

FORRESTER®

The Total Economic Impact™ Of Thomson Reuters ONESOURCE Indirect Tax

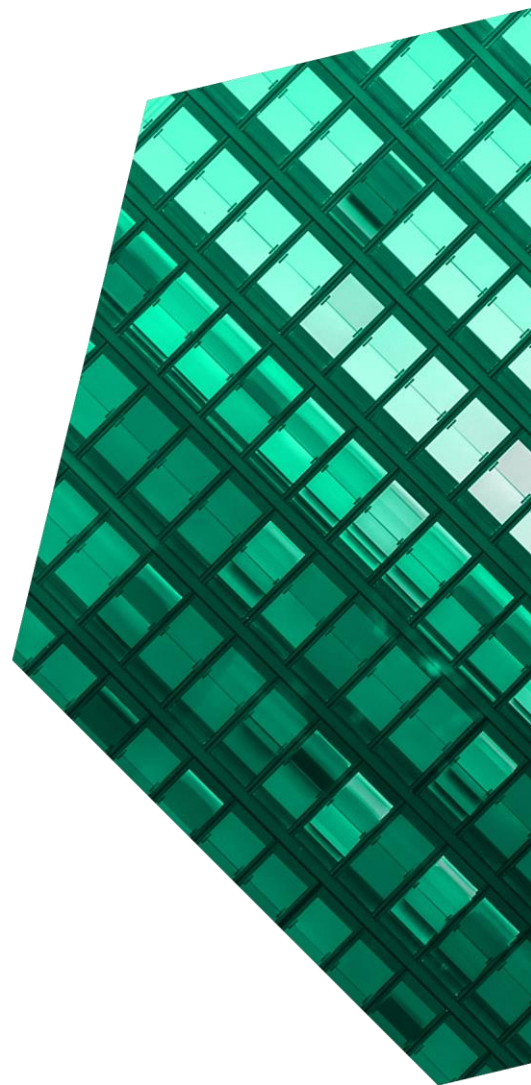
Cost Savings And Business Benefits
Enabled By ONESOURCE Indirect Tax Platform

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Executive Summary

Indirect tax is an unavoidable part of doing business. As organizations expand, complying with all relevant indirect tax rules and regulations becomes increasingly difficult, and keeping track of rule or rate changes comes with its own set of challenges. Leveraging a global, cloud-based tax engine that automatically calculates accurate indirect tax on all transactions while keeping all rules and rates up to date is one way for organizations to take back control and ease the burden on their IT and tax teams.

Thomson Reuters ONESOURCE Indirect Tax (IDT)

solution is a cloud-based, tax determination engine and compliance automation tool. It enables organizations to automate indirect tax calculations and compliance reporting, while eliminating the need for IT and Tax teams to constantly keep up with regulatory changes as well as update and test new rates and rules.

Thomson Reuters commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying ONESOURCE IDT.¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of ONESOURCE IDT on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed seven representatives with experience using ONESOURCE IDT. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a global conglomerate with multiple lines of business (LOBs) selling both products and services. The composite organization generates \$5 billion per year in revenue and has 28,000 employees.

Prior to using ONESOURCE IDT, these interviewees noted how their organizations lacked a centralized solution. They were leveraging multiple tax solutions across different LOBs ranging from digital

KEY STATISTICS



Return on investment (ROI)
120%



Net present value (NPV)
\$2.1 million

spreadsheets to custom build-outs to out-of-the box cloud solutions. However, these legacy solutions became less effective as rules and regulations changed and as the organizations expanded their operations across borders and into new regions. These limitations led to a lack of visibility for compliance and audits, high error rates on invoices, and labor-intensive processes for both tax and IT teams to keep the solution running.

After the investment in ONESOURCE IDT, the interviewees had a central, global solution in place that automatically calculated IDT tax, kept rules and rates up to date, and had automated tools to enable various country return preparations. Key results from

Compliance team
reallocated to higher-value
tasks

50%



the investment include reducing tax-related risk; improving operational efficiency of tax, compliance and IT teams; and improving invoice accuracy.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Reduced error rate on invoices by more than 75%, saving \$2.6 million.** With ONESOURCE IDT, the solution automatically calculates all tax rates using the latest rates and guidance, significantly reducing the number of errors on invoices and the amount of work required to correct those errors. The composite organization brings its error rate from 3% prior to the investment down to well below 1%.
- **Gained efficiency for the compliance team, saving \$494,000.** With a centralized, cloud-based, global solution, compliance teams have a single platform to track and manage compliance, reducing complexity. Additionally, the built-in reporting capabilities and automated exemption certificate management allows the compliance team to reallocate three FTEs to higher-value tasks and reduce the workload for the compliance team by 50% compared to when it uses legacy solutions.
- **Gained efficiency for indirect tax team, saving \$468,000.** Similar to the compliance team, having a centralized platform to manage indirect taxes globally creates efficiencies for the tax team. The solution automates or significantly simplifies day-to-day tasks such as pulling reports, working with internal and external auditors, and filing taxes. Because of ONESOURCE IDT's consistent platform and global reach, more complex initiatives like entering a new market; building out a new product, service, or capability; or integrating a newly acquired business become simpler and less time consuming. The tax accounting team reallocates three FTE to more

strategic areas of the business while reducing the workload related to indirect tax by 50%

- **Reduced IT maintenance through automated change updates, saving \$297,000.** Keeping track of all tax rate and code changes across multiple countries is extremely challenging for the global composite organization. Additionally, manually updating the rates and codes is labor intensive and error prone for its IT teams. ONESOURCE IDT's cloud-based platform tracks these changes globally and automatically implements them, improving accuracy while eliminating the need for IT to monitor and update the solution.

