

# Migrating to SAP S/4HANA: Considerations for your VAT solution

## **If you are implementing or migrating to SAP S/4HANA: why your tax department should be included for VAT.**

Migrating from an SAP ECC system (or even an earlier version of SAP) to SAP S/4HANA is a perfect opportunity to optimize your business processes by either using the latest functionality of S/4HANA or by eventually connecting additional platforms for specific processes (like purchasing, billing etc.).

Using the latest available functionality in SAP S/4HANA or using designated applications for certain business processes, will lead to a review of how you currently handle VAT in your SAP system and connected platforms. If you keep all your processes in SAP, and you had a bespoke VAT solution in your current SAP system, you will need to rebuild your solution when migrating to S/4HANA. If you are connecting designated platforms to your S/4HANA for purchasing or sales processes, or connecting e-commerce platforms for example, you will need to design a VAT solution for each application as the S/4HANA bespoke solution will not be capable to also automate VAT in these additional applications. We answer some of the important questions around this topic.



## Why VAT can't be handled in SAP

- + Is there a robust process in place for VAT updates in the system? Is the status monitored? Do you know how possible coding changes potentially affect other regions or transactions?
- + Do you have the resources and capacity to keep a (global) system up to date with the latest VAT rates and rules? Does tax have the capacity and network to ensure timely updates?
- + SAP is not developing new VAT solutions within SAP S/4HANA.
  - Generic VAT solutions within SAP are not sustainable for more complex transactions.
  - SAP does not have one standard solution within SAP to serve the variety of data, multiple transactions and complex supply chains.
  - Each customer's SAP system, set-up and business model is unique.
- + No generic 3rd party VAT solution within SAP can be sustained for multiple customers.
  - Each customer has its own unique version of the VAT solution embedded in thousands of condition records – making maintenance and coding incredibly complex.

**You can't copy and paste coding as before so additional effort and time will be needed.**



## What you need to consider when moving to SAP S/4HANA

- + SAP S/4HANA has a new digital core which comes with new functionality and new business flows. To use the latest functionality available in S/4HANA in the most optimal way, you would want to redesign various business flows.
- + Will your VAT solution still fit? You may have to rebuild this to work in S/4HANA - you can't copy and paste coding as before so additional effort and time will be needed to complete and could increase errors. And if you outsource this coding process, who within your organisation will retain the knowledge once the service provider is gone.
- + If you have to rebuild the VAT solution, what does this mean? Do you have your original team of SAP specialists or will you have to explain all rules again? Additional time and resource and errors could impact your S/4HANA migration project.
- + When you start to explore what you need to do, you start to uncover extra steps and costs that may not have been apparent at the beginning. You now have to consider this on top of the SAP implementation costs. For example, if you didn't foresee that the bespoke VAT solution would not fit anymore, you need additional key user resources, additional developers and maybe even tax advisors to redesign the VAT solution.
- + VAT determination when using multiple ERPs and financial platforms such as SAP Ariba, Coupa, eCommerce, SAP Concur etc – given that each will have its own VAT logic. Adding more complexity - how many instances?
- + Acquiring multiple ERPs from M & A – also will have its own VAT logic.
- + Building VAT solutions in each financial system plus increases risk of non-compliance.
- + Maintaining each system – time consuming, resource intensive and expensive.



## What if you are still using SAP ECC?

- + Companies using SAP ECC can leverage Vertex to improve VAT determination today and streamline their migration to S/4HANA in the future.
- + Vertex has enabled the SAP RESTful API connection between SAP ECC and the SAP Localization hub. This means you don't need to wait until you migrate to S/4HANA to leverage the benefits of a Vertex tax engine. Simply connect your SAP ECC system to a tax engine using a trustworthy connector.
- + This means that when you are ready to migrate to SAP S/4HANA there is no need to redesign your VAT processes as the work will already have been done upfront.

## Why you need the Vertex tax engine

The Vertex tax engine connects to almost any platform that generates a VAT relevant transaction – from connecting multiple ERPs and financial systems for consistency in VAT determination across your business.

### Benefits

- + Improved accuracy of VAT/GST determination
- + Up to date tax content
- + Reduced IT support needs
- + Improved tax department efficiency
- + Improved audit performance
- + Improved scalability
- + Improved efficiencies in VAT reporting as less corrections/issues will arise
- + Improved efficiency in AP processing as VAT determination is no longer manual
- + Reduced consultancy costs as VAT updates are included in the SaaS software
- + Consistency in VAT settings across multiple ERPs as these are in the tax engine

## About Vertex

**Vertex Inc.**, is a leading global provider of indirect tax software and solutions. The company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply and grow with confidence. Vertex provides cloud-based and on-premise solutions that can be tailored to specific industries for every major line of indirect tax, including sales and consumer use, value added and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,100 professionals and serves companies across the globe.

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