

# WW Withholding Tax

## Authorizations & Roles

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## Objective and Scope

### Objective of this Procedure

The purpose of this document is to explain the process of Withholding Tax.

### Scope

This operating procedure (OP) applies to all Solvay companies (PF1 and WP1 systems).

## Reference Documents

(...).

## Definitions

**SBS-RtR-BO** - Solvay Business Services - Record to Report - Back Office

## MAIN PART

### Periodicity

This procedure should be executed on a weekly basis

### Responsibility (who does what)

RtR FtO is in charge to provide the information to RtR BO to clear in the affiliate the Account for WT in BS with the P&L Account as follow:

Sign	PF1 Account	WP1 Account	Cost Center PF1 / RCS
(C)	2415000000	44700700	
(D)	6720003209	98325190 [CBS] or 98731000 [R&D]	To be communicated by RtR FtO

RtR BO is in charge of clearing the BS Account in Affiliate (RCS: 44700700 / PF1: 2415000000)

## Procedure

### What's Withholding Tax?

In some countries, payment of services invoices are subject to deduction of local taxes, this is called **Withholding Tax** or "withholding". The amount of tax is deducted by the payer of the amount due to the partner providing the service, the payer pays the tax directly to the government.

### Accounting view

AFFILIATE reporting currency: EUR				CICC	
SALE : 981xxx (RCS) / 7xxxx (PF1)				50501EUR10 BANK ACCOUNT EUR	
	€ 1.000	[1a] sale		[2b] bank statement reg.	€ 950
CUSTOMER : 411000100 (RCS) / 2200000000 (PF1)				50501EUR16 BANK ACCOUNT EUR SUB	
[1a] sale	€ 1.000	€ 950	[3b] Pmt with residual	[3a] transfer of cash	€ 950
	€ 50	€ 50	[3b] Clear the invoice using the reason code "WT"	[2b] bank statement reg.	
Withholding Tax 44700700 (RCS) / 2415000000 (PF1)					
[3b] Clear the invoice using the reason code "WT"	€ 50	€ 50	[4] Clear the Withholding tax in affiliate		
IBA CIC SUB : 58999930 (RCS) / 5910231 IBA (PF1)				591EURXXXX IBA AFFILIATE	
[3b] payment rec.	€ 950	€ 950	[3c] affiliate is paid		€ 950
[3c] affiliate is paid	€ 950			[3a] transfer of cash	
IBA CICC : 58EUR100 (RCS) / 591EUR0231 (PF1)					
Withholding tax : 98325190 [CBS] or 98731000 [R&D] (RCS) / 6720003209 (PF1)					
[4] Clear the Withholding tax in affiliate	€ 50				
WARP					
2200000000 CUSTOMER					
[1b] assignment	€ 1.000	€ 950	[2c] payment reg. With creation of dispute		
		€ 50	[3b] Clear the invoice using the reason code "WT"		
2415000000 Withholding Tax					
[3b] Clear the invoice using the reason code "WT"	€ 50				
8900050001 Transitory account					
[2a] pmt collected with residual	€ 950	€ 1.000	[1b] assignment		
50501EUR16 BANK ACCOUNT EUR SUB					
[2c] payment reg. With creation of dispute	€ 950	€ 950	[2a] pmt collected with residual		

#### Steps

1 [1a] sale	AFFILIATE	Sales invoice is recorded in the affiliate accounting (mainly via SD in SAP)
[1b] assignment	WARP	Sales invoice is assigned to WARP and a factoring contract is created
2 [2a] pmt collected with residual	WARP	The payment from the customer is collected via file received from the bank a) AR team will create a residual. Based on a list of customers under this process that will be provided by RTR
[2b] bank statement reg.	CICC	Bank statement is transferred from WARP to CICC
[2c] payment reg. With creation of dispu	WARP	Whenever there is payment arriving in CICC which does not match with the invoice : b) AR will create a dispute on the residual and escalate to Collections for them to contact the customer and request proof of payment of the WHT to local tax dept. <i>Remark : In some cases the difference can also include other kind of deductions such as bank charges ( discounts ) etc but this needs to be clarified during the call with the customer</i>
3 [3a] transfer of cash	CICC	The IBA of the affiliate is credited in the accounting of CICC
[3b] Clear the invoice using the reason code "WT"	WARP	Once the proof is received and only then AR will clear the invoice using the reason code "WT".
[3b] partial pay.recorded	AFFILIATE	The partial payment is registered in the affiliate and the invoice is cleared with the difference allocated to "WT" and book in a special account "WHT"
[3c] affiliate is paid	AFFILIATE	The affiliate receives the payment on its IBA in EUR which is booked against an IBA in EUR SUB c) AR will attach the proof of payment on the posting originated in the account in RCS or PF1 ( it can take some minutes to be replicated ) or send the proof to RTR -> this is to be agreed and should not be a blocking point for IS.
4 [4] Clear the WHT account (manual)	AFFILIATE	RTR FO is in charge to clear the Account for WHT in B&S and to post in P&L Account the amount : distinction between charges directly posted in taxes or REBITDA

