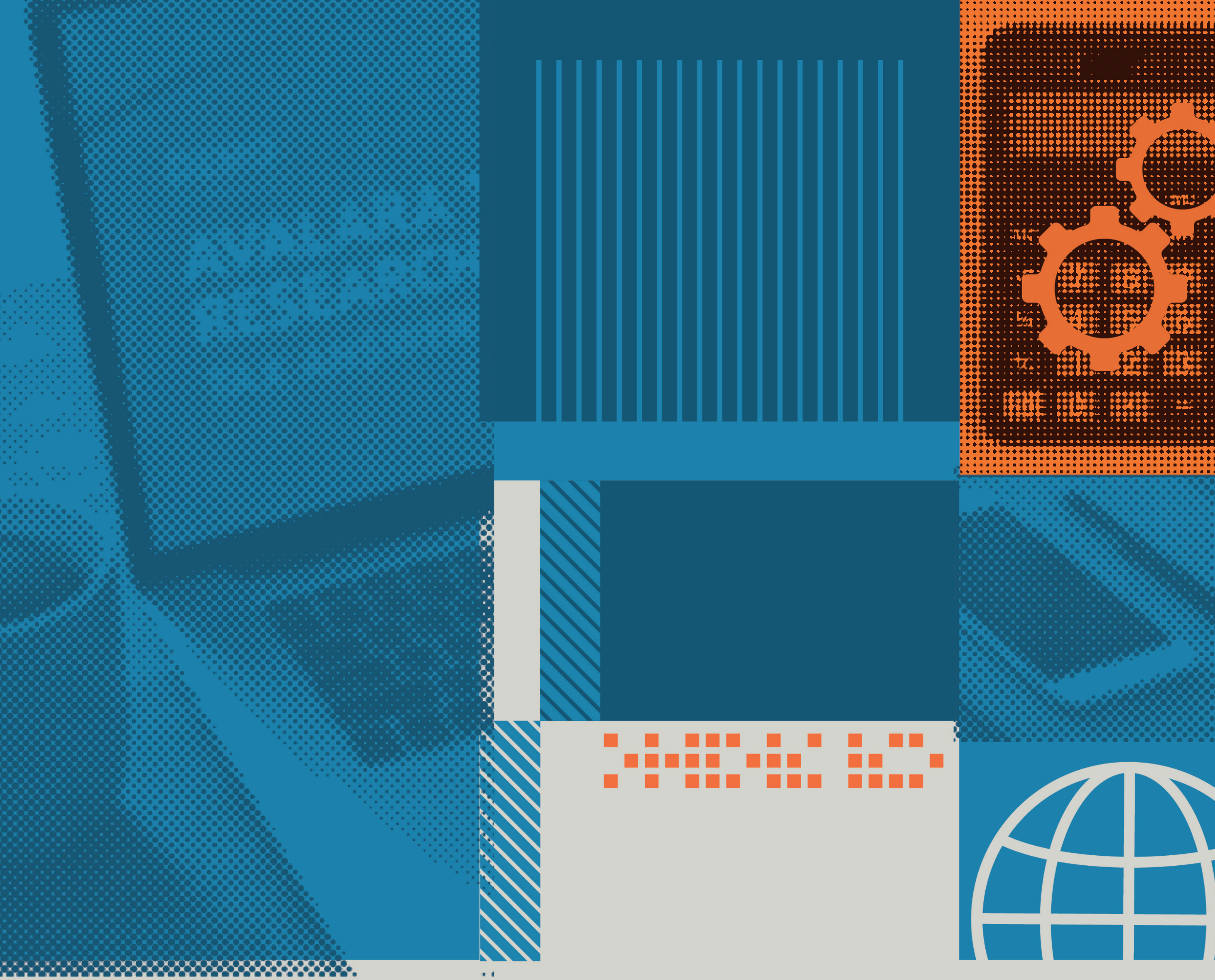

THE FUTURE OF BUSINESS

How automation is driving efficiency and innovation for today's leading industries

GUIDE

Avalara

Tax compliance done right

Contents

DISCLAIMER

Tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this guide is for informational purposes only and does not provide legal or tax advice.

In today's global business landscape, companies face a constantly changing environment that demands agility and adaptability. As market conditions and customer needs shift, you must be able to pivot quickly to new sales channels, lines of business, and vendors to remain competitive. And you've got to do it all without blowing your budget or burning out your team.

