

Modernizing Enterprise Tax Functions through SAP S4HANA Integration Strategy with OneSource and CertifyTax

Satya Venkata Naga Ganesh Nanduri

SAP Functional Lead

J.R.Simplot Company

Abstract

Countries around the world have different laws and regulations reflecting their privacy, sovereignty, social and financial needs and short term and long-term objectives. Tax is one of the most diverse financial aspects in international trade due to varying laws and regulations across countries and regions. Globalization has created opportunities for companies to operate and serve customers beyond their geographical territories whereas the organizations may not have enough knowledge on Tax Intricacies prevailing in each of the country that the organization operates, but they are obligated and be compliant with local tax laws and regulations as per statutory requirements. It would become more challenging for the organizations to keep up with the ever-changing tax requirements and specifically when each region under a country has their own tax laws. SAP S/4HANA can be integrated with Tax Engine from OneSource to fully automate tax rates determination for any transaction posted and be compliant with each region and country from tax perspective. This article speaks about the significance of S/4HANA Integration with OneSource and CertifyTax, technical flow of data between these three systems and how this integration strategy can modernize and fully automate enterprise tax functions.

Keywords: SAP S/4HANA, OneSource, CertifyTax, Indirect Tax, Tax Engine, Exemption Certificates

Introduction:

Accurate tax treatment and reporting is a nightmare for any organization irrespective of how strong the company is financially doing. Companies would become default if they don't apply tax treatment as per local tax laws or if they don't adopt the new changes introduced in tax legislature. This may cause companies to pay heavy penalties to regulatory authorities or even put pause or terminate operations in that region, so organizations have a strong need for an ERP System that can be integrated with fully automated tax tool which has any latest change on tax area to determine and apply tax rates accurately. Integration of SAP S/4HANA with OneSource and CertifyTax can bring in the technology that is always compliant with ever change tax laws and regulations.

SAP S/4HANA:

SAP S/4HANA is an abbreviation of SAP Business Suite 4 SAP HANA. SAP S/4HANA is a future-ready enterprise resource planning (ERP) system with built-in intelligent technologies, including AI,

machine learning, and advanced analytics. It transforms business processes with intelligent automation and runs on SAP HANA which is a marketleading inmemory database that offers real-time processing speeds and a dramatically simplified data model.

SAP platforms are developed to access a “single source of truth” across divisions and data sources. The platforms unify departments such as sales, finance, manufacturing and human resources under a single database and operating system. Using technologies like machine learning and artificial intelligence (AI), SAP S/4HANA can analyze large amounts of data and automate routine business tasks.

