

Oracle® Receivables Tax Manual

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Oracle® Receivables Tax Manual Release 11

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Glossary

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Preface

The Tax Manual provides you with all the information you need to manage tax within Oracle Receivables, Oracle Order Entry/Shipping, Oracle Sales and Marketing, and Oracle Web Customers. It is organized for fast, easy access to detailed information about the following:

- Implementation procedures
- Oracle Receivables forms and windows
- Oracle Receivables functions and features
- Oracle Receivables reports and listings
- Open Interfaces

This preface explains how the Tax Manual is organized and introduces other sources of information that can help you.

About This User's Guide

This guide is the primary source of information about calculating tax in Oracle Receivables, Oracle Order Entry, Oracle Sales and Marketing, and Oracle Web Customers. It contains overviews as well as task and reference information. This manual includes the following chapters:

- Chapter 1 provides an overview of the three basic types of tax supported by Oracle Receivables.
- Chapter 2 explains how to implement Value Added Tax for your Oracle Application and provides detailed descriptions of each VAT report and listing.
- Chapter 3 explains how to implement US Sales Tax for your Oracle Application and provides detailed descriptions of each Sales Tax report and listing.
- Chapter 4 explains how to implement Canadian Tax for your Oracle Application and provides a detailed description of the Canadian GST/PST Tax report.
- Chapter 5 describes the windows required to set up tax for Oracle Receivables or Oracle Order Entry/Shipping.
- Chapter 6 describes the reports you can use to review all of your tax related information, regardless of your tax method.
- Chapter 7 describes the Receivables Open Interfaces which let you import sales tax rates from your sales tax vendor and integrate external tax calculation programs with Oracle Applications.
- Chapter 8 is the Calculating Tax Essay, which provides a detailed description of the process used to calculate Tax within Oracle Receivables.

This user's guide is available online

All Oracle Applications user's guides are available online, in both HTML and Adobe Acrobat format. The information in this manual is available in HTML format in the *Oracle Receivables User's Guide*, Release 11. This manual is also available as a separate document in Adobe Acrobat format.

The paper and online versions of this manual have identical content; use whichever format is most convenient.

The HTML version of this book is optimized for onscreen reading, and lets you follow hypertext links for easy access to books across our

entire library; you can also search for words and phrases if your national language is supported by Oracle's Information Navigator. The HTML documentation is available from the Oracle Applications toolbar, or from a URL provided by your system administrator. Note that the HTML documentation is translated into over twenty languages.

You can order an Oracle Applications Documentation Library CD containing Adobe Acrobat versions of each manual in the Oracle Applications documentation set. Using this CD, you can search for information, read it onscreen, and print individual pages, sections, or entire books. When you print from Adobe Acrobat, the resulting printouts look just like pages from an Oracle Applications hardcopy manual.

Note: There may be additional material that was not available when this user's guide was printed. To learn if there is a documentation update for this product, look at the main menu on this product's HTML help.

Assumptions

This manual assumes that you will consult with qualified tax professionals when setting up your system. The examples in this manual are for illustrative purposes only; your specific implementation may be different. This manual also assumes you are familiar with Oracle Receivables. If you have never used Oracle Receivables, we suggest you attend one or more of the Oracle Receivables training classes available through Oracle Education. (See Other Information Sources for more information about Oracle Receivables and Oracle training.)

This guide also assumes that you are familiar with the Oracle Applications graphical user interface. To learn more about the Oracle Applications graphical user interface, read the *Oracle Applications User's Guide*.

Do Not Use Database Tools to Modify Oracle Applications Data

Oracle provides powerful tools you can use to create, store, change, retrieve and maintain information in an Oracle database. But if you use Oracle tools like SQL*Plus to modify Oracle Applications data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle Applications tables are interrelated, any change you make using an Oracle Applications form can update many tables at once. But when you modify Oracle Applications data using anything other than Oracle Applications forms, you may change a row in one table without making corresponding changes in related tables. If your tables get out of synchronization with each other, you risk retrieving erroneous information and you risk unpredictable results throughout Oracle Applications.

When you use Oracle Applications forms to modify your data, Oracle Applications automatically checks that your changes are valid. Oracle Applications also keeps track of who changes information. But, if you enter information into database tables using database tools, you may store invalid information. You also lose the ability to track who has changed your information because SQL*Plus and other database tools do not keep a record of changes.

Consequently, we STRONGLY RECOMMEND that you never use SQL*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle Applications tables, unless we tell you to do so in our manuals.

Other Information Sources

You can choose from many sources of information, including documentation, training, and support services, to increase your knowledge and understanding of Oracle Receivables.

Most Oracle Applications documentation is available in Adobe Acrobat format on the *Oracle Applications Documentation Library* CD. We supply this CD with every software shipment.

If this manual refers you to other Oracle Applications documentation, use only the Release 11 versions of those manuals unless we specify otherwise.

Oracle Applications User's Guide

This guide explains how to navigate, enter data, query, run reports, and introduces other basic features of the graphical user interface (GUI) available with this release of Oracle Receivables (and any other Oracle Applications product). This guide also includes information on setting user profiles, as well as running and reviewing reports and concurrent requests.

You can also access this user's guide online by choosing "Getting Started with Oracle Applications" from any Oracle Applications help file.

Related User's Guides

Oracle Receivables shares business and setup information with other Oracle Applications products. Even if you have not installed them as separate products, your Oracle Receivables application includes some forms and functionality from other Oracle Applications. Therefore, you may want to refer to other user's guides when you set up and use Oracle Receivables.

If you do not have the hardcopy versions of these manuals, you can read them by choosing Library from the Help menu, by reading from the Oracle Applications Document Library CD, or by using a web browser with a URL that your system administrator provides.

Oracle Receivables User's Guide

This manual explains how to create and maintain transactions, enter and apply receipts, and enter customer information in Oracle Receivables. It also describes several Oracle Receivables open interfaces, such as AutoLockbox which lets you create and apply receipts and how to use AutoInvoice to import and validate transactions from other systems into Oracle Receivables.

Oracle Applications Flexfields Guide

This manual provides flexfields planning, setup, and reference information for the Oracle Receivables implementation team, as well as for users responsible for the ongoing maintenance of Oracle Applications product data. This manual also provides information on creating custom reports on flexfields data.

Oracle Alert User's Guide

This manual explains how to define periodic and event alerts to monitor the status of your Oracle Applications data.

Country-Specific Manuals

Use these manuals to meet statutory requirements and common business practices in your country or region. They also describe additional features added to Oracle Receivables to meet those requirements. Look for a User's Guide appropriate to your country; for example, see the *Oracle Financials for the Czech Republic User's Guide* for more information about using this software in the Czech Republic.

Oracle Applications Character Mode to GUI Menu Path Changes

This is a quick reference guide for experienced Oracle Applications end users migrating from character mode to a graphical user interface (GUI). This guide lists each character mode form and describes which GUI windows or functions replace it.

Oracle Financials Open Interfaces Guide

This guide contains a brief summary of each Oracle Financial Applications open interface. For detailed information about the Oracle Receivables open interfaces, refer to the *Oracle Receivables User's Guide*.

Multiple Reporting Currencies in Oracle Applications

If you use the Multiple Reporting Currencies feature to report and maintain accounting records in more than one currency, refer to this manual before implementing Oracle Receivables. The manual details additional steps and setup considerations for implementing Oracle Receivables with this feature.

Multiple Organizations in Oracle Applications

If you use the Oracle Applications Multiple Organization Support feature to use multiple sets of books for one Oracle Receivables installation, use this guide to learn about setting up and using Oracle Receivables with this feature.

Oracle Report eXchange Documentation

Read this documentation to learn more about Report eXchange, which lets you customize the output of certain reports and download them to a spreadsheet program. This information is part of the Oracle Applications Desktop Integrator documentation.

Oracle Applications Developer's Guide

This guide contains the coding standards followed by the Oracle Applications development staff. It describes the Oracle Application Object Library components needed to implement the Oracle Applications user interface described in the *Oracle Applications User Interface Standards*. It also provides information to help you build your custom Developer/2000 forms so that they integrate with Oracle Applications.

Oracle Applications User Interface Standards

This manual contains the user interface (UI) standards followed by the Oracle Applications development staff. It describes the UI for the Oracle Applications products and how to apply this UI to the design of an application built by using Oracle Forms 4.5.

Installation and System Administration

Oracle Applications Installation Manual

This manual and the accompanying release notes provide information you need to successfully install Oracle Financials, Oracle Public Sector Financials, Oracle Manufacturing, or Oracle Human Resources in your specific hardware and operating system software environment.

Oracle Applications Upgrade Manual

This manual explains how to prepare your Oracle Applications products for an upgrade. It also contains information on finishing the upgrade procedure for each product. Refer to this manual and the *Oracle Applications Installation Manual* when you plan to upgrade your products.

Oracle Applications System Administrator's Guide

This manual provides planning and reference information for the Oracle Applications System Administrator. It contains information on

how to define security, customize menus and online help, and manage processing.

Oracle Receivables Applications Technical Reference Manual

The *Oracle Receivables Applications Technical Reference Manual* contains database diagrams and a detailed description of Oracle Receivables and related applications database tables, forms, reports, and programs. This information helps you convert data from your existing applications, integrate Oracle Receivables with non-Oracle applications, and write custom reports for Oracle Receivables.

You can order a technical reference manual for any product you have licensed. Technical reference manuals are available in paper format only.

Other Information

Training

Oracle Education offers a complete set of training courses to help you and your staff master Oracle Applications. We can help you develop a training plan that provides thorough training for both your project team and your end users. We will work with you to organize courses appropriate to your job or area of responsibility.

Training professionals can show you how to plan your training throughout the implementation process so that the right amount of information is delivered to key people when they need it the most. You can attend courses at any one of our many Educational Centers, or you can arrange for our trainers to teach at your facility. In addition, we can tailor standard courses or develop custom courses to meet your needs.

Support

From on-site support to central support, our team of experienced professionals provides the help and information you need to keep Oracle Receivables working for you. This team includes your Technical Representative, Account Manager, and Oracle's large staff of consultants and support specialists with expertise in your business area, managing an Oracle server, and your hardware and software environment.

About Oracle

Oracle Corporation develops and markets an integrated line of software products for database management, applications development, decision support, and office automation, as well as Oracle Applications, an integrated suite of more than 45 software modules for financial management, supply chain management, manufacturing, project systems, human resources, and sales and service management.

Oracle products are available for mainframes, minicomputers, personal computers, network computers, and personal digital assistants, allowing organizations to integrate different computers, different operating systems, different networks, and even different database management systems, into a single, unified computing and information resource.

Oracle is the world's leading supplier of software for information management, and the world's second largest software company. Oracle offers its database, tools, and applications products, along with related consulting, education, and support services, in over 140 countries around the world.

Thank You

Thank you for using Oracle Receivables and this manual.

We value your comments and feedback. At the end of this manual is a Reader's Comment Form you can use to explain what you like or dislike about Oracle Receivables or this document. Mail your comments to the following address or call us directly at (650) 506-7000.

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Or, send electronic mail to appsdoc@us.oracle.com.

Tax Overview

This manual explains how to set up, report, and account for different types of tax systems within Oracle Receivables. It includes implementation procedures for Value Added Tax (VAT), US Sales Tax, and Canadian Tax, as well as a comprehensive set of standard and country-specific reports that let you complete your standard tax returns.

In addition, this manual describes the open interfaces that let you integrate your own tax calculation programs with Receivables, as well as load location values and sales tax rates from an external source into Receivables.

You can set up Receivables to use one of three basic types of tax: Value Added Tax (VAT), US Sales Tax, or Canadian Sales Tax.

VAT

Value Added Tax (VAT) is imposed on the supply of goods and services paid for by the consumer, but collected at each stage of the production and distribution chain. The VAT charged on a customer invoice is called Output Tax. Any VAT paid on a vendor invoice is called Input Tax. The amount due each period can be described as follows:

$$\text{Amount Due} = \text{Output Tax} - \text{Input Tax}$$

Receivables provides a comprehensive solution for VAT reporting using standard and country-specific reports.

For a step by step description of how to implement Value Added Tax, see: Implementing Value Added Tax: page 2 – 6.

Sales Tax

Sales tax in Receivables is based on the destination of the supply of goods or services. The calculation of sales rates is automatic, and is based on the state, county, city, and zip code of your customer's address and the tax rates assigned to each of these components. You can override any tax rate through customer and product exemptions and you can compile periodic sales tax returns using the US Sales Tax Report.

You can import address validation and sales tax rates from your tax vendor and use the Tax Vendor Extension to integrate external tax calculation programs with Receivables and Oracle Order Entry/Shipping. See: Importing Data From Your Feeder System: page 7 – 7 and Implementing the Tax Vendor Extension: page 7 – 28.

For a step by step description of how to implement sales tax and the setup windows specific to a sales tax system, see: Implementing US Sales Tax: page 3 – 2.

Canadian Sales Tax

Canadian sales taxes exist at both the federal and the provincial level. Sales tax at the federal level, which is referred to as Goods and Services Tax (GST), is standard across Canada. Some goods and services are exempt from GST.

Provincial Sales Tax (PST) is levied by each Canadian province except Alberta and the Territories. Each province has its own legislation which determines the PST rate and decides which goods and services are exempt from PST. The appropriate Provincial Sales Tax is based upon the destination of the goods or services, not their origin.

For a step by step description of how to implement Canadian Tax, see: Implementing Canadian Sales Tax: page 4 – 2.

See Also

Setting Up Tax: An Overview: page 8 – 9

Calculating Tax: page 8 – 2

Invoice Tax Payables Options (*Oracle Payables User's Guide*)

Defining Purchasing Options (*Oracle Purchasing User's Guide*)

Setting Up a Multi-Organization Enterprise (*Multiple Organizations in Oracle Applications Manual*)

CHAPTER

2

Value Added Tax

This chapter provides a step by step description of how to implement Value Added Tax for your Oracle Application as well as detailed descriptions of VAT reports and listings.

Country Specific VAT Reporting

In many countries, the standard VAT reports described in this book will cover your VAT reporting requirements. However, you may wish to consult the following country-specific reports. Refer to the Oracle Applications Globalizations Reference Manuals for more information.

Belgian Reports

The following reports are part of the *Oracle Applications Belgium Globalizations Reference Manual*:

- Annual VAT Return
- Dual Language Invoice Registers
- Monthly VAT Return
- Quarterly VAT Return
- VAT Number Validation

Chinese Reports

The following reports are part of the *Oracle Applications Chinese Globalizations User's Guide*:

- VAT File
- VAT Invoices

Czech Republic Reports

The following reports are part of the *Oracle Applications Czech Republic Globalizations User's Guide*:

- Czech Export Tax Report
- Czech Import Tax Report
- Czech Tax Return Source Report

German Reports

The following reports are part of the *Oracle Applications German Globalizations Reference Manual*:

- Accounts Payable VAT Reconciliation Report
- VAT for On-Account Receipts Report

Hungarian Report

The following report is part of the *Oracle Applications Hungarian Globalizations Reference Manual*:

- Hungarian Sales VAT Register

Italian Reports

The following reports are part of the *Oracle Applications Italian Globalizations Reference Manual*:

- Deferred VAT Register
- Payables/Receivables Monthly VAT Summary Reports
- Sales VAT Register
- VAT Register for Self Invoice

Korean Reports

The following reports are part of the *Oracle Applications Korean Globalizations User's Guide*:

- Aggregate Summary of Tax Invoices Issued
- Details of Document of Zero-Rated VAT – AR
- Sales Invoice
- Sales Invoices Issued
- Summary of Account Receivable VAT
- Summary of Sales Invoices
- Tax Invoice List
- Tax Invoice List – AR

Norwegian Reports

The following reports are part of the *Oracle Applications Norwegian Globalizations Reference Manual*:

- VAT and Investment Tax
- VAT Journal

Polish Report

The following report is part of the *Oracle Applications Polish Globalizations Reference Manual*:

- Polish Sales VAT Register

Portuguese Reports

The following reports are part of the *Oracle Applications Portuguese Globalizations Reference Manual*:

- Annual VAT Report
- Customer VAT Recapitulative Extract File
- Customer VAT Recapitulative Report
- Periodic VAT Report

Spanish Reports

The following reports are part of the *Oracle Applications Spanish Globalizations Reference Manual*:

- Receivables VAT Compliance Report
- VAT Received Report

Swiss Reports

The following report is part of the *Oracle Applications Swiss Globalizations Reference Manual*:

- Swiss AR VAT Report

Taiwan Reports

The following reports are part of the *Oracle Applications Taiwanese Globalizations User's Guide*:

- VAT EDI File
- VAT In
- VAT Out
- Zero-Rate Tax Listing

Thai Reports

The following reports are part of the *Oracle Applications Thai Globalizations User's Guide*:

- Goods and Raw Materials
- Incomplete Tax Invoice
- Input Tax Summary
- Output Tax Summary
- Output Tax Summary (non-invoice)

Localized Forms

In addition, the following form is provided as a German Globalization. Refer to the *Oracle Applications German Globalizations Reference Manual* for more information.

German Form

- VAT for On Account Receipts

See Also

Implementing Value Added Tax: page 2 – 6

Calculating Tax: page 8 – 2

Implementing Value Added Tax

VAT is imposed on the value added to goods or services at each stage of their supply. The VAT charged on a customer invoice is referred to as Output Tax. Any VAT paid on a vendor invoice is referred to as Input Tax. The amount due each period can be described as follows:

$$\text{Amount Due} = \text{Output Tax} - \text{Input Tax}$$

Not all businesses are required to collect and remit Value Added Tax. To determine your legal obligations in the collection and reporting of Value Added Tax, seek the advice of a qualified tax professional.



Attention: If you use the Oracle Applications Multiple Organization Support feature, you need to perform this implementation for each of your operating units. For more information, refer to the *Multiple Organizations in Oracle Applications* manual.



Suggestion: To help you plan and complete your tax-specific setup steps, use this essay with the Oracle Applications Implementation Wizard. You can use the Implementation Wizard as a resource center to read online help for a setup activity and open the appropriate setup window and to see a graphical overview of setup steps. You can also document your implementation by using the Wizard to record comments for each step for future reference and review. For more information, see: *Oracle Applications Implementation Wizard User's Guide*.

Major Features of VAT

Receivables lets you control and automatically record VAT charges on your receivable invoices. Using Receivables you can:

- Control VAT using both the inventory item and destination country (item method).
- Optionally control VAT from your Revenue Account (account method).
- Automatically calculate VAT for domestic, import, and intra-EU taxed transactions.
- Automatically calculate and account for multiple VAT regimes, levying additional taxes such as Surcharges, Excise, and Sales Equalization taxes as required.
- Compile your periodic VAT returns using a comprehensive set of standard and country-specific VAT reports.

- Easily integrate your implementation of VAT with Oracle Order Entry/Shipping, Oracle Sales and Marketing, and your legacy systems.
- Round VAT amounts at the Transaction Header or Line Level.
- Round VAT Amounts Up, Down, or Nearest, to a different precision and minimum accountable unit.
- Calculate inclusive or exclusive VAT Amounts.
- Print transactions inclusive or exclusive of VAT.
- Import transactions using AutoInvoice with inclusive or exclusive taxes.
- Allow VAT to be controlled in Receivables or your feeder system.
- Control changes in rate for any given tax code over time.
- Exempt customers and sites from VAT.
- Ensure that your VAT returns are complete.
- Manually defer Output Tax liability on unpaid invoices using the VAT Reconciliation Report.

Definitions

Acquisition Tax: VAT on the acquisition of goods from a VAT Registered supplier in another EU member state will be zero-rated. The receiver must account for VAT as both Input and Output amounts at the VAT rate applicable for the same goods in the country that they are received, giving a net VAT liability of zero. Oracle Implements Acquisition tax with Oracle Payables using Offset Taxes.

Deferral: France, Italy and Russia allow the liability on Output VAT to be deferred until payment has been collected on certain transactions. This is referred to as "Cash accounting for VAT" and, if allowed, may be used in an accrual system.

Document Rounding: VAT amounts are typically calculated once per tax code within an invoice. Receivables controls tax codes at the document line, but allows VAT amounts to be rounded at the document header or line.

Domestic Transaction: Transactions between registered traders in the same EU (European Union) country. Domestic transactions have VAT charged on goods and services with different countries applying different VAT rates to specific goods and services.

EU: The European Union is a single European market where customs and tariff barriers between member states have been removed.

Input VAT: The tax charge on the receipt of taxable goods and services (e.g. tax on supplier invoices or expense items). Input VAT should be reported wherever you account for expenditures. Input VAT is usually deductible.

Intra-EU, Taxed Transactions: Transactions between non-registered traders in different EU (European Union) countries. VAT must be charged to customers within the EU if you do not know their VAT registration number. The destination country and inventory item controls which VAT rate to use.

Intra-EU, Zero-Rated Transactions: Transactions between registered traders in different EU (European Union) countries. An Intra-EU transaction is zero rated if and only if you know the customer's VAT registration number; otherwise, VAT must be charged on the invoice.

Japanese Consumption Tax: The Value Added Tax (VAT) paid on any expense (Input VAT) is usually recoverable against the VAT Charged on revenue (Output VAT). This ensures that VAT is not inflationary within a supply chain.

Natural Account: The segment of your accounting flexfield that you assign the qualifier 'Natural Account'. This segment indicates whether the Accounting Flexfield is an Asset, Liability, Equity, Revenue, or Expense account. In Receivables, the Natural Account typically identifies the Revenue account.

Non-Deductible Input VAT: The VAT amount paid on expense items that may not be reclaimed against Output VAT. Usually, all items purchased for a business are deductible. Certain high value purchases, (for example, luxury cars for an executive's spouse) may be considered non-deductible. For small companies, service or items of value to both the owner and business may be partially non-deductible.

Output VAT: The tax charge on the supply of taxable goods and services (e.g. tax on customer invoices or revenue items). Output VAT should be reported wherever you account for sales.

Recargo de Equivalencia: An additional tax levied in Spain on specific types of businesses. The rate of tax is related to the primary rate of VAT for the item sold.

Tax Engine: A collection of programs, user defined system parameters, and hierarchical flows used by Receivables to calculate tax.

VAT Classification: Each country classifies VAT into a small number of rates. Following are the five basic classes of VAT:

- **Exempt:** Exempt from VAT. Gross sales are reported separately from zero-rated transactions.
- **Luxury:** A higher than standard rate of tax, normally applied to a very limited set of goods or services.
- **Reduced:** A lower rate of tax for specific goods or services. For example, within the EU, the reduced rate is applied to consumption of domestic fuel and power.
- **Standard:** Most transactions are classified at a Standard rate. In Europe, the Standard rate of VAT varies between 12–25%.
- **Zero:** Zero-rated, gross sales are reported separately from exempt rated transactions.

VAT Regime: A set of VAT rules and rates applicable to a well defined set or type of transactions. In Europe, the most common VAT regimes are Domestic, Import, and Inter-EC. However, many countries have additional regimes for special geographical regions or types of businesses.

See Also

Country Specific VAT Reporting: page 2 – 2

Setup Checklist for Value Added Tax: page 2 – 10

Invoice Tax Payables Options (*Oracle Payables User's Guide*)

Defining Purchasing Options (*Oracle Purchasing User's Guide*)

Entering Offset Taxes (*Oracle Payables User's Guide*)

Setup Checklist for Value Added Tax

Complete the following steps in the order shown to implement Value Added Tax in Receivables.

- ☐ Step 1: Choose Tax Method for VAT Compliance: page 2 – 11
- ☐ Step 2: Define Tax Codes and Rates: page 2 – 12
- ☐ Step 3: Set Up Account Method VAT (optional): page 2 – 15
- ☐ Step 4: Set Up Tax Groups for Distance Sales (optional): page 2 – 16
- ☐ Step 5: Set Up Item Method VAT: page 2 – 18
- ☐ Step 6: Choose a Sales Tax Location Flexfield Structure: page 2 – 18
- ☐ Step 7: Define Tax Preferences: page 2 – 19
- ☐ Step 8: Set Up Tax Defaults and Rules: page 2 – 20
- ☐ Step 9: Assign a Default Application Rule Set: page 2 – 22
- ☐ Step 10: Save System Options: page 2 – 22
- ☐ Step 11: Define Tax Exemptions: page 2 – 22
- ☐ Step 12: Define Transaction Types: page 2 – 23
- ☐ Step 13: Define AutoAccounting for Tax: page 2 – 23
- ☐ Step 14: Enable Calculation of VAT on Freight: page 2 – 24
- ☐ Step 15: Define Tax Profile Options: page 2 – 24
- ☐ Step 16: Define VAT Reconciliation Report Set: page 2 – 26

See Also

Setup Steps for Value Added Tax: page 2 – 11

Verifying VAT Tax Setup: page 2 – 28

Setup Steps for Value Added Tax

Step 1 Choose Tax Method for VAT Compliance

Receivables provides two methods for deriving the appropriate tax code and rate for your transactions.

- Item Method
- Account Method

Before implementing Receivables, you need to decide whether you want to derive a transaction line's tax code and rate from the line's item or the line's natural revenue account.

Controlling Tax from Item & Destination – Item Method

Normally, the tax code (and therefore Tax Regime) for a transaction (line) is derived using rules associated with the line item and destination (Point of Supply). The Item Method defaults tax codes based on a search hierarchy that you define in the System Options window. Typically within the Item Method, the system searches for a tax code at the item, customer site, customer, and system option levels (in that order) and ignores any tax codes associated with the Revenue Account of the line item.

- **Item Method, Distance Selling Rules**

If you have a centralized inventory selling and shipping to multiple countries, you may need to derive the appropriate tax codes and rates by a combination of both the Inventory Item and Ship-To Country. Using the Item Method and defined tax groups, Receivables can automatically select the appropriate tax code and tax rate for your transaction (lines).

- **Item Method, Multiple Additional Taxes**

Using tax groups, Receivables can automatically calculate multiple, conditional taxes such as Surcharges, Excise, and Sales Equalization taxes. You can create as many additional taxes as you need; each tax can be optionally compounded on prior taxes; each tax can be posted to a different accounting flexfield and each tax can have a different sign (Dr or Cr), which lets you create offsetting accounting entries. Additionally, you can combine the 'Tax Sign' with 'Tax Inclusive' to increase or decrease the Revenue Accounting associated with the transaction line amount.

- **Item Method and Feeder Systems**

The Item Method allows a flexible integration with feeder systems (such as Oracle Order Entry/Shipping, Oracle Sales & Marketing, and legacy systems) that create transactions and import them into Receivables using AutoInvoice. Unlike the Account Method, the Item Method does not rely upon a chart of accounts to default and validate the tax code. Therefore, use the Item Method if you require multiple, conditional taxes or if your feeder system controls VAT, but does not provide Receivables with accounting lines during the AutoInvoice process.

Controlling Tax from your Revenue Account – Account Method

In some countries and implementations, your chart of accounts may be constructed around VAT compliance. When using this method, you assign one or more revenue accounts to a tax code. Then, when recording a transaction to one of your revenue accounts, Receivables will record the tax on that transaction to the VAT account assigned to this revenue account.

Receivables lets you optionally set up defaults and rules using the GL Tax Options window in Oracle General Ledger. Using this window, you can assign tax codes to Natural Accounts, which lets the Receivables Transactions Workbench and AutoInvoice program automatically default tax codes when you enter or import transactions. You can also choose to validate the tax code against the Natural Account of the Revenue account when you complete transactions in the Transactions Workbench. See: Set Up Account Method VAT: page 2 – 15.

Note: By validating the tax code for your invoice lines against the tax code assigned to your Revenue account, you can ensure that the VAT amounts in your tax returns reconcile to the tax liability accounts and that the taxable amounts in your tax returns reconcile to the Profit and Loss accounts.



Suggestion: If you enforce validation on tax codes from the natural account, you should not derive tax codes from customers, customer sites, or inventory items.

Step 2 Define Tax Codes and Rates

Use the Tax Codes and Rates window to define your tax codes and rates. See: Tax Codes and Rates: page 5 – 2.

For example, the following company needs to define tax codes and rates for use in the European Union (EU):

Home Country – UK, one VAT registration number

Does Business with – Customers in the UK
Customers outside the UK but inside the EU –
Tax Registration Number Known
Tax Registration Number Unknown

Customers outside the EU

Product Line Includes – Taxable Items
Exempt Items

Miscellaneous Cash– Positive Receipts
Negative Receipts

This company might set up the following tax codes and rates:

Customer Home Country	Tax Codes	Tax Rates
United Kingdom	UKSTD	Standard UK Rate
	UKZERO	0%
	UKRED	Reduced Standard Rate
EU Transactions	IntraEU–Zero	0%
	IntraEU–Taxed	(see Step 4)
Export Transactions	Export	0%
United Kingdom	Positive Cash	Miscellaneous Cash Receipts
United Kingdom	Negative Cash	Miscellaneous Cash Payments

Table 2 – 1 (Table 1 of 1)



Suggestion: You can use the VAT Reconciliation Report to assist with preparing your VAT return. To simplify your VAT return process, you should assign a different tax liability account to each tax code, enabling the VAT Reconciliation Report to distinctly display the tax and taxable amounts for each tax code.

These tax codes and rates would then be assigned (using the Customers window) to each of the four classes of customer, or customer sites, as follows:

Customer Class	Tax Code
Intra-EU, Zero Rated	IntraEU-Zero
Intra-EU, Taxed (see note)	IntraEU-Taxed
External	Export
Domestic	Null

Table 2 – 2 (Table 1 of 1)

Receivables searches for tax codes according to the tax hierarchy that you define in the System Options window, stopping when one is found. Using the approach outlined above, you will be able to automatically tax your transactions correctly when you create:

- Domestic invoices for different inventory items, with each item having its own tax rate assigned to it.
- Export invoices for customers both inside and outside the EU.
- Invoice for customers in the EU with tax registration numbers.

Note: If you assign a tax code with a rate of zero to an invoice, or if the invoice is exempt, it will still have tax lines and account distributions posted to the General Ledger for the zero tax amount.

To apply time limits to tax code rates, simply add an end date to the existing tax code, then redefine the code using the same tax code name. This lets you keep an audit of changes to rates, while ensuring that the correct rate will always be used on a transaction.

Note: If a customer's Tax Registration Number is not known, or if you are required to collect VAT in multiple countries, perform step 4, Set Up Tax Groups for Distance Selling Rules: page 2 – 16. This will let Receivables automatically apply different VAT rates on domestic and Intra-EU taxed transactions.

You should also assign a tax code to your miscellaneous cash receipts within the Transactions window. You should use a different tax code for negative cash receipts and positive cash receipts, though they may have the same rate. The VAT Reconciliation Report will use the general ledger account assigned to the tax code for each receipt for reporting

VAT on miscellaneous transactions. See: *Entering Miscellaneous Transactions in the Oracle Receivables User's Guide*.

Miscellaneous Cash Receipt	Tax Code
Positive Receipt (an investment dividend)	Positive Cash
Negative Receipt (a bank service charge)	Negative Cash

Table 2 – 3 (Table 1 of 1)

Additionally, Oracle Cash Management lets you assign a default tax code for positive miscellaneous cash receipts and a tax code for negative miscellaneous cash receipts. AutoReconciliation assigns the appropriate tax code when creating miscellaneous cash receipts. Cash Management also defaults the appropriate tax code when you manually create miscellaneous cash receipts during manual reconciliation. For more information, please refer to the *Oracle Cash Management User's Guide*.

Step 3 Set Up Account Method VAT (optional)

If you are using the Item Method for VAT compliance, you can skip this step.

Navigate to the General Ledger Tax Options window and assign a tax code to the natural account segment of your Revenue account. For each natural account, decide if the system should allow an override of tax codes posted to this account. The Receivables Transactions Workbench will validate tax codes against revenue accounts if the Revenue account has Allow Override set to No and the system option Enforce Tax from Revenue Account is set to Yes. If you set up Receivables to enforce tax from your Revenue account, the Transaction Workbench will not let you complete an invoice if any of its lines have a tax code that is different from the tax code assigned to the Natural account. AutoInvoice will also reject transactions that fail this validation.

To set up your system to enforce that a tax code is derived from your Revenue account, perform the following:

- Navigate to the System Options window and set 'Enforce Tax from Revenue Account' to Yes.
- Navigate to the Tax Options window and set 'Allow Tax Code Override' option to No for each account that you want to validate. Receivables will only enforce validation for accounts that have this option set to No.



Attention: If you update your Revenue account or any of its attributes such that the tax code for an invoice line is no longer the same as the tax code assigned to your Revenue account, Receivables will display a message when you attempt to complete an invoice. This lets you choose to re-default the tax code for the offending invoice line, and then complete the invoice. If you choose to not update the tax code, Receivables will not let you complete the invoice.

For more information, see: Controlling Tax from your Revenue Account: page 8 – 27 and Setting Up Automatic Tax Calculation in the *Oracle General Ledger User's Guide*.

Step 4 Set Up Tax Groups for Distance Sales (optional)

If you are using the Account Method VAT compliance or do not require Receivables to calculate VAT rates using a combination of both inventory item and ship-to country, you can skip this step.

The implementation outlined in step 2, Define Tax Codes and Rates, assumes that all inventory items have been assigned a Tax Code and that Intra EU and export shipments override the default. The examples in step 2 are most appropriate if your inventory items are local to your home country. If you ship within your home country, you will typically be required to collect taxes only in that country.

An alternative implementation is appropriate if you ship to many countries and your legal entity is required to collect tax in multiple countries. Instead of a tax code, you can assign a tax group to each inventory item; this lets Receivables automatically create a schedule of applicable taxes based on a combination of both the inventory item and ship-to country.

The following table illustrates how tax groups can be used to provide Item Method VAT with Distance Sales.

Tax Group Name: EUSTD Tax Group Description: 'European Standard Rates'		
Tax Code	Tax Rate	Ship To Country
UKSTD	17.5%	United Kingdom
ITSTD	19%	Italy

Table 2 – 4 (Table 1 of 2)

Tax Group Name: EUSTD Tax Group Description: 'European Standard Rates'		
Tax Code	Tax Rate	Ship To Country
DESTD	15%	Germany
FRSTD	25%	France

Table 2 – 4 (Table 2 of 2)

Different tax groups are built for each tax classification of inventory items. Assigning the tax group to the inventory item allows Receivables to calculate the correct Tax Rates based on both inventory item and ship-to country.



Suggestion: As the Standard (or Reduced) rate of VAT changes in each country, use effectivity dates within the group to control when Receivables applies the new tax rate.

European Standard rates are the set of tax rates for each member country that are classified as 'Standard'. Typically, but not always, goods classified in one EU country as 'Standard' will share the same classification in another EU country. An example of an exception to this rule is the category of goods called 'Documentation'. In Germany, Documentation may be classified as 'Reduced', whereas in the UK it may be classified as 'Zero-Rated'. If required, you can construct a tax group that will automatically assign the correct tax code and rate for each shipment. For example:

Tax Group Name: EUDOC Tax Group Description: 'Intra-EU Taxed, Documentation'		
Tax Code	Tax Rate	Ship To Country
UKZERO	0	United Kingdom
DERED	7.5%	Germany

Caution: You can define a single VAT Registration number at the Organization level in the System Options window. You can override the VAT Registration number when printing your invoices. Your VAT returns must still be compiled using appropriate standard or country-specific VAT reports. The country-specific VAT reports may be incompatible with those from your home country, or with each other.

See Also

Tax Groups: page 5 – 18

Invoice Tax Payables Options (*Oracle Payables User’s Guide*)

Purchasing Options (*Oracle Purchasing User’s Guide*)

Step 5 **Set Up Item Method VAT**

You can assign the appropriate tax code to each of your inventory items in the Items window. You can assign a tax code or a tax group to each item that you define. If you defined tax groups for Distance Sales, use these groups for your items (see Note in Step 2, Define Tax Codes and Rates).

VAT Classification	Domestic Supply	Distance Sales Transactions
Standard Rated Product	UKSTD	EUSTD
Reduced Rated Product	UKRED	EURED
Documentation	UKZER	EUDOC
Zero-Rated Product	UKZERO	EUZERO



Suggestion: Using inventory item templates, create different templates for each VAT Classification. Then, when you create an inventory item using that template, Receivables will automatically assign the correct tax code or tax group.

Step 6 **Choose a Sales Tax Location Flexfield Structure**

Use the list of values to select a Sales Tax Location Flexfield Structure in the Receivables System Options window. Receivables uses this structure to determine your tax rates and to control which fields of a customer’s address are required when you enter domestic addresses. The following structures are predefined:

- **No Validation – Country (Recommended for VAT)**
- State.County.City Recommended for US Sales Tax
- State.City
- City

- Province
- Province.City

You can also create your own structure to meet your specific tax needs. See: Customizing Your Sales Tax Location Flexfield Structure: page 8 – 28.

For a detailed description of each of these structures, see: Calculating Tax: page 8 – 2.



Attention: Each segment in the structure will become mandatory when entering customer addresses located in your home country.



Suggestion: You may want to implement Flexible Address Formats for country specific validation of customer address information. See: Flexible Addresses in the *Oracle Receivables User's Guide*.

Step 7 Define Tax Preferences

The system options listed below affect your tax within Receivables. See: Defining Receivables System Options and Tax Rounding System Options in the *Oracle Receivables User's Guide*.

Tax Option Field Name	Suggested Setting
Tax Method	VAT
Tax Code	Your default tax code.
Postal Code Range *	From: ! To: ZZZZZZZZZZZZ
Address Validation	No Validation
Compound Taxes	No
Invoice Printing	Itemize and Summarize
Tax Cache Size	1000
Tax Account	The default tax account for your tax codes.
Tax Registration Number **	Your company's Tax Registration Number.
Calculation Level	Header
Rounding Rule	Nearest

Table 2 – 5 (Table 1 of 2)

Tax Option Field Name	Suggested Setting
Reporting Currency	Your functional currency.
Allow Override	No, unless you need to change Tax Rounding rules by Bill-To customer site.
Default Country	Enter your home country.

Table 2 – 5 (Table 2 of 2)

* Using these settings will cover all possible settings for Postal Code ranges and result in no postal code validation.

** Receivables prints the number that you enter here on your invoices. You can change this number when printing your invoices.

Step 8 Set Up Tax Defaults and Rules

The Tax Defaults and Rules alternative region of the System Options window lets you control how the system automatically taxes your transactions. Using this window, you can control how your Output VAT is calculated. See: Tax System Options in the *Oracle Receivables User's Guide*. Use the Tax Defaults and Rules alternative region in the Oracle Payables System Options window to control your Input Taxes. See: Invoice Tax Payables Options in the *Oracle Payables User's Guide*.

How you set up your system depends on your implementation and the VAT method you selected in Step 1. If you are using the Item Method, we recommend the following settings for determining a default tax code:

Default Tax Code Options	Suggested Setting	Hierarchy No.
Enforce Tax from Revenue Account	No	(NA)
Customer Site	Yes	1
Customer	Yes	2
Product	Yes	3
Revenue Account *	No	
System Options	Yes	4

Table 2 – 6 (Table 1 of 1)

If you are using the Account Method, we recommend the following settings for determining a default tax code:

Default Tax Code Options	Suggested Setting	Hierarchy No.
Enforce Tax from Revenue Account	Yes	(NA)
Customer Site	No	
Customer	No	
Product	No	
Revenue Account *	Yes	1
System Options	No	

Table 2 – 7 (Table 1 of 1)

Note: It is possible to use both Item and Account method VAT. If you do this, we recommend that you set Enforce Tax from Revenue Account to No.

We recommend the following settings for your tax exceptions:

Exception Rate Option	Suggested Setting
Use Customer Exemptions	No *
Use Item Exemptions	No **
Use Item Tax Rate Exceptions	No ***

Table 2 – 8 (Table 1 of 1)

* Customer exemptions let you fully or partially exempt specific customers from tax. In a VAT system, customers can be assigned a specific tax code that would exempt them from tax.

** Product exemptions let you fully or partially exempt specific items from tax. In a VAT system, items can be assigned a specific tax code that would exempt them from tax.

*** Tax exceptions are special tax rates that are assigned to items being shipped to specific addresses. Tax exceptions are only used when you are calculating location-based tax and therefore do not apply in a VAT system.



Suggestion: Switching off aspects of the tax engine that you do not use may improve performance.



Attention: If you will be using both US Sales Tax and VAT in one set of books, you should set the option Use Tax Code for Product to No. (We do not recommend that you use two types of tax in one set of books. A site will usually implement each legal entity in a different set of books and you should consider the many reporting and security implications of merging multiple countries/organizations into one set of books.)

Step 9 Assign a Default Application Rule Set

Enter the Application Rule Set 'Prorate All' in the System Options window. An Application Rule Set determines the default payment steps when you apply a receipt to an open debit item and its associated charges (for example, line, tax, freight, and finance charges). The Prorate All rule set applies a proportionate amount of the payment to each open item. See: Miscellaneous System Options and Receivables Application Rule Sets in the *Oracle Receivables User's Guide*.

Step 10 Save System Options

Save your system options. Use the Completed Requests window to check that each of the three concurrent programs submitted by the System Options window has completed successfully. If the concurrent programs fail, choose Request Log in the Completed Requests window for more information about the errors. You can also refer to the If Your Concurrent Programs Fail section of the Calculating Tax Essay for more information. See: Calculating Tax: page 8 – 2.

Step 11 Define Tax Exemptions

When implementing VAT, you would generally assign tax codes to customers and items to exempt them from tax, rather than creating specific exemptions.

To do this you must first create a tax code with the new tax rate. Create this tax code in the Tax Codes and Rates window as described in Step 6. Then, for customer exemptions, assign this code to your customer in the Customers window at either the customer or site level, depending on whether you want to exempt the whole customer or only specific sites for that customer. For product exemptions, assign the tax code to your product in the Items window. See: Define Items in the *Oracle Inventory User's Guide*.

Step 12 **Define Transaction Types**

Use the Receivables Transaction Types window to require the calculation of VAT on all transaction types. You should enter 'Yes' in the Tax Calculation field for each transaction type that you define to ensure that all complete invoices include VAT.

Customers and customer sites that are not subject to VAT should use transaction types that require the calculation of tax, but these customers or sites should be assigned an exempt tax code. This will ensure a zero value tax line will be created for reporting purposes. See: Transaction Types in the *Oracle Receivables User's Guide*.

