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Mastering Tax Determination — Grant Thornton Best Practices for Implementing a Centralized Tax Engine

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Ray is a leader in the Tax Digital Consulting Practice at Grant Thornton. He specializes in Indirect Tax Technology across a wide variety of ERPs, industries, and geographies to help companies meet their domestic and global indirect tax needs. He has a background in corporate tax and technology.

- Certified Implementer of ONESOURCE
- Holds Sales Tax CMI designation from IPT

Shanna Coulter

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Shanna is a Sr. Manager at GT based out of Dallas, TX. She has over 19 years of Indirect tax experience, with 15 of those years directly using the top sales tax engines, including OneSource.

Shanna is involved in all phases of the project lifecycle. Shanna's industry experience includes retail, food and beverage, manufacturing, and financial services.

Logistics

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Objectives

This session will provide valuable insight into the planning, implementation, and support phases of a centralized tax engine implementation.

Upon completion of this session, participants will be able to:

- Recognize how to efficiently integrate a centralized tax engine with existing systems, ensuring smooth data flow and accurate tax calculations
- Identify design principals for scalability, understanding how to build a tax engine that can handle increased transaction volumes and business growth
- Analyze advanced features within ONESOURCE Determination, empowering participants to leverage functionalities beyond basic configuration

Agenda

This session will provide valuable insight into the planning, implementation, and support phases of a centralized tax engine implementation.

- Planning your Implementation
- Design Best Practices
- Getting the Most out of ONESOURCE Determination

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Planning your Implementation

Planning your Implementation

Key Considerations

- Business Case
  - What problem will this solve?
  - What does my organization need?
  - Budget Process
- Timing
  - IT Change Management Process
  - Competing Priorities
- Identifying Key Stakeholders

Business Case – Why Implement a Tax Engine?

1. **Compliance Assurance**
Implementing tax processes early ensures that your financial system is compliant with tax regulations from the start, reducing the risk of non-compliance issues later-on.

2. **Accuracy**
Early tax integration allows for thorough testing and validation, ensuring accurate calculations and reducing the chances of errors in tax reporting.

3. **Efficiency Gains**
By incorporating tax processes early, you streamline workflows and minimize the need for manual interventions, leading to overall process efficiency.

4. **Cost Savings**
Identifying and addressing tax considerations early in the implementation process can help avoid costly retroactive rework or adjustments and fines due to non-compliance.

5. **Smooth Transition**
Early tax integration facilitates a smoother transition to the new financial system, minimizing disruptions in operations and preventing potential bottlenecks.

6. **Data Integrity**
Integrating tax early ensures that tax-related data is accurately captured and maintained, promoting data integrity throughout the system.

7. **User Training**
Early implementation of tax processes allows users to familiarize themselves with the tax-related functionalities, reducing the learning curve during the system go-live.

8. **Strategic Planning**
Having tax considerations in place early enables better strategic planning, as it allows businesses to factor in tax implications when making financial decisions.

9. **Risk Mitigation**
Early identification and resolution of tax-related issues contribute to risk mitigation, providing a more stable foundation for the financial system.

10. **Regulatory Changes**
Tax laws and regulations can change, and by incorporating tax early, you can adapt the system to new requirements more easily, staying ahead of compliance challenges.

What does my Organization Need?

Implementation Scope:

- Transactions
  - Sales, Purchasing, Inventory Movements, etc.
- Geography
  - US only vs. Global Deployment
- Systems
  - Prioritize Based on Materiality
  - Confirm Compatibility of Source Systems

Budget Process

Key Considerations:

- Software
- Implementation
- Maintenance

Timing

- Identify and Involve Key Stakeholders Early
- Familiarize yourself with the IT Change Management Process
    - Change freeze periods can delay an implementation
    - System refreshes during an in-flight implementation can cause re-work
- Competing Priorities
    - Be aware of how the tax engine project will impact scheduled projects
- Waterfall vs. Phased Implementation Plan

Element of Engagement

How many source systems do you have that require a tax calculation?

- 1
- 1-10
- More than 10

Panel Question

What are the common issues that arise during the planning process of a tax engine implementation?

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Design Best Practices

Design Best Practices

Key Considerations

- Understand End-to-End Processes and Industry Specific Challenges
  - Are the required data elements available on each transaction?
- Build to Scale
  - Configuration hierarchy drives efficiency
  - Utilize standard content wherever possible
- Integration Strategy
  - Centralize calculation and reporting in the tax engine
  - Batch vs. real-time calculation
  - What systems need to be connected (ERP, e-commerce, procurement platform)?
  - What additional modules are required (address validation, goods movement)?

