



Tax, Demographics and Corporate Location

A study of the interaction between tax policy and labor migration, and their impact on location decisions.

March 2009

TAX


Across KPMG's global network of member firms, we have 22,000 tax professionals. The insights they offer – both in local tax knowledge and cross-border tax skills – can provide organizations, large and small, with an advantage in the immediate and long term. Drawing on the experience of our people and multi-disciplinary approach, we are able to help our firms' clients to think beyond the present, see beyond borders and achieve long-lasting success.

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Contents

Introduction	1
Executive summary	2
Key points explained	3
Commentary	4
Composition of the international labor pool	8

Country reports

	Australia	12
	China	14
	Hong Kong SAR	16
	India	18
	Japan	20
	Singapore	22
	South Africa	24
	Spain	26
	Switzerland	28
	United Kingdom	30
	United States	32



Introduction



Throughout the past year, KPMG International has commissioned a series of research projects looking at changes in expectations for the global economy, concentrating on flows of capital between countries and regions.

To complement this research, we have commissioned a further project to consider how businesses identify the location of their operations with particular reference to the availability of labor and tax incentives.

Our researchers have conducted telephone interviews with 260 senior decision makers representing multinational companies in 11 countries around the world. We have focused in particular on the Asia-Pacific region, covering Australia, China, Hong Kong, Singapore, India and Japan. But in keeping with the global mindset of our firms' clients and the KPMG global network, we have also surveyed the UK, US, Spain, Switzerland and South Africa, with the aim of providing a truly global perspective.

We asked these senior executives, CEOs, CFOs and finance directors, about their priorities and preferences when deciding where and how to locate their businesses, how they hire their labor, their views on the role of governments in shaping and influencing cross-border movements of people, and their expectations for future sources of talent. This is our report of what they told us.

To add some further insight we have included observations on managing global workforces arising from another recent KPMG publication, 'The Global Skills Convergence', prepared by Bernard Salt, a KPMG partner from our Australian member firm.

Together these publications give some indicators of the future shape of the global labor market and how businesses are responding to today's issues. They also offer some challenges to governments wanting to ensure that their countries remain attractive investment locations.

This publication should be of value to business and human resource teams, officials, commentators, indeed anyone with an interest in thinking beyond the present and taking decisions now which will help shape our future.

Rosheen Garnon

Global Head of International Executive Services, KPMG in Australia

Executive summary



The key points from this report and the survey it has been based on can be summarized as follows:

- The quality of labor and the availability of tax policies and incentives for businesses can greatly influence the choice of business location.
- Direct tax incentives for business are an effective way of attracting companies to a country.
- Tax policies aimed at improving labor flows are useful, but generally less favored than direct incentives for business.
- Favorable immigration regimes are a major factor in attracting business.
- Favorable business conditions are generally thought to be more important than a well-qualified local workforce when considering a new business location.
- Businesses clearly welcome improved labor mobility, believing that foreign workers can bring specific valuable talent and skill sets, improve global understanding, and provide insight into new markets.
- In Europe, the business community and individual companies see themselves as the most responsible for attracting and retaining foreign talent. But elsewhere in the world, Government is expected to take a much greater role.
- Many companies are expecting a shift in the composition of the international labor pool over the next three years.
- Many countries are expecting to rely more heavily on Chinese workers, but this expectation cannot be reconciled with the demographic situation in China which indicates a slow down in the rate of population growth, and fewer people of working age. Companies may need to adapt their strategies to consider other sources of talent such as India, where demographic projections expect the working population to continue to grow for the next 40 years.

Key points explained

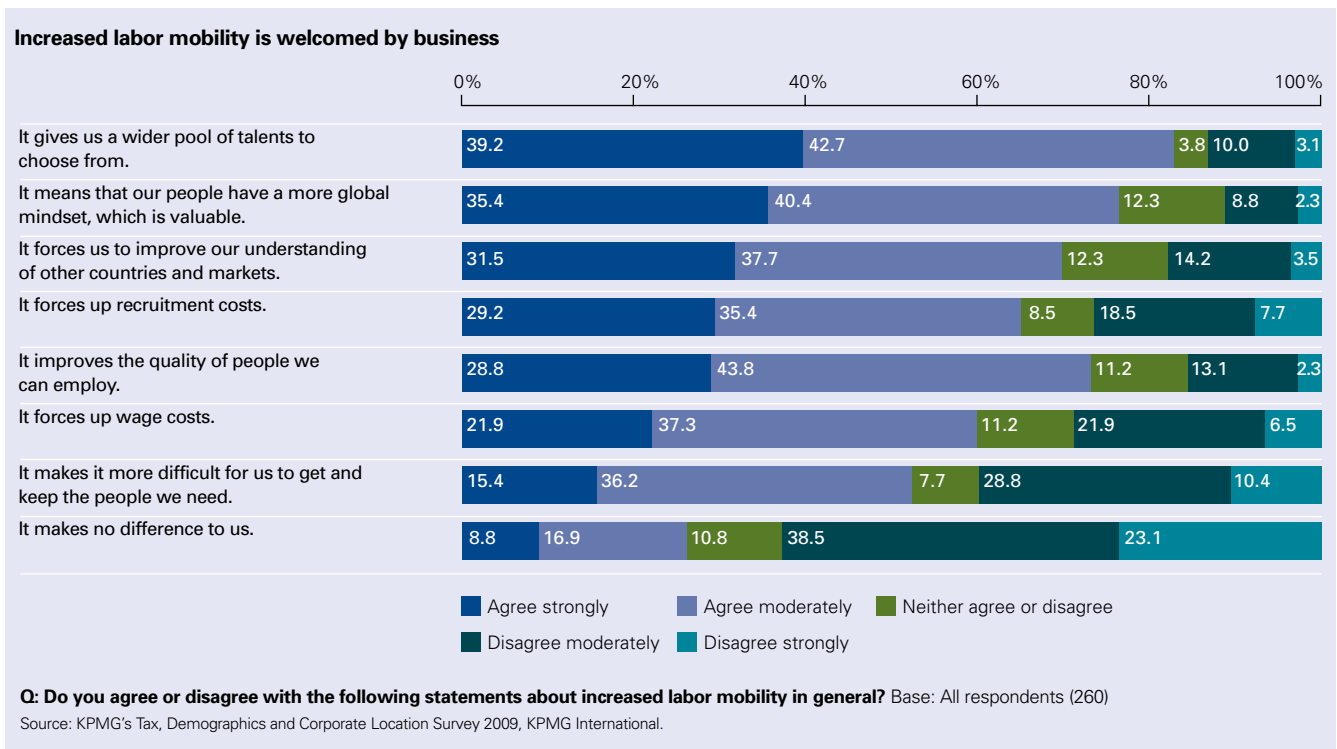
69%

Sixty-nine percent of respondents felt that hiring people from other countries fosters better understanding of global markets...

A clear welcome for global mobility

The overall results of the survey indicate a clear welcome for global labor mobility. Despite the effect of increased recruitment and wage costs as a result of hiring from overseas, more than eight out of ten (82 percent) agreed that better labor mobility gives them a greater pool of talent from which to choose, and 73 percent said that it allowed them to hire better quality people.

Sixty-nine percent of respondents felt that hiring people from other countries fosters better understanding of global markets, with 76 percent saying that foreign workers help develop a valuable global mindset.



Even so, 60 percent said that they prefer to hire local workers. The main reasons for this were entirely practical. Local workers generally have no language problems, they are more socially stable, they do not present problems with immigration regulations and they are generally more cost effective.

The remainder of respondents either had no particular preference, or where they preferred foreign workers, cited potentially better skill sets and their global mindset as reasons for doing so.

But despite a majority preferring local workers, they are not necessarily more effective workers. Only 7 percent of respondents said that local workers are more productive than foreign workers, suggesting that many of the companies surveyed would hire more people from other countries if they could.

Commentary

190m

Figures from the United Nations put the total number of international migrants at close to 90 million in 1975, rising to more than 190 million in 2005.

The development of international trade over the past two thousand years has gone hand in hand with the desire and increasing ability of ordinary people to move from country to country in search of work. This movement has accelerated rapidly in the past 30 years – figures from the United Nations put the total number of international migrants at close to 90 million in 1975, rising to more than 190 million in 2005.

Today, business around the world is more reliant than ever before on the free movement of people to fill local labor shortages, to provide specific expertise where it is most needed and to manage overseas operations. Increased labor mobility has clearly contributed to global economic growth, but at the same time the task of governments wanting to balance the needs of a global economy against concerns over preservation of cultures and the prosperity of their peoples, has become considerably harder.

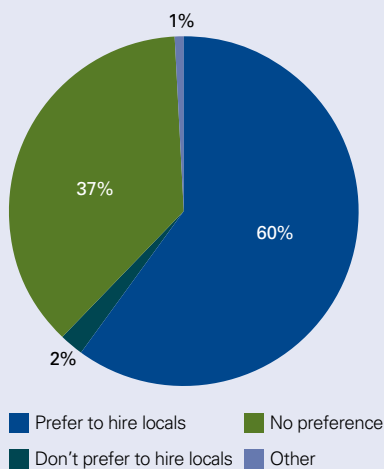
KPMG’s survey of 260 senior HR decision makers from 11 countries across the world was intended to test the views of business on the desirability and practicality of greater labor mobility, and on the role that governments can and should play in influencing the movement of labor.

The results revealed a complex picture, in which the theoretical advantages of people moving easily from country to country may look promising, but in practice this may prove to be less realistic than projected. Conceptually, in a developed world where there is a shortage of labor in one country, talent should flow in from elsewhere. But it is not always realistic to expect people to move, or to be able to move freely.

Straightforward tax incentives might encourage workers to move into a particular country, but by themselves they are not enough. The survey results suggest that it is better to establish business first, so that all the infrastructure necessary to attract and retain the necessary workforce is in place before the workers arrive.

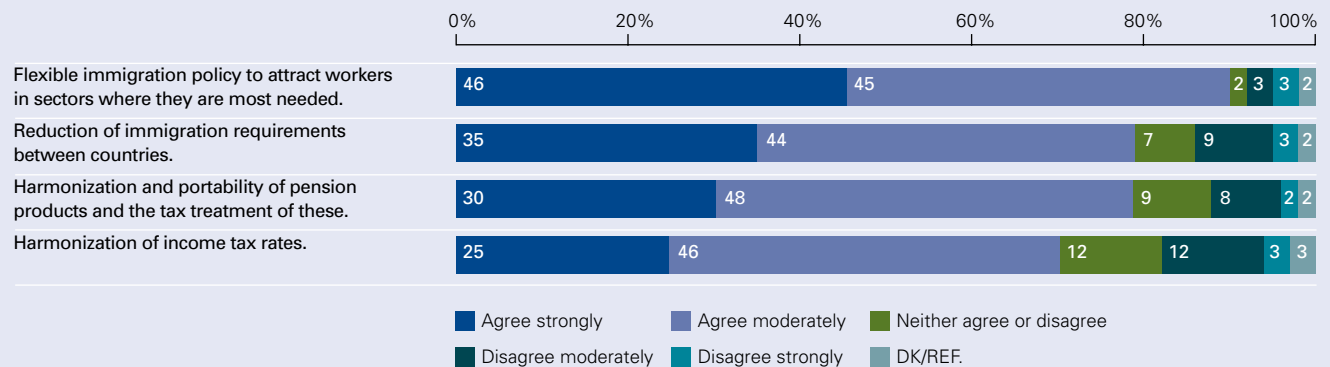
Respondents were almost unanimous that the greatest barrier to using more foreign workers is restrictions on immigration. More than nine out of ten (91 percent) agreed that governments should collaborate by introducing flexible immigration policies to attract workers to sectors where they are most needed. A clear majority (79 percent) said that immigration requirements should be reduced overall.

