

PeopleSoft®

EnterpriseOne
Tax Reference Guide 8.9
PeopleBook

September 2003

EnterpriseOne
Tax Reference Guide 8.9 PeopleBook
SKU REL9ETG0309

Copyright© 2003 PeopleSoft, Inc. All rights reserved.

All material contained in this documentation is proprietary and confidential to PeopleSoft, Inc. ("PeopleSoft"), protected by copyright laws and subject to the nondisclosure provisions of the applicable PeopleSoft agreement. No part of this documentation may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, including, but not limited to, electronic, graphic, mechanical, photocopying, recording, or otherwise without the prior written permission of PeopleSoft.

This documentation is subject to change without notice, and PeopleSoft does not warrant that the material contained in this documentation is free of errors. Any errors found in this document should be reported to PeopleSoft in writing.

The copyrighted software that accompanies this document is licensed for use only in strict accordance with the applicable license agreement which should be read carefully as it governs the terms of use of the software and this document, including the disclosure thereof.

PeopleSoft, PeopleTools, PS/nVision, PeopleCode, PeopleBooks, PeopleTalk, and Vantive are registered trademarks, and Pure Internet Architecture, Intelligent Context Manager, and The Real-Time Enterprise are trademarks of PeopleSoft, Inc. All other company and product names may be trademarks of their respective owners. The information contained herein is subject to change without notice.

Open Source Disclosure

This product includes software developed by the Apache Software Foundation (<http://www.apache.org/>). Copyright (c) 1999-2000 The Apache Software Foundation. All rights reserved. THIS SOFTWARE IS PROVIDED "AS IS" AND ANY EXPRESSED OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE DISCLAIMED. IN NO EVENT SHALL THE APACHE SOFTWARE FOUNDATION OR ITS CONTRIBUTORS BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES; LOSS OF USE, DATA, OR PROFITS; OR BUSINESS INTERRUPTION) HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER IN CONTRACT, STRICT LIABILITY, OR TORT (INCLUDING NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY OUT OF THE USE OF THIS SOFTWARE, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

PeopleSoft takes no responsibility for its use or distribution of any open source or shareware software or documentation and disclaims any and all liability or damages resulting from use of said software or documentation.

Table of Contents

Overview of Tax Processing	1
Tax Rules	1
Tax Explanation Codes	1
Tax Rate Areas	1
Types of Taxes.....	2
Sales Tax (Seller-Assessed)	2
Use Tax (Self-Assessed).....	2
Value Added Taxes (VAT).....	2
Setting Up Tax Information	5
Setting Up Tax Authorities.....	5
Setting Up Tax Rules	5
Tolerance Rules.....	6
Calculation Rules for Discount and Tax Amounts	6
Edit Rules	6
Examples: Calculations for Tax Rules.....	7
Setting Up AAls for Taxes	10
Financial AAls for Taxes.....	11
Distribution AAls for Taxes	13
Setting Up Tax Rate Areas.....	14
Tax Rate Areas for Items.....	15
Revising Tax Rate Areas.....	16
Nonrecoverable VAT	16
Processing Options for Tax Rate/Areas (P4008)	19
Tax Explanation Codes	20
Sales Tax (S) – Purchase Order to Voucher.....	21
Sales Tax (S) – Sales Order to Invoice	23
Sales Tax (S) – Voucher and Invoice Entry	24
Use Tax (U) – Purchase Order to Voucher	25
Purchasing for Stock Items – Three-Way Voucher Match	25
Use Tax (U) – Voucher Entry	27
VAT Tax (V) – Purchase Order to Voucher.....	28
Purchasing for Stock Items – Three-Way Voucher Match	28
VAT Tax (V) – Sales Order to Invoice	30
VAT Tax (V) – Voucher and Invoice Entry.....	30
VAT + Sales Tax (C) – Purchase Order to Voucher	31
VAT + Sales Tax (C) – Sales Order to Invoice.....	34
VAT + Sales Tax (C) – Voucher and Invoice Entry	34
VAT + Use Tax (B) – Purchase Order to Voucher	36
VAT + Use Tax (B) – Voucher Entry	38
Tax Exempt (E).....	39
Setting Up Default Values for Taxes	39

Purchase Order Entry	40
Sales Order Entry	40
Voucher and Invoice Entry	40
Journal Entries	40
Assigning Tax Information to General Ledger Accounts	41
Setting Up the General Ledger Post Report Program to Update the Taxes ...	42
Processing Options for General Ledger Post Report (R09801)	44
Entering Tax Information on Purchase and Sales Orders	50
Releasing Retainage on Purchase Orders That Have Taxes	54
Taxable and Nontaxable Invoice Pay Items	55
Tax Calculations on Foreign Amounts	56
Foreign Invoice, Voucher, and Purchase Orders with Taxes	56
Example of Tax Calculation on Foreign Invoice	57
Foreign Sales Orders with Taxes	57
Example of Tax Calculation on Foreign Sales Order	58
Tracking Taxes by G/L Account	60
Entering Invoices and Vouchers with Taxes	62
Rounding versus Soft Rounding	63
Soft Rounding Example: Multiple Pay Items and One Tax Rate Area	64
Soft Rounding Example: Multiple Pay Items and Tax Rate Areas	65
Revising Invoices and Vouchers That Have Taxes	72
Related Tasks for Revising Invoices and Vouchers That Have Taxes	75
Invoice and Voucher Batch Processing That Have Taxes	76
Tax Rate Area/Tax Explanation Code Defaults	76
Fields Required for Processing Tax Information on Batch Invoices and Vouchers	76
Tax Considerations for Entering Distribution Information in the Journal Entry Transactions - Batch File Table	77
Processing Foreign Amounts and Taxes	78
Entering Journal Entries with VAT	79
Example: Journal Entry with VAT	80
Processing Options for Journal Entries with VAT (P09106)	83
Store and Forward and Batch Journal Entries with VAT	84
Updating the Taxes Table	86
Revising Transactions in the Taxes Table	86

Purging the Taxes Table	88
Updating the Tax Reconciliation Repository	89
Example: Updating the Tax Reconciliation Repository	90
Setup	90
Invoice Entry	91
Post Invoice	92
Update Tax Reconciliation Repository	92
Processing Options for Update Tax Reconciliation Repository (R0018R)	96
Reviewing the Tax Reconciliation Repository	97
Tax Reports	98
Tax/Detail Summary Report	98
Intracommunity Reporting	99
Tax Summary Report/Use VAT	99
Intracommunity Reporting	100
Processing Options for Tax Detail/Summary (R0018P) and Tax Summary Report/Use VAT (R0018P1)	100
Sales Tax Report.....	100
Processing Options for Sales Tax (R0018P2).....	101
VAT Exception Report by Tax Area	102
Processing Options for VAT Exception Report by Tax Area (R0018P7)	102
GST/PST Tax Report	102
Processing Options for GST/PST Tax (R0018P8)	103
VAT Journals.....	103
Processing Options for VAT Journals (R00320)	104
Report on Reconciled Taxes by Account ID.....	105
Report on Reconciled Taxes by Tax Rate Area	106

Overview of Tax Processing

Tax assessment, collection, reporting, and payment can be very complicated processes depending on the tax requirements for your government. J.D. Edwards tax processing software helps to eliminate the confusion by providing all the tax algorithms that you need to automate tax calculations. You use a set of defined tax explanation codes to direct the system to calculate taxes. If you need to change the tax amount, the system provides a set of rules that you customize to help you maintain acceptable changes to tax amounts. When you post transactions, the system updates tax information into a separate table for reporting purposes.

In countries where VAT (value added tax) is levied, it is a common business requirement to track and reconcile VAT amounts by tax rate area for expense and revenue accounts. To accommodate this requirement, you can allocate tax amounts to the general ledger accounts that you specify as taxable. After invoices and vouchers are posted, you run a program to allocate the tax amount entered on the transaction to the taxable accounts that you used in the distribution. The system allocates the amount proportionately based on the amount distributed to each account.

Components of tax processing include the following.

Tax Rules

Tax rules do the following:

- Establish tolerance amounts or percentages to provide warning and error messages when the system-calculated tax amount is changed for VAT
- Establish whether you want taxes calculated on the gross amount, including or excluding the discount amount
- Establish whether you want the discount calculated on the gross, including or excluding the tax amount
- Establish whether you want to allow taxes to be understated in the Accounts Receivable system

Tax Explanation Codes

Tax explanation codes perform specific calculations based on the type of type of tax you use.

Tax Rate Areas

Tax rate areas do the following:

- Define tax rates to be paid to tax authorities
- Define offset accounts to use for posting tax amounts, when applicable
- Define whether a portion of the tax amount is nonrecoverable
- Define whether you want to calculate tax-on-tax for tax explanation codes C and B

- Define taxes associated with items
- Define a maximum cost associated with an item

Types of Taxes

When you process transactions with taxes, you choose a tax explanation code that represents the type of tax that you need to assess. Only three tax types exist:

- Sales
- Use
- Value Added (VAT)

All other tax explanation codes represent a combination of these tax types.

Sales Tax (Seller-Assessed)

When you sell or purchase goods, you might be required to pay a sales tax. The system calculates sales tax on the gross amount of the transaction. Customers who buy goods for their own use pay sales tax at the time of purchase. In most cases, the seller of the goods and services calculates and remits sales taxes to the appropriate tax authority. Suppliers who buy goods for resale do not pay sales tax.

When a company is the end user, it must pay all the sales taxes due. For example, in Denver, Colorado, a company must pay the state sales tax and also the Denver city sales tax. The remitter of the taxes can vary, however. Sales taxes can be remitted to the tax authorities by either the seller or the buyer.

Sales tax is the primary type of tax used in the United States.

Use Tax (Self-Assessed)

When the buyer of goods and services calculates and remits sales tax, the tax is known as *use tax*. A use tax might be levied when a company keeps the goods that it manufactures for its own use. For example, a pencil manufacturer might owe a use tax when it keeps some of the pencils that it manufactures for the use of its employees. A use tax might also be levied when a buyer in one tax area is responsible for direct payment of local sales taxes on goods and services purchased outside the local tax area. For example, a catalog company in New York does not collect sales taxes from buyers in Colorado; the buyers must pay the Colorado tax authorities directly.

Use tax is used in the Accounts Payable system only.

Value Added Taxes (VAT)

A value added tax (VAT) is a tax that is collected at each stage in the production and distribution of goods and services as value to the goods is added. As a business adds value to a product (for example, packaging a product), the business must pay VAT on the added value (the value of the packaging). In other words, the business must pay tax on the difference between the selling price of the packaged product and the cost of materials and services purchased to produce the product. The VAT amount is collected when the business sells the product.

Value added taxes (VAT) are assessed on most sales and purchases. Only a few goods and services are tax-free or not taxable in full.

Goods and services belong in one of three categories:

- **Taxable.** A business that produces only taxable products must collect VAT on its sales and can request a tax credit for the VAT paid on its purchases (purchases of materials that make up the product).
- **Tax-exempt.** A business that produces only tax-exempt products does not need to collect VAT on its sales and cannot request tax credit for the VAT paid on its purchases. Because the business cannot recover any of the VAT paid on purchases, costs can increase. Businesses that provide services such as loans, mortgages, life insurance, and property insurance are examples in this category.
- **Zero-rated (tax-free).** A business that produces only zero-rated products is not required to collect VAT on its sales, but can obtain tax credit for VAT paid on its purchases. Businesses that produce basic food products or produce goods for export are examples in this category.

Businesses that produce products that belong to a combination of the above categories must separately track the taxes paid for tax-exempt purchases and those paid for taxable or zero-rated purchases.

Example

A simple VAT example for the production and sale of a book is shown below:

	Purchase			Sale			
	Price Paid	VAT	Total	Price Charged	VAT	Total	Paid to Govt.
Forester (log)	0.00	0.00	0.00	10.00	.70	10.70	.70
Mill (paper)	10.00	.70	10.70	15.00	1.05	16.05	.35
Printer (book)	15.00	1.05	16.05	30.00	2.10	32.10	1.05
Wholesaler	30.00	2.10	32.10	35.00	2.45	37.45	.35
Retailer	35.00	2.45	37.45	40.00	2.80	42.80	.35
Total Tax to Government							2.80

The steps required to calculate and pay a 7% VAT in the example above are summarized as follows:

1. Add VAT to the selling price of the goods or services. For example, when the mill sells paper, it adds 1.05 (7% of the 15.00 price charged) to the 15.00 sale price and sells the paper for 16.05.
2. Add all VAT paid to suppliers. For example, the mill paid .70 VAT to the forester.
3. For the current tax period, subtract the sum of the VAT amounts paid (step 2 above) from the sum of the VAT amounts received (step 1 above). This is the amount of VAT that is owed to the government. For example, the mill remits .35 to the tax authority (1.05 added to its selling price minus .70 paid to the forester). If a business calculates a negative amount, it can request a refund from the government.

Depending on the product category (taxable, tax-exempt, or zero-rated), the business might or might not be able to take advantage of all three steps. A business can add 7% of the selling price (step 1) only for taxable products. A business can subtract the sum of the VAT paid to its suppliers from the VAT owed on the value added (steps 2 and 3) only for taxable products and zero-rated products.

VAT is used worldwide and encompasses a variety of value-added taxes, such as:

- IVA in Italy
- TVA in Belgium
- GST in Singapore
- GST in Canada

Setting Up Tax Information

Various tax authorities assess and collect taxes. To comply with governmental tax regulations, you must set up tax information. After you set up this information, you can:

- Track taxes according to different tax rates and areas
- Assign a default tax rate to a customer or supplier
- Apply a tax rate to an entire transaction or transaction pay item
- Enter a tax amount or have the system calculate the amount
- Track tax history in a separate table

Setting Up Tax Authorities

Tax authorities are government agencies that assess and collect taxes. For tracking and reporting purposes, your organization must set up an address book record for each tax authority to which it remits taxes. If you want, you can set up a user defined code for a new search type, such as TAX, in UDC 01/ST that you can assign to tax authority address book records to differentiate them from other address book records.

Note

Ensure that the self-service processing option is not activated for the Address Book program (P01012) using the Tax Authorities option on the Tax Processing and Reporting menu (G0021); otherwise, you cannot add new tax authorities (address book records).

See Also

- *To enter address book information* in the *Address Book Guide* for information about adding a new address book record

Setting Up Tax Rules

You set up tax rules so that the system can calculate any applicable taxes when you enter transactions with taxes. You can define tax rules differently by company and by system. The system uses these rules to:

- Establish tolerance limits on changes that you make to the tax amount when you use VAT tax explanation codes (V, C, and B)
- Determine whether the tax calculation includes the discount amount
- Determine whether the discount calculation includes the tax amount
- Determine whether taxes are calculated for sales orders at the order or detail level
- Allow taxes to be understated

Note

If you do not set up rules for a specific company, the system uses the rules that you define for company 00000. If you do not set up rules for company 00000, the system uses only the following default rules:

- Tolerance limits are set to zero
 - Tax is calculated on gross including discount
-

When you set up tax rules for the Accounts Payable system, you also set up rules for Procurement. When you set up tax rules for the Accounts Receivable system, you also set up rules for Sales Order Management.

Not all of the tax rules apply to all systems.

Tolerance Rules

When you enter a tax amount that differs from the system-calculated tax amount, the system automatically issues a warning message for all tax types except VAT.

For VAT taxes, the system uses the tolerance rules that you set up to determine when to issue a warning or error message. The system does not issue a warning message until the difference between the tax amount that you enter and the tax amount that they system calculates exceeds the tolerance limit established for a warning. By setting up tolerance information, you control the type of message that the system issues.

Tolerance rules:

- Apply to both understated and overstated amounts.
- Apply only to VAT taxes and can be defined as either a percentage or amount.

For the Accounts Receivable system, the tolerance rules that you define do not apply to VAT taxes unless you also activate the option to understate taxes.

Calculation Rules for Discount and Tax Amounts

When you enter transactions with discounts and taxes, you must specify how you want the system to calculate the discount and tax amounts. Calculation rules specify which method to use for calculating discount and tax amounts when both are specified. The rules control how the system validates the correct tax amount, based on the total amount transaction.

Calculation rules are not displayed if you choose the General Accounting system.

Edit Rules

You have only the option to understate tax amounts when you choose the Accounts Receivable system.

The edit rules activate the tolerance rules for VAT taxes for Accounts Receivable only. If you do not allow taxes to be understated, the tolerance rules that you set up apply to sales taxes only.

Examples: Calculations for Tax Rules

The system calculates gross and discount amounts using the tax rules that you set up. Each of the following examples uses a different combination of rules to calculate:

- Tax on gross including or excluding the discount amount
- Discount on gross including or excluding the tax amount

The examples use the following amounts:

- Taxable amount: 1,000
- Gross amount: Varies
- Tax rate: 10%
- Tax amount: 100
- Discount: 1%

Example 1

Calculate Tax on Gross (Including Discount)	
Calculate Discount on Gross (Including Tax)	
Discount Formula	(Taxable Amount + Tax Amount) x Discount Percent = Discount Available $(1,000 + 100) \times .01 = 11.00$
Gross Formula	Taxable Amount + Tax Amount = Gross Amount $1,000 + 100 = 1,100$
Taxable Formula	Gross Amount / (1 + Tax Rate) = Taxable Amount $1,100 / 1.1 = 1,000$

Example 2

Calculate Tax on Gross (Including Discount)	
Calculate Discount on Gross (Excluding Tax)	
Discount Formula	Taxable Amount x Discount Percent = Discount Available $1,000 \times .01 = 10.00$
Gross Formula	Taxable Amount + Tax Amount = Gross Amount $1,000 + 100 = 1,100$
Taxable Formula	Gross Amount / (1 + Tax Rate) = Taxable Amount $1,100 / 1.1 = 1,000$

Example 3

Calculate Tax on Gross (Excluding Discount)	
Calculate Discount on Gross (Including Tax)	
Discount Formula	$\frac{\text{Tax Amount}}{[(1 - \text{Discount Percent}) \times \text{Tax Rate}] + \text{Tax Amount}} \times \text{Discount Percent} = \text{Discount Available}$ $(100 / [(1 - .01) \times .1] + 100) \times .01 = 11.10$
Gross Formula	$\text{Taxable Amount} + \text{Tax Amount} + \text{Discount Amount} = \text{Gross Amount}$ $1,000 + 100 + 11.10 = 1,111.10$
Taxable Formula	$\text{Gross Amount} - \text{Tax Amount} - \text{Discount Amount} = \text{Taxable Amount}$ $1,111.10 - 100 - 11.10 = 1,000$

Example 4

Calculate Tax on Gross (Excluding Discount)	
Calculate Discount on Gross (Excluding Tax)	
Discount Formula	$\frac{\text{Taxable Amount} \times \text{Discount Percent}}{(1 - \text{Discount Percent})} = \text{Discount Available}$ $(1,000 \times .01) / (1 - .01) = 10.10$
Gross Formula	$\text{Taxable Amount} + \text{Tax Amount} + \text{Discount Amount} = \text{Gross Amount}$ $1,000 + 100 + 10.10 = 1,110.10$
Taxable Formula	$\text{Gross Amount} - \text{Tax Amount} - \text{Discount Amount} = \text{Taxable Amount}$ $1,110.10 - 100 - 10.10 = 1,000$

► To set up tax rules

From the Tax Processing and Reporting menu (G0021), choose Tax Rules.

1. On Work With Tax Rules, click Add.

The screenshot shows the 'Tax Rules - Tax Rules Revisions' form in PeopleSoft. At the top, there is a 'Select Workspace' dropdown set to 'Active Foundation'. Below this, there are buttons for 'Personalize', 'Change Role', and 'Sign Out'. The main form area contains the following sections:

- Company:** A text field containing '00001' and three radio buttons labeled 'A/R', 'A/P', and 'G/L'.
- Tolerance:** Two columns labeled 'Warning' and 'Error'. Under 'Warning', there is a radio button for '%' and a text field with '2,000'. Under 'Error', there is a radio button for '%' and a text field with '10,000'. Below these is an 'OR' label and a radio button for 'Amt'.
- Calculations:** A group box containing four options:
 - Tax on Gross Including Discount
 - Tax on Gross Excluding Discount
 - Discount on Gross Including Tax
 - Sales Order Taxes at Order Level
- Edit:** A section with a radio button for 'Allow Understatement of Tax Amt'.

