

A hybrid model created with Deloitte's ITL Tax Supply Chain Control Framework and Indirect Tax Determination Framework SAP add-on leads to better control, compliance and flexibility.

Global industrial manufacturer strengthens indirect tax compliance

Client Issue

For a global industrial manufacturing company with factories in numerous countries, running an indirect tax compliant business was a challenge. With different types of chain transactions and multiple chain models, its global supply chain was very complex from a tax perspective. Tax governance and control were **not always evident**.

The manufacturer had an external tax engine for its US and Canada based operations combined with an SAP add-on for its European operations. The rest of the world ran on standard SAP determination. This system architecture for its global tax determination proved to be **lacking in certain areas**. There was still **not enough governance and control** over the global supply chain and the European SAP add-on in place was **not strong enough** to use for jurisdictions in non-EU countries.



Solution

A **key requirement** for the manufacturer was that a new solution should be **flexible** enough to interoperate with its US tax engine and any future tax engines, as it also sought to add newly acquired business to its platforms that could potentially bring along even more engines.

This was possible with the ITL Suite, as its Supply Chain Control Framework (ITL-TSC) can be used first to conduct chain transaction checks and then, **if permitted**, forward the transactions to the manufacturer's US tax engine. For countries without an external tax engine, the second solution of ITL – a Tax Determination Framework (ITL-ITX) – was installed to determine indirect tax based on the conditions set in the ITL-TSC.

This flexibility, the ease of configuration, and empowering tax to have control over the supply chain, made Deloitte's ITL Suite the **perfect solution** for the manufacturer's supply chain. As part of its simultaneous journey to SAP S/4HANA, the manufacturer could implement a new hybrid model that best fit its needs globally.

Impact

With most of the manufacturer's business – selling goods to and invoicing customers – now covered by ITL Suite, the amount of control and compliance in its indirect tax determination was **greatly improved** in comparison with its previous SAP setup. This is due to the solution providing a tax function with real-time governance and control over its supply chain and the possibility to have **multiple tax determination solutions** in the system landscape. As such, the tax determination solutions could calculate tax **first-time-right**, meaning there was no need anymore for costly and time-consuming corrections.

With ITL Suite as its indirect tax solution for non-US business and the tax engine for its US business, the manufacturer can **rest assured** that the indirect tax determination of all legs in its chain transactions are both accurate and synchronized, with strong compliance for and control over its global supply chain transactions as a result.

“With Deloitte's ITL solution, we made a big step in our compliance strategy. Deloitte's ITL team is very skilled, flexible and understood our business needs and how SAP needs to be set up accordingly.”



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