



Unlocking trust: why global compliance is on the business agenda

Mazars 2021 global compliance study



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Introduction

Foreword

Far more than an obligation, leaders view global compliance as an opportunity to create business value

Compliance has long been a cornerstone of good business practice: a key factor in strategic commercial decisions and crucial for sustainable growth.

However, global compliance can still be viewed by some as simply an obligation to be met rather than an opportunity to be capitalised on. Similarly, because failure to be compliant can lead to financial and reputational risks, and even criminal charges, companies can tend to focus on the constraints of compliance rather than the competitive advantage it can create.

And right now, global compliance is getting more complicated, particularly for international businesses up against changing legislation and the long-term consequences of Covid-19.

That's why we set out to uncover how business leaders approach global compliance, including the attention they devote to it, the returns they expect, the risks they anticipate, and where they focus investment.

By surveying more than 890 senior compliance professionals in 25 countries, we find compliance is, in fact, treated as a creator of real value. Done well, respondents tell us it builds investor confidence, increases client and customer trust, and shapes a positive reputation with the outside world. Far more than ticking a box, compliance is a source of opportunity.

Secure in the knowledge that good compliance makes a big business impact, compliance leaders are devoting time and resources to managing it. With scrutiny on business as tight as ever, the finding that most leaders plan on increasing financial and human resources dedicated to compliance should be reassuring for anyone who wants to see good business done well.

There are, of course, obstacles ahead: the ongoing impact of Covid-19 and fast-moving legislation, technology and public expectations. Leaders are right to anticipate issues; emerging from the pandemic, we will see short-term challenges such as reporting obligations linked to repaying government loans, while economies could be restructured over the long-term and include new sets of regulations.

We also discover tax transparency to be a fascinating microcosm for compliance, learning that many organisations go far beyond their basic responsibilities.

Our global findings demonstrate the clear sense of responsibility that business leaders have towards compliance – and the return on investment they expect to see. They provide insight not just into the very real business value of compliance today, but the vision that senior compliance professionals hold of how business needs to work tomorrow.

In a world where confidence takes years to build and just moments to lose, global compliance emerges as a critical way for businesses to stand out for all the right reasons.

We are delighted to have had the participation of so many experts and decision makers in this exercise and hope that you will find useful insights here for your own organisation.



Erick Gillier
Partner, Global Head of Outsourcing,
Mazars



Introduction

Executive summary

Compliance is an opportunity creator

Compliance leaders tend to see global compliance as an opportunity creator rather than just an obligation, and the opportunities are significant: to create trust, bolster confidence and build their reputation. Valuable prizes are on offer for meeting compliance requirements: 65% feel that good compliance increases investor confidence; 64% say it increases client/customer trust; 61% say that it helps build a good reputation.

There is significant value in compliance, and it means senior decision makers frequently devote time to proactively managing it. Three-quarters of businesses have their top executives or board engage with compliance questions quarterly or even more frequently. This is most likely to be part of a pre-scheduled review of risks (50%), but also in pursuit of new insights or opportunities (44%).

Compliance attracts resources as well as attention: three in five businesses (60%) have increased funding for compliance over the last year, and 68% will increase funding over the coming five years.

Businesses expect compliance requirements to become more difficult to meet in the future

In general, businesses confirm their attention and resources devoted to compliance lead to positive results: 82% are confident they are successfully meeting the requirements now and will continue to do so in the future. However, over half of them (51%) expect compliance to get harder in the next five years. This calls for a sustained attention to the evolution of compliance and an assurance that businesses will keep up with the pace of change and meet the increasing levels of complexity brought on by new regulations.

Consequences for falling short

Compliance leaders know the significant risks of falling short: 77% say their business has faced some accounting and tax compliance-related challenges, somewhere in the world, during the last five years. These consequences most commonly include reputational damage, internal disciplinary action and fines.

Compliance harder to manage

Compliance is getting harder to manage: it's becoming more complex, legislation is changing fast, and Covid-19 will continue to cause disruption. Some 38% of respondents cite increasing complexity and Covid-19 as among the most significant challenges to compliance over the next five years; 36% highlight new legislation. Brexit also presents some disruption to compliance, but it does not rank high on the list of challenges (23% globally choose it as a top challenge).

Above and beyond on tax transparency

Businesses are going above and beyond in their efforts to be tax transparent. Over two-thirds (70%) of respondents say their business voluntarily publishes more tax information than the law requires. As with compliance overall, there are valuable external benefits on offer, particularly enhanced trust and reputation. Some 36% name "building trust with tax authorities, politicians and/or regulators" as a key benefit; 33% cite their public reputation.

Over two-thirds (68%) of leaders expect to become subject to new tax transparency requirements in the next five years.

Investment increasing in compliance

Technology (especially machine learning/artificial intelligence) and skills are the biggest planned investments in compliance: 45% say new accounting and tax compliance technology will be one of the biggest drivers of their function's improved performance in five years' time.

However, they are also held back by a lack of team knowledge and skills: two in five respondents (42%) feel this is a major obstacle to their team meeting compliance goals. Upskilling is the second-biggest area targeted for investment.

Broad regional consistency with some outliers

Regions and countries return broadly similar answers across the question sets, giving us a strong understanding of the consistency with which leaders around the world approach compliance activities.

Some outliers can still be identified: 50% of leaders in Latin America, for instance, review their compliance issues monthly or more, which is 11 points higher than the global average, and they view compliance most strongly as an opportunity out of all the regions surveyed (65% vs 58%).

Respondents in the US, meanwhile, cite the biggest challenge to compliance as increased scrutiny from regulators – which does not feature in the top three challenges for all respondents – and leaders in the US are more likely to view compliance as creating value because it shapes a positive reputation with the general public and government, and manages overall risk, which differs to the overall findings.

In the Africa-Middle East region, Latin America and the US, compliance leaders are more likely than respondents overall to have increased their resources dedicated to compliance in the last 12 months (78%, 71% and 78%, respectively, compared to 60% overall). The same three regions plan on boosting investment in compliance the most in the next five years.

How the financial services sector works on compliance

The highly regulated financial services sector pays very close attention to compliance, anticipates upcoming challenges and plans on increasing investment in the function, according to the survey. Leaders from the FS sector are more likely to view compliance as an opportunity than respondents overall (64% vs 58%) and say the top outcome of good compliance is increasing investor confidence, which does not feature in the top three for all respondents.

On the consequences of poor compliance, FS respondents are most likely to say internal disciplinary action (43% vs 35% overall) and damage to reputation (40% vs 36%). Covid has clearly impacted the sector more significantly than the others surveyed; FS leaders cite all the negative consequences of the pandemic by at least five points more than respondents in general.

They also see compliance as getting much more challenging in the next five years (26% vs 16% overall) and to deal with this are investing in new technology (82% vs 78% overall) and revising strategy (80% vs 72%). And when it comes to tax transparency, compliance leaders – operating under strict regulation – are providing more tax information than required: 30% say they publish ‘extensive, detailed information well above what is required by law’, compared to 25% for all respondents.

Methodological notes

- Mazars, in partnership with GQR Research, surveyed 892 senior accounting and tax compliance professionals working in multinational companies, between 30 April and 2 June 2021. Fieldwork was conducted online.
- Respondents came from all global regions, with an emphasis on Western Europe and Asia-Pacific.

Region	Sample
Africa & Middle East	100
Asia-Pacific	251
Central & Eastern Europe	50
Latin America	101
North America	51
Western Europe	339

Introduction

Standout findings

This section highlights ten ‘standout findings’, including: the perception of global compliance, the expected benefits, the level of senior interest, intended investment trends, potential consequences of poor compliance, predictions for the future, and more.

Global compliance seen more as value creator than net cost

58% vs 37%

A majority (58%) of compliance professionals view global compliance as an opportunity that helps create value. A minority (37%) label it an obligation that results in a net cost. 5% are undecided.

Good compliance builds confidence and trust

65%

Asked for what good global compliance delivers, the top response (65%) is ‘investor confidence’, followed by ‘client and customer trust’ (64%).

Businesses put senior effort into compliance

75%

Three-quarters of businesses have their top executives or board engage with global compliance questions quarterly -- or even more frequently.

Leaders confident on compliance

82%

Some 82% of respondents express confidence of at least 8/10 (on a 10-point scale) they are meeting global compliance demands now and will do so in the future.

Compliance funding continues to grow

60%

Three in five businesses have increased funding for global compliance over the last year, and 68% will increase funding over the coming five years.

Technology tops planned investment areas

42%

New technology to facilitate accounting and tax compliance ranks top of planned investments – with 42% intending to make a major new investment in this area.

Majority have faced consequences of non-compliance

77%

Over three-quarters (77%) of respondents say their business has faced some accounting and tax compliance-related challenges over the last five years. Consequences most commonly include reputational damage, internal disciplinary action, and fines.

Compliance expected to get harder

51%

More than half (51%) of respondents expect global compliance to get harder in the next five years. Increased complexity, Covid-19 and new legislation are the top challenges.

Lack of knowledge main obstacle to meeting requirements

42%

Two in five (42%) respondents say they need to develop the knowledge and skills of their compliance teams.

Businesses go further on tax transparency than necessary

70%

Over two-thirds (70%) of respondents say their business voluntarily publishes more tax information than the law requires. Top expected benefits include building trust and public reputation.



Chapter 1

The value of compliance: increasing stakeholder trust and confidence

- A clear majority of compliance leaders worldwide consider compliance an opportunity to create value – a minority see it as an obligation that results in a net cost.
- The benefits of good performance on compliance are clear: building investor confidence, customer trust, and a positive reputation.
- Business leaders give compliance their time and attention, with top management at three-quarters of businesses engaging at least once a quarter. It is also drawing in investment, with the majority increasing compliance resourcing.
- This attention and investment pays off: businesses are highly confident they are meeting their compliance requirements now and in the near future. This comes despite a clear view that meeting compliance demands will get more challenging in the coming years.

