Buyers guide to tax compliance automation

Avalara
Tax compliance done right

GUIDE

Contents

ABOUT AVALARA

Avalara makes tax compliance faster, easier, more accurate, and more reliable for 41,000+ business and government customers in over 75 countries. Tax compliance automation software solutions from Avalara leverage 1,200+ signed partner integrations across leading ecommerce, ERP, and other billing systems to power tax calculations, document management, tax return filing, and tax content access.

Visit **avalara.com** to improve your compliance journey.

Evaluation criteria for choosing the right technology solutions for your business

Tax compliance is a big undertaking for any business. Moreover, its complexity seems to increase in lockstep with business growth.

To stay competitive, organizations must streamline processes, reduce risk, and keep up with frequently changing tax laws. Automation and AI technology solutions offer an opportunity to alleviate the burden of managing operations manually, including tax compliance.

This guide provides a structured framework for evaluating, comparing, and selecting the right tax compliance automation solution to help with your business needs and priorities.

Trends driving urgency to automate tax compliance

Increasing complexity of tax regulations

The intricacy of the global tax landscape drives businesses to prioritize automation. Tax laws across jurisdictions vary and change frequently, often with little notice. Cross-border trade is increasing, which means companies need to understand and manage compliance requirements for multiple tax types including sales and use tax, excise tax, VAT, GST, and import duties. Additionally, these requirements can differ significantly by country.

Tracking updates, interpreting their implications, and applying them to transactional systems is a major undertaking. Dedicated teams for tax research, returns filing, and audit preparedness require substantial investment. There's also increased risk of oversights or errors in tax calculation, filing, exemption certificate management, or reporting with manual processes.

A PwC **Future of the tax function survey** found that among finance and tax leader respondents, more than half (57%) expect to see their tax reporting and compliance responsibilities increase in the next two to three years. More than two-thirds (69%) said a greater use of technology would be needed as a result.

"The corporate tax department is ripe for technology that **facilitates process automation**, improved document and knowledge management, and higher quality insights from improved data management and analysis," says Jordan Steele, research manager, Worldwide Financial Applications Support at IDC.

"The landscape of global business and tax compliance is becoming increasingly complex, driven by the growth in tax regulations and the digital economy. Organizations must embrace technology and ensure effective data management to navigate this challenging environment successfully."

Kevin Permenter

SENIOR RESEARCH DIRECTOR
ENTERPRISE APPLICATIONS
IDC

Automation and AI adoption

The integration of AI and automation in tax processes can improve how businesses manage compliance. AI-driven tools can handle repetitive tasks, analyze large datasets for compliance risks, and provide real-time insights, thereby enhancing efficiency and accuracy in tax reporting.

A recent survey of **global tax and finance leaders** found that 90% of respondents believe automation and AI are uniquely suited to make their finance and tax departments run more efficiently. This response is echoed in the **EY 2024 tax and finance operations survey** in which 87% of respondents say AI will drive increased efficiency and effectiveness within the tax function.

According to Senior Vice President of Content Engineering at Avalara, Vsu Subramanian, we'll see the continued emergence of **AI assistants in practice across the compliance space** that analyze data, look for deductions, perform anomaly audits, and assist tax research and filing.

Government-mandated e-invoicing

Many governments are implementing electronic invoicing systems to combat tax evasion and improve revenue collection. More than 60 countries already have e-invoicing mandates in place and that number is likely to increase. Businesses operating in such environments must adopt automated solutions to comply with these requirements efficiently. And while the U.S. lags behind other countries with respect to adopting e-invoicing mandates, there are **progressive steps being taken** to ready the U.S. for such an initiative.

"E-invoicing is more than a matter of compliance – it's about driving greater efficiency and innovation for future growth. As the market continues to evolve, organizations will have to be proactive in understanding regulatory changes, their impact on operations, and the merits of different vendors in this space to ensure they have the **right solutions** in the right markets at the right time," says Charles Aladesuru, research manager, IDC European Enterprise Applications.

Greater need for data-driven decision-making

By automating tax compliance, companies can gain better insights into their tax liabilities and identify opportunities for optimization, supporting strategic growth initiatives. Financial experts like **Deloitte** and **PwC** widely agree that tax compliance processes lend themselves well to automation due to their rules-based and data-driven nature. Harnessing AI-powered technology can reduce manual effort and improve quality and consistency in tax compliance.

Automating data helps businesses make faster, **more informed decisions**, says Shagun Malhotra, a financial auditor and process consultant. This benefit is especially critical in fast-paced business environments, she says, allowing finance and tax managers to seize time-sensitive opportunities or mitigate risks before they escalate.

