Hello and welcome to this eLearning session.
After completing this lesson, you will be able to:

- Explain the highlights of SAP New Zealand localization for Finance
- Explain the highlights of SAP New Zealand localization for Human Capital Management
This e-book is divided into two sections. First, we will discuss the highlights of the Finance localizations for New Zealand and then discuss the Human Capital Management localizations.
Highlights FI
The SAP finance solution is a good fit for New Zealand organizations and supports the majority of business processes and legal requirements. Existing customers cover a wide range of industry and company sizes. Many also operate in more than one country. A Best Practice template has been developed for NZ.
New Zealand has a value added tax referred to as GST or Goods and Services tax. It was originally introduced in 1986 as a 10% flat rate tax on eligible goods and services. It has subsequently had two increases to 12.5% and then to 15% in September 2010.

Unlike most similar taxation regimes, there are few exemptions — all types of food are taxed at the same rate, for example. Exceptions include rents collected on residential rental properties, donations, precious metals, and financial services.

Businesses exporting goods and services from New Zealand are entitled to "zero-rate" their products — effectively, they charge GST at zero percent. This permits the business to claim back the input GST but the eventual, non-New Zealand-based consumer does not pay the tax (businesses that produce GST-exempt supplies are not able to claim back input GST.)
Because businesses claim back their input GST, the GST-inclusive price is usually irrelevant for business purchasing decisions, other than in relation to cash flow issues. Consequently, wholesalers often state prices exclusive of GST, but must collect the full, GST-inclusive price when they make the sale and account to the IRD for the GST so collected.

The headline price must always be GST-inclusive in advertising and stores. The only exceptions are for businesses that claim a mainly wholesale client base. Otherwise, displaying a prominent GST-exclusive price (that is, smaller than the GST-inclusive price) is illegal.
In October 1998, 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 calculate 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.
- Posting direct to the GL simultaneous with the asset subledger.

Low Level of Localization Required

Key Local Differences:

- New Zealand complies with the IAS 36 for treatment of asset revaluations (or impairments)
- The standard SAP asset revaluation process does not comply with IAS 36. The local support enhancement YAAURV01 is in place for New Zealand (and Australia) to meet the IAS 36 requirements.
- A 20% depreciation loading is allowed for qualifying assets purchased prior to May 20, 2010
- Amortization of goodwill is no longer allowed under New Zealand tax law.
The 20% depreciation loading was originally introduced as an incentive to encourage New Zealand businesses to invest in new capital equipment. The depreciation loading increases the tax depreciation rate by 20% for qualifying items. This concession is inconsistent with a broad-based, low-rate tax system, and so it has been removed from items purchased after 20 May 2010. Qualifying items purchased before this date can still have the 20% loading applied.
New Zealand electronic data exchange file formats do follow industry best practice and widely accepted formats such as BAI or MultiCash. Each of the banks fully supports the importation and exportation of banking files and provides comprehensive documentation on the required file formats. The formats can be mapped in SAP using a simple DMEE format to convert from and to a MultiCash format. Locked box processing is not widely used but is growing in popularity.
In the second part of this e-book, we will discuss the localization highlights for Human Capital Management.
The HCM solution was localized for New Zealand well over 10 years ago. It supports the most common business processes used throughout NZ and complies with the local legislative requirements. It comes with comprehensive model company entries that can be easily copied to meet customer requirements and the typical customer implements the solution with minimal customization.

An additional public sector solution is not required for HCM processing. Although they do have some additional specific requirements, these can be met with the standard SAP solution and NZ has a number of public sector HCM customers.

Some of the legal processing, particularly in the area of annual leave, is complex and it is strongly recommended that any customers looking at implementing NZ payroll use consultants trained and experienced in SAP NZ payroll. NZ-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 NZ organizations and therefore the existing customer base covers a wide range of company sizes and industries. It is very common for multinational companies to be using SAP NZ payroll and for the solution to be supported (or even processed) outside of NZ, particularly in Australia.

A number of partners offer ASP hosting options for those organizations that wish to outsource support and/or processing of their payroll.

As well as an NZ-wide SAP user group there is also a special interest user group specifically for HCM that meets in both Auckland and Wellington. In addition, they have their own online LinkedIn community where they can communicate among themselves. Contact the local HCM contact for details of this group.
The New Zealand tax year runs from April 1 each year to March 31 and most legal changes for payroll are usually effective from the start of a tax year. Occasionally, there are changes outside of this time frame but the bulk of the changes are associated with the 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 couple of 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, endeavors to deliver its tax year changes in the February HR Support and will usually release a Country Legal Change package at this time. Organizations implementing NZ payroll should ensure that they plan for support packs/CLCs to be applied at this time.

