KDD024 - Tax Determination and Tax Reporting in S/4HANA

Status	Approved
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Issue

This KDD will focus on Global Indirect Tax and its three core components as stated below. This decision for this KDD is to decide on the foundation for indirect tax and the approach for the 3 mentioned sub-components, that will be further developed in the Detailed Design Phase. The endorsed approach will have cost implications that need to be considered in the Conceptual Design phase.

Determination

- Indirect Tax determination, for example VAT and GST, is a detailed and often complex area with many rules/laws that vary country by country. Lack of adherence to regulations results in fines for the organization.

Reporting

- Indirect taxes need to be reported to local authorities in specific formats which require upfront preparation of data sourced from the transactional accounting systems. As per current practice at Syensqo, preparations of forms, reports and declarations are primarily managed outside of SAP and often require manual, labor-intensive preparations. which may also rely on SAP standard reports as base selections for the tax declarations. Although the preparation is largely manual, reports and data are sourced directly from SAP.
- Many SAP standard reports commonly used for Tax Reporting purposes in SAP ECC have run out of SAP support and have been replaced with reports in the Document and Reporting Compliance (DRC) framework for Statutory Reporting available in S/4 HANA. Relevant reports are further detailed in the background section of this document.

Preparation & Submission

- Indirect taxes need to be reported to local authorities in specific formats, timeframes and often by registered organizations.
- At Syensqo, submissions are currently either outsourced to registered and authorized agents (wherever this is legally required) or performed manually which is a time-consuming process with compliance risks.
- In a growing number of countries, electronic submissions of financial data for tax & statutory reporting purposes to governments and fiscal authorities are becoming legal requirements (e.g. UK, Germany, Austria).
- In S/4 HANA, the dedicated tool for managing electronic submissions for tax and statutory reporting is SAP DRC which comes at additional licensing costs. Other non-SAP reporting and submissions tools from third party providers such as Deloitte or PWC are currently being explored by the indirect tax departments at Syensqo as well.

Recommendation

Option A - Retention of current practices for Tax Determination of SAP plus Vertex for USA and Canada, and introduce a new application for automation of Tax Reporting, Preparation and Submissions

1. **Indirect Tax Determination to continue with as-is solutions in SAP and Vertex (for USA and Canada only).**
    a. Based on the assessment of the project team, the VAT determination of all required complex business flows (i.e; tolling flows, importations, consignment stocks) can be addressed correctly in the core SAP system (current and S4/ HANA) with the needed degree of configuration and there is no need to adhere to a Vertex determination tool;
    b. After a period of 6 months post go-live a review process shall be performed on the efficacy of the implemented solutions and processes for EMEA. Should the outcome of the review reveal any product or process gaps in the to-be solution that could be addressed in a more efficient manner in Vertex, an implementation of Vertex for EMEA should be reconsidered.
2. **Introduce a new automated application for Reporting.**
    a. New application will be utilized, however the application choice in not part of the decision in this KDD. The SAP application is SAP DRC.
    b. Tool selection will continue throughout Conceptual Design.
3. **Introduce a new automated application for Preparation and Submission.**
    a. Scope of which countries will follow the automated submission process will be determined in Detailed Design, taking into account regulatory requirements and cost \ benefit.

Ensuring continuity of regulatory compliance and a higher degree of automation for efficiency gains in the to-be solution for tax reporting and submissions, is the recommendation.

Continuing with an obsolete and outdated tax reporting framework which has already reached or is nearing the end of life from a SAP support and product development perspective in a new S/4 HANA implementation is not aligned with future proofing the to-be solution.

For tax reporting, preparation and submissions, the current manual practice poses compliance risks and leads to inefficiencies and lack of controls in the reporting and submission process. As such, it is recommended to automate these activities in the to-be solution with a tool that supports tax reporting out of the system with embedded submission options.

The actual selection of the ideal tool for Syensqo for tax reporting, preparation and submission will be performed at a later stage considering various aspects such as costs, integration capabilities and ease-of-use.

The deployment of a global tax determination and compliance solution through a third party application such as Vertex is not recommended due to its complexity and the high costs involved in the initial build and the ongoing maintenance to ensure accuracy of the tax determinations and reporting results.

Background & Context

Determination

Currently, indirect tax determination is fundamentally performed in the primary SAP ECC systems. The exception is in North America, where Vertex (a 3rd party system) is utilized.

