

**Oracle® E-Business Tax**

Implementation Guide

Release 12

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Oracle E-Business Tax Implementation Guide, Release 12

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## **Oracle E-Business Tax Implementation Guide, Release 12**

### **Part No. B25960-02**

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- Did you find any errors in the information?
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- Do you need different information or graphics? If so, where, and in what format?
- Are the examples correct? Do you need more examples?

If you find any errors or have any other suggestions for improvement, then please tell us your name, the name of the company who has licensed our products, the title and part number of the documentation and the chapter, section, and page number (if available).

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# Preface

## Intended Audience

Welcome to Release 12 of the *Oracle E-Business Tax Implementation Guide*.

This guide assumes you have a working knowledge of the following:

- The principles and customary practices of your business area.
- Computer desktop application usage and terminology.

If you have never used Oracle Applications, we suggest you attend one or more of the Oracle Applications training classes available through Oracle University.

See Related Information Sources on page viii for more Oracle Applications product information.

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## Structure

- 1 Understanding Oracle E-Business Tax
- 2 Setting Up Applications for Oracle E-Business Tax
- 3 Managing Migrated Data
- 4 Setting Up Country-Specific Taxes

## Related Information Sources

This document is included on the Oracle Applications Document Library, which is supplied in the Release 12 DVD Pack. You can download soft-copy documentation as PDF files from the Oracle Technology Network at <http://otn.oracle.com/documentation>, or you can purchase hard-copy documentation from the Oracle Store at <http://oraclestore.oracle.com>. The Oracle E-Business Suite Documentation Library Release 12 contains the latest information, including any documents that have changed significantly between releases. If substantial changes to this book are necessary, a revised version will be made available on the online documentation CD on Oracle *MetaLink*.

If this guide refers you to other Oracle Applications documentation, use only the Release 12 versions of those guides.

For a full list of documentation resources for Oracle Applications Release 12, see Oracle Applications Documentation Resources, Release 12, Oracle *MetaLink* Document 394692.1.

### Online Documentation

All Oracle Applications documentation is available online (HTML or PDF).

- **PDF** - PDF documentation is available for download from the Oracle Technology Network at <http://otn.oracle.com/documentation>.

- **Online Help** - Online help patches (HTML) are available on *OracleMetaLink*.
- **Oracle MetaLink Knowledge Browser** - The *OracleMetaLink* Knowledge Browser lets you browse the knowledge base, from a single product page, to find all documents for that product area. Use the Knowledge Browser to search for release-specific information, such as FAQs, recent patches, alerts, white papers, troubleshooting tips, and other archived documents.
- **Oracle eBusiness Suite Electronic Technical Reference Manuals** - Each Electronic Technical Reference Manual (eTRM) contains database diagrams and a detailed description of database tables, forms, reports, and programs for a specific Oracle Applications product. This information helps you convert data from your existing applications and integrate Oracle Applications data with non-Oracle applications, and write custom reports for Oracle Applications products. Oracle eTRM is available on *OracleMetaLink*.

### **Related Guides**

You should have the following related books on hand. Depending on the requirements of your particular installation, you may also need additional manuals or guides.

#### **Oracle Applications Installation Guide: Using Rapid Install:**

This book is intended for use by anyone who is responsible for installing or upgrading Oracle Applications. It provides instructions for running Rapid Install either to carry out a fresh installation of Oracle Applications Release 12, or as part of an upgrade from Release 11*i* to Release 12. The book also describes the steps needed to install the technology stack components only, for the special situations where this is applicable.

#### **Oracle Applications Maintenance Procedures:**

This guide describes how to use AD maintenance utilities to complete tasks such as compiling invalid objects, managing parallel processing jobs, and maintaining snapshot information. Part of *Maintaining Oracle Applications*, a 3-book set that also includes *Oracle Applications Patching Procedures* and *Oracle Applications Maintenance Utilities*.

#### **Oracle Applications Maintenance Utilities:**

This guide describes how to run utilities, such as AD Administration and AD Controller, used to maintain the Oracle Applications file system and database. Outlines the actions performed by these utilities, such as monitoring parallel processes, generating Applications files, and maintaining Applications database entities. Part of *Maintaining Oracle Applications*, a 3-book set that also includes *Oracle Applications Patching Procedures* and *Oracle Applications Maintenance Procedures*.

#### **Oracle Applications Patching Procedures:**

This guide describes how to patch the Oracle Applications file system and database using AutoPatch, and how to use other patching-related tools like AD Merge Patch, OAM Patch Wizard, and OAM Registered Flagged Files. Describes patch types and structure, and outlines some of the most commonly used patching procedures. Part of

Maintaining Oracle Applications, a 3-book set that also includes Oracle Applications Maintenance Utilities and Oracle Applications Maintenance Procedures.

**Oracle Applications Upgrade Guide: Release 11i to Release 12:**

This guide provides information for DBAs and Applications Specialists who are responsible for upgrading a Release 11i Oracle Applications system (techstack and products) to Release 12. In addition to information about applying the upgrade driver, it outlines pre-upgrade steps and post-upgrade steps, and provides descriptions of product-specific functional changes and suggestions for verifying the upgrade and reducing downtime.

**Oracle Alert User's Guide:**

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

**Oracle Application Framework Developer's Guide:**

This guide contains the coding standards followed by the Oracle Applications development staff to produce applications built with Oracle Application Framework. This guide is available in PDF format on *OracleMetaLink* and as online documentation in JDeveloper 10g with Oracle Application Extension.

**Oracle Application Framework Personalization Guide:**

This guide covers the design-time and run-time aspects of personalizing applications built with Oracle Application Framework.

**Oracle Applications Concepts:**

This book is intended for all those planning to deploy Oracle E-Business Suite Release 12, or contemplating significant changes to a configuration. After describing the Oracle Applications architecture and technology stack, it focuses on strategic topics, giving a broad outline of the actions needed to achieve a particular goal, plus the installation and configuration choices that may be available.

**Oracle Applications Developer's Guide:**

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

**Oracle Applications Supportability Guide:**

This manual contains information on Oracle Diagnostics and the Logging Framework for system administrators and custom developers.

**Oracle Applications System Administrator's Guide Documentation Set:**

This documentation set provides planning and reference information for the Oracle Applications System Administrator. *Oracle Applications System Administrator's Guide -*

*Configuration* contains information on system configuration steps, including defining concurrent programs and managers, enabling Oracle Applications Manager features, and setting up printers and online help. *Oracle Applications System Administrator's Guide - Maintenance* provides information for frequent tasks such as monitoring your system with Oracle Applications Manager, managing concurrent managers and reports, using diagnostic utilities, managing profile options, and using alerts. *Oracle Applications System Administrator's Guide - Security* describes User Management, data security, function security, auditing, and security configurations.

**Oracle Applications User's Guide:**

This guide explains how to navigate, enter data, query, and run reports using the user interface (UI) of Oracle Applications. This guide also includes information on setting user profiles, as well as running and reviewing concurrent requests.

**Oracle Applications Multiple Organizations Implementation Guide:**

This guide describes the multiple organizations concepts in Oracle Applications. It describes in detail on setting up and working effectively with multiple organizations in Oracle Applications.

**Oracle Advanced Global Intercompany System User's Guide:**

This guide describes the self service application pages available for Intercompany users. It includes information on setting up intercompany, entering intercompany transactions, importing transactions from external sources and generating reports.

**Oracle Customer Data Librarian Implementation Guide:**

This guide describes how to implement Oracle Customer Data Librarian. As part of implementing Oracle Customer Data Librarian, you must also complete all the implementation steps for Oracle Customers Online.

**Oracle Customer Data Librarian User Guide:**

This guide describes how to use Oracle Customer Data Librarian to establish and maintain the quality of the Trading Community Architecture Registry, focusing on consolidation, cleanliness, and completeness. Oracle Customer Data Librarian has all of the features in Oracle Customers Online, and is also part of the Oracle Customer Data Management product family.

**Oracle Customers Online Implementation Guide:**

This guide describes how to implement Oracle Customers Online.

**Oracle Customers Online User Guide:**

This guide describes how to use Oracle Customers Online to view, create, and maintain your customer information. Oracle Customers Online is based on Oracle Trading Community Architecture data model and functionality, and is also part of the Oracle Customer Data Management product family.

**Oracle E-Business Tax Reporting Guide:**

This guide explains how to run all tax reports that make use of the E-Business Tax data

extract. This includes the Tax Reporting Ledger and other core tax reports, country-specific VAT reports, and Latin Tax Engine reports.

**Oracle E-Business Tax User Guide:**

This guide describes the entire process of setting up and maintaining tax configuration data, as well as applying tax data to the transaction line. It describes the entire regime-to-rate setup flow of tax regimes, taxes, statuses, rates, recovery rates, tax jurisdictions, and tax rules. It also describes setting up and maintaining tax reporting codes, fiscal classifications, tax profiles, tax registrations, configuration options, and third party service provider subscriptions. You also use this manual to maintain migrated tax data for use with E-Business Tax.

**Oracle E-Business Tax: Vertex Q-Series and Taxware Sales/Use Tax System Implementation Guide:**

This guide explains how to setup and use the services of third party tax service providers for US Sales and Use tax. The tax service providers are Vertex Q-Series and Taxware Sales/Use Tax System. When implemented, the Oracle E-Business Tax service subscription calls one of these tax service providers to return a tax rate or amount whenever US Sales and Use tax is calculated by the Oracle E-Business Tax tax engine. This guide provides setup steps, information about day-to-day business processes, and a technical reference section.

**Oracle Financials and Oracle Procurement Functional Upgrade Guide: Release 11i to Release 12:**

This guides provides detailed information about the functional impacts of upgrading Oracle Financials and Oracle Procurement products from Release 11*i* to Release 12. This guide supplements the Oracle Applications Upgrade Guide: Release 11*i* to Release 12.

**Oracle Financials Concepts Guide:**

This guide describes the fundamental concepts of Oracle Financials. The guide is intended to introduce readers to the concepts used in the applications, and help them compare their real world business, organization, and processes to those used in the applications.

**Oracle Financials Country-Specific Installation Supplement:**

This guide provides general country information, such as responsibilities and report security groups, as well as any post-install steps required by some countries.

**Oracle Financials for the Americas User Guide:**

This guide describes functionality developed to meet specific business practices in countries belonging to the Americas region. Consult this user guide along with your financial product user guides to effectively use Oracle Financials in your country.

**Oracle Financials for Asia/Pacific User Guide:**

This guide describes functionality developed to meet specific business practices in countries belonging to the Asia/Pacific region. Consult this user guide along with your financial product user guides to effectively use Oracle Financials in your country.

**Oracle Financials for Europe User Guide:**

This guide describes functionality developed to meet specific business practices in countries belonging to the European region. Consult this user guide along with your financial product user guides to effectively use Oracle Financials in your country.

**Oracle Financials for India User Guide:**

This guide provides information on how to use Oracle Financials for India. Use this guide to learn how to create and maintain setup related to India taxes, defaulting and calculation of taxes on transactions. This guide also includes information about accounting and reporting of taxes related to India.

**Oracle Financials for India Implementation Guide:**

This guide provides information on how to implement Oracle Financials for India. Use this guide to understand the implementation steps required for application use, including how to set up taxes, tax defaulting hierarchies, set up different tax regimes, organization and transactions.

**Oracle Financials Glossary:**

The glossary includes definitions of common terms that are shared by all Oracle Financials products. In some cases, there may be different definitions of the same term for different Financials products. If you are unsure of the meaning of a term you see in an Oracle Financials guide, please refer to the glossary for clarification. You can find the glossary in the online help or in the *Oracle Financials Implementation Guide*.

**Oracle Financials Implementation Guide:**

This guide provides information on how to implement the Oracle Financials E-Business Suite. It guides you through setting up your organizations, including legal entities, and their accounting, using the Accounting Setup Manager. It covers intercompany accounting and sequencing of accounting entries, and it provides examples.

**Oracle Financials RXi Reports Administration Tool User Guide:**

This guide describes how to use the RXi reports administration tool to design the content and layout of RXi reports. RXi reports let you order, edit, and present report information to better meet your company's reporting needs.

**Oracle General Ledger Implementation Guide:**

This guide provides information on how to implement Oracle General Ledger. Use this guide to understand the implementation steps required for application use, including how to set up Accounting Flexfields, Accounts, and Calendars.

**Oracle General Ledger Reference Guide**

This guide provides detailed information about setting up General Ledger Profile Options and Applications Desktop Integrator (ADI) Profile Options.

**Oracle General Ledger User's Guide:**

This guide provides information on how to use Oracle General Ledger. Use this guide to learn how to create and maintain ledgers, ledger currencies, budgets, and journal

entries. This guide also includes information about running financial reports.

**Oracle Integration Repository User's Guide:**

This guide covers the employment of Oracle Integration Repository in researching and deploying business interfaces to produce integrations between applications.

**Oracle Internet Expenses Implementation and Administration Guide:**

This book explains in detail how to configure Oracle Internet Expenses and describes its integration with other applications in the E-Business Suite, such as Oracle Payables and Oracle Projects. Use this guide to understand the implementation steps required for application use, including how to set up policy and rate schedules, credit card policies, audit automation, and the expenses spreadsheet. This guide also includes detailed information about the client extensions that you can use to extend Oracle Internet Expenses functionality.

**Oracle Payables User Guide:**

This guide describes how to use Oracle Payables to create invoices and make payments. In addition, it describes how to enter and manage suppliers, import invoices using the Payables open interface, manage purchase order and receipt matching, apply holds to invoices, and validate invoices. It contains information on managing expense reporting, procurement cards, and credit cards. This guide also explains the accounting for Payables transactions.

**Oracle Payables Implementation Guide:**

This guide provides you with information on how to implement Oracle Payables. Use this guide to understand the implementation steps required for how to set up suppliers, payments, accounting, and tax.

**Oracle Payables Reference Guide:**

This guide provides you with detailed information about the Oracle Payables open interfaces, such as the Invoice open interface, which lets you import invoices. It also includes reference information on purchase order matching and purging purchasing information.

**Oracle Purchasing User's Guide:**

This guide describes how to create and approve purchasing documents, including requisitions, different types of purchase orders, quotations, RFQs, and receipts. This guide also describes how to manage your supply base through agreements, sourcing rules, and approved supplier lists. In addition, this guide explains how you can automatically create purchasing documents based on business rules through integration with Oracle Workflow technology, which automates many of the key procurement processes.

**Oracle Subledger Accounting Implementation Guide:**

This guide provides setup information for Oracle Subledger Accounting features, including the Accounting Methods Builder. You can use the Accounting Methods Builder to create and modify the setup for subledger journal lines and application

accounting definitions for Oracle subledger applications. This guide also discusses the reports available in Oracle Subledger Accounting and describes how to inquire on subledger journal entries.

**Oracle Receivables Implementation Guide:**

This guide provides you with information on how to implement Oracle Receivables. Use this guide to understand the implementation steps required for application use, including how to set up customers, transactions, receipts, accounting, tax, and collections. This guide also includes a comprehensive list of profile options that you can set to customize application behavior.

**Oracle Receivables Reference Guide:**

This guide provides you with detailed information about all public application programming interfaces (APIs) that you can use to extend Oracle Receivables functionality. This guide also describes the Oracle Receivables open interfaces, such as AutoLockbox which lets you create and apply receipts and AutoInvoice which you can use to import and validate transactions from other systems. Archiving and purging Receivables data is also discussed in this guide.

**Oracle Receivables User Guide:**

This guide provides you with information on how to use Oracle Receivables. Use this guide to learn how to create and maintain transactions and bills receivable, enter and apply receipts, enter customer information, and manage revenue. This guide also includes information about accounting in Receivables. Use the Standard Navigation Paths appendix to find out how to access each Receivables window.

**Oracle Trading Community Architecture Administration Guide:**

This guide describes how to administer and implement Oracle Trading Community Architecture (TCA). You set up, control, and manage functionality that affects data in the TCA Registry. It also describes how to set up and use Resource Manager to manage resources.

**Oracle Trading Community Architecture Technical Implementation Guide:**

This guide explains how to use the public Oracle Trading Community Architecture application programming interfaces (APIs) and develop callouts based on Oracle Workflow Business Events System (BES). For each API, this guide provides a description of the API, the PL/SQL procedure, and the Java method, as well as a table of the parameter descriptions and validations. For each BES callout, this guide provides the name of the logical entity, its description, and the ID parameter name. Also included are setup instructions and sample code.

**Oracle Trading Community Architecture Reference Guide:**

This guide contains seeded relationship types, seeded Data Quality Management data, D and B data elements, Bulk Import interface table fields and validations, and a comprehensive glossary. This guide supplements the documentation for Oracle Trading Community Architecture and all products in the Oracle Customer Data Management family.

**Oracle Trading Community Architecture User Guide:**

This guide describes the Oracle Trading Community Architecture (TCA) and how to use features from the Trading Community Manager responsibility to create, update, enrich, and cleanse the data in the TCA Registry. It also describes how to use Resource Manager to define and manage resources.

**Oracle Projects Documentation Set****Oracle Projects Implementation Guide:**

Use this manual as a guide for implementing Oracle Projects. This manual also includes appendixes covering security functions, menus and responsibilities, and profile options.

**Oracle Projects Fundamentals:**

Oracle Project Fundamentals provides the common foundation shared across the Oracle Projects products (Project Costing, Project Billing, Project Resource Management, Project Management, and Project Portfolio Analysis). Use this guide to learn fundamental information about the Oracle Projects solution. This guide includes a Navigation Paths appendix. Use this appendix to find out how to access each window in the Oracle Projects solution.

**Oracle Project Costing User Guide:**

Use this guide to learn detailed information about Oracle Project Costing. Oracle Project Costing provides the tools for processing project expenditures, including calculating their cost to each project and determining the GL accounts to which the costs are posted.

