



# Voices on 2030

The future of tax



KPMG International

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# Voices on 2030: The future of tax

The 'Voices' in this report cover many facets of taxation and beyond — from tax leaders, policy makers and tax authorities to the tax leaders of leading international companies.

Together, they deliver a wealth of perception, forward thinking and expertise.

Many of the views expressed in this report may be aspirational and personal and may not necessarily represent those of the 'Voices' organizations or KPMG.



# Foreword

In the world today, and especially when it comes to tax, the blistering pace of change and extreme, unprecedented events make it seem impossible to predict what's around the next corner.

But in some respects, we can glimpse how global forces at work today — from the pandemic and inflation to the energy crisis and war — might be molding the tax landscape of tomorrow.

What will taxation look like in 2030? We asked 17 of the tax world's most inspirational and imaginative leaders for their unique views of what to expect in 2030 — and how we may reach that point.

Their ideas differ in interesting ways, but on some things, they agree. Above all, they expect more focus on tax transparency and responsibility on the part of international companies, and more attention to tax morality on the part of governments.

In fact, many of our voices agree that one of the pandemic's biggest legacies will likely be a deepening public interest in whether companies and wealthy individuals are paying enough tax and whether governments are spending those revenues wisely.

Many of our Voices also spoke to the importance of tax policy in creating a more sustainable, inclusive world. Whether the goal is to arrest climate change, meet the United Nations Sustainable Development Goals or

kickstart the circular economy, many of our Voices say that a mix of tax levies and incentives are needed to spur broad behavioral change.

The impact of today's digital transformations is a third area where our Voices are in synch. In 2030, we all hope to reap the potential benefits of the technological revolution that is now well underway. Automation, data analytics, artificial intelligence and other advances not yet known are set to irrevocably alter relations and transactions among governments, businesses and citizens.

Of course, not every prediction in this research will come true — and you will have your own views about where we are headed. But that's the point: our aim with *Voices on 2030: The future of tax* is to stimulate debate — to shed some light on the future without pretending to have all the answers.

So, buckle up! From what our Voices foresee, we're in for an interesting ride. We look forward to continuing the conversation with you as the future of tax unfolds.



## David Linke

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## Grant Wardell-Johnson

Global Tax Policy Leader and  
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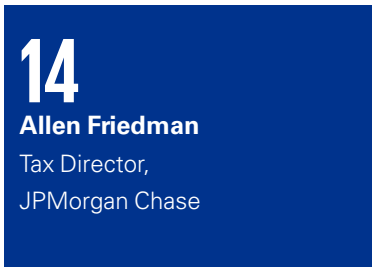
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Head of Group Tax,  
AIA Group



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Global Group Head of Tax,  
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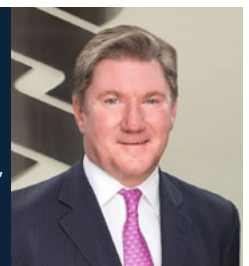
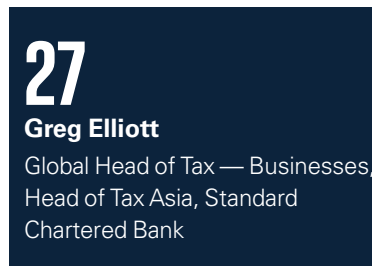
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# Predictions summary

## The citizen of 2030



Governments have stepped up direct support for their citizens' health and wellness.



Tax policies incent the private sector to fill gaps where education, training and other government services are lacking.



Businesses are bolder in holding governments to account as equal partners in the social contract.



Tax administrations have morphed into mega-agencies in charge of all financial dealings between governments and their citizens.



Citizens find their taxes easier to manage as tax authorities use data to help them avoid mistakes and get compliance right.

## Globalization and geopolitics



Geopolitics have shifted from "wars of maneuver" to "wars of position", requiring more transparency, collaboration and diversity of ideas on all sides.



Governments have recovered their ability to tax large multinationals, largely because of breakthroughs in tax co-operation facilitated by the OECD.



Aggressive tax planning and double non-taxation are things of the past.



As the complex rules under BEPS 2.0 are put in place, tax certainty is more important than ever.



Developing countries are relying more on tax policy to help restructure their economies, mobilize domestic resources and improve the management of public funds.

## Data and transparency



More stakeholders recognize that transparency makes people more accountable and that data drives behavior.



Collaboration among tax authorities continues to bring more transparency and consistency to income and indirect tax rules.



Corporate income tax systems have moved toward a globally common, data-driven approach.



Data and analytics have vastly increased tax authorities' powers to enforce compliance and raise collections.



Good governance is needed to ensure tax authorities use these powers as intended.



# Predictions summary

## Promoting innovation



Innovations in telecommunications, fintech and other technologies are accelerating economic development in emerging markets.



Luxury taxes on smartphones and other tax deterrents to connectivity have disappeared, making mobile technology affordable for people of all income levels.



Innovations in fintech are creating more financial inclusion and supporting entrepreneurial growth.



Governments recognize the importance of patient capital investments for sustainable long-term growth.



Developing countries are enriching their tax incentives for innovation, research and skilled employment, and becoming innovation exporters themselves.

## Building a sustainable world



ESG and return on investment considerations have aligned so that ESG programs usually produce better returns.



The end of tax competition has shifted corporate tax planning toward accessing incentives.



Hybrid carrot and stick approaches to tax have proven the best way to get companies to change the way they do business.



Every nation has developed an integrated road map to establish a sustainable, circular economy.



Safer, more inclusive economies have resulted, with greater wealth and well-being for all.



# Predictions for 2030

The tax landscape is changing at a faster pace than ever before — but what does that transformation mean for the future? To consider the potential answers to that question, KPMG asked tax leaders, policymakers and tax authorities from around the world to give us their views of what tax may look like in 2030.

The Voices in this report represent many facets of taxation, from global tax policymakers and revenue authorities to the tax leaders of international companies and investors in a range of industries. Their combined vision of the future provides fascinating insights into where we may be headed.

Their predictions<sup>1</sup> on tax span five areas where they — and KPMG — expect change could be most profound:

**The 2030  
citizen**

**Globalization  
and  
geopolitics**

**Data and  
transparency**

**Promoting  
innovation**

**Building a  
sustainable  
world**



<sup>1</sup> By their nature as predictions, they are not intended to provide any guarantees to future outcomes.



# The 2030 citizen



Governments have stepped up direct support for their citizens' health and wellness.



Tax administrations have morphed into mega-agencies in charge of all financial dealings between governments and their citizens.



Tax policies incent the private sector to fill gaps where education, training and other government services are lacking.



Citizens find their taxes easier to manage as tax authorities use data to help them avoid mistakes and get compliance right.



Businesses are bolder in holding governments to account as equal partners in the social contract.

Citizens of 2030 are much more aware of the importance of tax than people of earlier eras. The tax transparency movement that began in the 2010s fed a growing appetite for tax fairness and transparency. Then pandemic-related emergency spending and the ensuing financial toll in the 2020s highlighted the importance of governments' fiscal responsibility and prudence.

Popular attitudes now hold that corporations have obligations beyond their bottom lines to make positive contributions to the communities they operate in. Citizens of 2030 benefit from the way this shift has drawn more focus to the social contract between business and government.

By emphasizing a company's license to operate, governments have set new expectations for businesses to step in where public services were inadequate. For example, as the pandemic made work-from-anywhere practices routine and the global war for talent intensified, many fiscally challenged governments have put societal pressure on businesses to do more to support education and training

with sponsorships, bursaries and other subsidies for learning.

As businesses accepted their side of the social bargain, they also became more forceful in making sure governments fulfill their side of the bargain. As a result, citizens benefit from the more active interest and involvement of businesses in making tax policies that work.

Businesses are more vocal in ensuring governments spend taxes wisely, demonstrate clear policy outcomes, and set a stable playing field for economic activity and inclusive growth.

In the wake of COVID-19, improved health and wellness has become one of the social contract's top priority outcomes. Governments and companies now prize the role of health and wellness in creating prosperous economies and share responsibility for promoting it across their populations.

Many governments foster business support for innovation around health and wellness, for example, with tax concessions or grants for research and experimentation in areas ranging from pharmaceutical

development to financial services to health care.

Meanwhile, citizens find it much easier to deal with their taxes than it used to be. Advances in artificial intelligence and data analytics are allowing tax authorities' systems to prepare most straightforward income tax returns automatically, with taxpayers simply obliged to review and approve them.

As technology allows compliance to happen in real time, tax authorities no longer focus on verifying tax filings after the fact. They are now more involved in proactively helping taxpayers avoid mistakes and get tax compliance right the first time.

Many governments have streamlined their tax, benefit and other services within a single organization. This means the citizens of 2030 have a one-stop shop to access all tax compliance and social welfare programs. It also gives governments new powers to integrate tax and welfare data for policy development, so their citizens enjoy better-designed programs and services. ■





# “ Health and wellness are top priorities for governments and business post COVID-19”

**Richard Sumner**

**Head of Group Tax,  
AIA Group**

One of the biggest impacts of the pandemic that started in 2020 was the light it shed on the importance of health and wellness — for workers, businesses and society overall. The stresses of lockdowns, remote working and uncertainty really brought home the need to foster mental health in particular.

Now in 2030, it is pleasing to see that governments have significantly stepped up the direct support they devote to their citizens' welfare. They're also using tax policies to spur the private sector to play a larger role in society. This, along with the rise of environmental, social and governance thinking, has led many companies to further embrace policies and procedures aimed at improving the well-being of their employees, customers and communities.

Health and wellness is now a top priority across the corporate world. This is true not only in the workplace but also in the products and services

on offer, including by companies in the insurance sector.

Even before the pandemic, people in developed countries could generally count on their governments, at least in part, to support their health and welfare through a health crisis and into old age. But in developing countries, the pandemic saw governments work more closely with the private sector to fill gaps where government services did not provide full coverage. This co-operation has continued such that, for example, in many countries companies can now get tax incentives for offering long-term insurance products or tax-preferred retirement plans where the jurisdiction does not subsidize them directly. The help provided to companies through the tax system has allowed them to more thoughtfully and proactively provide the support and protection that people are demanding in a post-COVID world.

In addition, there has been a lot more focus on the personal tax system since COVID, as a means of encouraging people to provide for themselves, on top of the assistance provided by governments. The pandemic was certainly a catalyst for developing countries to prioritize tax support for long-term health outcomes, to the extent that we see today.

Perhaps less obvious over the post-COVID period, has been the role of government support for innovation around health and wellness. Over the last decade, for example, governments have increasingly offered grants or tax concessions to promote initiatives such as sandboxes and talent hubs, dedicated to research and experimentation in areas ranging from pharmaceutical development to financial services to health care. These tax incentives have been extremely successful.



Discoveries arising from these initiatives are completely revolutionizing businesses and delivery models. In health care, for example, these efforts, and the impact of the pandemic, have been hugely important in establishing telemedicine as a highly efficient, effective and patient-friendly delivery model.

For the insurance industry, the past decade has seen a dramatic shift away from a pure premium collection and claims payment model. Now, insurers are a core part of the team that supports citizens in their health and wellness journeys. Together with doctors, pharmacists and hospitals, insurance companies are designing products and services that foster behaviors to help people live healthier, longer, better lives. Rather than a series of transactions, insurance is now an end-to-end partnership, with the customer's health and wellness where it belongs — at the very center.

As a result of these changes, which build on an emerging pre-COVID trend, insurers are now able to dynamically price their products in a way that rewards better lifestyle choices and to use technology to deliver an easier, more personalized end-to-end experience.

Reflecting an increased recognition of the importance of mental health and well-being within society, which was an important legacy of the COVID pandemic, we have seen new policies being applied within companies that recognize mental health priorities. These are increasingly funded through the tax system or through direct financial support from governments. Businesses more than ever appreciate the value of mentally healthy workforces, while the pandemic made many employees more aware of their own preferences and needs in order to achieve mental well-being.

One outcome of these changes is that today's workers enjoy much more flexibility to find the work-life balance they need. Many years ago, for example, it could be detrimental to an employee's career to take an extended break or work part time. Over the past decade however, many companies have seen the benefits of allowing employees to enjoy a sabbatical or shorter working week. As we have seen, some jurisdictions have offered tax breaks or grants to companies to allow them to support such policies.