Businesses prefer to hire locals, rather than foreign workers



Q. Generally, would you prefer to hire people who are local to the country your businesses are in rather than people from other countries?

Base: All respondents (260)
 Source: KPMG’s Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Easing immigration is an important way governments could collaborate

Q: How do you think countries should collaborate to make it easier for valuable workers to move from country to country?

How much do you agree or disagree with the following statements? Base: All respondents (260)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

79%

A clear majority (79 percent) said that immigration requirements should be reduced overall.

Not only is business keen to see direct barriers to labor movement lowered, they are equally keen to see government action to remove fiscal barriers for individual employees and their employers. Joint action between countries on the compatibility of pension schemes, to improve cross-border portability and harmonize their tax treatment, was supported by 79 percent of respondents. Seven out of ten were even prepared to see harmonized personal income tax rates, to reduce the tax arbitrage that has distorted labor markets, especially in the Asia-Pacific region.

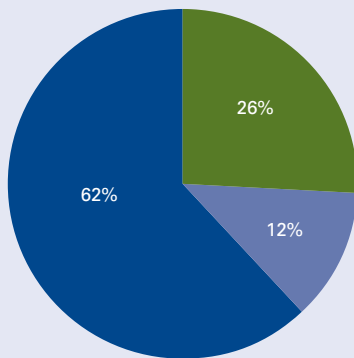
Since these actions are the domain of government, there is clearly a view that government has a duty to ensure the supply of good quality labor. Just over a quarter of respondents (27 percent) were prepared to go further and say that government has most responsibility, or at least more responsibility than business or individual companies, for attracting and keeping talented people.

Although a majority (55 percent) thought this should be done by providing direct tax incentives to workers to attract them to a particular country, a much larger majority (82 percent) said that tax incentives should be provided to businesses first.

74%

... nearly three quarters (74 percent) opted for favorable business conditions first.

Companies want favorable business conditions



- Locate your business in a country with favorable business conditions and train local workers?
- Locate your business in a country with a good, well-educated workforce?
- Locate your business in a country with favorable business conditions and bring in the necessary workers from elsewhere?

Q: Which do you prefer to do?

Base: All respondents (260)

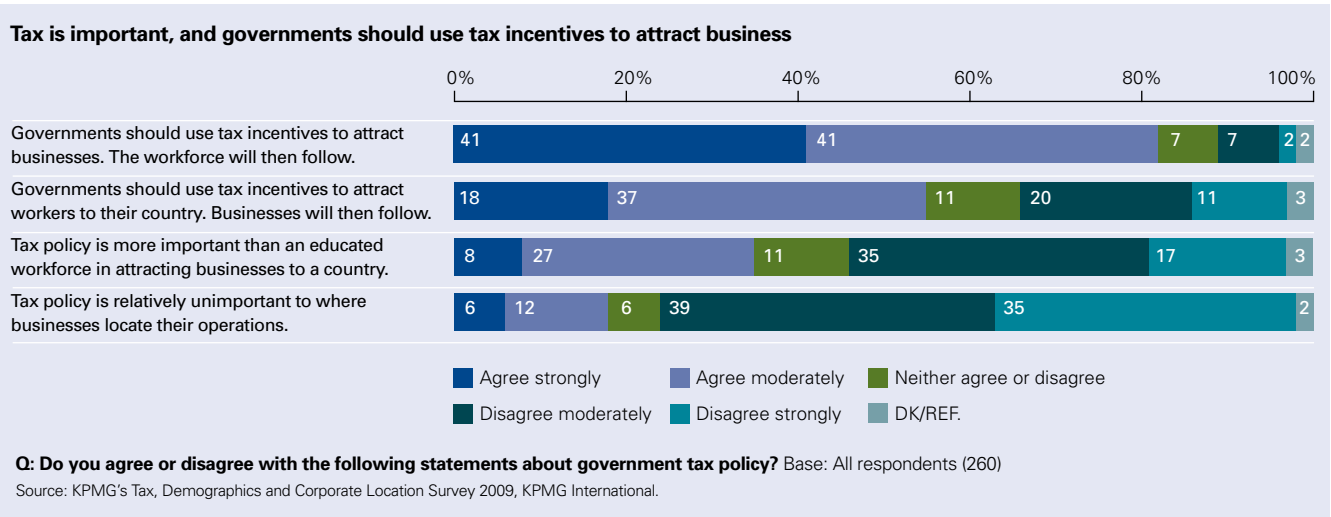
Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

It comes as no surprise, then, that when asked whether companies preferred to locate themselves in a country with favorable business conditions and train or bring in a workforce, or alternatively, to find a good well-educated workforce and locate among them, nearly three quarters (74 percent) opted for favorable business conditions first.

This view was echoed by a contributor to 'The Global Skills Convergence' (a KPMG publication examining long term trends in demographics and the provision of labor). A director of global human resource solutions for a large US web company, the contributor said that identifying the markets that have the potential to become emerging markets, and then skilling up the populations of these countries, is where the real opportunities exist.

Taken together, these responses show very clearly the extent to which national ties are breaking down in commerce, and how mobile both businesses and workers are expected to be in today's market. Although it has been developing for some time, this level of fleet-footedness of companies as well as people is a 21st century phenomenon and it presents a completely new set of issues for governments wanting to ensure that their economies secure their share of global wealth.

The survey shows that companies really are behaving more like consumers. They are comparing and contrasting the level of services they think they will get in different countries in exchange for their taxes. They are confident that once they have located the best deal, which will include access to new customers and the effective rule of law, they will be able to build a workforce, using foreign labor if necessary.



Perhaps the starkest illustration of this is in the response to the final question in the survey, which asked where respondents would locate themselves given a fresh start next year, and again in five years' time. The clear favorite now and in 2013/14 is China, with 19 percent of votes, nearly double the vote of its nearest rival in both periods. The US is in second place for 2009/10, but is overtaken by India for 2013/14.

In fourth and fifth positions came Singapore and Hong Kong, both punching well above their weight in GDP terms. With limited space and no natural assets other than their locations and people, these two regional hubs continue to be important business locations in Asia-Pacific. In both cases, tax policies and business friendly immigration policies have played a significant role in their continued success.

Composition of the international labor pool

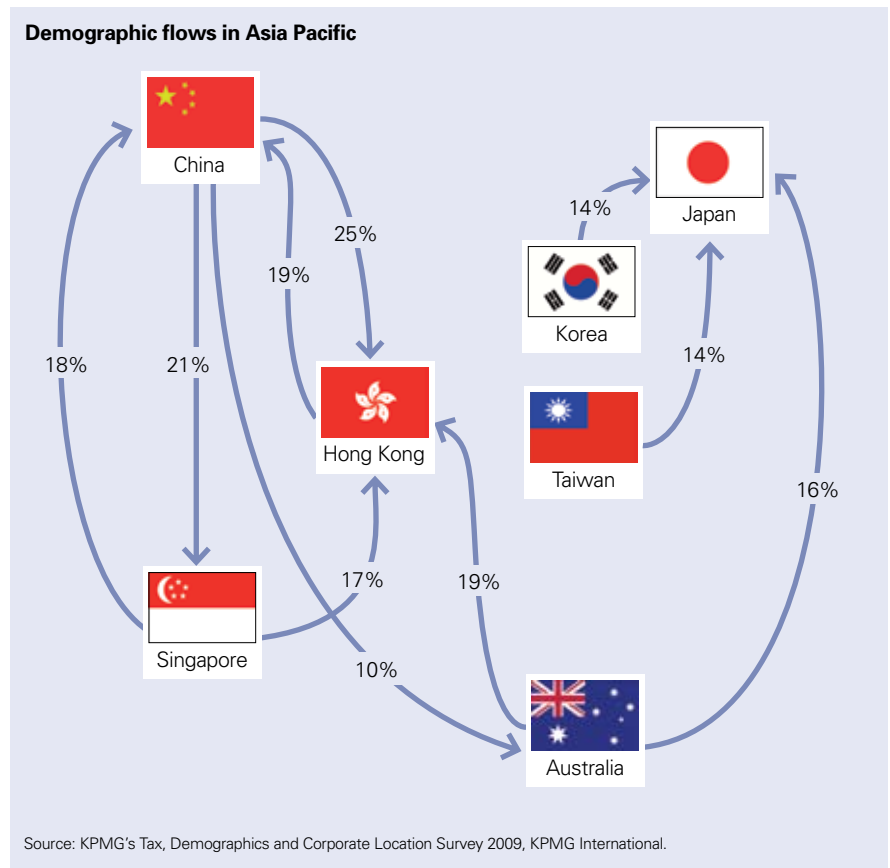
One of the aims of the survey was to build a picture of where businesses in different countries recruit their foreign workers from. The relevant questions were asked of all companies having operations in a particular country (not just those companies headquartered in that country), and covered the origins of non-local workers now and expected origins of non-local workers in three years' time. The results revealed some clear differences between the Asia-Pacific countries and those in the rest of the world, especially Europe.

Asia-Pacific

The pattern for several Asia-Pacific countries today is to rely heavily on one or two other countries for workers. There is clearly two-way traffic in many cases. This is illustrated in the diagram below, which shows where companies with operations in each country get the majority of their overseas labor from. So, for example, in China 19 percent of companies hire non-local workers from Hong Kong and 18 percent from Singapore. Companies in Singapore tend to hire Chinese workers (21 percent) while those in Hong Kong hire Chinese (25 percent), Australians (19 percent) or people from Singapore (17 percent).

19%

... in China 19 percent of companies hire non-local workers from Hong Kong and 18 percent from Singapore.



14%

For US companies, the largest single group of workers comes from the UK (14 percent)...

Europe and US

By contrast, companies in the UK, Spain and the US show no particular preference as to where their workers come from. Among companies based in the European states there is a slight tendency to take workers from other European countries, but the largest groups among UK companies are Australians (12 percent), Indians and French (11 percent each).

For US companies, the largest single group of workers comes from the UK (14 percent) followed by India (9 percent), China and Germany (both on 7 percent).

Some of these choices could be the result of relatively recent historical or cultural history – the widespread historical ties between many countries of the world and the UK and US, for example.

