

# Salary Packaging



**Release 4.6C**



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## Icons

Icon	Meaning
	Caution
	Example
	Note
	Recommendation
	Syntax

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## Salary Packaging

## Salary Packaging

### Use

Salary packaging allows you to accurately forecast the impact that various salary components have on an employee's gross and net income. By accurately projecting an employee's total package, employers can streamline remuneration to an employee's individual requirements.



For releases 4.6A, 4.6B and 4.6C, this functionality can only be used by approved pilot customers.

### Integration

Salary packaging is integrated into the following SAP components:

- *Personnel Administration*
- *Payroll South Africa*
- *Payroll Australia*

### Prerequisites

The following conditions must be fulfilled before setting up salary packaging parameters for an employee.

- An employee must be assigned the following infotypes:
  - *Actions* (0000)
  - *Organizational Assignment* (0001)
  - *Personal Data* (0002)
  - *Addresses* (0006)
  - *Planned Working Time* (0007)
  - *Basic Pay* (0008)
  - *Bank Details* (0009)
  - *Taxes SA* (0149) (valid only for South Africa)
  - *Social Insurance SA* (0150) (valid only for South Africa)
  - *Superannuation* (0220) (valid only for Australia)
- If an employee receives a total package, they must also be assigned the model wage type /TPA with the total package amount. Note: This amount is set to a per period amount and not an annual amount.
- Your company's salary components must be set up in Customizing. To do so, see in the Salary Packaging IMG: *Salary Packaging -> Salary Components -> Define Salary Components*. For additional Customizing information, see [Salary Package Customizing \[Page 8\]](#).



To ensure that system parameters are set up for salary packaging, it is recommended to review all the steps in the Salary Packaging IMG **before** creating individual salary packages for your employees.

## Features

- Based on eligibility criteria, employees are only offered those salary components for which they are eligible.
- An employee's total package can be calculated as follows:
  - As a total package where the sum of all the employee's salary components must add up to the total package amount.
  - An employee receives a basic salary. The relevant salary components are then added to the basic salary. The sum of the employee's basic salary and the salary components equal the employee's total package.

In both cases, you can display the total cost to the company.

- For comparison purposes, you can view the values of an employee's old package against the values of the new package.
- You can run a payroll simulation. By reviewing the employee's payslip, you can check the employee's simulated net pay.
- Upon saving an employee's salary package, all the relevant infotypes will automatically be updated (provided that the salary package is accepted by the system).
- You can optimize the salary component **car allowance** by simulating an employee's car details against SARS's year-end *Travel Allowance Rates*. (Note: This feature is only valid for South Africa).

## Activities

In the Salary Packaging IMG, perform the relevant customizing steps: see [Salary Package Customizing \[Page 8\]](#).

To create an employee's salary package, see [Creating an Employee's Salary Package \[Page 10\]](#).

See also [Sample Employee Salary Package \(South Africa\) \[Page 12\]](#) and [Sample Employee Salary Package \(Australia\) \[Page 14\]](#).

## Salary Package Customizing

### Purpose

By performing the Customizing steps in the IMG, you create the basis for which employee salary packages can be created. For example, it is during Customization that you create salary components and also setup eligibility criteria.

### Process Flow

In order to perform the salary packaging Customizing steps in the IMG, you must first perform the following steps:

1. In the *SAP Easy Access* screen, choose *Favorites* → *Insert Transaction* and enter SIMGH.

The entry *IMG hierarchy maintenance* appears in your favorites list.

2. Choose *IMG hierarchy maintenance*.

The *Edit IMG structure* screen appears.

3. In the *IMG Structure* field, choose the F4 options.
4. In the *Title* field, enter *Salary Packaging* and choose *Execute*.
5. Select *Salary Packaging* and choose *Favorites*.

The IMG structure *Salary Packaging* is now in your favorites list.

6. Select *Salary Packaging* and choose *Display IMG Structure*.



Once you have successfully performed the above steps, you only need to perform steps 2 & 6 to access the Salary Packaging IMG structure.

### Customizing

In the *Basic Settings* section, set up your compensation areas (according to *Compensation Management* guidelines).

In the *Salary Components* section, you define:

- *Salary Components* - which are the elements of an employee's compensation package. *Basic salary* and *Company car* are examples of **salary components**.
- *Salary Component Groups* - by setting up **salary component** groups, you default salary components based on an employee's organizational assignment.
- *Eligibility Criteria* - establishing eligibility criteria allow you to create checks (in addition to *Salary Component Groups*) to determine if an employee will have a specific salary component defaulted into their salary package. For example, an employee may only be eligible for a certain **salary component**, once they reach a specific pay scale level.
- *Additional Settings* - you maintain additional features for salary packaging. The following steps are only relevant for South Africa:
  - Maintain Company Car Regulation
  - Define Receiver Travel Allowance Rates
  - Result



Now that you have performed the necessary Customizing steps for salary packaging, see [Creating an Employee's Salary Package \[Page 10\]](#).

