

CLIENT SUCCESS STORY

INEOS
STYRENICS

HOW and **WHY** Ineos implemented
Meridian's 'VAT Add-on' for SAP

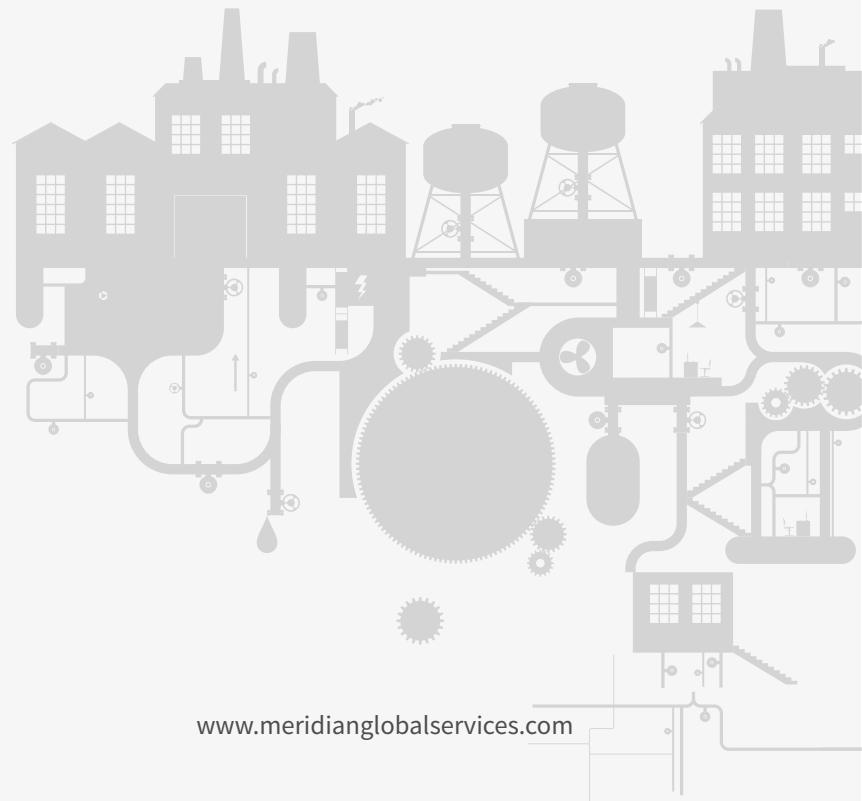


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ABOUT INEOS

Ineos Styrenics (a division of INEOS Group) is a global manufacturer of styrene and styrenic polymers with turnover of \$3bn. It has significant European manufacturing operations, including a Swiss principal entity with multiple EU VAT registrations and stock points.