It would perhaps be fair to say that one of the pandemic's biggest legacies has been a new alignment between government and businesses where health and wellness is concerned. This has led to a new era where governments and companies prize the role of health and wellness in creating prosperous economies and share the responsibility for promoting it across their populations.



**Richard Sumner leads the AIA Group's tax function and manages the group's overall tax affairs. He also advises AIA's Business Units in 18 markets across the Asia-Pacific region on a range of tax issues.**

**Before joining AIA in 2013, Richard worked as a tax consultant in London, Sydney and Hong Kong, providing advice to many leading groups in the global insurance, banking and asset management industries, and as a senior policy advisor on insurance and international taxation at HM Treasury in the UK.**





# “Using tax to bridge the have/have-not gap”

**Nazrien Kader**

**Global Group Head of Tax,  
Old Mutual Limited Group**

**How do the citizens of 2030 view the role of the state, and especially the tax system, in creating a positive future for their families, their communities and broader society? How have those views evolved over the last decade?**

Ten or so years ago, the COVID-19 pandemic underscored for all of us how increasingly complex and fragile the world had become.

The state's role in protecting and improving the lives of its citizens took on unprecedented urgency in the context of the wider social development agenda. But contrary to popular belief, the gap between haves and have-nots grew even wider in developing countries.

In South Africa, for example, we still have a dual economy and one of the highest rates of inequality in the world. This situation persists because of our legacy of exclusion and the nature of economic growth. The government has been criticized for setting fiscal policy that is not pro-poor and fails to generate enough opportunities for employment.

Now South African citizens are demanding that the state deliver

on promises for basic human rights like quality education, health care, food and water. At the same time, government debt levels have reached unprecedented heights, keeping the focus on tax collections as the primary source of government revenue.

**What sorts of tax levers could governments pull to address inequality issues and improve social development?**

Countries like India and China tend to use incentives to promote better income equality, while in the African tax context, governments have tended to rely more on sticks than on carrots.

In South Africa, unemployment levels remain among the world's highest while our productivity ranks among the lowest. One of the biggest reasons for this is a mismatch between skills and opportunity for employment. Unskilled workers are abundant, but skilled workers are in short supply. Government policy has been consistently against the use of tax incentives to influence behavior. Instead, fines or penalties are imposed for failing to meet equity and diversity targets. The little tax support that is available to build skills

and subsidize youth employment is not nearly enough to make an impact.

This situation worsened in the years after the onset of COVID-19. As work-from-anywhere practices became routine and the global war for talent intensified, African jurisdictions suffered a significant drain of highly skilled workers from which they are now struggling to recover.

**It seems like the tax incentives that the government has been avoiding might go a long way toward educating and upskilling South Africa's workforce.**

Exactly, and this is why in 2030, businesses are increasingly filling that gap with sponsorships, bursaries and other ways to subsidize skills development. In a way, the South African government created expectations that businesses have a bigger role to play as part of their social contract with citizens. By emphasizing the importance of this social contract, South Africa has put societal pressure on businesses to do more to support growth, not just for the company but also for the broader economy.



### **If South Africa were to use tax incentives to stop the brain drain and foster talent, how could they be deployed for the greatest benefit?**

Tax incentives could play a much greater role but only if the focus is squarely on small and medium enterprise. Other economies of the world have proven that encouraging small and medium enterprises through tax incentives can stem the exodus of skilled talent and increase employment.

In addition to setting a legislative and regulatory framework that is conducive to smaller business growth, governments could also support the entrepreneurial sector by cutting out the phenomenal amount of red tape that smaller businesses need to deal with, especially at start-up.

If governments expect businesses to lead the way in building more inclusive economies as part of the social contract, governments need to accept their own obligations to businesses to maintain fair and effective tax systems. As we all know, a strong tax base helps create the conditions needed for investments in critical infrastructures, services and sustainable growth.

### **We've discussed how tax can help bridge the gap between the haves and have-nots nationally, and in South Africa in particular. What efforts are being made globally in 2030 to address tax fairness between developed and developing nations?**

By 2030, the international tax principles forged through the OECD's base erosion and profit shifting project have gone a long way toward preventing multinational companies from artificially shifting profits to low or no-tax jurisdictions. Increased tax transparency and ongoing media attention are driving greater accountability around moral considerations amid general distrust of large corporations and wariness of foreign investors.

The new international tax landscape is fundamentally driving how business is conducted and what information businesses disclose. Many of them take increasing pride in demonstrating that they are fairly paying their taxes due.

### **How is this shift changing the way large corporations interact with governments and citizens?**

By 2030, businesses are starting to become bolder and more confident in holding governments to account.

As equal partners in the social contract, businesses are demanding more information about how governments are using tax revenues and whether they are being effectively channeled toward the social agenda of education, health care, and social and community development.

Businesses are also more vocal about the need for certainty in tax policy and regulation, and for clarity around the administration of taxes. Relationships with tax authorities are evolving beyond the co-operative compliance models of the past. We're now starting to see businesses and governments work together proactively to ensure that tax policy is fair and effective, and that business challenges are understood.

This is how the grand bargain between business, governments and society is playing out. Businesses are rightfully being challenged to engage with communities and earn the respect of citizens. At the same time, businesses are also warming to their new role — ensuring governments spend taxes wisely, demonstrate clear policy outcomes, and set a stable playing field for economic activity and inclusive growth.



**Nazrien Kader, a chartered accountant, joined the Old Mutual Group in September 2019 as Global Head of Tax. She also serves as non-executive director on the boards of certain subsidiaries in the Old Mutual Group.**

**Nazrien was previously managing partner for the Africa Tax & Legal business of a global professional services firm representing 15 Anglophone countries. She also served on the firm's Africa Executive Committee and European, Middle Eastern and Africa Tax & Legal Executive Committee, where she was responsible for the strategic direction, operational and financial execution, and overall leadership of the Africa Tax & Legal Executive.**





# “Focus on ‘fair share’ distorts tax policies”

**Allen Friedman**

**Chief Tax Officer,  
JPMorgan Chase**

## In 2030, how has the average citizen’s attitude toward tax changed compared to previous decades?

Historically, people have tended to think about taxes from two perspectives. From one perspective, taxes are ‘the price of civilization,’ what people need to pay for government services. From that perspective taxes are a necessary evil that should be levied in ways that cause the least harm to economic activity. From another perspective, taxes are a social obligation :how everyone — especially wealthy individuals and global corporations — contributes their fair share.

Over the last decade, the latter view has come to the fore for a several reasons. These include rising income inequality; the perception that tax rules are manipulated by large companies and billionaires, and, more recently, the wildy uneven impacts of inflation for people at different income levels.

This rising emphasis on paying a ‘fair share,’ rather that what the government reasonably needs to fund programs, has led to tax

policies that looked good on paper but can lead to significant economic distortions in practice.

Consider the proposal in 2022 to increase excise tax on stock repurchases from 1 to 5 percent. After much discussion, it was concluded that this tax would not raise all that much revenue. It would simply cause people to stop stock repurchases. As a tax policy, the proposals were designed primarily as a corrective to make rich corporations pay their fair share. Raising revenue to fund public sector programs was beside the point.

The same is true with wealth taxes. During and after the pandemic, many governments debated imposing taxes on wealth as a way to restore their finances. But feeding these debates was a feeling among ordinary citizens there is something unseemly about enormous wealth, and that those who have it should be made to pay.

It’s questionable how much revenue a wealth tax would actually raise. In fact, studies have shown these taxes are more likely to produce negative economic effects in the

long term.<sup>1</sup> Fortunately, cooler heads prevailed, and wealth taxes have no part in the majority of modern tax systems.

**Instead of taxes, some governments take action on the tax spending side to achieve their goals. For example, the US Inflation Reduction Act (IRA) of 2022 delivered billions of dollars in tax incentives for climate efforts to reduce carbon emissions in the country. Are incentives like these more effective than tax charges for motivating behavior?**

Not necessarily. A lot of people criticized the IRAs tax incentives as being too focused on improving the environment through industrial policy rather than relying on market forces to do their work. Anytime you introduce social or environmental goals to tax policy, you depart from the tax system’s central goal of raising revenue for public ends, and distortions will likely ensue.

It’s easy for governments to get incentives wrong. Poorly designed incentives could fail to encourage the right behavior, encourage unexpected

<sup>1</sup> <https://taxfoundation.org/wealth-taxes-in-the-oecd/> “What the U.S. Can Learn from the Adoption (and Repeal) of Wealth Taxes in the OECD, Daniel Bunn, Tax Foundation, 18 January 2022.



behavior, or they could simply reward people for doing things they would have done anyway.

Instead of tax incentives, many people believe the US would have done better to impose a carbon tax. As with any other sin tax, the intent would be to both curb harmful activity by making sure those who engage in the behavior pay for it, and to raise the revenue needed to repair the damage. Once the free market understands the costs of emitting carbon and other harmful behaviors, players will react to reduce their costs accordingly. Although carbon taxes certainly have the potential to be regressive, features could have been built in to mitigate any disproportionate impacts on lower-income citizens.

**The idea that large corporations weren't paying their fair share was behind a lot of the work led by the Organisation for Economic Co-operation and Development in the 2010s and**

### **2020s in its efforts to address base erosion and profit sharing. By 2030, how has the OECD's agenda progressed?**

A decade ago, the global tax community was at a crossroads in its attempts to make big, mainly US, corporations both pay their fair share globally and pay it to the 'right' country. As the Inclusive Framework members debated the two-pillar approach to taxing global economic activity, many people thought the exercise was bound to fail.

The different components of Pillar Two global minimum tax calculations were so complex that people feared the international tax system would be untenable. There were perceptions that US companies were being unfairly targeted and that the US would be ceding too much tax jurisdiction over US companies and their profits. Many predicted that the process would be derailed, resulting in competing blocs, conflicting

anti-avoidance regimes and the increasing use of tax policy as an instrument of trade warfare.

As it happens, things didn't play out as badly as many had expected. The US finally got on board, if kicking and ad full stop end of screaming. The international tax rules, while far from perfect, have to a remarkable degree, coalesced around new norms, and after a significant initial compliance burden, the Pillar Two regime has turned into a business as usual (BAU) process that companies can live with.



**Allen Friedman is a Tax Director at JPMorgan Chase since 2015. He joined JPMorgan Chase in 1989 as a member of the Tax Advisory Group (part of the investment bank) and moved to the Tax department in 1998. Prior to joining JPMorgan Chase, Allen was a tax lawyer with Cravath, Swaine, & Moore (1984-1989) and a law clerk for Chief Judge Jack Weinstein of the Eastern District of New York (1983-1984).**

**Allen received a B.A. from Yeshiva University in 1979, a J.D. from Columbia Law School in 1983, and an LL.M. in Taxation from New York University in 1989.**





# “Tax authorities are economic lynchpins between governments and citizens”

**Jeremy Hirschhorn**

**Second Commissioner, Client Engagement, Australian Tax Office**

## Tax authorities in 2030 look very different than they did even 10 short years ago.

Since that time, the COVID-19 pandemic, advancing technologies and other forces have combined to accelerate an evolution — from single-purpose tax collectors into mega-agencies responsible for all financial transfers between many governments and their citizens. The results are stronger relationships between citizens and governments, better integration of tax and fiscal policy, and in many jurisdictions, more real-time, responsive and higher-performing tax and transfer systems.

In one of the biggest pandemic-driven surprises of the early 2020s, many tax authorities proved they could be just as good at distributing government funds as they were at collections. Faced with the need to deliver hastily designed financial relief packages amid sudden work-from-home challenges, many tax authorities rose to the occasion. Those tax authorities that got it right showed their governments just how powerful they could be at delivering transfers efficiently and effectively, and that both tax and transfers relied on very similar underlying data sets.

As these emergency subsidies offered lifelines to locked-down citizens and businesses, the situation changed perceptions of tax collectors and highlighted the connections between tax and spending policies. Many governments worked to form strong partnerships between their tax and transfer delivery arms, with some formally integrating their tax and transfer systems within one organization. This involved aligning functions and, perhaps more importantly, aligning underlying data requirements (e.g. running both systems off the same payroll data).

