



Digital Transformation: The Case for Moving Tax to the Cloud

Why it's important for companies to
make the switch from legacy systems.



Tax leaders, here's the deal: You've got a great opportunity to boost your organization's digital shift by moving tax automation to the cloud alongside bigger ERP migrations – and there's no time to waste. To move forward, this guide was created to equip you with a better understanding of:

- **Why include tax in an ERP migration**
- **The benefits of migrating tax to the cloud**
- **How to conduct a smooth migration**
- **How to get started with Vertex**



Why Include Tax in an ERP Migration

Why the urgency in cloud migration? First, cloud-technology investments throughout the organization – including the tax department – increasingly qualify as a board-level priority because they are often part of the broader organizational strategy. Second, the business case for a cloud migration of tax solutions tends to be more difficult to make if your team were to take it on alone.

However, when an ERP cloud migration takes place as part of a finance transformation effort, you'll be less likely to be scrutinized on your business case for migrating tax automation to the cloud with the mindset of, "We're going through finance transformation, and everyone's going to have an opportunity for improvements – what does the tax department need?" That's why you should advocate for your team to be included in the larger finance transformation efforts so you can leverage the larger budgets and resources that go along with ERP implementations.



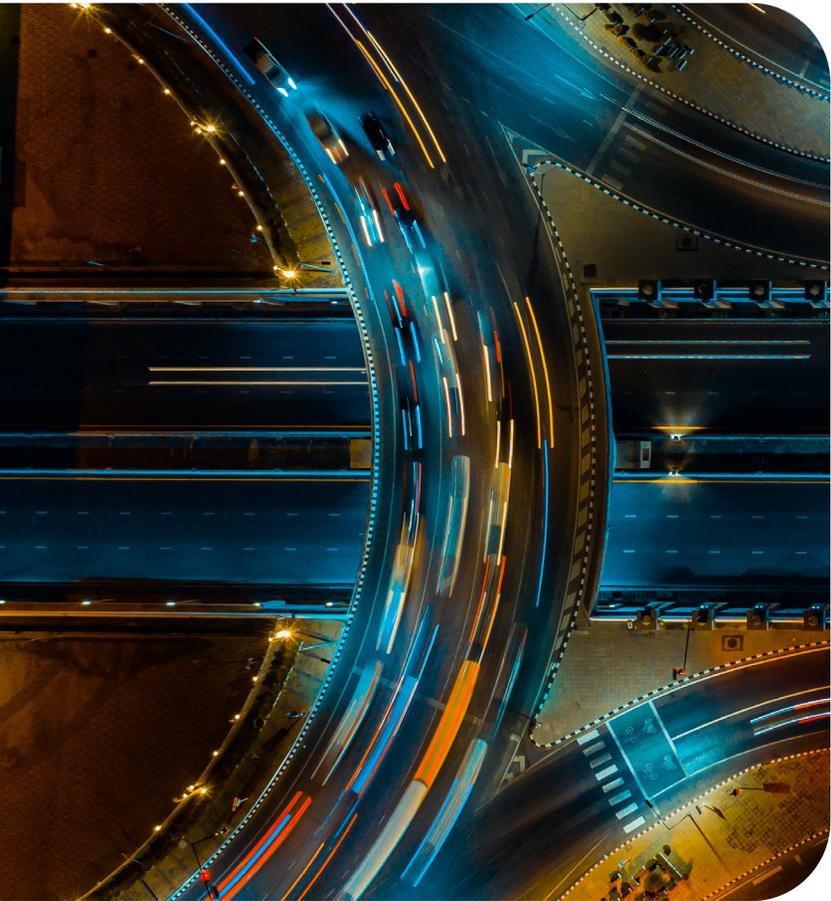
The Benefits of Migrating Tax to the Cloud

