

White paper Introduction of SAP GTS – the Customs solution

State-of-the art SAP Global Trade Service

You have SAP R/3, but how do you deal with the customs? Via some additional software you bought? Using an interface? Or... worse?

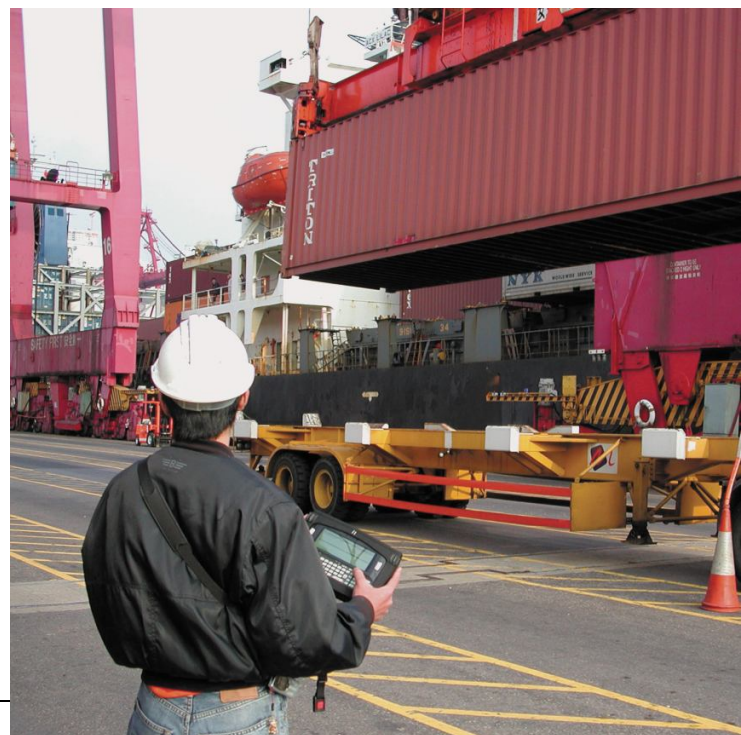
In this white paper, we intend to explain some SAP GTS features. We will focus on those features, which we think you will be the most likely to need, but be aware there is much more that SAP GTS can offer your company.

Ensure regulatory compliance while trading globally

Does your company import goods from outside the European Union (EU)? And is a part of those goods (even a small part) leaving the EU again?

Then you know that as a rule, when receiving from non-EU parties you need to pay import duties, except when you put the stock under 'bonded stock'. This way, you postpone paying import duties until the day you are sure you import them into the EU, and you don't pay when they leave again.

No doubt, you are becoming aware that customs authorities are setting up better systems. This will urge them to follow-up more strictly, and oblige you to adhere to the rules more strictly. And this not only in the area of bonded stock!



Are you sure that your products don't end up in the hands of terrorists? The authorities compile 'denied party lists', with people, companies and addresses you shouldn't deal with. Do you check them? Be aware of the fact that, if it is discovered that you didn't do everything possible to avoid those parties, you risk astronomic fines!

Next to the legal compliance issues, there are also serious cost aspects to international trade. According to the United Nations, at least 7 % of the cost of international trade is wasted due to inefficient handling of customs formalities. So, depending on your current way of working, there may be an important cost saving to be realized!

Bonded stock

How are you dealing with bonded stock?

Do you use separate batches? Or separate storage locations?

In an ideal world, those would work, but how ideal is your world?

Do you never get return of goods for which import duties were already paid?

How about those other exception flows?

Will your system stand up to any custom checks of your incoming and outgoing movements via PLDA on product level? Or will your stock 'drop below zero'?

In the meantime, SAP has seriously enhanced Global Trade Service (GTS). One of the areas where a major breakthrough was realized is the area of bonded stock. SAP GTS is capable of keeping track of your bonded stock. At the moment bonded goods come in, it can make an IM7 document to book them into your bonded stock. It keeps track of the quantity and the value of this stock.

