Local Version: Saudi Arabia
Content

1 Quick Facts. .................................................................................. 3

2 Recommendations and General Information........................................ 5

3 Finance Requirements for Saudi Arabia Public and Private Sector. .......... 6
   3.1 Financial Accounting (FI). .......................................................... 6
      General Ledger Accounting. .......................................................... 6
      Accounts Payable. ...................................................................... 7
   3.2 Public Sector ............................................................................ 8
      General Ledger Accounting – Public Sector. ................................. 8
      Accounts Payable - Public Sector. ................................................. 8
   3.3 Funds Management. ................................................................. 9
      Master Data. ............................................................................. 10
      Budget Classifications based on the GFSM2001/2014. .................. 10
      Budget Preparation Forms. .......................................................... 11
      Earmarked Funds Reporting. ....................................................... 11
      Printing the Reservation Letter Form. ......................................... 11
      Printing the Engagement Letter Form. ....................................... 12
      Logical Forms Framework. ......................................................... 12
   3.4 Sales and Distribution (SD). ...................................................... 12
   3.5 Material Management (MM). .................................................... 12
      Imports Process and Custom Duty Computation Scenario .............. 12
      Harmonized Commodity and Coding. ....................................... 13

4 Human Capital Management Requirements for Saudi Arabia Public and Private Sector ........................................................................ 14
   4.1 Human Capital Management for Saudi Arabia Private Sector Using SAP SuccessFactors. .................. 14
      People & Time-Off using Employee Central. ................................ 14
      Time & Payroll Calculation Using Employee Central Payroll. ........ 15
      Legal Documents Using Visa & Permits Management. .................. 16
      Human Capital Management for Saudi Arabia Public Sector using SAP ERP. .................................. 16
1 Quick Facts

Here you find general information about Russia.

Key Strengths

- Standard local version since SAP S/4HANA 1511, EC 1505, EC Payroll 1508
- Large customer base in Saudi Arabia.
- Supports legal compliance features and market requirements for various business transactions, enabling businesses to run better.
- Local version for Saudi Arabia is now operational at most of the top corporations in Saudi Arabia, including global business giants across various public sector, private sector, industries such as retail, oil & gas, industries and banking.
- SAP is also the software of choice in the Public sector

Challenges

- Saudi Arabia has a relatively stable regulatory framework; however, several laws apply to specific business sectors such as public and private.
- Legal changes: The Announcement of Legal Change
- Legislative reforms are often planned, applied on short notice and in some cases applied retroactively.
- Interpretation of the law is sometimes open and often the technical specification is not always available for development on time.

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>Arabic</td>
<td>Arabic</td>
</tr>
</tbody>
</table>
Language

- Arabic is the first language in KSA, with English widely spoken and used in business. Any correspondence with the Government bodies, however, should be in Arabic e.g. business agreements and contracts
- All core modules are translated into Arabic
- Local Product Managers are Arabic speakers, thus customer communication about latest features or roll-in of customer needs can be handled smoothly.

Internationalization

- It provides the technical environment to operate globally.
- The SAP system supports many languages and currencies and different time zones.
- The calendars support both Gregorian and Hijri formats. The Hijri calendar is an Islamic calendar that depicts the duration of each month based on the lunar eclipse.
2 Recommendations and General Information

- Saudi Arabia is a member of Cooperation Council for the Arab States of the Gulf (GCC).
- Currency: Saudi Riyal (SAR) is the legal reporting currency
- Exchange Rate: Fixed exchange rate against USD (1 USD = 3.75 SAR)
- Accounting Principles/Financial Statements: (IFRS/SOCPA)
- Saudi Arabian Monetary Authority (SAMA); which is the Saudi Arabian Central Bank; requires banks and insurance companies in Saudi Arabia to report under IFRS. The Saudi Organization for Certified Public Accountants (SOCPA) Standards apply to all other companies, listed and unlisted. The SOCPA required all other listed companies to apply IFRS endorsed by the SOCPA from the financial period starting on 2017/01/01 and all other entities (SMEs) from financial periods starting on 2018/01/01.
- Bank Master Data: IBAN & Account number are mandatory for all payment methods.
- Date Format: DD.MM.YYYY
- Decimal Format: 1,234,567.89
- Gregorian calendar for private companies, and Hijri calendar for government entities, and both January to December.
- Government report: Arabic (AR)
3  Finance Requirements for Saudi Arabia
Public and Private Sector