2. On Tax Rules Revisions, complete the following field:
 - Company

If you do not define rules for a specific company, the system uses the rules that you define for company 00000.
3. Click one of the following options:
 - A/P

The rules that you establish for Accounts Payable also apply to the Procurement system.
 - A/R

The rules you establish for Accounts Receivable also apply to the Sales Order Management system.
 - G/L
4. Under Tolerance, click one of the following options to specify the type of tolerance that you want to establish:
 - %
 - Amt

5. Complete the following fields to specify the range for the type of tolerance that you selected:
 - Tolerance Rate - Warn
 - Tolerance Rate - Error
6. Under the Calculations heading, click one of the following options:
 - Tax on Gross Including Discount
 - Tax on Gross Excluding Discount
7. Complete the following options:
 - Discount on Gross Including Tax
If this option is turned on, tax will be included in the gross amount that is used to calculate the discount.
 - Sales Order Taxes at Order Level
The system displays this field only when you choose the option for A/R.

If this option is turned on, the system sums the detail line items, then calculates the tax on the total amount. If you do not complete the option, the system calculates the tax on each detail line item, then sums the tax for the order.
 - Allow Understatement of Tax Amt
The system displays this field only when you choose the option for A/R.
8. Click OK.

Setting Up AAIs for Taxes

If you are required to collect or pay taxes, you must set up your system so that the tax amounts are applied to the correct general ledger accounts. The system applies tax amounts automatically to the account that you specify in an Automatic Accounting Instruction (AAI).

When you set up AAIs for a specific type of tax, such as VAT, you specify which accounts you want the system to debit and credit for the tax amount. If you pay taxes in multiple currencies, you need to set up tax AAIs for each company.

The financial systems (Accounts Payable, Accounts Receivable, and General Accounting) use different AAIs than the distribution systems (Sales Order Management and Procurement).

See Also

- ❑ *Automatic Accounting Instructions (AAIs)* in the *General Accounting Guide* for information about adding, reviewing, and revising financial AAIs.
- ❑ *Setting Up Automatic Accounting Instructions* in the *Sales Order Management Guide* for information about adding, reviewing, and revising distribution AAIs.

Financial AAls for Taxes

You can enter taxes on invoices, vouchers, journal entries, purchase orders, and sales orders. If you enter VAT or Use taxes, you must set up an AAI to debit or credit the appropriate tax account for each of the following systems:

- Accounts Payable
- Accounts Receivable
- General Accounting
- Procurement
- Sales Order Management

VAT Tax AAls for Accounts Payable, Accounts Receivable, and General Accounting (PTxxxx, RTxxxx, GTxxxx)

When you post a transaction that has VAT taxes, the system uses an AAI to locate the general ledger account to use to post the tax amount. Because you might require different accounts for different tax authorities, you can specify a G/L offset value for each tax authority that you set up in the tax rate area, and then set up a corresponding AAI that includes that value. The G/L offset can be up to four characters in length and it follows the AAI item. Examples are PTVATA, RTVATB, and GTTXX. Specifying a value in the G/L Offset field allows you to direct VAT tax amounts to different accounts by offset (or tax authority) for each company and differentiates VAT tax accounts from use tax accounts in the Accounts Payable system.

You can set up the AAI for each company or for company 00000 only. If you do not set up company-specific AAls, the system uses the AAI that is set up for company 00000. If you do not use a G/L offset, the system uses the account associated with the AAI item (PT, RT, GT) only.

You must specify a business unit and object account when you set up tax AAls for the Accounts Payable and Accounts Receivable systems. The subsidiary field is optional. For the General Accounting system, if you do not specify a business unit for the tax AAI, the system uses the business unit from the account entered on the journal entry.

The following table shows the hierarchy that the system uses to determine the account to which VAT tax amounts are posted.

Hierarchy	Company	Accounts Payable	Accounts Receivable	General Accounting
1	Company specific	PT + G/L Offset	RT + G/L Offset	GT + G/L Offset
2	Company 00000	PT + G/L Offset	RT + G/L Offset	GT + G/L Offset
3	Company specific	PT	RT	GT
4	Company 00000	PT	RT	GT

Note

The system uses the GTxxxx AAIs when the journal entry with VAT transaction is entered, not when it is posted.

VAT Tax AAIs for Procurement (PTVATD)

The Procurement system uses the same AAI item as the Accounts Payable system (PT), except when you have a purchase order with retainage and you defer VAT. In this case, when you match the voucher to the receipt using the Voucher Match program (P4314), the system uses the AAI item PTVATD to locate the account for the deferred VAT. The system uses this AAI only when:

- The processing option (Retainage tab) for the Voucher Match program (P4314) is set to apply tax to the retained amount.
- You use a tax type of C or V.

When you release retainage, this AAI reverses debits and credits with the VAT Payables (PCVATP) AAI.

If you do not set up this AAI, the system returns an error.

Use Tax AAI (PT) - Accounts Payable and Procurement

Use taxes (tax explanation code U and B) do not use a G/L offset to specify a tax account; the system always uses PT (blank). You can set up the AAI for each company or for company 00000 only. If you do not set up company-specific AAIs, the system uses the AAI set up for company 00000.

Unlike VAT taxes, you can specify use tax accounts by tax rate area. Instead of using multiple AAIs to specify different tax accounts, you set up different tax accounts for each tax rate area by defining the subsidiary portion of the account as the tax rate area. For example, if the tax account were 1.4433 and the tax rate area were ONT (for Ontario), you would set up 1.4433.ONT in the Account Master table (F0901). Thus, you would have a unique account number for each tax rate area.

When you set up the AAI for PT, you do not specify a subsidiary account; you specify the business unit and object account only. The system ignores the subsidiary account if one exists. When you post the voucher, the system looks for the account number specified in the AAI in conjunction with the tax rate area specified on the voucher. If the account number exists, the system uses it. If the account number, including the tax rate area, does not exist, the system uses the account number. For example, if you set up PT for 1.4433 and enter tax rate area DEN on the voucher, the system searches for 1.4433.DEN. If the system cannot locate this account number, it uses 1.4433.

Distribution AAIs for Taxes

Transactions in the Sales Order Management and Procurement systems use both distribution and financial AAIs. The distribution AAIs are set up on multiple tables, each of which applies to a certain type of transaction. Not all transactions with taxes use the distribution AAIs.

The following table shows the distribution AAI tables that you must set up to enter purchase orders and sales orders with taxes for the specified tax explanation code. Any other tax explanation codes that you enter on the order revert to the financial AAIs (RT, PT, GT).

System	AAI Table	Description	Tax Explanation Code	Transaction Type
Sales Order Management	4250	Tax liability	S	N/A
Procurement	4350	Purchase tax accrual	S	3-Way Match (Inventory)
			U	3-Way Match (Inventory)
	4355	Received not vouchered tax	S	3-Way Match (Inventory) 3-Way Match (Non-Inventory)
			U	3-Way Match (Inventory) 3-Way Match (Non-Inventory)

Note

The system also uses the distribution AAIs for tax explanation codes B and C for the sales and use portion of the tax amount.

Each AAI table allows you to set up different general ledger accounts based on the company, document type, and G/L category code (offset) that you enter. You enter the same value in the G/L Cat field (GLPT) for the AAI that you have set up in the G/L Offset field in your tax rate areas. For example, if you had a tax rate area set up for CO that includes a G/L offset TXTX, and you had another tax rate area ONT that includes a G/L offset TXTY, you would set up two distribution AAIs. The following example illustrates how the distribution AAIs correlate to the tax rate area.

Tax Rate Area Setup

Tax Rate Area	G/L Offset	Tax Rate
CO	TXTX	7.3
ONT	TXTY	5.0

Distribution AAI Set Up

AAI Table 4250					
Company	Document Type	G/L Cat	Branch Plant	Object	Subsidiary
00001	SD	TXTX	1	4551	
00001	SD	TXTY	1	4552	
00002	SO	TXTX	1	4553	
00002	SO	TXTY	1	4554	

Note

You can define a flexible account number for the AAI table 4250. The system searches for the account number in the Sales Flex Accounting table (F4096) based on the AAI table. If the AAI table is not defined to use flexible accounts, the system uses the account number that is set up in the Distribution/Manufacturing - AAI Values table (F4095).

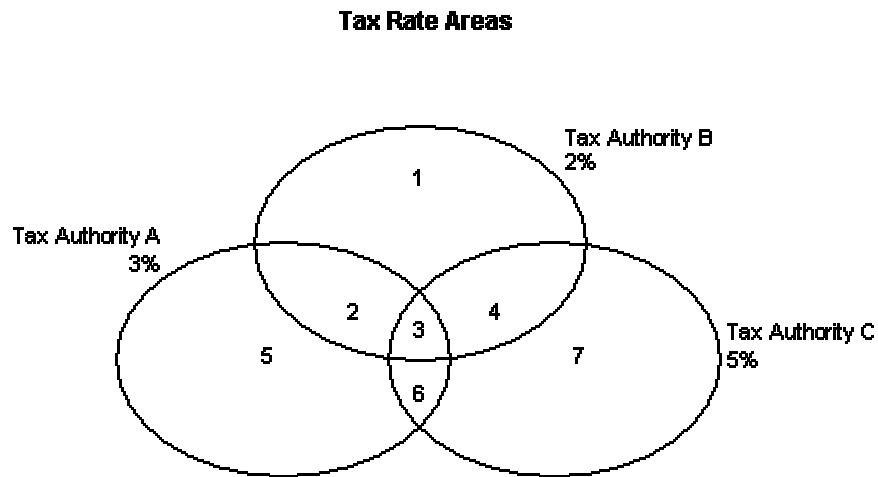
Setting Up Tax Rate Areas

To calculate and track the different taxes that you pay to your suppliers or for your customers, you must set up tax rate areas. Each tax area is a physical, geographic area, such as a state, province, or county. Different tax authorities assess a variety of taxes for each geographic area. Additionally, each authority within a tax area can have a different tax rate.

When you set up tax rate areas, you must specify effective dates. The system does not check for duplicate tax rate and area information, which means that you can set up different tax rates and effective date ranges for the same tax rate and area. The system checks for overlapping effective date ranges. When an overlap exists, the system issues an error.

The Tax Rates/Areas program (P4008) also provides features for special situations. For example, you can specify whether tax is calculated as "tax-on-tax," whether a portion of the tax is nonrecoverable (available for input credits), and whether maximum unit cost is associated with a particular item.

The following diagram illustrates how some tax areas could be organized:



The three circles represent three tax authorities. The seven numbered areas represent tax areas.

Notice that tax authority jurisdiction can overlap and that a tax area can be assessed taxes by one or more tax authorities. The tax rate for a tax authority does not vary from one tax area to another. Tax authority A assesses a 3% tax in tax areas 2, 3, 5, and 6.

For each tax area, however, the total tax burden can vary. It is the cumulative effect of multiple tax authorities for a single tax area that causes the tax burden to vary from one tax area to another. For example, the businesses located in tax area 5 must remit tax to only one tax authority (Tax Authority A for 3%). Businesses in tax area 2 remit taxes to two tax authorities (Tax Authorities A for 3% and B for 2%), and businesses in tax area 3 remit taxes to all three tax authorities.

You can run a report to review all of the tax areas that are set up.

Tax Rate Areas for Items

You can specify tax information for an item or group of items. To specify tax information for an item, set the processing option to validate information against the Item Branch File table (F4102) and enter the item number in the tax rate area.

To specify a tax rate for an item group, enter one of the valid options in the Sales Taxable Y/N field on the Item Branch/Plant Info. form (W41026A). Options 3 through 8 are for grouping items together based on the tax rate. You set up the tax rate by area for one of the options and then specify the option for like items on the Item Branch/Plant Info. form.

Revising Tax Rate Areas

You can revise any of the information for the tax rate area except the expiration date. If you need to extend the expiration date of a tax rates area, you must enter a new tax rate area record.

See Also

- ❑ *Setting Up a Base Pricing Structure* in the *Sales Order Management Guide* for more information about setting up item and customer price groups
- ❑ *Setting Up a Tax Rate for Intra-Community VAT* in the *Global Solutions Italy Guide*

Nonrecoverable VAT

When they sell their goods, most countries that pay value added taxes (VAT) fully recover the amount of VAT that they paid. In other words, VAT paid in accounts payable is offset against any VAT collected in accounts receivable to reduce the amount owed to the government or, in some cases, to generate a tax rebate. Exceptions to this rule might include expenses such as meals and entertainment, which are only 50% recoverable.

When you cannot recover all of the VAT that you pay, you must set up the tax rate area to indicate the percentage of tax that is nonrecoverable (or not available for credit). When you use the tax rate area in a transaction, the system credits the VAT account for the amount that can be recovered only. The system does not create a separate entry to an account for the nonrecoverable amount; however, it does store the amount in the Accounts Payable Ledger (F0411) and Customer Ledger (F03B11) tables.

The system only recognizes nonrecoverable VAT when using type explanation codes V, B, and C.

Example: Using Nonrecoverable VAT

When you set up a tax rate area that has nonrecoverable VAT, you enter the percent of the nonrecoverable tax on a separate line. Although the system requires a tax authority, it does not use the tax authority for reporting. When you specify a nonrecoverable percent, such as 50, the percent applies to the total tax on the tax rate area. However, if you set up the tax rate area for multiple tax authorities, the system applies the nonrecoverable tax to the first tax authority defined.

For example, the following tax rate area has two tax authorities specified, as well as a nonrecoverable percent.

PeopleSoft

Select Workspace: Active Foundation

Active Foundation

Personalize Change Role Sign Out

Tax Rate/Area Revisions

OK Cancel Form Tools

Tax Rate/Area: ONT Effective Date: 07/01/01

Description: Canadian GST Tax (Ontario) Expiration Date: 06/12/31

Tax Authorities

Address	Tax Authority	G/L Offset	Tax Rate
4090	Revenue of Canada		7.000
4030	Treasurer of Ontario		8.000
TOTAL TAX			15.000

Compound Tax

VAT Expense

VAT Expense

VAT Expense

Inventory/Purchasing/Sales Order

Item Number: Maximum Unit Cost:

When you enter a voucher or invoice and use this tax rate area (ONT), the system will apply the entire 50% to the account associated with the G/L Offset GST.

In this example, the AAIs associated with the tax rate area point to the following accounts:

- 1.4444 for RTGST
- 1.4445 for RTPST

If you enter an invoice for a taxable amount of 1,000 USD, the system calculates the tax amount as 150 USD (1,000 x .15) and the gross amount as 1,150 (1,000 + 150). When you post the invoice, the system creates the following entries:

Doc Type	Account	Account Description	Debit	Credit	Calculation
RI	3.5010	Store Sales		1,075	Taxable + (Tax x 50%)
AE	1.1210	A/R Trade	1,150		Taxable + Tax
AE	1.4444	VAT Payable (GST)	5*		(1,000 x 7%) - 75 = - 5
AE	1.4445	VAT Payable (PST)		80	1,000 x 8% = 80

*Normally, the entry to VAT Payable is a credit, but because the system calculates a - 5 (credit), it debits the account.

Before You Begin

- ❑ Set up the tax authorities in the address book.
- ❑ Set up the necessary tax AAls.

► To set up tax rate areas

From the Tax Processing and Reporting menu (G0021), choose Tax Rate/Areas.

1. On Work With Tax Rate/Areas, click Add.

The screenshot shows the PeopleSoft web interface for the 'Tax Rate/Areas - Tax Rate/Area Revisions' form. The form is titled 'Active Foundation' and includes a 'Select Workspace' dropdown set to 'Active Foundation'. The main form area contains the following fields and sections:

- Tax Rate/Area:** CO
- Effective Date:** 01/01/07
- Description:** Colorado State & Regional Tax
- Expiration Date:** 12/31/06
- Tax Authorities:**

Address	Tax Authority	G/L Offset	Tax Rate	
4010	Colorado State Treasurer	TXTX	3.800	<input type="checkbox"/> Compound Tax
				<input type="checkbox"/> VAT Expense
				<input type="checkbox"/> VAT Expense
				<input type="checkbox"/> VAT Expense
			TOTAL TAX	3.800
- Inventory/Purchasing/Sales Order:**

Item Number		Maximum Unit Cost	
-------------	--	-------------------	--

2. On Tax Rate/Area Revisions, complete the following fields:

- Tax Rate/Area
- Description
- Effective Date
- Expiration Date
- Tax Auth 1
- G/L Offset

Enter the address number of the tax authority.

Only tax explanation code V uses the G/L Offset for the 2nd and subsequent tax authorities. The system ignores the field for all other tax explanation codes.

- Tax Rate

Note

If you use tax explanation codes B (VAT + Use) or C (VAT + sales), you must enter the VAT tax authority and tax rate on the first line of the tax rate area.

3. To calculate tax on the previous tax rate entered, activate the following option:
 - Compound Tax
The system calculates compound tax only when you use tax explanation codes B and C. To calculate compound taxes for tax explanation code V (VAT), use tax explanation code V+.
4. To calculate a nonrecoverable VAT percentage, complete steps 5 and 6; otherwise, proceed to step 7.
5. Turn on the following option:
 - VAT Expense
6. Complete the following field to specify the nonrecoverable VAT percent:
 - Tax Rate
The nonrecoverable percent applies to the first tax rate only when using tax explanation codes C and B. For other tax explanation codes, the system multiplies the nonrecoverable percent by the total tax, but applies it to the first tax authority only.
7. Verify the system-supplied information in the TOTAL TAX field:
8. To specify tax rate/area information for an inventory item, complete the following fields:
 - Item Number
You can enter an item number or an item group (3–8). If you enter an item group, you must set the Validation processing option to 0; otherwise, the system validates the number specified for a group as an item.
 - Maximum Unit Cost
These fields are used in the sales and procurement systems only. You can disable these fields by setting a processing option.
9. Click OK.
10. On Work With Tax Rate/Areas, to print the tax rates that are set up, choose Tax Area Report from the Report menu.

Processing Options for Tax Rate/Areas (P4008)

Display

Enter a value to either show or hide the Item Number and Maximum Unit Cost fields.
1 = show these fields

0 = hide these fields
Edits

Enter a value to validate Item Numbers
1 = Validate Item Numbers
0 = Do not validate Item Numbers

Tax Explanation Codes

You might be required to calculate, pay, collect, and track taxes on invoices that you receive from your suppliers and send to your customers. When this is necessary, you need to enter a tax explanation code on the transaction. You can enter the tax explanation code on the transaction entry form, or let the system use a default tax explanation code that you set up on the customer or supplier record.

Tax explanation codes are hard-coded user defined codes (00/EX) that specify the algorithm that the system uses to calculate the tax amount and which, if any, G/L account is used to record tax information. Each tax explanation code specifies a particular algorithm that affects the amount to distribute in the general ledger. You can create your own tax explanation codes, but if they begin with B, C, E, S, U, or V, they will use the same algorithm and work exactly like the standard tax explanation codes. For example, S1 will function exactly like S and V7 will function exactly like V. If you create tax explanation codes for any other letter or number, the system uses the sales tax algorithm to calculate tax and distribution amounts.

The letter T follows some tax explanation codes. You use this type of tax explanation code when you want to enter only the tax portion of the transaction. For example, if you enter a voucher and do not include the tax information, you can enter another voucher and use the appropriate tax explanation code followed by the letter T to indicate that the entire voucher represents a tax amount.

Not every tax explanation code is applicable to every system in J.D. Edwards software.

