Highlights of SAP Country Version China
FI and HCM

SAP Globalization Services
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After completing this lesson, you will be able to:

- Provide basic information about SAP in China
- Explain key China localization topics in SAP ERP
In the coming 30 minutes, you will understand the basic information about SAP’s subsidiaries in China, and the main China localization topics for SAP ERP.

The introduction consists of two parts: Financials and Human Capital Management.
With more than 2000 employees and 5 subsidiaries, SAP supports over 4000 customers doing business in China. In the past 20 years, SAP has continuously supported international corporations and domestic companies to run their business better in China. Together with implementation partners, government authorities, and our customers, SAP enriches its offering in legal compliance, local best practices, and consulting services for China localization.

This e-book will give you an overview of the highlighted topics.
In financial and operation, the focused area of localization, there are financial accounting and tax regulations.

In China, registered companies must meet the China General Accepted Accounting Principle 2006 series, and the relevant financial accounting guidelines. It defines the basic accounting principles for the chart of accounts setup, posting logic, and reporting formats.

It is common practice in China to optimize financial operations, including payment integration with Chinese banks, providing analytics in open item aging, and the batch printing of accounting vouchers.

The tax system in China includes value added tax, business tax, income taxes, and other specific taxes (for example, custom duty, city construction tax, and so on). The deductible value-added tax invoices are controlled by a government invoice numbering and printing software system called “Golden Tax” system.

The tax declarations are done through paper-based forms.

In some cities, the accounting system is required to provide accounting data in an electronic format (txt or XML) for government authorities’ auditing.
# Accounting Principle and Regulations

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<th>CNY</th>
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- The local currency in China is CNY, Chinese Yuan.
- The fiscal year for China is identical with the calendar year.
- The mandatory legal reports are balance sheet, income statement, cash flow report, and shareholders’ right change report.
- In China GAAP, the accounting principles are defined according to general ledger accounts with prefix numbers. The actual chart of accounts can be further extended according to the legal prefix.
These are some examples of financial reports. In most cases, the legal reports are requested in simplified Chinese. The examples here are translated just for reference.
To better handle the payment with bank transfer services from Chinese banks, customers often use the “direct enterprise-bank communication” service provided by Chinese banks. This service usually contains a message format definition and a software proxy as local terminal in the company’s network.

There is no uniform payment message format defined for China, the payment formats are mostly in XML and defined per bank.

In payment control, a typical Chinese user will require not only the business approval for the payment transaction, but also the technical confirmation of the message sent to the bank communication terminal.
In financial operation, Chinese business users often emphasize the flexible analytics tool for accounting data.

For example, the aging analysis of accounts receivable and accounts payable attracts the attention of many Chinese business users. Also, the detailed analysis of goods receipt against invoice receipt during the invoice verification is commonly requested.

This e-book shows the crystal report for accounts receivable as an example.
For external auditing purposes, it is requested in China to archive all financial documents printed in paper format. The description of the account, the header descriptions, and the line item texts are required to be in simplified Chinese. In addition, the total amount of one accounting document must be written in Chinese characters at the end of the printout. In addition, the approver information especially for the manually created or parked accounting documents is required.

There are preprinted forms widely used as a layout template for voucher printing on A4 or A5 paper.

The examples in this e-book are translated for reference purposes.
Golden Tax is the value-added tax invoice control system of the Chinese government. It consists of a software terminal installed at the company to record sales invoice information and print on special invoice paper, an IC card storing invoice registration information of the company, and the system at the authorities for tax deduction and invoice verification.

A typical use case for an SAP customer is to download all sales invoices information into a formatted text file, then upload it to the Golden Tax terminal. After a successful invoice printing from golden tax, the user will be able to download a text file containing all printed invoice numbers. The user can upload it back to the Golden Tax interface as the confirmation.

Business tax in China is not deductible. The calculation is fixed rate-based according to the net invoice amount. According to the government plan on the golden tax system, the business tax invoice is also planned to be printed from the golden tax terminal. However, there is no exact timeline when this will be the case all over China.

