



How CFOs use tax compliance as a control layer across retail systems.

Avalara | **CFO DIVE**

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Today's retail CFO is under pressure to protect margins and manage risk amid changing trade rules, digital mandates, and aggressive audit environments. The bigger challenge: tax compliance breaks down across fragmented ERP, POS, ecommerce, and marketplace systems, creating blind spots, inconsistencies, and surprises that hit the P&L. A unified compliance execution layer can restore control, tame complexity, and reduce risk without re architecting the entire stack.

Retail CFOs know: Shopping is back with a vengeance.

The National Retail Federation [forecasts](#) that retail sales will grow 4.4 percent in 2026 to \$5.6 trillion. That growth is welcome — but it also amplifies the financial stakes of every single transaction when taxes, mandates, and cross border rules are involved.

Most enterprise retailers operate in a complex environment: multi entity, multi jurisdiction, and increasingly cross border. Transactions flow through multiple ERPs, POS systems, ecommerce platforms, and marketplaces. Each system handles tax slightly differently, which makes it harder for finance leaders to see one consistent picture of risk, liability, and effective tax rate.

In this multi faceted world, three forces converge for the CFO:

- **Control:** Can you trust that tax is treated consistently across systems, entities, and channels?
- **Complexity:** Can your teams keep up with mandates, markets, and product changes without drowning in manual work?
- **Risk:** Will issues surface early in your own reporting, or late in an audit, a close, or an acquisition?

Taxes play into each of these concerns in a unique way. Although tax and returns are owned day-to-day by Controllers and Heads of Tax, margin protection and risk mitigation fall to several departments. IT scopes and implements tax systems. Tax owns execution and compliance. CFOs, ultimately, own the consequences and financial risk that come with tax mistakes.

The right enterprise grade tax compliance infrastructure — operating as a compliance execution layer across ERP, POS, ecommerce, and billing — can help mitigate that risk. Rather than relying on disconnected tools or custom tax code in each system, CFOs can consolidate decisions and content into a coordinated platform that:

- **Protects margins** by reducing penalties, write-offs, and write-downs from tax errors
- **Improves defensibility in audits** through better traceability, documentation, and data quality
- **Reduces unexpected tax liabilities and supply chain friction** across borders and channels
- **De risks large ERP/POS programs** by avoiding bespoke tax builds and reimplementations

In this playbook, we'll connect the dots between the problems you're already managing — omnichannel inconsistency, nexus and digital reporting mandates, cross-border complexity, ERP/POS transformations — and the outcomes you actually care about: protected margins, lower volatility in effective tax rate, and fewer surprises that force you to reforecast mid-year.

We'll also outline where a platform like Avalara plugs into your stack today, so you can move from fragmented tax decisions to a single, scalable compliance execution engine that runs across your existing systems.





SECTION ONE

Protecting margins by reducing penalties, write-offs, and write-downs from tax errors

Protecting margins is one essential element in a CFO playbook. For enterprise retailers, that's not just about cleaner calculation, it's about enforcing consistent, audit-ready tax treatment across every system where revenue flows, so penalties, write-offs, and write-downs from tax errors are the rare exception, not an accepted cost of doing business.

Margin protection can be assessed at several areas.

Uptime and resilience at Point of Sale. Infrastructure designed with a multi-cloud, active-active architecture to help reduce downtime risk allows for continuous tax calculations. With enterprising technology, this is true even during cloud provider outages. Solutions that operate when disconnected from the cloud provide cached or local tax data to help provide uninterrupted checkout experiences.

Time spent at checkout. Increasing checkout consistency and reducing cart abandonment is front-of-mind for CFOs. By providing real-time tax calculation based on shopper location, address, and product type, customers always know the full amount they're paying. Automated exemption management products are built to help streamline the collection, validation, and storage of exemption certificates to be processed in real-time. Together, the end-goal of these systems hopefully leads to an enhanced customer experience and fewer loss of sales.

Evaluation of tax content across systems and regions. It's hard enough to keep track of sales and use tax rates when your business is conducted in one location, through one system. Adding more retail locations and omnichannel capabilities can make it downright difficult. By automating the entire tax lifecycle in one continuously updated tax content database, companies can scale without needing to increase their tax compliance headcount. Doing so across countries can help companies stay tax compliant wherever they do business.





SECTION TWO

Improving defensibility in audits

Audits at the enterprise level are inevitable. Rather than trying to avoid them, retail CFOs can ensure defenses are in place when they occur. There are several ways to do so.

Enhancing data quality, traceability, and documentation.

CFOs may use tax compliance systems to improve the accuracy of their data. This may be done through:

- a. Real-time automation of tax calculations
- b. Address validation designed to support correct taxing and reduce shipping errors
- c. Product taxability systems that classify items with HS codes for accurate duty and tax calculation
- d. Audit trails that change tax settings, rates, and exemption status to improve traceability and documentation
- e. E-invoice tracking connected to government systems for invoice tracking and compliance verification

Staying current on rules. There are a few considerations regarding changing tax laws.