Efficiency at this scale requires technology. No business operating right now can afford to waste time or resources on manual, routine tasks or workstreams. Automation is key. And digitally transforming your business is no longer the daunting prospect it used to be. Multicloud ERP and tech-as-a-service solutions can help you employ AI and machine learning in new and innovative ways to **streamline operations and processes**.

Inside this guide

* Why companies are investing in technology now
* What manual compliance really costs your business
* Where automation can help you be more efficient
* Why it pays to prepare now for future regulatory compliance changes
* How to best leverage digital transformation at the industry level

Trends driving efficiency

Here are some of the global trends that signal a shift in how companies are doing business today and where automation can help you be better prepared and more efficient in managing operations and business processes, including tax compliance:

- ERP systems are gaining popularity, with 85% of companies globally now using SaaS and cloud ERP according to a recent **Oracle NetSuite survey**. Businesses report that centralized data, more collaboration, and less process time are the top efficiencies gained by ERP usage, according to **research by TEC**.
- Many companies are entering a “second stage of their digital transformation,” in which they’re leveraging technology that can analyze and contextualize data while breaking down data silos created from legacy infrastructure.
- More businesses have started buying and selling online. Ecommerce can be a convenient way to grow your customer base, but consider how you’ll manage changing tax obligations and stay compliant when doing business. Automation helps your sales channels communicate and work better together.
- According to an **October 2022 Forbes survey**, 88% of respondents plan to further invest in the cloud over the next 12 months, with 66% of them believing these investments will unlock the benefits needed for operational efficiency.
- More companies are expanding their customer base and selling both to businesses (B2B) and directly to consumers (D2C). This expansion can open your business up to tax difficulties if you don’t have good systems to manage tax.

Big changes like these can trickle down to affect your day-to-day processes including compliance. Automation can help solve the everyday tax challenges that cost your team time, money, and peace of mind.

The cost of manual compliance

If you're managing business processes manually, using outdated systems, or counting on outside help to stay tax compliant, you could be losing time and money. In fact, **a survey from Avalara and Potentiate** found that U.S. businesses with less than 500 employees devote an average of 147 hours to sales and use tax-related tasks. More than half of survey respondents also reported outsourcing some of that work at additional cost. This equated to these businesses spending more than $203,000 annually on people resources to manage tax compliance.

Here are some of the challenges businesses face when it comes to tax compliance:

Keeping up with changing tax rates, rules, and regulations

Knowing which taxes – sales and use tax, VAT, GST, excise, communications, occupancy – apply to your business is the first step in staying compliant. Step two is a bit more complicated; it involves understanding the who, what, where, when, and why of how the products and services you sell, buy, or use are taxed. And it's far from simple – each state, country, and industry has its own set of tax rules and regulations, and they can change frequently.

Managing tax documents and filing returns

If your company sells into multiple states or countries, it can be difficult to keep track of forms, remittance schedules, and filing deadlines. If you have tax-exempt sales or customers, you also need an efficient way to track, store, and **manage exemption certificates**. Several countries now have **real-time reporting and e-invoicing requirements** (the U.S. could follow suit soon), which adds to the workload. If you're already working with a small team, this can take a toll. An Avalara/IndustryWeek **survey of manufacturers** found that 58% of respondents handled filing tax returns internally, and almost one-third reported that they have 3–4 employees dedicated to managing tax compliance.

Navigating international taxes and duties

If you have business locations or operations in multiple countries, you're already dealing with a complex web of international taxes and duties. Even if you simply have international customers, you have to be aware of taxability rates, harmonized tariff schedule (HTS) codes, and tariffs.

Avoiding audit penalties

While an audit is never fun, it can be a real headache if your documents are unorganized, you have to search for valid exemption certificates, or your numbers aren't adding up. In a survey by Avalara and Potentiate, **14% of respondents said they'd been audited** for sales and use tax in the past five years. These audits can take weeks to complete, costing your team time and resources – or worse, fines and fees. In that same survey, 38% of the audits resulted in penalties due to errors in tax rates or rules and missing exemption certificates.

Benefits of automation

Technology and **automation can help streamline business processes** by integrating tax with core systems and reducing the time and resources your company spends on tax compliance. This can improve efficiency at every step. From providing you with registration and permitting requirements to applying more accurate tax and taxability rules to alerting you to changes in your tax obligations to helping you manage tax documents, real-time reporting, and e-invoicing to navigating cross-border sales, here's what you could achieve with an automated tax solution:

Reduce risk and errors

Government requirements are increasingly complex and vast while rates, product taxability rules, and tax laws are constantly in flux. Many companies are still using manual methods like spreadsheets to keep up with it all, and they're likely taking on unnecessary risks. Automation can make it easier and more accurate to calculate tax and exemptions in complex scenarios. It can also save your team time and money by tracking and alerting you to changes in tax requirements and filing and reporting deadlines for multiple tax authorities.

