



TURN OF THE YEAR HCM

Towards the end of the year, the HR department's environment becomes increasingly exciting. This year we can expect very drastic changes, which we are happy to discuss in this article. Below you will find more detailed information on the implementation of the 2021 withholding tax and the increase in EO contributions for employees and employers (paternity leave).

As every year, there are individual adjustments to be made, such as the processing of the end of the year with the delivery of data to the different social security partners via ELM, and in general the annual accounts and controls.

We would also like to inform you about the technical aspects of your SAP system.

FOCUS TOPIC WITHHOLDING TAX REFORM 2021

Perhaps you have already dealt with the topic of "withholding tax reform", namely the Federal Act on the Revision of Withholding Taxation, which was already passed by the Federal Council on 16 December 2016. This law regulates the basis for withholding tax. With the reform, it has received various adjustments which will come into force on 1 January 2021. Below you will find an overview of the changes and how to implement them properly in SAP HCM.

The aim of the revised withholding tax law is to harmonise the legal situation between the cantons. The amendments also aim to take account of technical developments (e.g. the uniform salary notification procedure, abbreviated ELM).

The most important innovations at a glance:

- Income subject to withholding tax is defined uniformly.
- All the cantons responsible must now be settled.
- Depending on the canton, there are 2 models. Either the monthly or annual model.
- The application of tariff codes is uniform.
- The application of withholding tax code D (sideline activity) is not applicable for employers.
- More complex calculations are required for part-time employment.
- For irregular working hours (e.g.: hourly wage), a uniform rate regulation applies.
- The canton is responsible for the entire tax period at the end of the year or at the end of the tax liability. If the canton responsible changes (e.g. change of canton of residence below the year), the withholding tax is settled and delivered with the new canton from the following month.
- The subscription commission was reduced to between 1% and 2%.
- New possibility to apply for subsequent ordinary assessment.