Unquantified benefits. Benefits that are not quantified in this study include:

- **Reduced risk of errors, violations, and over- or underpayment.** Thomson Reuters keeps all tax rules, rates, and codes up to date. This removes the burden from internal teams while also reducing the risk of human error when implementing the changes.
- **Reduced time-to-value.** With a centralized platform, organizations reduce the need to remap products and services when entering new markets or releasing a new product.
- **Improved uptime and reliability.** ONESOURCE IDT's cloud-based platform is more reliable than legacy on-premises solutions.
- **Reduced costs related to legacy tax solutions.** With ONESOURCE IDT replacing legacy solutions, the composite organization could remove legacy infrastructure and reduce license costs.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Implementation costs totaling \$795,000 over three years.** Deploying ONESOURCE IDT globally requires some time and effort to ensure

the system is properly set up and all relevant products and services are accurately mapped. The composite organization leveraged internal resources and took a phased approach to deployment, onboarding one LOB at a time.

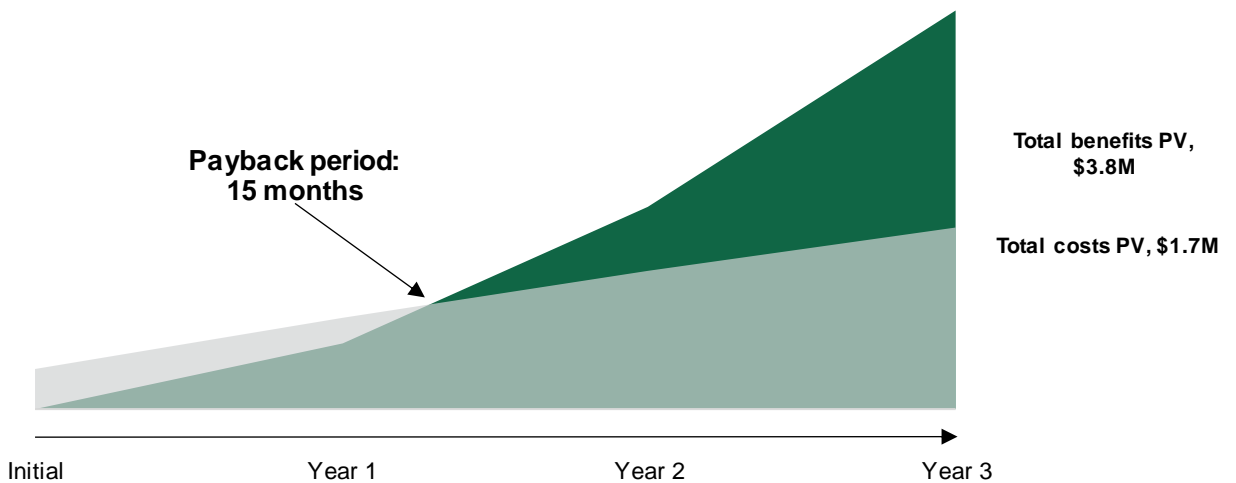
- **ONESOURCE IDT licensing costs total \$759,000 over three years.** The licensing costs are predictable and lined up with expectations for the composite organization.
- **Ongoing maintenance and training cost \$185,000 over three years.** The composite organization invests roughly three hours of training per year for employees using the platform. Ongoing maintenance is minimal and the tax/accounting team is responsible for it.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$3.8 million over three years versus costs of \$1.7 million, adding up to a net present value (NPV) of \$2.1 million and an ROI of 120%.

Error rate with ONESOURCE IDT

Before	After
3%	<1%

Financial Summary





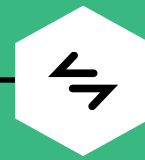
ROI
120%



BENEFITS PV
\$3.8 million

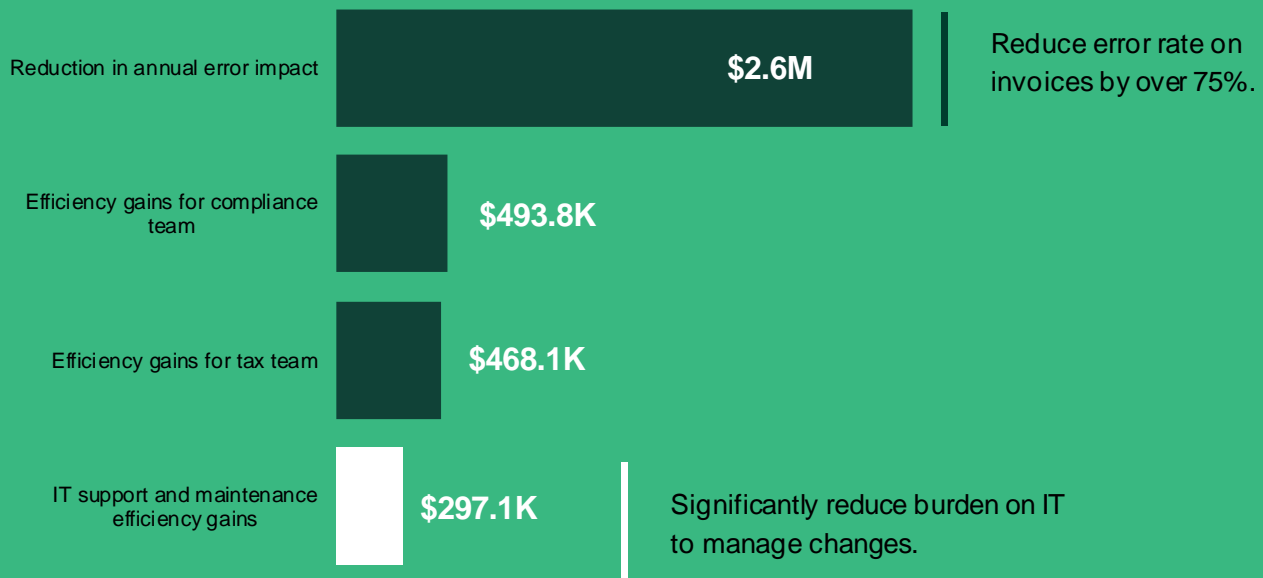


NPV
\$2.1 million



PAYBACK
15 months

Benefits (Three-Year)



“We’re more open to registering in different countries if it means we can service our customers better. ONESOURCE IDT has given us more opportunity and flexibility to move products around Europe or to engage with key customers and meet their needs where they are.”

