in our 2015 Career Satisfaction Survey, 80% of participants working in public accounting firms responded that the lack of career development was the top cause for dissatisfaction at the manager-level and below.

"Corporate clients might have to make the difficult decision of whether or not to stay with their longtime legal advisors if there is no apparent plan for a smooth client transition process."

Law Firms will encounter their own succession planning issues due to two factors; the first being that their current compensation structure emphasizes individual contributions as opposed to team efforts and the second being the lack of non-compete agreements. Due to these factors, law firm partners are not developing and preparing their most senior associates to take over client relationships because of the risk of employees leaving the firm and taking their clients with them as well as the lack of economic incentive. Corporate clients might have to make the difficult decision of whether or not to stay with their longtime legal advisors if there is no apparent plan for a smooth client transition process.

**OECD/BEPS and Inversions**

As we noted in last year’s predictions, the impact of OECD’s plans for BEPS will continue to be a focus in 2016. We expect companies will continue to build their transfer pricing and supply chain skillsets, both within corporate and service providers. The result will be a greater focus on companies building their audit defense of transfer pricing with the IRS and non-U.S. audits. Similar to transfer pricing, smaller companies may look to ensure that international-focused tax professionals are capable of dealing with audit authorities on these complex matters. Additionally, companies large enough to have pure audit employees on staff will likely add 100% dedicated transfer pricing professionals to their audit teams. This will allow for full understanding on the complexities of this area and defend the company’s positions.

We believe that states will mirror what is done on the international level and put the pressure on state and local audit issues to ensure they are getting their fair share of the revenue. With that in mind, the push for global transparency on tax planning strategies reflected in the OECD recommendations on BEPS will most likely be attempted on the state and local level. We expect to see a push for a more holistic transparent tax environment within the U.S., similar to what we’re doing globally. While we are currently in a highly competitive environment from a state and local tax perspective, we would not be surprised to see a pushback to a unitary taxation system.

As we all know, there is political pressure on U.S. companies to stay domiciled in the U.S., yet at the same time there is pressure from shareholders to maximize their returns. We are still seeing companies skirt around the anti-inversion regulations (7874) by using acquisition methods to get acquired by foreign companies and bypass inversion issues. We will continue to see political pressure to curtail these efforts until there is a major Tax Code revamp. To close the “loopholes”, the ultimate solution is a major tax reform that levels the playing field and deters companies from moving their domicile outside of the U.S.

**Global Indirect Tax**

We are hearing of more companies struggling to figure out how to address indirect taxes. There are discussions and policies being developed to address this issue so companies are better prepared to absorb the changes.

We recognize there is a consistent increase in global indirect hiring on the ground overseas, as noted in BPA’s comments on each major region outside of the U.S. That being said, this trend has not yet translated to additional global indirect staffing in U.S. corporate headquarters as we envisioned to happen in 2015.
We believe U.S.-based companies will likely start to recognize the need to staff more global indirect tax roles at their corporate headquarters – this is not a matter of if this will happen, but a matter of when.

Risk Mitigation and Planning/ETR Minimization
We saw an increase in the demand for research and planning in 2015, especially in comparison to 2010-2014 when the focus had clearly been on tax accounting and compliance. We expect to see more of this in 2016. This is partially driven by OECD/BEPS, but also driven by the need for tax departments to justify the resources that have been spent in tax operations by identifying planning opportunities.

Risk mitigation has dominated the tax profession environment since Sarbanes-Oxley, but we are starting to see both cash and effective tax rate (ETR) planning take an equal footing to the risk management side. Some of this has been instigated due to the OECD/BEPS regulatory changes but also pressure from the shareholders to improve stock performance. While some of the more progressive tax departments have integrated these two major deliverables into their tax functions, we now see this as a must for all tax functions going forward.

It is possible that we may be a year or two ahead of the curve on this prediction, but as things become more transparent in tax, we believe there will be an increased pressure on transfer pricing and audit defense globally and on the federal and state level in the United States. This will require an increase in time and resources for tax departments.

