

# Indirect Tax Technology **Cost Estimates** and Implementation Considerations

## Indirect Tax Tech Solution Acquisition Approaches

There are two main approaches how businesses go about implementing and managing their indirect tax tech stack. Some corporations use multiple point products from various tax tech vendors while others rely on a single comprehensive platform. In both cases, there are several key cost and risk factors that must be considered.

Total Cost of Ownership (TCO) which includes initial purchase costs (licensing fees for each individual product or a single platform, discounts, etc), implementation costs (integration costs for each product/platform with the existing ERP or other systems, costs for data migration between systems, customization, etc), maintenance & support costs, training costs, operational inefficiencies, audit & compliance costs (increased complexity in gathering data for audits, potential costs for external audits or consultants to ensure compliance, etc).



### Efficiency Gains:

Estimate efficiency gains in time, reduced errors, and smoother operations with a single platform versus multiple systems.



### Risk Mitigation:

Factor in the potential costs of non-compliance, penalties, or audit failures due to system inefficiencies or integration issues.



### Scalability & Future Costs:

Consider the long-term scalability of each option and the potential future costs as the business grows and regulations change.

The final decision on vendor/solution selection would weigh the initial and ongoing costs against the operational benefits, risk reductions, and scalability advantages.





## Implementation Cost Estimation

To compare indirect tax solutions from various vendors and assess both avenues (a combo of several point products vs a comprehensive solution suite), consider using Cost Calculator in the second tab. Also, it's highly advisable to review and take into consideration other costs and risks associated with implementation of an inadequate indirect tax solution in the third tab.

## Value Propositions and Cost Efficiency of the Sovos Solution

Here's some of the many benefits that Sovos customers enjoy by selecting our Indirect Tax Suite (ITS):

- Licensing fee is usually much lower than the sum of multiple point products.
- A streamlined implementation process since all functions are within a single platform.
- Single maintenance contract for a platform is often more cost-effective.
- Unified support system for ITS also reduces the time and complexity of issue resolution.
- The single solution approach enables consistent updates and upgrades across the entire platform. Training for one system, potentially reducing overall training time and costs.
- Simplified ongoing education due to a unified platform.
- Reduced complexity and increased operational efficiency from a unified system.
- Lower risk of errors due to integrated data and processes.
- Potential for automation and streamlined workflows.
- Easier data retrieval and reporting for audits.
- Enhanced compliance management with a single source of truth.

# Cost Estimation: Indirect Tax Technology Solution

Direct and indirect expenses

Buyer's Company Profile:

Annual revenue \_\_\_\_\_ # Invoices to process annually (purchases, sales: B2B, B2G, B2C) \_\_\_\_\_ # Annual returns (SUT, VAT, Intrastat, EC Lists, OSS/IOSS, etc) \_\_\_\_\_ # Systems to integrate (ERP, P2P, O2C, eCommerce, Billing, etc) \_\_\_\_\_

Category	Line Item	Point Product: Determination	Point Product: E-Invoicing / Filing	Point Product: Reporting / Filing	Point Products: Combo Cost	Comprehensive Solution Suite Cost
<b>I. Initial Licensing Costs</b>		<b>A</b>	<b>B</b>	<b>C</b>	<b>A+B+C</b>	
	Licensing fee(s)					
	Transactional costs					
<b>II. Implementation Costs</b>						
	Integration fee					
	Customization fee					
	Data migration fee					
<b>III. Maintenance &amp; Support Costs</b>						
	Annual maintenance fee					
	Support contract fee					
	Update & upgrade fees					
	Tax & compliance staff (internally)					
	Tax & compliance staff (externally)					
	IT support & maintenance staff (internally)					
	IT support & maintenance staff (externally)					
<b>IV. Training Costs</b>						
	Number of systems to train on					
	Training fee per system					
<b>V. Operational Inefficiency Costs</b>						
	Time spent resolving discrepancies (hours annually)					
	Estimated error costs (penalties, rework, etc.)					
<b>Total Cost</b>						

# Opportunity cost of non-compliance with indirect tax regulations

There are significant risks and costs associated with non-compliance with indirect tax regulations.

## 1. Quantifiable Financial Risk Factors

### **Indirect tax not deducted due to lack of controls**

Impact: Global indirect tax that could have been deducted but is now a cost due to inadequate controls.

### **Revenue not collected due to non-compliance in invoicing**

Impact: Global revenue at risk due to errors in invoicing.

