



## Completing the Transformation Picture: End-to-End Indirect Tax Compliance

Professionals from SAP, KPMG and Vertex identify leading tax automation implementation practices and considerations

As the global tax environment grows more demanding and more digital, implementing advanced tax automation increasingly qualifies as a strategic imperative. It's also imperative for the tax engine to support end-to-end tax compliance, real-time reporting and reconciliation, and seamless integrations throughout the SAP S/4 HANA ecosystem.

Addressing this urgency requires an aligned response from tax, finance and accounting, and information technology (IT). These groups must simultaneously coordinate tax transformation with strategic objectives *and* execute the more targeted technical and procedural aspects of tax and ERP implementations that elevate the transformation journey to greater heights.

Completing this transformation picture requires tax automation decisions, investments and implementations that:

- Recognize the tax “function” – the collection of organizational processes and activities that affect compliance – is larger than the tax “group” – the people, processes and automation solutions within the tax leader’s purview
- Support a scalable end-to-end tax compliance capability that addresses all tax-relevant activities in tax, accounting, sales, e-commerce and procurement processes
- Simplify indirect tax compliance complexity via seamless integrations with other applications throughout the SAP ERP ecosystem; and
- Leverage cutting-edge technologies (e.g., tax data analytics and edge computing) and innovative implementation practices to stay ahead of regulatory changes (e.g., e-invoicing and real-time reporting requirements) along with ongoing tax rules and rate changes.

Toggle between strategic and more targeted priorities requires fresh thinking on tax-ERP integrations, tax transformation planning, the tax automation business case, and implementations.

**“Tax compliance is moving towards real time, so you need to get the data right the first time.”**

Erika Buson  
Solution Owner for Global  
Tax Management and Entity  
Close, SAP



## Reframing Tax as an End-to-End Capability

### A broader perspective strengthens the business case and improves the implementation

When including tax automation in an SAP S/4HANA implementation, upgrade or cloud migration, what project teams do typically receives far more attention than how project teams frame, and plan for, the endeavor. This should change.

When companies elect to integrate a stand-alone tax engine with their ERP system, the choice typically centers on the tax automation solution's ability to:

- Provide, maintain and continually update indirect tax rates and rules in an automated manner
- Address complex compliance scenarios (e.g., manufacturing exemptions and/or partial VAT recoverability)
- Provide consistent tax logic across multiple systems and applications (SAP systems, e-commerce applications, procurement platforms, etc.)
- Manage exceptions and unique transactions
- Reduce manual workloads in accounting and procurement groups via automated tax determinations; and
- Provide advanced functionality, such as tax data analytics.

Here are some recommended best practices for including a tax automation solution in SAP S/4HANA upgrades and implementation projects:

1. Involve tax early (and throughout) in the implementation process
2. Identify and address all tax compliance and planning needs; and
3. Invest in a tax automation solution that addresses those needs and seamlessly integrates with the ERP system and ecosystem.

Where the rubber meets the road lies in how those actions are viewed and planned.

When framing tax compliance, try viewing and assessing all compliance activities as a holistic capability. Cultivating this end-to-end view approach requires multiple considerations across different dimensions: people, process and technology (of course) but also improvement opportunities, cost-efficiency, and even time. Technology consideration absolutely must address tax data access and accuracy. Close looks at the alignment among tax, accounts receivable (AR), accounts payable (AP) and procurement groups are vital process-related considerations.

**“Global tax jurisdictions are placing more digital demands on taxpayers via e-invoicing and real-time reporting mandates. When you need to share information with the tax authorities in real time, or near real time, it shines a spotlight on your indirect tax automation.”**

Fred Baumer  
Principal, Tax SALT TTS,  
KPMG US

Addressing the following questions helps tax, finance and IT groups frame tax automation implementations in ways that helps optimize the ERP implementation:

- What are the current and emerging regulatory and compliance requirements in all tax jurisdictions we currently operate in – and jurisdictions we may enter within the next three-five years?
- What are our most pressing tax compliance and planning pain points? (*See Top Tax Compliance Challenges side bar.*)
- What tax-related issues (e.g., invoice accuracy or delays) do our AP and AR groups experience?
- How well do current tax and accounting systems support our tax compliance needs and address those pain points?
- What tax compliance challenges does a new tax automation solution need to address?
- How would a new tax automation solution integrate with our existing (or new) ERP system and related accounting applications?
- How do we ensure that all relevant tax data is accurate and accessible in a new ERP environment?
- How can we strengthen tax data management to address real-time compliance requirements?
- Which tax compliance processes can we simplify, standardize and/or automate as part of the implementation?
- What accounting process improvements will better ensure the accuracy of tax data as well as the overall alignment among tax, AR, AP and procurement groups?
- How can we reduce IT maintenance and support moving forward?

## Top Tax Compliance Challenges

What is your single biggest tax pain point?

- Bad data/incorrect tax calculations: 55.2%
- Audits: 13.5%
- A shortage of tax professionals: 13.5%
- Returns and filing: 12.9%
- E-invoicing: 3.1%
- VAT compliance: 1.8%

Responses to an online survey of 350-plus tax, finance and IT decision-makers.



