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CASE STUDY

Lenovo, Inc. Integrates Transaction Tax Solutions Globally for the New World



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Learn how Lenovo overcame the logistic and geographic challenges of consolidating corporate tax processes to achieve alignment of its tax strategies with business processes.

A global business with global challenges

Maintaining compliance with cross-border tax requirements and determining sales and use tax, goods and services taxes, and value-added taxes is challenging. Lenovo, one of the world's largest manufacturers of personal computers, overcame these challenges by automating their processes with ONESOURCE™ Determination.

When Lenovo acquired IBM's personal computing division in 2005, it became a true global business, with strong consumer and emerging market leadership and an efficient supply chain. Today, the company's sales order and manufacturing processes are distributed around the world, with principal operations in Morrisville, North Carolina, Beijing, Paris, and Singapore, and manufacturing facilities in China, India, Poland, and Mexico. Lenovo's new global presence means new opportunities for growth, more agile manufacturing, and more complex taxes. The challenge was to streamline and integrate the company's transaction tax processes with its finance applications on a global basis.

Integrating ONESOURCE Determination with SAP

Lenovo uses SAP as its enterprise resource planning (ERP) system, but required a solution to automate the determination, calculation, and recording of U.S. sales and use tax and international VAT. Although SAP can calculate standard tax rates, there were other global tax compliance challenges, such as constantly changing tax rates and rules across multiple countries. "We were looking to extend the tax determination power of SAP," says Dennis Culin, director of business transformation at Lenovo.

"We wanted to use a simple system, a single set of rules that the tax department could control — not IT and not the end user — to make sure that our tax liability was accurate."

Lenovo selected ONESOURCE Determination, which interfaces with SAP to centralize tax determination and provide a single compliance database for U.S. and international transaction taxes.

"We need to make sure our taxability is calculated correctly the first time, without having to recalculate or fix things on the back end," says Culin.

"We also wanted to avoid or at least limit human intervention with the tax determination. The user should not have to make a determination on taxability by going through and picking a tax code. We needed a system that would make that determination based on predefined rules established by our tax department."

Lenovo's transactional and master data is always interfaced from SAP to ONESOURCE Determination, which means that tax decisions are made by ONESOURCE Determination, but the master data and related mapping tables remain within the ERP system. "We wanted all the source data to be in SAP, and then transmitted over," explains Culin. "This way, the calculations can be made, stored in the audit database, and then the logistics records are sent back to SAP and stored there."

The ONESOURCE integration for SAP interface supports tax calls from sales and distribution (SD), materials management (MM), and financial (FI) modules of SAP. "We use generic input and output tax codes that are not rate specific," says Culin. "We use two tax codes — one for purchases and one for sales — and everything transfers over into ONESOURCE Determination, so we can make sure that the decision is always made there."

ONESOURCE Determination holds all necessary tax rates and exemptions and automatically determines address jurisdiction for vendors, customers, cost centers, and plants. "We also link to SAP CRM to do our sales quotes and invoices," says Culin.

"Whenever we take a quote or make an order, SAP CRM will make a tax call to ONESOURCE Determination to make sure we've put the correct value on the quote or order. In most of the countries where we do business, we're also implementing complete ecommerce capabilities, and we're doing sales quotes, orders, and invoices in that environment as well. And again, the call is being made to ONESOURCE Determination anytime a transaction is changed or saved."

In addition to tracking input and output taxes, import and export, and revenue charges, Lenovo is using custom capabilities within ONESOURCE Determination to automatically determine transactional environmental handling fees required by customs authorities, saving additional administrative time.

The financially transformed Lenovo is now using ONESOURCE Determination at its operations in China, Singapore, India, and Canada, and is in the process of going live throughout the Asia/Pacific region.

"The majority of activity in our tax work is controlled by our tax department within ONESOURCE Determination — it's not controlled or touched by SAP," Culin reiterates. Lenovo's operational headquarters in Singapore served as the proving ground for the ONESOURCE Determination solution. "Now that we've completed what we call our global solution design, we've configured ONESOURCE Determination so that our transaction tax processes are extremely well defined. Going forward, deploying the solution to the rest of the countries in which we do business will be much easier, and we'll be able to take more of a 'cookie-cutter' approach — only localizing as required."

Lenovo will soon roll out ONESOURCE Determination to its manufacturing facilities in Mexico, Poland, and Brazil. "Then we'll continue on our next steps and deploy in the Americas and EMEA," says Culin. "Basically, we're moving a \$16 billion company onto its own business systems, and we've had to do that with limited downtime to make sure that our customer needs were being met while we were deploying our strategic software."

New thinking for a new world

Lenovo's slogan, "new world, new thinking," is a perfect way to sum up the company's approach to transaction taxes, says Culin.

"We're trying our best to bring new thinking to this new digital world, so we're working with partners like Thomson Reuters to collaborate globally and to deliver value by combining the strengths of multiple cultures and embracing emerging markets."

About Lenovo

Lenovo's vision is to create personal devices more people are inspired to own, a culture more people aspire to join and an enduring, trusted business that is well respected around the world. This vision guides them in pursuit of their mission to become one of the world's great personal technology companies. Visit lenovo.com for more information.

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About Thomson Reuters ONESOURCE™

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