## Creating an Employee's Salary Package

## Creating an Employee's Salary Package

### Prerequisites

You must perform [Salary Package Customizing \[Page 8\]](#) before performing this step.

### Procedure

1. In the *SAP Easy Access* screen, choose *Favorites* → *Insert Transaction* and enter the transaction code.



Transaction P16A is valid for releases 4.6A and 4.6B. As of release 4.6C, you can use transaction P16B\_ADMIN or Salary Packaging as an ESS scenario.

The entry *Salary packaging* appears in your favorites list.

2. Choose *Salary packaging*.



Once *Salary packaging* is in your *Favorites* menu, you only need to perform step 2 (from above).

The *Salary packaging* screen appears.

1. In the *Personnel no.* field, enter the employee's personnel number for whom you would like to create a salary package.
2. In the *Effect. Date* field, enter the date as of when the salary package is valid.
3. Choose *Enter*.

The *Salary packaging* screen appears (where you create a salary package in the *Package distribution* section).



The following is a description on how to proceed for transaction **P16A**. To model your package with the transaction **P16B\_ADMIN**, see [Salary Packaging \[Page 16\]](#). For information on Salary Packaging as an Employee Self Service scenario, see [ESS \[Page 17\]](#).

In the *Package distribution* section, all those **salary components** are displayed for which the employee previously had data stored in the infotypes. **Salary components** are the elements of an employee's **salary package**. For comparison purposes, this screen stores the current **salary package** in the fields *New amount* and *New %*, while the employee's previous **salary package** (if applicable) is indicated in the *Old amount* and *Old %* fields.

- You can select or deselected **salary components** with the icons *Insert salary component* and *Deselect salary component* (which are located towards the bottom left of the screen).



When selecting *Insert salary component*, all the salary components will be listed for which the employee is eligible. This is based on the employee's organizational assignment, pay grade, and eligibility criteria (as set up in customizing).



For Australia, *Superannuation* will not be listed.

- Depending on the type of the **salary component** selected, you may be required to advise additional information (which varies among **salary components**). If such is the case, there will be a drop-down box (F4 help) in the *Category* field. The options include:

## Creating an Employee's Salary Package

- Complete the category fields in the F4 help (Example: For the **salary component Medical Aid** (South African), you must choose a *company, scheme and contribution class*.)
- Enter an amount
- Enter a percentage



If the amount field or percentage field is grayed out (input off), the system will automatically calculate the amount or percentage contribution.

Once you have created the employee's **salary package**:

1. Run a simulation payroll by selecting *Payroll simulation*.

If the simulation run was successful, a sample payslip is displayed.

You can perform the above steps, until the employee's optimal **salary package** is achieved.

2. Choose *Save* to save the new package.



Upon saving the employee's **salary package**, all the infotypes contained in the **salary package** will automatically be updated by the system.

3. To optimize an employee's *Car allowance* perform the following steps. (Note: This step is only valid for South Africa):

- Choose the *Travel allowance optimizing* tab strip.
- Enter all the relevant information.
- Select *calculate*.

The system displays the taxable earnings at year end as compared to those from the current period.



The system calculates the travel allowance based on entries entered in the *Travel allowance optimizing* tab strip on the *Salary Packaging* screen and the *Salary Packaging: ZA receiver rates* table, which stores per tax year SARS travel allowance data. You must keep this table up-to-date according to SARS's specifications. To access this table, see in the *Salary Packaging IMG: Additional Settings → Define Receiver Travel Allowance Rates*.

## Result

You have created an employee's **salary package**.

## Sample Employee Salary Package (South Africa)

## Sample Employee Salary Package (South Africa)

### Purpose

This example serves to illustrate the various ways to use the salary packaging functionality (with transaction P16A).

Based on [Salary Package Customizing \[Page 8\]](#), the following **salary components** were created:

- *Total package \**
- *Bonus*
- *Pension fund \**
- *Car Allowance*
- *Company car*
- *Retirement annuity \**
- *Entertainment Allowance*
- *Basic Salary \**
- *Total cost \**

### Process Flow

The following example is the process flow of how the South African employee John Khumalo, of the Cape to Cairo trailer company, arrives at his optimal **salary package**.

By following the instructions in [Create an Employee's Salary Package \[Page 10\]](#) John's **salary package** contains the **salary components** listed above with \* (as he previously had that information stored in his infotypes before creating his **salary package**). His **salary package** is as follows:

<b>Salary Component</b>	<b>New Amount</b>
• <i>Total package</i>	R 240,000
• <i>Pension fund</i>	R 16,800
• <i>Retirement annuity</i>	R 24,000
• <i>Basic Salary</i>	R 199,200
• <i>Total cost</i>	R 240,000



The **Total package** amount is based on the amount entered in the model wage type /TPA in the infotype *Basic Pay* (0008).

