Mo’ Data, Mo’ Problems: Managing Systems Upgrades For Indirect Data
Agenda

- Introductions (5 min)
- Data Collection/Reporting Challenges for Indirect Tax (20 min)
- Overcoming Data Related Challenges (15 min)
- Trends/Future Outlook for Adapting Data Systems (20 min)
- Q&A (15 minutes)
Presenters

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Indirect Tax Data – Who Cares?

- Why do we care so much about data?
Data Challenges - Industry

- What are 2-3 key questions asked by indirect tax professionals in these industries?
  - Retail
  - Services
  - Manufacturing/Distribution
Data & Reporting Challenges

- Areas that drive data & reporting complexity
  - Business and Entity Issues
  - System Issues
  - Data Input Issues
  - Retrieval/Other
Data Challenges – Business

- Multiple Businesses & Legal Entities
- Transactions between entities
- Other Arrangements
  - Joint-Venture
  - Sublease
  - Other Arrangements
Data Challenges – Systems

- Multiple – Multiple Systems
  - Sales Related
    - Sale/Order Entry
    - Point-of-Sale (in-store & online)
  - Purchase Related
    - Tangible Personal Property
    - Service
    - Software

- Data elements between similar system do not align
Data Challenges – Data Input

- Discrepancies between PO – Invoice – ERP
  - Where - Incorrect Ship-to/Service Location
  - What & How – GL Acct vs UNSPC vs Project Code
  - Who – Cost Center vs Profit Center
  - No Separate Sales Tax Field
  - Mixed taxability transactions

- Sales Channel Data
  - Incomplete & inaccurate item information
Data Challenges – Retrieval/Other

- Sub-ledger Reconciliation
  - Source system and ERP do not align

- Data Retrieval
  - Sheer volume
  - Reporting tool limitations
  - Data doesn’t exist
Overcoming Data Challenges

● Develop a Data & Reporting Strategy
  – Must have a plan for what you want

  – Three Fundamental Inputs:
    ● Know what you need (and want)
    ● Ask LOTS of Questions
    ● Talk With Business Partners
Overcoming Data Challenges

- Indirect Tax Processes
  - Understand what data you need (want) and why:
    - Compliance
    - Audit
    - Systems
    - Research/Policy
Overcoming Data Challenges

● Ask LOTS of Questions
  – Do you understand all of the inputs?
  – What questions should be asked?
    ● Business
    ● Systems
    ● Data Input
    ● Retrieval and Reconciliation
  – Balance focusing on and area with the strategy
Overcoming Data Challenges

● Talk With Business Partners
  – Do they understand why Indirect Tax cares?

  ● Technology
  ● Purchasing
  ● Merchants

  – How is it mutually beneficial? What is the impact?
  – Not one-time conversations; develop relationships
Overcoming Data Challenges

- Update your Indirect Tax Reporting Strategy
  - Adopt an Agile Mentality
    - Impact – go after biggest value
    - Bite off small parts – stay focused
    - Inform & educate as changes occur
    - Maintain the relationships
Future State – How Tax Authorities Are Using Analytics

Various Data Repositories
- Microsoft Excel Workbooks
- ERP Reports
- General Ledger Balances

Filed Returns
- Online
- Paper
- EFT

Tax Authority

Extract / Stage

Cross Reference

Internet
Corporate Announcements
Related Taxpayer Profile
Other Public Information
Best Practices – Start With Technology Impact Areas

**POLICY, PLANNING, GOVERNANCE**
- **DEVELOP**
  - A tax strategy and plan
  - KPI’s for department performance
  - Knowledge management and training plans
- **RESEARCH, DOCUMENT, MAINTAIN**
  - Taxability of products and services
  - Exemption eligibility
  - Nexus footprint changes
  - Opportunities for tax recoveries
- **PERFORM**
  - SOX testing
  - Due diligence
- **EVALUATE**
  - Credit and incentives opportunities
  - Teams and align skills with key functions
  - Research and planning to ensure they are embedded
- **COMMUNICATE**
  - Regularly with all key stakeholders
  - Stay informed and implement best in class strategies
  - Understand the personnel involved

