



Moving tax to the cloud: A financial perspective

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Summary

Read this article to learn how adopting a cloud-hosted tax engine can help reduce the total cost of ownership of your tax technology. We'll discuss the external and internal costs of increasing your tax determination accuracy, whether you're using native ERP functionality or an on-premise tax engine, and we'll show you how adopting a cloud tax engine can affect your bottom line today and into the future.

Total cost of ownership

There are many benefits to cloud-hosted (SaaS) technology. Volumes have been written extolling the sweeping impact of cloud technology on the corporate enterprise — from agility to scalability to speed. But what is the effect on the bottom line? How does cloud-hosted indirect tax technology impact the budget? Does it only impact the IT department's budget, or are the tax and finance departments' budget also affected? Let's break it down.

Total cost of ownership (TCO):

TCO is one of the most important evaluation factors when considering a move to a cloud-based technology. TCO uncovers a wider and longer view over time looking at the full cost — external and internal factors — not merely external fee comparison.

- **External costs** could include third-party fees for tax content, tax engine software, servers/infrastructure costs, and hosting.
- **Internal costs** include tax, finance and IT staff hours required to continually update the tax content, review output, and maintain tax-based technology and reporting tools.

TCO Tax Technology Comparison:

The TCO for maintaining a native ERP tax function:

- **Tax research:** Tax staff hours, third-party consultant fees, and/or tax content purchase fees to stay ahead of the latest tax regulations for the company's products/locations.
- **Content updates:** IT staff hours to maintain and test continual tax content updates in the ERP or other billing system (often multiple systems).
- **Tax Code maintenance and conditional tax policy decisions:** Tax staff and IT hours and third-party consultant fees to understand requirements, configure, maintain configuration matrices, and ensure system continuity and reconciliation from GL posting to compliance.

The TCO for maintaining a third-party tax engine on premises:

- **Installation:** IT/tax hours and/or third-party consultant fees required for initial installation of the tax application on premise. This includes areas like database, networks, ERP, and back office.
- **Infrastructure:** Costs for servers and other infrastructure required to host a tax application on premise.
- **Hosting:** Fees required to host the tax engine application.
- **Software license:** Fee to license the third-party tax engine application software.
- **Maintenance:** IT hours required to perform software application updates, patches, testing, and related maintenance.
- **Tax content updates:** IT staff hours to make monthly tax content updates to the tax engine

The TCO for maintaining a cloud-based tax engine:

- Enhanced accessibility from any location
- Freedom to grow/expand without the burden of technical debt or costly configurations
- Increased reliability by entrusting duties to the vendor team under the license agreement, including tax content updates and round-the-clock tech support
- Prioritized, top-level security and compliance through dedicated vendor resources
- Eliminated expenses related to external hardware and server procurement
- Eliminated internal IT and tax-related costs for system troubleshooting, maintenance, and patches
- Cut down on external expenses for purchasing tax content
- Eliminated internal IT and tax costs associated with updating tax content on a monthly basis



Future-proofing the tax function

The central aspect of analyzing any Total Cost of Ownership (TCO) cloud platform lies in its scalability. The crucial question is whether the system can readily adapt to accommodate business growth. Conventional approaches like native ERP tax functions or on-premise tax calculation engines may face challenges due to inflexible technology, hampering their ability to swiftly pivot or handle increasing volume, throughput, or business expansion. In contrast, a cloud-based solution not only offers but demands flexibility.

An intelligently designed tax cloud platform ensures growth (scalability) through its global accessibility, reliability, technical scaling, high throughput, multi-endpoint threading, ERP extensibility, and prioritized security with round-the-clock support. This means businesses experiencing growth in volume or venturing into new regions, product lines, selling channels, or engaging in M&A activities can count on global accessibility, with the assurance that the tax function can seamlessly adjust to the new growth in tandem with the business without encountering technical limitations.

By embracing cloud technology, businesses can swiftly respond to opportunities such as integrating new source systems, incorporating regional content, or streamlining business processes with minimal time required for market launch and operationalization. The latest cloud technology eliminates the need for costly and time-intensive investments in additional hardware and infrastructure when expanding the business. Leveraging a cloud-based tax determination solution grants the tax and IT function greater agility to scale the business efficiently and effectively.

Conclusion

The incremental cost to add (or migrate to) a cloud-based tax engine is far outweighed by the reduction in current costs and the improvement in long-term scalability. By implementing a trusted and reliable tax management solution, such as Vertex O Series Cloud, your business can reap the benefits of cloud technology, as well as increase indirect tax accuracy, flexibility, and scalability.



About Vertex

Vertex Inc., 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 cloud-based and on-premise 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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