

Guide

# Tax Technology Buyer's Guide



This analysis is intended for informational purposes only and is not tax advice. For tax advice, consult your tax adviser. See the full disclaimer [here](#).

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# The rise of automation in tax

The demand for digital acceleration has surged as companies grapple with the knowledge gap left by retiring industry experts, and as tax regulations become increasingly complex.

Utilizing technology enhances the tax process, boosting efficiency and reducing errors by simplifying tax compliance from start to end.

## Evolution of Automation in Tax

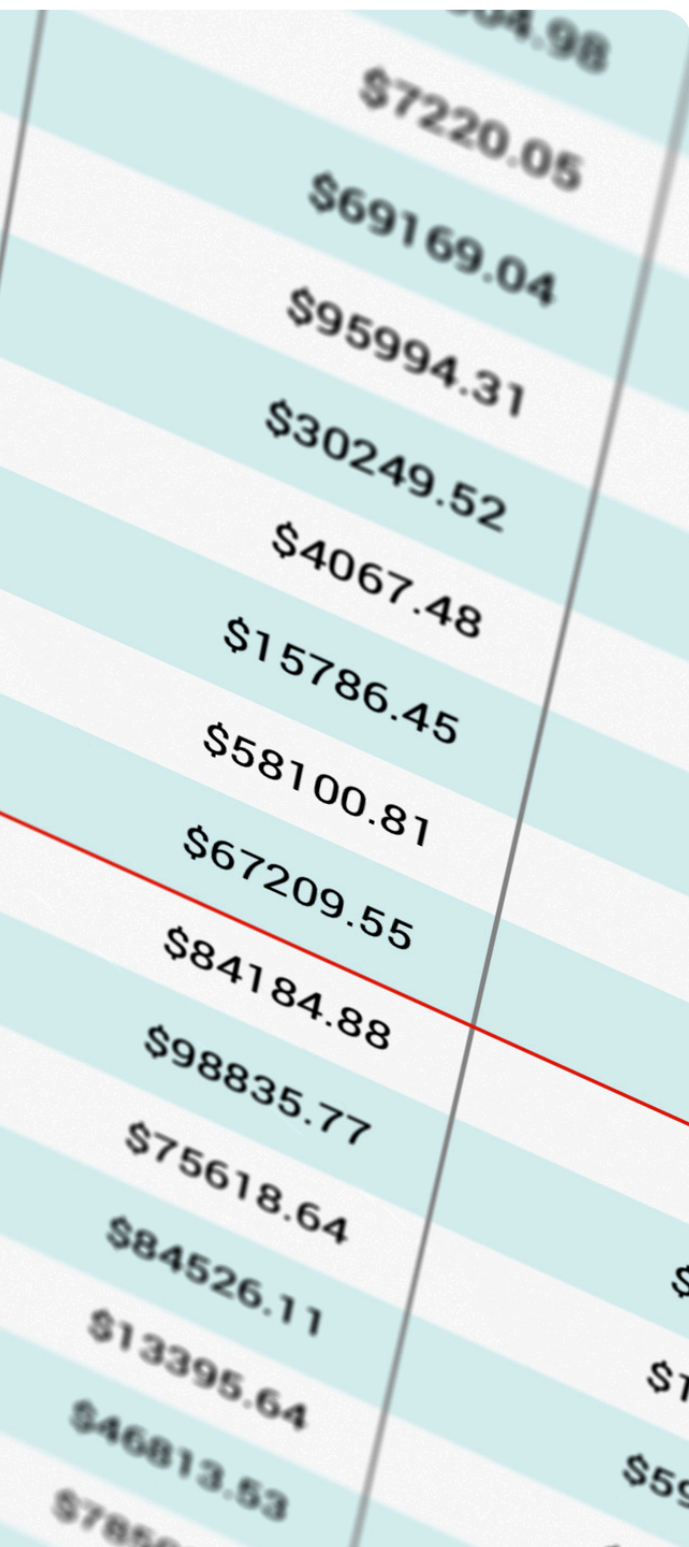
Technological progress has transformed the management and execution of tax processes.

