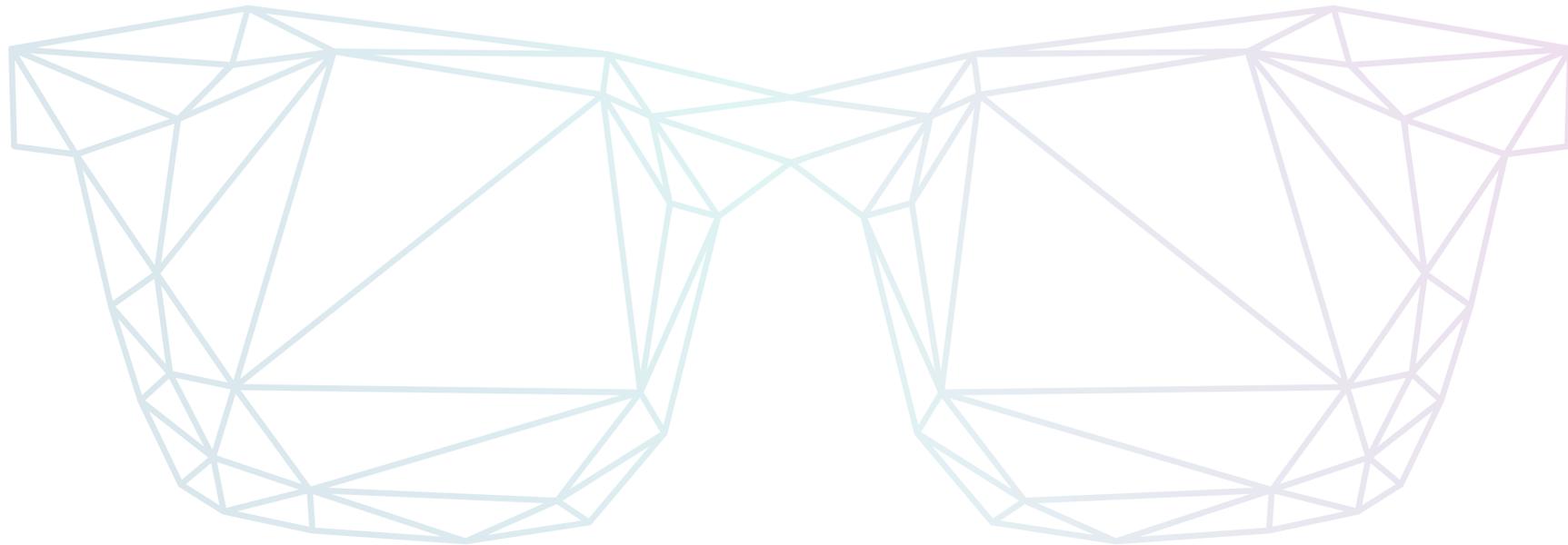


Indirect Tax Solution Review

Let us help you to refocus and get the most from your ERP system's indirect tax configuration



ORACLE®

workday.



Microsoft Dynamics 365

sage

EPICOR.

infor

ERP Indirect Tax Solution Review

If you're uncertain about your current indirect tax automation processes, or are thinking about making the move from a manual setup, we can help.

Not sure where to start?

Whether you have invested a significant sum in your tax solution and want to avoid unwelcome surprises from a VAT audit or need the justification to build a business case to move away from your current manual offering, we can help.

You depend on your ERP system to ensure the correct VAT treatment of transactions has been taken into consideration and to ensure optimal reporting capabilities.

In our experience, however, standard ERP systems do not necessarily determine all VAT transactions correctly. We often find a:

- ▶ lack of control over the business processes involved in VAT imposition
- ▶ failure to implement the correct tax logic with respect to the relevant parts of a VAT transaction
- ▶ A manual approach when a fully automated solution is possible

What can you expect?

Innovate Tax will provide an in-depth solution review of your indirect tax configuration in your ERP application. We review the design, configuration, reports, invoice formats and processes and will outline our recommendations, any risks and a score on each area so you can see if it is fit for purpose.

Our specialists will analyse your existing solution/ process to identify what works well and vice versa.

Most importantly, we'll propose practical ways to move forward taking a completely unbiased approach that considers all factors relevant to your organisation.

Keep reading to find out the process and what can be covered as part of your review...



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Reviewing the data

Each area is broken into four different sections:

1



Observation

We record our observations as we have assessed your configuration taking into consideration both application and process.

2



Recommendation

We make recommendations on what needs to be done moving forward. We also have a 'Quick Wins' option if there is a quick and easy change that can take place without much impact to the existing solution.

