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1 Quick Facts

Here you find general information about China.

In the way of globalization and digital transformation, SAP Localization for China, leveraging SAP’s extensive globalization experience and growing with local markets, has provided lots of high-level localization products and services, which fully meets local legal requirements in a timely manner, and fully integrate the actual needs of local markets.

To keep track of the latest changes with Announcement of Legal Change, just add Announcement of Legal Change to your SAP Support Launchpad.

Legal Compliance

<table>
<thead>
<tr>
<th></th>
<th>FI/Logistics</th>
<th>Human Capital Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law Complexity Ranking</td>
<td>Medium Complexity</td>
<td>Medium Complexity</td>
</tr>
<tr>
<td>Frequency of Legal Changes</td>
<td>Dynamic, over the year</td>
<td>Dynamic, over the year</td>
</tr>
<tr>
<td>Official Local Language</td>
<td>Simplified Chinese</td>
<td>Simplified Chinese</td>
</tr>
</tbody>
</table>

Language

Simplified Chinese
2 Financial Accounting (FI)

2.1 Challenges

In China, many of CFOs in China need to face a lot of local challenges and questions in common, for example as below:

- How can we make sure that our system can export the data required by China government?
- How can we output the FI document, ledgers in China form, in case required by China authority?
- How can we prepare China financial reports quick and correct?
- How can we make transparent of tax invoice information and quickly prepare tax reporting?
- How can our system connect to China official invoice system?
- How can we secure our growth and expansion by well strengthening central governance on the whole group’s cash flow?
- Can we directly connect our ERP to the banks to have secure and speedy cash operation?

2.2 Localization Solutions

2.2.1 China Financial Reports in and Cloud

In , by adopting Fiori and ACR (Advanced Compliance Reporting) technical framework, we provide some of China specific reports to meet the legal reporting purpose and business process requirements. Those reports include:

- Balance Sheet / Income Statement - China (Fiori APP)
- Display Customer/Supplier Summary - China (Fiori APP)
- Display G/L account Balances - China (Fiori APP)
- Accounts Document Output - China, also supporting China official document numbering (VH APP)
- Run Compliance Reports - China Cash Reporting (Fiori APP): cash flow statement in both direct&indirect method (ACR reporting)
- Run Compliance Reports – China GL Reporting (Fiori App): China statement of owner’s equity (ACR reporting)
2.2.2 China VAT Invoice Management in and Cloud

VAT invoice management is an important topic which closely relates to legal compliance and business process efficiency. Many of customers are facing a lot of invoice related challenge in their daily life. Therefore, In S4HANA both Cloud and OP, we provide full suite of China VAT invoice management to meet the challenges of both issuing official sale invoice and managing the incoming VAT invoice.

For sales invoice, our function can:

- Handle full process of issuing Golden Tax invoice (China official invoice).
- Variable ways of information exchange with Golden Tax.
For incoming invoice, our function can:

- Manage full cycle of incoming Golden Tax invoices
- Provide trustable data and report to support tax claiming and auditing.

**Major Processes in Incoming VAT Invoices**

![Diagram of major processes](image)

2.2.3 **China Audit Data Extraction and Reporting in and Cloud**

In order to increase the visibility of business operation of companies, China National Audit Office defines national standard of audit data extraction GB/T 24589. It requires that each company’s accounting system should be able to export financial data by this standard.