3.1  Financial Accounting (FI)

3.1.1  General Ledger Accounting

Value Added Tax

- Standard VAT rate is 5%.
- Tax is imposed on all Taxable Supplies of Goods and services made in the Kingdom by a Taxable Person or received in the Kingdom by a Taxable Person in instances where the Reverse Charge Mechanism applies, as well as on Imports of Goods.
- The Supplier is considered a Taxable Supplier, or the Customer is considered a Taxable Customer in cases where that Person is registered for VAT in Saudi Arabia where it has a Place of Residence on the date the Supply takes place.
- VAT registration: a business must register for VAT if their taxable supplies and imports exceed the mandatory registration threshold of SAR 375,000.
- Local version of Saudi Arabia allows you to post documents containing value added tax.
- It enables you to prepare VAT return using SAP S/4HANA for Advanced Compliance Reporting (ACR). [SAP S/4HANA 1610 onwards and SAP S/4 HANA Cloud 1808 onwards]. For more information on VAT reporting see S4H-ACR for Saudi Arabia
- For lower versions of SAP S/4HANA, VAT return functionality is available in SAP Localization Hub, advanced compliance reporting service (SLH-ACR 1711).
- SAP Localization Hub, tax service helps you determine and calculate applicable country/region-specific indirect taxes. The tax service comes with sample tax determination and calculation content and increases automation in tax-relevant transactions. The tax service also includes a partner framework that allows you to integrate partner tax solutions, for more information
- For more information, see SLH-ACR service for Saudi Arabia
- VAT Registration Number: SAP solutions provide the functionality to add VAT registration numbers in company code data, for business partner, and in your supplier and customer master data.
- SAP Notes 2477105, 2571675, 2552954, 2576647
- For more information, see Tax local version for Saudi Arabia
Withholding Tax

- Non-residents who do not have a legal registration or a permanent establishment in Saudi Arabia are subject to withholding tax on their income derived from a source in Saudi Arabia.
- Saudi Arabia local version comes with all the settings you need to prepare and remit withholding taxes according to the requirements of the General Authority of Zakat and Tax (GAZT).
- The companies in Saudi Arabia should notify GAZT all tax that they withhold on payments to a nonresident. Each time you make a payment to the recipient, you must fill out the form and submit it to the GAZT within the first ten days of the following month.
- The companies can issue the WHT certificate to non-resident vendors to show the details of the tax amount withheld from them. This certificate is issued only on request.
- SAP delivered following reports:
  - Monthly Withholding Tax report
  - Annual Withholding Tax Report
  - Withholding Tax certificate for Vendors
- For more information, see Withholding Tax for KSA

3.1.2 Accounts Payable

Vendor Certificate

- In the Saudi Arabia, suppliers are required to maintain several certificates that are prerequisites for doing business in the country. For example, all suppliers that have 100,000 Saudi Riyals in capital are legally required to register with the Commercial Register Office and are issued a commercial registration certificate with a Commercial Registration Number (CRN). These certificates are only valid for a limited time and must be renewed periodically.
- SAP delivered this functionality to enable you to capture the various certificate validity periods of your vendors. Vendors with expired certificates can be blocked from being involved in business activities within the system and can be unblocked when they have submitted a valid certificate.
3.2 Public Sector

3.2.1 General Ledger Accounting – Public Sector

Adjustment Entry Reporting

- You use this form to record an adjusting entry that debits a general ledger (G/L) account and credits another G/L account. In general, this adjusting entry is used to debit an expense account with the amount paid to an employee or another party for a specific activity or to credit a consignment G/L account. You create a single financial transaction for each adjusting journal entry that is related to a single employee or other party.
- You record this transaction in the general ledger, and it is audited and approved by a financial controller and/or finance manager.
- You use the generic correspondence functions to print the form based on an accounting document. This allows you to print the form in accordance with the legal requirements of Saudi Arabia.
- Features
  - You can use the RFIDSAU_ADJUSTMENT_ENTRY program, which the correspondence functions use to print the form in PDF format.
  - For more information, see Adjustment Entry Reporting