Expand your horizons

New ventures such as market expansion, adding sales channels, or expanding the products and services you sell can create growth opportunities for your business. They can also create more tax headaches and stretch your teams and processes to their limits. Automation not only frees up time and resources from menial tax compliance tasks, it provides essential air cover for changes in your business that impact your tax obligations.

Get more out of your existing technology and systems

You're likely already automating critical parts of your operations with ERP systems, ecommerce platforms, and other business applications. Get more out of your investments by connecting tax software to the systems that power other parts of your business. Tax software integrated with your ERP and ecommerce systems gives you a single source of truth for transaction data across all business applications and sales channels. Automation affords for real-time tax rate calculation and exemptions to be applied to every sale. Having transaction data and documentation centralized and easily accessible improves visibility into your sales activities and streamlines tax management and compliance.

Improve efficiency and agility

Cloud-based technology can support business flexibility and enable future growth. You won't have to worry about going offline to update or upgrade your systems. Plus, you can access the data and reports you need across all operations. In short, automation allows tax teams to do more with less.

Increase customer and vendor satisfaction

Customers like transactions to be fast, accurate, and easy. When your system automatically applies the tax during the checkout process, you reduce the likelihood of dealing with credits, rebills, delayed orders, or cancellations. Customers don't like surprises – especially costs they didn't anticipate – so it's crucial to be clear who's responsible for paying any special taxes such as customs duty, resort/amusement, emergency services, shipping and handling, etc. Automatically applying these charges at the time of sale minimizes friction for better customer experiences.

Pivot to e-invoicing easily

In an increasing number of countries, e-invoicing is becoming mandated by law. An e-invoice (or electronic invoice) contains all the same information as a traditional paper invoice, but it's issued, transmitted, and received in an electronic format. This allows businesses to send information to other businesses and tax authorities quickly and securely, without the added cost of paper and postage. While they're not yet required everywhere, **e-invoices offer a lot of advantages** to both businesses and tax authorities, and we predict their usage will only grow. Stay ahead of the curve with an automated solution that allows you to e-invoice your customers.

Industry perspectives: Adapting to change

When it comes to technology and tax compliance, not all businesses are created equal. The following profiles offer insights into the challenges, opportunities, and impact that automation can have on different industries.

The future of retail

Retailers are looking for new ways to draw loyal customers in the face of inflation, labor shortages, and supply chain challenges. Meeting your customers where they are and making sure they have a positive experience every time they shop are critical to your success. Technology increasingly plays an important role in how customers find your products and whether they decide to buy from you.

The quest to do more with less

Many factors are pressuring retailers to turn to automation as a means of increasing efficiencies and profits. Technology, including tax compliance software, is becoming a central part of their business strategy while enabling many companies to achieve ROI.

- Retailers face rising costs on multiple fronts, including rent, labor, and supply chain expenses. A survey by Retail Economics found **40% of global retailers see rising costs as the main challenge** to their operations in 2023.
- Consumers expect a seamless buying experience. A survey by **Avalara and Censuswide** found 45% of global retailers plan to invest in their business to expand sales channels in 2023. In addition, 87% say their omnichannel strategy impacts how they think about the future of their business.
- Customer retention remains a chief priority, with 45% of survey respondents, retailers across the U.S., U.K., and India, reporting that attracting and retaining repeat customers is their top customer experience challenge. Sixty-three percent of U.S. retailers surveyed plan on investing in technology to improve customer experience. Global retailers are making similar plans. Among those surveyed, 36% in the U.K. and 42% in India plan to optimize how they communicate with customers, and 35% in the U.K. and 43% in India are aiming to create content to improve how they engage with customers across channels.
- Selling internationally continues to present complex compliance challenges, with 56% of U.S., 46% of India, and 31% of U.K. retailers surveyed saying they plan on investing in technology to better understand their tax and customs obligations.
- A recent **survey by Avalara and Potentiate** found U.S. retailers spend an average of 209 hours on tax management activities and $24,032 on manual tax compliance tasks each month – the highest of the industries surveyed.

Do any of these scenarios sound familiar?