3



Status

We use a traffic light system to indicate the status of each reviewed aspect. Red flags an immediate risk, Amber suggests a hazard or potential improvement, and Green signifies a correct standard.



Missing Offset taxes, reporting codes and not using best practice default tax values. Mixing multiple country tax rates under one country tax regime.

4



Risk

If a risk is identified - either to tax compliance or to the business - then we highlight it here.



'CLIC' tax codes are installed that do not meet country requirements. There are mixtures of old and new tax codes enabled, which must make it harder for users to choose the correct tax codes.



No Legal Justification Text nor Tax descriptions to identify the tax rates to end users, therefore no ability to print the correct legal justification text on the invoices.

Scope & indicative coverage

The Solution Review can be as brief or extensive as you like. We'll work with you to ascertain your desired outcomes and centre the process around your business' objectives.

Perhaps you're looking to 'stress-test' your processes, or you have a specific challenge to overcome and need some guidance - it's your review and we'll share your focus.

We've listed out some of the indicative areas of coverage that can be included as part of your review.

Standard components

1. Introduction

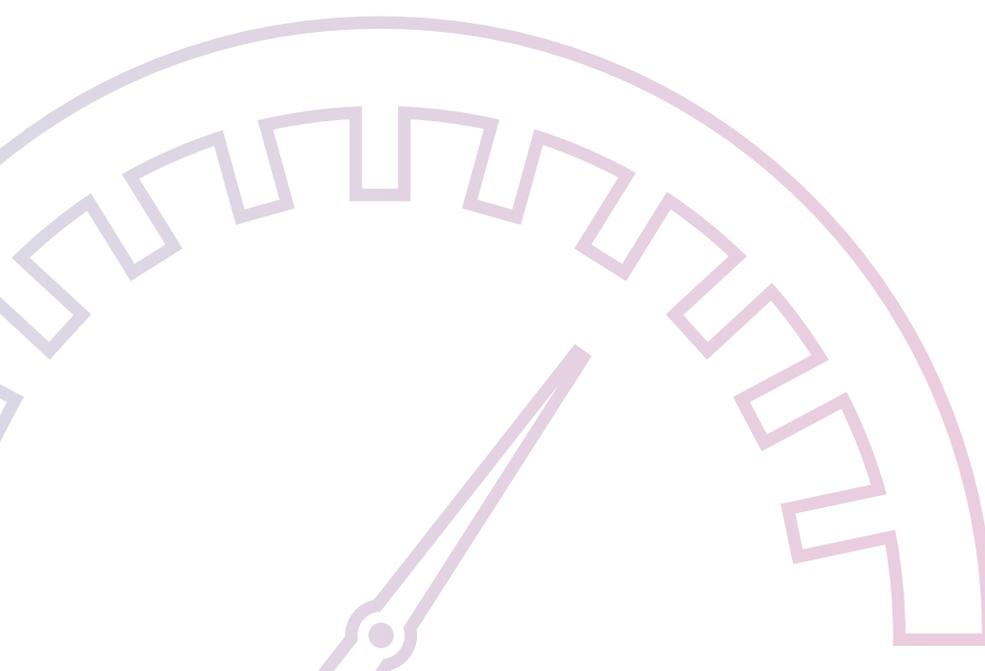
- 1.1. Scope of Review
- 1.2. Reviewer

2. Executive Summary

- 2.1. Solution Review
- 2.2. Key Findings
- 2.3. Summary

3. Key Findings

- 3.1. Overall design
- 3.2. People
- 3.3. Existing client issues



Key findings coverage (indicative)*

4. Tax Configuration Observations (Regime to Rate)

- 4.1. Tax Regime & Tax
- 4.2. Tax Status and Tax Rate
- 4.3. Tax Default Exchange Rate
- 4.4. Tax Rate Names
- 4.5. Reverse Charge (Offset) Tax
- 4.6. Recovery Rate Taxes
- 4.7. Tax Jurisdictions
- 4.8. Tax Rounding
- 4.9. Invoice Tax Description

5. Tax Configuration Observations (Rules)

- 5.1. Tax Zone
- 5.2. Tax Party Classification Codes
- 5.3. Tax Determining Factors and Conditions
- 5.4. Default Tax Rule Values
- 5.5. Tax Rules

6. Tax Config Observations (3rd Party Setups)

- 6.1. Tax Calendars
- 6.2. Tax on Journals
- 6.3. Tax Tolerance Levels
- 6.4. Legal Entity Setups
- 6.5. Profile Options
- 6.6. Payables Invoice Options

