Indirect tax review

Indirect tax

tax.kpmg.us

Effectively managing sales and use taxes can be a challenging process – especially for companies that do business in multiple states. Legislation is ever-changing and can be inconsistent across many states. Rapid technological evolution impacts how and what companies purchase and sell while tax laws struggle to maintain pace, further complicating matters. As a result, in-house tax departments may not have the capacity or the technology to determine whether they are paying the correct amount of sales and use tax. In today's economic environment, under- or overpaying sales and use tax can have a profound influence on a company's operations and financial performance.

KPMG LLP (KPMG) Indirect Tax Review is a managed service that utilizes its proprietary KPMG Indirect Tax Analytics Platform in conjunction with a customized team of professionals to conduct an organized and efficient review of a company's purchase transactions to help identify the potential misapplication of sales and use tax. Under many circumstances, KPMG can identify these adjustments prior to the tax returns being filed by leveraging its pre-defined data extraction scripts, machine learning algorithms, and the KPMG Indirect Tax Analytics Platform. The KPMG Indirect Tax Analytics Platform technology is critical to the process as it provides an end-to-end solution for data staging, transformation, scoping, review, and reporting, while also leveraging the latest in automation, visualization, and predictive analytics. Our efficient approach can help a company significantly reduce its potential exposure to audit risk related to underpaid tax while also avoiding potentially overpaying tax and having to seek refunds.

Why KPMG?
KPMG Indirect Tax Review managed services include:

— Organized, efficient, and collaborative process

— The use of innovative and advanced technology

— Customized and client-specific teams

— Recognized leaders in state and industry tax issues.

Utilizing these strengths, KPMG is able to identify potential tax under- or overpayments and advise on potential solutions before a transaction gets reported in error on a sales and use tax return.

Indirect tax review managed service process
In delivering our services, KPMG will utilize a proprietary and consistent process, the latest in technology and data management solutions, and an experienced team of local, state, and industry professionals to provide a quality, efficient, and timely review of your indirect taxes.

Our managed service process begins by collaborating with you to establish project goals, including identifying states, entities, and issues in scope, establishing communication lines, and identifying members of KPMG and client teams.

Next, we perform a diagnostic review of a company's primary tax-related processes and functions to help obtain an understanding of your systems and processes related to sales and use tax payments. Using proprietary data extraction queries (we have data extraction queries for most major ERP systems and can develop custom queries if necessary), we work together with your IT professionals to deploy the queries and extract only the data needed for the

scope of the engagement. The queries can be easily updated and re-run to extract the next month of data for the duration of the project. Extracted data is typically transferred to KPMG via a secure file transfer protocol (SFTP) site, stored, and later reviewed on secure servers so that data integrity is consistently maintained. Extracted data is validated against control totals to ensure completeness and accuracy.

To expedite the indirect tax review process, extracted data is staged and transformed in our Indirect Tax Analytics Platform utilizing our common data model (CDM). KPMG Indirect Tax Analytics Platform's CDM helps facilitate our machine learning process and provides for an efficient manner for scoping, reviewing, and reporting indirect taxes.

Machine Learning (ML) is a field of computer science that uses artificial intelligence and statistical analysis to give computers the ability to "learn" and assist in decision making. In the context of an indirect tax review, we train the software to evaluate a dataset previously reviewed by a professional then determine the taxability of each transaction in a new dataset based on common data elements between the two datasets. Leveraging ML greatly increases the efficiency of our review as it helps identify transactions that are more likely to trigger an under- or overpayment of tax, reducing the number of transactions that require detailed analysis.

Once the ML process has been completed, the ML predictions are loaded to KPMG Indirect Tax Analytics Platform, our cloud-based, end-to-end technology platform which combines several review functions into an elegantly designed user interface to assist the project team in conducting its review. The platform's Project Scoping tab is a dashboard containing multiple analytics that can be used to identify trends, orders of magnitude, and anomalies in the tax data that warrant further review. Simple point-and-click allows users to select filters via the Project Scoping tab to isolate transactions of interest. With the filters applied, users can proceed to the Project Review tab to review additional detail about the selected transactions, including our machine learning predictions, and enter comments regarding the taxable or exempt nature of the transaction and suggested tax adjustment. The Project Insights tab provides a high-level overview of the amount of tax contained in the dataset and real-time insight into the status of the review.

Clients will have the ability to access the Indirect Tax Analytics Platform analytics dashboards and review the KPMG team's suggested tax adjustments and accept them before the data is reported on a return. Reviewed data can be exported from the platform and sent to the client's tax compliance team or third-party provider to

be entered on a return. The files can also be retained to support potential future tax examinations.

Our team

When you engage KPMG to provide your company with indirect tax review managed services, you receive the collective knowledge, experience, and skills of the entire practice, not just those of the professionals in the local market.

A cornerstone of a successful managed service engagement is having a project team with the level of knowledge and experience that is functionally aligned with a company's needs. KPMG indirect tax managed services are delivered through a combination of national and local resources that are led by the KPMG National Indirect Tax practice team. KPMG customizes its managed service delivery teams around the specific needs of a company. We utilize national and local professionals with experience in your company's industry, tax jurisdictions, systems and processes to help ensure that we are bringing the right team to serve our client's needs.

In addition to the core Indirect Tax practice team, KPMG managed services are supported by a group of nearly 1,000 state and local tax professionals located across the country. KPMG's State and Local Tax (SALT) practice includes the following specialty teams:

Industry specialists: KPMG has a team of professionals devoted to supporting and understanding the unique needs of companies doing business in that industry. Our industry teams include professionals specializing in tax issues for companies in manufacturing, retail, telecommunications, oil and gas, power and utilities, healthcare and life sciences, and others.

Ignition: The KPMG Ignition team accelerates innovation and fuels change by using the latest technology advances. Ignition comprises seasoned professionals with backgrounds in tax, forensics, data and analytics, visualizations, enterprise and tax technologies, and digital labor. Working in tandem with the managed service team, Ignition helps develop creative solutions to our clients' most pressing technical issues.

Ignition also consists of transaction tax systems professionals who assist the project teams in coordinating with a company's Information Technology (IT) and tax systems personnel. These KPMG professionals use their knowledge of tax and financial systems to identify and gather data from our clients in an efficient manner. They also collaborate with the project team to identify high-level, system-related issues that may be causing indirect tax under- or overpayments and make recommendations for potential ways to correct issues that are identified.

State Tax Resource Network (STRN): The STRN is comprised of tax professionals who possess deep, technically diverse experience in all states. This group has developed strong business relationships with state tax administrators and other public officials in their particular state and local tax jurisdictions. They keep pace with changes in sales and use tax legislation and administration and are adept at understanding the nuance of sales and use tax laws. The STRN can assist with identifying potential issues that result in under- or overpayments of tax and can advise on mitigation plans.

Washington National Tax (WNT): WNT helps keep KPMG professionals aware of and provides insights related to tax developments across the country and is led by Harley Duncan, who, prior to joining KPMG, held the post of Executive Director of the Federation of Tax Administrators for 20 years. By regularly monitoring the legislative, judicial, and regulatory tax landscape, WNT SALT is able to stay at the forefront of stand and local tax – and keep our clients abreast of changes that can affect their business.

Contact us

Rick Blattner
Principal, Tax
T: 312-665-1097
E: rblattner@kpmg.com

Brandon Fulmer
Managing Director, Tax
T: 214-840-2497
E: bfulmer@kpmg.com

taxkpmg.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