Now these integrated mega-agencies have become the chief financial conduit for all payments between governments and individuals and companies, essentially one-stop shops for access to all tax compliance and social welfare programs.

Of course, none of this would have been possible without the investments made by many governments in the 2010s and 2020s to digitalize their tax systems. Before then, most tax systems largely worked in retrospect, using quarterly or annual data to look

back and determine liability for tax. Transfer systems generally operated closer to real time, based on intervals as short as one week.

Meshing these two streams of data used to be difficult. But new technologies and the pandemic's urgency accelerated governments' ability to access and integrate this data, allowing for further integration of policy development, as well as service delivery.

From a policy perspective, this holistic approach to tax and welfare data has been hugely beneficial for jurisdictions in designing better integration between tax and transfer systems. A problem in many jurisdictions was that citizens on welfare had limited incentive to re-enter the workforce due to very high effective rates of taxation. As citizens' incomes rise or fall and as they move on and off welfare assistance, for example, this amalgamated data highlighted distortions in the system. It also revealed opportunities to remove impediments to labor force participation. As tax and transfer policies continue to evolve, they are increasingly shaped by what reliable data is available.





For many governments, this data-driven focus also transformed their approach to tax compliance. Now that tax authorities have ready access to real-time data on payroll, transactions, company accounts and third-party information, conventional, backward-looking audits are falling by the wayside. Today's tax authorities are more likely to spend time analyzing data to proactively help taxpayers avoid mistakes and get compliance right.

For example, revenue authorities are gaining access to data from stock exchanges on their shareholdings and cryptocurrency holdings. In the past, auditors would review any share sales and possibly related increases in cryptocurrency balances after the relevant return was filed. A sample of returns would be audited to determine if there might be an unreported capital gain.

Now, revenue authorities have most of this individual taxpayer data in real time — maybe not enough to compute the gain's amount but enough to know that a gain has likely occurred. Rather than waiting for a return to be lodged, revenue authorities can encourage compliance by simply reminding the taxpayer "in channel" about the share sale or cryptocurrency trade (i.e. while they are preparing their return), and about their potential obligation to report the related gain. Revenue authorities increasingly focus on helping their citizens get things right the first time, rather than correcting things after they've gone wrong.

Greater access to and transparency over tax data is also putting pressure on global tax issues such as transfer pricing — or more aptly, ensuring there is not transfer mispricing. While a multilateral consensus on international transfer pricing has been achieved in general, cash-strapped governments and citizens who feel they are overtaxed are much more sensitive to the corporate tax base and whether global companies are paying their share.

This focus has led many jurisdictions to identify features of their economies that may be particularly exposed to transfer pricing manipulation and act pragmatically to prevent it, rather than approaching the challenges through grand unifying theories of transfer pricing. As a result, many jurisdictions have adopted more prescriptive, unilateral rules and guidelines around key cross-border flows, for example, to set transfer price floors and/or ceilings, standards over arm's length prices for debt, and more formulaic rules for pricing commodity exports.

As a final point, tax authorities are also using data to look inward to measure their performance, demonstrate value and continuously improve. Tax authority metrics used in the past, such as additional taxes raised on audit, may have indicated short-term success and productive effort but did little to encourage or reward long-term system improvements. Now, most tax authorities are measured on how well they do at preventing

tax revenue losses, whether through error or evasion, and their effectiveness at influencing positive behavior. This flows into how tax authorities are funded, with prevention success counting as a return on investment.

Like many organizations today, the metrics that tax authorities now use aim to present a view of performance from end to end. This starts with examining how tax policy is designed and whether it is achieving its expected outcomes, following through to the filing, assessment and appeals, and then determining impacts on future compliance. These pipeline metrics avoid the perverse effects that could result from the siloed metrics of yesterday, for example, where an auditor could be rewarded for raising additional audit yield without linking that outcome to the rate of assessments vacated on appeal.

The pandemic underscored the importance of well-run tax and transfer administrations for many citizens. Many tax authorities continued to build on that trust in the ensuing years. By relying on the new capabilities that data and technology have created, tax authorities in 2030 enjoy a more connected, collaborative relationship with taxpayers and recipients of government benefits. Those same capabilities have also helped them become much more efficient, effective and proactive on their society's behalf.



**Jeremy Hirschhorn was formally appointed second commissioner in April 2020, having acted in the role since December 2018. He has overall responsibility for the ATO's Client Engagement Group, which fosters willing participation in Australia's tax and super systems through well-designed client experiences.**

**Jeremy has more than 25 years' experience across the public and private sector in managing complex tax matters. As deputy commissioner of Public Groups and International from April 2015, Jeremy was responsible for ensuring that the largest Australian and multinational companies meet their corporate tax obligations and providing the Australian community with confidence that these large companies were being held to account.**



# Globalization and geopolitics



Geopolitics have shifted from 'wars of maneuver' to 'wars of position,' requiring more transparency, collaboration and diversity of ideas on all sides.



As the complex rules under BEPS 2.0 are put in place, tax certainty is more important than ever.



Governments have recovered their ability to tax large multinationals, largely because of breakthroughs in tax co-operation facilitated by the OECD.



Developing countries are relying more on tax policy to help restructure their economies, mobilize domestic resources and improve the management of public funds.



Aggressive tax planning and double non-taxation are things of the past.

While there are forces at work leading to fragmentation in areas like trade, supply chains and energy security, globalization remains a success as far as international tax co-operation is concerned.

In the 2020s, a number of forces converged to move geopolitics from adversarial 'wars of maneuver' to 'wars of position' to win power by gaining influence. Success in the new arena requires the parties involved to be more transparent, collaborative and open to a diversity of ideas.

This innovative approach was key to the OECD's ability to forge breakthroughs in tax co-operation among over 135 countries. From automatic exchange of information to the multilateral instrument, common approach and, most importantly, the agreement on global tax regulation via Pillars One and Two, the OECD was able to get all parties to agree on minimum standards that each party must meet, while giving them room to tailor the rules for their own jurisdiction's needs.

By maintaining a forum that brings the world's tax administrations together regularly, the OECD

helps keep the playing field level and opens more tax certainty for today's international companies. The tax policy solutions being put in place now are vastly improved by the democratic consultation and engagement that goes into them.

As a result of this international co-operation, jurisdictions have largely recovered their ability to tax large multinationals. Aggressive tax planning and double non-taxation are things of the past, and there is a will to improve taxation on the part of taxpayers and tax administrations alike.

Of course, the global tax regime is still new, and lots of wrinkles still need to be ironed out. Unintended consequences abound, and so do cases of double taxation. Tax authorities and tax functions have their hands full with a new wave of tax disputes — but in a different environment than in the past. New, highly effective cross-border tax dispute mechanisms were agreed on as part of the OECD-driven package of tax proposals, and international tax disputes are now generally easier and faster to resolve.

Nevertheless, as governments and businesses work through the kinks, the current surge in tax uncertainty and tax disputes seems inevitable. A variety of measures, including co-operative compliance arrangements and mediation programs, were implemented to help businesses to understand and predict the tax effects of their international activity.

Meanwhile, developing countries such as Jamaica are taking new approaches to tax policy — using it to help restructure their economies by better mobilizing domestic resources and improving how they manage public funds. Since nations can no longer use headline tax rates to compete for foreign business and investment, tax incentives are playing a bigger role in location decisions. Many countries are also taking steps to eliminate impediments by consolidating and streamlining tax laws, getting rid of red tape, and improving interactions with the tax system in general. ■





# “Geopolitical fractures continue but globalization in tax is a big success”

## Pascal Saint-Amans

Former Director,  
Centre for Tax Policy and  
Administration, OECD

Pascal Saint-Amans joined the OECD in 2007, over 15 years ago. Grant Wardell-Johnston, KPMG International’s Global Tax Policy Leader, recently sat down with Pascal to hear his views on how international co-operation on tax policy has evolved since that time. Pascal’s vision is summarized below.

In this century’s first decade, many tax policy people like Pascal had a sense that things were broken. As globalization took hold, large multinationals were routinely escaping tax through aggressive planning, and the OECD had started tackling it, first by compiling a directory of harmful tax schemes.

As work continued to identify these plans, it became apparent that tax administrations needed to do more to curb base erosion and profit shifting in general. Governments needed to recover their ability to tax these taxpayers, and they largely succeeded because of innovations in tax co-operation facilitated by the OECD.

According to Pascal, the first big innovation was the exchange of tax information on request, followed by automatic tax information exchange.

While it seems obvious now, the idea that tax administrations would talk to each other — let alone share information — was a huge advance.

Work on the Action Plan on BEPS led to more breakthroughs in tax co-operation, from the multilateral instrument and the common approach to the hard-won agreement on global tax regulation via Pillars One and Two.

### Achieving multilateral agreement

Pascal explained that, traditionally, the OECD comes up with standards that are not legally binding. Instead, they’re morally binding on those who have agreed to them. This means new concepts being developed don’t need to have a strict legal basis; they need to reflect the political reality instead. If jurisdictions don’t do what they agreed to do, they run the risk of being blacklisted or other retaliation. And countries that want to move in a particular direction when it comes to tax need to do so according to OECD-agreed rules.

Pascal points to the multilateral convention on mutual assistance as an early example of this approach.

The treaty was originally between the Council of Europe and OECD countries only. To open it up to all countries, a protocol was created setting out the minimum standards on what needed to be done to amend the thousands of existing bilateral tax treaties. Rather than having countries renegotiate them one by one — which could have taken decades — the multilateral convention allowed for all treaties to be updated to integrate the minimal standards in one fell swoop.

According to Pascal, earlier attempts at international tax co-operation had failed due to a lack of inclusion. For example, when the OECD was about to publish its first blacklist of bank secrecy jurisdictions in 2009, it was recognized that the initiative would not succeed if only OECD members signed on. G20 countries beyond OECD’s members, like China, India, South Africa and Brazil, also needed to participate, and getting their support meant giving them an equal say in how to address tax havens.

Developing countries also stood to benefit from a new, more co-operative tax world, and their voices were clearly needed at the table.



Non-government organizations were advocating for an agenda in favor of developing countries, and inclusivity was an absolute necessity. To address global issues, you need a global body that will bring global solutions for all jurisdictions, even if some solutions need to be tailored for differences in the level of development among countries.

### **Sovereignty versus tax co-operation: the tax paradox**

Much of the OECD's success depended on efforts to nudge the various players to accept what Pascal calls the "tax paradox."

As he explains, a nation's sovereignty and its right to tax are at the heart of international tax debates. The tax paradox means that if you want to strengthen or protect your sovereignty, you have to give part of it. So if you want to be sovereign in a global globalized economy, you need to have co-operation and you therefore need to enter into binding legal instruments with other countries.

For example, tax administrations need to share information in exchange for a look at what's happening across the border. This

limits sovereignty to some extent because countries need to comply with the minimum standards governing the exchange. At the same time, however, the standards allow countries to implement their own rules, which is a way to exercise their sovereignty.

In other words, in a globalized economy that has no regulation, there's nothing to stop multinational companies from shifting profits offshore or high net worth individuals from moving their assets to bank secrecy jurisdictions. Tax revenue is lost, and the country's sovereignty is nominal.

But in today's regulated environment where countries co-operate and limit their sovereignty by committing to exchange information with other countries, sovereignty in fact ends up stronger.

### **A more congenial, co-operative international tax environment**

When asked how he would characterize the international tax environment now, compared to his early days at the OECD, Pascal thinks things are much more congenial and co-operative. While there are forces at work leading

to fragmentation in other areas, globalization has been a success as far as tax is concerned. Down-to-earth co-operation on tax matters continues as countries send their delegates to the OECD to exchange views, understand the issues and make the world a better place.

Aggressive tax planning and double non-taxation are things of the past. Now there's a will on both sides to improve taxation, with taxpayers asking for more certainty through clear rules, tax dispute settlement mechanisms that work and streamlined processes that direct the focus of tax authorities toward the right issues with the right taxpayers. The assurance compliance programs in place today are creating a much more positive environment for taxpayers and tax administrations alike.