SAP New Zealand proactively advises clients of pending legal changes via a local e-mail and via its country page on the Service Marketplace. Contact the local HCM contact to be added to the SAP New Zealand e-mail distribution list. To obtain more regular updates on issues relating to NZ payroll, self-subscribe to the ‘news’ page on the country page in the Service Marketplace.
Very little localization is required to support the personnel administrative requirements of the majority of New Zealand 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 New Zealand, employees on parental leave continue to accrue annual leave while on parental leave; so if using SAP to accrue their leave entitlements, they must remain active employees.

New Zealand has well defined age discrimination laws and hence many employers do not record dates of birth. Or if they do, they cannot compulsorily request an employee to supply one unless there is a justified reason for requesting it, such as eligibility to a superannuation scheme. Date of birth is therefore commonly only an optional field and not configured as a compulsory field.
NZ also has laws governing the storing of personal data and it can only be requested, held, and viewed for justifiable means, for example, marital status is usually irrelevant to the employment relationship and so cannot be requested and should not be stored. 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 NZ-specific requirements, there are a number of infotypes or infotype screen variants available for NZ. However, there are not a significant number of these as can be seen in this slide.

New Zealand has four country-specific infotypes currently in use. These are predominately for payroll purposes. The first two are used to store an employee’s unique tax identifier and their tax deduction details. A superannuation infotype is provided to record details for the local superannuation scheme KiwiSaver and can also be used for recording details of any other superannuation funds that an employee and or employer may be contributing to on behalf of an employee.

The fourth infotype (Leave History Adj) is used to adjust an NZ-specific payroll cluster table that is used in annual leave processing. It is predominately used during the data migration of annual leave information into SAP.

A number of international infotypes have NZ-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 NZ employee, for example, some employees have reference numbers associated with their bank accounts so the bank details and external bank transfers screen variants for NZ contain the BKREF field.
In the Time Management area of HCM, SAP delivers model configuration settings that enable organizations to quickly configure their New Zealand requirements.

Each region in New Zealand has its own regional day that they observe in addition to the 10 country-wide public holidays. Each of these days, including the regional days, are delivered within SAP. However, they must be checked and updated as some of the regional days have rules that cannot be met using standard SAP rules and hence the dates must be specified in configuration. The Department of Labor’s website has a list of all public holidays, including the dates for the next couple of years and should be referenced to obtain correct dates.

A country-wide public holiday calendar called NZ is delivered in standard SAP to use as a guide; however, note that this calendar only lists the 10 country-wide public holidays and not any regional days.

Public Holidays

- Sample regional public holidays provided but check with www.dol.govt.nz for updated dates each year.
- Employees able to transfer their public holidays via the Substitutions infotype (2003) – refer to SAP Note 1596996

Sample Configuration

- Annual Leave
- Sick Leave
- Long Service Leave
- Alternate Days
Sample quota configuration and absence types are delivered for New Zealand 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 NZ may be present in the Development client because some of the tables are classified as customizing tables and not updated when support packs are applied. In this case, refer to client 000.
New Zealand has complex annual 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 include assistance from consultants experienced with NZ 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:

- Annual 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 NZ-specific programs, such as the NZ Termination workbench.
- Leave groupings must be determined using feature QUOMO and not MODIF Q as leave groupings are also determined in the NZ payroll program, and this program only recognizes feature QUOMO.
- Each year of entitlement must be created in infotype 2006 as a separate record so that it can be referenced in payroll-specific leave tables for NZ.
Different quota deduction rules are required so that if the employee has entitlement the quota records are deducted in ascending order (that is, oldest record first). However, if there is no entitlement, they are deducted in descending order (that is, most recent record first).

A country-specific program must be run each pay period to rebook advanced absences.

Care must therefore be taken with configuration for NZ annual leave.
The biggest area of localization for NZ in SAP is in the payroll area. The good news, however, is that with the standard localizations the majority of business requirements in New Zealand can be met.

All core pay frequencies that are typically used in NZ are supported. Fortnightly and weekly 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 NZ legal requirements. For example, factoring may need to differ when annual leave is taken.

