Welcome to the eBook for the localization highlights for the United Kingdom.
Objectives

At the end of this lesson, you will be able to:
- Explain the highlights of the SAP Country Version for the UK
- Define the local requirements for the UK from an FI perspective

After completing this lesson, you will be able to:
- Explain the highlights of the SAP Country Version for the UK
- Define the local and legal requirements for the UK from a Financial Accounting perspective
The complexity of the UK localization is considered to be low. The reason for this is that the SAP Country Version for the UK is well established and the localization can be achieved via configuration.

Highlights in Financial Accounting (FI):

- General Ledger
- Taxation
- Accounts Payable
- Bank Accounting
Financial Accounting
General Ledger

SAP delivers the financial statement version BAGB, which is based on the international chart of accounts INT.

Chart of accounts: There is no legally prescribed chart of accounts for the UK. As a subsidiary of an international company, it is possible to have a local chart of accounts and:

- Have a mapping to the group chart of accounts
- Have additional accounts to be used for group reporting

With the use of parallel ledgers in General Ledger, it is possible to have two ledgers:

- Local GAAP
- IFRS

Alternatively, the chart of accounts can be extended to report IFRS as well as local GAAP.

In the General Ledger, SAP delivers a financial statement version BAGB, which is based on the international chart of accounts as there is no legally prescribed chart of accounts for the UK. If a UK company is a subsidiary of an international company, they do have the option to have a local chart of accounts and map this to a group chart of accounts or define additional accounts in their local chart of accounts that can be used for group reporting.

With the use of parallel ledgers in New General Ledger, it is possible to have two ledgers allowing the UK company to report in UK GAAP and in IFRS if required. Alternatively, if parallel ledgers are not used, the UK company has the option to extend the chart of accounts to include additional accounts for IFRS reporting.
To adhere to the UK guidelines, SAP delivers precustomized sample reports:

- Balance Sheet (GB-BLNCE-01)
- Profit and Loss (GB-RESUL-01)

- The profit and loss report uses the cost of sales accounting method, which matches the sales for the reporting period to the production cost of these sales.
- The delivered settings include sample functional areas, cost center data, and a substitution rule.

In order to adhere to UK guidelines, SAP delivers precustomized sample reports for the Balance Sheet and Profit Loss Account. The profit and loss report is based on the cost of sales method. This method matches the sales for a reporting period to the production cost of these sales. The delivered settings that allow the cost of sales method include sample functional areas for certain expenses, cost centers, and a substitution rule that can be used to determine the functional area from a cost center category.
The local currency for the UK is the Great British Pound (GBP as abbreviated in the system). A UK company should do all its reporting in this currency and there are no requirements to do any reporting in any other hard or index currency.

A UK company is allowed to trade in any other currency, however, all amounts should be converted to GBP for reporting purposes. All VAT invoices that show the amounts in a foreign currency should also show the equivalent amount in GBP. In order to convert the foreign currency amount into GBP, a UK company has two options: It is able to use the UK market selling rate or the period rate of exchange.

A UK company should set up different gain and loss accounts for banks, customers, loans, and vendors.

The main language in the UK is English and if a company requires multiple languages, then these will need to be installed.
SAP delivers a customized tax procedure, TAXGB, for the UK. This procedure contains all the necessary conditions types for European VAT calculation.

The advance return for Tax on Sales and Purchases report (RFUMSV00) is used for reporting output and input VAT.

It is mandatory for the VAT report to be filed online to the HMRC’s government gateway. This can be done directly on the HMRC website or can be e-filed using PI technology.

SAP will validate the VAT registration number. The number is often printed with 2 spaces, however, SAP recommends that you use 11 characters instead of 13 for validation purposes.

- SAP delivers a customized tax procedure, TAXGB, for the UK. This procedure contains all the necessary tax conditions to satisfy the European Tax calculation requirements.
- A UK company can use the general report Advanced Report for Taxes on Sales/Purchases report (RFUMSV00) to create its tax return. This report provides the data to complete the VAT 100 report for the tax authority.
- It is mandatory for UK companies to file their tax report online to the tax authority. The UK company has two option to do this, either it can upload the report directly onto the government gateway or it can e-file the return using SAP’s PI technology.
- SAP has in-built validation for the VAT number. The UK VAT number is 11 characters long and should be entered without a space for validation purposes.
Reverse charge applies in UK to supplies of certain goods, as defined by the tax authority, HM Revenue and Customs (HMRC)*. In these cases, the customer and not the supplier must account for the value-added tax (VAT) on supplies of the goods.

