



Tax Management in the Procurement Space ↗

An Analysis of the Function's Current Solutions, Challenges, and Opportunities

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Executive Summary

Competence when calculating and paying taxes is a critical part of reducing costs in the procurement space. However, many companies are still struggling to digitize and automate their tax processes, take advantage of incentives, and optimize their cost controls.

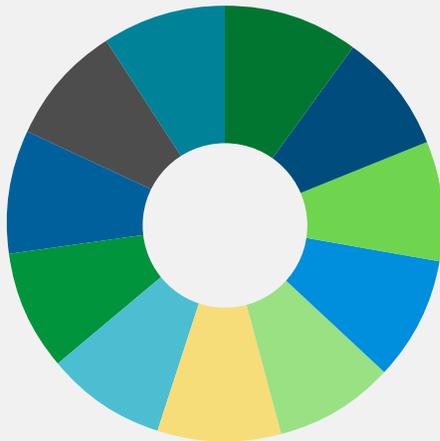
Indirect taxes that are passed down from suppliers to the organization are a particular concern. Companies that don't have robust tax software in place may lack the visibility they need to avoid unnecessary costs.

This paper will explore the key challenges businesses currently face in their procurement tax operations. It will also offer solutions on how to overcome them through the use of new tax solutions and processes.



About the Respondents

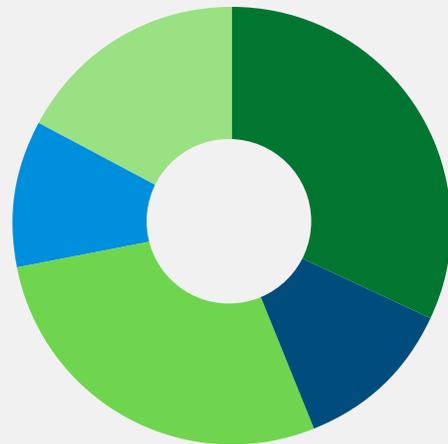
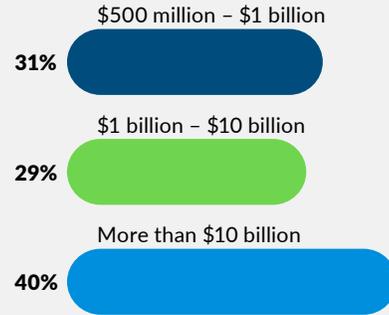
The WBR Insights research team surveyed 100 procurement, tax, finance, accounting, and IT leaders from across the U.S. and Canada to generate the results featured in this report. All the respondents are involved in decision-making processes associated with adopting tax automation software.



In which industry or vertical does your organization operate?

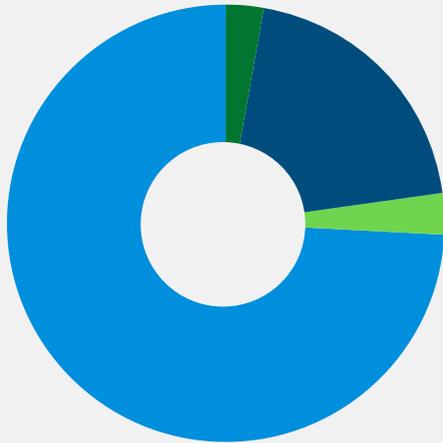
- 10% Energy, oil, & gas
- 9% Consumer products
- 9% Manufactured goods
- 9% Telecom, electronics, & high-tech
- 9% Chemicals, plastics, & polymers
- 9% Industrial manufacturing
- 9% Pharmaceutical
- 9% Medical devices
- 9% Aerospace & defense
- 9% Automotive
- 9% Public sector

What is your organization's annual revenue?



What is your role?

- 32% Procurement
- 12% Tax
- 28% Finance
- 11% Accounting
- 17% IT



What is your seniority?

- 3% C-Suite
- 20% Vice President
- 3% Department Head
- 74% Director

The respondents are also directly involved in any purchasing decisions as they relate to indirect tax solutions at their organizations. This technology helps the organization manage sales and use tax, value-added tax (VAT), exemption certifications, and more.