Trying to stay ahead of these industry trends can cause compliance headaches. Here are a few examples of how your business could be impacted.

Jennifer is the tax compliance officer of a fast-growing company. The business plans to open five new U.S. stores this year. The company is also ramping up its social commerce, allowing customers to shop on Facebook, Instagram, and TikTok. Jennifer needs a way to **calculate taxes** in new jurisdictions where the company will have sales and monitor when her company is close to reaching nexus thresholds.

Jamal is the finance director for a business that recently went global. Selling into the U.K. and Europe means the company will have to **comply with complex VAT requirements and e-invoicing mandates** across different countries. Jamal doesn't have the staff to stay on top of all the rules. He also needs to provide his customers with a positive experience but is worried about how the company will provide accurate pricing and calculate customs duties at checkout.

Riya is in charge of her company's ecommerce strategy. Her business has decided to launch a marketplace for third-party sellers in addition to selling directly through their website. This will allow the company to get more products into the hands of customers, as well as reach buyers in new locations. But now Riya has to deal with the complexity of marketplace facilitator laws that require her to **collect, remit, and report tax on third-party sales**.

Common tax challenges that impact retailers

- **Keeping track of tax rates and rules**
  As you expand your sales channels, you're likely to reach customers in more tax jurisdictions. There are more than 13,000 sales and use tax jurisdictions in the U.S. with different tax rates and rules, sales tax holidays, and product taxability adding further complexity. Failure to calculate the correct tax can lead to penalties.
- **Managing sales and use tax and VAT returns**
  The preparation, filing, and remittance of sales and use tax and VAT returns can be complex and time-consuming. Understanding the filing requirements for every jurisdiction where you collect sales and use tax can get confusing when each tax authority has its own forms and regulations. Missing a deadline can result in fines and penalties.
- **Navigating tax-exempt transactions**
  It can be a hassle to collect, validate, and track exemption certificates, but it's important to reduce credits and rebilling. It's also important for compliance. If you're unable to provide a valid certificate during an audit, you could face penalties. In some cases, exempt sales count toward economic nexus thresholds, which can lead to new obligations.
- **Following global tax compliance regulations**
  Selling internationally opens the portal to a whole world of complex compliance rules. Customers expect to know the total cost of their purchase, including customs duties and import taxes, at checkout to avoid unwelcome surprises at delivery. Manually updating duty and tax rates is expensive and inefficient. Not applying the correct, country-specific tariff codes to your products can lead to undercharging or overcharging. In addition, more than 60 countries worldwide have announced – or already require – e-invoicing for tax reporting. If your business isn't ready to comply with these regulations, you may be at risk of fines and audits.

Achieve your goals with automation

Automating tax compliance can help your retail business improve customer experience while meeting ever-changing rules and regulations. The **time and money your team will save can be spent on your top priorities**, putting your products in the hands of customers and growing your business.

The future of software

Few understand the value of digital transformation more than professionals in the software industry. Worldwide software revenue is expected to climb at an annual growth rate of 5.4% and reach a market volume of $858.1 billion by 2028. Responding to increased demand for your products and services depends on your ability to remain agile and take advantage of new opportunities.

The quest to do more with less

Many factors are pressuring software companies to turn to automation as a means of increasing efficiencies and profits. Technology, including tax compliance automation, is becoming a central part of their business strategy while enabling many companies to achieve ROI.

- The pandemic sped up adoption of disruptive technologies to streamline business operations. Software companies both delivered these technologies and implemented them to remain competitive.
- Although digital natives, some software companies are still updating and replacing legacy infrastructure. Many are choosing cloud-based solutions for efficiency, lower maintenance costs, and improved security.
- Cybersecurity remains a top concern for businesses of all types, including software companies. Automation is helping the industry rapidly detect and respond to potential threats.
- Tax compliance management is costing software businesses time and money. A **survey by Avalara and Potentiate** found small U.S. software companies spend an average of 121 hours per month and $11,113 monthly on sales and use tax compliance.

Do any of these scenarios sound familiar?

Trying to stay ahead of these industry trends can cause compliance headaches. Here are a few examples of how your business could be impacted.

Navya is the controller for a company that recently decided to go global. Her business has no local representation in the foreign countries it's selling into. Navya's having a hard time navigating where she needs to register for VAT and GST. She also doesn't have the resources to stay on top of changing classifications, rates, and rules. She knows that if she doesn't collect and remit the appropriate taxes, her business could face substantial fines or audit penalties.