As highlighted by Finance and Tax business stakeholders, there are some existing accuracy challenges for determination of indirect taxes in the EMEA region. The extension of Vertex for North America to EMEA to assist in resolving the existing issues and to produce accurate tax reporting was therefore considered. A small case review was conducted by the project team on 6 scenarios that are creating challenges in the current ECC systems. The outcome was that with the correct end-to-end process designs, a better process and process discipline for maintaining tax-relevant condition records in the system and with the respective configurations in place, SAP S/4HANA will be able to effectively manage the problematic business scenarios and produce accurate and reliable tax outcomes. Although Vertex was considered, the recommendation is there not to pursue it as part of the ERP Rebuild project but instead design processes, governance rules and potentially automation tools to tackle the existing pain points using SAP standard. After a period of 6 months post go-live a review process shall be performed on the efficacy of the implemented solutions and processes. Should the outcome of the review reveal any product or process gaps in the to-be solution that could be addressed in a more efficient manner in Vertex, an implementation of Vertex for EMEA should be reconsidered.

Expand the below section for further details on the case review of the 6 scenarios that were raised as part of the KDD review process:

Scenario	1	2	3	4a	4b	5	6
Scenario Description	**Regime 42**	**Importation of Goods (EU supplier, goods imported)**	**Importation of Goods**	**Consignment Stock - Customer Site**	**Consignment Stock - Syensqo Site**	**Tolling**	**Purchase with direct delivery to toller in different country and subsequent sales to end-customer**
Flow	1.) Import into EU by Syensqo 2.) Immediate Sales to end-customer in EU (with VAT)	1.) Purchase of goods from EU-based Supplier by SY Germany 2.) Import of goods from Japan by SY Germany, e,g, in Bulgaria	1.) Import into EU from non-EU countries	1.) Goods moved to Customer Site in EU but owned by Syensqo (Call-off Stock)	1.) Goods moved to other Syensqo site in EU but still owned by sending entity	1.) Goods sent to toller based in different country 2.) Goods returned and subsequently sold	1.) Sales Order from Customer 2.) Raw Material delivery to toller 3.) Delivery of goods from toller to customer
Requirement	Import Tax Exemption	Tracking of goods and reporting of goods movement	Tracking of goods and reporting of goods movement	1.) Tracking of goods and reporting of goods movement 2.) Intra-community supply recognition at point of ownership transfer only, not upon goods movement. Intrastat reporting may be required at point of final sale to end-customer.	1.) Tracking of goods and reporting of goods movement 2.) Intra-community supply and acqusition at point of goods movement (Intrastat reporting required)	Tracking of goods and reporting of goods movement	Tracking of goods and reporting of goods movement
Potential SAP standard solution	Process: 1.) Third Party Sales Order Sales Order details drives the determination of the tax code in the purchase order. 2.) Drop-shipment Sales Scenario Sales order created against external customer with sales area in one country and delivering plant in another country --> VAT code for import tax exemption can be determined based on sales organization and delivering plant. VAT Determination: Based on condition records: - Country of Sales Organization - Country of Delivering Plant Import Declarations: - GTS Integration	Process: Regular PR/Contract to PO process utilizing different partner functions in PO to differentiate between goods supplier and invoicing party. VAT Determination: - Condition Records Technique: 1.) Country of Goods Spplier 2.) Country of importing plant 3.) Country of importing entity Import Declarations and Free Trade Lane Determinations: - GTS integration	Process: Regular PR/Contract to PO process utilizing different partner functions in PO to differentiate between goods supplier and invoicing party. VAT Determination: - Condition Records Technique: 1.) Country of Goods Spplier 2.) Country of importing plant 3.) Country of importing entity Import Declations and Free Trade Lane Determinations: - GTS integration	Process: - Regular Consignment sales process with potential consignment plants at customer site (if required) VAT Determination: - VAT exemption based on process design. Default tax code to tax-exempt for consignment sales scenario within EU. Intrastat Reporting: - GTS integration (cross-border)	Process: - Intercompany process with consignment plants using plant abroad or virtual plants. VAT Determination: Condition Records Technique: 1.) VAT registration number of sending plant 2.) VAT registration number of receiving plant 3.) Country of selling plant 4.) Country of receiving plant Intrastat Reporting: - GTS Integration	Process: SAP Standard Subcontracting process either via MM or SD. VAT determination: MM: Via condition records technique in Purchase Order using avaialble PO details. PP: Via condition records using virtual plant in toller country.	Process: Third Party Sales Order triggering sub-contracting PO with direct delivery of raw materials into subcontracting stock VAT Determination: Tax code determination can be defaulted for this process based on sales order and PO details (e.g. default tax code for respective account assignment category used for sub-contracting POs triggered by third party sales order).
Coverage in S/4	**SAP Standard**	**SAP Standard**	**SAP Standard**	**SAP Standard**	**SAP Standard**	**SAP Standard**	**SAP Standard**

Challenge in S/4	High number of condition records that need to be maintained	High number of condition records that need to be maintained	High number of condition records that need to be maintained	N/A	N/A	N/A	N/A

Reporting

Syensqo is currently using various tax applications for reporting purposes. While some of these applications allow for seamless integration with SAP as the source system for regulatory filings and reporting, (e.g. Vertex), the business is still relying on supporting reports from the underlying SAP transactional accounting system especially in countries where no automated or only semi-automated solutions are in place for tax reporting. The introduction of a more holistic tax reporting framework in the to-be solution would assist not only with regulatory compliance but also provides the business with a more automated reporting and submission solution.

