Arrears Processing for Deductions

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Arrears Processing for Deductions

Use

Arrears processing refers to the Voluntary Deductions [Ext.] that are deducted from the net remuneration. You enter these voluntary deductions using deduction wage types in the Recurring Payments/Deductions [Ext.] (0014) and Additional Payments [Ext.] (0015) infotypes, and in country specific infotypes for employer benefits. The system compares the deduction amount with the remaining net amount and, if possible, makes the deduction. When making this comparison the system takes a calculated country-specific minimum net amount into account.

Arrears processing is responsible for determining how payroll is performed if the deductions exceed the net remuneration.

Your employee takes part in a savings plan which means that a fixed amount is withheld from the net remuneration in each payroll period.

Moreover, regular amounts are deducted from the net remuneration and are paid to different institutions or towards company insurance.

If the sum of all the deductions is greater than the net amount, then all the deductions that were entered in the master data cannot be made during the payroll process.

Unpaid absences, for example, can lead to unexpectedly low net remuneration. If all deductions are taken in full, the difference between total net remuneration and the sum of all deductions becomes an outstanding debt owed to the employee.

Integration

You make the settings for arrears processing in Customizing for Payroll under Deductions → Arrears and Priorities.

Features

Arrears processing is controlled using deduction wage type characteristics. You assign the following characteristics to deduction wage types for arrears processing:

- **Priority**
  
  The priority specifies the sequence in which the deduction wage types are processed. If deduction wage types exist with the same priority in payroll, then the system sorts them according to name.

  If you use the Garnishment component, you should assign the garnishment wage type with the highest priority.

- **Arrears-characteristics**
  
  You must also specify in Customizing the way in which deduction wage types should be processed if the net amount does not provide sufficient cover. The possibilities available
for arrears characteristics are described in detail in Customizing for Payroll under Deductions → Arrears and Priorities → Define Priority for Deduction [Ext.]
Technical Procedure of Arrears Processing

Purpose
For more information on the purpose of this process, see Arrears Processing for Deductions [Ext.].

Process Flow

Arrears Processing

Legend:

Tables
- **ARRRS** Arrears table
  
  This contains the amounts of the deductions, which could not be processed in the previous period. These amounts are added to the amounts of the deduction wage types for the current period and are included in the current processing. Deduction wage types which cannot be processed in the current period and which are allocated with corresponding arrears characteristics are placed in the ARRRS table to be processed in the next period.

- **DDNTK** Deductions not taken
  
  Contains amounts of deductions that could not be taken from the net amount in the current period.

Functions
Technical Procedure of Arrears Processing

PRART Processing of Table OARRS
PRART Processing of Table DDNTK
PRPRI Processing of priorities table
PREND Modify table DDNTK at end of loop

For more information on the functions use transaction PDSY HR Documentation Maintenance or go to the menu for Payroll using the menu path Tools→ Maintenance Tools→Function/Operation.

The steps in the graphic are performed in the following way:

1. Import of the deductions

   The following deduction wage types are imported to the input table (IT) for further processing:
   - Amounts from the ARRRS table from the previous period with function PRART
     Using personnel calculation rule X014 you can determine whether a deduction wage type, which was not processed in the previous period, should be processed during the current period.
   - Current amounts from the Additional Payments (0015) and Recurring Payments/Deductions (0014) infotypes.

2. Processing of table DDNTK: Deductions not taken

   This processing step does not take place the first time the loop is run because the table is empty.

   The amounts of the deduction wage types in the input table (IT) are reduced by the amounts of table DDNTK in function PRDNT. Further processing, such as tax calculations, is based on these reduced deductions.

3. Processing deductions according to priority

   Once the net amount has been calculated, the system processes all of the deduction wage types in accordance with their priority and their arrears characteristics. The system checks, using function PRPRI, whether the remaining net amount is sufficient for the deduction, for every deduction wage type involved.
   - If the net amount is sufficient, the deduction is not changed.
   - If the net amount were not sufficient, the deduction would result in a negative net amount. Therefore, the amount of the deduction wage type must be reduced by the appropriate difference. This difference is stored in table DDNTK. The amount is also added to the ARRRS table according to the arrears characteristic.

   After the deductions have been processed the system checks whether deduction wage types need to be reduced, that is, whether table DDNTK is full.

   Processing of steps 1 to 3 takes place in a loop, which is performed several times if the deduction wage types have to be reduced.
Since certain deductions can be made from the remuneration before taxation, and since the gross tax amount can change, processing must therefore take place in a loop. For more information see Processing Reduced Gross Tax Amounts [Page 10].

4. Adjusting table DDNTK

After the last loop has been run, table DDNTK can contain amounts that must be deducted from the deductions for the current period. However, it can also contain amounts from the ARRRS table. Table DDNTK should, however, only contain the amounts which could not be taken into consideration in the current period. This is implemented using function PREND.

