



Modernizing Tax to Support Manufacturing Growth

How cloud-based tax strategies enable scalability, efficiency, and consistent operations across complex environments

Introduction

The Manufacturing and Distribution (M&D) industry is now experiencing the impact of the digital transformation trend, leading businesses to migrate certain applications to the cloud and focus on process efficiencies. Along with this shift, unforeseen disruptions have also emerged. Companies in this industry—having shifted their sourcing to a small number of large overseas suppliers over the past decade—are now facing global supply chain disruption. The tech and business situation highlights the importance of adopting globally agile systems that can pivot and scale according to need, enabling companies to navigate effectively through change.

For M&D, this means:

- Rethinking or redesigning supply chains to be more flexible, scalable, and risk tolerant.
- Finding systems that eliminate issues and redirect focus on core business functions.
- Finding ways to streamline and automate tax management within a flexible and accessible framework.

For ERP users, this means:

- Helping ensure the flexibility to facilitate a company's growth, scalability, and adaptability, regardless of regional variations or operational changes.
- The capability to handle taxes efficiently, whether in a single-country supply chain model or across international borders.
- Enhancing the accuracy of transaction tax operations to achieve a faster return on investment while minimizing errors.
- Seeking a straightforward solution to address gaps in the tax process.

Manufacturers don't experience tax complexity in isolation—it shows up across day-to-day operations. From procurement and production to distribution and financial reporting, tax influences how decisions are made, how costs are managed, and how efficiently teams operate. As manufacturing environments scale across plants, systems, and geographies, maintaining consistent tax treatment becomes increasingly difficult—especially when processes rely on manual workarounds or fragmented logic across ERP systems.

To address this challenge, organizations are adopting centralized tax approaches that apply consistent, accurate tax determination across the business. By integrating tax capabilities with ERP and financial systems, manufacturers can reduce reliance on manual processes, improve visibility across transactions, and operate with greater control—without adding complexity to core systems.

The importance of a scalable indirect tax management system

Industry research emphasizes the significance of adopting a streamlined indirect tax solution designed to address the aforementioned business challenges. The decision to implement such a solution is driven by crucial factors, which will be detailed in the following sections. The research aimed to gain insights directly from M&D employees, revealing the motivations behind the choice to automate tax calculation, the existing challenges when left unattended, and the drivers behind their future technology plans. By delving into these aspects, the study sheds light on the importance of embracing a simplified, cloud-based, automated tax calculation approach for the M&D industry.



The importance of connecting the tax & IT teams

Governments impose indirect taxes on supply chain participants, and these costs are often passed on to customers through higher prices. As a result, both IT and tax departments must find ways to cut costs in other areas. To achieve this, they need to be aware of indirect tax regulatory changes, helping ensure compliance and providing businesses with tested insights and projections using the correct systems.

Effective collaboration between tax and IT is essential. By working together, they can address tax challenges using appropriate systems that offer flexibility, role-specific accessibility, and efficient tech. One significant opportunity for organizations to streamline tax processes is by migrating mission-critical systems, such as ERP, procurement, and ecommerce platforms, to the cloud. Cloud platforms can quickly adapt to changes in tax codes and simplify the complexities of doing business in multiple jurisdictions and industries.

For successful digital transformations, it is crucial to involve the tax manager from the project's inception. This early engagement ensures that tax considerations are incorporated into the transformation strategy, leading to a more efficient and effective tax process that aligns with the organization's goals.

M&D companies in particular are turning toward cloud-based ERP technology as a means of:

- Lowering costs, streamlining operations, and improving integration between applications.
- Making more strategic use of data.
- Benefiting from increased flexibility and resource efficiency.

Collaboration between the tax and IT departments enables the resolution of ERP procurement tax challenges by utilizing appropriate tax technology.



Conquering tax complexity

Several factors are currently influencing the tax landscape:

- Global tax rates and compliance requirements are evolving rapidly, leading to increased volume and complexity of tax regulations worldwide.
- Value added tax (VAT) poses challenges due to the involvement of multiple parties with different tax liabilities in the manufacturing process.
- Businesses are expanding their reach through direct-to-consumer channels and various marketplaces, resulting in higher geographic reach and tax liabilities.
- Changes in manufacturing, business models, supply chains, and suppliers—along with cross-border transactions—are triggering the application of more tax regulations than ever before.

