

Why you should add indirect tax compliance to your holiday season strategy

Today's shopping behaviours are driving retailers to deliver a consistent, fast, and accurate experience across all sales channels.

Gone are the days when tax compliance was a simple back-end process for your accounting team. A retailer's ability to maintain international tax compliance has become more complicated as shopping across multiple channels expands, consumer expectations evolve, and new indirect tax regulations are passed.

An omnichannel indirect tax compliance strategy can support your global business goals. An effective strategy accomplishes these four objectives:

1 Enhance the buying experience

Thanks to ecommerce shopping, we've grown accustomed to viewing tax and shipping in the shopping cart. These costs are key considerations during the purchase decision. According to the Baymard Institute, 49% of shoppers abandon their cart because they consider taxes, shipping, and fees to be too high. To avoid shopping cart abandonment, retailers need to provide speedy, accurate, and consistent sales tax calculations across all channels. You can achieve this with automation.

2 Accommodate growth and change

The surge in ecommerce offers opportunities to enter new channels, sell to new locations, and expand your product catalogue. Holiday shoppers spent \$201.32 billion online in November and December 2020, up more than 45% from the prior season. Holiday sales could easily exceed this threshold in 2021. The ability to deliver a seamless experience requires consistent tax determination across multiple systems.

3 Drive efficiency and cost reduction

As retailers grow and sell across multiple borders, more resources are required to keep up with multiple sales tax jurisdictions, differing tax regulations, and filing requirements. A well-executed compliance strategy can help you do more with less. Moreover, it can be the deciding factor between successfully defending an audit or facing penalties.

4 Greater compliance and reduce risk

During the holidays, retailers expand product lines, head count, and pop-up locations to meet increased consumer demand. In doing so, their indirect tax obligations can quickly change because of rapid growth across multiple sales channels. States and local governments are swiftly passing diverse and complex indirect tax laws to secure their share of the revenue. These rules tap sales and fulfilment approaches used by retailers. Staying current on regulations requires continual research on the latest legislation, including economic nexus thresholds.