



RUN SIMPLE WITH VAT

Metals and Mining Industry

Accely
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VAT - FORGING THE FUTURE

Financial Year 2018-19 will be the defining year for GCC. With the advent of much awaited Value Added Tax (VAT) reform. VAT is expected to have a far reaching & wide impact on business, society & general economy.

Smooth transition to VAT is one of the top 3 agenda items on the Board and Management's strategy and execution list. With VAT, the past no longer holds good and future is laden with number of implementation challenges. Being the base and prime sector, VAT regime is expected to create a complete makeover for the industry, the impact of which will be felt heavily downstream. Specifically, current indirect tax incidence on Metals & Mining companies is close to 10-11% Further the tax incidence on products like steel and aluminium is in the range of 18-20% which is expected to remain same or increase marginally under the VAT regime. It is expected to increase by more than 20% post-VAT implementation. The impact on increased taxes is expected to be absorbed by players in the downstream through reduction of tax rates.



VAT regime will bring in the required level of transparency and compliance in the Metals and Mining Sector.

Supply Chain

- ✓ High volume intensive and concentrated upstream value chain
- ✓ Fragmented and highly distributed downstream value chain
- ✓ Heavy incidence of other taxes on supply chain
- ✓ Existence of middlemen
- ✓ Suffers high level of tax evasion

Business Model

- ✓ High level of dependency on key inputs
- ✓ Concentrated set of customers / industries

Working Capital

- ✓ High level of working capital across the value chain
- ✓ Struggling with longer cash conversion and realization cycles

Manufacturing

- ✓ Input materials constitute more than 70% of the costs
- ✓ Concentrated across few regions
- ✓ Capital intensive

Customer

- ✓ Base price of end product linked to imports from China/other international markets
- ✓ Global parity
- ✓ Large B2B exposure

An organization needs to re-evaluate the out significant changes in order to sail through business models, business processes and carry the VAT implementation journey smoothly.

Impacted Processes/ Functions Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
Procurement to Pay (P2P) Manufacturing	<ul style="list-style-type: none"> • Renegotiation of the transportation and logistics contracts • Transition of the vendors to the new tax model • Supply of raw materials/ inputs to the vendors for job work • Stock transfers between suppliers/manufacturing locations to other locations • Vendor compliance management • Purchases from unregistered traders / dealers • Long term contracts for sourcing of inputs 	<ul style="list-style-type: none"> • Comprehensive review of the existing supply chain & modelling of the required supply chain with scenario analysis • Review the volume & value of interstate movement of the key Inputs • End to end visibility of the upstream and downstream supply chain • Review the volume & value of interstate movement of the products • Vendor training and awareness for ensuring required levels of compliances 	<ul style="list-style-type: none"> • SAP Business Planning add-on on SAP S/4HANA • SAP Predictive Analytics • SAP Profitability and Cost Management • SAP Net Margin Analysis on SAP S/4HANA • SAP GRC - Access Control, Process Control
Order to Cash (O2C)	<ul style="list-style-type: none"> • Pricing arrangements between B2B customers • Impact on job - work / co-manufacturing arrangements • Collection of critical tax documents from the customers 	<ul style="list-style-type: none"> • Evaluation of pricing arrangement with the customer under suitable business scenarios • Review of the downstream supply chain under the VAT lens 	<ul style="list-style-type: none"> • SAP Business Planning add-on on SAP S/4HANA • SAP Predictive Analytics • SAP Profitability and Cost Management • SAP Net Margin Analysis on SAP S/4HANA • SAP GRC - Access Control, Process Control
Record to Report (R2R)	<ul style="list-style-type: none"> • Accurate recording and reporting of the tax credits 	<ul style="list-style-type: none"> • Initiatives for increasing awareness of the key reporting requirements across business functions 	<ul style="list-style-type: none"> • SAP GRC - Access Control Process Control

Impacted Processes/ Functions Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
Record to Report (R2R)	<ul style="list-style-type: none"> • Correct administration of the taxable and exempt inputs/products • Generation of multiple reports and returns and timely filing 	<ul style="list-style-type: none"> • Establishment of strong internal controls for transaction capture, record, review and reporting 	<ul style="list-style-type: none"> • SAP Master Data Governance • SAP S/4HANA • SAP Financial Closing Cockpit • SAP Receivables Management • SAP Disclosure & Notes Management • SAP Shared Services Framework
Tax and Compliance Management	<ul style="list-style-type: none"> • Upgradation of the vendor data based and tax registration details • Applications of the necessary tax masters/ rules to vendors 	<ul style="list-style-type: none"> • Collaboration with multiple business functions to ensure tax compliances • Ensuring technology readiness • Identification of risks of tax evasion especially upstream & robust internal controls monitoring mechanism 	<ul style="list-style-type: none"> • SAP GRC - Access Control Process Control • SAP Master Data Governance • SAP TAO • SAP Shared Services Framework
Working Capital Management	<ul style="list-style-type: none"> • Identifying recording and efficient utilization of the input tax credit • End to end visibility of the inventory across the supply chain 	<ul style="list-style-type: none"> • Understanding and evaluation of the elimination of cascading impact of the taxes on working capital efficiencies 	<ul style="list-style-type: none"> • SAP Cash Management on SAP S/4HANA
Business Planning and Forecasting	<ul style="list-style-type: none"> • Accurate planning and management of volume • Customer profitability analysis 	<ul style="list-style-type: none"> • Formulation of robust budget and operations plan incorporating the impact of VAT regime • Frequent review, monitoring and sharing insights with business to reframe operational strategy • Recording and reporting of the savings in supply chain costs • Understand, evaluate and guide business team for leveraging opportunities and margin expansion and monitor realization • Evaluate impact of VAT on key capital investment decisions 	<ul style="list-style-type: none"> • SAP Business Planning add-on on SAP S/4 HANA • SAP Predictive Analytics • SAP Profitability and Cost Management

With SAP S/4HANA, companies engaged into Metals and Mining business will be able to analyze and review Implications of VAT across various key business areas like marketing, production, inventory inter alia and compare with the post-VAT scenario. Such analysis will enable the management of the companies to capture the opportunities in disguise which will be unfolded only after the launch of the new tax regime.