



Podcast transcript

Future of Tax.

Podcast with Lachlan Wolfers the Head of Global Indirect Tax Services at KPMG International

Musical intro

Announcer:

Hello and welcome to another episode of the KPMG podcast series for tax leaders. For today's episode, I spoke to Lachlan Wolfers the newly appointed Head of Global Indirect Tax Services at KPMG International. Lachlan leads several projects on the VAT reforms, and related business tax issues, for a large number of multinational clients.

Lachlan, thanks for joining us today.

As you know this podcast series has been developed as part of the KPMG Future of Tax program where we are exploring the themes of geopolitics, digitalization and changing business models.

Which of these areas would you say is the most prevalent from your perspective as a business issue for tax leaders?

Lachlan:

So what I see as the most prevalent business issue would be digitalization. I see that as kind of the cause and the effect, to cause businesses to look at changes to their business models, and I also see it influencing the geopolitical agenda as well. So digitalization, especially in my area of specialization, indirect taxes, is having a profound impact, whether it be from the perspective of the introduction of new taxes to tax the digital economy, especially cross border transactions, impacting the digital economy but also the changing nature of technology which is influencing how indirect tax leaders manage their tax function within their organizations.

Announcer:

It sounds like all three themes are interconnected. So perhaps we could take a dive into how digitalization is changing the lives of the clients your working with?

Lachlan:

So it's really interesting, when I look at the impact of digitalization in the broader community, let me start with a very simple example. I live in China, and China is a country which in the space of around eight to ten years has moved from a predominantly cash-based society to a predominantly cashless society in circumstances where people are using mobile apps and other forms of digital wallets and payment methods, entirely skipping a generation that relied on credit cards and debit cards and things like that. So that's just an example, but it's having a profound effect on the broader community. Then if we move to the business community – what I would see – and the tax function more specifically, what I would see is many of the disruptor's that you're seeing in the economy in terms of their business models are causing significant issues for the tax function. And if you think about it conceptually for a moment, indirect taxes like a VAT, tax business to consumer transactions. That's the tax base is consumption expenditure by consumers. When you look at it, what digitalization can now achieve from a business perspective is to connect to different consumers in completely different parts of the world. And so you get this issuance around whether or not the nature of VAT as a tax is appropriate in taxing those consumer to consumer transactions that you're increasingly seeing. Not to mention obviously, the cross border elements the tax, which is having a really profound impact on how we manage the tax function within organizations.

Announcer:

So Lachlan you've touched on how digitization and changing business models have changed the lives of tax leaders. Could you touch on what geopolitical developments are having the biggest impact in your world?

Lachlan:

If I take an example, we've seen again, in a country like China, convert in a very short period of time from a predominantly manufacturing-based industry to a very strong service-based industry with a focus on things like renewables and technology. And obviously what we're now seeing from a geopolitical perspective, these developments are causing issues in terms of trade tensions and increasingly technology tensions between different jurisdictions. So we're seeing those geopolitical impacts effecting things right now.

Announcer:

As a global leader you obviously spend a lot of time travel around the world talking with KPMG member firm clients, Partners and account teams dealing with indirect tax issues. What are you hearing are the most pressing matters?

So I think the most pressing matters that I'm seeing when I speak with clients is that many have lost control over their data and are struggling to manage their processes efficiently. So for example, we don't have access to all the data we need to within the organization. Our processes are no longer fit for purpose. We have too many different systems that we need to work with. We don't have visibility over the transactions that are taking place within the organizations. They're the most common themes that we're seeing. I also say that when you look – digitalization is obviously having a significant impact as well, both from the perspective of needing to comply with new laws that are impacting in indirect taxes first around the digital economy and increasingly shifting to corporate taxes as well. And secondly, the need to manage their systems and processes for things like real-time reporting, electronic invoicing, other developments like that, are creating significant pressures on the tax function.

Announcer:

Lachlan as I said in your introduction, you're new in role heading up indirect tax at KPMG globally. How do you think your experiences in the ASPAC region will relate to the global stage?

Lachlan:

I guess what I'm most excited about is when you look at it, the idea ten years ago that you would have someone from Asia leading indirect taxes globally was probably unthinkable. You look at the nature of VAT and GST systems around the world, evolve considerably from the days when it was a European-based tax, to now being truly a global tax. Sitting in Asia, which is amongst the fastest growing regions in the world, enormous social and economic change taking place and I guess the first for technology tools as well, in some ways countries in Asia can adopt those technology tools and embrace change a little quicker than some other jurisdictions, simply because their systems are less mature. They do have very diverse systems, but you're dealing with tax authorities that often don't have that bureaucracy and history embedded in them. So the ability to implement things like blockchain solutions and things like that, can potentially happen much quicker than some of the more mature taxing jurisdictions that we see.

Announcer:

So Lachlan, as a last takeaway for the audience, Could you offer one piece of advice to tax leaders in terms of managing their indirect tax responsibilities more effectively?

Lachlan:

So my overarching advice is to look at how you're managing the tax function within the organization, you can lift yourself up the value chain. What I'm seeing is tax leaders are unfortunately being completely swamped by change, completely swamped by the data, the everyday, and really the challenge is how do we get ahead of it, stop firefighting. In other words, almost advising them that you've got to put aside 10 to 20 percent of your time, your day and look at how you're future-proofing the organization and delivering greater value for the tax function. And I think that's something that, both as tax professionals and as people within the organization, we share a mutual interest in ensuring the value of the tax function in terms of the way it serves the organization.

Announcer:

Lachlan, its been a real pleasure to speak with you today. Thank you.

Lachlan:

Great, thanks so much. It's great to be here chatting to you today. Appreciate your time.

Announcer:

Join us again next time and please email us with any suggestions you have for future topics at tax@kpmg.com. And we have included Lachlan's details in the podcast description if you would like to reach out to him directly. Thanks for listening!

Musical exit