**Oracle Project Billing User Guide:**

This guide shows you how to use Oracle Project Billing to define revenue and invoicing rules for your projects, generate revenue, create invoices, and integrate with other Oracle Applications to process revenue and invoices, process client invoicing, and measure the profitability of your contract projects.

**Oracle Project Management User Guide:**

This guide shows you how to use Oracle Project Management to manage projects through their lifecycles -- from planning, through execution, to completion.

**Oracle Project Portfolio Analysis User Guide:**

This guide contains the information you need to understand and use Oracle Project Portfolio Analysis. It includes information about project portfolios, planning cycles, and metrics for ranking and selecting projects for a project portfolio.

**Oracle Project Resource Management User Guide:**

This guide provides you with information on how to use Oracle Project Resource Management. It includes information about staffing, scheduling, and reporting on project resources.

**Oracle Projects Glossary:**

This glossary provides definitions of terms that are shared by all Oracle Projects applications. If you are unsure of the meaning of a term you see in an Oracle Projects guide, please refer to the glossary for clarification. You can find the glossary in the online help for Oracle Projects, and in the Oracle Projects Fundamentals book.

## **Integration Repository**

The Oracle Integration Repository is a compilation of information about the service endpoints exposed by the Oracle E-Business Suite of applications. It provides a complete catalog of Oracle E-Business Suite's business service interfaces. The tool lets users easily discover and deploy the appropriate business service interface for integration with any system, application, or business partner.

The Oracle Integration Repository is shipped as part of the E-Business Suite. As your instance is patched, the repository is automatically updated with content appropriate for the precise revisions of interfaces in your environment.

## **Do Not Use Database Tools to Modify Oracle Applications Data**

Oracle **STRONGLY RECOMMENDS** that you never use SQL\*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle Applications data unless otherwise instructed.

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

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

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



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# Understanding Oracle E-Business Tax

## The Oracle E-Business Tax Solution

E-Business Tax provides a single point solution for managing your transaction-based tax requirements. E-Business Tax uniformly delivers tax services to all E-Business Suite business flows through one application interface. As a global system architecture, E-Business Tax is configurable and scalable for adding and maintaining country-specific tax content.

With E-Business Tax, you can model your tax requirements according to the needs of local and international tax requirements. This includes:

- Both simple and complex country-specific tax legislation.
- Cross-border transactions.
- Local compliance requirements for recording and reporting.
- Continual changes to tax legislation, such as new taxes, local law changes, special tax rates, and special exceptions for products and customers.

You can manage the entire configuration and maintenance of tax content from the one E-Business Tax application. This ensures a uniform tax setup across applications, with a centrally managed system of automated tax services and control over manual intervention and update.

## E-Business Tax Components

E-Business Tax consists of a tax knowledge base, a variety of tax services that respond to specific tax events, and a set of repositories for tax content and tax recording.

This table lists the major components of E-Business Tax.

Component	Function
Tax Content Services	This component addresses the creation, maintenance, and management of tax content.
Tax Content Repository	This component contains master and reference setup data. Data created via Tax Content Services is stored in the Tax Content Repository.
Tax Service Request Manager	<p>This component manages the access to all tax data and services, including:</p> <ul style="list-style-type: none"> <li>• Integration with E-Business Tax services.</li> <li>• Integration with tax service providers.</li> <li>• Standard interface for E-Business Suite applications to add tax services to their business process flows.</li> </ul>
Tax Determination Services	<p>This component consists of two subcomponents:</p> <ul style="list-style-type: none"> <li>• Tax Determination Management - Manages the requirements and processes around automatic tax calculation based on transaction details and tax setup information.</li> <li>• Tax Rules Management - Manages the setup and definition of tax rules.</li> </ul>
Tax Record Repository	This component contains the key attributes necessary to record a tax event. A single tax transaction can include over 600 key attributes.
Tax Administration Services	This component manages the accounting for all tax transactions.
Tax Reporting Ledger	This component manages access to the Tax Content and Tax Record Repositories for tax reporting purposes.

Tax Content Services and Tax Determination Services are the key components in the

process of determining and calculating taxes on transactions. The Tax Content Services provide the setup data that is used as the basis for tax determination. The Tax Determination Services determine the tax or taxes on the transaction line according to the tax setup details and transaction information.

## Tax Content Services

Tax Content Services store and maintain the master and reference data that is needed to support the other components in E-Business Tax. You use the E-Business Tax application to model the details of the tax setup for all of your company tax requirements.

Tax Content Services include these subcomponents:

- Basic tax configuration
- Tax jurisdictions
- Party tax profiles
- Fiscal classifications
- Exemptions and exceptions
- Country default controls

**Basic Tax Configuration** - The basic tax configuration includes the regime-to-rate flow for each tax regime:

- **Tax regime** - The set of laws and regulations that determines the treatment of one or more taxes.
- **Tax** - A classification of a charge imposed by a government through a fiscal or tax authority.
- **Tax status** - The taxable nature of a product in the context of a transaction for a tax.
- **Tax rates** - The rates specified for a tax status for a given time period. The tax rate is expressed as a percentage, a value per unit quantity, or a fixed sum per transaction.
- **Tax recovery rates** - The full or partial reclaim of taxes paid on the purchase or movement of a product.

**Tax Jurisdictions** - This subcomponent provides the basis for defining tax jurisdictions. A *tax jurisdiction* is the geographic area where a tax is levied by a specific tax authority.

**Party Tax Profiles** - This subcomponent provides the basis for defining tax profiles for the parties involved in tax transactions that are set up through Legal Entity and Trading Community Architecture. Party tax profiles contain all of the tax information for each party, including tax registrations and party fiscal classifications.

**Fiscal Classifications** - This subcomponent provides for the definition of tax fiscal classifications. A *fiscal classification* is a way that a tax authority classifies each part of a transaction:

- Parties and party sites involved in the transaction.
- Products involved in the transaction.
- Nature of the transaction.
- Documents associated with the transaction.

E-Business Tax uses fiscal classifications to set up tax rules that provide one or more of these qualifications:

- When taxes apply.
- What the taxable basis is.
- What tax exemptions and tax exceptions apply.
- What the tax rate and tax rate adjustments are.
- What proportion of the tax is recoverable.

**Exemptions and Exceptions** - *Tax exemptions* let you define a party/party site or product as partially or fully exempt from a tax. The details of tax exemptions are normally supported by tax exemption certificates from the tax authority. *Tax exceptions* let you define a special rate for specific products. This lets you define general rules for a wide classification of products, while applying a separate rule to a subset of products.

**Country Default Controls** - This subcomponent lets you specify certain defaults by country. These defaults are used during transaction entry.

## Tax Determination Services

Every tax within a tax regime has its own regulations that determine when the tax is applicable, that is, when the tax needs to be charged or paid. For each situation where the tax is applicable, further regulations may apply that further clarify tax applicability, such as the place of supply and tax jurisdiction, the tax registration party type, or the tax status and tax rate.

In some cases, different rule may apply to the calculation of the tax itself. The taxable basis on which the tax rate is calculated may differ from the transaction line amount. This requires the use of a special taxable basis formula to make this calculation. In more rare cases, the tax amount may result not by applying a tax rate to the taxable basis, but by using a different tax calculation formula entirely.

So depending on the complexity of the tax regulations that apply to a given tax, one or more decisions, or *determinations*, are involved in arriving at the final tax amount on a

tax line. Each of these determinations is defined in E-Business Tax as a separate rule process. The aim of tax determination is to arrive at a process result for each of the rule processes that apply to a transaction. This is achieved by defining tax rules for each tax within a tax regime, according to the requirements of the tax regulations.

Tax Determination Services automate the determination of taxes on a transaction. Tax determination is the central component of the E-Business Tax architecture. This component provides the flexibility to define the rules that you need for each tax determination process.

Tax Determination Services is comprised of two main sub-components:

- **Tax Rules Management** - A rules-based model that lets you define tax rules that reflect the tax regulations of each tax authority.
- **Tax Determination Management** - The component responsible for calculating transaction taxes based on transaction details, the tax rules, and the tax configuration setup.

### **Tax Rules Management**

You use the tax rule engine to create rules that reflect the regulations of a tax authority for the taxes in a tax regime. As tax authority regulations change over time, you can update both the rule values and the rule processes themselves.

The components of the tax rule engine are:

- Tax rules
- Rule processes
- Tax determining factor sets
- Tax determining factors
- Tax condition sets
- Process results

The components work together in this way:

- You define a tax rule for a combination of a tax and a rule process. Each tax rule applies to one tax within a tax regime and belonging to one configuration owner.
- A tax rule makes use of a tax determining factor set. The determining factor set contains the list of determining factors that you draw from to create the tax rule.
- The tax rule is composed of tax condition sets. You create tax condition sets for the tax rule, using the determining factors of the determining factor set.

- Each tax condition set contains a determining factor, an operator, and a value. Each tax condition set belonging to the tax rule points to a result that is relevant to the rule process.
- Each tax condition set within a tax rule is associated with a result and assigned a priority in which the rule engine considers the tax condition.
- Each tax rule within a rule process is assigned a priority in which the rule engine considers the rule.
- At transaction time, the rule engine examines each tax condition until it finds a result that makes the rule true and applicable to the transaction. If no tax condition is found, then the rule does not apply to the transaction. The rule engine looks to the tax rule with the next highest priority and repeats the process until a tax rule is found.

### Tax Determination Management

Tax Determination Management is responsible for calculating the tax on transactions. This includes determining the taxes that apply to the transaction, the calculation of the taxes, and the results of the calculation.

Tax Determination Management is organized into a hierarchy of rule processes. For a given tax, the rule engine looks at the tax rules defined for each rule process and determines which rule is true for each process. Each of these stages in the process clarifies aspects of the tax or taxes that apply to the transaction. After examining and retrieving results from each process, the rule engine calculates the tax or taxes.

The rule processes in Tax Determination Management are represented by *rule types*. You define one or more tax rules for each rule type that you need, using the available rule flows (Guided Entry or Expert Entry).

These are the rule processes and the order in which the rule engine examines them during tax determination:

- **Determine Place of Supply** - Determines the location where a transaction is considered to have taken place for a specific tax.
- **Determine Tax Applicability** - Determines the taxes that apply to a given transaction.
- **Determine Tax Registration** - Determines the tax registration status for the applicable taxes of the parties involved in the transaction.
- **Determine Tax Status** - Determines the tax status of each applicable tax to use on the transaction.
- **Determine Tax Rate** - Determines the tax rate for each applicable tax status to use on the transaction.

- **Determine Taxable Basis** - Determines the amount to use upon which to calculate the tax rate.
- **Calculate Tax Amounts** - Calculates the tax and displays the calculation results.
- **Determine Recovery Rate** - Determines the recovery rate to apply to each applicable tax on the transaction.

Depending on the complexity of the tax rules in a tax regime, you may or may not define a tax rule for each of the above processes. If there is no complex rule associated with any of the above processes, then the default values, as specified during setup, are used during the tax determination process.

## Related Topics

Tax Rules in Oracle E-Business Tax, *Oracle E-Business Tax User Guide*

## Analyzing Your Tax Requirements

This section provides a few ideas for analyzing your tax requirements and using E-Business Tax and other E-Business Suite applications to implement a solution.

An analysis of your tax requirements begins with an analysis of yourself. So the first question to ask is, "Who am I?"

### Who am I?

You first need to answer questions about yourself and your relationship to the legal and regulatory agencies that enable you to operate in one or more countries.

#### Where do I have operations/businesses?

Identify the countries in which you operate. You will need to identify the country where you are legally registered, and the countries where you have subsidiary companies that are legally registered or have a legal presence.

Identify your first party legal entities in each country that you are legally registered. Use the Legal Entity Configurator to capture information about your legal entities and legal registrations.

You also need to identify your branches, divisions, and locations in the various countries where you do business that need to be registered for tax. This is typically with the local regulatory bodies. Such subdivisions of a legal entity are called legal establishments.

#### What are the operations/businesses that I have?

Next consider the types of operations and businesses that you are engaged in, in the countries where you have legal entities or establishments. The type of industries that

you work under (mining, telecommunications, pharmaceuticals), the kind of operations that you engage in (trading, manufacturing, services), and the scale of your operations (your turnover, company size, growth expectations) may all impact your taxability.

You can use the classifications feature in Oracle Applications to categorize or classify your first parties and establishments under various classification schemes. For example, you can create a classification scheme called "Operation Type", and define values such as "Trading", "Manufacturing", and "Services", and associate the appropriate value for each of your establishments. You can define another classification scheme called "Size of Operations", and define values such as "Large", "Medium", "Small Scale Industry", and so on.

The businesses or operations that you have might determine how the tax regulatory environment impacts you. Manufacturing operations, for example, have different impacts than trading operations.

In analyzing your operations, you can ask three questions that correspond to the three main classifications of a transaction:

- What do you do? (Transaction)
- What products do you buy or sell? (Product)
- Who are your customers and suppliers? (Party)

### What do you do?

Identify and classify the transactions you enter into. For example, do you primarily sell physical goods? If you do, do you manufacture them, or do you buy and sell them without additional manufacturing? Do you sell these goods in another state or province? Do you export these goods? Do you provide or use services? And are these service local only, or are they also overseas?

Use the Trading Community Architecture (TCA) and E-Business Tax to classify and categorize your transactions in a common manner across your organization. You can classify your transactions using a five-level classification scheme that you can choose from on a transaction.

This table illustrates how you can categorize transactions, using a three-level classification structure:

Classification	Level
Purchase	Top (0)
<ul style="list-style-type: none"><li>• Purchase for manufacture of goods for sale</li></ul>	1

<b>Classification</b>	<b>Level</b>
• Purchase for manufacture for Export Sales	2
• Purchase for manufacture for Domestic Sales	2
• Purchase for resale	1
• Domestic purchases for resale	2
• Import of goods for resale	2
• Import of goods for domestic resale	3
• Import of goods for export	3
• ...	3
• ...	1
Sale	Top (0)
• Goods manufactured by selling establishment	1
• Domestic sales	2
• Interstate sale	3
• Intrastate sale	3
• Export sales	2
• ...	2

Classification	Level
• ...	1

The top-level values of the structure ("Purchase" and "Sale") are seeded and correspond to the high-level classification of transactions (also called "tax event classes"). You can define up to five sub-levels of classifications under the top-level.

You can define rules for a transaction business category at any level that you need. For example, in some cases it might be sufficient to distinguish between an export sale and a domestic sale. In other cases, you may need to distinguish between an inter- and an intra-state sale.

### What products do you buy or sell?

The products that you sell may impact the taxes that you are subject to. For example, you must register for (and therefore collect and remit) service taxes only if you provide taxable services. If you manufacture goods for export, you may not be subject to taxes on the purchases that go into the manufacture of such goods.

Use the TCA and E-Business Tax to classify both finished goods and raw materials and items used in the manufacture of your finished goods. You can reuse the classifications associated with Inventory items (using Oracle Inventory Item Category) for tax purposes as well. You can also create new item category sets within E-Business Tax specifically for tax.

You can structure your inventory item classifications into a five-level classification scheme, which you can then use to define rules.

This table illustrates an extract of product classifications that are used in the United Kingdom:

Main Category	Subcategory	Description
055		AUTOMOTIVE ACCESSORIES FOR AUTOMOBILES, BUSES, TRUCKS
055	04	Air Bags, Automotive
055	05	Anti-theft and Security Devices, Automotive
055	06	Automobile Top Carriers

Main Category	Subcategory	Description
...		
070		AUTOMOTIVE VEHICLES AND RELATED TRANSPORTATION EQUIPMENT
070	03	Ambulances and Rescue Vehicles
070	06	Automobiles and Station Wagons
070	08	Bookmobiles Complete
...		

You can implement the above structure in Oracle Inventory using item categories. Create a two-segment structure called "Main Category" and "Subcategory." For the Main Category segment, define 055 and 070 as the list of choices; for the using the above example, you can classify an item by associating the identifier 055.04 with it to indicate that it belongs to the "Air Bags, Automotive" category. If an item is associated with a category 055, it means that it belongs to the broader category of "Automotive Accessories For Automobiles, Buses, Trucks." You can then use E-Business Tax to create two product fiscal classification types, one to correspond to the Main Category and the other the Subcategory. You can then define tax rules using one or both of these classifications.

### Who are your customers and suppliers?

The types of customers and suppliers that you do business with can impact your tax requirements, for example, the taxes that you are subject to, or the tax status or tax rate that applies.

For example, consider a company in the United Kingdom that supplies physical goods to another country that is also a member state of the European Union. The transaction rate for UK VAT is either the standard VAT rate or a zero rate, depending on whether the customer is registered for VAT in the country to which the supply is made. You can capture this information, for example, by classifying your customer as "Registered in another EU country". You can use this classification in your tax rules to derive the appropriate status for this customer (and other customers similarly classified).

Another example is a company in Argentina that sells to customers that are not registered for VAT in Argentina. In this case, the company needs to charge these

customers another tax, called Additional VAT. Again, you can classify this customer as "Not Registered for VAT" and use this in your tax rules to charge the Additional VAT.

In addition to classifying your customers and suppliers for tax applicability, you can also record the tax registrations that your customers and suppliers hold with one or more tax authorities. You can also record the details of each registration, including the tax registration number, and the registration type and status.

## What taxes am I subject to?

For each of the countries in which you operate, you will need to analyze your tax environment.

Each country can have one or more systems of taxation. Each system deals with the taxation of specific aspects of a business transaction. For example, a Sales taxation system deals with the rules and regulations concerning how a sale should be taxed. Similarly, a Value Added Tax (VAT) taxation system deals with how the value addition in a manufacturing and/or sales lifecycle needs to be taxed.

A single system of taxation is called a *tax regime*. A tax regime is implemented by one or more distinct charges. Each such specific charge is called a *tax*. Therefore, a tax regime may include one tax only or several different taxes.

