Sales and Use Tax Reverse Audit
A solution simplifying the complexities of state tax overpayments

Complications identifying overpayments

Overpayments of sales and use tax may seem an inevitable part of business with ever-changing tax laws and the involvement of many parts of an organization. When a state audits a taxpayer, it is not standard procedure for the state to look for and inform the business of any overpayments identified. Reverse audits can be beneficial to find overpayments, but searching through data to identify such overpayments is a tedious exercise that can take hundreds of hours.

How PwC can help

To deliver reverse audits, we have developed a four-phased approach.

**Phase I: Scoping**
Review past/current accounts payable and sales/use tax reporting to quantify and document refunds and exposure. Perform initial review and prepare summary of findings so an informed decision can be made on whether to continue to the next phases.

**Phase II: Data review**
Expand our review using the plan agreed upon in Phase I, Phase II may be facilitated through a review of electronic data or existing historical summaries and special reports. PwC will prepare a cost/benefit analysis during this phase so that consideration is given to those identified transactions where the greatest opportunity for refund/credit exists.

**Phase III: Filing of refund claims**
Refund claims will be categorized and prepared for review, approval, and filling by you. PwC will provide assistance in verification of requested refunds during meetings with taxing authorities.

**Phase IV: Results/Recommendations**
PwC will provide a summary of our findings and results for each jurisdiction. PwC will also provide assistance in the identification and implementation of recommendations made as a result of our findings during the sales and use tax reverse audit project. Fees for these services will be discussed in advance and billed separately. Recommendations for enhancement of current procedures may include, but are not limited to:

- Conduct training seminars for tax, accounts payable, and/or procurement
- Compile or make updates to a tax reference matrix or manual
- Implement automated sales/use tax software or related enhancements.
Collaborating to achieve real benefits

Our technology, Indirect Tax Analyzer, which powers our Sales and Use Tax Reverse Audit Solution, allows PwC to help you respond to state information requests or to conduct internal analyses. Once we have all of your accounts payable data, we can assess it for sales and use tax overpayments, as well as sales and use tax underpayments, and spot trends and issues we see in the data on a state-by-state basis. Our technology also provides a method to organize your data so that you know exactly where you stand regarding sales and use tax payments to help make sure you are prepared for an audit. We can assist in assessing the need to change taxability decisions across locations or facilities.

What value you can realize

Timing
You won’t need to make a significant time investment of internal staff. We simply need access to your invoices, purchase orders and data. We will deploy data extraction tools to simplify start-up. Our OCR technology will capture vendor paid tax and automate the taxability decisions.

Relationships
We’re leaders in this area because of our technology and innovative approach. We also have relationships with resources in every jurisdiction. When an issue arises, we know who to call.

A complete data set
We gather all the data to process the entire refund. You won’t leave money on the table. You’ll have detailed knowledge of all indirect tax decisions.

Thoroughness & flexibility
We run all data through our tax engine so our approach includes identification of exposures to assess whether filing for a refund will put your organization at an increased risk for additional tax in each jurisdiction.

Better data management
After we’ve run you data through our technology, you’ll get it back in a usable, easily searchable format. This will help you be prepared for an audit. This will also increase access to data analytics concerning refunds and liabilities.

Contact us to discuss how we can assist with your indirect tax needs:

George Famalett
Partner
(415) 713-1769
george.a.famalett@pwc.com

Lindsay Galvin
Principal
(412) 315-9740
lindsay.j.galvin@pwc.com

Nausher Hoodbhoy
Principal
(213) 446-5919
nausher.hoodbhoy@pwc.com