Francisco is the finance director for a fast-growing SaaS provider. Understanding where his company has sales tax obligations is difficult when customers can be located anywhere. Francisco's team spends a lot of time trying to determine when and where sales tax applies to licenses, upgrades, recurring subscriptions, and support services. He's looking for a solution that helps him know where his customers are buying and using his company's software and reduces his risk of charging the wrong tax.

Kelly is the tax manager for a business that's launching a new product line. She's unclear which of the company's products and services are taxable and which are exempt, especially since states keep passing new legislation. Making matters more complex, the company sells both digital downloads and physical discs, which can be taxed at different rates. Manually tracking product taxability and sales and use tax rates is overwhelming. Kelly's looking for a way to save time and reduce confusion.

Common tax challenges that impact software companies

- **Following global tax compliance regulations**
  Selling internationally can be a boon for business but can also bring unique compliance challenges. More than 100 jurisdictions worldwide impose tax obligations that apply to foreign sellers of digital services and products. B2B and B2C sales can be taxed differently and there's even ambiguity about how to define B2B or B2C. In addition, many countries have implemented e-invoicing mandates for tax reporting.

- **Tracking tax rates and rules**
  Knowing how much tax to charge can be particularly challenging for software companies. Rates and rules are continuously changing and there's little cohesion across states and local jurisdictions. How they define your products and services can also vary. For example, different tax rules can apply whether your software is custom or canned, physical or digital, or a combination.

- **Knowing where you have nexus**
  Software is usually sold online or through a marketplace, making it easy to find buyers in new jurisdictions. If you charge your customers a monthly subscription fee, a state may consider each charge a separate transaction – causing your business to hit an economic nexus threshold even faster. Failing to register to collect and remit sales and use tax where required can result in penalties.

Achieve your goals with automation

Automating tax compliance can **help your software company continue to innovate** while meeting ever-changing rules and regulations. The **time and money your team will save** can be spent on your top priorities, driving market expansion and creating new and better products.

The future of hospitality

While the hospitality industry has seen rising occupancy rates, many businesses are feeling the impacts of staffing shortages and inflation. In today's environment, your need to reduce costs while maintaining excellent customer service is more important than ever.

The quest to do more with less

Many factors are pressuring the hospitality industry to turn to automation as a means of increasing efficiencies and profits. Technology, including tax compliance software, is becoming a central part of business strategy while enabling many companies to achieve ROI.

- **Staffing continues to be a challenge** for many hotels as the industry looks to fill jobs lost during the pandemic. In 2023, U.S. hotels are projected to employ nearly 2.1 million workers – about 260,000 fewer than in 2019. Technology including the use of robots, which was until recently considered a novelty, is helping fill this gap.

- Competition is building among short-term rentals: **62%** of the 1.2 million Airbnb listings in the U.S. were added since 2020. Dynamic pricing and automatic booking tools can help short-term rental hosts **ensure higher occupancy rates** and gain an advantage.

- Accommodation platforms, online travel agencies, and short-term rental operators face increased scrutiny and tighter enforcement. More tax authorities are cracking down on short-term rentals that aren't properly registered and holding marketplace facilitators responsible for tax compliance.

Do any of these scenarios sound familiar?

Trying to stay ahead of these industry trends can cause compliance headaches. Here are a few examples of how your business could be impacted.

Gina is the compliance officer for an online travel agency that handles bookings across the United States. Understanding where her company is liable for accommodations tax and which bookings are subject to what taxes are huge undertakings given the many requirements and lack of conformity across jurisdictions. Gina is worried about potential penalties if she fails to register or charges customers the wrong tax.

Zach is the property manager for a handful of vacation rentals he's decided to list on Airbnb and Vrbo. He finds tax compliance intimidating and isn't sure which taxes Airbnb and Vrbo are collecting and remitting for his properties. Zach's worried about overpaying or underpaying the required tax. He's looking for a **solution to help him legally rent out his properties and stay on the tax authorities' good side**.

Mei is the finance director for a hotel chain. Her team spends hours on compliance and still relies on some manual tax return filing processes. Mei doesn't have the budget to hire additional staff. She's looking for a solution to reduce resource drain and speed up the process for creating, filing, and remitting returns.

Common tax challenges that impact the hospitality industry

- **Keeping track of tax rates and rules**
  Calculating accurate sales, use, and occupancy tax is complex whether you have one property or a chain of hotels. There are about **4,000 locally administered accommodations taxes** across approximately 30 states. Rates can also vary depending on which channels you use to list your properties. Getting rates wrong can result in overpaying or underpaying lodging taxes.

