

Exemption on Other Allowances and Reimbursements – India



Applies to:

ERP HCM (HR) and Enterprise Resource Planning. For more information, visit the [Enterprise Resource Planning homepage](#).

Summary

This paper discusses about the customer specific exemption for SAP-HR module specific to Indian tax and exemptions. Also it describes the detailed analysis of wage type configuration, table configuration, schema configuration and payroll processing of SAP-HR.

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Company: iGATE Patni

Created on: 28th June 2011

Author Bio



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Overview

The system provides for generic tax exemption computation for India through the function INCTX. This provides for tax exemption to be based on inputs in IT0582 subject to the limit and can be created for any customer specific wage type. INCTX performs annual/monthly exemption as required by the customer.

You must use this component only:

- For those tax exemptions that have not been provided as a standard by the system. For example, Exemptions on Leave Travel Allowance, Medical Reimbursement, Medical Insurance, Child Education Allowance, Child Hostel Allowance.
- When the tax exemption is not a fixed amount and varies from one employee to the other depending on the proof of expenditure provided by the employee.

Customer specific exemptions Varies on two conditions –

1. If the exemption is 'Annual' or 'Monthly'.
2. If the payment type is 'Allowance' or 'Reimbursement'.

Hence there are 4 scenarios possible –

1. Payment type is Allowance and tax exemption for payment is Annual
2. Payment type is Allowance and tax exemption for payment is Monthly
3. Payment type is Reimbursement and tax exemption for payment is Annual
4. Payment type is Reimbursement and tax exemption for payment is Monthly

Scenario 1 (Payment type is Allowance and tax exemption is Annual)

Since the payment is an allowance i.e. a regular payment, amount will have to be projected for the rest of year to calculate the annual exemption. Payment computation will happen as follows –

Annual payment = Year till date payment + Current period value + Current value * projection factor

Configuration

1. Copy a new wage type let's say 9998 from M211 (medical amount) for the payment.
2. Configure 9998 for the allowance in view V_T7INA9. Refer the screenshot –

Display View "Reimbursement allowances perks - eligibility and calcula

WT	Basic Slab	Elig check	Rap Amount	RAP No	WT flag	Rnd. off	RAP indic	Crcy	From	To
4LTA		No Check...	7,000.00	0.00	Amount		Reimbursement	INR	01.01.1900	31.12.9999
9998		No Check...	0.00	0.00	Amount		Allowance	INR	01.01.1900	31.12.9999
MCPY		No Check...	1,000.00	0.00	Amount		Reimbursement	INR	01.01.1900	31.12.9999

3. Make an entry in V_T7INT9 for the tax code you want to process. Here I have configured for SEXM with limit of 15000 annual.

Display View "Taxability of wage types": Overview

Wage Type	Tax type	Frequency	Exmpt It	Tax code	Currency	Start	To
4PLA	Tax exemption is Limit Based	Limit for Tax Exemption is Annual	0.00	ZPLM	INR	01.01.1999	31.12
9998	Tax exemption is Limit Based	Limit for Tax Exemption is Annual	15,000.00	SEXM	INR	01.01.1999	31.12
9999	Tax exemption is Limit Based	Limit for Tax Exemption is Monthly	0.00	SCNV	INR	01.01.1999	31.12
9FEP	Tax exemption is Rule Based	Limit for Tax Exemption is Annual	0.00	ZFEP	INR	01.01.1999	31.12

4. Check for the IT0582 subtype as well, if it is not created then create a new subtype for the tax code you are using for exemption.
5. Schema configuration -
Go to Schema IN00 -> Subschema INN1 -> INCTX payroll functions. Note that may be you are having a Z copy of schema, in that case check for the subschema (Gross to Net calculation). Here I am copied the subschema to ZNN1 from INN1. In case you are using the standard schema, please copy the schema IN00 and subschema INN1 into customer name range.