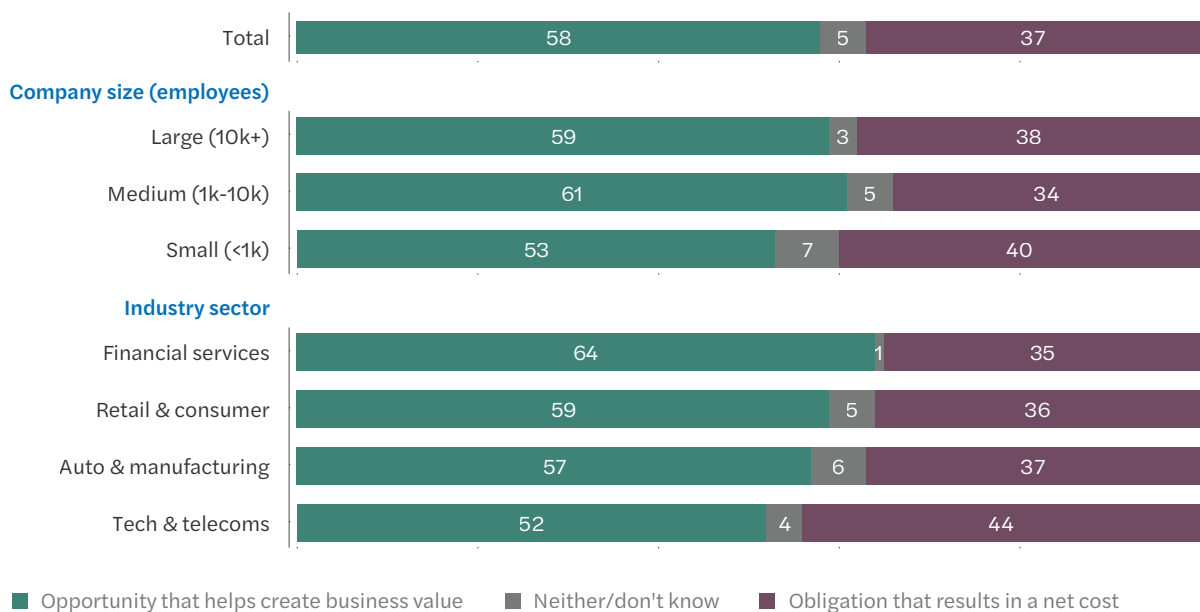
Compliance is an opportunity to create value

Most respondents (58%) see compliance as an opportunity that helps create business value, rather than an obligation that results in a net cost (37%). This majority is highly consistent: across all company sizes, global regions and industry sectors, more than 50% of think of compliance primarily as an opportunity.

Financial services respondents (64%) are more likely to view compliance as an opportunity than those from other industry sectors. Retail & consumer goods is the next most optimistic sector, with 59% of compliance leaders viewing it primarily as a creator of business value. Technology & telecoms is the sector that is most ambiguous about compliance: 52% view compliance as an opportunity, 44% as an obligation.

Figure 1 - Compliance: opportunity or obligation?

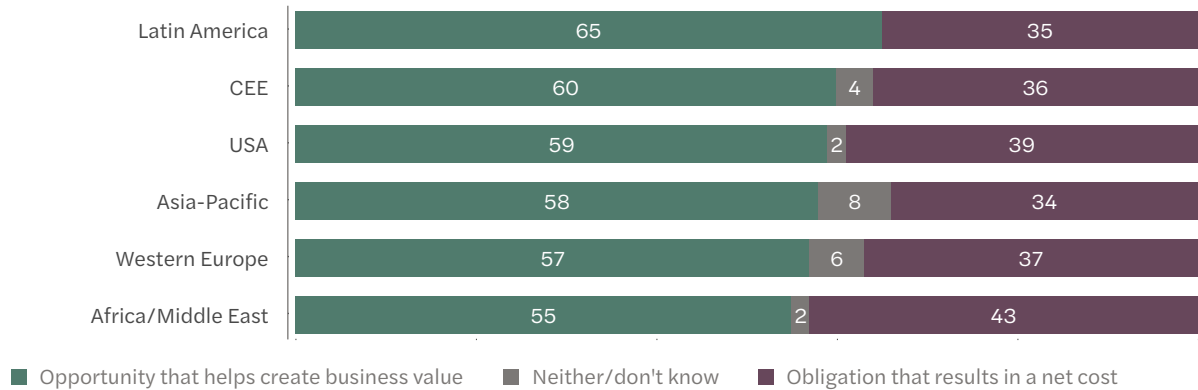
Percent of respondents



Below are two statements about accounting and tax compliance. Please choose the one closest to your point of view, even if neither is exactly correct. Total, n=892; Small companies, n=268; Medium companies, n=380; Large companies, n=244; 2-24 countries, n=643; 25+ countries, n=249

Figure 2 - Compliance: opportunity or obligation?

Percent of respondents, by global region



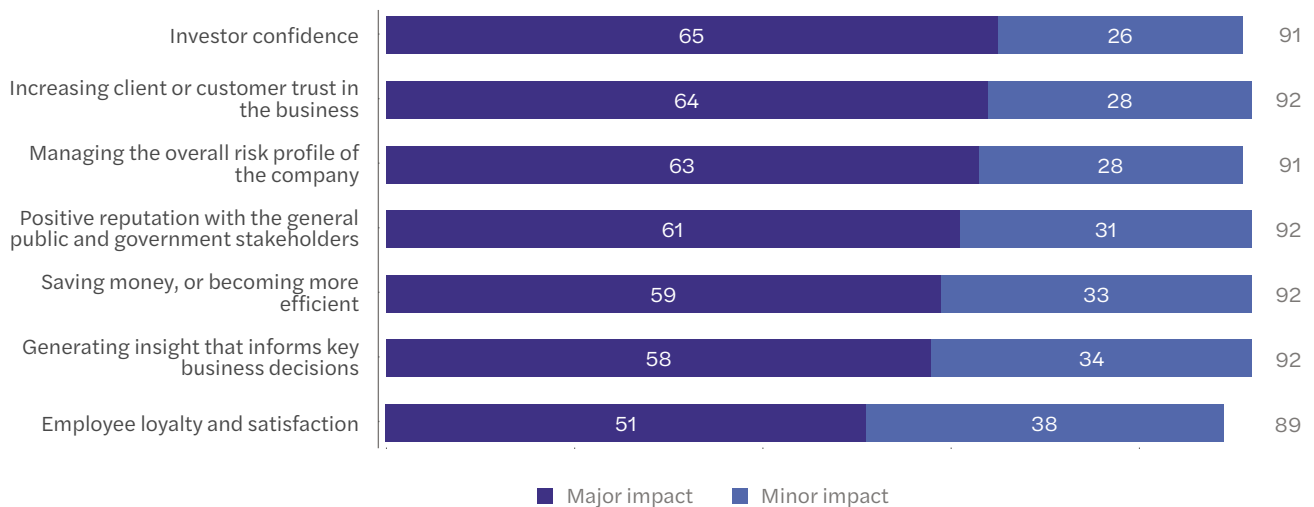
Below are two statements about accounting and tax compliance. Please choose the one closest to your point of view, even if neither is exactly correct. LatAm, n=101; CEE, n=50; USA, n=51; Asia-Pacific, n=251; W. Europe, n=339; Africa/ME, n=100

The prizes on offer for organisations that meet their compliance requirements are valuable: trust from investors, clients and customers; the confidence of external stakeholders; and a bolstered public reputation. Some 65% of respondents think good

compliance performance has a major impact on investor confidence; 64% say it has a major effect on increasing client/customer trust in the business; 61% believe compliance boosts reputation with the general public and government stakeholders.

Figure 3 - Impact of good accounting/tax compliance performance on business operations

Percent of respondents



What impact does good performance on accounting and tax compliance have on each of the following positive outcomes?
Total, n=892

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The value of compliance: increasing stakeholder trust and confidence

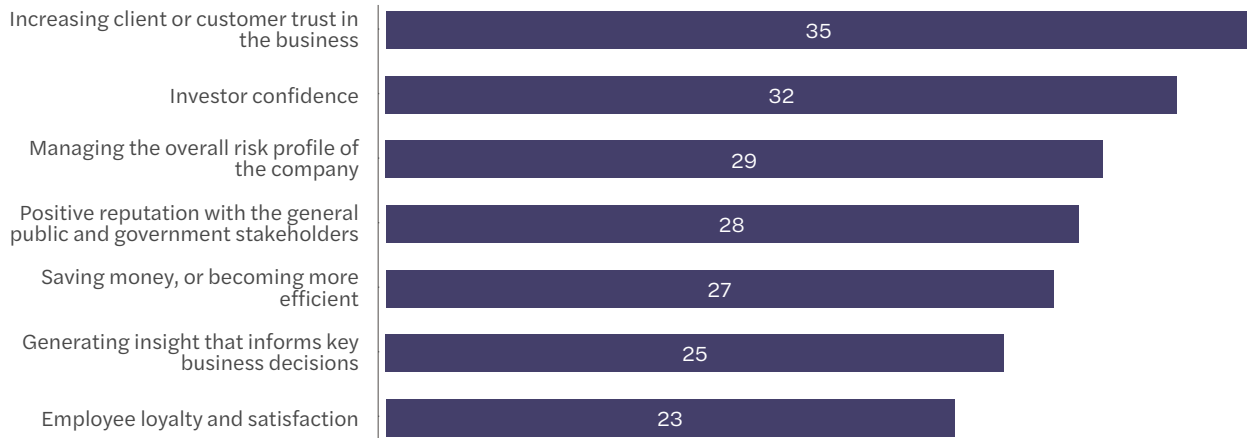
Most important outcomes of compliance

Similarly, the most important business outcomes for good compliance are strengthening trust, confidence and reputation. The top outcome, increasing client/customer trust, is chosen by 35% of compliance leaders. Investor confidence is the second-highest

rated, with 32% ranking it as an important business outcome. Positive reputation also scores highly, with 28% choosing it. These external effects of good compliance performance outrank internal results: employee loyalty was chosen as an important outcome by 23%, while generating insight that informs business decisions was chosen by 25%.

Figure 4 - Importance of business outcomes to respondents' own organisation

Percent of respondents



What are the most important outcomes to your organisation of good performance on accounting and tax compliance? Please choose TWO. Total, n=892



Compliance is an executive priority

Compliance is seen as a core function of modern businesses: C-suites devote frequent time and attention to proactively managing it. In three quarters of businesses, the executive committees and/or boards engage with compliance at least once a quarter; in more than a third (39%), they engage monthly or more. Compliance is clearly a commercial priority and features regularly on the calendars of the most senior leaders.

