

Transforming Indirect Tax Reporting Leveraging SAP DRC

Matthew Beasley, Senior Manager, PwC
Lucas Desmarez, Manager, PwC

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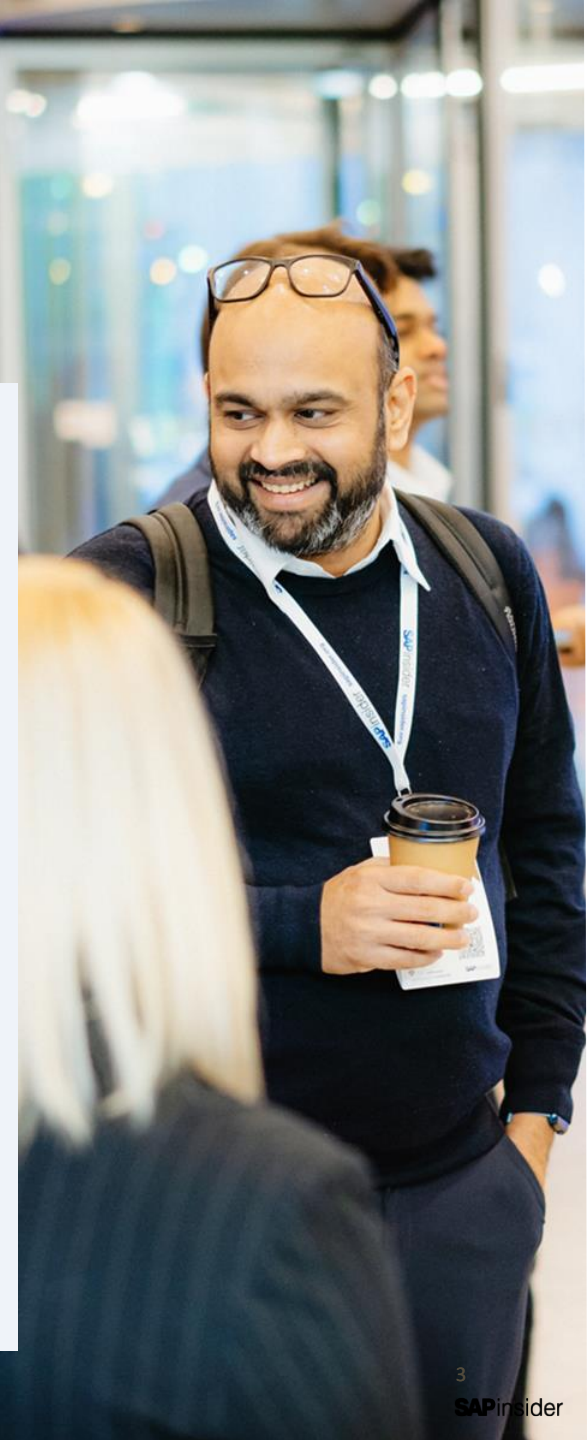


In This Session

- Understand the global indirect tax landscape, and how a rapid trend to real time digital compliance obligations will likely impact your business.
- Explore the capabilities of SAP DRC, and how this fits within the overall SAP ecosystem.
- Learn more about the benefits of leveraging SAP DRC to meet real-time reporting and e-invoicing obligations.
- Explore a typical business case for an SAP DRC implementation and recent client experience.

What We'll Cover

- The Global Indirect Tax Landscape
- SAP Core Capabilities for tax – key functionality SAP DRC
- Building the Business Case for DRC
- Client Experience
- Wrap-Up



The Global Indirect Tax Landscape

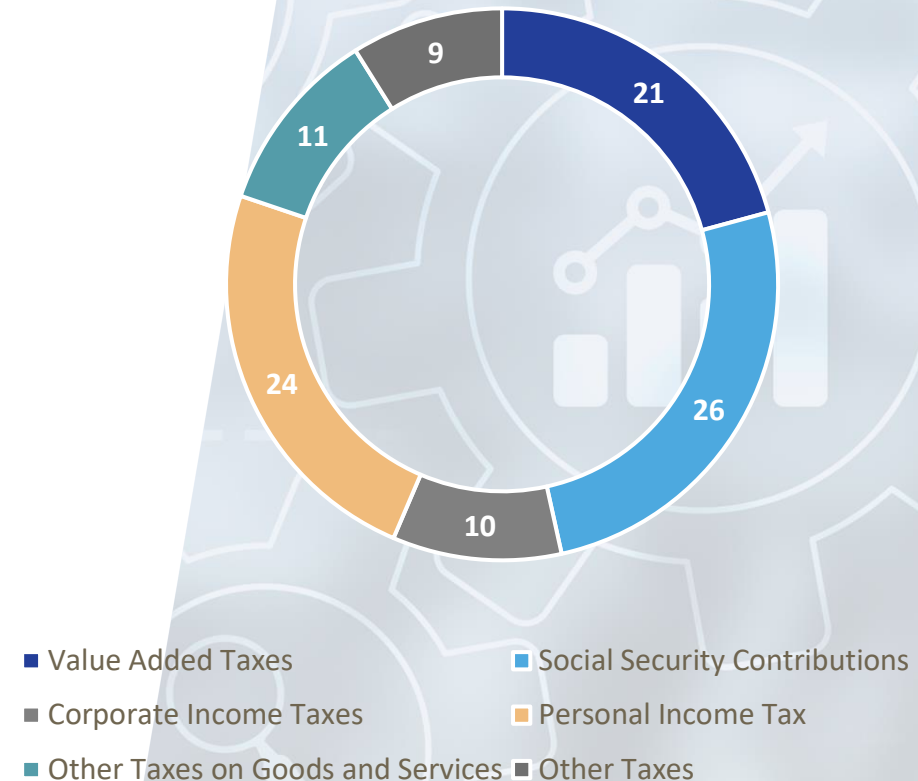
Value Added Tax (VAT) is an increasingly important source of Revenue for governments globally.