- 6.7. Receivables Auto Accounting
- 6.8. Enhanced VAT Tax Setup
- 6.9. EMEA Tax Setup
- 6.10. Global Configuration Owner Options
- 6.11. Application Tax Options
- 6.12. Intended Use
- 6.13. Item Classifications
- 6.14. ZX Tax Lookup Codes
- 6.15. Product Category Codes
- 6.16. Tax Reporting Codes

7. Transactional and Source Data (Tax Related)

- 7.1. Tax on Purchase Orders
- 7.2. Customer and Supplier Tax Profile Details
- 7.3. Projects Module
- 7.4. Tax on Expenses
- 7.5. Goods or Services?
- 7.6. Interface Observations
- 7.7. Intercompany
- 7.8. Tax Reports
- 7.9. European Sale Listing (ESL) Report
- 7.10. Financial Tax Register
- 7.11. Invoice Format

8. Future Considerations

**the feasibility of each key finding category will differ depending on your ERP system, and the availability of the data for review purposes.*

Representative content

Each review that is undertaken is very different and the findings ideosyncratic in nature; each business has its own unique fingerprint of systems, processes and people.

So whilst there is no such thing as 'typical' content within a review report, here are some demonstrative excerpts from reviews conducted on behalf of some of our clients' businesses.

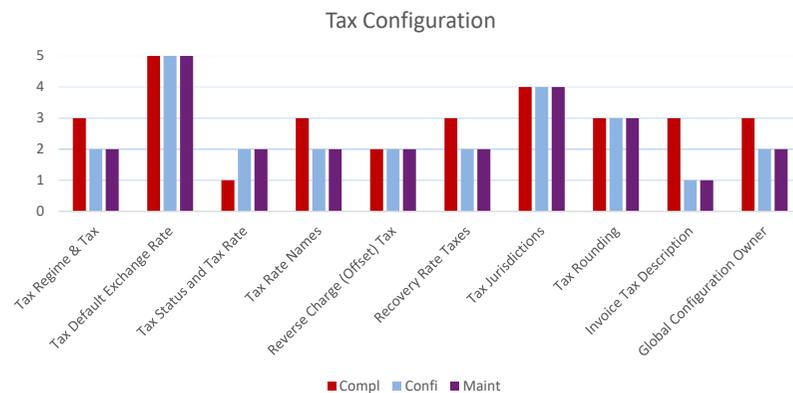
1. ### Systems Review for Tax-Related Configuration

maintains country and provincial/state lists with default values for abbreviations and accounting-related information, specific to a country. There are system and country-controls that can be put in place to facilitate the OTC and PTP processes outlined below.

In addition, every material master has tax configuration settings used to classify materials needed for tax determination and/or Reporting (Intrastat) requirements. Incorrect classification of these materials leads to erroneous results leading to risk, as stated in the above sections.

Solution:

Review and modify formats for ##### VAT Registrations and acceptable VAT registrations for business partners by country. Review other country settings such as EU-flags material masters and Reports



2. Tax Determination on Order-to-Cash

Observations

The tax determination process for OTC is oftentimes incorrect for all business units and is based on several factors such as domestic vs. export sales, Sales Order Types and tax status of both customers and materials. There is no consistency in the manual decisions and system configuration to produce the correct tax result in many cases.

Solution:

- Evaluate the OTC transactions and determine what tax should be derived, and how
- Modify the SD Access Sequences accordingly and end-date any current records that are no longer used.

This will increase performance and eliminate any manual decisions made today. In conjunction, this solution would facilitate the Invoice Print Process.

Since this is considered master data, limit the users who would have access to make changes. Create a system for tracking and obtaining approvals by the tax department prior to any changes of the tax determination in OTC. Clean-up of ### ERP Tax Codes would be required.

3. Invoice Print for Order-to-Cash

Observations

For many reasons stated throughout this review, ##### is not printing the correct language on invoices to customers. There are EU and non-EU rules on what needs to be printed based on several factors.

Solution:

Determine the factors needed for the Invoice Print Function in ### by conducting an evaluation of:

- domestic vs export of goods and services
- country/legal entity origination
- language
- transaction type (among other factors)

An assessment of the above will help to determine what language needs to be printed on invoices to customers. This is a holistic approach; launching and incorporating a clean up the OTC and Intercompany tax derivation tables in the first instance will facilitate the correct functioning of the Invoice Print Program/Function.

4. Tax Determination on Procurement-to-Pay

Observations

Today, ##### is defaulting the tax determination in PTP based on the tax code on the Supplier Info Record. There is only one default tax code on these records and is often incorrect.

Once the Purchase Order is created, someone with 'tax knowledge' can override the tax code, however, this is a manual process and can lead to errors in the interpretation of the scenario. This leads to discrepancies during invoice time.