- **Manually consolidating data**
  Manually combining data across multiple booking sites, marketplaces, and business platforms is tricky. Not only are spreadsheet-based processes time-consuming, you run the risk of human error in your reporting.

- **Managing lodging tax returns**
  Preparing, filing, and remitting taxes takes considerable time and becomes complicated when you have properties in multiple locations. Jurisdictions may use unique forms and impose different deadlines. Short-term rental hosts shouldn't assume a vacation rental service will manage taxes for them. While 82% of cities surveyed by the National League of Cities require short-term rental hosts to remit taxes directly to the city, **only 5%** require the platform to collect and remit local taxes on the hosts' behalf.

Achieve your goals with automation

Automating tax compliance can **help your lodging business stay ahead of changing regulations**. **The time and money your team will save** can be spent on your top priorities, focusing on your guests and exceeding their expectations.

The future of communications

From the explosive growth of communications platform as a service (CPaaS) to the creation of new Internet of Things (IoT) products, the communications industry is constantly evolving. Anticipating what consumers want is necessary to sell into additional markets and launch new products and services. Your ability to successfully meet those targets goes hand in hand with complying with government regulations that are changing as quickly as the industry.

The quest to do more with less

Many factors are pressuring companies that are liable for communications tax to turn to automation as a means of increasing efficiencies and profits. Technology, including tax compliance software, is becoming a central part of their business strategy while enabling many companies to improve ROI.

- A 2023 **Aberdeen Strategy & Research study** surveyed businesses liable for communications tax across a variety of industries. The study found 84% of businesses intend to grow their product portfolio and 82% plan to expand their sales channels. Researchers also found that 74% of companies plan to enter into mergers or acquisitions. Companies are looking at their technology solutions to address the impact of these changes on their communications tax management activities.

- According to the Aberdeen study, businesses that were the top performers in tax compliance were more likely to automate compliance with a single-source SaaS or private cloud tax management solution. These companies incurred fewer audit penalties, were more agile, and spent less time on compliance. In addition, 81% of these best-in-class businesses rated their risk as negligible or slight, compared to just 21% of others.

- The need to improve customer satisfaction is also driving communications businesses to consider new technologies. A **2022 Salesforce study** found only 62% of customers feel satisfied with their communications service providers. In addition, 88% of customers say the experience a company provides is as important as its products or services, with the majority expecting their providers to understand and anticipate their needs. Digital transformation and streamlining operations are critical to meeting these expectations and providing personalization at scale, researchers explained.

Do any of these scenarios sound familiar?

Trying to stay ahead of these industry trends can cause compliance headaches. Here are a few examples of how your business could be impacted.

Ben is the finance director for a B2B SaaS company. His business uses API-enabled CPaaS provided by a vendor to build videoconferencing and voice calling into its application. The company also uses CPaaS to enable in-app messaging with customer support and to send SMS codes to customers' mobile phones when they need to verify their accounts. Ben is aware that **state and local jurisdictions may tax these various services differently** and finds it hard to stay on top of all the rates and rules.

Amari heads up ecommerce for a fast-growing company that manufactures and sells fitness equipment. Her products incorporate streaming video sold as subscriptions. The company collects and remits sales and use tax but Amari recently learned it's also **responsible for communications tax thanks to its streaming subscriptions**. She needs a solution that can scale with the company and handle multiple tax types. The solution also needs to integrate with the software her company uses to sign up and maintain subscribers.

Lynne manages compliance for an international satellite communications company that recently started selling into new countries as part of a merger. Expanding the company's footprint and product line has increased the company's tax obligations and added to tax complexity. Lynne's team is stretched thin and the business is struggling with accuracy issues. They need a solution that reduces risk, eases their workload, and supports global market growth.

Common tax challenges that impact communications service providers

- **Tracking regulatory changes**
  The dizzying pace of innovation in the communications industry means new products and services are continually being developed. State and local jurisdictions want a share of that revenue. They're continually passing new legislation and changing rates and rules. Staying up to date on regulatory changes is the most difficult challenge communications service providers face, with **24% of businesses surveyed** by Aberdeen saying they're unable to keep up.

- **Determining which services and products are taxable**
  Whether launching a new product or merging with another company, it's important to understand your communications tax liabilities to avoid audit penalties. You may also be on the hook for sales and use tax. The study found 27% of businesses having a hard time knowing which services are subject to tax.

