

Concur Expense: Taxability / Deductibility Setup Guide

Last Revised: June 19, 2021

Applies to these SAP Concur solutions:

- ☒ Expense
 - ☒ Professional/Premium edition
 - ☐ Standard edition
- ☐ Travel
 - ☐ Professional/Premium edition
 - ☐ Standard edition
- ☐ Invoice
 - ☐ Professional/Premium edition
 - ☐ Standard edition
- ☐ Request
 - ☐ Professional/Premium edition
 - ☐ Standard edition

Table of Contents

| | |
|--|----------|
| Section 1: Permissions | 1 |
| Section 2: Overview | 1 |
| Section 3: Calculation..... | 2 |
| Taxable Expenses..... | 2 |
| Wage Types..... | 2 |
| Car Mileage (Kilometer) Expense Types | 3 |
| Deductible Expenses..... | 3 |
| Section 4: Configuration..... | 4 |
| Step 1: Configure the Custom Fields, Expense Types, and Car Criteria | 4 |
| Step 2: Run the Import..... | 4 |
| Step 3: Define the Account Codes | 5 |
| Expense Types Other Than Car Mileage (Kilometer) | 5 |
| Car Mileage (Kilometer) Expense Type | 6 |
| Section 5: Sample Journal Entries | 7 |
| Taxability Example #1 | 7 |
| Taxability Example #2 | 7 |
| Deductibility Example | 7 |

Revision History

| Date | Notes / Comments / Changes |
|-------------------|--|
| January 21, 2022 | Updated the copyright year; no other changes; cover date not updated |
| June 19, 2021 | Added mention of the new Employee Taxability and Corporate Deductibility Service solution. |
| January 7, 2021 | Updated the copyright; added Concur to the cover page title; cover date not updated |
| April 9, 2020 | Renamed the Authorization Request check box to Request on the guide's title page; cover date not updated |
| January 2, 2020 | Updated the copyright; no other changes; cover date not updated |
| January 4, 2019 | Updated the copyright; no other changes; cover date not updated |
| April 4 2018 | Changed the check boxes on the front cover; no other changes; cover date not updated |
| February 16 2018 | Updated guide name in reference to the <i>Expense: Taxability/ Deductibility Import Specification</i> guide. |
| January 9 2018 | Updated the copyright; no other changes; cover date not updated |
| October 14 2017 | Changed the Deductible Expenses section and Deductible Example table to reflect corrected calculations for VAT Amount and VAT Non-Deductible Amount. |
| December 14 2016 | Changed copyright and cover; no other content changes. |
| May 13 2016 | Updated instances of he/she to they. |
| January 24 2016 | Changed references to the import/extract guides; no other changes |
| February 19 2015 | Removed information about the current user interface; changed the copyright; no other content changes |
| September 24 2014 | Added information about two user interfaces; no other content changes. |
| April 15 2014 | Changed copyright and cover; no other content changes |
| December 28 2012 | Made rebranding and/or copyright changes; no content changes |
| February 2012 | Changed copyright; no content change |
| December 31 2010 | Updated the copyright and made rebranding changes; no content changes |
| December 2009 | Changed to stand-alone setup guide; no content change |
| July 17 2009 | Initial publication |

Taxability / Deductibility

NOTE: Multiple SAP Concur product versions and UI themes are available, so this content might contain images or procedures that do not precisely match your implementation. For example, when SAP Fiori UI themes are implemented, home page navigation is consolidated under the SAP Concur Home menu.

Section 1: Permissions

A company administrator may or may not have the correct permissions to use this feature. The administrator may have limited permissions, for example, they can affect only certain groups and/or use only certain options (*view* but not *create* or *edit*).

If a company administrator needs to use this feature and does not have the proper permissions, they should contact the company's Concur administrator.

Also, the administrator should be aware that some of the tasks described in this guide can be completed only by Concur. In this case, the client must initiate a service request with Concur Client Support.