- As set of 4 reports are provided in ACR which extracts data from variable SAP FIN sources and generate the data files in form of GB/T 24589
- The exported files cover GL, AR/AP, AA, variable kinds of financial settings and master data
2.2.4 Cash Management, version for China in and

Cash Management, Version for China is a suit of localized cash management functions. The suite covers some general cash management requirements in China like cash planning and control, incoming/outgoing payment management with direct China bank communication, bank statement reconciliation, China bank acceptance draft management. The localization functions integrate with SAP global cash management, both together provide China customers an end-to-end solution to support every aspect of cash management business. Below are main functions:

- Provide Cash planning and control to establish end-to-end cash planning procedure within a group and use plan to impose real-timely control on actual payment.
- Provide Integrated payment platform for end-to-end processing of incoming payments, outgoing payment, bank statement reconciliation.
- Provide capability of direct connecting to China banks’ client software in HTTP mode, exchanging the information like payment order, payment confirmation, bank statement.
- China bank-acceptance draft management: to enable centralized visibility and management of China bank-acceptance draft, standardize the variable business processes in the life cycle of bank-acceptance draft, helping user to efficiently allocate the drafts to different usage.

Those functions are integrated together, helping China company to set up big cycle of cash management starting from plan, then execution, data reconciliation, and finally reporting.

2.2.5 Cash Management China Enhancement in

Due to technical limitation, some of China Cash management functions in OP cannot be provided in . As a result, a tailored suite is provided as below:

- An particular China APP to manage the end-to-end outgoing payment processes including: payment proposal, approval, posting, generate payment media.
- Provide a special payment method which can download the payment orders into excel sheet. The sheet can be further adapted and uploaded into bank’s webpage.
• Support to upload China bank statement in excel.
• An particular APP for quick reconciliation between bank statement and general ledger, which is also enhanced with automatic proposal by machine learning.
• China bank-acceptance draft management, same as OP: to enable centralized visibility and management of China bank-acceptance draft, standardize the variable business processes in the life cycle of bank-acceptance draft, helping user to efficiently allocate the drafts to different usage

2.2.6 China Check Management Fiori APPs in and Cloud

In spite that electronic payments such as online payment and mobile payment are more and more popular, check payment are still used in many of company. Therefore, to properly handle the check process is in general need in S/4HANA customer. Accordingly, we provide China specific Check management based on Fiori technology. The solution includes:
• Fiori APP: Manage Check books (China)
• Fiori APP: Manage Outgoing Check (China)

With this solution, company can:
• Maintain checkbook
• Handle the process in the life cycle of check
• Automatically issue checks with automatic payment program or manually issue checks
• Process exceptions

2.2.7 BPC Localization Solution for China

For most of Chinese customers, process management is very critical in planning and consolidation scenario. SAP BPC provides a build-in process management framework (BPF) to support process management. BPF supports a simple approval process by assigning a reviewer to each BPF activity. However, this is not enough for Chinese customers because:
• BPF only support review by one user or one group. It doesn’t support complex approval case like multi-level approval, countersign.
• BPF can’t differentiate approval process in different context. For example, for the same BPF process activity, customer needs different approval process for company A and B.
• Most of Chinese customers use Office Automation System(OA) to manage the process. Customers expect to manage all approval process in the same environment as other approval process.

The enhancement functionality of BPC localization for China includes:integration of BPC Process and External Workflow:
• Support any kind of approval process by integrating with any type of external workflow system.
• Provide convenient configuration UI for key user to create and adjust approval process without changing any code.
• Customers can review and approve BPC activity in an environment that they are familiar with. Be able to leverage external workflow system to collaborate with others
• Enable WPS 2016 as another planning and consolidation client, besides Microsoft Excel.
• Enhance BPF to group process instances and create instances in a batch way

**Integrated Approval Process with 3rd Party Workflow**

**BPC**

- Activity 1
  - Report 1
  - Report 2
  - Report 3

  ![Submit]

- Activity 2
  - Report 4

  ![Approve]

  ![Reject]

**External Workflow**
3 Human Capital Management Requirements for China

SAP ERP HCM provides comprehensive support over the entire process from hiring, deployment, potential development, and incentive and employee evaluation, covering all the enterprise requirements. SAP ERP HCM perfectly integrates with existing business systems, catering to your requirements by flexible customization. Currently over 13,500 companies rely on SAP ERP HCM to manage their HCM businesses.