In the past, Tax reporting capabilities in SAP ECC were primarily focusing on indirect taxes (e.g. VAT, WHT) and numerous reports were developed by SAP over the years to comply with regulatory needs in supported countries. Those reports were regularly updated by SAP as and when tax jurisdictions changed in the respective countries. With the move to S/4 HANA, SAP has changed its reporting strategy towards a more consolidated and centralised tax reporting framework in SAP DRC (previously named SAP Advanced Compliance Reporting) and has therefore announced that support and compliance assurance for many of the widely-used tax reports in ECC will come to an end.

The following list shows a non-exhaustive selection of commonly used SAP standard reports for tax reporting in ECC systems for which SAP support and further product developments to keep the reports up-to-date with latest changes in regulatory requirements has either ceased or is about to reach this stage in the near future - for a full list of no longer supported standard SAP reports for regulatory and statutory reporting and submissions, please refer to SAP note 2480067:

Country	Statutory Report Name	Old Report Name	Report Description	Planned End of Support Date (Old Report)
GB	United Kingdom VAT Return	RFUMSV00	Advance Return for Tax on Sales/Purchases - United Kingdom	28.02.2018
GB	United Kingdom EC Sales List	RFASLD20	EC Sales List - United Kingdom	28.02.2018
GB	United Kingdom Withholding Tax Reporting	RFIDYYWT	Withholding Tax Reporting - United Kingdom	28.02.2018
SG	Singapore GST Return	RFUMSV00	Advance return for tax on sales/purchases - Singapore	28.02.2018
BE	Belgium EC Sales list	RFASLD02	EC Sales List - Belgium	28.02.2018
FR	France EC Sales list	RFASLD20	EC Sales List - France	28.02.2018
FR	France Withholding Tax Reporting	RFIDYYWT	Withholding Tax Reporting - France	28.02.2018
NL	Netherlands EC Sales List	RFASLD20	EC Sales List -Netherlands	28.02.2018
LU	Luxembourg EC Sales list	RFASLD02	EC Sales List - Luxembourg	28.02.2018
NL	Netherlands VAT Return	RFUMSV00	Advance Return for Tax on Sales/Purchases - Netherlands	30.04.2018
BG	Bulgaria EC Sales List	/BGLOCS /FI_RFASLD20	EC Sales List (Bulgaria)	31.12.2022
TR	TR Input VAT Declaration	TRIVAT	Input VAT List Turkey	30.04.2018
TR	Sales Invoice List	TRSLIST	Sales Invoice List Turkey	30.04.2018
TH	Thailand VAT Return	RFUMSV00	Advance Return for Tax on Sales/Purchases - Thailand	30.06.2019
SA	Saudi Arabia Withholding Tax Reporting - Form06	RFIDYYWT	Withholding Tax Reporting - Saudi Arabia	31.07.2019
IT	Italy VAT Declaration	FOT_B2A_ADMIN	Administration Report Electronic Data Transmission to Authorities	30.06.2019
IT	Italy Withholding Tax Reporting	RPFIWTIT_CU	Withholding Tax Reporting - Italy	30.06.2019
USA	USA Withholding Tax Report	RFIDYYWT	IRS Tax Form 1042-S	01.10.2021
JP	Japan Withholding Tax Reporting - Blue and Whiite Returns	RFIDYYWT	Withholding Tax Reporting - Japan (Blue Returns)	30.06.2019
IN	India Withholding Tax Reporting - 26Q, 27Q and 27EQ	RFIDYYWT	Withholding Tax Reporting - India	30.06.2019