Display Schema : ZNN1

Cmmnd Stack

Line	Func.	Par1	Par2	Par3	Par4	D	Text
000380	INLWF					*	Labour welfare fund
000390	INUCD	LWF	/140				Other Statutory and Non-Statutory ded.
000400	INCEA						Children education allowance
000410	INCTX	SEXM	MCAX	R	MCMX	*	Customer specific tax exemption
000420	INCTX	SEXM	MCAX	A			Customer specific tax exemption
000430	PIT	INCS	GEN	NOAB			Create WPBP splits in wage types
000440	INCCO						Company car schemes

Output example– Value of wage type 9998 is Rs. 1250 or more. Then the value of customer specific monthly and annual exemption will be as follows -

* MCAX Cust. Sp. A 15,000.00

Since the payment type is Allowance, MCAX will hold the cumulated amount of year till date, current period payment and current value projected for the rest of year based on this formula –

Annual payment = Year till date payment + Current month value + Current value * projection factor

Scenario – 2 (Payment type is Reimbursement and tax exemption is Annual)

Since the payment is a Reimbursement i.e. irregular payment, amount will not be projected for the rest of year. It will only consider till date value of the payment for the computation of exemption.

Configuration

1. Copy a new wage type let's say 9998 from M211 (medical amount) for the payment.
2. Configure 9998 for the allowance in view V_T7INA9. Refer the screenshot –

Display View "Reimbursement allowances perks - eligibility and calcula

Expand <-> Collapse   

Allowance grouping XXXX Allowance grouping for which you are configuring the exemption

Reimbursement allowances perks - eligibility and calculation										
WT	Basic Slab	Elig check	Rap Amount	RAP No	WT flag	Rnd. off	RAP indic	Crcy	From	To
4LTA		No Check...	7,000.00	0.00	Amount		Reimbursement	INR	01.01.1900	31.12.9999
9998		No Check...	0.00	0.00	Amount		Reimbursement	INR	01.01.1900	31.12.9999
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- Make an entry in V_T7INT9 for the tax code you want to process. Here I have configured for SEXM with limit of 15000 annual.

Display View "Taxability of wage types": Overview

Expand <-> Collapse

Taxability of wage types							
Wage Type	Tax type	Frequency	Exempt It	Tax code	Currency	Start	To
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9FEP	Tax exemption is Rule Based	Limit for Tax Exemption is Annual	0.00	ZFEP	INR	01.01.1999	31.12
9101	Tax exemption is Rule Based	Limit for Tax Exemption is Annual	0.00	ZB01	INR	01.01.1999	31.12

- Check for the IT0582 subtype as well, if it is not created then create a new subtype for the tax code you are using for exemption.
- Schema configuration

Display Schema : ZNN1

Cmmnd Stack

Line	Func.	Par1	Par2	Par3	Par4	D	Text
000380	INLWF						* Labour welfare fund
000390	INUCD	LWF	/140				Other Statutory and Non-Statutory ded.
000400	INCEA						Children education allowance
000410	INCTX	SEXM	MCAX	R	MCMX		* Customer specific tax exemption
000420	INCTX	SEXM	MCAX	R			Customer specific tax exemption
000430	PIT	INCS	GEN	NOAB			Create WPBP splits in wage types
000440	INCCO						Company car schemes

Output example– Value of wage type 9998 is Rs. 1250 or more. Then the value of customer specific monthly and annual exemption will be as follows -

* MCMX Cust. Sp. M 1,250.00
 * MCAX Cust. Sp. A 1,250.00

Since the payment type is reimbursement, annual value will not be projected and will hold the cumulated amount of year till date and current period payment.

Scenario – 3 (Payment type is Allowance and tax exemption is Monthly)

Since the payment is an allowance i.e. a regular payment, amount will have to be projected for the rest of year to calculate the annual exemption as in case of monthly exemption, annual exemption calculation will also be done because of the annual taxation in India.

Annual payment = Year till date payment + Current period value + Current value * projection factor

Configuration

1. Copy a new wage type let's say 9998 from M211 (medical amount) for the payment.
2. Configure 9998 for the allowance in view V_T7INA9. Refer the screenshot –

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Output example– Value of wage type 9998 is Rs. 1250 or more. Then the value of customer specific monthly and annual exemption will be as follows -

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Scenario – 4 (Payment type is Reimbursement and tax exemption is Monthly)

Since the payment is a Reimbursement i.e. irregular payment, amount will not be projected for the rest of year. Monthly exemptions will be considered till date for the computation of annual exemption.

Configuration

1. Copy a new wage type let's say 9998 from M211 (medical amount) for the payment.
2. Configure 9998 for the allowance in view V_T7INA9. Refer the screenshot –

Display View "Reimbursement allowances perks - eligibility and calcula

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000420	INCTX	SEXM	MCAX	R		MCMX	Customer specific tax exemption
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Output example– Value of wage type 9998 is Rs. 1250 or more. Then the value of customer specific monthly and annual exemption will be as follows -

* MCMX Cust. Sp. M	1,250.00
* MCAX Cust. Sp. A	1,250.00

Since the payment type is reimbursement, annual value will not be projected and will hold the cumulated amount of year till date and current period payment.

