



# Cain Dwyer - Global Specialist Tax Recruitment Tax-ology Newsletter

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Welcome to the second edition of **CAIN DWYER'S Tax-ology** global tax newsletter. We will continue to cover topical tax issues and provide insight into trends in taxation and tax resourcing on a quarterly basis.

Taxation continues its discourse, not only in the boardroom but it is increasingly present in the political, technological and mainstream media. In this edition of Tax-ology we explore some of these themes in more detail and in addition have insight and contributions from **sector and country leaders**, and a **former Cabinet** 

#### **Tax Disputes - Tax Risk**

The contentious tax market remains buoyant with various professional services firms building out their teams and reporting to Cain Dwyer that they have forecasts for double digit growth. Such forecasts are higher than that of traditional transaction tax departments. In the UK this trend is interesting, considering the UK tax authority HMRC's latest annual report (2016/2017) shows that they had an 83% success rate in taking cases through courts and tax tribunals.

Meanwhile in Luxembourg, Raymond Krawczykowski, Head of Tax, and M&A Tax Partner, at Deloitte, Luxembourg commented:

"In Luxembourg, the experience in terms of Tax Disputes has been historically fairly limited, mostly because of advance tax clearances which allowed taxpayers to have legal security on their operations beforehand. Given the proliferation of European anti-tax avoidance directives and growth of reporting requirements, more active protection of the taxpayers' right is developing rapidly in Luxembourg as well. The recent ECJ Berlioz case is just one evidence of this trend, which is here to stay."

### **Global Mobility - Expatriate Taxation**

Cain Dwyer have observed a spike in the number of Global Mobility, Expatriate Tax 'In-House' roles during 2017. Factors contributing to these developments have been:

Globalisation and the impact on large corporates (and their employees) but also smaller organisations (and disparate, disrupted employee locations) that are increasingly focused on international markets;

Technology and the evolving openness and flexible working practices of 'work from home' or 'work from another Continent practices'. Predictably, individuals and their personal income tax position, status means taxation and tax rules are playing catch-up on the 21st century workforce's nimble nature; and

Increasing fragmentation of the advisory sector is driving down advisory spend, in some areas. Particularly, non-Big Four players emerging from the legal sector, relocation services companies and boutique accountancy practices.

Within the Big Four firms' expatriate tax and mobility teams there has been a growing view that, at the junior end of the grades, there may be risk of over-supply. This is the inverse of the trend of the last decade, where the junior expatriate tax advisor was in short supply.

#### Financial Services Taxation – UK

Financial services taxation in the United Kingdom is being significantly affected by the UK Government's desire to be in the vanguard of ensuring big business pays its "fair share" of tax. The measures, such as the anti-hybrid rules, the corporate interest restriction (both responses to BEPS) and the controversial "diverted profits tax", impact both the financiers (whether traditional banks or alternative providers of funding) and their clients.

Chris Davies, Head of Tax at Clifford Chance, commented to Cain Dwyer:

"These changes are altering the way our financing and investor clients structure their own affairs but are also having a significant impact on how the businesses and structures they fund or invest in operate or are established – and there is no let up in the seemingly relentless desire to introduce significant new measures: for example, the UK has recently introduced a "corporate criminal offence" with extra territorial effect and has announced an aggressive new tax on royalty payments used by offshore companies indirectly to extract profits considered to be attributable to UK activities".

#### **Obscure, but interesting Tax Fact**

It pays to age!

In the state of New Mexico in the US, the quest in life for all tax aficionado's must be to live to the ripe old age of 100 years; New Mexico exempts the income of persons at least 100 years old from income tax.



#### **VAT, Indirect Tax Implementation – Middle East 'Pending'**

Anticipation continues with the Gulf Cooperation Council ('GCC') due to implement agreed regulations into local law and implement VAT from 1 January 2018. Some uncertainty surrounding the proposed go-live date remains, with as late as recent weeks, the Kingdom of Bahrain considering a further delay until 2019.

