



## Indirect Taxation's Data-Driven Storyline

Compose tax compliance with Workday Financial Management, Vertex's end-to-end tax software solutions, and Deloitte's technology and tax capabilities.



The phrase “data-driven storytelling” describes an approach deployed by many best-selling authors. Leaders can use this this approach to capture their organization’s attention to key needs. Tax organizations often find their data needs overshadowed by other business priorities, and by using data they can make a compelling case for changes in technology, process, and policies that can allow them to accurately and efficiently comply with tax laws.

The scene set before us establishes a place and time where obtaining the data needed to achieve tax goals may be challenging for many tax departments. To continue the literary analogy, in order to successfully overcome the challenge, the protagonist (Tax Organization) may need to join others with expertise in business processes, the technology enabling the processes, and the tax laws that are intertwined. Partnering with one another, the ensemble may face continually changing tax rates, new real-time reporting requirements, conflicting business needs, and other tax transparency demands; each a potential obstacle to overcome. Can the protagonists prevail in obtaining the data they need? Will they be able to create a compelling story?

The answer may be “yes” if the protagonists pay attention to the plot twists, rise to the meet the central conflicts, and focus on the progress the story line.

## Chapter 1: Five Tax Management Plot Twists

These days, tax groups have no shortage of conflicts to contend with. The total number of US sales and use tax rate changes hit a 10-year high in 2023.<sup>1</sup> In the EU, plans for a sweeping overhaul of value added tax (VAT) compliance activities—the VAT in the Digital Age (ViDA) initiative—centers on new E-Invoicing requirements along with other major changes.<sup>2</sup> Many tax regimes in other parts of the world are just as active.

**“An indirect tax engine helps mitigate inefficiencies and reduce inaccuracies that arise from manual rate updates and manual tax calculation decisions.”**

Jim Sullivan, Tax Managing Director, Deloitte Tax LLP

Meeting these heightened tax compliance requirements may be further complicated by a shortage of tax talent, the widespread embrace of new sales and purchasing channels, and organizational changes driven by digital transformation.

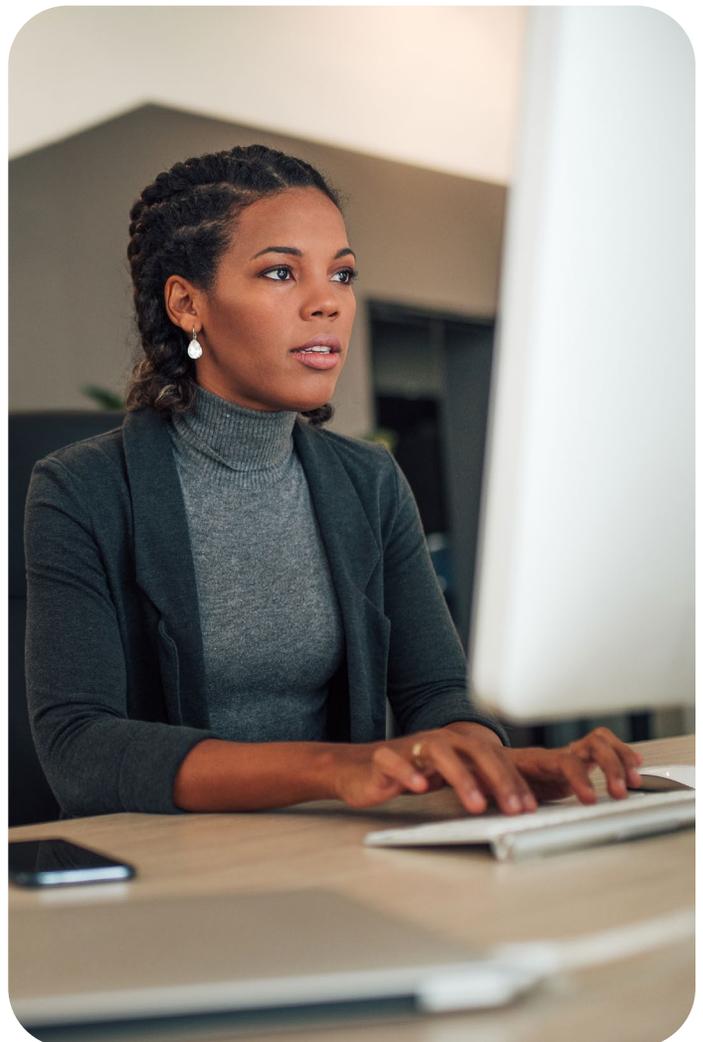
In a recent Deloitte webcast poll of global tax leaders, respondents identified the following issues as top challenges for their tax groups:

1. Complying with evolving tax laws and regulations: 45%
2. Integrating tax-related data across the organization: 37%
3. Quantifying the tax implications of alternative scenarios: 34%
4. Access to professionals with tax subject matter expertise: 32%
5. Managing remote work: 30%

To address these challenges, indirect tax leaders may need to focus on people, process and technology pain points, including:

- Incorrect or incomplete source data for tax calculations: 34.2%
- Difficulties with audits: 19.2%
- Challenges with tax talent: 13%
- Insufficient organizational budget: 11.6%
- Inefficiencies and inaccuracies with filing returns: 7.5%<sup>3</sup>

Gaining access to budgeting funds typically requires a compelling business case, which often includes selection of effective technology solutions to meet customers' needs.



