

Supply and Install In SAP



Understanding Supply
and Install

Complexities

Managing Supply and
Install and SAP



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Overview

Many businesses supply goods alongside installation services. Where the supplier is not established in the country where the customer is based, this can create significant complexity—not only from a VAT perspective, but also in terms of how these transactions are handled within SAP.

This document explains the VAT treatment of supply and install transactions and outlines the various factors that must be considered when managing these scenarios.

Understanding Supply and Install

Where a non-established supplier sells goods to a customer in another EU Member State, and those goods require installation in order for the customer to use them, this is referred to as a supply and install.

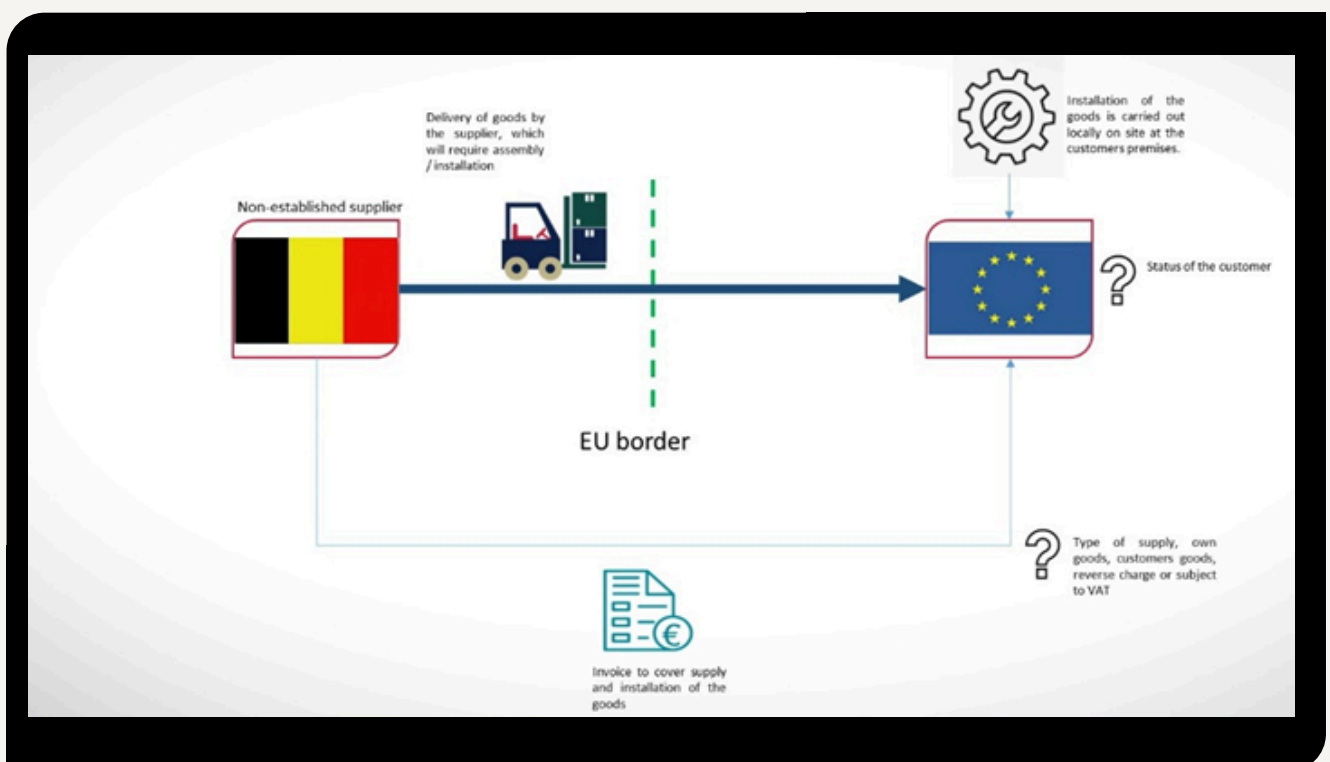
This is a mixed supply, consisting of both:

- A goods element
- A service element (installation)

The place of taxation for supply and install goods is the Member State in which those goods are installed. Ownership of the goods transfers to the customer only once the installation has been completed by the supplier.

Example

If we look at a typical scenario, a Belgian supplier delivers goods to a customer in another EU Member State and must also arrange for the installation of those goods. Once the installation is complete, the sale to the customer takes place. Under normal circumstances, this would involve a movement of goods from Belgium to another EU Member State, followed by a domestic sale.