3.2.2 Accounts Payable - Public Sector

Expenditure Orders for Public Sector

- In Saudi Arabia, public sector entities use expenditure orders to process payments for beneficiary invoices. Payment processing for these expenditure orders is done using payment documents.
- Expenditure orders are generated by posting documents with sources Financial Invoice (FI), Material Management (MM), Beneficiary Advances, or Employee Advances, using standard posting transactions such as FB60 and MIRO. These transactions are localized to include the KSA-specific fields at the header and line item level.
- Expenditure orders dashboard enable you to search, edit, print and reverse expenditure orders
- For more information, see KSA PS Expenditure Orders
Payment transaction for Public Sector

- In Saudi Arabia, public sector entities; there are two payment transactions type:
  - Payment Order through MOF,
  - Internal Transfer from Entity fund/cashier
- Payments with amount greater than the configured threshold amount need to be created as MoF payment documents using the MoF payment type.
- Payment transaction is a localized function:
  - It controls the payment from one budget chapter only.
  - Separate payment order will be issue for VAT payment amount
  - The function enhanced with status update for MOF Payment tracking for payment order
  - Payments cannot be saved or parked and are posted directly
- Payment transactions dashboard enable you to search, edit, print and reverse payment transaction
- For more information, see KSA PS Payment Transaction

Asset Accounting

- The Asset Accounting (FI-AA) component covers the most important laws and business practices specific to Saudi Arabia.
- Tax Depreciation of Fixed Assets: In Saudi Arabia, depreciation can be deducted for tangible or intangible assets that lose value due to wear and tear or because they become obsolete. Depreciable assets are classified into asset groups that have defined depreciation rates, for example, stationary buildings have a depreciation rate of 5% per annum.
- Local version Saudi Arabia provides a report that you can use to calculate this tax depreciation. The report evaluates the value of asset transactions posted for a specific company code, depreciation area, and from fiscal year -1 to fiscal year.
- For more information, see the report documentation for Tax Depreciation of Fixed Assets (RFIDSAU_TD_MAIN)
- For further functional enhancements or other additionally requested developments see the SAP Note 2522771

3.3 Funds Management

The local version covers the most important laws and business practices specific to Saudi Arabia.
3.3.1 Master Data

- Company Code: Country Version Saudi Arabia comes with the template company code and Funds Management (FM) area SAPS for Saudi Arabia Public Sector and is delivered via template Business Configuration (BC) Set.
- Chart of Accounts: Country Version Saudi Arabia comes with the template chart of account SAPS for Saudi Arabia Public Sector and is delivered via template Business Configuration (BC) set.
- The following account assignment elements can be used for budget entry and reporting:
  - commitment items
  - functional areas
  - functional area groups
  - funded programs
  - funded program groups
- The entities used by the government of Kingdom of Saudi Arabia (KSA) are mapped to these account assignment elements. You can make actual and commitment posting on account assignment elements.
- For more information, see KSA FM Master Data

3.3.2 Budget Classifications based on the GFSM2001/2014

The following are the important dimensions for reporting the new Budget classification in Kingdom of Saudi Arabia (KSA) based on the GFSM principles:

- Administrative Classification
- Economic Classification
- Functional Classification

The general practice in Saudi Arabia is to map these reporting dimensions as mentioned below, that will serve as the basis for budget reporting based on the GFSM principles:

- Administrative Classification: the public sector organization can be classified into one of the following 3 levels:
  - Level 1: Ministry (main entity)
  - Level 2: Branches
  - Level 3: Sections (municipalities, departments, councils)
- Economic Classification based on GFSM consists of three budget classes:
  - Revenues
  - Expenditures
  - Assets & Liabilities
- Each class is divided into Budget chapters.
- The Budget class, budget chapters and sub levels to be created as commitment items groups.
- The commitment items are to be maintained at the lowest level of the hierarchy of the commitment item groups.
- Functional Classification is used to classify the social and economic objectives that the government unit seeks to achieve through the budget. It consists of ten main categories as specified by the GFSM accounting principle
• Functional classification is understood to be mapped to the functional area account assignment element in funds management.