Deconsolidation of Corporate America vs. Consolidate to Deconsolidate
As we initially discussed in 2014 and later confirmed in 2015, the deconsolidation trend in Corporate America did occur and it did lead to more jobs due to the creation of multiple tax departments. There has been a continuation of this trend, but with a twist. We are now seeing large companies merging with a future potential to deconsolidate. The reason for these types of transactions is that companies are finding it difficult to grow and create shareholder value on their own due to the lack of stimulus in the current economy.

What impact will this new trend have to the tax world as it relates to the job market? Unlike when deconsolidation takes place creating new tax functions and new jobs, we expect these mergers and deconsolations to create turmoil in the job market. This volatility will accelerate the departure of the Baby Boomers who may opt for early retirement over the problems that will accompany the vast change of a merger and a potential spin-off situation later.

The mergers will likely lead to short-term layoffs or cutbacks in the newly-merged company and tax professionals in headquartered locations will have to be prepared to relocate or look for opportunities outside of the company. It is unlikely that the large merged companies will keep a bloated tax staff in anticipation of the split that will happen in the future. Therefore, when the deconsolations 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.

Innovative companies have figured out ways to continue to add value in an environment where doing so has become much more difficult.

The increased pressure to grow shareholder value in an unfavorable regulatory and corporate tax environment is the underlying cause of the majority of these transactions. Innovative companies have figured out ways to continue to add value in an environment where doing so has become much more difficult. If we were in a growth economy, we do not believe that executive leadership teams would turn to “consolidate then deconsolidate” as a strategy to increase shareholder value. Should this trend continue, it will be important to watch it closely in 2016 and beyond to determine the long-term staffing impact.

Oil and Gas
As we acknowledged in our 2015 predictions, the downturn in the oil and gas sector has been more severe than anticipated; however we did not see any major layoffs or cutbacks in 2015. Generally, these companies are not filling in empty positions left open by retirees or other professionals. If oil prices continue to stay down, we predict there will be additional mergers and acquisitions in this sector, both corporate and private equity, causing a volatile market in the
oil and gas industry. Mergers that are awaiting regulatory approval could be stuck in a holding pattern leaving the companies involved with no definitive plan for their tax departments. There will most likely be layoffs if the merger is approved, and there is also a chance that layoffs will occur even if the merger does not get approved.

What does this mean for employers?
While the oil and gas sector is currently in an employer-driven market, the overall tax world is still a candidate-driven market. Be prepared for your tax department to be a target for recruitment from other industries. For those of you not in the oil and gas industry, there is an opportunity for your company to take advantage of this down market. If you have support from management, it is a great opportunity to upgrade your tax department if you have any weak links.

What does this mean for tax professionals within the oil and gas industry?
There will be many tax professionals who are uncertain of the future and there will be a lack of activity on the candidate side. For the tax professionals that find themselves one of the casualties of these mergers, 80% of them will most likely have no trouble finding a job. Generally speaking, tax professionals in a pure exploration and production company who have more general tax skills, such as compliance, tax reporting, or indirect taxes, will find they can easily transfer their skills to other industries. The other 20% who work in specific areas of tax relevant to exploration and production, such as depletion, might find it more difficult to transfer their skills to another industry. Now is a good time to look for tax opportunities elsewhere if you are thinking about switching industries.

Note: To be notified on specific tax opportunities, visit http://taxjobs.com/job-agent to set up free customized job alerts

Non-Technical Skills in Highest Demand
In our firms’ opinion, the unsung skillset in tax is communication. We constantly hear of the growing need for all individuals within the tax profession to develop leadership and communication skills at every level. It is essential for every tax person to have the ability to effectively communicate across different functions and throughout all levels of personnel, both technical and non-technical. As opposed to being managed, more tax professionals will be expected to take ownership and responsibility of the work they produce.

