

PY-DE Company Insurance



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PY-DE Company Insurance

Comprehensive pension insurance benefits are paid by the employer, which ensures a standard of living for the employee or his/her dependents in the event of sickness, accident, incapacity to work, old age, or death. It can also include voluntary benefits to which an employee is legally entitled. The voluntary benefits are seen as income, if the employee explicitly or implicitly agrees to them. Implicit agreement is assumed if the employee is aware of the voluntary benefits, or is aware of the circumstances. It is not important whether the comprehensive pension insurance is for one employee, a group of employees, or the entire workforce.

The usual types of pension insurance are:

- Employer contributions to the employee's **compulsory insurance**
- Employer bonuses for the employee's **voluntary insurance benefits**
- Employer contributions to the **company insurance**
- Transferals to **pension funds**
- Transferals to **relief funds**
- **Commitments** to pension insurance

The benefits can either be taxable or tax-free income.

The most common form of pension insurance benefit is company insurance.

Company Insurance

Company insurance is an employee's life insurance that has been taken out (through the employer) with a domestic or foreign insurance company. The employee, or his/her dependents are then entitled to receive all or part of the insurance benefits.

Enter company insurance in the *Company Insurance* infotype (0026).

The employer can pay a flat-rate, lump sum tax on pension insurance benefits - for example, company insurance benefits paid by the employer for the employees - in accordance with § 40 b (for example, as of January 1996 at 20%).

The income tax lump-sum limit for contributions to company insurance is **3,408 DM annually**, per employee.

If several employees are insured under one company insurance policy, you must calculate an average amount. The average amount can only be taxed as a lump sum, if it exceeds 3,408 DM in a calendar year. You cannot include an employee in the average calculation, for whom the employer pays more than 4,200 DM in company insurance contributions in a calendar year.

If the employer pays employee contributions to a comprehensive pension insurance plan (for example, company insurance), this amount (3,408 DEM) is multiplied by the number of calendar years that the employee has worked for the company, when he/she leaves. This multiplied lump sum limit is reduced to the lump sum taxed contributions that the employer has paid. For example, severance pay to finance a company insurance.

Entering Company Insurance

Entering Company Insurance

You can enter **company insurance** data, as part of your company's employee pension plan, in the *Company Insurance* infotype (0026).

This affects benefits that are paid to an insurance company or to a mutual insurance association pension fund.

You enter other retirement benefits (for example, company pensions), in the *Company Pension* infotype (0053).

The reason for entering company insurance and benefits to pension funds separately, is that they are processed individually for tax purposes, as it is possible to tax them as a lump sum (in line with § 40b Income Tax Law).

Maintaining Company Insurance in the *Company Insurance* Infotype (0026)

When making entries in the *Company Insurance* infotype (0026), the system assumes that the insurance premiums are paid from one-time payments.

The imputed income is also automatically taxed as a lump sum in the *Company Insurance* infotype (0026). If you select the *Individual tax* indicator, the company insurance premiums are taxed individually.

If you select the *tax paid by employer* indicator in the *Company Insurance* infotype (0026), then the employer pays the lump sum tax. That is, it is not passed on to the employee.

The statutory lump sum limits (3,408 DM/year (1996) per employee for individual policies, and 4,200 DM/year (1996) for group policies) are also considered by the system. If an entry is above the lump sum limit, the system gives you a message to this effect.

Also, the system notes policies that were taken out prior to 1981. For these policies, there is no liability to pay SI premiums from regular payments.

If necessary, you can enter (external) bank details to transfer premiums.

For information purposes, you can also enter the start of the insurance and the date when the employee is entitled to receive benefits.

Company Insurance (Infotype 0026)

Definition

In this infotype, you enter company insurance data in line with the company pension plan. Company insurance include payments to insurance companies and pension funds, where there is the possibility of lump-sum taxation. You enter other retirement benefits (for example, company pensions), in the *Company Pension* infotype (0053).

Use

The entered data is used in payroll.

Structure

The *Company Insurance* infotype (0026) is divided into insurance categories. Each insurance category forms a subtype. The following insurance categories are set up as subtypes in the standard system:

- Subtype 0001: Life Insurance
- Subtype 0002: Group Accident Insurance
- Subtype 0003: Pension Insurance with Payment Options
- Subtype 0004: Death Risk Insurance
- Subtype 0005: Accident Insurance with Restitution of Premiums

Create Company Insurance for an Employee

Create Company Insurance for an Employee

You can maintain the following entry fields, in order to evaluate these entries in the payroll run:

- Validity start and end date,
- Insurance type, as not every type is a company insurance in line with §§ 1 AVG, 40b Income Tax Law,
- Insurance company (or pension fund),
- Wage type, and
- Insurance premium amount.



You must have already created the *Fiscal Data D* infotype (0012) for the selected employee and key date.