Workers taxed at source

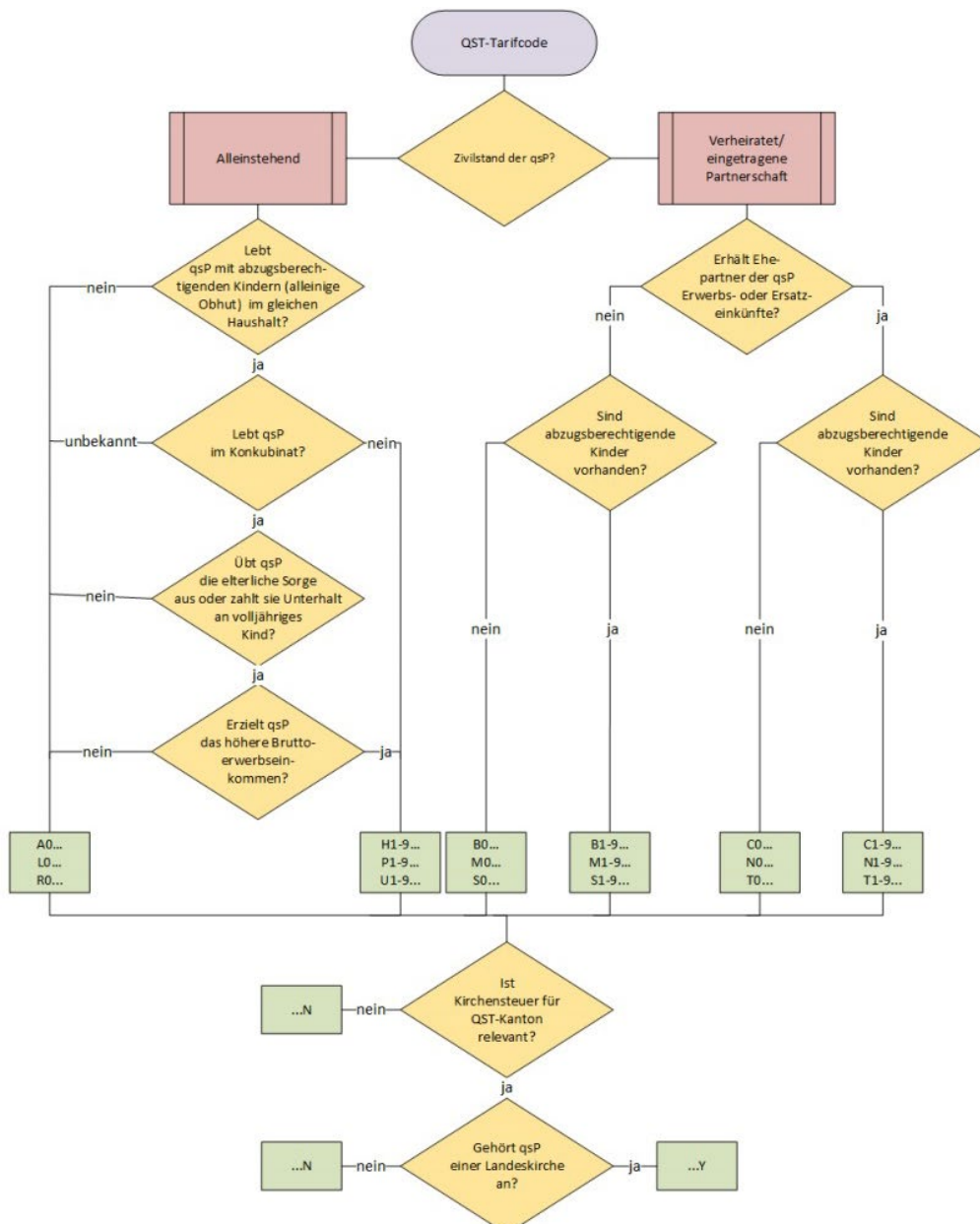
There are several types of employees who are subject to withholding tax. As a general rule, salary income and replacement income earned by a company or individual with residence, registered office, effective administration, permanent establishment or fixed base in Switzerland is subject to withholding tax. The two main groups of employees subject to withholding tax are the following:

- Employees resident in Switzerland if they do not have a permanent residence permit (C permit)

- Employees not resident in Switzerland, i.e. cross-border commuters, weekly or short-term residents. This also includes employees with a settlement permit or Swiss nationality if they are resident abroad. It also includes employees who carry out road transport for a Swiss company.

Tariff codes for withholding tax

There are different tariff codes for withholding tax, depending on personal circumstances, which determine the amount of withholding tax. For construction companies with employees or branches in nearby foreign countries, the special tariff codes for Italy and Germany are particularly important, as special tariffs exist through agreements between Switzerland and these two countries. If the QST tariff code is changed, the new code will be taken into account next month. If, for example, a person's civil status changes from single to married with marriage date 15.08.2021, then a new validity date of 01.09.2021 must be created in the wage data and the QST data will be adjusted to this validity date. No adjustment is made for the previous months. In the following picture you will find an overview of the basic tariff codes.

