

# TAX

*The global tax advisory market in 2018*



# EXECUTIVE SUMMARY

A complex landscape of changes that is affecting how clients deal with taxation makes tax advisory a challenging and rapidly expanding market. The tax advisory services market was worth US\$20.3bn globally at the end of 2017, having grown by 8.6% year on year.

Many countries all over the world are reforming taxation, and this is creating a constantly moving set of goalposts, making it difficult for companies to get to grips with what is required of them. Steps taken by some countries to cut taxes to boost investment have created an additional layer of complexity, as has an increasing bias towards digital transactions.

The importance of tax-related reputational risk has moved up the agenda thanks to some recent high-profile cases. This is stimulating demand for third-party support that is able to bring together both tax and risk expertise, as clients look to avoid becoming embroiled in similar situations.

There is heightened interest among clients in automating burdensome tax processes to make operations more efficient and to improve accuracy, and this is leading to wider debates about taxation strategy, and an increasing reliance on tax advisors for support.

All of this means that tax advisory firms need to be clear about what they offer to clients. Bifurcation is a key trend, with clients wanting support with both routine areas such as tax compliance and more complex issues such as cross-border tax strategy and tax risk. With routine services likely to be automated, in addition to commanding a lower price point, firms need to consider their positioning, focusing on value-add through evaluation and assurance activity rather than just service delivery.

With decisions about tax increasingly becoming enmeshed with wider business decisions, firms need to be able to provide multidisciplinary offerings that integrate tax decisions with other key areas such as risk and audit—and even business consulting services—putting the Big Four in a strong position with clients.

As tax work evolves and becomes more complex, the ability to recruit people with an appreciation of both taxation and technology will be key, as will the ability to work as part of an ecosystem in order to offer both breadth and depth of services.

Clients are becoming increasingly interested in outsourcing all or part of their tax function as a managed service. This is part of a wider trend, partly driven by cost, with clients eager to run more efficient operations and outsource what they see as non-core to their business. Success for consulting firms will depend on how effectively they can leverage technology to perform tasks previously carried out by people and develop repeatable solutions to avoid constant reinvention.

With the tax advisory space constantly evolving, this is a market that will continue to see strong growth to the end of 2019. Forecast growth of almost 11% in 2019 will increase the value of the tax advisory market to US\$24.4bn by the end of the year, with current trends all expected to gather pace in the coming months.

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# OVERVIEW OF THE TAX MARKET

It may lag behind some other areas of professional services in terms of market size—assurance and consulting, for example, make up a much bigger share of the global professional services market—but tax advisory services pack a punch when it comes to growth. This is a market that was worth US\$20.3bn globally at the end of 2017, having grown by 8.6% year on year.

Demand is increasing thanks to a shifting tax landscape that is affecting how clients deal with taxation. Changing tax regimes, and greater divergence between what is required in different countries, are making life hard for global corporations, which are having to deal with multiple sets of rapidly shifting compliance requirements. That's happening against a backdrop of technology-driven disruption, and a growing focus on the need to manage reputational risk related to tax, all of which is forcing clients to question their approach and operating model.

The result is a strong and growing market for consultants, and with complexity only likely to increase, it is a market that is expected to continue to generate growing demand for third-party support.

*“ Pressures around attracting and retaining talent, staying on top of legislative and regulatory change, building a sustainable data and tax technology strategy, and doing more with less are driving most companies to consider whether they have the right tax and finance operating model for the future.*

David Helmer, EY

*“ The market feels buoyant to us at the moment—demand is increasing, and we expect it to continue to increase in the coming years.*

Jane McCormick, KPMG

*“ The tax market has performed pretty strongly, and that's true across all regions and services.*

Colm Kelly, PwC

*“ The market is fairly buoyant at the moment—there are significant changes to tax rules happening in quite a few countries right now, and that's creating demand.*

Heather Self, Blick Rothenberg

Our survey asks clients questions about how they buy tax advisory services. In particular, this report draws on how they expect their expenditure on tax advisory services to change over 2018 and into 2019, and what initiatives they'll be working on and how likely that is to drive tax advisory work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

### **Interviews with senior consultants**

In addition to our quantitative research, we interviewed 11 very senior consultants from leading consulting and tax advisory firms globally to understand more about how the tax advisory market is performing, and what the major trends, changes, and challenges are. Throughout the year Source analysts remain plugged into the global professional services market through our custom research and consulting projects, adding further depth to our understanding of the professional services sector.