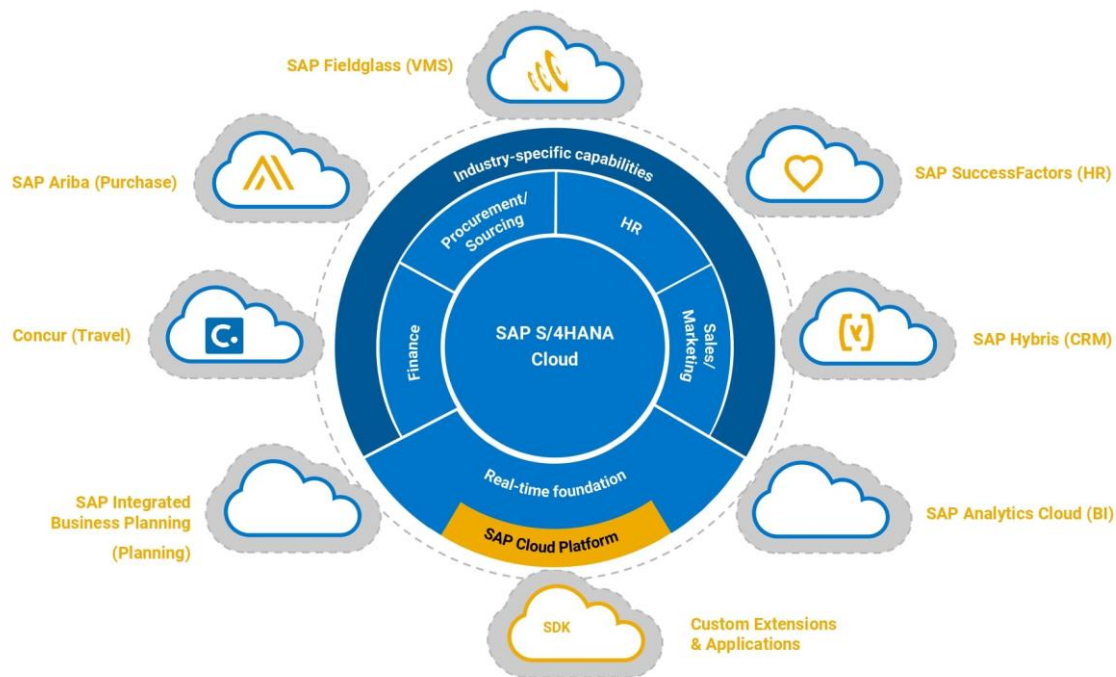


Figure 1: SAP S/4HANA Ecosystem Integrated with Core Business Processes & Other Native SAP Applications

OneSource:

ONESOURCE is an industry-leading global corporate tax technology platform that supports tax compliance and reporting in over 190 countries and territories. It's used by businesses and tax professionals to manage various aspects of tax such as tax provision, compliance, transfer pricing, and indirect tax. The software helps automate tax processes, improve accuracy and ensure compliance with tax regulations.

Benefits of using OneSource:

- 1. International Standards:** OneSource platform has achieved International Quality and Security standards such as ISO 9001 and ISO 27001 thereby offering qualitative tax content in a secured fashion.
- 2. Seamless Integration:** OneSource can be integrated seamlessly with ERP Systems such as S/4HANA so that any transaction posted in S/4HANA can be routed to OneSource for tax determination.

3. **Robust Tax Calculation Engine:** Tax Rate determinations in S/4HANA can be fully automated through OneSource Tax Engine. OneSource tax engine provides accurate and reliable tax calculations for any business. Advanced algorithms available in Tax Engine can handle complex tax scenarios with precision and efficiency.
4. **Up-To-Date Global Tax Content:** ONESOURCE is designed to stay current with everchanging tax regulations across different jurisdictions. This is achieved through automated updates and assistance from tax experts who monitor changes in tax rules and regulations from over 56,000 jurisdictions and 190 countries
5. **Global Tax Compliance:** OneSource helps companies manage various international taxes like VAT (Value-Added Tax), GST (Goods and Services Tax), and statutory filings.
6. **Powerful Reporting:** OneSource provides fast, reliable, and flexible business intelligent reporting to support indirect tax compliance needs globally. The reporting capabilities support a variety of needs, including reconciliation, tax return preparation, compliance, audit reporting, and data analysis.
7. **Reduced Burden:** By automating tax determination and other indirect tax processes through OneSource, companies can reduce overhead costs associated with training, administration, and technological infrastructure maintenance.
8. **Exemption certificate management:** OneSource can be integrated with Tax Exemption Certificate tools such as CertifyTax for managing customers tax exemption certificates thereby determining the taxes accurately for each transaction.

CertifyTax:

Tax exemption certificates are official documents issued by tax authorities that permit eligible entities or individuals to purchase goods or services without paying specific taxes such as sales tax. These exemptions are typically granted to organizations or individuals that meet certain criteria like charities, nonprofit organizations, government agencies, or businesses purchasing goods for resale. So it's important for an organization to determine if the transaction is tax exempted or not before charging taxes. It is also important for organizations to manage supporting evidence such as storing Tax Exemption Certificates received from customers when a particular transaction is determined as tax exempted so that this can help during audits.

CertifyTax is an exemption certificate management (ECM) system that can be integrated with ERP Systems such as SAP S/4HANA and OneSource for receiving customer master data feed from ERP Systems, storing tax exemption certificates, replicating tax exemption details to OneSource so that OneSource uses this information to determine whether a transaction is taxable or exempted whenever a tax call is received from SAP S/4HANA.

CertifyTax uses automation and validation of certificates through proprietary human curated artificial intelligence (AI). Its developed by state and local tax attorneys. CertifyTax addresses gaps that directly lead to sales tax assessments caused by homegrown or third-party ECM systems.

