Hello and welcome to this E-Learning session.
After completing this lesson, you will be able to:

- Discuss general topics about SAP in Brazil
- Explain key Brazilian localization topics in SAP ERP
We will discuss payroll processes and other calculations, as well as reports in SAP ERP Human Capital Management.
HCM Highlights

HCM Highlights
The localization of SAP ERP HCM was developed after a study of the Brazilian labor legislation, in which SAP studied which business scenarios could be customized for use by organizations of all sizes and segments.

Brazilian labor legalization are very complex, our solution does not cover 100% of the laws, for that reason SAP studied which business scenarios where common or could be customized to be applied in several companies.

Labor relations are governed by the CLT (Consolidated Labor Laws) and numerous complementary laws and regulations. The norms and rules described in CLT are as strong as law.

Unions are another important institution that govern labor relations. Employers are organized in unions called Sindicato Patronal (employer union) and employees are organized in unions called Sindicato Trabalhista (employee union).

Once a year, there is a meeting between the unions to define agreements such as salary increase and other benefits. This meeting is called Convenção Coletiva (collective convention). It happens on a fixed date called Data Base.
Brazil has more than 14000 unions (Sindicatos). Each company follows the agreements defined by its specific union. If there is no common agreement in Convenção Coletiva, the matter is judged by the Regional Labor Tribunal. In this case, the agreement is a Dissídio Coletivo.

The Convenção Coletiva and Dissídio Coletivo agreements are valid for one year, until the next Data Base.
If the employer wants to change something in the employer-employee relationship, he can negotiate directly with the Sindicato Trabalhista. The agreement between both parties is called Acordo Coletivo (collective agreement).
The purpose of Payroll is to calculate the remuneration for work done for each employee.

However, Payroll does not just involve the calculation of remuneration; it also consists of a variety of processes that are becoming increasingly important because of the employer’s increased obligation to supply benefits and medical welfare. These benefits are products of labor, tax, civil, reporting, and information laws.

Payroll allows you to perform the following functions:

- Generate and evaluate an employee’s net pay.
- Calculate contributions and taxes.
- Process garnishment payments and corresponding reports.
- Calculate provisions.
- Calculate union contribution.
- Create remuneration statements.
Create reports for different Brazilian government institutions.

In addition to regular gross and net payroll, you can use off-cycle payroll for irregular activities such as:

- Advanced payments
- Christmas allowance
- Vacation
- Profit sharing (PLR)
- Termination of labor contract

Correction calculation (for example, in the case of incorrect payments for the previous month or recalculation for previous month without changing calculation of current month)
The benefit component allows benefit-related deductions and contributions entered in master data to be processed by payroll. The following plan categories are available for Brazil: child allowance, night work bonus, health risk premium, hazard bonus, transportation ticket, food voucher, and so on.

The system calculates the gross and net pay, which comprises the individual payments and deductions that are calculated during a payroll period and are received by an employee. These payments and deductions are included in the calculation of the remuneration using different wage types.

Taxes are also calculated. The most important ones are IRRF (withholding income tax), INSS (social security tax) and FGTS (Severance Pay Indemnity Fund).

After the remuneration payroll, you can carry out various subsequent activities. For example, you can generate and print the salary statement for the employees, you can evaluate the payroll results to create payment data to transfer to the bank, and you can use the wage type reporter to evaluate wage types that are contained in the payroll results according to your business needs.

Benefits
- Overtime
- Night work bonus
- Family allowance
- Additional payment due to unhealthy work environment (Insalubridade)
- Additional pay for work that involves risk (Periculosidade)
- Transportation ticket

Administration of personal IDs

INSS: Social security tax

FGTS

Legal reports: CBO, Register Form, Sefip, GPS, GRRF, DARF, Caged, RAIS, IN68, IN86, DIRF, Income Declaration (Informe de Rendimentos), MANAD, Homolognet
Follow-up activities to remuneration payroll include preparing regulatory and tax reports required by the authorities.

The payroll results contain information that is relevant for accounting, so Payroll Brazil is integrated with the Financial Accounting and Controlling functions. This allows you to pay your employees and evaluate payroll results.
Advance payment (adiantamento de salário) is the expression used to refer to an anticipation of the regular payroll payment.