Given this importance, there is a focus on closing the "**VAT Gap**" - the difference between expected and collected VAT revenues – and Tax Authorities around the world are rapidly deploying digital compliance frameworks to address this.

Some examples of **digital** and non-digital compliance obligations being deployed:

- **E-Invoicing**
- **Real-time Reporting**
- E-Audits / **SAF-T**
- Domestic Reverse Charge
- Split Payment

OECD Country Revenue By Tax Type (2021 Averages)



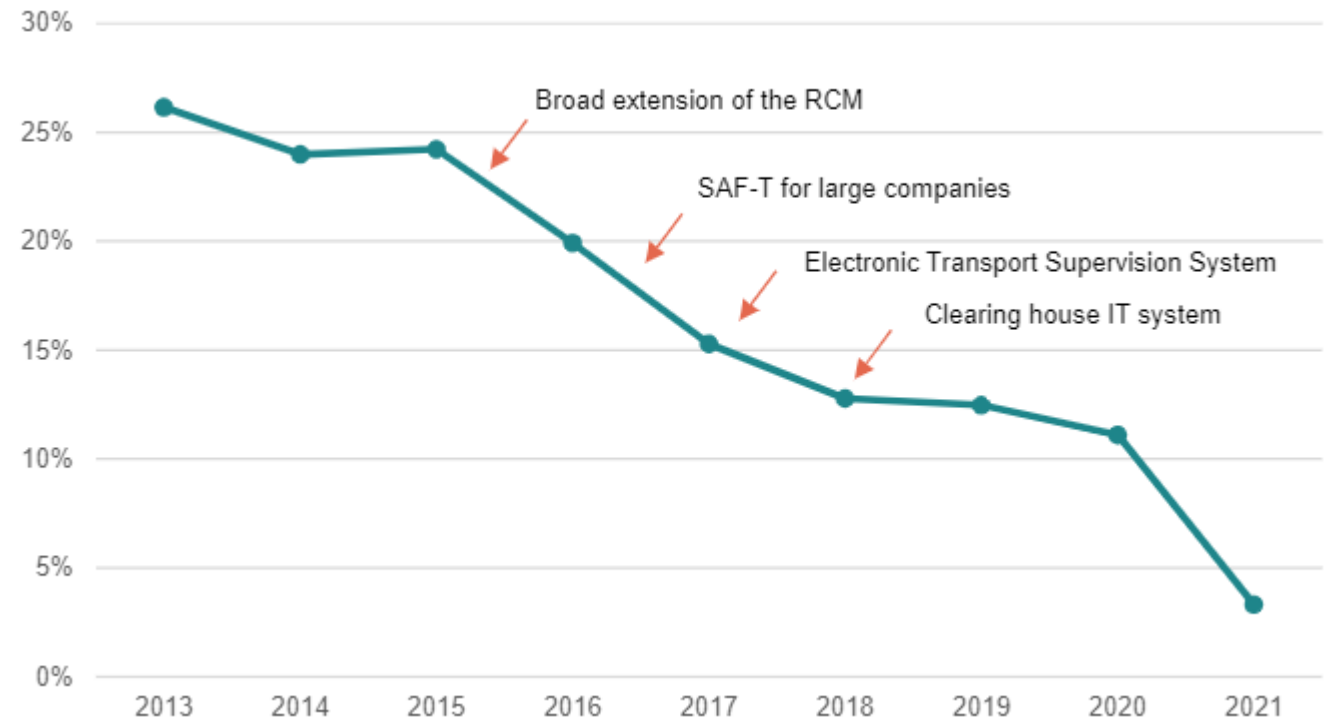
Source: OECD Global Revenue Statistics Database
<https://www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm>

Tax Authority Motivation

Countries that have implemented Digital Compliance obligations show a marked decrease in the VAT Gap, and a corresponding increase in VAT revenue.

