After completing this lesson, you will be able to:

- Explain the highlights of the SAP Australia localization for Finance
- Explain the highlights of the SAP Australia localization for Human Capital Management
This e-book is divided into two sections. First, we will discuss the highlights of the Finance localizations for Australia and then discuss the Human Capital Management localizations.
The Australian Financial solution has the following key localizations:

- Asset revaluations
- Asset pooling provisions
- Goods and services tax (GST)
- Layouts for recipient created tax invoices (RCTI)
- Withholding tax
SAP Australia delivered a “localized” asset revaluation solution to allow net method revaluations in compliance with Australian and New Zealand Accounting Standards. This solution was originally delivered via OSS Notes 354138 & 594161 and supported locally by SAP Australia. The major functional improvements delivered by SAP Australia’s revaluation programs (YAAUFW01 & ZAAUFW02) were:

- Ability to bulk load asset revaluations from an import file (collective revaluation processing)
- Enhanced program operation to allow net method revaluation posting types via a delivered user exit that calculated the write-back of depreciation
- Enhanced program operation to allow percentage-based revaluations
- Individual value-based revaluations, that is, only need to state the new asset value, relying on the program to determine the increment or decrement
- Direct posting to the GL simultaneously with the asset subledger
SAP Note 388745 provides two options for the configuration of Asset Accounting for those customers who elect to pool low-value assets under Australian Taxation provisions.

The recommended method for managing these assets is to create a new LVA asset master every year, and to use that one asset each year for all LVA purchases. This also makes it easy to report on acquisitions and disposals in a given year to/from the pool.

Additionally, any reconciliation that you may wish to undertake of the declining balance figures generated by the system are much easier to perform when you have one asset for every year, due to the different rate used in the first year of acquisition.
The tax procedure TAXAU is provided for calculating the GST component on sales and purchases. This procedure contains the necessary tax codes for input and output tax.

Report RFUMSV00 calculates the GST liability transfers the balance to a clearing account for payment to the tax authority. Report RFUVDE00 is used to create the business activity statement. It uses a form that is assigned to the tax group, which in turn is assigned to the company code.

SAP Note 203365 provides detailed instructions for the creation of the BAS.
Recipient created tax invoices (RCTI) are first posted with SAP transaction MRRL (ERS settlement with logistic invoice verification). Invoice postings created by any other manner are unable to be processed.

The invoices themselves are then created with report RFIDAU10 – Recipient Created Tax Invoice/Adjustment Note Summary Report to comply with Australian Tax Office requirements for RCTIs.

The following prerequisites must be met for RCTIs to be created:

- The vendor must be flagged as ERS-capable in the vendor master record.
- Evaluated receipt settlement must be selected in the PO item.

Refer to the following SAP Notes for further details:

- 202730
- 216109
- 301875
- 314507
- 673167
- 718657
- 789541
Key Local Differences:

- Functionality within extended withholding tax to make date-dependent changes to rates and thresholds
- Sample tax codes and formulae for country code AU
- Report to create notifications to suppliers and authorities in Australian format

NB: This only relates to withholding tax for non-compliant invoices. It does not apply to any other area where withholding tax is applied, for example, bank interest, PAYG tax deductions, etc.

The sample codes and formulae are delivered in the “classic” withholding tax solution. Consideration should be made to copying these and adapting for the “extended” withholding tax solution. Refer to SAP Note 186989 for the procedure to migrate from “classic” to “extended”.

The adoption of the extended solution gives the ability to make date-driven changes to rates and thresholds. This is a significant advantage over the classic solution.

The procedure to change rates and/or threshold changes in either a classic or an extended environment can be found in SAP Note 1088480.

Report RFKQST00 is used to create notifications to both the Australian Tax Office and the suppliers. The use of country variant “AU” will ensure local compliance.
In the second part of this e-book, we will discuss the localization highlights for Human Capital Management.
The HCM solution was localized for Australia well over 10 years ago. It supports the most common business processes used throughout Australia and complies with the local legislative requirements. It comes with comprehensive model company entries that can be easily copied to meet customer requirements.

