TRANSFORMING TAX AND FINANCE

Modern Solutions to Support Business Growth

Reduce complexity and the risk of noncompliance while meeting ever-changing tax codes with a modern, cloud-based solution.

VERTEX®

Introduction

The processes involved in managing finance, tax, and the underlying IT systems that support these functions have become incredibly complex. As the volume of transactions has increased, so too has the number of global, regional, and local regulations, rates and requirements for tax determination and remittance. With the increase in engagement across digital channels and the need to expand business geographically, the complexity and risk have never been greater.

Organizations need to simplify and automate tax determination and compliance processes in order to reduce complexity and audit risk, gain agility, improve efficiency and remove barriers to growth.

The natural solution is cloud-based enterprise resource planning (ERP) paired with a cloud-based tax engine. The ERP forms the backbone of most retailers' supply chain, operations and financial systems. One that is built for the cloud can provide technical flexibility and agility. A cloud-based ERP coupled with a modern tax platform provides a tax solution that can scale as quickly as a company can grow.

The New Normal for Commerce

Consumers are increasingly using digital rather than brick-and-mortar channels for shopping . This year, for instance, worldwide e-commerce sales will exceed $5 trillion for the first time, accounting for more than one-fifth of overall retail sales, according to the Global Ecommerce Forecast 2022 from Insider Intelligence. The report also found that, despite slowing growth, total spending will surge past $7 trillion by 2025. In fact, two-thirds (66%) of shoppers prefer to search online for items they're looking to buy, as opposed to 27% who prefer to do so offline, according to statistics from Google.

However, it is not only consumers who are moving online to purchase goods. Business-to-business (B-to-B) commerce is also moving in a digital direction. According to McKinsey, the percentage of B-to-B customers who used digital self-service as part of the purchasing process grew from 20% in 2016 to 30% in 2019, and 70% of B-to-B decision-makers prefer remote human interactions or digital self-service when buying products.

B-to-B marketplaces are also growing quickly. In 2021, B-to-B marketplace sales grew 7.3 times faster than total B-to-B e-commerce sales, which increased 17.8% year-over-year and totaled $1.63 trillion. In addition, these marketplaces gained 8.5 times faster growth than total manufacturer and distributor sales, according to Digital Commerce 360. That year, total online and offline B-to-B sales increased 15.2% year-over-year to $13.09 trillion.

As a result, retailers today typically have bricks-and-mortar stores in different jurisdictions with differing tax laws. They may also have an expansive e-commerce presence that covers entire nations, and they may sell to customers in other countries, both of which can make the tax situation even more complex.

Benefits of a cloud-based ERP

ERP is now a core business operations platform that serves as the single source of truth for all aspects of operations. It integrates with a myriad of other technologies and acts as the primary finance engine for the entire organization.

Cloud-based ERP is easier and faster to deploy than on-premises platforms, which have become well-known for their complex and lengthy rollouts. In addition, cloud solutions are easier to scale as the company grows because there are no additional racks, servers, or software to buy, deploy, and maintain. Plus, if the ERP is cloud-native, it is easier to integrate with other cloud-based technologies.

The problem of tax calculation becomes acute when dealing with orders that may have hundreds—or even thousands—of line items. That is because the organization will need to calculate the tax for different items in different locations. With retailers aiming to provide customers with a consistent experience no matter which channel they interact with, calculating the tax quickly and correctly for every transaction is a tall order.

The upshot is that businesses—whether they are business-to-commerce or B-to-B—need finance and tax systems that support modern unified commerce and omnichannel strategies, regardless of the geographic regions in which they are selling.

The Modern Tax Engine

The traditional approach to handling tax processes is largely manual, and where technologies do exist, they are fragmented and localized, unable to provide a comprehensive tax solution. As a result, retailers find it difficult to produce accurate, audit-ready reports that demonstrate compliance or provide a holistic view of the organization's global tax liabilities. Also, manual processes are typically pervasive in traditional models, and can lead to a whole host of problems including: less accuracy in tax calculations; less resource availability; and higher human error rates.