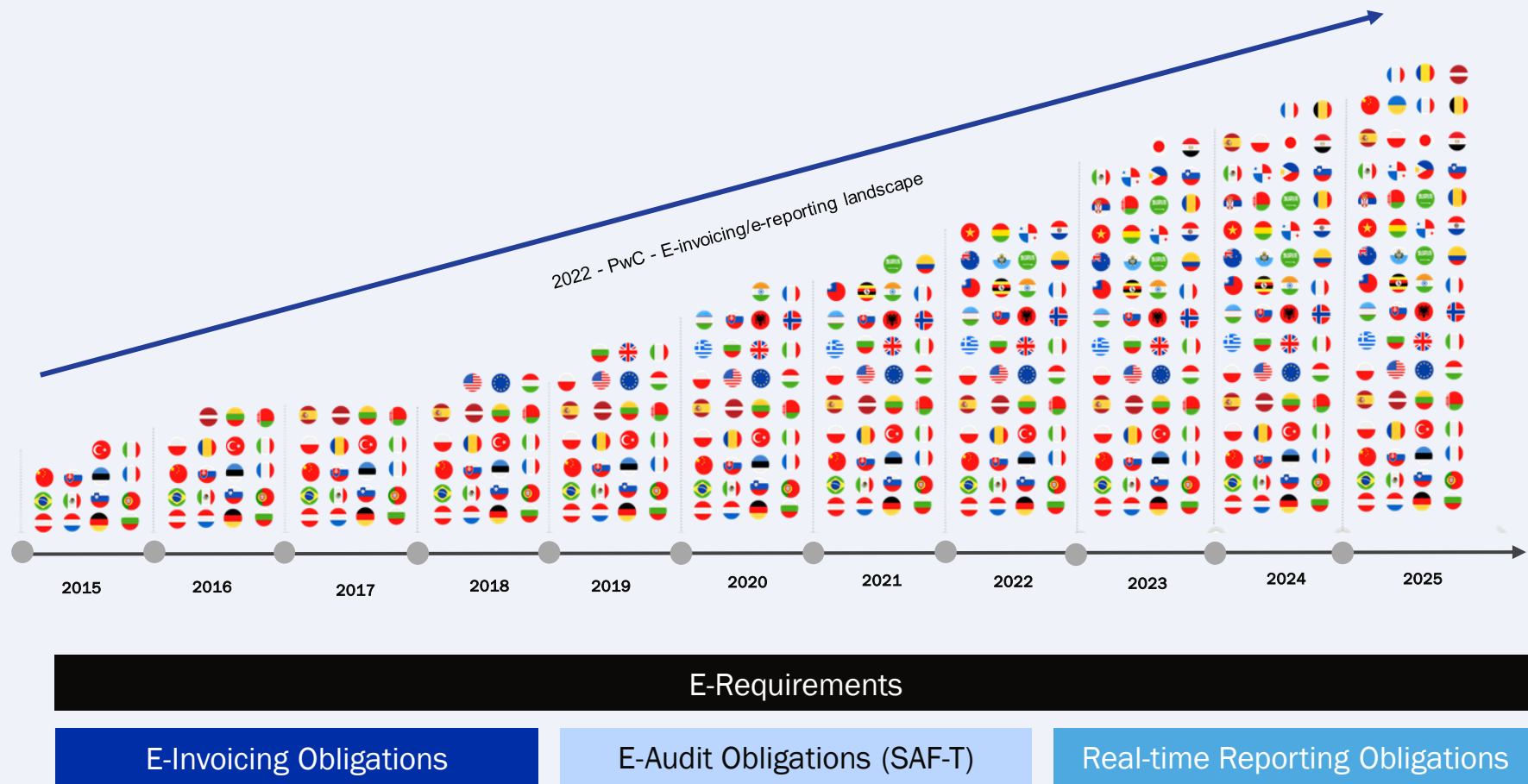
- Poland has seen a decrease of 22% in the VAT Gap between 2013 and 2021, driven by digital initiatives.
- Poland is introducing electronic invoicing in 2025 (KsEF) to further close the VAT gap and confirm compliance with its laws.

And other tax authorities are watching...



Source: VAT Gap in the EU - 2023 Report
<https://op.europa.eu/en/publication-detail/-/publication/84ba1bdf-7230-11ee-9220-01aa75ed71a1/language-en>

Large Increase in E-Invoicing and E-Reporting Obligations



On the Roadmap:

- France – B2B E-Invoicing
- China – Special e-fapiao (expected)
- Romania – SAF-T (all taxpayers)
- Egypt – E-Invoicing
- Romania – B2B E-Invoicing
- Malaysia – B2B E-Invoicing
- Bulgaria – SAF-T
- UAE – B2B E-Invoicing
- ViDA

How do our Clients Manage these Obligations?

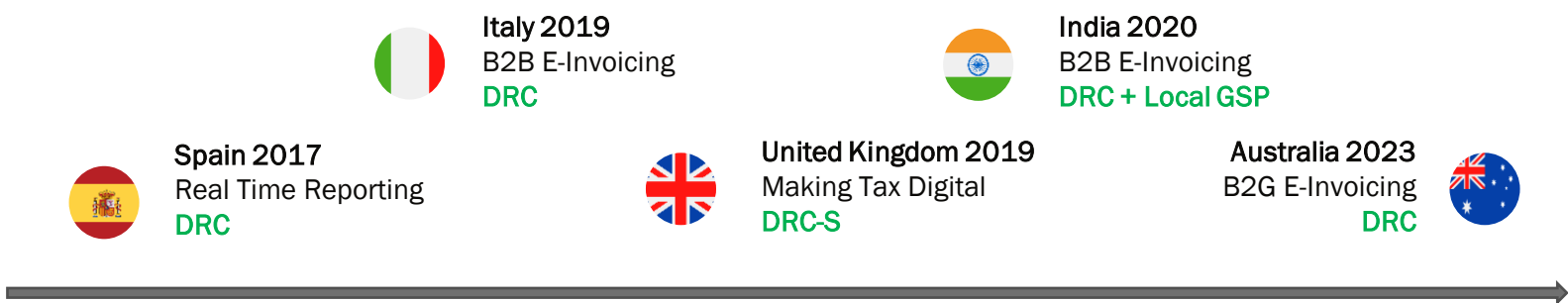
The Reactive Business



The End Result...

- 5 local solutions
- 5 separate licenses
- 5 unique local processes
- Multiple teams to manage solutions

The Strategic Business



The End Result...

- A global scalable solution
- One global license to manage (with other solutions by exception)
- A global process
- A core central team to manage the tool

How am I coping today?

Low Cost
High Scalability
Low Risk

High Cost
Low Scalability
High Risk

Reactive

- No strategy, with reactive approach to new legislation aimed at simply complying.
- Decentralized approach with different solution / process by country.
- Tax becomes a blocker to global expansion, as solutions cannot scale.

Monitoring

- Monitoring of upcoming legislation changes, giving some lead time for generating business cases, assembling a team, deploying a solution.
- Still a decentralized approach with solutions by country.

Pro-active

- Centralized or region-based solutions deployed to allow scalability / reduce implementation costs, with local solutions where needed.
- Strategy defined for pro-active monitoring and implementation of changes.

Strategic

- Anticipate, navigate, and manage changes centrally without creating a 'project' each time.
- Single global solution scalable to the business needs, with local solutions used on an "as needed" basis.
- Added data analytics capabilities and management dashboarding, enabling real-time data driven business decisions.

