



meridian



Avoid serious compliance risks by ensuring synchronicity between VAT and ERP

aligning VAT with ERP



Aligning VAT with ERP

Changes in business structure, supply-chains, tax legislation and policy must all be reflected in the ERP system. The VAT impact of these changes cannot be overlooked and must be configured accurately in the ERP system and consistently maintained.

As tax administrations focus more on ERP systems and controls, active VAT risk management in this area is critical to avoid serious compliance risks.

VAT compliance risk in the ERP system can be brought about by:

- New business structures
- Policy changes by tax administrations
- Legislation changes at jurisdiction or Community level
- Growth through mergers and acquisitions
- Changes in logistics flows
- Systemic errors occurring and growing over time
- ERP migrations or implementations

VAT is a transaction-based tax, inextricably linked to the day-to-day operations of your organisation. Accordingly, VAT determination logic and reporting processes are core functions of the ERP system, which must be optimally configured and maintained to ensure efficient and accurate results.

Incorrect or misaligned ERP configuration, in response to business changes, will lead to serious compliance risk.

“ Do you feel that your ERP team fully understands your fiscal requirements and has translated them correctly into your ERP system so that you are fully VAT compliant? ”



We recommend a focused review of your VAT configuration in your ERP system, undertaken by a team of international VAT and ERP systems experts. This review will assist tax and finance directors achieve quick and clear visibility of where systemic VAT compliance risk lies and provide practical solutions on how to address these risks.

Our Approach

Our approach is designed specifically to ensure that after the initial review of VAT within your ERP system, we are in a position to give you a clear scope of the actions required and support you through the changes.

Our approach can be applied to

- Multiple jurisdictional / complex ERP environments
- Shared Service Centre and outsourced environments
- Post-merger and acquisition activity
- Organisational restructuring
- ERP system upgrades and migrations
- Legislation changes affecting VAT



We offer a phased-approach, tailored according to your scope and requirements

<p>Phase 1: Mapping business flows</p>	<p>Understand your business, how you contract with your customers and how your customers are defined for VAT purposes</p> <ul style="list-style-type: none">• Understand business structure, supply-chain and how VAT is currently applied in relation to supplies• Identify areas of VAT compliance risk• Formulate VAT model and recommend changes
<p>Phase 2: VAT determination risk analysis</p>	<p>Based on your business flows, test whether the ERP system calculates the VAT correctly on sales transactions and presents this on billing documents. Identify systemic risk related to purchase invoices</p> <ul style="list-style-type: none">• Identify where current VAT configuration and logic are either incorrect or are insufficient to cope with the required supply-chain scenarios and VAT legislation in force• Consider recent changes to VAT legislation and consider whether the system has been correctly amended to comply with the new legislation• Review ERP system customisation and consider whether this is consistent with best practice and achieves desired results• Consider risks of any manual intervention which over-rides tax logic• Identify risk associated with input VAT codes depending on input VAT restrictions in each country
<p>Phase 3: VAT reporting risk analysis</p>	<p>Review the ERP interaction in the reporting process and identify risks and inefficiencies</p> <ul style="list-style-type: none">• Review how data is extracted and summarised from the ERP system highlighting areas of weakness and consider where functionality can be used to enhance efficiency and accuracy• EC Sales List and Intrastat declarations and how these are reconciled to the VAT returns• Consider how VAT codes are mapped to the boxes in the VAT return
<p>Phase 4: Practical recommendations</p>	<p>Recommend changes to reduce VAT risk and improve compliance</p> <ul style="list-style-type: none">• Benchmark VAT configuration against best practice• Produce a set of clear and practical recommendations to remove errors and/or create the functionality necessary to achieve accurate application of VAT to the business flows
<p>Phase 5: Implement and embed</p>	<p>Support with the implementation, testing, documenting and training</p> <ul style="list-style-type: none">• Produce detailed user and functional specifications (for internal IT team)• Formulate test scripts and coordinate user-acceptance testing of changes• Prepare documentation and deliver training in multiple languages in order to introduce, explain and reinforce the key concepts and process changes

Meridian International VAT Consulting

Meridian has been offering international VAT compliance and consulting services as part of its package of services for over 20 years. During this time, Meridian has accumulated significant, practical experience in assisting some of Europe's leading businesses remodel their supply chains in a VAT compliant and efficient manner and implement best practice configuration within their ERP systems. It is our expertise in International VAT and its practical application that our clients value. We have built up one of the largest service centres of this type in the world based out of our Global Service Centre (GSC) in Dublin, Ireland.

Our services are delivered by a world-class team of international VAT experts, led by consultants who make it their job to understand your business. You can leverage the experience of this team at any time, to provide you with international VAT advice, through one point of contact, who will speak to you in practical terms, designed to deliver tangible results. Meridian's consultants oversee the management and implementation of all our service areas including:

- International VAT consulting
- International VAT compliance
- Tax technology and ERP systems consulting
- Supply chain restructuring and VAT modelling
- Strategic VAT management review and advice
- VAT audit and risk assessment
- Foreign VAT recovery



Learn more

www.meridianglobalservices.com/vat-erp/

Further Information

Should you wish to discuss aligning VAT with your ERP system or any other Meridian service please contact:

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