For more information, see KSA Budget Classifications based on the GFSM

### 3.3.3 Budget Preparation Forms

• The local version for Saudi Arabia provides specific reports for Budget Preparation Process and help the end user in making decisions about budget creation:
  • Budget Expenditures Forms (chapter 1-8)
  • Non-Financial Assets Forms
  • Programs and Projects Forms

For more information, see KSA Budget preparation Forms

### 3.3.4 Earmarked Funds Reporting

• Earmarked funds are business transactions in Funds Management that claim already allocated budget for expected revenues or expenditures.
• For more details, see the standard documentation for Processing Earmarked Funds.
• In Public Sector for Saudi Arabia, there are specific requirements with regards to the earmarked funds documents. When creating an earmarked funds document, the following information is required:
  ○ Reference to the external documents that support the document creation.
  ○ Information about the timeline of the contract that is represented by the earmarked fund document.
• SAP recommends that earmarked funds documents are created with one single line item.
• For more details, see Processing Earmarked Funds in Saudi Arabia

### 3.3.5 Printing the Reservation Letter Form

• You use the reservation letter to make an early claim for parts of the budget (for example, for a project), without having already entered into a concrete contractual agreement with external parties.
• According to the organization’s needs, the form printout for the reservation letter can be configured either to a fund’s reservation, or to a fund’s pre-commitment. However, SAP recommends using a funds pre-commitment for the printout of the reservation letter.
• To cover the country-specific legal requirements, SAP provides the following PDF-based form to print the reservation letter SAFM_RESERVATION_LETTER.
• For more information, see Printing the Reservation Letter Form
3.3.6 Printing the Engagement Letter Form

- You use the engagement letter to provide the awarded contractor with the exact contract amount.
- The engagement letter is associated with the fund’s commitment provided by SAP.
- To cover the country-specific legal requirements, SAP provides the following PDF-based form to print the engagement letter: SAFM_ENGAGEMENT_LETTER_2.
- For more information, see Printing the Engagement Letter Form

3.3.7 Logical Forms Framework

- The logical forms framework creates an abstract layer to customize PDF-based forms. This abstract layer comprises group forms and logical forms.
- The PDF-based form to be printed is derived from the group form and logical form.
- There is also the RTL_IND field that indicates if PDF-based form has a layout of RTL (right to left) or LTR (left to right). This parameter is not entered automatically according to the PDF-based form layout, you must customize this table correctly.
- For more information, see Logical Forms Framework

3.4 Sales and Distribution (SD)

Official Document Numbering

- Unique sequential numbers are required to identify sales invoices/documents (Customer Invoice, Outgoing Credit Memo, Outgoing Debit Memo).
- This numbering is at company code level.
- SAP Notes: 2582106, 2583614, 2583028, 2583569

3.5 Material Management (MM)

3.5.1 Imports Process and Custom Duty Computation Scenario

- Custom duties must be paid for custom clearance.
• Customs invoice consists of Basic Customs Duty (BCD) and VAT in the new tax regime.
• To create a customs invoice in MIRO, Basic Customs Duty is derived from the delivery cost line.
• VAT is computed on the Basic Customs Duty. For exempted goods, VAT is computed on the assessable value.
• SAP Notes: 2583028, 2581369, 2583751

3.5.2 Harmonized Commodity and Coding

• HS (Harmonized System) Code number stands for Harmonized Commodity and Coding System. This is the common standard worldwide for describing the type of commodity. Every commodity that enters or crosses most international borders must be declared to customs by means of this code. This helps in standardizing the codes worldwide.
• As members of the WCO, GCC countries have agreed to use a common system based on the HS.
• The Unified GCC Customs Tariff sets eight-digit codes to classify goods for customs purposes (the first six digits correspond to the HS).
• HS codes / Tariff must be maintained for each material. These HS codes for a material vary depending on the ship to country.
• The Mass Upload Utility app allows you to upload multiple HS (Harmonized System) codes in a single instance by uploading a .CSV file. For more information, see Mass upload utility on S4C.
4 Human Capital Management Requirements for Saudi Arabia Public and Private Sector

4.1 Human Capital Management for Saudi Arabia Private Sector Using SAP SuccessFactors

4.1.1 People & Time-Off using Employee Central

Company Information

Specific fields for corporate-related information for Saudi Arabia.

Employee Information

- Relevant fields for national ID for Saudi Arabia.
- Specific fields for an employee’s home address for Saudi Arabia.
- Specific fields for Global Information for Saudi Arabia.
- Specific fields for job information for Saudi Arabia.
- For more info please see: SAP Help Portal > SAP SuccessFactors Employee Central > Employee Central Country/Region Specifics > Saudi Arabia.

