Hello and welcome to this session on SAP country version South Africa.

In this presentation, we will discuss specifics of Financial Accounting in the South African country version, including how SAP manages legal changes for rollout and documentation paths in the SAP system.
Objectives

At the end of this lesson, you will be able to:

- Describe South African localization requirements
- Outline South African localization features in SAP ERP (country version South Africa)
- Explain South African localization features in financials
- Discuss solution support and the rollout strategy for South Africa

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This is the agenda for today.

- First, we'll give a quick introduction to the country version
- Next, we'll discuss some highlights of Financial Accounting (FI), such as taxes, sales and distribution, and the newly updated VAT report.
Country Version South Africa
Quick Facts

Key strengths
- Standard country version since SAP R/3 3.1
- Supports legal compliance for business transactions
- Local contact and primary support in South Africa
- Standard and simplified rollout strategy for legal changes
- Large customer base including customers in other African countries

Challenges
- Regulatory framework for specific business areas (mining, retail…)
- Short-term legislative reform
- Legal changes
  - Often unplanned
  - Applicable on short notice
  - Official technical specifications not always available in time

Key strengths:
- The South African country version is part of SAP standard country versions since SAP R/3 3.1.1.
- It supports legal compliance features for various business transactions, enabling businesses to run better. Primary support for these features is provided locally from a highly skilled team. The localization lead in South Africa can help with inquiries and direct your questions to the right people.
- Country version South Africa is now operational at most of the top corporations in South Africa, including global business giants across various industries. SAP is also the software of choice for the public sector.

Challenges: The main challenges that a business may face in South Africa include the following:
- South Africa has a relatively stable regulatory framework. However, several laws apply for specific business sectors, such as mining, oil and gas, and so on.
- Legislative reforms are often unplanned, apply on short notice and, in some cases, apply retroactively.
- Interpretation of the law is sometimes open and the technical specifications are not always available in time for development.
South African Requirements: Insights

Legal Compliance Snapshot

This section will give you an overview of South African legislation complexity and language requirements.
There are three major criteria that determine the complexity of a country version:

- Legal complexity
- Law frequency
- Official languages

The first criterion is legal complexity.

South African finance and logistics is complex, because the government is making an effort to improve governance, streamline procedures, and provide more focused support to businesses operating within Special Economic Zones. The laws are not changing often, however the interpretation is sometimes open.

Human capital management in the South African country version is of medium complexity. The most important topics are agent appointment (ITA88), social and pension insurance, maternity leave, and income tax.
The second criterion relates to the frequency of legal changes.

The law frequency in the finance and logistics area is dynamic, which means that legal changes can be published at any time. Sometimes they apply retroactively, and there is little time for implementation or changes.

In the human resources area, frequency is dynamic, but most legal changes are well-distributed over the year.
The third criterion relates to the official languages that are allowed in a country.

In South Africa, there are 11 official languages. Although isiZulu and Afrikaans are the most spoken home languages, English is widely accepted in commercial and official public life.

English is the accepted official language in finance and logistics and human capital management.

In the South African country version, the UIs are available in English in both finance and human resources areas.
Let’s have a look at South African requirements. We will delve deeper into the financials part of the South Africa country version.
No particular requirements specified by the authorities for statutory reporting

However, the following approach is recommended:
- 1xxxxx – Assets (Fixed and current assets) - (Balance Sheet)
- 2xxxxx – Liabilities (Balance Sheet)
- 3xxxxx – Stock and Material accounts (Balance Sheet)
- 4xxxxx – Indirect Expense accounts (P&L)
- 5xxxxx – COS accounts (P&L)
- 6xxxxx – Revenue accounts(P&L)
- 9xxxxx – not used in the CoA

- In South Africa, there is no legally prescribed chart of accounts.
- The same applies for other statutory reports, such as balance sheet or profit and loss statements.
- In SAP, it’s possible to make use of the international proposed templates, however, we recommended clearly defining the numbers to be used for postings.
SAP supports the reporting standards for South Africa.

The South African country version enables the use of SA GAAP or IFRS for financial reporting. After January 2005, JSE Ltd. (Johannesburg Stock Exchange) requires all listed companies to prepare the statutory reporting under IFRS. Non-listed companies can continue with the use of either SA GAAP, IFRS, or IFRS for SME.