Some of the legal processing, particularly in the area of taxation, superannuation, leave, and terminations is complex. We therefore strongly recommend that any customers looking at implementing Australian payroll use consultants trained and experienced in SAP Australian payroll. Australia-specific payroll training is available at a local level and details can be found by contacting the local SAP Education office (details at the end of this presentation).

The solution encompasses the HCM requirements of most types of Australian organizations and therefore the existing customer base covers a wide range of company sizes and industries. It is not uncommon for multinational companies to be using SAP AU payroll and for the solution to be supported (or even processed) outside of Australia.
A number of partners offer ASP hosting options for those organizations that wish to outsource support and/or processing of their payroll.

There are two special interest user groups for standard and public sector solutions specifically for HCM that meet regularly. Contact the local HCM contact for details of these groups.
The Australian tax year runs from July 1 each year through to June 30 and most legal changes for payroll are usually effective from the start of a tax year.

The amount of change has been relatively significant over the last couple of years and this is expected to continue for the next few years. While the intention to introduce change is often well publicized in the media ahead of time, the exact details of the change are often not known until very close to the effective date, which can make implementations times very short. SAP, however, endeavours to deliver its tax year changes in the December HR Support Package sync point and will usually release a Country Legal Change package between February and April to help support end of year changes. Organizations implementing Australian payroll should ensure that they plan for support packs/CLCs to be applied during this time.

SAP Australia proactively advises clients of pending legal changes via user group meetings, local e-mail, and via its country page on the Service Marketplace. Contact the local HCM contact to be added to the SAP Australia e-mail distribution list. To obtain more regular updates on issues relating to Australian payroll, self-subscribe to the news page on the country page on Service Marketplace.
Very little localization is required to support the personnel administrative requirements of the majority of Australian organizations, which makes SAP an ideal solution for many global organizations.

There are, however, a couple of areas where some changes may be required for those implementing global templates, and a couple of the most common differences that have been seen in the past are shown on the slide.

One common difference is that often global organizations will make employees inactive if they are on parental leave. In Australia, employees parental leave is broken into paid and unpaid portions. While on paid parental leave, they continue to accrue leave entitlement such as annual, personal, or sick and long service leave. After the period of paid parental leave is completed, many employees take a period of unpaid leave at which time they do not accrue any entitlements and leave but are still considered active employees. In this case reductions rules, etc. are used to stop leave accruals.
Australia has laws governing the storing of personal data and it can only be requested, held, and viewed for justifiable means. If data is required for some parts of the organization, for example, a date of birth is required for superannuation purposes, then it should not be accessible by those that have no need to view that information. Care should therefore be taken with the design and allocation of authorization profiles and the setup of search helps.
To accommodate some of the Australian-specific requirements, there are a number of infotypes or infotype screen variants available for Australia. However, there are not a significant number of these as can be seen in this slide.

Australia has seven country-specific infotypes in the standard and one additional infotype in the public sector solution in use.

These are predominately for payroll purposes. The first two are used to store an employee’s tax deduction details and unique tax file number or TFN.

A superannuation infotype is provided to record details for the local superannuation schemes that an employee and or employer may be contributing to on behalf of an employee.

The other infotypes relate to payments to employees through termination or end of financial year reporting.

Our public sector solution utilizes infotypes for its superannuation requirements, prior service and anniversary date history, higher duties, terminations and absence data entry. The absence data infotype 0573 creates the international absence infotype 2001 in the background upon saving.
A number of international infotypes have Australian-specific screen variants. It is generally not compulsory to use these but using them does mean that users are presented with the typical fields that would be required for an Australian employee.
Public Holidays

- Sample national and state public holidays provided but check with http://australia.gov.au for links to each state’s public holidays and updated dates each year.
- Within states, it is not uncommon for site/regional holidays to be recognized replacing a state-based holiday.

Sample Configuration

- Annual leave
- Personal leave
- Long service leave

In the Time Management area of HCM, SAP delivers model configuration settings that enable organizations to quickly configure their Australian requirements.

Within Australia, there are eight nationally recognized public holidays. In addition, each state in Australia observes one of these holidays, Labour Day on different dates. Additionally, each state will also have two additional public holidays unique to the state. Some states also recognize regional days, such as Show Days in place of one of the gazetted state holidays. Each of the National and State days are delivered within SAP.