## Definitions of sectors



### Energy & resources

#### Energy

*Includes the exploration and production of energy, including oil, gas, coal, and renewables.*

#### Utilities

*Includes the delivery of electricity, gas, water, sanitation, and other related services.*

#### Primary resources

*Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.*



### Financial services

#### Banking

*Includes retail banking, commercial banking, and lending.*

#### Insurance

*Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, and retirement planning.*

#### Private equity

*Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.*

#### Capital markets

*Includes investment banking, trading of stocks and financial products, corporate finance, and broking.*

#### Investment and wealth management

*Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.*



### Manufacturing

#### Aerospace

*Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.*

#### Automotive

*Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.*

### Construction

*Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.*

### Consumer packaged goods

*Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.*

### Consumer and industrial electronics

*Includes electrical components, household and industrial appliances, commercial and professional equipment.*

### Industrial products

*Includes industrial machinery, steel and metal products, and plastic products.*



### Pharma & biotech

*Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.*



### Healthcare

*Includes private and publicly-funded healthcare, hospitals, laboratories, and medical equipment.*



### Public sector

#### Government

*Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.*

#### Education

*Includes public and private schools, universities, and libraries.*

#### Defence

*Includes national security and consulting around defence issues.*

#### Not for profit

*Includes non-commercial research organisations, religious, political and professional membership organisations, trusts, labour unions, and business associations.*



### Retail

*Includes the selling of clothes, food, consumer goods, and automobiles.*



### Services

#### Logistics

*Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.*

#### Business services

*Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.*

#### Leisure

*Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.*

#### Real estate

*Includes estate agencies and operators of residential and commercial buildings.*

#### Transportation

*Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.*



### Technology, media & telecoms

#### Telecoms

*Includes telephone, mobile, digital, and other communication services.*

#### High-tech

*Includes IT-related devices, computer and computer-related devices, audio and video equipment, broadcasting and communication equipment.*

#### Media

*Includes radio, television, and digital broadcasting stations and services as well as printing and publishing of newspapers, periodicals, and books.*

## ABOUT THE AUTHOR

### *Zoë Stumpf*

Zoë is Head of Consulting Market Trends at Source and is responsible for all reports published as part of the Consulting Market Programme. A world-leading expert on consulting trends, she is the driver behind Source's bespoke analysis of consulting's biggest geographical and industry markets. She is an active member of the Source research team and spends much of her time interviewing consultants and their clients all over the world, collecting their first-hand accounts of what is happening in the consulting world. She also brings extensive experience as an analyst and writer to her post.

Prior to joining Source, Zoë spent more than 12 years working as a management consultant in a variety of roles with KPMG and Atos Consulting. She has also worked as an independent marketing consultant.



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# SOURCE REPORT PROGRAMMES

## ● MARKET TRENDS PROGRAMME

A series of detailed reports that contain the most accurate view available about the consulting market in an extensive list of countries and regions. These explore key themes, provide market sizing data, growth forecasts, and deep analysis, all backed up by extensive quantitative and qualitative research amongst consulting firms and clients.

As well as our country reports, we also produce a global view of four different sectors. These reports contain sector analysis, market sizing data, and growth forecasts at a global level, as well as breakdowns by sub-sector, service, and geography. Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.

## ● STRATEGIC PLANNING PROGRAMME

A series of reports that take a detailed look at the big trends in the global consulting industry, interpreting them in terms of what they mean for consulting firms and who is best placed to exploit them.

## ● CLIENT PERCEPTION PROGRAMME

A series of reports based on our huge client survey, that reveal what clients think about the leading consulting firms in a number of regions and sectors. We rank the leading consulting firms in terms of clients' perceptions of things like quality and value. Data and analysis for these reports are made available to subscribers throughout the year.

As part of this programme we also publish global brand perceptions. Leveraging all the data we have about each of the world's leading consulting firms, we're able to offer insights that go far beyond traditional brand impact surveys. Choose the firms you want to benchmark yourself against, and we'll analyse how clients see your firm relative to your competitors, writing a custom report that puts you at the heart of it. Available on request.

## ● WHITE SPACE

A series of reports that analyse the quality and effectiveness of thought leadership. These are included in all White Space subscriptions.

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You can either subscribe to a whole programme (the cheapest way of getting access to everything) or buy reports individually. All reports in our programmes come with a global licence, so once you've bought them you can use them anywhere in your firm.

### What's included

- A global licence.
- An executive summary (8-10 pages) highlighting key themes.
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2018	MARKET TRENDS PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME**	WHITE SPACE
JANUARY				Hot topics in thought leadership
FEBRUARY	Forecasts for 2018 UK		In each report, we will publish the top-ranked firms for: <b>Mindshare</b> <b>Quality of work</b> <b>Value added</b> <b>Quality of work by different consulting services</b>	Quality ratings of thought leadership for the second half of 2017
MARCH	GCC DACH Benelux	Mega trend #1: Intelligent analytics	Germany part 1 US part 1 GCC part 1	
APRIL	Spain France Nordics		Germany part 2 UK part 1 US part 2	Analysis of recent thought leadership
MAY	Eastern Europe US Russia	Mega trend #2: Discover	Financial services part 1 Nordics part 1 Energy & resources part 1	Analysis of recent thought leadership
JUNE	Italy Canada	Mega trend #3: Strategy	France part 1 UK part 2 Financial services part 2	
JULY	South America Australia	Mega trend #4: Run	Healthcare part 1 France part 2	Analysis of recent thought leadership
AUGUST	Africa		Nordics part 2 TMT part 1 Energy & resources part 2	
SEPTEMBER	Planning for growth in 2019 India Energy & Resources*		Healthcare part 2 TMT part 2 GCC part 2	Quality ratings of thought leadership for the first half of 2018
OCTOBER	South East Asia Financial Services* China			
NOVEMBER	TMT* Healthcare*	Mega trend #5: How technology will shape the consulting business model of the future		
DECEMBER	*Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.	Mega trend #6: Digital transformation	**Part 1: What our data tells us about the market. Part 2: Firm-by-firm analysis.	

