Oracle® E-Business Tax

User Guide

Release 12.2

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Oracle E-Business Tax User Guide, Release 12.2

Part No. E48751-05

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Oracle E-Business Tax User Guide, Release 12.2

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- Are the implementation steps correct and complete?
- Did you understand the context of the procedures?
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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).

Note: Before sending us your comments, you might like to check that you have the latest version of the document and if any concerns are already addressed. To do this, access the new Oracle E-Business Suite Release Online Documentation CD available on My Oracle Support and www.oracle.com. It contains the most current Documentation Library plus all documents revised or released recently.

Send your comments to us using the electronic mail address: appsdoc_us@oracle.com

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If you require training or instruction in using Oracle software, then please contact your Oracle local office and inquire about our Oracle University offerings. A list of Oracle offices is available on our Web site at www.oracle.com.

Preface

Intended Audience

Welcome to Release 12.2 of the *Oracle E-Business Tax User 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 E-Business Suite, we suggest you attend one or more of the Oracle E-Business Suite training classes available through Oracle University.

See Related Information Sources on page x for more Oracle E-Business Suite product information.

Documentation Accessibility

For information about Oracle's commitment to accessibility, visit the Oracle Accessibility Program website at http://www.oracle.com/pls/topic/lookup? ctx=acc&id=docacc.

Access to Oracle Support

Oracle customers that have purchased support have access to electronic support through My Oracle Support. For information, visit http://www.oracle. com/pls/topic/lookup?ctx=acc&id=info or visit http://www.oracle.com/pls/topic/lookup? ctx=acc&id=trs if you are hearing impaired.

Structure

1 Setting Up Taxes in Oracle E-Business Tax
2 Setting Up the Basic Tax Configuration

Related Information Sources

This book is included in the Oracle E-Business Suite Documentation Library, which is supplied in the Release 12.2 Media Pack. If this guide refers you to other Oracle E-Business Suite documentation, use only the latest Release 12.2 versions of those guides.

Online Documentation

All Oracle E-Business Suite documentation is available online (HTML or PDF).

- **Online Help** - Online help patches (HTML) are available on My Oracle Support.

- **PDF Documentation** - See the Oracle E-Business Suite Documentation Library for current PDF documentation for your product with each release.

- **Release Notes** - For information about changes in this release, including new features, known issues, and other details, see the release notes for the relevant product, available on My Oracle Support.

- **Oracle Electronic Technical Reference Manual -** The Oracle Electronic Technical Reference Manual (eTRM) contains database diagrams and a detailed description of database tables, forms, reports, and programs for each Oracle E-Business Suite product. This information helps you convert data from your existing applications and integrate Oracle E-Business Suite data with non-Oracle applications, and write custom reports for Oracle E-Business Suite products. The Oracle eTRM is available on My Oracle Support.

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 E-Business Suite User's Guide

This guide explains how to navigate, enter and query data, and run concurrent requests using the user interface (UI) of Oracle E-Business Suite. It includes information on setting preferences and customizing the UI. In addition, this guide describes accessibility features and keyboard shortcuts for Oracle E-Business Suite.

Oracle Alert User's Guide

This guide explains how to define periodic and event alerts to monitor the status of your Oracle E-Business Suite data.

Oracle Application Framework Developer's Guide

This guide contains the coding standards followed by the Oracle E-Business Suite development staff to produce applications built with Oracle Application Framework. This guide is available in PDF format on My Oracle Support and as online documentation in JDeveloper 10*g* 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 Fusion Middleware Adapter for Oracle Applications User's Guide (Oracle Application Server Adapter for Oracle Applications User's Guide)

This guide covers the use of Adapter for Oracle Applications in developing integrations between Oracle E-Business Suite and trading partners.

Please note that the user's guide can be found in the following documentation libraries:

- As part of the Oracle Fusion Middleware and SOA Suite in 11*g*, *Oracle Fusion Middleware Adapter for Oracle Applications User's Guide* is available in the Oracle Fusion Middleware 11*g* Documentation Library.

- As part of the Oracle Application Server in 10*g*, *Oracle Application Server Adapter for Oracle Applications User's Guide* is available in the Oracle Application Server 10*g* Documentation Library.

Oracle Diagnostics Framework User's Guide

This manual contains information on implementing and administering diagnostics tests for Oracle E-Business Suite using the Oracle Diagnostics Framework.

Oracle E-Business Suite Concepts

This book is intended for all those planning to deploy Oracle E-Business Suite Release 12.2, or contemplating significant changes to a configuration. After describing the Oracle E-Business Suite 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 E-Business Suite CRM System Administrator's Guide

This manual describes how to implement the CRM Technology Foundation (JTT) and use its System Administrator Console.

Oracle E-Business Suite Desktop Integration Framework Developer's Guide

Oracle E-Business Suite Desktop Integration Framework is a development tool that lets you define custom integrators for use with Oracle Web Applications Desktop Integrator. This guide describes how to define and manage integrators and all associated supporting objects, as well as how to download and upload integrator definitions.

Oracle E-Business Suite Developer's Guide

This guide contains the coding standards followed by the Oracle E-Business Suite

development staff. It describes the Oracle Application Object Library components needed to implement the Oracle E-Business Suite user interface described in the *Oracle E-Business Suite User Interface Standards for Forms-Based Products*. It provides information to help you build your custom Oracle Forms Developer forms so that they integrate with Oracle E-Business Suite. In addition, this guide has information for customizations in features such as concurrent programs, flexfields, messages, and logging.

Oracle E-Business Suite Flexfields Guide

This guide provides flexfields planning, setup, and reference information for the Oracle E-Business Suite implementation team, as well as for users responsible for the ongoing maintenance of Oracle E-Business Suite product data. This guide also provides information on creating custom reports on flexfields data.

Oracle E-Business Suite Installation Guide: Using Rapid Install

This book is intended for use by anyone who is responsible for installing or upgrading Oracle E-Business Suite. It provides instructions for running Rapid Install either to carry out a fresh installation of Oracle E-Business Suite Release 12.2, or as part of an upgrade to Release 12.2.

Oracle E-Business Suite Maintenance Guide

This guide contains information about the strategies, tasks, and troubleshooting activities that can be used to help ensure an Oracle E-Business Suite system keeps running smoothly, together with a comprehensive description of the relevant tools and utilities. It also describes how to patch a system, with recommendations for optimizing typical patching operations and reducing downtime.

Oracle E-Business Suite Security Guide

This guide contains information on a comprehensive range of security-related topics, including access control, user management, function security, data security, and auditing. It also describes how Oracle E-Business Suite can be integrated into a single sign-on environment.

Oracle E-Business Suite Setup Guide

This guide contains information on system configuration tasks that are carried out either after installation or whenever there is a significant change to the system. The activities described include defining concurrent programs and managers, enabling Oracle Applications Manager features, and setting up printers and online help.

Oracle E-Business Suite User's Guide

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

Oracle E-Business Suite User Interface Standards for Forms-Based Products

This guide contains the user interface (UI) standards followed by the Oracle E-Business Suite development staff. It describes the UI for the Oracle E-Business Suite products and how to apply this UI to the design of an application built by using Oracle Forms.

Oracle E-Business Suite Integrated SOA Gateway User's Guide

This guide describes the high level service enablement process, explaining how users can browse and view the integration interface definitions and services residing in Oracle Integration Repository.

Oracle E-Business Suite Integrated SOA Gateway Implementation Guide

This guide explains how integration repository administrators can manage and administer the Web service activities for integration interfaces including native packaged integration interfaces, composite services (BPEL type), and custom integration interfaces. It also describes how to invoke Web services from Oracle E-Business Suite by employing the Oracle Workflow Business Event System, and how to manage Web service security, configure logs, and monitor SOAP messages.

Oracle E-Business Suite Integrated SOA Gateway Developer's Guide

This guide describes how system integration developers can perform end-to-end service integration activities. These include orchestrating discrete Web services into meaningful end-to-end business processes using business process execution language (BPEL), and deploying BPEL processes at run time.

This guide also explains how to invoke Web services using the Service Invocation Framework. This includes defining Web service invocation metadata, invoking Web services, and testing the Web service invocation.

Oracle e-Commerce Gateway User's Guide

This guide describes the functionality of Oracle e-Commerce Gateway and the necessary setup steps in order for Oracle E-Business Suite to conduct business with trading partners through Electronic Data Interchange (EDI). It also describes how to run extract programs for outbound transactions, import programs for inbound transactions, and the relevant reports.

Oracle e-Commerce Gateway Implementation Guide

This guide describes implementation details, highlighting additional setup steps needed for trading partners, code conversion, and Oracle E-Business Suite. It also provides architecture guidelines for transaction interface files, troubleshooting information, and a description of how to customize EDI transactions.

Oracle iSetup Developer's Guide

This manual describes how to build, test, and deploy Oracle iSetup Framework interfaces.

Oracle iSetup User's Guide

This guide describes how to use Oracle iSetup to migrate data between different instances of the Oracle E-Business Suite and generate reports. It also includes configuration information, instance mapping, and seeded templates used for data migration.

Oracle Report Manager User's Guide

Oracle Report Manager is an online report distribution system that provides a secure and centralized location to produce and manage point-in-time reports. Oracle Report Manager users can be either report producers or report consumers. Use this guide for information on setting up and using Oracle Report Manager.

Oracle Web Applications Desktop Integrator Implementation and Administration Guide

Oracle Web Applications Desktop Integrator brings Oracle E-Business Suite functionality to a spreadsheet, where familiar data entry and modeling techniques can be used to complete Oracle E-Business Suite tasks. You can create formatted spreadsheets on your desktop that allow you to download, view, edit, and create Oracle E-Business Suite data, which you can then upload. This guide describes how to implement Oracle Web Applications Desktop Integrator and how to define mappings, layouts, style sheets, and other setup options.

Oracle Workflow Administrator's Guide

This guide explains how to complete the setup steps necessary for any product that includes workflow-enabled processes. It also describes how to manage workflow processes and business events using Oracle Applications Manager, how to monitor the progress of runtime workflow processes, and how to administer notifications sent to workflow users.

Oracle Workflow Developer's Guide

This guide explains how to define new workflow business processes and customize existing Oracle E-Business Suite-embedded workflow processes. It also describes how to define and customize business events and event subscriptions.

Oracle Workflow User's Guide

This guide describes how users can view and respond to workflow notifications and monitor the progress of their workflow processes.

Oracle Workflow API Reference

This guide describes the APIs provided for developers and administrators to access Oracle Workflow.

Oracle Workflow Client Installation Guide

This guide describes how to install the Oracle Workflow Builder and Oracle XML Gateway Message Designer client components for Oracle E-Business Suite.

Oracle XML Gateway User's Guide

This guide describes Oracle XML Gateway functionality and each component of the Oracle XML Gateway architecture, including Message Designer, Oracle XML Gateway Setup, Execution Engine, Message Queues, and Oracle Transport Agent. It also explains how to use Collaboration History that records all business transactions and messages exchanged with trading partners.

The integrations with Oracle Workflow Business Event System, and the Business-to-Business transactions are also addressed in this guide.

Oracle XML Publisher Report Designer's Guide

Oracle XML Publisher is a template-based reporting solution that merges XML data with templates in RTF or PDF format to produce a variety of outputs to meet a variety of business needs. Using Microsoft Word or Adobe Acrobat as the design tool, you can create pixel-perfect reports from the Oracle E-Business Suite. Use this guide to design your report layouts.

This guide is available through the Oracle E-Business Suite online help.

Oracle XML Publisher Administration and Developer's Guide

Oracle XML Publisher is a template-based reporting solution that merges XML data with templates in RTF or PDF format to produce a variety of outputs to meet a variety of business needs. Outputs include: PDF, HTML, Excel, RTF, and eText (for EDI and EFT transactions). Oracle XML Publisher can be used to generate reports based on existing Oracle E-Business Suite report data, or you can use Oracle XML Publisher's data extraction engine to build your own queries. Oracle XML Publisher also provides a robust set of APIs to manage delivery of your reports via e-mail, fax, secure FTP, printer, WebDav, and more. This guide describes how to set up and administer Oracle XML Publisher as well as how to use the Application Programming Interface to build custom solutions.

This guide is available through the Oracle E-Business Suite online help.

Oracle E-Business Suite Upgrade Guide: Release 12.0 and 12.1 to 12.2:

This guide provides information for DBAs and Applications Specialists who are responsible for upgrading Release 12.0 and 12.1 Oracle E-Business Suite system (techstack and products) to Release 12.2. 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 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 Advanced Collections User Guide:

This guide describes how to use the features of Oracle Advanced Collections to manage your collections activities. It describes how collections agents and managers can use Oracle Advanced Collections to identify delinquent customers, review payment history and aging data, process payments, use strategies and dunning plans to automate the collections process, manage work assignments, and handle later-stage delinquencies.

Oracle Advanced Collections Implementation Guide:

This guide describes how to configure Oracle Advanced Collections and its integrated products. It contains the steps required to set up and verify your implementation of Oracle Advanced Collections.

Oracle Assets User Guide:

This guide provides you with information on how to implement and use Oracle Assets. Use this guide to understand the implementation steps required for application use, including defining depreciation books, depreciation method, and asset categories. It also contains information on setting up assets in the system, maintaining assets, retiring and reinstating assets, depreciation, group depreciation, accounting and tax accounting, budgeting, online inquiries, impairment processing, and Oracle Assets reporting. The guide explains using Oracle Assets with Multiple Reporting Currencies (MRC). This guide also includes a comprehensive list of profile options that you can set to customize application behavior.

Oracle Bill Presentment Architecture User's Guide:

This guide provides you information on using Oracle Bill Presentment Architecture. Consult this guide to create and customize billing templates, assign a template to a rule and submit print requests. This guide also provides detailed information on page references, seeded content items and template assignment attributes.

Oracle Cash Management User Guide:

This guide describes how to use Oracle Cash Management to clear your receipts, as well as reconcile bank statements with your outstanding balances and transactions. This manual also explains how to effectively manage and control your cash cycle. It provides comprehensive bank reconciliation and flexible cash forecasting.

Oracle Credit Management User Guide:

This guide provides you with information on how to use Oracle Credit Management. This guide includes implementation steps, such as how to set up credit policies, as well as details on how to use the credit review process to derive credit recommendations that comply with your credit policies. This guide also includes detailed information about the public application programming interfaces (APIs) that you can use to extend Oracle Credit Management functionality.

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 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 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 Customers Online Implementation Guide:

This guide describes how to implement Oracle Customers Online.

Oracle E-Business Suite Multiple Organizations Implementation Guide:

This guide describes the multiple organizations concepts in Oracle E-Business Suite. It describes in detail on setting up and working effectively with multiple organizations in Oracle E-Business Suite.

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 Implementation Guide:

This guide provides a conceptual overview of the E-Business Tax tax engine, and describes the prerequisite implementation steps to complete in other applications in order to set up and use E-Business Tax. The guide also includes extensive examples of setting up country-specific tax requirements.

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: 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 Embedded Data Warehouse User Guide:

This guide describes how to use Embedded Data Warehouse reports and workbooks to analyze performance.

Oracle Embedded Data Warehouse Implementation Guide:

This guide describes how to implement Embedded Data Warehouse, including how to

set up the intelligence areas.

Oracle Embedded Data Warehouse Install Guide:

This guide describes how to install Embedded Data Warehouse, including how to create database links and create the end user layer (EUL).

Oracle Financial Accounting Hub Implementation Guide:

This guide provides detailed implementation information that leverages the features of Oracle Subledger Accounting to generate accounting.

Oracle Financial Services Reference Guide:

This guide provides reference material for Oracle Financial Services applications in Release 12, such as Oracle Transfer Pricing, and includes technical details about application use as well as general concepts, equations, and calculations.

Oracle Financial Services Implementation Guide:

This guide describes how to set up Oracle Financial Services applications in Release 12.

Oracle Financial Services Reporting Administration Guide:

This guide describes the reporting architecture of Oracle Financial Services applications in Release 12, and provides information on how to view these reports.

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 11i to Release 12. This guide supplements the *Oracle E-Business Suite Upgrade Guide: Release 12.0 and 12.1 to 12.2*
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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's 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 Incentive Compensation Implementation Guide:

This guide provides Compensation Administrators with guidance during implementation of Oracle Incentive Compensation. The procedures are presented in the recommended order that they should be performed for successful implementation. Appendixes are included that describe system profiles, lookups, and other useful information.

Oracle Incentive Compensation User Guide:

This guide helps Compensation Managers, Compensation Analysts, and Plan administrators to manage Oracle Incentive Compensation on a day-to-day basis. Learn how to create and manage rules hierarchies, create compensation plans, collect transactions, calculate and pay commission, and use Sales Credit Allocation.

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 iAssets User Guide

This guide provides information on how to implement and use Oracle iAssets. Use this guide to understand the implementation steps required for application use, including setting up Oracle iAssets rules and related product setup steps. It explains how to define approval rules to facilitate the approval process. It also includes information on using the Oracle iAssets user interface to search for assets, create self-service transfer requests and view notifications.

Oracle iProcurement Implementation and Administration Guide:

This manual describes how to set up and administer Oracle iProcurement. Oracle iProcurement enables employees to requisition items through a self–service, Web interface.

Oracle iReceivables Implementation Guide:

This guide provides information on how to implement Oracle iReceivables. Use this guide to understand the implementation steps required for application use, including how to set up and configure iReceivables, and how to set up the Credit Memo Request workflow. There is also a chapter that provides an overview of major features available in iReceivables.

Oracle iSupplier Portal User Guide:

This guide contains information on how to use Oracle iSupplier Portal to enable secure transactions between buyers and suppliers using the Internet. Using Oracle iSupplier Portal, suppliers can monitor and respond to events in the procure-to-pay cycle.

Oracle iSupplier Portal Implementation Guide:

This guide contains information on how to implement Oracle iSupplier Portal and enable secure transactions between buyers and suppliers using the Internet.

Oracle Loans User Guide:

This guide describes how to set up and use Oracle Loans. It includes information on how to create, approve, fund, amortize, bill, and service extended repayment plan and direct loans.

Oracle Partner Management Implementation and Administration Guide:

This guide helps Vendor administrators to set up and maintain relationships and programs in the Partner Management application. The main areas include setting up the partner and channel manager dashboards, partner setup, partner programs and enrollment, opportunity and referral management, deal registration, special pricing management, and partner fund management.

Oracle Partner Management Vendor User Guide:

This guide assists vendor users in using Partner Management on a daily basis. This includes interaction with the partner and channel manager dashboards, working with partners and partner programs, managing opportunities and referrals, registering deals, and working with special pricing and partner funds.

Oracle Payables User's 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 Payments Implementation Guide:

This guide describes how Oracle Payments, as the central payment engine for the

Oracle E-Business Suite, processes transactions, such as invoice payments from Oracle Payables, bank account transfers from Oracle Cash Management, and settlements against credit cards and bank accounts from Oracle Receivables. This guide also describes how Oracle Payments is integrated with financial institutions and payment systems for receipt and payment processing, known as funds capture and funds disbursement, respectively. Additionally, the guide explains to the implementer how to plan the implementation of Oracle Payments, how to configure it, set it up, test transactions, and how use it with external payment systems.

Oracle Payments User's Guide:

This guide describes how Oracle Payments, as the central payment engine for the Oracle E-Business Suite, processes transactions, such as invoice payments from Oracle Payables, bank account transfers from Oracle Cash Management, and settlements against credit cards and bank accounts from Oracle Receivables. This guide also describes to the Payment Administrator how to monitor the funds capture and funds disbursement processes, as well as how to remedy any errors that may arise.

Oracle Procurement Buyer's Guide to Punchout and Transparent Punchout:

This guide contains necessary information for customers implementing remote catalog content on a supplier's Web site or on Oracle Exchange.

Oracle Procurement Contracts Online Help:

This guide is provided as online help only from the Oracle Procurement Contracts application and includes information about creating and managing your contract terms library.

Oracle Procurement Contracts Implementation and Administration Guide:

This guide describes how to set up and administer Oracle Procurement Contracts. Oracle Procurement Contracts enables employees to author and maintain complex contracts through a self–service, Web interface.

Oracle Public Sector Financials User Guide:

This guide describes how to set up and administer Oracle Public Sector Advanced Features. It describes Encumbrance Reconciliation Reports, GASB 34/35 Asset Accounting, and Funds Available Enhancements.

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 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 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 Sourcing Implementation and Administration Guide:

This guide contains information on how to implement Oracle Sourcing to enable participants from multiple organizations to exchange information, conduct bid and auction processes, and create and implement buying agreements. This allows professional buyers, business experts, and suppliers to participate in a more agile and accurate sourcing process.

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 Supplier Scheduling User's Guide:

This guide describes how you can use Oracle Supplier Scheduling to calculate and maintain planning and shipping schedules and communicate them to your suppliers.

Oracle iProcurement Implementation and Administration Guide:

This manual describes how to set up and administer Oracle iProcurement. Oracle iProcurement enables employees to requisition items through a self–service, Web interface.

Oracle Procurement Contracts Implementation and Administration Guide:

This manual describes how to set up and administer Oracle Procurement Contracts. Oracle Procurement Contracts enables employees to author and maintain complex

contracts through a self–service, Web interface.

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 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 Reference Guide:

This guide contains seeded relationship types, seeded Data Quality Management data, D&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 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 U.S. Federal Financials User's Guide:

This guide describes the common concepts for an integrated financial management solution for federal agencies to comply with the requirements of the U.S. Federal government. It describes the product architecture and provides information on Budget Execution, Prompt Payment, Treasury payments, Third party payments, Interagency transactions, Receivables management, Federal reports, CCR Integration, and Year End Closing.

Oracle U.S. Federal Financials Implementation Guide:

This guide describes the common concepts for an integrated financial management solution for federal agencies. It includes a consolidated setup checklist by page and provides detailed information on how to set up, maintain, and troubleshoot the Federal Financial application for the following functional areas: Sub Ledger Accounting, Budget Execution, Prompt Payment, Treasury payments, Third party payments, Interagency transactions, Receivables management, Federal reports, CCR Integration, and Year End Closing.

Oracle Projects Documentation Set

Oracle Projects Implementation Guide:

Use this guide to implement Oracle Projects. This guide also includes appendixes covering function security, menus and responsibilities, and profile options.

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 General Ledger 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 Grants Accounting Documentation

Oracle Grants Accounting User Guide:

This guide provides you with information about how to implement and use Oracle Grants Accounting. Use this guide to understand the implementation steps required for application use, including defining award types, award templates, allowed cost schedules, and burden set up. This guide also explains how to use Oracle Grants Accounting to track grants and funded projects from inception to final reporting.

Oracle Property Manager Documentation

Oracle Property Manager User Guide:

Use this guide to learn how to use Oracle Property Manager to create and administer properties, space assignments, and lease agreements.

Oracle Property Manager Implementation Guide:

Use this guide to learn how to implement Oracle Property Manager and perform basic setup steps such as setting system options and creating lookup codes, contacts, milestones, grouping rules, term templates, and a location hierarchy. This guide also describes the setup steps that you must complete in other Oracle applications before you can use Oracle Property Manager.

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 Oracle 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 E-Business Suite Data

Oracle STRONGLY RECOMMENDS that you never use SQL*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle E-Business Suite 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 E-Business Suite data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle E-Business Suite tables are interrelated, any change you make using an Oracle E-Business Suite form can update many tables at once. But when you modify Oracle E-Business Suite data using anything other than Oracle E-Business Suite, 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 E-Business Suite.

When you use Oracle E-Business Suite to modify your data, Oracle E-Business Suite automatically checks that your changes are valid. Oracle E-Business Suite 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.

1

Setting Up Taxes in Oracle E-Business Tax

Setting Up Taxes in Oracle E-Business Tax

Use E-Business Tax to set up and maintain your transaction tax requirements in all geographic locations where you do business. You can set up tax configurations to include the rules, default values, and other information necessary for each separate tax requirement. At transaction time, E-Business Tax uses your tax configuration to determine the taxes that apply to each transaction and to calculate the tax amounts.

With E-Business Tax, you can:

- Set up and maintain a tax configuration for each tax that you are subject to.

- Set up and maintain records for your legal entities and operating units and the taxes they are subject to.

- Manage the sharing of tax configuration data by the legal entities and operating units in your organization.

- Set up and maintain tax registrations and classifications for your legal establishments and third parties.

- Set up and maintain classifications of the products that you buy and sell.

- Set up and maintain classifications for your transactions.

- Set up and maintain tax rules and default values to manage tax determination and tax recovery on your transactions:

    - Set up default values and a minimum number of tax rules for simple tax requirements.

    - Set up default values and a comprehensive set of tax rules to manage complex tax requirements.

- Set up and maintain tax-related records for your important transactions.

- Set up and maintain automatic accounting of all tax-related transactions.

- Manage user control of updates and overrides of tax information on transactions.

- Set up and maintain codes for tax reporting purposes.

- Run a full set of reports for your tax authority tax requirements.

- Set up and maintain access to third party tax calculation services.

You can use the E-Business Tax Home page to manage access to all parts of the E-Business Tax system for setup and maintenance.

The tasks involved in setting up a tax requirement in E-Business Tax fall into three general categories:

1. Setting up transaction taxes. See: Evaluating Your Tax Configuration, page 2-1.

2. Completing all of the setups and settings related to the processing of taxes on transactions. See: Processing Taxes on Transactions, page 2-5.

3. Setting up tax rules and defaults to manage tax processing. See: Tax Rules in Oracle E-Business Tax , page 6-1.

E-Business Tax and Transaction Taxes

E-Business Tax provides tax services for Order to Cash and Procure to Pay business flows in these applications:

- Advanced Global Intercompany System

- Consigned Inventory

- Oracle General Ledger

- Oracle Internet Expenses

- Oracle iProcurement

- Oracle iStore

- Oracle Order Capture

- Oracle Order Management

- Oracle Payables

- Oracle Projects

- Oracle Purchasing

- Oracle Receivables

- Oracle Services Contracts

- Oracle Trade Management

E-Business Tax does not provide tax services for these transactions:

- Payables withholding taxes.

- Latin American Receivables transactions.

- India transaction taxes.

You can continue to set up and maintain these taxes in the Oracle E-Business Suite using the functionality available from Release 11*i*.

Using the Page Hierarchy Personalization

The E-Business Tax Home page lets you manage the navigation to each of the E-Business Suite applications and E-Business Tax components involved in setting up and maintaining your tax configuration using the Oracle Application Framework Page Hierarchy Personalization and Hierarchical Grid (HGrid).

The Page Hierarchy Personalization user interface displays the entire layout of a configurable page in a hierarchy table, or HGrid. You can change the focus of the Page Hierarchy according to the part of the structure that you are working on, and you can drill in or out of the various nodes of the page structure. The HGrid location indicator keeps track of where you are within the page structure. See: Using the Page Hierarchy Personalization Page, *Oracle Application Framework Personalization Guide* for information about navigating the Page Hierarchy.

The various icons in the Page Hierarchy provide access to specific functions for viewing and maintaining your tax configuration data. See: Page Hierarchy Task Flows, *Oracle Application Framework Personalization Guide* for information about using each of these functions.

E-Business Tax also uses the Page Hierarchy for these processes:

- **Regime-to-Rate Flow.** See: Using the Regime-to-Rate Flow, page 2-7 for more information.

- **Tax Rules page.** See: Tax Determination Processing, page 6-3 for more information.

Using the Setup Tasks Region

The Setup Tasks region of the E-Business Tax Home page uses the HGrid to organize the required and optional setup tasks that you need to complete your tax configuration. Certain setup tasks are conditionally required, depending upon the details of your tax configuration.

You can navigate to each setup page or setup flow from the Setup Tasks region. Complete the setup tasks in the order indicated to create a tax configuration.

> **Note:** You must ensure that you complete all prerequisite implementation tasks in all applicable E-Business Suite applications before you use the Setup Tasks region. See: Setting Up Applications for Oracle E-Business Tax, *Oracle E-Business Tax Implementation Guide* for a discussion of all application setup tasks related to E-Business Tax.

External Dependencies

Complete the setup tasks in the E-Business Suite applications that E-Business Tax uses for tax-related processes. These setup tasks include:

- **Legal Entities and Establishments** - Set up legal entities and establishments to represent the first parties and tax authorities involved in your tax transactions. See: Setting Up Legal Entity, *Oracle E-Business Tax Implementation Guide* for more information.

- **Lookup Codes** - Set up lookup codes for E-Business Tax lookup types. See: Setting Up Lookup Codes, *Oracle E-Business Tax Implementation Guide* for more information.

- **Inventory Item Category Sets and Categories** - Set up Inventory item categories for the items involved in your tax transactions. You associate Inventory item categories with product fiscal classifications to use in tax determination. See: Setting Up Oracle Inventory for Product Fiscal Classifications, *Oracle E-Business Tax Implementation Guide* for more information.

- **TCA Party Class Categories and Codes** - Set up TCA classifications to create tax-related categories to classify third parties for tax purposes. See: Setting Up TCA Classifications, *Oracle E-Business Tax Implementation Guide* for more information.

- **Tax Zones** - Set up tax zones to group together geographical regions that share the same tax requirement. See: Setting Up Tax Zones, page 2-41 for more information.

Tax Configuration

Complete the E-Business Tax setup tasks to create a basic tax configuration for each of your tax regimes. A *basic tax configuration* contains the data applicable to the taxes belonging to a tax regime.

The tax configuration setup tasks are:

- **Tax Authority Party Tax Profiles** - Set up a party tax profile for each tax authority involved in your transaction taxes. See: Setting Up a Tax Authority Tax Profile, page 3-5 for more information.

- **Tax Regimes** - Set up tax regimes in each country and geographical region where you do business and where a separate tax applies. See: Setting Up Tax Regimes, page 2-6 for more information.

- **First Party Legal Entity Party Tax Profiles** - Set up a party tax profile for each first party legal entity involved in your transaction taxes. When you first set up the party tax profile, set up configuration options for the tax regimes associated with the party. See: Setting Up a First Party Tax Profile, page 3-3 for more information.

  - **Configuration Options** - Set up configuration options to associate tax regimes with first parties. See: Setting Up Configuration Options, page 4-4 for more information.

  - **Service Subscriptions and Exclusions** - Where applicable, set up service subscriptions and service exclusions to use the tax services of external service providers for tax calculation. See: Setting Up Service Subscriptions, page 4-5 for more information.

- **Taxes** - Set up a record for each of the taxes belonging to a tax regime. See: Setting Up Taxes, page 2-13 for more information.

- **Tax Reporting Codes** - Set up tax reporting types and tax reporting codes to capture additional tax information on transactions for your tax reports, and apply them to the entities that you want to report on for each tax. See: Setting Up Tax Reporting Types, page 2-32 for more information.

  Where applicable, add tax reporting codes for the tax.

- **Tax Status** - Set up the tax statuses for each tax. See: Setting Up Tax Statuses, page 2-25 for more information.

- **Tax Jurisdictions** - Set up tax jurisdictions for each tax to identify the geographical locations where the tax authority levies the tax. See: Setting Up Tax Jurisdictions, page 2-34 for more information.

- **Tax Recovery Rates** - Set up tax recovery rates for each tax for full or partial recovery of taxes on transactions. See: Setting Up Tax Recovery Rates, page 2-30 for more information.

  - **Tax Accounts** - Where applicable, enter or update tax accounts for each tax recovery rate. See: Setting Up Tax Accounts, page 2-38 for more information.

- **Tax Rates** - Set up tax rates for each tax. See: Setting Up Tax Rates, page 2-27 for more information.

  - **Tax Accounts** - Where applicable, enter or update tax accounts for each tax rate.

  - **Tax Reporting Codes** - Where applicable, add tax reporting codes for each tax rate.

Fiscal Classification System

Complete the E-Business Tax setup tasks for fiscal classifications, if you intend to use fiscal classifications in the creation of tax rules for tax determination. Complete each setup task that applies.

- **Oracle Inventory** - Set up Inventory-based product fiscal classification types using Oracle Inventory category sets. The product fiscal classification is defaulted on the transaction line for any item that belongs to the inventory category set. See: Setting Up Product Fiscal Classifications, page 5-4 for more information.

  - **Product Classification** - Set up product fiscal classifications against an Inventory category set.

  - **Product Intended use** - Set up product intended use fiscal classifications against an Inventory category set when the intended use of the Inventory item is a factor either in tax determination or the tax recovery rate.

- **Non-Inventory** - Set up non-Inventory-based product fiscal classification types using the E-Business Tax product category. You use the E-Business Tax product category if you do not use Oracle Inventory and for other special product classification needs. See: Setting Up Product Fiscal Classifications, page 5-4 for more information.

  - **Product Classification** - Set up product fiscal classifications using the E-Business Tax product category. You can enter these product fiscal classification codes on a transaction line irrespective of the item.

  - **Product Intended Use** - Set up product intended use fiscal classifications using the E-Business Tax product category when the intended use of the product fiscal classification is a factor either in tax determination or the tax recovery rate.

- **Party Classification** - Set up party fiscal classifications for your customers and customer sites and suppliers and supplier sites. You can also use the legal classification tax usage of legal activity codes according to your tax determination and tax reporting requirements. See: Setting Up Party Fiscal Classifications, page 5-2 for more information.

- **Transaction Classification** - Set up transaction fiscal classifications to classify

transactions for tax determination and tax reporting purposes. See: Setting Up Transaction Fiscal Classifications, page 5-11 for more information.

- **Transaction Business Categories** - Set up a hierarchy of transaction fiscal classification codes under transaction business categories to identify specific transaction events. See: Setting Up Transaction Fiscal Classifications, page 5-11 for more information.

- **Document Classification** - Set up document fiscal classifications to classify transactions that require special documentation to accompany the transaction. See: Setting Up Transaction Fiscal Classifications, page 5-11 for more information.

- **User Defined Transaction Classification** - Set up user defined transaction fiscal classification codes to classify any tax requirement that you cannot define using the existing fiscal classification types. See: Setting Up Transaction Fiscal Classifications, page 5-11 for more information.

Country Defaults

Set up country default controls to default tax registration information for the applicable tax regimes and taxes to legal establishment party tax profiles. See: Setting Up Country Default Controls, page 3-16 for more information.

Tax Exceptions

Set up tax exceptions to apply special tax rates to products. See: Setting Up Tax Exceptions, page 5-8 for more information.

Tax Rules

Set up tax rules to manage the setup and execution of the E-Business Tax tax determination process for your tax regimes and taxes. See: Tax Rules in Oracle E-Business Tax, page 6-1 for more information.

Complete First Party Legal Entity Party Tax Profile

Complete the party tax profile of the first party legal entity.

- **Party Classifications** - If applicable, associate party fiscal classification codes with this party to use as determining factors in tax rules. See: Setting Up Party Fiscal Classifications, page 5-2 for more information.

- **Tax Reporting Codes** - If you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

First Party Legal Establishment Party Tax Profile

Complete the party tax profile for each legal establishment belonging to the first party legal entity. See: Setting Up a First Party Tax Profile, page 3-3 for more information.

- **Tax Registration** - Set up tax registrations records for the first party legal establishment. See: Setting Up a Tax Registration, page 3-13 for more information.

  - **Tax Accounts** - Where applicable, enter or update tax accounts for each tax registration.

  - **Tax Reporting Codes** - If you associated tax reporting types with tax registration, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

- **Party Fiscal Classifications** - If applicable, associate party fiscal classification codes with this party to use as determining factors in tax rules. See: Setting Up Party Fiscal Classifications, page 5-2 for more information.

- **Tax Reporting Codes** - If you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Party Tax Profiles for Third Parties

Set up third party tax profiles for your customers and customer sites and suppliers and supplier sites. See: Setting Up a Third Party Tax Profile, page 3-6 for more information.

Customers

- **Party Tax Profile Details** - Set up a party tax profile for each customer.

  - **Tax Registration** - Set up tax registrations records for the customer. See: Setting Up a Tax Registration, page 3-13 for more information.

  - **Tax Exemption** - Set up tax exemptions for the customer and customer sites. See: Setting Up Tax Exemptions, page 3-10 for more information.

  - **Tax Reporting Codes** - If you associated tax reporting types with tax registration, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

- **Party Fiscal Classifications** - If applicable, associate party fiscal classification codes with this party to use as determining factors in tax rules. See: Setting Up Party Fiscal Classifications, page 5-2 for more information.

- **Tax Reporting Codes** - If you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Suppliers

- **Party Tax Profile Details** - Set up a party tax profile for each supplier.

- **Party Fiscal Classifications** - If applicable, associate party fiscal classification codes with this party to use as determining factors in tax rules. See: Setting Up Party Fiscal Classifications, page 5-2 for more information.

- **Tax Reporting Codes** - If you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Configuration Owner Tax Options

Where applicable, set up configuration owner tax options for a combination of configuration owner and application event class. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

Application Tax Options

Set up application tax options to update migrated tax setup or to create new tax setup based on the Release 11*i* defaulting hierarchy model. The defaulting hierarchy model defaults tax classification codes to transactions. See: Using Application Tax Options, page 2-43 for more information.