The rules for supply and install differ. The place of taxation is where the goods are installed. As a result, there is no intra-community dispatch from the supplier and no EC Sales List reporting. Instead, once ownership transfers following installation, the transaction is treated as a domestic sale.

In summary:

- No intra-community dispatch
- No EC Sales List reporting
- A domestic sale in the country of installation

Mixed Supplies

As with all mixed supplies, it is essential to determine whether the supplier is providing goods or services. The true nature of the supply is not always clear, and Member States do not apply a uniform approach.

Some Member States assess the material content of a supply. For example:

- Where more than fifty percent relates to materials, the transaction may be treated as a supply of goods
- Where it is below fifty percent, it may be treated as a supply of services

Simplification

Where a non-established supplier makes a domestic supply, VAT would generally be expected to apply. However, some Member States have introduced a simplification allowing the use of the extended reverse charge.

This means:

- The supplier does not charge output VAT
- The customer accounts for both output and input VAT
- The supplier may not need to be VAT registered in the installation country (if no other obligations exist)

Complexities

From the supplier's perspective, understanding the correct treatment across jurisdictions can be difficult. It is necessary to determine:

- Whether the transaction is a supply of goods or services
- Whether VAT should be applied or a reverse charge applies

Where the transaction is treated as a service, the general rule applies. This means the place of taxation could be where the customer is established, which may differ from the Member State in which the goods are installed. This makes supply and install a complex area.



Supply and Install and SAP

Understanding the VAT treatment is only part of the challenge. Implementing this within SAP introduces further complexity. SAP does not provide specific functionality for supply and install. VAT determination is carried out at a line-item level. While this is best practice, it creates limitations where both goods and installation lines exist within the same transaction.

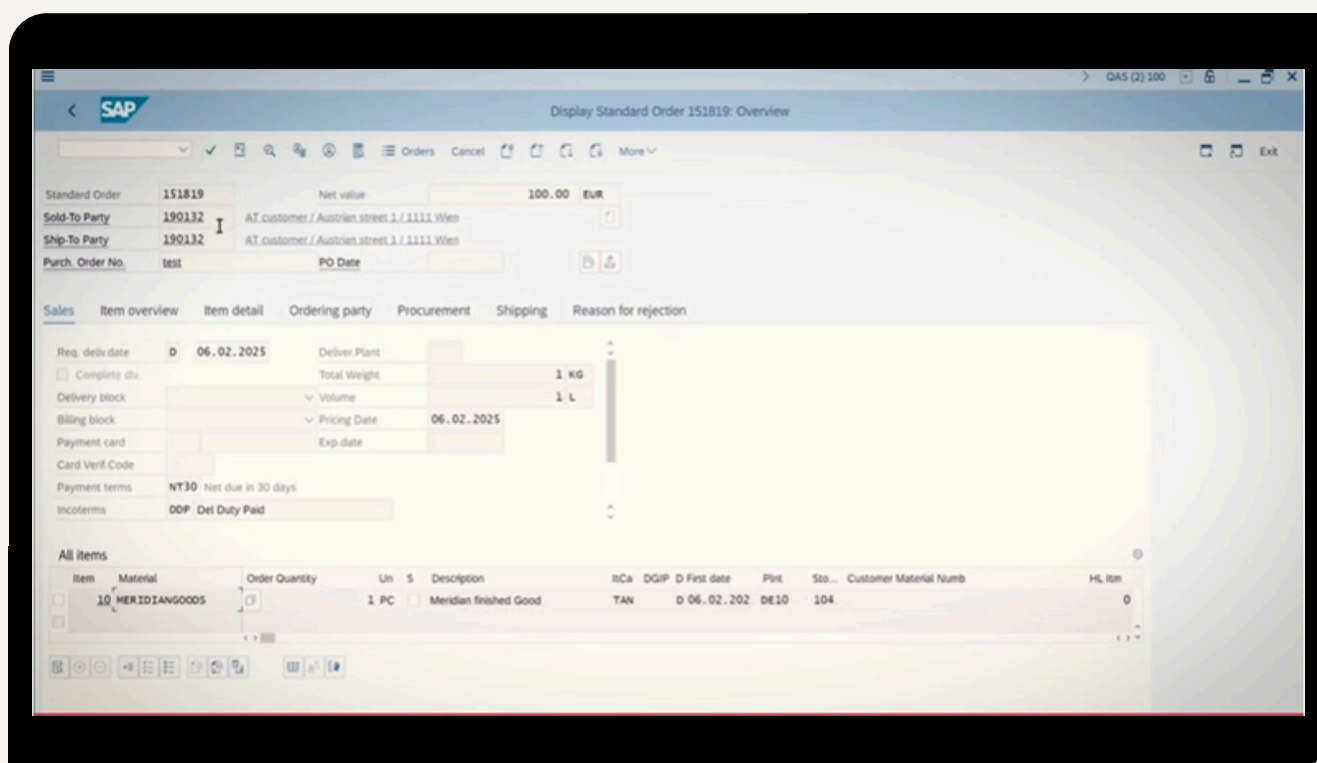
SAP has no inherent way of recognising that the VAT treatment of the entire transaction should change due to the installation element. As a result:

- VAT treatment may be inconsistent across line items
- Manual intervention is often required

To address this, Meridian has developed functionality to support these scenarios.

SAP Example

Many organisations rely on internal processes to identify supply and install. In this example, a sales order is used involving an Austrian customer and a German sales organisation supplying standard rated goods from a German plant.

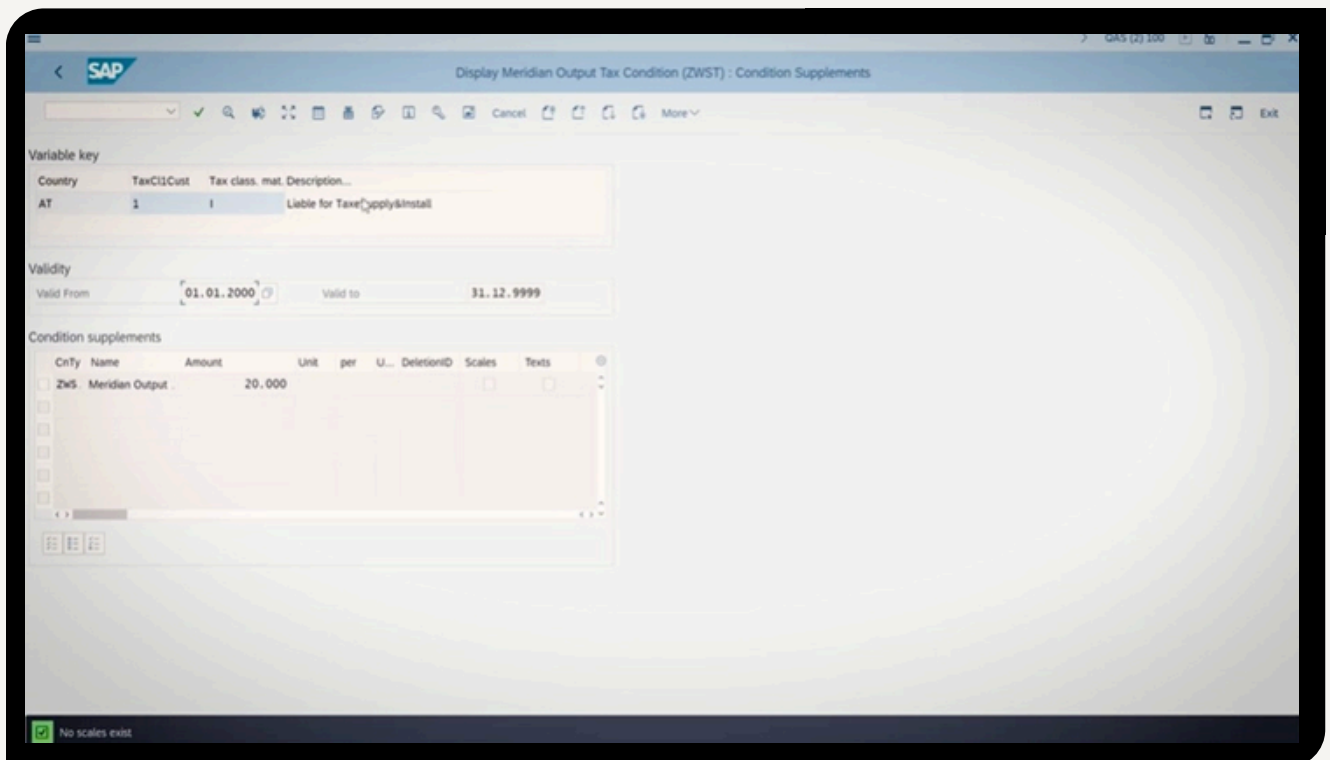


Initially, within the condition record, the system determines a cross-border intra-EU supply of goods. The tax departure country is Germany. The destination country is Austria, which is updated to EU. The material tax classification is derived directly from the customer master data, indicating a standard-rated material.