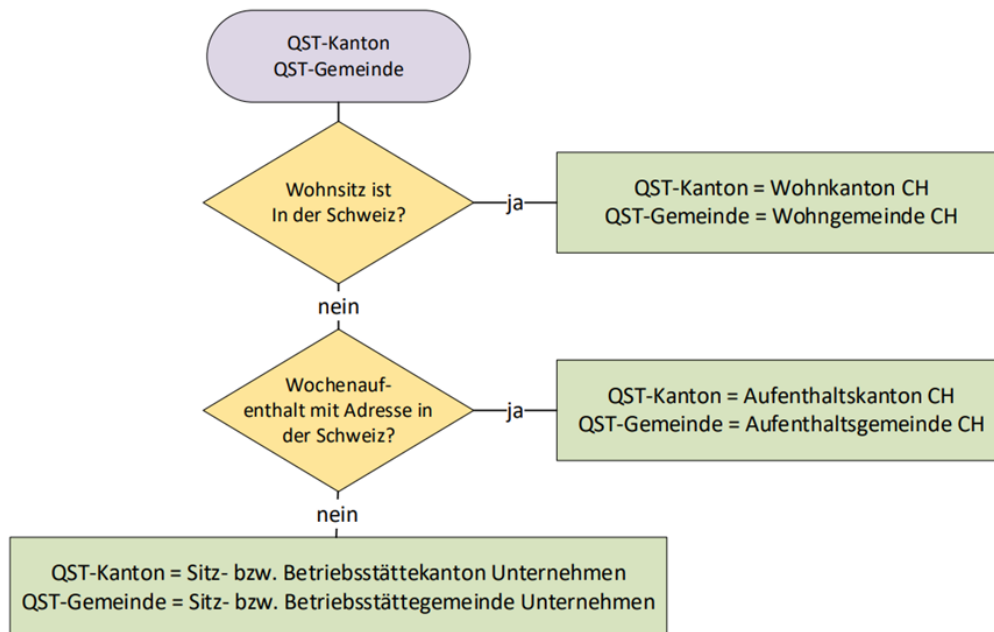


Picture: Tariff codes of the withholding tax (Source: Swissdec guidelines)

Calculation of the tax in the monthly and annual model

If you as an employer owe withholding tax, you will in future settle this with the monthly or annual model, depending on the canton. You determine the correct withholding tax canton based on the employee's (i.e.

the withholding taxed person, or qSP for short) relationship with Switzerland. The allocation can be made on the basis of the following diagram:



Picture: Allocation of correct QST canton (Source: Swissdec guidelines)

If company X, with a permanent establishment in Wil, temporarily employs employee Y from Germany in Switzerland at the permanent establishment in Wil, the withholding tax must therefore be transferred to the canton of St. Gallen (prerequisite: the exemplary employee Y is resident in Germany and commutes to St.Gallen).

The question also arises whether the canton should charge according to the monthly or annual model.

Below you will find a list of all cantons and their accounting methods:

Monthly model: Aargau, Appenzell Innerrhoden, Appenzell Ausserrhoden, Bern, Basel-Land, Basel-City, Glarus, Grisons, Jura, Lucerne, Neuchâtel, Nidwalden, Obwalden, St. Gallen, Schaffhausen, Solothurn, Schwyz, Thurgau, Uri, Zug, Zurich.

The gross wage that determines the rate is also added up to 100% for part-time employees. Here is the example of an employee who is employed by 2 employers for a total of 80%:

Employers	Workload	Gross wage	determining the rate
A. AG	60%	3400	5667 (3400/60*100)
B. AG	20%	1200	6000 (1200/20*100)

Table: Rate determining income by monthly model, based on [circular letter no. 45](#)

Annual model: Fribourg, Geneva, Ticino, Vaud, Valais.

The main difference between the two models is the consideration of the tax period. Whereas in the monthly model the month is considered the tax period, in the annual model it is the year. In the annual model, however, the tax must still be withheld and settled monthly. You will find the following examples for calculating the income that determines the rate.

As mentioned above, this system uses the calendar year as the tax period. The gross wage determining the rate is calculated on an annual basis. In the case of 100% employment, this is as follows:

month	January	November	December	rate determining monthly income
Gross wage	5000		5000	5000	5000

Table: Rate determining income by annual model, based on [circular letter no. 45](#)

Further examples of different types of calculation and employment conditions can be found in [Circular Letter No. 45 of the Swiss Federal Tax Administration](#). From page 21 for the monthly model and from page 36 for the annual model (see supplement).

What is there for you to do in the SAP system?

