

TAX COMPLIANCE



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zap Audit Indicators

zap Audit contains more than 125 indicators to audit SAP processes. This document focusses the value-added tax related audit questions on the following process areas:

- Incoming Invoice
- Master Data
- Sales Invoice
- Accounting

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INCOMING INVOICE

1 INCOMING INVOICE WITH TAX CODE IN CORPORATE GROUP

Audit Objective: Compliance and Correctness

Process Area: Incoming Invoice

Risk: There is the risk that revenues are declared to financial authorities although the transaction was not taxable (VAT group).

Description: Marked document due to use of a (VAT) tax code (BSEG-MWSKZ) in combination with an intercompany vendor. Both vendors are situated in the same EU country. In addition, the document is marked if the supplying country and receiving country are the same (Neglect of VAT group) and a VAT tax code (BSEG-MWSKZ) was used. The document is only marked if there has not been charged a VAT amount (BSEG-MWSTS) since this indicator is about the VAT tax code and not a VAT tax amount.

2 INCOMING INVOICE WITH VAT IN CORPORATE GROUP

Audit Objective: Compliance and Correctness

Process Area: Incoming Invoice

Risk: There is the risk that VAT in an incoming invoice has been charged although the transaction was not taxable (VAT group).

Description: Marked document due to charged VAT and the vendor belongs to the corporate group and both, the vendor and the own company are in the same EU country or the supplying country and receiving country are the same (Neglect of VAT group).

3 VAT ID IN VENDOR MASTER DATA AND INVOICE DO NOT MATCH

Audit Objective: Compliance and Correctness

Process Area: Incoming Invoice

Risk: There is a risk of bad quality of master data concerning value added tax (VAT). This could result in possible errors in tax returns.

Description: The document has been marked because the VAT ID of the document and the VAT ID in the vendor master data do not match. It has been taken into account that the VAT ID could have been changed in the master data in the past.

4 LATE VAT DEDUCTION

Audit Objective: Compliance and Correctness

Process Area: Incoming Invoice

Risk: There are two risks. First, it could be that documents were posted in the wrong fiscal year. Secondly, it could be that input tax is claimed in the wrong period because the input tax was not deducted in the correct period.

Description: The accounting document has been marked because the document date is earlier (previous year) than the posting date and it is an incoming invoice with input tax.

5 INSURANCE TAX AS INPUT TAX

Audit Objective: Compliance and Correctness

Process Area: Incoming Invoice

Risk: There is the risk that insurance tax has been deducted as input tax. This is not permitted.

Description: The document has been marked because it references a vendor who is supposed to be an insurance company. The document could contain input tax. The check is only relevant for German vendors. The analysis only works if the credit names are not encrypted (LFA1-NAME1).

MASTER DATA

6 MISSING VAT IDS IN CUSTOMER MASTER DATA

Audit Objective: Compliance and Correctness

Process Area: Master Data

Risk: Incorrect VAT posting.

Description: Marked document where the respective customer is located in a European country other than the own company and a VAT code has not been maintained. Natural persons being customers are out of scope.

7 RARE COMBINATIONS OF COUNTRY AND VAT KEY IN VENDOR MASTER DATA

Audit Objective: Compliance and Correctness

Process Area: Master Data

Risk: Incorrect VAT posting.

Description: Marked document where referenced vendor has a rare country - VAT code/key combination. It seldom means that the VAT key is used less than 1% of the vendor master records.

8 MISSING VAT IDS IN VENDOR MASTER DATA

Audit Objective: Compliance and Correctness

Process Area: Master Data

Risk: Incorrect VAT posting, especially for cross border services in the EU.

Description: Marked document where the referenced vendor is located in a European country other than the own company and a VAT ID has not been maintained. Natural persons are out of scope.

9 RARE COMBINATIONS OF COUNTRY AND VAT KEY IN CUSTOMER MASTER DATA

Audit Objective: Compliance and Correctness

Process Area: Master Data

Risk: Incorrect VAT posting.

Description: Marked document where referenced customer has a rare country - VAT key combination (<1% frequency).

SALES INVOICE

10 INTRA-COMMUNITY SUPPLY OF GOODS OR INTRA-COMMUNITY SUPPLY OF SERVICES WITHOUT VAT-ID

Audit Objective: Compliance and Correctness

Process Area: Sales Invoice

Risk: There is the risk that for an intra-community supply of goods or for an intra-community supply of services a VAT-ID has not been used.

Description: The document has been marked because the referenced customer is corporate (Datafield KNA1-STKZN) and is registered in another third country (Datafield KNA1-LAND1) or the supplying country and receiving country within the EU is different (Datafields BSEG-EGLLD and EGBLD) and a VAT-ID could not be found in the document (Datafield BSEG-STCEG).

11 INTRA-COMMUNITY SUPPLY OR SERVICE WITH VAT

Audit Objective: Compliance and Correctness

Process Area: Sales Invoice

Risk: There is the risk that an intra-community supply of goods has not been treated tax free or for an intra-community supply of services within the EU the reverse charge approach was not applied.

Description: The document has been marked because the referenced customer is corporate (Datafield KNA1-STKZN) and is registered in another third country (Datafield KNA1-LAND1) or the supplying country and receiving country within the EU is different (Datafields BSEG-EGLLD and EGBLD) and VAT has been charged (Datafield BSEG-MWSTS).

12 OUTGOING INVOICE WITH TAX CODE IN CORPORATE GROUP

Audit Objective: Compliance and Correctness

Process Area: Sales Invoice

Risk: There is the risk that revenues are declared to financial authorities although the transaction was not taxable (VAT group).

Description: Marked document due to use of a (VAT) tax code (BSEG-MWSKZ) and the customer belongs to the corporate group and both, the customer and the own company are in the same EU country or the supplying country and receiving country are the same (Neglect of VAT group). The document is only marked if there has not been charged a VAT amount (BSEG-MWSTS) since this indicator is about the VAT tax code and not a VAT tax amount.

13 OUTGOING INVOICE WITH VAT IN CORPORATE GROUP

Audit Objective: Compliance and Correctness

Process Area: Sales Invoice

Risk: There is the risk that VAT in an outgoing invoice has been charged although the transaction was not taxable (VAT group).

Description: Marked document due to charged VAT and the customer belongs to the corporate group (BSEG-VBUND not empty) and both, the customer and the own company are in the same EU country or the supplying country and receiving country are the same (Neglect of VAT group).

14 VAT-ID IN CUSTOMER MASTER DATA AND INVOICE DO NOT MATCH

Audit Objective: Compliance and Correctness

Process Area: Sales Invoice

Risk: There is a risk of bad quality of master data concerning value added tax (VAT). This could result in possible errors in tax returns.

Description: The document has been marked because the VAT ID in the document and the VAT ID in the customer master data do not match. It has been taken into account that the VAT ID could have been changed in the master data in the past.

ACCOUNTING

15 CREDIT MEMO WITH DIFFERENT TAX KEY

Audit Objective: Compliance and Correctness

Process Area: Accounting

Risk: There is the risk of incorrect VAT summary report because invoices and related credit memos differ in VAT handling.

Description: The accounting document has been marked because it is a credit note and uses a different VAT code (BSEG-MWSKZ) than the invoice associated with the credit note.