> **Note:** You must complete additional setup tasks to use migrated tax data on transactions with E-Business Tax. See: Using Tax Classification Codes, page 6-35 for more information.

Make Tax Available on Transactions

After you complete your tax setup and verify that the tax setup behaves according to your requirements, you can enable each tax in the tax regime. Enabling a tax makes it available for use on transactions. See: Updating a Tax, page 2-20 for more information.

Simulate Transactions

After you complete your setup tasks, use the Tax Simulator to test the details of your tax configuration. See: Using the Oracle Tax Simulator, page 7-20 for more information.

Using the Tax Configuration Region

After you complete tax setups, you can use the Tax Configuration region to display tax configuration data by country or by tax regime.

2

Setting Up the Basic Tax Configuration

Evaluating Your Tax Configuration

In each country where you do business, you must analyze how the taxes on your transactions impact your company. Each country has at least one, and often more than one, system of taxation. Some forms of taxation apply to most or all transactions, while others are specific to certain transactions or certain companies only. For example, a sales taxation system addresses the rules and regulations surrounding tax on sales transactions. A value added tax (VAT) taxation system addresses the tax on the value addition in manufacturing and/or an applicable point in the supply chain.

Many countries have more than one system of taxation: Canada, Argentina, Brazil, India, and the United States all have multiple taxes. Some European countries also impose environmental taxes in addition to VAT. Within a country, two different taxes can administer different treatments regarding applicable transactions, tax recovery, tax rates, and many other factors.

Companies that have global operations need to comply with the local laws and regulations of each country in which they operate, specifically local tax laws. From the point of view of an application environment, this means more than simply being able to update or add tax rates. This must include the ability to charge, collect, account for, and pay existing taxes and any new tax that is introduced in a country, as well as support the local tax audit requirements.

Understanding Tax Regulations

Tax authorities that levy or administer taxes define both the regulations that govern the applicability of taxes to transactions, and the administrative obligations that parties subject to these taxes have. The list below indicates the details of what a tax authority specifies for each tax:

• The regulations governing the parties that are subject to the tax:

- **Registered parties** - The conditions that require a party to register for the tax, and the rights and obligations of a registered party.

- **Exempt parties** - The conditions that exempt a party from registering, and the regulations that apply to the transactions of an exempt party.

- The regulations that identify the types of transactions that come under the purview of the tax:

  - **Place** - The geographical areas where the tax applies.

  - **Products** - The types of products that are within the scope of the tax, including:

    - The differences in the treatment between physical goods and services.

    - The categories of products, and the special treatment of any such category.

  - **Parties** - The parties within the scope of the tax, and the differences in the treatment of any such party.

  - **Transactions** - Special transaction considerations:

    - The special treatment, if any, for specific transactions that are within the scope of the tax.

    - The types of transactions that are out of scope for the tax.

- The regulations governing the transactions that are within the scope of a tax:

  - The regulations defining whether or not a transaction falls within the geographical scope of the tax. Such regulations help decide the *place of supply*.

  - The regulations, if any, that exclude transactions for other reasons which fall within the geographical scope of the tax. Such regulations help decide the *applicability*.

  - The regulations that decide the taxable nature of a transaction for the purpose of the tax. Such regulations help decide the *tax status*.

  - The regulations that indicate the rate of taxation, or *tax rate*.

  - The regulations that indicate the basis of taxation, or *taxable basis*.

  - The regulations that indicate how the tax amount is determined on a transaction. Such regulations help decide how to *calculate tax amounts*.

- The regulations governing the tax amounts generated by transactions:

- The payment and recovery of taxes, including:

  - Whether the tax amount accrues when the transaction takes place.

  - Whether the tax amount accrues only when there is (and to the extent there is) a subsequent activity, such as a payment.

- The reporting of tax activity, including:

  - Whether the tax amount needs to be reported in full when the transaction takes place.

  - Whether the tax amount is reported only when there is (and to the extent there is) a subsequent activity, such as a payment.

You need to consider all of these factors, and the specific details of each regulation, when preparing your tax configuration model. Though tax regulations vary greatly both in terms of the level of complexity and the nature of complexity, you can analyze tax requirements in a structured manner to build a tax model in E-Business Tax that will meet your tax determination and tax reporting needs.

Defining Tax Regimes, Taxes and Tax Jurisdictions

E-Business Tax provides you with a single interface for defining and maintaining the taxes that you are subject to in each country where you do business. E-Business Tax defines the term *tax* as a distinct charge imposed by a tax or legal authority with its own rates and with the requirement to appear separately on invoices and/or in tax reports. In terms of your actual tax configuration, E-Business Tax applies a still narrower definition to the term *tax*, and introduces the more inclusive term *tax regime*.

For example, in Argentina there is a tax similar to European VAT called Impuesto al Valor Agregado (IVA). There is another tax called Impuesto al Valor Agregado Adicional, levied on unregistered customers. These two charges are together commonly referred to as IVA. However, in your tax configuration you define these charges as two different *taxes* under the one *tax regime* called, for example, IVA-Argentina. This configuration specifies that a company may charge two taxes--IVA and IVA Adicional-- but these two charges are levied by the same tax authority and the company receives only one tax registration for both taxes. In the example above, you define the IVA-Argentina tax regime to contain the taxes IVA and IVA Adicional. You can then define the tax registrations that your company, customers, and suppliers have for this tax regime, instead of defining tax registrations for the individual taxes.

Thus, although UK VAT, French TVA, and Argentine IVA are all value added taxes, you define each as a separate tax regime with one or more taxes under each regime for the applicable country.

The incidence of a tax on a specific geographical area is called a *tax jurisdiction*. A tax jurisdiction is limited by a geographical boundary that encloses a contiguous political or

administrative area, most commonly the borders of a country. For example, the countries of UK, France and Argentina serve as the respective tax jurisdictions for their VAT tax regimes and related taxes. Often this contiguous political or administrative area falls within a country, such as a state, province, city or a county tax jurisdiction; examples include US state sales tax and Canadian Provincial Sales Tax (PST). In countries where you define tax jurisdictions at a level lower than the country level , you typically need to define tax registrations for your company or your third parties at the level of tax jurisdictions. You can define a tax registration, for example, either to capture a tax registration number or to specify nexus for a supplier in a particular tax jurisdiction.

Defining Tax Statuses and Tax Rates

For each tax, a tax authority can specify one or more tax rates. In addition, tax authorities usually revise their tax rates periodically. In some cases, rates stay constant for years, while in other cases they change annually or even bimonthly. Along with the change in tax rates, tax authorities typically divide the scope of what is taxed into categories, each of which carries a separate tax rate. Countries in the European Union, for example, specify categories such as Standard, Reduced, and Exempt, while countries with state or provincial sales taxes use categories such as Inter-state and Intra-state. The *tax status* is used to define and maintain these categories. You define tax statuses under the definition of a tax

For each of the tax statuses that you define, you define one or more *tax rates*. For each tax rate that you define, you can also specify a tax jurisdiction, in which case the rate is only used if that tax jurisdiction applies to the transaction.

Defining Recovery Types and Recovery Rates

In some tax regimes, a tax that is paid by a registered establishment can claim back all or part of taxes due from the tax authority. In E-Business Tax this is called *tax recovery*. There are usually many regulations surrounding the details of tax recovery. Typically only a portion of the tax amount paid is recoverable, and tax authorities designate the tax recovery rates that indicate the extent of recovery for a specific tax.

In Canada, two types of recovery possible on Goods and Services Tax (GST). Certain types of establishment can claim both an Input Tax Credit and a Tax Rebate. Both of these types of recovery will have one or more recovery rates applicable under different transaction conditions. E-Business Tax defines these two recovery types as primary and secondary recovery types. For the primary recovery type (and, in rare cases, the secondary recovery type), you can define one or more recovery rate codes with values between 0% to 100%. Like a tax rate code, the recovery rate code can have different rates for different effective periods.

Country-Specific Tax Configurations

The table below illustrates some of the key tax configuration concepts described above.

These examples are for illustration purposes only and are not intended to reflect the actual tax regulations of any particular country.

Country	Tax Regime	Tax	Tax Jurisdictions	Tax Statuses
United States	US Sales Tax	State Sales Tax	California, Nevada, Texas	Standard Sales, Standard Use
	US Sales Tax	City Sales Tax	San Francisco, San Jose, Los Angeles	Standard Sales, Standard Use
Canada	Canadian Goods and Services Tax	GST	Canada	Standard, Zero-rated, Exempt
	Canadian Provincial Sales Tax	PST	Saskatchewan, Ontario, British Colombia	Standard, Special-rated, Exempt
Singapore	Singapore Goods and Services Tax	GST	Singapore	Standard, Zero-rated, Exempt
India	India Excise and Customs	Excise Duty	India	Standard, Exempt, Reduced
	India Excise and Customs	Additional Excise Duty	India	Standard, Exempt, Reduced
Brazil	RICMS – Brazil ICMS Rules	ICMS	Sao Paulo, Rio de Janeiro, Campinas	Interstate, Intrastate, Suspended
	RIPI – Brazil IPI Rules	IPI	Brazil	Taxable, Exempt, Suspended
Portugal	Portuguese VAT	VAT	Portugal, Lisbon, Madeira	Standard, Exempt, Reduced

Processing Taxes on Transactions

After you set up the basic tax configuration for the taxes that your company's legal

entities and operating units are subject to, you must decide how to automate the processing of taxes on your transactions.

The tax determination process derives the taxes that apply to a transaction and the tax amounts charged on the transaction by evaluating the factors of the transaction according to the rules that you define. These taxability factors are:

- **Place** - The places involved in the transaction, including the ship from and ship to locations, and the bill from and bill to locations.

- **Party** - The parties of the transaction. This can include:
  - First party legal entities.

  - Ship from/ship to parties; bill from/bill to parties.

  - Tax registrations and registration statuses of each party.

  - Type or classification of a party.

- **Product** - The products transacted. This can include:
  - Designation of physical goods or services.

  - Type or classification of a product.

- **Process** - The kind of transaction that takes place. This can include:
  - Procure to Pay transactions, such as purchases, prepayments, and requisitions.

  - Order to Cash transactions, such as sales, credit memos, and debit memos.

  - Type of sale or purchase: retail goods, manufactured goods, intellectual property, resales.

Use these factors to develop your tax determination process and translate your operational procedures into tax rules.

See: Tax Determination Processing, page 6-3 for information about each step in the tax determination process.

Setting Up Tax Regimes

Set up tax regimes for the taxes in each country and geographic region where you do business and where a separate tax applies. A *tax regime* associates a common set of default information, regulations, fiscal classifications, and registrations to one or more taxes with the same tax requirement.

The tax regime provides these functions:

- groups similar taxes together.

- designates the geography within which taxes apply.

- defaults the settings and values you define to each tax in the regime.

- contributes to the definition of configuration options and third party service subscriptions.

- optionally provides a single registration for all taxes associated with the regime.

- defines the use of fiscal classifications.

The common tax regime setup is one tax regime per country per tax type, with the tax requirements administered by a government tax authority for the entire country. There are also cases where tax regimes are defined for standard geographical types or subdivisions of a country, such as a state, province, county, or city. In these cases, you base the tax regime on the Trading Community Architecture (TCA) standard geography. See: Setting Up TCA Geography Hierarchy, *Oracle E-Business Tax Implementation Guide* for more information.

There are more rare cases where a tax regime is based on disparate parts of a country or more than one country. In these cases, you can create one or more *tax zones* and set up tax regimes for these tax zones. See: Setting Up Tax Zones, page 2-41 for more information.

You can also set up a tax regime as a *parent tax regime* to group related tax regimes together for reporting purposes.

You must set up a tax regime before you set up the taxes in the tax regime. Some tax regime values default to the taxes that belong to the regime in order to help minimize tax setup. You can update many of these values at the tax level. See: Setting Up Taxes, page 2-13 for more information.

> **Important:** Do not set up tax regimes and taxes for use with the Latin Tax Engine. The Latin Tax Engine still makes use of the Latin tax categories, tax codes, and tax groups for tax calculation.

You must associate a tax regime with all of the first party legal entities and operating units that are subject to the tax regulations of the regime. See: Configuration Options in Oracle E-Business Tax, page 4-1 for more information.

Using the Regime to Rate Flow

Use the Tax Regimes page to search and display your tax regimes and their related setup. The Tax Regimes page makes use of the Page Hierarchy Personalization user interface to display the hierarchy of tax configuration setups.

Use the Regime to Rate flow icon to display a table for the setups of a particular tax

regime. The Regime to Rate flow table lets you drill down into the details of a tax regime setup, including all taxes, tax statuses, and tax rates. You can update existing records or create new records at any point in the regime hierarchy.

See: Using the Page Hierarchy Personalization Page, *Oracle Application Framework Personalization Guide* for information about using the Page Hierarchy.

Taxes and Geographic Locations

Use the geographic settings in E-Business Tax to define the taxes and tax rates at each geographic level in your countries of operation. E-Business Tax uses the TCA master geography hierarchy to determine the relationships between countries and the territories and geographical regions within a country that belong to them.

For example, the structure for the United States is defined in this way: Country is the parent of State, State is the parent of County, County is the parent of City, and City is the parent of Postal Code. E-Business Tax uses this structure to help determine the taxes and tax rates that apply to each geographic entity within the United States. In this way, a sales transaction that takes place in a city may include taxes at the state, county, and city level.

The complexity of the structure that you need depends upon your countries of operation and the requirements of the tax regimes in those countries. For many tax requirements, the country is the only geographic entity that you will use. Tax regimes with more complex requirements will make use of more levels of a geographic hierarchy. If necessary, ensure that the TCA master geography contains the hierarchy structures that you need for each of your countries of operation.

> **Note:** If you plan to administer any of the following setups, then you must set up a structure in the TCA master geography hierarchy for the applicable country:
>
> • Tax jurisdictions within a country to apply separate jurisdiction rates;
>
> • Taxes for a country that only apply to a part of the country;
>
> • Tax zones comprised of elements within a country.

In E-Business Tax you can set up geographic information at three levels: tax regime, tax, and tax jurisdiction. You can use these levels to define different tax requirements within a geographic hierarchy:

• **Tax regime.** Tax regime level defines a tax that applies to a country or tax zone. For example, the tax regime *United States Sales and Use Tax* refers to the country *United States*.

• **Tax.** Tax level defines a tax and the geographic level for the tax, such as a *City* tax or

a *County* tax.

- **Tax jurisdiction.** Tax jurisdiction level defines a geographic entity and the tax and tax jurisdiction rates, if any, that belong to this entity. For example, a US County Sales Tax jurisdiction for San Francisco county refers to the county *San Francisco* as a child of the state *California* as a child of the country *United States*.

Before you can set up tax regimes, you may need to complete one or more of these tasks:

- Set up first party legal entities and operating units.

- Set up currencies. (mandatory)

- Set up TCA geography hierarchy structures. (mandatory, if required by the country)

- Set up party tax profiles. (mandatory for configuration options)

- Set up tax zones. (optional)

- Set up exchange rate types. (optional)

- Set up tax authorities. (optional)

The setup of a new tax regime includes:

- **Header-level information** - Entering header-level information about the tax regime.

- **Tax-level controls** - Setting tax-level controls to enable the options that you want to make available to the taxes in this tax regime. If necessary, you can disable the functionality that you enable here for individual taxes within the tax regime.

- **Default values** - Entering default values for the taxes in this tax regime. You can update the default values at the tax level.

To set up a new tax regime:

1. Navigate to the Create Tax Regime page.

2. Enter a unique tax regime code and tax regime name. Use a coding convention that indicates both the country and the kinds of taxes that belong to this regime.

3. Select the regime level to define the geographic area of the tax treatment. You can only use *Group of Countries* for parent tax regimes.

4. If the regime level is:

- *Country*, enter the Country Name.

- *Group of Countries* or *Tax Zone*, enter the tax geography type and tax geography name associated with the group of countries or the tax zone that you want. The tax geography type and tax geography name correspond to the tax zone type and tax zone respectively.

5. If applicable, enter parent regime information:

   - If this tax regime is a parent regime, check the Used to Group Regimes box.

   - If this tax regime belongs to a parent regime, enter a parent regime code.

6. Enter the effective period for this regime. The dates you enter default to all related tax setup within the regime.

   > **Note:** If you enter an Effective To date, you cannot update this date after you save the record.

   > **Note:** Consider your tax planning carefully before entering the tax regime Effective From date. This date must accommodate the oldest transaction that you want to process within this tax regime. After you create the tax regime, you can only update this date with an earlier date.

7. Set tax-level controls for this tax regime:

   - *Allow Tax Recovery* - Lets you set up tax recovery for the taxes in this tax regime.

     You must set this option to set up tax recovery definitions at the tax level and to set up tax recovery rates for taxes in this tax regime. See: Setting Up Taxes, page 2-13 and Setting Up Tax Recovery Rates, page 2-30 for more information.

   - *Allow Override and Entry of Inclusive Tax Lines* - Lets you change the setting for tax inclusive handling at the tax level.

     You should only set this option if the taxes in this tax regime vary in their treatment of tax inclusive handling. For example, if all taxes in this tax regime are inclusive of tax for all transactions, then do not set this option.

   - *Allow Tax Exemptions* - Lets you set up customer tax exemptions for this tax. A *tax exemption* is a full or partial exclusion from taxes within a given time period.

     You must set this option to set up tax exemptions for this tax regime and for taxes in this tax regime. See: Setting Up Tax Exemptions, page 3-10 for more information.

- *Allow Tax Exceptions* - Lets you designate special tax rates for specific products as determined by the tax authorities. A *tax exception* is a condition or combination of conditions that result in a change from the standard values for a particular product.

  You must set this option to set up product tax exceptions for taxes in this tax regime. See: Setting Up Tax Exceptions, page 5-8 for more information.

8. Enter a tax currency. The *tax currency* is the currency required by the tax authority. You use the tax currency to pay the tax authority and to report on all tax transactions.

   The tax currency may differ from the ledger currency and transaction currency. The *ledger currency* is the accounting currency of your ledger. The *transaction currency* is the currency or currencies used on your transactions.

9. If necessary, enter the exchange rate type to use to convert the transaction currency to the tax currency.

10. Enter the tax rounding parameters to use for all taxes in this regime:

    - Minimum accountable unit is the smallest unit a tax amount can have.

    - Rounding rule is the method to use to round off taxes to the minimum accountable unit.

    - Tax precision is a one-digit number that indicates the number of decimal places to which to calculate tax in tax currency. Enter a precision of *0* to round to a whole currency unit.

      For example, to round off a calculated tax amount of 1.466 to 1.47, define a tax precision of *2*, a rounding rule of *Up* or *Nearest*, and a minimum accountable unit of *.01*.

      If you want to apply different tax rounding parameters to an individual tax, then set the Allow Tax Rounding Override option.

      > **Note:** If you plan to use a third party service provider, then you must define tax rounding information that is at least as detailed as the rounding information of the service provider. See:Setting Up Service Subscriptions, page 4-5 for more information.

11. Enter the default tax authority to use on your tax reports, for the submission of tax reports (Reporting) and the submission of tax remittances (Collecting).

12. Use the Allow Tax Inclusion field to define the nature of tax inclusive handling. Tax inclusive handling defines the relationship, as designated by the tax authority,

between the line amount and the tax amount:

- *Standard Inclusive Handling* - The price on the transaction line is inclusive of tax.

- *Standard Non-Inclusive Handling* - The price on the transaction line is exclusive of tax. The tax amount is added to the price.

- *Special Inclusive Handling* - Use this option for special tax handling, such as a taxable base amount based upon the line amount rather than the adjusted line amount, or based on the line amount plus another tax amount. See: Setting Up Tax Formulas, page 6-55 for more information.

> **Note:** If you do not set standard inclusive handling for the taxes in this tax regime, you can still set this option for individual parties involved in transactions. See: Party Tax Profiles in Oracle E-Business Tax, page 3-1 for more information.

13. If you set the Allow Tax Recovery option, select the default recovery settlement:

- *Immediate* - Tax recovery is available at invoicing.

- *Deferred* - Tax recovery is available only after the invoice is paid.

> **Note:** If the default recovery settlement is *Deferred*, then you must set up an interim tax account for the applicable taxes and tax rates to record the tax recoveries or liabilities that accrue prior to payment. See: Setting Up Tax Accounts, page 2-38 for more information.

14. Check the Allow Multiple Jurisdictions box if one or more of the taxes in this tax regime apply to multiple tax jurisdictions. See: Setting Up Tax Jurisdictions, page 2-36 for more information.

15. Check the Allow Tax Rounding Override box to let you update the rounding parameters for individual taxes in this regime.

16. Check the Use Legal Registration Number box if the tax authority requires that you use the same registration number for this tax for both legal and transaction tax purposes.

When you set up tax registrations, choose one of the available legal entity registration numbers as the transaction tax registration number for taxes in this tax regime. See: Setting Up a Tax Registration, page 3-13 for more information.

17. Check the Allow Cross Regime Compounding box and enter the compounding

precedence, if taxes in this regime are involved in any compounding operation with taxes in another regime of the same configuration owner. The compounding precedence indicates the order in which to consider the taxes in each regime.

You must set this option in each of the participating tax regimes if any of these cases apply:

- a tax in this regime impacts the taxable base of a tax in another regime.

- a tax in another regime impacts the taxable base of a tax in this regime.

- a tax in this regime impacts the taxable base of a tax in another regime on the same transaction line.

> **Note:** You must ensure that you set this option correctly for each tax regime. You cannot update this setting after you save the tax regime record.

You must also complete these setup steps for cross-regime compounding:

- Define the compounding precedence for the taxes in this regime according to the cross-regime compounding requirements. See: Setting Up Taxes, page 2-13.

- Set up a taxable basis tax formula or tax calculation tax formula for each tax involved in the compounding. See: Setting Up Tax Formulas, page 6-55.

- Set up a Taxable Basis tax rule or Calculate Tax tax rule for each tax regime and tax, and assign the tax formulas to these rules. See: Tax Determination Processing, page 6-3.

18. Click Continue to enter configuration options. See: Setting Up Configuration Options, page 4-4 for more information.

> **Note:** You must set up the applicable first party legal entities before you can enter configuration options for a tax regime. See: Configuration Options in Oracle E-Business Tax, page 4-1 for more information.

Related Topics

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

Setting Up Taxes

Set up details for the taxes of a tax regime. Each separate tax in a tax regime includes

records for the statuses, rates, and rules that are used to calculate and report on the tax. E-Business Tax defaults tax information from the tax regime to each tax that you create under a regime. You can modify this information at the tax level according to your needs, as well as add additional defaults and overrides.

You can create a new tax, or create a tax that is based on an existing tax within the regime. When you create a new tax based on an existing tax, the attributes that remain constant for all taxes derived from the source tax are not available for update.

You can only enable a tax for use on transactions after you have completed all of the related setup required. See: Updating a Tax, page 2-20 for more information.

Prerequisites

Before you can set up taxes, you may need to complete one or more of these tasks:

- Set up tax regimes. (mandatory)

- Set up ledgers and accounts. (optional)

- Set up tax reporting codes. (optional)

- Set up recovery type lookup codes. (optional)

- Set up tax types. (optional)

To set up a new tax:

1. Navigate to the Create Tax page.

2. Enter the tax regime code. E-Business Tax defaults the tax settings from the tax regime.

3. Enter the configuration owner for this tax. The configuration owner determines the ownership and use of this tax and its associated setup.

   > **Note:** You cannot update the configuration owner setting after you create the tax record. All tax statuses, tax rates, and tax recovery rates defined for this tax inherit the same configuration owner. See: Configuration Options in Oracle E-Business Tax, page 4-1 for more information.

   Unless this tax belongs to a party-specific configuration, use *Global Configuration Owner* to share this tax with the other parties in your company.

4. Select the tax source:

   - *Create a new tax* - Use this option: (1) to create a tax that becomes the source for other taxes within this regime to share tax jurisdictions and tax registrations; or

(2) to create a tax where the registration and jurisdiction information is independently maintained and not shared.

- *Create from an existing tax* - Use this option to create a tax that shares the registration and jurisdiction information from an existing tax within this regime.

  In most cases, you should set up the taxes in a tax regime such that they can share the same jurisdiction and registration information.

  > **Note:** You cannot update the tax source setting after you save the tax record.

5. In the Tax field, enter a code for this tax. Use a coding convention in keeping with the tax regime code.

   If the tax source is *Create from an existing tax*, then select an existing tax from the list of values.

6. Enter a tax name. You can create a unique tax name or use the code that you entered in the Tax field. For a tax created using tax source, Create from an existing tax, the tax name defaults with attributes from the other tax, which you cannot change.

7. Enter a tax type to classify this tax for reporting purposes. E-Business Tax provides these tax types:

   - *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.

     You can add tax types according to your reporting needs. See: Setting Up Lookup Codes, *Oracle E-Business Tax Implementation Guide*.

8. Enter an effective date range.

   > **Note:** If you enter an Effective To date, you cannot update this date after you save the record.

9. Enter geographic information for this tax. This includes the geography type for the tax, such as City, County, or State, and the parent geography type and parent geography name of the geography type.

   For example, if the tax is US County Tax, then the geography type is *County*, the parent geography type is *Country*, and the parent geography name is *United States*.

   - Enter the geography type for this tax. You can enter a TCA master reference geography type or a tax zone.

   - If you use a TCA master reference geography type, enter the parent geography type and parent geography name.

     If the geography type is *Country*, enter *Country* for parent geography type and the tax regime country name for parent geography name.

   - Enter an override geography type that belongs to the parent geography type, if you plan to set up different rates for this geography within the same tax jurisdiction. See: Setting Up Tax Jurisdictions, page 2-34 for more information.

10. Enter the currency for this tax, and define the way that tax amounts are displayed on transactions and reported to the tax authorities.

    If you set the Allow Tax Rounding Override option at the regime level, you can update the rounding parameters for this tax. If you want to let an individual party update the rounding rule for this tax on its transactions, then set the Allow Tax Rounding Override option at the tax level and update the rounding rule in the applicable party tax profile. See: Party Tax Profiles in Oracle E-Business Tax, page 3-1 and Rounding Rule Retrieval Process, page 6-13 for more information.

    See: Setting Up Tax Regimes, page 2-6 for information about entering and updating these fields:

Fields for Tax Amounts and Related Information

Tax Currency

Minimum Accountable Unit

Rounding Rule

Tax Precision

Tax Rounding Override

Exchange Rate Type

Fields for Tax Amounts and Related Information

Reporting Tax Authority

Collecting Tax Authority

11. Enter a single-digit compounding precedence to define the order in which this tax is calculated in the compounding process within this regime. Taxes are calculated in ascending order of compounding precedence.

12. In the Applied Amount Handling field, select the method to use to calculate taxes when a prepayment is applied to an invoice:

    • *Recalculated* - E-Business Tax uses the invoice tax rate for both the prepayment and the invoice line amount.

    • *Prorated* - E-Business Tax uses the prepayment tax rate for the prepayment amount and the invoice tax rate for the invoice line amount.

    See: Prepayment Invoices, page 7-3 for more information.

13. If applicable, set the options for offset taxes:

    • Check the *Set as Offset Tax* box if you are creating an offset tax.

      Setting this option disables the Controls and Defaults region and clears any values that were entered in this region.

    • Check the *Set for Reporting Purposes Only* box if you are not creating an offset tax but you want to calculate reverse charges without creating General Ledger postings. E-Business Tax will save the reverse charge information for reporting to the tax authorities.

    • If this is an offset tax option, enter a recovery type.

14. If applicable, set the options for tax inclusive handling:

    • If you enabled the Allow Override and Entry of Inclusive Tax Lines option at the regime level, then in the Allow Tax Inclusion field define the nature of tax inclusive handling for this tax.

    • If the tax rates belonging to this tax vary in their treatment of tax inclusive handling, then enable the Allow Override and Entry of Inclusive Tax Lines option for this tax. You can then set tax inclusive handling at the tax rate level.

> **Note:** If you do not set standard inclusive handling for this tax, you can still set this option for individual parties involved in transactions. See: Party Tax Profiles in Oracle E-Business Tax, page 3-1 for more information.

15. Define the manual updates available to users on transaction tax lines. Manual updates do not use tax rules and formulas:

    • *Allow Override for Calculated Tax Lines* - Let users override the automatic tax calculation on invoice tax lines.

    • *Allow Entry of Manual Tax Lines* - Let users create manual tax lines on invoices.

16. Check the Allow Duplicate Tax Registration Numbers box to allow multiple parties to use the same tax registration number for this tax.

    Leave this box unchecked to enforce unique tax registration numbers across all parties and party sites.

17. Check the Allow Multiple Jurisdictions box to define tax jurisdictions for this tax in more than one geographic region.

    You must set this option in these cases:

    • different tax rates apply in each region.

    • different tax authorities administer taxes and require separate tax reporting in each region. See also: Setting Up a Tax Registration, page 3-13.

    • tax authority requires separate registrations for a party having multiple locations in different regions or multiple registrations for the same location.

18. Check the Allow Mass Creation of Jurisdictions box to let you mass create tax jurisdictions for this tax.

    See: Mass Creating Tax Jurisdictions, page 2-36 for more information.

19. Select the tax accounts creation method.

    Select *Create Tax Accounts* if you intend to create tax accounts for this tax. See: Setting Up Tax Accounts, page 2-38 for more information.

20. If you intend to use the tax accounts of an existing tax at transaction time, enter this tax in the Tax Accounts Source field.

    For example, in the United States the county and city taxes may use the same tax accounts as that of the related state tax.

21. Check the Allow Tax Exceptions box to create special tax rates for specific products for this tax. See: Setting Up Tax Exceptions, page 5-8 for more information.

22. Check the Allow Tax Exemptions box to create tax exemptions for your customers for this tax.

23. If you enabled tax exemptions for this tax, select the tax exemptions creation method:

    • *Create Tax Exemptions* - Create tax exemptions for your customers for this tax. See: Setting Up Tax Exemptions, page 3-10 for more information.

    • *Use Tax Exemptions from an existing tax* - Use tax exemptions already created for customers for this tax.

24. If you intend to use the tax exemptions of an existing tax at transaction time, enter this tax in the Tax Exemptions Source field.

    For example, county and city taxes may use the tax exemption of the state tax, when the state tax exemption applies to all cities and counties in the state.

25. If you set the Allow Tax Recovery option for the tax regime associated with this tax, enter tax recovery options:

    • If applicable, set the option to allow for user override of the calculated tax recovery rate on transaction lines.

    • If this tax allows for more than one recovery type, use the Primary Recovery and Secondary Recovery fields to enter the corresponding recovery types. The Update Tax page displays the Default Primary Recovery Rate Code and Default Secondary Recovery Rate Code fields, if applicable.

    • If you plan to use tax rules to determine recovery rates, set the appropriate options. In this case, the recovery rates that you define for each recovery type only apply if the determination rules cannot find a recovery rate. See: Tax Recovery Processing, page 6-15 for more information.

    • Select the default recovery settlement for this tax: *Immediate* - Tax recovery is available at invoicing; *Deferred* - Tax recovery is available only after the invoice is paid.

        Note: If the default recovery settlement is *Deferred*, then you must set up an interim tax account for this tax to record the tax recoveries or liabilities that accrue prior to payment. See:Setting Up Tax Accounts, page 2-38 for more information.

    See also: Setting Up Tax Recovery Rates, page 2-30.

26. Check the Allow Tax Rate Rules box if you plan to use rules to determine the tax rate for this tax at transaction time. See: Determine Tax Rate, page 6-11 for more information.

27. If you set the tax account creation method as *Create Tax Accounts*, enter tax account information for this tax. See: Setting Up Tax Accounts, page 2-38 for more information.

28. If you defined a tax reporting type for this tax, enter the applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

29. Set up the tax statuses and rates to use with this tax. See: Setting Up Tax Statuses, page 2-25 and Setting Up Tax Rates, page 2-27 for more information.

Updating a Tax

After you have completed all the necessary steps in your tax setup, use the Update Tax page to perform these tasks:

- For offset taxes, enter a 100% recoverable rate. See: Setting Up Offset Taxes, page 2-21.

- For tax recovery, review/update the default primary recovery rate code and default secondary recovery rate code.

- Make each tax available on transactions. When you enable the Make Tax Available for Transactions option, E-Business Tax runs a series of checks to ensure that all of the definitions related to the tax have been defined.

To make a tax available on transactions:

- Define either a default place of supply or a tax rule for the rule type Determine Place of Supply.

- Define either a default tax registration or a tax rule for the rule type Determine Tax Registration.

- Define either a default tax status and default tax rate, or tax rules for the rule types Determine Tax Status and Determine Tax Rate.

- Define either a default tax formula or a tax rule for the rule type Determine Taxable Basis.

- Define either a default tax formula or a tax rule for the rule type Calculate Tax Amounts.

- Define a primary tax recovery rate, if you set the allow recovery option for the tax.

- Define at least one tax jurisdiction for the tax.

- Define an exchange rate type, if the tax is used in cross-border transactions.

Setting Up Offset Taxes

An *offset tax* calculates and records third party Payables tax liabilities for reverse charges, self-assessments, and, in the United States, Consumer's Use tax. An offset tax record is a matching, duplicate record with negative amounts that reduces or completely offsets the tax liability recorded in the tax transaction.

Use offset taxes when the tax requirement includes creating offset general ledger postings.

You cannot update the recovery rate on an offset tax line. The recovery rate is always 100% in order to create credit entries that match the original tax amounts. When you create an offset tax, you enter a primary recovery type with a recoverable rate of 100% and a 100% recovery rate.

To set up for offset taxes, you must perform these tasks:

- Enable offset tax calculations for each applicable transaction event and party.

- Set up the offset tax, tax status, and tax rate.

- Set up the original tax and assign the offset tax rate code to the original tax rate.

Enable Offset Tax Calculations

Perform these tasks to enable offset tax calculations:

1. Review the offset tax settings for Payables transaction events:

   - Allow Offset Tax Calculation option enables the calculation of offset taxes for a transaction event.

   - Offset Tax Basis indicates the party whose transactions are involved in offset tax creation.

     See: Reviewing Event Class Options, page 4-7 for more information.

2. If applicable, update the offset tax basis for the combinations of configuration owners and transaction events that you want. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

3. Set the Allow Offset Taxes option for the applicable third parties. You should set this option for each third party involved in offset tax transactions. See: Setting Up a Third Party Tax Profile, page 3-6 for more information.

Setting Up an Offset Tax

To set up an offset tax, perform these tasks:

1. Define at least one recovery type lookup to use with offset taxes. See: Setting Up Lookup Codes, *Oracle E-Business Tax Implementation Guide*.

2. Set up the offset tax and enable these settings:

   • Select a tax source of *Create a new tax*.

   • Use the tax currency of the original tax.

   • Check the Set as Offset Tax box.

   • Enter a primary recovery type that you defined for offset taxes.

3. Set up the tax status for the offset tax. Do not set the Allow Tax Rate Override option.

4. Set up a 100% tax recovery rate for the offset tax using the recovery type that you defined in step 1.

5. Set up the tax rate for the offset tax:

   • Enter a negative rate amount.

   • Enter the tax recovery rate that you defined in step 4.

   • Do not set the Allow Ad Hoc Rate option.

   • Allow tax inclusion to be standard non-inclusive handling, as offset taxes cannot be inclusive.

   • Recovery settlement should be immediate and not deferred.

6. Set up the original tax.

7. Perform the related set up for the original tax: tax jurisdiction, tax status, and tax recovery rate (if the tax is recoverable).

8. Set up the tax rate for the original tax, and enter the offset rate code that you created in step 5.

9. Make the tax available on transactions.

Managing Tax Use and Availability

You can manage the use and availability of the taxes in your tax regimes by applying an end date to the appropriate record or records. Before you apply end dates to records, first evaluate both your business requirements and the requirements of the tax authority. You need to consider the tax regime and tax records, the legal entity and operating unit configuration owners, and in some cases the transaction events. There are these points to consider:

• Does the tax regime itself no longer exist.

• Do one or more taxes within a tax regime no longer exist, while other taxes within the regime remain.

• Does the tax still exist, but it no longer applies to certain legal entities or operating units.

• Does the tax still exist, but it no longer applies to a specific transaction event for a specific operating unit.

After you complete this evaluation, apply end dates to all of the appropriate records, according to the guidelines given in the appropriate sections below. These conditions apply to end-dated tax records:

• Once you enter an Effective To date, you cannot update this date after you save the record.

• The tax or taxes remain available for transactions whenever the transaction date is within the date range of the applicable tax regime, tax, and configuration owner.

• You can still search, view, and update end-dated tax records using the Taxes pages.

• End-dated taxes no longer appear in the Regime-to-Rate Flow hierarchy grid of tax regimes, taxes, and tax statuses. The Regime to Rate Flow icon for these taxes is disabled.

You can manage tax availability in these ways:

• Update availability of all taxes in a tax regime for all configuration owners.

• Update availability of a specific tax in a tax regime for all configuration owners.

• Update availability of all taxes for a specific legal entity or operating unit.