The following table lists the available tax explanation codes, the systems that use each code, and the gross and G/L distribution amounts that the system calculates when the taxable amount is entered:

Tax Explanation			
Code	Description	System Used*	Gross and G/L Distribution Amounts
S	Seller-assessed sales tax	A/P, A/R, P/O, S/O	Gross = Goods + Sales tax Distribution = Goods + Sales tax
ST	Same as S, but taxes only	A/P, A/R	Gross = Sales tax Distribution = Sales tax
U	Self-assessed sales tax	A/P, P/O	Gross = Goods Distribution = Goods + Use tax
UT	Same as U, but taxes only	A/P	Gross = 0 Distribution = Use tax

V	Value added tax	A/P, A/R, G/A, P/O, S/O	Gross = Goods + VAT Distribution = Goods
VT	Same as V, but taxes only	A/P, A/R, G/A	Gross = VAT Distribution = 0
V+	Same as V, but calculated as tax on a tax	A/P, A/R, P/O, S/O	Gross = Goods + VAT Distribution = Goods
B	VAT + Use tax	A/P, P/O	Gross = Goods + VAT Distribution = Goods + Use tax
BT	Same as B, but taxes only	A/P	Gross = VAT Distribution = Use tax
C	VAT + Sales tax	A/P, A/R, P/O, S/O	Gross = Goods + VAT + Sales tax Distribution = Goods + Sales tax
CT	Same as C, but taxes only	A/P, A/R	Gross = VAT + Sales tax Distribution = Sales tax
E	Tax exempt	A/P, A/R, P/O, S/O	Gross = Goods Distribution = Goods

*A/P = Accounts Payable

A/R = Accounts Receivable

G/A = General Accounting (journal entries)

P/O = Procurement

S/O = Sales Order Management

Sales Tax (S) – Purchase Order to Voucher

When you enter purchase orders with sales tax (tax explanation code S), the system uses distribution AAls to record the tax and, if you are purchasing for stock, update the inventory account. These AAls differ depending on whether you are purchasing for stock and whether you use two-way or three-way matching.

The examples that follow show the AAls that the system uses and the tables and accounts that the system updates when you run the program specified. All of the examples are for a purchase order in the amount of 1,000 USD with a 10% sales tax rate. The system was set up to create the journal entries in detail.

Purchasing for Stock Items – Three-Way Voucher Match

When you purchase for stock, you must use three-way voucher matching. When you enter the purchase order receipt, the system records the tax in two general ledger accounts: Purchase Tax Accrual and Received Not Vouchered Tax. When the system creates the voucher, it offsets the Received Not Vouchered Tax account. You use the Purchase Tax Accrual account to track the tax portion of the item. You do not remit sales tax to a tax authority because the seller (supplier) pays it.

Example: Purchasing for Stock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4310 DM – 4350 DM – 4320 DM – 4355	F0911	Inventory Asset Purchase Tax Accrual (asset) Received Not Vouchered Received Not Vouchered Tax	1,000 100	1,000 100
Voucher Match (P4314) Creates a voucher	DM – 4320 DM – 4355	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Received Not Vouchered Received Not Vouchered Tax	1,000 100	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PC	F0911	A/P Trade		1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Note

When you enter tax information during the voucher match process, instead of when you enter the purchase order, the system does not make an entry to the account associated with DMAAI 4355; instead, the system debits the account for DMAAI 4350, as well as the Received Not Vouchered account, and credits the A/P Trade account when the voucher is posted.

Purchasing for Nonstock Items – Three-Way Voucher Match

When you purchase for a nonstock item, you can use either two-way or three-way voucher matching. When you use three-way voucher matching and enter the purchase order receipt, the system records the tax in the Received Not Vouchered Tax account, which is offset when the system creates the voucher. The system records the sales tax on the voucher only and includes it in the amount of the expense distribution. The system does not record sales tax in a separate account because you do not remit it to a tax authority; the supplier pays it.

Example: Purchasing for Nonstock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4320 DM – 4355	F0911	Expense Account from PO line Received Not Vouchered Received Not Vouchered Tax	1,100	1,000 100

Voucher Match (P4314) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,100)		
	DM – 4320 DM – 4355	F0911	Received Not Vouchered Received Not Vouchered Tax	1,000 100	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PC	F0911	A/P Trade		1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Two-Way Voucher Match

When you use two-way voucher matching, the system does not use the Received Not Vouchered accounts because you do not enter purchase order receipts; you enter the purchase order and create the voucher. The system does not record the sales tax in any general ledger account at any time during the process. The system records the sales tax on the voucher only and includes it in the amount of the expense distribution. The system does not record sales tax in a separate account because you do not remit it to a tax authority; the supplier pays it.

Example: Purchasing for Nonstock Items – Two-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Voucher Match (P4314) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,100)		
		F0911	Expense Account from PO line	1,100	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PC	F0911	A/P Trade		1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Sales Tax (S) – Sales Order to Invoice

When you enter a sales order with sales tax (tax explanation code S) and run Update Customer Sales (R42800), the system uses distribution AAIs to record the Store Sales, Tax Liability, Cost of Goods (COG) Sold, and Inventory accounts. You offset the Tax Liability account when you pay the tax authority.

The following example shows the AAI that the system uses and the tables and accounts that the system updates when you run the specified program. The example is for a sales order in the amount of 1,000 USD with a 10% sales tax rate.

Example: Sales Order to Invoice					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Update Customer Sales (R42800) Creates an invoice	DM – 4230 DM – 4250 DM – 4220 DM – 4240	F03B11 F0911	Taxable (1,000) Tax (100) Gross (1,100) Store Sales Tax Liability COG Sold Inventory	900	1,000 100 900
Post General Ledger (R09801) Posts the invoice to the general ledger	FIN – RC	F0911	A/R Trade	1,100	

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Sales Tax (\$) – Voucher and Invoice Entry

When you enter a voucher or invoice with sales tax, the system calculates the tax amount but does not create a separate entry to the general ledger. The sales tax appears only in the voucher or invoice record. For vouchers, the tax is part of the expense, so you do not need to enter the tax in a specific account. For invoices, however, you might want to track the sales tax in a separate account because you must pay it. In this instance, you would need to subtract the sales tax amount from the revenue and enter it separately. Alternatively, you can use tax explanation code V for the system to record the tax in the account specified by PTxxxx (for payables) or RTxxxx (for receivables), where xxxx is the G/L offset that is entered on the tax rate area..

The following example shows the AAI that the system uses and the tables and accounts that the system updates when you enter and post a voucher or invoice. The examples are for a taxable amount of 1,000 USD with a 10% sales tax rate.

Example: Voucher Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Voucher Entry (P0411) Creates a voucher		F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Expense	1,100	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PC	F0911	A/P Trade		1,100

Example: Invoice Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Invoice Entry (P03B11) Creates an invoice		F03B11	Taxable (1,000) Tax (100) Gross (1,100)		
		F0911	Revenue Sales Tax		1,000 100
Post General Ledger (R0911) Posts the invoice to the general ledger	FIN – RC	F0911	A/R Trade	1,100	

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Use Tax (U) – Purchase Order to Voucher

When you enter a purchase order with use tax (tax explanation code U), the system calculates the tax amount and makes a separate entry to the general ledger when you post the transaction.

The examples that follow show the AAIs that the system uses and the tables and accounts that the system updates when you run the program specified. All of the examples are for a purchase order in the amount of 1,000 USD with a 10% use tax rate. The system was set up to create the journal entries in detail.

Purchasing for Stock Items – Three-Way Voucher Match

When you purchase for stock, you must use three-way voucher matching. When you enter the purchase order receipt, the system records the tax in two general ledger accounts: Purchase Tax Accrual and Received Not Vouchered Tax. When the system creates the voucher, it offsets the Received Not Vouchered Tax account and records the tax in the Purchase Tax Accrual asset account only for tracking purposes. When you post the voucher, the system records the tax in the Use Tax Payable account. When you pay the tax authority, you enter a voucher that offsets the Use Tax Payable account.

Example: Purchasing for Stock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4310 DM – 4350 DM – 4320 DM – 4355	F0911	Inventory Asset Purchase Tax Accrual (asset) Received Not Vouchered Received Not Vouchered Tax	1,000 100	1,000 100

Voucher Match (P4314) Creates a voucher	DM – 4320 DM – 4355	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,000) Received Not Vouchered Received Not Vouchered Tax	1,000 100	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PT FIN – PC	F0911	Use Tax Payable A/P Trade		100 1,000

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Three-Way Voucher Match

When you purchase for a nonstock item, you can use either two-way or three-way voucher matching. When you use three-way voucher matching and enter the purchase order receipt, the system records the tax in the Received Not Vouchered Tax account, which is offset when the system creates the voucher. The system does not include the use tax in the gross amount of the voucher, nor does it include it in the amount of the expense distribution. The system records the tax in a separate account that is offset when you remit the tax to the tax authority.

Example: Purchasing for Nonstock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4320 DM – 4355	F0911	Expense Account from PO line Received Not Vouchered Received Not Vouchered Tax	1,100	1,000 100
Voucher Match (P4314) Creates a voucher	DM – 4320 DM – 4355	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,000) Received Not Vouchered Received Not Vouchered Tax	1,000 100	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PT FIN – PC	F0911	Use Tax Payable A/P Trade		100 1,000

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Two-Way Voucher Match

When you use two-way voucher matching, the system does not use the Received Not Vouchered accounts because you do not enter purchase order receipts; you enter the purchase order and create the voucher. When the system creates the voucher, it does not include the use tax in the gross amount of the voucher, nor does it include it in the amount of the expense distribution. The system records the tax in a separate account that is offset when you remit the tax to the tax authority.

Example: Purchasing for Nonstock Items – Two-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Voucher Match (P4314) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,000)		
		F0911	Expense Account from PO line	1,000	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PT FIN – PC	F0911	Use Tax Payable A/P Trade		100 1,000

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Use Tax (U) – Voucher Entry

When you enter a voucher with use tax, the system calculates the tax amount and creates a separate entry to the Use Tax Payable account when you post the transaction. You offset this account when you pay the tax authority.

The following example shows the AAIs that the system uses and the tables and accounts that the system updates when you enter and post a voucher that has a taxable amount of 1,000 USD with a 10% use tax rate.

Example: Voucher Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Voucher Entry (P0411) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,000)		
		F0911	Expense	1,100	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PT FIN – PC	F0911	Use Tax Payable A/P Trade		100 1,000

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

VAT Tax (V) – Purchase Order to Voucher

When you enter a purchase order with VAT tax (tax explanation code V), the system calculates the tax amount and makes a separate entry to the general ledger when you post the transaction.

The examples that follow show the AAI's that the system uses and the tables and accounts that the system updates when you run the program specified. All of the examples are for a purchase order in the amount of 1,000 USD with a 10% VAT tax rate. The system was set up to create the journal entries in detail.

Purchasing for Stock Items – Three-Way Voucher Match

When you purchase for stock, you must use three-way voucher matching. When you enter the purchase order receipt, the system does not accrue the tax; tax is recorded in the Received Not Vouchered Tax account only, and then is offset when the system creates the voucher. When you post the voucher, the system records the tax in the VAT recoverable tax account. Rather than pay a tax authority, you pay the seller (supplier) for the amount of the goods plus tax and recover the tax amount from the tax authority later.

Example: Purchasing for Stock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4310 DM – 4320	F0911	Inventory Asset Received Not Vouchered	1,000	1,000
Voucher Match (P4314) Creates a voucher	DM – 4320	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Received Not Vouchered	1,000	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	100	1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Three-Way Voucher Match

When you purchase for a nonstock item, you can use either two-way or three-way voucher matching. When you use three-way voucher matching and enter the purchase order receipt, the system records the tax in the Received Not Vouchered Tax account, which is offset when the system creates the voucher. When you post the voucher, the system records the tax in the VAT Recoverable Tax account. Rather than pay a tax authority, you pay the supplier for the amount of the goods plus tax and recover the tax amount from the tax authority later.

Example: Purchasing for Nonstock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4320 DM – 4355	F0911	Expense Account from PO line Received Not Vouchered Received Not Vouchered Tax	1,000	1,000 100
Voucher Match (P4314) Creates a voucher	DM – 4320	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Received Not Vouchered	1,000	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	100	1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Two-Way Voucher Match

When you use two-way voucher matching, the system does not use the Received Not Vouchered accounts because you do not enter purchase order receipts; you enter the purchase order and create the voucher. When the system creates the voucher, it includes the VAT tax in the gross amount of the voucher, but not in the expense distribution. When you post the voucher, the system records the tax in the VAT Recoverable tax account. Rather than pay a tax authority, you pay the supplier for the amount of the goods plus tax and recover the tax amount from the tax authority later.

Example: Purchasing for Nonstock Items – Two-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Voucher Match (P4314) Creates a voucher		F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Expense Account from PO line	1,000	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	100	1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

VAT Tax (V) – Sales Order to Invoice

When you enter a sales order with VAT tax (tax explanation code V) and run Update Customer Sales (R42800), the system uses distribution AAIs to record the Cost of Goods (COG) Sold and Inventory accounts. Although the VAT amount appears on the sales update report, the system does not record it in the VAT Payables account until you post the invoice. You offset the VAT Payables account when you pay the tax authority.

The following example shows the AAI that the system uses and the tables and accounts that the system updates when you run the specified program. The example is for a sales order in the amount of 1,000 USD with a 10% VAT tax rate.

Example: Sales Order to Invoice					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Update Customer Sales (R42800) Creates an invoice		F03B11	Taxable (1,000) Tax (100) Gross (1,100)		
	DM – 4230 DM – 4220 DM – 4240	F0911	Store Sales COG Sold Inventory	900	1,000 900
Post General Ledger (R09801) Posts the invoice to the general ledger	FIN – RTxxxx FIN – RC	F0911	VAT Payables A/R Trade	1,100	100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

VAT Tax (V) – Voucher and Invoice Entry

When you enter a voucher or invoice with VAT tax, the system calculates the tax amount and creates a separate entry to the general ledger when you post the transaction. In Accounts Payable, you offset the VAT Recoverable Tax account when you receive payment from the tax authority. In Accounts Receivable, you offset the VAT Payables account when you pay the tax.

The following example shows the AAI that the system uses and the tables and accounts that the system updates when you enter and post a voucher or invoice. The examples are for a taxable amount of 1,000 USD with a 10% VAT tax rate.

Example: Voucher Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Voucher Entry (P0411) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,100)		
		F0911	Expense	1,000	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	100	1,100

Example: Invoice Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Invoice Entry (P03B11) Creates an invoice		F03B11	Taxable (1,000) Tax (100) Gross (1,100)		
		F0911	Revenue		1,000
Post General Ledger (R09801) Posts the invoice to the general ledger	FIN – RTxxxx FIN – RC	F0911	VAT Payables A/R Trade	1,100	100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

VAT + Sales Tax (C) – Purchase Order to Voucher

When you enter a purchase order using tax explanation code C for VAT + sales tax, the system calculates the tax amount and makes a separate entry to the general ledger for the VAT portion of the tax when you post the transaction.

The examples that follow show the AAIs that the system uses and the tables and accounts that the system updates when you run the program specified. All of the examples are for a purchase order in the amount of 1,000 USD with a 7% VAT and 3% sales tax rate. The system was set up to create the journal entries in detail.

Note

If you use tax-on-tax calculations, which you specify in the tax rate area by activating the Compound Tax field, the system uses the following formula to calculate the tax amount:

$(\text{Taxable} + \text{VAT}) \times \text{sales tax rate} = \text{tax}$

$(1,000 + 70) \times .03 = 32.10$

Purchasing for Stock Items – Three-Way Voucher Match

When you enter the purchase order receipt, the system records the sales tax in two general ledger accounts: Purchase Tax Accrual and Received Not Vouchered Tax. When the system creates the voucher, it offsets the Received Not Vouchered Tax account. You use the Purchase Tax Accrual account to track the sales tax portion of the item. You do not remit sales tax to a tax authority because the seller (supplier) pays it. The gross amount of the voucher includes both the sales and VAT taxes; the G/L distribution includes the goods + sales tax only. When you post the voucher, the system records the VAT in the VAT Recoverable Tax account. Rather than pay a tax authority, you pay the seller (supplier) for the amount of the goods plus VAT and recover the VAT amount from the tax authority later.

Example: Purchasing for Stock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4310 DM – 4350 DM – 4320 DM – 4355	F0911	Inventory Asset Purchase Tax Accrual (asset) Received Not Vouchered Received Not Vouchered Tax	1,000 30	 1,000 30
Voucher Match (P4314) Creates a voucher	 DM – 4320 DM – 4350 DM – 4355 DM – 4350	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Received Not Vouchered Purchase Tax Accrual (asset) Received Not Vouchered Tax Purchase Tax Accrual (asset)	 1,000 30 30	 30
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	70	1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Three-Way Voucher Match

When you purchase for a nonstock item, you can use either two-way or three-way voucher matching. When you use three-way voucher matching and enter the purchase order receipt, the system records the sales tax in the Received Not Vouchered Tax account, which is offset when the system creates the voucher. When the system creates the voucher, it includes both the sales and VAT tax amounts in the gross amount, but only the sales tax in the expense distribution. When you post the voucher, the system records the VAT in the VAT Recoverable Tax account. Rather than pay a tax authority, you pay the supplier for the amount of the goods plus VAT and recover the VAT amount from the tax authority later.

Example: Purchasing for Nonstock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4320 DM – 4355	F0911	Expense Account from PO line Received Not Vouchered Received Not Vouchered Tax	1,030	1,000 30
Voucher Match (P4314) Creates a voucher	DM – 4320 DM – 4355	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Received Not Vouchered Expense Account Received Not Vouchered Tax Expense Account	1,000 30 30	30
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	70	1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Two-Way Voucher Match

When you use two-way voucher matching, the system does not use the Received Not Vouchered accounts because you do not enter purchase order receipts; you enter the purchase order and create the voucher. When the system creates the voucher, it includes both the sales and VAT tax amounts in the gross amount of the voucher, but only the sales tax in the expense distribution. When you post the voucher, the system records the VAT in the VAT Recoverable Tax account. Rather than pay a tax authority, you pay the supplier for the amount of the goods plus VAT and recover the VAT amount from the tax authority later.

Example: Purchasing for Nonstock Items – Two-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Voucher Match (P4314) Creates a voucher	DM – 4315* DM – 4315*	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,100) Expense Account Expense Account	1,000 30	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	70	1,100

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

VAT + Sales Tax (C) – Sales Order to Invoice

When you enter a sales order using tax explanation code C for VAT + sales tax and then run Update Customer Sales (R42800), the system uses distribution AAIs to record the Store Sales, Tax Liability, Cost of Goods (COG) Sold, and Inventory accounts. Although the VAT amount appears on the sales update report, the system does not record it in the VAT Payables account until you post the invoice. You offset the VAT Payables account when you pay the tax authority.

The following example shows the AAI that the system uses and the tables and accounts that the system updates when you run the specified program. The example is for a sales order in the amount of 1,000 USD with a 7% VAT and 3% sales tax rate.

Example: Sales Order to Invoice					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Update Customer Sales (R42800) Creates an invoice		F03B11	Taxable (1,000) Tax (100) Gross (1,100)		
	DM – 4230	F0911	Store Sales		1,000
	DM – 4250		Tax Liability		30
	DM – 4220		COG Sold	900	
	DM – 4240		Inventory		900
Post General Ledger (R09801) Posts the invoice to the general ledger	FIN – RTxxxx FIN – RC	F0911	VAT Payables A/R Trade	1,100	70

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Note

If you use tax-on-tax calculations, which you specify in the tax rate area by activating the Compound Tax field, the system multiplies the sales tax rate by the VAT tax rate and adds the amount to the sales tax. In the example above, the sales tax would be 30.21 {30 + [(0.03 x .07) x 100] = 30.21} if the tax rate area was set up for tax-on-tax.

VAT + Sales Tax (C) – Voucher and Invoice Entry

When you enter a voucher or invoice using tax explanation code C for VAT + sales tax, the system calculates the sales tax amount but does not create a separate entry to the general ledger. For vouchers, the sales tax is part of the expense, so you do not need to enter the tax in a specific account. For invoices, however, you might want to track the sales tax in a separate account because you must pay it. In this instance, you would need to subtract the sales tax amount from the revenue and enter it separately. The system records the VAT amount when you post the transaction. In Accounts Payable, you offset the VAT Recoverable Tax account when you receive payment from the tax authority. In Accounts Receivable, you offset the VAT Payables account when you pay the tax.

The following example shows the AAI that the system uses and the tables and accounts that the system updates when you enter and post a voucher or invoice. The examples are for a taxable amount of 1,000 USD with a 7% VAT and 3% sales tax rate.