The business value of tax compliance automation

While every business is different, criteria for evaluating tax compliance automation solutions often focus on these five value drivers:

1. Improved efficiency and accuracy

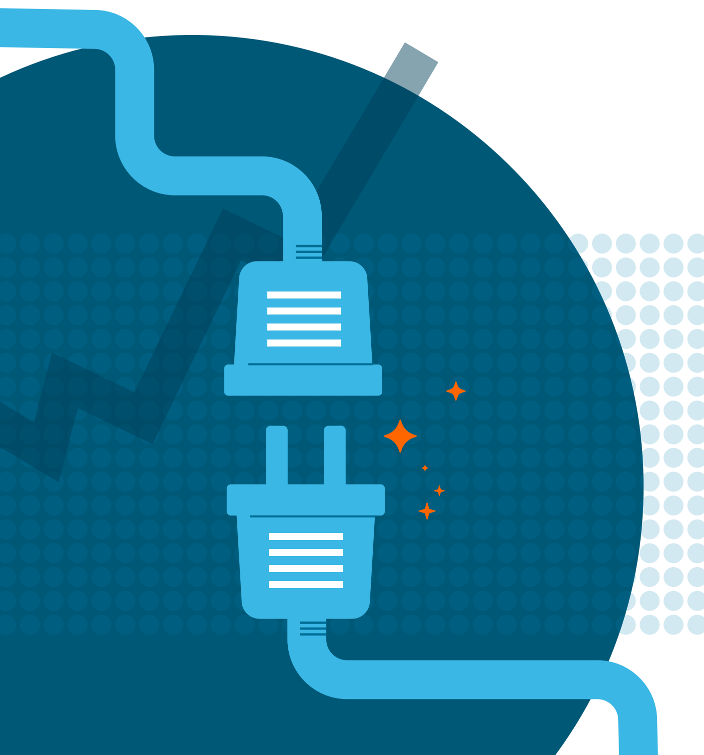
- Handle updates for tax law changes at local, state, and international levels
- Apply the correct tax rates, exemptions, and rules across transactions and jurisdictions
- Enable more accurate application of taxes across high transaction volumes
- Automatically classify products and services according to the updated tax rates and rules

2. Reduced risk and enhanced compliance

- Easily access comprehensive audit trails and documentation
- Get insights into tax liabilities and compliance status with advanced reporting and analytics
- Highlight compliance risks and optimization opportunities
- Meet the highest standards for data security and privacy

3. Streamlined process

- Automate complex calculations, filings, and audit preparation
- Reduce time spent on manual tasks, such as managing certificates or researching tax laws
- Consolidate data across platforms for faster strategic decisioning
- Provide one platform for end-to-end compliance for sales and purchases
- Integrate tax software with existing business systems



4. Ease of integration

- Integrate with existing ERP, accounting, CRM, and ecommerce systems
- Offer APIs for custom integrations or legacy system support
- Readily accommodate changes, upgrades, or customizations as business needs evolve

5. Scalability for growth and complexity

- Manage complex operations, such as mergers, acquisitions, and international expansions
- Adapt to increased transaction volumes, mergers, and new jurisdictions
- Offer international capabilities for VAT, GST, and customs duties
- Scale to accommodate changes in business operations or scope

> "In a time of rapidly accelerating innovation, the potential to transform compliance is immense. But companies need a more comprehensive end-to-end data strategy in order to fully leverage new tech such as AI."

Nolan Ogden
U.S. TAX CHIEF TECHNOLOGY OFFICER
PwC

Tax compliance solution evaluation criteria checklist

When evaluating software solutions, consider which features and functions are essential for your business to meet and maintain compliance requirements.

Tax calculation and management

- [ ] Precise tax rate determination for sales, use, VAT, GST, and customs duties
- [ ] Validation and application of exemptions, product classification, and tax rules
- [ ] Support for multiple tax types and multijurisdictional compliance rules

Compliance automation

- [ ] Regular updates to tax rates, rules, and regulations
- [ ] Automated filing and remittance of tax returns
- [ ] Simplified nexus tracking and threshold monitoring

Audit and risk management

- [ ] Comprehensive record-keeping for all transactions
- [ ] Tools to manage and validate exemption certificates
- [ ] Documentation to simplify external audits

International tax management

- [ ] Automated VAT, GST, and customs duty compliance in 190+ countries
- [ ] Regulatory compliance with e-invoicing and live reporting mandates