- **Using multiple systems to manage tax compliance**
  Piecing together multiple solutions to calculate different tax types and manage returns can lead to errors. It also means more work for your tax and IT teams. According to the Aberdeen study, 25% of businesses liable for communications tax say they lack efficiency in tax calculation and reporting processes.

Achieve your goals with automation

Automating communications tax compliance with an integrated solution can help your business improve customer experience while meeting ever-changing rules and regulations. The **time and money your team will save** can be spent on your top priorities, like innovating and growing your business.

The future of beverage alcohol

Getting bottles into the hands of consumers remains the top priority for beverage alcohol businesses. When higher production costs, supply chain woes, and climate change threaten your bottom line, finding proven ways to save time and money while boosting sales becomes critical.

The quest to do more with less

Many factors are pressuring beverage alcohol businesses to turn to automation as a means of increasing efficiencies and profits. Technology, including tax compliance software, is becoming a central part of their business strategy while enabling many companies to improve ROI.

- The pandemic, the shift to remote work, and the economy have changed beverage alcohol businesses. A **recent survey by Avalara and Potentiate** found that 58% of U.S. beverage alcohol businesses said they're more likely to purchase new technology solutions in the next 12 months because of how they've been impacted.

- **Direct-to-consumer shipping helped the beverage alcohol industry** survive the pandemic and remains a primary business strategy for many businesses. Wineries can ship to more states than breweries and distilleries. The more jurisdictions you ship to, the more tax challenges you must navigate.

- Tax management and compliance is a full-time job for beverage alcohol businesses. According to the Avalara/Potentiate survey, on an aggregate basis, companies spend an average of 50 hours per week on licensing, registering products and renewals, calculating beverage alcohol taxes, and preparing and filing beverage alcohol returns.

- As part of the survey, when wineries, breweries, distilleries, and retailers were asked to identify their top beverage alcohol compliance goal, they most frequently reported the need to increase efficiency and streamline systems.

Do any of these scenarios sound familiar?

Trying to stay ahead of these industry trends can cause compliance headaches. Here are a few examples of how your business could be impacted.

Eileen's winery is growing rapidly and direct-to-consumer (DTC) shipping to more states than ever before. Unfortunately, her point-of-sale (POS) system can't keep up with changes in tax types, rates, and rules. Eileen needs a way to calculate beverage alcohol taxes accurately for all the jurisdictions where she has customers. She also needs to verify that customers are at least 21 years old so they can legally accept shipments.

Dan is the finance officer at a distillery that's launching a new line of flavored vodkas. Dan needs to register the spirits with each jurisdiction where his company sells, plus juggle registration renewals for all existing labels. On top of that, it's his job to make sure the company stays current on all its federal, state, and local jurisdiction licenses and permits. He has a lot on his plate but knows he has to get tax compliance right. If he misses a deadline or fills out a form incorrectly, the company could face penalties.

Arun heads up compliance at a large beverage alcohol marketplace. Where required, his company needs to be able to collect and remit sales tax on behalf of businesses that sell on his site. Using separate systems from different vendors to calculate tax and manage returns is causing both Arun's team and the company's IT staff grief.

Common tax challenges that impact beverage alcohol businesses

- **Complying with DTC shipping regulations**
  Rules around age verification, volume limits, and dry area restrictions vary across jurisdictions. In fact, 54% of wineries surveyed by Avalara/Potentiate say complying with DTC shipping regulations is a major challenge.

- **Getting and tracking licenses where you sell**
  Before you produce alcohol or sell it, you need to **obtain licenses, permits, and registrations**. You also need to **keep up with renewals** and review your licenses annually or whenever your business changes. According to the Avalara/Potentiate study, 43% of beverage alcohol businesses find it difficult to know where they should register for sales tax permits, and 38% say renewing licenses and bonds is a challenge.

- **Registering products with federal and state agencies**
  Survey results show 44% of beverage alcohol businesses have a hard time registering, revising, and renewing product registrations. Registering your products with the Alcohol and Tobacco Tax and Trade Bureau (TTB) is just one step. Most states also require product registration. In addition, there are 17 control states where government agencies control wholesale sales of spirits and sometimes wine and/or beer. In control states, your products must be listed by the state before they can be sold.

- **Filing tax returns with the appropriate jurisdictions**
  Filing, remitting, and reporting tax can be difficult for beverage alcohol businesses. Your business is responsible for multiple tax types: sales and use tax, excise tax, markup tax, and liquor-by-the-drink tax. Each jurisdiction has its own rates, rules, and regulations. Nearly half of wineries and retailers who sell off-premises that were surveyed identified filing sales tax returns with the appropriate state and local jurisdictions as a top compliance obstacle.

