

November 2020

The Global Tax Advisory Market in 2020

Market Trends Programme



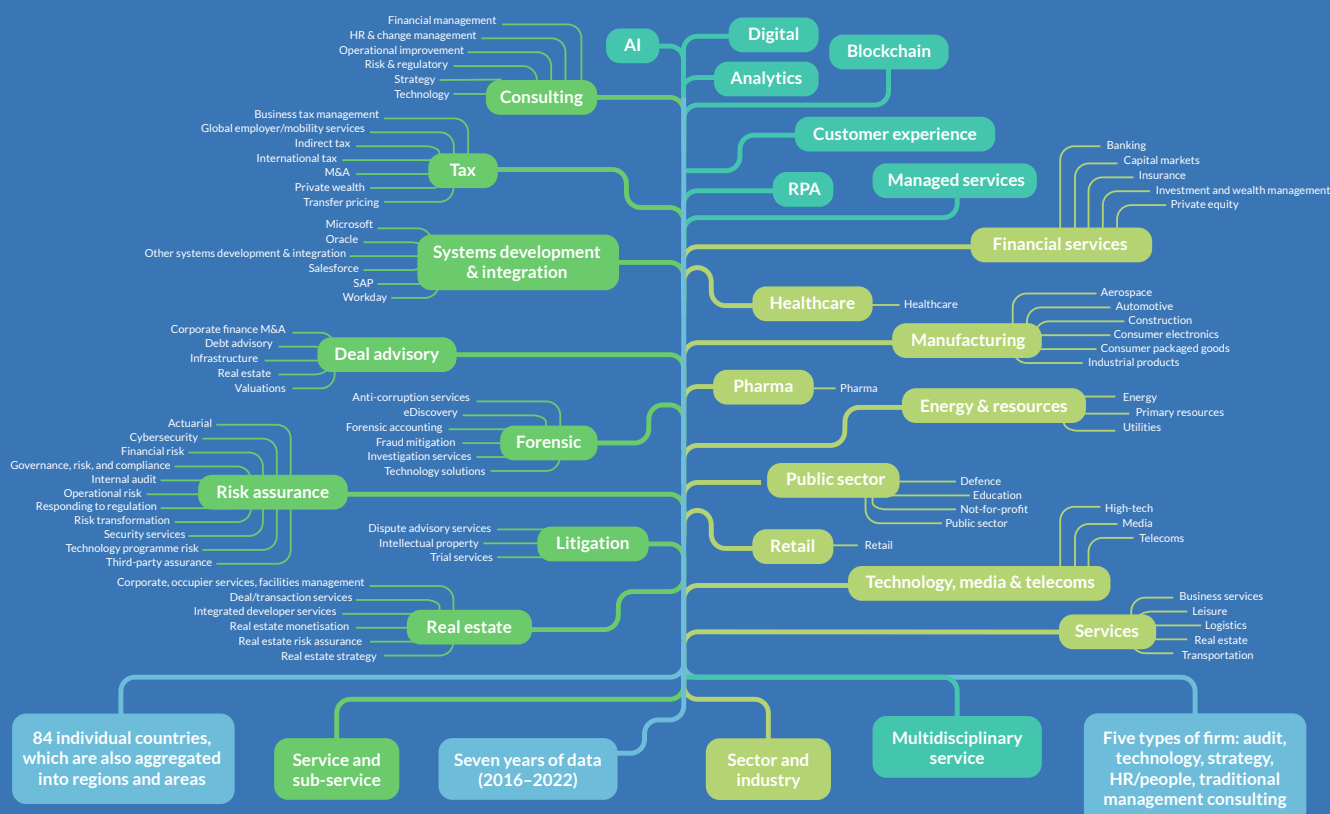
What's included in this report

Our reports offer a wealth of market sizing, growth, and forecast data alongside engaging, in-depth analysis of the trends that matter.



What else we cover

Our highly flexible, multidimensional model provides firms with robust, trusted data to make informed decisions about strategic investments and plan for the future.





