On Tax—Matthias Scheifele of Hengeler Mueller

Len Teti: Welcome to On Tax—A Cravath Podcast. I'm Len Teti, a partner in the Tax Department of Cravath, Swaine & Moore, a premier U.S. law firm based in New York City.

On each episode of On Tax, I talk to professionals in the Cravath network about their life and work in the world of tax. We focus on the human side of tax law, highlighting the people, connections and stories that make the space such a fascinating and dynamic area of practice. I hope you enjoy this episode.

Today, our guest is Matthias Scheifele. Matthias is a partner with Hengeler Mueller, the German law firm. He is based in Munich.

Matthias, welcome to the podcast. Thanks for joining us.

Matthias Scheifele: Thank you for having me, Len, and for pronouncing my name so well.

Len: Thank you. That's a couple of semesters of college German helping out there.

Matthias, as you know, because I know you've listened to a lot of our podcast episodes, we like to hear about people's careers through the tax law. So, I wonder where do we have to start in your life story to understand how you got put on a path towards tax?

Matthias: When I decided to study law, I had a vague perception of what that means in terms of professional career path.

And that was, from the very beginning, I would say, very much directed in becoming a lawyer in a sense that I would do everything, but clearly very early in my studies wanted to become specialized.

The German legal education is split in two parts, effectively. The first part of the legal education is the university phase.

And at university, of course, you have to take the mandatory courses, but after a spell of two or three years, you also are required to specialize in one area. And one of the options every student has is tax law.

And tax law, interestingly enough, is not that popular at university because it is considered to be difficult, complex. It might not help you to get really good grades at the end of your university education.

But some friends of mine and I thought exactly that is interesting and is challenging. And as we know, there are two things in life that are certain: that's death and taxes. And I thought, "OK, if you cannot escape taxes, eventually it might be good to know one or two things about taxes."

And so, I eventually decided in the university phase to take courses in taxes and that is, I think, where it all started.

Len: Do you have any lawyers in your family or when you were growing up? Did you have exposure to lawyers through family friends, or anything like that?

Matthias: No, and it goes even further. We had barely any academic background in my family. I was one of the first of my generation who attended university. So, it's something I have done very much on my own. There was no example or role model I could follow in that sense.

Len: As you went through your education, did you find any either in the form of professors or in the form of lawyers who you crossed paths with while you were still getting your education?

Matthias: There have been a few examples, but I was not so much looking out for a role model. I thought, "I need to find my own way."

I very early during my legal education thought that becoming a lawyer fits me in terms of my own personality very well.

And I always was looking for examples by more senior people who I thought, “They’re doing a great job.”

But I think you cannot change your personality. You may be able to change some ways you behave in certain situations, but being yourself is I think the best advice I would give to younger lawyers and people who are thinking about a legal career.

Len: So, we’ve now had several European tax lawyers on the podcast and one of the things that we’ve learned is that in Europe, the education for lawyers really starts, as you’ve said, in university. And then there is also special training for lawyers after that.

In the U.S., of course, you go to college and then you go to law school and halfway through law school, you start applying for jobs and, especially if you’re looking at large law firms like Cravath, you get put on a track where you kind of get spat out at the end of this educational process and you’re sitting at a desk at a law firm doing work.

So, how did you experience the system in Germany and at what point in your education about tax law did you start to professionalize it, did you start to think about what kind of professional work you want to be doing with that education?

Matthias: In contrast to the United States, when you start your academic career in Germany at university, you typically decide for a subject, which also is then supposed to be a professional future. And that forces you relatively early to decide on your professional career.

I can very well remember when I left high school in Germany, I had not really made up my mind. So, I was grateful that at this point in time, conscription was still mandatory in Germany.

So, I had to go to the army for one year and I had more time to think about the way I see my professional future. And then eventually, I decided to become a lawyer.

And that was mainly because I thought, “This fits me best, personally,” but also, it gives you much flexibility, because if you have passed the bar exam in Germany, you have a wide range of opportunities.

Not only becoming a lawyer—you can go to the state or go to governmental services, you can go to companies. And that was also relieving me from making a decision which is too narrow early in the game.

Len: Is there anything about your year in the army that’s worth talking about?

Matthias: I think there are many stories. And looking back now, with 25 years’ distance, I must say, I found this time awesome because it also brought me, maybe for the first time in my life, in touch with people from different backgrounds, not only socially but also geographically.

And that was a great experience, especially for someone coming from high school who is typically maybe tied up in a very close social structure.

And that really enriched me also in terms of getting to know what other peoples think, what other people’s problems are from various backgrounds. So, I very much enjoyed, especially, the experience to come into touch for the first time with people from the former German Democratic Republic who just joined two or three years before the western part of Germany and the cause of the reunification. That was really interesting.