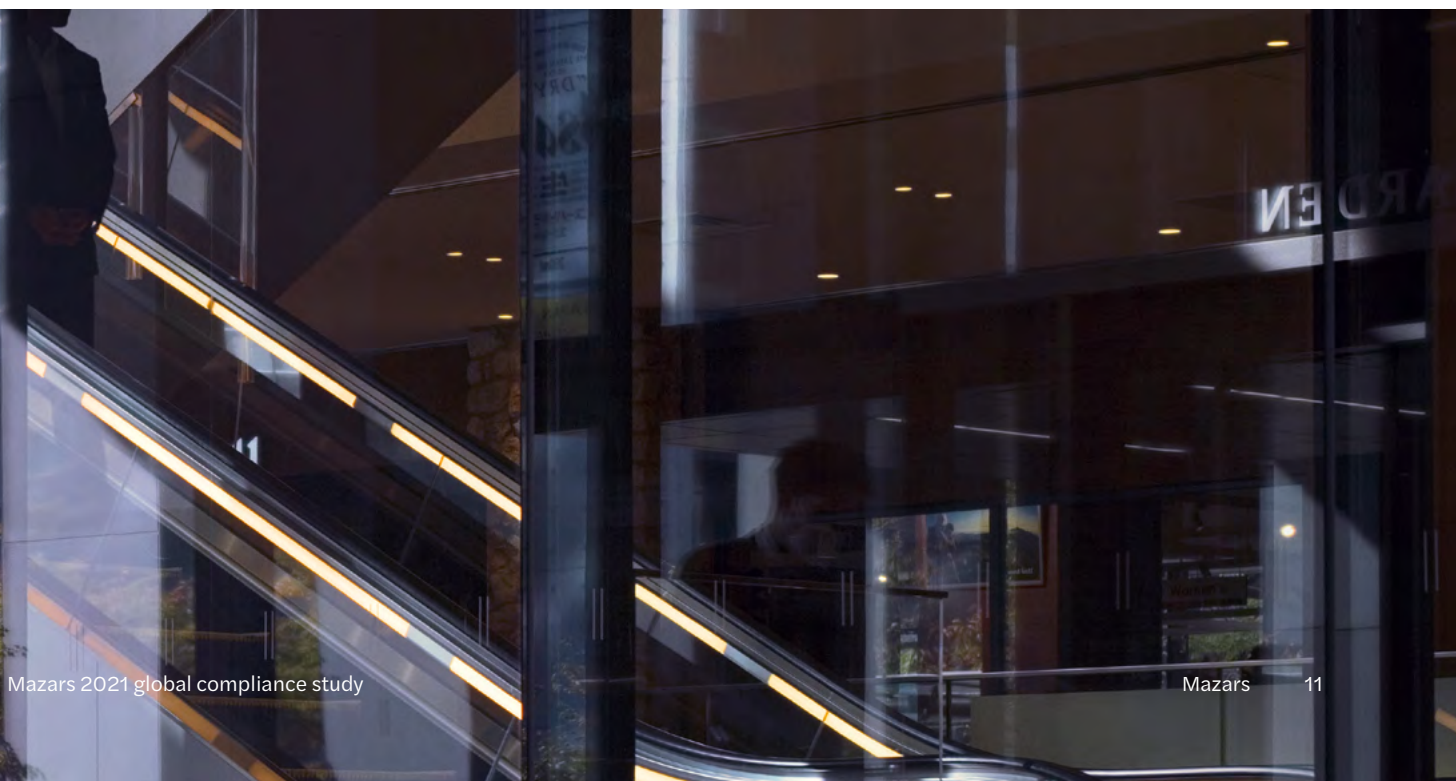
Underscoring this is the finding that top executives and board members often engage proactively, with 44% saying the main reason decision-makers engage is to explore new insights or business opportunities. Only 28% say their senior people primarily focus on compliance to deal with an urgent issue or crisis. Again, compliance emerges as a business imperative that drives opportunities and not something relegated to the bottom of the agenda or as simply a way to react to external developments.

Figure 5 - Board/top executive engagement with compliance

Percent of respondents



How often are accounting and tax compliance issues addressed by your organisation's top executives or Board?
 What are the TWO MAIN reasons your organisation's top executives or Board pay attention to accounting and tax compliance issues?
 Total, n=892



Chapter 1

The value of compliance: increasing stakeholder trust and confidence

Why and how leadership engages

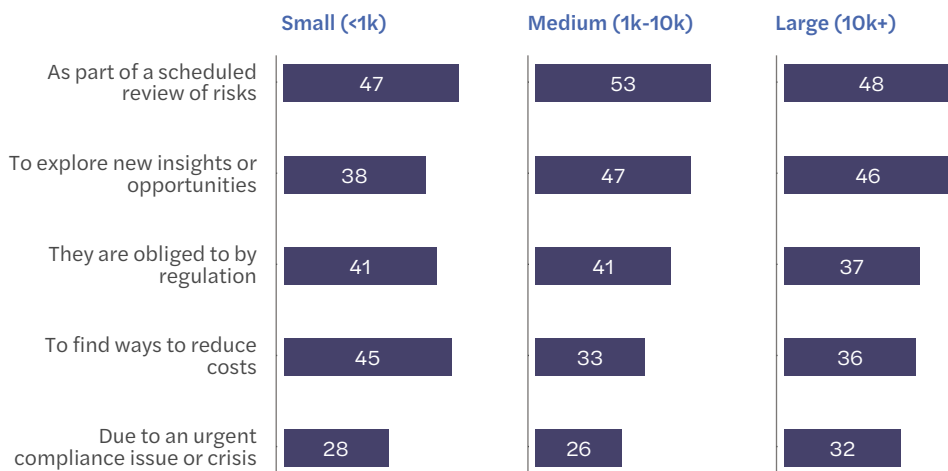
Exploring new insights or business opportunities is a greater priority for business leaders in large and medium-sized companies than for those in smaller organisations. Some 46% of large businesses and 47% of medium businesses see their top decision-makers engage for this reason, compared to 38% of smaller companies. For organisations with fewer than 1,000 employees reducing costs (45%) is their second-highest priority behind scheduled risk reviews.

As well as attention, businesses have been devoting funds to compliance: 60% say their businesses increased resourcing for accounting and tax compliance over the past year, while 68% say they will increase investment over the next five years. Just 11% of respondents say they plan on decreasing their resourcing for compliance in the next five years.

This increase in investment applies to companies of all sizes, although medium-sized companies (with between 1,000 and 10,000 employees globally) are most likely to be planning to increase their investment – with 76% planning to devote more resources over the next five years.

Figure 6 - Why board/top executives engage with compliance, by company size

Percent of respondents

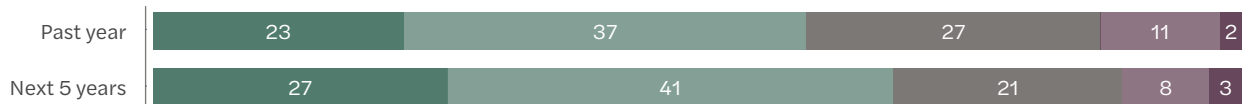


What are the TWO MAIN reasons your organisation's top executives or board pay attention to accountin and tax compliance issues? Small companies, n=268; Medium companies, n=380; Large companies, n=244

Figure 7 - Adjustment in compliance resourcing: past year vs. next five years

Percent of respondents

Total

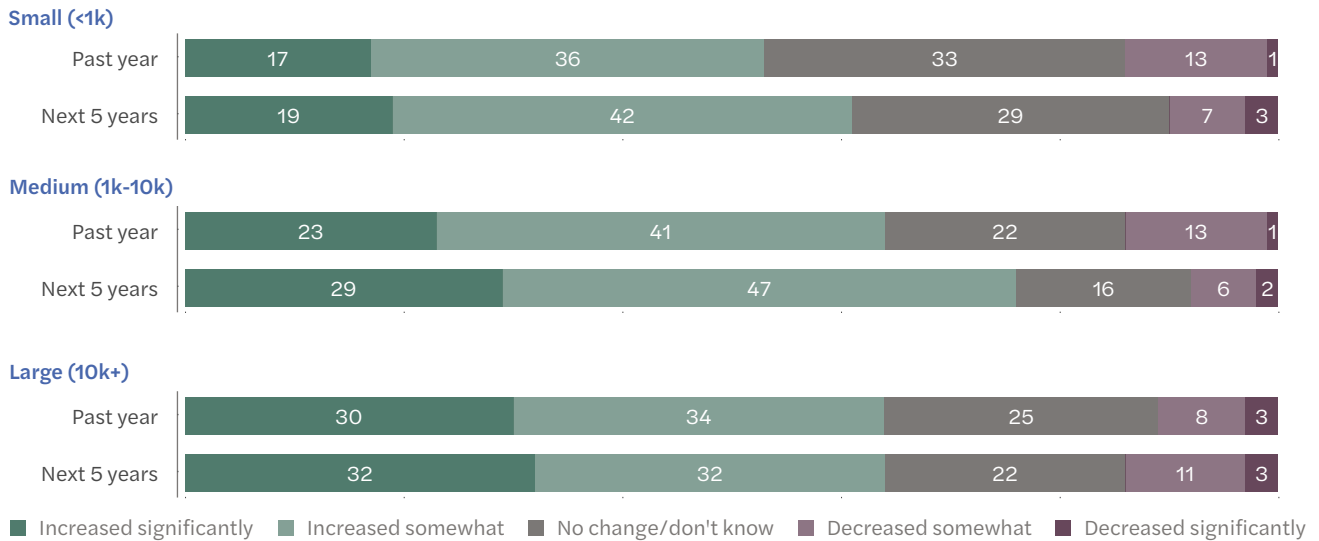


Legend: ■ Increased significantly ■ Increased somewhat ■ No change/don't know ■ Decreased somewhat ■ Decreased significantly

Over the past year, how has your organisation adjusted resourcing (financial and people) for accounting and tax compliance? And how do you expect your organisation to adjust resourcing (financial and people) for accounting and tax compliance in the next five years? Total, n=892

Figure 8 - Adjustment in compliance resourcing: past year vs. next five years

Percent of respondents



Over the past year, how has your organisation adjusted resourcing (financial and people) for accounting and tax compliance? And how do you expect your organisation to adjust resourcing (financial and people) for accounting and tax compliance in the next five years? Small companies, n=268; Medium companies, n=380; Large companies, n=244

Going above and beyond for good compliance

“Long gone are the days when businesses saw compliance as a mere obligation – in fact, our survey shows the majority of leaders appreciate the value global compliance brings. Consequently, many are going one step further than what regulators ask of them.

While global compliance has traditionally been viewed as a daunting task, the cost of non-compliance in today’s world far outweighs any associated costs.

To take good compliance to the next level, businesses need to shift their approach from purely tactical to one that drives innovation-led solutions. This is particularly true for banks, some of the most regulated businesses in the world. To

stay competitive, leaders should carefully consider the end-to-end process of deploying flexible tools, systems and infrastructure to drive real efficiencies and increase opportunity, competitiveness, risk management and quality.

One measure implemented by businesses that goes above and beyond is the inclusion of compliance strategies in annual reports. These send a strong message to regulators and clients and, as a result, can advance company reputations.

Moving forwards, new platforms and opportunities to aggregate compliance strategies will be required, and technology will become an increasingly important partner in delivering the value and trust that we know good global compliance creates.”