The imposition of a tax is limited typically by a geographical boundary. In most cases, this geographical boundary identifies a contiguous political or administrative area, such as a city or a county. In some cases, a tax may be imposed or may vary according to a non-political demarcation, such as a free-trade zone. The incidence of any tax on a specific geographical area is called a *tax jurisdiction*.

You can create a tax jurisdiction for a country, a state within a country, a county within a state, or a city within a county. In certain cases, a tax jurisdiction may need to encompass, for example, two or more cities, or an entire county plus one city in a neighboring county.

See: Country Setup Examples, page 4-1 for detailed examples of setting up tax regimes and taxes in E-Business Tax.

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## Setting Up Applications for Oracle E-Business Tax

### Implementation Checklist for Oracle E-Business Tax

This table provides a checklist of the mandatory and optional implementation steps in other applications for E-Business Tax. Some optional implementation steps may be conditionally mandatory, depending on your overall setup.

**Note:** You must have access to the system administrator responsibility to perform many of these tasks.

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Step Number	Step Description	Mandatory/Optional
1	Setting Up Tax Users, page 2-2	Optional
2	Setting Profile Option Values, page 2-2	Optional
3	Setting Up Lookup Codes, page 2-8	Optional
4	Setting Up TCA Geography Hierarchy, page 2-10	Optional
5	Setting Up Legal Entity, page 2-12	Mandatory
6	Setting Up Operating Units, page 2-14	Mandatory

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7	Setting Up Accounts and Accounting Information, page 2-16	Mandatory
8	Setting Up TCA Classifications, page 2-16	Optional
9	Setting Up Oracle Inventory, page 2-17	Optional

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## Setting Up Tax Users

Set up your tax users and assign each user a tax-related responsibility. Oracle E-Business Tax provides these seeded responsibilities:

- **Tax Manager.** Assign this responsibility to users who will set up and maintain tax configuration data. The tax manager responsibility is the responsibility with the highest level of access to E-Business Tax functionality.

If you want to include the GL Tax Options window, you must assign a data access set to the GL: Data Access Set profile option under the Tax Manager responsibility.

- **Tax Administrator.** Update and assign this responsibility to users who will provide E-Business Tax technical setup and support services. You can update this responsibility according to the duties of each tax administrator user.
- **Oracle Tax Simulator.** Assign this responsibility to users who test tax setups with the Oracle Tax Simulator.

You can also set up new E-Business Tax menus and responsibilities according to your requirements.

## Related Topics

Responsibilities Window, *Oracle Applications System Administrator's Guide – Security*

Users Window, *Oracle Applications System Administrator's Guide – Security*

Menus Window, *Oracle Applications System Administrator's Guide – Security*

Data Access Sets, *Oracle General Ledger Implementation Guide*

## Setting Profile Option Values

Set values for E-Business Tax profile options to control the availability of certain tax options and to maintain your Vertex or Taxware installation.

The table in this section summarizes E-Business Tax profile option information:

- The Default column displays either the default profile option value in *italics*, or No Default if none exists.
- The User Access column indicates whether you can view or update the profile option.
- The System Administration: Site, Application, Responsibility, and User columns indicate at which levels the system administrator can update these profile options.

The key for this table is:

- **Update:** You can update the profile option.
- **View Only:** You can view the profile option but cannot change it.
- **No Access:** You cannot view or change the profile option.

Profile Option	Default	User Access	System Administration: Site	System Administration: Application	System Administration: Responsibility	System Administration: User
eBTax: Allow Ad Hoc Tax Changes	<i>Yes</i>	No Access	Update	Update	Update	No Access
eBTax: Allow Manual Tax Lines	<i>Yes</i>	No Access	Update	Update	Update	No Access
eBTax: Allow Override of Customer Exemptions	<i>Yes</i>	No Access	Update	Update	Update	No Access
eBTax: Allow Override of Tax Classification Code	<i>Yes</i>	No Access	Update	Update	Update	No Access

<b>Profile Option</b>	<b>Default</b>	<b>User Access</b>	<b>System Administration: Site</b>	<b>System Administration: Application</b>	<b>System Administration: Responsibility</b>	<b>System Administration: User</b>
eBTax: Allow Override of Tax Recovery Rate	No Default	No Access	Update	Update	Update	No Access
eBTax: Inventory Item for Freight	<i>Freight Charge</i>	No Access	Update	Update	Update	No Access
eBTax: Invoice Freight as Revenue	No	No Access	Update	Update	Update	No Access
eBTax: Read/Write Access to GCO Data	Yes	No Access	Update	Update	Update	No Access
eBTax Taxware: Service Indicator	<i>Non-Service</i>	View Only	Update	No Access	No Access	No Access
eBTax Taxware: Tax Selection	<i>Jurisdiction and Tax</i>	View Only	Update	No Access	No Access	No Access
eBTax Taxware: Use Nexpro	No	No Access	Update	No Access	No Access	No Access
eBTax Vertex: Case Sensitive	Yes	View Only	Update	No Access	No Access	No Access

### **eBTax: Allow Ad Hoc Tax Changes**

The eBTax: Allow Ad Hoc Tax Changes profile option controls which users can make ad hoc tax changes on the transaction line, such as selecting a different tax status or tax rate. The changes that a user can make also depend upon the details of the applicable tax setups.

If the tax rate associated with a tax has the Allow Ad Hoc Rate option enabled, then users can override the calculated tax rate on the transaction line.

See: Setting Up Tax Rates, *Oracle E-Business Tax User Guide* for more information.

### **eBTax: Allow Manual Tax Lines**

The eBTax: Allow Manual Tax Lines profile option controls which users can enter manual tax lines on the transaction for the tax setups that allow this update.

If the tax configuration has the related options enabled, then users can enter manual tax lines on the transaction for the applicable tax.

The related tax setups are:

- **Taxes:** Allow Entry of Manual Tax Lines
- **Configuration Owner Tax Options:**
  - Allow Entry of Manual Tax Lines
  - Allow Manual Tax Only Lines

### **eBTax: Allow Override of Customer Exemptions**

The eBTax: Allow Override of Customer Exemptions profile option controls the display of the Tax Handling field on the transaction line. You use the Tax Handling field to apply and update customer tax exemptions to transactions.

If you set the eBTax: Allow Override of Customer Exemptions profile option to *Yes*, you must also complete the related setups for tax exemptions.

### **eBTax: Allow Override of Tax Classification Code**

The eBTax: Allow Override of Tax Classification Code profile option controls whether users can update the tax classification code that is defaulted to the transaction line.

E-Business Tax defaults the tax classification code to the transaction line according to the defaulting hierarchy defined for the operating unit and application. See: Using Application Tax Options, *Oracle E-Business Tax User Guide* for more information.

### **eBTax: Allow Override of Tax Recovery Rate**

The eBTax: Allow Override of Tax Recovery Rate profile option controls which users

can enter or update the calculated tax recovery rates on the transaction for the tax recovery rate setups that allow this update.

If the tax recovery rate associated with a tax has the Allow Ad Hoc Rate option enabled, then users can override the calculated tax recovery rate on the transaction.

The meaning of ad hoc entry of tax recovery rates differs according to the source application for the transaction:

- **Payables** - The user can only select another previously defined recovery rate for the tax.
- **Procurement** - The user can either select another previously defined recovery rate for the tax or enter a new recovery rate.

See: Setting Up Tax Recovery Rates, *Oracle E-Business Tax User Guide* for more information.

### **eBTax: Inventory Item for Freight (Oracle Order Management only)**

The eBTax: Inventory Item for Freight profile option lets Order Management use an Inventory item defined as *Freight* on Receivables transaction lines. You can use the freight Inventory item to control the tax rate on taxable freight amounts.

The values for this profile option are:

- *Freight Charge* - The freight Inventory item applies to external Receivables transactions.
- *Freight for Intercompany* - The freight Inventory item applies to internal Receivables transactions only.

You must also set the eBTax: Invoice Freight as Revenue profile option to *Yes*.

### **eBTax: Invoice Freight as Revenue (Oracle Order Management only)**

The eBTax: Invoice Freight as Revenue profile option controls whether to consider freight amounts as taxable line items.

Set the eBTax: Invoice Freight as Revenue profile option to *Yes*, if you are required to tax freight amounts. The freight amounts entered in the Order Management Ship Confirm window are then passed to Receivables transactions as taxable line items.

If you set the eBTax: Invoice Freight as Revenue profile option to *Yes*, you must also set the eBTax: Inventory Item for Freight profile option.

### **eBTax: Read/Write Access to GCO Data**

The eBTax: Read/Write Access to GCO Data profile option controls whether users can set up tax configuration data for the global configuration owner.

If you set the eBTax: Read/Write Access to GCO Data profile option to *Yes*, then the

applicable users can set up taxes and related configuration data for the global configuration owner. Legal entities and operating units can then share the global configuration owner tax setups.

See: Configuration Options in Oracle E-Business Tax, *Oracle E-Business Tax User Guide* for more information.

### **eBTax Taxware: Service Indicator**

The eBTax Taxware: Service Indicator profile option indicates whether taxes are calculated on service or a rental transactions.

The Taxware API parameter that accepts this profile option value is JurLink.ServInd.

The values for this profile option are:

- *Service* - Service transaction.
- *Rental* - Rental transaction.
- *Space* - Non-service transaction.

### **eBTax Taxware: Tax Selection**

The eBTax Taxware: Tax Selection profile option indicates whether Taxware uses jurisdiction-level jurisdiction codes to calculate taxes.

The Taxware API parameter that accepts this value is TaxSelParm of Taxfn\_Tax010.

The values for this profile option are:

- *Tax only* - Taxware calculates tax based on the ship-to address only.
- *Jurisdiction and Tax* - Taxware calculates tax based on all jurisdiction information, including ship-to, ship-from, point of order origin (POO), and point of order acceptance (POA).

### **eBTax Taxware: Use Nexpro**

The eBTax Taxware: Use Nexpro profile option indicates whether Taxware uses the Nexpro functionality. If you enable this option, additional configuration is required on the Taxware side of the integration to achieve nexus-based taxation.

The Taxware API parameter that accepts this value is TaxLink.UseNexproInd.

See: Technical Reference, *Oracle E-Business Tax: Vertex Q-Series and Taxware Sales/Use Tax System Implementation Guide* for information about the Nexpro functionality.

### **eBTax Vertex: Case Sensitive**

the eBTax Vertex: Case Sensitive profile option enables case-sensitive searches of Vertex tax calculation data. The default value is *Yes*.

Set this profile option if you intend to use Vertex to calculate tax on transactions.

## Setting Up Lookup Codes

Use the Application Object Library Lookups window to maintain existing lookup codes and define additional lookup codes for E-Business Tax lookup types.

**Note:** E-Business Tax does not perform validation on updated or disabled lookups. If you want to disable, update, or apply an end date to an E-Business Tax lookup type, please ensure that the applicable values are not in use in the E-Business Tax setup.

### ZX\_INPUT\_CLASSIFICATIONS and ZX\_OUTPUT\_CLASSIFICATIONS

Use the ZX\_INPUT\_CLASSIFICATIONS and ZX\_OUTPUT\_CLASSIFICATIONS lookup types to create tax classification codes for use in tax determination.

Release 11i tax codes and tax groups migrate to E-Business Tax as tax classification codes. Payables and Purchasing tax codes migrate as tax classification codes under ZX\_INPUT\_CLASSIFICATIONS. Receivables and Projects tax codes migrate as tax classification codes under ZX\_OUTPUT\_CLASSIFICATIONS. You can set up additional tax classification codes for use with a migrated tax data model or as an additional determining factor in tax determination.

### ZX\_WEB\_EXP\_TAX\_CLASSIFICATIONS

Use the ZX\_WEB\_EXP\_TAX\_CLASSIFICATIONS lookup type to create tax classification codes for use in tax determination for transactions originating from Internet Expenses.

### ZX\_EXEMPTION\_REASON\_CODE

Use the ZX\_EXEMPTION\_REASON\_CODE lookup to create exemption reason lookup code for use in tax exemptions. The exemption reason is a user-defined code that lets you monitor the use of customer or product tax exemptions issued by the tax authority and applied to specific transactions.

When you set up a tax exemption, you can use the exemption reason to identify the reason for this exemption or to monitor a customer's application for an exemption. At transaction time, E-Business Tax only considers certain tax exemptions if the exemption reason and certificate number entered on the transaction line match the exemption definition.

### ZX\_JEBE\_VAT\_TRANS\_TYPE

Use the ZX\_JEBE\_VAT\_TRANS\_TYPE lookup type to create tax transaction types for use with tax rate codes. You use transaction types when you set up a tax rate.

Tax rate transaction types represent local tax authority codes both for reporting purposes and for controlling which rates appear on an invoice. See: Setting Up Tax Rates, *Oracle E-Business Tax User Guide* for more information.

### ZX\_REGISTRATIONS\_REASON

Use the ZX\_REGISTRATIONS\_REASON lookup type to create tax registration reason codes. You use registration reason codes when you set up a tax registration to represent the reason for the tax registration.

The tax registration reason code is for tax reporting purposes only. See: Setting Up a Tax Registration, *Oracle E-Business Tax User Guide* for more information.

### ZX\_REGISTRATIONS\_TYPE

Use the ZX\_REGISTRATIONS\_TYPE lookup type to create tax registration type codes. You use tax registration type codes when you set up a tax registration to organize your tax registrations into categories.

E-Business Tax provides these seeded tax registration types: CNPJ; CPF; CUIL; CUIT; DNI; NIT; OTHERS; VAT. The tax registration types CPF, CNPJ, and OTHERS are used in tax registration number validation for Brazil. All other seeded tax registration types, and the tax registration types that you define, are for tax reporting purposes only.

See: Setting Up a Tax Registration, *Oracle E-Business Tax User Guide* for more information.

### ZX\_REGISTRATION\_STATUS

Use the ZX\_REGISTRATION\_STATUS lookup type to create tax registration status codes. You use tax registration status codes as determining factors in tax rules.

E-Business Tax provides these seeded tax registration types:

Lookup Code	Description
Agent	The company acts as a withholding agent for the tax authority for the applicable tax.
Registered	The company is registered for the applicable tax.
Not Registered	The company is not registered for the applicable tax.

See: Setting Up Tax Rules, *Oracle E-Business Tax User Guide* for more information.

## ZX\_TAX\_TYPE\_CATEGORY

Use the ZX\_TAX\_TYPE\_CATEGORY lookup type to create tax types. You use tax types when you set up a tax.

You can use tax types to classify taxes for tax reporting purposes. See: Setting Up Taxes, *Oracle E-Business Tax User Guide* for more information.

The ZX\_TAX\_TYPE\_CATEGORY lookup type contained these seeded tax types:

Lookup Code	Description
Sales	Direct taxes that are collected from the consumer by the supplier and paid to the tax authority.
VAT	Value added or cascading taxes.
Excise	Taxes on the production and manufacture of goods.
Customs Duty	Taxes charged on imported and exported products.
Environmental	Taxes charged as a result of environmental regulations.

## Setting Up TCA Geography Hierarchy

Set up and maintain the TCA geography hierarchy for each country where you have a tax requirement. The TCA geography hierarchy provides a single reference source for all geographical and location-based information for all E-Business Suite applications.

You use the TCA geography hierarchy in these cases:

- Taxes that are levied at a level lower than the country level, for example, state or provincial taxes.
- Tax characteristics, such as the tax rate, vary at a lower level than the country level.

You must set up and maintain the TCA geography hierarchy before you can perform these tax-related setups:

- **Legal entities and establishments** - Enter and maintain location information for first party legal entities and the first party legal establishments. See: Setting Up Legal Entity, page 2-12 for more information.

- **Tax zones** - Set up tax zones to represent regions according to a tax requirement. Tax zones let you group together regions otherwise separated by geographical or political boundaries where a tax treatment is identical throughout these regions. See: Setting Up Tax Zones, *Oracle E-Business Tax User Guide* for more information.
- **Tax regimes** - Set up tax regimes for a country or tax zone. See: Setting Up Tax Regimes, *Oracle E-Business Tax User Guide* for more information.
- **Taxes** - Set up taxes and specify the geographical level where each tax applies, such as a city tax or a county tax. See: Setting Up Taxes, *Oracle E-Business Tax User Guide* for more information.
- **Tax jurisdictions** - Set up tax jurisdictions for a tax using geographies or tax zones. See: Setting Up Tax Jurisdictions, *Oracle E-Business Tax User Guide* for more information.
- **Tax rules** - Use the Geography determining factor class to set up determining factor sets that use geographical locations in tax rules. Use the User Defined Geography determining factor class to set up determining factor sets that use tax zones in tax rules. See: Setting Up Tax Determining Factor Sets, *Oracle E-Business Tax User Guide* for more information.

Use TCA administration to maintain these aspects of the geography hierarchy:

- **Country structure** - Set up and maintain the hierarchical structure of a country. The structure begins with the largest geography type and ends with the smallest geography type. For example, the United States structure is: State > County > City > Postal Code.
- **Geography types** - TCA provides seeded geography types for certain countries. The geography types are used to create the geographical hierarchy of a country. Perform these tasks for geography types:
  - If necessary, set up new geography types in accordance with the structure of a country.
  - Set up and maintain aliases for specific Geography elements. An *alias* is an alternative name for a geography type. You can use aliases as a part of your address validation.
  - Define the contents of a geography type within the context of a country structure, for example, the states belonging to the United States or the provinces belonging to Canada.
- **Address validations** - Set up mappings and validations between country address formats and the TCA geography hierarchy. TCA uses the definitions you provide to validate an address entry against the geography hierarchy. You use address

validation for taxes levied below the country level to verify that it is a valid address for tax purposes.

For example, set up a list of Canadian provinces to verify each applicable address against a valid province for the correct handling of Canadian PST.

Enable both the Geography Validation and Tax Validation options for each level for which you need to create tax jurisdictions.

