

December 2019

The Global Tax Advisory Market in 2019

Market Trends Programme

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Provides an at-a-glance view of the main trends in the market alongside key statistics.

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About this report

Our report draws on five main sources:

- Our global data model with 9.7 million data points
- Our survey of senior buyers of tax advisory services
- Our interviews with senior tax advisory professionals from a range of tax advisory firms
- Our interviews with senior clients of tax advisory firms across a range of sectors and functions
- Our in-depth desk research on the market

A detailed view of our methodology and more information about Source can be found below.

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Tax advisory market overview

COMPLEXITY REFORM SIMPLIFICATION DISRUPTION TRANSFORMATION GLOBAL INNOVATION AUTOMATION ENVIRONMENT

The global tax advisory market saw growth of 6.5% in 2018, taking it to a value of US\$34.4bn—a substantial improvement on 2017's growth rate of 5.3%. And the state of the market is set to remain positive, with healthy growth expected to the end of 2020.

Growth is good, and we expect it to continue.
Jane McCormick, KPMG

The tax market performed well in 2018. It was a good year.
Dan Powers, Grant Thornton

That's all very well, we hear you say: Even 2018's better growth rate is rather less impressive than that of the considerably larger risk and management consulting markets—which grew by 7.7% and 8.3% respectively. But perhaps the bigger story here than that told by the numbers is what's happening in terms of the type of work that is generating enthusiasm among tax advisors.

The tax challenge has become a whole lot more complex for clients, thanks to changes in laws, the need to manage tax in the context of an increasingly globalised business world, and massive technological disruption. Add in trade wars and Brexit-related uncertainty and this all makes for a difficult and rapidly changing environment. The upside for tax firms is that this is leading to some exciting strategic opportunities—and it is this type of work that is providing the real growth potential, making market positioning and client relationships the bedrocks of success.

“The tax market is an incredibly strong market, with much of the work being driven by regulatory changes.

Terri LaRae, Deloitte

“2018 was very much fuelled by the US tax reform—it really took off in the first half of 2018, and was one of the dominant aspects driving demand.

Susan Pitter, EY

“I haven't seen demand fall anywhere in high-end tax work in the past 18 months.

Marcus von Goldacker, Mazars

“Our firm grew almost 15% in revenue last year. Of our three service lines, tax grew fastest: Increasing complexity provides a great opportunity for us to advise our clients.

Dan Powers, Grant Thornton

About this report

Methodology

Sources

Our report is based on quantitative and qualitative research of tax services firms. This includes the following:

Megamodel: our global data model

The quantitative data contained in this report focuses on tax services done by mid- and large-sized firms (those with more than 50 employees) and typically includes work they have carried out for mid- and large-sized clients. It therefore reflects the “addressable” market for the majority of mid- and large-sized firms; we don’t try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market. Our analysts work out the addressable size of the market through desk research, identifying the number of firms that meet our criteria, and extrapolating from that to reach a figure for the market as a whole.

Using this definition, we’ve built a bottom-up model of the global tax advisory market from the information we get from firms and our own research, and we use it to size the industry and its growth rates. This is based on our global model which contains detailed data about almost 1,600 firms, plus higher-level estimates about a further 400,000 firms, all with more than 50 employees apiece, in addition to comprehensive primary research carried out by Source analysts.

Please note that our 2017 baseline figures have changed since last year. This year we conducted additional research and revisited our bottom-up primary research to ensure that we’re capturing the entire market within “big consulting”, including the work conducted by niche/boutique tax firms that are large enough to fall within this category. As a result, the overall tax advisory market has increased in size across all sectors and services.

