Oracle Fusion Cloud Financials

Implementing Tax

25B

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There are a number of ways to learn more about your product and interact with Oracle and other users.

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1 Overview

Overview of Define Tax Configuration

Oracle Fusion Tax provides a single-point solution for managing your transaction and withholding tax requirements. The Define Tax Configuration activity lets you manage the entire configuration and maintenance of tax content.

Oracle Fusion Tax:

- Uniformly delivers tax services to all Oracle Fusion application business flows through one application interface
- Provides a single integration point for third-party tax products and services
- Lets you configure and add country-specific tax content
- Ensures control over manual intervention and update

With Oracle Fusion Tax, you can model your taxes according to the needs of the following local and international tax requirements:

- Simple and complex country-specific tax legislation
- Cross-border transactions, including exports and Intra-European Community transactions
- Intercompany transactions
- Local compliance requirements for recording and reporting
- Continual changes to tax legislation, such as:
    - New taxes
    - Local law changes
    - Special tax rates
    - Special exceptions for products and customers

Task Lists

The Define Tax Configuration activity contains the following task lists

- Define Tax Configuration: Use these tasks to create a basic tax configuration for each of your tax regimes.
- Define Advanced Tax Configuration: Use these tasks to configure optional tax setup that addresses more complex tax requirements, such as exceptions to standard tax calculations.

Related Topics

- Foundation Tax Configuration
- Tax Rule Configuration

Considerations for Defining Tax Configuration for Transaction Taxes

To determine how to set up your tax configuration, you must first analyze your requirements.

Analyzing Your Transaction Tax Requirements

When you analyze your transaction tax requirements and use Oracle Fusion Tax and other Oracle Fusion applications to implement a solution, you must consider the following questions:

Question	Consideration	Impact to Tax Configuration
Who am I?	You must first answer questions about yourself and your relationship to the legal and regulatory agencies that enable you to operate in one or more counties.	
Where do I have operations and businesses?	Identify the countries: • Which you operate in • Where you are legally registered • Where you have subsidiary companies that are legally registered or have a legal presence	Use Oracle Fusion Legal Entity Configurator to capture information about your legal entities and legal registration.
What taxes am I subject to?	Analyze your tax environment for each of the countries in which you operate.	Set up your tax regimes, taxes, and tax jurisdictions according to the tax requirements for each country.
What are the operations and businesses that I have?	Consider the types of operations and businesses in which you are engaged and the countries where you have legal entities or reporting units. The following may impact your taxability: • The type of industries for which you work. For example, mining, telecommunications, and pharmaceuticals. • The kind of operations in which you engage. For example, trading, manufacturing, and services. • The scale of your operations. For example, your turnover, company size, and growth.	Use the classifications feature to categorize or classify your first parties under various classification schemes. In analyzing your operations, you can associate the three main classifications of a transaction to: • What you do: Use transaction fiscal classifications. • What products you buy or sell: Use product fiscal classifications. • Who your customers and suppliers are: Use party fiscal classifications.
What do I do?	Identify and classify the transactions that you perform.	Create fiscal classifications to classify and categorize your transactions in a common manner across your organization. Use these

Question	Consideration	Impact to Tax Configuration
	For example, do you primarily sell physical goods? If you do, do you manufacture them, or do you buy and sell them without additional manufacturing? Do you sell these goods in another state or province? Do you export these goods? Do you provide or use services?	fiscal classifications in tax rules to obtain the appropriate tax result.
What products do I buy or sell?	Determine the products that you buy and sell. The taxes that you are subject to depend on them. For example, you must register for, and therefore collect and remit service taxes only if you provide taxable services. If you manufacture goods for export, you may not be subject to taxes on the purchases that are part of the manufacture of such goods.	Where Oracle Fusion Inventory is installed use the Inventory Catalog feature with Oracle Fusion Tax product fiscal classifications and intended use functionality to classify the taxable nature and intended use of the items. You can then define tax rules using these classifications to obtain the appropriate tax result. To address classification needs of transactions that do not use inventory items, define product category and noninventory based intended use fiscal classifications.
Who are my customers and suppliers?	Determine the types of customers and suppliers. They can affect the taxes to which you are subject, the tax status, or tax rate that applies. For example, you are a UK based company that supplies physical goods to another country, which is also a member of the European Union. The transaction rate for UK VAT is dependent on whether the customer is registered for VAT in the country to which the supply is made.	Use the party classifications feature to categorize your customers and suppliers. You can use the classifications while defining tax rules to derive the appropriate tax result. You can create a party fiscal classification by assigning a Trading Community Model class category to a predefined party fiscal classification type code. The Trading Community Model class codes defined under the class category become fiscal classification codes belonging to the party fiscal classification type. You can create a hierarchy of party fiscal classification types to reflect the levels of codes and subcodes within the Trading Community Model classification.

Scope Values for Define Tax Configuration Task List

The scope defines the parameters of your implementation project by setting the context of a task list during the initial configuration.

When you export setup data based on setup migration services, the scope values serve as parameters to control the data selected for export to the respective configuration package.

The foundation tax setup is an incremental setup where each step of the foundation configuration builds on the previous step. The task list is sequentially organized. You can define scope values at incremental steps in the implementation project to move to subsequent tasks and to ensure continuity and ease of setup.

> **Note:** Scope is a valuable tool during implementation, but tax scope values are not mandatory. You can elect to not define them.

Defining Scope

When implementing transaction or withholding tax, you can define scope values for taxes, tax jurisdictions, tax statuses, tax rates, tax recovery rates, and tax rules. To set scope, you can:

- Select and add multiple values
- Create a new value

The scope value you select defines the context of that setup. For example, if you select a tax regime to use as a scope value for a tax, that value is automatically populated in the search attributes on the Manage Tax page. That tax regime's attributes are also populated on the Create Tax page. The same logic applies to the next step in the tax setup.

Scope Values

The following table identifies where you define the scope value in the Define Tax Configuration and Define Advanced Tax Setup task lists:

Where Scope is Defined	Scope Values
Manage Taxes	Tax regime
Manage Tax Rates and Tax Recovery Rates	• Tax regime • Tax • Tax status
Manage Tax Rules	• Tax regime • Tax
Manage Tax Jurisdictions	• Tax regime • Tax
Manage Tax Statuses	• Tax regime • Tax

Foundation Tax Configuration

Use Oracle Fusion Tax to set up and maintain your transaction and withholding tax requirements in all geographic locations where you do business. Foundation tax configuration refers to a set of tax setup components that you use to satisfy your tax requirements.

At transaction time, the tax configuration determines the following taxes and tax amounts:

- Taxes that apply to each transaction
- Transaction tax amount
- Withholding tax amount

Foundation tax configuration components consist of:

- Tax regimes
- Taxes
- Tax jurisdictions
- Tax statuses
- Tax rates

Foundation Tax Configuration

Complete the setup tasks to create a basic tax configuration for each of your tax regimes. A foundation tax configuration contains the data applicable to the taxes belonging to a tax regime. The following table describes the levels of specifying setup options for foundation tax components with Canada Goods and Services Tax (GST) and Harmonized Sales Tax (HST) as an example.

Component	Tasks you can perform:	Tasks you cannot perform:	Canada GST and HST Example
Tax Regime	• Share tax content among legal entities and business units. • Enable partner integration. • Associate fiscal classifications. • Define tax reporting types and codes. • Define features to influence setup task list.	• Define configuration owner tax options. • Define application tax options. • Define party tax profiles.	CA GST and HST
Tax	• Enable controls to influence tax behavior. • Specify defaults that are commonly applicable. • Define applicability tax rules. • Define customer exemptions. • Specify party registrations.	• Share tax content. • Define integration with partners.	• CA GST • CA HST
Tax Jurisdictions	• Define location-based tax rates. • Define customer exemptions and rate exceptions.	Specify tax rule defaults.	• CA Alberta GST • CA BC HST
Tax Status	• Define common rules for tax rates. • Drive reporting needs. • Allow manual override to tax rates.	• Specify tax rule defaults. • Define customer exemptions. • Specify party registrations.	• GST Standard • HST Standard • HST Reduced
Tax Rates	• Define tax rates by effective periods.	• Define customer exemptions. • Define applicability tax rules.	• CA GST Standard • CA GST Reduced

Component	Tasks you can perform:	Tasks you cannot perform:	Canada GST and HST Example
	• Specify tax account variations. • Define tax rate exceptions. • Define tax recovery rates.	• Define taxable calculation formulas. • Share tax content.	• CA GST Exempt • CA HST Standard

Tax Rule Configuration

Create a simple tax model using tax rule defaults predefined in the foundation tax configuration. You can also create tax rules for complex tax requirements that consider each tax requirement related to a transaction before making the final tax calculation.

When running the tax determination process, the tax rules defined against the foundation tax configuration setup and the details on the transactions are evaluated in the order of priority. If the first rule is:

- Successfully evaluated, the result associated with the rule is used.
- Not successfully evaluated, the next rule is evaluated until either a successful evaluation or a default value is found.

Tax Rule Configuration

The complexity of tax rule setup is categorized on the following basis:

- No tax rules required
- Simple tax rule regimes
- Complex tax regimes

The following table presents the scenarios and actions associated with each of these categories:

Category	Scenario	Action
No tax rules required	The tax authority levies tax on all sales and purchase transactions at the same rate. Tax applicability, tax rates and recovery rates do not vary based on: • Parties to the transaction • Products or services in the transaction • Business processes involved in the transaction	For the tax, define tax rule defaults for the tax status, tax rate, and tax recovery rate. The tax determination process uses the tax rule defaults to determine 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 apply to either:	Create a simple set of rules. For example, to identify the place of supply and tax registration, and use the tax rule default values for the other processes.

Category	Scenario	Action
	• One part of the transaction only, such as to certain parties. • A combination of parties, products, and transaction processes that you can summarize in a simple way.	The tax determination process uses tax rules and tax rule defaults to determine the tax.
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 may vary based on: • The place of origin • The place of destination • The party registration • The tax status • Service • 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.	Set up tax rule to define the logic necessary to identify each step of the tax determination process. The tax determination process uses the tax rules to determine the tax.

Related Topics
- Example of Defining an Exception to the Tax Registration Tax Rule Default

Example of Defining an Exception to the Tax Registration Tax Rule Default

Set a tax rule default value to the most commonly used value to determine tax. Use tax rules to define exceptions to the default results.

The following scenario illustrates when you might want to create a tax rule to provide additional logic when calculating tax.

Defining a Tax Registration Tax Rule

In the case of tax registration, the default or most commonly used value for registration party is ship-from party. However, you can set up a tax rule to provide additional logic to use the registration of the bill-to party if the registration status is Not Registered for the ship-from party for purchase transactions. Create:

- A determining factor set with the registration status and transaction business category determining factors.
- Condition sets to provide values for the respective determining factors.

For this example, the following setup exists for the Determine Tax Registration tax rule:

- Tax rule default: The default for tax registration is ship-from party.
- Tax rule: If the supplier is not registered, then you should consider the tax registration of the bill-to party.

When the following conditions are true, then the tax registration is the same as that defined for the bill-to party:

Tax Determining Factor Class	Tax Class Qualifier	Tax Determining Factor	Operator	Value
Registration	Ship-from party	Registration status	Equal to	Not registered
Transaction Generic Classification	Level 1	Transaction business category	Equal to	Purchase transaction

The tax determination process determines the tax registration by first considering the Determine Tax Registration tax rule and then the default party registration. As a result of this rule, for a purchase transaction, if the supplier is not registered, the tax registration of the bill-to party is considered.

2 Tax Configuration Using Rapid Implementation

Define Taxes for Rapid Implementation

Overview of Define Taxes for Rapid Implementation

The Define Taxes for Rapid Implementation task list provides the required and frequently used setup tasks for implementation scenarios. You can use rapid setup spreadsheets to upload your tax setups to create:

- Tax regimes
- Taxes
- Tax rates
- Tax thresholds

Use the standard Define Tax Configuration and Define Advanced Tax Configuration task lists if needed as an additional supplement for any:

- Ongoing maintenance of your tax setups that are not supported using rapid setup spreadsheets.
- Limited tax configurations that cannot be set up or updated using the rapid implementation approach.

Tasks

The Define Taxes for Rapid Implementation task list consists of the following tasks:

Task	Description	Required Task to Enable Taxes for Transactions
Manage Tax Regimes	Create and maintain tax regimes for the taxes in each country and geographic region where a separate tax or collection of taxes apply. You can use rapid setup spreadsheets to create tax regimes and tax regime subscriptions.	Yes
Run Jurisdiction and Rates Upload Program	Upload US sales and use tax jurisdictions and tax rates from a tax content provider.	No
Manage Taxes	Create and maintain details for the taxes of tax regimes. You can use rapid setup spreadsheets to create taxes.	Yes

Task	Description	Required Task to Enable Taxes for Transactions
Manage Tax Rates and Tax Recovery Rates	Create and maintain details for tax rates, tax recovery rates, and tax accounting associated with these rates. You can use rapid setup spreadsheets to create tax rates and tax recovery rates.	Yes
Manage Tax Rules	Create and maintain tax rules that define the conditions under which the exceptions to default taxability apply. You can use rapid setup spreadsheets to create tax rules.	No
Manage Tax Registrations	Create and maintain tax registration information related to a party's transaction tax or withholding tax obligation with a tax authority for a tax jurisdiction where it conducts business.	No
Manage Tax Exemptions	Create and maintain tax exemptions to reduce or increase the tax rate applied to a transaction.	No
Manage Simulator Transactions	Verify tax configuration for taxes that are enabled for simulation or for both simulation and transactions to process real-time transactions without affecting any active data.	No

Note: When preparing the spreadsheets offline for upload into Oracle Fusion Tax, populate the necessary spreadsheet columns for these tax entities based on known transaction tax business requirements. You can use the detailed instructions and individual column help text in the spreadsheets as a guide.

Related Topics

- Example of Creating a Tax Regime Using the Manage Tax Regimes Spreadsheet

Implement Tax

Oracle Fusion Tax provides a single-point solution for managing your transaction and withholding tax requirements.

Oracle Fusion Tax:

- Uniformly delivers tax services to all core Oracle Fusion application business flows through one application interface.
- Provides features for uploading third-party tax partner content.
- Is configurable and scalable for adding and maintaining country-specific tax content.

Setting Up Oracle Fusion Tax

The Define Taxes for Rapid Implementation task list provides the required and most frequently used setup tasks for implementation scenarios. Using spreadsheets, you can upload your tax setups to create tax regimes, taxes, tax rates, and tax rules.

You can use the standard Define Tax Configuration task list for:

- The ongoing maintenance of your tax setup.
- Limited tax configurations that can't be set up or updated using the rapid implementation approach.

To set up Oracle Fusion Tax, the Application Implementation Consultant or Tax Manager must perform the following tasks:

1. Manage tax regimes.
    - Perform the **Manage Tax Regimes** task to create and maintain tax regimes for the taxes in each country and geographic region where a separate tax or collection of taxes apply.

      You can use the Tax Configuration Workbook to upload all common tax regime setups as well as your organization specific setups, such as tax regime subscriptions.

      You can also use the individual Tax Regimes and Tax Regime Subscriptions spreadsheets to exclusively create tax regimes and tax regime subscriptions.
    - See the following topics::
        - Tax Configuration Workbook: Explained
        - Creating Tax Setup Using the Tax Configuration Workbook: Worked Example
        - Creating Tax Setup Using Tax Partner Content in the Tax Configuration Workbook: Worked Example
        - Tax Implementation Workbook: Explained
        - Creating Tax Setup Using the Tax Implementation Workbook: Worked Example
        - Creating a Tax Regime Using the Manage Tax Regimes Spreadsheet: Worked Example
2. Run the jurisdiction and rates upload program.
    - For SaaS (Oracle Cloud) implementations, run the Import Tax Configuration Content job.
    - Refer to the Tax Configuration Content Upload Program: How It Is Processed topic.
3. Manage taxes.
    - Perform the **Manage Taxes** task to create and maintain details for the taxes of tax regimes.

      You can use the Tax Configuration Workbook to upload all common tax setups.

      You can also use the individual Taxes spreadsheet to create taxes for a tax regime or a collection of tax regimes. Additionally, you can use the individual Tax Accounts spreadsheet to create tax account assignments.
    - See the following topics:
        - Tax Configuration Workbook: Explained
        - Creating Tax Setup Using the Tax Configuration Workbook: Worked Example
        - Creating Tax Setup Using Tax Partner Content in the Tax Configuration Workbook: Worked Example
        - Creating Tax Setup Using the Tax Implementation Workbook: Worked Example
4. Manage tax rates and tax recovery rates.

- Perform the **Manage Tax Rates and Tax Recovery Rates** task to create and maintain details for tax rates and tax recovery rates.

  You can use the Tax Configuration Workbook to upload all common tax rate and tax recovery rate setups.

  You can also use the individual Tax Rates, Tax Rate Accounts, Tax Recovery Rates, and Tax Recovery Rate Accounts spreadsheets to create:

  - Tax statuses
  - Tax jurisdictions
  - Tax rates
  - Tax recovery rates
  - Tax accounts
- See the following topics:

  - Tax Configuration Workbook: Explained
  - Creating Tax Setup Using the Tax Configuration Workbook: Worked Example
  - Creating Tax Setup Using Tax Partner Content in the Tax Configuration Workbook: Worked Example

5. Manage tax rules.

   - Perform the **Manage Tax Rules** task to create and maintain tax rules that define the conditions under which the exceptions to the default taxability apply.

     You can use the Tax Implementation Workbook to upload organization-specific tax rule setups.

     You can also use the individual Tax Rules spreadsheet to create tax rules details.
   - See the following topics:

     - Tax Implementation Workbook: Explained
     - Creating Tax Setup Using the Tax Implementation Workbook: Worked Example
6. Manage tax registrations.

   - Perform the **Manage Tax Registrations** task to create and maintain tax registration information related to a party's transaction tax obligation with a tax authority for a tax jurisdiction where it conducts business.

     You can use the Tax Implementation Workbook to upload your organization-specific tax registrations.
   - Refer to the Tax Registrations: Explained topic.
7. Manage tax exemptions.

   - Perform the **Manage Tax Exemptions** task to create and maintain tax exemptions to reduce or increase the tax rate applied to a transaction.
   - Refer to the Tax Exemptions: Explained topic.
8. Manage simulator transactions.

   - Perform the **Manage Simulator Transactions** task to verify tax configuration for taxes that are enabled for simulation or for both simulation and transactions by processing real-time transactions without affecting active data.
   - Refer to the Tax Simulator: Explained topic.

Related Topics

- Implementing Tax

Example of Creating a Tax Regime Using the Manage Tax Regimes Spreadsheet

This example shows you how to create a tax regime in Oracle Fusion Tax using the Manage Tax Regimes spreadsheet.

Spreadsheet entry and tax configuration upload facilitate a faster implementation. Here's what you can do with the spreadsheet feature:

- Populate new transaction tax configurations.
- Download the existing transaction tax configurations.

This table summarizes the key decisions for this scenario:

Decision to Consider	In This Example
What tax setup data are you creating?	Tax regime
Is the data an update to your existing tax configuration or is it new setup data?	New
Is there only one tax regime per country per tax type with the tax requirements administered by a government tax authority for the entire country?	Yes
Is this a parent tax regime?	No
Do you have an existing legal entity or business unit you want to subscribe to this tax regime?	Yes, a business unit

Prerequisites

To create tax data in a spreadsheet, you must ensure that the appropriate underlying master geography data already exists in Trading Community Model geographies.

Creating Tax Regime Setup Data in a Spreadsheet

Open the spreadsheets used for creating tax configuration from the Rapid Setup Spreadsheets list. The list is located in the Search Results table on the respective Manage page.

Here are the tasks in the Rapid Setup Spreadsheets for each rapid implementation task:

- Downloading a workbook or spreadsheet template for new setup data creation.

- Downloading existing setup data to a spreadsheet for reviewing existing setup data or adding new setup data.
- Uploading new setup data from a workbook or spreadsheet.

For this example, download the tax regimes spreadsheet template for new setup data creation from the Manage Tax Regimes page.

1. Go to the Manage Tax Regimes page.
2. From the Rapid Setup Spreadsheets list in the Search Results table, click **Download Tax Regimes Spreadsheet Template**.
3. Prepare your tax configuration using the Manage Tax Regimes spreadsheet.
4. Enter these values:

Column	Value
Tax Regime Code	US_SALES_TAX
Country	United States
Start Date	2001/01/01
End Date	Blank

5. Save the spreadsheet data file as a Comma Separated Values (CSV) file using the macro on the Instructions tab.
6. From the Rapid Setup Spreadsheets list in the Search Results table, click **Upload Tax Regimes from a Spreadsheet**.
7. In the Upload Tax Regimes from a Spreadsheet dialog box, select your file and click **Upload**.
8. On the Manage Tax Regimes page, select the **Monitor Upload and Download Processes**
9. Note the status of your process.
    - If the upload is successful, you can view your tax regime using the search criteria on the page.
    - If the upload fails, check the details in the corresponding error log, correct any file errors, and upload the file again. Any status other than Succeeded is considered a failure.

> **Note:** You can also download existing setups using the Download Tax Regimes to a Spreadsheet list item. Update that spreadsheet with the new tax regime details.

Creating Tax Regime Subscription Setup Data in a Spreadsheet

Since you have set up your legal entities and business units previously, you can subscribe them to the tax regime created earlier.

For this example, subscribe business unit, Business Unit 001, to the tax regime you created.

> **CAUTION:** You must ensure that the tax regime exists before uploading the Regime Subscriptions Spreadsheet Template.

1. Navigate to the Manage Tax Regimes page.

2. From the Rapid Setup Spreadsheets list in the Search Results table, click **Download Regime Subscriptions Spreadsheet Template**.
3. Prepare your tax configuration using the Manage Tax Regime Subscriptions spreadsheet.
4. Enter these values:

Column	Value
Tax Regime Code	US_SALES_TAX
Party Name	Business Unit 001
Party Type	Business unit owning tax content
Legal Entity Party Number	Blank
Enabled	Y
Effective Start Date	2001/01/01
Effective End Date	Blank

5. Save the spreadsheet data file as a CSV file using the macro on the Instructions tab.
6. From the Rapid Setup Spreadsheets list in the Search Results table, click **Upload Regime Subscriptions**.
7. In the Upload Regime Subscriptions from a Spreadsheet dialog box, select your file and click **Upload**.
8. Click the **Monitor Upload and Download Processes** tab.
9. Note the status of your process.
    - If the upload is successful, you can view your tax regime subscription using the search criteria on the page.
    - If the upload fails, check the details in the corresponding error log, correct any file errors, and upload the file again. Any status other than Succeeded is considered a failure.

> **Note:** You can also download existing setups using the Download Regime Subscriptions to a Spreadsheet list item. Update that spreadsheet with the new regime subscription record details.

Tax Configuration Content Upload Program

The tax configuration content upload program populates data for the United States (US) in both Oracle Fusion Tax and the Oracle Fusion Trading Community Model geography hierarchy using a single data file provided by specific tax partners.

This process is limited in geographic scope to just the United States.

The data file includes:

- US sales and use tax rate information for all states, counties, and cities which impose sales and use taxes.
- US state, county, city, and postal code geography combinations.

Alternatively, you can upload the tax partner content using the Tax Rapid Implementation spreadsheets. The spreadsheets are more flexible and support the upload of global tax content instead of just United States tax content. The Define Taxes for Rapid Implementation task list available in the Functional Setup Manager contains individual tasks from which external tax partners can access rapid implementation spreadsheet templates to provide the tax content to customers.

Settings That Affect Tax Configuration Content Uploads

The execution of the tax configuration content upload program differs depending upon the type of Oracle Fusion Applications implementation involved.

- For non-Software as a Service (SaaS) implementations, use the Run Jurisdiction and Rates Upload Program task in the Financials offering or the rapid implementation task list to start the Upload Tax Configuration Content job set. The Upload Tax Configuration Content job set consists of two individual jobs:
  a. Upload Tax Content File
  b. Process Tax Content Data
- For SaaS (Oracle Cloud) implementations, run the Import Tax Configuration Content job using the Scheduled Processes page.

You must populate all parameters displayed for each process to prevent errors. Specific parameters are as follows:

Parameter	Description
File Location and Name	The full application server directory path and file name related to the specific tax partner data file that is saved on the application server. **Note:** This parameter isn't used in Oracle Cloud implementations.
Tax Content Source	The name of the specific tax partner provider that was previously created in Oracle Fusion applications.
Tax Regime Code	The specific US tax regime code that already exists in Oracle Fusion Tax against which the data content upload is executed.

Prerequisites for a Cloud Implementation

Prior to running the Import Tax Configuration Content job in a Cloud implementation, to enable access to the tax partner data file, you must perform the following steps:

1. Log into Oracle Fusion applications using a specific user that has access to complete the tax configuration content upload process.

   Note: Predefined job roles such as Tax Manager, Financial Application Administrator, and Applications Implementation Consultant, have this access.

2. From the Navigator menu, go to the File Import and Export page.
3. Upload the compressed version of the tax partner data file from your local directory to the Universal Content Management server.
4. Enter **fin/tax/import** as the account.
5. Before you run the Import Tax Configuration Content job, run the Load Interface File for Import process from the Scheduled Processes page on the Navigator menu. You run this to transfer the data from the UCM server to the zx_data_upload_interface table.

How Tax Data Content Is Processed

The tax data content upload process:

1. Uploads all US sales and use tax rates available from a tax partner.
2. Uploads new or updated US sales and use tax rates available in monthly data files provided by a tax partner.
3. Creates entities for a specific US tax regime including:
    - Taxes
    - Tax statuses
    - Tax jurisdictions
    - Tax rates
4. Uploads US state, county, city, and postal code combinations into the Trading Community Model geography hierarchy.

Tip: Prior to initiating the tax data content upload for a tax regime, you have the option to configure taxes directly as:

- State
- County
- City

This approach is used to control configuration settings at the tax level. In this case, do not enable the taxes for simulation or for both simulation and transaction purposes until you are certain that there will not be changes to tax-level configuration.

If you configure taxes before initiating the tax data content upload for a tax regime, you can configure tax liability accounts at the tax level. The tax liability accounting configuration predefined at the parent tax level is automatically assigned to child tax jurisdictions and tax rates created during the tax data content upload process.

Tax Configuration Workbook

Use the Tax Configuration Workbook to upload all common tax setups. For example, create standard state, county, and city sales tax rates within the US using this workbook.

Tax Configuration Workbook Worksheets

The Tax Configuration Workbook is a Microsoft Excel spreadsheet template with six common tax setup worksheets:

Worksheet	Predefined Data Content	Setup Options
Manage Tax Regimes	Yes	Option 1: Use the tax regimes that are already included for 28 countries. You can modify or delete any of the predefined tax regimes where needed. Option 2: Use tax partner content for the Tax Configuration Workbook.
Manage Taxes	Yes	Option 1: Use the taxes that are already included for 28 countries. You can modify or delete any of the predefined taxes where needed. Option 2: Use tax partner content for the Tax Configuration Workbook.
Manage Tax Zones	No	Prepare the tax zones with the appropriate corresponding geographies.
Manage Rates	No	Option 1: Prepare the tax rates. Option 2: Use tax partner content for the Tax Configuration Workbook.
Manage Tax Thresholds	No	Option 1: Prepare the tax thresholds or maximum taxes. Option 2: Use tax partner content for the Tax Configuration Workbook.
Manage Tax Recovery Rates	No	Option 1: Prepare the tax recovery rates. Option 2: Use tax partner content for the Tax Configuration Workbook.

Related Topics

- Example of Creating Tax Setup Using the Tax Configuration Workbook
- Example of Creating Tax Setup Using Tax Partner Content in the Tax Configuration Workbook

Example of Creating Tax Setup Using the Tax Configuration Workbook

This example shows how you can create standard sales tax rates within the US using the Tax Configuration Workbook. You can create sales tax rates at state, county, and city levels using this method.

Here's a summary of key decisions you make in this scenario:

Decision to Consider	In This Example
What tax setup are you creating?	Tax Rates
Do you have exception rules for calculating US sales tax on transactions?	No
Do you use tax partner content?	No

Creating Tax Setup

Follow these steps to create tax rates in the Tax Configuration Workbook:

1. Navigate to the Manage Tax Regimes page.
2. Click the **Rapid Setup Spreadsheets** button and select **Download Tax Configuration Workbook**.
3. Save the Tax Configuration Workbook in your local directory.
4. Review the details on the Instructions sheet of the workbook.
5. For the Manage Tax Regimes and Manage Taxes worksheets, use the predefined content for the US sales tax. You can modify or delete the predefined content where needed.
6. Use the instructions and the column help text to populate the required setups in the Manage Rates worksheet.
7. After completing the Tax Rates worksheet, go to Instructions sheet again.
8. Click **Generate CSV File**. It performs theses actions:
    - Saves the entire Tax Configuration Workbook data in a comma separated values (CSV) file.
    - Saves the CSV file into a single compressed file attachment.
9. Save the compressed file attachment in your local directory.
10. Click the **Rapid Setup Spreadsheets** button and select **Upload Tax Configuration Workbook.**
11. Select the compressed file that you saved earlier.
12. Click **Open** and then click **Upload**.
13. Note the process ID and click the Monitor Upload and Download Processes tab.
14. Click **Refresh** and ensure that the process ID completes with a Succeeded status.
    - If the status of the upload process is Succeeded, you can view your setups using the search criteria on the page.
    - If the status of the upload process isn't Succeeded, your upload has failed. Check the details in the corresponding error log, correct any file errors, and reupload the file.

Related Topics

- Example of Creating Tax Setup Using Tax Partner Content in the Tax Configuration Workbook

Example of Creating Tax Setup Using Tax Partner Content in the Tax Configuration Workbook

This example shows how to create standard sales tax jurisdictions and tax rates within the US using tax partner content in the Tax Configuration Workbook. You can create sales tax jurisdictions at state, county, and city levels using this method.

Here's a summary of key decisions you make in this scenario:

Decision to Consider	In This Example
What tax setup are you creating?	• Tax regime • Taxes • Tax jurisdictions • Tax rates
Do you have exception rules for calculating US sales tax on transactions?	No
Do you use tax partner content?	Yes

Prerequisites

Before you begin, you must obtain the tax data content required to populate the Tax Configuration Workbook template. Contact your tax partner representatives to get these details.

Creating Tax Setup

Follow these steps to create tax setups using tax partner content in the Tax Configuration Workbook:

1. Open the Tax Configuration Workbook provided by your tax partner and go to the Instructions sheet.
2. Click **Generate CSV File**. It performs these actions:
    - Saves the entire Tax Configuration Workbook data in a comma separated values (CSV) file.
    - Saves the CSV file into a single compressed file attachment.
3. Save the compressed file attachment in your local directory.
4. On the Manage Tax Regimes page, click the **Rapid Setup Spreadsheets** button and select **Upload Tax Configuration Workbook**.
5. Select the compressed file that you saved earlier.
6. Click **Open** and then click **Upload**.
7. Note the process ID and go to the Monitor Upload and Download Processes tab.
8. Click **Refresh** and ensure that the process ID completes with a Succeeded status.
    - If the status of the upload process is Succeeded, you can view your setups using the search criteria on the page.
    - If the status of the upload process isn't Succeeded, your upload has failed. Check the details in the corresponding error log, correct any file errors, and reupload the file.

Related Topics

- Example of Creating Tax Setup Using the Tax Configuration Workbook

Tax Implementation Workbook

Use the Tax Implementation Workbook to upload the following items into Oracle Fusion Tax or supporting products such as the Oracle Fusion Trading Community Model (party classifications) or Oracle Fusion Inventory (product fiscal classifications):

- Tax regime subscriptions
- Tax registrations
- Tax exemptions
- Party classifications
- Tax reporting codes
- Tax payer identifiers
- Product fiscal classifications
- Tax rules

For example, use the Tax Implementation Workbook to assign your particular business units or legal entities to a tax regime to calculate taxes on transactions.

Tax Implementation Workbook Worksheets

The Tax Implementation Workbook is a Microsoft Excel spreadsheet template with nine tax setup worksheets:

Worksheet	Implementation Notes
Tax Regime Subscriptions	Assign single or multiple business units or legal entities to a tax regime.
Party Tax Profile Controls	Create party tax profiles for legal reporting units, third parties, and third-party sites where needed. This worksheet is not used regularly because party tax profiles are usually created automatically when the core baseline entity is created. For example, a legal reporting unit party tax profile is created automatically when you create the corresponding legal entity as part of the standard enterprise structure configuration. In exceptional cases where party tax profiles are not created automatically, unhide and use this worksheet.
Tax Registrations	Assign tax registrations for first-party legal reporting units, third parties, and third-party sites for tax determination or self-assessment of taxes. Setting up tax registrations is optional.
Tax Exemptions	Create tax exemption configuration for third parties and third-party sites. Setting up tax exemptions is optional. For example, the configuration of state-level customer exemption certificates in the United States. When an exemption is granted to a customer through an exemption certificate, the exemption certificate information is uploaded for a specific state. You can also apply the exemption certificate at all lower levels within the state such as all county and city levels. For a blanket customer exemption certificate that is not state-specific, no tax jurisdiction information must be specified.

Worksheet	Implementation Notes
Party Classifications	Create party fiscal classifications for subsequent use in tax rules having a party fiscal classification determining factor class. Creation of party fiscal classifications is supported for legal reporting units, legal entities, third parties, and third-party sites. However, party fiscal classifications in tax rules that apply to a large grouping of the third party and third-party sites are typically created for third parties and third-party sites such as customers, customer sites, suppliers, or supplier sites. The tax rules which use party fiscal classifications are defined using the Tax Rules worksheet while the prerequisite party fiscal classifications referenced in the tax rules are defined in the Party Classifications worksheet. The tax rules which use party fiscal classifications are defined using the tax rules worksheet while the prerequisite party fiscal classifications referenced in the tax rules are defined in the party classifications worksheet.
Tax Reporting Codes	Create tax reporting codes and tax reporting types for downstream use in tax reports. Tax reporting types 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. You may create tax reporting codes for a tax reporting type to provide additional granularity for tax reporting.
Tax Payer Identifiers	Define specific Taxpayer IDs for third parties and third-party sites for purposes of reporting.
Product Fiscal Classifications	Create product fiscal classifications for subsequent use in tax rules having a product inventory linked determining factor class. In practice, product fiscal classifications are created to categorize a group of individual items associated with an inventory catalog for which there is similar tax treatment across the majority of the individual items. In this context, items could be specific goods or services and the product fiscal classifications could be a corresponding categorization of those goods or services, which are treated similarly from a tax determination perspective. The tax rules that use product fiscal classifications are defined using the Tax Rules worksheet. The prerequisite product fiscal classifications referenced in the tax rules are defined in the Product Fiscal Classifications worksheet.
Tax Rules	Define business-driven or industry-specific taxability or tax exemption rules. Option 1: Prepare the tax rules. Option 2: Use tax partner content for the Tax Implementation Workbook. Typically, tax partners deliver their primary common configuration using the Tax Configuration Workbook. However, they may also deliver unique taxability and tax exemption rules once clients have defined their specific business and industry needs in this area.

Related Topics

- Example of Creating Tax Setup Using the Tax Implementation Workbook

Example of Creating Tax Setup Using the Tax Implementation Workbook

This example shows how you can create organization-specific tax regime subscriptions and tax rules using the Tax Implementation Workbook.

Scenario: You own a single business unit in the US used in processing payables invoices. You must calculate US sales tax on these transactions. You have already created the tax regime for the US sales tax. Here's what you want to do next:

1. Assign this business unit to the tax regime.
2. Set up a basic tax rule.

This table gives you a summary of key decisions you make in this scenario:

Decision to Consider	In This Example
What tax setup are you creating?	• Tax regime subscription • Tax rule
Do you have an existing legal entity or business unit you want to subscribe to this tax regime?	Yes, a business unit

Prerequisites

You must first create your required foundation tax setups, including any among these:

- Tax regimes
- Taxes
- Tax statuses
- Tax jurisdictions
- Tax rates

Creating Tax Setup

Follow these steps to create tax regime subscriptions and tax rules in the Tax Implementation Workbook:

1. Navigate to the Manage Tax Regimes page.
2. Click the **Rapid Setup Spreadsheets** button and select **Download Tax Implementation Workbook**.
3. Save the Tax Implementation Workbook in your local directory.
4. Review the details on Instructions sheet of the workbook.
5. Use the instructions and the column help text to populate the required setups in the Manage Tax Regime Subscriptions and Tax Rules worksheets.
6. After completing the Manage Tax Regime Subscriptions and Tax Rules worksheets, go to the Instructions sheet again.
7. Click **Generate CSV File**. It performs these actions:

- Saves the entire Tax Implementation Workbook data in a comma separated values (CSV) file.
- Saves the CSV file into a single compressed file attachment.

8. Save the compressed file attachment in your local directory.
9. Click the **Rapid Setup Spreadsheets** button and select **Upload Tax Implementation Workbook**.
10. Select the compressed file that you saved earlier.
11. Click **Open** and then click **Upload**.
12. Note the process ID and click the Monitor Upload and Download Processes tab.
13. Click **Refresh** and ensure that the process ID completes with a Succeeded status.

- If the status of the upload process is Succeeded, you can view your setups using the search criteria on the page.
- If the status of the upload process isn't Succeeded, your upload has failed. Check the details in the corresponding error log, correct any file errors, and reupload the file.

FAQs for Define Taxes for Rapid Implementation

Can I only use the rapid implementation task list to create my tax configuration?

No, you don't have to use the rapid implementation task list to create your tax configuration. You can also configure taxes using these task lists:

- Define Tax Configuration task list
- Define Advanced Tax Configuration task list

Alternatively, you can search for a specific individual task in Setup and Maintenance work area.

However, using the rapid implementation task list has its own advantages. It greatly speeds up and simplifies the transaction tax implementation process. It only includes setup tasks that are required and most frequently used in implementation scenarios.

What's the difference between the Tax Configuration Workbook and the Tax Implementation Workbook?

You can use the Tax Configuration Workbook to upload all common tax setups into Oracle Tax. For example, consider a 4% sales tax rate that generally applies to all customer sales transactions taking place within the state of Alabama.

On the other hand, the Tax Implementation Workbook is for uploading only tax setups specific to your organization. Use this workbook to upload details into Oracle Tax as well as other supporting products. For example, you may want to calculate taxes on receivables or payables transactions for your particular business units or legal entities. All you have to do is use this workbook to assign these entities to a tax regime.

What happens during spreadsheet upload?

During a spreadsheet upload, the process automatically compares the spreadsheet records with the preexisting configuration. If an individual spreadsheet record already exists, the application doesn't insert that spreadsheet record again. The application only uploads new spreadsheet records for which a configuration doesn't already exist.

Can I update an existing tax configuration using spreadsheet upload?

Yes, you can use spreadsheet upload to update an existing tax configuration for specific tax rate and tax recovery rate fields. Here's a list of worksheets and the fields that you can update using these worksheets:

Worksheet	Fields
Manage Rates	• Tax Rate • Set as Default Rate • Default Recovery Rate Code • Effective End Date • Inner City Jurisdiction
Manage Tax Recovery Rates	• Tax Rate • Set as Default Rate

How can I identify the cause of an error during a tax spreadsheet upload?

You can review spreadsheet upload errors on the Manage Tax Regimes page.

Just go to the **Monitor Upload and Download Processes** tab and open the output file and the log file generated for your process ID. All you have to do is just correct the errors in the spreadsheet and upload it again.

3 Tax Configuration

Define Tax Configuration

Regime to Rate Setup

Regime to rate setup contains the details of a tax regime, including all taxes, tax jurisdictions, tax statuses, and tax rates. You can update existing records or create new records at any point in the tax regime hierarchy.

Regime to rate setup tasks include:

- Tax regimes
- Taxes
- Tax jurisdictions
- Tax statuses
- Tax rates

Tax Regimes

Set up tax regimes in each country and geographical 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 optionally, registrations, to one or more taxes. For example, in the US, create a Sales and Use Tax tax regime to group taxes levied at the state, county, and district levels. For the UK, create a tax regime for GB VAT.

Taxes

Set up details for the taxes of a tax regime. Each separate tax in a tax regime includes records for the tax statuses, tax rates, and tax rules that are used to calculate and report on the tax.

For example, for US Sales and Use Tax define a tax for each state, county, and city. For the UK, set up a tax for GB VAT.

Tax Jurisdictions

Set up tax jurisdictions for geographic regions or tax zones where a specific tax authority levies a tax. A tax jurisdiction specifies the association between a tax and a geographic location.

You also use tax jurisdictions to define jurisdiction-based tax rates. A tax jurisdiction tax rate is a rate that's distinct to a specific geographic region or tax zone for a specific tax.

For example, for US Sales and Use Tax create a county jurisdiction for every county in the parent geography type of State and in the parent geography name of California. For the UK, create a tax jurisdiction for the country of United Kingdom.

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 specific tax on the transaction.

For example, for US Sales and Use Tax create a tax status for standard and exempt. For the UK set up separate tax statuses for standard, zero, exempt, and reduced rates.

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, for US Sales and Use Tax create a tax rate for each tax jurisdiction (jurisdiction-based rates). For the UK, set up separate tax rates for standard, zero, exempt, and reduced (tax status-based rates).

Tax Recovery Rates

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.

For example, organizations that produce VAT-applicable goods and services are allowed to recover 100% of the VAT they pay on typical purchases. They would use a default 100% recovery rate.

Organizations, such as financial institutions, which create services that are exempt from VAT, are not able to recover VAT on their normal purchases. They would use a default 0% recovery rate.

Related Topics

- Foundation Tax Configuration
- Tax Regimes
- Taxes
- Tax Jurisdictions
- Tax Rate Setup

Tax Regimes

Set up tax regimes in each country and geographical region where you do business and where a separate tax applies.

The tax regime provides these functions:

- Groups similar taxes together
- Designates the geography within which taxes apply
- Applies as defaults the settings and values that you define for each tax in the tax regime
- Defines for which taxes the configuration options apply and a specific subscription option applies
- Provides a single registration for all taxes associated with the tax regime
- Defines the use of fiscal classifications as follows:
    - Transaction fiscal classifications
    - Product fiscal classifications
    - Party fiscal classifications

Tax Regime Setup

Define a tax regime:

- Per country per tax type, with the tax requirements administered by a government tax authority for the entire country.
- For standard geographical types or subdivisions within a country, such as a:
    - State
    - Province
    - County
    - City

  In these cases, you base the tax regime on the Oracle Fusion Trading Community Model standard geography.
- 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. 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 appear as defaults on the taxes that belong to the tax regime in order to help minimize tax setup.

You must associate a tax regime with all of the first-party legal entities and business units that are subject to the tax regulations of the tax regime. You can set up tax configuration options when you create or edit a tax regime or when you create or edit a first-party legal entity tax profile. Both setup flows appear and maintain the same party and tax regime configuration options.

Related Topics

- How You Set Up Tax Regime

Taxes

Set up details for the taxes of a tax regime. Each separate tax in a tax regime includes records that are used to calculate and report on the tax, including:

- Tax statuses
- Tax rates
- Tax rules

Identify what taxes you must define. Each tax appears as a single tax line on a transaction. If you need to show or report more than one tax line per transaction line on a transaction, then you should set up more than one tax. For example, for US Sales and Use Tax you would define a tax for each state, county, and city.

Tax Setup

Oracle Fusion Tax applies as defaults tax information from the tax regime to each tax that you create for a tax regime. You can modify this information at the tax level according to your needs, as well as add additional defaults and

overrides. For tax rule defaults, specify values that apply to the majority of your transactions. Use tax rules to configure exceptions to the tax rule defaults.

You can create a new tax, or create a tax that's based on an existing tax within the tax regime. You do this to minimize setup by sharing tax jurisdictions and tax registrations. 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. Attributes that are copied and are display only include:

- Tax regime
- Tax
- Geography definition
- Tax jurisdiction settings

Note: The enable tax settings are not selected, in the same way that they are not selected when you access the Create Tax page.

You can enable a tax for simulation or for transactions only after you have completed all of the required setup.

Related Topics

- Tax Controls and Defaults

Tax Jurisdictions

Set up tax jurisdictions for geographic regions or tax zones where a specific tax authority levies a tax. A tax jurisdiction specifies the association between a tax and a geographic location.

At transaction time, Oracle Fusion Tax derives the jurisdiction or jurisdictions that apply to a transaction line based on the place of supply.

Tax Jurisdiction Setup

You must set up at least one tax jurisdiction for a tax before you can make the tax available on transactions.

You can use tax jurisdictions to define jurisdiction-based tax rates. A tax jurisdiction tax rate is a rate that's distinct to a specific geographic region or tax zone for a specific tax.

You can also create multiple jurisdictions at once using the mass create functionality for taxes that relate to specific Trading Community Model geographic hierarchies. For example, create a county jurisdiction for every county in the parent geography type of State and in the parent geography name of California.

The tax within a tax jurisdiction can have different rates for the parent and child geographies. For example, a city sales tax rate can override a county rate for the same tax. In this case, you can set up an override geography type for the city and apply a precedence level to the city and county tax jurisdictions to indicate which tax jurisdiction takes precedence.

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 tax rate for the applicable customers and receivables tax. Inner city tax jurisdictions are often based on postal code groupings.

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 specific tax on the transaction.

Tax Status Setup

Define a tax status to group one or more tax rates that are the same or similar in nature.

For example, one tax can have separate tax statuses for standard, zero, exemptions, and reduced rates. A zero rate tax status may have multiple zero rates associated with it, such as Intra-EU, zero-rated products, or zero-rated exports.

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

Related Topics

- How You Set Up Tax Status Controls and Defaults

Minimum Tax Configuration

The minimum tax configuration to meet the basic tax requirements of your transaction and withholding taxes comprise of defining a tax regime and associated taxes.

The two steps in defining the minimum tax configuration are:

1. Define tax regime: This step includes the tax regime definition as well as the subscription by the appropriate legal entity or business unit.
2. Define transaction and withholding taxes: This step includes the basic tax definition, controls and defaults, direct and indirect tax rule defaults, and tax accounts.

The following prerequisite setups must be completed for minimum tax configuration:

- First parties, such as legal entities and business units
- Tax geographies and zones
- Ledger and accounts

A legal entity tax profile is automatically created when a legal entity is defined in the implementation. Similarly, a business unit tax profile is automatically created when a business unit is defined. For the business unit, indicate whether it uses the subscription of the legal entity instead of creating its own.

Define Tax Regime

The first step includes the tax regime definition and subscription by an appropriate legal entity or business unit. While creating your tax regime, you can minimize configuration and maintenance costs by creating content that can be shared by more than one entity. For example, legal entities can subscribe to the shared reference data instead of creating separate and repetitive data. If the subscribing legal entities have some variations in their setup, you can create override data to meet the specific exceptions that are applicable to these organizations.

Define Transaction and Withholding Taxes

The second step includes basic tax definition, such as:

- Geographic information
- Controls and defaults
- Direct and indirect tax rule defaults
- Tax accounts

The basic tax definition includes controls that you can set to provide the override capability at transaction time. For example, allow users to make manual updates on transaction tax lines, select the **Allow override for calculated tax lines** and the **Allow entry of manual tax lines** options. However, to enforce automatic tax calculation on transaction tax lines, don't enable these options.

Use the direct and indirect tax rule defaults to specify the values that apply to the majority of your transactions. Create tax rules to address the exceptions or variations to the defaults. For example, for the Goods and Services Tax (GST) that applies to the supply of most goods and services in Canada, set the Tax Applicability default to **Applicable**. A luxury tax, on the other hand, is a tax on luxury goods or products not considered essential. As it doesn't apply to most goods and services, set the Tax Applicability direct tax rule default to **Not Applicable**. Then create a tax rule to make the tax applicable when the product in the transaction satisfies the luxury requirement.

Assign your default tax accounts for the taxes in a tax regime to post the tax amounts derived from your transactions. The tax accounts you define at the tax level, populate either the tax rate accounts or tax jurisdiction accounts for the same ledger, and optionally, the same business unit. You can update these default tax accounts in the tax rate or tax jurisdiction setup.

> **Note:** When you create your tax, the tax recoverable account and tax liability account may be prepopulated from default account values defined in the Rapid Implementation for General Ledger spreadsheet upload. You can override these values.

Related Topics

- Tax Configuration Options
- Minimum Tax Configuration Setup
- Regime to Rate Setup
- Example of Setting Up Minimum Tax Configuration

Minimum Tax Configuration Setup

Define the minimum tax configuration setup to handle the majority of your tax requirements. As part of defining transaction and withholding taxes, decide the direct and indirect tax rule defaults for the tax and set up the associated tax accounts.

