

# Leasing giant automates complex calculations to transform tax processes

## Providing the equipment organizations need to thrive

Canon Financial Services, Inc. (CFS) offers 100% financing for Canon equipment and other products. Giving organizations access to an extensive catalog of equipment with no deposit required, CFS helps businesses get the tools they need without putting a huge dent in their capital.

The 80,000-strong CFS customer base ranges from mom-and-pop stores with a single copier to large enterprises and statewide agencies running thousands of machines. Beyond copiers, the Canon catalog includes cameras, projectors, production printers, radiography equipment, and industrial manufacturing tools.

That all translates into reams of tax documents, calculations, and returns — and up to 100,000 invoices each month — which means a lot of work for the company's team of seven tax professionals.

"We have more than 300 variations of our lease document," says James Maggart, Senior Manager, Tax, at Canon Financial Services. "That's both fair market value and dollar buyout leases, which have different tax requirements."

**"There were a lot of moving parts. We had some rules here, some rules there, but we needed to consolidate all our tax rules into one system."**

James Maggart, Senior Manager, Tax, Canon Financial Services

## Looking for visibility in a black-box tax system

Tax calculations, invoicing, and related data management at CFS were handled by a complex patchwork of off-the-shelf tax software and homegrown Canon systems — and the team knew it lacked efficiency.

"There were a lot of moving parts," says Maggart. "We had some rules here, some rules there, but we needed to consolidate all our tax rules into one system."

The legacy system also operated as a black box, which meant it was difficult for CFS tax managers and accountants to identify exactly how it calculated some tax rates. So, if a customer asked about their invoice, the CFS team often found itself building spreadsheets to break down individual assets and their rates to work out how a business was being charged, adding hours of manual labor.

The lack of automation added extra complexity to CFS lease management processes and increased audit risk.



CANON FINANCIAL SERVICES, INC.

## Company Profile

- Founded in 1979 as a wholly owned subsidiary of Canon U.S.A., Inc.
- Provides lease financing solutions for Canon office equipment and other products
- Employs 260 people in New Jersey — including a team of seven tax professionals
- Serves 80,000 customers across North America
- Used separate systems for lease origination and lease management

## Vertex Solutions

- Vertex O Series for Leasing
- Vertex® Address Cleansing
- Vertex® Indirect Tax Returns

## Results

- Increased the accuracy of tax calculation, jurisdiction identification, and exemptions on lease origination and billing
- Reduced time spent on manual sales tax returns preparation by 60 days per year
- Saved 48 to 60 days per year of tax research and content updates to multiple lease management systems
- Standardized tax calculation across separate lease origination and billing systems

“With our previous system, we couldn’t even automate something as simple as changing an asset location,” says Jacob Conlon, Director, Corporate IT, at Canon Financial Services. “Say you had a lease in New Jersey, where everything’s taxed up front, and the customer needs to move that machine to Massachusetts, where it’s taxed in stream — we had to do that switch manually.”

The number of manual tasks — coupled with the risk of human error — meant CFS needed a new solution that could improve accuracy, add transparency, enable automation, and increase efficiency in its tax management.

## Building on a successful use case

As a wholly owned subsidiary of Canon U.S.A., CFS has close connections with the tax team at its parent company. This proved useful when selecting and implementing its new tax determination engine, as Vertex O Series was already installed and operating on its servers.

“That really helped us hit the ground running,” says Maggart. “We didn’t have to do any installation and configuration since we already had the existing Vertex O Series infrastructure. We just needed to add leasing content and calculation functionality, and integrate it with our lease management systems.”

And because Vertex is already part of Canon’s ecosystem, it integrates directly with the rest of the tools at CFS, communicating via APIs for seamless data management.

Where tax was previously handled separately for lease origination and billing, the team now has full visibility and consistent tax calculation across the whole process. This saves time previously spent hunting for data, helping the team work more efficiently and make better-informed decisions.

“With Vertex, everything is done at an asset level,” says Maggart. “So, it’s very clean and very easy to see how the tax is being calculated.”

## Simplifying complex management for more efficient tax calculation

Within just two months of implementation, the CFS team is already starting to see major efficiency gains in its processes. And the company is much more confident that it’s using the most up-to-date tax rates and rules.

If the team needed to make changes to the logic that underpins CFS tax rules, it previously had to raise a ticket with the company’s central IT team — and join the queue with everyone else who needed IT resources. But with Vertex, the staff can adjust the system themselves.

“I’m not an IT guy — not even close,” says Maggart. “The Vertex user interface is just so simple. You go in and write a new rule, and 10 minutes later it’s in production.”

There are tangible improvements for the IT team, too. In addition to eliminating the duplicate effort to update tax content monthly in both lease systems, the standalone Vertex tax engine enables CFS to easily support changes to its IT infrastructure without worrying about disrupting its tax processes.

“If we change something in the application and it breaks, we can just use Vertex to get everything back to normal,” says Conlon. “As long as our inputs are good, we’re saving time on regression testing and unit testing.”



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James Maggart  
Senior Manager, Tax  
Canon Financial Services

## Boosting accuracy and granularity

The CFS tax team is able to work more quickly, efficiently, and accurately with Vertex. By automating tax rules and other tasks that previously required manual input, CFS can ensure every tax calculation uses the right data and gives customers the right rate, all while saving time.

For instance, prior to Vertex, if CFS needed to set up an exemption, the admin would have to search images to see if there was already an exemption certificate on file, review to ensure it still applied, and tell the system whether it should tax the customer or not. Now, that's all automated.

Additionally, CFS has been able to increase the precision of tax jurisdiction assignments, which is critical to tax rate accuracy. Rather than assigning tax according to ZIP codes, the company can use a combination of address cleansing and geospatial tax area ID features to link assets with their correct rates.

The previous system also didn't offer the level of detail the CFS team needed to really dive into different types of assets – information like city rates, district rates, exemptions, and other variables that affected customers' taxes. But now, CFS has the granularity to address even the most complex transactions.

"As far as I'm concerned," says Maggart, "Vertex is the gold standard in the industry."

All the efficiency and accuracy that CFS has gained is empowering the organization to create more streamlined tax processes for its leases, helping ensure compliance, reduce risk, and ultimately provide customers with a better experience. And as CFS adds more products and lease types to its system, it's now far easier to expand offerings – all the team needs to do is register the asset, tweak the rules, and it's ready to lease.

Now transformed, CFS has a present that's more secure and a future that's wide open.



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James Maggart  
Senior Manager, Tax  
Canon Financial Services

## About Vertex

**Vertex, Inc.** is a leading global provider of indirect tax solutions. The Company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply and grow with confidence. Vertex provides solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value added and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,400 professionals and serves companies across the globe.

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