

Deloitte's ITL Tax Supply Chain Control Framework & Indirect Tax Determination Framework SAP add-ons help manufacturer prepare for changing VAT regulations across Europe.

Global chemical manufacturer takes back control over complex supply chain

Client Issue

A large global chemicals company possessed a **complex supply chain** that included the utilization of a principal-reseller model and many intercompany transactions. This created a **lack of visibility and transparency** from a tax perspective as having control over the supply chain is crucial to ensure business compliance with indirect tax regulations. However, the company faced an **increasing impact** of new VAT regulations (VAT Quick Fixes 2020) as well as changes in relation to Brexit, which needed to be implemented in its VAT determination logic in SAP.

Over time, the VAT determination logic in the company's SAP solution had been changed so often that no one within the organization knew exactly how or where to make necessary changes. As the pressure for **ensuring compliance** continued to mount, the search for a support partner was launched. This ultimately concluded with Deloitte and its SAP add-on solution (ITL) being brought onboard to **resolve issues** and set the chemical manufacturer up for future success and agility.



Solution

To **secure business continuity** in an uncertain and rapidly changing environment initiated at time of the Brexit negotiations, the chemical manufacturer decided to implement a new solution that would offer control and a sophisticated VAT determination logic for its European businesses. The choice was made for Deloitte's Indirect Tax Determination (ITL-ITX) add-on solution. With help from the Deloitte ITL team, the manufacturer implemented a **unique tax governance model** for its supply chain consisting of two ITL solution components: the Global Tax Supply Chain Control (ITL-TSC) and ITL-ITX framework.

Both frameworks work together to first assess transactions according to predefined tax control conditions, and afterwards to determine the accurate amount of tax. These two components of the ITL solution help the company **govern and control** its global supply chain according to the **highest standards**, thus freeing it from initial issues.

Impact

With its own tax governance model configured in the Deloitte ITL framework, the manufacturer now has a solution that disallows (chain) transactions that do not meet the tax criteria to be created and allows the ones that have been **deliberately identified** by the model as permitted to be created. This does true justice to the first-time-right requirement many companies and countries have. No **costly** data wrangling solutions or **time-consuming** analysis and corrections after the fact are needed anymore.

Furthermore, the company's tax department increased efficiency and accuracy as new VAT regulations came into force, which had a **significant impact** on business operations. Deloitte's ITL solution ensured the application of **accurate and synchronized VAT treatment** on all invoices of parties within the chain transactions. Equipped with a tax-controlled supply chain and sophisticated VAT determination, the company is now **prepared for any outcome** in relation to VAT changes to come.



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