

Indirect Tax Solutions

# Managing Global Tax Compliance

The benefits of VAT automation through a third party tax engine.



# We all know that effective global tax management contributes directly to a healthy bottom line.

As global tax positions continue to grow more complex, and at the same time fall under greater scrutiny, it's a top priority to identify the best ways to stay compliant and profitable. Many successful multinationals have found that the incorporation of a third party tax engine into their existing systems significantly improves tax accuracy and overall tax department value.

Offering more than just accurate tax calculation, offering real business value.

## **With a third party tax engine:**

- ▶ The tax department can focus on strategic corporate initiatives — not continual, urgent operational issues
- ▶ VAT compliance accuracy will improve after flawed, inflexible processes and manual workarounds are reduced
- ▶ Tax decisions are kept in the hands of tax professionals — preventing non-tax resources from making critical transaction level determinations
- ▶ Reliable views of regional and global VAT positions increase tax planning and risk mitigation capabilities

# How will a third party tax engine make your tax department better?

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It's when you enter the global world of VAT that the level of tax complexity significantly increases.

The native functionality of most ERP systems provides some measure of support for the calculation of transaction taxes, but it's when we enter the global world of VAT that the level of tax complexity significantly increases. The task of continuously updating tax rates and regulations, while managing hyper-regulation, growing audit activity and an increasingly challenging compliance environment, becomes all consuming.

The introduction of a third party tax engine creates the beneficial paradigm shift needed to make your tax department more efficient and effective. By eliminating time-consuming manual workarounds and reducing the costs around maintaining complex ERP tables, you can finally invest time and resources into better tax planning and process optimization — allowing you to support high value activities and raise the overall value of your tax department.

A third party tax engine will bring simplicity and transparency to your VAT process, managing the process with unmatched efficiency and reliability.

# Tax Gaps Do Exist in Standard ERP Functionality

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Most ERPs account for *only* international and global tax rates, relying on complex tables or Accounts Receivable and Accounts Payable resources to make correct tax determinations. When a VAT process runs solely through an ERP, there are constant roadblocks and tax professionals have to manually design, implement, and update all aspects of the process — creating an arduous system that translates into lost time, increased risk, and higher costs.

## What are the gaps?

- ▶ Limited number of available tax codes — as new tax codes are needed for changing VAT rules you may exhaust the number of tax codes available in your ERP system
- ▶ Manual synchronization of tax configurations and mappings is commonly required
- ▶ Lacking capability to effectively manage taxation for the most tax complex countries
- ▶ Can not perform automatic tax code and determination updates
- ▶ Determinations remain too high level — for example, considering all export transactions as always non-taxable and having no notion of usage or type of sale
- ▶ All tax decisions in the system need to be explicitly constructed and coded

# Bridging the ERP Process Gaps

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Automation gives you greater accuracy and compliance, in a fraction of the time.

With the ERP functionality, legislation changes need to be identified, communicated to the IT department, and then finally built into the system. This process is expensive and difficult to keep up to date — especially with a constantly changing tax landscape.

With automatic monthly rate and rule updates, the time and resources needed to manage VAT compliance is significantly reduced. You can take back the time you invest in updating your ERP system and begin eliminating costly human errors.

## Automation gives the Tax Department:

- ▶ A reliable data source in which to base its entire global VAT strategy
- ▶ Up-to-date tax rates and rules, as well as the appropriate Place of Supply logic required for users to easily identify tax accounting jurisdiction
- ▶ Greatly increased transparency, visibility, and ability to significantly reduce tax risk



## Events in VAT Compliance

Since 2010, the European Union has been simplifying its VAT regime through a series of legislative changes collectively known as the VAT Package. While these changes certainly simplify tax, they also require extensive updates to businesses' accounting systems in order to activate the new provisions. The major VAT Package changes effective in 2010 caused significant disruption for many international companies by involving their tax, accounting, and IT functions in major projects.

The next round of changes are scheduled for 2015 and the implementation of a third party tax engine will help you take these hurdles in stride — making the changes through a simple monthly update process with very little manual intervention.

# The Benefits Beyond Compliance

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## **Integration with your ERP**

Third party tax engines integrate with leading ERP systems including SAP, Oracle, PeopleSoft, and others allowing for a more streamlined implementation and easier maintenance.

## **Brand and Reputation Protection**

Monthly updates of tax rates and rules can protect your reputation with customers and vendors by ensuring the correct tax treatment is applied to invoices throughout your various supply chain channels.

## **Audit Defense**

Advanced reporting and security logs provide the necessary documentation to better respond to and minimize audit assessments.

**Automatic tax rates, rules, and regulatory updates keep your process compliant.**

# Vertex® Indirect Tax O Series®

Vertex O Series is the premier global indirect tax engine — helping multinational organizations alleviate the burden and costs associated with maintaining worldwide indirect tax rates, rules, and regulations. It gives users the ability to finally automate tax decisions, eliminate error-prone manual processes, and reduce the need for non-tax resource assistance.



## Reduce Costs with Automatic Monthly Updates

Vertex O Series comes pre-populated with tax rates and rules. This tax content is updated monthly by Vertex's Tax Research Department, in large part eliminating manual research and implementation efforts. These updates include enacted changes, as well as notifications about proposed and pending legislation.



## Put Tax Decisions in the Hands of Tax Professionals

With native ERP functionality, it's common to have non-tax personnel assign tax codes to trigger system behavior. In most ERP implementations, these codes are numerous and have complex determinations. With Vertex O Series, the number of tax codes is greatly reduced, automatically simplifying the process and reducing the need to train personnel in each country's tax rules.



## No IT Intervention Needed for Reporting

In addition to returning tax calculation results to the ERP, Vertex O Series stores the details of each transaction in its reporting database. This database can be mined with easy to use tools for generating management and audit defense reports. The tools include dynamic report building that can be used directly by Tax personnel with little or no training — keeping control in the hands of the tax professional, not IT.



## No IT Support Needed to Modify Rules or Treatments

When new tax rates and rules are enacted, the native ERP functionality requires IT support to implement the changes or to create new tax codes. This process is entirely eliminated with the automatic updates provided by Vertex O Series.



## Vertex O Series Supports the Majority of the World's Countries and Territories

Supports every country in the world that has an ISO code and a transparency tax system. In addition, the application supports the multi-level complex tax regimes around the world.

# The Truth about ROI and Vertex O Series



The purchase of a third party solution is a decision based on need, overall benefit, and most importantly compliance. You need to know that this investment will make a real difference and that the inclusion of this solution will result in compliance assurance.

## **Vertex O Series delivers value to your tax process in multiple ways.**

- ▶ Significantly reduce or entirely eliminate time-consuming manual processes to free up resources
- ▶ Limit manual mistakes and the time spent rectifying them
- ▶ Build confidence in your tax process and turn attention to tax strategy
- ▶ Realize improved customer satisfaction with correct tax invoicing

## **Vertex O Series Works Seamlessly with Existing Systems**

Vertex understands that tax and reporting data is typically distributed across many systems, which can lead to inaccurate tax decisions, unreliable reporting, a disconnected view of tax, expensive maintenance, and data access difficulties. Vertex O Series is designed to integrate with most financial systems, allowing you to maintain the accuracy you gain with automation throughout your entire financial life cycle.



To learn more about VAT process automation  
and how Vertex® Indirect Tax *O Series*®  
can help you simplify your process:

 800-355-3500

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