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Best practices for planning and implementing a tax engine in your Oracle ecosystem

Grant Thornton and Vertex

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Presenters

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- Leader in the Grant Thornton Tax Digital Consulting Enterprise Tax Automation Practice
- Specializes in domestic and global indirect tax engine implementations
- Certified implementer of Vertex
- Over 12 years of experience in indirect tax
- Holds Sales Tax CMI designation

Presenters

Marc A. Duclos

Sr. Global Director Strategic Partnerships, Vertex, Inc.

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- Leads the Oracle|NetSuite Ecosystem Team at Vertex from product strategy to GTM
- 24+ Years working with Oracle and NetSuite as well as key Alliance partners like Grant Thornton
- Key member of the Oracle Applications Technology User Group

Session agenda

01 Intro to tax engines

02 Tax engine business case

03 Planning best practices

04 Implementation best practices

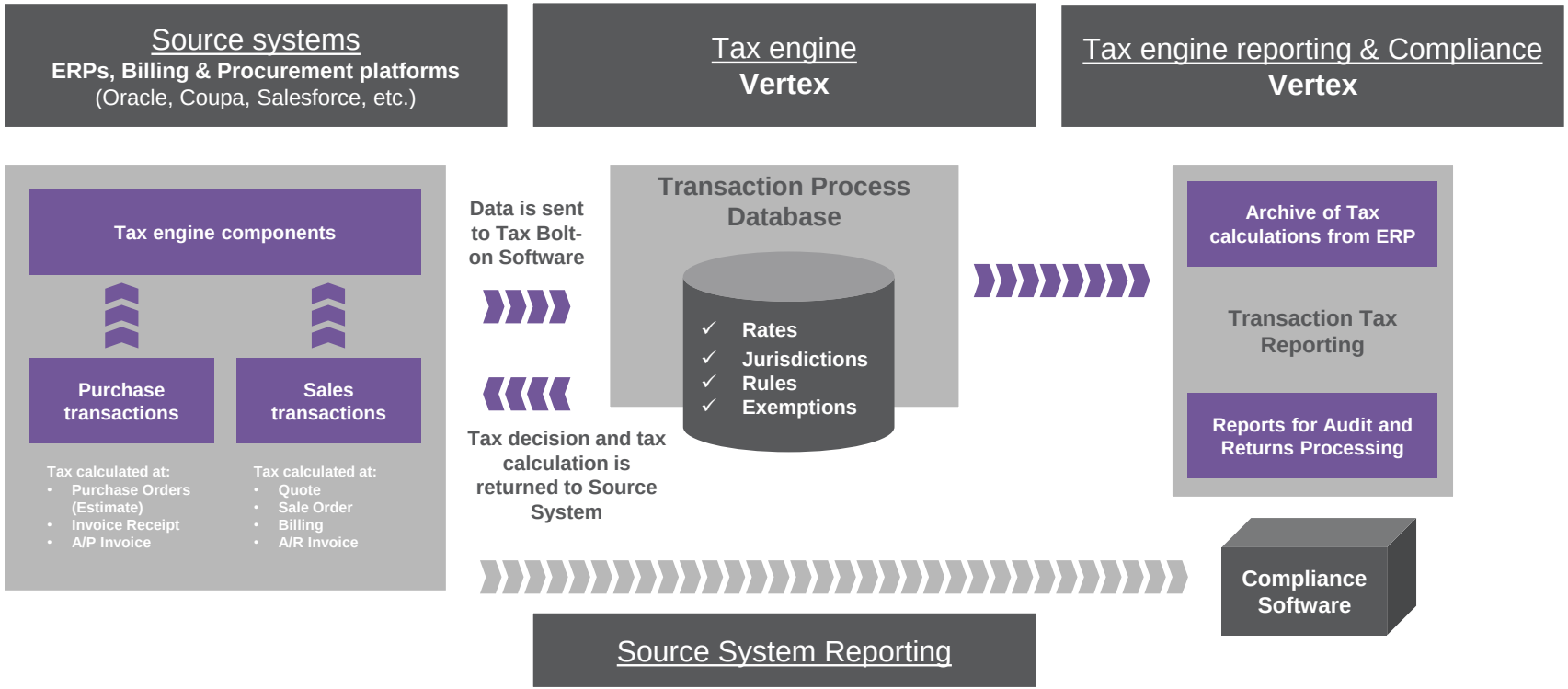
05 Q&A

Intro to tax engines

What is a tax engine?

