



ALIGNING TAX AND TECH

The key to smarter compliance
for enterprise growth

Contents

INTRODUCTION.....	3	GO
FINANCE TEAMS FACED WITH A COMPLIANCE PUZZLE.....	4	GO
IT'S HIDDEN ROLE IN TAX COMPLIANCE.....	6	GO
UNITING TAX AND IT FOR BETTER BUSINESS OUTCOMES.....	7	GO
AUTOMATION IS THE BRIDGE BETWEEN IT AND TAX.....	9	GO
COLLABORATING IN THE ERA OF ARTIFICIAL INTELLIGENCE.....	11	GO
FUTURE-PROOFING COMPLIANCE WITH EVERYONE ON BOARD.....	12	GO
SUCCESS STORY: HOW SNOWFLAKE SCALED GLOBAL TAX COMPLIANCE.....	13	GO

ABOUT AVALARA

Avalara makes tax compliance faster, easier, more accurate, and more reliable for 43,000+ business and government customers in over 75 countries. Tax compliance automation software solutions from Avalara leverage 1,200+ signed partner integrations across leading ecommerce, ERP, and other billing systems to power tax calculations, document management, tax return filing, and tax content access.

Visit avalara.com to improve your compliance journey.

Introduction

The landscape of global tax compliance is rapidly evolving. Regulations like the [European Union's VAT in the Digital Age initiative and a growing wave of global e-invoicing mandates](#) are further increasing complexity. As businesses look to expand into new markets, tax and finance teams must remain nimble – adapting to new requirements while minimizing risk.

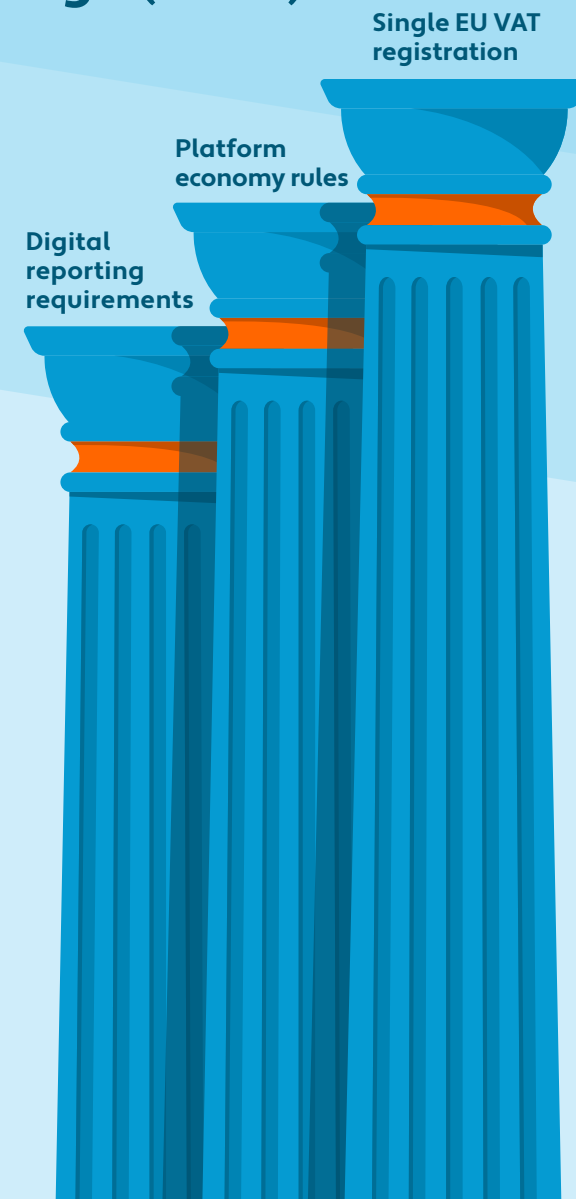
To meet these demands, IT departments play an increasingly pivotal role in implementing technology solutions to help tax teams scale compliance efforts, improve accuracy, and reduce manual workflows. Yet bringing IT, finance, and tax teams together can be difficult as they struggle with disparate or legacy systems, constrained resources and staffing shortages, and even resistance to change.

Collaboration between tax, finance, and IT is no longer optional; it's a strategic objective. By aligning priorities, these teams can create scalable, automated systems that reduce compliance risk while freeing up resources for growth.

