

# The Commercial Tax Data Warehouse

## *The Finance/C-Suite Perspective*

*Guidelines and Tools for Companies Considering  
a Tax Data Warehouse*

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# Vertex® Tax Data Warehouse

## The Finance/C-Suite Perspective

The Tax Department has long been viewed as an island within corporations – so you're probably wondering why the head of your Tax department is asking the executive team, including Finance, to support a major tax data warehousing initiative. What does a TDW have to do with Finance? And given the current economy and business pressures, why would it make sense to invest a significant amount of time and money in a TDW right now?

These are the right kinds of questions to be asking – and the answers might surprise you.

### Tax as a Part of Finance Transformation

A TDW is a logical piece of an overall Finance transformation initiative. Why? Because if you are considering finance transformation, or establishing a shared services center for Finance, you need to standardize how you support Tax.

Depending on the size and geographic spread of your business, there can literally be thousands of interactions and data handoffs between Tax and Accounting that, when left out of the transformation, can derail it. You know the routine: Tax calls your Finance department with one-off requests for data, and it drags down the efficiencies you are working so hard to achieve. Now imagine these requests going to the staff of a shared service center. How well equipped will they be to handle ad-hoc requests? This hits home when you consider:

- The information Tax needs to do its job is typically scattered across systems designed for financial and management reporting – not Tax. So it takes significant time for Finance to collect.
- This information must be restructured before it can be used by Tax personnel – typically a very time-consuming process fraught with process control issues.

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*“Unless Tax is transformed along with Finance, it will become a ‘grain of sand in the gearbox’ that will wear away at the business value of any overall Finance transformation.”*

– Robert Guarnieri, Performance Advisory  
Ernst & Young

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A tax data warehouse does more than just eliminate one-off requests from Tax. It can reduce disclosure risk, and increase Tax's ability to become a strategic advisor to the business.

The tax data warehouse streamlines and automates data exchanges, enables more efficient workflows between departments and within Tax, and gives people access to documents in an organized, secure manner that significantly improves how information moves throughout your business.

It does this by:

- Providing fast access to a comprehensive, reconciled, tax-specific view of trusted data.
- Supporting every phase of the tax lifecycle, for all tax obligations, for all years open to financial or tax audit.
- Enabling all participants in the global tax value chain, from Accounting to Finance to Tax itself to securely and simultaneously interact with this data, viewing and modifying it, as appropriate to their roles.
- Fostering global collaboration and sharing of data – trusted data in the form of hard numbers, documents, forms, emails, and more.
- Providing a single, auditable data source of multi-year content – a searchable anthology of all tax-relevant information in the enterprise.

### Enabling Corporate Performance Management

As a Finance executive, you face increasing pressure to meet regulatory requirements and drive efficiencies while at the same time playing a strategic role in driving the growth and profitability of your business. You also need to manage business risk and spearhead financial transformation within your organization.

An effective tax data warehouse that integrates with financial and other systems already used by your business can help you meet these responsibilities faster and more effectively. It's important to note too, that deploying the Vertex® Tax Data Warehouse requires no changes to your core financial systems. The system layers on top of your existing Finance systems. This minimizes risk to Finance operations, and speeds implementation.

Let's take a closer look.

#### Increased Efficiency

Tax starts with detailed book financial data, then adjusts it to each country's specific tax standard. Think of US GAAP-to-IFRS conversions dozens of times over, one for each country and state in which you operate. In many cases, this is done at a level of detail far exceeding that required by Finance. Therefore, in a global enterprise, especially one with multiple general ledger systems and charts of accounts, converting details not readily accessible to standards not well understood outside the country of origin is a recipe for inefficiencies at best, and material weakness at worst.

With a TDW, you can increase efficiency and reduce risk by centralizing all tax-relevant financial detail in real time – and in the right format – in one place so the right people can access it as needed. The Vertex Tax Data Warehouse provides the ability to extend the financial systems with the set of tax ledgers and adjustment capabilities that meet the specific needs of Tax. And because your finance and accounting staff will no longer have to deal with a myriad of one-off requests for information by Tax professionals, they can stay focused on servicing different areas of the business and meeting compliance requirements.

### Greater Transparency and Control

With governments increasingly involved in the business cycle and hungry for revenue, Tax is coming under scrutiny like never before. Throwing the numbers over the wall does not work anymore, nor does an extensive array of mitigations for ineffective controls in the Tax department. Tax and Finance are being asked to work together to ensure transparency and controls in the tax arena meet not only the financial reporting requirements but now fiscal authority expectations.

With a TDW, you can track, automate, and control the flow of information in real time while dramatically reducing the number of non-automated controls. It provides a much higher degree of consistency of approach across both manual and automated steps in the information value chain.