Benefits of using CertifyTax:

1. **Simplified Process for Managing Tax Exemption Certificates:** Tax Exemption Certificates can be collected in various ways from customers such as receiving soft copies, customer filling out form wizard where customer can upload exemption certificate or system can generate the exemption certificate and customer receiving links or notifications which can facilitate loading tax exemption certificates and their details.
2. **Saves Money and Supports Audits:** Tax Exemptions granted by the organizations are backed by the supporting evidence in the form of tax exemption certificate from CertifyTax so that penalties that may be charged by tax authorities due to lack of supporting evidence can be avoided thereby saving money and also helps with enough details during audits.
3. **Best-in-class certificate validation:** The system employs rigorous rules and automation to verify the validity of certificates, including AI review and field-level validation.
4. **Granular risk assessment:** CertifyTax calculates exposure at a detailed level, allowing for proactive acquisition of proper documentation and quantifiable financial value.

SAP S/4HANA Integration Strategy with OneSource and CertifyTax:

Integrating external tax engines and exemption certificate management tools with ERP System is always a challenge considering the time, effort and infrastructural needs. There would be a lot of limitations such as the time it takes to replicate master data from ERP system to exemption certificate management tools, lack of timely synchronization of exemption details from exemption certificate management tool to external tax engine and lack of availability of most up to date tax content which could result in inaccurate tax calculations on ERP System.

SAP S/4HANA can be integrated with OneSource and CertifyTax and each system in this integration strategy can talk to each other and work seamlessly.