In summary, Pascal says that the OECD's work to maintain a forum that brings the world's tax administrations together regularly helps keep the playing field level and opens more tax certainty for today's international companies.



**For the past 10 years, Pascal Saint-Amans played a key role in the OECD's international tax negotiations that have deeply changed the international tax framework to improve transparency, fairness and efficiency, and make it more inclusive.**

**As former director of the Centre for Tax Policy and Administration, he has set the strategic direction and led the OECD's work on tax treaties and transfer pricing, tax policy and statistics and tax administration, as well as domestic resource mobilization with the flagship initiative Tax Inspectors Without Borders. He has received numerous honors and awards, and he ranks regularly in the top 50 most influential people in global tax.**





# “Tax responsibility energizes tax-and-spend debates”

**Neal Lawson**

Author, *Jericho Chambers*

**In 2030, corporations have not just signed on to the tax responsibility agenda. Many of them are now leading the charge, seeing the importance of their tax contributions and holding governments to account for how and where those funds are spent. What caused this change?**

The change in attitudes toward tax — from business cost to social contribution — came about gradually, and at the same time as the adversarial conflicts that marked the geopolitical landscape of the 2010s and early 2020s gave way to the more nuanced ones of the recent past.

In the early decades of this century, geopolitical relations were essentially accomplished through what Italian philosopher Antonio Gramsci called “wars of maneuver,” in which power is sought through open struggles of force. This was true not only in battles for territory but also in efforts to harmonize regulation, including tax rules, and bring globalism into better order. Think back to the early debates over base erosion and profit shifting at the OECD, for example, which essentially saw each party standing

on their own mountaintop, shouting their views at each other.

But in the 2020s, a number of forces converged to move geopolitics toward what Gramsci termed “wars of position,” which are struggles to win power by gaining influence. Unlike the polarized postures of the past, success in this new arena requires the parties involved to be more transparent, collaborative and open to a diversity of ideas.

Internationally, the linear, command-and-control models that characterized global institutions like the World Bank, International Monetary Fund and the OECD began to break down. New, more complex entities started replacing them — some with more centralized power and others more dispersed — with unpredictable and somewhat messy results.

**What forces caused this shift in the geopolitical landscape in general, and in attitudes to tax in particular?**

While a lot of factors were at play, I think there were five key forces driving these changes over the past two decades globally — forces that I call the 5 Cs:

- 1. Cost-of-living crises:** The global economic crisis of 2008 and the abrupt inflationary spiral that began in 2022 were both eruptions of ongoing disputes about the distribution of resources and government overspending.
- 2. COVID-19:** The pandemic of the early 2020s and the extraordinary financial support delivered by governments transformed public expenditure policies and practices the world over.
- 3. Climate change:** Rising urgency about the pace of global warming and the need to mitigate it put environmental concerns at the center of government and business decision making.
- 4. Conflict:** From the Ukraine to Taiwan, the 2020s saw a new breed of conflict emerge, with global implications for security in terms of energy, food and supply chains.
- 5. Culture:** Advancing technology, social media and connectivity led to constantly shifting ground for users in terms of identity, privacy, autonomy and voice.



Put them together and these five forces rolled up into two even bigger Cs: **Cost** and **Confusion**.

The chaotic events of the past decade saw governments dole out enormous sums to support their citizens and businesses while devoting funds to important causes beyond their borders, such as vaccines, green projects and refugee programs. All of this activity underscored the impact of tax and spend policies, and the responsibility of governments and stakeholders to get the balance right.

### How did corporate attitudes toward tax evolve over the period?

Corporations increasingly saw their tax practices come under the microscope from the media and non-governmental organizations as governments adopted ever more rules requiring public tax disclosure. Companies were compelled

to adapt, especially those that came under pressure from retail consumers to develop a more transparent, ethical approach to tax.

Today companies recognize the importance of tax, not least for advancing the climate agenda, and many of them are now leading the charge. Companies are also taking more proactive interest in what governments are doing with their tax spend. For example, business leaders are increasingly advocating for more tax support to tackle climate change or to help citizens in economically precarious situations.

### So what does all this mean for tax policy in 2030, compared to the “shouting from the mountaintops” that went on in the past?

Not only is tax responsibility known to be crucial for economies and societies, businesses, governments and citizens also understand that

tax responsibility is shared. Today’s tax policies are created in a far more positive and open environment, with broader negotiation, participation and perspectives informing decisions about how taxes are raised and how government funds are spent.

While these issues remain contentious and complicated to navigate, the solutions being put in place now are vastly improved by the democratic consultation and engagement that goes into them.



Neal Lawson is a partner at the progressive communicators Jericho Chambers<sup>2</sup> where he works on the responsible tax project.<sup>3</sup> He is also executive director of the good society pressure group Compass<sup>4</sup> and was author of *All Consuming*<sup>5</sup> (Penguin, 2009) and co-editor of *The Progressive Century*<sup>6</sup> (Palgrave, 2001). He writes about politics, democracy and societal transformation on sites such as the *Guardian*<sup>7</sup>, *New Statesman*<sup>8</sup> and *Prospect* magazine.<sup>9</sup>

Neal was an advisor to former UK Prime Minister Gordon Brown and set up and ran a communications company.

<sup>2</sup> <http://www.jericho-chambers.com/>

<sup>3</sup> <https://jericho-chambers.com/tax/>

<sup>4</sup> <http://www.compassonline.org.uk/>

<sup>5</sup> <http://www.all-consuming.org.uk/>

<sup>6</sup> <https://www.amazon.co.uk/Progressive-Century-Future-Centre-Left-Britain/dp/0333949625>

<sup>7</sup> <http://www.theguardian.com/profile/neallawson>

<sup>8</sup> <https://www.newstatesman.com/author/neal-lawson/page/4>

<sup>9</sup> <https://www.prospectmagazine.co.uk/author/neal-lawson>





# “Tax authorities up their game with focus on tax certainty and dispute prevention”

**Marlene Nembhard Parker**

**Deputy Commissioner General,  
Legal Support Division,  
Tax Administration Jamaica**

**As a highly respected tax professional who has worked in various roles with Tax Administration Jamaica since 2000, what have been the biggest changes to Jamaica’s tax authority during this time?**

Now it’s been more than two decades since Jamaica joined the OECD’s Global Forum on Transparency and Exchange of Information and entered the discussion of international tax policy debate and development. Since then, we’ve seen the country steadily modernize and aligned its tax administration in step with the global tax community.

Today, Tax Authority Jamaica has become a world-class tax administration focused on helping taxpayers comply and creating the right conditions for a vibrant economy — with equal measures of tax certainty and tax morale.

**What drove this transformation?**

The changing approach to tax was part of the country’s broader move to restructure its economy, by better mobilizing domestic resources and improving the management of public funds. Jamaica’s economy became increasingly globalized, enabled by signing a number of international tax and trade agreements and significantly expanding its network of bilateral treaties. Jamaica also helped create the United Nation’s Vision 2030 and integrated its framework into its own national development plans. The COVID-19 pandemic and the perennial threat of climate change, has resulted in sustainability being at the heart of government policy making and taxation and is pivotal to financing sustainable policies.

Where tax policy was concerned, realizing the UN’s Vision 2030 meant changing the focus of the tax system away from distribution and redistribution of wealth and toward development. In Jamaica,

which used to be highly dependent on tourism and agriculture, this entailed using tax policies to diversify the economy and promote development.

Because the country’s economy is relatively small, much of this development has depended on partnerships with the private sector. Jamaica’s tax authorities have therefore had to work hard to gain enough trust and transparency to spur private companies to operate both in their own interests and in public interest more broadly.

To this end, the past decade saw a lot of effort made on consolidating and streamlining Jamaica’s tax laws, by getting rid of red tape and improving interactions with the tax system in general. A system of regular tax law review was legislated to ensure the tax system remains efficient and responsive to change in the domestic and international space. Significant investments were made in updating technology to improve the quality of services we deliver to taxpayers. Unlike the



adversarial relationships of the past, Tax Administration Jamaica is now seen as a collaborative, supportive partner in the eyes of investors, businesses, development agencies and other stakeholders.

### **Jamaica has been front and center as a member of the OECD's Inclusive Framework. How is Tax Authority Jamaica approaching the implementation of the international tax rules that were developed as part of BEPS 2.0?**

While the BEPS initiatives started out without the input of developing countries, Jamaica has participated in the process and supported the call by developing countries for greater inclusivity and a fairer tax system.

In 2030, Jamaica has embraced aspects of the Pillar 2 solution that introduced a global minimum tax for multinational corporations. Jamaica also introduced legislation to implement a stronger anti-avoidance regime to stem the profit shifting and erosion of our tax base that was depriving our country of the ability to provide our citizens with the quality of goods and services they deserve.

Through ongoing participation in the Inclusive Framework, developing countries have a stronger voice and greater influence on the global tax landscape together. Tax Administration Jamaica and its peers continue to expand our capacity and expertise, and this has given us more say to influence decisions under debate so they reflect our best interests.

### **Given the quickly changing tax landscape and complex new obligations, how is trust in the tax system being maintained?**

Tax Administration Jamaica recognized that tax certainty was key to successfully implementing the new international tax regime.

Today's businesses need to clearly understand and predict the tax effects of their international activity.

We also see tax morale on the part of governments as equally important. To build trust in tax systems, governments need to carry out their collection and enforcement work fairly and efficiently. They also have to be transparent and responsible in how they use those revenues.

Taxpayers need to recognize their role and contribution to national development, including their civic duty to meet their tax obligations. Businesses must embrace the tenets of responsible tax governance and recognize that they share in responsibility for sustainable development. Civil society must contribute by advocating to hold governments and businesses to account for their respective responsibilities.

### **What is being done to provide more tax certainty?**

Tax Administration Jamaica and other tax authorities have put in place a variety of measures to give taxpayers more clarity and confidence over their tax positions. Among other measures, Tax Administration Jamaica set up a new division dedicated to tax dispute resolution domestically and internationally in early 2020.

Now that this division is well established, the number of objections has decreased, disputes are dealt with in a timely and efficient manner, expertise in handling mutual agreement procedures cases has improved, and dispute prevention mechanisms such as advance rulings are considered where appropriate.

At the international level, a number of mechanisms were developed for resolving double tax disputes

through the OECD's Action Plan on BEPS. The standards set for reaching resolutions and follow-up monitoring are helping to hold companies to account for the speed and efficiency of their dispute resolution processes.

### **As Jamaica continues by expanding its cross-border relationships and attracting direct foreign investment, the potential for cross-border tax disputes continues to rise. How is Tax Administration Jamaica managing the increase in tax controversy?**

It's certainly true that the complexity of the new international tax regime has challenged Tax Administration Jamaica's ability to administer them efficiently. The tax authority has therefore devoted significant efforts to providing more certainty and mitigating the number of disputes by:

- putting more robust dispute prevention mechanisms in place
- developing clearer tax legislation and better guidance on its application
- making extensive use of advance tax rulings
- ensuring both the tax administration and the courts have the technical expertise and resources they need to understand complicated multinational business structures and transactions.

In short, the focus is on delivering more tax certainty in a co-operative spirit. Taxpayers appreciate guidance that helps them understand tax legislation so they don't misstep. The tax authority is better equipped to develop that guidance, along with the knowledge needed to avoid disputes arising from misinterpreted or wrongly applied rules.





**While these changes are no doubt welcome for businesses, how are they affecting Jamaican citizens?**

Individuals are also benefiting from the new focus on improving the quality of their experience with the tax system — with better guidance, easier interactions and more co-operation — and technology is enabling many of these enhancements.

For example, Jamaica’s unique identification system for registering taxpayers was expanded into a comprehensive national identification system that provides Jamaicans with a single gateway to all government services — from tax payments and refunds to social security benefits to work permits and visas. Now Tax Administration Jamaica plays an integral role in the national identification system’s administration and collaborates

closely with the National Identification Registration Authority.

Over time, technology has allowed the government to bring more services under one umbrella, accessible online anywhere and anytime through a single identifier. By improving how government services are delivered to and experienced by citizens, Jamaica has inspired even greater trust in its tax system and its government overall.