Section 2: Overview

This guide documents the original taxability and deductibility solution for Concur Expense.



For the service solution, refer to the *Concur Expense: Employee Taxability and Corporate Deductibility Service Setup Guide*.

This feature contains two parts:

- **Taxability:** An expense can be "split" into taxable and non-taxable portions in order to account for the portion of an expense that is taxable to the employee. For example, in some countries, if a company pays an employee a car mileage rate higher than the government-published rate, the difference is taxable to the employee.
- **Deductibility:** An expense can be "split" into deductible and non-deductible portions based on the number of attendees. For example, in some countries, a certain portion of an entertainment expense is deductible (on the company's tax return), based on the number of attendees and perhaps whether the attendees are employees or non-employees.

NOTE: An expense type cannot be *both* taxable and deductible.

Section 3: Calculation

Taxable Expenses

Taxability is defined per policy, per expense type. In addition:

- For expense types *other than* car mileage, each portion (taxable and non-taxable) can also have a different *wage type* (described below).
- For car mileage (kilometer) expense types, the configuration can be based on a specific car configuration (described below) in addition to policy and expense type.

Each portion (taxable and non-taxable) is saved to a client-defined *expense-level* custom field, has its own account code, and has its own journal entry. As per standard expense behavior:

- When the expense is saved, the portions are calculated. If an expense amount is changed, the portions are recalculated when saved again.
- When the expense report is submitted, the journal entries are created for both portions, which are later extracted in the Standard Accounting Extract.

When calculating the taxable and non-taxable amounts, the following are also considered:

- If the expense type is a travel allowance expense type, taxability does not apply; the standard travel allowance calculation occurs.
- For mileage expense types, personal reimbursement on business vehicles does not take place, as it conflicts with taxability. Taxability calculations take precedence.

The taxable portion can be either a fixed amount or a percentage of the expense. If the fixed amount is greater than the total expense amount, then the entire expense amount is considered to be taxable; the non-taxable portion is zero.

In addition to the *expense-level* custom fields, the taxable and non-taxable totals are also saved to separate *report-level* custom fields (so users can see – per report – how much is taxable). If required, clients can define which payment types are **not** to be included in the totals.

Wage Types

Wages types are similar to account codes but are used for posting taxable expenses into a payroll system. Unique wage types are commonly required for taxable and tax-free amounts when an expense is partially taxable. When an expense is 100% taxable, typically only a wage type is required if it is only being sent to payroll, although an account code can also be provided.

Wage types are handled by simply entering additional characters in the account code field. The administrator enters *<account code><separator><type>*, where the separator and type are client-defined. In this example, assume that "WT" is the separator, "65" is for taxable, and "67" is for non-taxable. For account code 1001, the administrator would enter 1001WT65 for the taxable wage type and 1001WT67 for the non-taxable wage type. The client's custom bridge logic will see all characters preceding the WT as the account code (where they exist) and those after the WT as the wage type.

Car Mileage (Kilometer) Expense Types

The client can elect to use a custom field to define car configurations and then that custom field can be used in the account code hierarchy. When the administrator selects that custom field in the hierarchy, the system provides a list of all car configuration types in the client's configuration. The administrator can then select the appropriate car configuration type and assign the appropriate account codes for taxable and non-taxable portions.

NOTE: A sample is shown in the *Configuration* section in this guide.

Deductible Expenses

The deductible amount is calculated by multiplying the attendee count by the deductible amount per attendee. The system-calculated number of attendees is used for the calculation unless the client has defined a specific custom field into which the user types the number of attendees.

The deductible amount is defined per policy, per expense type. Each portion (deductible and non-deductible) is saved to a client-defined *expense-level* custom field, has its own account code, and has its own journal entry. Just like taxability:

- When the expense is saved, the portions are calculated. If an expense amount is changed, the portions are recalculated when saved again.
- When the expense report is submitted, the journal entries are created for both portions, which are later extracted in the Standard Accounting Extract.

