

IDC MarketScape: Worldwide Value-Added Tax Management Applications 2024 Vendor Assessment

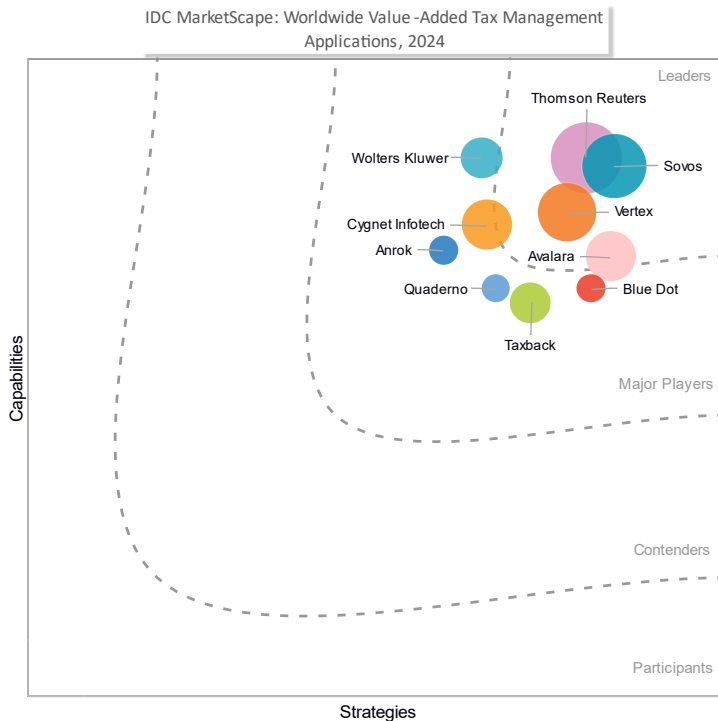
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THIS EXCERPT FEATURES VERTEX AS A LEADER

IDC MARKETSCOPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Value-Added Tax Management Applications Vendor Assessment



Source: IDC, 2024

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

ABOUT THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Value-Added Tax Management Applications 2024 Vendor Assessment (Doc # US52732824).

IDC OPINION

Several key trends and technological advancements are shaping the future of value-added tax (VAT) management software. AI and machine learning are automating complex tasks such as tax calculations and compliance monitoring, while real-time reporting and e-invoicing are helping businesses remain compliant with up-to-date tax information. Cloud-based solutions offer scalability and remote accessibility, making VAT data management more secure and efficient. Integration with existing accounting and ERP systems provides real-time tax data and insights, enhancing overall financial management. Advanced data analytics tools are optimizing tax strategies and improving decision-making. Routine task automation is reducing time and costs, enabling tax professionals to focus on strategic activities. As businesses expand globally, VAT management software is evolving to handle cross-border transactions and varying international tax regulations. Predictive analytics are helping businesses anticipate future VAT challenges and make strategic decisions. These trends indicate that VAT management software will continue to evolve, becoming more intelligent, efficient, and integral to business operations.

e-Invoicing Driving the Market Forward

An important tool for reducing tax errors and fraud is e-invoicing, which provides tax authorities with visibility into transactional data. It is particularly important in countries such as Brazil and Italy, where tax authorities play a direct role in the invoicing process. While the United States lacks e-invoicing mandates due to its governmental structure and lower sales tax fraud, initiatives such as the Federal Reserve's E-invoice Exchange Market Pilot program are underway to facilitate secure electronic document sharing among businesses, thereby improving cash flow and reducing processing costs.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The vendor inclusion list for this document seeks to accurately depict the vendors that are most representative of any given software application on the buyers' selection list based on the following criteria:

- Vendors must have a SaaS or cloud offering; on-premises-only applications are out of scope.

- Buyers can purchase software applications separately (not only functionality built into a larger system), which are available off the shelf without the need for customization.
- The software application has capabilities for determination, filing, recovery/reclaim, e-invoicing, and localized VAT support.
- The vendor had 2023 revenue in at least two countries.
- The vendor had at least \$5 million in 2023 software revenue.
- The vendor has had at least one tax product in the market for at least three years.
- The vendor must have a significant footprint with businesses that have 1,000+ employees.

ADVICE FOR TECHNOLOGY BUYERS

Value-added tax applications are evolving rapidly as vendors invest research and development dollars into bolstering, augmenting and, in some cases, redesigning their applications. The applications must align with the new digital enterprise and its preferred way to absorb technology. The vendors must work to align their go-to-market and product development strategies with the new digital enterprise. While the vendors in this study may vary widely in size, experience, level of support, and sales model, their goal is the same: to create/curate a differentiating user experience. To do that, the user experience must go beyond the software to include the sales process, accounting management, implementation, and post-implementation support.