— Tax manager, manufacturing

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in ONESOURCE IDT.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that ONESOURCE IDT can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Thomson Reuters and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates with in the framework provided in the study to determine the appropriateness of an investment in ONESOURCE IDT.

Thomson Reuters reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Thomson Reuters provided the customer names for the interviews but did not participate in the interviews.



DUE DILIGENCE

Interviewed Thomson Reuters stakeholders and Forrester analysts to gather data relative to ONESOURCE IDT.



INTERVIEWS

Interviewed seven representatives at organizations using ONESOURCE IDT to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Thomson Reuters ONESOURCE IDT Customer Journey

■ Drivers leading to the ONESOURCE IDT investment

Interviews			
Role	Industry	Region	Revenue
Manager, global indirect tax functions	Automotive	EMEA headquarters, global operations	\$4 billion
UK tax manager	Industrial manufacturing	EMEA headquarters, global operations	\$450 million
Controller	Signage	US headquarters, US operations	\$10 million
CIO	Medical devices	Asia Pacific headquarters, global operations	\$2 billion
Sales tax director	Food services	EMEA headquarters, global operations	More than \$10 billion
Tax director	Water treatment	US headquarters, global operations	\$760 million
IT director	Retail distributor	US headquarters, global operations	\$18 billion

KEY CHALLENGES

Before implementing ONESOURCE IDT, the interviewees' organizations used homegrown solution tools or legacy tax software and digital sheets to manage indirect tax determination and compliance. Tax professionals within the organizations monitored tax rates and rules, determined indirect taxes on business transactions, prepared returns and filings, and executed other tax and compliance workflows in a highly manual fashion. In these legacy environments, indirect tax and compliance processes were inefficient and error prone, increasing the risk of inaccuracies, fines, and fees for the organizations while increasing the costs of doing business.

The interviewees noted how their organizations struggled with common challenges, including:

- **Evolving tax regulations.** The customers struggled to monitor, apply, and report on complex sets of changing tax regulations. Those struggles impacted interviewees' organizations' finances as transactions occurred across different regions of operations. With supply

chains and customers spread across regional jurisdictions, the organizations were responsible for collecting and remitting value-added tax (VAT), goods and services tax (GST), sales tax, and excise taxes. Additionally, the Wayfair Decision in 2018 created new liability and complexity around sales tax for customers conducting business in the United States across state lines.²

The interviewees' organizations' legacy processes and technologies lacked the ability to monitor and adjust to new tax implications, leaving the burden of this activity on the tax staff. The tax manager at the industrial manufacturing organization noted: "The biggest challenge that we used to have was that tax [regulations] kept changing, so we had to keep ourselves updated on what was changing and what needs to be filed. All that work we had to do internally rather than with ONESOURCE [IDT]".

Changes in tax laws also created downstream impacts on several of the organizations' IT teams. Regulation changes required

programmers to interpret new laws and update, test, and deploy code updates accordingly within the tax engine. For example, the IT director for tax and compliance at the distribution company noted that their organization dealt with up to ten updates per month just for its US operations, with each update requiring effort from both the IT and the tax teams to ensure that changes were coded accurately.

Lack of visibility made it challenging to comply with regulations, difficult to spot errors, and negatively impacted risk posture.



- Lack of visibility and increased risk.** Many of the interviewees shared that their organizations lacked visibility into the errors and regulations that impacted their compliance risk posture, rendering them unequipped to effectively identify and address them. Interviewees expressed that they didn't know what they didn't know when it came to indirect tax errors and that there were potential inaccuracies in the past which could lead to consequences in the future.

The manual and unsophisticated nature of the interviewees' organizations' prior tax determination and compliance processes put them at risk for penalties and fines stemming from inaccurate calculations and filing. The UK tax manager at the industrial manufacturing organization noted, "When you're preparing a VAT return manually and you're copying and pasting figures using various spreadsheets, that itself presents a risk. There's no way to deny that. You can scrub over a number, put a new number in, or transpose a number incorrectly. While we believed we were doing everything correctly,

there was a risk that we were inadvertently doing something wrong and not realizing it."

- Tax team inefficiencies.** Interviewees shared that tax determination for their organizations' business transactions was a highly manual process. The organizations' legacy solutions were outdated and unreliable, driving them to rely on their tax personnel to accurately apply rates, calculate indirect taxes, and prepare invoices for business transactions. With customers, supply chains, and operations spanning multiple regional jurisdictions, the organizations' tax teams grappled with complex and ever-changing webs of tax rates, laws, and exemptions. In the absence of a solution that could orchestrate determination processes in an automated fashion, tax teams bore the burden of manual and time-consuming determination work, driving high resource expenses for the organizations.

"Whenever a transaction involved a US entity and a non-US entity, we had to flag it for another person and the other entity to determine what kind of taxation had to be applied. That was more laborious because it needed a handshake before they completed the transaction."

UK tax manager, industrial manufacturing

- Compliance inefficiencies.** Several of the interviewees' organizations struggled with inefficient compliance processes as well. The information necessary to prepare tax filings and conduct audits lacked centralization, increasing manual data collection efforts for compliance teams. The tax director at the water filtration

company explained: “We didn’t have a centralized way of doing the audit. In other words, there was no database where we could pull an invoice once or twice a month to make sure that we were compliant and everything looked reasonable. It almost became a hunt where you’re trying to chase down accountants who have 100 tasks and this is just one of many and they can’t really provide you a solid answer.”

“When we received an audit before ONESOURCE IDT, the first thing I’d have to do was contact the business and ask what data they were able to share. I then had to take the data, contort it so I could either present to the auditor or analyze it myself to determine the best approach for the audit.”