### Steps of the process with all action owners

1. When invoice is assigned to WARP:

Assignment of invoice with full amount (no deduction of WH tax, no info in factoring contract)

Action owner: automatic

1. When payment is received:

Clear manually invoice with payment and create a residual item on account (reason code AR) + create manually a dispute with reason code C007 (Tax issue)

**Action owner: OtC**

1. Request evidence from customer (= obtain the proof of WT)

**Action owner : OtC - AR or Collections depending on type of customer**

1. Received evidence from customer and only clear after manually customer residual item on GL account using reason code WT - auto replication in ERP (WP1: 44700700 / PF1: 2415000000)

**Action owner: OtC**

1. AR to transfer case with evidence to RtR (BO) after clearing in WARP

Attach manually evidence in ERP manually (maybe improvements later)

**Action owner : OtC**

1. **ACP is in charge to clear the BS account impacted by the point 4, see action described below on point 4.3.4**

1. **CAM is in charge to provide the information to ACP to clear in the affiliate the Account for WT in BS with the P&L Account as follow:**

## **How to define the process to use during the year for WHT clearing**

Every year in February RtR Bo will list the amount posted on BS account by company and will request to the corresponding CAM the validation to take in P&L on a weekly basis the WHT amount.

There are two possible cases:

1. Agreement for P&L impact:

Application of the procedure descript below with impact in P&L

1. No impact in P&L:

On a weekly basis SC will check if the proof of payment is in attachment of the postings. If we have no attachment we should request these to OtC. The amount will remain open in BS.

On a monthly basis SC will provide to the CAM the extraction of the line items of the account.

## **Reconciliation of accounts 2415000000 (PF1)/44700700 (RCS)**

### **How to retrieve the information**

The process to retrieve the information is the same for both systems:

For PF1/WP1 Go to **FBL3N**

Select variant **SBS BO WHT (PF1) / (WP1)**

**Example of PF1:**

**G/L Account Line Item Display**

Data Sources

G/L account selection

G/L account  to

Company code  to

Selection using search help

Search help ID

Search string

Search help

Line item selection

Status

Open items

Open at key date

Cleared items

Clearing date  to

Open at key date

All items

Posting date  to

Type

Normal items

Noted items

Parked items

List Output

Layout

Maximum number of items

Layout /SBS BO WHT

**For PF1 case:**

**Transfer the amount line by line to P&L account** with a final reporting division CC linked to the div that appear in the posting on the account **241500000** ex:

Use of the account **6720003209 + CC462** (e.i. : SM46200000)

**Mention obligatory in the posting on the account 6720003209:**

in text : WITHOLDING TAX ON INVOICES [0001]1000064656

in trading partner : Trading partner of the companies invoiced

Posting must be done line by line, and clearing of the BS 2415000000 must be done also amount by amount to be able to track directly the original posting on the 2415000000 as the proof of payment will be attached to the 2415000000

**For WP1 case:**

**Transfer the amount line by line to P&L account**

The input on the Profit Center market will be provided by the CAM of the companies  
P&L accounts:

- 98325190 if related to CBS Costs
- 98731000 if related to R&D

**Mention obligatory in the posting on the account 98\***

in text : WITHOLDING TAX ON INVOICES [0001]1000064656

in trading partner : Trading partner of the companies invoiced

Posting must be done line by line, and clearing of the BS 44700700 must be done also amount by amount to be able to track directly the original posting on the 44700700 as the proof of payment will be attached to the 44700700