• Update availability of a specific tax in a tax regime for a specific legal entity or operating unit.

• Update availability of all taxes for a specific transaction event of a specific legal

entity or operating unit.

Update availability of all taxes in a tax regime for all configuration owners

You can update the availability of all taxes in a tax regime by applying an end date to the tax regime. You should only do this when the tax regime itself no longer exists and there is no requirement for any tax in the tax regime after the tax regime end date.

Applying an end date to the tax regime also renders all taxes in the tax regime unavailable to all legal entities and operating units with a configuration option setting for this regime.

Update availability of a specific tax in a tax regime for all configuration owners

If a specific tax within a tax regime no longer exists, but other taxes in the regime remain active:

1. If the configuration owner for the tax is the Global Configuration Owner only, you can apply an end date to the tax. This renders the tax unavailable to all legal entities and operating units with a common configuration setting.

2. If the configuration owner for the tax is a legal entity or operating unit with a party-specific configuration or common configuration with party overrides setting, then you must:

   • Apply an end date to the tax.

   • In the party tax profile of the applicable party, apply an end date to the party-specific configuration or common configuration with party overrides configuration option.

You must apply a tax end date that is before the tax regime end date, if there is one.

You can also use this approach for entities associated with the tax, including tax status, tax rate, tax jurisdiction, and tax formula.

Update availability of all taxes for a specific legal entity or operating unit

If taxes remain active but no longer apply to a specific legal entity or operating unit owning tax content, you can render the taxes unavailable by applying an end date to all of the configuration options of this legal entity or operating unit. During tax calculation, E-Business Tax will not find an applicable tax regime for the legal entity or operating unit.

Update availability of a specific tax in a tax regime for a specific legal entity or operating unit

If one of the taxes in a tax regime that has multiple taxes no longer applies to a specific legal entity or operating unit owning tax content:

1. If the legal entity or operating unit is the configuration owner of the tax and has a party-specific configuration setting, then apply an end date to the tax.

2. If the legal entity or operating unit has a common configuration setting, then applying an end date to the tax would render this tax unavailable to all other legal entities or operating units with a common configuration setting. Instead, you must complete these steps:

1. Apply an end date to the configuration option for the applicable tax regime.

2. Create a new configuration option for the legal entity or operating unit with a setting of common configuration with party overrides for the same tax regime.

3. Create a tax record for the tax that you want to update with the legal entity or operating unit as configuration owner, and make the tax available on transactions.

4. Apply an end date to the tax that you created in step 3.

Update availability of all taxes for a specific transaction event of a specific legal entity or operating unit

If a tax remains active but no longer applies to a specific transaction event of a legal entity or operating unit owning tax content, then you can control tax applicability using configuration owner tax options.

1. If the legal entity or operating unit does not have a configuration owner tax option record for the transaction event, then create a record and do not enable the Allow Tax Applicability option.

2. If the legal entity or operating unit has a configuration owner tax option record for the transaction event, and tax applicability is enabled, then apply an end date to this record and create a new record with Allow Tax Applicability disabled.

See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

Setting Up Tax Statuses

Set up the tax statuses that you need for each tax that you create for a combination of tax regime, tax, and configuration owner.

A *tax status* is the taxable nature of a product in the context of a transaction and a specific tax on the transaction. You define a tax status to group one or more tax rates that are of the same or similar nature.

For example, one tax can have separate tax statuses for standard, zero, exemption, and reduced rates. A zero rate tax status may have multiple zero rates associated with it in order to handle different reporting requirements for zero rate usage, such as Intra EU, zero-rated products, or zero-rated exports.

You define a tax status under a tax and a configuration owner, and define all applicable tax rates and their effective periods under the tax status. The tax status controls the defaulting of values to its tax rates.

Prerequisites

Before you can set up tax statuses, you may need to complete one or more of these tasks:

- Set up taxes. (mandatory)

- Set up tax reporting types. (optional)

To set up a tax status:

1. Navigate to the Create Tax Status page.

2. Enter the tax regime code, configuration owner, and tax.

3. Enter a tax status code and name for this tax status.

   Use a coding convention that is in keeping with the tax regime and tax. The tax status code must be unique within the tax, configuration owner, and effective date range.

4. Enter the effective dates for this tax status.

   You must enter a date range that is within the date range of the tax.

5. Indicate if this is the default tax status for this tax.

   If you define tax status rules for this tax, then this tax status becomes the default status only when no tax status rule applies to a transaction. See: Tax Determination Processing, page 6-3 for more information.

6. If this is the default tax status for this tax, enter the effective dates that this tax status is the default tax status.

   You must enter a default status effective date range that is within both the effective date range of the tax and of the tax status. If you do not enter a date range, then this remains the default status indefinitely.

7. If you associated tax reporting types with tax status, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

8. Set the default controls for this tax status. These values default to all tax rates for this tax status:

   - Check the Allow Tax Exemptions box to create tax exemptions for your customers for this tax status. See: Setting Up Tax Exemptions, page 3-10 for more information.

   - Check the Allow Tax Exceptions box to create special tax rates for specific

products for this tax status. See: Setting Up Tax Exceptions, page 5-8 for more information.

- Check the Allow Tax Rate Override box to let users change the tax rate code derived from this tax status on transaction lines.

  Do not set this option if this tax status is for offset taxes.

- If you set the Allow Tax Recovery option for this tax, select the default recovery settlement to use for this tax status: *Immediate* - Tax recovery is available at invoicing; *Deferred* - Tax recovery is available only after the invoice is paid.

Setting Up Tax Rates

Set up tax rates for your tax statuses and tax jurisdictions. For tax statuses, set up a tax rate record for each applicable tax rate that a tax status identifies. For tax jurisdictions, set up tax rate records to identify the tax rate variations for a specific tax within different tax jurisdictions. For example, a city sales tax for a state or province may contain separate city tax jurisdictions, each with a specific rate for the same tax.

You can also define tax recovery rates to claim full or partial recovery of taxes paid. See: Setting Up Tax Recovery Rates, page 2-30 for more information.

You can define tax jurisdiction and tax status rates as a percentage or as a value per unit of measure. For example, a city may charge sales tax at a rate of 8% on most goods, but may levy a duty tax with a special rate of $0.55 per US gallon on fuel. Values per unit of measure are in the tax currency defined for the tax.

You define tax rate codes and rate detail information per rate period. Rate periods account for changes in tax rates over time. A tax rate code can also identify a corresponding General Ledger taxable journal entry.

Prerequisites

Before you can set up tax rates, you may need to complete one or more of these tasks:

- Set up tax statuses. (mandatory)

- Set up tax transaction type lookup codes. (optional)

- Set up an offset tax. (optional)

- Set up first parties to self-assess taxes. (optional)

- Set up tax recovery rates. (optional)

- Set up tax jurisdictions. (optional)

- Set up tax reporting types. (optional)

- Set up primary and secondary tax recovery types. (optional)

- Set up units of measure. (mandatory, for quantity rate types)

- Set up tax recovery rules. (optional)

To set up a tax rate:

1. Navigate to the Create Tax Rate page.

2. Enter the tax regime code. If you are setting up tax rates from within a tax jurisdiction, this information defaults from the tax jurisdiction.

3. Enter the configuration owner, tax, and tax status code.

4. If this is a tax jurisdiction rate, enter the tax jurisdiction code.

5. Enter a tax rate code to identify this tax rate. Use a coding convention that is in keeping with the tax regime, tax, and tax status.

6. Select the rate type.

7. Enter the rate:

   - If the rate type is *Percentage*, enter the percentage rate.

   - If the rate type is *Quantity*, enter the unit of measure (UOM) and the quantity rate. The quantity rate is the value per UOM in the tax currency.

     > **Note:** You can enter either a positive or negative rate. If this is an offset tax rate, you must enter a negative rate.

8. Enter the effective date range for this rate.

   If you do not enter an effective to date, then this rate remains in effect indefinitely and you cannot define another rate period.

9. Navigate to the Tax Rate Details page. Updates to tax rate details are for the tax rate and period.

10. In the Tax Rate Name field, enter a name or descriptive phrase to use for this tax rate and tax rate period.

11. In the Tax Transaction Type field, enter a tax transaction type to use for this tax rate period.

You can use lookups to set up tax transaction types and assign them to tax rate codes. Use tax transaction types to define local tax authority codes both for reporting purposes and for controlling which rates appear on an invoice.

12. Check the Internet Expenses Enabled box to use this tax rate for this period on expense reports.

> **Note:** If you want to update this tax rate code for expense reporting at a later time, create a lookup code for this tax rate. You must use the tax rate code and name as the lookup code and name.

13. Enter a default recovery rate code to use for this tax rate. The effective dates of the tax rate and recovery rate must overlap. The default recovery rate applies if the recovery rate rules cannot determine an applicable recovery rate at transaction time.

14. Enter a rule code of recovery rate to use to determine the tax recovery rate. If the tax recovery rule that you select does not apply to the transaction, then E-Business Tax uses the default recovery rate.

15. Select the default recovery settlement: *Immediate* - Tax recovery is available at invoicing; *Deferred* - Tax recovery is available only after the invoice is paid.

> **Note:** If the default recovery settlement is *Deferred*, then you must set up an interim tax account for this tax rate to record the tax recoveries or liabilities that accrue prior to payment. Once you set up an interim tax account for this tax rate, you cannot change the recovery settlement to *Immediate*. See:Setting Up Tax Accounts, page 2-38 for more information.

16. If this tax has an associated offset tax, enter the offset rate code. At transaction time, this rate is used as the offset rate.

17. If applicable, set this tax rate as the default tax rate for the tax status belonging to this rate period, and enter the effective dates that this tax rate is the default tax rate.

This rate defaults to transaction lines only when there are no tax rate rules defined, or when no existing tax rate rule applies to the transaction. See: Tax Determination Processing, page 6-3 for more information.

18. If you enabled the Allow Override and Entry of Inclusive Tax Lines option at the tax level, then in the Allow Tax Inclusion field define the nature of tax inclusive handling for this tax rate.

> **Note:** The tax inclusive handling setting at the tax rate level takes

precedence over all other tax inclusive handling settings.

19. Check the Allow Tax Exemptions box to create tax exemptions for your customers for this tax rate. See: Setting Up Tax Exemptions, page 3-10 for more information.

20. Check the Allow Tax Exceptions box to create special tax rates for specific products for this tax rate. See: Setting Up Tax Exceptions, page 5-8 for more information.

21. Check the Allow Ad Hoc Rate box to let users override the default tax rate on individual tax lines.

    You can only set this option if the tax status associated with this tax rate has the option Allow Tax Rate Override enabled.

22. If you enabled manual updating for this tax, then use the Adjustment for Ad Hoc Amounts field to define which value is adjusted when the tax amount changes: *Taxable basis* or *Tax rate*.

23. If you associated tax or legal justification reporting types with tax rate, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

24. Enter or update tax accounts for this tax rate for the applicable business establishments in your company. See: Setting Up Tax Accounts, page 2-38 for more information.

Setting Up Tax Recovery Rates

In many parts of the world, some or all of the taxes on business transactions for registered companies are recoverable taxes. A *recoverable tax* is a tax that allows full or partial recovery of taxes paid on purchases, either as a recoverable payment or as an offset against taxes owed.

For example, most VAT-type taxes allow for full recovery of taxes paid on goods and services that relate to taxable business supplies. In cases where an organization purchases both taxable and exempt supplies, the tax authority can designate a partial recovery rate to reflect the combination of taxable and exempt statuses.

Set up tax recovery rate codes for the recovery types identified on the taxes within a tax regime. A tax recovery rate code identifies the percentage of recovery designated by the tax authority for a specific transaction. In Canada, where more than one type of recovery is possible for a given tax, you must set up the applicable tax recovery rate codes for both the primary and secondary recovery types that can apply to a transaction. See: Setting Up Taxes, page 2-13 for more information.

If you set the Allow Tax Recovery option for the tax regime and tax, then you must set up at least one recovery rate for the tax in order to make the tax available on

transactions. If the recovery rate can vary based on one or more factors, including the parties, locations, product or product purpose, then set up tax rules to determine the appropriate recovery rate to use on specific transactions. At transaction time, E-Business Tax uses the recovery rate derived from the recovery tax rules, or uses instead the default recovery rate that you define, if no recovery rate rules are defined or if no existing recovery rate rule applies to the transaction. See: Tax Recovery Processing, page 6-15 for more information.

If you set up recovery rates for a tax that you also intend to self-assess, then define a tax recovery account for the associated recovery rates and a tax liability account for the associated tax rates. Setting Up Tax Accounts, page 2-38 for more information.

Prerequisites

Before you can set up tax recovery rates, you may need to complete one or more of these tasks:

- Set up taxes. (mandatory)

- Set up first parties to self-assess taxes. (optional)

To set up a tax recovery rate:

1. Navigate to the Create Tax Recovery Rate page.

2. Enter the tax regime code, configuration owner, and tax.

3. Enter the tax recovery rate code to identify this recovery rate. Use a coding convention that is in keeping with the tax regime, tax, and tax status.

4. Select the recovery type to which this tax recovery rate applies.

5. Enter the percentage recovery rate and effective date range.

   Enter an effective date range that is within the date range of the tax and tax regime.

6. If you set this recovery rate as the default recovery rate, these rules apply:

   - This is the default tax recovery rate for this combination of tax regime, tax, recovery type, and effective date range only.

   - This recovery rate defaults to transaction lines only when there are no tax recovery rate rules defined, or when no existing tax recovery rate rule applies to the transaction.

   - You must enter a default effective date range that is within the date range of the tax recovery rate.

7. Check the Allow Ad Hoc Rate box to let users override the default recovery rate on individual tax lines.

8. Enter or update tax accounts for this tax rate for the applicable business establishments in your company. See: Setting Up Tax Accounts, page 2-38 for more information.

9. If necessary, create another rate period for this tax regime, tax, and tax recovery information:

   • Update the effective to and default effective to dates from the previous period.

   • Enter effective from dates for the new period without any gap from the previous period.

   • Update the percentage rate and other settings as necessary for the new rate period.

Setting Up Tax Reporting Types

Use tax reporting types to capture additional tax information on transactions for your tax reports. You can use tax reporting types for your internal reporting needs and to fulfill country-specific reporting requirements.

A tax reporting type identifies a specific unit of information, such as a date or a text comment, to associate with a specific tax usage, such as a fiscal classification or tax jurisdiction. You can also create a group of tax reporting codes for a tax reporting type, to provide additional granularity for tax reporting. You can add tax reporting codes to a tax reporting type at any time.

A tax reporting type region appears on the corresponding page of each E-Business Tax entity that you associate with tax reporting types. If applicable, the selection is limited to the tax reporting types associated with the corresponding tax regime and associated entities.

Use legal justification reporting types to associate legal message text on your Receivables transactions and lines. This message can also be printed on invoices using BPA.

Prerequisites

Before you can set up tax reporting types, you may need to complete one or more of these tasks:

• Set up tax regimes. (mandatory for regime-specific reporting)

• Set up taxes. (mandatory for tax-specific reporting)

To set up a tax reporting type:

1. Navigate to the Create Tax Reporting Type page.

2. Enter a tax reporting type code and name, and an effective date range.

3. To create tax reporting codes, from the Reporting Type Purpose list, select Tax Reporting Type. To create legal justification code, from the Reporting type Purpose list select the Legal Justification Message Type.

4. If applicable, enter the tax regime and tax to associate with this tax reporting type. If entered, this tax reporting type and its associated tax reporting codes are only available to the tax regime or tax.

5. Select the data type. For text data types, you can enter text in any language supported in your installation.

6. Check the Define List of Reporting Codes box to define a list of reporting codes to use with this tax reporting type. If the Reporting Type Purpose is Legal Justification Message Type, then this option is automatically selected.

   The corresponding list of values for this tax reporting type will only contain the tax reporting codes that you define.

7. If necessary, enter a minimum and/or maximum length for the reporting codes that you define for this tax reporting type.

8. Use the Reporting Type Uses region to associate this tax reporting type with the applicable E-Business Tax entities.

   You can associate a tax reporting type with more than one entity, but you can associate only one code from a reporting type within the same date range.

9. Enter the reporting codes to use with this tax reporting type.

Setting Up a Reverse Charge VAT Reporting Code

If you plan to use reverse charge VAT, then you must create a reporting code with the name REVERSE_CHARGE_VAT and assign it to the relevant tax rates.

To set up a reverse charge VAT reporting code:

1. Enter REVERSE_CHARGE_VAT in the Tax Reporting Type Code field.

2. Enter REVERSE_CHARGE_VAT in the Name field.

3. Select Yes/No Indicator from the Data Type list.

4. In the Reporting Type region, select the Enabled check box next to the Tax Rate reporting type use.

5. Select a Tax Regime Code from the LOV, for example, UK_VAT

6. Select a Tax from the LOV, for example UK_VAT.

7. To use a date other than the system date, enter a date in the Effective From field.

> **Note:** If you are not planning to set up reverse charge VAT, then you should not set up a reporting code with the name REVERSE_CHARGE_VAT.

Setting Up Tax Jurisdictions

A *tax jurisdiction* is a geographic region or tax zone where a specific tax authority levies a tax. A tax jurisdiction specifies the association between a tax and a geographic location.

At transaction time E-Business Tax derives the jurisdiction or jurisdictions that apply to a transaction line based on the place of supply. The *place of supply* is the location where a transaction is determined to take place for a specific tax. E-Business Tax either uses a default place of supply or derives a place of supply based on tax rules. See: Tax Determination Processing, page 6-3 for more information.

You also use tax jurisdictions to define jurisdiction-based tax rates. A tax jurisdiction tax rate is a rate that is distinct to a specific geographic region for a specific tax. For example, the tax defined as *California city sales tax* can have different rates for each city tax jurisdiction.

You must set up at least one tax jurisdiction for a tax before you can make the tax available on transactions. See: Updating a Tax, page 2-20 for more information.

A tax can apply to multiple jurisdictions, such as California county sales tax to all counties or Canadian Goods and Services Tax to many provinces. If you enable multiple jurisdictions for the tax, you can create multiple tax jurisdictions at once based on the geographic hierarchy defined for the tax. You can only do this if the tax uses the TCA master geography. See: Mass Creating Tax Jurisdictions, page 2-36 for more information.

In addition, in some cities a different city rate applies to the incorporated area of the city, called the *inner city*. In these cases you can set up an inner city tax jurisdiction with its own rate for the applicable customers and Receivables tax. Inner city tax jurisdictions are often based on postal code groupings. See: Setting Up Tax Zones, page 2-41 for more information.

If the legal jurisdiction and tax jurisdiction are based on the same geopolitical level (usually a country) and are governed by the same authority, you can set up a tax jurisdiction when you set up your company legal entity. See: Setting Up Legal Entity, *Oracle E-Business Tax Implementation Guide* for more information.

Prerequisites

Before you can set up tax jurisdictions, you may need to complete one or more of these tasks:

- Set up taxes (mandatory).

- Set up tax statuses. (mandatory to set up jurisdiction-based rates)

- Verify or set up the TCA master geography. (mandatory to set up jurisdictions below the country level)

- Set up tax zones. (optional)

Setting Up a Tax Jurisdiction

To set up a tax jurisdiction:

1. Navigate to the Create Tax Jurisdiction page.

2. Enter a code and name to identify this tax jurisdiction. Use a coding convention that is in keeping with the tax regime, tax, and geographic region.

3. Enter the tax regime code and tax that this tax jurisdiction belongs to.

4. Enter the geography type for this tax jurisdiction. You can enter either the geography type or the override geography type that is defined for the associated tax.

5. Check the Inner City Jurisdiction box if this tax jurisdiction is used for customer sites within an inner city boundary.

   An *inner city boundary* refers to an incorporated area of a city. Inner city jurisdictions often have tax rates that differ from tax jurisdictions in unincorporated areas of the same city.

   > **Note:** You must enable the Inside City Limits option in the Account Site Address region of the applicable customer sites. An inner city tax jurisdiction only applies to customer sites with this option enabled.

6. If necessary, enter a numeric precedence level for this jurisdiction. The precedence level indicates which jurisdiction has the higher overriding precedence, when one or more jurisdictions override another jurisdiction within the same geographic hierarchy.

> **Note:** You must set up an override geography type for the tax in order to use precedence levels. See: Setting Up Taxes, page 2-13 for more information.

This table illustrates the precedence levels to use when a city jurisdiction overrides a county jurisdiction, and city and county jurisdictions both override a state jurisdiction:

Tax Regime Code	Tax	Geography	Precedence Level
US-LOCATION-TAX	STATE	State of California	30
US-LOCATION-TAX	STATE	County of San Francisco	20
US-LOCATION-TAX	STATE	City of San Francisco	10

7. Enter the tax authorities for this tax jurisdiction for submitting tax reports (Reporting) and submitting tax remittances (Collecting).

8. Enter the effective period for this tax jurisdiction.

9. If necessary, set this jurisdiction as the default tax jurisdiction for this tax, and enter a default effective date range that is within the jurisdiction date range.

10. If you associated tax reporting types with tax jurisdiction, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

11. If necessary, define rates for this tax jurisdiction. See: Setting Up Tax Rates, page 2-27 for more information.

12. If necessary, enter tax account information for this tax jurisdiction. See: Setting Up Tax Accounts, page 2-38 for more information.

Mass Creating Tax Jurisdictions

You can create multiple tax jurisdictions at once using the mass create functionality for taxes that relate to specific TCA geographic hierarchies. E-Business Tax uses the parent geography type or tax zone associated with the tax regime and tax to create a tax jurisdiction for each record within the parent geography or tax zone type.

For example, create a county jurisdiction for every county in the parent geography type of *State* and parent geography name of *California*.

If you add new records to the parent geography type, you can re-run the mass create process for the same tax. E-Business Tax only creates jurisdictions for the new geography records.

After E-Business Tax mass creates tax jurisdictions, use the Update Mass Created Tax Jurisdictions page to review the jurisdictions created and to modify information for individual tax jurisdictions.

Prerequisites

Before you can mass create tax jurisdictions, you may need to complete one or more of these tasks:

- Set up taxes. (mandatory)

- Set the Allow Mass Creation of Jurisdictions option for the tax. (mandatory)

- Set up tax statuses and tax rates. (mandatory to set up jurisdiction-based rates)

- Enable multiple jurisdictions for the tax. (mandatory)

- Set up TCA master geography for the applicable parent geography and child records. (mandatory)

- Set up tax zones. (optional)

To mass create tax jurisdictions:

1. Navigate to the Mass Create Tax Jurisdiction page.

2. Enter the tax regime and tax that you are creating tax jurisdictions for. E-Business Tax displays the related geography information.

3. Create a naming convention for the tax jurisdictions. You can use the geography name or a combination of geography name and a tax short name of your choice.

    E-Business Tax identifies duplicate names during the mass create process. You can revise individual jurisdiction names on the Update Mass Created Tax Jurisdictions page.

4. If necessary, enter the tax authorities for these tax jurisdictions for submitting tax reports (Reporting) and submitting tax remittances (Collecting).

5. Enter the effective period for these tax jurisdictions.

6. After you mass create tax jurisdictions, use the Update Mass Created Tax Jurisdictions page to perform these tasks:

- Review the list of tax jurisdictions created.

- Revise tax jurisdiction names and effective dates.

- Define tax rates for a tax jurisdiction. See: Setting Up Tax Rates, page 2-27 for more information.

- Enter tax account information for a tax jurisdiction. See: Setting Up Tax Accounts, page 2-38 for more information.

Related Topics

Creating and Updating Account Sites, *Oracle Receivables User Guide*

Setting Up Tax Accounts

Set up default tax accounts for the taxes in a tax regime to post the tax amounts derived from your transactions. The tax accounts you define serve as default accounting information for taxes, tax rates, tax jurisdictions, and tax recovery rates.

You set up tax accounts under a primary ledger and operating unit. The calculated tax amounts post to the specified operating unit accounts at transaction time. The actual account information that the system uses depends upon subledger accounting rules.

You can also define tax accounts for tax rates, tax recovery rates, and tax jurisdictions. If you define tax accounts at the tax level, these accounts default to the tax rate level for the same tax and operating unit. You can update these default tax accounts in the tax rate setup.

Prerequisites

Before you can set up tax accounts, you may need to complete one or more of these tasks:

- Set up primary ledgers and subledgers. (mandatory)

- Set up operating units and assign them to primary ledgers. (mandatory)

- Set up taxes. (mandatory)

- Set up tax rates. (optional)

- Set up tax recovery rates. (optional)

- Set up tax jurisdictions. (optional)

To set up tax accounts:

1. Navigate to the Tax Accounts page.

2. Select the primary ledger to use for tax accounts.

   You can only select from primary ledgers in your security profile that have at least one operating unit assignment.

3. Navigate to the Create Tax Accounts page.

   E-Business Tax displays the ledger accounting segments under each tax account field.

4. Select the primary ledger operating unit to use for tax accounts.

5. Enter the tax accounts.

You can set up these tax accounts:

General Tax Accounts

Tax Expense. A Payables tax account that records tax amounts from invoice distributions; or a Receivables tax account that records taxes collected from customers and any legal deductions taken from these amounts.

Tax Recoverable/Liability. An account that records tax recovery amounts or relieves tax liability amounts.

> **Note:** If the related tax is recoverable, and you also intend to self-assess the tax, then define a tax recoverable account for the associated recovery rates and a tax liability account for the associated tax rates.

Interim Tax. An account that records tax recovery or liability before payment of an invoice. You must set up an interim tax account for taxes and tax rates that have a deferred recovery settlement. See: Setting Up Tax Regimes, page 2-6 for more information.

Accounts for Receivables Activities

Finance Charge Tax Liability. An account that records tax amounts on finance charges that are used as a deduction against overall tax liability.

Non-Recoverable Tax Accounts. Accounts that record tax amounts on earned and unearned discounts and adjustments that you cannot claim as a deduction against tax liability.

Expense/Revenue Accounts. Accounts that record net changes generated by adjustments, earned and unearned discounts, and finance charges. Receivables activities such as discounts and adjustments reduce the receivable amount, and are therefore considered an expense.

Tax Account Derivation for Accounts Payable

For non recoverable taxes, the calculated tax amount is accounted as follows:

1. Using the tax expense account defined at the TAX RATE.

2. If it is not defined, then using the item account defined at the AP invoice line level.

For recoverable taxes, the calculated tax amount is accounted as follows:

1. Using the tax recoverability account defined at the RECOVERY RATE.

2. If it is not defined then using the tax recoverability account defined at the TAX RATE.

3. If neither is defined, then the transaction is not validated.

> **Note:** If recovery is DEFERRED, then the tax is accounted in an interim tax account defined at the TAX RATE until a payment is made. Afterwards the tax amount gets transferred to the tax recoverability account.

Self Assessed Tax

For non recoverable taxes, the calculated tax amount is accounted as follows:

1. Using the tax expense account defined at the TAX RATE.

2. If it is not defined, then using the item account at the AP invoice line level.

For recoverable taxes, the calculated tax amount is accounted as follows:

1. Using the tax recoverability account defined at the RECOVERY RATE.

2. If it is not defined, then using the tax recoverability account defined at the TAX RATE.

3. If neither is defined, then the transaction is not validated.

> **Note:** For the liability the credit tax engine considers the tax liability account, which is defined at the TAX RATE.

Tax Account Derivation for Accounts Receivable

For non partner tax calculation the accounting is done using default accounts set for the TAX type in Auto Accounting:

1. If for a specific segment the account code is specified under Constant, then that segment tax is accounted in that particular account code.

2. If for a specific segment taxes is specified under Table Name, then that segment tax is accounted using the tax liability account in TAX RATE.

For partner tax calculation the accounting is done using default accounts set for the TAX type in Auto Accounting:

1. If for a specific segment the account code is specified under Constant, then that segment tax is accounted in that particular account code.

2.   If for a specific segment taxes is specified under Table Name, then for that segment the tax is accounted as follows:

    1. Using the tax liability account at the tax jurisdiction.

    2. If it is not found, then using the TAX RATE.

        Note: This occurs when the Create Tax Accounts drop down is selected at the tax level.

Setting Up Tax Zones

Use tax zones to group existing geographical regions that share the same tax requirement. You can use tax zones with tax regimes, to identify tax requirements for a special geographic area and to create parent tax regimes that represent a related grouping of geographic regions for tax reporting purposes. You can also use tax zones with tax rules, to create tax rules that refer to a specific geographic location.

The use of tax zones is optional and depends on your overall tax setup planning. For example, if a separate economic community exists in part of a country only, you can either set up a tax zone and corresponding tax regime for the applicable geographic area, or set up a country tax regime and use applicability rules to exclude the parts of the country where the tax requirement does not apply.

The tax zone setup makes use of the Trading Community Architecture (TCA) master reference geography hierarchy. The master reference geography hierarchy identifies the hierarchical structure of a country, such as Country: State: County: City: Postal Code in the United States, and identifies which levels are mandatory for the tax zone. A *tax zone type* references a specific part of a master reference geography hierarchy. You create *tax zones* within a tax zone type to uniquely identify tax requirements within the area defined by the tax zone type.

You can update the information in a tax zone at any time. You can also update the geographic information in a tax zone type, as long as the tax zone type does not contain tax zones. If you apply an end date to a geographic entity in TCA, then this removes all

tax zones and tax zone types associated with the entity.

Prerequisites

Before you can set up tax zones, you must verify that the TCA master geography contains the geographic information that you need. See: Setting Up TCA Geography Hierarchy, *Oracle E-Business Tax Implementation Guide* for more information.

To set up a tax zone:

1. Navigate to the Create Tax Zone Type page.

2. Enter a tax zone type name. Use a name that uniquely identifies the geography and purpose of the tax zone type.

3. Enter the country where the tax zone type applies. E-Business Tax displays the country structure.

4. If this is an international tax zone type, leave the Value field blank and check the Zone Creation Allowed box.

5. If this is a country tax zone type, enter a value at each level of the structure that you want to make available for tax zone creation.

    The highest level becomes the parent record for this tax zone type. You can create tax zones from any combination of child records.

6. Check the Zone Creation Allowed box for each level that you want to create tax zones.

7. In the Allow Postal Code Grouping region, check the "Create tax zones from groups of postal codes" box, if you plan to create tax zones for this tax zone type that consist of ranges of postal codes.

    You can only check this box if:

    •   The country has a geography explicitly defined as *Postal Code*; and

    •   You enter a value in the level above Postal Code within the country structure

    A group of postal codes often makes up an inner city tax jurisdiction. See: Setting Up Tax Jurisdictions, page 2-34 for more information.

8. Navigate to the Create Tax Zone page using the tax zone type that you just created.

9. Enter a name for this tax zone. Use a name that uniquely identifies this tax zone within the tax zone type.

10. Enter the code type and corresponding code for the geography associated with this tax zone. The available code types are:

- *FIPS Code* - Federal Information Processing Standards.

- *ISO Country Codes* - International Standards Organization

- *Tax Geography Code* - Geography code of your tax service provider.

- *Unknown* - User-defined codes that are not associated with a coding standard.

11. Enter an effective date range for this tax zone.

    > **Note:** If you update the tax zone end date, this does not affect the end dates of the geographies belonging to the tax zone.

12. If applicable, enter the time zone of this tax zone.

13. Add each geography of the tax zone type hierarchy that you want for this tax zone.

14. If you set the Postal Code Grouping option, then when you select a geography above the level of postal code:

    - Indicate whether to use the entire geography or a postal code range within the geography.

    - If you are using a postal code range, enter the range and the start and end dates.

15. After you set up the tax zone, you can create a tax regime using this tax zone. See: Setting Up Tax Regimes, page 2-6 for more information.

Using Application Tax Options

Use application tax options to update migrated tax setup or to create new tax setup based on the Release 11*i* defaulting hierarchy model. You can use the Release 11*i* model to default a tax classification code to a transaction line. E-Business Tax uses the tax classification code as a determining factor in tax applicability and tax rate for the tax or taxes associated with the transaction, according to the definition of the appropriate direct tax rate determination rule.

For migrated Receivables transaction tax data, you can also manage these application tax options:

- Customer tax exemption override

- Service provider override

- Latin Tax Engine options

E-Business Tax creates application tax options for Release 11*i* migrated data by combinations of operating unit and application. These application tax options reflect the setup as defined in Payables, Purchasing, Receivables, and Projects. You can update this setup according to your requirements. Application tax options always apply to a combination of operating unit and application, even if the operating unit uses the subscription of the legal entity.

A defaulting hierarchy specifies both the sources to use for tax classification codes and the order in which E-Business Tax searches these sources to find a valid tax classification code at transaction time. If E-Business Tax cannot find a valid tax classification code within the hierarchy, or if a defaulting hierarchy is not defined for the applicable operating unit/application, then you can optionally enter a tax classification code on the transaction line. If you do not enter a tax classification code on the transaction line, then the direct tax rate determination rule that is based on tax classification does not apply.

The migrated entities associated with defaulting hierarchies for operating unit/application combinations retain the tax code that was originally assigned in the Release 11*i* application as a tax classification code. In some cases, you can update the tax classification code assignment or create a new assignment. The tables below indicate for each application where you can update/enter tax classification codes.

Oracle Payables/Purchasing/Internet Expenses

Release 11i Tax Code Assignment	E-Business Tax Update/Create
Expense Report Template	N/A
Invoice Header	N/A
Natural Account	GL Tax Options window: Tax Classification Code Defaults tabbed region.
Oracle Payables Financials Options	Create Application Tax Options page.
Reference Document	Purchase order or other reference document.
Supplier	Main region or Account Tax Details region of the Third Party Create Tax Profile page.
Supplier Site	Main region or Customer Account Site Business Purpose Tax Details region of the Third Party Site Create Tax Profile page.
Item	Define Item Page: Invoicing region.

Ship To Location	Main region or Account Tax Details region of the Third Party Create Tax Profile page.

Oracle Receivables

Release 11i Tax Code Assignment	E-Business Tax Update/Create
Customer Site	Main region or Customer Account Site Business Purpose Tax Details region of the Third Party Site Create Tax Profile page.
Oracle Receivables System Options	Create Application Tax Options page.
Product	Define Item Page: Invoicing region.
Revenue Account	GL Tax Options window: Tax Classification Code Defaults tabbed region.
Latin Tax Engine: System Options Tax Classification	Create Application Tax Options page

Oracle Projects

Release 11i Tax Code Assignment	E-Business Tax Update/Create
Output Tax Client Extension	N/A
Customer	Main region or Account Tax Details region of the Third Party Create Tax Profile page.
Customer Site	Main region or Customer Account Site Business Purpose Tax Details region of the Third Party Site Create Tax Profile page.
Expenditure Type/Event Type/Retention Billing	N/A
Oracle Receivables System Options	Create Application Tax Options page.
Project Billing	N/A

After you create or update the application tax options that you want, you must enable migrated direct tax rate determination tax rules or set up new tax rules that use tax classification codes as determining factors. See: Using Direct Tax Rate Determination, page 6-32 for more information.

Prerequisites

Before you can create or update application tax options, you may need to complete one or more of these tasks:

- Set up tax classification lookup codes. (optional)

- Enable tax exemptions for the applicable taxes. (optional)

These task descriptions refer to creating new application tax options. The same steps apply to updating existing application tax options. Use the Application Tax Options page to select the operating unit/application that you want to update.

To set up application tax options (excluding Receivables):

1. Navigate to the Create Application Tax Options page.

2. Enter the operating unit and application name.

3. Select the defaulting order hierarchy for this operating unit/application combination. The length of the available hierarchy reflects the Release 11*i* application hierarchy.

4. If the defaulting order includes the Oracle Payables Financial Option or the Oracle Receivables System Option, enter the financial options tax classification to assign to this default.

To set up Receivables application tax options:

1. Navigate to the Create Application Tax Options page.

2. Enter the operating unit and the application name *Receivables*.

3. Select the tax determination method *Oracle E-Business Tax* or *Latin Tax Engine*.

> **Important:** Selecting a tax determination method is an irreversible process.

   If you selected *Latin Tax Engine*, go to step 8.

4. Select the defaulting order hierarchy for this operating unit.

5. If the defaulting order includes the Oracle Receivables System Option, enter the financial options tax classification to assign to this default.

6. If applicable, enable the Allow Override and Entry of Customer Exemptions option. To use customer tax exemptions, you must also complete these setups:

- Set up tax exemptions for the applicable customers. See: Setting Up Tax Exemptions, page 3-10 for more information.

- Enable tax exemptions for the applicable taxes. See: Setting Up Tax Regimes, page 2-6 for more information.

- Enable the Allow Exemptions option for the applicable configuration owners. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

7. If you use Taxware for tax calculation on Order to Cash transactions, enter a value for the Override Geocode for Taxware.

    Taxware uses a two or nine digit code when the state, city, and zip code do not uniquely identify a tax jurisdiction. E-Business Tax uses the value you enter here to determine the point of order acceptance (POA) when calculating tax, if there is no tax jurisdiction code defined.

8. If applicable, enter the Receivables system options tax classification code to assign to this operating unit for Latin Tax Engine tax determination and calculation.