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*“It’s not that the rules have changed, at least not yet, it’s just that the (tax) auditors are not willing to accept the answers they used to.”*

*– Bob Norton, Chief Income Tax Officer  
Vertex*

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### Better Business Planning and Decision Making

As a Finance executive, you are increasingly responsible for driving business strategy so that your business achieves overall performance objectives. Many strategic decisions, such as whether to move ahead with a merger or acquisition, where to build a new plant or warehouse, and how to restructure your business, must be considered from a tax perspective; different choices can often increase or decrease tax exposure. But when Tax is burdened with data management tasks that consume 40% of staff time, a figure reflective of the average Tax department today, they have little time left for true tax analytic and risk management activities. This leaves you wanting for the insights you need to make informed decisions.

Armed with a tax data warehouse, your Tax department will be able to partner with you and other executives by providing timely, data-driven decision support. For example, buying or selling a business can have huge tax implications, many of which are difficult to assess as Tax books are different from Finance books. Using a TDW, your Tax department can streamline its operations and move beyond mere efficiency issues to

provide you with the key insights and recommendations your staff needs to structure deals in ways that incorporate fully both business goals and tax implications.

### More Effective Risk Management

Finance transformation is also about more effective risk management. But you can’t fully address financial risk without addressing tax-related risk. When Tax is forced to rely on email, phone calls, and spreadsheets to collect and restructure financial data for tax purposes, the risk of human error increases. Tax professionals typically do their work in massive spreadsheets with limited capabilities for creating an audit trail, performing data validation, or managing versions. Given that Finance is ultimately dependent upon the Tax department for certain key disclosure data, the potential for errors to occur – and ultimately impact the entire enterprise – increases as your business grows in size and complexity.

With a tax data warehouse, the risk of errors decreases dramatically because there are fewer moving parts with fewer hands touching the data. It’s automatically pulled from financial and transactional systems already in use across your business, then tax-sensitized and made ready for use. So you can trust the analyses, reports, and data provided by Tax as well as the processes and controls thereupon.

### The Next Step

As you can see, with the Vertex Tax Data Warehouse, your Tax department can support your financial transformation initiatives, minimize tax-related financial disclosure risk, and deliver significant strategic value to the business. But implementing a TDW will require your cooperation, support, and leadership.

# Introducing the Vertex® Tax Data Warehouse

## The Vision and Design Principles

To realize our vision of providing a true commercial tax data warehouse, Vertex hired leading experts in corporate performance management and financial data warehousing and brought them in-house for a multi-year effort. We combined this expertise with Vertex's industry-leading tax technology knowledge and strong relationships with leading ERP providers. To keep customer needs front and center, we conducted the largest survey about tax data management ever and prioritized our design around what respondents indicated are the biggest and most pressing needs in this area (see page 5).

So we feel that we're uniquely qualified to bring this solution to market – and have a unique concept for how it should be done using a vision and principle-driven approach.

Our vision is simple yet bold: to transform tax operations by removing data complexity and allowing Tax to focus on providing business value. We defined the design principles for the tax data warehouse as follows:

- **Auditability:** Everyone must have absolute confidence in the trustworthiness of the data in the TDW.
- **Adaptability:** Businesses are constantly changing, so a TDW must be designed from the ground up to accommodate change quickly, easily, and cheaply while remaining supported by Vertex.
- **Openness:** A TDW should be able to import data from and export data to any system from any vendor (financial, tax, or otherwise).

In this guide we'll discuss these from both business and technical domains, since core principles apply equally to both.

## The Vertex TDW At-a-Glance

The Vertex® Tax Data Warehouse has been built from the ground up to be functionally comprehensive and tailored specifically for Tax. It bundles everything you need for a powerful, long-term tax data management solution – and it's delivered as a pre-built package that's ready to load. Specifically, the Vertex Tax Data Warehouse:

- Provides a ready-to-load data repository for all relevant information needed to support outstanding tax obligations.
- Includes pre-built and supported connectors to load data from common ERP and financial systems, as well as a framework to provide structure to simplify custom integration with less common systems.
- Provides pre-built export files for common tax provision and returns applications (from a variety of vendors), as well as a framework for custom efforts.
- Includes standard reports and world-class reporting and business intelligence tools so you can define and share your own reports.

- Provides user-friendly, web-based screens optimized for Tax, not IT users
- Allows you to work in Excel® – so you can leverage existing spreadsheets to send and receive warehouse data at the click of a button from anywhere in the world over a secure internet connection.
- Enables Tax professionals to modify the TDW as business needs change, without breakage and with total support from Vertex, so it can grow with your business over the long haul.

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## A Comprehensive, Up-to-Date Data Source

For a large, multinational corporation, the data contained in this tax data warehouse might include year-end legal entity trial balances for every entity included in the consolidated financial statements for all tax years open to audit. For each of these tax obligations, it will also contain each jurisdiction's book-to-tax adjustments, both permanent and temporary as well as NOLS, credits and tax rates. In addition, the Vertex Tax Data Warehouse will:

- Contain each tax obligation's deferred tax cumulative temporary differences, both gross and net/tax effected, and data to support FIN 48 reserves and valuation allowances
- Have the data to support any FAS 123R and OCI deferred taxes, as well as the data needed to support outside basis difference deferred taxes on APB 23 assertions
- Include (for foreign subsidiaries of US firms) all E&P pool information, layered by year
- Include each current provision's "return to provision" adjustment data (which should ideally go away with increased provision accuracy)
- Includes all transactions needed to reconcile to ERP systems and produce sales, use and VAT returns.