It is no longer sustainable for businesses to simply "react" to change – a **strategic, centralized approach** can help the business **comply, scale, and reduce cost**.

Key functionality offered by SAP DRC

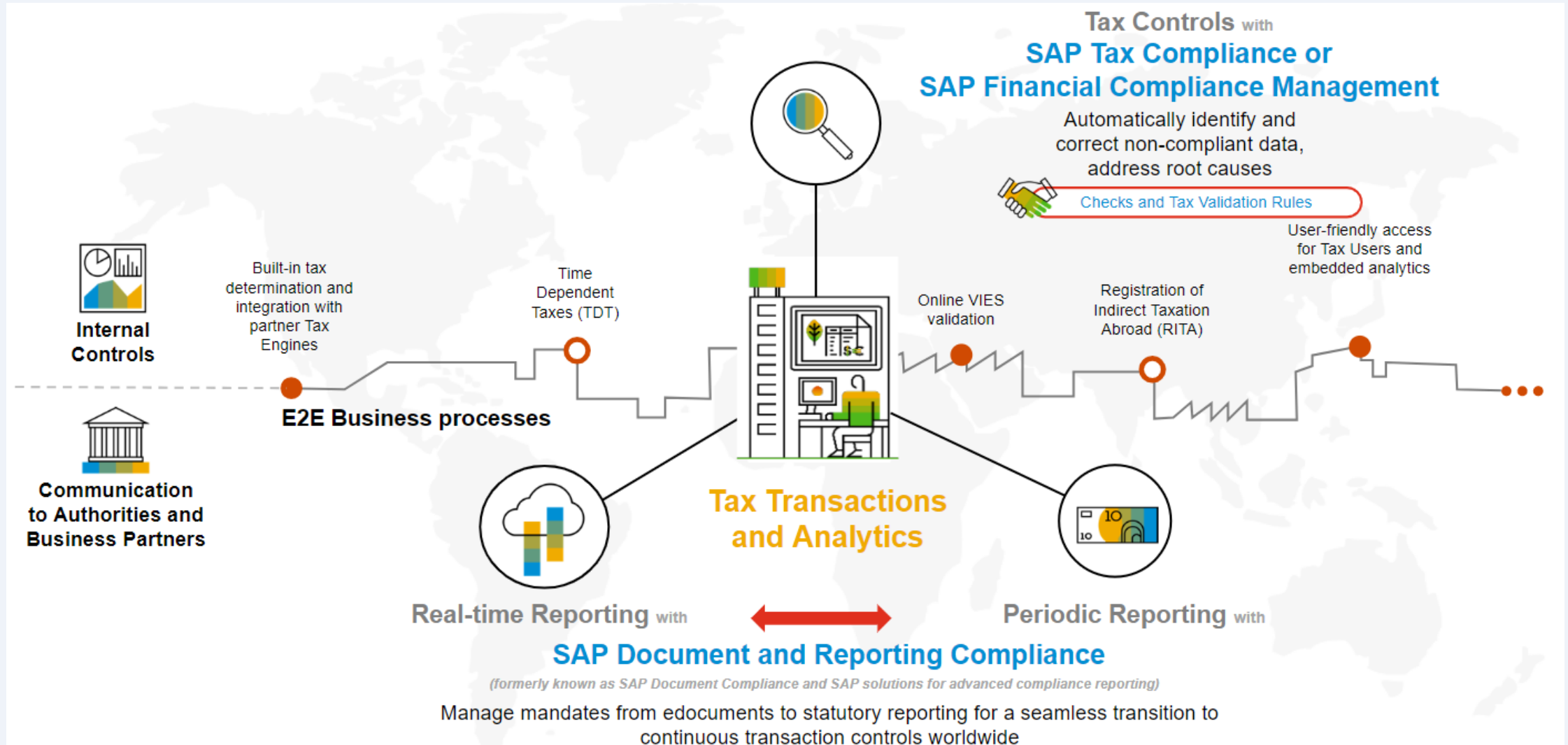
Tax Reporting

- Central repository of up to date legal forms that are populated applying an automated mapping for subsequent filing
- E-filing to submit tax reports directly to the government and receive notifications regarding acceptance (for selected countries)
- Drill down to the single journal entry in the S/4HANA database from any report
- Embedded analytics to analyze underlying data prior to filing; allows to build a harmonized set of controls
- Audit trail of tax items and returns keeping track of filings, changes and timing, including storage of the reported data

E-invoicing and real-time reporting

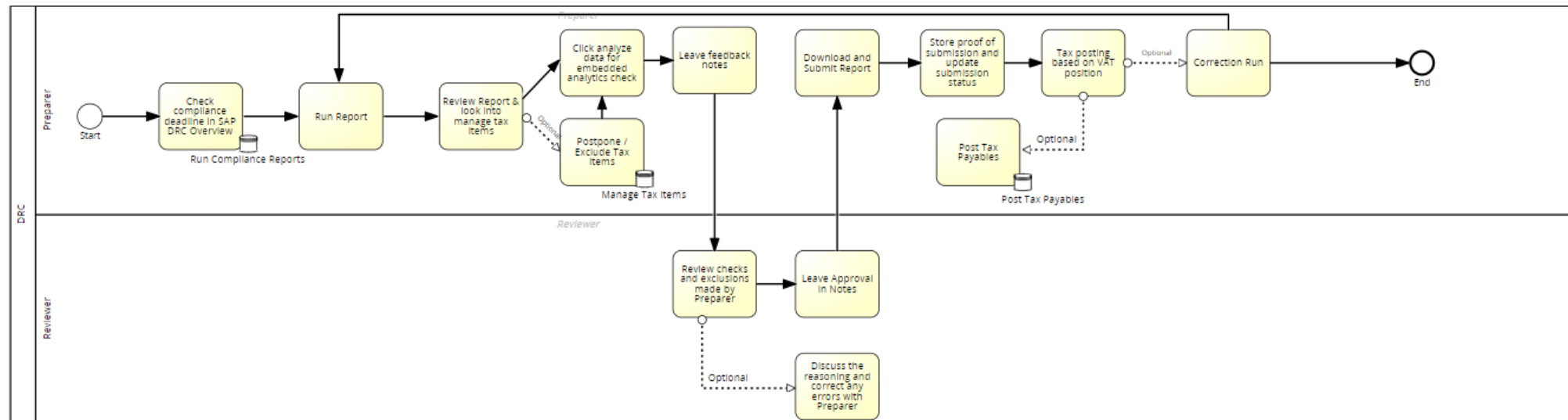
- Scalable gateway to deal with many e-invoicing and real-time reporting requirements by integrating locally to tax authorities' platforms
- Allows for automated invoicing operations and monitoring of documents coming from SAP S/4HANA and checking the tax authorities' response messages
- Updates of e-invoice formats due to legal changes maintained by SAP

