**Withholding Tax/Retention tax management**

Withholding tax, also called retention tax, is a government requirement for the payer of an item of income to withhold or deduct tax from the payment and pay that tax to the government. Many jurisdictions require withholding tax on payments of interest or dividends. In most jurisdictions, there are additional withholding tax obligations if the recipient of the income is resident in a different jurisdiction, and in those circumstances withholding tax sometimes applies to royalties, rent or even the sale of real estate. Governments use withholding tax to combat tax evasion, and sometimes impose additional withholding tax requirements if the recipient has been delinquent in filing tax returns or in industries where tax evasion is perceived to be common.

**Resolution:**

Activate the WTHMG - Withholding tax management activity code.

When the KIT and KAU activity codes are active, the WTHMG activity code will be active, but the opposite is not necessary and can be performed independently.

Set the WTHPAY – Withholdings on payment mgmt. and WTMNG – Withholding tax management parameters (TC chapter, WTH group) to Yes. Note: This replaces the RTZPRW – Retentions on payments and ITARTZ – Italian withholding tax parameters (LOC chapter, ITA group).

Note: The technical switch from the former activity code (KIT) to the new one (WTHMG) was already done in the previous release however it was still mandatory to activate both. Now, KIT and WTHMN are independent

Activate the Activity code Withholding tax management (WTHMG).

Development > Data and parameters> Activity codes> WTHMG

Graphical user interface

Description automatically generated

The following setup also needs to be completed:

Setup> general parameters> Parameter values> TC chapter > Group *WTH (Withholding tax)*

This need to be setup at company level

* [WTHPAY](https://online-help.sageerpx3.com/erp/12/wp-static-content/static-pages/en_US/OBJ/ADP_TC_WTHPAY.htm) (Withholdings on payment mgmt.)

Graphical user interface, application, Teams

Description automatically generated

Select the correct currency: Parameters > General parameters > Parameters value  
Module = TC, Group= CUR  
Currency into which the amounts of retention at source are converted. Caution, this parameter has been designed to manage the transition phase for the transfer to the Euro. The management of retentions at source in currency is not managed. In other words, the invoice entry currency must have a fixed rate with respect to the retention currency.

Graphical user interface, text, application

Description automatically generated

Parameters> Organizational structure > Companies  
Choose your companies and in the accounting tab in the parameters section tick on Retention

A screenshot of a computer

Description automatically generated

**Scenario 1: Withholding Tax at Invoice level**

Create an account for withholding tax

Common data> General Accounting tables> Accounts

Graphical user interface, text, application, email

Description automatically generated

Ensure this account is not set to charges

Graphical user interface, text, application

Description automatically generated

Create a withholding management code on Invoice  
• Common data > Common tables > Withholding management  
Creation of a new retention code: RETINV for Invoice

Graphical user interface, text, application, email

Description automatically generated

Graphical user interface, text, application

Description automatically generated

Common data > BP’s > Suppliers  
select your supplier; Example: ZA059  
in the financial tab on the retentions block, add the retention code RETTPAY

Graphical user interface, application

Description automatically generated

Graphical user interface

Description automatically generated

• A/P-A/R Accounting > Invoicing > Supplier BP Invoices  
Creation of a new invoice with retention on Invoice

Graphical user interface, text, application

Description automatically generated

A screenshot of a computer

Description automatically generated

You can check your accounting document to see if the withholding by clicking on the action button>Accounting documents

Graphical user interface, text

Description automatically generated with medium confidence

Create a payment for the Purchase invoice,

A/P-A/R accounting> Payments> Payment/Receipt Entry

See the Withholding value

A screenshot of a computer

Description automatically generated

**Scenario 2: Withholding Tax at Payment level**

Create an account for withholding tax

Common data> General Accounting tables> Accounts

Graphical user interface, text, application, email

Description automatically generated

The purchasing account need to be set to charges for charge type under miscellaneous tab.