## Chapter 2: Overcoming Compliance Conflicts with Tax Automation

Indirect tax compliance requirements affect most sales and purchasing transactions, and many accounting activities. Tax-relevant data from sales, purchasing, and accounting systems should be located, tax-sensitized, and accurately calculated to establish and sustain compliance. Typically, the more automated these activities are, the less likely manual errors are to arise and pose compliance risks.

Despite the advantages tax technology offers, Deloitte-Vertex webcast<sup>3</sup> attendees report that tax groups lag behind other functions in automation. When asked to select which process is supported by the largest degree of automation and internal controls, respondents most frequently identified:

1. Financial accounting: 34.8%
2. Sales: 27.5%
3. Purchasing: 15.2%
4. Tax reporting: 10.1%<sup>4</sup>

Before proceeding with a business case, indirect tax leaders have a pivotal decision to make: *should we rely on the native tax functionality with their ERP system, or invest in a stand-alone tax engine?*

Using Vertex's end-to-end tax software solutions can provide:

- Local tax jurisdictions detail
- Automated, complex indirect tax calculations on all products and services sold
- Automated updates for changing rules and rates (and related regulations)
- Detailed reporting at the state, county, city and local levels
- Automation exemption management (the collection and maintenance of records related to customers' tax exempt status)
- The filing of tax returns and the remittance of collected sales and use tax
- Lower risks and costs associated with complex tax compliance management

Once tax groups have selected a solution, they should turn their attention to the business case and implementation practices.



“Some organizations that operate in two or three states may be fine using the native indirect tax functionality in an ERP system. However, there is often an inflection point where a company’s tax and IT groups can no longer dedicate sufficient time to maintaining the configuration to reflect changing tax rates and rules. That’s when the power of a tax engine comes into sharper focus.”

Doug Hubert  
Technology Fellow  
Deloitte Consulting LLP

## Chapter 3: Three Business-Case Focal Points

Cost and value are critical calculations in any business case. These considerations often include the cost of licensing the software, implementation costs, the value of robust risk mitigation, and cost reductions generated by replacing manual activities with automation. That upgrade can also generate value by reassigning tax professionals to more strategic planning activities.

To make the case for budget, tax departments need to demonstrate the value they generate and protect for the company according to Deloitte research. Companies that have taken the top-down company view, managed to explain the impact of tax authority digitalization to the C-suite and worked collaboratively with the IT department have typically been more successful in building this value case.<sup>5</sup>

Three other frequently overlooked business-case considerations can help inform CFOs and CIOs on tax automation investments:

- 1. The elimination of rework activities:** By carefully documenting their existing processes, tax leaders can obtain a more detailed picture of improvement opportunities. This exercise can be especially illuminating for compliance workflows: many tax groups discover that they conduct high volumes of rework in order to file returns. Eliminating this rework – which routinely delays month-end and quarter-end close – can be highly valuable.
- 2. Linking tax automation to other business-process improvements:** Tax automation can also support larger improvement efforts and strategic initiatives. Many consumer products companies have highlighted how tax automation can help cross-functional efforts to streamline the lead-to-cash conversion cycle by leveraging tax compliance accuracy to help reducing aging invoices and contribute to a better customer experience. Tax-automation business cases have also addressed improvements to requisitioning and payment process improvements in sectors such as health care.
- 3. Support of strategic initiatives:** Tax automation solutions with data analysis tools can also provide planning insights that enhance strategic decisions regarding supply chain risk management (e.g., the tax impacts of using new suppliers in other countries), growth initiatives (launching a new product line or selling into a new geography), and more.

**“Automating indirect tax and enlisting a third-party vendor for implementation helps get tax right the first time and improve the efficiency gains that occur following the implementation.”**

Jason Warren  
Partner Solutions Engineer  
Vertex



## Conclusion: Implementation Insights

Successful implementations, including those that integrate the Vertex tax engine with Workday Financials, typically involve most, if not all of the following actions and approaches:

- A fit/gap analysis
- A detailed understanding of where the necessary data currently resides
- A detailed understanding of new requirements
- A “start small” mindset that favors swift deployment
- Cross-functional collaborations with key stakeholders
- Experience leveraging the full potential of the software’s capabilities
- The prioritization of tax-critical processes
- A third-party implementation provider, bridging the tax and technology knowledge gap

By understanding the nature of their tax compliance and planning challenges, making an informed solution decision, developing a sound business case, and adhering to those implementation practices, indirect tax groups and their finance and IT colleagues can successfully conclude a pivotal chapter in their ongoing transformation. End of story.

### Endnotes

<sup>1</sup> <https://www.cpapracticeadvisor.com/2024/04/25/u-s-sales-tax-rate-changes-reach-10-year-high/103678/>.

<sup>2</sup> [https://taxation-customs.ec.europa.eu/taxation/vat/vat-digital-age-vida\\_en](https://taxation-customs.ec.europa.eu/taxation/vat/vat-digital-age-vida_en).

<sup>3</sup> [Webcast poll completed by participants in a Deloitte-Vertex webinar, Augmenting Indirect Taxation in Workday Financials: https://www2.deloitte.com/us/en/events/tax/2024/augmenting-indirect-taxation-workday-financials-deloitte-vertex.html](https://www2.deloitte.com/us/en/events/tax/2024/augmenting-indirect-taxation-workday-financials-deloitte-vertex.html).

<sup>4</sup> <https://www2.deloitte.com/us/en/events/tax/2024/augmenting-indirect-taxation-workday-financials-deloitte-vertex.html>.

<sup>5</sup> <https://www2.deloitte.com/content/dam/Deloitte/br/Documents/tax/dttl-tax-technology-report-2023.pdf>.

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