3.1 Legal Changes

Below describes the latest major legal changes in HCM for China. You may add Announcement of Legal Change to your SAP Support Launchpad then find all relevant Legal Changes.

Individual Income Tax Reform in China [page 10]
Comprehensive Income Tax Report for Annual Settlement [page 15]

3.1.1 Individual Income Tax Reform in China

With the effective from Jan.1 2019, China government announced a series changes to regulation of the individual income tax, which is the biggest legal changes in recent 20 years in China. (see the official announcement)

The key changes of the new regulation includes:

- New Exemption Amount of RMB5,000 from Monthly Salaries and Wages
- New Definition of Tax Resident

<table>
<thead>
<tr>
<th>Definition</th>
<th>Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China-domiciled individuals</td>
<td>Non-China domiciled individuals who have not resided in China</td>
</tr>
<tr>
<td></td>
<td>Non-domiciled individuals who stay in China for more than 183 days/calendar year in a consecutive 6 years</td>
<td>Non-China domiciled individuals who stay in China less than 183 days in a calendar year</td>
</tr>
<tr>
<td>Obligation</td>
<td>Worldwide income</td>
<td>Income sourced from China</td>
</tr>
<tr>
<td>Assessable period</td>
<td>computed on consolidated basis according to the tax year</td>
<td>calculated on a monthly basis or by income category</td>
</tr>
</tbody>
</table>
• New Income Categories

<table>
<thead>
<tr>
<th>Categories</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td>3%-45%</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>New tax rate brackets effective from January 1, 2019</td>
</tr>
<tr>
<td>Remuneration for providing service</td>
<td></td>
</tr>
<tr>
<td>Authors’ remuneration</td>
<td></td>
</tr>
<tr>
<td>Income from royalties</td>
<td></td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>5%-50%</td>
</tr>
<tr>
<td>Income from Business</td>
<td></td>
</tr>
<tr>
<td>Income from interest, dividends and bonus</td>
<td></td>
</tr>
<tr>
<td>Income from lease of property</td>
<td></td>
</tr>
<tr>
<td>Income from transfer of property</td>
<td></td>
</tr>
<tr>
<td>Incidental income</td>
<td>20%</td>
</tr>
</tbody>
</table>

• New Measures on Individual Income Tax Deductions

China’s revised individual income tax law added special additional deductions from taxable incomes for children’s education, continuing education, treatment for serious diseases, caring for the elderly, as well as housing loan interests and rents.

**Children’s Education**
- Pre-school education when child turns to 3 years old, or full-time school/academic education
- An amount of 12,000 yuan for each year from the parents’ taxable income for a child’s education

**Continuing Education**
- Fixed monthly deduction of CNY400
- Up to 48 months for each academic education
- Fixed amount of CNY3,600 per year for professional qualification education when the certificate is issued

**Treatment for Serious Diseases**
- Actual expenses exceeding CNY15,000
- Deduction limitation of CNY80,000 per year

**Caring for the Elderly**
- Caring for parent over 66 years old, or for grandparent no longer with a child
- Fixed deduction amount of CNY2,000 per month shared by all children

**Housing Loan Interests and Rents**
- Housing loan: fixed amount of CNY1,000 per month from the first month of housing loan. (No more than 240 months)
- Rents: Fixed deduction amount of CNY1,500/1,100/800 depending on location

Based on the new definition of tax resident and new measures on individual income tax deductions for items like Children’s Education, Continuing Education, Treatment for Serious Diseases, Caring for the Elderly and Housing Loan Interests and Rents, SAP offers a series of enhanced infotypes as below:

- Enhanced Infotype 0531 for Tax Resident - The employee tax type offers the option of ‘Resident’ and ‘Non-resident’ from Jan.01, 2019
- Enhanced Infotype 3422 for Special Additional Deductions
## Human Capital Management Requirements for China

