



# Improve efficiency and compliance with accurate use tax accruals

A joint offering from KPMG and Thomson Reuters



Similar to sales tax—but more complex—use tax must be considered in every transaction.

Levied by all US states at a rate similar to sales tax, use tax must be paid for the storage, use, or consumption of tangible personal property—and services in some states. Calculation of use tax is complex because the amount accrued depends not only on where and how an item is used, but also on the amount of sales tax charged by the vendor. That is, use tax may need to be fully accrued if the vendor charges no sales tax, only partially accrued if the vendor incorrectly charges sales tax, or not accrued at all if the sales tax is paid accurately.

As states experience revenue shortfalls, the reliance on use tax is becoming more pronounced. Today, use tax assessments and penalties are a larger portion of transaction tax audit findings.

Yet, many companies don't have a reliable use tax process. If they do, it is usually manual and labor intensive. Many times, it is owned by the accounts payable department—not seasoned tax experts. Review processes focus on high-dollar transactions and miss the bulk of purchases. Use tax may be underprioritized or ignored, placing companies at risk for tax penalties and interest payments. While some companies pay too little use tax, others pay too much and create unnecessary cash flow issues.

Fortunately, KPMG LLP and Thomson Reuters can improve use tax management for companies using—or planning to implement—Oracle Cloud ERP. The latest evolution of the integration between Thomson Reuters ONESOURCE Determination and Oracle Cloud ERP delivers important functionality to enhance use tax calculations. KPMG has the skills to plan, design, and implement both the technology and the supporting use tax rules and processes. With this joint offering, your company can efficiently and accurately calculate use tax while reducing transaction tax audit risk exposure.



**Use tax processes and technology to increase accuracy, efficiency, and compliance**

## Streamlined processes from KPMG

By validating tax rules applicable to your business and implementing those policies through systems, KPMG can help you achieve desired outcomes.

Many of the challenges with use tax accruals—and the sales tax verification behind them—stem from data challenges in the procurement process. Incomplete or incorrect shipping and use data collected at the time of purchase negatively impact tax calculations. KPMG professionals examine your ERP system to determine whether the right product origination and use classifications are in place. By capturing additional fields and use data, the tax engine can provide more discrete and accurate calculations.

Because use tax is reported and paid as part of the sales and use tax compliance process, batch processes can be used to replace real-time calculations. This option provides extra time for data collection and cleansing. KPMG can help you set up the tools for capturing and consolidating data as well as the processes for feeding the data into the tax engine.

Finally, review processes are critical for accurate accruals, but many are manual. KPMG can help you determine threshold settings, either in the ERP system or the tax engine, to drive specific behaviors through automation. With the right process and technology, you can automatically flag specific transactions for deeper review—reducing manual reviews to a small, defined subset.

## Powerful technology from Thomson Reuters

The technology behind the joint offering is Thomson Reuters' ONESOURCE Determination—a powerful, leading-edge tax engine—and the latest evolution of its integration with Oracle Cloud ERP. The upgraded integration provides new use tax accrual functionality as well as the ability to easily exchange data with the ERP system.

The new updates enable ONESOURCE to calculate full and partial use tax accruals. The tax engine compares vendor-charged tax amounts to calculated tax amounts and then calculates tax accruals based on user-defined tax rules. In addition to the existing proportional spread distribution, tax organizations can define a bottom-up (local to state) or top-down (state to local) accrual approach. New reporting capabilities reveal vendor-charged tax, engine-calculated tax, and specific analytical fields. In addition, the rules and configuration reside in the tax engine's user interface—not the ERP system or separate integration config files—making control and updates easier to manage. Most importantly, the integration has been enhanced to return the tax data to Oracle Cloud ERP and properly post the full and partial accrual amounts.

Because tax rates vary depending on the vendor's and buyer's location, accurate address capture is critical for calculations. New address verification capabilities built into the integration between ONESOURCE and Oracle Cloud ERP enable you to validate addresses directly within Oracle and help ensure the right address is captured within the ERP master data. If you have many customer records, suppliers with multiple locations, and purchases in multiple geographic areas, this functionality improves your use tax accrual.

## A controllable solution to a complex problem

KPMG helps customers of Oracle Cloud ERP and Thomson Reuters ONESOURCE Determination take advantage of new functionality in the integration between the two systems. Potential benefit advantages may include:



Accurate use tax calculations



Enhanced efficiency with fewer manual processes



Improved data quality and collection



Stronger controls and governance



Improved compliance



Reduced transaction tax audit exposures





## **KPMG: Deep experience with indirect tax**

KPMG has a long history of process improvements and technology implementations for the source-to-pay function—including automating procurement processes using tax engines across a range of ERP systems. KPMG has also developed tools for batch process calculation using analytic process automation tools in conjunction with tax engines. Combining this experience of working with Thomson Reuters for nine years makes KPMG among the best qualified to implement the new functionality in the integration between ONESOURCE and Oracle ERP Cloud. In client environments, KPMG leads the technology design, testing, validation, go-live, and continued support. KPMG also offers an outsourced service offering for use tax using ONESOURCE technology. Either way, you can take advantage of the KPMG deep experience of addressing use tax challenges with modern tools.



## **Thomson Reuters: Market-leading indirect tax technology**

Thomson Reuters ONESOURCE facilitates global tax compliance and accounting decision-making. Supporting more than 190 countries, ONESOURCE helps companies stay in compliance, avoid penalties and audits, save time, and increase efficiency through every step of the tax lifecycle, including corporate income tax, indirect tax, property tax, tax information, reporting, transfer pricing, data management, and internal processes.



## **Overcome use tax challenges**

Calculating use tax is a complex and underserved problem. Thomson Reuters' latest evolution of the integration between ONESOURCE Determination and Oracle Cloud ERP delivers important advancements in automating use tax calculations. Together, KPMG and Thomson Reuters can help reduce the complexity of use tax challenges. Contact us to learn more.



# Contact us

## **Niren Saldanha**

**Partner, Tax**

**Indirect Tax**

**T:** 212-954-3835

**E:** nsaldanha@kpmg.com

## **Cory McClure**

**Alliance Director**

**T:** 313-230-3312

**E:** corymclure@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained herein is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

© 2021 KPMG LLP a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. NDP159063-1A