José Caneda, Managing Partner, Mazars

Chapter 1

The value of compliance: increasing stakeholder trust and confidence

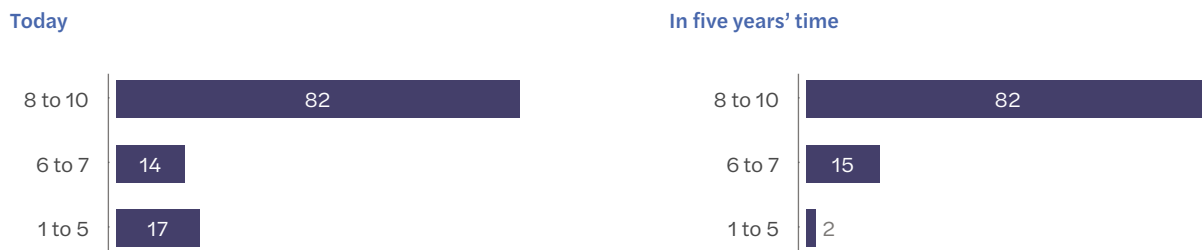
Compliance requirements are expected to become more difficult to meet in the future, although businesses are confident in meeting compliance demands today

With such high levels of current and planned investment, it's not surprising that businesses are highly confident they can meet their global compliance demands – both today and tomorrow. Some 82% of respondents are highly confident

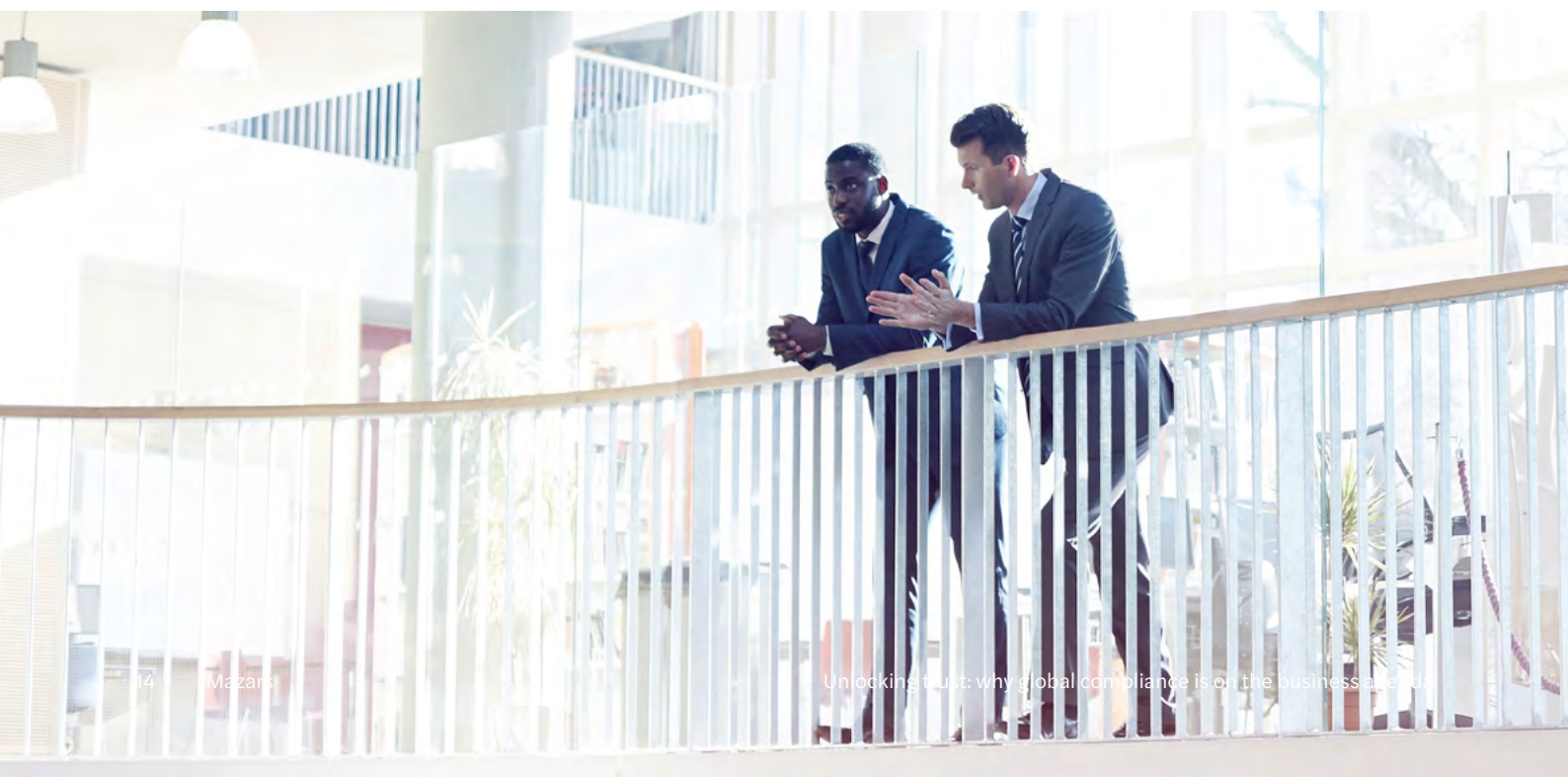
(scoring 8-10 on a 10-point scale) that their business is meeting its requirements now. The same percentage say their organisation will do so in five years' time. Only 3% of organisations lack confidence they are meeting today's demands, while only 2% feel that they will struggle in five years' time. This should be reassuring for customers, the public and regulators: the data shows that businesses are taking compliance seriously and in their stride.

Figure 9 - Confidence meeting demands today and in five years' time (10-point scale)

Percent of respondents



How confident are you that your business is meeting all of its accounting and tax compliance obligations globally today/will be able to meet all of its accounting and tax compliance obligations in 5 years' time? Please select any number from 1 to 10. Note: this survey is anonymous and confidential. Answers cannot be linked to individual organisations. Total, n=892



This confidence is striking in light of strong expectations that meeting compliance demands is going to get harder. Businesses clearly believe in their teams' ability to step up to the plate. Some 51% of companies expect that meeting their global compliance challenges will become even harder over

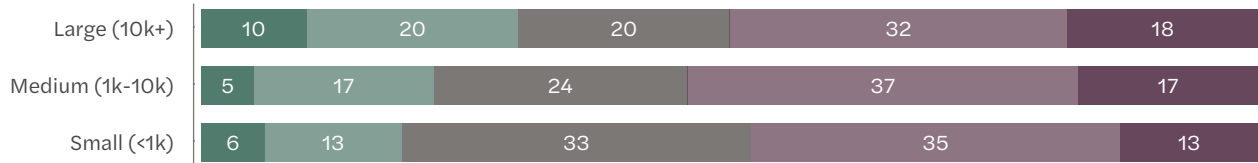
the next five years, compared to just 24% saying it will get easier. This varies slightly by company size: among the largest companies (those with 10,000 or more employees), 30% expect compliance to get less challenging, while only 19% of small (less than 1,000 employees) say the same.

Figure 10 - Expectations for whether global compliance will get more or less challenging
Percent of respondents

Total



Company size (employees)



- Much less challenging
- Somewhat less challenging
- No change/don't know
- Somewhat more challenging
- Much more challenging

Do you think meeting your organisation's accounting and tax compliance obligations globally will become more or less challenging over the next five years? Total, n=892; Small companies, n=268; Medium companies, n=380; Large companies, n=244



Chapter 2

The risk of falling short

- More than three quarters of businesses faced at least some negative consequences from compliance failures over the past five years, most often relating to reputation.

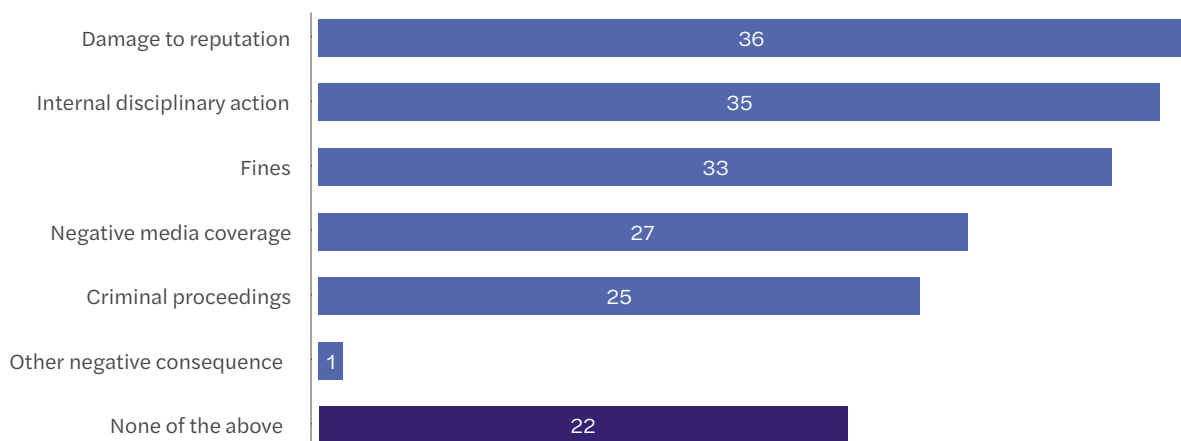
Negative consequences for businesses

Compliance leaders know failure to meet compliance requirements can have significant negative consequences for their business – many from lived experience. Some 77% of respondents say their business has faced at least some accounting and tax compliance-related challenges, somewhere in the world, over the past five years. Trust and reputation are the most likely casualties: 36% say their business

faced reputational damage, 35% are aware of some internal disciplinary action as a result of compliance failings, and 27% mention some negative media coverage. There is a financial risk too, with 33% reporting their organisation had to pay fines. A quarter say their organisation has faced criminal proceedings as a result of poor compliance practices. Only 22% say their business has faced none of these negative consequences in the last five years.

Figure 11 - Most common negative consequences

Percent of respondents



Which, if any, of the following challenges related to accounting and tax compliance has your organisation faced, anywhere it operates, during the past five years? Please select all answers that apply. Note: this survey is anonymous and confidential. Answers cannot be linked to individual organisations. Total, n=892

Take compliance seriously to avoid negative consequences

“Companies in recent years have tended to commoditise global compliance, seeing it as an overhead without added value. Rather than viewing compliance as a source of opportunity, many have sought shortcuts, leading to tax computations that include errors and are presented without sound explanation for the basis of their findings. This will raise red flags to tax authorities, who will invariably lead costly and time-intensive investigations.

Internal teams are often working on too much with too little in the way of resources. This is the false economy we often see: leadership teams not investing in compliance processes and failing to appreciate their value. If you don't disclose transactions properly, there will be negative consequences waiting around the corner.

The tax world has changed in the last decade; large companies are required to provide in-depth reporting on tax risks. Reporting substantial tax compliance failures, for instance taking the wrong filing position in a country, sends a bad message to the outside world and will deter investors, employees and others from working with a company.

We see companies' reputations tarnished overnight; there are plenty of examples where people have boycotted companies because they did not pay enough tax. With millennials and Gen Z scrutinising corporate behaviour more than ever, compliance is a significant piece of the larger business picture.

Companies need to view global compliance as a strategic investment. They need to act responsibly and recognise good compliance brings returns in the form of stronger reputation and greater revenue. Leaders can do that by getting buy-in from their team and working with external advisers who are experts on different processes and authorities.

Investment may have to increase slightly but it will mean not having to worry about impending tax audits, fines, and disciplinary action. Compliance is a strategic priority; it's worth the investment and is undoubtedly in the interests of a company's revenue and reputation.”

David Sayers, International Tax Partner, Mazars



Chapter 3

Challenges on the horizon: complexity, scrutiny, and consequences of Covid

- The most significant challenges compliance leaders anticipate are the growing complexity of compliance and effects of the pandemic.
- The pandemic's biggest impacts have been the transition to remote working, changing how companies use their facilities and changing their sources of income.
- Brexit is expected to make compliance more challenging, especially in the UK, but it is not among the most significant challenges businesses anticipate.

Challenges compliance leaders expect to face

Increased complexity, new compliance legislation and Covid-19 are the biggest challenges businesses are expecting to face in the next five years. Some 38% expect the ongoing impacts of the pandemic and increased complexity of compliance to be

their two toughest compliance challenges ahead. Meanwhile, 36% expect new legislation in the countries they already operate in to be one of their biggest challenges, and 35% cite expansion into new countries. The least likely challenge, according to the survey, is Brexit: only 23% of respondents name it as one of their most pressing challenges.