What is your involvement in the purchasing decisions of indirect tax solutions at your organization?



Specifically, 32% would recommend products and solutions, 37% would evaluate products and solutions, 20% would influence purchase decisions, 33% would approve the final purchase, and 12% would implement new products and solutions.



Indirect taxes that are passed down from suppliers to the organization are a particular concern. Companies that don't have robust tax software in place may lack the visibility they need to avoid unnecessary costs.



Key Insights

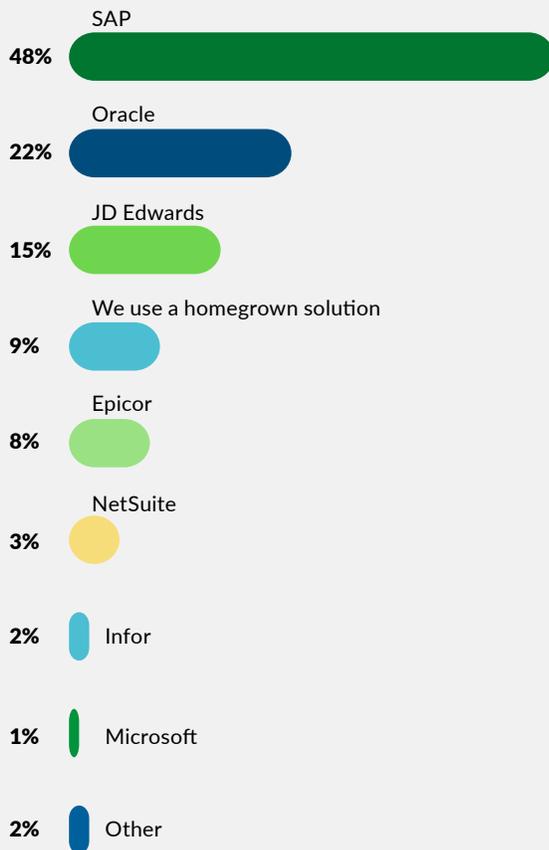
Among the respondents:

- **75% have a procurement system.** These organizations use Coupa (27%), Ariba (19%), Jaggaer (13%), Basware (13%), GEP (12%), and Tradeshift (9%), among others.
- **61% use automation in their tax determination processes.** However, 54% of these respondents say less than 50% of their tax determination processes are currently automated.
- **48% currently use SAP as their ERP system.** Other respondents use Oracle (22%), JD Edwards (15%), and homegrown solutions (9%) at noteworthy rates.
- **60% are only somewhat satisfied with their current tax solutions,** while 17% are somewhat unsatisfied.
- 59% of those who are unsatisfied with their tax solutions **say they have too many manual interventions,** while 53% struggle with tax inaccuracies in touchpoints with P2P processes.
- **51% plan to implement a new tax technology solution within the next six months.**
- The two most significant obstacles to their tax processes are **challenges in making tax calculations for indirect spend** (42%) and **tax solution integration challenges or legacy systems** (33%).
- **48% say their current tax solutions are at least somewhat ineffective** at handling tax-procurement touchpoints.
- The major pain points that need to be addressed within their indirect tax processes are **reducing errors due to manual entry** (46%), **reducing manual time spent on data processing** (45%), and **addressing disparate solutions for all transaction tax requirements** (45%).
- **82% are at least somewhat confident in their organization's internal tax knowledge.**
- **59% don't currently work with a third-party company,** such as a consultant, on business tax issues.

Automation and Procurement Solutions Improve Tax Processes

Procurement systems, enterprise resource planning (ERP) solutions, and automation tools are important investments that help businesses manage their taxes effectively. These systems can help to streamline the tax process, making it easier and faster to complete. Additionally, they can help to improve communication between departments and ensure that taxes are correctly calculated and filed.

Which of the following ERP systems does your organization currently use?