Example: Voucher Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Voucher Entry (P0411) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,100)		
		F0911	Expense	1,030	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxxx FIN – PC	F0911	VAT Recoverable Tax A/P Trade	70	1,100

Example: Invoice Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Invoice Entry (P03B11) Creates an invoice		F03B11	Taxable (1,000) Tax (100) Gross (1,100)		
		F0911	Revenue Sales Tax		1,000 30
Post General Ledger (R09801) Posts the invoice to the general ledger	FIN – RTxxxx FIN – RC	F0911	VAT Payables A/R Trade	1,100	70

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Note

If you use tax-on-tax calculations, which you specify in the tax rate area by activating the Compound Tax field, the system uses the following formula to calculate the tax amount:

$$(\text{Taxable} + \text{VAT}) \times \text{sales tax rate} = \text{Tax}$$

$$(1,000 + 70) \times .03 = 32.10$$

VAT + Use Tax (B) – Purchase Order to Voucher

When you enter a purchase order using tax explanation code B for VAT + use tax, the system calculates the tax amount and makes two entries to the general ledger when you post the transaction: one for the use portion of the tax and one for the VAT portion of the tax.

The examples that follow show the AAI's that the system uses and the tables and accounts that the system updates when you run the program specified. All of the examples are for a purchase order in the amount of 1,000 USD with a 7% VAT and 3% use tax rate. The system was set up to create the journal entries in detail.

Note

If you use tax-on-tax calculations, which you specify in the tax rate area by activating the Compound Tax field, the system uses the following formula to calculate the tax amount:

$$(\text{Taxable} + \text{VAT}) \times \text{use tax rate} = \text{Tax}$$

$$(1,000 + 70) \times .03 = 32.10$$

Purchasing for Stock Items – Three-Way Voucher Match

When you purchase for stock, you must use three-way voucher matching. When you enter the purchase order receipt, the system records the tax in two general ledger accounts: Purchase Tax Accrual and Received Not Vouchered Tax. When the system creates the voucher, it offsets the Received Not Vouchered Tax account and records the tax in the Purchase Tax Accrual asset account only for tracking purposes. When you post the voucher, the system records the tax in the VAT Recoverable Tax and Use Tax Payable accounts. When you pay the tax authority, you enter a voucher that offsets the Use Tax Payable account.

Example: Purchasing for Stock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4310	F0911	Inventory Asset	1,000	
	DM – 4350		Purchase Tax Accrual (asset)	30	
	DM – 4320		Received Not Vouchered		1,000
	DM – 4355		Received Not Vouchered Tax		30
Voucher Match (P4314) Creates a voucher		F0411	Taxable (1,000)		
			Tax (100)		
			Gross (1,070)		
	DM – 4320	F0911	Received Not Vouchered	1,000	
	DM – 4355		Received Not Vouchered Tax	30	
	DM – 4350		Purchase Tax Accrual (asset)	30	
DM – 4350	Purchase Tax Accrual (asset)			30	

Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxx FIN – PT FIN – PC	F0911	VAT Recoverable Tax Use Tax Payable A/P Trade	70	30 1,070
---	-------------------------------------	-------	---	----	-------------

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Three-Way Voucher Match

When you purchase for a nonstock item, you can use either two-way or three-way voucher matching. When you use three-way voucher matching and enter the purchase order receipt, the system records the tax in the Received Not Vouchered Tax account, which is offset when the system creates the voucher. The system includes the VAT tax only in the gross amount of the voucher (not the use tax), but includes only the use tax in the expense distribution. The system records the tax in a separate account that is offset when you remit the tax to the tax authority.

Example: Purchasing for Nonstock Items – Three-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Enter Receipts by PO (P4312) Creates a journal entry	DM – 4320 DM – 4355	F0911	Expense Account from PO line Received Not Vouchered Received Not Vouchered Tax	1,030	1,000 30
Voucher Match (P4314) Creates a voucher	DM – 4320 DM – 4355 DM – 4350 DM – 4350	F0411 F0911	Taxable (1,000) Tax (100) Gross (1,070) Received Not Vouchered Received Not Vouchered Tax Purchase Tax Accrual (asset) Purchase Tax Accrual (asset)	 1,000 30 30	 30
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxx FIN – PT FIN – PC	F0911	VAT Recoverable Tax Use Tax Payable A/P Trade	70	30 1,070

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Purchasing for Nonstock Items – Two-Way Voucher Match

When you use two-way voucher matching, the system does not use the Received Not Vouchered accounts because you do not enter purchase order receipts; you enter the purchase order and create the voucher. The system includes the VAT tax only in the gross amount of the voucher (not the use tax), but includes only the use tax in the expense distribution. The system records the tax in a separate account that is offset when you remit the tax to the tax authority.

Example: Purchasing for Nonstock Items – Two-Way Voucher Match					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Voucher Match (P4314) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,070)		
		F0911	Expense Account from PO line	1,030	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PTxxx FIN – PT FIN – PC	F0911	VAT Recoverable Tax Use Tax Payable A/P Trade	70	30 1,070

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

VAT + Use Tax (B) – Voucher Entry

When you enter a voucher using tax explanation code B for VAT + use tax, the system calculates the use tax amount and includes it in the expense distribution. When you post the voucher, the system creates entries to the:

- Use Tax Payable account, which you offset when you pay the tax authority
- VAT Recoverable Tax account, which you offset when you receive payment from the tax authority

The following example shows the AAI that the system uses and the tables and accounts that the system updates when you enter and post a voucher. The example is for a taxable amount of 1,000 USD with a 7% VAT and 3% use tax rate.

Example: Voucher Entry					
Program	AAI*	Table	Accounts & Fields Updated	F0911	
				DR	CR
Standard Voucher Entry (P0411) Creates a voucher		F0411	Taxable (1,000) Tax (100) Gross (1,070)		
		F0911	Expense	1,030	
Post General Ledger (R09801) Posts the voucher to the general ledger	FIN – PT FIN – PTxxx FIN – PC	F0911	Use Tax Payable VAT Recoverable Tax A/P Trade	70	30 1,070

* DM – AAI = Distribution/Manufacturing AAI (F4950); FIN – AAI = Financial AAI (F0012)

Note

If you use tax-on-tax calculations, which you specify in the tax rate area by activating the Compound Tax field, the system uses the following formula to calculate the tax amount:

$$(\text{Taxable} + \text{VAT}) \times \text{use tax rate} = \text{Tax}$$

$$(1,000 + 70) \times .03 = 32.10$$

Tax Exempt (E)

If you want to make a purchase or sales order line item or a voucher or invoice pay item, tax exempt, you use tax explanation code E. When you use tax explanation code E, the system maintains the tax explanation code and tax rate area values, but removes the taxable and tax amounts from the voucher or invoice.

You must have the AAI for PT set up to enter tax-exempt purchase orders or vouchers. You must have the AAI for RT set up to enter tax-exempt sales orders or invoices.

If you set the processing option in the General Ledger Post Report program (R09801) to update the Taxes table (F0018) for all tax explanation codes, tax-exempt transactions are excluded.

Setting Up Default Values for Taxes

When you enter transactions with taxes, you can enter the tax information on the transaction or set up default values that the system uses during the entry process. Default tax values include the tax rate area and tax explanation code, and can be set up in the customer or supplier record or in the business unit record (tax rate area only). Regardless of whether you establish default values, you can override the tax information when you enter the transaction.

The following table shows where the system retrieves the default tax rate area and tax explanation code from for each type of transaction that you enter:

Transaction Entered	Tax Rate Area Used	Tax Explanation Code Used
Purchase order	Supplier record	Supplier record
Sales order	Customer record (Ship-to address)	Customer record (Sold-to address)
Voucher	Business unit; then supplier record	Supplier record
Invoice	Business unit; then customer record	Customer record
Journal entry	None	None

Purchase Order Entry

The system uses tax defaults that you set up in the supplier record when you enter purchase orders. When you enter purchase orders, you use processing options to specify whether to retrieve the tax rate area from the ship-to or supplier address book number. The system always uses the tax explanation code from the supplier record.

Sales Order Entry

The system uses tax defaults that you set up in the customer record when you enter a sales order. When you enter direct ship, transfer orders, or sales orders with different sold-to or ship-to addresses, the system retrieves the tax rate area from the ship-to address and the tax explanation code from the sold-to address.

Voucher and Invoice Entry

When you enter a voucher or invoice, the system uses the tax rate area associated with the business unit, if one exists. If a tax rate area is not set up for the business unit, the system uses the tax rate area from the supplier or customer record. The system uses the tax explanation code from the supplier or customer record regardless of whether it uses the tax rate area from the business unit.

Journal Entries

The system does not use default tax information when you enter a journal entry with VAT.

► To set up tax defaults for the supplier

Use one of the following navigations:

From the Supplier & Voucher Entry menu (G0411), choose Supplier Master Information.

From the Supplier Management menu (G43A16), choose Purchasing Instructions.

From the Non-Stock Purchasing System Setup menu (G43B41), choose Purchasing Instructions.

1. On Work With Supplier Master, locate the supplier record and click Select.
2. On Supplier Master Revision, click the Tax Information tab and complete the following fields:
 - Tax Expl Code
 - Tax Rate / Area
3. Click OK.

► To set up tax defaults for the customer

Use one of the following navigations:

From the Customer Invoice Entry menu (G03B11), choose Customer Master Information.

From the Sales Order Management Setup menu (G4241), choose Customer Billing Instructions.

1. On Work With Customer Master, locate and choose the customer record and click Select.
2. On Customer Master Revision, click the Select Tab and choose Tax Information.
3. Complete the following fields:
 - Tax Expl Code
 - Tax Rate/Area
4. Click OK.

► **To set up tax defaults for the business unit**

From the Organization & Account Setup menu (G09411), choose Revise Single Business Unit.

1. On Work With Business Units, locate and choose the business unit, and then click Select.
2. On Revise Business Unit, click the More Detail tab.
3. Complete the following field and click OK:
 - Tax Rate/Area

Assigning Tax Information to General Ledger Accounts

If you track taxes by general ledger account, you must specify that the account is taxable by turning on the Taxable Account option on the account. When you specify that an account is taxable, the system allows you to specify a default tax rate area to use. The system uses the tax rate area for the account on journal entries that are generated automatically or when the corresponding field is left blank on the distribution form of the voucher or invoice and you have specified to track taxes.

See Also

- *Tracking Taxes by G/L Account in the Tax Reference Guide*

► **To assign tax information to general ledger accounts**

From the Organization & Account Setup menu (G09411), choose Review and Revise Accounts.

1. On Work With Accounts, locate and choose the account, and then click Select.
2. On Revise Single Account, click the More tab.

PeopleSoft

Select Workspace: Active Foundation

Active Foundation

Personalize Change Role Sign Out

Review and Revise Accounts - Revise Single Account

OK Cancel Form Tools

Account Number 3.5010 Store Sales

Revise Single Account More Category Codes 1-10 Category Codes 11-20 Category Codes 21-23

Unit of Measure

Free Form (3rd Acct. No.)

Alternate ObjectSub

Billable No, it should not be billed.

Taxable Account

Default Tax Rate/Area MWST

3. Turn on the following option to track taxes by account:
 - Taxable Account
4. Complete the following optional field to use as a system default:
 - Default Tax Rate/Area
5. Click OK.

Setting Up the General Ledger Post Report Program to Update the Taxes

Use one of the following navigations:

From the Journal Entry, Reports, & Inquiries menu (G0911), choose Post General Journal.

From the Supplier & Voucher Entry menu (G0411), choose Post Vouchers to G/L.

From the Customer Invoice Entry menu (G03B11), choose Post Invoices to G/L.

To report on tax amounts that you owe or collect, you must update the Taxes table (F0018). The system automatically updates the F0018 table when you post invoices, vouchers, and journal entries that have taxes if you set the appropriate processing options for the versions of the General Ledger Post Report program (R09801) that you use to post these transactions.

Note

If you bypass creating invoices when you run the Update Customer Sales program (R42800), the system does not update the Taxes table.

You must update the Taxes table for the system to update the Tax Reconciliation Repository table (F0018R), which is used for reporting tax information by general ledger account.

The default versions of the General Ledger Post Report program that the system uses are:

- ZJDE0001 (General Ledger Post)
If you enter journal entries with VAT tax, you must set the processing options for this version in order to update the F0018 table.
- ZJDE0002 (Voucher Post)
If you enter invoices with taxes, you must set the processing options for this version in order to update the F0018 table.
- ZJDE0006 (Invoice Post)
If you enter invoices with taxes, you must set the processing options for this version in order to update the F0018 table.

If you use different versions of the General Ledger Post Report program to post transactions with taxes, you must set the processing option for those versions in order to update the F0018 table.

You can update the table for all tax explanation codes, all tax amounts, or tax explanation codes relating to Use and VAT tax only.

Note

If you post transactions with taxes and do not have the processing options set to update the F0018 table, you must manually enter tax information into the F0018 table. You cannot post transactions again to update the table. See *Updating the Taxes Table* in the *Tax Reference Guide*.

Processing Options for General Ledger Post Report (R09801)

Print Tab

1. Account Format

Blank = Default Account Format

1 = Structured Account

2 = Short Account ID

3 = Unstructured Account

Use this processing option to specify the account format that you want to print on the General Ledger Post report.

2. Print Error Messages

Blank = No error message will print

1 = Error message will print

Use this processing option to specify whether to print error messages on the General Ledger Post report. If you leave this processing option blank, an error message still prints in the work center when an error message is detected. Valid values are:

Blank

Do not print error messages.

1

Print error messages.

Versions Tab

1. Detail Currency Restatement Version

Blank = No Detail Currency Restatement entries created

Enter a version of Detail Currency Restatement (R11411) to execute (i.e. ZJDE0001).

Use this processing option to specify the version of the Detailed Currency Restatement program (R11411) that you want to run to create entries. If you leave this field blank, the program does not run and does not create detailed currency restatement entries.

2. Fixed Asset Post Version

Blank = No Fixed Asset entries created

Enter a version of Fixed Asset Post (R12800) to execute (i.e. ZJDE0001).

Use this processing option to specify the version of the Fixed Asset Post program (R12800) that you want the system to run to create fixed asset entries. If you leave this field blank, the Fixed Asset Post program (R12800) does not run and does not create fixed asset entries.

3. 52 Period Post Version

Blank = No 52 Period Post entries created

Enter a version of 52 Period Post (R098011) to execute (i.e. ZJDE0001).

Use this processing option to specify the version of the 52 Period Post program (R098011) to update the Account Balances table and the Account Balances - 52 Period Accounting table. If you leave this field blank, the 52 Period Post Program does not run and does not update the tables.

Edits Tab

1. Update Transaction

Blank = No editing

1 = Update transaction

Use this processing option to update Account ID, Company, Fiscal Year, Period Number, Century, and Fiscal Quarter on unposted records in the Account Ledger table (F0911). You might need to update these fields if you have records in the Account Ledger table that were created by a custom program and may not contain the correct values in these fields.

The system uses the value in the G/L Account Number field of the unposted record in the Account Ledger table to update the Account ID and Company fields.

The system calculates the correct values for the Fiscal Year, Period Number, and Century fields using the value in the G/L date field of the unposted record in the Account Ledger table.

The system will update the Fiscal Quarter field on the unposted record in the Account Ledger table to blank.

Taxes Tab

1. Update Tax File

Blank = No update to Tax File

1 = VAT or Use Tax only

2 = For all Tax Amount

3 = For all Tax Explanation Codes

Use this processing option to specify whether and how to update the Taxes table (F0018) when you post transactions with tax information to the general ledger. Valid values are:

Blank

The system does not update the Taxes table.

1

The system updates the Taxes table for the following tax explanation codes only: V, VT, V+, U, and UT.

2

The system updates the Taxes table for all tax amounts. The system does not update the Taxes table for transactions with tax explanation code E (exempt).

3

The system updates the Taxes table for all tax explanation codes including E (exempt).

2. Update VAT Discounts

Blank = No Adjustment

1 = Update VAT only

2 = Update VAT, Ext Price and Taxable

Use this processing option to specify whether to adjust the tax amount fields, and which fields to adjust, when discounts are taken. The system adjusts the tax amount fields only for transactions with tax explanation code V.

Note: The following options in the tax rules must be turned on to use this processing option:

- o Tax on Gross Including Discount
- o Discount on Gross Including Tax

Valid values are:

Blank

The system does not adjust tax amounts for discounts taken.

1

The system updates only the tax amount field (STAM).

2

The system updates the tax (STAM), taxable (ATXA), and extended price (AEXP) amount fields.

The system uses the following algorithms to calculate the adjustment amounts to the tax, taxable, and gross (extended price) amount fields for discounts taken:

- o Adjustment to the gross amount (extended price) = discount taken
- o Adjustment to the taxable amount = (taxable amount / gross amount) x discount taken
- o Adjustment to the tax amount = (tax amount / gross amount) x discount taken

For example:

Tax Rate = 25%

Discount Taken = 12.50 USD

Gross Amount (Extended Price) = 1,250.00 USD

Taxable Amount = 1,000.00 USD

Tax Amount = 250.00 USD

Based on the example, using the adjustment algorithms, the system calculates the following adjustment amounts:

- o Adjustment to the Gross Amount = 12.50
- o Adjustment to the Taxable Amount = 10.00
- o Adjustment to the Tax Amount = 2.50

To calculate the adjustments, the system subtracts the adjusted amount from the original amount:

- o Adjusted Gross Amount: $1,250.00 - 12.50 = 1,237.50$
- o Adjusted Taxable Amount: $1,000.00 - 10.00 = 990.00$
- o Adjusted Tax Amount: $250.00 - 2.50 = 247.50$

3. Update VAT Receipts and W/O

Blank = No Adjustment

1 = Update VAT only

2 = Update VAT, Ext Price and Taxable

Use this processing option to specify whether to adjust the tax fields, and which fields to adjust, when the receipt has a write-off. The system adjusts the tax amount fields only for transactions with tax explanation code V. Valid values are:

Blank

The system does not adjust tax amounts for write-offs.

1

The system updates only the tax amount field (STAM).

2

The system updates the tax (STAM), taxable (ATXA), and extended price (AEXP) amount

fields.

The system uses the following algorithms to calculate the adjustment amounts to the tax, taxable, and gross (extended price) amount fields for write-off amounts:

- o Adjustment to the gross amount (extended price) = write-off amount
- o Adjustment to the taxable amount = (taxable amount / gross amount) x write-off amount
- o Adjustment to the tax amount = (tax amount / gross amount) x write-off amount

For example:

Tax Rate = 25%

Write-off Amount = 12.50 USD

Gross Amount (Extended Price) = 1,250.00 USD

Taxable Amount = 1,000.00 USD

Tax Amount = 250.00 USD

Based on the example, using the adjustment algorithms, the system calculates the following adjustment amounts:

- o Adjustment to the Gross Amount = 12.50
- o Adjustment to the Taxable Amount = 10.00
- o Adjustment to the Tax Amount = 2.50

To calculate the adjustments, the system subtracts the adjusted amount from the original amount:

- o Adjusted Gross Amount: $1,250.00 - 12.50 = 1,237.50$
- o Adjusted Taxable Amount: $1,000.00 - 10.00 = 990.00$
- o Adjusted Tax Amount: $250.00 - 2.50 = 247.50$

Process Tab

1. Explode parent item time

Blank = No exploding

1 = Explode parent item time

Use this processing option to specify whether the system explodes the time entries for a parent asset down to the children of the parent asset. If you enter a 1 for this processing option, the General Ledger Post Report program (R09801) creates time entries for the parent asset's children. The system uses the unit of time from the parent asset entries and the rates from the child asset to calculate the appropriate entries. This processing option applies only to batch type T entries. Valid Values are:

Blank

Do not explode the time entries for a parent asset down to the children of the parent asset.

1

Explode the time entries for a parent asset down to the children of the parent asset.

Cash Basis Tab

1. Units Ledger Type

Blank = ZU

Enter a valid value from the UDC 09/LT or blank will default the ZU ledger type.

Use this processing option to specify the units ledger type for the system to use for cash basis entries. You must use a valid ledger type from UDC 09/LT. If you leave this processing option, the system uses a default ledger type of ZU.

Entering Tax Information on Purchase and Sales Orders

In most business environments, you are required to pay taxes on the items that you purchase or sell. When you enter a purchase or sales order that has taxes, you must enter a tax rate area and tax explanation code on the order or use default tax information that you set up for the supplier or customer.

