

Tax
Oracle FLEXCUBE Corporate Lending 12.1.0.0.0
[April] [2016]

Part No. E74823-01





Tax
[April] [2016]
Version 12.1.0.0.0

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1. About this Manual

1.1 Introduction

This manual is designed to help you maintain and process taxes on the contracts you process in Oracle FLEXCUBE.

Besides this User Manual, you can find answers to specific features and procedures in the Online Help, which can be invoked, by choosing 'Help Contents' from the *Help* Menu of the software. You can further obtain information specific to a particular field by placing the cursor on the relevant field and striking <F1> on the keyboard.

1.1.1 Audience

This manual is intended for the officers at your bank who set up tax components.

1.1.2 Organization

This manual contains a single chapter '**Building Tax Components**', which explains how tax rules, tax classes, and tax schemes are defined in Oracle FLEXCUBE.

1.1.3 Conventions Used in this Manual

Important information is preceded with the  symbol.

1.1.4 Related Documents

For further information on procedures discussed in the manual, refer to the Oracle FLEXCUBE manuals on:

- Common Procedures
- Products

2. Building Tax Components

2.1 Introduction

This chapter explains the processing of tax to be paid to the Government on the contracts that you enter into. This type of tax is processed as an Expense type of tax, whereby you book the tax component into a Tax Expense account, to be paid to the Government.

You can also process tax as a Withholding type of tax, where you debit the customer account, and credit the tax component into a Tax Payable account (to be paid to the Government on the customer's behalf).

Depending on the laws in your country, you can define tax as an expense type of tax or a withholding type of tax.

2.1.1 Steps Involved in Processing Tax

The following steps are involved in processing tax:

1. Defining tax rules
2. Defining tax classes
3. Defining tax schemes
4. Associating a product with a tax scheme

2.2 Defining Tax Rules

A tax rule identifies the method in which a tax component (a Stock Exchange tax, a Local tax, etc.) is calculated. You can build tax rules in the Tax Rule Maintenance screen, invoked from the Application Browser.

The screenshot shows the 'Tax Rule Maintenance' application window. It contains several sections for defining a tax rule:

- Header Section:** Includes fields for Rule Code (CH3FEE), Fee Group, Currency, Country, Nationality, Customer Group, and Customer. It also has Effective Date (31-DEC-2012), Effective End Date, Special TaxType, and checkboxes for Tax Group and Linked To Tax Group.
- Basis Amount Details:** Includes Calculation Ccy (Other Currency), Other Currency (USD), Rate Type, Rate Code (Mid), Rounding Option (CCY Default), Method (Truncate), Decimals, and Units.
- Tax Amount Details:** Includes Tax Currency (Other Currency), Other Currency (USD), Rate Type, Rate Code (Mid), Rounding Option (CCY Default), Method (Truncate), Decimals, and Units.
- Form Status:** Includes checkboxes for Invoice Required and Cumulative, and a dropdown for Form Status.
- Rule Method:** Includes radio buttons for Flat and Rate (selected).
- Min-Max:** Includes input fields for Min Amount and Max Amount.
- Table:** A table with columns: Basis Amount to, Rate, Floor Amount, and Floor Charge. It has four empty rows and a toolbar with a plus icon and a minus icon.
- Footer:** Includes a table for user information (Input By: MCKY1, Date Time: 31-DEC-2012 13:54:06, Auth By, Date Time, Mod No Status: 1) and checkboxes for Authorized and Open. A red X icon is also present.

Click new icon in the application toolbar. The system will display 'Tax Rule/Group' screen. You can use this screen to map the tax rules to the tax group. Once the rate changes for the tax group, then the same rate needs to be stored to all the mapped tax rules.

The screenshot shows the 'Tax Rule /Group' application window. It contains the following elements:

- Header:** 'Tax Rule /Group' title bar.
- Radio Buttons:** Two radio buttons labeled 'Group' (selected) and 'Rule'.
- Search Field:** A text input field labeled 'TAX Group/Rule' with a search icon.
- Buttons:** Two buttons at the bottom: a green checkmark icon and a red X icon.

Group/Rule

Indicate the type of maintenance that you wish to maintain. You can select either one of the following:

- Group
- Rule

TAX Group/Rule

If you have selected the option 'Group' then specify the tax groups from the adjoining option list. The option list displays all valid tax groups maintained in the system. You can select the appropriate one.

If you have selected the option 'Rule', then specify the tax rule.

In this screen, assign a unique Rule Code and a brief Description to the rule being built. The tax rule is maintained for a combination of Rule Code + Currency + Country +Nationality + Customer Group + Customer + Effective Date.

The currency selected here will indicate the transaction currency. You also have the option to select 'ALL' to indicate that the rule will be applicable to transactions in any currency. It is mandatory to specify the currency to save the Tax Rule.

Then define the attributes of the rule, such as the Effective Date, the Tax Currency and the application method.

Building a Tax Rule specific to a Customer Group

You have maintained Charge and Tax type of customer groups through the Customer Group maintenance screen and categorized customer's into different Charge and Tax groups through the Customer Information Maintenance screen.

While building a tax rule, you can indicate whether the rule is to be made applicable on a charge type customer group or whether it is to be made applicable on a tax type of customer group.

If a transaction charge/tax is defined for a Charge/Tax type of customer group, the transactions involving customers in the group automatically acquire the charge/tax unless you choose to override it by creating a specific charge/tax set-up for the particular customer.

Specifying the Customer ID

Customer Codes are maintained by your bank in the 'Customer Information Maintenance' screen. You can choose the customer for whom the tax rule is being defined. You could also choose to define the tax rule for all the customers of your branch.

Specifying the Effective Date for a Tax Rule

Every tax rule is associated with an Effective Date. On the specified Effective Date, the rule becomes applicable. When more than one rule is linked to a Tax Scheme, a rule will be applied till the next rule for the same component, with a different Effective Date, is encountered.

Example

The following example illustrates how the different rules in a Tax Scheme are applied.

You have defined the following Tax Rules (only the fields relevant to the example are discussed):

Tax Rule 1

| | |
|------------------|----------------|
| Rule Code | TxD1 |
| Effective Date | 1 January 1999 |
| Component | Brokerage |

| | |
|------------------|-------------|
| Rule Code | TxD1 |
| Tax Rate | 0.5% |

Tax Rule 2

| | |
|------------------|--------------|
| Rule Code | TxD2 |
| Effective Date | 1 April 1999 |
| Component | Brokerage |
| Tax Rate | 0.75% |

When these rules are linked to a single tax scheme, the tax will be applied in the following manner:

From 1 January 1999 to 31 March 1999, the brokerage paid on contracts will be taxed at 0.5%. From 1 April 1999 onwards, the brokerage paid will be taxed at 0.75%.

Brokerage will continue to be taxed at 0.75% till another rule with a different Effective Date is added to the scheme.

Special Tax Type

Select the special tax type from the adjoining drop-down list. The list displays the following values:

- Chapter 3
- FATCA
- Normal tax

Tax Group

Check this box to indicate that the tax group should be maintained.

Linked to Tax Group

Check this box to indicate that the tax group should be linked.

If you have defined a tax group and mapped several tax rules to the tax group, then for those tax rules, the system will not allow the modification/new action from the 'Tax Rule Maintenance' screen. Only re-open and close options will be allowed. Modifications/New actions will be allowed only for the default rules only if this box is checked.

2.2.1.1 Specifying the Basis Amount / Tax Amount details

The basis amount refers to the taxable amount i.e. the amount on which tax is applicable. You have to maintain the following details for the calculation of the basis amount and the tax amount:

Calculation Currency

You have to indicate the currency in which you would like to express the basis amount.

The following options are available:

- Deal Currency
- Other Currency

The basis amount can be calculated in either the currency of the contract (Deal Ccy) or you can express it in any other currency (Other Ccy) of your choice. If you choose the 'Other Currency' option, you will have to specify the currency in the next field. All valid currencies of your bank will be displayed in the option-list provided. Select the currency of your choice from this list.

