

# Ensuring Tax Payment Accuracy for Sarbanes-Oxley Compliance



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Many SAP customers are sighing with relief after their initial audits following the first year of Sarbanes-Oxley Act compliance. While year one was about documentation and testing, now the focus is on *sustainable* compliance management, including consistent accuracy of accounting figures.

The challenge of Sarbanes-Oxley still looms for corporate tax departments, which conduct significant amounts of work manually or with simplified tax calculators, resulting in inconsistent and inaccurate tax determination, often without an audit trail. Tax departments also face monthly compliance deadlines with countless local, regional, state, and national tax jurisdictions.

To meet these pressing governance challenges, SAP customers are turning to consolidated tax management solutions — such as the Sabrix Solution — to provide accuracy and an audit trail essential to financial compliance.

## Accuracy in Tax: The Impact on Compliance

Almost every corporate function has some impact on tax, with the most common activities being sales and purchasing. Companies need a consolidated approach to transaction tax management for tax and IT professionals to manage compliance for sales, use, and international value-added taxes (VAT).

For accurate regulatory and tax compliance, SAP customers should consider using an integrated solution with *multivariate precision* that accepts and evaluates customer-selected transaction data elements from SAP applications. Multivariate precision provides the ability to dynamically apply any number of data attributes in any combination for consistent accuracy in the determination, calculation, and recording of tax.

## Real-World Scenarios for Compliance

A simple purchasing transaction illustrates the value of multivariate precision. Consider a purchase of computer monitors for research and development (R&D) and administrative purposes. Many states allow an exemption for the monitors purchased for R&D use, while the monitors used for administrative purposes are taxable. The variables used to determine if the purchase is exempt include the material number, the department code, and the cost center. All variables must be considered to arrive at the appropriate determination.

This simple rule can be configured using existing SAP tools; however, this approach forces the SAP configuration team — instead of the tax professional — to manage rule configuration. Under Sarbanes-Oxley, the tax department must control tax decisions and document where and how tax decisions are performed. Having non-tax professionals — and

systems not controlled by the tax department — managing tax decisions makes SAP customers vulnerable to a higher degree of scrutiny during the annual compliance audit.

## Reporting Accuracy and Seamless SAP System Integration

The integration of a consolidated tax management solution, such as the Sabrix Solution,<sup>1</sup> with your SAP system ensures consistent and accurate reporting. This fine level of accuracy can also improve cash flow by ensuring correct tax amounts are collected and accrued. Planning for the long term will prevent this often forgotten area of finance from having unforeseen and unwanted impacts on corporate reporting and compliance.

Sabrix is an SAP Software Partner with certified integration, and is a leading provider of enterprise tax applications integrated with international tax research for more than 130 countries. For more information, visit [www.sabrix.com](http://www.sabrix.com). ■

<sup>1</sup> The Sabrix Solution is certified by SAP for connection to SAP R/3 4.6 including support for SAP R/3 Enterprise, mySAP CRM 4.0, and mySAP Mobile Client 4.0 for US Sales and Use Tax and Canadian VAT/GST. The Sabrix Solution is also certified for integration within the Powered by SAP NetWeaver framework (SAP Web Application Server 6.40 and SAP Enterprise Portal 6.0).