For complex tax requirements, create tax rules that consider each tax requirement related to a transaction before making the final tax calculation.

Setting Up Direct Tax Rule Defaults

The direct tax rule defaults are the default values for the direct tax rule types, which include:

- Place of supply
- Tax applicability
- Tax registration
- Tax calculation formula
- Taxable basis formula

The following table describes the direct tax rule defaults and examples:

Direct Tax Rule Default	Usage	Example
Place of Supply	Indicates the specific tax jurisdiction where the supply of goods or services is deemed to have taken place.	In Canada, the place of supply for Goods and Services Tax (GST) is typically the ship-to location. To handle the majority of GST transactions, select **Ship to** as your default place of supply. **Note:** The corresponding place of supply differs based on the type of transaction. For example, a place of supply of **Ship to** corresponds to the location of your first-party legal entity for Payables transactions. For Receivables transactions, **Ship to** corresponds to the location of your customer site.
Tax Applicability	Indicates whether the tax is typically applicable or not applicable on transactions.	The GST in Canada is a tax that applies to the supply of most property and services in Canada. When you create the GST tax, select **Applicable** as your default tax applicability.
Tax Registration	Determines the party whose tax registration status is considered for an applicable tax on the transaction.	With a direct default of bill-to party, the tax registration of the bill-to party is considered. The application stamps their tax registration number onto the transaction, along with the tax registration number of the first-party legal reporting unit.
Tax Calculation Formula	Represents the typical calculation of tax for a transaction line.	A common formula, **STANDARD_TC**, is predefined, where the tax amount is equal to the tax rate multiplied by the taxable basis.
Taxable Basis Formula	Represents the amount on which the tax rate is applied.	The following common formulas are predefined: • **STANDARD_TB**: The taxable basis is equal to the line amount of the transaction line.

Direct Tax Rule Default	Usage	Example
		• **STANDARD_QUANTITY**: The taxable basis is equal to the quantity of the transaction line. • **STANDARD_TB_DISCOUNT**: The taxable basis is the line amount of the transaction line less the cash discount.

Note: Use the Manage Tax Rules task to define exceptions to the direct tax rule defaults you define for the tax.

Setting Up Indirect Tax Rule Defaults

The indirect tax rule defaults for a tax include:

- Tax jurisdiction
- Tax status
- Tax recovery rate
- Tax rate

The following table describes the indirect tax rule defaults and examples:

Indirect Tax Rule Default	Usage	Example
Tax Jurisdiction	Indicates the most common geographic area where a tax is levied by a specific tax authority.	Value-added tax (VAT) is applicable to the supply of most goods and services in Portugal. For the tax PT VAT, create the default tax jurisdiction as the country of Portugal. To address specific tax regions such as Azores and Madeira, which have lower VAT rates than Portugal, define jurisdiction rates with different VAT rates.
Tax Status	Indicates the taxable nature of the majority of your transactions.	If your operations primarily include zero-rated transactions, select the default tax status as **Zero** instead of **Standard**. This setting facilitates tax determination when multiple zero rates are defined to handle different reporting requirements for zero rate usage, such as intra-EU, zero-rated products, or zero-rated exports.
Tax Recovery	Indicates the recovery rate to apply to each recovery type for each applicable tax on a purchase transaction.	In Canada, both federal and provincial components of Harmonized Sales Tax (HST) are 100% recoverable on goods bought for resale. In this case, with two recovery types, you can set up two recovery rate defaults for the HST tax.
Tax Rate	Specifies the default tax rate that is applicable to the majority of your transactions associated with this tax. You can create additional tax setup, such as jurisdiction rates, or create tax rules to set alternate values as required.	HST in Canada is applied at a 13% rate in most provinces that have adopted HST. The exceptions are British Columbia where the rate is 12% and Nova Scotia where the rate is 15%. To satisfy this requirement:

Indirect Tax Rule Default	Usage	Example
		• Define a single rate of 13% with no jurisdiction. • Define a 12% rate and associate it with the British Columbia jurisdiction. • Assign a 15% rate to Nova Scotia. This minimizes the setup required by creating an exception-based setup.

Note: Use the Manage Tax Rules task to define exceptions to the indirect tax rule defaults you define for the tax.

Setting Up Tax Accounts

Set up tax accounts at the tax level. The application automatically copies the tax account combination to the tax rate accounts or tax jurisdiction accounts that you create for the tax for the same ledger and optionally, the same business unit. Any subsequent changes you make to existing tax accounts at the tax level aren't copied to the tax rate or tax jurisdiction level.

Define tax accounts at any of the following levels. The defaulting option is only available at the tax level.

- Tax
- Tax jurisdiction
- Tax rate
- Tax recovery rate

Note: When you create your tax, the tax recoverable account and tax liability account may be prepopulated from default account values defined in the Rapid Implementation for General Ledger spreadsheet upload. You can override these values.

Set up tax accounts for the following:

Account	Description
Ledger and **Business Unit**	The ledger and business unit for which you are creating the tax accounts.
Interim Tax	An account that records tax recovery or liability until the event prescribed by the statute is complete. Generally, the payment of the invoice is the event that triggers the generation of the tax recovery or liability. You must set up an interim tax account for taxes and tax rates that have a deferred recovery settlement. Once you set up an interim tax account for this tax rate, you can't change the recovery settlement to **Immediate**.
Tax Recoverable Account	An account that records tax recovery amounts. If you set up recovery rates for a tax that you also self assess, then define a tax recovery account for the associated recovery rates.
Tax Liability Account	An account that relieves tax liability amounts. If you set up recovery rates for a tax that you also self assess, then define a tax liability account for the associated tax rates.

Account	Description
Finance Charge Tax Liability	An account that records the tax liability associated with finance charges that is used as a deduction against overall tax liability.
Nonrecoverable Tax Accounts	Accounts that record tax amounts on earned and unearned discounts and adjustments that you can't claim as a deduction against tax liability.
Expense and 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.

Related Topics

- Minimum Tax Configuration
- Tax Rules
- Example of Setting Up Minimum Tax Configuration

Example of Setting Up Minimum Tax Configuration

This example shows how to complete the minimum tax configuration to meet the basic requirements for the Goods and Services Tax (GST) in Canada.

Set up a tax regime for both GST and Harmonized Sales Tax (HST) for ABC Corporation. Create a recovery type for the fully recoverable status of the transaction.

In Canada, GST applies to the supply of most property and services in Canada. However, some provinces have combined their provincial sales tax with the GST to create the HST. This system applies to British Columbia, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador. In this context, these provinces are known as the participating provinces. Generally, HST applies to the same base of property and services as GST. Every province in Canada except Alberta has implemented either provincial sales tax or the HST. In countries like Canada, some or all taxes on business transactions for registered companies are recoverable taxes.

This table shows a summary of key decisions for this scenario:

Decision to Consider	In This Example
What province does ABC Corporation do business in?	Alberta
What taxes are applicable?	GST
Do you want to set up tax accounts at the tax level?	Yes

The tax implications in this scenario are:

- Five percent (5%) GST is applicable on the sale of goods in Alberta
- Neither the HST nor provincial sales tax applies in Alberta
- Place of supply for GST is generally based on the place of delivery or ship-to location.

To determine the GST in Alberta, perform these steps:

1. Define the tax regime
2. Define the transaction taxes
3. Create the default rules for direct tax
4. Create the default rules indirect tax
5. Enable the tax

Defining the Tax Regime

1. In the Setup and Maintenance work area, click **Financials > Transaction Tax > Manage Tax Regimes**.
2. On the Manage tax regimes page, click **Create**.
3. On the Create Tax Regime page, enter the tax regime name and code.
4. Enter these values in the fields on the page:

Field	Value
Regime Level	Country
Country	Canada
Start Date	1/1/01 **Note:** Consider your tax planning carefully before you enter the start 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. If you enter an end date, you can't update this date after you save the record.
Tax Currency	CAD - Canadian Dollar
Allow cross regime compounding	Select

5. On the Configuration Options tab, select a party name. The party name is either the legal entity or the business unit (or both) for which you set up the configuration.
6. Select a subscription from the **Configuration of Taxes and Rules** list. This subscription defines the configuration owner setup for transactions of the legal entity and business unit for this tax regime.
7. Enter the effective start date for this configuration option. This date must be within the date range of both the party tax profile and the tax regime.
8. Click **Save and Close**.

Defining the Transaction Taxes

1. In the Setup and Maintenance work area, click **Financials > Transaction Tax > Manage Taxes**.
2. On the Manage Taxes page, click **Create**.
3. On the Create Tax page, enter these fields:

Field	Value
Tax Regime Code	CA GST and HST
Configuration Owner	Global configuration owner
Tax	CA GST
Geography Type	Province
Parent Geography Type	Country
Compounding Precedence	10
Allow override of calculated tax lines	Select
Allow multiple jurisdictions	Select
Allow creation of multiple of jurisdictions	Select
Allow tax recovery	Select
Allow tax recovery rate override	Select
Primary Recovery Rate	Standard

Assigning the Tax Accounts

1. Navigate to the Tax Accounts tab and click **Create**.

2. Enter these values:

Field	Value
Primary Ledger	CA Ledger
Business Unit	CA Operations
Tax Recoverable Account	0001-1500-1100-1000
Tax Liability Account	0001-1500-1100-1000

Creating the Default Direct Tax Rules

1. Navigate to the Tax Rule Defaults tab and click **Create**.
2. Enter these values:

Field	Value
Place of Supply	Ship to
Tax Applicability	Applicable
Tax Registration	Ship-from party
Tax Calculation Formula	STANDARD_TC
Taxable Basis Formula	STANDARD_TB

Creating the Default Indirect Tax Rules

1. On the Tax Rules Defaults tab, select **Tax Jurisdiction** as your rule type and click **Create Default**.
2. On the Create Tax Jurisdiction page, enter these values:

Field	Value
Tax Jurisdiction Code	CA Alberta
Geography Type	Province

Field	Value
Geography Name	AB
Set as default jurisdiction	Select
Default Start Date	1/1/01

3. Click **Save and Close**.
4. Select **Tax Status** as your rule type and click **Create Default**.
5. On the Create Tax Status page, enter these values:

Field	Value
Tax Status Code	CA GST STD
Set as default tax status	Select
Default Start Date	1/1/01

6. Click **Save and Close**.
7. Select **Tax Recovery Rate** as your rule type and click **Create Default**.
8. On the Create Tax Recovery Rate page, enter these values:

Field	Value
Tax Recovery Rate Code	CA GST STD REC RATE
Recovery Type	STANDARD
Rate Percentage	100
Effective Start Date	1/1/01
Set as Default Rate	Select
Default Start Date	1/1/01

9. Click **Save and Close**.

10. Select **Tax Rate** as your rule type and click **Create Default**.
11. On the Create Tax Rate page, enter these values:

Field	Value
Tax Status Code	CA GST STD
Tax Rate Code	CA GST STD RATE
Tax Rate Type	Percentage
Rate Percentage	5
Set as Default Rate	Select
Default Start Date	1/1/01

12. Click **Save and Close**.

Enabling the Tax

1. On the Create Tax page, select **Enable tax for simulation**. This lets you verify the tax configuration using the Tax Simulator.
2. Once you have verified your tax configuration with simulated transactions, select **Enable tax for transactions**. This lets you use this tax in transaction processing.
3. Click **Save and Close**.

   For ABC's transactions in the province of Alberta, these conditions are default:

   - GST is applicable and is calculated at a rate of 5%.
   - 100% of the GST can be recovered.

Related Topics

- How do I update existing setup data?

Define Withholding Tax Configuration

Considerations for Setting Up Withholding Tax

You can set up withholding tax using Oracle Fusion Payables or Oracle Fusion Tax. Which application you use depends on your withholding tax requirements.

Use:

- Payables withholding tax setup to meet the basic withholding tax requirements for most countries
- Oracle Fusion Tax for more complex tax requirements

Payables Withholding Tax Setup

Payables uses:

- Tax data setup for a business unit
- Taxes at a country level
- Tax classification codes consisting of one or more taxes populated on Payables documents from supplier details

Oracle Fusion Tax Withholding Tax Setup

Oracle Fusion Tax uses:

- Shared tax setup data for a:
  - Company
  - Legal entity
  - Business unit
- Taxes at various levels such as for:
  - Country
  - State
  - Province
  - City
- Tax rule defaults for simple tax determination, such as for:
  - Tax jurisdiction
  - Tax status
  - Tax rate
- Tax rules for more complex tax determination, such as for:
  - Place of supply
  - Tax applicability
  - Tax rates
- Both payment and invoice withholding tax calculation
- Withholding tax exceptions and exemptions for a tax defined at lower levels, such as for a particular item
- Period-based tax amount thresholds or taxable basis thresholds maintained at the legal entity or business unit level
- Period-based rate schedules maintained at the legal entity or business unit level

Related Topics

- When do I use Oracle Fusion Tax to update the Payables withholding tax setup?
- Define Tax Configuration Setup for Withholding Tax
- How do I set up withholding tax options?
- Define Payables Setup for Withholding Tax

Define Tax Configuration Setup for Withholding Tax

Similar to setting up your transaction taxes, you use the Define Tax Configuration tasks to set up your withholding taxes. Many of the setup options are common between transaction tax and withholding tax setup.

However, there are some differences in setting up your withholding taxes. Some of those differences occur in the following tasks:

- Manage Tax Regimes
- Manage Taxes
- Manage Tax Rates and Tax Recovery Rates
- Manage Party Tax Profiles
- Manage Tax Rules
- Manage Tax Formulas

Note: To set up your withholding tax configuration, select **Withholding Tax** in the Manage pages for each task.

Manage Tax Regimes

When setting up your withholding tax regime, consider the following:

- You must define withholding tax regimes at the country level.
- The **Withholding Buckets Level** field is used for maintaining the period-based threshold amounts and period-based rate schedule amounts. The default value is **Legal entity** but you can change it to **Business unit** when you create a tax regime. Once you save the tax regime, you can't update this field.
- Service subscriptions are only applicable to transaction tax.

Manage Taxes

When setting up your withholding taxes, consider the following:

- You can only enable withholding tax for transactions, not simulation.
- The **Calculation Point** field is used to define when the withholding tax should be calculated. The options are **Invoice** or **Payment**.
- The **Tax Invoice Creation Point** field is used to define when the tax authority invoice should be created. The options are **Invoice** or **Payment**.
- For taxes that have rate schedule tax rates, define the controls, such as whether the schedule basis is document or period.

- Threshold controls are used to apply minimum, maximum, or both minimum and maximum limits to taxable amounts or tax amounts.

  You can also define threshold controls at the tax jurisdiction level. For example, if you had a state tax with different thresholds by state, define the thresholds at each state jurisdiction level instead of at the tax level.
- Tax authority details are used to associate the tax authority with the withholding tax. You can't enable the withholding tax for transactions unless there is an association.

Manage Tax Rates and Tax Recovery Rates

When setting up your withholding tax rates, consider the following:

- Tax recovery rates aren't applicable to withholding tax.
- Tax rate options include **Gross amount rate schedule** and **Withheld amount rate schedule**, in addition to **Percentage**. These options allow you to set up rate schedule details for your withholding tax rate.

Manage Party Tax Profiles

When setting up your parties for withholding tax, consider the following:

- For legal entities, service subscriptions are only applicable to transaction tax, not withholding tax.
- For legal reporting units, you can enter details for withholding tax registrations and withholding tax exemptions.
- For business units:
  - You can use the legal entity withholding tax subscription.
  - Service subscriptions and application tax options are only applicable to transaction tax, not withholding tax.
- For third parties and third-party sites, you can enter details for withholding tax registrations and withholding tax exemptions.

Manage Tax Rules

When setting up your withholding tax rules, consider the following:

- Tax determining factors include those factors applicable to withholding tax and don't include all of those factors applicable to transaction tax.
- Tax rule types include those types applicable to withholding tax and don't include all of those types applicable to transaction tax.

Manage Tax Formulas

When setting up your withholding tax rules, consider the following:

- Only taxable basis formulas are applicable to withholding tax. No **Assessable Value** exists as a taxable basis type option.
- There are less line amount options applicable to withholding tax than there are to transaction tax.

Related Topics

- Tax Rules
- Party Tax Profiles
- Tax Formulas
- Regime to Rate Setup
- How You Set Up Configuration Owner Tax Options for Withholding Taxes

Manage Withholding Tax Settings

Enter and update withholding tax lines according to the requirements of your transactions. Depending on your security settings and options specified during tax setup, you can:

- Enter manual withholding tax lines
- Change existing withholding tax line amounts
- Cancel withholding tax lines

Entering Manual Withholding Tax Lines

The following must be enabled for you to enter manual withholding tax lines:

- **Allow entry of manual tax lines** option for the withholding tax
- **Allow Manual Withholding** option for the configuration owner and application event class

To enter a manual withholding tax line:

1. In the Withholding Taxes tab, click **Edit Taxes** and add a row.
2. Enter a rate name. You can't enter a manual withholding tax line for a withholding tax that already exists for the transaction.
3. Change the withholding tax amount if necessary. You can only enter a withholding tax amount up to the unpaid amount on the document.

The Edit Taxes region is only accessible for paid documents if the option to **Allow adjustments to paid invoices** in Manage Invoice Options allows it.

The Edit Taxes region includes the status of the tax authority invoice for each tax. If the status is created, use the link to view the tax authority invoice details, such as invoice number, creation date, amount in the tax currency, validation status, and paid status.

Editing Withholding Tax Line Amount

The following must be enabled for you to change a withholding tax line amount:

- **Allow override of calculated tax lines** option for the withholding tax
- **Allow Manual Withholding** option for the configuration owner and application event class

To change a withholding tax line amount:

1. In the Withholding Taxes tab, click **Edit Taxes**.
2. Change the existing tax line amount.

You can only update withholding tax amounts for existing tax lines before a document is validated.

Canceling Withholding Tax Lines

The following must be enabled for you to cancel withholding tax lines:

- **Allow override of calculated tax lines** option for the withholding tax
- **Allow Manual Withholding** option for the configuration owner and application event class

To cancel a withholding tax line:

1. In the Withholding Taxes tab, click **Edit Taxes**.
2. Select the withholding tax line to cancel and click **Cancel** in the Actions menu.

You can't cancel a withholding tax line after there has been a payment on the invoice.

> **Note:** If you update an invoice after validation, such as changing a line amount, withholding tax lines with a calculation point of **Invoice**, are only recalculated on re-validation if all of the existing withholding tax lines are canceled before re-validation.

Related Topics

- How can I review withholding taxes?

Reporting-Only Taxes and Calculation Formulas in Withholding

Use reporting-only withholding taxes and withholding calculation formulas to develop complex tax scenarios and generate temporary tax results before calculating the final withholding tax.

This feature allows you to:

- Create reporting-only withholding taxes to generate intermediate tax amounts that can be used for the final withholding tax calculation.
- Use the withholding taxable basis formula and tax calculation formula to address complex withholding tax calculations, including the use of the assessable value as the taxable amount basis.
- Calculate the Argentina SUSS withholding using a withholding taxable basis formula with an assessable value taxable amount basis type.

For example, an enterprise can use this feature to determine the appropriate withholding amount when legal rules allow different options: using the new Brazilian income withholding tax (IRRF) simplified fixed deduction amount to reduce the taxable basis, or using a calculation based on legal discounts, such as social security tax, alimony, and dependents.

To create a new withholding tax for reporting purposes, enable the Set tax for reporting purpose only option. This ensures that the tax is not accounted for and does not affect transaction totals.

Withholding Taxable Basis Formula

Taxable basis tax formulas are used in the tax calculation process to determine the taxable basis amount for a given transaction line. The taxable basis type, defined in the taxable basis formula, decides the characteristics of the taxable basis amount. The various taxable basis types are:

- **Assessable Value**: Use this when the transaction line amount doesn't reflect the correct taxable basis from the tax calculation perspective. The assessable value given on the transaction line is considered as the taxable basis amount to calculate tax.
- **Line Amount**: Use this when the transaction line amount is to be treated as the taxable basis to calculate tax.
- **Prior Tax**: Use this when there are one or more taxable basis amounts other than the taxes calculated on the transaction line. There is also an option to compound the prior taxes calculated on the transaction line.

The tax details specified in the compounding region define the final taxable basis. The compounding rules are:

- **Minimum**: Replace the taxable basis with the minimum taxable basis amount of the compounding tax lines.
- **Maximum**: Replace the taxable basis with the maximum taxable basis amount of the compounding tax lines.
- **Add Minimum**: Add the minimum taxable basis amount of the compounding tax lines to the taxable basis.
- **Add Maximum**: Add the maximum taxable basis amount of the compounding tax lines to the taxable basis.
- **Subtract Minimum**: Subtract the minimum taxable basis amount of the compounding tax lines from the taxable basis.
- **Subtract Maximum**: Subtract the maximum taxable basis amount of the compounding tax lines from the taxable basis.
- **Add**: Add the taxable basis amount of the compounding tax lines to the taxable basis.
- **Subtract**: Subtract the taxable basis amount of the compounding tax lines from the taxable basis.

For example, the system calculates the taxable basis for the BR_WHT_REP_ONLY1 tax and the BR_WHT_REP_ONLY2 tax and uses the maximum amount as the taxable basis for the BR_WHT_FINAL_TAX tax.

Withholding Tax Calculation Formula

The tax calculation formula determines the methodology applied to derive the basic tax amount on a transaction line. The tax amount on a transaction is generally calculated by multiplying the derived tax rate by the taxable basis. In some cases, the tax amount is altered by adding other applicable taxes on the same transaction line. Use a tax calculation formula defined with compounding criteria to address this requirement.

The tax details specified in the tax formula compounding region are added to the calculated tax associated with the tax formula. These compounded tax details can also be enforced by selecting the Enforce Compounding option. When the compounded tax is enforced and not calculated on the transaction, the tax associated with this tax formula is not applicable.

The computing rules for the tax formula are:

- **Minimum**: Use the minimum tax amount of the compounding tax lines.
- **Maximum**: Use the maximum tax amount of the compounding tax lines.
- **Add Minimum**: Add the minimum tax amount of the compounding tax lines to the tax amount.
- **Add Maximum**: Add the maximum tax amount of the compounding tax lines to the tax amount.
- **Subtract Minimum**: Subtract the minimum tax amount of the compounding tax lines from the tax amount.
- **Subtract Maximum**: Subtract the maximum tax amount of the compounding tax lines from the tax amount.

- **Add**: Add the tax amount of the compounding tax lines to the tax amount.
- **Subtract**: Subtract the tax amount of the compounding tax lines from the tax amount.

Examples of Setting Up Rate Schedules for Withholding Taxes

Set up a rate schedule to control the tax rates applicable on a transaction based on each document or on accumulated tax amounts and taxable basis amounts in defined periods.

Define rate schedules at the following levels:

- Withholding tax: Define rate schedules to be based on each document or on accumulated tax amounts and taxable basis amounts in defined periods. For period-based rate schedules, specify the withholding tax calendar to be used for defining the periods. You can also control whether a single rate should be applied to the total taxable basis or multiple rates.
- Withholding tax rate: Specify if the tax rate schedule is based on gross amount or withheld amount. Define the amount ranges and percentage rate for each range. You can have different amounts and rate percentages for a tax rate based on effective periods.

The following examples illustrate how withholding tax is calculated based on defined rate schedules.

Rate Schedule Based on a Document with a Tax Rate Type of Gross Amount

Define rate threshold setup as:

Schedule Basis	Apply Single Rate	Tax Rate Type	From Amount	To Amount	Rate Percentage
Document	Blank	Gross amount	0	1000	5%
			1000	5000	10%
			5000		15%

The withholding tax on an invoice for 6000 is calculated as: (1000 * 5%) + (4000 * 10%) + (1000 * 15%) = 600.

If you define the apply single rate, the withholding tax is calculated as: 6000 * 15% = 900 because 6000 falls in the 15% range of over 5000.

Rate Schedule Based on Period with a Tax Rate Type of Withheld Amount

Define rate threshold setup as:

Schedule Basis	Apply Single Rate	Tax Rate Type	From Amount	To Amount	Rate Percentage
Period	Blank	Amount withheld	0	50	5%
			50	500	10%

Schedule Basis	Apply Single Rate	Tax Rate Type	From Amount	To Amount	Rate Percentage
			500		15%

The withholding tax is calculated based on:

- 0 to 50 at 5% is equal to a gross amount of 0 to 1000. For example, a withheld amount of 50 at 5% is equal to 1000 * 5% .
- 50 to 500 at 10% is equal to a gross amount of 1000 to 5000. For example, a withheld amount of 500 at 10% is equal to 5000 * 10%.

The first invoice in a period for the amount of 4000 is calculated as: (1000 * 5%) + (3000 * 10%) = 350. The accumulated tax amount is 350 and the accumulated taxable basis is 4000.

The second invoice in a period for the amount of 3000 is calculated as: (1000 * 5%) + (4000 * 10%) + (2000 * 15%) = 750 less the current accumulated tax amount of 350 = 400. The accumulated tax amount becomes 750 and the accumulated taxable basis is 7000, which is the first and second invoice added together.

FAQs for Define Withholding Tax Configuration

When do I use Oracle Fusion Tax to update the Payables withholding tax setup?

If you have already set up your withholding tax requirements in Oracle Fusion Payables, you don't need to do the same in Oracle Fusion Tax. However, you need to update some withholding tax details in Oracle Fusion Tax.

They aren't a part of the Payables withholding tax setup, such as:

- Rate schedules to apply a single rate on the total taxable basis
- Tax thresholds to use a taxable basis threshold of total amount instead of an amount in excess of the minimum

You can also update associated tax authority details initially set up in Payables.

Related Topics

- Define Tax Configuration Setup for Withholding Tax
- Define Payables Setup for Withholding Tax

How do I set up withholding tax options?

You can set up withholding tax in Payables or Tax setup. Here's how you do it:

Application	Page Name	Task
Payables	Manage Tax Reporting and Withholding Tax Options	Select the withholding tax options for the business unit.
Tax	Manage Configuration Owner Tax Options	1. Select the withholding tax options for the legal entity or business unit. 2. Select **Determine applicable Withholding regimes** as the regime determination set.

Related Topics

- Define Tax Configuration Setup for Withholding Tax
- Define Payables Setup for Withholding Tax

What happens if you select Allow invoice amount withholding option in the withholding tax setup with the Calculation Point set to Invoice or Payment?

There's no impact of Allow invoice amount withholding option on the withholding tax setup when the Calculation Point is set to Invoice.

When the Allow invoice amount withholding option is selected, and the Calculation Point is set to Payment, the withholding tax is calculated on the total invoice amount instead of the amount being paid.

For example:

If the withholding tax rate is 10% and the Invoice Amount = 1000, the withholding tax calculated would be 100.

- If the Calculation Point = Invoice.

  The withholding tax calculated on the invoice would be 100, and when this invoice is paid, there will be no re-calculation of withholding tax.
- If the Calculation Point = Payment and a partial payment of 600 is done.

  The withholding tax calculated at payment will still be 100 instead of 60 because the invoice amount is always considered for calculating withholding tax. Bear in mind that less than 100 amount payment is not allowed and will result in an error.

Manage Tax Regimes

Associated Taxes Setup for a Tax Regime

When you create a tax regime, you specify the options and defaults available to the taxes associated with the tax regime. You also enable the features that apply to the tax regime and its taxes.

The options appearing in the Associated Taxes Setup Information region on the Edit Tax Regime page result from the features enabled and the options selected at the tax level. These options include:

- **Allow multiple jurisdictions**
- **Allow tax recovery**
- **Allow tax exceptions**
- **Allow tax exemptions**

The preceding options always appear as read-only check boxes in the Associated Taxes Setup Information region. The option appears as selected if you selected the option in one of the taxes within this tax regime. If you didn't select the option in one of the taxes, the option appears as not selected.

For example, suppose you have a California county sales tax that applies to all counties, so you need a tax with multiple jurisdictions. In this case, enable the **Multiple Jurisdictions** feature at the tax regime level and select the **Allow multiple jurisdictions** option at the tax level. When you open the Edit Tax Regime page, Associated Taxes Setup Information region for this tax regime, the **Allow multiple jurisdictions** option appears as selected.

Related Topics

- How You Set Up Tax Regime

Manage Controls and Defaults

How You Set Up Tax Regime

A tax regime associates a common set of default information, regulations, fiscal classifications, and optionally, registrations, to one or more taxes. Set up tax regimes in each country and geographical region where you do business and where a separate tax applies.

The tax regime setup details include:

- Designating the geography to which taxes within a tax regime apply
- Defining the controls and defaults that apply to taxes and associated lower level information
- Specifying configuration options and service subscriptions

Designating the Geography

The common tax regime setup is one tax regime per country per tax type. However, you can also have tax regimes based on parts of a country or more than one country. Select the regime level as:

- **Country**: The tax regime is applicable to a specific country.
- **Tax zone**: The tax regime is applicable to parts of a country or multiple countries. 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.

If applicable, designate the tax regime as a parent regime or indicate the parent regime name if the tax regime belongs to a parent regime. Use a tax regime defined as a parent tax regime to group other nonparent tax regimes for reporting purposes.

Defining Controls and Defaults

Set 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 options that you enable here for individual taxes within the tax regime. Enter default values for the taxes in this tax regime. You can update the default values at the tax level. If you disable a controlled option at the tax regime level it is not available as an option at the tax level.

The following table describes the defaults and controls available at the tax regime level.

Defaults Region

Field	Description	Default Derived from	Default Appears on	Controls
Tax Currency	The default currency of the taxes within this tax regime	None	Tax	None
Minimal Accountable Unit	The minimal unit of currency that is reported to the tax authority, for example, 0.05 GBP indicates that 5 pence is the minimal unit	None	Tax	None
Tax Precision	A one digit whole number to indicate the decimal place for tax rounding	None	Tax	None
Tax Inclusion Method	A method that describes whether the line amount includes tax or excludes tax	None	Tax	None
Conversion Rate Type	The specific conversion rate table that is used to convert one currency into another. For example, the Association of British Travel Agents conversion rate used in the travel industry	None	Tax	None

Field	Description	Default Derived from	Default Appears on	Controls
Rounding Rule	The rule that defines how rounding is performed on a value. For example, up to the next highest value, down to the next lower value, or to the nearest value	None	Tax	None
Allow tax rounding override	Allow the override of the rounding defined on the tax registration records	None	Tax	None
Reporting Tax Authority	The default tax authority to whom the tax reports are sent	None	• Tax • Tax registration	None
Collecting Tax Authority	The default tax authority to whom the tax is remitted	None	• Tax • Tax registration	None
Rounding Conversion Option	The default rounding conversion option to use for taxes in the tax regime. Select one of the following default options: • Blank • Functional Currency • Transaction Tax • Both	None	None	Controls if unrounded amounts in the entered currency is used for tax conversion calculation to the ledger currency or if internal transaction amount field (TAX_AMT_TAX_CURR) stores the tax amount in the ledger currency.
Use legal registration number	Option that controls whether the tax registration number is the same as the legal registration number of the party	None	Tax	None

General Controls Region

Field	Description	Default Derived from	Default Appears on	Controls
Allow override and entry of inclusive tax lines	Option that controls whether you can override and enter inclusive or exclusive line amounts	None	Tax	None
Use tax reporting configuration	Option that controls whether the tax reporting details are available on the first-party tax registration record for this tax regime	None	None	Controls whether you can enter tax reporting configuration details on the tax registration for this tax regime for your first parties

Compounding Level Controls Region

Field	Description	Default Derived from	Default Appears on	Controls
Allow cross regime compounding	Option that controls whether cross regime compounding is needed for this tax regime	None	None	Controls whether this tax regime is compounded based on the tax calculated from another tax regime
Compounding Precedence	Defines the order in which taxes within the compound tax regimes need to be calculated. A tax within a tax regime with a lower value is calculated first.	None	None	Controls the order in which taxes within tax regimes are calculated

Note: Oracle Fusion Tax provides features at the tax regime level to streamline your implementation by selecting the features that are applicable to the tax regime in scope. You must enable the features to use that functionality for the tax regime and related taxes.

Specifying Configuration Options and Service Subscriptions

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 business unit. Both tax regime and party tax profile setup flows appear and maintain the same party and tax regime association. Configuration options only apply to tax regimes directly linked to taxes and not to tax regimes that are used to group other tax regimes.

A service subscription is used to reference a specific transaction tax offering or offerings provided by an external tax partner. The transaction tax offering provided by an external tax partner can be related to content, calculation services, or both. Oracle Fusion Tax supports the use of transaction tax offerings provided by external tax partners for transaction tax calculation processing. Depending on the specific depth and scope of an individual tax partner's offerings, you can use either Oracle Fusion Tax or a Partner Tax application to perform the transaction tax calculation.

Related Topics

- Tax Content Subscription Options
- Tax Controls and Defaults
- Considerations for Specifying First-Party Tax Profile Options

Inclusive Taxes

Calculating tax on a transaction as inclusive of the line amount is generally a business decision. This decision is based on the relationship between the transacting parties and the items or taxes involved.

Taxes applicable on a transaction are made inclusive of the item line amount either:

- Manually

- Automatically

Manual Approach

In the manual approach, you access the calculated tax lines on a transaction and select the **Inclusive** option. This action includes the calculated tax amount with the item value.

However, this option is controlled through two factors:

- Privileges are assigned to the users for accessing and editing the calculated tax lines.
- Setup restrictions are applied to edit the **Inclusive** option on the calculated tax lines.

Automatic Approach

In the automatic approach, you can configure the tax setup and calculate the tax on a transaction as inclusive of the item line amount. Since the tax legislation and the business relationship between the transacting parties primarily drive this requirement, the option for configuring the inclusiveness is made available on the tax and tax rate definition and the third party and legal reporting unit tax profiles on the tax registration and general data tabs. The tax determination process uses a hierarchy approach to evaluate the defined setup and applies the inclusiveness option on the transaction.

In tax setup, the options to choose for applying the inclusiveness on a transaction are:

- **Standard noninclusive handling**: This option calculates the taxes as exclusive of the given transaction line amount.
- **Standard inclusive handling**: This option calculates the taxes as inclusive of the given transaction line amount.
- **Special inclusive handling**: This option calculates the taxes as inclusive of the given transaction line amount, but the calculation methodology differs from the standard inclusive process.

The following table illustrates the calculation methodology used with each of these options when a transaction line amount is 1000 USD and the applicable tax rate is 10% of the taxable basis amount. For example, line amount:

Method	Calculation	Taxable Basis Amount	Tax Amount	Transaction Line Amount
Standard Noninclusive	1000 USD * 10/100	1000 USD	100 USD	1100 USD
Standard Inclusive	1000 USD * 10/110	909.09 USD	90.91 USD	1000 USD
Special Inclusive	1000 USD * 10/100	900 USD	100 USD	1000 USD

Related Topics

- Considerations for Configuring Inclusive Taxes
- How Tax Inclusiveness Hierarchy Is Determined
- What happens if I make the transaction line inclusive of tax?

Considerations for Configuring Inclusive Taxes

Calculating taxes as inclusive of the item line amount is primarily driven by the tax legislation and the business relationship between the transacting parties. Configure your tax setup accordingly to capture the inclusiveness as per the taxes and the parties involved within a transaction.

The following table provides some of the key inclusiveness requirements and the corresponding setup:

Inclusiveness Requirement	Setup Based on the Tax Inclusiveness Processing Hierarchy
Always apply to specific tax rates regardless of the party setup	• Tax rate: Select **Standard inclusive handling** or **Special inclusive handling** for the tax inclusion method Process complete • Tax registration party: Not applicable • Party site registration: Not applicable • Party registration: Not applicable • Party site tax profile: Not applicable • Party tax profile: Not applicable • Legal reporting unit registration: Not applicable • Legal reporting unit tax profile: Not applicable • Tax: Not applicable
Apply to specific taxes and all associated tax rates originating from certain tax jurisdictions for certain transacting third-party sites	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Registration record at tax jurisdiction level, for example, for tax regime, tax, and tax jurisdiction, with the option for inclusiveness set to **Yes** Process complete • Party registration: Not applicable • Party site tax profile: Not applicable • Party tax profile: Not applicable • Tax: Not applicable
Apply to specific taxes and all associated tax rates regardless of the tax jurisdiction for certain transacting third-party sites	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Registration record at tax level, for example, for tax regime and tax, with the option for inclusiveness set to **Yes** Process complete • Party registration: Not applicable • Party site tax profile: Not applicable • Party tax profile: Not applicable

Inclusiveness Requirement	Setup Based on the Tax Inclusiveness Processing Hierarchy
	• Tax: Not applicable
Apply to all taxes defined for a tax regime for certain transacting third-party sites	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Registration record at tax regime level with the option for inclusiveness set to **Yes** Process complete • Party registration: Not applicable • Party site tax profile: Not applicable • Party tax profile: Not applicable • Tax: Not applicable
Apply to all taxes and all tax regimes for certain transacting third-party sites	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Set the inclusiveness option to **Blank** or no record • Party registration: Set the inclusiveness option to **Blank** or no record • Party site tax profile: Set the inclusiveness option to **Yes** Process complete • Party tax profile: Not applicable • Tax: Not applicable
Apply to specific taxes and all associated tax rates originating from certain tax jurisdictions for all transacting third-party sites defined for a party	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Set the inclusiveness option to **Blank** or no record • Party registration: Registration record at tax jurisdiction level, for example, for tax regime, tax, and tax jurisdiction, with the option for inclusiveness set to **Yes** Process complete • Party site tax profile: Not applicable • Party tax profile: Not applicable • Tax: Not applicable
Apply to specific taxes and all associated tax rates regardless of the tax jurisdiction for all transacting third-party sites defined for a party	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Set the inclusiveness option to **Blank** or no record • Party registration: Registration record at tax level, for example, for tax regime and tax, with the option for inclusiveness set to **Yes** Process complete • Party site tax profile: Not applicable • Party tax profile: Not applicable • Tax: Not applicable

Inclusiveness Requirement	Setup Based on the Tax Inclusiveness Processing Hierarchy
Apply to all taxes defined for a tax regime for all transacting third-party sites defined for a party	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Set the inclusiveness option to **Blank** or no record • Party registration: Registration record at tax regime level with the option for inclusiveness set to **Yes** Process complete • Party site tax profile: Not applicable • Party tax profile: Not applicable • Tax: Not applicable
Apply to all taxes and all tax regimes for all transacting third-party sites defined for a party	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: Third party • Party site registration: Set the inclusiveness option to **Blank** or no record • Party registration: No record • Party site tax profile: Set the inclusive option to **Blank** • Party tax profile: Set the inclusiveness option to **Yes** Process complete • Tax: Not applicable
Apply to certain taxes originating from certain tax jurisdictions for all transacting third parties originating from a specific business unit or legal entity	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: First party • Legal reporting unit registration: Registration record at tax jurisdiction level, for example, for tax regime, tax, and tax jurisdiction, with the option for inclusiveness set to **Yes** Process complete • Legal reporting unit tax profile: Not applicable • Tax: Not applicable
Apply to certain taxes regardless of the tax jurisdiction for all transacting third parties originating from a specific business unit or legal entity	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: First party • Legal reporting unit registration: Registration record at tax level, for example, for tax regime and tax, with the option for inclusiveness set to **Yes** Process complete • Legal reporting unit tax profile: Not applicable • Tax: Not applicable
Apply to all taxes defined for a tax regime for all transacting third parties originating from a specific business unit or legal entity	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: First party • Legal reporting unit registration: Registration record at tax regime level with the option for inclusiveness set to **Yes** Process complete • Legal reporting unit tax profile: Not applicable

Inclusiveness Requirement	Setup Based on the Tax Inclusiveness Processing Hierarchy
	• Tax: Not applicable
Apply to all taxes and all tax regimes for all transacting third parties originating from a specific business unit or legal entity	• Tax rate: Select **Blank** for the tax inclusion method • Tax registration party: First party • Legal reporting unit registration: No record • Legal reporting unit tax profile: Set the inclusiveness option to **Yes** Process complete • Tax: Not applicable
Apply to certain taxes for all transacting third parties originating from any business unit or legal entity	• Tax rate: Select **Standard inclusive handling** or **Special inclusive handling** for the tax inclusion method • Tax registration party: Third party or first party • Party site registration: No record • Party registration: No record • Party site tax profile: Set the inclusiveness option to **Blank** • Party tax profile: Set the inclusiveness option to **Blank** • Legal reporting unit registration: No record • Legal reporting unit tax profile: Set the inclusiveness option to **Blank** • Tax: Select **Standard inclusive handling** or **Special inclusive handling** for the tax inclusion method Process complete

Related Topics

- Party Tax Profiles
- Regime to Rate Setup
- How Tax Inclusiveness Hierarchy Is Determined

How Tax Inclusiveness Hierarchy Is Determined

Configure your tax setup to include the calculated tax amount with the item line amount.

The option for configuring the inclusiveness is available on the tax and tax rate definition and the third party and legal reporting unit tax profiles on the tax registration and general data tabs.

Settings That Affect Tax Inclusiveness

Set up the inclusive options in the following pages:

- Create or Edit Tax page: Specify the tax inclusion method on the Default and Controls tab. The handling of this field is dependent on the value of the **Allow override and entry of inclusive tax lines** option at the tax regime level. If the option isn't selected at the tax regime level, the **Tax Inclusion Method** field is display-only. The value displayed is set at the tax regime level.

- Create or Edit Tax Rate page: Specify the tax inclusion method on the Main Details tab. The handling of this field is dependent on the value of the **Allow override and entry of inclusive tax lines** option at the tax level. If the option isn't selected at the tax level, the **Tax Inclusion Method** field is display-only. The value displayed is set at the tax level.
- Create or Edit Tax Registration page: Select **Set Invoice Values as Tax Inclusive** option for the third party, third-party site, and legal reporting unit tax profiles.
- Create or Edit Third Party Tax Profile and Create or Edit Third Party Site Tax Profile pages: Select **Set Invoice Values as Tax Inclusive** option on the General tab for the third party or third-party site.
- Create or Edit Legal Reporting Unit page: Select **Set Invoice Values as Tax Inclusive** option on the General tab for the legal reporting unit.

How Tax Inclusiveness Hierarchy Is Determined

The tax determination process uses a hierarchy approach to evaluate the options selected in your tax configuration and applies it on the taxes calculated on a transaction.

The hierarchy sequence for processing the inclusiveness for a tax is:

1. If the transaction involved is a Receivable transaction then check for the value in the **Tax Amount Included** field within the invoice line details. The available values are:
    - **No**: All the taxes calculated on the invoice line are treated as exclusive of the item line amount.
    - **Yes**: All the taxes calculated on the invoice line are treated as inclusive of the item line amount.
    - **Use tax rate code**: The tax setup defined is considered for analyzing the inclusiveness.
2. If the transaction involved isn't a Receivable transaction or if the Receivable transaction uses the **Use tax rate code** option then check for the value specified in the **Tax Inclusion Method** field for the processed tax rate code. The available values are:
    - **Standard noninclusive handling**: The referred tax gets calculated as exclusive of the transaction line amount.
    - **Standard inclusive handling**: The referred tax gets calculated as inclusive of the transaction line amount.
    - **Special inclusive handling**: The referred tax gets calculated as inclusive of the transaction line amount. However, the line amount is considered the taxable basis rather than the adjusted line amount, which is considered for the **Standard inclusive handling** value.
    - Blank: Process next step.
3. Check the value specified in the **Set Invoice Values as Tax Inclusive** field on the tax registration record of the third-party site tax profile for the processed registration party. The available values are:
    - **No**: The referred tax gets calculated as exclusive of the transaction line amount.
    - **Yes**: The referred tax gets calculated as inclusive of the transaction line amount.
    - Blank: Process next step.

    If the processed registration party is the first party, the registration record for the tax available within the legal reporting unit tax profile is considered. If the value is set to blank then step 7 is processed.

4. Check the value specified in the **Set Invoice Values as Tax Inclusive** field on the tax registration record of the third-party tax profile for the processed registration party. The available values are:
    - **No**: The referred tax gets calculated as exclusive of the transaction line amount.
    - **Yes**: The referred tax gets calculated as inclusive of the transaction line amount.
    - Blank: Process next step.
5. Check the value specified in the **Set Invoice Values as Tax Inclusive** field on the General tab of the third-party site tax profile. The available values are:
    - **No**: The referred tax gets calculated as exclusive of the transaction line amount.
    - **Yes**: The referred tax gets calculated as inclusive of the transaction line amount.
    - Blank: Process next step.
6. Check the value specified in the **Set Invoice Values as Tax Inclusive** field on the General tab of the third-party tax profile. The available values are:
    - **No**: The referred tax gets calculated as exclusive of the transaction line amount.
    - **Yes**: The referred tax gets calculated as inclusive of the transaction line amount.
    - Blank: Process next step.
7. Check for the value specified in the **Tax Inclusion Method** field of the tax. The available values are:
    - **Standard noninclusive handling**: The referred tax gets calculated as exclusive of the transaction line amount.
    - **Standard inclusive handling**: The referred tax gets calculated as inclusive of the transaction line amount.
    - **Special inclusive handling**: The referred tax gets calculated as inclusive of the transaction line amount. However, the line amount is considered the taxable basis rather than the adjusted line amount, which is considered for the **Standard inclusive handling** value.

Related Topics

- Inclusive Taxes
- Party Tax Profiles
- Regime to Rate Setup
- Considerations for Configuring Inclusive Taxes

Manage Configuration Options and Service Subscriptions

Tax Configuration Options

Set up configuration options to associate tax regimes with the parties in your company that have a tax requirement for these tax regimes.

There are two fundamentally different approaches to tax configuration options, namely:

- Using tax configuration setup defined directly in Oracle Fusion Tax.
- Using external tax partner content uploaded for use with Oracle Fusion Tax.

Using Tax Configuration Setup Defined Within Oracle Fusion Tax

Use the tax configuration setup in Oracle Fusion Tax to calculate, record, and account for transaction taxes on transaction taxable transactions.

The following concepts control how this setup is managed, used, and shared:

- Tax configuration owner
- Tax content subscription
- Existing tax option

Tax Configuration Owner

The tax configuration owner is a business unit, legal entity, or the global configuration owner that owns the data. The global configuration owner is an abstract owner. It is used to define the owner of content that can be shared by any business units and first-party legal entities.

Identify a specific first-party legal entity as a parent first-party organization. This allows the configuration to be owned by a specific first party and shared by other parties. You can then share this setup with another first-party legal entity or business unit for their transactions. Use a parent first-party organization tax configuration to share among a group of first-party organizations. However, you still have the tax setup managed by a single first-party organization.

As the global configuration owner, if you have the Create Tax Regime privilege (ZX_CREATE_TAX_REGIME_PRIV), you can update all tax configuration data.

Tax Content Subscription

Use tax content subscriptions to define which configuration owner's setup is used for transactions for a specific first-party legal entity or business unit for a specific tax regime. Also, use tax content subscriptions to specify whether any shared content can be overridden by the subscribing party to allow unique, separate setup for certain tax content.

Party override is permitted for the following setup:

- Tax
- Tax status
- Tax rate
- Tax recovery rate
- Tax rules
  Do this indirectly by adding higher priority rules specific to the subscribing first-party legal entity or business unit.

The content subscription options are:

Tax Content Subscription	Description
Common configuration	For tax processing, the tax determination process uses the shared tax content defined and maintained by the global configuration owner.

Tax Content Subscription	Description
Party-specific configuration	The specified first-party organization defines and maintains its own tax content. For tax processing, the tax determination process uses only the tax content owned by the specific first-party legal entity or business unit.
Common configuration with party overrides	This option is similar to the common configuration because it lets you use the tax content owned by the global configuration owner. However, you can also maintain party-specific content which is used in preference to the common configuration content. In the absence of tax content owned by the specific first-party organization, the tax determination process uses the tax content owned by the global configuration owner.
Parent first-party organization with party overrides	This option is similar to the common configuration with party override subscription with one difference. The tax content here is owned by a specific first-party legal entity instead of the global configuration owner.. You can override the specific first-party setup.