The key is getting young tax professionals to understand the importance of developing their leadership and communication skills early on. It’s not just about leading people, but leading projects and initiatives and looking for ways to optimize cross-functionality and increase alignment with different business groups. Tax departments that develop staff with these skillsets are going to outperform other departments. We are hopeful that more tax departments will recognize the need to build development and training programs in this area in 2016, but unfortunately we do not expect tax departments to make this a priority until 2017 and beyond.
U.S. TAX MARKET CONCLUSION

Overall, we have shifted to a candidate-driven market and we will start to see turnover and pressures on compensation as employees take advantage of these conditions. With the impact of deconsolidations and acquisitions, we will likely see more movement of personnel geographically as exceptional opportunities create the willingness to relocate. Although we did not discuss the area of audit and controversy in our predictions, we do believe we will see an increase in demand for individuals with conflict resolution skills. This will be seen toward the latter part of the year with more of an impact in 2017. With the upcoming presidential election, companies are going to be more cautious. We expect that companies will use their budgets early leading to the majority of staffing activity happening in the first half of the year.

For the Baby Boomers who have worked hard and earned their right to retire, hopefully economic recovery has allowed them to end their professional life on a financial high note. For those who wish to continue to work or have a need to work there is good news; most of the clients we are working with are open-minded to hiring full-time Baby Boomers to work four to six more years. These Boomers can serve as a bridge for Gen Xers who are transitioning into their new roles and they can add value by mentoring and developing those who may not be fully prepared for the next phase in their career.

The Gen Xers who were likely frustrated due to being held back by the Baby Boomers are now going to see their window of opportunity. Those with a broader background, including both technical and soft skills, will have tremendous opportunities going forward in 2016. As we discussed earlier under Staffing Realities, the most critical hires will come from the mid to senior-level management positions.

There will inevitably be some situations where the Gen Xers are not ready in the minds of the financial leadership team to step into those level of roles, but they do not want to block them indefinitely. In order to keep the candidate from being discouraged or feeling blocked, we have seen companies bring in Baby Boomer tax professionals for a four to six year period, as we stated earlier, to help mentor and develop the Gen Xers to prepare them to move to the senior-level roles.

The opportunity to advance in the marketplace is absolutely there.

Millennials will be benefiting the most out of everyone because they will be pulled into higher level positions quicker than previous generations. The opportunity to advance in the marketplace is absolutely there. As a group, they bring the technological skillset previous generations did not have. Millennials can use this to their advantage to quickly move up the ladder and use technology to improve process integration and increase productivity. One of their challenges will be to use their technological skillset to find a solution to the demanding workload in tax departments and have a better work/life balance. While their technological skills are greater than the Boomers and the Gen Xers, there seems to be a consensus that their communication skills are not as sophisticated as the previous generations. Millennials who recognize this and strive to improve their communication skills will be able to separate themselves from their colleagues and take a definitive lead early in their careers.
EUROPEAN TAX MARKET

2015 Review

Last year, we forecasted that the overall market for tax professionals in Europe would continue to grow and that indirect tax would continue to lead that growth. In reality, the market did grow, albeit modestly, and indirect tax proved to be a hot area again. 2015 did see a rise in the proportion of international tax searches for regional tax managers that have the ability to handle a mix of transfer pricing, M&A and tax accounting responsibilities. Around 60% of completed assignments were at Senior Manager & Director-level (or above), indicating a desire to bolster the ranks with more experienced professionals - able to navigate the current challenging tax landscape. At the other end of the scale, there is pressure to retain staff in locations with Shared Service Centres (particularly Central & Eastern Europe and Ireland) where tax teams trained in-house are being targeted by new employers looking to pick up well-skilled and hard to find tax professionals.

As predicted, there has been continued hiring of specialist tax professionals with tax technology skills, especially for companies implementing ERP systems and looking for ways to automate.

