Service Taxation Enhancements for Brazil
# Typographic Conventions

<table>
<thead>
<tr>
<th>Type Style</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Example</strong></td>
<td>Words or characters quoted from the screen. These include field names, screen titles, pushbuttons labels, menu names, menu paths, and menu options. Textual cross-references to other documents.</td>
</tr>
<tr>
<td>Example</td>
<td>Emphasized words or expressions.</td>
</tr>
<tr>
<td><strong>EXAMPLE</strong></td>
<td>Technical names of system objects. These include report names, program names, transaction codes, table names, and key concepts of a programming language when they are surrounded by body text, for example, SELECT and INCLUDE.</td>
</tr>
<tr>
<td>Example</td>
<td>Output on the screen. This includes file and directory names and their paths, messages, names of variables and parameters, source text, and names of installation, upgrade and database tools.</td>
</tr>
<tr>
<td><strong>Example</strong></td>
<td>Exact user entry. These are words or characters that you enter in the system exactly as they appear in the documentation.</td>
</tr>
<tr>
<td><code>&lt;Example&gt;</code></td>
<td>Variable user entry. Angle brackets indicate that you replace these words and characters with appropriate entries to make entries in the system.</td>
</tr>
<tr>
<td><strong>EXAMPLE</strong></td>
<td>Keys on the keyboard, for example, F2 or ENTER.</td>
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</table>
## Document History

<table>
<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
<td>0.1</td>
<td>2013-11-27</td>
<td>First draft - all chapters created</td>
</tr>
<tr>
<td>0.2</td>
<td>2013-12-02</td>
<td>InfoDev review</td>
</tr>
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<td>1.1</td>
<td>2013-12-02</td>
<td>Final</td>
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1 Overview

1.1 Prerequisites

Make sure that the following prerequisites are met before running service taxation enhancements in Brazil:

- SAP FS-CD is properly configured.
- Natural person (Pessoa Física) and company (Pessoa Jurídica) business partners must be customized.
- Withholding tax supplements must be customized.
- Tax calculation methods must be assigned to tax codes.
- Threshold amounts for withholding tax supplements must be defined.
- Tax code details for service types must be maintained.
- Formulas for withholding tax calculation for natural persons must be maintained.

1.2 Assumptions

This user guide is based on the assumption that you have some level of familiarity with the terminology and functions associated with service taxation enhancements in Brazil.

The aim of this user guide is to provide you with the information you need to navigate through and optimize the performance of service taxation enhancements in Brazil.

We recommend that you refer to this user guide whenever necessary during the hands-on operation of service taxation enhancements in Brazil.

1.3 Logon and Site Authorization

1.3.1 Authorizations

Service Taxation Enhancements for Brazil do not have any special authorization requirements.

1.3.2 Notes

This guide may define work areas and functions to which you do not have access. Your access to the individual software features depends on your specific authorization profile.
This document is created from the Service Taxation Enhancements for Brazil perspective, as this is the system in which all application features and functions are available.

