Vertex and Oracle: Aligning Finance and IT to Work Together to Achieve Business Transformation

Manual and siloed tax calculation presents significant risk for enterprises. Yet, with the right systems and integrations in place, organizations can not only extend the value of the ERP but also increase accuracy, remove friction, and reduce risk.

It's never been easy for a large enterprise to calculate indirect taxes, especially if it's a global operation, but the task becomes more complex every year. And that's a problem, because enterprises need to automate and simplify tax determination for sales (such as customer invoices and consumer transactions) as well as purchases (supplier invoices) so they can focus more of their employees' efforts on more strategic work that will improve customer satisfaction and grow the business.

But that's just the beginning of why indirect tax management needs to be simplified and automated. Tax calculations can create friction in the sales and purchasing process if they are slow or inaccurate. Automation can improve efficiency and reduce the risk of human error that manual processes inevitably introduce. Complex manual processes increase the risk of noncompliance and associated penalties. And, finally, there's the need to research and understand the constant ongoing changes to tax laws at the national, state, and local levels — manually, it's a huge, complex task that carries a large risk of introducing human error.

Often enterprises struggle with tax complexity because IT and Finance are not aligned. Unless systems are seamlessly connected and working together, tax won't be determined and applied consistently across all transactional systems in the organization. There are many systems that need tax calculation: point of sale in retail locations, bulk purchases from suppliers via electronic invoices, online-store sales, and quotes and estimates. Inconsistencies and errors will cause serious headaches for Finance and, potentially, the entire organization. Finance needs to be able to determine tax automatically and accurately across all channels from a centrally managed system.

That's not happening in most organizations, because tax processes are still largely manual and managed in spreadsheets. Technology solutions, when they do exist, are fragmented and localized rather than applied enterprise-wide. This makes it extremely challenging for the organization to gather data to produce compliance reports for audit readiness purposes. Organizations simply do not have a holistic view of their tax liability and threshold status.

> **Automation can improve efficiency and reduce the risk of human error that manual processes inevitably introduce.**

Tax complexity

In addition to the complex and disjointed nature of internal systems, the tax code itself is a cumbersome beast to track. There are more than 19,000 global tax jurisdictions, and they are in a state of constant change. For example, in the first half of 2022, there were 255 changes to tax laws across the U.S. and 77 new laws.[1] And in all of 2021, there were 606 new and changed tax laws, the highest number since 2018.[2] As the volume and velocity of changes continue to increase, just keeping up with all the various and relevant tax codes can easily become a full-time job.

---

[1] "Vertex Inc. 2022 Mid-Year Sales Tax Rates and Rules Report," https://www.vertexinc.com/resources/resource-library/vertex-inc-2022-mid-year-sales-tax-rates-and-rules-report. Retrieved January 10, 2023.

[2] Ibid.

But that's not all, because the laws themselves are complex, frequently requiring the application of conditions and exemptions. For example, Massachusetts exempts tax on clothing for purchases amounting to less than $180, which isn't too bad — after all, it's just one type of good across the entire state. But then there are time-specific tax holidays, such as Alabama's sales tax exemption for hurricane-preparedness electric generators from February 24 through February 26. And if that's not complex enough for you, how about introducing specific types of buyers into the mix, such as in Nevada, which exempts all purchases by National Guard members from October 27 through October 29.

It's complicated, and that complexity has ramifications. As noted earlier, slow tax calculations can delay sales transactions. In a retail store, the result may be long lines and unhappy customers. Online it can result in abandoned carts and lost revenue. If calculations are inaccurate, that too can harm customer relationships. Even small errors can scale across numerous transactions, quickly growing into a considerable over- or underpayment, and it's complicated, expensive, and time-consuming to fix payment errors after the fact. And, of course, there can be civil penalties.

Aligning Finance and IT

To avoid all of this, organizations need to take steps to align Finance and IT.

The first step is to centralize tax calculations to ensure consistency, accuracy, and ease of management. If achieving acceptable performance requires local calculators, these local systems should be tied to and managed by the central system.