### deduction type: Children's Education

| Last name | 小 |
| First name | 朋友 |
| Birth date | 12.02.1994 |
| nationality |  |
| ID Type/Number | 01 [12312312312300055] |
| Education Stage | Compulsory Education |
| Education Period |  |
| Completion Period |  |
| Institution |  |
| Location |  |

**Deduction Information**
- 100% Deduction
- 50% Deduction

Deduction Amt.: 1,000.00 CNY/Month

**Remark**
- text1
- text2
### Remarks:

- Only one time deduction allowed in a tax year
- Actual expenses exceeding CNY15,000
- Deduction limitation of CNY80,000 per year

### Fixed deduction amount of CNY2,000 per month shared by all children

### Housing Loan Interests

### Rents
i Note
For more details of SAP releases for Individual Income Tax Reform in China, please refer to the SAP note 2722005.

Parent topic: Legal Changes [page 10]

Related Information

Comprehensive Income Tax Report for Annual Settlement [page 15]

3.1.2 Comprehensive Income Tax Report for Annual Settlement

On Dec.31, 2019, China’s State taxation Administration (SAT) issued a series of tax policy about Annual Settlement for Employee Individual Tax. (see the official announcement) According to the announcement, resident taxpayers are required to make a settlement during the period between March 1 and June 30 the following year, if certain conditions are met. SAP note 2877420 released for the enhancement on the report of China Year-end Individual Income Tax Report (HCNCTXD0) to support employees in completing the annual tax settlement and also provide an overview of individual income per tax year.

Parent topic: Legal Changes [page 10]

Related Information

Individual Income Tax Reform in China [page 10]

3.2 Localization Solutions

3.2.1 Labor Contract Management

At Jan. 1st,2008. China Ministry of human resources and social security has published new version of labor contract law. It improved the protection for the laborer, and the enterprises should take more responsibilities for the laborer.
SAP’s Contract Management solution covered the whole lifecycle of contract management: from the contract creation, contract execution, and contract termination. It includes: Severance Payment; Payment in lieu of Notice; Minimum Salary; And User can operate all functions of contract management in one workbench.

- Labor Contract Lifecycle

- Contract Entry and Alteration

- Contract Termination – Workbench
3.2.2 Corporate Pension

- Full-cycle management
- Flexible eligibility controlling
- Customizable contribution calculation
- Tailored beneficiary verification
- Mass Employees Data Handling
3.2.3 Supplementary Insurance

- Configurable personalized definition of a supplementary insurance
- Customizable contribution periods management
- Configurable Contribution Calculation Method
- User-friendly Interface, Similar with Social Insurance Solution
3.2.4 Performance Appraisal Management in China Localization

- China localized KPI management, information maintenance field for the KPIs required by localization and a complete management process.
- An integrated platform for performance appraisal, SSO as an appraiser or appraisee and the entire process from planning to the completion of performance appraisal.
Manager, line manager or performance manager can analyze the team performance visually.
3.2.5 HR Statement Management

- Optimized user experience
- Strengthened management of statement procedures
- Flexible and convenient configuration approaches for HR end-users
- Simple and rapid statistics engines
- Structural query on historical data of statements
4 SuccessFactors China Localization Solution

4.1 Solution Background

With the development of enterprises and the concept of cloud, the workforce of enterprises are getting more and more diverse, posing great challenges for enterprises in terms of human capital management:

- The ever-changing workforce structure: Employees are from different countries and regions with different cultural backgrounds. They long for more flexible working and social platform as well as self-development.
- Communication: Collaboration has never been so emphasized before, which is also more complicated.
- Complexity: Traditional HCM systems are very complicated and inefficient, difficult to operate and use.
- Business Intelligence: It’s never easy to make data and business analysis easy and understandable to managers.

SAP SuccessFactors help enterprises address the above challenges and achieve excellence in HCM by making complicated things simple.
4.2 Localization Solutions

Country/Region Specifics for Employee Central

Find out which specific fields are needed to configure Employee Central for China here.