There is no regulation for advances of regular payments, so this is the employer’s decision. Some employers advance a percentage of the salary; others advance a fixed amount.

However, advances of some special payments are governed by law, for example, vacation advance payment and the first portion of a Christmas bonus.

Advance payment refers to the payment of a percentage of the contractual monthly salary before the regular payroll payment.

You can use this off-cycle payment to set up salary advances for monthly and hourly employees. The system template bases the advance on 40% of the employee’s monthly salary and the number of days worked during the month. You can also create criteria to meet your specific requirements, since advances of regular payments are not regulated; it is purely the employer’s decision. Some employers advance a percentage of the salary; others advance a fixed amount.

Advances of some special payments are governed by law, for example, vacation advance payment and the first portion of the Christmas bonus.
Off-Cycle Payroll
Christmas Allowance or 13th Salary

- Christmas allowance is a **special payment** that should be paid by December 20, at the latest.
- According to the law, this payment should be in **two parts or portions**. The first portion must be paid by November 20; its value is the half of the Christmas allowance. Many employers pay the first portion of the Christmas allowance together with vacation.
- This bonus corresponds to **1/12 of the remuneration of each month** in which the employee works at least 15 days. (The salary used to evaluate the Christmas allowance is the salary valid at the moment of payment.)
- Calculation of the Christmas allowance consists of **evaluating salary and additional payments**. As additional payments vary from month to month, the variable part of the 13th remuneration must be evaluated as a yearly average.
- Because the Christmas allowance is paid before the regular December payroll, the variable part of the Christmas allowance payment may not be complete because the relevant wages calculated in December payroll (for example, overtime that is relevant for averages, absences, and so on) are not considered. To correct this situation, the employer must pay the difference of the Christmas allowance. This difference must be paid together with the December payroll. According to the law that regulates the pay date, the difference must be paid by January 5.

- The income tax on the Christmas allowance is **exclusive** of income tax related to regular payroll.
- The social insurance deduction from the Christmas allowance is separate from the regular INSS deduction in payroll.

You can use this off-cycle payment for calculation of the statutory 13th salary (Christmas bonus) given to employees. This amount is based on the employee’s monthly salary and is prorated according to the months he or she worked during the year.

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Important information regarding tax calculation: Income tax on the Christmas bonus is exclusive of income tax related to regular payroll. The social insurance deduction on the Christmas bonus is separate from the regular INSS deduction in payroll.
Vacation is a **30-day** remunerated absence plus a bonus (which consists of **1/3 of the vacation payment**). According to the law, this payment is made at least two days before the beginning of the vacation.

The employee must work a certain period of time, called **accrual period**, to gain the right to vacation. Usually, the accrual period lasts one year (12 months); after this period, the employee can take **30 days of vacation**.

After the end of an accrual period, an **eligibility period** begins. The eligibility period is the period during which the employee can make use of the vacation entitlement gained during the accrual period. Usually, the eligibility period lasts one year (12 months). When the accrual period ends, a new accrual period starts.

There are some circumstances in which the employee may lose the right to vacation (for example, unjustified absence or illness/accident) or in which the accrual period is shorter than one year.

The notification of leave must be in written form, usually known as **vacation notice (aviso de férias)**.

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**Income tax on the vacation advance payment must be calculated and deducted at the same time payment is issued.**

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Information regarding taxes: Income tax on a vacation advance payment must be calculated and deducted at the same time payment is issued.
Profit sharing is not ruled by law.

It consists in a bonus paid to each employee according to the company’s profit.

Evaluation of a profit sharing bonus is an agreement between employer, employee, and union (acordo coletivo). Each company (employer) has its own formula for calculating profit sharing bonuses and, as long as the formula is accepted in acordo coletivo, it is legal and valid as law.

After the profit sharing bonus is evaluated, it is proportioned to the employee’s entitlement. Just like the Christmas bonus, a profit sharing entitlement is 1/12 per month in which the employee works at least 15 days.

