

[OUR GUEST]



MARK VORSATZ | (MARK VORSATZ, GLOBAL CHAIRMAN AND CEO, ANDERSEN)

“TECHNOLOGY WILL PLAY AN INCREASING ROLE IN THE TAX AREA”

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THE TAX SECTOR IS GOING DIGITAL. MARK VORSATZ, CHAIRMAN AND GLOBAL CEO OF ANDERSEN, BELIEVES THAT TRAINING AND TECHNOLOGY IN THE TAX COMPLIANCE FUNCTION ARE BECOMING INCREASINGLY IMPORTANT.

RESHMEE BHEEMUCK

From pandemic stimuli and global tax reform to political challenges and technology, what are the challenges facing tax leaders and their teams?

The biggest challenge in any professional business is the ability to attract quality people. I have an expression “It is harder to find quality people than to find something for quality people to do”. The only limitation on our growth is the need to attract and develop good people. That is why internal training is at the top of our agenda for investment. For example, we have now developed a private label, Masters in Tax program, through the university of San Francisco and have over 180 people enrolled globally. We also launched an MBA program in May. Developing and investing in our people is the most

important thing we can do.

Companies are accelerating their digital transformation. Is the future of taxation to go digital?

Technology will play an increasing role in the tax area. Many countries are imposing new forms of taxes (especially in Africa and Middle East) and countries are using technology to create more accountability for the tax compliance function. On the professional side, we believe that tax will be less about information gathering and more about technical training and strategy, and technology will create more efficiencies in gathering and processing information.

The Crypto space is growing at a rapid pace and according to some observers, this is the

next generation of technology. What are the tax implications associated with crypto-assets?

This is an immature area that will require local and global regulation as a starting point. There are also many consumer protection issues to ensure that consumers and investors are confident in what they are buying. It will take many years for global consistency in regulation and reporting. How crypto-assets are classified, whether there is mark-to-market reporting (similar to currency, foreign bonds, etc.), whether they are subject to ordinary income or capital gains; these are just a few of the many questions that need to be addressed.

We are witnessing an increase in incentives related to reduction in greenhouse gas emissions and other activities aimed at reducing carbon footprint. Globally, governments are working to address climate-related risks. Is tax a critical component of that effort?

The role that incentives do and can play in moving economies to

greater renewable sources should become an expanding arena. Just this year, the US passed the biggest energy bill in the history of our country (and probably the world). China has been a leader in EV vehicles (last year about 40% of all cars purchased in the world) and I expect other major mature economies to follow. The Ukraine War is accelerating the shift in Europe to alternatives.

What is the importance of the Mauritian jurisdiction for Andersen?

Mauritius has long been considered a business location for offshore activities. Obviously, in the past, it was an important market for countries doing business in India. The business climate will continue to present a stable solution for companies to base business activities.

Total private wealth currently held on the African continent stands at \$2.1 trillion and is expected to grow by 38% over the next ten years, according to Africa Wealth Report 2022, published by Henley & Partners in partnership with New World Wealth. How does Andersen intend to take advantage of the fact that Mauritius is the fastest growing wealth market in Africa, with an expected growth of 80% over the next decade?

This is a topic that is near and dear to me as our practice in the US generates over 50% of our revenue in working with wealthy individuals and family businesses. In my opinion, private companies are the lifeblood of the global economy. We are seeing more and more migration of capital to different offshore jurisdictions as an investment diversifier. Whether Mauritius, Singapore, Cayman or other jurisdictions, we see user-friendly markets with mature business climate as venues for individuals who want to diversify location of

their assets and investments.

Mauritius is one of the two jurisdictions to now legislate the Variable Capital Companies – Singapore being the only other jurisdiction to do so. With the introduction of the Variable Capital Companies Act, do you think that Mauritius will increase its competitiveness vis-à-vis other jurisdictions and cement its reputation as a robust and sound international financial centre?

Mauritius and Singapore represent forward-thinking jurisdictions when it comes to tax and business investment and activity. The Global Minimum tax that was passed in the United States this year could be a precursor to more changes in the global tax industry. It will be a revenue raiser for money countries and may also neutralize selection of where business activities are focused. This concept will increase the importance of global integrated tax solutions and we view that as a positive for our firm.

It may shift some of the im-

portance of location for tax but user-friendly business environments could become the dominant factor for countries when looking at specific jurisdictions. For example, in the US, many businesses use Delaware as a jurisdiction to locate their overall business activity because of the maturity, predictability and business-friendly climate. I think that this could be a criterion for many countries. However, it will play out over the next few years if and when there is broad adoption of the Global Minimum tax.

Don't you think it is important that Mauritius does not rush to implement the Global Minimum Tax rules before any other financial centre? Many countries are waiting; if we rush to implement, are we not in danger of losing our competitive advantage?

I think it will take time. I suspect that, had the US not adopted the Global minimum tax, then many jurisdictions would not have considered moving forward. I do think that Mauri-

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tius should be patient but also flexible as these progresses. It is conceivable that other mature economies may create additional requirements. A “wait and see” approach is advisable in my view.

In the world of finance, the key word today is compliance. To what extent will its high level of compliance with FATF regulations and BEPS recommendations enable Mauritius to position itself as an international financial centre in

the heart of the Indian Ocean?

Regulatory issues and compliance will become greater considerations for most businesses. We believe that this increases the necessity for quality service providers and puts our firm in a good place. There must be creditability in the global financial system and the provisions dealing with money laundering, financing of terrorist activities, etc. are extremely important to any international business. In addition, there will always be difference in tax systems. Even if there is a global tax concept, such as the minimum tax that is being discussed, there may be opportunities legitimately to mitigate the tax through gaps in the tax laws or potential planning. Progressive jurisdictions such as Mauritius will have a competitive advantage because it can successfully address both concepts.

How is Andersen doing in sub-Saharan Africa?

When we started pursuing our strategy in Africa, only 5 years ago, I viewed it as an opportunity to position our organization as a forerunner to a major increase in business activity. There are 30 countries in the world where the median age is 19.7 or less and 29 of those countries are in Africa. We have been successful in building the largest platform on the continent. We have a physical presence in 47 countries. We have legal services in 40 countries. At present, we have over 200 partners, over 1,600 people and 83 offices. We think we are well positioned for the maturity and future growth of this region. As Wayne Gretsky, the famous ice hockey player, was reported to have said when asked why he was so successful – “I skate to where the puck is going – not to where it is”. We think we are skating to where the puck is going through our presence in the continent.