Changes ahead

But looking ahead only three years, there is a marked shift for companies in several countries indicating a move away from current patterns of foreign employment. The UK influence in Australia is set to decline sharply in favor of workers from China, India and Hong Kong. Given the currently deteriorating economic environment in the UK the supply side of labor may increase.

Companies in India expect to take far fewer workers from the US and the UK, and more from China, but it is not clear where the rest of the foreign workforce is expected to come from.

One of the most striking results from Indian companies is a doubling over the next three years in the number of respondents commenting that they don't know (or decline to say) where they will recruit their workers. This may be an expression of confidence in the dynamism of the economy of the region, or a symptom of uncertainty in the face of unprecedented economic growth.

In Japan, Australians are anticipated to remain the largest group of foreign workers, but Koreans are expected to be pushed from second into third place by a significant increase in the number of Chinese workers. Four percent of companies with operations in Japan say they employ Chinese now, but that rises to 12 percent in three years' time.

As The Global Skills Convergence notes, Japan has faced an annual decrease in its labor market (those aged between 15 and 64) since the mid-1990 and this is expected to continue until at least 2050. Though cultural constraints have limited immigration into Japan it must be expected that it will become increasingly necessary to address this prolonged reduction in the size of the workforce.

A paradox unveiled: Chinese workers expected share in the international labor pool

It is Chinese workers who are anticipated to provide a large proportion of the world's foreign labor force in the coming three to five years. Companies with operations in six countries from our survey, Australia, India, Japan, the UK, Spain and the US, all expect to see big increases in the number of Chinese workers they employ.

But this may not be as easy a solution as it appears today. Quoted in 'The Global Skills Convergence', Brian Ambrose, KPMG's Head of Global Mobility, predicts that labor shortages will be felt in China itself resulting from the implementation of the One Child Policy in the 1970s. He argues that fewer children born at that time have the effect of reducing the labor supply decades later.

If this is to be an issue within China, then it may well emerge as an issue for foreign companies expecting to rely on Chinese immigrant labor. Perhaps more significantly, the projected lack of skilled workers in China will impact groups looking to locate or expand in that country.


An alternative source of global labor from China is likely to prove to be India. The Global Skills Convergence found that the supply of workers entering the workforce there is expected to continue to grow for the next 40 years.

The underlying theme of these results seems to be a gradual move away from traditional patterns of foreign employment in the Asia-Pacific region, to embrace new workers from the fastest growing economies. European economies and the US are also anticipating a new wave of foreign workers, possibly from China, which will further dilute the influence that historical associations have had on employment patterns in these countries.

The challenge for companies is to keep their nerve in the face of market uncertainty. A highly experienced global HR consultant, quoted in 'The Global Skills Convergence', said, "It is important to emphasize that establishing a truly global organization takes time, money and a sustained effort to create and support and it can be all too easy to abruptly stop the investment when the business cycle shows signs of a downturn. Those organizations which have held firm in their resolve and maintained their international strategy are most likely to be in pole position on the inevitable upswing."

The challenge for governments, all over the world, is to adapt and create systems which encourage and support companies in this process, will facilitate this anticipated vast movement of people, and recognize both the beneficial and unifying effects on global commerce and prosperity.

Country reports

	Australia
	China
	Hong Kong SAR
	India
	Japan
	Singapore
	South Africa
	Spain
	Switzerland
	United Kingdom
	United States

This section covers in more detail the responses from each of the countries surveyed.

Each chapter provides insights into the country respondents' views on decisive factors in choosing a business location overseas, which may provide a useful reference point for views on how to structure the domestic labor market.

Insights into the composition of the international labor pool are summarized by country, with the expected trends in any shifts in the international labor pool specified.

Finally, further insights into the respondents' views on tax and government policy regarding international mobility are included.



Australia

55%

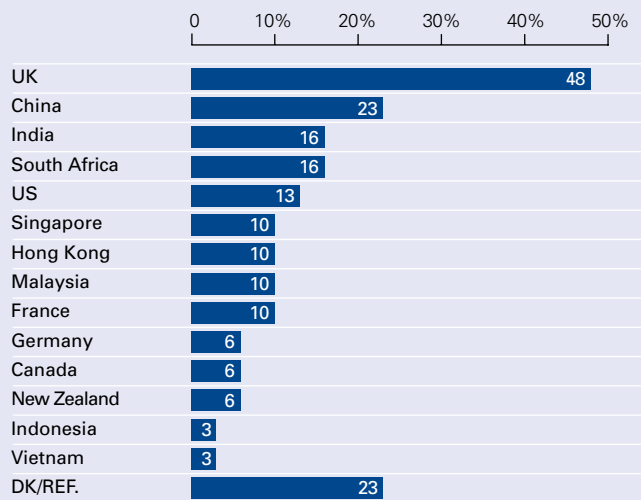
A clear majority (55 percent) thought that a country's tax policy was important to companies when they are deciding where to locate their operations.

A clear majority (55 percent) thought that a country's tax policy was important to companies when they are deciding where to locate their operations. This was backed up by 60 percent who said that their preference is to locate in a country with favorable business conditions and either train up the local workforce (45 percent) or bring in a workforce from elsewhere (15 percent).

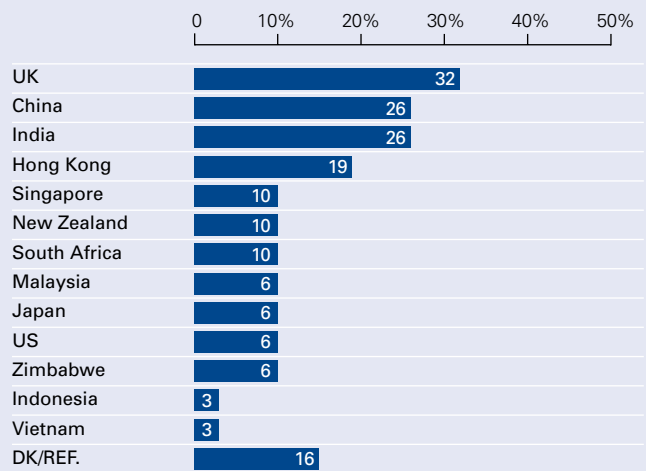
Australian respondents indicate that they see Australian companies as relying heavily on UK nationals employed in Australia. Respondents indicated that over the next three years foreign workers in Australia will be increasingly sourced from China and India, and to a lesser extent Hong Kong.

The British will remain the top foreign workers who are working in Australia

Next year



In three years



Q: Thinking about where does your non-local workforce come from today? Top 15 Base: Australia respondents (31)

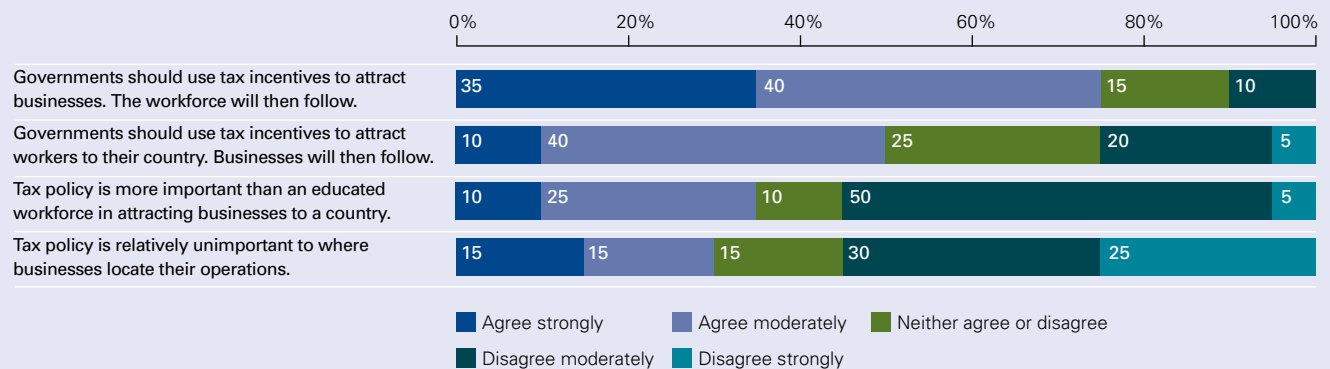
Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Q: Which countries do you expect your non-local workforce to come from in three years' time? Top 15 Base: Australia respondents (31)

Australian respondents were very clear that it is primarily the responsibility of the business sector to ensure an adequate supply of foreign labor, with only 15 percent saying that this was a responsibility of the government. Three out of four (75 percent) said that the government's priority should be to offer tax incentives to businesses first, in the expectation that the necessary workforce will follow.

The British will remain the top foreign workers who are working in Australia.

Australian companies believe governments should use tax incentives to attract business and workers



Q. Do you agree or disagree with the following statements about government tax policy? Base: Australia respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

70%

... 70 percent were prepared to see the Australian government collaborating with other countries to harmonize personal income tax rates.

Nevertheless, half of the Australian respondents agreed that the government should use tax incentives for individuals to attract workers to the country and 70 percent were prepared to see the Australian government collaborating with other countries to harmonize personal income tax rates. There was even greater support for harmonization of regulations governing pensions to make it easier for workers to carry pension entitlements across borders. Nine out of ten were in favor of moves to standardize the tax treatment of pensions and make them universal.



China

85%

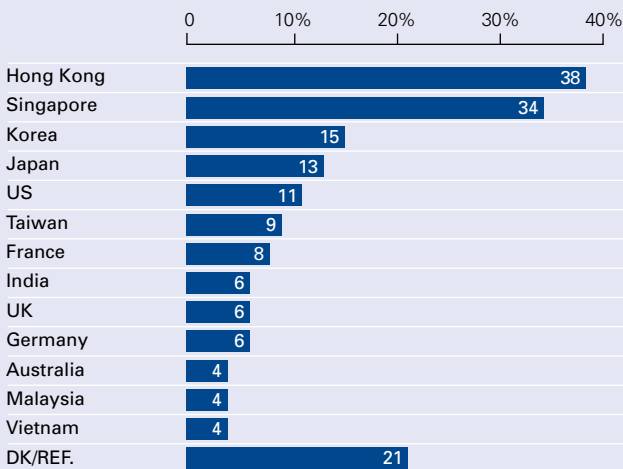
A significant 85 percent of Chinese based respondents take the view that in deciding to choose a new business location overseas, low-cost labor is an important or even crucial factor.

