



Run Simple with VAT
Transportation, Warehousing and Logistics

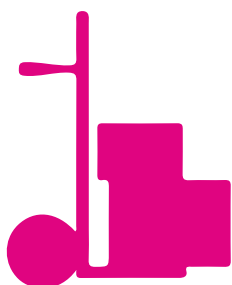


VAT - The New Beginning

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.

In logistics industry, **transportation contributes to 60% of the services** and the balance is contributed by warehousing & allied services.

The logistics sector is set for a complete make-over of the business models and should make it ready to seize opportunities emerging out of the VAT. With SAP S/4HANA the businesses can review impact of different business models on its key performance metric and formulate dynamic strategies to capture the evolving markets.



Reviewing payment terms with your customers and vendors to manage cash flow and allow the claiming of input tax at the earliest opportunity.

Sourcing

- Highly fragmented ownership of vehicles and warehouse space
- Freight movement taxed multiple times
- High dependency on suppliers/individual truck owners

Operations

- Complex tax structure and high costs of logistics
- Poor tax documentation system
- Inadequate use of Information Technology
- High volume of operations
- Complex supply chains

Business Model

- Impact of change in valuation rules
- Complex business models
- Model aligned to classification and valuation, tariff incentives

Working Capital

- Inventory management and SKU management
- Tax credit and compliance management
- Large number of inputs

Customer

- Complex customer contracting and pricing arrangements
- High level of B2B exposure

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

out significant changes in order to sail through the VAT implementation journey smoothly.

Impacted Processes/ Functions/Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
procurement to pay (pap), Service Operations	<ul style="list-style-type: none"> • Consolidation of the Warehousing, Logistics and Distribution facilities • Renegotiation of the transportation and logistics contracts • Transition of the vendors to the new tax model • Business allocation to key vendors/supply chain partners 	<ul style="list-style-type: none"> • Comprehensive review of the existing supply chain and modelling of the required supply chain • Restructuring of warehousing locations with scenario analysis • End to end visibility of the supply chain and cost implications at each stage • Review the volume and value of interstate movement of the products and evaluate impact on the existing logistics facilities • Identification of improvement opportunities for turnaround time optimization 	<ul style="list-style-type: none"> • SAP Business Planning addon 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



Impacted Processes/ Functions/Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
Order to Cash (O2C)	<ul style="list-style-type: none"> • Pricing of the services • Fixed rate, variable rate, cost plus, reimbursement and other type of commercial contractual arrangements with the customer 	<ul style="list-style-type: none"> • Evaluation of impact of VAT on various types of Pricing arrangements 	<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 • Correct administration of the taxable and exempt input services • Generation of multiple reports and returns and timely filing 	<ul style="list-style-type: none"> • Initiatives for increasing of the key reporting requirements across business functions • Establishment of strong internal controls for transaction capture, record, review 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"> • Upgradation of the vendor/ service providers 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 • Evaluate needs of registrations 	<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"> • Utilization of input tax credit available across goods and services for discharge of tax liability on output services 	<ul style="list-style-type: none"> • Correct codification of the goods and services eligible for the input tax credit 	<ul style="list-style-type: none"> • SAP Cash Management on SAP S/4 HANA



Impacted Processes/ Functions/Departments	Impact Sub-areas	Key Imperatives	SAP S/4HANA Solutions
Business and Forecasting	<ul style="list-style-type: none">• Accurate planning and management Of volume• Project/ Job/Customer/ Contract profitability assessment	<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/margin expansions• 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 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

With SAP S/4 HANA, companies engaged into Transportation, Warehousing and Logistics sector will be able to analyze high volume Of transactions and business data 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.