Triggering Supply and Install Logic

Many organisations use specific triggers within SAP to recognise supply and install. These may include an order type, order reason, or item category. Meridian functionality allows these inputs to dynamically update VAT determination.

The sales order is updated using a custom supply and installation order reason, and the condition records are then reviewed again.

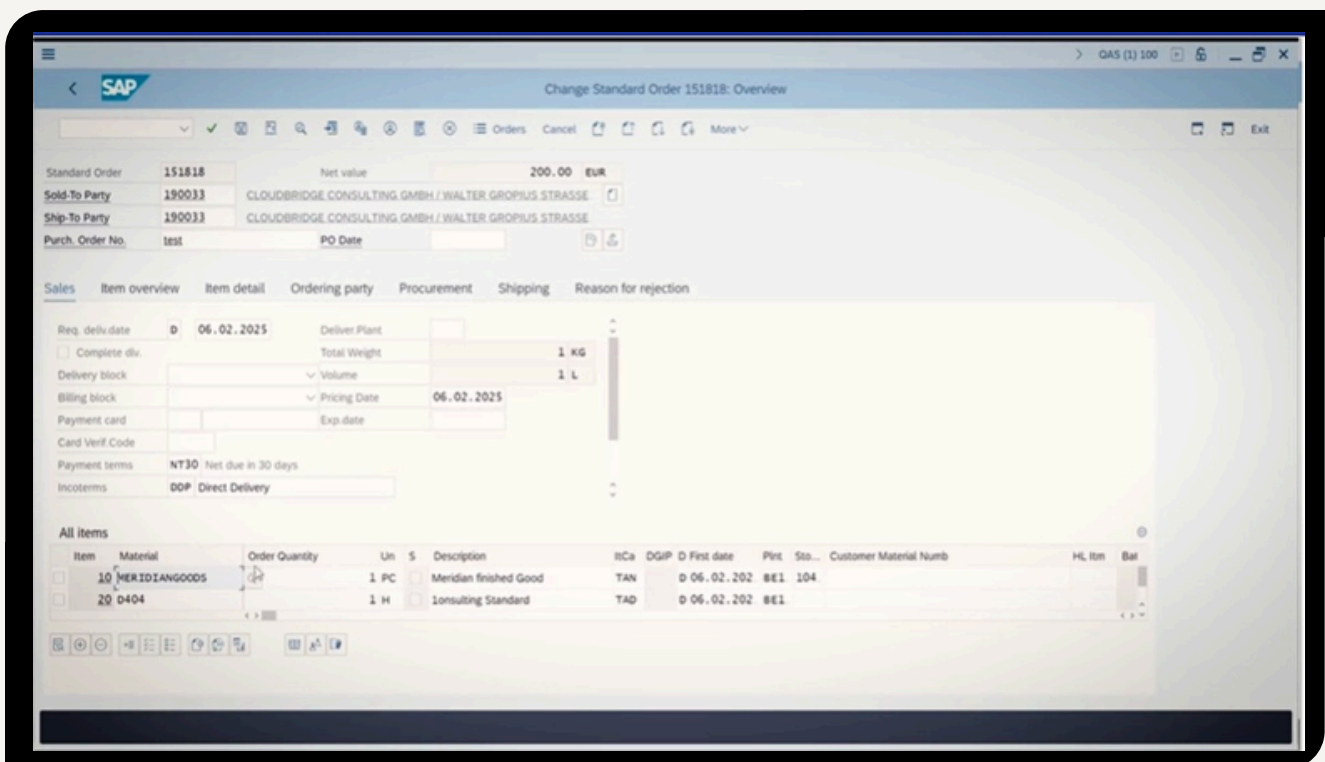


Following this update, a number of changes can be seen:

- The material tax classification has been updated to a supply and installation MTC
- The tax departure country has been changed to Austria
- Austrian VAT at twenty percent is applied