## Related Topics

Setting Up Real-Time Address Validation, *Oracle Trading Community Architecture Administration Guide*

Administering Geography Hierarchy, *Oracle Trading Community Architecture Administration Guide*

Geography Name Referencing Process, *Oracle Trading Community Architecture Administration Guide*

## Setting Up Legal Entity

Use the Legal Entity Configurator to set up these parties:

- **First party legal entity** - The legal entities that represent your company.
- **First party legal establishments** - The legal establishments that have or require tax registrations, either implied or explicit, from one or more tax authorities.
- **Legal authorities** - The legal authorities that represent the tax authorities in the tax regimes where you do business.

When you set up a legal entity or establishment, you can also set up party tax profile details, including general information, rounding rule, and tax registrations. See: Party Tax Profiles in Oracle E-Business Tax, *Oracle E-Business Tax User Guide* for more information.

If you set up country default controls for the countries where you do business, then the applicable tax regime and tax values default to the legal establishment tax registration record. See: Setting Up Country Default Controls, *Oracle E-Business Tax User Guide* for more information.

## Setting Up Legal Entities

Set up the legal entities that represent your company. You must set up your company as a legal entity before you can perform these tax-related setups:

- **Party tax profiles** - Party tax profiles contain the information that relates to a party's transaction tax activities, and identify the legal entity to the tax authorities. See:

Setting Up a First Party Tax Profile, *Oracle E-Business Tax User Guide* for more information.

- **Configuration options** - Configuration options indicate the tax regimes to which the legal entity is subject. For each tax regime/legal entity assignment, the configuration option also defines the way in which the legal entity uses tax configuration data for the regime. See: Setting Up Configuration Options, *Oracle E-Business Tax User Guide* for more information.
- **Configuration owner tax options** - Configuration owner tax options let you set specific transaction tax processing and control options for a combination of configuration owner and application event class. See: Setting Up Configuration Owner Tax Options, *Oracle E-Business Tax User Guide* for more information.

When you set up legal entities for your company, set the Transacting Entity option to Yes. See: Creating a Legal Entity, *Oracle Financials Implementation Guide* for more information.

After you set up legal entities, set up the legal establishments that belong to the legal entity.

### Setting Up First Party Legal Establishments

Set up a legal establishment record for each office, service center, warehouse and any other location within the company that requires a registration with a tax authority for one or more taxes. You set up legal establishments under a parent legal entity.

When you set up legal establishments, you can also perform these tax-related setups:

- **Party tax profiles** - Set up a party tax profile for each legal establishment. You can set up certain details of the party tax profile when you create the legal establishment. See: Setting Up a First Party Tax Profile, *Oracle E-Business Tax User Guide* for more information.
- **Tax registrations** - Set up tax registrations for each legal establishment. Depending on the applicable tax requirements, you may need to set up more than tax registration for an establishment. You must complete additional setup in E-Business Tax to set up a tax registration. See: Setting Up a Tax Registration, *Oracle E-Business Tax User Guide* for more information.

Use the Associate Business Entities region to link a tax-related business entity to a legal establishment. See: Creating Establishments, *Oracle Financials Implementation Guide* for more information.

### Setting Up Legal Authorities

Set up a legal authority record for each tax authority that administers taxes in a tax regime where you do business. While not mandatory, you can set up legal authority records before you perform these tax-related setups:

- **Tax authority tax profile** - Set up tax authority tax profiles for your collecting, reporting, and issuing tax authorities. A *collecting tax authority* manages the administration of tax remittances. A *reporting tax authority* receives and processes all company transaction tax reports. An *issuing tax authority* issues tax registration numbers and tax exemption certificates. See: Setting Up a Tax Authority Tax Profile, *Oracle E-Business Tax User Guide* for more information.
- **Basic tax configuration** - The collecting and reporting tax authorities appear in the corresponding list of values on these tax configuration setups:
  - Tax regimes
  - Taxes
  - Tax jurisdictions
- **Tax registrations** - Enter the tax authority responsible for issuing the legal establishment tax registration number. Update the collecting and reporting tax authorities that default from the tax jurisdiction record. See: Setting Up a Tax Registration, *Oracle E-Business Tax User Guide* for more information.
- **Tax exemptions** - Enter the tax authority that issues the tax exemption certificate. See: Setting Up Tax Exemptions, *Oracle E-Business Tax User Guide* for more information.

When you set up a legal authority, set the Legislative Category to *Transaction Tax*. See: Creating and Updating Legal Authorities, *Oracle Financials Implementation Guide* for more information.

## Applying End Dates to Legal Entities

If you apply an end date to a legal entity or legal establishment, you must manually apply the same end date to any related E-Business Tax entities that refer to the legal entity or establishment.

- **Legal entities** - Apply an end date to the related tax reporting types, party classifications, and configuration options.
- **Legal establishments** - Apply an end date to the related tax reporting types, party classifications, and tax registrations.

## Setting Up Operating Units

Set up the operating units that you need to process your tax transactions. An *operating unit* is an organization that uses Oracle Cash Management, Order Management and Shipping Execution, Oracle Payables, Oracle Purchasing, or Oracle Receivables.

For tax-related transactions:

- Assign users to responsibilities associated with the operating units for the applicable applications.
- Assign user to an E-Business Tax responsibility. See: *Setting Up Tax Users*, page 2-2 for more information.
- Assign operating units to the applicable primary ledgers. See: *Setting Up Accounts and Accounting Information*, page 2-16.

You must set up and maintain operating units before you can perform these tax-related setups:

- **Party tax profiles** - Set up a tax profile for each operating unit. The tax profile indicates that the operating unit either uses the tax configuration of the legal entity for transactions involving the legal entity and tax regime, or acts as a configuration owner for the applicable tax regime. See: *Setting Up an Operating Unit Tax Profile*, *Oracle E-Business Tax User Guide* for more information.
- **Tax configuration options** - Set up configuration options for applicable operating units when you set up a tax regime or a party tax profile. The configuration option associates the operating unit with tax regimes either to share the tax setup of the global configuration owner or to act as a configuration owner and maintain a separate tax setup. See: *Configuration Options in Oracle E-Business Tax*, *Oracle E-Business Tax User Guide* for more information.
- **Tax accounts** - You can set up tax accounts for a single operating unit, or you can share tax accounts across multiple operating units. The accounting segments associated with the selected operating units are available for tax account purposes. The calculated tax amounts post to the operating unit accounts that you define. See: *Setting Up Tax Accounts*, *Oracle E-Business Tax User Guide* for more information.
- **Configuration owner tax options** - Set up configuration owner tax options for a combination of operating unit configuration owner and application event class. The configuration owner tax option settings let you modify the manner in which tax data is configured. See: *Setting Up Configuration Owner Tax Options*, *Oracle E-Business Tax User Guide*.

You can set up operating units using Oracle Human Resources, Oracle Inventory, or Oracle General Ledger. The setup of operating units requires a number of prerequisite setups. The number and kind of prerequisite setups depends upon your organization and your tax implementation.

## Related Topics

Updating Establishments, *Oracle Financials Implementation Guide*

## Setting Up Accounts and Accounting Information

Set up accounts and accounting information for your tax transactions. You must set up and maintain accounting information before you can set up tax accounts for the applicable operating units. You set up tax accounts by operating unit for taxes, tax rates, tax jurisdictions, tax recovery rates, and tax registrations of first party legal establishments. See: *Setting Up Tax Accounts, Oracle E-Business Tax User Guide* for more information.

Review and complete these accounting setup tasks according to your requirements:

- **Ledgers** - Set up the chart of accounts, accounting calendar and currency for the primary ledger of your legal entities and, if applicable, any secondary ledgers.
- **Legal entity balancing segments** - Define balancing segment values for the legal entities involved in tax transactions.
- **Accounting setup** - Create an accounting setup for each legal entity with the ledger or ledgers that you created, and assign the applicable operating units to the primary ledger.
- **Complete the accounting setup** - Complete the details of the accounting setups.

### Related Topics

Setting Up General Ledger, *Oracle General Ledger Implementation Guide*

Creating Accounting Setups, *Oracle Financials Implementation Guide*

## Setting Up TCA Classifications

Set up TCA classifications to classify third parties for tax purposes. You can define a TCA class category and class codes specifically for use in tax determination. You can also use standard classifications, such as the US Standard Industrial Classification (SIC) codes, and assign these codes a party fiscal classification.

You must set up and maintain TCA classifications before you can perform these tax-related setups:

- **Party fiscal classifications** - Set up party fiscal classifications for your customers and customer sites and suppliers and supplier sites. Party fiscal classifications let you classify the customer/customer site or supplier/supplier site according to categories you define for tax-related purposes. See: *Setting Up Party Fiscal Classifications, Oracle E-Business Tax User Guide* for more information.
- **Party tax profiles** - Assign party fiscal classifications to third party tax profiles to use in tax determination for invoices associated with the party. See: *Setting Up a*

Third Party Tax Profile, *Oracle E-Business Tax User Guide* for more information.

- **Tax rules** - Use the Party Fiscal Classification determining factor class to set up determining factor sets for use in tax rules. The Party Fiscal Classification determining factor class uses the party fiscal classification type defined for a TCA classification to identify the parties involved in a transaction. See: Setting Up Tax Determining Factor Sets, *Oracle E-Business Tax User Guide* for more information.

Use TCA administration to set up and maintain classifications for use in party fiscal classifications:

- **Class category** - Set up a class category to represent the party fiscal classification type. These rules apply to enabling class category options for use with fiscal classifications:
  - **Allow Multiple Parent Codes** - You cannot enable this option. E-Business Tax does not allow the class codes in a hierarchy to have multiple parents.
  - **Allow Parent Code Assignment** - You can enable this option. E-Business Tax lets you use the parent code to represent a class code within the hierarchy.
  - **Allow Multiple Class Code Assignments** - You can enable this option. E-Business Tax lets you assign more than one class code to the same entity within the hierarchy.
- **Class codes** - Set up class codes under the class category to represent the detailed classifications that belong to this class category. When you set up a party fiscal classification using a TCA class category, the related class codes by default become party fiscal classification codes.

## Related Topics

Classifications Overview, *Oracle Trading Community Architecture Administration Guide*  
Administering Classifications, *Oracle Trading Community Architecture Administration Guide*

## Setting Up Oracle Inventory

Use the Inventory Item Category functionality in Oracle Inventory to model product fiscal classifications. You can create either a single product fiscal classification type or a hierarchy of product fiscal classification types that matches the segments of the Inventory category.

You can either use existing Inventory category sets or set up new Inventory category sets for use with product fiscal classifications. After you set up Inventory item categories and associate them with product fiscal classifications, the corresponding

product fiscal classification code defaults to the transaction line for any item that belongs to the inventory category set. See: *Setting Up Product Fiscal Classifications, Oracle E-Business Tax User Guide* for more information.

You can also specify a default Inventory category set for a given country. The Inventory category associated with the item for this default category set defaults to the transaction line. See: *Setting Up Country Default Controls, Oracle E-Business Tax User Guide* for more information.

To model Inventory item categories for product fiscal classifications, you create categories and category sets and associate product fiscal classification types to the Inventory item category set.

The Inventory setup tasks to model product fiscal classifications are:

- Define Inventory Value Set
- Define Inventory Item Category Structure
- Define Category Set
- Define Inventory Categories
- Associate Inventory Items to Category Sets

You complete this setup task flow for each Inventory-based product fiscal classification type that you plan to define.

### **Define Inventory Value Set**

Define a value set with the value type that the segments of the item category structure will use. Select a value type for the product fiscal classification codes that you intend to define, for example, alphanumeric code or numeric codes.

### **Define Inventory Item Category Structure**

Define a category structure for the Inventory category set that you will use to create product fiscal classification types. If you are modeling a hierarchical classification system, then create a segment for each level in the hierarchy.

Set subcategory segments as *Not Required*.

### **Define Category Set**

Define a category set for the category structure that you created. Use a naming convention that corresponds to the product fiscal classification type that you intend to create.

### **Define Inventory Categories**

Define the values for each segment of the category structure. The values represent the

product fiscal classification codes.

This is a sample representation of numeric codes for the Brazilian CNAE and NCM product fiscal classification:

<b>Structure</b>	<b>Category</b>	<b>Description</b>
BR CNAE	3901...	Polymers of ethylene, in primary forms
BR CNAE	3901.10.10	Linear polyethylene
BR CNAE	3901.10.90	Other

### **Associate Inventory Items to Category Sets**

Assign one or more Inventory categories belonging to the category set to the Inventory items that you intend to use on transactions.

After you set up an Inventory item category set, use E-Business Tax to set up one or more product fiscal classification types and associate them with the Inventory item category set. If you are setting up a hierarchy of product fiscal classification types, define the starting point and the number of digits that make up each level code value in the hierarchy. See: *Setting Up Product Fiscal Classifications, Oracle E-Business Tax User Guide* for more information.

### **Related Topics**

*Defining Categories, Oracle Inventory User's Guide*

*Defining Category Sets, Oracle INventory User's Guide*



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## Managing Migrated Data

### Migrated Tax Data in Oracle E-Business Tax

Oracle E-Business Tax provides a common model for setting up and using existing Release 11*i* tax data for tax determination and tax calculation. This includes tax data that was originally set up in Payables, Purchasing, Receivables, and Projects.

**Note:** This chapter discusses background information and user tasks that are required to manage migrated tax data using the E-Business Tax user interface. For a complete discussion of Release 11*i* data migration, please see the *Oracle Applications Upgrade Guide: Release 11i to Release 12*.

The E-Business Tax solution for Release 11*i* migrated data includes these features:

- Migration of application-specific ownership of tax setup to the E-Business Tax shared ownership model for all Procure-to-Pay and Order-to-Cash transactions.
- Migration of tax codes and rates (Payables tax codes and Receivables VAT taxes) to the E-Business Tax Regime-to-Rate flow.
- Migration of existing tax codes and tax groups, and existing defaulting hierarchies, to E-Business Tax as tax classification codes.
- Tax determination and tax calculation based on the tax classification code.

The Release 11*i* migration solution lets you begin using E-Business Tax according to your existing tax setup with a minimum number of changes. This solution allows for a gradual adaptation of the E-Business Tax setup and tax determination processes according to your needs. Once you complete the transition to E-Business Tax processes, you can disable the Release 11*i* migrated solution with no loss of service.

## Data Ownership

In Release 11*i*, each application owned and maintained its own tax codes and rates for use with its application-specific transactions. Because E-Business Tax provides a single source for all transactions for tax determination and tax calculation services, the ownership of the tax setup moves to the E-Business Tax shared ownership model. In this model all legal entities and operating units of the company can share the same tax setup, while individual operating units may need to own tax setup for specific requirements as defined by the tax authority.

Existing operating units with Release 11*i* tax setup migrate as party-specific configuration owners, with the operating unit owning the tax setup. If a Receivables or Projects tax setup contains location-based tax codes, then these tax codes migrate as part of the common configuration, with the global configuration owner owning the location-based tax setup.

If you designate an operating unit with migrated tax setup to use the subscription of the legal entity, you can still make use of the tax classification code model for tax determination and tax calculation. See: Tax Classification Codes in Oracle E-Business Tax, page 3-5.

## Transaction Handling

In Release 11*i*, Payables held summary tax distributions and allocations without showing taxable amount details or tax line information. Procurement transactions did not carry explicit tax lines and distributions, and every transaction query was a recalculation.

In E-Business Tax, there are these improves to the management of transaction handling and display:

- One single repository with detailed and fully-allocated tax lines.
- Common single repository for tax distributions for Procure to Pay transactions.
- Document level summary tax lines for Payables transactions.
- Tax line and tax distribution IDs are stamped on Payables and Receivables tax lines for reconciliation with product transactions.
- Tax line and tax distribution IDs from product transactions are carried to Subledger Accounting for account reconciliation.

## Tax Code Migration

In Release 11*i*, the application-specific *tax code* performed many tax-related functions. These included the tax type, tax rate, offset taxes, recovery rules, taxable basis determination, tax calculation, and maintenance of related tax accounts. The Receivables *tax group* let you combine tax codes to calculate multiple taxes on single

taxable items. In keeping with the E-Business Tax setup, the functions of Payables and Receivables tax codes migrate to E-Business Tax records according to the E-Business Tax Regime-to-Rate model.

**Note:** For the Latin Tax Engine, tax regime codes are created based on the Tax Rule Set (global\_attribute13) in AR\_SYSTEM\_PARAMETERS and taxes are created based on Latin Tax Categories. If you are using the Latin Tax Engine to calculate taxes, do not create new tax regimes and taxes, but continue to use the Latin tax categories, tax codes, and tax groups.

This table describes the major features of tax code migration.

<b>AP/AR Tax Codes</b>	<b>E-Business Tax Record</b>
OU country + Tax Type	Tax Regime Code
Tax code name	Tax Code and Tax Rate Code (minus numeric identifiers)
All tax codes	Tax Status of value <i>Standard</i>
Tax rate details: <ul style="list-style-type: none"> <li>• Percentage rate</li> <li>• Effective date range</li> <li>• Default recovery rate</li> <li>• Offset tax code</li> </ul>	Tax Rate record
Location-based tax rates	<ul style="list-style-type: none"> <li>• TCA geographies (locations)</li> <li>• Tax jurisdictions</li> <li>• Tax rates</li> </ul>
Tax account details: <ul style="list-style-type: none"> <li>• Set of books</li> <li>• Tax code combination</li> </ul>	Tax Rate tax account record: <ul style="list-style-type: none"> <li>• Ledger</li> <li>• Recoverable/Non-recoverable code combination</li> </ul>

<b>AP/AR Tax Codes</b>	<b>E-Business Tax Record</b>
Tax calculation details	Tax classification code
Tax group with tax compounding	<ul style="list-style-type: none"> <li>• Tax regime and tax</li> <li>• Taxable basis formula</li> </ul>

### Global Descriptive Flexfield Migration

In Release 11*i*, you used the global descriptive flexfield to hold tax-specific information for Payables and Receivables transactions.

