

The challenge facing KPMG and other global tax practice...

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I have a new blog post out on [KPMG's web site](#):

The challenge I note was made in response to KPMG [publishing its new tax strategy](#). I had also [had sight of this blog](#) by Jane McCormick, global head of tax at KPMG when I wrote. I reproduce what I wrote here because there was no fee paid for the article KPMG published:

There is a growing consensus that the world economy is facing a crisis. When even Martin Wolf on the FT says "We are, in short, at the end of both an economic period – that of western-led globalisation – and a geopolitical one – the post-cold-war "unipolar moment" of a US-led global order"[1] then it is clear that significant change is anticipated. In the circumstances it could be argued that debating ethical standards in a global tax practice is to miss the big issue of the moment. I would, however, suggest otherwise. Tax is, after all, at the heart of global crisis in capitalism that we now face.

The crisis capitalism faces is reflected in the rise of populist politics. It is indisputable that those promoting such politics have questioned three things. The first is the actions of so-called elites. The second is the conduct of multinational companies. The third is tax payments, setting their critique within a patriotic framework of national accountability. In summary, global capitalism is facing a crisis of confidence because the businesses that constitute that system are considered out of touch and unaccountable to the people of the countries where they operate, as indicated by limited tax payments. And that then is the point of congruence where global tax practice meets populist politics.

The required response to this situation is something of significance. What is not required are statements that look like platitudes. Nor will an assurance that a tax strategy will be pursued only if 'on balance of probabilities it is legal' be enough to reassure almost anyone now. Similar such statements have been made in the past, and the tax scandals still rolled on. More of the same will effect no change now as a

consequence.

So what is needed? The answer is threefold. It is accountability, evidence of tax payment and a willingness to accept the need to establish a new licence to operate. In limited space let me explain this in the context of a global tax practice.

First, a statement that such a firm will comply with the law and the highest level of ethical practices should not be necessary. It should be implicit in its conduct. If it has to be said now it is an admission that something was wrong. If that is the case saying so is not enough to make amends.

Second then the firm has to accept that it is accountable and evidence that. Its structure, ownership, accounts and a statement of their tax consequences must all be laid face up on the table for all to see wherever it is. A firm cannot claim to be tax compliant, or claim to require it of others, if it does not evidence that behaviour. People no longer trust what happens behind veils of secrecy; they have to be torn asunder if confidence is to be created. Only full transparency will do now.

Third, evidence of what happens within the firm is no longer sufficient to guarantee a licence to operate. A global tax practice cannot claim to be an organisation like any other. The few that there are have underpinned globalisation, the operation of tax havens and much of the architecture of international tax that has proven so problematic. In that case each component element of the firm has now to be very clear on what its third party engagement and lobbying positions are. Only if that happens can a society determine whether that firm has sufficiently congruent goals with its host state and so permit the continuation of its licence to operate.

Global capitalism has delivered real benefits but its future is in real doubt. Global tax practices have been at the very heart of its infrastructure. If they want to maintain that role meeting the most basic of ethical expectations is not enough. Only radical, and evidenced, reform will do. And only if that happens might such firms continue into the future given the obvious hostility implicit on populist politics to their continuing role.

[1]

<https://www.ft.com/content/ef13e61a-cc0c-11e6-b8ce-b9c03770f8b1?desktop=true&:amp%3BsegmentId=d8d3e364-5197-20eb-17cf-2437841d178a>