Indirect tax management for consumer markets companies

KPMG and Thomson Reuters: Automating indirect tax

Helping to reduce complexity, risk and cost

Managing indirect taxes, such as sales and use taxes in the U.S. and value added taxes in other countries, is an incredibly complex undertaking for any business. Tax rules and tax rates for both sales and purchases can vary by product type, city, state and country, and rules can change rapidly, making complying in a timely manner both process- and resource-intensive. Consumer markets companies, especially consumer packaged-goods manufacturers and retailers with a national or global presence, are particularly burdened.

Manufacturers must determine whether the materials they procure for manufacture or for resale are taxable or exempt, which can depend upon the use tax rules for the locations in which they operate and manufacture. When and where do they owe tax to suppliers? Are they being charged the right amount by suppliers, or should be charged at all?

Meanwhile, retailers must collect tax on virtually everything they sell. Collecting accurate data on a massive amount of sometimes low dollar transactions from stores in all 50 states and overseas–let alone in a multi-channel environment–is a huge undertaking. Ensuring proper documentation to validate sales tax exceptions for certain customers only adds to the complexity.

Recent developments within the consumer markets industry – such as expanding global footprints, increasing merger, acquisition and divestiture activity, and increasing regulatory scrutiny – make accurately and efficiently managing indirect tax an even more extreme challenge… and all the more critical to get right.

This is why more and more consumer markets companies are turning to technology and automation to manage sales and use taxes.

22% of consumer executives surveyed by KPMG identified regulatory and tax compliance as one of their company's top three areas for investment in 2014.

16% of food, drink, and consumer goods executives indicated their organizations have an inefficient supply chain tax structure in a recent KPMG survey.

29% of retail executives surveyed by KPMG stated that federal and state tax changes are a high priority compliance area that the organization will address in the next 12 months.

Why KPMG and Thomson Reuters ONESOURCE®? It's in the numbers…

KPMG provides professional services to **69%** of the Global 1200 food, drink, and consumer goods companies and 56% of the Global 1200 retail companies.

KPMG has more than **13,840** partners and professionals serving the consumer markets industry globally.

KPMG's Indirect Tax practice comprises over **1,600** professionals in KPMG member firms in **94** countries.

Thomson Reuters supports rates and rules for over **14,500** U.S. taxing jurisdictions and for over **175** countries.

Thomson Reuters is the first and only tax and accounting technology provider to obtain a U.S. Patent for its ONESOURCE Indirect Tax Determination tax engine.

Leading tax advisors, cutting edge technology

KPMG LLP and Thomson Reuters provide a complete set of services and technology that can help clients reduce the costs and risks of errors in managing indirect taxes. KPMG's Indirect Tax Practice and Thomson Reuters' ONESOURCE Indirect Tax technology can help consumer markets companies manage, calculate and report global sales and certain global indirect taxes, while helping to reduce risk and improve accuracy and compliance. We help simplify your indirect tax management processes:

- The ONESOURCE tax determination engine integrates with existing ERP systems and backend financial applications in real-time.
- All enterprise applications can use a single, scalable instance of the tax engine, enabling enforcement of business-specific tax policy consistently across multiple systems.
- KPMG is experienced in adapting the engine to meet the unique requirements of the consumer markets industry.

Common indirect tax questions in the consumer markets industry

Procurement

- Will the items we purchased be used for manufacturing, resale or distribution?
- Are the items we purchased taxable or exempt? Do they qualify for tax breaks? Under which state's rules?
- Did we purchase exempt items at a location that qualifies as a manufacturing facility?

Sales

- Are we applying the right tax rates and rules across jurisdictions?
- Are we handling sales taxation uniformly across in-store and on-line channels?
- Do we have the proper documentation to support customers' sales tax exemptions?

The KPMG advantage

As a recognized leader in the consumer markets industry, KPMG provides a powerful combination of industry knowledge, tax technology, and ERP integration experience that can help you reduce tax liability and compliance costs.

- **Industry knowledge:** We understand the issues, trends, and regulatory concerns affecting the consumer markets industry.
- **Experienced advisors:** KPMG has worked on some of the largest and most global tax engine implementations in our industry.
- **Tax specialists:** Our Indirect Tax and VAT practices in member firms around the world play an active role in tax technology deployments.
- **Certified implementers:** KPMG Indirect Tax team members are certified by Thomson Reuters as ONESOURCE Indirect Tax specialist implementers. We have more than10 years of implementation experience, including the first global deployments.
- **Well-established processes:** KPMG's Indirect Tax Services compliment the ONESOURCE tax engine with a five-step service delivery model that includes: 1) Requirement analysis, 2) Technology design, 3) Configuration and build, 4) Testing, and 5) Production.

Why automate?

- Replace costly, inefficient, error-prone manual methods: Managing ever-changing tax regulations and new jurisdictions can be complex, inaccurate, inefficient and expensive.
- Move away from high-maintenance ERPs: Most ERP systems lack the ability to determine taxes accurately, have limited analytical reporting, and require disparate, maintenance-intensive enhancements.
- Simplify growing data: Easily manage and maintain the enormous volume of data needed to drive tax decisions.
- Reduce risk of complex, changing requirements: Help improve compliance by having the most up-to-date tax content.
- Better align objectives: Automation helps the tax function better align with overall corporate objectives and devise smarter tax strategies.
- Overcome a lack of quantitative intelligence: Automation enables the measurement and monitoring of key performance indicators so tax executives can gain insights to make better ongoing decisions.

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