SAP Core Capabilities for tax



SAP DRC tax reporting process workflow

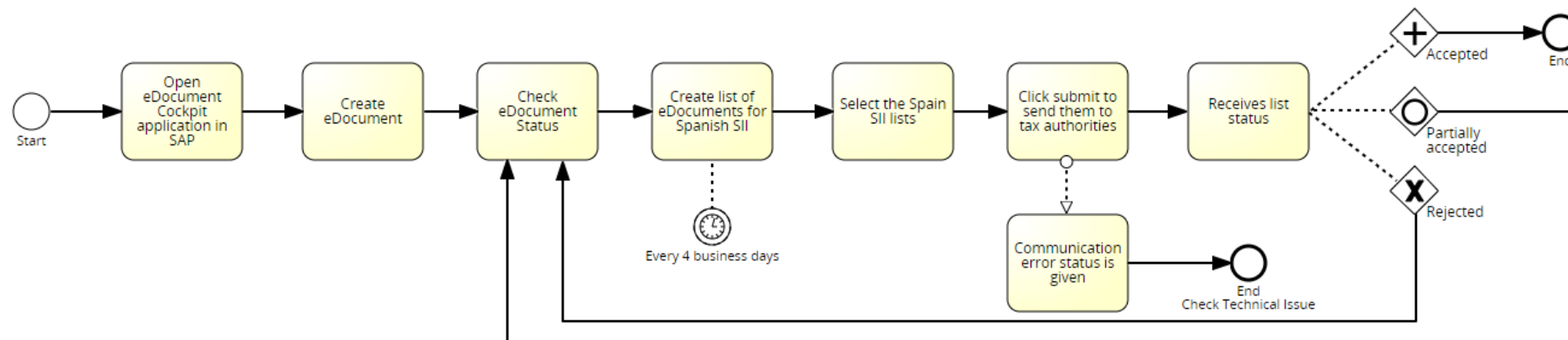
1. Users can check their global compliance obligations for all entities in a **due date tracker** listing their reporting obligations and follow-up on due dates and returns to be submitted / submitted.
2. User reviews tax line items in the **Manage Tax Items** activity to check tax items posted and move (or exclude) these items between reporting periods by way of the tax reporting date. Actions are visible in the log per user to keep an audit trail and no documents get lost as the system will retrieve them.
3. User analyzes the data in more detail through the **Embedded Analytics** of the return checking different data views that can be drafted and saved.
4. Once ok, after validation through a **workflow process** (available to enable for DRC), the user downloads and submits or directly submits the report to the tax authorities. A correction run can be initiated for the return submitted that period, if required.
5. User relies on **Post Tax Payables activity** to pay tax amounts with an automated posting of the balances of input and output tax accounts to a tax payable account. The posting is documented against the balance in the VAT return that has been submitted in the previous activity.



1) Correction run is done if updates are needed due to tax authority comments or to check for any new postings done before period close

SAP DRC real-time reporting process workflow

1. Users can check on edocuments coming from SAP S/4HANA that are created in the **eDocument cockpit** and check the details per each document, with drill-down functionality to the individual invoice postings in S/4.
2. The cockpit allows to automate the invoice submission process and follow-up the **status of electronic invoices** shared and sent to tax authorities/customers globally, leveraging standard SAP API connections (XML and/or PDF formats are supported).
3. For **real-time reporting** obligations (e.g. Spain SII Reporting, Greece myData, etc.) the invoice lists can be generated in the cockpit in the required legal format to submit with the tax authorities within the due date, leveraging the same API connections.
4. The use can check on the status of the **response messages** from the tax authorities' website coming in and take immediate actions in case of e-invoices or invoice lists that get rejected.



SAP DRC: e-filing

SAP DRC provides a single channel for report submission which actually consists of different ways of filing the reports, for example:

1. ALV tables with information that can be copied
2. PDF / TXT / XML files downloadable in a readily fileable format
3. AND **direct electronic submission (e-filing)** for selected countries

For the electronic submission it uses SAP Document and Reporting Compliance Service (Cloud API connector) that is offered as part of the SAP DRC license. Integration is seamless and the user submits his reports from the same interface as any other report in DRC.

Different countries are enabled for electronic submission capability depending on existing local requirements*:

Brazil, Germany, Netherlands, New Zealand, Singapore, United Kingdom

SAP with DRC-S provides for a certified solution (e.g. certified software by HMRC in UK for [MTD](#)) to pass on information from the different returns to tax authorities' platforms and is also capable of receiving the response files and storing the Proof of Submission.