BUSINESS DRIVE TO IMPROVE VAT COMPLIANCE AND PROCESS EFFICIENCY

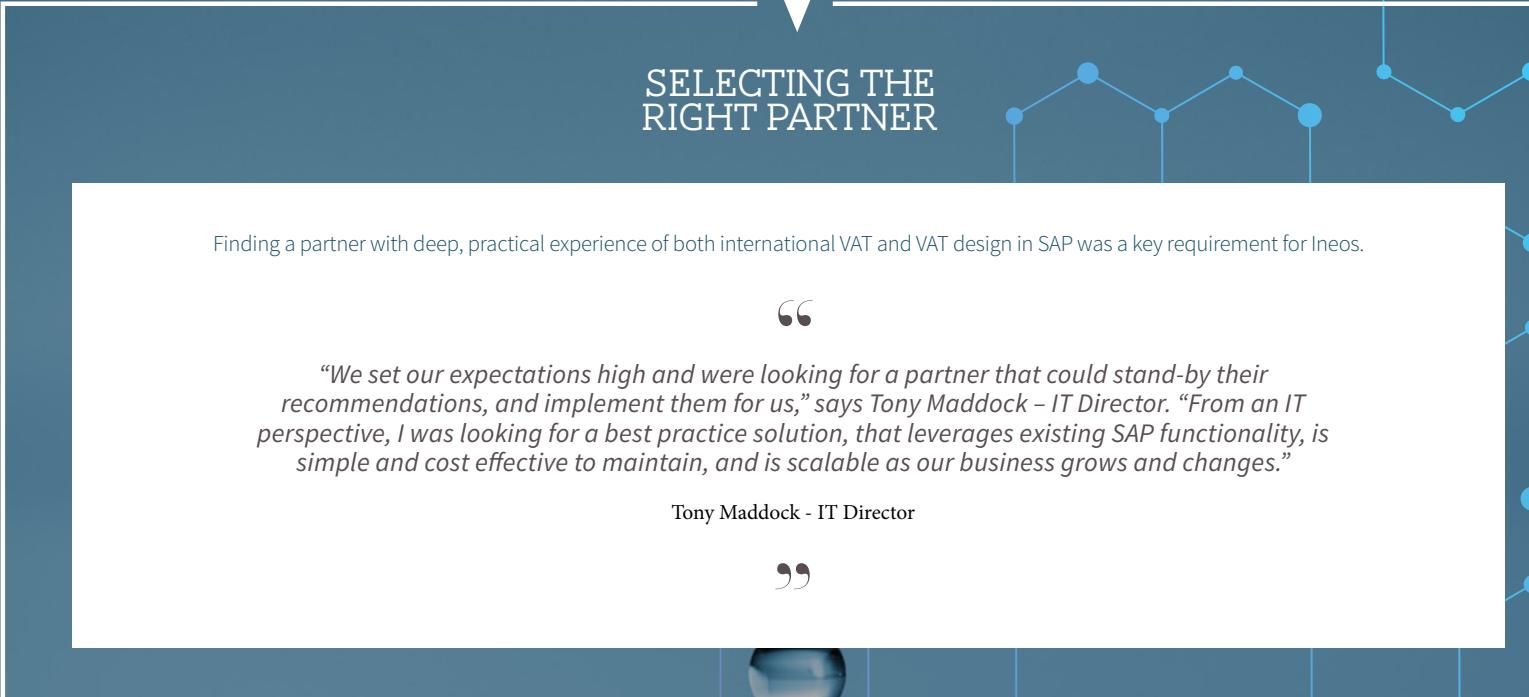
How Meridian helped Ineos redesign and implement automated and compliant SAP tax determination across its European business

As its European structure involves complex business flows with complex VAT implications, Ineos was concerned about potential VAT risks associated with its SAP VAT configuration. Furthermore, there was significant manual intervention supporting the VAT determination and reporting processes, which increased risk, and compliance costs. According to Mathew Rimmer, European Finance Director, “Our existing setup was no longer sustainable.

A business of our size and complexity demands robust and efficient VAT compliance processes from our SAP system, however we were constantly plugging in manual processes and workarounds to mitigate system limitations. We needed to understand quickly where our VAT configuration was lacking, and how to implement a single, compliant and automated VAT process across our European operations.”

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Mathew Rimmer, European Finance Director



SELECTING THE RIGHT PARTNER

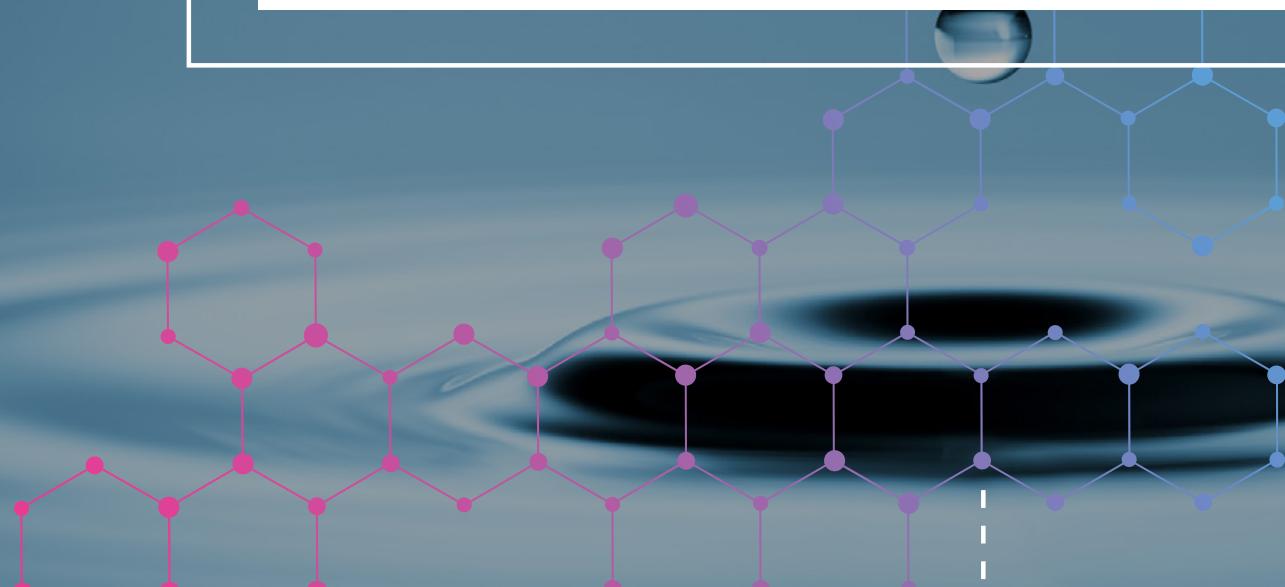
Finding a partner with deep, practical experience of both international VAT and VAT design in SAP was a key requirement for Ineos.