Please note that standard setting arrangements in South Africa are undergoing change. The Accounting Practices Board (APB) will be wound up and its functions will be effectively transferred to the recently created Financial Reporting Standards Council (FRSC). As part of the changes, the use of South African Statements of Generally Accepted Accounting Practice (SA GAAP) will be discontinued.
SA GAAP will cease to apply in financial years commencing on or after December 1, 2012. Entities previously applying SA GAAP will be required to apply either IFRS (applying the transitional requirements of IFRS 1, *First-time Adoption of International Financial Reporting Standards*) or the IFRS for SMEs. It is also proposed that the FRSC will be given power to issue financial reporting pronouncements (FRPs) to account for local circumstances or issues not specifically covered by IFRS or the IFRS for SMEs, provided they are not in conflict with IFRS or the IFRS for SMEs.
Excise duties are applicable to some products consumed in the Southern African Customs Union (SACU).

The following depend on the National Budget Speech:

- **Income taxes**: This is the government’s main source of income and is levied in terms of the Income Tax Act, 1962.
- **Turnover tax**: SARS has implemented an alternative simplified tax system for small businesses, effective as of March 1, 2009.

Currently not required:
- Deferred taxes

Applies only for dividends:
- Withholding tax

Excise duties are applicable to some products consumed in the Southern African Customs Union (SACU), which consists of the Republic of South Africa, the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia, and the Kingdom of Swaziland.

For instance, specific excise duty products are levied for fuel/petroleum products, tobacco products, some beers, and other fermented beverages.

These duties on specific excise duty products are assessed based on the specific quantity, volume, or mass of such products (irrespective of the value).

Also Ad valorem excise duty products are levied for motor vehicles, electronic equipment and perfumeries.

Duties on ad valorem excise duty products are assessed based on the value of the products.
Every year, the Minister of Finance presents the budget, which outlines the total government expenditure for the following financial year and the ways in which this expenditure will be financed. After the budget speech, if required, the new rates need to be entered in the SAP system immediately. Some affected taxes are income taxes and turnover taxes. Businesses that qualify for turnover tax can choose to register for the standard tax system or turnover tax.

Note that withholding tax is currently a requirement. However, it only applies to very specific cases (such as dividends).
As of March 1, 2005, the value-added tax (VAT) registration number of your business must be reflected on all tax invoices exceeding R3 000 to validate your claims for input tax. This rule also applies to any subsequent debit or credit notes issued in respect of those supplies.

South African VAT is paid on the supply of goods or services in South Africa, as well as on the importation of goods into South Africa. VAT is presently levied at the standard rate of 14% on most supplies and importations, but there is a limited range of goods and services that are exempt or that are subject to tax at the zero rate (for example, exports are taxed at 0%).

Since April 2011, SARS has been introducing changes to VAT, such as the introduction of an enhanced VAT201 Declaration with additional fields for demographic information and the declarant’s signature, and a unique 10-digit Payment Reference Number (PRN), which links the actual payment made to the payment declared on the VAT201 Declaration for a specific period.
- The new VAT Declaration process (VAT201) was introduced on June 1, 2011. The current SAP VAT reports suffice to fetch the information that later can be transferred to the South African Revenue Service (SARS) web site.

- SARS is modernizing its current platform for third-party data submission by enabling taxpayers to submit supporting data. VAT electronic transmission will be allowed in 2013.
VAT Declaration
Advance Return for Tax on Sales and Purchases

VAT process:

1. SAP report for VAT declaration first creates a summary file (VAT201) to be sent to SARS.
2. SARS sends a request response file that is read by SAP to see if SARS is requesting a revised VAT201, supporting data, or supporting documents, or if the process ends.
3. An SAP report creates the requested file and stores it where specified (application server).
4. The summary file or line item file requested by SARS is submitted to SARS via the direct data flow channel or the e@syFile™ VAT channel.

- Companies in South Africa have to submit the VAT list to the corresponding tax authorities electronically and in text format.
- The SAP report for VAT declaration provides the options to generate both the summary file and the line item file. You can submit the summary file to the tax authorities. If the tax authorities require more information, they will send a request response file. You must upload this request response file to generate the line item file.
- SARS can communicate using the following methods:
  - Direct Data Flow: This is a mechanism to directly upload supporting data to SARS' systems for processing, and also for viewing and authorizing the submission.
  - Easy File: This is an offline application used to upload supporting data and submit VAT201.
VAT Code Structure

South African VAT code structure is fairly stable.