When a rule for which the basis amount should be calculated in local currency, is applied on a contract involving a foreign currency, the local currency equivalent of the contract amount (in foreign currency) is considered. The exchange rate type and rate code maintained for the basis amount will be used for the currency conversion.

Tax Currency

This is the currency in which the final tax amount will be computed. The options available for the Calculation Currency discussed above are applicable to the Tax Currency also.

If the basis amount calculation currency is different from the tax currency, the system will first compute the tax amount in the basis amount currency. The amount will then be converted to the tax currency by applying the exchange rate type and rate code maintained for the tax amount.

Rate Type and Rate Code

If you specify a Basis Amount/Tax Amount calculation currency that is different from the Contract Currency, you have to indicate the type of exchange rate that you would like to use for the currency conversion. The basis amount/taxable amount will be first converted to the calculation currency and then tax will be computed on it. Subsequently, the tax amount, which is now in the basis amount currency, will be converted to the tax currency.

For example, you may have defined a 'Central Bank Rate', a 'Standard Rate', a 'Cash Rate', a 'Travelers Check Rate', etc. In Oracle FLEXCUBE, these rates are referred to as 'Rate Types'.

For the rate types, you would have maintained different rate codes. The rate type should be used in conjunction with the rate code to determine the exchange rate. The following options are available:

- Buy Rate
- Sell Rate
- Mid Rate

Rounding Option

The following rounding options are available:

- Rule Specific
- Currency Default

If you select the 'Currency Default' option, the subsequent rounding preferences (Method, Decimals, and Units) maintained for the basis amount calculation currency (in the Currency Definition screen) will be applicable to the Tax Rule being defined.

You may select the 'Rule Specific' option, to maintain rounding preferences specifically for the Tax Rule that is being defined. If this option is selected, the subsequent rounding details should also be maintained

Rounding Method

Rounding Method refers to the method to be followed for rounding off amounts expressed in this currency:

- Truncate
- Up
- Down

Truncate – The amount is truncated to the number of decimals specified for the currency.

Round Up to the Nearest Rounding Unit – The amount is rounded up based on the number of decimals and the nearest rounding unit.

Round Down to the Nearest Rounding Unit – The amount is rounded down based on the number of decimals and the nearest rounding unit.

Rounding Units

If you have selected 'Round Up to the Nearest Rounding Unit' or 'Round Down to the Nearest Rounding Unit' in the Rounding Method field, indicate the nearest unit to which the rounding should take place. The number of units specified here should not be greater than the number of decimals allowed for the currency.

Example 1

| Amount before Rounding | Rounding Method | No. of Decimals | Rounding Unit | Amount after Rounding |
|------------------------|---|-----------------|---------------|-----------------------|
| 1234.678 | Truncate | 2 | - | 1234.67 |
| 1234.678 | Round up to the nearest rounding unit | 2 | .01 | 1234.68 |
| 1234.678 | Round down to the nearest rounding unit | 2 | .01 | 1234.67 |

Example 2

- If Decimal points specified for currency 'A' is 2. Rounding unit is .05
- Amount for transaction is \$ 100.326 which will be rounded off depending upon the decimals specified and the rounding method and rounding unit
- For 'A', specified Rounding Method is - 'Up', then the amount available for transaction would be \$ 100.35
- If specified rounding method was 'Down' the transaction amount would have been rounded off to 100.30
- If the rounding method was specified as 'truncate' then, the amount would have rounded off to 100.32 (simply, knock off all decimal points beyond the stated decimals places to be rounded off). Thus whenever you specify a 'truncate' option you need not state the 'Rounding unit'.

Decimals

The number of decimals allowed for any amount in the currency is entered here.

- 0 - Currency with no decimals
- 2 - Currency with two decimals
- 3 - Currency with three decimals



If you have expressed the basis amount, the transaction amount and the tax amount in different currencies, the rounding preferences will be applicable only after the currency conversion has taken place.

The following example will show the sequence that is followed.

Example

Assume that you have maintained the following:

- Contract Ccy – USD,
- Basis Amount Ccy - GBP and
- Tax Ccy - PLN (local currency)

The currency conversion rates and rounding options will be applied in the following sequence:

- The basis amount in the contract ccy, USD is converted to its equivalent in the basis amount currency, GBP.
- The rounding rule is applied.
- Tax is then computed on the amount. Rounding options are applied on the tax amount, which is now expressed in the basis amount currency - GBP.
- Finally, tax is converted into its equivalent in the tax currency - PLN. Rounding preferences are applied and the final tax amount is computed in the local currency PLN.

Indicating whether Invoicing is required for Tax Rules

While building Tax Rules you can specify whether you would like to enable the invoicing feature by checking the box positioned next to the 'Invoicing Required' field.

As a result, each time tax is deducted for contracts involving this rule, the system links the next available invoice number and current order number to the tax details. The invoice number and current order number are picked up from the current range maintained for your branch in the Invoice Range Maintenance screen.

Form Status

Select the form status from the predefined list provided here:

- Valid
- Form is Incomplete
- No Signature
- Add'l Documentation
- Capacity
- Form Expired
- Other

2.2.1.2 Specifying the Tax Application Method

A tax can be a percentage of the component that is to be taxed (such as the principal, brokerage, etc.), or a flat amount. If you opt to calculate tax as a flat amount, choose the Flat option. If, instead, you opt to calculate tax as a percentage of the transaction amount, choose the Rate option. If tax is to be calculated as a flat amount, specify the flat amount.

Specifying the amount limits for a tax rate

If you have specified a percentage of tax for the rule, you should also specify the maximum and minimum amounts, in the local currency, within which the amount calculated using the tax rate should fall.

Example

For tax rule TX01, you have maintained the following details:

| | |
|--------------|-------------|
| Code | TX01 |
| Tax Currency | Local CCY |
| Tax (Type) | Rate |
| Rate | 1.5 |
| Min. Amount | 1,000 |
| Max. Amount | 10,000 |

This tax rule is applied on a securities deal. The deal currency is USD and the local currency is EUR. The exchange rate between the two currencies is 1.9 (where 1.9 units of USD are equal to 1 EUR). The amount involved in the deal is 90,000 USD and tax has to be paid in EUR. Assume that tax is levied on the deal amount in your country.

Before tax is applied on the deal, the minimum and maximum amounts are converted into the deal currency (USD) as follows:

- Min. Amount: USD 1900 (EUR 1000 * 1.9)
- Max. Amount: USD 19000 (EUR 10000 * 1.9)

The tax amount for this deal is calculated as follows:

$$90000 * 1.5/100 = \text{USD } 1,350 \text{ (tax amount in deal CCY)}$$

Tax amount in Local CCY = $1350/1.9 = 710.52$ EUR

As this amount is less than the Minimum (Tax) Amount specified for this tax rule, a tax of 1000 EUR will be levied on the deal, instead of 710.52 EUR. On the other hand, if the tax calculated was more than the maximum tax amount, 10,000 EUR would be applied as tax, since that is the maximum possible tax that can be levied.

If you have specified a flat amount for the tax rule, then you need not specify the minimum and maximum amount limits.



The minimum and maximum limits apply for specific rules linked to a Tax Scheme, and not for the entire scheme.

2.2.2 Defining Slabs and Tier Structures

You can define the tax that you would like to apply to a contract, in terms of a tier or a slab structure.

Through this screen, first specify if the Basis Amount (on which tax is calculated) should be taken as a slab or a tier. Indicate Cumulative (by checking the box), if the Basis Amount structure is a Tier. Leave it blank if the Basis Amount structure is a Slab.

The following example illustrates how this works:

Example

You have the following Amount Basis (cumulative) structure for a Tax Rule defined for tax on the deal amount:

| Amount | Rate |
|--------------------------|------|
| 0 to 250,000 | 1% |
| > 250,000 <= 1 Million | 2% |
| > 1 Million <= 3 Million | 2.5% |
| > 3 Million | 3% |

When this tax rule is applied on a deal of USD 1.5 million, the rate of tax will be calculated depending on whether the Amount Basis has been defined as a slab or as a tier. The different methods are calculated as follows:

Tier basis

The first 250,000 will be taxed at 1%

Amount from 250,001 to 1,000,000 at 2%

Amount from 1,000,001 to 1,500,000 at 2.5%

Slab basis

The entire USD 1.5M will be taxed at 2.5%

2.2.3 Mapping the Tax Rule

You can map the various tax rules to a specific tax group using the 'Tax Rule Mapping' screen.