*Reverse charge procedure from HMRC: [http://www.hmrc.gov.uk/briefs/vat/brief2809.htm](http://www.hmrc.gov.uk/briefs/vat/brief2809.htm)

Business records for all operations connected with the business that affect the amount of VAT payable or reclaimed must be kept for a minimum of 7 years.

Corporation tax information is held within SAP. Accounts and transactions are marked as relevant for corporation tax. The calculation can be done using a 3-rd party product such as SABRIX or DART.

SAP supports EC sales list for the UK in an XML format.

- Reverse charge applies to certain goods in the UK. In the case of a reverse charge, it is the customer and not the supplier that must account for the VAT on the supply of goods. For further information on reverse charges and the good that this applies to, please refer to the aforementioned URL.
- All business records for all operations connected with a business should be retained for a minimum of seven years.
- All information required for corporation tax is held within SAP as all account and transactions are marked as relevant for corporation tax; however, the calculation is done using a third-party product.
- SAP delivers the XML format for the EC sales list.
VAT invoice numbers should be from a series that is unique and sequential for all document types:

- [http://customs.hmrc.gov.uk/channelsPortal/WebApp/channelsPortal/WebApp.portal?_nfpb=true&_pageLabel=pageVAT_ShowContent&id=HMCE_PROD1_027711&propertyType=document](http://customs.hmrc.gov.uk/channelsPortal/WebApp/channelsPortal/WebApp.portal?_nfpb=true&_pageLabel=pageVAT_ShowContent&id=HMCE_PROD1_027711&propertyType=document)

There is no prescribed format for a VAT Invoice, however, there is a certain amount of information that must be shown:


Withholding tax: The UK Construction Industry Scheme sets out the rules for how payments to subcontractors for construction work must be handled by contractors in the construction industry. Please refer to OSS notes 1144500 and 1173466. SAP provides the functionality to verify a subcontractor with HMRC electronically.
SAP supports the following payment methods as used by companies in the UK:

- **Cheques:** The generic report RFFOUS_C can be used to print cheques.
- **BACS:** SAP generates the payment media using the Payment Medium Workbench (PMW) and DME tree format called GB_BACS. This is valid for direct debits except for AUDDIS direct debits. This functionality is only supported in FI-CA (Contract Accounting module) and is not available in FI-AR.
- **Bank reconciliation:** Report RFEBGB00 (import bank statement) can be used to upload and process a bank transaction file in the UK APACS format (other formats also available) by creating batch input sessions to post to G/L and sub-ledger accounts.
- **Foreign bank transfer:** No standard format in the UK
  - Use Generic MT100 and MT103 formats
  - Adapt GB_BACS

SAP supports the following payment methods in the UK:

- **Cheques.** There is generic report, RFFOUS_C, that can be used to print cheques.
- **BACS.** SAP uses the Payment Medium Workbench (PMW) and the DME tree format called GB_BACS. This is valid for direct debits except for AUDDIS direct debits as this functionality is only supported in the Contract Accounting module and is not available in the Accounts Receivable module. If the AUDDIS Direct Debit functionality is required in Accounts Receivable a Rapid Deployment Service is available. Please contact SAP UK Consulting for further information.
- **SAP delivers the functionality to import bank statements electronically.** The report RFEBGB00 can be used to upload and process a bank transaction file. A batch input session is created to post the transactions into the General Ledger and the Sub ledger accounts.
- **There is no standard format in the UK for foreign bank transfers,** however, UK companies can use the generic formats MT100 and MT103 and have the ability to adapt the SAP/delivered format GB_BACS.
You should now be able to configure your FI system to be compliant with the rules and regulations of the UK in the following areas:

- General Ledger
- Taxation
- Accounts Payable
- Bank Accounting
Related Information

For more information on topics discussed in this lesson, see the following references:

- Important SAP Notes for UK
- Availability information for Country Version for the UK at service.sap.com/GKB

The related information slide is used to provide extra information to the user, perhaps linking more trainings, the SAP global website, or a whitepaper.

The content should be stable and not likely to change in the near future. Do not include reference to external web sites.

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

Contact information

SAP Globalization Services:
globalization@sap.com