To cope with increasing tax complexity, manufacturers are moving toward centralized tax determination that operates consistently across procurement, production, and distribution processes. Rather than embedding tax logic in multiple systems, organizations are shifting to a model where tax is managed as a shared capability—applied in real time at the point of transaction. This approach helps reduce inconsistencies across plants and regions, minimizes the need for manual corrections, and supports more reliable financial and operational outcomes.

Nearly half of organizations are actively upgrading or replacing ERP systems as part of broader transformation initiatives. At the same time, cloud adoption has become the default path forward—with close to 80% of new ERP implementations now delivered through cloud or hybrid environments.² Gartner further predicts that 90% of organizations will adopt a hybrid cloud approach by 2027, underscoring the long-term trajectory toward flexible, scalable infrastructure.³ This shift is fundamentally changing how ERP platforms are evaluated, placing greater emphasis on scalability, integration, and the ability to support critical functions like tax with consistency and accuracy across the business.

Why this matters for manufacturers

High-volume transaction environments require tax decisions to happen accurately and instantly. Inconsistent tax treatment across supply chain, intercompany transactions, and ERP systems can lead to downstream rework, reporting discrepancies, and increased audit exposure.

Cloud migration strategy for business/financial applications

Finance and IT professionals in M&D organizations are facing increasing challenges in managing indirect tax functions as governments expand their reliance on consumption-based taxation. Value added tax (VAT)—now implemented in approximately 175 countries worldwide—remains the most widely used form of indirect tax, underscoring its global reach and complexity.⁴

At the same time, indirect taxes continue to represent a significant and growing component of government revenue. Across OECD countries, consumption taxes account for over 30% of total tax revenues on average, reflecting a long-term shift toward consumption-based tax models.⁵ In the EU, overall tax revenue—including taxes on production, imports, and consumption—reached approximately 40.4% of gross domestic product in 2024, highlighting the scale at which tax policy influences economic activity.⁶

As governments increase their focus on indirect taxation to stabilize revenue and adapt to evolving economic conditions, organizations must navigate a more complex, rapidly changing compliance landscape—one that requires greater visibility, consistency, and automation across systems and processes.

Organizations are increasingly facing operational challenges tied directly to how tax is managed, including:

- Inconsistent tax treatment across plants, entities, and jurisdictions
- Manual processes required to validate and correct tax outcomes
- Fragmented tax data across procurement, finance, and reporting systems
- Difficulty maintaining accuracy as transaction volumes and system complexity increase

To address these issues, cloud-based solutions with modern features present a promising opportunity to alleviate many of these pain points.

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Reduce risk and boost productivity

Implementing a cloud-based tax engine offers numerous benefits, such as cost-effectiveness, reduced labor-intensive work hours, elimination or significant reduction of hardware costs, increased productivity, and minimized burden on IT to maintain tax-related data—including rates, tax codes, and SKUs. This shift to the cloud also allows companies to provide quick and accurate data to suppliers and customers, reducing latency and enhancing processing efficiency.

When tax is calculated accurately at the point of transaction, manufacturers can significantly reduce downstream effort tied to reconciliation, corrections, and audit preparation. This shift allows tax, finance, and operations teams to spend less time resolving discrepancies and more time focusing on strategic initiatives. It also improves visibility into transaction-level costs, enabling more informed decision-making across procurement, pricing, and supply chain operations.

Finance executives are feeling a growing urgency to mitigate risks within their organizations. They, along with other executive peers, are prioritizing resource optimization to support strategic business initiatives like modernization, transformation, expansion of sales channels, global expansion, and mergers and acquisitions. Important to note: The criteria for choosing solutions differ somewhat between finance and IT colleagues.

