Welcome to this session on SAP country version Chile, popularly known as CCL.
After completing this session, you will be able to:

- Discuss Chilean localization requirements
- Outline Chilean localization features in SAP ERP country version Chile (CCL)
- Explain Chilean localization features in SAP ERP Human Capital Management
- Describe solution support and the rollout strategy for CCL
Starting with some quick facts about country version Chile, this session will give you some insight on requirements that need to be addressed by any ERP software provider in Chile.

It will briefly cover the features offered in country version Chile in the area of human capital management.

It will also touch upon the version’s support system, and will offer some recommendations for those who are new to country version Chile.
Country Version Chile (CCL)

Quick Facts

Let’s start with some quick facts about country version Chile.
Country Version Chile (CCL)
Quick Facts

Key Strengths

- More than a decade old and a trusted name
- Provides legal compliance for business transactions
- Development and support for Chile: In Brazil
- Standard and simplified rollout strategy for legal changes
- Large customer base including global giants such as EFE (Empresa de los Ferrocarriles del Estado)

Challenges

- The Chilean government is changing laws to have more control of taxation via electronic media.
- Legal changes
  - Often unplanned
  - Applicable on short notice
  - Often mission-critical
Chilean Requirements: An Insight

Legal Compliance Requirements

Now let's walk through the Chilean requirements.
Legal Compliance Requirements

- This localization was designed for businesses with operations in Chile. It is based on input from external legal agencies that provided us with information regarding the correct definition of the law.

- Along with generic SAP system functions, this country version comprises functions designed for laws and business practices particular to Chile. It also contains a country template to help customers customize the system according to local requirements.

- This presentation explains the country-specific functions in SAP ERP Human Capital Management.

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- This presentation explains the country-specific functions in SAP ERP Human Capital Management.
The Payroll Chile component was integrated with the Personnel Management and Time Management components to comply with legal requirements in Chile.

This component allows you to perform the following functions:
- Generate and evaluate an employee’s net pay.
- Calculate contributions and taxes.
- Create legal reports for Chilean social insurance and tax authorities.
- Create remuneration statements.
You can use the Payroll Chile component to calculate the remuneration for work done for each employee.

This component consists of a variety of processes that are becoming increasingly important due to the employer’s increased obligation to supply benefits and medical welfare. These benefits are products of:

- Labor law
- Tax law
- Contribution law
- Benefits law
- Civil law
- Reporting law
- Information law
- Statistics law
CCL Solution Features

Payroll in SAP ERP Human Capital Management

Let’s now focus now on the localization features in SAP ERP HCM.
Gross Part of Payroll

You use this process to calculate an employee's gross pay according to current legislation. Below are some examples of the payments that are included in the calculation of gross remuneration:

- Basic pay
- Overtime
- Vacation allowance
- Family and medical leave
- Family allowance
- Gratuity
Income Tax

This process calculates the income tax from employees and subsequently deducts it from their salaries. The process takes into consideration extreme zone tax benefits, if applicable.

The characteristics of income tax in Chile are as follows:

- It is a monthly tax on an employee's earnings.
- The amount is deducted monthly from the employee's salary by the employer. The employer is responsible for forwarding this amount to the Chilean authorities during the first 12 days of each month.
- Salaried employees do not need to submit any statement, because they fulfill their tax obligation by means of the payment itself.
- The calculation basis is the employee's monthly gross pay, minus mandatory pension and health payments.
Calculating the Extreme Zone Tax Benefit

- Chile is divided into 15 regions, which are numbered sequentially from north to south. Historically, certain areas have been designated as “extreme zones.”
- Employees working in extreme zones (numbers I, XI, XII, and the province of Chile) are entitled to tax benefits. You can obtain the amount of tax benefits automatically within the payroll process.
Social Insurance
The Social Insurance Superintendence (Superintendencia de Seguridad Social) is in charge of public policies to ensure the following rights for citizens:
- Medical assistance
- Unemployment insurance
- Retirement pension
- Pension due to work-related accidents and illnesses
- Family allowance
- Maternity leave
- Pension due to disability
- Life insurance
Pensions

The employer must calculate the following types of payments for the institutions of the Chilean pension system:

- **AFP payments**: Payments to pension fund administrators (*Administradora de Fondo de Pensión* [AFP]) and private institutions of the new pension system in Chile. These payments are mandatory for all employees affiliated with an AFP.

- **INP payments**: Payments to the Pension Standardization Institute (*Instituto de Normalización Previsional* [INP]), which is a public institution of the Chilean pension system. These payments are mandatory for all employees affiliated with INP.

- **Voluntary pension savings (APV)**: Savings mechanism that enables workers to anticipate their age of retirement or increase the amount of their pension savings when they reach legal retirement age.
Heavy Work

This process is used to calculate contributions to the pension system for those employees whose job is qualified as heavy work. These employees’ contributions are higher than other employees’, as a means of enabling early retirement.

The request to qualify a job as heavy work can be presented to the Regional Ministerial Secretariat. The SAP solution considers the following types of heavy work according to Chilean legislation:

- Moderately heavy work: Qualifying employees shall pay the pension system an additional 1% of their pensionable income, and an equal amount shall be paid by their employer.
- Heavy work: Qualifying employees shall pay the pension system an additional 2% of their pensionable income, and an equal amount shall be paid by their employer.
Health Insurance

The employer must record data regarding the affiliation of your employees and their dependents with health insurance institutions, and to calculate the payments of mandatory and voluntary contributions.