DK	Denmark EC Sales list	RFASLD20	EC Sales List - Denmark	30.06.2019
AT	Austria EC Sales list	RFASLD12	EC Sales List - Austria	30.06.2019
PL	Poland EC Sales list	RFASLD15	EC Sales List - Poland	30.06.2019
FI	Finland EC Sales list	RFASLD20	EC Sales List - Finland	30.06.2019
HU	Hungary VAT Return	RFUMSV00	Advance Return for Tax on Sales/Purchases - Hungary	30.06.2019
ID	Indonesia VAT Return	RFUMSV00	Advance Return for Tax on Sales/Purchases - Indonesia	30.06.2019
ID	Indonesia Withholding Tax Reporting - 2326	RFIDYYWT	Withholding Tax Reporting: 2326 - Indonesia	30.06.2019
MX	Mexico DIOT Reporting	RFIDMXFORMAT29	Monthly VAT Return for Vendors (Mexico)	31.03.2019
MX	Mexico Withholding Tax Reporting - 37A	RFIDYYWT	Withholding Tax Reporting: 37A - Mexico	30.06.2019
AU	Australia GST Data Summary for BAS Report	RFUMSV00, RFUVDE00	Advance Return for Tax on Sales/Purchases, & Print Program: Advance Return for Tax on Sales /Purchases	30.09.2019
CN	China Cash Flow Statements	J_3RFFORM4	Cash Flow Statement - China	31.12.2019 and as mentioned in SAP Note 3132093
RO	G/L Account Trial Balances	/CEECV /ROFITRIAL	G/L Account Trial Balances - Romania	30.06.2020
RO	Romania Sales&Purchase Journal	RFUMSV00	Romania Sales&Purchase Journal	30.06.2020
RO	Romania Domestic Sales Purchase List	/CEECV /ROFI_394_2016	RO Domestic Sales Purchase List	30.06.2020
PT	Portugal EC Sales List	RFASLD20	EC Sales List (Portugal)	30.06.2020
GB	GB Reverse Charge Sales List	RFUMSV00	GB Reverse Charge Sales List	30.06.2020
AR	Argentina VAT – Sales and Purchase Print Format	J_1AF205 / RPFIGLAR_TAXREPORTING	Argentina Daily VAT Print – Sales and Purchases Versions	J_1AF205 (Daily VAT Print option) - 31.10.2019 and as mentioned in SAP Note 2817157 RPFIGLAR_TAXREPORTING - As mentioned in SAP Note 3164886
AR	Argentina Last Official Document Number	J_1AFONR	Last Official Documents Numbers Assigned	31.12.2021
PT	Portugal Mapas Fiscais	RPFIAAPT_MAPAS_FISCAIS	Asset Fiscal Maps - Portugal	As mentioned in SAP Note 2785874
PL	G/L Account Balances and Line item reports	RFIDPL15	G/L Account Balances and Line Items	As mentioned in SAP Note 2644492
PL	Customer Balances and Line Items in Local Currency (Poland)	RFIDPL07	Customer Balances and Line Items in Local Currency (Poland)	As mentioned in SAP Note 2644492
PL	Vendor Balances and Line Items in Local Currency (Poland)	RFIDPL10	Vendor Balances and Line Items in Local Currency (Poland)	As mentioned in SAP Note 2644492
RO	Fixed Asset Chart Romania	/CEECV /RO_ACHART	Asset Chart Romania	As mentioned in SAP Note 2690355
CA	Canada GST and RITC Reporting	RFUTAX00	Canada GST/HST and RITC Return	31.07.2020
CA	Canada PST Reporting	RFUTAX00	Canada PST Manitoba Return	31.07.2020
IT	Fixed Asset Register Italy	RAITAR01	Asset Register (Italy)	31.01.2021 and as mentioned in SAP Note 2878522
TH	Thailand Withholding Tax - PND*	RFIDYYWT	Thailand Withholding Tax - PND2	31.12.2022
SG	Singapore Withholding Tax data summary for IR37/S45	RFIDYYWT	Singapore Withholding Tax data summary for IR37 /S45	31.12.2022
SA	Saudi Arabia Withholding Tax Declaration - Form 09	RFIDYYWT	Saudi Arabia Withholding Tax Annual Declaration - Form 09	31.12.2022
ES	Spanish EC Sales and Purchase List (Form 349)	RFASLD11B	Spanish EC Sales and Purchase List	30.04.2022

SG	Singapore Capital Allowance Report	RAIDSG_CAP_ALLOW	Capital Allowance Report (Singapore)	31.12.2022
BG	Bulgaria: Fixed Assets Report	/BGLOCS /FI_FIXASSREP01	Fixed Assets Report	30.04.2023
BG	Bulgaria: Tax Depreciation Plan	/BGLOCS /FI_AA_TAX_DEPR	Tax Depreciation Plan	30.04.2023
BE	Belgium VAT Return	FOT_B2A_ADMIN	Administration Report Electronic Data Transmission to Authorities	30.04.2023
BE	Belgium Annual Sales List	RFUSVB10	Annual Tax Return on Tape/Paper (Belgium)	30.04.2023
CL	Chile VAT Withholding Tax Returns	RFQSCI01	Chile VAT Withholding Tax Returns	30.04.2023
CL	Chile Additional Withholding Tax Returns	RFQSCI01	Chile Additional Withholding Tax Returns	30.04.2023
CO	Colombia Income withholding tax declaration and certificate	RFIDYYWT	Colombia Income withholding tax declaration and certificate	31.07.2023
CO	Colombia VAT withholding tax declaration and certificate	RFIDYYWT	Colombia VAT withholding tax declaration and certificate	31.07.2023
FR	France Overdue Invoices	RPFIFR_OVERDUE_INV	Overdue Invoices (France)	30.04.2024
SA	Saudi Arabia Withholding Tax Declaration - Form 06	RPFIWTSA_CERT	Withholding Tax Certificates for Vendors	30.06.2024
PE	Peru Foreign Vendor Withholding Tax Return	RFIDYYWT	Withholding tax reporting - Peru	30.06.2024
PE	Peru Local Vendor Withholding Tax Return	RFIDYYWT	Withholding tax reporting - Peru	30.06.2024