Len: We have a lot of listeners who are law students and so they’re probably younger than you and I are. For those who don’t know what the German Democratic Republic was, it’s what we called East Germany in America.

So, Matthias, at some point, you graduate from law school and you're sort of starting as a tax lawyer. What was your first job in the tax law and what sorts of things were you doing?

Matthias: That was very diverse, and it really ranged from transactional work to standalone tax advice. One matter that I remember very well was a transaction that encompassed for me both M&A and tax law aspects.

Because the interesting thing about my career at Hengeler was that, at the beginning, I was part of the corporate M&A team and the tax team. So, I had a kind of dual role.

And one of our senior M&A partners then thought it would be a good idea if I could cover both parts in a transaction. So, I did a lot of structuring tax advice in that transaction. At the same time, I had a leading role in doing all the M&A stuff.

And eventually, because he had conflicting schedules at this day, he sent me—I guess I was about three months a lawyer then—he sent me straight to the final negotiations where I was sitting in a large room with about 10 people sitting on the other side of the desk: lawyers, very experienced ones, their client.

And I was more or less alone with some junior guy from our client. And I had to do all these discussions involving non-tax as well as tax parts.

And I was very intimidated at the beginning of this setup, sitting there alone and with barely any professional experience.

Looking back to the situation, there were situations where I was really overwhelmed but somehow managed to muddle through. And then there were situations where I really felt, "OK, that is something I feel good about."

And after that experience, I can really well remember, I got home and I was so uplifted because I managed this situation somehow. And then I asked the senior partner about what made him trust me to do this.

And he said, "I thought you were up to the task." And that really gave me so much confidence in myself and my ability.

That is something which now leads me in being a partner at Hengeler, in the way I would like to be to our junior lawyers: to show them that only by trusting people you can really get the best out of them and show what they are really capable of.

Len: I have similar stories and I have similar feelings. Part of being a young lawyer is, certainly, feeling overwhelmed, feeling like you're kind of in the wrong place—you shouldn't be doing this, they shouldn't be giving you the leeway or the latitude they're giving you to take on these tasks or go to these meetings.

And also, part of growth as a lawyer is figuring it out when you don't know exactly what to do.

And at our firm and your firm too, I think, clients choose us because we have those skills. We don't always know all the answers, but we have lots of experience about how to figure something out when we don't know the answers. We can figure out the right questions to ask. And in doing that we can figure out the answers.

That process, first of all, it takes a long time—it takes a lot of apprenticeship, it takes good leaders and good partners supervising us as young lawyers.

And it also takes a little bit of grit. It takes determination on the part of the young lawyer and it takes a sense of understanding that there are going to be some days, as you say, that're very uplifting or energizing and you go home and you're like, "Wow, I really did great in that meeting and I wasn't sure how it was going to go."

And then there's days that are like: "Wow, this has been really difficult. I haven't been able to find the right answer for the client. Client's obviously frustrated, or the other side is frustrated, or the timing is tight and I'm just feeling really—as you say—overwhelmed."

And it’s really a process of working through that discomfort, working through that frustration, the anxiety, and emerging as a stronger, more polished, more experienced lawyer. And you have the scars that give you the confidence that you can turn to the next task and execute it well.

So, Matthias, tell me about the sense of developing your skills and your reputation within the firm at Hengeler as you were going up for partner and as you were considering that as a potential career option for you.

How were you thinking about not just promotion but your growth? As you’re a fifth-year associate, how are you thinking about what you want to be doing five years from then relative to the options that you had?

Matthias: I think one thing about tax practices in law firms like Cravath, or Hengeler for that matter, is the way that different practice areas cooperate and work together. That was really something I liked from the beginning.

You always have to kind of look at your role—being a tax lawyer—as creating value added to something that is bigger than your tax piece.

One thing I always advise younger colleagues to be good at, and I still try to live up to myself, is really working together as a team, being service oriented also internally.

Because our clients, the reason why they are seeking legal advice from firms like Cravath and Hengeler is to get a holistic view on things and to get the best advice, which takes into account every relevant aspect, may it be tax, may it be corporate law, may it be regulatory or anything else.

And therefore, I think it helps you internally that you show from the very beginning that you are willing to think together with your colleagues from other departments through problems and find a balance and, at the end, best answer for your clients.

If you are doing that, I think it pays off in the long run and it pays off in terms of your reputation internally but also at the client level.

I tried to live up to this standard from the very beginning and I still think of myself every day as if I was a client: What I’m doing here right now, is that helping me? Is that something that really gets me forward?