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The following principles must be included in the agreement, as well as mechanisms for verifying that the agreement was complied with:

- How often PLR should be distributed
- Terms of the agreement
- Agreement revision period
- The following basic criteria should also be considered:
  - The company's productivity, quality, or profitability index
  - Goals, results, and deadline programs

Profit or result sharing should not replace or complete the payment due to the employee by the company, and distribution should not take place for periods of less than half a year. The amount paid is not considered for social security purposes nor is a percentage deposited in the Severance Premium Reserve Fund (FGTS) account. Income taxes are deducted separately from the monthly payment, but are included in the annual statement.
Termination is the **end of a work contract.**

The termination process is triggered when an **employee leaves** or gives notice that he or she wants to leave the company, when employer fires the employee, or by unexpected circumstances (employee dies, enterprise goes bankrupt, and so on).

At the end of the work contract, the **employee receives all rights that he or she is due up to the leaving date.** This has an impact on all other payment processes, such as vacation, Christmas, regular payment, and so on.

The employee's rights or indemnities paid on termination are: **salary, prior notice, Christmas bonus, vacation, and article 479.** (This article is valid only for limited work contracts and is applied when the work contract is interrupted and ended before the agreed end date of the contract.)
An employee may be terminated at any time during the payroll period.

Depending on who initiates the termination, and the reason for the end of the work contract, some rights of the employee have to be paid or not.

When the termination is executed, the workbench allows the employer to perform the following steps:

- Maintain and adjust master data (infotypes).
- Update the employee’s time data, at least up to the termination date. This means time evaluation has to be run when necessary.
- Run payroll to correctly account for the necessary payments (liquidation).
Dismissal Protection

- Dismissal protection prevents an employee’s termination in certain circumstances.

- Protection reasons for Brazil:
  - CIPA – Internal commission to prevent accidents
  - Union member
  - FGTS counsel member
  - CNPS – National counsel for social insurance
  - Cooperatives and legal organization managers
  - Pregnancy
  - Work accident
Retrocalculation

- Retrocalculation is needed every time there is something that should have been paid in a period before the current payroll period.

- During retrospective accounting, the system compares the employee's payments and brings them forward to the current payroll period. The results in the original period are not modified because they were already posted and changing them could generate illegal accounting changes.

- Retrocalculation might be necessary for any of the following cases, whether or not the employer is at fault:
  - Retroactive salary increase
  - Retroactive benefits acquisition or loss
  - Payment for overtime
  - Mistakes, forgetfulness, or negligence involving salary, wages, or benefits
  - Currency changing
  - Economical indexing determination
  - Inflation situation
  - Other situations generated by collective agreements

- Retrocalculation allows you to calculate payroll to pay differences in values already calculated in previous months, as well as adjustments to collected fees and charges paid to the government.

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Averages

### Average of vacation payment
- The variable part of vacation payment is the average of all additional payments (overtime, night work bonus, commissions, gratuities, and so on).
- The time frame for the average calculation is the **accrual period**.
- For each additional payment, the average is the **sum of all occurrences** of this payment found in the accrual period, divided by the number of months in the accrual period.

### Average of Christmas Allowance payment
- The variable part of the 13th salary payment is the average of all variable payments (overtime, night work bonus, commissions, gratuities, and so on)
- The time frame for the average calculation is the **year** to which the Christmas bonus refers.
- For each additional payment, the average is the **sum of all occurrence** of this payment found in the year divided by the number of months in the year (12).

You can define different rules and criteria for calculating the average salary allocation to which employees who receive variable compensation (such as overtime or a differential for a night shift) may be entitled. You can specify whether the average salary allocation should be adjusted for inflation. You can add the average salary allocation to vacation, termination, 13th salary, or maternity pay. Eligibility for the average salary allowance depends on union rules and the Consolidated Labor Laws (CLT). For each union, you can specify the rules and criteria for calculating the average salary allocation.