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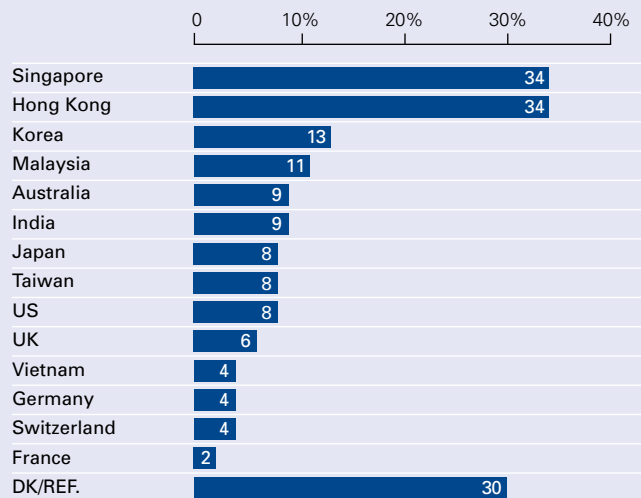
Respondents also said that Hong Kong and Singapore will continue to make a significant contribution to the international labor pool in China over the next three years. A cross-section of important trade partners will provide the remaining foreign workers, including Japan, US, Korea, Australia, UK and Germany.

Workers from Hong Kong and Singapore will remain the leading non-local workers in China

Next year



In three years



Q: Thinking about where does your non-local workforce come from today? Top 15 Base: China respondents (53)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Q: Which countries do you expect your non-local workforce to come from in three years' time? Top 15 Base: China respondents (53)

Chinese respondents stand out for their view that the government has primary responsibility for attracting labor to the country. Three in four (75 percent) agreed that this was a key task of government, but since 65 percent thought that this was also a responsibility of business, it is clearly one that is shared between the two sectors.

Workers from Hong Kong and Singapore will remain the leading non-local workers in China.

75%

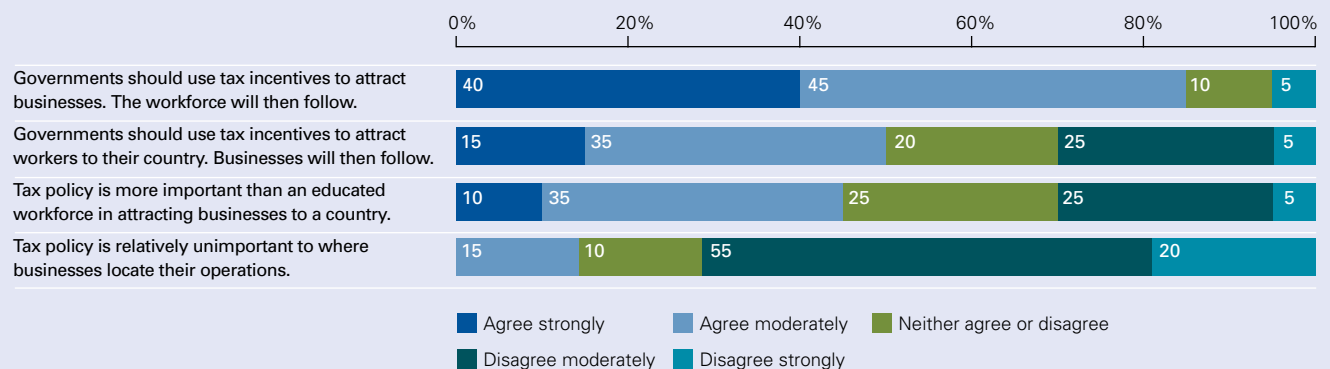
... low personal tax rates and tax concessions specifically for qualified migrants were the choice of 75 percent of respondents...

Despite this, the preference among Chinese respondents was for tax incentives for business, rather than for individuals. Eighty-five percent agreed that tax incentives should be aimed at business first, who would then bring in foreign workers, with only half saying that incentives should be targeted at workers. Of those fiscal policy options that might be expected to have a positive influence on a foreign workforce, low personal tax rates and tax concessions specifically for qualified migrants were the choice of 75 percent of respondents, with 60 percent going further and approving direct government payments to selected foreign workers.

There was strong approval for cross-border collaboration to ease the flow of workers, with a particularly high vote in favor of harmonized tax rates (85 percent) and 75 percent wanting measures to improve the portability of pensions.

But as with many of the countries surveyed, the largest vote was in favor of direct action to ease immigration procedures, either through introducing greater flexibility (95 percent) or simply reducing requirements between countries (85 percent).

Chinese companies believe governments should use tax incentives to attract business



Q: Do you agree or disagree with the following statements about government tax policy? Base: China respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.



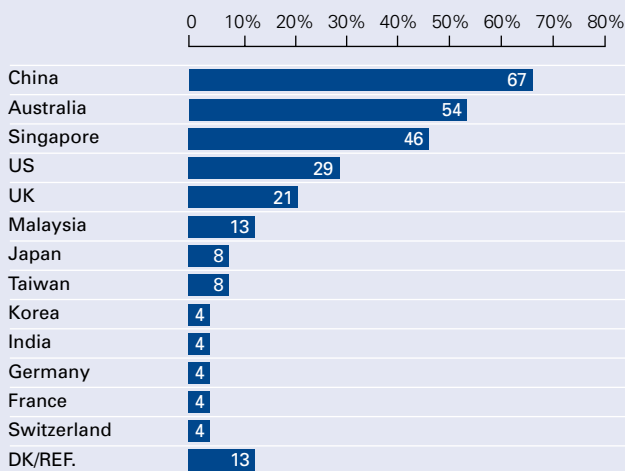
Hong Kong SAR

Respondents from Hong Kong were equally split in their views that tax is the most important element in deciding where to work (50 percent) compared to having access to an educated workforce (55 percent). Tax, for many of these companies, is therefore only one factor among many on their choice of location.

Not surprisingly, respondents indicated that Chinese workers will continue to make up the largest proportion of the international labor pool for the next three years. Workers from Singapore and Australia will continue to be the next most important sources of foreign labor according to the respondents.

People from the Chinese mainland will remain the top non-local workers in Hong Kong over the next three years

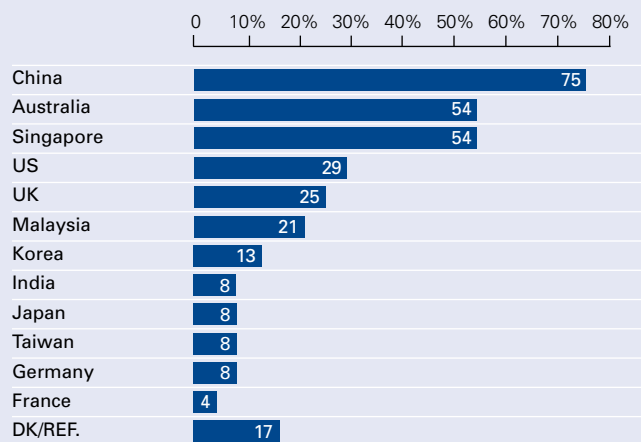
Next year



Q: Thinking about where does your non-local workforce come from today? Base: Hong Kong respondents (24)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

In three years



Q: Which countries do you expect your non-local workforce to come from in three years' time? Base: Hong Kong respondents (24)

85%

Like many of the companies polled in other countries, they see a clear need for tax incentives for business (85 percent).

Respondents from Hong Kong take a balanced view of the need for tax incentives. Like many of the companies polled in other countries, they see a clear need for tax incentives for business (85 percent). However, here this is offset by 70 percent who see benefits in tax incentives for individuals as a means of attracting key workers. This enthusiasm may be partly due to the success that Hong Kong has had in the past as a low tax, light regulation hub for people from all over the Asia-Pacific region, and beyond. It is clearly still a policy that commands much support.

People from the Chinese mainland will remain the top non-local workers in Hong Kong over the next three years.

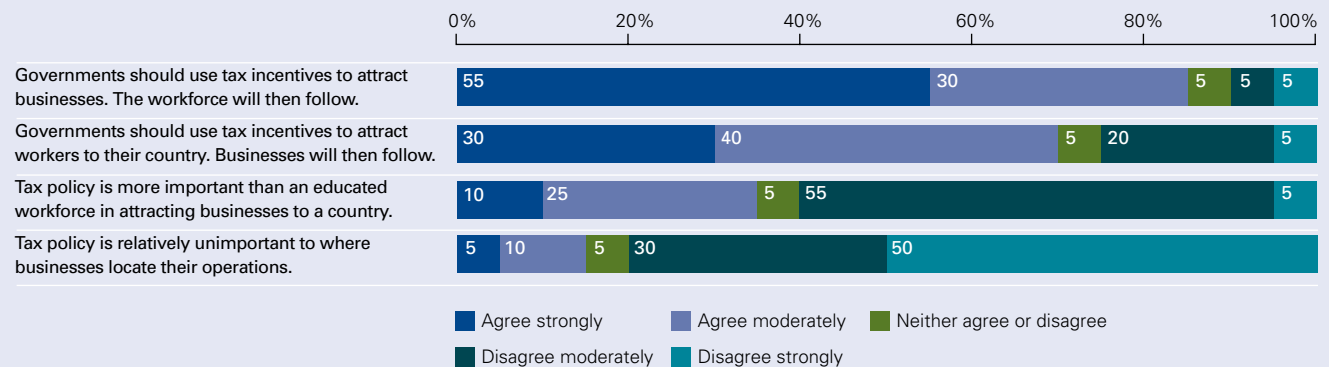
75%

... 75 percent of respondents were in favor of cross-border harmonization of tax rates to ease the flow of migrants.

This balanced view extends to the question of which sector of the economy has responsibility for attracting and keeping a workforce. Hong Kong respondents see this as evenly spread between individual businesses (70 percent), the business community as a whole (65 percent) and government (60 percent). Perhaps surprisingly, given the success of low taxes in attracting workers to Hong Kong, 75 percent of respondents were in favor of cross-border harmonization of tax rates to ease the flow of migrants. Eight out of ten were in favor of measures to harmonize treatment of pensions.

But again, it was direct measures to help migration that were most popular. Every one of the Hong Kong respondents chose more flexible immigration policies as a key factor in helping labor migration.

Companies in Hong Kong believe governments should use tax incentives to attract business and workers



Q: Do you agree or disagree with the following statements about government tax policy? Base: Hong Kong respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.



India

80%

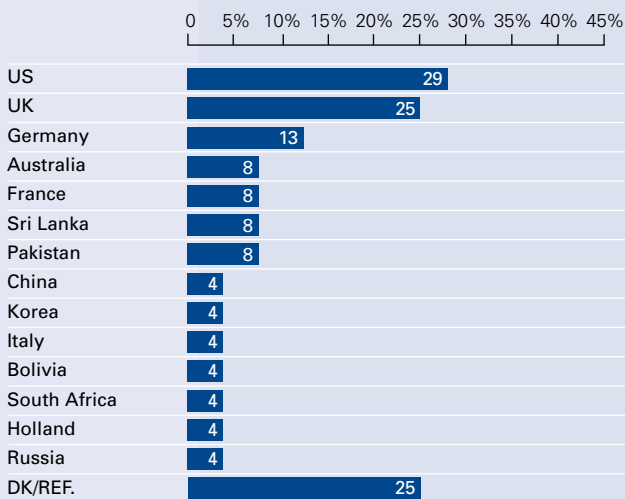
... while 80 percent chose favorable business conditions as a first priority.