Reporting and analytics

- [ ] Advanced dashboards for tax liability, credit tracking, and monitoring
- [ ] Data insights for compliance and optimization
- [ ] Risk identification features for strategic planning

Scalability and flexibility

- [ ] Ability to quickly handle large volumes of transactions and data
- [ ] Capability to grow with the business and accommodate new regions or markets
- [ ] Flexibility to adapt to changing business requirements
- [ ] Customization for industry-specific needs (e.g., retail, energy, hospitality)

Integration and ease of use

- [ ] Integration with existing ERP, accounting, CRM, and ecommerce systems
- [ ] APIs and other tools for custom integrations
- [ ] User-friendly interface and intuitive navigation
- [ ] Simplify existing processes and reduce maintenance

Security and data protection

- [ ] Compliance with industry standards like SOC 2 Type 1 and 2
- [ ] Robust security features to protect sensitive tax and financial data
- [ ] Compliance with data protection regulations (e.g., GDPR)

Cost and ROI

- [ ] Total cost of ownership, including licensing, implementation, and maintenance fees
- [ ] Potential return on investment through efficiency gains and risk reduction
- [ ] Long-term implications of technical debt, including system scalability, upgradeability, and compatibility with future technologies

Vendor reputation and reliability

- [ ] Track record and reputation of the software provider
- [ ] Testimonials from other enterprise customers
- [ ] Financial stability and longevity of the vendor

The Avalara advantage: Different by design

Avalara's technology and industry expertise offer unparalleled tax compliance support for your business.

Extensive integration partnerships

Avalara serves and supports more than 43,000 customers in more than 75 countries through our vast global partner network of technology platforms, systems integrators, tax experts, and accountants. Avalara has more than 1,200 signed partner integrations with leading ERP, accounting, CRM, and ecommerce systems. Robust APIs can accommodate custom integrations for an omnichannel experience and automated compliance.

Feature-rich products and services

Decades of experience have gone into engineering our software and creating an optimal user experience within our applications. Avalara's product suite addresses compliance requirements across multiple industries and tax types. Premium-level product options provide large organizations with the robust functionality and support they need for complex operations.

AVALARA BY THE NUMBERS

Serves
43,000+
customers in 75+ countries

Manages compliance across
13,000+
U.S. sales and use tax jurisdictions

Tax content for
190+
countries

Expert help when you need it

Engage managed services for support and guidance on setting up tax automation for your business. Many of our enterprise and premium solutions include or offer this option. [Avalara Certified Implementation Providers] are experienced at setting up our products in your ERP, ecommerce, and billing systems. Avalara tax experts can help with audits, risk assessments, voluntary disclosure agreements, back taxes, and other complex requirements.

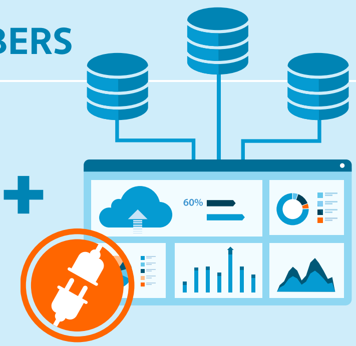
Comprehensive compliance solutions

Avalara offers a variety of additional applications and integrations that enhance the core functionality of our tax compliance solutions. Customize compliance to your specific business needs with industry-specific solutions for retail, manufacturing, services, beverage alcohol, communications, fuel and energy, tobacco and vape, shipping and logistics, and lodging and hospitality.

Highest reliability and security standards

Avalara's 24/7 security operations center, application security protocols, and Security Incident Response Team (SIRT) provide around-the-clock support to protect the integrity of your data. Our platform and cloud services are continuously monitored and maintained by dedicated engineers. Avalara has documented SOC 2 compliance across key solutions, including Avalara AvaTax, Avalara Managed Returns, Avalara Managed Returns for Accountants, and Avalara Exemption Certificate Management in order to help reduce risk and keep customer data safe.