Achieve your goals with automation

Automating compliance with an integrated solution can **help your beverage alcohol business grow** while staying ahead of ever-changing rules and regulations. With the hours and savings you gain, you can direct your attention to bigger priorities like **reaching and retaining more buyers**.

The future of energy and fuel

From the reinstatement of the Superfund to more electric vehicles on the road, the energy and fuel industry is being forced to shift course quickly. Your need to meet customer demands while responding to a stream of new regulations is crucial. To get there, it's important to have processes in place that allow you to attain your objectives without burdening your team.

The quest to do more with less

Many factors are pressuring energy and fuel companies to turn to automation as a means of increasing efficiencies and profits. Technology, including tax compliance software, is becoming a central part of their business strategy while enabling many companies to improve ROI.

- An **Aberdeen Strategy & Research study** found that energy and fuel businesses that were the top performers in compliance management were 57% more likely to automate compliance with a single-source tax management solution. The study also found these companies reported greater operating margins, incurred fewer audit costs, were more agile, and were better prepared to take advantage of new business opportunities.

- Now that the Superfund is back, many companies are still figuring out a plan. New Superfund excise taxes on chemicals went into effect in July 2022. Then, on January 1, 2023, a new excise tax on crude oil and petroleum products took effect. According to the Aberdeen study, 42% of businesses are still unsure of how they plan to handle adoption of Superfund taxes or only have a manual workaround.

- It's been about 25 years since oil and gas companies adopted ERP software. Now that those legacy systems are due for replacement, many businesses are considering moving to the cloud. Not having to buy and maintain up to 40 computer servers can provide a **financial advantage**.

Do any of these scenarios sound familiar?

Trying to stay ahead of these industry trends can cause compliance headaches. Here are a few examples of how your business could be impacted.

Mateo is the compliance officer for a growing company that operates gas stations throughout a large part of the United States. Tracking federal and state excise tax rates isn't too difficult, but Mateo is struggling to keep tabs on local fuel taxes imposed by counties, cities, and special taxing districts. Rates vary widely and change frequently, making it tough to accurately calculate tax in all the places where his company does business. He knows if customers pay the wrong amount at the pump, his company could face audit penalties.

Melinda is the finance director of a company that provides heating oil and propane fuel to households in a handful of states. She uses platforms provided by multiple vendors to calculate excise tax and sales and use tax. Preparing and filing returns takes up a lot of her time because she manually combines tax information from the disparate systems. It's confusing when the data doesn't line up.

Common tax challenges that impact energy and fuel companies

- **Tracking taxability rules and rates**
  Excise tax is complex and rules vary across thousands of jurisdictions. Companies often need to collect sales and use tax in addition to excise tax. Not getting tax right can cost your business. According to the Aberdeen study, 63% of the energy companies and 48% of the fuel businesses surveyed incurred penalties or interest from audits in the year prior to the research. Excise tax rate or rule errors were the leading cause.

- **Using multiple software solutions to file tax returns**
  Your business is responsible for filing federal, state, and local excise tax returns; environmental storage tank fees; and federal and state terminal operator reports. You may also be required to report and remit sales and use tax, VAT, or GST. Using different tax software platforms for excise and sales tax returns is inefficient and relying on manual spreadsheet processes can increase the risk of errors. Thirty-six percent of energy businesses surveyed by Aberdeen said handling complex amended returns is one of their main tax compliance challenges.

- **Expanding product lines and selling into new markets**
  Growing your business can be great for your bottom line but also increases your compliance risk. Most businesses don't have the in-house expertise to predict how new products, carriers, or markets may affect their tax liability.

Achieve your goals with automation

Automating tax compliance can **help your energy or fuel business remain nimble** and stay ahead of complex and rapidly changing tax rates and government regulations. The time and money your team will save can be spent on your top priorities, like growing your business.

Avalara is here to help

We understand that when it comes to your business, you can't afford slowdowns and inefficient processes. Discover how Avalara tax solutions can help optimize efficiency and streamline compliance in tandem with your business goals and strategy.

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Tax compliance done right

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Avalara helps businesses of all sizes get tax compliance right. In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. Headquartered in Seattle, Avalara has offices across the U.S. and around the world in the U.K., Belgium, Brazil, and India. More information at **avalara.com**.