In selecting where to base their operations overseas, Indian based respondents stood out among those surveyed as the least concerned for the quality of the overseas workforce. Only 10 percent of respondents saw this as important, while 80 percent chose favorable business conditions as a first priority.

Respondents from India also indicate that their international labor pool is dominated by US and UK nationals, with workers from important trading nations (Germany, France, Australia and Sri Lanka) also taking a considerable share. Within three years' time, respondents expect that Australians and Chinese workers will be far more important in the international labor pool, whereas UK and US nationals will take a less prominent place.

Australians and Chinese will increase their presence in India, US workers will remain important

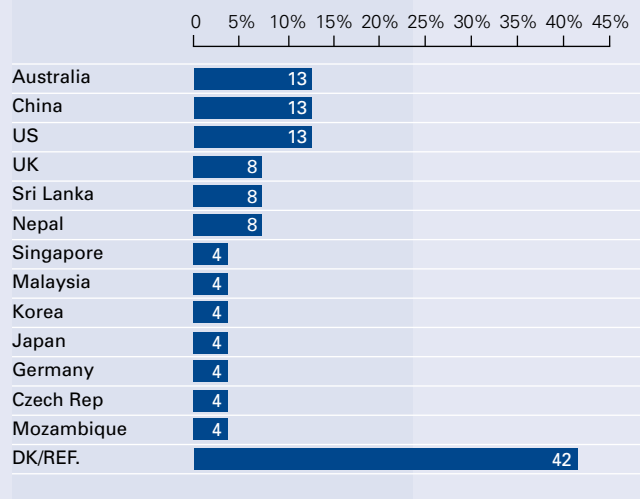
Next year



Q: Thinking about where does your non-local workforce come from today? Base: India respondents (24)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

In three years



Q: Which countries do you expect your non-local workforce to come from in three years' time? Base: India respondents (24)

Indian companies believe governments should use tax incentives to attract business.

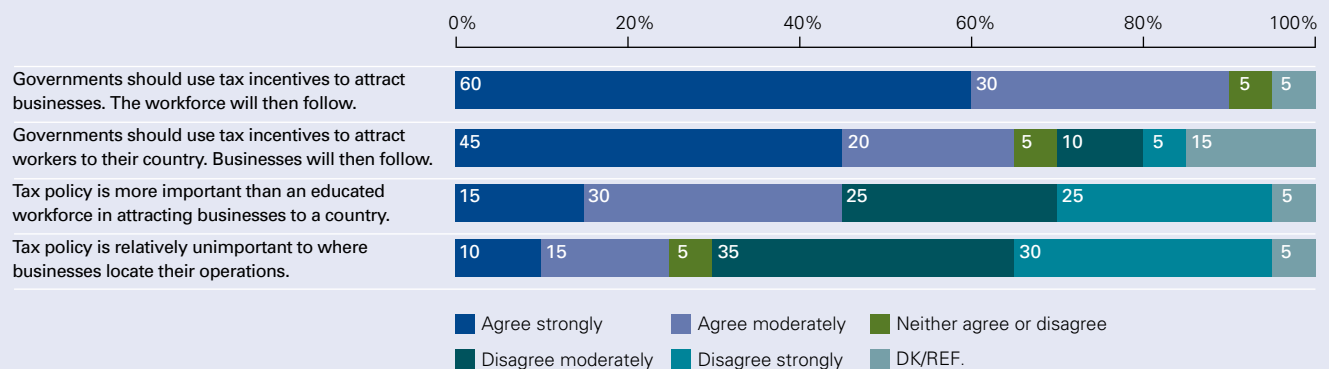
90%

Indian companies were very much in favor of tax incentives aimed at business to create new opportunities (90 percent)...

Relatively few Indian respondents saw attracting and keeping workers as a responsibility of government. Only 35 percent chose this option, making the Indians the least enthusiastic for government intervention among the Asia-Pacific countries. Eight out of ten saw this as a responsibility primarily for individual companies. But this did not mean that government has no part to play. Indian companies were very much in favor of tax incentives aimed at business to create new opportunities (90 percent) and equally in favor of cross-border tax rate harmonization (also 90 percent).

Harmonization of pensions regulation was even more popular among Indian respondents, with 95 percent agreeing that countries should collaborate on this issue. This matched the proportion of respondents in favor of direct action on immigration controls. Indian companies had no particular preference for other forms of tax incentive for individuals. Low tax rates and targeted tax concessions for particularly valuable migrants were preferred by 75 and 70 percent of respondents respectively. But there was a strong view, in common with many respondents from other countries as well, that concessions of this kind should be phased in over time, with 75 percent of respondents agreeing that this was important.

Indian companies believe governments should use tax incentives to attract business



Q: Do you agree or disagree with the following statements about government tax policy? Base: India respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.



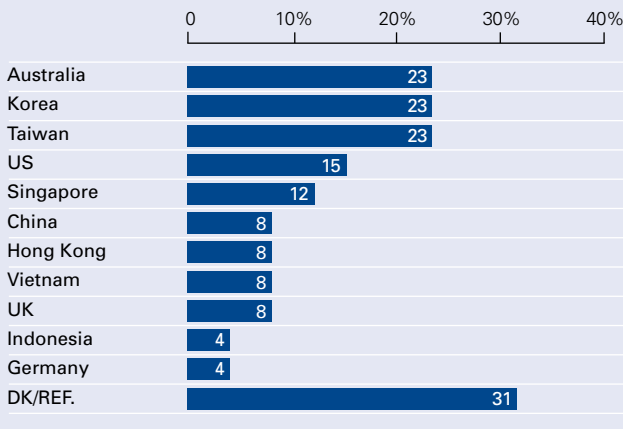
Japan

Responses from Japanese companies show them to be among the most sensitive to tax policy when deciding where to locate their operations. Nine out of ten declared that tax was an important issue in this decision, a higher proportion than found anywhere else. The responses from Japan also suggest that the focus for Japanese businesses abroad is clearly on the financial and business benefits to be found in a particular location, rather than on issues of labor availability.

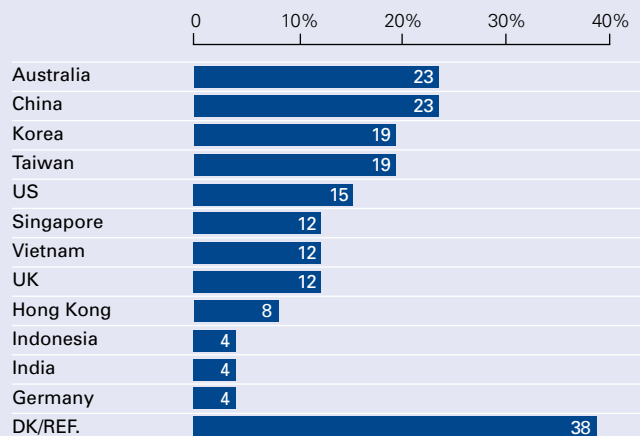
Respondents from Japan indicated in the survey that in three years' time the international labor pool will continue to reflect a cross-section of Asia-Pacific workers, with Korea, Australia and Taiwan taking a relatively large share. Over time, Chinese nationals' relative share is expected to gain.

Foreign workers from ASPAC countries will remain the top foreign workers in Japan

Next year



In three years



Q: Thinking about where does your non-local workforce come from today? Base: Japan respondents (26)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Q: Which countries do you expect your non-local workforce to come from in three years' time? Base: Japan respondents (26)

95%

Japanese companies are keen on tax incentives for business as a means of developing opportunities for workers (95 percent).

Japanese companies are keen on tax incentives for business as a means of developing opportunities for workers (95 percent). Presented with a selection of tax policies these companies generally favored those that benefit business, particularly lower social security payments for employers (75 percent) and government subsidized pay rates for particular types of employee (also 75 percent).

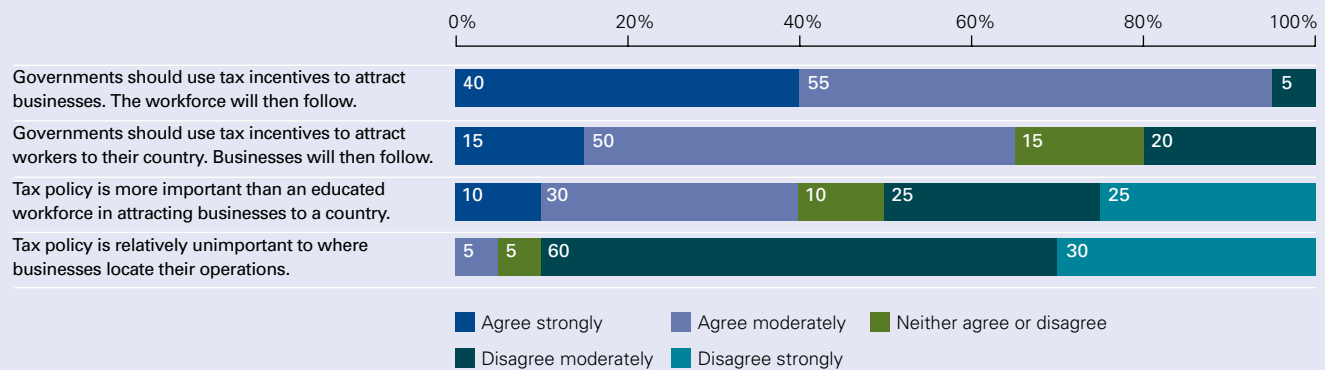
Japanese companies believe governments should use tax incentives to attract business.

65%

Cross-border collaboration to harmonize income tax rates and improve the portability of pensions were supported by 55 and 65 percent of respondents respectively.

Cross-border collaboration to harmonize income tax rates and improve the portability of pensions were supported by 55 and 65 percent of respondents respectively. These are clear majorities in favor, but they are noticeably smaller than those seen elsewhere in this survey. Japanese companies were also among the most enthusiastic for finding a favorable set of business conditions and then training local workers, with 75 percent in favor of this option.

Japanese companies believe governments should use tax incentives to attract business



Q: Do you agree or disagree with the following statements about government tax policy? Base: Japan respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.



Singapore

50%

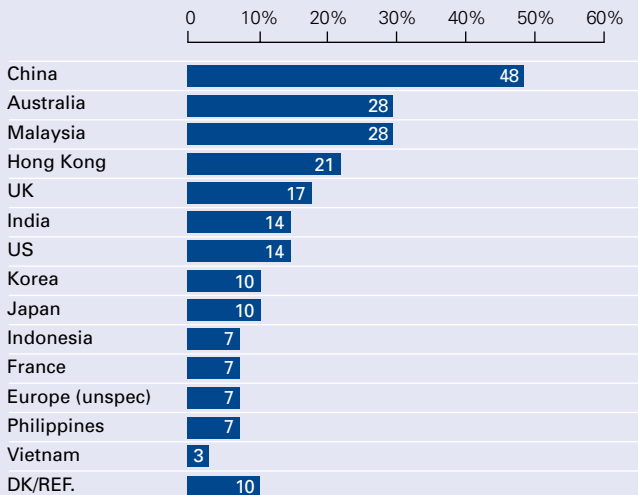
... 50 percent agreeing that tax is more important than having access to an educated workforce.

