SAP Solutions for Global Tax Management

Erika Buson, SAP
September 2021

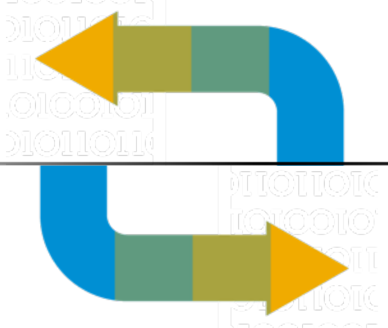
PUBLIC

THE BEST RUN SAP

Importance of Tax Technology

Digitization and Technology

- Increased centralization of activities
- Tax functions need to do more with less
- Requirement to drive value from tax data
- Maximize return on investment in finance function transformations



Legislative and Regulatory

- More transparency demanded by authorities
- Increased volume and quality of data required more frequently and on a real-time basis
- Increasing reporting requirements
- Use of co-operative compliance models and focus on risk-based approach by tax authorities

Solution Areas of Tax Management

Direct Tax

- ✓ **Enable** streamlined tax accounting, closing and provisioning
- ✓ **Manage** operational transfer pricing and ensure compliance to numerous local regulations
- ✓ **Ensure** direct tax compliance, by reporting to local authorities according to a variety of calendars
- ✓ **Keep** flexibility and scalability

Indirect Tax

- ✓ **Manage** statutory reporting worldwide with a unified user experience
- ✓ **Gain** visibility of tax compliance issues
- ✓ **Comply** with many local regulations mandating the use of electronic documents
- ✓ **Gain** the flexibility and scalability to respond to new business opportunities

Customs & International Trade

- ✓ **Automate** trade processes for imports and exports
- ✓ **Leverage** free trade agreements to drive bottom line savings
- ✓ **Manage** special customs procedures such as e-filing, bonded warehouses, processing trade in China, foreign trade zones to optimize duty rates
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The Journey of Business Compliance Worldwide

Regulations continue to evolve becoming more and more challenging

Paper-based return

Prepare returns offline, manually fill paper forms and send to tax-authority via mail.

Online form

Manually fill the online forms populated on tax-authority portal and submit.

E-file

Prepare the returns in electronic formats (.txt, .xml, json, etc.) and submit via portal or machine-to-machine.

E-audit

Periodic document level obligations that enable Tax Authorities to audit electronically matching across Tax Payers

E-invoices

Business documents like Invoices, delivery notes and tax certificates sent electronically to increase traceability and efficiency of the economy

E-accounting

Near-real time document level obligations (still after sending to Business Partners)

E-clearance + distribution

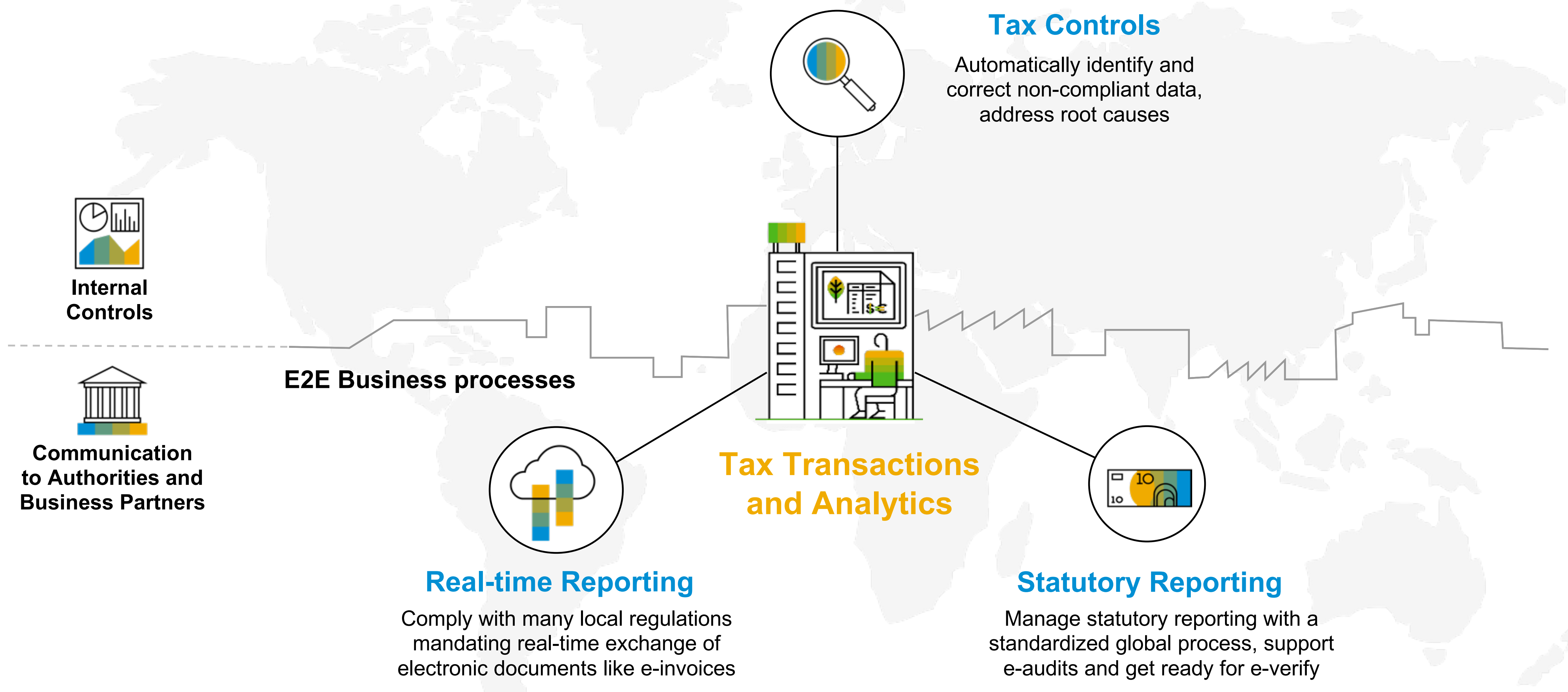
Invoices need to be reported and authorized electronically before/during exchange process

E-verify

Returns pre-populated by Tax Authorities. Roles inverted, Taxpayers need to reconcile and find errors.

Legal mandates require **more and more data always more real-time**, becoming a **pre-requisite for the business to run.**

End-to-end Processes for Global Tax Management



Currently in S4HC ES only

Partner content

SAP Solutions for Global Tax Management

Internal Controls

Communication to Authorities and Business Partners

Built-in tax determination and integration with partner Tax Engines

Time Dependent Taxes (TDT)

E2E Business processes

Online VIES validation

Registration of Indirect Taxation Abroad (RITA)

User-friendly access for Tax Users and embedded analytics

SAP Tax Compliance

Automatically identify and correct non-compliant data, address root causes

Checks and Tax Validation Rules

Tax Transactions and Analytics

SAP Document Compliance

(formerly known as eDocument)

Comply with many local regulations mandating real-time exchange of electronic documents like e-invoices

Additional Regulations

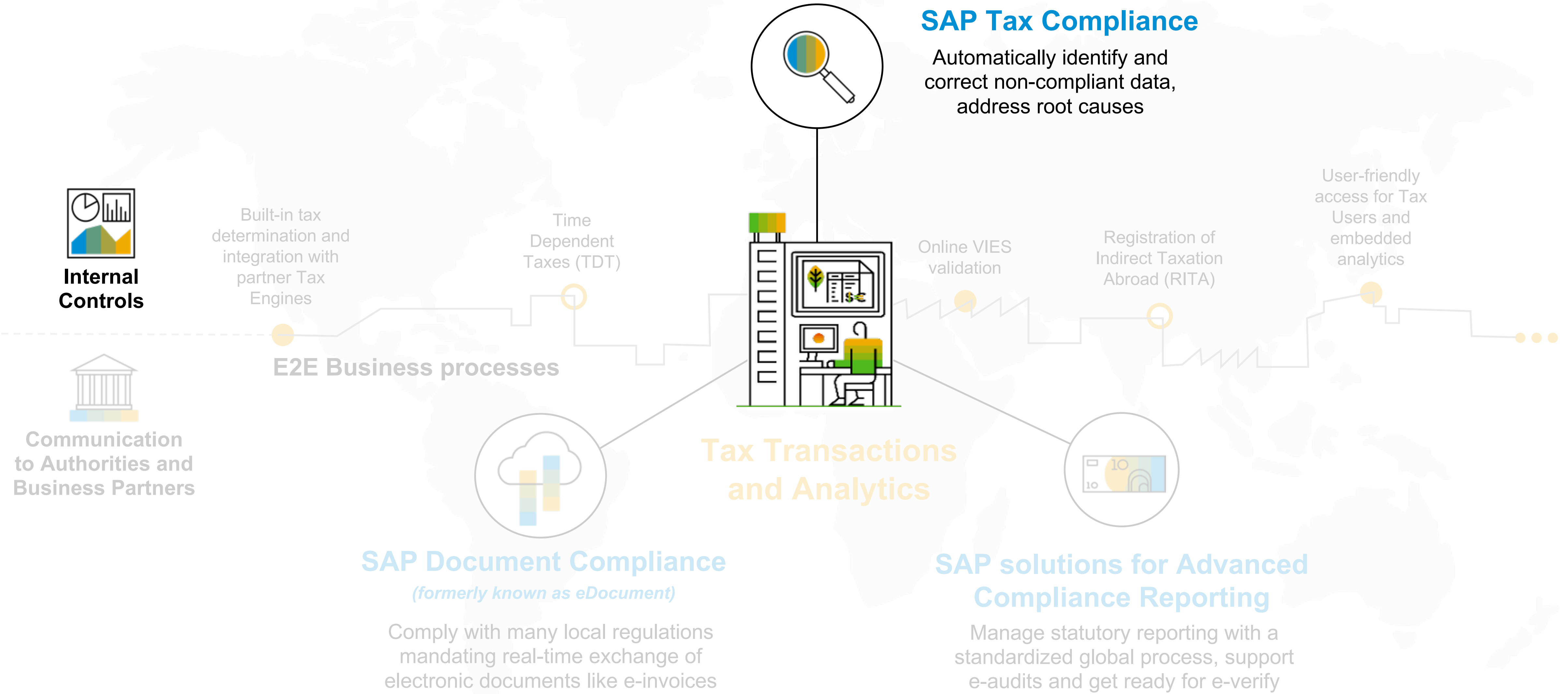
SAP solutions for Advanced Compliance Reporting

Manage statutory reporting with a standardized global process, support e-audits and get ready for e-verify

Additional Legal Reports

Currently in S4HC ES only

SAP Solutions for Global Tax Management

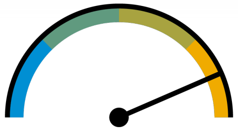


SAP Tax Compliance

SAP Tax Compliance allows to centralize and automate tax checks, remediation and improve the quality of tax data by addressing the issues at the source.