2016 Predictions

Tax at Board Level

These days, you can not pick up a newspaper without reading about Tax. Tax Directors need to get comfortable appearing before government committees in public situations. In an era of growing shareholder activism, senior executives have found their investors have had an increased influence on tax strategy, many demanding more access to data & financial savings. Most tax leaders feel that their Board’s expectations of a Tax Director’s role has evolved over the past five years, with the Director’s role now seen as more strategic than technical.

The topic of Tax is coming up more frequently at Board meetings and so MNE’s need to focus on how Tax fits into its overall business strategy and how to communicate tax strategy to shareholders, employees or the public. For the Head of Tax, more time is spent convincing management that the tax control framework meets all requirements. Gone are the days of tax teams operating in isolation, when the impact of tax plans can have such wide-reaching effects on the rest of the business.

BEPS & Increased Demands on the Tax Team

BEPS is hitting the headlines, but some tax leaders are wondering how to react to the uncertainty in tax legislation, i.e. act now or sit & wait? BEPS will affect how companies react & plan for future and is speeding up the need to change business models. MNEs are unwinding structures used for years to manage the tax rate. Now they need to look at transfer pricing & business models to reduce ETR which is why we are seeing an increase in hiring in transfer pricing and this will continue in 2016.

BEPS should be very high on the list of every direct & indirect tax department. Any required BEPS restructuring will have indirect tax consequences and may trigger potential risks, like countries seeking VAT
establishments once there is a direct tax Permanent Establishment under BEPS. In addition, the growing trend across the world to tax digital content (like the EU already does) will be a significant burden on indirect tax resources. Another priority will be to lobby the EU to simplify & harmonize the existing EU VAT rules and reduce the compliance burden. VAT is more about proactive management of risk instead of tax planning opportunities. Indirect taxes need improved compliance processes, but often this need to do more must be achieved with the same resources.

Country-by-country reporting will add some incremental pressure on communication & reputation. This increasing compliance burden comes with limited resources & budgets. This will put more pressure on efficiencies and the search for automation.

**Changing Business Structures & Technology**

In the search for more efficiencies, we have noted a significant increase in the establishment of regional hubs, Shared Service Centres (SSCs) & Centres of Excellence (COEs). Businesses continue to expand their Shared Service Centres in order to bring work in-house that has previously been outsourced to make it more cost efficient. This will drive more of a split in the function of the tax department between business advisory & planning, versus compliance and data analytics teams. Some veteran Tax Directors wonder if we have gone full circle, back to the 1970s, when tax planning was part of the Legal Department and tax compliance was part of Accounting.

The use of technology goes hand-in-hand with changing business structures as it is an opportune time to implement a coherent ERP system, if there is not one in place already. However, the promises of lower costs through tax department digitalisation usually take much longer to realise than expected. Also the transformation process tends to create tension with the possible effect of higher staff turnover. Millennials are less likely than the Boomers to bite the apple of a medium term over-burden, so those might be the ones that leave first.

There is a continual shift of tax positions moving from Western Europe to SSCs in Central & Eastern Europe. Initially, these were for tax accounting & compliance positions, VAT compliance or TP documentation positions. However, this is slowly snowballing into more strategic & regional positions. Switzerland continues to be quieter in the job marketplace and is seeing positions being moved to Ireland, Luxembourg, UK & the Czech Republic (amongst others). The main factor being the very strong Swiss Franc, making it an expensive place to retain staff.

**Finding the Best**

For the past two years, a number of corporate entities have had strong ties to LinkedIn, having signed global recruitment deals with the company. This stranglehold seems to be breaking down as tax jobs are not getting filled within reasonable time periods. Tax leaders in the industry are increasingly coming to BPA Search for assistance where these approaches have not worked.