The system calculates the average of vacation and Christmas Allowance payments.
- For average of vacation payment:
  - The variable part of vacation payment is the average of all additional payments (overtime, night work bonus, commissions, gratuities, and so on).
  - The time frame for the average calculation is the accrual period.
  - For each additional payment, the average is the sum of all occurrences of this payment found in the accrual period, divided by the number of months in the accrual period.
- For average of Christmas Allowance payment:
- The variable part of the 13th salary payment is the average of all variable payments (overtime, night work bonus, commissions, gratuities, and so on)
- The time frame for the average calculation is the year to which the Christmas bonus refers.
- For each additional payment, the average is the sum of all occurrence of this payment found in the year divided by the number of months in the year (12).
In Brazil, salary and valuate absences are calculated based on 30 days (no matter how many days are in the month).

This Divisor 30 split is also important for hiring and firing calculation.

For example:

Workers are hired to receive a monthly amount, independent of the month length. When you need to valuate a wage based on days, you have to use the following concept:

**Daily Contractual Salary**

- Daily Contractual Salary = (Monthly Contractual Salary / 30)
- Monthly Contractual Salary = R$ 3,000,00
- Daily Contractual Salary = (R$ 3,000,00 / 30) = R$ 100,00
Garnishment

- Garnishment is a judicial decision where an employee periodically pays an amount to an ex-wife or relatives, to provide for their subsistence. The amount varies according to the employee’s possibilities and the beneficiary’s needs.

- The garnishment paid can be deducted in the income tax base.

- The calculation can be one of the following: fixed value, percentage, quantified of minimum salary, or quantify of family salary.
Unions are important institutions in Brazil.

Employers are obligated to deduct employees’ union contributions from payroll.

The payment of this contribution is annual, usually in March.

The value of the union contribution corresponds to 1/30 of the employee's contractual salary.

There are also other types of union deductions for employees who are associated with an union: assistance contribution, confederate contribution, and monthly contribution.

Through parameter settings, Payroll lets you collect dues such as as union, confederate, welfare, and association contributions.
Provisions

Vacation provision

- The vacation provision reserves money that the employee would receive as vacation pay if the employee took vacation during the calculation period. This reserve is calculated throughout the year and is proportional to the month in which the calculation takes place.
- It is calculated based on the employee’s hire date.

Christmas bonus provision

- The Christmas bonus provision reserves money that the employee will receive at the end of the year.
- The Christmas bonus quota is estimated on a monthly basis. Monthly accrual for the Christmas bonus starts in January of each year.
- When the Christmas bonus is paid, in November, the advance amount is deducted from the provision.

The Provisions function in Payroll includes calculation of earnings and taxes for 13th salary and vacations.

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  - When the Christmas bonus is paid, in November, the advance amount is deducted from the provision.
Benefits

- **Overtime**: If an employee (hourly or monthly) works more than scheduled, the hours that exceed the work schedule should be paid as overtime. According to CLT, the exceeded hours must be evaluated with an additional of 50% over the employee’s usual hourly salary. *Dissídio coletivo* and *acordo coletivo* may determine a different percentage, but it’s never lower than 50%.

- **Night work bonus**: An employee who works at night (between 10 p.m. and 5 a.m.) has the right to have those hours paid with an additional of 20% over his or her salary hour.

- **Additional due unhealthy work environment (Insalubridade)**: This is an additional payment that should be paid to employees who work under unhealthy circumstances or environment. In CLT, three levels of unhealthy situation are defined: minimum, medium, and high. Each level is assigned a percentage:
  - Minimum – 10%
  - Medium – 20%
  - High – 40%

The Benefit Integration function allows benefit-related deductions and contributions entered in master data to be processed by payroll.

Some of the benefits calculated by the Brazilian solution are:

- **Overtime**: If an employee (hourly or monthly) works more than scheduled, the hours that exceed the work schedule should be paid as overtime. According to CLT, the exceeded hours must be evaluated with an additional of 50% over the employee’s usual hourly salary. *Dissídio coletivo* and *acordo coletivo* may determine a different percentage, but it’s never lower than 50%.