**Marlene Nembhard Parker is deputy commissioner of legal with Tax Administration Jamaica. She previously served as the organization’s chief tax counsel of Legislation, Treaties and International Tax Matters, as well as director of legislation and treaty services, senior legal officer and legal officer.**

**Marlene currently co-chairs the OECD/G20 Inclusive Framework on BEPS and the Steering Group of the Inclusive Framework. She also co-chairs the OECD Committee on Fiscal Affairs Advisory Group for Global Dialogue on Tax Matters. She is a member of the United Nations Committee of Experts on International Cooperation in Tax Matters.**



# Data and transparency



More stakeholders recognize that transparency makes people more accountable and that data drives behavior.



Data and analytics have vastly increased tax authorities' powers to enforce compliance and raise collections.



Collaboration among tax authorities has brought more transparency and consistency to income and indirect tax rules.



Good governance is needed to ensure tax authorities use these powers as intended.



Corporate income tax systems have moved toward a globally common, data-driven approach.

The past 20 years saw a sea change in social attitudes toward corporate responsibility and tax responsibility alike. As non-governmental organizations, the media and activist investors increasingly called out corporate misbehavior, the amount of tax that companies paid, and where they paid it, drew more and more attention. The risk to corporate reputations mounted, especially as many jurisdictions made country-by-country tax reports public and other tax transparency measures came onstream.

Today stakeholders of international companies inside and outside acknowledge that corporations have obligations beyond their bottom lines to make positive contributions to the communities they operate in. They also recognize that transparency makes people more accountable and that data drives behavior. Now, environmental, social and governance priorities are embedded in organizational cultures. Corporate tax strategies are geared toward paying a fair share of tax, giving back and doing the right thing when it comes to tax incentives.

Tax compliance used to consume huge amounts of time and resources, and the risks of errors and omissions were hard to control. Now international tax rules are converging around common data sets for both income and indirect taxes, and data-driven tax compliance management systems are widespread. Tax teams can download tax-sensitized data from their general ledger into completed tax returns within seconds. This means tax teams spend only minimal amounts of time on routine compliance and more time supporting the business.

Tax audits have been changed by technology as well. Today's tax authorities have gotten very good at risk-assessing taxpayers by analyzing the reams of data they gain from sources like automated tax filings, country-by-country reports and benchmarking information. They apply analytics to target their attention and develop specific issues. Instead of a flurry of queries, tax auditors are more likely to ask focused questions on

potential problems that they have detected in the data.

These new capabilities are vastly increasing the powers of tax authorities to enforce compliance and raise collections. Good governance is needed to ensure they use these powers as intended. Tax administration processes need to strike the right balance between collecting the right amount of tax under the law versus a target of tax that the government wants to collect to finance its agenda.

In this environment, tax functions need to be just as good at managing and analyzing data as the tax authorities. Now that tax functions have been equipped with company-wide systems for handling tax data, as well as the financial and scenario analysis skills to understand it, they can do their own stress testing to find potential trouble spots, document facts and positions — and often pre-empt tax authority questions before they're asked. ■





# “ Advancing technology empowers tax as a force for good”

**Greg Elliott**

**Global Head of Tax — Businesses, Head  
of Tax Asia, Standard Chartered Bank**

## Tax as a force for good

Can the global tax system be a force for good? It is beginning to look as if the answer is yes, following the changes we have made in recent years. Slowly but surely, trust is being restored between individuals and business; and resources are being unlocked to tackle the challenges facing society.

In retrospect, the COVID-19 crisis that began a decade ago proved to be a turning point. In hastening the move to e-commerce and other online activity, the pandemic hardened the view that the way we large multi-national businesses were being taxed, particularly in the technology sector, was not right or fair. And the need for public sector authorities to respond to the crisis highlighted funding problems in many countries that shifted attitudes towards taxation.

That has seen countries come together under the leadership of the OECD to reconstruct the international tax system so that it is fit for purpose in an age of globalization; companies are no longer able to play one country off against another. There are teething problems to iron out — disputes

concerning companies facing double taxation issues, for example — but society now has a system where tax revenues flow more visibly and on the face of it more equitably.

One positive impact of this shift is that more countries have been able to invest in their healthcare systems — in everyday healthcare, but also in preparation for the next pandemic. And there is also more funding for an even more fundamental issue: the need to manage climate change impacts, which are becoming ever more obvious, and accelerate the world's journey to net zero.

It is not just that additional tax revenue funds governments' climate change strategies, but also that policymakers have woken up to the power of tax as a lever for transformation. The tax incentives and penalties put in place to reward greener organizations and encourage change at those still falling short on sustainability are having a positive impact.

In the financial services industry, moreover, we're getting a multiplier effect. First, banks and other capital providers no longer have much appetite to fund high-emission

activities, partly because their own customers and shareholders are uncomfortable with that, and also because the tax treatment of those activities negatively impacts returns. And second, the tax incentives we have put in place for capital providers themselves — allied to regulation on capital provisions that reward greener initiatives — give them every reason to invest in organizations driving greater sustainability.

None of this would be possible without the technological advances we have seen over past few years. The way in which automation has enabled corporations to work with tax authorities in multiple jurisdictions with far greater transparency and simplicity has been a game changer. The automation of corporate income tax returns alone has massively reduced the compliance work required of the tax function, freeing up scarce tax resources to focus on making an even greater contribution to the organization.

Such tools have also played a role in enabling another change we saw in the wake of the COVID-19 pandemic. The shift to remote



working, which some had expected to be temporary, endures to this day for many people — employees no longer feel the need to live close to their employer’s workplace or even in the same country. Once, that would have made it very difficult to manage their tax affairs, but new tools that automatically track where employees are working ensure more efficient compliance processes to handle employment taxes and management of permanent establishments are working well. While the war for talent continues, organizations have far more

flexibility to draw tax resources from the gig economy, which has seen significant change in how professionals work.

Against this backdrop, tax authorities have higher expectations. Their own investments in technology — and big data in particular — are paying off. They are quick to spot anomalies in corporate tax returns, and they expect organizations to be able to provide answers quickly. The days of fishing expeditions are over — tax inquiries today are specific, well-informed and demanding.

Still, we’re making progress here too. If I think back to 2022, our dispute resolution frameworks were remarkably immature and our ability to respond quickly to tax authorities was hampered. Just eight years later, the global set of tax principles and standards we have developed includes a far more developed framework for disputes and a better handle on organizational data. We really are getting somewhere.



**Greg Elliott is the global head of tax for businesses and head of tax, Asia at Standard Chartered Bank (SCB), where he is responsible for developing the tax function to support SCB’s global businesses.**

**A senior tax professional with over 30 years of corporate and international tax experience in the financial services/banking industry in the Asia-Pacific region, Greg has expertise in direct and indirect/transactional taxes, and deep product knowledge across the financial services industry. Greg also formerly chaired the Asian Securities Industry & Financial Markets Association Tax Product Committee.**





# “Simpler corporate taxes and bigger data pools foster tax transparency and compliance”

**Janine Juggins**

**Executive Vice President,  
Global Tax and Treasury, Unilever**

**In this century and during the 2020s in particular, environmental, social and governance (ESG) issues have taken on ever more priority. How has the ESG agenda shaped the global tax landscape of 2030?**

Improving tax transparency and fairness was high on the global agenda eight or so years ago, with a lot of energy put into the OECD's Action Plan on Base Erosion and Profit Shifting. While the Inclusive Framework's Pillar One and Two approach ultimately came up short of political expectations, the learning process was invaluable. In 2030, its lessons are informing new work being done by the OECD and the United Nations jointly. This time, the outcomes are expected to be rooted more in policy outcomes than political results.

The European Union's more recent success in implementing a common income tax for corporations across the federation is also demonstrating the potential benefits of a common approach to corporate income tax.

For the OECD and the UN, the EU's work offers a foundation for building a system that is workable for the entire world.

**Tax and ESG also intersect in global efforts to address climate change and reduce harmful greenhouse gas emissions. How well has tax policy worked to help companies and jurisdictions achieve net-zero goals?**

In the early 2020s, many governments and companies were grappling with the need to set and meet emissions targets. After the Russian government's 2022 invasion of Ukraine, these efforts ramped up considerably. The assault had exposed the overdependence of some regions of the world on a single supplier and underscored the importance of energy security.

As a result, many governments facing fuel shortages and uncertainty woke up to the importance of being self-sufficient where energy is concerned, as well how hugely expensive conventional

energy could be. The situation spurred many governments to think more holistically about the alternative energies and systems they wanted to encourage, with more emphasis on tackling what remain our biggest problems: reaching net-zero and tackling climate change.

**With governments introducing new tax incentives to support the development of greener products and processes, what has been the impact on today's tax functions?**

In terms of environmental tax incentives, we now see much tax support being directed toward research and development. One impact has been to drive tax functions to work more closely with their supply chain colleagues, looking at how to make investments in new infrastructure efficiently and in ways that attract the maximum government support available.

Tax teams are also determining the most effective use of incentives for easing their reliance on fossil fuels.



Incentives for the transition began to emerge in the early 2020s. But many tax measures were narrowly targeted, for example, with tax penalties to deter the use of virgin plastic in laundry.

Today's policies are more holistic, taking into account the role of taxes and incentives in changing behavior across the broader ecosystem. Under this more joined-up thinking, virgin plastic usage in laundry is still taxed, while tax support is also given to recycling facilities to ensure supplies of recycled plastic are widely available. Rounding these out are other tax preferences for refillable detergent containers, better cold-water washing, concentrated or dry soap formulas, and other laundry-related innovations.

**So it seems fair to say that these changes have intensified the importance for tax teams to understand how processes and systems work, and to put even more focus on their ability to access and manage data.**

Indeed, and this is especially true as the OECD, the UN and others continue to move the corporate tax system toward a formula-based approach that's based on financial accounting and remove the book tax

differences that currently exist in the system. As corporate income taxes are simplified, they are becoming more similar to indirect taxes. This means skill sets for all tax types are converging around technology and data management.

The move toward simpler corporate taxes and a common framework is also improving tax transparency. Tax complexity hampered previous attempts to encourage corporations to explain the story behind their tax strategies. As corporate taxes get simpler for the general public to understand, companies are finding it easier to explain their tax affairs and the reasons for their tax positions.

**The impact of digitalization has also transformed the world's tax administrations. How has the rise of data and technology changed the way tax authorities operate?**

Things have progressed dramatically since the early 2020s, when countries like Poland and Brazil led the way in digitizing their tax processes and filing systems. Now we're getting closer to a world where basically everything is linked, so the data of many companies can now be accessed from a common database. Increasingly, these data lakes are being extended to include

the data of suppliers and customers as well. The combination of extensive, real-time data and enormous computing power means, for example, input and output VAT can be immediately matched, eliminating the extensive VAT fraud of decades past.

In fact, in 2030, we are closer to the time when tax systems are flipped upside down — with tax authorities preparing tax returns using all the company data they can now retrieve, and taxpayers only involved for their review and approval.

The availability of more data is also allowing tax authorities to use artificial intelligence risk assessment tools and take a more targeted approach. While this has largely succeeded in preventing tax avoidance and closing the tax gap, the unbridled capacity to detect and assess risk is also putting pressure on tax authority governance.

Given the extraordinary powers of enforcement that technology has enabled, tax administration processes need to strike the right balance between collecting the right amount of tax under the law versus a target of tax that the government wants to collect to finance its agenda.



**Janine Juggins is global head of tax and group treasurer of Unilever. She has over 30 years international tax experience and professional qualifications as an ACA, CTA and AMCT. She is chair of the CBI Tax Committee, co-chair of the Pillar 1 Business Advisory Group and an executive board member of BIAC.**





# “Tax is now front-page news”

## Paramjit Matharu

Managing Director, Global Indirect Tax Head, Head of Tax Europe Middle East and Africa, JPMorgan Chase

### Tax is now front-page news

It's interesting that in the decade leading up to 2030, and maybe even since the millennium, tax has moved from back-to front-pages news. It's in the public conscience and there's definitely more knowledge and awareness of how large amounts of money actually move around the world. The other really noticeable thing for me was how the language in our workplaces has changed because we have a much younger workforce. Some of the individuals who now lead tax conversations come from a school of thought of fairness, equity, justice and sustainability and not just shareholder profitability.