*LinkedIn is undoubtedly a great platform, but the more approaches senior tax professionals receive from average recruiters or HR professionals oblivious to Tax, the more likely they are to anonymise their profile or withdraw completely.*

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Some Tax Departments are witnessing a shifting of focus from optimisation and creativity, to a focus on compliance. This may create a discrepancy between job expectations of Tax Department employees and the actual content of their work. There is a ‘knock on’ effect that the brightest students considering a career in tax for the intellectual challenge, may decide not to enter the profession. Now graduates are attracted by going straight for the creative work without “doing their time” in compliance.
Once you have found the best, the next question is what is the appropriate salary & level for this individual? The question of who the HR team benchmarks Tax Department salaries against, is a regular irritation for our clients. Often, tax leaders have serious disagreements with HR when they attempt to benchmark Tax staff to Accounting staff. Tax requires specialist knowledge and the skills are much more aligned to the Legal department employees rather than Accounting department employees. If HR teams don’t seem to mind paying top dollar for an in-house lawyer for specialist knowledge, then why question the tax leader when the skills & knowledge required to do the job are fast expanding?

You must address the career growth objectives of each team member. You must understand their motivations and goals. Do they want more money or more time? If neither of those, then often it is about career aspirations. Companies that do not have a system of employee development & advancement will not be able to hire or retain top tax talent regardless of salary offers.

For more information on the European Tax Market, please contact Will Sheppard on +44 207 432 4535 or will@bpasearch.co.uk

Retaining the Best
Retaining the best staff is getting harder than ever as the job markets fragment (not just Tax) from the era of ‘job for life’ Boomers, to the sustainable work/life Millennials. There are several factors that are increasing job mobility in the modern Tax Department:

1. There is less reluctance to hire someone who has changed jobs every two to three years.
2. Companies are happy to pay signing bonuses to compensate employees for lost incentives at their previous employers.
3. Now that there is no defined benefit pension plan, employees have no long term incentive to stay with a company.
4. Keeping staff in SSC locations is difficult because once you have trained them in-house, they become very attractive to other companies setting up similar operations.
ASIA-PACIFIC TAX MARKET

2015 Review

Across the region, as predicted, we saw many companies preparing for the increasing reporting challenges that lie ahead. We saw this in a number of ways - a significant increase in the amount of time spent on improving processes & procedures; investing in new technology; and in the recruitment of highly skilled tax professionals whose backgrounds are in tax risk management & tax process improvements rather than in tax planning.

For us, this translated into a number of significant searches at Tax Director, Senior Director, & Head of Tax level for U.S. & European parented multinationals in China, Hong Kong, Singapore & India.

2015 also saw a significant increase in the number of Regional Tax Leader roles based out of India rather than other APAC locations. This, we believe, is a reflection of the quality of international tax specialists being trained & developing their careers throughout India and a consideration of the costs of recruiting in India in comparison with other APAC countries. 2015 also saw many companies that had never had Country Tax Managers in specific locations asking for our help in recruiting highly experienced stand-alone tax professionals in such countries as Indonesia, The Philippines, Thailand, Malaysia & Vietnam. We predicted that defending & trying to close open positions with the Tax Authorities would be high on the agenda and it definitely was, particularly in the face of increasingly rigorous challenges.

We have also spent a considerable amount of time helping clients look for ways to retain staff in an environment where there are many new career opportunities available to the most talented individuals, particularly in situations where there is little or no room to offer increases in base salary. We have been involved in looking at restructuring tax teams to create room for talent to develop; we have looked at the other components of compensation to see if anything else can be offered in terms of longer term incentives; and we have also looked at overseas secondments to help the most talented understand the bigger global picture.

2016 Predictions

Based on the search projects already earmarked for next year, 2016 will see a continuation in the number of U.S. & European parented multinationals needing to recruit those with the best technical skills, communication skills & business partnering skills to ensure they are doing all they can to manage tax affairs in a very demanding environment.

We will see an even greater burden on the Tax team in the form of increased requirements for transfer pricing and other documentation; MNCs realigning to react to the increase in demands placed upon them & the loss of tax planning tools in the context of increased transparency and information sharing.

There is a growing trend in the number of indirect tax disputes in APAC. Historically, indirect tax issues can be mistakenly overlooked by businesses, people and can often result in huge problems & transaction costs. Across APAC, there are not many tax professionals working ‘in-house’ that specialise in indirect tax. As happened across Europe over the past ten years, we will see an increasing number of such specialists moving ‘in-house’ from big 4 across APAC.