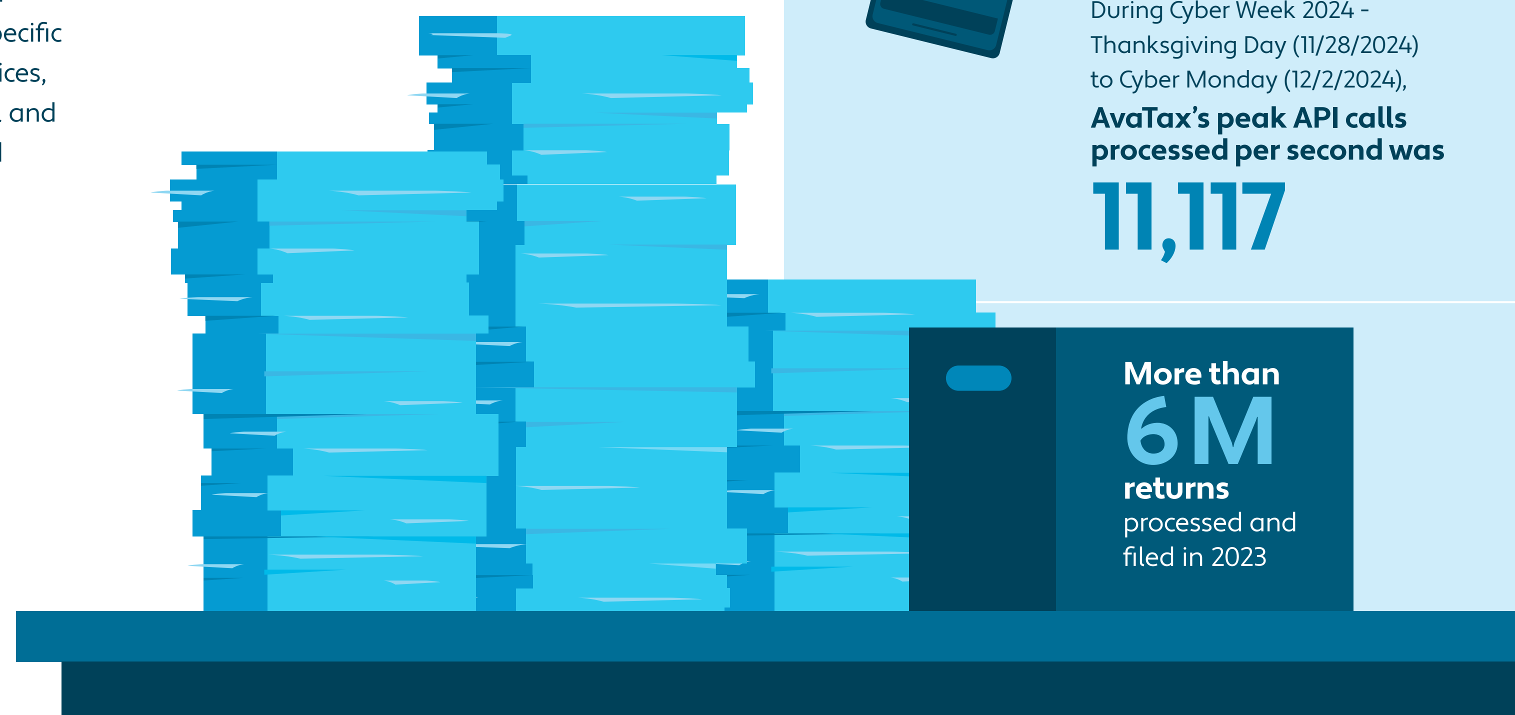
AVALARA BY THE NUMBERS



Supported by
1,200+
signed partner integrations

AvaTax processed
1.14 B
API calls
alone during Cyber Week 2024 – Thanksgiving Day (11/28/2024) to Cyber Monday (12/2/2024)

During Cyber Week 2024 - Thanksgiving Day (11/28/2024) to Cyber Monday (12/2/2024),
AvaTax's peak API calls processed per second was
11,117



More than
6M
returns
processed and filed in 2023

Avalara tax compliance solution matrix

COMPLIANCE FUNCTION	PRODUCT	FEATURES
Tax calculation	**Avalara AvaTax** Determine rates and rules for sales and use tax, excise tax, value-added tax (VAT), goods and services tax (GST), customs duty and import tax, and other tax types.	• Calculate and apply near real-time tax rates based on geolocation, item taxability, and jurisdictional tax rules • Track nexus from interactive in-app map and get alerts when you're approaching a threshold in new states • Create and export reports for sales tax liabilities and exemptions
Remittance and returns filing	**Avalara Managed Returns** File returns, remit payments, and manage notices using a single payment solution. Preferred provider support for Streamlined Sales Tax (SST) returns.	• Access and manage filing schedules and rules for all jurisdictions in one dashboard • File multilocation returns and remit once for all jurisdictions in a few steps • Automatically extract and sync sales data from various platforms
Exemption certificate management	**Avalara Exemption Certificate Management** Configurable options combined with automated workflows simplify and dramatically improve collection, validation, and maintenance processes for your business's exemption certificates.	• Reduce time required to collect, review, validate, and manage exemption certificates • Lessen the effort to track tax laws and expiry dates • Automate document validation, data capture, digitalization, and renewals • Create and send exemption certificates to your vendors with **Avalara Vendor Exemption Management**

