Use tax management for the financial services industry

KPMG and Thomson Reuters: Automating indirect tax
Helping to reduce complexity, risk, and cost

According to KPMG Global’s 2013 VAT/GST Benchmark Survey, nearly 60% of respondents reported that indirect tax had a negative impact on their corporate cash flow. Fortunately, automating indirect tax management can have a positive impact and counteract this trend.

Recent developments within the Financial Services industry – such as increasing global footprints, restructuring and consolidation, and increased regulatory scrutiny – make accurately managing use tax even more critical…and complex.

One of the biggest challenges of managing indirect tax within Financial Services is allocating Use Tax…typically as it relates to purchasing. For example, if your company has multiple branches located across multiple countries, it becomes difficult to accurately allocate use tax related to expenditures such as computer software and hardware, advertising materials, or even financial data. Allocation aside, if done manually, determining other important factors such as the correct tax rates, tax logic, jurisdictions, and taxability can also be a guessing game.

This is why more and more Financial Services companies are turning to technology and automation to manage use taxes.

“Determining Use Tax is always complex and requires automation. Manual solutions and inefficient ERP systems simply leave too much to chance.”

Combined strength of leading tax advisory and technology

KPMG LLP and Thomson Reuters provide a complete set of services and technology that can help clients reduce the costs and risks of error in managing use taxes. KPMG’s Indirect Tax Practice and Thomson Reuters’ ONESOURCE Indirect Tax technology can help Financial Services companies manage, calculate, and report global use taxes, while helping to ensure accuracy, compliance, and avoidance of risk.

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

When it comes to allocating purchases across entities and geographies, the technology can use sales percentages or headcount figures, for example, to accurately allocate cost over jurisdictions for tax purposes.
Why you need automation

Replace inaccurate/inefficient methods

- **Costly, error-prone manual methods**: Managing ever-changing excise tax regulations and new jurisdictions can be inaccurate and expensive.
- **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 complexity & reduce risk

- **Growing data**: Easily manage and maintain the enormous volume of data needed to drive tax decisions.
- **Complex, changing requirements**: Help ensure compliance by having the most up-to-date tax content.

Gain insights & devise smart tax strategies

- **Misaligned objectives**: Automation helps the tax function better align with overall corporate objectives.
- **Lack of quantitative intelligence**: Automation enables the measurement and monitoring of key performance indicators so tax executives can make better ongoing decisions.

The KPMG Advantage

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

- **Industry knowledge**: We understand the issues, trends, and regulatory concerns affecting the Financial Services industry.
- **Experience**: KPMG has worked on more global tax engine implementations than any other major tax advisory firm.
- **Tax specialists**: Our Indirect Tax and VAT Practice in member firms around the world plays an active role in clients’ tax technology deployments.
- **Certified**: Our KPMG Indirect Tax team members are certified by Thomson Reuters as ONE SOURCE Indirect Tax specialist implementers. We have over 10 years of implementation experience, including the first global deployments.
- **Well-established process**: KPMG’s Indirect Tax Services seamlessly compliment the ONE SOURCE 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 KPMG and Thomson Reuters ONE SOURCE®?
It’s in the numbers...

KPMG provides professional services to 85% of all Banking & Finance companies included on the FORTUNE 1000.

KPMG has more than 19,570 individuals serving the Financial Services 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’ clients have seen up to a 30% reduction in compliance costs compared to using an ERP alone.

Thomson Reuters tax engine is the 1st and only patented process for determining tax liability across all transactions.

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