Introduction to VAT Automation
A Beginner’s Guide

12 April 2016 | 13:40 – 14:15 (CEST)
Presenter

Andrew Hallsworth, Vertex London
- Senior Manager, Client Solutions
- 19 years in VAT (Big4 and inhouse)
- Functional specialist on Vertex global solutions
What Areas are Businesses Looking to Automate?

- Indirect tax determination
  - ‘Getting the tax (and tax coding) right’

- Reporting
  - Statutory Reporting
    - VAT Returns, ESLs, Intrastats
  - Non Statutory Reporting

- ‘Big Data’ Management
  - Unifying data sat in multiple systems
Indirect Tax Determination
Why Automate?

- Moving away from:
  - Manual Processes
    - ERP platforms, etc., embedded with little or no tax content
    - Tax rate (and TaxCode) need to be set-up and **maintained (things change!)**
      - Disconnect between VAT teams and IT
    - Selection of TaxCodes in ERPs
      - Manual Selection = risk of error, lack of consistency
      - Shared Service Centres/outsourcing of AP functions

- External Pressures
  - Greater scrutiny
    - SOX, SAO, horizontal monitoring, co-operative compliance, BEPS, CbC, etc.
    - Process, process, process
    - Visibility and openness
    - Coming soon/already here – real-time data
The Tax Engine – Vertex O Series
What is Vertex O Series?

- A tax calculation engine for global indirect taxes
  - ‘VAT’
    - Input (Procurement)
    - Output (Supplies)
  - Complex Indirect tax systems
    - India; China; US; Brazil, etc.
- Integrates with Financial Systems to process appropriate transactional taxes
  - Real time
  - Batch
- A global tax rules database containing:
  - Tax Jurisdiction codes
  - Place of supply rules
  - GST/VAT/Indirect Tax rates
  - Taxability rules per category
- A data repository containing:
  - Transactional results
  - Reporting tools for mining that data
  - Export to Vertex Indirect Tax Returns
Vertex O Series Overview
Vertex O Series Overview

Financial System (ERP)/eCommerce, etc.
Vertex O Series Overview

Financial System (ERP)/eCommerce, etc.

Tax Professional
- Administration
- Configuration
- Tax Workbench
Vertex O Series Overview

Financial System (ERP)/eCommerce, etc.

External Interface

TaxGIS [Jurisdiction ID]

Tax Calculation

Tax Professional
- Administration
- Configuration
- Tax Workbench

TaxGIS
TPS Rates | Rules
Tax Journal
Reporting Database
Vertex O Series Overview

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- External Interface
- TaxGIS [Jurisdiction ID]
- Tax Calculation
- Vertex Central
  - Tax Professional
    - Administration
    - Configuration
    - Tax Workbench
  - Vertex O Series
    - TaxGIS
    - TPS Rates
    - Tax Journal
    - Reporting Database

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Vertex O Series Overview

Financial System (ERP)/eCommerce, etc.

1. Request

- External Interface
- TaxGIS [Jurisdiction ID]
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Vertex Central
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Vertex O Series
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Vertex O Series Overview

1. Request

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Financial System (ERP)/eCommerce, etc.

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Tax Calculation

Tax Professional
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Vertex Central

- Vertex O Series
  - TaxGIS
  - TPS
  - Reporting Database
  - Rates
  - Rules
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Vertex O Series Overview

1. Request
2. External Interface
3. TaxGIS [Jurisdiction ID]
4. Response

- Financial System (ERP)/eCommerce, etc.
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Vertex O Series Overview

1. Request

2. External Interface

3. TaxGIS [Jurisdiction ID]

4. Response

5. Tax Calculation

6. Vertex Returns

Financial System (ERP)/eCommerce, etc.

- Tax Professional
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- Vertex O Series

- TaxGIS
- TPS Rates / Rules
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Vertex O Series Overview

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5. Vertex Central
6. Vertex O Series

- Tax Professional
  - Administration
  - Configuration
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Other data sources
Vertex Returns

TPS
Rates | Rules
Tax Journal
Reporting Database

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AP Functionality

- Vertex O Series called at points in AP lifecycle
  - Purchase Order
    - Informing the PO of VAT to be charged by vendor or self-accrued by purchaser
  - Final Invoice – two step process
    - *Invoice verification*
      - Vertex O Series produces a variance for incorrect vendor invoices. Variance sent back to calling system – can be used to put a hold on invoice.
    - *Final Posting – ‘accrual’*
      - Vertex O Series accepts VAT posted on invoice, or positively calculates ‘reverse charges’ (self-accrued input and output VAT)

- Recoverability of Input VAT
  - Vertex O Series splits VAT on purchases into i) recoverable and ii) irrecoverable amounts
  - Embedded Vertex content for ‘blocking order’ purchases
    - Cars; business entertainment, etc.
  - Flexible functionality for ‘partial exemption’
Global Content – EMEA

- Jurisdictional
  - Federal Level vs. Sub-jurisdictional
    - Aegean Islands; Jersey; Corsica; Ceuta/Melilla, etc.
  - EU vs. non-EU
    - Croatia in; UK out?; Turkey in?