Tax preparation used to rely heavily on manual calculations and paper forms, a time-consuming and error-prone endeavor.

The birth of spreadsheets in 1985 significantly advanced how data could be organized and manipulated at the click of a mouse. Teams relied on spreadsheet-driven data manipulation, table-based tax rate calculations, and rudimentary reconciliation processes to stay compliant.

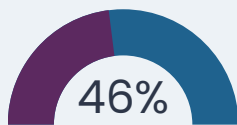
Then, advanced software solutions entered the arena, luring tax teams away from spreadsheets with the promise of reducing the manual effort, increasing accuracy, and mitigating risks.

Now, tax teams have a variety of tax technology available to them. From point solutions, to back-office system add-ons, to comprehensive tax platforms. Advances in technology continue to reshape the tax landscape as tax leaders shift towards digital acceleration.

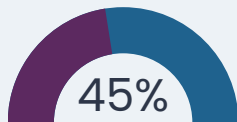


# Common drivers of digital transformation

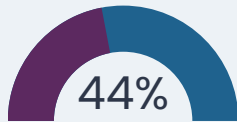
A [Deloitte industry survey](#) of tax leaders revealed that tax leaders are investing in tax technology over the next 3-5 years. The primary drivers include improving tax data management and governance, preparing for digital filing, freeing up team resources, and more.



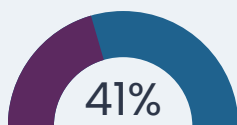
46% of tax leaders said **improving tax data management and governance** was a driver to invest in tax technology in the next 3-5 years



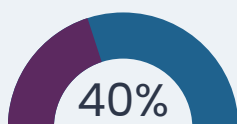
45% of tax leaders said **preparing for digital filing** was a driver to invest in tax technology in the next 3-5 years



44% of tax leaders said **automating to free up team resources** was a driver to invest in tax technology in the next 3-5 years



41% of tax leaders said **better analytics for advisory insight throughout the business** was a driver to invest in tax technology in the next 3-5 years



40% of tax leaders said **strengthening risk controls in tax processes** was a driver to invest in tax technology in the next 3-5 years

These factors collectively are driving the adoption of automation in tax, enabling businesses to navigate the changing tax landscape more effectively.

# Benefits of automation

Businesses of all sizes are incorporating automation into their operations, and for good reason.

In a [recent indirect tax report](#), tax leaders discussed their vision to evolve the indirect tax function into a more strategic role. When asked about their five-year goals, more than **60% planned to increase automation** as a way to improve analysis and reporting.

## Improve Accuracy & Efficiency

Streamlining complex, often repetitive, processes with technology minimizes the risk of human error and reduces inaccuracies.



Our clients see up to an **87% increase in filing efficiencies** after introducing tax automation software.

## Risk Mitigation

Taking a proactive approach to tax technology contributes to compliance with regulations, fosters trust with stakeholders, and enhances overall financial stability.

By staying up-to-date with tax laws, implementing robust internal controls, and ensuring accuracy with technology, organizations can proactively address potential compliance issues and minimize the chances of facing penalties or legal repercussions.

## Employee Satisfaction & Reduced Turnover

The pool of experts skilled in navigating the complexities of tax compliance is shrinking. Retirements, shifts in career paths, and the increasing demand for specialized knowledge are making it harder for businesses to find and retain experienced tax professionals.

The efficiencies and accuracy gained by investing in tax technology aids in talent retention by minimizing manual tasks, allowing team members the freedom to focus on value-added work.

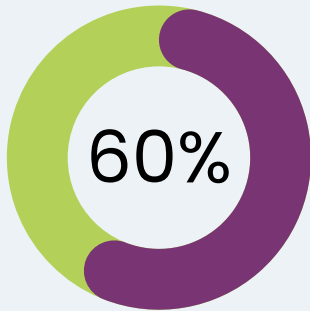
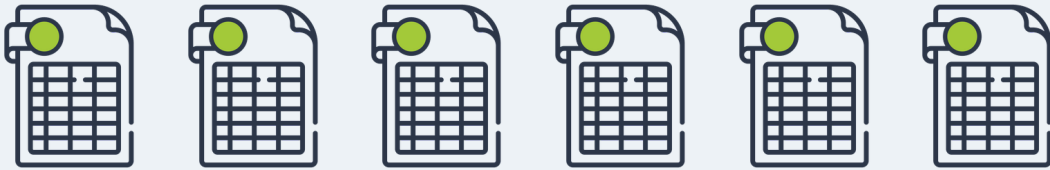
Team members can also enjoy guilt-free vacations without worrying about returning to chaos. This uplifts employee morale, promotes work-life balance, and reduces burnout.