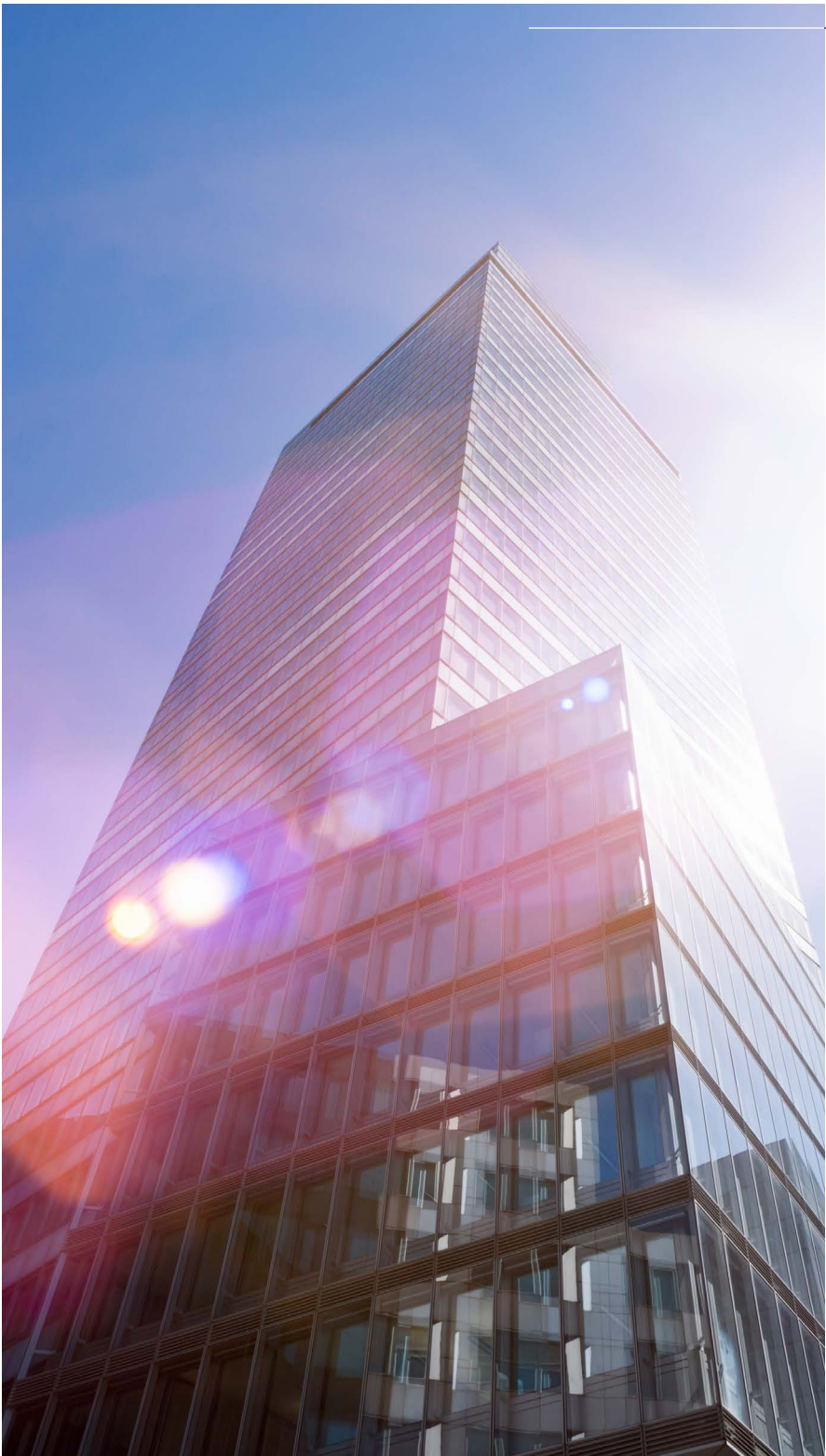
### **Monetary penalties, fines & interests**

Impact: Penalties, fines, and interest incurred due to non-compliance issues such as late or incorrect tax filing, unregistered tax obligations, and underreported tax amounts. These also include suspensions or loss of tax benefits, denial of tax refunds, and penalties on unpaid tax.

### **Business efficiency/productivity losses**

Impact: Resources that are better allocated towards core business activities are instead spent on dealing with non-compliance issues.





## 2. Nonquantifiable Risk Factors

### **Business continuity & reputation**

Non-compliance can lead to severe consequences such as losing government contracts, adverse external audit reports, being placed on tax authority watch lists, losing customers, facing lawsuits, criminal prosecution, or even business closure.

### **Local solutions shortcomings**

Local tax solutions often focus on meeting minimum legal requirements but may fall short in areas like scalability, timely compliance with new mandates, future-proofing, and preventing inconsistencies.

### **Training Resources**

The use of multiple local solutions necessitates diverse staff training and can lead to inefficiencies.

### **Innovation & System Decommissioning**

Non-standardized processes and incompatibility with global systems hinder innovation and may force the premature decommissioning of automation systems.

### **Service Level Agreements (SLAs) & Insurance**

Local vendors often meet only minimum regulatory standards, which may be below the expectations of multinational enterprises. Insurance coverage may also be inadequate

### **Liability & Information Security (InfoSec)**

Local service providers often limit their liability and may not meet global InfoSec standards required by multinational corporations.

### **Other International Norms**

Local vendors may be unaware of or non-compliant with international norms, including OECD anti-corruption rules, anti-money laundering requirements, and anti-slavery practices

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