

Implementing SAP in Latin America
Without an E-Invoice,
Goods Stay Put



In Latin America, legal requirements are closely tied to specific processes in logistics. That's why it's important to get an early start on assembling the right technical and organizational game plan for SAP rollouts in key countries like Argentina, Brazil, and Uruguay.

Latin America is an important market for European companies. In recent years, Brazil has been the engine of growth serving as the destination of choice for such firms' expansionary efforts. Other countries have since begun to draw more attention, as well. Companies that build a new plant or found a new sales subsidiary in the region typically implement related software from SAP. However, those taking their first steps here are especially prone to running into huge problems that could have been avoided in retrospect. With regard to paying taxes and communicating with the corresponding authorities, for example, these countries' legal requirements differ significantly from those common in Europe.

For SAP implementations, the consequences of these strict guidelines go far beyond reporting obligations. The tangible effects they have on logistics processes can lead to massive business disruptions that cripple the efficiency of Latin American organizations. This makes it all the more important for European industrial firms planning an SAP rollout in the region to raise awareness of this subject early on in order to ensure the success of their implementation and long-term operations.



Electronic invoicing in Latin America

To understand what makes the requirements in Latin American countries so unique, it's worth taking a look at the reasons why electronic invoicing (or "e-invoicing") is implemented. In stark contrast to Europe, where cost reductions are often the driving force behind such innovations, this region has instituted strict compliance obligations in response to rampant tax fraud and a growing shadow economy that has given local authorities reason to distrust the economic stakeholders they are tasked with monitoring. In European countries, e-invoicing is largely a business-to-business (B2B) process that takes place between vendors and buyers. In Latin America, on the other hand, e-invoices are generally sent to the tax authorities in what is primarily a business-to-government (B2G) arrangement. The role played by the government is far from purely passive, however: From a legal perspective, an e-invoice – and thus the business transaction at hand – is only valid when it is actively authorized by the authorities.

So far, Latin American countries have led the way on a global scale when it comes to e-invoice volume and value-adding innovations like automation processes. By making e-invoicing obligatory, they have also achieved notable victories in the battle against tax fraud. Mexico, for instance, increased its tax revenues by 34% in the year it instituted this requirement (2013). With this upward trend expected to continue, the fact that nearly all of the region's nations have introduced similar requirements in recent years (or are in the process of doing so) comes as little surprise. Those currently rolling out their own B2G guidelines include Colombia, Peru, and Uruguay.

Challenges in SAP implementations

When considering the complex requirements involved in implementing e-invoicing in SAP environments, three main challenges emerge:

Frequent legal changes: In 2016 alone, Latin American countries have announced more than

10 major changes in their respective compliance obligations that will have a direct effect on related SAP implementations. Specialists are now needed on site to assess the ramifications for such undertakings; when changes are necessary, companies have to expend resources on implementing them and conducting subsequent regression tests. Despite the far-reaching consequences these obligations can entail in SAP systems (support package upgrades, for example), it's not uncommon for businesses to be given less than three months to comply.

A critical process: One aspect that often becomes evident during compliance-related efforts in Latin America is how closely related the legal guidelines are to specific logistics processes. For instance, most of these countries require companies to have the e-invoices pertaining to their business transactions approved by the authorities before any goods are transported. No

goods movements are allowed without authorization, even if a manufacturer wants to move inventory from one location to another on its own premises. If a truck is prevented from rolling out due to a lack of authorization, this can quickly result in supply chain interruptions, idle production facilities, and other economic losses.

Support: The frequent legal changes and the dire repercussions of non-productivity make continuous implementation updates and proactive monitoring essential. Due to the complexity of the respective local requirements, trained personnel is also an absolute must. Keeping employees like these on hand in a centralized support organization in Europe can, however, be a costly endeavor. Every company should also ask itself whether it can guarantee seamless support and short response times during Latin American business hours.