Tax director, water filtration

The costs to manage compliance processes were expensive without a centralized solution. The sales tax director at the food services organization shared: “In the previous state, [compliance efforts] were outsourced a majority of the time. So, anywhere from three to five internal people would manipulate that data after downloading it, and then [they would send] the data to a third-party firm to actually do the filing. It was not cheap.”

INVESTMENT OBJECTIVES

The interviewees’ organizations searched for a solution that could:

- **Centralize and automate processes.** The interviewees’ organizations needed a centralized solution that could replace their manual and error-prone processes, standardize tax

determination and compliance activities, reduce the burden on IT when regulations changed, and automate workflows to drive efficiency and cost savings. The tax director at the water filtration company said: “I needed a central process and that’s what led us to ONESOURCE IDT. Once deployed, it was extremely helpful in training the rest of our team on the correct processes and procedures.”

- **Provide greater visibility into tax compliance and risks.** The tax director at the water filtration company shared: “As a tax director, I’m responsible for a lot of different taxes. A lot is very significant, a lot is immaterial. With indirect tax, it comes down to having a central dashboard and assessing my risk on a monthly basis without jumping into the weeds. That’s a key aspect of the solution. I wanted to be able to see that macro perspective without jumping into the weeds and spending too much of my time focused on indirect tax.”
- **Support compliance with tax regulations across all regions of business.** The interviewees’ organizations needed a tax engine that could support their businesses tax and compliance needs regardless of regional jurisdiction. The IT director at the retail distribution company stated: “We needed a tax engine that would satisfy all of our business operations no matter what country they were in.”

“When you start expanding globally, that’s when ONESOURCE really starts to shine. ONESOURCE IDT has better global capability and they have a longer history with cloud and international tax in general.”

Sales tax director, food services

Not only that, we needed a solution that could operate in the most complicated countries in terms of taxing and also provide value for us from a tax audit perspective.”

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the seven interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The global, multibillion dollar conglomerate sells both goods and services in 70 countries. The composite organization has multiple LOBs that were either homegrown or acquired through acquisition and 28,000 total employees.

Deployment characteristics. The composite organization has a centralized indirect tax and compliance team that manages indirect tax and compliance across the LOBs. It leverages ONESOURCE IDT Determination and Compliance modules. The indirect tax team and compliance team comprise of six FTE each. Prior to the investment in ONESOURCE IDT, the IT department was responsible for processing and managing any changes or updates to tax code, rules, or rates and worked in conjunction with the indirect tax team.

“The time efficiency is brilliant. It has made our VAT return process quicker. It frees up more time for the people that are preparing the returns and the people that are reviewing them.”

Tax manager, manufacturing

Key Assumptions

- **\$5 billion**
- **70 countries**
- **Multiple LOBs**
- **Determination and Compliance modules**

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Reduction in annual error impact	\$427,788	\$1,069,470	\$1,711,152	\$3,208,410	\$2,558,372
Btr	Efficiency gains for compliance team	\$116,640	\$204,120	\$291,600	\$612,360	\$493,814
Ctr	Efficiency gains for tax team	\$97,200	\$194,400	\$291,600	\$583,200	\$468,108
Dtr	IT support and maintenance efficiency gains	\$49,680	\$124,200	\$198,720	\$372,600	\$297,110
Total benefits (risk-adjusted)		\$691,308	\$1,592,190	\$2,493,072	\$4,776,570	\$3,817,404

REDUCTION IN ANNUAL ERROR IMPACT

Evidence and data. Moving from performing manual calculations to a cloud-based tax engine with automated calculations improved the accuracy and consistency of indirect tax calculations for the interviewees' organizations.

- Prior to ONESOURCE IDT, the interviewees' organizations relied on a combination of digital spreadsheets and legacy tax tools to calculate indirect taxes on their invoices. As organizations expanded into more countries and tax codes and rates changed, maintaining these legacy tools became increasingly difficult. The tools lacked the sophistication to correctly calculate indirect taxes in more complex or nuanced situations like multicountry transactions.
- After deploying ONESOURCE IDT, the solution automated previously manual indirect tax calculations and it leveraged the most up-to-date tax rules and rates for each country involved in the transaction. This brought the error rate well below 1% and reduced the amount of labor dedicated to investigating and reconciling invoice errors.

“We had an audit with our previous solution and ended up with an error rate of about 10%. Right now, with ONESOURCE IDT, we are below half a percent and very rarely have to investigate or redo an invoice.”

Manager, global indirect tax, automotive

- The IT director for tax in the retail distribution industry explained why having an automated system helped improve accuracy for them: “A key factor in reducing errors is that ONESOURCE IDT calculates line-level tax instead of [an old-fashioned] blended rate at the invoice level. The blended rate never really worked because one item may be non-taxable and throw off the calculation.”

Modeling and assumptions. For the composite organization, Forrester assumes:

- An average indirect tax rate of 15.48% across all transactions.³

ANALYSIS OF BENEFITS

- An error rate of 3% before reconciliation when using the legacy system.
- A team of three tax professionals spends 20% of their time performing invoice error investigations and reconciliations prior to deployment.
- The reconciliation team is able to catch and correct 90% of all invoice errors.
- Error rate with legacy solution.
- Size and impact of invoice error reconciliation efforts.
- Percent of invoices passing through ONESOURCE IDT annually.

Risks. The value of this benefit may vary depending on:

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$2.6 million.