During order entry, the system retrieves the tax explanation code and tax rate areas from the customer or supplier record. For direct ship, transfer orders, or sales orders with alternate sold-to and ship-to addresses, the system retrieves the tax explanation code from the sold-to address and the tax rate area from the ship-to address.

If you enter purchase or sales orders using a *header* form, which is specified by a processing option, the tax information that you enter applies to all the items that you enter on the *detail* form. You can override this tax information on the individual order to accommodate each item or service.

Taxes are applicable for the item or service only if you specify the detail line as taxable. You specify items as taxable for sales or purchasing in the Item Branch/Plant program (P41026), but you can override the Tax (Y/N) field on the detail line.

The system does not store tax amounts on orders; the system stores tax amounts on the voucher or invoice record that the system creates from the order.

See Also

- ❑ *Entering Order Detail Information* in the *Procurement Guide* for the steps to enter detail information on a purchase order
- ❑ *Creating Vouchers* in the *Procurement Guide* for the steps to match the receipt or order detail line to the voucher
- ❑ *Working with Detail Information* in the *Sales Order Management Guide* for the steps to enter a sales order

► To enter tax information on the purchase order

From the Purchase Order Processing menu (G43A11), choose Enter Purchase Orders.

Note

The processing option for Header Display, on the Processing tab, must contain the value 1 for the header form to appear.

1. On Work With Order Headers, click Add to enter a new purchase order.
2. On Order Header, complete the following required fields:
 - Branch/Plant
 - Supplier
 - Order Date

The system automatically completes this field with the current date.

- Tax Expl Code
If you leave this field blank, the system updates it with the value from the supplier record when you click OK. A processing option specifies whether the system uses values from the supplier or the ship-to record.
 - Tax Rate/Area
If you leave this field blank, the system updates it with the value from the supplier record when you click OK. A processing option specifies whether the system uses values from the supplier or the ship-to record.
3. Click OK.
 4. On Order Detail, follow the steps to enter detail information on the purchase order.
 5. Verify or override the information in the following fields:
 - Tax Y/N
If you order an item, the system uses the value in the Purchasing Taxable (Y/N) field (IBTX) in the Item Branch File table (F4102). You can override the value for each detail line. The value must be Y for the system to calculate taxes on the voucher.
 - Expl Code
 - Tax Rate/Area
 6. Click OK.

► **To enter tax information during voucher match**

From the Receipts Matching and Posting menu (G43A15), choose Match Voucher to Open Receipt.

1. On Supplier Ledger Inquiry, click Add.
2. On Voucher Match, follow the steps to match the receipt or order detail line to the voucher.
3. In the detail area, complete the following fields to enter tax information:
 - Tax Y/N
 - Tax Expl
 - Tax Area
4. Click OK.

Note

The system creates different journal entries when you enter the tax during the voucher match process than it does when you enter the tax information during purchase order entry. See *Tax Explanation Codes* in the *Tax Reference Guide* for specific examples.

► **To enter tax information on the sales order**

From the Sales Order Processing menu (G4211), choose Enter Orders Header.

Note

The processing option for Header Display, on the Process tab, must contain the value 1 for the header form to appear.

1. On Work With Sales Order Headers, click Add to enter a new sales order.

The screenshot shows the 'Enter Orders Header - Sales Order Header' form in PeopleSoft. The form is titled 'Active Foundation' and has a 'Select Workspace' dropdown set to 'Active Foundation'. The 'Order Number' is 2401, 'SO' is 00200, and 'Branch/Plant' is M30. The 'Currency' is USD. The 'Dates' section includes 'Order Date' (6/10/05), 'Cancel Date', and 'Requested Date' (6/11/05). The 'Address Numbers' section includes 'Sold To' and 'Ship To'. The 'Tax Area/Code' section includes 'Tax Area/Code' and 'Tax Certificate No.'. The 'Price Pickslip' section includes 'Price Pickslip' (checked), 'Invoice Copies', 'Ordered By', and 'Taken By'.

2. On Sales Order Header, complete the following fields:

- Branch/Plant
- Sold To
- Ship To
- Tax Area/Code

You enter the tax explanation code in the unlabeled field to the right of the Tax Area/Code field. If you leave this field blank, the system uses the default value specified in the customer master record for the Sold-To address entered on the order.

If you do not specify a tax rate area, the system uses the default value specified in the customer master record for the Ship-To address entered on the order.

- Order Date
 - Requested Date
3. Click OK.
 4. On Sales Order Detail Revisions, follow the steps to enter the order.
 5. To verify or override tax information, choose the order detail line, and then choose SOE Additional from the Row menu.
 6. On SOE – Additional Information, click the Additional Info2 tab and verify or override the information in the following fields:
 - Sales Taxable
The value must be Y for the system to calculate taxes on the invoice.
 - Tax Expl Code
 - Tax Rate/Area
 7. Click OK.

Releasing Retainage on Purchase Orders That Have Taxes

When you match purchase orders and create vouchers, you might choose to withhold a portion of the payment to the supplier until the completion of the contract or service, or until you receive all of the items on the order. The amount that you withhold is called a retainage. If the purchase order does *not* have VAT taxes applied (tax explanation code V or C), the system automatically calculates and applies the tax amount based on the entire amount of the voucher at the time that the voucher is matched. For example, if the amount of the purchase order is 1,000, but 10% is retained, the system calculates taxes for the entire amount (1,000).

However, if the purchase order *has* VAT taxes applied (tax explanation code is V or C), you can specify whether to apply taxes to the entire amount of the voucher or for the amount of the voucher less the amount retained. The Taxes processing option, on the Retainage tab, for the Voucher Match program (P4314) specifies how the system applies taxes. If you enter 1 in the processing option (apply to retained amount), the system defers taxes on the retained amount until the retainage is released. For example, if you enter a purchase order for 1,000 and retain 10% (100), then when you match the voucher, the system calculates tax based on 900 (1,000 – 100), instead of 1,000. Later, when you release the retainage, the system calculates taxes on the remaining amount (100).

See Also

See the following topics in the *Procurement Guide*:

- ❑ *Entering a Voucher with Retainage* for information about entering a voucher with retainage
- ❑ *Entering a Voucher to Release Retainage* for information about releasing retainage

Taxable and Nontaxable Invoice Pay Items

In the Sales Order Management system, you can consolidate line items by invoice pay item by setting the appropriate option in the customer's billing instructions. For example, if you enter an order that has 50 line items, the system can consolidate the line items by:

- Tax Explanation Code
- Tax Rate Area

All line items with the same tax information can be summarized into one invoice pay item. Line items must not necessarily be specified as taxable to consolidate orders.

For example, instead of adding tax information to each line item, you can let the system use the information that is set up for the customer, and simply specify that a line is not taxable. When you run the Update Customer Sales (R42800) program, the system writes the tax explanation code and tax rate area on the line item and consolidates it with other line items containing the same information, but writes the amount to the Nontaxable Amount field (ATXN) of the invoice pay item. Thus, an invoice pay item could have both taxable and nontaxable amounts. In this scenario, taxable + tax does not equal gross; taxable + nontaxable + tax equals gross.

You cannot specify a nontaxable amount on invoices that you enter manually, but the system updates the Nontaxable field automatically with the difference between the gross amount entered and the sum of the taxable and tax amounts for the pay item.

Tax Calculations on Foreign Amounts

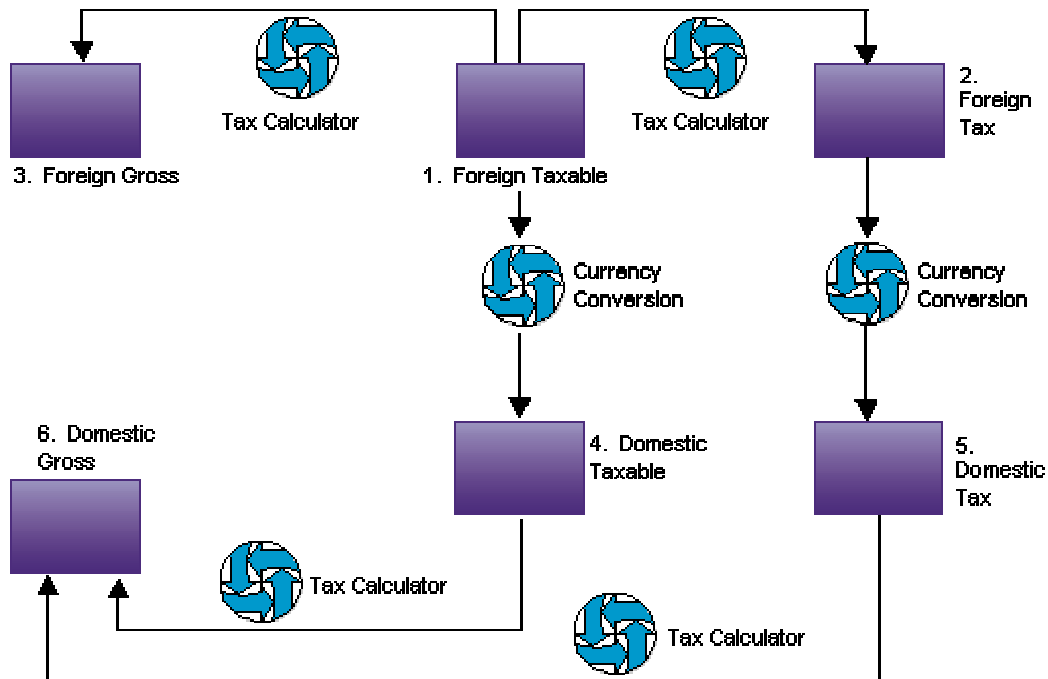
The algorithm that the system uses to calculate domestic amounts when you generate invoices and vouchers from another system is different from the one it uses when you enter invoices and vouchers manually. While the difference between the calculations is minimal, it is important to understand how the system derives domestic amounts and the issues that might arise when you revise a foreign transaction with taxes generated from another system.

Foreign Invoice, Voucher, and Purchase Orders with Taxes

When you enter a foreign invoice or voucher with taxes or process a foreign purchase order with taxes, the system uses the tax rate area to calculate the foreign tax amount, and then adds the foreign taxable amount to the foreign tax amount to derive the foreign gross amount. (If you enter the foreign gross amount, instead of the foreign taxable, the system calculates the foreign tax amount and subtracts it from the foreign gross amount to derive the foreign taxable amount.) Then, the system uses the exchange rate to calculate the domestic taxable and tax amounts, and adds the two amounts together to derive the domestic gross amount.

The following graphic illustrates how the system calculates domestic amounts from foreign amounts entered on invoices, vouchers, and purchase orders.

Tax Calculation for Invoice Entry



Example of Tax Calculation on Foreign Invoice

Setup

- Base Currency: USD
- Transaction Currency: CAD
- Exchange Rate: 0.6633
- Tax Explanation Code: S
- Tax Rate/Area: ONT (17%)
- Foreign Taxable Amount: 1,200.38

Calculations

Foreign Taxable Amount (1,200.38) x Tax Rate (.17) = Foreign Tax Amount (204.06)

Foreign Taxable Amount (1,200.38) + Foreign Tax Amount (204.06) = Foreign Gross Amount (1,404.44)

Foreign Taxable Amount (1,200.38) x Exchange Rate (.6633) = Domestic Taxable Amount (796.21)

Foreign Tax Amount (204.06) x Exchange Rate (.6633) = Domestic Tax Amount (135.35)

Domestic Taxable Amount (796.21) + Domestic Tax Amount (135.35) = Domestic Gross (931.56)

Note

If the invoice or voucher has multiple pay items, the system uses soft rounding to ensure that amounts balance. See *Rounding versus Soft Rounding* in the *Tax Reference Guide* for more information.

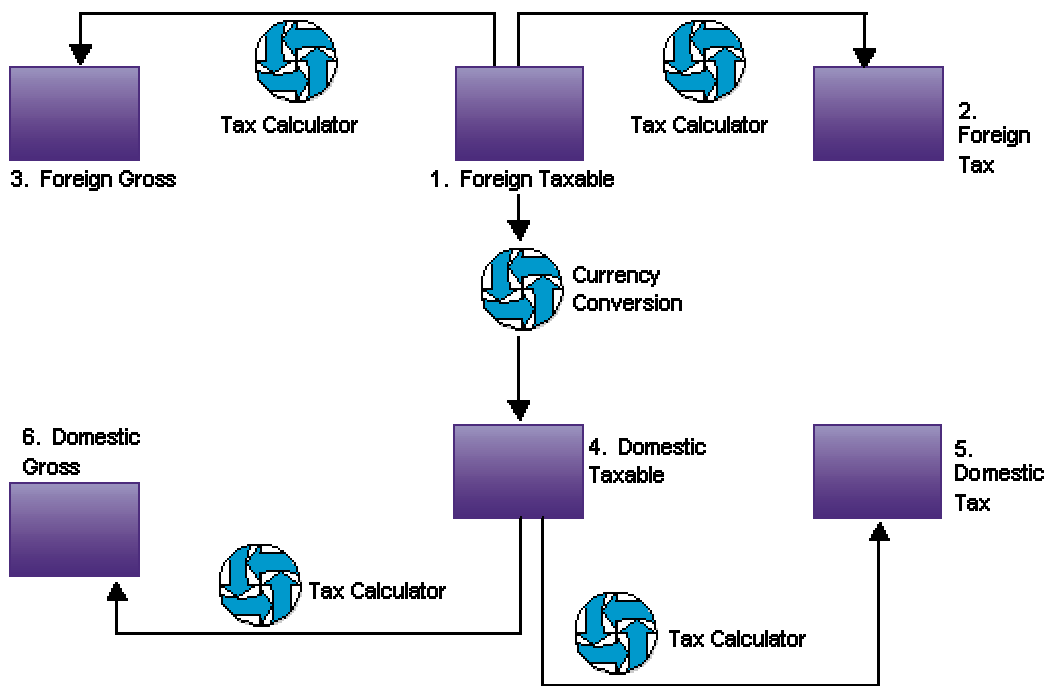
If the purchase order has multiple lines, the system does not perform soft rounding; it rounds each line separately and passes the calculations to the voucher.

Foreign Sales Orders with Taxes

When you enter a foreign sales order with taxes, and then run end-of-day processing (Update Customer Sales) to create the invoice, the system calculates the foreign tax and foreign gross amounts based on the tax rate area entered. But it uses the exchange rate to calculate the domestic taxable amount only, and then uses the tax rate area a second time to calculate the domestic tax and gross amounts.

The following graphic illustrates how the system calculates domestic amounts from foreign amounts that entered on sales orders:

Tax Calculation for Update Customer Sales



Note

If the sales order has multiple lines, the system does not perform soft rounding; it rounds each line separately and passes the calculations to the invoice.

Example of Tax Calculation on Foreign Sales Order

Setup

- Base Currency: USD
- Transaction Currency: CAD
- Exchange Rate: 0.6633
- Tax Explanation Code: S
- Tax Rate/Area: ONT (17%)
- Foreign Taxable Amount: 1,200.38

Calculations

Foreign Taxable Amount (1,200.38) x Tax Rate (.17) = Foreign Tax Amount (204.06)

Foreign Taxable Amount (1,200.38) + Foreign Tax Amount (204.06) = Foreign Gross Amount (1,404.44)

Foreign Taxable Amount (1,200.38) x Exchange Rate (.6633) = Domestic Taxable Amount (796.21)

Domestic Taxable Amount (796.21) x Tax Rate (.17) = Domestic Tax Amount (135.36 after rounding)

Domestic Taxable Amount (796.21) + Domestic Tax Amount (135.36) = Domestic Gross (931.57)

Tracking Taxes by G/L Account

In countries where VAT is levied, it is a common business requirement to track and reconcile VAT amounts to revenue and expense accounts by tax rate area. In some countries auditors are required to validate the relationship between tax amount and G/L accounts to certify compliance with governmental regulations.

Regardless of whether you enter the G/L distribution for a voucher or invoice, or the system creates entries to the general ledger automatically, the system will track taxes by general ledger account when the following occurs:

- The pay item of a voucher (F0411) or invoice (F03B11) contains a tax explanation code and tax rate area.
- The G/L distribution account is set up to track taxes.
- For vouchers and invoices that you enter manually, the Track Taxes field on the G/L Distribution form has a value of 1.

Note

For system-generated journal entries, such as those generated from the distribution AAls, the system automatically updates Track Taxes to 1 if the account is taxable.

For manual entries, the system uses the following rules to determine whether to write tax information to the Account Ledger record (F0911), and which tax information to write.

- If tax information does not exist on the F0411 or F03B11 record, and you add tax information to the general ledger account, the system removes the tax information from the record when you click OK.
- If the general ledger account is taxable, and you do not complete the Tax Rate Area field on the G/L Distribution form, the system uses the default tax rate area that is set up on the Account Master record (F0901). You must enter a tax explanation code.
- If the general ledger account is taxable, but you do not want to track taxes for the transaction, you can override the Track Taxes field to 0.

After the Account Ledger (F0911) record is updated with tax information, you must post the transaction to update the Taxes table (F0018). After the Taxes table is updated, you run the Update Tax Reconciliation Repository program (R0018R) to update the Tax Reconciliation Repository table (F0018R), where the information can be used for tax reporting.

In addition to the standard invoice and voucher entry programs, the following programs have been enabled to track taxes:

- Speed Invoice Entry (P03B11SI)
- Speed Voucher Entry (P0411SV)
- All versions of Standard Voucher Entry (P0411), including:
 - Voucher Logging Entry
 - Prepayment Voucher Entry
 - Multi Voucher-Single Supplier
 - Multi Voucher-Multi Supplier

- Multi Company-Single Supplier

See Also

See the following topics in the *Tax Reference Guide*:

- *Updating the Taxes Table* for information about when and how the system updates tax information for reporting and reconciliation
- *Updating the Tax Reconciliation Repository* for information about updating Tax Reconciliation Repository table (F0018R) for tracking taxes by G/L account

Entering Invoices and Vouchers with Taxes

When you enter invoices and vouchers with taxes, the system calculates amounts according to the information that you enter:

- If you enter the gross amount, the system calculates the taxable and tax amounts.
- If you enter the taxable amount, the system calculates the gross and tax amounts.
- If you enter both taxable and gross amounts, the system calculates the tax amount based on the taxable amount. If the taxable and tax amounts do not sum to the gross amount that you entered, the system updates the difference in the Nontaxable Amount (ATXN) field.

Note

Only the system updates the nontaxable amount field. You cannot enter a value into the field using the transaction entry programs.

The amount to distribute in the general ledger depends on the tax explanation code that you use. When you have multiple pay items with different tax rate areas and tax explanation codes, determining the amount to distribute can be challenging. In addition to providing you with the total amount to distribute, the system provides a Tax Amounts to Distribute window that you can access from a Form menu, which displays the tax amount to distribute based on the tax explanation code and tax rate area. Amounts are based on the mode of the transaction, therefore, if you enter the transaction in a foreign currency, the tax amounts to distribute will appear in the foreign currency.

If you want, you can track taxes by G/L account when you enter the invoice or voucher. The account must be set up as taxable to use this feature. Accounts are not updated with tax information until transactions are posted to the Taxes table (F0018) and then updated to the Tax Reconciliation Repository table (F0018R).

See Also

- ❑ *Standard Invoice Entry* in the *Accounts Receivable Guide* for more information about entering invoices
- ❑ *Creating Vouchers Using Standard Voucher Entry* in the *Accounts Payable Guide* for more information about entering vouchers

See the following topics in the *Tax Reference Guide*:

- ❑ *Setting Up Tax Rules* for information about tolerance limits and the rules for calculating discounts on transactions with taxes
- ❑ *Tax Explanation Codes* for specific examples of how the amount to distribute differs depending on the tax explanation code used

Rounding versus Soft Rounding

If you process a significant number of invoices and vouchers that have discounts or taxes, or both, rounding differences can add up quickly. Rounding occurs on any component of a transaction that involves a calculation. The system uses rounding on transactions with a single pay item and soft rounding on transactions with multiple pay items.

Rounding

Rounding automatically occurs when the system performs a calculation and the result does not exactly equal the lowest currency unit, such as the penny for the U.S. dollar. In this situation, the following occurs:

- If the least significant digit is 5 or greater, the system rounds up.
- If the least significant digit is less than 5, the system rounds down.