This guide provides a road map for enterprise and mid-market businesses to help break down siloes, empower collaboration, and leverage automation as the key to modernizing compliance.

THE THREE PILLARS OF

VAT in the Digital Age (ViDA)



Finance teams faced with a compliance puzzle

Today's tax and finance professionals must understand a rapidly evolving regulatory landscape where tax rates and rules constantly change. This lack of stability makes managing compliance particularly complex for professionals at companies that sell across international borders and in multiple states.

No wonder then that these tax and finance professionals grapple with a multitude of challenges, including:

- Tracking the latest **tariff developments** to ensure imports and exports are taxed correctly
- Trying to stay ahead of the 80+ countries worldwide that have announced – or already require – e-invoicing and live reporting
- Keeping up with where their business has created nexus in the United States, and therefore new sales and use tax obligations

The list goes on.

Tax and finance teams without specialized technology dedicated to simplifying and automating compliance are likely to find these tasks especially time-consuming. Country-specific tariff codes and their associated duty rates can change several times a year, making research cumbersome. The volume of tax rate and rule changes can make it impossible to keep up. In 2023, there were 337 international rate updates and 6,779 international taxability updates. In the U.S. alone, there were 11,192 sales and use tax rate updates in 2023.

E-invoicing formats by country



Even when companies have automated compliance solutions in place, users may still struggle with disparate systems and integration problems. Large, global enterprises often inherit multiple enterprise resource planning (ERP) systems through mergers and acquisitions, for example. Or their regional headquarters may rely on different solutions in each location. Without taking steps to integrate data, these siloed systems can lead to misaligned reports and transaction records, making returns more burdensome while also hindering an organization's ability to scale operations globally. Manual workarounds are often inefficient and prone to human error.

Employee burnout is a real threat among lean teams trying to accomplish their work with fewer resources. A 2024 [global survey by Hanover Research and Avalara](#) found 78% of respondents said their finance and tax teams have been majorly or moderately impacted by a shortage of talent with the right skill set. If businesses aren't able to hire sufficient resources, existing teams may struggle to handle the increased workload and rely on outdated processes that may amplify risk. This can potentially lead to issues like delayed filing of sales and use tax, VAT, and GST returns or inaccurate tax calculations, triggering late fees and penalties.

Strained resources and disconnected systems may make it harder for tax and finance departments to prepare for audits. Teams that are unable to easily retrieve documents and create reports are likely to feel increased pressure during audits, which already tend to be time-consuming and stressful. Without automation to help professionals, businesses may be at increased risk of not only penalties from noncompliance but also losing staff in an already constrained labor pool.

78% of survey respondents say they've been majorly or moderately impacted by a shortage of talent or workers with the right skill set



Source:
[Avalara](#)

IT's hidden role in tax compliance

IT managers are the backbone in enabling scalable, future-ready compliance solutions. Tax and finance professionals rely on IT teams to help them feed accurate tax rates into point-of-sale systems, integrate automation solutions into ERP and financial platforms, and generate reliable transaction data reports. However, compliance isn't the IT department's only priority; they must also support other business-critical infrastructure and security needs.

IT leaders are impacted by many of the same issues that concern tax and finance departments, such as resource constraints, integration issues, and frequent shifts in the regulatory landscape that require back-end adjustments. Teams may struggle to keep pace with these changes without costly updates or new technology investments.

Overburdened IT teams juggle companywide infrastructure upgrades and system maintenance demands. Unless tax teams advocate for routine updates to their tax platforms, these may fall to the bottom of the priority list and businesses may potentially be exposed to compliance risks.

As their company grows, IT departments must also ensure compliance solutions scale without compromising security. Selecting the right software vendor requires **comprehensive analysis** to determine factors such as how the solution will integrate with existing systems and ERPs, data protection standards, and the level of available support.

To meet those needs, cloud-based solutions with compatibility validation can help ensure the software will work correctly with existing ERP, procurement, and financial systems. Prebuilt integrations allow for streamlined data flow, while automated, real-time updates reduce the need for ongoing maintenance from IT teams. Additionally, an enterprise sandbox environment can create separation between production and testing, helping prevent disruptions to business operations.

Collaboration between tax, finance, and IT teams is crucial in implementing a tax compliance solution that serves the needs of finance and tax departments and makes life easier for IT.



