Sending a man to the moon

General Features



01 November 2017

Georgiana Head considers the skills needed for a future in tax

Key Points

What is the issue?

The UK is about to enter a period of great change and to survive and thrive we need to also think about what will be the equivalent of ‘new metal alloys’ for our profession.

What does it mean to me?

Advisers need to become increasingly technologically confident as well as maintaining their technical skills.

What can I take away?

The tax industry is changing rapidly, and advisers should be analysing what new skills they need to stay up to date.

In September 1962, seven years before they put a man on the moon, US President John F Kennedy gave a speech at the Rice Stadium about his plans to reach the moon, and the technology they would need to develop to do this: ‘We shall send to the moon, 240,000 miles away from the control station in Houston, a giant rocket more than 300 feet tall, the length of this football field, made of new metal alloys, some of which have not yet been invented, capable of standing heat and stresses several times more than have ever been experienced, fitted together with a precision better than the finest watch, carrying all the equipment needed for propulsion, guidance, control, communications, food and survival, on an untried mission, to an unknown celestial body, and then return it safely to earth’.

Two years on from the announcement of MTD (Making Tax Digital), I think the tax profession in the UK is about to enter a period of great change and to survive and thrive we need to also think about what will be the equivalent of ‘new metal alloys’ for our profession.

The in-house perspective

I spoke to Lee Holloway, Group Head of Tax at Next Plc. He gave me an insight into the in-house perspective, as he explained: ’Currently year-end tax work is focused on getting data from accounting systems and analysing what elements of this are “good” or “bad” data and then taking it through spreadsheets and tax software to be able to filter out the tax numbers and tax notes. The UK government’s plan under MTD is that this information is mined on a quarterly basis – but the reality is that the accounting systems in for example some of the FTSE 100 are vast, cumbersome beasts often as much as 10 years old, they cost millions of pounds and can’t simply be uprooted. We, the tax profession desperately need better tax technology as there isn’t yet anything which can properly link in to these systems. Firms like Alphatax are developing software that can link in to accounting systems but we are some way off from a system that can link neatly into your accounting software and produce what is needed for the accounts’.

Holloway feels that this is actually an opportunity for ‘both sides’ of the tax profession: so both the accountancy firms and the in-house teams to ‘create almost a new type of tax person, a tax technologist who can sit alongside R&D specialists and capital allowance specialists’. He would: ‘gather programmers and train them in tax’. He sees the ATT as a great base level qualification which would help get these IT literate individuals an understanding of tax. He likens it to how in the in-house team at Next he has taken accounting specialists with strong IT skills to retrain in tax as he says; ‘In an in-house team of 10 tax professionals you can shelter some lack of tax knowledge initially but not a lack of IT knowledge so a diverse team needs some really IT literate people’. Holloway is however adamant that better IT doesn’t mean complete automation and the loss of jobs: ‘ You still need tax advisers, you still need people to interpret data, people who can update the system when a new court case comes in, who can interpret the case for their specific industry, people who can sit alongside the CFO and give an answer to why the businesses’ tax rate is different to the standard rate for example, and why the capital allowances are different numbers to the depreciation figures. The CFO wants to be able to walk down the corridor and have a conversation with someone about forecasting and up and coming risks for the business or what happens from a tax perspective if they invest in a new region. Then there’s dealing with tax audits and enquiries. To get a computer system to do all this is practically ‘West World’ levels of technology.

Training the future

So what should we be advising today's graduates and school leavers about a career in tax? If accountancy firms aren't able to charge the same amount for tax return work – if HMRC are effectively collating the information themselves from bank feeds and other digital sources and telling the client what to pay – surely there will be a sharp decline in income from compliance work? In the past I would have always suggested that a good grounding in compliance was a great starting point to most roles in tax. Indeed, in the past I have frequently counselled junior candidates to knuckle down and stay put in a role, explaining how they needed to get on and serve their 'apprenticeship' in compliance and reporting before moving on to more advisory work. Nowadays, with pure advisory teams, you don't need to train in compliance – but this doesn't mean that experience of tax reporting and compliance can't still have a place.