Automated tax controls framework for streamlined compliance

- Centralized checking rules applicable firmwide
- Controls applied to **100%** of relevant transactions
- One central platform with full integration into processes
- **Automation** boosted via Machine Learning

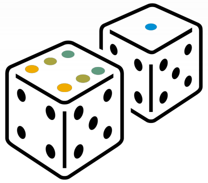


Accelerated and streamlined remediation process to comply with digital mandates

- Continuous screening of erroneous tax postings
- **Alert notification** and orchestration via SAP workflow
- **Audit-proof** remediation
- Optimized rules through simulations

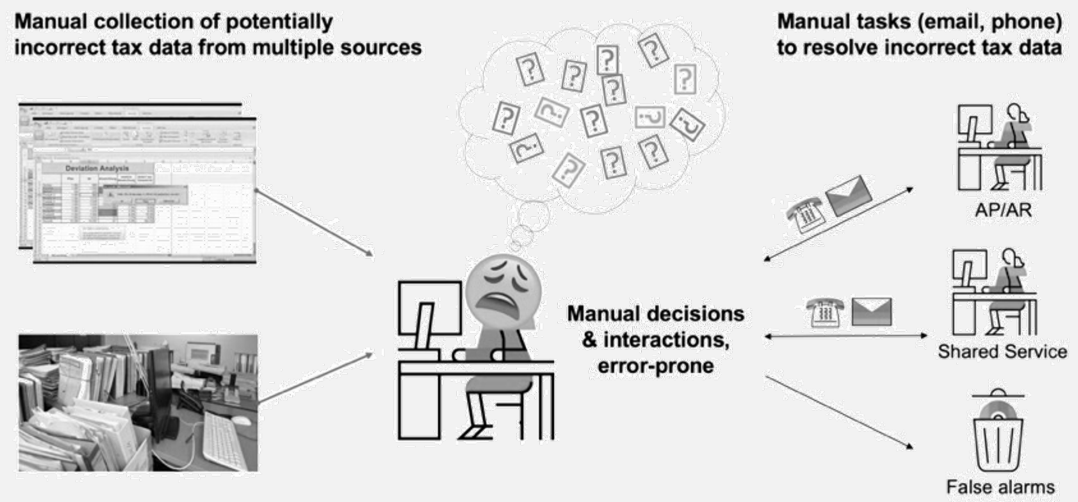
Repository of issues to improve processes and minimize non-compliance risk

- Expedite document corrections within current declaration period
- Full auditability
- **Stronger controls** that allow to address issues at the source and improve the overall quality of tax data



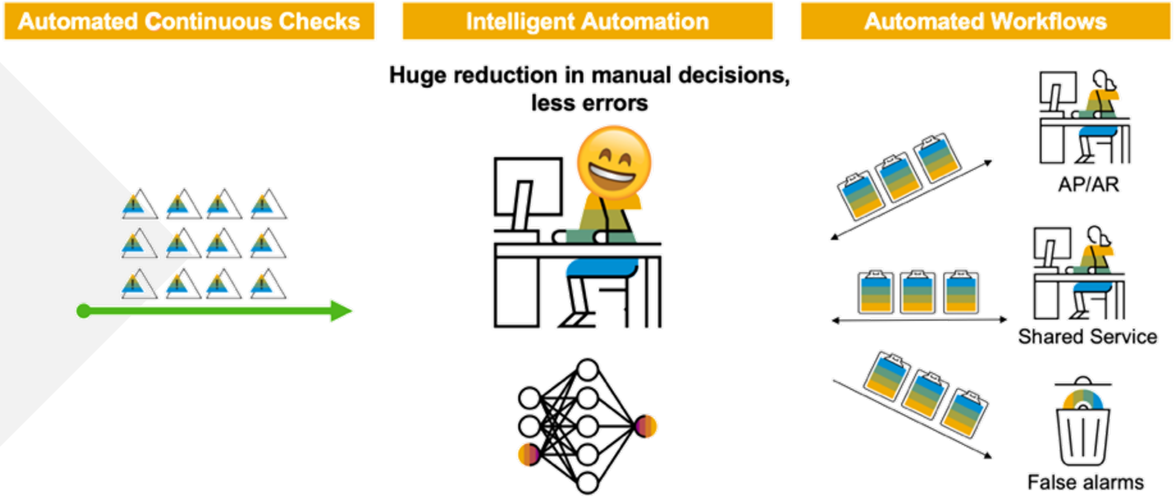
How SAP Tax Compliance has Transformed Compliance Controls

Tax Compliance the Old, Hard Way

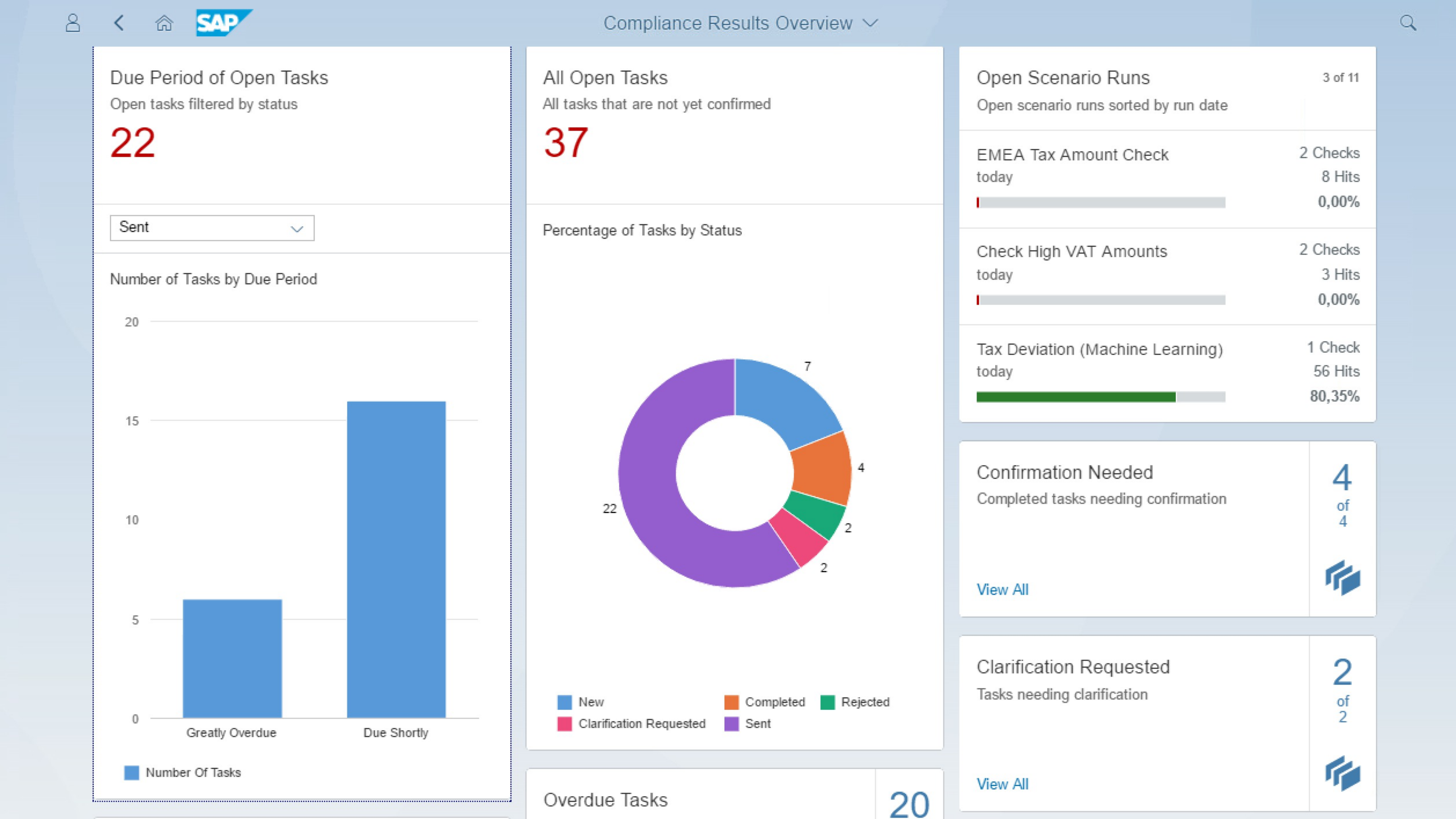


- Manual collection of data
- Ad-hoc controls on a limited set of data
- Heterogeneous solutions/automation to apply controls
- Manual decisions and frugal fixes
- Manual tasks and continuous offline follow-ups for resolution
- No insights on common errors/key risks

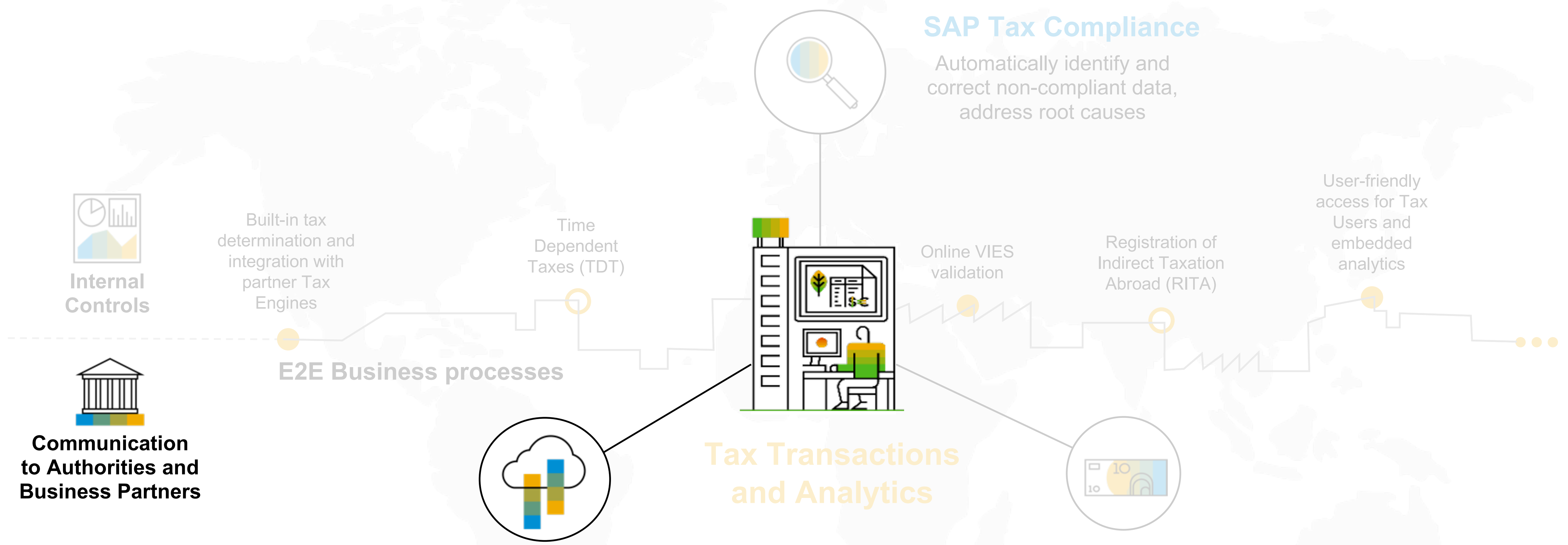
SAP Tax Compliance with Intelligent Automation



- **Central repository** with controls automatically applied regularly
- **Systematic check** of all tax-relevant transactions
- **Automatic resolution** of known issues *(Machine Learning)*
- **Focus on key errors/risk**
- **Actionable insights** to address **key risk areas**
- **Automated workflow** for resolution with **full audit trial** in the system


Compliance Results Overview
Due Period of Open Tasks
Open tasks filtered by status
22
Sent
Number of Tasks by Due Period
20
15
10
5
0
Greatly Overdue
Due Shortly
Number Of Tasks
All Open Tasks
All tasks that are not yet confirmed
37
Percentage of Tasks by Status
7
4
2
2
22
New
Completed
Rejected
Clarification Requested
Sent
Overdue Tasks
20
Open Scenario Runs
3 of 11
Open scenario runs sorted by run date
EMEA Tax Amount Check
today
2 Checks
8 Hits
0,00%
Check High VAT Amounts
today
2 Checks
3 Hits
0,00%
Tax Deviation (Machine Learning)
today
1 Check
56 Hits
80,35%
Confirmation Needed
Completed tasks needing confirmation
4
of
4
View All
Clarification Requested
Tasks needing clarification
2
of
2
View All

SAP Solutions for Global Tax Management



SAP Document Compliance

(formerly known as eDocument)

Comply with many local regulations mandating real-time exchange of electronic documents like e-invoices

SAP solutions for Advanced Compliance Reporting

Manage statutory reporting with a standardized global process, support e-audits and get ready for e-verify

Supported also for ECC (individual countries to be considered)

SAP Document Compliance

SAP Document Compliance is a **global**, **standard** solution to address **local regulations** for the exchange of **electronic documents** with tax authorities or business partners.