Singapore companies seem particularly keen to compare tax regimes when they are deciding where to locate their operations overseas, with 70 percent declaring tax policy an important factor in the decision and 50 percent agreeing that tax is more important than having access to an educated workforce. Half of the respondents said they would look first for favorable business conditions, and then take steps to train up the workforce themselves.

Singapore relies heavily on Chinese nationals for its international labor pool, with a significant group of nationals from Australia, Malaysia, UK and Hong Kong. Over the next three years, the respondents see a similar composition of the international labor pool in Singapore, although the UK and USA have a reducing share of the pool whereas India and Japan are expected to gain.

Chinese will remain the top foreign workers in Singapore over the next three years

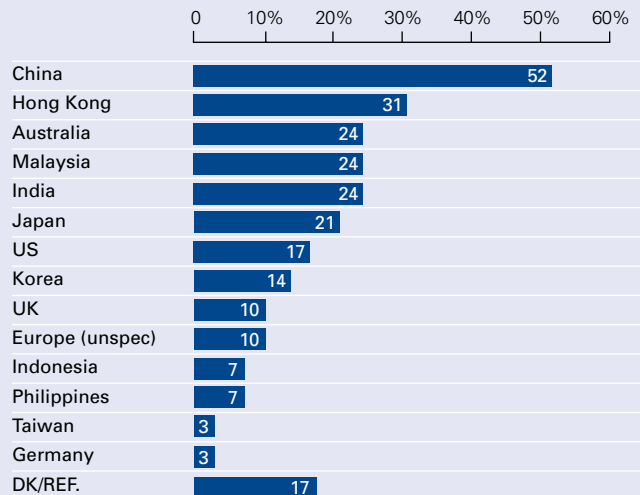
Next year



Q: Thinking about where does your non-local workforce come from today? Top 15 Base: Singapore respondents (29)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

In three years



Q: Which countries do you expect your non-local workforce to come from in three years' time? Top 15 Base: Singapore respondents (29)

Companies in Singapore believe governments should use tax incentives to attract business.

Singapore respondents are second only to the Chinese in their enthusiasm for government action to attract and retain workers. Sixty-five percent chose this option, but the same proportion said that this was a responsibility for individual firms, against only 40 percent choosing business as a whole. Companies thus seem to be willing to work with government to bring in workers, but less willing to collaborate among themselves.

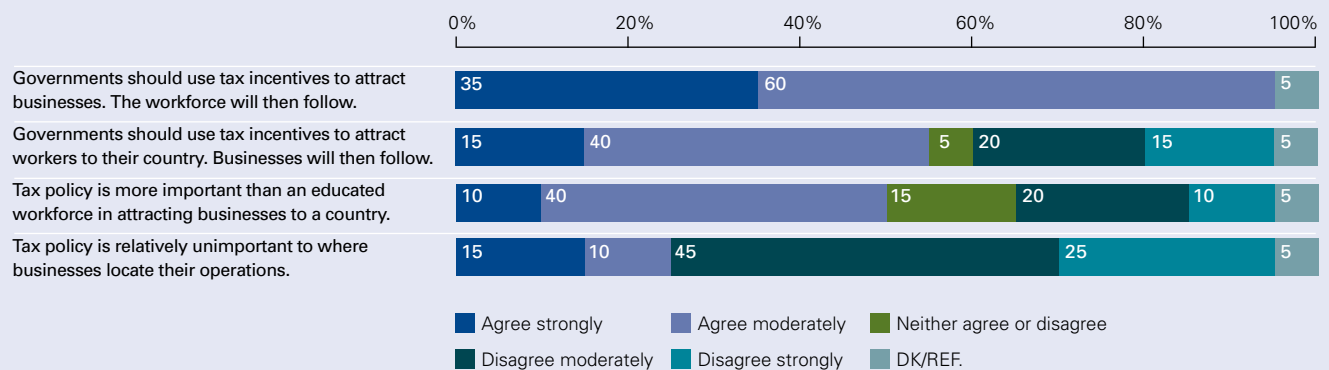
The most popular government action is to provide tax incentives for business, which is the choice of 95 percent of respondents, while relatively few (55 percent) chose tax incentives for individuals. Nevertheless, low tax rates and tax concessions for selected migrants were popular options for 80 percent of respondents.

100%

... with 100 percent of respondents agreeing that governments should collaborate on making immigration policies more flexible.

Like their counterparts in Hong Kong, Singapore companies like the idea of harmonized income tax rates across borders (90 percent) and improvement in portability of pensions is the choice of 85 percent of respondents. But again, it is direct action on immigration regulations which is most popular, with 100 percent of respondents agreeing that governments should collaborate on making immigration policies more flexible.

Companies in Singapore believe governments should use tax incentives to attract business



Q: Do you agree or disagree with the following statements about government tax policy? Base: Singapore respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

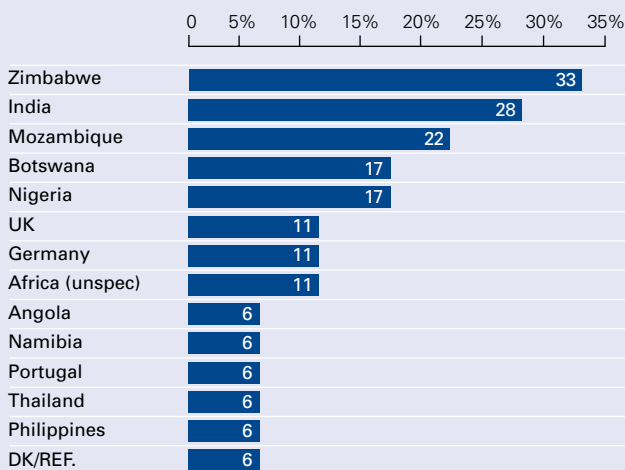


South Africa

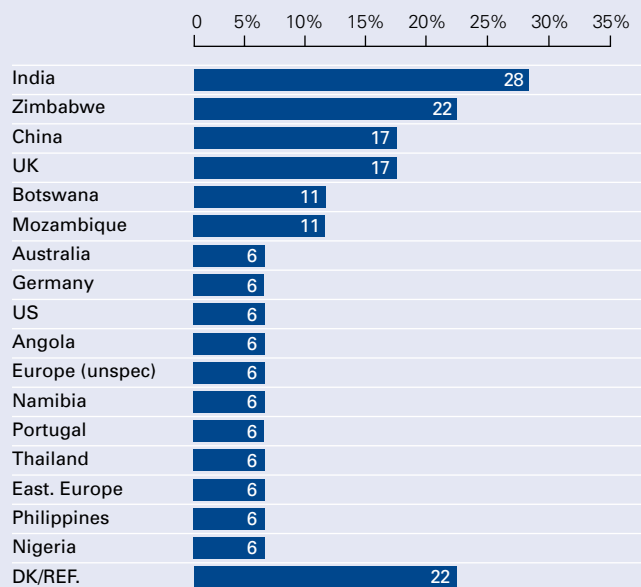
Labor mobility is clearly a particularly important issue for South African respondents since 25 percent said they preferred to locate overseas where business conditions are favorable and then bring labor in the largest proportion choosing this option from all the countries surveyed.

Foreign workers from China will become more important in South Africa

Next year



In three years



Q: Thinking about where does your non-local workforce come from today? Base: South Africa respondents (18)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Q: Which countries do you expect your non-local workforce to come from in three years' time? Base: South Africa respondents (18)

85%

Eighty-five percent of South African respondents view tax incentives for business as a priority for governments wanting to attract foreign workers...

Eighty-five percent of South African respondents view tax incentives for business as a priority for governments wanting to attract foreign workers, but only half believe that incentives should be extended to the workers themselves. Nevertheless, there is a large degree of support for a range of different individual tax measures, with low personal tax rates, targeted concessions for qualified migrants and even direct payments to migrants regarded as effective in attracting labor.

South Africans believe governments should use tax incentives to attract business.

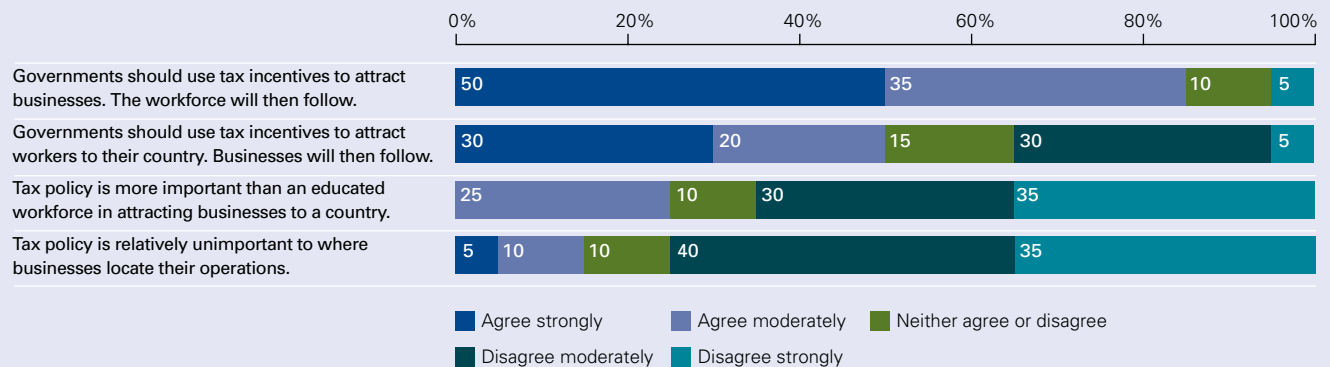
95%

Harmonization of tax rates between countries is a popular option for 95 percent of respondents as a means of improving flows of labor...

South African business holds a range of views on where responsibility for attracting and keeping foreign labor actually lies; with 45 percent saying it lies with governments, 35 percent saying it lies with business as a whole, and a further 45 percent saying it is the responsibility of individual businesses. There is strong agreement, however, among 75 percent of respondents on the importance of tax policy as a factor in the decision making process when choosing a location.

Harmonization of tax rates between countries is a popular option for 95 percent of respondents as a means of improving flows of labor, and 85 percent see measures to improve the portability of pensions in the same light.