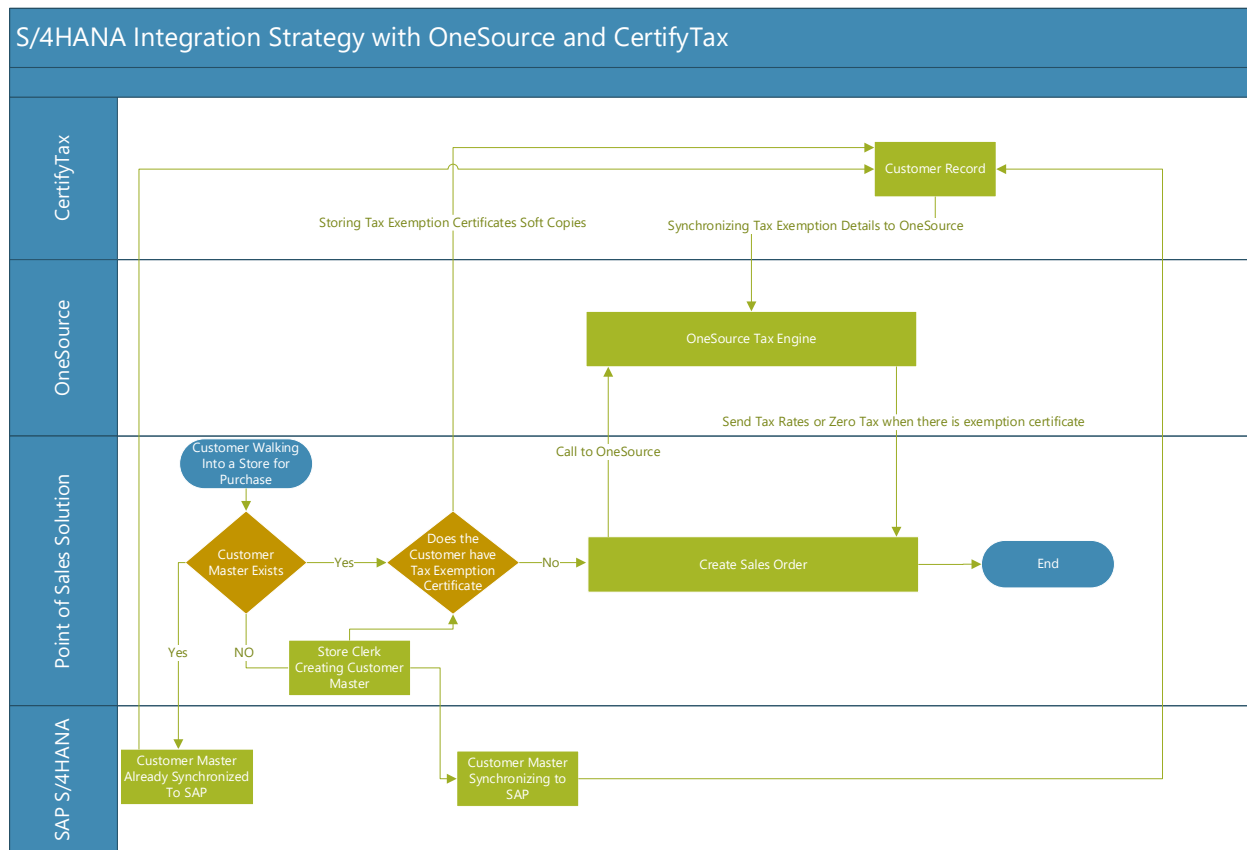


Figure 2: Technical Flow for the exchange of data between SAP S/4HANA, OneSource and CertifyTax

Integration 1:

SAP S/4HANA has a native integration with OneSource. Every transaction that is subject to tax in SAP S/4HANA can be routed to OneSource irrespective of business process such as for Purchase, Sales, Asset transactions etc. OneSource tax engine validates the transaction and runs it through product taxability matrix to determine appropriate tax treatment and rate as per local tax rules. Below are few tax treatments for reference.

1. Treating the transaction as Tax Exempted if there are tax exemption details received from CertifyTax for certain countries
2. Treating the Transaction as Tax Exempted when the purchase or sale is meant for resale
3. Applying Zero Tax Rate for specific materials which are exempted from tax based on the region
4. Applying standard tax rates as per local tax rules for purchases and sales

Integration 2:

SAP S/4HANA needs to be integrated with CertifyTax for synchronizing customer master records so that CertifyTax would have the necessary master data by the time the customer provides tax exemption certificates. Real-time integration can be enabled between S/4HANA and CertifyTax so that customer master records are replicated to CertifyTax as soon as they are created in SAP S/4HANA.

Integration 3:

Real-Time integration can be enabled between CertifyTax and OneSource as well so that whenever there is a customer exemption certificate is loaded in CertifyTax, the exemption details would reflect in OneSource. Any failure or delays in synchronizing tax exemption details to OneSource would result in marking the transaction as Taxable instead of treating it as tax exempted, so its crucial to have such instant replication of exemption details from CertifyTax to OneSource.

Conclusion:

Integrating SAP S/4HANA with OneSource is not just a technological upgrade, it is a strategic imperative for organizations seeking to stay compliant, agile, and competitive in an increasingly complex tax and regulatory environment. By connecting SAP's powerful ERP capabilities with OneSource's comprehensive tax automation and compliance tools, businesses can streamline tax processes, reduce manual effort, mitigate compliance risks and improve overall data accuracy.

This integration empowers finance and tax teams with real-time visibility and automation, enabling faster decision-making and greater alignment with global tax requirements. As organizations continue to embrace digital transformation, the synergy between SAP S/4HANA and OneSource stands as a foundational step toward building a more resilient and future-ready enterprise.

References:

1. SAP Knowledge Article, "Calculate global indirect taxes directly inside SAP S/4HANA", [Online]. Available: https://store.sap.com/dcp/en/product/display-2001012441_live_v1/onesource-tax-service-integration-for-sap-s-4hana
2. ThomsonReuters Knowledge Article, "ONESOURCE Tax Service Integration for SAP S4/HANA", [Online]. Available: <https://www.thomsonreutersmexico.com/content/dam/ewp-m/documents/mexico/en/pdf/white-papers/determination-tax-integration-sap-global-brochure-01-08-2022.pdf>
3. Grant Suneson, "Thomson Reuters ONESOURCE Indirect Tax Certified for S/4HANA Cloud, Private Edition", [online]. Available: <https://sapinsider.org/blogs/thomson-reuters-onesource-indirect-tax-certified-for-s4hana-cloud-private-edition/>
4. Isaac M. O'Bannon, "Thomson Reuters ONESOURCE Indirect Tax Integration Achieves SAP Certification for S/4HANA Cloud, Private Edition", 04.24.2023, [online]. Available: <https://www.cpapracticeadvisor.com/2023/04/24/thomson-reuters-onesource-indirect-tax-integration-achieves-sap-certification-for-s-4hana-cloud-private-edition/78950/>