The figure shows the basic architecture of the interaction between an SAP system and the Golden Tax system.
This slide shows a value-added invoice and a text file to be import into Golden Tax system.

The company must have a local PC to install the golden tax software and to integrate with special printers.

When user upload manually the text file containing invoice information, the golden tax software will be able to validate and print the value added tax invoice.
At the end of the fiscal period, a company in China needs to make its declaration to the tax authorities including information about the value-added tax deduction, business tax, custom duty, income tax, and relevant exempt details.

The tax declaration is done by means of paper-based reports defined by the tax authorities.

The example shows a form template for value-added tax declaration.
Since 2003, the China national audit office has been working on the national standard of an accounting data interface, so that external auditing can easily use a uniformed interface to extract and analyze accounting data from different software systems. The corresponding product certification is done by the China Electronic Standard Institute.

The pilot implementation of this standard is in the city of Shanghai. The local government uses this format to check and verify the accounting data when a company hands in their financial reports for the first time.

The presentation shows the national standard cover page and the product certificate for SAP ERP 6.
There are different versions of standards requiring XML or text file.

The latest version GB/T 24589.1-2010 is only for software vendor certification.

The text file-based version GB/T 19581-2004 is used for vendor certification and also used by the Shanghai tax authorities in auditing.
Based on this professional research chart, we can see that talent management will be the highest priority in China within the next 3~5 years. As most of the Chinese companies continue to grow and manage an increasingly diverse workforce, they will need to invest in people, tools, and technologies to help accomplish their strategic business goals. To minimize business disruption, they must avoid leadership and skills gaps while reducing costs, improving profit Portals, dashboards, and other visualization tools that coalesce employee data in a single, easily accessible location. In this way, executives and managers are enabled to handle performance management, succession planning, and career development initiatives more effectively and efficiently.

In the future, HR in China will redefine and expand its focus in talent development by managing a seamless “human capital supply chain” to ensure the organization has a ready supply of key capabilities.
The creation of a talent engine involves far more than merely improving the existing pipeline of talent and sourcing jobs faster. On the one hand, HR must do a better job of defining future talent needs and, on the other hand, they need to do a better job of actively developing and managing existing talent.

Leading companies recognize that the management of talent requires a disciplined and rigorous approach in the same way that organizations manage the supply chain for their products and services. Some, like IBM, are creating an integrated talent supply chain that encompasses workforce planning, sourcing, learning, mobility, and resource management. Others have embedded talent executives in their businesses in an attempt to look at talent holistically, thus enabling them to develop strategies that ensure the business has the critical capabilities needed to execute its strategy.

Providing an integrated business platform across talent management, across HR, and across the entire business foundation is a key strategy. Yet, organizations cannot always implement huge “mega” processes at once, so components can be implemented individually or together, and software deliveries do not require a major release upgrade to provide functionality, removing a key barrier for companies to leverage what is available. Together with a clear focus on end user experience in a collaborative environment, the goal is to enable companies to plan, develop, and build their workforce.
1. In China, the workforce and talent shortages are lower compared with other countries in Europe, for example. However, this does not mean that China does not have to be worried about the future of its workforce. Some reports already predict that China will face massive workforce and talent shortages in no time due to rapid growth, especially where fast-growing technologies companies cannot find enough workers with engineering, math, or science degrees. Also, some firms complain that the one-child policy in China has made it difficult for them to find natural team players. We saw that companies are faced with a list of business challenges; how do these companies ensure that they are able to attract the right talent with the right skills at the right time to ensure the business can sustain these challenges. To avoid talent shortages, we have to accelerate time to productivity, thus ensuring resources are available to support time to market; we should be ready for the workforce to meet demands from diverse product/solutions portfolios of the industry’s initiatives of today; we should provide various trainings to upskill our workforce for today and tomorrow and meanwhile we need to attract and hire the best external talents based on the analytics of the workforce.
2. How can a company better respond to a dynamic business environment? The company has to build up an excellent team and align the individual goals of HR and employees and responsibilities with corporate objectives. The company has to identify and foster today’s and tomorrow’s leaders through transparent performance management and manage succession seamlessly. Motivated and nurtured talents helping to foster improved organizational performance.