It's also important to consider the enterprise resource planning (ERP) system, because it plays a critical role in tax calculation. ERP is a foundational financial and operations system for most enterprises, so it's critical for tax calculations to integrate with it. It is necessary for aligning Finance and IT.

But ERP systems' tax capabilities are limited. These systems can perform summarized tax reporting, but creation, maintenance, and assignment of tax tables to customer, supplier, and item records are all manual. Even if the tables are set up correctly, if they are assigned incorrectly, tax calculations will still be wrong.

Relying on these limited capabilities can introduce significant tax risks:

- **Audit exposure from manual processes and human error**

- **Excessive staff time spent on managing compliance**

- **The high likelihood of mistakes while taking on the heavy burden of managing changing tax laws**

Organizations need additional capabilities that the ERP platform cannot provide. For instance, tax calculations need to consider the fine detail of local tax jurisdictions and tax calculation rules need to be automatically updated for changes in tax laws, rules, and regulations. The tax calculation engine needs to be able to manage exemption management and automate complex indirect tax calculations on all products and services. Finally, the tax calculation solution needs to be able to support an omnichannel business to deliver a unified commerce experience.

With a robust, centralized tax engine integrated into the ERP system, Finance and IT can finally be on the same page. ERP is already a foundational technology platform for financials, and IT understands ERP. This integration helps ensure alignment and reduces complexity by consolidating tax into a single system that can integrate across all relevant transactional touchpoints.

> **Organizations need additional capabilities that the ERP platform cannot provide.**

Oracle and Vertex

Vertex is a cloud-based tax engine that integrates effortlessly and seamlessly with Oracle. The company has been providing global tax and tech services to leading global brands for four decades, and its cloud-based engine is a single global tax solution that scales as a business grows. As a trusted Oracle partner for more than a quarter century, Vertex reduces the complexity of taxes for digital commerce, traditional brick-and-mortar retail, and point of sale. Additionally, as a tax technology organization that has achieved HDI Support Center Certification, Vertex offers responsible and dependable support and service.

Thanks to this partnership, organizations save on the costs of funding, creating, and engineering integrations. Vertex has already done all that work, and having an Oracle-validated integration ensures consistent performance and ease of deployment and use, not to mention faster deployment and shorter time to value.

Additionally, Vertex uses a container-based architecture that simplifies updates. For instance, when there's a tax code change, there is no need to update individual rows and tables. Instead, all IT has to do is swap out an object, making IT management of the system simple, agile, and flexible.

"Our edge computing capability is unique in the market," says Vertex CTO Sal Visca. "If you think about how customers deploy Oracle, it's on-premises, in the cloud, and via a hybrid environment. Customers have deployment flexibility with Vertex and can put containers anywhere they want, including on the edge close to the end user, which provides excellent performance."