If you are implementing Oracle Order Entry/Shipping, use the Define Order Types window to select a Receivables Transaction Type that has the Tax Calculation flag set to Yes. The Sales Orders window will then ensure that all booked orders have a tax code assigned to each order line. Additionally, the Sales Order Acknowledgement Report will display tax rates, tax amounts and tax summaries based on the transaction type you have selected. See: Defining Order Types in the *Oracle Order Entry/Shipping User's Guide*.

Step 13 **Define AutoAccounting for Tax**

Use the Automatic Accounting window to specify how you want Receivables to determine the General Ledger account for VAT. See: AutoAccounting in the *Oracle Receivables User's Guide*.

Enter 'Tax' in the Type field then query all of the segments of your Tax Account Flexfield. For each segment, assign the value you want to use to derive the account. Choose from the tax accounts stored on the following:

- Salesreps
- Transaction Types
- Standard Lines
- Taxes – (The source for this type is the account on the Tax Codes)



Suggestion: You should assign the value 'Taxes' to the natural account segment to ensure the VAT Exceptions report can identify any invoices that post non-tax items to tax accounts.

- Constant Value

See: Using AutoAccounting in the *Oracle Receivables User's Guide*.

Step 14 Enable Calculation of VAT on Freight

To enable the calculation of VAT on freight, you should create freight amounts as ordinary invoice lines. This can be done through standard invoice entry or through AutoInvoice.

Using an inventory item to define freight services enables the AutoAccounting program to distinguish freight lines from ordinary line items. AutoAccounting will then use the accounting rules for the freight account rather than the revenue account to derive the general ledger distribution for the freight service.

When an invoice is printed, the freight amounts will be displayed as line items and any VAT calculated on the freight will be displayed as tax. To assist your customers in identifying the freight charges, Receivables provides the Invoice Print option 'European Tax Format'. This option will display the tax rates as the last column of each invoice line, display the freight items last, and provide a summary of tax amounts by tax code at the end of the invoice. You can select the Invoice Print style in the System Options window or assign it to a specific customer profile class.

To convert freight amounts to ordinary invoice lines, navigate to the Inventory Item window and use the Freight Item Template to define an inventory item for freight services. You should ensure that your inventory item has a valid tax code, the appropriate Primary Unit of Measure, and a User Item Type of 'Freight'. Using the Tax Exemptions window you can reduce or zero-rate sales tax rates or freight services as required. See: *Defining Items in the Oracle Inventory User's Guide*.

You can control the VAT rate on freight services through the tax code assigned to the inventory item. Alternatively, you can override the tax code assigned to inventory item by assigning a different tax code to the customer or customer site, which will allow export freight charges to be taxed differently than domestic freight charges.

If you are implementing Oracle Order Entry/Shipping, you should set the user profile option 'Tax: Invoice Freight as Revenue' to Yes and 'Tax: Inventory Item as Freight' to the item that you defined for freight services. These profile options are described in more detail in the next step.

Step 15 Define Tax Profile Options

To set your tax profile options, navigate to the System Profile Values window using the System Administrator responsibility. The following table outlines the options and recommended settings for VAT.

Profile Option	Suggested Setting	Reason
Tax: Allow Manual Tax Lines	Yes	Additional tax lines may be required by a given country.
Tax: Allow Ad hoc Tax Changes	Yes	Typically, tax codes have a single active rate for a given date.
Tax: Allow Override of Customer Exemptions	No	Prevents unapproved exemptions from being entered.
Tax: Allow Override of Tax Code	Yes	Lets you override the default tax code.
Tax: Invoice Freight as Revenue *	Yes	Enables freight amounts entered in the Oracle Order Entry/Shipping Ship Confirm window to be passed to Receivables as taxable line items.
Tax: Inventory Item for Freight	Freight	Set this to the inventory item that you defined for freight services (see Attention symbol below). AutoAccounting will use the 'Freight' accounting rule for transaction lines whose inventory item has a user type of Freight. This ensures the line item description of the freight services will be derived from the inventory item that you defined, rather than the default description 'Freight'. Use the Items window to assign a tax code to the inventory item.

Table 2 – 9 (Table 1 of 1)

* This profile option is used only by Oracle Order Entry/Shipping



Attention: The inventory item you select should be used to control the tax code, rate, and general ledger tax account for the VAT on freight. Be sure to assign a tax code to the inventory item before you define this profile option.

See: Update System Profile Options in the *Oracle Applications System Administrator's Guide* and Overview of Delivery-based Ship Confirm in the *Oracle Order Entry/Shipping User's Guide*.

Step 16 Define VAT Reconciliation Report Set

To assist you in compiling your VAT return, you should navigate to the Request Set window and define a VAT Reconciliation Report Set that includes the following reports:

- VAT Reconciliation Report: page 2 – 29
- Customers with Invoices at 0 VAT and no VAT Registration Number: page 2 – 37
- VAT Exception Report: page 2 – 39

You should define a report set that provides default values for the following parameters:

Report Parameter	Suggested Default	Display	Modify	Reason
GL Date Low	01-XXX	Yes	Yes	Date at start of the reporting period
GL Date High	30-XXX	Yes	Yes	Date at end of the reporting period
Transaction Date Low	Null	No	No	To ensure only transactions for the reporting period are reported.
Transaction Date High	Null	No	No	To ensure only transactions for the reporting period are reported.
VAT Account Low	Null	No	No	All VAT Accounts used will be reported
VAT Account High	Null	No	No	All VAT Accounts used will be reported
Include Accruals	Yes	No	No	Report on accrual transactions
Include Adjustments	*Yes	No	No	Report on adjustment transactions
Include Discounts	*Yes	No	No	Report on all discounts
Include Miscellaneous Cash Receipts	*Yes	No	No	Report on all non-standard receipts

Table 2 – 10 (Table 1 of 2)

Report Parameter	Suggested Default	Display	Modify	Reason
Include Payments	*Yes	No	No	Report on all standard receipts
Posting Status	Posted	Yes	Yes	Report on only posted transactions
Detail Level	Show Summary and All Detail	Yes	Yes	Provide a high level overview while showing the appropriate detail information.
Payment Date	*GL Date	No	No	To match the reporting period.

Table 2 – 10 (Table 2 of 2)

* This depends on the reporting requirements of each country. Please consult a qualified tax professional.

Preventing the user from modifying most of the report parameters at report run time ensures that the report is run consistently each reporting period.

If your company is required to report on VAT under a mix of accrual basis and cash basis tax calculations, you should define a report set that will run two copies of each report; the first for accrual basis calculations and the second for cash basis calculations.



Suggestion: When defining your chart of accounts, group your accrual basis tax accounts together and your cash basis tax accounts together. You can then use the distinct account ranges to define unique report sets for each type of tax basis.

See Also

Implementing Value Added Tax: page 2 – 6

Setup Checklist for Value Added Tax: page 2 – 10

Verifying VAT Tax Setup: page 2 – 28

Calculating Tax: page 8 – 15

Verifying VAT Tax Setup

Enter Taxable Invoices

Enter an invoice for a taxable customer. Save the invoice and ensure that you can navigate to the Tax window for the invoice lines to view the tax code, tax rate, and amount. You should then navigate to the Revenue Accounts window and confirm that the tax line is posted to the correct General Ledger account.

If you are implementing Oracle Order Entry/Shipping, enter an order and confirm that the VAT amounts are displayed in the payment information region.

Enter Zero Rated Invoices

Assign a Tax Code with zero rate to a customer or customer site. Create an invoice for this customer, including a taxable line item. Save the invoice and verify that the system generated a zero rated tax line.

Interface Zero Rated Invoices

Use AutoInvoice to import an invoice that includes a zero rated tax code. See: Using AutoInvoice in the *Oracle Receivables User's Guide*.

Using the Transactions window, verify that the tax amounts on the generated tax lines are zero. See: Entering Transactions in the *Oracle Receivables User's Guide*.

See Also

Implementing Value Added Tax: page 2 – 6

Calculating Tax: page 8 – 15

VAT Reconciliation Report: page 2 – 29

VAT Reporting

The tax charged on sales (usually referred to as Output VAT) can be reported using standard or country-specific VAT reports. The standard reports let you report and reconcile applicable taxes for VAT, Consumption Tax, and any alternative tax regimes recorded in your receivables transactions.

VAT Reconciliation Report

Figure 2 – 1

Set of Books 2 (Release 10)				Output VAT Reconciliation Report				Report Date: 26-JUN-95 08:55		
Posting Status: Posted				GL Date: 01-MAY-1995 To 30-JUN-1995				Page: 3		
Detail Level: Show Summary and all Transactions										
Include: Accruals Adjustments Discounts Miscellaneous Cash Payments										
Application Date: Due Date										
VAT Account From: 00.000.5600.000.000.000 To: 99.999.5603.999.999.999										
VAT Account: 01.500.5600.000.000.000 - Sporting Goods.None.Output VAT Standard.None.None.None										
Transaction Number	Class	Invoice Number	GL Date	Taxable Amount	Posted	Unposted	VAT Discount	Manual Adjustment	Cash	
cm30001	Invoice	1161	02-JUN-95	650.00	131.50	0.00	0.00	0.00	0.00	
	Invoice	1162	02-JUN-95	650.00	131.50	0.00	0.00	0.00	0.00	
	Invoice	1163	02-JUN-95	650.00	131.50	0.00	0.00	0.00	0.00	
	Invoice	30001	05-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Credit Mem	30001	05-JUN-95	(5,000.00)	(1,000.00)	0.00	0.00	0.00	0.00	
cm30002	Invoice	31001	05-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	30002	06-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Credit Mem	30002	06-JUN-95	(5,000.00)	(1,000.00)	0.00	0.00	0.00	0.00	
1789	Invoice	32001	06-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice Ad	31002	08-JUN-95	(10,000.00)	0.00	0.00	0.00	(2,000.00)	0.00	
cm30003	Invoice	31002	08-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice Ad	32002	09-JUN-95	(5,000.00)	0.00	0.00	0.00	(2,000.00)	0.00	
	Invoice Ad	33001	09-JUN-95	(5,000.00)	0.00	0.00	0.00	(2,000.00)	0.00	
	Invoice Ad	33001	09-JUN-95	(2,500.00)	0.00	0.00	0.00	0.00	0.00	
	Credit Mem	30003	09-JUN-95	(5,000.00)	(1,000.00)	0.00	0.00	0.00	0.00	
	Invoice Ad	32002	09-JUN-95	(2,500.00)	0.00	0.00	0.00	0.00	0.00	
	Invoice Ad	32002	09-JUN-95	(1,500.00)	0.00	0.00	0.00	0.00	0.00	
	Invoice	30003	09-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	32002	09-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	33001	09-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
1790	Invoice Ad	31003	11-JUN-95	(6,500.00)	0.00	0.00	0.00	(1,300.00)	0.00	
	Invoice	31003	11-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
310031	Credit Mem	31003	11-JUN-95	(3,500.00)	(700.00)	0.00	0.00	0.00	0.00	
1787	Invoice Ad	34001	12-JUN-95	(5,000.00)	0.00	0.00	0.00	(1,000.00)	0.00	
1788	Invoice Ad	34001	12-JUN-95	(2,500.00)	0.00	0.00	0.00	(500.00)	0.00	
cm30004	Credit Mem	30004	12-JUN-95	(5,000.00)	(1,000.00)	0.00	0.00	0.00	0.00	
	Invoice	30004	12-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	32003	12-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	33002	12-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	34001	12-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	33003	15-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	34002	15-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Invoice	34003	18-JUN-95	10,000.00	2,000.00	0.00	0.00	0.00	0.00	
	Total				97,950.00	27,694.50	0.00	0.00	(8,800.00)	0.00
	Totals for 01.500.5600.000.000.000 - Sporting Goods.None.Output VAT Standard.None.None.None									
Class			Taxable Amount	Posted	Unposted	VAT	Manual	Total	General Ledger Activity	
Invoice			161,950.00	32,394.50	0.00		0.00	32,394.50		
Credit Memo			(23,500.00)	(4,700.00)	0.00		0.00	(4,700.00)		
Invoice Adjustments			(40,500.00)	0.00	0.00		(8,800.00)	(8,800.00)		
Total			97,950.00	27,694.50	0.00		(8,800.00)	18,894.50	(27,694.50)	

To ensure the collection of Value Added Tax (VAT), each country requires periodic VAT returns detailing the taxable and tax amounts for every tax code with point of supply within your VAT registration.

These returns must be supported by reports that include all transactions for which VAT should have been charged.

To accommodate each country's tax reporting requirements, you should be able to:

- Display VAT for all taxable transactions.
- Identify taxable and tax amounts for each rate and transaction class.
- Prepare periodic VAT Returns, as required by each country, from your receivables and payables subledger transactions.
- Ensure the VAT liability for each tax code is posted to a separate general ledger account or sub-account. The activity for each of these VAT liability accounts, or sub-accounts, must equal the amount of output tax on each respective tax code.
- Ensure all VAT transactions have been posted to the appropriate VAT liability account and reported correctly.
- Reconcile your VAT returns to the tax liability accounts in your general ledger.
- Report VAT transactions on both an accrual calculation basis and a cash calculation basis.

Use the VAT Reconciliation Report to prepare the Output VAT portion of your periodic VAT returns. This report lists the taxable and tax amounts, by tax account, of all your Receivables transactions for a given period to enable you to identify and review your VAT liability for various tax codes. The VAT Account Low and VAT Account High parameters enable you to select only VAT liability accounts from your general ledger.



Suggestion: To calculate the Input VAT for your VAT return, refer to the Accounts Payable Tax section in the *Oracle Payables User's Guide*.

Only the taxable and tax amounts of a given transaction associated with a particular tax code and general ledger account will be reported within that account. If you post multiple taxes per invoice line, the taxable amount will be multiplied by the number of taxes you post.

Note: Receivables lets you assign a unique general ledger account or sub-account for each tax code using the Tax Codes and Rates window. See: Tax Codes and Rates: page 5 – 2.

Additionally, the VAT Reconciliation Report provides you with all of the transaction detail from the Receivables subledger to enable you to

reconcile the Output VAT portion of your VAT returns to the general ledger.



Warning: This report will only be accurate and allow you to reconcile transactions to your general ledger if you have not created any adjustments of type Line, Invoice, or Freight. The VAT Reconciliation Report only includes adjustments of type 'Invoice' and 'Charges' when you set the Include Adjustments parameter to Yes. See the Report Parameters section below for more information.

You can create manual journal entries to correct your Output VAT liability on Discounts, Adjustments, Miscellaneous Cash Receipts, and Receipt Applications. Where applicable, the total General Ledger Account Activity will be shown for each VAT account to assist you with your monthly VAT reconciliation.

Report Parameters

Within Receivables you can submit the VAT Reconciliation Report from the Submit Requests window. The parameters for the VAT Reconciliation Report should be set to include all tax transactions posted to your VAT liability accounts for the accounting period you plan to review.



Suggestion: Define a VAT Reconciliation Report Set that includes the following reports to assist you in compiling the Output portion of your VAT return:

- VAT Reconciliation Report
- Customers with Invoices at 0 VAT and no VAT Registration Number: page 2 – 37
- VAT Exception Report: page 2 – 39

See: Implementing Value Added Tax: page 2 – 6.

GL Date Low/High: Enter the GL Date range for the period you wish to review. The default values for GL Date Low and High parameters are the start and end dates of the most recent accounting period. The general ledger activity of the VAT account is displayed if the GL Date range selected corresponds to a valid accounting period and no transaction date range is entered.

Transaction Date Low/High: The Transaction Date Range should be set to null. Otherwise, if the transaction date and GL date for a given transaction fall in different periods, your report will not balance to the general ledger for the requested GL Date Range.

VAT Account Low/High: Select the general ledger account range to review.



Suggestion: When defining your chart of accounts you should group your accrual basis tax accounts together and your cash basis tax accounts together. You can then use the distinct account ranges to define unique report sets for each type of tax basis.

Include Accruals: Choose whether to report on accrual transactions from the receivables subledger, which include the following transaction classes:

- Invoices
- Debit Memos
- Credit Memos

Include Adjustments: Choose whether to report on adjustments of type 'Invoice' and 'Finance.'

Include Discounts: Choose whether to report on Earned and Unearned Discount transactions.

Include Miscellaneous Cash: Choose whether to report on Miscellaneous Cash Receipts, including bank charges.

Include Receipts: Choose whether to report on cash receipts, including bank charges.

Posting Status: You can report on posted, unposted or all transactions. When you report on posted transactions only, the Unposted column will always display zero, while the Posted column will display zero when reporting on unposted transactions.

Detail Level: You can select various levels of details to report. The default level, Show Summary and all Detail, displays all transaction detail, while the Show Summary and Manual Transactions level will display all transactions except for accruals. You can also display transaction summary only by entering Show Summary Only.

Payment Date: If you choose to include receipts that would be required in cash basis reporting of VAT, you can control which date is used to report the receipt. You can select either the GL Date of the cash application or the Maturity Date of the cash receipt. The Maturity Date of the cash receipt may be appropriate when utilizing Bills of Exchange, as the Bill of Exchange may not mature until several weeks after the cash application.

Show Ship To Address: Choose how you want to print this customer's ship to address on the report. Choose Country, Province, State, or None.

Column Headings

The VAT Reconciliation Report is ordered by the Company segment of the accounting flexfield, the natural account segment of the accounting flexfield, the accounting flexfield, the general ledger date, the invoice number, the transaction class and the transaction number. All amounts are displayed in functional currency and the transactions are totaled by general ledger account. See the Detail Section below for the contents of each column.

Detail Section

Transaction Number: This column displays the transaction number of the applied transaction and relates to the following transactions:

- Adjustments
- Credit Memos
- Receipt Applications

Transaction Class: The transaction class will be reported in the following order:

- Invoice, Credit Memo and Debit Memo
- Earned Discount
- Unearned Discount
- Miscellaneous Cash
- Adjustment
- Receipts Application

Taxable Amount: This column reports on the taxable amount of the transaction related to the current general ledger account. If a transaction posts tax to multiple general ledger accounts, because the transaction includes multiple tax codes, the sum of the taxable amounts from each general ledger account will equal the total taxable amount for the transaction.



Warning: Any invoice line that posts multiple taxes (each with its own tax code) will display the full value of the taxable amount of the invoice line once for each general ledger account

associated with the tax code. The duplication of taxable amounts will cause the report to overstate your total taxable amount for the period. To avoid this, ensure that each tax code posts to a distinct tax account.

Posted VAT: This column displays the VAT calculated by Receivables and posted to the general ledger.

Unposted VAT: This column displays the VAT calculated by Receivables and not yet posted to the general ledger.

VAT on Discounts: This column shows the VAT for Earned and Unearned Discounts. The tax is calculated based on the tax amount applied to the general ledger VAT account to which the tax on the original invoice is posted.

The VAT Reconciliation Report uses a consistent algorithm to calculate VAT on applied transactions regardless of the installment rule of the original transaction. This allows you to accrue and report VAT immediately, while still enabling you to manage your Output VAT by the applied Discount, Adjustment or Receipt.

VAT on Adjustments: This column shows the VAT for adjustments of type 'Invoice' and 'Finance.' The tax calculation is based on the tax code associated with the general ledger VAT account to which the tax on the original invoice is posted.

VAT on Cash: This column shows the VAT for Receipt Applications and Miscellaneous Cash Receipts. The tax calculation for the Cash Applications is based on the tax applied to the general ledger VAT account to which the original invoice is posted. The tax calculation for the Miscellaneous Cash Receipts is based on the tax code and rate assigned to the receipt in the Receipts window.

Summary Section

The summary section of this report contains the following information.

Transaction Class: This column displays a summary of the transaction classes displayed in the detail section of the report. The transaction class will be reported in the following order:

- Invoice, Credit Memo and Debit Memo
- Earned Discount
- Unearned Discount
- Miscellaneous Cash
- Adjustment

- Cash Application

Taxable Amount: This column shows a summary of the Taxable Amount column from the detail section per transaction class.

Posted VAT: This column shows a summary of the Posted VAT column from the detail section per transaction class.

Unposted VAT: This column shows a summary of the Unposted VAT column from the detail section per transaction class. At the end of the reporting period, you should not have any unposted transactions.

Manual VAT: This column shows the sum of the Discounts, Adjustments and Cash columns from the detail section per transaction class. This value represents the sum of VAT transactions affecting your Output VAT not automatically posted to the specific VAT account. To reconcile your general ledger by VAT account to your Total VAT by tax code, you will have to post the value of this column to the appropriate general ledger account.

Total VAT: This column displays the sum of the Posted, Unposted and Manual VAT columns. This value represents your Output VAT for the reporting period and tax code as defined by the selected date range and VAT account parameters.

General Ledger Activity: The General Ledger Activity of the VAT account is displayed if the GL Date Range selected corresponds to a valid accounting period in General Ledger and no transaction date range is entered. The value reported in this column is the net of all general ledger activity posted to this account for the given period.

You can use this value to compare the Total VAT by account with your General Ledger. After posting any Manual VAT to the general ledger, the Total VAT for each account should equal the general ledger activity for the corresponding account. To review the details of the general ledger activity you should run the Account Analysis Report from within General Ledger. Please refer to the Account Analysis Report in the *Oracle General Ledger User's Guide*.



Warning: If you revalue the foreign currency transactions for your VAT accounts within the general ledger, the general ledger account activity shown will no longer balance to the subledger transactions in the detail section of this report. The functional amounts reported by the subledger for the transaction detail will be shown using the original exchange rate of the transaction, not the exchange rate used to revalue the general ledger account.

Row Headings

VAT Account: The report groups all transactions by general ledger account. This row displays the general ledger account and description with the totals for each column within the account. Each account should map to a single tax code.

See Also

Implementing Value Added Tax: page 2 – 6

VAT Exception Report: page 2 – 39

Customers with Invoices at 0 and no VAT Registration Number: page 2 – 37

VAT Register Report: page 2 – 42

Customers with Invoices at 0 VAT and no VAT Registration Number

Use this report as part of the VAT Reconciliation Report Set to display all customers within the European Community that have not paid VAT, but have not provided you with a VAT Registration Number to exempt them from VAT.

You may be required to collect VAT on each transaction listed and will have to manually calculate the impact to your VAT return before completing your VAT reconciliation.

Report Parameters

Within Receivables you can submit the Customers with Invoices at 0 VAT and no VAT Registration Number Report from the Submit Requests window. This report is ordered by Transaction Class, Invoice Number, Customer Name, and GL Date and displays each transaction in its entered currency.

GL Date Low/High: The GL date range for the period you wish to review. The default values for these parameters are the start and end dates of the most recent accounting period.

Transaction Date Low/High: The transaction date range for the period you wish to review. The VAT Reconciliation Report defines the transaction date for each class of transaction as follows:

- For Invoices, Credit Memos, Debit Memos the report will use the transaction date of the transaction.
- For Miscellaneous Cash Receipts the report will use the receipt date.
- For Discounts, Adjustments and Cash Applications the report will use the application date of the applied transaction.

Posting Status: You can report on Posted, Unposted, or All transactions.

Column Headings

Class: The class of the transaction.

Invoice Number: Either the transaction number or the receipt number, depending on the transaction type.

Customer Name: The Customer Name. This column is empty for Miscellaneous Receipt transactions.

Customer Number: The Customer Number. This column is empty for Miscellaneous Receipt transactions.

Invoice Date: Either the transaction date or the receipt date depending on the transaction type.

Line Number: The transaction line number. This column is empty for the following transactions:

- Adjustments
- Discounts
- Miscellaneous Receipts

See Also

VAT Reconciliation Report: page 2 – 29

VAT Exception Report: page 2 – 39

VAT Register Report: page 2 – 42

Tax Code Listing: page 6 – 4

Implementing Value Added Tax: page 2 – 6

VAT Exception Report

Use the VAT Exception Report as part of your VAT reconciliation to review any Receivables subledger transactions which meet one or more of the following VAT exception criteria:

- The transaction has item lines with no accompanying tax lines.

To accommodate most VAT requirements, every miscellaneous cash receipt should have a tax code associated with it and output VAT liability should be manually accounted for using the VAT Reconciliation Report. You can enforce this business rule within Receivables by setting the Tax Calculation flag (in the Transaction Types window) to 'Yes' for every transaction requiring VAT calculation.

- The transaction has item lines that reference general ledger tax accounts.

Only tax transaction lines should be posted to tax accounts in the general ledger.

- The transaction is a Discount that references general ledger tax accounts.

Only tax transaction lines should be posted to tax accounts in the general ledger.

- The transaction is an Adjustment that references general ledger tax accounts.

Only tax transaction lines should be posted to tax accounts in the general ledger.

- The transaction is a Miscellaneous Receipt that references general ledger tax accounts.

Only tax transaction lines should be posted to tax accounts in the general ledger.

- The transaction is a Miscellaneous Receipt which has no tax code. To accommodate most VAT reporting requirements, every VAT taxable transaction must include a tax line even if the value of the tax line is zero.
- The transaction is an Adjustment of type Tax.

Tax only Adjustments are not advised in a VAT reporting

environment because they are generally not accepted as valid reductions to your VAT liability.



Attention: Chargebacks and Commitments are created without tax lines and will always appear on the VAT Exception Report.

You should correct every transaction on this error report or manually calculate the impact to your return before completing your VAT reconciliation.

Report Parameters

You can submit the VAT Exception Report from the Submit Requests window. The VAT Exception Report is ordered by Transaction Class, Invoice Number, Customer Name and GL Date and displays each transaction in its entered currency.

GL Date Low/High: The GL date range for the period you wish to review. The default values for GL Date Low and High parameters are the start and end dates of the most recent accounting period.

Transaction Date Low/High: The transaction date range for the period you wish to review. The VAT Reconciliation Report defines the transaction date for each class of transaction as follows:

- For Invoices, Credit Memos and Debit Memos the report will use the transaction date of the transaction.
- For Miscellaneous Cash Receipts the report will use the receipt date.
- For Discounts, Adjustments and Cash Applications, the report will use the transaction date of the associated invoice.

Posting Status: You can report on Posted, Unposted, or All transactions.

Column Headings

Line Number: This column shows the transaction line number, but is empty for the following transactions:

- Adjustments
- Discounts
- Miscellaneous Receipts

Transaction Amount: This column shows the amount of the transaction in the entered currency.

Status: This column reports the reason the transaction is an exception. This column displays the following standard warning messages:

- No Tax Line
The transaction has item lines with no accompanying tax lines.
- Using Tax Account
The transaction is not a tax transaction, but it references general ledger tax accounts.
- Tax Adjustment
The transaction is an Adjustment of type Tax.

See Also

VAT Reconciliation Report: page 2 – 29

Customers with Invoices at 0 VAT and no VAT Registration Number:
page 2 – 37

VAT Register Report: page 2 – 42

Tax Code Listing: page 6 – 4

VAT Register Report

Use this report to review your tax liability. This report is used to show tax when you use Receivables for value added tax only.

Report Parameters

Receivables provides the following reporting options:

Order By: Select the option you want Receivables to use to sort your information from the following:

- Customer Name
- Customer Number
- Exempt Reason
- Invoice Date
- Invoice Number
- Transaction Type

Summarization: Select the level of detail to use for your report:

- Exclude Lines
- Show All Detail

GL Date Low/High: Select and print value added tax information for the GL date range you specify. The low and high values of the GL Date range defaults to All.

Invoice Date Low/High: Select and print value added tax information from invoices in the date range you specify. The default low and high values of the invoice date range is 'All'.

Tax Code: Select and print value added tax information for the Tax Code you specify. If you leave this field blank, the report includes all tax codes.

Currency Low/High: Select and print value added tax information for the Currency range you specify. The default low and high values of your currency range is 'All'.

Posting Status: You can report on Posted, Unposted, or All transactions.

Exemption Status: Enter an exemption status if you want the report to only list transactions which reference exemptions with that status.

Show Functional Amounts: Choose whether to display report values in your functional currency or in the entered currency. If you choose No (i.e. show amounts in the entered currency), the report will group the transactions by currency code and provide a row heading to display the currency for each set of transactions. If you choose Yes, the report will show the functional amount of each transaction, using the exchange rate of the transaction.



Warning: If you revalue the foreign currency transactions for your VAT accounts within the general ledger, the general ledger account activity shown will no longer balance to the subledger transactions in the detail section of this report. The functional amounts reported by the subledger for the transaction detail will be shown using the original exchange rate of the transaction, not the exchange rate used to revalue the general ledger account.

See Also

Tax Code Listing: page 6 – 4

VAT Reconciliation Report: page 2 – 29

VAT Exception Report: page 2 – 39

Customers with Invoices at 0 VAT and no VAT Registration Number:
page 2 – 37

Sales Tax

This chapter provides a step by step description of how to implement US Sales Tax for your Oracle Application, as well as detailed descriptions of Sales Tax reports and listings.

In addition, this chapter contains topical essays describing how to import sales tax rates from your sales tax vendor and an open interface for integrating external tax calculation programs with Oracle Applications.

Implementing US Sales Tax

Receivables provides a comprehensive solution for US Sales Tax requirements, including the calculation of sales tax based on the state, county, city, and zip code components of your customers' addresses. You can override any tax rate through customer and product exemptions and compile periodic sales tax returns using the US Sales Tax Report. Additionally, you can integrate Receivables with external tax software vendors through the Tax Vendor Extension.



Suggestion: Not all businesses are required to collect and remit state sales and use taxes. You should seek the advice of a qualified tax professional to determine if your business has a legal requirement to collect these taxes.

The suggestions given in this essay provide a logical flow for implementing sales tax in Receivables. You should set up your sales tax when you set up the rest of your Receivables system. For a complete list and description of the steps required to set up Receivables, see: Setup Steps in the *Oracle Receivables User's Guide*.



Suggestion: To help you plan and complete your tax-specific setup steps, use this essay with the Oracle Applications Implementation Wizard. You can use the Implementation Wizard as a resource center to read online help for a setup activity and open the appropriate setup window and to see a graphical overview of setup steps. You can also document your implementation by using the Wizard to record comments for each step for future reference and review. For more information, see: *Oracle Applications Implementation Wizard User's Guide*.



Attention: If you use the Oracle Applications Multiple Organization Support feature, you need to perform this implementation for each of your operating units. For more information, refer to the *Multiple Organizations in Oracle Applications* manual.

Definitions

Consumers Use Tax: Any company receiving goods within a state must either pay sales tax on receipt or self-accrue a Use tax, normally to the same value. The self-accrual scheme ensures that the state receives income independent of the vendor's registration.

Nexus: Refers to the minimum contact necessary to allow a taxing jurisdiction the authority to impose a registration, tax filing, and/or tax collection responsibility. Within a jurisdiction, nexus standards may

vary from one type of tax to another. For example, the nexus standards for sales and use tax may be different from those for income tax.

The type of activity required to create nexus is defined by state or local statute, case law, and the due process and Commerce Clause of the US Constitution. Whether a business has established nexus in a taxing jurisdiction requires an assessment of all facts and circumstances of its activity within that jurisdiction. You should seek the advice of a qualified tax professional to determine if your business has established nexus (a registration and filing requirement) before you implement sales tax.

Situs: The situs of taxation describes which authority levies the tax. Usually this is the Ship-To state, county, and city. However, some caution should be exercised as the ship-to situs may not be controlling for local tax purposes (local taxes are commonly determined based on the ship-from, not ship-to, location). Any tax collected for a given authority must be reported back to that same authority.

US Sales and Use Tax: Sales and use tax are a matter of State and Local law, rules, regulations, and court cases. As such, the rules are not uniform. So, what may be exempt in State A may be taxable in State B. However, in general, sales tax is levied on the end consumer with businesses serving as the collection agent for the taxing authority. Various exemptions are available, including, but not limited to: resales, manufacturing, research and development, non-profit or exempt organizations, and governmental organizations.

The availability and type of exemption allowed varies by state. Many taxes may apply to a single transaction, including state, County, City, Transit, and Muni tax. Filing requirements vary by state and local jurisdiction. Also, the reporting of Sales and Use tax may be either on an accrual or cash basis. Filing period (e.g. annual, semiannual, quarterly, etc.) and method of accounting are generally determined by taxing jurisdiction rules and regulations.

Major Features

Following are some of the major tax features within Receivables.

Customer Address Validation

Receivables provides the State.County.City Sales Tax Location Flexfield for US Address Validation. If used, this structure will ensure that the State, County, and City fields are required on customer addresses within your home country. Given data from your US Tax Vendor,

Customer Address entry can default the State, County and City fields automatically from the entry of the 5 digit ZIP code. If a given zip code is identified in multiple locations, Receivables will list only those applicable, allowing a quick and simple identification of the correct jurisdiction. See: Integrating Receivables Applications Tax Information Using Sales Tax Rate Interface: page 7 – 2.

Using the Receivables Customer Address windows, the list of values can complete city names and automatically populate State and County fields for simple, reliable US address entry. You can also implement country-specific validation of foreign customer addresses using the Flexible Address formats feature. See: Address Validation in the *Oracle Receivables User's Guide*.

Customer Exemption Certificates

Awarded by the state, a Customer Exemption Certificate allows a customer to be fully or partially exempt from paying Sales Tax. Another type of exemption includes exemptions by statute, such as sales to the US Government. Typically, Customer Exemption Certificates are recorded for the bill-to Customers who are shipping to a specific state. Receivables uses effectivity dates and approval statuses to ensure your tax department has full visibility and control.

Receivables provides a Tax Handling field for each transaction line that you can use to record and control how exemption certificates are applied. Receivables lets you fully or partially exempt customers or items from US Sales Tax. Period end reporting includes summaries of tax exempt amounts categorized by exempt reason within each state. See: Item and Customer Exemptions: page 8 – 22.

Integration with Oracle Order Entry/Shipping

During the Order process, applicable exemption certificates will be automatically applied to the order. These controls are also available in AutoInvoice and the Receivables Transaction workbench.

If the profile option Tax: Allow Override of Customer Exemptions is set to Yes, you can optionally override the default tax handling to require tax on a transaction that is normally exempt or to exempt a customer who normally would be charged tax. When AutoInvoice creates the transaction in Receivables, an exempt order will automatically create an unapproved exemption certificate, if one is not found.

If AutoInvoice creates unapproved exemptions, you can account for the sale before obtaining the paper certificate. Your Tax Department will then manage all unapproved exemptions. You can update the status of

an exemption certificate from Unapproved to Primary in the Tax Exemptions window. A certificate that is marked as Primary will be automatically applied to all future transactions for this bill-to customer, when shipping to the state for which you created this exemption. See: Tax Exemptions: page 5 – 12.

Automatic US Sales Tax Calculations

Using data provided by your Tax Vendor, Receivables automatically calculates tax rates and amounts based on the transaction's ship-to address and creates any applicable Exemptions or Exceptions.

Reconciliation of Sales Tax Liability Accounts

Receivables AutoAccounting lets you record the sales tax liability for each state in a different accounting flexfield. Using the Receivables US Sales Tax Report, you can compile your US Tax Returns and reconcile the period-end figures to individual Sales Tax Liability Accounts. See: US Sales Tax Reconciliation: page 3 – 23.

US Sales Tax Reporting

The US Sales Tax report includes all transactions and Adjustments categorized by ship-to State, County, and City and lists taxable, exempt, and tax amounts. This report is used as the basis of the periodic sales tax returns. Using Report eXchange, you can download this report into third party tax preparation packages for automated returns processing. For more information, see: US Sales Tax Report: page 3 – 33 and the *Report eXchange User's Guide*.

Integration with Tax Vendors

The Receivables tax engine calculates tax from the ship-to address only. This is sufficient for many of the states in the US. However, some individual states may have additional requirements for tax calculation. These states may require the Ship-From Address, Point of Title Passage, or the Point of Title Transfer to be taken into account when calculating a tax rate.

When implementing sites that require this type of additional calculation, you should consider using the Receivables Tax Vendor Extension to implement a third party Tax Vendor. Using Receivables with one of these vendors will produce more accurate tax rates. However, you must still compile your Sales Tax Returns from all of the

transactions using the Receivables US Sales Tax Report. See:
Implementing the Tax Vendor Extension: page 7 – 28.

See Also

Set Up Checklist for US Sales Tax: page 3 – 6

US Sales Tax Reconciliation: page 3 – 23

US Sales Tax Report: page 3 – 33

Integrating Receivables Applications Tax Information Using Sales Tax
Rate Interface: page 7 – 2

Set Up Checklist for US Sales Tax

Complete the following steps to implement sales tax in Receivables:

- ☐ Step 1: Choose Your Tax Method: page 3 – 7
- ☐ Step 2: Choose a Sales Tax Location Flexfield Structure: page 3 – 7
- ☐ Step 3: Define Tax Preferences: page 3 – 9
- ☐ Step 4: Set Up Tax Engine Controls: page 3 – 10
- ☐ Step 5: Assign a Default Application Rule Set: page 3 – 12
- ☐ Step 6: Save System Options: page 3 – 12
- ☐ Step 7: Define Location Tax Code: page 3 – 12
- ☐ Step 8: Define Tax QuickCodes: page 3 – 13
- ☐ Step 9: Determine States In Which You Are Not Required to
Collect Tax: page 3 – 14
- ☐ Step 10: Define Sales Tax Locations and Rates: page 3 – 14
- ☐ Step 11: Assign Tax Accounts: page 3 – 15
- ☐ Step 12: Define AutoAccounting for Tax: page 3 – 16
- ☐ Step 13: Define Tax Exemptions: page 3 – 16

- ☐ Step 14: Define Item Tax Rate Exceptions: page 3 – 17
- ☐ Step 15: Enable Calculation of Sales Tax on Freight: page 3 – 17
- ☐ Step 16: Define Tax Profile Options: page 3 – 18
- ☐ Step 17: Create International Customers and Sites: page 3 – 19

Setup Steps for US Sales Tax

Step 1 Choose Your Tax Method

Navigate to the Tax Options alternative region in the System Options window and enter 'Sales Tax' in the Tax Method field. See: Defining Receivables System Options in the *Oracle Receivables User's Guide*.

Step 2 Choose a Sales Tax Location Flexfield Structure

Use the list of values to select a Sales Tax Location Flexfield structure in the Location Flexfield Structure field of the System Options window. Receivables uses this structure to determine your sales tax rates and to validate your customer addresses.

The following Sales Tax Location Flexfield structures have been predefined. These structures are named according to the location segments they contain:

- **State.County.City** Recommended for US Sales Tax
This structure provides the most accurate US Sales Tax calculation.
- **No Validation – Country** Recommended for VAT
The Country field of an address is always required and defaulted from either the home country defined in the system options window or the Default Country profile option. This structure is most useful for VAT systems, where locations do not need to be validated for the purposes of calculating tax.
- **State.City**
This structure can be used for US Sales Tax calculation, but may result in inaccurate taxes, as County tax rates would need to be rolled into either State or City rates.

- City

This structure can be used if you wish to validate just the City component of an address.

- Province

This structure can be used if you wish to validate just the Province component of an address.

- Province.City

This structure can be used in Canadian implementations for tax calculation and in some European countries for address validation.

Each segment of your Sales Tax Location Flexfield structure is dependent upon its immediate parent, except for the most senior segment. For example, if you are using the seeded structure State.County.City, State is the most senior segment and the parent of County, and County is the parent of City.

For a detailed description of each of these structures, see: Calculating Tax: page 8 – 15.

You can use any of the structures listed above or create your own structure to implement sales tax. However, we recommend the State.County.City structure because it is specifically designed for a US sales tax system.

Caution: If you select State.City or any structure other than State.County.City as your Sales Tax Location Flexfield structure, be aware that this could result in inaccurate calculation of tax rates. Sales tax calculation in the US is based on the customer address with State, County, and City being the minimum requirement.

You can also define your own structure using any combination of state, county, city, province, postal code, and address. Refer to the Customizing Your Sales Tax Location Flexfield Structure section of the Calculating Tax Essay. See: Calculating Tax: page 8 – 2.



Warning: You should not update the Sales Tax Location Flexfield structure once you have entered customer addresses or transactions.

Note: It is a recommended accounting practice to ensure that the sales tax liability owed to each state is uniquely identifiable within the General Ledger. To set up a different tax account for each state you will need to assign the tax account qualifier to

the state segment, which is the default for both the State.County.City and State.City structures.

Step 3 Define Tax Preferences

The system options listed below affect your tax within Receivables. For a description of each of these options, see: Tax System Options in the *Oracle Receivables User's Guide*.

Tax Option Field Name	Suggested Setting	Reason
Postal Code Range	From: 00000 To: 99999-9999	Use these entries to cover all valid US Postal Codes, including zip+4 codes.
Address Validation	Error	This prevents you from creating addresses that cannot be taxed.
Compound Taxes	Yes	Required by Receivables to recalculate tax amounts if line amounts are updated.
Invoice Printing	Summarize by Tax Code	This option will have all tax information of an invoice displayed under the tax recap heading when printing your invoices.
Tax Cache Size	5000	Due to the large number of tax rates needed for US Sales Tax, we recommend increasing the tax cache to 5000.
Tax Account	Sales Tax Liability Account	The Sales Tax Liability Account will be used as the default but will be overridden by the account assigned at the state level in the Tax Locations and Rates window.

Table 3 – 1 (Table 1 of 2)

Tax Option Field Name	Suggested Setting	Reason
Tax Registration Number	Enter your Company's Federal Tax Registration Number	This number is printed on your invoices.
Default Country	United States	Sales Tax should only be calculated for addresses in this country.

Table 3 – 1 (Table 2 of 2)

Step 4 Set Up Tax Engine Controls

The fields listed in the table below are used to fine tune the tax calculation process. These fields control which aspects of the tax engine are switched on or off when calculating a tax rate. For Sales Tax systems, we recommend the following settings:

Default Tax Code Option	Suggested Setting	Reason	Hierarchy No.
Customer Site	Yes	Enabling this option lets you use any tax rates you have defined for your customer's business purpose.	1
Customer	No	Disabling this option prevents you from using any tax rates you have defined for your customer.	(null)
Product	No	Disabling this option prevents you from using tax codes and rates that you have defined for specific items. These product-specific tax rates may contradict tax rates associated with the location of the customer to whom the item has been sold.	(null)

Table 3 – 2 (Table 1 of 2)

Default Tax Code Option	Suggested Setting	Reason	Hierarchy No.
Revenue Account	No	Disabling this option prevents you from using the tax code assigned to the Account segment of your Revenue account as the default when entering or importing transactions. This option is not recommended for Sales Tax-based systems.	(null)
System Options	No	Disabling this option prevents you from including the tax code defined in the System Options window in your tax defaulting hierarchy. In a Sales Tax-based system, you should derive tax from the customer address.	(null)

Table 3 – 2 (Table 2 of 2)

We recommend the following settings for your tax exceptions:

Exception Rate Option	Suggested Setting	Reason
Use Item Tax Rate Exceptions	Yes	This option lets you exempt specific items from sales tax calculations in accordance with state regulations.
Use Customer Exemptions	Yes	This option lets you exempt eligible customers from sales tax.
Use Item Exemptions	Yes	This option lets you exempt eligible products from sales tax.