Solution:

Remove the tax code on the Supplier Info Record and maintain all tax decisions in the Purchasing Access Sequence. A derivation of tax can be accomplished based on different scenarios, both domestic and abroad, and remove any manual decision to be made by Purchasing or AP.

This should cut down on the amount of holds and system reviews by the tax department and provide visibility to how Suppliers are taxing #####. Create a system for tracking and obtaining approvals by the tax department prior to any changes of the tax determination in PTP. Clean-up of ### Tax Codes would be required.

5. Tax on Non-Recoverable Purchases

Observations

In some cases, ##### team does not believe it is properly accounting for partially and non-recoverable VAT. When booking an invoice with partly recoverable VAT (example car lease, etc.) the VAT is booked using the same tax code as the fully recoverable VAT. There is no separate code. When ### ERP calculates the VAT based on the tax code used, the amount needs to be overwritten by the SSC employee. There will be a non-standard rate item in the VAT reporting, which the employee who files the VAT return will need to check.

Solution:

Review materials that are subject to reduced VAT recoverability by country and create classifications and/or tax codes to accommodate the purchase of these items. Creation of GL accounts may be required to facilitate proper accounting of expensed vs. recoverable taxes.

6. Tax on Intercompany Transactions

Observations

has communicated that there are VAT determination issues on both the *buy* and *sell* side of the Intercompany process. There is no consistency in the process, decision and system configuration to produce the correct tax result in many cases.

Solution:

1. Conduct a thorough review of both the ZFI19 EU tax table and the T076M non-EU tax table to determine which records are used today and which ones are missing due to recent business and tax law changes.
2. Modify the tables according to the review and document the before and after changes.

This solution should also include *Knowledge Transfer* to the stakeholders (accountable, responsible, and interested parties), in an effort to continue down the right path of keeping the system current.

As advised throughout this document, develop a process to track all decisions and changes should be included in the *Knowledge Transfer* and owned by a responsible team.

Future Considerations

Future Considerations are also important. We use our extensive knowledge to warn of any potential future direction that your tax authorities may be heading and how you can be ready to meet those new requirements. We also consider your strategic direction in terms of growth of applications in use.

Scoring Justification

A standard points-based matrix lies at the heart of all scoring to provide transparency and comparability of outcomes.

The rationale behind allocated scores is provided against each section.

Key	
Perfect	5
Good	4
Average	3
Below Average	2
Poor	1
Not Exist	0

	Compl	Config	Maint	Reason
Regime	5	4	5	#####
Tax	4	2	4	#####
Tax Regime & Tax	3	2	2	#####
Tax Default Exchange Rate	5	5	5	#####
Tax Status and Tax Rate	1	2	2	##### #####
Tax Rate Names	3	2	2	##### #####
Reverse Charge (Offset) Tax	2	2	2	##### #####
Recovery Rate Taxes	3	2	2	##### #####

About Innovate Tax

Founder and managing director, Andrew Bohnet, originally set up the company as eBiz Answers Limited in 2012. Four years later, in 2016, the company changed its trading name to Innovate Tax in order to reflect its development as a Tax Automation Specialist.

What we do

Innovate Tax bridges the gap between ERPs and Tax technology, translating complex tax rules into user-friendly and fully automated tax solutions.

Integrating with the world's most popular ERP systems, including SAP, Oracle, Workday, MS Dynamics and others, Innovate Tax's core solution helps businesses to automatically calculate and apply the correct amounts of indirect tax payable, such as VAT (Value Added Tax), GST (Goods and Services Tax) and Sales Tax, using tax content for over 150 countries.

Our knowledge of tax automation has also paved the way for the development of additional products and services focusing on tax compliance, VAT reporting and VAT leakage; when it comes to utilising technology for tax, we stand firmly at the forefront of next generation development for the emerging indirect tax landscape.

LUMEN®

The Innovate Tax team created a global tax solution that assured future compliance that is easy to maintain delivered on-time and provided great long term value.

Analissa Hilt, Lumen Technologies

SPECIALIZED. ⚡

I felt that Innovate Tax was a qualified partner in our VAT project. The Innovate Tax team was dedicated and together we found a successful solution. We can highly recommend Innovate Tax as a tax technology partner.

Raffael Schwarz, Specialized

STATS PERFORM

I appreciate everything that the team has done to deliver our project on time, despite some incredibly tight timescales. I look forward to working together with Innovate Tax on our next project phase.

Richard Haynes, Stats Perform

INNOVATE TAX

COMPLIANCE WITHOUT COMPROMISE

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