How we can help your firm to deal with what's happening now and prepare for what comes next

Even before COVID-19, the professional services industry was entering a period of change the likes of which it had never experienced. But the pace of that change is now being accelerated, as firms respond to the crisis and reimagine their future in a changed world. We're working side by side with them, using our experience, data, and deep sector knowledge to help them create effective strategies for extraordinary times.



Real-time forecasting

Since mid-March, we've been supplementing our unique model of the global professional services sector with data collected from hundreds of consulting firms around the world. Our fortnightly updates have become the industry's satnav, providing up-to-date estimates of the likely impact of the crisis by region, sector, and service, which change as the market changes, helping consulting firms to adjust their strategy accordingly. But this publicly available data is for the market as a whole, and every firm faces a unique set of challenges. As you plan for the next 12-18 months, we can provide forecast data that's tailored to your business.



Immediate market feedback

One of the biggest challenges facing consulting firms is uncertainty: How has client behaviour changed as a result of the crisis? Whether we're leveraging our own research carried out over the previous few weeks, or undertaking custom research around your services and markets, we can provide you with quantitative and qualitative feedback very quickly, enabling you to take quick and informed decisions.



Client-led propositions

Past crises have shown that the speed with which a consulting firm adapts its services will determine its resilience—and that's truer than ever in the current environment, when clients' expectations around what's possible have radically shifted. They're looking to consulting firms to deliver better, faster solutions—and consulting firms will need to respond by being more precise about where they can add tangible value and more compelling in the way they articulate this. We've worked with many firms over the last decade helping them test their ideas with clients.

About us



– **We're nerds:** We take a data-driven approach to helping firms take investment decisions. Since we started, we've invested millions in sophisticated, proprietary research techniques that give us unique insights into current and future trends.



– **We're experts:** We've been focusing exclusively on the professional services sector for more than a decade, and we keep our knowledge up to date by interviewing hundreds of senior partners in professional services firms around the world each year.



– **We're future-focused:** We undertake the largest regular quantitative surveys of the professional services sector anywhere in the world, and we're constantly talking to professional services firms' clients in order to understand how changes in their behaviour will reshape the industry in the future.



– **We're independent:** Our analysis and recommendations are derived from our data and experience. We don't recommend firms to clients, and we will never tell you what you want to hear just because you've paid us.



– **We're obsessed with value:** Our information and insights have underpinned some of the most strategic investment decisions made by professional services firms. That's because we know that, if we're going to have an impact, how we communicate is as important as what we communicate.



– **We're easy to work with:** We'll work with you as you want, whether that's providing you with off-the-shelf data or multi-country custom research. Because we want our work to add value, we charge for what you need. We don't run a meter and we don't have complicated licensing that limits who can read our material.



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

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The global tax advisory market

This report draws five key conclusions about the tax advisory market, each of which is covered in a separate section:

1 As a result of the COVID crisis, the global tax advisory market is expected to contract by 9% in 2020, but to see a recovery in 2021

The tax advisory market is less impacted by the crisis than most other professional services	10
The global tax advisory market was worth just under US\$37bn in 2019	12
Before the crisis, growth was strongest in transfer pricing, indirect tax, and deals	13
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Financial services continued to be the main market, but others grew more quickly	15
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Faster growth in emerging markets in 2019 has been replaced by a more complex picture	18
Less activity around M&A and international restructuring has hit the US and UK markets	20

2 There's been a dramatic shift in clients' overall priorities as a result of the crisis, with implications for the finance and tax functions

To understand how the tax advisory market is likely to evolve, we need to start with clients	22
Falling sales have only been part of the problem	23
As a result, compliance and risk are now the key challenges for the finance & tax function	24

3 External tax advisory services were vulnerable to cost-cutting at the start of the crisis, but clients' cutbacks appear to have proved unsustainable

Before the crisis, clients had been increasing their use of external tax support...	25
...and anticipated making more use of external support in the future	26
The early weeks of the crisis saw a significant reduction in clients' use of external tax support	27
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4 This will create new opportunities for tax advisory firms going forwards—but also new challenges

We expect the tax advisory market to recover most of the ground it's lost by the end of 2021	32
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5 We've identified seven actions firms should take to help them grow ahead of the market average in 2021