The screenshot shows the SAP 'Run Compliance Reports' interface for a 'Great Britain VAT Return'. The top header includes the SAP logo and navigation icons. The main content area displays the following information:

- Reporting Entity:** GB VAT Group
- Phase:** Declaration # 1
- Reporting Period:** 01.01.2024 - 31.01.2024
- Reporting Year:** 2024
- Generated By:** Firefighter ID - TAX 07
- Run Status:** Generated Successfully

Below this information is a tabbed interface with the following tabs: Legal Reporting (selected), Selection Criteria, Log, and Attachments. The 'Legal Reporting' tab contains a table with the following data:

Document Name	Format	Size	Document Status	Action
VAT Return Statement	JSON	237 Byte	Generated Successfully	[Download icon]

Below the table is the 'Selection Criteria' section, which displays:

- Company Code:** GB17; GB16; GB13; GB11; GB10
- Reporting Date:** 01.01.2024 - 31.01.2024

The 'Log' section at the bottom shows a table with the following data:

Message Type	Time Stamp	Message Text	Message Long Text
[Icon]	01.01.2024 10:10:00	'VAT Return Statement' document created. Check status.	

At the bottom right of the interface are buttons for 'Submit', 'Save Attachments', 'Update Submission Status', and 'Revert Status'.

*Details on enabled reports for direct submission can be found here - [Link](#)

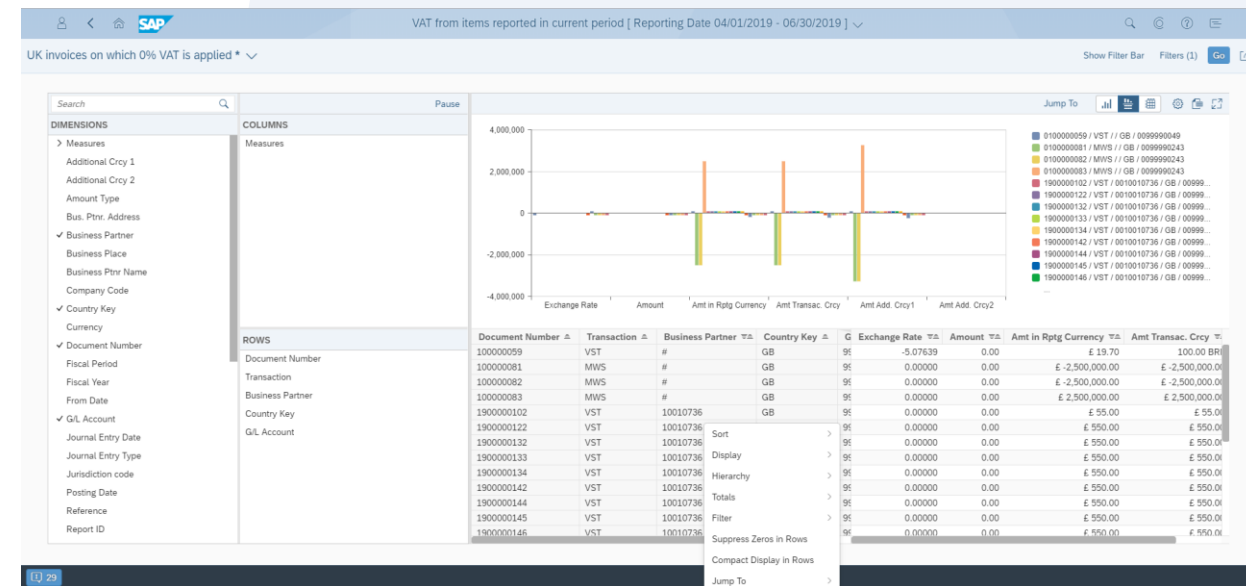
SAP DRC: embedded analytics

SAP DRC provides embedded analytics functionality to be called upon for each generated standard report (incl. generic reports) through the **Analyze data** icon next to every report output.

The data analysis allows to select from different data fields available in the underlying data of S/4HANA and structure, filter and sort these according to the user his needs in tables and charts.

Any view that is designed by the user can be saved as a bookmark for recurring use in subsequent reporting periods and these can be named and made accessible for other users too.







This allows for a set of harmonized checks and controls to be build out that can be ran prior to each return submission to confirm and benefit from better control and compliant filings.



SAP DRC: country coverage

Tax Reporting : 496 reports in 58 countries covered*

Recent SAP deliveries:

- Romania SAF-T 
- Spain Modelo M390 
- Qatar Cashflow statement and withholding tax Form 02 
- Colombia/Chile/Germany Withholding tax reports   

Expected:

- Poland/Denmark/Hungary SAF-T files   

E-invoicing & real-time reporting : 34 legal mandates covered**

Recent deliveries:

- Slovakia, Romania, Poland   

Expected:

- Mandates in Serbia, France, Israel, Malaysia + ViDA    

Current country coverage details can be found here:

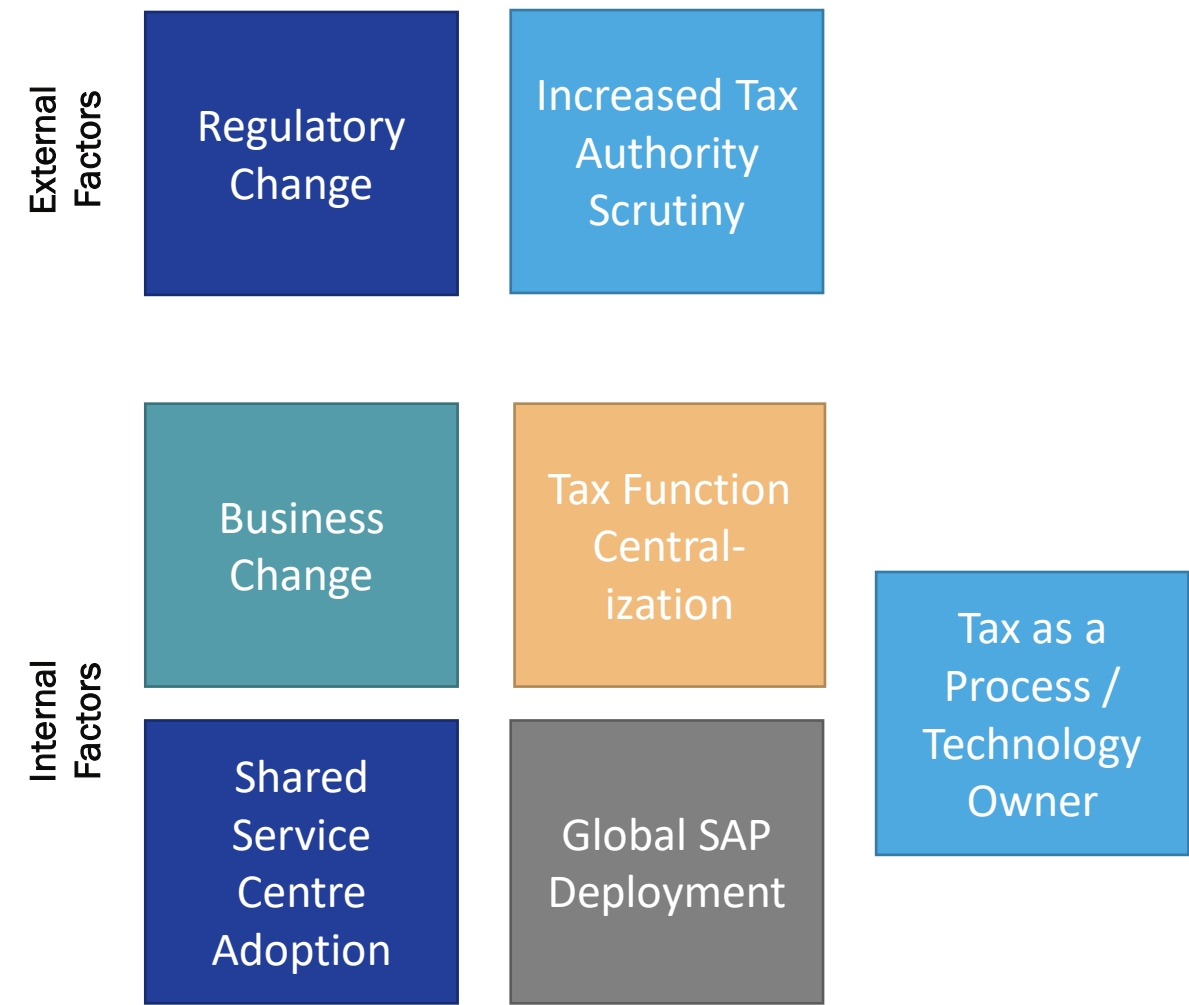
[SAP S/4HANA Cloud, public edition](#)
[SAP S/4HANA Cloud, private edition and SAP S/4HANA SAP ERP](#)

The detailed SAP Roadmap can be explored here - [Link](#)

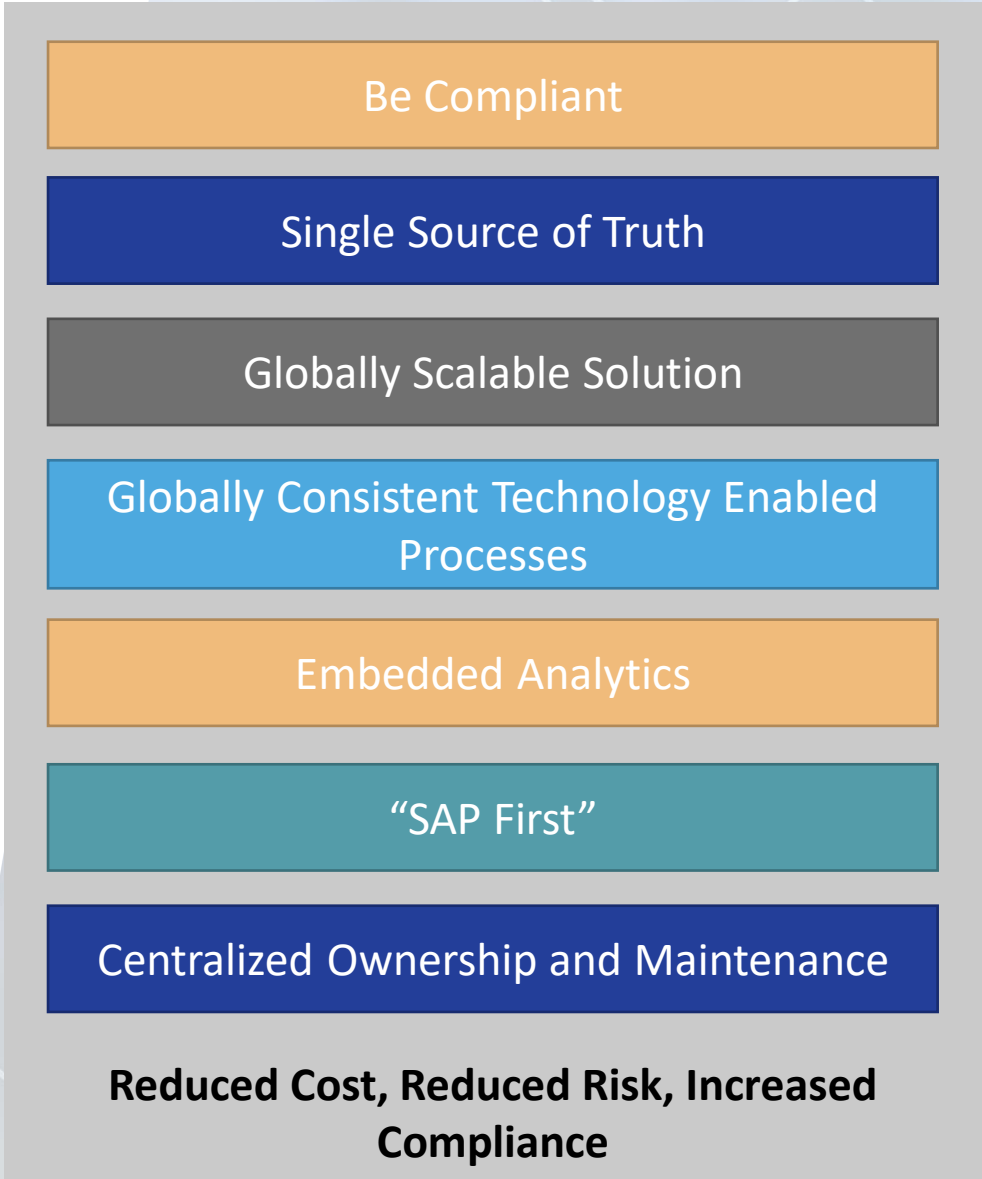
*Not considering extensibility options to build own reports