When calculating the deductible/non-deductible amounts, the following are also considered:

- If the expense type is a travel allowance expense type, deductibility does not apply; the standard travel allowance calculation occurs.
- For VAT, the system calculation is:

$$\text{VAT} = \text{Posted Amount} - (\text{Posted Amount} / (1 + \text{VAT rate}))$$

– and –

$$\text{Deductible VAT amount} = \text{VAT rate} * \text{deductible amount}$$

– and –

Non-deductible VAT = VAT – Deductible VAT amount

– and –

VAT Reclaim = Deductible VAT amount

If the total deductible amount (deductible amount + deductible VAT amount) is greater than the full expense amount, then the deductible amounts are adjusted while ensuring that:

Total deductible amount = deductible amount + deductible VAT amount
– and –

Deductible VAT amount = VAT (Entire VAT is deductible)

Non-deductible VAT = 0

Section 4: Configuration

There are three parts to the configuration process:

- Configure the custom fields, expense types, and car criteria
- Run the import
- Define the account codes

Step 1: Configure the Custom Fields, Expense Types, and Car Criteria

Configure the desired custom fields (expense-level and report-level), expense types, and car criteria.



For more information, refer to the *Expense: Forms and Fields Setup Guide*, the *Expense: Expense Types Setup Guide*, and the *Expense: Car Configuration Setup Guide*.

Step 2: Run the Import

Once the custom fields are defined, use the Taxability/Deductibility import to import the configuration information, custom field names, rates, etc.



For more information, refer to the *Expense: Taxability/ Deductibility Import Specification* guide.

Step 3: Define the Account Codes

Once the import is complete, use Accounting Administration in Expense Admin to enter the account codes.

NOTE: Before working with this feature, ensure that you are comfortable with the general information about account codes (and account code hierarchies) as described in the *Expense: Account Codes Setup Guide*.

Once the import has been run, the expense types defined in the import show the taxable/non-taxable and deductible/non-deductible account code fields.

| Expense Type | Account Code |
|------------------------------------|--|
| Personal Car Expense | |
| Personal Car Mileage - taxable | AC00004WT209 |
| Personal Car Mileage - non-taxable | AC00004WT109 |
| Postage | |
| Provided Meals | Entertainment (External)-Breakfast/Simple Meal - deductible AC20001 |
| Provided Meals - over limit | Entertainment (External)-Breakfast/Simple Meal - non-deductible AC10001 |
| | Entertainment (External)-Lunch/Dinner - deductible AC20003 |
| | Entertainment (External)-Lunch/Dinner - non-deductible AC10003 |
| | Entertainment (External)-Theatre/Museum/Similar - deductible AC20005 |
| | Entertainment (External)-Theatre/Museum/Similar - non-deductible AC10005 |
| | Entertainment (Internal)-Breakfast/Simple Meal - deductible AC20002 |
| | Entertainment (Internal)-Breakfast/Simple Meal - non-deductible AC10002 |
| | Entertainment (Internal)-Lunch/Dinner - deductible AC20004 |
| | Entertainment (Internal)-Lunch/Dinner - non-deductible AC10004 |
| | Entertainment (Internal)-Theatre/Museum/Similar - deductible AC20006 |
| | Entertainment (Internal)-Theatre/Museum/Similar - non-deductible AC10006 |

Expense Types Other Than Car Mileage (Kilometer)

► **To define the account codes:**

1. Enter the appropriate account codes for each one.
2. Save when done.

Car Mileage (Kilometer) Expense Type

► To define the account codes:

- For car mileage (km), you can have different account codes for different car configurations. If so, you must define the client-defined custom field as "criteria" using Accounting Administration in Expense Admin.



Refer to the *Expense: Account Codes Setup Guide* for information about defining the hierarchy.

- Map the car configurations to the account codes using the **Expense Type Account Code Criteria** page.

On that page, when you click the custom field that defines the car criteria, the helper pane lists all car configurations in Expense.

