What's the Deal with ONESOURCE INCOME TAX?

CONTEXT: September 15 is D-Day for corporations…this is when corporate income tax is filed each year so Uncle Sam can get his share. Granted, companies CAN file for a six-month extension. (Hallelujah)

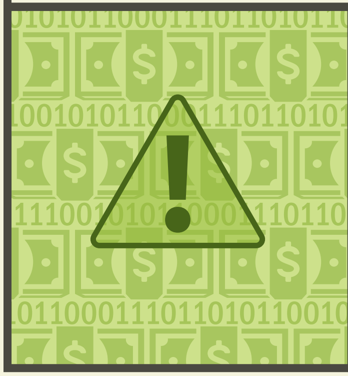
You may think it's a mad scramble to get this done, and it can be. Really, though, this is a strong indicator of the company's ability to track financial info the rest of the year. 90% of the job is the offline calculations done year-round (or estimates of federal income tax, which are called "tax provisions"…more on that later).

FUN FACT

1120
1065
990

COMMON TAX RETURN DOCUMENTS

(Yes, these numbers mean something.)



THE PROBLEM: Typically, companies outsource income tax preparation to an accounting firm. (Think of the hot shots: PWC, EY, and the like.) **What does this involve?**

- $$ due to billable hours as these outside accountants work with your financial info.
- The transfer of data—lots of data.
- And, of course, the big, hairy risk of manual error.

Now, pretend for a sec that you're in charge of this process at your company. Isn't it a sexy prospect to have more control in this process and NOT pay someone else for something you already do? That is…assuming you do it, and do it correctly at that.

BEHOLD, THE POWER OF ONESOURCE

Say you have stacks and stacks of Excel spreadsheets to consider for your income tax. Thankfully, ONESOURCE quickly imports them so your previous work isn't done in vain. And, if you have any errors, the diagnostics function helps you identify them.

In general, here are some perks of our product:

- Save 30-50% on preparation costs just by having this software
- Can drill down to any source of any number on return, heightening your transparency, enhancing visibility, and giving you the control
- 95% of what is submitted by OIT is accepted by the IRS—the best acceptance rate out there!

SO WHO'S GOING TO CARE ABOUT ALL THIS?

- Federal tax managers and tax directors (often from the Big Four)
- Managers who have worked in public accounting companies outsourcing to Big Four firm companies looking to **co-source**[1] with the firm.

[1] Co-sourcing means the company and the accounting firm work together on the process—basically. I.e. Company A gathers all of their financial data, puts it into ONESOURCE, files the return, etc., and then their accounting firms are there along the way if they need help. They are also there to review the information is correct, and for audit support in case they need it.

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What's the Deal with ONESOURCE INDIRECT TAX?

CONTEXT: Ever heard of sales and use (S&U) tax? Me neither, but that's at the heart of this product. Here's the quick 'n dirty low-down:

» **SALES TAX**: Collected by a seller but pushed to the buyer. The buyer buys on behalf of the seller. This only happens in-state.
  - Ex. I go to Willowbend Mall in Plano, TX. The cashier applies the sales tax on all my acquisitions, furthering the damage to my bank account.

» **USE TAX**: This is the tax made on out-of-state purchases.
  - Ex: Ever bought a kitty canoe from some distant reach of the country? Bought anything on Amazon[1]? **Congrats, you've been used...taxed.**

THE PROBLEM: As Bob Dylan said, "The rules, they are a-changin'"—and he was totally talking about tax.

» Sales and use tax aren't consistent from state to state.
» There are usually 14,000 regulatory and rate changes per year
» Without the proper tax rate, companies either over- or under-pay, either to recover from paying too much or to pay penalties from not paying enough.

As you can imagine, a few pennies here and there quickly start to add up!

This can quickly cost the company. PLUS, we need audit defense!

THE PLAYERS: Without ONESOURCE in the mix to simplify everything, the tax department heavily relies on IT. They call...a lot. It becomes a creepy girlfriend situation quickly, what with tens of thousands of regulatory changes per year.

Add Accounts payable and Accounts receivable clerks to the mix. They review invoices. They are only human, which means there is risk of error.