Richard Prebble, the former Leader of ACT New Zealand ('Association of Consumers & Taxpayers') and a former Cabinet Minister in the Fourth Labour Government in New Zealand, observed that the discussion at the time, 1986, at a Cabinet level leading to the implementation of a Goods & Services Tax (VAT equivalent) concerned exemptions amongst other issues. Richard commented to Cain Dwyer:

"There was significant opposition to GST tax. The government wanted to make GST as simple as possible, so we implemented one rate on every product including food and every service including rates. It is the easiest tax to administer and to pay. While the rate has increased the no exemptions structure has remained for 30 years through four governments and 13 elections. While no tax is popular there is wide spread support

GST".

The professional services firms across the region have been readying themselves by growing their teams' headcount at a rapid rate. Some commentators have suggested much of this recruitment may have been done on a 'fixed term contract' basis. Movement between the firms, at all levels, from seniors to partner's (both by way of internal secondment but equally by lateral moves) has made for a frenetic period not to this extent. in tax. in the Middle East previously. seen,

#### Tax Legal

A common theme of the last decade is 'a dearth of qualified mid-level corporate tax attorney's/lawyer's'. We are noticing a marked increase in the number of law firm tax departments jumping outside the typical 'conservative resourcing', with the following activity in recent months as a response to the supply conundrum:

A sprinkling of firms coming to market with 'locum/fixed term contract' roles as a solution to a continued illiquid candidate market. Cain Dwyer notes this is still relatively uncommon, but we may be seeing the green shoots of a new candidate 'mini-market';

Increasing numbers of hires into tax departments where the candidate experience has been gained in another country; and

The spike of tax lawyers moving into the Big Four in the period of 2013-2016 has slowed, with some law firms now rehiring Big Four firm tax lawyers into the legal profession again.

#### Asia - Salary Inflation

Legal Associate salaries in Hong Kong and Singapore continue to rise. There are several anecdotes of Wall Street firms offering salaries for NQ's and Junior Associates that would almost match that of a 1st year salaried Tax Partner in a Big



#### Future Taxation - Taxing 'robots'?!

To the casual observer Bill Gates' notion of levying a tax on the use of robots for industrial automation raised eyebrows. To the tax world it fuels thought as to what future taxation will cover. The concept is a contentious one though!

Arguments for a robot tax are economic and ethical in nature, and include:

Individuals are contributing an increased proportion of tax revenue, through taxes to their salaries and expenditure. A steady decrease in corporation tax revenues sees businesses contributing less through taxes on their profits. Once humans have been displaced from the workforce, the deficit in tax revenue will need to be made up;

Taxing robots may be useful in counteracting tax avoidance and evasion, thus bettering fairer taxation; and

A fund for training those displaced from their jobs by robots could be created using tax monies, and it has been argued that Governments will need more funding for welfare programs amid rising unemployment levels.



Ideas put forward so far include taxing the installation of a robot in a workplace, taxation of a notionally paid robot salary which would be deductible against corporation tax and a lump-sum rebate, dependent on how many jobs have been taken over by

South Korea are one of the first countries to make an apparent move towards implementing a robot tax. Historically, companies could deduct 3-7% of their total investment in automation equipment against their corporation tax. This has recently been reduced by up to 2%. Conversely, in 2016 EU lawmakers rejected a proposal to tax robot owners. They did, however, call for EU-wide legislation to regulate the rise of robots, including an ethical framework for their development and deployment.

#### **Featured Roles**

Below is a list of select roles that we are instructed on:

## \*Incentives and Executive Compensation In-House Lawyer (fixed-term contract)\*

Global Financial Services Institution, London

#### \*Financial Services Transfer Pricing Partner\*

Rare Financial Services Partner level role in Transfer Pricing, Asia

\*Corporate Tax Associate, 1 - 4 years PQE\*

US Law Firm, London

\*Transfer Pricing Director / Developed Market Director\*

Big Four Firm, Australia

\*Expatriate and Employment Tax Partner, Leadership Role\*

Big Four Firm, Asia

\*Tax Associate/ Attorney (classes of 2012-2014)\*

International Law Firm, New York

See our website, www.caindwyer.com/jobs, for full details of each role.

#### **Get in Touch**

If you are a client (or potential client) who wishes to have a conversation regarding your tax function and it's upcoming needs, drop us a line. We are happy to provide benchmarking advice to assist in thinking.

If you are an individual wanting career advice, an honest opinion and our take on the current tax market we would be happy to hear from you!

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