Release 11*i* global descriptive flexfield values migrate either as E-Business Tax entities or entity attributes. This table describes the migration of global descriptive flexfields to E-Business Tax.

<b>Global Descriptive Flexfield</b>	<b>E-Business Tax Destination</b>
Tax Codes window	<ul style="list-style-type: none"> <li>• Tax attributes of taxes, tax statuses, and tax rates</li> <li>• Tax reporting types.</li> </ul>
First and Third Parties	Attributes in party tax profiles, tax registrations, and party fiscal classifications
Items window	Product fiscal classifications
Payables Invoices window	Payables Invoices named columns
Payables Distributions window	Payables Invoice Lines named columns
Tax group with tax compounding	<ul style="list-style-type: none"> <li>• Tax regime and tax</li> <li>• Taxable basis formula</li> </ul>

### Related Topics

Oracle E-Business Tax, *Oracle Financials and Oracle Procurement Functional Upgrade Guide: Release 11*i* to Release 12*

## Tax Classification Codes in Oracle E-Business Tax

The migration of Release 11*i* tax codes and related tax setup to E-Business Tax is designed such that after migration you can arrive at the same tax result for the same transactions. Release 11*i* tax codes migrate to E-Business Tax as *tax classification codes*. The tax classification code is a tax determining factor under the Transaction Input Factor determining factor class. You can use tax classification codes and the Direct Tax Rate Determination rule type to set up a tax determination model similar to Release 11*i*. The elements of the direct tax rate determination model are:

- **Tax classification code setup** - Payables and Purchasing tax codes migrate as input tax classification codes under the ZX\_INPUT\_CLASSIFICATIONS lookup type. Receivables and Projects tax codes migrate as output tax classification codes under the ZX\_OUTPUT\_CLASSIFICATIONS lookup type.

You can use these lookup types to define additional tax classification codes according to your requirements.

- **Tax classification code assignments** - E-Business Tax replaces the Release 11*i* tax code assignments to products, parties, and application system options with tax classification code assignments. You can update these tax classification code assignments for the customers, suppliers, and other entities involved in your transactions.
- **Defaulting hierarchy** - Set up a defaulting hierarchy for tax classification codes similar to the Release 11*i* Payables and Receivables tax code defaulting hierarchies. You can update existing migrated tax classification code hierarchy assignments and create new assignments.
- **Tax conditions** - Set up tax condition sets using the TAX\_CLASSIFICATION\_CODE determining factor and condition values equal to the tax rate codes that you need.
- **Direct Tax Rate Determination rules** - Set up tax rules under the Direct Tax Rate Determination rule type to determine tax applicability, tax status, and tax rate.

At transaction time, E-Business Tax uses the tax classification code that is defaulted to the transaction line to determine the tax status and tax rate for applicable taxes. You can also manually enter a tax classification code on the transaction line.

### Related Topics

Setting Up Lookup Codes, page 2-8

Using Application Tax Options, *Oracle E-Business Tax User Guide*

Using Tax Classification Codes, *Oracle E-Business Tax User Guide*

## Tax Configuration Migration Path

The automated migration process converts Release 11*i* tax data to E-Business Tax tax configuration data. Once the automated migration process is complete, you can begin using your migrated tax data in E-Business Tax without any additional modifications or updates.

Over time, you can apply incremental updates and modifications to migrated tax data in order to gradually move from the Release 11*i* tax code model to the E-Business Tax regime-to-rate and tax rules model. This gradual change can include:

- Replace tax classification codes with tax statuses and tax rates, and inactivate the corresponding defaulting hierarchy.
- Use tax rules, for example, for status and rate determination and tax recovery.
- Use the TCA geography hierarchy.
- Create tax setup data under the Global Configuration Owner, to allow future sharing of tax content.

As you become familiar with E-Business Tax setup tasks, you can create new tax data directly in E-Business Tax, according to your requirements.

This table provides guidelines for using Release 11*i* tax data in E-Business Tax, and indicates, where applicable, ways to increase your use of E-Business Tax features for your tax determination needs.

Feature	Release 11i Steps	Release 11i Usage in E-Business Tax	Using E-Business Tax
Tax Definition	<ul style="list-style-type: none"> <li>• Define a tax code for a new rate.</li> <li>• Create a tax group code for tax codes that occur together.</li> </ul>	<ol style="list-style-type: none"> <li>1. Define a tax classification code and create a direct rate determination rule with this code.</li> <li>2. Define a tax rate code in the context of a tax regime, tax, and tax status.</li> </ol>	<ul style="list-style-type: none"> <li>• Use Place of Supply or Applicability rules to determine which taxes apply.</li> <li>• Use Status or Rate rules, if necessary.</li> <li>• Use jurisdiction rates.</li> <li>• Use Recovery Rules, if applicable.</li> </ul>
Tax Code Defaulting Hierarchy	Define the defaulting hierarchy using system options and select a tax code for each source.	Update/define the defaulting hierarchy using Application Tax Options and select a tax classification code for each source.	Replace the defaulting hierarchy with tax rules for specific tax regulations.
Tax Jurisdictions	Define location values under a location structure and associate each value with a tax rate.	Update/define location values and rates under: <ul style="list-style-type: none"> <li>• TCA geography hierarchy and tax zones</li> <li>• Tax jurisdictions</li> <li>• Tax rates</li> </ul>	Define multiple tax rates for a jurisdiction, for different statuses and rates.

Feature	Release 11i Steps	Release 11i Usage in E-Business Tax	Using E-Business Tax
Tax Compounding	Define compounding in tax groups.	<ul style="list-style-type: none"> <li>• Compounding setup upgraded with taxes.</li> <li>• Compounded taxes upgraded as taxable basis formulae.</li> </ul>	<ul style="list-style-type: none"> <li>• Define compounding at tax level.</li> <li>• Define multi-level compounding or surcharges in combination with base rate modifiers.</li> <li>• Enable/disable cross-regime compounding.</li> </ul>
Tax Inclusive Settings	<ul style="list-style-type: none"> <li>• Define Standard Inclusive Handling and Standard Non-Inclusive Handling at Receivables System Options, Tax Codes and Tax Groups levels.</li> <li>• Set Tax Inclusiveness at the customer/site and supplier/site levels.</li> </ul>	Update/define Standard Inclusive Handling, Standard Non-Inclusive Handling, and Special Inclusive Handling at the tax regime, tax, and tax rate levels.	<ul style="list-style-type: none"> <li>• Set Tax Inclusiveness on invoices at the party/party site and account tax levels.</li> <li>• Use Configuration Owner Tax Options for a combination of configuration owner and application event class to define the order in which parties/registrations are checked for tax inclusiveness and to override tax inclusive handling on transactions.</li> </ul>

Feature	Release 11i Steps	Release 11i Usage in E-Business Tax	Using E-Business Tax
Tax Recovery	<ul style="list-style-type: none"> <li>• Allow Recoverable Taxes setting defined at Financials System Options.</li> <li>• Recovery rates and recovery rules associated with tax codes.</li> </ul>	<ul style="list-style-type: none"> <li>• Allow Tax Recovery setting appears at both tax regime and tax levels, for more granular control.</li> <li>• Recovery rates upgraded under the tax Primary Recovery Type.</li> <li>• Accounting-based recovery rules upgraded as tax rules for recovery.</li> </ul>	<ul style="list-style-type: none"> <li>• Add tax recovery rules by intended use and/or product fiscal classification.</li> <li>• Optionally define a secondary recovery type and rates for Canadian taxes.</li> </ul>
Tax Rounding	<ul style="list-style-type: none"> <li>• Procurement: Set Rounding Rule and Rounding Level under Supplier/Supplier Site.</li> <li>• Receivables: Set Rounding Rule and Rounding Rule Override in Receivables System Options</li> </ul>	<ul style="list-style-type: none"> <li>• Update/define Rounding Rule and Rounding Level under third party tax profiles.</li> <li>• Define Rounding Rule and Rounding Rule Override at tax regime and tax levels, independent of product.</li> </ul>	<p>Use Configuration Owner Tax Options for a combination of configuration owner and application event class to define a rounding precedence hierarchy for deriving the rounding level and rounding rule to use on a transaction.</p>

Feature	Release 11i Steps	Release 11i Usage in E-Business Tax	Using E-Business Tax
Tax Profile Options	Set tax-related profile options under Payable, Receivables, and Cash Management.	Set tax-related profile options under E-Business Tax.	<ul style="list-style-type: none"> <li>• Use the Tax and Configuration Owner Tax Options settings in conjunction with profile options for more granular control.</li> <li>• Set the eBTax: Read/Write Access to GCO Data profile option to restrict user access to creating and modifying installation-level tax configurations.</li> </ul>
Tax Overrides	<ul style="list-style-type: none"> <li>• Receivables: Allow Tax Rounding Override and Allow Override of Inclusive Tax Lines.</li> <li>• Tax Codes level: Allow Tax Rate Override.</li> <li>• Responsibility level: Allow Override of Customer Exemptions and Allow Override of Tax Codes.</li> </ul>	<ul style="list-style-type: none"> <li>• Party tax profile: Allow Tax Rounding Override and Allow Override of Inclusive Tax Lines.</li> <li>• Tax Status level: Allow Tax Rate Override.</li> </ul>	Use Configuration Owner Tax Options for a combination of configuration owner and application event class to define specific override settings.

Feature	Release 11i Steps	Release 11i Usage in E-Business Tax	Using E-Business Tax
Tax Registrations	Define separate single tax registrations for: <ul style="list-style-type: none"> <li>• Supplier</li> <li>• Supplier site</li> <li>• Customer</li> <li>• Customer site</li> <li>• HR organization</li> </ul>	Backward compatibility for: <ul style="list-style-type: none"> <li>• Tax reporting registration number and tax registration type for supplier/supplier site party tax profiles.</li> <li>• Tax registrations for customer/customer site uses level.</li> <li>• Tax registration for first party legal establishment tax profile.</li> </ul>	<ul style="list-style-type: none"> <li>• Define multiple tax registrations for the same party and different tax regimes, taxes, and tax jurisdictions.</li> <li>• Define detailed information each tax registration.</li> <li>• Set up user-definable tax registration types, statuses, and reasons.</li> <li>• Use tax registration statuses in tax rules.</li> </ul>

Feature	Release 11i Steps	Release 11i Usage in E-Business Tax	Using E-Business Tax
Tax Exemptions	<ul style="list-style-type: none"> <li>• Define tax exemptions for both items and parties.</li> <li>• Use Customer Exemptions set at Receivables System Options.</li> <li>• Allow Tax Exemptions set for tax code.</li> <li>• Define tax exemptions for a combination of party and tax code.</li> </ul>	<ul style="list-style-type: none"> <li>• Tax exemptions refer to customer exemptions only; set up item exemptions as <i>tax exceptions</i>.</li> <li>• Allow Exemptions set at Configuration Owner Tax Options for a combination of configuration owner and application event class.</li> <li>• Allow Tax Exemptions set at tax regime level to apply to all taxes, and at tax level for further granularity.</li> </ul>	Set up tax exemptions as part of a third party tax profile for a customer/customer site and tax regime, and optionally for a tax, tax jurisdiction, tax status, and tax rate.

Feature	Release 11i Steps	Release 11i Usage in E-Business Tax	Using E-Business Tax
Tax Exceptions	<ul style="list-style-type: none"> <li>• Define tax exemptions for both items and parties.</li> <li>• Use Item Tax Rate Exception set at Receivables System Options.</li> <li>• Define item exception rates in the Tax Rate Exceptions window.</li> <li>• Define item tax exemptions for a combination of item and tax code.</li> </ul>	<ul style="list-style-type: none"> <li>• Allow Exemptions set at Configuration Owner Tax Options for a combination of configuration owner and application event class.</li> <li>• Set up tax exceptions for a combination of Inventory item, tax regime, and tax.</li> </ul>	<p>You can also set up tax exceptions for non-Inventory items, and optionally apply them to tax jurisdictions, tax statuses, and tax rates.</p>
Tax Formulas	<p>Define PL/SQL for tax codes, and only for taxable basis formulas.</p>	<p>Define tax formulas for tax regimes, or tax regime and tax.</p>	<p>Define several formula types, including taxable basis, calculate tax amounts, and tax compounding.</p>



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# Setting Up Country-Specific Taxes

## Country Setup Examples

This chapter contains sample tax configuration setup data for these tax regimes:

- United Kingdom Value Added Tax (VAT)
- Canadian Goods and Services Tax (GST) and Harmonized Sales Tax (HST)
- United States Sales and Use Tax

These examples are intended to demonstrate typical setups, option settings, and interdependencies for each tax regime. They are not intended to provide an example of best practices in all cases. The actual details of your own tax configuration setup will depend on your company's specific internal and legal tax requirements.

## United Kingdom Value Added Tax (VAT)

In the United Kingdom, Value Added Tax (VAT) is a tax on consumer expenditure that is charged on most business transactions made in the United Kingdom and the Isle of Man. VAT is also charged on goods and some services imported from places outside the European Union, and on goods and some services coming into the United Kingdom from the other European Union countries.

The current rates for VAT are:

- Standard rate of 17.5%.
- Reduced rate of 5% for certain goods and services, such as domestic fuel and energy saving materials.
- Zero rate.

Some goods and services are exempt from VAT. In addition, there is a zero rate for

United Kingdom companies that supply goods and services to VAT-registered customers in other European Union Member States, provided the company meets the appropriate conditions.

The example in this section is based on the Customs and Excise Management Act 1979.

## Setup Features

This tax setup example is for a first party registered in the United Kingdom and dealing with domestic, intra-EU and extra-EU transactions. Setup features include:

- There are five possible tax statuses for VAT: standard, reduced, exempt, zero, and Intra-European Union zero. The Intra-European Union zero status came into effect in 2000. There is a separate tax status record for each tax status. All records have the same tax regime code, configuration owner, and tax, as well as the same default controls.

Although you do not need to report exempt transactions, this example illustrates the creation of a specific Exempt tax status (with associated zero rate) to allow simple identification for reporting or audit purposes. The separate Intra-European Union zero status also allows for easy identification and reporting.

- A company of this kind can normally recover 100%, with standard exceptions where 0% recovery is permitted.
- The setup uses tax rules rather than tax exceptions to define exempt and reduced rate goods.
- The setup uses tax rules rather than tax exemptions to define exempt customers, such as diplomatic and military customers.
- The exchange rate type is *User*, to take into account the different options available to the company for expressing foreign currency transactions.

## Inventory Category Sets and Category Codes

These Inventory category codes are used to identify goods and services for use in tax rules.

See: Setting Up Oracle Inventory, page 2-17 for information about creating Inventory item categories for product fiscal classifications.

**Inventory Category Sets and Category Codes**

<b>Category Set</b>	<b>Structure Name</b>	<b>Category Code</b>	<b>Description</b>
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBG01	Goods
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBG0100	Normal Rated Goods
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBG0101	Zero Rated Goods
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBG0102	Exempt Goods
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBG0103	Reduced Rate Goods
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBS01	Services
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBS0100	Normal Rated Services
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBS0101	Zero Rated Services
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBS0102	Exempt Services
GB VAT PRODUCT CLASSIFICATION	Fiscal Classification	GBS0103	Reduced Rate Services
GB VAT RECOVERY	Fiscal Classification	GBR00	Normal Recovery
GB VAT RECOVERY	Fiscal Classification	GBR01	Zero Recovery
	Intended Use	GB Linked to Exempt Sale	GB Linked to Exempt Sale

## Party Tax Profile: Tax Authority

You first set up the United Kingdom tax authority--HM Revenue and Customs--as a legal authority using the Oracle Legal Entity Manager, and then create a party tax profile for the legal authority.

### *Legal Authority*

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<b>Field</b>	<b>Value</b>
Organization Name	HM Revenue and Customs
Legislative Category	Transaction Tax
Country	United Kingdom
Address1	VAT Central Unit Alexander House
City	Southend-on-Sea
Postal Code	SS99 1AA
Status	Active
Primary Address	Yes

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### *Tax Authority*

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<b>Field</b>	<b>Value</b>
Party Type	Tax Authority
Party Name	HM Revenue and Customs
Address	VAT Central Unit, Alexander House, Southend-on-Sea, Essex, SS99 1AA
Country Name	United Kingdom
Set as a Collecting Authority	Yes

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Field	Value
Set as a Reporting Authority	Yes

## Tax Zones

The tax zone type *European Economic Regions* contains a tax zone record for each country in the European Union. The setup values are the same for each country, except for the Geography Name field.