Bringing clarity to the complexity

“Global compliance is by nature complicated but by organising teams to think critically and harness technology, companies can bring clarity to the process. Businesses should review and refresh their organisational setup to adapt to changing circumstances. That will include focusing on regulation as well as management processes in order to reduce risk and seize opportunities.

Anticipating new laws and reacting to the consequences is key: firms must understand their own limitations in order to mitigate the risks linked to compliance.

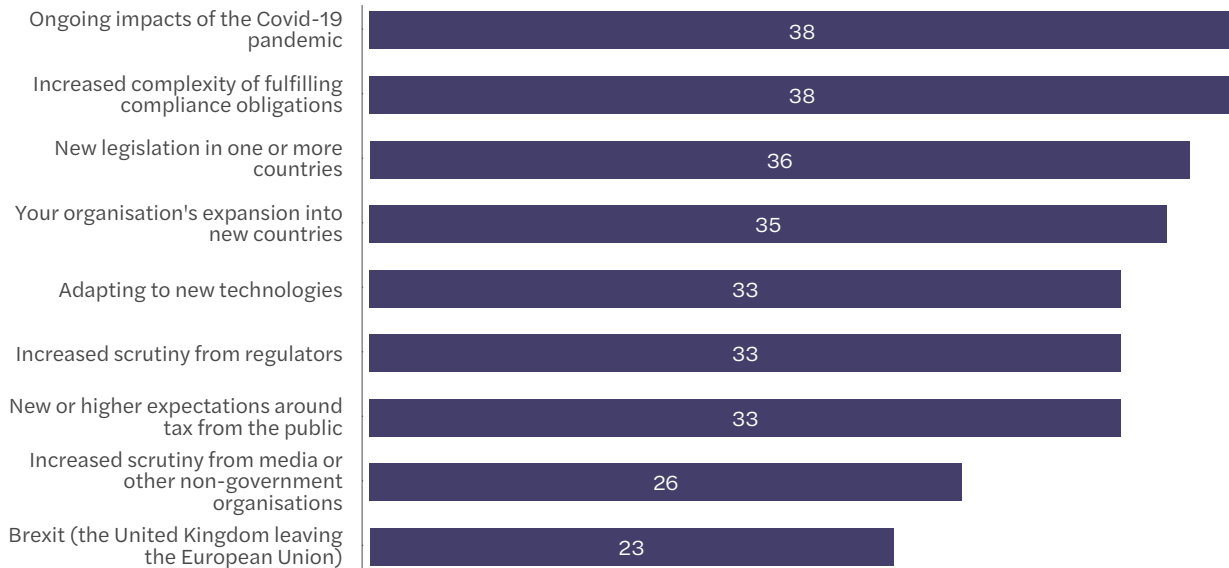
Leaders will plan on paying more attention to global compliance moving forwards. The best will build teams that can develop knowledge of complex structures and maintain in-depth corporate knowledge. They will also aggregate and archive valuable data, while being empowered to challenge the accuracy of reports to create useful insight.

Compliance technology has been two decades in the making and we are seeing it deployed to great effect, including robotic process automation, AI and other data analysis methods. Meanwhile, stay agile: good compliance requires permanent improvement behaviours and the autonomy to be proactive. Leaders can then anticipate changes so their teams can keep up with global compliance rather than being hindered by it.”

Hassan Allouch, Partner, Mazars

Figure 12 - Biggest challenges to meeting compliance obligations in the next five years

Percent of respondents



Which THREE of the following will provide the BIGGEST challenges to meeting your organisation's accounting and tax compliance obligations over the next five years? Total, n=892

Stay ahead of regulation to tell a clear compliance story

“New legislation and standards are leading to stricter compliance. In response, compliance professionals are having to confront mounting complexity, costs, and time constraints.

Over the last few years, we have seen required compliance forms double and sometimes triple in size, which presents a learning curve for even the most seasoned tax professionals and compliance experts. While many businesses rush to seek the help of experts, it's important to note that the experts themselves can be equally as new to these demands and must learn 'on the go.'

Staying ahead of the game by monitoring the legislation at every stage is key – as it goes through drafts, iterations and votes.

As complexities continue to rise, technology will become an increasingly important tool for leveraging compliance functions and saving time and costs. However, newer compliance demands are asking businesses to tell a story, which machines and algorithms cannot currently achieve without the human touch.

Like any story, tax returns can be interpreted in different ways by the authorities. This is why it is important for businesses to ensure every number and every sentence they submit correlates to the single story they tell globally.”

Tifphani White-King, Tax Practice Leader, Mazars

Chapter 3

Challenges on the horizon: complexity, scrutiny, and consequences of Covid

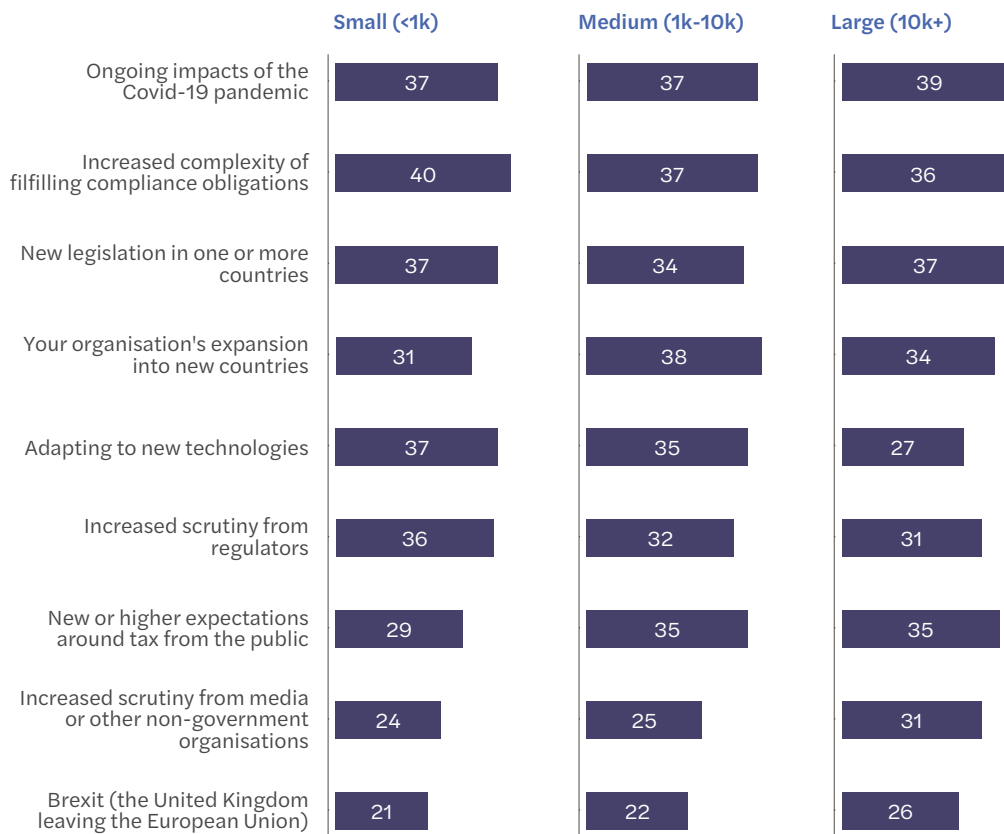
Different sizes, different challenges

Small companies expect to face somewhat different compliance challenges over the next five years than large companies. The main difference is adapting to technology: 37% of small companies see this as a challenge, making it one of the top difficulties they

expect to face, whereas for larger companies new technologies rank almost bottom of the list at 27%. By contrast, large companies – which often have higher profiles than small companies – are more likely to be concerned about scrutiny from the media and NGOs.

Figure 13 - Biggest challenges to meeting compliance obligations in the next five years, by company size

Percent of respondents



Which THREE of the following will provide the BIGGEST challenges to meeting your organisation's accounting and tax compliance obligations over the next five years? Small companies, n=268; Medium companies, n=380; Large companies, n=244

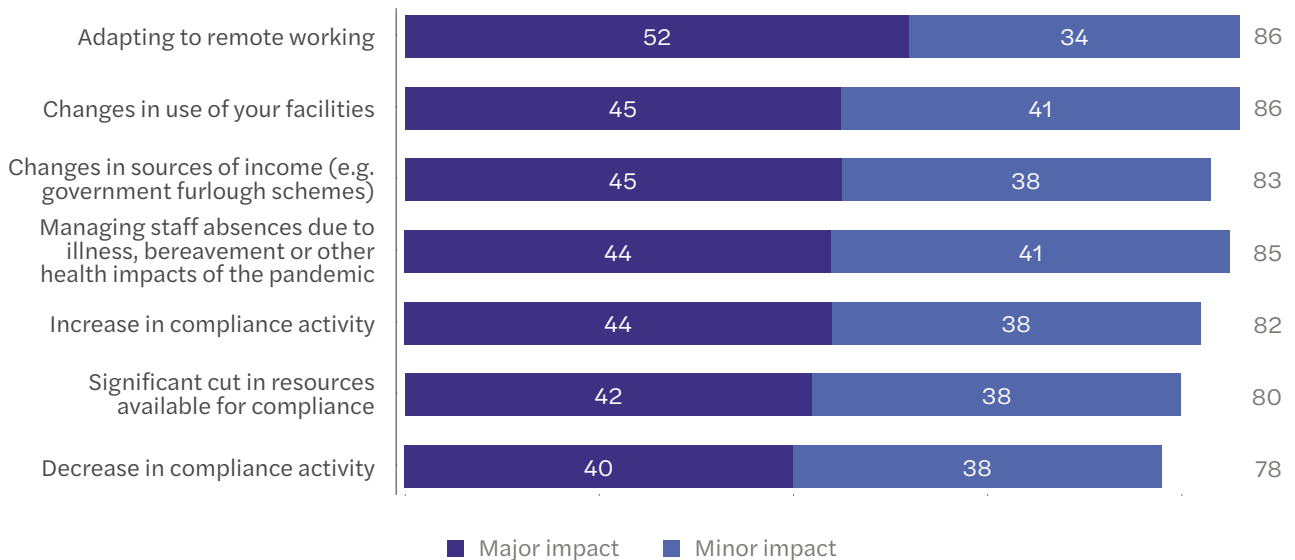
Covid-19 challenges for compliance

Covid-19 has raised new challenges for compliance departments globally. Over 75% of say it has had an impact on the areas they were surveyed on. The biggest impact of Covid-19 is remote working; over half (52%) of respondents say moving to home environments for work has had a major impact on compliance activities. Some 45% feel Covid-19 has had a major impact by changing their use of facilities; the same percentage feel the pandemic has significantly changed their sources of income (e.g. government furlough schemes). And 42% of respondents feel the pandemic has resulted in a significant cut in resources available for their compliance department. However, any cut in resources should be seen as temporary given respondents' plans to boost investment in compliance – as detailed earlier in this report.