You can invoke this screen by clicking 'Tax Rules' button.



If you change the tax rate at the tax group level for a specific customer and country, the same will be stored in all open tax rule which has been attached to that group. If for the customer any tax rule is not present, but attached to the tax group, then the system will automatically create the tax rule for that customer and update the tax rate same as tax group. If there is any failure at the time of propagation of the rate, then the authorization of the tax group will also fail.

While adding the rule to any tax group the system will check if that rule is already added to any valid tax group for the customer for which rule is being added.

If a rule has been detached from the tax group for a customer, then it has to be removed from all the combinations of tax group for that customer, else, the system will not allow you to add the detached tax rule to any other tax group.

2.2.4 Specifying the Basis Amount To

You should specify the upper limit of the slab or tier to which a particular rate or amount should be applied as tax.

Example

Suppose, the following is the slab or tier structure you want to specify:

| Amount | Rate |
|-----------------------------|------|
| 0 to 250 thousand | 1% |
| > 250 thousand <= 1 Million | 2% |
| > 1 Million <= 3 Million | 2.5% |
| > 3 Million | 3% |

The Basis Amount To, for the first slab or tier should be indicated as 250,000 and that for the second slab or tier as 1,000,000, and so on.

If you are to calculate cumulative tax on, an amount of USD 300,000, then on 250,000 you would calculate tax at 1%, which amounts to USD 2500. On the remaining 50,000 you apply tax at 2%, which amounts to USD 1000. The total tax applicable would, therefore, be USD 3500.

In a non-cumulative or slab structure of tax application, you will apply 2% on USD 300,000, which works out to USD 6000.

2.2.4.1 Specifying the Flat Amount and Rate

If the tax is in the form of a flat amount, you should specify the actual amount. This amount will be applied on the corresponding Basis Amount To, depending on whether you have specified the application basis as a slab or a tier.

If the tax rule computes tax on the basis of a rate, you have to specify the actual (rate) value. The rule uses the rate, entered against each slab or tier, to calculate tax for contracts on which the rule is applied.

Specifying the Floor Amount

The floor amount should be specified only if the Amount Basis (Cumulative) is a tier. This will be the upper limit of the previous tier. By default, the amount specified as the Basis Amount To for the previous tier limit will be displayed. This need not be specified for the first limit in the tier.

This amount is used to calculate the tax, along with the Floor Charge.

Specifying the Floor Charge

The Floor Charge is applicable only if the Amount Basis is a tier. This is the tax amount to be considered for the previous tier limit. This amount is used along with the Floor Amount that you specify to arrive at the tax.

The floor charge need not be specified for the first limit in the tier. This amount may not always be the same as the amount calculated, using the Basis Amount To and the Rate for the previous slab. However, if not specified, the Floor charge is calculated based on the rate for the previous tier and the Floor amount for the current tier.

An example for the calculation of tax based on a tier structure

Tax is applied on the deal amount of a deal based on the following structure:

- > 0 <= 10,000 - 0.05%
- > 10,000 <= 20,000 - 0.06%
- > 20,000 - 0.08%

The following will be the specifications in the Tax Rule Maintenance screen:

| Basis Amount | Rate (%) | Floor Amount | Floor Charge |
|--|-----------------|--|---|
| 10,000 (upper limit of the first tier). | 0.05 | 0 | 0 |
| 20,000 | 0.06 | 10,000 (upper limit of the first tier). | X (tax amount that will be considered for the first tier). |
| 999999999 (a big amount since there is no upper limit for the third slab). | 0.08 | 20,000 (upper limit of the second tier). | Y (tax amount that will be considered for the earlier slabs). |

When this tax rule is applied on a deal, tax will be calculated, depending on the component amount (example, brokerage paid), as follows:

If the component amount is USD 5,000, it falls in the first tier. The tax amount will be calculated in the following manner:

Amount = USD 5,000

Tax 0.05% of USD 5,000 = USD 2.5

If the component amount is USD 15,000, it falls in the second tier. The tax will be calculated in the following manner:

Amount = USD 15,000

Floor Charge (X)= 5.0

Amount to be taxed at 0.06% = USD 5,000 (Component Amount - the floor amount of the second tier)

Tax = USD 3+ 5 = USD 8

If the Component Amount is USD 30,000, it falls in the third slab. The tax amount will be calculated in the following manner:

Component Amount = USD 30,000

Floor Charge (Y) = 11.0

Amount to be taxed at 0.08% = USD 10,000 (Component Amount - the floor amount for the second tier)

Tax Amount = USD 8+ 11 = USD 19


For further details on Tax Range Maintenance refer to the section 'Maintaining an Invoice Range' in the Core Services User Manual.

2.2.5 Waiving Withholding Tax for customers

In certain countries you will not be charging withholding tax for customers with valid Tax IDs. In Oracle FLEXCUBE you have the option of waiving withholding tax by setting up a specific tax rule for such customers.

To waive withholding tax for a customer, you will need to capture the Tax ID of the customer by creating a User Defined Field and attaching it to the tax rule. Additionally, you will need to capture the date upto, which the customer's Tax ID is valid in the Effective End Date field.

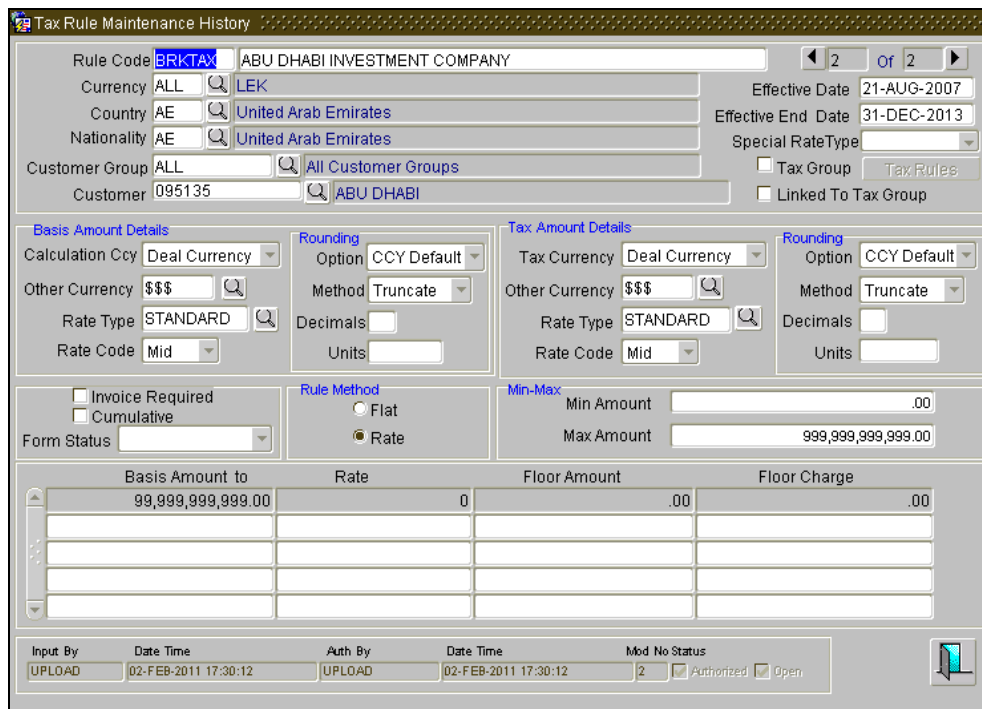
While defining the rule you must ensure that you set up a zero tax rate for the customer.

 While processing a transaction involving a customer with a valid Tax ID, the system will use the tax rule with zero tax rate. Consequently, withholding tax will not be debited to the customer account.