Based on his organizational assignment and pay grade, John is eligible for **other salary components** (as indicated in the list from *Insert salary component*). He would therefore like to see what his salary package would look like with an entertainment allowance.

By using *Insert salary component*, the **salary component** *Entertainment allowance - Standard contribution* was chosen.

Sample Employee Salary Package (South Africa)

His salary package is now as follows:

Salary Component	New Amount
• Total package	R 240,000
• Pension fund	R 16,800
• Retirement annuity	R 24,000
• Entertainment allowance	R 1,000
• Basic Salary	R 198,200
• Total cost	R 240,000



Notice that the **salary component** *Basic salary* changed in order to accommodate the **salary component** *Entertainment allowance*.

If the **salary component** *Total package* is applicable for an employee, the employee must also have at least one **salary component** in their package with the nature of the salary component as *Remainder*. The reason for this is that the employee's *Total package* is a fixed amount. The **salary component** marked as *Remainder* (which is setup in the details of table V\_T5W7A) will fluctuate according to other **salary component** added or subtracted, to ensure that the *Total package* amount remains the same.

John now decides that he no longer wants an entertainment allowance, but a car allowance.

1. By using *Delete salary component*, the salary component *Entertainment allowance* was deleted.
2. By using *Insert salary component*, the salary component *Car allowance* was chosen.
3. In the category field, the relevant car information was selected.

His salary package is now as follows:

Salary Component	New Amount
• Total package	R 240,000
• Pension fund	R 16,800
• Retirement annuity	R 24,000
• Car allowance	R 5,000
• Basic Salary	R 194,200
• Total cost	R 240,000

**Result**

Both John and CCT are in agreement with the above salary package. The salary package was then saved by choosing *Save*.



Upon saving the salary package, all the infotypes in the salary package were automatically updated by the system.

## Sample Employee Salary Package (Australia)

## Sample Employee Salary Package (Australia)

### Purpose

This example describes how you can use the salary packaging function (with transaction P16A).

### Prerequisites

You have created the following salary components in [Customizing \[Page 8\]](#):

- *Total package \**
- *Company super 1 \**
- *Employee super 1 \**
- *Fringe benefits tax (FBT)*
- *Company car*
- *Basic Salary \**
- *Total cost \**

### Process Flow

The following process illustrates how your new employee, Sally Packet, arrives at her optimal salary package:

1. You enter Sally's salary components in the relevant infotypes.
2. You follow the instructions described in [Creating an Employee's Salary Package \[Page 10\]](#) so that Sally's salary package contains the salary components listed above with \*. The resulting salary package is as follows:

#### Salary Component New Amount

Total package	\$60,000
Company super 1	\$4,200
Employee super 1	\$600
Basic salary	\$59,400
Total cost	\$64,200



The total package amount is based on the amount entered in the model wage type /TPA in the *Basic Pay* infotype (0008).

3. Based on her organisational assignment and pay scale, Sally is eligible for other salary components (as listed in the *Insert salary component* field). She would therefore like to see what her salary package would look like if she had a company car and paid FBT.

In the *Insert salary component* field, you choose the salary components *company car* and *FBT*. Sally's salary package is now as follows:

#### Salary Component New Amount

## Sample Employee Salary Package (Australia)

Total package	\$60,000
Company super 1	\$4,200
Employee super 1	\$600
Company car	\$15,000
FBT	\$3672
Basic salary	\$40,728
Total cost	\$64,200



Note how the salary component *basic salary* has changed to accommodate the salary components company car and FBT.

If the salary component *total package* is applicable for an employee, the employee must also have at least one salary component in their package with the nature of the salary component as *Remainder*. The reason for this is that the employee's *total package* is a fixed amount. The salary component marked as *Remainder* (which is set up in the details of view V\_T5W7A) will fluctuate according to other salary components added or subtracted to ensure that the *total package* amount remains the same.

4. Sally now decides that she does not want the company car. By choosing *Delete salary component*, you can delete the components company car and FBT. Sally's salary now reverts to the original figures calculated in point 2.

## Result

Both Sally and your company agree to the salary package, and you save the package.

When you save the salary package, the system automatically updates all the relevant infotypes.

## Salary Packaging

### Use

On this Salary Packaging screen (transaction P16B\_ADMIN), you model your salary package to meet your needs.

The following is some general information about the screen:

- The right side of the screen consists of mandatory components (such as **Basic Salary**) and the components which are currently part of your package.
- The left side of the screen contains all those additional components for which you are eligible.



For general information on Salary Packaging, see [overview documentation \[Page 6\]](#).

