HMRC’s Initiative - **Making Tax Digital**
A vision to digitalise the UK tax system

SAP Advanced Compliance Reporting Service
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Agenda

- UK Making Tax Digital and impact on VAT
- What is ACR Service
  - Capabilities
  - Features
  - Benefits
- Technical aspects
  - Solution Components
  - Data Replication
  - Prerequisite
Challenges for Legal reporting

**Regulation**
With a *changing economy*, countries are usually undergoing tax reforms and bringing changes to the existing reporting requirements.

HMRC's MTD initiative is an important example of this.

**Focus on Risk**
It's critical to be *legally compliant* and be on time to avoid fines by the government.

**Strategic Support**
Compliance reporting is a *cumbersome process*, where efficiency needs to be increased.

**Technology**
Multiple *heterogenous data sources* need to be united in one harmonized environment.
Four Foundations of HMRC’s Making Tax Digital

✓ Better use of information
No duplication of data HMRC already has or can obtain directly e.g. from banks, government departments etc

✓ Tax in real time
No longer have to wait for year end or specific periods. HMRC will collect and process information as close to real time as possible

✓ A single financial account
MTD will lead to a comprehensive financial picture in your digital account

✓ Interacting digitally with customers
Interact digitally with HMRC as and when required
An Overview - UK Making Tax Digital for VAT
An ambition to become one of the most digitally advanced tax administrations in the world

✓ Modernising the tax system – more effective, efficient and easier compliance

✓ Making it easier to get your tax right

✓ Business to be mandated to use the system from April 2019 – initially only for VAT obligations.

✓ Turnover test – MTD applicable if your taxable turnover is above the threshold.
UK Making Tax Digital for VAT

**Digital records**
- All VAT registered businesses must keep and preserve certain records and accounts.

**Digital Link**
- Data transfer or exchange within and between software applications must be digital.
- Any further transfer, recapture or modification of that data must be done using digital links.
- Each piece of software must be digitally linked to other pieces of software to create the digital journey.

**Submission via API**
- The submission of information to HMRC must always be via an Application Programming Interface (API)

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Transactional system

Transactional system + Report preparation

VAT Report submission
How can SAP help with Making Tax Digital?
SAP enabling Making Tax Digital

HMRC is working with software providers for Making Tax Digital for VAT in time for April 2019.

- MTD does not require you to keep additional records for VAT, but to record them digitally - **Digital record keeping is something that has always been provided by SAP**

- The key change is the method with which HMRC receive the VAT obligation information from you.

- Advanced Compliance Reporting Service will support the MTD obligations of keeping digital records and exchanging data digitally with HMRC through the MTD service

- SAP is listed as a supplier for Making Tax Digital for VAT
SAP Localization Hub, Advanced Compliance Reporting Service

What is it…. 

A SAP Cloud Platform based solution which provides end-to-end legal reporting capabilities, with constant adoption of legal changes and independence of the ERP source system.
Advanced Compliance Reporting Service **Framework Features**

- ✓ One solution for future critical legal reporting reforms worldwide
- ✓ Reporting dashboard to monitor the reporting status
- ✓ Multiple legal formats – PDF, JSON, XML, CSV
- ✓ Data preview
- ✓ Electronic submission with Government Interfaces
- ✓ Self Service Configurations
- ✓ Supports flexible reporting levels and group Reporting
- ✓ Analyze the data used for report generation
- ✓ Connect and replicate data from multiple source ERP systems
- ✓ Dashboard to monitor the data replicated onto SLH ACR
- ✓ Possibility of uploading of item level data onto SLH ACR via Excel
Process Overview of **VAT return submission**

1. **Data replication**
   - SAP / Other Source
     - (Source of Digital Record Keeping)

2. **Prepare & Generate**
3. **Review/Analyze**
4. **Submit**

**SLH, ACR Service**

**Response**

- Safe authentication and API based submission
- HMRC
VAT reporting across different releases