With a modern tax engine, organizations can keep up with the rapid changes in tax and regulatory schemas. There are more than 19,000 tax jurisdictions worldwide. In the first six months of 2021, there were 354 local sales tax changes in the US alone, up 7% over the same period in 2020, according to a report from Vertex.

"For example, during the summer, many jurisdictions have a sales tax holiday on back-to-school supplies and similar items," says Jim Kelly, Practice Lead at Vertex. "At other times, depending on certain circumstances, they may make changes in a law that take effect within a week or less of passing. That's a huge challenge. Retailers need a tax engine that responds to these rules changes and charges the right amount of tax—every time."

The volume of data processed and updated in indirect tax compliance makes manual methods challenging to execute accurately. Modern companies want to use transaction data for meaningful decision-making, not comb through it for errors.

Automation is a key feature of a modern tax engine, eliminating slower manual processes for faster tax determination and increasing accuracy by mitigating human error. It also possesses the flexibility to allow for exemptions. For example, a cloud-based tax engine can be automatically updated to reflect changes in the tax code—and generate reports at the same time. These capabilities strengthen readiness and reduce the risk of compliance audits.

In fact, a strong indirect tax system will not just prevent errors, it will catch those made by vendors. For example, if a supplier does not charge the correct amount—forgetting to add a state, county or city tax—a modern platform can calculate the tax, identify that the actual tax owed does not match what has been charged, and then record it so the retailer can pay the tax to the right entity, avoiding compliance problems later.

Cloud-based indirect tax solutions also save IT time in having to maintain tax data. In addition, these solutions reduce the burden on the IT infrastructure. They require little to no infrastructure on-premises, which enables IT to focus on other priorities that add business value. Because these solutions are delivered via the cloud, they can scale with little effort, keeping pace with a company's growth and expansion.

NetSuite and Vertex

As companies grow out of their legacy on-premises ERP, NetSuite provides a natural step up to a modern, cloud-based platform. Organizations gain additional functionality without the complexity, cost and maintenance of an on-premises platform.

Vertex has been a global provider of tax technology for more than four decades. Vertex O Series, which has become the standard for tax technology, integrates seamlessly with NetSuite ERP. It is a single scalable solution and provides NetSuite customers with flexibility to scale as their business grows.

Vertex is a trusted NetSuite partner and member of the SuiteCloud Developer Network. Its solutions are certified "Built for NetSuite" and supported by a team of NetSuite-certified consultants. Vertex solutions reduce the complexity of taxes, especially for digital commerce, but also for traditional brick-and-mortar retail and point-of-sale transactions. In another nod to the quality of its solutions, Vertex is the only tax technology to have earned HDI Support Center Certification.

Consider, for example, a national frozen food retailer that has been in business for more than a century. Its business leaders recognized that their homegrown ERP and tax engine was not ready for growth and change because the risks were too large to manage.

The retailer faced several challenges regarding tax calculation and compliance. On the sales side, the company sold its frozen food products via the internet and a variety of third-party retailers. This mix of different jurisdictions and sales channels created a complex tax situation. What's more, the company also sold via home delivery, and they wanted customers to have the option to add products to their order at the point of sale. Employees needed to be able to calculate the additional sales tax on the spot.

The retailer chose to implement NetSuite ERP with the Vertex tax engine. This combination automated tax calculation, improved accuracy and reduced risk. Additionally, Vertex enabled the retailer's delivery employees to calculate sales tax remotely out in the field and then send it back to NetSuite.

The company also realized benefits on the procurement side, where they used NetSuite for purchase of goods and Vertex to verify the tax on vendor bills. When vendors did not charge the right amount, they could book accrual to show the tax was not charged, which would then go to the general ledger in NetSuite so it could be paid. This ability sharply reduced audit risk.

Ready for Growth

The rate at which retailers are working online is growing. Their marketplace is international, so their exposure to local tax laws has increased. These challenges call for a global, cloud-based tax solution that integrates with fundamental business systems, automates tax execution and automatically updates the system as laws change.

A modern business requires a modern ERP solution and indirect tax technology. Together Vertex and NetSuite provide solutions that organizations can trust to meet their needs today and tomorrow.

For more information, visit Vertex

About Vertex

Vertex is a leading global provider of indirect tax software and 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 1,300 professionals and serves companies across the globe.

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