The whole ESG agenda — and the accompanying performance metrics — has entered the boardroom. And whether you're talking about recruitment, workplace behavior or products sold to clients, investors are interested in sustainability, diversity and inclusion. They're interested in key performance indicators, such as how we source our supply chains, how green are we building our buildings, and how diverse is our philosophy around hiring people.

Individuals nowadays make employment decisions around the ethics of their employer — as opposed to just taking the first job they can get. The push for equality, social mobility and diversity in the workplace has also tapped into hidden pools of talent. At JPMorgan Chase, we have focused on the apprentice levy to improve social mobility, ringfenced funds for a number of diversity and inclusion initiatives, and it's paid off: over 90 percent of the people who came in the door through apprentice programs have been hired for full-time roles, which has broadened our skill set and enhanced our overall capabilities.

Tax transparency, driven by tax policy, has made a huge impact through complex compliance reporting requirements from different governments wanting more real-time data, and companies have invested to make sure they can provide that data, which has been a technology, people and process conversation. So I think whether it's an investor, an employee or the board of a company, there is a common acknowledgement that transparency makes people more accountable and that data drives behavior.

When it comes to the global tax landscape, I think the work that the OECD started many, many years ago has taken on life, and global companies are more aware of their tax obligations. I think we all got used to the Foreign Account Tax Compliance Act (FATCA), Pillars One and Two and the wider Base Erosion and Profit Shifting (BEPS) agenda.

So now, thanks to greater transparency, you can look at how corporations — and, more recently, individuals — are paying taxes around the world, and from this it's possible to work out their overall effective tax rate and decide whether that's considered fair. The conversation has also become more collegial because it's being done through forums, steered by bodies like Joint International Task Force on Shared Intelligence and Collaboration. And when you have 30 or 40 active countries participating in the conversation, that has often resulted in good things.

The danger, of course, is one size doesn't fit all, so there must always be room for constructive conversation. Obviously, every



country has its own view around its territorial concerns, but, here in 2030, we've seen a balance being struck that takes into account countries' individual needs.

In the past, people worried about whether large companies paid enough tax and saw only the negative headlines. I think in the ensuing years there's been a lot of innovation and inter-country co-operation on the corporation tax side of things, and uniform standards

have helped level the playing field and made things fairer. However, in the early 2020s, the indirect tax base was growing and lacked standardization, so that companies had different rules to address in different countries, which made the whole process of compliance far harder.

Thankfully, collaboration and the shift to greater transparency have brought more consistency for indirect tax as well, reducing the

leakage and providing visibility on how much tax is being paid by large companies. This increasingly common approach through the 2020s has made it easier for multinationals, who no longer have to think about complex, individual tax strategies for 70-plus countries. So the collaboration we've seen among tax authorities has really paid off, for companies, governments and stakeholders who want to see fairness.



**Paramjit Matharu is managing director, head of tax for the Europe, the Middle East and Africa, and global head indirect tax at JPMorgan Chase. She was educated in Kenya before joining HMRC, in Excise and VAT for six years.**

**Before joining JPMorgan in 1996, Paramjit worked at PW indirect tax financial services. She has mentored through various city forums and is a member of JPMorgan's Diversity and Inclusion Board for Europe, the Middle East and Africa. She also served for eight years as chair of the UK Finance VAT committee.**







# “Transformed tax operating models empower global compliance partnerships”

**David Gordon**

**Senior Vice President,  
Global Head of Tax, GSK**

**It’s 2030, and many tax functions are realizing the benefits of tax transformation journeys over the past decade. What factors — internal and external — drove companies to reimagine their tax functions?**

The 2020s saw rapid change in the global tax environment as government budgets came under unprecedented pressure from global economic shocks caused by major events like the COVID pandemic, war in Ukraine, energy crisis and rampant inflation.

Governments sought to increase tax intake by significantly expanding tax authorities’ use of digital methods of data collection and analysis, imposing sweeping legislative change across all taxes and raising the volume and aggressiveness of tax audits. These moves greatly increased the tax compliance burden on multinational companies.

At the same time, companies grappled with advances in tax compliance technologies, enhanced delivery models of tax compliance service providers and ongoing internal challenges, including tightening budget constraints and expedited timelines for reporting. All of these challenges compelled companies to transform their tax operating models.

**How did these transformations affect the composition of in-house tax teams? What new demands do they face to leverage technology and diversify resources?**

Transformations have reshaped tax operating models with a blend of outsourcing and in-house resources. Ways of working and deliverables have been standardized and automated, improving the quality of filings and minimizing tax risk.

Many operational activities have been outsourced or automated. However, in-house tax teams retain ultimate responsibility for managing tax risk and are resourced with more senior and experienced personnel to do so.

At the same time, the responsibilities of in-house tax teams have expanded in a number of areas:

- delivering statutory accounts as a key component of corporate tax compliance and tax reporting processes
- assuming responsibility for managing global employment tax risk from HR functions
- taking on wider trade compliance obligations beyond traditional customs and excise center of excellence teams.



Another trend has seen calculation methodologies for indirect and direct taxes narrow. Corporate tax policy setters have imposed new tax base rules more closely aligned to end use, with tax authorities now expecting greater reconciliation across taxes. This has increased the need for cross-team working within tax departments and the opportunity to leverage existing skillsets outside of traditional areas.

In-house tax teams have not necessarily faced demands to leverage technology or diversify resources. Rather, the expectation is that the tax operating model is sustainable and efficient irrespective of internal and external pressures. This means that in-house teams must continually evaluate the most appropriate delivery model for effective and efficient delivery — whether through outsourcing, in-sourcing, co-sourcing, automation or (most likely) a combination of these. Technology is used when appropriate, but the focus must always be on optimizing the delivery model rather than using the latest technology for its own sake.

### How do today's largest tax service providers typically approach compliance engagements for global companies?

While these engagements were once viewed in isolation, tax service providers have grown to understand and greatly value the wider strategic benefits of tax compliance partnerships. These collaborations now form the foundation of overall tax (and broader finance) relationships, providing access to key personnel across the business, detailed knowledge of the commercial operating model and access to significant volumes

of data to identify opportunities and support priority initiatives.

Another significant change has seen service providers challenging the conventional partnership operating model by operating on a truly cohesive basis globally. This global approach, coupled with a focus on leveraging data and advanced technologies, empowers deep cross-tax insights spanning compliance and advisory activities.

### Now that traditional 'toss over the fence' approaches to tax outsourcing are rare, how do you characterize relationships between the in-house tax teams of global companies and their external compliance services providers?

To be successful, external tax compliance service providers must operate in true partnership with, and as an extension of, in-house tax teams — working seamlessly to deliver a high level of compliance, risk management and data, systems and process improvements. The most successful tax compliance relationships work for all parties, with combined investment during early transformation phases, open and honest two-way feedback and a joint commitment to deliver an aligned program of continuous enhancements that benefit both the client's tax operating model and the service provider's wider compliance delivery platform.

### As these partnerships mature, governance is clearly critical to realizing their true potential. What are some of the most important leading practices in this area?

Setting up a robust governance and oversight structure is incredibly important to facilitate visibility, trust,

accountability and direction for both parties. Where tax is concerned, in-house stakeholders can be very broad, and both a territory/region-driven and tax-discipline lens for governance are vital.

Having a clear framework for timely escalation and support is critical, as issues will be better resolved in both short- and long- term if they are highlighted and addressed as they arise. Periodic post-action reviews are also important for stepping back and identifying priorities for improvement in the next compliance cycle.

### How do companies measure the resulting benefits, tangible and intangible, of compliance partnerships?

Companies measure the benefits of compliance partnerships in a number of ways:

- They measure **quality** with real-time tracking of compliance status and key performance indicators, as well as continual feedback from in-house finance personnel.
- They measure **incremental added value** by tracking opportunities and risks identified through the compliance process and the associated data.
- They measure **efficiency** by charting the global cost of compliance over time.

### How have these transformations affected operational tax professionals working in-house?

The focus of in-house operational tax teams has changed from the delivery of tax compliance to the design, implementation, management and continual enhancement of operating models



that deliver tax compliance. This requires an operational tax team with a broad range of skills, including tax technical, technology, process improvement, governance and project management. Excellent stakeholder management, communication and inter-personal skills are also key.

As a result, we have seen members of our operational tax teams develop a broad range of skills that are transferable across a wide range of tax and non-tax activities. This has made them highly marketable — moving into other areas of the business to support

wider transformation initiatives as well as into service providers to enhance their operational tax offerings with practical and real-life insights and experience.



David Gordon is global head of tax at GSK plc, responsible for leading a diverse group of tax and trade professionals to manage the worldwide tax and trade compliance affairs of the group. As part of this role, David is a core member of the GSK CFO's Finance Leadership Team and leads the well-being initiative for Global Finance, with a particular focus on mental health.

Before joining GSK, David was a senior member of KPMG's Private Equity Group, specializing in M&A and advising on a large number of UK and international acquisitions, disposals and reorganizations.



# Promoting innovation



Innovations in telecommunications, fintech and other technologies are accelerating economic development in emerging markets.



Governments recognize the importance of patient capital investments for sustainable long-term growth.



Luxury taxes on smartphones and other tax deterrents to connectivity have disappeared, making mobile technology affordable for people of all income levels.



Developing countries are enriching their tax incentives for innovation, research and skilled employment, and becoming innovation exporters themselves.



Innovations in fintech are creating more financial inclusion and supporting entrepreneurial growth.

The past decade saw rapid development among the emerging economies in Southeast Asia and sub-Saharan Africa. The telecommunications sector has been central to this transformation, with service providers and their supply chains innovating new technologies to increase communication, provide better access to resources, and deliver new services.

Now that a reliable internet connection is considered essential, luxury taxes and other tax deterrents have largely disappeared, making mobile technology much cheaper for lower-income citizens to buy and use. In turn, these citizens now have more open access to education, training and job opportunities.

Meanwhile, innovations in fintech are bringing greater financial inclusion to lower-income individuals and smaller businesses around the world. In developing countries, new types of financial products, credit lines and short-term loans

are making financial services more affordable and accessible.

This support has been especially valuable in helping smaller, entrepreneurial businesses scale up, resulting in stronger economies overall. It has also been instrumental in bringing many previously unbanked smaller businesses into the formal economy.

Having seen firsthand how technology can lift incomes and living standards, developing countries are now seeking to further develop and expand their jurisdiction's capabilities.

As part of this, governments now recognize the importance of attracting patient capital — that is, long-term investments in start-up and smaller businesses that give scientists, engineers and entrepreneurs the resources they need to develop opportunities and deliver sustainable long-term growth.

In addition, tax breaks promoting more traditional investments in infrastructure are increasingly supplemented with new tax measures to facilitate innovation and research.

Additional measures aim to help recruit and retain skilled workers who might otherwise be tempted by prospects offshore. Tax policies to deter any brain drain are now common across the developing world, with incentives for people to stay where they are and invest their time, energy and money into improving their own economies.

As a result, many of these countries are set to become net innovation exporters themselves, raising the living standards and economic prospects of their citizens. ■





# “Private innovation and tax support narrow the digital divide”

**Gareth Harrison**

**Head of Tax, South Pole**

**In just 30 years, smartphones and other handheld devices have evolved from elite luxury goods to necessities. Innovation in the telecommunications sector, backed by government policy to bridge the digital divide, has brought affordable, reliable internet access across the developing world.**

Billions of people have gained entry to educational platforms, work and other opportunities that the digital world brings, driving trade, commerce and economic growth around the globe.

In particular, the past decade saw rapid development among the emerging economies in Southeast Asia and sub-Saharan Africa. Their ability to adopt mobile technologies and networks allowed them to skip several stages of technological development that European countries went through. Rather than investing massive amounts in fixed-line telephone networks and waiting decades for connectivity to evolve, citizens and businesses in the developing world could move straight to mobile solutions and almost instantly engage with global markets and customers.