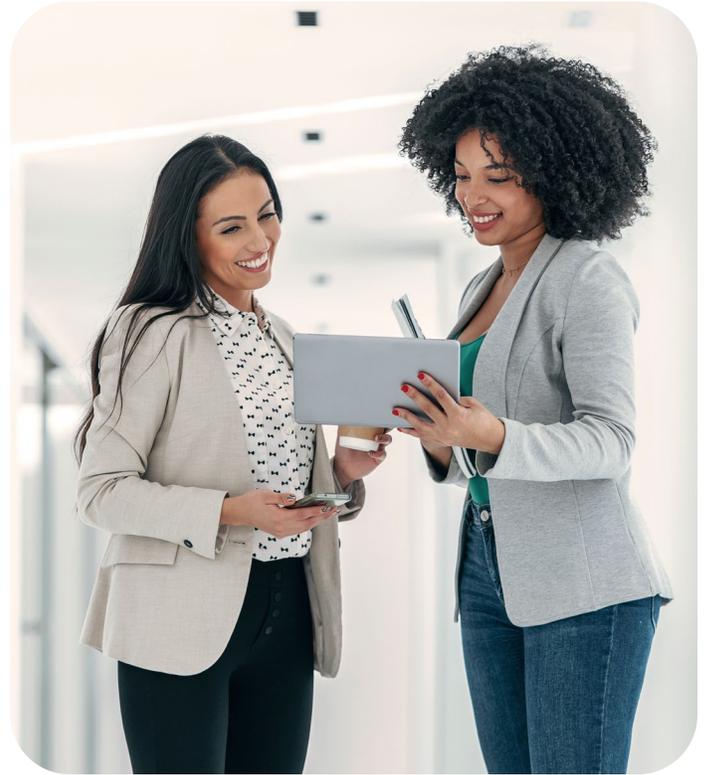
## Business Case Enhancements

### Four ways to strengthen the case for the tax automation investment

Business cases for tax automation are also ripe for rethinking. A robust business case quantifies the following things:

- Pain points associated with the current solution and the benefits associated with a better technology solution
- Costs associated with manual and/or inefficient processes, overpaying and underpaying taxes, and audit risks (including penalties)
- Efficiency gains, risk mitigations, accuracy improvements, and productivity gains the new solution delivers.

The efficacy of this table-stakes business case hinges on the precision, accuracy and size of the calculations it contains. That said, the following approaches and activities tend to be present in successful business cases for tax automation:



- 1. Visual demonstrations:** Pictures can be far more compelling than words. Mapping out federal, state and local tax compliance requirements in the many jurisdictions in which a company operates can help finance leaders see compliance risks in a new light. Visual representations of invoices, tax determination decision trees, VAT calculations, transactional data and other sources of compliance complexity also paint a vivid picture of the pain points that new tax automation can alleviate.
- 2. Analytical discussions:** Some advanced tax automation platforms contain data analytics capabilities that can help improve the accuracy and efficiency of tax operations, identify the tax impacts of business activities, and proactively monitor compliance risks. These benefits are difficult to quantify, but they support the finance group's emphasis on improving planning and analysis activities throughout the organization.
- 3. Collaboration and advocacy:** Including ROI calculations related to IT (reduced support costs) and accounting (efficiency improvements) illustrates the broader value that the tax automation investment can deliver. Working with IT and accounting colleagues on these calculations can also help tax leaders enlist tax-transformation advocates.
- 4. Forward-looking statements:** Demonstrating how the tax automation solution can quickly scale up to support future business growth (e.g., expanding into a new region) and satisfy emerging regulations (e.g., invoicing and real-time reporting mandates) also resonates with CFOs.

## Implementation Requirements

### Drivers of success include comprehensive requirements-gathering and rigorous testing

It's essential to complete the implementation picture. While tax calculations figure prominently in the requirements that the system configuration and integration must address, requirements related to reconciliation, reporting, exemption certificate management and invoicing are also important to identify.

Similarly expansive considerations are present in the leading implementation practices, such as:

- Identifying *all* tax-related requirements throughout the tax function, including tax needs throughout the sales, order-to-cash, and procure-to-pay cycles
- Including tax and implementation experts (including those from external consulting partners) throughout the process
- Ensuring that testing is sufficiently comprehensive by leveraging tax/implementation experts and SAP Test Suite
- Scrutinizing invoicing activities (reporting and reconciliation) via to SAP Business Accelerator Hub
- Leveraging the implementation as an opportunity to educate business partners about tax compliance challenges, features in the new tax automation solution, and opportunities for tax-related process improvements in their areas.

**“One of the best practices to ensure implementation success is to involve knowledgeable experts, such as your accounting firm consultants, who understand that tax touches so many different business and accounting processes.”**

Jeff Bleacher  
Senior Director Global SAP  
Solutions Center, Vertex, Inc.





## Conclusion: Align and Conquer

Implementation success requires a coordinated effort among the tax, finance and accounting, and IT groups. This alignment should be mirrored by vendors (e.g., Vertex, SAP and KPMG). External partners have amassed deep experience creating and implementing solutions and approaches that help organizations achieve end-to-end indirect tax compliance.

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