As BEPS is implemented, there will be an increasing need for transparency of information required in APAC & developing countries, particularly as a result of country-by-country reporting. Where lots of data is required, companies face challenges in terms of the data quality, turnaround time & getting the right balance in terms of exactly what needs to disclosed.
We will also see more companies looking at how the Tax team is structured and the work the Tax team should be doing. Providing value-added services to internal stakeholders will become more important than ever, being seen as a commercial partner & having a say in funding, treasury & financing issues and not just ‘Tax’ issues. Tax people will also need to become better at lobbying, negotiating, raising the profile of Tax internally and become better business partners.

What we are seeing (and will see more of) is an increase in M&A activity in South East Asia markets e.g. Taiwan, Myanmar & India as they continue to open up to foreign investors.

There has been significant M&A activity across APAC through 2013, 2014 & 2015 but with the economic slowdown in China, it is not clear what 2016 will bring in regard to M&A activity. What we are seeing (and will see more of) is an increase in M&A activity in South East Asia markets e.g. Taiwan, Myanmar & India as they continue to open up to foreign investors. As a result, some Tax teams are likely to see continued & increasing involvement in due diligence, deal structuring, post-acquisition integration work and will either have to make do with the number of tax staff they have or they will need to recruit.

One interesting development in comparison to recent years is the ability & willingness of Chinese parented companies to compete financially for the best tax talent in the region & this has combined with a willingness by locally trained tax professionals to work for PRC local entities, rather than automatically move to U.S. or European parented multinationals.

Given the political landscape in Asia & the need for Governments to demonstrate equity on tax revenue sources, we are likely to see an increase in the number of audits in 2016. This should translate to strengthening of tax teams in country or regionally to manage tax controversy and risk, however this could quite easily be outsourced to an advisor, especially where companies are looking to reduce full time headcount (regardless of cost).

In terms of talent in the region, Singapore & Hong Kong still appear the best locations for Regional tax teams, given such factors as the central location in Asia, ease of business & social demographics. With rental costs in Singapore dropping, Singapore has become a more attractive location for foreign talent. It’s worth noting that while some Regional offices have/are considering moving from Singapore to Malaysia (to take advantage of the lower costs), there is only a relatively small pool of talent there.

From an Industry perspective, it seems like the general uncertainty in the global economy is negatively impacting business outlooks. Specifically, oil & gas have taken hits in 2015 with the continued drop in crude oil prices, causing a number of smaller operators & oil service providers unable to maintain full time tax headcount, choosing instead to outsource & control cost. Specifically in Hong Kong, recent reorganisations & cost control strategies in large banks & insurers have also impacted the local talent market, with in-house tax teams being reduced. This has released more talent into the marketplace.

For more information on the Asia-Pacific or Latin America tax markets, please contact Barrie Pallen on +44 20 7432 4533 or barrie@bpasearch.co.uk
MIDDLE EAST & AFRICA TAX MARKETS

2015 Review

As predicted in our report last year, the drop in oil price has impacted recruitment. Some tax departments have had to adapt to this through hiring freezes, departmental restructuring and unfortunately, redundancies. As a result, a lot less recruitment on-boarding in Tax has occurred compared to previous years.

Arguably, another consequence of the drop in the oil price is that Governments are viewing tax (amongst other things) as a means of strengthening and continuing to diversify their revenue base. Discussions and recommendations to introduce VAT for GCC members by a 2018 target (and a uniform corporate tax at a later date) is becoming more of a reality. Themes explored in previous editions like the frequency of tax audits and the rigorous interpretation of tax legislation by the authorities remain constant.

2016 Predictions

Despite the uncertainty of when the oil price will recover, we feel that the desire to establish or build in-house tax functions will steadily grow for two reasons:

1) The need to have in-house tax staff with experience of designing & implementing processes, systems and tax technology as businesses prepare for legislative changes.