9. Enter the tax rounding information to use for transactions for this operating unit that are calculated using the Latin Tax Engine.

Inactivating a Defaulting Order

You can inactivate the tax classification defaulting order for a specific operating unit and application. Enable this option when you no longer want to use tax classification codes in tax determination and tax calculation for transactions belonging to an operating unit and application combination.

Inactivating a defaulting order is an irreversible process. Once an operating unit and application defaulting order is inactivated, you cannot reactivate the same defaulting order nor can you create a new defaulting order for this combination of operating unit and application.

Using the E-Business Tax Initial and Recurring Data Load

With the Initial and Recurring Data Load solution for tax content partners, you can create and maintain frequently used tax configurations. You can enter tax configurations into a spreadsheet and then upload these values into Oracle E-Business Tax, leveraging ADI spreadsheet functionality that populates the initial and incremental transaction tax configurations in order to create tax regimes, taxes, tax rates, tax recovery rates, and tax rules.

> **Important:** The location of the xlsm file is:
> $ZX_TOP/patch/115/publisher/templates/TaxConfigurationWorkbookTemplate.xlsm

To upload tax configuration data:

The Transaction Tax Configuration Workbook is comprised of several worksheets. Review the workbook instructions for an overview of the workbook, sample data, instructions on preparing the data, instructions on enabling macros for loading the data, an explanation of the Excel template format, prerequisites for loading tax data, and recommendations and key areas for loading tax data.

1. Prepare the Transaction Tax Configuration Workbook according to the guidelines described in the instructions worksheet, then extract the TaxConfigurationData.csv file by selecting Generate CSV File macro button on the instructions worksheet. This macro generates the TaxConfigurationWorkbook.zip file.

   > **Note:** Review the instructions worksheet prior to preparing and/or uploading any tax configuration.

2. Copy the data file to a directory that is accessible to the concurrent request manager.

3. Navigate to the Schedule Request page.

4. In the program name field, select E-Business Tax Initial and Recurring Data Load.

5. Enter the following parameters:

   - Location of CSV File: Enter the directory where you have placed the csv file and the file name (for example, if the file name of the csv file is TaxConfigurationData.csv, then enter location/ TaxConfigurationData.csv).

   - Content Owner: Enter the configuration owner for this tax. The configuration owner determines the ownership and use of the tax and its associated setup. Select configuration owner from the list of values.

6. Enter the request schedule parameters as needed.

7. Submit the request. Confirm that the E-Business Tax Initial and Recurring Data Load program completes with a Completed status.

8. Search for and verify the tax setup within Oracle E-Business Tax.

   > **Note:** After you complete your tax setup verification, you can

enable each tax in the tax regime. Enabling a tax makes it available for use on transactions. Also, set up default tax accounts to post the tax amounts derived from your transactions. You can update these default tax accounts in the tax rate setup.

3

Managing Tax Profiles and Registrations

Party Tax Profiles in Oracle E-Business Tax

Set up tax profiles for the parties involved in your transactions. Parties include:

- All legal entities, legal establishments, and operating units in your organization that have a transaction tax requirement.

- Your customers and suppliers and their locations.

- Tax authorities that administer tax rules and regulations.

A *tax profile* is the body of information that relates to a party's transaction tax activities. A tax profile can include tax registration, tax exemptions, configuration options, main and default information, party fiscal classifications, tax reporting codes, and account tax details.

The *tax registration* contains information related to a party's transaction tax obligation with a tax authority for a tax jurisdiction where it conducts business. The tax registration is part of the tax profile of a first party legal establishment and a third party and third party site. A *tax exemption* defines, for a customer or a customer and product, a discount or replacement percentage that reduces the applicable tax. The *configuration options* identify the tax regimes associated with a first party and the configuration owner and service provider settings associated with each tax regime. The configuration options are part of the tax profile of configuration owners, that is, first party legal entities and operating units owning tax content. The *main and default information* identify characteristics of and default values for the transactions associated with a party. The *party fiscal classifications* optionally assigned to a party are used as determining factors in tax rules. The *tax reporting codes* optionally assigned to a party capture tax information from party transactions for both internal and tax authority reporting requirements. The *account tax details* maintain Release 11*i* migrated tax information for customer and supplier accounts.

Set up legal entities and establishments using the Oracle Legal Entity Manager. You can

also enter tax profile and tax jurisdiction information when you create and update legal entities, as well as tax-related information for associated business entities. If you set up country defaults for the countries where you do business, then these values default to the legal entities and associated tax profiles created within the applicable country. See: Setting Up Country Default Controls, page 3-16 for more information.

Related Topics

Updating Establishments, *Oracle Financials Implementation Guide*

Setting Up Parties for Self-Assessment

You can let a first party self-assess the taxes calculated on the Payables invoices it receives. A *self-assessed tax* is a tax calculated and remitted for a transaction, where tax was not levied by the supplier but is deemed as due (and therefore needs to be paid by the purchaser). In such cases the purchaser is responsible for calculating and remitting the tax. Self-assessment is also known as *reverse charge* or *use tax* in certain tax regimes.

When self-assessment applies to a tax line, E-Business Tax creates the recoverable and/or non-recoverable distributions, and Payables creates an additional accounting distribution to record the liability for the self-assessment.

You can set the self-assessment option:

- At the tax profile level to default to the tax registrations that you create for this party.

- At the tax registration level.

- On an individual tax line.

E-Business Tax applies self-assessment to Payables invoices received by the first party according to the tax registration setting of the Set for Self Assessment/Reverse Charge option. The specific tax registration record that E-Business Tax uses is derived either from Determine Tax Registration rules or from the default tax registration.

Under normal circumstances, the Determine Tax Registration rules or default tax registration will derive the Bill From party as the place of supply for purchase transactions where the supplier is responsible for calculating the transaction tax and collecting it from the customer. In the case of Self Assessment, Reverse Charge, or, in the United States, Use tax, customers are responsible for self-assessing the tax. Customers will therefore self-assess under their own tax registration, and the Determine Tax Registration rules or default tax registration will derive instead the Bill To party registration. In this case, you expect to see the Set for Self Assessment/Reverse Charge option set on the applicable first party establishment registration record.

Depending on the level at which this first party establishment tax registration is created, the self-assessment will apply to:

- All taxes of the tax regime, if the tax registration is defined for the tax regime only.

- All tax jurisdictions of the tax, if the tax registration is defined for the tax regime and tax.

- A specific tax jurisdiction of the tax, if the tax registration is defined for the tax regime, tax, and tax jurisdiction.

See: Tax Determination Processing, page 6-3 for more information.

Setting Up a First Party Tax Profile

Set up tax profiles for your first party legal entities and legal establishments. First party legal entities identify your organization to the relevant legal authorities, for example, a national or international headquarters. First party legal establishments identify each office, service center, warehouse and any other location within the organization that has a tax requirement. When you create a legal entity, the system automatically creates a legal entity establishment. You can create additional legal establishments according to your needs. For each legal establishment there are one or more tax registrations, depending upon the tax requirements of the applicable tax authority.

Prerequisites

Before you can set up first party tax profiles, you may need to complete one or more of these tasks:

- Set up legal entities and legal establishments. (mandatory)

- Set up legal entity secondary establishments. (optional)

- Set up tax regimes. (mandatory)

- Set up taxes. (optional)

- Set up tax jurisdictions. (optional)

- Set up lookup codes. (optional)

- Set up party fiscal classifications. (optional)

- Set up tax reporting types. (optional)

To set up a party tax profile for a first party legal entity or first party legal establishment:

1. Navigate to the Party Tax Profiles page.

2. Select a first party legal entity or establishment.

3. Navigate to the Create Tax Profile page.

   Party main information values default to all tax registrations and invoices belonging to this party. You can update these values at the tax registration level and, if authorized, at the invoice line level.

   > **Note:** The values set at the tax registration level override the values set at the party tax profile level.

4. Check the Set for Self Assessment/Reverse Charge box to automatically self-assess taxes on purchases.

5. If applicable, enter a tax classification code to use as a determining factor in tax rules for this party or party site. See: Using Tax Classification Codes, page 6-35 for more information.

6. Set the rounding level and rounding rule for this party. See: Rounding Rule Retrieval Process, page 6-13 for more information.

   Use the event class options to review the rounding precedence hierarchy for specific applications and event classes. If you updated the rounding precedence hierarchy for a specific configuration owner and event class, then the related transactions look instead for rounding level information according to the configuration owner and event class settings. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

7. If this party intends to send or receive invoices with invoice line amounts inclusive of tax, check the Set Invoice Values as Tax Inclusive box.

   This option overrides the tax inclusive handling setting at the tax level, but not at the tax rate level. See: Setting Up Tax Rates, page 2-27 for more information.

8. If this is a first party legal establishment, set up the tax registrations required for this party. See: Setting Up a Tax Registration, page 3-13.

9. If applicable, associate party fiscal classification codes with this party. You can use these codes as determining factors in tax rules to calculate taxes for invoices associated with this party. See: Setting Up Party Fiscal Classifications, page 5-2 for more information.

10. If you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

11. If this is a first party legal entity, enter the tax configuration options. See: Setting Up Configuration Options, page 4-4.

Creating a Legal Entity, *Oracle Financials Implementation Guide*

Setting Up a Tax Authority Tax Profile

Use the Oracle Legal Entity Manager to set up each tax authority as a legal authority for transaction tax.

Set up a tax profile for each of your tax authority party records. The tax authority party tax profile identifies a tax authority party as a collecting authority and/or a reporting authority. A *collecting tax authority* manages the administration of tax remittances. A *reporting tax authority* receives and processes all company transaction tax reports.

The collecting and reporting tax authorities appear in the corresponding list of values on all applicable E-Business Tax pages. All tax authorities are available in the list of values as an issuing tax authority.

If you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Related Topics

Legal Authorities, *Oracle Financials Implementation Guide*

Setting Up an Operating Unit Tax Profile

Operating units organize your company data according to your internal accounting, financial monitoring, and reporting requirements. Legal entities let you more accurately model your external relationships to legal authorities. The relationships between first party legal entities and the relevant tax authorities normally control the setup of the transaction taxes required by your business. Under most circumstances the tax setup is used and maintained based on the configuration of the legal entity.

Release 11*i* tax data in Payables, Receivables, and other applications migrates to E-Business Tax as operating units containing their own tax content. To help you manage the tax content of operating units, you can use the operating unit tax profile in either of two ways:

- Indicate that tax setup is used and maintained by a specific operating unit; or

- Indicate that operating unit tax setup is used and maintained based on the configuration of the associated legal entity at transaction time. The tax setup of the associated legal entity setup is either specific to the legal entity or shared across legal entities using the Global Configuration Owner setup. See: Configuration Options in Oracle E-Business Tax, page 4-1 for more information.

To use the configuration of the associated legal entity, check the Use Subscription of the Legal Entity box in the operating unit party tax profile. This is an irreversible setting--

once you associate the operating unit with its legal entity, you cannot update the operating unit tax profile or maintain separate tax content for this operating unit.

If an operating unit uses the application tax options defaulting hierarchy for tax classification codes, E-Business Tax continues to use this hierarchy to default a tax classification code on transactions even if the operating unit uses the subscription of the legal entity. See: Using Application Tax Options, page 2-43 for more information.

In cases where you need to maintain tax content for an operating unit, enter and maintain the operating unit tax configuration options. See: Setting Up Configuration Options, page 4-4.

For active operating unit tax profiles, if you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Related Topics

Managing Migrated Data, *Oracle E-Business Tax Implementation Guide*

Setting Up a Third Party Tax Profile

Set up third party tax profiles for your customers and customer sites and suppliers and supplier sites. You can also maintain migrated tax information for your customers and suppliers for backward compatibility.

Prerequisites

Before you can set up third party tax profiles, you may need to complete one or more of these tasks:

- Set up parties. (mandatory)

- Set up tax regimes. (optional)

- Set up taxes. (optional)

- Set up tax jurisdictions. (optional)

- Set up lookup codes. (optional)

- Set up party fiscal classifications. (optional)

- Set up tax reporting types. (optional)

- Set up customer and supplier accounts. (optional)

To set up a party tax profile for a third party:

1. Navigate to the Party Tax Profiles page.

2. Select a third party or third party site.

3. Navigate to the Create Tax Profile page.

    Party main information values default to all tax registrations and invoices belonging to this party. You can update these values at the tax registration level and at the invoice line level.

    > **Note:** The values set at the tax registration level override the values set at the party tax profile level.

4. Check the Allow Tax Applicability box to automatically calculate taxes for this party whenever the party acts as a supplier. You can set this option, for example, for customers that also act as suppliers on transactions.

5. Check the Allow Offset Taxes box to allow calculation of offset taxes with this party or party site.

    You must also perform the related tasks for setting up offset taxes for the taxes involved in transactions for this third party or third party site. See: Setting Up Offset Taxes, page 2-21 for more information.

6. If applicable, enter the default tax classification code to use as a determining factor in tax rules for this party or party site. E-Business Tax defaults a tax classification code to the transaction line according to the application tax options defaulting hierarchy defined for the combination of operating unit and application. See: Using Application Tax Options, page 2-43 for more information.

7. Set the rounding level and rounding rule for this party. See: Rounding Rule Retrieval Process, page 6-13 for more information.

    Use the event class options to review the rounding precedence hierarchy for specific applications and event classes. If you updated the rounding precedence hierarchy for a specific configuration owner and event class, then the related transactions look instead for rounding level information according to the configuration owner and event class settings. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

8. If this party or party site intends to send or receive invoices with invoice line amounts inclusive of tax, check the Set Invoice Values as Tax Inclusive box.

    This option overrides the tax inclusive handling setting at the tax level, but not at the tax rate level. See: Setting Up Tax Rates, page 2-27 for more information.

9. Set up the tax registrations required for this party or party site:

    *   Set defaults for all tax reporting for tax registrations of this party or party site for country, tax registration number, and tax registration type.

- Complete the tax registration setup. See: Setting Up a Tax Registration, page 3-13.

10. If applicable, associate third party fiscal classification codes with this party. The party fiscal classification codes you enter become part of tax determination for invoices associated with this party. See: Setting Up Party Fiscal Classifications, page 5-2 for more information.

11. If this is a customer third party or third party site, set up the applicable tax exemptions. See: Setting Up Tax Exemptions, page 3-10 for more information.

12. If you associated tax reporting types with party tax profile, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Account Tax Details

Use the Account Tax Details region to maintain migrated account tax information. Use the third party site Supplier Site Tax Details region to maintain operating unit supplier site tax information. Use the third party site Customer Account Site Business Purpose Tax Details region to maintain operating unit customer account ship-to site and bill-to site tax information.

For each third party and third party site, E-Business Tax only displays the fields that contain migrated data. If there is no migrated data for a particular account, then the corresponding fields are not displayed. Once you create a tax registration record for the third party or third party site, E-Business Tax no longer uses the Account Tax Details region for this party/party site.

This region captures migrated third party tax details, including rounding information, tax classification codes, and third party site operating unit account details. Invoice controls defined at the tax registration level override account tax detail values.

1. If applicable, update third party account tax details:

   - **Account Number** - The third party account number.

   - **Rounding Level** (Header/Line) - This setting takes precedence over the Main party tax profile setting for invoices that apply to this third party.

   - **Rounding Rule** (Up/Down/Nearest) - The rounding rule defined at the tax registration level for a tax or tax jurisdiction that applies to transactions for this third party takes precedence over this setting.

   - **Tax Classification** - The tax classification code to use in tax determination for this third party. This tax classification code takes precedence over the Main party tax profile setting for invoices that apply to this third party.

2. If applicable, update third party supplier site tax details:

- **Operating Unit** - The operating unit for this supplier site account.

- **Site Name** - The name of the supplier site.

- **Tax Registration Number** - The supplier site tax registration number.

- **Allow Offset Taxes** (Yes/No) - If you set this option to *Yes*, then you must set up offset taxes for the taxes that apply to transactions for this operating unit and supplier site. See: Setting Up Offset Taxes, page 2-21 for more information.

- **Rounding Rule** (Up/Down/Nearest) - The rounding rule defined at the tax registration level for a tax or tax jurisdiction that applies to transactions for this operating unit and supplier site takes precedence over this setting.

- **Set Invoice Values as Tax Inclusive** (Yes/No) - If you set this option to *Yes*, the same option setting at the tax registration level for a tax or tax jurisdiction that applies to transactions for this operating unit and supplier site takes precedence over this setting.

- **Tax Classification** - The tax classification code to use in tax determination for this operating unit and supplier site. This tax classification code takes precedence over the Main party tax profile setting for invoices that apply to this operating unit and supplier site account.

3. If applicable, update third party customer account site business purpose tax details:

- **Operating Unit** - The operating unit for this customer site account.

- **Account Number** - The customer site account number.

- **Tax Registration Number** - The customer site tax registration number.

- **Rounding Level** (Header/Line) - This setting takes precedence over the Main party tax profile setting for invoices that apply to this operating unit and customer account site.

- **Rounding Rule** (Up/Down/Nearest) - The rounding rule defined at the tax registration level for a tax or tax jurisdiction that applies to transactions for this operating unit and customer site account takes precedence over this setting.

- **Tax Classification** - The tax classification code to use in tax determination for this operating unit and customer site account. This tax classification code takes precedence over the Main party tax profile setting for invoices that apply to this operating unit and customer site account.

- **Geography Type Classification** - If previously defined, this field displays the migrated geography type of the Receivables condition sets or group constraint for this operating unit and customer site account.

Setting Up Tax Exemptions

Set up tax exemptions for your third party customers and customer sites. A *tax exemption* is a discount/surcharge or replacement percentage from the base tax rate that reduces the applicable tax on a Receivables transaction.

A tax exemption usually applies to a specific customer or to a combination of customer and specific product. For example, in the United States the Federal Government acting as a customer is exempt from tax on direct sales; and many states provide exemptions on sales of necessities such as food and clothing. A tax exemption record often includes an exemption certificate document number. Tax authorities provide such documents to certify that a customer, customer site, or product is either partially or fully exempt from a tax.

You create a separate record for each tax exemption that applies to the third party customer or customer site. A tax exemption record identifies the nature of the exemption, the configuration owner and tax regime, and, where applicable, the related tax, tax status, tax rate and tax jurisdiction to which the exemption belongs. Because tax exemptions apply only to specific transactions of a legal entity or operating unit, you cannot use the Global Configuration Owner to share tax exemption records.

You can enter exemption information for a customer while the customer's application for the exemption is in progress, and use the exemption reason and exemption status to monitor the exemption. If applicable, E-Business Tax considers the exemption certificate number, exemption reason, and exemption status during tax calculation. See: Managing Tax Exemptions, page 7-18 for more information.

> **Note:** Exemptions are applicable only at the party site level for ship-to. Bill-to exemptions are applicable only when the exemption is defined at that party level.

To set up tax exemptions for a third party, you must complete the appropriate exemption setup for the tax regimes and taxes concerned:

- Set the eBTax: Allow Override of Customer Exemptions profile option to control the display of the Tax Handling field on the transaction line. See: Setting Profile Option Values, *Oracle E-Business Tax Implementation Guide* for more information.

- Set the Allow Tax Exemptions option at the levels that correspond to the tax exemption. For example, if the exemption refers to the tax status of a particular tax, then you must set this option at the tax regime, tax, and tax status levels.

- For each applicable tax, indicate whether you are creating tax exemptions for the tax, or using tax exemptions previously created for an existing tax. You would use the tax exemptions of an existing tax, for example, in the United States when county and city taxes use the tax exemption of the state tax, if the state tax exemption applies to all cities and counties in the state. See: Setting Up Taxes, page 2-13 for more information.

- Verify that the applicable event class allows tax exemptions. If it does not, then set up configuration owner tax options for the applicable configuration owner and event class to include tax exemptions. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

You can create more than one tax exemption for the same customer and tax regime combination. You may need to do this, for example, if one exemption applies to a specific tax, while other exemptions apply to specific products for specific tax rates and jurisdictions. At transaction time, E-Business Tax applies the most specific tax exemption to the transaction. See: Managing Tax Exemptions, page 7-18 for more information about tax exemption handling.

Prerequisites

Before you can set up tax exemptions, you may need to complete one or more of these tasks:

- Set up customer third parties. (mandatory)

- Set up tax regimes. (mandatory)

- Set up configuration options. (mandatory, if required by the event class)

- Set up taxes. (mandatory, for exemptions for a specific tax)

- Set up tax statuses. (mandatory, for exemptions for a specific tax status)

- Set up tax rates. (mandatory, for exemptions for a specific tax rate)

- Set up tax jurisdictions. (mandatory, for exemptions for a specific tax jurisdiction)

- Set up exempt reason lookup codes. (optional)

- Set up inventory organizations. (mandatory, for product exemptions)

- Set up inventory items. (mandatory, for product exemptions)

To set up a tax exemption:

1. Navigate to the Customer party tax profile.

2. Select the third party/site and navigate to Tax Exemption tab.

3. If applicable, enter the certificate number that applies to this exemption.

4. Select the customer's exempt reason.

    You can use the exempt reason lookup type to add exempt reasons according to your requirements. See: Setting Up Lookup Codes, *Oracle E-Business Tax Implementation Guide* for more information.

5. Select the exempt status:

    • *Discontinued* - The exemption no longer applies. You set this status to an exemption that previously had the status Manual or Primary. A discontinued exemption is not considered during tax calculation.

    • *Manual* - The exemption is approved by the tax authority and applies to specific transactions only. E-Business Tax considers a manual exemption during tax calculation provided the exempt reason and certificate number entered on the transaction line match the exemption record values.

    • *Primary* - The exemption is approved by the tax authority and applies to all of this customer's transactions.

    • *Rejected* - The customer's application for this exemption was rejected by the tax authority. You set this status to an exemption that previously had the status Unapproved. A rejected exemption is not considered during tax calculation.

    • *Unapproved* - The customer's application for this exemption is not yet approved by the tax authority. E-Business Tax considers an unapproved exemption during tax calculation provided the exempt reason and certificate number entered on the transaction line match the exemption record values.

6. Enter the tax regime and configuration owner to which this tax exemption belongs.

7. Enter the tax, if this exemption refers to a specific tax. If defined, this exemption applies to the tax belonging to the party registration.

8. If applicable, enter the tax status, tax rate, and tax jurisdiction for this tax exemption.

9. If this is a product-specific exemption, enter the inventory organization and inventory item.

10. Enter the tax authority responsible for issuing the tax exemption.

11. If this exemption is for a specific tax, check the Apply to Lower Levels box to apply this exemption to all taxes that use this tax as the tax exemptions source. See: Setting Up Taxes, page 2-13 for more information.

12. Enter the effective date range for this tax exemption. Enter a date range that is within the effective period of the entities related to this tax exemption: tax regime, tax, tax status, tax rate, and tax jurisdiction.

13. Select the method of calculating the exemption percentage:

- A *Discount/Surcharge* decreases/increases the original rate by the percentage you enter.

- A *Special Rate* percentage replaces the original rate.

14. Enter the rate percentage to use for this tax exemption.

Setting Up a Tax Registration

Set up tax registrations for your first party legal establishments and your third party customers/customer sites and suppliers/supplier sites. A *tax registration* contains information related to a party's transaction tax obligation with a tax authority for a tax jurisdiction where it conducts business. In some cases a single location may need to file multiple registrations.

E-Business Tax uses tax registrations in tax determination and tax reporting. For each tax that you create, you must define either a default tax registration or a tax rule for the rule type Determine Tax Registration. This rule determines under which tax registration a transaction is processed. See: Determine Tax Registration, page 6-10 for more information.

You must set up a separate tax registration to represent each distinct registration requirement for a first party, including:

- Each legal establishment that is required to file tax documents.

- Each tax regime, where the registration is used for all taxes within the regime.

- Each tax within a tax regime that has a separate tax requirement, where the registration is used for all jurisdictions where the tax is applicable.

- Each tax jurisdiction that has a separate tax requirement for a tax registration.

- Each tax for which the party is Not Registered, if the Not Registered tax registration status is used as a tax condition in tax rules.

If a party has more than one tax registration under the same tax regime, then E-Business Tax considers the tax registrations in the order: jurisdiction; tax; tax regime.

You optionally set up tax registrations for your customers and suppliers, as necessary, to support specific tax regulations or reporting requirements.

You can also create new registration records to update an existing registration with

current information, for example, when a tax registration expires, when a company acquires a different tax registration number, or when the tax authority changes the laws regarding registration.

Prerequisites

Before you can set up tax registrations, you may need to complete one or more of these tasks:

- Set up tax regimes. (mandatory)

- Set up taxes. (optional)

- Set up parties. (mandatory)

- Set up party tax accounts. (optional)

- Set up bank accounts. (optional)

- Set up lookups for registration type, status, and reason. (optional)

- Set up tax jurisdictions. (optional)

- Set up tax authorities. (optional)

To set up a tax registration:

1. Select a first party legal establishment, or a third party or third party site.

2. Navigate to the Create Tax Registration Details page.

3. Enter the tax regime for this registration.

4. If necessary, enter the tax and tax jurisdiction for this registration.

5. Enter the company's registered name in the Company Reporting Name field, if the registered name is different from the company's trade name.

6. If applicable, enter the tax registration type.

   The seeded tax registration types CPF, CNPJ, and OTHERS are used in tax registration number validation for Brazil. All other tax registration types are for reporting purposes only.

7. Enter the company tax registration number. Where applicable, E-Business Tax validates the number according to tax authority validation rules.

   If you set the tax regime option to use the legal registration number as the tax registration number, then select the registration number from the legal registration numbers in the list of values.

If you set the option Allow Duplicate Tax Registration Numbers for the tax, then multiple parties and party sites can use the same tax registration number for this tax. See: Setting Up Taxes, page 2-13 for more information.

8. Enter the party's legal registration address for this tax registration.

9. Enter the party's tax registration status. You can use tax registration status as a determining factor in tax rules.

   E-Business Tax provides these seeded registration statuses:

   • **Agent** - The party acts as a withholding agent for the tax authority for the applicable tax.

   • **Registered** - The party is registered for the applicable tax.

   • **Not Registered** - The party is not registered for the applicable tax.

10. Use the Source field to identify this registration as *implicit* or *explicit*.

    An *explicit tax registration* means that the party is registered with the local tax authority and has a tax registration number. An *implicit tax registration* means that the party is not formally registered with the tax authority, but the party is considered to meet one or more requirements for reporting taxes because of the level of business conducted, typically a minimum presence in the country and/or a minimum revenue threshold.

11. Enter the tax authority responsible for issuing tax registration numbers for this registration.

12. If necessary, enter a tax registration reason to use for tax reporting purposes, for example, to indicate the reason for an implicit registration.

13. Enter the effective dates for this registration.

14. Check the Set as Default Registration box to use the tax registration number associated with this registration as the default tax registration number on all tax reports.

15. If necessary, update the values in the Invoice Controls region that default from the party tax profile as required by this tax registration.

    At transaction time, the values set at the tax registration level override the values set at the party tax profile level.

16. If you associated tax reporting types with tax registration, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

17. If you are creating a tax registration for a first party legal establishment, you can set up party tax accounts by registration. See: Setting Up Tax Accounts, page 2-38 for more information.

> **Note:** Tax registration account information takes precedence over customer and supplier account information.

18. Set up bank account details for this registration if the tax authority requires bank account information on tax registration reports.

19. If defined, the reporting and collecting tax authorities default from the tax jurisdiction associated with this registration. If necessary, enter or update these fields with tax authorities specific to this tax registration.

Setting Up Country Default Controls

Set up information at the country level that you want to default to the applicable E-Business Tax and legal entity setups. Country default controls let you designate transaction tax-related values in the countries that you do business. You can update these default values on the applicable pages.

The list of values in the country default control fields each contain all of the values that you have previously set up. For tax regimes and taxes, the list of values is restricted to the country-specific values. You should ensure that you have completed all of your applicable setup before setting country default controls.

You can set up these country default controls:

- Product fiscal classifications:

    - Oracle Inventory category set

    - E-Business Tax product category (non-Inventory based)

    - Product intended use (Inventory based and non-Inventory based)

- Party tax profiles:

    - Rounding Rule

    - Tax Registration Type

    - Tax Registration Status

    - Collecting Tax Authority

    - Reporting Tax Authority

- • Issuing Tax Authority

- • Tax regimes

- • Taxes

Product fiscal classification defaults define the default values used at transaction time on transactions belonging to parties in the applicable country.

Party tax profile default control values default to the legal entity registrations and party tax profiles belonging to all parties in the applicable country.

Tax regime and tax default control values default to the tax registrations belonging to legal establishments in the applicable country. If you enable the available option, these default control values also default to imported invoices.

Related Topics

Setting Up Product Fiscal Classifications, page 5-4

Setting Up Tax Regimes, page 2-6

Creating a Legal Entity, *Oracle Financials Implementation Guide*

4

Managing Configuration Owners and Service Providers

Configuration Options in Oracle E-Business Tax

The legal entities and operating units in your company are each subject to specific sets of tax regulations as designated by the tax authorities where you do business. Often these tax regulations apply to all parties of the company doing business under a certain jurisdiction. In other cases, individual parties may be subject to special regulations or receive special dispensations or rates.

The tax regimes that you create identify the taxes and the set of regulations that make up each tax requirement. *Configuration options* identify the relationships between parties and tax regimes to reflect the tax requirements of each party.

Use configuration options to associate legal entities and operating units with their applicable tax regimes. The association between a party and a tax regime includes these definitions:

- **Configuration for Taxes and Rules** - The setup that the party uses for taxes, tax statuses, tax rates, tax recovery rates, and tax rules.

- **Configuration for Product Exceptions** - The setup that the party uses for product tax exceptions.

- **Service Subscriptions** - The external service providers that the party uses in place of Oracle E-Business Tax to provide tax calculation services for US Sales and Use Tax. See: Setting Up Service Subscriptions, page 4-5 for more information.

Your tax setups reflect the tax regulations that a party is subject to in each separate tax jurisdiction. You can apply the tax setups that you create to the entire company, or you can let individual parties within the company supplement parts of the tax setup to fulfill specific requirements. You can also let a party create and maintain its own tax setup. When a party supplements tax setup, or creates and maintains tax setup, it

becomes a *configuration owner* of this setup. Otherwise, the party shares the tax setup of the global configuration owner.

Configuration for Taxes and Rules

E-Business Tax provides the *global configuration owner* to represent ownership of all tax setups at the company level. The configuration options that you set for each party/regime combination are in relation to the global configuration owner. These options are:

- *Common Configuration* - The party uses the company tax setups for the applicable regimes. All parties with a Common Configuration option share the same tax setup.

  When setting up taxes, tax details, and configuration owner tax options, the global configuration owner represents any party with a Common Configuration. Authorized updates to the tax setup affect all users of the Common Configuration.

- *Common Configuration with Party Overrides* - The party uses the company tax setups for the applicable regimes, but with the ability to change, or *override*, portions of the company tax setup with tax setup specific to the party's requirements.

- *Party-Specific Configuration* - A legal entity or operating unit party does not share the company tax setup, but instead creates and maintains its own tax setup for the applicable regimes. In this case, only this party can use the tax setup it creates.

You may need to analyze the specific tax requirements of each legal entity and operating unit in your company for each tax regime and country, to determine how to designate each party as a configuration owner. Tax regulations within a tax regime may apply to all or most parties, with individual exceptions, while other parties, because of line of business, places of operation, or some other reason, may have unique tax requirements that demand a separate tax setup.

The Common Configuration option provides the maximum sharing of tax setup among the parties in your company with the minimum amount of maintenance. All parties that are subject to the tax regulations of a given tax regime should use the Common Configuration option, unless it is necessary to create party-specific overrides. When you set up taxes in a tax regime, the available list of configuration owners is limited to the configuration owners associated with the tax regime. If the configuration owner is the global configuration owner or a Party-Specific Configuration, the statuses, rates, recovery rates, and rules belonging to the tax inherit the same configuration owner.

For Release 11*i* migrated data, the configuration owner of the tax setup converts to E-Business Tax in this way:

- **Tax codes.** Party-Specific configuration, with the operating unit owning its tax setup.

- **Location-based tax codes.** Common Configuration, with the global configuration owner owning the location-based tax setup.

The Configuration Owner Tax Options page displays the E-Business Tax tax option settings for each migrated operating unit. You can update certain of these settings according to your requirements. See: Setting Up Configuration Owner Tax Options, page 4-9 for more informations.

Where applicable, you can also update the party tax profile of migrated operating units to use the shared tax setup of the legal entity to which it belongs. E-Business Tax uses the legal entity setting to calculate taxes on transactions for the operating unit. See: Party Tax Profiles in Oracle E-Business Tax, page 3-1 for more information.

Configuration for Product Exceptions

The configuration option setting for product exceptions determines whether the product tax exceptions defined for this tax regime are shared with other parties or remain specific to one party.

If the configuration option for taxes and rules is *Common Configuration* or *Party-Specific Configuration*, then E-Business Tax assigns the same setting to the configuration option for product exceptions.

If the configuration option for taxes and rules is *Common Configuration with Party Overrides*, you can set the configuration option for product exceptions to *Common Configuration* to let the party use the product tax exceptions of the global configuration owner; or *Party-Specific Configuration* to let the party set up its own product tax exceptions that are not shared with any other party.

Legal Entity and Operating Unit Configuration Options

With configuration options, you can define relationships between parties and tax requirements that reflect the specific taxation needs of your company and the way it is organized. These include:

- One legal entity owns and maintains its tax configuration.

- Multiple operating units of one legal entity share the legal entity tax configuration.

- Multiple legal entities share the same tax configuration.

- Multiple legal entities share the same tax configuration, with individual legal entities able to override the shared tax configuration for requirements specific to the legal entity, including tax, tax status, tax rate, and tax rules and formulas.

- One or more operating units of one legal entity own and maintain a separate tax configuration.

- A legal entity, or an operating unit that owns and maintains a separate tax configuration, uses third party tax services for specific transaction events.

Setting Up Configuration Options

Set up configuration options to associate tax regimes with the parties in your company that have a tax requirement under these tax regimes. You can set up tax configuration options when you create a tax regime or when you create a party tax profile for a first party legal entity or operating unit. Both setup flows display and maintain the same party/regime definitions.

Configuration options only apply to tax regimes directly linked to taxes and not to tax regimes that are used to group other tax regimes.

You must set the eBTax: Read/Write Access to GCO Data profile option before you set up configuration options. Any authorized user can maintain the common tax setup associated with the global configuration owner. See: Setting Profile Option Values, *Oracle E-Business Tax Implementation Guide* for more information.

Prerequisites

Before you can set up configuration options, you may need to complete one or more of these tasks:

- Set the eBTax: Read/Write Access to GCO Data profile option. (mandatory for Global Configuration Owner setup)

- Set up tax regimes. (mandatory)

- Set up party tax profiles. (mandatory)

To set up a configuration option:

1. Navigate to the Configuration Options page.

2. If you are setting up a tax regime, enter the party name. If you are setting up a party tax profile, enter the tax regime code.

3. Select the configuration option for taxes and rules and the configuration option for product exceptions for this combination of party and tax regime.

   Unless you select the taxes and rules configuration option *Common Configuration with Party Overrides*, the product exception configuration option defaults to the taxes and rules configuration option.

   If you select the taxes and rules configuration option *Common Configuration with Party Overrides*:

   - Select *Common Configuration* to let the party use the product tax exceptions of the global configuration owner for this tax regime.

   - Select *Party-Specific Configuration* to let the party set up its own product tax exceptions for this tax regime that are not shared with any other party.

If you select the taxes and rules configuration option *Common Configuration with Party Overrides*, E-Business Tax enables the Copy and Override icon on the regime to rate flow for this configuration owner and tax regime.

4. Enter the effective date range for this configuration option. Enter a date range that is within the date range of both the party tax profile and the tax regime.

5. If you want to use an external service provider for this configuration option, navigate to the Service Subscriptions page. See: Setting Up Service Subscriptions, page 4-5 for more information.

Setting Up Service Subscriptions

E-Business Tax lets you use the tax services of external service providers for tax calculation of US Sales and Use Tax on Receivables transactions. E-Business Tax provides transparent integration between the external provider tax service and Oracle Receivables. Both E-Business Tax and the external service provider execute and complete the tax services without any interruption to the application business flow.

You can use the tax services of these external service providers:

- Taxware, LP - A First Data Company

- Vertex, Inc.

The setup for provider services is called a *service subscription*. A service subscription applies to the transactions of one configuration option setup for a combination of tax regime and legal entity/operating unit.

> **Note:** The level of detail of tax rounding definitions for the taxes in the tax regime must equal or exceed the level of detail of the service provider tax rounding definitions. See: Setting Up Taxes, page 2-13 for more information.

Prerequisites

Before you can set up service subscriptions, you may need to complete one or more of these tasks:

- Set up tax regimes. (mandatory)

- Set up party tax profiles. (mandatory)

- Set up configuration options. (mandatory)

To set up a service subscription for US Sales and Use Tax:

1. Navigate to the Subscription Options page.

2. Enter the service provider.

3. Select the Order to Cash business flow.

4. Enter the effective date range for this combination of service provider and business flow. Enter an effective from date that is greater than the system date.