SAP DRC

Most of the outdated reports have been replaced with a corresponding equivalent report in the SAP DRC framework for Statutory Reporting in S/4 HANA. New reports introduced by SAP to meet regulatory requirements effective after approx. 2020 are also all implemented using SAP DRC.

The full scope of currently supported reports and compliance tasks in SAP DRC in S/4 HANA can be viewed online on the official 'Supported Compliance Tasks by Country/Region' webpage on this topic. Please note that the list of in-scope tasks for SAP DRC in S/4 HANA is subject to frequent updates and changes.

Below a sample extract of supported key functionalities in countries where Syensqo is operating larger organizations without external tax applications to support statutory submissions to authorities:

Country/Region	Task	Supported Submission Type
Belgium	Annual Sales Listing	Electronic format provided
Belgium	Withholding Tax	Electronic format provided
Belgium	EC Sales List	Electronic format provided
Belgium	Balance of Payments	Electronic format provided
Belgium	VAT Return	Electronic format provided
Belgium	Declaration for VAT	Electronic format provided
India	GSTR 1 Report	Manual filing
India	GSTR 3B Report	Manual filing
India	GSTR 6 Report	Manual filing
India	Form 26Q	Manual filing
India	Form 27Q	Manual filing
India	Form 27EQ	Manual filing
Italy	Withholding Tax Report	Electronic format provided
Italy	VAT Declaration	Electronic format provided

Italy	Fixed Asset Register	Electronic format provided

Preparation and Submission

In a growing number of countries its becoming a legal requirement to integrate the accounting system with government portals for direct submissions of statutory filings to the authorities (e.g. 'Make Tax Digital' initiative in the UK for indirect tax submissions).

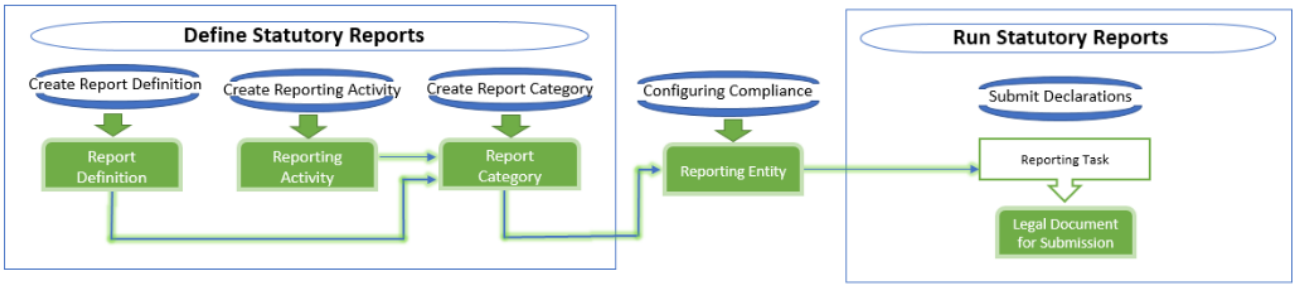
Although other Preparation, Reporting and Submission tools will be assessed as well over the next few months, below an example of end-to-end process design capabilities out of SAP DRC as the future roadmap tool from SAP for preparation and submission of statutory and tax reports.

SAP DRC

SAP DRC in S/4 HANA is SAP's response to the growing need for electronic data exchanges between organizations of the private as well as the public sector. It is addressing and facilitating the transition from paper-based to data-based management of trade- and compliance-relevant documents in an organization.

SAP DRC for Statutory Reporting in S/4 HANA is not only the new home to SAP standard reports for Tax Reporting and other mandatory regulatory compliance tasks (e.g. submission of electronic Financial Statements) but also offers additional functionalities to manage and support periodic compliance tasks out of a single place in a controlled manner in S/4 HANA - the below process flow illustrates the solution components, how they interact with each other and the usual flow of activities to complete the end-to-end process of preparation and submission in S/4 HANA.

Preparation & Submission



1.) Report Definition:

- Additional auxiliary reports can be built on top of the SAP standard reports available in the pre-defined SAP standard content delivery to support manual filings through targeted data extractions.

