

Client: Toyota Financial Services
Solution: Vertex® Indirect Tax for Leasing

Toyota chooses a tax solution designed for commercial leasing.



Company Profile

Toyota Financial Services (TFS), established in 1983 as a wholly-owned subsidiary of Toyota Motor Corporation, offers financing, leasing, and insurance plans for commercial and consumer vehicles from Toyota, Lexus, Scion and Hino. Like others in the motor vehicle and equipment leasing industry, TFS has grown at an exceptionally fast rate. The subsidiary started with eight employees, and now has more than 3,000 and boasts more than \$65 billion in managed assets.

The financial services include retail and wholesale financing, retail leasing, vehicle protection plans, and other associated services. The variety of plans and options is extremely dynamic due to the constant addition of new vehicles and customer demand for innovative and flexible financing.

The Challenge

TFS had been managing its business processes with a legacy system and a tax package that offered sales tax rates with native calculation and generated a modest list of canned management reports. In addition, the software was not supporting the organization's drive for increased operational efficiency and speed-to-market with new offerings. In the words of Dinah Baker, Senior Tax Analyst, "The growth of the commercial leasing business, coupled with our lack of sophisticated tax tools, oftentimes made us feel like we were flying blind."

In 2005, the decision was made to implement the SAP Leasing solution. During their evaluation of SAP's native tax functionality, TFS realized they required a more robust tax system. They needed a software platform capable of supporting the 60,000-plus U.S. leasing and tax rules while at the same time supporting a wide range of products (Class 9 trucks, forklifts, automobiles) along with some unconventional assets such as airplanes.

The small, newly formed tax department identified the following goals for a new tax system:

- Ability to accurately impose taxes on vehicles
- Implement on an enterprise basis
- Support both the commercial and consumer arms of TFS business
- Provide control to the tax department throughout the entire tax process
- Eliminate or minimize manual and off-system processes
- Provide more robust standard reports and flexible reporting tools

Summary

Company

- Established in 1983 as a wholly-owned subsidiary of Toyota Motor Corporation
- Offers financing, leasing, and insurance plans for commercial and consumer vehicles
- 3,000+ employees and boasts more than \$65 billion in managed assets

Vertex Solution

- Vertex® Indirect Tax for Leasing

Results

- Improved accuracy, reduced audit exposure
- Visibility into every level of transaction from origination through servicing and end-of-term documentation
- Enhanced reporting
- Improved operational efficiency
- Increased value of the Tax Department

"Vertex Indirect Tax for Leasing has helped grow the TFS tax department into a data-driven nucleus for companywide decision making."

– Dinah Baker
Senior Tax Analyst
Toyota Financial Services

The Solution

After careful consideration, Toyota Financial Services decided to implement Vertex® Indirect Tax for Leasing. According to Baker, “The difference is night and day between the way the tax department was operating and its capabilities today. We went from having nothing to having so much valuable information.” Top of the list for Baker is the visibility provided by Vertex Leasing into every level of transaction from origination through servicing and end-of-term documentation. The transparency of the data is a direct byproduct of the hard work the TFS team put in mapping their SAP data to the Vertex system and optimizing the taxability mapping.

The tax department is now able to spot noncompliant contracts before the booking and make changes before the contracts are finalized. In the past, the contract analysts would mirror the dealer contract in the system, with the contract review happening after the fact. Now the tax department can spot the irregular terms and conditions through daily reports and can work with dealers to ensure policy adherence. In the past, these types of disconnects between contract booking and company parameters resulted in a series of manual downstream activities.

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The Results

The transparency of the data and visibility into the system has given control of the tax process to the TFS tax department. In addition, it has resulted in a reduction of resources required for monthly manual adjustments to the system. Previously, TFS dedicated a staff resource every month to implement the manual adjustments but after improving their process with Vertex Leasing, the company now focuses that resource on more strategic initiatives.

The Benefits

Vertex Leasing has helped grow the TFS tax department into a data-driven nucleus for companywide decision making. The tax department is now a key constituent and the relationship between tax and other operational departments has improved significantly. Improved communication is driving better and more creative planning. As Baker describes it, “The tax department’s opinion is now sought after and heard.”

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The five goals the tax department identified at the beginning of implementation have not only been met, but in some cases exceeded. Baker feels confident that they are accurately assessing taxes and is comfortable that even the very arcane rules of some jurisdictions have been uncovered and applied correctly. This confidence is also helping to drive down the amount of TFS provisions since they are no longer concerned about major surprises. Most importantly, TFS is confident their audit exposure has been reduced. Overall, Baker is confident the knowledge they’re gaining from access to data is helping them make fully informed decisions for the future of the company.

About Vertex

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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