

Indirect tax process review



Indirect Tax Process Review Objectives

Deloitte's indirect tax process review provides a broad-based analysis of a company's overall indirect tax function in order to recommend process improvements. The objectives for a review include the following:

- Understand the company's overall indirect tax posture
- Document current processes
- Highlight significant areas of potential tax risk and opportunities, including quantification where appropriate
- Based on company size and industry, compare the company's indirect tax processes to similar companies
- Provide high level recommendations for process improvements, along with consideration of priority and implementation effort

Deliverables

- Written report documenting findings

Indirect Tax Process Review Approach

We use the following approach when performing our review:

- Define the scope of the review, approach and communication plan
- Facilitate interviews and workshops (typically 1–2 days)
- Perform tests of current processes, as applicable
- Prepare a findings report summarizing:
 - Company's current processes
 - Potential areas of exposure and/or refund opportunities
 - Recommended process improvements based on our observation and our understanding of the company's business objectives
 - Comparison of current processes with leading industry practices
- Meet with the company to confirm our findings and recommendations
- Assist the company with implementing process improvements

Why Deloitte?

- One of the largest Multistate tax practices in the U.S.
- Dedicated indirect tax specialists including professionals previously employed by taxing authorities
- Professionals with deep industry experience
- Experience working with state & local taxing authorities throughout the country

Key Issues Addressed

- **Nexus/Filings:** Analyze nexus creating activities, agency/affiliate nexus relationships, current tax filings, and statute of limitations implications
- **Taxability Decisions:** Analyze tax base, tax rate determinations, process for development of taxability decisions (e.g., tax decision matrices), integration into business/operating decisions, integration with compliance, and potential applicable exemptions
- **Compliance:** Analyze data collection, process and effectiveness of tax compliance systems, overpayment/underpayment potential, use tax accrual review, indirect tax account reconciliation, and sales/use tax compliance on procurement/purchasing card purchases
- **Records:** Analyze exemption and resale certificate management policy, record retention policy, information accessibility, and adequacy of documentation
- **Audits:** Review audit history and results and processes in place for managing audits
- **Personnel and Resources:** Review current sales/use tax roles and responsibilities, turnover risk, and training needs
- **Other Transactions:** Analyze sales/use tax policies on intercompany transfers, inventory withdrawals, promotional Items, leasing, centralized purchasing, and mergers and acquisitions
- **Sales Tax Reserves:** Where appropriate, analyze sales and use tax reserve calculation processes

Indirect Tax Process Review Potential Benefits

- Identify potential indirect tax risk/exposures
- Identify potential refund and/or tax reduction opportunities
- Enhance/automate the indirect tax compliance process
- Identify potential tax planning opportunities
- Identify areas where there is turnover risk or resource enhancement opportunities

Characteristics of a company that may benefit from indirect tax process review services:

- Multistate operations
- Currently under audit in multiple jurisdictions for indirect taxes
- Recent or planned business expansion, acquisitions and capital expenditures
- Limited indirect tax resources
- Turnover of tax resources
- Manual processes for calculation and/or reporting

Potential Benefits:

- Manage risk
- Quantify Exposures/overpayments
- Identify process improvements
- Confirm/communicate issues

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