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How companies justify spend for indirect tax software

Uncover costs that will justify an investment in indirect tax technology

You've done your research. You know your corporate indirect tax department could benefit from comprehensive tax technology. You've looked into software options and started building your business case. However, the most critical question remains: how are you going to fund the investment?

If you know where to look, you'll uncover costs that will more than justify the decision to purchase comprehensive indirect tax software to manage your global sales and use taxes, value-added taxes (VAT), and goods and services taxes (GST). Here, we take a look at several areas where potential time and cost savings overwhelmingly validate the investment in indirect tax technology.

Where to look

Get accurate indirect tax rates

Most companies are paying for some form of indirect tax related monitoring. For most, rate tables that exist in various locations are loaded into billing systems. By shifting your ERP onto determination, an investment in comprehensive technology not only results in expense savings but enables your tax department to go from a monthly monitoring process to real-time data management that provides accurate tax rates and determines what items to tax. Think about it — no more monthly flat file loads for your IT group.

Cut spending on tax content consulting

Take a look at your company's past spending on tax advisory consulting for indirect tax support. Consider that this stand-alone cost will be significantly reduced as you shift your consulting services to your software solution.

Not only are tax rates and taxable items automatically calculated in real-time, but you will no longer need to rely on consulting services to build all your tax matrixes for each tax scenario.

Reduce or refocus resources dedicated to manual indirect tax tasks

Think about the resources your company historically dedicates to tax, both inside and outside the tax department. While tax technology can reduce staff time significantly, it's important to note that if reducing headcount is not your goal, technology also frees up time to shift your tax resources to more strategic tax activities, like planning and analysis. This change in focus will save money and positively impact your company's bottom line. You can also bring your tax calculations back to the tax department for greater control over data.

Be less dependent on IT resources

With cloud-based solutions, automatic updates, and servers that communicate directly with your ERP, tax technology decreases dependence on your company's IT resources. This flexibility removes the resource hours spent supporting the manual tax file loads and maintaining the systems. Instead, you can utilize your technology provider's dedicated team of IT professionals to assist you with inquiries around the clock — a welcome change for your company's IT department. Talk to your IT partners to determine how to calculate the reduction of hours.

Remember: You should still consider the IT resources you will need for implementation.

Reduce indirect tax errors, overpayments, and fees

Tally up how many fines your company has incurred due to tax-related errors, penalties, and overpayments — not to mention the person hours spent in audit inquiries. With tax technology, you'll see a significant reduction in these fees. Through integrations with your ERP system, tax technology provides an end-to-end global solution for complete global sales and value added goods and services taxes (VAT). While an investment in technology virtually eliminates the potential for costly mistakes and wasted time, we do recommend that you maintain a small budget for human errors.

Centralize reconciliation-related work for increased accuracy

If reconciliation is a manual process for your tax department, there is no question that you should centralize your reporting capability with tax technology. This is especially important if you have multiple systems as each step creates a possibility for error. Comprehensive tax technology offers ERP reconciliation that enables your company to extract data from your ERP system and load it into reporting to reconcile document differences, so your data is always complete and accurate — and ties back to the general ledger. As such, reconciliation-related work is significantly reduced and accuracy is increased, thus saving your company time and money. Take a look at the time spent on this process and how tax technology can reduce those hours.

Automate the accounts payable tax process

In many tax departments, indirect tax is handled at the transactional level by the A/P department, who often doesn't correctly accrue use tax. By automating the indirect tax process with technology, you not only transfer indirect tax ownership to the tax department, but you'll limit the risk of underpaying and reduce your risk of audit, resulting in significant cost savings.

Benefit from less redundancy in indirect tax processes, systems, and data

Is your tax department tangled in multiple processes, systems, and data? Through seamless integration with your existing ERP system, the latest tax technology enables transaction data and attributes to flow through — and that data is used to make consistent, repeatable, and scalable tax determinations and calculations, and even post-tax collections and accruals automatically to the general ledger. By reducing redundancy and relying on a single system, you'll see significant time and cost savings across the company. Take a look at the current systems that support your processes. You should be able to recover fees associated with maintenance and IT support, along with a reduction in hours spent doing manual calculations.

Reduce the risk of tax audits, penalties, assessments, and interest

Consider the cost of audits due to your company's past non-compliance. Tax technology can provide reduced audit risk and related cost savings through indirect tax process "lifecycle" management which automates research and content maintenance, tax determinations, reporting for audit defense, and the tax compliance process. Remember: the tax department is not the only group involved in audit responses. Look for savings from your IT and Audit teams as well.

Improve indirect tax compliance, data staging, and adjustments

By implementing a single tax software solution that covers the entire sales and use tax lifecycle, you will significantly reduce the cost and time spent on data staging and adjustments, while enhancing overall compliance. Again, take a look at your past person hours and project the reduction of hours due to real-time calculations and automated processes. Adobe was able to transform their global indirect tax process and achieve substantial time savings. They reduced what was a two-week process to complete sales tax returns to just 30 minutes with ONESOURCE Determination.

Complete tax returns and respond to audits faster and more accurately

With hundreds of signature-ready returns, numerous canned tax reports, electronic filing, and ad-hoc reporting, tax technology enables you to complete returns and respond to audits faster and more accurately. Plus, you can access detailed audit reports each month for visibility as well as Sarbanes-Oxley compliance through web portals, saving you time and money when it comes to audit defense. In some companies, the Indirect Tax Team might not be involved with audit defense, so be sure to speak to your Audit team to determine the extent of the company's overall cost savings. Remember: Just because your team might not "own" the audit costs, does not mean your company cannot recognize that overall cost reduction.

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