I asked John Whiting, former PwC partner, OTS tax director and CIOT President & tax policy director on his thoughts about the future of the tax profession and how he could counsel someone who was considering a move in to tax: 'I think working in the tax profession is as valid a career choice today as it was for me all those years ago. Key aspects such as intellectual challenge, dealing with practical problems and regular change are always going to be there. But as we all know, the pace of change is ever-increasing and that, combined with digitisation and AI surely means that tomorrow's tax professional will need to be more flexible in what they do, and be more prepared to develop and reinvent themselves in different directions as their career evolves.'

So what does the future look like?

I talked to Adam Owens from Diagnostax, one of the new breed of tax technologists. Speaking about his experience, he explained that he had: 'trained in a tax boutique where from day one, it was straight in to advisory work, specialising in property related tax issues'. Owens accepts that 'expertise and experience counts for a lot in tax', but sees a divergence from the traditional 'compliance first' view. Given that 'successful tax advisors have to move with the times as legislation changes' he explains that 'where given the opportunity, young, bright and ambitious people can quickly upskill in advisory work'. Both he and Holloway agree that the key to being a successful modern tax professional is to have 'people facing skills' and Owens asks whether 'years of compliance is really the best way to hone these talents?'.

But what does Owens' role as a tax technologist involve? Owens works at Diagnostax, a relatively new business which promotes a very clever piece of software. This system can be used by accountancy firms to help diagnose tax issues for their clients. By asking a series of questions such as turnover, profits, industry sector, and current objectives (e.g. employee retention, business investment, exit and retirement) it creates a profile of a client. Then, following a series of tailored questions, it diagnoses potential tax issues, statutory reliefs and advisory opportunities. The system adapts and learns, so it constantly updates through a combination of tax and software expertise. Owens explains its function: 'In practice we all have our best clients for whom we provide a great service, who we know inside out; but it's very hard for a tax adviser to know every detail of every one of their clients. Tax is very broad and complicated; no one tax adviser can identify every opportunity available to every client. This helps you get a complete scope of your client and is much more structured and scalable than having a tax partner do constant preliminary meetings to try and identify opportunities. Its role isn't to replace the adviser, but assist them, ensuring their time can be better spent actually delivering this work'. He continues: 'The software is backed by a panel of experts who can work with the accountant to help him provide advice to his or her client on areas that may not be his or her normal specialism'. As such, Owens' role comes out of his background in tax and has seen him help develop a tool which can move tax professionals from focusing on the preceding year to focusing on the future. I can see that it would be useful for any tax practice that is worried about losing compliance fees and identifying new advisory work streams. As Owens says: 'This is all about vanilla tax planning, statutory reliefs and allowances – we steer clear of tax products or tax avoidance'.

Marc Jacobson, who is working on Grant Thornton's response to MTD in their North West Offices, also sounds a note of caution about MTD meaning less billable work for the tax profession. He gives the example: 'Those of our clients who are US owned corporates already report tax information on a quarterly basis for internal purposes, they like us to help with this and interpret the data. Although MTD will mean quarterly reporting of income, it will still need professionals who can also identify the reliefs due, advise on the R&D claim or the capital allowances '. Jacobson sees a key risk being: 'the fact that we don't currently know what system will be available for quarterly reporting whether it will be free or whether businesses will have to pay for it. He wonders if there may be some form of tax allowance available to cover the costs – particularly for small businesses '. He feels the tax profession will have to

learn from their colleagues in audit; ‘bringing in data analytics to help identify and flag risks from quarterly reports before HMRC notice and investigate‘.

Gary Brothers, MD of Independent Tax and a leading tax investigations specialist, trained with the Inland Revenue and worked as an Inspector of Taxes before moving in to the profession. He feels that HMRC: ‘Still offer a good career track and training that – it’s a great place to learn tax deeply and to get some unobtainable experiences too. Just don’t think they are always right though as the current training gives a rather single-minded approach to tax’. He does feel that HMRC will help lead on the new technology and that starting with HMRC can help if you want to head for a career in tax investigations. A field which, as he says: ‘tax disputes provides, I think, the most interesting work – intellectual and practical challenges. I’d go down that route every day!‘

So it would seem that MTD could provide opportunities for the tax profession but only if we can develop new technologies, and, as Kennedy also said back in 1962: ‘do all this, and do it right, and do it first before this decade is out – then we must be bold.’