



Are your everyday business activities creating tax risk?

7 Sales process shortcuts that could add up to trouble

A common misconception among business owners and finance pros is that sales tax is only relevant for retailers, and then, only at the point-of-sale. But non-compliance can surface in companies all along the supply chain and in diverse business processes and departments.

Learn to spot risk and improve compliance in these seven key business functions.

1

Purchasing/Accounts Payable (A/P). Take the time to estimate sales tax on all purchase orders (PO). This alerts suppliers of tax to be charged and helps properly budget total cost of purchase. It also ensures proper PO-to-invoice matching, which can fail if a vendor invoice includes sales tax but the original PO didn't estimate it. When a vendor doesn't charge sales tax for a taxable item, consumer use tax must be applied, self-reported, and remitted to the taxing authority.

2

Customer Relationship Management (CRM). Under- or over-charging sales tax can impact customer satisfaction and loyalty. Address validation ensures product delivery as well as making sure the correct jurisdiction sales tax rates and rules are applied to the sale. Proper and timely management of exemption certificates is also key to ensure accurate billing.

3

Inventory. As orders are filled, final tax calculations should be made and applied. For any inventory items that will be resold, resale exemption certificates need to be issued. Review any items pulled out of inventory to be used or donated to ensure proper taxes have been applied.

4

Distribution. Direct sales to both wholesalers and retailers makes managing exemption and reseller certificates a daunting task for distributors. Valid certificates needs to be collected, authenticated and stored for every exempt sale or purchase and made accessible should the auditor request to review them. The use of third-party providers or "drop shippers" can add complexity to this process with respect to nexus and resale exemption.



5

Credit Card Payments. When an order is placed, ensure that sales tax is included in the credit card charge pre-authorization process. This prevents the charge from failing if the final bill is greater than the pre-authorization amount and precludes sellers from having to manually re-authorize the amount with sales tax to complete the charge.

6

Sales/Accounts Receivable (A/R). With 12,000 taxing jurisdictions in the U.S. and more than 9 million rules associated with product taxability, it's easy for errors or oversights to happen. Having integrated capabilities such as geolocation technology for address verification and real-time tax rate automation ensures the right sales tax rates or exemptions are applied based on both jurisdictional and product taxability rules.

7

Ecommerce. Automated integration of the sales tax management process with your shopping cart ensures the right rate is calculated for every online transaction. This reduces cart abandonment and improves customer service by ensuring that the proper tax is instantly applied to the sale at check-out so there are no delays or surprises in the final amount billed.

Risk can happen at any point in the sales cycle and put a strain on your business. What these activities have in common is that they all intersect with the ERP or accounting system in some way. That's good news because you have a central point from which to create compliance. As the saying goes, you are only as strong as your weakest link. Integrating and automating sales tax compliance in your ERP allows you to better manage risk at each point in the procurement and sales process.



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About Avalara

A privately held company, Avalara was founded by a team of tax and software industry veterans to fulfill a vision of delivering an affordable, scalable sales tax solution. Thus making what was not economically feasible in the past for mid-sized business not only affordable, but more accurate as well – all with the latest and most innovative technology available. From Bainbridge Island, close to Seattle, Avalara's knowledgeable staff works tirelessly to help customers put the hassles of sales tax compliance out of mind. Avalara's mission is to transform the tax process for customers by creating cost-effective state-of-the-art solutions. The company does so through integrated on-demand, Web-based software services that provide transparent transactions, accurate tax compliance, painless administration and effortless reporting.