2.) Reporting Activity:

- Reporting activities provide the business users with the option to manually adjust the automatically extracted figures before the actual submissions to the authorities are scheduled (e.g manual inclusion/exclusion of specific transactions). Any manual adjustments are fully auditable through built-in audit trail mechanisms and commenting functionalities.

3.) Reporting Category:

- Reports can be grouped together based on various criteria (e.g. country, type of tax, organizational units, etc.) where this is required for statutory submissions.

4.) Reporting Entity:

- The required statutory reports can be produced at different reporting levels via the use of organizational units. The reporting levels currently supported in Statutory reporting are company code, business place, profit center, segment, jurisdiction code and section code.

5.) Reporting Task:

- The execution of statutory reports can either be done on an ad-hoc basis or via scheduled periodic activities. Workflows for review and approval of statutory reports can be defined before the outputs are generated. Outputs can be produced in various formats, such as, XML, PDF, TXT, JSON, ALV, or XBRL. You can also choose to view the information in a preview or tabular format, and use the information to file your tax returns manually through the authorized government portals.

SAP DRC Summary

SAP DRC is a centralised solution for statutory reporting, preparation, submission and monitoring of statutory compliance tasks with a growing number of SAP standard reports where regulatory compliance and support is assured by SAP. Additionally, it is also a powerful and flexible reporting workbench to create business-specific auxiliary reports to support statutory filings. Furthermore, it also provides a process-driven framework for managing statutory submissions end-to-end with abilities for controlled interventions by business users throughout the submission process.

Assumptions

- The SAP tool for automation of Tax Reporting and Submissions is SAP Document and Compliance Reporting (DRC). There are significant integration benefits of utlising an SAP application, however the decision on the application to be implemented will be made at a later date and is not part of the decision within this KDD.
- Scope, in relation to which entities/countries will utilise the reporting and/or preparation & submission processes will be addressed in the Detailed Design phase. This will also take into consideration the overall S/4HANA deployment approach.
- The e-invoicing capabilities of SAP DRC will be covered in another KDD (please refer to KDD 'e-invoicing for Regulatory Authorities' for further details).
- As highlighted by Finance and Tax business stakeholders, there are some existing accuracy challenges for Syensqo with regards to tax determinations, especially in the procure-to-pay processes. It is assumed that these issues will be resolved within the current ECC system. If not resolved in the ECC system, then they will be resolved via the integrated design for S/4HANA. Being an as-is issue, the exact details should be gained from the Syensqo business stakeholders if required.

Constraints

- The licensing requirements for SAP DRC in S/4 HANA for Statutory Reporting are not clearly documented. Infrastructure team was consulted and advice given is to assume that the scope of functionalities provided by SAP DRC for Statutory Reporting compliance will be a chargeable service in the to-be solution with unclear costs at this point as it will be subject to negotiations with SAP.

Impacts

- Licensing and Costs: Additional licenses will be required. Licensing costs will be applicable to both SAP DRC and/or external applications for Tax Reporting and Submissions.
- Training and Change Management: Extensive training will be required as the deployment of an automated tool brings about changes to the current ways of working (which is mainly manual).
- Automation: It is expected that reporting and submissions can be largely automated and streamlined.
- Data Cleansing and Migration: No impact.
- Basis: Business functions may need to be turned on in SAP to activate the native SAP solution DRC for Statutory Reporting in S/4 HANA if the decision is to opt for SAP DRC as the to-be solution for Tax Reporting and Submissions. Other services such as Adobe Document Services may need to be enabled as well to support generation of PDF documents out of the application.

Business Rules

None identified in conceptual design phase - this section may be revisited again during detailed design as underlying business processes leveraging tax reporting functionalities are investigated in more detail.

Options considered

Option A: Retention of current practices for Tax Determination, and introduce a new application for automation of Tax Reporting, Preparation and Submissions

1. **Indirect Tax Determination to continue with as-is solutions in SAP and Vertex (for USA and Canada).**
2. **Introduce a new automated application for Reporting.**
    a. New application will be utilized, however the application choice in not part of the decision in this KDD. The SAP application is SAP DRC.
    b. Tool selection will continue throughout Conceptual Design.
3. **Introduce a new automated application for Preparation and Submission.**
    a. Scope of which countries will follow the automated submission process will be determined in Detailed Design, taking into account regulatory requirements and cost \ benefit.

Tax Determination will continue in SAP as per current practice.

The challenges faced today in the current SAP systems with regards to inaccurate tax determinations for some countries for procure-to-pay processes can be addressed through a better design and governance process of the respective tax determination parameters in the system.

