



# Taking the Pain Out of Tax



The only constant in life is change. **And change happens a lot — especially when it comes to tax.** This can not only lead to havoc for tax and IT processes but also a higher risk of audit penalties that can impact the bottom line.

## Another day, another change

In the U.S., 45 states as well as the District of Columbia impose a sales tax, and 38 states add local taxes on top. That's more than 12,000 U.S. taxing jurisdictions to keep track of. Plus, they constantly change their rates and regulations. For companies doing business globally, there's over 19,000 taxing jurisdictions with different rates, regulations, and requirements. It's up to businesses to keep up with the latest tax rates and requirements to calculate sales, use, and value added tax (VAT) accurately on every transaction.



## Integrating a 3<sup>rd</sup> party tax calculation engine

Many companies solve the problem by integrating a 3rd party tax engine to automate tax content updates and tax calculation across their transaction source systems like ERP, e-commerce, and procurement systems. The changing tax content is automatically maintained and updated in one central tax engine, then leveraged across multiple transaction systems. It serves as the single source for the latest tax data, complex tax calculations, and robust tax reporting for compliance and audit readiness.

This not only improves tax accuracy and streamlines tax determination and compliance processes, but also reduces the burden on IT teams to maintain tax content in each source system. And, since a single tax engine can be integrated to multiple source systems, companies can standardize tax management and streamline processes across the business no matter how complex their IT footprint.





## Benefits of integrating a tax engine to source systems

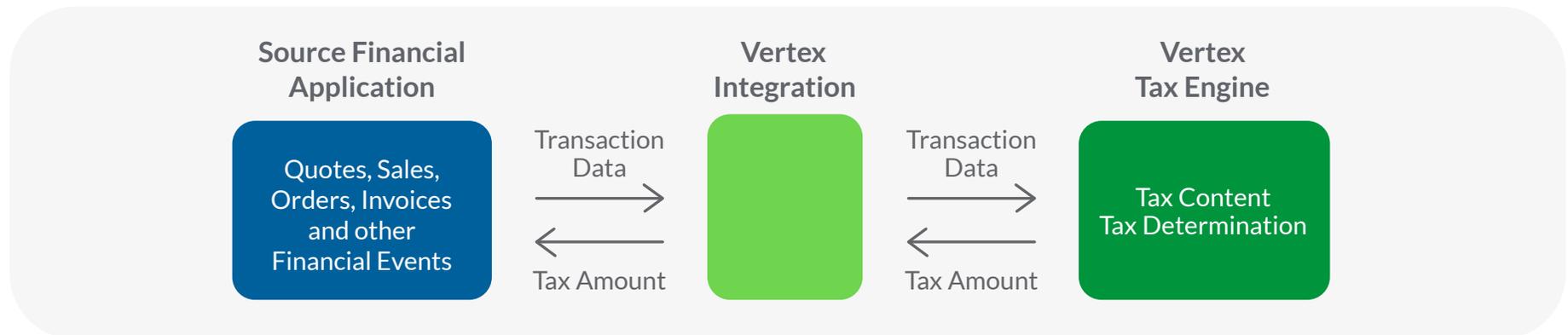
- **Automates** tax calculation and the maintenance of tax data
- **Eliminates** manual processes, freeing resources
- **Improves** tax accuracy, improving audit performance
- **Provides** better tax and compliance reporting and control
- **Increases** productivity for tax, finance, and IT teams
- **Creates** more streamlined OTC and P2P cycles

“Customers are focused on transforming their businesses leveraging automation to streamline every facet of their revenue operations,” said Sheera Deepak, Director of Product Management at Vertex. “Vertex solutions integrate seamlessly providing a complete solution to automate tax calculation, and reduce compliance risk, regardless of how or where our customers transact.”

# How the Vertex tax engine works

Tax determination is quite complex because it relies on a multitude of taxability rules and transaction data points. But the whole process happens in real time once a Vertex tax engine is connected. Here's how it works.

1. The source system sends the transaction data to the tax engine via an integration.
2. Then, the Vertex tax engine applies address cleansing to ensure the ship-to address is complete and accurate, and mapped to the correct taxing jurisdiction.
3. Then, based on the transaction details, Vertex automatically calculates the tax using the embedded tax rules and rates, and sends the tax amount back to the source application through the integration to complete the transaction.



*Vertex pulls the transaction details from your Source Financial Application to calculate indirect tax in the Vertex tax engine and send that tax amount back to your Source Financial Application.*

Vertex integrations undergo continuous improvement based on application performance monitoring, so they always reflect the most up-to-date capabilities to deliver peak performance. And, as the business implements additional source applications, they can be connected to the same Vertex tax engine for centralized, standardized tax processes.

As you can see, by leveraging a tax engine, companies establish a technology landscape that scales for growth and change.

# Tax automation across sales and procurement

On the Accounts Receivable side, a single tax engine can automate and streamline tax calculations for all sales transactions regardless of the source system. A single tax engine can maintain the latest tax rules and rates and provide accurate calculations in real time back to the transaction system ensuring frictionless commerce.

On the Accounts Payable side, integrating a tax engine automates sales, use, and value added tax determination to improve the accuracy of taxes paid and accrued. It uses rules-based calculations instead of human decisions by AP clerks. It applies the same tax logic across the procure-to-pay process:

- At the requisition and purchase order stage,
- And at the invoice reconciliation and approval stage.





## Leveraging the power of a tax connector

In the hustle and bustle of attracting, serving, and billing customers, businesses don't want tax calculation errors to slow things down. By leveraging Vertex for tax automation, businesses reduce manual processes, stabilize process efficiency, improve audit performance, and reduce risk. They also establish a tax process that's more reliable and scalable to support business growth.

North America

Latin America

Europe

Asia Pacific



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