You will also need to set up a wildcard tax rule, which allows for the deduction of withholding tax for all customers. If you have not identified the effective end date the system deducts withholding tax as per the tax associated with the wildcard rule. Similarly, if the transaction date is beyond the effective end date the common tax rule will be used.

2.2.6 Viewing the Tax Rule History Details

You can view the history of tax rule in the 'Customer Additional Tax Information History' screen. To invoke this screen, select Tax Maintenance from the Application Browser. Thereafter, choose Rules and then select History under it.



Tax Rule Maintenance History

Rule Code: **BRKTAX** ABU DHABI INVESTMENT COMPANY

Currency: ALL LEK Effective Date: 21-AUG-2007

Country: AE United Arab Emirates Effective End Date: 31-DEC-2013

Nationality: AE United Arab Emirates Special Rate Type: [Dropdown]

Customer Group: ALL All Customer Groups Tax Group: [Dropdown]

Customer: 095135 ABU DHABI Linked To Tax Group: [Dropdown]

Basis Amount Details

Calculation Ccy: Deal Currency Rounding: Option: CCY Default

Other Currency: \$\$\$ Method: Truncate

Rate Type: STANDARD Decimals: [Input]

Rate Code: Mid Units: [Input]

Tax Amount Details

Tax Currency: Deal Currency Rounding: Option: CCY Default

Other Currency: \$\$\$ Method: Truncate

Rate Type: STANDARD Decimals: [Input]

Rate Code: Mid Units: [Input]

Invoice Required

Cumulative

Form Status: [Dropdown]

Rule Method

Flat

Rate

Min-Max

Min Amount: [Input] .00

Max Amount: 999,999,999.999.00

| Basis Amount to | Rate | Floor Amount | Floor Charge |
|-------------------|------|--------------|--------------|
| 99,999,999,999.00 | 0 | .00 | .00 |
| | | | |
| | | | |
| | | | |

Input By: UPLOAD Date Time: 02-FEB-2011 17:30:12 Auth By: UPLOAD Date Time: 02-FEB-2011 17:30:12 Mod No Status: 2 Authorized Open

2.3 Maintaining Tax Components as Classes

A class is a specific type of component that you can build with certain attributes. For instance, you can build a tax class, with the attributes of a specific type of tax component, such as an Issuer Tax. Similarly, you can build a charge class, with the attributes of a specific type of charge, such as Charges for provision of services.

When building a tax class, certain attributes such as the following can be defined:

- The module in which you would use the class
- The tax type (whether a withholding or an expense type of tax)
- The association event
- The application event
- The liquidation event
- The default tax rule

Tax classes can be categorized into:

- Transaction Level Tax classes
- Issuer Tax classes

Transaction level taxes are those that would be levied, on the portfolios you maintain and the contracts that you enter into. Issuer taxes are those that are withheld by the Issuer (of a security) when disbursing cash dividends and coupons.

2.4 Defining Transaction Level Taxes as Classes

You can define the attributes of a transaction level tax under the corresponding section of the Tax Class Maintenance screen. The screen can be invoked from the Application Browser.

The screenshot displays the 'Tax Class Maintenance' window. At the top, the 'Class Code' is 'BECWHTBOND' and the 'Description' is 'WITHHOLDING TAX FOR COUPON'. The 'Module' is 'SP Securities Portfolio Module'. Below this, the 'Transaction Level Tax' section is active, showing 'Tax Type' as 'Withholding' and 'Borne By' as 'Customer'. There are checkboxes for 'Net consideration', 'Cash Outflow', and 'Swift Qualifier'. The 'Event For Association' is 'CPEX Coupon Ex Date Processing', 'Event For Application' is 'CPLQ Coupon Liqd', and 'Event For Liquidation' is 'CPLQ Coupon Liqd'. The 'Basis Amount Tag' is 'NET_CPN_AMT Net Coupon Amount'. The 'Default Rule' is 'TAXS7 TAX ON SECURITIES FOR COUPON PAYME'. There are checkboxes for 'Default Waiver', 'Allow Rule Amendment', 'Allow Amount Amendment', 'Amend After Association', and 'Amend After Application'. At the bottom, there is a table with columns for 'Input By', 'Input Date Time', 'Auth By', 'Auth Date Time', and 'Mod No'. The 'Input By' is 'MOHAN', 'Input Date Time' is '31-DEC-2001 11:40:49', 'Auth By' is 'MOHANAU', 'Auth Date Time' is '31-DEC-2001 11:42:03', and 'Mod No' is empty. There are also checkboxes for 'Open' and 'Authorised'.

Before defining the attributes of a Transaction Tax Class, assign the class a unique identifier, called the Class Code, and briefly describe the class. A description would help easily identify a class.

2.4.1 Specifying the Module

A tax class is built for use in a specific module. This is because the basis amounts on which the tax is applied could vary with the modules. In the Foreign Exchange module, for instance, you might want to levy tax on the brokerage paid. In the Securities module, you might have to pay a tax on the value of a security that you purchase. The *basis* on which the tax component is calculated is different in these two cases.



Basis Amount Tags available, in this screen, would depend on the module for which you build the class.

Let us assume that you are building the tax class to calculate tax on the net coupon amount between the purchase date and the coupon date for the Securities Portfolio module. The details you have specified are as follows:

| Class Code | SP_NET_CPN Tax on Net Coupon Amount |
|-----------------------|--|
| SP | Securities Portfolio Module |
| Event for Association | CPEX |
| Event for Application | CPLQ (Coupon Liquidation) |
| Event for Liquidation | CPLQ (Coupon Liquidation) |
| Basis Amount Tag | NET_CPN_AMT |
| Default Rule | Tax1 (Tax on Interest) |

Consequently, during coupon processing the value for this amount tag is derived in the following manner:

$$\text{NET_CPN_AMT} = \text{Coupon Paid} + (\text{Sum of SOCM} - \text{Sum of PUCM}) + (\text{Sum of PUEX} - \text{Sum of SOEX})$$

Similarly, if you are building a tax class for the Securities module on the next discount amount paid between the purchase date and the redemption date you will define a class with the Basis Amount Tag as NET_DISC_AMT with Booking (BOOK) as the association event and Money Settlement of Securities Deal (MSTL) as the application and liquidation event. Subsequently, you will default this tax class to the Securities Deal product and define accounting entries using the tax component related amount tags.

2.4.2 Specifying the Type of Tax

The type of tax indicates who bears the tax, whether the bank or the customer.

Withholding

Withholding type tax is borne by the beneficiary on an income (either the bank or the customer). For example, the tax on the brokerage paid would be borne by the broker. You *withhold* this component in a Tax Payable account, by debiting the customer account (since brokers are defined as Customers in Oracle FLEXCUBE) and later paying the tax to the government on behalf of the broker.

Expense type

If you choose to bear the tax that is payable on brokerage, you would define it as an expense type of tax. The tax entries, in this case, would be posted to an Expense account.

If you bear the tax, there could either be an immediate cash Outflow or payment, or a mere crediting of it to a Tax Payable account. In the latter case, there would not be an immediate Outflow. The tax would be paid at a later date, from the Tax Payable account.

2.4.3 The Net Consideration

The sum of the different components of a contract determines the net value of the contract. To indicate that a transaction level tax component should be taken into account when determining the net value of a contract, choose the Net Consideration option.

If you choose to include the tax component in the net value of the contract, you should also indicate if the tax component is to be added or subtracted, while calculating the net consideration amount.

Example

Assume you buy securities from a counterparty. The different components of the deal are:

- The value of the securities USD 50,000
- The applicable tax USD 1,000
- The accrued interest USD 1,500
- The applicable charge USD 50

If you choose to include the tax component when calculating the value of the deal, choose the Net Consideration option. Indicate if the component is to be Added or Subtracted.

Result

If you choose the Net Consideration option and decide to add the tax component to the value of the deal, the net value of the deal would be USD 52,550.

If you choose the Net Consideration option and decide to subtract the tax component from the value of the deal, the net value of the deal would be USD 50,550.