Reduction In Annual Error Impact					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Annual sales with indirect tax implications	Composite	\$5.0 billion	\$5.0 billion	\$5.0 billion
A2	Average global indirect tax rate	KPMG	15.48%	15.48%	15.48%
A3	Annual tax under management	A1*A2	\$774.0 million	\$774.0 million	\$774.0 million
A4	Error rate with legacy system	Composite	3%	3%	3%
A5	Annual error impact - legacy system (before reconciliation)	A4*A3	\$23,220,000	\$23,220,000	\$23,220,000
A6	Internal reconciliation team (FTE)	Composite	3	3	3
A7	Time spent reconciling invoices to find and correct errors	Composite	20%	20%	20%
A8	Annual fully burdened salary for reconciliation team	TEI standard	\$108,000	\$108,000	\$108,000
A9	Internal resources dedicated to reconciliation	A6*A7*A8	\$64,800	\$64,800	\$64,800
A10	External reconciliation resources (outsourced)	Composite	\$129,600	\$129,600	\$129,600
A11	Reconciliation effort costs	A9+A10	\$194,400	\$194,400	\$194,400
A12	Reconciliation success rate	Composite	90%	90%	90%
A13	Annual error impact after reconciliation effort - legacy system	A5*(1-A12)	\$2,322,000	\$2,322,000	\$2,322,000
A14	Subtotal: Total costs related to errors and reconciliation efforts	A11+A13	\$2,516,400	\$2,516,400	\$2,516,400
A15	% of sales leveraging IDT	Composite	20%	50%	80%
At	Reduction in annual error impact	A15*A14	\$503,280	\$1,258,200	\$2,013,120
	Risk adjustment	↓15%			
Atr	Reduction in annual error (risk-adjusted)		\$427,788	\$1,069,470	\$1,711,152
Three-year total: \$3,208,410			Three-year present value: \$2,558,372		

EFFICIENCY GAINS FOR COMPLIANCE TEAM

Evidence and data. The interviewees shared that ONESOURCE IDT significantly reduced the time and effort required to prepare and submit tax filings and increased centralization and visibility of tax-related information. By reducing manual work through automation, tax compliance reporting became more accurate, decreasing the risk of audit. For audits that still occurred, the organizations found themselves better equipped to quickly respond to auditors in a streamlined and organized manner. As a result of the efficiency improvements, the interviewees' organizations saw a reduction in tax personnel resource usage and associated expenses required to carry out compliance duties.

- Prior to the investment in ONESOURCE IDT, organizations had tax information required to prepare tax filings and reports spread across disparate systems and spreadsheets, requiring manual data collection efforts from the compliance teams. By moving to ONESOURCE IDT, the tax filing process became centralized and automated, increasing the accuracy and efficiency for the organizations' staff. The organizations' enterprise resource planning (ERP) systems piped tax and transactional data into the ONESOURCE IDT engine, enabling compliance teams to download prepopulated reports and returns.

“My team can file so much quicker and have more assurance on what they’re filing. They feel like it’s a more accurate return.”

UK tax manager, industrial manufacturing

- The UK tax director at the manufacturing organization reported an efficiency gain for tax

filing preparation activities of up to 50% for simple business units and 25% for its more complex operations, explaining, “It’s had a massive impact because [ONESOURCE IDT] effectively downloads, makes any adjustments to, uploads, and then runs the return.”

- Additionally, interviewees noted that ONESOURCE IDT improved visibility into regulations, tax logic, and relevant customer information, reducing oversight efforts. For example, many of the interviewees noted that that they could more easily find tax exemption certificates.

“We can quickly pull up tax exemptions without having to ask anyone. Having a hub to do all of that is critical for me. It’s one of those things that you don’t need until you need it. I know I can access them on demand.”

Tax director, water filtration

- By improving the accuracy of the tax filings, the organizations reduced the risk of being audited. The manager of global indirect tax functions at the automotive organization reported that the move to ONESOURCE IDT reduced audit risk by up to 75%. For routine audits that still occurred, the interviewees noted reduced time, effort, and expenses required to complete them. Instead of working across different systems and spreadsheets to answer auditor requests, the solution centralized information and made it readily available to download and report on, which improved speed and effectiveness in communicating with auditing authorities.

“ONESOURCE IDT makes things way easier with government auditors. Once they know you have it set up, they request downloads from ONESOURCE IDT that you can send directly. It has helped reduce audits and the level of intrusiveness that the audit causes.”

Sales tax director, food services

- The interviewees noted that they decreased the overall expenses associated with compliance through adopting ONESOURCE IDT. Tax resources were freed up from manual tax filing and audit-related work to focus on higher-value activities.
- The sales tax director at the food services company shared that their organization reallocated tax filing work from outsourced third parties to his internal tax teams with ONESOURCE IDT, avoiding \$30 to \$50 in costs

on a per return basis for up to 6000 filings each year.

Modeling and assumptions. For the composite organization, Forrester assumes:

- A compliance team of six FTEs.
- The organization achieves a 40% efficiency gain for reporting, a 40% efficiency gain for exemption certificate identification, and a 40% efficiency gain for oversight activities.
- The annual fully burdened salary of a compliance team FTE is \$108,000.

Risks. The value of this benefit may vary depending on:

- The actual burdened salary of a compliance FTE.
- The complexity of an organization’s compliance requirements.
- The frequency of audits that an organization may experience.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$494K.

Efficiency Gains For Compliance Team					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Compliance team members with the legacy systems	Composite	6	6	6
B2	Efficiency gains: reporting (FTE)	Composite	0.4	0.7	1
B3	Efficiency gains: exemption certificates (FTE)	Composite	0.4	0.7	1
B4	Efficiency gains: oversight (FTE)	Composite	0.4	0.7	1
B5	Efficiency gains for compliance team after adopting ONESOURCE IDT	(B2+B3+B4)/B1	20%	35%	50%
B6	Annual fully burdened salary for compliance team	A8	\$108,000	\$108,000	\$108,000
Bt	Efficiency gains for compliance team	B1*B5*B6	\$129,600	\$226,800	\$324,000
	Risk adjustment	↓10%			
Btr	Efficiency gains for compliance team (risk-adjusted)		\$116,640	\$204,120	\$291,600
Three-year total: \$612,360			Three-year present value: \$493,814		

EFFICIENCY GAINS FOR TAX TEAM

Evidence and data. The interviewees noted that ONESOURCE IDT enabled their organizations to reduce the burden and costs of tax determination activities. In contrast to their prior environments, tax staff no longer had to monitor tax rate changes and rely on manual processes to determine tax obligations.