Related Topics

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

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

Managing Event Class Settings

E-Business Tax provides predefined event class settings for each combination of application and event class. *Event class settings* provide a means of standardizing the interaction between E-Business Tax and other applications. E-Business Tax responds to specific application transaction events, such as a Payables invoice or a Receivables credit memo, according to the predefined settings of each application event class. In this way, E-Business Tax can determine and calculate taxes without requiring access to each product.

Use the Event Class Settings pages to review the event class mappings and event class options, including default tax options, for each event class. The event class settings provide the information about the tax determination process that is used for transactions belonging to each event class.

This table lists the event classes that are applicable to E-Business Tax:

Application	Event Class
Payables	Standard Invoices
Payables	Prepayment Invoices
Payables	Expense Reports
Purchasing	Requisition
Purchasing	Purchase Order and Agreement

Application	Event Class
Purchasing	Release
Receivables	Invoice
Receivables	Credit Memo
Receivables	Debit Memo
Trade Management (source application)	Tax Event for Claims Interfacing to AP
Trade Management (source application)	Tax Event for Claims Interfacing to AR

Reviewing Event Class Mappings

Use the Event Class Mapping page to review individual event class mappings. An *event class mapping* describes the mapping between an application event class and the corresponding tax event class. You cannot update event class mappings.

The Event Class Mapping header region contains these fields:

- **Event Class Name.** The application event class.

- **Application Name.** The application that calls E-Business Tax for transactions belonging to the event class.

- **Entity Name.** A higher level grouping of the application event class.

- **Tax Event Class Name.** The tax description of the application event class.

The event types region maps the application event types belonging to the application event class to the corresponding tax event type.

You can use event class mapping information when setting up tax rules. You can set up tax rules that refer to application event classes and/or tax event classes. See: Setting Up Tax Rules: Guided Rule Entry, page 6-22 for more information.

Reviewing Event Class Options

Use the Event Class Options page to review the default tax settings for each application event class. E-Business Tax uses these settings as the basis for determining and calculating taxes on transactions belonging to each event class.

This section describes each of the event class options. By default, the event class option settings of an event class apply to all configuration owners. You can update some of the

event class options belonging to an application event class for individual configuration owners. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

Associated Party Types

The Associated Party Type regions (Parties and Party Sites) are used to determine the party tax profiles to reference for transactions belonging to this event class. These regions display the party types that are associated with first and third parties and party sites for transactions of the event class. At transaction time, the event class application provides the specific parties and party sites that are part of the transaction. E-Business Tax uses this information from the application to retrieve the correct party tax profiles and related tax information.

For example, in transactions belonging to the Oracle Payables Standard Invoices event class, the Ship From and Bill From party is the supplier and the Ship To and Bill To party is the legal establishment involved in the transaction.

Rounding Precedence Hierarchy

The rounding precedence hierarchy indicates the order in which E-Business Tax looks at party tax profiles of parties involved in the transaction for the rounding level and rounding rule to use.

If no party tax profile provides a rounding level, then E-Business Tax uses the event class default rounding level.

If no party tax profile provides a rounding rule, then E-Business Tax uses the tax rounding rule. See: Setting Up Taxes, page 2-13 for more information.

Other Tax Options

Allow Tax Applicability. This option determines if E-Business Tax calculates tax on transactions for this event class.

If this option is set for the Payables event class, you must also set this option on the party tax profile of third parties and third party sites acting as suppliers/supplier sites that are involved in transactions belonging to this event class. See: Setting Up a Third Party Tax Profile, page 3-6 for more information.

Allow Entry of Manual Tax Lines. This option determines whether you can enter manual tax lines on transactions, in addition to the automatically calculated tax lines.

Allow Recalculation for Manual Tax Lines. This option only applies if the Allow Entry of Manual Tax Lines option is set. This option determines, when there is an update to automatic tax calculation, whether E-Business Tax also recalculates the manual tax lines.

Allow Override for Calculated Tax Lines. This option determines whether you can override the automatically calculated tax lines on transactions.

Tax Line Override Impacts Other Tax Lines. This option only applies if the Allow Override for Calculated Tax Lines option is set.

This option determines, when there is an override of automatically calculated tax lines on transactions, whether E-Business Tax also recalculates the taxes on prior tax lines in the compounding process.

Allow Override and Entry of Inclusive Tax Lines. This option only applies if these options are set:

- Allow Entry of Manual Tax Lines.

- Allow Override for Calculated Tax Lines.

This option determines whether you can change the setting for tax inclusive handling on transactions.

Allow Exemptions. This option determines whether you can set up tax exemptions for taxes in this event class. See: Setting Up Tax Exemptions, page 3-10 for more information.

Allow Manual Tax Only Lines. This option determines whether you can enter manual tax only tax lines on transactions. A *tax only tax line* is a tax line that is not related to the transaction or to any item line on the same invoice.

Perform Additional Applicability for Imported Documents (Payables event classes only). This option determines whether E-Business Tax runs the tax applicability process to identify missing taxes on an imported document. Taxes not included in the imported document are marked as Self Assessed, if self-assessment applies to the transaction.

Enforce Tax from Reference Document. This option determines whether E-Business Tax applies to the transaction the tax that is assigned to the transaction reference document.

Enforce Tax from Account. This option determines whether E-Business Tax applies to the transaction the tax that is assigned to the accounting segment of the transaction line.

Allow Offset Tax Calculation. This option determines whether E-Business Tax can calculate offset taxes for this event class. See: Setting Up Offset Taxes, page 2-21 for more information.

Offset Tax Basis. This field displays the third party or third party site that E-Business Tax refers to in order to determine whether to calculate offset taxes.

The applicable third party or third party site must also have the Allow Offset Taxes option enabled in the party tax profile. See: Setting Up a Third Party Tax Profile, page 3-6 for more information.

Regime Determination Set. This field displays the determining factor template that E-Business Tax uses to determine the tax regime to use for all transactions belonging to this event class.

Setting Up Configuration Owner Tax Options

Set up configuration owner tax options for a combination of configuration owner and

application event class. You can update some of the E-Business Tax predefined event class settings for a particular configuration owner. You can also update migrated tax option settings for configuration owners migrated from Release 11*i*.

If you are using Direct Tax Rate Determination with tax classification codes and migrated tax data, then you must set up configuration owner tax options using the STCC regime determination set for the applicable configuration owner and event class. See: Tax Processing Using Standard Tax Classification Codes, page 6-36 for more information.

Configuration owner tax options let a configuration owner update default tax options on transactions that belong to a specific application event class. At transaction time, E-Business Tax uses the tax option settings of the configuration owner and application event class instead of the default settings.

The tables below list the tax options you can update for each application and its event classes. See: Reviewing Event Class Options, page 4-7 for a description of these tax options.

Payables: Expense Reports, Prepayment Invoices, Standard Invoices

Rounding Precedence Hierarchy

Regime Determination Set

Perform Additional Applicability for Imported Documents

Offset Tax Basis

Allow Tax Applicability

Allow Entry of Manual Tax Lines

Allow Recalculation for Manual Tax Lines

Allow Override for Calculated Tax Lines

Tax Tolerance

Purchasing: Requisition, Purchase Order and Agreement, Release

Rounding Precedence Hierarchy

Purchasing: Requisition, Purchase Order and Agreement, Release

Offset Tax Basis

Allow Tax Applicability

Receivables: Invoice, Credit Memo, Debit Memo

Rounding Precedence Hierarchy

Allow Exemptions

Regime Determination Set

Offset Tax Basis

Allow Tax Applicability

Allow Entry of Manual Tax Lines

Allow Recalculation for Manual Tax Lines

Allow Override for Calculated Tax Lines

Defining Tax Tolerances

You can define tax tolerances for the entry of tax override values on Payables event class transactions belonging to a configuration owner. Tax tolerances are used to determine whether E-Business Tax places a tax hold on an invoice due to the override of calculated tax lines.

A *tax tolerance* is the acceptable variance between the calculated tax amount on an invoice and the override tax amount entered by the user. If the variance between these two amounts exceeds the tolerances you specify, then E-Business Tax places the invoice on hold.

To define tax tolerances, you must first set the Allow Override for Calculated Tax Lines option. Setting the Allow Override for Calculated Tax Lines option lets you override automatically calculated tax lines on transactions. You use tax tolerances to define the limits of user override.

You can enter these tolerance values:

- **Tolerance Percentage.** Enter a tolerance percentage to define the maximum percentage that a user override can differ from the automatically calculated tax line before placing a hold on the invoice.

- **Tolerance Range Amount.** Enter a tolerance range amount to define the maximum amount that a user override can differ from the automatically calculated tax line before placing a hold on the invoice.

5

Setting Up Fiscal Classifications

Fiscal Classifications in Oracle E-Business Tax

Use fiscal classifications to classify these aspects of your tax transactions: the parties and locations involved in your transactions; the products you buy and sell; and the nature of your transactions. You use fiscal classifications in the creation of tax rules for tax determination.

You can set up fiscal classifications under these general categories:

- **Party fiscal classifications.** Classify your customers and suppliers and their locations for use in tax determination. In some countries, the tax authority provides the specific party fiscal classification to use. See: Setting Up Party Fiscal Classifications, page 5-2.

- **Product fiscal classifications.** Classify the products and services that you buy and sell for use in defining rules for tax determination. In some countries, the tax authority provides the specific product fiscal classification to use. See: Setting Up Product Fiscal Classifications, page 5-4.

- **Transaction fiscal classifications.** Classify the nature of a transaction itself, and the details that must accompany a transaction, according to its tax requirements. See: Setting Up Transaction Fiscal Classifications, page 5-11.

Each general classification that you create is called a *fiscal classification type*. You can assign fiscal classification types to tax regimes and taxation countries. You can also create a series of *fiscal classification codes* under a fiscal classification type to further refine the details of a particular category of tax determination. When creating tax rules, you use fiscal classification types as determining factors and fiscal classification codes as condition set values.

The use of fiscal classifications is optional, and depends upon your overall scheme for managing tax determination and tax calculation requirements. At transaction time E-Business Tax determines, according to the tax rules you create, which fiscal

classifications apply to the transaction line.

Examples of using fiscal classifications:

- Set up party fiscal classifications for different types of suppliers.

- Set up a product fiscal classification type in the United Kingdom for supplies that are zero-rated for VAT, and then set up fiscal classification codes for specific supplies, such as food, cleaning supplies, printed matter, and so on.

- Set up a transaction fiscal classification for retail sales, then set up fiscal classification codes for sales of manufactured goods, sales of imported items, and sales giveaways.

These are examples only. In some cases you may use fiscal classifications combined with tax rules to define a product group-specific rate, or alternatively you may use product classifications combined with product tax exceptions to define the same thing. E-Business Tax fiscal classifications provide a flexible tool for helping you to interpret and automate the tax requirements of specific taxes and tax regimes.

Related Topics

Setting Up Party Fiscal Classifications

Set up party fiscal classifications for the parties and party sites involved in your transactions that have a tax requirement. A party fiscal classification determines, for example, when taxes apply to a party, how much tax applies, and what percentage of the tax is recoverable. These tax requirements are usually defined by the tax authority for the taxes of a given tax regime.

Set up *party fiscal classifications* for your first parties, customers and customer sites, and suppliers and supplier sites. Update the *legal classification tax usage* of legal activity codes according to your tax determination and tax reporting requirements.

You create a party fiscal classification by assigning a Trading Community Architecture (TCA) class category to a party fiscal classification type code that you define. The TCA class codes defined under the class category become fiscal classification codes belonging to the party fiscal classification type. TCA classifications let you classify parties and other business entities into user-definable categories. For example, you may want to classify parties according to tax handling requirements, such as End Consumer, Distributor, Non-Profit Organization, and so on.

You can create a hierarchy of party fiscal classification types to reflect the levels of codes and sub-codes within the TCA classification. You then associate each party fiscal classification type code to each tax regime that requires this party classification for tax

determination and/or tax reporting purposes. Where necessary, you can assign party fiscal classifications to parties and party sites.

> **Note:** You can only use a TCA class category for one party fiscal classification type or one group hierarchy. You cannot create multiple party fiscal classification types for the same TCA class category.

For tax rule usage, the party fiscal classification types that you create become determining factor names of the Party Fiscal Classification determining factor class. When you select a party fiscal classification type as a determining factor, the associated party fiscal classification codes become available as tax condition values.

Prerequisites

Before you can set up party fiscal classifications, you may need to complete one or more of these tasks:

- Set up TCA class categories and class codes. (mandatory)

- Set up tax regimes. (mandatory)

- Set up tax reporting types. (optional)

To set up a party fiscal classification:

1. Navigate to the Create Party Fiscal Classification Types page.

2. Enter in the Party Classification field the TCA class category to use with this party fiscal classification type. You can use the View Existing Party Fiscal Classification Associations region to review the TCA class categories already in use.

   The Fiscal Classification Codes region displays the class codes defined for the TCA class category that you enter. E-Business Tax automatically considers these as party fiscal classification codes of the party fiscal classification type.

3. If necessary, enter the number of levels in the hierarchy for this party fiscal classification type.

4. If you are creating a hierarchy to match the TCA class category, enter in the Type Group field a name to identify this hierarchy.

5. Enter a party fiscal classification type code and name.

   You may want to use a naming convention that is similar to the TCA class category, or that is in accordance with tax authority requirements.

6. Enter the effective date range for this party fiscal classification type.

7. Assign the party fiscal classification type to all applicable tax regimes and enter an

effective date range for each tax regime assignment.

Enter a tax regime assignment date range that is within the date range of both the party fiscal classification type and the tax regime.

8. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Updating Legal Classification Tax Usage

Some countries use a set of codes to identify legal classifications that have a tax requirement. E-Business Tax provides a fiscal classification type code for each set of country-specific legal activity codes, for use in tax determination. You can assign these legal activity codes to the tax regimes within the applicable country, and update the codes according to your tax requirements.

The legal classification types are determining factor names of the Legal Party Fiscal Classification determining factor class. When you select a legal classification activity code as a determining factor, the associated legal classification codes become available as tax condition values.

To update the tax usage of legal activity codes:

1. Navigate to the Legal Classification Tax Usage page.

2. Select for update the fiscal classification type code that you want.

3. If necessary, update the name and the effective date range.

4. Assign the legal activity code to the applicable tax regimes and enter an effective date range for each tax regime assignment.

Enter a tax regime assignment date range that is within the date range of the legal activity code and the tax regime.

5. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Related Topics

Setting Up TCA Classifications, *Oracle E-Business Tax Implementation Guide*

Setting Up Product Fiscal Classifications

Set up product fiscal classifications to classify products that have a tax requirement for tax determination or tax reporting purposes. You set up product fiscal classifications

according to the taxable nature of a product or product transaction, as designated by a tax authority.

You can set up product fiscal classifications for:

- Oracle Inventory category set

- E-Business Tax product category (non-Inventory based)

- Product intended use (Inventory based or non-Inventory based)

You can also set up product tax exceptions to apply special tax rates to products. See: Setting Up Tax Exceptions, page 5-8 for more information.

Prerequisites

Before you can set up product fiscal classifications, you may need to complete one or more of these tasks:

- Set up Inventory items and categories for product fiscal classifications. (mandatory, for Oracle Inventory)

- Set up tax regimes. (mandatory)

- Set up tax reporting types. (optional)

Setting Up Inventory Based Product Fiscal Classifications

Define an Inventory-based product fiscal classification type against an *Oracle Inventory category set*. The product fiscal classification is defaulted on the transaction line for any item that belongs to the inventory category set. The category values defined for the inventory category set become fiscal classification codes belonging to the product fiscal classification type.

If necessary, you can create a hierarchy of product fiscal classification types, where each level in the product hierarchy can affect tax determination. For example, the hierarchy of an inventory category set can identify different variants of a raw material or different features of a product line, each of which may become a tax determining factor. You then associate each fiscal classification type code to each tax regime that requires this product fiscal classification for tax determination and/or tax reporting purposes.

You associate Inventory-based product fiscal classification codes with items by assigning the category value to the item using Oracle Inventory. Non-Inventory based and product intended use fiscal classification codes do not have an item assignment. You can enter these fiscal classification codes on a transaction line irrespective of the item.

To set up an Inventory-based product fiscal classification:

1. Navigate to the Create Product Fiscal Classification Type page.

2. Enter the inventory category set to use with this product fiscal classification. Use the View Existing Fiscal Classifications section to review the inventory organizations, items, and fiscal classifications already in use.

   The Fiscal Classification Codes region displays the category values defined for this inventory category set. E-Business Tax automatically considers these as fiscal classification codes of the fiscal classification type.

3. If necessary, enter the number of levels in the hierarchy for this product fiscal classification type.

4. If you are setting up a hierarchy of product fiscal classification types, in the Type Group field enter a name to identify this hierarchy.

5. Enter a product fiscal classification type code and name, and the effective date range.

6. If you are setting up a hierarchy of product fiscal classification types, update the coding scheme for this hierarchy:

   • In the Start Position field, identify the placement of the first code character at each level of the hierarchy.

   • In the Number of Characters field, enter the number of allowable characters, from the start position, in the coding scheme.

7. Assign the product fiscal classification type to the applicable tax regimes and enter an effective date range for each tax regime assignment.

   Enter a tax regime assignment date range that is within the date range of the product fiscal classification type and the tax regime.

8. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

9. Assign the Inventory category values to items in Oracle Inventory. See: Setting Up Oracle Inventory for Product Fiscal Classifications, *Oracle E-Business Tax Implementation Guide*.

Setting Up Non-Inventory Based Product Fiscal Classifications

Define product fiscal classification types using the non-Inventory based *E-Business Tax product category*. You can designate a default product fiscal classification for a specific product, or a list of product fiscal classifications assigned to a particular country. Use the E-Business Tax product category to:

• Classify products for taxes if you do not use Oracle Inventory.

- Create country-specific product fiscal classifications.

- Create product fiscal classifications for items that are not a good.

- Create ad hoc product fiscal classifications without reference to an inventory item, for example, if you are making product purchases that are not a part of your standard business processes.

To set up a non-Inventory-based product fiscal classification code:

1. Navigate to the Product Fiscal Classification Types page.

2. Display the Product Classification Source of *Oracle E-Business Tax* and select for update the Product Category fiscal classification type code.

3. Select the number of levels to make available to the Product Category fiscal classification type.

> **Note:** This is a one-time setup. When you create the first fiscal classification code for the Product Category fiscal classification type, E-Business Tax sets the number of levels. You cannot update the number of levels later.

4. If necessary, update the effective date range for the Product Category fiscal classification type.

5. Enter a fiscal classification code and name. You can either create a product fiscal classification code or create a sub-level code under an existing product fiscal classification code.

6. If applicable, enter a country name to associate with this product fiscal classification code. If this is a sub-level code, you cannot enter a country name that is different from the country assigned to the parent code, if there is one.

   At transaction time, E-Business Tax makes available the fiscal classification codes assigned to the transaction country, along with the codes that do not have a country assignment.

7. Enter an effective date range for this product fiscal classification code.

8. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Setting Up Product Intended Use Fiscal Classifications

Define *product intended use fiscal classifications* for situations where the intended use of

the product is a factor either in tax determination or the tax recovery rate. You can set up product intended use fiscal classifications using either an Inventory category set or the E-Business Tax product category.

> **Note:** Once you select the basis on which to set up product intended use fiscal classifications--Inventory based or non-Inventory based--you cannot change it. If applicable, the data migration process may also create either Inventory based or non-Inventory based product intended use fiscal classifications.

To set up a product intended use fiscal classification:

1. Navigate to the Product Intended Use Fiscal Classification Type page.

2. Select for update the Intended Use fiscal classification type code.

3. For your initial setup:

   • Select whether the Intended Use fiscal classification type is Inventory based or non-Inventory based. You cannot update this selection at a later time.

   • If Inventory based, select the Inventory category set to use.

   • Select the number of levels to make available to the Intended Use fiscal classification type.

   • If necessary, update the effective date range for the Intended Use fiscal classification type.

4. Enter a fiscal classification code and name.

5. Enter an effective date range for this product intended use fiscal classification code.

6. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Setting Up Tax Exceptions

Set up tax exceptions to apply special tax rates to products. At transaction time, E-Business Tax determines whether the tax exception applies to the transaction line for the product and, if so, uses the applicable exception rate.

Depending on your requirements, you can use product tax exceptions instead of setting up tax rules for product types. You can set up these tax exceptions for products:

• **Discount.** A reduction of the base tax rate.

- **Surcharge.** An increase to the base tax rate.

- **Special Rate.** A rate that replaces the base tax rate.

In E-Business Tax, a tax exception must belong to a combination of tax regime, configuration owner, and tax. You can also assign tax exceptions to a tax status or tax rate belonging to the tax or to a tax jurisdiction. At transaction time, E-Business Tax uses the tax exception if the details of the transaction and the tax match all of the entities assigned to the tax exception. Only one tax exception can apply to a transaction line for a specific tax.

You can define Inventory organization tax exceptions for items, or you can define tax exceptions for Inventory-based or non-Inventory-based product fiscal classification types and fiscal classification codes. The product fiscal classification must have the same tax regime assignment as the tax exception. See: Setting Up Product Fiscal Classifications, page 5-4 for more information.

You can create more than one tax exception for the same item/product fiscal classification and tax regime combination. At transaction time, E-Business Tax applies the most specific tax exception to the transaction in this order:

- Item tax exception for tax rate and tax jurisdiction

- Item tax exception for tax rate

- Item tax exception for tax status and tax jurisdiction

- Item tax exception for tax status

- Item exception for tax

- Product fiscal classification tax exception for tax rate and tax jurisdiction

- Product fiscal classification tax exception for tax rate

- Product fiscal classification tax exception for tax status and tax jurisdiction

- Product fiscal classification tax exception for tax status

- Product fiscal classification exception for tax

When you set up configuration options for first party legal entities and operating units, you can set a separate configuration option for the owning and sharing of product tax exceptions for a combination of party and tax regime. See: Setting Up Configuration Options, page 4-4 for more information.

To set up tax exceptions, you must enable the Allow Tax Exceptions option at all applicable levels in the regime-to-rate flow, including tax regime, tax, tax status, and tax rate. See: Setting Up Tax Regimes, page 2-6 for more information.

If necessary, use lookups to define additional tax exception reasons, according to your requirements or the requirements of the tax authority. See: Setting Up Lookup Codes, *Oracle E-Business Tax Implementation Guide* for more information.

Prerequisites

Before you can set up tax exceptions, you may need to complete one or more of these tasks:

- Set up exception reason lookup codes. (optional)

- Set up taxes. (mandatory)

- Set up tax statuses. (optional)

- Set up tax rates. (optional)

- Set up tax jurisdictions. (mandatory, for jurisdiction-specific exceptions)

- Set up inventory organizations. (mandatory, for item exception types)

- Set up inventory items. (mandatory, for item exception types)

- Set up fiscal classification types. (mandatory, for product fiscal classification exception types)

- Set up fiscal classification codes. (mandatory, for product fiscal classification exception types)

To set up a tax exception:

1. Navigate to the Create Tax Exception page.

2. Enter the tax regime, configuration owner, and tax to which this tax exception belongs.

3. If applicable, enter the tax status, tax rate, and tax jurisdiction for this tax exception.

4. Select the exception type to use:

   - If this is an *Item* exception, enter the inventory organization and inventory item.

   - If this is a *Product Fiscal Classification* exception, enter the product fiscal classification type and fiscal classification codes for the item.

5. If the exception type is *Product Fiscal Classification*, then, if necessary, enter the numeric precedence level for this exception.

   You must enter a precedence level if:

- you associate the same item with two different product fiscal classification types;

   and

- you create exceptions for both of these product fiscal classification types.

6. Select the exception reason to use for this tax exception.

7. Enter the effective date range for this tax exception. Enter a date range that is within the effective period of the entities related to this tax exception: tax regime, tax, tax status, tax rate, and tax jurisdiction.

8. Select the exception rate type for this tax exception:

   - A *Discount/Surcharge* decreases/increases the original rate by the percentage you enter.

   - A *Special Rate* percentage replaces the original rate.

9. Enter the rate percentage to use for this tax exception. For example:

   - **Discount** - If the discount is 15% off the standard rate and the standard rate is 10%, enter *85*. This defines a discount rate that is 85% of the original 10%, or 8.5%.

   - **Surcharge** - If the surcharge is 10%, enter *110*. This defines a surcharge rate that is 110% of the original 10%, or 11%.

   - **Special Rate** - Enter the special rate percentage that replaces the standard rate. If the original rate is 10% and the special rate is 5%, enter *5*.

Setting Up Transaction Fiscal Classifications

You can use transaction fiscal classifications for tax regimes and taxes where the nature of the transaction itself determines the tax and the tax rate that applies. For example, different taxes and rates might apply to sales of inventory items vs. sales of manufactured goods, or might depend upon the ship-from and ship-to locations involved in the transaction. You can also use transaction fiscal classifications to classify the accompanying documentation required by a transaction.

You can set up these types of transaction fiscal classifications:

- Transaction business categories

- Transaction fiscal classification codes

- Document fiscal classifications

- User defined fiscal classifications

E-Business Tax makes transaction fiscal classification codes available at transaction time for entry at the header level or line level. The available codes are both the country-specific codes of the applicable tax authority, and any non-country specific codes. You can also use transaction fiscal classifications as determining factors in tax rules. See: Determining Factor Classes and Tax Condition Values, page 6-40 for more information.

Setting Up Transaction Business Category Codes

E-Business Tax provides six *transaction business categories* that you can use to identify and classify your business transactions. The six transaction business categories are:

- Expense report

- Purchase pre-payment transaction

- Purchase transaction

- Sales transaction

- Sales transaction adjustment

- Intercompany transaction

You can use transaction business categories directly to classify transactions, and use transaction business category codes as determining factors in tax rules. You can assign a transaction fiscal classification to multiple transaction business categories and use this fiscal classification in tax rules, thus applying the same rule to several business transaction events, such as for Purchasing and Payables transactions, or Payables and Receivables transactions.

To set up a transaction business category code:

1. Navigate to the Transaction Business Category Codes page.

2. Select your hierarchy view of the transaction business category code path.

3. Use the sub-level to navigate to the Create Transaction Business Category Code page.

4. Enter a transaction business category code and name.

   E-Business Tax appends this code to the code path for this transaction business category.

5. If necessary, enter the country that this transaction business category code applies

to.

You must ensure that the regime assignments of the transaction fiscal classification types that you associate with this transaction business category code are consistent with the country assignment.

6. Enter the effective date range.

   Enter a date range that is within the date range of the transaction business category or transaction business category code that this level belongs to.

7. Enter the transaction fiscal classification types and fiscal classification codes, and their effective date ranges, to associate with this transaction business category.

Setting Up Transaction Fiscal Classification Codes

Set up *transaction fiscal classification codes* to classify transactions for tax determination and tax reporting purposes according to the requirements of a tax authority.

You can create a hierarchy of transaction fiscal classification codes for use with a transaction business category to identify specific transaction events, such as employee expense reports vs. contractor expense reports or retail sales vs. product demonstrations, and, if applicable, designate codes for specific countries.

To set up a transaction fiscal classification code:

1. Navigate to the Create Transaction Fiscal Classification Type page.

2. If necessary, enter the number of levels in the hierarchy for this transaction fiscal classification type.

3. If you are setting up a hierarchy of transaction fiscal classification types:

   • In the Delimiter field, enter a character to separate the concatenated display of the fiscal classification type codes in this hierarchy. This display is used to identify a hierarchy when you create tax rules using transaction fiscal classifications.

     Do not use a character that occurs in any fiscal classification code. The recommended characters to use as delimiters are: '\' or '>' or '<'.

   • In the Type Group field, enter a name to identify this hierarchy.

4. Enter a transaction fiscal classification type code and name, and the effective date range.

5. Assign the transaction fiscal classification type to the applicable tax regimes and enter an effective date range for each tax regime assignment.

   Enter a tax regime assignment date range that is within the date range of the

transaction fiscal classification type and the tax regime.

6. If necessary, create fiscal classification codes for this transaction fiscal classification type or type group.

7. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes for each fiscal classification code. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Setting Up Document Fiscal Classifications

Set up *document fiscal classifications* to classify transactions that require special documentation to accompany the transaction, as designated by the tax authority. For example, international transactions often require proof of export documentation to support the sale or transfer of goods; you can create a document fiscal classification code to confirm receipt of export documents. You can create sub-levels within a document fiscal classification code to identify details such as the tax authority requirements for document submission.

To set up a document fiscal classification:

1. Navigate to the Update Document Fiscal Classification page.

2. Select to create a new document fiscal classification code or a new sub-level under an existing document fiscal classification code.

3. Enter a document fiscal classification code and name.

4. If necessary, enter the country that this document fiscal classification code applies to.

5. Enter the effective date range.

   Enter a date range that is within the date range of the document sub-type fiscal classification, or the document fiscal classification code that this level belongs to.

6. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

Setting Up User Defined Fiscal Classifications

Set up *user defined transaction fiscal classification codes* to classify any tax requirement that you cannot define using the existing fiscal classification types. You can assign a country and tax reporting type code to each user defined fiscal classification code that you create. User defined fiscal classifications do not make use of sub-levels.

To set up a user defined fiscal classification:

1. Navigate to the Update User Defined Fiscal Classification page.

2. Enter a user defined fiscal classification code and name.

3. If necessary, enter the country that this user defined fiscal classification code applies to.

4. Enter the effective date range.

    Enter a date range that is within the date range of the user defined fiscal classification.

5. If you associated tax reporting types with fiscal classification, enter any applicable tax reporting codes. See: Setting Up Tax Reporting Types, page 2-32 for more information.

6

Setting Up and Using Tax Rules

Tax Rules in Oracle E-Business Tax

The E-Business Tax tax determination process uses your tax configuration setup and the details on the transaction to determine:

- Which taxes apply to the transaction.

- How to calculate the tax amount for each tax that applies to the transaction.

E-Business Tax tax rules let you create a tax determination model to reflect the tax regulations of different tax regimes and the tax requirements of your business. You can create a simple tax model that makes use of default values without extensive processing, or a complex tax model that considers each tax requirement related to a transaction before making the final calculation.

During execution of the tax determination process, E-Business Tax evaluates, in order of priority, the tax rules that have defined against the tax configuration setup and the details on the transaction. If the first rule is successfully evaluated, the result associated with the rule is used. If not, the next rule is evaluated until either a successful evaluation or default value is found.

The E-Business Tax tax determination process is organized into *rule types*. Each rule type identifies a particular step in the determination and calculation of taxes on transactions.

The tax line determination process uses the information of the transaction header and transaction line to determine the tax lines.

The rule types and related processes used for tax line determination and tax calculation are:

1. **Determine Place of Supply** - Determines the location where a transaction is considered to have taken place for a specific tax.

2. **Determine Tax Applicability** - Determines the taxes that apply to a given transaction.

3. **Determine Tax Registration** - Determines the party whose tax registration status is considered for an applicable tax on the transaction.

4. **Determine Tax Status** - Determines the tax status of each applicable tax on the transaction.

5. **Determine Tax Rate** - Determines the tax rate for each applicable tax on the transaction.

6. **Determine Taxable Basis** - Determines the amount upon which to apply the tax rate.

7. **Calculate Tax Amounts** - Calculates the tax amount for each applicable tax on the transaction.

See: Tax Determination Processing, page 6-3 for an explanation and description of the tax determination process.

The rule type used for tax recovery determination is:

- **Determine Recovery Rate** - Determines the recovery rate to apply to each recovery type for each applicable tax on the transaction.

See: Tax Recovery Processing, page 6-15 for a description of each step in the tax recovery process.

The single rule type used for tax determination is:

- **Direct Tax Rate Determination** - This is a special tax rule type that lets you specify the results of tax applicability, tax status, and tax rate for a given tax. You use this rule type for specific tax determination requirements.

See: Using Direct Tax Rate Determination, page 6-32 for a description of the direct tax rate determination process.

Depending on the requirements of a given tax, you can either create a tax rule for each rule type or use a default value.

E-Business Tax provides two entry flows for setting up your tax rules:

- **Guided Tax Rule Entry** - The guided tax rule entry provides a five-step flow that lets you build determining factors and tax conditions as you create the tax rule. See: Setting Up Tax Rules: Guided Rule Entry, page 6-22 for more information.

- **Expert Tax Rule Entry** - The expert tax rule entry provides a concise, three-step entry flow that makes use of determining factor sets and tax condition sets that you have previously defined. See: Setting Up Tax Rules: Expert Rule Entry, page 6-29 for more information.

Tax Authority Regulations and Tax Rules

First determine the nature of each tax that applies to your business and the processes involved in arriving at the tax amount. Examine the regulations that govern the determination of the tax amount for each tax, from identifying the situations in which a tax applies to the determination of the tax amount. Then organize the regulations around one or more of the rule types for each tax. Whenever the regulations indicate that more than one result is possible for a given rule type, then you need to define rules under that rule type.

The complexity of tax rule setup falls into three general categories:

- **No tax rules required.** The tax authority levies tax on all sales and purchase transactions at the same rate. Neither tax applicability nor the tax rates and recovery rates vary by: the parties to the transaction; the products or services included in the transaction; the business processes involved in the transaction.

  In such cases, E-Business Tax can use the default tax status, tax rate, and tax recovery rate defined for the tax.

- **Simple tax rule regimes.** The tax authority levies tax on your transactions at the same rate, with a simple set of identifiable exceptions. The exceptions either apply to one part of the transaction only--such as to certain parties--or to a combination of parties, products, and transaction processes that you can summarize in a simple way.

  In such cases, use a simple set of tax rules, for example, to identify place of supply and tax registration, and use default values for other processes.

- **Complex tax regimes.** Tax regimes in certain countries require a complex logic to determine the applicable taxes and rates on a transaction. Both tax applicability and tax rates can vary, for example, by place of origin and place of destination, party registration, status, service, or a combination of factors. In some cases, the taxable amount of one tax may depend upon the amount of another tax on the same transaction. And in rare cases, the tax amount itself may depend on the tax amount of another tax.

  For all of these and similar situations, you set up tax rules to define the logic necessary to identify each step of the tax determination process.

See: Setting Up Country-Specific Taxes, *Oracle E-Business Tax Implementation Guide* for examples of tax rule setups in different tax regimes.

Tax Determination Processing

E-Business Tax integrates with the transactions of other E-Business Suite applications to manage all tax-related processes. The transactions pass information about the places, parties, products, and transaction processes to the E-Business Tax tax determination service. The tax determination service performs a series of process steps, according to

your tax setup, to identify both the taxes that apply and, for each tax, the tax jurisdiction, tax status, tax rate, taxable amount and tax amount. The process checklist below describes the details of each process.

Process Checklist for Tax Determination and Tax Calculation

This section describes the sequence of tax determination processes that E-Business Tax uses to calculate taxes on transactions. Each step of the process requires the completion of a certain number of setup tasks. The number and complexity of your setups will depend upon the requirements of the tax authorities where you do business.

Use this checklist to review the details of each process and to identify the setups that you need to complete for each step in the tax determination and tax calculation process.

See: Using Direct Tax Rate Determination, page 6-32 for a discussion of direct tax rate determination.

Order	Process Name	Activities Included	Components Used and Corresponding Rule Type (if applicable)
1	Determine Applicable Tax Regimes and Candidate Taxes, page 6-7	• Determine the first party of the transaction. • Identify location types to derive candidate tax regimes. • Identify tax regimes. • Identify taxes using subscriber configuration option.	• Party Tax Profile • Regime Determination Set • Configuration Options
2	Determine Place of Supply and Tax Jurisdiction, page 6-8	• Identify location type. • Identify jurisdiction.	• Tax Rule: Determine Place of Supply, or the default value for Place of Supply for the tax. • Tax Jurisdictions

Order	Process Name	Activities Included	Components Used and Corresponding Rule Type (if applicable)
3	Determine Tax Applicability, page 6-9	• Consider candidate taxes from the previous process. • Eliminate taxes based on tax applicability rule for each tax.	• Tax Rule: Determine Tax Applicability and the default value for applicability for the tax.
4	Determine Tax Registration, page 6-10	• Determine the party type to use to derive the tax registration for each applicable tax.	• Tax Rule: Determine Tax Registration, or the default value for the tax. • Party Tax Profile • Tax Registration
5	Determine Tax Status, page 6-11	• Consider tax statuses of applicable taxes. • Consider tax status rules or use default tax status.	• Tax Rule: Determine Tax Status, or the default value defined for the tax.