1. The right tax compliance partner is built to help retail businesses save time and reduce the risk that comes with a rapidly changing tax environment. They can do this by centralizing tax compliance to one place, automating calculations, and continuously updating tax content on a global and niche scale.
2. Automation and digital solutions can also help businesses with nexus tracking and threshold risk. U.S. and international markets may have thousands of varying rates and rules. These technologies are created to help companies stay up to date on the requirements of different sales tax jurisdictions and identify new and ongoing tax obligations.



Instituting agentic AI systems

Tax partners that expertly use AI may provide additional advantages. For enterprise retailers, the real unlock is not generic “AI powered” features, but **agentic AI** that sits on top of a proven tax engine and continuously coordinates work across systems. When combined with essential human oversight, AI-powered capabilities can:

- 1. Continuously interpret regulatory change and transaction context** — analyzing tax content updates, mandates, and transaction patterns to flag where changes materially affect your business before they surface in audits or closes.
- 2. Standardize and validate data across ERP, POS, and ecommerce** — assisting with data mapping and setup during new system deployments or acquisitions, reducing configuration errors that later surface as audit findings or unexpected liabilities.
- 3. Orchestrate compliance workflows at scale** — from returns preparation to e invoicing and digital reporting — surfacing anomalies, gaps, and outliers for review so your teams focus on exceptions, not every transaction.

The impact for CFOs: fewer late stage surprises, more predictable reserves, and more time for Tax and IT teams to focus on value add initiatives like supporting expansion, M&A, and large transformation programs.



SECTION THREE

Reducing unexpected tax liabilities and supply chain friction

When it comes to taxes, “accuracy” refers to more than just rates. A smart tax compliance infrastructure is built to help retail CFOs reduce unexpected tax liabilities and supply chain friction in several ways.

Tracking tariffs, duties, HS classifications, and correct treatment at the border. Retail CFOs need a tax partner that manages the complexities of each of these. For example, when applied strategically, AI and machine learning can help analyze product descriptions to automatically assign appropriate Harmonized System (HS) or Harmonized Tariff Schedule (HTS) codes.

Some states and countries also require tariffs be included in the price when calculating sales tax. Tax compliance partners

may help by managing the taxability of tariffs and providing for transparent cross-border pricing.

Real-time duty and cross-border programs that integrate with ecommerce platforms and ERP systems are also designed to help calculate customs duties, import taxes, and fees in real-time, all during checkout.

Global e-invoicing, VAT/GST, and digital reporting requirements. By supporting VAT, GST, and other transaction taxes for sales and purchases across many countries, tax partners may assist CFOs with global e-invoicing, cross-border, and international compliance. This may help mitigate the worry that comes with expanding into new markets.



SECTION FOUR

De-risking large ERP/ POS programs

Starting from square one with a new tax compliance system would be time-consuming, costly, and stressful, especially when it sits on the critical path for a major ERP or POS transformation. Retail CFOs are looking to de risk these programs by **avoiding bespoke tax code** and leaning on a proven, pre integrated compliance execution layer instead.

Using an end to end tax compliance platform with deep, out of the box connectivity, including **1,400+ integrations across leading ERP, POS, ecommerce, and billing systems**, helps reduce custom development, shorten timelines, and lower long term maintenance costs. It also gives CFOs greater confidence that tax logic will scale as the business adds new channels, markets, and acquisitions, without reopening core system designs every time.

Because tax decisions are centralized into a single hub, within your existing architecture, this approach also simplifies returns and post filing adjustments. Business returns are inherently complex, and post filing changes can materially alter tax liability and effective tax rate. Automating business tax needs within one platform — with consistent content, audit trails, and transaction to return traceability — helps ensure nothing falls through the cracks and that changes flow cleanly from transaction to return.

For large ERP/POS programs, a compliance execution layer turns tax from a blocker into an enabler:

- **Less implementation risk** — fewer custom builds and lower dependency on scarce specialist resources
- **Fewer surprises at go live** — consistent tax treatment across systems reduces last minute defects
- **Clearer line of sight from project spend to business value** — margin protection, audit readiness, and scalable architecture that will support the next wave of growth

The bottom line: Retail CFOs that invest in an enterprise grade, end to end compliance execution engine for their growing businesses can reduce the time employees spend on manual tax tasks, lower the risk that audits or system programs disrupt the P&L, and create more capacity to focus on strategic growth.

Learn how Avalara can help you reduce compliance risk, improve efficiency, and support scalable growth across your retail operations — by connecting tax compliance across ERP, POS, ecommerce, and billing as one coordinated function.

Avalara

Avalara helps enterprises centralize and standardize tax compliance at global scale, reducing fragmentation as the business expands across entities, jurisdictions, channels, and operating environments. Backed by 20+ years of compliance expertise, 1,400+ signed integrations, and the trust of a third of the Fortune 1000, Avalara replaces disconnected systems and manual workflows with a unified, cloud-based platform that gives tax, finance, and IT teams greater control, consistency, and confidence as complexity grows.

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