When, later on, you remove stock, SAP GTS can pick 'smartly'. Suppose your stock situation is a mixture of bonded and free stock for the same material (or material/origin combination). The principle of 'smart picking' means that for transactions which would cause you to pay import duties (like sales inside EU), the system first uses free stock. Only when no more free stock is available, will bonded stock be used. The opposite logic goes for transactions, which would not cause you to pay import duties (typically sales outside EU, scrap under customs supervision, etc). In those cases, bonded stock would be used first! While consuming bonded stock, GTS checks off the original IM7. In this way, it calculates the exact amount of import duties you need to pay... and makes all correct declarations for you. SAP GTS is able to communicate to the new

PLDA system, but it can also create the 'old' paper export documents.



SAP GTS is suitable to perform the electronic communication in many countries.

It is obvious that SAP GTS also calculates the import duties you owe.

If you import materials, and re-export some, don't underestimate the merit that bonded stock can bring! You don't pay import duties when the goods come in – only when they leave your warehouse to another European destination. This also implies you don't pay VAT for them. Both lead to a serious reduction of the cost of your stock....

Product classification

Entering and maintaining the commodity code is often a painful experience. Needless to say, but what happens when the authorities change the commodity codes? Also in this area SAP GTS provides useful help. The commodity codes can be broken down precisely like the classification tree, and they have also become time dependent. With SAP GTS, you can now feed them to your SAP R/3 system!

Certificate of Origin

SAP GTS is able to calculate and provide EUR1 certificates, proving that products you make (sell) have sufficient EU origin to reduce the import duties that need to be paid in several countries.

The principle here is that based on the Bill Of Material and the origin of the production parts, a

threshold value is calculated, above which an EUR1 is issued. To get the origin of the parts, vendor declarations can be asked, followed up, maintained, and/or uploaded.

The benefit here is that your customer (in certain countries) pays less import duties when he can prove the products have enough EU origin.

Denied parties / Sanctioned Party List

Are you aware of the existence of a 'denied party list'? The authorities provide lists of people, companies and addresses with whom it's not allowed to do business. As a company, you need to be able to prove that you did everything possible to avoid those parties. If you fail, astronomical fines are waiting... to kill your company! Is it worth the risk? SAP GTS can screen all people and addresses you use in your system, and warn you if they are blacklisted! What better proof can you provide that you did everything possible?

You would typically load those sanctioned party lists via XML. A small effort bringing a huge insurance!