Compliance leaders offer more detail on these themes through their descriptions of how Covid-19 has affected their tax and accounting compliance functions. “More remote working has, on the one hand, had a positive impact on individual employees (more flexibility) - but also an impact on increasing compliance needs, due to employees working from home locations, sometimes in different countries than their employer’s location.” One respondent is particularly downbeat about the impact of the pandemic: “Under the overall environment, employees of the company cannot actively create value for the company.” However, there are some silver linings, with another reporting that Covid-19 “has made us more vigilant”.

Figure 14 - Impact of Covid-19 on compliance functions

Percent of respondents



How has the Covid-19 (novel coronavirus) crisis affected your organisation's accounting and tax compliance function? For each of the following possible impacts of the crisis, please indicate whether it has had a major impact on the compliance function, a minor impact, or no appreciable impact. Total, n=892

Chapter 3

Challenges on the horizon: complexity, scrutiny, and consequences of Covid

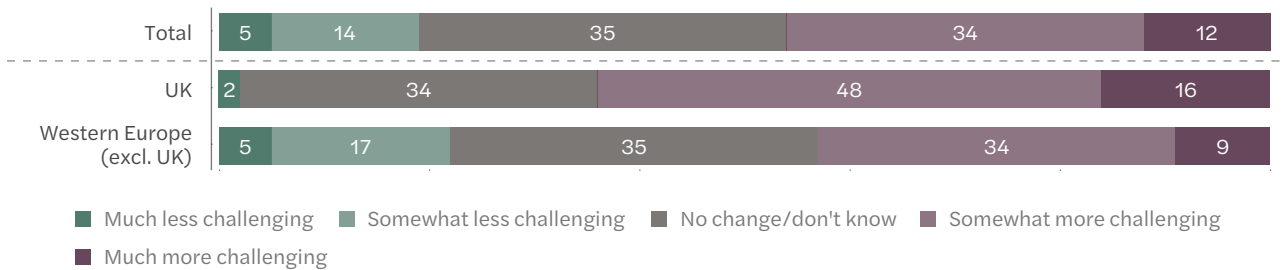
Brexit is a disruptor, but not one of the top expected challenges

Brexit is expected to be a disruptor of compliance departments over the next five years, but is not a high priority for most compliance leaders. Companies are clear that, right now, Brexit is making compliance harder, not easier: 46% say that meeting their tax and accounting compliance obligations has become more challenging as a result, compared to only 19% who feel that Brexit has made them easier to achieve. Some 35% have no strong view either way.

UK-based compliance leaders are, perhaps unsurprisingly, notably more affected by Brexit: only 2% think Brexit is making compliance less challenging, compared to 64% who say Brexit is making it harder for them to be compliant. In the rest of Western Europe, 22% say Brexit makes compliance easier while 43% say it makes compliance harder.

Figure 15 - Impact of Brexit on meeting compliance obligations

Percent of respondents, by country/global region



How has Brexit (the United Kingdom leaving the European Union) affected your organisation's accounting and tax compliance obligations? Has Brexit made meeting these obligations...
Total, n=892; UK, n=50; WEU exc. UK, n=289



Case study

Spotlight on tax transparency

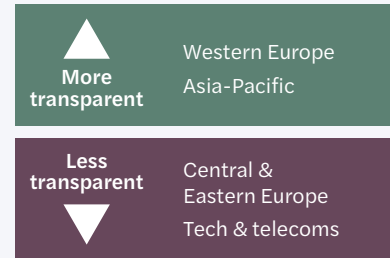
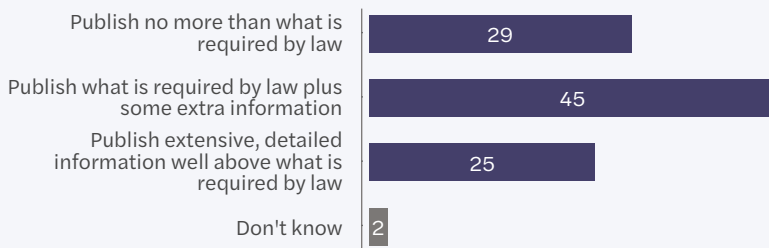
Businesses go above and beyond on tax transparency

Most companies are, by choice, more tax-transparent than they are obliged to be. Over two-thirds of organisations (70%) voluntarily publish more than the law requires: 45% choose to publish

some extra information, while a quarter publish “extensive, detailed information well above what is required by law”. Less than a third of companies (29%) opt for the minimum, publishing “no more than what is required by law”. Companies in Western Europe and Asia-Pacific are particularly likely to opt for extra transparency.

Figure 16 - Approach to publishing information on tax

Percent of respondents



Some governments and regulators have "tax transparency" rules requiring businesses to publish information about the taxes they pay. Businesses may publish the information required, or choose to publish extra information about their taxes. What is your business's approach to publishing information on tax? Total, n=892



Case study

Spotlight on tax transparency

Tax transparency builds trust

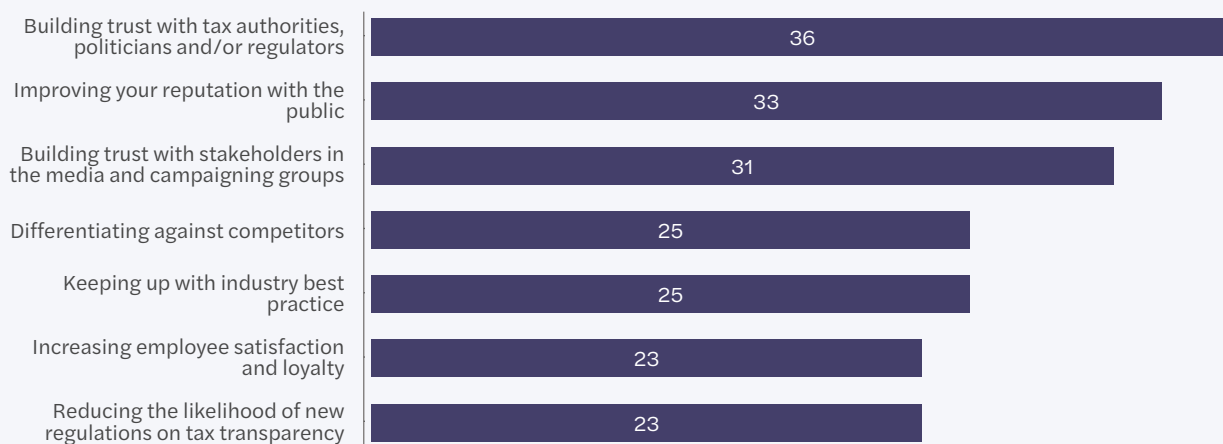
Tax transparency is a microcosm of the wider compliance story. Businesses are investing because of the potential benefits: enhanced trust and reputation. Over one-third (36%) of compliance leaders name “building trust with tax authorities, politicians and/or regulators” as a key benefit of publishing extra information about the taxes their business pays. A third say improving their organisation’s public reputation is a crucial benefit

of enhanced tax transparency. Building trust with the media and campaigning groups is the third-most important benefit, chosen by 31%.

Larger companies are more sensitive to improving their reputation with the public: 39% of business leaders in these organisations cite this benefit (see right), compared to 33% at medium companies and 29% at smaller organisations. Building media trust is also higher on their radar, with 34% of large companies seeing this as a key benefit.

Figure 17 - Benefits of being voluntarily tax transparent

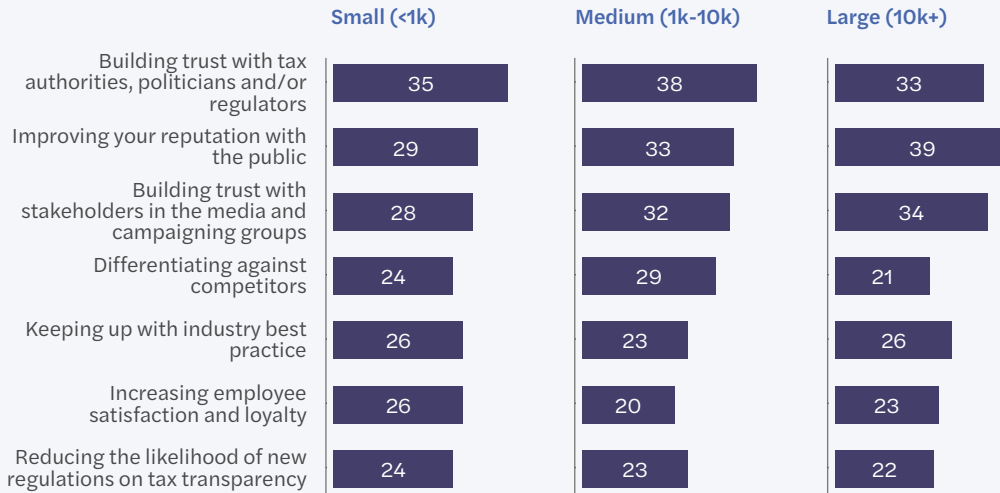
Percent of respondents



Which TWO of the following are the biggest BENEFITS of publishing extra information, above what is required by law, about the taxes your business pays? Total, n=892

Figure 18 - Benefits of being voluntarily tax transparent, by company size

Percent of respondents



Which TWO of the following are the biggest BENEFITS of publishing extra information, above what is required by law, about the taxes your business pays? Small companies, n=268; Medium companies, n=380; Large companies, n=244

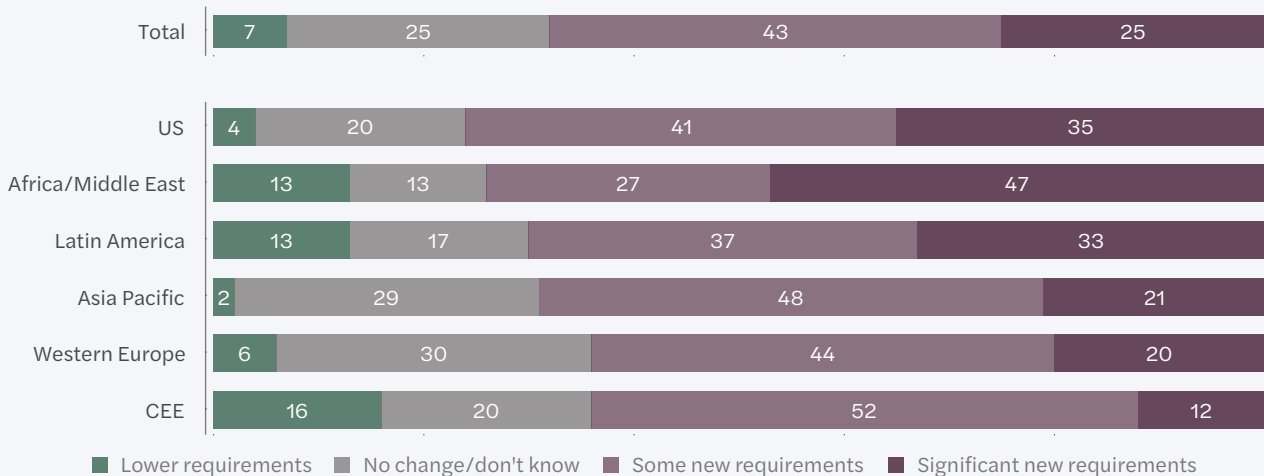
Majority expect tighter tax transparency

A strong majority of businesses, 68%, expect new tax transparency requirements over the next five years; a quarter expect these to be significant. Only 7% of businesses expect reduced demands. Expectations

are especially high in the US (with over three-quarters, 76%, expecting new requirements) and the Africa/Middle East regions (74%). In every region, at least 64% of compliance leaders expect new tax transparency requirements.