A similar concept is used to define where you use tax exceptions for a specific tax configuration. The tax subscription option available for product exceptions is dictated to some extent by the main tax content subscription as follows:

Options Defined for Tax Content Subscription	Content Subscription Options Available for Product Exceptions	Description
Common configuration	Common configuration	For tax processing, the tax determination process uses tax exceptions defined and maintained by the global configuration owner.
Party-specific configuration	Party-specific configuration	The specified first-party organization defines and maintains its own tax exceptions. For tax processing, the tax determination process uses only the tax exceptions owned by the specific first-party organization.
Common configuration with party overrides	Common configuration	For tax processing, the tax determination process uses tax exceptions defined and maintained by the global configuration owner.
Common configuration with party overrides	Party-specific configuration	The specified first-party organization defines and maintains its own tax exceptions. For tax processing, the tax determination process uses only the tax exceptions owned by the specific first-party organization.
Parent first-party organization with party overrides	Party-specific configuration	The specified first-party organization defines and maintains its own tax exceptions. For tax processing, the tax determination process uses only the tax exceptions owned by the specific first-party organization.

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 business unit. Both setup flows display and maintain the same party or regime definitions. Specify effective start and end dates to identify which configuration should be used based on the transaction date. You can

enable the business unit so that Oracle Fusion Tax automatically uses the configuration of the legal entity. Once you set this option the application records the date it occurred as the start date. This date is used and compared to the transaction dates to identify if the application uses the legal entity subscription in preference to the subscription of the business unit. The specific first-party legal entity that is used is defined by the legal entity associated with the transaction.

Existing Tax Option

Copy a tax from an existing tax in the Manage Taxes page to share tax registrations and tax jurisdictions. This will create two versions of the same tax, owned by two different tax configuration owners each with their own tax statuses, tax rates, and tax rules. For example, this is useful when you set up US sales and use tax that requires a significant number of tax registrations and tax jurisdictions.

Using External Tax Partner Offerings

Oracle ERP Cloud integration is currently available with comprehensive transaction tax management solutions provided by tax partners for tax content, tax calculation, and tax reporting. You can leverage these partner transaction tax solutions independently or together based on different transaction tax requirements across market segments and industries.

Individual tax partners can offer transaction tax solutions in the following areas:

Tax Partner Content

- Offerings may include geographies, tax jurisdictions, tax rates, and taxability rules for products and services.
- Updates are available on a periodic basis for statute changes.

Tax Partner Calculation

- Cloud-to-Cloud integration of the Oracle ERP Cloud and a Partner Tax Application Cloud for performing transaction tax calculation.
- Neither tax software nor tax integration components are required on the Oracle ERP Cloud.
- Streamlined data flow between Oracle ERP

Tax Partner Reporting

- Signature ready returns for automatic transaction tax filings in specific countries.
- Tax partner can manage the entire tax compliance function from tax returns generation to payment remittances.

The following table lists cases of customer implementations using tax partner offerings:

Tax Implementation Variation	Customer Tax Solution Uptake
Case 1: Partner Tax Content + Oracle Fusion Tax Calculation	Case 1 uptake: • Partner Rapid Implementation Content (Geographies, Tax Rates, Taxability Rules, or a combination of these content areas) • Oracle Fusion Tax
Case 2: Partner Tax Content + Partner Tax Reporting + Oracle Fusion Tax Calculation	Case 2 uptake:

Tax Implementation Variation	Customer Tax Solution Uptake
	• Partner Rapid Implementation Content (Geographies, Tax Rates, Taxability Rules, or a combination of these content areas) • Partner Automatic Tax Returns Generation using BI Publisher Extracts • Oracle Fusion Tax
Case 3: Partner Tax Content + Partner Tax Reporting + Partner Tax Calculation	Case 3 uptake: • Partner Rapid Implementation Content (Geographies and Tax Rates) • Partner Automation Returns Generation using Partner Tax Repository • Partner Tax Calculation Application

However, each individual tax partner is different with regard to specific transaction tax solutions they can offer and tax implementation cases that they can fulfill in practice.

You must follow up with an individual tax partner to understand the level of coverage and capabilities of their respective transaction tax offerings, including any prerequisite configuration.

Related Topics

- Tax Content Subscription Options
- How Tax Configuration Options Are Used for Tax Determination
- Example of Setting Up Tax Configuration Options

Tax Content Subscription Options

You can select which of the following tax content subscription options to use to optimize your tax setup:

- Subscribe to the content provided by a tax partner or use the content created directly in Oracle Fusion Tax.
- The type of tax configuration options to use.
- When to manage and apply tax configuration using business units versus legal entities.
- When to use create from an existing tax option.

Using a Tax Partner Content Subscription Versus Oracle Fusion Tax Content

Use the tax content of an external tax partner for the following instances:

- When you need the tax content for a significant number of tax jurisdictions.
- When you want a tax partner to automatically update the content for statutory changes on a recurring basis.
- When you need to automate the upload of content to minimize user intervention.

You can use the content provided by a tax partner in the following scenarios:

Content Scenario 1: Partner Tax Content + Oracle Fusion Tax Calculation

Content Scenario 2: Partner Tax Content + Partner Tax Calculation

Note: Not all tax partners support both scenarios. Even if an individual tax partner supports a specific scenario, the level of depth and geographic scope of partner tax content provided varies between individual tax partners. You must follow up with an individual tax partner to understand the level of coverage and capabilities of all transaction tax offerings provided, including the tax content.

Using Tax Configuration Options

Create and maintain your tax content in Oracle Fusion Tax in the following cases:

- If you decide not to use an external tax partner to provide the content.
- If you can create the required content for the geographic operations of your business.

In both cases, when you subscribe or assign a business unit or legal entity to a tax regime, you must select the level of tax configuration options that apply in this context. Sharing the tax content prevents the need for duplicate maintenance with its inefficiencies and potential inconsistencies.

The following table lists scenarios and options:

Scenario	Option
You have a single central corporate tax center responsible for maintenance of tax setup for all legal entities and business units.	Use the common configuration with party override option. This allows a single tax setup to be created and maintained by the corporate tax center.
You need strict control over who can maintain the tax content.	Use the common configuration option. By not allowing party override, you restrict the access to the global configuration owner to an authorized user who can maintain all of the tax content.
You have regional centers responsible for tax content.	Use the parent first party configuration with party override option. This permits a regional setup with an actual or logical parent legal entity to be created and maintained by each regional center.

Even if there is no obvious need to share tax configuration, for example, there is only a single first party legal entity operating in each tax regime, significant business events such as takeovers or mergers may mean that there could be a future need to share content. In this case, the original first party legal entity can act as the configuration owner and then any subsequent first party can subscribe to the first party's content using the parent first party configuration with party override. Alternatively, set up the original tax content using global configuration owner to prepare for any future business event that requires tax content to be shared.

Changing from Business Unit to Using Tax Configuration at the First Party Legal Entity

If you standardize your tax setup across all business units for a given legal entity, consider configuring and using tax setup at the legal entity level. Set the **Use subscription of the legal entity** option on the business unit party tax profile. Oracle Fusion Tax records the date this occurs and compares it to the transaction date to identify if the legal entity subscription should be used in preference to the subscription to the business unit subscription.

Note: If the Use subscription of the legal entity option is used on the business unit party tax profile, it is an irrevocable election. Ensure that this type of configuration approach meets your business needs on a permanent basis. If you are not sure, you can subscribe or assign the business unit to a tax regime and select not to set the Use subscription of the legal entity option on the business unit party tax profile. The business unit subscription approach is more common, but you must evaluate your requirements.

Using Create from an Existing Tax Option

Create a tax from an existing tax when you need to share tax jurisdictions and tax registrations. Maintain the tax jurisdictions and tax registrations once for taxes with the same name within the same tax regime owned by different configuration owners.

Related Topics

- How Tax Configuration Options Are Used for Tax Determination
- Example of Setting Up Tax Configuration Options

How Tax Configuration Options Are Used for Tax Determination

At transaction time, the owner of the transaction derives the configuration options that are used.

When you enter a transaction for a given first-party organization, the tax data applied to that transaction is determined by the:

- Configurations defined for the combination of that first-party organization (business unit or first-party legal entity)
- Tax regime derived from the addresses or from the tax classification codes used on the transaction

Settings That Affect the Application of Tax Data on Transactions

Use tax content subscriptions to define which configuration owner's setup is used for transactions for a specific first-party legal entity or business unit for a specific tax regime. Also, use tax content subscriptions to specify whether any shared content can be overridden by the subscribing party to allow unique, separate setup for certain tax content.

Tax content subscription options are:

- Common configuration
- Party-specific configuration
- Common configuration with party overrides
- Parent first-party organization with party overrides

How Tax Data Is Determined

Based on the defaults and tax rules you have defined, tax data is applied to transactions as follows:

Configuration for Taxes and Rules Option	Tax Content Available
Common configuration	• The tax determination process uses only the tax content owned by the global configuration owner. • If you manually override tax information on the transaction, only the tax content owned by the global configuration owner is displayed in the list of valid values available.
Party-specific configuration	• The tax determination process uses only the tax content owned by the first-party organization, business unit or fist party legal entity, for whom the transaction is being entered. • If you manually override tax information on the transaction, only the tax content owned by the first-party organization is displayed in the list of valid values available. **Note:** For the first-party organization it can be the business unit owning the tax content or the first-party legal entity-owned setup depending on the specific subscription being used.
Common configuration with party overrides	• The tax determination process uses any tax content owned by the first party for whom the transaction is being entered. In the absence of tax content owned by that first-party organization, the tax determination process uses tax content owned by the global configuration owner. • If you manually override tax information on the transaction, both the override tax content owned by the specific first party and the tax content owned by the global configuration owner that you haven't overridden are displayed in the list of valid values available.
Parent first-party organization with party overrides	• The tax determination process uses any tax content owned by the first party for whom the transaction is being entered. In the absence of tax content owned by the first-party organization, the tax determination process uses tax content owned by the parent first-party organization. • If you manually override tax information on the transaction, both the override tax content owned by the specific first party and the tax content owned by the designated parent first-party organization that you haven't overridden are displayed in the list of valid values available.

If you are using product exceptions, those exceptions are applied to the transactions as shown in the following table:

Configuration for Product Exceptions	Tax Exceptions Available
Common configuration	The tax determination process uses only the tax exceptions defined and maintained by the global configuration owner.
Party-specific configuration	The tax determination process uses only the tax exceptions owned by the specific first-party organization

Related Topics

- Tax Configuration Options

Example of Setting Up Tax Configuration Options

This example demonstrates how you set up the appropriate tax configuration options for your company that has three regional centers.

These centers are responsible for tax setup and maintenance among other corporate activities. Each of these regional corporate centers is associated with a first-party legal entity and business unit.

Your company has its regional centers in these locations:

- North America (NAM), based in Redwood City, California, US
- Asian and Pacific (APAC), based in Melbourne, Australia
- Europe, Middle East, and Africa (EMEA), based in London, UK

Each country has a single first-party legal entity with a single business unit. These are the only exceptions to this rule:

- Countries with the regional corporate centers have a first-party legal entity and business unit for each corporate center.
- Sales, marketing, and manufacturing organization have a first-party legal entity and business unit.

Create tax regimes for each country and the appropriate tax configuration options.

Prerequisites

You must set up some values to create the appropriate tax configurations. These are the values you require:

1. Set up the legal entities for these countries:

First-Party Legal Entity	Country
EMEA LE	UK
GB LE	UK
FR LE	FR
DE LE	DE
APAC LE	AU
AU LE	AU
SI LE	SI
NZ LE	NZ

First-Party Legal Entity	Country
NAM LE	US
US LE	US
CA LE	CA

2. The sales, marketing, and manufacturing organization's business unit uses the tax configuration of the legal entity.
3. Set up the relevant tax regimes for each country's tax as shown here:

Region	Country	Tax Regime	Tax
EMEA	United Kingdom	GB VAT	GB VAT
EMEA	France	FR VAT	FR VAT
EMEA	Germany	DE VAT	DE VAT
APAC	Australia	AU GST	AU GST
APAC	Singapore	SI VAT	SI VAT
APAC	New Zealand	NZ VAT	NZ VAT
NAM	United States	US SALES TAX	◦ US STATE SALES TAX ◦ US COUNTY SALES TAX ◦ US CITY SALES TAX
NAM	Canada	CA HST and GST	◦ CA HST ◦ CA GST

Setting Up Tax Configuration Options

1. On the **Create Legal Entity Tax Profile** page, select EMEA LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	GB VAT
Configuration for Taxes and Rules	Party-specific configuration
Configuration for Product Exceptions	Party-specific configuration
Parent First-Party Organization	Blank
Effective Start Date	01-Jan-01

   Click **Save and Create Another**.
2. Select GB LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	GB VAT
Configuration for Taxes and Rules	Parent first-party with party overrides
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	EMEA LE
Effective Start Date	01-Jan-01

   Click **Save and Create Another**.
3. Select FR LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	FR VAT

Field	Value
Configuration for Taxes and Rules	Parent first-party with party overrides
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	EMEA LE
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

4. Select DE LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	DE VAT
Configuration for Taxes and Rules	Parent first party with party overrides
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	EMEA LE
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

5. Select APAC LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	AU GST
Configuration for Taxes and Rules	Party-specific configuration
Configuration for Product Exceptions	Party-specific configuration
Parent First-Party Organization	Blank

Field	Value
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

6. Select AU LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	AU GST
Configuration for Taxes and Rules	Parent first party with party overrides
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	APAC LE
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

7. Select SI LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	SI VAT
Configuration for Taxes and Rules	Parent first party with party overrides
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	APAC LE
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

8. Select NZ LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	NZ VAT
Configuration for Taxes and Rules	Parent first party with party overrides
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	APAC LE
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

9. Select NAM LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	US SALES TAX
Configuration for Taxes and Rules	Party-specific configuration
Configuration for Product Exceptions	Party-specific configuration
Parent First-Party Organization	Blank
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

10. Select US LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	US SALES TAX
Configuration for Taxes and Rules	Parent first party with party overrides

Field	Value
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	NAM LE
Effective Start Date	01-Jan-01

Click **Save and Create Another**.

11. Select CA LE in the **Legal Entity** field. In the **Configuration Options** tab enter:

Field	Value
Tax Regime Code	CA GST and PST
Configuration for Taxes and Rules	Parent first party with party overrides
Configuration for Product Exceptions	Parent first-party organization
Parent First-Party Organization	NAM LE
Effective Start Date	01-Jan-01

Click **Save and Close**.

FAQs for Manage Tax Regimes

What's a service subscription?

Service subscriptions let you use transaction tax offerings from an external tax partner. These offerings are related to either content or calculation services, often both.

Oracle Tax supports the use of services provided by external tax partners for transaction tax calculation processing. You can use either Oracle Tax or a partner tax application to calculate transaction taxes. All you have to know is the specific depth and scope of the external tax partner's offerings.

Why are controls and defaults important?

Oracle Tax setup is designed so that you have to do as little as possible. One way to do this is the extensive use of default values.

That means you can enter your data once and use it in all subordinate or child records. Use defaults wherever applicable. For example, many values you enter for a tax regime show as defaults for each tax associated with it. In most cases, you can override an incorrect default value.

Using data-driven controls decides how tax functionality works. These controls ensure maximum flexibility. They also maintain the accuracy and integrity of your data and transactions. For example, you must set up tax recovery for value-added tax (VAT) processing. All you have to do is enable the **Allow tax recovery** option for the tax record. Doing so lets you set up tax recovery rates for this type of tax.

How to enable tax calculation on rounded amounts for Payables invoices?

You can calculate taxes on Payables invoices using rounded amounts in the entered currency before these amounts are converted to the ledger currency. This approach helps minimize rounding differences between the transaction line amounts and tax conversion calculations.

To do this, follow these steps:

1. Navigate to Setup and Maintenance, choose Financials, then go to Transaction Taxes. Select Manage Configuration Owner Tax Options and add a configuration for Payables.
2. Activate the Use Rounded Tax Amount for Conversion option.

> **Note:** If you want to disable this feature, you must select the end date for the existing Configuration Owner Tax Options where the Use Rounded Tax Amount for Conversion option is enabled and create a new entry without this option.

Here are the rounding conversion options available in the Controls and Defaults section of the Create or Edit Tax Regime page:

- Blank: Use the default unrounded amounts in the entered currency for tax conversion calculation to the ledger currency.
- Functional Currency: Use rounded amounts in the entered currency for tax conversion calculation to the ledger currency.
- Transaction Tax: Use the internal transaction amount field (TAX_AMT_TAX_CURR) to store the tax amount in the ledger currency. This value is for reporting purposes only. It is not visible on any page nor has any financial impact.
- Both: Enable both the Functional Currency and the Transaction Tax options.

Manage Tax Account

Tax Account Configuration

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 for tax serve as default accounting information for tax rates and tax jurisdictions.

You can override the defaulted accounts. Configure the tax recoverable or liability account for the tax recovery rate. Accounts assigned to the tax rate and recovery rate are used when the taxes are applicable to the transaction.

Set up tax accounts for a primary ledger or in combination with a business unit. The calculated tax amounts are posted to the accounts specified for a business unit. If those accounts aren't available, tax accounts defined for the primary ledger are used. These are default accounts and the actual accounts that are used for accounting depend on the subledger accounting configuration.

For a tax, either assign new tax accounts or use accounts from an existing tax. This depends on the option selected in the **Tax Accounts Creation Method** attribute for the tax. If you choose to use accounts from an existing tax, specify another tax as the source tax. All the tax account details that you set up at the source tax level are copied into the Tax Accounts region as read only values. You can't edit the details or create new records.

Tax Accounts

Define tax accounts for a tax, tax rate, and tax jurisdiction. Tax accounts are:

- **Tax Expense**: A Payables tax account that records tax amounts from invoice distributions; or a Receivables tax account 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. This occurs only if the adjustment type has tax handling.
- **Tax Recoverable**: An account that records tax recovery amounts. 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.
- **Tax Liability**: An account that records tax liability amounts.

  > **Note:** If you intend to use different accounts for tax recovery and liability then set up the recovery account for the tax recovery rate. This account is used to debit the recoverable tax amount while the account on the tax rate is used to account for tax liability.

- **Interim Tax:** An account that records interim tax recovery or liability before the actual recovery or liability arises on a payment of an invoice. You must set up an interim tax account for taxes and tax rates that have tax point basis set as payment.
- 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.
  - **Nonrecoverable Tax Accounts**: Accounts that record tax amounts on earned and unearned discounts and adjustments that you can't claim as a deduction against tax liability.
  - **Expense and 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.

Related Topics

- Accounting for Tax on Payables Transactions
- Accounting for Tax on Receivables Transactions

Manage Taxes

Tax Controls and Defaults

Set up details for the taxes of a tax regime. Each separate tax in a tax regime includes records for the statuses, rate, and rules that are used to calculate and report on the tax.

Oracle Fusion Tax derives defaults tax information from the tax regime to each tax that you create for a regime. You can modify this information at the tax level according to your needs, as well as add additional defaults and overrides.

Defining Controls and Defaults

The following table describes the defaults and controls available at the tax level.

Header Region

Field	Description	Default Derived from	Default Appears on	Controls
Enable tax for simulation	Controls whether this tax is available for computation within the Tax Simulator functionality	None	None	If selected, this tax is available for calculation in the Tax Simulator when the evaluate taxes is enabled for simulation.
Enable tax for transactions	Controls whether this tax is available for transactions. Selecting this option triggers integrity checks to validate that the setup for this tax is accurate and complete	None	None	If selected, this tax is used by transactions, if applicable. If not selected then this tax isn't processed as an applicable tax at transaction time.

Tax Information Region

Field	Description	Default Derived from	Default Appears on	Controls
Tax Currency	The default currency of the taxes within a tax regime	Tax regime	None	Defines the tax currency for calculation and reporting purposes
Minimal Accountable Unit	The minimal unit of currency reported to the tax authority. For example,	Tax regime	None	Defines the minimal accountable unit at transaction time

Field	Description	Default Derived from	Default Appears on	Controls
	0.05 GBP indicates that 5 pence is the minimal unit			
Tax Precision	A one digit whole number to indicate the decimal place for tax rounding	Tax regime	None	Defines the tax precision during tax calculation
Conversion Rate Type	The specific conversion rate table that's used to convert one currency into another. For example, the Association of British Travel Agents conversion rate used in the travel industry	Tax regime	None	Defines the conversion rate that's used as necessary at transaction time
Rounding Rule	The rule that defines how rounding is performed on a value. For example, up to the next highest value, down to the next lower value, or to the nearest value	Tax regime	None	Can control rounding at transaction time
Compounding Precedence	Defines the order in which this tax is calculated compared to other taxes that are compounded on or compounded by this tax. The tax with the lowest precedence value is calculated first.	None	None	Controls the order in which applicable taxes are calculated at transaction time
Reporting Tax Authority	The default tax authority to whom the tax reports are sent	Tax regime	Tax registration	None
Collecting Tax Authority	The default tax authority to whom the tax is remitted	Tax regime	Tax registration	None
Applied Amount Handling	Controls whether tax is recalculated or prorated on prepayment, with the default being **Recalculated**	None	None	Controls Oracle Fusion Payables functionality and how payments trigger recalculation or prorating of tax amounts
Set as offset tax	Defines this tax as an offset tax	None	None	Selecting this option disables the Controls region and Tax Exceptions and Exemptions Controls region and clears any values that were entered in these regions

Field	Description	Default Derived from	Default Appears on	Controls
Set tax for reporting purposes only	Defines whether this tax is set up for reporting purposes only	None	None	Controls whether this tax is used for reporting only and doesn't create any tax account entries

Controls and Defaults Tab, Controls Region

Field	Description	Default Derived from	Default Appears on	Controls
Tax Point Basis	Specify the event that's the basis for tax recovery or liability. This event is also the basis on which tax is considered for reporting.	None	Tax rate	Use this option in conjunction with the option on the first-party tax registration.
Tax Inclusion Method	Defines whether the tax is: • **Standard noninclusive handling**: This option calculates the taxes as exclusive of the given transaction line amount • **Standard inclusive handling**: This option calculates the taxes as inclusive of the given transaction line amount • **Special inclusive handling**: This option calculates the taxes as inclusive of the given transaction line amount, but the calculation methodology differs from the standard inclusive process	None	None	Use this option in conjunction with other setup on tax, party tax profile, tax registration, and transaction details to control the inclusiveness of a line amount at transaction time
Allow override and entry of inclusive tax lines	Controls whether you can override and enter inclusive or exclusive line amounts	Tax regime	Tax rate	None
Allow tax rounding override	Allows the override of the rounding defined on the tax registration records	Tax regime	None	Use this option to override tax rounding setup on the tax registration records for registrations for this tax
Allow override of calculated tax lines	Allows you to override the calculated tax lines at transaction time when the Transaction Tax Line	None	None	Use this option in conjunction with the Transaction Tax Line Override profile option

Field	Description	Default Derived from	Default Appears on	Controls
	Override profile option is also set			and the **Allow override of calculated tax lines** option for the configuration owner tax options to allow you to update calculated tax lines at transaction time. If any of these options aren't set then update of calculated tax lines isn't allowed at transaction time.
Allow entry of manual tax lines	Allows you to enter manual tax lines at transaction time	None	None	Use this option in conjunction with **Allow entry of manual tax lines** option for the configuration owner tax options. When both fields are set you can enter manual tax lines at transaction time.
Use legal registration number	Controls whether the tax registration number is the same as the legal registration number of the party	None	None	If this option is selected you can choose an existing legal entity registration number as the transaction tax registration number
Allow duplicate registration numbers	Controls whether you can enter duplicate tax registration numbers for different parties	None	None	If this option is selected you can enter duplicate tax registrations for different parties
Allow multiple jurisdictions	Controls whether you can enter multiple concurrent tax jurisdictions for this tax	None	None	If this option is selected you can create multiple concurrent tax jurisdictions for this tax
Allow mass creation of jurisdictions	Controls whether mass creation of jurisdictions functionality is allowed using the parent geography and geography setup for this tax	None	None	If this option is selected you can use the mass creation jurisdictions functionality for this tax

Tax Account Controls Region

Field	Description	Default Derived from	Default Appears on	Controls
Tax Accounts Creation Method	Controls whether the tax accounts used for this tax are derived from setup associated with this tax or copied from another tax defined by the **Tax Accounts Source** field	None	None	When the value is: • **Create tax accounts**: Create tax accounts for this tax • **Use tax accounts from an existing tax**:

Field	Description	Default Derived from	Default Appears on	Controls
				Enter the tax account source to be used at transaction time
Tax Accounts Source	Defines the tax to use to derive the tax accounts to use at transaction time	None	None	Use when the value in the **Tax Accounts Creation Method** field is **Use tax accounts from an existing tax**

Tax Exceptions and Exemptions Controls and Defaults Region

Field	Description	Default Derived from	Default Appears on	Controls
Allow tax exceptions	Controls whether tax exceptions are allowed for this tax	None	Tax status	None
Use tax exceptions from an existing tax	Controls whether tax exceptions are derived from this tax or derived from another tax as specified by the value in the **Tax Exceptions Source** field for the same transaction	None	None	Controls whether you can define tax exceptions for this tax or if they're derived from those defined against another tax related to the same tax line at transaction time
Tax Exceptions Source	Defines the tax to use as the source when the**Use Tax Exception from an existing tax** option is selected	None	None	Used in conjunction with the **Use Tax Exception from an existing tax** option and uses tax exceptions already created for customers for this tax
Allow tax exemptions	Controls whether tax exemptions are allowed for this tax	None	Tax status	None
Use tax exemptions from an existing tax	Controls whether tax exemptions are derived from this tax or derived from another tax as specified by the value in the **Tax Exemptions Source** field for the same transaction	None	None	Controls whether you can define tax exemptions for this tax or if they're derived from those defined against another tax related to the same tax line at transaction time
Tax Exemptions Source	Defines the tax to use as the source when the **Use Tax Exemption from an existing tax** option is selected	None	None	Used in conjunction with the **Use tax exemptions from an existing tax** option and uses tax exemptions already created for customers for this tax

Tax Recovery Controls and Defaults Region

Field	Description	Default Derived from	Default Appears on	Controls
Allow tax recovery	Controls whether this tax handles tax recovery	None	None	If this option is selected you can set up tax recovery for this tax

Related Topics

- Self-Assessment of Taxes
- Inclusive Taxes
- Considerations for Setting Up Rounding Rules
- How You Set Up Tax Status Controls and Defaults
- Tax Rates Controls and Defaults

Tax Amount Rounding

Taxes applicable on a transaction are generally calculated as the taxable basis multiplied by the tax rate equals the tax amount. This calculated amount can result in an odd value or with a large number of decimal place.

You can configure the tax setup to adjust or round the tax calculation according to the specific requirements of the transacting parties and tax authority or to the accepted currency denominations.

Key parameters that influence the rounding of calculated tax amount are:

- Tax precision: The number of decimal places to which to calculate the tax amount.
- Minimum accountable unit: The smallest currency unit that a tax amount can have.
- Rounding level: The transaction level at which the rounding is to be performed. The available options are **Header** and **Line**.
- Rounding rule: The method that is used to round off the calculated taxes to the minimum accountable unit. The available options are **Up**, **Down**, and **Nearest**.

Define the key parameters at various places within Oracle Fusion Tax. The rounding process derives the tax precision and minimum accountable unit details from the tax setup. The rounding process derives the rounding rule and rounding level details through the predefined processing hierarchy involving:

- Configuration owner tax options defined for the configuration owner and event class
- Event class options for the event class
- Party tax profiles of the parties or party sites as given in the rounding precedence of the configuration owner tax options or in the derived registration party
- Tax

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.

Related Topics

- Considerations for Setting Up Rounding Rules
- How Rounding Precedence Hierarchy Is Determined
- Examples of Tax Rounding

Considerations for Setting Up Rounding Rules

Criteria for rounding the calculated tax amounts comes from various parties involved in a transaction.

For example, for a purchase transaction, the rounding methodology is generally specified by the supplier. Specify rounding details in your tax setup to ensure that your entered invoice amount, including the calculated tax, is the same as the actual invoice amount. For a Receivables invoice, you can specify rounding details based on your organization's policy, but for most countries the rounding criterion is directed by tax legislation.

Rounding requirements can originate from:

- Third parties
- First parties
- Tax legislation

Rounding Requirements from Third Parties

If rounding is based on third-party requirements, particularly for purchase transactions, you:

- Define the configuration owner tax options for the combination of business unit or legal entity for which the transaction is registered, and the event class. In the **Rounding Precedence** field, enter the reference of the third party or third party. For purchase transactions, it is either the ship-from party or the bill-from party.
- Define the party tax profile for the third party, and specify the rounding level and rounding rule on the General tab as preferred by the third party.
- Create registration details for each tax, and specify the rounding rule if the rounding level is at the line level in the party tax profile. Also, define tax registration rules for each tax so that the tax determination process uses the third-party registration.
- Select the **Allow tax rounding override** option on the Create or Edit Tax page if a registration record isn't defined for the tax registration party. The application then looks at the party account site details and party tax profile details for deriving the rounding rule.

Rounding Requirements from First Parties

If rounding is based on business unit or legal entity requirements, particularly for sale transactions, and configuration owner tax options are defined, you:

- Define the configuration owner tax options for the combination of business unit or legal entity for which the transaction is registered, and the event class. In the **Rounding Precedence** field, enter the reference of the first party. For sale transactions it is either the ship-from party or the bill-from party.
- Ensure that the party tax profile details are available for the corresponding legal reporting unit. Specify the rounding level and rounding rule on the General tab per the first-party requirement or your business policy.

- Create registration details for each tax, and specify the rounding rule if the rounding level is at the line level in the party tax profile. Also, define tax registration rules for each tax so that the tax determination process uses the first-party registration.
- Select the **Allow tax rounding override** option on the Create or Edit Tax page if a registration record isn't defined for the tax registration party. The application then looks at the party tax profile details for deriving the rounding rule.

The rounding criteria applied if configuration owner tax options aren't defined and the criteria in the predefined event class options are considered include:

- For a purchase transaction, the predefined event class options use the ship-from party site and ship-from party within the rounding precedence with the default rounding level as the header level. The supplier's rounding preferences are considered first on the transaction. If there are no specific supplier preferences, for example, the party tax profile record doesn't exist, then the default rounding level of **Header** is considered and the corresponding rounding rule from each tax setup detail is used.
- For a sale transaction, the predefined event class options don't include any rounding precedence details. However, the default rounding level is set to **Line** so the rounding level is always taken as **Line** and the corresponding registration record for the tax registration party is considered for the rounding rule. The tax registration party is identified through the Determine Tax Registration tax rule or tax rule defaults. If a registration record doesn't exist for the tax registration party, the rounding rule defined within each tax is considered.

Rounding Requirements from Tax Legislation

If rounding is based on tax legislation, the following occurs:

- When the configuration owner tax options are defined for the combination of business unit and legal entity for which the transaction is registered, and for the event class, the default rounding level is used from the configuration owner tax options. Select **Blank** as the rounding precedence for the event class.
- When the rounding level is at the line level for the configuration tax options, ensure that the registration record defined for the tax registration party has the rounding rule based on the tax requirements. The tax registration party is identified through the Determine Tax Registration tax rule or tax rule defaults.

Related Topics

- How Rounding Precedence Hierarchy Is Determined
- Examples of Tax Rounding

How Rounding Precedence Hierarchy Is Determined

During the rounding process, the tax precision and minimum accountable unit details are derived from the tax setup. The rounding process derives the rounding rule and rounding level details through the predefined processing hierarchy involving:

- Configuration owner tax options defined for the configuration owner and event class
- Event class options for the event class
- Party tax profiles of the parties or party sites as given in the rounding precedence of the configuration owner tax options or in the derived registration party

- Tax

Settings That Affect Tax Rounding

Key parameters that influence the rounding of calculated tax amount are:

- Tax precision: The number of decimal places to which to calculate the tax amount.
- Minimum accountable unit: The smallest currency unit that a tax amount can have.
- Rounding level: The transaction level at which the rounding is to be performed.
- Rounding rule: The method that's used to round off the calculated taxes to the minimum accountable unit.

Options available for the rounding level are:

- **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.

Options available for the rounding rule are:

- **Up**: the amount is rounded to the next highest minimum accountable unit.
- **Down**: The amount is rounded to the next lowest minimum accountable unit.
- **Nearest**: The amount is rounded to the nearest minimum accountable unit.

How Tax Rounding Is Determined

If you don't define configuration owner tax option settings for the combination of configuration owner and event class, the rounding process uses:

- The default rounding level of the event class as per the ZX_EVNT_CLS_MAPPINGS table.
- 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, the rounding process looks for a rounding level and rounding rule in this way:

1. Looks 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 an applicable tax profile is found then uses the rounding level and rounding rule of the tax profile.
3. If the rounding level is at the header level then uses these values to perform the rounding. The process ends.

   If the rounding level is at the line level then goes to step 6.
4. If an applicable tax profile isn't found then uses the rounding level setting of the configuration owner tax option.
5. If the configuration owner tax option rounding level is at the header level then uses the rounding rule that's set at the tax level for each tax of the transaction to perform the rounding. The process ends.

   If the rounding level is at the line level then goes to step 6.
6. If the rounding level is at the line level then:
   a. For each tax line, uses the rounding rule belonging to the tax registration of the party type derived from the Determine Tax Registration rule.
   b. If a registration record doesn't exist for the registration party type, and if you didn't define configuration owner tax option settings for the combination of configuration owner and event class, then the rounding process uses the rounding rule that's set at the tax level to perform the rounding. The process ends.

c. If a registration record doesn't 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, then the rounding process looks for a rounding rule in this way:
    i. Refers to the party or party site of the first-party type defined in the rounding precedence hierarchy.
    ii. Uses the rounding rule of the party or party site tax registration, if defined.
    iii. If a tax registration isn't defined, uses the rounding rule of the party or party site account site details, if defined.
    iv. If a rounding rule isn't defined, uses the rounding rule of the party or party site tax profile, if defined.
    v. If a tax profile isn't defined, repeats the previous sub-steps for each rounding party in the rounding precedence hierarchy.
    vi. If a rounding rule is found, uses this rounding rule to perform the rounding. The process ends.
    vii. If a rounding rule isn't found, then uses the rounding rule that's set at the tax level to perform the rounding. The process ends.

Related Topics

- Examples of Tax Rounding

Examples of Tax Rounding

During the rounding process, the tax precision and minimum accountable unit details are derived from the tax setup.

The rounding process derives the rounding rule and rounding level details through the predefined processing hierarchy of configuration owner tax options, event classes, party tax profiles, and taxes. These examples illustrate how the rounding process works.

Scenario

The following examples show how the rounding process determines the tax rounded amount based on transaction, tax setup, and rounding details.

The transaction and tax setup details for the two examples are:

- Invoice header amount: 5579 USD
- Invoice line 1 amount: 1333 USD
- Invoice line 2 amount: 1679 USD
- Invoice line 3 amount: 2567 USD
- Applicable taxes:
    - State tax, rate percentages of 12.5%, 6.75%, and 3.33%
    - City tax, rate percentages of 7.5%

The rounding details for the two examples are:

- Rounding level: Header
- Rounding Rule:

    - State tax: Up
    - City tax: Nearest
- Tax precision: 2
- Minimum accountable unit: 0.01

Example 1 represents the rounding details applied at the header level. Applying these factors, the rounding process calculates the invoice amounts, all in USD currency, as follows:

Document Level	Amount	Tax and Tax Rate	Tax Amount Not Rounded	Step 1: Line amounts truncated per tax precision and rounding criteria applied at the header level	Step 2: Difference between the header amount and the sum of the line amounts	Step 3: Apply the difference amount to the maximum tax line amount	Tax Amount Rounded
Header	5579	• State tax • City tax	• 395.8082 • 418.425	• 395.81 • 418.43	• 0.01 • 0.02		• 395.81 • 418.43
Line 1	1333	• State tax: 12.5% • City tax: 7.5%	• 166.625 • 99.975	• 166.63 • 99.98			• 166.62 • 99.97
Line 2	1679	• State tax • City tax: 7.5%	• 55.9107 • 125.925	• 55.91 • 125.93			• 55.91 • 125.92
Line 3	2567	• State tax • City tax: 7.5%	• 173.2725 • 192.525	• 173.27 • 192.53		• 0.01 • 0.02	• 173.28 • 192.54

Example 2 represents the rounding details applied at the line level. Applying these factors, the rounding process calculates the invoice amounts, all in USD currency, as follows:

Document Level	Amount	Tax and Tax Rate	Tax Amount Not Rounded	Step 1: Rounding criteria is applied at the line level	Step 2: Line amounts are added to obtain revised header amounts	Tax Amount Rounded
Header	5579	• State tax • City tax	• 395.8082 • 418.425		• 395.82 • 418.44	• 395.82 • 418.44
Line 1	1333	• State tax: 12.5% • City tax: 7.5%	• 166.625 • 99.975	• 166.63 • 99.98		• 166.63 • 99.98
Line 2	1679	• State tax	• 55.9107	• 55.92		• 55.92

Document Level	Amount	Tax and Tax Rate	Tax Amount Not Rounded	Step 1: Rounding criteria is applied at the line level	Step 2: Line amounts are added to obtain revised header amounts	Tax Amount Rounded
		• City tax: 7.5%	• 125.925	• 125.93		• 125.93
Line 3	2567	• State tax • City tax: 7.5%	• 173.2725 • 192.525	• 173.27 • 192.53		• 173.27 • 192.53

Self-Assessment of Taxes

Taxes for purchase transactions are usually calculated by the supplier and included in the invoice. The responsibility of collecting and remitting these taxes to the authority lies with the supplier.

However, in certain cases the supplier doesn't have presence (nexus) or isn't registered in the customer location. Taxes applicable in such cases, in the customer location, are self-assessed by the purchasing organization. Unlike supplier assessed taxes that are paid to the supplier, self-assessed taxes are remitted by the purchasing organization directly to the tax authority.

The key here is that these taxes are to be calculated on the same invoice, but the taxes don't impact the amount payable to the supplier, instead it should be accounted for as a tax liability.

The core requirements remain the same, however, the terminology used for self-assessed taxes vary by tax regime, such as reverse charges, use taxes, and offset taxes. Reverse charge is the terminology primarily used in the European Union, use taxes is the terminology used in the United States, and offset taxes is a alternate solution to handle self-assessment of taxes and is not used by any regime.

Oracle Fusion Tax provides the following options to configure and automate calculation of self-assessed taxes:

- Self-assessment
- Offset taxes
- Reporting-only taxes
- Use taxes

Self-Assessment

Taxes must be self-assessed by the purchasing organization when the supplier isn't registered in the ship-to or bill-to location of the transaction. This is the recommended approach for defining and calculating self-assessed taxes. This is driven based on the registration party used for the transaction.

Registration Party

In the context of a tax applicable to the transaction it is the party whose registration must be considered. The tax registration party type default is specified for the tax. As most of the taxes are assessed by the supplier, the default is set to the ship-from or the bill-from location.

Supplier Tax Registration

You can define tax registration for the supplier, the supplier site, and for a particular tax regime. If the tax registration varies by tax or tax jurisdiction, define the registration at a granular level. If the supplier doesn't have presence in a specific jurisdiction, there are two options for configuration. The first is to create a tax registration record with the

registration status as not registered. The second option is not to define a registration record. If you follow the second option, when you define the condition set, set the operator for the Registration determining factor class to **Is blank**.

Registration Party of the First Party

Similar to the supplier registration, you can define the tax registration records for a legal reporting unit tax profile. For the tax registration of the first party select the **Set as self-assessment (reverse charge)** option. This option triggers self-assessment of taxes when the registration party selected for the tax line is that of the first party. Self-assessment is only applicable for Payables transactions. The option on the first party registration doesn't impact Receivables transactions. Create a tax registration rule to conditionally use the first party registration when the supplier isn't registered. The condition to use for this tax rule is as follows:

Tax Determining Factor Class	Class Qualifier	Tax Determining Factor Name	Operator	Condition Value
Registration	Bill-from party	Registration Status	Equal to	Not Registered

If the registration records aren't created for the suppliers without registration, create the condition set as follows:

Determining Factor Type	Class Qualifier	Determining Factor Name	Operator	Condition Value
Registration	Bill-from party	Registration Status	Is blank	

Offset Taxes

Offset taxes is a backward compatible approach that is configured to self-assess taxes. Configure offset taxes in addition to your regular taxes. Offset taxes carry a negative rate, and are calculated in the context of the regular tax. Where offset taxes are applicable, the application creates two tax lines with one positive and one negative amount. 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 an offset general ledger posting.

Reporting-Only Taxes

You can identify taxes for reporting purposes only. When these taxes are applicable to the transactions, records are created in the tax repository entities. However, invoice distributions aren't created for these taxes. Therefore, there is no impact to the payable amount, payment amount, and invoice accounting.

Use Taxes

Assigning use taxes to invoices, you create a record of the taxes you owe to tax authorities. Oracle Fusion Payables doesn't create invoice distributions for these taxes. Therefore, there isn't any accounting impact due to these taxes.

> **Note:** Use taxes are defined with the tax type of **Use tax**. The rest of the configuration is the same as the other taxes. This feature is only supported for migrated taxes. You cannot define a new tax with this tax type.

Related Topics

- How Reporting-Only Taxes Are Processed
- How Self-Assessed Taxes Are Processed
- How Offset Taxes Are Processed

How Self-Assessed Taxes Are Processed

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 wasn't levied by the supplier but is deemed as due (and therefore needs to be paid by the purchaser). Taxes need to be self-assessed by the purchasing organization when the supplier isn't registered in the ship-to or bill-to location of the transaction

Settings That Affect Self-Assessment of Taxes

Configure your tax setup to automate self-assessment of regular taxes. The following is an overview of the configuration:

- Default registration party: Set the default values for the direct rule type of **Tax Registration**. For self-assessed taxes set the value to **Ship from** or **Bill from**.
- Supplier registration: The supplier can be registered or not registered. Configure your set up as follows:
    - If the supplier is registered, the application creates a record with the registration status of registered. The registration of the supplier is considered and the taxes are assessed by supplier and included as a part of the invoice total.
    - If the supplier isn't registered, you can either:
        - Create a registration record for the tax regime, tax, or tax jurisdiction, with the registration status of not registered.
        - Skip the step of defining tax registration and define the tax condition set with the operator of **Is blank**.
- Selecting first party registration conditionally: Create a registration record for the first party legal reporting unit. For this registration record, select the **Set as self-assessment (reverse charge)** option.

  If the supplier isn't registered, consider the registration of the first party legal reporting unit. To trigger this, define a tax registration rule with the following conditions:

    - If the ship-from or bill-from party registration status isn't registered or is blank then the registration party is either the ship-to party or bill-to party. The following is the condition set for the Determine Tax Registration rule:

Determining Factor Type	Class Qualifier	Determining Factor Name	Operator	Condition Value
Registration	Bill-from party	Registration Status	Equal to	Not Registered

Determining Factor Type	Class Qualifier	Determining Factor Name	Operator	Condition Value
Transaction Input Factor		Line Class	Equal to	Standard Invoice

- If you choose the option of not defining a supplier registration then the condition set is as follows:

Determining Factor Type	Class Qualifier	Determining Factor Name	Operator	Condition Value
Registration	Bill-from party	Registration Status	Is blank	
Transaction Input Factor		Line Class	Equal to	Standard Invoice

Set the rule result to bill-to party so that the registration of the legal reporting unit is considered.

> **Tip:** Instead of including the condition for the transaction input factor, you can specify the event class constraint at the tax rule header.

- Self-assessing tax: Check the **Set as self-assessment (reverse charge)** option for the first party registration record you create for the tax regime, tax, and tax jurisdiction. Once the application selects this registration record for the tax, the tax line is stamped as self-assessed.

How Self-Assessed Taxes Are Processed

Taxes created by the first party organization must be calculated in the context of the transaction. The application creates both summary and detail tax lines for these taxes. The self-assessed option is enabled for these lines. Invoice lines aren't created for taxes. Therefore, the payable to the supplier doesn't include these taxes. Invoice distributions are created to account for the tax expense or recovery and liability.

Self-assessed taxes aren't included in the invoice totals. Instead, the total of self-assessed taxes for the invoice is displayed as a separate line in the tax charges region of the invoice.

Self-assessed taxes are created for imported payables invoices. This happens when imported transactions have tax lines along with transaction lines and if you enable the **Perform additional applicability for imported documents** option for the event class. For these transactions, additional taxes that are found applicable are treated as self-assessed taxes.

These taxes are accounted along with the rest of the invoice. The accounting treatment for expense and recovery remain the same as any supplier-assessed taxes. The only variation is that the tax amount is credited to the tax liability account instead of the payables account.

Self-assessed taxes are a part of the standard tax reports. Apart from this, Oracle Fusion Subledger Accounting provides reports for accounting activity that can be used to track self-assessed tax liability. Use the Account Analysis Report and the Open Account Balance Listing report to track this liability.

Tax Line Override

You can override the self-assessed indicator for the tax line. This impacts the invoice lines and distributions. If you update the summary tax line, all corresponding detail tax lines are updated to reflect this change. If the self-assessed option on some of the detail tax lines is updated then a new summary tax line is created to group the detail tax lines that are being self-assessed.

> **Note:** When you select or deselect the Self-Assessed option on a tax line for the first time, the update doesn't take effect. You must select the specific tax line, click the row header or a noneditable area, and then select the Self-Assessed option.

Related Topics

- Self-Assessment of Taxes

How Offset Taxes Are Processed

Offset taxes are a backward compatible approach that you can configure to self-assess taxes. Configure offset taxes in addition to the regular taxes. Offset taxes carry a negative rate, and are calculated in the context of the regular tax.

Where offset taxes are applicable, two tax lines are created with one positive and one negative amount. 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 an offset general ledger posting.

Settings That Affect Offset Taxes

For the offset tax calculation to take effect, do the following:

- Set up offset taxes
- Enable offset tax calculation

Perform these tasks for setting up offset taxes:

- Set up the offset tax, tax status, and tax rate. Define at least one recovery type lookup to use with offset taxes.
- Create the offset tax and perform the following:
  a. Use the tax currency of the original tax.
  b. Select the **Set as offset tax** option.
  c. Enter a primary recovery type that you defined for offset taxes.
- Set up the tax status for the offset tax. Do not select the **Allow tax rate override** option.
- Set up a 100% tax recovery rate for the offset tax using the recovery type that's defined for the offset tax.

  You can't update the recovery rate on an offset tax line. The recovery rate is always 100% 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.
- Set up the offset tax rate and perform the following:
  a. Enter a negative rate amount.

b. Assign the tax recovery rate that is defined for offset tax.
c. Do not select the **Allow ad hoc tax rate** option.

- Set up the original tax with the required configuration to enable the tax. For the tax rate of the original tax (nonoffset tax), assign the offset tax rate code in the **Offset Rate Code** field.

Complete the following configuration steps to enable calculation of offset taxes for a transaction:

- For the configuration owner tax options for the Payables event classes, enable offset tax calculation by selecting the **Allow offset tax calculation** option. Also, specify the offset tax basis.
- Select the **Allow offset taxes** option on the party tax profile if you want to calculate offset taxes for the transactions created for the party. Select this option for the party type selected in the **Offset Tax Basis** field for the configuration owner tax options.

How Offset Taxes Are Processed

Offset taxes applicable to an invoice are created with two tax lines entries, one for the tax and one for the offset tax. The line for the offset tax has the offset option enabled. This line carries the reference to the original tax line. Two Invoice lines are created for these taxes, one for each tax.

The amount for the regular tax line is always debited to the tax expense or recovery account or both, depending on the recovery of the tax. The credit is posted to a payables account which is offset by the negative amount credited to the payables account due to the offset tax line. The debit of the offset tax line is posted to the tax liability account. This indicates the liability that the first party organization has toward the tax authority for the self-assessed tax.

Tax Line Override

You can't override offset tax lines. However, you can update the tax line calculated for the original tax.

The corresponding tax line for the offset taxes is updated, when you:

- Update the tax rate percentage or amount
- Cancel the tax line

Related Topics

- Self-Assessment of Taxes

How Reporting-Only Taxes Are Processed

You can identify taxes for reporting purposes only. When these taxes are applicable to the transactions, records are created in the tax repository entities. However, invoice distributions aren't created for these taxes. Therefore, this doesn't impact the payable amount, payment amount, and invoice accounting.

Settings That Affect Reporting-Only Taxes

Set up reporting-only taxes by selecting the **Set tax for reporting purposes only** option for the tax.

How Reporting-Only Taxes Are Processed

Tax lines for reporting-only taxes have the **Reporting Only** option enabled. Tax distributions aren't created for these tax lines.

For Oracle Fusion Payables invoices, these lines aren't displayed on the invoice lines. The total of the reporting-only taxes are displayed in the tax totals region of the invoice.

For Oracle Fusion Receivables transactions, reporting-only taxes are handled as any other tax. These taxes are considered a part of the invoice, and are accounted for accordingly.