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Insights from consultants

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About this report

Our report draws on four main sources:

- Our global data model with 9.7 million data points
- Our surveys of senior buyers of tax advisory services
- Our interviews with senior tax advisory professionals from a range of tax advisory firms
- 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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The global tax advisory market

Executive summary

This year's report is inevitably dominated by the COVID-19 crisis. While demand for tax advisory work has held up better than many other areas of the professional services sector, we still expect the market in 2020 to contract by around 9% compared to 2019, resulting in it being worth US\$33.4bn. M&A-related and international tax work have been worst hit, but tax compliance—once clients had established that this couldn't easily be done in-house—has performed comparatively well. Demand in the financial services sector has contracted only slightly, while that in pharma, healthcare, and the high-tech and telecoms part of the TMT sector has grown. Industries that have been particularly badly hit—energy, for example, where the early stages of the pandemic were accompanied by a vertiginous collapse in the price of oil—have seen considerable activity focused on conserving cash, while other, discretionary projects—around the transformation of the tax function, for instance—have been abandoned.

Although the pandemic looks set to depress economic growth into 2021, our current modelling predicts growth of 7% in the tax advisory market next year, reflecting a combination of economic recovery, clients who can no longer defer strategic investment decisions, and continuing pressure on in-house tax functions.

But changing client demand and behaviour will bring challenges to the tax advisory industry. The pandemic has radically reshaped client priorities, with securing new funding, rethinking business risks, improving productivity, and investing in technology all vying for space at the top of the corporate agenda. Finance and tax functions are having to balance the demands of tax compliance with the ability to respond to new and unprecedented risks. That balancing act saw attempts to reduce reliance on external support early in the crisis, only for demand to recover as clients recognised that they lacked the capacity and/or capability to carry out compliance work by themselves. We expect that experience to colour demand during the coming year: Although M&A activity is likely to bounce back, steeply driving up demand for deals-related tax work, clients will also be focused on driving down prices in compliance.

Responding to these opportunities and challenges will require tax advisory firms to:

- [stay close to clients who know them well—but to change the way they work](#)
- [focus on clients who are launching a new strategy and/or are being forced to change](#)
- [deliver more of their work through alternative models](#)
- [resist the pressure to reduce prices by shining a light on their tools and expertise](#)
- [invest in up-to-date information that no one else has](#)
- [find a payment mechanism that maximises certainty while still incentivising performance](#)
- [demonstrate the value they can add by pointing to concrete results delivered in the past.](#)



About this report

The COVID-19 pandemic has changed our lives, our communities, the global economy, and the wider consulting market—including tax advisory services—and its impact is likely to be felt for some considerable time to come. Against this backdrop, we wanted to develop a report that is as useful as possible in understanding the immediate impacts of the crisis while helping firms navigate a way forward.

As the market recovers, clients' needs will be dictated by the needs that were already there, coloured by recent events. Therefore, understanding both the situation before the crisis and the things that are changing right now will be essential for firms to support clients through the recovery. With this in mind, this report includes the following:

- Analysis of the tax advisory market in 2019, including key trends, and analysis of demand by service, sector, and geography
- A look at how client demand is changing and an assessment of the services most likely to experience demand once the situation improves
- Insights from firms around demand in 2019 and how this is being reshaped in 2020, as well as how they are organising themselves and approaching the market
- A link to our latest forecasts for 2020

Recognising how quickly the wider consulting market is changing in 2020 as it is reshaped by the pressures of COVID-19, we will also provide subscribers with regular, monthly updates to the end of 2020. These will include our latest thinking about the impacts of the crisis, together with global forecasts split by region and accompanied by high-level commentary.

We have drawn on key data sources in order to develop our analysis:

- We've built a bottom-up model of the global tax advisory market from the information we get from consulting firms and our own research, and we use this 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 consultants apiece, in addition to comprehensive primary research carried out by Source analysts.
- We're very grateful for the input of a wide range of firms, who are helping us assess the impact of COVID-19 on the market by providing up-to-the-minute information that we are using on an ongoing basis to adjust our existing model of the industry.