Health insurance providers are responsible for medical services, work disability benefits, and maternity leave:

- **ISAPREs**: These are private health insurance institutions that provide their services to employees who contribute a certain percentage of their monthly salary.
- **FONASA**: This is a public health insurance institution. Besides providing services to those employees who contribute a certain percentage of their monthly salary, FONASA provides services to people who lack resources. In this case, health services are funded by the state.
Unemployment Insurance

The employer must calculate, record, and report payments made by employer and his employees to unemployment insurance fund administrators (Administradora de Fondo de Cesantía [AFC]).

- Unemployment Insurance Fund: The system calculates the contributions according to the type of contract that the employee has with the employer:
  - Unlimited time contract: Both the employee and the employer contribute, using a fixed percentage of the employee's insurable income.
  - Limited time contract: Only the employer contributes, using a fixed percentage of the employee's insurable income.
Garnishments

You can use this process to withhold part of an employee’s wage as established by a garnishment order, and subsequently send the payment to the garnishment beneficiary.

The garnishment amount is defined by a garnishment order issued by a court. The garnishment amount can be one of the following:

- Fixed amount in Chilean pesos
- Fixed amount in UF units
- Percentage of the employee’s earnings
Bank Transfer

- The bank transfer process is required after the payroll run, to generate data medium exchange (DME) files for your bank. Based on these files, the bank can process the wage and salary payments.
- In the standard system, SAP enables you to generate TXT files according to the specification of two Chilean banks: Banco de Chile and Banco Santander.

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Substitution of Notice

- According to Chilean legislation, when the contract is terminated unilaterally by the employer, the employer must notify the employee at least 30 days prior to the termination.
- If this notice is not given at least 30 days in advance, the employer must pay the employee severance pay in substitution of notice. The amount corresponds to one month’s salary.
Termination

When an employee’s contract is terminated, the following activities must be performed:

- Perform time evaluation of employee on the same day as the termination, to update the employee’s time data.
- Update and adapt the employee data.
- Run the payroll to determine the corresponding payments.
Withholding Tax on Severance Pay

- The employer must determine which portion of the severance pay is taxable, and withhold the income tax according to Chilean legislation.
SENCE Tax Benefit Calculation

- The employer must calculate the amount of the SENCE benefit and store it for reporting purposes.
- This is a tax benefit that the Chilean government offers companies, through the National Training and Employment Service (SENCE), to help fund the education and training of their employees.
- Companies can invest a certain percentage of the total income paid to employees in the current payroll period.
- This amount is calculated in the Payroll component and can later be deducted from the income tax to be paid by the company.
Vacation Not Taken

- According to Chilean legislation, employers are required to calculate an employee’s severance pay due to vacation not taken.
Interfaces with CCAF and PREVIRED

The employer must generate files with information on social insurance payments, according to the formats defined by the following institutions:

- Family Allowance Compensation Fund (Caja de Compensación de Asignación Familiar [CCAF])
- PREVIRED (Chilean portal for making pension fund and health insurance payments online)

It is possible to generate these files after the payroll run. You then upload them to the CCAF or PREVIRED web sites.
Reliquidation

- The reliquidation of taxes allows employees to lower the tax payment by prorating the compensation that was accrued and paid at the end of the period.
- The second-category tax is a tax with progressive percentages allocated by income brackets. The reliquidation process prevents a higher remuneration (such as bonus) from falling into an income tax bracket with higher taxation.
Reports

These are basic required reports according to Chilean legislation:

- Remuneration Statements Chile
- Statement of Pension Fund Contributions (AFP)
- Statement of Voluntary Pension Savings
- Statement of Family Allowance Contributions (CCAF)
- Income Certificate
- Remuneration and Labor Cost Form
- Statement of Pension Fund Contributions (INP)
- Statement of Health Insurance Contributions to ISAPREs
- Statement of Contributions to Mutual Insurance Association
- Payments Book
- Statement of Heavy Work Contributions
- Reporting Reliquidation Differences
That was a brief overview of the functionalities in country version Chile.

Now let's look at support and rollout for this country version.
Support and Rollout

- CCL FAQ and guidance notes
- Full support for legal changes throughout the year delivered through SAP Notes
- Special rollout programs for major legal changes
- Proactive analysis backed up with legal experts

Starting with CCL support and rollout:

- There are a number of informative notes available in the SAP Notes repository, which includes FAQs for various functionality points and some installation guidance notes.
- Legal changes, which are often unplanned, are rolled out throughout the year via SAP Solution Notes. These Notes can be directly applied to customer systems.
- Additionally, big legal changes are supported by special rollout programs and roadshows across the country.
- SAP Chile has contracted with external legal agencies who provide input on how to proactively and correctly apply such changes.
- SAP Service Marketplace also hosts a dedicated country page for Chile. This page contains the latest updates on country version Chile, and is directly accessible by customers.
- There is also a best-practices package available for Chile localization. You can find this in SAP Service Marketplace.
Lastly, here are some recommendations for those who are new to country version Chile:

- First and foremost, CCL is not a “do-it-yourself” system. Because it is so complex, we recommend that you have experts on board right from the beginning.
- We strongly recommend that the customer upgrade to the minimum Support Pack level for CCL.
- User training is critical to a successful CCL implementation.
- One of the basic requirements for implementation is key users who have knowledge of relevant legal requirements.
You should now be able to:

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

- Globalization Knowledge Base: http://service.sap.com/GKB
Contact information

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Thank You!