Tax Line Override

You can't update the **Reporting Only** option on the detail tax lines.

Related Topics

- Self-Assessment of Taxes

Transaction Tax Thresholds

During transaction tax calculation, use threshold controls to apply minimum or maximum limits to tax rates, taxable amounts, or tax amounts if these limits are enforced by tax authorities.

Define thresholds for a:

- Tax if these limits are evaluated for all transactions to which that tax applies
- Tax jurisdiction if these limits are applied to all purchases and sales that occur in that tax jurisdiction
- Tax rule if these limits are only applicable in certain circumstances

Threshold attributes and processing include:

- Threshold type
- Threshold basis
- Threshold range
- Evaluation order

Threshold Type

Specify the minimum or maximum limit for a tax rate, taxable amount, and tax amount to meet the needs of the tax regulation. You can create multiple threshold types for a date period.

Threshold Basis

Select the threshold basis to comply with tax authority requirements of imposing limits for taxable or tax amounts either for the entire document or for each item line of the document. You can't define the same threshold type for both line and document in the same period.

Threshold Range

Specify the minimum, maximum, or both minimum and maximum values for the threshold type. Enter the values in the tax currency. If the transaction currency is different from the tax currency then the thresholds are converted to transaction currency for evaluation.

If the tax rate determined for a tax line is:

- Within the range of the minimum and maximum rate threshold, then the tax rate is retained
- Lower than the minimum value, then the tax rate is replaced with zero
- More than the maximum threshold value, then the tax rate is replaced with the maximum threshold value

The same approach applies to the taxable and tax amount thresholds.

Evaluation Order

If you define more than one threshold type for a tax, the evaluation order is:

- Tax rate thresholds
- Taxable basis
- Tax amount

If a tax rate rule is successfully evaluated for a tax line, then:

- If there are tax rate thresholds values defined for the tax rule, they are considered for tax rate threshold evaluation.
- If there are no threshold values defined for the tax rule, the application determines if there are threshold values defined for the tax jurisdiction. If so, they are considered for tax rate threshold evaluation.
- If there are no threshold values defined for the tax jurisdiction, the application considers the threshold values defined for the tax for tax rate threshold evaluation.

If the threshold basis is **Document**, then the threshold values defined for the tax rules aren't considered

The same approach applies to taxable basis and tax amount thresholds. The only difference is the tax rule considered, which are the taxable basis rules and tax calculation rules, respectively.

Other considerations in threshold evaluation are if the:

- Line amount is inclusive of tax, then the taxable basis and tax amount thresholds aren't considered for the inclusive tax lines.
- Tax line is updated, then the updated values are considered and the thresholds values aren't applied.
- Tax amount is overridden, then the updated amount is considered and the threshold values aren't applied.

FAQs for Manage Taxes

What's the minimum setup to enable a tax for transactions or simulation?

You must complete the required minimum setup before you can enable a tax for simulation or for transactions.

For a country-level standard tax with no recovery, here's the minimum setup:

- Enter the required information in the Create Tax or Edit Tax pages.
- Enter direct tax rule defaults for Place of Supply, Tax Registration, Tax Calculation Formula, and Taxable Basis Formula.
- Set the Tax Applicability to **Applicable**.
- Enter indirect tax rule defaults for Tax Jurisdiction, Tax Status, and Tax Rate.
- Enter tax accounts for **Tax Expense** and **Tax Recoverable or Liability Account**. Accounts you specify at the tax level appear as defaults at the tax rate and tax recovery rate level.

For country-level standard tax with tax recovery, you must complete these setups also:

- Define a tax recovery rate.
- Enter an indirect tax rule default for Tax Recovery Rate.

You might want to set the direct tax rule default for Tax Applicability as **Not Applicable**. In this case, you must also define a determining factor set, condition set, and tax applicability rule.

Manage Tax Rates

Overview of Tax Rates

The tax determination process identifies the tax rate when taxes are considered applicable on a transaction. Tax rates can apply to a specific location or jurisdiction.

For example, you define state, county, and city jurisdiction-based rates for a US Sales and Use Tax regime. Tax rates can change over time. For example, when a tax rate increase occurs, you end date one rate period definition and create a rate period with an effective start date.

There can be tax exceptions or exemptions to tax rates based on:

- Specific items
- Third parties
- General ledger accounts
- Other factors

You must set up tax rates for tax statuses and optionally for tax jurisdictions. For tax statuses, set up tax rate records 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 specified tax and tax status within different tax jurisdictions. Set up your tax rates in the Manage Tax Rates and Tax Recovery Rates task.

Tax Rate Determination Process

The tax rate determination process can be viewed as a two step process:

- Tax rate determination, which includes:
  - A default tax rate associated with the tax
  - An effective rate period
  - Jurisdiction-based rates
  - Tax rules; direct rate rules, tax rate rules, and account-based direct rate rules
  - Migrated tax classification codes and tax classification-based direct rate rules
- Tax rate modification, which includes:
  - Item or product fiscal classification exceptions using special rates, discounts, or surcharges
  - Third party and third-party site tax exemptions using special rates and full or partial exemptions

Related Topics

- Direct Tax Rate Rules
- Considerations for Tax Recovery
- Considerations for Tax Exemptions
- How Tax Exception is Applied to a Transaction Line

Tax Rate Setup

Consider the applicable tax statuses and optionally, tax jurisdictions when defining the tax rate setup to determine applicable tax rates on a transaction. It is important to note that the tax rate code should be unique for a combination of configuration owner and tax jurisdiction.

Tax Statuses

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. Each tax must have at least one status defined and one status assigned as a default. Create tax rules to set alternate values as required.

For example, one tax can have separate tax statuses for standard and manually entered tax rates.

Tax Jurisdictions

A tax jurisdiction is an incidence of a tax on a specific geographical area. A tax jurisdiction is limited by a geographical boundary that encloses a contiguous political or administrative area, most commonly the borders of a country. Often this is represented by a state, province, city, county, or even a tax zone. In Oracle Fusion Tax, a tax jurisdiction can use the geography setup from your Oracle Fusion Trading Community Model geography hierarchy to identify a tax rate.

Taxes such as Canada's Harmonize Sales Tax (HST) and Provincial Sales Tax may require tax rates at the jurisdiction level.

For example, US Sales and Use Tax are applicable based upon the jurisdictions you generally define for state, county, and city geographies.

Tax Rates

You must set up at least one tax rate for each tax status. You can set up additional tax rates at the tax jurisdiction level if the applicable tax rate is unique for a particular tax jurisdiction.

For example, in Canada, HST is applied at a 13% rate in most provinces that have adopted HST. British Columbia and Nova Scotia are exceptions with tax rates of 12% and 15% respectively. To satisfy this requirement, define a single tax rate of 13% with no tax jurisdiction associated. Also define 12% and 15% tax rates and associate them with the British Columbia and Nova Scotia jurisdictions respectively. This minimizes setup by creating an exception-based setup and a default option for the most commonly utilized tax rate percentage.

Tax Rate Types

You can express tax rates in terms of percentage or quantity. A quantity-based tax rate is based upon the number of items purchased or events that occur. For example, a taxing jurisdiction passes a law that each package of cigarettes sold is subject to a tax of 0.87 USD. This tax is considered a quantity-based tax as it is assessed based upon the number of packages purchased and not the price of the product.

Tax Classification Code Set Assignments

When defining a tax rate, select the tax classification code set assignments of **Order to cash**, **Procure to pay**, and **Expenses**. These assignments determine if the tax rate code you define is applicable within a specific product and set assignment at transaction time. In addition, the set assignment of tax classification codes is derived based on the configuration owner that is part of the tax rate code definition.

When you create a tax rate code where the:

- Configuration owner is the global configuration owner: The tax classification code is assigned to all sets that have the determinant type of business unit and contain the determinant value of the business units that have the subscription of the legal entity. The tax classification code is also assigned to the business units that don't have the subscription of the legal entity but subscribe to the global configuration owner data for this tax regime.
- Configuration owner is the legal entity: The tax classification code is assigned to all sets that have the determinant type of business unit and contain the determinant value of the business units that use the subscription of legal entity. The tax classification code is also assigned to business units that subscribe to this specific legal entity as a first-party organization.
- Configuration owner is the business unit: The tax classification code is assigned to all sets that have the determinant type of business unit and contain the determinant value of the business unit for which the content is created.

> **Note:** The application doesn't assign the tax classification codes to the global set of COMMON for any of these scenarios.

You can use the tax classification codes created as determining factors when defining tax rules. When you use the regime determination method of standard tax classification code, the tax classification based direct rate rules can be defined with these codes as factors for direct rate determination. Maintain the tax classification codes using the

associated lookup types of **Party Tax Profile Input Tax Classification**, **Party Tax Profile Output Tax Classification**, and **Party Tax Profile Web Expense Tax Classifications**.

Here's how you can create a tax classification code manually:

1. Go to Manage Tax Lookup Codes and search for the required Lookup Type.
    - For Procure to pay: ZX_INPUT_CLASSIFICATIONS
    - For Order to cash: ZX_OUTPUT_CLASSIFICATIONS
    - For Withholding tax rates: ZX_WHT_TAX_CLASSIFICATION_CODE
2. Add Tax Rate in Lookup Type and save.

Note: The tax rate value should exactly match with the one defined while setting up Tax Classifications Codes.

Rate Periods

You can define one or more rate periods for a tax rate as long as the date ranges don't overlap. This allows for a change in tax rates over time without requiring a new tax rate code definition. You can define default effective periods for tax rate periods. This effectivity must be unique across tax regime, configuration owner, tax, and tax status. This allows flexibility if there is a requirement to define a new tax rate code and identify the new rate period as a default when existing rate periods exist on another tax rate code. Define tax rules as exceptions to default tax rates.

Tax Recovery

When the associated tax allows tax recovery you can define tax recovery or offset tax rates. Associate the offset tax or the default tax recovery rate and tax rule defined for tax recovery to the tax rate code. If the tax rule doesn't evaluate to true at transaction time then the default tax recovery rate is applicable. Ensure that the tax recovery rate and tax rate periods overlap or the application doesn't calculate tax recovery.

Tax Accounts

Define tax accounting for the tax rate code either as a default from the tax setup or an override of values at the tax rate level. Tax accounts are defined for the legal entity and optionally for the business unit. The accounts you define are tax expense accounts, tax revenue accounts, tax finance charge accounts, and accounts specific to tax recovery.

Related Topics

- Considerations for Setting Up Tax Rates
- Direct Tax Rate Rules
- Examples of Tax Rates for a Canadian Tax Regime

Considerations for 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.

At transaction time, you can override tax rates on calculated tax lines depending on your setup.

Quantity-Based Tax Rates

You can define tax rates as a percentage or as a value per unit of measure. If you enter the UOM, there is validation that must be passed for the tax rate to be applied. This includes:

- The transaction must have a matching UOM. If the transaction has a different UOM, a UOM conversion between tax rate UOM and transaction UOM must be defined.
- Only one active tax rate can exist for any given tax rate period. You can't create one tax rate for each UOM that might be used within a single tax rate code.

Override of Tax Rates on Tax Lines

Part of the configuration options is to allow you to override the calculated tax rate on a tax line. You should consider the following controls during setup:

- **Allow override of calculated tax lines**: Select this option for a combination of configuration owner and event class if you want to manually override tax lines. This option exists on the Create Configuration Owner Tax Options page for the configuration owner and event class. If a configuration owner tax option doesn't exist, the value on the predefined event class setting is used.
- **Allow override of calculated tax lines**: Select this option on the associated tax record to be able to override values on a calculated tax line.
- **Allow tax rate override**: Select this option on the associated tax status record to be able to override tax rates on a calculated tax line.
- **Allow ad hoc tax rate**: Select this option on the tax rate record if you want to allow the flexibility of not being restricted to predefined tax rates and allow user entered rates on calculated tax lines.

  If you allow ad hoc tax rates you must indicate if the adjustment to a tax amount updates the taxable basis or the tax rate.

> **Note:** You can set the **Transaction Tax Line Override** profile option to control which users can make changes to the transaction line such as selecting a different tax status or tax rate.

Related Topics

- Examples of Tax Rates for a Canadian Tax Regime

Tax Rates Controls and Defaults

Set up tax rates for your tax statuses and optionally for tax jurisdictions.

For tax statuses, set up a tax rate record for each applicable tax rate that a tax status identifies. For tax jurisdictions, optionally set up tax rate records to identify the tax rate variations for a specific tax within different tax jurisdictions.

Defining Controls and Defaults for Tax Rates

The following table describes the defaults and controls available at the tax rate level.

Header Region

Field	Description	Default Derived from	Default Appears on	Controls
Tax Rate Type	Lookup code that controls the type of tax rate. Values are: • **Percentage**: The tax rate is a percentage based on the line value • **Quantity**: The tax rate is based on the currency per UOM such as USD per kilo	None	None	Defines whether the tax rate is either percentage or quantity based
Tax Classification Code Set Assignments • Order to cash • Procure to pay • Expenses	Controls where tax classification codes that are created in parallel to the creation of the tax rate are available for use	None	None	If selected, then the tax classification code associated with this tax rate is available for use in order to cash, procure to pay, and expenses transactions

Rate Periods Region

Field	Description	Default Derived from	Default Appears on	Controls
Set as Default Rate	Controls whether this tax rate is the default rate for the defined tax status for the period specified	None	None	If selected then this tax rate is the default tax rate for the defined tax status for the period specified. Where there are no tax rate rules applicable at transaction time then the tax determination process selects this tax rate where the associated tax status is derived during the period specified.

Main Details Tab, Other Details Region

Field	Description	Default Derived from	Default Appears on	Controls
Tax Inclusion Method	Defines whether the tax is: • **Standard noninclusive handling**: This option calculates the taxes as exclusive of the given transaction line amount • **Standard inclusive handling**: This option	None	None	Use this option in conjunction with other setup on tax, party tax profile, tax registration, and transaction details to control the inclusiveness of a line amount at transaction time

Field	Description	Default Derived from	Default Appears on	Controls
	calculates the taxes as inclusive of the given transaction line amount • **Special inclusive handling**: This option calculates the taxes as inclusive of the given transaction line amount, but the calculation methodology differs from the standard inclusive process			
Allow override and entry of inclusive tax lines	Controls whether you can override and enter inclusive or exclusive line amounts	Tax	None	Use this option in conjunction with the Transaction Tax Line Override profile option as well as **Allow override of calculated tax lines** and **Allow override and entry of inclusive tax lines** options for the configuration owner tax options to allow you to update the Inclusive option on tax line at transaction time
Allow tax exceptions	Controls whether tax exceptions are allowed for this tax	Tax status	None	If this option is selected tax exceptions can be processed at transaction time
Allow tax exemptions	Controls whether tax exemptions are allowed for this tax	Tax status	None	Use this option in conjunction with the **Allow exemptions** option on the configuration owner tax options and when both are selected allows tax exemptions to be processed at transaction time
Allow ad hoc tax rate	Controls whether you can enter ad hoc tax rates at transaction time	None	None	Use this option in conjunction with Transaction Tax Line Override profile option and the **Allow override of calculated tax lines** option for the configuration owner tax options. If all are selected, you can enter tax rates.

Field	Description	Default Derived from	Default Appears on	Controls
Adjustment for Ad Hoc Tax Amounts	Lookup code that's used when you select the **Allow ad hoc tax rate** option	None	None	When the **Allow ad hoc tax rate** option is selected the lookup value in this field controls how the application controls the change in tax value, either as a change to the taxable basis or to the tax rate value used
Tax Point Basis	Specify the event that's the basis for tax recovery or liability. This event is also the basis on which tax is considered for reporting.		None	

Related Topics

- Inclusive Taxes
- Profile Options Controls and Defaults
- How You Set Up Tax Status Controls and Defaults

Examples of Tax Rates for a Canadian Tax Regime

The following scenarios illustrate when you might want to use exceptions or tax rules to meet your Canadian tax requirements.

Scenario

This scenario includes tax calculation for a Canadian tax regime. Purchases made in Ontario are generally taxed for Provincial Sales Tax (PST) at a tax rate of 8%. Accommodation purchases are generally taxed at 5% and food is generally exempt from tax.

EDC Corporation's Ontario store has been invoiced for employee accommodations, including hotel facilitates and food for a conference they attended. The invoice is for a hotel room, use of hotel office facilities, and food.

Set up tax rates to meet PST requirements for the store in Ontario as follows:

- Define a jurisdiction-based tax rate of 8% which is applicable to the hotel facilities usage. This is the standard tax calculation for the jurisdiction of Ontario.
- Define a rate exception with a special rate of 5% for the hotel room. This exception can be driven by a product fiscal classification.
- Define a Determine Tax Status rule which points to the exempt status of 0% rate for food based on a product fiscal classification. Use the tax rule over an exception since you can use a specific tax status and the default rate of 0% for that tax status.

Scenario

Another example of tax calculation for a Canadian tax regime is purchases of some items made on First Nation reserves have a First Nations Tax that is applicable at a tax rate of 5%. Since the requirements drive the applicability of the tax as well as the tax status and tax rate you can define a direct rate rule to handle both the applicability and the tax rate.

Related Topics

- Direct Tax Rate Rules

Manage Tax Recovery

Tax Recovery

Tax recovery is the full or partial recovery of tax paid on purchases by a registered establishment to offset the tax collected from sales transactions. There are usually many regulations surrounding the details of tax recovery.

For example, in most European countries, tax is fully recoverable on all purchases except for businesses that only sell nontaxable supplies, such as financial institutions. In cases in which businesses only sell nontaxable supplies, value-added tax (VAT) on their purchases is not recoverable. In certain countries like Canada, more than one type of recovery is possible. Tax authorities designate the tax recovery rates that indicate the extent of recovery for a specific tax.

Tax recovery information on a transaction may be viewed on the invoice distributions level, including any pertinent information for nonrecoverable and recoverable taxes where applicable.

If the recovery rate on a tax varies based on one or more transaction factors, set up recovery rate rules to determine the appropriate recovery rate on the transaction. For example, most VAT-type taxes allow full recovery of taxes paid on goods and services that relate to taxable business supplies. In cases where an organization makes purchases relating to both taxable and exempt supplies, the tax authority can designate a partial recovery rate to reflect the proportion that relates to the taxable supplies. For instance, in the UK, Her Majesty's Revenue and Customs (HMRC) have two methods to work out the tax recovery rate percentage:

- Standard method: Taxable supplies divided by the value of all supplies added together (both taxable and exempt). This formula is based on a previous period with an adjustment when the actual proportions are known.
- Special method: A user-defined formula approved by HMRC that reflect a business's unique circumstances that must produce a fair and reasonable result. Approval to use this special method is based on the business type, the types of supplies, and the business's cost structure.

The Determine Recovery Rate process evaluates tax recovery for applicable taxes. The Determine Recovery Rate process determines the recovery rate to apply to each recovery type for each applicable tax on the transaction.

Determine Recovery Rate

Tax rules use the tax configuration setup defined within Oracle Fusion Tax and the details on the transaction to determine which taxes apply to the transaction and how to calculate the tax amount for each tax that applies to the transaction.

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 or a complex tax model. A simple tax model makes

use of the default values without extensive processing while a complex tax model considers each tax requirement related to a transaction before making the final calculation.

The tax determination process evaluates, in order of priority, the tax rules that are defined 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 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 rule type and related process used for tax recovery determination is Determine Recovery Rate. This is an optional setup that is applicable to taxes that have tax recovery enabled.

This process determines the recovery rate to apply to each recovery type for each applicable tax on the transaction that allows for full, partial, or no recovery of the tax amount. In many cases, the tax determination process 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 varies according to determining factors, such as intended use, then create 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 tax recovery option enabled. For countries with multiple recovery types, use primary and secondary recovery types to address this requirement. After the recovery rate is determined for each recovery type, the tax determination process determines the recoverable amounts against each recovery type for each tax line. The remaining tax amount becomes the nonrecoverable tax amount for the tax line.

The following outlines the process that results in a recoverable tax amount for each recoverable tax distribution:

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.
2. Determine recovery types. The tax determination process 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 aren't defined, go to step 5.
3. Determine recovery rates. For each tax distribution, the tax determination process determines the recovery rate based on the following:
    a. Consider the Determine Recovery Rate tax rule for the first recoverable tax distribution.
    b. Use the tax recovery rate derived from the tax rule.
    c. Use the tax recovery rate associated with the tax rate for the tax line if the tax determination process can't derive a tax rule based on the transaction values.
    d. Use the default tax recovery rate for the recovery type and tax if there is no tax recovery rate associated with the tax rate. If there is no default tax recovery rate for the recovery type and tax, use the default tax recovery rate defined for the tax.
    e. Repeat the steps for each recoverable tax distribution, if applicable.
4. Determine the recoverable amounts. The tax determination process applies the recovery rates to the apportioned tax amounts to determine the recoverable tax amounts. This process results in a recoverable tax amount for each recoverable tax distribution.
5. Determine the nonrecoverable amount. Oracle Fusion 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 nonrecoverable tax amount, and then creates a nonrecoverable tax distribution for this amount. If a primary recovery type wasn't defined for a tax, the entire apportioned amount for the item distribution is designated as the nonrecoverable tax amount.

Related Topics

- Considerations for Tax Recovery
- Example of Tax Recovery

Considerations for Tax Recovery

The tax determination process uses your tax configuration setup and the details on the transaction to determine which taxes are recoverable.

You need to decide when to:

- Create Determine Recovery Rate rules
- Specify separate ledger accounts
- Manage tax distributions
- Specify tax point basis

When to Create Determine Recovery Rate Rules

Use recovery rate rules to determine the applicable recovery rates when the determination is based on one or more transaction factors like parties, locations, product, or product purpose.

At transaction time, the tax determination process uses the recovery rate derived from the recovery tax rules. If no recovery rate rules are defined or if no existing recovery rate rule applies to the transaction, the tax determination process uses the default recovery rate that you define.

Commonly used factors in tax recovery rules include:

- Intended use, such as resale or manufacturing
- Party fiscal classification, such as reseller or charitable organization
- Location, such as British Columbia or New Brunswick

When to Specify Separate Ledger Accounts

Recovery details are primarily captured and tracked through invoice distributions. Define the recovery account at the recovery rate level if you require capturing the recovery details into separate general ledger accounts for each tax. If you can combine the recovery and liability at the account level, you can use the common account for liability or recovery defined at the tax rate level.

While generating the invoice distributions, the application first considers the recovery account defined at the recovery rate level. If it's null, the liability or recovery account defined at the tax rate level is used.

The nonrecoverable component of a tax gets registered into the expense account defined at the tax rate level. If no specific expense account is given, the item charge account available on the transaction is used. You may need to apportion the nonrecoverable component of the tax amount on the item cost. As such, you should consider all of the costing requirements while setting up an expense account.

When to Manage Tax Distributions

Use the Tax Distributions window to review and update the tax recovery rate on tax distributions. Oracle Fusion Tax creates recoverable distributions and calculates tax recovery rates when you save the line distribution. This is according to the Determine Recovery Rate tax rule process or the default recovery rate.

You can update the recovery rate code, if the **Allow tax recovery rate override** option is enabled for the tax.

You can update the recovery rate, if the **Allow ad hoc tax rate** option is enabled for the recovery rate. The update method differs according to the transaction application:

- Oracle Fusion Purchasing: You can either enter a new recovery rate or select another recovery rate that you previously defined from the list of values.
- Oracle Fusion Payables: You can only select another rate that you previously defined. If you update the recovery rate on a tax distribution, Oracle Fusion Tax also updates the related nonrecoverable rate and amount, and the distribution for the tax line.

If there are tax rules defined based on the Accounting determining factor class, then changing or creating a distribution may affect tax calculation.

Related Topics

- Example of Tax Recovery

Tax Recovery Rates Controls and Defaults

Define tax recovery rates to claim full or partial recovery of taxes paid. 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.

Defining Controls and Defaults for Tax Recovery Rates

The following table describes the defaults and controls available at the tax recovery rate level.

Recovery Rate Periods Region

Field	Description	Default Derived from	Default Appears on	Controls
Set as Default Rate	Controls whether this tax recovery rate is the default recovery rate for this tax at transaction time	None	None	When you select this option, the recovery tax rate is the default rate for the period specified. When there are no tax recovery rate rules applicable at transaction time, the tax determination process selects this tax recovery rate.

Related Topics

- Tax Rates Controls and Defaults
- Tax Controls and Defaults

Example of Tax Recovery

This example shows the tax setup and associated tax conditions that drive tax recovery. Set up tax rules to assign specific recovery rates instead of using the default recovery rates defined for the tax.

Two recovery types are used to show the primary and secondary recovery type options for a tax.

In Canada, the Goods and Services Tax (GST) applies to the supply of most property and services in Canada. However, some provinces have combined their provincial sales tax with the GST to create the Harmonized Sales Tax (HST). This system applies to British Columbia, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador. In this context, these provinces are known as the participating provinces. Generally, HST applies to the same base of property and services as GST. In countries like Canada, some or all of the taxes on business transactions for registered companies are recoverable taxes.

ABC Corporation is a business located in the province of British Columbia. The sales invoice indicates that ABC purchases books for the purposes of resale. Here's ABC's existing tax setup:

Tax	Description
CA GST and HST	A GST and HST-based tax regime
CA HST	An HST-based tax
CA HST STANDARD	The default HST-based tax status for the CA HST
CA HST ZERO FED REC RATE and CA HST ZERO PROV REC RATE	0% recovery rates for HST, which are set as the default recovery rates for the CA HST
CA HST STANDARD RATE	The default HST-based tax rate for the CA HST **Note:** The percentage rate is 13% for most provinces, and 12% for British Columbia.

Here are some tax implications that apply in this scenario:

- ABC can recover 100% of both federal and provincial components of HST on books bought for resale.
    - Federal and provincial components of HST have zero recovery rates. These are set as the default recovery rates for the HST.
    - Recovery rates for most of the participating provinces must address the full recovery of the 13% HST rate.
    - Recovery rates for British Columbia must address the 12% HST rate.
    - Recovery rate rules must assign nondefault recovery rates for resale purchases.
- ABC can't recover HST on consumable items, such as computers for use in ABC's store. Default zero recovery rates apply in this case.

Perform these steps:

- Create tax recovery rates
- Create an intended use fiscal classification
- Create recovery rate rules

Create Tax Recovery Rates

For most participating provinces in Canada, the HST is 13%. Out of this, 5% is the federal component and 8% is the provincial component.

Create the tax recovery rates for these provinces considering these components:

- 38.46% for the federal component of HST
- 61.54% for the provincial component of HST

1. On the Create Tax Recovery Rate page, enter the name of the tax regime as CA GST and HST.
2. Select the configuration owner for this tax recovery rate. To minimize configuration and maintenance costs, select **Global Configuration Owner** as the configuration owner.
3. Select the HST tax, **CA HST**.
4. Enter the name of the tax recovery rate you are defining, such as CA HST STD FED REC RATE.
5. Select **PREC** as the recovery type.
6. In the recovery rate periods table, enter 38.46 as the percentage recovery rate, and an effective start date.
7. Click **Save and Close**.
8. Repeat steps 1 to 7 to create the tax recovery rate CA HST STD PROV REC RATE. Set the recovery type as **SREC**, and a percentage recovery rate of 61.54%.

Create Tax Recovery Rates for British Columbia

For British Columbia, where the HST rate is 12%, you need a federal recovery rate to address the 5% federal component. You also need a provincial recovery rate to address the 7% provincial component. Create a tax recovery rate with these components for British Columbia:

- 41.67% for the federal component of HST
- 58.33% for the provincial component of HST

1. On the Create Tax Recovery Rate page, enter the name of the tax regime, CA GST and HST.
2. Select the configuration owner for this tax recovery rate. To minimize configuration and maintenance costs, select **Global Configuration Owner** as the configuration owner.

3. Select the HST tax, **CA HST**.
4. Enter the name of the tax recovery rate you are creating, such as CA HST BC FED REC RATE.
5. Select **PREC** as the recovery type.
6. In the recovery rate periods table, enter 41.67 as the percentage recovery rate, and an effective start date.
7. Click **Save and Close**.
8. Repeat steps 1 to 7 to create the tax recovery rate, CA HST BC PROV REC RATE. Set the recovery type as **SREC**, and a percentage recovery rate of 58.33%.

For British Columbia, where the HST rate is 12%, you need a federal recovery rate to address the 5% federal component. You also need a provincial recovery rate to address the 7% provincial component. Create a tax recovery rate with these components for British Columbia:

- 41.67% for the federal component of HST
- 58.33% for the provincial component of HST

1. On the Create Tax Recovery Rate page, enter the name of the tax regime, CA GST and HST.
2. Select the configuration owner for this tax recovery rate. To minimize configuration and maintenance costs, select **Global Configuration Owner** as the configuration owner.
3. Select the HST tax, **CA HST**.
4. Enter the name of the tax recovery rate you are creating, such as CA HST BC FED REC RATE.
5. Select **PREC** as the recovery type.
6. In the recovery rate periods table, enter 41.67 as the percentage recovery rate, and an effective start date.
7. Click **Save and Close**.
8. Repeat steps 1 to 7 to create the tax recovery rate, CA HST BC PROV REC RATE. Set the recovery type as **SREC**, and a percentage recovery rate of 58.33%.

Create Intended Use Fiscal Classification

Create an intended use fiscal classification for resale of books. An intended use fiscal classification is a tax classification based on the purpose for which the product is used.

1. In the Create Fiscal Classification Code dialog box, enter a code for the classification, such as CA INTENDED USE RESALE.
2. Enter a name for this classification, such as CA Intended Use Resale.
3. Optionally, select **Canada** as the country and enter a start date, such as 1/01/2001.
4. Click **Save and Close**.

Create Recovery Rate Rules

Create the recovery rate rules that apply to most participating provinces when the conditions for HST recovery are met. If you remember, the default tax recovery rate on HST is 0% at the federal and provincial levels.

1. On the Create Determine Recovery Rate Rule page, select these options: **Global Configuration Owner** as the configuration owner, **CA GST and HST** as the tax regime, and **CA HST** as the tax.
2. Enter the code and name of the tax recovery rate rule you are creating, such as CA HST FED RECOVERY RULE. Select the start date and **PREC** as the recovery type code.
3. Create or select a tax determining factor set and an associated tax condition set. Keep in mind that the intended use of the acquired product is the intended use fiscal classification you defined earlier, CA INTENDED USE RESALE.

   When this condition is met, 100% recovery rate for the federal component is applicable.
4. For the tax condition set, assign the result of CA HST STD FED REC RATE.

5. Assign a rule order, such as 100.
6. Click **Save and Close**.
7. Repeat steps 1 to 6 to create the standard provincial recovery rule, CA HST PROV RECOVERY RULE. Set the recovery type code as **SREC**, a result of CA HST STD PROV REC RATE, and a rule order of 110.

Create Tax Recovery Rule for British Columbia

Create the recovery rate rules that apply to British Columbia when the conditions for HST recovery are met.

1. On the Create Determine Recovery Rate Rule page, select these options: **Global Configuration Owner** as the configuration owner, **CA GST and HST** as the tax regime, and **CA HST** as the tax.
2. Enter the code and name of the tax recovery rate rule you are creating, such as CA HST BC FED RECOVERY RULE. Select the start date, and **PREC** as the recovery type code.
3. Create or select a tax determining factor set and an associated tax condition set. Set the ship-to location as British Columbia. Keep in mind that intended use of the acquired product is the intended use fiscal classification you defined earlier, CA INTENDED USE RESALE.

   When this condition is met, 100% recovery rate for the federal component is applicable.
4. For the tax condition set, assign the result of CA HST BC FED REC RATE.
5. Assign a rule order, such as 50, that gives a higher priority to this rule than the 2 rules you created previously.
6. Click **Save and Close**.
7. Repeat steps 1 to 6 to create the provincial recovery rule for British Columbia, CA HST BC PROV RECOVERY RULE. Set the recovery type code as **SREC**, a result of CA HST BC PROV REC RATE, and a rule order of 55.

   For ABC's transactions in Canada, the previous setup determines these conditions:

   - HST is applicable and is calculated at a 13% rate for most participating provinces. However, it's the rate is 12% for British Columbia.
   - The intended resale of these books makes these transactions eligible for 100% tax recovery.
   - For most participating provinces, tax recovery rate is 38.46% for the federal component, and 61.54% for the provincial component.
   - For British Columbia, tax recovery rate is 41.67% for the federal component, and 58.33% for the provincial component.

Tax Recovery Distributions

A recoverable tax allows full or partial recovery of taxes paid on purchases, either as a recoverable payment or as a balance against taxes owed.

A tax recovery rate identifies the percentage of recovery for a tax designated by the tax authority for a specific transaction line. You can review Oracle Fusion Payables tax distributions and, if applicable, update the tax recovery rate on a tax distribution depending on your tax setup and security access. The component in Oracle Fusion Purchasing is view-only.

Managing Tax Recovery Distributions

Oracle Fusion Tax creates recoverable distributions and calculates tax recovery rates when you save the line distribution. The recoverable distributions and tax recovery rates are created according to the Determine Recovery Rate tax rule process or the default recovery rate. If self-assessment is enabled for the applicable party, two distributions for each tax are created, one with a positive amount and the other with a negative amount.

One recoverable distribution for the primary recovery type and, if applicable, the secondary recovery type is created, for each tax line for each of the item distributions into which the item line or expense line is distributed. The tax distributions are displayed in this way:

- If the tax is nonrecoverable, one nonrecoverable tax distribution line for the tax is created, with the nonrecoverable amount equal to the tax amount. You cannot update a nonrecoverable tax distribution nor create a manual recoverable distribution.
- If the tax is recoverable, two or three distribution lines are displayed, one for the primary recoverable amount, one for the secondary recoverable amount, if applicable, and another for the nonrecoverable amount.

  If the tax is fully recoverable, then the recoverable distribution amount is equal to the tax amount and the nonrecoverable distribution amount is equal to zero.

  If the tax is recoverable and the recovery rate is zero, then the nonrecoverable distribution amount is equal to the tax amount and the recoverable distribution amount is equal to zero.
- If self-assessment is enabled for the applicable party, the application creates two distributions for each tax, one with a positive amount and the other with a negative amount.

  If the tax applied on the transaction is self-assessed, then the corresponding recoverable and nonrecoverable tax distributions are not visible in the distributions window, but the application does generate them at the time of accounting for the invoice
- If the tax applied on the transaction is of the offset type, then the application creates two distributions for the recovery and nonrecovery portions of the tax. Since they are intended to offset each other, they are created for the same amount, but one with a positive value and the other with a negative value.

You can update the recovery rate code in a Payables transaction if the **Allow tax recovery rate override** option is enabled for the tax. You can update the recovery rate if the **Allow ad hoc tax rate** option is enabled for the recovery rate.

If you update the recovery rate on a tax distribution, Oracle Fusion Tax also updates the related nonrecoverable rate and amount, and the distribution for the tax line. If the distribution status is frozen, you cannot update the tax distribution. To change the distribution, you must reverse the tax distribution and enter a new distribution.

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.

Related Topics

- Example of Tax Recovery Distributions

Example of Tax Recovery Distributions

Recoverable distributions are created when you save the line distribution. Simultaneously, tax recovery rates are calculated according to the Determine Recovery Rate tax rule process or the default recovery rate.

You can review tax distributions and, if applicable, update the tax recovery rate on a tax distribution.

Note: Only the authorized user can update the tax recovery rate on the distribution in Oracle Fusion Payables. The component in Oracle Fusion Purchasing is view-only.

Scenario

Your company is located in a Canadian province that applies a Harmonized Sales Tax (HST). HST is a combination of the provincial sales tax and the federal Goods and Services Tax (GST). They recently purchased books to sell in their stores. They also purchased some computers to use in kiosks within the stores for customers to use to locate books.

Transaction Details

Here are the transaction details:

- Total cost of books is 10,000 CAD

  The invoice indicates the intended use as Resale.
- Total cost of computers is 5,000 CAD

  The computers are expensed as they don't meet the capitalization threshold.
- Tax rate applicable to each item is 13%

In most tax regimes, a registered establishment can reclaim 100% of taxes from the tax authority, except for specific designated purchases. Depending upon the details of a company's business purchases and tax authority regulations, a number of exception regulations may accompany the details of tax recovery. Tax implications are:

- The HST associated with the cost of books to be sold in stores is 100% recoverable. Therefore, 1,300 CAD is recoverable (10,000 CAD * 13%).
- The HST associated with the cost of the computers to be used in kiosks within the stores isn't recoverable. Therefore, 650 CAD is nonrecoverable (5,000 CAD * 13%).

The HST tax configuration specifies that the recovery tax rate for zero 0% recoverable is used as a default. A tax rule is defined to apply a 100% recoverable rate for products with an intended use of Resale.

Tax Recovery Distributions

Based on the analysis, the following distributions are created for the transaction:

Accounting Class	Debit	Credit
Item Expense	10,000	
Item Expense	5,000	
Recoverable Tax	1,300	
Nonrecoverable Tax	650	
Liability		10,000

Accounting Class	Debit	Credit
Liability		5,000
Liability		1,300
Liability		650

Manage Tax Exceptions

How Tax Exception is Applied to a Transaction Line

Set up tax exceptions to apply special tax rates to products. At transaction time, Oracle Fusion Tax determines whether the tax exception applies to the transaction line for the product, and if so, uses the applicable exception rate.

Settings That Affect Tax Exceptions

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.

You can define Oracle Fusion Inventory organization tax exceptions for items, or you can define tax exceptions for Inventory-based product fiscal classifications or noninventory-based product categories. If you are using Inventory-based product fiscal classifications then generally, the application classifies the transaction line based on the item. If you are using noninventory-based product category fiscal classifications, you enter the appropriate product category on all applicable lines to influence the tax result.

Product categories and product fiscal classifications are defined in a hierarchical structure. It is important that you select the appropriate level where the tax exception is applicable. For product fiscal classifications to be used in item exceptions, you must indicate that it is used in item exceptions at the tax regime association to the product fiscal classification. You can set up only one product fiscal classification for any specific tax regime with the **Used in Item Exceptions** option selected.

When you set up configuration options for first-party legal entities and business 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.

The **Allow tax exceptions** option is set at the tax regime level and you can override it at the tax and tax status levels. However, the setup you define for the tax rate is what is evaluated during tax rate determination.

The **Use Tax Exceptions from an Existing Tax** option and the **Tax Exceptions Source** value are set at the tax level. You can use these to derive the tax exceptions defined against another tax of the same regime related to the same tax line at transaction time. You can derive the Tax Exception Rate for lower-level jurisdictions by using the Tax Exception Source Tax specified at the Tax level. For example, you can specify the Tax Exception Source Tax as State for the county tax. If this is done, the Tax engine will use the exception derived from the state tax for the current transaction line and apply it to the tax line for the county tax.

To apply the tax exception to lower tax from source tax, both taxes should apply to the transaction. This ensures that the correct tax exception against the source tax and jurisdiction is picked up while calculating the lower-level tax amount.

The compounding precedence of source tax should be lower than the compounding precedence of lower tax.

If an exception is defined at a lower level, it will take precedence. If not found engine will search for source tax exception.

If no source tax is applicable during tax calculation, the engine will consider it as no exception from source tax.

If the exception type from source tax is 'Special Rate,' it is not applied to the lower-level tax.

At transaction time, the tax exception is used 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.

> **Note:** Tax exemptions are specific to the order-to-cash event class while tax exceptions are applicable across event classes.

How Tax Exceptions Are Calculated

The tax determination process determines tax applicability, tax status, and the tax rate for the transaction line. If tax exceptions are allowed, the application looks at the item entered on the transaction line to determine if an exception is defined at the tax, tax status, tax rate, tax jurisdiction, Inventory organization, or Inventory level and uses the exception at the most specific level.

If the application doesn't find any tax exception for the item, it looks for a product fiscal classification associated with the transaction line. If one exists, the application determines if an exception is defined at the tax, tax status, tax rate, tax jurisdiction, and product fiscal classification level and uses the exception at the most specific level with the highest precedence.

The tax rate is then based on the exception type and calculated as follows:

- Discount: A reduction of the base tax rate. For example, if the discount is 15% off the standard rate and the standard rate is 10%, then the discount rate is 85% of the original 10%, or 8.5%.
- Surcharge: An increase to the base tax rate. For example, if the surcharge is 10% and the standard rate is 10%, then the surcharge rate is 110% of the original 10%, or 11%.
- Special Rate: A rate that replaces the base tax rate. For example, if the special rate is 5% and the standard rate is 10%, the tax rate is the special rate of 5%.

Finally, the new tax rate is applied to the taxable basis and the tax amount is calculated.

For manual tax lines, no additional processing is performed and exceptions aren't considered. A manual tax lines suggests that you have specific business requirements for a particular transaction to apply a manual tax. No additional processing is performed for manual tax lines to avoid any applying conflicting or inconsistent values to the user-entered tax line. The tax calculation on a manual tax line is the standard formula of: tax amount is equal to the taxable basis multiplied by the tax rate.

Manage Party Tax Profiles

Party Tax Profiles

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

Set up tax profiles for the following parties involved in your transactions:

- First parties
- Third parties
- Tax authorities

First Parties

Set up tax profiles for your first-party legal entities, legal reporting units, and business units.

First-party legal entities identify your organization to the relevant legal authorities, for example, a national or international headquarters. Legal entities let you model your external relationships to legal authorities more accurately. The relationships between first-party legal entities and the relevant tax authorities normally control the setup of the transaction taxes required by your business. In most circumstances, the tax setup is used and maintained based on the configuration of the legal entity. Enter the default information, party fiscal classifications, tax reporting codes, and configuration options for your legal entities. You can also specify if you're using the tax services of an external service provider for tax calculation.

First-party legal reporting units identify each office, service center, warehouse, and any other location within the organization with a tax requirement. A legal reporting unit tax profile is automatically created for the headquarter legal entity. Set up additional legal reporting unit tax profiles for those needed for tax purposes. For legal reporting units, enter the default information, tax registrations, party fiscal classifications, and tax reporting codes. Also, define tax reporting details for your VAT and global tax reporting needs for tax registrations of tax regimes that allow this setup.

Business units organize your company data according to your internal accounting, financial monitoring, and reporting requirements. To help you manage the tax needs of your business units, you can use the business unit tax profile in either of two ways:

- Indicate that business 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.
- Indicate that tax setup is used and maintained by a specific business unit. Create configuration options for the business unit to indicate that the subscribed tax content is used for the transactions created for the business unit.

For business units that maintain their own setup, enter the default information, tax reporting codes, configuration options, and service providers as required.

Third Parties

Set up third-party tax profiles for parties with the usage of customer, supplier, and their sites. Enter the default information, tax registrations, party fiscal classifications, and reporting codes required for your third parties or third-party sites. You can set up tax exemptions for your customers and customer sites.

Banks are also considered third parties. When a bank is created, the tax registration number specified on the bank record is added to the party tax profile record in Oracle Fusion Tax. You can't modify the party tax profile for a bank as it's view only. You can only modify the bank record.

> **Note:** You don't need to set up party tax profiles for third parties. Taxes are still calculated on transactions for third parties that don't have tax profiles.

Tax Authorities

Set up a tax authority party tax profile using the Legal Authorities setup task. The tax authority party tax profile identifies a tax authority party as a collecting authority or a reporting authority or both. 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 Oracle Fusion Tax pages. All tax authorities are available in the list of values as an issuing tax authority.

Related Topics

- Considerations for Specifying Third-Party Tax Profile Options
- Considerations for Specifying First-Party Tax Profile Options
- When does a party tax profile get created for a legal entity?
- When does a party tax profile get created for a third party?

Considerations for Specifying First-Party Tax Profile Options

Set up first-party tax profiles for all legal entities, legal reporting units, and business units in your organization that have a transaction tax requirements. How you set up your first parties can impact the tax calculation on your transactions.

The first-party tax profile consists of:

- Defaults and controls: Applicable to legal entities and legal reporting units. Business units that use their own tax setup don't have defaults and controls.
- Tax registrations: Applicable to legal reporting units.
- Party fiscal classifications: Applicable to legal entities and legal reporting units.
- Tax reporting codes: Applicable to legal entities, legal reporting units, and business units who don't use the tax setup of the legal entity.
- Configuration options: Applicable to legal entities and business units who don't use the tax setup of the legal entity.
- Service subscriptions: Applicable to legal entities and business units who don't use the tax setup of the legal entity.

Defaults and Controls

The following table describes the defaults and controls available at the first-party tax profile level:

Option	Description
Set as self-assessment (reverse charge)	Automatically self-assess taxes on purchases.
Rounding Level	Perform rounding operations on the: • **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.
Rounding Rule	The rule that defines how the rounding must be performed on a value involved in a taxable transaction. For example, up to the next highest value, down to the next lowest value, or nearest. **Note:** If you defined a rounding precedence hierarchy in the configuration owner tax option settings for the combination of configuration owner and event class, Oracle Fusion Tax considers the rounding details in the applicable tax profile.
Set Invoice Values as Tax Inclusive	This first party intends to send or receive invoices with invoice line amount inclusive of the tax amount. **Note:** This option overrides the tax inclusive handling setting at the tax level, but not at the tax rate level.

Tax Registrations

Set up a separate tax registration to represent each distinct registration requirement for a first-party legal reporting unit. Oracle Fusion Tax uses tax registrations in tax determination and tax reporting. If your first party has more than one tax registration in the same tax regime, then the application considers the tax registration in the order: tax jurisdiction; tax; tax regime.

You must enable the **Use tax reporting configuration** option on the first-party tax regime to allow entry of global tax reporting configuration details during tax registration setup for legal reporting units for these tax regimes.

Party Fiscal Classifications

If applicable, associate first-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. Specify start and end dates to control when these fiscal classifications are applicable for this party and transaction.

For legal entities, you can view the associated legal classifications that were assigned to the tax regime defined for this first party. The legal classifications are used in the tax determination process, similar to the party fiscal classifications.

Tax Reporting Codes

Set up tax reporting types to capture additional tax information on transactions for your tax reports for your first parties. Depending on the tax reporting type code, you either enter or select a tax reporting code for this party. Specify start and end dates to control when these tax reporting codes are applicable.

Configuration Options

The legal entities and business units in your organization are each subject to specific sets of tax regulations as designated by the tax authorities where you do business. Use configuration options to associate legal entities and business units with their applicable tax regimes. You can set up tax configuration options when you create a tax regime or when you create a party tax profile. Both setup flows display and maintain the same party and tax regime definitions.

Service Subscriptions

You can use a service subscription to reference a specific transaction tax offering or offerings provided by an external tax partner. The transaction tax offering provided by an external tax partner can be related to content, calculation services, or both. Oracle Fusion Tax supports the use of transaction tax offerings provided by external tax partners for transaction tax calculation processing. Depending on the specific depth and scope of an individual tax partner's offerings, you can use either Oracle Fusion Tax or a Partner Tax Application to perform the transaction tax calculation.

Related Topics

- Tax Registrations
- Tax Configuration Options
- Considerations for Setting Tax Reporting Configuration Controls for VAT
- Party Information

Considerations for Specifying Third-Party Tax Profile Options

Set up third-party tax profiles for your customers and customer sites and suppliers and supplier sites. How you set up your third parties can impact the tax calculation on your transactions.

The third-party tax profile consists of:

- Defaults and controls
- Tax registrations
- Tax exemptions (for customers and customer sites only)
- Party fiscal classifications
- Tax reporting codes

Banks are also considered third parties. When a bank is created, the tax registration number specified on the bank record is added to the party tax profile record in Oracle Fusion Tax. You can't modify the party tax profile for a bank as it's view only. You can only modify the bank record.

Defaults and Controls

The following table describes the defaults and controls available at the third-party tax profile level:

Option	Description
Allow tax applicability	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.
Allow offset taxes	Calculate and record third-party Payables tax liabilities for reverse charges, self-assessments, and Consumer's Use tax (US). 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. This includes enabling the **Set as offset tax** option at the tax level and selecting the offset tax basis in the configuration owner tax options.
Rounding Level	Perform rounding operations on the: • **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.
Rounding Rule	The rule that defines how the rounding must be performed on a value involved in a taxable transaction. For example, up to the next highest value, down to the next lowest value, or nearest. **Note:** If you defined a rounding precedence hierarchy in the configuration owner tax option settings for the combination of configuration owner and event class, Oracle Fusion Tax considers the rounding details in the applicable tax profile.
Set Invoice Values as Tax Inclusive	This third party or third-party site intends to send or receive invoices with invoice line amount inclusive of the tax amount. **Note:** This option overrides the tax inclusive handling setting at the tax level, but not at the tax rate level.
Country, **Registration Number**, and **Tax Registration Type**	Set defaults for all tax reporting for tax registrations of this third party or third-party site. You must complete the tax registration setup.