COMPLIANCE FUNCTION	PRODUCT	FEATURES
Business licensing and registration	**Avalara License Management** Centralize all your business licenses, permits, and tax registrations through a single application.	• Scale for growth to manage thousands of licenses • Research licensing requirements at federal, state, and local levels • Simplify and streamline process for new licenses and renewals
Tax research	**Avalara Tax Research** Direct access to comprehensive, regularly updated tax research including rates, rules, and regulations for both U.S. sales and use tax and global transaction taxes.	• Easily search for and find tax information specific to your company's compliance requirements • Save time, clarify obligations, and reduce errors with comprehensive, regularly updated tax information • Validate tax decisions with direct access to expert tax researchers
E-invoicing	**Avalara E-Invoicing and Live Reporting** Convert and transmit invoice data from your business systems into outgoing e-invoices in the formats required by individual country regulations.	• Efficiently exchange invoice data with business partners via national and international networks • Use a single API to manage the requirements of multiple countries • Consolidate and centralize e-invoicing and live reporting initiatives
Consumer use tax	**Avalara AvaTax for Accounts Payable** Integrates with your procurement or accounts payable system to automate consumer use tax compliance. Tracks overcharged or undercharged sales tax with the flexibility of a hybrid design that also supports batch uploads.	• Configure vendor rules and capture persistent errors from vendors • Assign thresholds and variance rules to identify and action on high-risk or low-risk purchases • Auto-accrue use tax on returns, with annotations on overpayments for credit tracking and refunds

COMPLIANCE FUNCTION	PRODUCT	FEATURES
International tax compliance	**Avalara AvaTax Cross-Border** Calculates or estimates customs duties and import taxes for consumer products in more than 190 countries in real time and applies it to the transaction invoice or shopping cart.	• Reduce surprises for customers by populating cross-border taxes into online shopping carts • Automatically check for errors or oversights to reduce customs delays • Charge duties and taxes with greater accuracy using regularly updated information
International tax compliance	**Avalara Tariff Code Classification** Automates the process for generating mandatory universal 6-digit or country-specific 10-digit tariff codes.	• Scale product volumes ranging from dozens to millions • Capture transaction details and provide classification rationale to support audits • Choose from AI-based, self-serve, or managed solutions to suit your business needs
International tax compliance	**Avalara VAT Reporting** Automates VAT calculation, returns preparation, filing, and remittance to keep your company compliant with U.K. and EU rules.	• File returns in local languages and formats • Get assistance with payments to tax authorities • Track deadlines and threshold breaches • Stay up to date on regional legislation and reporting requirements
Property tax	**Avalara Property Tax** Centralize real and personal property tax bills, documents, assessments, due dates, forms, return preparation, and appeals in one secure hub.	• Prepare returns for all applicable states (50 states for real property and 37 states for tangible business personal property) • Simplify workflow to speed up the returns process and quickly generate reports • Reduce overpayments and penalties with built-in due date tracking and reporting

COMPLIANCE FUNCTION	PRODUCT	FEATURES
1099s and W-9s	**Avalara 1099 & W-9** A simpler, faster solution to digitally collect W-9s and e-file 1099s and other information returns to the IRS.	• Go paper free with IRS e-file, recipient e-delivery, e-corrections, and state e-filing in one application • Flag errors before e-filing to the IRS • Perform real-time validation of taxpayer identification numbers (TIN)
Tax registrations	**Avalara Sales and Payroll Tax Registrations** Simplify the process of sales and payroll tax registration across the U.S. – all from a single solution.	• One form can manage multiple registrations in multiple jurisdictions • Offload the end-to-end application process • Get help from Avalara experts at every step
Specialized tax solutions	**Avalara for Communications** **Avalara for Hospitality** **Avalara for Beverage Alcohol** **Avalara for Energy** **Avalara for Tobacco and Vape**	• Work in concert with core products to augment your ability to meet specialized compliance requirements

Take the next step with Avalara

If you have questions or need additional information to assist in purchasing decisions, connect with an Avalara tax professional. Ask about curated product bundles that align with your compliance needs and growth goals.

We can also provide the following to assist with RFPs and buying decisions.

- Product demonstrations
- Case studies and references
- Professional and managed services
- Support services details
- Security credentials
- Pricing and detailed cost breakdowns
- Implementation road map

Disclaimer:

Tax rates, rules, and regulations change frequently. We hope you find this information helpful, however, this resource is for informational purposes only and does not provide legal or tax advice.