Prior to adopting ONESOURCE IDT, tax staff at the interviewed organizations bore the onerous burden of manually monitoring for tax law changes and ensuring that their business’s tax determination processes adhered to them. The interviewees noted that moving to an automatically updated centralized tax engine that was in accordance with the latest tax laws and code changes freed tax staff of this responsibility. The CIO at the medical devices company said: “Tax laws are constantly changing, and we don’t have to worry about it. ONESOURCE IDT determines the tax impacts that we have to file. To me, that was a huge win. [Before], we had to determine those impacts ourselves. Whether we got it 100%, we don’t know.”

ONESOURCE IDT also automated the process of calculating tax liability for the organization’s transactions, enabling tax staff to prepare invoices efficiently and accurately. Instead of having to interpret and apply indirect tax rates, they could rely on a trusted engine to apply complex tax logic, reducing the time required to determine obligations and prepare invoices. The controller at the signage company explained: “Its connected to our ERP or accounting software so whenever we invoice somebody, there’s a connector that knocks on ONESOURCE IDT with the transaction data. It analyzes the transaction size, product type, and tax rate and then passes the information back to our accounting software for whatever good [we ship] to whatever state.”

- By improving the efficiency of their tax teams, the organizations reduced the labor and expenses

associated with indirect tax determination activities. For example, the medical devices organization reduced its distributed team of ten tax professionals down to two.

“Standardization of our taxes is one key benefit that we realized with ONESOURCE IDT. Instead of trying to determine what the [individual] tax should be, which policies to apply and all those things, that work is being done by ONESOURCE’s software and it’s uniformly applied to every business unit.”

CIO, medical devices

Modeling and assumptions. For the composite organization, Forrester assumes:

- A team of six handles indirect tax determination in the prior environment.
- The efficiency gain from ONESOURCE IDT totals the effort of one FTE in Year 1, two FTEs in Year 2, and three FTEs in Year 3.
- The annual burdened salary of a tax resource is \$108,000.

Risks. The value of this benefit may vary depending on:

- The total volume and complexity of transactions that require indirect tax determination.
- The actual burdened salary of a compliance FTE.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$468K.

Efficiency Gains For Tax Team					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Tax team members handling the legacy system	Composite	6	6	6
C2	Efficiency gains from ONESOURCE IDT	Composite	1	2	3
C3	Annual fully burdened salary for tax team	A8	\$108,000	\$108,000	\$108,000
C4	Efficiency gains for tax team with ONESOURCE IDT	C2/C1	17%	33%	50%
Ct	Efficiency gains for tax team	C1*C4*C3	\$108,000	\$216,000	\$324,000
	Risk adjustment	↓10%			
Ctr	Efficiency gains for tax team (risk-adjusted)		\$97,200	\$194,400	\$291,600
Three-year total: \$583,200			Three-year present value: \$468,108		

IT SUPPORT AND MAINTENANCE EFFICIENCY GAINS

Evidence and data. Deploying a cloud-based tax engine eliminated maintenance for the interviewees' organizations and guarantees accuracy. With ONESOURCE IDT, Thomson Reuters keeps all tax rules, rates, and codes up to date globally, eliminating the need for businesses to perform manual maintenance.

- Prior to deploying the ONESOURCE IDT solution, interviewees relied on a combination of their IT and tax teams to maintain accurate tax codes and rules within their systems. Tax teams were typically responsible for interpreting new rules, but the majority of the burden fell to IT teams that had to actually implement the changes within the system, test and review to ensure the new codes were functioning correctly, then implement the changes in the production environment.

The sales tax director in the food services industry said: "You had to make sure you get everything right. You went to a test environment, had somebody test it in multiple states, then you

put it in production, performed another test, and so on. It was a very involved process for our IT resources who are not tax experts."

- ONESOURCE IDT is a cloud-based platform. Therefore, Thomson Reuters keeps all rates and rules up to date and automatically pushes updates to users. This feature had an immediate impact for all of the interviewees' organizations, allowing them to remove a significant burden from IT, reduce the risk of errors or miscalculations, and give time back to the tax

"In our prior environment, IT was doing those updates. But all of a sudden, with ONESOURCE IDT's cloud solution, all of that goes away. Nobody is updating anything, it's in the cloud. Thomson Reuters is updating it constantly, so we don't have to worry about it anymore."

Sales tax director, food services

and IT teams to focus on adding value to the business.

Modeling and assumptions. For the financial model, Forrester assumes:

- There are an average of 10 changes processed monthly, ranging from simple rate updates to more complex rule changes.
- Each update takes an average of 40 hours of internal labor when considering research, interpretation, implementation, testing, and deployment activities.
- The average fully burdened salary for IT resources is \$135,000 per year.

Risks. The value of this benefit may vary depending on:

- The number and complexity of changes processed annually.
- The amount of time and effort it takes to accurately process a change.
- Average salary differences.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$297K.

IT Support And Maintenance Efficiency Gains					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Number of changes processed annually (10/month)	Composite	120	120	120
D2	Average internal IT labor hours per change	Composite	40	40	40
D3	Total internal IT labor required to process changes annually	D1*D2	4,800	4,800	4,800
D4	Total IT FTE saved	D3/2080, rounded	2.3	2.3	2.3
D5	Average fully burdened salary for IT team	TEI standard	\$135,000	\$135,000	\$135,000
D6	Internal IT costs: IDT-related system maintenance/upkeep	D4*D6	\$310,500	\$310,500	\$310,500
D7	Percent of business leveraging ONESOURCE IDT	A15	20%	50%	80%
Dt	IT support and maintenance efficiency gains	D6*D7	\$62,100	\$155,250	\$248,400
	Risk adjustment	↓20%			
Dtr	IT support and maintenance efficiency gains (risk-adjusted)		\$49,680	\$124,200	\$198,720
Three-year total: \$372,600			Three-year present value: \$297,110		

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- **Reduced risk of errors, violations, and over- or underpayment.** All of the interviewees agreed that ONESOURCE IDT reduced risk at their organization and said that having ONESOURCE IDT provided them peace of mind that they did not have with previous solutions.