Tax Registrations

Optionally, set up tax registrations for your customers and suppliers, as necessary, to support specific tax regulations or reporting requirements. You must set up a separate tax registration to represent each distinct registration requirement for a first party. Oracle Fusion Tax uses tax registrations in tax determination and tax reporting.

Tax Exemptions

Set up tax exemptions for your third-party customers and customer sites. To set up tax exemptions for a third party, you must complete the appropriate tax exemption setup for the tax regimes and taxes concerned. You can have more than one tax exemption for the same customer and tax regime combination. For example, one tax exemption applies to a specific tax, while other tax exemptions apply to specific products for specific tax rates and tax jurisdictions. Then, at transaction time, Oracle Fusion Tax applies the most specific tax exemption to the transaction.

Party Fiscal Classifications

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. Specify start and end dates to control when these fiscal classifications are applicable for this party and transaction.

Tax Reporting Codes

Set up tax reporting types to capture additional tax information on transactions for your tax reports for your third parties. Depending on the tax reporting type code, you either enter or select a tax reporting code for this party. Specify start and end dates to control when these tax reporting codes are applicable.

Related Topics

- Tax Registrations
- Tax Exemptions
- Party Information
- How Rounding Precedence Hierarchy Is Determined

FAQs for Manage Party Tax Profiles

When does a party tax profile get created for a business unit?

A business unit party tax profile is autocreated when you create a business unit record.

A back-end process can also create a business unit. Here's what you do to create a tax profile for this business unit:

- Save a tax regime to which the business unit subscribes.
- Save the configuration owner tax options that are defined for the business unit.

You can create one manually on the Create Business Unit Tax Profile page. You can also edit an autogenerated tax profile with the relevant tax information.

What happens if I use a subscription from a legal entity?

If you subscribe to a legal entity, your business unit uses the legal entity's tax setup at transaction time. To do this, select Use legal entity tax subscription on the Create Business Unit Tax Profile page.

Keep in mind that selecting this option prevents you from:

- Updating the business unit tax profile.
- Maintaining separate tax content for the business unit.

However, if you don't subscribe to this, you can enter the relevant tax information for your business unit.

Note: You can't reverse this setting.

When does a party tax profile get created for a legal entity?

A legal entity party tax profile is autocreated when you create a legal entity record.

You can also use other methods to create a legal entity party tax profile. For example, it's created when a back-end process creates a legal entity, but only when you do these:

- Save a tax regime to which the legal tax entity subscribes.
- Save the configuration owner tax option that's defined for the legal entity.

You can also create one manually. Just use the Create Legal Entity Tax Profile page. You can also edit the autogenerated tax profile with relevant tax information.

When do I create a party tax profile for a legal reporting unit?

When you create a legal reporting unit, the application creates its party tax profile for you. You can also do it one of these ways:

- Use the Create Legal Reporting Unit Tax Profile page.
- Update the automatically created tax profile with relevant tax information.

When does a party tax profile get created for a third party?

If you create a third party (customer or supplier) with tax configuration, a third-party tax profile is autogenerated. You can go ahead and edit this autogenerated tax profile with relevant tax information.

You can also create one using the Create Third-Party Tax Profile or Create Third-Party Site Tax Profile pages.

Manage Tax Registrations

Tax Registrations

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.

Set up tax registrations for your first-party legal reporting units and your third-party customers and customer sites, and suppliers and supplier sites.

Registering the details of a business with the relevant tax authorities is a key legal requirement in many countries. A unique tax registration number is generally assigned to the parties registering with the tax authorities. It is used as a basis for referencing and tracking the tax implications on that party. To enable this process, the registration numbers of the parties involved in a transaction are generally referred to in tax documents like invoices and tax returns. In some

cases, the tax determination and its administration is also dependent on the nature of the registration of the parties involved in a transaction. For example, the requirements associated with intra-European Union (EU) reverse charge.

Setting Up a Tax Registration

You must set up a separate tax registration to represent each distinct registration requirement for a first party. You optionally set up tax registrations for your third parties, as necessary, to support specific tax regulations or reporting requirements.

You can define tax registrations at three different levels of detail. At the:

- Tax regime level: The tax registration is used for all taxes and tax jurisdictions within the tax regime.
- Tax level: The tax registration is used for all tax jurisdictions where the tax regime and tax are applicable.
- Tax jurisdiction level: The tax registration is applicable for the locations covered under the tax jurisdictions defined for the tax regime, tax, and tax jurisdiction.

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. If a party has more than one tax registration for the same tax regime, then the tax determination process considers the tax registrations in the order: tax jurisdiction; tax; and tax regime.

For some countries, the application performs a validation of the registration number you enter per the country algorithm.

You can define tax registrations as implicit. For example, the party isn't 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 a minimum revenue threshold. Also, you can define the tax registration with a status of not registered if the party isn't registered for the applicable tax, but you want to use it as a tax condition to process the tax rules. Similarly, you can use user-defined values and statuses, such as registered in EU but not UK, to facilitate certain tax conditions. Apart from the core tax registration information, you define additional details to facilitate tax processing. The invoice control attributes such as self-assessment and tax inclusiveness play a key role in tax processing. At transaction time, the values set at the tax registration level override the values set at the party tax profile level.

Using Tax Registrations in the Tax Determination Process

The Determine Tax Registration process determines the party whose tax registration is used for each tax on the transaction, and, if available, derives the tax registration number. Once the process identifies the tax registration or registrations, it stamps the transaction with the tax registration numbers.

You can use the registration status to define various tax rules. For example, if the tax is applicable only if the supplier is registered, define the tax applicability rule as follows:

- Determining factor class = **Registration**
- Tax class qualifier = **Ship-from party**
- Determining factor name = **Registration Status**
- Operator = **Not equal to**
- Value = **Registered**
- Result = **Not applicable**

On the detail tax lines, the tax determination process stamps two registration numbers. One is for the headquarters, the main legal reporting unit of the legal entity of the document. The other is for the party or party site identified by the

tax registration rule. For example, if the registration rule has identified ship to as a party, then the tax determination process stamps the registration number of the ship-to party on the transaction.

The tax determination process also considers these details of the derived tax registration for each tax:

- Tax inclusive handling: The inclusive option set at the tax registration level for the party identified by the tax registration rule overrides the inclusive option set at the tax or party tax profile level for the tax line.
- Self-assessment (reverse charge) setting: The tax determination process considers the tax line as self-assessed if the **Set as self-assessment (reverse charge)** option is selected at the tax registration level for the party identified by the tax registration rule.
- Rounding rule: The rounding rule set at the tax registration level for the party identified by the tax registration rule overrides the rounding rule set at the tax or party tax profile level for the tax line.

Related Topics

- Tax Rule Configuration
- Considerations for Setting Up Tax Registrations

Considerations for Setting Up Tax Registrations

You must set up a separate tax registration to represent each distinct registration requirement for a first party. Optionally, set up tax registrations for your customers and suppliers, as necessary, to support specific tax regulations or reporting requirements.

Oracle Fusion Tax uses tax registrations in tax determination and tax reporting.

Tax Registration Options

Setting options at the tax registration level can override options set at different levels. The following table describes selective options available and the impact of selecting these options:

Option	Description	Impact
Tax Regime	Enter the tax regime for this registration. Optionally, enter the tax and tax jurisdiction for this registration.	The tax regime and optionally, tax and tax jurisdiction are used to determine the correct tax registration at transaction and reporting time.
Registration Type	Select a classification of the tax registration, if applicable.	The predefined tax registration types are specified by the tax authority. The tax registration types are for reporting purposes only.
Registration Number	Enter the company tax registration number assigned by the tax authority. 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.	Where applicable, Oracle Fusion Tax validates the number according to tax authority validation rules.

Option	Description	Impact
	If you set the **Allow duplicate tax registration numbers** option for the tax, then multiple parties and party sites can use the same tax registration number for this tax.	
Registration Status	Enter the party's tax registration status. Oracle Fusion Tax provides these predefined 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 isn't registered for the applicable tax.	Use the tax registration status as a determining factor in tax rules.
Source	Identify if this party is: • **Explicit**: The party is registered with the local tax authority and has a tax registration number. In this case, you know that the party is registered and the details including the tax registration number. • **Implicit**: The party isn't 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. In this case, you determine that the party is registered but you don't know the tax registration number.	If the source is **Explicit** the tax registration number is required. If the source is **Implicit** the tax registration number isn't required.
Rounding Rule	The rule that defines how the rounding must be performed on a value involved in a taxable transaction. For example, up to the next highest value, down to the next lowest value, or nearest.	At transaction time, the values set at the tax registration level override the values set at the party tax profile level.
Set as self-assessment (reverse charge)	Set to automatically self-assess taxes on procure-to-pay transactions. A self-assessed tax is a tax calculated and remitted for a transaction, where tax wasn't levied by the supplier but is deemed as due and therefore, must be paid by the purchaser.	You can set the self-assessment option at the tax profile level to default to the tax registrations that you create for this party. You can also set it at the tax registration level or on an individual tax line. Oracle Fusion Tax applies self-assessment to Payable invoices received by the first party according to the tax registration setting. The specific tax registration record is derived either from the Determine Tax Registration rules or from the default tax registration.
Set Invoice Values as Tax Inclusive	Select if this party intends to send or receive invoices with invoice line amount inclusive of the tax amount.	At transaction time, the values set at the tax registration level override the values set at the party tax profile level. In addition, this option at the tax registration level overrides the tax

Option	Description	Impact
		inclusive handling setting at the tax level, but not at the tax rate level.
Collecting Tax Authority and **Reporting Tax Authority**	Enter the name of the tax authorities for: • **Collecting Tax Authority**: The tax authority responsible for managing the administration of tax remittances. • **Reporting Tax Authority**: The tax authority responsible for receiving and processing all company transaction tax reports.	If defined, the reporting and collecting tax authorities appear as defaults from the tax jurisdiction associated with this registration. If necessary, enter or update these fields with tax authorities specific to this tax registration.

Manage Tax Reporting Configuration

Global Tax Reporting

The global tax report processing feature provides a reporting solution for all countries to manage their tax reporting requirements.

For some countries in Europe, Middle East, and Africa (EMEA) , Oracle Fusion Cloud Financials for EMEA provides predefined reports, such as the Italian VAT registers and the Spanish VAT journals. For other countries, use the tax data models to create your required reports.

Use the global tax report processing feature to organize tax report data according to the requirements of your company and the tax authority. The EMEA reports use the Oracle Tax data models to retrieve tax transaction information based on your tax configuration setup.

Global tax reporting:

- Addresses your tax reporting requirements
- Processes your tax reports

Addressing Your Tax Reporting Requirements

You can streamline your tax reporting with Oracle Financials for EMEA.

Use the global tax report processing feature to meet the following business needs of your EMEA countries:

- Report tax, such as VAT, based on the tax registration number associated with the legal reporting unit.
- Report tax, such as VAT, based on tax periods with tax calendars that are the same as or different from the accounting calendars.
- Select transactions for reporting based on a user-defined tax reporting date.
- Generate preliminary versions of tax reports in open tax periods to verify and correct data before finalizing the reports.
- Close the tax period by running the final reports to prevent updating or double reporting of transactions to the tax authorities.

- Provide separate sequential document numbering control for tax transactions using the tax registers.
- Report correction transactions to previously closed tax periods and issued tax declarations as newly entered transactions in the open tax period.
- Mark each transaction reported to the authorities with information identifying the submission period end date.
- Retain tax transaction history without affecting the performance of the current tax reporting purposes.

Processing Your Tax Reports

The global tax report processing feature involves several broad user procedures.

Financial administrators and personnel must complete the following:

- Set up prerequisite information for tax reporting. For example, set up the tax reporting codes for the EMEA VAT tax reporting type, and associate the tax reporting type and tax reporting codes to the tax setup.
- Set up tax configuration details such as tax reporting entity and tax register.
- Enter report processing details for a transaction such as tax reporting date.
- Run the Select Transactions for Tax Reporting process to select all the accounted and unaccounted transactions to report within a tax period. You can run tax reports, general and country-specific, for unaccounted, accounted, and both unaccounted and accounted transactions. This helps you to run trial reports and make any corrections before submitting the final report to tax authorities. The selection is based on the tax registration number and tax reporting date, if you have completed the tax setup in Tax.

  > **Note:** You must set up the tax reporting configuration before running the Select Transactions for Tax Reporting process.

- Run the preliminary versions of the tax reports.
- Run the Finalize Transactions for Tax Reporting process.
- Run the final or reprint versions of the tax reports.

Related Topics

- Considerations for Setting Tax Reporting Configuration Controls for VAT
- Example of Setting Up VAT Reporting
- Overview of Transaction Tax Reports

Considerations for Setting Tax Reporting Configuration Controls for VAT

To process value-added tax (VAT) reports, set up tax reporting entities for the tax registration number associated with a legal reporting unit and tax regime.

When you run the selection process, each selected transaction is stamped with the tax reporting entity ID. You run VAT reports based on the tax reporting entity.

> **Note:** Ensure that you define tax registrations for all legal reporting units with applicable VAT tax requirement.

You can configure your VAT reporting process by specifying the tax calendar for a tax reporting entity, threshold amounts, and VAT registers. The setup includes:

- Common Configuration: Associate the calendar defined for tax reporting to the combination of tax registration number, tax regime, and legal reporting unit. Select the tax registration numbers that you defined in Oracle Tax against legal reporting units and VAT tax regimes.
- Tax Registers: Record register information and associate it with a tax reporting entity to determine document sequences. Assign one or more document sequence names for each VAT register. The Italian VAT register reports use the VAT register information.

Common Configuration for VAT Reporting

Common configuration for VAT reporting helps you configure attributes common for all tax reporting entities like tax calendar, reporting threshold amount, and reporting sequence. The tax calendar makes use of accounting period types and calendars. The tax calendar is maintained independent of the accounting calendar to control tax periods for reporting transactions based on a tax point date.

Apply a single tax calendar to one, more than one, or all tax reporting entities within your organization. Set up a unified tax reporting period across a legal entity or single legal reporting unit to correctly apply transactions against their tax reporting dates. This helps to decide whether the transaction:

- Should be declared in the next tax return for the current open period as regular entries.
- Should be entered in the next tax return as corrections.

The following table describes the common configuration options for VAT reporting:

Name	Description
Tax Calendar	Select the calendar to be associated to the tax reporting entity.
Threshold Amount	Enter the threshold amount specified for the legal entity or tax regime with tax transactions. If you leave this field blank, the application reports all tax transactions. Some countries like Spain report transactions or make declarations to the authorities if the amount exceeds a certain threshold value.
Enable Reporting Sequence	Select to enable report level sequence number while running the reports. For numbering transactions, print the document sequence number for the transaction or the report-specific sequence number.

Tax Registers for VAT Reporting

Define tax registers for a tax reporting entity, and assign a document sequence name to a combination of tax register and tax reporting entity. The application then selects transactions to report on a tax register based on the document sequence name assignment. Use this setup for Italy only.

Related Topics

- Example of Setting Up VAT Reporting

Example of Setting Up VAT Reporting

This example demonstrates how you set up the appropriate tax registers for your organization in Italy to meet your tax reporting requirements.

Create a tax reporting entity for every unique combination of tax calendar, tax regime, and tax registration number.

Prerequisites

Here are a few tasks you must perform before setting up VAT reporting:

1. Set up legal entities and legal reporting units using the **Legal Entity Configurator** to represent your company and its offices. For example, set up Vision Italy as a legal entity.
2. Set up and maintain first-party tax profiles and tax registrations for your company's legal reporting units according to the tax regime. You can do this using Oracle Tax.
3. Set up the tax regimes for the taxes in each country and geographic region where you do business, and where a separate tax applies. For example, set up IT VAT as a tax regime for Italy. Enable the **Use tax reporting configuration** option on the first-party tax regime. This lets you enter tax reporting configuration details during tax registration setup for legal reporting units for these tax regimes.
4. Set up the tax and tax rates in Tax. You must define the tax with the reporting code enabled. EMEA lookup tax reporting codes, such as **VAT** and **Exempt**, are available as predefined tax reporting codes under the EMEA VAT Reporting Type.
5. Define tax reporting periods as accounting periods in Oracle General Ledger. For example, set up Accounting as an accounting period. The final reporting process maintains the tax reporting periods. If you use the same calendar for accounting and tax reporting, the application still maintains accounting periods independently from tax periods.
6. Specify document sequencing for tax transactions to use different transaction sequencing than reporting sequencing. Define document categories in General Ledger, Payables, and Receivables. Define document sequence names in General Ledger and assign them to document categories. For example, set up IT AX Payables as a document sequence name.

Setting Up VAT Reporting

1. On the Manage Tax Registrations page, select **Legal Reporting Unit Tax Profiles** in the **Search For** field.
2. Enter Vision Italy in the **Legal Entity** field and click **Search**.
3. From the Search Results section, select Vision Italy.
4. On the Tax Registrations tab, select Vision Italy and then click **Create**.
5. On the Create Legal Reporting Unit Tax Registration page, enter these values:

Field	Value
Tax Regime Code	IT VAT
Registration Number	123456789

6. Click the Tax Reporting Configuration tab.

7. In the Common Configuration tab, enter these values:

Field	Value
Tax Calendar	Accounting
Enable tax registers	Select
Enable reporting sequence	Select

8. Click the Tax Registers tab and click **Create** to add a row in the table.
9. Enter these values in the new row:

Field	Value
Register Type	Purchase VAT
Name	Purchase VAT
Start Date	Current date
End Date	Blank

Predefined tax register types are provided for Italy. These include Deferred VAT, Purchase VAT, Sales (self invoice and EU VAT), and Sales VAT.

10. Click **Create** in the Document Sequence table to add a new row.
11. Select **IT AX Payables** in the **Document Sequence Name** field.
12. Click **Save and Close**.

Manage Tax Exemptions

Tax Exemptions

A tax exemption is a full or partial exclusion from taxes or a surcharge, based on certain criteria given by the tax legislation. Many countries allow tax exemptions when certain parties deal with certain categories of goods and services.

For example, most states and localities imposing sales and use taxes in the United States provide tax exemptions to resellers on goods held for sale and ultimately sold. States and localities also provide tax exemptions on goods used directly in the production of other goods, such as raw materials.

Tax exemptions:

- Reflect a specific tax rate levy.
- Are taken as a percentage reduction or an increase to the generally applied tax rate.
- Can also be a specific tax rate in place of the generally applied tax rate on a Receivables transaction.
- Are registered against a customer or customer site for a business relationship with a legal entity or a business unit. Since tax exemptions are applicable to specific legal entities or business units, you don't use the global configuration owner option.
- Are used for specific products or available for all transactions for a legal entity or business unit.

Define tax exemptions for the combination of customer and customer site and items for a period of time. Use rate modifiers, such as discount or surcharge percentage or special rate percentage to map the preferential or special tax rate applicability.

The tax exemption status influences the applicability of the tax exemption on transactions. The possible values are: **Primary**, **Manual**, **Rejected**, **Unapproved**, and **Discontinued**. The tax exemptions with the status of **Primary** are applicable to all transactions. The tax determination process considers **Manual** or **Unapproved** statuses only when the certificate number and the exempt reason on the transaction match with the registered tax exemption values. The **Discontinued** or **Rejected** statuses aren't considered for tax exemption processing.

The tax handling option on a Receivable transaction also influences the tax exemption processing. If you use the tax handling option of:

Standard: The tax determination process considers only tax exemptions with a status of **Primary**

Exempt: The tax determination process considers all **Primary**, **Manual**, and **Unapproved** tax exemptions with reference to the certificate number and exempt reason given on the transaction.

Exempt- manual: The tax determination process creates a new tax exemption along with the given certificate number and exempt reason, with 100% discount and with a status of **Unapproved** if the matching condition doesn't result in filtering any existing tax exemptions.

Related Topics

- Considerations for Tax Exemptions

Considerations for Tax Exemptions

A tax exemption 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. Many states provide exemptions on sales of necessities such as food and clothing.

To set up tax exemptions for a third party, you must complete the appropriate tax exemption setup for the tax regimes and taxes concerned. Create a separate record for each tax exemption that applies to the third-party customer or customer site. The tax determination process applies the tax exemption to the transaction line based on the tax exemption setup and tax handling specified on the transaction line.

Tax Exemption Setup

Before you can create a tax exemption record, you must enable the tax exemption options at the appropriate levels:

- Set the **Tax Exemption Override Control** profile option. It controls the display of tax handling on the transaction line to apply and update customer tax exemptions to transactions.
- Set the **Allow tax exemptions** option at the levels that correspond to the tax exemption. For example, if the tax 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.
- Set the **Allow exemptions** option in the configuration owner tax option for each event class for which calculation based on tax exemption is to be enabled. For the exemptions party basis select whether the bill-to party tax exemption records are to be considered or the sold-to party tax exemption records. In some cases the sold-to party could be different from the bill-to party.

Tax Exemption Record

A tax exemption record identifies the nature of the tax exemption, the configuration owner, and tax regime, and, where applicable, the related tax, tax status, tax rate, and tax jurisdictions to which the tax exemption belongs.

During the life of a tax exemption, the tax exemption status can often change. The possible statuses are: **Primary**, **Manual**, **Unapproved**, **Discontinued**, and **Rejected**. Because the status of the 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 the tax exemption:

- Tax exemptions with a status of **Primary** apply to all transactions of the customer or customer site.
- Tax exemptions with a status of **Manual** or **Unapproved** apply to specific transactions of the customer or customer site.
- Tax exemptions with a status of **Discontinued** or **Rejected** are not considered during tax calculation.

You also specify the method of calculating the tax exemption percentage on the tax exemption record:

- The **Discount or surcharge** type decreases or increases the original rate by the percentage you enter.

  If the discount is 15% off the standard rate and the standard rate is 10%, enter 85 as the tax exemption percentage. This defines a discount rate that is 85% of the original 10%, or 8.5%.

  If the surcharge is 10%, enter 110 as the tax exemption percentage. This defines a surcharge rate that is 110% of the original 10%, or 11%.
- The **Special rate** type replaces the original rate with the percentage you enter.

  Enter the special rate percentage that replaces the standard rate. If the original rate is 10%, and the special rate is 5%, enter 5 as the tax exemption percentage.

Tax Exemption Applied to the Transaction Line

You use the **Tax Handling** field on the transaction line to select the applicable tax exemption value. Tax exemptions are processed in different ways depending upon the value you select:

- **Require**: The customer is required to pay the tax. Tax exemptions do not apply to the transaction line, even if defined.
- **Exempt**: Enter the tax exemption certificate number and the customer tax exemption reason. Tax exemptions are processed in this way:

a. Consider tax exemptions with a status of **Primary**, **Manual**, or **Unapproved**.
b. Verify that the transaction date is within the tax exemption effective date range.
c. Verify that the transaction tax exemption reason and tax exemption certificate number match the tax exemption reason and certificate number. If you do not enter a certificate number, the tax determination process still looks for a matching tax exemption.
d. If the tax determination process doesn't find a tax exemption matching these conditions, it creates a tax exemption with the status **Unapproved** and 100% discount.

- **Standard**: This tax handling is for exemptions of the Primary status only. You do not have to enter the tax exemption certificate number or customer tax exemption reason.

  The tax determination process 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, the most specific tax exemption is used, in this order:

  a. Customer and product tax exemption for tax rate and tax jurisdiction.
  b. Customer and product tax exemption for tax rate.
  c. Customer and product tax exemption for tax status and tax jurisdiction.
  d. Customer and product tax exemption for tax status.
  e. Customer and product tax exemption for tax.
  f. Customer only tax exemption for tax rate and tax jurisdiction.
  g. Customer only tax exemption for tax rate.
  h. Customer only tax exemption for tax status and tax jurisdiction.
  i. Customer only tax exemption for tax status.
  j. Customer only tax exemption for tax.

- **Exempt, manual**: You manually enter a certificate number and exemption reason. The application process creates a tax exemption with a status of **Unapproved** and a 100% discount is applied.

Note: The application first checks the customer site party tax profile for the exemption records. If there is no exemption record defined within the site, then it checks the customer party tax profile.

After applying tax exemption to a transaction line, the tax determination process calculates the tax rate using the tax exemption type. The tax exemption type is defined in the tax exemption record. The sequence of the tax rate value determination is:

1. Determine the basic tax rate through the Determine Tax Rate rule type or by the default specified for the tax.
2. Apply exception which is based on the product.
3. Apply tax exemption which is based on the party (customer) and its relationship with the transacting organization (legal entity or business unit). Optionally, it can be based on a specific product.

For example, the tax rate determined is 6%, the special rate for a tax exception is 5%, and the tax exemption defined is a 2% discount. The tax exemption discount is applicable to the tax rate after the tax exception. Therefore, the 5% tax rate is modified by a 2% discount (5% * (100%-2%) = 4.9%). If the tax exemption defined is of the rate type of **Special rate** then the special rate is substituted and the applicable tax exception has no impact.

For manual tax lines, no additional processing is performed and tax exemptions are not considered. A manual tax line suggests that you have specific business requirements for a particular transaction to apply a manual tax. No additional processing is performed for manual tax lines to avoid any applying conflicting or inconsistent values to the user-entered tax line. The tax calculation on a manual tax line is the standard formula of tax amount is equal to the taxable basis multiplied by the tax rate.

Related Topics

- Examples of Exemption Types and Percentages
- Tax Exemptions

Examples of Exemption Types and Percentages

The following scenarios illustrate how the exemption rate type and exemption percentage apply to the tax rate.

Applying a Discount

Your company receives a discount of 20% because it sells educational materials. You set the **Exemption Rate Type** option as **Discount or surcharge** and enter 20 in the **Exemption Percentage** field. For example, the tax rate for your transaction is 10%, but the application applies 8% due to the 20% discount (10% - (10% * 20%)).

Applying a Surcharge

Your company is required to apply a surcharge to the tax rate of 10% to a specific item it sells to a customer. For this customer and item, you set the **Exemption Rate Type** option as **Discount or surcharge** and enter 110 in the **Exemption Percentage** field. For example, the tax rate for your transaction is 10%, but the application applies 11% due to the 10% surcharge (10% + (10% * 10%)).

Applying a Special Rate

Your company is required to apply a special tax rate of 5% for a specific customer. For this customer, you set the **Exemption Rate Type** option as **Special rate** and enter 5 in the **Exemption Percentage** field. For example, the tax rate for your transaction is 10%, but the application applies 5% due to the 5% special rate (it replaces the tax rate).

Related Topics

- Considerations for Tax Exemptions

FAQs for Tax Exemptions

What's the difference between using tax exemptions and tax rules to modify the taxable nature of a transaction?

You can use either use tax rules or tax exemptions to modify the taxable nature of a transaction.

Tax rules, such as the Determine Tax Applicability rule, exclude certain categories of transactions from taxation. Such transactions don't appear on many tax reports as they don't have any tax lines.

To report on a transaction, set up a tax exemption on the party tax profile of the customer. This results in the creation of a tax line with modified tax rate. You can use tax exemptions for specific customers who have certificates of exemption. This happens typically in tax regimes for US Sales and Use Tax.

You can create an exempt tax rate with a zero percentage rate to apply exemptions and generate a tax line.

Note:

- Reports referring to an item as exempt may exclude items with zero percentage rate as the exempt indicator there is blank.
- If you define an exempt tax rate with a zero tax rate, the transaction shows as fully taxable on all reports. Don't add exemption details if you want reports to show the full line amount as taxable.

Manage Transaction-Based Fiscal Classifications

Overview of Transaction-Based Fiscal Classifications

Many tax regimes define rules for specific transactions or information related to the transaction. To support these requirements, Oracle Fusion Tax provides features to allow the transaction process to be classified.

These classifications provide a conceptual model to classify the type of transactions and documents related to the transaction. Set up your transaction process classifications in the Manage Transaction-Based Fiscal Classifications task.

The following process classifications for tax purposes can be used within Oracle Fusion Tax and are summarized in the following table:

Process Classification	Description
Transaction business category	Use this classification to classify a transaction line to define the type of transaction.
Transaction fiscal classification	Use this classification to group transaction business categories to minimize tax rules setup and maintenance.
Document fiscal classification	Use this classification to relate documents to a transaction that affect the tax applicability or determination of transaction taxes on the transaction.
User-defined fiscal classification	Use this classification to classify transaction lines where none of other classification is appropriate.

Tip: If possible, use other fiscal classifications that are automatically derived at transaction time in preference to the process classification which requires manual intervention at transaction time.

Use these classifications as determining factors within tax rules in the tax determination process, although you can also use them for tax reporting.

Related Topics

- User-Defined Fiscal Classifications
- Document Fiscal Classifications
- Transaction Fiscal Classifications
- Transaction Business Categories

Transaction Business Categories

Use transaction business categories to classify transaction lines to determine and report tax.

Transaction business categories provide a hierarchy of up to five levels. The first level is predefined with standard events that are supported by Oracle Fusion Tax. The predefined levels are:

- EXPENSE_REPORT
- INTERCOMPANY_TRANSACTION
- PAYMENT_REQUEST
- PURCHASE_PREPAYMENTTRANSACTION
- PURCHASE_TRANSACTION
- SALES_TRANSACTION
- SALES_TXN_ADJUSTMENT

Use the transaction business category functionality to add additional levels and transaction business categories to these levels.

> **Note:** You can't add additional level one transaction business categories. You can only add additional transaction business categories that are children, or lower levels, of the predefined level one records.

When defining additional transaction business categories, use the **Country** field to specify the taxation countries where the transaction business category is used. During transaction time, the taxation country is used to restrict the list of transaction business categories available on the transaction line to those that have been set up with the same country or where the country is blank.

When setting up transaction business categories, leave the **Country** field blank or use the country name as defined on any parent level of the record that's being added.

Use the Associated Transaction Fiscal Classifications region to link a specific transaction business category to the transaction fiscal classification. You can use this association to allow different transaction business categories to be linked to the same transaction fiscal classification. This helps set up tax rules using a specific transaction fiscal classification instead of creating multiple tax rules for different transaction business categories.

> **Tip:** While setting up the transaction business categories, use different levels so that you can define all of the necessary tax rules at the highest level possible. This helps minimize the needed number of tax rules.

Transaction Business Categories in Tax Rules

The transaction business category tax determination factors allow you to use the transaction business category in tax rules. A combination of determination factor class, class qualifier, and determining factor represent these determination factors.

Use the transaction generic classification as the determining factor class, the level of the transaction business category being used, level 1, level 2, level 3, level 4, or level 5 as the class qualifier, and transaction business category as the determining factor.

When a country name is specified on the condition set, the application selects only those transaction business categories that match the country name or where the country name is blank on the transaction business category.

Transaction Business Categories at Transaction Time

During transaction time, enter the transaction business category on the transaction line to classify the transaction line for tax determining and reporting purposes.

The transaction business category is stored in the tax reporting ledger and is available for reporting.

Related Topics

- Example of Transaction Business Categories
- Tax Rules
- Transaction Fiscal Classifications

Example of Transaction Business Categories

Transaction business categories classify transaction lines for tax determination and reporting.

The following scenario illustrates how transaction business categories can be used for tax determination and reporting in Brazil.

Scenario

In Brazil, you need to identify a transaction correctly to be able to report and determine the correct applicable taxes. Create specific transaction business categories as children of the sales transaction. The transaction business categories include:

Level	Fiscal Classification Code	Fiscal Classification Name	Country	Start Date
1	SALES_TRANSACTION	Sales Transaction	Not applicable	1-Jan-1951
2	INTERSTATE MNFTRD FOR SALE	Interstate Manufactured for Sale	Brazil	The earliest transaction date or start date of tax.
2	INTERSTATE MNFTRD FOR MANUFACTURE	Interstate Manufactured for Manufacture	Brazil	The earliest transaction date or start date of tax.

To create these transaction business categories:

1. Select the **SALES_TRANSACTION** record on the Manage Transaction Business Codes page.
2. Click **Create Child Node**. The Create Fiscal Classification Code page appears.
3. Enter the values as shown in the table. By default, the start date is the start date of the sales transaction parent record, that is, 1-Jan-1951.
4. Specify the latest of:
    a. Earliest applicable transaction to be used in the implementation.
    b. Start date of the applicable Brazilian tax.

> **Tip:** Specify the country name while creating transaction business categories. This ensures that a limited applicable list is presented while entering the transaction business category during transaction or tax rule creation.

> **Tip:** Classify the nonstandard items as standard items while using the transaction business categories classification. This can be modeled as a default tax rule and therefore, doesn't require an explicit classification or an explicit tax rule. Classify only exception items and define specific tax rules for them. For a standard item, none of the explicit tax rules are applicable and the default rate applies.

Document Fiscal Classifications

Use the document fiscal classification when the tax determination and reporting processes need the documentation associated with the transaction. Document classifications are associated with the transaction header and therefore, apply to all the transaction lines on a transaction.

Document fiscal classifications provide a hierarchy of up to five levels. When defining the document fiscal classification codes, use the **Country** field to specify the taxation countries where the document fiscal classification is used.

During transaction time, the taxation country restricts the list of document fiscal classification on the transaction line to those that are set up with the same country or where the country is blank. When setting up the document fiscal classification, leave the **Country** field blank or use the same country that's defined on any parent level of the record that you're adding.

> **Tip:** While setting up the document fiscal classification, use different levels so that all the necessary rules are defined at the highest level possible. This helps minimize the needed number of tax rules.

Document Fiscal Classifications in Tax Rules

The document fiscal classification tax determination factors allow you to use the document fiscal classification in tax rules. A combination of the determination factor class, class qualifier, and determining factor represents these determination factors.

Use document as the determining factor class, the level of the transaction business category being used, level 1, level 2, level 3, level 4, or level 5 as the class qualifier, and the document fiscal classification as the determining factor.

The value you enter against the condition set is the document fiscal classification code or name set up for the specific level defined in the class qualifier, as well as for the same country or where the country is blank on the document fiscal classification.

Document Fiscal Classifications at Transaction Time

During transaction time, enter the document fiscal classification on the transaction to classify the transaction for tax determining and reporting purposes.

The document fiscal classification is stored in the tax reporting ledger and is available for reporting.

Related Topics

- Example of Document Fiscal Classifications

Example of Document Fiscal Classifications

The document fiscal classifications classify transactions for tax determination and reporting. Use this classification when the tax determination and reporting processes need the documentation associated with the transaction.

The following scenario illustrates how Intra-EU supplies are controlled through zero-rating of transactions. A zero-rating is given to a transaction only when the export documentation related to the transaction is received.

Scenario

When the export documentation isn't received in time, the customer is invoiced with the VAT that is applicable in the country of the supplier. The transaction is not zero-rated, which is the normal case for Intra-EU business-to-business supplies.

To model this scenario, create a document fiscal classification and attach it to a transaction only when you receive the documentation. If the document fiscal classification isn't attached to a transaction, the Intra-EU goods business-to-business supply rules aren't triggered and the applicable VAT is charged.

When the documentation is received after the invoice is generated, the invoice that is sent is credited and a new invoice is produced.

Create the following document fiscal classification:

Level	Fiscal Classification Code	Fiscal Classification Name	Country	Start Date
1	INTRA-EU DOCUMENTS	Sales Transaction	-	The earliest transaction date or start date of tax.
2	INTRA-EU EXPORT DOCUMENTATION	Intra-EU Export Documentation Received.	-	The earliest transaction date or start date of tax.

The tax rule that defines the conditions under which the Intra-EU supply of business-to-business goods are zero-rated includes a determining factor as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor	Operator	Value
Document	Level 2	Document Fiscal Classification	Equal to	INTRA-EU EXPORT DOCUMENTATION

Determining Factor Class	Class Qualifier	Determining Factor	Operator	Value

Tip: Specify the country name while creating transaction business categories. This ensures that a limited applicable list is presented while entering the document fiscal classification during transaction or tax rule creation.

Tip: In this classification and many other tax classifications, classify the nonstandard items of your business as standard items. This can be modeled as a default tax rule and therefore, doesn't require an explicit classification or an explicit rule. Classify only exception items and define specific tax rules for them. For a standard item, none of the explicit tax rules apply except the default rate.

User-Defined Fiscal Classifications

Use user-defined fiscal classifications when you need additional classifications to determine and report tax on transaction. Enter user-defined classifications on a transaction line at the time of transaction.

Note: You can define only one level of user-defined fiscal classification codes.

Use the **Country** field to specify the applicable taxation country, or leave it blank to use the user-defined fiscal classification across multiple countries. At transaction time, the transaction line will only display the user-defined fiscal classifications with the same taxation country, or where the country is blank.

User-Defined Fiscal Classifications in Tax Rules

The user-defined fiscal classification tax determination factors allow you to use user-defined fiscal classification in tax rules. A combination of determination factor class and determining factor represent these determination factors.

Use the transaction input factor as the determining factor class and user-defined fiscal classification as the determining factor.

The value entered against the condition set is the specific user-defined fiscal classification code or name and the same country or where the country on the user-defined fiscal classification is blank.

User-Defined Fiscal Classifications at Transaction Time

During transaction time, enter the user-defined fiscal classification on the transaction line to classify the transaction for tax determination and reporting purposes.

The user-defined fiscal classification is stored in the tax reporting ledger and is available for reporting.

Related Topics

- Example of User-Defined Fiscal Classifications
- Tax Rules

Example of User-Defined Fiscal Classifications

Use the user-defined fiscal classifications when you need additional or more appropriate classifications to classify transactions for tax determination and reporting.

This scenario illustrates how you can use user-defined fiscal classification to identify if a customer is a foreign diplomat and therefore, exempt from value-added tax (VAT).

Scenario

To model this scenario, create a user-defined fiscal classification that is added to a transaction line only when the customer is a foreign diplomat and VAT is exempted.

In practice, it's likely that most businesses monitor such transactions and therefore, specifically create a zero (0%) rate within the exempt tax status to allow monitoring of such situations. By reporting this specific 0% rate, all applicable transaction can be identified.

Create the following user-defined fiscal classification:

Fiscal Classification Code	Fiscal Classification Name	Country	Start Date
FOREIGN DIPLOMAT EXEMPTION	Foreign Diplomat Exemption	United Kingdom	The earliest transaction date or start date of tax.

Set up the following determining factor for the tax rule that defines the condition where the sales transaction is zero percent (0%) rated using the special exempt rate, tax status, and tax rate rule:

Determining Factor Class	Class Qualifier	Determining Factor	Operator	Value
Transaction Input Factor	-	User-Defined Fiscal Classification	Equal to	FOREIGN DIPLOMAT EXEMPTION

The tax rule, to apply a zero tax rate to a transaction, is applicable only when the user-defined fiscal classification is associated with the transaction line.

> **Tip:** Specify the country name while creating the user-defined fiscal classification. This ensures that only a limited applicable list is presented during transaction or tax rule creation.

Manage Party Classifications

Party Information

Party classification defines the different types of party. Use party classifications to define party types for tax determination and tax reporting purposes.

Oracle Fusion Tax uses two types of tax party classifications:

- Party fiscal classifications
- Legal party classifications

Both are used to classify parties to provide determining factors or building blocks on which tax rules are defined. They're also used to classify parties for reporting.

Party Fiscal Classifications

Use party classifications to classify your customers, suppliers, first-party legal entities, and first-party legal reporting units for tax determination and tax reporting.

Define the party classification categories and associated classification codes within the Oracle Fusion Trading Community Model party classification setup. Create the party fiscal classifications, and associate the specific Trading Community Model party classification category to these party fiscal classifications, one for each level of the specific Trading Community Model party classification category. Associate tax regimes to these party classifications to ensure that these relationships are only visible and usable where needed. Oracle Fusion Tax uses this relationship to indicate which Trading Community Model party classification categories are used for tax purposes. By reusing the Trading Community Model party classification category functionality, Oracle Fusion Tax can leverage and use the common classification setup for tax purposes where applicable.

Within the party fiscal classifications functionality, define the Trading Community Model classification level to use within Oracle Fusion Tax. For example, if you have a three level Trading Community Model party fiscal classification category, define three levels, giving each a specific party fiscal classification code and name. By naming each level, you can use the specific level as a determining factor when defining tax rules. Use the same party fiscal classification flow to define the tax regimes with which the party fiscal classifications are associated.

> **Note:** You can only amend the number of levels by increasing the number of levels. It is not possible to decrease the number of levels once the record has been stored.

Once you have defined your Trading Community Model party classification and associated it with a party fiscal classification and tax regime, you can use it to classify your parties and party sites. These parties and party sites are:

- Customers
- Customer sites
- Suppliers
- Supplier sites
- Legal entities
- Legal reporting units

In the case of supplier and customer parties and party sites, you can associate the specific party classification codes used for tax purposes using either:

- Party tax profile flows within Customer Maintenance and Supplier Maintenance.
- Dedicated flows in Oracle Fusion Tax.

Legal Party Classifications

Legal party classifications are similar to party fiscal classifications. Both use the Trading Community Model party classification setup and allow you to classify the party to determine and report tax. However, the legal party classifications are predefined and are available when you implement the application.

The following legal classification codes are predefined:

Legal Party Type Code	Legal Party Type Name
LEGAL_ACTIVITY_CODE_CL	Legal activity code for Chile
LEGAL_ACTIVITY_CODE_PE	Legal activity code for Peru
LEGAL_ACTIVITY_CODE_VE	Legal activity code for Venezuela
LEGAL_ACTIVITY_CODE_CO	Legal activity code for Colombia
2003 SIC	Legal activity code for United Kingdom

Use legal party classifications to classify first-party legal entities within the Legal Entity setup functionality. Use these classifications as determining factors within tax rules. The legal party classification and specific legal parties are associated within the Legal Entity Maintenance flow.

No specific setup is required as the legal party classifications are predefined, and can be directly used in tax rule setup.

Related Topics

- How Party Fiscal Classifications Work in Tax Rules and Tax Reporting
- Considerations for Specifying First-Party Tax Profile Options
- Considerations for Specifying Third-Party Tax Profile Options
- Example of Using Party Fiscal Classifications

How Party Fiscal Classifications Work in Tax Rules and Tax Reporting

Party fiscal classification tax determination factors allow you to use party fiscal classifications in tax rules. A combination of determination factor class, class qualifier, and determining factor represent these determination factors.

In the tax rules setup, define the actual party to determine the relevant party fiscal classification by using a generic definition for class qualifier. You can also use party fiscal classifications for tax reporting.

Party Fiscal Classifications in Tax Rules

Depending on the transaction type, the following generic class qualifiers are defined as class qualifiers when using the party fiscal classification as a tax determining factor:

- Supplier bill-from party
- Bill-to party
- Ship-to party
- Ship-from party
- Point-of-acceptance party
- Point-of-origin party

Oracle Fusion Tax translates the generic parties into specific transaction parties as defined in the following table:

Generic Party	Order-to-Cash Party	Procure-to-Pay Party
Bill-from party	First-Party legal entity	Supplier
Bill-to party	Customer	First-Party legal entity
Ship-to party	Customer (ship to) party site	First-Party legal entity
Ship-from party	First-Party legal reporting unit	Supplier (ship from) party site
Point-of-acceptance party	Customer point of acceptance party	Not applicable
Point-of-origin party	Customer point of origin party	Not applicable

Tip: Always use the highest applicable level to define the party classification. For example, define the party fiscal classification at the customer or supplier level instead of defining the same classification on all the party sites for the customer and suppliers.

Tip: Party fiscal classifications are automatically derived during transaction time. Hence, you can use them as determining factors instead of process-based determining factors, which require manual entry for every transaction.

Party Fiscal Classifications in Tax Reporting

Use party classifications to classify parties for tax reporting purposes if specific party classifications need reporting. However, using tax reporting codes instead of party fiscal classifications offers a more flexible and less intrusive mechanism to support reporting without creating complexity in setup and maintenance.

Related Topics

- Tax Rules

Example of Using Party Fiscal Classifications

The following example illustrates using party fiscal classifications in tax rules. It's based on the following scenario:

- A company Widget Inc., UK Ltd. produces widgets that are used by military forces who are part of the North Atlantic Treaty Organization (NATO).
- The widgets are sold to the Belgium Troops stationed in the UK under a joint NATO exercise.
- The supply of widgets by Widget Inc., UK Ltd. is within the terms and conditions of supplies to NATO forces which allow a supplier to zero rate supplies to visiting NATO forces. See Visiting Forces - HMRC Reference: Notice 431 (November 2003).

  This dispensation is given when deliveries are made to:

  - NATO visiting forces in the UK, specifically those from: Belgium, Canada, Czech Republic, Denmark, France, Germany, Greece, Hungary, Iceland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Turkey, and United States of America.
  - The NATO International Military Headquarters at Northwood and High Wycombe.
  - The American Battle Monuments Commission in respect of supplies of goods and services for the maintenance of the US military cemeteries at Brookwood and Madingley.

Creating Party Classifications and Tax Rules

To model this requirement, the company site representing the Belgium troops is associated with:

- GB Special Tax Parties
- A special party classification type and NATO Troops
- A party fiscal classification code

To do this:

1. Create an Oracle Fusion Trading Community Model party classification of GB Special Tax Parties with a level one code of Zero Rated Parties.
2. Create a level 2 code for this level 1 code of NATO.
3. Create party fiscal classifications of GB Special Tax Parties Level 1 and GB Special Tax Parties Level 2, which are linked to the Trading Community Model party classification.
4. Associate the party fiscal classifications with the GB VAT tax regime using a start date of the earliest transaction date of supplies to this or similar customer sites.
5. Associate the company site that represents the Belgium troops working at the joint NATO exercise to the GB Special Tax Parties Level 2 party fiscal classification using code of NATO.
6. Create the determining factor set and condition set that uses this classification code Zero Rated Parties of the level 1 party fiscal classification type. You don't need any specific Determine Tax Rate tax rule as you can set up the zero tax rate as the default tax rate for this tax status.
7. Create a Determine Tax Status tax rule linked to a zero tax status by using the determining factor and condition set created in the previous step.

At transaction time, the tax determination process considers this tax status rule and derives a zero tax status when the customer ship-to party is associated with the level 1 party fiscal classification of GB Special Tax Parties Level 1 and code of Zero Rated Parties.

> **Tip:** Use the levels in the Trading Community Model party classification categories model and the party fiscal classification setup to group party classification categories together.

> **Tip:** Define tax rules at the highest level possible thus minimizing the number of tax rules needed. In this example, the tax rule uses the level 1 party fiscal classification to determine the zero tax status.

Related Topics

- Tax Rules

FAQs for Party Classifications

What's the difference between legal classifications and fiscal classifications?

Every legal classification is associated with a legal entity. This legal entity gives it a legal status in a country and also guides the tax determination process.

Fiscal classifications tell you when taxes apply to a party, how much tax applies, and what percentage of the tax is recoverable. Trading Community Model defines both legal and fiscal classifications.

In some countries, legal classifications are defined by:

- Business activity type
- Business activity code
- Business activity description

You can use legal classifications for fiscal classification purposes. This makes legal classification just another party fiscal classification for tax purposes.

Manage Product-Based Fiscal Classifications

Overview of Product-Based Fiscal Classifications

Many tax regimes define rules for specific products or types of products. This is done to stimulate or enhance trade in specific products or ensure that certain products or product types are excluded from taxes.

To support these requirements, Oracle Fusion Tax provides features to allow items to be classified. They make extensive use of the Oracle Fusion Inventory catalog functionality. If you don't implement Inventory, you can use product category

fiscal classifications as an alternative classification in Oracle Fusion Tax. Set up your product classifications using the Manage Product-Based Fiscal Classifications task.

For example, value-added tax (VAT) in the UK exempts children clothing and normal foods from Great Britain's (GB) VAT. It's also common that tax authorities vary the tax status of product types depending on how they're planned to be used. For example, a company purchases products that are subject to VAT. The use of these items isn't related to the company's sale of taxable supplies. Therefore, the company can't recover any VAT or can only partially recover VAT on those purchases.

There has also been a recent trend to introduce antifraud tax legislation for specific products so that they can be treated in a different way to prevent fraud. For example, the GB Missing Trader IntraCommunity antifraud legislation specifies that certain types of business-to-business domestic supplies of certain high value electronic products, such as mobile phones, computer equipment and accessories are reversed charged. For more information about GB Missing Trader IntraCommunity legislation, see Her Majesty's Revenue and Customs (HMRC) - Business Brief 10/06.