Country/Region Specifics for Employee Central Payroll

Find out which specific fields are needed to configure Employee Central Payroll for China here.

Payroll Control Center

The Payroll Control Center offers a new user experience and simplifies payroll processes. It ensures whole payroll process with full transparency and legal compliance:

- Payroll Process - Makes the end-to-end process simple and efficient with Tabbed pages.
- Payroll Data Validation - Ensures high payroll data quality and enhances the collaboration between process manager and payroll administrator.
- Alerts Management - Enables Payroll administrator to handle the alerts from real-time
5 Logistic for China

In the following, you find localization solutions.

SAP Hybris Commerce – Integration with WeChat

SAP Hybris ecommerce integration with WeChat leverages the most popular social platform to create a conversational business scenario, connecting online and offline marketing channels, thus achieving all-round channels of ecommerce.

Key Features:
- WeChat Storefront
- Consumer Identity
- WeChat Payment
- Store Nearby
- Contextual Search
- Social Sharing

SAP Hybris Marketing – Integration with WeChat

SAP Hybris Marketing - WeChat integration helps businesses to analyze customer interactions on WeChat, segment WeChat followers on the basis of geographic location, and send relevant and personalized marketing messages or coupons to WeChat followers.
Key Features:

- Integration & Analysis of WeChat Official Account
- Segmentation of WeChat followers via Baidu map
- WeChat Automated Campaigns
6 Social Media Integration Services for China

6.1 Challenges

In China, many customers want to improve their user experience to let the end users use the system easily. Mobility is a method, and social media on mobile phones provide a good chance to make it easily. But how to integrate social media with SAP solutions, they have no development experience.

Social Media Integration Services powered by SAP Cloud Services is developed and supported by SAP Globalization Services team. In China, we integrate main social media such as WeChat and Dingtalk with SAP products.

6.2 Localization Solutions

Social media integration services (Integration with WeChat and Dingtalk)

Social Media Integration Services works like a bridge to build the connection between social media, SAP products, and social media applications with reliable and compliance. It also offers many useful features such as one-stop marketplace to help SAP customers subscribe, make configuration, and get support.

For now in China, we have integrated social media include WeChat and Dingtalk. SAP products include SF (SAC and other SAP products are in plan).

- Building Social Media Integration Service (SMIS) for better APP supporting
Social Media Integration Services-App Center

- Social media ESS for WECHAT
  - Description: Social media ESS application for WECHAT
  - Integrative Info: Uninterested
  - SAP Product: SocialAxis
  - Publisher: GI MCO

Leave Quota Inquiry

Simply get a WeChat message for Leave Quota overview, or directly open the Leave History page.

Time Off

Universal User Experience via WeChat Support “Clock Time” and “Duration”, as per the GC system configuration. Attachment functionality is enabled.

To Do List

Time Sheet

Watch-time hours shall be entered in the mobile APP if configurable.
Application: WeChat Official Account for SuccessFactors Recruiting

It’s a SF Extension built to extend the capability of SuccessFactors Recruiting. Main functions include:

- Enable corporate to post jobs to WeChat official accounts.
- Enable candidates to search, view & apply for jobs from WeChat.
- Enable candidates to import profiles from popular Chinese job boards.
- Allow candidate to track his application history in WeChat.
- Enable online interview in WeChat.
- Resume collection Service for HR Admin.

Application: Ali-ding talk for SuccessFactors Employee Center

![Dingtalk Client]
![EOSM Admin Workbench 3.0]
WeChat for SuccessFactors Employee Center

Employee self services on Social Media (EOSM) - WeChat and Dingtalk. Main applications include:

- Time Off (Leave Request)
- Time Sheet
- To-Do (Workflow Approvals)
- Clock in data integration
- Generic MDF workflow approval
- Generic MDF workflow history inquiry
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