For example, if the result of a calculation is 0.55672 and the currency is Canadian dollars (CAD), which has two decimal places, the system uses the third number to the right of the decimal to determine the rounding. In this example, it rounds the amount up to 0.56. Conversely, if the amount were 0.55472, the system would use 4 and round the amount down to 0.55. The system ignores all numbers after the third decimal for a two-decimal currency.

Soft Rounding

When the total of two or more amounts must equal a specific amount, the system uses soft rounding to force the total. For example, if you split a voucher for 100 CAD into three payments, the system calculates the first pay item at 33, the second at 34, and the third at 33 so that the total of the three pay items equals 100. If the system did not use soft rounding, you would have to enter an amount that could be divided equally among pay items or submit pay items that did not equal the total amount due, which would not be acceptable.

To minimize the negative effects of rounding, the system uses soft rounding on transactions with multiple pay items. The system stores the amount that it adds or subtracts to a calculated amount (as a result of rounding) in a cache (memory), and then adds or subtracts that amount from the next pay item as follows:

- If the system rounds up the amount for a pay item, it subtracts that amount from the next pay item before rounding that pay item.
- If the system rounds down the amount for a pay item, it adds that amount to the next pay item before rounding that pay item.

If the system did not perform soft rounding, you might overpay or underpay a supplier as well as overcharge or undercharge a customer. While soft rounding does not control overpayments or underpayments and overcharges or undercharges between transactions, it does minimize the impact of rounding within a single transaction. The system does not carry soft rounding amounts from one transaction to another.

Soft Rounding Example: Multiple Pay Items and One Tax Rate Area

This example illustrates how the system performs soft rounding for a transaction with multiple pay items and one tax rate area.

In this example, the gross amount is 1100 JPY (Japanese yen), pay items are rounded to the nearest yen, and decimals are equal to 0. The total rounded amount of all pay items must equal 1100 JPY.

A	B		C	D	E	F	G
Beginning Cache Amount	Taxable Amount	Tax Area	Tax Rate	Unrounded Tax Amount	Temporary Tax Amount	Rounded Tax Amount	Difference +/- (Ending Cache Amount)
0	500	JGN	7.5	37.5	37.5	38	+ 0.5
+ 0.5	250	JGN	7.5	18.75	18.25	18	- 0.25
- 0.25	100	JGN	7.5	7.5	7.75	8	+ 0.25
+ 0.25	250	JGN	7.5	18.75	18.5	19	+ 0.5

The system uses the following formula to calculate amounts:

A – Beginning Cache Amount = 0 (zero) for the first pay item. Each successive pay item = Ending Cash Amount from the previous pay item.

D – Unrounded Tax Amount = B x C.

E – Temporary Tax Amount = D – A.

F – Rounded Tax Amount = Round E.

G – Difference (Ending Cache Amount) = F – E.

Using this formula, the system calculates the pay item amounts as follows:

Pay item 001:

Beginning Cache Amount = 0

Unrounded Tax Amount = 500 x 7.5% = 37.5

Temporary Tax Amount = 37.5 – 0 = 37.5

Rounded Tax Amount = 38

Difference (Ending Cache Amount) = 38 – 37.5 = + 0.5

The ending cache amount (+ 0.5) becomes the beginning cache amount (+ 0.5) for the next pay item.

Pay item 002:

Beginning Cache Amount = + 0.5

Unrounded Tax Amount = 250 x 7.5% = 18.75

Temporary Tax Amount = 18.75 – 0.5 = 18.25

Rounded Tax Amount = 18

Difference (Ending Cache Amount) = $18 - 18.25 = -0.25$

The ending cache amount (-0.25) becomes the beginning cache amount (-0.25) for the next pay item.

Pay item 003:

Beginning Cache Amount = -0.25

Unrounded Tax Amount = $100 \times 7.5\% = 7.5$

Temporary Tax Amount = $7.5 - (-0.25) = 7.75$

Rounded Tax Amount = 8

Difference (Ending Cache Amount) = $8 - 7.75 = +0.25$

The ending cache amount (+0.25) becomes the beginning cache amount (+0.25) for the next pay item.

Pay item 004:

Beginning Cache Amount = +0.25

Unrounded Tax Amount = $250 \times 7.5\% = 18.75$

Temporary Tax Amount = $18.75 - 0.25 = 18.5$

Rounded Tax Amount = 19

Difference (Ending Cache Amount) = $19 - 18.5 = +0.5$

There are no more pay items for this transaction, so the system does not store the ending cache amount (+0.5).

With soft rounding, the rounded tax amounts equal 83 ($38 + 18 + 8 + 19$). Without soft rounding, each unrounded tax amount would be rounded up to the nearest yen and the total would be 84 ($38 + 19 + 8 + 19$). Although the difference between the amounts is only .01, the differences become noticeable when you enter a significant number of invoices and vouchers.

Note

If you were to manually calculate the tax amounts based on the total taxable amount, the total would be 82.5 ($1100 \times .075$), which rounds up to 83.

Soft Rounding Example: Multiple Pay Items and Tax Rate Areas

This example illustrates how the system performs soft rounding for a transaction with multiple pay items and tax rate areas.

In this example, the gross amount is 3375 JPY (Japanese yen), pay items are rounded to the nearest yen, and decimals are equal to 0. Two tax rate areas (JGN and JLN) and two pay items per tax rate area are available. For illustration purposes, the pay items for each tax rate area are shown separately (first and second example), and then combined (third example).

Soft rounding is performed by tax rate area and cache amounts are stored by tax rate area so that each tax authority receives the most accurate amount.

Tax Rate Area JGN (7.5%)

A Beginning Cache Amount	B Taxable Amount	Tax Area	C Tax Rate	D Unrounded Tax Amount	E Temporary Tax Amount	F Rounded Tax Amount	G Difference +/- (Ending Cache Amount)
0	900	JGN	7.5	67.5	67.5	68	+ 0.5
+ 0.5	825	JGN	7.5	61.875	61.375	61	- 0.375

The system uses the following formula to calculate amounts:

A – Beginning Cache Amount = 0 (zero) for first pay item. Each successive pay item = Ending Cash Amount from previous pay item.

D – Unrounded Tax Amount = B x C.

E – Temporary Tax Amount = D – A.

F – Rounded Tax Amount = Round E.

G – Difference (Ending Cache Amount) = F – E.

Using this formula, the system calculates the pay item amounts as follows:

Pay item 001:

Beginning Cache Amount = 0

Unrounded Tax Amount = 900 x 7.5% = 67.5

Temporary Tax Amount = 67.5

Rounded Tax Amount = 68

Difference (Ending Cache Amount) = 68 – 67.5 = + 0.5

The ending cache amount (+ 0.5) becomes the beginning cache amount (+ 0.5) for the next pay item.

Pay item 002:

Beginning Cache Amount = + 0.5

Unrounded Tax Amount = 825 x 7.5% = 61.875

Temporary Tax Amount = 61.875 – 0.5 = 61.375

Rounded Tax Amount = 61

Difference (Ending Cache Amount) = 61 – 61.375 = - 0.375

No more pay items for this tax rate area remain, so the system does not store the ending cache amount difference (– 0.375).

With soft rounding, the rounded tax amounts for tax rate area JGN equals 129 (68 + 61). Without soft rounding, each unrounded tax amount would be rounded up to the nearest yen and the total for tax rate area JGN would be 130 (68 + 62). Although the difference between the amounts is only .01, the differences become noticeable when you enter a significant number of invoices and vouchers.

Tax Rate Area JLN (11%)

A Beginning Cache Amount	B Taxable Amount	C Tax Area	C Tax Rate	D Unrounded Tax Amount	E Temporary Tax Amount	F Rounded Tax Amount	G Difference +/- (Ending Cache Amount)
0	875	JLN	11	96.25	96.25	96	– 0.25
– 0.25	775	JLN	11	85.25	85.5	86	+ 0.5

Pay item 001:

Beginning Cache Amount = 0

Unrounded Tax Amount = $875 \times 11\% = 96.25$

Temporary Tax Amount = $96.25 - 0 = 96.25$

Rounded Tax Amount = 96

Difference (Ending Cache Amount) = $96.25 - 96 = - 0.25$

The ending cache amount (– 0.25) becomes the beginning cache amount (– 0.25) for the next pay item.

Pay item 002:

Beginning Cache Amount = – 0.25

Unrounded Tax Amount = $775 \times 11\% = 85.25$

Temporary Tax Amount = $85.25 - (-0.25) = 85.5$

Rounded Tax Amount = 86

Difference (Ending Cache Amount) = $86 - 85.5 = + 0.5$

No more pay items for this tax rate area remain, so the system does not store the ending cache amount difference (+ 0.5).

With soft rounding, the rounded tax amounts for tax area JLN equals 182 (96 + 86). Without soft rounding, each unrounded tax amount would be rounded up to the nearest yen and the total for tax rate area JLN would be 181 (96 + 85). Although the difference between the amounts is only .01, the differences become noticeable when you enter a significant number of invoices and vouchers.

Alternating Tax Rate Areas JGN and GLN (7.5% and 11%)

This example consolidates the pay items and tax rate areas from the two previous examples into one example. In this example, the tax rate areas alternate between pay items. That is,

the first and third pay items are for one tax rate area, and the second and fourth pay items are for another.

A Beginning Cache Amount	B Taxable Amount	C Tax Area	C Tax Rate	D Unrounded Tax Amount	E Temporary Tax Amount	F Rounded Tax Amount	G Difference +/- (Ending Cache Amount)
0	900	JGN	7.5	67.5	67.5	68	+ 0.5
0	875	JLN	11	96.25	96.25	96	- 0.25
+ 0.5	825	JGN	7.5	61.875	61.375	61	- 0.375
- 0.25	775	JLN	11	85.25	85.5	86	+ 0.5

Before You Begin

- Verify that the processing option for the Invoice Entry MBF Processing Options program (P03B0011) is set appropriately for the service/tax date (on the Defaults tab) and for entering invoices with VAT (on the Taxes tab).
- Verify that the processing option for the Voucher Entry MBF Processing Options program (P0400047) is set appropriately for the service/tax date (on the Defaults tab) and for entering vouchers with VAT (on the Currency tab).
- Set up the appropriate tax AAls.
- Set up the appropriate tax rate areas.
- Set up the tax rules.
- If you track taxes by general ledger account, turn on the Taxable option for the appropriate accounts. See *Assigning Tax Information to General Ledger Accounts* in the *Tax Reference Guide*.

► To enter an invoice that has taxes

From the Customer Invoice Entry menu (G03B11), choose Standard Invoice Entry.

1. On Work with Customer Ledger Inquiry, click Add.
2. On Standard Invoice Entry, complete the following required fields in the header area of the form:
 - Customer
 - Company
 - Invoice Date
 - G/L Date
3. Complete any other optional fields in the header area of the form as necessary.
4. In the detail area, complete one of the following fields:
 - Gross Amount
 - Taxable Amount

If you are using the Vertex Quantum for Sales and Use Tax system, you must complete the Taxable Amount field.

5. Complete the following fields:

- Tax Area
- Tax Expl

To see the system-calculated information, click the next detail line.

6. Click OK.

7. On G/L Distribution, to see the amounts to distribute by tax rate area and tax explanation code, click the Form menu and choose AmtToDist.

8. Click OK.

You can toggle back to the Tax Amounts to Distribute form at any time while entering G/L account distribution information.

9. On G/L Distribution, complete the following fields:

- Account Number
- Amount

10. Specify whether to track taxes for the G/L account by completing the following field:

- Track Taxes

The system automatically changes the field to 1 (to track taxes) for you if the account is set up as taxable and at least one pay item on the invoice has taxes. If you do not want to track taxes for the account, change the value to 0. If the account is not set up as taxable and you enter a 1 in the field, the system changes the value to 0 automatically.

11. If you entered 1 in the Track Taxes field, complete the following tax fields and click OK; otherwise, just click OK.

- Tx Ex
- Tax Rate Area

Enter one of the tax rates that was entered on the invoice. If you leave this field blank, the system uses the tax rate area that is assigned to the G/L account. If the tax rate area assigned does not match one of the tax rate areas on the invoice, the system will not update the Tax Reconciliation Repository table (F0018R).

Note

When you enter a taxes-only invoice using tax explanation codes ST, VT, and CT, you can enter the transaction one of two ways:

- You can complete the Tax field for the total amount of the transaction
- You can complete the Taxable field and let the system calculate the tax amount.

Unless you are using tax explanation code ST, no G/L distribution exists to complete. If you are entering a tax-only transaction for sales tax (ST), the amount to distribute is the tax amount only.

► **To enter a voucher that has taxes**

From the Supplier & Voucher Entry menu (G0411), choose Standard Voucher Entry.

1. On Supplier Ledger Inquiry, click Add.
2. On Enter Voucher - Payment Information, complete the following required fields in the header area of the form:
 - Company
 - Supplier Number
 - Invoice Number
 - Invoice Date
 - G/L Date
3. Complete any other optional fields in the header area of the form as necessary.
4. In the detail area, complete one of the following fields:
 - Gross Amount
 - Taxable Amount
5. Complete the following fields:
 - Tax Ex
 - Tax Rate/Area

To see the system-calculated information, click the next detail line.
6. Click OK.
7. On G/L Distribution, to see the amounts to distribute by tax rate area and tax explanation code, click the Form menu and choose AmtToDist.
8. Click OK.

You can toggle back to the Tax Amounts to Distribute form at any time while entering G/L account distribution information.
9. On G/L Distribution, complete the following fields:
 - Account Number
 - Amount
10. Specify whether to track taxes for the G/L account by completing the following field:

- Track Taxes

The system automatically changes the field to 1 (to track taxes) for you if the account is set up as taxable and at least one pay item on the invoice has taxes. If you do not want to track taxes for the account, change the value to 0.

11. If you entered 1 in the Track Taxes field, complete the following tax fields and click OK; otherwise, just click OK.

- Tax ExpCode

- TaxRate Area

Enter one of the tax rates that was entered on the voucher. If you leave this field blank, the system uses the tax rate area that is assigned to the G/L account. If the tax rate area assigned does not match one of the tax rate areas on the voucher, the system will not update the Tax Reconciliation Repository table (F0018R).

Note

When you enter a voucher for taxes only using tax explanation codes ST, UT, VT, BT, and CT, you can enter the transaction one of two ways:

- You can complete the Tax field for the total amount of the transaction.
- You can complete the Taxable field and let the system calculate the tax amount.

Unless you are using tax explanation code ST, no G/L distribution exists to complete. If you are entering a tax-only transaction for sales tax (ST), the amount to distribute is the tax amount only.

Revising Invoices and Vouchers That Have Taxes

To change the amount of a posted invoice or voucher that has taxes, you enter a new gross amount and remove the tax amount and taxable amount information. The system recalculates the tax information. When a transaction has multiple tax rates, you must change tax information for each pay item that differs from the default information.

You can also change tax amounts that the system calculates. For sales and use tax, the system returns a warning message. For VAT taxes (tax explanation code V, B, and C), tax amounts that you enter manually on the transaction are validated against tolerance ranges that you set up for each company. If you exceed the tolerance range, the system returns an error or warning.

Although you can revise tax information on a posted invoice or voucher, you cannot add tax information to a posted transaction. However, you can enter tax information as an additional pay item using the tax-only explanation codes (ST, UT, VT, BT, or CT), or enter a new tax-only transaction.

To add tax-only information, complete the Taxable Amount field instead of the Gross Amount field.

When you post revised transactions, the system updates the Taxes table (F0018) with the revision.

Caution

When you revise an invoice or voucher that has taxes, the system attempts to recalculate tax amounts, even if you do not attempt to revise an amount field. For example, if you revise the invoice remark on an invoice that has taxes, the system will attempt to recalculate the tax and gross amount on the invoice. If the gross amount does not equal the taxable plus tax amounts, within the tolerance ranges established in the Tax Rules, the system returns a warning or error message and your change will not be accepted.

If you do not need to change an amount, use the Speed Status Change programs (P03B114 and P0411S) to revise transaction information, such as due dates and remarks.

See Also

- ❑ *Revising Posted Invoices* in the *Accounts Receivable Guide* for additional information that is not related to taxes
- ❑ *Revising Posted Vouchers* in the *Accounts Payable Guide* for additional information that is not related to taxes
- ❑ *Updating the Taxes Table* in the *Tax Reference Guide* for detailed information on how the system updates the table for revised transactions

► To revise an invoice that has taxes

Use one of the following navigations:

From the Customer Invoice Entry menu (G03B11), choose Standard Invoice Entry.

From the Customer Invoice Entry menu (G03B11), choose Customer Ledger Inquiry.

1. On Work with Customer Ledger Inquiry, locate the invoice.
2. Choose the invoice and click Select.
3. On Standard Invoice Entry, choose the pay item and revise one of the following fields:
 - Gross Amount
 - Taxable Amount
4. Clear the information from the field you did not revise in step 3.
5. Clear the information from the following field:
 - Tax
6. If the invoice is not posted, you can also revise the following fields:
 - Tax Area
 - Tax Expl
7. Click OK.
8. On G/L Distribution, revise the following field and click OK:
 - Amount

If the invoice is posted, you cannot revise this field; you must enter a balancing amount on a new journal entry line.

► **To enter a tax-only invoice**

Use one of the following navigations:

From the Customer Invoice Entry menu (G03B11), choose Standard Invoice Entry.

From the Customer Invoice Entry menu (G03B11), choose Customer Ledger Inquiry.

1. On Work with Customer Ledger Inquiry, click Add.
2. On Standard Invoice Entry, follow the steps to enter basic invoice information.
3. In the detail area, complete the following fields:
 - Taxable Amount
 - Tax Area
 - Tax Expl

Use one of the following codes: ST, CT, or VT.
4. To see the system-calculated information for the Gross Amount and Tax fields, click the next detail line. Otherwise, click OK.
5. On G/L Distribution, complete the necessary G/L distribution information.

If you use tax explanation code VT (for VAT, tax only), the system does not display the G/L Distribution form because no amount is available to distribute.
6. Click OK.

► **To revise a voucher with taxes**

From the Supplier & Voucher Entry menu (G0411), choose Standard Voucher Entry.

1. On Supplier Ledger Inquiry, follow the steps to locate the voucher that you want to revise.
2. Choose the voucher and click Select.
3. On Enter Voucher - Payment Information, choose the pay item and revise one of the following fields:
 - Gross Amount
 - Taxable Amount
4. Clear the information from the one of the field that you didn't revise in step 3.
5. Clear the information from the following field:
 - Tax Amount
6. If the voucher is not posted, you can also revise the following fields:
 - Tax Ex
 - Tax Rate/Area
7. Click OK.
8. On G/L Distribution, revise the following field and click OK:
 - Amount

If the voucher is posted, you cannot revise this field; you must enter a balancing amount on a new journal entry line.

► **To enter a tax-only voucher**

From the Supplier & Voucher Entry menu (G0411), choose Standard Voucher Entry.

1. On Supplier Ledger Inquiry, click Add.
 2. On Enter Voucher - Payment Information, follow the steps to enter a standard voucher.
 3. In the detail area, complete the following fields:
 - Taxable Amount
 - Tax Area
 - Tax Expl

Use one of the following codes: ST, VT, UT, BT, or CT.
 4. To see the system-calculated information for the Gross Amount and Tax fields, click the next detail line. Otherwise, click OK.
- If you use tax explanation code UT (for use tax, tax only), the system does not calculate a gross amount.

5. On G/L Distribution, complete the necessary G/L distribution information.
If you use tax explanation code VT (for VAT, tax only) the amount to distribute will be zero.
6. Click OK.

Related Tasks for Revising Invoices and Vouchers That Have Taxes

Splitting Vouchers for Payment	If you use the Speed Status Change program (P0411S) to split a voucher that has taxes, based on a processing option setting, you can specify that the tax amount be split proportionately based on the amount of each pay item. This eliminates the need to clear tax fields and specify tax information for each pay item.
---------------------------------------	---

Invoice and Voucher Batch Processing That Have Taxes

When you use batch processing to create invoices and vouchers from transactions entered in a legacy system, you might want to include tax information on the transactions. Aside from specifying additional tax information, you process batch invoices and vouchers that have taxes exactly as you would if taxes were not present.