Field	Value
Tax Zone Name	European Economic Community
Tax Zone Code	EU
Start Date	01-Jan-05
Tax Zone Type	Economic Regions
Code Type	Tax Geography Code
Geography Type	Country
Geography Name	Austria
	Belgium
	...
	United Kingdom

## Tax Regime Setup

Field	Value	Field	Value
<b>Main Information</b>			

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Tax Regime Code	GB VAT	Country Name	United Kingdom
Name	GB VAT	Effective From	18-Jun-1979
Regime Level	Country	Used to Group Regimes	No
<b>Controls</b>			
Allow Tax Recovery	Yes	Allow Tax Exemptions	No
Allow Override and Entry of Inclusive Tax Lines	Yes	Allow Tax Exceptions	No
<b>Defaults</b>			
Tax Currency	GBP	Exchange Rate Type	User
Minimum Accountable Unit	.01	Reporting Tax Authority	HM Revenue and Customs
Rounding Rule	Nearest	Collecting Tax Authority	HM Revenue and Customs
Tax Precision	2	Default Recovery Settlement	Immediate
Allow Tax Inclusion	Standard Non-Inclusive Handling	Use Legal Registration Number	No
Allow Multiple Jurisdictions	No	Allow Cross Regime Compounding	No
Allow Tax Rounding Override	Yes		
<b>Configuration Options (if defined from tax regime)</b>			

Field	Value	Field	Value
Party Name	Party name	Configuration for Product Exceptions	Common Configuration
Configuration for Taxes and Rules	Common Configuration	Effective From	18-Jun-1979

## Tax Setup

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	GB VAT	Tax Currency	GBP
Configuration Owner	Global Configuration Owner	Minimum Accountable Unit	.01
Tax Source	Create a new tax	Rounding Rule	Nearest
Tax	GB VAT	Tax Precision	2
Tax Name	GB VAT	Exchange Rate Type	User
Tax Type	VAT	Reporting Tax Authority	HM Revenue and Customs
Effective From	18-Jun-1979	Collecting Tax Authority	HM Revenue and Customs
Geography Type	Country	Applied Amount Handling	Recalculated
Parent Geography Type	Country	Set as Offset Tax	No
Parent Geography Name	United Kingdom	Set Tax for Reporting Purposes Only	No
<b>Controls</b>			

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Allow Tax Inclusion	Standard Non-Inclusive Handling	Allow Entry of Manual Tax Lines	Yes
Allow Override and Entry of Inclusive Tax Lines	Yes	Use Legal Registration Number	No
Allow Tax Rounding Override	Yes	Allow Duplicate Tax Registration Numbers	No
Allow Override for Calculated Tax Lines	Yes	Allow Multiple Jurisdictions	No
<b>Tax Account Controls</b>			
Tax Accounts Creation Method	Create Tax Accounts		
<b>Tax Recovery Controls</b>			
Allow Tax Recovery	Yes	Primary Recovery Type	Standard
Allow Tax Recovery Rate Override	Yes	Default Primary Recovery Rate Code (Update page)	GB VAT STANDARD REC RATE
Allow Primary Recovery Rate Determination Rules	Yes	Allow Tax Rate Rules	No
Allow Secondary Recovery Rate Determination Rules	No	Default Recovery Settlement	Immediate

## Tax Status Setup

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
<b>Main Information</b>			
Tax Regime Code	GB VAT	Tax	GB VAT
Configuration Owner	Global Configuration Owner	Tax Name	GB VAT
<b>Standard Status</b>			
Tax Status Code	GB VAT STANDARD	Effective From	18-Jun-1979
Name	GB VAT Standard	Set as Default Tax Status	Yes
<b>Reduced Status</b>			
Tax Status Code	GB VAT REDUCED	Effective From	18-Jun-1979
Name	GB VAT Reduced	Set as Default Tax Status	No
<b>Exempt Status</b>			
Tax Status Code	GB VAT EXEMPT	Effective From	18-Jun-1979
Name	GB VAT Exempt	Set as Default Tax Status	No
<b>Zero Status</b>			
Tax Status Code	GB VAT ZERO	Effective From	18-Jun-1979
Name	GB VAT Zero	Set as Default Tax Status	No
<b>Intra EU Zero Status</b>			
Tax Status Code	GB VAT INTRA EU ZERO	Effective From	1-Jan-2000

Field	Value	Field	Value
Name	GB VAT Intra EU Zero	Set as Default Tax Status	No
<b>Default Controls (all statuses)</b>			
Allow Tax Exemptions	No	Allow Tax Rate Override	Yes
Allow Tax Exceptions	No	Default Recovery Settlement	Immediate

## Tax Jurisdiction Setup

This setup is for the one tax jurisdiction--the United Kingdom--for GB VAT.

Field	Value
Tax Jurisdiction Code	GB VAT
Tax Jurisdiction Name	GB VAT
Tax Regime Code	GB VAT
Tax	GB VAT
Geography Type	Country
Parent Geography Type	Country
Parent Geography Name	United Kingdom
Geography Name	United Kingdom
Inner City Jurisdiction	N/A
Precedence Level	N/A
Collecting Tax Authority	HM Revenue and Customs

Field	Value
Reporting Tax Authority	HM Revenue and Customs
Effective From	18-Jun-1979
Set as Default Tax Jurisdiction	Yes
Default Effective From	18-Jun-1979

## Tax Recovery Rate Setup

This example illustrates setup for the VAT recovery rates of standard and zero.

In some instances you may also need to set up a partial rate. A company's actual rate for partial recovery will depend on the combination of its taxable and exempt statuses, as agreed upon with HM Revenue and Customs.

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	GB VAT	Tax	GB VAT
Tax Regime Name	GB VAT	Tax Name	GB VAT
Configuration Owner	Global Configuration Owner	Recovery Type	Standard
<b>Standard Rate</b>			
Tax Recovery Rate Code	GB VAT STANDARD REC RATE	Set as Default Rate	Yes
Percentage Recovery Rate	100	Default Effective From	18-Jun-1979
Effective From	18-Jun-1979	Allow Ad Hoc Rate	N/A
<b>Zero Rate</b>			

Field	Value	Field	Value
Tax Recovery Rate Code	GB VAT ZERO REC RATE	Set as Default Rate	No
Percentage Recovery Rate	0	Allow Ad Hoc Rate	N/A
Effective From	18-Jun-1979		

## Tax Rate Setup

This example shows the standard VAT rate. There are two rate periods to reflect the rate change After March 1991.

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	GB VAT	Tax Status Name	GB VAT Standard
Tax Regime Name	GB VAT	Tax Rate Code	GB VAT STANDARD RATE
Tax	GB VAT	Configuration Owner	Global Configuration Owner
Tax Name	GB VAT	Rate Type	Percentage
Tax Status Code	GB VAT STANDARD		
<b>Rate Period 1</b>			
Percentage Rate	15	Default Effective From	18-Jun-1979
Effective From	18-Jun-1979	Default Effective To	31-Mar-1991
Effective To	31-Mar-1991	Allow Tax Inclusion	Standard Non-Inclusive Handling

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Default Recovery Rate Code	GB VAT STANDARD REC RATE	Allow Override and Entry of Inclusive Tax Lines	No
Recovery Type	STANDARD	Allow Ad Hoc Rate	No
Default Recovery Settlement	Immediate	Adjustment for Ad Hoc Amounts	Taxable Basis
Set as Default Rate	Yes		
<b>Rate Period 2</b>			
Percentage Rate	17.5	Default Effective From	1-Apr-1991
Effective From	1-Apr-1991	Allow Tax Inclusion	Standard Non-Inclusive Handling
Default Recovery Rate Code	GB VAT STANDARD REC RATE	Allow Override and Entry of Inclusive Tax Lines	Yes
Recovery Type	STANDARD	Allow Ad Hoc Rate	No
Default Recovery Settlement	Immediate	Adjustment for Ad Hoc Amounts	Taxable Basis
Set as Default Rate	Yes		

## Party Tax Profile Setup

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
<b>First Party Legal Entity</b>			

Field	Value	Field	Value
Party Type	First Party Legal Entity	Country Name	United Kingdom
Party Name	Party name		
<b>Main Information</b>			
Set for Self Assessment/Reverse Charge	Yes	Rounding Rule	Nearest
Rounding Level	Header	Set Invoice Values as Tax Inclusive	No
<b>Configuration Options (if defined from party tax profile)</b>			
Tax Regime Code	GB VAT	Configuration for Product Exceptions	N/A
Configuration for Taxes and Rules	Common Configuration	Effective From	18-Jun-1979
Field	Value	Field	Value
<b>First Party Legal Establishment</b>			
Party Type	First Party Legal Establishment	Country Name	United Kingdom
Party Name	Party name		
<b>Tax Registration</b>			
Tax Regime Code	GB VAT	Tax Registration Reason	REVENUE_THRESH OLD

Field	Value	Field	Value
Tax	GB VAT	Effective From	1-Jan-1991
Tax Registration Number	GB123456789	Rounding Rule	Nearest
Set as Default Registration	Yes	Set Invoice Values as Tax Inclusive	No
Tax Registration Status	REGISTERED	Set for Self Assessment/Reverse Charge	Yes
Source	Explicit		

## Product Inventory Fiscal Classifications

This example shows the setup for Inventory-based product fiscal classifications. These fiscal classifications are used in the creation of tax rules for the tax GB VAT.

### **GB VAT PRODUCT CLASSIFICATION**

Fiscal Classification Type Code	Start Position	Number of Characters	Product Classification Source	Effective From
GB VAT PRODUCT LEVEL 1	1	5	Inventory	18-Jun-1979
GB VAT PRODUCT LEVEL 2	1	7	Inventory	18-Jun-1979

### GB VAT RECOVERY

Fiscal Classification Type Code	Start Position	Number of Characters	Product Classification Source	Effective From
GB VAT RECOVERY	1	5	Inventory	18-Jun-1979

## Product Intended Use Fiscal Classifications

This example shows the setup for an Inventory-based product intended use fiscal classification type. This fiscal classification type is used in the creation of tax rules for the tax GB VAT.

Fiscal Classification Type Code	Effective From	Inventory Category Set	Fiscal Classification Code	Country Name
INTENDED_US E	18-Jun-1979	INTENDED_US E	GB Linked to Exempt Sale	United Kingdom

## Tax Rule Defaults

This example shows the default values that are entered for each rule type for the creation of tax rules for the tax GB VAT. In tax rules, the *default value* is the most commonly expected result. E-Business Tax uses this value on a transaction when there are no rules that determine another result.

### Default Values for GB VAT Tax Rules

Rule Type	Default Value
Determine Place of Supply	Ship From
Determine Tax Applicability	Applicable
Determine Tax Registration	Bill From Party
Determine Tax Status	GB VAT STANDARD

<b>Rule Type</b>	<b>Default Value</b>
Determine Tax Rate	GB VAT STANDARD RATE
Determine Taxable Basis	STANDARD_TB
Calculate Tax Amounts	STANDARD_TC

## Tax Determining Factor Sets

This example shows tax determining factor sets that are used to create tax rules for the tax GB VAT. There is one determining factor set per rule type. Each determining factor set contains all the determining factors necessary to create tax conditions for the corresponding tax rule.

None of the determining factors in these sets are set as Required.

### ***GB VAT REGISTRATION***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>
User Defined Geography	Ship From	Economic Regions
Geography	Ship From	Country
Geography	Ship To	Country
Transaction Input Factor		Product Type
Registration	Bill From Party	Registration Status
Transaction Generic Classification		Transaction Business Category

### ***GB VAT Place of Supply***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>
User Defined Geography	Ship From	Economic Regions

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>
Geography	Ship From	Country
User Defined Geography	Bill From	Economic Regions
Geography	Ship To	Country
Transaction Input Factor		Product Type
Registration	Bill From Party	Registration Status
Transaction Generic Classification		Transaction Business Category

***GB VAT Applicability***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>
Transaction Input Factor		Product Type
Geography	Ship From	Country
Geography	Ship To	Country
Geography	Bill From	Country
Geography	Bill To	Country
Registration	Bill From Party	Registration Status

***GB VAT Status***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>
Geography	Ship From	Country
User Defined Geography	Ship To	Economic Regions

Determining Factor Class	Class Qualifier	Determining Factor Name
Geography	Ship To	Country
Transaction Input Factor		Product Type
Product - Inventory Based		GB VAT Product Level 2
Registration	Bill From Party	Registration Status
Registration	Bill To Party	Registration Status
Transaction Generic Classification		Transaction Business Category

#### ***GB VAT Recovery Rate***

Determining Factor Class	Class Qualifier	Determining Factor Name
Product - Inventory Based		GB VAT Recovery
Transaction Input Factor		Intended Use

## **Tax Condition Sets**

These examples show the tax condition sets that are used to create tax rules. Each tax condition set makes use of one of the tax determining factor sets created for tax rules for the tax GB VAT. The tax condition sets in these examples only show the determining factors that are actually used to create tax conditions; the other determining factors in the tax determining factor set (if any) are considered to be set to Ignore Condition.

### **GB Intra EU Goods Purchase and Reverse Charge**

This example uses two tax condition sets to process a purchase by a UK customer from a supplier in an EU country, and to determine a standard reverse charge on the goods shipped from an EU country to the UK. The UK customer is GB VAT registered, but the supplier is non-GB VAT registered.

The tax condition set GB INTRA EU GOODS PURCHASE uses the tax determining factor set GB VAT PLACE OF SUPPLY in the Determine Place of Supply rule. The tax condition set GB GOODS PURCHASE REVERSE CHARGE uses the tax determining factor set GB VAT REGISTRATION in the Determine Tax Registration rule.

**GB INTRA EU GOODS PURCHASE**

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
User Defined Geography	Ship From	Economic Regions	Equal To	European Economic Community
Geography	Ship From	Country	Not Equal To	United Kingdom
Geography	Ship To	Country	Equal To	United Kingdom
Transaction Generic Classification		Transaction Business Category	Equal To	Purchase Transaction
Registration	Bill From Party	Registration Status	Equal To	Registered in EU (Non GB)
Transaction Input Factor		Product Type	Equal To	Goods

**GB GOODS PURCHASE REVERSE CHARGE**

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
User Defined Geography	Ship From	Economic Regions	Equal To	European Economic Community
Geography	Ship From	Country	Not Equal To	United Kingdom
Geography	Ship To	Country	Equal To	United Kingdom
Transaction Input Factor		Product Type	Equal To	GOODS
Transaction Generic Classification		Transaction Business Category	Equal To	Purchase Transaction

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
Registration	Bill From Party	Registration Status	Equal To	Registered in EU (Non GB)

## GB INTRA EU AND DOMESTIC SERVICES

This example uses the tax condition set GB INTRA EU AND DOMESTIC SERVICES to process service transactions where the services are not explicitly defined, and thus the place of supply is deemed to be Where the Supplier Belongs.

The tax condition set GB INTRA EU AND DOMESTIC SERVICES uses the tax determining factor set GB VAT PLACE OF SUPPLY in the Determine Place of Supply rule.

### *GB INTRA EU AND DOMESTIC SERVICES*

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
User Defined Geography	Bill From	Economic Regions	Equal To	European Economic Community
Transaction Input Factor		Product Type	Equal To	Services

## GB DOMESTIC GOODS BILL FROM NON REG

This example uses the tax condition set GB DOMESTIC GOODS BILL FROM NON REG to determine that a supplier has to be registered for UK VAT in order to charge UK VAT on goods. If the supplier is not registered, then VAT is not applicable.

The tax condition set GB DOMESTIC GOODS BILL FROM NON REG uses the tax determining factor set GB VAT APPLICABILITY in the Determine Tax Applicability rule.

#### **GB DOMESTIC GOODS BILL FROM NON REG**

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Transaction Input Factor		Product Type	Equal To	GOODS
Geography	Ship From	Country	Equal To	United Kingdom
Geography	Ship To	Country	Equal To	United Kingdom
Registration	Bill From Party	Registration Status	Not Equal To	Registered

#### **GB DOMESTIC SERVICES BILL FROM NON REG**

This example uses the tax condition set GB DOMESTIC SERVICES BILL FROM NON REG to determine that a supplier has to be registered for UK VAT in order to charge UK VAT on services. If the supplier is not registered, then VAT is not applicable.

The tax condition set GB DOMESTIC SERVICES BILL FROM NON REG uses the tax determining factor set GB VAT APPLICABILITY in the Determine Tax Applicability rule.

#### **GB DOMESTIC SERVICES BILL FROM NON REG**

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Transaction Input Factor		Product Type	Equal To	SERVICES
Geography	Bill From	Country	Equal To	United Kingdom
Geography	Bill To	Country	Equal To	United Kingdom
Registration	Bill From Party	Registration Status	Not Equal To	Registered

#### **GB INTRA EU GOODS SALE ZERO RATE**

This example uses the tax condition set GB INTRA EU GOODS SALE ZERO RATE to

determine when a zero rate is applicable for the Determine Tax Status rule.

The tax condition set GB INTRA EU GOODS SALE ZERO RATE uses the tax determining factor set GB VAT STATUS in the Determine Tax Status rule.

**GB INTRA EU GOODS SALE ZERO RATE**

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Geography	Ship From	Country	Equal To	United Kingdom
User Defined Geography	Ship To	Economic Regions	Equal To	European Economic Community
Geography	Ship To	Country	Not Equal To	United Kingdom
Transaction Input Factor		Product Type	Equal To	GOODS
Registration	Bill From Party	Registration Status	Equal To	Registered
Registration	Bill To Party	Registration Status	Equal To	Registered in EU (Non GB)
Transaction Generic Classification		Transaction Business Category	Equal To	Sales Transaction

**GB GOODS REDUCED RATE**

This example uses the tax condition set GB GOODS REDUCED RATE to use a reduced rate for sales of reduced rate goods.

The tax condition set GB GOODS REDUCED RATE uses the tax determining factor set GB VAT STATUS in the Determine Tax Status rule.

### ***GB GOODS REDUCED RATE***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Product - Inventory Linked		GB VAT Product Level 2	Equal To	Reduced Rate Goods

### **GB SERVICES REDUCED RATE**

This example uses the tax condition set GB SERVICES REDUCED RATE to use a reduced rate for sales of reduced rate goods.

The tax condition set GB SERVICES REDUCED RATE uses the tax determining factor set GB VAT STATUS in the Determine Tax Status rule.

### ***GB SERVICES REDUCED RATE***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Product - Inventory Linked		GB VAT Product Level 2	Equal To	Reduced Rate Services

### **GB GOODS ZERO RATE**

This example uses the tax condition set GB GOODS ZERO RATE to use a zero rate for sales of zero-rated goods.

The tax condition set GB GOODS ZERO RATE uses the tax determining factor set GB VAT STATUS in the Determine Tax Status rule.

### ***GB GOODS ZERO RATE***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Product - Inventory Linked		GB VAT Product Level 2	Equal To	Zero Rated Goods

## GB SERVICES ZERO RATE

This example uses the tax condition set GB SERVICES ZERO RATE to use a zero rate for sales of zero-rated services.

The tax condition set GB SERVICES ZERO RATE uses the tax determining factor set GB VAT STATUS in the Determine Tax Status rule.