Payment Wage type Configuration –

1. Check the processing class and Cumulation class for the payment wage type '9998' in the following screenshot (This is view V_512w_O, You can also set these characteristic via view V_512W_D) -

Complete view T512W: Detail

W. type
9998 INCTX- test
Valid from: 01.01.1998 To : 31.12.9999

Valuation Bases

Basis WT	Valuation basis	StatemntWT	%	rate	0,00
1st der. WT	Valuation basis	StatemntWT	%	rate	0,00
2nd der. WT	Valuation basis	StatemntWT	%	rate	0,00

Processing classes / specifications

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
3		0	6	9	0				0										8					
26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50
				I	0																			
51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
											0										5			
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	

Cumulations

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>								
26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>												
51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Processing class and cumulation class set up for wage type MCAX –

Complete view T512W: Detail

◀ ▶ 📄 📖 Documentation

W. type
MCAX Cust. Sp. Annual Exp. Valid from: 01.01.1998 To : 31.12.9999

Valuation Bases

Basis WT	Valuation basis	StatemntWT	%	rate	0,00
1st der. WT	Valuation basis	StatemntWT	%	rate	0,00
2nd der. WT	Valuation basis	StatemntWT	%	rate	0,00

Processing classes / specifications

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
			6	9	0				0										8					
26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50
				0	0																			
51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
											0								0	0				
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	
1																								

Cumulations

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>																			
51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

2. Check the permissibility for the wage type in payment infotype where you are trying to make an entry. It stored in table V_T512Z.

Exemption Formula

Exemption on the allowance or the reimbursement is the minimum of:

- Allowance or reimbursement made through the Basic Pay infotype (0008), Recur. Payments/Deduction infotype (0014) or Additional Payments infotype (0015).
- The exemption is maintained in customer subtype of infotype IT0582 for exemptions. This infotype is only read till the last date of the period for which the payroll is being run. Future is not read.
- Maximum limit of exemption maintained in table view Taxability of Wage Types (V_T7INT9) against the tax code mapped to the payment wage type.

Payroll Processing Example

This is just for the reference as where you need to check the values in Payroll log.

Input table view

Detail View of Log

The screenshot displays the 'Detail View of Log' for a payroll run. It shows a list of wage types and their corresponding amounts. A red box highlights the row for wage type '3 9998 INCTX- test01' with an amount of 1,250.00. A blue callout box points to this row with the text: 'This is INput table inside INCTX processing. Payment wage type 9998 is present over here.'

3 1FOD Food Allowa01	1,100.00
3 9998 INCTX- test01	1,250.00
* /3FA PF basis fo0101	26,000.00
* /3FJ VPF basis f0101	26,000.00
* /3FB PF Basis fo0101	26,000.00
* /3FL PF Basis fo0101	6,500.00
* /3FC Pension Bas0101	6,500.00
* /3F7 EDLI contri0101	3,250,000.00
* /3F8 EDLI adm ch0101	65,000.00
* /3F9 PF adm chrg0101	28,600,000.00
* /3F1 Ee PF contr0101	3,120.00
* /3F3 Er PF contr0101	2,579.00
* /3F4 Er Pension 0101	541.00
* /3F5 Ee Mon PF c	3,120.00
* /3F6 Ee Ann PF c	34,320.00
* /3FG Ann perk (e	446.00
* /3I2 Gross amoun	34,320.00
* /3I1 Deduction u	34,320.00

Below the log, the 'Table EXM' is shown. A blue callout box points to the table with the text: 'This is view of cluster table EXM which shows the date for submission of proof along with amount of bill which you have stored in IT 0582/ subtype EXM(or customer subtype created)'. A red box highlights the first row of the table.