14 Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service number</td>
<td>Service number or benefit type</td>
<td>If an item of a created document pertains to the provision of services, the system enables the service number related to the item to be entered and saved. This term can be called either service number or benefit type.</td>
</tr>
<tr>
<td>Simples Tax Regime</td>
<td>Simples</td>
<td>Simples taxation regime --- small companies, depending on the revenue and the type of service they deliver, can be classified as Simples and will observe the rules of Simples Tax Regime for withholding taxes calculation.</td>
</tr>
<tr>
<td>SAP Collections and Disbursements</td>
<td>SAP FS-CD</td>
<td>Component of the SAP Insurance suite that takes care of accounts payable and receivable and calculates withholding taxes for insurance businesses.</td>
</tr>
<tr>
<td>Business Application Programming Interface</td>
<td>BAPI</td>
<td>Published program used to upload data into the SAP system from legacy system.</td>
</tr>
<tr>
<td>Instituto Nacional do Seguro Social</td>
<td>INSS</td>
<td>Abbreviation for the National Institute for Social Security and for the social security itself.</td>
</tr>
<tr>
<td>Imposto Sobre Serviços</td>
<td>ISS</td>
<td>Tax applied to services provided to a third party by a company or professional. This is paid by the service provider.</td>
</tr>
<tr>
<td>Imposto de renda retido na fonte</td>
<td>IRRF</td>
<td>Income tax withheld at the source. Tax applied to labor income, capital income, remittances abroad, and other income.</td>
</tr>
<tr>
<td>Programa de Integração Social</td>
<td>PIS</td>
<td>Federal tax applied to gross revenues earned by all types of legal entities including non-profit makers and organizations held by the government.</td>
</tr>
<tr>
<td>Contribuição para Financiamento da Seguridade Social</td>
<td>COFINS</td>
<td>State tax based on added value, applied to the monthly invoicing.</td>
</tr>
<tr>
<td>Contribuição Social sobre o Lucro Líquido</td>
<td>CSLL</td>
<td>Social contribution on net income that applies to the net profit. Charged for every legal entity resident in the country and those that are covered by tax legislation.</td>
</tr>
<tr>
<td>Business partner</td>
<td>BP</td>
<td>A natural or legal person or a group of natural or legal persons, not part of the business organization but with whom a business interest exists.</td>
</tr>
</tbody>
</table>
1.5 Screen Overview

This chapter briefly describes the screens that were extended or created for service taxation enhancements in Brazil.

1.5.1 Business partner view

In the business partner screen (transaction BP), a tab called Simples Taxation was added for business partners that are assigned the MKK - Contract Partner role. This tab includes the new Simples option field.

During the invoice creation process (transaction FPE1), in the item detail screen now includes the Service data box containing the Benefit Type (service number) and the ISS Simples fields.

1.5.2 INSS Patronal/ Cooperativa configuration

For INSS Patronal/ Cooperativa scenario, the /FSTPS/INSS_PAT transaction was created. Within this transaction you can provide the Country Key, the Withholding Tax Code, and the Withholding Tax Supplement in order to specify which tax codes and supplements shall be considered during the INSS Patronal/ Cooperativa taxation. Further details can be found in chapter 4.

1.5.3 Simples Report

In order to display all business partner that have opted for the Simples regime at least once (transaction /FSTPS/SIMPLES), you must provide one Valid From date.

You can refine your search further by providing a specific Business Partner or a range of Business Partners and selecting the field Only active simples. The system will display only business partners that currently opt for the Simples regime.
2 The Simples taxation tab in the BP transaction

2.1 Introduction

In the BP transaction, when you select a company business partner that is assigned to the MKK - Contract Partner role, the Simples taxation tab is available.

Use this tab to indicate whether the current business partner has opted for the Simples regime.

2.2 Details

The tab contains only a single field, the Simples option flag.

To indicate that the current business partner has opted for the Simples regime, select the flag and save the business partner. All withholding taxes to which the Simples taxation regime applies will be exempted.
3 Service data in the FPE1 transaction

3.1 Introduction

During invoice creation in the standard FPE1 transaction you can add several Business Partner Items. Inside the detail information screen of each Business Partner Item, was created the Service data section, which contains the relevant fields for the service taxation process. The Service data box includes the following fields:

- **Benefit Type** (Service number);
- **ISS Simples** (for ISS calculation).

3.2 Details

In the **Benefit type** field, enter the service number that will be used for the calculation of the withholding taxes during the service taxation process.

The service number you provide must be customized (transaction SPRO) in Claims Management. In the SPRO transaction, click the SAP Reference IMG button, then navigate to SAP Insurance → Claims Management → Claims → Product Configuration → Benefit Types → Define Benefit Types.

If the service number used is not configured, the solution will not allow you to save the invoicing document. If you leave this field blank, the solution will not associate the invoicing document to a service number, and the service taxation process will not be performed.