The following product classifications for tax purposes can be used within Oracle Fusion Tax and are summarized in the following table:

Product Classification	Description
Product fiscal classification types and codes	Use this classification to group items for tax determination and reporting purposes. This functionality uses the Oracle Fusion Inventory catalog and item functionality and therefore, you can only use it when this functionality is installed.
Product category fiscal classification codes	Use this classification where Inventory is not installed. It helps classify transaction lines for tax determination and reporting purposes.
Intended use fiscal classifications	Use this functionality for tax determination and reporting purposes. Use this classification where transaction lines need to be classified based on the intended use of the product defined on that item.

Tip: When available, use the product fiscal classifications in preference to product categories. This is because the application automatically derives product fiscal classifications at transaction time based on the items defined on the transaction line and their relationship to the applicable catalog classification.

You can use product category fiscal classifications in conjunction with product fiscal classifications. This combination enables you to define two different determining factors at transaction time.

Related Topics

- Intended Use Fiscal Classifications
- Product Category Fiscal Classifications
- Product Fiscal Classifications

Product Fiscal Classifications

Use product fiscal classifications to classify items for tax determination and reporting. Define a product group to use in tax product exemptions.

Define product fiscal classifications by associating them with an Oracle Fusion Inventory catalog, which in turn is used to group items using the standard Inventory functionality.

Set up the following options in the Inventory catalog:

- Don't select the **Enable hierarchies for categories** option.
- Select **Items at leaf level** in the **Catalog Content** field.
- Select the **Allow multiple item category assignments** option.
- Select the **Enable automatic assignment of categories** option.
- Select **None** in the **Source Catalog** field.
- Don't select a value in the **Sharing Control** field.

During transaction time, when the association with the catalog exists, the application automatically derives the default product fiscal classification code based on the items used on the transaction line. When no item is defined on the transaction line, you can manually enter the product fiscal classification on the transaction line during transaction time. Even the default product fiscal classification code is derived during the transaction time, it can be overridden if necessary. The overridden product fiscal classification code is used in the tax determination process.

While creating the product fiscal classification, use the number of levels to define the number of hierarchical levels to link the items to. Also, specify the number of the level of classification that is to be used in the tax rule setup. When creating the levels within the product fiscal classification, define the start position and number of characters for each level. During transaction time, this ensures that all items with the same values in the start position and the same number of characters are grouped into the same classification.

For example, set up the following code structure using the Inventory catalog for the country, Luxemburg:

Code	Name
LUG01	Goods
LUG0100	Normal Rated Goods
LUG0101	Zero Rated Goods
LUG0102	Exempt Goods
LUG0103	Reduced Rate Goods
LUG0103-01	Reduced Rate 1 Goods
LUG0103-02	Reduced Rate 2 Goods
LUG0103-03	Reduced Rate 3 Goods
LUS01	Services
LUS0100	Normal Rated Services

Code	Name
LUS0101	Zero Rated Services
LUS0102	Exempt Services
LUS0103	Reduced Rate Services
LUS0103-01	Reduced Rate 1 Services
LUS0103-02	Reduced Rate 2 Services
LUS0103-03	Reduced Rate 3 Services

The previous code structure is represented by three levels:

Level	Type Code	Type Name	Start Position	Number of Characters
1	LU Goods or Services	Luxemburg Goods or Service Level	1	5
2	LU Type of Goods or Services	Luxemburg Type of Goods or Service Level	1	7
3	LU Type of Reduced Rate	Luxemburg Type of Reduced Rate Goods or Service	1	10

Use the level two codes to link the items that need to be classified using Inventory catalog.

Use the product fiscal classification pages to define the tax regimes for which specific product fiscal classification are to be used. Also, define if the product fiscal classification is available to be used in the setup of tax product exceptions. To set up tax product exceptions, enable the **Use in Item Exceptions** option. You can only set up one product fiscal classification for a specific tax regime with the **Use in Item Exceptions** option enabled.

Adjust the number of levels by increasing the number of levels. It is not possible to decrease the number of levels once the record is stored. In addition, you need to attach tax regimes to every level that is used in the tax rules.

> **Tip:** While setting up the product fiscal classification, use different levels so that all of the necessary tax rules can be defined at the highest level possible. This minimizes the needed number of tax rules.

In the previous example, the tax rule can use the level 1 product fiscal classification to differentiate between goods and services.

Product Fiscal Classifications in Tax Rules

The product fiscal classification tax determination factors allow you to use product fiscal classification in tax rules. A combination of determination factor class and determining factor represents these determination factors.

Use **Product inventory linked** as the determining factor class and the product fiscal classification type code or name as the determining factor. When creating the tax rule, the value is the name or description associated with the relevant level.

Product Fiscal Classifications at Transaction Time

When an item is defined on the transaction line, the application automatically derives the default product fiscal classification on the transaction line using the Inventory catalog. The primary Inventory category set is defined in the country defaults of the taxation country. You can override this default during transaction time. The overridden default is used in the tax determination process.

The product fiscal classification is stored in the tax reporting ledger and is available for reporting.

Related Topics

- Example of Using Product Fiscal Classifications
- Tax Exemptions
- Tax Rules

Example of Using Product Fiscal Classifications

Many tax regimes use product classification to control tax applicability as well as the tax rate to be applied. In value-added tax (VAT) regimes, the type of product being purchased can drive the ability to recover tax.

This scenario illustrates how tax is determined and reported for newspapers, books, and periodicals in Luxemburg.

Scenario

In Luxemburg, transactions involving newspapers, books, and periodicals are invoiced with VAT at a reduced rating (currently 3%).

To determine tax:

1. Configure the Oracle Inventory catalog functionality.
2. Create a catalog specifically for Luxemburg VAT with the name LU VAT PRODUCT CLASSIFICATION. To create the catalog, create class categories including Reduced Rate 1 Goods.

   This catalog is used for other classifications such as Reduced Rate, Exempt Rate, and Standard Rate. Link all of the items that are rated as Reduced Rate 1 Goods in Luxemburg to this class category. In this case, link any relevant newspapers, books, and periodicals to this class category.

   Introduce a coding structure. An example is shown in the following table:

Code	Name
LUG01	Goods

Code	Name
LUG0100	Normal Rated Goods
LUG0101	Zero Rated Goods
LUG0102	Exempt Goods
LUG0103	Reduced Rate Goods
LUG0103-01	Reduced Rate 1 Goods
LUG0103-02	Reduced Rate 2 Goods
LUG0103-03	Reduced Rate 3 Goods
LUS01	Services
LUS0100	Normal Rated Services
LUS0101	Zero Rated Services
LUS0102	Exempt Services
LUS0103	Reduced Rate Services
LUS0103-01	Reduced Rate 1 Services
LUS0103-02	Reduced Rate 2 Services
LUS0103-03	Reduced Rate 3 Services

Code	Name

Tip: While using the product fiscal classification, classify the nonstandard items of your business as standard items. You can model this as a default tax rule that doesn't require an explicit classification or an explicit rule. Classify only exception items and define specific tax rules for them. For a standard item, none of the explicit rules are applicable and the default rate applies.

Tip: Don't add the explicit percentage to the naming or coding convention used for product fiscal classifications. When the rate changes, you change the rate period on the specific rate and you don't have to change classification or associated tax rules.

3. Create a product fiscal classification and link it with the catalog using the code LU VAT PRODUCT FISCAL CLASSIFICATION. In this scenario, only a single level is needed, although other levels may be needed to model nonstandard services or subclassifications of product types for reporting purposes. The following table represents this multiple level requirement:

Level	Type Code	Type Name	Start Position	Number of Characters
1	LU Goods or Services	Luxemburg Goods or Service Level	1	5
2	LU Type of Goods or Services	Luxemburg Type of Goods or Service Level	1	7
3	LU Type of Reduced Rate	Luxemburg Type of Reduced Rate Goods or Service	1	10

4. Create or amend the Luxemburg country default record and set the primary inventory category set to LU VAT PRODUCT FISCAL CLASSIFICATION.
5. Create the determining factor set and condition set which refer to the product fiscal classification.

   Use **Product inventory linked** as the determining factor class, the level to be defined in the rule as the class qualifier, and the specific LU product fiscal classification level as the determining factor as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor Name
Product inventory linked	-	LU Type of Reduced Rate

6. Create the condition set that refers to the product category fiscal classification as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor Name	Value
Product inventory linked	-	LU Type of Reduced Rate	Reduced Rate 1 Goods

7. Create the tax status rule based on the determining factor set and condition set with zero tax rate status as the result as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor Name	Value	Result
Product inventory linked	-	LU Type of Reduced Rate	Reduced Rate 1 Goods	LU Reduced Rate 1 Status

Product Category Fiscal Classifications

Use product category fiscal classifications to classify items for tax determination and reporting purposes. Use product category fiscal classifications when Oracle Fusion Inventory isn't available. However, you can use product category fiscal classifications together with product fiscal classifications when Inventory is installed.

Product category fiscal classifications use the classification functionality within Oracle Fusion Tax setup to directly define the classification to use. This functionality allows a hierarchy of up to five levels and uses the standard hierarchical features. It also lets you associate the classification codes with specific countries.

Note: Leave the country blank on the classification codes if that code is applicable to multiple countries.

Product Category Fiscal Classifications in Tax Rules

The product category fiscal classification tax determination factors allow you to use product category fiscal classification in the tax rules. A combination of determination factor class, class qualifier, and determining factor represents these determination factors.

Use **Product noninventory linked** as the determining factor class, the level to be defined in the tax rule as the class qualifier, and product category as the determining factor.

For each of the fiscal classification codes created, you can associate a tax reporting code, which is associated with the fiscal classification code. This enables you to report on any transaction line that uses the product category fiscal classification code to which the reporting codes is associated. You can associate multiple reporting codes with a single product category fiscal classification code, which allows modeling multiple reporting requirements.

Tip: Use reporting codes related to the key elements of the transaction in preference to reporting against the key elements. This indirect reporting allows grouping of results when the same reporting code is associated with multiple product category fiscal classification codes. It also helps in minimizing ongoing maintenance.

Product Category Fiscal Classifications at Transaction Time

The product category fiscal classification has a single default that's set up in the relevant country defaults and appears as the default on the transaction lines. However, during transaction time, you can enter any applicable alternative product category fiscal classification code on the transaction line.

This product category is stored in the tax reporting ledger, and is available for reporting.

Related Topics

- Example of Using Product Category Fiscal Classifications
- Tax Rules

Example of Using Product Category Fiscal Classifications

Many tax regimes use product classification to control tax applicability as well as the rate to be applied.

This scenario illustrates how tax is determined and reported for newspapers, books, and periodicals in Luxemburg without configuring Oracle Fusion Inventory.

Scenario

In Luxemburg, transactions involving newspapers, books, and periodicals are invoiced with VAT at a reduced rating, currently 3 percent.

To model this specific requirement, use the product category fiscal classification and follow these steps:

1. Configure product category fiscal classification based on the following table:

Level	Code	Name	Country	Start Date
1	LUG01	Goods	Luxemburg	1-Jan-1970
2	LUG0100	Normal Rated Goods	Luxemburg	1-Jan-1970
2	LUG0101	Zero Rated Goods	Luxemburg	1-Jan-1970
2	LUG0102	Exempt Goods	Luxemburg	1-Jan-1970
2	LUG0103	Reduced Rate Goods	Luxemburg	1-Jan-1970
3	LUG0103-01	Reduced Rate 1 Goods	Luxemburg	1-Jan-1970
3	LUG0103-02	Reduced Rate 2 Goods	Luxemburg	1-Jan-1970

Level	Code	Name	Country	Start Date
3	LUG0103-03	Reduced Rate 3 Goods	Luxemburg	1-Jan-1970
1	LUS01	Services	Luxemburg	1-Jan-1970
2	LUS0100	Normal Rated Services	Luxemburg	1-Jan-1970
2	LUS0101	Zero Rated Services	Luxemburg	1-Jan-1970
2	LUS0102	Exempt Services	Luxemburg	1-Jan-1970
2	LUS0103	Reduced Rate Services	Luxemburg	1-Jan-1970
3	LUS0103-01	Reduced Rate 1 Services	Luxemburg	1-Jan-1970
3	LUS0103-02	Reduced Rate 2 Services	Luxemburg	1-Jan-1970
3	LUS0103-03	Reduced Rate 3 Services	Luxemburg	1-Jan-1970

Tip: While using the product category fiscal classification, only classify the nonstandard items of your business. Handle standard items by using default tax rules. Thus, for a standard item, none of the explicit tax rules are applicable and the default rate applies. The standard items are included in the table only for completeness. Modeling these standard items using default tax rules may be sufficient.

Tip: Don't add the explicit percentage to the naming or coding convention used for product category fiscal classification. When the rate changes, you change the rate period on the specific rate and you don't have to change classifications or associated tax rules.

2. Create the determining factor set which refers to this product category fiscal classification.

   Use **Product noninventory linked** as the determining factor class, the level to be defined in the rule as the class qualifier, and the product category as the determining factor as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor Name
Product noninventory linked	Level 3	Product Category

3. Create the condition set that refers to this product category fiscal classification as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor Name	Value
Product noninventory linked	Level 3	Product Category	Reduced Rate 1 Goods

4. Create the tax status rule based on the determining factor set and condition set with zero tax rate status as the result as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor Name	Value	Result
Product noninventory linked	Level 3	Product Category	Reduced Rate 1 Goods	LU Reduced Rate 1 Status

Intended Use Fiscal Classifications

Use intended use fiscal classifications to classify items for tax determination and reporting.

Intended use fiscal classifications can be defined in two ways. When you use the intended use fiscal classification interface for the first time, you can choose how the classification is defined.

- Link it to an Oracle Fusion Inventory catalog, which in turn can be used to group items. Items can be grouped using the standard Inventory functionality. To do this, select the **Inventory Based** option.
- Use the hierarchical classification functionality in Oracle Fusion Tax. To do this, select **Noninventory based** in the **Intended Use Classification** field.

During transaction time, the application derives the default intended use fiscal classification. Override the default value if necessary. The overridden intended use fiscal classification code is used to determine tax.

Inventory-Based Intended Use Fiscal Classifications

Use inventory-based intended use fiscal classifications to define a classification that uses the Inventory catalog functionality.

During transaction time, when an item is used on the transaction line, the application looks for a default intended use fiscal classification and uses that on the transaction line. At transaction time you can override the default intended use fiscal classification. The overridden value is used for tax determination and reporting. However, unlike product fiscal classification, you define only one level for the intended use fiscal classification.

Set up the following options in the Inventory catalog:

- Do not select the **Enable hierarchies for categories** option.
- Select **Items at leaf level** in the **Catalog Content** field.
- Select the **Allow multiple item category assignments** option.
- Select the **Enable automatic assignment of categories** option.

- Select **None** in the **Source Catalog** field.
- Do not select a value in the **Sharing Control** field.

Tip: Care should be taken when defining intended use fiscal classifications based on catalogs as the application may automatically create a default. This default isn't easily visible on the transaction user interface and therefore, you may not be aware that a default has been derived and that you may need to change it.

Noninventory-Based Intended Use Fiscal Classifications

Use noninventory-based intended use fiscal classifications to define classifications that use the functionality within Oracle Fusion Tax. It let you define single level classification codes.

Optionally, link each classification code to a country code. This country code is used to restrict the list of noninventory-based intended use fiscal classifications when you enter them in tax rules and during transaction time.

By matching this country code to the tax regime country the list of noninventory-based intended use fiscal classification codes is restricted. Similarly, the taxation country is used to restrict the list of intended use fiscal classification codes displayed at transaction time. In both cases, the list contains the fiscal classification codes with the matching country or where the country field is blank.

Note: If the code is applicable to multiple countries, leave the country field blank.

Intended Use Fiscal Classifications in Tax Rules

The intended use fiscal classification tax determination factors allow you to use the intended use fiscal classification in tax rules. A combination of determination factor class and determining factor represents these determination factors.

Use the **Transaction input factor** as the determining factor class and **Intended use** as the determining factor.

Inventory-Based Intended Use Fiscal Classifications at Transaction Time

During transaction time, when an item is defined on the transaction line, the application automatically derives the default intended use fiscal classification. Override this default intended use fiscal classification at the time of transaction, if necessary.

The intended use fiscal classification is stored in the tax reporting ledger and is available for reporting.

Related Topics

- Example of Using Intended Use Fiscal Classifications
- Tax Rules

Example of Using Intended Use Fiscal Classifications

In VAT regimes, the ability to recover tax is primarily determined by how the purchased product is used.

This scenario illustrates how you can model the usage of the purchased product using intended use fiscal classifications. Consider that the Oracle Fusion Inventory functionality is available and therefore, use it to define the intended use fiscal classification codes.

Scenario

In the United Kingdom the VAT received from purchase of goods associated with VAT exempt sales can't be recovered that is, the recovery rate is zero percent (0%).

To calculate tax recovery:

1. Configure Oracle Fusion Inventory catalog.
2. Create a catalog with a name of INTENDED USE for the intended use fiscal classification.
3. Create class categories such as, Linked to Exempt Sales. You can use the catalog for other classifications like business entertainment and company cars. Link all items that are associated with exempt sales to the class category as follows:

Code	Name
EXEMPT SALES	Linked to Exempt Sales
BUS ENTERTAINMENT	Business Entertainment
COMPANY CARS	Company Cars

> **Tip:** While using the intended use fiscal classification, classify the nonstandard items of your business as standard items. You can model this as a default tax rule which doesn't require an explicit classification or an explicit rule. Classify only exception items and define specific tax rules for them. For a standard item, none of the explicit rules are applicable and the default rate applies.

4. Create an Inventory-based intended use fiscal classification and link it to the catalog using the code INTENDED USE.
5. Create the determining factor set and condition set that refer to the intended use fiscal classification.
6. Create a tax recovery rule based on the determining factor set and the condition set with zero recovery rate as the result.

Manage Tax Rules

Tax Determination

Taxes are levied on transactions as per the legislations in a country or region. They are seldom uniformly applied on all transactions and tax legislation may seek differential levy, treatment, and administration of taxes based on various transaction attributes.

Configure Oracle Fusion Tax to evaluate transactions based on transaction attributes. The transaction attributes determine which taxes apply to a transaction and how to calculate tax amount for each tax that applies to the transaction.

The tax determination process evaluates transaction header and line information to derive tax lines for taxes applicable to the transactions. The evaluation process is subdivided into the following processes:

- Determine Applicable Tax Regimes and Candidate Taxes
- Determine Place of Supply and Tax Jurisdiction
- Determine Tax Applicability
- Determine Tax Registration
- Determine Tax Status
- Determine Tax Rate
- Determine Taxable Basis
- Determine Tax Calculation
- Determine Tax Recovery

The tax determination process utilizes the tax foundation configuration in conjunction with configuration options and tax rules to process transactions for tax applicability and calculation. Tax configuration ranges from simple models to complex models. Simple models make use of default values without extensive processing while complex models consider each tax requirement related to a transaction before making the final calculation.

When setting up a tax, examine the regulations that govern the determination of the tax amount, from identifying applicability drivers to how the tax is calculated. Organize the regulations into one or more rule types for each tax. When the regulations indicate that more than one result is possible for a given rule type, you need to define rules within that rule type. Otherwise you can defer to a default value for that rule type associated to the tax.

The complexity of setup can be classified as follows:

- No tax rules required: Oracle Fusion Tax uses the default tax status, tax rate, and tax recovery rate defined for the tax. Tax rules aren't required. However, tax rates can vary by:
    - Class of products set up using tax exceptions
    - Location set up using tax jurisdictions
    - Party set up using exemption definitions

  In addition, applicability can still be controlled without the use of tax rules such as through the party tax profile that you define for a supplier.
- 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
    - 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.

Tax Determination Process Steps

The tax determination process evaluates transaction header and line information to derive tax lines for taxes applicable to the transactions. The first step of the determination process is to identify the first party of the transaction. The tax determination process looks to the business unit on the transaction. The process identifies whether its pointing to the configuration owner of the business unit or legal entity depending on the **Use subscription of the legal entity** option. The option is on the party tax profile definition of the business unit. The tax determination process determines if there are configuration owner tax options associated with this party or if the predefined event class option should be used.

The Determine Applicable Tax Regimes process can be the predefined TAXREGIME, STCC (standard tax classification code), or another user-defined regime determination set. TAXREGIME or user-defined regime determination sets derive the applicable tax regimes or tax regime through country or zone of the location. The country or zone of the location is identified in the processing of the regime determination determining factor set location values. STCC determination is typically used for purposes of migrated data and has a different processing logic driven by tax classification code. A third option of determination is third-party integration.

Determine Applicable Tax Regimes and Candidate Taxes

Tax regimes are considered based on geography and subscription. Either a country or zone associated with the tax regime definition must be the same as the country or zone identified through the location that evaluates to true on the regime determination set of the first party of the transaction. In addition, the tax regime must have a subscription to the applicable configuration owner. Once the tax determination process identifies the tax regimes the list of candidate taxes can be evaluated based on the configuration option setting of the first party in the tax regime subscription definition:

- 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, the application only uses the tax defined by the first party.
- Parent First-Party Configuration with Party Overrides: Consider all taxes with the first party and the parent first party as configuration owner. If a tax is defined by the first party and the parent first party, the application only uses the tax defined by the first party.

Determine Tax Applicability and Place of Supply and Tax Jurisdiction

This process determines the tax applicability of each candidate tax based on direct rate determination, place of supply, tax applicability, and tax jurisdiction. The first step in tax applicability is to process any direct rate rules defined for a tax regime, configuration owner, and candidate taxes. If a direct rate rule evaluates to true then place of supply is processed for this transaction tax. If successful the tax is applicable and the tax status and tax rate defined for the direct rate rule are used in the tax calculation. If a direct rate rule doesn't evaluate to true for this tax regime, configuration owner, and tax the tax applicability rules are processed next. After a tax is found applicable based on an applicability rule or a default value the process verifies the place of supply and associated tax jurisdiction. This is required except in the cases of migrated taxes.

The place of supply process identifies the applicable location type and associated tax jurisdiction where the supply of goods or services is deemed to have taken place for a specific tax. If the tax determination process can't find a tax jurisdiction for the location that corresponds to the place of supply location type, the tax doesn't apply. It is removed as a candidate tax for the transaction.

For example, the place of supply for UK value-added tax (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 won't find a jurisdiction for UK VAT in France, and therefore UK VAT doesn't apply.

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.

Determine Tax Status

This process determines the tax status of each applicable tax on the transaction. If the process can't find a tax status for an applicable tax, then Tax raises an error.

Determine Tax Rate

This process determines the tax rate code for each tax and tax status derived from the previous process. First the application looks for a rate based on rate code and tax jurisdiction. If this isn't found then the application looks for a rate with no tax jurisdiction. If applicable, the tax rate is then modified by any exception rate or tax exemption that applies. The result of this process is a tax rate code and tax rate for each applicable tax.

Determine Taxable Basis

This process determines the taxable base for each tax rate code. Depending on the tax rate type the taxable basis is amount based or quantity based. The tax determination process typically determines the tax 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. Define taxable basis formulas to manage these requirements.

Determine Tax Calculation

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. Define tax calculation formulas to manage these requirements.

Determine Tax Recovery

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. For example, for UK manufacturing companies VAT on normal purchases used for company business is 100% recoverable. However, if you're a financial institution which only makes VAT exempt on sales then you aren't allowed to recover any taxes and your recovery rate is zero percent on all purchases. The recovery process impacts the distribution level, tax amounts, and inclusiveness of taxes. The resulting distribution amounts are adjusted as a result of the recovery process. The recovery type is defined on the tax and identifies whether there are one or two recovery types; primary and secondary. For each tax and recovery type the application determines the recovery rate based on a tax rule or default value defined on the tax.

Related Topics

- Tax Rules
- How You Use Tax Setup Components in Tax Determination Process
- Tax Determination Process

Tax Determination Process

The tax determination process evaluates transaction header and line information to derive tax lines for taxes applicable to the transactions. The first step of the determination process is to identify the first party of the transaction.

The tax determination process looks to the business unit on the transaction. The process identifies whether its pointing to the configuration owner of the business unit or legal entity depending on the **Use subscription of the legal entity**

option. The option is on the party tax profile definition of the business unit. The tax determination process determines if there are configuration owner tax options associated with this party or if the predefined event class option should be used.

The Determine Applicable Tax Regimes process can be the predefined TAXREGIME, STCC (standard tax classification code), or another regime determination set that is user-defined. TAXREGIME or user-defined regime determination sets derive the applicable tax regimes or tax regime through country or zone of the location. The country or zone of the location is identified in the processing of the regime determination determining factor set location values. STCC determination is typically used for purposes of migrated data and has a different processing logic driven by tax classification code. A third option of determination is third-party integration.

Determine Applicable Tax Regimes and Candidate Taxes

Tax regimes are considered based on geography and subscription. Either a country or zone associated with the tax regime definition must be the same as the country or zone identified through the location that evaluates to true on the regime determination set of the first party of the transaction. In addition, the tax regime must have a subscription to the applicable configuration owner. Once the tax determination process identifies the tax regimes the list of candidate taxes can be evaluated based on the configuration option setting of the first party in the tax regime subscription definition:

- 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, the application only uses the tax defined by the first party.
- Parent First-Party Configuration with Party Overrides: Consider all taxes with the first party and the parent first party as configuration owner. If a tax is defined by the first party and the parent first party, the application only uses the tax defined by the first party.

Determine Tax Applicability and Place of Supply and Tax Jurisdiction

This process determines the tax applicability of each candidate tax based on direct rate determination, place of supply, tax applicability, and tax jurisdiction. The first step in tax applicability is to process any direct rate rules defined for a tax regime, configuration owner, and candidate taxes. If a direct rate rule evaluates to true then place of supply is processed for this transaction tax. If successful the tax is applicable and the tax status and tax rate defined for the direct rate rule are used in the tax calculation. If a direct rate rule does not evaluate to true for this tax regime, configuration owner, and tax the tax applicability rules are processed next. After a tax is found applicable based on an applicability rule or a default value the process verifies the place of supply and associated tax jurisdiction. This is required except in the cases of migrated taxes.

The place of supply process identifies the applicable location type and associated tax jurisdiction where the supply of goods or services is deemed to have taken place for a specific tax. If the tax determination process cannot find a tax jurisdiction for the location that corresponds to the place of supply location type, the tax doesn't apply. It is removed as a candidate tax for the transaction.

For example, the place of supply for UK value-added tax (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 doesn't apply.

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.

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 Tax raises an error.

Determine Tax Rate

This process determines the tax rate code for each tax and tax status derived from the previous process. First the application looks for a rate based on rate code and tax jurisdiction. If this isn't found then the application looks for a rate with no tax jurisdiction. If applicable, the tax rate is then modified by any exception rate or tax exemption that applies. The result of this process is a tax rate code and tax rate for each applicable tax.

Determine Taxable Basis

This process determines the taxable base for each tax rate code. Depending on the tax rate type the taxable basis is amount based or quantity based. The tax determination process typically determines the tax 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. Define taxable basis formulas to manage these requirements.

Determine Tax Calculation

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. Define tax calculation formulas to manage these requirements.

Determine Tax Recovery

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. For example, for UK manufacturing companies VAT on normal purchases used for company business is 100% recoverable. However, if you are a financial institution which only makes VAT exempt on sales then you aren't allowed to recover any taxes and your recovery rate is zero percent on all purchases. The recovery process impacts the distribution level, tax amounts, and inclusiveness of taxes. The resulting distribution amounts are adjusted as a result of the recovery process. The recovery type is defined on the tax and identifies whether there are one or two recovery types; primary and secondary. For each tax and recovery type the application determines the recovery rate based on a tax rule or default value defined on the tax.

Related Topics

- Tax Determination

Tax Rules

Tax determination can be configured as a simple process with all default values for the determination points. It can also be enhanced with the definition of tax rules to identify and process any exceptions to the common treatment scenario.

The tax rules that are part of the tax determination process are organized into rule types. Each rule type identifies a particular step in the determination and calculation of taxes on transactions. The tax determination process evaluates, in order of priority, the tax rules that are defined against the tax configuration setup and the details on the transaction. The application processes tax rules in order of evaluation until one evaluates successfully, then the process stops. If none of the rules defined evaluate successfully the associated default value is used.

The tax line determination process uses the information of the transaction header and the transaction line and any information derived by the transaction attributes such as party fiscal classification to determine the tax lines. The rule types and related processes are used for tax line determination and tax calculation.

Tax rules have the following elements as part of the definition:

- Rule type and rule attributes:
  - Tax regime, configuration owner, tax and optionally, tax status and tax recovery type
  - Event class association
  - Geography association
  - Effective dates
- Determining factors and condition sets
- Rule order and status

A rule type associates a tax rule to a particular point in the determination process. The following are the possible tax rules you can define:

- Place of Supply Rules
- Tax Applicability Rules
- Tax Registration Determination Rules
- Tax Status Determination Rules
- Tax Rate Determination Rules
- Taxable Basis Rules
- Tax Calculation Rules
- Tax Recovery Rate Determination Rules
- Manage Direct Tax Rate Determination Rules
- Account Based Direct Tax Rate Determination Rules
- Tax Classification Based Direct Tax Rate Determination Rules

Define a tax rule in the context of a tax regime, configuration owner, and tax. Define Tax Rate Determination Rules within the context of a tax regime, configuration owner, tax, and tax status. Define Tax Recovery Rate Determination Rules within the context of a tax regime, configuration owner, tax, and recovery type. When processing a transaction the transaction date must be within the effective date of the rule.

Associate a tax rule with an event class or tax event class on the tax rule header to identify the tax rule as only being applicable to a specific event class. The tax determination process evaluates event-specific rules and tax event-specific rules before nonevent-specific rules for the same rule type, tax regime, configuration owner, and tax. Set up more specific event classes to less specific tax event classes to generic tax rules applicable to all event classes. Include geography information on the tax rule header as well as within the determining factor or condition set detail. Including geography detail doesn't change evaluation order but improves the performance of tax rule processing. Include reference information, such as tax law or other text, in the definition of the tax rule.

> **Tip:** Always try to minimize tax rules and setup for tax regimes and taxes. Tax rules are specific to a tax regime and tax. Thus, by minimizing the number of tax regimes and taxes, the number and complexity of the tax rules can be minimized.

> **Tip:** Move any complexity from the beginning to the end of the rule types and supporting setup. For example, use tax recovery rate rules in preference to setting up specific tax rates with individual defaults associated with tax recovery rates.

Tax reporting requirements add some level of complexity to the pure tax setup needed to support the tax determination and calculation processes. Try to minimize this additional level of complexity. Write tax reports wherever possible to use tax reporting codes or use the determination factors that identify your reporting requirements. These reporting determination factors should replace the need to create specific taxes, tax statuses, and tax rates purely defined to allow tax reporting.

For extreme cases, you may need to create a more complex tax setup to meet your tax reporting needs. For example, currently there are no determining factors that can easily identify asset purchases. In many countries, it is a requirement to report the tax associated with asset purchases separately. In this case, create tax status and tax rate rules based on asset account segments to uniquely allocate a specific tax status and tax rate to these asset purchases. These asset purchases can then be reported by searching for the specific tax status and tax rate or specific tax reporting codes associated with the specific tax status or tax rate.

Related Topics

- Tax Determining Factor Sets and Condition Sets

Direct Tax Rate Rules

Define tax rules on an exception basis to handle requirements that foundation tax setup can't address.

You can define tax status rules, tax rate rules, direct tax rate rules, account-based direct tax rate rules, or tax classification-based direct tax rate rules to derive the applicable tax rate.

The tax determination process uses direct tax rate rules to determine tax applicability, tax status, and tax rate. The tax determination process uses a tax rate rule to determine the tax rate once the tax status is determined. A direct tax rate determination rule is a good choice if there are specific requirements to drive a specific tax, tax status, and tax rate and no variation in tax status or tax rate is required.

> **Tip:** If tax applicability is impacted by the tax rate but not the tax law, set up a tax status rule to point to a different tax status and use a default tax rate associated with that tax status. If the tax status doesn't need to be unique a tax rate rule can drive a specific tax rate but keep the tax applicability and tax status based on existing rules.

Direct Tax Rate Determination

Use the Direct Tax Rate Determination rule type for situations where you don't need to create separate tax rules for tax applicability, tax status, and tax rate. The following must occur for a Direct Tax Rate Determination rule to be applicable:

- The Direct Tax Rate Determination rule must evaluate to true
- The tax rate code must be defined for the product family
- The place of supply must evaluate successfully except in the case of migrated taxes when **Allow multiple jurisdictions** is selected

If a Direct Tax Rate Determination rule is not evaluated successfully, then Determine Tax Applicability rules are processed to determine if tax is applicable. If the tax is not applicable then the determination process ends for tax.

Account-Based Direct Tax Rate Determination

Account-based rules are direct rate rules that are driven by the line account of the transaction. A matching account drives the applicability, tax status, and tax rate defined on the tax rule. These tax rules apply only when the regime determination method is **Determine applicable regimes** and the configuration owner tax option for the event class has

the **Enforce from account** option selected. These tax rules are evaluated after standard applicability rules. If a standard applicability rule evaluated the tax to **Not applicable** then it can't be applicable through an Account-Based Direct Tax Rate Determination rule.

Tax Classification-Based Direct Tax Rate Determination

Use the Tax Classification-Based Direct Tax Rate Determination rule when the regime determination for the configuration owner tax option is defined as **STCC** (standard tax classification code). This setup is primarily intended for migrated tax classification codes, specifically tax classification groups. The tax classification code populated on the transaction line drives the tax determination and tax rate directly. A default tax rate associated to a tax rate code is not applicable in this case. Tax classification codes are created automatically as user-configurable lookup codes when you save a tax rate definition.

> **Note:** The Tax Classification-Based Direct Tax Rate Determination rule is an extension to an existing migrated configuration where the tax calculation was based on tax classification codes.

How You Use Tax Setup Components in Tax Determination Process

The tax determination process uses your tax configuration setup and the details on the transactions to determine which taxes apply to the transaction and how to calculate the tax amount.

How Tax Is Calculated Using Tax Setup Components

You must complete a certain number of setup tasks for each step of the tax determination and tax calculation process. The number and complexity of your setups depends upon the requirements of the tax authorities where you do business.

This table describes the order in which Oracle Fusion Tax calculates taxes on transactions. You can use this table to:

- Review the details of each process.
- Identify the setups that you need to complete in each step of tax determination and calculate process.

Order	Process Name	Activities	Components Used and Rule Type (if Applicable)
1	Determine Applicable Tax Regimes and Candidate Taxes (preliminary step)	• 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	• Identify location type. • Identify tax jurisdiction.	• Tax rule: Determine Place of Supply, or the default value for Place of Supply for the tax.

Order	Process Name	Activities	Components Used and Rule Type (if Applicable)
			• Tax jurisdictions
3	Determine Tax Applicability	• 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	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	• 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.
6	Determine Tax Rate	• 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	• 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
8	Calculate Taxes	• 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

Order	Process Name	Activities	Components Used and Rule Type (if Applicable)
			• Tax rounding rule from tax registration, party tax profile, or tax • Configuration owner tax options
If tax recovery is applicable	Determine Recovery Rate	• Allocate tax amount per item distributions. • Determine tax recovery types. • Determine tax recovery rates. • Determine the tax recoverable amounts. • Determine the nonrecoverable amount.	• Tax rule: Determine Recovery Rate, or the default value defined for the tax. • Tax recovery rates

Related Topics

- Tax Determination
- Direct Tax Rate Rules
- Tax Recovery

Tax Rule Qualifiers

Tax rules with a rule qualifier are used only when the qualifier matches with the transaction line. Use the tax rule qualifiers to restrict or apply specific tax rules to an event or geography.

Event Qualifiers

The event qualifier is of two types: normal event and tax event.

Normal events comprise of the following events:

Event Name	Oracle Fusion Application Name
Credit Card Expenses	Expenses
Employee Expense Report	Expenses
Expense Report	Payables
Standard Invoices	Payables
Prepayment Invoices	Payables

Event Name	Oracle Fusion Application Name
Purchase Order and Agreement	Purchasing
Change Orders	Purchasing
Debit Memo	Receivables
Invoice	Receivables
Credit Memo	Receivables

The event class qualifiers have a direct affect on the evaluation order of tax rules. The following list summarizes the affect:

1. When a normal event-based qualifier is used then it's used in preference to tax rules qualified by tax event qualifiers or other nonevent-based qualified tax rules regardless of the rule priority.
2. When multiple normal event-based qualified tax rules are applicable, the application uses rule priority to define the rule processing order.
3. When a tax event based qualifier is used then it's used in preference to other nonevent-based qualified rules regardless of rule priority.
4. When multiple tax events-based qualified tax rules are applicable, the application uses rule priority to define the rule processing order.
5. When no event-based qualifier, normal event or tax event-based, is used, tax rule evaluation is used for rule priority order.
6. When a geography qualifier is used, it doesn't affect the tax rule evaluation order. That is, tax rules are evaluated based on the mentioned points regardless of whether a geography qualifier is used or not.

Tax rules qualified by tax event qualifiers are processed after normal event qualified tax rules but before tax rules with no event or tax event qualifiers. When there are two or more rules with normal event class qualifiers that match the transaction line details, the application uses rule priority to determine the order in which the tax rules are processed.

> **Note:** Geography qualifiers don't function in this way. When a tax rule has a geography qualifier and no event class qualifier, the tax determination process processes the tax rules based on the rule priority against other tax rules that don't have any tax event rule qualifiers.

Geography Qualifiers

Enable the **Set as geography specific rule** option to use the geography qualifier. Once you enable this option you can enter either a normal geography or a tax zone geography.

When you use a normal geography, select the parent geography type and parent geography to restrict the list of geography type and subsequently, the geography name fields. For example, when you want to select counties for a specific state such as California, define the:

- Parent geography type as State
- Parent geography name as CA (California)
- Geography type as County

This limits the list of values for the geography name field to the counties that are in the state of California instead of listing all of the counties.

> **Tip:** When selecting the normal geography qualifiers, use the parent geography to ensure that the correct geography element is selected, as there are many multiple geography elements with the same name across the world. For example, Richmond is a city in Canada's provinces of British Columbia, Ontario, and Quebec. Richmond is also a city in the state of Virginia in the United States.

Related Topics

- Tax Rules Processing Order
- Example of Evaluating Tax Rules with Event Qualifiers

Example of Evaluating Tax Rules with Event Qualifiers

Tax rule qualifiers help you restrict or apply specific tax rules to an event or geography. The event class qualifiers have a direct affect on the evaluation order of tax rules.

Scenario

The following table considers five tax rules, namely, A, B, C, D, and E with or without event qualifiers and rule order and the resulting evaluation sequence:

Tax Rule	Normal Event Qualified	Tax Event Qualified	Rule Order	Evaluation Sequence
A	Yes	No	100	2
B	Yes	No	50	1
C	No	No	10	5
D	No	Yes	20	3
E	No	Yes	30	4

Rule B is evaluated first because it's the highest priority rule with a normal event rule qualifier. Rule A is identified as second in evaluation sequence it's the only other tax rule with a normal event rule qualifier. Rule D is third in evaluation sequence as it's the highest priority rule with a tax event rule qualifier followed by rule E as the only other tax rule with a tax event rule qualifier. Finally, the application evaluates rule C as it doesn't have any event rule qualifiers.

The use of normal event or tax event rule qualifiers alters the way in which the tax determination process processes the tax rules. For an event class qualified tax rule, normal event or tax event-based, the tax rule is evaluated first in preference to tax rules qualified by tax event qualifiers or a nonevent class qualified tax rule of higher priority.

Consider that you have two rules: rule A and rule C with rule priority 100 and 10 respectively. The rules are associated with condition sets that match against the transaction line details. Rule A has a normal event class qualifier which is

satisfied while rule C doesn't have an event class qualifier, rule A is processed and used first regardless of the rule priority order, even though rule A has a lower priority than rule C.

Related Topics

- Tax Rules Processing Order
- Tax Rule Qualifiers

Tax Rules Processing Order

During tax determination processing, Oracle Fusion Tax considers the tax rules belonging to each rule type in the order that you defined them.

How Tax Rules Are Evaluated

The sequence of tax rules evaluation is:

- Generally, you define tax rules for a configuration owner, tax regime, tax, and rule type. When a tax regime is subscribed to an entity as:
    - **Common configuration**, all the tax rules you defined for the **Global configuration owner** are considered for rule evaluation.
    - **Party-specific configuration** or **Parent first-party organization**, then only the tax rules you defined for that entity or the reference entity are considered.
    - **Common configuration with party overrides** then all the tax rules you defined for the entity as well as for the **Global configuration owner** are combined and evaluated in the order specified.

  If the effective dates of a tax rule does not cover the transaction date or if it is disabled, then the tax rule is ignored during rule evaluation.
- From the previous listed rules, if one or more tax rules belonging to a tax regime, tax, and rule type are defined for a normal event class or tax event class, then such rules are evaluated first by normal event class and then by tax event class regardless of the overall rule order. If more than one event class rule is listed for a rule type, then such set of rules are further sequenced according to their corresponding rule orders
- Further to the previous sequencing, if one or more tax rules belonging to a tax regime, tax, and rule type are defined for a tax event class, then such rules are next sequenced for evaluation, regardless of the overall rule order. If more than one tax event class rule is listed for a rule type, then the set of rules are further sequenced according to their given rule order.
- Finally, the tax rules belonging to a tax regime, tax, and rule type are listed according to their defined rule order for evaluation.

While processing each tax rule in the evaluation sequence, the tax determination process evaluates the condition sets defined within a tax rule. This is according to the defined condition set order sequence. If a condition set criteria doesn't match with the transaction details, the tax determination process evaluates the next condition set. If none of them match with the transaction details, the next rule within the ordered rule set is considered. If a condition set criteria matches with the transaction details, the tax determination process considers the rule result defined against that condition set. The tax rule is then marked as successfully evaluated. If none of the defined rule conditions match the transaction details, then the tax determination process considers the default result defined for that tax.

Related Topics

- Examples of Using Tax Rules Processing Order

Examples of Using Tax Rules Processing Order

During tax determination processing, Oracle Fusion Tax considers the tax rules belonging to each rule type in the order that you defined them.

The following is an example of a tax regime that is subscribed to by a business unit with common configuration treatment. To meet the tax law requirements to determine the tax rates, the following tax rate rules are defined against the global configuration owner. The details shown in the following table are a summary of the rate rules including rule order, geography specific details, associated conditions sets, and the rate results associated to these condition sets:

Rule Order	Normal Event Class	Geography-Specific Rule	Condition Set	Condition Set Order	Result
10	Blank	Blank	• CS-1 • CS-2 • CS-3	• 10 • 20 • 30	• VAT10% • VAT12% • VAT15%
20	Purchase invoice	• Location type: Bill from • Geography name: California	CS-4	10	VAT12.5%
30	Purchase invoice	Blank	CS-5	10	VAT13%

Tax Rule Processing for a Payables Invoice

If a Payables invoice is involved and Texas is the bill-from party state, the tax rule processing sequence is as follows:

1. The tax rules are listed according to the sequencing logic. For example, the tax determination process evaluates tax rules involving normal event class qualifiers first regardless of having a lower rule order.
2. The tax determination process further evaluates condition sets listed within each tax rule.

The tax determination process is represented as follows:

Rule Order	Normal Event Class	Geography-Specific Rule	Condition Set	Condition Set Order	Result	Evaluation Status	Result
20	Purchase invoice	• Location type: Bill from • Geography name: California	CS-4	10	VAT12.5%	• Condition set: Not evaluated • Tax rule: Fail, because the bill-from party	Move to next tax rule

Rule Order	Normal Event Class	Geography-Specific Rule	Condition Set	Condition Set Order	Result	Evaluation Status	Result
						state is Texas	
30	Purchase invoice	Blank	CS-5	10	VAT13%	• Condition set: Evaluated and passed • Tax rule: Passed, because the condition set values match with the transaction details	Condition set result considered and exit rule evaluation
10	Blank	Blank	• CS-1 • CS-2 • CS-3	• 10 • 20 • 30	• VAT10% • VAT12% • VAT15%		

Tax Rule Processing for a Receivables Invoice

If a Receivables invoice is involved, the tax rule processing sequence is as follows:

1. The tax rules are listed according to the sequencing logic. For example, the tax determination process evaluates tax rules involving normal event class qualifiers first regardless of having a lower rule order.
2. The tax determination process further evaluates condition sets listed within each tax rule.

Rule Order	Normal Event Class	Geography-Specific Rule	Condition Set	Condition Set Order	Result	Evaluation Status	Result
20	Purchase invoice	• Location type: Bill from • Geography name: California	CS-4	10	VAT12.5%	• Condition set: Not evaluated • Tax rule: Fail, because the event class criteria does not match	Move to next tax rule
30	Purchase invoice	Blank	CS-5	10	VAT13%	• Condition set: Not evaluated • Tax rule: Fail, Passed, because the event	Move to next tax rule

Rule Order	Normal Event Class	Geography-Specific Rule	Condition Set	Condition Set Order	Result	Evaluation Status	Result
						class criteria does not match	
10	Blank	Blank	• CS-1 • CS-2 • CS-3	• 10 • 20 • 30	• VAT10% • VAT12% • VAT15%	For CS-1: • Condition set: Fail • Tax rule: In process, because the condition set values do not match with transaction details For CS-2: • Condition set: Pass • Tax rule: Pass, because the condition set values match with transaction details	For CS-1: Move to next condition set For CS-2: Condition set result considered and exit rule evaluation

Related Topics

- Tax Rules Processing Order

Considerations for Setting Up Tax Rules

The performance of the tax determination process is in inverse proportion to the number of tax rules and conditions that the process needs to evaluate in order to arrive at a specific result.

Creating Tax Rules

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 don't 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 tax determination process must always process and eliminate the tax 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. The tax determination process processes the maximum number of tax rules on the minimum number of occasions. In this kind of an implementation, you must ensure that your tax rules and conditions cover all of the more common results in order to prevent the tax determination process from using an incorrect result as a default.
- If more than one tax rate is possible for a given tax this may be a consideration for a tax rule.
- If you define multiple tax rules to derive distinct results for a process, assign the least frequent result as the default value for the process. The most frequent value should be the first tax rule. There are occasions for the default to be the most frequent value so you may want to define tax rules for exceptions, such as by item. In general, define tax rules for exceptions, but if there are a lot of tax rules that you need to define, then you may want to define a tax rule for the most common scenario to avoid processing all of the exceptions.
- When you define tax rules consider the need to repeat tax conditions in multiple rule types if the condition is part of the applicability evaluation. For example, if you define a Determine Tax Applicability rule for UK VAT that only applies when ship to is equal to United Kingdom, then you do not need to repeat this condition in a tax 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 tax rule, such as tax event class is 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 tax 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 isn't 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 is equal to Nevada and ship to state is not equal to Nevada.
- Consider using the existing determining factor sets during the creation process. Any determining factor not set as required in the determining factor set definition can be set to ignore in the condition set. You don't have to define the condition and it is not evaluated. This allows flexibility in the condition set definition not requiring a unique determining factor set for every variation in condition set logic.

- 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 is equal to Great Britain, ship to is 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, consider that you have a tax rule that only applies if the ship to state is California. In that case, you must define the tax rule such that it's only evaluated when the ship to state is California. You can do this by associating geography during the first step of the tax rule definition at the tax rule header level.
- Define tax rules that are common across all legal entities or business units under the global configuration owner. This prevents the need to create the same tax rules for each legal entity or business unit. If all tax rules aren't commonly applicable to all legal entities or business units, then:
    - Set the configuration option of the legal entities or business units that require additional rules to **Common configuration with party overrides**
    - Define supplementary party-specific rules under the applicable legal entities or business 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.

Related Topics

- Tax Rules Processing Order
- Tax Determination
- Tax Rules

Example of Turning Tax Regulations into Tax Rules

This example illustrates how to set up tax rules based on tax regulation in the Her Majesty's Revenue and Customs (HMRC) VAT guide. It provides the detailed business conditions under which goods can be reverse charge (self-assessment) as part of the Intra-EU Supply legislation.