Employee Benefits

- Ticket Benefit and entitlement rules per local practice can be covered using Global Benefits
- For more info please see: SAP Help Portal > SAP SuccessFactors Employee Central > Country/Region-Specific Allowances > Middle East and North Africa (MENA) > Ticket Entitlement.
Employee Time-Off

- Follow Employee Central Best Practices for KSA to know how to configure time account for Annual Leave, configuring other leave types per law and apply business rules.
- Regarding Sick Leave, time account cannot be configured for sick leave because the sickness year cannot be fixed so the sickness cycle gets controlled from payroll side.
- For more info please see SAP Best Practices for SuccessFactors Employee Central.

4.1.2 Time & Payroll Calculation Using Employee Central Payroll

Employee Central & Employee Central Payroll Integration

- Employee data required for payroll calculation gets replicated from Employee Central to Employee Central Payroll using point-to-point integration
- For more info please see Saudi Arabia in Country/Region Specifics for Employee Central Payroll

Employee Central Payroll Features

- GOSI Contribution Calculation:
  - Calculating GOSI contributions paid by employee and employer per law on monthly basis.
  - For more info please see Social Insurance under Payroll Saudi Arabia (PY-SA)
- End of Service Gratuity & Provisioning:
  - Calculating provisioning for EOS gratuity on monthly basis and upon termination per law and flexible enough to add company policy.
  - For more info please see End of Service under Payroll Saudi Arabia (PY-SA).
- Ticket Benefit
  - This is another way to manage the ticket benefit
  - It has 2 main advantages if compared to EC Global Benefits which is accrual based entitlement and calculating monthly provisions
  - However it has 2 disadvantage if compared to EC Global Benefits which is lack of ESS and managing entitlement and compensation must be using mashups
  - For more info please see Ticket Benefit under Payroll Saudi Arabia (PY-SA)
- Sick Leave Payment
  - Controlling Sickness Cycle and evaluating sick leave according to statutory requirements.
  - For more info please see Sick Leave under Payroll Saudi Arabia (PY-SA)
- Advance Leave Payment
  - Employees can take payment against their leave in advance and recover in a single payroll period or over multiple payroll periods.
● For more info please see Advance Leave Payment under Payroll Saudi Arabia (PY-SA)

○ Annual Leave Provisioning
  ○ The system provisions the leave on a monthly basis based on factor of 12.
  ○ Time Accounts gets replicated to Absence Quota in payroll to calculate the provisioning.
  ○ For more info please see Leave Provisioning under Payroll Saudi Arabia (PY-SA)
  ○ Please also see Time Account Information Replication Scenario

● Violations & Sanctions
  ○ Penalty (Deduction) can be defined against each Violation Category based on the violation occurrences within certain duration
  ○ For more info please see Sanction Violations under Payroll Saudi Arabia (PY-SA)

Legal Reporting

● GOSI Legal Forms
  ○ All GOSI legal reporting can be acheived online using “GOSI Online” portal, however, there are legal forms like GOSI Form 10 can be generated from the system.
  ○ To facilitate reporting the monthly GOSI salary changes, a report has been made available to generate a “csv” file format that can be uploaded directly to “GOSI Online” portal.
  ○ For more info please see Social Insurance (GOSI) Reports and Forms under Payroll Saudi Arabia (PY-SA)

● Wage Protection System
  ○ WPS file based on SAAB Bank format can be generated from payroll
  ○ For more info please see Pre DME Report Enhanced for FI WPS Integration under Payroll Saudi Arabia (PY-SA)

4.1.3 Legal Documents Using Visa & Permits Management

● For more information about the product features please see SAP SuccessFactors Visa and Permits Management

● For more information about configuration please see SAP SuccessFactors Visa and Permits Management on Help Portal

4.1.4 Human Capital Management for Saudi Arabia Public Sector using SAP ERP

4.1.4.1 Job Classification

● Job classification is a matrix that is used to structure the positions and default Pay Scale

● For more information please see Job Classification under Payroll Saudi Arabia (PY-SA)
4.1.4.2 Employee Actions

Qarar Info

- Qarar info can be recorded with every employee action and can be linked with a process to print Qarar Form
- Qarar info can be retrieved later using Qarar Inquiry Report
- For more information please see Decision-Making Processes (Qarar) under Payroll Saudi Arabia (PY-SA)

Additional Working Hours

- Additional Working Hours gets recorded in infotype for given month excluding leaves and mandate then gets evaluated at the end of the month using one report and the valued amount gets paid thru off-cycle payroll
- Additional Working Hours gets revaluated in case Additional Working Hours gets revised after payout and the differences gets paid thru regular payroll
- For more information please see Additional Working Hours under Payroll Saudi Arabia (PY-SA)

