

Proactive Tax Management for Retailers Delivers Bottom-Line Results

Tax audits cost Retailers time and money. Valuable staff resources are consumed in preparation for audit defense, and the fines and penalties levied for non-compliance can be bruising. However, tax-related issues don't have to be challenging for retail organizations.

Vertex understands the myriad of challenges facing multi-channel retailers – from growth and expansion, mergers and acquisitions, technology upgrades, and demanding consumer expectations. Couple these industry challenges with increasingly complex jurisdictional tax laws across more than 7,000 taxing jurisdictions throughout the United States and companies are left with an urgent requirement for a comprehensive and centralized tax system capable of ensuring compliance, protecting them from audit risk. Even more critical is the retailers' ability to meet growing needs and keep their customers satisfied with accurate taxation whether they purchase online and return in-store, purchase in-store and ship to another jurisdiction, or purchase a product in one state and return it in another – reducing the associated volume of Customer Service issues.

To meet these needs, Vertex offers the only Sales, Consumer Use, and Value Added Tax platform in the industry that specifically addresses the specialized needs of retailers with its Vertex® O Series® Retail Solution. What's more, Vertex is compliant with the Association for Retail Technology Standards (ARTS), the Standards Division of the National Retail Federation (NRF).

Escape From Manual Mishaps

Many businesses that operate in multiple jurisdictions attempt to manage the tax requirements through staff assignments and by using manual processes that often include rate and rule research and application. This faulty approach falls short with the rapidly changing tax landscape, and puts the business at risk of an audit, especially when the organization:

- Conducts business in new jurisdictions
- Acquires stores or expands into new channels and needs to integrate the tax practices of the new entities
- Expands into sales of non-core product types with diverse taxability
- Experiences turnover or extended leave of absences from one or more employees within the tax department

Exposure to audits comes from more than just errors in tax research and flaws in update methods. Companies may face

exposure by not managing overall sales tax compliance associated with incorrectly applying tax rates across its multiple or multi-state locations. For companies with both eCommerce and POS systems, automating their tax systems on a centralized process not only eliminates the risk of error-prone manual updates, but also provides a consistent process to tax-sensitize merchandise by tax category with rates and rules for all jurisdictions in which the company conducts business. Companies have the ability to define taxability once and have every sales channel pull from the same taxability database, thus enforcing a sound process for tax that ensures compliance with Sarbanes-Oxley (SOX).

Retailers may also face the risk of bad publicity when they are not equipped to handle non-standard rates and exception cases, such as customers who are over specific age limits; tax holidays; tiered, threshold and compound taxes; taxation for origin and modified origin states; rounding rules; bracket taxes; or the sales-tax exemption status of various charities, organizations, and groups. Unfavorable publicity often generated at the individual store level or specific sales outlet often creeps upward and becomes detrimental to the company brand.

Trusting the Technological Advantage

Typical retail operating environments include a disparate and decentralized infrastructure comprised of multiple vendor systems. They are not equipped to stay abreast of or accurately maintain both standard and non-standard rate and rule changes and most certainly leave the door open for compliance penalties. For the IT department, Vertex O Series compliments your existing operating environments with a flexible architecture to work with any and all POS, eCommerce, or back office system – whether new or legacy.

By centralizing all multi-channel sales and service activity including back office, storefront, eCommerce, catalog, wholesale, procurement, inventory movement, asset transfer and associated projects with Vertex O Series, retailers are supported with an end-to-end solution for accurate taxation, exemption management, business intelligence reporting, and returns filing. What's more, the solution is scalable and can address your increasing and changing needs that accompany the complexity associated with growth and expansion.

Vertex O Series also provides added value with the ability to conduct advanced tax planning by reporting on and analyzing aggregate tax data. Business owners can view tax trends over time and forecast future tax obligations, in turn

helping to project cash flow. Moreover, with staff no longer manually researching, noting and applying the updates, the Tax Department can have time to implement more strategic, revenue-producing initiatives such as evaluating the sales tax an organization is being charged on purchases and reviewing the consumer-use tax the organization accrues on taxable purchases.

It pays to be proactive with tax return preparation and filing. With a centralized strategy in place, retailers can apply accurate transactional tax at the point of sale, and data can be automatically pulled back to the tax transaction database at the corporate office so that the Corporate

Finance Department can more accurately and efficiently prepare and file the returns and pay the jurisdictions.

All of these considerations point to one clear message: Retailers cannot afford to go it alone. By establishing a partnership with Vertex, the proven solution provider for retail, companies have access to experienced industry professionals familiar with the many challenges that Retailers experience. Vertex provides expert support of the tax process via automation, providing retail organizations with an added layer of protection against audit penalties and in turn, savings for the bottom line.

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.

Founded in 1978, Vertex is a privately held company that employs more than 600 professionals at its headquarters in the U.S. (Berwyn, PA) and its offices in Europe (London), Atlanta, Chicago, Dallas, Phoenix, San Francisco, Sarasota, and Washington, DC.

Vertex Headquarters

1041 Old Cassatt Road
Berwyn, PA 19312

Phone: 610.640.4200

Toll-free: 800.355.3500

Fax: 610.640.5892

© 2009 Vertex Inc. All rights reserved. Vertex, the Vertexlogo, Where Taxation Meets Innovation, and O Series are all trademarks of Vertex Inc. All other trademarks are used for identification purposes only and are properties of their respective owners.

07.09

