



Insight Summary

The Complexities of Global Indirect Tax Compliance: Challenges and Solutions

How to embrace 'always-on' indirect tax management

sovos

Introduction

For organizations operating globally, managing indirect tax obligations is increasingly complex. It's difficult even if your business has adopted technology and rules engines, and if you still rely on manual processes like Excel, it's nearly impossible.

Those complexities create three significant obstacles when you're looking to expand into new markets or optimize your operations in existing ones:

1. Constantly changing tax rules and intricacies:

Each country's unique tax regulations and business processes make it impossible to adopt a singular approach to tax compliance.

2. Different reporting cadences:

Governments have diverse reporting requirements, with some moving towards real-time controls such as at the point-of-sale, while others require periodic data submissions, such as monthly or daily reports.

3. Different forms of defense:

Businesses need to maintain forensic detail, digital signatures, and verified documentation for transactions, and be prepared to store these records for specified periods and address any disputes promptly.

To address these challenges, global organizations are rapidly evolving their technology, process, and teams towards a new 'always-on' compliance stance. Reports suggest nearly 70% are expecting to focus more on tax governance in this way in the next two years.¹

67%

of multinationals have a high or very high concern around understanding relevant tax disclosures requirements and standards.²



A Seismic Shift in Compliance Stance

Traditional stance

- Transactions go to accounts payable systems
- They're reviewed by ERP
- Finally submitted to tax authorities
- Lengthy process – can take up to a year
- Company-led
- Retroactive

New 'always on' stance

- Real-time transaction monitoring
- Provides immediate access to transaction data and liabilities
- Government-led
- Proactive
- Instant

This shift to 'always-on' compliance is largely caused by governments adopting Continuous Transaction Controls (CTCs) and demanding a full visibility into every transaction far more regularly than has previously been the case.

The trend towards accelerated reporting

For example, Spain requires electronic invoicing records within 4 calendar days of a transaction taking place, while Hungary demands the information in real time. Italy goes further and requires the data to be transmitted and 'cleared' by the government prior to shipment.³

90%

of companies expect their compliance operating costs to keep increasing by up to 30%.⁴

The Indirect Tax Risk Curve

In response to the 'always-on' challenge, businesses have invested in disparate tax point solutions by region and tax type, leading to increased costs and risks.

This fragmented approach increases the demand for IT support and complicates processes; issues which only continue to grow as

59%

of multinationals anticipate simplified compliance through introducing e-invoicing.²

the company expands its global reach and new regulations are devised.

To mitigate these issues and flatten the curve of increasing cost and risk, businesses should adopt platforms that consolidate indirect tax solutions, and ensure compliance with globally evolving regulations.

What to look for in a consolidated indirect tax management solution:

1. Pre-built connectors:

Quick connections between financial systems, government systems, and other entities.

2. Embedded integrations:

Integrating tax capabilities within existing financial and supply chain systems.

3. Open connectivity:

Open APIs for persistent connectivity to government agencies and other entities, supporting diverse use cases.

The Sovos Indirect Tax Suite

Part of the Sovos Compliance Cloud, the Sovos Indirect Tax Tech Suite offers comprehensive solutions for global indirect tax management:

1. Connect anywhere:

Sovos enables connections to the governments, businesses, suppliers, and enterprise financial systems that matter to you. We offer 70+ integrations to ERP, AP and AR systems of record that enable you to keep your indirect tax compliance within your current workflows, and 300+ integrations into other ERP, ecommerce, and tax applications.

2. Transact accurately and instantly:

Sovos ensures compliance in transactions with e-invoicing and e-receipt capabilities, seamlessly connecting with relevant government agencies in real time.

3. Determine globally:

The global determination engine provides accurate tax rates and rule updates for VAT, GST, and SUT across 185+ countries, managing specific rules and exemptions.

4. Report everywhere:

Sovos supports processing, reconciling, and validating compliance obligations globally, offering both granular and aggregate views of transactions.

5. Analyze future performance:

Centralized data allows for better analysis of future liabilities and readiness to enter new markets.

91%

of enterprises are seeing movement towards Tax Administration 3.0 i.e. the digital transformation of tax administration.²



The Time to Shift is Now

The growing importance of CTCs globally, and the desire of businesses to expand their reach means the traditional stance of indirect tax management is simply no longer capable of meeting their needs.

Instead, the comprehensiveness of management solutions like the Sovos Indirect Tax Suite means companies now have no excuse for not shifting to a more risk averse, and 'always-on' compliance stance.

The Suite is a robust, integrated solution that adapts to changing regulations across jurisdictions, combining advanced technology with expert knowledge to ensure seamless and compliant operations worldwide.

An aerial night photograph of a dense urban area. The city is filled with numerous skyscrapers, their windows glowing with light. A major highway or elevated road cuts through the city, with its lanes filled with streaks of light from moving vehicles. The overall atmosphere is one of a bustling, modern metropolis at night.

To find out more and upgrade
your indirect tax management
stance, contact us.

1. EY
2. Deloitte, '2024 Global Tax Policy Survey'
3. Sovos, 'What Is Indirect Tax?'
4. Accenture