

## CASE STUDY

## MERCADOLIBRE, INC.

A global technology company automated more than 90 percent of their tax provision adjustments and obtained entity consolidation by implementing Thomson Reuters ONESOURCE™ Tax Provision.

*"We now experience time savings at every stage of the income tax calculation process. ONESOURCE reduces our workload and the risk of error. It automates everything from calculating deferred tax and fiscal adjustments to converting exchange rates and preparing final notes on financial statements."*

Carlos Rivero, Corporate Tax Senior Manager  
MercadoLibre, Inc.

## OVERVIEW

MercadoLibre has experienced steady growth in recent years. The expansion of its e-commerce business and various mergers and acquisitions made the company's tax department responsible for the compliance of 50 legal entities. To keep up with growth and an increasingly complex accounting process, tax department managers saw a need to revamp their manual income tax calculation process. In addition, working with increasingly large and complex spreadsheets became time-consuming and unreliable.

The tax department was at risk for errors with manual data load, calculations and professional review. The complexity of the workpapers used in the tax calculation process also complicated the ability to make accurate tax adjustment calculations for multiple legal entities, countries and users. MercadoLibre's position as a publicly traded company operating on the American stock exchange added to the pressure of performing quarterly calculations and complying with the strict regulations of the Sarbanes-Oxley Act (SOX).

## OBJECTIVE:

Eliminate complex manual processes and increase efficiencies surrounding tax calculations, consolidation and compliance.

## APPROACH:

Switched to a user-friendly corporate tax solution that reduced preparation time, ensured compliance with regulations, and provided a high level of reliability in the accuracy of all tax reports.

## IMPROVEMENTS:

Automation dramatically reduced preparation time, improved accuracy and enabled detailed reporting across all tax categories.

## BUSINESS BENEFITS:

With increased efficiency and accuracy, the tax department keeps pace with growth and an increasingly complex accounting process.

SPOTLIGHT ON  
MERCADOLIBRE

MercadoLibre is a 15-year-old technology company that provides e-commerce solutions for individuals and companies who want to publicize, sell, buy and pay through the Internet. Its main platforms, MercadoLibre.com and MercadoPago.com, are among the most visited retail sites in the world. The company has more than 95 million registered users and a presence in 12 Latin American countries plus Europe and the United States. It employs more than 2,000 people and reached sales of \$472 million in 2013.

Headquartered in Buenos Aires, MercadoLibre is a public company traded on the NASDAQ under the symbol MELI.

TAX DEPARTMENT  
SNAPSHOT:

- 14-person staff
- Manages 50 entities
- Files 40 returns for all jurisdictions

## 360° OF TAX SOLUTIONS:

- ONESOURCE Tax Provision
- Active Workpapers for ONESOURCE Tax Provision



Carlos Rivero, MercadoLibre's Senior Tax Manager, worked long hours to get the job done. He juggled detailed reviews for each legal entity with other routine tasks, such as consolidations, journal entries, final notes for financial statements, and calculations involving income tax provisions and fiscal adjustments. Calculating deferred tax required manually classifying temporary differences, then making adjustments for a deferred balance position. Consolidating all companies required copying all individual calculations to a large Excel file, assigning exchange rates by country, then manually converting the rates to a single currency for reporting purposes.

## CHALLENGES

*"As we acquired new companies and handled new business migrations and new corporate structures, the tax and accounting process became increasingly complex. To keep pace with our growth, we needed an automated methodology that avoided unwieldy Excel spreadsheets."*

To ensure accuracy while managing an increasing workload, the tax managers at MercadoLibre saw a need to improve the income tax calculation process through the automation and centralization of information. Their manual process prevented them from:

- Importing the general ledger and automating adjustments in permanent and temporary differences.
- Easily consolidating information using reporting and local currencies.
- Streamlining and better securing the process for the Income Tax Provision calculation.
- Printing comparative reports in real time, including evolution of Effective Tax Rates between different periods.
- Obtaining reports that could be easily integrated with Microsoft Excel.
- Ensuring error-free rekeying of data and full accuracy of results.

## RESULTS

*"Working with manual spreadsheets used to take 3 people 4 to 5 days. After implementing ONESOURCE Tax Provision, we can complete the process in just 3 days and cut down review to issues of greatest impact."*

A two-stage deployment of Thomson Reuters ONESOURCE met all the tax department's objectives. They optimized data collection and calculation procedures, managed information safely and reliably, and had accurate information at their disposal for strategic analysis.

In the first stage of the implementation, the tax department, with help from the ONESOURCE consultation team, focused on replicating existing spreadsheet calculations into the ONESOURCE Tax Provision system. This stage automated around 70 percent of adjustments. Other achievements included:

- Importing the accounting balances directly from the ERP system to avoid errors due to retyping and data manipulation in spreadsheets.
- The ability to run reports using different currencies.
- The ability to print reports showing the journal entry for the provision calculation.

The second phase consisted of deploying the Active Workpapers for ONESOURCE Tax Provision. This allowed MercadoLibre to convert their previously Excel-based provision process into a safer, automated format within the ONESOURCE Tax Provision system. After the deployment AWP automated around 95 percent of adjustments.

Achievements included:

- Optimizing time and resources.
- Generating currency reports quickly and easily by unit or at the consolidated level.
- Standardizing a process for adjustment calculations, thus eliminating manual spreadsheets.
- The ability to generate reports that show the Effective Tax Rates for individual entities and at the consolidated level.

**CONTACT US TODAY**



1.888.885.0206, Ext. 1

[tax.thomsonreuters.com/provision](http://tax.thomsonreuters.com/provision)

[taxaccounting.onesourcesales@thomsonreuters.com](mailto:taxaccounting.onesourcesales@thomsonreuters.com)