Tax Rate Area/Tax Explanation Code Defaults

If you do not enter the tax rate area or tax explanation code in the batch tables, but have default values in the Business Unit Master table (F0006), the Customer Master by Line of Business table (F03012), or the Supplier Master table (F0401), the system uses the appropriate values to calculate taxes.

Note

The Business Unit Master table contains only the Tax Rate Area field. For the value in the Tax Rate Area field to be supplied as the default for this record, you must provide a value in the Tax Explanation Code field.

To bypass using tax defaults that are set up, set the appropriate processing option on the Defaults tab of the Batch Invoice Processor program (R03B11Z1A) or the Batch Voucher Processing program (R04110Z).

Fields Required for Processing Tax Information on Batch Invoices and Vouchers

In addition to the fields required for processing invoices and vouchers that do not have taxes, you must complete the following additional tax fields in the Batch Invoices table (F03B11Z1) to process invoices that have taxes and in the Voucher Transactions - Batch Upload table (F0411Z1) to process vouchers that have taxes.

Field Name	Alias	Type	Length	Values to Enter/Definition
Taxable Amount	ATXA	Number	15	Enter the amount of the transaction that is taxable. If the total gross amount of the transaction is not taxable, you must enter the nontaxable portion of the transaction in the Non-Taxable field (ATXN). The sum of the Taxable (ATXA), Non-Taxable (ATXN), and Tax Amounts (STAM) fields must equal the gross amount of the transaction. If you leave the Gross Amount field (AG) blank, the system calculates the gross amount based on the taxable (ATXA) and nontaxable (ATXN) amounts.
Non-Taxable Amount	ATXN	Number	15	Enter the amount of the transaction that is not taxable. The sum of the taxable, nontaxable, and tax amounts must equal the gross amount of the transaction.

Tax Amount	STAM	Number	15	This field identifies the amount of tax that is calculated for the transaction. If you leave this field blank, the system calculates the tax amount based on values in the Taxable Amount (ATXA), Tax Explanation Code (EXR1), and Tax Rate/Area (TXA1) fields.
Tax Rate/Area	TXA1	Alpha	10	The tax rate area specifies at what percent the tax is calculated and defines the taxing authority. The value that you enter in this field must exist in the Tax Areas table (F4008).
Tax Expl Code 1	EXR1	Alpha	1	The value that you enter in this field must exist in UDC 00/EX (Tax Explanation Codes). All values are hard coded to perform tax calculations specific to the setup of the tax rate area and in conjunction with the tax rules by company.
Service/Tax Date	DSVJ	Date	6	This date corresponds to the effective date used in the Tax Rate Area field (TXA1). Enter the date in the format that your database accepts. If you leave this field blank, the system uses the value from the G/L date. Alternatively, you can leave this field blank and complete the fields DSVM (mm), DSVD (dd), DSVY (yy), and DSV# (cc) in the month/day/year/century format. Enter the prefix of the year in the Century field (DSV#). For example, enter 19 for 1999, or enter 20 for 2005.

Tax Considerations for Entering Distribution Information in the Journal Entry Transactions - Batch File Table

When you process batch invoices or batch vouchers, in addition to entering information in the F03B11Z1 or F0411Z1 tables, you must enter corresponding account distribution information in the Journal Entry Transactions – Batch File table (F0911Z1) for the batch invoice or voucher that you are processing. The amount that you distribute varies depending on the tax explanation code that you use on the invoice or voucher.

Additionally, if you want to reconcile taxes by G/L account, you must provide the system with the following tax information:

- Tax Rate Area
If you do not complete this field, but you enter 1 in the Track Taxes field, the system uses the default tax rate area that is set up for the account.
- Tax Explanation Code
- Track Taxes
Enter 1 to track taxes. The account must be designated as Taxable in the Account Master table (F0901) or the system ignores this field.

Processing Foreign Amounts and Taxes

The system calculates taxes for foreign amounts in the same manner that it calculates taxes for domestic amounts. If you provide the foreign taxable amount, it calculates the foreign tax and gross amounts. Conversely, if you provide the foreign gross amount, it calculates the foreign tax and taxable amounts. If you specify foreign amounts in the F03B11Z1 or F0411Z1 table, the distribution amounts that you specify in the F0911Z1 table must also be foreign.

See Also

- ❑ *Tax Explanation Codes* in the *Tax Reference Guide* for information about how the system calculates the G/L distribution amount for each tax explanation code
- ❑ *Batch Invoice Processing* in the *Accounts Receivable Guide* for detailed mapping information for processing batch invoices
- ❑ *Batch Voucher Processing* in the *Accounts Payable Guide* for detailed mapping information for processing batch vouchers
- ❑ *Processing Multicurrency Batch Invoices* in the *Multicurrency Guide* for detailed information about processing foreign invoices
- ❑ *Processing Multicurrency Batch Vouchers* in the *Multicurrency Guide* for detailed information about processing foreign vouchers

Entering Journal Entries with VAT

If you do business in a country that assesses a recoverable value-added tax (VAT) or similar taxes, you might need to enter a journal entry with VAT.

You use the Journal Entries with VAT program (P09106) when you want to record a taxable entry without updating the Accounts Payable Ledger (F0411) or Customer Ledger (F03B11) tables. For example, you would do this if you wanted to enter bank charges.

The system provides a field for the address book number, which you can use to associate the entry with an employee, supplier, customer, or company. Depending on the setting of the processing option, the system might require an address book number for each detail line (general ledger distribution). You can enter a default address book number in the header area. The system uses this number for address book numbers that you leave blank on detail lines.

When you enter a journal entry with VAT, you can specify either the taxable or gross amount. The system calculates the tax and the amount that you did not specify (gross or taxable) based on the tax rate area. You must use a tax explanation code of V, V+ (tax on tax), or VT (tax only); the program does not accept any other tax explanation codes.

Because only one G/L distribution line might be specified for taxes, the system does not use the default tax rate area based on the business unit entered on the account; however, if the account is set up as taxable, the system will use the tax rate area that is set up for the account if the tax rate area is not specified on the form.

When you enter a journal entry with VAT, the system does the following:

- Automatically updates the Taxes table (F0018)
The system ignores the tax processing options when you post the journal entry.
- Creates Account Ledger records (F0911) for the tax account specified in the AAI item GTxxxx (where xxxx is the G/L offset from the tax rate area)

Note

The system creates the offsetting tax entries when the journal entry with VAT transaction is entered, not when it is posted.

The additional entries that the system creates based on the GTxxxx AAI cannot be reviewed from the Journal Entries with VAT program. You must use the standard Journal Entries program (P0911) to review these entries. The system differentiates entries that you enter from those that the system creates by updating the ALT5 field in the Account Ledger table (F0911) as follows:

- V
This code identifies the entry as the account entered in the Journal Entries with VAT program that has tax information specified.
- T
This code identifies the entry as the tax account that the system creates based on the AAI item GTxxxx.
- O

This code identifies the entry as the offset account entered in the Journal Entries with VAT program (P09106).

You can revise journal entries with VAT in the same way that you revise journal entries without VAT.

- If the journal entry is not posted, the system updates the existing record in the Taxes table.
- If the journal entry is posted, the system writes a revision record in the Taxes table.

You cannot create model or reversing journal entries using the Journal Entries with VAT program.

Example: Journal Entry with VAT

The following example shows a journal entry that was entered in order to record bank charges with VAT taxes using the Journal Entries with VAT program (P09106):

PeopleSoft

Select Workspace: Active Foundation

Active Foundation

Journal Entries with VAT - Journal Entries with VAT

Batch Number: 85923 Address Number: 0

Doc Type/No/Co: JE 1 00070 G/L Date: 06/15/05

Explanation: Bank Charges Ledger Type: AA EUR

Currency Code: EUR Exchange Rate: Base Currency: EUR Foreign:

Account Number	Taxable Amount	Tax	Tx Ex	Tax Area	Gross Amount	Track Taxes	Description
70.8630	1,000.00	150.00	V	QUE	1,150.00	0	Bank Ch
70.1110.BBL	1,150.00				1,150.00	0	Banque B

Remaining Amount:

Because the offsetting entry (70.1110.BEAR) did not have taxes, the gross amount must equal the sum of the taxable and tax amounts entered for account 7001.8630; otherwise, the journal entry is not in balance and the system displays an error message.

The following example shows the same unposted transaction using the Journal Entry program (P0911). The system uses GTxxxx (where xxxx is the G/L offset entered for the tax rate area QUE) to locate the VAT tax account when you enter the journal entry, not when you post it. You cannot review these entries using the Journal Entries with VAT program; you must use program P0911.

PeopleSoft

Select Workspace: Active Foundation

Active Foundation Personalize Change Role Sign Out

Journal Entry - Journal Entry

Batch Number: 85923 Model Percent Reverse

Doc Type/No/Co: JE 1 00070 G/L Date: 06/15/05

Explanation: Bank Charges Ledger Type: AA EUR

Currency: EUR Exchange Rate: Base Currency: EUR Foreign

	Account Number	Amount	Account Description	Subledger	Subledger Type	Subledger Description	Remark
<input checked="" type="checkbox"/>	70.8630	1,000.00	Bank Charges				
<input type="checkbox"/>	70.1240		64.40 VAT Recoverable				
<input type="checkbox"/>	70.1240		85.60 VAT Recoverable				
<input type="checkbox"/>	70.1110.BBL	1,150.00-	Banque Bruxelles Lambert				

Remaining Amount:

Before You Begin

- Set up the tax AAIs for the General Accounting system.

► To enter journal entries with VAT

From the Tax Processing and Reporting menu (G0021), choose Journal Entries with VAT.

1. On Work with Journal Entries with VAT, click Add.
2. On Journal Entries with VAT, complete the following fields:
 - G/L Date
 - Explanation
3. Complete the following optional field in the header area:

- Address Number

The system copies the value that you enter to the corresponding field in each detail line that you enter.

4. Complete the following fields for each G/L distribution with tax:
 - Account Number
 - Tx Ex
You must use a tax explanation code that begins with V (V, VT, or V+). No other tax explanation codes are valid.
 - Tax Area
5. Complete one of the following fields:
 - Taxable Amount
If you enter the taxable amount, the system calculates the gross amount.
 - Gross Amount
If you enter the gross amount, the system calculates the taxable amount.
6. To track taxes by G/L account, enter 1 in the following field:
 - Track Taxes
The account must be set up as taxable in the Account Master table (F0901) to accept a value of 1.
7. If necessary, complete the following field in the detail area:
 - Address Number
8. Review the calculated tax amount in the following field:
 - Tax
If you change the tax amount, the system validates your change against the Tax Rules.
9. Repeat steps 4–8 for each G/L distribution line.

Note

The system updates the Taxable Amount field even when you do not specify tax information. The system uses the gross amount as the taxable amount. The system does not update these journal entry lines in the Taxes table (F0018).

10. Click OK.

Use the Journal Entry program (P0911) to review the system-generated entries.

► **To enter a tax-only journal entry**

From the Tax Processing and Reporting menu (G0021), choose Journal Entries with VAT.

1. On Work with Journal Entries with VAT, click Add.

2. On Journal Entries with VAT, complete the following fields:
 - G/L Date
 - Explanation
3. Complete the following optional field in the header area:
 - Address Number
4. Complete the following fields for the tax-only G/L distribution:
 - Account Number
 - Tx Ex
You must use VT.
 - Tax Area
5. Complete one of the following fields. The system updates the other field based on the value specified.
 - Gross Amount
 - Tax
6. To track taxes by general ledger account, enter 1 in the following field:
 - Track Taxes
7. Complete the G/L distribution for offsetting entries as needed and click OK.

Processing Options for Journal Entries with VAT (P09106)

Addr # Required

1. Enter a '1' if the address book number field is required to be filled in the grid. If left blank no error will be set.

Address Book Number

MBF Version

1. To override standard journal entry processing (version ZJDE0001 for application P0900049), enter an override version number. This should only be changed by persons responsible for system wide setup.

Version

Store and Forward and Batch Journal Entries with VAT

If you use either the Store and Forward or the Batch Journal Entry programs, you might want to process journal entries with VAT taxes. When you process store and forward or batch journal entries, you must create records in the Journal Entry Transactions - Batch File table (F0911Z1), and then process them using the R0911Z1 program (depending on the menu, this program is referenced as either Journal Entries Batch Processor or Store & Forward Journal Entry Upload). When you run the R0911Z1 program, provided there are no errors, the system updates transactions in the Account Ledger table (F0911).

You can specify to post successfully processed batches automatically by setting a processing option or you can manually post them at a later date. Regardless of whether you choose to post transactions automatically, when the system successfully processes the journal entry in the F0911Z1 table and creates it in the F0911 table, it also writes the appropriate records to the Taxes table (F0018).

The system processes journal entries with VAT exactly as if you had used the Journal Entry with VAT program (P09106). In addition to the fields required for processing journal entries without taxes, the fields in the following table must be completed to process journal entries with taxes:

Fields Required for Processing Batch Journal Entries with VAT				
Field Name	Alias	Type	Length	Values to Enter/Definition
Taxable Amount	AA	Number	15	<p>If you enter the taxable amount, the system calculates the tax and gross amounts based on the tax explanation code and tax rate area.</p> <p>If you enter the gross amount, the system calculates the taxable and tax amounts based on the tax explanation code and tax rate area.</p> <p>Note</p> <p>If you enter any other combination of fields, the system validates the information based on the tax rate area, tax explanation code, and tax rules that are set up. Tax amounts that you enter must be within the tolerance limits established for the tax rule. If you do not want the system to validate tax amounts that you specify, specify a tolerance of 100% or do not set up tax rules.</p>
Gross Amount	AG	Number	15	
Tax Amount	STAM	Number	15	
Tax Expl Code 1	EXR1	Alpha	1	Enter a VAT tax explanation code (V, V+ or VT) only. No other values are valid.

Tax Rate/Area	TXA1	Alpha	10	The tax rate area specifies at what percent the tax is calculated and defines the taxing authority. The value that you enter in this field must exist in the Tax Areas table (F4008).
Track Taxes	TKTX	Alpha	1	Enter 1 to update tax information to the Tax Reconciliation Repository table (F0018R). The account specified must be set up as taxable in the Account Master table (F0901) or the system changes the track taxes field to 0 when the journal entry is processed, and does not update the F0018R table.

Processing Foreign Amounts with Taxes

The system calculates taxes for foreign amounts in the same manner that it calculates taxes for domestic amounts. If you provide the foreign taxable amount, it calculates the foreign tax and gross amounts. Conversely, if you provide the foreign gross amount, it calculates the foreign tax and taxable amounts. If you want to process domestic and foreign amounts simultaneously, enter 3 in the Currency Mode field (CRCM). The system processes the amounts specified and bypasses currency exchange rate calculations.

See Also

- ❑ *Batch Journal Entry Processing* in the *General Accounting Guide* for detailed information about the store and forward process, as well as other non-tax related information for processing batch journal entries
- ❑ *Multicurrency Batch Journal Entry Processing* in the *Multicurrency Guide* for detailed information about processing foreign amounts and mode 3 processing

Updating the Taxes Table

After you generate vouchers and invoices, you must post them to the general ledger to create offsetting entries and to update the Account Balances table (F0902). Additionally, if your transactions have taxes that you want to reconcile or report on, you must update the Taxes table (F0018). How the system updates the Taxes table depends on the kind of transaction:

- For invoices and vouchers with taxes, the system updates the Taxes table when you set the appropriate processing option for the General Ledger Post Report program (R09801) for the version that you use.

The system creates one record in the Taxes table for each invoice or voucher pay item that has taxes. When you revise a posted pay item and post the revision, the system generates an additional record in the Taxes table for that pay item and increases the Line Number field incrementally.

- For journal entries entered with VAT, the system updates the Taxes table when the transaction is entered, regardless of whether it is posted.

The system creates one record in the Taxes table for each journal entry line that has taxes. If you revise a journal entry with VAT, the system writes a record for the revision if the journal entry was posted when it was revised. Otherwise, the system changes the information on the existing F0018 record.

Each record in the Taxes table contains fields for each tax authority, tax rate, and tax amount so that when you run reports, the system can provide you with a total tax amount by tax authority.

Revising Transactions in the Taxes Table

You use the Tax File Revisions program (P0018) to review, add, delete, and modify records in the Taxes table. For example, if you did not set the appropriate processing option in the version of the General Ledger Post Report program (R09801) to update the Taxes table, you might need to enter the tax information manually using the Tax File Revisions program. Similarly, you might want to delete a transaction from the table.

The system does not allow revisions to documents that begin with the letter P or R (which are normally used for voucher and invoice transactions). Because you cannot revise invoice or voucher records in the Taxes table, you must do one of the following:

- Make revisions using the standard entry program, and then post those changes to update the Taxes table.
- Add a new transaction to the Taxes table to adjust the tax amount appropriately.

If you revise the taxable or nontaxable amounts of a journal entry and you clear the Tax field, the system recalculates the tax amount.

Note

The system does not update the original transaction with revisions that you make to the transaction in the Taxes table.

► **To add transactions to the Taxes table**

From the Tax Processing and Reporting menu (G0021), choose Tax File Revisions.

1. On Work With Tax File, click Add.
2. On Tax File Revisions, complete the following fields in the header area:
 - DocumentType/Number/Company
If you need to add a document for tax explanation code V, the document type, document number, and document company that you specify must exist in the Account Ledger table (F0911).
 - Order Suffix
3. In the detail area, complete the following required fields:
 - Co
 - Address Number
 - Tx Ex
 - Tax Rate/ Area
 - Tax Point Date
 - G/L Date
 - Taxable Amount
 - Extended Cost
Enter the sum of the taxable and tax amounts.
4. In the detail area, complete the following optional fields:
 - Line Number
 - Account Number
 - Non-Taxable Amount
 - Tax
Although you can enter the tax amount, the system might return an error if the amount that you enter differs from the system-calculated amount. For error-free processing, leave this field blank and let the system assign the amount.
5. Click OK.

Purging the Taxes Table

From the Tax Processing and Reporting menu (G0021), choose Tax File Purge.

Periodically, you might want to purge the Taxes table (F0018) to remove records that you no longer require. When you run the Tax File Purge program (R0018PURGE), the system removes all records from the Taxes table based on the data selection that you enter.

No processing options exist for this program.

Updating the Tax Reconciliation Repository

From the Global Tax Reconciliation menu (G00217), choose Update Tax Reconciliation Repository.

After you post vouchers and invoices and update the Taxes table (F0018), you run the Update Tax Reconciliation Repository program (R0018R). The system allocates tax amounts to the taxable general ledger accounts that were used to distribute voucher and invoice transactions, as well as any journal entries entered with VAT. The system stores these amounts in the Tax Reconciliation Repository table (F0018R) for reporting purposes.

Caution

Do not use data selection to update records to the F0018R table. Instead, use the processing options for the R0018R program.

Reconciling Tax Amounts by G/L Account

The Update Tax Reconciliation Repository program uses the following process to reconcile tax amounts by G/L account and update the F0018R table:

4. Locates an unprocessed record from the F0018 table (an unprocessed record is one in which the Tax Processed Flag field (PROCFL) is not Y)
5. Uses the following key fields in the order specified to locate the corresponding taxable records in the Account Ledger table (F0911):
 1. Document number
 2. Document type
 3. Document company
 4. G/L date
 5. Tax rate area
 6. Tax explanation code
 7. Tax item number
6. Totals the F0911 records
7. Determines a relative percent for each F0911 record by dividing the amount of each account by the total amount
8. Multiplies the relative percent by the tax amount in the F0018 table to determine the tax amount per account
9. Performs an allocation for each tax rate area and tax-explanation code combination
10. Creates records in the F0018R table

Note

Although the system writes tax amounts to both the AA and CA ledgers in the F0911 table, it updates only AA amounts to table F0018R.