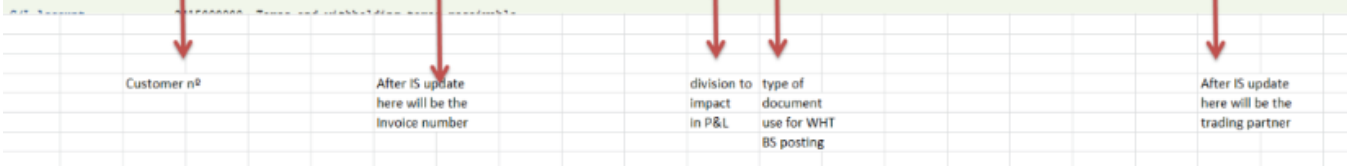
**Example for PF1:**

## G/L Account Line Item Display

Navigation icons: Home, Back, Forward, Print, Refresh, etc. | Selections | Dispute Case

G/L Account: 241500000 Taxes and withholding taxes receivable  
 Company Code: 0001

CoCd	Account	Offat.acct	Assignment	Document Header Text	Cost Ctr	St	DocumentNo	Buak	Type	Doc. Date	Year/month	PK	Amount in local cur.	LCurr	ITy	Tr.Prt	Ex	Clrng doc.	Te
0001	241500000	300013	1000063800				2510004676	8500	DS	01.11.2014	2014/11	40	5.864,81	EUR					W1
0001	241500000	300013	1000064290				2510004672	8500	DS	01.11.2014	2014/11	40	5.864,81	EUR					W1
0001	241500000	300013	1000063806				2510004679	8500	DS	01.11.2014	2014/11	40	5.864,81	EUR					W1
0001	241500000	302401	1000083980				2510003682	8500	DS	01.09.2014	2014/09	40	31.968,57	EUR					W1
0001	241500000	309811	1000119821				2510004314	8500	DS	01.10.2014	2014/10	40	190,21	EUR					W1
0001	241500000	302401	1000169746				2510003681	8500	DS	01.09.2014	2014/09	40	11.073,22	EUR					W1
0001	241500000	322708	1000192063				2510004103	8500	DS	01.10.2014	2014/10	40	3.394,29	EUR					W1
0001	241500000	302401	1000248057				2510004161	8500	DS	01.10.2014	2014/10	40	11.073,23	EUR					W1
0001	241500000	300013	1000478147				2510004674	8500	DS	01.11.2014	2014/11	40	5.864,72	EUR					W1
0001	241500000	309811	1000592092				2510003553	8500	DS	01.09.2014	2014/09	40	54,60	EUR					W1
0001	241500000	302401	1000645321				2510004167	8500	DS	01.10.2014	2014/10	40	10.506,36	EUR					W1
0001	241500000	300013	1000760999				2510004677	8500	DS	01.11.2014	2014/11	40	5.864,81	EUR					W1
0001	241500000	309811	1000787365				2510004671	8500	DS	01.11.2014	2014/11	40	131,80	EUR					W1
* 0001	241500000												97.816,24	EUR					
** 0001	241500000												97.816,24	EUR					



### How to make the posting in both systems

1<sup>st</sup> – Select the posting you want to reclassify  
[blocked URL](#)

2<sup>nd</sup> – check if the posting has the proof of payment in attachment

[blocked URL](#)

**Note:** If no proof of payment in attach, please contact OtC by sales force case.

3<sup>rd</sup> – Go to FB05 and perform a "transfer posting with clearing"

[blocked URL](#)

Debit the account 6720003209 for PF1 (to allocate the amount directly to P&L) and use the correct reporting cost center (attention with the business area. In this example is 8950).

[blocked URL](#)

In the text mention to the invoice related (in this case 1000062853).  
 To reach the invoice please check the instructions more forward.

Then select

- Edit
- Choose Open items

[blocked URL](#)

- Flag the options below:

[blocked URL](#)

- Select the document you are reclassifying

[blocked URL](#)

[blocked URL](#)

You will find the amount to balance your posting:

[blocked URL](#)

- Simulate the posting

[blocked URL](#)

Check if everything is inline and perform the posting.

[blocked URL](#)

To reach the original invoice follow the steps below:

Open the document and select the line of the customer

[blocked URL](#)

Click in the document linked to the clearing and select the payment usage:

[blocked URL](#)

You will reach the document for the underpayment.

Select the document and

[blocked URL](#)

[blocked URL](#)

Click in the document linked to the clearing and select the payment usage:

[blocked URL](#)

And you will find the C0 related to this operation:

[blocked URL](#)

Now you can update the text of the posting with the invoice related.

[blocked URL](#)

## Appendix

N/A