



eBook

Navigating SAP's Clean Core for Indirect Tax Compliance

A Strategic Guide for Tax, Finance, and IT Executives at Multinational Corporations

SOVOS

Introduction

Embracing Change in the Global Tax Landscape

The global tax landscape is undergoing a profound transformation. Governments worldwide are moving toward real-time tax reporting and continuous transaction controls (CTCs), requiring businesses to be more agile than ever. Multinational corporations, which rely heavily on SAP ERP systems, face the dual challenge of maintaining tax compliance while modernizing their ERP infrastructure, particularly with the migration to SAP S/4HANA.

For large enterprises, tax compliance can no longer be an afterthought. As businesses scale across multiple jurisdictions, the complexity of tax regulations and the sheer volume of regulatory changes—over 14,000 per month across 19,000 jurisdictions—demand a unified approach across Tax, Finance, and IT departments.

Tax authorities around the world are inserting themselves into corporate ERP and business process design. They can stop companies from shipping and collecting money from clients, impact cash flow, and otherwise impact how businesses operate. So, it's imperative to design tax compliance technology right and transform tax compliance from a business requirement into a force for growth.

These changes are reshaping how global businesses operate, and they present a critical challenge: how can SAP customers manage indirect tax compliance while adhering to SAP's clean core strategy?

In this eBook, we'll explore:

- The forces reshaping global tax compliance.
- The implications of SAP's clean core strategy.
- Best practices for integrating tax compliance into SAP for scalable, efficient growth.

Chapter 1

The Shift Toward Real-Time Tax Reporting and Compliance

Governments around the world are now inserting themselves directly into business processes, requiring real-time access to transaction-level data. Countries like Brazil, Mexico, India, and many in the European Union have already adopted continuous transaction controls (CTCs). This means businesses must ensure tax accuracy at the point of transaction, not just at the end of a reporting cycle.

Key Trends



Brazil and Mexico

Businesses must obtain government approval before shipping goods or issuing invoices, embedding tax compliance into core operations.



Europe

Countries like Italy and Spain have implemented e-invoicing mandates, while Germany is introducing real-time reporting in 2025.



Global Expansion

Governments from Chile to France and Poland are adopting real-time, digital tax reporting, leading to an increased focus on tax transparency.

Key Insight

Companies using SAP ERP systems need centralized, agile tax solutions that can respond dynamically to regulatory requirements without disrupting global operations.



Chapter 2

SAP's Clean Core Strategy – Simplification with Challenges

SAP's clean core strategy focuses on minimizing custom code and promoting standardized, cloud-based extensions that enhance system simplicity and efficiency. However, this presents a unique challenge for businesses managing **indirect tax compliance**. Many companies still rely on legacy or custom-built solutions that increase the risk of data silos and errors in a world where governments require real-time accuracy.

SAP partner certifications for legacy ABAP will only be valid until 2027, which means SAP customers should be exploring forward-looking partner strategies—whether through RISE with SAP, GROW with SAP, or any other migration path to S/4HANA, including private cloud editions. It's critical to address tax compliance and S/4 migration simultaneously, as SAP is driving this discussion with the changes to its certification model.

Additionally, not all indirect tax compliance requirements will be covered by SAP's published APIs. As a result, SAP customers need a provider that understands both Tier 1 and Tier 2 clean core strategies to guide them through the most cost-effective and streamlined path for SAP integration.

Key Considerations

- **Legacy Customizations:** Businesses that have used custom-built tax solutions for years now face the challenge of upgrading these systems while adhering to SAP's clean core philosophy.
- **Compliance Risk:** Fragmented tax solutions can lead to costly errors and non-compliance. By embracing SAP's clean core strategy, businesses can reduce complexity, streamline upgrades, and lower their total cost of ownership (TCO).

Key Insight

To maintain compliance while simplifying your ERP system, businesses need an **integrated tax solution** that supports global tax determination and scales with changing regulations.



Chapter 3

Navigating Global Tax Compliance with SAP

For global tax, finance, and IT leaders, fragmented tax systems present significant risks—ranging from **audit penalties** to increased operational costs. Companies that rely on point solutions across multiple jurisdictions face inefficiencies that hinder growth and increase compliance risks.