- **Better access to tax data:** Cloud solutions prevent your tax group from having to worry about where tax data is located since the data is stored centrally within the application. If an audit occurs, that data can be easily and quickly accessed. This convenient access to tax and transaction data lets you analyze that data to provide actionable insights.
- **The ability to use advanced tools:** Current cloud-based ecosystems feature a variety of advanced tools and methodologies that deliver powerful data analytics. You can take advantage of these tools, use related microservices, and build your own tools through low-code development mechanisms.
- **Low-impact system updates:** Given how many tax rates and rules change each year, it's crucial to have a tax solution that reflects those changes in a timely manner. Through the cloud model, all updates to the tax technology are integrated into the system by the cloud provider. No effort is required by you or your team or your internal IT partners.
- **Cost savings:** Cost savings are often a driving influence of cloud-migrations. Cloud-based systems and applications generally cost less to maintain and update from a total cost perspective. The improved data access that cloud-based ERP ecosystems enable also gives your tax department potential opportunities to save, and recover, money. With better access to transaction and tax data in a cloud environment, your tax team can leverage automation to determine if overpayments were made and if refunds are due. You can also conduct a more comprehensive analysis of credits and incentives, which can often identify credits that your tax department didn't know existed prior to the cloud migration.
- **Deeper connections and collaborations with technology providers:** When migrating to the cloud, the tax department becomes the direct customer of the tax technology provider. While IT plays a crucial role in the migration decision, vendor selection, implementation, and governance, your team maintains a direct connection with the cloud technology provider.
- **Less budgeting complexity:** Purchasing and maintaining an on-premises system requires budgeting for hardware (which also requires depreciation or amortization), maintenance, and internal IT costs. In a cloud environment, those calculations are replaced with a single budget item for the cloud service. That change smooths out the expense cycle and equips your finance and accounting partners with better control and visibility.

How to Conduct a Smooth Migration

Usually finance and IT take on the lead role in most ERP cloud migrations, but your team can benefit by being proactive and doing such things as developing a tax technology roadmap ahead of time before the IT initiative begins. Here are some additional best practices:

- **Get educated:** It's important that you recognize that cloud applications are deployed and used differently compared to how on-premises systems are purchased, maintained, and used. You can take full advantage of the functionality and integrations that a cloud-based model offers. There are standard deployment practices in the cloud that let you place an emphasis on the aspects of the solution that matters most to you as a business function and as a company.
- **Be proactive:** Your team should start by learning about the potential opportunities that cloud-based tax automation and its integration with the cloud-based ERP system offer. Once you learn how finance transformation affects tax, you need to educate your implementation team and the business stakeholders so that they also understand the tax implications. This may also mean having discussions with an expanding set of stakeholders because more boards are asking questions. It's best to keep informed of those discussions and their implications on technology-investment decisions.
- **Identify critical data:** Gaining better, more convenient access to transaction and tax data ranks among the most valuable benefits of migrating tax automation to the cloud. You should clearly identify the data you need to support all of your teams' activities. You should say to your IT counterparts, "These data sets are important to us, and we need that data in this type of format".
- **Prioritize according to pain points:** When your organization migrates ERP and tax systems to the cloud, you should prioritize the development of a technology roadmap to establish the order in which a wide range of functionality and capabilities are deployed. A well-designed cloud migration effort will deploy applications and functionalities that address the highest-magnitude risks first. Once your team develops their own digital roadmap, they should collaborate with finance and IT to determine how their plan aligns with finance's larger technology road map.
- **Put the right tax person on the implementation team:** ERP cloud migration project teams typically include representatives from numerous stakeholder groups, including the tax function. It is important for you to select the right member of your team to participate in an effort that can last up to 12 to 18 months in large organizations. The individual(s) you choose should have a firm grasp of the desired end state. From a tax perspective, that end state is being able to access and use all of the transaction data needed to properly collect and remit taxes. They should understand where the tax solution data comes from and how it feeds into the application. Previous experience working on a large transformation project is also a plus.



Why Vertex?

Once your tax and IT teams have agreed on the value of including tax in an ERP cloud migration, you should consider not only the technology but also the surrounding support and services that will help keep the solution operating at peak performance. Vertex provides:

- Market leadership with four decades of tax technology experience.
- Global indirect tax technology solutions supporting the end-to-end tax lifecycle and with all major ERP and financial systems.
- Award winning product support.
- A range of expert services to keep tax system operating at peak performance with minimal Tax and IT team involvement.

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