Buyers should consider several key questions during the purchase process.

They should begin by looking inward. Before making purchasing decisions on software, here are a few questions they should ask regarding their internal resources and processes:

- What are some of the issues I would like to resolve with this new system?
- Are the issues technology related?
- What are our internal support resources and capabilities?
- How should we define success for this implementation?
- Which internal stakeholders should we include in the evaluation processes?
- How will a new system change our organization?

Buyers should select the right internal and external partners. The first step in the journey to implementing sales tax management systems is developing a strategy and

plan for implementation. This includes doing due diligence in finding the right vendor. Here are a few key questions to ask about the software vendor:

- Does the vendor have experience with our organization's type of product, service, and size?
- Can the vendor show a hands-on demo with our "live/real" data to demonstrate the benefit to the business?
- Does the vendor understand the regulations that will impact our business? How does our current product reflect these regulations, and how will it change in the future?
- What is the vendor's strategic investment outlook for the next three to five years? Why? How will that change and enhance our business?

Buyers should consider the foundation. Sales tax management applications vendors have seen many technology architecture iterations. Even among cloud vendors, there are many different varieties of software architectural approaches. IDC believes that taking time to understand the software's foundation and advantages (or limitations) is critical during the buying decision. Here are a few key questions to ask regarding the software vendor:

- What is the data flow design within the current solution?
- What kind of APIs are available now from this vendor? RESTful? SOAP? GraphQL?
- What kind of developer tools does the vendor provide (e.g., sandbox, dedicated portal, low code/no code, and database management)?
- Is any part of the software currently built on a microservices architecture? If so, which parts?

To achieve the best results, organizations must take ownership of the actual software implementation. Sales tax management software impacts many other back-office systems (e.g., CPQ, accounts payable, payroll, sales management, and talent management). As a result, businesses must pay extreme attention to how the sales tax system is set up and interacts with other systems within the organization. Buyers should ask the following key questions regarding software implementations:

- What levels of support are available, and are they geographically available for our business?
- How should we set up the service-level agreement (SLA) before signing any contracts?
- Can the system integrate with our company's other IT systems and those of our partners?
- Which IT system needs to be integrated and to what degree?

- How are we set up to deal with frequent product updates?

Post-implementation is critical. In many ways, the success of any SaaS implementation hinges on what happens after the implementation is up and running. This is where change management takes center stage, and the people side of tax management becomes essential. Here are a few key questions to ask regarding the post-go-live phase of software implementations:

- Do we have a strategy to encourage rapid adoption among employees?
- Do we have the right amount of training for employees to master the new features within the system?
- Are we communicating the purpose and benefits of the system change to the relevant employees?
- Have we aligned existing policies and procedures to enable the adoption of the new workflows?

This IDC MarketScape helps answer these questions and others.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Vertex

After a thorough evaluation of Vertex's strategies and capabilities, IDC has positioned the company in the Major Players category in this 2024 IDC MarketScape for worldwide value-added tax management applications.

Vertex Inc. is a global solution provider of intelligent indirect tax software and solutions. Vertex provides cloud-based and on-premises solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value added, and payroll. The company's mission is to deliver innovative tax solutions enabling global businesses to transact, comply, and grow with confidence. Through AI-powered technology and advanced data fabric integration, Vertex provides comprehensive tax management that goes beyond traditional calculation and compliance. The platform seamlessly handles major lines of indirect tax, including Sales and Use Tax, Value Added Tax, and Payroll Tax, while supporting the evolving digital tax requirements such as invoicing, Continuous Transaction Controls (CTC), and Periodic Transaction Controls (PTC). With one-click data integration and reconciliation capabilities, Vertex transforms complex tax processes into streamlined workflows.

Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,500 professionals serving companies across the globe.

Vertex delivers advanced VAT Compliance solutions designed to streamline workflows while ensuring adherence to regulatory requirements. The solution's integrated, configurable rule-based data quality and validation tools facilitate line-item liability assignment, invoicing, and workflow automation, significantly enhancing data accuracy and minimizing liability risks.

With signature-ready, multi-language returns covering Europe, Asia, Africa, and Latin America, Vertex VAT Compliance enables compliance with evolving VAT legislation, including the VAT One Stop Shop (OSS) requirements. In addition, Vertex offers automated validation of VAT ID numbers through VIES, as well as local tax authority websites, enabling individual or batch processing, to further enable validation and accuracy while reducing audit risk.