2) With an increasing tax profile, both internally and externally, businesses need to have a robust & centralized tax function to continue to effectively manage compliance, risk & business advisory obligations.

An interesting development that has bucked the trend can be seen with UAE headquartered companies, in particular, businesses with international activities that, driven by the changing landscape of tax, are looking to recruit an in-house tax resource for the first time.

There continues to be a large pool of candidates currently in the region and ready to relocate from both sides of the Hemisphere.

For further information on the Middle East recruitment market, please contact James Preselo on +44 207 432 4536 or james@bpasearch.co.uk

Tax is gaining more visibility.
LATIN AMERICA TAX MARKET

2015 Review

Our prediction of greater tax pressure and new regulations to increase collection proved to be correct.

We saw many companies investing in people, processes & technology to ensure that tax risks were minimised and that the quality of tax data being prepared by finance functions was dramatically improved.

The LATAM tax workforce continued to be as mobile as ever, with considerable tax recruitment activity in Brazil, Panama, Costa Rica & Mexico.

Much of the tax recruitment in 2015 was for senior, stand-alone Regional Tax Managers with proven experience in raising the profile of Tax, looking for ways to add value, identifying & minimising risks, recommending systems & process improvements & negotiating with the Tax Authorities across the Region. This recruitment was due to the growing importance of LATAM to many US & European parented companies, the demands of electronic filing, BEPS, the complexity & size of tax audits, PE issues plus new tax reforms in various countries.

For us, main industry sectors recruiting were FMCG, shipping & pharmaceutical sectors.

2016 Predictions

The impact of electronic invoicing and other on line financial information will continue to put a huge strain on Tax departments - leaving no room for error. New tax rules (for example in Chile, Colombia, Peru, Venezuela, Mexico & Ecuador) will put a greater focus on tax collection. Tax audits across LATAM will increase in numbers, size & complexity, which will increase the cost of using external advisors. We will see more challenges of information produced by companies.

A big question will be how Latin America´s Tax authorities will apply OECD recommendations locally.

A big question will be how Latin America´s Tax authorities will apply OECD recommendations locally.

The signs are that all this will result in continued tax recruitment activity in 2016 in the areas of indirect tax, TP, tax processes & tax risk management and regional international tax.

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Europe

- Key macroeconomic factors include the slowdown of Chinese growth, the on-going oil price war and the prospect of U.S. Federal Reserve increasing interest rates. All of which create new challenges and opportunities.

- Tax at Board Level: Increased scrutiny of the tax department by senior management.

- BEPS and increased demands on the Tax team: Businesses in Europe will face increased demand for tax professionals in 2016 as companies prepare for increased workloads from BEPS.

- Changing Business Structures and Technology: the modernization of tax department continues as people look to Centres of Excellence, Shared Service Centres and hubs, as a way of creating more efficiency. More jobs are being migrated to SSCs in Eastern Europe.

- Finding and retaining the best talent will be a key challenge for tax leaders in 2016.

Asia-Pacific

- Greater burden on tax departments in the form of increased requirements for transfer pricing and other documentation.

- MNC Tax Teams realigning, restructuring and recruiting to react to the changes in the demands put upon them.

- Increase in the number of indirect tax disputes across APAC.

- Increase in the need for transparency of information in APAC and developing countries, particularly as a result of Country-by-Country reporting.

Middle East

- Frequency of tax audits.

- MNC Tax Teams realigning, restructuring and recruiting to react to the changes in the demands put upon them and to prepare for legislative changes.

- Tax is gaining more visibility internally and externally, so businesses need to have a robust and centralized tax function to continue to effectively manage compliance, risk and business advisory obligations.

- Many companies recruiting an in-house tax resource for the first time.

Latin America

- Continued investment in people, processes and technology to ensure tax risks are minimized.

- Greater focus on tax collection.

- Increase in the number of tax audits across LATAM.

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