Order	Process Name	Activities Included	Components Used and Corresponding Rule Type (if applicable)
6	Determine Tax Rate, page 6-11	• Consider tax rates of each applicable tax status of each applicable tax. • Determine the tax rate code to use for the tax status, for each applicable tax. • Determine the tax rate percentage or per-unit tax amount for a quantity based tax. • If a tax exception applies, update the tax rate for each applicable tax. • If a tax exemption applies, update the tax rate.	• Tax Rule: Determine Tax Rate, or the default value defined for the tax status derived in the previous process. • Tax Rates • Product Tax Exceptions • Customer Tax Exemptions
7	Determine Taxable Basis, page 6-12	• Identify the taxable basis formula for each applicable tax. • Determine the taxable basis and compounding details based on the taxable basis formula. • Consider the Tax Inclusive settings of the applicable taxes.	• Tax Rule: Determine Taxable Basis, or the default value for the tax. • Taxable Basis formula • Tax Inclusive settings at the tax rate level

Order	Process Name	Activities Included	Components Used and Corresponding Rule Type (if applicable)
8	Calculate Taxes, page 6-13	• Identify the tax calculation formula. • Calculate taxes using the tax calculation formula. • Perform applicable tax rounding.	• Tax Rule: Calculate Tax Amounts • Calculate Tax formula (if applicable) • Tax Rounding Rule from registration, account site, party tax profile, or tax • Configuration Owner Tax Options

Determine Applicable Tax Regimes and Candidate Taxes

This process first identifies the first party of the transaction and the countries associated with the transaction. For each country identified, the process selects the tax regimes associated with the first party and defined for the country as candidate tax regimes. The process then selects the taxes defined for each candidate tax regime as candidate taxes.

The result of the process is a list of taxes that are eligible for consideration on the transaction.

1. Determine the first party of the transaction. The first party is either the legal entity or operating unit:

   • If the party tax profile option Use Subscription of the Legal Entity is enabled for the operating unit, then use the legal entity of the transaction as the first party.

     If the option is not enabled, then use the operating unit as the first party.

   E-Business Tax uses the first party legal entity or operating unit to:

   • Identify the tax regimes to consider for the transaction.

   • Identify other configuration options, if defined, to use in processing taxes for the transaction.

   See: Setting Up an Operating Unit Tax Profile, page 3-5 for more information.

2. Determine the regime determination set:

   • If the first party has a configuration owner tax option setup for the event class

to which the transaction belongs, use the regime determination set assigned to this setup.

- If not, use the seeded regime determination set Determine Applicable Regimes (TAXREGIME) or, for migrated data, Standard Tax Classification Code (STCC).

  If the regime determination set is STCC, then E-Business Tax uses a different process to determine applicable taxes. See: Tax Processing Using Standard Tax Classification Codes, page 6-36 for more information.

3. Determine the applicable tax regimes:

- Identify the locations that correspond to each location type on the regime determination set.

- Identify the country associated with each location.

- Identify all of the tax regimes associated with the country or countries to which the first party is subject. The first party is subject to the tax regimes that you defined under configuration options.

  See: Setting Up Configuration Options, page 4-4 for more information.

4. Derive the list of candidate taxes based on the tax regimes and the configuration option setting of the first party:

- *Common Configuration* - Consider all taxes with the configuration owner of Global Configuration Owner.

- *Party-Specific Configuration* - Consider all taxes with the first party as configuration owner.

- *Common Configuration with Party Overrides* - Consider all taxes with the first party and the Global Configuration Owner as configuration owner. If a tax is defined by both the first party and the Global Configuration Owner, then E-Business Tax only uses the tax defined by the first party.

Determine Place of Supply and Tax Jurisdiction

This process identifies the applicable place of supply and associated tax jurisdiction for each candidate tax. The *place of supply*, or *situs* in the United States, is the location type where the supply of goods or services is deemed to have taken place for a specific tax. If E-Business Tax cannot find a tax jurisdiction for the location that corresponds to the place of supply location type, then the tax does not apply and it is removed as a candidate tax for the transaction.

For example, the place of supply for UK VAT on goods is generally the ship from country. Thus, the place of supply of a sale or purchase within the UK is the UK itself. However, if a UK legal entity supplies goods from its French warehouse to a German customer, then the place of supply will not find a jurisdiction for UK VAT in France,

and therefore UK VAT does not apply.

The result of the process is a list of applicable taxes per transaction line.

1. Consider the Determine Place of Supply tax rule of the first candidate tax.

2. Use the location type derived from the tax rule for the tax. The possible location types are:

   - Bill From

   - Bill To

   - Point of Acceptance (Receivables transactions only)

   - Point of Origin (Receivables transactions only)

   - Point of Payment

   - Ship From

   - Ship To

   - Use Bill To as Ship To, if Ship To is not found

3. Identify the location on the transaction that corresponds to the location type derived from step 2.

   If no location applies, then use the rule default location type.

4. Identify the tax jurisdiction of the candidate tax to which the location identified in step 3 belongs. If the location does not belong to any tax jurisdiction of this tax, then the tax does not apply to the transaction.

   See: Setting Up Tax Jurisdictions, page 2-34 for more information.

5. Repeat steps 1 to 4 for each candidate tax.

6. Create refined list of candidate taxes.

Determine Tax Applicability

This process determines the tax applicability of each candidate tax derived from the Determine Place of Supply and Tax Jurisdiction process, and eliminates taxes that are found to be not applicable. For example, a given tax may not apply to a domestic supply of goods to an exempt customer.

The process first attempts to derive the applicability of each candidate tax based on the rule conditions of the Determine Tax Applicability rules for the tax. If no rule applies, the process uses the default value of Applicable or Not Applicable that was assigned to the rule type for the tax. If the tax does not apply, it is removed from the list of candidate taxes.

The result of the process is the final tax or list of taxes that apply to the transaction.

1. Consider the Determine Tax Applicability tax rules of the first candidate tax in order of rule priority.

   If the default value is Applicable, then the candidate tax is considered applicable unless an applicability rule with a value of *Not Applicable* evaluates successfully. If the default value is Not Applicable, then the candidate tax is considered applicable only if an applicability rule with a value of *Applicable* evaluates successfully.

2. Either use the value derived from the tax rule, or the rule type default value.

3. Repeat steps 1 and 2 for each candidate tax.

4. Identify the final tax or list of taxes by eliminating the taxes that have an applicability value of *Not Applicable*.

Determine Tax Registration

This process determines the party whose tax registration is used for each tax on the transaction, and, if available, derives the tax registration number.

1. Consider the Determine Tax Registration tax rule of the first tax.

2. Either use the party registration derived from the tax rule, or the default party registration, if there is one. A rule identifies one of these parties from which to derive the tax registration:

   - Bill From Party

   - Bill To Party

   - Ship From Party

   - Ship To Party

   - Use Bill To, if Ship To is not available

3. Repeat steps 1 and 2 for each tax, if applicable.

4. Identify the tax registration or registrations and stamp the transaction with the tax registration numbers.

   E-Business Tax stamps the tax registration number of the first party legal establishment, and the tax registration number of the party or party site derived from the Determine Tax Registration tax rule.

   E-Business Tax also considers these details of the derived tax registration for each tax:

   - Tax inclusive handling.

- Self-assessment/reverse charge setting.

- Rounding rule.

See: Setting Up a Tax Registration, page 3-13 for more information.

Determine Tax Status

This process determines the tax status of each applicable tax on the transaction.

If the process cannot find a tax status for an applicable tax, then E-Business raises an error.

1. Consider the Determine Tax Status tax rule of the first tax.

2. Use the tax status derived from the first tax rule, if the rule conditions are satisfied.

   If the rule conditions are not satisfied, then consider each rule in turn until the rule conditions are satisfied.

3. If no rule applies, then use the default tax status of the tax.

   See: Setting Up Tax Statuses, page 2-25 for more information.

4. Repeat steps 1 to 3 for each tax, if applicable.

5. Identify the tax status or statuses.

Determine Tax Rate

This process determines the tax rate for each tax and tax status derived from the previous process. If applicable, the tax rate is then modified by any exception rate and/or tax exemption that applies. The result of this process is a tax rate for each applicable tax. The rate or rates are applied to the taxable basis in the Calculate Taxes, page 6-13 process.

If the process cannot find a tax rate for an applicable tax, then E-Business raises an error.

1. Consider the Determine Tax Rate tax rule of the first tax status.

2. Use the tax rate derived from the first tax rule, if the rule conditions are satisfied.

   If the rule conditions are not satisfied, then consider each rule in turn until the rule conditions are satisfied.

3. If the rule conditions do not apply, then use the default tax rate of the tax status.

   See: Setting Up Tax Rates, page 2-27 for more information.

4. Repeat steps 1 to 3 for each tax status, if applicable.

5. Identify the tax rate to use for each tax.

6. For each tax, identify the tax rate percentage to apply to the transaction:

   - Use the tax jurisdiction tax rate for the tax rate code derived from step 5, if one exists.

   - If there is no tax rate for the jurisdiction, use the tax rate of the tax with no jurisdiction specified.

     See: Setting Up Tax Jurisdictions, page 2-34 for more information.

7. For each tax, if a product tax exception applies to the transaction:

   - Look for an exception rate specific to the inventory item or fiscal classification of the item.

   - If an exception rate is found, then the rate derived in step 6 is either replaced or modified, depending on the type of exception.

     See: Setting Up Tax Exceptions, page 5-8 for more information.

8. For each tax, if a customer tax exemption applies to an Order-to-Cash transaction, then update the tax rate.

   See: Managing Tax Exemptions, page 7-18 for information about the processing of customer tax exemptions.

9. Identify the tax rate percentage or percentages to use on the transaction.

Determine Taxable Basis

This process determines the taxable base amount or quantity for each tax. The tax is typically determined by applying the tax rate to the taxable base amount. In some cases, the taxable basis either can include another tax or is based on the tax amount of another tax. E-Business lets you define taxable basis formulas to manage these requirements. See: Setting Up Tax Formulas, page 6-55 for more information.

The result of this process is the taxable basis on which the tax rate for each tax is applied.

If the process cannot find a taxable basis formula for an applicable tax, then E-Business raises an error.

1. Consider the Determine Taxable Basis tax rule.

2. Use the taxable basis formula derived from the first tax rule, if the rule conditions are satisfied.

   If the rule conditions are not satisfied, then consider each rule in turn until the rule conditions are satisfied.

3. If the rule conditions do not apply, then use the default taxable basis tax formula.

4. Determine the taxable basis type and compounding details based on the taxable basis tax formula.

5. Consider the tax inclusive settings of the applicable taxes to display the taxable basis amount and calculated tax amount for each tax.

   If specified, E-Business Tax uses the party tax profile of each tax registration party to determine the nature of tax inclusive handling.

   See: Setting Up a Tax Registration, page 3-13 for more information.

Calculate Taxes

This process calculates the tax amount on the transaction. In most cases, the tax amount is computed by applying the derived tax rate to the derived taxable basis. In some exceptional cases, the tax amount is altered by adding or subtracting another tax. E-Business lets you define tax calculation formulas to manage these requirements. See: Setting Up Tax Formulas, page 6-55 for more information.

The result of this process is the tax amount for each tax.

If the process cannot find a tax calculation formula for an applicable tax, then E-Business raises an error.

1. Consider the Calculate Taxes tax rule.

2. Use the tax calculation tax formula derived from the tax rule, if there is one.

3. If no rule is defined, or the rule conditions do not apply, then use the default tax calculation tax formula that is set for the tax.

   See: Setting Up Tax Formulas, page 6-55 for more information.

4. Calculate the tax amount based on either the tax rate percentage or the per-unit tax, if quantity based, and the taxable base amount and tax calculation tax formula.

5. Perform rounding operations on the calculated tax amount according to the rounding rule. E-Business Tax retrieves the rounding rule to use on the calculated tax amount using the steps described below.

Rounding Rule Retrieval Process

E-Business Tax retrieves a rounding level and a rounding rule to perform rounding operations on the calculated tax amount.

The rounding level is:

- *Header* - Applies rounding to calculated tax amounts once for each tax rate per invoice.

- *Line* - Applies rounding to the calculated tax amount on each invoice line.

The rounding rule is the method to use to round off taxes to the minimum accountable

unit.

If you have not defined configuration owner tax option settings for the combination of configuration owner and event class, E-Business Tax uses the default rounding level of the event class and the default rounding rule of the tax.

If you defined a rounding precedence hierarchy in the configuration owner tax option settings for the combination of configuration owner and event class, E-Business Tax looks for a rounding level and rounding rule in this way:

1. Look for rounding details in the party tax profiles of the parties and party sites involved in the transaction, according to the rounding precedence hierarchy.

2. If E-Business Tax finds an applicable tax profile, then use the rounding level and rounding rule of the tax profile.

3. If the rounding level is *Header*, then use these values to perform the rounding. The process ends.

   If the rounding level is *Line*, go to step 6.

4. If E-Business Tax does not find an applicable tax profile, then use the rounding level setting of the configuration owner tax option.

5. If the configuration owner tax option rounding level is *Header*, then use the rounding rule that is set at the tax level for each tax of the transaction to perform the rounding. The process ends.

   If the rounding level is *Line*, go to step 6.

6. If the rounding level is *Line:*

   1. For each tax line, use the rounding rule belonging to the tax registration of the party type derived from the Determine Tax Registration, page 6-10 process.

   2. If a registration record does not exist for the registration party type, and if you have not defined configuration owner tax option settings for the combination of configuration owner and event class, then use the rounding rule that is set at the tax level to perform the rounding. The process ends.

   3. If a registration record does not exist for the registration party type, and if you defined a rounding precedence hierarchy in the configuration owner tax option settings for the combination of configuration owner and event class, E-Business Tax looks for a rounding rule in this way:

      1. Refer to the party or party site of the first party type defined in the rounding precedence hierarchy.

      2. Use the rounding rule of the party/party site tax registration, if defined.

3. If not defined, use the rounding rule of the party/party site account site details, if defined.

4. If not defined, use the rounding rule of the party/party site tax profile, if defined.

5. If not defined, repeat steps 1 to 4 for each rounding party in the rounding precedence hierarchy.

6. If a rounding rule is found, use this rounding rule to perform the rounding. The process ends.

7. If a rounding rule is not found, then use the rounding rule that is set at the tax level to perform the rounding. The process ends.

See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

Tax Recovery Processing

This process determines the recovery rate to use on Procure to Pay transactions, when the tax allows for full or partial recovery of the tax amount. In many cases, E-Business Tax uses either the recovery rate associated with the tax rate or the default recovery rate defined for the tax. However, if the tax recovery rate can vary according to determining factors, such as intended use, then use a Determine Recovery Rate tax rule to derive the recovery rate.

You can only set up a Determine Recovery Rate tax rule for taxes that have the Allow Primary Recovery Rate Determination Rules option and, if applicable, the Allow Secondary Recovery Rate Determination Rules option enabled. E-Business Tax creates one recoverable distribution for the primary recovery type and secondary recovery type for each tax line, for each of the item distributions into which the item or expense line is distributed. See: Setting Up Taxes, page 2-13 for more information.

After E-Business Tax determines the recovery rate for each recovery type, it then determines the recoverable amounts against each recovery type for each tax line. The remaining tax amount becomes the non-recoverable tax amount for the tax line. E-Business Tax stores both the recoverable and non-recoverable amounts of reportable documents, such as Payables invoices, to include in your tax reporting.

1. **Allocate tax amount per item distributions** - While taxes are determined at the transaction line level, tax recovery is determined at the transaction line distribution, or item distribution, level. The first step, therefore, during recovery determination is to apportion the tax amount to each item distribution.

2. **Determine recovery types** - E-Business tax determines, for each tax and item distribution, whether the primary and, if defined, secondary recovery types apply. The result of this process is a tax distribution for each recovery type for each tax

and item distribution.

If recovery types are not defined, go to step 5.

3. **Determine recovery rates** - For each tax distribution, E-Business tax determines the recovery rate:

   1. For the first recoverable tax distribution, consider the Determine Recovery Rate tax rule.

   2. Use the tax recovery rate derived from the tax rule.

   3. If E-Business Tax cannot derive a tax rule based on the transaction values, then use the tax recovery rate associated with the tax rate for the tax line.

   4. If there is no tax recovery rate associated with the tax rate, use the default tax recovery rate defined for the tax.

      See: Setting Up Tax Recovery Rates, page 2-30 for more information.

   5. Repeat steps 1 to 4 for each recoverable tax distribution, if applicable.

4. **Determine the recoverable amounts** - E-Business Tax applies the recovery rates to the apportioned tax amounts to determine the recoverable tax amounts. The result of this process is a recoverable tax amount for each recoverable tax distribution.

5. **Determine the non-recoverable amount** - E-Business Tax calculates the difference between the apportioned tax amount of every tax line per item distribution and the sum of the recoverable tax distribution to arrive at the non-recoverable tax amount, and then creates a non-recoverable tax distribution for this amount.

   If a primary recovery type was not defined for a tax, E-Business Tax designates the entire apportioned amount for the item distribution as the non-recoverable tax amount.

Rule Order and Rule Evaluation

During tax determination processing, E-Business Tax considers the rules belonging to each rule type in the order that you defined them. If the configuration option for the tax regime and configuration owner is set to *Common Configuration with Party Overrides*, then E-Business Tax considers both the rules defined under the applicable configuration owner (legal entity or operating unit) and the Global Configuration Owner for the same tax regime, tax and rule type, arranging both sets of rules into one rule order for evaluation.

The evaluation of tax rules takes into account specific transactions for applications and source applications, and specific locations. See: Tax Handling on Transactions, page 7-2 for more information about applications and source applications.

If one or more tax rules belonging to a tax regime, tax, and rule type are defined for specific transactions and/or specific locations only, then these rules are evaluated first regardless of the overall rule order. Because of this, you need to plan your rule order carefully. For example, consider using tax conditions to initiate a different result based on the transaction business category of a source application.

E-Business Tax evaluates tax rules for a tax regime, tax, and rule type in this order:

1. **Source application event class** - Select the rules, if any, defined for a source application event class that belong to the configuration owner and/or the Global Configuration Owner, depending on the configuration option of the tax regime:

    1. Evaluate each of the selected rules in order of priority.

    2. For each rule, consider whether it refers to a specific location:

        *   If it does but the context does not match the transaction information, then the rule is not evaluated further.

        *   If it does and the context does match the transaction information, then E-Business Tax evaluates the rule condition sets in order of condition set priority. If a condition set is successfully evaluated, then the rule is successfully evaluated

    3. If a rule is successfully evaluated, then the result associated with the rule is used.

    4. If no rule is successfully evaluated, then E-Business Tax considers the next group of rules for the same tax regime, tax, and rule type.

2. **Source application tax event class** - Select the rules, if any, defined for a source application tax event class that belong to the configuration owner and/or the Global Configuration Owner, depending on the configuration option of the tax regime.

    E-Business Tax evaluates these rules using the same sub-steps as described in step 1.

3. **Application event class** - Select the rules, if any, defined for an application event class that belong to the configuration owner and/or the Global Configuration Owner, depending on the configuration option of the tax regime.

    E-Business Tax evaluates these rules using the same sub-steps as described in step 1.

4. **Application tax event class** - Select the rules, if any, defined for an application tax event class that belong to the configuration owner and/or the Global Configuration Owner, depending on the configuration option of the tax regime.

    E-Business Tax evaluates these rules using the same sub-steps as described in step 1.

5. **No specific transactions** - Select the rules, if any, that are not defined for specific transactions and that belong to the configuration owner and/or the Global Configuration Owner, depending on the configuration option of the tax regime.

E-Business Tax evaluates these rules using the same sub-steps as described in step 1.

Rule Evaluation on Updated Tax Lines

If you enter a new tax line manually on a transaction, E-Business Tax does not evaluate tax rules defined for the tax for any rule type.

If you update a tax line that E-Business Tax generated automatically, E-Business Tax evaluates tax rules according to the procedures described in this table:

If you update...	E-Business Tax...
Tax jurisdiction	1. Retrieves the rate for the rate code that is specific to the jurisdiction, if one exists.
	2. If a rate does not exist for the jurisdiction, retrieves the rate for the rate code without a jurisdiction specified.
	3. Performs the Determine Taxable Basis and Calculate Tax Amount tax determination processes, and evaluates the rules defined for them.
Tax status and tax rate	Performs the Determine Taxable Basis and Calculate Tax Amount tax determination processes, and evaluates the rules defined for them.
Tax amount	Depending on the setting of the Adjustment for Ad Hoc Amounts option in the tax rate record:
	• Changes the taxable basis by dividing the new tax amount by the rate; **or**
	• Derives the tax rate by dividing the new tax amount by the taxable amount.

Tax Rules and System Performance

The performance of the tax rules engine is in inverse proportion to the number of rules and conditions that the engine needs to evaluate in order to arrive at a specific result. Use these guidelines and examples to help plan your tax rules implementation:

- If the tax condition results and rule results always equal the default values, then you do not need a tax rule. You only need to define a tax rule for a result that is different from the default value. For example, if more than one tax rate is possible for a given tax and tax status, then you need to create at least one tax rule.

  These qualifications apply to tax rules and default values:

  - If you require many different results other than the default value for a given tax and rule type, it probably means that the default value itself sometimes applies. In these cases, you should also define a tax rule for the default value. Otherwise the rules engine must always process and eliminate the rules defined for all other values before arriving at the default.

  - As an alternative to defining a tax rule for the default value, you can assign the least frequent result as the default value. In this way the rules engine will process the maximum number of rules on the minimum number of occasions. In this kind of an implementation, you must ensure that your rules and conditions cover all of the more common results in order to prevent the rules engine from defaulting an incorrect result.

- If more than one tax rate is possible for a given tax, then you need to create at least one set of tax rules.

- When you define multiple tax rules to derive distinct results for a process, assign the least frequent result as the default value for the process.

- When you define tax rules for multiple rule types, do not use the same tax conditions in multiple rules. For example, if you define a Determine Tax Applicability rule for UK VAT that only applies when **<Ship To> Equal To <United Kingdom>**, then you do not need to repeat this condition in a rule for a subsequent tax determination process, such as a Determine Tax Status rule.

- Where possible, use the tax rule header information instead of creating tax conditions that arrive at the same result.

  For example, if tax rules apply to the Purchase business process, set the tax event class to *Purchase Transaction* rather than defining a tax condition within the rule, such as **<Tax Event Class> Equal To <Purchase Transaction>**.

- When you order the tax condition sets within a tax rule, assign the higher priority to the set of conditions that occurs more frequently.

Similarly, when you order the tax rules within a rule type and tax, assign the higher priority to the tax rule that gives the most frequently arrived at process result.

- Use product tax exceptions for special rates based on product fiscal classifications rather than defining a Determine Tax Rate rule based on product fiscal classifications.

  For example, if three out of five product fiscal classifications use a special rate, define three product tax exceptions based on the three product fiscal classifications that need a special rate, and set the standard rate as the default rate.

- Define the minimum number of tax conditions necessary for a rule.

  For example, if a special rate applies to goods shipped outside a state as opposed to within a state, define one tax condition as **<Ship From State> Not Equal To <Ship To State>**, rather than defining two separate tax conditions for each Ship From and Ship To location, such as **<Ship From State> Equal To <Nevada>** and **<Ship To State> Not Equal To <Nevada>**.

- For tax rules that involve the shipping to and from a tax zone, for example the European Union, define a tax condition for all Ship To countries within the tax zone rather than separate tax conditions for each country, such as <Ship To Country> Equal To <Great Britain>; <Ship To Country> Equal To <France>; and so on.

- For tax rules that apply to a specific geographic area, define tax rules with the additional context of the geographic area rather than adding location-based Equal To tax conditions. For example, if you have a tax rule that only applies if the Ship To state is California, then define the rule such that it is only evaluated when the Ship To state is California.

- Define rules that are common across all legal entities or operating units under the Global Configuration Owner, instead of creating the same rules for each legal entity or operating unit.

  If all rules are not commonly applicable to all legal entities or operating units:

  - Set the configuration option of the legal entities or operating units that require additional rules to *Common Configuration with Party Overrides*.

  - Define supplementary party-specific rules under the applicable legal entities or operating units. You can set priority values for party-specific rules that complement the tax rules of the Global Configuration Owner, in accordance with the tax requirements.

Translating Tax Regulations into Tax Rules

This example illustrates how to set up tax rules based on the text of a tax regulation.

Consider this tax regulation for the purchase of goods by a company in the United

Kingdom from a company in another country belonging to the European Community:

"If you purchase goods from a VAT-registered business in another European Community country and the goods are removed to the United Kingdom, you may be required to account for VAT in the United Kingdom on the acquisition of the goods."

This table describes the requirements contained in this tax regulation.

Regulation	Regulation Text	Requirement
1	"If you **purchase** goods..."	The tax rule is limited to purchase transactions.
2	"...from a **VAT-registered business in another European Community country**..."	The tax rule requires that the supplier be registered in another European Community country.
3	"...and the **goods** are removed..."	The tax rule is limited to the Goods product type.
4	"...are removed to the **United Kingdom**..."	The tax rule refers to goods delivered to the United Kingdom from another country in the European Community.
5	"...you may be **required to account for**..."	The party must self-assess the tax.
6	"...for **VAT in the United Kingdom**..."	The tax is UK VAT.

Tax regulations 1-4 become a tax condition set. This table describes the contents of the tax condition set.

Regulation	Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
1	Transaction Generic Classification	Level 1	Transaction Business Category	Equal To	Purchase Transaction

Regulation	Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
2	Registration	Ship From	Registration Status	Equal To	Registered in another EC country
3	Product	N/A	Type	Equal To	Goods
4	Geography	Ship From	Country	Equal To	EEC
4	Geography	Ship To	Country	Equal To	UK
4	Geography	Ship From	Country	Not Equal To	Ship To Country

Tax regulations 5 and 6 indicate the results associated with the tax condition set. This table describes the tax regulation results.

Regulation	Tax Rule or Process	Result
6	Determine Applicable Tax Regimes and Candidate Taxes	The tax is UK VAT in the tax regime UK VAT.
5	Determine Place of Supply	The place of supply is the Ship-To party and the tax jurisdiction is the United Kingdom.
5	Determine Tax Registration	The registration party type is the Ship-To party, and the Ship-to party must self-assess the tax.
6	Determine Tax Status and Tax Rate	The applicable status and rate for UK VAT.

Setting Up Tax Rules: Guided Rule Entry

Set up tax rules to define the factors that can apply to the calculation of a tax on a transaction. You need to set up tax rules when default values alone cannot satisfy all of the potential tax requirements for the given tax.

You create a separate set of tax rules for each combination of configuration owner, tax regime, and tax. If a party configuration option is set to *Common Configuration with Party Overrides*, then at transaction time E-Business Tax considers the tax rules of both the party and the Global Configuration Owner for the same tax regime and tax. See: Setting Up Configuration Options, page 4-4 for more information.

You can create one or more tax rules for each rule type, according to the requirements of the tax regime. You can also designate a default value for certain rule types to use if none of the active tax rules satisfy the requirements of the transaction.

A tax rule is defined by:

- **Ownership information** - Identifies the tax rule configuration owner. If the configuration owner is a legal entity or operating unit, then the rule only applies to the transactions of this legal entity or operating unit. If the configuration owner is the Global Configuration Owner, then the rule applies to the transactions of all legal entities and operating units with a configuration option setting for the tax regime of either *Common Configuration* or *Common Configuration with Party Overrides*.

- **Context information** - Identifies the tax regime, tax, and rule type for which a rule is defined.

- **Rule order** - Identifies the order in which a rule is evaluated.

  You cannot repeat a rule order for the same tax regime, tax, and rule type for the same configuration owner. If the configuration option setting is *Common Configuration with Party Overrides*, you cannot repeat a rule order for the same tax regime, tax, and rule type for either the same configuration owner or the Global Configuration Owner.

- **Additional context information** - Applies further restrictions to a rule:

  - Transactions belonging to a specific application event class.

  - Transactions belonging to a specific application tax event class.

  - Transactions belonging to a specific location.

- **Determining factor set** - Identifies the factors to consider when evaluating the tax rule. See: Setting Up Tax Determining Factor Sets, page 6-40 for more information.

- **Tax condition set** - Identifies the conditions (from one or more of the determining factors belonging to the determining factor set) to satisfy in order evaluate a tax condition set successfully. See: Setting Up Tax Condition Sets, page 6-52 for more information.

- **Result** - The value that results when the tax conditions are satisfied.

  For the direct tax rate determination rule type, multiple results may apply to the successful evaluation of a tax condition set. See: Using Direct Tax Rate

Determination, page 6-32 for more information.

If you associated tax or legal justification reporting types with tax rules, then enter any applicable tax reporting codes.

Prerequisites

Before you can set up a tax rule, you may need to complete one or more of these tasks:

- Set up tax regimes. (mandatory)

- Set up taxes. (mandatory)

- Set up tax statuses. (mandatory)

- Set up tax jurisdictions (optional)

- Set up tax rates and enable the Allow Tax Rate Rules option. (mandatory)

- Set up TCA geography hierarchy structures. (mandatory, if required by the tax rule)

- Set up tax zones. (mandatory, if required by the tax rule)

- Set up fiscal classifications. (mandatory, if required by the tax rule)

- Set up determining factor sets. (conditionally mandatory - you can set up during expert or guided tax rule entry)

- Set up tax condition sets. (conditionally mandatory - you can set up during guided tax rule entry only)

- Set up taxable basis tax formulas. (mandatory for the rule type Determine Taxable Basis)

- Set up tax calculation tax formulas. (mandatory for the rule type Calculate Tax Amounts)

- Set up tax recovery rates. (mandatory for the rule type Determine Recovery Rate)

Use the tax rules guided rule entry to set up both a tax rule and the determining factor set and tax condition set that the tax rule uses at the same time. The guided rule entry provides step-by-step guidance to build a tax rule according to the context information, determining factors, and default values that you want to use. When you are more conversant with rule concepts, you can use the expert rule entry to define tax rules more quickly.

This table indicates how to find each determining factor class in the guided rule entry: You use determining factors to enter one or more tax conditions that need to be satisfied for the result to apply. The tax conditions are separated into three tabs:

- **Transaction** - Conditions that relate to the transaction itself.

- **Party** - Conditions that relate to the parties of the transaction.

- **Product** - Conditions that relate to the product that is transacted.

Tab	Region	Determining Factor Class and Names
Transaction	Locations	• Geography: TCA geography types • User-Defined Geography: Tax zone types
Transaction	Additional Factors available on Transaction line	• Transaction Input Factor: Intended Use • Transaction Input Factor: Line Class • Transaction Input Factor: Product Type • Transaction Input Factor: TAX_CLASSIFICATION _CODE • Transaction Input Factor: User Defined Fiscal Classification
Transaction	Documentation Classification	• Document: Document subtype
Transaction	Transaction Business Category	• Transaction Generic Classification: Transaction Business Category
Transaction	Transaction Fiscal Classifications	• Transaction Fiscal Classification: Transaction fiscal classification types

Tab	Region	Determining Factor Class and Names
Party	Party Classification	• Party Fiscal Classification: Party fiscal classification types
Party	Legal Classification Tax Usage	• Legal Party Fiscal Classification: Legal activity codes
Party	Registration Status	• Registration: Registration Status
Product	Product Classification	• Product - Inventory linked: Oracle Inventory-based product fiscal classification types
Product	Non-Inventory based Product Classification	• Product - Non-Inventory linked: Product Category product fiscal classification types
Product	Intended Use	• Transaction Input Factor: Intended Use
Product	Account based Intended Use	• Accounting: Line Account

To set up a tax rule using the guided rule entry:

1. Navigate to the Tax Rules page.

2. Enter the configuration owner, tax regime code, and tax.

   E-Business Tax displays the rule type HGrid, with the current list of tax rules and default values already defined for the tax, if any.

3. If applicable, set the default value for the applicable rule type. E-Business Tax uses this value if no rule provides a value that applies to the transaction.

4. Navigate to the Create Tax Rule: General Information page by selecting the Guided

Rule Entry icon for the rule type that you want.

5. If applicable, enter tax law information:

   - Enter a code to identify the reference to the tax authority tax law on which the tax rule is based. Create a coding method that clearly identifies the tax laws that you want to reference.

   - Enter a description of the tax law reference.

   - Optionally check the "Use the Tax Law Reference and Description as Tax Rule Code and Rule Name" box to use the tax law values as the rule code and name.

6. If you did not use tax law information, enter a rule code and name.

7. Enter the effective date range for this tax rule.

   You must enter a date range that is within the date range of the tax regime and tax.

8. If this tax rule applies to specific transactions only, select the event class category for this tax rule:

   - *Event Class* - The tax rule applies to transactions of the application that you select. You can apply the tax rule either to a Payables or Receivables application, or to a source application that feeds data into Payables or Receivables for tax processing. See: Tax Handling on Transactions, page 7-2 for more information.

     You can optionally apply the tax rule to one event class only within the application.

   - *Tax Event Class* - The tax rule applies to transactions of the tax event class that you select.

     See: Managing Event Class Settings, page 4-6 for a description of the event class categories and settings.

9. If this tax rule applies to a specific geographical location only, enter the geographical information:

   - Enter the transaction location type to consider for this tax rule. E-Business Tax uses the geography of the location type to evaluate the rule applicability.

   - If you use a TCA master reference geography type, enter the parent geography type and parent geography name.

   - Enter the geography type and name to use for this tax rule. You can enter a TCA master reference geography type or a tax zone.

See: Rule Order and Rule Evaluation, page 6-16 for a description of how E-Business Tax evaluates tax rules for specific transactions and locations.

10. Navigate to the Create Tax Rule: Determining Factors and Conditions page.

11. Create the tax conditions for this tax rule by entering the determining factor, operator, and value for each condition.

    You must enter at least one condition to create a tax rule.

12. Navigate to the Create Tax Rule: Condition Results page.

13. Enter the tax rule result to use if the conditions you entered in the previous step are satisfied.

    See: Process Checklist for Tax Determination and Tax Calculation, page 6-4 for an explanation of the available rule results for each rule type.

14. Navigate to the Create Tax Rule: Rule Order page:

    • Assign a rule order to this tax rule.

    • Enable the tax rule for use on transactions.

        Note: The actual order in which E-Business Tax evaluates the rules belonging to a rule type also depends on the additional context information defined for the rule, if any. See: Rule Order and Rule Evaluation, page 6-16 for more information.

15. Navigate to the Create Tax Rule: Rule Templates page.

16. Assign names and save the determining factor set and tax condition set that you created for this tax rule:

    • The determining factor set contains the determining factor classes, determining factor names, and class qualifiers that you selected. See: Setting Up Tax Determining Factor Sets, page 6-40 for more information.

    • The tax condition set contains the tax conditions derived from the determining factors that you used to create this rule. See: Setting Up Tax Condition Sets, page 6-52 for more information.

    These sets are available for use in the creation of new tax rules of this rule type for this configuration owner, tax regime and tax.

Setting Up Tax Rules: Expert Rule Entry

Set up tax rules using the expert rule entry when you are more familiar with the concepts of tax rules and tax determination. To use the expert rule entry, you must set up tax determining factor sets and tax condition sets for use with the rules that you intend to create. You can optionally set up a tax determining factor set during tax rule entry.

See: Setting Up Tax Rules: Guided Rule Entry, page 6-22 for general information about setting up tax rules.

The E-Business Tax tax determination process uses your tax configuration setup and the transaction details to determine:

• Which taxes apply to the transaction.

• How to calculate the tax amount for each tax that applies to the transaction.

E-Business Tax tax rules let you create a tax determination model to reflect the tax regulations of different tax regimes and the tax requirements of your business. You can create a simple tax model that makes use of default values without extensive processing, or a complex tax model that considers each tax requirement related to a transaction before making the final calculation. During execution of the tax determination process, E-Business Tax evaluates, in order of priority, the tax rules that have defined against the tax configuration setup and the details on the transaction. If the first rule is successfully evaluated, the result associated with the rule is used. If not, the next rule is evaluated until either a successful evaluation or default value is found.

The E-Business Tax tax determination process is organized into rule types. Each rule type identifies a particular step in the determination and calculation of taxes on transactions.

The tax line determination process uses the information of the transaction header and transaction line to determine the tax lines.

To set up a tax rule using the expert rule entry:

1. Navigate to the Tax Rules page.

2. Enter the configuration owner, tax regime code, and tax.

   E-Business Tax displays the rule type HGrid, with the current list of tax rules and default values already defined for the tax, if any.

3. If applicable, set the default value for the applicable rule type. E-Business Tax uses this value if no rule provides a value that applies to the transaction.

4. Navigate to the Create Tax Rule: General Information page by selecting the Expert Rule Entry icon for the rule type that you want.

5. If applicable, enter tax law information:

    • Enter a code to identify the reference to the tax authority tax law on which the tax rule is based. Create a coding method that clearly identifies the tax laws that you want to reference.

    • Enter a description of the tax law reference.

    • Optionally check the "Use the Tax Law Reference and Description as Tax Rule Code and Rule Name" box to use the tax law values as the rule code and name.

6. If you did not use tax law information, enter a rule code and name.

7. Enter the effective date range for this tax rule.

    You must enter a date range that is within the date range of the tax regime and tax.

8. If applicable, enter additional context information for the rule type:

    • If this is a Determine Tax Rate rule, enter the tax status code.