**Some countries require partner solutions to connect end-to-end

Building the Business Case for DRC



Planned Outcomes



Perrigo's Tax reporting transformation with SAP DRC



15 Countries

- United Kingdom (Pilot)
- Belgium
- The Netherlands
- Ireland, Denmark
- Finland
- Sweden
- Norway
- Switzerland
- Poland
- Austria
- France
- Australia
- Turkey
- Czech Republic

SAP DRC in CFIN,
OP2020 version FPS1



15 Countries, 31 SAP
DRC reports



5 Countries reporting
with standard SAP
reports only (no DRC)



SAP DRC was used for Statutory and Indirect tax reporting of aggregated data, e-invoicing or real-time reporting functionality of SAP DRC was not yet in scope

5 Countries

- Greece
- Ukraine
- Germany
- Slovakia
- New Zealand

Client Experience: Lessons learned



Strategy

Build your strategy around tax reporting and e-invoicing to prepare for upcoming requirements



Use the tools

Draft new workflows and use embedded analytics to harmonize your controls in the new compliance process



Start early!

Select a pilot country to kick off your project plan adopting the solution and scale from there



Gap resolution

Anticipate some gaps, and determine how these data or reporting gaps can be closed



It Takes a Village.

Have leadership support, engage & train local country business users in Tax/Finance, and partner with IT and other workstreams



What's next?

Foresee sufficient time for hypercare, organize error handling, and consider Managed Services to maintain reports and invoicing obligations

Wrap Up

1. Think about how your organization can move from only being "reactive" to new regulations, and rather be strategically placed to meet new obligations, reduce risk and reduce costs.
2. SAP DRC provides a holistic, integrated and scalable solution for businesses to meet e-invoicing and (e-)reporting obligations.
3. Monitor transactions in real-time to confirm that transactions are complete and received the correct tax treatment when sharing information with tax authorities.
4. External and internal factors are the key drivers for the move towards a global digital reporting tool, and there are a large number of benefits to be considered when implementing such a tool.

Where to Find More Information

<https://www.sap.com/products/financial-management/document-reporting-compliance.html>

- Website detailing the functionality and value proposition for SAP DRC

Marc Hoessels, Reaping the Benefits of Shared Service Centers for Indirect Tax (March 2023)

<https://www.sap.com/documents/2022/03/1e9d9bd0-1d7e-0010-bca6-c68f7e60039b.html>

- Overview of indirect tax disruptive trends and the move towards a centralized model for tax.

SAP DRC current coverage for Public Cloud, Private Cloud and SAP ERP

https://help.sap.com/docs/SAP_S4HANA_CLOUD/71af4585db6d4904b1724730f3776c9b/097165e9c1074038847625e5c53e07d2.html

https://help.sap.com/docs/SAP_S4HANA_ON-PREMISE/3b2c091e13434f9ab2fb53d147ba5e9f/097165e9c1074038847625e5c53e07d2.html

https://help.sap.com/docs/SAP_ERP/b002a369a59b45eeb142ce2e705b3fd9/097165e9c1074038847625e5c53e07d2.html

SAP Road Map explorer

<https://roadmaps.sap.com/board?range=FIRST-LAST&BC=6EAE8B27FCC11ED892E91F270C7200CC#Q1%202022>

More information on SAP's Legal Change notification tool

https://help.sap.com/docs/ANNOUNCEMENT_LEGAL_CHANGES/6359c9a02c8a45cb9a0e934a293f3c28/eb6318d820bb43a096df035461f006c4.html

Key Points to Take Home

- Governments globally are trying to close the "VAT Gap" using **real-time (or near real-time) digital reporting obligations**.
- Organizations can no longer afford to be "**reactive**" to these legislative changes and require a strategy to deal with upcoming requirements.
- **SAP DRC** provides a holistic, integrated and scalable solution for businesses to meet e-invoicing and (e-)reporting obligations.
- Next to the core reporting and e-invoicing capability, SAP DRC has valuable **additional functionality** like e-filing, data analytics and workflows.
- When **implementing** SAP DRC it is recommended to start early, involve all stakeholders, anticipate how to resolve gaps and strategize on how to take this new way of working forward.

Thank you! Any Questions?

Matthew Beasley, PwC

<https://www.linkedin.com/in/matthew-beasley-21660a80>



Lucas Desmarez, PwC

<https://www.linkedin.com/in/lucas-desmarez-b4a657151/>



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