Table 3 – 3 (Table 1 of 1)



Suggestion: By enabling the Use Tax Code for Customer's Site option, you can manually assign tax codes to international sites.

Step 5 Assign a Default Application Rule Set

Enter the Application Rule Set 'Prorate All' in the System Options window. An Application Rule Set determines the default payment steps when you apply a receipt to an open debit item and its associated charges (for example, line, tax, freight, and finance charges). The Prorate All rule set applies a proportionate amount of the payment to each open item. See: Miscellaneous System Options and Receivables Application Rule Sets in the *Oracle Receivables User's Guide*.

Step 6 Save System Options

Save your system options. Use the Completed Requests window to check that each of the three concurrent programs submitted by the System Options window has completed successfully. If the concurrent programs fail, choose Request Log for more information about the errors. You can also refer to the If Your Concurrent Programs Fail section of the Calculating Tax Essay. See: Calculating Tax: page 8 – 2.

Step 7 Define Location Tax Code

This tax code will appear on every invoice that is printed to identify the calculated tax amount. Therefore, we suggest that you name the code appropriately, for example, 'Sales Tax'. You also use this tax code to create sales tax exemptions for your customers or products.

Use the Tax Codes and Rates window to define your 'Sales Tax' tax code as follows:

Field	Value
Tax Code	Sales Tax
From	01-JAN-91
To	Null
Tax Type	Location Based Tax
Tax Rate%	Skipped
Sign	Cr
Allow Exempt	Yes
Ad hoc	No
Inclusive Tax	No
Allow Inclusive Override	No
Tax (Accounting Flexfield)	As Required (see Note)
VAT Transaction Type	Null

Table 3 – 4 (Table 1 of 1)

Note: The default tax account is the account you assigned in the Accounting alternative region of the System Options window. Receivables uses this as the default tax account if no tax account is assigned to a location when you create transactions.

Step 8 Define Tax QuickCodes

When you assign special rates to items in the Item Tax Rate Exceptions window, you must provide a reason for the exception. You must also provide a reason when you assign exemptions to either customers or items in the Tax Exemptions window. You can predefine these reasons in the Receivables QuickCodes window. Once defined, you will be able to use the list of values in the Reason field of these windows to select one of these predefined reasons. The US Sales Tax Report will summarize exempt amounts by exemption reason for each state.

Enter your reasons for the following QuickCode types:

QuickCode Type	Example Reason	Example Code
Tax Rate Exception Reason	Unprepared Food	UnPrpFood
Tax Rate Exemption Reason	Government Agency	GovAgency
	Exempt Organization	ExemptOrg

Table 3 – 5 (Table 1 of 1)



Suggestion: The US Sales Tax report will only print the first 9 characters of the Tax Rate Exemption or Exception Reasons you define. You may want to keep your reasons short to avoid confusion.

Step 9 Determine States in Which You Are Not Required to Collect Tax

Not all companies are required to collect and remit sales tax for every state. You should seek the advice of a qualified tax professional to determine in which states you have a legal requirement to collect tax. You should prepare a list of these before performing the next step. This will help ensure that you are not charging tax unnecessarily.

Step 10 Define Sales Tax Locations and Rates

You can either enter sales tax data manually, or import it using the Receivables Sales Tax Rate Interface program. To enter tax data manually, use the Tax Locations and Rates window to define all of your taxing locations and rates. See: Tax Locations and Rates: page 5 – 5.

Alternatively, you can use the Sales Tax Rate Interface to upload the 60,000+ sales tax rates and locations from a tax vendor. For details on running the interface, see: Integrating Receivables Applications Tax Information Using Sales Tax Rate Interface: page 7 – 2.

After loading the data into your interface, you should manually set to zero all sales tax rates for each state in which you are not legally required to collect sales tax. You can use the following script to perform this task. Where indicated in the script, enter the list of states you compiled in the previous step. You must use the correct state code here, as defined by your Tax Vendor.

```

$sqlplus <ar_username>/<ar_password>
sql>update ar_tax_interface
    set tax_rate = 0
        override_rate1 = null,
        override_rate2 = null,
        override_rate3 = null,
        override_rate4 = null,
        override_rate5 = null,
        override_rate6 = null,
        override_rate7 = null,
        override_rate8 = null,
        override_rate9 = null,
        override_rate10 = null
    where substr(location_id,1,2)
    in ( 'state_code1', 'state_code2',..., 'state_codeN' );

```



Attention: This step should be repeated each time you load data from your Tax Vendor and before running the Sales Tax Rate interface.

Once loaded into the interface table, run the Sales Tax Rate interface program to move those records into Receivables.



Suggestion: To calculate sales tax, Receivables requires that each component of your customer's address is a valid taxing location, with an associated tax rate. Set your address validation to Error so that you can only enter addresses supported by your Tax Vendor.

You can view this data in the Tax Locations and Rates window.

Step 11 Assign Tax Accounts

When entering or importing tax locations, the tax account defaults from the account assigned to the 'Sales Tax' tax code you defined in Step 6. You control which segment of your Sales Tax Location Flexfield structure the account will be defaulted to by assigning the Tax Account qualifier to that segment (see Step 2).

You should define a unique general ledger account for the sales tax liability of each state. To post sales tax to different General Ledger accounts, navigate to the Tax Locations and Rates window and assign a different General Ledger account to the segments of your structure for which you enabled the Tax Account flexfield qualifier.

Note: You only need to update the segments of your tax account that you will use to set up AutoAccounting in the next step.

The US Sales Tax report highlights any transactions that post tax to a General Ledger account outside the range you entered so that you can easily reconcile your sales tax returns with your General Ledger balance. See: Tax Locations and Rates: page 5 – 5.

Step 12 **Define AutoAccounting for Tax**

Use the Automatic Accounting window to specify how you want Receivables to determine the General Ledger account for sales tax lines.

Enter Tax in the Type field and query to display all of the segments of your Tax Account Flexfield in the segment column. For each segment, assign the value that you want used as the account source for the segment. Choose from the following values:

- Salesreps
- Transaction Types
- Standard Lines
- Taxes
- Constant Value

Note: The Taxes value uses the ship-to address and the accounts that you assigned in the Tax Location and Rates window in the previous step as its source.

Step 13 **Define Tax Exemptions**

For items and customers that are exempt from sales tax, use the Tax Exemptions window to enter tax exemptions, using the 'Sales Tax' code you defined in Step 6.

Receivables gives you the option of exempting a customer entirely or only specific sites of that customer. Below is an example of how you might define a sales tax exemption for a Bill To customer for shipping anywhere in California.

Field Name	Setting
Exemption Type	Customer
Customer	Customer Name
Site	<Blank> *
Location	California

Table 3 – 6 (Table 1 of 2)

Field Name	Setting
Tax Code	Sales Tax (with a type of 'Location')
Percent Exempt	100%
Exemption Number	Enter the Customer's Tax Exemption Certificate Number if available.
Reason	Select a reason for this exemption from the reasons you defined in step 7
Start Date	01-JAN-91
End Date	<Blank>
Status	Primary **

Table 3 – 6 (Table 2 of 2)

* Leave the Site field blank to exempt all of the customer's sites or if you want to create a regional exemption using the location flexfield.

** Entering 'Primary' lets the exemption be used automatically by Receivables when calculating tax.

Step 14 Define Item Tax Rate Exceptions

Specific tax rates may apply to items that you ship to specific states. You can use the Item Tax Rate Exceptions window to assign these exception rates to these locations.

Step 15 Enable Calculation of Sales Tax on Freight

To enable the calculation of sales tax on freight, you should create freight amounts as ordinary invoice lines. This can be done through standard invoice entry or through AutoInvoice.

Using an inventory item to define freight services, you enable the AutoAccounting program to distinguish freight lines from ordinary line items. AutoAccounting will then use the accounting rules for the freight account rather than the revenue account to derive the general ledger distribution for the freight service.

When an invoice is printed, the freight amounts will be displayed as line items and any sales tax calculated on the freight will be displayed as tax.

To convert freight amounts to ordinary invoice lines navigate to the Define Inventory Item window and use the Freight Item Template to define an inventory item for freight services. You should ensure your inventory item has a valid Primary Unit of Measure and a User Item Type of 'Freight'.

If you are implementing Oracle Order Entry/Shipping, you should set the user profile option Tax: Invoice Freight as Revenue to Yes and define the profile option Tax: Inventory Item for Freight. These are described in more detail in the next step.

Step 16 Define Tax Profile Options

To set your tax profile options, navigate to the Update System Profile Values window using the System Administrator responsibility. The following table outlines the options and the recommended settings for US Sales Tax.

Profile Option	Suggested Setting	Reason
Tax: Allow Manual Tax Lines	No	Unless user is allowed to create tax only invoices.
Tax: Allow Ad Hoc Tax Changes	No	Unless user is allowed to create tax only invoices.
Tax: Allow Override of Customer Exemptions	No	Prevents unapproved exemptions from being entered.
Tax: Allow Override of Tax Code	No	Prevents you from modifying the tax code at invoice entry.

Table 3 – 7 (Table 1 of 2)

* This profile option is used only by Oracle Order Entry/Shipping

Profile Option	Suggested Setting	Reason
Tax: Invoice Freight as Revenue *	Yes	Enables freight amounts entered in the Oracle Order Entry/Shipping Ship Confirm window to be passed to Receivables as taxable line items.
Tax: Inventory Item for Freight	Freight	This profile option lets Oracle Order Entry/Shipping identify an inventory item on a transaction line that you import into Receivables via the Receivables Interface program. The inventory item that you identify when defining this profile option must be created with a user type of 'Freight'. After you identify an inventory item for freight, you can use tax codes assigned to this inventory item or item exceptions to control the applicable tax rates and accounting for freight service (see Suggestion below). Use the Item Tax Rate Exceptions window to manage freight tax rates by state.

Table 3 – 7 (Table 2 of 2)

* This profile option is used only by Oracle Order Entry/Shipping



Suggestion: The inventory item that you select can be used with the Item Tax Rate Exceptions window to reduce or zero-rate sales tax on freight service, depending on specific state tax law.

Step 17 Create International Customers and Sites

You will not be able to import invoices through AutoInvoice if Calculate Tax for this item's transaction type is set to Yes and Receivables cannot find a rate for this location. You can avoid this problem during manual invoice entry by entering the tax line manually. However, you must have your profile Tax: Allow Manual Lines set to Yes to do this.

A more complete solution is to assign an international, zero-rated tax code to every customer or site that has an address outside the United States. In this way AutoInvoice and the Transactions window can use your tax code to generate a tax line for a zero amount.

The name you give to this tax code (for example, 'International') will be printed on your invoice rather than 'Sales Tax'. Use the suggestions in the table below to set up your international tax code in the Tax Codes and Rates window.

Field	Value
Tax Code	International
Tax Type	VAT
Tax Rate%	0%
Ad Hoc	No
Start Date	01-JAN-00
End Date	Null
Accounting Flexfield	As Required

Table 3 – 8 (Table 1 of 1)

You can assign the tax code at either the customer or customer site level. If you only assign a tax code at the customer level, you should ensure that every site for that customer is an international site. Otherwise, you should assign the code to only those sites that are outside the US.

See Also

Implementing US Sales Tax: page 3 – 2

Verify Tax Setup: page 3 – 21

US Sales Tax Reconciliation: page 3 – 23

Calculating Tax: page 8 – 15

Verify Tax Setup

Enter Taxable Invoices

Enter an invoice in the Transactions window. Be sure to assign a transaction type that has the Calculate Tax field set to Yes. Save the invoice. Navigate to the Tax window for each line and ensure that the correct tax authority and rate is displayed as well as the tax amount.

Enter Exempt Invoices

Define a customer exemption. Create an invoice for this customer, including a taxable line item. Save the invoice.

Navigate to the Tax window and verify that a zero tax line was created. If the tax amount is not zero, check the following fields in the Tax Exemptions window:

Field Name	Setting
Tax Code	Sales Tax
Percent Exempt	100%
Start Date	Before the transaction date of the invoice
End Date	After the transaction date of the invoice
Certificate Number	Optional
Reason	Reason for exemption
Status	Primary

Table 3 – 9 (Table 1 of 1)

Interface Exempt Invoices

Use AutoInvoice to import an invoice that includes an unapproved customer exemption.

Using the Transactions window, verify that the tax rates on the generated tax lines are zero.

Using the Tax Exemptions window, verify that an Unapproved customer exemption has been created at the Bill-To Customer level.

Enter International Invoice

Enter an invoice for a customer with an international ship-to address. Save the invoice. Navigate to the Tax window for each line and check that your International tax code is displayed and verify that the tax amount calculated is zero.

Run the US Sales Tax Report

Run the US Sales Tax report for the unposted period and verify that the taxable exempt and tax amounts are printed for this Invoice, State, County, and City.

See Also

US Sales Tax Reconciliation: page 3 – 23

US Sales Tax Reporting

You can reconcile and report on state and local taxes that you record on your receivables transactions using the US Sales Tax Report.

US Sales Tax Reconciliation

Receivables provides the US Sales Tax Report to assist you in preparing State Sales Tax Returns and in reconciling these returns to your general ledger.

Within the US, most states, as well as some local governments, collect a sales or use tax for items sold within the state. To ensure collection of sales taxes, each state requires periodic Sales Tax Returns detailing the gross, taxable, exempt and tax amounts for each state, county and city. These returns must be supported by reports which include all transactions for which sales tax should have been charged.



Suggestion: Not all businesses are required to collect and remit state sales and use taxes. You should seek the advice of a qualified tax professional to determine if your business has a legal requirement to collect these taxes.

Additionally, good accounting technique requires the sales tax liability owed to each state be uniquely identifiable within the general ledger. The activity of each of these sales tax liability accounts must equal the amount of sales tax owed to each respective state. To accommodate each state's sales tax reporting requirements, you should be able to:

- Report sales tax for all taxable transactions.
- Identify gross, taxable, exempt and tax amounts for each state, county and city.
- Calculate and review your tax liability to various tax authorities within the US.
- Prepare periodic Sales Tax Returns, as required by each state, from your receivables subledger transactions.
- Ensure the sales tax liability for each state is posted to a separate general ledger account or sub-account.
- Control whether receivable tax adjustments should be included in your state Sales Tax Returns or charged against revenue as a bad debt expense.

- Ensure all authorized sales tax transactions have been posted to the appropriate sales tax liability account and reported in the correct state Sales Tax Return.
- Reconcile your Sales Tax Returns to the tax liability accounts in your general ledger.

Before Reconciling US Sales Tax

Before attempting to use the US Sales Tax Report to prepare your Sales Tax Returns, you must perform the following:

- Define the Tax System Options
- Define Sales Tax Locations and Rates
- Define AutoAccounting for Tax
- Define Tax Exemptions and Exceptions
- Define Tax Profile Options
- Create International Customers and Sites

Receivables calculates sales tax on invoices, debit memos, credit memos and adjustments. Sales tax is not calculated on guarantees, deposits, finance charges or cash receipts. To calculate sales tax on freight, you must set up the freight inventory item.

Note: Because Receivables does not calculate sales tax on cash receipts, you cannot use the US Sales Tax Report for tax reporting on cash basis systems.

See Also

Implementing US Sales Tax: page 3 – 2

Overview of Tax Reconciliation: page 3 – 24

Overview of Tax Reconciliation

Identifying Sales Tax Related Transactions

The US Sales Tax Report lists the gross, taxable, exempt and tax amounts for a given period to enable you to identify and review your sales tax liability to the various tax authorities around the US.

Preparing Sales Tax Returns

The US Sales Tax Report includes all Invoice, Debit Memo, Credit Memo and Adjustment transactions broken down by state, county and city to provide a basis for preparing the Sales Tax Returns for each state.

Posting Sales Tax Transactions to the General Ledger

Receivables lets you assign a unique general ledger account or sub-account for each state's sales tax liability using the Locations and Rates window. See: Tax Locations and Rates: page 5 – 5.

Using the qualifier, 'Tax Accounting at this Level,' you control which tax account is assigned to which segment of the sales tax location flexfield. As shipped, Receivables sets this qualifier to the state segment of the default flexfield structure, State.County.City. This setup allows you to create a unique general ledger account for each state and minimizes your setup effort.

Controlling Tax Adjustments

The US Sales Tax Report provides the parameter 'Sales Tax Liability Account Range' to let you control which tax adjustments are included in your Sales Tax return.

Reconciling Sales Tax Returns to the General Ledger

The US Sales Tax Report provides you with all of the transaction detail from the Receivables subledger to enable you to reconcile your Sales Tax Returns to the general ledger. The US Sales Tax Report enables you to identify any tax transactions not posted to the appropriate sales tax liability account.

Tax Adjustments

An adjustment is a Receivables feature that lets you increase or decrease the amount due of your invoice or debit memo. Any adjustments that have been applied to the tax lines of an invoice and cannot be claimed from the state should *not* be posted to a sales tax liability account (for example, bad debt write-offs of sales tax amounts).

A user procedure should be implemented to ensure that the tax department authorizes all adjustments posted to the sales tax liability accounts.

If you apply an adjustment to the tax lines of an invoice within Receivables, the US Sales Tax Report will prorate the tax adjustment across each of the individual tax lines of the adjusted invoice. Therefore, in the case of an invoice with multiple tax lines, each tax line will be partially adjusted.

District Taxes

The SQL*Loader control files that Receivables provides for uploading sales tax rate data from tax vendors combine the City, District and Municipal sales tax rates into one composite City sales tax rate. The US Sales Tax Report displays the combined City and District taxes in the city totals. Secondary taxes levied by the ship-to city will be included in the total tax for the ship-to city. Secondary tax levied by the ship-from city will not be included in the US Sales Tax report.

For more information, see: Importing Address Validation Data and Sales Tax Rates: page 7 – 2.

Sales Tax Returns

The US Sales Tax Report can be used to prepare a manual sales tax return by running the report to include all authorized sales tax transactions posted during the prior period. Alternatively, third party vendors can download the output from this report and create signature-ready sales tax returns.

See Also

Reconciling Your Sales Tax Returns to the General Ledger: page 3 – 26

Reconciling Your Sales Tax Returns to the General Ledger

You should run the following reports during each accounting period to verify that your Sales Tax Returns for each state balance to the sales tax liability accounts in your general ledger:

- US Sales Tax Report
- Sales Journal by General Ledger Account
- Adjustments Register
- General Ledger Account Analysis Report

Note: The General Ledger Account Analysis Report will not be part of the reconciliation process if you do not have General Ledger installed.

US Sales Tax Report

Within Receivables, users with an appropriate responsibility can submit the US Sales Tax Report from the Submit Requests window. The parameters for the US Sales Tax Report should be set to include all tax transactions posted to your sales tax liability accounts for the accounting period you plan to review.

US SALES TAX REPORT	
PARAMETER	SUGGESTED VALUE
Transaction Date Range	NULL
General Ledger Date Range	Period being reviewed
State Range	Desired State(s)
Currency Code	USD
Exemption Status	NULL
Sales Tax Liability Account Range	Sales Tax Accounts mapped to the States requested in the State Range Parameter
Detail Level	Show Summary, Lines–Brief
Order By	Customer Name
Posting Status	Posted

Table 3 – 10 (Table 1 of 1)

The Transaction Date Range should be set to NULL. Otherwise, if the transaction date and GL date for a given transaction fall in different periods, your report will not balance to the general ledger for the requested GL Date Range.

The Sales Tax Liability Account Range restricts adjustments only. The report will exclude any adjustments which fall outside the selected account range. All Invoice, Debit Memo and Credit Memo transactions with a line type of tax, will be included regardless of the account range selected. However, any Invoice, Debit Memo, or Credit Memo transactions that post tax to accounts outside the selected account

range will be tagged with an asterisk (*) in the footnote column of the report.

The default value for the Detail Level parameter (Show Summary, Lines–Brief) enables you to review taxing authority totals while providing you with an adequate level of detail to efficiently research discrepancies.



Suggestion: To expedite the reconciliation process for state sales tax returns, you should first run the US Sales Tax Report using the Totals for State option of the Detail Level report parameter. This option will provide a single state total on each printed page of the report and can be used to quickly identify variant state balances. You can then run the report using the Show Summary, Lines–Brief option for only these variant states.

If an adjustment has been applied to non–tax invoice lines and has been erroneously posted to an account within the selected account range, it can be identified by nonzero amounts in the Gross and Taxable columns for the state, county and city summaries. See: US Sales Tax Report: page 3 – 33.

Sales Journal by General Ledger Account Report

Within Receivables, users with an appropriate responsibility can submit the Sales Journal by General Ledger Account Report from the Submit Requests window. Use the Sales Journal by General Ledger Account Report to verify that only authorized sales tax activity has been posted to valid sales tax liability accounts only.

SALES JOURNAL BY GL ACCOUNT REPORT	
PARAMETER	SUGGESTED VALUE
Order By	Customer
General Ledger Date Range	Period being reviewed
Currency Code	USD
Account Range	NULL

Table 3 – 11 (Table 1 of 2)

SALES JOURNAL BY GL ACCOUNT REPORT	
PARAMETER	SUGGESTED VALUE
GL Account Type	TAX
Posting Status	Posted

Table 3 – 11 (Table 2 of 2)

By setting the GL Account Type to TAX, the Sales Journal by GL Account Report will only print tax transactions. If this report does not balance by account to your sales tax liability accounts in the general ledger, you will have to run additional copies of this report to identify the non-tax transactions posted to your liability accounts.

To verify that only authorized sales tax activity has been posted to your sales tax liability accounts, you can run the Sales Journal by GL Account Report with the following parameters:

SALES JOURNAL BY GL ACCOUNT REPORT	
PARAMETER	SUGGESTED VALUE
Order By	Customer
General Ledger Date Range	Period being reviewed
Currency Code	USD
Account Range	Sales Tax Liability Accounts
GL Account Type	Receivable, Revenue, Freight
Posting Status	Posted

Table 3 – 12 (Table 1 of 1)

The GL Account Type parameter accepts only one value per report submission. You will have to run the report once for each of the three values. See: Sales Journal by GL Account Report in the *Oracle Receivables User's Guide*.

Adjustments Register

Within Receivables, users with an appropriate responsibility can submit the Adjustment Register from the Submit Requests window. Submit the Adjustments Register with the following parameters to verify that only tax adjustments have been posted to sales tax liability accounts.

ADJUSTMENTS REGISTER	
PARAMETER	SUGGESTED VALUE
Order By	Customer
GL Date Range	Period being reviewed
Transaction Date Range	Null
Due Date Range	Null
Invoice Type Range	Null
Adjustment Type Range	Null
Currency Code Range	USD
Receivables Company Range	Balancing Segment being reconciled
Adjustment Account Range	Sales tax accounts mapped to the states requested in the State Range Parameter of the US Sales Tax Report

Table 3 – 13 (Table 1 of 1)

Every adjustment posted to your sales tax liability accounts should be reviewed by your company's Tax Manager to verify the adjustment should be included in your Sales Tax Return for the period.

Additionally, run the Adjustments Register with the following parameters to verify that tax adjustments have been posted to the sales tax liability accounts only.

ADJUSTMENTS REGISTER	
PARAMETER	SUGGESTED VALUE
Order By	Customer
GL Date Range	Period being reviewed

ADJUSTMENTS REGISTER	
PARAMETER	SUGGESTED VALUE
Transaction Date Range	Null
Due Date Range	Null
Invoice Type Range	Null
Adjustment Type Range	Tax Adjustments
Currency Code Range	USD
Receivables Company Range	Balancing Segment being reconciled
Adjustment Account Range	Null

Table 3 – 14 (Table 2 of 2)

You should ensure that any sales tax adjustments not posted to sales tax liability accounts are receivables write-offs, which cannot be included in your Sales Tax Returns. See: Adjustment Register in the *Oracle Receivables User's Guide*.

General Ledger Account Analysis Report

Within General Ledger, users with an appropriate responsibility can submit the Account Analysis Report from the Submit Requests window. Use the General Ledger Account Analysis Report to confirm that only Receivables transactions have been posted to the sales tax liability accounts.

GENERAL LEDGER ACCOUNT ANALYSIS REPORT	
PARAMETER	SUGGESTED VALUE
Type	Source Item
Currency	USD
Balance Type	A
Budget or Encumbrance Name	N/A
Accounting Period Range	Period being reviewed

Table 3 – 15 (Table 1 of 2)

GENERAL LEDGER ACCOUNT ANALYSIS REPORT	
PARAMETER	SUGGESTED VALUE
Flexfield Range	Sales Tax Liability Accounts
Order By	Source

Table 3 – 15 (Table 2 of 2)

Finally, use the Transactions window to review the account distribution for each tax line of the transactions marked with an asterisk (*) in the US Sales Tax Report. Make any corrections as needed. See: Entering Transactions in the *Oracle Receivables User's Guide*.

See Also

Implementing US Sales Tax: page 3 – 2

US Sales Tax Report

Figure 3 - 1

Sporting Goods		U.S. Sales Tax Report				Report Date: 10-JUL-95 10:17	
Currency: USD		GL Date: From 01-JUN-1995 To 30-JUN-1995				Page: 14	
Order By: Customer Name		Transaction Date: From 30-APR-1900 To 25-FEB-1999					
Posted Status: Posted							
Adjustments From: 00.000.2223.000.000.0513 To: 99.999.2223.999.999.0513							
State: IN		County: VIGO		City: TERRE HAUTE			
Invoice Number	Adjustment Type	Invoice or Adj Date	Customer Name	Customer Number	Exempt Reason	Invoice Lines Amount	Footnote Tax Amount
584562	Invo	29-JUN-95	FREMONT WINES	216010	DIRECT PAY PE	300.00	0.00
579526	Invo	06-JUN-95	SIMPLY SPORTS	8212	RESALE	9,400.00	0.00
579527	Invo	06-JUN-95	SIMPLY SPORTS	8212	RESALE	3,572.00	0.00
E61766-1	Invo	22-JUN-95	SIMPLY SPORTS	8212	RESALE	4,000.00	0.00
E62627-1	Invo	26-JUN-95	SIMPLY SPORTS	8212	RESALE	13,375.00	0.00
Totals for City: TERRE HAUTE		County: VIGO		State: IN			
	Lines Amount	Exempt Amount	Taxable Amount	Tax Amount		Tax Amount by Tax Authority	
Invoices	30,647.00	30,647.00	0.00	0.00	City: TERRE HAUTE	0.00	
Credit Memos	0.00	0.00	0.00	0.00	County: VIGO	0.00	
Adjustments	0.00	0.00	0.00	0.00	State: IN	0.00	
Nets		30,647.00	30,647.00	0.00	Other:	0.00	
						Tax Total:	0.00
Totals for County: VIGO		County: VIGO		State: IN			
	Lines Amount	Exempt Amount	Taxable Amount	Tax Amount		Tax Amount by Tax Authority	
Invoices	30,647.00	30,647.00	0.00	0.00	City: All	0.00	
Credit Memos	0.00	0.00	0.00	0.00	County: VIGO	0.00	
Adjustments	0.00	0.00	0.00	0.00	State: IN	0.00	
Nets		30,647.00	30,647.00	0.00	Other:	0.00	
						Tax Total:	0.00
Totals for State: IN		County: VIGO		State: IN			
	Lines Amount	Exempt Amount	Taxable Amount	Tax Amount		Tax Amount by Tax Authority	
Invoices	183,291.51	73,734.01	109,557.50	5,477.90	City: All	0.00	
Credit Memos	412,305.45	0.00	412,305.45	-327.52	County: All	0.00	
Adjustments	0.00	0.00	0.00	-95.79	State: IN	5,054.59	
Nets		595,596.96	73,734.01	521,862.95	Other:	0.00	
						Tax Total:	5,054.59
Total Exempt Amount By Reason							Exempt Amount
DIRECT PAY PERMIT							27,752.72
EDUCATION							4,625.75
FEDERAL GOVERNMENT							3,917.00
MANUFACTURER							1,050.00
NON-PROFIT ORGANIZATION							588.00
RESALE							32,084.50
RUNTIME ROYALTY							315.74
STATE/LOCAL GOVERNMENT							3,400.30
							Exempt Total:
							73,734.01

Use this report to review your tax liability to the various tax authorities around the US. The US Sales Tax report includes all Invoices, Credit Memos, and Adjustments broken down by Ship To State, County, and

City and lists taxable, exempt, and tax amounts. This report is used as the basis for the periodic Sales Tax Returns required by each state.

This report provides all of the transaction detail from your Receivables subledger to let you to reconcile these returns against your General Ledger balances. In addition, a summary is provided of the total amount exempt for each reason. The US Sales Tax report supports only accrual basis reporting and is only used for United States sales tax. See: US Sales Tax Reconciliation: page 3 – 23 and Implementing US Sales Tax: page 3 – 2.

You submit this report from the Submit Requests window.

Report Parameters

Transaction Date Range: Select and print sales tax information for the transaction date range you specify. This field is optional. If you specify a transaction date range but no GL date range, your report will not balance to the General Ledger if the transaction and GL dates for a transaction fall in different periods.

Note: For adjustment transactions, the transaction date refers to the transaction date of the invoice to which the adjustment applies.

GL Date Range: Select and print sales tax information for the GL date range you specify. The default is the first and last date of the prior accounting period. Use a GL date range to enable you to balance your US Sales Tax report against your General Ledger.



Warning: If you specify both a GL date range and a transaction date range, transactions with transaction and GL dates in different periods will not be printed in the report.

State Range: Select and print sales tax information for the State range you specify. The state information is generally derived from the ship-to-address of the transaction. If the ship-to-address is blank, Receivables derives the state information from the transaction's bill-to address.

Currency Range: Select and print sales tax information for the Currency range you specify.

Exemption Status: Enter an exemption status if you want the report to only list transactions which reference exemptions with that status. You can find all transactions using rejected exemptions by entering Rejected here.

Sales Tax Liability Account Range: This parameter only restricts Receivables Adjustment transactions. An Adjustment transaction is a Receivables feature that lets you increase or decrease the amount due of your invoice, debit memo, chargeback, deposit or guarantee. The report will exclude any Adjustment transactions posted to accounts outside the selected range. Invoice, Debit Memo and Credit Memo transactions that post to a general ledger account outside the selected account range are included in the report, but are tagged with an asterisk (*) in the footnote column. If no range is selected, all Adjustments will be displayed and no transactions will be tagged.

Detail Level: Select the level of detail to use for your report:

- **RX Line Level:** This option lets you use the Report eXchange (RX) client to include transaction line level information in this report. If you choose this option, this report generates one line per transaction line and populates each line attribute for the RX client.
- **RX Header Level:** This option lets you use the Report eXchange (RX) client to include transaction header level amounts in this report. If you choose this option, this report generates one line per transaction with only the Total Lines Amount and Total Tax Amount fields showing transaction level totals.
- **Show Summary:** To see a summary of the total tax for transactions within each state, county and city. No transaction detail is printed.
- **Show Summary and Invoices:** To see the information generated by the Show Summary option plus a summary of each transaction within a tax authority.
- **Show Summary, Invoices, and Lines:** To see the information generated by the Show Summary and Invoices option, plus a breakdown of each transaction line.
- **Show Summary, Lines–Brief:** To see a condensed version of your transaction line information and tax totals on one printed line of the report.
- **Totals for State:** To see a single state total on each printed page of the report.

Order By: Select the option to use to sort your information. The report will first sort by tax authority and then by one of the following sort options that you select:

- Customer Name

- Customer Number
- Invoice Date
- Invoice Number

Posting Status: Select one of the following posting statuses to include on your report:

- All
- Posted
- Unposted

Show All Related Transactions: Enter Yes to view all invoices within the Transaction date range and all Adjusting Transactions (Credit Memos and Adjustments) that are related to that invoice. This parameter is only available when you provide a transaction date range.

CHAPTER

4

Implementing Canadian Tax

This chapter provides a step by step description of how to implement Canadian Tax for your Oracle Application as well as a detailed description of the Canadian GST/PST Tax report.

Implementing Canadian Sales Tax

In Canada, sales taxes exist at the federal level and at the provincial level. Goods and Services Tax (GST) is a federal tax levied in the non-participating provinces and territories across Canada. In the participating provinces, which include Newfoundland, Nova Scotia, and New Brunswick, a federal and provincial "blended tax" called Harmonized Sales Tax (HST) is used. The recovery of tax is made through a rebate and/or an Input tax Credit (ITC), depending on whether the purchases are commercial. Some goods and services are exempt from GST/HST.

Sales tax at the provincial level varies by province. The tax rates within each province apply to the value of goods or services before GST is applied (this is known as the 'side-by-side' application). The only exceptions are Quebec and Prince Edward Island, where the sales tax applies to the value of goods or services after GST is applied (this is known as the 'compounding' application).

This essay provides a logical flow for implementing Canadian Sales Tax in Receivables; your specific requirements may differ. You should perform your tax setup when you set up the rest of your Receivables system. For a complete list of the steps required to set up Receivables, see: Setting Up Receivables in the *Oracle Receivables User's Guide*.



Suggestion: To help you plan and complete your tax-specific setup steps, use this essay with the Oracle Applications Implementation Wizard. You can use the Implementation Wizard as a resource center to read online help for a setup activity and open the appropriate setup window and to see a graphical overview of setup steps. You can also document your implementation by using the Wizard to record comments for each step for future reference and review. For more information, see: *Oracle Applications Implementation Wizard User's Guide*.



Attention: If you use the Oracle Applications Multiple Organization Support feature, you need to perform this implementation for each of your operating units. For more information, refer to the *Multiple Organizations in Oracle Applications* manual.

Goods and Services Tax

Goods and Services Tax (GST) is tax levied on many consumer products and professional services. Currently, the rate is seven percent. Some goods and services are exempt from GST (for example, health and educational services). Depending on whether a purchase is considered commercial or not determines if the recovery of the tax can be made through a rebate, an Input Tax Credit (ITC), or both. Currently, the GST rate is seven percent.

With Goods and Services Tax, the purchaser can file for an Input Tax Credit (ITC), a rebate on taxes payable, or both. To claim the ITC or rebate, the purchaser must have on record the vendor's GST registration number. If purchases are used exclusively in commercial activities, the purchaser is eligible for a full ITC.

Non-profit organizations can also apply for rebates (at prescribed rates) for purchases not qualifying for ITC. In addition, an organization can claim an ITC on the purchased goods and services that qualify as commercial activities, and a rebate on the non-commercial portion. See the Input Tax Credit section below for more information.

Harmonized Sales Tax

Effective April 1, 1997, the provinces of Nova Scotia, New Brunswick and Newfoundland combined their Provincial Sales Tax (PST) with the federal sales tax to form a harmonized, value added tax called Harmonized Sales Tax (HST). The HST operates as a single rate of 15%, of which seven percent represent the federal component and eight percent the provincial component. Most tax registrants will operate on a tax-excluded basis. However, the government has reserved the right to legislate tax included if more than 51% of the population agree to adopt this blended tax rate.

Harmonized Sales Tax is similar to Goods and Services Tax in two ways. First, some goods and services are exempt from HST. Second, depending on whether a purchase is considered commercial or not determines if the recovery of the tax can be made through a rebate, an Input Tax Credit (ITC), or both.

To claim an ITC, a rebate on taxes payable, or both, the purchaser must have the vendor's HST registration number on record. If purchases are used exclusively in commercial activities, the purchaser is eligible for a full ITC.

Non-profit organizations can also apply for rebates (at prescribed rates) for purchases not qualifying for ITC. In addition, an

organization can claim an ITC on the purchased goods and services (which qualify as commercial activities) and a rebate on the non-commercial portion.

Note: Any references to Goods and Services Tax in the following sections also apply to Harmonized Sales Tax.

Provincial Sales Tax

Provincial Sales Tax (PST) is levied by each Canadian province except Alberta, the Territories, and the participating provinces where the PST rate is now blended with the federal tax rate. Unlike GST, there is no recoverable input tax credit for provincial sales tax paid (except for Quebec where PST is recoverable as input tax credit, similar to GST). Each province has its own legislation that determines its own PST Rate and decides which goods and services are exempt from PST. The appropriate Provincial Sales Tax is based upon the *destination* of the goods or services, not their origin.

The vendor is responsible for charging and collecting PST. However, if the goods or services are purchased for resale, the vendor is not required to charge PST on the basis of the purchaser's licensed PST registration number. Most provinces, however, require a PST exemption certificate to be maintained on file by the vendor for those customers claiming 'exempt' status.

PST is payable by the ultimate consumer and is therefore levied once (except in Quebec). For example, the purchase of office supplies by a manufacturer for its own consumption would be subject to PST, but office supplies purchased for resale would not.

Provincial taxes paid to the purchaser are not recoverable and therefore become part of the cost of the goods and services purchased (except in Quebec).

Sales of goods to be delivered by the vendor to locations outside the province are exempt from PST in the province where the vendor is located, but are subject to PST in the province where they are consumed. Therefore, if a company ships goods to three provinces, it must comply with collection and remittance of three different provincial sales taxes (where applicable) to each of the three provincial tax authorities.

Note: This example assumes that the vendor has a registered permanent establishment in each ship-to province. If the vendor is not registered in the ship-to province, no provincial sales tax could be charged on the sale to that province. In this

case, the customer is required to self-assess and remit the applicable provincial sales tax.



Attention: The preceding paragraphs generally describe the application of provincial sales taxes. However, there may be a situation in which a vendor sells not only to a PST-exempt distributor (who then sells to the ultimate consumer, responsible for PST), but also sells directly to the same consumer as the distributor. For example, when Madewell Inc. bills and ships goods to PST-exempt Value Hardware, no PST is applicable. If Value Hardware resells to Best Cleaning Supplies, it is Value Hardware's responsibility to charge PST. Similarly, no PST applies if Madewell Inc. sells to and bills Value Hardware, but ships directly to Best Cleaning Supplies (on behalf of Value Hardware). However, if Madewell Inc. also sells directly to Value Hardware (whose ship-to location is one of the vendor's permanent establishments), they must charge PST on the direct sale to Best Cleaning Supplies. In this case, the ship-to location is the same (Best Cleaning Supplies), there is no PST when the vendor bills Value Hardware, but PST applies when the vendor bills Best Cleaning Supplies.

Input Tax Credit

Businesses registered for Goods and Services Tax (GST) purposes are required to collect GST for goods and services that are subject to GST. They can then claim Input Tax Credits (ITC) for the GST that they paid to produce the goods and services which are subject to GST. The net amount (collectible GST, less ITC) is remitted to the federal government. In general, all purchasers are required to pay GST for goods and services subject to GST, unless they are specifically exempt by the federal government.

To illustrate how GST works, consider a simplified example of a washing machine, which begins with mining of iron ore. The mine sells ore to a steel maker for \$100, plus \$7 GST which is remitted to the federal government. In transforming the ore into steel, the steel maker adds \$200 (including profits) to its value and sells the steel to the appliance manufacturer for \$300. The steel maker charges \$21 GST on the sale, but claims ITC of \$7 and therefore remits \$14 difference to the federal government. If the appliance manufacturer sells the washing machine to a retailer for \$500, it charges \$35 GST, claims ITC of \$21 and remits the difference of \$14 to the government. Similarly, GST is charged and refunded at various stages of the production and sale chain until the final sale to the consumer.

Tax Statuses

Taxable goods and services are either subject to the GST rate, exempt or are zero-rated. Certain goods and services (for example, exports) are zero-rated. No GST is charged on zero-rated goods and services. However, ITC can be claimed on purchases used to provide these goods and services. Certain goods and services are designated as exempt and are not subject to GST (for example, educational services). GST paid for materials used to provide exempt goods and services are not eligible for ITC claims.

Domestic Transactions

Domestic transactions are transactions between registered traders within Canada. These transactions may have GST and PST charged on goods and services with ship-to locations applying different PST rates to specific goods and services.

Export Transactions

Export transactions are transactions between a Canadian trader and a vendor or customer located outside Canada. Customers and sites outside Canada may be tax exempt and should have a zero tax code assigned to all invoices. However, there are a few cases where GST is charged. For example, a magazine subscription with a US ship-to address should be charged GST.

Public Service Bodies

Public service bodies can be grouped into claimant types. There are different rebates for each type of claimant. To calculate the rebate, the claimant determines the GST eligible for rebate and multiplies it by the associated rebate factor.

In addition, a non-profit organization may fall into more than one category of the public service body rebate. For example, an organization may qualify as both a hospital authority and school authority, and each operation will use its respective rebate rate on the eligible purchases.

Set Up Checklist for Canadian Sales Tax

Complete the following steps to implement Canadian sales tax in Receivables:

- ☐ Step 1: Define System Options: page 4 – 8
- ☐ Step 2: Assign a Default Application Rule Set: page 4 – 10
- ☐ Step 3: Save System Options: page 4 – 10
- ☐ Step 4: Define Accounting Flexfield Value Set: page 4 – 10
- ☐ Step 5: Define Tax Codes and Rates: page 4 – 11
- ☐ Step 6: Define Tax Groups: page 4 – 15
- ☐ Step 7: Define Items: page 4 – 17
- ☐ Step 8: Assign Tax Group at Customer Level: page 4 – 18
- ☐ Step 9: Define Tax Exemptions: page 4 – 18
- ☐ Step 10: Define Transaction Types: page 4 – 19
- ☐ Step 11: Define Automatic Accounting for Tax: page 4 – 19
- ☐ Step 12: Enable Calculation of GST/PST on Freight: page 4 – 20
- ☐ Step 13: Define Tax Profile Options: page 4 – 20
- ☐ Step 14: Define Canadian Tax Report Set: page 4 – 22

These steps are explained in more detail in the next section, Setup Steps for Canadian Sales Tax.

Setup Steps for Canadian Sales Tax

Complete the following steps in the order shown to implement Canadian Tax in Receivables.