To create an individual or lump sum *company insurance*, proceed as follows:

1. For the selected employee and key date, choose the *Company Insurance* infotype (0026), using the function *Create*.
2. Enter the *validity date*:

Policy Data

3. The *wage type* field is defaulted, along with its corresponding user wage type for *company insurance*. You can overwrite this wage type, if required. The standard system defaults the wage type *M750* (Company insurance).
4. Complete the *Insurance type*, *Insurance company* and *Insurance premium* fields.
5. If required, enter the insurance policy start date in the *Entry date* field.
6. Activate the *CI from current payments* field, if the company insurance is to be paid from current pay. If the *CI from current payments* field is **not** activated, the company insurance contribution is paid as a one-time payment.

Payroll Data

7. Check the default values in the *Payroll Data* tab page.

Payee Data

8. Complete the fields in the *payee data* tab page.
9. Save your entries.

RESULT:

You have created company insurance for an employee.

Create a Company Insurance that Exceeds the Lump Sum Limit

Create a Company Insurance that Exceeds the Lump Sum Limit

You must differentiate between the following three cases, where the **lump sum limit is exceeded**:

1. The employee has an individual policy that exceeds the limit.
2. There is an insurance policy for all employees or only for a group of employees where the lump sum limit for group policies is **not** exceeded. If the company insurance average exceeds the lump sum limit for individual policies.
3. There is an insurance policy for all employees or only for a group of employees where the lump sum limit for group policies is exceeded. The company insurance average exceeds the lump sum limit for individual policies.

The premium amounts above this lump sum limit for individual policies must be taxed individually.

Group policies can be taxed annually at a flat rate up to the lump sum limit, if the average of all company insurance policies is under the lump sum limit for individual policies.

Cases **one** and **two** are processed in the same way by the standard SAP system. You must enter these cases in the *company insurance* infotype (0026) with the following data records:

- I. Create a data record with a premium rate, which is taxed at a flat rate up to the annual lump sum limit.
- II. Create an additional data record, so that the excess amount can be taxed individually.

In the **3rd case**, the entire amount of the company insurance is taxed **individually**.

To create company insurance above the lump sum limit according to cases one and two, proceed as follows:

- I. **Create a premium rate (company insurance amount) up to the annual lump sum limit, which is taxed at a flat rate.**



Check that data already exists for the *Fiscal Data D* infotype (0012).

1. For the selected employee, choose the *Company Insurance* infotype (0026) using the function *Create*.
2. Enter the *validity date*.
3. The *wage type* field is defaulted, along with its corresponding user wage type for *company insurance*. You can overwrite this wage type, if required. The standard system defaults the wage type *M750* (Company insurance).
4. Complete the *Insurance type*, *Insurance company* and *Insurance premium* fields. (The maximum amount is the annual lump sum limit).
5. In the *Payroll data* tab page, select the indicator *Flat-rate tax ER*, and *Flat-rate tax EE*.
6. Complete the fields in the *payee data* tab page.
7. Save your entries.

Interim result:

Create a Company Insurance that Exceeds the Lump Sum Limit

You have created the insurance premiums that are taxed at a flat rate up to the annual lump sum limit.

Then, an additional data record is created, so that the excess amount can be taxed individually.

II. Create an additional data record, so that the excess amount can be taxed individually.

1. For the selected employee, choose the *Company Insurance* infotype (0026) using the function *Create*.
2. Enter the *validity date*.
3. Complete the *Insurance type* and *Insurance company* fields.
If the insurance type and the insurance company match the data record that contains the flat-rate premium amount, you must maintain the **sequence number** field.
4. In the field *wage type*, enter the relevant user wage type.
5. Enter the excess amount in the *Insurance premium* field.
6. In the *Payroll data* tab page, select the *Individual tax* field.
7. Complete the fields in the *payee data* tab page.
8. Save your entries.

RESULT:

You have created a record with the amount of the company insurance premium that is taxed individually.

Create Severance Pay to Finance Company Insurance

If severance pay is included in the financing of company insurance, the lump sum limit from § 40 b Par.2 Income Tax Law is multiplied by the employee's years of service.

In payroll, the taxable amount of the severance pay is debited with the company insurance.



Check that data already exists for the *Fiscal Data D* infotype (0012).

To create severance pay to finance *company insurance*, proceed as follows:

1. For the selected employee, choose the *Company Insurance* infotype (0026) using the function *Create*.
2. Enter the *validity date*.
3. Complete the *Insurance type*, *Insurance company* and *Insurance premium* fields.
4. If required, select the *Company insurance from regular payments*, *Additional Benefit*, *Individual Tax*, *Tax paid by employer*, *Ignore lump sum limit*, and *Social insurance exempt/old policy* fields in the Payroll data tab page.
5. In the *Wage type* field, enter the relevant user wage type for severance pay to finance company insurance. The standard system defaults the model wage type *M750* (Company insurance).
6. Complete the fields in the *payee data* tab page.
7. Save your entries.

RESULT:

You have created severance pay to finance company insurance.

Retroactive Accounting and Company Insurance

Retroactive Accounting and Company Insurance

It is basically possible to run retroactive accounting for company insurance.

Exception:

If the company insurance infotype (0026) contains bank detail entries, then retroactive changes to:

- Insurance premiums,
- Bank data, or
- Control features

are **not possible**.