If you do not choose the Net Consideration option, the net value of the deal would be: USD 51,550.

2.4.4 Defining the Events and the Basis Amount

Each contract that your bank enters into goes through different stages, each of which is referred to as an Event in Oracle FLEXCUBE.

A securities deal, for instance, goes through different stages in its life cycle, such as:

- Deal Booking
- Money Settlement of Securities Deal
- Settlement of Securities Deal
- Reversal of Securities Deal
- Cancellation of Securities Deal

Each of these stages is referred to as an Event in Oracle FLEXCUBE.

The following are examples of the events for a portfolio that you maintain:

- Booking of Contingent Asset
- Accrual of Discount Earned
- Accrual of Interest Earned
- Forward Profit and Loss Accrual

At any of these events, you can choose to apply a tax. The event, at which you would like to associate a tax component, is referred to as the Association Event. At this event, no accounting entry (for the tax component) is passed.

The event at which the tax component is actually computed is referred to as the Application Event. The tax is liquidated at the Liquidation Event.

The basis on which a tax is calculated is referred to as the Basis Amount. A tax can be on the basis of the principal, the brokerage paid and so on. When building a tax class, you have to specify the tag associated with the Basis Amount.

2.4.5 **Choosing the Default Tax Rule**

A tax rule can be linked to the tax component that you are building. When you link a rule to a component, the attributes that you have defined for the rule, will default to the component.

A tax rule identifies the method in which tax, is to be calculated. A rule is built with attributes such as the following:

- The tax currency
- Whether the tax is to be a flat amount or calculated on a rate basis
- The minimum and maximum tax that can be applied
- The tier or slab structure on which the tax is to be applied
- The currency restrictions, etc.

The tax component to which you link a rule acquires ITS properties. Tax for the contracts with which you associate a tax component will, by default, be calculated according to the rule linked to the component. However, when processing a contract, you can choose to waive the rule.

When building a tax class, you can choose to allow the amendment of the rule linked to it, under the following conditions:

- You can choose to allow amendment after the association event
- You can choose to allow amendment after the application event
- You can choose to allow amendment of the tax amount

2.4.6 **Including a Component in SWIFT Messages**

To report a component of a contract in the SWIFT messages that you generate, identify the component with the appropriate SWIFT code. You can identify a tax component with its SWIFT code when building the component.

Example

You would like to report the details of a contract to a customer, over SWIFT. Assume you would like to report the tax component (amongst others) in the message that you generate. Each component is identified in SWIFT by a unique code. Even while building the tax component in the Tax Class Maintenance screen, you can identify it with its SWIFT Code.

In the SWIFT Qualifier field of the Tax Class Maintenance screen, you can enter the component identifier, as follows:

| | |
|--|--------------|
| If the tax component you are building is... | Enter |
| a Country, National, Federal tax | COUN |

| If the tax component you are building is... | Enter |
|--|--------------|
| a Payment Levy sort of tax | LEVY |
| a Local tax | LOCL |
| a Stock Exchange tax | STEX |
| a Transfer tax | TRANSACTION |
| a Transaction tax | TRAX |
| a Value Added tax | VATA |
| a Withholding tax | WITH |

2.4.7 Indicating whether Invoicing is required for a Tax Class

While building Tax Class you can specify whether you would like to enable the invoicing feature by checking the box positioned next to the 'Invoicing Required' field.

As a result, each time tax is deducted for contracts involving the class, the system links the next available invoice number and current order number to the tax details. The invoice number and current order number are picked up from the current range maintained for your branch in the Invoice Range Maintenance screen.

For further details on Tax Range Maintenance refer to the section 'Maintaining an Invoice Range' in the Core Services User Manual.

2.5 Grouping Tax Components into a Scheme

A contract that you enter into could consist of one or more tax components (a Stock Exchange tax, a Local tax, etc.). You can define each of these components as a tax class, and associate each with a tax rule. A tax rule identifies the method in which a tax component is calculated.

A tax scheme is composed of one or more tax classes. For instance, a Transaction Level Tax Scheme would be composed of one or more transaction level tax classes. By associating a Tax Scheme with a product, you can calculate all the tax components for the contracts entered under the product at one stroke.

Tax schemes can be built in the Tax Scheme Maintenance for Tax Class screen, invoked from the Application Browser.

You must identify a Tax Scheme that you build with a unique Code and a brief Description.

A tax scheme is built specifically for a module in Oracle FLEXCUBE. For example, a scheme with Stock Exchange tax classes would only be relevant to the Securities module. When you define a product in a module, only those tax schemes that you have built specifically for the module, will be available to you.

2.5.1 How a Scheme Works

A class in a scheme will remain effective till another class for the same component, but with a different Effective Date, is encountered.

The following example illustrates the manner in which different classes in a tax scheme, defined for the same component, are applied.

Example

You have defined the following Tax classes (only the fields relevant to the example are discussed):

Tax Class 1

| | |
|-------------------|--|
| Class Code | Brok_clas1 |
| Effective Date | 1 January 1999 (defined for the associated tax rule) |
| Basis Amount | Brokerage Amount |
| Tax Rate | 0.5% (defined for the associated tax rule) |

Tax Class 2

| | |
|-------------------|--|
| Class Code | Brok_clas2 |
| Effective Date | 1 April 1999 (defined for the associated tax rule) |
| Basis Amount | Brokerage Amount |
| Tax Rate | 0.75% (defined for the associated tax rule) |

When these classes are linked to a single tax scheme, the tax will be applied in the following manner:

- From 1 January 1999 to 31 March 1999, the brokerage paid on contracts will be taxed at 0.5%. From 1 April 1999 onwards, the brokerage paid will be taxed at 0.75%.
- Brokerage will continue to be taxed at 0.75% till another class with a different Effective Date is added to the scheme.


2.5.2 Putting a Component in a Scheme on hold

You can choose to keep one or more tax components in a scheme, on hold. When you associate the scheme with a product, those tax components that are on hold, will not apply on contracts entered under the product. This status can be changed at any time.

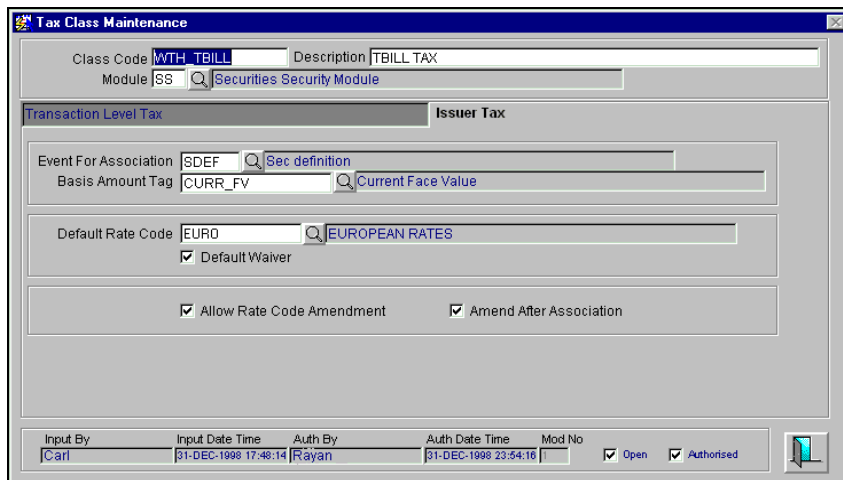
2.6 Defining Issuer Taxes as Classes

An issuer tax can be levied on the coupon paid, or on a cash dividend. The issuer of a security determines the tax. To process the tax levied on a security, you have to maintain Issuer Tax classes.

An Issuer Tax class can be maintained in its corresponding section of the Tax Class Maintenance screen invoked from the Application Browser.

