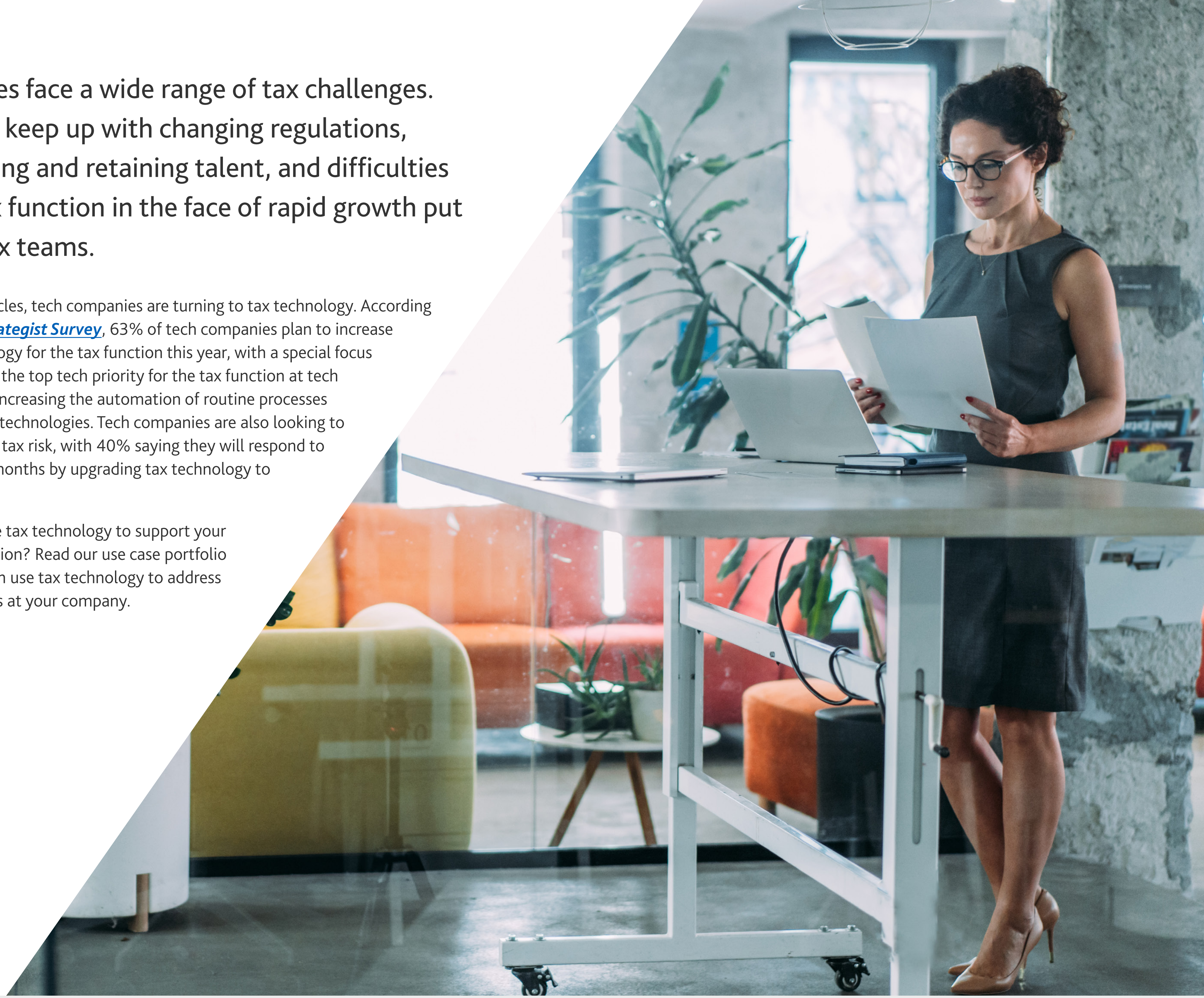
4 Tax Technology Use Cases for Tech Companies

HOW TO USE TECHNOLOGY TO SOLVE COMMON TAX CHALLENGES

Tech companies face a wide range of tax challenges. An inability to keep up with changing regulations, difficulties hiring and retaining talent, and difficulties scaling the tax function in the face of rapid growth put pressure on tax teams.

To address those obstacles, tech companies are turning to tax technology. According to ***BDO's 2024 Tax Strategist Survey***, 63% of tech companies plan to increase investments in technology for the tax function this year, with a special focus on automation. In fact, the top tech priority for the tax function at tech companies this year is increasing the automation of routine processes through new tools and technologies. Tech companies are also looking to technology to mitigate tax risk, with 40% saying they will respond to tax risk in the next 12 months by upgrading tax technology to reduce errors.