Using Material as a Criteria for Supply and Install

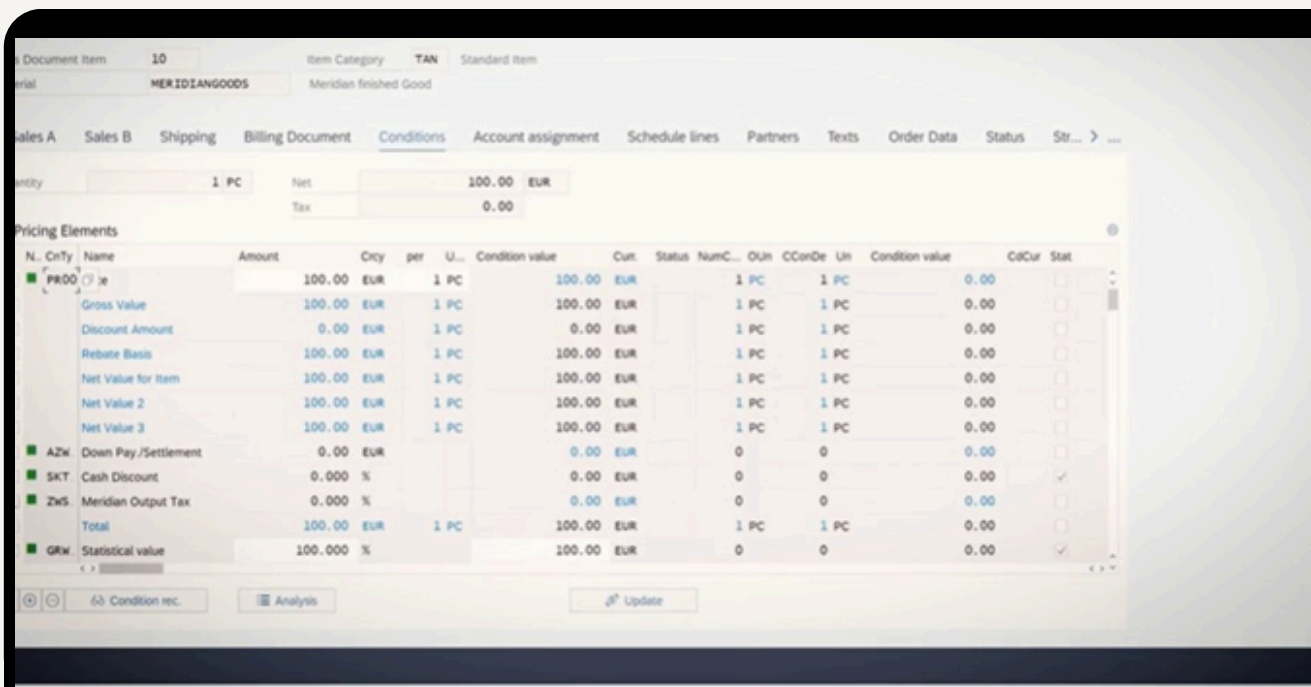
There have been cases where the material itself is used as the criteria for recognising that a supply with installation is taking place. In this example, an additional sales order has been created, representing a slightly different scenario.



Within this example, two different line items are visible within the sales order. There is a goods line item and a service element. For the purposes of this example, the service element relates to the installation.



If the condition records are reviewed at this stage, the goods line item is showing a cross-border supply of goods. When moving into the second line item, it can be seen that this is recognised by the master data as an installation service, and it therefore has a tax departure country in Germany.



The screenshot shows the SAP Pricing Elements table for a document item with a net value of 100.00 EUR and a tax of 0.00. The table lists various pricing elements such as Gross Value, Discount Amount, Rebate Basis, and Net Value for Item, all with a net value of 100.00 EUR. It also includes elements like Down Pay/Settlement, Cash Discount, Meridian Output Tax, and Statistical value.

N.	CoTy	Name	Amount	Cncy	per	U...	Condition value	Cun.	Status	NumC...	OUh	CConDe	Un	Condition value	CdCur	Stat
PK00		je	100.00	EUR		1 PC	100.00	EUR			1 PC	1 PC		0.00		
		Gross Value	100.00	EUR		1 PC	100.00	EUR			1 PC	1 PC		0.00		
		Discount Amount	0.00	EUR		1 PC	0.00	EUR			1 PC	1 PC		0.00		
		Rebate Basis	100.00	EUR		1 PC	100.00	EUR			1 PC	1 PC		0.00		
		Net Value for Item	100.00	EUR		1 PC	100.00	EUR			1 PC	1 PC		0.00		
		Net Value 2	100.00	EUR		1 PC	100.00	EUR			1 PC	1 PC		0.00		
		Net Value 3	100.00	EUR		1 PC	100.00	EUR			1 PC	1 PC		0.00		
AZw		Down Pay./Settlement	0.00	EUR			0.00	EUR			0	0		0.00		
SKT		Cash Discount	0.000	%			0.00	EUR			0	0		0.00		✓
ZwS		Meridian Output Tax	0.000	%			0.00	EUR			0	0		0.00		
		Total	100.00	EUR		1 PC	100.00	EUR			1 PC	1 PC		0.00		
GRw		Statistical value	100.000	%			100.00	EUR			0	0		0.00		✓

