

# Managing Tax Risk

An Interview with Kate Barton,  
Americas Vice Chair-Tax Services, EY

**EDITORS' NOTE** *Kate Barton is a member of the Americas Executive Board, the Global Management Group, and the Global Tax Executive Committee, and is a partner at Ernst & Young LLP. Prior to this, she served as the Northeast Sub-Area Tax Managing Partner and as the New York Office Managing Partner. She joined the firm in 1985 as an intern. She received a B.S. from Boston University, a J.D. Magna Cum Laude and Order of the Coif from Boston College Law School, and an LL.M. in Taxation from Boston University School of Law. Barton is a Certified Public Accountant licensed in the states of New York, New Jersey, and Massachusetts. She is a member of the Massachusetts Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the American Bar Association, and the Massachusetts Bar Association.*



Kate Barton

**COMPANY BRIEF** *EY (ey.com) is a leading global professional services organization that provides assurance, tax, transaction, and advisory services. With 190,000 people in more than 150 countries, EY is one of the largest professional services organizations in the world.*

**You started with EY as an intern and you now lead the firm's Tax practice in the Americas. How has EY's culture influenced the leader you've become?**

We have a tremendous teaming environment – we work with a lot of other very smart people. Half of our tax practice has a J.D. or an LL.M. Most people feel that every day they work here, they are getting smarter and smarter. EY is unique in that we're strong on teaming, but we also have a culture that fosters innovation and an entrepreneurial attitude. This collaborative environment that values innovative thinking has influenced my career and my leadership style in a big way.

I'm also a strong believer in paying it forward. My mission is to continue the EY apprenticeship model to develop the next generation of professionals and leaders, particularly women. Whether a person stays with EY three years or 30, I want to create policies and an infrastructure to make sure EY provides an exceptional experience that lasts a lifetime. I strongly believe that one should always be reaching up the career ladder with one hand, but one's other hand should be reaching back to lift up others.

**What are you doing to help women become leaders?**

While I believe in developing all of our people at EY and providing them with the most positive professional experience they can have, I have been devoting some extra focus to women.

Women make up more than half of the U.S. population and graduate school students, and comprise a majority of the workforce but, according to an EY report, they are only 15 percent of board members of the top S&P 1500 companies. These numbers are better than at any time in the past, but more can be done.

The untapped potential of women in business is enormous: as leaders, as employees, and as entrepreneurs. Research has shown that companies that have more women in top positions and more women on their boards perform better – and the pipeline is there. After coming through the worst financial crisis in many years, women have for the most part improved their positions in many companies.

In the U.S. at EY, we have a good mix of gender equity overall in the practice – male to female ratio is about 50/50 – and we are working to get more parity at the Partner level in Tax.

I am also on the march to improve it elsewhere in the Americas. For example, we've strived to lead in achieving better gender balance in Mexico's workplace, including the recent recruitment and promotion of three women to tax partner in Mexico. Given the supply of top women talent at EY Mexico and in the Mexican marketplace, the firm plans to nearly double the percentage of women tax partners in Mexico over the next two years.

Outside of EY, I spend a lot of time with clients – some of the biggest multinational companies. I have been noticing over the past few years that there are more women taking the top role in Tax departments. By doing some of our own research, we found that 70 percent of all VP of Tax positions at the Fortune 1,000 are held by women. By comparison, those same companies have just one female CEO and one female CFO.

Developing future diverse leaders both inside EY as well as externally is becoming one of my missions in my role as a leader.

**What is the core focus for EY Tax?**

We're really excellent at the top of the market but we also have an incredible focus on the entrepreneur.

It's amazing how much the top of the Fortune 1000 constantly changes, so you always have to be focused on replenishment. We also have a terrific mix of family businesses. It's a very different model to serve on a family conglomerate and to make sure their needs are satisfied. We like to think that is a sweet spot for EY.

**Has the business become more complex and how have you seen it evolve?**

Everybody has the tax situation in the forefront of their minds now because it has gotten incredibly complex. There are a lot of things going on around the world globally that are calling for companies to be more transparent about the level of tax they're paying.

It's a very difficult time for our clients who operate globally. There isn't as much certainty; countries that have issued tax rulings are now potentially rolling those rulings back, creating more uncertainty in the market. The result is that companies may no longer have access to things they have traditionally relied upon.

Most companies will say the transparency is a good thing, but that the uncertainty is difficult. The U.S. tax system continues to have major code sections that are expiring so we're hoping that there will be extensions passed during this lame duck session. However, the fact that we have key provisions of our internal revenue code expiring every other year is disappointing. A lot of companies find that this makes for a difficult and uncertain environment in which to do business.

**How close is the coordination with international markets and how do you approach the challenge of providing seamless service?**

It used to be just the largest companies that wanted global service but, today, even the smallest entrepreneur typically has taken their product or idea global in their business plan almost from the onset.

Clients expect us to be one globally coordinated firm. We're only as good as our weakest link so we have to make sure we have full capability in every major country and often in the smaller countries as well.

Right now, many of our U.S. multinationals are investing all over Africa, for example, so we now have a very big focus on the emerging markets at EY.