SAP ECC

| SDI Agent |
| SAP ECC |

Non-SAP

Excel or Other System

SAP S/4HANA

Cloud or On Premise

Advanced Compliance Reporting

<table>
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<tr>
<th>Prepare &amp; Generate</th>
<th>Review</th>
<th>Submit</th>
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Tax Data Replicated

SLH Advanced Compliance Reporting Service

Prepare & Generate Review Submit

Send Tax Data to HMRC via APIs

API

SLH Advanced Compliance Reporting Service

API

HMRC
ACR service **Technical aspects**
Data Integration

SAP ERP source systems

- Direct Data Transfer
- Excel Upload of data
  - REST APIs

Non-SAP ERP source systems

- Excel Upload of data
  - REST APIs
  (Integration to be achieved by customers)
**Data Transfer scenario**

**Highlights**
- Transactional Data for legal reporting will be transferred to the cloud
- High Performance
- Any number of source systems can be connected
- Both SAP and non-SAP source ERP systems can be connected
- Full integration provided for SAP ERP source systems
- Fiori application for Excel upload
- APIs for integration with non-SAP ERPs
- Group reporting with data from multiple sources

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SDI connection – Full integration provided by SAP*

REST API calls – APIs provided by SAP. Integration to be done by the customer

Excel Upload – App provided by SAP.
Advanced Compliance Reporting Service Post Subscription Steps

✓ Customer Onboarding
  ✓ System set up is automatically triggered on the contract start date
✓ Data Integration setup
Advanced Compliance Reporting Service Key take-aways

✓ Cloud based solution managed by SAP.
✓ Auto compliant with changing legal requirements for VAT reporting in UK.
✓ Complete, end to end VAT reporting solution
  o Calculates and generates the 9 tax boxes based on tax box configuration
  o Inline with HMRC’s MTD requirements of maintaining Digital Records, Digital links and Digital submission(APIs) and their Future vision.
  o Holistic approach rather than just a temporary, stop gap bridging software.
✓ Seamless Data Integration capabilities for SAP ECC source systems via established secure Digital links. No 3rd party integration effort needed.
✓ Possibility of replicating data from non-SAP source systems via APIs and Excel template.
✓ Possibility of generating and submitting group VAT report irrespective of data coming from SAP or non-SAP sources.
✓ Value added innovative features like analytics which eases the process of legal reporting.
✓ Features such as authorization control are inbuilt which help in having proper split of responsibilities
Important Links


Follow-up on solution availability through SAP LCNaaS:
ECC: https://launchpad.support.sap.com/#/legalchangenotification/NoteInforSet/jira=GSCBEMEAM-2471/TwoColumnsMidExpanded/0
S4OP: https://launchpad.support.sap.com/#/legalchangenotification/NoteInforSet/jira=GSCBEMEAM-2471/TwoColumnsMidExpanded/0
S4HCE: https://launchpad.support.sap.com/#/legalchangenotification/NoteInforSet/jira=GSCBEMEAM-3734/TwoColumnsMidExpanded/1

UK country localization updates:
UKI Jam Page: Visit the UK and Ireland Globalisation Jam Group

About SLH ACR Service: https://help.sap.com/viewer/7a60944343e543a1ab99e9b2904dab09/CLOUD/en-US/75b0a7910a174345852d1dd5cd61e175.html
  - S4OP: https://help.sap.com/viewer/8fbeed5f2046489696a50a7f7d6f9c6/1709%20000/en-US/4975ec570b01f032e1000000a441470.html
  - S4HC: https://help.sap.com/viewer/162d2e71320d4a5aa788917dccc706131/1708%200500/en-US

SAP Notes:
ECC: https://launchpad.support.sap.com/#/notes/2679399
S/4ACR: https://launchpad.support.sap.com/#/notes/2682182
Configuration between S4ACR and ACR service for direct submission: https://launchpad.support.sap.com/#/notes/2736611
Questions

Thank you

Globalization Services