However, they must be checked and updated as some of the state and regional days have rules that cannot be met using standard SAP rules and hence the dates must be specified in configuration. The Australian government website has a list of all public holidays, including links to each state’s gazetted public holiday listing with dates for the next couple of years and should be referenced to obtain correct dates.
Sample quota configuration and absence types are delivered for Australia for some of the most commonly used quotas and absence types. This can be used as a guide to create customer-specific quotas and absence types. Note that, when implementing in an SAP system that has been productive for a long time, not all sample configuration entries for Australia may be present in the development client because some of the tables are classified as customizing tables and not updated when Support Packages are applied. In this case, refer to client 000.
Australia has complex leave processing requirements and as a result has quite specific configuration requirements. Unfortunately, these requirements are often not well understood and are often not accommodated for in a global template. The impact of incorrect configuration may not be immediately obvious and once in a productive environment it can be difficult to change. It is therefore recommended that any global implementation should include assistance from consultants experienced with Australian payroll or include a Blueprint or Realization review from SAP.

As examples, some of these specific configuration requirements are detailed on this slide and include the following:

- Annual leave and long service leave must accrue (rather than being granted) and this is done via the standard time management program RPTIME00. This program must be used as it is referenced in several Australian-specific programs, such as the Australian Termination workbench.

- Long service leave accrues over long period of time, 7 or 10 plus years before becoming entitlement. Each State in Australia has specific rules surrounding the accrual of long service leave and the payments on termination.
- Leave groupings must be determined using feature QUOMO and not MODIF Q as leave groupings are also determined in the Australian payroll program, and this program only recognizes feature QUOMO.

- There are legislative requirements regarding the minimum information employers must display on an employee’s remuneration (payslip) regarding leave accrual and entitlement.
The biggest area of localization for Australia in SAP is in the payroll area. The good news, however, is that with the standard localizations the majority of business requirements in Australia can be met.

All core pay frequencies that are typically used in Australia are supported. “Weekly” and “fortnightly” are the most common pay frequencies. Monthly is also a common frequency but the calculation of basic pay may need to deviate from some customer-specific global templates in order to meet Australian legal requirements. For example, factoring may need to differ when long service leave or unpaid is taken.

Off-cycle processing is common practice in Australia, particularly for missed payments and terminations where it is common practice to pay a terminating employee on their last day of service. Using off-cycles to pay this ensures that the correct payment date is stored against the payment for legislative reporting.
Most companies in Australia want to process payroll to a level of accuracy more than the two decimals that exist within the AUD currency. It is therefore common practice to create a multidecimal currency with the customer-desired number of decimal places most commonly being 4 decimal places.

The Australian payroll schema is delivered to enable this processing as standard. To aid users, a number of model payment wage types are delivered for Australia that can be copied to create customer-specific wage types. These include basic pay for both wages and salaried employees and a sample of recurring payment wage types. Additional payment wage types, such as a model for bonuses, redundancy, and termination wage types, are also delivered.
Superannuation is a big area of localization for Australia. Employers have an obligation to pay a compulsory super contribution to all eligible employees. This payment is called the Superannuation Guarantee and must be made to the right super fund by the set date each quarter. Some workplace agreements may require monthly or more regular payment. Failure to pay the correct superannuation payment by the set date will result in an additional Superannuation Guarantee charge payable to the Australian tax office.

Because an employee can only have one active SG fund at any one time, any additional superannuation funds an employee contributes to, for example, self-managed superannuation funds (SMSF), must be a non-SG fund.
The rules applicable to superannuation contributions can depend on an industrial agreement, union award, employment agreement, or legislation.

- Superannuation contribution can be a fixed amount or a percentage of employee earnings that attract superannuation (superable earnings).
- Superable earnings are derived during the Australian payroll process and stored in cumulation wage types.
- Non-SG funds are calculated every pay period.
- SG funds are calculated in the last full pay period of the month.
Australia has a number of statutory deductions that are governed by legislation, such as child support and higher education repayments. Functionality to support these is delivered as a standard. SAP also delivers model company wage types that customers can copy to their own customized wage types.