Global Coverage

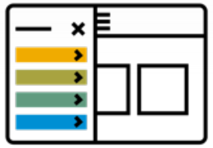
- Extensive **coverage** of document compliance and real-time reporting scenarios
- One framework and strong ecosystem to **extend**
- Reduce complexity through **one provider** contract for multiple countries

Integration & Automation

- End to end process support including **integration** with authorities and business partners
- S/4HANA as **single source of truth** for real-time reporting obligations
- **Automate transactional reporting** with minimal disruption of business processes

Efficiency & Standardization

- Leverage national e-invoicing standards for the **digitalization and automation** of O2C and P2P processes
- Facilitate **consumption** and fast incorporation of new regulations
- Central monitoring and unified **user experience**



Peppol invoices for Norway

SAP Document Compliance at a Glance

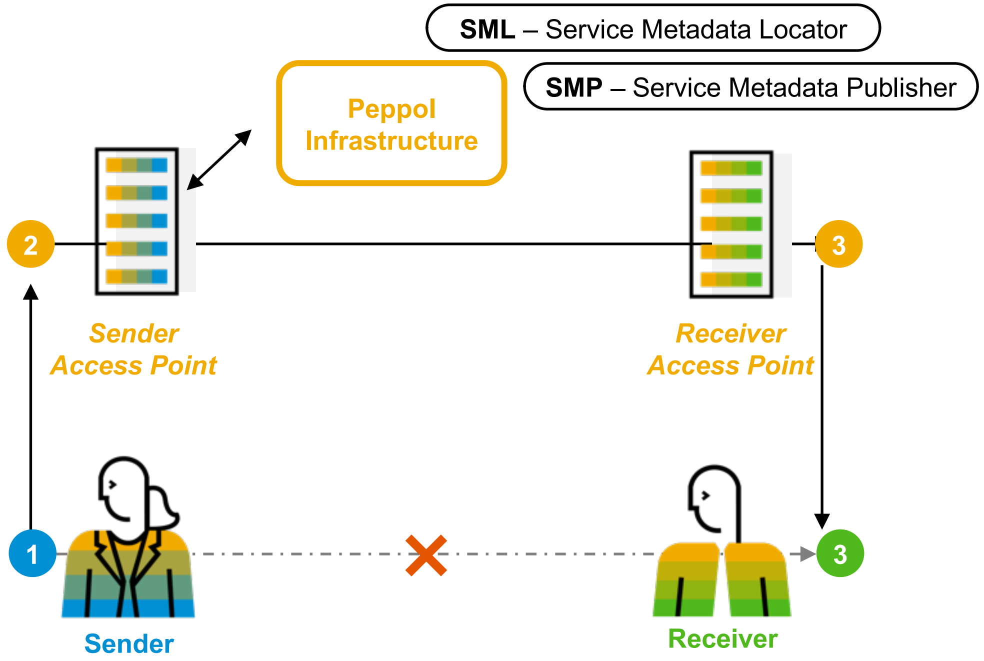
SAP Document Compliance includes:

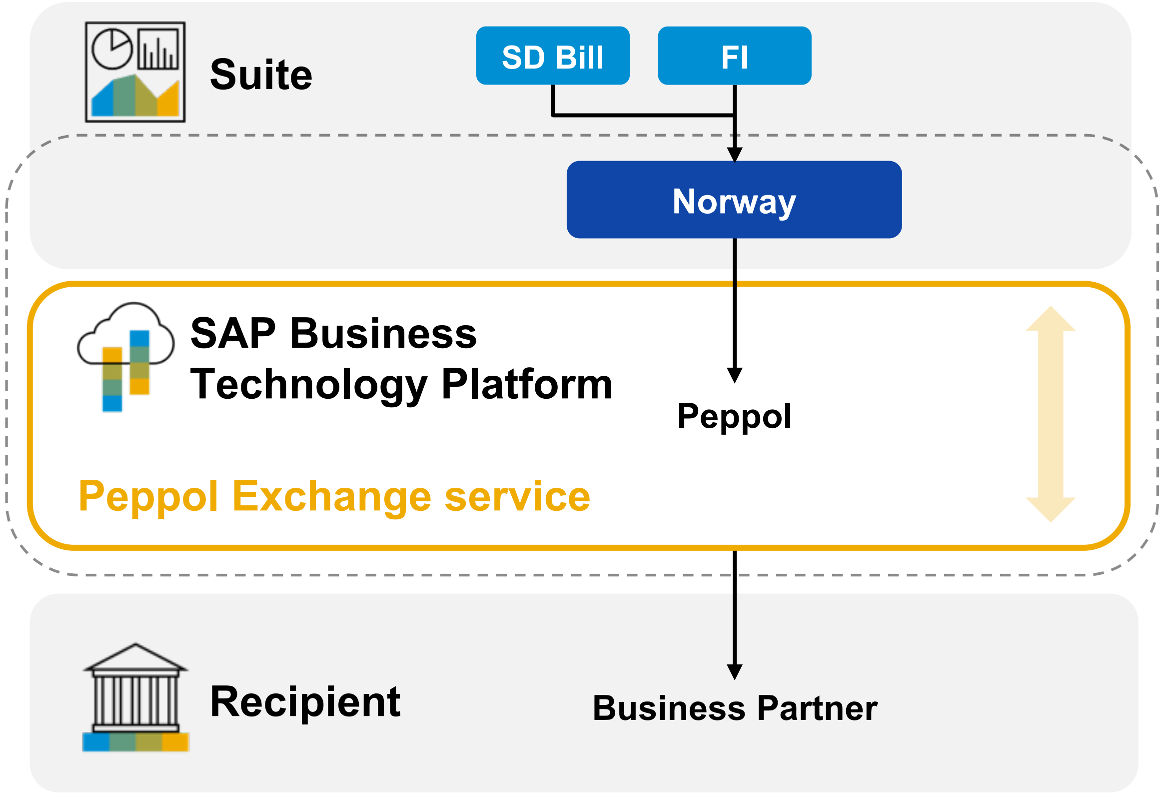
- **S/4HANA**: **country-specific pre-configured content** to create business documents in the required format and a **global framework to orchestrate/automate the end-to-end process** (based on statuses and activities).
- **SAP Business Technology Platform**: predefined communication flows that can be deployed out-of-the-box to exchange business documents electronically (PaaS or SaaS depending on the country).

Example for Norway:

Four corner model:

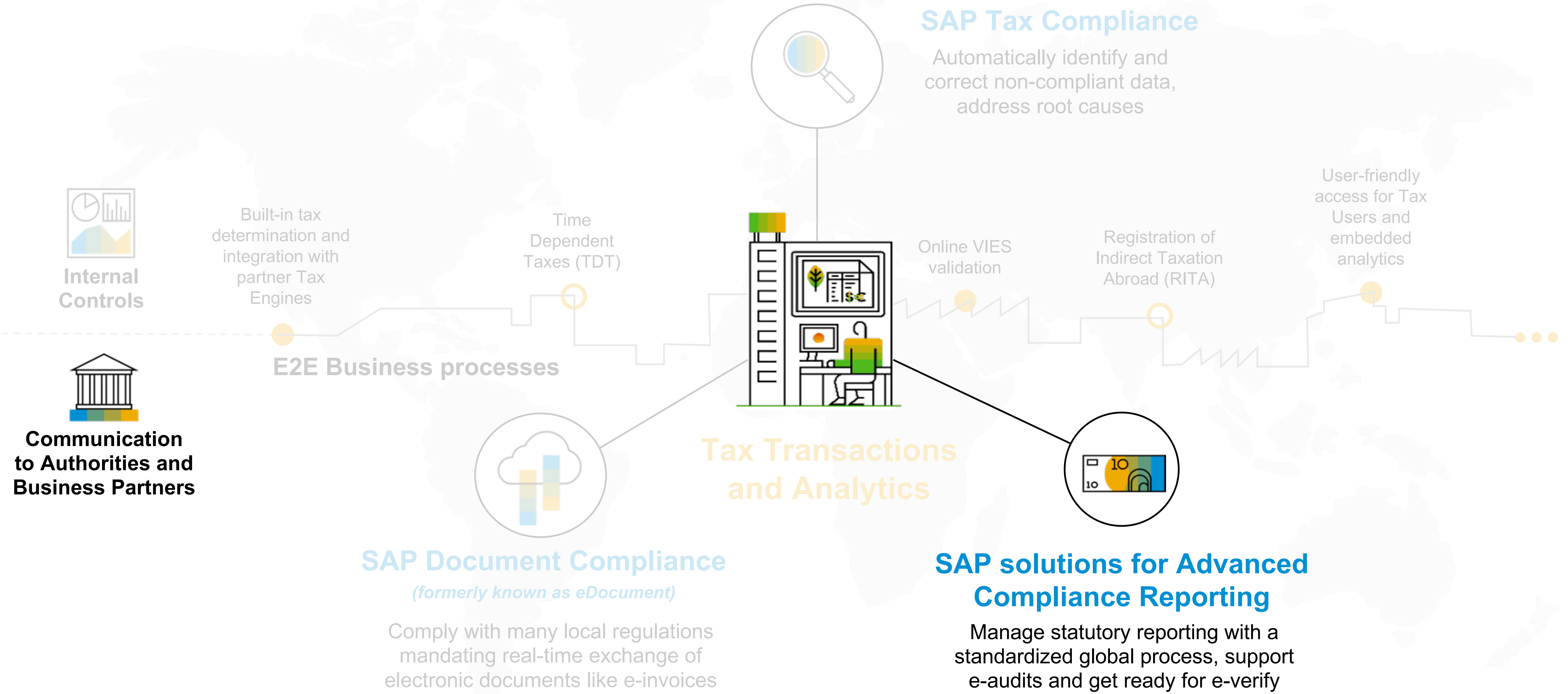
Sender and **Receiver** connect to a **Service Provider**





Currently in S4HC ES only

SAP Solutions for Global Tax Management



SAP Solutions for Advanced Compliance Reporting

Next generation solution to **manage statutory reporting worldwide** enabling simple adoption of constant legal digital reforms while **transforming the end-to-end process** to enable **standardization**, **efficiency** and **automation**, provide full **transparency** on compliance status, **fulfill audit trail** requirements and **reduce** ongoing compliance costs.

End To End Reporting Process

- Out of the box reports
- Integrated correction run, follow up activities
- Integrated custom activity

One Technology Platform

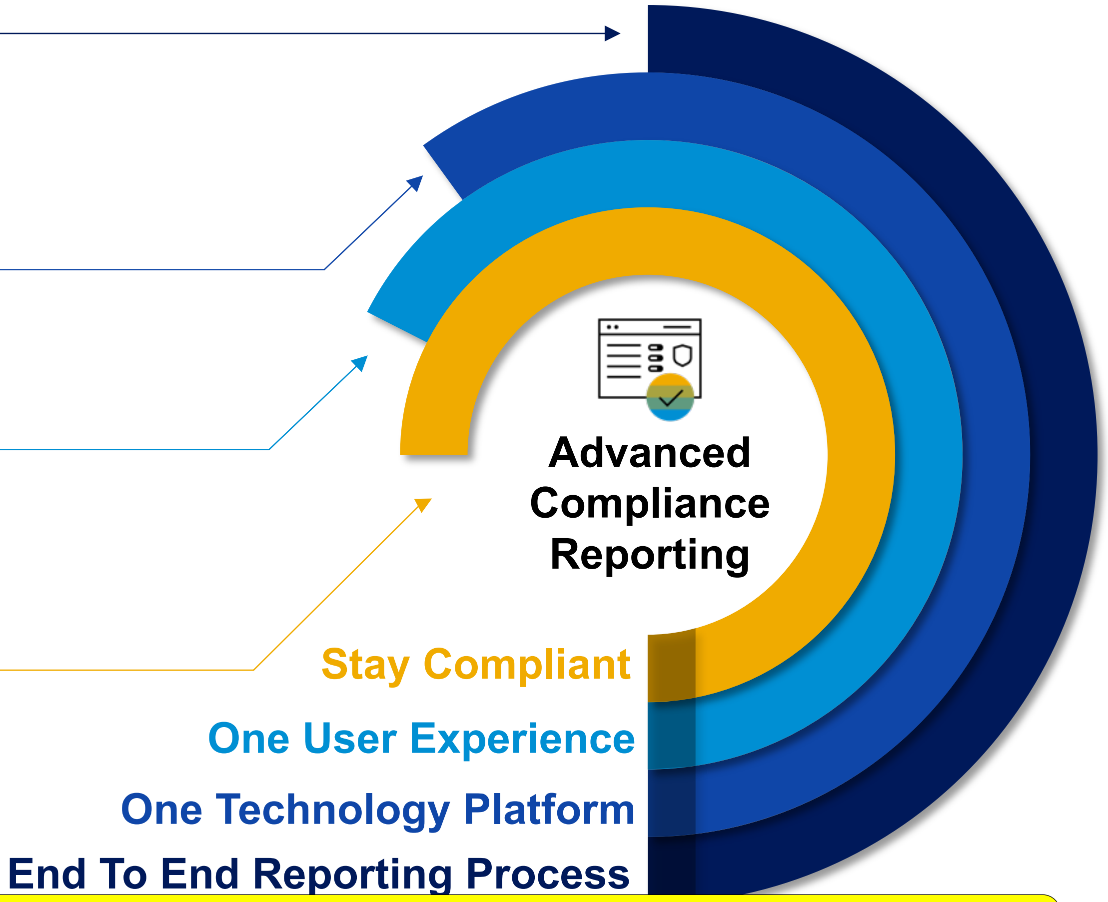
- Create and Extend legal reports
- Reuse framework capabilities

