



cutting through complexity

Indirect Tax Compliance Services

U.S. Indirect Tax Practice

kpmg.com





Enhance the management of your indirect tax compliance obligations

In today's challenging economic climate, together with changes in tax legislation and accounting standards, organizations are having to rethink the way they do business, and that includes the way they manage their tax processes and controls.

The potential for errors on complex tax returns is considerable and the penalties can be substantial. There also may be an additional risk that too much time may be focused on compliance at the expense of higher-value activities such as tax planning and risk management.

One approach is to outsource the indirect tax compliance function. Cost-effective, versatile, and adaptable, outsourcing enables organizations to pay only for the services they need and not for headcount or overheads. This can free up in-house resources to focus on core tax functions and long-term strategic business initiatives.

With these issues in mind, using KPMG's National Compliance Centers for sales and use tax compliance makes clear business sense. They are designed to offer a practical and reliable approach, based in two central locations, without compromising the accuracy or quality of an organization's compliance obligations.

Sales and use and transactions taxes are what we do. As an outsourced service for corporate tax departments, we help improve efficiencies, accuracy and, ultimately, profitability:

- Flexible data management makes the transition to KPMG seamless and noninvasive
- Process integrity provides scalability
- Web-based reporting provides convenient access to reports and images of data management information
- Our strength in numbers and experience as one of the largest indirect tax practices in the United States gives you peace of mind

KPMG's National Compliance Centers

Based in Chicago and Atlanta, KPMG's National Compliance Centers consist of an experienced team of over 300 tax professionals who collectively have knowledge of the local statutory reporting rules and practices of all states and jurisdictions. In short, KPMG has one of the largest indirect tax practices in the United States.

The National Compliance Centers rotate compliance center resources among all clients, which allows intellectual knowledge to remain with KPMG and not with the resources assigned to perform a specific compliance engagement.

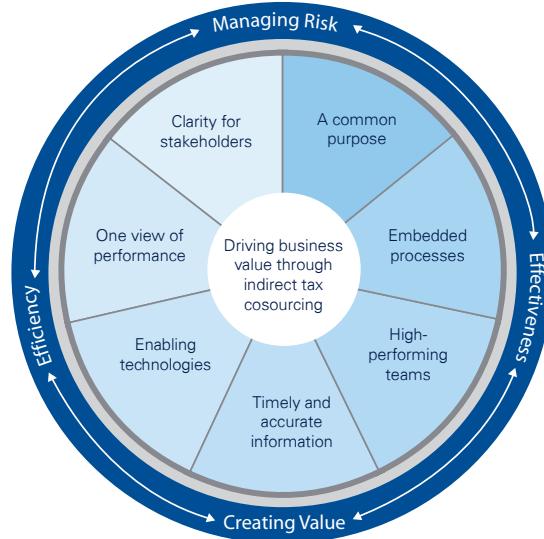
The goal of the National Compliance Centers is to improve a client's U.S. indirect tax position, through:

- Professional skills and experience
- Exceptional tax technology
- Consistent, proactive communication

Through KPMG's U.S. Indirect Tax Services network and using tailored knowledge-management systems, the National Compliance Centers seek to deliver effective compliance and a proactive approach to risk management.

How do the National Compliance Centers work?

Regular consultation and collaboration with clients is an integral part of the compliance process undertaken at the Centers. First, a tailored project plan is developed in conjunction with the client to help provide a smooth transition of the compliance to the Centers.



The compliance process is broken down into four distinct stages, and covers the provision of data, processing of data, preparation of the return, approvals, and filing. The detailed process flows and internal controls built in are outlined in the project plan and will vary according to the specific needs of the client.

The National Compliance Centers have the processes in place to respond to queries in an appropriate and timely manner. We seek to provide clear communication of deadlines and responsibilities and take appropriate actions as new circumstances occur. Additionally, processes and controls are in place that promote enhanced transparency of your reporting obligations and their fulfillment that are critical to managing risk.