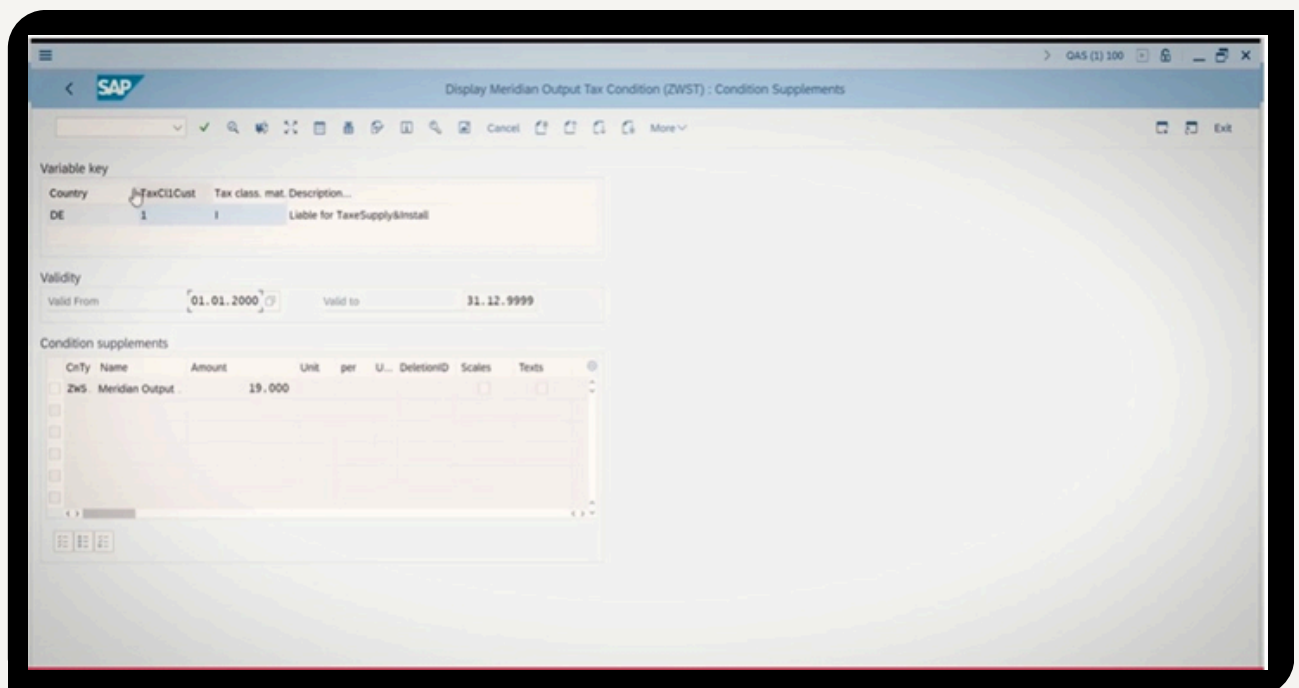
End-to-End Process

The example is then progressed to a delivery, followed by post goods issue, and a billing document is created. The billing document is then reviewed to assess VAT determination.

Both the goods and installation line items are present. When reviewing the condition record for the goods line item, it can be seen that it has taken on the same VAT determination as the installation.

This means:

- The material tax classification has been updated
- The tax departure country has been changed
- The VAT treatment is aligned across both line items



Summary

Even where VAT treatment is well understood, implementing supply and install correctly within SAP remains challenging. SAP is not fully equipped to handle all scenarios, often leading to manual intervention, increased risk, and inconsistent outcomes.

With the right approach, organisations can:

- Ensure consistent VAT treatment
- Reduce manual effort
- Improve compliance across jurisdictions

Meridian has developed practical, system-driven solutions to address these challenges—enabling accurate VAT determination within SAP and removing reliance on manual workarounds.

If supply and install is creating complexity within your organisation, this can be addressed with the right approach and system design.

Contact Meridian to discuss how these challenges can be resolved within your SAP environment.

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