Step 1 Define System Options

The fields listed below are used to fine tune the tax calculation process. These fields control which aspects of the tax engine are used when calculating a tax rate. For Canadian based tax systems, we recommend the following settings:

Tax Option Field Name	Suggested Setting
Accounting	
Tax Account	Null
Tax	
Tax Method	VAT
Location Flexfield Structure	Province
Postal Code Range	From: ! To: zzzzzzzzzzzzzzzzzzzzz
Address Validation	Warning
Compound Taxes	Yes
Invoice Printing	Summarize by Tax Name
Tax Cache Size	1000
Tax Registration Number	Your company's tax registration number (this will print on your invoice)
Rounding Options	
Calculation Level	Line
Rounding Rule	Nearest
Reporting Currency	CND
Precision	2
Tax Defaults and Rules	Setting - Hierarchy Number
Customer Site	Yes - 2
Customer	Yes - 3
Product	Yes - 1

Tax Option Field Name	Suggested Setting
Revenue Account	No
System Options	Yes – 4
Tax Code	GSTPST * (this should represent your most commonly used tax group)
Exception Rates	
Use Customer Exemptions	Yes **
Use Item Exemptions	Yes ***
Use Item Tax Rate Exceptions	Yes
Miscellaneous	
Default Country	Canada

Table 4 – 1 (Table 2 of 2)

* You need to define your tax codes and tax groups before you can enter a default tax code here.

** Customer exemptions let you fully or partially exempt specific customers from tax. In this tax system, customers can be assigned a specific tax code that would exempt them from tax.

*** Product exemptions let you fully or partially exempt specific items from tax. In this tax system, items can be assigned a specific tax code that would exempt them from tax. For more information, see: Tax Exemptions: page 3 – 4.



Suggestion: If you need to use both the GSTPST and the HST tax groups simultaneously, enter the GSTPST code at the system options level and the HST code at the customer or customer site level for correct tax calculation.

Note: It is possible to process multiple taxes under a US set of books. However, the taxes charged and reported on will be in the functional currency of that set of books. So if the functional currency is in US dollars, it will have to be converted to Canadian dollars if the taxes are collected for a Canadian Tax Authority. For more information, see: Canadian GST/PST Tax Report: page 4 – 24.

Step 2 Assign a Default Application Rule Set

Enter an Application Rule Set in the System Options window. An Application Rule Set determines the default payment steps when you apply a receipt to an open debit item and its associated charges (for example, line, tax, freight, and finance charges). See: Miscellaneous System Options and Receivables Application Rule Sets in the *Oracle Receivables User's Guide*.

Step 3 Save System Options

Save your system options. Use the Completed Requests window to check that each of the concurrent programs submitted by the System Options window has completed successfully. If the concurrent programs fail, choose Request Log for more information about the errors. You can also refer to the If Your Concurrent Programs Fail section of the Calculating Tax Essay. See: Calculating Tax: page 8 – 2.

Step 4 Define Accounting Flexfield Value Set

To simplify your Canadian Tax reporting process, you should assign a different tax liability account to each tax code by province and federal levels, thereby enabling the Canadian GST/PST Tax Report to distinctly display the taxable and tax amounts for each tax code. This will provide a comprehensive method of verifying that all tax transactions have been posted to the correct Provincial/Federal Tax Account.

Use the Segment Values window to create a tax liability account for each distinct tax that you will collect. Using Receivables AutoAccounting, you can use any segment of your chart of accounts for reconciling taxes. Following is an example of how it could be set up using the Natural Account:

<u>Natural Account</u>	<u>Description</u>
5200	GST – Goods and Services Tax
5201	Ontario PST
5202	Saskatchewan PST
5203	Alberta PST
5204	British Columbia PST
5205	Manitoba PST
5206	HST – Newfoundland
5207	Prince Edward PST

5208	Quebec PST
5209	HST – Nova Scotia
5210	Yukon PST
5211	Northwest Territories PST
5212	HST – New Brunswick

Step 5 Define Tax Codes and Rates

The Tax Code Listing Report shows each tax code, the rate and account assigned to it, and optionally any Tax Group conditions that may apply. A sample of a Tax Code Listing Report, in which four commonly used tax groups and 13 different associated tax codes are defined, appears at the end of this section. These tax codes and tax groups could potentially be used to carry out your business functions.

To set up a Tax Group, first determine the unique tax codes and tax groups that will be required to report your federal and provincial taxes. Navigate to the Tax Codes and Rates window, then enter the tax codes following the example of the Tax Code Listing Report shown at the end of this step.



Attention: If a particular tax is needed in more than one Tax Group, a tax code must be set up to reside in each group. A tax code can only be part of one Tax Group.

Field Name	Suggested Settings/Comments
Tax Code	Set up each Tax Code.
Effective Dates	Enter the date from which this tax code will be active. If you leave the 'To' field blank, this code will be active indefinitely.
Tax Type	VAT
Tax Rate	Nominal rate of the Tax (for example, Quebec TVQ=6.5, not 6.955)
Sign	Assign the default value of 'Cr' (positive), this lets Receivables credit your Tax account.
Allow Exempt	Either Yes or No. Setting this to Yes lets you associate tax exemptions with this tax code.
Ad Hoc	Either Yes or No. Setting this to Yes lets you change the tax rate and amount at the invoice level.
Inclusive Tax	No
Allow Inclusive Override	No
Tax Account	Enter the tax accounting flexfield you created in Step 2.
Tax Name	Receivables prints this name on the invoice. It is automatically populated with the data from the Tax Code field. You cannot update this field after you save your work.
VAT Transaction Type	Null

Table 4 – 2 (Table 1 of 1)

Receivables searches for a tax code using the hierarchy you defined in the System Options window, stopping when one is found. Using the approach outlined above, you will be able to automatically tax your transactions for:

- Domestic invoices for different inventory items, with each item having its own tax rate assigned to it
- Export invoices for customers both inside and outside Canada
- Invoices for customers in Canada with tax exemption numbers

Note: If you assign a tax code with a rate of zero to an invoice, or if the invoice is exempt, it will still have tax lines and account distributions posted to the General Ledger for the zero tax amount.



Suggestion: Although you can make changes to the fields in the Tax Code window, we recommend adding an end date to the existing tax code, then redefining the code using the same tax code name. This lets you keep an audit trail of changes to rates, while ensuring that the correct rate will always be used for your transactions.



Attention: If you do not know a customer's Provincial Tax Registration Number, you are required to charge tax. If you know the correct rate for a taxable customer, assign the appropriate tax code and rate to the customer. Otherwise, you should enter a zero-rated tax code, which allows ad hoc changes. You must then enter the correct tax manually at the time of invoicing. To avoid charging tax unnecessarily, be sure to enter a customer's tax registration number as soon as it is known. At this point you can update the tax group to zero-rate this customer from tax.

For more information, see: *Entering Customers in the Oracle Receivables User's Guide*.

Following is a sample listing of tax groups, codes, and rates for use within Canada. You can define additional tax codes and groups if these do not meet your needs, but you must use a unique tax code for each Tax Group.

Enter the Ship-To Location and Precedence fields when creating your Tax Groups.



Suggestion: The Accounting and rates in this example are provided for illustration purposes only. Please contact a tax professional for specific implementation requirements.

Tax Code Listing (rates as of July 1997)

Tax Code/ Group	Location	Desc	Ad Hoc	Tax Account	Allow Exempt	Tax Rate	Compounding Precedence	Start Date	End Date
-----	-----	----	-----	-----	-----	---	-----	-----	-----
GSTPST									
GST		GST	No	01.100.5200.000.000	No	7	1	01-JAN-90	
ONPST	ONTARIO	PST	No	01.100.5201.000.000	No	8		01-JAN-90	
SKPST	SASKATCHEWAN	PST	No	01.100.5202.000.000	No	9		01-JAN-90	
ABPST	ALBERTA	PST	No	01.100.5203.000.000	No	0		01-JAN-90	
BCPST	BRITISH COLU	PST	No	01.100.5204.000.000	No	7		01-JAN-90	
MBPST	MANITOBA	PST	No	01.100.5205.000.000	No	7		01-JAN-90	
PEPST	PRINCE EDWARD	PST	No	01.100.5207.000.000	No	10	2	01-JAN-90	
QCTVQ	QUEBEC	PST	No	01.100.5208.000.000	No	6.5	2	01-JAN-90	
YTPST	YUKON	PST	No	01.100.5210.000.000	No	0		01-JAN-90	
NTPST	NORTHWEST TER	PST	No	01.100.5211.000.000	No	0		01-JAN-90	
GSTNOPST									
GSTNPST		GST	No	01.100.5200.000.000	No	7	1	01-JAN-90	
GNONPST	ONTARIO	PST	No	01.100.5201.000.000	No	0		01-JAN-90	
GNSKPST	SASKATCHEWAN	PST	No	01.100.5202.000.000	No	0		01-JAN-90	
GNABPST	ALBERTA	PST	No	01.100.5203.000.000	No	0		01-JAN-90	
GNBCPST	BRITISH COLU	PST	No	01.100.5204.000.000	No	0		01-JAN-90	
GNMBPST	MANITOBA	PST	No	01.100.5205.000.000	No	0		01-JAN-90	
GNPEPST	PRINCE EDWARD	PST	No	01.100.5207.000.000	No	0	2	01-JAN-90	
GNQCTVQ	QUEBEC	PST	No	01.100.5208.000.000	No	0	2	01-JAN-90	
GNYTPST	YUKON	PST	No	01.100.5210.000.000	No	0		01-JAN-90	
GNNTPST	NORTHWEST TER	PST	No	01.100.5211.000.000	No	0		01-JAN-90	
NOGSTPST									
NGSTPST		GST	No	01.100.5200.000.000	No	0	1	01-JAN-90	
NGONPST	ONTARIO	PST	No	01.100.5201.000.000	No	8		01-JAN-90	
NGSKPST	SASKATCHEWAN	PST	No	01.100.5202.000.000	No	9		01-JAN-90	
NGABST	ALBERTA	PST	No	01.100.5203.000.000	No	0		01-JAN-90	
NGBCPST	BRITISH COLU	PST	No	01.100.5204.000.000	No	7		01-JAN-90	
NGMBPST	MANITOBA	PST	No	01.100.5205.000.000	No	7		01-JAN-90	
NGPEPST	PRINCE EDWARD	PST	No	01.100.5207.000.000	No	10	2	01-JAN-90	
NGQCTVQ	QUEBEC	PST	No	01.100.5208.000.000	No	6.5	2	01-JAN-90	
NGYTPST	YUKON	PST	No	01.100.5210.000.000	No	0		01-JAN-90	
NGNTPST	NORTHWEST TER	PST	No	01.100.5211.000.000	No	0		01-JAN-90	
NOGSTNOPST									
NGSTNPST		GST	No	01.100.5200.000.000	No	0	1	01-JAN-90	
NGNONPST	ONTARIO	PST	No	01.100.5201.000.000	No	0		01-JAN-90	
NGNSKPST	SASKATCHEWAN	PST	No	01.100.5202.000.000	No	0		01-JAN-90	
NGNABPST	ALBERTA	PST	No	01.100.5203.000.000	No	0		01-JAN-90	
NGNBCPST	BRITISH COLU	PST	No	01.100.5204.000.000	No	0		01-JAN-90	
NGNMBPST	MANITOBA	PST	No	01.100.5205.000.000	No	0		01-JAN-90	
NGNPEPST	PRINCE EDWARD	PST	No	01.100.5207.000.000	No	0	2	01-JAN-90	
NGNQCTVQ	QUEBEC	PST	No	01.100.5208.000.000	No	0	2	01-JAN-90	
NGNYTPST	YUKON	PST	No	01.100.5210.000.000	No	0		01-JAN-90	
NGNTPST	NORTHWEST TER	PST	No	01.100.5211.000.000	No	0		01-JAN-90	

HST

HSTNB	NEW BRUNSWICK	PST	No	01.100.5212.000.000	No	15	01-APR-97
HSTNF	NEW FOUNDLAND	PST	No	01.100.5206.000.000	No	15	01-APR-97
HSTNS	NOVA SCOTIA	PST	No	01.100.5209.000.000	No	15	01-APR-97

Step 6 Define Tax Groups

Using the Tax Groups window, each of the tax codes defined in the previous step could be grouped into one of the five sample tax groups (schedules) shown below:

<u>Tax Group</u>	<u>Description</u>
GSTPST	GST taxable, PST taxable
GSTNOPST	GST taxable, PST not taxable
NOGSTPST	GST not taxable, PST taxable
NOGSTNOPST	GST not taxable, PST not taxable
HST	Harmonized Sales Tax

For each group, assign a unique group name that will contain each of the tax codes within that group.

Field Name	Suggested Setting/Comments
Group Code	Enter a tax group that represents the tax processing requirement for your organization (e.g. HST, GSTPST, NOGSTNOPST).
Group Name	(Area for descriptive comments)
Group Description	(Area for descriptive comments)
Effective	Enter the date from which this tax code will be active. If you leave the 'To' field blank, this group will be active indefinitely.
Tax Code	Represents the tax code applicable to that group.
Effective Dates	Enter the date from which this tax code will be active within this tax group. If you leave the 'To' field blank, this code will be active indefinitely.
Name	Value is derived from Tax Codes and Rates window.
Tax Rate	Value derived from the Tax Codes and Rates window.
Sign	(Display only)
Inclusive Tax	(Display only)
Compounding Precedence	Enter a number to support compound tax calculation; otherwise, leave null.
Classification	Enter 'Province' or leave null.
Ship To Location	Enter the province related to the Tax Code (e.g. Alberta, Quebec).

Table 4 – 3 (Table 1 of 1)

Tax Schedules and Tax Groups

After you define a group of tax codes, you can select any one of the tax group names as a default value at the System Options, Bill-To Customer, Ship-To Customer Site, Item, and Memo Line levels.

The default tax group is then copied down to the Order or Invoice Line and can be overridden if the profile option Tax: Allow Override of Tax

Code is set to Yes. However, you should set up your default tax groups so no override is required.

Once a tax group has been assigned to an Order or Invoice Line, Receivables generates a correct set of tax codes, rates, and accounting based on the ship-to address or other conditions defined within that group. Tax compounding will be calculated automatically (see below).

Provincial Sales Tax

Receivables uses the Classification and ship-to address as conditions for automatically selecting the correct provincial sales tax rate based on the customer's ship-to address. You can control the ship-to address in the Tax Groups window by the value of the Classification field. The example above uses the value Province, but your implementation may use either Province or State.

Goods and Services Tax

If a member of a tax group is listed without any Classification, that tax code will be used on every shipment.

Compounding (tax on tax)

Using tax groups, multiple conditional taxes can be automatically applied to each order and invoice line. Compounded taxes, such as those required in Quebec, are identified using the Precedence field of the Tax Groups window. Compound taxes are only applied if both the GST and PST tax codes are each given a compounding precedence number.



Suggestion: After defining your tax groups, run the Tax Code Listing report and compare this to the sample output shown in the previous step.



Suggestion: Canadian addresses may be entered and optionally validated using the Flexible Address Formats. Validating the Province field during address entry will ensure that the Tax Groups window is always able to match the Provincial Sales Tax Code with the ship-to province of the order and invoice line. See: Flexible Addresses in the *Oracle Receivables User's Guide*.

See: Tax Groups: page 5 – 18.

Step 7 Define Items

You can assign the appropriate tax code to each of your inventory items in the Items window. Each item that you enter on an order can also be assigned a default tax group.

You can also set up a tax code on an override basis for organizations where exceptions are required (e.g. pharmaceutical industry or freight items). The tax functionality follows the user defined hierarchy from step 1, stopping when a tax code is found. See: Items in the *Oracle Inventory User's Guide* and Entering Transactions in the *Oracle Receivables User's Guide*.

Note: The example tax hierarchy described in this essay assumes that you will primarily utilize the customer site and system options to handle your tax needs. This essay also assumes that you will use items for specific exceptions, as indicated in the paragraph above.

Step 8 Assign Tax Group at Customer Level

In addition to assigning a tax group to an item, you can optionally assign a default tax group at the Customer Site or Customer level. The tax hierarchy defined in step 1 will search for a tax group starting at the lowest number, stopping when one is found. An example of where this would be required is when GST/PST is the tax group defined at the system options level but work is done in the participating provinces where HST is applicable. Therefore, HST would be set at the applicable customer site, so that HST and GST/PST can work interchangeably.

See: Assigning a Business Purpose to a Customer Address in the *Oracle Receivables User's Guide*.

Step 9 Define Tax Exemptions

When implementing GST/PST, you would generally assign tax group codes to items to exempt customers from tax, rather than creating specific exemptions and then overriding the tax group code at order entry time.

You may need to fully or partially override a particular GST and/or PST rate for a customer site or item. To do this, you must first create a tax code exemption line with the new tax rate. At the appropriate level, enter the tax code (not the tax group code) that you want to override and enter the percentage of change to the effective rate for this level.

The item and tax group code is exploded into the appropriate GST and PST lines and rates, exemptions are checked for a match to the transaction (based on customer site or item) and then the tax calculations are performed on the derived rates.

Note: Tax Exemptions can be used to override specific GST or PST tax codes (not the tax group code) as the Tax Engine is

preparing to calculate taxes. Tax lines are created by exploding the tax group into the one or more applicable tax codes that fall under that tax group. Tax exemptions can be set up at the customer site and/or the item levels.

Step 10 Define Transaction Types

Use the Transaction Types window to ensure calculation of GST/PST on all transaction types. You should enter 'Yes' in the Tax Calculation field for each transaction type that you define to ensure that all complete invoices include GST/PST.

Customers and customer sites that are not subject to GST/PST should use transaction types which require the calculation of tax, but should be assigned an exempt tax code. This will ensure a zero value tax line will be created for reporting purposes. See: Transaction Types in the *Oracle Receivables User's Guide*.

If you are implementing Oracle Order Entry/Shipping, use the Define Order Types window to select a Receivables Transaction Type that has the Tax Calculation flag set to 'Yes'. The Enter Orders window will then ensure that all booked orders have a tax code assigned to each order line. Additionally, the Sales Order Acknowledgment Report will display tax rates, tax amounts and tax summaries based on the transaction type you have selected.

Step 11 Define Automatic Accounting for Tax

Use the Automatic Accounting window to specify how you want Receivables to determine the General Ledger account for GST/PST. Query the segments for the 'Tax' Type to view all of the segments of your Tax Accounting Flexfield. For each segment, assign the value that you want Receivables to use to derive the account. Choose from the following values:

- Constant Value
- Salesreps
- Transaction Types
- Standard Lines
- Taxes (the source for this type is the account on the Tax Codes)



Suggestion: Assign the value 'Taxes' to the natural Account segment.

See: AutoAccounting and Using AutoAccounting in the *Oracle Receivables User's Guide*.

Step 12 **Enable Calculation of GST/PST on Freight**

To enable the calculation of GST/PST on freight, you should create freight amounts as ordinary invoice lines. This can be done through standard invoice entry (Transactions workbench, Lines window) or through AutoInvoice.

Using an inventory item to define freight services enables the AutoAccounting program to distinguish freight lines from ordinary line items. AutoAccounting will then use the accounting rules for the freight account rather than the revenue account to derive the general ledger distribution for the freight service. When an invoice is printed, the freight amounts will be displayed as line items and any GST/PST calculated on the freight will be displayed as tax.

To convert freight amounts to ordinary invoice lines, navigate to the Items window and use the Freight Item Template to define an inventory item for freight services. Be sure that your inventory item has a valid Tax Group, the appropriate Primary Unit of Measure, and a User Item Type of 'Freight'.

You can control the GST/PST rate on freight services through the tax code assigned to the inventory item. Alternatively, you can override the tax code assigned to inventory item by assigning a different tax code to the customer-site, which will allow export freight charges to be taxed differently than domestic freight charges (see step 5, Define Tax Codes and Rates).

Note: If you are implementing Oracle Order Entry/Shipping, you should set the user profile options Tax: Invoice Freight as Revenue to Yes and Tax: Inventory Item for Freight to 'Freight'. These are described in more detail in the next step.

Step 13 **Define Tax Profile Options**

To set your tax profile options, navigate to the Update System Profile Options window using the System Administrator responsibility. The following table lists each tax profile option and provides suggested settings for a Canadian based tax system.

Profile Option	Suggested Setting	Reason
Tax: Allow Manual Tax Lines	Yes	Lets you create manual tax lines.
Tax: Allow Ad Hoc Tax Changes	Yes	Lets you adjust a tax rate at the invoice level.

Profile Option	Suggested Setting	Reason
Tax: Allow Override of Customer Exemptions	Yes	Lets you create unapproved exemptions.
Tax: Allow Override of Tax Code	Yes	Lets you adjust a tax code at the invoice level.
Tax: Inventory Item for Freight	Freight	This lets Oracle Order Entry/Shipping identify an inventory item on a transaction line that you import into Receivables via the Receivables Interface program. The inventory item that you identify when defining this profile option must be created with a user type of 'Freight'. After you identify an inventory item for freight, you can use tax codes assigned to this inventory item or item exceptions to control the applicable tax rates and accounting for freight service.
Tax: Invoice Freight as Revenue *	Yes	Enables freight amounts entered in the Oracle Order Entry/Shipping Ship Confirm window to be passed into Receivables as taxable line items.
Tax: Use Tax Vendor	No	Used for third-party tax hook.
Tax: Calculate Tax on Credit Memos	Yes	Ensures that Receivables does not incorrectly account for a credit memo applied to an invoice that has been partially paid.

Table 4 – 4 (Table 2 of 2)

* This profile option is used only by Oracle Order Entry/Shipping

For more information, see: Overview of Receivables Profile Options in the *Oracle Receivables User's Guide*.

Note: If a tax account is not assigned to a specific location, Receivables uses the tax account you entered in the System Options window to calculate tax.

Step 14 Define Canadian Tax Report Set

To assist you in completing your Federal and Provincial Tax return, you should define a Canadian Tax Report set. To do this, navigate to the Administer Report Sets window using the System Administrator responsibility, then define a report set that includes the following reports:

- Canadian GST/PST Tax Report
- Tax Exempt Customer Report
- Tax Exempt Product Listing

You can define your report set to provide default values for some run parameters. Preventing users from modifying most of the report parameters at run time will ensure that the report runs consistently each reporting period.

See Also

Verify Tax Setup: page 4 – 22

Canadian GST/PST Tax Report: page 4 – 24

Implementing Canadian Sales Tax: page 4 – 2

Defining Request Sets (*Oracle Applications System Administrator's Guide*)

Verify Tax Setup

Enter an Order (Oracle Order Entry/Shipping)

Enter an order in Oracle Order Entry/Shipping. Entering information at the order header sets up the customer, the ship-to and the bill-to address for the order. Moving to the Enter Order Lines region, each item is selected with the quantity, unit of measure and the unit price. The tax code will default to the Tax Group that was first found in the search according to the hierarchy you defined in the System Options window. You can override the Tax Code by entering a value of 'Tax Group'.

The Payment Information region will display the value of the total order and the total tax (GST + PST) that has been applied to the order based on the calculation done by the Receivables Tax Engine.

Additional overrides can be made for each item where the ship-to address can be changed for that item. This will trigger a recalculation of the taxes for that item based on the new ship-to address and credit check. See: Defining Credit Check Rules and Automatic Credit Checking of Orders in the *Oracle Order Entry/Shipping User's Guide*.

Import Orders from Order Entry into Receivables

Run AutoInvoice to import orders from Oracle Order Entry/Shipping into Receivables. Taxes will be recalculated based on the tax calculation and invoice creation setup options you defined.

Note: You can set up the Oracle Order Entry/Shipping Receivables Interface and AutoInvoice programs to run automatically or you can request them manually (manually is the default).

View and Maintain Invoices (Receivables)

Verify that you can query, view, and maintain invoices in the Transaction windows. Open the Lines window and verify that all items display as they were created. The Tax field should display the total tax calculated for this invoice.

Choose Tax to view information about each tax line. Choose Accounting to view the tax account distribution for a line.



Suggestion: To find the invoice number assigned to this order, go to the View Orders window in Oracle Order Entry/Shipping and locate the invoice number. Then, navigate to Receivables and query the invoice in the Transactions window as explained above.

Canadian Tax Reporting

Use the Canadian GST/PST Tax Report to prepare the Legislative portion of your periodic tax returns.

Canadian GST/PST Tax Report

Figure 4 – 1

Canadian Operations				Canadian Tax Reconciliation Report				Report Date: 01-MAY-97 14:17	
Posting Status: All				GL Date: 01-APR-1996 To 30-APR-1997				Page: 1	
Detail Level: Show Summary and all Detail									
Include: Accruals									
Ship to: Province									
VAT Account From: 00.000.000.8220.000.0000 To: 99.ZZZ.ZZZ.8232.ZZZ.ZZZZ									
Company : 02 - CDN - Global Computers									
VAT Account: 02.000.000.8220.000.0000 - CDN-.Unspeci.Unspecified.Canadian Goods and Service Tax.Unspecified.Unspecified									
-----Transaction-----									
Batch		Document		Related			Taxable		VAT
Source	Number	Name/Number	Class	Transaction	GL Date	Ship to	Amount	Automatic	Manual
Manual	CN001	/	Invoice		07-FEB-97	QUEBEC	4,512.00	315.84	0.00
Total							4,512.00	315.84	0.00
Totals for 02.000.000.8220.000.0000 - CDN-.Unspeci.Unspecified.Canadian Goods and Service Tax.Unspecified.Unspecified									
Class		Taxable	Posted		Unposted	VAT		General Ledger	
		Amount				Manual	Total	Activity	
Invoice		4,512.00	0.00		315.84	0.00	315.84	315.84	
Total		4,512.00	0.00		315.84	0.00	315.84	315.84	

To ensure the collection of Canadian tax, each province and the Federal Government requires periodic tax returns detailing the taxable and tax amounts for every tax authority. These returns must be supported by reports that include all transactions for which Canadian taxes should have been charged.

To accommodate tax reporting requirements for each province, you should be able to:

- display tax for all taxable transactions
- identify taxable and tax amounts for each tax code
- prepare periodic tax returns, as required by each province and the Federal Government, from your Receivables and Payables subledger transactions

- ensure the tax liability for each tax code is posted to a separate general ledger account or sub-account (the balance of each of these tax liability accounts, or sub-accounts, must equal the amount of tax owed on each respective tax code)
- ensure all tax transactions have been posted to the appropriate tax liability account and reported correctly
- reconcile your tax returns to the tax liability accounts in your general ledger

Use the Canadian GST/PST Tax Report to prepare the Legislative portion of your periodic GST/PST returns. This report lists the taxable and tax amounts (by general ledger account) of all your Receivables transactions for a given period to help you identify and review your tax liability for various tax codes. The report parameters 'Tax Account Low' and 'Tax Account High' let you select only tax liability accounts from your general ledger.

Only the taxable and tax amounts of a given transaction associated with a particular tax code and general ledger account will be reported within that account. These amounts will be in your functional currency.

Note: Receivables lets you assign a unique general ledger account or sub-account for each tax code using the Tax Codes and Rates window. See: Tax Codes and Rates: page 5 – 2.



Suggestion: Use the Canadian GST/PST Tax Report to assist with preparing your Canadian Tax return. To simplify your Canadian tax return process, you should assign a different tax liability account to each tax code by province and federal levels, enabling the Canadian GST/PST Tax Report to distinctly display the taxable and tax amounts for each tax code. This will provide a comprehensive method of verifying that all tax transactions have been posted to the correct provincial/federal tax account.

You can create manual journal entries to correct your tax liability on discounts, adjustments, miscellaneous cash receipts, and receipt applications. Where applicable, this report shows the total general ledger account activity for each tax account to assist you with your monthly tax reconciliation.

Report Parameters

Within Receivables, you submit the Canadian GST/PST Tax Report from the Submit Request window. The parameters for the Canadian

GST/PST Tax Report should be set to include all tax transactions posted to your tax liability accounts for the accounting period you plan to review.



Suggestion: Define a Canadian Tax Report Set that includes the following reports to assist you in compiling your GST or PST return:

- Canadian GST/PST Tax Report
- Tax Exempt Customer Report
- Tax Exempt Product Listing

GL Date Low/High: Enter the GL Date range for the period you wish to review. The default values for GL Date Low and High parameters are the start and end dates of the most recent accounting period. The general ledger activity of the GST/PST account is displayed if the GL Date range selected corresponds to a valid accounting period and no transaction date range is entered.

Transaction Date Low/High: The Transaction Date Range should be set to null. Otherwise, if the transaction date and GL date for a given transaction fall in different periods, your report will not balance to the general ledger for the requested GL Date Range.

GST/PST Account Low/High: Select the general ledger account range you want to review.

Include Accruals: Choose whether to report on accrual transactions from the receivables subledger, which include the following transaction classes:

- Invoices
- Debit Memos
- Credit Memos

Include Adjustments: Choose whether to report on Invoice Adjustment and Finance Charge transactions.

Include Discounts: Choose whether to report on Earned and Unearned Discount transactions.

Posting Status: You can report on posted, unposted, or all transactions. When you report on posted transactions only, the Unposted column will always display zero, while the Posted column will display zero when reporting on unposted transactions.

Detail Level: You can select various report detail levels. The default level, Show Summary and all Detail, displays all transaction detail, while the Show Summary and Manual Transactions level will display

all transactions except for accruals. You can also display transaction summary only with the Show Summary Only option.

Show Ship To Address: Choose how you want to print the ship-to address on your report. You can also choose to print the ship-to address at the Country level. Choose None if you do not want to print the ship-to address in your report.

Column Headings – Detail Section

The Canadian GST/PST Tax Report is ordered by the Company segment of the accounting flexfield, the natural account segment of the accounting flexfield, the accounting flexfield, the general ledger date, the invoice number, the transaction class and the transaction number. All amounts are displayed in functional currency and the transactions are totaled by general ledger account. Following is a description of each column:

Transaction Number: This column displays the transaction number of the applied transaction and relates to the following transactions:

- Credit Memos
- Adjustments
- Receipt Applications

Transaction Class: The transaction class will be reported in the following order:

- Invoice, Credit Memo and Debit Memo
- Earned Discount
- Unearned Discount
- Miscellaneous Cash
- Adjustment
- Cash Application

GL Date: For Invoices, Debit Memos, Credit Memos, Adjustments and Miscellaneous Cash Receipts, the report uses the general ledger date of the transactions, while for Cash Applications and Discounts the report uses either the general ledger date of the application or the maturity due date of the negotiable instrument, depending on the option you selected for the Payment Date parameter.

Taxable Amount: This column reports on the taxable amount of the transaction related to the current general ledger account. If a transaction posts tax to multiple general ledger accounts (because the

transaction includes multiple tax codes), the sum of the taxable amounts from each general ledger account will equal the total taxable amount for the transaction.



Warning: Any invoice line that posts tax to multiple tax codes will display the full value of the taxable amount of the invoice line once for each general ledger account associated with tax code. The duplication of taxable amounts will cause the report to overstate your total taxable amount for the period.

Posted Tax: This column displays the tax calculated by Receivables and posted to the general ledger.

Unposted Tax: This column displays the tax calculated by Receivables and not yet posted to the general ledger.

Tax on Discounts: This column shows the tax for earned and unearned discounts. The tax is calculated based on the tax amount applied to the general ledger tax account to which the tax on the original invoice is posted.

The Canadian GST/PST Tax Report uses a consistent algorithm to calculate tax on applied transactions, regardless of the installment rule of the original transaction. This lets you accrue and report tax immediately, while still enabling you to manage your tax by the applied discount, adjustment, or receipt.

Tax on Adjustments: This column shows the tax for invoice adjustments and finance charges. The tax calculation is based on the tax code associated with the general ledger tax account to which the tax on the original invoice is posted.

Tax on Cash: This column shows the tax for receipt applications and miscellaneous cash receipts. The tax calculation for the cash applications is based on the tax applied to the general ledger tax account to which the original invoice is posted. The tax calculation for the Miscellaneous Cash Receipts is based on the tax code and rate assigned to the receipt in the Transactions window.

Column Headings – Summary Section

Transaction Class: This column displays a summary of the transaction classes displayed in the detail section of the report. The transaction class will be reported in the following order:

- Invoice, Credit Memo and Debit Memo
- Earned Discount
- Unearned Discount

- Miscellaneous Cash
- Adjustment
- Cash Application

Taxable Amount: This column shows a summary of the Taxable Amount column from the detail section per transaction class.

Posted Tax: This column shows a summary of the Posted GST/PST column from the detail section per transaction class.

Unposted Tax: This column shows a summary of the Unposted Tax column from the detail section per transaction class. At the end of the reporting period, you should not have any unposted transactions.

Manual Tax: This column shows the sum of the Discounts, Adjustments and Cash columns from the detail section per transaction class. This value represents the sum of the manual tax transactions not automatically posted to the specific tax account. To reconcile your general ledger by Tax account to your Total Tax by tax code, you will have to post the value of this column to the appropriate general ledger account.

Total GST/PST: This column displays the sum of the Posted, Unposted and Manual Tax columns. This value represents your Tax for the reporting period and tax code as defined by the selected date range and Tax account parameters.

General Ledger Activity: The General Ledger Activity of the tax account is displayed if the GL Date Range selected corresponds to a valid accounting period in General Ledger and no transaction date range is entered. The value reported in this column is the net of all general ledger activity posted to this account for the given period.

You can use this value to compare the Total Tax by account with your General Ledger. After posting any Manual GST/PST to the general ledger, the Total Tax for each account should equal the general ledger activity for the corresponding account. To review the details of the general ledger activity, you should run the Account Analysis Report from within General Ledger. Please refer to the Account Analysis Report in the *Oracle General Ledger User's Guide*.



Warning: If you revalue the foreign currency transactions for your tax accounts within the general ledger, the general ledger account activity shown will no longer balance to the subledger transactions in the detail section of this report. The functional amounts reported by the subledger for the transaction detail will be shown using the original exchange rate of the

transaction, not the exchange rate used to revalue the general ledger account.

Row Headings

Tax Account: The report groups all transactions by general ledger account. This row displays the general ledger account and description with the totals for each column within the account. Each account should map to a single tax code.

See Also

Implementing Canadian Sales Tax: page 4 – 2

CHAPTER

5

Set Up Tax

This chapter describes the windows required to set up tax for Oracle Receivables, Oracle Order Entry/Shipping, Oracle Sales and Marketing, and Oracle Web Customers Orders.

Tax Codes and Rates

Tax Code	Effective Dates		Tax Type	Tax Rate %	Sign
	From	To			
Location	01-NOV-1992		Location Based Tax		Cr
MHPST	01-JAN-1990		Sales Tax	7	Cr
NHPST	01-JAN-1990	31-MAR-1997	Sales Tax	11	Cr
WHPST	01-JAN-1990	31-MAR-1997	Sales Tax	12	Cr
PWPST	01-JAN-1990	31-MAR-1997	Sales Tax	11	Cr
RWPST	01-JAN-1990		Sales Tax	0	Cr
OWPST	01-JAN-1990		Sales Tax	0	Cr
PEPST	01-JAN-1990		Sales Tax	10	Cr
OCTV0	01-JAN-1990		Sales Tax	6.5	Cr
SHPST	01-JAN-1990		Sales Tax	9	Cr

Account Descriptions

Tax: Operations Balance Sheet State Sales and Use Tax P.No Sub Account No Product

Use the Tax Codes and Rates window to enter and maintain your tax codes and their associated tax rates. You can define as many tax codes of type VAT (Value Added Tax) or Sales Tax as you need. You can have only one tax code of type Location for any given date range. This code cannot have a rate associated with it.

You can enter a tax code at the customer Ship-To and Bill-To business purpose level, as well as at the customer and customer address level. You can also assign tax codes to inventory items. If your tax method is VAT, you can include a tax code in the Tax Defaulting Hierarchy in the System Options window.

You can also specify whether a tax code is tax inclusive or tax exclusive. Tax inclusive tax codes automatically calculate the tax amounts for a transaction line and include this amount in the line amount in the Receivables Lines and Transaction Overview windows. See: Tax Inclusive: page 8 – 25.

Tax codes that you define here appear on your tax reports, in the Tax windows when you enter transactions, and in the Tax Groups window when you define your tax groups.

Prerequisites

- ☐ Define system options (*Oracle Receivables User's Guide*)

► **To define your tax codes and rates:**

1. Navigate to the Tax Codes and Rates window.
2. Enter a unique name for this Tax Code.
3. Enter a range of Effective Dates for this tax rate. The default start date is today's date, but you can change it. If you do not enter an end date, this tax rate will be valid indefinitely.
4. Choose the Type of tax rate you are defining. If you are using location based tax, you can only enter one tax code with tax type of Location Based Tax for a given date range. Choose 'Sales Tax' if you want this type of tax to appear on your sales tax reports.
5. If the tax type is *not* 'Location Based Tax,' enter a Tax Rate.
6. Indicate whether this tax code is positive or negative by setting the Sign parameter to either 'Cr' or 'Dr', respectively. When you use a tax code whose sign is 'Dr' (negative), Receivables debits your tax account. When you use a tax code whose sign is 'Cr' (positive), Receivables credits your tax account.
7. To allow tax exemptions for items using this tax rate, check the Allow Exempt check box.
8. To be able to change the tax rate for this tax code in the Transaction windows, check the Ad-hoc check box. You can only check this box if the tax type is *not* 'Location Based Tax.' You can update this option after you save this tax code.
9. If you want this tax code to automatically calculate inclusive tax, check the Inclusive Tax check box.
10. If you do not want to be able to change this tax code from inclusive to exclusive (or vice versa) when entering invoices, uncheck the Allow Override check box.

Note: Location-based tax codes are always tax exclusive and you cannot change them to be tax inclusive.
11. To update the Tax Account assigned to this tax code, open the Accounting alternative region. The default account is the Location Tax Account you defined in the System Options window. AutoAccounting uses this value if the AutoAccounting structure for your tax account is derived from the tax code.

12. To enter the VAT transaction type for this tax code, open the VAT Transaction Type alternative region, then enter a VAT Transaction Type (optional). This field is only used for Spanish and Belgian Tax reporting. For more information, see the *Oracle Applications Spanish Globalizations Reference Manual* or the *Oracle Applications Belgium Globalizations Reference Manual*.
13. Save your work.

See Also

AutoAccounting (*Oracle Receivables User's Guide*)

Reviewing Sales Tax Rates: page 5 – 8

Tax Groups: page 5 – 18

Calculating Tax: page 8 – 2

Tax Locations and Rates

Find State

Locations

State	Description	Tax Account	
AZ	Arizona	01.000.2500.0000.000	<input type="checkbox"/>
CA	California	01.000.2500.0000.000	<input type="checkbox"/>
FL	Florida	01.000.2500.0000.000	<input type="checkbox"/>
GA	Georgia	01.000.2500.0000.000	<input type="checkbox"/>
IL	Illinois	01.000.2500.0000.000	<input type="checkbox"/>
MA	Massachusetts	01.000.2500.0000.000	<input type="checkbox"/>

Tax Acct Desc: Operations-Balance Sheet-State Sales and Use Tax P-No Sub Account No Product

Rates

Tax Rate %	Override	Effective Dates		Postal Codes		
		From	To	From	To	
5		01 NOV 1992		00000	99999 9999	<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>

Use the Tax Locations and Rates window to enter and update your locations and their associated tax rates. For each location you can define multiple tax rates and postal code ranges, as long as the date and postal code range do not overlap. Receivables uses these locations and tax rates to create authorities and sales tax rates for tax calculations. Receivables also uses locations to validate your customers' addresses.

Use this window to assign tax accounts to the components of your segment which has a tax account qualifier assigned to it. You assign a tax account qualifier to any one segment of your location flexfield structure using the Key Flexfield Segments window.

You can also implement country-specific validation of foreign customer address information using the Flexible Address Formats feature. For more information, see: Flexible Addresses in the *Oracle Receivables User's Guide*.

If you do not want to manually enter or maintain location and tax rates, you can use the Sales Tax Rate Interface program to load this information from an outside tax service. See: Using the Sales Tax Rate Interface: page 7 – 11 and Implementing the Tax Vendor Extension: page 7 – 28.

Prerequisites

- ☐ Define your sales tax location flexfield structure (*Oracle Receivables User's Guide*)
- ☐ Assign the tax account qualifier to any one of the segments of your location flexfield structure in the Define Key Flexfields window (*Oracle Applications Flexfields Guide*)

► **To define a new or update an existing tax location and its associated tax rate:**

1. Navigate to the Tax Locations and Rates window.
2. Choose the type of sales tax structure to define. Choose City, County, or State.
3. If you chose a sales tax structure of 'County,' enter the Given State in which this county is located, then choose Find.

If you chose a sales tax structure of 'City,' enter the Given County in which this city is located, then choose Find.

If you chose a sales tax structure of 'State,' choose Find.
4. To update an existing location or rate, update the Tax Account, Tax Rate, and range of Effective Dates or Postal Codes for this location, then go to step 10.

To add a new location, choose New Record from the Edit menu.
5. Enter the Name and Description of this location.
6. If this segment has been assigned to the tax account qualifier, Receivables enters a default Tax Account. This is the account you defined for the 'Location' tax code type in the Tax Codes and Rates window. You can update this information.
7. Enter the Tax Rate percentage to assign to this location (optional). You can enter multiple tax rates for this location as long as the date and postal code range do not overlap. Receivables uses the date and postal code range for each tax rate assignment to determine when this assignment is active for this location.
8. If you are entering city level rate assignments and you include City in your tax location flexfield structure, you can optionally override the sales tax rates for the senior segments (State and/or County) of this structure. To override the sales tax rate for this city's state or county, enter a new rate in the Override Sales Tax Rates popup window. See: Defining a Sales Tax Location Flexfield Structure: page 8 – 33.



Attention: You can only use the override feature if you include City in your Sales Tax Location Flexfield Structure.

9. Enter a range of Effective Dates for this tax rate. The default start date is today's date, but you can change it. If you do not enter an end date, this tax rate will be valid indefinitely.
10. Enter a range of Postal Codes for this tax rate. Receivables uses the date and postal code range for your locations to determine which tax rate assignments to use when creating your sales tax rates. You can review these compiled sales tax rates in the Review Sales Tax Rates window.
11. Save your work.

See Also

Reviewing Sales Tax Rates: page 5 – 8

Tax Codes and Rates: page 5 – 2

Tax Exemptions: page 5 – 12

Calculating Tax: page 8 – 2

Sales Tax Listing: page 6 – 7

US Sales Tax Report: page 3 – 33

Reviewing Sales Tax Rates

Use the Review Sales Tax Rates window to review your existing sales tax rates. Receivables creates these sales tax rates when you enter customer addresses in the Customers window. You can view the locations and associated rates for your customer addresses in the Tax Locations and Rates window. If you have a situation where locations are defined without rates and these locations are included in existing authorities, Receivables also creates sales tax rates when you assign rates to these locations.