An update of the SAP HCM through the year-end patches (Sync Package), or already through the patches that have been delivered until November, is urgently recommended. SAP SE has published the following notes on the update QSt 2021: [OSS-Hinweise.xlsx](#)

The recommended SAP support package for HCM HR SP (all EA-HR, with SAP_HR):

RTC	Remarks	604	605	606	607	608
12.11.20	SYNCH	F8	D5	C0	A9	86

Further adjustments and corrections to the 2021 withholding tax will probably be delivered in quarter IV 2020. Please note in particular SAP Note 2906976 (listed above). This SAP note will be updated with the release of new SAP notes on withholding tax 2021.

Can something be actively done in advance?

Yes, because the cumulation /109 - withholding tax base fixed is no longer valid from 01.01.2021. If wage types are still coded for this cumulation, an error message is issued in the payroll schema Switzerland. Only the two wage types /108 - Withholding tax base partial month are still required for the withholding tax calculation. (periodic payments) and /117 - QSt. Basis single payment (aperiodic payments) are relevant for the withholding tax calculation. All wage types must be delimited as of 01.01.2021 and reallocated in accordance with [circular 45](#). You can coordinate this immediately with your SAP HCM consultant. He will be happy to assist you with the new wage type assignment.

You also need information from all part-time employees about any part-time jobs.

PATERNITY LEAVE - IMPACT ON SV

In the referendum of 27 September 2020, the proposal for paid paternity leave was adopted with 60.3 percent of the votes in favour. This will allow fathers to take two weeks' paid leave within six months of the birth of a child. Like maternity compensation, this leave is financed by the Income Compensation Act (EO). The proposal will enter into force on 1 January 2021.

Two weeks paternity leave

If the bill is adopted, all working fathers will be entitled to two weeks' paternity leave, i.e. ten days' leave. They can take this leave within six months of the child's birth, in one go or spread over individual days. Employers are prohibited from reducing the leave in return.

Right to compensation for loss of earnings

Loss of earnings during paternity leave is compensated. The same principles apply as for maternity leave. Compensation is paid to fathers who were employed or self-employed at the time of the birth of the child. They must also have been compulsorily insured under the AHV scheme for the nine months preceding the birth and have been employed for at least five months during that period. Compensation is paid either directly to the employee or to the employer if the latter continues to pay the salary during the leave.

Amount of compensation

As in the case of maternity leave, the compensation amounts to 80 percent of the average earned income before the birth of the child, up to a maximum of 196 francs per day. For a fortnight' leave, 14 daily allowances are paid, giving a maximum amount of 2744 francs.

Costs and financing

The two-week paternity leave is financed via the income replacement scheme (EO), i.e. mainly with contributions from employees and employers. The Federal Social Insurance Office estimates the cost of the leave to be around 230 million Swiss francs per year when the bill comes into force. To finance this, the contribution to the EO must be increased from the current 0.45 to 0.50 percent of wages. This is an increase of 50 centimes per 1000 francs of salary. In the case of employees, their employers will pay half of this amount.

<https://www.bsv.admin.ch/bsv/de/home/sozialversicherungen/eo-msv/reformen-und-revisionen/eo-vaterschaftsurlaub-200927.html>

What to do in the SAP system?

Only the constants for contributions to the following social security schemes need to be adjusted:

- Table V_T511K | AHEOG - "EO Contribution % Employer
- Table V_T511K | AHEON - "EO contribution-% employees
- Table V_T511K | AHVHF - "HFPY3: AHV percentage".

The procedure and details can be found in OSS note 2987320 - JW 2020/2021 (SV): Increase in EO contribution percentage.

14TH MONTH'S WAGE FOR FRONTIER WORKERS AUSTRIA

Some employees from Austria (feedback from customers) have been made aware by their Austrian tax advisors that the Austrian Federal Ministry of Finance (BMF) will make changes to the special payments (14th month's salary) for cross-border commuters that already affect the tax year 2020 (i.e. 1.1.2020). The announcement was made by way of an unofficially published information: "Information on tax relief for other benefits in accordance with §67 (1) and (2) EStG 1988 for cross-border commuters and cross-border commuters" dated 04.03.2020.