HOW DO WE GET TAX OFF OF IT'S BACK?

BEHOLD, THE POWER OF ONESOURCE

WHAT IT DOES is automatically determine, calculate, and record these transactional taxes.

Determination means, "Is this transaction taxable? If yes...

1. What's the rate?
2. Make a record for financial systems

» Researches
» Provides reports for audit defense and review
» Unites all your systems under one roof: ERPs (which holds financial information), e-commerce, all centralized in ONESOURCE

SO WHO SHOULD CARE ABOUT ALL THIS?

S.A.L.T managers (state and local tax managers)

[1] Fun fact: Texas is now one of 4-5 states with an online sales tax. So this might not actually be applicable.

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What's the Deal with ONESOURCE TRANSFER PRICING ?

If you have a preoccupation with what everyone else is doing and want to copy them, then you'd like transfer pricing!

ILLUSTRATION: Let's hypothetically say that General Motors relocates its manufacturing plant to Ireland. Why would it do that? Well, the United States is a high-tax country at 38% versus Ireland at 12%. Less dough is taken from your profits.

In reality, this act is quite common. Starbucks has moved its intellectual property to Great Britain. Apple has moved its intellectual property to Ireland. It's the controversial hot topic in a buttoned-up tax world that we could call a borderline tax thriller: Profitable Company A deftly shifts its profits to a distant country to benefit from lower tax rates—"Can they stay compliant? Will they avoid penalties and stay profitable?"

THE QUICK 'N DIRTY LOW-DOWN: Companies must document transfers between their related entities at market value (AKA using an arms-length standard). How do they find out this market value and stay "at arm's length," you ask? They take a peek at the comparables, or other companies' activities in the same area, using a database.

Each year, this has quite the impact on a company's accounting: multinational organizations must submit studies to tell their story to tax authorities of what occurred.

WHAT'S AT STAKE?

- If you're wrong, you get penalized ($$$...we're talking a pretty chunk of change)...and the whole point was to avoid losing money and becoming more profitable. Ya don't want to defeat the purpose!
- You also want to avoid late pricing adjustments, which is a red flag to auditors.
- Heightened scrutiny is a biggie requiring an example:

STORY TIME: APPLE EXPLOITS TAX LAWS

> "If I pay $600 for an iPad in Australia, then $550 is paid to Apple Ireland and out of the $550, $220 is not taxed anywhere in the world... that means basically around 40% of the payments we make to buy Apple products in Australia has escaped Australian tax and at the same time escaped tax anywhere in the world."
>
> ***ANTONY TING****, senior lecturer in taxation law at Sydney University*

ENTER ONESOURCE

This is the multinational's Excalibur, the tool to rule them all:

- Prepare and maintain transfer pricing studies that are ironclad against an audit. You have one consistent story across the globe.
- Step-by-step tool to run comparables
- Operational transfer pricing allows you to monitor company's transfers through ERP system to ensure your prices are consistent to your transfer pricing plan (which helps you avoid late adjustments!)

And what makes ONESOURCE different, you ask?

- Contains the study templates of 40+ countries as your guide
- Helps you roll studies forward or backwards (??)
- Updates existing studies
- Uses a new comparables database (cheaper than BVD) and is also used by the IRS

What the BEPS??

The plot thickens: The Organization for Economic Cooperation and Development, or OECD, released a Base Erosion Profit Shifting (BEPS) initiative that has changed the transfer pricing game. The historical means of handling transfer pricing no longer suffices if companies wish to stay efficient, maximize profits and avoid bad publicity and debilitating penalties.

With the release of BEPS, ONESOURCE Transfer Pricing has risen to meet the new challenges, such as with a new module for ONESOURCE Transfer Pricing Documenter. Users make more informed decisions by integrating Moody's Analytics RiskCalc for credit rating data; then use LoanConnector DealScan to search for comparable loans to the intercompany loan the user hopes to make.

WHO SHOULD CARE?

- Companies with international operations
- International tax managers, international tax directors, VP of Tax—whoever wants an alternative that's affordable to Big 4 firms
- Affordable option to document lower-risk transactions
- Companies concerned about BEPS (Base Erosion and Profit Shifting)

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