If you update rates belonging to locations that are already included in an authority, Receivables automatically updates all of the sales tax rates that are associated to this authority. You can review the changes in this window.

The number of sales tax rates created for each authority depends upon the postal code and date ranges that you assigned to each location included in your authority.

The following example demonstrates the criteria that Receivables uses to create sales tax records for your customer addresses. In this case, you have the following locations and rate assignments defined in Receivables where CA is the state of California, San Mateo is a county within California, and Foster City and Belmont are cities within San Mateo county:

Segment Value	From Zip	To Zip	Start Date	End Date	Tax Rate
CA	96199	96199-9999	15-JUL-90	-----	6.25%
CA	85364	89999-9999	15-JUL-90	-----	6.25%
CA	90000	94999-9999	15-JUL-90	-----	6.25%
San Mateo	00000	99999-9999	07-JUL-88	31-DEC-90	0%
San Mateo	00000	99999-9999	01-JAN-91	31-JAN-91	2%
Foster City	94063	94065-9999	01-JAN-91	31-JAN-91	1%
Belmont	94065	94069-9999	01-JAN-90	31-JAN-91	0%

Table 5 - 1 (Page 1 of 1 - Locations and Rates as defined)

When you enter and save these locations and their rate assignments, Receivables generates the following sales tax rate records:

Authority	From Zip	To Zip	Start Date	End Date	Tax Rate
CA.San Mateo. Foster City	94063	94065-9999	01-Jan-91	31-Jan-91	6.25+2+1
CA.San Mateo. Belmont	94065	94069-9999	15-Jul-90	31-DEC-90	6.25+0+0
CA.San Mateo. Belmont	94065	94069-9999	01-Jan-91	31-Jan-91	6.25+2+0

Table 5 – 2 (Page 1 of 1 – Sales Tax Rates for review)

Receivables only calculates sales tax rates for authorities that exist within your home country. For example, if you set up your sales tax system to handle business in the United States but you enter addresses in a foreign country, Receivables does not create locations, authorities, or sales tax records.

Prerequisites

- ☐ Enter customers (*Oracle Receivables User's Guide*)
- ☐ Enter customer addresses (*Oracle Receivables User's Guide*)

► **To review your sales tax rates:**

1. Navigate to the Review Sales Tax Rates window.
2. Choose Run from the Query menu.

See Also

Tax Codes and Rates: page 5 – 2

Tax Locations and Rates: page 5 – 5

Tax Exemptions: page 5 – 12

Sales Tax Listing: page 6 – 7

US Sales Tax Report: page 3 – 33

Tax Authorities

Tax Authorities represent a unique combination of locations and are created manually through the Tax Authorities window or automatically when you enter customer addresses. Receivables uses authorities to expedite sales tax calculations.

When you enter a customer address, Receivables first checks if this authority already exists for the appropriate date range. If it exists, Receivables uses the combined sales tax rate associated with this authority to calculate any tax amounts. If the authority does not exist, Receivables first checks if the locations and associated rates exist. If they exist, Receivables creates the authority and all of the sales tax rates. If the locations do not exist, Receivables creates the authority and the locations in the Tax Locations and Rates window.

You can also implement country specific validation of foreign customer address information using Flexible Address Formats. See: Flexible Addresses in the *Oracle Receivables User's Guide*.

You can disable an existing tax authority either by unchecking the Enabled check box or entering an ending effective date, and then saving your work.

Prerequisites

☐ Define tax locations and rates: page 5 – 5

► **To define a new or review an existing tax authority:**

1. Navigate to the Tax Authorities window.
2. If you are reviewing an existing authority, query the authority to view.

If you are defining a new authority, enter the Authority location, or select from the list of values. Receivables displays an error message if you enter an authority that already exists.

3. Enter a range of Effective Dates for this authority. The default start date is today's date, but you can change it. If you do not enter an end date, this authority will be active indefinitely.
4. Save your work.

See Also

Reviewing Sales Tax Rates: page 5 – 8

Tax Codes and Rates: page 5 – 2

Entering Customer Addresses (*Oracle Receivables User's Guide*)

US Sales Tax Report: page 3 – 33

Tax Exemptions

Tax Code	Exemption		Effective Dates		Status	
	%	Number	Reason	From		To
Location	100.00	CA01234567	Reseller	22-DEC-1997		Primary

Define tax exemptions to fully or partially exempt a customer, item, or range of items from specific tax codes. You can create exemptions against customers or items for either locations or specific tax codes.

To use customer exemptions, set the Use Customer Exemptions system option to 'Yes.' To use product exemptions, set the Use Product Exemptions system option to 'Yes.' To exempt customers or products from tax codes with a type of 'VAT' or 'Sales,' set the appropriate Use Tax Code system option to 'Yes.' See: Tax System Options in the *Oracle Receivables User's Guide*.

To exempt a customer from all taxes, use the Customers window to assign this customer to a tax code with a zero tax rate. To exempt an item from all taxes, use the Items window to assign this item to a tax code with a zero tax rate. See: Defining Items in the *Oracle Inventory User's Guide*.

You can only define a tax rate exemption for items that are invoiceable and have a status of 'Active.' In addition, if you create more than one exemption for the same customer, item, tax code, reason, or certificate number, the date ranges of these exemptions cannot overlap.

You can also use the Tax Exemptions window to update the status of your exemptions. If you need to add an exemption number to an Unapproved exemption created in the Transaction window, you must

change the status of this exemption to 'Expired' and recreate the exemption with the number.

Prerequisites

- ☐ Define system options (*Oracle Receivables User's Guide*)
- ☐ Enter customers (*Oracle Receivables User's Guide*)
- ☐ Define items (*Oracle Inventory User's Guide*)
- ☐ Define tax codes and rates: page 5 – 2

► **To define an exemption for a customer:**

1. Navigate to the Tax Exemptions window.
2. Choose to create Exemptions By Customer.
3. Enter the customer Name or Number.
4. To view existing exemptions for this customer or item(s), choose Find.
5. Enter the Locations for which this exemption will be valid (optional).
6. Enter the Site to exempt (optional). Leave this field blank to exempt all of this customer's sites or if you want to create a regional exemption using the Location flexfield (see previous step).
7. Define your Exemption. See: Defining an Exemption: page 5 – 14.

► **To define an exemption for an item:**

1. Choose to create Exemptions By Customer.
2. Choose to create Exemptions By Item.
3. Enter the Item, or select from the list of values.
4. To view existing exemptions for this item, choose Find.
5. To create a new exemption, choose New Record from the Edit menu.
6. Define your Exemption. See: Defining an Exemption: page 5 – 14.

► **To define an exemption for a range of items:**

1. Choose to create Exemptions By Range.
2. Enter the Category and Category Set to which the range of items belongs (optional). (You use categories to group items with similar characteristics; a category set is a group of categories.)
3. Enter the User Item Type. For example, Finished Good, ATO Model, or Subassembly.
4. Enter the range of Items for this exemption.
5. Define your Exemption. See: Defining an Exemption: page 5 – 14.

Defining an Exemption

1. Enter the Tax Code from which you are partially or fully exempting this customer or item(s). You can enter exemptions for VAT tax codes, or for location based tax, using your 'Location' tax code.
2. Enter the tax code percentage to exempt. You must enter a percent between 0 and 100.
3. Enter an exemption Number (optional).
4. Enter a Reason for this exemption, or select from the list of values.
5. Enter the range of Effective Dates for this exemption. The default start date is today's date, but you can change it. If you do not enter an end date, this exemption will be valid indefinitely.

If an exemption exists for an item, the new exemption you define takes precedence. For example, item A1 has an exemption with no ending effective date. If you define an exemption for this item with an effective start date of January 1, 1996, Receivables sets the existing exemption's end date to December 31, 1995, and creates the new exemption with the effective dates that you specify.

6. Enter a Status for this exemption.

Unapproved: Exemptions created automatically during Invoice entry or import are recorded as Unapproved. Exemptions with this status may be changed to any of the statuses listed here.

Manual: This exemption has been approved but Receivables will not automatically use it. You have to explicitly use this exemption. Exemptions with this status can only be changed to Primary or Expired.

Primary: This exemption has been approved and Receivables will automatically calculate tax. Exemptions with this status can only be changed to Manual or Expired.

Expired: Discontinue a previously approved exemption. Once discontinued, their status cannot be changed.

Rejected: Reject an Unapproved exemption. Once rejected, their status cannot be changed.

7. Save your work.

See Also

Customer Exemption Certificates: page 3 – 4

Calculating Tax: page 8 – 15

Tax Rate Exceptions: page 5 – 16

Tax Exempt Customer Report: page 6 – 8

Tax Exempt Product Listing: page 6 – 9

Tax Rate Exceptions

Use the Item Tax Rate Exceptions window to assign special tax rates to products that you ship to specific authorities.

You can only define a tax rate exception for items that are invoiceable and have a status of 'Active.'

Prerequisites

- ☐ Define items (*Oracle Inventory User's Guide*)
- ☐ Define tax codes and rates: page 5 – 2
- ☐ Define tax rate exception reason QuickCodes (*Oracle Receivables User's Guide*)
- ☐ Define tax authorities: page 5 – 10

► To define a tax rate exception:

1. Navigate to the Item Tax Rate Exceptions window.
2. Choose to create an Exception By Item or Range.
3. If you chose exceptions by Item, enter the Item to exempt or select from the list of values.

If you chose exceptions by Range, enter the Category Set, User Item Type, and a range of Items.

4. To query existing exceptions for this item or range, choose Find.
5. Enter the range of Effective Dates for this exception. The default start date is today's date, but you can change it. If you do not enter an end date, this exception will be valid indefinitely.
6. Enter the authority Location for which you want to define a tax exception for this item or range of items. You can choose to selectively enter values for the different segments in the authority. For example, to enter a tax exception for the entire state of California, you would enter a value for California in the state segment, and leave all the child segments blank. To enter the exception for a particular county within California, enter the state and county values, but leave the city segment blank. (This assumes that you are using state-county-city as your location flexfield structure.)

Note that you cannot leave a segment blank if its child segment has a value assigned to it. For example, if you have assigned a value to

city, its parent segments county and state must have values assigned to them. You cannot update the location flexfield for an exception once the exception has been used within Receivables.

7. Enter the Tax Rates for each location in your authority.

You can choose to leave the tax rates blank for one or more locations of your authority if you do not wish to override that location's default tax rate. For example, if your state is California and you do not wish to override California's default tax rate, leave the state tax rate blank. You cannot update the tax rate flexfield for an exception once the exception has been used within Receivables.

8. Choose a Reason for creating this tax exception. You can define tax exception reasons in the Receivables QuickCodes window by specifying the QuickCode Type 'Tax Rate Exception Reason.' See: *Defining and Updating Receivables QuickCodes (Oracle Receivables User's Guide)*.
9. Save your work.

See Also

Calculating Tax: page 8 – 15

Tax Exemptions: page 5 – 12

Tax Exceptions Listing: page 6 – 9

Tax Groups

Tax Groups

Group Code: GSTPST
Group Name: GSTPST
Group Desc: GST Taxable, PST Taxable
Effective: 01-JAN-1990 -

Tax Codes: Condition

Tax Code	From	To	Classification	Ship To Location
* GST	01-JAN-1990		Country	Canada
NBPST	01-JAN-1990	01-MAR-1997	Province	NEW BRUNSWICK
NFPST	01-JAN-1990	01-MAR-1997	Province	NEWFOUNDLAND
NSPST	01-JAN-1990	01-MAR-1997	Province	NOVA SCOTIA
PEPST	01-JAN-1990		Province	PRINCE EDWARD ISLAND
OCTVQ	01-JAN-1990		Province	QUEBEC
ABPST	01-JAN-1990		Province	ALBERTA

Tax Account Desc: Operations-Balance Sheet-State Sales and Use Tax P.No Sub Account.No Product

Use the Tax Groups window to group multiple, conditional taxes under one name. Tax groups allow countries with multiple taxes to automatically calculate each applicable tax within Receivables and Oracle Order Entry/Shipping. For example, Canada has two types of taxes: Goods and Services Tax (GST) and Provincial Sales Tax (PST). GST is a federal sales tax applied for all shipments, and it has one standard tax rate. PST is applied at the provincial level and has a different tax rate for each province. Similarly, India has multiple taxes. In India, both Government and State Sales Tax is applicable, the state tax rate is controlled by the ship-to address.

Tax groups let you conditionally include multiple tax codes on each order and invoice line. Using tax groups, specific tax codes can be conditional on the ship-to Province, State, Country, or Tax Classification of the bill to customer.

The Tax Classification can also be used to calculate additional taxes, such as the Spanish Recargo de Equivalencia (RdE). In Spain, RdE is controlled by the tax classification field of the bill-to customer site. To use the tax classification field, first create a new lookup value under the lookup type 'Tax Classification.' Then assign each bill-to customer site this Classification. Finally, define a Tax Group with standard VAT and the second tax dependent on the Tax Classification.

Tax groups also support compound tax rates within the group. Compound Tax can be achieved by setting up an order of precedence among the tax codes in the group. Once set up, the compounding of multiple taxes within the group is calculated automatically.

You can also create tax groups that include one or more inclusive tax codes. Inclusive tax codes let you include the tax for a transaction line in the line amount, rather than displaying these amounts separately. A tax group can contain both inclusive and exclusive tax codes, but you cannot assign more than one inclusive tax code for the same ship-to location, classification (e.g. country, province, or state) and effective date range. When you save a new tax group, Receivables verifies that it does not violate any of these requirements.

See: Tax Codes: page 8 – 24 and Inclusive Tax: page 8 – 25 in the Calculating Tax essay.

Note: If you override a tax code, Receivables preserves the override across all updates to the invoice. Similarly, changing the ship-to address or the line item could change the default tax code.

Prerequisites

- ☐ Define tax codes and rates: page 5 – 2

► To define a tax group:

1. Navigate to the Tax Groups window.
2. Enter the Group Code name for this tax group.
3. Enter a Group Name for this tax group. The default is the Group Code, but you can change it.
4. Enter a Description of this tax group (optional).
5. Enter a range of Effective dates for this tax group. The default start date is the current date, but you can change it. If you do not enter an end date, this tax group will be active indefinitely.
6. Enter a Tax Code or select one from the list of values. You can only select tax codes whose effective dates are within the effective dates for this tax group. For example, if the effective date for your tax group is from 01-JAN-97, you cannot enter a tax code whose start date is before 01-JAN-97, even if the tax code has no end date (this is because an end date could be added to the tax code later to make it inactive, thereby making it invalid within the tax group).

When you enter a tax code, Receivables displays the corresponding tax code Name that will appear on your customer's invoices.

Note: You can only assign a tax code to one tax group. To implement multiple tax groups, create a different tax code, one for each group.

7. To limit the dates in which this tax code will be active within this tax group, enter an end date in the 'Effective Dates: To' field. The default Effective Date: From is today's date, but you can change it. If you do not enter an end date, this tax code will be active within this tax group indefinitely.

Note: The Name, Tax Rate, and Sign for this tax code are for display only. You enter these values in the Tax Codes and Rates window.

Note: If this is an inclusive tax code, the Inclusive Tax check box is checked. You cannot change this setting. See: Tax Codes and Rates: page 5 – 2.

8. If this is *not* an inclusive tax code, enter a Compounding Precedence number (optional). This indicates which tax code Receivables will look at first when compounding taxes. You cannot compound inclusive tax codes.
9. Open the Condition alternative region, then enter a Classification for this tax code (optional). If this tax code will be used for shipments to a specific Province, State, or Country, select a Classification from the list of values. If this tax code will only be used for transactions billing to a specific classification of customer site, select this classification from the Tax Classifications that you defined in the Receivables QuickCodes window. To always use the tax rate within the selected group, leave this field blank.
10. If you entered a Classification, enter a Ship To Location, or select one from the list of values.
11. Repeat steps 6 through 10 for each tax code to add to this tax group.
12. Save your work.

See Also

Calculating Tax: page 8 – 15

Implementing Canadian Sales Tax: page 4 – 2

CHAPTER

6

General Tax Reports

This chapter describes the reports Receivables provides to help you review all of your tax related information, regardless of your tax method.

Overview of Receivables Tax Reports

Receivables provides the following reports to help you review your tax information and determine your overall tax liability.

Tax Listing Reports

You can print all of your tax listing reports from either the Print Listing Reports or the Submit Requests window. Receivables provides the following tax listing reports:

- Sales Tax Listing: page 6 – 7
- Tax Code Listing: page 6 – 4
- Tax Exceptions Listing: page 6 – 9
- Tax Exempt Customer Report: page 6 – 8
- Tax Exempt Product Report: page 6 – 9
- Tax-Only: Open Invoices Report: page 6 – 6

Sales Tax Reports

You can print all of your sales tax reports from either the Submit Requests screen or the Print Other Reports window. Receivables provides the following sales tax reports:

- Canadian Tax Reconciliation Report: page 4 – 24
- Tax Received Report: page 6 – 5
- US Sales Tax Report: page 3 – 33

VAT Reports

You can print all of your VAT tax reports from the Submit Requests window. Receivables provides the following VAT tax reports:

- Customers with Invoices at 0 and no VAT Registration Number: page 2 – 37
- VAT Exception Report: page 2 – 39
- VAT Reconciliation Report: page 2 – 29
- VAT Register Report: page 2 – 42

Sales Tax Rate Interface Report

If you import your sales tax rate and location data using the Sales Tax Interface, Receivables automatically generates the Tax Interface Report: page 7 – 15. This report shows you what information was imported into Receivables. You run the Sales Tax Rate Interface from the Run Tax Rate Interface window.

See: Using Sales Tax Rate Interface: page 7 – 11 and Running the Tax Rate Interface Program: page 7 – 13.

See Also

Country-Specific Documentation

Country Specific VAT Reporting: page 2 – 2

Movement Statistics Report (*Oracle Inventory User's Guide*)

Tax Code Listing

Figure 6 – 1

U.S. Operations						Tax Code Listing										Report Date: 05-JAN-98 12:43	
																Page: 1	
Tax Code	Name	Description	Type	Start Date	End Date	Ad Hoc	Allow Exempt	Tax Incl	Over-ride	Incl. Rate	Compounding Precedence	Classification	Location	Tax Account			
GSTPST	GST	Canada GST+appl	Tax Group	01-JAN-90						7	1			01.000.000.8220.000.0000			
QCTVO	GST	Quebec TVQ	VAT	01-JAN-90		No	No	No	No	6.5	2	PROVINCE	QUEBEC	01.000.000.8228.000.0000			
ABPST	PST	Alberta PST	Sales Tax	01-JAN-90		No	Yes	No	No	0		PROVINCE	ALBERTA	01.000.000.8223.000.0000			
BCPST	PST	British Columbia	Sales Tax	01-JAN-90		No	Yes	No	No	7		PROVINCE	BRITISH COLUM	01.000.000.8224.000.0000			
MBPST	PST	Manitoba PST	Sales Tax	01-JAN-90		No	Yes	No	No	7		PROVINCE	MANITOBA	01.000.000.8225.000.0000			
NBPST	PST	New Brunswick	Sales Tax	01-JAN-90		No	Yes	No	No	11		PROVINCE	NEW BRUNSWICK	01.000.000.8232.000.0000			
NFPST	PST	New Foundland	Sales Tax	01-JAN-90		No	Yes	No	No	12		PROVINCE	NEWFOUNDLAND	01.000.000.8226.000.0000			
NSPST	PST	Nova Scotia	Sales Tax	01-JAN-90		No	Yes	No	No	11		PROVINCE	NOVA SCOTIA	01.000.000.8229.000.0000			
NTPST	PST	Northwest Territo	Sales Tax	01-JAN-90		No	Yes	No	No	0		PROVINCE	NORTHWEST TER	01.000.000.8231.000.0000			
ONPST	PST	Ontario	Sales Tax	01-JAN-90		No	Yes	No	No	8		PROVINCE	ONTARIO	01.000.000.8221.000.0000			
PEPST	PST	Prince Edward	Sales Tax	01-JAN-90		No	Yes	No	No	10		PROVINCE	PRINCE EDWARD	01.000.000.8227.000.0000			
SKPST	PST	Saskatchewan	Sales Tax	01-JAN-90		No	Yes	No	No	9		PROVINCE	SASKATCHEWAN	01.000.000.8222.000.0000			
YTPST	PST	Yukon	Sales Tax	01-JAN-90		No	Yes	No	No	0		PROVINCE	YUKON TERRITO	01.000.000.8230.000.0000			
Red	Reduced	Output VAT Reduce	Tax Group	01-JAN-90													
ES7	Red	Spanish Output VA	VAT	01-JAN-90		No	No	No	No	7	1			01.000.000.8331.000.0000			
RdE4	RdE4	Spanish Recargo D	VAT	01-JAN-90		No	No	No	No	4		RdE		01.000.000.8335.000.0000			
Std	Standard	Spanish Output VA	Tax Group	01-JAN-90													
ES16	Std	Spanish Output VA	VAT	01-JAN-90		No	No	No	No	16	1			01.000.000.8330.000.0000			
RdE7	RdE7	Spanish Recargo D	VAT	01-JAN-90		No	No	No	No	7		RdE		01.000.000.8334.000.0000			
SupRed	Super Reduced	Output VAT Super	Tax Group	01-JAN-90													
ES4	SupRed	Spanish Output VA	VAT	01-JAN-90		No	No	No	No	4	1			01.000.000.8332.000.0000			
RdE1	RdE1	Spanish Recargo D	VAT	01-JAN-90		No	No	No	No	1		RdE		01.000.000.8336.000.0000			
Sales Tax	Sales Tax	US Sales Tax	Location	01-Jan-90		No	No	No	No					01.000.000.8999.000.0000			
ES0	Zero	Spanish Output VA	VAT	01-JAN-90		No	No	No	No	0				01.000.000.8333.000.0000			
20E	20E	20% Exclusive	VAT	01-JAN-90		No	No	No	No	20				01.000.000.1320.000.0000			
20I	20I	20% Inclusive	VAT	01-JAN-90		No	No	Yes	No	20				01.000.000.1320.000.0000			
End Of Report																	

Use this report to review the tax codes and tax groups you have defined. For each tax code, Receivables lists the tax rate, tax type (VAT or Sales Tax), effectivity dates, control flags, compounding precedence and the liability account that the tax code defines. The listing indents tax codes that belong to a tax group and includes the condition fields Classification and Ship-To location that determine the usage of the tax code within the tax group.

See Also

Tax Codes and Rates: page 5 – 2

Tax Received Report

Use this report to review the amount of taxes you received for each taxable debit item. The Tax Received report automatically sorts by tax code and lets you see how much tax you received for the GL date range that you specify or for a specific tax code.

Note: This report displays the Amount Received in the currency of the transaction.

Report Parameters

Receivables provides the following reporting options:

Order By: Receivables uses state to order your report information.

State: Select and print your report information from the state range you specify.

GL Date: Select and print your report information from the debit item GL date range you specify.

Report Headings

Report headings provide general information about the contents of your report or listing such as your set of books name, report title, date and time you run your report and page number.

Order By: Receivables prints 'State' as your order by option.

Currency: Receivables prints the currency above all debit items belonging to this currency. Receivables creates separate pages for debit items with different currencies.

GL Date From (Date) To (Date): Receivables prints the debit item general ledger date range (if you entered one).

Row Headings

Row headings give you descriptions of the contents of each row within your report or listing.

City Subtotal: Receivables prints the line, tax, amount received and tax received subtotals for each city.

County Subtotal: Receivables prints the line, tax, amount received and tax received subtotals for each county.

Invoice Grand Total: Receivables prints the line, tax, amount received and tax received totals for all debit items on this report.

Column Headings

Amount Received: The total of the lines and tax amount for this transaction. The report shows this amount in the same currency as the transaction.

Lines Amount: The total line amount for this transaction.

Tax Amount: The total tax amount for this transaction.

Tax Received: The total amount of tax received for this transaction.

Tax-only: Open Invoices Report

Use this report to review invoices where all amounts have been paid or credited except the tax amount. These are invoices where the tax amount may be in dispute. Use this report to highlight potential problems.

Report Parameters

Receivables provides the following reporting options:

Order By: Select the option to use to sort your information from the following:

- Customer Name
- Invoice Date
- Invoice Number

Currency Code: Select and print report information from the currency code you specify.

Invoice Date: Select and print report information from the invoice date range you specify.

Report Headings

Report headings provide general information about your report or listing such as your set of books name, report title, date and time you run your report and page number.

Currency: The currency above all invoices belonging to this currency

Invoice Date From (Date) to (Date): The invoice date range (if you entered one).

Column Headings

Column Headings describe specific columns in your report or listing.

Customer Name: The customer name for this invoice.

Invoice Date: The invoice date. This is typically the date you create the invoice.

Days Overdue: The number of days the uncollected tax amount is past due.

Original Amount: The original tax charges for this invoice.

Amount Outstanding: The unpaid amount of tax for this invoice.

Row Headings

Row headings give you descriptions of the contents of each row within your report or listing.

Amount Outstanding Grand Total: The total outstanding tax amount for the invoices on this report.

Sales Tax Listing

Use this report to review all home country locations that were ever used and the sales tax rates for these locations. The report lists each location, the postal code range covered by the location, the tax rates, the period for which the rates are valid, and the accounting flexfield associated with the sales tax. See: Reviewing Sales Tax Rates: page 5 – 8.

See Also

US Sales Tax Report: page 3 – 33

Tax Exempt Customer Report

Use this report to review customers with a tax exemption. Full tax exemptions are assigned in the Tax Exemptions window. For each exemption, Receivables lists the customer name, customer number, location code, site, tax code, the percentage of the customers debt that is exempt, reason code for the exemption, the date range when it is active, and the exemption status. See: Tax Exemptions: page 5 – 12.

Report Parameters

When you request this report, Receivables provides the following reporting options:

Order By: This report orders your information in the following manner:

1. Tax Code
2. Exemption Status
 - 2.1 Primary Certificates
 - 2.2 Manual Certificates
 - 2.3 Unapproved
 - 2.4 Expired
 - 2.5 Rejected
3. Customer or Location
4. Start Date
5. Exemption Certificate

Select the option you want Receivables to use to sort your information in the third level.

Customer Choose this option if you want Receivables to automatically sort and print your customer tax exemptions information by customer.

Location Choose this option if you want Receivables to automatically sort and print your customer tax exemption information by location.

Exemption Status: The status of the exemptions to include in this report. If you do not select a status, Receivables includes all exemptions. Valid options include Expired, Manual, Primary, Rejected, and Unapproved.

Company Name: The company name range to include in this report.

Tax Code: The tax code range to include in this report.

Creation Date: A date range to limit the customers included in this report to those whose tax exempt creation date falls within the range.

Tax Exempt Product Report

Use this report to review the inventory items with tax exemptions. You assign exemptions to items in the Tax Exemptions window. For each item with an exemption, Receivables lists the item name, tax code assigned to the item, percent of the item that is exempt, exemption number, reason code, and the date range when the exemption is active. See: Tax Exemptions: page 5 – 12.

Tax Exceptions Listing

Use this report to review a list of all item tax exceptions you defined in the Item Tax Rate Exceptions window. Item tax exceptions are tax rates that you assign to an inventory item that is shipped to a specific shipping address. Receivables displays tax rates that were originally assigned to the Location Flexfield as well as the tax exception rates. See: Tax Rate Exceptions: page 5 – 16.

Open Interfaces

This chapter describes the Sales Tax Rate Interface that you can use to load sales tax records into your application from your sales tax feeder system. It also provides information about the Tax Vendor Extension, which lets you integrate external tax calculation programs with Oracle Applications.

Importing Address Validation Data and Sales Tax Rates

The Sales Tax Rate Interface lets you load sales tax records into your application from your sales tax feeder system. You can use the Sales Tax Rate Interface program to load new locations and tax rates from an interface area into Receivables. This program lets you load one or more tax rates for the same location which cover different date ranges and postal codes. The records that you load into Receivables through the Sales Tax Rate Interface program update your existing sales tax rates with the most current tax rates for each location.

You can then use this new tax information to create invoices manually, import invoices into Receivables using the AutoInvoice program, and validate new customer addresses that you enter.

Note: Oracle Order Entry/Shipping also uses the Sales Tax Rate Interface.

Adjust Tax Rate Dates

The Sales Tax Rate Interface program can adjust the active date range of existing tax rates as new tax rates are loaded into Receivables.

Load Multiple Tax Locations and Rates

The Sales Tax Rate Interface program allows you to load all of your locations and tax rates into Receivables at one time rather than enter each one manually. You can also load rates for sales tax rate overrides. You can immediately use this new tax information to create invoices manually, import invoices into Receivables using the AutoInvoice program, and validate new customer addresses that you enter.

Maintain Up to Date Tax Rate Information

Use the Sales Tax Rate Interface program to ensure that you have the most current sales tax information in Receivables. You can submit this program periodically to update your existing tax rates with the most recent changes.

See Also

Overview of the Sales Tax Rate Interface: page 7 – 4

Preparing to Load Sales Tax Rates: page 7 – 5

Importing Data From Your Feeder System: page 7 – 7

Sales Tax Rate Interface Validation: page 7 – 9

Using Sales Tax Rate Interface: page 7 – 11

Running the Tax Rate Interface Program: page 7 – 13

Tax Interface Report: page 7 – 15

Sales Tax Rate Date Adjustments: page 7 – 18

Action Codes of the Sales Tax Rate Interface Program: page 7 – 21

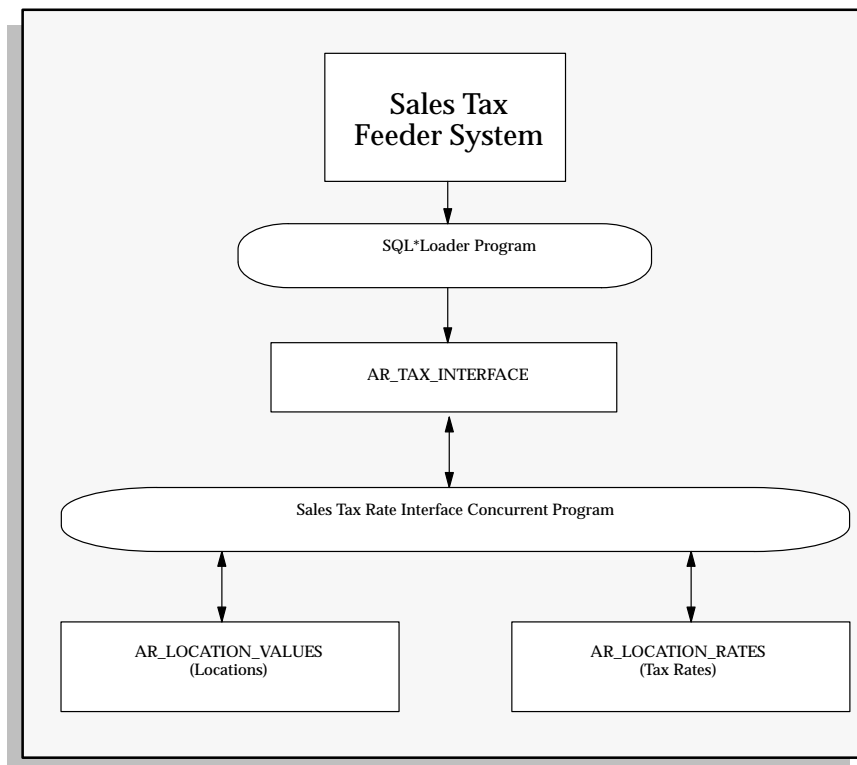
Sales Tax Rate Interface Program Updates of AR_TAX_INTERFACE
Table: page 7 – 24

Overview of Sales Tax Rate Interface

The following diagram shows how customer information is imported into the Receivables tax tables.

You should only use this program to load locations and tax rates for the country you specified as your 'Default Country' in the System Options window.

Figure 7 – 1



Refer to your Implementation Manual to see the validation that Sales Tax Rate Interface performs on each column of the AR_TAX_INTERFACE table.

See Also

Preparing to Load Sales Tax Rates: page 7 – 5

Using Sales Tax Rate Interface: page 7 – 11

Preparing to Load Sales Tax Rates

To ensure that the Sales Tax Rate Interface works correctly, you should complete the following steps before loading sales tax records into Receivables:

- Verify the Sales Tax Location Flexfield Structure
- Perform Backup of Sales Tax Information
- Clear Tax Interface Table
- Verify and Define Tax Table Storage Parameters

Verify the Sales Tax Location Flexfield Structure

When you use the Tax Interface program for the first time, navigate to the Key Flexfields window and verify that your Sales Tax Location Flexfield structure is frozen and compatible with the location and tax rate data that you will be loading into Receivables.

You only need to perform this step once.

Perform Backup of Sales Tax Information

Before you load sales tax data into Receivables, you should perform a backup of your location and tax rate information. This information is stored in the following tables:

- AR_LOCATION_VALUES
- AR_LOCATION_RATES
- AR_LOCATION_COMBINATIONS
- AR_SALES_TAX

You need to perform this step every time you execute the Sales Tax Rate Interface program.

Clear Tax Interface Table

Verify that the AR_TAX_INTERFACE table does not contain any records. The SQL loader control scripts aravp.ctl and arvertex.ctl will clear all existing tax rate information before loading a new set of locations and rates. You can either rely upon these scripts to clear existing records or truncate the table AR_TAX_INTERFACE manually using the TRUNCATE command.

Note: You cannot rollback a TRUNCATE statement.

You need to perform this step every time you execute the Sales Tax Rate Interface program.

Verify and Define Tax Table Storage Parameters

Verify that the AR_LOCATION_VALUES and AR_LOCATION_RATES tables into which you will load locations and tax rates have sufficient allocations of space. If you are loading sales tax data for the entire United States, then your database administrator must allocate the following amount of space for Receivables tax interface, tax locations, and tax rates tables.

You need to perform this step every time you execute the Sales Tax Rate Interface program.

Table	Data Storage	Index Storage
AR_TAX_INTERFACE	8 Megabytes	11 Megabytes
AR_LOCATION_VALUES	7 Megabytes	8 Megabytes
AR_LOCATION_RATES	10 Megabytes	5 Megabytes
TOTAL:	25 Megabytes	24 Megabytes

Table 7 – 1 Tax Storage Parameters (Table 1 of 1)

A submission of sales tax information which includes every state, county, and city in the United States will load approximately 60, 000 records into the AR_TAX_INTERFACE table.

If you enter customer addresses which use every state, county, and city within the United States, Receivables creates sales tax rates to handle each of these distinct addresses. Receivables uses the table AR_LOCATION_COMBINATIONS to store each unique authority, and the table AR_SALES_TAX to store the composite sales tax rates that it generates for these authorities. In this case, your database will require the following storage space for these tables in addition to the storage requirements listed previously.

Table	Data Storage	Index Storage
AR_LOCATION_COMBINATIONS	7 Megabytes	6 Megabytes
AR_SALES_TAX	8 Megabytes	5 Megabytes
TOTAL:	15 Megabytes	11 Megabytes

Table 7 – 2 Authority and Sales Tax Rates Storage Parameters
(Table 1 of 1)

See Also

Importing Data From Your Feeder System: page 7 – 7

Using Sales Tax Rate Interface: page 7 – 11

Importing Data From Your Feeder System

After you finish preparing to run the Sales Tax Rate Interface program, use an SQL*Loader script to transfer sales tax records from your sales tax feeder system into the tax interface table.

Receivables provides two SQL*Loader scripts – **arvertex.ctl** and **aravp.ctl** – as model files for loading your sales tax data into the tax interface table from your feeder system. These scripts are designed for the 'State.County.City' Sales Tax Location Flexfield structure and must be modified if you are using a different structure. The scripts reside in your ar/bin directory.

Note: These SQL*Loader control files upload current sales tax rate data only. If you need to upload historical sales tax data, you will have to customize the supplied scripts. Additionally, you should check with your Tax Vendor to ensure that they can supply you with historic sales tax rates.

The SQL*Loader scripts support several sales tax features. You can use these scripts to define sales tax locations and tax rates for each of the segments in the structure. These scripts support and will upload the following:

- multiple tax rates for a single tax location that have different effectivity dates and multiple zip code ranges
- common names (these are used, for example, for cities and areas within cities)
- rates for sales tax rate overrides

Truncated City Names

Receivables tax windows and the list of values support up to 60 characters for each location. Your tax feeder system may support a smaller number of characters. For example, if you have a State, County and City name of Arizona, Havasupai, Havasupai Indian Reservation, and your Sales Tax feeder system only supports 25 characters for each name, the city named Havasupai Indian Reservation is truncated to "Havasupai Indian Reservat". You must update any truncated city names in the Tax Locations and Rates window to reflect the correct names. See: Tax Locations and Rates: page 5 – 5.

See Also

Running the Tax Rate Interface Program: page 7 – 13

Sales Tax Rate Interface Validation: page 7 – 9

Sales Tax Rate Interface Validation

By understanding the data in the AR_TAX_INTERFACE table, you can identify the underlying causes of invalid tax interface data. If the Sales Tax Rate Interface program identifies a record in the interface table that has invalid data, then the program will not pass this record into Receivables location and tax rate tables.

Each location that you load into the tax interface table must have a unique location ID associated with it. This unique location ID enables the Sales Tax Rate Interface program to distinguish between different locations even if the same name appears more than once in your tax data. All locations which are junior to other locations must identify their parent through the parent location ID. The Sales Tax Rate Interface program will only load a tax record into Receivables if it has a parent, unless it is a senior location.

In the example below, each location has a unique location ID. This location ID is composed of a unique identifier for the junior location, prefixed with the location ID of the parent of this location. To identify their parents, the county of Los Angeles has the location ID of California as its parent location ID, and the city of Los Angeles has the location ID of Los Angeles county as its parent location ID.

Record Number	Location ID	Parent Location ID	Location Value	Location Qualifier
1	11		California	State
2	1101	11	Los Angeles	County
3	110102	1101	Los Angeles	City
4	110103		Santa Monica	City
5	1104	11	Orange County	County
4	110405	1104	Santa Ana	City

Table 7 – 3 Location and Parent Location IDs (Table 1 of 1)

Note: The Sales Tax program will not load Record 4 into Receivables because this record does not have a parent location ID and its qualifier indicates that this is not a senior location.

If a tax record that you load into the tax interface table from your sales tax feeder system includes a location without rates, then the Sales Tax Rate Interface program will load this location information. You must assign tax rates to this location manually using the Tax Locations and Rates window in Receivables.

If the tax record that you load into the interface table has a tax account segment, Receivables will automatically default the tax account defined in the Tax Codes and Rates window for the tax code of type 'Location' as the tax account for this segment. The tax account will be populated in the AR_LOCATION_VALUES.TAX_ACCOUNT_CCID.

If no tax code of type 'Location' has been defined, Receivables will use the Tax Location Account defined in the System Options window as the default tax account for this segment.

Each location that you pass into the tax interface table must have an appropriate segment qualifier value. You assign a segment qualifier to each segment of your Sales Tax Location Flexfield structure. For example, if you are loading in the city of Los Angeles, then this location must have a segment qualifier of 'CITY'. The Sales Tax Rate Interface program will not load tax records into Receivables that do not have a segment qualifier.

Each record in the tax interface table must have a value for the CHANGE_FLAG column. This value indicates to the Sales Tax Rate Interface program whether a record is different from the most recent listing of this tax data. If this column is 'N', then the Sales Tax Rate Interface program assumes this record is unchanged. If it is 'Y', then the program assumes that this record is different from the most recent listing. You can use this column to submit the Sales Tax Rate Interface program only for tax data that has been changed since the last submission. This could reduce the time it takes to upload your Sales Tax data.

The Sales Tax Rate Interface program assigns Action Codes to each row of the Sales Tax Rate Interface table based on the results of the validation it performed for that row.

See Also

Sales Tax Rate Interface Program Updates of AR_TAX_INTERFACE Table: page 7 – 24

Using Sales Tax Rate Interface

Running Sales Tax Rate Interface

You must invoke the Sales Tax Rate Interface program from the Run Tax Rate Interface window to transfer sales tax records from the Receivables tax interface table into the Receivables tax location and tax rate tables.

Report Submission Parameters

Parameter	Possible Values
Review or Upload	Load All Data in Tax Interface
	Load Changed Data Only in Tax Interface Table
	Review Tax Interface Data
Print Format	Print All Detail
	Print Summary Only
	Print Warnings in Detail
Senior Location	Enter a value from the first segment of your Sales Tax Location Flexfield structure containing the sales tax rates you want to upload or review. For example, if your structure is State.County.City then you would enter the State that contained the rates you want to upload or review. If you leave this parameter null, all values are included.

Table 7 – 4 Sales Tax Rate Interface Submission Parameters (Table 1 of 1)

Review or Upload

If you enter 'Load All Data in Tax Interface' for the Review or Upload parameter, the Sales Tax Rate Interface program loads all tax data from the tax interface table into the location and tax rates tables.

If you enter 'Load Changed Data Only in Tax Interface Table' for this parameter, the program only loads tax rows from the tax interface table

which are different from the most recent data your sales tax feeder system supplied.

If you enter 'Review Tax Interface Data' for this parameter, the program prints the Tax Interface report without actually performing the upload to the location and tax rate tables. Use this to review the tax data in the tax interface table before or after you have submitted the Sales Tax Rate Interface program. If you use this method after invoking the Sales Tax Rate Interface program, the Tax Interface report shows the action that it performed on each row of the tax data in the tax interface table.

Choose 'Review Tax Interface Data' to review the tax rates of a particular location in the interface table before loading the records. In this case, enter 'Print All Detail' as your Print Format parameter value, and specify the senior location for which you want to review tax rates. You can then use SQL*Plus to update the tax rates for this location if they are not what you require.

Print Format

If you enter 'Print Summary Only' as your Print Format parameter, the Tax Interface report includes a summary of the actions that the Sales Tax Rate Interface program has performed on the tax data uploaded from the tax interface table. This summary includes each action code that the Sales Tax Rate Interface program used for the upload, the action code's description, and the number of rows on which the program executed each action.

These action codes are described in detail later in the Action Codes section of this essay.