For our latest global analysis of the effect of the COVID-19 pandemic on the consulting market, please [click here](#).

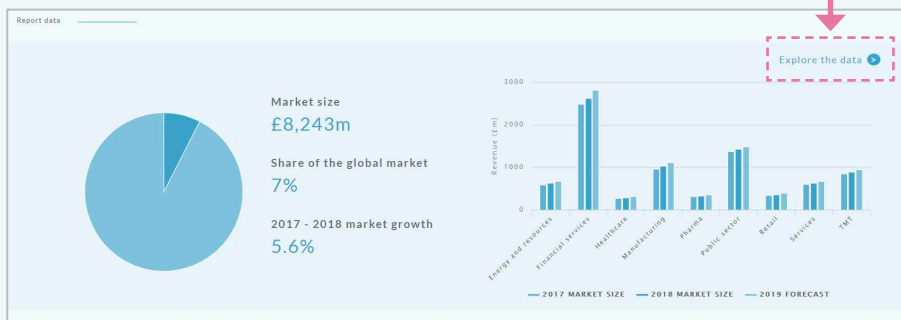
 **COVID-19 model**



Explore the data

All of the market size data in this report is available to explore online through our global data model portal. You are able to interact with the data in more detail and create custom views of the market to suit your needs.

You can access the data via our reports page, as seen below:



 Explore the data

Our global data model is the biggest and most sophisticated model of the professional services industry available. It provides data on market size, growth rates, and forecasts across 29 industries, 12 service lines, 84 countries, and five firm types. It's the platform on which a growing number of professional services firms are basing their understanding of the market and their performance within it.



Contributors

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of individuals who have contributed.

Name	Job title	Organisation
Kate Barton	Global Vice Chair, Tax	EY
Marcus von Goldacker	Partner / Global Head of Corporate Tax / Tax Advisor	Mazars
Jane McCormick	Global Head of Tax & Legal Services	KPMG
Wole Obayomi	Partner & Head of Tax, Regulatory & People Services, KPMG Nigeria	KPMG
Dan Powers	Partner, Tax Services Practice Leader	Grant Thornton
Brint Ryan	Chairman and CEO	Ryan LLC
Lisa Stott	Global Lead for Tax Advisory Services	Deloitte
Carol Stubbings	Global Tax and Legal Services Leader	PwC



About the author

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 2020

Reports 2020	Market Data & Analysis	Client & Brand Insights	Emerging Trends
January			
February	Forecasts for 2020 UK	UK	
March	GCC Benelux	GCC Nordics	The Future of Account Management
April	Nordics	Germany	
May	DACH France Southern Europe US	US France	
June	Eastern Europe & Russia Canada Australia India South America Japan South East Asia China	Financial Services Technology, Media & Telecoms	Sustainable Futures: Building Resilient Businesses
July	Mexico Africa	Energy & Resources Healthcare	
August	Global Risk & Cybersecurity Services	Perceptions of Risk Firms Perceptions of Tax Firms	
September	Financial Services	Perceptions of Audit Firms	Sustainable Futures: A Climate Transformed
October	Energy & Resources Healthcare & Pharma		
November	Global Tax Advisory Technology, Media & Telecoms Planning for Growth in 2021		The Consultant of Tomorrow
December			

Please note that with the purchase of all country Market Data & Analysis reports in 2020, you will also gain access to monthly updates regarding the impact COVID-19 is having on the consulting industry more widely.

White Space

A powerful research tool that allows subscribers to keep up to date with the latest content being produced and maximise their return on investment. A series of reports that analyse the quality and effectiveness of thought leadership are published throughout the year.

Our custom work

We provide advice and custom research services to the world's most successful professional services firms, helping them to identify, and develop strategic responses to, their most pressing opportunities and challenges.

Among other things, our work includes:

- Deep market and competitor analysis
- Acquisition strategy
- Proposition strategy and development
- Brand and client sentiment analysis
- Thought leadership and content strategy, development, and review

For more information about any of these, please visit our website or get in touch.

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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