One User Experience

- Harmonized UI across countries
- Dashboard to monitor status
- Full audit trace and embedded analytics

Stay Compliant

- Due date tracking
- Correct once, report immediately
- Faster adoption of legal changes
- Minimal effort to enable online submission

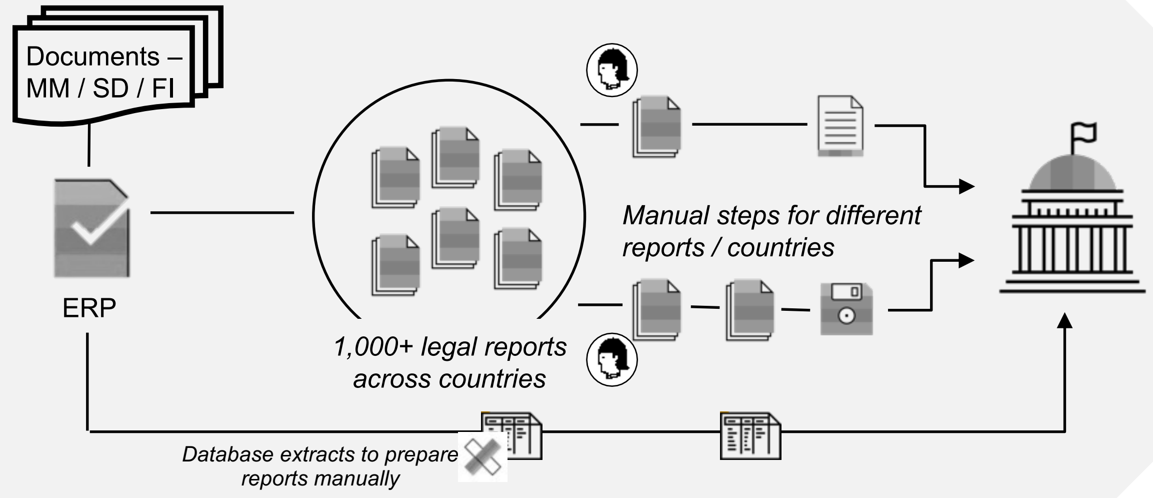


This include SAF-T and electronic VAT Return* for Norway

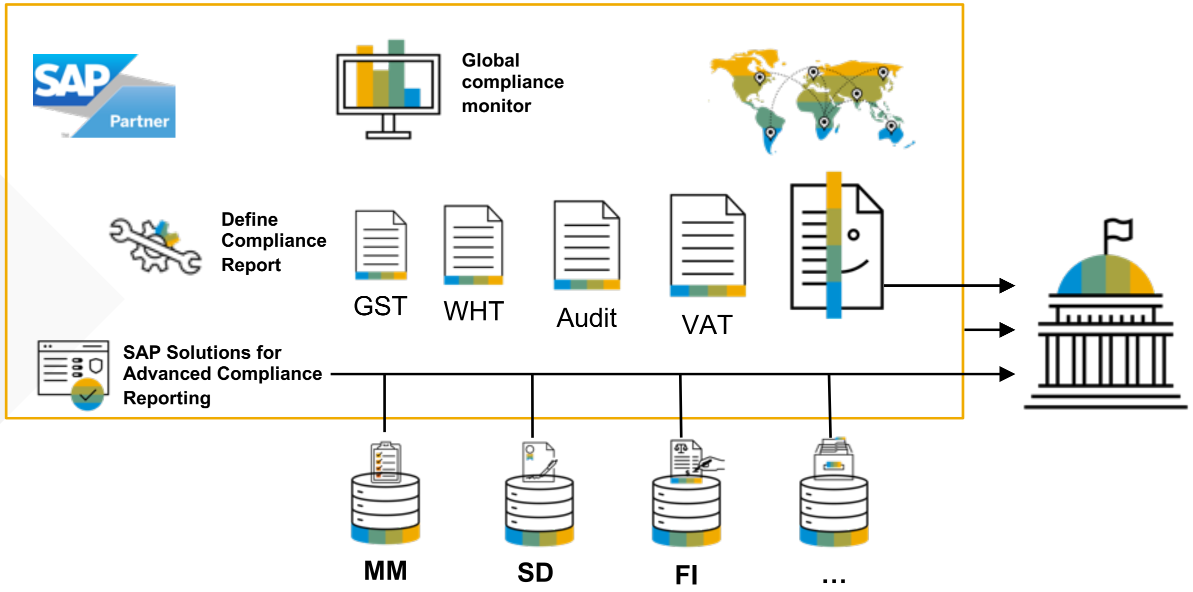
**In progress, roadmap*

How ACR has Transformed Legal Reporting

Classic legal reporting without SAP solutions for advanced compliance reporting



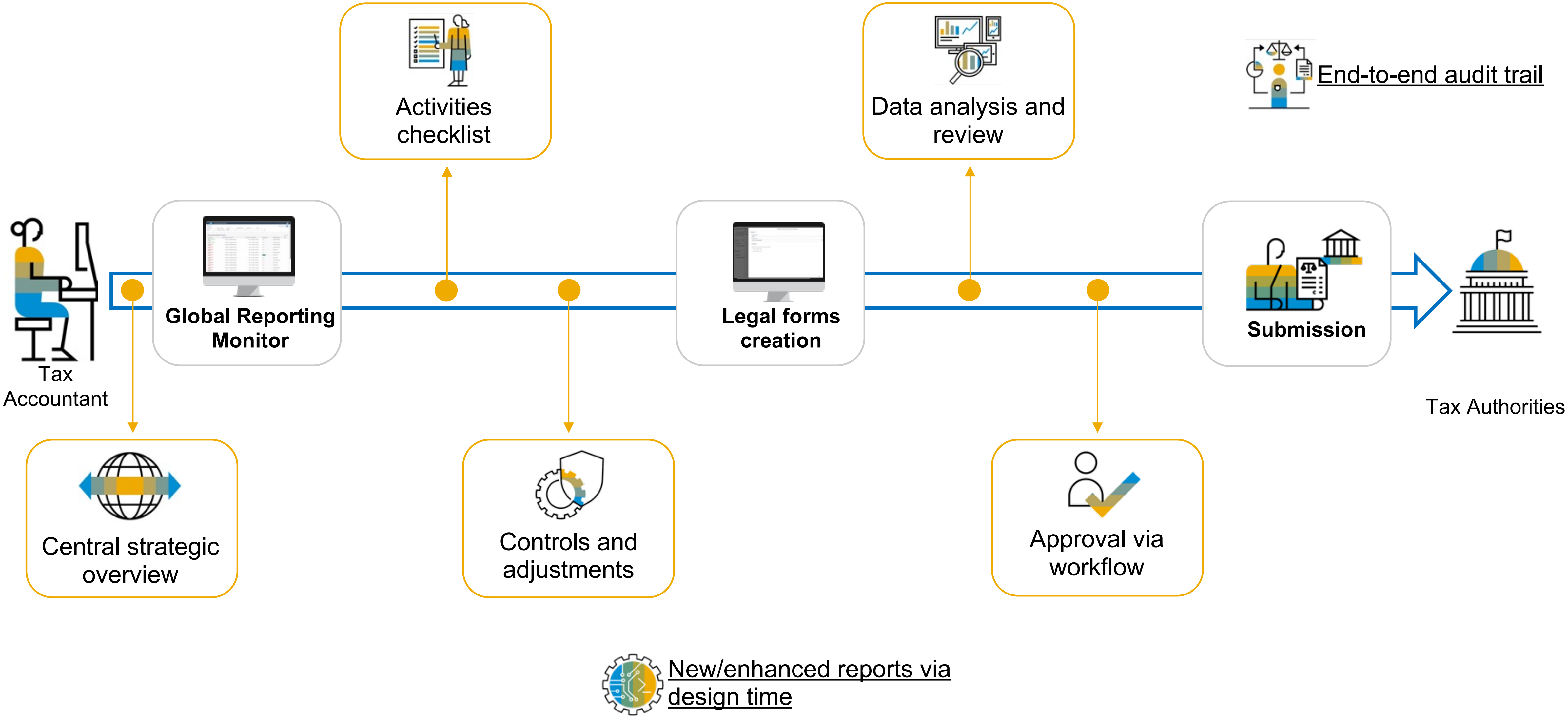
Advanced Compliance Reporting



- **Heterogeneous** single point solutions
- **Cumbersome** data display and review
- **Manual** report **data extraction**, collection and generation
- Manual monitoring and **No transparency** of reporting compliance
- Classic reports **difficult to extend and adapt**

- **Homogenous** legal reporting solution as per Government prescribed formats
- Data Preview, **Embedded Analytics and Audit Trail**
- **Real Time reporting** without any data replication and reconciliation
- E2E Monitoring and **Complete Transparency** on reporting compliance
- **Guided platform** for defining and extension of reports

SAP Solutions for Advanced Compliance Reporting at a Glance



SAP Global Tax Solutions

Always up-to-date with the latest legal changes

Early Alert and Identification of Legal Changes through Local Experts

Collaborate with local legislatures

Analyze legal requirements

Announcement of legal changes

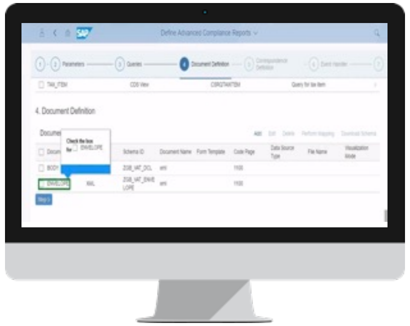
SAP ONE Support Launchpad →

Deployment to customers through OSS notes and presentations to local summits

Localization events *(summits)*

Pre-packaged content

Alignment of dev. strategy



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Value Stairway for Tax Management

Process tax in a time- and cost-effective manner.

Strategic Tax Management

- **Mitigate** compliance risk
- Predict cash position net tax in real-time and **realize liquidity**
- **Optimize business model** and overall tax strategy

Ensure Compliance at Minimum Cost

- **Harmonize** and **simplify** business processes worldwide
- **Remove manual workarounds** and inefficient tasks
- **Reduce time/effort** spent on fulfilling tax obligations
- Leverage **Machine Learning and AI** to automate compliance tasks

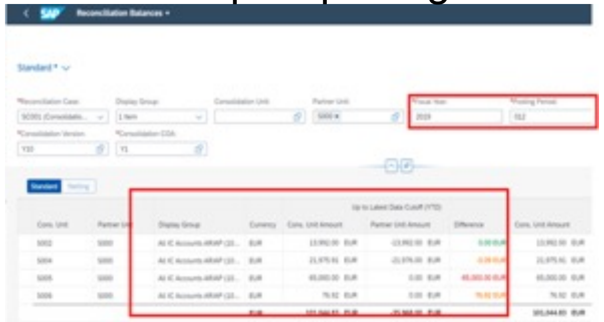
Avoid Risk of Non-Compliance

- Gain **visibility over compliance** issues, remediate early in the process and address root causes
- **Improve tax data quality** to remain compliant in the digital world
- Fulfill all compliance obligations (e-invoicing, tax returns)
- **Avoid fines or even business disruptions** or penal actions for negligence

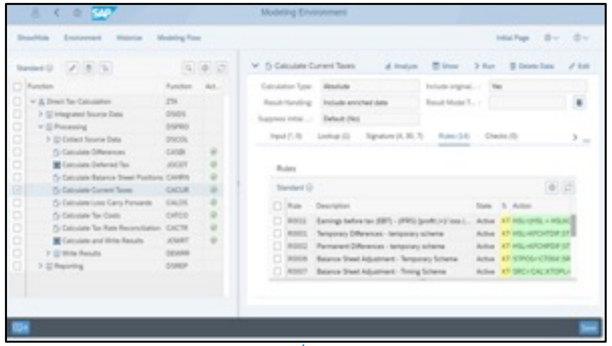
Direct Tax and Transfer Pricing

End-to-end Tax Management

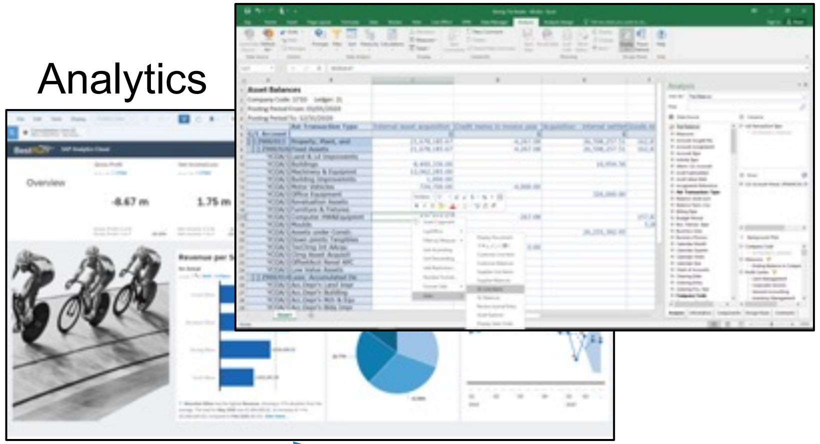
Group Reporting



PaPM



Analytics



Additional data sources supported

Tax Depreciation / Capital Allowances (via replication)