And sometimes I’m finding myself doing something where I think that is now so one dimensional, is it really something that helps the client taking the wider picture?

Ask that constantly in your everyday work—that should be a recurring theme throughout your career from the very beginning. And that helps you also develop yourself as a more senior lawyer and at partner level.

And I would say that kind of a working attitude should always form the basis of our career. In more specific terms, what can we do as a tax department at a larger tax firm to be really up to speed and to fulfill the role?

I think, of course, we need to be familiar with any new developments, even if they do not fit in the typical range of activities and specialties you would look out for if you think of the tax department at a law firm.

Just as an example, if you look at things like Pillar Two, which are very new developments, which are probably being predominantly now taken care of by accounting firms, but still there are very important aspects of Pillar Two legislation which tie into our everyday work.

And so, it’s important to keep up with such developments to be prepared to early identify any potential relevance in what we are doing on an everyday basis.

And that is something I try to invest a lot of time. That is something that, of course, every one of us needs to cope with, even if there is no immediate need because there are no immediate client requests to do so—you need to keep up with that.

And that is very challenging, of course, given the size of our tax practice. But at the same time, that is something that makes me happy and is one thing I like so much about my job.

And after the day, you're a much smarter and hopefully also more experienced tax lawyer than you have been before.

Len: This is probably a good time to ask a question we've asked a lot of our guests, and that is, what do you think the best tax lawyers do well? What are the sorts of characteristics that they share?

Matthias: One thing I find particularly important in the way we approach problems and issues is that we need to be able to zoom in but at the right time to zoom out.

So, it's really important for tax lawyers to pay sufficient attention to the details, but by doing so, not to get carried away. And being able to then separate the important things from the less important things.

So, in other words, not to miss the forest for the trees. Because every time we look at things, details may be decisive, but often details are only details.

Looking at what you would expect from your outside council as a client, step in their shoes and think what kind of advice would you now expect from your lawyers that really helps you in a specific situation.

And being able to go into the details but then advise in a very concise and clear manner. That is the main ability a successful corporate and tax lawyer should have.

Len: That's a theme about clear communication, non-tax communication that has come up a lot. But one of the things I like is you thinking about this as a sort of forest and trees problem. You need to be an expert on the details. Clients expect that from us.

You need to, first of all, be able to communicate your answer at a higher level, but also, you need to be thinking at a higher level.

Sometimes the forest is a tax forest, like this is a big tax project or it's a big tax puzzle and all of the details are just sub-tax problems.

But other times the forest has nothing to do with tax. Other times the forest is: we're entering into this arrangement with an executive, or we're doing a big M&A deal, or we're doing a financing, we're borrowing $3 billion.

So, there's this little U.S. tax issue over here. OK, fine. But there's other stuff going on here that needs to be weighted.

And the tax lawyer's job isn't to weight that. The tax lawyer's job is to understand how the tax trees, the tax issues, fit into the larger puzzle and then make sure that the people who are placing risk, the decision makers, the business folks of the client understand what their options are so that they can make an informed decision.

But I think a lot of times tax lawyers get into trouble because they see a problem and they think it's all tax. And if you're a hammer, everything looks like a nail.

And that's the way I think a lot of tax lawyers kind of trip into the mistake of treating everything and talking about everything like it's a tax puzzle to be solved.

Whereas sometimes it's a big puzzle to be solved and some of it is colored by tax. And I think that distinction is really worth having drawn out. So, thank you for those thoughts.

Matthias, as we get to the end of every episode, we like to talk to our podcast guests about what they like to do in their spare time.

Last fall you hosted me and we had a beautiful night out at Oktoberfest, which was really an awesome experience for me. Really once in a lifetime. Well, actually, I hope not—I hope more than once in a lifetime.

But what do you like to do in your spare time when you're not doing tax?

Matthias: Of course, family always goes first. I have a lovely wife. I have two great sons, age of 9 and 10. I'm doing a lot of sports with my family and shortly, we will go to Austria on a skiing trip and I'm very much looking forward to it. So, that is really something that keeps it not only healthy but happy.

Len: That's great. Well, our guest today has been Matthias Scheifele of Hengeler Mueller in Munich. Matthias, it's been great to have you join us. Really great catching up with you and thanks for being on the podcast.

Matthias: Thank you very much.

Len: And that's a wrap for Season 7 of On Tax—A Cravath Podcast. We'll be back in the fall with a full roster of new conversations with people in the world of tax. You can find us online at cravath.com/podcast, and don't forget to subscribe on Apple Podcasts or Spotify.

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I'm your host, Len Teti—thanks for listening.