



# A FINANCE LEADER'S GUIDE **TO STREAMLINING INDIRECT TAX RETURNS**

**SPEAKERS**



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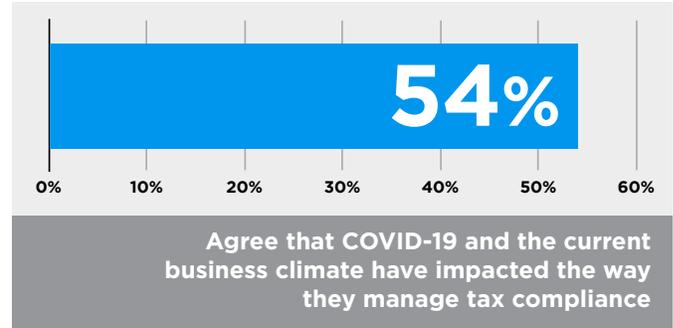
Many finance leaders face the dual challenges of shorter time horizons and fewer resources for complying with changing tax reporting requirements in today's economic climate.

To meet these challenges, finance leaders are evaluating which aspects of managing indirect taxes lend themselves best to outsourcing or automation.

Outsourcing has been an integral part of finance for years. Such functions as statutory accounting, accounts payable, accounts receivable, payroll, and tax have been outsourced to third parties. “Tax return outsourcing has many benefits to a tax department in terms of cost, efficiencies, governance, and compliance” said Michael Bernard, chief tax officer for Vertex, Inc., in a recent Vertex-sponsored CFO webcast.

More than half (54%) of webcast attendees noted that COVID-19 and the current business climate have impacted the way they manage compliance.

Bernard acknowledged that outsourcing can be a tough conversation to have with



Source: live webcast audience poll, 10/02/2020

certain finance functions. “The key thing that finance professionals must consider is that as long as you have clean and reliable data, then outsourcing can be a very good experience for you. To the extent that you don’t have that, then it’s going to be a challenge.”

#### TOPICS OF THE WEBCAST INCLUDED:

- The benefits of outsourcing tax compliance;
- How finance leaders can apply technological advances to support compliance with ongoing changes to indirect tax regulations; and
- Use cases that highlight the advantages of streamlining the management of indirect tax returns

## WHY OUTSOURCE TAX COMPLIANCE?

There are many factors to evaluate when looking to outsource tax compliance. While it will impact the bottom line, the webcast outlined five reasons to bring in a third-party provider.

**Increase staff ROI:** “If you can move highly repetitive tasks to a service provider, it lends to the overall quality of morale and the work within a tax department,” Bernard said.

**Reduce audit risk:** Outsourcing enables the finance team to work on annual reports and compliance issues that can bog them down in normal process time. “By outsourcing, companies are able to focus on areas and make sure compliance is done in a timely and accurate manner,” said Larry Mellon, tax manager, Vertex, Inc.

**Reduce cost:** Outsourcing eliminates the need to purchase hardware and software. “The cost of staff training and turnover is moved to the outsourcer,” Bernard noted. The service provider is also tasked with

updating, maintaining and documenting the audit process, which can be time-consuming when done in-house.

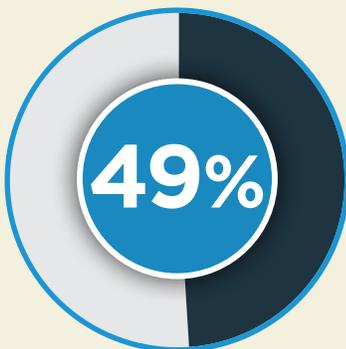
**Improve governance and controls:**

Aggregating data and putting it into a framework for the service provider results in reduced manual touch. “That reduces risk around the compliance function itself,” Bernard said. He also noted that service providers have tools built into their processes to detect anomalies such as a drastic uptick in sales and flag them for human inspection.