Mandate

- Mandate information gets recoded in infotype for a given period.
- Based on the type of mandate the mandate allowance type (Wage Type) can be determined (Internal/External, With/Without Housing, etc...) and based on both, the type and duration the amount can be calculated (indirectly evaluated) and can be paid thru off-cycle payroll.
- Mandate quota can also be reduced by the no of mandate days.
- Also Tickets info and rout can be maintained.
- For more information please see Mandate KSA PS (3323) Infotype: Saudi Arabia Public Sector under Payroll Saudi Arabia (PY-SA)
- There is also a sample Mandate Process delivered, for more information please see Decision-Making Processes (Qarar) under Payroll Saudi Arabia (PY-SA)

Additional Assignment

- Additional Assignment information gets recoded in infotype for a given period.
- For more information please see Additional Assignment SA (3343) Infotype: Saudi Arabia Public Sector under Payroll Saudi Arabia (PY-SA)
Secondment

- Secondment information gets recoded in infotype for a given period, in case it is external, the employee salary shall be stopped for the given period if “Paid by Original Organization” option not selected.
- For more information please see Secondment Infotype (3327) Saudi Arabia Public Sector under Payroll Saudi Arabia (PY-SA)
- There is also a sample Secondment Process delivered, for more information please see KSA PbS: Secondment Application (FPM) under Payroll Saudi Arabia (PY-SA)

Scholarship

- Secondment information gets recoded in infotype for a given period, in case it is external, half of the employee basic salary as well other allowances shall be stopped for the given period.
- In case it is internal, all allowances except transportation shall be stopped for the given period.
- For more information please see Scholarship Infotype (3321): Saudi Arabia Public Sector under Payroll Saudi Arabia (PY-SA)
- Employee has obligations post Scholarship and he can be charged in case they resign before the binding period.
- For more information please see Scholarship under Payroll Saudi Arabia (PY-SA)

Sanction

- Different types of sanctions can be recorded against employee such as Deductions, Deny Annual Salary Increase, Hold Promotion, etc...
- For more information please see Sanction under Payroll Saudi Arabia (PY-SA)

4.1.4.3 Leaves

- Special leaves for Saudi Arabia Public Sector customization are predelivered.
- Eligibility rules for leaves can be customized as well.
- For more information, please see Leaves under Payroll Saudi Arabia (PY-SA)
4.1.4.4 Benefits & Payroll

Pension

- Pension Employee information gets recoded in Pension infotype after enrolment in PPA.
- Employee and Employer contribution gets calculated monthly in regular payroll based on net basic salary calculated in that month.
- The employee working period prior to joining the public sector can also be added to the total contribution period.
- For more information, please see Pension in Public Sector under Payroll Saudi Arabia (PY-SA)

Promotion

- Promotion action takes place after shortlisting employees eligible for promotion which can be achieved using Promotion Pre-Check report.
- The shortlisting happens based on sum of points for more than one promotion category or condition such as Appraisal, Training, etc., where the calculation logic is fully customizable.
- For more information, please see Promotion in Saudi Arabia Public Sector under Payroll Saudi Arabia (PY-SA)

Compensation & Other Benefits

- Pension Employee is eligible for 6 months’ salary upon normal/early retirement as End of Service Reward or Benefit.
- Employee can receive financial compensation against work-related accidents depending on the compensation model and the percentage of his disability.
- Employee gets entitled for extra allowances or bonus in case he is hired on specific job or due to an action. Benefits Entitlement Workbench helps HR Admin to manage such entitlement easily.
- Employee is entitled for Annual Salary Increase if he meets the criteria by law and not deprived due to sanctions.
- For more information, please see Compensation and Benefits under Payroll Saudi Arabia (PY-SA)

Suspension

- Suspended employee only gets half of his basic salary and other allowances like transportation can also be stopped if he is part of legal investigations.
- System automatically cover his absence using one special leave called “Suspension Period”.
• The suspended amount gets accumulated and can be paid back to him if it was proven that he is innocent after deducting the applicable pension contribution amount.

4.1.4.5 Reporting

For more information, please see Reports and Forms for Saudi Arabia Public Sector
Important Disclaimers and Legal Information

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