- Financial executives, for instance, place greater emphasis on improving integrations and reducing time spent on tax calculation and reporting compared to their IT counterparts. They also express significant challenges related to exemption certificate management and generating signature-ready returns.
- On the other hand, IT executives highlight pain points in automating manual processes, streamlining data integration, enhancing data quality, and managing compliance.
- Interestingly, financial respondents consider “freeing up internal IT resources” as a key advantage of cloud platforms, potentially due to concerns about stretched IT resources unable to fully accommodate organizational needs.

Not implementing such a solution may lead to customer dissatisfaction due to incorrect invoices and potential production delays. Therefore, adopting a cloud-based tax engine becomes imperative for organizations to streamline tax processes and avoid these negative consequences.

Constant change

Organizations face a growing burden in managing tax compliance as the pace and scale of regulatory change continues to accelerate. In 2025 alone, jurisdictions implemented 681 total sales tax rate changes and new rates—one of the highest annual totals on record. In addition, 335 new taxes were introduced and 219 new district taxes went into effect, reflecting a surge in localized tax activity and complexity. With more than 12,000 jurisdictions requiring ongoing monitoring, the volume of change has reached a level that manual processes can no longer sustain.⁷

At the same time, broader shifts—including digital commerce, AI-driven transactions, and evolving e-invoicing requirements—are expanding the tax base and introducing new compliance challenges. As tax becomes more dynamic and embedded in digital operations, organizations need automated, centralized solutions that can adapt in real time while maintaining accuracy and compliance across jurisdictions.

To address this level of complexity, manufacturers are turning to automated tax determination that operates at the point of transaction. By applying consistent tax logic across procurement, production, and sales processes, organizations can reduce reliance on downstream corrections, improve data accuracy, and maintain alignment across systems. This approach not only supports compliance but also enables more efficient operations by minimizing disruption caused by inconsistent or delayed tax calculations.

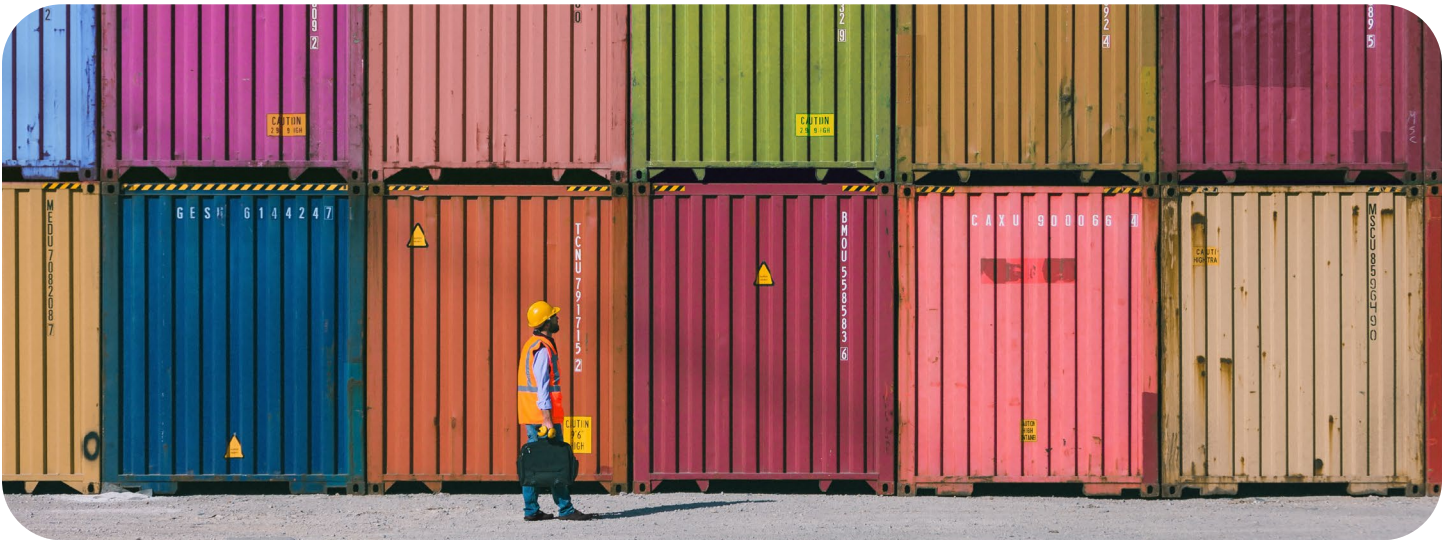
Automation, cost savings, and cloud migration strategies are the top drivers for tax solution upgrades and purchases—with automation a more pronounced objective among smaller companies and the ability to pivot and address change for larger ones. The survey also found that the need to reduce costs and simplify an increasingly complex tax landscape is a significant driver of cloud migration across the board.