Tax Ledger

General Ledger

1. Universal Journal Architecture
- No reconciliation of subledger to GL
- Real-time analytics and drilldown to transaction details → audit trail
1. Multi-GAAP and Tax Compliant
- Parallel ledgers enable easier, more efficient compliance with accounting standards and tax requirements

Business Benefits

Currently in S4HC ES only

Partner content

SAP Solutions for Global Tax Management

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Automatically identify and correct non-compliant data, address root causes

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Additional Legal Reports

Key Customer Benefits

SAP Solutions for Global Tax Management

Compliant in the digital world

Future proofing platform that allows to comply with the latest digital mandates across the world

Improve quality of tax data

Detect your compliance issues, accelerate remediation in time for digital reporting and address issue at the source

Single Source of Truth

Establish a **single source of truth** and an **end-to-end reporting and compliance process** for indirect taxes

Minimize costs for compliance

Reduce complexity, **minimize the time, effort and money** spent on fulfilling tax obligations and minimize the cost for non-compliance

Actionable insights

Translate your source of data into actionable insights to transform your tax strategy and realize business value

Global

Global platforms with local content that enable to **standardize and scale processes** while complying with local legislations

Useful information

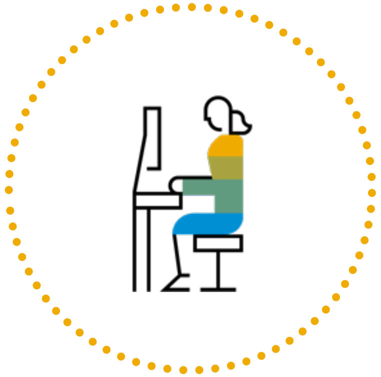
Useful Information

E-invoicing and Reporting Compliance summit
Sept 14th and 15th

[Registration link]

SAP Global Tax and Trade digital event
Sept 30th and Oct 1st

Overview and agenda



For Norway users

JAM page

Thank you.

Contact information:

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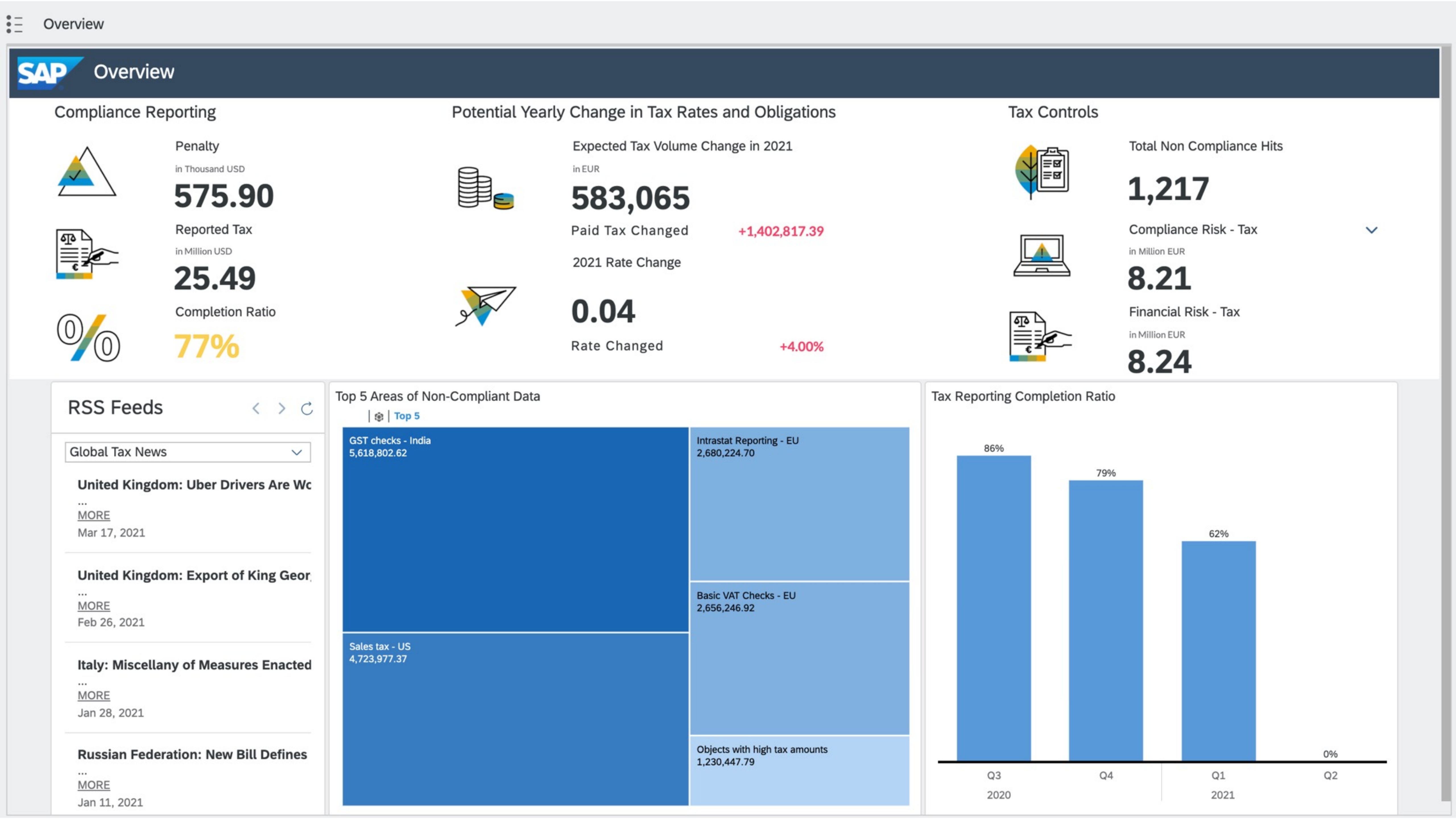
Appendix

The power of analytics

Global Compliance Monitor


Overview
SAP
Overview
Compliance Reporting
Penalty
in Thousand USD
575.90
Reported Tax
in Million USD
25.49
Completion Ratio
77%
Potential Yearly Change in Tax Rates and Obligations
Expected Tax Volume Change in 2021
in EUR
583,065
Paid Tax Changed
+1,402,817.39
2021 Rate Change
0.04
Rate Changed
+4.00%
Tax Controls
Total Non Compliance Hits
1,217
Compliance Risk - Tax
in Million EUR
8.21
Financial Risk - Tax
in Million EUR
8.24
RSS Feeds
Global Tax News
United Kingdom: Uber Drivers Are Wc
...
MORE
Mar 17, 2021
United Kingdom: Export of King Geor
...
MORE
Feb 26, 2021
Italy: Miscellany of Measures Enacted
...
MORE
Jan 28, 2021
Russian Federation: New Bill Defines
...
MORE
Jan 11, 2021
Top 5 Areas of Non-Compliant Data
Top 5
GST checks - India
5,618,802.62
Intrastat Reporting - EU
2,680,224.70
Basic VAT Checks - EU
2,656,246.92
Sales tax - US
4,723,977.37
Objects with high tax amounts
1,230,447.79
Tax Reporting Completion Ratio
86%
79%
62%
0%
Q3
Q4
Q1
Q2
2020
2021

Completion Ratio | Reported Tax | Penalty

Advanced Compliance Reporting

Completion Ratio

Select Reporting Period:

- All
- 2018
- 2019
- 2020

in Thousand USD

575.90

Same Period Last Year 104.30

Penalty

77%

Completion Ratio

in Thousand USD

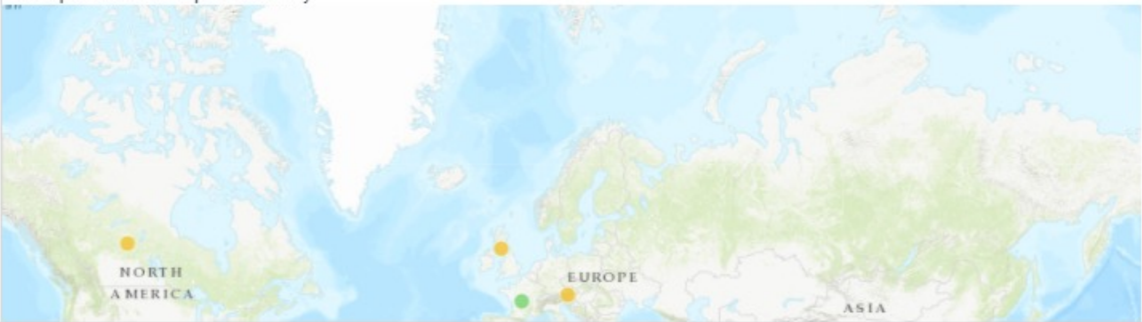
25,485.66

Same Period Last Year 7,556.99

Reported Tax

Completion Ratio per Region

Completion Ratio per Country

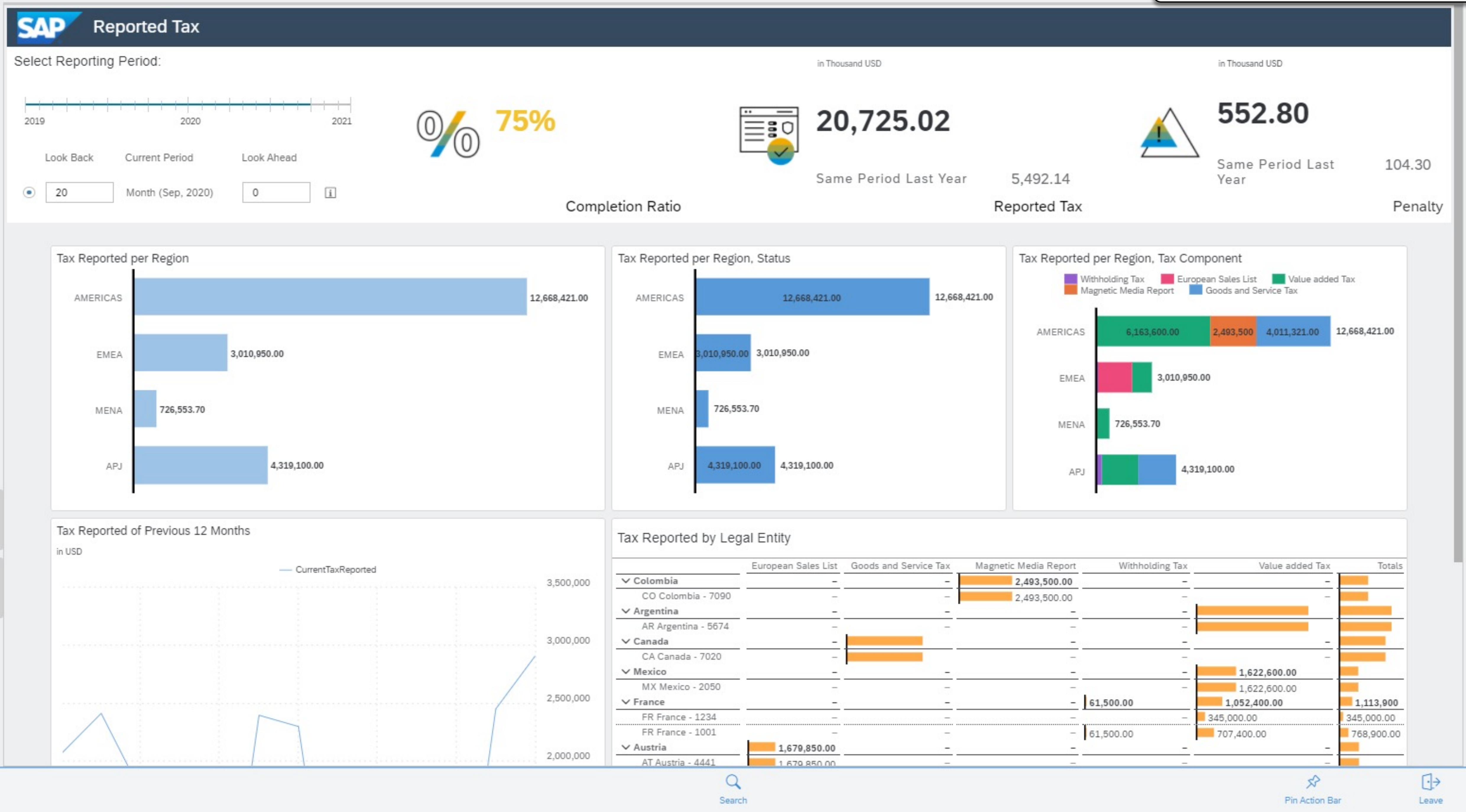


Completion Ratio per Report Category

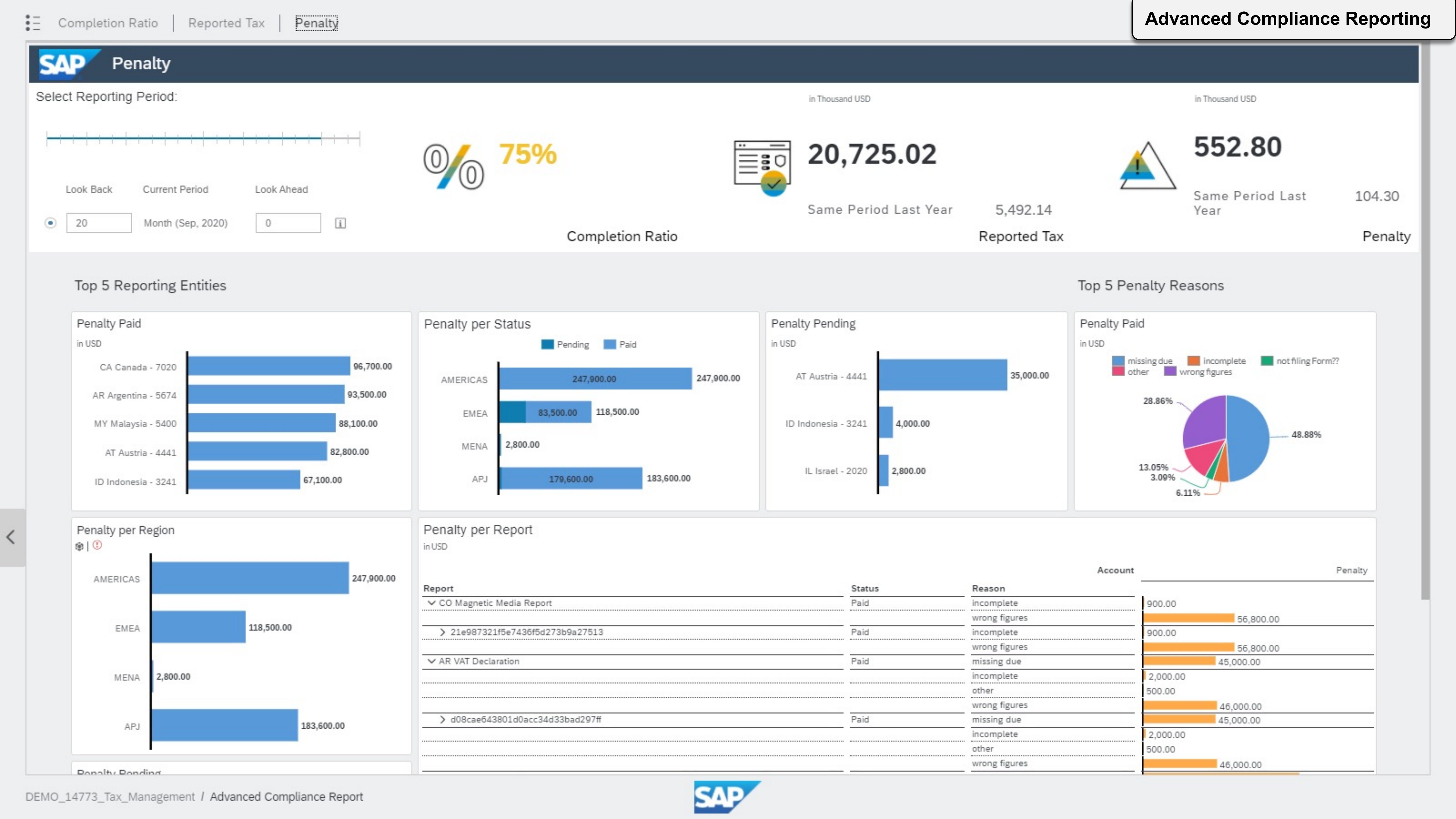
Navigate to External URL

	#Completed	#Due Soon	#Overdue	Completion Ratio
Saudi Arabia	**5**	**2**	**0**	71 %
SA Reporting Category for VAT	5	2	0	71 %
Argentina	**7**	**1**	**1**	78 %
Argentina Daily VAT Reporting	7	1	1	78 %
Canada	**7**	**2**	**1**	70 %
Canada GST Report	7	2	1	70 %
Mexico	**8**	**2**	**0**	80 %
Mexico VAT Report	8	2	0	80 %
Colombia	**5**	**1**	**1**	71 %
CO DIAN - Format 1003	4	1	1	67 %
CO DIAN - Format 1004	1	0	0	100 %
France	**15**	**2**	**1**	83 %
FR Withholding Tax	7	1	1	78 %
FR VAT Return Form	8	1	0	89 %
China	**7**	**2**	**1**	70 %
China Transfer Input VAT	7	2	1	70 %
Egypt	**9**	**1**	**0**	90 %
EG VAT Return	9	1	0	90 %
Austria	**6**	**1**	**2**	67 %

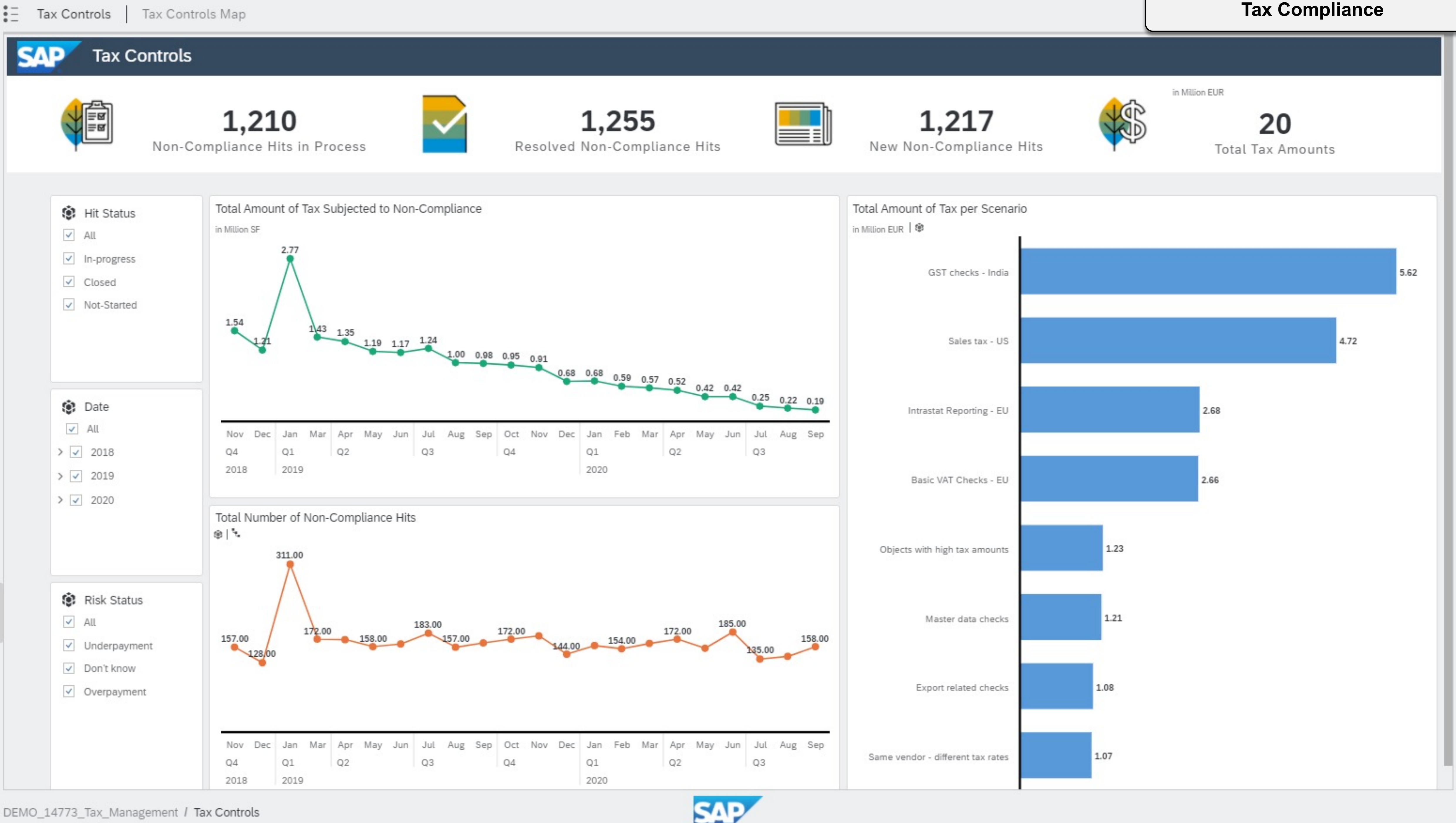
Advanced Compliance Reporting



Advanced Compliance Reporting



Tax Compliance



Tax Compliance

Tax Controls Map

Identified Non Compliant Data and Status of Those Hits Across the Globe

Advanced Compliance Reporting

End-to-end reporting platform

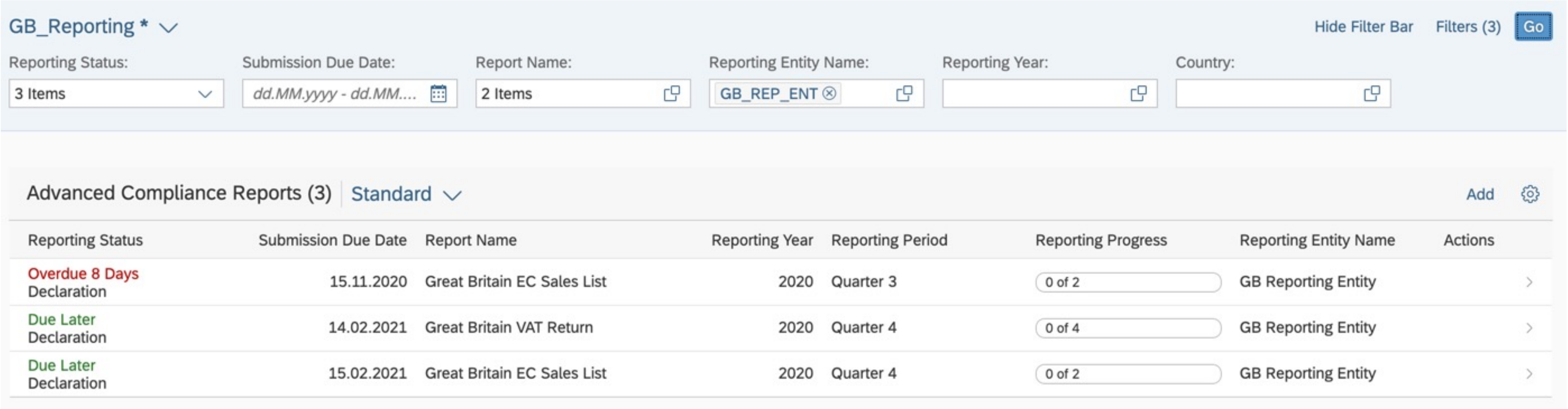
THE BEST RUN SAP

SAP solution for Advanced Compliance Reporting

End-to-end from preparation to submission and payment

<u>Unified global dashboard with full visibility of latest status of all Legal Obligations</u>

Deadlines no longer missed due to the lack of visibility

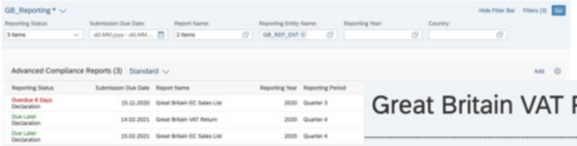


Reporting Status	Submission Due Date	Report Name	Reporting Year	Reporting Period	Reporting Progress	Reporting Entity Name	Actions
Overdue 8 Days Declaration	15.11.2020	Great Britain EC Sales List	2020	Quarter 3	0 of 2	GB Reporting Entity	
Due Later Declaration	14.02.2021	Great Britain VAT Return	2020	Quarter 4	0 of 4	GB Reporting Entity	
Due Later Declaration	15.02.2021	Great Britain EC Sales List	2020	Quarter 4	0 of 2	GB Reporting Entity	