 It is not necessary to associate tax rules to an Issuer Tax class. For an Issuer Tax component, you only have to furnish the following details:

- The Association Event
- The Basis Amount
- The Rate Code
- Other operational controls



The screenshot displays the 'Tax Class Maintenance' application window. The 'Class Code' is 'WTH-TBILL' and the 'Description' is 'TBILL TAX'. The 'Module' is 'SS' (Securities Security Module). The window is divided into two tabs: 'Transaction Level Tax' and 'Issuer Tax', with the latter being active. Under the 'Issuer Tax' tab, the following fields are visible: 'Event For Association' is 'SDEF' (Sec definition), 'Basis Amount Tag' is 'CURR_FV' (Current Face Value), and 'Default Rate Code' is 'EURO' (EUROPEAN RATES). There are three checked checkboxes: 'Default Waiver', 'Allow Rate Code Amendment', and 'Amend After Association'. At the bottom, the 'Input By' is 'Carl', 'Input Date Time' is '31-DEC-1998 17:48:14', 'Auth By' is 'Rayan', and 'Auth Date Time' is '31-DEC-1998 23:54:16'. The 'Mod No' field is empty. There are also 'Open' and 'Authorised' checkboxes, both of which are checked.

2.6.1 Defining the Events and the Basis Amount

A security goes through different stages in its life cycle, such as:

- Booking
- Interest Accrual
- Liquidation, etc.

Each stage is referred to as an Event, in Oracle FLEXCUBE.

When defining an Issuer Tax class, you should specify the following:

- The Association Event
- Basis Amount

The event at which you would like to associate a tax component to a security is referred to as the Association Event.

The basis on which interest, charge or tax is calculated or levied is referred to as the Basis Amount. (An Issuer Tax can be on the basis of the coupon paid, or on a cash dividend.) The different basis amounts available in the Securities module are associated with a unique 'tag'. When building a tax component, you have to specify the *tag* associated with the Basis Amount. When tax is calculated for a security, the basis amount corresponding to the tag will be picked up automatically.

2.6.2 Maintaining Rate Codes and their Values

A Tax Rate Code identifies the rate that applies on an issuer tax. For instance, you can create a rate code and specify the rate values for different Effective Dates, in the Tax Rate Maintenance screen. When building an Issuer Tax component, say Issuer_01, in the Tax Class Maintenance screen, you only need to specify the Rate Code that should apply. For all securities associated with Issuer_01, the rates corresponding to the code will be picked up.

You can define a rate code, and enter a brief description for it, in the Tax Rate Code Definition screen.

| Input By | Input DateTime | Auth By | Auth DateTime | Mod No |
|----------|----------------------|---------|----------------------|--------|
| Rayan | 01-JAN-1999 02:46:23 | Susan | 01-JAN-1999 02:50:31 | 1 |

Since tax rates would vary across markets, you can define rate codes specific to markets (countries).

2.6.3 Furnishing the Rate Values for a Code

The actual rate values for a rate code can be maintained in the Tax Rate Maintenance screen.

For a rate code, you can enter the following details:

| Field | Description |
|-------------------------------------|---|
| The Basis Amount Currency | The basis (the coupon amount, the cash dividend amount, etc.) on which a tax is calculated is referred to as the Basis Amount. You can specify the currency of the Basis Amount. |
| The Beneficiary Country | Issuer Tax Rates are specific to markets. When maintaining a rate value for a code, you have to identify the market for which you are defining the rate. |
| The Beneficiary CIF | You can maintain unique tax rates for issuers of securities. When you maintain a security, the system applies the tax rate defined for the issuer. If you have not maintained a rate for an issuer, the system applies the rate maintained for the country to which issuer belongs. |
| The Effective Date | The date on which a rate becomes effective is referred to as the Effective Date. For a code and Effective Date, you can maintain a rate. |
| The Tax Currency | You can specify the currency in which the tax should be applied. |
| The Exchange Rate Type and Category | If you specify a Basis Amount Currency that is different from the Tax Currency, you have to indicate the type of rate (standard, spot, cash, etc.), and the rate category (mid, buy, or sell rate) that should be used in the currency conversion. |
| The Tax Rate | In this field, you can enter the actual rate value for a Code, for an Effective Date. When you associate a rate code with an issuer tax class, the rates corresponding to Effective Dates will be picked up and applied. |

Example

You have defined the following Issuer Tax classes (only the fields relevant to the example are discussed):

Tax Class 1

| | |
|-------------------|-------------------|
| Class Code | Issu_clas1 |
|-------------------|-------------------|

| | |
|-------------------|---|
| Class Code | Issu_clas1 |
| Basis Amount | Coupon Amount |
| Effective Date | 1 January 1999 (defined for the associated Rate Code) |
| Tax Rate | 0.5% (defined for the associated Rate Code) |

Tax Class 2

| | |
|-------------------|---|
| Class Code | Issu_clas2 |
| Basis Amount | Coupon Amount |
| Effective Date | 1 April 1999 (defined for the associated Rate Code) |
| Tax Rate | 0.75% (defined for the associated Rate Code) |

Tax for securities associated with the Issuer Tax component will be computed in the following manner:

From 1 January 1999 to 31 March 1999, coupons paid will be taxed at 0.5%. From 1 April 1999 onwards, the coupons will be taxed at 0.75%.

Coupons will continue to be taxed at 0.75% till another rate code, with a different Effective Date is encountered.

2.6.4 Associating a Rate Code with an Issuer Class

The tax that applies on a coupon would be calculated at a specific rate. When building an issuer tax component, you have to specify the rate at which tax should be computed for a coupon. When you associate a rate code that you have maintained with a component, the rates corresponding to the component will be picked up.

A rate code identifies the rate that applies on a tax. A rate code is built with attributes such as the following:

- The tax currency
- The basis amount currency
- The Effective Date
- The Exchange Rate Type and Category

The system will compute the tax for the component to which you link a rate code, by default, on the basis of these properties.

When maintaining a security, however, you can choose to waive the rate code altogether.

2.7 Grouping Issuer Tax Components into a Scheme

A security could consist of one or more issuer tax components (a tax on coupons and tax on redemption). You can define these components as tax classes. A tax scheme is composed of one or more tax classes. By associating a Tax Scheme with a market, you can compute all the tax components for the securities issued from the market.

You can build tax schemes in the Tax Scheme Maintenance for Tax Class screen. This is invoked from the Application Browser.

You can identify a Tax Scheme that you build with a unique Code and Description.

A tax scheme is built specific to a module in Oracle FLEXCUBE. For example, a scheme with tax levied on coupons would only be relevant to the Securities module. When you maintain the tax details for a market, only those tax schemes built specifically for the module will be available to you.

2.7.1 How a Scheme Works

A class in a scheme will remain effective, till another record for the class, with a different effective date, is encountered.

The following example illustrates the manner in which the different classes in a tax scheme, defined for the same component, are applied.

Example

You have defined the following Issuer Tax classes (only the fields relevant to the example are discussed):

Tax Class 1

| | |
|-------------------|---|
| Class Code | Issu_clas1 |
| Basis Amount | Coupon Amount |
| Effective Date | 1 January 1999 (defined for the associated Rate Code) |
| Tax Rate | 0.5% (defined for the associated Rate Code) |

Tax Class 2

| | |
|-------------------|---|
| Class Code | Issu_clas2 |
| Basis Amount | Coupon Amount |
| Effective Date | 1 April 1999 (defined for the associated Rate Code) |
| Tax Rate | 0.75% (defined for the associated Rate Code) |

When these classes are linked to a single tax scheme, the tax will be applied in the following manner:

From 1 January 1999 to 31 March 1999, coupons paid will be taxed at 0.5%. From 1 April 1999 onwards, the coupons will be taxed at 0.75%.

Coupons will continue to be taxed at 0.75% till another class with a different Effective Date is added to the scheme.

2.7.2 Putting a Component in a Scheme on Hold

You can choose to keep one or more tax components in a scheme on hold. When you associate the scheme with a market, those tax components that are on hold will not apply on securities issued from the market. This can be changed when required.

2.8 Linking a Tax Scheme to a Product

A tax scheme is linked to a product, only if tax is applicable to the product. This linkage is established through the tax screen, of product definition. The tax scheme thus linked will be applicable on a contract processed under the product by default. However, you have the option of waiving the application of tax, for a specific contract.