## Cost Reduction

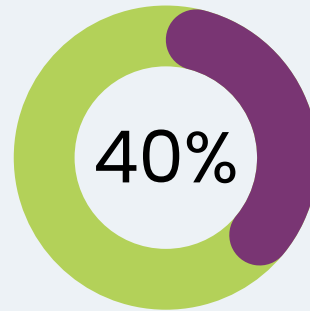
A [recent tax survey](#) revealed that over 40% of businesses audited incurred penalties in 2022.

Yet another benefit of digital acceleration in tax compliance is the reduction of amendments and assessments leading to costly audits and penalties.

**One-third of all businesses had 6 or more audits in 2022.**



**of businesses experienced audits in 2022.**



**of businesses that experienced audits, also incurred penalties in 2022.**

**\$50k** **One-third of businesses that incurred penalties, faced fees over \$50,000.**

By increasing automation in tax compliance, businesses can mitigate risk and reduce the costs associated with manual compliance and late or incorrect filings.

# Types of tax software

The advancement of technology has given rise to digital acceleration in every stage of the tax compliance lifecycle. From managing tax operations, to preparing data to defending audits, tax software has a role to play across the tax process.

## Preparing Data & Generating Returns

Tax preparation is cumbersome for many tax teams, especially in indirect tax. Ensuring accuracy in the tax forms submitted to the jurisdiction often leads to a reliance on manual data manipulation, which is prone to human error. In addition, many jurisdictions are turning to electronic filing which requires tax teams to generate the correct e-file.

These days, companies can use data integration tools and third-parties to streamline data manipulation and integrate the client back-office system to the tax system, though many still rely on spreadsheets.

However, a truly advanced tax platform would enable you to pull data directly from your existing technology environment, transform the data, complete essential reconciliations, assign transactions to schedule, then generate accurate forms and e-files for each jurisdiction.

The end result is huge efficiency gains and time savings for the tax team. Whether that means not bringing in additional headcount or allowing the team to focus on more strategic tax projects, tax leaders are one step closer to doing more with less.

## Tax Determination

There's no question, calculating indirect tax is difficult.

Increasing complexities in tax, such as changing rates, inconsistencies in product category definitions, and new regulations, all contribute to the challenge. Staying compliant and maintaining accuracy as business lines change, acquisitions happen, and territories expand, is no simple task.

Tax teams have traditionally taken on the challenge through table-based rate calculations (whether they're spreadsheet-driven, the backbone of the in-house system, or the foundation of a low-tech software solution). The influx of external and internal complexities makes table-driven determination a temporary fix.

Instead, look for an advanced tax determination tool that connects to your back-office, relies on decision-tree logic to calculate taxes, ensures legal ability to sell, and validates licensure.

The magic happens when tax analysts can focus on other tax and finance initiatives because the software is doing the heavy lifting.

## Tax Operations Management

The latest and greatest of tax technological advances, is tax operations management.

These tools are designed to replace your tax calendar, whether that's a spreadsheet, the built-in calendar that comes with your filing system, or a low-tech point solution. But that's just the tip of the iceberg.

Manage the workload and your approval workflow, from return preparation to internal or external approval to acceptance by the jurisdiction. It's tax compliance management with centralized visibility to leadership and decentralized management of compliance activities so you can prevent late filings.

Look out for essential features, such as:



**Tax Calendar with Due Date Library, Inbox Reminders, and Weekend/Holiday Logic**



**Workflow-Driven Task & Approval Management**



**Risk Assessment & Team Performance Dashboard**

## Managing Licenses

License management is the often forgotten, red-headed stepchild of tax compliance. It's a monotonous task that often impacts the customer facing teams, sometimes earning tax the damaging title of "the anti-revenue department".