The telecommunications sector has been central to this transformation, with service providers and their supply chains innovating new technologies to increase communication, provide better access to resources, and deliver new services. Expanding broadband networks are connecting rural communities, underprivileged populations and vulnerable businesses. Innovations like mobile financial services are bringing greater financial inclusion for people traditionally excluded from the mainstream financial sectors and enabling a more cashless society.

As the private sector moved ahead, governments faced a dilemma. Over the past decade, many of them had stated policy aims about bridging the digital divide in order to foster broader, more inclusive access to information technology. Over the same time, the pandemic that began in 2020 left many governments financially handicapped and short of funds for essential services. With the private sector delivering a steady flow of new mobile solutions profitably, governments were torn between raising revenue by

taxing those profits and investing tax expenditures to foster more innovation.

Meanwhile mobile phones shifted from status symbols to a staple necessary to participate in modern life and tax policy shifted accordingly. In decades past, mobile phones were subject to the same kind of tariffs as fine wines, designer handbags and other luxury goods. Now that buying a handset is considered essential, such duties have largely disappeared. This has made mobile technology much cheaper for lower-income citizens to buy and use. Instead, tax authorities have shifted their attention to applying excise duties to airtime and data usage.

As part of this policy shift, telecoms and technology providers are now taxed more like infrastructure companies and utilities. In many countries, government incentives are available for research and activities that aim to facilitate the widest connectivity possible. In Africa, for example, programs pioneered a decade ago — such as tax concessions to reward companies for investing in last-



mile connectivity between power stations and communities, homes and businesses — are now widespread.

By 2030, governments in developing countries are seeing firsthand how technology can lift incomes and living standards. Having made strides in their efforts to narrow the digital divide, they are now seeking to further develop and expand their jurisdiction's capabilities. Tax breaks promoting investment in telecommunications are increasingly supplemented with new measures to facilitate innovation and research.

Equally important are measures aimed at recruiting and retaining appropriately skilled workers. As globalization has advanced, developing countries saw previous generations of engineers, researchers and other talent lured away by both the opportunities and lower tax rates available in some developed locations. Following the pandemic and the rise of remote working, the problem grew even more extreme. Now developing countries are using tax policies to deter the brain drain with incentives for people to stay where they are and invest their time, energy and

money into improving their own economies.

By stimulating more entrepreneurialism where digitalization is concerned and by growing capabilities of their own, developing economies stand to vastly reduce their reliance on imported technologies and devices in the future. Eventually, some of them will become exporters themselves, becoming winners in the global economy and raising their citizens' living standards as they close the digital divide with developed economies.



**Gareth Harrison is the new head of tax at South Pole, one of the world's leading environmental consultancy groups, developing innovative emission reduction projects and strategies across the globe. Until recently, he was the group tax director for Airtel Africa plc, a FTSE 100 listed group that operates across 14 markets in sub-Saharan Africa. The group has over 128 million customers, providing telecommunication services and mobile money services; it is the continent's second-largest telecoms operator.**

**Now based in the UK with South Pole, Gareth spent the last ten years based in Nairobi, Kenya with his family. Originally from Manchester, his career in tax started with Arthur Andersen where he qualified as a chartered accountant and chartered tax advisor. Alongside industry roles for AstraZeneca and Barclays, Gareth also spent five years with KPMG UK & Qatar, plus three years with PwC Kenya as a tax director.**



# “Tax functions are stepping up to meet rising member expectations”

**Gina Maio**

**Principal, Tax, AustralianSuper**

## How have the responsibilities of pension funds changed over the past decade?

Pension funds are now a larger proportion of people’s retirement income, with incomes paid now outstripping the amounts paid by governments through pension systems. With this rise in the significance of our role within the Australian retirement landscape, and our status as one of the country’s largest taxpayers, we have seen an increase in member and community expectations. We therefore balance our obligations to maximize after-tax investment returns with our compliance obligations.

Australians are living longer and are going to need more savings to draw on over a longer period, so the responsibilities we have to manage in terms of the expectations of members is immense.

## How are you squaring that circle?

The role tax plays in securing stable and sustainable investment returns is crucial to deliver strong investment returns over inflation that are necessary to ensure a comfortable retirement.

Maintaining that consistent tax regime is important as AustralianSuper — with more than \$260 billion in members retirement assets — looks to invest more directly and take larger stakes in portfolio companies. This is an important lever to help drive superior returns, particularly against a backdrop of volatile investment markets.

## What about the ESG agenda and its relationship to tax?

Tax has played a strong role in climate change policies. It has become an important lever for the

government to use to encourage and discourage actions with strong impacts on climate change and the environment.

Tax has also been front and center in the social and governance pillars of ESG. Tax contributions are central to governments’ ability to provide social services to those communities in which we invest, while good tax governance helps to generate stable, sustainable returns — an important pillar of asset stewardship.

## How are pension funds using new technologies?

Data and technology in the tax space has come a long way. Tax authorities are now taking feeds directly from data in lieu of filings.

One thing that has been really important in that regard is how data is managed and used. With so much data coming in from different



sources, how do you store it, how do you read it, and how do you extract the right information?

We've invested in systems and skills to understand where the data is and how it works, and to build a process that delivers a single source of the truth. With the large amounts

of company data they can now access, tax authorities are able to generate real-time insights about the business.

While data and technology does a lot of heavy lifting for us, our tax team includes skill sets such as data analytics and custodian reporting

knowledge that we need to analyze, interpret and govern the data. The focus has shifted from checking and producing returns to producing insights that support the fund's objective to drive strong member returns.



**Gina Maio leads the global tax function at AustralianSuper — Australia's largest superannuation fund. She is responsible for managing tax risks globally, in order to help AustralianSuper's 2.4 million members achieve their best financial position in retirement. Gina engages regularly on law design and administration with both Australian and foreign treasury and revenue authorities.**

**Before joining AustralianSuper, Gina spent a decade at KPMG Australia providing tax advisory services in respect of major transactions to ASX-listed companies, multinational corporations, pension funds and financial sponsors.**







# “ Fintech innovations boost financial inclusion and entrepreneurial growth ”

**Adriana Gonzalez**

**Tax Director, PayU**

## What are the biggest changes that you see in the fintech industry compared to the past?

People used to view fintech narrowly, as isolated technologies supporting specific platforms for dedicated local uses. In 2030, fintechs have taken technologies in new directions as they evolve into a wide variety of new business models, consolidating product lines and delivering ever more diverse lines of financial offerings — from financial management to credit and insurance.

Innovations in fintech are bringing greater financial inclusion to lower-income individuals and smaller businesses around the world. In developing countries, new types of financial products, credit lines and short-term loans are making financial services more affordable and accessible. Fintech companies like PayU are diversifying their product offerings, making new forms of credit available to merchants and other business

clients along with their traditional payment management services.

This support has been especially valuable in helping smaller, entrepreneurial businesses scale up, resulting in stronger economies overall. It has also been instrumental in bringing many previously unbanked smaller businesses into the formal economy.

## How has cryptocurrency evolved over the past decade?

The financial services industry has also been transformed by the widespread acceptance of cryptocurrency. While encrypted, decentralized cryptocurrencies have existed since the 2000s, they were not used in the mainstream until after the pandemic that began in 2020. The pandemic's economic stresses caused many currencies to depreciate. This accelerated work being done at the OECD to gain consensus and approval on a global cryptocurrency framework. We have since seen the approval of crypto

schemes as parallel currencies in local markets around the world.

## How can greater financial inclusion promote broad-based economic growth?

Financial inclusion is important for people at all income levels and in all occupations to access affordable financial services to meet their needs. In developing economies, focusing on the financial inclusion of the entrepreneurial class — with products and services to support start-up and scalable growth — has delivered the biggest benefits in promoting financial stability, creating jobs and expanding economies.

One innovation in this area has been the proliferation of “buy now, pay later” products. Many business owners in developing economies have difficulty opening financial accounts, obtaining credit and acquiring insurance. With the introduction of easily accessible credit lines with repayment terms of under three months for little or



no interest, low-risk, short-term credit can be readily secured. For a struggling start-up company, financially inclusive innovations like these can offer the stability and resources they need to succeed.

### How does the fintech industry support innovation in the area of tax policy?

The fintech industry has become a big contributor to international tax co-operation. Tax authorities have identified financial services companies as a key stakeholder, both as an industry that provides stable streams of tax revenue and as intermediaries with specialized knowledge they can collaborate with to improve tax policy overall.

In 2030, relations between fintech representatives and tax authorities are now characterized by close co-operation and open communication.

Fintech companies bring a practical perspective to help governments make tax policies more effective.

For example, after the Inclusive Framework countries achieved consensus on Pillars One and Two of the OECD's action plan in the mid-2020s, many non-participating governments struggled to align with the new international regime. Fintech companies were instrumental in showing governments how flexible, decentralized models could be used in practical ways to implement the agreed rules in disparate economies.

### How are fintech companies approaching their own tax obligations?

Compared to previous decades, fintech companies are putting more emphasis on how they manage their own tax obligations.

Stakeholders are demanding more tax transparency and responsibility, and the related reputational risk continues to rise. Today's tax leaders of fintechs need to deeply understand how and where their business operates, and not just so they can avoid double taxation. Tax leaders need to ensure they are paying the right amount of tax in every relevant jurisdiction. They need to be transparent about their business dealings, especially in relation to cryptocurrencies.

Above all, they need to help ensure any new investments or businesses that their companies undertake are in line with responsible, sustainable and financially inclusive objectives.



**Adriana Gonzalez is a tax director at the global payments organization PayU, with 17 years of experience helping companies from different industries to develop and maintain up to update its tax function. Specializing in international tax, Adriana uses that experience to create value for stakeholders and shareholders through strategic changes and processes within her organization.**



# Building a sustainable world



ESG and return on investment considerations have aligned so that ESG programs usually produce better returns.



Every nation has developed an integrated road map to establish a sustainable, circular economy.



The end of tax competition has shifted corporate tax planning toward accessing incentives.



Safer, more inclusive economies are resulting, with greater wealth and well-being for all.



Hybrid carrot and stick approaches to tax have proven the best way to get companies to mitigate damage and change the way they do business.

In 2030, environmental, social and governance (ESG) concerns have moved from the fringes to the center of corporate cultures and strategies, especially when it comes to tax. Virtually every company has a clear ESG policy in place, and many boards communicate them broadly, including their frameworks for tax strategy and governance.

For large strategic investors, ESG policies are now especially important. Industry leaders recognize that the performance of real estate assets is tied to how well asset managers navigate ESG challenges. Now ESG and return on investment considerations are aligned to the point where following an ESG program usually leads to better returns.

Now that a global corporate minimum income tax is in place, tax competition no longer exists to drive businesses to seek the lowest possible rate. This has eliminated the tension for asset managers between

the need to manage ESG risks and the desire to maximize investment returns. Instead, tax planning has evolved toward accessing tax and non-tax incentives offered by governments to encourage green investments and innovation.

Many of these incentives are intended to develop more circular economies. For decades, people had realized the need to shift the tax burden away from labor and onto natural resources and pollution, but it wasn't until events of the 2020s that business began developing interest in creating more sustainable, circular business models.

Following on the Green Deal, and similar initiatives, almost every nation developed an integrated road map to establish a sustainable, circular economy, investing in the skills and sectors that needed it most. Tax policy was central to these plans, and a hybrid carrot-and-stick approach has proven the best way to

get industries of all types to mitigate damage and change the way they do business.

Unlike linear business activities, circular business models are far more intensive in terms of the amount of labor, knowledge and energy required. Moving off labor taxes reduced the cost of labor and thus improved the business case for work on renewable resources, retrofitting homes, repairing appliances and other circular activities.

The move away from taxing labor had benefits beyond the private sector, slashing hiring costs in the public sector across the board, from health care and education to law enforcement to the judiciary. We now enjoy safer, more inclusive economies as a result, with greater wealth and well-being for all. ■





“  
**The tax base is shifting off labor to promote greener, more circular business models**”

**Femke Groothuis**

**Founder and President,  
The Ex'tax Project**

**It's 2030, and many of the objectives that prompted you to found the Ex'tax Project are now achieved. What are the most compelling, positive differences that you see in the tax landscape today, compared to 10 years ago?**

The Ex'tax Project was a think tank that focused on the role of tax in achieving the United Nations Sustainable Development Goals (SDG) and a circular, inclusive economy. We brought together business leaders and experts to study the dynamics between lowering revenue by taxing labor income and social contributions on the one hand, and raising green taxes on the other hand.