Uniting tax and IT for better business outcomes

Companies are better positioned for growth when IT, tax, and finance teams are aligned on global compliance as a strategic priority. Close collaboration between departments is critical to reduce compliance risk and improve operational efficiency. To achieve collaboration and view compliance as a growth opportunity, teams should:

Invest in skills development

Cross-disciplinary training helps both tax and IT teams understand each other's challenges and create a shared language to improve communication.

Tax and finance professionals should be trained on leveraging automation solutions and predictive analytics capabilities available to them. Analytics within existing ERP or POS systems can be used to provide visibility into tax transactions, detect errors, identify tax liabilities, and forecast trends. Understanding how to leverage this technology can help companies make strategic, informed decisions and quickly pivot in response to regulatory changes.

Meanwhile, IT leaders should be taught about the importance of complying with tax obligations and how failing to do so can lead to serious consequences such as audit penalties and operational delays. This will help IT departments identify the best solutions for their company's tech stack and ensure they appropriately prioritize tax system updates. Knowing how tax and finance professionals interact with software helps IT teams optimize user experience and develop appropriate training.



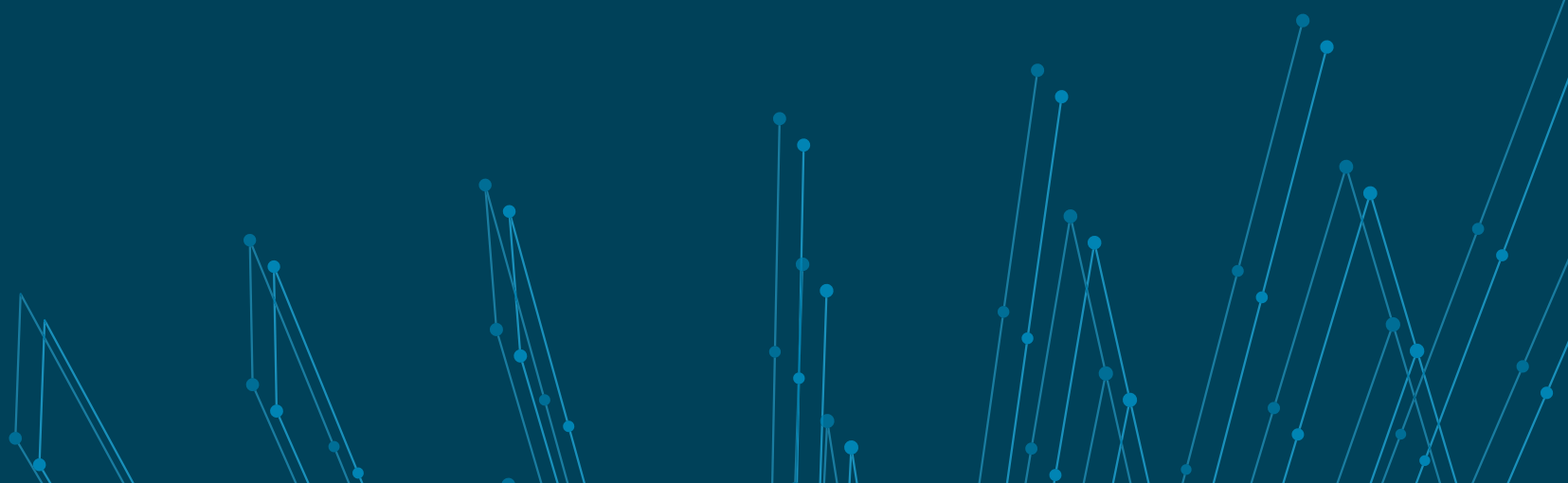
Engage in interdepartmental compliance planning

IT, tax, and finance teams that proactively participate in compliance planning together are better equipped to support their business in preparing for the future. Joint workshops, shared KPIs, and a unified approach toward adoption of automation can go a long way toward meeting goals.

Align goals such as compliance targets or operational efficiency metrics and agree on each team's role in achieving these objectives. Measuring success holistically enables teams to evaluate ROI beyond cost savings and consider factors such as improved compliance accuracy, time saved, and audit readiness.

Conduct joint risk assessments

Involve IT, tax, and finance teams in joint risk assessment exercises to identify potential compliance risks. IT teams can focus on ensuring compliance systems are secure, while tax and finance departments conduct periodic internal audits to ensure taxes are properly collected and remitted. Together, they can develop a risk mitigation and response plan that outlines who is responsible for mitigating specific compliance risks, along with protocols for responding to financial fraud or data breaches.