<table>
<thead>
<tr>
<th>ARRRS (Start of processing)</th>
<th>80,00</th>
<th>Deductions from the previous period</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT 0014</td>
<td>30,00</td>
<td>Deductions from the current period</td>
</tr>
<tr>
<td></td>
<td>110,00</td>
<td>Total deductions</td>
</tr>
<tr>
<td>RT</td>
<td>60,00</td>
<td>Amount that could be deducted from the net amount</td>
</tr>
<tr>
<td>ARRRS (End of processing)</td>
<td>50,00</td>
<td>Amount that could not be deducted from the net amount and which is transferred</td>
</tr>
<tr>
<td>DDNTK</td>
<td>50,00</td>
<td>Amount that could not be deducted from the net amount in the current period</td>
</tr>
</tbody>
</table>

Table DDNTK should in fact only contain the amount 30,00 from the Recurring Payments and Deductions Infotype (0014)

Using function PREND the system compares the values of the deduction wage types in table DDNTK with the values in the RT and ARRRS tables. In this way the amount of the current deduction is determined and is written to table DDNTK.

Tables DDNTK and ARRRS are stored along with the payroll results in cluster table PCL2, and can be displayed using report RPCLSTRX.
Processing Reduced Gross Tax Amounts

Use

If the deductions do not affect an employee's gross tax amount then processing can take place as described in Technical Procedure of Arrears Processing [Page 7].

Exceptions are deductions which are made from the net salary amount, but which still reduce the gross tax amount. This is the case with donations or company insurance, for example. The processing class that you use for this determines whether a wage type should be deducted from remuneration before or after taxation.

Features

If such a wage type results in a deduction, and part of the amount is placed in table DDNTK, then the system recalculates the gross tax amount. Previously the deduction that was not reduced was used to calculate the gross tax amount. Calculation of the gross tax amount using the new reduced deduction amount results in a higher gross tax amount.

The result of the higher gross tax amount, using the new tax calculation, is a changed net amount. The deductions are then made from this net amount.

<table>
<thead>
<tr>
<th>Payment/deduction type</th>
<th>Calculation 1</th>
<th>Calculation 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total gross amount</td>
<td>3 000,00</td>
<td>3 000,00</td>
</tr>
<tr>
<td>Donations, deduction from remuneration before taxation</td>
<td>500,00</td>
<td>300,00</td>
</tr>
<tr>
<td>Gross tax amount</td>
<td>2 500,00</td>
<td>2 700,00</td>
</tr>
<tr>
<td>Net amount</td>
<td>1 500,00</td>
<td>1 650,00</td>
</tr>
<tr>
<td>Garnishment</td>
<td>1 000,00</td>
<td>1 000,00</td>
</tr>
<tr>
<td>Loans</td>
<td>200,00</td>
<td>200,00</td>
</tr>
<tr>
<td>Actual deduction for donation</td>
<td>300,00</td>
<td>300,00</td>
</tr>
<tr>
<td>Remaining amount</td>
<td></td>
<td>...–</td>
</tr>
<tr>
<td>DDNTK</td>
<td>200,00</td>
<td></td>
</tr>
<tr>
<td>Payment Amount</td>
<td></td>
<td>150,00</td>
</tr>
</tbody>
</table>

Calculation 1

The total gross amount is reduced by the amount of the donation to the gross tax amount, from which the net amount is then calculated. The amounts for the garnishment and the repayment of loans are deducted from the net amount first, because they have a higher priority than the donation. Only 300,00 of the net amount remain for the deduction of donations. Since the donations amount to 500,00, the 200,00 which cannot be deducted is placed in table DDNTK.

Calculation 2

The gross tax amount must be redefined starting with reduced donation amounts. The loop must therefore be repeated again to process the new gross tax amount and the new donation amount.
Processing Arrears in Retroactive Accounting

Use

When the original payroll is run for a payroll period, deduction wage types are subtracted and paid. This procedure cannot be reversed. If you have to trigger retroactive accounting in this payroll period after you have changed a deductions wage type, then the deduction wage type is processed specially.

Features

The changed amount of the deduction wage type cannot be taken into consideration by the system. In retroactive accounting the amount of the deductions wage type that was processed in the original run is processed again.

Of course, a positive or negative difference can exist between the deduction amount in the original system and the changed deduction amount. This difference can be written to the next payroll period using the Arrears table (ARRRS).

In Customizing for Payroll under Deductions→Arrears and Priorities→Maintain Arrears Deductions for Retroactive Accounting [Ext.] you determine how changed deduction wage types should be processed in retroactive accounting.

In retroactive accounting arrears are processed in a different way to that of an original period. Processing in retroactive accounting takes place in function PRDNT, namely before the tax calculation. The loop must therefore be performed again, there is no iteration. Processing in functions PRPRI and PREND does not take place either.