



Everything as a Service (XaaS): Explore an indirect tax characterization study

IT spending is being dominated by investments in cloud technologies like XaaS—are you missing an opportunity? **It matters.**



Businesses are moving to the cloud, but tax risks and opportunities may be the result.

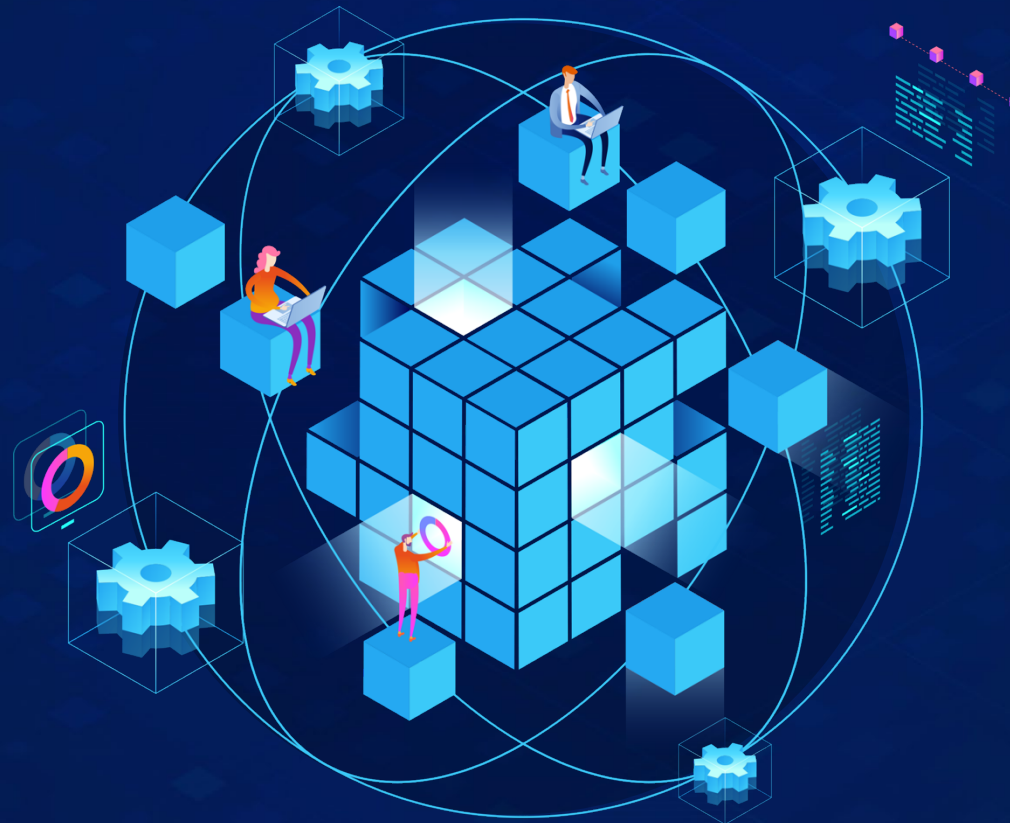
XaaS characterization study can help when you face scenarios like these:

 **MERGERS AND ACQUISITIONS**

 **NEW OFFERINGS OR DELIVERY MODELS DEVELOPED WITH NEXT-GEN TECHNOLOGY**

 **SOFTWARE & OTHER DIGITAL SERVICES PURCHASES**

 **NEW LOCATIONS/ REMOTE WORK**



What makes XaaS so difficult to tax accurately?

BUNDLED TRANSACTIONS

can combine taxable and nontaxable goods or services (*maintenance, services, tangible personal property*)

CLASSIFICATION of transactions to identify their true object is necessary due to unclear tax legislation that can vary by jurisdiction (*Infrastructure, Digital assets, Cloud computing, Information services, Data processing*)

SOURCING to the correct taxing jurisdiction is critical, but can be affected by factors like delivery models, location of users, and characterization of the product itself

TAXABILITY is determined not only by the true object of the transaction but also by where and how it is used (*Data center, Hi Tech exemption, Resale, Direct use*)

Understanding your XaaS opportunities and risks

A Deloitte XaaS characterization workshop guides companies through the complex analysis of determining what is being sold to customers, what is being purchased for companies' own use, and what actions can be taken

GETTING STARTED



OVERALL

Company organization chart
Legal entity listing

BUY SIDE

- Identifying and quantifying spend on digital offerings such as software, subscriptions (SaaS or info services), and other cloud-based solutions including related hardware
- Current tax matrix and methodology of review
- A/P purchases of certain G/L accounts to review
- Location of data centers/IT equipment

SELL SIDE

- Product and service offering by state, revenue stream, and discussion around what offerings are anticipated for the future (e.g., bundled or unbundled)
- Product and service marketing materials
- Sample invoices and sample customer contracts
- Current tax matrix and process of customer set-up

OUR PROCESS

1-3 DAYS



CHARACTERIZATION WORKSHOP

- What/how you sell
- What/how you buy

2-4 WEEKS



QUANTIFICATION ANALYSIS

- Unbundling, characterization, sourcing, and taxability analysis
- Range of potential financial impact on a state-by-state basis

1-2 WEEKS



SOLUTION FRAMEWORK

- Over and under payment mitigation
- Technology and process modification

OUTCOMES