All figures given in this report are in US dollars. For reference, Source is using the following exchange rates in its reports this year:

US dollar to British pound	US\$1 = £0.75
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US dollar to euro	US\$1 = €0.85
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Client view

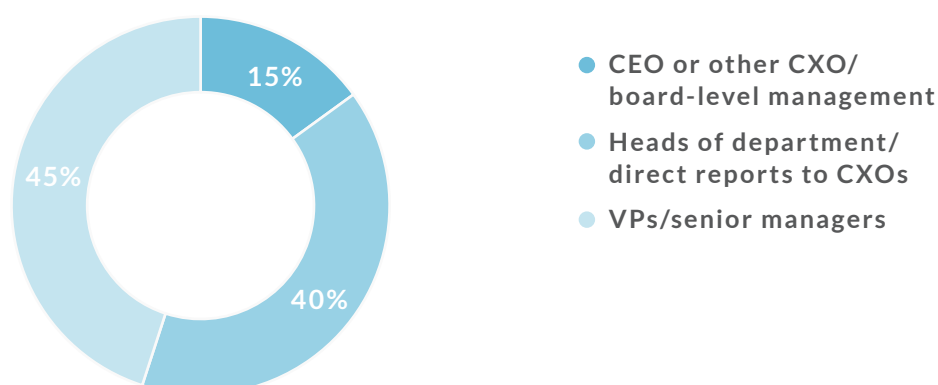
We interview senior end-users of tax advisory firms to help us to build up a rich picture of how trends in the tax services market are playing out within clients' organisations. Our conversations focus on the following areas:

- What's driving change in their organisation
- How they are using tax services professionals
- Factors that affect the way clients work with tax services firms
- What they value the most—and least—about working with tax services professionals

The data in this section of the report comes from approximately 100 senior executives, surveyed earlier this year, and drawn from a range of functions. All were in US-based organisations with more than 1,000 people. Around 30% of the organisations were drawn from the financial services sector; the rest came from a mix of different sectors.

Figure 26

Respondents by seniority

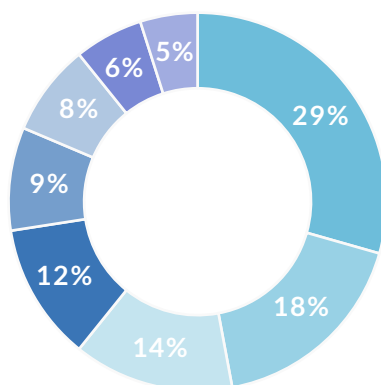


All respondents were selected on the basis that their role involved responsibility for some aspects of tax: The vast majority worked in the finance & risk function, but we also included a small number of people in the legal function who had tax responsibilities, and some from the strategy function, where we wanted an outside-in view of the tax function. They'd all made use of tax-related professional services firms in the last two years and had been personally involved in decisions to hire these firms. Almost one in ten had worked in a professional services firm in the past.

Our survey asks clients about how they expect their expenditure on tax services to change over 2019 and into 2020, what initiatives they'll be working on, and how likely it is that those initiatives will drive tax services work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

Figure 27

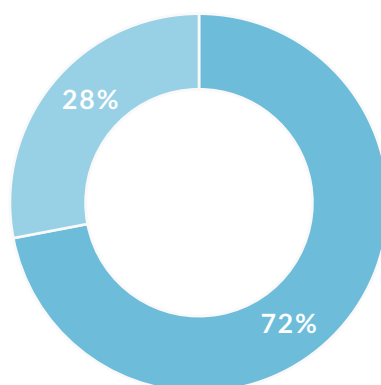
Respondents by sector



- Financial services
- Retail
- Technology, media & telecoms
- Healthcare
- Manufacturing
- Pharma & biotech
- Services
- Energy & resources

Figure 28

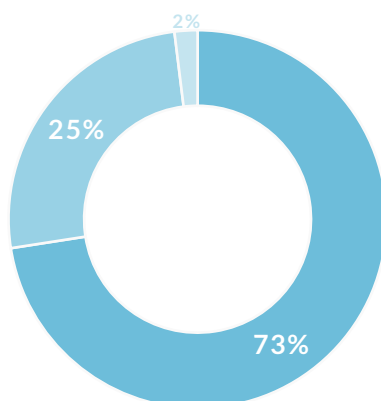
Respondents by organisation size



- 1,000–4,999 people
- 5,000+ people

Figure 29

Respondents by function



- Finance & risk
- Strategy
- Legal

Interviews with senior tax advisory professionals

In addition to our quantitative research, we interviewed 10 very senior tax advisory professionals from leading 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.

In-depth desk research

We also conducted a thorough PEST analysis on tax that drills down into finer macroeconomic details on a holistic and sector-by-sector basis and allows us to fit our research into a wider macroeconomic picture.

