



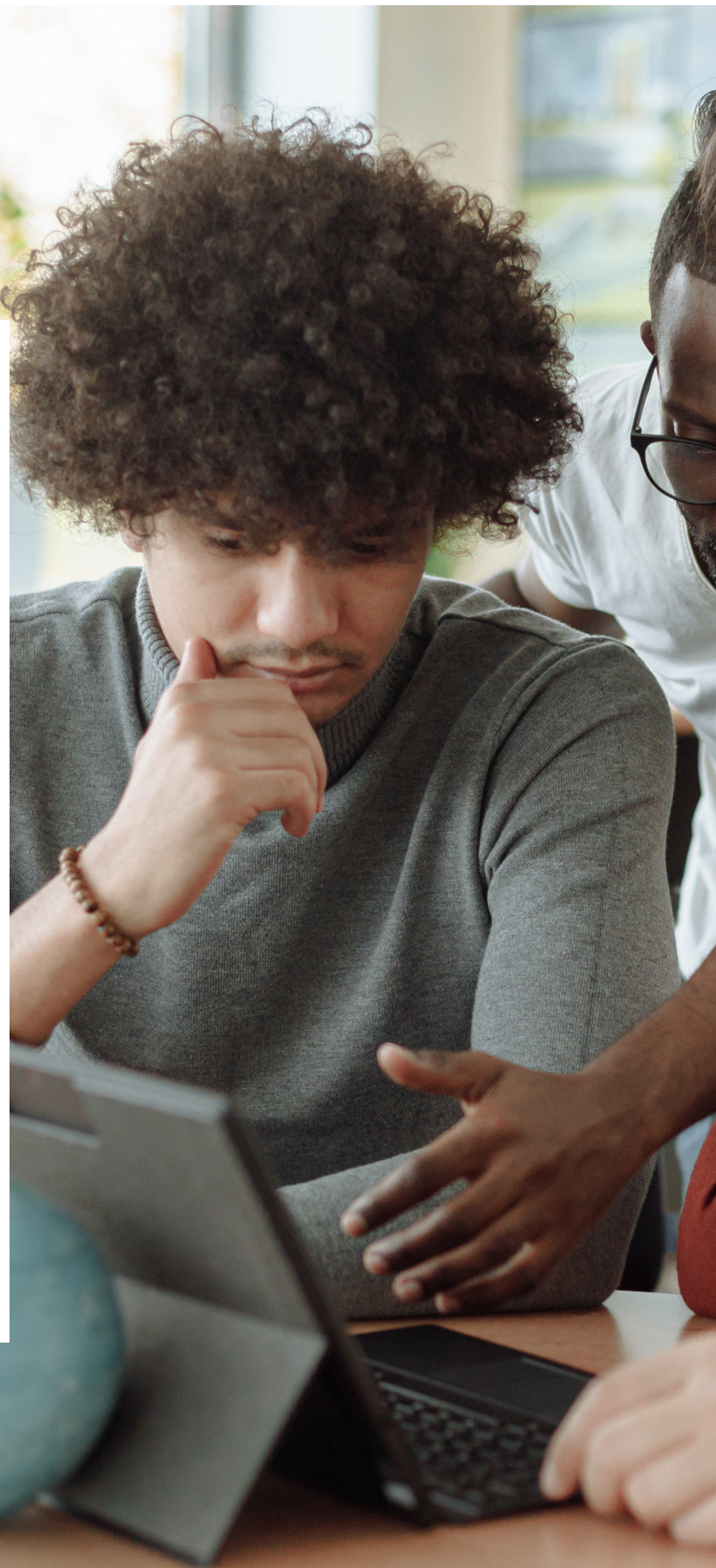
Tax & Accounting

*Hands Free Digital:
A Digital Transformation for
Tax Compliance*

Hands-free returns are among the most complete and effective digital transformations a company can undergo for sales tax compliance, saving tremendous time and money on every transaction.

Most people don't understand what a "digital transformation" really is. They think it's just putting in new technology. It's not. It's changing how people use technology to make things work better, faster, with fewer errors and lower costs.

Hands-free returns does just that, as it automates the entire end-to-end process of computing, collecting, preparing, scheduling, addressing, and remitting taxes to every authority required.





It's Too Much for People to Keep Up With

Think about all the rules and rates involved in collecting and remitting sales and use taxes for the many different tax authorities you are impacted by. Remember, too, that all of them are constantly changing. How are you supposed to keep up with that? Every time you execute a transaction — every time you sell something to someone — you must compute and collect all those taxes correctly. Try to do that manually, and it will take so long you may get one transaction done in a day.

The hands-free solution from Wolters Kluwer gives you everything you need to compute, collect, and properly remit all taxes. It gives you the engine that does all the calculations for you, and it also knows exactly when and where each remittance must be sent in.