For decades, people had realized the need to shift the tax burden away from labor and onto natural resources and pollution, but the shift was politically difficult to implement. It wasn't until the 2020s — with rising emphasis on environmental, social and governance issues and the proliferation of initiatives like the

Ex'tax Project and the European Union's (EU) Green Deal — that business began developing an interest in creating more sustainable, circular business models.

Today, the Green Deal has actually materialized and many tax systems are now aligned with the goals of a competitive, circular economy. By shifting taxes off labor and applying the polluter pays principle, industries were incentivized to evolve their products and services in ways that helped to achieve the SDGs. When these new models became profitable, businesses started scaling them up and the EU is now on its way to becoming the world's first climate-neutral continent.

At the same time, workers enjoy safer environments and higher net incomes, there is less unemployment and inequality. A skills revolution has occurred across the EU, as the European Commission predicted, so finding a job and reskilling for future employability is much better

organized. Social security is universally available, but there is much less need for it.

**The world seems to be on a more sustainable track than it was, but there were certainly some bumps in the road to get here.**

Yes, the previous decade saw unprecedented disruption. The dire economic straits created by the pandemic that started in 2020 steadily worsened as inflation soared across the globe, as extreme weather events multiplied, and as Russia's invasion of Ukraine spiraled into a continent-wide energy crisis. It became apparent that the small steps businesses and governments had been taking to move off fossil fuels and onto renewable energy were not enough.

At the same time, energy shortages and rampant inflation led to mounting social unrest, with widespread strikes and riots. Workers around the world rejected the status quo, demanding better wages, better working conditions and more social security.



Governments delivered massive support to help industries deal with the talent crisis. Targeting this support to specific income groups proved difficult, leading to more dissatisfaction and further unrest.

That's when we began to realize the need to solve these social and environmental issues simultaneously. Following on the Green Deal, the Ex'tax Project and similar initiatives, almost every nation, either on its own or in blocs, developed an integrated, step-by-step road map to establish a sustainable, circular economy over the medium and long terms, investing in the skills and sectors that needed it most.

While there were technical differences in the ways governments aligned their financial incentives toward these goals, the principles that they followed are universal and work just as well in all economies:

- Put a price on externalities, that is, the undesirable effects of commercial activity.
- Apply the polluter pays principle to those externalities.
- Use the revenues to advance government priorities, for example, to support vulnerable, low-income groups, fund training programs or stimulate circular innovation.

### How did applying these principles lead to the shift away from taxes on labor?

Unlike linear business activities, circular business models are far more intensive in terms of the amount of labor and knowledge required. For example, International Monetary Fund (IMF) research demonstrates that producing a certain amount of electricity using solar power creates 7.6 times more jobs than using coal power.<sup>10</sup> If labor taxes had remained at 2020 levels, this would have continued to deter work on renewable resources, retrofitting homes, repairing appliances and other circular activities.

By moving the tax price onto pollution and using the revenues for social ends, the playing field was utterly changed in terms of which business models were preferred and which ones were the most scalable and profitable.

### Now that tax policies are driving circular economies forward, what are the biggest benefits for businesses and the societies they operate in?

Overall, we now seem to be in a better position to keep global warming in check and maintain prosperity sustainably around the globe. For example:

- Businesses focus on activities using bio-based, non-toxic

materials, with a lot more R&D and innovation and more work devoted to remanufacturing and recycling, repair and maintenance services, and take-back systems.

- Supply and distribution chains are within smaller, more regional loops to reduce transport costs.
- Consumption patterns have changed, for example, with glass and recyclables replacing plastics in many products, and with people vacationing closer to home.

With business activity spread more evenly across jurisdictions and regions, all of this has been a boon for local economies.

The move away from taxing labor has also had tremendous benefits well beyond the private sector. Hiring costs have plunged across the board, from health care and education to law enforcement to the judiciary. The tax shift allowed such labor intensive sectors to offer better pay and better work environments, which allowed them to attract workers even in tight labor markets. We now enjoy safer, more inclusive economies as a result, with greater wealth and well-being for all.



Femke Groothuis is co-founder and president of The Ex'tax Project, a think tank focused on fiscal strategies to boost SDGs and the inclusive circular economy. Ex'tax researches the potential to shift the tax burden from labor towards pollution and the use of natural resources.

Since 2009, Groothuis has published a series of reports and she has presented on more than 100 stages around the world. Her latest study (<https://ex-tax.com/taxshift>) presents a roadmap for a rebalancing of the tax mix, both at national levels and in an EU context.

<sup>10</sup> IMF (2020), World Economic Outlook: A Long and Difficult Ascent. Figure 3.8. <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>





“  
**Green energy grows,  
but hydrocarbons still  
fill much of consumer  
demand.**”

## Heather Beck Crowder

Vice President & General Tax  
Officer, Phillips 66

**When it comes to meeting the energy needs of a global economy, change doesn't come quickly. With the enormous infrastructure and production scale needed to provide affordable energy, it can take decades for real transformation to take hold. So, in 2030, much of energy industry looks much like it did 10 years ago. But take a closer look and you'll likely see plenty of activity and investment dedicated to reducing carbon emissions and developing alternative energy sources.**

In the US, much of this change was set in motion by the package of energy tax credits passed as part of the Inflation Reduction Act of 2022. In what might have been the largest climate-focused package in history, the US\$27 billion in tax incentives the bill delivered has been a powerful driver of innovation in energy supplies, from sustainable

aviation fuel and geothermal heating to electric and hydrogen vehicles, and more. Even after almost a decade, it will still be awhile before we see renewable power generation or fuel supplies at the size and scale needed to replace traditional fuels. Natural gas will remain a vital and potentially growing part of the mix.

While the transition is on the right track, it could be moving faster. For one thing, these tax credits may have had more effect if they had been given a longer life when they were passed. Being subject to extenders means companies face risks on the long-term nature of the investments needed to produce energy at scale. Instead, there is the treadmill of lobbying for extensions each time the credits are set to expire, and this creates considerable uncertainty in project decisions. In 2030, the unpredictability of US politics continues to cause foreign investors concerns around the economic risks of US investments.

The political system also continues to drive complexity in developing energy policy. For consumers, concerns about the environment compete with the demand for affordable energy. Higher gas and utilities prices consistently result in several calls for action from the public to Congress members on both sides of the aisle. Corporations focus on lower tax rates and increasing incentives as a solution for progress, and they warn that the costs of regulations will be passed on to end users.

The US still struggles with a price on carbon. In the late 2020s, absent a federal policy, more US states started adopting carbon initiatives similar to those in the Pacific Northwest or even the European Union. Carbon taxes are widely viewed as a rational, market-driven way to deal with carbon emissions and their impacts.



However, it became difficult to navigate the complexities of different state regimes when combined with federal action. As 2030 grew closer and companies struggled to meet commitments on reducing carbon footprints, carbon taxes gained favor as a mechanism for accelerating change, making emissions-heavy activities more expensive while driving up the potential value of carbon capture projects.

Requirements around transparency are proving to be effective emission reduction measures. Whether regulatory, such as Securities and

Exchange Commission disclosures, or growing ESG pressure from investors, companies are working to reduce their carbon footprints and achieve publicly disclosed emissions reduction targets. These efforts are encouraging more investment in carbon capture technologies, both through direct investment in innovation or buying carbon or other credits, as a way of reducing emissions and meeting ESG expectations.

Even before ESG became an important corporate focus, companies made safety a priority for their employees where they live

and work. Many US large energy producers, including Phillips 66, have positive stories to share on progress. The expertise and infrastructure of these companies have provided a meaningful footprint for producing renewable energy. In some places, refining and similar facilities are often the area's biggest employer, and companies invest to develop and foster positive relationships within those communities. They, too, are invested in the progress and potential of the energy transition.



**Heather Crowder serves as Vice President & General Tax Officer for Phillips 66 (NYSE: PSX), a Fortune 50 diversified energy manufacturing and logistics company headquartered in Houston, Texas.**

Heather was previously a tax partner at KPMG, where she worked extensively with companies across the energy supply chain, including drilling services, renewables, upstream, midstream and downstream, both domestically and internationally. Prior to joining Phillips 66, she served as Managing Corporate Tax Counsel at ConocoPhillips for five years. Heather has also devoted significant time working with policy makers on the business impact of tax laws for the energy industry.





# “ ESG priorities drive more responsible approaches to tax ”

**Kaushal Tikku**

**Head of Group Taxation, CK Hutchison Holdings Limited**

It's been 15 years since the member countries of the United Nations launched their 2030 Agenda for Sustainable Development and formalized the 17 supporting goals.

Back then, few of us might have expected ESG concerns to move from the fringes to the very heart of corporate cultures and strategies, especially when it comes to tax.

Even 10 years ago, only a minority of companies had adopted fully developed ESG policies. Now ESG concerns are woven across corporate strategies and cultures. Virtually every company has a clear ESG policy in place, and many boards communicate them broadly, including their frameworks for tax strategy and governance.

For large strategic investors, ESG policies are now especially important. If ratings agencies are not happy with them, they will penalize the company, leading to higher borrowing costs and possibly reputational harm. At CK Hutchison Holdings, we actively engage with ratings analysts to fill them in on

our future business plans and often correct misunderstandings about current operations. Compared to the past, this open approach may take more time but usually results in superior analyses, more accurate ratings and therefore better financing terms.

We take the same open approach where tax is concerned. Of particular importance is the need to educate ESG ratings agencies on the group's so-called tax gap, the difference between tax payable based on statutory tax rates and reported tax payable disclosed in the published financial statements. Our tax and ESG policies are aligned, and our businesses are structured to pursue strategic growth. Tax is part and parcel of our planning. We do not shift profits to jurisdictions where they'll bear the least amount of tax. Rather, we seek to make use of proliferating tax incentives in line with governments' objectives in offering them — to contribute to a greener, more sustainable economy within their borders.

Now that a global corporate minimum income tax is in place,

tax competition no longer exists to drive businesses to seek the lowest possible rate. Competition is focused on attracting foreign direct investment through tax incentives and non-tax measures, like subsidies, that promote green innovation, investing in research and development, establishing regional headquarters, easing immigration and residency rules for highly skilled talent, and so on.

The biggest challenge many organizations face on the ESG front in 2030 is: Should we commit to net zero, and if so, by when?

This has been actively debated by businesses since the early 2020s. Back then, awareness of the urgency of climate change reached a tipping point. Governments, corporations and even individuals started being called on to develop and publish their paths and targets for eliminating harmful emissions. Seven or so years later, some companies have formally committed to reach net zero within a certain period.





But many of today's complex international organizations are not yet ready to define a timeline. Over the past several years, governments around the world have instituted new levies and indirect taxes to increase the costs of all manner of carbon emitting and other polluting activities. In this unpredictable environment, the costs of getting to net zero are simply too uncertain and the complexities too great to accept

the risk of missing goals, especially for global organizations with multiple entities and subsidiaries in multiple jurisdictions.

This does not mean that these organizations are not fully committed and significantly contributing to the climate change fight. On the contrary, they are helping shoulder the costs of moving the world to net zero

in significant ways: by exiting environmentally and socially harmful activities, by investing in clean technologies, and by contributing large sums in compliance with the proliferating carbon taxes and other levies designed to deter emissions and raise funds for climate change abatement.



**Kaushal Tikku is a fellow of the Institute of Chartered Accountants in England & Wales, a life member of the Chartered Professional Accountants, Ontario, Canada and a member of the Hong Kong Institute of Certified Public Accountants.**

**After spending many years as a tax partner with PwC in Hong Kong he retired and joined CK Hutchison Holdings Limited as head of group taxation. CK Hutchison is a multinational entity listed and headquartered in Hong Kong and has four core businesses — ports and related services, retail, infrastructure and telecommunications.**



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