Exceptional Technology

In order to support our compliance services and bring automation to the critical phases of the sales and use tax process, KPMG uses Thomson Reuters' ONESOURCE Sales and Use Tax technology along with the content of the Tax Remittance & Compliance System (TRACS). TRACS enables web-accessible reporting and an online image library of all returns that are managed. Access to such critical information provides the management

and tax compliance information needed for better, faster decision making, while helping to reduce tax department time and money. TRACS facilitates key functions in the compliance process:

- Data management
- Return management
- Jurisdiction management



Sales and Use Tax Compliance Services Approach

Our approach to sales and use tax compliance services consists of a tested and consistently applied four-step process:

Process and Requirements Analysis:

We begin with a detailed analysis of the existing compliance processes and reporting requirements and determine critical data flow "touch points" for opportunities to automate the return preparation function. Through this process, we may also identify opportunities to help enhance the configuration of sales and use tax calculations and thereby eliminate intervening manual processes. Our functional strength in helping clients convert sales and use tax data into formats necessary to automate tax return preparation allows us to use techniques that can be applied to nonstandard data.

Automation and Process Definition:

We use ONESOURCE and TRACS technology to automate business logic and data conversion into the compliance process, which enables us to efficiently and accurately process sales and use tax data.

Return Preparation: Based on information provided by the client, we customize our tax return preparation procedures to meet check-processing time lines and deliver the completed tax returns to clients before the

filings due date. Our process includes tracking the prepared returns using several distinct reports:

- A Transmittal report documenting the identity of the delivered returns and respective amount of tax due
- A Reconciliation report disclosing variances between the amount of tax computed per the tax return and amount recorded per the data sent to KPMG by the client
- A tax calendar with details of the filing jurisdiction, registration number, filing frequency and due date
- A credit balance history report with the details of "held" credit balances
- A tax collected and not yet remitted report with details of "held" tax or tax pending remittance after the registration process
- A Tax Trend Analysis report showing tax differences month-to-month with percentage variance analysis

Payment Processing: Our approach provides the flexibility to work with the client's own treasury function or with a trusted third-party payment provider who will have the ability to issue checks and automated clearing house (ACH) (debit and credit) payments on behalf of clients. Payment information is uploaded to a secure server, which gives clients the ability to review and approve payments.

How can KPMG help add long-term value to your business?

For any business looking to cosource its indirect tax compliance activities and reap the rewards of specialist, multijurisdictional tax skills, KPMG can help.

KPMG is staffed and equipped specifically to provide for an organization's indirect tax compliance needs. Through the firm's national network of Indirect Tax compliance professionals, KPMG can help to add value to an organization in the following ways:

KPMG's National and Global Networks:

KPMG has a national team that collaborates in a coordinated manner across multiple states and jurisdictions. And when your business takes you globally, we have access to KPMG International's global network of firms that connects us to talented and experienced KPMG professionals around the world.

Experienced and Dedicated Team:

Our Indirect Tax Compliance professionals are knowledgeable and experienced in identifying opportunities to improve the sales and use tax compliance function.

Consistency: We follow client-specific, documented procedures to prepare the sales and use tax returns each month. These procedures permit staffing flexibility and provide instructions for the consistent preparation and completion of the returns.

Reliability: Electronic and hard-copy data are retained pursuant to our client file retention policies by using multiple backup protocols.

Adaptability: Our services can be scaled and adapted to fit our clients' specific needs, from a routine compliance process review to a complete cosourcing of the sales and use tax return preparation function.

Efficiency: With KPMG helping with the tax compliance process, clients are relieved of the typical concerns of an internalized compliance function, such as employee turnover, resource scheduling conflicts, training and software costs, and tax reporting changes.

Additional Tax Compliance Services

KPMG provides additional services in support of tax compliance requirements, including:

A cost-effective alternative to collecting and organizing exemption certificates through our Exemption Certificate Services. This service reduces the administrative burden of exemption certificate compliance, which includes resource-intensive requirements such as linking certificates to each customer record, storing certificates in an accessible place in order to prove the tax-exempt nature of a customer, and documenting certificates to meet a variety of state requirements.

For tax compliance services outside of the United States, KPMG relies on its global network of tax professionals for services that include the processing of VAT returns. Like the National Compliance Centers in the United States, KPMG's Indirect Tax Compliance Center based in Hungary services more than 30 global jurisdictions with plans to expand further.



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