The Data Is Constantly Changing

It also provides the constant data updates needed so that whenever anything changes, your engine is updated. You remain accurate, you remain in full compliance, and you stay safe from all those nasty fines and penalties. That's why we say this is the ultimate digital transformation for any business that conducts transactions and must collect and remit taxes.

Hands-Free Sales and Use Tax Returns Explained

For every sales transaction, a sales tax can apply. The seller is obligated to determine, collect, report, and pay that tax on behalf of the purchaser. It's an involved process and even moreso since the Supreme Court's Wayfair decision changed the rules for which states can now collect tax. Over the last few years, more states can collect tax, and now the number of taxable items has also increased, making the entire sales tax compliance process difficult.

For example, consider an eTailer that receives an order over the internet. Sales tax was once a 'hands-on' process, where staff intervened in the process to perform some of the compliance tasks, such as producing reports.

But, with over 10,000 taxing jurisdictions and related forms, the sales tax process can be a complex, risky, and time-consuming task - if it's even possible at all. Hands-on is no longer a viable option. A hands-free returns process uses a workflow that automates the entire process of creating a sales tax return, from calculation to production to remittance.

The hands-free process is scalable, increases productivity, improves accuracy, and helps to reduce risk.

The degree of automation is up to the business. Using in-house staff, an organization

can manage the calendar production of returns and filing. A managed services option can further minimize staffing by outsourcing the entire process.

How We've Automated the Calculation, Collection, Processing, and Remittance of Sales and Use Tax

With more and more companies selling online into more and more states, counties, cities, and districts, each with its own taxation laws, the complexity of calculating and collecting sales and use tax went far beyond what could be processed by human beings in a reasonable amount of time.

What was needed was a solution that calculates the tax due to each eligible authority and then forward the collected tax flow directly onto the various required returns. Then each return gets filed on time and to the right place.

Earlier efforts at automation consisted of a calculation engine to compute the tax due — and a processing engine to prepare the returns. Operators would then periodically transfer the data from the calculation engine into the processing engine in order to produce the returns they would mail as needed. Though not as slow and error-prone as having human operators attempt to perform all these functions, this approach was still time-consuming, and transfer errors were not unusual.



For maximum efficiency, this end-to-end process needs to be seamless.

Hands-free returns brings the entire process together in one automated engine. Data, automatically updated constantly just as your antivirus software is, enables the calculation of all taxes due to all eligible authorities. At the appropriate time, returns are prepared based on the recorded transactions. Those prepared returns can be reviewed by human managers if so desired, and they are then sent to each of the appropriate authorities at the correct addresses by or before the date they are due. One system keeps the data flowing from transaction to remittance.

The Challenge Keeps Growing

Ensuring digital transformation from manual to automated sales and use tax processing is now more critical than ever. The number of people with the needed expertise to perform these calculations is rapidly declining while the number of transactions is exploding.

Also, with more companies conducting business online, more sales are taking place outside the state the sellers are located in, which in-and-of-itself creates the need for more varied remittances.

But it also increases tax liabilities in an unprecedented way.

Previously, companies only had to collect

taxes in states where they maintained a physical presence. A store, or a warehouse, or processing facilities. No facilities in a state? No taxes due for sales performed there.

The State of South Dakota saw how much tax revenue it was missing from sales into the state by online reseller giant Wayfair. They sued Wayfair and won. As a result of that decision, the nexus, the determination as to whether or not a company must pay tax to a state they are selling into from outside, is now determined not by physical presence but by the volume of sales in dollars or number of transactions conducted. And those thresholds are different in every state, county, city, district, and other authority. Complexity increased by orders of magnitude.

Even worse, the company now needed to carefully monitor its sales into each geography to know when they had exceeded the threshold in dollars or transactions sold. Failure to do so would put them out of compliance, making them liable for penalties and fees.



Hand It to Hands-Free Returns

Most errors are not caught quickly. Anyone who has ever been notified that they were out of compliance some time ago and now must pay the difference plus penalties and fees will tell you it's a painful experience, one they never want to repeat.

The most significant benefit derived from Hands-free returns is the minimization or even elimination of such errors reducing the likelihood of penalties and fees to near zero.

The other is the digital transformation benefit. The growing number of people who used to be involved in laboring over these calculations and return preparations can now be reassigned to more profitable and rewarding work. In some cases, the result may be a reduction in the need for such staff.

Costs are reduced. Customers are served far more quickly, so their experience improves. Internal workflow is streamlined and more efficient. And the potential hazard of sudden, steep fines and other penalties is removed. And Hands-free returns is provided by one of the oldest and most widely respected tax experts in the industry, Wolters Kluwer.

Do you feel like the constantly changing data associated with sales and tax usage is too much to keep up with?

It's time to kick-start your digital transformation and gain peace of mind knowing Wolters Kluwer is there for you.

Contact Wolters Kluwer tax expert today to begin your journey.

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For more information on hands-free processing please visit
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