- Software that assists with the management of several indirect tax functions:
- Calculation of tax on sales & purchase transactions
- Tax sensitized reporting for compliance and audit defense
- Exemption certificate management
- Returns preparation
- E-Invoicing solutions

Tax engine landscape



Order-to-cash process

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

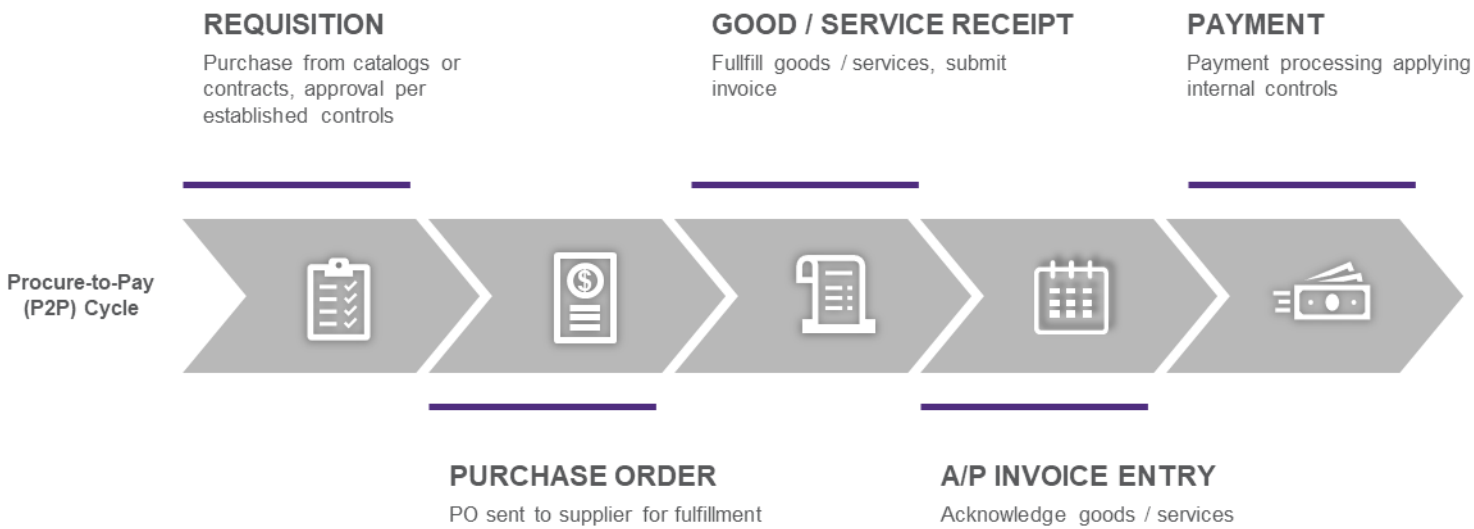
BILLING & POSTING

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

Procure-to-pay process



Why tax transformation should be an integral part of your Digital Journey ?

Big Digital ERP/Finance transformations come with tax risks.

Any ERP implementation can create risk to downstream tax processes. An incremental investment in tax now can help mitigate that and other risks, and help clients move forward with no gaps.

Tax is consistently going to be one of the major "consumers" of the data from the ERP.

Tax function is highly dependent upon accurate, timely data from the ERP. Clients can make sure they are able to get the right data, in the right format, with the right connectivity within the system.

Including tax can be a source of significant ROI and cash savings that can help pay for the project.

Typically, we see that businesses can drastically reduce their (global) tax operations costs by leveraging tax automation as part of their ERP/Finance transformation to streamline indirect tax operations.

Getting tax "right the first time" is going to be much cheaper and less burdensome than fixing it later.

Not looking at the tax function transformation usually results in more manual processes and additional cost. These "workarounds" can be costly and time-consuming, and it's much more efficient to get the basic ERP-to-tax engine setup right.