Are you planning to use tax technology to support your organization's tax function? Read our use case portfolio to discover how you can use tax technology to address common tax challenges at your company.



USE CASE 1:

Increasing the Reliability of Tax Provisions

THE CHALLENGE

A telecom company relies on a tax provision model that it built using Excel. Because the model has no user controls or permissions, its users frequently make unauthorized changes and accidentally enter incorrect values in the cells. These issues lead to inaccuracies in tax provision calculations and create substantial audit risk.

THE SOLUTION

The company adopts tax provision software to introduce user permissions and controls to prevent unauthorized changes. The software also tracks changes, which creates an audit trail. As a result, the company's tax provision reporting is more reliable, allowing the company to reach financial close faster.

EXPLORE FURTHER

Discover how BDO supported a multinational Fortune 500 company in [implementing tax provision software] to help improve accuracy and **reduce their close time by 20%**.

USE CASE 2:

Reaching Transfer Pricing Compliance More Quickly

THE CHALLENGE

A software startup scales up to a multinational entity in just two years; as a result, its transfer pricing obligations significantly increase. The tax team spends hours every month preparing transfer pricing documentation for each country where the company operates. The company doesn't have established transfer pricing policies for all relevant jurisdictions, further complicating the reporting process.

The company plans to soon expand to even more countries, but the tax team is already struggling to keep up with existing transfer pricing obligations. The company faces the risk of double taxation and hefty fines if it can't find a way to streamline its transfer pricing compliance.

THE SOLUTION

To help reduce the burden on its internal tax team and improve accuracy, the company turns to automation. It begins by centralizing all transfer pricing documentation in one database. Next, it establishes **strong data management processes**, including linking data sources, standardizing data files, and implementing appropriate controls. Finally, the company automates data extraction and analysis to increase efficiency in transfer pricing documentation and policy development. Specifically, the company automates calculations, comparable analysis, and report generation. It also employs continual analysis to account for internal and external changes, such as unexpected price shifts, that may affect transfer pricing.

The tax team can now keep pace with the company's expansion by developing and updating transfer pricing policies and generating transfer pricing documentation more quickly.

EXPLORE FURTHER

Learn how BDO supported automation to make **transfer pricing compliance** faster and easier for a large multinational organization.

USE CASE 3:

Streamlining State Tax Filing

THE CHALLENGE

A software as a service (SaaS) company sells its customer relationship management (CRM) software across the U.S., establishing nexus in 30 states and making it subject to numerous state income tax filing requirements, which complicates the filing process. The company is small enough that it doesn't have the in-house resources and experience necessary to satisfy the various requirements. Further, its operations in the various states have different enterprise resource planning (ERP) systems, which makes data sharing difficult.

The company is concerned it will make an error on its state tax filings, which could result in audits and penalties. It knows the increased scrutiny during and after any audit process could place additional burdens on its in-house tax team, which already struggles to keep up with its workload.

THE SOLUTION

The SaaS company turns to automation, which eliminates the need for external spreadsheet templates and manual ad-hoc reporting by state filing, while also increasing visibility into the company's tax footprint in each state.

The company moves to one ERP system that feeds into a centralized tax engine and sets up a process by which data is automatically extracted from disparate software and imported into the system. This automation allows the company to streamline the data sharing required for the filing process.

Automation also means less manual work, which can reduce room for error and allow tax teams to spend more time on strategic contributions. The new automated processes also allow the company to file taxes and generate financial reports faster. Overall, automation creates a foundation for the company to continue scaling and expanding without putting undue burden on its internal tax team.

EXPLORE FURTHER

Discover how BDO worked with a Fortune 500 company to introduce automation to increase efficiency in state tax filings and mitigate financial statement risk.

USE CASE 4:

Mitigating Risk in Global Indirect Tax Compliance

THE CHALLENGE

Over the course of a year, a hardware company expands from selling most of its products in the U.S. to selling in China, the EU, and Vietnam. As a result, it must meet various indirect tax compliance requirements in a short amount of time.

The company does not have the internal resources to navigate these disparate requirements — but it knows a mistake in global indirect tax compliance could result in costly fines and reputational damage.

THE SOLUTION

Data sharing and automation are key to mitigating risk in global indirect tax compliance.

By integrating its disparate tech systems, the company can easily share information across operations and track all sales information in each country. The automation also captures all relevant country requirements in each of the company's accounting systems.

Taking these steps allows the company to automate data-sharing and collection processes, which helps avoid errors that might have resulted from manual data entry. The company can now provide more timely, thorough, and transparent compliance reporting.

