Hi, I’m Amit Rai, SAP Localization Product Manager for Globalization Services in India.

Welcome to this session on SAP ERP Country Version India, popularly known as CIN.
Objectives

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

- Understand localization requirements for India,
- Outline localization features for India in ERP CIN (Country Version India),
- Explain localization features for India in Logistics & Financials,
- Understand solution support and rollout strategy for CIN.
This is what I have put together for you for the next half an hour. Starting with some quick facts about Country Version India, this session will give you some insight into the requirements that need to be addressed by any ERP software provider for business compliance in India.

I will briefly cover the features offered by country Version India in the areas of Logistics and Finance.

I will also touch upon the support system, and give some recommendations for those of you who are planning their first steps with country version India.
Country Version India (CIN)

Quick Facts

So let's begin with some quick facts about Country Version India, or CIN.
Country Version India (CIN)
Quick Facts

Key Strengths

• More than a decade old, and a trusted name among organizations.
• Provides legal compliance for business transactions.
• Development and support: In India, for India.
• Standard and simplified rollout strategy for legal changes.
• Large customer base, including global giants like P&G, PepsiCo, Nestle, Unilever, and Harley Davidson.

Challenges

• Complex multilevel taxation system.
• Central and state governing laws.
• Legal changes
  – Come unplanned
  – Applicable at short notice
  – Mandatory, and often mission critical

Key Strengths:

Country Version India began way back in 1997 as CIN 2.0 ERP Add-On. In 2004, CIN 4.0 was introduced as part of the standard ERP solution. So CIN is now more than a decade old, and has established itself as a trusted name.

It provides legal compliance features for many business transactions, enabling businesses to run better. Development and support for these features are provided entirely by the highly skilled team located in Bangalore, one of the largest research and development centers in the SAP Labs network throughout the world.

Country version India is run by most of the top business corporations in India. It covers all industries, and includes global business giants with locations in India such as Proctor & Gamble, Uniliver, Pepsico, Nestle, and Harley Davidson, to name but a few.

Challenges:

There are two major challenges here:

– First, India has a federal system, with a central government and state governments. This system has a complex multi-level taxation structure. I will touch upon this aspect in detail in the next few slides.

– Second, legal changes in India are often released unplanned, and at short notice.
India Requirements: An Insight

Legal Compliance Snapshot

Now let me walk you through the India Requirements snapshot. We’ll look into the tax structure that forms the basic compliance rules for business taxation supported by Country Version India.
There are 4 major tax heads under the Taxation framework for business transactions.

- Excise tax
- Value added tax, or central sales tax, commonly known as VAT and CST
- Service tax, and
- Withholding tax

If we look at the basis of charge,

- Excise is a tax on the production and movement of goods,
- VAT is a tax on the intrastate sale of goods, and CST is a tax on the interstate sale of goods,
- Service tax is levied on the procurement and sale of services, and
- Withholding tax, commonly known as Tax Deducted at Source (or TDS), is deducted from certain payments covered under the provisions of Income Tax Act.
Each tax head has components that constitute the tax.

- Excise has Basic, Special, and Additional components, and has 2 cesses - Education Cess and Secondary & Higher Education Cess. These cesses are tax on taxes.
- VAT and CST has just one component, the rate being dependent on the registration status and region.
- Service tax has the basic element along with the cesses.
- TDS has the basic element and the cesses, along with a surcharge, which is again the tax on tax.
There is a level of complexity involved in the calculation of Excise Tax where this is based on the unit of measure or tariff rates fixed by the authorities.

