



Run Simple with VAT

Retail, E-Commerce & FMCG Industry



VAT - The New Beginning

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 and wide impact on business, society and general economy. Smooth transition to the 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.

Retail, E-Commerce and FMCG industry is expected to have high level of impact on account of intensive supply chains, wider reach to consumers in rural as well as urban markets and high volume of upstream and downstream business sourcing and distribution channels.



VAT regime has a high level of impact on the end to end business model of companies engaged into Retail/E-com/FMCG.

Supply Chain

- Consoiidation of multiple warehouses

Taxation

- Higher incidence of taxation on "Sin/De-merit goods"
- Gifts free samples also taxable

Business Model

- Place of supply-destination based consumption tax
- Impact of phasing out of area based tax incentives
- High level of FDI

Working Capital

- Inventory management
- Input credit availability throughout the supply chain will lead to efficiency in working capital management

Consumers

- High level of B2B and B2C exposure
- Free movement of goods across the nation

An organization needs to re-evaluate the business models, business processes and carry

out significant changes in order to ensure smooth sailing through the VAT journey.

impacted Processes/ Functions/Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
Technology and IT Systems	<ul style="list-style-type: none">• Upgradation and modification in the IT systems for• recording of transactions• making alterations in IT masters• tax coding systems• invoicing formats• formats of sales and purchase register etc.	<ul style="list-style-type: none">• Developing technological changes to adapt improved taxation system and required forms, formats, records and coding system	<ul style="list-style-type: none">• SAP GRC - Access Control, Process Control• SAP Master Data Governance• SAP TAO
Working Capital Management	<ul style="list-style-type: none">• Identification recording and efficient utilization of the input tax credit• End to end visibility of the inventory across the re-modelled supply chain• Set "off of service tax paid on rental payments and other services as inputs	<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
Procurement to Pay (P2P) Manufacturing	<ul style="list-style-type: none">• Wider selection opportunities of vendors across GCC• Renegotiation of the transportation and logistics contracts• Transition of the vendors to the new tax model• Supply of raw materials/ inputs to the vendors	<ul style="list-style-type: none">• Realignment of the Procurement Function and its impact on various types of taxation• Educating vendors for realignment, Initiatives and design agreements accordingly• Recalibrated supply chain design• Comprehensive review of the existing supply chain and modelling of the required supply chain with scenario analysis	<ul style="list-style-type: none">• SAP Cash Management on SAP S4HANA• SAP Predictive Analytics• SAP Profitability and Cost Management• SAP Net Margin Analysis on SAP S/4HANA• SAP GRC - Access Control, Process Control



Impacted Processes/ Functions/Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
	<ul style="list-style-type: none">• Consolidation of the warehousing, logistics and distribution facilities• Stock transfers across states will become less complex• Withdrawals of area based incentives impacting cost of sourcing	<ul style="list-style-type: none">• End to end visibility of the supply chain• Build adequate flexlbility in the overall supply chain• Review the volume and value of interstate movement of the products	
Order to Cash (O2C)	<ul style="list-style-type: none">• Valuation of inventory, products and services• Withdrawals of area based incentives impacting the pricing of key products• Re-modeling of the pricing of products impacting dealers and commissions	<ul style="list-style-type: none">• Understanding valuation accounting and reporting impact on inventories• Formulation of a new geography linked distribution plan	<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• End to end visibility of the inventory across the re-modelled supply chain• Set "off of service tax paid on rental payments and other services as inputs	<ul style="list-style-type: none">• Manpower skills development to adapt to the new reporting systems• Initiatives for increasing awareness of the key reporting requirements across business functions• Establishrment of strong internal controls for apprehending transactions recording, reviewing and reporting	<ul style="list-style-type: none">• SAP GRC - Access Control, Process Control•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">• Tax compliance with multiple authorities	<ul style="list-style-type: none">• Ensuring coordination with Contral and State Authorities for compliance related queries• Collaboration with multiple business functions to ensure tax compliances• Ensuring technology readiness	<ul style="list-style-type: none">• SAP Shared Services Framework

impacted Processes/ Functions/Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
Business Planning and Forecasting	<ul style="list-style-type: none">• Accurate planning and management of Goods and Services• Distributors profitability and efficiency 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•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/4HANA• SAP Predictive Analytics• SAP Profitability and Cost Management
Business Planning and Forecasting	<ul style="list-style-type: none">• Accurate planning and management of volume• Channel partner profitabilty and efficiency 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 operations strategy•Recording and reporting of the savings in supply chain costs•Understand evaluate and guide business team for leveraging opportunities arising due to VAT implementation like expansion of margin better realizations etc,• Evaluate impact of VAT on key capital investment decisions	<ul style="list-style-type: none">• SAP Business Planning add-on on SAP S/4HANA•SAP Predictive Analytics•SAP S/4HANA•SAP Profitability and Cost Management

SAP S/4HANA, with its capabilities to manage high volume of business data and management reporting, will serve as a business enabler and help the Retail/ E-commerce/ FMCG companies to sail through the requirements of VAT smoothly. It will help the Retail/ E-commerce / FMCG companies to maintain proper records

and matching of the inward supplies with the outward supplies of the vendor and for accurate determination of the tax liability. The cost of documentation and compliance will be under control through implementation of technology solution offered by SAP S/4HANA.

