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Indirect Tax Logic (ITL 3.0): Tax Codes with Validity Periods

Business drivers

In today's challenging tax landscape, multinational companies operate under complex global supply chain models, and tax authorities change rates with increased frequency. Furthermore, part of the VAT action plan is the introduction of more flexibility for Member States to change the VAT rates, and the tax at destination principle. Companies operating on SAP platforms therefore face the risk of running out of codes available in standard SAP, as well as high costs in maintaining those tax codes. Tax and IT teams alike face a laborious process to manage VAT rate changes, which can be time consuming.

Solution overview

ITL Tax Codes with Validity Periods is a solution within SAP to simplify the management of VAT rate changes: you simply have to "end date" the old rate and add a new rate with a validity period. Companies do not need to create new tax codes for every rate change, and as a result, reduces the maintenance costs of tax codes, and the risk of running out of tax codes or selecting the wrong one when changes occur.

Features

Standardized and configurable add-on solution to SAP

Allows maintenance and usage of rate independent tax codes in non-jurisdictional tax procedures

Operates through a user-exit in Finance SAP module and a copy of transaction FTXP

Uses standard SAP elements and concepts (no core modifications of SAP needed)

Process innovation and flexibility

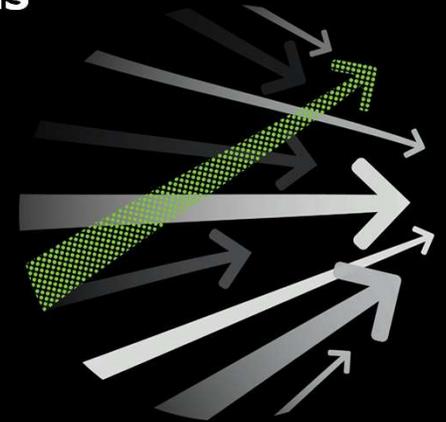
Old rates can be end-dated and new rates added with a new validity period

Implemented in client system through a package of transports

Two-character tax codes and descriptions can remain unchanged

Potential benefits

- New tax codes are no longer necessary when tax rates change
- System ready for future tax rate flexibility
- No need to update VAT manuals and instructions
- Tax code maintenance costs are reduced significantly
- Reduced risk of running out of tax codes
- Tax code maintenance now possible as in standard SAP, but with validity periods
- Maintain complex, multi-rate tax codes easily
- Preserve a sustainable naming convention for two-character tax codes



Function: Tax, Accounts Payable and Accounts Receivable
Processes: Sales & Distribution / Materials Management / Finance
Countries: Europe and rest of the world
Industry: All Industries

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Core SAP

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