    • If this is a Determine Recovery Rate rule, enter the recovery type.

9. If this tax rule applies to specific transactions only, select the event class category for this tax rule:

    • *Event Class* - The tax rule applies to transactions of the application that you select. You can apply the tax rule either to a Payables or Receivables application, or to a source application that feeds data into Payables or Receivables for tax processing. See: Tax Handling on Transactions, page 7-2 for more information.

      You can optionally apply the tax rule to one event class only within the application.

    • *Tax Event Class* - The tax rule applies to transactions of the tax event class that you select.

      See: Managing Event Class Settings, page 4-6 for a description of the event class categories and settings.

10. If this tax rule applies to a specific geographical location only, enter the geographical information:

    • Enter the transaction location type to consider for this tax rule. E-Business Tax uses the geography of the location type to evaluate the rule applicability.

    • If you use a TCA master reference geography type, enter the parent geography type and parent geography name.

- Enter the geography type and name to use for this tax rule. You can enter a TCA master reference geography type or a tax zone.

  See: Rule Order and Rule Evaluation, page 6-16 for a description of how E-Business Tax evaluates tax rules for specific transactions and locations.

11. Enter or create the determining factor set to use with this tax rule.

    See: Setting Up Tax Determining Factor Sets, page 6-40 for information about creating a determining factor set.

12. Navigate to the Create Tax Rule: Rule Conditions page.

13. Enter the tax condition sets for this rule:

    - Select a tax condition set radio button to display its fields.

    - Enter or update the tax conditions. You can update the tax condition set if it is not used in any other rule.

      See: Setting Up Tax Condition Sets, page 6-52 for information about creating a tax condition set.

      > **Note:** You can only use fiscal classification codes in tax conditions that are within the effective period of the tax rule.

14. Enter the tax rule result for each tax condition set. If you associated tax or legal justification reporting types with tax rules, enter any applicable tax reporting codes after process result.

    See: Process Checklist for Tax Determination and Tax Calculation, page 6-4 for an explanation of the available rule results for each rule type.

15. Enter the order in which to evaluate each tax condition set.

    The condition set with the lowest number is evaluated first. If this condition set is not true for the transaction line, then E-Business Tax evaluates the next highest condition set until a true condition result is found.

    If no condition sets are evaluated as true, then the tax rule does not apply to the transaction line. E-Business Tax evaluates the next tax rule, if there is one.

16. Navigate to the Create Tax Rule: Rule Order page.

17. Enter a number to indicate the order in which to consider this tax rule within this rule type for evaluation.

    The rule with the lowest number is evaluated first. If this rule is not true for the transaction line, then E-Business Tax evaluates the next highest rule.

> **Note:** The actual order in which E-Business Tax evaluates the rules belonging to a rule type also depends on the additional context information defined for the rule, if any. See: Rule Order and Rule Evaluation, page 6-16 for more information.

18. Enable the tax rule to use it in tax determination.

Using Direct Tax Rate Determination

Use the Direct Tax Rate Determination rule type for situations where you do not need to create separate rules for tax applicability, tax status, and tax rate. You set up Direct Tax Rate Determination rules using either the guided rule entry or expert rule entry.

If a Direct Tax Rate Determination rule is evaluated successfully, then the tax is applicable and the tax status and tax rate defined for the rule are used in tax determination. If a Direct Tax Rate Determination rule is not evaluated successfully, then the tax is not applicable and the tax determination process ends. With Direct Tax Rate Determination, if the rule is not evaluated successfully, the tax is not considered applicable even if the place of supply identifies a valid jurisdiction.

This table describes the differences in tax determination processing Using Direct Tax Rate Determination. See: Process Checklist for Tax Determination and Tax Calculation, page 6-4 to compare the two processes.

Order	Process Name	Activities
1	Determine Applicable Tax Regimes and Candidate Taxes	Same as the standard execution.
2	Determine Tax Applicability Determine Tax Status Determine Tax Rate	• If the Direct Tax Rate Determination rule is not evaluated successfully, then the tax is not considered applicable. • If the rule is evaluated successfully, the tax is applicable and E-Business Tax retrieves the tax status and, if specified, the tax rate from the rule.

Order	Process Name	Activities
3	Determine Place of Supply and Tax Jurisdiction	E-Business Tax identifies the location type and the tax jurisdiction: • If a jurisdiction is found, go to step 4. • If a jurisdiction is not found and it is not a migrated tax, then the tax is eliminated and the process ends. • If a jurisdiction is not found and it is a migrated tax without multiple jurisdictions, go to step 4.
4	Determine Tax Registration	Same as the standard execution.
5	Determine Tax Status	N/A - Already completed in step 2.
6	Determine Tax Rate	• If a tax rate was not specified in step 2, then use the standard execution. • If a tax rate was specified in step 2, then identify the tax rate percentage to apply to the transaction and continue with the standard execution.
7	Determine Taxable Basis	Same as the standard execution.
8	Calculate Taxes	Same as the standard execution.

If you are using migrated tax data and tax classification codes, the direct tax rate determination process differs at certain steps in the process. See: Tax Processing Using Standard Tax Classification Codes, page 6-36 for more information.

Prerequisites

Before you can set up a tax rule for direct tax rate determination, you may need to complete one or more of these tasks:

- Set up tax regimes. (mandatory)

- Set up taxes. (mandatory)

- Set up tax jurisdictions (optional)

- Set up tax statuses. (mandatory)

- Set up tax rates and enable the Allow Tax Rate Rules option. (mandatory)

- Set up fiscal classifications. (optional)

- Set up and assign tax classification codes. (mandatory for migrated data)

- Set up application tax options. (mandatory for migrated data)

- Set up determining factor sets. (conditionally mandatory - you can set up during expert or guided tax rule entry)

- Set up tax condition sets. (conditionally mandatory - you can set up during guided tax rule entry only)

To set up a Direct Tax Rate Determination tax rule:

1. Navigate to the Tax Rules page.

2. Enter the configuration owner, tax regime code, and tax.

3. Navigate to the Create Tax Rule: General Information page by selecting the guided rule entry.

4. Complete the General Information page.

5. Navigate to the Create Tax Rule: Rule Conditions page.

6. Enter the tax condition set for this rule.

7. If necessary, select a tax condition set and update the tax conditions.

   See: Setting Up Tax Condition Sets, page 6-52 for information about creating a tax condition set.

8. Enter the tax rule applicability result, status result, and rate result for the tax condition set.

9. Enter the order in which to consider each tax condition set to satisfy the rule.

10. Navigate to the Create Tax Rule: Rule Order page.

11. Enter a number to indicate the order in which to consider this tax rule for tax evaluation.

12. Enable the tax rule to use it in tax determination.

Using Tax Classification Codes in Tax Rules

In Release 11*i*, the tax code provided the tax calculation services on the transaction line. Tax codes were associated with one or more levels in the tax code defaulting hierarchy. The tax code defaulted to the transaction line from the first available level in the hierarchy, and the tax engine used the tax code to retrieve the rate and apply it to the line amount. If multiple taxes applied to a transaction line, a set of tax codes, called a tax group, was added to the defaulting hierarchy and defaulted to the transaction in the same way as a tax code, The tax engine created a tax line for each of the tax codes that belonged to the tax group.

In Release 12 E-Business Tax migrates each tax code, including the tax codes within a tax group, as a *tax classification code*. Payables and Purchasing tax codes migrate as input tax classification codes; Receivables and Projects tax codes migrate as output tax classification codes, under two separate lookup types in E-Business Tax. You can use these lookups to define additional tax classification codes according to your requirements. See: Setting Up Lookup Codes, *Oracle E-Business Tax Implementation Guide* for more information.

E-Business Tax provides the Standard Tax Classification Code (STCC) approach to tax determination. The STCC approach makes use of the migrated tax classification code and defaulting hierarchy to determine the tax rate on transactions in a manner similar to the approach used in Release 11*i*.

In order to let you use the STCC approach with new tax data, E-Business Tax:

- Creates a matching tax classification code for every new tax rate that you create in this way:

  - If the configuration owner is an operating unit, E-Business Tax creates a tax classification code when you create a tax rate code.

  - If the configuration owner is a legal entity, E-Business Tax creates the tax classification code when you define a rule condition using the tax rate code.

- Creates a Direct Tax Rate Determination rule for every tax code that is part of a tax group, with the tax classification code equal to the tax group. This lets you continue to use the concept of tax groups in tax determination.

  If a Release 11*i* Receivables tax code or tax group used a condition set or group constraint, E-Business Tax evaluates these conditions and constraints during direct tax rate determination and the completes the action associated with the successful or unsuccessful evaluation of the condition and/or constraint.

> **Note:** E-Business Tax does not support the creation of new
> conditions and constraints. Use instead the tax configuration and
> tax rules features to set up the tax determination processes that you
> need.

The Release 11*i* tax code assignments to products, parties, and application system options are replaced by tax classification code assignments. Third party suppliers and supplier sites migrate to Trading Community Architecture (TCA) as TCA parties and party sites. For these parties E-Business Tax includes the tax classification code field as part of the supplier or supplier site party tax profile. See: Setting Up a Third Party Tax Profile, page 3-6 for more information.

You can use the Release 11*i* defaulting hierarchy model to default a tax classification code to the transaction line. You can also update the tax classification code on the transaction line. During tax determination, the tax classification code on the transaction line is compared with the tax condition value of the tax rule. See: Using Application Tax Options, page 2-43 for information about using the defaulting hierarchy for tax classification codes.

You can use the tax classification code as the only determining factor in a determining factor set, or in combination with other determining factors. You can also use the tax classification code to create rules of any rule type.

Tax Processing Using Standard Tax Classification Codes (STCC)

The first two steps of the Direct Tax Rate Determination process differ if you are using the Standard Tax Classification Code approach. This table describes these differences:

Order	Process Name	Activities
1	Determine Applicable Tax Regimes and Candidate Taxes	1. Set up configuration owner tax options for the combination of configuration owners and application event classes that you need, and assign them the STCC regime determination set. The STCC regime determination set uses the single determining factor Tax Classification Code, instead of location types. 2. At transaction time, E-Business Tax does not look at the location types, but uses the tax classification code on the transaction line to look up the Direct Tax Rate Determination rules defined for the configuration owner that has conditions matching the tax classification code. 3. E-Business Tax also looks for a tax with a tax rate code that matches the tax classification code. If one exists, then this tax is added to the list of candidate taxes.
2	Determine Tax Applicability Determine Tax Status Determine Tax Rate	E-Business Tax retrieves the tax status and tax rate of each applicable tax.

Order	Process Name	Activities
3-8		Same as Direct Tax Rate Determination.

> **Note:** If you want to move from STCC processing to standard regime determination processing, apply an end date to the applicable configuration owner tax options and create new configuration owner tax options using a location-based regime determination set. In this way you can gradually transition operating units to the E-Business Tax tax processing model according to your requirements.

Products that Require Tax Classification Codes

The tax classification code is a determining factor name belonging to the Transaction Input Factor determining factor class. Certain E-Business Suite products use the tax classification code as the only determining factor in tax determination. For these products, you must assign tax classification codes and make use of the Direct Tax Rate Determination tax rule to calculate taxes on transactions. These products are:

- Oracle iStore

- Oracle Order Capture

- Oracle Order Management

- Oracle Project Accounting

- Oracle Service Contracts

- Oracle Trade Management

Related Topics

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

Tax Classification Codes in Oracle E-Business Tax, *Oracle E-Business Tax Implementation Guide*

Managing Tax Rules

Manage the tax rules that you define for each tax. You can use the HGrid to display the tax rules defined for each rule type, and to reorder tax rules. You can use the guided

rule entry or expert rule entry to update the details of a tax rule.

> **Note:** Once you enable a rule that you created using the guided rule entry, you can only update this rule using the expert rule entry.

Reordering Tax Rules

You can reorder the sequence in which E-Business Tax reviews the tax rules belonging to a rule type. You may want to do this, for example, after you create a new tax rule due to changes in tax legislation.

The reordering applies to active tax rules only.

To reorder tax rules:

1. Select a rule type and navigate to the Reorder Rules page.

2. Rearrange the numbering in the Rule Order column according to your requirements.

Updating Tax Rules

You can update these parts of a tax rule:

- **Tax rule name.**

- **Condition sets** - You can perform these updates on condition sets:

    - **Reorder condition sets** - You can reorder the sequence in which E-Business Tax reviews the tax condition sets belonging to a tax rule. You can either change the numbering in the Order column, or use the Reorder Condition Sets page.

    - **Disable a condition set** - You can uncheck the Enable box of a condition set. E-Business Tax will not consider the condition set during tax rule evaluation.

    - **Add a new condition set** - You can add a new tax condition set to a tax rule, and if necessary rearrange the condition set order to accommodate the new condition set.

- **Disable the tax rule** - You can disable a tax rule so that E-Business Tax does not consider the rule during transaction processing. You can disable a tax rule in these ways:

    - **Uncheck the Enable box** - The tax rule is no longer available for use with any transactions.

      You can check the Enable box again to reactivate the tax rule.

    - **Apply an end date** - The tax rule is no longer available for use after the date

you enter. However, the rule remains active for any transactions that fall within the tax rule date range.

Once you apply an end date to a tax rule, you cannot reactivate the tax rule.

Setting Up Tax Determining Factor Sets

Set up tax determining factor sets to group together related tax determining factors. You create determining factor sets for:

- **Tax rules,** to associate with rule types for tax determination. You use tax determining factors as building blocks in the creation of tax conditions.

- **Regime determination,** to identify tax regimes and candidate taxes on transactions. You use location type determining factors only to identify the eligible locations on the transaction.

A *tax determining factor* is an attribute that contributes to the outcome of a tax determination process, such as a geographical location, tax registration status, or a fiscal classification. Tax determining factors are categorized into logical groupings called *determining factor classes*, such as Accounting or Geography.

Each determining factor class contains one or more *determining factor names* that constitute the contents of the class. Some determining factor classes also contain class qualifiers. A *class qualifier* provides a more specific classification of a determining factor class, such as accounting flexfield segments or the transaction locations of a geography or party (Ship From, Ship To).

The result of a determining factor class, and its class qualifiers and determining factor names, is a list of available factors for use with tax conditions. Each tax condition within a tax condition set must result in a valid value or range of values for tax determination. See: Setting Up Tax Condition Sets, page 6-52 for more information.

Determining Factor Classes and Tax Condition Values

A tax determining factor is an attribute that may be used by the E-Business Tax engine to find and calculate taxes for a specific transaction. During implementation, the E-Business Tax rule engine allows you to create any number of custom tax rules that reference the tax determining factors and that satisfy the unique needs of a specific business operating within a taxing jurisdiction.

Determining factors exist in a range of categories or types (Determining Factor Classes). Within each of these exist a:

- Qualifier

- Factor Name

- Factor Value

The following provides an example:

- Determining Factor Class = Geography (The type of factor that is available).

- Class Qualifier = Ship To, Bill To, POA, POO, Ship From, Ship To (The levels that you can select for evaluation).

- Determining Factor Name = Country, Province, City, County, etc. (The geography types defined in TCA).

- Determining Factor Value = Canada, Ontario, Toronto, and so on (The actual values associated with the factor previously selected).

Before you can set up a tax determining factor set, you must complete these setup tasks for determining factors:

- For each user-defined determining factor class, set up all of the determining factor names that you need.

- For each determining factor class, set up the values for each determining factor name to make available to tax conditions.

This table describes, for each determining factor class, the class qualifiers, seeded and user-defined determining factor names, and the values that are used for each determining factor name.

> **Note:** Refer to the note in the right-hand column for examples showing how the referenced determining factor can be used. Examples referenced in these notes include screenshots and step-by-step setup instructions along with some troubleshooting steps to consider if your rule is not working as intended.

You can use the Tax Determining Factors page to view each tax determining factor class and its determining factor names, both seeded and user defined.

> **Important:** When designing your tax rules be aware that not all Oracle Modules have completed the full uptake of the E-Business Tax features, which means that not all transactions have the determining factors available. For example, in Receivables you can select Tax Information and enter a User Defined Fiscal Classification. You can then define tax rules to use this in calculating taxes. If you use Order Management however, this field is not available when you are entering an order. Consequently, OM orders are unable to use this field in their calculation.

Use caution to ensure that the fields you select for your tax determining factors (in your tax rules) exist in all potential modules that you intend to use for invoice creation.

Determining Factor Class	Class Qualifiers	Determining Factor Names	Values for Tax Conditions	Setup and Troubleshooting Note
Accounting	Accounting segments of the selected ledger	Line Account	Account combinations of the class qualifier segment; or all account combinations if there is no class qualifier.	My Oracle Support Note 1109436.1, *How To Setup and Troubleshoot a Tax Rule using Accounting Segments in R12 E-Business Tax (EBTax)*
Document	Document fiscal classification level (Levels 1-5)	Document subtype	Document fiscal classification codes of the class qualifier level; or all document fiscal classification codes if there is no class qualifier.	NA
Geography	Bill From Bill To Point of Acceptance (AR transactions) Point of Origin (AR transactions) Ship From Ship To	TCA geography types	TCA geography names of the geography type belonging to the location identified by the class qualifier.	My Oracle Support Note 1110427.1, *How To Setup and Troubleshoot a Tax Rule Based Upon Geography Types such as Bill To and Ship To in R12 E-Business Tax (EBTax)*

Determining Factor Class	Class Qualifiers	Determining Factor Names	Values for Tax Conditions	Setup and Troubleshooting Note
Legal Party Fiscal Classification	First Party	Legal Activity Codes for Chile; Colombia; Peru; United Kingdom; Venezuela	Legal classification codes of the legal classification activity.	My Oracle Support Note 1109325.1, *How To Setup and Troubleshoot a Tax Rule using Legal Classifications (Activity) Codes in R12 E-Business Tax (EBTax)*
Party Fiscal Classification	Bill From Party Bill To Party Point of Acceptance Party (AR transactions) Point of Origin Party (AR transactions) Ship From Party Ship To Party	Party fiscal classification types	Fiscal classification codes of the party fiscal classification type assigned to the party identified by the class qualifier.	My Oracle Support Note 729486.1, *How to Setup and Troubleshoot a Party Fiscal Classification Tax Rule in R12 E-Business Tax (EBTax)*
Product - Inventory linked	N/A	Oracle Inventory-based product fiscal classification types	Fiscal classification codes of the applicable product fiscal classification type.	My Oracle Support Note 1107666.1, *How to Setup and Troubleshoot A Product Fiscal Classification Tax Rule in R12 E-Business Tax*

Determining Factor Class	Class Qualifiers	Determining Factor Names	Values for Tax Conditions	Setup and Troubleshooting Note
Product - Non-Inventory linked	Product fiscal classification level (Levels 1-5)	Product Category product fiscal classification types	Product fiscal classification codes of the class qualifier level; or all product fiscal classification codes if there is no class qualifier.	My Oracle Support Note 1108547.1, *How to Setup and Troubleshoot a Product Fiscal Classification (Non-Inventory Based) Tax Rule in R12 E-Business Tax (EBTax)*
Registration	Bill From Party Bill To Party Ship From Party Ship To Party	Registration Status	Status of Agent (withholding agent), Registered, or Not Registered (seeded values only) for the party identified by the class qualifier. You can use lookup codes to add registration statuses. See: Setting Up Lookup Codes, *Oracle E-Business Tax Implementation Guide*.	My Oracle Support Note 1112412.1, *How To Setup and Troubleshoot a Tax Rule using Tax Registration Status in R12 E-Business Tax (EBTax)*

Determining Factor Class	Class Qualifiers	Determining Factor Names	Values for Tax Conditions	Setup and Troubleshooting Note
Transaction Fiscal Classification	N/A	Transaction fiscal classification types	Fiscal classification codes of the applicable transaction fiscal classification type.	My Oracle Support Note 1114923.1, *How To Setup and Troubleshoot a Tax Rule using Transaction Business Categories and Transaction Fiscal Classifications in R12 E-Business Tax (EBTax)*
Transaction Generic Classification	Classification level (Levels 1-5)	Transaction Business Category (seeded value only)	Transaction business category fiscal classification codes of the class qualifier level; or all fiscal classification codes if there is no class qualifier.	My Oracle Support Note 1114923.1, *How To Setup and Troubleshoot a Tax Rule using Transaction Business Categories and Transaction Fiscal Classifications in R12 E-Business Tax (EBTax)*

Determining Factor Class	Class Qualifiers	Determining Factor Names	Values for Tax Conditions	Setup and Troubleshooting Note
Transaction Input Factor	N/A	1. Line Class (LC) 2. Product Type (PT) 3. Intended Use (IU) 4. Tax Classification Code (TCC) 5. User Defined Fiscal Classification (UDFC)	1. LC = Transaction event classes and activities. 2. PT = Goods or Services (seeded values only). 3. IU = Product Intended Use fiscal classification codes 4. TCC = Tax classification codes. 5. UDFC = User defined fiscal classification codes.	1. LC = WIP 2. PT = WIP 3. IU = WIP 4. TCC = My Oracle Support Note 801535.1, *How To Setup and Troubleshoot a Tax Rule using Tax Classification Codes in R12 E-Business Tax* 5. UDFC = WIP
User Defined Geography	Bill From Bill To Point of Acceptance Point of Origin Ship From Ship To	Tax zone types	Tax zones of the tax zone type belonging to the location identified by the class qualifier.	NA

Tax Rules can reference as many determining factors as necessary to satisfy the criteria in your rule. This allows for multi-conditional situations to be addressed in individual

rules.

Example

A rule might state, **if the Ship-To is Not the same as the Ship-From and the Item being sold is a Good (as opposed to a service) then apply tax X**. This can be satisfied by creating a tax rule that considers both the geography for the ship-to party, the geography for the ship-from party and the product fiscal classification (three determining factors in total).

For more information on how to create these objects, review My Oracle Support Note 1111553.1, *How To Setup Condition Sets and Determining Factor Sets for Tax Rules in R12 E-Business Tax (EBTax)*.

Fiscal Classifications

Fiscal Classifications is a way that a tax authority classifies each part of a transaction. Fiscal Classifications can be used as follows:

- Parties and party sites involved in the transaction.

- Products involved in the transaction.

- Nature of the transaction.

- Documents associated with the transaction

> **Note:** To learn more information on how to create a tax rule and or use expert tax rules see Setting Up Tax Rules: Expert Rule Entry, page 6-29

Setting Up a Determining Factor Set for Tax Rules

Set up tax determining factor sets to use in the creation of tax rules. A *determining factor set* is a grouping of determining factors that are considered together in the course of evaluating tax rules. You can maintain and reuse a tax determining factor set that you create for one rule with another rule for a different tax or a different rule type, where requirements are identical. You can set up determining factor sets in advance to use with tax rules, or set up a determining factor set during the creation of a tax rule.

A determining factor set identifies the determining factor class, class qualifier and determining factor name, for example:

- Determining Factor Class: Geography

- Class Qualifier: Ship To

- Determining Factor Name: Country

> **Note:** You can create only one tax rule for each combination of tax, rule

type, and priority. Each rule is associated with one determining factor set.

In order to improve efficiency and reduce processing time, consider these factors when creating a determining factor set:

- You can use one determining factor set as a superset of determining factors to create multiple tax condition sets. Apply this option using expert rule entry. If a determining factor is not always needed in tax conditions, set the required option to No.

- Use the minimum number of determining factors necessary to process all conditions required by the tax rule.

- Avoid including a determining factor that is rendered unnecessary by another, more specific, determining factor. You can use a determining factor class one time to define a determining factor set. For example, you may not need to include the Product Type and Product Category determining factors in the same determining factor set.

- Use a coding and naming convention that clearly identifies the use of each determining factor set.

- Ensure that you have completed the prerequisite setups for each determining factor class in the determining factor set.

After you set up a determining factor set, you can set up tax condition sets. See: Setting Up Tax Condition Sets, page 6-52 for more information.

> **Note:** Once you use a tax determining factor set to create a tax condition set, you can no longer update the determining factor set.

Prerequisites

Before you can set up determining factor sets for tax rules, you may need to complete one or more of these tasks. Some optional tasks are mandatory, if required by the determining factor class:

- Set up tax regimes. (optional)

- Set up ledgers. (optional)

- Set up TCA geography hierarchy structures. (optional)

- Set up TCA party classifications. (optional)

- Set up party tax profiles. (optional)

- Set up fiscal classifications. (optional)

- Set up tax classification codes. (optional)

- Set up tax zones types and tax zones. (optional)

There are two methods to create a determining factor set. You can either create the set manually or you can use the Guided Rule Entry which will dynamically create the set for you as part of the flow. This example will focus on Manual Creation as it more clearly demonstrates the process and the structure of a determining factor set.

To set up a determining factor set for tax rules:

1. Navigate to the Create Tax Determining Factor Set page.

2. Enter a code and name for the tax determining factor set.

3. Select the set usage *Tax Rules*.

4. If you intend to use the Accounting determining factor class, enter the ledger to use with this determining factor set.

   The ledger accounting segments become available for use as tax condition values.

5. If you intend to use the Party Fiscal Classification, Product - Inventory Linked or Transaction Fiscal Classification determining factor class, enter the tax regime code to use with this determining factor set.

   You must enter a tax regime code that is assigned to the party fiscal classification, Inventory-based product fiscal classification, or transaction fiscal classification that you intend to use with this determining factor set. Each of these determining factor classes must have the same tax regime assignment.

6. Enter the tax determining factors for this determining factor set. See: Determining Factor Classes and Tax Condition Values, page 6-40 for information about the contents and usage of each determining factor class.

   Each determining factor must have a determining factor class and determining factor name. In addition, if it is possible to associate a determining factor class with more than one value on the transaction, then you must enter a class qualifier. A class qualifier is mandatory for these determining factor classes:

   - Geography

   - Party Fiscal Classification

   - Registration

     You can optionally specify a class qualifier for these determining factor classes:

- Accounting

- Document

- Product - Non-Inventory linked

- Transaction Generic Classification

    Determining factors mainly refer to class qualifiers and determining factor names. Therefore, you can use the same determining factor class as often as necessary to include all of the class qualifiers and determining factor names you need. For example, a determining factor set may require both the Ship From and Ship To class qualifiers of the Geography determining factor class.

7. Set the Required option for each determining factor:

    - *Yes* - The determining factor applies to all tax condition sets that use this determining factor set.

    - *No* - The determining factor is optional for all tax condition sets that use this determining factor set.

Setting Up a Regime Determination Set

Tax regime determination is the first step in the tax determination process. A regime determination set differs from tax rule determining factor sets in that the determining factors are location types only. E-Business Tax compares the location types in the active regime determination set to the locations specified on the transaction to identify the countries associated with each location and the tax regimes associated with each country. See: Determining Applicable Tax Regimes and Candidate Taxes, page 6-40 for more information.

This table lists the determining factor class and determining factor names available for regime determination sets:

Determining Factor Class	Determining Factor Name
Transaction Input Factor	Bill From Location
Transaction Input Factor	Bill To Location
Transaction Input Factor	Internal Organization Location
Transaction Input Factor	Ship From Location

Determining Factor Class	Determining Factor Name
Transaction Input Factor	Ship To Location
Transaction Input Factor	Paying Location

By default, the active regime determination set for all Payables and Receivables transactions for all configuration owners is Determine Applicable Regimes (TAXREGIME). This regime determination set contains all location types except Paying Location.

You can set up alternative regime determination sets and assign them to specific configuration owners and application event class combinations. You may want to do this, for example, if you know that the transactions of an event class require fewer location types to derive the eligible tax regimes.

E-Business Tax also provides the seeded regime determination set STCC (Standard Tax Classification Code) for use with tax classification codes and migrated data. The STCC regime determination set uses the single determining factor Tax Classification Code instead of the Transaction Input Factor and location types. See: Using Tax Classification Codes, page 6-35 for more information.

Prerequisites

Before you can set up a regime determination sets, you may need to complete one or more of these tasks:

- Set up tax regimes. (mandatory)

- Set up tax zones types and tax zones. (optional)

To set up a regime determination set:

1. Navigate to the Create Tax Determining Factor Set page.

2. Enter a code and name for the tax determining factor set.

3. Select the set usage *Tax Regime Determination*.

4. Enter the location types to use as determining factors for this regime determination set.

   Include only the location types that appear on transactions for the applicable configuration owner/event class combination.

5. Set the regime determination level for each determining factor:

   - *Country* - Regime determination occurs at the country level for this location

type.

- *Zone* - Regime determination occurs at the tax zone level for this location type.

6. Assign the regime determination set to the configuration owner and event class. See: Setting Up Configuration Owner Tax Options, page 4-9 for more information.

Setting Up Tax Condition Sets

Set up tax condition sets to group together the tax conditions that constitute a tax rule. You can set up tax condition sets in advance and apply them to a tax rule, or you can set up a tax condition set during tax rule creation.

The tax condition set is the logic of the tax rule. It specifies the factors to consider, and the resulting value that must exist for each factor, in order for the result of the tax rule to be true.

Each tax condition in a tax condition set consists of a tax determining factor (determining factor class/class qualifier/determining factor name), an operator, and a value. These examples illustrate the use of tax conditions.

Example 1
Tax regulation: If a customer and supplier are not registered for Tax A, then Tax A does not apply to the transaction.

Tax conditions:

Tax Condition	Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
1	Registration	Ship From Party	Registration Status	Equal To	Not Registered
2	Registration	Ship To Party	Registration Status	Equal To	Not Registered

Example 2
Tax regulation: State Tax B applies to intrastate sales of Products 11 and 12.

Tax conditions:

Tax Condition	Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
1	Geography	Ship From	State	Not Equal To Determining Factor	Ship To
2	Product - Non-Inventory Linked	Level 2	Product Category	Range	**From Range:** Product 11 **To Range:** Product 12

Example 3

Tax regulation: Tax C applies to all export sales.

Corresponding tax conditions:

Tax Condition	Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
1	Geography	Ship To	Country	Not Equal To Determining Factor	Ship From
2	Transaction Generic Classification	Level 1	Transaction Business Category	Equal To	Sales Transaction

A tax condition set should reflect both the tax regulations of a tax authority and your business requirements, for the application of a specific tax to a specific set of circumstances. When the elements of the transaction meet all of the tax regulations, then the rule result is true and the rule applies to the transaction.

- See: Translating Tax Regulations into Tax Rules, page 6-20 for more information about using tax conditions in tax rules.

- See: Setting Up Country-Specific Taxes, *Oracle E-Business Tax Implementation Guide* for complete examples of tax conditions used in tax rules.

> **Important:** Due to performance issues, you should use a maximum of ten determining factors in one tax condition set.

Prerequisites

Before you can set up tax condition sets, you may need to complete one or more of these tasks:

- Set up determining factor sets. (mandatory)

- Set up values for the applicable determining factor classes. (mandatory)

To set up a tax condition set:

1. Navigate to the Create Tax Condition Set page.

2. Enter a code and name for the tax condition set.

3. Enter or create the determining factor set to use with this tax condition set.

   See: Setting Up Tax Determining Factor Sets, page 6-40 for information about creating a determining factor set.

4. If the determining factor set uses the Accounting determining factor class, enter the ledger to use with this tax condition set.

5. If this tax condition set is for the tax regimes of a specific country, enter the country name.

6. Navigate to the Create Tax Conditions page.

   E-Business Tax displays all of the determining factors belonging to the determining factor set. From the point of view of the tax condition set, each determining factor-- together with the operator and value that you define--becomes a *tax condition*.

7. If you do not want to use a tax condition, check its Ignore Condition box.

   If a determining factor has the Required option enabled in the determining factor set, then you must use the tax condition in the tax condition set.

8. Set the operator to use for the tax condition:

   - *Equal To/Not Equal To* - Either the condition is equal to a single value, or the condition excludes a single value.

   - *Equal To/Not Equal To Determining Factor* - Either the condition is equal to a class qualifier of the determining factor class, or the condition excludes a class qualifier of the determining factor class.

   - *Is Null/Is Not Null* - Either the condition is equal to a null value or it is not a null value. The transaction value is compared to determine rule result.

- *Range* - The condition is equal to a range of values, any one of which makes the condition true.

9. Enter the value or range of values for the tax condition:

   - If the operator is *Equal To/Not Equal To*, enter a determining factor name value in the Value/From Range field.

   - If the operator is *Equal To/Not Equal To Determining Factor*, enter a class qualifier of the determining factor class in the Value/From Range field.

   - If the operator is *Is Null/Is Not Null*, you cannot enter a value or range.

   - If the operator is *Range*, enter the determining factor name value range in the From and To fields.

     E-Business Tax refers to the code associated with the determining factor name to determine a range of values. A code range is a numeric value in ascending order.

     Note: Once you use a tax condition set to create a tax rule, you can no longer update the condition set.

Setting Up Tax Formulas

Set up tax formulas to use in tax rules for taxable basis determination and tax calculation. You set up tax formulas in cases where the tax amount is other than the line amount multiplied by the tax rate.

If a tax does not require a more complex formula for taxable basis determination or tax calculation, you can set up E-Business Tax to use the standard formulas.

You can set up a tax formula for these tax rules:

- **Determine Taxable Basis.** This rule determines the amount or quantity on the transaction line that E-Business Tax uses to apply the tax rate. The standard taxable basis formulas are *Taxable Basis = Line Amount* and, for quantity-based rates, *Taxable Basis = Quantity*. If the tax requires a taxable basis other than the line amount or the line quantity, then create a taxable basis tax formula, and either associate it with a Determine Taxable Basis tax rule for the applicable tax regime and tax or set it as the default taxable basis for a tax.

  For example, if the tax requires compounding with other taxes, then define a taxable basis formula and specify these taxes in the formula. If the taxable basis needs to be multiplied by a factor, you can specify this as a base rate modifier.

- **Calculate Tax Amounts.** This rule determines the calculation E-Business Tax uses

to calculate the tax amount on the transaction line. The standard tax calculation formula is *Tax Amount = (Taxable Basis) * (Tax Rate)*. If the tax amount is to be altered by adding or subtracting the tax amount of another tax , then create a tax calculation tax formula, and either associate it with a Calculate Tax Amounts tax rule for the applicable tax regime and tax or set it as the default tax calculation formula for a tax.

The formula details of a *taxable basis tax formula* specify how the information on the transaction line is used to derive the taxable base amount. E-Business Tax then calculates the tax amount using the taxable base amount. Taxable basis tax formulas always apply to a specific tax regime and tax.

A *tax calculation tax formula* first applies the tax rate percentage to the taxable basis and alters the resulting (provisional) tax amount by adding or subtracting the tax amounts of taxes you entered in the compounding details. You can create a tax calculation tax formula for a specific tax regime and tax, or you can create a generic tax calculation tax formula without a tax assignment. At transaction time, E-Business Tax selects the tax calculation formula to use based upon a successfully evaluated tax rule.

Prerequisites

Before you can set up a tax formula, you may need to complete one or more of these tasks:

- Set up tax regimes. (mandatory)

- Set up taxes. (mandatory)

- Enable the applicable cross-regime compounding and compounding precedence. (optional)

To set up a tax formula:

1. Navigate to the Create Tax Formula page.

2. Enter the configuration owner for this tax formula.

   All tax formulas refer to the tax regimes and taxes of the configuration owner.

3. Enter the tax formula code and name to identify this tax formula.

   Use a naming convention that identifies both the use and ownership of this tax formula. This can include the formula type, the taxable basis, the tax regime, and the tax.

4. If applicable, enter the regime code to associate with this tax formula. You must enter a regime code if:

   - Configuration owner is a legal entity or operating unit, that is, the tax formula is not shared with other configuration owners.

- Tax formula applies to a specific tax regime only.

- This is a taxable basis tax formula.

5. If applicable, enter the tax to associate with this tax formula. These rules apply to entering a tax:

    - Enter a tax if the tax formula applies only to a specific tax within a tax regime.

    - Enter a tax if this is a taxable basis tax formula.

6. Enter the effective date range for this tax formula.

    Depending upon the use of the tax formula, enter a date range that is within the date range of the tax regime, tax, and the tax rules that use this formula.

7. Select the formula type of *Tax Calculation* or *Taxable Basis*.

8. If this is a taxable basis tax formula, select the taxable basis type:

    - *Assessable Value* - Taxable base amount is the special value associated with the transaction item.

    - *Line Amount* - Taxable base amount is:

        - Transaction line amount.

        - Line amount plus any associated charges and/or minus any associated discounts.

        - Line amount plus the calculated tax amount of another tax or taxes.

    - *Prior Tax* - Taxable base amount is based on the calculated tax amount of a another tax or taxes not part of the line amount.

    - *Quantity* - Taxable base amount derives from the number of units per measure for a tax associated with a quantity-based rate.

9. If the taxable basis type is *Line Amount*, complete the Line Amount Options region. If you leave the region fields blank and do not enter compounding details, E-Business Tax uses the standard formula *Taxable Basis = Line Amount:*

    - **Base Rate Modifier** - Enter the percentage rate (without using the percent sign) by which the line amount is increased or decreased. Enter a negative base rate to decrease the line amount. For example:

        To increase the taxable basis from 1000 to 1500, enter *50*.