Would you like more information on any of the above? A more detailed view? Or to adjust any of it to suit your requirements? The adjacent page offers more insights into how we can help you.



# OUR CUSTOM RESEARCH SERVICES

Over the course of the last 10 years we've worked with leaders in many of the world's biggest professional services firms, to help them find solutions to some of their most important challenges. Here are some typical examples of the kind of work we do.

## **You need to know how big your market is**

We have a global data model of the professional services industry that is the biggest and most sophisticated of its kind ever created. It provides data on market size, growth rates, and forecasts across 29 industrial sectors, 10 service lines, and 84 countries. It also breaks down the market by different types of firm.

We can provide you with a version of the model that's customised to fit your needs, giving you data on all the countries, sectors, and service lines that matter to you, and none that don't. But we won't stop there, unless you want us to: Our analysts will work alongside you to make the model yours, mapping our definitions to yours, so you can look at the market on your terms rather than ours.

## **You need to understand what the numbers mean for you**

For many of the firms we work with, pure data isn't enough, and nor are standard reports able to offer a view that's sufficiently tailored to their needs. In these situations, our analysts start with a blank sheet of paper, put your firm in the middle of it, and draw on all our data and knowledge—including about clients' perceptions—to build a picture of the world around you. You get a story that's laser-focused on your challenges and your opportunities, and that helps you to translate data and insight into action.

## **You're new in your role and need to understand the market for which you're now responsible**

For people who have just moved into a new role, we can create packs of information specific to a particular geography, sector, or service line. Our market sizing data can be used to quantify the market's potential, and our analysis of clients' perceptions and the competitive landscape will help you understand how best to seize the opportunities and respond to the threats.

## **You need to create clear propositions around your services**

Our research tells us that having a big brand is no longer enough: Increasingly, clients expect professional firms to have a clearly articulated proposition for each service that differentiates them from their competitors. But the best propositions aren't built in a day: Our analysis, because it's grounded in facts about clients' perceptions and behaviour, helps firms quickly cut through internal disagreement and build a clear sense of direction.

## **You need help with your inorganic growth plans**

We also work with firms that are supplementing their organic growth with acquisitions, helping buyers find and qualify suitable targets for acquisitions. Leveraging our deep knowledge of the professional services sector, we can scan the market, profile companies, and even effect introductions. Firms use our services because we're well connected in the industry, independent, and fast.

## **You need to understand how you measure up against your competitors in the minds of clients**

Understanding what your clients think about your firm is critical in today's fast-changing and highly competitive market. New circumstances demand new, expert-led strategies to brand benchmarking, and that requires both independence—to get to the real story, not the one your clients think you want to hear—and deep knowledge and data about your market and your competitors.

We usually have a head start here, because of the data we already have, but we've got all the expertise and experience that's needed to conduct new research among your clients and those of your competitors, in order to understand where your strengths and weaknesses lie, and what you need to do to stand out. The focus might be on your firm alone, but it might also be on how you can create competitive advantage over specific, named competitors.

## **You need to create better, more effective, thought leadership**

Thought leadership has come to dominate the marketing activities of professional services firms, and with good cause: Our research with clients finds consistent evidence that good thought leadership matters to them, too. It helps them to do their job, to identify where world-class capability exists in these firms, and even to shortlist firms for projects.

How well does your thought leadership measure up? We can conduct in-depth reviews to assess quality in a sample of material that's either random or defined by you, from single pieces to entire bodies of work, on an ad-hoc or routine basis. We can also help you shape your approach to topics and understand what your competitors are doing, and can provide guidance about how to approach a specific piece of high-profile thought leadership.

We also recognise that good thought leadership doesn't happen by accident, but because you've put in place the right processes and engaged the interests and enthusiasm of your key subject matter experts. We help professional services firms create the foundations, organisational structure and processes for high-quality content. We can also run workshops that inspire your people and help make them more effective at creating thought leadership.

## About Source

Source Global Research is a leading provider of information about the market for professional services. Set up in 2007, Source serves the professional services industry with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

For further information please visit [www.sourceglobalresearch.com](http://www.sourceglobalresearch.com)

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