Off-cycle processing is common practice in NZ, particularly for 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 New Zealand want to process payroll to a level of accuracy more than the two decimals that exist with the NZD currency. It is therefore common practice to create a multidecimal currency with the customer desired number of decimal places. The NZ payroll schema is delivered to enable this processing as standard.

Many customers, however, do not want to record salaries on the basic pay infotype with the multi-decimal currency because it results in very large numbers and the annual or pay period salary does not usually require this number of decimals when it is input. An NZ-specific payroll operation is therefore available to convert NZD to a multidecimal currency of choice. This operation can be used in customer rules to convert the wage type currency.

To aid users, a number of model payment wage types are delivered for NZ that can be copied to create customer-specific wage types. These include basic pay for both wages and salaried employees and a sample recurring payment wage type. Additional payment wage types such as a model for bonuses, redundancy, and cash-up wage types are also delivered.
Absence payment is a big area of localization for New Zealand. Annual leave has complex payments rules and a number of country-specific tables and configuration settings are required to support it. The requirements are met but expert assistance is recommended to ensure that the requirements are fully understood.

New Zealand also has payment rules governing sick leave, bereavement leave, public holidays, and alternate days. For some types of employees, a formula-based calculation may be required and SAP fully supports this as standard.
New Zealand has a number of statutory deductions that are governed by legislation such as child support and tax arrears. Functionality to support these is delivered as standard in SAP and SAP 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, and the associated tax credit will be automatically calculated.

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 cluster for these deductions (and net pay).

Deductions for superannuation contributions may also have an accompanying company contribution and these are entered on a country-specific infotype that also incorporates the requirements of the legislative superannuation scheme KiwiSaver.
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 Pay Module. Employees in New Zealand are able to request their annual leave to be paid when they take the leave, rather than waiting for the next pay date. The Advance Pay module 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 and 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 New Zealand. This includes the standard ‘pay as you earn’ tax and extra emolument or extra pay taxation. It is also capable of spreading tax when an employee terminates or upon user request.

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.

The system also calculates the ACC levy that an employee has to pay each pay period and calculates an accrual value for the ACC employer premium that is due once a year based on the organization’s industry classification.
New Zealand has monthly reporting to the Inland Revenue department instead of year end tax reporting that exists in some countries. This information is electronically transferred to Inland Revenue and SAP provides this as standard for the Employer Monthly Schedule (EMS) report, KiwiSaver Employee Details Report, and Remittance Certificate.

It also provides three types of quarterly employment survey reports that may be requested from the Department of Statistics.

An ACC employer premium report is also provided to help with the annual reconciliation of ACC premiums due.

In addition to the standard international payroll reports, such as the wage type reporter, New Zealand 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. A payroll journal and account report can be configured instead but this is rarely required as the NZ reports are usually sufficient.

Leave liability calculations are made within payroll and posted to finance as part of the normal posting process but a report is also delivered that enables the user to reconcile the posting.
New Zealand has some very specific processes around data migration for annual leave and hence is worthy of mention in this e-book. A certain amount of history must be loaded to support annual leave processing; country-specific programs are provided to enable this. However, the overall process can be quite complex and often underestimated. Unfortunately, the impact of an incorrect data migration may not be initially noticed and may not be discovered until after the employee’s have had their next leave anniversary or when they terminate. If any changes are required at this late stage, it can be complex to correct. It is therefore strongly recommended that parallel run testing include processing some employees until their next anniversary and ensuring that leave information is fully checked. Please ensure that plenty of time is allocated in any implementation program for data migration and the testing of it.
Lesson Summary

You should now be able to

- Explain the highlights of SAP New Zealand localizations for Finance
- Explain the highlights of SAP New Zealand localizations for Human Capital Management

- In summary, there is a low level of localization required for Finance as the standard SAP solution encompasses most New Zealand business requirements. There are some key differences for Goods and Services tax changes and in Asset Accounting. Each of the banks operating in New Zealand requires a slightly different bank file format so this needs to be considered but the DMEE workbench can be used to meet these requirements.

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

**Local Contact Information:**
- [http://service.sap.com/globalization](http://service.sap.com/globalization) → *Country Information* → *New Zealand*
- Literature (Implementation of Country Versions for SAP ERP Systems):

**HCM Country Page:**
- [http://service.sap.com/hrnz](http://service.sap.com/hrnz)
- 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 NZ HCM contact (as listed on the Globalization website) for information on local user groups, best practice, and inclusion in SAP New Zealand payroll e-mail distribution list.

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

Contact information

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