### Procedure

To model your package, perform the following tasks:

1. Click on the salary component text and press the appropriate arrow (to indicate where to move the salary component).  
By performing the above step, you add or remove components from your package variation.
2. To change details for a component, click on the amount  
On the bottom of the screen, the *Edit* section appears. This *Edit* section is specific to each component and contains the relevant amount, percentage, and contribution information valid for the component.
3. Press *Accept* to include your new attributes to the package.  
Note: Pressing *Reset* will bring you back to the last saved entry in the edit section.
4. Before leaving the modeling screen you have two options:
  - Pressing *Simulation* allows you to preview a sample online your payslip.
  - Pressing *Accept* will include your variation changes in the package.
  - Pressing *Update* will update the infotypes accordingly.

### Result

You have maintained salary components and their respective amount and/or contribution information for your package.



## Salary Packaging / Employee Self Service (ESS) Scenario

### Purpose

As of Release 4.6C, **Salary Packing** is available as an ESS scenario. The advantages of modeling your Salary Package as an ESS scenario include:

- ❑ Greater Flexibility
- ❑ Workflow enabled managerial approval of your package

### Process Flow

The ESS scenario takes you through the following screens:

- ❑ The *Salary Packaging Compare* screen allows you to compare two packages (and their respective payslips) between combinations of the following packages:
  - ❑ *Old package* (if applicable) - this package reflects your package elements prior to modeling your new package.
  - ❑ *Default package* - this package reflects your package elements as of the new effective date.
  - ❑ *Variation A* and *Variation B* Packages - It is with these packages that you have the opportunity to create different package scenarios. Modeling can take place at your leisure, but simply saving the package and returning to it at a later point in time. For additional details, click [here \[Page 18\]](#).
- ❑ The *Model screen* allows you to:
  - ❑ Add components to your package
  - ❑ Remove components from your package
  - ❑ Indicate the applicable amount relevant for certain components.  
For additional details, click [here \[Page 19\]](#).
- ❑ Screen to send request your package for approval by your manager.

### Result

You have created your preferred Salary Package for managerial approval.

## Compare Salary Packages

## Compare Salary Packages

### Use

On this screen, you compare different packages and their respective payslips.

For a general overview of Salary Packaging as an ESS, click [here \[Page 17\]](#).

### Procedure

Choose in the *Select* field, your respective packages to compare between two different package options.

- The *Old package* (if applicable) reflects your package elements prior to modeling your new package.
- The *Default package* reflects your package elements as of the new effective date.
- The *Variation A* and *Variation B* packages are the packages you can model and it is one of these packages that you request.

1. If you want to preview your payslip for a package, choose *Display the Payslip*.
2. If you want to change components within your package, choose *Change this Package*.

The [modeling \[Page 19\]](#) screen appears.



There are no restraints as to how often you perform the above steps.

3. Once you have arrived at your preferred package you can save it and send it to your manager for approval.

4. To do so, in the *Request* section, choose the package and click *Submit*.

The *Salary Packaging Request Variation* screen appears.

5. From the *Salary Packaging Request Variation* screen, you have the option to perform the following tasks:

- Generate a payslip for the package (again).
- Go back to the compare screen.
- Request the package.



By clicking on, *Request the package*, you initiate a workflow in the system (provided that you require managerial approval for your package). Your manager will receive your requested package in their inbox. Intern, you will also receive a message in your inbox informing you whether your manager has approved or declined you proposed package. Once your manager has accepted the package, the respective infotypes will be automatically updated in the system.

## Model Salary Packages

### Use

On this screen, you model your salary package to meet your needs.

The following is some general information about the screen:

- The value of your package and effective date is displayed on the top line.
- The right side of the screen consists of mandatory components (such as **Basic Salary**) and the components which are currently part of your package.
- The left side of the screen contains all those additional components for which you are eligible.


#### Salary Component Legend

White	Elements of the package
Grey	Remainder element
Blue	Net deduction (This information is displayed for informational purposes only, as it an amount that is deducted from an employee's net and is not part of the package).

For an overview of Salary Packaging as an ESS, click [here \[Page 17\]](#).

### Procedure

To model your package, perform the following tasks:

1. Click on the salary component text and press the appropriate arrow (to indicate where to move the salary component).  
By performing the above step, you add or remove components from your package variation.
2. To change details for a component, click on the amount.  
On the bottom of the screen, the *Edit* section appears. This *Edit* section is specific to each component and contains the relevant amount, percentage, and contribution information valid for the component.
3. Press *Accept* to include your new attributes to the package.  
 Pressing *Reset* will bring you back to the last saved entry in the edit section.
4. You then have the following options:
  - Pressing *Back to compare screen* will retain your entry in the current session (allowing you, for example, to view your payslip with your changes).
  - Pressing *Save* will save your variation changes permanently (allowing you to return to your variation at a later point in time to continue modeling).

### Result

You have maintained salary components and their respective amount and/or contribution information for your package variation.