eDocument framework and HANA Cloud Integration

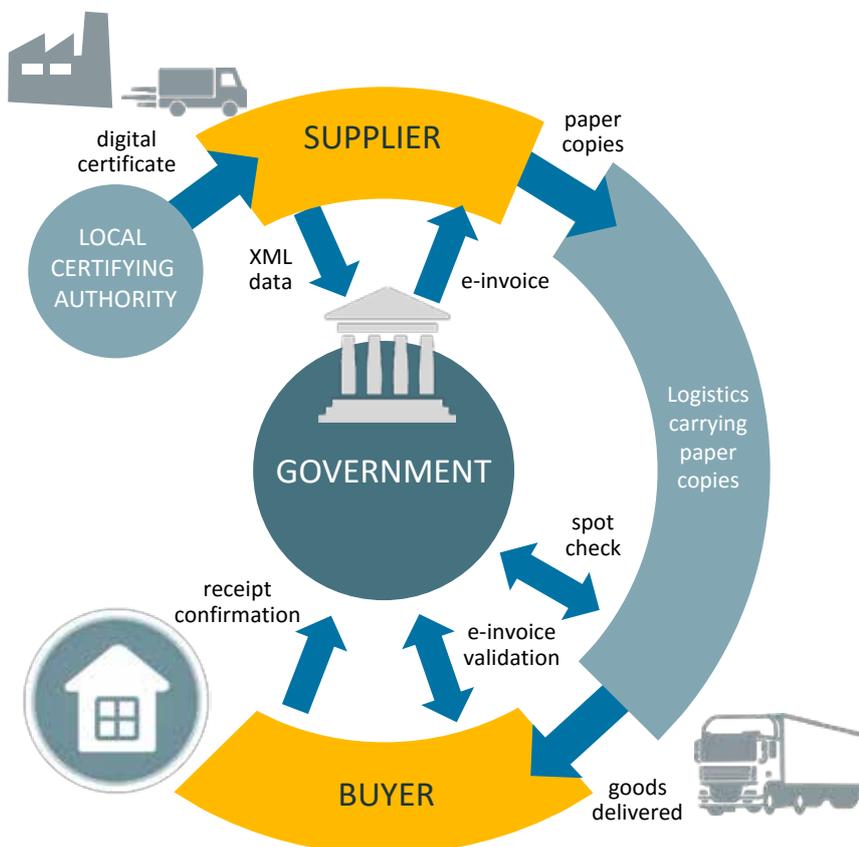
The typical e-invoicing scenario is based on SAP ERP (the data source) and the local tax authorities (or a service provider) responsible for granting authorization. Between these two sides, companies usually need an integration platform like SAP Process Integration (SAP PI), which SAP uses as a foundation for offering solutions to countries like Argentina and Brazil. While SAP ERP has Mexico's requirements co-

Summary

The countries of Latin America have established legal and tax-related requirements that are among the most complex in the world. The profound effect these requirements have on logistics processes can produce technical errors in SAP ERP and related interfaces, which in turn can quickly lead to blocked supply chains, production downtime, and other economic losses.

In addition, the legal landscape shifts continually, which makes it necessary to update SAP systems on a regular basis. This means that assembling the right game plan early on is key to ensuring the success of any SAP rollout and implementing e-invoicing that provides long-term added value.

On-premise or in the cloud, SAP PI or SAP HCI, centralized support or outsourcing – the decisions each company makes on these key questions depend on a variety of factors that each require detailed analysis.



vered, it does not include a corresponding interface, which means a custom solution (such as in SAP PI) is necessary. In its compliance solutions for Chile and Peru, SAP is following a new approach in which SAP ERP utilizes the globalization framework eDocument and companies report their transactions to the authorities through HANA Cloud Integration (HCI). As part of SAP ERP, eDocument contains all of the back-end components necessary for e-invoicing scenarios. Its modular structure is designed to make it flexible enough to meet the requirements of various countries and serve as the basis for upcoming e-invoicing solutions from SAP. The framework currently supports six countries (including Chile and Peru), with more to follow in the future. In this new approach, SAP delivers the required interface in the form of content for SAP HCI. HCI is an element of HANA Cloud Platform (HCP) that presents a cloud-based alternative to the on-premise middleware SAP PI in turnkey scenarios. While it has not yet become an integral part of many companies' system landscapes, HCI will loom large in the future plans of any organization that relies on harmonized global solutions.

Headquartered in Heidelberg, Germany, cbs Corporate Business Solutions is a proven specialist in doing business in South America. In more than 50 rollouts in the region, the SAP consultancy has built up the expertise needed (including in integration activities with SAP PI and SAP HCI) to succeed in planning and implementing e-invoicing scenarios.

On-premise vs. cloud

Cloud solutions are certainly a hot topic at the moment, and SAP is continuing its own evolution into a cloud company on all fronts. HCI is just one of the many products in SAP's cloud portfolio. For companies looking to implement e-invoicing in Latin America, cbs offers a hybrid cloud solution based on SAP software through its SAP Partner Managed Cloud. Unlike conventional cloud products, which are based on infrastructure-as-a-service or software-as-a-service formats, cbs E-Invoice World Cloud takes things a step further by making e-invoicing available in a process-as-a-service arrangement. By outsourcing the process to the greatest extent possible, this approach takes the pressure off companies and offers them unparalleled simplicity. After all, it means they won't need their own area-specific expertise with regard to Latin America. cbs E-Invoice World Cloud is hosted at the German data center of the full-service IT provider Materna GmbH, the parent company of cbs. This ensures compliance with the data protection provisions of German law. In addition to infrastructure operation in an ITIL-compliant data center that also has TÜV and ISO27001 certification, the cloud service includes managed services for basic operations, such as monitoring, alerts, and security and performance adjustments.



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