



Podcast transcript

Tax is changing. We're changing tax.

Podcast with Jane McCormick, Global Head of Tax, KPMG International

Musical intro

Announcer:

Hello and welcome to the new KPMG podcast series for tax leaders. Here we offer short, insightful episodes you can listen to on your way to work or wherever you enjoy your podcasts. This series will look at some of the most pressing issues and opportunities facing tax departments in the modern business world through interviews with leaders in tax and other areas in business from KPMG and beyond.

In today's episode, we talk to Jane McCormick, Global Head of Tax for KPMG International about what she sees as the most pressing trends for tax leaders and their departments today, which will nicely tee up our subsequent episodes that will unpack each of these areas in more detail.

Jane, thanks for taking the time to join us. You spend a great deal of your professional life traveling the globe and speaking on the subject of tax with corporate leaders, governments, parliamentary committees, and of course the general public.

So given these experiences, would you say that the role of tax has gained prominence in the corporate, social and governmental agenda?

Jane:

There's no doubt about it. Over the last 6-7 years tax has definitely gained a prominence that it didn't have before. For example, we have just done a survey of about 2000 chief executives of our clients around the world and 25 percent of them have reported that they're now taking responsibility for tax matters at the board level and that's a situation that I couldn't have envisaged a few years ago.

Announcer:

Okay, so what's changed, why do you think that is?

Jane:

I think there are a couple of reasons for that. I think first of all, taxes are changing we're seeing corporate income tax become less important and other forms of taxation becoming more important. On those forms of taxation, indirect taxation are

obviously more intrusive on the business than corporate income tax is.

And then of course there's the big topic of the public interest that there is in tax and the debate that goes on at a political and a societal level about the role of big corporations and the tax that they pay.

Announcer:

So, what do you think are the big trends that tax professionals need to be thinking about right now?

Jane:

Well, I think there are four big trends at the moment. The first is what you could loosely call Geopolitics. These are shifts in the role of our Global institutions and the move towards protectionism, for want of a better word. All of which is driving changes in tax policy. So we think about US tax reform, we think about BEPS, we think about the national tax reforms that are happening all around the world and the uncertainty that that creates.

That I think is being driven to some extent by the second big trend which is Digitization and there are two things about this. One is that on the one hand there is digitization of tax, so we're seeing tax authorities all around the world invest heavily in technology and digital solutions built to collecting tax and to assessing risk and finding underpaid tax. And that obviously creates a challenge for tax authorities to respond to that.

Announcer:

Are there any other consequences of this growth in digitization do you think?

Jane:

The other aspect of digitization is of course digitization of businesses and the change that that is creating in the business models of our clients, changes in existing business models and the emergence of new types of business, particularly platform businesses. So that then leads through in to the third big trend which is changing business models. And as those business models change, two things are happening.

First of all, businesses have to amend their tax strategy to deal with them but also what we're finding is the whole tax system is

being put under strain. Certain taxes really don't seem to be fit for purpose anymore, and as I say there is already a shift from one type of taxation to another type of taxation to deal with that. So that then of course feeds through to the fourth big trend which is changes in the operational structure of the tax functions themselves. And this is probably the biggest top of conversation within the tax profession at the moment. Heads of tax everywhere are trying to figure out what is the role of technology, how do we need to change, how do our personnel need to change, what is the operating structure that we need to adopt. So that is the biggest thing, tax being reimaged if you like. You know in the middle of all of that, a huge load of challenges for tax professionals.

Announcer:

So for all of our listeners, and I assume many of them are tax professionals, what does all this mean for the future? How do you think their role will change?

Jane:

There's a little bit of 'crystal-ball gazing'. You know, a lot of debate about what the role of technology is going to be and how that's going to change their jobs. But I guess, and I can see the more immediate future in the following way. I used to be asked what I did as a tax professional and people would ask me to explain what that meant and I used to say that I'm a strange sort of hybrid of a lawyer and an accountant. That used to be enough, to be a good tax professional. I think as things move on you need to have a bit of lawyer, you need to understand the law. You have to be a bit of an accountant, you have to understand the numbers. But crucially now, you have to be a technology professional, you really have to understand the technology. And given the heightened profile of risk that you have, you also have to be a communications professional.

Announcer:

Thank you Jane. Lot's for us to think about there and we really appreciate you taking the time to go through it with us. Join us next time for a more in-depth look at digitization in tax where we'll speak with Tim Gillis, Global Head of Tax Technology and Innovation at KPMG International. We all know digitization is a loaded phrase and it means many things to different people, but Tim has promised to unpack all of the nuances and help you articulate the differences to your business stakeholders. Let us know what you think about this episode or if you have any ideas for future episodes, please email us at tax@kpmg.com And remember, you can find our latest publications, articles and other material that address the issues discussed in this ongoing podcast series at kpmg.com/futureoftax Thanks for listening!

Musical exit