South Africans believe governments should use tax incentives to attract business



Q: Do you agree or disagree with the following statements about government tax policy? Base: South Africa respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

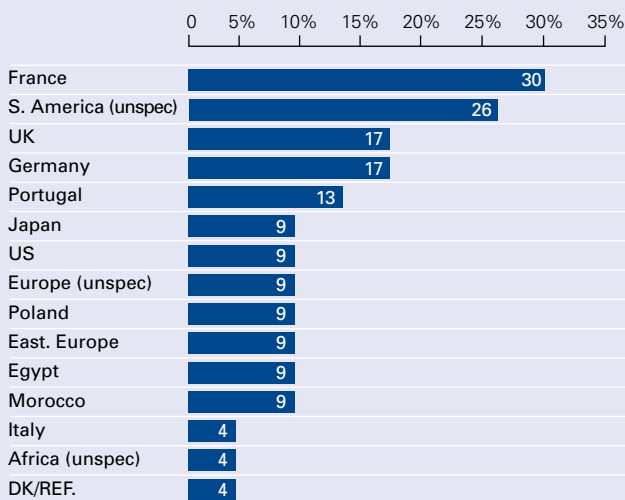


Spain

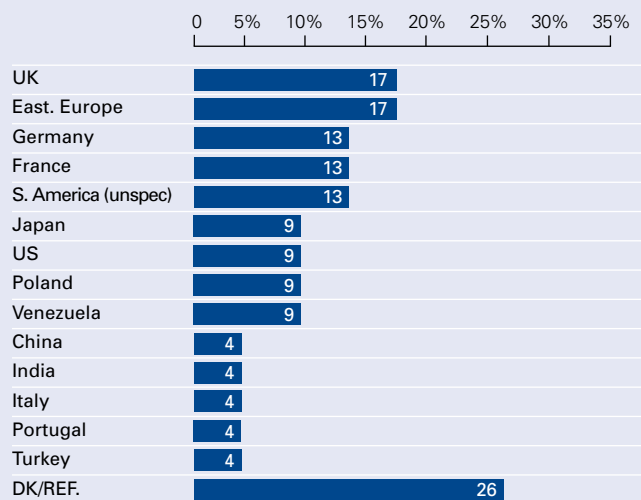
Companies with operations in Spain have the lowest proportion of foreign workers (5 percent) of those covered in this survey, but there is an expectation among businesses that the proportion of foreign workers will rise over the next three years, particularly those from the UK and Eastern Europe replacing France as the major source of foreign labor.

British and Eastern Europeans will replace French and S. Americans in Spain

Next year



In three years



Q: Thinking about where does your non-local workforce come from today? Top 15 Base: Spain respondents (23)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Q: Which countries do you expect your non-local workforce to come from in three years' time? Top 15 Base: Spain respondents (23)

75%

Tax policy is a major consideration when choosing a location for 75 percent...

Spanish companies themselves clearly see tax incentives for business as a priority for governments wanting to attract foreign workers. Eight out of ten say this is their preferred policy, while only 35 percent say that tax incentives should be made available for migrant workers. Tax policy is a major consideration when choosing a location for 75 percent, and half say that it takes priority over an educated workforce.

Spanish companies believe governments should use tax incentives to attract business.

65%

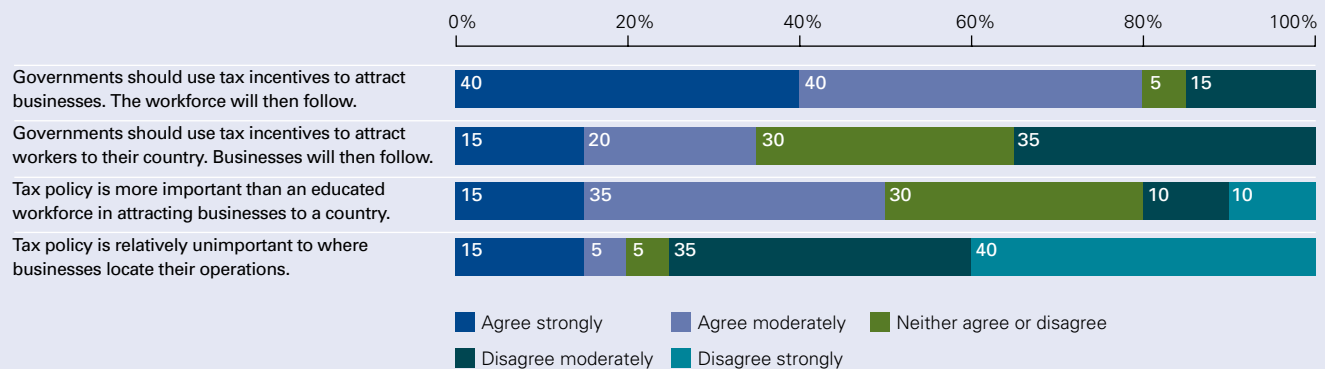
Sixty-five percent agree that tax rate harmonization would improve the international flow of workers...

Some degree of fiscal harmonization is favored by Spanish business. Sixty-five percent agree that tax rate harmonization would improve the international flow of workers, while 75 percent approve of the suggestion that pensions should be made more portable.

The Spanish agree with the British in the degree to which governments are responsible for attracting and keeping a workforce. Only 15 percent of Spanish companies see this as a government responsibility, and 20 percent see it as a matter for businesses as a whole. Eight out of ten say that this is an issue for individual businesses.

The clear preference among Spanish companies is for governments which provide support to businesses, but which then leave it to business to decide how best to meet the need for workers.

Spanish companies believe governments should use tax incentives to attract business



Q: Do you agree or disagree with the following statements about government tax policy? Base: Spain respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

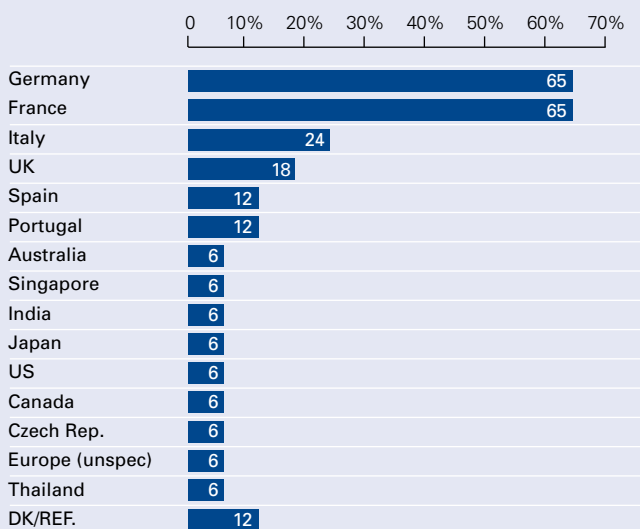


Switzerland

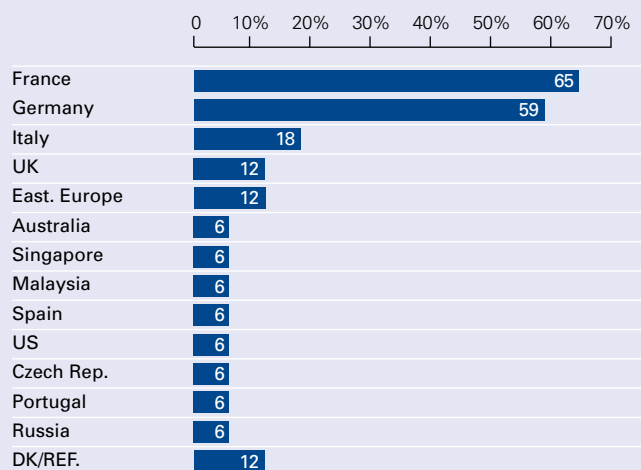
Seventy-five percent of Swiss respondents say that tax policy is an important factor in the decision when choosing a location. However, only 20 percent see tax policy as more important than an educated workforce, a low figure in this survey, suggesting that Swiss companies will generally look carefully at the availability of a suitable workforce before taking tax matters into consideration.

Foreign workers from Germany and France will remain important in Switzerland

Next year



In three years



Q: Thinking about where does your non-local workforce come from today? Base: Switzerland respondents (17)

Q: Which countries do you expect your non-local workforce to come from in three years' time? Base: Switzerland respondents (17)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Swiss respondents are a little more inclined than their Spanish or UK counterparts to think that governments have a responsibility to attract and retain foreign workers. Twenty-five percent say this is a government matter, while 45 percent say business as a whole has this responsibility. The majority, however, say that this is a matter for individual businesses (65 percent).

The Swiss believe governments should use tax incentives to attract business.

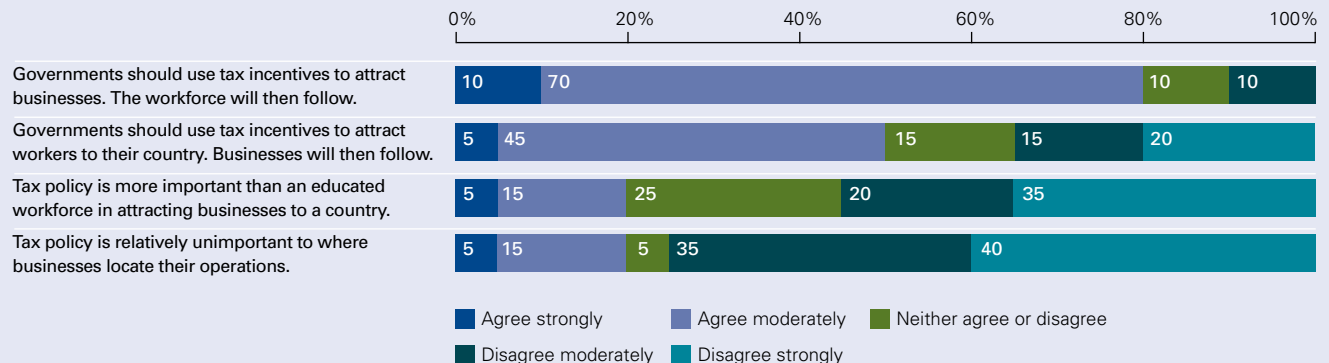
80%

As might be expected, tax incentives for business are popular among Swiss companies, with 80 percent agreeing that this should be part of government policy.

As might be expected, tax incentives for business are popular among Swiss companies, with 80 percent agreeing that this should be part of government policy. Incentives for migrants are favored by half of the respondents although there is no real consensus on what form these should take, apart from clear support for greater portability of pensions (85 percent).

There is also support for tax harmonization across countries (60 percent) and a similar proportion are in favor of low tax rates as a means of attracting workers. But once again, it is direct measures to make immigration easier that command the greatest support, with all Swiss respondents agreeing that this should be a matter for collaboration between countries.

The Swiss believe governments should use tax incentives to attract business



Q : Do you agree or disagree with the following statements about government tax policy? Base: Switzerland respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.



United Kingdom

70%

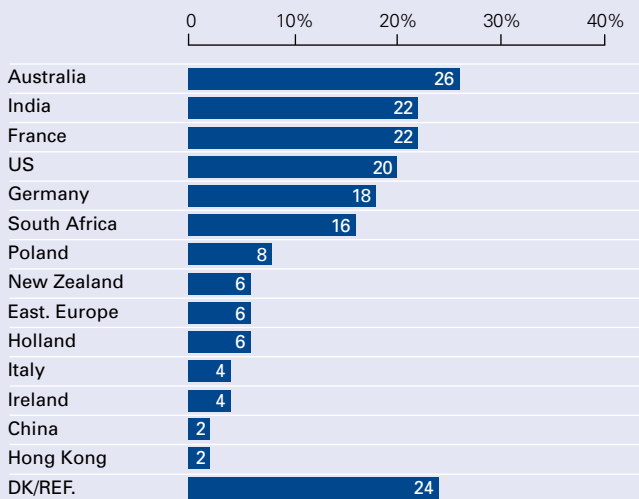
In the UK, results show that tax policy is considered particularly important for 70 percent of respondents when choosing a business location overseas...

