The need for tax technology

The taxation landscape is becoming more challenging by the day because now the tax authorities expect businesses to digitalise and automate their processes.

“Regulations, compliances, and expectations for the business to comply with tax regulations are increasing day by day. There are expectations and a rapidly expanding use of technology at tax department level. And they expect businesses to comply with assistance from technology.”

Vinod believes that “the use of technology is the only way you can be efficient, effective, and tax compliant. That’s the driver to adopt tax technology.”

How Tata Consultancy Services meets complex, tax compliance requirements with ONESOURCE Indirect Tax Determination

CASE STUDY

Tata Consultancy Services

VINOD MANDLIK, GLOBAL HEAD, INDIRECT TAXES

Vinod Mandlik, Global Head, Indirect Taxes of Tata Consultancy Services (TCS) has witnessed many regulatory changes to indirect taxes over the last 30 years. “Over the past three decades of my career I have never seen any tax regime or tax regulation remain constant. Every year or two, you will find new changes coming and you need to adapt to that and update your processes,” says Vinod.

Leading a team of 25 finance executives from a base in India, Vinod oversees taxation of over 52 jurisdictions globally. We’ve captured his experience using ONESOURCE Indirect Tax Determination to meet complex, regulatory requirements.
In summary, there are two key reasons why Vinod feels embracing tax technology is the only way forward.

1. Authorities are increasing the sophistication of indirect taxes

Governments around the world are rationalising direct taxes and increasing indirect taxes.

“The share of the corporate tax in the overall collection by the governments is reducing. Governments are aiming to increase indirect taxes, because they are transaction taxes. You will not feel the pinch from it because you are regularly paying your indirect taxes on invoices. You assume the price of the goods to be inclusive of the taxes,” shares Vinod.

The volume of transactions that need to be monitored, recorded, and calculated accurately is on the rise. Organisations without tax technology will find it challenging to process invoices and transactions without automation.

A dependence on manual processes was the trigger point for Vinod to start looking for a tax technology solution.

“In the earlier era the tax authorities were just looking at your returns and then figuring out from your books of accounts or financials, whatever you provided them. As far as indirect taxes are concerned, it’s no longer the case, due to the level of transactional detail required on real time by most of the tax administrations.”

2. Manual processes are time consuming and expensive

Manual processes are not just time consuming but expensive, too. Even a minor administrate error can create reputational damage if you cannot meet your tax compliance obligations on time. Having initially manually computed taxes in the U.S., Vinod says.

“If you fail to collect tax from your customers, the same law requires you to pay from your pocket, which will result in a net loss to the company. Conversely, if you collect the wrong category or amount of taxes, then you will also encounter customer’s displeasure. Your brand reputation is incredibly important to maintain, so you should be perfectly accurate when calculating indirect taxes.”

Challenges experienced by Tata Consultancy Services before tax technology

Before TCS opted to begin using tax technology, their processes were manual and costly. Keeping track of all taxes paid by organisations and adapting to no less than 52 jurisdictions, whilst ensuring there were no leakages was becoming a burden.

“If we missed charging tax or taking input credit for value added cost, our profitability would take a hit by as much as 20%. To make matters worse, penalties, interests, other overheads, and reputational loss would be added on top.”

TCS operates with several source systems for procurement and Enterprise Resource Planning systems. It was important for them to have an assurance on accurate calculation of taxes and therefore, Vinod was in a search of the right tax technology tool.

Why not build tax technology instead?

TCS is a global leader in Information Technology, which begs the question – why not build their own tax technology themselves? As Vinod explains, they did consider it, before realising the benefits of having a ready-made solution to pick up and run with instead.

“The current world is all about partnership, collaboration, and specialisation. If you get some value-added service that is a core solution for a tax technology partner, then it probably makes sense to go for their technology. Thomson Reuters will always be updating their solution and continue investing in it, which made my decision easier.”

— Vinod Mandlik, Global Head, Indirect Taxes, TCS
Why ONESOURCE Determination?

Vinod evaluated and tested several other technology options before selecting ONESOURCE Indirect Tax Determination. “It was tough arriving at a solution,” says Vinod. In the end, it became clear that the specialised offering was the best fit for their organisation.

“Thomson Reuters has a substantial global footprint, and most of the Fortune 500 companies are using their solutions. I spoke with some of my Indian counterparts, and they were also using ONESOURCE, which helped validate the decision to put my trust in Thomson Reuters.”

Even after Vinod selected ONESOURCE Indirect Tax Determination, he had rounds of deliberations with internal stakeholders. They hit a snag early on, but it was resolved promptly.

“Our IT infrastructure is complex and therefore we wanted a provider who could match that and embrace collective teamwork to help us implement the tax technology. Your ONESOURCE Indirect Tax Determination team guaranteed that level of support, when no other competitor attempted to.”

Thomson Reuters fulfilled their promise of a smooth implementation.

Expanding ONESOURCE Indirect Tax Determination to other countries

Vinod implemented ONESOURCE Indirect Tax Determination initially in the United States, and it transformed their tax operations.

“The time that our team spent on tax determination in the U.S. was reduced drastically. Their decision making became fast and human error in tax calculation was removed completely.”

Vinod further adds, “We still get periodic audits done by external auditors, but it is a much less expensive affair. I can safely say that the savings is equivalent to the ONESOURCE licence fee.”

After successful implementation in the U.S., TCS is in the process of launching ONESOURCE Indirect Tax Compliance software in other regions. Vinod was impressed with the level of support provided.

Talent retention benefits

ONESOURCE Indirect Tax Determination has helped TCS retain talent, especially early-career professionals joining the team.

“Young professionals want handy tools that can help them undertake time-consuming tasks like research and analysing new tax regulations. Technology helps eliminate routine tasks and keep their interest alive, and ONESOURCE contributes to their job satisfaction.”

A final word of warning to tax technology laggards

Vinod’s advice to organisations without tax technology is straightforward. “Do you have a complex business with multiple offerings and operate in jurisdictions where tax regulations require you to investigate transaction level taxes? If the answer is yes, let me tell you - you can only remain relevant and compliant if you adopt tax technology.”

Even with the threat of recession looming, “ONESOURCE is a must-have tax technology in today’s heightened regulatory environment.”

“Your budget should accommodate the cost of tax technology to meet indirect tax compliance. Failure to comply will always come at a much higher cost to the business, making tax technology essential for large businesses like TCS.”

“ONESOURCE is a must-have tax technology in today’s heightened regulatory environment.”

— Vinod Mandlik, Global Head, Indirect Taxes, TCS

Learn more about how ONESOURCE Indirect Tax can help your business.

Contact us today - India
aem.contact@thomsonreuters.com