Automation is the bridge between IT and tax

In a world where efficiency takes precedence, incompatible and outdated systems are no longer viable options for businesses wishing to succeed and grow. Automation is the key to solving challenges that burden tax, finance, and IT teams. A secure, automated solution that provides streamlined, end-to-end tax compliance can help address their mutual concerns. Benefits include reduced IT workload, fewer manual workarounds for tax and finance teams, more accurate compliance, and mitigated risk.

The Hanover study found that IT departments are initiating automation for a variety of tasks, including preparing and filing tax returns, real-time reporting and e-invoicing, and managing audits. Survey respondents reported their organizations are most efficient at tasks they've already automated, including managing receivables and payables, real-time reporting and e-invoicing, and researching and calculating sales tax and VAT.

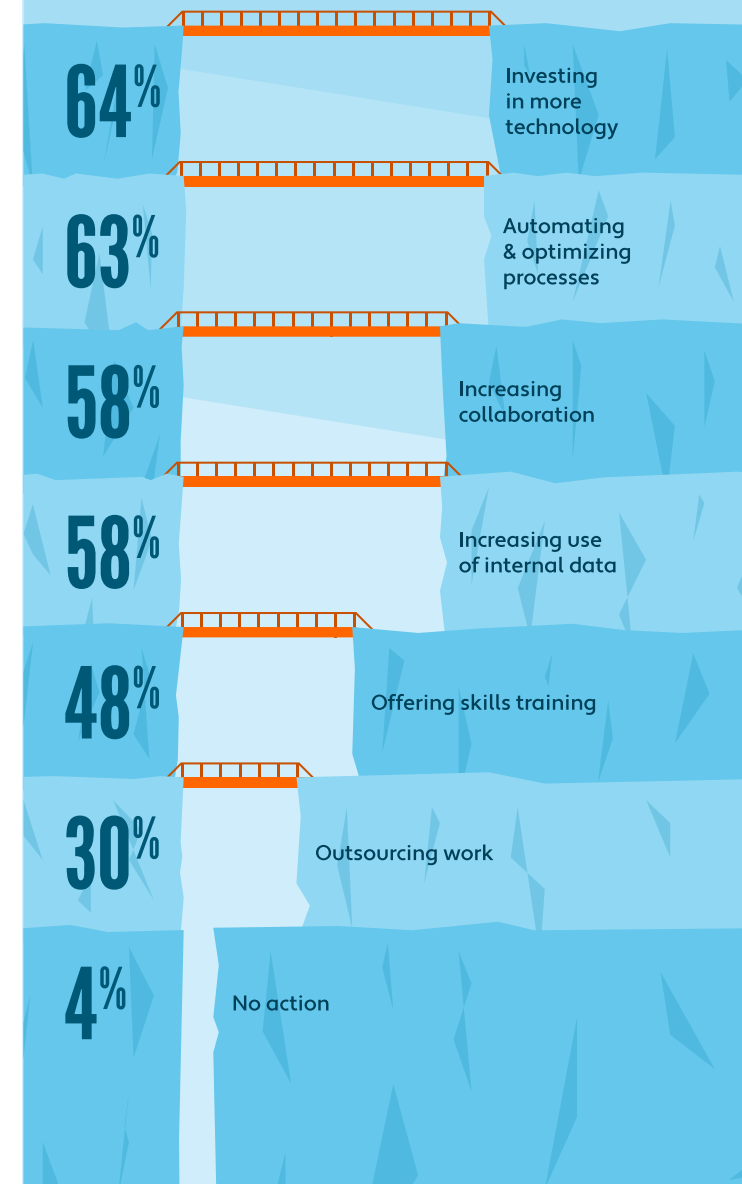
Many companies that have automated other parts of compliance still handle use tax manually, which applies when a business purchases taxable goods or services without paying the appropriate sales tax at the time of purchase. An automated consumer use tax solution can check incoming invoices for vendor errors, provide real-time calculations based on purchase transaction information from your accounts payable systems, and automatically add consumer use tax you owe to your sales and use tax returns.

Automation software does more than replace manual processes and improve accuracy. Automation positions your company to scale globally. As your business expands into new countries or acquires other businesses, employees in all your offices can work within one common compliance solution.