Definitions of sectors and services

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.

Services

For the purposes of this report, we've categorised the tax advisory market into sub-services that cover direct and indirect tax services including local, national, and multi-jurisdictional tax advisory. It also covers private wealth and business tax management including risk management and regulatory compliance.

Where mergers & acquisitions work is concerned, advising on deals is included (under M&A), but corporate finance fees on deals themselves are generally not included although it is not always straightforward to separate the two.

Indirect tax

Commercial solutions including compliance, administration, optimisation, automation, business risk, and legal—relating to VAT, customs & excise duties, international trade, environmental taxes, insurance premium tax, etc.

International tax

Managing global tax risks and meeting cross-border reporting obligations, including financing and structuring, transfer pricing, business model optimisation, and Base Erosion and Profit Shifting (BEPS).

Transfer pricing

The management of transactions—for tax purposes—between connected parties, including strategic alignment, automation processes, resource models, enabling technology, and risk and compliance.

Private wealth

Financial advisory for private individuals, families, family offices, and private trust companies, including wealth and family tax planning, investment strategies, risk and governance, compliance and regulation, and technology and processes.

Business tax management

Multi-jurisdictional tax advisory, including tax compliance, reporting, and risk management for direct/indirect taxes.

Global employer/mobility services

Advisory services relating to a global workforce, including compliance, tax, immigration, social security, risk, and reporting.

M&A

Advisory services relating to mergers, acquisitions, joint ventures, equity investments, or divestitures. Includes tax, accounting, regulatory requirements and reporting, and maximisation of post-integration benefits.

Contributors

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of the individuals who have contributed from tax advisory firms (some tax advisory professionals choose to remain anonymous).

Name	Job title	Firm
Christ Economos	Managing Partner – Global Tax & Legal Services	PwC
Marcus von Goldacker	Partner/ Global Head of Corporate Tax/ Tax Advisor	Mazars
John Kelleher	Partner Global Tax Services	Crowe LLP
Bisi Lamikanra	Head of Nigerian Advisory Practice	KPMG
Terri LaRae	Global Operations Transformation for Tax Leader	Deloitte
Jane McCormick	Global Head of Tax	KPMG
Reid Morrison	Global Energy Advisory Leader	PwC
Pedro Oliveira	Managing Partner	Oliver Wyman
Susan Pitter	EY Global Deputy Vice Chair, Tax	EY
Dan Powers	Global Head of Tax	Grant Thornton

About the authors

Zoë Stumpf

Zoë is Head of Market Trends at Source and is responsible for all reports published as part of the Market Trends 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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Fiona Czerniawska

A Co-founder and Managing Director of Source, Fiona is one of the world's leading commentators on the management consulting industry. Since founding Source in 2007, she has been bringing this expertise to bear on our clients' most pressing strategic projects and business issues. Fiona has published a dozen books on consulting topics, including two for The Economist: *Business Consulting: A Guide to How it Works* and *How to Make it Work and Buying Professional Services*.

She has more than 20 years' experience as a management consultant, working primarily in the areas of marketing and strategy. She was previously in charge of strategic planning for EY in the UK and has worked in the consulting practice of PwC. Fiona also has a PhD in 17th century French art and lives in hope that it will be of practical use in business someday.

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Programme schedule for 2019

Reports 2019	Market Data and Analysis	Client and Brand Insights	Emerging Trends
January	Forecasts for 2019		
February	UK	UK Nordics GCC	
March	GCC Benelux Nordics	France Germany US	The Future of Pricing
April	France DACH Southern Europe	Energy & Resources Financial Services Healthcare Technology, Media & Telecoms	
May	US Eastern Europe & Russia		The Value Problem
June	Canada		
July	South America Australia	Perceptions of Audit Firms Perceptions of Risk Firms Perceptions of Tax Firms	
August	Africa Risk		The Make-Buy Decision
September	India Energy & Resources Planning for Growth in 2020	Talent Attractiveness in 2019	
October	Financial Services China South East Asia		
November	Japan Healthcare Technology, Media & Telecoms		The Future of Delivery
December	Tax		

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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.

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