The tax director at the water company explained how they initially sold the investment to upper management, “I persuaded my management team to invest in the solution by demonstrating that the risk of failing a compliance or indirect tax audit far exceeded the short-term economic impact of deploying the solution.”

The manager of global indirect tax functions in the auto industry said, “With ONESOURCE IDT, audit risk has decreased by 75%.”

- **Reduced time-to-value.** With ONESOURCE IDT, the interviewees’ organizations were able to reduce the amount of time and effort required by the finance team to enter a new market or stand up a new product or service. The manager of global indirect tax functions in the auto industry explained: “People forget that a lot of new business opportunities come from new tax and business laws. With a state-of-the-art product like Thomson Reuters tax engine, we have enabled our team to be ready to quickly adapt to and take advantage of any changes that may benefit our organization.”
- **Improved uptime and reliability.** Interviewees’ organizations reported that they had no issues with uptime, performance, or reliability with ONESOURCE IDT.
- **Reduced costs related to legacy tax solutions.** Organizations were able to significantly reduce or completely remove their legacy technology. This benefit was not

quantified in this study because in many cases, organizations are required to keep data for multiple years. Therefore, they had to retain some legacy licenses during the first few years of deployment, removing legacy infrastructure as the holding requirements expired.

“I’ve observed my colleagues stressing and losing sleep over these audits. Having this type of centralized solution makes me sleep much better at night because I know that, if an audit does come through, I have the information readily available.”

Tax director, water filtration

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement ONESOURCE IDT and later realize additional uses and business opportunities, including:

- **Tool to help improve processes and educate employees on best practices for finance.** Because ONESOURCE IDT automatically calculates indirect tax for all invoices, one organization compared the ONESOURCE data with the tax estimates coming in from the business side and used the results to help train the business to become more accurate and leverage best practices.
- **More comfortable with strict terms on vendor or partner requirements.** Entering into partnership agreements can be risky for businesses, especially when dealing with frequent invoice errors or other uncertainty related to finance. With ONESOURCE IDT,

interviewees were more confident in their invoice accuracy and that they would not require any amendments. This made organizations more willing to enter into stricter partnership agreements that restrict invoice corrections by time or frequency.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)).

Analysis Of Costs

■ Quantified cost data as applied to the composite

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Etr	Implementation costs	\$391,440	\$195,720	\$143,220	\$143,220	\$873,600	\$795,334
Ftr	ONESOURCE IDT licensing costs	\$0	\$294,000	\$305,760	\$317,990	\$917,750	\$758,878
Gtr	Ongoing maintenance and training costs	\$1,713	\$50,947	\$86,587	\$86,587	\$225,834	\$184,642
	Total costs (risk-adjusted)	\$393,153	\$540,667	\$535,567	\$547,797	\$2,017,185	\$1,738,854

IMPLEMENTATION COSTS

Evidence and data. The ONESOURCE IDT implementation process is important and should be an investment. All interviewees noted the importance of proper planning and attention during the process, including leveraging internal resources along with external consultants and Thomson Reuters partners.

- Interviewees described a careful implementation process, especially for the first LOB. Things moved more quickly for subsequent deployments. Implementation times varied from as few as three months for more straightforward business models and transactions to up to a year for the most complex cases involving both physical goods and services delivered across multiple regions.

The sales tax director in the food services industry explained, “Even in the most complex environments where a business has made multiple acquisitions and has multiple ERPs, the implementation is still relatively simple because we are still talking about the same data points, just with different connectors.”

Modeling and assumptions. For the financial model, Forrester assumes:

- The initial implementation takes about 10 months with four internal resources dedicating 40% of their time to the project.
- The composite organization spends \$200,000 in the initial period for third-party implementation assistance, leveraging \$100,000 in Year 1 and \$50,000 in subsequent years as LOBs are continuously onboarded.
- The organization reduces the internal support team to two FTEs after the initial period as resources become more familiar with ONESOURCE IDT.

Risks. The value of this benefit may vary depending on:

- Complexity of tax environment and business needs.
- Skill set of existing internal employees.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$795K.

Implementation Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Internal implementation resources	Composite	4	2	2	2
E2	Time dedicated to implementation	Composite	40%	40%	40%	40%
E3	Third-party implementation resources (Big Four-type of consulting services)	Composite	\$200,000	\$100,000	\$50,000	\$50,000
E4	Fully burdened salary of the implementation team	A8	\$108,000	\$108,000	\$108,000	\$108,000
Et	Implementation costs	E1*E2*E4+E3	\$372,800	\$186,400	\$136,400	\$136,400
	Risk adjustment	↑5%				
Etr	Implementation costs (risk-adjusted)		\$391,440	\$195,720	\$143,220	\$143,220
Three-year total: \$873,600			Three-year present value: \$795,334			

ONESOURCE IDT LICENSING COSTS

Evidence and data. ONESOURCE IDT licensing costs follow a subscription model based on the geographic coverage required by the organization. The interviewees' organizations used either the Determination or Compliance modules by themselves or together. The Determination module automates the tax determination and calculation process while the Compliance module provides reporting capabilities and return filing.

Modeling and assumptions. For the composite, Forrester assumes the following:

- Licensing costs for the Determination module are \$210,000.

- Licensing costs for the Compliance module cost \$70,000.

Risks. The value of this benefit may vary depending on:

- An organization's choice to use the determination and/or compliance modules.
- The regional coverage required by an organization.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$759,000.