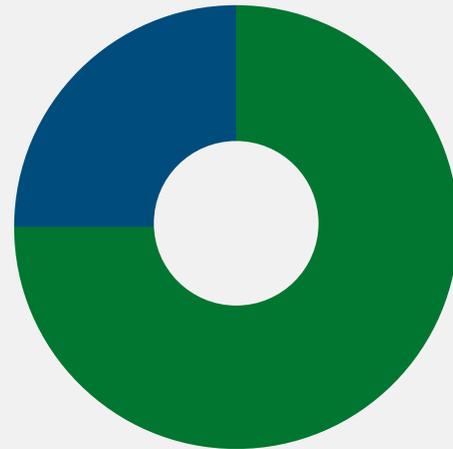
The respondents use a variety of ERP solutions. In some cases, they use more than one.

Almost half (48%) use SAP. Produced by German company SAP SE, this is one of the most popular ERP systems in the world. Meanwhile, 22% use Oracle and 15% use JD Edwards.

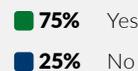
ERP systems run core business processes like finance, HR, supply chain, services, and procurement from a single location. They are often critical in orchestrating every unit within the business and granting high-level visibility to stakeholders.

Although they do support core procurement tasks, ERPs aren't always enough for companies to operate their procurement functions in the most optimized way possible. Many companies combine their ERP systems with dedicated procurement software to gain better supply chain visibility, reduce costs, and manage their taxes.

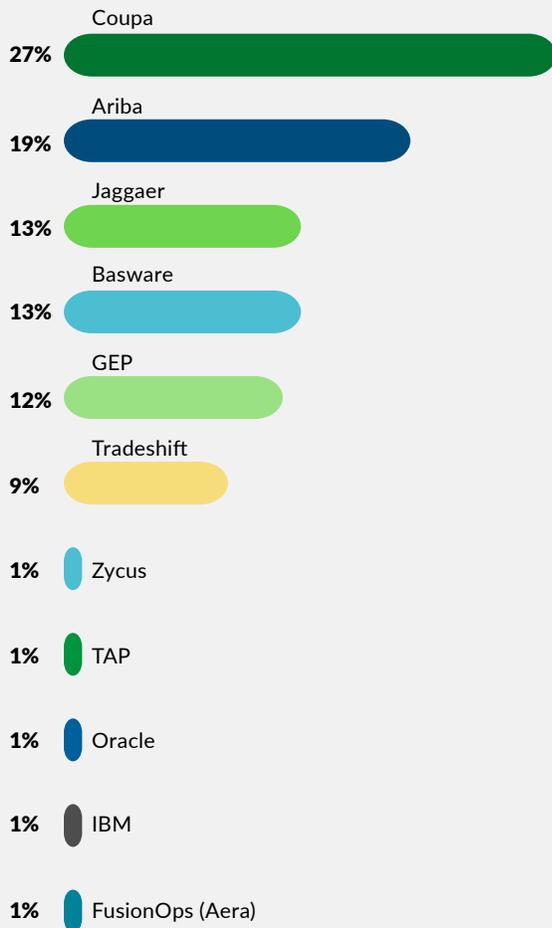
Currently, 75% of the respondents use a procurement system as part of their processes.



Does your organization have a procurement system?



Since you said, “Yes,” which of the following procurement systems are you currently using?



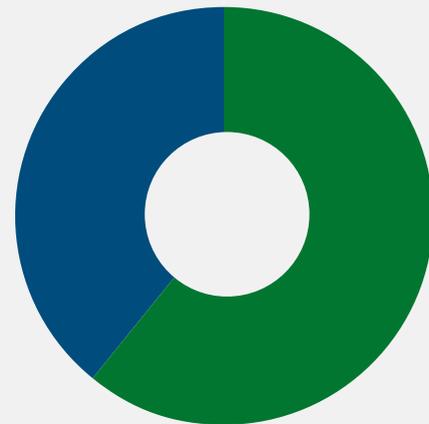
The respondents are using a variety of procurement systems, but a few stand out as the most popular. Over one-fourth of the respondents (27%) are using Coupa, an overarching platform for managing business spend, cost controls, and compliance.

Meanwhile, 19% are using Ariba and, in each case, 13% are using Jaggaer and Basware. Finally, 12% are using GEP and 9% are using Tradeshift.