For the rest, calculation is relatively simple, based on the value of goods or services, or the liability booked in the case of TDS.
## Legal Compliance Requirements

<table>
<thead>
<tr>
<th>BASIS OF CHARGE</th>
<th>EXCISE TAX</th>
<th>VAT / CST</th>
<th>SERVICE TAX</th>
<th>WITHHOLDING TAX</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Tax on the manufacture or production of goods in India that are moveable or marketable</td>
<td>Tax on sale of goods</td>
<td>Tax on services procured and rendered</td>
<td>Tax to be deducted at source from all payments / provisions covered by the provisions of the act</td>
</tr>
<tr>
<td>COMPONENTS</td>
<td>Basic Excise Duty (BED)</td>
<td>Basic Tax</td>
<td>Basic Service Tax</td>
<td>Basic Tax</td>
</tr>
<tr>
<td></td>
<td>Sp. Excise Duty (SED)</td>
<td>Rate determined based on buyer / seller registration status and region.</td>
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<td>Surcharge</td>
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<tr>
<td>CALCULATION</td>
<td>Length, weight, specific unit, etc.</td>
<td>Value of goods</td>
<td>Value of service</td>
<td>Payment amount or liability created to the service provider, excluding service tax</td>
</tr>
<tr>
<td></td>
<td>Value of goods</td>
<td>Multipoint tax charged at each stage of the supply chain</td>
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<td></td>
<td>Tariff value fixed by the government</td>
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<tr>
<td>RECORDS</td>
<td>RG 23 A/C/D (Optional)</td>
<td>VAT Returns</td>
<td>ST3 Returns</td>
<td>TDS/ TCS Returns</td>
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<td>ARE Forms</td>
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- A number of statutory records are associated with these taxes, that need to be submitted to the authorities on a periodic basis.
- For Excise Tax, these include
  - RG Registers which, although optional, are used for audit purposes,
  - The quarterly return ER1,
  - ARE forms submitted for exports, and
  - Bond and license registers for exports under bond or license.
- For the rest, there are periodic tax returns.
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<td>• Bond / License Rec.</td>
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<td></td>
</tr>
<tr>
<td>PAYMENTS</td>
<td>• By 5th of following month.</td>
<td>• By 7th to 15th of following month.</td>
<td>• By 5th of following month.</td>
<td>• By 7th of following month.</td>
</tr>
<tr>
<td></td>
<td>• GAR 7 Challan</td>
<td>• State Challans</td>
<td>• GAR7 Challian</td>
<td>• TDS / TCS Challan.</td>
</tr>
</tbody>
</table>

- Payments for each of these heads are bound by a definite time period on a monthly basis. These payments are documented via a specific challan for each head.

- So overall, this matrix kind of outlines the compliance framework for business taxation in India, on which the requirements for Country Version India are based. Any changes in this matrix will have a impact on CIN in one way or another.
India Requirements: An Insight

CIN Solution Coverage

Now let's see how well this matrix is covered by Country Version India.
On the right, the graphic depicts the business transaction matrix, outlining the entities and the transactions involved. These include vendors, manufacturing units, subcontractors, depots, and customers. The tax matrix we discussed earlier maps to this one, and different taxes apply based on the entities involved.

CIN supports seamless tax computation, embedded in the business transactions, for the applicable components, for example Excise (Cenvat), VAT/CST, Service Tax, TDS/TCS, and so on.

Various statutory records shown here and discussed in previous slides are also supported, including RG Registers, ER1, ST3, TDS / TCS returns, and so on.
CIN: Solution Features

Logistics

Now let’s take a closer look at the features of CIN, starting with the area of Logistics.
Localization at ERP Procurement

- Excise computation and invoicing for domestic procurement
- Customs and import duty handling for import procurement
- Excise register maintenance (RG 23 registers)
- Service tax handling for service procurement
- Subcontracting process, including statutory challan and excise handling

Starting with Procurement:

- Country Version India provides seamless computation of excise tax on domestic procurement, and the capture of excise invoices based on which the tax credit is recorded.
- The handling of customs and excise duties for import procurement is also covered, including special provision for excise credit handling.
- The Excise Registers (RG 23 Registers) are updated seamlessly with the quantity of goods procured and the corresponding tax credit available.
- Service tax computation and credit handling is available with CIN, and
- Special legal provisions regarding tax credit handling for the movement of goods in a subcontracting scenario are covered too.
Localization at ERP Sales

- Posting of excise tax liability and register update (plant and depot) including invoice capturing & printing.
- Cenvat utilization – immediate and periodic.
- Support for CST and VAT, and VAT document numbering.
- Support for deemed exports – ARE.
- Excise ER1 reporting.
- Service tax computation, credit utilization, payment (GAR7) and reporting under ST3.