A Tax Rule represents the method in which a specific tax has to be applied. Thus, for a tax component to be levied on a contract, you should specify:

- The currency in which the tax has to be levied
- Whether it is a flat amount or a percentage of the component amount to be taxed
- The slab or tier structure, based on which the tax should be calculated

In addition, also specify the minimum and maximum amount of tax that can be applied for a specific rule.

A Tax Scheme can consist of a set of Tax Rules that can be applied to a product.

A Tax Rule defines the method in which tax has to be calculated. The amount based on which the tax has to be applied, is not specified for a Tax Rule. This definition is done when the Tax Scheme is linked to a product.

The system offers flexibility, in terms of specifying the method in which tax has to be calculated.

Example

In the LC product module, for one type of product, you could use a Tax Rule to apply tax on the commission earned from the customer while for another product, you can use the same rule, to apply tax on the LC amount.

A tax scheme is made applicable to a product when it is linked to the product. Once the tax scheme is specified for linkage, indicate:

- The component on which each rule should be applied
- The event at which the tax should be liquidated and the type of tax – ‘withholding’ or ‘expense’.

To link a tax scheme to a product to invoke the Product-Tax Linkage Definition screen from the Product Definition screen. Click on the Tax button  in this screen.

2.8.1 Features of the Product-Tax Linkage screen

Specifying the Tax Category

You can specify tax category for each tax rule that is linked to a tax scheme. To do this, select the Tax category from the drop down list against each Tax rule.

However, while processing a contract, you can waive the application only for those tax rules for which you have setup tax categories.

Specifying the Basis Component

Tax can be applied on the basis of any component that is taxable according to the laws in your country. This component is called the Basis Component. The method of tax application defined for the Tax Rule will be applied on this component.

Example

Tax can be applied on the LC amount, the commission or charge component. These are called the Basis Component. The method of tax application defined for the Tax Rule will be applicable on this component.

Specifying the event for tax application

You should specify the event upon which the tax is to be applied. For instance, if you specify that the tax be to be applied at the time the commissions are collected from the customer, then the entries for tax will be passed when the commission is paid.

Specifying the type of tax - withholding or expense type

The type of tax, decides the bearer the tax. It could be the bank or the customer.

A customer bears withholding type of tax and the tax component is debited to the customer's account. The bank bears an expense type of tax and the tax component is booked to a tax expense account.

Example

For an LC it is always the bank, which bears the tax. Hence, a tax that is levied always falls under an Expense type. The tax is debited from an expense account and put in a tax payable account, from where it is subsequently paid to the government.



The tax details specified for a product will be automatically applied on all contracts involving the product. However, while processing a contract, you can waive the application of all or specific tax rules for the contract.

2.9 Processing Tax on a Contract

The taxes that apply on a contract can be of two types: 'Expense' and 'Withholding'. The tax that is borne by your bank is referred to as an 'Expense' type of tax. This tax will be booked to a 'Tax Expense' account. The tax that is borne by counter party of a contract is referred to as a withholding tax, whereby you debit the counter party's account, and credit the tax component into a Tax Payable account (to be paid to the government on the counter party's behalf).

Example

A tax on a Letter of Credit (LC) can be levied either on the:

- Outstanding LC amount.
- On the commissions and charges that you earn to process the LC.

In both cases, it is the bank that bears the tax - this is an Expense type of tax. The tax expense account should be debited and the tax payable account should be credited. From this liability account, the tax should be later on, paid to the government.

You can invoke the Contract Tax Details screen while you are processing a contract.

Tax Details Form

Contract Ref No.

Tax Scheme

Description

Rule Details

| Rule | Basis Component | Tax Category | Event | Waive | <input type="checkbox"/> Waive All |
|--------|-----------------|--------------|-------|-------------------------------------|------------------------------------|
| LDTAXR | PRINCIPAL | Misc | INIT | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |

Waive All

Amount Details

| Value Date | Transaction Date | CCY | Amount | Event seq |
|------------|------------------|-----|--------|-----------|
| | | | | |
| | | | | |
| | | | | |

You have a choice of waiving tax due to all the Tax Rule(s) linked to the Tax Scheme applicable to the product (and hence the contract) or that which is only due to specific Tax Rule(s).



Only the tax that has not yet been liquidated can be waived.

While processing the contract, the system picks the waiver details from Customer Tax Category maintenance and Tax category details from Tax rule maintenance. Similarly the customer and customer tax category details are picked from Deal and Customer maintenance respectively. The value date specified in the deal will be taken as the date for waiver check.

2.9.1 The Sequence in which tax is waived

In Oracle FLEXCUBE, the waiver information for Customer Tax Category, Tax Category, customer and effective date combination is searched in the following order:

| | | | |
|------------------------------|-----------------|---------------------|-----------------------|
| Customer Tax Category | Customer | Tax Category | Effective Date |
|------------------------------|-----------------|---------------------|-----------------------|

| Customer Tax Category | Customer | Tax Category | Effective Date |
|-----------------------|----------|--------------|----------------|
| Customer Tax Category | Customer | Tax Category | Effective Date |
| Customer Tax Category | ALL | Tax Category | Effective Date |
| ALL | ALL | Tax Category | Effective Date |

STOP If you do not maintain waiver details for any of the above combination, no waiver will be applied for the component.

2.10 Generating Tax Invoices

Taxes linked to interest or service charge collection often need invoices that have to be submitted to the authorities with an advice to the customer. To cater to this requirement you will need to maintain the following parameters in Oracle FLEXCUBE:

- A Mask for generating invoice numbers for your branch
- A Current and a Waiting range of invoice numbers from which the system generates invoice numbers sequentially
- Specify whether invoicing is required for a specific Tax Scheme or Tax Class
- Transaction Codes, which will be used to post tax entries as journal entries

For further details on Tax Range Maintenance and Enabling Transaction Codes for Tax Invoice Generation refer to the sections 'Maintaining an Invoice Range' and 'Maintaining Transaction Codes' in the Core Services User Manual.

Whenever a journal entry is passed using such a transaction code (enabled for generating tax invoices) the system recognizes this to be a tax entry. During authorization, the system displays an override asking you if invoice generation is required. On confirmation, the Contract Invoice Advice details screen is displayed.

The invoice and order numbers are defaulted serially for each successive advice from the Current Range maintained in the Invoice Range Maintenance screen. The other details you need to specify include:

1. The Contract Reference Number for which you are generating the tax invoice.

2. A description to identify the type of tax. For instance, Value Added Tax on Account Opening Charges.
3. The Amount that will be deducted as tax.
4. The local currency of your branch.



Since tax invoices should be in the local currency of your branch, you will need to convert service charges in foreign currency (whenever tax invoices need to be generated for them) into the local currency of your branch at the current exchange rates.

2.10.1.1 Manual generation of Tax invoices

As stated earlier, tax invoices can be auto generated in two ways:

1. By enabling this option for a Tax Scheme/Class linked to a product. Whenever there is a tax deduction under this scheme or class a tax invoice is generated.
2. By linking a transaction code to a Tax Entry passed as a Journal Entry.

Apart from generating tax invoices automatically you will also be able to generate them manually, through the Contract Invoice Advice screen while processing a specific contract.

| Tax Description | Amount | Currency |
|----------------------------|--------|----------|
| VAT on disbursement charge | 224 | GBP |
| | | |
| | | |
| | | |

The invoice and order numbers are defaulted serially for each successive advice (whether generated automatically or manually) from the Current Range maintained in the Invoice Range Maintenance screen.

The other details you need to specify include:

1. The Contract Reference Number for which you are generating the tax invoice.
2. A description to identify the type of tax. For instance, Value Added Tax on Account Opening Charges.
3. The Amount that will be deducted as tax in the local currency of your branch.

Click on the Generate button to generate the advice. You can mail the advice to the counterparty involved in the contract.

2.10.2 Maintaining Tax categories for contracts


While maintaining Customer Information details you need to capture waiver information for tax computation. All the tax categories you maintain here will be displayed at the product level, allowing you to link the tax category to the product.