The solution? A holistic, integrated approach that ensures tax data across all business units is consolidated into a **single source of truth**.

Key Requirements for a Unified Tax Strategy

1. **Real-Time Tax Compliance:** With the rise of CTCs, businesses need to ensure tax determination and reporting are automated and accurate at the point of sale or transaction.
2. **Scalability:** Enterprises must adopt tax compliance systems that can scale across multiple tax regimes, from VAT in Europe to SUT in the US and GST in Asia.
3. **Centralized Compliance:** Eliminate data silos by integrating tax compliance processes into SAP, ensuring visibility and reducing the risk of audit penalties.

Best Practices

- **Embed Tax Early in SAP Migration:** Start considering tax compliance early in your SAP migration to avoid costly retrofitting and inefficiencies.
- **Consolidate Systems:** By adopting a single, global tax solution that integrates seamlessly with SAP, businesses can reduce data fragmentation, improve efficiency, and streamline reporting.
- **Automation:** Automate tax determination, invoicing, and reporting to ensure real-time accuracy and reduce the burden on internal teams.



Chapter 4

Aligning Tax, Finance, and IT for Future-Proof SAP Compliance

A successful SAP migration requires collaboration between **Tax, Finance, and IT departments**. By aligning these key stakeholders, businesses can ensure that tax compliance is built into the foundation of their ERP strategy, not added as an afterthought.

Best Practices for Ensuring Seamless Compliance

- **Start Early:** Integrate tax compliance considerations into the initial stages of SAP migration, whether you're transitioning to S/4HANA or optimizing your existing ECC instance.
- **Avoid Point Solutions:** Consolidate tax compliance into a single, global platform to eliminate silos and streamline reporting.
- **Utilize Automation:** Automate tax processes to reduce manual intervention and improve accuracy, ensuring compliance with real-time reporting mandates.

Conclusion

Future-Proof Your SAP Compliance Strategy

As governments worldwide tighten tax regulations and demand greater transparency, multinational corporations using SAP face the challenge of staying compliant without adding complexity to their ERP systems. With an end-to-end tax compliance solution, businesses can maintain real-time compliance, reduce costs, and future-proof their tax strategy while adhering to SAP's clean core principles.

Consider Sovos – The End-to-End Indirect Tax Solution for SAP

Sovos offers the first end-to-end indirect tax suite fully integrated with SAP ECC and SAP S/4HANA, providing real-time tax determination, e-invoicing, and reporting for over 120 countries. As multinational corporations face the increasing complexity of global tax compliance, Sovos ensures that businesses can maintain compliance, reduce costs, and stay aligned with SAP's clean core strategy.

Key Features of Sovos' Solution:

- **Global Tax Determination:** Sovos supports tax determination for VAT, GST, sales tax, and more across complex global jurisdictions.
- **Seamless SAP Integration:** Sovos integrates with both SAP ECC and S/4HANA.
- **Real-Time Compliance:** Sovos ensures businesses meet real-time reporting requirements for countries with stringent e-invoicing mandates like Brazil, Italy, and Mexico.
- **Scalability:** Whether you are operating in a single country or across multiple regions, Sovos' solution is designed to scale with your business growth and regulatory changes.



Case Study

A Fortune 500 company implemented Sovos to simplify its tax compliance across 28 countries, reducing compliance costs by 30% and improving reporting speed with real-time tax determination.

SOVOS

About Sovos

Sovos provides businesses with the confidence needed to navigate an increasingly regulated world. Offering a modern, IT driven response to compliance, Sovos' solutions are scalable, reliable and secure and provide a great user experience. Sovos has more than 100,000 customers, including half the Fortune 500, as well as businesses of every size operating in more than 70 countries. The company's cloud-based solutions integrate with a wide variety of business applications and government compliance processes. Sovos has employees throughout the Americas and Europe and is owned by Hg and TA Associates. For more information visit <http://www.sovos.com> and follow us on [LinkedIn](#) and [Twitter](#).

Contact us

+1 866 890 3970

[sovos.com/contact](http://www.sovos.com/contact)

Argentina, Brazil, Chile, Colombia, Ecuador,
Germany, Mexico, Netherlands, Peru,
Portugal, Sweden, Turkey, United Kingdom,
United States