Charitable donations can be made via the Recurring Payments and Deductions infotype or the External Bank Transfers infotype.

External bank transfer wage types can be processed higher in the schema than some countries so that these deductions can be processed according to the standard deduction retro and priority characteristics. A standard program is delivered that reads the BT table in the payroll cluster for these deductions (and net pay).

Union, Social Club, Private Health Insurance and Salary Sacrifice are also common deductions. SAP delivers model company wage types that customers can copy.

Deductions for superannuation contributions may also have an accompanying company contribution. These are entered on a country-specific infotype that also incorporates the requirements of the superannuation legislation.
A couple of country-specific programs are worthy of note.

The first is the Termination Workbench, which is a transaction that enables users to easily and quickly process a termination. The transaction automatically calculates leave entitlements to be paid out, determines if the employee is due any public holidays, enables the user to enter additional payments, such as redundancy, and stop other recurring payments and deductions from the final pay. Finally, it processes the action to set the employee to an inactive state.

The second program of note is the Advance Payment Program. Employees in Australia are able to request certain leave, typically annual leave and long service leave to be paid in advance, rather than waiting for each pay date during this leave. The Advance Payment Program calculates the employee’s pay for all the pay periods that they may be absent (including any deductions that need to be made), and advances this money on the requested date. The advance is then automatically deducted from the employee in the relevant period. If any additional money is due to the employee, then this is also automatically paid to the employee (that is, they do not have to wait until they return to be paid any difference.)
The payroll schema encompasses the standard tax calculations required for Australia. This includes the standard pay-as-you-go tax. Tax is calculated based on when the employee receives the money as per the legislation; and if the employee has been overpaid, the tax is recalculated and a refund is issued to the employee.

Bonus/commission taxation and back payments across financial years taxation has changed significantly from July 2012 due to new legislation.

Higher Education Learning Program (HELP) is a charge that all tertiary students receive while studying, and they must make compulsory payments once an earnings threshold is met. Student Financial Supplement Scheme (SFSS) is a student loan scheme that participating employees must also make compulsory payments once their earnings threshold reaches a set level.

The system also calculates the payroll tax, which is a State tax calculated on wages paid or payable by an employer to its employees and deemed employees; it applies in all States and Territories in Australia.
Australia has employment declaration reporting to the ATO, Australian Bureau of Statistics reporting, payment summary reporting at year end for tax reporting.

In addition to the standard international payroll reports, such as the wage type reporter, Australia also has a couple of additional country-specific reports. These include reports to help manage the payroll process such as the pay details report, pay summary, and exceptions report. Leave liability calculations are made within payroll and posted to finance as part of the normal posting process. A report is also delivered that enables the user to reconcile the posting.
Lesson Summary

You should now be able to:

• Explain the highlights of the SAP Australian localization for Finance
• Explain the highlights of the SAP Australian localization for Human Capital Management

In summary, there is a low level of localization required for Finance because the standard SAP solution encompasses most Australian business requirements. There are some key differences for Goods and Services tax changes and in Asset Accounting.

For Human Capital Management, there are very few localizations required in the personnel management area. There are, however, some minor complexities in the quota processing area. Payroll has been fully localized for Australian requirements and is used successfully by a range of companies.
For more information on the topics discussed in this lesson, see the following references:

- Local Contact Information:
  - [http://service.sap.com/GKB](http://service.sap.com/GKB)
  - Literature (Implementation of Country Versions for SAP ERP Systems):
- HCM Country Page:
  - [http://service.sap.com/hrau](http://service.sap.com/hrau)
  - Self-subscribe to the News page to receive e-mail updates
- SAP Education:
  - [http://www.sap.com/australia/services/education](http://www.sap.com/australia/services/education)
- Detailed HCM Information:
  - Contact local Australian HCM contact (as listed on the Globalization website) for information on local user groups, best practice, and inclusion in SAP Australia payroll e-mail distribution list.

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For more information on the topics discussed in this lesson, see the references listed here.
Thank You!

Contact information

SAP Globalization Services
globalization@sap.com