Calculated tax is visible on customer and supplier invoices alike, and the solution enables users to drill down to line-level tax details by rate and jurisdiction in case there are any concerns. It's a sophisticated engine that uses a wide array of factors to calculate tax: revenue category, sales item, ship-to address, general ledger account number, cost center, geographic region, and many more. The engine can even self-assess the tax paid to suppliers to ensure that it's the correct amount.
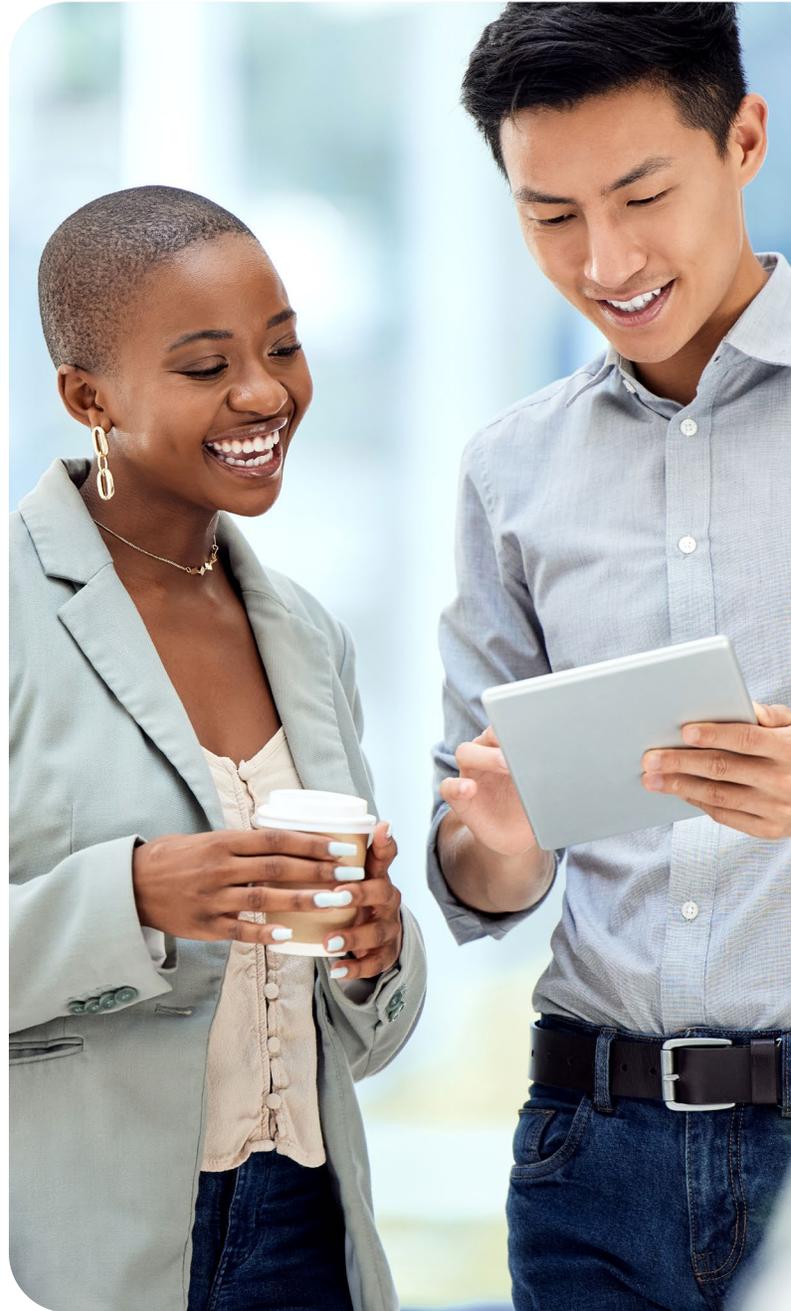
Perhaps most important, Vertex is backed by a deep and rich set of constantly updated tax content, with more than 700 million ready-made data-driven tax rules. There's no need to spend time, money, and resources on tax research, and if a rule does need to be manually changed, customization is simple.

The benefits of combining Vertex's tax calculation engine with Oracle's ERP are many. Having a holistic picture of the tax situation, combined with the assurance that all indirect tax is correctly calculated, reduces tax audit risk. Compliance reporting can be automated, saving time and resources. Also, because the engine is automated, fast, and efficient, it eliminates tax friction from the buying process while increasing accuracy — the result being a better customer experience. And Vertex automated tax calculation lives inside existing business processes within Oracle ERP.

Manual and siloed tax calculation carries significant risk for enterprises, especially in the face of the ever-changing, byzantine global tax code. By integrating an automated, consistently updated tax engine into the ERP system, such as Oracle, organizations not only extend the value of the ERP but also increase accuracy, remove friction, and reduce risk.

> "If you think about how customers deploy Oracle, it's on-premises, in the cloud, and via a hybrid environment. Customers have deployment flexibility with Vertex and can put containers anywhere they want, including on the edge close to the end user, which provides excellent performance."
>
> — Sal Visca, Vertex CTO

To learn more about the benefits of combining Vertex's tax calculation engine with Oracle's ERP, visit: https://www.vertexinc.com/partners/oracle

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.

To learn more, visit VertexInc.com.

North America | Latin America | Europe | Asia Pacific

VERTEX®

VertexInc.com

CIO

SPONSORED CONTENT

ORACLE