On the sales side:

- Posting of excise tax liability and excise invoice generation that accompanies the goods sold, along with the register updates for quantity and tax credit, are provided for with CIN.
- Cenvat / excise tax utilization in the discharge of excise tax liability are supported both in periodic and immediate mode.
- VAT / CST computation and VAT invoice numbering based on legal provisions are fully supported in CIN.
- The statutory records ARE 1 and ARE 3 that are required for the deemed export scenario are supported too, including Tax credit treatment based on legal provisions.
- Statutory quarterly reporting for excise (ER1) is covered with CIN.
- Service tax computation on services rendered, and credit utilization for service tax is supported, and statutory reporting in the form of the ST3 return is provided for, based on the data captured in the system.
Here's a quick look at the Pricing procedure that operates in Country Version India. As we can see from the complexity of the various tax components in play, it is critical for an organization to define this correctly.
Focusing now on an important part of tax credit handling, here's a quick workflow to understand the credit utilization process. Starting from the left hand side, input credit is accumulated via vendor-based procurements, and recorded in the excise registers and PLA (personal ledger account).

On the right hand side, excise liability is booked in the sales invoice. To discharge this liability, the tax credit balance is checked in the utilization program. The utilization is recorded in excise registers. The balance liability is discharged via tax payments.
The tax credit utilization process is equally complex. As you can see from this slide, each component of the tax credit has a definite rule for utilization and Set-Off. And these rules form a complex rules framework, which is built into the utilization program in CIN, so customers don’t need to worry about correct utilization of credit.
CIN: Solution Features

Financials

Let's focus now on the localization features in ERP Financials.
Here are the requirements related to Withholding Tax that are addressed.

**Tax Deducted at Source (TDS):**
- As explained earlier, tax deducted at source (TDS) has to be deducted from certain vendor payments in accordance with the provisions of the Indian Income Tax Act.
- Here, the TDS is computed seamlessly on advance payments, service acceptance, or invoice generation, whichever is the earlier, as per the legal provisions. Additionally, provisions related to the charging of penal rates in the absence of a Permanent Account Number (PAN) are also handled.
- Now that e-filing of tax returns are mandatory, the system also provides the required e-file for the TDS Quarterly Returns, which can be submitted directly online.

**Tax Collected at Source (TCS):**
TCS is the tax collected by the seller from the buyer for the sale of prescribed goods, as per legal requirements. This is done either at the time the amount payable by the buyer is debited, or at the time the amount is received, whichever is the earlier. The most common area of application is the sale of scrap from a plant.

TCS is computed seamlessly on the buyer's receivables or payables account, as applicable.

You can print TCS certificates to be given to the buyers.

TCS returns are also available in e-Filing format in the system.

**Asset Accounting**

Another important area of compliance is Asset Depreciation accounting as governed by Law. There are specific rules and rates for charging depreciation and handling the same on additions and deletions to the assets of an organization.

The system allows you to define the asset blocks and assign assets to them, as applicable. Depreciation is calculated based on the rates determined for the blocks, in accordance with the provisions of the Indian Income Tax Act.

There is a comprehensive Asset Depreciation report available in the system that can be used for auditing purposes.
Additional Highlights

- Support & Rollouts
- Customer Collaboration
- Recommendations

- So that was a brief overview of the capabilities of Country Version India (CIN).
- Now let’s look at some softer but significant aspects of CIN.
Starting with CIN Support and Rollout.