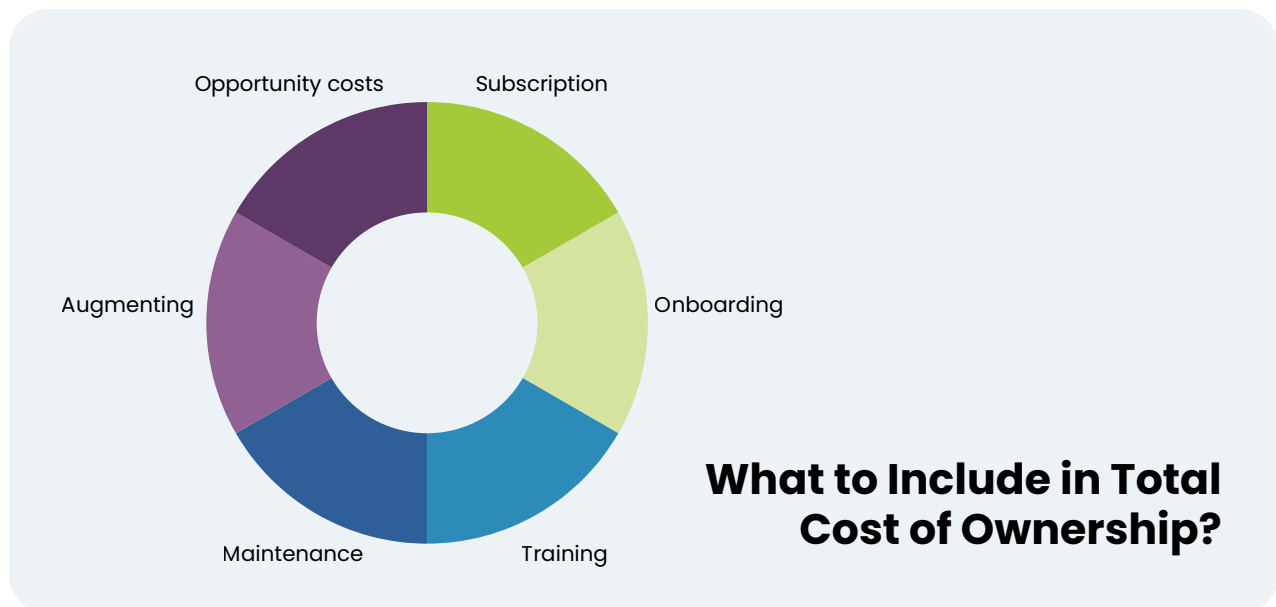
Automating away the hassle of gathering customer and vendor licenses, maintaining essential license information, storing license files, verifying active licenses, and removing expired or cancelled licenses, isn't just for the tax team. It's a relationship-saver between tax and revenue and can even lead to improved customer satisfaction.

# What to look for in a software provider

With so many options available, a unique business with unique tax challenges, and stakeholders that might take some convincing, it's important to evaluate the software provider itself, not just the technology.

## Total Cost of Ownership

Price is always a factor when considering software vendors. However, the more important number is total cost of ownership. The flat price doesn't include all the expenses related to purchasing software. If you don't think about total cost of ownership, your budget will not accurately reflect the investment you're about to make.



Keep in mind, price comparisons for vendors aren't going to be very helpful if you're not comparing apples to apples.

### Make sure you include:

- Full subscription cost
- Implementation/onboarding cost
- Training costs
- Maintenance costs
- Opportunity costs

We also recommend investigating the cost of augmenting your chosen vendor with additional technology if all of your functionality requirements aren't met.

## The Company

An enterprise software provider should be a strategic partner for your business. They should be a trusted extension of your own team.

Identify the qualities you expect and evaluate software providers based on those qualities. If they don't feel like a good fit to be a true strategic partner to you and your team, it's time to look elsewhere.

### Ask yourself:

- What type of company do you want to work with?
- Is industry experience important?
- Do they have a track record of dependability?
- How accessible is their team?

## Functionality

Build a comprehensive list of requirements.