If you enter 'Print Warnings in Detail' as your Print Format parameter, the Tax Interface report includes a summarized section that lists the program's actions, and a detailed section that lists lines from the tax interface table that the program identified with a warning action code.

If you enter 'Print All Detail' as your Print Format parameter, the Tax Interface report includes a summarized section that lists the program's actions, and a detailed section that lists each line that the program loaded and the action that was identified for it.

Senior Location

If you do not enter a value for the senior location parameter, the Sales Tax Rate Interface program lets you upload or review tax rows in the tax interface table for all senior locations. Use the list of values to select a specific location as your senior location value to upload or review only the tax rows for a specific location. If you are using one of the

predefined Sales Tax Location Flexfield structures, the first segment of that structure will be your senior location.

See Also

Running the Tax Rate Interface Program: page 7 – 13

Tax Interface Report: page 7 – 15

Running the Tax Rate Interface Program

Run the Tax Rate Interface program to upload new tax authorities and sales tax rates into the Receivables tax tables.

When you enter and update your location segment values and rate assignments using the Tax Rate Interface program, Receivables creates new compiled images of the sales tax rates for each unique overlapping combination of the location segment values that your customer ship-to addresses include. Receivables uses the postal ranges and start and end dates that you specify for each tax authority's rate assignments to create these sales tax rate records. Receivables does not create a compiled sales tax rate record until you either enter a customer ship-to address that uses your tax authority location values and their associated rate assignments, or you update the actual location segment values and their rate assignments. You can update these location segment values and their assignments through the sales tax interface program or by creating manual entries in the Tax Location Values window.

After the program has uploaded all of its records into your system, Receivables deletes these rows from the interface table. Upon completion, this program generates a report listing all of the new rates for each taxing authority that the external tax vendor's tape loader system has brought into Receivables.

You submit the Tax Rate Interface program from the Run Tax Rate Interface window. You can view your completed submission of the Tax Rate Interface program as well as its status from the Concurrent Requests Summary window.

Note: You should not load sales tax information through the Tax Interface if it is for a foreign location.

You can run any report or report set that your system administrator includes for your responsibility's request security group, as well as any report set that you create using the Define Report Set window.

Note: It is possible that a report set in your request security group could contain individual reports that are not in your request security group. You can run these reports as part of that report set, but you cannot run them as individual reports. For more information, see: Defining a Request Security Group in the *System Administrator's Guide*.

Prerequisites

- ☐ Prepare to Load Sales Tax Rates: page 7 – 5
- ☐ Import Data From Your Feeder System: page 7 – 7

► To run the Tax Rate Interface:

1. Navigate to the Run Tax Rate Interface window.
2. Enter a request Name of Sales Tax Rate Interface.
3. Enter parameters for submitting the program.

Review or Upload: Choose to upload the tax data or print a report for review by selecting one of the following options: Load All Data in Tax Interface Table; Load Changed Data only in Tax Interface Table; Review Tax Interface Data.

Print Format: Select a printing format from the following: Print all Detail; Print Summary Only; Print Warnings in Detail.

State: Select a specific location as your state value to upload or review only the tax rows for a specific location (optional). If you do not enter a location, Receivables will include all states.

Note: For more information about these options, see: Using Sales Tax Rate Interface: page 7 – 11.

4. Choose OK.
5. To print the results of this submission, enter Print Options. Enter the number of Copies to print, a printing Style, and the Printer to use.

Note: If you do not specify Run Options or Printer Options, Receivables uses either the optional default values defined for this report or, if the report has no default values, the values defined in your profile options.

6. To save the output to a file, check the Save Output check box.
7. Choose Submit. Receivables displays a concurrent Request ID for this submission and generates the Tax Interface Report: page 7 – 15.

See Also

Sales Tax Rate Date Adjustments: page 7 – 18

Using Sales Tax Rate Interface: page 7 – 11

Tax Codes and Rates: page 5 – 2

Tax Locations and Rates: page 5 – 5

Defining Receivables System Options (*Oracle Receivables User's Guide*)

Tax Interface Report

Figure 7 – 2

Senior Segment: CA For Request: All		Tax Interface Report				Date: 17-AUG-1993 12:15 Page: 1				
Printing Option:Print Warnings in Detail		STATE: CA - California								
Action: Review Tax Interface Data		Summary for California								
Action Code		Action Description				Number of Rows				
ALREADY-EXISTS		Tax Rate Already Exists				1				
IGNORE		Ignored				1				
INSERT		New Tax Rate for Existing Location				231				
NEW-LOCATION-INSERT		New Location Created, Tax Rate information Defined				2608				
Location Number		Line	Qualifier	Value	Warnings for California From Zip To Zip		Start Date	End Date	Tax Rate	Action
1		178421	CITY	SOUTH LAKE TAHOE	96150 96150				0.00	IGNORE
2		178618	CITY	WHITEHORN	95589 95589				0.00	ALREADY-EXISTS
Locations and Rates Defined for Warnings										
Location Number		Location			From Zip	To Zip	Start Date	End Date	Tax Rate	
1		EL DORADO-SOUTH LAKE TAHOE			95702	95708	01-JAN-1900	31-DEC-2199	0.00	
					95716	95716	01-JAN-1900	31-DEC-2199	0.00	
					95761	95761	01-JAN-1900	31-DEC-2199	0.00	
					96150	96158	01-JAN-1900	31-DEC-2199	0.00	
2		HUMBOLDT-WHITEHORN			95495	95495	01-JAN-1900	31-DEC-2199	0.00	
					95589	95589	01-JAN-1900	31-DEC-2199	0.00	
Line		Qualifier	Location	Value	Orphan Records, Parent_Location_ID was invalid From Zip To Zip End Date Start Date Tax Rate Location Id Parent ID					
176232		CITY	BORDER		99780	99780			0.00	022401056 02240
176233		CITY	SLANA		99586	99586			0.00	022611037 02261

Review Sales Tax Interface Report

The Tax Interface report provides information on the tax data you have loaded into Receivables or are reviewing for an upload. The report displays each senior location on a separate page.

The Tax Interface report is automatically generated when you run the Sales Tax Rate Interface program.

This report is divided into the following sections:

- **Summary Section:** The summarized section of the Tax Interface report lists each action code that the Sales Tax Rate Interface program has used for the upload, the action code description, and the number of tax interface rows on which the program has executed each action.
- **Warning Section:** The warning section of the Tax Interface report lists every line of tax interface data that the Sales Tax Rate Interface program has identified with an action code other than 'INSERT' or 'NEW-LOCATION-INSERT'. Each row in this section lists the interface line ID, segment qualifier, location, postal code range, active date range, tax rate, and action for each row in the tax interface table that has a warning action code.
- **Locations and Rates Defined for Warnings Section:** This section of the report lists all of the locations and tax rates which are defined in Receivables for each location in the Warnings Section. This section includes the postal code and active date ranges of each of these locations' tax rates. Use this section in combination with the Warnings Section of the report to determine whether you need to take further action. If the tax rates are correct, then no further actions are necessary. If they are not, then you may need to update tax rates and locations manually in the Receivables Tax Locations and Rates window. For example, if the Warnings Section of this report includes a tax interface line with an action of 'ALREADY-EXISTS' for a tax rate, then the Locations and Rates Defined for Warning section will show a tax rate for this location with the same postal code and active date range that already exists in Receivables. No action is necessary in this case.
- **Orphan Records, Parent_Location_ID Was Invalid Section:** The final section on the Tax Interface report lists lines of tax interface data which the Sales Tax Rate Interface program has identified as not having a valid parent location ID value. All locations that are junior to other locations identify their parent location through the parent location ID. The program will not

load a tax record into Receivables if it cannot identify a parent location using this ID, or if it is not a senior location. If this section of the report includes a tax interface line that is missing a Parent ID value, you must use SQL*Plus to update the line with the appropriate parent location ID, before it can be loaded into Receivables. For a review of this information, see: Table 7 – 3.

See Also

Running the Tax Rate Interface: page 7 – 13

Termination of the Tax Interface Report

If more than 100 Oracle errors occur during the upload of a single senior location, the program will terminate with an error message indicating that too many errors have occurred. Because the program saves after uploading the tax records of each senior location value, the Tax Interface report lists all of the tax records that the program has successfully uploaded, as well as the Oracle errors which resulted in the termination of the program. All of the remaining tax records of senior locations that the Sales Tax Rate Interface program has not processed will have a status of <NULL>.

If you resubmit the Sales Tax Rate Interface program using the same parameter values, the program only processes those tax records that satisfy these criteria and have an action code status of <NULL>. If the Tax Interface report indicates that the Oracle errors only occurred on the tax data of a specific senior location, then you should specify this location as your senior location parameter when you resubmit the Sales Tax Rate Interface program.

See Also

Running the Tax Rate Interface: page 7 – 13

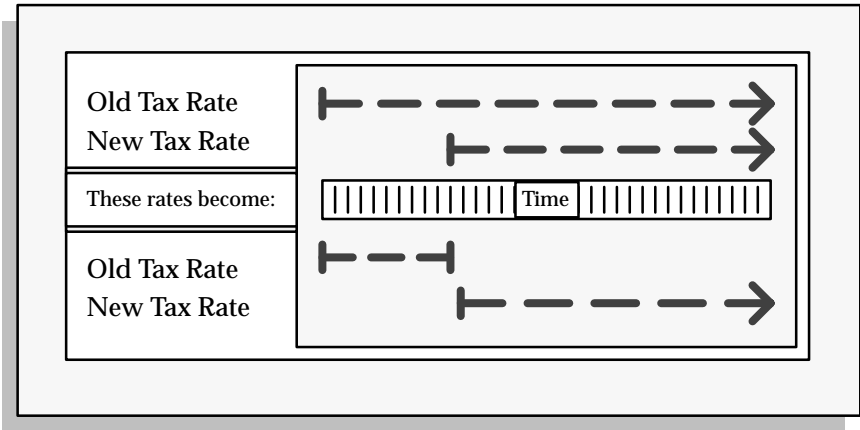
Tax Interface Report: page 7 – 15

Sales Tax Rate Date Adjustments

The Sales Tax Rate Interface program adjusts the active date ranges of existing tax rates to ensure that they do not overlap with incoming tax rates for a location. For example, if an incoming sales tax rate for a location has start and end dates that overlap the active date range of an existing rate, then the Sales Tax Rate Interface program adjusts the active date range of the existing rate so that its active period does not overlap the date range of the incoming rate.

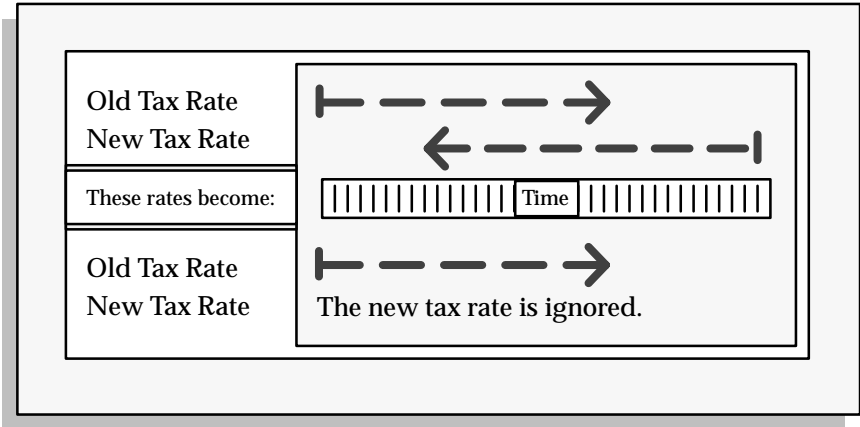
The following diagrams indicate how the Sales Tax Rate Interface program inserts new tax rates and updates the active date range of existing tax rates. Each diagram shows the action code associated with the type of rate date adjustment that the Sales Tax Rate Interface program performs.

Figure 7 – 3
UPDATE-INSERT



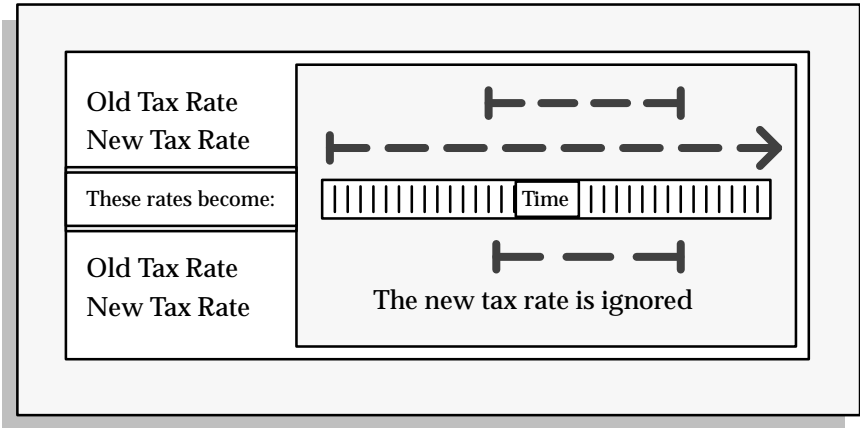
In Figure 7 – 3, when the Sales Tax Rate Interface program has assigned an action code of 'UPDATE-INSERT' to a new tax rate record, it has updated the existing tax rate by assigning it an end date immediately before the start date of the new tax rate. The program then inserts the new sales tax rate into Receivables.

Figure 7 – 4
IGNORE



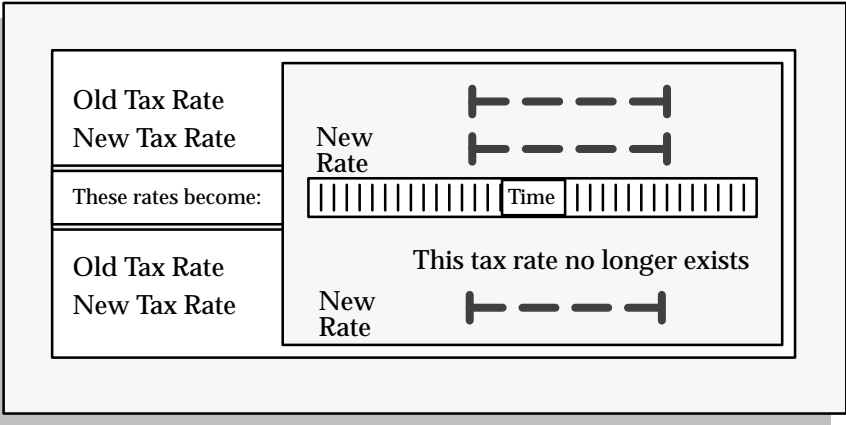
In Figure 7 – 4, when the Sales Tax Rate Interface program has assigned an action code of 'IGNORE' to a new tax rate record, it has ignored the new tax rate because it cannot determine either an end date for the existing rate, or a start date for the new rate. Therefore, the existing tax rate remains unchanged.

Figure 7 – 5
IGNORE



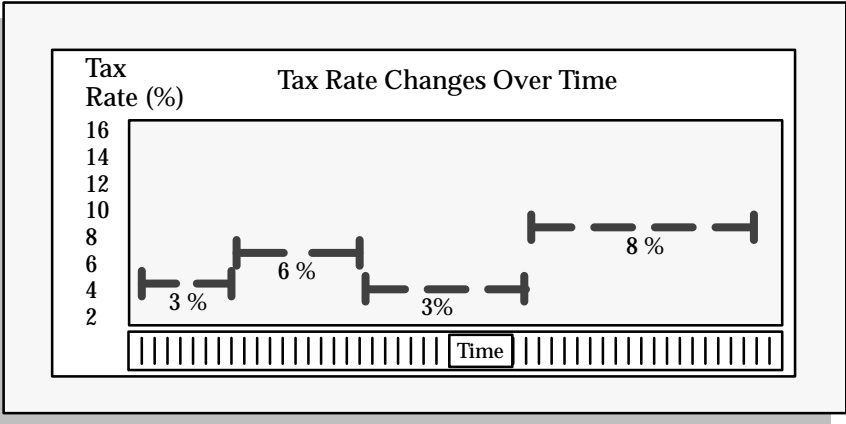
In Figure 7 – 5, when the Sales Tax Rate Interface program has assigned an action code of 'IGNORE' to a new tax rate record, it has ignored the new tax rate because it cannot determine an end date for this rate. Therefore, the existing tax rate remains unchanged.

Figure 7 – 6
RATE-ADJUST



In Figure 7 – 6, when the Sales Tax Rate Interface program has assigned an action code of 'RATE-ADJUST' to a new tax record, it has replaced an existing tax rate with a new rate for the same location and active date range. You can either accept this new rate, or update it manually through the Tax Locations and Rates window in Receivables.

Figure 7 – 7
SALES TAX RATES
CHANGE OVER TIME



As you continually update your tax rates using the Sales Tax Rate Interface program, you will store different tax rates for the same location that have mutually exclusive active date ranges. Figure 7 – 7 shows how Receivables will record different tax rates for a location as you update its rates over time.

See Also

Running the Tax Rate Interface Program: page 7 – 13

Action Codes of Sales Tax Rate Interface: page 7 – 21

Action Codes of Sales Tax Rate Interface Program

This section lists all of the possible actions that the Sales Tax Rate Interface program can perform on a row of tax data in the tax interface table.

Success Action Codes

The following codes are for tax rows that the Sales Tax Rate Interface program has successfully loaded into the location or tax rate tables. These codes do not require you to take any additional actions.

Action Code	Meaning
INSERT	Inserted a new tax rate for a location that already exists
NEW-LOCATION-INSERT	Inserted new location and new tax rate information

Table 7 – 5 Success Action Codes (Table 1 of 1)

Warning Action Codes

The following codes are warning action codes. You should verify that the Sales Tax Rate Interface program has performed the updates or adjustments that you require for each record with a warning action code. For example, if a row of tax data from the tax interface table receives an action of 'RATE-ADJUST', then you should verify that the new tax rate for the location associated with this tax rate is correct.

Action Code	Meaning
ALREADY-EXISTS	This tax rate already exists in Receivables.
NEW-LOCATION	Inserted a new location that did not include any tax rate information. You must manually assign a tax rate to this location for Receivables to be able to create a tax line for invoices with this location. If you are only loading locations for address validation purposes, then you do not need to assign a tax rate to this location.
RATE-ADJUST	Replaced an existing tax rate with a new tax rate
UPDATE-INSERT	Inserted new tax rate information, and adjusted the active dates of existing tax rate information

Table 7 – 6 Warning Action Codes (Table 1 of 1)

Error Action Codes

The following codes indicate that an Oracle error has occurred during the processing of tax data by the Sales Tax Rate Interface program. The program will still produce the Tax Interface report even if an Oracle error occurs during the upload process.

Action Code	Meaning
ORACLE_ERROR	An Oracle error has occurred. The Oracle error number is listed for this error.

Table 7 – 7 Error Action Codes (Table 1 of 1)

The following action codes indicate that either the tax data in the tax interface table is invalid, or the Sales Tax Rate Interface program did not interpret this data correctly. Although the Sales Tax Rate Interface program may assign these codes to records in the tax interface table, these codes should not appear on the Tax Interface report in normal circumstances.

Note: These codes would, however, appear in the report if you elected to run it in review mode, immediately after using SQL loader to load your data, but before uploading into Receivables.

Action Code	Meaning
IGNORE	The Sales Tax Rate Interface program did not upload this record.
<NULL>	This record is ready to be loaded by the Sales Tax Rate Interface program.

Table 7 – 8 Error Action Codes (Table 1 of 1)

See Also

Running the Tax Rate Interface Program: page 7 – 13

Tax Interface Report: page 7 – 15

Sales Tax Rate Interface Program Updates of AR_TAX_INTERFACE
Table: page 7 – 24

Sales Tax Rate Interface Program Updates of AR_TAX_INTERFACE Table

Below is a description of the columns in the tax interface table AR_TAX_INTERFACE that the Sales Tax Rate Interface program updates during execution. All other columns in this table remain unchanged after the initial load from your feeder system. You can review this data by running the Sales Tax Rate Interface report in Review mode.

Column Name	Value
STATUS	The Sales Tax Rate Interface program populates this column with the action code that it identifies for this record.
LOCATION_ SEGMENT_ID	The Sales Tax Rate Interface program populates this column with the ID of the location associated with this row. This ID column links a location in Receivables to the rows of tax interface data that relate to this location, and is a foreign key to AR_LOCATION_VALUES.LOCATION_SEGMENT_ID. Note: If you need to reload the tax data for a month that you have previously loaded into the interface tables, you should first null the above two columns to reset the data. You can then run the SQL*loader file again and reload the data for that month. If you do not null these two columns, Receivables will not reload the same month's data.

Receivables Tables

The Sales Tax Rate Interface program transfers sales tax data into the following Receivables tables:

AR_LOCATION_VALUES
AR_LOCATION_RATES

Table and Column Descriptions

AR_TAX_INTERFACE

Below is a description of the columns in the AR_TAX_INTERFACE table into which you load sales tax data using SQL*Loader.

The Sales Tax Rate Interface program transfers the sales tax rate data from AR_TAX_INTERFACE to the AR_LOCATION_VALUES and AR_LOCATION_RATES tables. These two tables store your locations and tax rates, respectively. The AR_TAX_INTERFACE table's column descriptions note the columns in the AR_LOCATION_VALUES and AR_LOCATION_RATES tables into which records are transferred. If the column description does not have a destination section, this information will not be transferred.

<u>Column Name</u>	<u>Value</u>
REQUEST_ID	The concurrent request ID of each submission of the Sales Tax Rate Interface program. Receivables lets you submit multiple uploads of tax data concurrently. This column is not null.
INTERFACE_LINE_ID	The sequence number that uniquely identifies each tax data line. This column is not null.
CREATED_BY	The ID of the Oracle Application Object Library user who has loaded this tax data record into this table. This column is not null.
CREATION_DATE	The date on which the user loaded this tax data record into this table. This column is not null.
SEGMENT_QUALIFIER	Identifies which segment this tax data record is for. 'COUNTRY', 'STATE', 'COUNTY', 'CITY', and 'PROVINCE' are examples of possible segment qualifier values. This column is not null. Destination: AR_LOCATION_VALUES.LOCATION_SEGMENT_QUALIFIER
RATE_TYPE	Identifies the tax rate type of this tax data record, and will always be 'SALES'. This column is not null.
LOCATION_ID	The ID (or Geo-code) for this location. This ID number must be unique for every location. This number is composed of a unique identifier for the location prefixed by the parent location ID. This column is not null.
LOCATION_VALUE	The actual location. 'CA' is an example of a location for the segment of 'STATE'. Destination: AR_LOCATION_VALUES.LOCATION_SEGMENT_VALUE
LOCATION_DESCRIPTION	The description of the location. For a location of 'CA', the description is 'California'.

Destination: AR_LOCATION_VALUES.LOCATION_
SEGMENT_DESCRIPTION

PARENT_LOCATION_ID The ID of the location that is directly senior to this record. This value is a foreign key to the LOCATION_ID column in the tax interface table.

FROM_POSTAL_CODE The starting postal code for the postal code range of this tax rate. If this column is null, Receivables uses the value that you have defined for the Postal Code Range: From field in the System Options window for this column. This value is stored in the column AR_SYSTEM_PARAMETERS.FROM_POSTAL_CODE.

Destination: AR_LOCATION_RATES.FROM_POSTAL_CODE

TO_POSTAL_CODE The ending postal code for the postal code range of this tax rate. If this column is null, Receivables uses the value that you have defined for the Postal Code Range: To field in the System Options window for this column. This value is stored in the column AR_SYSTEM_PARAMETERS.TO_POSTAL_CODE.

Destination: AR_LOCATION_RATES.TO_POSTAL_CODE

START_DATE The start date of a tax rate for this location. If this column is null, then Receivables uses the value '01-JAN-1900 00:00:00' for this column.

Destination: AR_LOCATION_RATES.START_DATE

END_DATE The end date of a tax rate for this location. If this column is null, then Receivables uses the value '31-DEC-2199 23:59:59' for this column.

Destination: AR_LOCATION_RATES.END_DATE

TAX_RATE The tax rate for this location.

Destination: AR_LOCATION_RATES.TAX_RATES

CHANGE_FLAG A flag that indicates whether this tax record is different from the previous listing of this data. Set this column to 'Y' if this record has been changed, 'N' if it has not, and 'U' if it is unknown whether this tax record has changed. This column is not null.

See Also

Sales Tax Rate Interface: page 7 – 2

Running the Tax Rate Interface Program: page 7 – 13

Tax Interface Report: page 7 – 15

Implementing the Tax Vendor Extension

Receivables provides a Tax Vendor Extension to integrate external tax calculation programs with Oracle Applications. This Extension lets you provide for complex tax calculation needs while retaining the full power of Receivables to create and store all other tax data.

The Tax Extension is called whenever a tax rate is calculated by the Receivables Tax Engine. When implemented, the Tax Extension will return a tax rate or amount from the vendor program. Receivables will use this information to create the appropriate tax line(s) and related accounting information.

Note: If your Receivables installation uses multiple organizations (multi-org), the profile option Tax: Use Tax Vendor lets your system administrator control which users can call an installed third party application for tax calculations. The default value is Yes; this indicates that a user can call a third party application to calculate tax. See: Overview of Receivables Profile Options in the *Oracle Receivables User's Guide*.

Sales Tax Rate Interface

Both Oracle Order Entry/Shipping and Receivables provide an interface to load tax rates, zip code ranges, and location names from data files supplied by external vendors. This information is used by the Customers windows to validate addresses and create compiled sales tax data, whenever an address is updated or created.

Receivables provides two sample SQL*Loader control files: aravp.ctl and arvertex.ctl. These files will also load jurisdiction code data into Receivables AR_LOCATION_RATES table. Once loaded, the jurisdiction code data can be referenced by customizations to your tax database views.

Tax Database Views

Receivables provides database views to control which database columns are passed into the Tax Engine to calculate tax for your transaction lines.

Generic Tax Extension

The Tax Extension is called whenever a tax rate is calculated by the Receivables Tax Engine. Tax rates are calculated in the following windows and concurrent programs:

- Adjustments windows
- AutoInvoice
- Copy Transactions window
- Credit Memo window
- Sales Orders window (Oracle Order Entry/Shipping)
- Transactions window

The Tax Extension can be implemented to generate single or multiple tax lines for every invoice line. Receivables will store each tax line in the RA_CUSTOMER_TRX_LINES table.

Calculating Multiple Tax Lines

The tax database views can be modified to return multiple tax lines per invoice line. This is useful, for example, if you need to create tax lines for each component of your Sales Tax Location Flexfield, rather than having a total rate for all the components.

Integration With Oracle Order Entry/Shipping

The Receivables Tax Extension is fully integrated with Oracle Order Entry/Shipping. At the time of order entry, the tax amount for an order or line is calculated by calling the Receivables Tax Engine. Consequently, if you have installed a Tax Vendor, it will be called to calculate tax on the order in the same way as on the invoice.

Note: Tax on an order is for information only and will be recalculated at the time of invoice creation. This is necessary because tax rates change over time and there could be a large gap between the order date and the invoice date.

See Also

Preparing Receivables: page 7 – 30

Commonly Asked Questions: page 7 – 40

Preparing Receivables

The tax extension is a PL/SQL procedure that is called by the Oracle Tax Engine every time a tax rate is calculated within Receivables or Oracle Order Entry/Shipping.

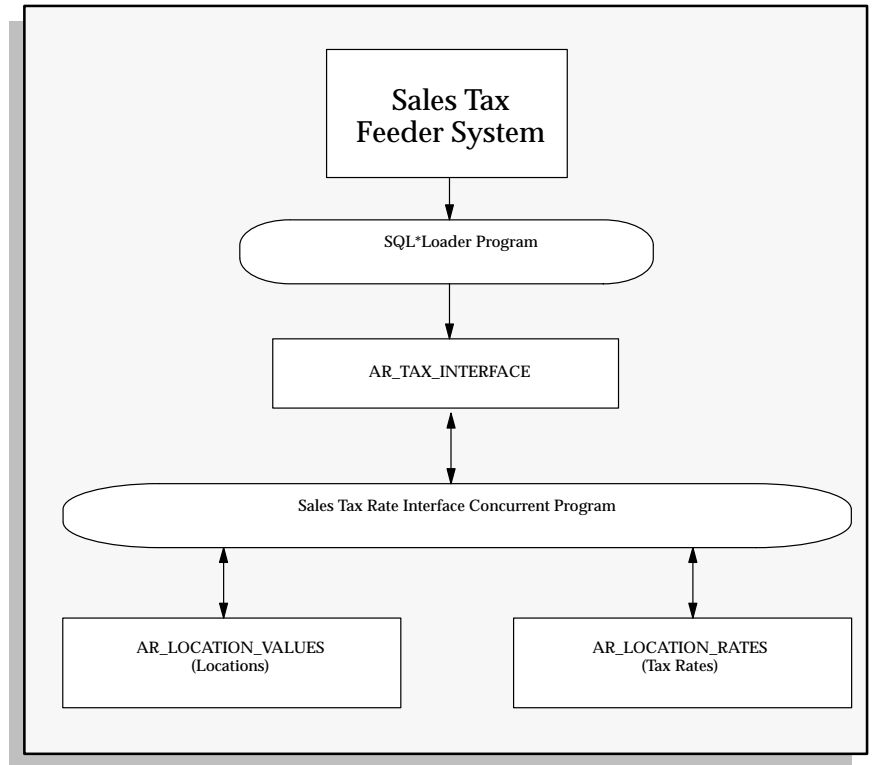
When you calculate a tax rate, the system calls the procedure `ARP_TAX_VENDOR.CALCULATE`. If a tax vendor is not installed, the Tax Extension passes back a 'No Vendor' return code and Receivables uses the tax rates calculated internally. You can perform the following optional steps to prepare Receivables to calculate tax on invoice lines by an external tax vendor.

Load External Tax Information

Receivables provides two sample SQL*Loader control files, `AR_TOP/bin/aravp.ctl` and `AR_TOP/bin/arvertex.ctl`, to load new locations and tax rates from data files supplied by your Tax Vendor. These programs let you load multiple tax rates for the same location, which may cover different date ranges and postal codes. The following diagram shows how your Tax Vendor's data is imported into Receivables tax tables.

Note: Receivables provides six possible Sales Tax Location Flexfield structures. The sample SQL*Loader files, `aravp.ctl` and `arvertex.ctl`, only support the structure, `State.County.City`. If you select another structure, you will have to modify these SQL*Loader files.

Figure 7 – 8 Sales Tax Rate Interface



Receivables provides database views to pass tax information to the Tax Engine. You can use these views to control which database columns are passed into the Tax Engine for every transaction line you tax.

The following views have been defined:

- **SO_TAX_LINES_SUMMARY_V**
Used by the Sales Orders window.
- **SO_TAX_LINES_CREDIT_CHECK_V**
Used by the Sales Orders window.
- **TAX_LINES_INVOICE_IMPORT_V**
Used by the AutoInvoice program.
- **TAX_LINES_RECURRENCE_INVOICE_V**
Used by the Recurring Invoice program (Copy Transactions window).
- **TAX_LINES_CREATE_V**

Used by the Transactions Workbench.

- TAX_LINES_DELETE_V

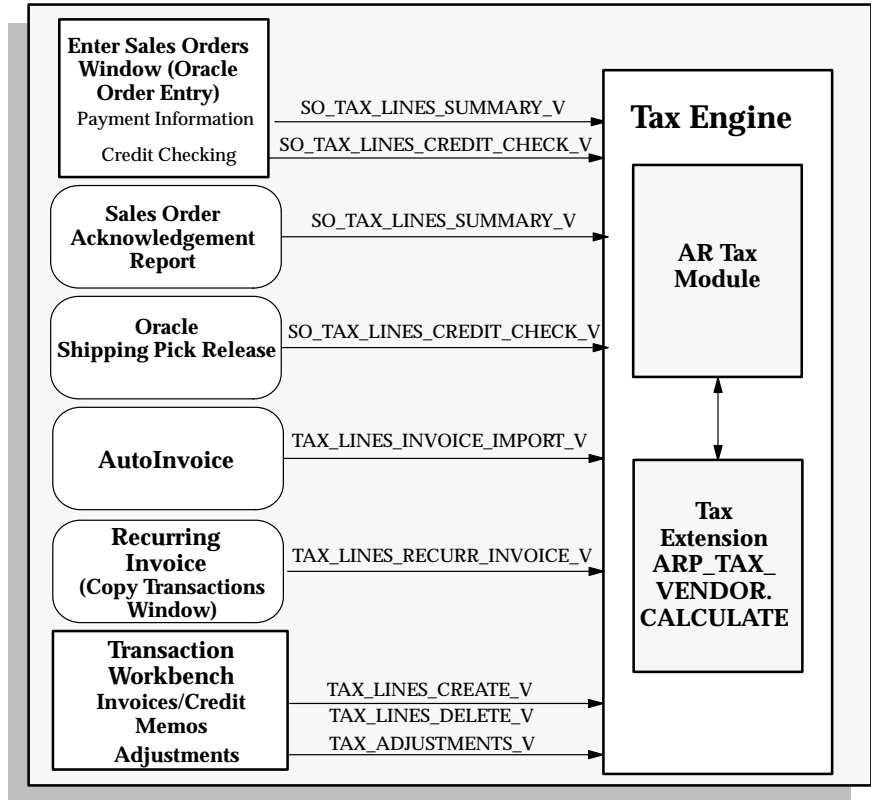
Used by the Transactions Workbench.

- TAX_ADJUSTMENTS_V

Used by the Transactions Workbench.

For more information, please refer to the *Receivables Applications Technical Reference Manual* and the *Oracle Order Entry/Shipping Applications Technical Reference Manual*.

Figure 7 – 9Using the Tax Engine to Calculate Tax



The above set of views are the default Oracle database views. You can specify a separate set of views in the Tax alternative region of the System Options window. You can set the Tax Vendor Views field to one of the following:

- Oracle
- Taxware

- Vertex
- Customize – 1
- Customize – 2
- Customize – 3
- Customize – 4
- Customize –5

For more information, see: Tax System Options in the *Oracle Receivables User's Guide*.

If you set the Tax Vendor Views field to 'Oracle', Receivables uses the above set of views. If you use any other tax vendor view, the view names that Receivables uses are appended with the following:

- Taxware: _A
- Vertex: _V
- Customize– 1–5: _1 to _5

Receivables Tax Engine

The Tax Engine uses the information passed by the database views to calculate tax, regardless of whether an external Tax Vendor is installed. Both the Tax Extension and the AR Tax Module are components of the Tax Engine and are called every time the Tax Engine is requested to calculate tax. If an external tax vendor is installed, the Tax Engine will use the tax rate or amount returned by the Tax Extension to override the rate or amount calculated by the AR Tax Module.

If the following columns, available in each view, are not populated, the Tax Extension will be passed NULL for each of their values.

View Column Name	Description
POO_ADDRESS_CODE	Jurisdiction code for Point of Order Origin
POA_ADDRESS_CODE	Jurisdiction code for Point of Order Acceptance
SHIP_FROM_ADDRESS_CODE	Jurisdiction code for Ship From Address

Table 7 – 9 (Table 1 of 2)

View Column Name	Description
SHIP_TO_ADDRESS_CODE	Jurisdiction code for Ship-To Address
FOB_CODE	Free On Board or Point of Title Passage
PART_NUMBER	Inventory Part Number
LOCATION_QUALIFIER	Identifies the Taxing Authority, e.g. 'ALL', 'STATE', 'COUNTY' or 'CITY'

Table 7 – 9 (Table 2 of 2)

Tax Jurisdictions

Within the United States, a tax rate is calculated from Ship-To, Ship From, Point of Order Origin, and Point of Order Acceptance. To implement the Tax Extension using each of these addresses, you will have to store the latter three values in descriptive flexfields at the appropriate level: Invoice Line or Header; Order Line or Header.

If you use AutoInvoice to import orders from Oracle Order Entry/Shipping, AutoInvoice will populate the item line Transaction Flexfield with packing slip information. This may be used to source the Ship From site use and address for each order. See: Integrating Oracle Order Entry/Shipping with Oracle Receivables in the *Oracle Manufacturing, Distribution, Sales and Service Open Interfaces Manual*.

The jurisdiction codes are loaded by the Sales Tax Rate Interface into attribute 1 of the table *ar_location_rates*. To load vendor jurisdiction codes into the other view columns, you will have to modify the views to join *ar_location_rates* with your appropriate customized table.

If you require postal code data to nine characters (zip+4) to segregate customer addresses by jurisdiction code, you will have to manually update the address data provided by your Tax Vendor. You can use the Location and Rates window to update the postal code data to comply with your jurisdiction code requirements.

Below is an example of multiple jurisdiction codes within a standard five digit zip code designation:

location_segment_id	from_postal_code	to_postal_code	jurisdiction code
43 (San Francisco)	94110	94116	code 1
43 (San Francisco)	94117	94117	code 2
43 (San Francisco)	94118	94118–3999	code 3
43 (San Francisco)	94118–4000	94118–9999	code 4

Table 7 – 10 (Table 1 of 1)

Generating Multiple Tax Lines

To generate multiple tax lines per invoice line, the views would be changed to return multiple rows per invoice line, with each line identified by a unique location_qualifier. For example:

TRX_ID	TRX_LINE_ID	LINE_NO	EXTENDED _AMOUNT	LOCATION_QUALIFIER
123	78955	1	5000	State
123	78955	1	5000	County
123	78955	1	5000	City
123	78955	1	5000	Federal
123	78955	1	5000	Provincial

Table 7 – 11 (Table 1 of 1) Example of Multiple Tax Lines per transaction line.

Receivables would then store each tax rate as a separate tax line on the invoice.



Warning: Be careful to use outer joins for your customizations of the tax database views. Failure to do so may result in order or invoice lines not being taxed.

See Also

Available Parameters: page 7 – 36

Available Parameters

The structure ARP_TAX.tax_info_rec is the communications area for the tax extension ARP_TAX_VENDOR.calculate. This structure passes information that is selected from the database views. The tax extension then calculates the tax and passes back all of the necessary output parameters through the same structure.

Member	Data Type	Parameter Type	Null Allowed	Related View Column
bill_to_cust_id	number	input	no	BILL_TO_CUSTOMER_ID
ship_to_cust_id	number	input	yes	SHIP_TO_CUSTOMER_ID
customer_trx_id	number	input	yes	TRX_HEADER_ID
trx_number	number	input	yes	TRX_NUMBER
bill_to_customer_number	number	input	yes	BILL_TO_CUSTOMER_NUMBER
ship_to_customer_number	number	input	yes	SHIP_TO_CUSTOMER_NUMBER
bill_to_customer_name	varchar2	input	yes	BILL_TO_CUSTOMER_NAME
ship_to_customer_name	varchar2	input	yes	SHIP_TO_CUSTOMER_NAME
previous_customer_trx_id	number	input	yes	PREVIOUS_TRX_HEADER_ID
previous_trx_number	number	input	yes	PREVIOUS_TRX_NUMBER
trx_date	date	input	yes	TRX_DATE
gl_date	date	input	yes	GL_DATE
ship_to_site_use_id	number	input	yes	SHIP_TO_SITE_USE_ID
bill_to_site_use_id	number	input	yes	BILL_TO_SITE_USE_ID
ship_to_postal_code	varchar2	input	yes	SHIP_TO_POSTAL_CODE
bill_to_postal_code	varchar	input	yes	BILL_TO_POSTAL_CODE
ship_to_location_id	number	input	yes	SHIP_TO_LOCATION_CCID
bill_to_location_id	number	input	yes	BILL_TO_LOCATION_CCID
invoicing_rule_id	number	input	yes	INVOICING_RULE_ID

Table 7 – 12 (Table 1 of 4) Input members of the data structure, artaxvdr.h

Member	Data Type	Parameter Type	Null Allowed	Related View Column
fob_point	varchar2	input	yes	FOB_CODE
trx_currency_code	varchar2	input	yes	CURRENCY_CODE
trx_exchange_rate	number	input	yes	EXCHANGE_RATE
minimum_accountable_unit	number	input/output	yes	MINIMUM_ACCOUNTABLE_UNIT
precision	number	input/output	yes	PRECISION
tax_header_level_flag	varchar2	input	yes	TAX_HEADER_LEVEL_FLAG
tax_rounding_rule	varchar2	input	yes	TAX_ROUNDING_RULE
trx_type_id	number	input	yes	TRX_TYPE_ID
ship_from_warehouse_id	number	input	yes	SHIP_FROM_WAREHOUSE_ID
payment_term_id	number	input	yes	PAYMENT_TERM_ID
customer_trx_line_id	number	input	yes	TRX_LINE_ID
previous_customer_trx_line_id	number	input	yes	PREVIOUS_TRX_LINE_ID
link_to_cust_trx_line_id	number	input	yes	TRX_LINK_TO_CUST_TRX_LINE_ID
memo_line_id	number	input	yes	MEMO_LINE_ID
taxed_quantity	number	input	yes	TAXED_QUANTITY
inventory_item_id	number	input	yes	INVENTORY_ITEM_ID
extended_amount	number	input	yes	EXTENDED_AMOUNT
tax_code	varchar2	input/output	yes	TAX_CODE
vat_tax_id	number	input/output	yes	VAT_TAX_ID
tax_exemption_id	number	input/output	yes	VAT_TAX_ID
item_exception_rate_id	number	input/output	yes	TAX_EXCEPTION_ID
tax_rate	number	input/output	yes	TAX_RATE
default_ussgl_transaction_code	varchar2	input	yes	USSGL_TRANSACTION_CODE

Table 7 – 12 (Table 2 of 4) Input members of the data structure, artaxvdr.h

Member	Data Type	Parameter Type	Null Allowed	Related View Column
amount_includes_tax_flag	varchar2	input	no	AMOUNT_INCLUDES_TAX_FLAG
taxable_basis	varchar2	input	yes	TAXABLE_BASIS
tax_calculation_plsql_block	varchar2	input	yes	TAX_CALCULATION_PLSQL_BLOCK
payment_terms_discount_percent	varchar2	input	yes	PAYMENT_TERMS_DISCOUNT_PERCENT
audit_flag	varchar2	input	no	AUDIT_FLAG
qualifier	varchar2	input	no	LOCATION_QUALIFIER
ship_from_code	varchar2	input	yes	SHIP_FROM_ADDRESS_CODE
ship_to_code	varchar2	input	yes	SHIP_TO_ADDRESS_CODE
poo_code	varchar2	input	yes	POO_ADDRESS_CODE
poa_code	varchar2	input	yes	POA_ADDRESS_CODE
vdrcrtl_exempt	varchar2	input	yes	VENDOR_CONTROL_EXEMPTIONS
tax_control	varchar2	input/output	yes	TAX_EXEMPT_FLAG
xmpt_cert_no	varchar2	input/output	yes	TAX_EXEMPT_NUMBER
xmpt_reason	varchar2	input/output	yes	TAX_EXEMPT_REASON
xmpt_percent	number	input/output	yes	TAX_EXEMPT_PERCENT
trx_line_type	varchar2	input	yes	TRX_LINE_TYPE
part_no	varchar2	input	yes	PART_NUMBER
division_code	varchar2	input	yes	DIVISION_CODE
company_code	varchar2	input	yes	COMPANY_CODE
userf1-10	varchar2	input	yes	ATTRIBUTE1-10
usern1-10	number	input	yes	NUMERIC_ATTRIBUTE1-10
calculate_tax	varchar2	input	yes	TAXABLE_FLAG
status	number	input	no	default return code
credit_memo_flag	boolean	input	no	True if credit memo

Table 7 – 12 (Table 3 of 4) Input members of the data structure, artaxvdr.h

Member	Data Type	Parameter Type	Null Allowed	Related View Column
tax_line_number	number	input	yes	TAX_LINE_NUMBER
tax_amount	number	input/output	yes	TAX_AMOUNT
tax_vendor_return_code	varchar2	output	no	

Table 7 – 12 (Table 4 of 4) Input members of the data structure, artaxvdr.h

See Also

Implementing the Tax Vendor Extension: page 7 – 28

Commonly Asked Questions: page 7 – 40

Commonly Asked Questions

Why would I want to use a Tax Vendor?