- VAT Place of Supply logic
  - Goods vs. Services
  - B2B vs. B2C
  - (Evolving) Business Models
    - Commissionaire; Buy/Sell; Drop-Ship
    - Chains; Triangulation; Call-off/Consignment Stock; Movement in bond
  - Groups and intra-group transactions
  - Exceptional Supplier/Customer treatment
    - Net exporters; international organisations; research charities, etc.

- Tax/VAT types and rates
  - Tax rates/types per jurisdiction and per tax category
  - Reverse Charges, Acquisition VAT
EU Triangular Transaction – Inside Vertex O Series

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Global Content – South America

- Content across South America, including:
  - Brazil
    - ICMS, Differential ICMS, COFINS, PIS, ISS, IPI, Substitution Tax, AP Withholding Taxes
  - Argentina
    - VAT, Turnover Tax, Percepciones, Retenciones, VAT Withholding
  - Columbia
    - VAT, VAT Withholding, National Consumption Tax
  - Peru
    - VAT, Percepciones, VAT Withholding, Retenciones, SPOT
Global Content – Latin America

- Content for Brazil, including:
  - Distinct Tax Types for AR and AP transactions
    - ICMS, Differential ICMS
    - IPI, COFINS, PIS
    - ISS
    - Substitution Tax
    - AP Withholding Taxes
  - Taxing jurisdictions at the Federal, State and Municipality level
  - Interaction of Tax Types and algorithms to determine the taxable basis for each
  - Embedded logic appreciating complexity of parameters
    - Commodity ‘NCM’ code
    - Inter-State vs. intra-State
    - Manufactured goods vs. goods vs. imported goods vs. services
    - Status of customer reseller vs. non-reseller vs. private individual
    - Industrialised vs. non-industrialised States
  - Requirements around Nota Fiscal/Reporting
## Brazilian Interstate Transaction – Inside Vertex O Series

### Results

<table>
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<tr>
<th>Type</th>
<th>Jurisdiction Name</th>
<th>Imposition Type</th>
<th>Taxable</th>
<th>Nontaxable</th>
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<th>Tax</th>
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<td>BRAZIL</td>
<td>IPI</td>
<td>14,275.52</td>
<td>0.00</td>
<td>0.00</td>
<td>2,141.33</td>
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<td>COFINS</td>
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<td>0.00</td>
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<td>0.00</td>
<td>2,955.03</td>
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**Total Tax:** 6,416.85

**Subtotal:** 10,000.00

**Total:** 16,416.85

### Details

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<th>Tax Type</th>
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<td>156636</td>
<td>BUYER</td>
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Global Content – India

- Content for India, including:
  - Current
    - Central Excise Duty
    - Service Tax
    - Cesses
    - CST
    - State VAT
  - Taxing jurisdictions at the Federal and State level
  - Interaction of Tax Types and algorithms to determine the taxable basis for each
  - Embedded logic appreciating complexity of parameters
    - Inter-State vs. intra-State
    - Manufactured goods vs. goods vs. services
    - Status of customer – for example, Form C
  - Coming ‘soon’ – GST!
Basics of VAT ≈ Basic of Tax Engine Design

- Who
- What
- Whom
- Where
- When
- For How Much

- And how do you need to report on it
Basics of VAT ≈ Basic of Tax Engine Design

- Who
- What
- Whom
- Where
- When
- For How Much

And how do you need to report on it
Compliance – Vertex® Indirect Tax Returns
Vertex® Indirect Tax Returns

- One global returns platform
- Multiple language forms (English version/translation available for all)
- Accepts data from Vertex or other host & accounting systems
- Allows users to analyse, edit or add info prior to filing
- New content being released
- Available on premise or on demand (hosted by Vertex)
Statutory Returns

- VAT return replicas
- ESLs and Intrastats
- Line-by-line drill through
- Multi-language returns
- Culture support
- Filing reports with CSV creation
## Vertex Indirect Tax Returns – Geographies

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<th>Current</th>
<th>Current</th>
<th>Current</th>
<th>Next Releases</th>
<th>Next Releases</th>
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<td>Chile</td>
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<td>South Korea</td>
<td>Taiwan</td>
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<td>Equatorial Guinea</td>
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<td>Spain</td>
<td>Venezuela</td>
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<td>Estonia</td>
<td>Morocco</td>
<td>Sweden</td>
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<tr>
<td>Finland</td>
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<tr>
<td>Germany</td>
<td>Nigeria</td>
<td>United States</td>
<td>Philippines</td>
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</tr>
</tbody>
</table>

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Tax Data Management

Vertex® Enterprise
Tax Performance Engine™
Vertex® Enterprise

Vertex® Enterprise

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Vertex Tax Performance Engine™

**Unify**
Connectors import all ERP, sales, payroll and legal transaction details that impact tax into a single, unified platform.

**Validate**
Data is validated, and regularly configured in real-time to adjust to legal and business changes and ensure accuracy.

**Access**
Maintains historical data subject to audit to meet global retention requirements and allows a documentary audit trail.

**Enrich**
Data is converted from financial reporting into tax-ready formats, enriched by Vertex global tax content and consolidated by accounting standard and currency.

Vertex Tax Performance Engine™
Fueled by Vertex Global Tax Content
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Contact Information

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Thank You!