Figure 19 - Expectations of tax transparency rule changes

Percent of respondents, by global region



How do you expect "tax transparency" rules affecting your business to change in the next five years? USA, n=51; Africa/ME, n=100; LatAm, n=101; Asia Pac., n=251; CEU, n=50; WEU, n=339

Case study

Spotlight on tax transparency

Tax transparency topping business agendas

“Narrowing tax gaps, restoring systemic trust and boosting state revenue, tax transparency offers a range of benefits. With so much to gain, it’s no surprise politicians, NGOs and civil society groups are pushing businesses to go further and faster.

And yet many businesses are hesitant – not necessarily from a lack of will, but rather a lack of understanding about what steps to take. Some in that position choose to learn best practices from their peers in the industry.

Others, meanwhile, are finding their own ways to embrace transparency, secure in the knowledge that the dedication will pay off as stakeholders increasingly wish to engage with those that value sustainable tax.

Increased tax transparency is not a recent phenomenon; in Europe governments used it to

ensure companies paid a fairer share so states could recover from the economic crisis just over a decade ago. That sparked important global conversations and, eventually, legislation.

But over the last three years more companies have begun to surpass legislative requirements. Not only do we know companies are going out of their way to be transparent, as exemplified by our survey results, but we have also seen companies show their houses are in order by turning down state aid during the pandemic.

Looking ahead, we can expect tax transparency to evolve and measures like publicly available country-by-country reporting to become the norm. While large multinationals are likely to take the lead – with transparency reports, for instance – tax transparency is clearly high on the agenda of all businesses irrespective of size and location.”

Anita de Casparis, Global Head of Tax, Mazars



Chapter 4

Investing in technology and people to prepare for the future

- Technology is the key enabler of compliance performance, and the most important area for future investment.
- Companies are set to invest most in artificial intelligence/machine learning, with priority given to tax compliance.
- Lack of knowledge and skills seen to be holding compliance back.

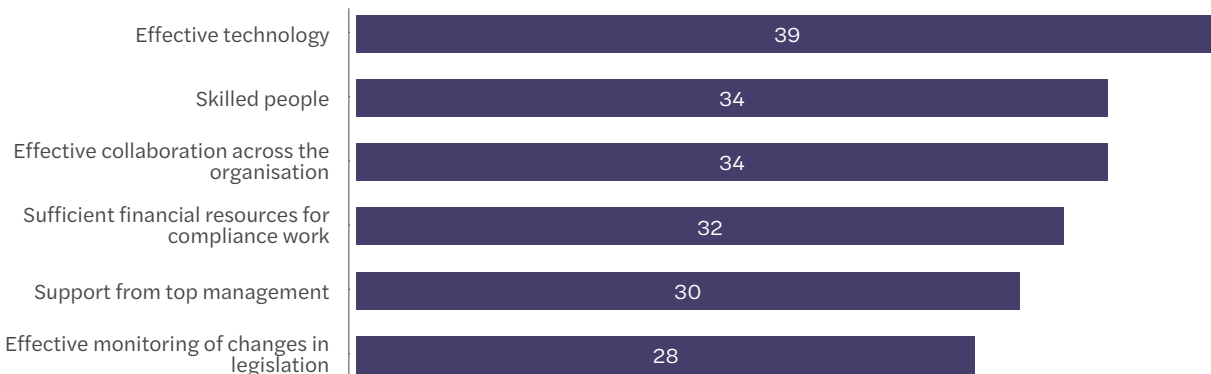
What enables compliance, and what will drive improvements

Compliance leaders see technology both as the main contributor to meeting their compliance goals now and as the key factor that will improve their

compliance in the future. Almost two in five (39%) choose “effective technology” as one of the factors that contributes most to their organisation meeting compliance goals today – five points higher than the 34% selecting “skilled people” and “effective collaboration”.

Figure 20 - Contributors to meeting compliance obligations

Percent of respondents



Which TWO of the following contribute MOST to your business meeting all its accounting and tax compliance obligations today?
Total, n=892

Technology is not only essential to meeting compliance demands today but is expected to drive improvements in tomorrow’s compliance function. Some 45% of respondents say new accounting and tax compliance technology will be one of the biggest

drivers of their function’s improved performance in five years’ time – higher than any other factor, including development of new skills/capacities within their team (40%) (see figure 21 below.)

Chapter 4

Investing in technology and people to prepare for the future

Fitting technology to make compliance more effective

“As each country has varying tax laws and declaration criteria, multinationals can find it challenging to juggle the requests coming from authorities in different countries.

That is why businesses need to use technology to enable an international, coordinated approach to global compliance. With the right systems in place, companies can benefit from collaboration tools and tools for tax reporting and tax returns that reimagine processes to fit the needs of each stakeholder.

As compliance continues to become more complex, it is highly recommended that businesses have a trusted, specialist advisor. From an accounting perspective, we are seeing paper invoices traded for electronic ones - and to remain compliant, businesses need to have much more control over

the growing amount of data. With increasing automation and real-time reporting obligations, businesses should also opt for an analytical control approach (e.g. BI Solutions) rather than a transaction-based one.

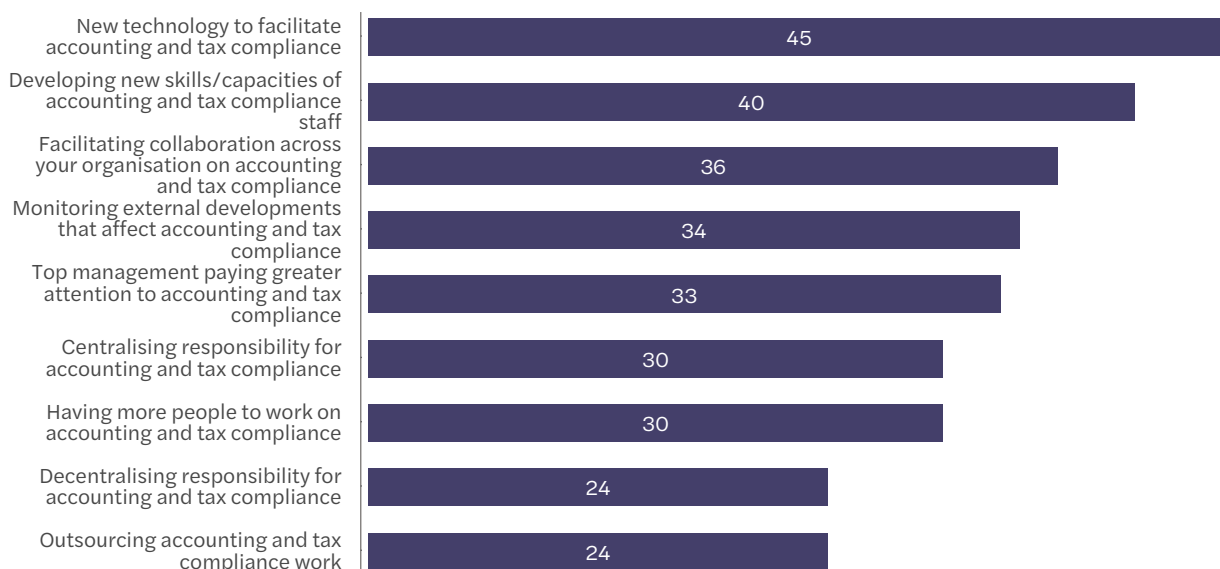
Compliance tools are also set to become even more automated and more integrated – and while these are welcome improvements, they are not risk-free. Therefore, it is critical that businesses safeguard their technology systems at the same time as upgrading them. Cyber threats are on the rise and businesses need to protect themselves internally at the same time as being compliant so they can boost their standing externally.”

Oliver Theobald, Partner, Mazars

Heinrich Drinhouse, Partner, Mazars

Figure 21 - Factors that could improve ability to meet compliance obligations in the next five years

Percent of respondents



Which THREE of the following would make the BIGGEST improvements to your organisation's ability to meet its accounting and tax compliance obligations over the next five years? Total, n=892

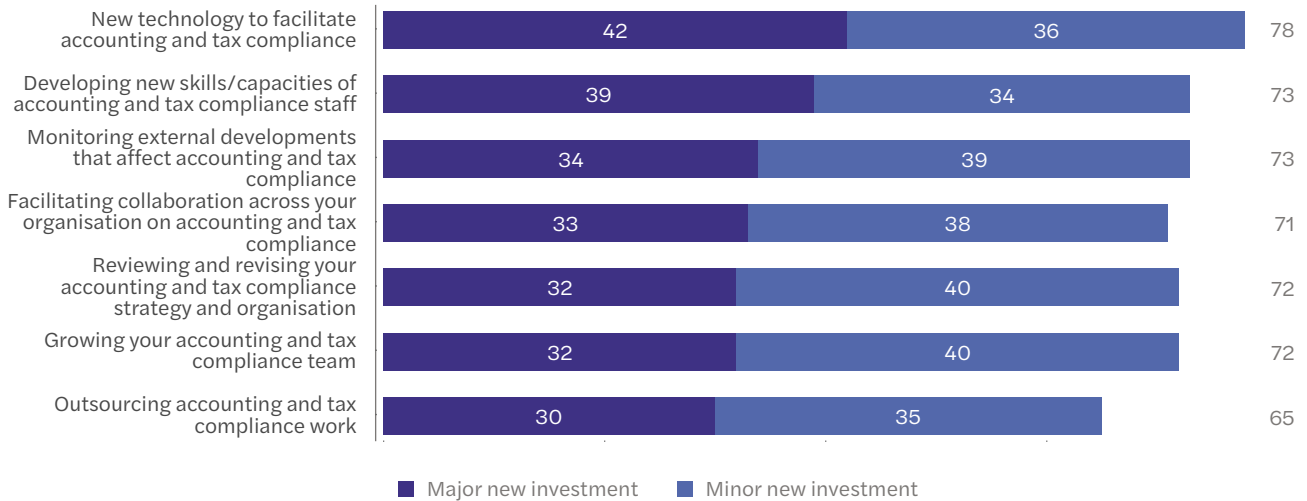
Technology tops investment ranking

Given the above, it's unsurprising that more compliance leaders plan to invest in technology than in any other area. Over three-quarters (78%) of businesses are looking to invest in new accounting and tax compliance technology in the next five years, with 42% planning a major new investment