Strengths

- **Specialized vertical expertise:** Over the years, Vertex has developed specialized vertical expertise, integrating it into its indirect tax product products. The company offers add-on content for communications, hospitality, retail, medical, and leasing verticals. It also offers specialty returns for food/beverage and business occupation returns.
- **Supporting complexity:** Due to its history in the enterprise market, Vertex has built its software to handle complex business environments. Vertex offers 1500+ return forms globally, including the United States, Canada, Puerto Rico, Europe, Latin America, and Asia/Pacific. Further, Vertex offers 100+ standard reports, and it also offers customized reports to user-friendly interface for building custom reports.
- **Reporting and visibility:** Vertex VAT Compliance software offers users views and auditability of all. Users can also access VAT/GST data and adjustments through drilldown capability from the return to transaction-level data. They can edit or add data before filing and have complete version control. Vertex VAT Compliance also provides users with access to audit event logs and detailed archives to support audit preparation.
- **Global compliance:** Vertex VAT Compliance ensures periodic returns and near-real-time reporting compliance with evolving VAT legislation, including VAT One Stop Shop requirements. This helps businesses stay compliant with regulations across Europe, Asia, Africa, and Latin America.

Challenges

- **Keeping up with regulatory changes:** The regulatory landscape is continuously evolving, presenting challenges for both businesses and tax content providers in staying current with compliance regulations. This includes new requirements such as Real-Time Reporting (SII in Spain and RTR in Hungary), eInvoicing, and Digital Reporting Mandates. By providing monthly data updates, Vertex VAT Compliance can quickly adapt to these changes, allowing businesses to incorporate new return content as needed.
- **Expanding ERP partner ecosystem:** Vertex is actively expanding its network of midmarket ERP and digital commerce partners. Recent discussions with Vertex executives highlighted ecosystem growth as a key strategic priority, reflecting the company's commitment to enhancing collaboration and support for its partners. For example, recently, Vertex has added integrations into NetSuite, Acumatica, Microsoft D365, Workday, Salesforce, QuickBooks Online, and many more. In addition, Vertex supports omni-channel commerce by acting as a central tax solution for all deployed financial systems, including ERPs, ecommerce, purchasing systems, and brick-and-mortar POS applications. Highlights in the midmarket ecommerce space include Adobe Commerce, Shopify, Mirakl, Salesforce Commerce Cloud, BigCommerce, Oracle Xstore, and SAP Hybris.
- **Market reach:** Recent acquisitions have expanded the company's offerings to include solutions tailored for midmarket and enterprise businesses. Some solutions may not suit small businesses *unless* they anticipate rapid growth and/or face complex tax scenarios.

Consider Vertex When

If you're a growing or an established multinational company seeking advanced tax management tools, Vertex is the ideal partner for your global tax management needs, backed by extensive experience in enterprisewide tax technology software. Efficient tax management is crucial for businesses operating across borders, requiring solutions that can adapt to evolving regulations and requirements. Vertex VAT Compliance offers a flexible and scalable solution that grows with your business, ensuring ongoing compliance and reducing financial risks associated with noncompliance.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

IDC defines indirect tax software as software that supports the management of tax considerations for external business transactions of sales and use tax, VAT, GST, excise tax, and property tax. The software's key elements include functionality to enable corporations to calculate taxes for current transactions, estimate tax burden for future transactions, determine tax exemptions, manage filing and compliance, and house tax-related forms/documents.

Related Research

- *IDC Market Glance: Corporate Tax Management Applications, 1Q24* (IDC #US51657824, March 2024)
- *Generative AI in Corporate Tax Management: Potential for Elevating Compliance Efforts Within the Tax Department* (IDC #US51920124, March 2024)
- *Worldwide Corporate Tax Management Applications Market Shares, 2022: Compliance Converging with Key Financial Applications* (IDC #US49193723, September 2023)
- *Market Analysis Perspective: Worldwide Corporate Tax Management Applications, 2023* (IDC #US50232523, September 2023)
- *Worldwide Corporate Tax Management Applications Forecast, 2023–2027: Digital Invoicing Adding Complexity to Tax Compliance* (IDC #US50231723, September 2023)
- *The Evolution of e-Invoicing: Examining the Accelerating Convergence of Compliance and Accounts Payable* (IDC #US50470623, April 2023)

Synopsis

This IDC study provides an assessment of value-added tax applications businesses and discusses the criteria that are important for companies to consider when selecting a system.

“Advanced technologies are revolutionizing VAT management by automating complex tasks, while real-time reporting and e-invoicing ensure compliance with up-to-date tax information. As businesses expand globally, VAT software is evolving to handle cross-border transactions and varying international tax regulations, making it more intelligent, efficient, and integral to business operations,” says Kevin Permenter, senior research director, Enterprise Applications at IDC.

ABOUT IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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