In the **ISS Simples** field, you can provide a new ISS tax rate to be used in the calculation of the withholding taxes. If this field is left empty, the standard ISS tax rate will be used. The tax rate provided within this field is only valid for business partners that opt for the Simples regime. More details regarding Simples regime can be found in chapter 8.

Entering a tax rate in this field does not compel the system to consider the ISS withholding tax in cases where this withholding tax is exempted. If the scenario does not include ISS tax, the content of the field will not be considered.
4 INSS Patronal configuration in the /FSTPS/INSS_PAT transaction

4.1 Introduction

Service Taxation Enhancements for Brazil ensures that when monthly accumulation applies for PIS/COFINS/CSLL for corporate business partners, withholding taxes are automatically calculated proportionally when the total amount of the document is not enough to cover the entire tax amount. This proportional calculation ensures that PIS/COFINS/CSLL withholding taxes are always paid, even if the total amount of the document is less than the total amount of PIS/COFINS/CSLL withholding taxes combined.

One peculiarity of the PIS/COFINS/CSLL withholding taxes is that they are customized in the Brazil localization as task type 3, which is the same used for INSS Patronal and Cooperativa. This customizing is set in the Assign Tax Calculation to Tax Codes view.

In order to ensure that the proportional calculation occurs only for PIS/COFINS/CSLL withholding taxes and not for INSS Patronal and INSS Cooperativa, since they have the same tax type, Service Taxation Enhancements for Brazil includes transaction /FSTPS/INSS_PAT to customize which withholding taxes must be ignored for the proportional calculation. This way the solution ensures that all the tax codes and supplements related to INSS Patronal and Cooperativa will not be considered in the proportional calculation.

4.2 Details

If the current scenario you are executing includes the calculation of INSS Patronal or INSS Cooperativa, you must add the Tax Code and Supplement regarding INSS Patronal or INSS Cooperativa in transaction /FSTPS/INSS_PAT. Otherwise proportional calculation will be processed incorrectly.

In the INSS Patronal configuration transaction (/FSTPS/INSS_PAT), enter the Country Key, the Withholding Tax Code, and the Withholding Tax Supplement.
5 Simples business partners in the / FSTPS/ SIMPLES transaction

5.1 Introduction

This report allows you to display all business partners that are currently opting or have opted at least once for the Simples regime within the new Simples Taxation tab described in chapter 2 for the BP transaction.

5.2 Details

To display any business partner in this transaction, enter the Valid From date. You can further refine your search by providing Business Partner numbers and selecting the Only active simples flag. This flag will list only business partners that currently opt for the Simples regime based on the Valid From date you provide.
6 Service taxation

6.1 Introduction

The main purpose of the Service Taxation Enhancements for Brazil RCS is to enhance the calculation of withholding taxes in the Brazil localization in order to enable service taxation.

Besides the standard parameters to calculate taxes (rates, exemptions, dependents, and so on), the solution enables you to use a service number (also known as a benefit type) as an additional parameter to calculate withholding taxes in the following business processes:

- Invoice creation - transactions FPE1, FPE2 and FPE3
- Payment - transaction FPY1

Once the service number (benefit type) is assigned for the service taxation within the invoice creation, the following withholding taxes are covered by the solution, depending on the scenario and the time of posting, as per standard functionality and Brazil localization:

- Natural person
  - INSS
  - IRRF
  - ISS
  - INSS Patronal
- Companies
  - INSS
  - IRRF
  - ISS
  - INSS Cooperativa
  - PIS/COFINS/CSLL

6.2 Details and Execution

For the service number (benefit type) to be considered during the service taxation process, you must assign it during invoice creation (transaction FPE1) as previously mentioned in chapter 3.

Once the service number (benefit type) is assigned in the invoice, the solution will calculate all the configured withholding taxes, depending on the scenario and time of posting configured in the Brazil localization customization.