ONESOURCE IDT Licensing Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	ONESOURCE IDT - Determination	Composite	\$0	\$210,000	\$218,400	\$227,136
F2	ONESOURCE IDT - Compliance	Composite	\$0	\$70,000	\$72,800	\$75,712
Ft	ONESOURCE IDT licensing costs	F1+F2	\$0	\$280,000	\$291,200	\$302,848
	Risk adjustment	↑5%				
Ftr	ONESOURCE IDT licensing costs (risk-adjusted)		\$0	\$294,000	\$305,760	\$317,990
Three-year total: \$917,750			Three-year present value: \$758,878			

ONGOING MAINTENANCE AND TRAINING COSTS

Evidence and data. The cloud-based platform required significantly less maintenance and technical know-how compared to the interviewees' organizations' legacy solutions.

- Interviewees noted that once deployed, there was relatively little maintenance required because Thomson Reuters maintains all of the tax rates, rules, and codes. The primary reason for maintenance or intervention from the IT team was when changes to the ERP impacted how the solution calculated tax.
- Responsibility for managing the platform typically fell to an IT management team that was responsible for managing multiple solutions in the environment. Organizations brought in tax professionals on an ad-hoc basis for questions and to ensure any ERP changes were correctly accounted for.
- Interviewees reported that the ONESOURCE IDT platform was relatively intuitive and did not require a steep learning curve or extensive training. If the organization had prior experience with other ONESOURCE products, workers were already familiar with the platform and adoption was even easier. Some training was required, however, to ensure that workers knew their way around and employed best practices.

Modeling and assumptions. For the financial model, Forrester assumes:

- One IT resource spends 30% of their time maintaining the determination platform in Year 1, with an additional resource coming on to support in Years 2 and 3 as the organization deploys the solution to more LOBs globally.
- The compliance platform requires very little maintenance, and one FTE manages that as a part of a larger portfolio.
- Each ONESOURCE IDT user receives 3 hours of initial training and 3 hours of annual training to refresh knowledge and explain new features.

Risks. The value of this benefit may vary depending on:

- Frequency of updates to the ERP.
- Size and complexity of ONESOURCE IDT deployment.
- Amount of training required to get finance and IT resources comfortable with the platform.

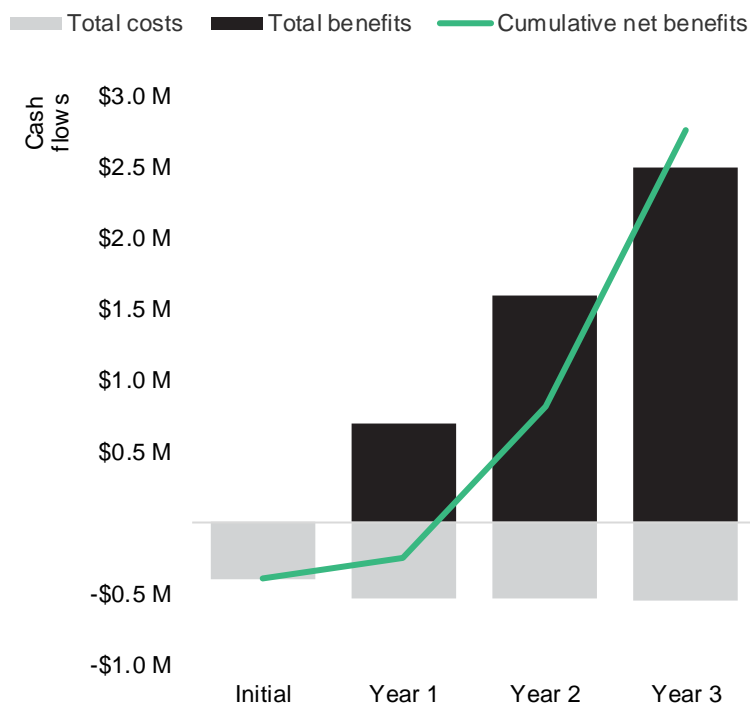
Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$185K.

Ongoing Maintenance And Training Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Ongoing maintenance for ONESOURCE IDT – Determination module	Composite	0	1	2	2
G2	Time dedicated to ONESOURCE IDT – Determination module	Composite	30%	30%	30%	30%
G3	Ongoing maintenance for ONESOURCE IDT – Compliance module	Composite	0	1	1	1
G4	Time dedicated to ONESOURCE IDT – Compliance module	Composite	10%	10%	10%	10%
G5	Training	Composite	3	3	3	3
G6	FTEs trained	Composite	10	20	20	20
Gt	Ongoing maintenance and training costs	$(G1*G2*E4)+(G3*G4*B6)+(G5*G6*E4/2080)$	\$1,558	\$46,315	\$78,715	\$78,715
	Risk adjustment	↑10%				
Gtr	Ongoing maintenance and training costs (risk-adjusted)		\$1,714	\$50,947	\$86,587	\$86,587
Three-year total: \$225,834			Three-year present value: \$184,642			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$393,153)	(\$540,667)	(\$535,567)	(\$547,797)	(\$2,017,185)	(\$1,738,854)
Total benefits	\$0	\$691,308	\$1,592,190	\$2,493,072	\$4,776,570	\$3,817,404
Net benefits	(\$393,153)	\$150,641	\$1,056,623	\$1,945,275	\$2,759,385	\$2,078,550
ROI						120%
Payback						15 months

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Endnotes

¹ Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

² Source: "Supreme Court Of The United States Syllabus South Dakota v. Wayfair, Inc., et al.," [supremecourt.gov](https://www.supremecourt.gov/opinions/17pdf/17-494_j4el.pdf), June 21, 2018 (https://www.supremecourt.gov/opinions/17pdf/17-494_j4el.pdf).

³ Source: Indirect Tax Rates Table," KPMG (<https://home.kpmg/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/indirect-tax-rates-table.html>).

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