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  - Minimum – 10%
  - Medium – 20%
  - High – 40%
Benefits (2)

- **Work risk additional (Periculosidade):** Employees who work in dangerous circumstances or a dangerous environment have the right to additional due work risk. Work risk should not be confused with insalubridade. Working with explosives, for example, is dangerous and entitles the employee to additional work risk. If employee performs dangerous and unhealthy work, he or she has to decide between insalubridade or periculosidade additional. Periculosidade is 30% of the employee’s contractual salary, and does not take other additional payments into account.

- **Transport tickets:** A transport ticket is a ticket printed with a certain value. This ticket is accepted by public transportation as if it is money. Those tickets can only be bought by employers and given to employees. Employers are allowed to deduct the cost of transport tickets from payroll if this cost is not more than 6% of the employee’s salary. If the cost is higher than 6% of contractual salary, then only 6% can be deducted from the employee’s remuneration.

- **Family allowance (Salário família):** Family allowance is paid to employees proportional to the number of sons younger than 14, or disabled sons (without age limit).
Personal IDs

According to labor law, the employee needs to present several documents to the personnel administrator to be hired:

- Work and social security booklet (Carteira de Trabalho e Previdência Social or CTPS)
- Personal identification card (Cédula de Identidade)
- Election card (Título de Eleitor)
- Military confirmation card (Certificado de Reservista)
- Student confirmation (Declaração Escolar)
- Natural person identification card (Cadastro de Pessoa Física or CPF)
- Civil Identity Registry (Registro de Identidade Civil or RIC)

Brazilian personnel administration is the subject of legal regulation on all levels, including master data and customizing, business logic, and reporting. In terms of system architecture, that means many specific settings, tables, fields, infotypes, and report templates.

A country-specific infotype was created to handle personal IDs. According to labor law, the employee needs to present several documents to the personnel administrator to be hired:

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- Natural person identification card (Cadastro de Pessoa Física or CPF)
- Civil Identity Registry (Registro de Identidade Civil or RIC)
All Brazilian employees must be subscribed to the **Instituto Nacional de Seguridade Social**, which is national social security.

The employee’s contribution is a percentage of total monthly earnings. The percentage is based on the Social Security table. This table contains three percentage ranges that apply for different earning amounts.

The **Social Security table** can be changed or updated at any time by the social security institute.

SSNI Basis (base de INSS) is the sum of all wage types that are eligible for social security contribution.

For all purposes, the **INSS calculation should consider the “competency” month**. This means the INSS calculation should focus on the payroll month and not the specific pay date.

For each month, there is a limit for the employee’s contribution.

**INSS deduction over Christmas bonus must be done separately** from the regular INSS payroll deduction.
FGTS stands for Severance Pay Indemnity Fund.

- FGTS is a **benefit** for all employees and is paid by the employer.

- FGTS is collected monthly. It is a percentage of the following earnings: employee’s remuneration, Christmas bonus, vacation, and notice period.

- It’s **not paid in cash**, but deposited in a special bank account.

- Employees can use the benefit in certain circumstances, for example, to buy **their own house** or when they are **fired**.

- Depending on the reason for the end of the contract, the employer may have to pay **40% of the FGTS amount to the employee as a penalty.**
A long list of regulatory and tax reports are required by the authorities. Some of the legal reports available for the Brazilian localization are:

- Register Form
- CBO
- SEFIP
- GPS
- DARF
- CAGED
- GRRF
- Homolognet
- DIRF
- Income Declaration
- RAIS
- IN68
- IN86
- MANAD
Lesson Summary

You should now be able to:

- Discuss general topics about SAP in Brazil
- Explain key Brazilian localization topics for SAP ERP
For more information on the topics discussed in this lesson, see the following references:

- [https://service.sap.com/GKB](https://service.sap.com/GKB)
- Literature (Implementation of Country Versions for SAP ERP Systems):

**Country page:**

- [http://service.sap.com/globalization](http://service.sap.com/globalization)
- You are here → country information → Brazil
- You are here → country information → Global knowledge base

**Country version documents**


**Country-specific service:**

- Country Version Workshop Brazil
  - Two-day workshop for detailed information about Brazil and Customizing

**Country-specific notes:**

- [http://service.sap.com/notes](http://service.sap.com/notes)
- Components: XX-CSC-BR (Logistic), PY-BR (HCM)

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

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