All these platforms are designed to grant companies more visibility into their supply networks. They also give procurement teams more control over their supplier relationships and key advantages when engaging in supplier negotiations.

They also play an important role when managing taxes, especially indirect taxes. Organizations operating without spend management platforms may not be aware of all the indirect taxes their suppliers are paying, the costs of which will be passed down to them. This can result in unexpected costs when it comes time to reconcile the company’s books.

Using automation in tax determination is a powerful way to overcome manual processes, reduce errors, take advantage of cost savings, and avoid surprises.



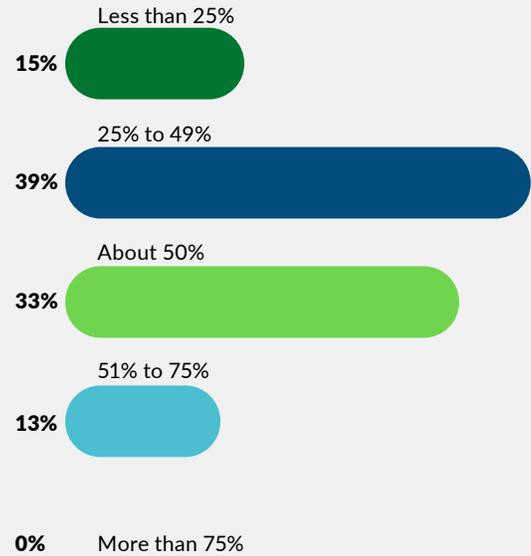
Do you currently use automation in your tax determination process?

- 61% Yes
- 39% No

Although 61% of the respondents are currently using automation in their tax determination processes, this represents a smaller portion of respondents compared to the portion that is currently using procurement platforms. This suggests that many of the respondents who are using procurement platforms either don't have access to tax automation tools or simply aren't taking advantage of them.

Furthermore, most of the respondents who are engaging in tax determination automation (54%) are automating less than 50% of their processes. Those companies that are leveraging tax determination automation have an opportunity to expand its use to more of their tax operations. Without automation in place, they may be missing key tax opportunities, or they could be burdening themselves unnecessarily with manual processes.

Since you said, "Yes," what percentage of your tax determination process is currently automated?

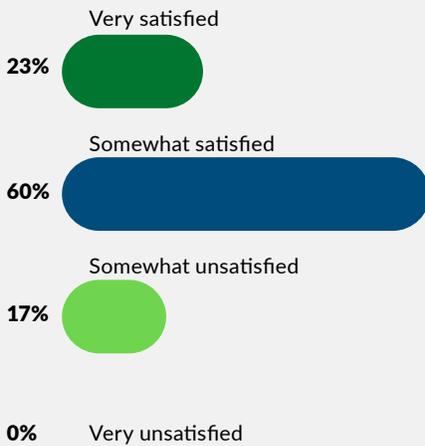


Using automation in tax determination is a powerful way to overcome manual processes, reduce errors, take advantage of cost savings, and avoid surprises.

Current Tax Solutions Exhibit Some Challenges for Organizations

A majority of companies are using tax software to improve visibility, efficiency, and cost savings. Most of the respondents also have generally positive views of their current tools.

In general, how satisfied are you with your current tax solutions?