In the UK, results show that tax policy is considered particularly important for 70 percent of respondents when choosing a business location overseas, but a similar proportion said an educated workforce was equally important. Companies in the UK are very much in favor of an educated workforce, with 50 percent saying that they would prefer to site operations close to educated workers rather than seek out favorable business conditions.

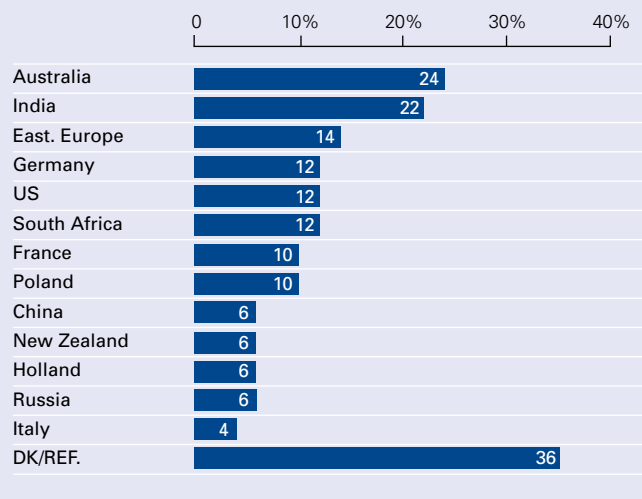
UK respondents say people from Australia, India, France, Germany, US and South Africa make up the majority of foreign workers in the UK. Within three years, although Australians and Indians continue to be the most important sources of foreign labor, Eastern Europe emerges as one of the important suppliers of foreign workers (14 percent).

Australians will remain top foreign workers working in the UK

Next year



In three years



Q: Thinking about where does your non-local workforce come from today? Top 15 Base: UK respondents (50)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

Q: Which countries do you expect your non-local workforce to come from in three years' time? Top 15 Base: UK respondents (50)

UK companies believe governments should use tax incentives to attract business.

Respondents from the UK were very clear that labor issues are the responsibility primarily of individual companies, not of the business sector as a whole and certainly not that of government. Eighty-five percent of companies said this was an issue for individual companies, the highest proportion recorded in the survey, compared with only 25 percent for business as a whole and 15 percent for government.

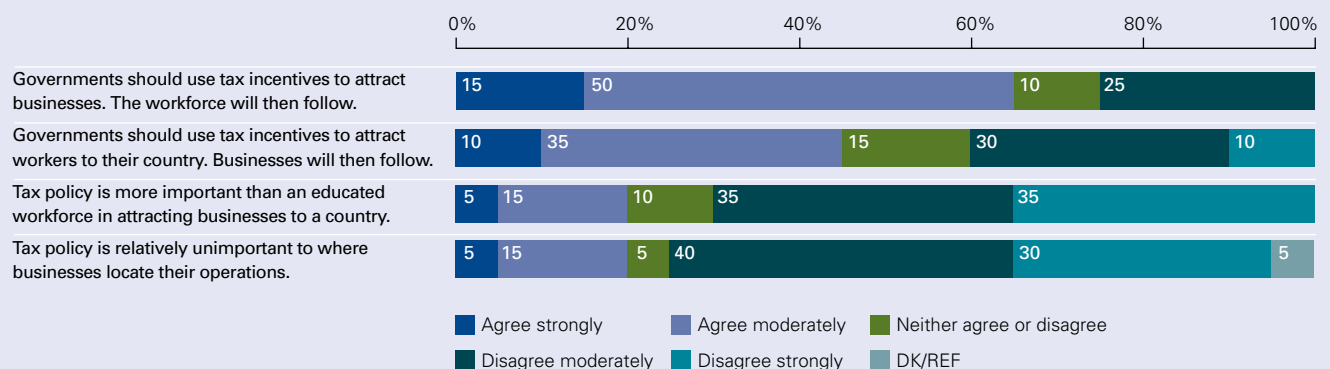
65%

Tax incentives for business are supported by 65 percent of respondents as a means of generating opportunities for workers...

They do, however, want help from government. Tax incentives for business are supported by 65 percent of respondents as a means of generating opportunities for workers, and there is some support for lower social security payments for employers (regarded as very effective in attracting talented people by 40 percent and moderately effective by 45 percent).

British companies are less keen, however, on tax harmonization than their counterparts elsewhere. More than half (55 percent) disagreed that countries should collaborate to harmonize income taxes, and 60 percent thought that low personal taxes are an effective way of attracting foreign talent. Improved portability of pensions is a popular idea for 75 percent, but only 45 percent were in favor of tax incentives for individual migrants.

UK companies believe governments should use tax incentives to attract business



Q. Do you agree or disagree with the following statements about government tax policy? Base: UK respondents (20)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.



United States

88%

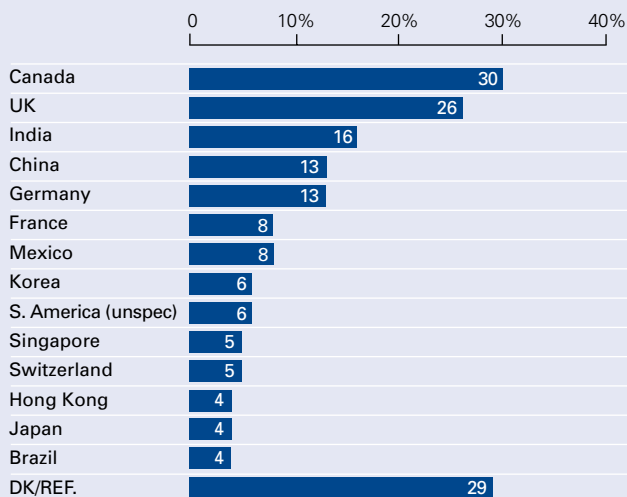
Tax policy is important in the choice of location for 88 percent of American companies...

Tax policy is important in the choice of location for 88 percent of American companies, and more important than an educated workforce for 60 percent, both high figures for this survey. It should be no surprise, that Americans are also the most likely out of all those polled to choose a favorable business location and then train up the local workforce (78 percent).

Respondents indicate that Canadian workers are, and will continue to represent a large portion of the international labor pool in the US, with the UK in second place. In three years' time, China and India are expected to increase their relative share.

Canadians will remain the key foreign workers working in the USA

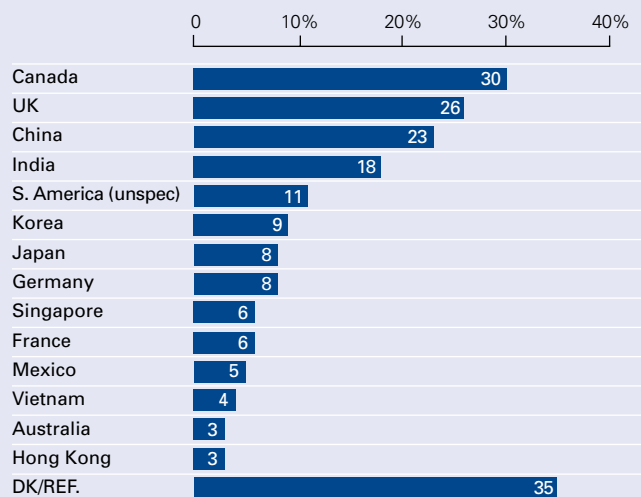
Next year



Q: Thinking about where does your non-local workforce come from today? Top 15 Base: USA respondents (80)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

In three years



Q: Which countries do you expect your non-local workforce to come from in three years' time? Top 15 Base: USA respondents (80)

One of the most interesting results from the US element of the survey is the large proportion of respondents who hold governments responsible for securing a supply of labor. This was the view of 63 percent of respondents, placing the US third after Singapore and China in this particular group. There were also significant numbers holding business as a whole responsible (70 percent) and individual companies (also 70 percent), so this appears to be seen as a widely shared responsibility.

Americans believe governments should use tax incentives to attract business and workers.

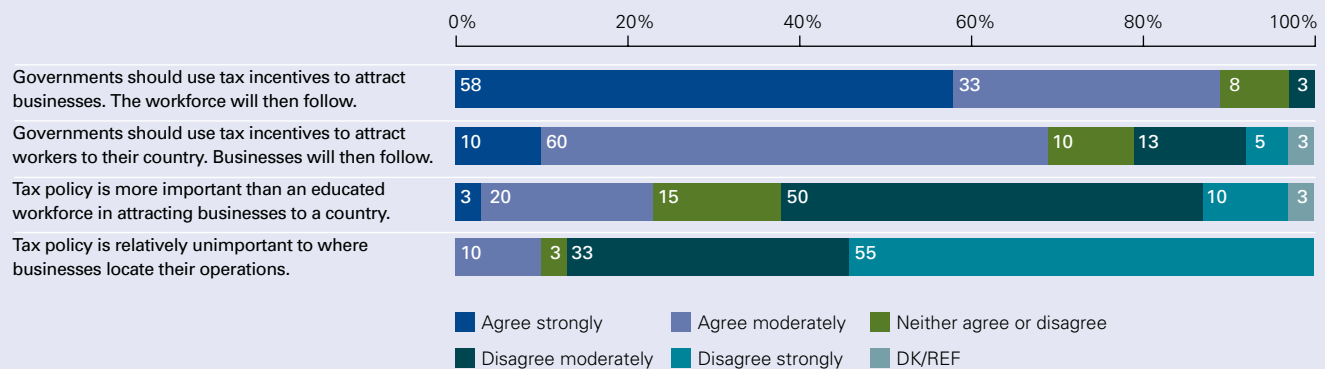
91%

Tax incentives for business were a priority for 91 percent of US respondents...

Tax incentives for business were a priority for 91 percent of US respondents, but 70 percent also thought that individuals should be offered incentives through the tax system. Low personal tax rates were regarded as an effective incentive by 50 percent, but direct payments to migrants were not popular, with 45 percent saying they were ineffective and 25 percent preferring not to respond to the question.

Cross-border harmonization of tax rates is moderately popular among US companies, with 56 percent agreeing that this should be a policy for government, and 63 percent wanting to see moves to improve portability of pensions. But yet again, it is direct action to make migration easier through reducing immigration requirements that is the most strongly favored option, with 96 percent of respondents agreeing that this should be a government priority.

Americans believe governments should use tax incentives to attract business and workers



Q: Do you agree or disagree with the following statements about government tax policy? Base: USA respondents (40)

Source: KPMG's Tax, Demographics and Corporate Location Survey 2009, KPMG International.

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