11. Updates the F0018 record to processed (PROCFL field is Y)

Revising Reconciled Transactions

If you revise transaction amounts or general ledger accounts, you must first post them to the F0018 table, and then rerun the Update Tax Reconciliation Repository program to update the F0018R table. When you post the revised transaction, the system creates a new record in the F0018 table for that pay item and increases the Line Number field by an increment of one. When you rerun the Update Tax Reconciliation Repository program, the system does the following:

1. Locates unprocessed records from the F0018 table
2. Locates processed records in the F0018 table that have the same key fields and removes the 1 from the PROCFL field so that all records can be considered for new tax calculations
3. Deletes all records that have the same key fields from the F0018R table so that new relative percentages can be calculated
4. Reruns the reconciliation process as described in steps 1–8 above

Example: Updating the Tax Reconciliation Repository

The following example shows how the system updates the Tax Reconciliation Repository table (F0018R).

Setup

Tax Rate Area Setup		
Tax Rate Area	G10	G20
Tax Authority	4555	25551
G/L Offset	A1	A2
Tax Rate	10%	20%

AAI Setup	
AAI Item	Account
RTA1	1.4333
RTA2	1.4444
RC	1.1210

Invoice Entry

Enter an invoice with three pay items for the following taxable amounts using tax explanation code V and two tax rate areas:

Invoice: 11223 RI 00001						
Pay Item	Gross Amount*	Taxable Amount	Tax Amount*	Tax Rate Area	Tax Expl. Code	Item #
001	1,100	1,000	100	G10	V	0
002	2,400	2,000	400	G20	V	0
003	3,300	3,000	300	G10	V	0

* The system calculates these amounts as follows:

- Gross Amount = Taxable Amount + Tax Amount
- Tax Amount = Taxable Amount x Tax Rate

Note

Because the invoice was entered manually and not created by the Update Customer Sales program (R42800), the system does not use or update the Item Number field.

Distribute the invoice to the following general ledger accounts and tax rate areas:

G/L Distribution: 11223 RI 00001						
JE Line Number	Account Number	Track Taxes	Amount	Tax Rate Area	Tax Expl. Code	Item #
1	3.5010	Y	1,600	G10	V	0
2	3.5020	Y	1,400	G10	V	0
3	3.5030	Y	1,500	G20	V	0
4	3.5010	Y	500	G20	V	0
5	3.5040	Y	1,000	G10	V	0

The type of tax is VAT; therefore, the amounts to distribute do not equal the gross amount of the invoice. The amounts equal the taxable amount of the invoice.

Post Invoice

When you post the invoice, the system updates the accounts for the amounts shown below:

Post Report				
Account	Description	Doc Type	Amount	
3.5010	Store Sales 1	RI		- 2,100
3.5020	Store Sales 2	RI		- 1,400
3.5030	Store Sales 3	RI		- 1,500
3.5040	Store Sales 4	RI		- 1,000
1.1210	A/R Trade	AE	6,800	
1.4333	VAT Payable G10	AE		- 400
1.4444	VAT Payable G20	AE		- 400

The system also updates the Taxes table (F0018) accordingly:

Taxes Table (F0018)							
Doc Number	Doc Type	Pay Item	Taxable Amount	Tax Amount	Tax Rate Area	Tax Expl. Code	Processed Flag
11223	RI	001	1,000	100	G10	V	
11223	RI	002	2,000	400	G20	V	
11223	RI	003	3,000	300	G10	V	

Update Tax Reconciliation Repository

When you run the Update Tax Reconciliation Repository program (R0018R), the system performs the following for each pay item:

- Locates the first record in table F0018 that is not processed (PROCFL field is not 1):
 - Invoice 11223, RI, 001, G10, V
- Locates the corresponding F0911 records based on the key fields (document number, document type, document company, G/L date, tax rate area, tax explanation code, and tax item number).
 - 3.5010 (1,600)
 - 3.5020 (1,400)
 - 3.5040 (1,000)
- Sums the amount of the records, and then calculates each percent of the total amount per account for the tax rate area.

G10
1,600 + 1,400 + 1,000 = 4,000
(1,600 / 4,000) x 100 = 40%
(1,400 / 4,000) x 100 = 35%
(1,000 / 4,000) x 100 = 25%

Note

The system performs soft rounding for these calculations. See *Rounding Versus Soft Rounding* in the *Tax Reference Guide*.

4. Multiplies the percent by the tax amount to determine the tax amount per account.

Pay Item 001 - G10
.40 x 100 = 40
.35 x 100 = 35
.25 x 100 = 25

Note

The system performs soft rounding for these calculations. See *Rounding Versus Soft Rounding* in the *Tax Reference Guide*.

5. Updates table F0018R.

Tax Reconciliation Repository table (F0018R)								
Doc Number	Doc Type	Pay Item	Account	Journal Entry Line	Amount	Tax Amount	Tax Rate Area	Tax Expl. Code
11223	RI	001	3.5010	1.0	1,600	40	G10	V
11223	RI	001	3.5020	2.0	1,400	35	G10	V
11223	RI	001	3.5040	3.0	1,000	25	G10	V

6. Updates the Processed Flag field (PROCFL) to P on the F0018 record.

Taxes Table (F0018)							
Doc Number	Doc Type	Pay Item	Taxable Amount	Tax Amount	Tax Rate Area	Tax Expl. Code	Processed Flag
11223	RI	001	1,000	100	G10	V	P
11223	RI	002	2,000	400	G20	V	
11223	RI	003	3,000	300	G10	V	

7. Locates the second record in table F0018 that is not processed:

- Invoice 11223, RI, 002, G20, V

8. Locates the corresponding F0911 records:

- 3.5030 (1,500)

- 3.5010 (500)

9. Sums the amount of the records, and then calculates each percent of the total amount per account for the tax rate area.

G20
1,500 + 500 = 1,500
$(1,500 / 2,000) \times 100 = 75\%$
$(500 / 2,000) \times 100 = 25\%$

10. Multiplies the percent by the tax amount to determine the tax amount per account.

Pay Item 002 – G20
.75 x 400 = 300
.25 x 400 = 100

11. Updates table F0018R.

Tax Reconciliation Repository table (F0018R)								
Doc Number	Doc Type	Pay Item	Account	Journal Entry Line	Amount	Tax Amount	Tax Rate Area	Tax Expl. Code
11223	RI	001	3.5010	1.0	1,600	40	G10	V
11223	RI	001	3.5020	2.0	1,400	35	G10	V
11223	RI	001	3.5040	3.0	1,000	25	G10	V
11223	RI	002	3.5030	1.0	1,600	300	G20	V
11223	RI	002	3.5010	2.0	500	100	G20	V

12. Updates the Processed Flag field (PROCFL) to P on the F0018 record.

Taxes Table (F0018)							
Doc Number	Doc Type	Pay Item	Taxable Amount	Tax Amount	Tax Rate Area	Tax Expl. Code	Processed Flag
11223	RI	001	1,000	100	G10	V	P
11223	RI	002	2,000	400	G20	V	P
11223	RI	003	3,000	300	G10	V	

13. Locates the third record in table F0018 that is not processed:

- Invoice 11223, RI, 003, G10, V

14. Locates the corresponding F0911 records:

- 3.5010 (1,600)
- 3.5020 (1,400)
- 3.5040 (1,000)

15. Because the first and third pay items have the same tax rate area and tax explanation code, the relative percentages will be the same. For performance purposes the system does not recalculate them.

G10
1,600 + 1,400 + 1,000 = 4,000
(1,600 / 4,000) x 100 = 40%
(1,400 / 4,000) x 100 = 35%
(1,000 / 4,000) x 100 = 25%

16. Multiplies the percent by the tax amount to determine the tax amount per account.

Pay Item 003 - G10
.40 x 300 = 120
.35 x 300 = 105
.25 x 300 = 75

17. Updates table F0018R.

Tax Reconciliation Repository table (F0018R)								
Doc Number	Doc Type	Pay Item	Account	Journal Entry Line	Amount	Tax Amount	Tax Rate Area	Tax Expl. Code
11223	RI	001	3.5010	1.0	1,600	40	G10	V
11223	RI	001	3.5020	2.0	1,400	35	G10	V
11223	RI	001	3.5040	3.0	1,000	25	G10	V
11223	RI	002	3.5030	4.0	1,500	300	G20	V
11223	RI	002	3.5010	5.0	500	100	G20	V
11223	RI	003	3.5010	6.0	1,600	120	G10	V
11223	RI	003	3.5020	7.0	1,400	105	G10	V
11223	RI	003	3.5040	8.0	1,000	75	G10	V

18. Updates the Processed Flag field (PROCFL) to P on the F0018 record.

Taxes Table (F0018)							
Doc Number	Doc Type	Pay Item	Taxable Amount	Tax Amount	Tax Rate Area	Tax Expl. Code	Processed Flag
11223	RI	001	1,000	100	G10	V	P
11223	RI	002	2,000	400	G20	V	P
11223	RI	003	3,000	300	G10	V	P

Processing Options for Update Tax Reconciliation Repository (R0018R)

Select Tab

These processing options specify the records to select from the Taxes table (F0018) that the system uses to locate corresponding records from the Account Ledger table (F0911).

Document Type

Use this processing option to specify the document type that the system uses to select records from the Taxes table (F0018).

Tax Explanation Code

Use this processing option to specify the tax explanation code that the system uses to select records from the Taxes table (F0018).

G/L Date

Use this processing option to specify the G/L date that the system uses to select records from the Taxes table (F0018). The system selects records with a G/L date that is equal to or greater than the date that you enter.

Reviewing the Tax Reconciliation Repository

From the Global Tax Reconciliation menu (G00217), choose Review Tax Reconciliation Repository.

You can review records in the Tax Reconciliation Repository table (F0018R),

The system automatically displays all records in the F0018R table, but you can use the QBE row to specify records for a customer, tax rate area, or tax explanation code.

You cannot add, delete, or revise records in the F0018R table; changes must be made to the transaction tables, and then updated to the F0018R table.

Tax Reports

The reason for updating and tracking tax information in the Taxes table (F0018) and the Tax Reconciliation Repository table (F0018R) is to report on taxes.

The system provides the following reports for data in the F0018 table:

- Tax Detail/Summary (R0018P)
This report also provides intracommunity information.
- Sales Tax (R0018P2)
- VAT Exception Report by Tax Area (R0018P7)
- GST/PST Tax (R0018P8)
- VAT Journals (R00320)
- Tax Summary Report/Use VAT (R0018P1)
This report also provides intracommunity information.

The system provides the following reports for data in the F0018R table:

- Report on Reconciled Taxes by Account ID
- Report on Reconciled Taxes by Tax Rate Area

You can use data selection to select any records from the Taxes table (F0018) or the Tax Reconciliation Repository table (F0018R) for reporting purposes. Many of the reports have been updated to report on any tax explanation code to increase flexibility, and some of the reports have multiple versions with data selection preset for this purpose.

Tax/Detail Summary Report

From the Tax Processing and Reporting menu (G0021), choose Tax Detail/Summary.

The Tax Detail/Summary report (R0018P) lists transaction details from the Taxes table (F0018) and provides totals for each tax rate area for each document type by company. The report provides columns to print the following information:

- Tax area
- Item number
- Tax rate
- Tax area description
- Gross amount
- Taxable amount
- Tax
- Nontaxable amount
- Tax override (column TO)

The system displays a * to indicate that the value of the tax amount entered differs from the system-calculated tax amount.

- Document type
- Document number
- Document company
- Pay item
- Service date
- G/L date
- Address number
- Name

This is the name associated with the address number.

You can print this report for all tax explanation codes and tax rate areas, or you can use data selection to limit the report by specific tax explanation codes or tax rate areas.

Note

Four versions of the report are available that provide different data selection and data sequencing. Although you can change the data selection for any of the versions, you should not change the data sequence. Totals on the report depend on the data sequence that is set up. If you change the data sequence, your results will be unpredictable.

Intracommunity Reporting

In addition to the columns listed, the Tax Detail/Summary report also includes the following column for intracommunity reporting and provides a separate total for intracommunity taxes:

- Intra-community flag (column IC)
The system displays a Y in this column to indicate that the transaction has intracommunity taxes.

See Also

- The country-specific Global Solutions Guide for country-specific tax reports

Tax Summary Report/Use VAT

From the Tax Processing and Reporting menu (G0021), choose Tax Summary Report/Use VAT.

If you do not want detailed transaction information, you can print the Tax Summary Report/Use VAT report (R0018P1). This report displays totals only for each tax area and tax rate for each company. The report provides columns to display the following information:

- Tax area
- Tax rate
- Tax area description
- Gross amount

- Taxable amount
- Tax
- Nontaxable amount
- Tax explanation code
- Tax variance amount

This column identifies the difference between the user-entered tax amount and the system-calculated tax amount.

Intracommunity Reporting

In addition to the columns listed, the Tax Summary Report/Use VAT report also includes the following columns for intracommunity reporting:

- Intra-community taxable amount
- Intra-community tax

Processing Options for Tax Detail/Summary (R0018P) and Tax Summary Report/Use VAT (R0018P1)

Tax Report

1. Enter a '1' to flag the detail records as having been read:

As-If Currency

1. Enter the currency code for as-if currency reporting. This option allows for amounts to print in a currency other than the currency they are stored in. Amounts will be translated and print in this as-if currency. If left blank, amounts will print in their database currency.

2. Enter the "As-Of" date for processing the current exchange rate for the as-if currency. If left blank, the system date will be used.

Dates

1. From Date
 2. Thru Date
-

Sales Tax Report

From the Tax Processing and Reporting menu (G0021), choose Sales Tax.

The Sales Tax report (R0018P2) displays transaction details from the Taxes table (F0018) and provides totals for each tax rate area for each document type by company. The report provides columns to display the following information:

- Type (column Ty)

The system identifies the type of transaction (invoice, voucher, or journal entry) in the row that displays the total.

- Tax area
- Tax rate
- Tax explanation code
- Tax area description
- Taxable amount
- Tax
- Nontaxable amount
- Tax Exempt amount
- Document type
- Document number
- Pay item
- Document company
- G/L date
- Service date
- Transaction date
- Address number

When you choose to print the Sales Tax report, the system additionally processes and prints the following:

- The Tax Summary Report by Tax Authority (R0018P3)
This report prints totals only for each tax authority by tax rate for each company.
- The Tax Detail Report by Tax Authority (R0018P5)
This report prints each transaction for each tax authority and rate and provides totals by tax authority for each company.

Although the tax summary and detail reports by tax authority do not have processing options, you can modify the data selection or create new versions of the reports with modified data selection. The Sales Tax report provides processing options for you to specify the versions of the R0018P3 and R0018P5 reports that you want to run.

Processing Options for Sales Tax (R0018P2)

Versions

VERSIONS FOR ADDITIONAL TAX REPORTS

1. To override the standard call for Tax Summary Report by Tax Authority (R0018P3), enter an override version number. If left blank, ZJDE0001 will default.

2. To override the standard call for Tax Detail Report by Tax Authority (R0018P5), enter an override version number. If left blank, ZJDE0001 will default.

VAT Exception Report by Tax Area

From the Tax Processing and Reporting menu (G0021), choose VAT Exception Report by Tax Ar.

You run the VAT Exception Report by Tax Area report (R0018P7) when you want to identify the transactions on which the tax amount entered by the user differs from the system-calculated tax amount. The report displays each amount, the amount variance, and the variance percent.

The data selection for this report is set up for tax explanation code V (VAT) only; however, you can change this data selection to run the report for any or all tax explanation codes. The totals that appear on the report depend on the data sequence that is set up. Therefore, do not change the data sequence for this report.

Processing Options for VAT Exception Report by Tax Area (R0018P7)

As-If Currency

1. Enter the currency code for as-if currency reporting. This option allows for amounts to print in a currency other than the currency they are stored in. Amounts will be translated and print in this as-if currency. If left blank, amounts will print as normal.

 2. Enter the "As Of" date for processing the current exchange rate for the as-if currency. If left blank, the system date will be used.
-

GST/PST Tax Report

From the Tax Processing and Reporting menu (G0021), choose GST/PST Tax.

The GST/ PST Tax report is specifically designed to meet Canadian reporting needs. For each address book number, the report lists GST and PST and subdivides PST into seller-assessed PST and self-assessed PST.

This report lists information by company and tax explanation code. Within each tax explanation code, the report separates taxes into categories such as taxable, nontaxable, GST, seller-assessed PST, and self-assessed PST.

Amounts for the following fields are positive for vouchers and negative for invoices:

- Taxable Amount
- Non-Taxable
- Tax

This is the sum of GST, self-assessed PST, and seller-assessed PST.

- GST

- **Self-Assessment Tax**
This is the total payable to provincial governments for self-assessed PST. A processing option allows you to display the amount with the sign reversed.
- **Sales Tax**
This is the total payable to provincial governments for seller-assessed PST.

Processing Options for GST/PST Tax (R0018P8)

Update Options

1. Enter a '1' to flag the detail records as having been printed.

Display

FIELD DISPLAY CONTROL:

1. Enter the form of tax identification displayed on the report.
 - Blank = No ID displayed
 - 1 = European Company ID
 - 2 = European Individual ID
 - 3 = Tax ID
 2. Enter a '1' to reverse the sign on the Self Assessment (Use) Taxes. If left blank, the tax amount will print with the sign in the tax file.
-

VAT Journals

From the Tax Processing and Reporting menu (G0021), choose VAT Journals.

The VAT Journals report (R00320) is a detailed transaction report for which you can specify up to five custom columns to represent one or more tax rate areas. You set up codes in the UDC for VAT Journals (00/VJ) to represent the tax rate areas that you want to print on the report (up to 5) and specify the column number (1 through 5) in the Special Handling field. Processing options allow you to specify the column heading text and to control whether the system prints tax or taxable amounts in the column.

For example, you might want to taxable amounts for the New York tax rate area in the first column, for the Ontario tax rate area in the second column, for the Quebec tax rate area in the third column, and so on.

See Also

- *User Defined Codes* in the *Foundation Guide* for detailed information about adding, revising, and deleting user defined codes

Processing Options for VAT Journals (R00320)

Selection Date

1. Enter the beginning G/L date. This date will select documents greater than or equal to this date.

Beginning Date

2. Enter the ending G/L date. This date will select documents less than or equal to this date.

Ending Date

Distribution

1. Enter a '1' to distribute the TAXABLE amount into the tax area columns. Leave blank to distribute the actual TAX amount.

Company

1. Enter the number of the company to use for the heading information and VAT Registration Number. NOTE: Does not affect the information being reported.

Company

Summarization

1. Enter a '1' to summarize the report by document number. The default of blank will print a detail line for each document line number.

Columns

1. Enter the upper and the lower headings for the five user-defined columns on the report.

Column 1 Upper Heading

Column 1 Lower Heading

Column 2 Upper Heading

Column 2 Lower Heading

Column 3 Upper Heading

Column 3 Lower Heading

Column 4 Upper Heading

Column 4 Lower Heading

Column 5 Upper Heading

Column 5 Lower Heading
Process

1. Calculate Gross Amount

Blank = Taxable + Tax or
Nontaxable Only

1 = Taxable + Nontaxable + Tax

Report on Reconciled Taxes by Account ID

From the Global Tax Reconciliation menu (G00217), choose Report on Reconciled Taxes by Account ID.

When you run the Report on Reconciled Taxes by Account ID (R0018R01), the system prints a report of every transaction (totalled by document number) by tax rate area and tax explanation code from the Tax Reconciliation Repository table (F0018R). The report lists the following information for each G/L account:

- Tax rate area
- Tax explanation code
- Item number
- G/L date
- Taxable amount
- Tax amount
- Nonrecoverable tax amount

You can use data selection to limit the accounts that print on the report or to select specific tax rate areas or tax explanation codes.

The system does not provide totals on the report.

The report does not have associated processing options.

Report on Reconciled Taxes by Tax Rate Area

From the Global Tax Reconciliation menu (G00217), choose Report on Reconciled Taxes by Tax Rate Area.

When you run the Report on Reconciled Taxes by Tax Rate Area (R0018R02), the system prints a report of every transaction (totaled by document number) by account number from the Tax Reconciliation Repository table (F0018R). The report lists the following information for each tax rate area and tax explanation code combination:

- Account ID
- Account number
- Description
- Base currency
- G/L date
- Taxable amount
- Tax amount
- Nonrecoverable tax amount

You can use data selection to limit the accounts that print on the report or to select specific tax rate areas or tax explanation codes.

The system does not provide totals on the report.

The report does not have associated processing options.