End-to-End Processes: Order-to-Cash

Order to Cash (O2C) Cycle

QUOTATION

Entered manually or imported from external systems – legacy or digital – item, customer and pricing are all validated

SALES ORDER

Validation of credit limit per customer, scheduling, inventory management and reservation, manufacturing visibility including promise to deliver

DELIVERY

Inventory allocation, business rules, pick and documentation generation, warehouse and fullfilment management

BILLING & POSTING

Invoice generation, all costs captured including freight and overhead, invoice delivery, customer calls and disputes

PAYMENT

Receive payments, invoice reconciliation, shipping invoices and payments, payment application and processing

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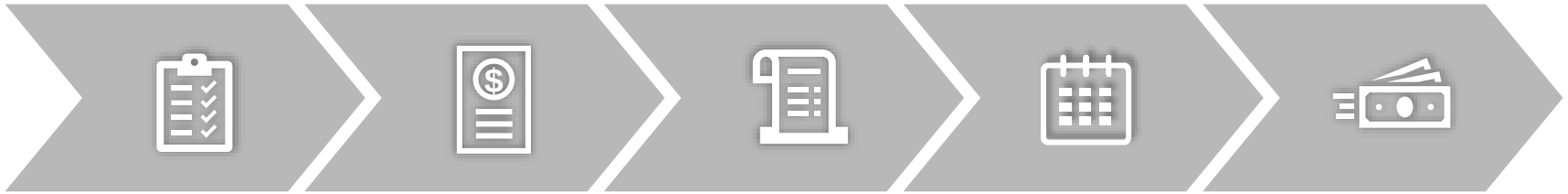
End-to-End Processes: Procure-to-Pay

Procure-to-Pay (P2P) Cycle



REQUISITION
Purchase from catalogs or contracts, approval per established controls

PURCHASE ORDER
PO sent to supplier for fulfillment

GOOD / SERVICE RECEIPT
Fullfill goods / services, submit invoice

A/P INVOICE ENTRY
Acknowledge goods / services

PAYMENT
Payment processing applying internal controls

Key Data Elements

Party

- Customer
- Supplier
- Legal Entity
- Registration Numbers

Process

- Intercompany
- Accounts Receivable
- Accounts Payable
- Inventory Movement

Product

- Product fiscal classification
- Inventory/Services
- Expenditure Types
- Purchase Categories
- Intended Use

Place

- Ship To Geography
- Bill To Geography
- Ship From Geography
- Bill From Geography

Building for Scale

- Parent-child relationship
  - Country parent companies
- Parent Level Configuration
  - Product/ERP code mappings
  - Custom rules
  - TransEditors
- Child (Entity) Level Configuration
  - Established Authorities
  - Exemption Certificates
  - Vendor Exceptions
- New Entities
  - Add under parent company
  - Reduce duplication of effort

Integration Strategy

- Integration Points
  - Determine which source systems require calculation
  - Confirm connector compatibility with source systems
- Batch Integration via Data File Integrator (DFI)
  - Legacy ERP versions
  - Subscription billing
  - Nightly routines
- Additional Modules
  - Inventory Movement
  - Address Validation

Element of Engagement

Think of a time when your tax engine was not configured correctly and caused re-work. What was the root cause?

- Missing Requirements
- Incomplete Testing
- User Error

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Getting the Most out of ONESOURCE Determination

Maximizing Efficiency Through Configuration

- Vendor Charged Tax (VCT) Configuration
- ERP Code Mappings
- Utilizing Standard Product Codes / Commodity Codes
- Exemption Certificate Management

Vendor Charged Tax (VCT) Functionality

- Available in your ONESOURCE Enterprise Cloud Environment
- Automate AP Actions by:
  - Setting up tolerances
  - Pay as charged
  - Partial accruals
  - Tax code determination
- Reduce Manual Intervention in AP
- Brings Consistency to AP Tax Management

ERP Code Mappings

- Return tax codes that are vital for GL posting and tax reporting
- Can control what gets expensed vs. accrued
- Manages recoverability of input tax
- Reduces the number of tax code overrides in source systems

Utilizing Standard Product Codes / Commodity Codes

- Benefit from the depth of tax content and research provided by ONESOURCE
- Reduce the need for taxability monitoring of custom product codes
- Create a scalable model to add new entities

Exemption Certificate Management

- Collect, Validate, and Renew Certificates with Certificate Manager
  - Push requests to customers to import new/missing certificate images
  - Real time exemption certificate exposure reporting
  - Capture exempt reasons for compliance reporting
- Reduces Strain on Internal Resources
- Reporting Functionality for Audit Defense

Wrap-up

Please remember to complete your session evaluation! We appreciate your feedback.

If we were not able to answer your question during the session, please visit with our onsite Support team.

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Thank you!

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