Tax categories, along with a brief description of the category can be maintained through the Tax category maintenance screen.

| Input By | Date Time | Auth By | Date Time | Mod No |
|----------|---------------------|------------|---------------------|--------|
| NARENDRA | 31/12/2001 17:38:33 | NARENDRAAU | 31/12/2001 17:43:17 | 1 |

Specifying the Tax category

You can capture a unique code to identify the tax category.

 While maintaining product details and associating a tax category, a list of all the valid tax categories you have maintained in this screen will be available in the option list for the Tax category field. You can select the appropriate code.

Assigning a brief description with the tax category

You can also associate a brief description with the tax category. This description is for information purposes only and will not be printed on any customer correspondence.

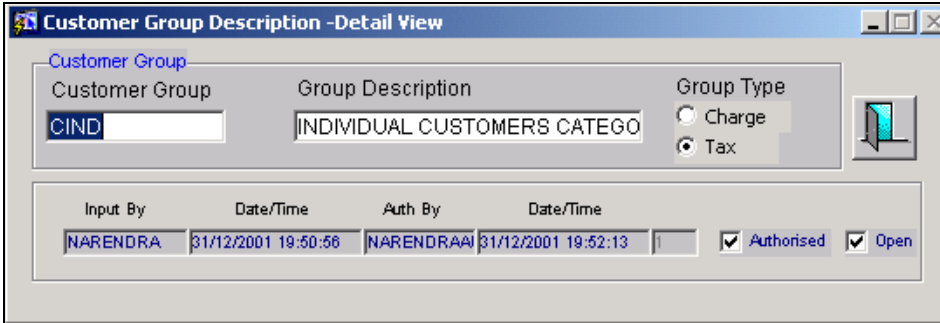
Category Type

Here you can classify each tax category under Tax or IC. If the tax category is maintained under Tax, the categories will be available at the product level for selection. However, the tax category maintained under IC will be available only at the IC rule definition level. You will need to calculate the tax on customer account balances.

2.10.3 Maintaining Customer Tax categories

While maintaining customer details you can link customer tax categories to each customer. To do so, you need to first maintain the customer group through the Customer Group Description screen. Invoke the screen from the Application Browser.

All the customer groups you maintain here will be displayed at the product level, allowing you to link the customer group to the product.



Specifying the Customer Group

Indicate the Customer group along with a brief description of the group.

Assigning a brief description with the tax category

Here you can associate a brief description with the customer group. This description is for information purposes only and will not be printed on any customer correspondence.

Group Type

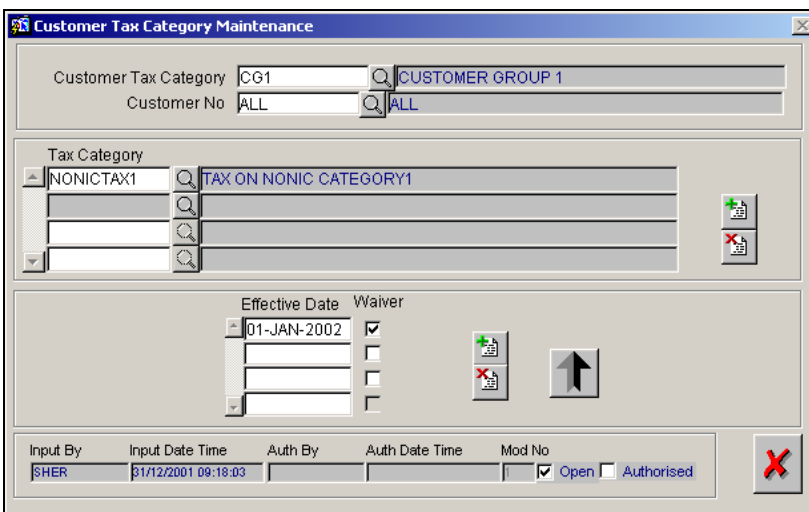
Here you can classify each customer group under Tax or IC. If the customer group is maintained under Tax, the group will be available at the product level for selection. However, the customer group maintained under IC will be available only at the IC rule definition level.

After you maintain the customer group you can define waiver specifications for more than one effective date for every Customer group, Customer and Tax category combination.

2.10.4 Maintaining Waiver details

Through the Customer Tax Category Maintenance screen you maintain waiver specifications for each Customer tax category, Customer and Tax category combination with different effective dates.

Invoke the Customer Tax category maintenance screen from the Application Browser.



Indicating the Customer tax category

All the customer Tax categories you have maintained will be displayed in the option list. Choose the category for which you want to maintain the waiver information. The brief description maintained for the tax category will be displayed upon selection of the category.

Specifying the Customer Number

The option list displays only those customers numbers related to the customer tax category. You can select specific customer number or all the customers by clicking on ALL.

Specifying the Tax category/categories

For each customer tax category and customer number combination you can link a single tax category or several tax categories. To choose the tax category, click on the option list, which displays the tax categories you have already maintained.

Indicating the date for the waiving the tax category

You can maintain a list of effective dates for each Customer tax category, Customer and Tax category combination.

The effective dates you maintain here will be the date on which you want to specify the waiver or non-waiver of the tax category.

Specifying waiver of the tax category

For each effective date you can specify whether the tax category is waived or not. Click on the Waiver box against each effective date you have maintained to indicate that the tax category is waived for that date. Leave the box unchecked to indicate no waiver of the tax category.

2.10.5 Maintaining Chapter3/FATCA Waiver Details

You can maintain FATCA/ Chapter 3 Waiver details at branch and department level in the 'Chapter3/FATCA Waiver maintenance' screen. To invoke this screen, select Branch Parameter from the Application Browser. Thereafter, choose Tax Waiver Maintenance and then select Detailed under it.

| Input By | Date / Time | Auth By | Date / Time | Mod No | |
|----------|----------------------|---------|-------------|--------|--|
| SHREED1 | 31-DEC-2012 12:26:57 | | | 1 | <input type="checkbox"/> Authorized <input checked="" type="checkbox"/> Open |

Specify the following details:

Branch Code

Specify the branch code for which you wish to maintain the FATCA/ Chapter 3 Waiver details. The adjoining option list displays all valid branch codes maintained in the system. You can select the appropriate one.

Department Code

Specify the department code for which you wish to maintain the FATCA/ Chapter 3 Waiver details. The adjoining option list displays all valid department codes maintained in the system. You can select the appropriate one.

FATCA Waiver

Check this box to indicate that the FATCA waiver is applicable.

Chapter 3 Waiver

Check this box to indicate that the chapter 3 waiver is applicable.

You can perform the following operations in this screen:

- New
- Unlock
- Delete
- Save
- Auth
- Close
- Reopen



Note the following:

- If the Chapter 3 waiver box is checked at the tranche level, then the system will waive the tax rule which will have the special tax type as chapter 3, normal taxes will still be applicable to the tranche/drawdown.
- While updating the toggle at branch/department level to notify the opposite toggle selection at tranche, the system will display an override message. You need to manually change the toggle/flag values at the tranche.

2.10.6 Maintaining Tax Group Type Details

You can use the 'Tax Group Type Maintenance' screen to map the tax rule to tax group and payment type. To invoke this screen, select Tax Maintenance from the Application Browser. Thereafter, choose Tax Group Type Maintenance and then select Detailed under it.

| Tax Rule | Search |
|----------|--------|
| FLCCTX | 🔍 |
| FLCYTX | 🔍 |
| | 🔍 |
| | 🔍 |

Input By: SANGHAI Date Time: 01-AUG-2012 15:51:19 Auth By: Date Time: Mod No: 13 Open Authorised

Specify the following details:

Tax Group

Specify the tax group to which the tax rule is to be mapped.

Payment Type

Select the payment type from the adjoining drop-down list. The list displays the following values:

- Fee
- Interest

Tax Rule

Specify the tax rule which is to be linked to the tax group. The adjoining option list displays all valid tax rules maintained in the system. You can select the appropriate one.

You can perform the following operations in this screen:

- New
- Delete
- Save
- Auth