There are a good number of informative Notes available in the SAP Notes repository, including FAQs for various functional aspects and some installation guide notes too, that you can refer to. Please take a look at the Appendix slides too, for more of the same.

Legal changes that are made unplanned during the year are rolled out smoothly via SAP Solution Notes. These can be applied directly to the customer systems.

Additionally, large scale legal changes are supported by special rollout programs and roadshows across the country, for example, VAT Roadshow in 2003.

SAP India has contracts with external legal agencies to provide us with input on such changes, both proactively and correctly.

SAP Service Marketplace hosts a dedicated India Page, containing the latest updates on Country Version India, and customers can access this directly.
There is also a Best Practices package available for India localization. You can find details about this via the link.

Customers can also subscribe to an E-Learning course about Country Version India, which again can be accessed via the corresponding link.

A comprehensive list of Localization Features are also available at Globalization Knowledge Base, available at the following Link at Service Market Place.
Customer Collaboration: INDUS (India User Group)

Customer focus has always been a key to SAP’s success. INDUS (The India User Group) takes it to the next level, by providing customers with a platform to collaborate with the SAP Development process. This also serves as a channel for the CIN team to collaborate closely with customers. There are focused programs for India Localization topics, where customers and SAP share knowledge and Best Practices.
Last, but definitely not least, here are some recommendations for those of you who are new to Country Version India (CIN):

First and foremost, as you may agree, CIN is not a “Do-it-Yourself” system. With the level of complexity involved, it is advisable to have expertise and experience on board right from the beginning.

Expert knowledge is definitely required for Global Templates, as many global customers have observed, to avoid any late surprises.

Customers are strongly recommended to upgrade to the minimum Support Package level for CIN, to get the relevant legal changes in future.

Finally, user training is a critical part of a successful CIN Implementation, which I think all of us will agree.
You should now be able to:

- Explain Indian localization requirements for legal compliance
- Provide an overview of the solution coverage for Country Version India
- Explain Indian localization features for Logistics & Financials
- Understand the solution support and rollout strategy for CIN
- Outline the recommendations for CIN implementation

I’m sure that now, you should be able to:

- Explain Indian localization requirements for legal compliance,
- Provide an overview of the solution coverage for Country Version India,
- Explain Indian localization features for Logistics & Financials,
- Understand the solution support and rollout strategy for CIN, and
- Outline the recommendations for CIN implementation.
Thank You!

Amit Rai  
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Globalization Services, SAP  
Email: a.rai@sap.com

- With that, I’d like to thank you for your patience and attention during this session. You can contact me with any issues or queries at the e-mail address given here.
- Thank you, and have a nice day !!!.
CIN FAQ Notes
Appendix I

Installation Queries
- Installation Queries: Note 899086
- CIN Installation and SPs: Note 532596
- CIN Data and Authorizations: Note 544472
- CIN Upgrade and Objects: Note 544471

MM FAQs
- Master Note for MM FAQ: Note 950976
- General Clarifications for CIN – MM: Note 952290
- General clarifications for Tax Procedure TAXINN: Note 952289
- General Clarifications for RG1 Goods: Note 951955 FAQ:
- Country Version India (CIN) General MM queries: Note 542862

SD FAQs
- Master note For SD FAQs: Note 950977
- General Clarifications for CIN – SD: Note 952441
- FAQ: Country Version India (CIN) General SD queries: Note 535616
- Functionality not supported in Country Version India: Note 952287.
CIN LC Notes
Appendix II

Major Legal Changes

- Legal Change minimum SP level Note 1175384
- Master Note on Education Cess levied - Budget 2004-05 Note 753581
- Budget 2007-Legal implications Note 1032265
- Master Note for Service Tax: Note 779512
- Master Note for VAT 2005 : Note 818732
- Official document numbering changes for VAT 2005 : Note 831870
- Taxes Configuration for VAT Solution(TAXINN): Note 822347