Based on the assessment of the project team, there are significant improvements/added features to the SAP core system/SAP 4HANA (with the required degree of configurations) to ensure the accurate VAT determination for complex business flows such as importations, consignment stocks and tolling flows and there is no need to adhere to a Vertex determination tool.

Reporting, Preparation and Submission will use an application to assist with automation.

Business users will get full access to the full suite of reports and compliance tasks currently supported and quality-assured by the provider of the reporting and submission tool with automatic updates to all reports should country legislations change. It is expected that entire end-to-end business processes can be defined for statutory submissions in the tools to be evaluated, ideally with built-in process and audit controls such as submission workflows and detailed logging functionalities. Furthermore, it is expected that reporting deadlines can be proactively monitored in the new tool via submission schedules with automatic submissions and alert functions before submissions fall due to avoid late filings and potentially also fines for non-compliant submissions.

The tool to be used in the to-be solution is yet to be decided, but as also stated in the 'Assumptions' section, the standard SAP tool for automation of Tax Reporting and Submissions is SAP DRC which meets most of the above mentioned expectations. There are significant integration benefits of utilizing a native SAP application, however the decision on the application to be implemented will be made at a later date and is not part of the decision made within this KDD.

The actual scope of entities/countries which will utilize the reporting and/or preparation & submission tools and processes will be defined in the Detailed Design phase. This will also take into consideration the overall S/4 HANA deployment approach.

Option B: Retention of current practices for Tax Determination with manual Tax Reporting, Preparation and Submissions (As-is)

1. Indirect Tax Determination to continue with as-is solutions in SAP and Vertex (for USA and Canada).
2. Reporting to continue as-is with mainly manual activities.
3. Preparation and Submission to continue as-is with mainly manual activities.

With this option, Tax Determination continues in SAP as per current practice.

Reporting, Preparation and Submission will not introduce a new application to assist with automation. Instead, the classic reporting framework for Tax Reporting available in older SAP ECC versions (consisting of primarily ABAP reports, spread out over multiple areas and country versions) is retained and continued to be used to support tax reporting and submissions in S/4 HANA.

This option is considered because most of the SAP standard reports which have run out of SAP support as per SAP Note 2480067 (see also above section 'Background and Context' for further details) are still available in the latest S/4 HANA versions albeit no longer maintained as per legal requirements or supported by SAP in case of product bugs or other queries requiring SAP's attention. Report outputs in list, tabular or electronic format can still be generated but regulatory compliance of those outputs is no longer assured by SAP.

The use of the classic ECC reporting framework remains free of charge in S/4 HANA and is covered by the general license for S/4 HANA enterprise management.

Option C: Engage Third-Party Provider to integrate into S/4 HANA for Tax Determination, Reporting, Preparation and Submissions

1. Indirect Tax Determination to change to determination and calculation method via external third party application.
2. Introduce automated Reporting via external third party application.
3. Introduce automated Preparation and Submission via external third party application.

This option foresees the engagement of a third party provider for a holistic tax determination and compliance solution managed outside of S/4 HANA in the respective external applications.

Third Party applications are strong on covering numerous taxable scenarios, however the negative is that continuous alignment of S/4 HANA with the third party application is required to guarantee accurate determination and reporting results. This alignment is not always one to one with the S4HANA business process, and/or requires mapping/adjustments and domain expertise to ensure alignment. In addition, future changes/updates to the third party tool may require updates to SAP to ensure alignment.

Additional administration, management and infrastructure requirements need to be considered from a time, effort and cost perspective.

Evaluation

The below table provides a summary of the pros and cons of each option explained in the above section.

Pros & Cons / Project Principles	Weighting (H/M/L)	Option A - Retention of current practices for Tax Determination, and introduce a new application for automation of Tax Reporting, Preparation and Submissions	Option B - Retention of current practices for Tax Determination with manual Tax Reporting, Preparation and Submissions (As-is)	Option C - Engage Third Party Provider to integrate into S/4 HANA for Tax Determination, Reporting, Preparation and Submissions