- Select the desired car configuration and all other criteria.
- Click **OK**. The **Account Codes** page appears with fields for taxable and non-taxable codes for the car mileage expense types.

| Expense Type | Account Code |
|------------------------------------|--------------|
| Personal Car Expense | |
| Personal Car Mileage - taxable | AC00004WT209 |
| Personal Car Mileage - non-taxable | AC00004WT109 |
| Postage | |
| Provided Meals | |
| Provided Meals - over limit | |

- Enter the appropriate account codes.
- Save when done.

Section 5: Sample Journal Entries

Taxability Example #1

| Expense Type | Rate | Amount | Taxable | Non-taxable |
|------------------------------|-----------|--------|---------|-------------|
| Personal Car Mileage (Car) | 48.57143% | 350.00 | 170.00 | 180.00 |
| Company Car Mileage (Diesel) | 40% | 100.00 | 40.00 | 60.00 |
| Laundry | 100% | 77.00 | 77.00 | N/A |

Taxability Example #2

| Expense Type | Fixed Taxable | Tax % | Amount | Taxable | Non Taxable |
|-----------------------------------|---------------|----------|---------|---------|-------------|
| Laundry | N/A | 100 | 77.00 | 77.00 | N/A |
| Other Benefit | N/A | 100 | 64.00 | 64.00 | N/A |
| Car-Normal | N/A | 48.57143 | 350.00 | 170.00 | 180.00 |
| Car-Normal with Trailer | N/A | 52.63158 | 760.00 | 400.00 | 360.00 |
| Car-Day Off/Overtime | N/A | 100 | 70.00 | 70.00 | N/A |
| Car-Day Off/Overtime with Trailer | N/A | 100 | 76.00 | 76.00 | N/A |
| Car-Only Tax Free | 0.00 | N/A | 18.00 | N/A | 18.00 |
| Car-Tax Free with Trailer | 0.00 | N/A | 1800.00 | N/A | 1800.00 |
| Motorcycle-Normal | N/A | 43.75 | 160.00 | 70.00 | 90.00 |
| Motorcycle-Day Off/ Overtime | N/A | 100 | 1600.00 | 1600.00 | N/A |
| Motorcycle-Only Tax Free | 0.00 | N/A | 9.00 | N/A | 9.00 |
| Company Car -Gasoline | N/A | 30.76923 | 13.00 | 4.00 | 9.00 |
| Company Car- Diesel | N/A | 40 | 10.00 | 4.00 | 6.00 |

Deductibility Example

| Expense Type | Attendees | Amount | VAT % | Deductible Excl. VAT | Deductible Incl. VAT | VAT | Non-Deductible |
|---------------------------------------|-----------|---------|-------|----------------------|----------------------|--------|----------------|
| Entertainment (External)-Breakfast | 3 | 600.00 | 12 | 180.00 | 201.60 | 64.29 | 398.40 |
| Entertainment (External)-Lunch/Dinner | 4 | 600.00 | 25 | 360.00 | 450.00 | 120.00 | 150.00 |
| Entertainment (External)-Event/Show | 5 | 1200.00 | 6 | 900.00 | 954.00 | 67.92 | 246.00 |

Section 5: Sample Journal Entries

| Expense Type | Attendees | Amount | VAT % | Deductible Excl. VAT | Deductible Incl. VAT | VAT | Non-Deductible |
|---------------------------------------|-----------|---------|-------|----------------------|----------------------|--------|----------------|
| Entertainment (Internal)-Breakfast | 2 | 200.00 | 25 | 120.00 | 150.00 | 40.00 | 50.00 |
| Entertainment (Internal)-Lunch/Dinner | 5 | 800.00 | 25 | 450.00 | 562.50 | 160.00 | 237.50 |
| Entertainment (Internal)-Event/Show | 5 | 1200.00 | 6 | 900.00 | 954.00 | 67.92 | 246.00 |
| Gifts (External) | 5 | 1200.00 | 6 | 900.00 | 954.00 | 67.92 | 246.00 |