Graphical user interface, application

Description automatically generated

Create a withholding management code on Invoice  
• Common data > Common tables > Withholding management  
Creation of a new retention code: RETTPAY for Purchasing

Graphical user interface, text, application, email

Description automatically generated

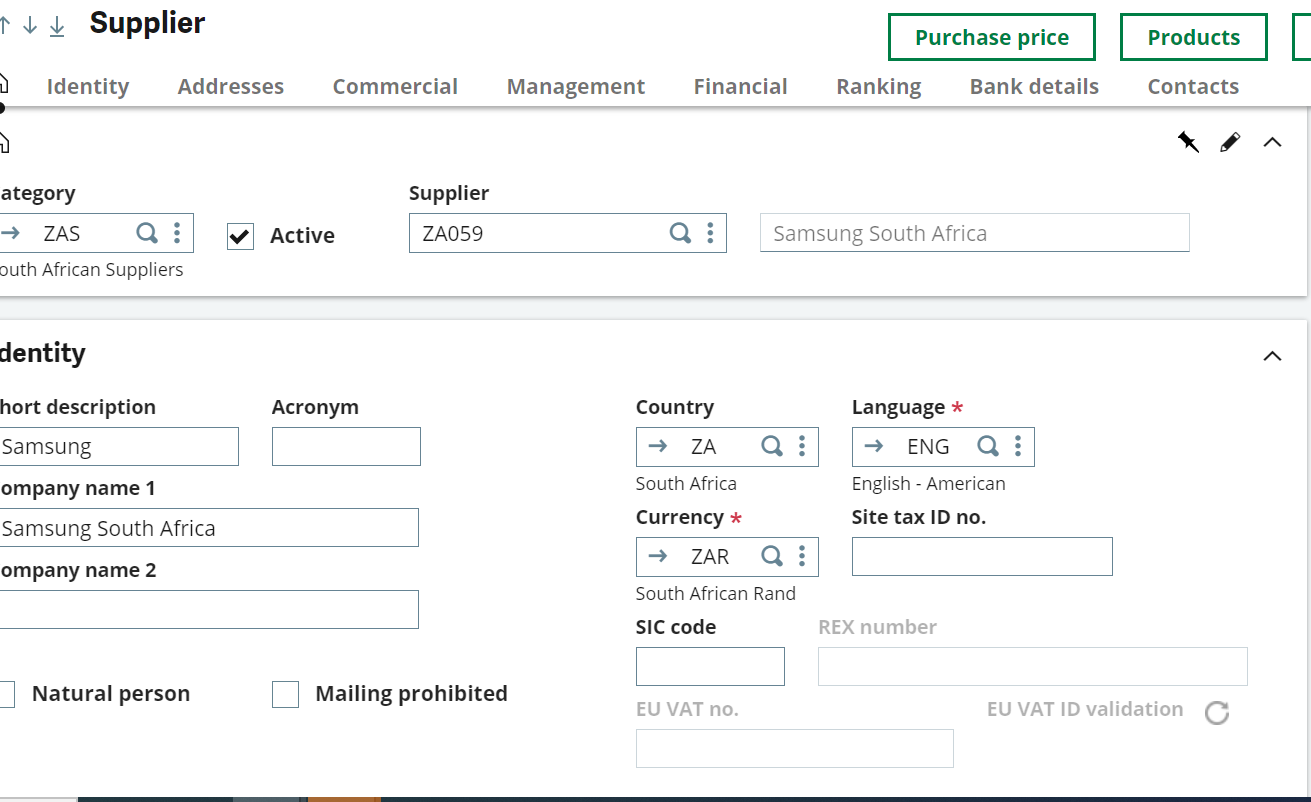
Text

Description automatically generated with low confidence

Graphical user interface, application

Description automatically generated with medium confidence

Common data > BP’s > Suppliers  
select your supplier; Example: ZA059  
in the financial tab on the retentions block, add the retention code RETTPAY



Graphical user interface

Description automatically generated

• A/P-A/R Accounting > Invoicing > Supplier BP Invoices  
Creation of a new invoice with retention on Invoice.

Graphical user interface, text, application

Description automatically generated

Graphical user interface, text, application

Description automatically generated

Create a payment for the Purchase invoice,

A/P-A/R accounting> Payments> Payment/Receipt Entry

See the Withholding value

Timeline

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