        To decrease the taxable basis from 1000 to 400, enter *-60*.

- **Subtract Cash Discount** - Subtract any cash discount specified on the transaction line from the line amount (Receivables transactions only).

10. If the taxable basis type is *Line Amount* or *Prior Tax*, or if this is a tax calculation tax formula, enter the compounding regime code and compounding tax in the Create Tax Formula Compounding Details region:

    - If the tax regime entered in the formula header region does not have cross-regime compounding enabled, then you can only enter this tax regime. The available taxes are limited to the taxes in this tax regime with a lower compounding precedence than the compounding precedence of the tax entered in the formula header region.

    - If the tax regime entered in the formula header region has cross-regime compounding enabled, then you can enter any tax regime that has a lower compounding precedence than the tax regime entered in the header region.

    - If the taxable basis type is *Line Amount*, the tax is calculated based on the transaction line amount plus the compounding tax amount.

    - If the taxable basis type is *Prior Tax*, the tax is calculated based on the calculated tax amount of the compounding tax.

    - If this is a tax calculation tax formula, use the compounding rule to add or subtract the tax amount of a compounding process to or from the standard or provisional tax amount. (The standard or provisional tax amount is arrived at by applying the tax rate to the taxable basis.)

11. If applicable, enter any additional tax regimes and taxes. Taxes are compounded in ascending order, beginning with the first tax regime and tax entered.

12. Set the Enforce Compounding option to *Yes* if you want E-Business Tax to display an error message if, during tax calculation, this compounded tax is not considered applicable to the transaction line.

Updating a Tax Formula

Use the Update Tax Formula page to update the details of a tax formula. By default, a tax formula is enabled for use according to the effective date range. If an active tax rule is using the tax formula, then you can only disable the tax formula, or apply an end date if one did not exist. A disabled tax formula also disables all parts of the tax rules that use this formula.

These rules apply to updating the other fields of a tax formula:

- If you change the formula type, then complete the required setup for the new formula.

- If you change the tax and/or tax regime assigned to the tax formula, then update any cross-regime compounding according to the new tax regime/tax assignment.

7

Managing Transactions

Transactions and Oracle E-Business Tax

E-Business Tax calculates the tax on a transaction based on the legal entity/operating unit setup, and the tax configuration and tax rules setup. The entire calculation process is transparent to the user. The tax used on the transaction belongs to the tax regime assigned to the legal entity or operating unit. The actual tax rate or rates used, and the manner in which rates are derived and calculated, depends on these factors:

- First party of the transaction. This is either the legal entity or operating unit. If applicable, E-Business Tax also derives the legal establishment of each transaction line based on the legal establishment's associated business entities.

- Tax registrations of the first and third parties.

- Tax profiles of the first and third parties.

- Tax configuration setup.

- Tax rules for the configuration owner and tax.

- Application event class option settings.

  Each application event class contains default tax option settings that are used by E-Business Tax as the basis for determining and calculating taxes on transactions that belong to the event class. In some cases you can update tax option settings for a combination of configuration owner and application event class.

- Customer tax exemptions.

- Product tax exceptions.

Invoice tax lines capture the information that is used to determine the applicable taxes on a transaction. Depending on the details of your tax setup, you can enter new tax lines

and update the calculation of existing tax lines.

Related Topics

Updating Establishments, *Oracle Financials Implementation Guide*

Party Tax Profiles in Oracle E-Business Tax, page 3-1

Managing Event Class Settings, page 4-6

Tax Determination Processing, page 6-3

Tax Handling on Transactions

E-Business Tax calculates tax on Order to Cash transactions from Projects and Receivables and on Procure to Pay transactions from Purchasing and Payables. In addition, E-Business Tax calculates tax on transactions from applications that feed data into Payables or Receivables. These applications are called *source applications*. E-Business Tax supports tax handling on transactions from the source application Trade Management.

A source application can feed data, for example, into Payables for the recording and payment of invoices or into Receivables for invoicing customers or handling adjustments to invoices. The tax determination process only takes place after these applications interface data into Payables or Receivables.

Transactions from source applications sometimes require different tax handling from a regular sales or purchase invoice. For example, a rebate created in Trade Management and credited to a customer account through a credit memo may not include a new tax calculation, as the tax authority may not allow you to adjust your tax liability downward. You can define tax rules for source application event classes to manage these special situations. See: Tax Rules in Oracle E-Business Tax, page 6-1 for more information.

This section describes the details of tax handling on certain types of transactions.

Payables Invoices Matched to Purchase Orders

When you create an invoice in Payables by matching it to a purchase order, Payables copies the purchase order tax lines and tax-related information to the invoice and recalculates the tax. The tax rate that is used in tax calculation is always derived from the invoice date.

If the tax rate has not changed between the purchase order date and the invoice date, then the tax calculation results in the same tax lines on the invoice as on the purchase order shipment line. If the tax rate has changed between the purchase order date and the invoice date, then the tax calculation results in the same tax lines but using the tax rate that corresponds to the invoice date.

E-Business Tax manages the updates to tax-related information in this way:

1. **Tax applies to the purchase order but not to the invoice** - The tax line appears with a zero amount.

2. **Tax applies to both the purchase order and the invoice but with different tax rate codes and tax rates** - The tax line appears with the tax amount as calculated by the invoice. The tax line is created with the tax rate code and tax rate effective on the invoice date. Payables displays the tax rate variance at the distribution level.

   If the Enforce Tax From Reference Document tax option is enabled for the applicable configuration owner and event class, the tax line for the invoice inherits the corresponding tax rate code and recovery rate code (if applicable) from the purchase order, but the actual tax rate and recovery rate used in the tax calculation are the rates defined for the rate period that corresponds to the invoice date.

Prepayment Invoices

When you apply a prepayment to an invoice, the tax rate at the time of prepayment may differ from the tax rate at the time the prepayment is applied to an invoice. E-Business Tax considers the tax calculated on the prepayment according to the value assigned to the Applied Amount Handling option in the tax record. The values are *Recalculated* and *Prorated*.

For example, you apply a prepayment amount of $5000 to an invoice with a total amount of $10,000. At the time of prepayment the applicable tax rate was 5% ($250 tax on the prepayment); at the time of invoice creation the applicable tax rate is 10%. E-Business Tax calculates the tax in this way:

- **Recalculated** - E-Business Tax recalculates the tax on the prepayment using the invoice tax rate, and applies the same tax rate to the invoice line amount. The tax calculation creates two tax lines, one for the invoice line amount and one for the prepayment with a negative amount.

  In the invoice example, the calculation creates an invoice line amount tax line of $1000 (10% * $10,000) and a prepayment tax line of -$500 (10% * -$5000). The total tax is $500.

- **Prorated** - E-Business Tax retains the original tax rate on the prepayment and applies the new tax rate to the invoice line amount. The tax calculation creates two tax lines, one for the invoice line amount and one for the prepayment with a negative amount.

  In the invoice example, the calculation creates an invoice line amount tax line of $1000 (10% * $10,000) and a prepayment tax line of -$250 (5% * -$5000). The total tax is $750.

  > **Note:** If a particular tax is not required for prepayment invoices, you can set up a Determine Tax Applicability rule for the tax using the

Transaction Generic Classification determining factor and the Transaction Business Category determining factor name of Purchase Prepayment. See: Determine Tax Applicability, page 6-9 for more information.

Debit Memos and Credit Memos

There are two types of debit/credit memos: *On Account* and *Applied*. E-Business Tax uses a different tax calculation method for each type.

- **On Account Debit/Credit Memos** - E-Business Tax calculates tax on On Account debit/credit memos in a similar way to normal invoices. The only difference is that if the line amount is negative, the tax calculated is also negative.

  > **Note:** If a particular tax is not required for On Account debit/credit memos, you can set up a Determine Tax Applicability rule for the tax using the Transaction Input Factor determining factor and the Line Class determining factor name with the debit/credit memo transaction event. See: Determine Tax Applicability, page 6-9 for more information.

- **Applied Debit/Credit Memos** - E-Business Tax calculates tax on Applied debit/credit memos in direct proportion to the line amounts on the invoice to which the debit/credit memo is applied.

  For example, if you create an invoice with one line item of $100 and tax of $10, then if the line item is credited $10 with an Applied credit memo the tax line is credited $1.

Receivables Credit Transactions

In Receivables, you can create credit transactions (applied credit memos) at the header level or the line level.

Header level - There are three options available for credit allocation:

- *Line Only* - Tax is not credited.

- *Line and Tax* - You enter the amount or percentage to be credited on the line amount. The amount you enter is credited proportionately to each line in the invoice. Each tax line is credited by the same percentage as the corresponding line amount.

- *Tax Only* - You enter the amount or percentage to be credited on the tax amount. Each tax line is credited by the same percentage in proportion to the tax amount for the line.

Line level - You can credit individual lines. The tax line is credited in proportion to the

line amount credit.

Payables Price Corrections

In Payables, you can create a new invoice to correct the quantity or amount of an existing invoice. The correction results in a change in line amount, either positive or negative. E-Business Tax calculates the tax on the new invoice created as a result of the price correction in proportion to the taxes on the original corrected invoice.

For example, an original invoice has a line amount of $100, and two tax lines one of $5 and $10. If the price correction reduces the line amount by $20, then the new invoice creates two tax lines of -$1 and -$2.

Intercompany Transactions

Intercompany transactions must account for tax on both the Receivables (sale) and Payables (purchase) side. If the transaction is between legal entities in different tax regimes, then you may need to account for the tax charged on the sale in a different manner from the purchase.

E-Business Tax accounts for intercompany transactions in this way:

- If a tax is charged on the Receivables sale with a tax amount greater than zero, then E-Business Tax charges the same amount of tax on the Payables purchase side.

  E-Business Tax looks for and applies a Payables tax rate code to match the Receivables tax rate code in order to reconcile the transaction tax. If you are using migrated tax data, then E-Business Tax uses the matching Receivables and Payables tax rate codes. If you are using an E-Business Tax configuration with the legal entities sharing the tax configuration of the Global Configuration Owner, then E-Business Tax applies the same tax rate to the Receivables and Payables transactions.

- If a zero tax amount is charged on the Receivables sale, then E-Business Tax reconciles the Payables purchase in one of two ways:

  - If the Payables side also uses a zero-rated tax rate for goods and services, then E-Business Tax applies the zero-rated tax rate code.

  - If there is no zero-rated tax rate, then E-Business Tax self-assesses the tax using the applicable self-assessment setup: offset taxes; self-assessment/reverse charge; or reporting purposes only tax.

If any special implications apply to intercompany transactions, you can use the transaction business category Intercompany Transaction to identify these transactions. See: Setting Up Transaction Fiscal Classifications, page 5-11 for more information.

Related Topics

Entering Invoices with Matched Purchase Orders in the Invoice Workbench, *Oracle Payables User Guide*

Entering Prepayment Invoices in the Invoice Workbench, *Oracle Payables User Guide*

Debit Memos, *Oracle Receivables User Guide*

Credit Memos, *Oracle Receivables User Guide*

Price Corrections, *Oracle Payables User Guide*

Intercompany Balancing, *Oracle Financials Implementation Guide*

Setting Up Taxes, page 2-13

Setting Up Configuration Owner Tax Options, page 4-9

Entering and Updating Tax Lines

Enter and update detail and summary tax lines according to the requirements of your transactions. You can perform these operations on tax lines:

- Enter a manual tax line.

- Change existing tax line information.

- Cancel a tax line.

The following sections describe the settings and rules that apply to each tax line operation.

Entering a Manual Tax Line

These requirements apply to entering a manual detail or summary tax line:

1. Enable these options for the configuration owner and application event class:

    - Allow Entry of Manual Tax Lines.

    - Allow Manual Tax Only Lines, if you want to enter tax only tax lines.

      See: Setting Up Configuration Owner Tax Options, page 4-9 for information about updating event class options.

2. The Allow Entry of Manual Tax Lines option is enabled for the tax.

    See: Setting Up Taxes, page 2-13.

3. Tax regime, tax, tax status, tax rate, tax amount, and place of supply are always mandatory for tax lines.

4. The combination of tax regime and tax is unique for each tax line that applies to the same transaction line. You cannot enter a manual tax line for a tax that already exists for the transaction line.

5. You must enter a tax status to enter a tax rate.

6. You must enter a tax regime, tax, tax status, and tax rate to enter a tax amount.

7. The tax calculation on a manual tax line is the standard formula of: Tax Amount = Taxable Basis * Tax Rate. E-Business Tax does not evaluate tax rules defined for the tax for any rule type.

Entering Tax Only Tax Lines

You can enter a tax-only invoice in Payables to record tax lines that are not linked to a transaction. A tax-only invoice is used, for example, to record tax lines on purchases that are invoiced separately or to enter tax-only invoices from tax authorities or import agents that record import taxes.

The tax regimes available for selection on tax only tax lines are the tax regimes belonging to the configuration option of the applicable legal entity or operating unit.

For each tax only tax line:

• Select a type of Tax.

• Enter the tax amount in the Amount field.

• Enter the GL date.

• If applicable, enter the distribution account.

• Enter the tax regime, tax, tax status, tax rate name, tax rate, and tax jurisdiction.

• Complete and save the distribution.

See: Managing Detail Tax Lines, page 7-10 for more information about completing tax lines.

Changing Existing Tax Line Information

These requirements apply to changing an existing detail or summary tax line:

1. The Allow Override for Calculated Tax Lines option is enabled for the applicable configuration owner and application event class.

   If you update automatic tax calculation and you want E-Business Tax to automatically recalculate the tax on the tax lines you enter manually, then you must enable the Allow Recalculation for Manual Tax Lines option.

   If you update automatic tax calculation and you want E-Business Tax to recalculate the tax on all other tax lines on the same transaction, then you must enable the Tax Line Override Impacts Other Tax Lines option.

See: Setting Up Configuration Owner Tax Options, page 4-9 for information about updating event class options.

2. The Allow Override for Calculated Tax Lines option is enabled for the tax.

   See: Setting Up Taxes, page 2-13.

3. For Payables transactions, you cannot enter or change detail tax lines while you have unsaved changes to summary tax lines.

4. E-Business Tax performs a limited evaluation of tax rules on certain updates to a tax line. See: Rule Order and Rule Evaluation, page 6-16 for more information.

5. You can update these fields:

   - Tax Status

   - Tax Jurisdiction

   - Tax Rate

   - Tax Amount

   - Percentage Rate or Quantity Rate

   - Self Assessed option

   - Inclusive option

6. These requirements apply to changing tax statuses:

   - You cannot update the tax status on detail tax lines that are enforced from the natural account.

   - If you update a tax only tax line and change the tax status, you must to re-enter the tax rate code.

7. These requirements apply to changing tax rates:

   - Set the Allow Tax Rate Override option for the applicable tax status.

   - Set the Allow Ad Hoc Rate option for the applicable tax rate.

   - You may need to change the tax status to change to the appropriate tax rate.

   - You can change the calculated tax rate derived from the tax status by selecting another tax rate defined for the same tax regime, tax, and tax status.

     See: Setting Up Tax Rates, page 2-27.

8. These requirements apply to changing tax rate percentages or quantity rates:

   • You cannot update the tax rate code and rate fields on detail tax lines that are enforced from the natural account.

   • You can only update the tax rate percentage if the tax rate code has the option Allow Ad Hoc Rate enabled.

9. These requirements apply to changing tax amounts:

   • The setting for the Adjustment for Ad Hoc Amounts option of the tax rate determines which value is adjusted--the taxable amount or the tax rate--when you change the tax amount.

   • If a detail tax line belongs to an historic transaction, you can only update the tax amount.

   • You can change the tax amount independent of the tax inclusive and compound tax settings. If you change the tax amount, E-Business Tax recalculates the tax amounts on all detail tax lines.

   • If you defined tax tolerances for Payables transactions, then if the updated tax amount exceeds the specified tolerance, E-Business Tax places the invoice on hold. See: Defining Tax Tolerances, page 4-11.

   • If the tax rate is 0, you can only enter 0 as the tax amount.

10. These requirements apply to changing the Inclusive option:

    • If you update the Inclusive option setting, E-Business Tax recalculates the taxable amount and transaction amount.

Related Topics

Holds, *Oracle Payables User Guide*

Canceling an Existing Tax Line

These rules apply to canceling an existing detail or summary tax line:

1. You can only cancel tax lines on Payables transactions.

2. When you cancel a tax line, both the associated tax line and any distributions that were previously accounted are reversed. If the distributions were not accounted, then the amounts are set to zero.

3. You cannot reverse a cancelled tax line. If applicable, enter a new manual tax line.

Managing Detail Tax Lines

Use the Detail Tax Lines interface to review and manage Payables and Receivables detail tax lines. Depending on the available settings, you can:

- View tax line information.

- Enter a manual detail tax line.

- Enter tax-only invoices and tax only tax lines.

- Change existing detail tax line information.

- Cancel a Payables detail tax line.

The operations that you can perform depend upon the related application and tax settings. See: Entering and Updating Tax Lines, page 7-6 for information about the requirements for entering and updating tax lines.

To view and manage detail tax lines:

1. Navigate to the applicable application and enter invoice header information.

2. Navigate to the Detail Tax Lines interface.

3. Set the required viewing option:
    - *For this Line* - View the tax lines for a specific transaction line.

    - *For this Document* - View the tax lines for the current transaction.

4. Update existing tax lines or enter new tax lines according to your requirements. All entries and changes apply to a combination of tax regime and tax.

    This table describes the content and user action for each field and option for detail tax lines.

Field/Option	Description
Tax Regime Code	The tax regime for this tax line.
Tax	The tax of the tax regime that applies to this tax line.

Field/Option	Description
Tax Jurisdiction	If applicable, the tax jurisdiction for this tax line. The list of values displays the tax jurisdictions derived from the tax. If you select a tax jurisdiction and tax rates are defined for this jurisdiction, then these tax rates are available for this tax line.
Tax Status	The tax status for this tax line. The list of values displays the tax statuses defined for the tax regime and tax.
Tax Rate Name	The tax rate name is displayed when you select a tax rate.
Tax Rate	The tax rate for this tax line. The list of values displays the tax rates defined for the tax regime, tax, tax status, and, if applicable, tax jurisdiction.
Tax Amount	The calculated tax amount for this tax line.
Taxable Amount	The calculated taxable basis amount. The tax amount is derived by applying the tax rate to the taxable amount.
Cancel	If enabled, this option indicates that this tax line is cancelled.
Inclusive	If enabled, this option indicates that the line amount is inclusive of tax.
Self Assessed	If enabled, this option indicates that the tax on this tax line is self assessed. A self-assessed tax is a tax calculated and remitted for a transaction, where tax was not levied but is deemed as due.
Manually Entered	If enabled, this option indicates that this is a manual tax line.

Field/Option	Description
Place of Supply	The location where the transaction is determined to have taken place for this tax regime and tax.
Calculated Tax Amount	The original calculated tax amount, if the tax amount is manually changed.
Tax Base Modifier Rate	The value of the tax base rate modifier as defined in the taxable basis formula.
Tax Only Line	If enabled, this option indicates that this is a tax only tax line. See: Entering Tax Only Tax Lines, page 7-7 for more information.
HQ Registration	Tax registration of the legal entity establishment for the tax regime, tax, and tax jurisdiction for this tax line.

Entering Additional Determining Factor Information on Receivables Tax Lines

Use the Additional Tax Determining Factors window to review and enter additional tax information on Receivables transaction lines. E-Business Tax calculates tax on the transaction based on the tax configuration and tax rules setup, as well as any additional tax information that you enter.

You navigate to the Additional Tax Determining Factors window from the Transactions window using the Tax Information button. Updates apply to the transaction of the legal entity and taxation country displayed in the header region. If you enter or update any fields in the Additional Tax Determining Factors window, you must update the Receivables transaction in order to recalculate the tax.

This table describes the fields and user actions in the Additional Tax Determining Factors window.

Field	Description
Taxation Country	The country in which the transaction is deemed to have taken place for taxation purposes. Once E-Business Tax calculates tax on the transaction, you cannot update this field.

Field	Description
Document Subtype	A documentation classification within the application event class of the transaction.
Tax Invoice Date	The date associated with the invoice for tax purposes.
Transaction Business Category	Used to classify business transactions or identify specific transaction events. All transactions that call E-Business Tax must have a transaction business category assignment. See: Setting Up Transaction Fiscal Classifications, page 5-11 for more information.
Product Fiscal Classification	Identifies the taxable nature of an Inventory item for tax determination or tax reporting purposes. See: Setting Up Product Fiscal Classifications, page 5-4 for more information.
Product Category	Identifies the taxable nature of a non-Inventory based item for tax determination or tax reporting purposes. See: Setting Up Product Fiscal Classifications, page 5-4 for more information.
Product Type	*Goods* or *Services*.
Intended Use	Identifies the intended use of an Inventory item or non-Inventory based product fiscal classification, when the intended use is a factor either in tax determination or tax recovery. See: Setting Up Product Fiscal Classifications, page 5-4 for more information.
User Defined Fiscal Classification	Identifies a user-defined transaction fiscal classification required by the transaction for tax determination or tax recovery. See: Setting Up Transaction Fiscal Classifications, page 5-11 for more information.
Assessable Value	Identifies a special value associated with the transaction item.

Managing Summary Tax Lines

Use the Summary Tax Lines interface to review and manage Payables summary tax lines. Depending on the available settings, you can:

- View summary tax lines.

- Enter a manual summary tax line.

- Allocate a manual summary tax line to specific transaction lines.

- Change existing summary tax line information.

- Cancel a summary tax line.

The operations that you can perform depend upon the related application and tax settings. See: Entering and Updating Tax Lines, page 7-6 for information about the requirements for entering and updating tax lines.

> **Note:** If you enter or change a summary tax line, you cannot update detail tax lines.

To view and manage summary tax lines:

1. Navigate to the Payables Invoice Workbench.

2. Enter invoice header information.

3. Navigate to the Lines region.

4. Update existing tax lines or enter new tax lines according to your requirements. All entries and changes apply to a combination of tax regime and tax.

5. If applicable, use the Allocations window to allocate summary tax lines to specific transaction lines.

This table describes the content and user actions for summary tax lines. This table only lists the summary line fields that apply to tax determination.

Field/Option	Description
Tax Regime Code	The tax regime for this tax line.
Tax	The tax of the tax regime that applies to this tax line.
Tax Status	The tax status for this tax line. The list of values displays the tax statuses defined for the tax regime and tax.

Field/Option	Description
Tax Rate Name	The tax rate name is displayed when you select a tax rate.
Tax Rate	The tax rate for this tax line. The list of values displays the tax rates defined for the tax regime, tax, tax status, and, if applicable, tax jurisdiction.
Tax Jurisdiction	If applicable, the tax jurisdiction for this tax line. The list of values displays the tax jurisdictions derived from the tax. If you select a tax jurisdiction and tax rates are defined for this jurisdiction, then these tax rates are available for this tax line.
Inclusive	If enabled, this option indicates that the line amount is inclusive of tax.

Viewing Inclusive Tax Lines

If an invoice is inclusive of tax, the Inclusive option is enabled on both the detail and summary tax lines. If an invoice with multiple tax lines has a mixture of both inclusive and exclusive taxes with the same rate, then the Tax Summary Lines interface displays two tax lines, one with the Inclusive option enabled and one with the option disabled.

If the Allow Override and Entry of Inclusive Tax Lines at the tax rate level is enabled , you can update the applicable Inclusive option.

See: Setting Up Tax Regimes, page 2-6 for more information about tax inclusive handling.

Viewing Self-Assessed Tax Lines

Because self-assessed taxes are not present on a supplier invoice, Payables does not include self-assessed tax lines on the Invoice Lines interface. After the tax on the invoice is calculated, you can navigate to the Tax Details/Summary window to view your self-assessed/reverse charges, or in the United States the calculation of use tax.

See: Setting Up Parties for Self-Assessment, page 3-2 for more information about self-assessed taxes.

Allocating Summary Tax Lines

After you create summary tax lines, you can use the Allocate Summary Tax Lines page

to review and allocate your manual summary tax lines to specific transaction lines. You can view the transaction line number, description, line amount, and transaction date of each transaction line.

These conditions apply to allocating summary tax lines:

- You must select at least one transaction line for allocation.

- You cannot allocate a tax only summary tax line.

- You cannot update or delete a transaction line that is to be allocated.

Managing Tax Distributions

Use the Tax Distributions window to review and update tax distributions. You can review tax distributions and, if applicable, update the tax recovery rate on a tax distribution.

E-Business Tax creates recoverable distributions and calculates tax recovery rates when you save the line distribution, according to the Determine Recovery Rate tax rule process or the default recovery rate.

E-Business Tax creates one recoverable distribution for the primary recovery type and, if applicable, the secondary recovery type, for each tax line for each of the item distributions into which the item line or expense line is distributed. E-Business Tax displays tax distributions in this way:

- If the tax is non-recoverable, E-Business Tax displays one non-recoverable tax distribution line for the tax, with the non-recoverable amount equal to the tax amount. You cannot update a non-recoverable tax distribution nor create a manual recoverable distribution.

- If the tax is recoverable, E-Business Tax displays two distribution lines, one for the recoverable amount and another for the non-recoverable amount.

  If the tax is fully recoverable, then the recoverable distribution amount is equal to the tax amount and the non-recoverable distribution amount is equal to zero.

  If the tax is recoverable and the recovery rate is zero, then the non-recoverable distribution amount is equal to the tax amount and the recoverable distribution amount is equal to zero.

You can update the recovery rate code if the Allow Recovery Rate Override option is enabled for the tax. You can update the recovery rate if the Allow Ad Hoc Rate option is enabled for the recovery rate. The update method differs according to the transaction application:

- **Purchasing** - You can either enter a new recovery rate or select another recovery rate that you previously defined from the list of values.

- **Payables** - You can only select another rate that you previously defined.

If you update the recovery rate on a tax distribution, E-Business Tax also updates the related non-recoverable rate and amount, and the distribution for the tax line.

If applicable, accounting-related setups may affect tax calculation:

- If there are tax rules defined based on the Accounting determining factor class, then changing or creating a distribution may affect tax calculation.

- If the Enforce Tax from Account option is enabled for the configuration owner and event class, this may affect the tax calculation based on the distribution.

This table describes the content and, if applicable, user actions for tax distributions.

Field/Option	Description
Recovery Type	The recovery type.
Recovery Rate Code	The recovery rate associated with the tax line
Recovery/Non-Recovery Rate	The recovery rate percentage associated with the recovery rate code.
Recovery Amount	The calculated recovery amount.
Frozen	If enabled, you cannot update this tax distribution.
Reverse	Reverse a frozen tax distribution and enter a new distribution.
Account	Account code combination for the distribution line. The tax calculation process derives the account code.
Status	Indicates whether the distribution is validated.
Accounting	Indicates whether the accounting is completed.
Functional Amount	Indicates the distribution amount in the ledger currency. This is (invoice currency) * (exchange rate used in the invoice).

Related Topics

Entering Invoice Distributions in the Invoice Workbench, *Oracle Payables User Guide*

Setting Up Parties for Self-Assessment, page 3-2

Tax Recovery Processing, page 6-15

Managing Tax Exemptions

Enter and update tax exemptions on Receivables transactions according to your requirements. A tax exemption applies a discount or a replacement percentage that reduces the tax on a transaction.

Tax exemptions apply to a specific customer or to a combination of customer and specific product. You must complete the necessary setups for all of the tax exemptions that you need for each customer and customer site involved in transactions. These setups include:

- Set the eBTax: Allow Override of Customer Exemptions profile option to display the Tax Handling field.

- Set up exemption reason lookup codes.

- Enable the Allow Tax Exemptions option at all the applicable levels in the regime-to rate flow. E-Business Tax only considers tax exemptions for the tax regimes, taxes, tax statuses, and tax rates that have this option enabled.

- Set up customer and customer site tax exemptions for the tax regimes, taxes, tax statuses, tax rates, tax jurisdictions, and products that you need.

See: Setting Up Tax Exemptions, page 3-10 for more information.

Tax Exemption Status and Tax Handling

During the life of a tax exemption, the exemption status can often change. Because the status of a tax exemption affects its applicability on the transaction line, you must update the tax exemption record each time the status changes.

These rules apply to the status of a tax exemption:

1. Tax exemptions with a status of Primary apply to all transactions of the customer or customer site.

2. Tax exemptions with a status of Manual apply to specific transactions only of the customer or customer site.

3. E-Business Tax considers tax exemptions with a status of Manual or Unapproved during tax calculation provided the exempt reason and certificate number entered

on the transaction line match the exemption record values.

4. Tax exemptions with a status of Discontinued or Rejected are not considered during tax calculation.

5. If a tax exemption with a status of Primary, Manual, or Unapproved has an end date, E-Business Tax considers these tax exemptions if the transaction date is within the effective date range of the exemption.

You use the Tax Handling field to select the applicable tax exemption value for the transaction line. E-Business Tax processes tax exemptions in different ways depending upon the value you choose:

*   *Require* - The customer is required to pay the tax. Tax exemptions do not apply to this transaction line, even if defined.

*   *Exempt* - Enter the exemption certificate number and the customer exemption reason. E-Business Tax processes the tax exemption in this way:

    1. Consider tax exemptions with a status of Primary, Manual or Unapproved.

    2. Verify that the transaction date is within the tax exemption effective date range.

    3. Verify that the transaction exemption reason and exemption certificate number match the tax exemption reason and certificate number. If you do not enter a certificate number, E-Business Tax still looks for a matching tax exemption.

    4. If E-Business Tax does not find an exemption matching these conditions, it creates an exemption with the status Unapproved and a 100% discount.

*   *Standard* - This tax handling is for exemptions of the Primary status only. You do not have to enter the exemption certificate number or customer exemption reason.

    E-Business Tax looks for a tax exemption with the Primary status and an effective date range that includes the transaction date. If more than one tax exemption applies, E-Business Tax uses the most specific tax exemption, in this order:

    1. Customer and product tax exemption for tax rate and tax jurisdiction.

    2. Customer and product tax exemption for tax rate.

    3. Customer and product tax exemption for tax status and tax jurisdiction.

    4. Customer and product tax exemption for tax status.

    5. Customer and product tax exemption for tax.

    6. Customer only tax exemption for tax rate and tax jurisdiction.

7. Customer only tax exemption for tax rate.

8. Customer only tax exemption for tax status and tax jurisdiction.

9. Customer only tax exemption for tax status.

10. Customer only tax exemption for tax.

Calculating the Tax Rate

After applying the tax exemption to the transaction line, E-Business Tax calculates the tax rate in this way:

- If the exemption type is a discount/surcharge, then:

  Tax Rate = Tax Rate * Discount/Surcharge percentage.

- If the exemption type is a special rate, then:

  Tax Rate = Special Rate.

If both a tax exemption and tax exception apply to the same transaction line, E-Business Tax calculates the tax rate in this way:

- If the exemption type is a special rate, then E-Business Tax only applies the tax exemption special rate:

  Tax Rate = Special Rate.

- If the exemption type is a discount/surcharge and the exception type is a special rate, then:

  Tax Rate = Tax Exception Special Rate * Tax Exemption Discount/Surcharge percentage.

- If both the exemption type and exception type are discount/surcharge, then:

  Tax Rate = Tax Rate derived from tax rules * Tax Exception Discount/Surcharge percentage * Tax Exemption Discount/Surcharge percentage.

Using the Oracle Tax Simulator

Use the Oracle Tax Simulator to enter transactions in order to simulate the tax determination process without creating live data. The Oracle Tax Simulator lets you preview the workings of your tax configuration before you enter transactions in an application, such as the Payables or Receivables workbench. In this way a tax manager or implementation consultant can simulate transactions to test the entire tax and related configuration. The Oracle Tax Simulator provides immediate verification that the tax configuration and tax rules were created and applied according to your requirements.

With the Oracle Tax Simulator, you can:

- Enter transactions to simulate tax calculation based on various scenarios.

- View the tax rules that were applied to a tax calculation and the processed result for each rule type.

- Simulate the characteristics of the Payables, Purchasing, and Receivables workbenches and create the tax line for each type of operation.

- View the summarized tax lines for each transaction and the tax lines generated for each transaction line.

- Use the associated tax windows to view and/or override tax lines.

The Oracle Tax Simulator provides these verifications:

- How the tax rules that you have defined for one or more taxes work in conjunction with the defaults you have set for them.

- Whether a tax rule that you expected to have a successful evaluation for a given set of transaction conditions achieved the desired result.

- How the options that you have set at various levels are reflected in the results of tax determination processing. If a certain transaction does not processes taxes as you predicted, then you can use the simulated result to troubleshoot the cause. For example:

  - You defined product tax exceptions, but they were not used on a transaction as expected. You then discover that the Allow Tax Exceptions option was not enabled on the applicable tax rate record.

  - Your supplier record has the option enabled to use offset taxes, but the offset taxes do not appear. You then discover that the tax rate record does not have an offset tax rate associated with it.

    Important: These restrictions apply to using the Oracle Tax Simulator:

    - Oracle Tax Simulator does not provide simulation of tax recovery processing.

    - Oracle Tax Simulator is not meant to test actions that you perform on transactions or transaction lines, such as canceling, deleting and reversing lines.

    - You cannot use Oracle Tax Simulator to test or verify user control settings.

Using the Transaction Lines Window

Oracle Tax Simulator displays the Transaction Lines window for the entry of detailed transaction and tax information. The Transaction Lines window contains a Header region for entering application, party and general transaction information, and a Lines region for entering detailed information for each transaction line.

Transaction Lines Window Header Region

- **Main** - The application, legal entity, operating unit, and main document details. The list of values in the Document Event field depends on the application that you select:

  - **Oracle Payables:** Expense Reports, Prepayment Invoices, Standard Invoices.

  - **Purchasing:** Charges, PO_PA, Release, Requisition.

  - **Receivables:** Credit Memo, Debit Memo, Invoice, Invoice Adjustment, Receipts.

  - **Trade Management:** Trade Management Payables, Trade Management Receivables.

- **Party** - The shipping and billing parties.

- **Sites** - The shipping and billing party sites and locations.

  You can narrow the list of values on fields in the Sites tabbed region in these ways:

  - Enter the site name in the Ship From Party Site and Bill From Party Site fields for Payables transactions, and the Ship To Party Site and Bill To Party Site fields for Receivables transactions.

  - Enter the city name in the Ship From Location and Bill From Location fields for Payables transactions, and in the Ship To Location and Bill To Location fields for Receivables transactions.

- **Currency** - The currency and exchange rate information.

- **Misc** - The default taxation country and document subtype:

  - **Default Taxation Country** - The country of taxation for tax calculation purposes. This is an important prerequisite for defaulting other associated tax fields.

  - **Document Sub Type** - Used for both tax calculation and tax reporting depending upon the requirements of the taxation country. You can use this field when documents such as an Invoice or a Credit Memo need to be further classified.

- **Location** - The points of acceptance and origin.

The list of values available in the Party, Sites, and Location tabbed regions depend on the application for which you are entering the transaction. You must select at least one location for a transaction.

Transaction Lines Window Lines Region

- **Main** - The standard line information for a transaction.

- **More** - Additional charges, discounts or exemption details.

- **Reference Documents** - If applicable, a prior document in the business flow, such as a purchase order for a Payables standard invoice.

- **Adjusted Documents** - If applicable, a prior document that is adjusted by the current document, such as an existing sales invoice for a Receivables credit memo.

- **Applied Documents** - If applicable, a prior document that is applied to the current document, such as an existing prepayment invoice for a new Payables invoice.

- **Tax** - The regime-to-rate flow used in the tax calculation and the calculated tax amount.

Tax Simulator Analysis Tools

After entering your transaction details, use the Tax Simulator tools to analyze the tax calculations for your transaction:

- **View Tax Log** - Use the View Tax Log option on the Tools menu to generate a log file of transaction activity. The log file provides details of all processing done on a transaction, including a list of tax rules that were not evaluated successfully.

- **Detail Tax Lines window** - Use the Detail Tax Lines window to view the calculated tax lines for the transaction. The window displays, for each transaction line, the applicable tax with the corresponding tax configuration details, including tax regime, tax, tax jurisdiction, tax status, tax rate code, tax rate, and tax amount. See: Managing Detail Tax Lines, page 7-10 for more information.

- **Rules window** - Use the Rules window to view the tax rules that were applied to each tax line for each tax calculation process. For each rule type, you can view the processed result and verify whether the result was determined by a tax rule or the default value. If a tax rule was applied, you can also determine the associated tax rule and tax condition set. See: Tax Determination Processing, page 6-3 for more information.

- **Summary Tax Lines window** - Use the Summary Tax Lines window to view the summary tax lines for your Payables transactions. For each applicable tax, you can

view the total tax amount across all transaction lines, with the corresponding tax configuration details, including tax regime, tax, tax jurisdiction, tax status, tax rate code, and tax rate.

- **Tax Distributions window** - Use the Tax Distributions window to view the resulting distributions information and any associated recovery details for your Payables transactions.

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