**TAX CALCULATION, SYSTEMS, TECHNOLOGY**
- **UNDERSTAND**
  - Existing business processes for sales and purchases
  - How each system is “tax sensitized”
  - Tax scenarios for sales and purchases
  - System used for tax rate and jurisdiction updates
  - Billing, POS, and other system updates for product/service taxability
- **KNOW**
  - Inventory of tax relevant systems and identify owners of each
  - All data elements used for tax calculation
- **PERFORM**
  - Process changes
  - Monthly sales and use tax calculations

**REPORTING, COMPLIANCE, AUDIT MANAGEMENT**
- **MAINTAIN**
  - Tax calendar with nexus footprint
  - Registrations updating
- **EXTRACT**
  - Data from/for transaction tax reporting
- **PERFORM**
  - Use tax accruals (as needed)
  - Data scrubbing activities
  - 3 way reconciliation (G/L, reports, returns)
  - FAS 5 reporting, risks, exposure areas
  - Process review for overpayments
- **MANAGE**
  - Monthly returns process for completing returns, obtaining payments, approvals and sign-offs
  - Filing (EDI, EFT, online, paper)
  - Internal reporting to management
  - Exemption certificate process

* Red represents specific impact to tax reporting
# Tax Calculation Solution Executive Summary

## Advantages

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<tr>
<th>Offering</th>
<th>On-Premise</th>
<th>Hosted</th>
<th>Managed Services</th>
<th>Custom Solution</th>
<th>Hybrid</th>
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<td><strong>Scalable solution that will provide functionality for all taxing scenarios</strong>&lt;br&gt;Control of all transacted data on internal servers&lt;br&gt;Provides a global enterprise solution (e.g. Sales, Purchasing, VAT)&lt;br&gt;Multiple integrations available for various platforms</td>
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<td>Minimal to no physical integrations required&lt;br&gt;Does not require IT resource time&lt;br&gt;Significant cost alternative that provides effectiveness for existing review process</td>
<td>Technology is currently in place and is in use by internal resources&lt;br&gt;Internal costs to deploy solution is significantly lower than third party solutions</td>
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## Disadvantages

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<td><strong>Cost to implement is significant compared to other options evaluated</strong>&lt;br&gt;Requires time and resource commitment to deploy successful implementation&lt;br&gt;Maintenance of solution requires multiple in-house resources (e.g. IT, Tax and tax solution functional user)&lt;br&gt;Effectiveness is negated by lack of line item data processed</td>
<td><strong>Control of all transacted data on external servers</strong>&lt;br&gt;Costs for data storage will continue to increase&lt;br&gt;Additional fees required for items such as, multiple instances, data recovery, data redundancy&lt;br&gt;Integration troubleshooting is dependent upon third party service level agreements</td>
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<td><strong>Is not scalable for additional tax types such as VAT and Sales</strong>&lt;br&gt;Does not include content that can be leveraged for taxability</td>
<td><strong>Is not scalable for additional tax types such as VAT and Sales</strong>&lt;br&gt;Highly customized solution that may not be supportable in future software deployments&lt;br&gt;Technology and methodology in place may not maximize reduction of resource time</td>
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Technology, Data Analytics And Best Practices

- **Technology**
  - Tools for extracting and staging complete data
    - DART (SAP)
    - SQL
    - Data warehouse
    - Excel
    - Other extractors

- **Data Analytics**
  - Tableau, QlikView, Spotfire
  - Applications are becoming more user friendly and leveraged more by taxing authorities
  - Visualizing data provides value for areas of opportunity, exposure, process gaps and reconciliations

- **Best Practices**
  - Understand all data sources used for reporting
  - Determine if data is comprehensive and representative of overall business fact pattern – tax types, locations, revenue sourcing, taxability, claimed exemptions and deductions
  - Identify and perform three way reconciliations:
    - Filed returns
    - Tax data repositories – Data warehouse, 3rd Party Tax engines, etc.
    - General ledger