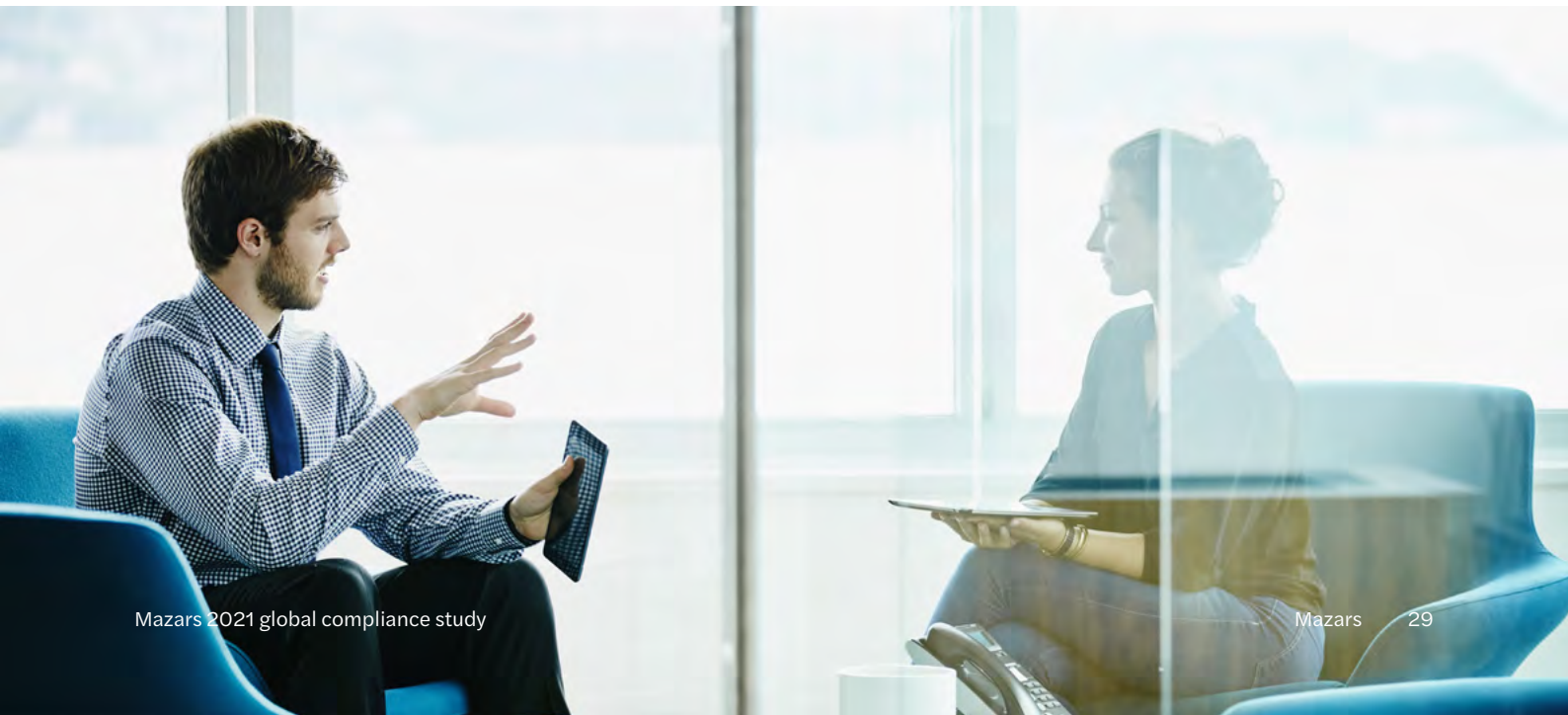
(see figure 22). Development of new skills/ capacities within teams is the second-biggest area of investment: 73% predict new investment here, including 39% predicting a major new allocation. Monitoring external developments in accounting and tax compliance is earmarked for major investment by 34%.

Figure 22 - Planned future investment in compliance

Percent of respondents



How does your organisation intend to invest in each of the following over the next five years?
Total, n=892



Chapter 4

Investing in technology and people to prepare for the future

Priorities for technology investment

Respondents are targeting specific technologies and areas for their future investment. Of those who plan to invest in technology, almost half (49%) say artificial intelligence/machine learning is their biggest priority for investment in the next five years.

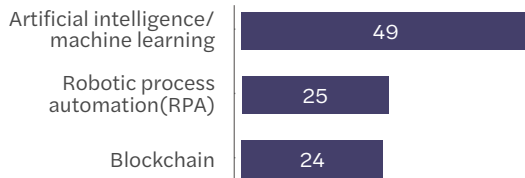
Robotic process automation (RPA) and blockchain are the top priority for 25% and 24%, respectively.

As for the compliance fields that respondents will target for investment, 38% report tax compliance will be their priority, and 28% are looking into risk management tools.

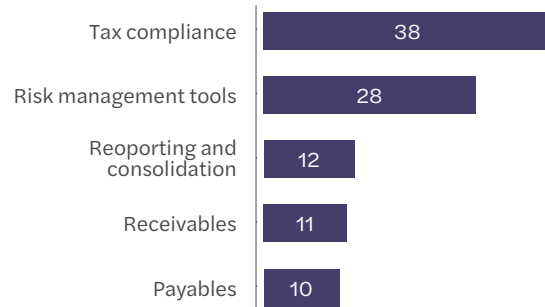
Figure 23 - Planned future investment in compliance technology

Percent of respondents

Technologies



Areas of compliance



Which of the following technologies will be your biggest priority for investment in the next five years?
 Which of the following areas will be your biggest priority for technology investment in the next five years?
 Executives planning a new technology investment, n=694

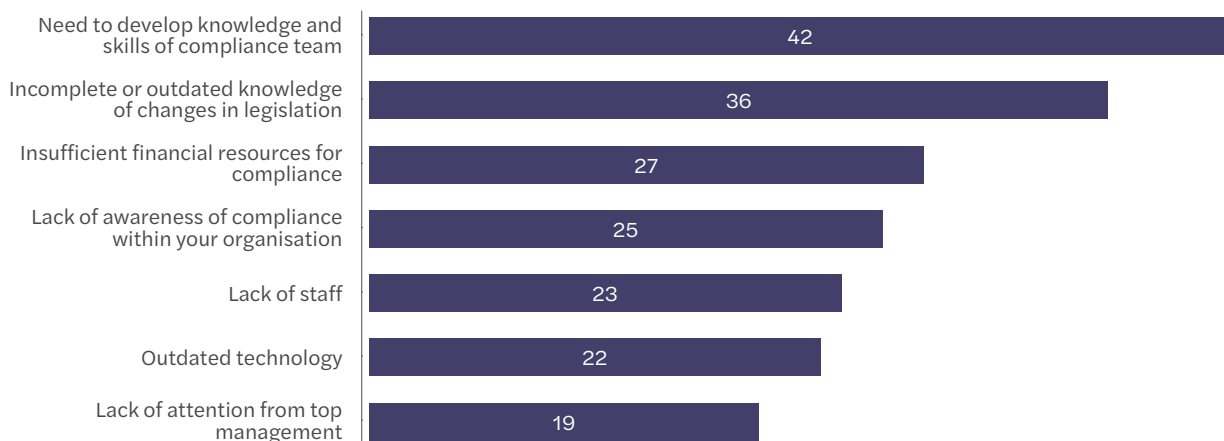
Lack of knowledge and skills limiting compliance performance

More than two in five compliance leaders (42%) feel that one of the two main obstacles to their team meeting compliance goals is a lack of knowledge and skills. Some 36% say that an incomplete or outdated knowledge of changes in legislation is holding

their organisation back; around one-quarter (27%) think insufficient financial resources are devoted to compliance. Few respondents (only 19%) think their top management is not paying enough attention to compliance, which further underlines the willingness of the global C-suite and board members to proactively engage with compliance issues.

Figure 24 - Obstacles to meeting compliance obligations

Percent of respondents



Which TWO of the following are the biggest obstacles to your business meeting all its accounting and tax compliance obligations today?
Total, n=892

Technology is part of the process but not the full solution

“Businesses can tend to view technology as the total package for global compliance, something to act like a magic wand and solve all their problems. But current technology is far from capable of meeting such high expectations. While it can open the door to new opportunities and handle repetitive, low-value tasks, technology does not offer fairy-tale endings. Business leaders should be wary of sales professionals that would try to convince them otherwise.

There are, nevertheless, useful tools on the market, such as informational registration, and data and analytics and processing. Some of these have been repurposed from different business areas over the last three to five years to explicitly address the compliance process. But a comprehensive compliance solution is yet to be offered, and

businesses are steadily realising the inadequacy of what’s available today.

The real game changer will be when a software company is able to design a product with a core component intended for compliance purposes: a real ERP backbone into which businesses can plug specialised solutions to meet different compliance needs, such as GDPR and anti-bribery.

Business leaders should remember global compliance can move just as fast as technology, so those that want the most out of compliance will ensure new tools keep up with changing regulations and meet larger business strategies. Using technology hand-in-hand with human ingenuity might not cast a magic spell, but it will set a business up for success.”

Florence Sardas, Partner, Mazars

Conclusion

The future of compliance

The global findings demonstrate how and why compliance is vital to business success, now and in the future. Compliance professionals around the world are confident in their ability to meet compliance demands today and tomorrow, and recognise that the landscape is set to become more challenging. Over the next few years they predict:

- 1. Compliance-related demands on businesses will increase.** Accounting and tax compliance is set to increase in complexity, new legislation is expected to be introduced, and the effects of Covid-19 are predicted to provide a challenge for departments over the years ahead.
- 2. Businesses will dedicate more resources to meeting compliance goals.** Compliance leaders are planning to increase investment in compliance in the next five years – both as a response to the increasing challenges in this area, and as recognition of the tremendous trust and reputational benefits that successful investment can create.
- 3. Over half of businesses expect compliance requirements to become more difficult to meet in the future, but they remain confident in their capacity to meet compliance demands today.** Organisations overwhelmingly report meeting their tax and accounting requirements now, and predict they still will continue to do so in five years' time, despite over half of them expecting compliance to get harder in the future.
- 4. Skills and technology will rise in importance and gain new investment.** Compliance leaders are clear about the most important avenues for the future: new technology (especially artificial intelligence/machine learning) and skills within their teams.
- 5. Tax transparency requirements will increase.** Compliance departments already go above and beyond on tax transparency, but strongly expect regulators to require more disclosure in the future. Due to the trust and reputational benefits strong performance in this area brings, businesses will continue to focus on tax transparency.

Putting global compliance permanently on the business agenda

“Global compliance continues to rise up the business agenda as leaders recognise the inherent opportunities and risks. While businesses that are consistently compliant may feel like their hard work can go under the radar, it is worthwhile remembering that failure to be compliant will likely lead to significantly damaged reputations and the widespread loss of stakeholder confidence.

Businesses today are increasingly scrutinised for how seriously they take their responsibilities to the world inside and outside their office walls. The return on investment of compliance may be indirect and hard-won but it should never be underestimated given these growing expectations.

Technology can surely help companies with global compliance – but the human contribution cannot be forgotten. Businesses need to focus on finding a balance between the human and technological touch that works for them.

And it is important to note global compliance goes beyond the tax and accounting functions on which this study has focused. Global compliance is the responsibility of all parts of a business, including legal, environmental, social and governance functions. For global compliance to be truly met and deliver the benefits we have outlined in this study, leaders need to embed responsibility into the values and culture of the entire organisation.”

Erick Gillier

Partner, Global Head of Outsourcing, Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of more than 42,000 professionals – 26,000+ in Mazars' integrated partnership and 16,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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