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### **How critical it is to have a seat at the table for a tax director today?**

At one time, the head of Tax was relied upon to make sure that the company was properly complying with the tax laws globally and that morphed into adding value to the company.

In the early 2000s, when Sarbanes-Oxley came out, tax management became more risk focused and concentrated on making sure that the financial statements were correct from a tax provision perspective.

As of 2014, the responsibilities are very broad. The head of Tax of a company has to be an excellent communicator. Before this, you may not have needed to have great communication skills but, today, you have to be a tax diplomat. You have to be able to relate to all of the tax authorities globally and make sure you have the right team to deal with your company's position in each and every jurisdiction that you're operating in. You then have to be able to communicate the risk profile to the audit committee.

Most of my clients are at the allotted committee meetings on a regular basis as a subset of their board. They are all expected to know what is going on from a risk profile perspective to ensure that the company is still driving value to its shareholders but doing so in a prudent way.

Also, the media is more focused on taxes today, so it's very important to work with investor relations and communications to make sure they understand the company's total tax impact. There are many more facets of the job to consider today.

Finally, in terms of the U.S. multinationals, a lot of heads of Tax are spending time with their CEOs to educate them on what aspects of tax reform would be more conducive to their companies, because most companies want to have their voices heard in the tax debate.

### **Is the right dialog taking place and how challenging is it to develop the necessary environment around tax code?**

It is a challenging environment for companies to operate in. Uncertainty is almost worse than having rules that you don't like; uncertainty is the worst of the scenarios and it's what we're dealing with right now.

Do I think we're having the right debate? We're currently in lame duck sessions and there is no debate going on. I'm curious to see whether or not the U.S. tax code is picked in 2015 and a new agenda is developed.

Globally, the OECD is moving forward. The OECD is a group of individuals that is charged by the EC to come up with global guidelines for how to tax the digital economy, intellectual property, and the like.

They released several action plans last September and we're already seeing the impact that those are going to have globally. Some countries like Mexico and Brazil have already taken action to address base erosion and profit shifting, or BEPS, based on the OECD plans. With those projects, they've taken some legislation and enacted it pretty quickly in what we call BEPS-inspired legislation.

Countries are moving on these rules, so all of this is happening around the U.S. and it makes the U.S. more of an outlier with a very high statutory rate and a lot of archaic rules that might not necessarily be matching today's way of doing business.

With all this change and complexity, companies really need to engage with the government on tax policy. It's important to understand what various proposals mean for your business and to stay current on the latest policy discussions. I'm so proud of the wonderful team of tax policy luminaries we have at EY. It's truly an honor to work with some of the brightest minds in the field today, and I know our clients are impressed by the knowledge they offer on so many different topics. ●

### ***Building a better working world through mentoring and sponsorship***

A rare role model for long-term corporate loyalty, Kate Barton grew up in EY's tax practice and understands the importance of creating a pathway for professional growth within the organization. Promoting the mentor role, she describes it as helping young people take responsibility for their own career and advancement, providing guidance, advice, and support. Kate also strongly believes in sponsorship – pushing herself and fellow executives to advocate for young talent and use their political capital to make things happen.

Sponsorship plays an important role in helping colleagues advance to the executive level and EY's efforts in this area are focused on three main points:

- *Increasing awareness of sponsorship:* Making people aware of sponsorship – what it is, how to earn it – and the benefits of being sponsored and of sponsoring others.
- *Providing equitable opportunities to earn sponsorship:* We help our people become “sponsor ready” through intentional client assignments, counselor assignments, mentoring, etc.
- *Formalizing the role of sponsors with some accountability:* We make sure that our high performers are aligned with influential executives.

Kate herself is the first to point out that mentors and sponsors have been integral to her career success, and she understands the importance of paying it forward by supporting and developing the next generation of leaders. Kate has an excellent track record as a mentor and sponsor to all people, with a particular focus on helping women. Since she took over her current role as the Vice Chair of Tax Services, women have joined the firm's partnership at an increasing rate, and more women are serving in the top leadership position for the Tax Regions. Today, women make up 25 percent of Tax partners and 40 percent of the Tax Region leaders are women, up from 9 percent just five years ago.

One example is Carolyn Libretti, who, with Kate's sponsorship, has just recently been named as the Law Leader for the Americas, a new position at EY for which she will relocate from Brazil back to the United States. Kate leads by example, and her protégés understand the value and importance of helping others. Case in point, Carolyn was recently nominated for the EY Americas Inclusive Leadership Award honoring leaders who treat each individual as unique, and commit to making people feel included and valued. Kate herself will be honored as one of New York Business Journal's inaugural Women of Influence, recognizing women business leaders who innovate, succeed, and pay it forward.

Across the board, Kate believes that educating and helping her team members to become strong tax technicians is crucial to success in building a better working world. She is committed to developing leaders who can strengthen client confidence and make meaningful contributions to the tax profession during the time they work at EY and beyond. She also champions the idea that by continuing to provide education and leadership training to employees throughout the course of their career, we will not only positively affect our people's personal and professional development, but also how they influence the world around them. ●