Scenario

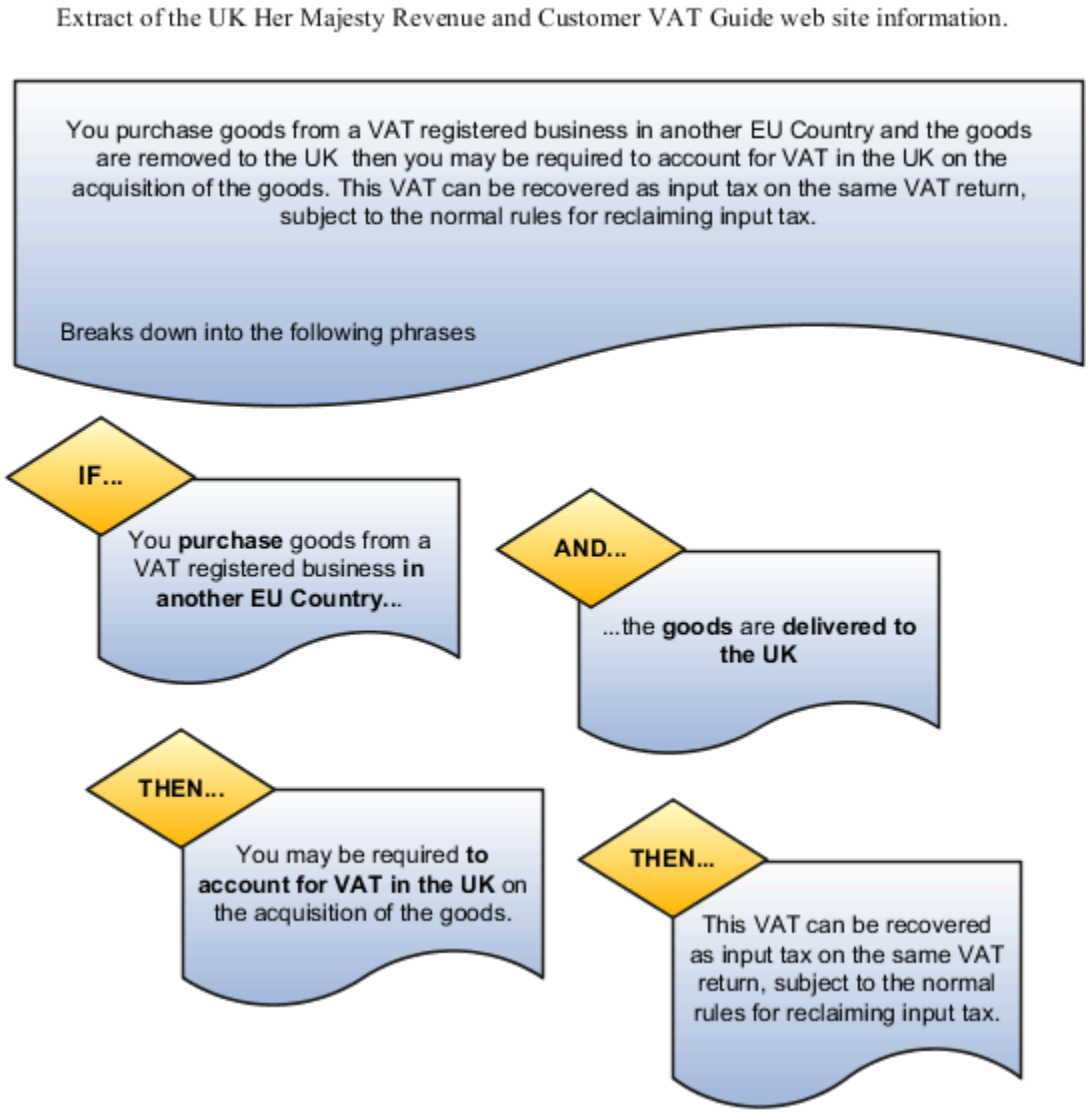
You are a UK business registered for VAT in the UK. You purchase goods from other European Union (EU) countries and therefore fall under the HMRC Tax Regulation Intra-EU Purchase of Goods legislation.

HMRC Tax Regulation

Consider that you purchase goods from a VAT-registered business in another EU country, and then move them to the UK. According to HMRC VAT guide, you may be required to account for VAT in the UK on the acquisition of goods. This VAT can be recovered as input tax on the same VAT return, subject to the normal rules for reclaiming input tax.

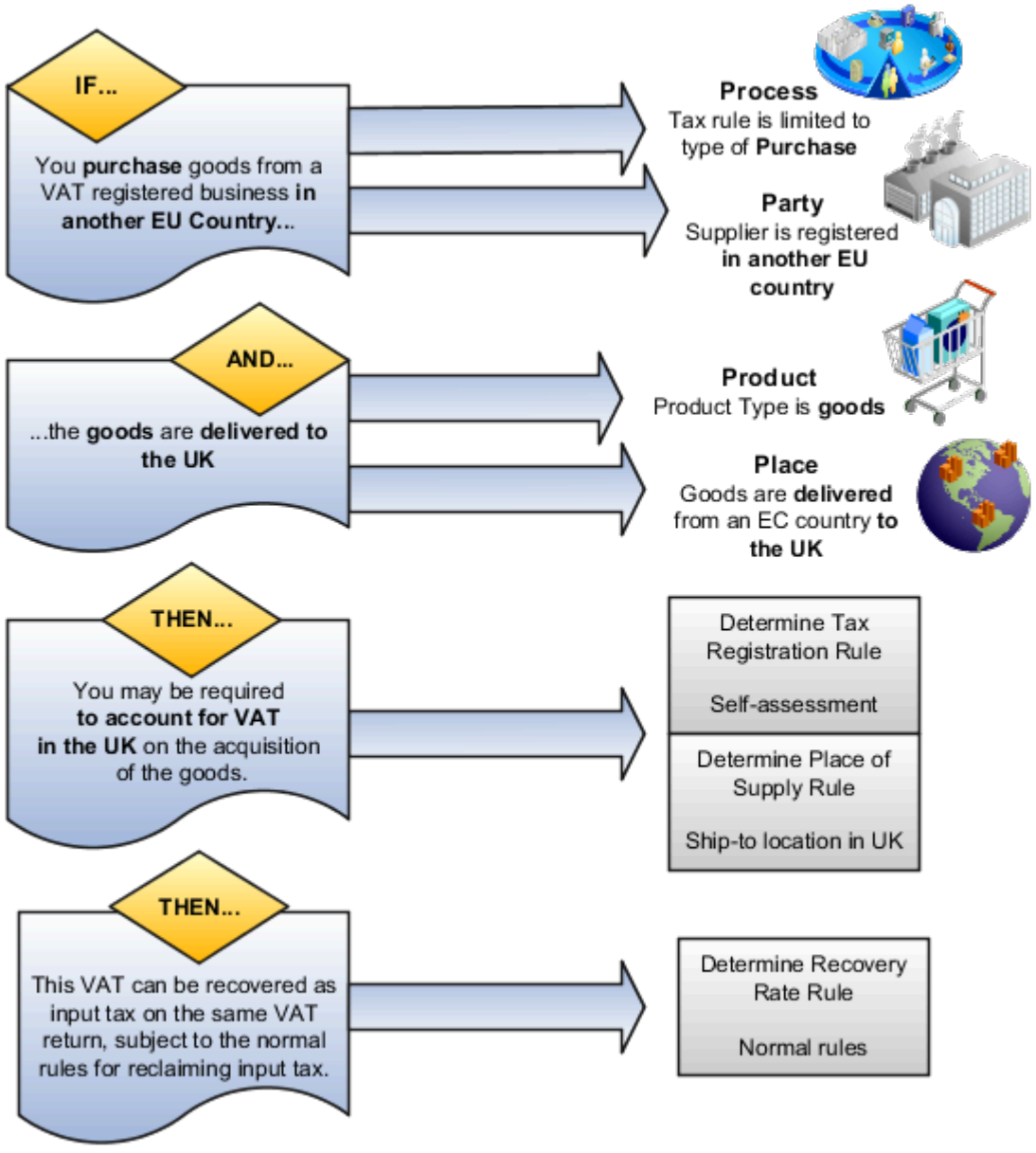
Analyze the text of the legislation and identify the key phrases in the legislation.

Here's a figure to give you an extract of the UK HMRC VAT guide regarding the Intra-EU Supply legislation.



Break these phrases down into product, party, process, and place determining factors that describe under what conditions the legislation is applicable. Look at the legislation and identify the outcome when the legislation is applicable and determine which rule types are appropriate.

Here are these determining factors and rule types in detail. Also, see how you can turn them into expressions that can



be modeled in Oracle Tax.

Have a look at the phrases identified in this tax legislation as represented in the previous figure:

Legislation Phrase	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 EU country.
3	...and the **goods** are removed...	The tax rule is limited to the Goods product type.

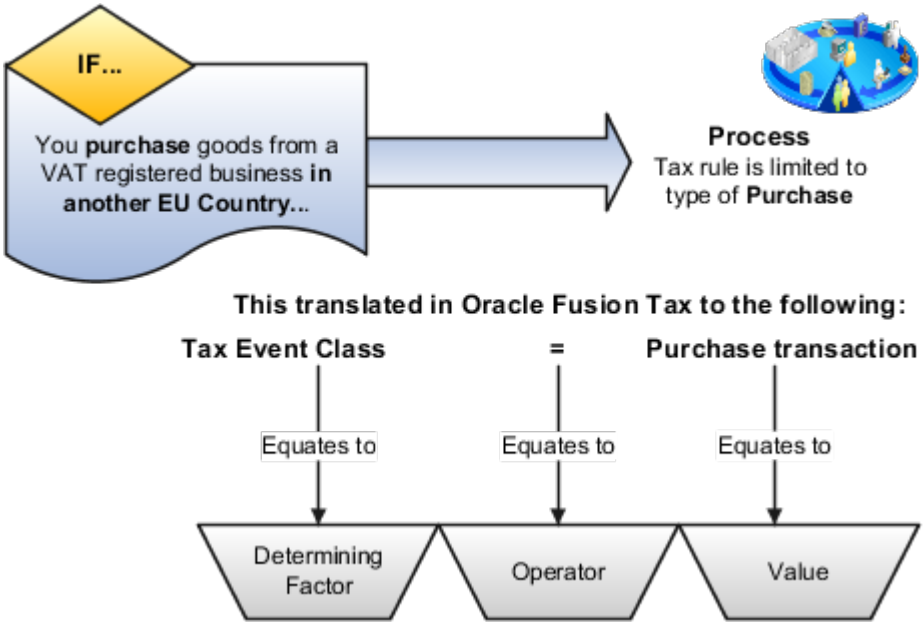
Legislation Phrase	Text	Requirement
4	...are removed to the **United Kingdom**...	The tax rule refers to goods delivered to the United Kingdom from another country in the EU country.
5	...you may be **required to account for**...	The party must reverse charge (self-assess) the tax.
6	...for **VAT in the United Kingdom**...	The tax is UK VAT.

Resulting Tax Rules

Legislation Phrase 1

Tax legislation phrase 1 indicates that the determining factor that defines this specific tax rule is only applicable to purchase transactions. This equates to a tax event class equal to purchase transactions. Use a tax event class rather than an event class as the tax event class covers other products in the procure-to-pay flow. This covers Oracle Fusion Payables and Oracle Fusion Purchasing processing with a single approach.

This figure shows you that the determining factor that defines this specific tax rule is only applicable to purchase transactions.



This table describes the contents of the tax condition set as represented in the previous figure:

Legislation Phrase	Determining Factor Name	Operator	Value
1	Tax Event Class	Equal to	Purchase transaction

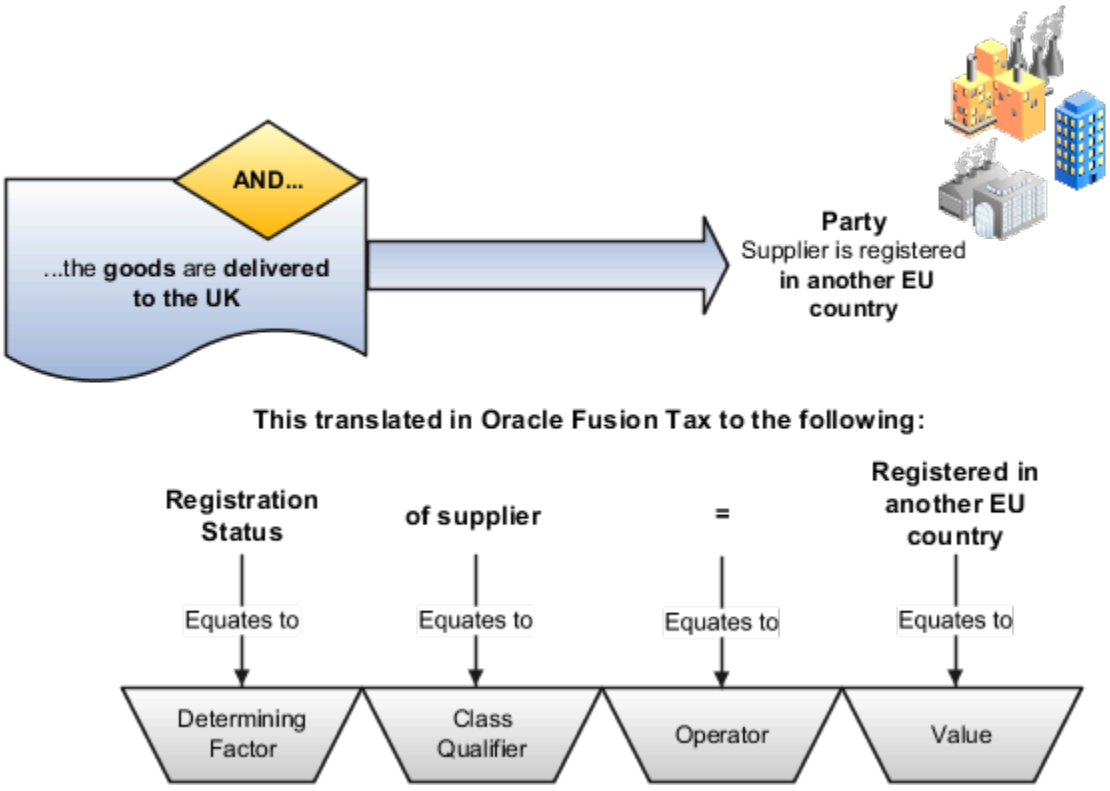
> **Tip:** Always look for the most generic approaches that cover more of the business requirements in a single tax rule. For example, here the tax event class is used instead of a specific event class for Payables transactions and another similar rule for Purchasing transactions.

Determining factors like this enable you to define tax rules that are only applicable to specific types of transactions. The previous approach presents a convenient way of splitting order-to-cash and procure-to-pay transactions. By using event class, you can make a more detailed refinement so that tax rules are only applicable to specific product transactions. This flexibility drives the simplification of combining procure-to-pay tax setup with order-to-cash tax setup into a single model. In most cases, you don't have to distinguish between procure-to-pay or order-to-cash transactions within the tax rules. However, do this where you must create specific procure-to-pay or order-to-cash tax rules using this key design concept.

Legislation Phrase 2

Tax legislation phrase 2 indicates that the determining factor that defines the supplier is registered in another EU. You can model this in several ways. However, the recommended approach for you is to use a registration status on the tax registration record. These records are set up for the GB tax regime. Another recommendation is to have a business process in place. Retain documentary evidence to show that the supplier is validated as a true supplier registered in another EU country. Until you complete this manual business process, don't mark the supplier as registered in another EU country.

Here's the determining factor that defines that the supplier is registered in another EU country.



This table describes the contents of the tax condition set as represented in the previous figure:

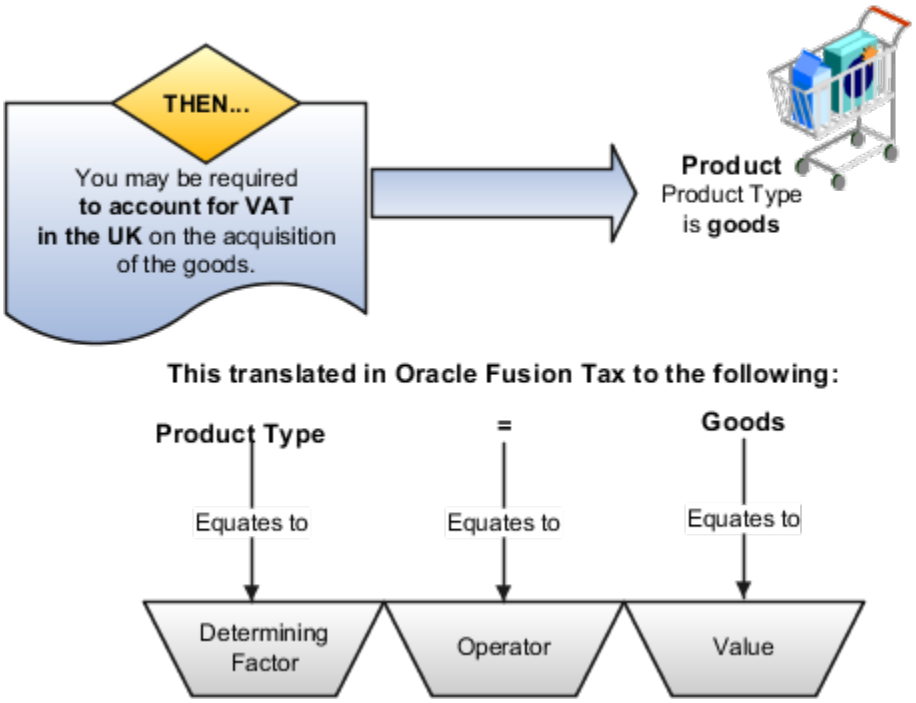
Legislation Phrase	Determining Factor Name	Class Qualifier	Operator	Value
2	Registration Status	of supplier	Equal to	Registered in another EU country

Tip: Always look for approaches which coupled with business procedures provide the necessary controls. In this case, sufficient level of checking must be done before creating the supplier or supplier site tax registration record. Also, you must enter the correct registration status. Recommendation is that you set up a business procedure for these tasks. This business procedure ensures that the supplier is a valid supplier and that their tax registration number is a valid tax registration number.

Legislation Phrase 3

Tax legislation phrase 3 indicates that the determining factor that defines the product type is goods. Another way of modeling this is to use a product fiscal classification which can automatically be derived from the item defined on the transaction. However, if an item isn't specified on the transaction, then there is no product fiscal classification derived. Consider the case where an unmatched purchase invoice gets processed. You must create additional tax rules and setup to address this situation.

The following figure shows the determining factor that defines that the product type is goods.



This table describes the contents of the tax condition set as represented in the previous figure:

Legislation Phrase	Determining Factor Name	Operator	Value
3	Product Type	Equal to	Goods

> **Tip:** Always look for an approach which provides an automated process that covers as many transactions as possible. For example, use the product type of **Goods** rather than a product fiscal classification. This tax rule can on its own also cover unmatched Purchase invoice tax processing.

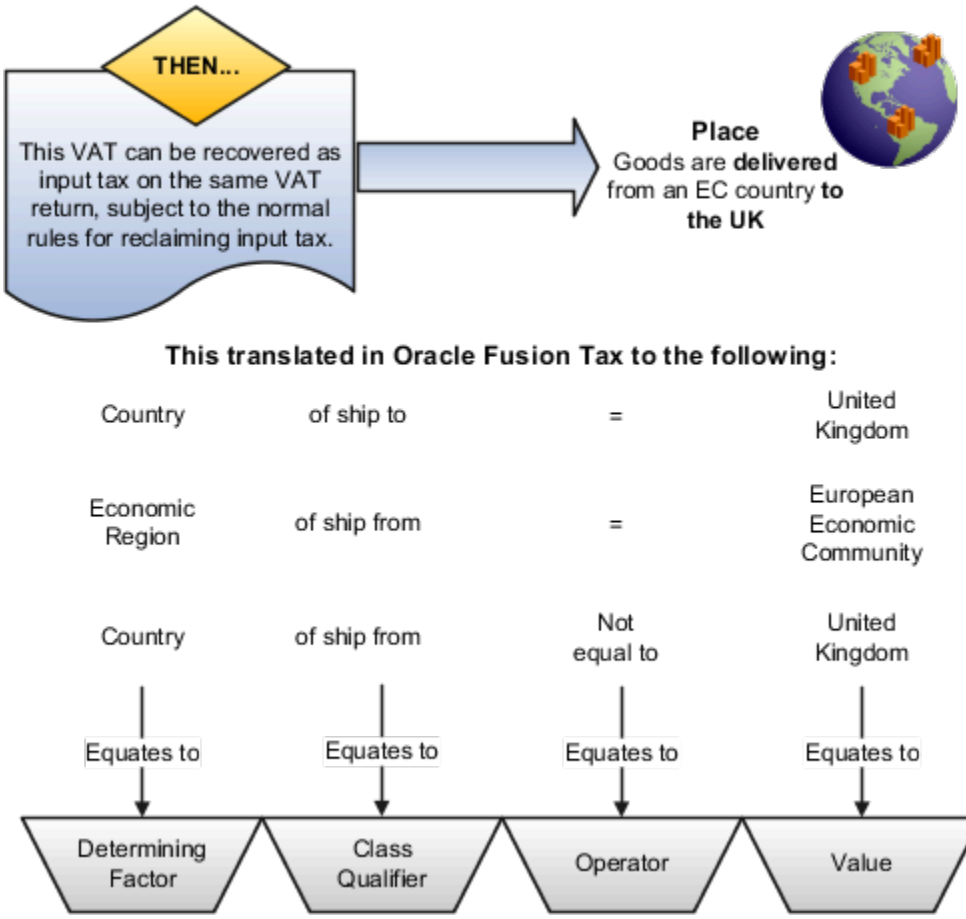
Legislation Phrase 4

Tax legislation phrase 4 indicates that the determining factors that define the supply is from another EU country. Here's how this is modeled:

1. Goods are being shipped to UK
2. Goods are being shipped from an EU country
3. The shipped-from country isn't UK

You can take items 2 and 3 to ensure that the goods are being sent from another EU country outside the UK.

Here you can see the determining factor that defines the supply is from another EU country.



Have a look at the tax condition set represented in the previous figure:

Legislation Phrase	Determining Factor Name	Class Qualifier	Operator	Value
4	Country	of ship to	Equal to	United Kingdom

Legislation Phrase	Determining Factor Name	Class Qualifier	Operator	Value
4	Economic Region	of ship from	Equal to	European Economic Community
4	Country	of ship from	Not equal to	United Kingdom

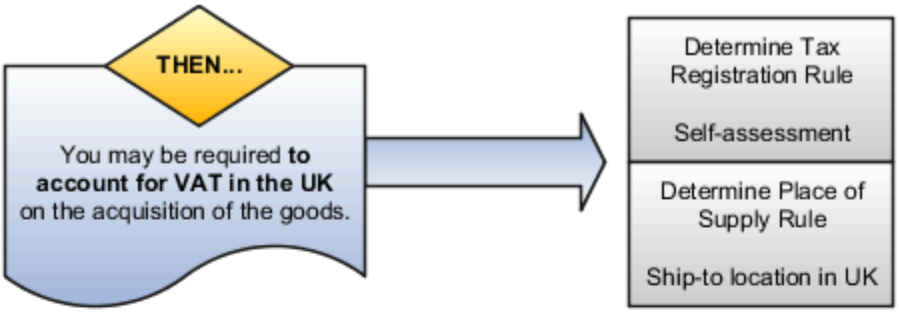
Tip: Geography and tax zones are powerful features of Oracle Tax. You can use them to identify tax jurisdictions and geography requirements in general. Use the geography or tax zone information for tax reporting, instead of trying to build geography information into concepts such as tax rates. For example, don't create specific tax regimes, taxes, tax statuses, and tax rates to identify specific territories for tax reporting. Instead, use tax jurisdictions, such as over sea tax territories based on tax zones.

Legislation Phrases 5 and 6

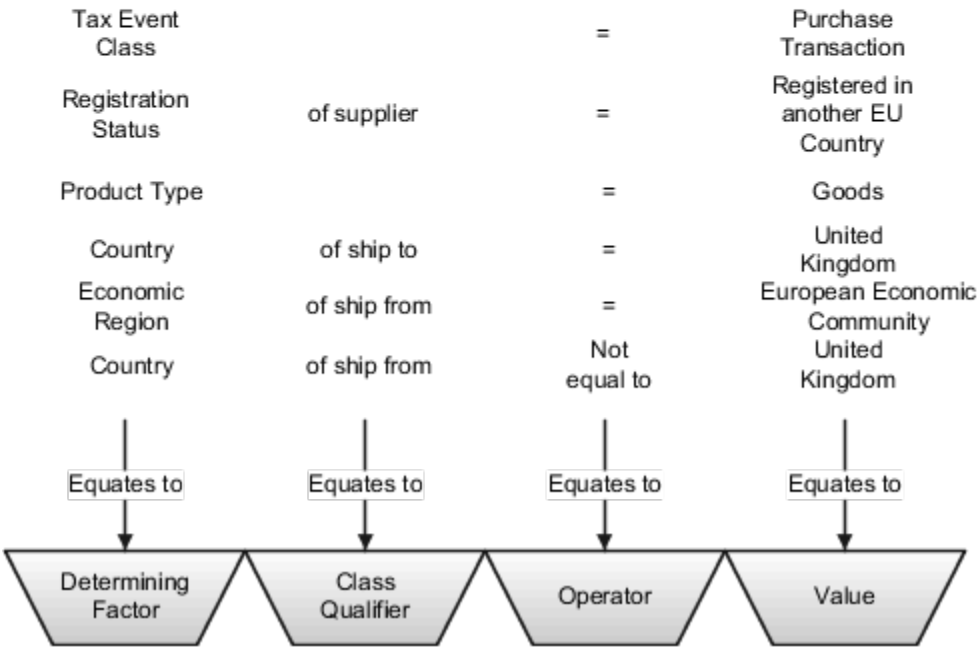
The determining factors discussed previously are brought together as the basis for the Tax Registration tax rule. Tax legislation phrase 5 indicates how the rule is defined. This rule tells you to use the bill-to party registration in preference to the normal default bill-from party registration. This bill-from party registration triggers the reverse charge (self-assessment) for the type of transaction.

Tax legislation phrase 6 indicates how the determining factors discussed previously are brought together as the basis for the Place of Supply tax rule. This tax rule changes the normal place of supply to be the ship-to location. As a result, at least for the reverse charge (self-assessment) side of this transaction, it's deemed to have occurred in the UK.

You can bring together the determining factors discussed previously as the basis for the Tax Registration and Place of Supply tax rules. This following figure shows you how:



This translated in Oracle Fusion Tax to the following:



Here's the tax condition set for the Tax Registration and Place of Supply tax rules as represented in the previous figure:

Legislation Phrase	Determining Factor Name	Class Qualifier	Operator	Value
5 and 6	Tax Event Class		Equal to	Purchase transaction
5 and 6	Registration Status	of supplier	Equal to	Registered in another EU country
5 and 6	Product Type		Equal to	Goods
5 and 6	Country	of ship to	Equal to	United Kingdom

Legislation Phrase	Determining Factor Name	Class Qualifier	Operator	Value
5 and 6	Economic Region	of ship from	Equal to	European Economic Community
5 and 6	Country	of ship from	Not equal to	United Kingdom

Tip: This example shows how you can define a complex scenario for the purchase of goods from an EU country other than the UK. In this case, the goods are purchased by a UK-registered business from an EU-registered supplier. A simple Tax Registration tax rule and a Place of Supply tax rule is all you need. Other tax rules are used if these goods are purchased in the UK. These are the normal tax rules such as Tax Status, Tax Rate, and Tax Recovery tax rules.

Manage Tax Applicability and Place of Supply Rules

Tax Applicability

The tax determination process uses your tax configuration setup and the details on the transaction to determine which taxes apply to the transaction and how to calculate the tax amount for each tax that applies to the transaction.

Tax is applicable to a transaction when nexus, or presence in the geographical scope of the tax, exists. The criterion for nexus or presence differs by governing tax authorities.

Examples for establishing nexus include:

- A physical establishment in the location
- Resident employees working in the location
- Property, including intangible property, in the location

In addition to location, there are other factors that can contribute to the applicability of a tax. Some examples are:

- Telecommunications specific taxes
- Sales tax holidays
- Tax on sale of luxury items

The 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 rule types and related processes used for tax applicability determination are:

- Determine Place of Supply: Determines the location where a transaction is considered to have taken place for a specific tax.
- Determine Tax Applicability: Determines the taxes that apply to a given transaction.

A third rule type, Direct Tax Rate Determination, is a special tax rule type. It 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. If available, the Direct Tax Rate Determination rules are processed first. If its applicable, then the Determine Tax Applicability rules are processed, followed by the Determine Place of Supply rules. If it isn't applicable, the Determine Place of Supply rules are processed, followed by the Determine Tax Applicability rules.

Determine Place of Supply

The Determine Place of Supply step identifies the applicable place of supply, which is the location type where the supply of goods or services is deemed to have taken place for a specific tax. If Oracle Fusion Tax can't find a tax jurisdiction for the location that corresponds to the place of supply location type, then the tax doesn't apply and it is removed as a candidate tax for the transaction. No jurisdiction is required if it is a migrated tax which has the other jurisdictions indicator equal to **No**.

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 doesn't apply.

The following outlines the process that results in a list of applicable taxes per transaction line:

1. Consider the Determine Place of Supply tax rule of the first candidate tax in order of rule priority.
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)
    - Ship from
    - Ship to
    - Ship to, use bill 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 the default location type for the rule is used.
4. Identify the tax jurisdiction of the candidate tax to which the location identified in step 3 belongs. If the location doesn't belong to any tax jurisdiction of this tax, then the tax doesn't apply to the transaction.
5. Repeat steps 1 to 4 for each candidate tax.
6. Create refined list of candidate taxes.

Determine Tax Applicability

The Determine Tax Applicability step determines the tax applicability of each candidate tax derived from the Determine Place of Supply step, and eliminates taxes that are not applicable.

The tax determination 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 doesn't apply, it is removed from the list of candidate taxes.

The following outlines the process that results in a final tax of 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.
2. Use the **Applicable** or **Not Applicable** value derived from the tax rule for the tax.
3. Use the default value for the rule if no applicability rule evaluates successfully.
4. Repeat steps 1 to 3 for each candidate tax.
5. Identify the final tax or list of taxes by eliminating the taxes that have an applicability value of **Not Applicable**.

Related Topics

- Example of Setting Up Tax Applicability
- Tax Applicability Options

Tax Applicability Options

The tax determination process uses your tax configuration setup and the details on the transaction to determine which taxes are applicable to the transaction.

You need to decide when to:

- Create tax rules
- Set up tax zones
- Use **Allow tax applicability** option
- Use **Perform additional applicability for imported documents** option

Create Tax Rules

If the tax authority levies tax on all sales and purchase transactions at the same rate, and neither tax applicability nor the tax rates and recovery rates vary by any factors, you don't have to set up tax rules. Oracle Fusion Tax can simply use the default tax status, tax rate, and tax recovery rate defined for the tax. If, however, the applicability of tax is dependent upon certain criteria, you may need to use default values in combination with one or many tax rules to define the logic necessary to derive the values in the tax determination process.

The tax rules used for tax applicability determination are:

- Place of supply rules
- Tax applicability rules

Place of Supply Rules

Use place of supply rules to determine the place where the transaction is deemed to have taken place when this determination is based on certain criteria.

For example, consider a German company supplying physical services, such as work on goods at a customer's site in the UK, where the customer is registered for UK VAT. With a default value of **Ship to** for place of supply, the customer's tax registration number is used on the transaction.

Next, consider the same German company supplying physical services at a customer's site in the UK, where the customer is not registered for UK VAT. The default value of **Ship to** for place of supply yields no tax registration number since the customer isn't registered for UK VAT. In this case, you create a place of supply rule to deem the **Ship from** as the place of supply when the customer isn't registered.

At transaction time the application derives the place of supply from the transaction as shown in the table. It is important to consider how place of supply translates for the event classes being considered for tax calculation in a regime since this can include and exclude candidate taxes.

Place of Supply	Order-to-Cash Transactions	Procure-to-Pay Transactions
Bill from	Legal entity address	Supplier site header level address
Ship from	Warehouse address	Supplier site header level address
Bill to	Customer site bill-to address	Business unit address on the associated party tax profile
Ship to	Customer site ship-to address	Ship-to location at line level
Ship to, use bill to if ship to not found	Customer site bill-to or ship-to address	Ship-to location at line level

Tax Applicability Rules

Use tax applicability rules to apply a specific tax to certain transaction lines, or conversely, exempt certain transaction lines from a specific tax. For example, a given tax may not apply to a domestic supply of goods to an exempt customer.

An important consideration in creating your tax applicability rules is that when a tax is deemed not applicable, a tax line isn't created. However when a tax is deemed exempt based on an exemption or special rate, the tax line is still created for reporting purposes.

> **Note:** For migrated data using the Standard Tax Classification Code approach, which uses a tax code to derive tax, tax status, and tax rate, you can set the tax to be applicable or not applicable by default or by using a tax applicability rule.

Direct Tax Rate Determination Rules

If you need to create tax rules but don't require separate rules for tax applicability, tax status, and tax rate, you can create a Direct Tax Rate Determination rule type. Direct rate rules and account based direct rate rules determine tax applicability, tax status, and tax rate without evaluating applicability rules and defaults.

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 isn't evaluated successfully, then the tax determination process resumes with the tax applicability rules.

Create 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. You can also use tax zones to create parent tax regimes that represent a related grouping of geographic regions for tax reporting purposes. 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.
- Country tax regime and use applicability rules to exclude the parts of the country where the tax requirement doesn't apply.

Use Allow Tax Applicability Option

Use the **Allow tax applicability** option to determine if Oracle Fusion Tax calculates tax on transactions for a specific event class. This option is available on the Configuration Owner Tax Options page, which enables you to review the default tax settings for each application event class. Oracle Fusion Tax uses these settings as the basis for determining and calculating taxes on transactions belonging to each event class.

If the **Allow tax applicability** option is set, you can set this option:

- On the party tax profile of third parties and third-party sites acting as suppliers or supplier sites that are involved in transactions belonging to this event class.
- For customers that also act as suppliers on transactions.

Use Perform Additional Applicability for Imported Documents Options

Use the **Perform additional applicability for imported documents** option to indicate whether Oracle Fusion Tax runs the tax applicability process to identify missing taxes on an imported document. This option is also available on the Configuration Owner Tax Options page, and applicable to Payables event classes only. Taxes not included in the imported document are marked as Self-Assessed, if self-assessment applies to the transaction.

Related Topics

- How Tax Zones Work in Tax Rules
- How You Set Up Configuration Owner Tax Options for Payables and Purchasing Event Classes
- Considerations for Specifying Third-Party Tax Profile Options

Example of Setting Up Tax Applicability

This example shows the tax setup for two taxes: one that generally applies, the other that applies only by exception. The taxes are set to apply generally by default.

Tax rules, however, are used to switch between a general and an exception-based use when certain criteria are met.

Scenario

In Canada, the First Nations Goods and Services Tax (FNGST) applies to goods and services consumed within Aboriginal reserves or settlement lands. All participating Aboriginal governments administer the 5 percent FNGST in exactly the same way as the federal government administers the Goods and Services Tax (GST). However, where FNGST applies, GST doesn't apply.

The tax implications are:

- FNGST generally applies only on an exception basis.
- The place of delivery or ship-to location determines the place of supply for FNGST.
- GST isn't applicable if FNGST applies.

Transaction Details

A customer who resides on lands where FNGST applies buys supplies from ABC Corporation. This store is located in Ontario, not on lands where FNGST applies. The sales invoice indicates that ABC Corporation delivers the furniture to the customer's residence. The FNGST applies to the sale, and GST doesn't apply.

As part of the setup, create a tax that applies to any party qualifying as First Nation. Due to the specificity of the tax, set the default to **Not Applicable**. In this example, you don't have to configure a place of supply rule. The default value is Ship to, and it's sufficient.

You can use the following methods to configure this rule:

- Define an applicability rule and use a default status and rate associated with the tax.
- Define a direct rate rule to apply the tax, tax status, and tax rate directly.

This scenario requires, the following setup:

1. Create a tax regime for the tax that's applicable to any First Nation party. The regime level is Country and the country of applicability is Canada.
2. Create a tax with a default of **Not Applicable** since this tax applies only in exception cases. Set the default **Place of Supply** as Ship to. To make this tax applicable, you must create a tax rule.
3. Create a standard tax status and a standard tax rate. Create the default tax rate with a rate percentage of 5 percent. You don't have to define a jurisdiction rate since the rate is standard across Canada.
4. For FNGST, identify a driver to determine applicability, such as a party fiscal classification. Create a party fiscal classification for First Nation, and associate the tax regimes affected by this tax. Associate CA FNGST to trigger applicability. Associate CA GST AND HST to avoid applicability when CA FNGST applies.
5. After you create a party fiscal classification with associated tax regimes, associate the classification with the specific party. To do so, create or edit an existing third-party tax profile and associate it with the First Nation party fiscal classification.
6. For FNGST, create a tax applicability rule that's **Applicable** when the conditions for FNGST are met. Recall that by default, FNGST is **Not Applicable** since in most cases it only applies as an exception. For this tax rule, you require a tax determining factor set and associated tax condition set. Here, the party fiscal classification of the ship-to party must correspond to the First Nation party fiscal classification you created.
7. For GST, create a tax applicability rule that's **Not Applicable** when the conditions for FNGST are met. By default, GST is **Applicable** since it usually applies and FNGST is the exception.

Resulting Tax Applicability

FNGST, a tax that's not applicable by default, becomes applicable on transactions to First Nation parties. The first Determine Tax Applicability rule makes FNGST applicable. This happens only when the ship-to party on the transaction corresponds to the party fiscal classification that identifies a First Nation party. Since GST doesn't apply when FNGST is applicable, the second Determine Tax Applicability rule has the opposite result. GST isn't applicable when the ship-to party on the transaction is a First Nation party.

Manage Tax Calculation Rules

Tax Calculation Influencers

Transactions using Oracle Fusion Tax services pass key tax determinants of parties, products, places, and processes captured on a transaction to the tax determination process.

Using these details and other derived determinants, the tax determination process performs a series of process steps and determines various components of the applicable taxes.

Use the derived tax components and apply the generic calculation logic (Taxable Basis * Tax Rate = Tax Amount) to get the basic tax amount applicable on a transaction.

The key processes within the tax determination process and the resulting tax components influencing tax calculation logic, other than the tax rate determination, are:

- Taxable basis formula: Influences taxable basis.
- Tax inclusiveness requirements: Influences the taxable basis and the tax amount. It's part of the Determine Taxable Basis process.
- Tax calculation formula: Influences the tax amount.
- Tax rounding requirements: Influences the tax amount. It's part of the Calculate Tax Amounts process.

The taxable basis formula determines the taxable basis amount or quantity for each tax that's processed on the invoice line.

The tax calculation formula determines the calculation process to be applied on the transaction line for arriving at the tax amount.

The inclusiveness and rounding aspects determine:

- The need to calculate the tax amount as inclusive of the transaction line amount.
- The rounding criteria to be used on the calculated tax amount.

Related Topics

- Tax Formulas
- Party, Product, Place, and Process as Determining Factors
- Inclusive Taxes
- How Rounding Precedence Hierarchy Is Determined

Manage Configuration Owner Tax Options

Manage Transaction Tax Lines

Enter and update detail and summary tax lines according to the requirements of your transactions. Depending on your security settings and options specified during tax setup, you can:

- Enter manual tax lines
- Enter tax only tax lines
- Change existing tax line information
- Cancel tax lines

Note: The Summary Tax Lines component is applicable only to Oracle Fusion Payables.

Entering Manual Tax Lines

These requirements apply to entering a manual detail or summary tax line:

1. Enable the **Allow entry of manual tax lines** option for the:
    - Configuration owner and application event class
    - Tax
2. Ensure that the **Manual Tax Line Entry** profile option is enabled. It is enabled by default.
3. Enter a unique combination for a tax regime and tax. You can't enter a manual tax line for a tax that already exists for the transaction line.
4. Enter a tax status to enter a tax rate.
5. Enter a tax regime, tax, tax status, and tax rate to enter a tax amount.

The tax calculation on a manual tax line is a standard formula of Tax Amount = Taxable Basis * Tax Rate. The tax determination process doesn't evaluate tax rules defined for the tax of any tax rule type.

Entering Tax Only Tax Lines

You can enter a tax-only invoice in Payables to record tax lines that aren't linked to a transaction. A tax-only invoice is used, for example, to record tax lines on purchases that are assessed and invoiced separately or to enter tax-only invoices from tax authorities or import agents that record import taxes.

These requirements apply to entering a tax only tax line:

1. Enable the **Allow manual tax only lines** option for the configuration owner and application event class.
2. Select a tax regime from the tax regimes belonging to the configuration option of the applicable legal entity or business unit.
3. Select a tax, tax status, and tax rate and enter a tax amount.

Note: When you select or deselect the Tax Only Line option on a tax line for the first time, the update doesn't take effect. You must select the specific tax line, click the row header or a noneditable area, and then select the Tax Only Line option.

Editing Tax Line Information

These requirements apply to changing an existing detail or summary tax line:

1. Enable the **Allow override for calculated tax lines** option for the:
    - Configuration owner and application event class
    - Tax
2. Ensure that the **Manual Tax Line Entry** profile option is enabled. It is enabled by default.
3. Optionally, enable the following options for the configuration owner and application event class:
    - **Allow recalculation for manual tax lines** option. The tax determination process recalculates the manual tax lines when there is an update to automatically calculated tax lines.
    - **Tax line override impacts other tax lines** option. The tax determination process recalculates the taxes on all other tax lines on the same transaction when there is an override of automatically calculated tax lines on transactions.
4. Save any changes to summary tax lines before you enter or change Payables summary tax lines.
5. Change the tax status if necessary. These requirements apply to changing tax statuses:
    - You can't update the tax status if the tax on the detail tax line is enforced from the natural account.
    - If you edit a tax only tax line and change the tax status, you must re-enter the tax rate code.
6. Change the tax rate if necessary. These requirements apply to changing tax rates:
    - The **Allow tax rate override** option is enabled for the applicable tax status.
    - The **Allow ad hoc rate** option is enabled 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.
7. Change the tax rate percentage or quantity rate if necessary. These requirements apply to changing tax rate percentages or quantity rates:
    - You cannot update the tax rate code and rate fields if the tax on the detail tax line is enforced from the natural account.
    - You can only update the tax rate percentage if the tax rate code has the **Allow ad hoc rate** option enabled.
8. Change the tax amount if necessary. These requirements apply to changing tax amounts:
    - When you change the tax amount 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.
    - You can only edit the tax amount if a detail tax line belongs to an historic transaction.
    - You can change the tax amount independent of the tax inclusive and compound tax settings.
    - If you defined tax tolerances for Payables transactions, then if you edit the tax amount and it exceeds the specified tolerance, Oracle Fusion Tax places the invoice on hold.
    - You can only enter 0 as the tax amount if the tax rate is 0.
9. Update the **Inclusive** option setting if necessary. The tax determination process recalculates the taxable amount and transaction amount.

For tax calculation, a limited evaluation of tax rules on certain updates to a tax line is performed.

Canceling Tax Lines

These requirements apply to canceling an existing detail or summary tax line:

1. Cancel tax lines on Payables transactions only.
2. Enter a new manual tax line to reverse a canceled tax line if necessary.

Note: On canceling the invoice or invoice lines, tax lines are automatically canceled.

When you cancel a tax line both the associated tax line and any distributions that were previously accounted are reversed. If the distributions weren't accounted, then the amounts are set to zero.

Note: When you select or deselect the Cancel option on a tax line for the first time, the update doesn't take effect. You must select the specific tax line, click the row header or a noneditable area, and then select the Cancel option.

How You Set Up Configuration Owner Tax Options for Payables and Purchasing Event Classes

Set up configuration owner tax options for a combination of configuration owner and application event class. Using configuration owner tax options, a configuration owner can update default tax options on transactions that belong to a specific application event class.

At payables or purchasing transaction time, the tax option settings of the configuration owner and application event class are used instead of the default settings.

Defining your configuration owner tax options consists of:

- Default tax options
- Tax tolerance options
- Receipt tax options

Defining Default Tax Options

The following table describes the defaults and controls available at the configuration owner tax options level for these applications and event classes:

- Payables: Expense Reports
- Payables: Prepayment Invoices
- Payables: Standard Invoices
- Purchasing: Purchase Order and Agreement
- Purchasing: Purchase Requisition
- Purchasing: Change Orders

Unless otherwise noted, the applicable check box options are automatically selected depending on the event class you are using. Default tax options don't populate any setup options you subsequently define.

Option	Description
Regime Determination Set	Controls whether the tax determination process uses: • Migrated 11i approach using standard tax classification codes where the value is **STCC** • Full regime determination using the predefined rule of **TAXREGIME** to determine applicable tax regimes • User-created regime determination rules
Perform additional applicability for imported documents	Triggers tax calculation to determine additional taxes on imported documents.
Enforce tax from reference document	Enforces that tax calculation is based on the tax previously calculated on the reference document.
Enforce tax from account	Enforces that tax calculation is based on the tax account information associated with the transaction tax line.
Allow offset tax calculation	Calculates offset tax at transaction time for this configuration owner, application, and event class.
Offset Tax Basis	Identifies the third party or third-party site used for the calculation of offset taxes.
Allow tax applicability	Automatically calculates tax at transaction time for this configuration owner, application, and event class.
Allow entry of manual tax lines	Use this option in conjunction with the **Allow entry of manual tax lines** option for the tax. When both options are selected, you can enter manual tax lines at transaction time.
Allow recalculation of manual tax lines	Recalculates tax for manual tax lines when you update transaction lines.
Allow override of calculated tax lines	Use this option in conjunction with the Transaction Tax Line Override profile option and the **Allow override of calculated tax lines** option for the tax. When all options are selected, you can update the calculated tax line, excluding the update of the Inclusive option and the tax rate. To update the Inclusive option and tax rate at transaction time, select additional options for the tax rate.
Allow override and entry of inclusive tax lines	Use this option in conjunction with the Transaction Tax Line Override profile option, the **Allow override of calculated tax lines** option for the configuration owner tax options, and the **Allow override and entry of inclusive tax lines** option for the tax rate to allow you to update the **Inclusive** option on the tax line at transaction time This option is not selected by default.
Allow supplier tax variance calculation	Calculates the differences in the tax amounts between an invoice and a purchase order.
Default Tax Point Basis	Identifies the event on which the tax is levied, accounted in the books, and reported to the tax authorities.
Use Rounded Tax Amount for Conversion	Use this option in conjunction with tax regime Rounding Conversion Option to calculate taxes on rounded amounts in the entered currency on Payables invoices before conversion to the ledger currency according to tax regime option.

Defining Tax Tolerance Options

The following table describes the tax tolerance options for these applications and event classes:

- Payables: Expense Reports
- Payables: Prepayment Invoices
- Payables: Standard Invoices

Option	Description
Tolerance Percentage	Specifies the maximum percentage that a tax line override can differ from the automatically calculated tax line before a hold is placed on the invoice.
Tolerance Range Amount	Specifies the maximum amount that a tax line override can differ from the automatically calculated tax line before a hold is placed on the invoice.

Defining Receipt Tax Options

Receipt tax options are available for the Payables: Standard Invoices event class. Select to allow delivery-based tax calculation for the receipt tax options to be available for entry.

The following table describes the receipt tax options:

Option	Description
Report Delivery-Based Taxes on Receipt or Invoice	Refers to the type of transaction on which the delivery-based taxes calculated at the time of receipt should get reported.
Tax Point Date	Indicates the date on which you become liable for paying the tax to the tax authority or eligible to claim tax recovery. If you report the delivery-based taxes on the: • Receipt, the tax point date is populated as the **Receipt date**. You can't change this value. • Invoice, the tax point date is populated as the **Invoice date**. You can change this value to Receipt date if necessary.
Tax Point Basis	Represents the event on which the tax is levied, accounted in the books, and reported to the tax authorities. If you report the delivery-based taxes on the: • Receipt, the tax point basis is populated as **Delivery**. You can't change this value. • Invoice, the tax point basis is populated as **Invoice**. You can't change this value.

Related Topics

- Tax Rates Controls and Defaults
- Tax Controls and Defaults
- Profile Options Controls and Defaults
- How You Set Up Tax Regime

How You Set Up Configuration Owner Tax Options for Receivables Event Classes

Set up configuration owner tax options for a combination of configuration owner and application event class. Using configuration owner tax options, a configuration owner can update default tax options on transactions that belong to a specific application event class.

At receivables transaction time, the tax option settings of the configuration owner and application event class are used instead of the default settings

Defining Default Tax Options

The following table describes the defaults and controls available at the configuration owner tax options level for this application and these event classes:

- Receivables: Credit Memo
- Receivables: Debit Memo
- Receivables: Invoice

Unless otherwise noted, the applicable check box options are automatically selected depending on the event class you're using. Default tax options don't populate any setup options you subsequently define.