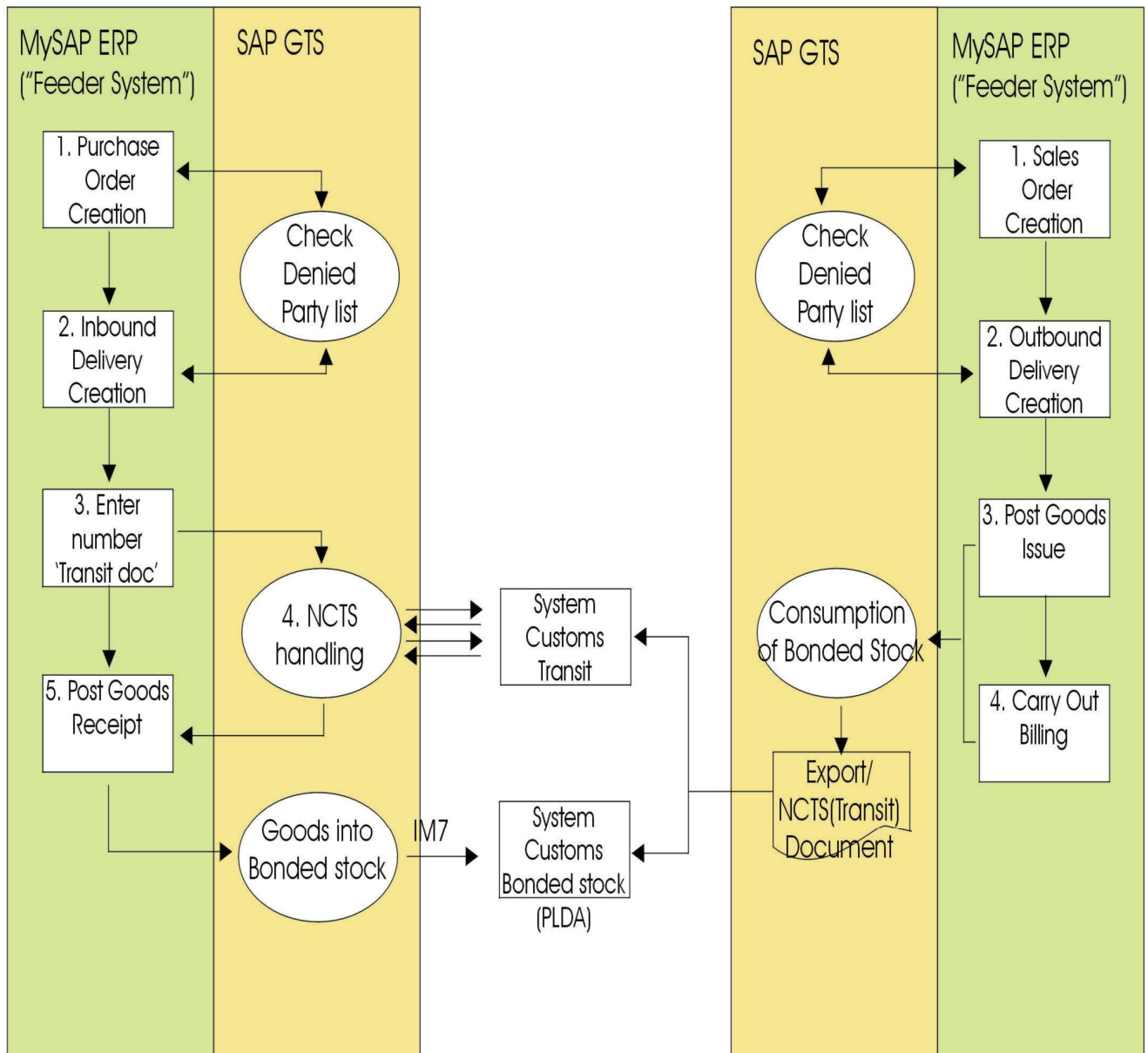
SAP GTS can also be used to check embargos and licenses.

Oh yeah... don't think this is no real treat. In 2014, a huge French-Belgian bank (partially owned by the Belgian government) faces record height fines in USA.....

Best practice business processes

Inbound logistics

Outbound logistics



Worldwide support through SAP

SAP is a worldwide player on the market. And though the EU seems like one free trade zone, the details of the customs procedures vary in each country. Getting SAP GTS on board enables you to work correctly in each country, with one integrated software solution.

Because SAP GTS is Netweaver based, it is easily accessible via the internet if you want. This eventually enables your 3PL to enter data straight into your system.

Technical set-up

Technically speaking, SAP GTS is a separate system, with a plugin on the SAP R/3 side. Master data and transactional data are sent over, so no double input is necessary. The main transactional data are deliveries and material documents. Most data flows from SAP R/3 (called the 'feeder system') to SAP GTS, but flows in the opposite direction exist. GTS can even block certain transactions on the R/3 side if they would be incorrect or illegal. In the event expected data are not available and manual intervention is required, work lists exist as manual escape routes.

SAP GTS experience

It's not new anymore... and it is working. Several EU companies have been implementing SAP GTS successfully over the last months and years, also in Belgium.

A couple of references are:

- Medtronic
- Bayer
- Arvato Logistics Services
- HP
- MAN ROLAND
- DAIKIN
-

GTS Benefits

Implementing GTS correctly means a customs system that is really working. It also saves you the hassle of doing the paperwork yourselves, or the huge cost of having your logistics provider do it for you. You'll get a cost reduction and be legally compliant.

- Efficient standard business processes covering your workflow
- Compliant processes throughout the organization
- Complete audit trail
- One central global trade solution instead of multiple stand-alone or paper based workarounds
- Open technical platform providing open and standard interfaces
- Seamless integration with the other logistic processes