SAP solution for Advanced Compliance Reporting

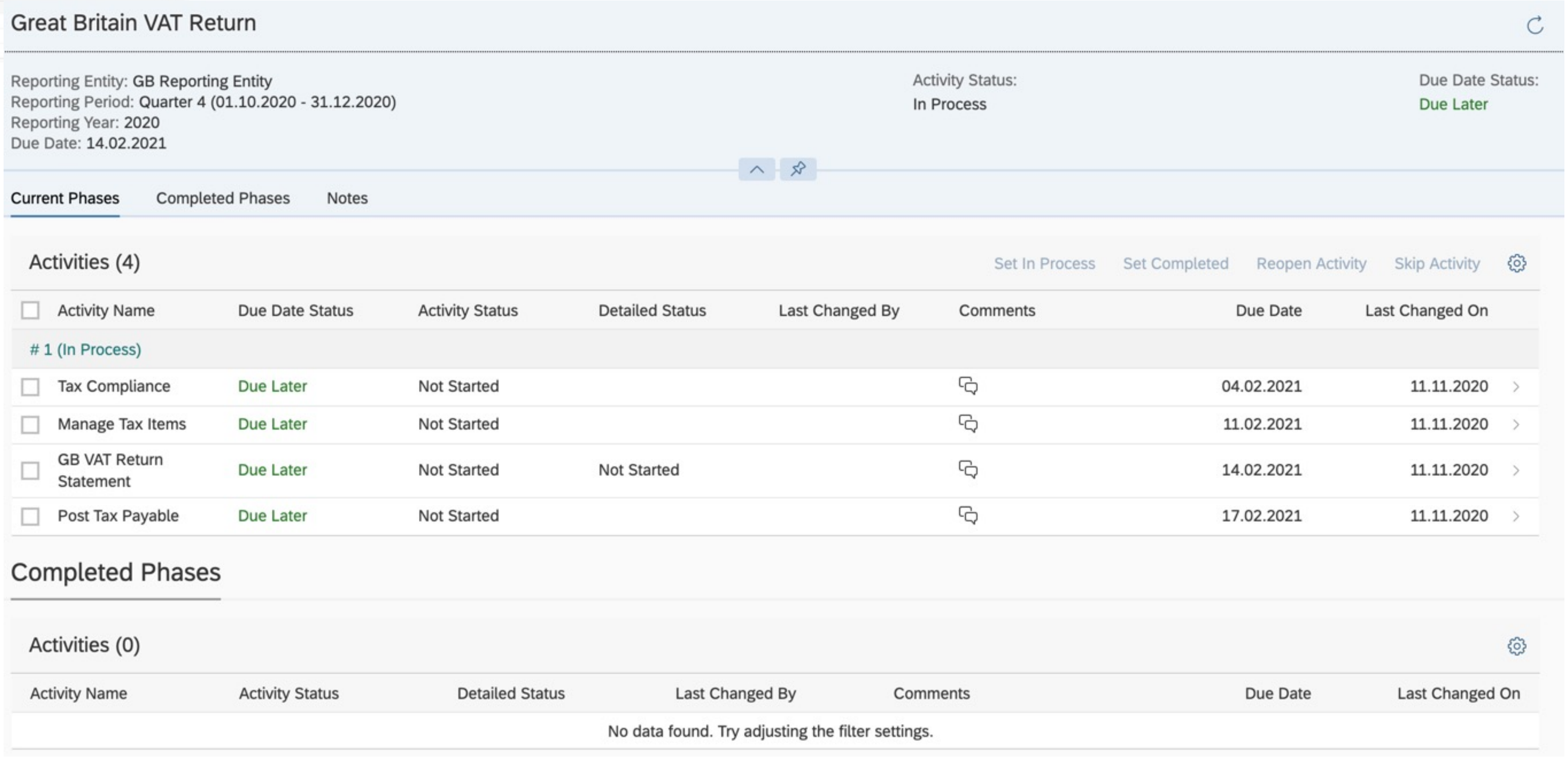
End-to-end from preparation to submission and payment

Dashboard



Standardized and controlled list of activities for end-to-end reporting

Global process that can be easily supported without ad-hoc trainings

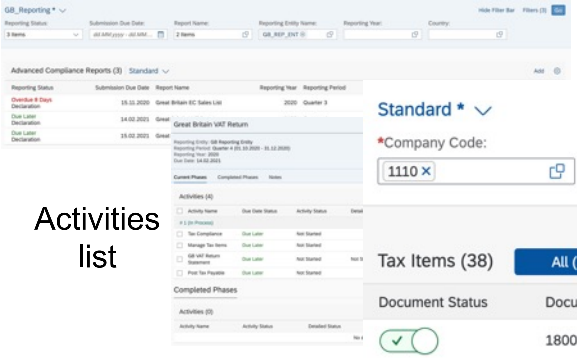


SAP solution for Advanced Compliance Reporting

End-to-end from preparation to submission and payment

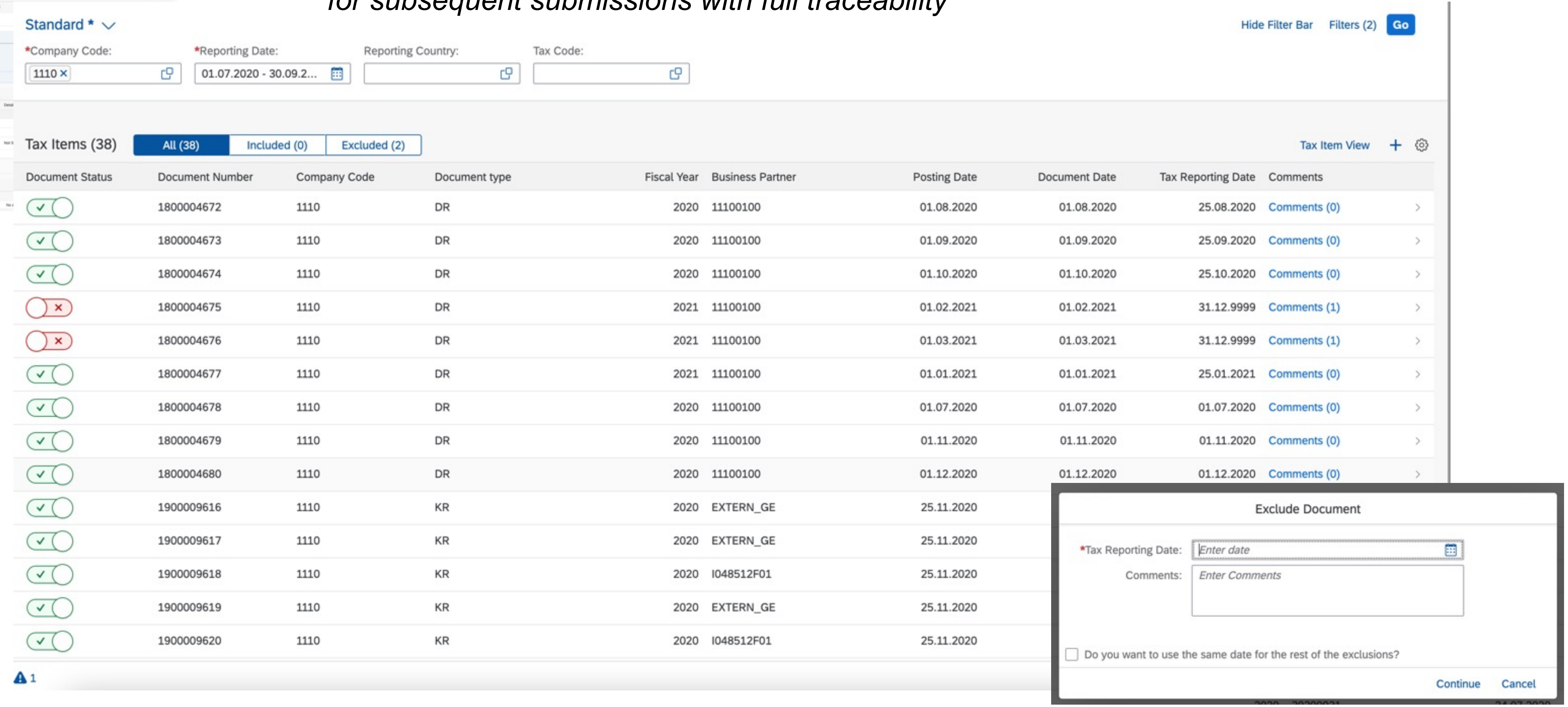
Dashboard

Activities list



Integration with Tax Compliance and manual adjustments

Manual adjustments recorded in the system and automatically tracked for subsequent submissions with full traceability



SAP solution for Advanced Compliance Reporting

End-to-end from preparation to submission and payment

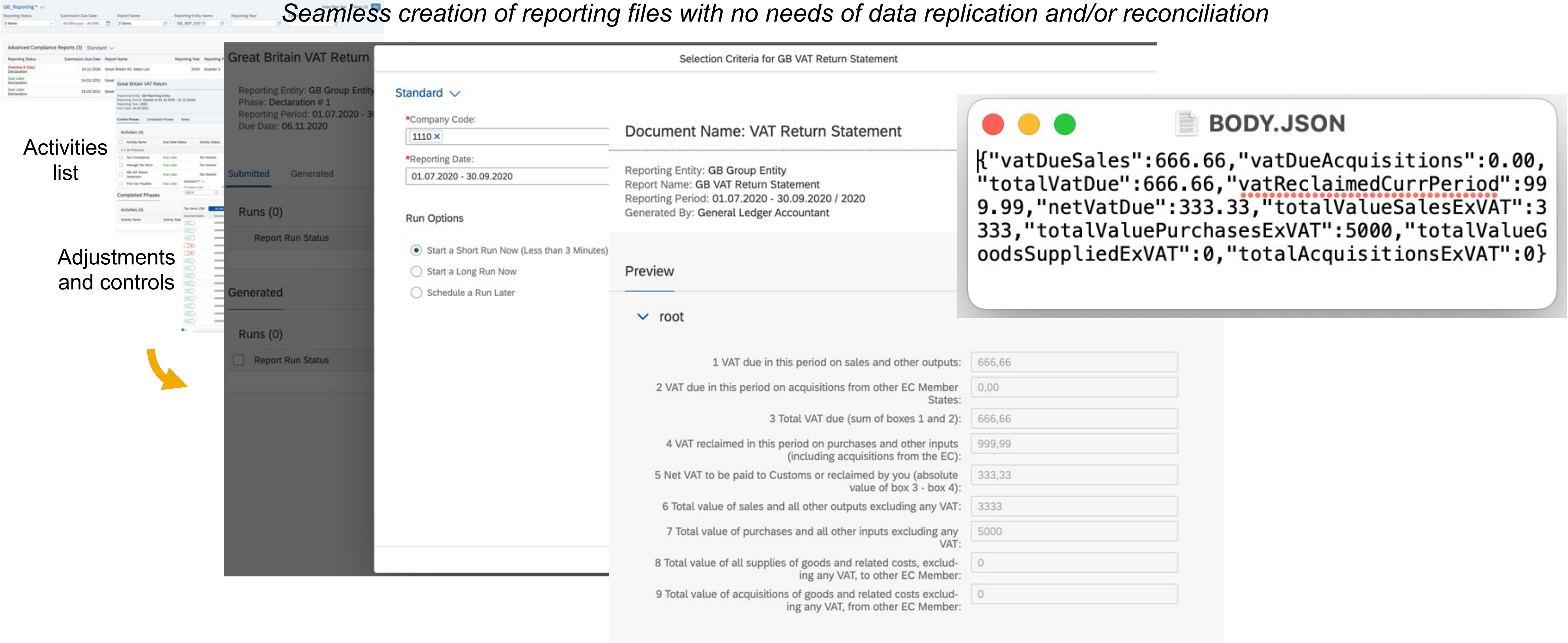
Dashboard

Activities list

Adjustments and controls

<u>Report creation, data preview and submission file</u>

Seamless creation of reporting files with no needs of data replication and/or reconciliation