For further information on how to assign the service number, refer to chapter 3.

It is also possible to assign the service number via BAPI, using the BAPI for invoice creation (BAPI_PPLAN_ITEM_CREATE). The BENTY (Benefit Type/ Service number) field was extended to support this.
7 Calculation of withholding taxes/ Proportional PIS/ COFINS/ CSLL calculation

7.1 Introduction

As previously mentioned, this solution ensures that when monthly accumulation applies for PIS/COFINS/CSLL withholding taxes for corporate business partners, they are automatically calculated proportionally when the total amount of the document is not enough to cover the entire tax amount. This proportional calculation ensures that PIS/COFINS/CSLL withholding taxes are always paid even if the total amount of the document is less than the total amount of PIS/COFINS/CSLL withholding taxes combined.

To ensure that they are paid, the solution calculates them proportionally, in such way that at the payment process the document is zeroed (total amount of the document is equal of the total amount of taxes).

7.2 Details and Execution

The proportional PIS/ COFINS/ CSLL calculation only occurs in the specific case where accumulation applies and the total amount of the document is not enough to cover all accumulated taxes.

The following example illustrates this:

1. Assume that the threshold amount configured for the PIS/COFINS/CSLL withholding tax is R$5000.00 and all withholding tax is configured to have a portion of 100% subject to tax. (In other words, every tax rate will be applied to 100% of the total amount of the invoicing document).

2. An invoicing document is created for January with a total amount of R$4950.00.

3. Since the R$5000.00 threshold was not reached, PIS/COFINS/CSLL will not be withheld but will instead be accumulated.

4. A second invoicing document is created for January with a total amount of R$100.00. Notice that the threshold was now exceeded by R$50.00.

5. As a rule, in this second document, all the accumulated tax from the first document will be withheld, since the threshold was exceeded. However, the total amount of taxes accumulated will exceed the current document amount of R$100.00.

6. For this scenario, the proportional PIS/COFINS/CSLL calculation recalculates the accumulated PIS/COFINS/CSLL withholding taxes proportionally to fit within the R$100.00, and the remaining amount that was not withheld will be still accumulated for withholding in further documents.

For further information on how to configure the system in order to ensure the proper behavior of the Proportional PIS/COFINS/CSLL calculation, refer to chapter 4.
8 Calculation of withholding taxes/
Simples taxation

8.1 Introduction

The Service Taxation Enhancements for Brazil solution ensures that, for all business partners that opt for the Simples regime, all withholding taxes are exempted (except for INSS, ISS, INSS Patronal and INSS Cooperativa).

8.2 Details and Execution

As described in chapter 2, the solution includes a new tab in the business partner transaction for maintaining the Simples regime option.

The solution provides a report that lists all business partners that currently opt for the Simples regime or have opted for the Simples regime at least once. This new transaction is explained in chapter 5.

The solution also ensures that the ISS withholding tax is calculated properly for the business partners that opt for the Simples regime. The ISS tax rate is customized in the standard SAP FS-CD.

Note, however, that there are some exceptional cases where the vendor provides a fixed tax rate used in the nota fiscal. In such cases, the system must consider the new tax rate provided in the invoicing creation and calculate withholding taxes based on this new value. If this field is empty, the solution uses the standard customized ISS tax rate. The new ISS Simples field is explained in detail in chapter 3.

As a rule for natural persons, the ISS is withheld unless the business partner has the Inscrição Municipal field completed in the BP master data. The municipality field is already provided by SAP standard and is editable in the BP transaction under the Identification tab, code BR4.
9 Configuration and Customization

The only specific configuration created for this solution is the INSS Patronal configuration (transaction /FSTPS/INSS_PAT). For more detail, please refer to chapter 4.

All other configuration and customizations needed for this solution is standard and is considered a prerequisite for the installation of the solution. See chapter 1.1 for full details.