**Recommended VAT code structure:**

<table>
<thead>
<tr>
<th>Tax code</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>OS</td>
<td>Output Standard 14%</td>
<td>14</td>
</tr>
<tr>
<td>O0</td>
<td>Output Standard Zero Rated</td>
<td>0</td>
</tr>
<tr>
<td>OE</td>
<td>Output Standard EXEMPT</td>
<td>0</td>
</tr>
<tr>
<td>OZ</td>
<td>Output Capital Zero Rated</td>
<td>0</td>
</tr>
<tr>
<td>OC</td>
<td>Output Capital 14%</td>
<td>14</td>
</tr>
<tr>
<td>OX</td>
<td>Output Capital Exempt</td>
<td>0</td>
</tr>
<tr>
<td>NO</td>
<td>No Output</td>
<td>0</td>
</tr>
<tr>
<td>IS</td>
<td>Input Standard - 14%</td>
<td>14</td>
</tr>
<tr>
<td>IC</td>
<td>Input Capital - 14%</td>
<td>14</td>
</tr>
<tr>
<td>IV</td>
<td>Input Freight - 100%</td>
<td>100</td>
</tr>
<tr>
<td>NT</td>
<td>No Input Tax</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: Code IV is a recommendation for companies importing goods.

- In the SAP-recommended VAT code structure, code IV is recommended for customers importing goods into South Africa, because importation of goods into South Africa is taxable. This recommendation is valid when goods are cleared via customs and the clearing agent does the clearing on behalf of the client, sending them an invoice for the entire VAT amount.
- The importation of services is only subject to VAT when the importer is not a vendor, or when the services are imported for private or exempt purposes. Certain imports of goods or services are exempt from VAT.
Payments
Foreign Currency

Payments:
- DME file for banks:
  - No legally required format
  - ACB format supported in SAP (ACB_ZA)
  - Both incoming and outgoing payments are supported
- SAPscript forms:
  - Accompanying sheets (F110_ZA_DTA ACB )

Foreign currency:
- Is reevaluated as part of the month-end process
- Is to be translated by applying a spot rate

- South Africa does not have standards in bank payment formats. Banks in South Africa are very advanced and tend to offer several options in their banking interface.
- SAP, however, supports the format from the Automated Clearing Bureau (ACB). No accompanying sheets are created for the data medium; these are defined using SAPscript.
- If a customer would like to use a different format than ACB, the standard data medium exchange (DME) tool allows the definition of any format. A meeting with an experienced consultant is recommended when setting up the payment and statement interface in SAP.
- Operating a bank account within South Africa in a foreign currency is not allowed. Companies can request FOREX manually, or maintain foreign currency bank accounts offshore. SAP supports both business scenarios.
- Any amount received by or accrued to, or expenditure or loss incurred by, a person during any year of assessment in any currency other than the currency of the Republic of South Africa must be translated to the currency of the Republic by applying the spot rate on the date on which that amount was received or accrued or expenditure or loss was incurred.
Now let’s discuss some recommendations and additional information.
Country Version South Africa
Recommendations

- Not a “do it yourself” system
- Expert with deep working knowledge of global templates required
- Upgrade to minimum Support Package for country version South Africa
- User training recommended

Please keep in mind the following recommendations for the South African country version:

- First and most important, the South African country version is not a “do it yourself” system. With the level of complexity involved, and the complex regulatory framework, it is recommended that you have experts on board right from the beginning.
- There is definitely some expert knowledge required on global templates.
- We strongly recommend that you upgrade to the minimum Support Package level for the South African country version.
- User training is critical to a successful South African country version implementation.
Customer Collaboration
African SAP User Group (AFSUG)

African SAP User Group (AFSUG)
AFSUG is an independent organization that represents the customer and partner community in sub-Saharan Africa. The AFSUG board and AFSUG office work closely with SAP South Africa (which has its primary office in Johannesburg).

- Also, we recommend close contact with the African SAP User Group.
- Customer focus has always been a key to SAP’s success. The African SAP user group (AFSUG) takes it to the next level by providing customers a platform to participate in the SAP development process. AFSUG is a collaboration and feedback channel, a platform for sharing best practices, and an information exchange.
- In addition, AFSUG serves as a channel for the South African team to collaborate closely with customers. There are focused influence programs for South African localization topics where customers and SAP share knowledge and best practices.

Features
- AFSUG consists of SAP and customer representations in several African countries.
- AFSUG runs CIO forums, special interest groups (SIGs), and a bi-annual conference, SAPHILA.
- AFSUG is a SUGEN member
- Web access: www.afsug.com
Additional Information

SAP standard documentation (SAP Library Documentation for South Africa)
help.sap.com

Country page in SAP Service Marketplace
https://service.sap.com/Globalization → Country Information → South Africa

Legal change planning information
service.sap.com/Globalization → Country Information → Legal Changes

Releases supported
Standard in all releases in mainstream maintenance

Customer service
XX-CSC-ZA for functional problems (FI/OP)
PY-ZA for HR payroll problems

You can find additional information at the sites listed here.
You should now be able to:

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Related Information

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

- service.sap.com/GKB
- SAP Library – South African country version
- Local consulting

Here is some extra information that may help when you implement the South African country version.
Thank You!

Contact information

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