## Open Platform for Ultimate Flexibility

Unlike other vendor solutions, the Vertex Tax Data Warehouse has been developed on an open platform. As such, it's independent of any tax application or financial system; this allows it to be deployed within any IT landscape without having to rip out existing software. Using pre-built connectors, you can enable two-way data movement to and from the TDW. For example, you can have connectors to all major ERP and financial systems, plus connectors to all tax applications so data can be validated and moved by Tax users with the click of a button.

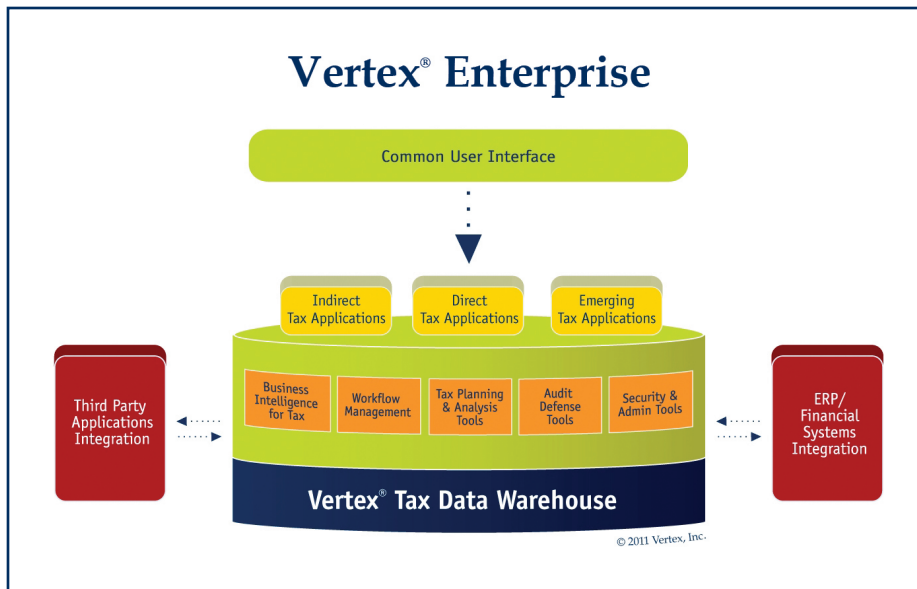
### Tools to Transform Tax Data into Information

The Vertex TDW includes integrated world-class business intelligence tools. Unsophisticated users have access to a library of pre-defined reports, while sophisticated users have the power tools to create and share their own reports in real time globally. The ability to get all global users accessing the same data via reporting and analytics custom tailored to their needs alone is enough to dramatically alter tax operational efficiency and risk profiles.

When you combine this with the fact that the Vertex Tax Data Warehouse is also designed to serve as a shared data foundation for Vertex Enterprise-based tax applications, including Vertex® Indirect Tax *O Series*®, it allows you to share and leverage data across tax planning, provision, compliance and audit defense processes. This eliminates the need for redundant data touches so prevalent in today's tax processing – data touches that introduce weaknesses in the internal control framework surrounding tax processes.

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In a nutshell, the Vertex Tax Data Warehouse transforms data into information, and leveraging the surrounding tax applications, it transforms this information into the insight you need to optimize global tax and financial reporting risk management.



Vertex Enterprise integrates the applications and analytics for multiple tax types with host ERP, financial systems, and Business Intelligence systems on a single technology platform, all accessible through a common user interface.

# Additional Resources

## Tools for the TDW Project Champion

If you're the project champion for a tax data warehouse initiative at your company, Vertex offers resources and tools to enable the process including those listed below. Visit [vertexinc.com/solutions/direct/tax-data-warehouse](http://vertexinc.com/solutions/direct/tax-data-warehouse)

- FAQ for Finance
- FAQ for IT
- Building a Business Case
- Building a Roadmap and Timeline
- Building a Budget
- Assembling the Right Team
- Sample Request For Information (RFI)
- ROI Toolkit

## 2010 Industry Survey on Data Management

To read the report from the 2010 Industry Survey on Tax Data Management, go to [vertexinc.com/solutions/direct/tax-data-warehouse](http://vertexinc.com/solutions/direct/tax-data-warehouse)

## About Vertex Inc.

With more than 30 years of experience, Vertex Inc. is the leading provider of corporate enterprise tax solutions and process management services worldwide.

Vertex solutions help companies streamline and integrate tax provision and compliance processes, and leverage information to discover new strategic tax savings across every major line of business tax, including income, sales, consumer use, value added, communications, and payroll. To serve its customers, Vertex works in partnership with the world's leading providers of ERP software and related services.

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