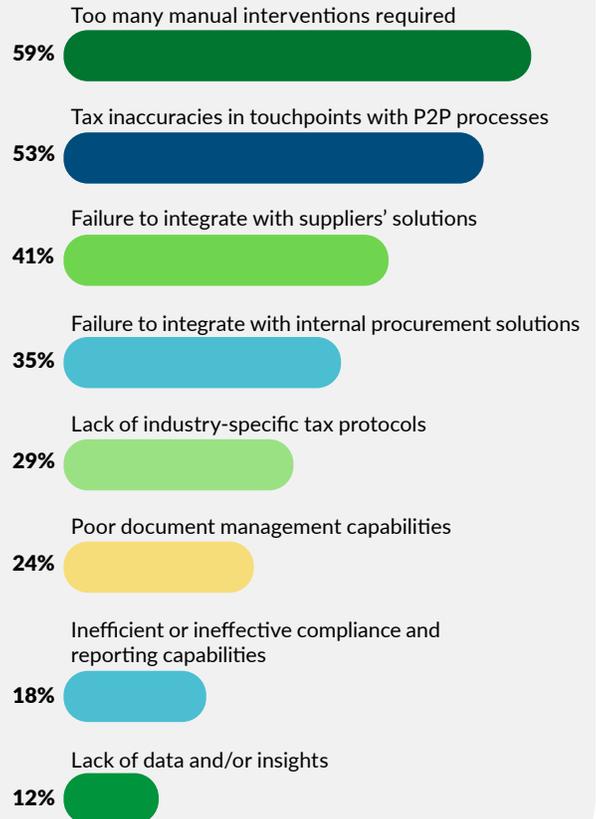


For example, 23% of the respondents say they are very satisfied with their current tax solutions. These respondents are likely realizing significant cost savings thanks to their current software and their use of automation.

Meanwhile, 60% of the respondents say they are somewhat satisfied with their current tax solutions. They may be realizing some benefits, but they could be doing more to reduce costs and streamline their tax processes. Just 17% of the respondents say they are unsatisfied with their current solutions.

Companies that are struggling with aspects of tax determination and cost reduction may not be using the right software, or they may not be using it to its full potential. This can create some specific challenges.

Since you said you are unsatisfied with your current tax solution, what are some of the pain points you've experienced with it?



The respondents who say they are unsatisfied with their current tools cite a few key pain points. Most of these respondents say they must deal with too many manual interventions (59%). These respondents need a solution that delivers more automation or better forms of automation, so they can make manual interventions redundant.

Most of these respondents also struggle with tax inaccuracies in touchpoints with procure-to-pay (P2P) processes (53%).

Many organizations, especially manufacturers, rely on P2P software to generate more value from the money they spend. However, not all P2P solutions account for indirect taxes.

Do you plan to implement a new automated tax technology solution in the coming months?



Although generally small on a case-by-case basis, indirect taxes can result in significant costs when they aren't accounted for at scale. Audits can reveal that companies have overpaid taxes by significant amounts due to inaccuracies when calculating sales and use taxes and value-added tax.

Finally, 41% of these respondents say they fail to integrate with at least some of their suppliers' solutions, and 35% say they fail to integrate with internal procurement solutions.

Regardless of their level of satisfaction with their current tools, most of the respondents (77%) plan to implement a new automated tax technology solution within the next 12 months. This includes 51% of the respondents who say they plan to do so within the next six months. Only 23% of the respondents have no near-term plans to adopt a new solution.

These results align almost perfectly with 77% of respondents who are only somewhat satisfied or are somewhat unsatisfied with their current tax solutions. Procurement functions are eager to overcome their current pain points in the tax process, so they are prepared to adopt new tools that will integrate more seamlessly into their ecosystems, deliver automation at scale, and enable them to take advantage of cost savings.



Procurement Still Struggles with Some Aspects of the Tax Process

One of the main challenges with taxes in procurement is the large number of touchpoints in the supply chain. Taxes can be applied in a variety of ways, depending on the product or service being procured.

For example, a company might need to pay taxes on the purchase of goods, the use of those goods, and the sale of those goods. There could also be taxes associated with the transportation of those goods, as well as any import or export taxes that might apply.

Without the right solutions, tax complexity can make it difficult for companies to keep track of all the taxes they owe. It can also lead to errors in tax calculations. As a result, many companies end up overpaying taxes, which can add up to significant costs over time.

Many respondents indicate that navigating these touchpoints and making calculations based on their understanding of them remains a challenge. Specifically, 42% of the respondents say challenges in making tax calculations for indirect spend is one of the top two obstacles in their procurement function's tax process.