Within the United States of America, Sales and Use tax rates can be approximated to be a direct function of the Ship To address. This is the approach that Oracle takes, and is appropriate for many customers.

Larger, multinational customers and other countries may require tax calculation that takes into account one or more of the following parameters:

- Ship From
- Ship To
- Bill To
- Free on Board (FOB)
- Quantity

These customers may also require regular monthly updates that reflect changing taxing regulations and rates.

When is the Tax Extension called to calculate a rate?

The Tax Extension will be called when Receivables or Oracle Order Entry/Shipping calculates a sales tax or VAT rate. The following concurrent programs and windows do this:

- Oracle Order Entry/Shipping Sales Orders Workbench
- Oracle Order Entry/Shipping Sales Acknowledgement Report
- Receivables AutoInvoice
- Receivables Transactions Workbench
- Receivables Copy Transactions
- Receivables Credit Transactions Window
- Receivables Adjustments Windows

For more information, see: Figure 7 – 9.

Why is the Tax Extension called from Credit Transactions and Adjustments windows when a tax rate is not calculated for these transactions?

Although a tax rate is not calculated for credit memos or adjustments, Receivables calls the Tax Extension to maintain an audit trail of all the tax activity for a transaction. For credit memos, Receivables calls the Tax Extension to maintain the tax amount credited. For adjustments,

Receivables calls the Tax Extension to maintain the taxable amount for the adjusted tax amount.

What Sales Tax Location flexfield structure should I select when implementing the Tax Extension within the US?

Oracle Applications provides two possible default location structures for sites within the US.

- State.County.City
- State.City

The State.County.City structure provides the best accuracy in locating a tax jurisdiction and tax rate given a customer address. Additionally, the SQL*Loader control files aravp.ctl and arvertex.ctl support the State.County.City location flexfield structure. If you use the State.City structure, you will have to modify these SQL*Loader files to import your tax location and rate information.

How do we make orders or invoices exempt from tax when using a Tax Vendor?

Receivables and Oracle Order Entry/Shipping will automatically find customer exemptions based on the bill-to customer and ship-to site. If found, the exemption certificate number and reason will be passed down to the Tax Vendor.

How do we manage more complex customer exemptions, such as Customer, Inventory Item, and Site exemptions?

You can define these Customer Exemptions using setup programs supplied by your tax vendor. Once the exemption is entered within your tax vendor your implementation of the Tax Vendor Extension need only ensure that the identifying information (Customer, Inventory Item, or Site) has been passed to the program for rate calculation. If managed by the tax vendor, this information is not fed back to Receivables.

How do we make products exempt for orders and invoices?

You can pass any segment of the Inventory Item Flexfield or any other attributes of the Inventory item to your Tax Vendor. Most Vendors allow you to control which products are exempt depending upon State and other order or invoice information.

How do we distinguish between tax rates calculated by Oracle and tax rates calculated by an installed Tax Vendor?

Receivables will mark tax lines for an invoice that have been calculated by an installed Tax Vendor.

Can an Oracle Order Entry/Shipping window call a Tax Vendor?

Yes, Oracle Order Entry/Shipping and Receivables share the same tax engine. This one engine will call a Tax Vendor if it is installed.

Does Oracle Order Entry/Shipping store tax amounts in the database?

No, tax on an order is for information only and will be recalculated at the time of invoice creation. This is necessary because tax rates change over time and there could be a large gap between when an order is taken and when the customer is invoiced for the items on the order.

Can I use any columns in the tax views for customizations?

No, you should not. If you do need to redefine columns of your tax views, ensure that you only redefine the following columns (this will limit the impact of your customizations for future releases of Oracle Financials):

```
POO_CODE  VARCHAR(30)          /* POO_ADDRESS_CODE */
POA_CODE  VARCHAR2(30)         /* POA_ADDRESS_CODE */
SHIP_FROM_CODE VARCHAR(30)     /* SHIP_FROM_ADDRESS_CODE */
SHIP_TO_CODE VARCHAR2(30)      /* SHIP_TO_ADDRESS_CODE */
FOB_POINT VARCHAR2(30)         /* FOB_CODE */
PART_NO   VARCHAR2(40)         /*PART_NUMBER or PRODUCT_CODE*/
```

Within the US, how can I uniquely identify a taxing authority not defined by city limits?

You should implement the Sales Tax Location Flexfield structure, State.County.City, to validate customer addresses during data entry. By combining this structure with the five digit zip code for the customer address, Oracle Applications can accurately identify all but 160 recognized taxing authorities within the US.

If your site has customers within the 160 exception authorities, you can either enhance the five digit zip code to a nine digit zip code for these specific customers, or implement an additional descriptive flexfield for the specific jurisdiction code for each customer address.

Converting to a nine digit zip code would require you to:

- 1) Update the context field of the user descriptive flexfield on the table, ar_location_rates, to be enterable.
- 2) Update the customer address to store a nine digit zip code.
- 3) Update the postal code ranges, tax rate assignments and jurisdiction code assignments to support a nine digit zip code.

How do I implement tax on freight?

Receivables will calculate tax on freight lines if you can enter freight as a revenue line item. Additionally, you can automatically present freight lines as revenue lines during the ship confirm process within Oracle Order Entry/Shipping. If the Oracle Order Entry/Shipping user profile Tax: Invoice Freight as Revenue is set to Yes, the Oracle Order Entry/Shipping Receivables Interface program will generate a standard invoice line for the freight amount, optionally using the inventory item defined by the user profile Tax: Inventory Item for Freight.

See Also

Calculating Tax: page 8 – 15

CHAPTER

8

Tax Calculation

This chapter provides a detailed description of the process used to calculate tax in Oracle Receivables.

Calculating Tax

Receivables gives you the flexibility to implement tax solutions for Value Added Tax (VAT) or Sales Tax systems. When calculating VAT, tax codes are assigned to customers, sites, and inventory items. These tax codes are then used to control which VAT rate is applied to each invoice. When calculating Sales Tax, the Customers ship-to address and any predefined exceptions are used to control which Sales Tax rate to apply to the invoice. Both methods will take into account any customer and item exemptions you have defined.

Following are some of the major features of the Receivables tax engine.

Calculate Tax Based on Location

Receivables can calculate tax based on different components of your customers shipping addresses for all addresses in your home country. To calculate sales tax, you choose a Sales Tax Location Flexfield structure that includes the components you want Receivables to use when calculating tax. For example, in the United States sales tax is usually calculated by adding the tax rates assigned to the shipping state, county, and city.

Calculate Tax Based on Codes

Receivables can also calculate tax based on tax rates you assign to user definable codes. These tax codes can then be assigned to specific items, customers, and customer sites. For example, in many parts of Europe, tax depends on the item and is called Value Added Tax (VAT). Tax codes can also be used in a location-based tax system.

Calculate Tax Based on Revenue Account

You can set up your system to derive your tax code from the 'Account' segment of your Revenue account. If you set up your system this way, Receivables will use this tax code as the default when you enter or import transactions. You can also set up your system to ensure that the default tax code is always derived from your Revenue account.

Calculate Tax Externally

Receivables can integrate external tax calculation programs using the Tax Vendor Extension. This lets you provide for complex tax calculation needs while retaining the full power of Receivables to create and store all other tax data.

Compound Tax

Receivables lets you create compound tax charges during invoice entry and import if the Compound Taxes system option is set to Yes. You can assign precedence numbers to indicate which tax line you want Receivables to compound.

Credit Tax

When you credit a transaction that was previously taxed, Receivables will automatically credit the original taxed amount, so you do not need to consider any change in tax rates which may have occurred in the interim.

Calculate Multiple Tax Rates

Receivables lets you assign multiple tax rates and tax accounts to each invoice line. You might want to distribute your tax amounts to different accounts for reporting purposes.

Create Tax Groups

Define tax groups to apply multiple taxes to a transaction or line item. Within each tax group, you can include one or more tax codes that Receivables applies based on the transaction's Ship To location.

Create Tax Exemptions

Tax exemptions let you fully or partially exempt specific customers or items from tax. You can use exemptions in either a VAT or location based tax system.

You can define exemptions either at the customer or item level, or specify them at the regional levels. For example, you could create an exemption for a customer such that the customer is always exempt from tax or is exempt only in the state of California.

Create Tax Exceptions

Tax exceptions are special tax rates that are assigned to items being shipped to specific addresses. Tax exceptions are only used when you are calculating location-based tax. You can create an exception for specific items and shipping destinations.

Inclusive Tax

Receivables lets you enter and display transaction lines either inclusive or exclusive of tax. Tax *inclusive* indicates that the line amount for an item includes the tax for this item. Tax *exclusive* indicates that tax is *not* included in the line amount for this item. You can define both tax inclusive and exclusive tax codes in the Tax Codes and Rates window.

See Also

Defining a Sales Tax Location Flexfield Structure: page 8 – 33

Tax Codes and Rates: page 5 – 2

Implementing the Tax Vendor Extension: page 7 – 28

Tax Groups: page 5 – 18

Integrating Receivables Applications Tax Information Using Sales Tax Rate Interface: page 7 – 2

Tax Exemptions: page 5 – 12

Tax Rate Exceptions: page 5 – 16

Importing Tax Lines (*Oracle Receivables User's Guide*)

US Sales Tax Reconciliation: page 3 – 23

Tax Inclusive: page 8 – 25

Overview of Calculating Tax

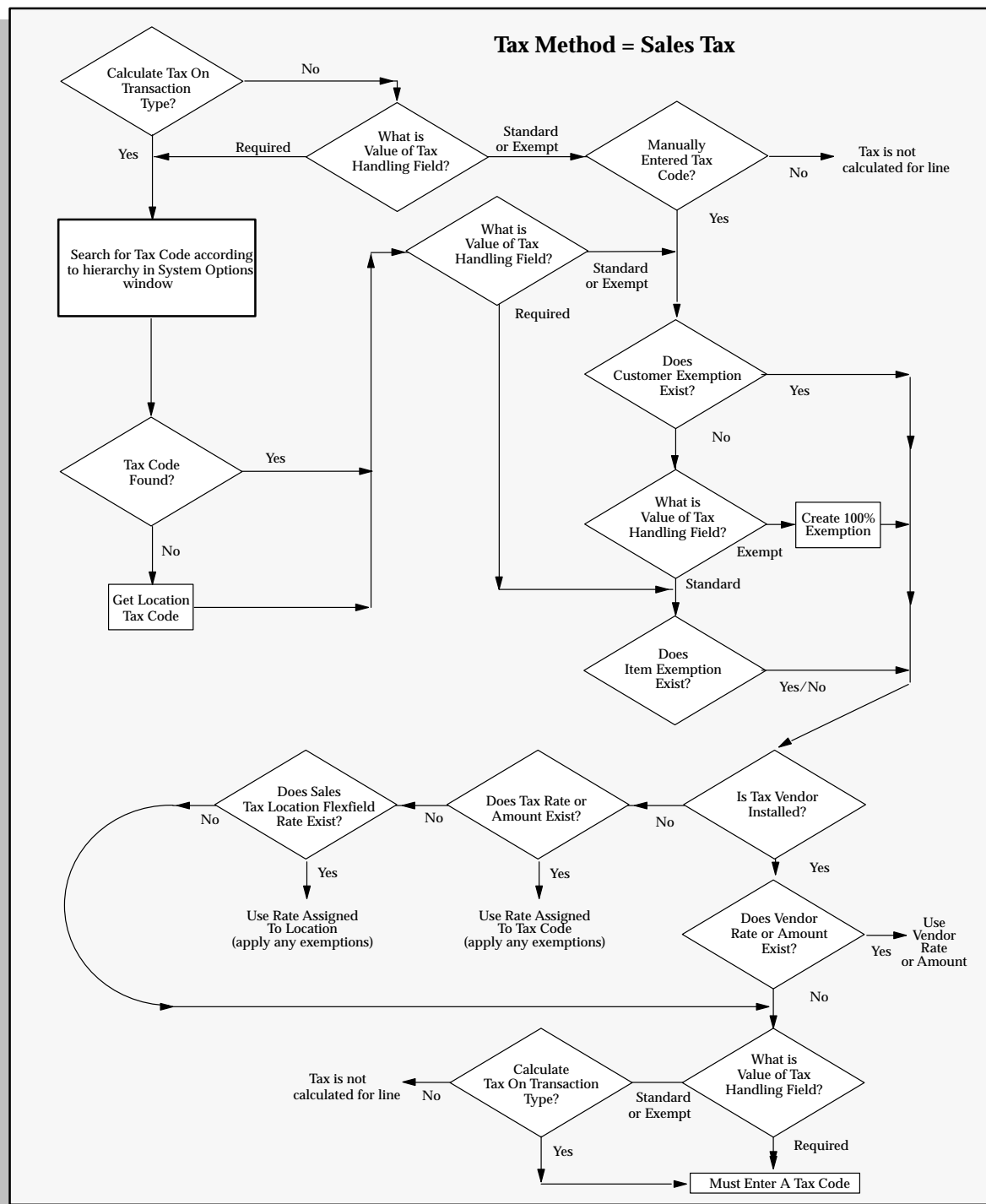
The following flowcharts show the hierarchy Receivables uses to calculate tax. Use the flowchart titled 'Tax Method = Sales Tax' if you are using a Sales or location-based tax system. Use the flowchart titled 'Tax Method = Value Added Tax' if you are using a VAT or tax code-based system.

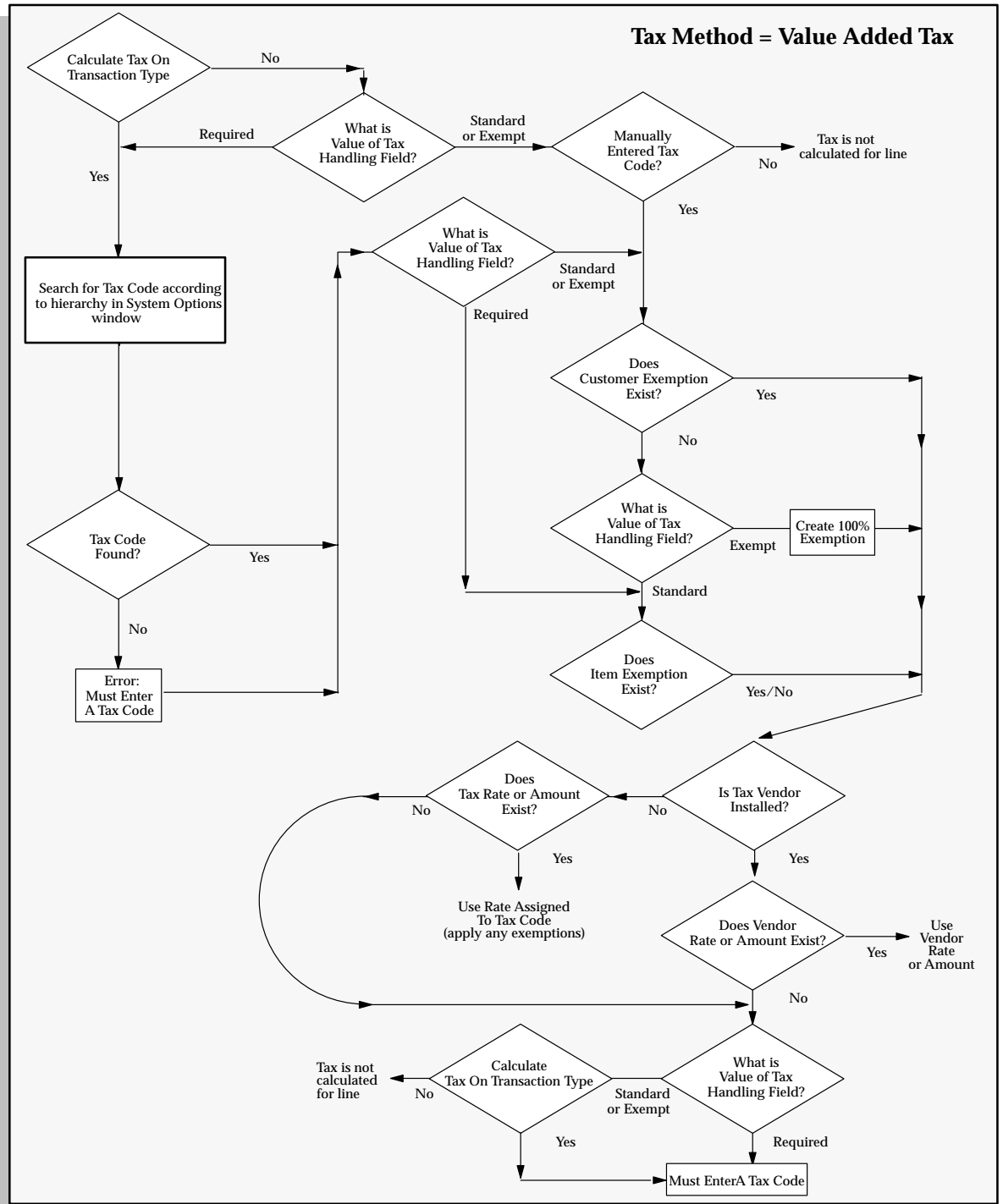
When using either the Sales Tax or Value Added Tax (VAT) method, Receivables uses the Ship-To address on your invoice to determine whether it has rates available for the components of the Sales Tax Location flexfield. If a Ship-To address does not exist for a transaction, Receivables derives tax from the Bill-To information. For example, if a transaction has a Ship-To customer, but no Ship-To address, Receivables uses the Bill-To information along with the appropriate hierarchy to determine the tax.



Attention: You will notice that there is a table associated with each tax hierarchy. They show which system options you can set to let you skip certain levels of the hierarchy when determining your tax. For more information, see: Setting Up Tax: An Overview: page 8 – 9.

System Options for Sales Tax	Hierarchy
Tax Defaulting System Options	
Customer Site	1
Customer	2
Product	3
Revenue Account	No
System Options	No
Tax Code	Null
Exception Rates System Options	Value
Use Customer Exemptions	Yes
Use Item Exemptions	Yes
Use Item Tax Rate Exceptions	Yes





System Options for VAT	Hierarchy
Tax Defaulting System Options	
Customer Site	1
Customer	2
Product	3
Revenue Account	No*
System Options	No*
Tax Code	(Standard rate of VAT)
Exception Rates System Options	Value
Use Customer Exemptions	No
Use Item Exemptions	No
Use Item Tax Rate Exceptions	No

* Unless you implement the Account Method VAT. See: Setup Steps for Value Added Tax: page 2 – 11.

See Also

Setting Up Tax: An Overview: page 8 – 9

Calculating Tax: page 8 – 15

Tax Reports: page 6 – 2

Defining a Sales Tax Location Flexfield Structure: page 8 – 33

Setting Up Tax: An Overview

This section discusses the options you can set up to determine how Receivables calculates tax. For a step-by-step guide to setting up Receivables for a VAT or Sales Tax system, see: *Implementing Value Added Tax*: page 2 – 6 and *Implementing US Sales Tax*: page 3 – 2. For information about setting up Receivables for a Canadian sales tax system, see: *Implementing Canadian Sales Tax*: page 4 – 2.

Disabling Tax

You can disable the calculation and accounting of tax within Receivables, Oracle Order Entry/Shipping, and Oracle Sales and Marketing by setting the Tax Calculation flag for your transaction type to No. See: *Transaction Types* in the *Oracle Receivables User's Guide*.

System Options

Tax Method

Receivables calculates tax differently depending on the tax method you choose. You can choose either 'VAT' or 'Sales Tax'. To see how tax is calculated for each method, refer to the tax calculation flowcharts in *Overview of Calculating Tax*: page 8 – 5.

System Level Tax Code

If your tax method is 'VAT,' you can enter a default tax code in the System Options window. Receivables will use this value, or the tax code defined at the item, customer, or customer site level, according to the tax hierarchy that you define. For more information, see: *Tax System Options* in the *Oracle Receivables User's Guide* and the tax flowcharts in *Overview of Calculating Tax*: page 8 – 5.

Tax Location Flexfield Structure

Receivables uses your Sales Tax Location Flexfield structure to determine your sales tax rates and to validate your customer addresses. Receivables can calculate tax based on different components of your customers shipping addresses for all addresses in your home country. For example, in the United States sales tax is usually calculated by adding the tax rates assigned to the shipping state, county, and city. If your business is in the US, you would then choose a Location Flexfield Structure of 'State.County.City'.

For more information, refer to the 'Sales Tax Location Flexfield Structure' and 'Address Validation vs. Sales Tax Calculation' sections in Calculating Tax: page 8 – 15.

Tax Defaults and Rules

You can control how Receivables determines the default tax code or Tax Group for your transactions by specifying a defaulting hierarchy in the System Options window. In a VAT system, you would typically set up your system to derive the tax code first from the customer site, then the customer, the item, and finally the system options level, stopping when one is found. In a US Sales Tax system, you might choose to only derive tax codes from the customer and customer site levels for your export transactions.

You can also set up Receivables to derive a tax code from the Account segment of your Revenue account and, depending upon your tax compliance requirements, optionally enforce this relationship when entering transactions. For more information, see: Tax System Options in the *Oracle Receivables User's Guide*.

Use Item Tax Rate Exceptions

You can prevent Receivables from looking at exception rates by not checking this check box. Exception rates are only used when your tax method is Sales Tax. For more information, see: Item Exceptions: page 8 – 21 in the Calculating Tax essay.

Use Customer and Product Exemptions

You can prevent Receivables from looking at customer and product exemptions by not enabling these options. For more information, see: Item and Customer Exemptions: page 8 – 22 in the Calculating Tax essay.



Suggestion: If you never use either customer tax codes, customer site tax codes, tax exceptions, or tax exemptions, we suggest you set the appropriate system options to 'No', as this may improve the performance of the Receivables tax engine. You can disable these options in the Tax alternative region of the System Options window.

Tax Rounding

You can specify how you want Receivables to calculate your tax amounts by entering Tax Rounding system options. You can choose to

round tax calculations at the line or header level, specify a rounding rule, a minimum accountable unit, and the number of decimal places to display. You specify your tax rounding options in the Rounding Options region of the System Options window.

Profile Options

Tax: Allow Ad Hoc Tax Changes

Choose whether you can update rates and amounts assigned to tax codes in the Lines window of the Transaction workbench. This is only applicable to tax codes defined in the Tax Codes and Rates window (of type 'Sales' or 'VAT') that have the Ad Hoc flag set to Yes. Ad hoc changes are not permitted for tax codes of type 'Location'.

Tax: Allow Manual Tax Lines

Choose whether to prevent the entry of manual tax lines in the Transactions window. You might want to restrict this, for example, if you have an outside tax vendor installed and the vendor manages tax audits. Additionally, if this profile is set to No, Receivables does not let you delete system-generated tax lines. However, you can navigate to the Tax window to review system-generated lines.

Tax: Allow Override of Customer Exemptions

Choose whether to override the standard tax calculations during invoice entry and import. By setting this profile option to Yes, you can access the Tax Handling field in the Lines window and specify how you want to handle exemptions for each of your transaction lines.

Enter 'Standard' if you want Receivables to use whatever tax rates, exceptions, and exemptions assigned to that customer or site to calculate tax for this transaction line.

Enter 'Exempt' to force tax exemptions on your transaction lines. To force tax exemptions, the system option Use Customer Exemptions must be set to Yes. You can reference an exemption that has already been defined or create an 'Unapproved' exemption. This option also lets you override standard tax when importing invoices via AutoInvoice.

Enter 'Require' in the Tax Handling field to require tax on your transaction lines.

Tax: Allow Override of Tax Code

Choose whether to prevent update of the tax code in the Lines window for automatically generated tax lines. If you override a system-derived tax code, Receivables uses the rate and amount assigned to the new tax code to determine the tax for the transaction.

Tax: Calculate Tax on Credit Memos

Choose whether to automatically calculate tax on credit memos imported using AutoInvoice. By default, Receivables uses the payment applications and the line, tax, and freight amounts to calculate tax. If this profile option is Yes, tax for each credit memo is calculated without taking into account the outstanding balances. This flexibility is required for installations that support partial payments and is useful for implementations that integrate third party tax ledgers using the Tax Vendor Extension.

Tax: Invoice Freight as Revenue

If you are using Oracle Order Entry/Shipping, this profile option determines how Order Entry imports freight amounts to Receivables when you run the Receivables Interface program. If this profile option is Yes, Oracle Order Entry/Shipping will create a transaction line for the freight amount identified in the Ship Confirm window. Set this profile option to Yes if you are integrating with Oracle order Entry/Shipping and are required to tax freight amounts. If this profile option is No, Receivables will create a line item on the invoice using the inventory item name.

Tax: Inventory Item for Freight

This profile option lets Oracle Order Entry/Shipping identify an inventory item on a transaction line that you import into Receivables via the Receivables Interface program. The inventory item that you identify when defining this profile option must be created with a user type of 'Freight'. After you identify an inventory item for freight, you can use tax codes assigned to this inventory item or item exceptions to control the applicable tax rates and accounting for freight service. Use this profile option if you need to control the rate of tax applied to freight and you have set the profile option Tax: Invoice Freight as Revenue to Yes.

Tax: Use Tax Vendor

This profile option allows your system administrator to control which users can call an installed third party application for tax calculations. This is required in multiple organization installations in which one set of executables is shared across many different tax compliance requirements. The default value is Yes; this indicates that you can call a third party application to calculate tax. See: Implementing the Tax Vendor Extension: page 7 – 28.

Transaction Types

The value of the Tax Calculation option for your transaction type determines whether Receivables will automatically calculate tax on your transactions. If this option is set to No, Receivables does not calculate tax on this transaction. However, you can still enter tax manually if the profile option Tax: Allow Manual Tax Lines is set to Yes.

This option also determines whether tax is required on an invoice. If the Tax Calculation option for your transaction type is set to Yes, you cannot complete an invoice if each of your invoice lines does not have a tax line. If Receivables cannot automatically generate a tax line (because it cannot find an appropriate rate, for example), then you can manually enter one as long as your profile option AR: Allow Manual Tax Lines is set to Yes.

The following table describes how the Tax Calculation option works with your tax profile options to determine the appropriate taxing requirements for your transactions.

Tax Calculation Field	Manual Tax Entry	Tax Calculation by Receivables
<p>NO – Tax will not be calculated automatically.</p> <p>Tax is not required.</p>	<p>Enter manual tax lines if Tax: Allow Manual Tax Lines = Yes.</p> <p>Update tax rates and amounts if the tax code allows ad hoc changes and Tax: Allow Ad Hoc Tax Changes = Yes.</p>	<p>If Tax: Allow Override of Customer Exemptions = Yes, require tax by choosing 'Required' in the Tax field of the Transaction window, or importing the line as 'Required' via AutoInvoice</p>
<p>YES – Tax will be calculated automatically.</p> <p>Tax is required.</p>	<p>Enter additional, manual tax lines if Tax: Allow Manual Tax Lines = Yes.</p> <p>Update tax rates and amounts if the tax code allows ad hoc changes and Tax: Allow Ad Hoc Tax Changes = Yes.</p> <p>Update tax codes if Tax: Allow Override of Tax Codes = Yes.</p>	<p>If Tax: Allow Override of Customer Exemptions = Yes, force an exemption by choosing 'Exempt' in the Tax field of the Transaction window, or importing the line as 'Exempt' via AutoInvoice.</p>

Table 8 – 1 (Table 1 of 1)

See Also

Calculating Tax: page 8 – 15

Defining a Sales Tax Location Flexfield Structure: page 8 – 33

Tax System Options (*Oracle Receivables User's Guide*)

Overview of Receivables User Profile Options (*Oracle Receivables User's Guide*)

Transaction Types (*Oracle Receivables User's Guide*)

Calculating Tax

The following section discusses Receivables features that are related to tax processing.

Sales Tax Location Flexfield Structure

Receivables uses your Sales Tax Location Flexfield structure to determine your sales tax rates and to validate your customer addresses. Use the list of values to select a Sales Tax Location Flexfield structure in the Location Flexfield Structure field of the System Options window. The following Sales Tax Location Flexfield structures have been predefined. These structures are named according to the location segments they contain:

- **State.County.City** Recommended for US Sales Tax
This structure provides the most accurate US Sales Tax calculation.
- **No Validation – Country** Recommended for VAT
The country field of an address is always required and defaulted from either the home country defined in the system options window or the Default Country profile option. This structure is most useful for VAT systems, where locations do not need to be validated for the purposes of calculating tax.
- **State.City**
This structure can be used for US Sales Tax calculation, but may result in inaccurate taxes, as County tax rates would need to be rolled into either State or City rates.
- **City**
This structure can be used if you wish to validate just the City component of an address.
- **Province**
This structure can be used if you wish to validate just the Province component of an address.
- **Province.City**
This structure can be used in Canadian implementations for tax calculation and in some European countries for address validation.

Each segment of your Sales Tax Location Flexfield structure is dependent upon its immediate parent, except for the most senior

segment. For example, if you are using the seeded structure State.County.City, State is the most senior segment, it is the parent of County, and County is the parent of City.

You can use any of the structures listed above or create your own structure to implement sales tax. However, we recommend the State.County.City structure because it is specifically designed for a US sales tax system.

Caution: If you select State.City or any structure other than State.County.City as your Sales Tax Location Flexfield structure, be aware that this could result in inaccurate calculation of tax rates. Sales tax calculation in the US is based on the customer address with State, County, and City being the minimum requirement.

You can also define your own structure using any combination of state, county, city, province, postal code, and address. Refer to the Customizing Your Sales Tax Location Flexfield Structure section of the Calculating Tax Essay. See: Calculating Tax: page 8 – 2.



Attention: You cannot update your location flexfield structure once you have entered customer addresses or transactions.

Note: It is a recommended accounting practice to ensure that the sales tax liability owed to each state is uniquely identifiable within the General Ledger. To setup a different tax account for each state you will need to assign the tax account qualifier to the state segment, which is the default for both the State.County.City and State.City structures.

Locations

If you want to calculate sales tax, you must define locations and the associated tax rates for each segment of your Sales Tax Location Flexfield structure. For example, if one of the segments of your Sales Tax Location Flexfield structure is based on county, you must define all of your valid counties and assign tax rates to each one.

If you only want to validate your customer addresses, you must define locations for each segment of your Sales Tax Location Flexfield structure but you need not assign rates to these locations. Receivables uses these locations to validate your customer addresses.

You can either use the Tax Locations and Rates window to enter this information manually or the Sales Tax Rate Interface program to load your locations and associated tax rates from an external source. See: Tax Locations and Rates: page 5 – 5.

Authorities

Authorities are unique combinations of locations and are used to expedite the calculation of sales tax. For example, if your Sales Tax Location Flexfield structure is composed of state, county and city and you enter a customer address where state is California, county is San Mateo and city is Redwood City, Receivables creates the following authority: California–San Mateo–Redwood City.

You can enter Authorities manually, through the Tax Authority window, as long as the locations for these authorities exist. However, the more common way of creating authorities is when you enter a customer's address.

When you enter a customer's address, Receivables first checks to see if an authority already exists for this address. If an authority exists, Receivables uses the tax rates associated with each location to create a sales tax rate for the authority. If the authority exists but there are no tax rates associated with each location, the total tax rate for the authority cannot be calculated. If you try to use this authority (for example, to enter an invoice), Receivables displays a message that tax rates cannot be found for your customer's address.

If an authority does not exist, Receivables checks to see if locations exist for this address. If locations exist, Receivables creates the authority. If tax rates exist for each location, Receivables also creates the authority sales tax rate. If the locations do not exist, Receivables checks your Address Validation system option to see if it should either create the locations or display an error.

Receivables only creates authorities that exist within your home country. For example, if you set up your sales tax system to handle business in the United States and then you enter addresses in a foreign country, Receivables does not create locations, authorities, or sales tax records for these foreign locations. See: Tax Authorities: page 5 – 10.

Sales Tax Rates

Receivables calculates sales tax rates for each authority by summing all of the tax rates associated with each location included in the authority. For example, if your authority is California–San Mateo–Redwood City and California is 6%, San Mateo is 1%, and Redwood City is 1/2%, the sales tax rate for this authority is 7 1/2%. You can review these rates in the Review Sales Tax Rates window. See: Reviewing Sales Tax Rates: page 5 – 8.

If you enter tax rates in the Tax Locations and Rates window for locations that already exist and are used by authorities, Receivables creates new sales tax records for this authority.

The number of sales tax records that are created depends on the unique intersection of the date and postal code ranges that you assign to each location in your authority.

The following example demonstrates the method that Receivables uses to create sales tax records for your customer addresses. In this example, CA is the state of California, San Mateo is a county within California, and Foster City and Belmont are cities within San Mateo county. You have the following locations and rate assignments defined in Receivables:

Segment Value	From Zip	To Zip	Start Date	End Date	Tax Rate
CA	96199	96199-9999	15-JUL-90	-----	6.25%
CA	85364	89999-9999	15-JUL-90	-----	6.25%
CA	90000	94999-9999	15-JUL-90	-----	6.25%
San Mateo	00000	99999-9999	07-JUL-88	31-DEC-90	0%
San Mateo	00000	99999-9999	01-JAN-91	31-JAN-91	2%
Foster City	94063	94065-9999	01-JAN-91	31-JAN-91	1%
Belmont	94065	94069-9999	01-JAN-90	31-JAN-91	0%

Table 8 – 2 (Table 1 of 1)

When you enter and save these locations and their rate assignments, Receivables generates the following sales tax rate records:

Authority	From Zip	To Zip	Start Date	End Date	Tax Rate
CA.San Mateo. Foster City	94063	94065-9999	01-Jan-91	31-Jan-91	6.25+2+1

Table 8 – 3 (Table 1 of 2)

Authority	From Zip	To Zip	Start Date	End Date	Tax Rate
CA.San Mateo. Belmont	94065	94069-9999	15-Jul-90	31-DEC-90	6.25+0+0
CA.San Mateo. Belmont	94065	94069-9999	01-Jan-91	31-Jan-91	6.25+2+0

Table 8 – 3 (Table 2 of 2)

Note: If any one of the segments does not have a tax rate assigned to it, then no sales tax rate will be available for the tax authority. For example, if the County: San Mateo does not have a rate assigned to it, then the tax authority: CA-SAN MATEO-FOSTER CITY will not have a tax rate assigned to it.

Sales Tax Rate Overrides

You can use the override rates feature to reduce the total tax liability for a given tax authority on a city by city basis. When entering your City rate assignments in the Tax Locations and Rates window, the Override Sales Tax Rates Flexfield will pop and allow you to enter full and partial 'Override' rates for the segments above the City segment.

If you are using a State.County.City.Zip structure, when you are assigning city rates to any State.County combination you can override either or both of the State and County rates for that City. However, you cannot override the Zip rate as this is below the City segment in your structure.



Attention: If you wish to use the override feature you must include City in your Sales Tax Location Flexfield structure.

Address Validation Versus Sales Tax Calculation

Receivables cannot determine sales tax for customer addresses that are missing values for taxing locations. For example, if you use 'State.County.City' as your sales tax structure, you must have these values for each customer address in your home country to ensure that location based taxation will function properly. This is why every component of your Sales Tax Location Flexfield structure is mandatory during entry of addresses in your home Country, no matter what your Address Validation system option is set to, or what Tax Method you are

using. The Address Validation system option only refers to the validation of the values that are entered.

If you are implementing a VAT system and do not wish to calculate tax nor validate addresses, you can choose the 'No Validation – Country' Sales Tax Location Flexfield structure which requires that only the country is entered. In this case, Receivables derives the default country from the 'Default Country' system option.

You may also implement Flexible Address Formats for country specific validation of customer address information. Refer to the Flexible Address Formats essay for more details.

Tax Codes

To implement tax in Receivables you can define three types of tax codes; VAT Codes, a Location Tax Code, and an International Tax Code.

You can define tax rates that are associated with specific tax codes. These tax codes can then be assigned to items, customers, or customer sites. They will have a type of 'VAT' or 'Sales' and are generally used when calculating Value Added Tax, or for setting up specific tax codes for Sales Tax.

You must define a tax code of type 'Location' if your Tax Method is 'Sales Tax'. You can only have one tax code of type 'Location' defined for any given date range.

If your Tax Method is VAT, use the Tax Rounding alternative region in the System Options window to define how Receivables calculates your VAT amounts. You can choose to round VAT calculations at the line or header level, specify a rounding method, and the number of decimal places to display. Receivables calculates VAT once per VAT rate, per document.

If your Tax Method is VAT, you can also specify a default Tax Code in the Tax alternative region of the System Options window. Receivables will use this value, or the tax code defined at the item, customer, or customer site level, according to the tax hierarchy that you define. See: Tax System Options in the *Oracle Receivables User's Guide*.

When using either a VAT or Sales Tax based system, you may wish to calculate tax on transactions in your home country, but not on all international transactions. AutoInvoice and Invoice Entry will give an error during validation if tax cannot be calculated and your transaction type requires tax.

You can avoid getting these errors if you do not require tax on the transaction types for international transactions. Alternatively, you can

assign a zero rated tax code to all international sites for which you do not wish to calculate tax. The tax code allows a tax line to be created for the transaction with a zero tax amount, and therefore enables the transaction to pass validation. At the same time, transactions for sites in your home country, or for foreign sites which have a nonzero rated tax code, will have the correct amount of tax calculated.

Tax Codes with Location Based Tax

During invoice entry and import, Receivables will automatically calculate tax from either tax codes or locations. If you wish to have tax calculated from both tax codes and locations, you should set your Tax Method to 'Sales Tax'.

If you wish to use both tax calculation methods for the same customers, you can let Receivables calculate your Sales Tax automatically, then manually enter or import tax codes on your invoice lines to calculate additional taxes.

Alternatively, you can assign specific tax codes to customers for whom you wish to calculate tax based on tax codes only. Receivables uses the tax code hierarchy that you defined in the System Options window to see if any tax codes are assigned to your customers, customer sites, inventory items, or at the system options level. If tax codes exist, Receivables will use these to derive the tax rates; if not, it will derive the tax from the address. This algorithm is best described in the Tax Hierarchy diagrams earlier in this essay. See: Overview of Calculating Tax: page 8 – 5.



Attention: To implement VAT you must assign tax codes to your inventory items. To implement sales tax you should not assign tax codes to your inventory items, as this will override the calculation of location-based tax on the transaction. For this reason we advise that you do not implement VAT and Sales Tax in one installation of Receivables.

Item Exceptions

Receivables lets you associate a specific tax rate with an item being shipped to a specific address. Item exceptions are only used when calculating tax based on location and will override all other tax rates associated with that location.

Using the location flexfield in the Item Tax Rate Exceptions window, you can define item exceptions for any component of your Sales Tax Location Flexfield. For example, you can define an exception for a particular item when shipped anywhere in California, or only in the city

of San Francisco. Additionally, you can specify which rates you wish to override for that item using the rate flexfield in this window. See: Tax Rate Exceptions: page 5 – 16.

Item and Customer Exemptions

Receivables lets you fully or partially exempt a particular item or customer from a specific tax code and/or taxing location. For example, you might have customers that are exempt from paying tax, such as the US Government.

You can define exemptions in the Tax Exemptions window, either at the customer or item level. Additionally, exemptions can be restricted at regional levels. Thus you could create an exemption for a bill-to customer, such that they are always exempt from tax or exempt only when shipping to the state of California.

When you enter or import an invoice, Receivables checks to see if any exemptions exist for the customer or item. If it finds such exemptions with a status of 'Primary', Receivables will automatically use the tax exemption. Receivables does not use any exemptions with a status 'Manual' or 'Unapproved' unless you explicitly enter the exemption.

Receivables searches for tax exemptions using the bill-to customer, transaction date and tax code on a transaction. To determine the level at which the exemption is defined, Receivables will search in the following order and stop as soon as one is found:

- Specific ship-to location
- Each tax authority location, starting with the lowest level.
- Bill-to customer with no specific location.

For example, when searching for exemptions for a transaction that has 'ABC Inc.' as the bill-to customer and 'ABC Co.' as the ship-to; Receivables will search as follows:

It will use Customer ABC Inc. along with the transaction date and tax code as a basis for the search.

When determining the location at which the exemption has been created, Receivables will first search for exemptions defined for the ship-to site, ABC Co.; if no exemptions are found, it will search at each level of the Sales Tax Location Flexfield structure starting with the lowest level, for example, city, county, and lastly state; if no exemptions are found, Receivables will search for exemptions for the bill-to customer only with no specific location. See: Tax Exemptions: page 5 – 12.

Note: If you choose to 'Require' tax at invoice entry or import, this will override any predefined exemptions.



Attention: If you know that an exemption is due to expire, we recommend that you simply add an end date rather than changing the status. If you change the exemption status to 'Expired', then wish to view historical orders later, the exemption will not show because the status is no longer current.