It cannot be ruled out that the discontinuation of the long-established practice of withholding for the 13th/14th month's salary, which has been applied in the Principality of Liechtenstein and the Canton of St. Gallen up to now, will have a negative impact on the tax exemptions for cross-border commuters from Austria.

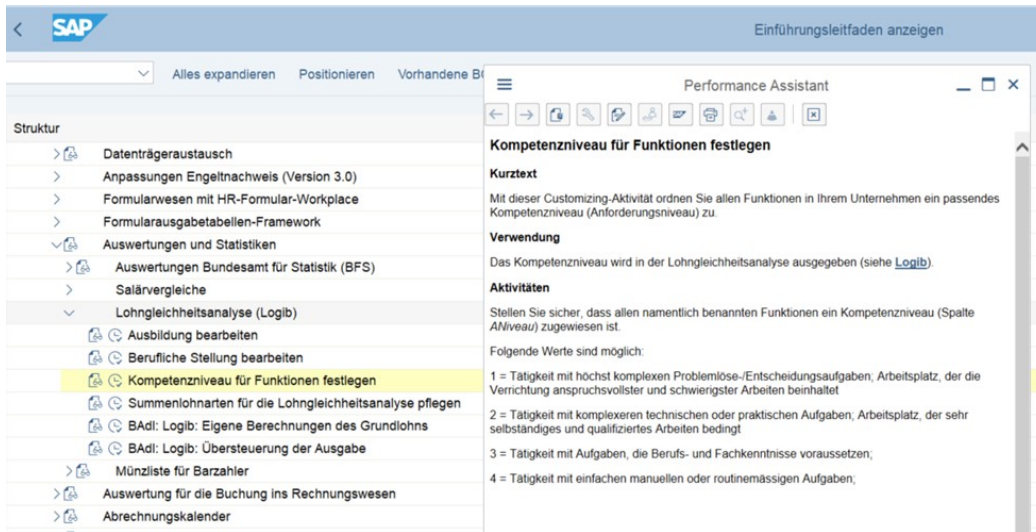
There are already plans to change the payment modalities of some companies in Liechtenstein so that tax benefits can continue to be granted. The annual salary, which was previously based on 13 monthly salaries, will now be changed from 01.01.2021, and will be paid out in 14 monthly salaries if the annual salary remains the same. As an example, a 13th month's salary may be paid together with the June salary as holiday pay and the 14th month's salary as Christmas bonus together with the November/December salary. This adjustment is supported by both the Liechtenstein Chamber of Industry and Commerce (LIHK) and the Liechtenstein Employee Association (LANV).

https://www.wko.at/service/steuern/Sonstige-Bezuege-Steuerliche-Behandlung.html-Tax_treatment.html

DELIVERY NOTE LOGIB - REPORT FOR WAGE EQUALITY ANALYSIS

Logib is the standard federal analysis tool for wage equality analyses. It is free, anonymous, secure and easy to use. Logib is based on a scientific and legally compliant method confirmed by independent third parties. Logib is internationally recognised. It has been awarded the Public Service Award by the UN and has received the "EPIC Good Practice" label from the Equal Pay International Coalition (OECD, ILO, UN Women).

If you have to submit the LOGIB file (Excel), you can look forward to the delivery in SAP standard. With the note 2899910 - Logib: Report for the wage equality analysis, this has been made available to customers. Please note the necessary support package in the note. In order for the data to be output in the appropriate form, a customizing has to be carried out in the system. This can be seen in the SAP standard IMG as follows



We recommend that you contact your internal or external SAP base, our SAP HCM consultant and your internal payroll manager as soon as possible to discuss the release status and the procedure for installing the patches and to arrange specific dates.

We will be happy to answer your questions, arrange appointments and discuss other topics.



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