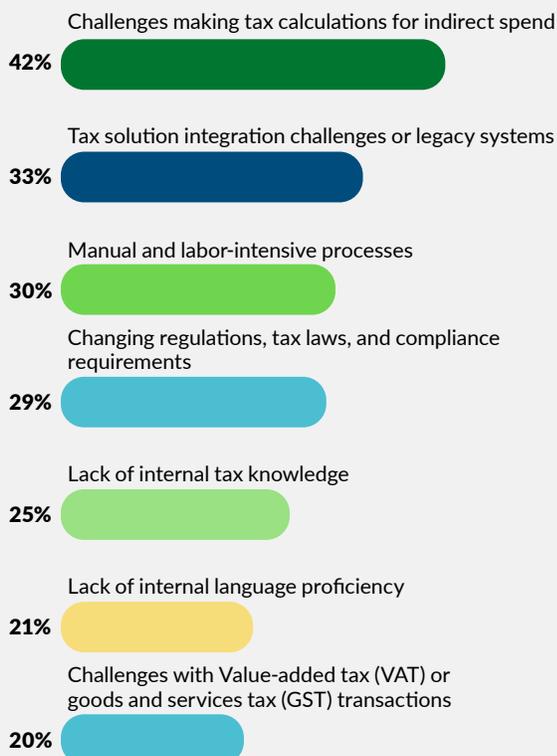
This issue could be alleviated by utilizing software that grants more visibility into different touchpoints within the supply network. An automated solution could even auto-generate sums of owed taxes based on indirect spend, even far upstream in the supply chain. Indeed, 30% of the respondents say manual and labor-intensive processes are a top challenge.

About one-third of the respondents (33%) also say tax solution integration challenges or legacy systems are one of their top two biggest obstacles in the tax process. This aligns with previous responses: Among respondents who aren't satisfied with their tax solutions, 41% say they fail to integrate with supplier solutions and 35% say they fail to integrate with internal procurement solutions.

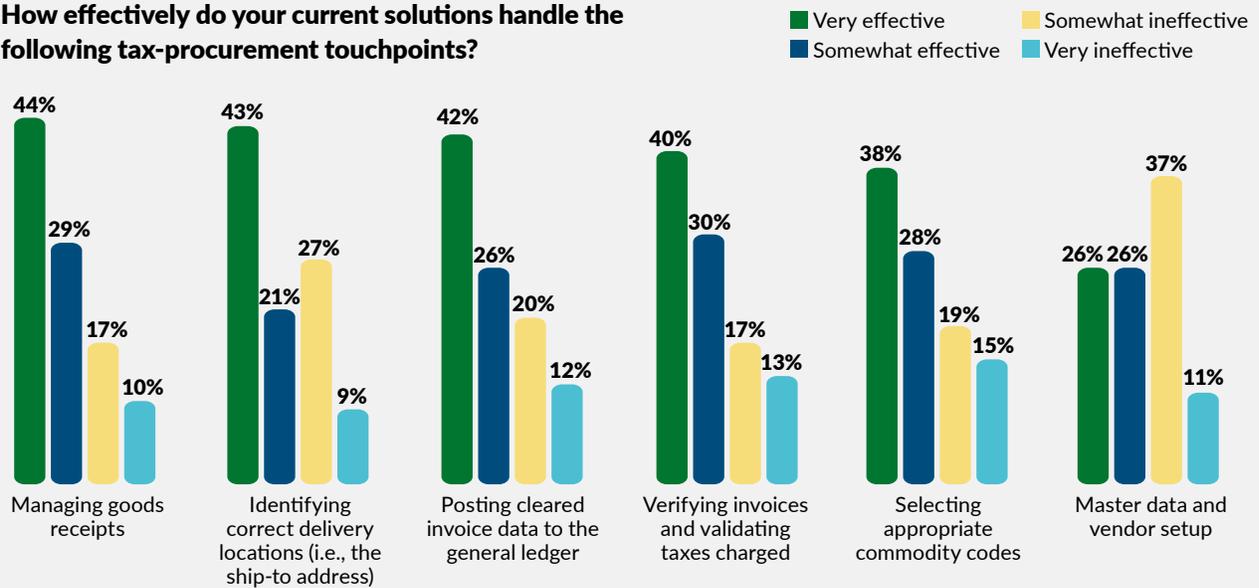
Custom integrations could be established to build connections with legacy systems, but these are often costly and time-consuming to build. Organizations must onboard tax solutions with built-in integrations that coincide with the solutions used by their suppliers and internal stakeholders.