EXPLORE FURTHER

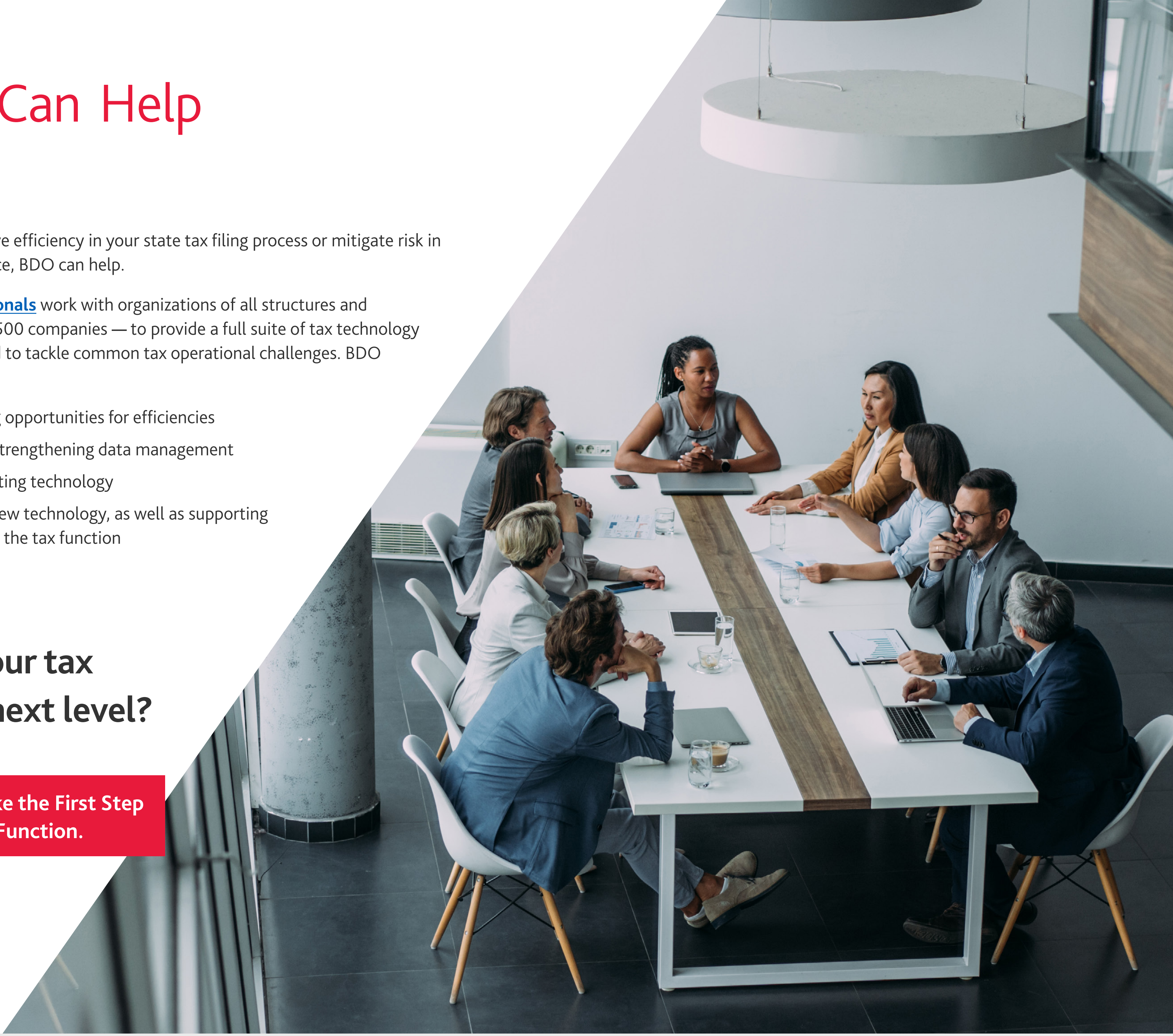
Learn how a global technology company engaged BDO to implement data sharing and automation to mitigate risk in its global indirect tax compliance.

How BDO Can Help

Whether you're looking to improve efficiency in your state tax filing process or mitigate risk in your global indirect tax compliance, BDO can help.

BDO's **Tax Automation professionals** work with organizations of all structures and sizes — from startups to Fortune 500 companies — to provide a full suite of tax technology and automation services designed to tackle common tax operational challenges. BDO offers support by:

- AssessIng gaps and identifying opportunities for efficiencies
- Enhancing tax processes and strengthening data management
- Upgrading and enhancing existing technology
- Selecting and implementing new technology, as well as supporting adoption and upskilling across the tax function



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Contact Us Today to Take the First Step in Modernizing Your Tax Function.

People who know Technology, know BDO.

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