Businesses turn to technology and automation to boost tax efficiency

Actions taken to close efficiency gaps in tax management

Source: [Avalara](#)



Real-time analytics and reporting features can provide actionable insights for IT, tax, and finance teams, allowing them to identify trends and better plan for the future.

Customer experience improves with accurate real-time calculations at checkout and automated exemption certificate collection. Presenting customers with all costs at the point of sale and collecting tax, duties, and tariffs up front helps ensure there are no unwelcome surprises. An exemption certificate management solution helps prevent rebilling while real-time, AI-assisted validation enables your customers to easily complete and upload the right certificates at the point of sale.

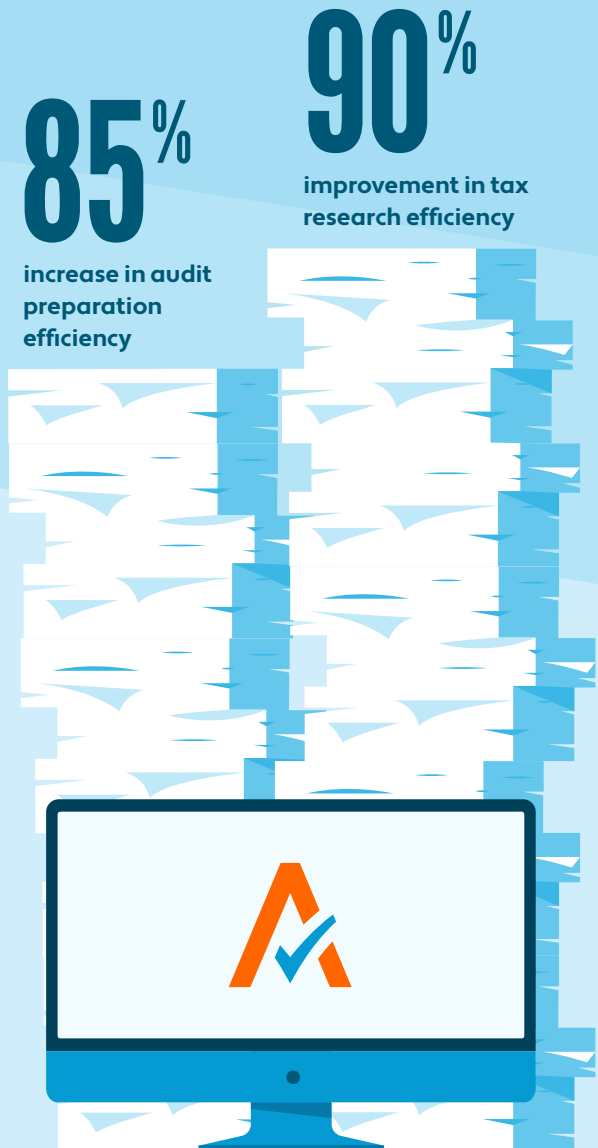
Avalara commissioned Forrester Consulting to conduct a **Total Economic Impact™ (TEI) study** in 2024 to look at the return on investment (ROI) companies might expect by automating tax compliance with Avalara. Businesses reported that before using Avalara, manual effort needed to manage their tax compliance processes left them feeling frustrated and inefficient. Forrester used information provided during interviews to construct a composite global company. The study found that implementing Avalara solutions led to an 85% increase in audit preparation efficiency, a 90% improvement in tax research efficiency, and an 85% reduction in time spent on tax returns for the composite company.

Forrester found that automation annually saved the composite company 510 hours on managing and filing tax returns, 416 hours on handling exemption certificates, and 384 hours on tax research.

A cloud-based, end-to-end tax compliance solution spares IT, tax, and finance teams from the hassle of piecing together data from disparate systems that might not be compatible. Seamless integration with core business systems eliminates the need for IT teams to perform manual updates to their tax database and frees up resources for higher-priority projects. Regular updates to tax rates and rules help ensure your organization stays on top of the latest obligations across jurisdictions. Avalara's database has content for 190+ countries.

By simplifying international tax compliance, automation makes it easier for companies to meet their obligations, save costs, and enter new markets.

A Forrester Total Economic Impact™ study found that implementing Avalara solutions resulted in:



Source: [Forrester](#)

Collaborating in the era of artificial intelligence

Innovative technologies like artificial intelligence and machine learning are reshaping the future of tax compliance for tax, finance, and IT teams.