If your profile and system options permit, you can force exemptions at the time of invoice entry or import. This can be done by either picking an existing exemption or creating an exemption with a status of 'Unapproved'. You can use the Tax Exemptions window to update the status to 'Primary' if you want Receivables to continue to use this exemption automatically when calculating tax. You can set it to 'Manual' if you want to be able to control when this exemption will be used.

You can reject an exemption created during invoice entry or import, by setting its status to 'Rejected'. Also, you can discontinue exemptions that were previously approved by either adding an end date or changing the status to 'Expired'. Once an exemption has a status of 'Rejected' or 'Expired', the status can no longer be updated.



Suggestion: Add an end date to discontinue an exemption, rather than setting the status to 'Expired'. This provides a better audit trail of the validity dates for the exemption.

Use the table below to identify how exemption statuses can be updated:

Current Status	Possible New Statuses
Unapproved	Primary, Manual, Rejected, Expired
Manual	Primary, Expired
Primary	Manual, Expired
Expired	No Change Allowed
Rejected	No Change Allowed

Table 8 – 4 (Table 1 of 1)



Suggestion: If you want to control who can create unapproved exemptions, you can set the profile option Tax: Allow Override of Customer Exemptions for the appropriate users.

Tax-Only Invoices

You might create a tax-only invoice, for example, to collect tax payable subsequent to an audit. You can create tax-only invoices for both VAT and Sales Tax systems.

You can only create tax-only invoices manually in the Transactions window if both the Tax: Allow Ad Hoc Changes and Tax: Allow Manual Lines profile options are set to Yes.

To create the tax-only invoice, enter an invoice with a line amount equal to zero. Then, navigate to the Tax window for this line and enter your tax line using an ad hoc tax code. The ad hoc tax code will enable you to change the amount of tax calculated from zero to the amount you require. You can also change the tax accounts for this tax line as required.

Tax Groups

Use tax groups to apply multiple taxes to transactions or invoice line items. Tax groups are simply a group of tax codes, in which each code represents a specific tax rate and general ledger account for posting. By assigning a tax group, you can apply more than one tax rate based on the transaction's ship to location. See: Tax Groups: page 5 – 18.

See Also

Setting Up Tax: page 8 – 9

Tax Reports: page 6 – 2

Tax Codes and Rates: page 5 – 2

Tax Locations and Rates: page 5 – 5

Tax Exemptions: page 5 – 12

Importing Tax Lines (*Oracle Receivables User's Guide*)

Customizing Your Sales Tax Location Flexfield Structure: page 8 – 28

Defining a Sales Tax Location Flexfield Structure: page 8 – 33

Tax Inclusive

Receivables lets you enter and display transaction lines either inclusive or exclusive of tax. **Tax inclusive** indicates that the line amount for an item includes the tax for this item. **Tax exclusive** indicates that tax is *not* included in the line amount for this item. When you enter a transaction line, Receivables uses the tax code default hierarchy in the System Options window to determine the appropriate tax code. If the customer, customer site, item, or standard line is assigned to a tax inclusive tax code or tax group, Receivables automatically includes the tax for this line in the line amount. In the Receivables Lines window, the Amount Includes Tax poplist indicates whether the line amount includes tax.

The Amount Includes Tax poplist indicates whether a tax code is inclusive or exclusive. If it is a tax *group*, the poplist displays 'Tax Code' and you cannot change it.

You can define inclusive and exclusive tax codes in the Tax Codes and Rates window. You can define inclusive and exclusive tax groups in the Tax Groups window.

Receivables windows that can display tax inclusive line amounts include the Lines, Tax, Credit Transactions, and Transaction Overview windows.

See Also

Tax Codes and Rates: page 5 – 2

Tax Groups: page 5 – 18

Entering Transactions (*Oracle Receivables User's Guide*)

Accounting for Inclusive and Exclusive Taxes: page 8 – 26

Accounting for Inclusive and Exclusive Taxes

When you create a transaction line that does not include tax (tax exclusive), Receivables creates an entry in your Revenue account that is equal to the line amount. However, when you create a transaction line that includes tax, the revenue amount does *not* equal the line amount (this is because the line amount includes the tax for this line). Therefore, when creating accounting entries for tax inclusive lines, AutoAccounting deducts the tax amount from each line and creates a separate entry for each line and tax amount.

For example, the following invoice has both inclusive and exclusive taxes:

Line Number and Tax Code	Amount
Line 1	110.00
Tax 1.1 @ 10% Inclusive	10.00
Tax 1.2 @ 20% Exclusive	20.00
Tax 1.3 @ 5% Exclusive	5.00
Line 2	206.00
Tax 2.1 @ 3% Inclusive	6.00
Line 3	300.00
Tax 3.1 @ 5% Exclusive	15.00
Invoice Total:	656.00

**Table 8 – 5 (Page 1 of 1) Accounting for Tax Inclusive/
Exclusive Amounts**

AutoAccounting will create the following accounting entries for this invoice:

<u>Account</u>	<u>DR</u>	<u>CR</u>
Receivables	656.00	
Revenue for line 1		100.00
Tax 1.1		10.00
Tax 1.2		20.00
Tax 1.3		5.00

Revenue for line 2	200.00
Tax 2.1	6.00
Revenue for line 3	300.00
Tax 3.1	15.00

As shown in this example, AutoAccounting automatically subtracts the tax amount from each tax inclusive line, then creates separate accounting entries for each invoice line and its corresponding tax amount.

See Also

Implementing Value Added Tax: page 2 – 6

Implementing Canadian Sales Tax: page 4 – 2

Controlling Tax from your Revenue Account

If you use the Account Method for VAT compliance, you can set up Receivables to use the tax code assigned to the Natural Account segment of your Revenue account when you manually enter transactions or import them using AutoInvoice. You can assign a tax code to your Revenue Account in the Oracle General Ledger Tax Options window. If you set up your system this way, the tax code assigned to your Revenue account will be the default whenever you enter or import invoices, debit memos, or on-account credit memos into Receivables.

You can also ensure that the tax code for your transaction lines match the tax code assigned to your Revenue account when you enter transactions. If you set the Receivables system option Enforce Tax Code from Revenue Account to Yes, the Transactions Workbench will not let you complete a transaction unless the tax code for each line is the same as the tax code assigned to your Revenue account. This ensures that the VAT amounts in your tax returns reconcile to the tax liability accounts and that the taxable amounts in your tax returns reconcile to the Profit and Loss accounts.



Suggestion: If you enforce validation on tax codes from the revenue account, you should not derive tax codes from customers, customer sites, or inventory items.

The table below summarizes how your setup affects tax code validation at the invoice line level.

Setting of GL account option 'Allow Tax Code Override'	Setting of system option 'Enforce Tax From Revenue Account'	Will Receivables enforce the tax code from the Revenue account?
No	Yes	Yes (you cannot enter a new tax code)
Yes	Yes	No (you can override the default tax code)
No	No	No (you cannot override the default tax code)
Yes	No	No (you can override the default tax code)

Table 8 – 6 (Table 1 of 1)

See Also

Setup Steps for Value Added Tax: page 2 – 11

Customizing Your Sales Tax Location Flexfield Structure

Receivables provides the following predefined Sales Tax Location Flexfield structures.

Struct. Id	Structure Name	Enabled Segment	Value Sets	Enabled Qualifiers
1	No Validation – Country	Country	AR_LOC_COUNTRY	COUNTRY, TAX_ACCOUNT
2	State.City	State	AR_LOC_STATE	STATE, TAX_ACCOUNT, EX-EMPT_LEVEL

Table 8 – 7 (Table 1 of 2)

Struct. Id	Structure Name	Enabled Segment	Value Sets	Enabled Qualifiers
		City	AR_LOC_CITY_GIVEN_STATE	CITY
3	Province.City	Province	AR_LOC_PROVINCE	PROVINCE, TAX_AC-COUNT, EX-EMPT_LEVEL
		City	AR_LOC_CITY_GIVEN_PROVINCE	CITY
4	City	City	AR_LOC_CITY_NO_PARENT	CITY, TAX_ACCOUNT
5	Province	Province	AR_LOC_PROVINCE_NO_PARENT	PROVINCE, TAX_ACCOUNT
101	State.County .City	State	AR_LOC_STATE	STATE, TAX_AC-COUNT, EXEMPT_LEVEL
		County	AR_LOC_COUNTY	COUNTY
		City	AR_LOC_CITY	CITY

Table 8 – 7 (Table 2 of 2)

You can choose to create a customized Sales Tax Location Flexfield structure to either change the segments at which your Tax Account and Exempt Level qualifiers are enabled or to use different address segments. In either case, you cannot simply modify an existing structure. You must define a new Sales Tax Location Flexfield structure and corresponding descriptive flexfield contexts. This prevents your customized structure from being overwritten during an upgrade.



Attention: You cannot update your Sales Tax Location Flexfield structure after you have entered transactions or customer addresses.

The table below provides general information about the Sales Tax Location Flexfield.

Sales Tax Location Flexfield	
Owner	Oracle Receivables
Flexfield Code	RLOC

Sales Tax Location Flexfield	
Table Name	AR_LOCATION_COMBINATIONS
Number of Columns	10
Width of Columns	22
Dynamic Inserts Possible	Yes
Unique ID Column	LOCATION_ID
Structure Column	LOCATION_STRUCTURE_ID

Table 8 – 8 (Page 1 of 1)

See Also

Setting Up Tax: page 8 – 9

Calculating Tax: page 8 – 15

Defining a Sales Tax Location Flexfield Structure: page 8 – 33

Change Assignments For Tax Account and Exempt Level Qualifiers

Modify Your Tax Account Qualifier

You can control the level of detail for your Sales Tax Liability accounts. Typically, a distinct liability account is created for each state. You can however, create distinct accounts for each city or county. Receivables assigns the Account Qualifier at the State segment of the recommended Sales Tax Location Flexfield structure 'State.County.City'.

You can assign the Tax Account qualifier to any segment of your flexfield structure in the Key Flexfields window, but you can assign it to only one segment. Then, when you define tax accounts in the Tax Locations and Rates window, you will be able to assign them to components of this segment. Therefore, if you assign the tax account qualifier to the 'State' segment, you can define tax accounts at the State level only.

Note: The tax account defined for your Location Tax Code will be the default tax account in the Tax Locations and Rates window.

Refer to the chart in Customizing Your Sales Tax Location Flexfield Structure: page 8 – 28 to see the default levels at which Receivables enables the Tax Account qualifier in the seeded tax structures. This is a mandatory qualifier, so you must assign it to one, and only one, segment of your flexfield structure.

Modify Your Exempt Level Qualifier

Receivables will create unapproved customer certificates at the bill-to customer site and the ship-to state. This is the normal behavior if the Exempt Level Qualifier has been assigned to the 'State' segment of the Sales Tax Location Flexfield structure. Using the Exempt Level Qualifier you can control the level of detail at which the unapproved certificate will be automatically created during invoice entry and import.

Refer to the chart in Customizing Your Sales Tax Location Flexfield Structure: page 8 – 28 to see the levels at which Receivables defaults the Exempt Level qualifier in the seeded tax structures. This is an optional qualifier. If no Exempt Level qualifier is enabled, automatic exemptions will be created at the customer level.

Calculate Tax Externally

Receivables can integrate tax calculation programs which are external to the product using the Tax Vendor Extension. This lets you provide for complex tax calculation needs while retaining the full power of Receivables to create and store all other tax data.

Import Sales Tax Locations and Rates

You can use the Sales Tax Rate Interface program to load locations and sales tax rate records into Receivables. These will be used for both address validation and the calculation of sales tax. If you subscribe to a tax service, you can use this program to load the locations and rates that the tax service supplies.

Create Tax Exemptions

Tax exemptions let you fully or partially exempt specific customers or items from tax. You can use exemptions in either a VAT or location-based tax environment.

You can define exemptions either at the customer or item level or specify them at the regional levels. For example, you could create a customer exemption such that the customer is always exempt from tax, or is exempt only in the state of California.

Create Tax Exceptions

Tax exceptions are special tax rates that are assigned to items being shipped to specific addresses. Tax exceptions are only used when you are calculating location-based tax.

Reconcile US Sales Tax

Receivables provides the US Sales Tax Report to assist you in preparing Sales Tax Returns and in reconciling these returns to your General Ledger. The report lists the gross, taxable, exempt and tax amounts for a given period, broken down by state, county and city, to let you identify and review your sales tax liability to the various tax authorities around the US.

Defining a Sales Tax Location Flexfield Structure

Define Value Sets

You can use existing value sets if the value sets for your new structure have the same parent as an existing value set. For example, if your new structure is County.City, you can use the seeded AR_LOC_CITY value set for your 'City' segment, as this has 'County' as its parent. However, you must create a new value set for the county segment, as the seeded 'County' value set has a parent and your new value set does not.

Use the Define Value Set window to define new value sets. Query one of the default value sets provided by Receivables and copy all of the values except for the Name, Description and WHERE/ORDER BY values. Enter a name and description that reflects the kind of value set you are defining. For example, if you are defining a value set for the parent 'County' segment, you might call it 'AR_LOC_COUNTY_NO_PARENT'.

If you are defining a value set for the parent segment of your Sales Tax Location Flexfield structure, you must enter the following SQL clause in the WHERE/ORDER BY field:

```
where AR_LOCATION_VALUES.location_segment_qualifier||'' =  
'<segment_name>'
```

If you are defining the value set for the segments other than the parent segment, you must enter the following SQL clause in the WHERE/ORDER BY field:

```
where AR_LOCATION_VALUES.location_segment_qualifier||'' =  
'<segment_name>'  
AND AR_LOCATION_VALUES.parent_segment_id =  
nvl(:$PARENT_VALUE_SET$,  
AR_LOCATION_VALUES.parent_segment_id)
```

Define a New Sales Tax Location Flexfield Structure

After you define your value sets, you need to define your Sales Tax Location Flexfield structure in the Key Flexfield Segments window. Query 'Sales Tax Location Flexfield' in the Flexfield Title field; Receivables will return all the seeded Sales Tax Location Flexfield structures in the Structures region. To enter your new Sales Tax Location Flexfield structure, choose New Record from the Edit menu. Be sure to use a unique name for your new structure.

When you define each segment of your Sales Tax Location Flexfield structure, make sure you define them in the order of their dependencies. For example, if you are defining a new two segment structure using county and city, and county is your parent segment, define county as your first segment and city as your second segment. When you assign columns to each segment, make sure you assign them in ascending order, starting with LOCATION_ID_SEGMENT_1. In the example above you would assign LOCATION_ID_SEGMENT_1 to your first segment (County) and LOCATION_ID_SEGMENT_2 (City) to your second segment.

Use this window to also assign your new value sets and flexfield qualifiers to each segment. You should only enable one 'Location' qualifier for each segment. In the example above you would enable the County qualifier for the County segment and the City qualifier for the City segment. You must also enable your Tax Account and Exempt Level qualifiers as described above, then freeze your new structure.

Define Your Descriptive Flexfield Contexts

After defining your new Sales Tax Location Flexfield structure, you must define contexts for the following descriptive flexfields in the Descriptive Flexfield Segments window.

- **Sales Tax Rate Assignment Flexfield:** This flexfield displays in the Tax field of the Review Sales Tax Rates window.
- **Item Exception Rate Assignment Flexfield:** This flexfield displays in the Tax Rate Description field of the Item Tax Rate Exceptions window.
- **Item Exception Rate Location Flexfield:** This flexfield displays in the Location Description field of the Item Tax Rate Exceptions window.
- **Exempt Regions Flexfield:** This flexfield displays in the Location field of the Tax Exemptions window.

- **Override Sales Tax Rates Flexfield:** This field appears in the Rates region of the Tax Locations and Rates window.

Query each flexfield by entering the flexfield name in the Title field of the Descriptive Flexfield zone and 'Receivables' in the Application field. Receivables displays the seeded context values (one for each seeded Sales Tax Location Flexfield structure) in the Context Field Values region. Select New Record from the Edit menu to create a row where you can enter your new context field value. The value that you enter in the Name field must be set to the ID of your new Sales Tax Location Flexfield structure. Use the following SQL script to determine the ID:

```
$ sqlplus <AOL username>/<AOL password>
SQL> select id_flex_structure_name, id_flex_num from
fnd_id_flex_structures where id_flex_code = 'RLOC';
```

After entering the Flexfield structure ID in the Name field and a description in the Description field, enter the segments and associated value sets for this Descriptive Flexfield. Define the same number of segments for each of the descriptive flexfields as you defined for your Sales Tax Location Flexfield structure. The only exception to this rule is the Override Sales Tax Rates flexfield. As the override only applies to segments above the City segment, this structure should only include the segments that you defined above the City segment for which you want to allow overrides. For example, if your Sales Tax Location Flexfield has County.City as the structure, the Override Sales Tax Rates Flexfield should have just one segment relating to County for its structure.



Attention: If you wish to use the override feature, you must include City in your Sales Tax Location Flexfield structure.

Hence, using our County.City example, you would create your new descriptive flexfields as follows:

Sales Tax Rate Assignment Flexfield

Column: LOCATION1_RATE

Value Set: AR_SALES_TAX_RATES

Column: LOCATION2_RATE

Value Set: AR_SALES_TAX_RATES

Item Exception Rate Assignment Flexfield

Column: LOCATION1_RATE

Value Set: AR_SALES_TAX_RATES

Column: LOCATION2_RATE

Value Set: AR_SALES_TAX_RATES

Item Exception Rate Location Flexfield

Column: LOCATION_ID_SEGMENT_1
Value Set: AR_LOC_COUNTY_NO_PARENT

Column: LOCATION_ID_SEGMENT_2
Value Set: AR_LOC_CITY

Exempt Regions Flexfield

Column: LOCATION_ID_SEGMENT_1
Value Set: AR_LOC_COUNTY_NO_PARENT

Column: LOCATION_ID_SEGMENT_2
Value Set: AR_LOC_CITY

Override Sales Tax Rates Flexfield

Column: OVERRIDE_RATE1
Value Set: AR_SALES_TAX_RATES

Note: AR_LOC_COUNTY_NO_PARENT has been used in this example, as this is the name given to the new value set in our previous example.

Be sure to freeze all five descriptive flexfield definitions when they are complete.

Specify Your Location Flexfield Structure System Option

After defining your new Sales Tax Location Flexfield structure, value sets, and your descriptive flexfield contexts, you must choose your Sales Tax Location Flexfield structure in the Location Flexfield Structure field of the System Options window. Upon saving this change, Receivables submits three concurrent programs. These concurrent programs create PL*SQL packages to interface between the tax windows and tax tables. Use the View Requests window to verify that these three concurrent requests have completed without error. The following is an example of the comments that should be displayed at the end of the log files:

```
No errors
```

```
APP-43157 Expansion completed without any errors
```

```
Concurrent process completed successfully
```



Attention: You cannot update your Sales Tax Location Flexfield structure once you have entered customer addresses or transactions.

If Your Concurrent Programs Fail

If your concurrent programs fail, check the following:

- The segments in your Sales Tax Location Flexfield and the Descriptive Flexfields are enabled.
- Your Sales Tax Location Flexfield and the five Descriptive Flexfields are frozen.
- The flexfield qualifier enabled for each location is correct. For example, if the segment is County, the County flexfield qualifier must be enabled.
- The Tax Account qualifier is assigned to one, and only one, segment of your Sales Tax Location Flexfield structure.
- The Exempt Level qualifier is assigned to one, and only one, segment of your Sales Tax Location Flexfield structure.
- The column that you assign to the first Sales Tax Location Flexfield segment is `LOCATION_ID_SEGMENT_1` and the second segment is assigned to `LOCATION_ID_SEGMENT_2` and so on.
- The SQL clause for the WHERE/ORDER BY field is correct for each value set. The SQL clause for the value set assigned to your parent segment is different from the SQL clause assigned to the value set for your non-parent segments. The parent segment is the first segment of your Sales Tax Location Flexfield structure.
- The Descriptive Flexfield context field value names are set to the ID of your Sales Tax Location Flexfield structure, the Descriptive Flexfield segments refer to the correct value set and the structure of the Descriptive Flexfields correctly maps to the Sales Tax Location Flexfield structure.
- Your system has free disk space.

See Also

Setting Up Tax: page 8 – 9

Calculating Tax: page 8 – 15

Customizing Your Sales Tax Location Flexfield Structure: page 8 – 28

Glossary

accounting rule start date The date Oracle Receivables uses for the first accounting entry it creates when you use an accounting rule to recognize revenue.

accounting rules Rules that AutoInvoice uses to specify revenue recognition schedules for your transactions. You can define an accounting rule where revenue is recognized over a fixed or variable period of time. For example, you can define a fixed duration accounting rule with monthly revenue recognition for a period of 12 months.

acquisition tax VAT on the acquisition of goods from a VAT Registered supplier in another EU member state will be zero-rated. The receiver must account for VAT as both Input and Output amounts at the VAT rate applicable for the same goods in the country that they are received, giving a net VAT liability of zero. Oracle Implements Acquisition tax with Oracle Payables using Offset Taxes.

accrual accounting An accounting method you use to recognize revenue when you create invoices.

adjustment A Receivables feature that allows you to increase or decrease the amount due of your invoice, debit memo, chargeback, deposit, or guarantee. Receivables lets you create manual or automatic adjustments.

applied Payment in which you record the entire amount as settlement for one or more debit items.

AutoAccounting A feature that lets you determine how the Accounting Flexfields for your revenue, receivable, freight, tax, unbilled receivable and unearned revenue account types are created.

AutoInvoice A program that imports invoices, credit memos, and on account credits from other systems to Receivables.

balancing segment An Accounting Flexfield segment that you define so that General Ledger automatically balances all journal entries for each value of this segment. For example, if your company segment is a balancing segment, General Ledger ensures that, within every journal entry, the total debits to company 01 equal the total credits to company 01.

beginning balance The beginning balance is the balance of the transaction item as of the beginning GL Date that you specified. This amount should be the same as the Outstanding Balance amount of the Aging – 7 Buckets Report where the As Of Date is the same as the beginning GL Date.

bill in advance An invoicing rule that enables you to record the receivable at the beginning of the revenue recognition schedule for invoices that span more than one accounting period. See also *invoicing rules*, *bill in arrears*.

bill in arrears An invoicing rule that records the receivable at the end of the revenue recognition schedule for invoices that span more than one accounting period. See also *invoicing rules*, *bill in advance*.

Bill of Exchange An agreement made with your customer in which they promise to pay a specified amount on a specific date (called the maturity date) for goods or services. This process involves the transfer of funds from your customer's bank account to your bank account.

Bill To Address The address of the customer who is to receive the invoice. Equivalent to **Invoice To Address** in Oracle Order Entry/Shipping.

business group The highest level of organization and the largest grouping of employees across which a company can report. A business group can correspond to an entire company, or to a specific division within the company.

business group The highest level of organization and the largest grouping of employees across which a company can report. A business group can correspond to an entire company, or to a specific division within the company.

business purpose The business reason you have for communicating with a customer's address. For example, you would assign the business purpose of Ship-To to an address if you ship products to that address. If you also send invoices to that address, you could also assign the business purpose Bill To.

cash basis An accounting method that lets you recognize revenue at the time payment is received for an invoice.

chargebacks A new debit item that you assign to your customer when closing an existing, outstanding debit item.

columns Oracle database tables consist of columns. Each column contains one type of information. The format to indicate tables and columns is:
(TABLE_NAME.COLUMN_NAME).

complete invoice An invoice whose status is Complete. In order for an invoice to have a status of Complete, the invoice total must be greater than or equal to zero, have at least one invoice line, revenue records must exist for each line, revenue records for each line must add up to the line amount, and a tax and sales credit record must exist for each line.

contact A representative who is responsible for communication between you and a specific part of your customer's company. For example, your customer may have a shipping contact person who handles all questions regarding orders shipped to that address. Receivables lets you enter contacts for your customers, addresses, and business purposes.

Consumers Use Tax Any company receiving goods within a state must either pay sales tax on receipt or self-accrue a Use tax, normally to the same value. The self-accrual scheme ensures that the state receives income independent of the vendor's registration.

control file A file used by SQL*Loader to map the data in your bank file to tables and columns in the Oracle database. You must create one control file for each different bank file you receive, unless some or all of your banks use the exact same format.

conversion A process that converts foreign currency transactions to your functional currency.

corporate exchange rate An exchange rate you can optionally use to perform foreign currency conversion. The corporate exchange rate is usually a standard market rate determined by senior financial management for use throughout the organization. You define this rate in Oracle General Ledger.

credit items Any item you can apply to an open debit item to reduce the balance due for a customer. Receivables includes credit memos, on account credits, and unapplied and on account cash as credit items. Credit items remain open until you apply the full amount to debit items.

credit memo A document that partially or fully reverses an original invoice. You can create credit memos in the Receivables Credit Transactions window or with AutoInvoice.

credit memo reasons Standard explanations as to why you credit your customers. (Receivables QuickCode)

customer address A location where your customer can be reached. A customer can have many addresses. You can also associate business purposes with addresses.

customer business purpose See *business purpose*.

customer site A site where a customer is located. A customer can have more than one site. Site names can more easily identify a customer address, facilitating invoice and order entry.

debit items Any item that increases your customer's balance. Receivables includes invoices, debit memos, and chargebacks as debit items. Debit items remain open until the balance due is zero.

deferral France, Italy and Russia allow the liability on Output VAT to be deferred until payment has been collected on certain transactions. This is referred to as "Cash accounting for VAT" and, if allowed, may be used in an accrual system.

debit memo reversal A reversal of a payment that generates a new debit memo, instead of reopening old invoices and debit memos.

debit memos Debits that you assign to your customer for additional charges that you want to collect. For example, you may want to charge your customers for unearned discounts taken, additional freight charges, taxes, and finance charges.

deposit A type of commitment whereby a customer agrees to deposit or prepay a sum of money for the future purchase of goods and services.

descriptive flexfield A field that your organization can extend to capture extra information that is otherwise not tracked by Oracle Applications. A Descriptive Flexfield appears on your window as a single character, unnamed field. Your organization can customize this field to capture additional information that is necessary and unique to your business.

direct debit An agreement made with your customer to allow the transfer of funds from their bank account to your bank account. The transfer of funds occurs when the bank receives a document or tape containing the invoices to be paid.

discount The amount or percentage that you allow a customer to decrease the balance due for a debit item. In Receivables, you use Payment Terms to define customer discounts and can choose whether to allow earned and unearned discounts.

document rounding VAT amounts are typically calculated once per tax code within an invoice. Receivables controls tax codes at the document line, but allows VAT amounts to be rounded at the document header or line.

domestic transaction Transactions between registered traders in the same EU (European Union) country. Domestic transactions have VAT charged on goods and services with different countries applying different VAT rates to specific goods and services.

due to An asset account you use to record the noncurrent portion of a long-term loan from one fund to another fund within the same reporting entity.

dynamic insertion An Oracle Applications feature that lets you automatically create new key flexfield combinations when you enter transactions or customers. If you do not use dynamic insertion, you can only create new key flexfield combinations using the various flexfield setup forms.

earned discounts Discounts your customers are allowed to take if they remit payment for their invoices on or before the discount date. The discount date is determined by the payment terms assigned to an invoice. Receivables takes into account any discount grace days you assign to this customer's credit profile. For example, if the discount due date is the 15th of each month, but discount grace days is 5, your customer must pay on or before the 20th to receive the earned discount. Discounts are determined by the terms you assign to an invoice during invoice entry. See also *unearned discounts*.

ending balance The ending balance represents the balance of the transaction as of the ending GL Date that you have specified. This column should be the same as the Outstanding Balance of the Aging – 7 Buckets Report for this item.

EU (European Union) The European Union is a single European market where customs and tariff barriers between member states have been removed.

exchange rate A rate that represents the amount in one currency that you can exchange for another at a particular point in time. You can enter and maintain daily exchange rates for Receivables to use to perform foreign currency conversion. Receivables multiplies the exchange rate by the foreign currency to calculate the functional currency.

exchange rate type A specification of the source of an exchange rate. For example, a user exchange rate or a corporate exchange rate. See also *corporate exchange rate*, *spot exchange rate*.

export transactions Transactions between a Canadian trader and a vendor or customer located outside Canada. Customers and sites outside Canada may be tax exempt and should have a zero tax code assigned to all invoices.

factoring The process by which you sell your accounts receivable to a financial institution (such as a bank) in return for cash. Financial institutions usually charge a fee for factoring.

finance charges Additional charges that you assign to customers for past due items. You specify whether you want to charge your customers finance charges in their customer profiles. Finance charges can be included on your customer's statements and dunning letters.

FOB (Free On Board) The point or location where the ownership title of goods is transferred from the seller to the buyer. This indicates that delivery of a shipment will be made on board or into a carrier by the shipper without charge, and is usually followed by a shipping point or destination (e.g. 'FOB Our warehouse in New York'). (Receivables QuickCode)

freight carrier A commercial company used to send product shipments to your customers.

functional currency The principal currency you use to record transactions and maintain accounting data within Receivables. The functional currency is usually the currency in which you perform most of your business transactions. You specify the functional currency for each set of books in the Set of Books window.

general ledger date The date used to determine the correct accounting period for your transactions. The Receivables posting program uses this date when posting transactions to your general ledger.

GL Date range An accounting cycle that is defined by a beginning and ending GL Date.

Goods and Services Tax Goods and Services Tax (GST) is tax levied on many consumer products and professional services. Some goods and services are exempt from GST (for example, health and educational services). Depending on whether a purchase is considered commercial or not determines if the recovery of the tax can be made through a rebate, an Input Tax Credit (ITC), or both. Currently, the GST rate is seven percent.

Harmonized Sales Tax Effective April 1, 1997, the provinces of Nova Scotia, New Brunswick and Newfoundland combined their Provincial Sales Tax (PST) with the federal sales tax to form a harmonized, value added tax called Harmonized Sales Tax (HST). The HST operates as a single rate of 15%, of which seven percent represent the federal component and eight percent the provincial component. Most tax registrants will operate on a tax-excluded basis. However, the government has reserved the right to legislate tax included if more than 51% of the population agree to adopt this blended tax rate.

import program A program that imports your bank file from an external system into Receivables. Receivables is set up to work with SQL*Loader as the import program. Two sample SQL*Loader control files are included with Receivables to assist you in writing your own custom control file.

imported invoice An invoice that is imported into Receivables using the AutoInvoice program.

incomplete invoice An invoice whose status has not been changed to Complete or that has failed validation.

input tax credit Businesses registered for Goods and Services Tax (GST) purposes are required to collect GST for goods and services that are subject to GST. They can then claim Input Tax Credits (ITC) for the GST that they paid to produce the goods and services which are subject to GST. The net amount (collectible GST, less ITC) is remitted to the federal government.

input VAT The tax charge on the receipt of taxable goods and services (e.g. tax on supplier invoices or expense items). Input VAT should be reported wherever you account for expenditures. Input VAT is usually deductible.

installment One of many successive payments of a debt. You specify a payment schedule when you define your payment terms.

intra-EU, taxed transactions Transactions between non-registered traders in different EU (European Union) countries. VAT must be charged to customers within the EU if you do not know their VAT registration number. The destination country and inventory item controls which VAT rate to use.

intra-EU, zero-rated transactions Transactions between registered traders in different EU (European Union) countries. An Intra-EU transaction is zero rated if and only if you know the customer's VAT registration number; otherwise, VAT must be charged on the invoice.

invoice A document that you create in Oracle Receivables that lists amounts owed for the purchases of goods or services. This document also lists any tax, freight charges, and payment terms.

invoice batch A group of invoices you enter together to ensure accurate invoice entry. Invoices within the same batch share the same batch source and batch name. Receivables displays any differences between the control and actual counts and amounts. An invoice batch can contain invoices in different currencies.

invoice date The date an invoice was created. This is also the date that Receivables prints on each invoice. Receivables also use this date to determine the payment due date based on the payment terms you specify on the invoice. Receivables ensures that your invoice date always matches your general ledger date.

invoice number A number or combination of numbers and characters that uniquely identifies an invoice within your system. Usually generated automatically by your receivables system to avoid assigning duplicate numbers.

invoicing rules Rules that Receivables uses to determine when you will bill your customer and the accounting period in which the receivable amount is recorded. You can bill In Advance or In Arrears. See also *bill in advance*, *bill in arrears*.

Item Flexfield See *System Items Flexfield*.

Item Validation Organization The organization that contains your master list of items. You define this organization by setting the OE: Item Validation Organization profile option. See also *organization*.

Japanese Consumption Tax The Value Added Tax (VAT) paid on any expense (Input VAT) is usually recoverable against the VAT Charged on revenue (Output VAT). This ensures that VAT is not inflationary within a supply chain.

Journal Import A General Ledger program that creates journal entries from transaction data stored in the General Ledger GL_INTERFACE table. Journal entries are created and stored in GL_JE_BATCHES, GL_JE_HEADERS, and GL_JE_LINES.

jurisdiction code An abbreviated address that is specific to a Tax Supplier and more accurate than a simple five digit zip code.

key flexfield An Oracle Applications feature you use to build custom fields used for entering and displaying information relating to your business. Receivables uses the following key flexfields:

- Accounting Flexfield
- Sales Tax Location Flexfield
- System Items Flexfield
- Territory Flexfield

maturity date A date that determines when funds for an automatic receipt can be transferred from your customer's bank account to your bank account. See also *Bill of Exchange*.

miscellaneous receipts A feature that lets you record payments that you do not apply to debit items, such as refunds and interest income.

model invoice An invoice used as a template that you copy to create new invoices.

Natural Account The segment of your accounting flexfield that you assign the qualifier 'Natural Account'. This segment indicates whether the Accounting Flexfield is an Asset, Liability, Equity, Revenue, or Expense account. In Receivables, the Natural Account typically identifies the Revenue account.

nexus Refers to the minimum contact necessary to allow a taxing jurisdiction the authority to impose a registration, tax filing, and/or tax collection responsibility. Within a jurisdiction, nexus standards may vary from one type of tax to another. For example, the nexus standards for sales and use tax may be different from those for income tax. The type of activity required to create nexus is defined by state or local statute, case law, and the due process and Commerce Clause of the US Constitution. Whether a business has established nexus in a taxing jurisdiction requires an assessment of all facts and circumstances of its activity within that jurisdiction. You should seek the advice of a qualified tax professional to determine if your business has established nexus (a registration and filing requirement) before you implement sales tax.

non-deductible input VAT The VAT amount paid on expense items that may not be reclaimed against Output VAT. Usually, all items purchased for a business are deductible. Certain high value purchases, (for example, luxury cars for an executive's spouse) may be considered non-deductible. For small companies, service or items of value to both the owner and business may be partially non-deductible.

on account Payments where you intentionally apply all or part of the payment amount to a customer without reference to a debit item. On account examples include prepayments and deposits.

order date The date upon which an order for goods or services is entered.

organization A business unit such as a company, division, or department. Organization can refer to a complete company, or to divisions within a company. Typically, you define an organization or a similar term as part of your account when you implement Oracle Financials. See also business group.

other receipts See *miscellaneous receipts*.

output VAT The tax charge on the supply of taxable goods and services (e.g. tax on customer invoices or revenue items). Output VAT should be reported wherever you account for sales.

payment Any form of remittance, including checks, cash, money orders, credit cards, and Electronic Funds Transfer.

payment schedules The due date and discount date for payment of an invoice. For example, the payment term '2% 10, Net 30' lets a customer take a two percent discount if payment is received within 10 days with the full invoice amount due within 30 days of the invoice date. See also *scheduled payment, payment terms*.

payment terms The due date and discount date for payment of a transaction. For example, the payment term '2% 10, Net 30' lets a customer take a two percent discount if payment is received within 10 days; after 10 days, the entire balance is due within 30 days of the invoice date with no applicable discount. See also *discount*, *scheduled payment*.

primary salesperson The salesperson that receives 100% of the sales credits when you first enter an invoice or commitment.

Provincial Sales Tax Provincial Sales Tax (PST) is levied by each Canadian province except Alberta, the Territories, and the participating provinces where the PST rate is now blended with the federal tax rate. Unlike GST, there is no recoverable input tax credit for provincial sales tax paid (except for Quebec where PST is recoverable as input tax credit, similar to GST). Each province has its own legislation that determines its own PST Rate and decides which goods and services are exempt from PST. The appropriate Provincial Sales Tax is based upon the *destination* of the goods or services, not their origin.

QuickCodes Codes that you define for the activities and terminology you use in your business.

reasons Standard definitions that you can customize to clarify your adjustment entries, debit memos, customer responses, invoices, credit memos, payment reversals and on account credits. Use reasons to improve the quality of your reporting.

Recargo de Equivalencia An additional tax levied in Spain on specific types of businesses. The rate of tax is related to the primary rate of VAT for the item sold.

receivable activities Predefined Receivables activities used to define the general ledger accounts with which you associate your receivables activities.

receivables activity name A name that you use to refer to a receivables activity. You use your receivables activities during the setup process to create accounting distributions for cash and miscellaneous receipt payments, receivables adjustments, discounts, receivables accounts, and finance charges.

reconciliation An analysis that explains the difference between two balances. If you are using Cash Management to reconcile receipts, payments are reconciled when they are matched to a bank statement line.

rollforward The process of taking the beginning balance of a period and then accounting for the transactions within that period by attempting to equate the beginning balance with the ending balance for the period.

sales tax structure The collection of taxing bodies that you will use to determine your tax authority. 'State.County.City' is an example of a Sales Tax Structure. Receivables adds together the tax rates for all of these components to determine a customer's total tax liability for

salesperson A person who is responsible for the sale of products or services. Salespeople are associated with orders, returns, invoices, commitments, and customers. You can also assign sales credits to your salespeople.

scheduled payment A schedule used to determine the amount and date of payment due. You use payment terms to determine your scheduled payment as well as any discounts offered. See also *payment terms*.

senior tax authority The first tax location in your sales tax structure. This segment does not have a parent location. For example, in the sales tax structure 'State.County.City', State is the senior tax authority.

set of books A financial reporting entity that uses a particular chart of accounts, functional currency and accounting calendar. You must define at least one set of books for each business location.

ship date The date upon which a shippable item is shipped.

Ship To Address The address of the customer who is to receive products or services listed on the invoice or order.

ship via See *freight carrier*.

site use See *business purpose*.

situs The situs of taxation describes which authority levies the tax. Usually this is the Ship-To state, county, and city. However, some caution should be exercised as the ship-to situs may not be controlling for local tax purposes (local taxes are commonly determined based on the ship-from, not ship-to, location). Any tax collected for a given authority must be reported back to that same authority.

split amount A dollar amount that determines the number of invoices over and under this amount, as well as the total amounts remaining. For example, your company generates invoices that are either \$300 or \$500. You choose \$400 as your split amount so that you can review how much of your open receivables are comprised of your \$300 business and how much corresponds to your \$500 business.

split payment terms A feature used to automatically schedule multiple payments for an invoice. You can split payments using either a flat amount or a percentage of the total amount due.

spot exchange rate A daily exchange rate you use to perform foreign currency conversions. The spot exchange rate is usually a quoted market rate that applies to the immediate delivery of one currency for another.

System Items Flexfield A flexfield that allows you to define the structure of your item identifier according to your business requirements. You can choose the number and order of segments (such as product and product line), the length of each segment, and other characteristics. You can define up to twenty segments for your item. Also known as **Item Flexfield**.

tax authority A governmental entity that collects taxes on goods and services purchased by a customer from a supplier. In some countries, there are many authorities (e.g. state, local and federal governments in the US), while in others there may be only one. Each authority may charge a different tax rate. Within Receivables, tax authority consists of all components of your tax structure. For example: California.San Mateo.Redwood Shores for State.County.City. Receivables adds together the tax rates for all of these locations to determine a customer's total tax liability for an .

tax codes Codes to which you assign sales tax or value-added tax rates. Oracle Receivables lets you choose state codes as the tax code when you define sales tax rates for the United States. (Receivables QuickCode)

tax engine A collection of programs, user defined system parameters, and hierarchical flows used by Receivables to calculate tax.

tax exempt A customer, business purpose, or item to which tax charges do not apply.

tax location A specific tax location within your tax authority. For example 'Redwood Shores' is a tax location in the Tax Authority California.San Mateo.Redwood Shores.

transaction type An invoice control feature that lets you specify default values for invoice printing, posting to the general ledger, and updating open receivable balances.

unapplied payment The status of a payment for which you can identify the customer, but you have not applied or placed on account all or part of the payment. For example, you receive a check for \$1200.00 and you apply it to an open debit item for \$1000.00. The remaining \$200.00 is unapplied until you either apply the payment to a debit item or place the amount On Account.

unearned discounts Discounts your customers are allowed to take if they pay for their invoices after the discount date. (The discount date is determined by the payment terms.) You can specify at the system level whether you want to allow customers to take unearned discounts. See also *payment terms*.

US Sales and Use tax Sales and use tax are a matter of State and Local law, rules, regulations, and court cases. As such, the rules are not uniform. So, what may be exempt in State A may be taxable in State B. However, in general, sales tax is levied on the end consumer with businesses serving as the collection agent for the taxing authority. Various exemptions are available, including, but not limited to: resales, manufacturing, research and development, non-profit or exempt organizations, and governmental organizations. The availability and type of exemption allowed varies by state. Many taxes may apply to a single transaction, including state, County, City, Transit, and Muni tax. Filing requirements vary by state and local jurisdiction. Also, the reporting of Sales and Use tax may be either on a accrual or cash basis. Filing period (e.g. annual, semiannual, quarterly, etc.) and method of accounting are generally determined by taxing jurisdiction rules and regulations.

VAT classification Each country classifies VAT into a small number of rates. Following are the five basic classes of VAT:

- Standard: Most transactions are classified at a Standard rate. In Europe, the Standard rate of VAT varies between 12–25%.
- Reduced: A lower rate of tax for specific goods or services. For example, within the EU, the reduced rate is applied to consumption of domestic fuel and power.
- Luxury: A higher than standard rate of tax, normally applied to a very limited set of goods or services.
- Zero: Zero-rated, gross sales are reported separately from exempt rated transactions.
- Exempt: Exempt from VAT. Gross sales are reported separately from zero-rated transactions.

VAT regime A set of VAT rules and rates applicable to a well defined set or type of transactions. In Europe, the most common VAT regimes are Domestic, Import, and Inter-EC. However, many countries have additional regimes for special geographical regions or types of businesses.

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