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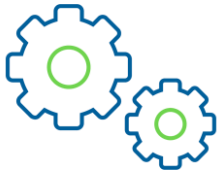
Tax engine business case

Oracle third party tax engine benefits

Improved time to value

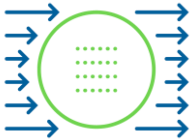
Reduced implementation risk



Improved speed and reduced error through automation

Improved visibility and control

Improved ease of use



+Improved data and insight

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Tax engine versus ERP native functionality

	Tax Engine	ERP Native
Maintenance Costs		
Vendor support services and upgrades	●	
Additional cost for Tax research subscription including jurisdictional rates, rules and product taxability		●
IT resource requirements		●
Business Case		
Reduction of AP and customer billing processing time	●	
Minimized architectural complexity by using single system		●
Increased potential for tax calculation errors resulting from selection of complex ERP tax codes		●
Tax resources have more control of systematic taxability determination	●	
Limited tax decisions made by AP/AR processing resources	●	
Customer exemptions applied consistently using effective dates providing easily supported audit trail	●	
Content Management		
Automated tax rate and rule maintenance	●	
IT maintenance of ERP tax condition tables		●
Vendor's research departments act as extension of Tax Department	●	

10 reasons to include tax *early* in the ERP project

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.

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Benefits of integrating billing system with tax engine for Indirect Tax

Business Unit

Finance Function

Minimize Maintenance

Vendor maintains tax rules and tax rates

Consolidated Audit report

Provides ability to record all transaction and tax details

Enables to operate as a Lean Organization

Business changes or new acquisitions. Supports scalability and nimble to changes

Single Source of Records

All transaction tax liabilities enables efficient monthly filings, reporting, analysis and audit support

Consistent Accuracy

All tax policies, rates, rules & logic are enforced by a single tax application

Reduced IT Dependence

Business units can maintain and configure system

Enhanced Reporting

Transaction level detail availability

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Tax engines in the ERP planning process

Tax engine planning

- Start early!
- Include in budget
- Determine needs
- Confirm compatibility

5 reasons why a tax engine beats native ERP for tax calc

1 Reduce (or eliminate) monthly tax research	The tax engine provider takes on responsibility for tax research and tax content. The in-house tax team no longer needs to keep track of changing tax rules and rates across 19,000+ jurisdictions worldwide. Just determine your tax category mapping and the tax engine maintains the current rates.
2 Eliminate monthly tax content updates in every system	A single tax engine can be integrated to multiple transaction systems across the company. Tax is calculated in one place, so IT no longer needs to update content in each individual system. And, choosing a cloud deployment means the tax engine provider handles the content updates automatically so internal steps are eliminated.
3 More precise tax calc on complex scenarios	Native ERP tax calc functionality considers a limited amount of data when calculating tax. Using a 3rd party tax engine allows users to map significantly more data fields to the tax engine for more precise calculation, even on complex transactions. This improves accuracy and audit performance.
4 Centralize tax across sales *and* procurement	A 3rd party tax engine can centralize the tax calculation needed for O2C *as well as* P2P in one place. It's centralized, standardized, and enterprise-wide.
5 Better reporting for audit prep	A tax engine centralizes all tax calc in one place, so data and reporting are in all one place. Get an end-to-end view and spend less time piecing together reports from multiple systems.

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Plan for success

- Phased approach vs. waterfall
- Identify gaps and scope issues
- Maximize ROI by:
  - Getting “live” faster
  - Understand and use the full functionality of Vertex
  - Prioritizing by need and materiality

Implementation best practices/Pain points

Tax engine implementation approach

1. Requirements	2. Design	3. Build	4. Testing	5. Go-live & support
Work with Client to evaluate the project approach and develop tax requirements. We will develop a comprehensive project plan and roles & responsibilities matrix. We will perform a detailed review of legacy transactions and master data to gauge necessary changes required.	Based on your tax requirements and current order-to-cash and procure to pay, we will develop a comprehensive design including required process changes, tax engine configuration, and the Oracle Fusion-Tax Engine integration. We will design a tax data migration process to ensure that customers and products are classified properly in the tax engine.	Assist Client in making the necessary configurations to implement taxation on order-to-cash transactions. Grant Thornton will own the configuration of the tax engine. We will work with the Oracle team to integrate Tax Engine.	We will leverage our proprietary Tax Engine testing tools to validate all configurations. Work with Client to develop, execute, and review integration test scenarios to confirm Oracle Cloud-Tax Engine integration is performing as expected.	Transition knowledge to Client and assist in developing and conducting training for the relevant departments, as needed. We will also provide you with assistance and guidance during the first few compliance cycles to complete the transfer of knowledge and validate the final process and procedures.