3. Global competitive pressure will continue to rise. China, once the de-facto low-cost labor offshore area, is experiencing wage and cost pressures that could prompt some companies to look for less expensive resources elsewhere. At the same time, China is also experiencing talent shortages, so expect an expanded and more diverse global workforce as organizations utilize talent pools from multiple geographic areas around the globe. The way these workforces are managed will change as well. Over the past decade, companies have shifted from a centralized globalization model to a decentralized one, and they must strive to find a healthy balance between the two. Offshored or “near-shored” operations will no longer be “just” a labor pool, but rather one where talent and innovation is cultivated. Talent programs must reach an ever-increasing number of locations while at the same time considering local needs and culture. HCM systems must be able to cross geographic borders to build global processes, often in local languages and even local currencies, so you can apply consistent talent evaluation criteria and development processes to find and develop your top talents and potential successors around the world.

Provided operation will be efficiently put into practice, globalization for Chinese companies will be smooth and quick. This includes the following, for example:

- Improved on-boarding activities
- Global execution of HR efficiency
- Shared services
- Business process outsourcing
- Cost reduction with a single integrated system eliminating redundancies
- Multi-Language services

4. Furthermore, companies should continue to be compliant with new regulations, which applies to both global and regional legislation. This includes Statutory Legal Requirements of payroll, regulatory training requirements of specific industries, data privacy and data retention, and so on.
The three building blocks of HR transformation. This model with three building blocks has proven to be successful when engaging with CHROs and senior HR executives. It helps structure the conversation on HR transformation.

2.1 Fundamentals: getting the HR house in order
- Review the current HR service delivery model
- Drive out inefficiencies in HR processes
- Lower cost by doing more with less
- Compliance
- HR and HR IT Governance

2.2 Enablers: maximizing your investment in the workforce
- Identify and retain critical talent
- Develop employees
- Create a high-performing culture
- Demand for collaboration and knowledge sharing – connect your workforce
2.3 Differentiators: being a player, not just a partner

- Mapping corporate strategy and plans to workforce demand
- Transform data to real-time information – HR as a decision support function
- Values & culture
- Some companies might consider some HR practices as differentiators.

- In the last decade, many companies have focused on reengineering their HR function. They are aware of the need to transform HR but actually few are certain how to do it. This framework is based mainly on lessons learned from our customers participating in SAP executive customer networks, both in the US and Europe, including webcasts, Chief HR Officer roundtables, and workshops.

- This model includes three steps on the way to HR excellence:
  - The first step FUNDAMENTALS is about increasing visibility into the basics, and managing the transaction base efficiently. The focus is cost reduction, increased efficiency, and better service.
  - The second step ENABLERS is about maximizing your investment in the workforce, in other words about creating a direct connection between investments made in the workforce and specific indicators of operating and financial performance.
  - The third step DIFFERENTIATORS is mainly about making sure your organization is ready for the future. This is where HR no longer “runs” the business but “changes” it. In other words, it is about empowering the people to lead the change.
On January 1, 2008, the Law of New Labor Contract was published by the Ministry of Human Resources and Social Security of the People’s Republic of China. This new law is to strengthen both the legal protection for employees and the responsibility for legal compliance of the employers.

The SAP new labor contract management solution is to help our customers to reduce the risk to be illegal by better aligning with legal regulations.

This legal change defines rules for the creation and update of a labor contract, rules for execution, and rules for termination.

1. “Labor Contract Creation and Update” provides enhanced regulations of the new labor contract, such as open-ended contract management, contract update management, competition clause management, and probationary period management. SAP also provides a new workbench of contract management, which combines the standard solution of contract management and the localized solution into one.

2. This localized solution also includes the management of labor contract execution, and defines payment information, overtime fee, social insurance information, minimum salary management. Certainly, all of this information is integrated with payroll calculation.