SAP solution for Advanced Compliance Reporting

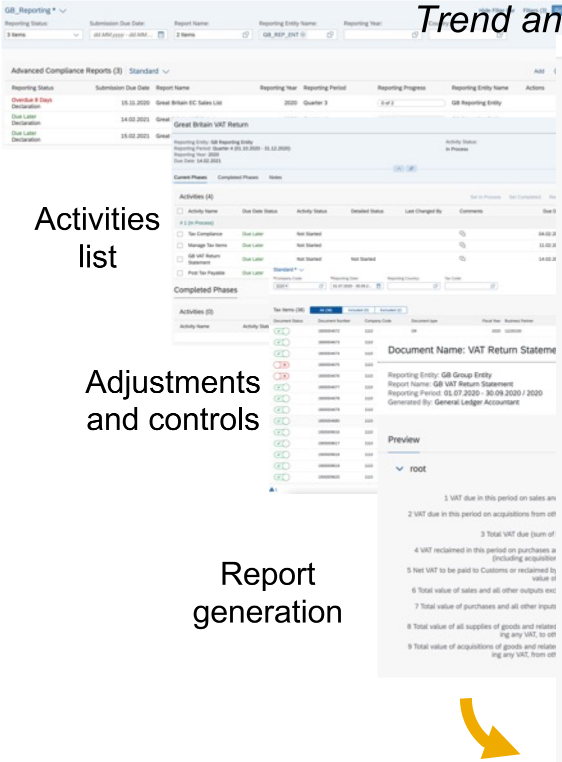
End-to-end from preparation to submission and payment

Dashboard

Activities list

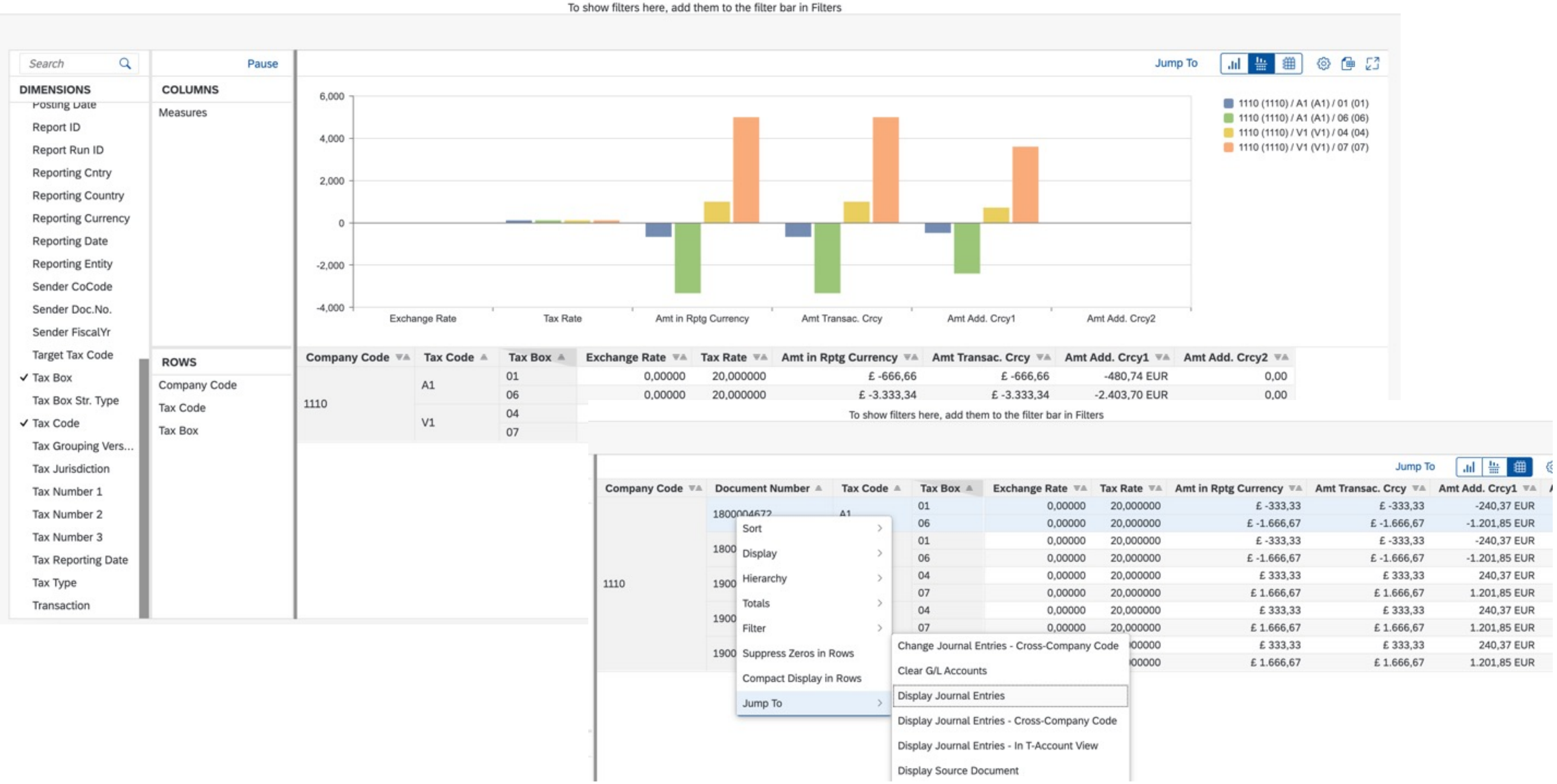
Adjustments and controls

Report generation



Embedded analytics with drill-down to original documents

Trend analysis and data-driven insights with end-to-end traceability to source transactions



SAP solution for Advanced Compliance Reporting

End-to-end from preparation to submission and payment

Dashboard

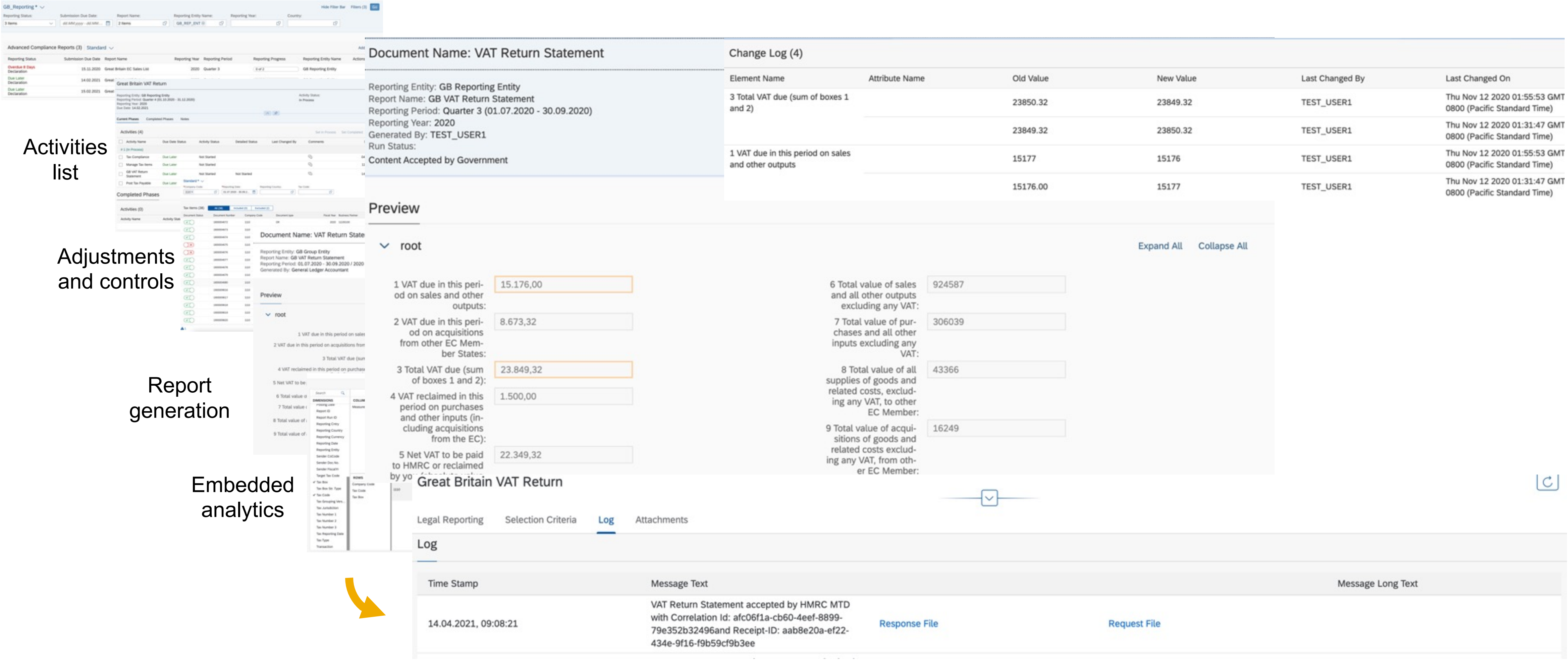
Activities list

Adjustments and controls

Report generation

Embedded analytics

<u>Last minute corrections (full audit trial), approval and submissions</u>



SAP solution for Advanced Compliance Reporting

End-to-end from preparation to submission and payment

Dashboard

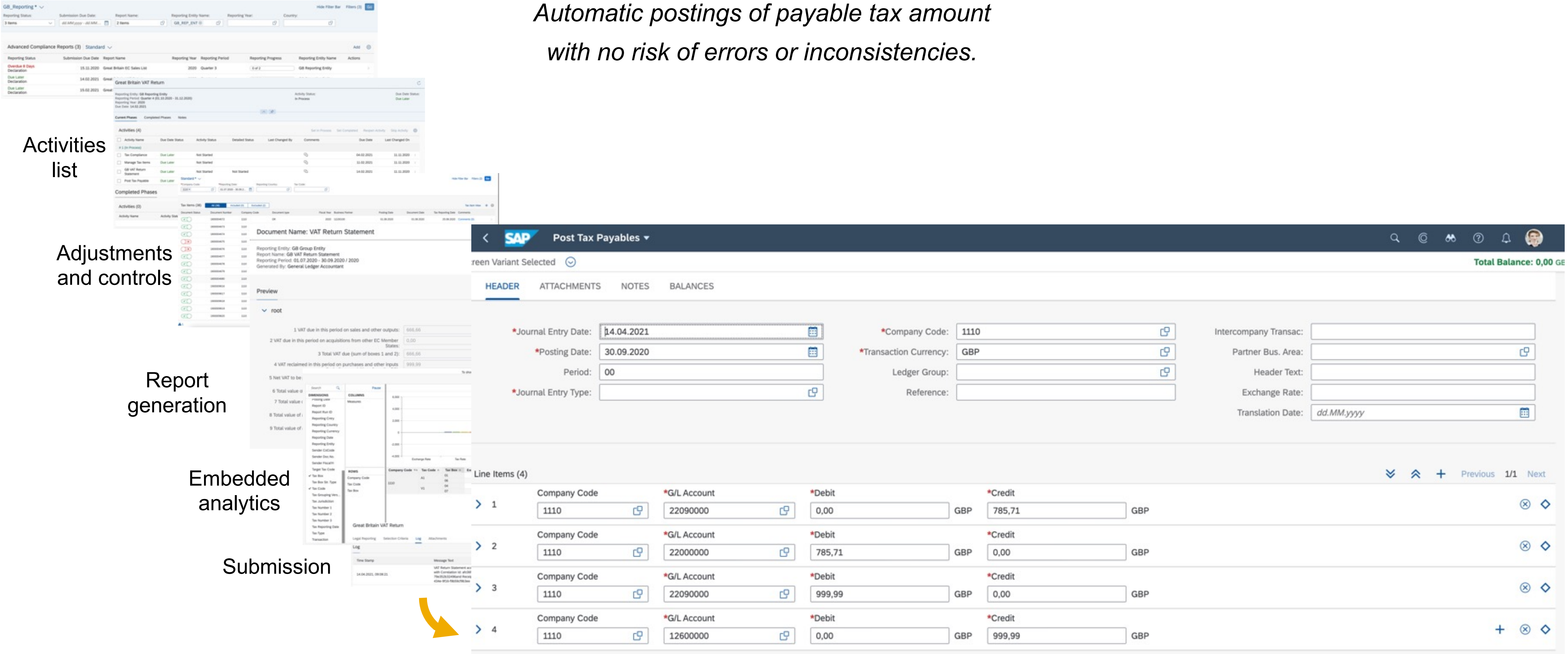
Activities list

Adjustments and controls

Report generation

Embedded analytics

Submission



Payment and correction runs

Automatic postings of payable tax amount with no risk of errors or inconsistencies.

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