This is not to say that the respondents' current solutions deliver no value whatsoever. Most of the respondents say their solutions handle tax-procurement touchpoints at least somewhat effectively. However, there are significant gaps in their ability to manage some touchpoints.

Based on your experience, what are the two most significant obstacles to your procurement function's tax process?



How effectively do your current solutions handle the following tax-procurement touchpoints?



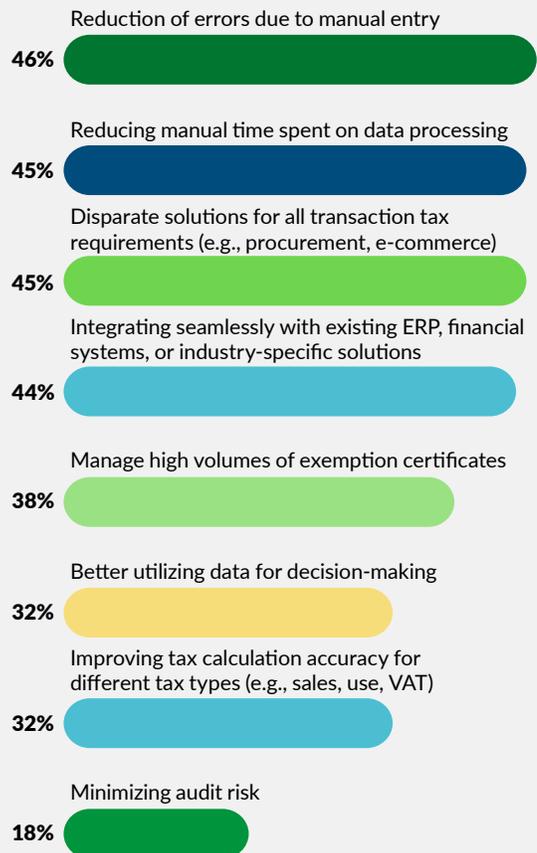
Almost half of the respondents (48%) say their solutions are at least somewhat ineffective at handling master data and vendor setup. This is a significant issue that can cause widespread problems throughout the procurement process, especially when procurement professionals attempt to onboard new vendors or draw insights from their data.

Significant portions of the respondents also say their solutions are at least somewhat ineffective at identifying correct delivery locations (36%), selecting appropriate commodity codes (34%), and posting cleared invoice data to the general ledger (32%).

These inefficiencies are causing several pain points, but some are more pronounced than others. Almost half of the respondents need to reduce errors due to manual entry, reduce manual time spent on data processing, reconcile disparate solutions for transaction tax requirements (such as between procurement and e-commerce), and seamlessly integrate tax solutions with existing ERP, financial, or industry-specific systems. In each case, these are the top concerns among the respondents.

The respondents may need to partner with technology providers to alleviate some of these concerns. There may be better tax solutions available that can address

When considering the indirect tax process at your organization, what are the major pain points that need to be addressed?

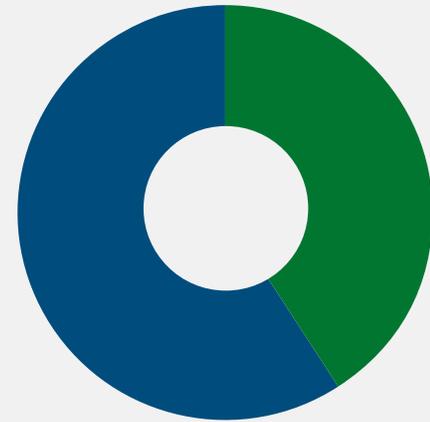
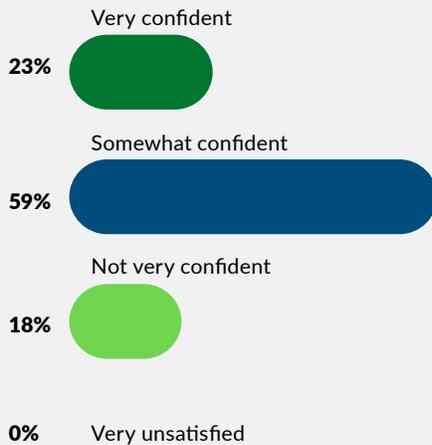


these challenges. Technology consulting groups could also work alongside these organizations to help them build stronger integrations or optimize their existing automation solutions.