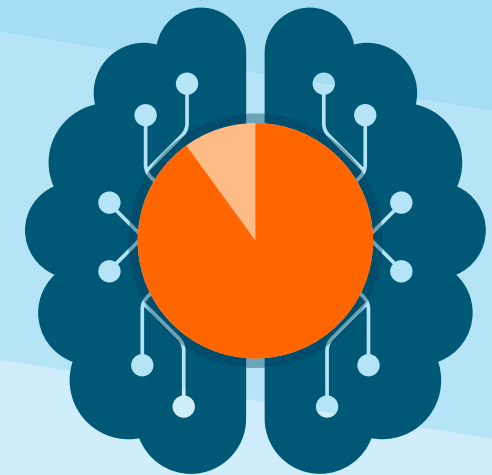
The Hanover study found that 90% of businesses believe AI is uniquely suited to make their finance and tax departments run more efficiently. Respondents said integrating emerging technology solutions was the top priority for their finance and tax departments, with transactional tax management and compliance ranking a close second.

AI and machine learning can aid companies in their compliance in numerous ways. Avalara solutions use AI to help users determine the taxability of products and services and assign Harmonized System (HS) codes to goods shipped internationally. Avalara also uses AI to scan, read, and digitize documents, then populate fields on exemption certificates and validate the certificates as a whole.

AI offers the potential to help tax and finance teams be proactive by anticipating tax liabilities and compliance risks. Businesses looking to adopt a future-ready tax compliance system should focus on cloud-based, scalable, API-driven solutions.

The Hanover study found that as tax and finance teams incorporate AI into their work, many organizations report concerns surrounding data security and privacy. IT teams must implement robust encryption and access controls to safeguard against data breaches.

90% of businesses believe AI is uniquely suited to make their finance and tax departments run more efficiently



Source: [Avalara](#)

Future-proofing compliance with everyone on board

Tax, finance, and IT teams are stronger when they work together. As a unified force, they're better prepared to navigate challenges like complex cross-border compliance requirements. Investing in an automated solution like Avalara that streamlines end-to-end domestic and international tax compliance can help teams accomplish more.

Avalara integrates with common ERP, ecommerce, CRM, accounting, and other financial systems that you already use. Avalara has 1,200+ signed partner integrations. With prebuilt integrations and developer tools for custom API integrations, it's easier to get up and running.

Avalara prioritizes data security with industry-leading encryption, stringent access controls, and continuous monitoring to protect customer information against cyber threats. Avalara most recently achieved SOC 2 Type 2 compliance from 11/1/2023 to 10/31/2024. By following these global standards and regulations, Avalara allows businesses to focus on growth while trusting their compliance data is secure.

Avalara provides two different environments for its core products: sandbox and production. Businesses may choose to share their sandbox credentials with developers and reserve production credentials for tax and finance professionals. IT teams can test changes in the sandbox without impacting the transaction workflow in the production account. Sandbox data is never reported to a tax authority. The production account is used for tax calculation and compliance reporting for live financial data. When IT confirms that the configuration changes are working as expected, they can make the same changes in the production account.

Tax, finance, and IT teams are in a unique position to help their organization confidently sell across borders. Avalara can help them be successful.

Contact our global tax compliance specialists to learn how Avalara can support your organization's growth while improving tax compliance.

CONTACT A TAX SPECIALIST

Success story: How Snowflake scaled global tax compliance and client trust with Avalara

The Snowflake Inc. Data Cloud solution enables organizations to unite siloed data, securely share data, and power data applications for diverse artificial intelligence/machine learning and analytic workloads. As Snowflake expanded globally and noticed high error rates and misaligned responsibilities in their tax compliance process, the company turned to Avalara to improve accuracy in tax calculations and boost operational efficiency.

Through its real-time integration into existing back-office systems, Avalara has bolstered client relationships for Snowflake by increasing trust and satisfaction. Snowflake makes well-informed decisions using the detailed tax performance and compliance analytics available in Avalara solutions.

“Avalara has significantly reduced manual tasks, errors, and custom, complex regulations for us, minimizing the time our team spends maintaining data workflows,” says Ricardo Rodriguez, Senior Manager of Indirect Tax for Snowflake.

[READ THE FULL STORY](#)

Avalara

Disclaimer

Tax rates, rules, and regulations change frequently. We hope you find this information helpful, however, this resource is for informational purposes only and does not provide legal or tax advice.