The integration between Vertex and an ERP solution provides a reliable, automated indirect tax determination on sales and purchase transactions, as well as end-to-end tax management, a lower cost of ownership, and increased compliance capabilities.

The race is on

The M&D industry has trailed only financial services in the race to the cloud. Manufacturers see enormous potential to use digital transformation to gain from improved supply chain insight, predictive analytics, robotics, and operational efficiency that is made possible by real-time data from factory-floor sensors in the “internet of things” wave.

As manufacturers seek to expand into other geographies, tax compliance has emerged as a significant complicating factor. The survey results indicate that manufacturers are simplifying indirect tax processes through cloud-based tax automation solutions to improve agility, scalability, and global reach. With many already looking to upgrade mission-critical applications, now is a good time for them to look at improving tax agility as well.



A powerful integration for the M&D industry

Vertex partners with a range of ERP vendors to deliver tax technology solutions that enable M&D companies to address their global tax calculation needs. With integrations, Vertex solutions enable more accurate and consistent taxation in the sales and procurement process—helping organizations achieve optimal tax performance by increasing transparency, reducing tax-related risk, and streamlining the audit process.

Modern manufacturing environments require tax solutions that can operate at scale and keep pace with high transaction volumes. Purpose-built tax technology enables real-time determination across procure-to-pay, order-to-cash, and intercompany flows—supporting consistent tax treatment without impacting ERP performance. This scalability is critical for organizations operating across multi-plant, multi-entity, and global environments.

In addition, advanced tax capabilities are required to manage the complexity of modern supply chains—including drop shipments, contract manufacturing, intercompany transactions, and multi-jurisdiction distribution. With continuously maintained regulatory content and support for emerging digital mandates such as e-invoicing and real-time reporting, organizations can stay aligned with evolving requirements without constant system reconfiguration.

Vertex provides a long-term, scalable solution that provides benefits that make it possible to:

- Use one tax platform for both sales and procurement transactions
- Simplify, streamline, and automate tax processes
- Help improve compliance locally and globally
- Enable digital transformation
- Empower tax teams to advise the business
- Solve complex problems with confidence

Vertex works with over 100 ERP and financial system providers to address tax pain points, streamline processes, and deliver a seamless experience for customers worldwide.

End Notes

¹ <https://www.sci-tech-today.com/stats/enterprise-resource-planning-erp-software-statistics/>

² <https://www.sci-tech-today.com/stats/enterprise-resource-planning-erp-software-statistics/>

³ <https://www.gartner.com/en/newsroom/press-releases/2024-11-19-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-total-723-billion-dollars-in-2025>

⁴ <https://vatabout.com/oecd-report-2024-key-global-trends-in-vat-gst-and-e-invoicing>

⁵ <https://taxfoundation.org/data/all/global/oecd-tax-revenue-by-country/>

⁶ <https://ec.europa.eu/eurostat/statistics-explained/SEPDF/cache/6915.pdf>

⁷ <https://www.vertexinc.com/resources/resource-library/2025-end-year-rates-and-rules-report>

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Where manufacturers see the greatest impact

- Managing tax consistently across supply chains and intercompany transactions
- Improving tax accuracy at the point of procurement
- Supporting ERP modernization without introducing new risk
- Managing global compliance as digital tax requirements evolve

About Vertex

Vertex, Inc. is a leading global provider of indirect tax 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 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.

Learn more

Learn how [Vertex tax automation solutions](#) can streamline the tax processes for your business.



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