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“We set our expectations high and were looking for a partner that could stand-by their recommendations, and implement them for us,” says Tony Maddock – IT Director. “From an IT perspective, I was looking for a best practice solution, that leverages existing SAP functionality, is simple and cost effective to maintain, and is scalable as our business grows and changes.”

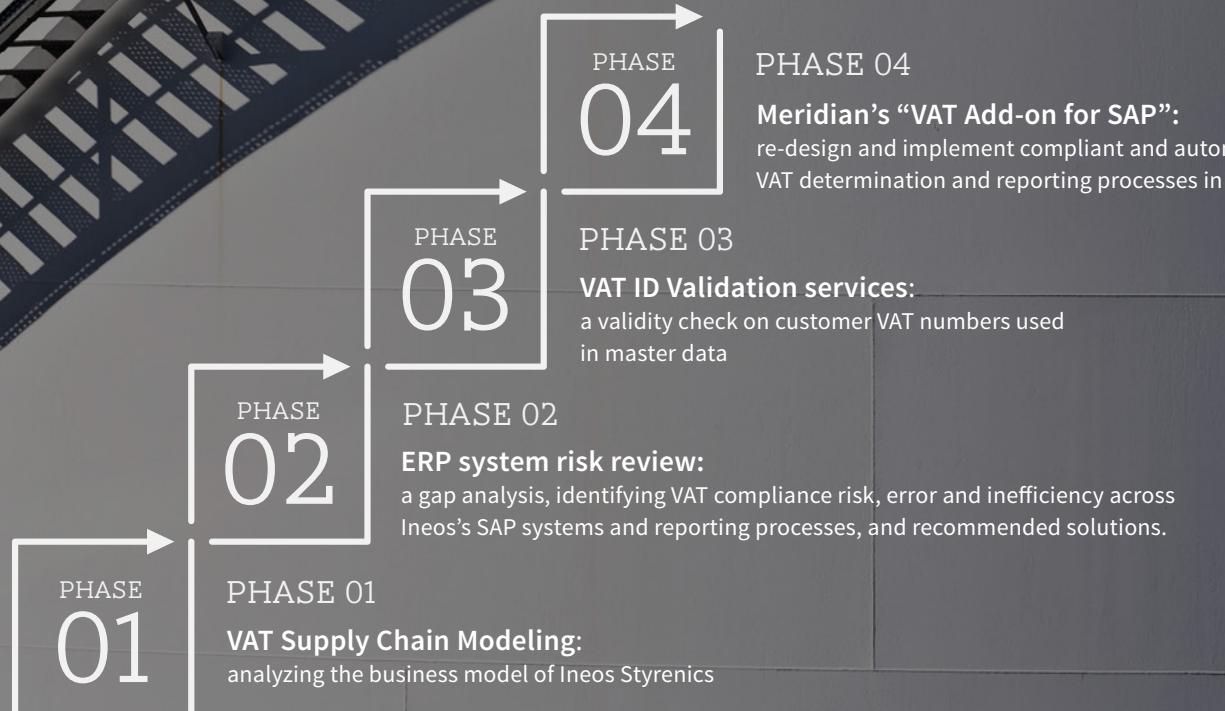
Tony Maddock - IT Director

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4-STEP APPROACH TO ACHIEVE OBJECTIVE

Ineos selected Meridian as their partner to undertake a full project life-cycle, including business-flow mapping, VAT configuration design, and implementation. The project was divided into four key stages:



END-TO-END PROJECT DELIVERABLE

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“The VAT Add-on for SAP was an effective solution for us, as its functionality and design fitted neatly into our objectives.”