### ***GB SERVICES ZERO RATE***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Product - Inventory Linked		GB VAT Product Level 2	Equal To	Zero Rated Services

## GB EXPORT GOODS OUTSIDE EU

This example uses the tax condition set GB EXPORT GOODS OUTSIDE EU for transactions involving the export of goods to non-EU countries.

The tax condition set GB EXPORT GOODS OUTSIDE EU uses the tax determining factor set GB VAT STATUS in the Determine Tax Status rule.

### ***GB EXPORT GOODS OUTSIDE EU***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
User Defined Geography	Ship To	Economic Regions	Not Equal To	European Economic Community
Geography	Ship From	Country	Equal To	United Kingdom
Transaction Input Factor		Product Type	Equal To	GOODS

## GB GOODS EXEMPT RATE

This example uses the tax condition set GB GOODS EXEMPT RATE for the sale of goods with a zero-rated exempt status.

The tax condition set GB GOODS EXEMPT RATE uses the tax determining factor set GB

VAT STATUS in the Determine Tax Status rule.

#### ***GB GOODS EXEMPT RATE***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Product - Inventory Linked		GB VAT Product Level 2	Equal To	Exempt Goods

#### **GB SERVICES EXEMPT RATE**

This example uses the tax condition set GB SERVICES EXEMPT RATE for the sale of services with a zero-rated exempt status.

The tax condition set GB SERVICES EXEMPT RATE uses the tax determining factor set GB VAT STATUS in the Determine Tax Status rule.

#### ***GB SERVICES EXEMPT RATE***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Product - Inventory Linked		GB VAT Product Level 2	Equal To	Exempt Services

#### **GB PURCHASE LINKED TO EXEMPT SALE ZERO REC**

This example uses the tax condition set GB PURCHASE LINKED TO EXEMPT SALE ZERO REC for purchases linked to exempt sales with zero recovery.

The tax condition set GB PURCHASE LINKED TO EXEMPT SALE ZERO REC uses the tax determining factor set GB VAT RECOVERY RATE in the Determine Recovery Rate rule.

### ***GB PURCHASE LINKED TO EXEMPT SALE ZERO REC***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Transaction Input Factor		Intended Use	Equal To	GB Linked to Exempt Sale

### **GB PRODUCT ZERO RECOVERY**

This example uses the tax condition set GB PRODUCT ZERO RECOVERY for transactions on certain goods and services that have zero recovery.

The tax condition set GB PRODUCT ZERO RECOVERY uses the tax determining factor set GB VAT RECOVERY RATE in the Determine Recovery Rate rule.

### ***GB PRODUCT ZERO RECOVERY***

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Operator</b>	<b>Value</b>
Product - Inventory Linked		GB VAT Recovery	Equal To	Zero Recovery

## **Tax Rules**

These examples show the tax rules created for the tax GB VAT. The tax rules make use of the tax determining factor sets and tax condition sets created for GB VAT. Refer to these sets to understand their usage in each tax rule.

For each tax condition used in a tax rule, the rule result applies when its corresponding tax condition is evaluated as true.

### **Determine Place of Supply**

This tax rule determines the place of supply on Intra-EU transactions for goods and services.

### ***Determine Place of Supply***

<b>Tax Rule Code</b>	<b>Effective From</b>	<b>Condition Set</b>	<b>Order</b>	<b>Rule Result</b>
GB VAT PLACE OF SUPPLY	1-Jan-2003	GB INTRA EU GOODS PURCHASE	90	Ship to, use bill to if ship to is not found
		GB INTRA EU AND DOMESTIC SERVICES	105	Bill From

### **Determine Tax Applicability**

This tax rule determines whether a supplier is registered for UK VAT in order to charge VAT on goods and services.

### ***Determine Tax Applicability***

<b>Tax Rule Code</b>	<b>Effective From</b>	<b>Condition Set</b>	<b>Order</b>	<b>Rule Result</b>
GB VAT APPLICABILITY	1-Jan-2003	GB DOMESTIC GOODS BILL FROM NON REG	50	Not Applicable
		GB DOMESTIC SERVICES BILL FROM NON REG	60	Not Applicable

### **Determine Tax Registration**

This tax rule determines the tax registration when a UK VAT registered customer purchases goods from a non-UK VAT registered supplier, where the goods are sent from an EU country outside the UK to the UK.

### ***Determine Tax Registration***

<b>Tax Rule Code</b>	<b>Effective From</b>	<b>Condition Set</b>	<b>Order</b>	<b>Rule Result</b>
GB VAT REGISTRATION	1-Jan-2003	GB GOODS PURCHASE REVERSE CHARGE	50	Bill To Party

### **Determine Tax Status**

This tax rule determines the tax status of the transaction. Each rule result indicates the tax status to use on the transaction if the corresponding condition is evaluated as true.

### ***Determine Tax Status***

<b>Tax Rule Code</b>	<b>Effective From</b>	<b>Condition Set</b>	<b>Order</b>	<b>Rule Result</b>
GB VAT STATUS	1-Jan-2003	GB INTRA EU GOODS SALE ZERO RATE	50	GB VAT INTRA EU ZERO
		GB EXPORT GOODS OUTSIDE EU	60	GB VAT ZERO
		GB GOODS ZERO RATE	70	GB VAT ZERO
		GB SERVICES ZERO RATE	80	GB VAT ZERO
		GB GOODS EXEMPT RATE	90	GB VAT EXEMPT
		GB SERVICES EXEMPT RATE	100	GB VAT EXEMPT
		GB GOODS REDUCED RATE	110	GB VAT REDUCED

Tax Rule Code	Effective From	Condition Set	Order	Rule Result
		GB SERVICES REDUCED RATE	120	GB VAT REDUCED

### Determine Recovery Rate

This tax rule derives a zero recovery rate for purchases linked to exempt sales with zero recovery.

#### *Determine Recovery Rate*

Tax Rule Code	Effective From	Condition Set	Order	Rule Result
GB VAT RECOVERY RATE	1-Jan-2003	GB PURCHASE LINKED TO EXEMPT SALE ZERO REC	5	GB VAT ZERO REC RATE

## Canadian Sales Tax

In Canada, sales taxes exist at the federal level and at the provincial level. Goods and Services Tax (GST) is a federal tax levied in provinces and territories across Canada on many consumer products and professional services. Provincial Sales Tax (PST) varies by province. The tax rates within each province apply to the value of goods or services before GST is applied. The only exceptions are Quebec and Prince Edward Island, where the sales tax applies to the value of goods or services after GST is applied.

A federal and provincial blended tax called Harmonized Sales Tax (HST) is levied in the three participating provinces of Newfoundland and Labrador, Nova Scotia, and New Brunswick. The HST operates as a single rate of 14%, of which six percent (6%) represents the federal component and eight percent (8%) the provincial component.

The recovery of tax is made through a rebate and/or an Input Tax Credit (ITC), depending on whether the purchases are intended for commercial or non-profit activities. Some goods and services are exempt from GST and HST, such as health and educational services.

Taxable goods and services are subject to one of the following statuses:

- Taxable: GST - 6%; HST - 14%
- Zero-rated

- Exempt

Tax status is generally determined by product. For the consumer, there is no difference between zero-rated and exempt goods and services: the consumer either pays tax or not. Although GST and HST are not charged on zero-rated goods and services, the tax registrant can claim input tax credits to recover the GST or HST paid or owed on purchases and the expenses incurred to provide them.

The example in this section is based on the changes to GST and HST rates effective July 1, 2006.

## Examples

This section provides four examples of Canadian tax setup:

- **Ontario Example 1** - GST and PST are typically applicable on most goods and services. In this example, a tax is not applicable on a transaction. Since you will typically set the tax applicability of a tax to *Applicable*, you will need to define a tax rule to identify when a transaction is not applicable.
- **Ontario Example 2** - The taxable basis for tax calculation is typically *(selling price) \* (tax rate)*. In this example, the taxable basis is reduced in Ontario for the purchase of portable homes to be used for construction purposes.
- **Quebec Example 1** - In Quebec, PST is calculated based on the selling price plus GST.
- **Quebec Example 2** - In Quebec, PST is applied on most goods and services. For transactions relating to resale, you can fully recovery the PST.

## Prerequisites

Before you can set up the E-Business Tax tax configuration for these examples, you may need to complete one or more of these tasks:

- Set up the legal entity for your Canadian company.
- Set up the legal establishment for your Canadian company.
- Set up legal authorities for Canada Revenue Agency, Ontario Ministry of Finance, and the Ministère du Revenu du Québec.

## Tax Regime Setup

There are two tax regimes required for the above examples:

- CA GST HST, that contains the CA GST tax (it will also include CA HST, which is not included in these examples).

- CA PST that contains the CA PST tax. The tax regime uses cross-regime compounding for provinces such as Quebec, where GST is compounded with PST.

The CA GST HST regime has a compounding precedence of 1; the CA PST regime has a compounding precedence of 2.

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
<b>Main Information</b>			
Tax Regime Code	CA GST HST	Country Name	Canada
Name	CA GST HST	Effective From	1-Jan-2001
Regime Level	Country		
<b>Controls</b>			
Allow Tax Recovery	Yes	Allow Tax Exemptions	Yes
Allow Override and Entry of Inclusive Tax Lines	Yes	Allow Tax Exceptions	No
<b>Defaults</b>			
Tax Currency	CAD	Exchange Rate Type	User
Minimum Accountable Unit	.01	Reporting Tax Authority	Canada Revenue Agency
Rounding Rule	Nearest	Collecting Tax Authority	Canada Revenue Agency
Tax Precision	2	Default Recovery Settlement	Immediate
Allow Tax Inclusion	Standard Non-Inclusive Handling	Use Legal Registration Number	No
Allow Multiple Jurisdictions	Yes	Allow Cross Regime Compounding	Yes

Field	Value	Field	Value
Allow Tax Rounding Override	Yes	Compounding Precedence	1
<b>Configuration Options (if defined from tax regime)</b>			
Party Name	Party name	Configuration for Product Exceptions	Common Configuration
Configuration for Taxes and Rules	Common Configuration	Effective From	1-Jan-2001

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	CA PST	Country Name	Canada
Name	CA PST	Effective From	1-Jan-2001
Regime Level	Country		
<b>Controls</b>			
Allow Tax Recovery	Yes	Allow Tax Exemptions	Yes
Allow Override and Entry of Inclusive Tax Lines	Yes	Allow Tax Exceptions	No
<b>Defaults</b>			
Tax Currency	CAD	Exchange Rate Type	User
Minimum Accountable Unit	.01	Reporting Tax Authority	Canada Revenue Agency

Field	Value	Field	Value
Rounding Rule	Nearest	Collecting Tax Authority	Canada Revenue Agency
Tax Precision	2	Default Recovery Settlement	Immediate
Allow Tax Inclusion	Standard Non-Inclusive Handling	Use Legal Registration Number	No
Allow Multiple Jurisdictions	Yes	Allow Cross Regime Compounding	Yes
Allow Tax Rounding Override	Yes	Compounding Precedence	2

## Party Tax Profile Setup

The tables below describe the first party legal establishment setup and tax registration setups for Canada, Ontario, and Quebec. For Ontario Example 1, the registration status of the legal establishment is a factor in determining whether the GST and/or PST are applicable. For this example, the registration for this legal establishment will include GST across Canada, PST registration in Ontario, and PST registration in Quebec.

You also need to create party tax profiles for each of the three taxing authorities: Canada Revenue Agency for the GST across Canada, Ontario Ministry of Finance for the Ontario PST, and Ministère du Revenu du Québec for the Quebec PST. You need to set up each of these tax authorities in the Legal Entity Manager as a legal authority for transaction tax. The tax authorities are all both collecting and reporting tax authorities.

Field	Value	Field	Value
<b>First Party Legal Establishment</b>			
Party Type	First Party Legal Establishment	Country Name	Canada
Party Name	Party name		

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
<b>Tax Registrations</b>			
<b>Canada Registration</b>			
Tax Regime Code	CA GST HST	Source	Explicit
Tax Registration Number	10810 2831 RT0001	Effective From	1-Jan-2001
Set as Default Registration	Yes	Rounding Rule	Nearest
Tax Registration Status	REGISTERED	Set Invoice Values as Tax Inclusive	No
Issuing Tax Authority	Canada Revenue Agency	Set for Self Assessment/Reverse Charge	Yes
<b>Ontario Registration</b>			
Tax Regime Code	CA PST	Source	Explicit
Tax Registration Number	9800 1120	Effective From	1-Jan-2001
Set as Default Registration	No	Rounding Rule	Nearest
Tax Registration Status	REGISTERED	Set Invoice Values as Tax Inclusive	No
Issuing Tax Authority	Ontario Ministry of Finance	Set for Self Assessment/Reverse Charge	Yes
<b>Quebec Registration</b>			
Tax Regime Code	CA PST	Source	Explicit

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Tax Registration Number	1515151515 TQ 0001	Effective From	1-Jan-2001
Set as Default Registration	NO	Rounding Rule	Nearest
Tax Registration Status	REGISTERED	Set Invoice Values as Tax Inclusive	No
Issuing Tax Authority	Ministère du Revenu du Québec	Set for Self Assessment/Reverse Charge	Yes

## Tax Setup

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
<b>Main Information</b>			
Tax Regime Code	CA GST HST	Tax Currency	CAD
Configuration Owner	Global Configuration Owner	Minimum Accountable Unit	.01
Tax Source	Create a new tax	Rounding Rule	Nearest
Tax	CA GST	Tax Precision	2
Tax Name	CA GST	Exchange Rate Type	User
Tax Type	VAT	Reporting Tax Authority	Canada Revenue Agency
Effective From	1-Jan-2001	Collecting Tax Authority	Canada Revenue Agency
Geography Type	Province	Applied Amount Handling	Recalculated

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Parent Geography Type	Country	Set as Offset Tax	No
Parent Geography Name	Canada	Set Tax for Reporting Purposes Only	No
Compounding Precedence	1		
<b>Controls</b>			
Allow Tax Inclusion	Standard Non-Inclusive Handling	Use Legal Registration Number	No
Allow Override and Entry of Inclusive Tax Lines	Yes	Allow Duplicate Tax Registration Numbers	No
Allow Tax Rounding Override	Yes	Allow Multiple Jurisdictions	Yes
Allow Override for Calculated Tax Lines	Yes	Allow Mass Creation of Jurisdictions	Yes
Allow Entry of Manual Tax Lines	Yes		
<b>Tax Account Controls</b>			
Tax Accounts Creation Method	Create Tax Accounts		
<b>Tax Recovery Controls</b>			
Allow Tax Recovery	Yes	Primary Recovery Type	Standard

Field	Value	Field	Value
Allow Tax Recovery Rate Override	Yes	Default Primary Recovery Rate Code (Update page)	FEDERAL REC RATE
Allow Primary Recovery Rate Determination Rules	Yes	Secondary Recovery Type	Reduced
Allow Secondary Recovery Rate Determination Rules	Yes	Default Secondary Recovery Rate Code (Update page)	PROVINCIAL REC RATE
Allow Tax Rate Rules	No	Default Recovery Settlement	Immediate

## Tax Status Setup

Create two standard statuses, one for GST (CA GST STANDARD) and one for PST (CA PST STANDARD). The two statuses have the same settings.

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	CA GST HST	Tax	CA GST
Configuration Owner	Global Configuration Owner	Tax Name	CA GST
<b>Standard Status</b>			
Tax Status Code	CA GST STANDARD	Effective From	1-Jan-2001
Name	CA GST Standard	Set as Default Tax Status	Yes
<b>Default Controls</b>			
Allow Tax Exemptions	No	Allow Tax Rate Override	Yes

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Allow Tax Exceptions	No		

## Tax Jurisdiction Setup

Tax jurisdiction setup in Canada requires a separate record for each province. In addition, provinces that apply GST and PST separately require two tax jurisdiction records. Different PST tax rates can apply at the jurisdiction level. Because both GST and PST apply to all transactions, neither jurisdiction takes precedence or is set as a default jurisdiction.

This example shows the GST and PST tax jurisdictions for Ontario.

### Ontario Tax Jurisdiction for GST

<b>Field</b>	<b>Value</b>
Tax Jurisdiction Code	CA ON
Tax Jurisdiction Name	CA Ontario
Tax Regime Code	CA GST HST
Tax	CA GST
Geography Type	Province
Parent Geography Type	Country
Parent Geography Name	Canada
Geography Name	ON
Inner City Jurisdiction	N/A
Precedence Level	N/A
Collecting Tax Authority	Canada Revenue Agency
Reporting Tax Authority	Canada Revenue Agency

<b>Field</b>	<b>Value</b>
Effective From	1-Jan-2001
Set as Default Tax Jurisdiction	N/A

### Ontario Tax Jurisdiction for PST

<b>Field</b>	<b>Value</b>
Tax Jurisdiction Code	CA ON
Tax Jurisdiction Name	CA Ontario
Tax Regime Code	CA PST
Tax	CA PST
Geography Type	Province
Parent Geography Type	Country
Parent Geography Name	Canada
Geography Name	ON
Inner City Jurisdiction	N/A
Precedence Level	N/A
Collecting Tax Authority	Ontario Ministry of Finance
Reporting Tax Authority	Ontario Ministry of Finance
Effective From	1-Jan-2001
Set as Default Tax Jurisdiction	N/A

## Tax Recovery Rate Setup

The Quebec PST recovery example uses a standard 100% recovery rate. Actual reduced rates at the provincial level are agreed upon with the provincial tax authority.

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	CA PST	Tax	CA PST
Tax Regime Name	CA PST	Tax Name	CA PST
Configuration Owner	Global Configuration Owner	Recovery Type	Standard
<b>Standard Rate</b>			
Tax Recovery Rate Code	CA PST STANDARD REC RATE	Set as Default Rate	Yes
Percentage Recovery Rate	100	Default Effective From	1-Jan-2001
Effective From	1-Jan-2001	Allow Ad Hoc Rate	N/A

## Tax Rate Setup

This example uses the standard GST rate of 7%. The standard PST for most provinces in Canada is 7%; however, the rate is 7.5% in Quebec and 8% in Ontario. As such, the PST tax rates for Quebec and Ontario will also specify the tax jurisdiction. Additional rates may also apply at the provincial level.