Pros & Cons		⊕ Fully integrated solution for determination, reporting and submissions out of a single S/4 HANA system. ⊕ Full regulatory compliance and supportability of solution assured by SAP or external party. ⊕ Minimizes the risk of overdue submissions due to scheduling, monitoring and alert functionalities. ⊕ Single reporting and submission tool for Statutory Reporting in to-be solution (one-stop shop). Potential to phase out other external tax applications currently used for reporting and submissions over time. ⊕ Leveraging on latest technologies for reporting with built-in reporting workbench allowing for flexible tax and statutory reporting based on business needs. ⊕ Allows for a less manual and more system-controlled execution of end-to-end business processes for statutory submissions. ⊕ Full traceability and auditability of submissions and manual interventions throughout the process. ⊕ If selected as the to-be application, SAP DRC is the roadmap design from SAP in S/4 HANA for statutory submissions. ⊖ Additional license costs for automated tool deployed for tax reporting and submissions ⊖ Change Management efforts will be higher as automated tool comes with new system capabilities within the business processes that require user education.	⊕ No additional costs for licenses ⊕ No change to current ways of working minimal change impact and therefore little to no change management necessary. ⊖ Compliance risks due to overdue submissions. ⊖ Many reports and compliance tasks no longer maintained and supported by SAP ⊖ Changes to country legislations and compliance rules no longer considered in report designs as reports are not within the SAP-assured compliance scope hence custom reports may need to be developed. ⊖ Reports are mainly ABAP reports with outdated user interfaces and poor capabilities to export data in a user-friendly manner ⊖ No central repository of reports for statutory reporting part of country-specific functions in General Ledger Accounting, Tax Accounting, Fixed Asset Accounting, etc. ⊖ No system capability of defining standardized end-to-end business processes for statutory submissions with process controls. ⊖ No traceability of manual adjustments made prior to submissions.	⊕ External determination applications offer high level of compliance, and submission and tracking capabilities. ⊕ Minimizes the risk of overdue and incorrect submissions. ⊕ Single reporting and submission tool for Statutory Reporting in to-be solution (one-stop shop). Potential to phase out other external tax applications currently used for reporting and submissions over time. ⊖ Integrating with a third party application increases the level of complexity and also leads to higher implementation and support costs. ⊖ Requires expert domain knowledge and deep SAP integration knowledge to ensure sustainability of the solution. ⊖ Additional administration and coordination efforts with external service provider. ⊖ Additional infrastructure costs to keep SAP and external applications connected and in sync. ⊖ Future updates to external applications may require review, change and extensive regression testing of S/4 HANA process and configuration designs. ⊖ Change Management efforts will be higher as external application comes with new system capabilities within the business processes that require user education.
Level of Regulatory Compliance	H	High	Low	High
Licensing Cost Score (H/M/L)	H	Medium	High	Low
Implementation Cost Score (H /M/L)	H	Medium	High	Low
Automation / Cost Savings	H	High	Low	Medium
Standardisation of Reporting & Submissions	M	High	Medium	High
Simplification	M	High	Low	High
Future-Proof	M	High	Low	Medium
Change Management Score (H/M/L)	L	Medium	High	Low
OVERALL		High	Low	Medium

See also

File	Modified
PDF File Workspace Mail - Fwd_ Approved.pdf	Oct 04, 2024 by FALL-ext, Cheikh

Change log

Version	Published	Changed By	Comment
CURRENT (v. 187)	**Oct 02, 2024 09:30**	**BECHTER-ext, Alex**	
v. 186	Oct 01, 2024 13:48	**BECHTER-ext, Alex**	
v. 185	Sept 30, 2024 13:34	**BECHTER-ext, Alex**	
v. 184	Sept 30, 2024 13:30	**WENNINGER-ext, Sascha**	
v. 183	Sept 30, 2024 11:40	**BECHTER-ext, Alex**	

v. 182	Sept 30, 2024 11:31	**BECHTER-ext, Alex**
v. 181	Sept 27, 2024 09:26	**BECHTER-ext, Alex**
v. 180	Sept 27, 2024 09:25	**BECHTER-ext, Alex**
v. 179	Sept 27, 2024 09:02	**BECHTER-ext, Alex**
v. 178	Sept 27, 2024 09:01	**BECHTER-ext, Alex**

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Workflow history

Title	Last Updated By	Updated	Status
There are no pages at the moment.			

Workflow history

This view shows the 5 most recent entries. The complete workflow log is available from the 'Document Activity' menu item.

Oct 04, 2024	Actor	Type	Activity	Version
Approved	FALL-ext, Cheikh	State	changed state to Approved at 12:53 pm	v187
Pending SteerCo Review	FALL-ext, Cheikh	State	gave *Final Approval* approval at 12:53 pm	
		State	changed expiry date to '18 Oct, 2024 12:53 pm' at 12:53 pm	
		State	changed state to Pending SteerCo Review at 12:53 pm	v187
Pending Stakeholder Review	FALL-ext, Cheikh	State	gave *Stakeholder Review* approval at 12:53 pm	
		State	changed expiry date to '11 Oct, 2024 12:53 pm' at 12:53 pm	
		State	changed state to Pending Stakeholder Review at 12:53 pm	v187
Edited following DA Endorsement	FALL-ext, Cheikh	State	gave *Minor change* approval at 12:53 pm	
From Sept 30, 2024 to Oct 02, 2024				
	BECHTER-ext, Alex and WENNINGER-ext, Sascha	Edit	multiple updates from BECHTER-ext, Alex and WENNINGER-ext, Sascha	