3. The new labor contract also includes regulations on termination. This includes rules for contract termination, rules for early termination, and the corresponding severance payment and notice payment. All of these are integrated into the contract management workbench as well.
Corporate Pension in China, as a supplementary pension insurance, is established by the employer according to the legal regulations. As the market grows, more and more employers have set up their own corporate pension regulation, as a long-term incentive plan to attract and retain key talents.

The SAP corporate pension solution provides an end-to-end business process of pension plan definition, participant eligibility management, contribution calculation, and benefit management.

1. The “Corporate Pension Definition” is used to define the corporate pension plan; external institutions are involved to manage the corporate pension and the related calculation rules such as calculation method or the period of the corporate pension.

2. With the help of “Participant Management”, customers can specify the legal participant eligibility requisite check and the corporate-specific requisite check to check if employees are eligible to join a pension plan. “Participant Management” also enables the customers to maintain batch data input and auto-processes in the backend. Besides configuration, the single employee data regarding the corporate pension is maintained in the frontend.
3. Detailed calculation rules will be defined with “contribution calculation”. Here, we can define a flexible contribution method of the corporate pension, we can define the contribution separated by EE/ER, and we can also define different contribution periods as regular and irregular. The tax calculation for ER contribution can also be defined in this area. “Contribution Calculation” can be intervened before or during its execution. The result of “Contribution Calculation” is automatically integrated in employee payroll calculation.

4. The system checks whether the selected employees are eligible to receive benefits from the pension plan. For example, you must change the benefit eligibility status if an employee reaches the retirement age. If employees are eligible, you can update the employee master data by creating a new infotype record.

5. The customer is able to use BAdIs to define customer-specific requisites for Participant Eligibility, Calculation Method, and Benefit Eligibility Check.
As companies are in search for talents, there is an increasing number of employers who provide supplementary social insurance services to attract and retain the talents. However, the complex calculation rules and flexible payment cycles of supplementary social insurance are a big challenge to businesses.

The localized solution of supplementary social insurance provided by SAP enables employers to manage this kind of business with more effectiveness through the use of configured and customized calculation cycles of contribution.

The customer is able to define type, contribution area, contribution industry, and contribution group/level for supplementary social insurance by using the function “Supplementary Social Insurance Definition”.

“Contribution Definition” allows the customer to set the contribution base for employer and employee, contribution frequency, and the relevant wage types.

The related master data maintenance is carried out by using the new infotype 3532 and the existing infotypes 0014 and 0015.

The final calculation of the contribution for supplementary social insurance is integrated with payroll calculation as well.
The ESS (Employee Self Service) enhancement provides a more user-friendly UI, allowing the user to display and edit personal data more efficiently.

The figure shows the previously used, non-enhanced ESS UI; here, the Personal Information Area Page. What you can see here is a collection of individual services based on individual database transactions.

To view details and potentially update information, the employee is required to click on each individual service start a transaction.

Then, the navigation pattern requires entry into the transaction to see the current data and multiple clicks (at least 4) to enter information.

Not entirely horrible, unless you are a twenty something that needs to quickly update his or her employee profile … or the manager that has to listen to it!

So now we have a Personal information is now consolidated into one page that contains an employee’s comprehensive profile.
With the new ESS screen, we have reduced the number of clicks required for an employee to add or update information. This means that the employee can get in and out of the system more quickly, most likely accomplish this task while multitasking, and the best part is – will not complain afterwards.

This allowed us to improve productivity and user satisfaction at the same time.
Lesson Summary

You should now be able to:
- Provide general information about SAP in China
- Explain key China localization topics for SAP ERP

- The summary allows the learner to recap what they learned during the lesson.
- It should be more than a listing of the objectives of the lesson. It should be result-oriented and review the main learning points of the lesson.
For more information on topics discussed in this lesson, see the following references:

- Important SAP Notes for <country>, SAP Notes under components:
  - XX-CSC-CN
  - PA-CN
  - PY-CN
- service.sap.com/GKB
- Literature (Implementation of Country Versions for SAP ERP Systems):

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

Contact information

SAP Globalization Services:

globalization@sap.com