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	CA GST HST	Tax Status Name	CA GST Standard
Tax Regime Name	CA GST HST	Tax Rate Code	CA GST STD RATE

Field	Value	Field	Value
Tax	CA GST	Configuration Owner	Global Configuration Owner
Tax Name	CA GST	Rate Type	Percentage
Tax Status Code	CA GST STD		
<b>Rate Period</b>			
Percentage Rate	6	Default Effective From	1-Jul-2006
Effective From	1-Jul-2006	Allow Tax Inclusion	Standard Non-Inclusive Handling
Default Recovery Rate Code	CA GST STD REC RATE	Allow Override and Entry of Inclusive Tax Lines	Yes
Recovery Type	STANDARD	Allow Ad Hoc Rate	No
Default Recovery Settlement	Immediate	Adjustment for Ad Hoc Amounts	Taxable Basis
Set as Default Rate	Yes		

## Fiscal Classification Setup

You must set up these fiscal classifications for the corresponding examples:

- **Product Intended Use** - Set up these Inventory-based product intended use fiscal classifications. Since these are Inventory-based, you must first create Inventory category codes for these fiscal classifications:
  - Ontario Example 2 - Create an intended use fiscal classification for construction purposes.
  - Quebec Example 2 - Create an intended use fiscal classification for resale purposes.
- **Non-Inventory Based Product Fiscal Classification** - For Ontario Example 2, create

a non-Inventory-based product fiscal classification for portable homes.

## Tax Formulas Setup

For Ontario Example 2, create a tax formula to represent the reduced taxable basis.

<b>Field</b>	<b>Value</b>
Tax Formula Code	CA TB PST ON MOBILE HOME
Name	CA Taxable Basis PST ON Mobile Homes
Formula Type	Taxable Basis
Taxable Basis Type	Line Amount
Regime Code	CA PST
Tax	CA PST
Effective From	1-Jan-2001
Base Rate Modifier	-50

For Quebec Example 1, create a tax formula to represent that PST is calculated upon the sale price plus GST.

<b>Field</b>	<b>Value</b>
Tax Formula Code	CA TB GST INCLUDED
Name	CA Taxable Basis GST Included
Formula Type	Taxable Basis
Taxable Basis Type	Line Amount
Regime Code	CA PST
Tax	CA PST

<b>Field</b>	<b>Value</b>
Effective From	1-Jan-2001
Compounding Regime Code	CA GST and HST
Compounding Tax	CA GST
Compounding Rule	Add
Enforce Compounding	Yes

## Tax Zone Setup

Create a tax zone to group together provinces that share the same compounding rule for PST. In this case, both Quebec and Prince Edward Island calculate PST on the selling price plus GST.

<b>Field</b>	<b>Value</b>
Tax Zone Type	CA GST Incl
Country	Canada
Province Zone Creation Allowed	Yes
Tax Zone Name	CA QC and PE
Tax Zone Code	CA QC AND PE
Start Date	1-Jan-2005
Code Type	Tax Geography Code
Geography Type	Province
Geography Names	PE, QC

## Tax Rule Defaults

Tax rule defaults simplify the tax rule setup and reduce the number of rules by identifying the most common value for each rule type. For example, if GST is applicable on most transactions, then the default value for the rule type Determine Tax Applicability for the tax CA GST is *Applicable*.

Rule Type	Tax	Default
Determine Place of Supply	CA GST, CA PST	Ship To
Determine Tax Applicability	CA GST, CA PST	Applicable
Determine Tax Registration	CA GST, CA PST	Ship From Party
Determine Tax Status	CA GST	CA GST STD
Determine Tax Status	CA PST	CA PST STD
Determine Tax Rate	CA GST	CA GST STD RATE
Determine Tax Rate	CA PST	CA PST STD RATE
Determine Taxable Basis	CA GST, CA PST	STANDARD_TB
Calculate Tax Amounts	CA GST, CA PST	STANDARD_TC

## Tax Rules Setup - Ontario Example 1

Since you will typically set the tax applicability of a tax as *Applicable*, you will need to define a Determine Tax Applicability tax rule to identify when a transaction is not applicable for GST and PST. In this particular example, the tax is not applicable when the Ship From Party is Not Registered for the tax, and the transaction is a sales transaction.

## Tax Determining Factor Set

This table describes the tax determining factor set to use with this tax rule. This tax determining factor set identifies the registration status of the ship from party and the type of transaction.

Determining Factor Class	Class Qualifier	Determining Factor Name	Required
Registration	Ship From Party	Registration Status	Yes
Transaction Generic Classification		Transaction Business Category	Yes

### Tax Condition Set

This table describes the tax condition set to use with this tax rule. This tax condition set indicates that the Ship From Party is Not Registered for this tax, and that this rule will apply to Sales Transactions.

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value	Ignore Condition
Registration	Ship From Party	Registration Status	Equal To	Not Registered	No
Transaction Generic Classification		Transaction Business Category	Equal To	Sales Transaction	No

If the values of this tax condition set are evaluated as true, then the result of the Determine Tax Applicability rule is Not Applicable.

### Tax Rules Setup - Ontario Example 2

Because the taxable basis formula for most transactions is *(line amount) \* (tax rate)*, you will need to define a Determine Taxable Basis tax rule to identify when a different taxable basis is needed and which taxable basis tax formula to use. In this example, the taxable basis in Ontario is reduced for the purchase of mobile homes that are used for construction purposes.

### Tax Determining Factor Set

This table describes the tax determining factor set to use with this tax rule. This tax determining factor set identifies the shipping destination, the product, and the intended use of the product.

Determining Factor Class	Class Qualifier	Determining Factor Name	Required
Geography	Ship To	Province	No
Product - Non-Inventory Based	Level 3	Product Category	No
User Defined Geography	Ship To	CA GST Incl	No
Transaction Input Factor		Intended Use	No

### Tax Condition Set

This table describes the tax condition set to use with this tax rule. This tax condition set indicates that the shipping destination is Ontario, the product is a portable home, and that the portable home it will be used for construction purposes.

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value	Ignore Condition
Geography	Ship To	Province	Equal To	ON (Ontario)	No
Product - Non-Inventory Based	Level 3	Product Category	Equal To	<ul style="list-style-type: none"> <li>• CA General Goods and Services</li> <li>• CA General Goods</li> <li>• CA Portable Homes</li> </ul>	No
Transaction Input Factor		Intended Use	Equal To	CA Construction	No

If the values of this tax condition set are evaluated as true, then the result of the

Determine Taxable Basis rule is the tax formula CA TB PST ON MOBILE HOME. This formula is used to determine the taxable basis, which results in a 50% reduction in the taxable basis.

## Tax Rules Setup - Quebec Example 1

As mentioned above, the taxable basis formula for most transactions is *(line amount) \* (tax rate)*. Since the PST in Quebec is calculated on the selling price plus GST, you will need to define a Determine Taxable Basis tax rule to identify when a different taxable basis is needed and which taxable basis tax formula to use.

### Tax Determining Factor Set

This table describes the tax determining factor set to use with this tax rule. This tax determining factor set identifies the shipping destination, the product, and the intended use of the product.

Determining Factor Class	Class Qualifier	Determining Factor Name	Required
Geography	Ship To	Province	No
Product - Non-Inventory Based	Level 3	Product Category	No
User Defined Geography	Ship To	CA GST Incl	No
Transaction Input Factor		Intended Use	No

### Tax Condition Set

This table describes the tax condition set to use with this tax rule. This tax condition set indicates that the shipping destination is either of 2 provinces that apply PST on the sale price plus GST.

Determining Factor Class	Class Qualifier	Determining Factor name	Operator	Value	Ignore Condition
User Defined Geography	Ship To	CA GST Incl	Equal To	CA QC and PE	No

If the values of this tax condition set are evaluated as true, then the result of the

Determine Taxable Basis rule is the tax formula CA TB GST INCLUDED. This formula is used to determine the taxable basis, which results in PST calculated on the sale price plus GST Note that this tax rule uses the same tax determining factor set as in Ontario Example 2 for tax rule efficiency.

## Tax Rules Setup - Quebec Example 2

This tax rule setup identifies when tax recovery is applicable and which tax recovery rate applies. The example refers to setting up a Determine Recovery Rate tax rule for resale transactions in Quebec.

### Tax Determining Factor Set

This table describes the tax determining factor set to use with this tax rule. This tax determining factor set identifies the shipping destination and the intended use of the product.

<b>Determining Factor Class</b>	<b>Class Qualifier</b>	<b>Determining Factor Name</b>	<b>Required</b>
Geography	Ship From	Country	No
Geography	Ship To	Country	No
Geography	Ship To	Province	No
Party Fiscal Classification	Bill From Party	CA Organization Types	No
Party Fiscal Classification	Ship To Party	CA Organization Types	No
Product - Non-Inventory Based	Level 1	Product Category	No
Product - Non-Inventory Based	Level 2	Product Category	No
Product - Non-Inventory Based	Level 3	Product Category	No
User Defined Geography	Ship To	CA HST Provincial Rebate	No

Determining Factor Class	Class Qualifier	Determining Factor Name	Required
Transaction Input Factor		Intended Use	No

## Tax Condition Set

This table describes the tax condition set to use with this tax rule. This tax condition set indicates that the shipping destination is either of 2 provinces that apply PST on the sale price plus GST and that the product is intended for resale.

Determining Factor Class	Class Qualifier	Determining Factor name	Operator	Value	Ignore Condition
Geography	Ship To	Province	Equal To	QC	No
Transaction Input Factor		Intended Use	Equal To	CA Resale	No

If the values of this tax condition set are evaluated as true, then the result of the Determine Recovery Rate rule is the tax recovery rate CA PST STD REC RATE.

## United States Sales and Use Tax

United States Sales and Use Tax is a tax levied on the end consumer, with the business serving as the collection agent for the tax authority. Any company receiving goods within a state must either pay sales tax on receipt or self-accrue a use tax, usually to the same value. The self-accrual scheme ensures that the state receives income independent of the tax registration of the business.

The details of rates and regulations surrounding sales and use tax vary from state to state, and are a matter of state and local law and court cases. Exemptions are normally available in each state, including, but not limited to: resales, manufacturing, research and development, non-profit or exempt organizations, and governmental organizations.

The *nexus* of taxation refers to the minimum level of commerce necessary to allow a tax authority to impose a tax registration, tax filing, and/or tax collection responsibility. The type of activity required to create nexus is defined by state or local statute, case law, and the due process and Commerce Clause of the United States Constitution. Whether a business has established nexus in a tax jurisdiction requires an assessment of all facts and circumstances of its activity within that jurisdiction. You should seek the advice of a qualified tax professional to determine if your business has established nexus (a registration and filing requirement) before you implement sales tax.

The *situs* of taxation describes which tax authority levies the tax. This is typically the ship-to state, county, or city, although there are many local taxes that base situs on the ship-from location. Any tax collected for a given tax authority must be reported back to that same authority.

## Setup Features

This tax setup example is for a first party registered in California and dealing with city, county, state transactions. Setup features include:

- There are three taxes under the US Sales and Use tax regime, for city, county and state sales.
- US Sales and Use tax is not recoverable, so the setup does not include recovery rates.
- There are multiple tax jurisdictions at the city and county level.

## Tax Regime Setup

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	US SALES AND USE	Country Name	United States
Name	US Sales and Use	Effective From	1-Jan-2000
Regime Level	Country		
<b>Controls</b>			
Allow Tax Recovery	No	Allow Tax Exemptions	Yes
Allow Override and Entry of Inclusive Tax Lines	No	Allow Tax Exceptions	Yes
<b>Defaults</b>			
Tax Currency	USD	Allow Multiple Jurisdictions	Yes

Field	Value	Field	Value
Minimum Accountable Unit	.01	Allow Tax Rounding Override	Yes
Rounding Rule	Nearest	Exchange Rate Type	Corporate
Tax Precision	2	Use Legal Registration Number	No
Allow Tax Inclusion	Standard Non-Inclusive Handling	Allow Cross Regime Compounding	No
Tax Accounts Precedence Level	Jurisdictions		
<b>Configuration Options (if defined from tax regime)</b>			
Party Name	Party name	Configuration for Product Exceptions	Common Configuration
Configuration for Taxes and Rules	Common Configuration	Effective From	1-Jan-2000

## Party Tax Profile Setup

Field	Value	Field	Value
<b>First Party Legal Entity</b>			
Party Type	First Party Legal Entity	Country Name	United States
Party Name	Party name		
<b>Main Information</b>			

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Set for Self Assessment/Reverse Charge	No	Rounding Rule	Nearest
Rounding Level	Header	Set Invoice Values as Tax Inclusive	No
<b>Configuration Options (if defined from party tax profile)</b>			
Tax Regime Code	US SALES AND USE	Configuration for Product Exceptions	Common Configuration
Configuration for Taxes and Rules	Common Configuration	Effective From	1-Jan-2000

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
<b>First Party Legal Establishment</b>			
Party Type	First Party Legal Establishment	Country Name	United States
Party Name	Party name		
<b>Tax Registration</b>			
Tax Regime Code	US SALES AND USE	Tax Jurisdiction Code	US CA STATE SALES
Tax	US STATE SALES	Effective From	1-Jan-2001
Tax Registration Number	567890	Rounding Rule	Nearest
Set as Default Registration	Yes	Set Invoice Values as Tax Inclusive	No

Field	Value	Field	Value
Tax Registration Status	REGISTERED	Set for Self Assessment/Reverse Charge	Yes
Source	Explicit		

## Tax Setup

There are three taxes under the US SALES AND USE tax regime for city, county, and state sales. The example below is for state sales. All setup values are the same for the three taxes.

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	US SALES AND USE	Tax Currency	USD
Configuration Owner	Global Configuration Owner	Minimum Accountable Unit	.01
Tax Source	Create a new tax	Rounding Rule	Nearest
Tax	US STATE SALES	Tax Precision	2
Tax Name	US State Sales	Exchange Rate Type	Corporate
Tax Type	Sales	Reporting Tax Authority	US STATE Tax Authority
Effective From	1-Jan-2000	Collecting Tax Authority	US STATE Tax Authority
Geography Type	State	Applied Amount Handling	Prorated
Parent Geography Type	Country	Set as Offset Tax	No

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Parent Geography Name	United States	Set Tax for Reporting Purposes Only	No
<b>Controls</b>			
Allow Tax Inclusion	Standard Non-Inclusive Handling	Use Legal Registration Number	No
Allow Override and Entry of Inclusive Tax Lines	No	Allow Duplicate Tax Registration Numbers	Yes
Allow Tax Rounding Override	Yes	Allow Multiple Jurisdictions	Yes
Allow Override for Calculated Tax Lines	Yes	Allow Mass Creation of Jurisdictions	Yes
Allow Entry of Manual Tax Lines	Yes		
<b>Tax Account Controls</b>			
Tax Accounts Creation Method	Create Tax Accounts		
<b>Tax Recovery Controls</b>			
Allow Tax Recovery	No	Allow Secondary Recovery Rate Determination Rules	No
Allow Tax Recovery Rate Override	No	Allow Tax Rate Rules	Yes
Allow Primary Recovery Rate Determination Rules	No		

## Tax Status Setup

Field	Value	Field	Value
<b>Main Information</b>			
Tax Regime Code	US SALES AND USE	Tax	US STATE SALES
Configuration Owner	Global Configuration Owner	Tax Name	US State Sales
<b>Standard Status</b>			
Tax Status Code	US STATE SALES STANDARD	Effective From	1-Jan-2000
Name	US State Sales Standard	Set as Default Tax Status	Yes
<b>Reduced Status</b>			
Tax Status Code	US STATE SALES REDUCED	Effective From	1-Jan-2000
Name	US State Sales Reduced	Set as Default Tax Status	No
<b>Zero Status</b>			
Tax Status Code	US STATE SALES ZERO	Effective From	1-Jan-2000
Name	US State Sales Zero	Set as Default Tax Status	No
<b>Default Controls (all statuses)</b>			
Allow Tax Exemptions	Yes	Allow Tax Rate Override	Yes
Allow Tax Exceptions	Yes		

## Tax Jurisdiction Setup

This setup is for the California state tax jurisdiction.

<b>Field</b>	<b>Value</b>
Tax Jurisdiction Code	US CA STATE SALES
Tax Jurisdiction Name	US California State Sales
Tax Regime Code	US SALES AND USE
Tax	US STATE SALES
Geography Type	State
Parent Geography Type	Country
Parent Geography Name	United States
Geography Name	California
Precedence Level	1
Effective From	1-Jan-2000
Set as Default Tax Jurisdiction	Yes
Default Effective From	1-Jan-2000

## Tax Rate Setup

This example shows the standard state tax rate. The setup for reduced and zero is the same, except for the special reduced percentage rate and a zero percentage rate.

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
<b>Main Information</b>			

<b>Field</b>	<b>Value</b>	<b>Field</b>	<b>Value</b>
Tax Regime Code	US SALES AND USE	Tax Status Name	US State Sales Standard
Tax Regime Name	US Sales and Use	Tax Rate Code	US STATE SALES STD RATE
Tax	US STATE SALES	Configuration Owner	Global Configuration Owner
Tax Name	US State Sales	Rate Type	Percentage
Tax Status Code	US STATE SALES STANDARD		
<b>Rate Period</b>			
Percentage Rate	6.25	Default Effective From	1-Jan-2000
Effective From	1-Jan-2000	Set as Default Rate	Yes
Allow Tax Exemptions	Yes	Allow Ad Hoc Rate	Yes
Allow Tax Exceptions	Yes	Adjustment for Ad Hoc Amounts	Tax Rate