Identify everything that you want to get out of your software. It's time to think less about the company and the people, and more about the specific functional requirements you have for the software. What are your must-haves?

You'll be able to compare different vendors based on the same requirements and keep track of your needs without getting lost in features.

## Implementation

Get a clear picture of the implementation process.

- What is the scope of work?
- What is the timeline to complete the implementation?
- What is the full cost for the implementation?
- What kind of training is provided?
- What is expected of you for the implementation to be completed on time. (Ex: sample data, imports from your back-office)

We recommend you ask the hard questions and pin down the costs and resources required ahead of time, so you don't have any surprises waiting for you.

## Support

The fact is, not all software providers have great support. We're not naming any names here, it's the simple truth.

Review the support documentation ahead of time. Check out their response times and look for online reviews and customer testimonials that back-up what they're saying.



# Steps in your selection process

Getting buy-in for tax automation software can be challenging. We've found that tax leaders often don't have experience in selecting tax technology and advocating for resources successfully. Here are some tips to get started.

## Understand the Stakeholders

Your stakeholder group may include key decision makers, users, members of the tax team, IT team, and operations team.

Bring your stakeholders into the selection process. You'll have a more well-rounded list of criteria, gain diverse perspectives and unite the collective toward a common goal.

Understanding each stakeholder's motivations and role in the business will help you prepare for requirements or objections they may have.

## Create a Requirements List

Start gathering the requirements from each stakeholder and create a master checklist. This can cover everything from features, to service levels to costs.

We recommend categorizing requirements based on priority. What are your must-haves? And what would be nice but isn't a deal breaker?

## Demo the Technology

Include key stakeholders in technology demos.

Make sure they have a clear understanding of what's being demoed and encourage them to come prepared with questions. This is a great time to address concerns and ensure the functionality meets your requirements.

Seeing the technology for themselves can help you build confidence and buy-in for the initiative.

## Create a Roadmap for Implementation

Work with your software provider to create an implementation plan.

Outline transition milestones, account for the team members involved and their expected time commitment, note the go-live date, and, importantly, the estimate the expected efficiencies gained after adoption.

## Build your Business Case

Create a business case that outlines the challenge, the investment, the benefits, and the next steps.

This can be as simple and concise as one page or just a few presentation slides.

Make sure you tailor your message to the stakeholders and the key decision makers:

- For the tax team, this could be a focus on reducing repetitive, manual work.
- For the finance team, this could be a focus on cost savings.
- For the CFO or CEO, this may be a focus on data-driven results and the company's bottom line or aligning the benefits of the initiative with the overall company goals.

## Present your Business Case

Here's where all your preparation comes together. After bringing the stakeholders into the process, you should have a well-rounded business case and stakeholder advocates in the room as you present to the key decision makers.



# Common objections to automation

Digital transformation often comes with its fair share of naysayers. Check out these common objections and how to combat them.

## Third Parties Are a Black Box

Work with stakeholders to determine internal standards for transparency, whether it's data saved off for audit purposes or real-time access to automation logic.

Ensure your chosen vendor meets those requirements.

## Software is Too Expensive

There's no way around it, tax technology is an investment.

Use your total cost of ownership analysis and estimate the alternative cost of doing nothing (increasing audits, fines, penalties, turnover etc.)

## We Don't Have Time

Testing the software, training the team, and ensuring adoption require additional team effort and time.

Refer to the implementation plan you created during the selection process to communicate that the resource commitment is manageable.

## Working With a Vendor Brings Risk

When businesses consider integrating third-party software, they expose themselves to the potential vulnerabilities associated with the vendor's reputation, security practices, and reliability.

Set appropriate contract terms and investigate the vendor's risk mitigation and security practices thoroughly.

## Robots Are Going to Steal My Job

The fear of certain roles becoming obsolete can lead to resistance towards the addition of tax technology.

Frame your automation initiative around increasing efficiencies and reducing human error so your team can focus on the tasks that require analysis, strategic foresight, ethical considerations.

# Ready to get started?

See how our clients have increased filing efficiencies, saved time, and improved accuracy by automating their tax compliance processes

[See client success stories here](#)

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