Tony Maddock - IT Director

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PHASE 1-3, VAT SUPPLY CHAIN MODELING, ERP SYSTEM RISK REVIEW, VAT ID VALIDATION

Meridian's tax technology team brought together VAT and SAP experts who came on site to map out Ineos's business and transaction flows, customer contract structure and SAP partner definitions.

“This was a useful session.” explains Carine Nijhoff – European Tax Manager, “ The outcome of this step really helped us pin-point which flows have the greatest impact on compliance risk and process inefficiency, and helped us to realise that our system had certain deficiencies.”

Based on the business flow mapping, Meridian independently reviewed Ineos's SAP configuration in order to test whether SAP calculates VAT correctly on transactions and presents this correctly on billing documents, in an automated manner.

This involved a ‘deep dive’ review of Ineos's masterdata and tax code configuration, access sequences and condition record logic, customising and system modifications. Potential areas of error, weaknesses and inefficiencies were quickly identified and quantified where possible, based on actual historical data.

“We always knew we needed to make changes to SAP, however by quantifying the risk, Meridian provided us with a clear financial incentive to justify investing in phase 4,” said Mathew Rimmer.

Meridian issued Ineos with a report of all the findings, and came back on site to present and discuss the findings and recommendations in detail.

END-TO-END PROJECT DELIVERABLE

PHASE 4: VAT ADD ON FOR SAP

Ineos asked Meridian to assist implement the recommendations that had been put forward in phase 1. Due to the complexity of certain business flows, it was clear that standard SAP would not be able to handle the VAT determination requirements and would need to be modified. Ineos therefore chose to implement Meridian's "VAT Add on for SAP" as part of the implementation project, which provided a solution to deal with the complexity.

Says Tony Maddock, "One of our key objectives was to eliminate manual intervention in the VAT determination process. We wanted to do this directly in SAP without adding complexity to our new VAT design. We also wanted this to be flexible so that future complexities could be easily added, without further development. The VAT Add-on for SAP was an effective solution for us, as its functionality and design fitted neatly into our objectives.

If we had to build in this automation from scratch, it would have been a significantly longer and a significantly more expensive project."

As part of the implementation phase, Meridian also activated the 'Plants Abroad' functionality with SAP, thereby allowing Ineos to automate the VAT reporting of cross border movement of own goods, including consignment stock allocations and so called 'two-legged' transactions.

According to Carine Nijhoff: "For the first time, we now have a system that handles all our European and Ineos-specific complexities in a compliant and automated fashion. This includes: special licence flows, circle-out transactions, domestic reverse charge, indirect exports (including managing indemnity letters), VAT warehouses, bonded flows, and specific out-of-scope transactions."





SELECTING THE
RIGHT PARTNER

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*“The outcome has provided not only a satisfying return on our investment,
but a solid and scalable platform on which to support our continued business growth*

Mathew Rimmer - European Finance Director

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SIGNIFICANT IMPROVEMENT IN QUALITY AND EFFICIENCY

Ineos is now confident that they have firm control over VAT compliance across their business. Their SAP system configuration is fully aligned with their business flows, and is supporting complexity in an automated manner.

As Mathew Rimmer sums up, "The key result from this project is that we have managed to get our SAP system working for us - not the other way round. We now trust our SAP system to get the VAT right, and as a result we have been able to scrap a number of inefficient, manual processes. The outcome has provided not only a satisfying return on our investment, but a solid and scalable platform on which to support our continued business growth".

ABOUT MERIDIAN INTERNATIONAL VAT CONSULTING - TAX TECHNOLOGY

Multinational companies rely extensively on their ERP systems to handle their international VAT compliance obligations, efficiently and in accordance with all legal rules and regulations. Understanding the complexity of a company's global business flows, and ensuring that these are correctly configured and aligned in the ERP system is a significant headache for both tax and IT systems professionals. Meridian's tax technology capabilities are designed to help businesses overcome these challenges, ensuring that the ERP system and processes are streamlined as an effective tool to improve and maintain the highest levels of VAT compliance, at the lowest cost.

Our tax technology solutions deliver practical and relevant advice, based on over two decades experience in international VAT and ERP systems consulting.

Our Tax Technology Solutions include:

- Consulting – best practice
- ERP system risk review
- VAT Add-on for use with SAP

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.

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



For further information contact one of our senior international VAT/SAP consultants

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Confidence in Compliance



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