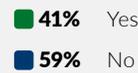
Consultants could also help to educate more of these organizations on their tax concerns, especially when it comes to indirect tax. Additional tax knowledge could also be acquired through enhanced visibility.

Most of the respondents (59%) are only somewhat confident in their organization's current internal indirect tax knowledge. Another 18% say they are not very confident in their current internal indirect tax knowledge.

How confident are you in your organization's current internal indirect tax knowledge?



Does your organization currently work with a third-party company, such as a consultant, on business tax issues?



Indeed, only 41% of the respondents currently work with a third-party company, such as a consultant, on business tax issues. Hiring a consulting firm requires expenditure, but it could be a cost-effective investment if it means alleviating the scale of tax issues faced by some of these companies.



Without the right solutions, tax complexity can make it difficult for companies to keep track of all the taxes they owe. It can also lead to errors in tax calculations. As a result, many companies end up overpaying taxes.

Conclusion: Automation Across the Entire Tax Process

In their final line of questioning, researchers asked the respondents to describe what business tax capabilities they'd like to see in their procurement organization in the next 12 months. An overwhelming number of the respondents say introducing or expanding upon their automation capabilities would bring about the most significant improvement to their tax processes, particularly when it comes to accuracy and efficiency.

“The promotion of intelligent automation would be a superior capability for taxation in the procurement organization,” says a C-level IT executive at a public sector organization.

“I would like to see a modernized automated version of taxation processes in procurement in the next 12 months,” says a VP of procurement at a consumer products company.

Almost every other response from the procurement leaders surveyed mentions automation in some capacity.

Other respondents say they are interested in “real-time data management capabilities,” and better “data quality.”

“Data simplification for seamless functionality of taxation is the key to our procurement and organization taxation development in the next 12 months,” says a tax director at a consumer products company.

Data that can be analyzed in real-time could help leaders generate faster insights. Those insights can be used to direct strategy, but they can also play a role in tax processes.

Most of the respondents seem to recognize that they may need new technologies to achieve these goals. For example, one procurement director from a chemicals, plastics, and polymers company says they want **“Specialty solutions that provide better visibility and tax prediction capabilities.”**

Most organizations should take steps now to identify the most significant obstacles in their tax programs. Once an audit is completed, they'll be able to determine what new solutions they need to adopt, what new processes they need to integrate, and whether they need to consult with third parties to improve their tax programs.



An overwhelming number of respondents say introducing or expanding upon their automation capabilities would bring about the most significant improvement to their tax processes.



Key Suggestions

- **Automate as many of your tax processes as possible with your current tools.** Most of the respondents use tax automation software, but they only automate a fraction of their processes. Automation can increase accuracy and efficiency by eliminating manual processes and human error.
- **Consider adopting new tax processing solutions as part of your procurement function.** Many of the respondents stressed that they weren't as satisfied as they could be with their current solutions. It may be time to replace or augment them with new capabilities.
- **Work with a third-party consultant to improve your internal indirect tax knowledge.** Only a handful of the organizations surveyed are highly confident in their indirect tax knowledge. They could be missing out on potential savings.
- **Build more seamless integrations with your suppliers' and internal stakeholders' ecosystems.** This could be accomplished with custom integrations. If not, you may need to adopt tools that have built-in integrations with other popular technologies, including ERPs.
- **Build robust data management processes with the help of your improved tax management capabilities.** Once you've integrated your solutions, you should be in a better position to improve the quality of your data, even as it flows from suppliers far up the supply chain. Institute new data governance policies, data democratization programs, and regular data cleaning processes to ensure your data is usable in a variety of contexts.

About the Authors



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