Deliverables

• Project work plan and timeline • Process flow document • Roles matrix • Requirements document	• Functional design document and gap analysis • Integration customization needs to send additional data elements	• Configuration guide • Taxability matrix • Unit testing results	• Automated test results for Tax Engine configuration • Integration (aka end to end) test plan. • Integration testing results and remediation steps • Support UAT (user acceptance testing)	• Production cutover plan • Tax engine user and configuration guide • Post go-live support

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Pain points: People

Issue:

- Uncooperative teams
- Resistance to change
- Lack of expertise
- Resource availability

How to avoid:

- Involve key stakeholders from the beginning
- Empower impacted teams
- Use experts
- Be aware of competing priorities

Pain points: Process

Issue:

- Bad processes
- Siloed designs
- Major tax gaps

Resolution:

Review the current state and gaps

Suggest process changes to build efficiencies

Be curious

Pain points: Technology

Issue:

- Incompatible ERP versions
- Multiple systems
- Cutover issues
- Change restrictions

Resolution:

- Validate infrastructure
- Automate where possible
- Detailed planning and execution
- Be aware of the ERP release schedule

Pain points: Data

Issue:

- Incomplete/incorrect addresses
- Duplicate customers
- Unmapped/incorrectly mapped product groups
- Reporting changes will impact the compliance process

Resolution:

- Review/cleanse master data
- Create safe go-forward processes
- Involve the compliance process

Tax engine maintenance

- A tax engine is implemented to reduce risk, increase accuracy and save time. Maintaining the configuration will help maximize ROI over time.
- Period review should be done to make sure your configuration still meets your business and statutory tax needs

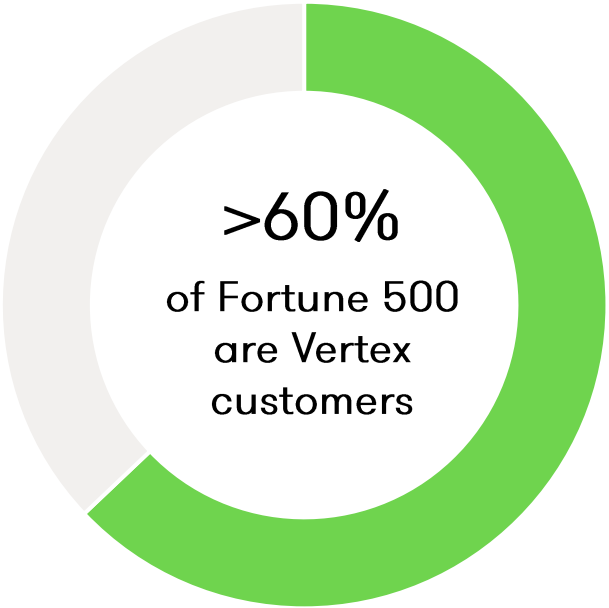
Common maintenance areas

- Taxability changes to custom products
- Newly imposed taxes (MN delivery fee)
- Exemption certificate compliance
- Nexus thresholds
- Performance monitoring
- Tracking adoption of implemented processes

Tax engine maintenance key considerations

- Regression testing
- Review monthly change reports
- Renew exemption certificates
- Review nexus and nexus rules periodically
- Review for unmapped drivers
- Monitor system response times
- Review/refresh configuration and documentation

Industry leaders trust their business to Vertex



Manufacturing
91%
of Fortune 100

Wholesale
86%
of Fortune 500

Business Svcs
75%
of Fortune 100

Retail
63%
of Fortune 500

Financial Svcs
82%
of Fortune 100

Marketplaces
80%
of Fortune 100

Tech/Software
78%
of Fortune 100

Communication
90%
of Fortune 500

Oil & Gas
57%
of Fortune 500

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Questions