From	From	SType	Exmpt amt	CF claim	Currency
16.05.2010	16.05.2010	SEXM	1,000.00 INR		INR

INCTX output table view

3	1E0D	Food Allowa01			1,100.00
3	9998	INCTX- test01			1,250.00
*	/3FA	PF basis fo0101			26,000.00
*	/3FJ	VPF basis f0101			26,000.00
*	/3FB	PF Basis fo0101			26,000.00
*	/3FL	PF Basis fo0101			6,500.00
*	/3FC	Pension Bas0101			6,500.00
*	/3F7	EDLI contri0101			3,250,000.00
*	/3F8	EDLI adm ch0101			65,000.00
*	/3F9	PF adm chrg0101			28,600,000.00
*	/3F1	Ee PF contr0101			3,120.00
*	/3F3	Er PF contr0101			2,579.00
*	/3F4	Er Pension 0101			541.00
*	/3F5	Ee Mon PF c			3,120.00
*	/3F6	Ee Ann PF c			34,320.00
*	/3FG	Ann perk (e			446.00
*	/3I2	Gross amoun			34,320.00
*	/3I1	Deduction u			34,320.00
*		MCAx Cust. Sp. A			1,000.00

This is output table view of INCTX. As you can see here, MCAx wage type generated after the processing of INCTX.

PCR IN76 processing to cumulate into exemption

Now Processing of PCR IN76, where this amount will be cumulated to the annual exemption wage type /130.

/401 Projection Factor			
Rule	ESGPCR	VaKey	Operation
IN76	*		VWICL 76
IN76	*	*	ADDWT *
MCAx Cust. Sp. Annual Exmp.			
Rule	ESGPCR	VaKey	Operation
IN76	*		VWICL 76
IN76	*	1	ADDWT *
IN76	*	1	ADDCU
/111 EPF Basis			
Rule	ESGPCR	VaKey	Operation
IN76	*		VWICL 76
IN76	*	*	ADDWT *

This view is processing of PCR IN76 where MCAx wage type will get processed.

Output table of IN76 view

* /124 Mon Reg inc01	76,922.00
* /128 Voluntary P01	26,000.00
* /130 Exemption U	1,000.00
* /138 Form 217 21	76,172.00
* /3F1 Ee PF contr0101	3,120.00
* /3F3 Er PF contr0101	2,579.00
* /3F4 Er Pension 0101	541.00
* /3F5 Ee Mon PF c	3,120.00
* /3F6 Ee Ann PF c	34,320.00
* /3F7 EDLI contri0101	3,250,000.00
* /3F8 EDLI adm ch0101	65,000.00
* /3F9 PF adm chrg0101	28,600,000.00
* /3FA PF basis fo0101	26,000.00
* /3FB PF Basis fo0101	26,000.00
* /3FC Pension Bas0101	6,500.00
* /3FG Ann perk (e	446.00
* /3FJ VPF basis fo0101	26,000.00
* /3FL PF Basis fo0101	6,500.00
* /3I1 Deduction u	34,320.00
* /3I2 Gross amoun	34,320.00
* /401 Projection	10.00
* MCAX Cust. Sp. A	1,000.00
3 /111 EPF Basis 01	26,000.00

Output table view of IN76 where /130 has been generated based on MCAX.

Important Points to note

- The taxation limit specified in the table T7INT9 can be annual or monthly in case the exemption is annual (PARM4 not specified) but it should be monthly in case the exemption is monthly (PARM4 specified). An error will result if the limit specified for a monthly exempted wage type is annual.
- In case of monthly exemptions, payments and IT582 exemptions will be read only for the relevant month.
- If the exemption is calculated on annual basis (PARM4 not specified), the annual tax exemption wage type (parm2) should be configured to be cumulated in Exemption u/s 10 wage type /130 and in Annual Exemptions. But, if the exemption is calculated on monthly basis, then the monthly exemption wage type (PARM4) should be cumulated in Monthly Exemptions wage type. The annual exemption wage type (PARM2) (which is calculated from the monthly exemption, in this case) should not be cumulated in Annual Exemptions wage type. Though it has to be cumulated in Exemption u/s 10 wage type in this case also.
- Annual limit not allowed for a monthly exempted wage type 9998. Check T7INT9 as here Annual limit is defined as frequency.
- In scenario 3 & 4 if you have missed monthly wage type to configure into schema, it will start behaving as scenario 1 or 2 (based on if A or R) and hence the output will not be correct. But system will not throw any error.
- For creating subtype in infotype 0582, use view V_T591A.
- For creating a taxability code, use view V_T7INT7.

Related Content

[Payroll India \(PY-IN\)](#)

[Exemption on Other Allowances and Reimbursements](#)

[Exemption on Other Allowances and Reimbursements Configuration](#)

For more information, visit the [Enterprise Resource Planning homepage](#).

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