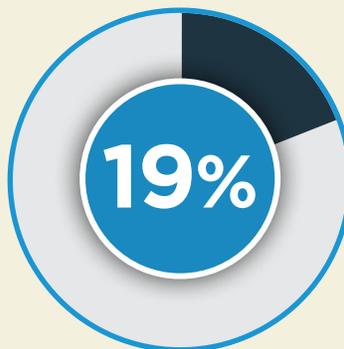
**Improve scalability:** “If you have a returns provider, they can improve the agility of the tax returns process and support change and growth,” Bernard said.

Nearly half (49%) of webcast attendees said they wanted to improve process efficiency by outsourcing the filing of sales tax returns. Reducing audit cost (19%) and improving audit performance (14%) followed.

### TOP REASONS TO OUTSOURCE FILING OF SALES TAX RETURNS



Improve process efficiency



Reduce audit costs



Improve audit performance



## CUSTOMER SUCCESS STORIES FOCUS ON SUPPORTING EXPANSION

Following a discussion of the reasons for outsourcing, Dana Malburg, director of tax processing operations at Vertex, Inc., shared some customer success stories. She noted that company acquisitions and reorganizations are often a spark for companies to consider bringing in a third-party.

The first company she discussed is an industrial manufacturer who went through a reorganization resulting in two legal operating entities. The result was eight separate filing companies, each with their own sales and use tax returns filing obligation. This change increased the tax department's workload from managing 1,200 returns per year to over 5,000 returns per year, along with the accompanying notices, business licenses and audit activity.

Analysis revealed that they were spending about two weeks each month managing sales

and use tax compliance. "They felt like they were just treading water and never getting to spend time on larger, more valuable tasks," Malburg said.

They decreased the tax team's time on compliance from two weeks each month to two days. They saw a decrease in the number of notices received from 50 to 70 notices per month to less than 10. They were able to turn attention to tax planning and improving management of their audit process.

A second case study, also a manufacturer, turned to an outsourcing provider to prepare returns more accurately, give them more detailed information back each month and provide easier access to data, returns, and reports. "Accuracy errors trigger a time-consuming cycle of added work," Malburg noted.

As a small tax department with more projects than people, this time savings was critical and valuable to them, according to Malburg. “Through the use of a secure online portal, they have access to data, returns, confirmations of all filings and payments, and reports 24/7. Through this portal, they receive alerts to remind them of different steps of the process each month.”

Another benefit of the portal is the transparency of any notices received. “Through the client portal, they have visibility to notices and all communications with taxing jurisdictions, as well as any notes describing what actions have been taken to investigate and ultimately resolve each notice.”

A third customer example involved a manufacturer and construction contracting company with four legal entities and 4,000 returns per year. They maintain a one-person tax department and previously outsourced to another provider. The challenges included

declining service levels, which they attributed, in part, to frequent turnover in the personnel handling their account.

Some of the benefits they realized through outsourcing is the reporting they receive each month. The reconciliation report assists as they make their closing entries each month. “It helps them identify sales tax versus use tax, prepayments, discounts and rounding. A trend analysis report allows them to predict cash flow requirements for the budgeting process,” Malburg noted.

The final case study highlighted the need for experienced staff. The decision to partner with an outsourcing provider resulted in a relationship of increased confidence and trust. Monthly phone check-in meetings to stay on top of issues became five-minute calls as there weren't many issues to discuss. The end-to-end service, which included meeting the specific funding requirements of their treasury department, was an additional benefit.



## CONCLUSION

Managing indirect taxes can be challenging for many firms, especially as tax regulations are continually changing and businesses become increasingly resource constrained. The result is that many organizations are outsourcing compliance issues to enable their teams to focus on more value-added activities.

### SOME KEY TAKEAWAYS FROM THE WEBCAST INCLUDE:

- Compliance issues can be challenging to manage, particularly if the company must comply with multiple state and local regulations. Managing the process internally increases the risk of making a mistake and triggering an audit.
- There is a strong case for outsourcing compliance, including reducing audit risk, freeing up staff for more strategic work, reducing costs, improving governance and control and positioning the company for growth.
- Companies that have outsourced the indirect tax return process have greater visibility through a tax portal. They also reduced notices, costs and the time their staff spent on compliance issues.