Option	Description
Allow exemptions	Allows tax exemptions for this application, event class, and configuration owner. This option isn't selected by default.
Regime Determination Set	Controls whether the tax determination process uses: • Migrated 11i approach using standard tax classification codes where the value is **STCC** • Full regime determination using the predefined rule of **TAXREGIME** to determine applicable tax regimes • User-created regime determination rules
Enforce tax from account	Enforces that tax calculation is based on the tax account information associated with the transaction tax line.
Allow tax applicability	Automatically calculates tax at transaction time for this configuration owner, application, and event class.

Option	Description
Allow entry of manual tax lines	Use this option in conjunction with the **Allow entry of manual tax lines** option for the tax. When both options are selected, you can enter manual tax lines at transaction time.
Allow recalculation of manual tax lines	Recalculates tax for manual tax lines when you update transaction lines
Allow override of calculated tax lines	Use this option in conjunction with the Transaction Tax Line Override profile option and the **Allow override of calculated tax lines** option for the tax. When all options are selected you can update the calculated tax line, excluding the update of the **Inclusive** option and the tax rate. To update the Inclusive option and tax rate at transaction time, select additional options for the tax rate.
Allow override and entry of inclusive tax lines	Use this option in conjunction with the Transaction Tax Line Override profile option, the **Allow override of calculated tax lines** option for the configuration owner tax options, and the **Allow override and entry of inclusive tax lines** option for the tax rate to allow you to update the **Inclusive** option on the tax line at transaction time
Default Tax Point Basis	Identifies the event on which the tax is levied, accounted in the books, and reported to the tax authorities.

Related Topics

- How You Set Up Tax Regime
- Tax Rates Controls and Defaults
- Tax Controls and Defaults
- Profile Options Controls and Defaults

How You Set Up Configuration Owner Tax Options for Withholding Taxes

Set up configuration owner withholding tax options for a combination of configuration owner and application event class. Using configuration owner tax options, a configuration owner can update default withholding tax options on transactions that belong to a specific application event class.

At payables transaction time, the withholding tax determination process considers the withholding tax option settings of the configuration owner and application event class.

Defining Event Class Processing Options

The following table describes the processing options available at the configuration owner withholding tax options level for the following application and event classes:

- Payables: Standard Invoices
- Payables: Prepayment Invoices

Enable your withholding tax options for a specific effective period.

Option	Description
Event Class	Applies withholding tax to standard invoices, including credit and debit memos, or prepayment invoices.
Apply Withholding	Applies withholding if the tax authority requires your company to withhold taxes from suppliers.
Process Transaction Taxes	Allows the calculation of withholding tax on transaction tax lines.
Allow Manual Withholding	Lets you create and adjust manual withholding tax lines for your invoices.
Regime Determination Set	Controls whether the tax determination process uses: • Migrated 11i approach using standard tax classification codes where the value is WHTSTCC • Full regime determination using the predefined rule of WHTTAXREGIME to determine applicable tax regimes
Calculation Point	Specifies the time when withholding tax is applied. The options are **Both**, **Invoice**, or **Payment**. **Both** is available only for the WHTTAXREGIME regime determination set.
Tax Invoice Creation Point	Specifies the time when a tax authority invoice is automatically generated. Select **Blank** to not automatically generate an invoice. The options are dependent on the value in the **Withholding Calculation Point** field: • If the calculation point is **Both**, you can select **Blank**, **Payment**, or **Both** as the tax invoice creation point. • If the calculation point is **Invoice**, you can select **Blank**, **Invoice**, or **Payment** as the tax invoice creation point. • If the calculation point is **Payment**, you can select **Blank** or **Payment** as the tax invoice creation point.
Include Discount	Determines if a deduction of a discount is applied to the taxable basis when the calculation point is **Payment**. Select: • **No** to always exclude the discount amount from the taxable basis. • **Yes** to always include the discount amount in the taxable basis. • **Blank** for the deduction of a discount to be applied based on the taxable basis formula definition.
Rounding Level	Applies rounding to calculated tax amounts once for each withholding tax rate per invoice or to the calculated withholding tax amount on each invoice line.
Tax Determination Date	Specifies the date used for determining applicable withholding tax rates and rules. **Accounting date** is the default value, but you can change it to **Invoice date** if necessary.

Option	Description
	Note: This option is hidden by default. You can expose the column by using the View menu.

Manage Simulator Transactions

Tax Simulator

Tax Simulator is a tool to simulate tax calculation results for your purchase and sales transactions. Variations in transaction attributes such as location details, transacting parties, and items can impact the tax calculation results.

These variations can be previewed in the Tax Simulator to confirm your tax configuration.

The Tax Simulator lets you:

- Preview the workings of your tax configuration before you perform tax calculations on live transactions in a subledger application.
- Test new tax configuration in conjunction with existing tax configuration to preview the resulting tax calculation.
- Identify the root cause when tax calculation isn't what's expected on live data.

To validate your tax configuration, enter or copy a variety of transactions that are a representation of your business flows and verify that your tax is calculated as expected.

Note: The simulated tax calculations don't affect live data.

Principle aspects of the Tax Simulator include:

- Functions and verifications
- Analysis tools
- Restrictions

Tax Simulator Functions and Verifications

The Tax Simulator lets you simulate the tax determination process on transactions without creating live data.

The Tax Simulator enables you to complete these functions:

- Enter transactions to simulate tax calculation based on various scenarios.
- Simulate the characteristics of the Payables, Purchasing, and Receivables transactions and create the tax line for each type of operation.
- View the detail tax lines generated for each transaction line.
- View the tax rules that were applied to a tax calculation and the processed result for each rule type.

The Tax Simulator provides these verifications:

- How the tax rules that you have defined for one or more taxes work in conjunction with the defaults that 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 doesn't process taxes as you predicted, then you can use the simulated result to troubleshoot the cause. For example:
    - You thought that there were product tax exceptions, but they weren't used on a transaction as expected. You then discover that the **Allow tax exceptions** option wasn't enabled on the applicable tax rate record.
    - Your supplier record has the option enabled to use offset taxes, but the offset taxes don't appear. You then discover that the tax rate record doesn't have an offset tax rate associated with it.

Tax Simulator Analysis Tools

The Tax Simulator provides these pages to analyze the tax calculations on simulated transactions:

- Simulator Transaction page: View the details of the simulated transaction.
- Tax Line Details page: View the calculated tax lines for the simulated transaction. For each transaction line, the page displays:
    - Applicable tax and tax configuration details
    - Whether the result was determined by a tax rule or the default value. If a tax rule was applied, the page displays the associated tax condition set.
- Rule Type page: View details of all enabled rules for a rule type. The page displays the:
    - Processed result for each rule
    - Associated tax condition sets and their processing details and results

Tax Simulator Restrictions

The following restrictions apply when using the Tax Simulator:

- Payables tax recovery processing can't be simulated.
- Application-specific actions on transactions or transaction lines, such as canceling, deleting, and reversing, aren't tested.
- User control settings such as tax profiles options, manual tax line entry, and tax exemption override control aren't tested or verified.

How You Simulate Subledger Transactions

Copy transactions from Oracle Fusion Payables, Oracle Fusion Purchasing, and Oracle Fusion Receivables and use them to test the entire tax and related configuration. Once the Tax Simulator copies data into the simulated transaction, you can update and delete lines as needed.

Settings That Affect Subledger Transactions

Oracle Fusion Tax uses your search criteria defined for the application, legal entity, and business unit to provide a listing of subledger transactions. The Tax Simulator copies the attributes of the selected transaction and populates them on the Create Simulator Transaction page.

What Subledger Data Is Copied

The Tax Simulator copies the following data from the subledger transaction:

- Transaction header information, including supplier and customer information
- Transaction lines with a line type of line or freight
- Line-level tax attributes
- Discounts and exceptions for Receivables transactions
- Ship-to information for Receivables transactions

The Tax Simulator doesn't copy:

- Any referencing, applied, or adjusted documents
- Tax-only lines
- Canceled lines

Changing Transaction Attributes

Update and delete lines and attributes as needed. The only fields that you can't update are the document event class and source document number.

Simulating Tax on Transaction Data

Use the Tax Simulator to validate new and existing tax setup for procure-to-pay and order-to-cash transactions.

The format of the Tax Simulator interface is a lightweight version of the procure-to-pay and order-to-cash work areas, allowing ease of data entry and flow of item lines to tax calculation and tax lines.

In addition to manual entry of transaction data, you can copy live data to view or modify in the Tax Simulator. You can purge the data using a process request.

The Tax Simulator gives you visibility into transaction attributes that impact tax calculation, including:

- Required transaction attributes
- Additional tax attributes
- Reference, adjusted, and applied documents

Required Transaction Attributes

The required fields for transaction entry and tax calculation are:

- Document Event Class
- Document Date

- Legal Entity
- Business Unit
- Currency
- Supplier
- Customer
- Line Amount
- Line Type
- Line level:
    - Line Class
    - Line Type
    - Item
    - Product Type

Additional Tax Attributes

In addition to the required fields for transaction entry and tax calculation, the Tax Simulator gives you visibility into additional tax attributes that are commonly used to drive tax calculation based on tax rules.

The following additional tax attributes are organized in a tabbed region for entry and update:

- Header level:
    - Taxation Country
    - First-Party Tax Registration Number
    - Third-Party Tax Registration
    - Ship-from Location

- Line Level:
  - Line Class
  - Item
  - Product Type
  - Tax Inclusive
  - Transaction Business Category
  - Assessable Value
  - Tax Classification
  - Product Category
  - Intended Use
  - Product Fiscal Classification
  - User-Defined Fiscal Classification
  - Location of Final Discharge
  - Account

All of these attributes can drive tax determination or tax calculation directly based on tax rules and tax formulas.

Reference, Adjusted, and Applied Documents

Reference, adjusted, and applied documents can have tax calculation impacted by the documents they're associated with. The Tax Simulator presents information on some of the impacts. Others, such as variances in distributions, aren't presented since accounting isn't part of the Tax Simulator functionality.

When a document is simulated or copied in the Tax Simulator, the application doesn't copy referencing, adjusted, and applied documents. You must copy each document separately and associate them in the Tax Simulator.

The following is a list of the available event classes and associations that can be made in the Tax Simulator:

Application	Header Level Document Event Class	Item Line Attribute Line Class	Reference, Adjusted, and Applied Tab: Document Event Class	Reference, Adjusted, and Applied Tab: Document Number	Reference, Adjusted, and Applied Tab: Document Date	Reference, Adjusted, and Applied Tab: Document Line Number
Payables	Standard Invoice	Invoice	Purchase Order (not required)	Select the purchase order document number.	Populated when the document number is selected and it's read only.	When you enter the document number of the purchase order this list is available with the respective invoice lines.
Payables	Standard Invoice	Prepayment	Prepayment Invoice	Select the prepayment invoice number.	Populated when the document number is selected and it's read only.	When you enter the document number of the prepayment invoice this list is available with the respective prepay invoice lines.

Application	Header Level Document Event Class	Item Line Attribute Line Class	Reference, Adjusted, and Applied Tab: Document Event Class	Reference, Adjusted, and Applied Tab: Document Number	Reference, Adjusted, and Applied Tab: Document Date	Reference, Adjusted, and Applied Tab: Document Line Number
Payables	Standard Invoice	Credit Memo	Standard Invoice	Select the credit memo document number.	Populated when the document number is selected and it's read only.	When you enter the document number of the invoice this list is available with the respective invoice lines.
Payables	Prepayment Invoice	Column not displayed	Tab not displayed	Tab not displayed	Tab not displayed	Tab not displayed
Purchasing	Purchase Order	Column not displayed	Tab not displayed	Tab not displayed	Tab not displayed	Tab not displayed
Receivables	Invoice	Column not displayed	Tab not displayed	Tab not displayed	Tab not displayed	Tab not displayed
Receivables	Credit Memo	Column not displayed	Invoice	Required	Populated when the document number is selected and it's read only.	When you enter the document number of the invoice this list is available with the respective invoice lines.

Related Topics

- Tax Rule Details for Simulated Transaction Lines
- Line Level Details for Simulated Transaction Lines
- Details for Simulated Transaction Lines
- Example of Using Tax Simulator to Analyze Tax Not Calculating as Expected
- Example of Using Tax Simulator

Example of Using Tax Simulator

Use the Tax Simulator to validate new and existing tax setup for procure-to-pay and order-to-cash transactions.

You can:

- Use the Manage Tax Simulator Transactions page to choose a source of Payables, Purchasing, Receivables, or Tax Simulator.
- Search on the source of Tax Simulator for transactions entered or copied into the Tax Simulator.

- Query and copy transactions from the respective subledgers.

Scenario

For example, you have a Payables invoice where the tax calculation isn't what you expect. Use the Tax Simulator to:

1. Search in the Manage Simulator Transactions page for a source of Payables, an event class of Purchase invoice, and respective business unit, document number, and date information.
2. View the applicable transaction in the Search Results table. If needed, use **Query by Example** to further identify the desired transaction.
3. Select the Purchase invoice and click **Simulate Transaction** to copy the transaction into the Tax Simulator.
4. Review the information on the Create Simulator Transaction page. The application populates the transaction details.
5. Populate the document number with the new number. The source document number is populated with the original document number. You can update all attributes except the document event class and source document number.
6. Save the document and click **View Tax Lines** to view the tax output.

If you want to test multiple variations of the same transaction, you can query the transaction with a source of Tax Simulator in the Manage Tax Simulator Transactions page. Select the transaction in the search results and click the Duplicate action to duplicate the transaction details into a new document leaving the previous transaction details intact.

Related Topics

- Example of Using Applied Documents
- Simulating Tax on Transaction Data

Example of Using Applied Documents

Reference, adjusted, and applied documents can impact tax calculation based on the documents they are associated with. The Tax Simulator presents information on some of the impacts.

Scenario

An example of an applied document that impacts tax calculation is that of a Receivables credit memo that references an invoice. In Receivables there can be standalone credit memos that drive tax calculation based on the tax attributes entered on the credit memo and there are applied credit memos that drive tax calculation based on the referenced document; the invoice. If there is a credit memo that isn't calculating what you expected in Receivables, you can:

- Copy the transaction into the Tax Simulator.
- Simulate each document independently and associate them in the user interface. The Tax Simulator doesn't associate documents.
- Review the credit memo tax lines independently before the transaction association and see that the tax calculation is based on the attributes entered on the credit memo.
- Associate the invoice in the Reference, Adjusted, and Applied tab with the appropriate document number and line and drill to the tax lines. See that the result type value for the rule results is derived from the reference document. This indicates that the tax isn't based on the credit memo attributes but those of the invoice.

Related Topics

- Example of Using Tax Simulator
- Simulating Tax on Transaction Data

Enabling Taxes for Transactions and Simulation

Tax Simulator lets you choose the status of the taxes to consider for evaluation. The transaction header region in the Tax Simulator includes an Evaluate Taxes attribute.

You can set this attribute to:

- **Enabled for simulation**: Only taxes with the status **Enable Tax for simulation** are selected for processing.

  When you select **Enable tax for simulation**, the tax is available only for processing on Tax Simulator transactions and isn't calculated on live transactions.
- **Enabled for transactions**: Only taxes that are live or have both **Enable tax for simulation** and **Enable tax for transactions** selected on the tax record are considered for processing.

  This mimics the behavior of the processing for active taxes in the subledgers and is the default value when simulating or copying subledger transactions in the Tax Simulator.
- **Enabled for transactions and simulation**: Both taxes that have a status of **Enable tax for simulation** and taxes that have a status of **Enable tax for simulation** and **Enable tax for transactions** selected are processed.

  This lets you see behavior of both active and inactive taxes on the same transaction. When you select this option, the tax is considered active and is available for processing on both live transactions and Tax Simulator transactions.

  This is a useful tool when the calculation of one tax can impact another such as in the case of compounding tax formulas for tax calculation.

Related Topics

- Example of Enabling Taxes for Transactions and Simulation

Example of Enabling Taxes for Transactions and Simulation

On a tax record, you specify whether the tax is enabled for transactions, simulation, or both.

When you create a simulator transaction, you can select which types of taxes to evaluate for applicability: taxes enabled for simulation only, taxes enabled for transactions only, or both.

Scenario

You have two taxes defined that both evaluate to true for a particular Purchase invoice.

The first tax, FUS_CA, is defined for the sales tax for the state of California. The tax status is set to **Enable tax for simulation** and **Enable tax for transactions**. The second tax, FUS_ENV, is defined for an environmental tax. The tax status is set to **Enable tax for simulation**.

Simulate a live transaction in the Tax Simulator with the **Evaluate Taxes** option set to **Enabled for transactions**. In this case, only taxes enabled for transactions are processed so the FUS_CA is the only tax calculated.

Next, update the **Evaluate Taxes** option set to **Enabled for simulation**. In this case, only taxes that are enabled for simulation are processed so FUS_ENV is the only tax calculated.

Finally, update the **Evaluate Taxes** option set to **Enabled for transactions and simulation**. In this case, both taxes enabled for simulation and enabled for both simulation and transactions are selected so both FUS_CA and FUS_ENV are calculated.

Related Topics

- Enabling Taxes for Transactions and Simulation

Tax Determination in Tax Simulator

Transactions pass key tax drivers relating to parties, products, places, and processes captured on the transaction to Oracle Fusion Tax for tax determination. Using these tax driver values as input, the tax determination process performs a series of process steps utilizing the defined:

- Tax configuration
- Tax rules for each rule type

From the transaction tax details it might not be clearly evident as to which tax rule from your defined tax setup got processed or if the calculated tax is the result of the relevant rule condition. Using the Tax Simulator you can verify the:

- Tax determination process breakdown
- Details of the tax rules that are evaluated for each rule type, such as
    - Result type, default, or rule-based
    - Rule result
    - Sequence of the rule evaluation
    - Successful, unsuccessful, and not evaluated tax rules
    - Corresponding determining factor sets, condition sets, and detailed condition elements
- Other key factors that are analyzed and applied during the tax determination process

The tax line details in the Tax Simulator lists out the following key process results that the tax determination process considers for each tax applied on the transaction:

- The tax determination methodology applied, such as regime determination or standard tax classification codes
- The rounding criteria applied, including rounding rule, rounding level, minimum accountable unit, and tax precision
- The types of taxes evaluated, for example, those enabled for transactions or enabled for simulation

Related Topics

- Tax Rules Processing Order
- Details for Simulated Transaction Lines
- Line Level Details for Simulated Transaction Lines
- Tax Rule Details for Simulated Transaction Lines

Details for Simulated Transaction Lines

Use the Tax Line Details page to review the transaction level details that influence all tax lines and view the calculated tax lines for your simulated transaction.

Each tax line for each transaction line number is listed in the Tax Line Details table with the corresponding tax configuration details.

Open the Tax Line Details page by clicking the View Tax Lines button on the Simulator Transaction pages from the Manage Simulator Transactions task.

Attributes in tax line details include:

- Configuration owner, document event class, and source
- Allow tax applicability
- Regime determination set
- Default rounding level

Configuration Owner, Document Event Class, and Source

The configuration owner identifies the business unit or legal entity on the transaction that owns the tax configuration. For example, if the business unit is subscribing to the data from the legal entity, the legal entity is identified, rather than the business unit.

In order for a tax regime to be applicable on the transaction, the identified configuration owner has to subscribe to the applicable tax regime.

The Source field can have a value of:

- Configuration owner tax options: The application derives the event class-specific tax options from a configuration owner tax option that's defined for the combination of configuration owner, event class, and date range.
- Event class: The application derives the tax options from the default predefined values for the event class.

These tax options include the:

- Option to calculate tax
- Regime determination set
- Options to allow manual entry and override
- Rounding defaults
- Details regarding tax calculation on referencing documents

When the value is Event class, there are no configuration owner tax options defined for the combination of configuration owner, event class, and date. The predefined values are used including the predefined value of **TAXREGIME** for the regime determination set.

Allow Tax Applicability

The two allow tax applicability attributes identify whether the tax configuration setup provides for the calculation of taxes on the transaction. Both attributes must be set to **Yes** to calculate tax.

The two occurrences indicate the following:

- The first occurrence indicates if the **Allow tax applicability** option is selected on the predefined event class or applicable configuration owner tax options setup.
    - If you don't set up configuration owner tax options, the default value is set to **Yes** based on the event class mapping.
    - If configuration owner tax options are set up and the **Allow tax applicability** option isn't selected, a value of **No** appears.
- The second occurrence validates the hierarchy of tax applicability from the Supplier and supplier site definitions for procure-to-pay transactions
    - Supplier Site Party Tax Profile definitions
    - Supplier Party Tax Profile definitions
    - Supplier Site definitions
    - Supplier definitions

When the Allow tax applicability option is:

- Not selected at any of the applicable levels, tax isn't calculated.

    > **Note:** For supplier party tax profile, taxes are calculated even when the **Allow tax applicability** option is not selected.

- Selected at a lower level and not selected at a higher level, tax isn't applicable.

If the **Allow Tax Applicability** field on the Tax Lines Detail page is **No**, click the link to see where this option isn't selected.

Regime Determination Set

The regime determination set indicates how the application determines the tax regimes to use for this transaction.

The regime determination set can either be:

- A value other than **STCC** (standard tax classification code). A determining factor set of type regime determination that includes transaction factors of location types is used to derive the owning country on the transaction for tax purposes. Taxes are calculated for the tax regimes that you defined for the derived country. The predefined regime determination set is **TAXREGIME**, this value always populates if the source is Event class.

    Drill down to the regime determination set details to identify the precedence of locations while determining the tax regime country.

- The value **STCC**. The additional tax attribute of **Tax Classification** set at the Line Level Tax Attributes tab derives tax calculation either directly or based on the Tax Classification Based Direct Rate Rules.

For example, if your simulated transaction doesn't have any tax lines, check the regime determination set value. If it is set to STCC and the Tax Classification field on the Line Level Tax Attributes tab is blank, tax isn't calculated. Review your application tax options to verify the:

- Defaulting hierarchy that specifies both the sources to use for tax classification codes
- Order in which the application searches these sources to find a valid tax classification code at transaction time

Default Rounding Level

The default rounding level shows in order of precedence, the party type, source, and rounding level value. At a minimum, a default value is set. The options are:

- Header level rounding: Header level rounding applies rounding to calculated tax amounts once for each tax rate per invoice.
- Line level rounding: Line level rounding applies rounding to the calculated tax amount on each invoice line.

The rounding rule is the method used to round off taxes to the minimum accountable unit. To know how rounding is determined or to modify the setup, use the dialog details in conjunction with the party information.

Related Topics

- Tax Rule Details for Simulated Transaction Lines
- Simulating Tax on Transaction Data
- Line Level Details for Simulated Transaction Lines
- How Rounding Precedence Hierarchy Is Determined
- Example of Using Rounding Level on Tax Lines

Example of Using Rounding Level on Tax Lines

The rounding level on a tax line shows in order of precedence, the party type, source, and rounding level value. The rounding rule is the method used to round off taxes to the minimum accountable unit.

To know how rounding is determined or to modify the setup, use the dialog details in conjunction with the party information.

Scenario

For example, on the Rounding Level dialog box for a purchase invoice you see the following:

Rounding Precedence	Party Type	Source	Rounding Level
1	Bill-from party	Supplier site	
1	Bill-from party	Party tax profile	Header

Rounding Precedence	Party Type	Source	Rounding Level
2	Bill-to party	Supplier site	
2	Bill-to party	Party tax profile	Line
3	Ship-from party	Supplier site	
3	Ship-from party	Party tax profile	Line
4	Ship-to party	Supplier site	
4	Ship-to party	Party tax profile	Header
Default			Header

Level 1 precedes all other levels; the default precedence is used only when the other levels aren't populated. When the rounding level is blank, no attribute is set for that level.

In this example, when the bill-from party tax profile rounding level of Header is incorrect, you can identify the bill-from party from the Tax Line Details header information and query the appropriate party tax profile to modify the setup.

This is a simple example which uses header level for rounding. For rounding at Line level, you need to derive party type for the Determine Tax Registration rule.

Related Topics

- Details for Simulated Transaction Lines

Line Level Details for Simulated Transaction Lines

Use the Tax Line Details page to review the calculated tax lines with the corresponding tax configuration details for each transaction line.

Open the Tax Line Details page by clicking the View Tax Lines button on the Simulator Transaction pages from the Manage Simulator Transactions task.

Details include:

- Tax regime, tax, tax jurisdiction, tax status, tax rate code, and tax rate
- Tax amount and taxable amount
- Tax enabled status
- Indicators such as: inclusive, self-assessed, manually entered, and tax only line
- Calculated tax amount and tax base modifier rate
- Legal justification text
- Place of supply

For the tax lines associated with each transaction line, you can review the attributes that are specific to each tax line, such as:

- Rounding rule
- Inclusive
- Minimum accountable unit and tax precision
- Tax rate modification

Rounding Rule

The Rounding Rule dialog box shows the rounding details for the transaction line. The rounding rule is:

- Used to round off taxes to the minimum accountable unit.
- Derived based on the rounding level specified in the hierarchy visible in the dialog box with level one taking precedence over level 2 and so on.

When the rounding level is at the:

- Header level, rounding is applied to calculated tax amounts once for each tax rate per invoice.
- Line level, rounding is applied to calculated tax amounts on each invoice line.

Inclusive

The Inclusive dialog box shows the setup related to enforcing inclusiveness or exclusiveness of tax on a transaction line by order of precedence.

The inclusive details for the line number are:

- Precedence: The level 0 precedence is the highest, overriding all other values and level 5 precedence being the lowest or the default if none others are populated.
- Inclusive: The values are Yes or blank with blank meaning an option wasn't selected for inclusive handling.

If the transaction input value tax inclusive is set to Yes this means this option was overridden directly on the transaction.

Minimum Accountable Unit and Tax Precision

The Minimum Accountable Unit and Tax Precision dialog box shows the derivation of these values by precedence:

- Minimum accountable unit is the smallest unit a tax amount can have.
- Tax precision is a one-digit number that indicates the number of decimal places to which to calculate a tax.

For example, a precision of 0 rounds to a whole currency. To round off a calculated tax amount of 1.366 to 1.37, define:

- Tax precision of 2
- Rounding rule of Up or Nearest
- Minimum accountable unit of .01

If the results aren't what you expected, the dialog window gives you more information on the source of the definitions. The precedence of 1 is the highest with the definition at the currency level superseding the definition at the tax level.

Tax Rate Modification

The Tax Rate Modification dialog box identifies if any applicable rate adjustments are applied. The dialog box displays:

- Tax rate name
- Tax rate before modification
- Attributes to identify if exemptions or exceptions or both are applied
- Tax rate after each of these modifications

For example, you can see if an exemption was applied to the original tax rate.

Related Topics

- Details for Simulated Transaction Lines
- Tax Rule Details for Simulated Transaction Lines

Tax Rule Details for Simulated Transaction Lines

For the tax lines associated with each transaction line, you can review the tax rule details that are specific to each tax line, such as:

- Rule results
- Rule conditions
- Tax rules process results

Rule Results

Use the Rule Results table to view the tax rules that are applied to each tax line for each tax calculation process. For each rule type, you can:

- View the processed result.
- Verify whether the result was determined by a tax rule or the default value.

When a tax rule is applied, you can determine the associated tax rule from the Rule Results table.

Rule Conditions

By selecting the Determine Tax Registration row, you can review the rule conditions that are successfully evaluated in the Determine Tax Registration: Rule Conditions table.

The following table shows the attributes displayed:

Determining Factor Class	Class Qualifier	Tax Determining Factor Name	Operator	Value or From Range	To Range
Registration	Ship-from party	Registration Status	Equal to	Not Registered	

Tax Rules Process Results

Use the Tax Rules Process Results table to view the processing and evaluation of the rules associated with a rule type. For each associated rule, the process result consists of one of the following:

- Failed
- Successful
- Not evaluated

For each rule in the Tax Rules Process Results table, you can also review:

- Rule information: Provides a summary of details associated with the tax rule, such as configuration owner, tax regime, tax, effectivity, rule order, and tax determining set code.
- Event information: Provides additional information for the event class if the rule is defined as applicable to a specific event class.
- Geography information: Provides additional parent geography and geography details defined for a specific tax rule if the rule is geography specific.

For each tax rule listed in the Tax Rules Process Results table, you can drill-down to the associated rule conditions to review the condition details.

For example, if your transaction is correctly using tax rules to calculate taxes but is applying an incorrect tax rule, use the Tax Rules Process Results table to review the rule order and the associated rule conditions for each tax rule.

Related Topics

- Line Level Details for Simulated Transaction Lines
- Details for Simulated Transaction Lines
- Example of Reviewing Tax Rule Details for Simulated Transaction Lines

Example of Reviewing Tax Rule Details for Simulated Transaction Lines

For the tax lines associated with each transaction line, you can review the tax rule details that are specific to each tax line, such as:

- Rule results
- Rule conditions
- Tax rules process results

Scenario

Rule Results

When a tax rule is applied, you can determine the associated tax rule from the Rule Results table. For example, the following table shows the attributes displayed in the Rule Results table:

Rule Type	Result Type	Result	Rule Code	Rule Order
Determine Place of Supply	Default	Ship to		
Determine Tax Applicability	Default	Applicable		
Determine Tax Registration	Rule based	Ship-to party	REGRULE2	20

In this example, the tax determination process determines the:

- Place of supply and tax applicability using the defaults.
- Tax registration based on a tax rule, the applicable tax rule code is REGRULE2.

The tax determination process uses defaults to determine the place of supply and tax applicability. However, the tax determination process determines the tax registration based on a tax rule. The applicable tax rule code is REGRULE2.

Rule Conditions

In the Determine Tax Registration: Rule Conditions table, select the Determine Tax Registration row to review the rule conditions that are successfully evaluated.

If your transaction is calculating tax lines for a tax that is not applicable, review the Determine Tax Applicability rule values in the Rule Results table for that tax line. If the Result Type is **Default** with a result of **Applicable**, verify that you have a Determine Tax Applicability tax rule that evaluates your transaction as not applicable.

Tax Rules Process Results

Assume that the Determine Tax Registration rule type has three associated tax rules as represented in the following table:

Rule Code	Process Result	Evaluation Order	Rule Order
REGRULE1	Failed	1	10
REGRULE2	Successful	2	20
REGRULE3	Not evaluated	3	30

In this example, the tax rule with the highest rule order priority failed, while the rule with the next highest rule order priority is successful. In this case of three associated tax rules, the tax determination process doesn't evaluate the remaining tax rule.

Related Topics

- Tax Rule Details for Simulated Transaction Lines

Example of Using Tax Simulator to Analyze Tax Not Calculating as Expected

Use the Tax Simulator to create a simulated transaction and analyze the tax calculations of your transaction before you enable your setup for live data or to troubleshoot existing tax setup.

Use the header level details in the Tax Simulator to troubleshoot issues where tax is not calculated as expected.

The following scenario illustrates when you can use the Tax Simulator to evaluate a Payables invoice where you expect tax to be calculated but it isn't calculated.

Scenario

If a transaction in the subledger work area isn't calculating tax, you can simulate the transaction in the Tax Simulator.

> **Note:** The transaction date in the Tax Simulator is updated to the system date, so modify the transaction date to the expected date of tax calculation.

The following attributes help you identify the issue:

- **Document Date**: Ensure that the:
    - Document date is correct.
    - Regime to rate setup and applicable tax rules are effective on the tax calculation date.
- **Configuration Owner**: Determine if the:
    - Configuration owner is the legal entity or the business unit.
    - Configuration owner has a subscription definition to the tax regime when you're expecting tax to calculate.
    - Subscription is effective on the document date.
- **Document Event Class** and **Source**: Determine if the source is accurately reflected. The source identifies if the tax options are derived from the:
    - Predefined event class
    - Configuration owner tax options that are defined

      If they're derived from the configuration owner tax options, you can:

        - Query the configuration owner tax option definition by the configuration owner and document event class.
        - View the options based on transaction date effectivity.

      Other attributes and options, such as Allow Tax Applicability, Tax Regime Determination, and Enforce tax from reference document are included in configuration owner tax options.

      Issues with tax calculation may occur if the regime determination isn't defined properly. Select either the standard tax classification code or the TAXREGIME determination, but not both. If the transaction

is between different countries, verify the precedence of regime determination points to the expected country of taxation.

- **Allow Tax Applicability**: Ensure that this option is set to **Yes** to calculate tax. This is the value defined on the source value in the Document Event Class and Source attribute. There is another **Allow Tax Applicability** attribute in this region that checks the value from the applicable party.
- **Regime Determination Set**: Ensure this attribute is set accurately to indicate if tax calculation is determined by the standard tax classification code or by the predefined TAXREGIME regime determination set.
- **Default Rounding Level**: This doesn't impact tax calculation but identifies the rounding derivation.
- **Third-party location**: Determine if the third-party locations are accurately reflected. These attributes help identify locations on the transaction that may influence regime determination and tax calculation based on location. There may be other locations set at a line level that may impact tax calculation as well.
- **Allow Tax Applicability**: Ensure that this option is set to **Yes** to calculate tax. This option is derived from supplier, supplier site, third party, and third-party site tax profile depending on the event class. Tax applicability must be set to **Yes** for all relevant party tax profiles in order to calculate tax. If tax applicability is set to **No** for either attribute then tax is not processed.
- **Evaluate Taxes**: Verify the status of the tax you are expecting to calculate. You can select which types of taxes to evaluate for applicability: taxes **Enabled for transactions**, **Enabled for simulation**, or **Enabled for transactions and simulation**. This helps identify what status of taxes is evaluated for calculating tax.

Related Topics

- Details for Simulated Transaction Lines

FAQs for Manage Simulator Transactions

When do I create a simulated transaction and when do I copy a subledger transaction in the Tax Simulator?

Create a simulated transaction when you want to control the testing of specific transaction attributes or when you don't have transaction data available, such as for a new tax regime.

Copy a subledger transaction to examine either the transaction itself or your tax configuration. For example, when you want to:

- Review tax calculation on a transaction that yielded correct but unexpected results.
- Evaluate variations of a transaction to see the tax impact.
- Evaluate major changes to your tax configuration.

What's the difference between taxes enabled for transactions and taxes enabled for simulation?

You can specify whether a tax is enabled for transactions, simulation, or both. When you're testing, you can enable a tax for simulation to ensure that the setup is correct.

Once you're done testing, you can then enable the tax for actual transaction tax processing.

When you create a simulator transaction, you can select which types of taxes to evaluate for applicability: taxes enabled for simulation only, taxes enabled for transactions only, or both.

4 Advanced Tax Configuration

Manage Tax Geographies

Place Information

All tax regimes need information about place or geography. Use place information for determining factors within tax rules in the tax determination process. Also, use place information while defining tax regimes, tax geography, and tax jurisdictions.

Information about place or geography is required to determine:

- Where the tax is applicable
- What tax rules to apply to a transaction when goods are:
    - Delivered to another country
    - Delivered inside or outside an economic region such as, the European Community (EC)
- What the specific regions are, such as:
    - City, county, and state for US Sales and Use Tax
    - Provinces in Canada

To support these requirements, define and use geography regions and tax zones. Geography regions and tax zones provide a conceptual model to use place information on transactions and information related to the transaction.

The following types of places are supported for tax purposes:

- Country information
- Geography elements
- Tax zones

Country Information

Country is a required field in all of the tax-related address locations. The country fields are supported by a predefined ISO 3166 country name and two-character country code. For more information on country names and codes, see http://www.iso.org/iso/english_country_names_and_code_elements.

You don't set up a country as a specific geography level in Trading Community Model geography because country is an inherent part of all tax-related address locations.

Tip: Use the highest level of geography, typically country, wherever possible.

Geography Elements

Define geography elements as part of Trading Community Model geography. They control the use of geography and addresses. Oracle Fusion Tax commonly uses the following features:

- Geography or tax zones
- Geography levels
- Address controls
- Geography name referencing

Use geography levels to define the levels of geography that are used within a country. It's only relevant elements of the address that are referenced for tax purposes. For example, state, county, and city are used for US Sales and Use Tax. County in the UK isn't relevant from a tax perspective and therefore, you don't need to set it up.

> **Tip:** When address elements are needed for tax purposes, such as county and city for US Sales and Use Tax, set these address levels as mandatory within Trading Community Model geography. This ensures that these elements are always present on all applicable addresses. Setting address levels as mandatory also ensures that amended or newly applicable addresses are validated and that the level is either derived or entered. When you're setting up migrated addresses ensure that they're compliant with the mandatory levels being present. This should be validated and any address levels added as part of the migration process.

The geography name referencing process within Trading Community Model geography links specific addresses to the levels defined in the geography setup. This process is typically automatic. However, when you encounter issues, you may need to trigger this process to ensure that all addresses are correctly linked to their applicable levels.

Tax Zones

Use the tax zone functionality when you need to identify a group of geography elements while calculating tax. Tax zones are defined as part of Trading Community Model geography.

For example, in the EC it's important to know whether goods and services are being delivered within the EC. Use the tax zone functionality to create a tax zone, which defines the membership to the EC as well as, the dates on which a country became the member.

> **Tip:** Create a generic tax zone so that you create a tax zone type that can be used in multiple situations. For example, for a tax zone type needed to identify EC, create a generic tax zone type for all economic communities, which can later be used in other situations where economic communities or trade agreements affect tax determination. You can also use the tax zone functionality to group postal codes to provide useful groupings that can identify some higher-level tax regions such as, cities or counties.

Related Topics

- How Country Information Works in Tax Rules and on Transactions
- How Geography Elements Work in Tax Rules
- How Tax Zones Work in Tax Rules
- Regime to Rate Setup

How Country Information Works in Tax Rules and on Transactions

Use geography determination factors to specify country information in tax rules. A combination of determination factor class, class qualifier, and determining factor represent these determination factors.

Specify the taxation country at transaction time which is used, along with the tax rules, during the tax determination process.

Country Information in Tax Rules

To set up tax rules based on country information, use:

- Geography as the determining factor class
- Location type on the transaction as the class qualifier
- Country as the tax determining factor.

You can also use country as a tax rule qualifier.

The tax determining factors for locations are given generic names such as ship-to and bill-from, depending on the transaction types.

The transaction types are

- **Order-to-cash**: For Oracle Fusion Order Management and Oracle Fusion Receivables transactions.
- **Procure-to-pay**: For Oracle Fusion Purchasing and Oracle Fusion Payables transactions.

These generic locations are mapped into specific locations based on the transaction as shown in the following table:

Generic Party	Order-to-Cash Party	Procure-to-Pay Party
Bill-from party	Location assigned to the business unit for the transactions	Supplier
Bill-to party	Customer	Location assigned to the business unit for the transactions
Ship-to party	Customer (ship-to) party site	Ship-to location on the line
Ship-from party	Warehouse on the line. If there is no warehouse on the line, such as with services, the location from the item validation organization in the Receivables system parameters is used.	Supplier (ship-from) party site
Point of acceptance party	Customer point of acceptance party	Not applicable
Point of origin party	Customer point of origin party	Not applicable

Country Information at Transaction Time

Specify the taxation country on the transaction to identify the country in which the transaction is deemed to have taken place for taxation purposes. The default value is the country of the legal entity.

Use the country name to search for country defaults, which control the:

- Fiscal classification defaults
- Party tax profile defaults
- Tax regime defaults
- Tax defaults

Use the country name to select the following fiscal classifications associated with that specific country:

- User-defined fiscal classifications
- Product categories
- Intended use fiscal classifications
- Transaction business categories

Related Topics

- Example of Using Country Information in Tax Rules
- Overview of Transaction-Based Fiscal Classifications
- Tax Rules

Example of Using Country Information in Tax Rules

For many regimes, it is important to know if the supply of goods is exported. The easiest way of doing this is to ensure that the ship-from location is from the country in question and the ship-to location is a different country.

The following scenario illustrates setting up tax rule components to identify if the goods are exported from the United States.

Creating Tax Rule Components

Create a tax determining factor set as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name
Geography	Ship from	Country
Geography	Ship to	Country

Create a condition set that refers to this geography determining factor as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
Geography	Ship from	Country	Equal to	United States
Geography	Ship to	Country	Not equal to	United States

Use this combination of determining factors in any situation where you need to identify exports from the United States.

How Geography Elements Work in Tax Rules

Geography determination factors allow you to use geography elements in tax rules. A combination of determination factor class, class qualifier, and determining factor represent these determination factors.

Geography Elements in Tax Rules

To set up tax rules based on geography elements, use:

- Geography as the determining factor class
- Location type on the transaction as the class qualifier
- Geography level, such as county, province, or city, as the tax determining factor

You can also use the geography level as a tax rule qualifier.

The tax determining factors for locations are given generic names such as ship to and bill from, depending on the transaction types. The transaction types are:

- **Order-to-cash**: For Oracle Fusion Order Management and Oracle Fusion Receivables transactions.
- **Procure-to-pay**: For Oracle Fusion Purchasing and Oracle Fusion Payables transactions.

These generic locations are mapped to the specific location, based on the transaction as shown in the following table:

Generic Party	Order-to-Cash Party	Procure-to-Pay Party
Bill-from party	First-party legal entity	Supplier
Bill-to party	Customer	First-party legal entity
Ship-to party	Customer (ship to) party site	First-party legal entity
Ship-from party	First-party legal reporting unit	Supplier (ship from) party site
Point of acceptance party	Customer point of acceptance party	Not applicable
Point of origin party	Customer point of origin party	Not applicable

Related Topics

- Example of Using Geography Levels in Tax Rules
- Overview of Transaction-Based Fiscal Classifications
- Tax Rules

Example of Using Geography Levels in Tax Rules

Use the geography element in tax rules to identify a specific geography region when taxes in a country need to identify geography elements for the country level.

For example, in US Sales and Use Tax, you may need to create tax rules for a specific state.

The following scenario describes how you can set up tax rule components to identify when goods are being delivered to a specific state, such as Ohio.

Creating Tax Rule Components

Create a tax determining factor set with the following geography elements:

Determining Factor Class	Tax Class Qualifier	Determining Factor Name
Geography	Ship to	State

Create a condition set that refers to a specific state value as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
Geography	Ship to	State	Equal to	Ohio

You can use this combination of determining factors in any situation where you need to identify specific deliveries to a specific state.

Manage Tax Zones

How Tax Zones Work in Tax Rules

Geography determination factors allow you to use geography elements in the tax rules. The determination factors include a combination of determination factor class, class qualifier, and determining factor.

Tax Zones in Tax Rules

Use geography as the determining factor class, location type on the transaction as the class qualifier, and tax zone type such as county, as the determining factor.

The tax determining factors for locations are given generic names such as ship-to and bill-from, depending on the transaction types.

These generic locations are mapped to the specific location based on the transaction as shown in the following table:

Generic Party	Order-to-Cash Party	Procure-to-Pay Party
Bill-from party	First-party legal entity	Supplier
Bill-to party	Customer	First-party legal entity
Ship-to party	Customer (ship to) party site	First-party legal entity
Ship-from party	First-party legal reporting unit	Supplier (ship from) party site
Point of acceptance party	Customer point of acceptance party	Not applicable
Point of origin party	Customer point of origin party	Not applicable

You can also use tax zones as tax rule qualifiers.

Related Topics

- Example of Using Tax Zones in Tax Rules
- Overview of Transaction-Based Fiscal Classifications
- Tax Rules

Example of Using Tax Zones in Tax Rules

For the European Community (EC) or the European Union (EU), it's important to know whether goods and services are being delivered within the EC.

Use the tax zone functionality to create a tax zone that defines the membership of the EC and the dates on which a country became a member.

The following scenario describes the use of a partial condition set that you can use within tax rules to define when a delivery is being made to an EC from the United Kingdom.

Scenario

Use geography as the determining factor class, ship-to as the class qualifier, and all economic communities and country as the determining factors of the tax zone type as shown in the following table:

Determining Factor Class	Class Qualifier	Determining Factor Name
User-defined geography	Ship-to	Economic Regions
Geography	Ship-to	Country
Geography	Ship-from	Country

Create the condition set as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
User-defined geography	Ship-to	Economic Regions	Equal to	European Economic Community
Geography	Ship-to	Country	Not equal to	United Kingdom
Geography	Ship-from	Country	Equal to	United Kingdom

You can use this combination of determining factors in any situation where you need to identify the deliveries that are made from the UK to other EU countries.

Manage Tax Statuses

How You Set Up Tax Status Controls and Defaults

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

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

Defining Controls and Defaults

The following table describes the defaults and controls available at the tax status level.

Header Region

Field	Description	Default Derived from	Default Appears on	Controls
Set as default tax status	Controls whether this tax status is defined as the default tax status for this tax	None	None	If selected then this tax status is defined as the default tax status for this tax. Where no tax status rules are applicable then

Field	Description	Default Derived from	Default Appears on	Controls
				the tax determination process selects this tax status as the applicable tax status for transactions in the date range defined.

Tax Information Region

Field	Description	Default Derived from	Default Appears on	Controls
Default Settlement Option	Lookup code to indicate whether an input tax is recovered when an invoice is recorded or only when the invoice is paid and whether an output tax is due for settlement when the invoice is issued or only when the payment is received against it	Tax	Tax rate	None
Allow tax exceptions	Controls whether tax exceptions are allowed for this tax	Tax	Tax rate	None
Allow tax exemptions	Controls whether tax exemptions are allowed for this tax	Tax	Tax rate	None
Allow tax rate override	Controls whether you can override the tax rate at transaction time	None	Tax rate	None

Related Topics

- Tax Rates Controls and Defaults
- Tax Controls and Defaults

Manage Tax Formulas

Tax Formulas

Tax formulas are used in the tax calculation process. They help determine the taxable basis of a transaction line and the calculation methodology that must be applied to obtain the tax amount.

When the parameters available on a transaction don't satisfy the rule conditions, the default tax formulas defined for the tax are applicable.

There are two types of tax formulas:

- Taxable basis tax formula
- Tax calculation tax formula

Taxable Basis Tax Formula

The taxable basis tax formula is used in the tax calculation process. They help determine the amount or quantity that should be considered as the taxable basis of a transaction line. The tax rate is applied on the taxable basis amount to derive the basic tax amount on a transaction line.

The taxable basis type, defined in the taxable basis formula, decides the characteristics of the taxable basis amount. The various taxable basis types are:

- **Assessable value**
- **Line amount**
- **Prior tax**
- **Quantity**

The following standard predefined taxable basis tax formulas are available:

- STANDARD_QUANTITY
- STANDARD_TB
- STANDARD_TB_DISCOUNT

Assessable Value

Use **Assessable value** when the transaction line amount doesn't reflect the correct taxable basis from the tax calculation perspective. The assessable value given on the transaction line is considered as the taxable basis amount to calculate tax.

Line Amount

Use **Line amount** when the transaction line amount is to be treated as the taxable basis to calculate tax.

The transaction line amount is considered as the taxable basis. This is done after

- Deducting the associated discounts, or after proportionately enhancing or reducing it by a certain percentage.
- Adding other applicable taxes available on the transaction line

These adjustments on the line amount are controlled through the following parameters that are defined on the tax formula:

- Subtract cash discount: The cash discount applicable on the transaction, derived through the attached payment terms, is deducted from the transaction line amount. This option is considered only for Receivable transactions.
- Base rate modifier: The transaction line amount is increased or decreased based on the percentage value given.
- Tax formula compounding: The tax details specified in the tax formula compounding region are added to the transaction line amount to determine the taxable basis amount. These tax details are also enforced by selecting

the **Enforce Compounding** option. If a compounded tax is enforced but it's not calculated on the transaction, the tax associated with this tax formula also doesn't become applicable.

Prior Tax

Use **Prior tax** if the taxable basis is one or more than the other taxes calculated on the transaction line. The option to compound the prior taxes that are calculated on the transaction line are also available.

Quantity

Use **Quantity** if you want to calculate tax on transactions based on the number of units or items involved in the transaction.

Tax Calculation Tax Formula

The tax calculation tax formula is used to determine the calculation methodology that is applied to derive the basic tax amount on a transaction line. The tax amount on a transaction is generally calculated by multiplying the derived tax rate by the taxable basis. However, in some cases the tax amount is required to be altered by adding other taxes that are applicable on the same transaction line. Use a tax calculation formula defined with compounding criteria to address this requirement.

The tax details specified in the tax formula compounding region are added to the calculated tax that is associated with the tax formula. These compounded tax details can also be enforced when you select the **Enforce Compounding** option. When the compounded tax is enforced and when it is not calculated on the transaction, the tax to which this tax formula is associated with also does not become applicable.

Related Topics

- Tax Formulas
- Examples of Taxable Basis Tax Formula
- Example of Tax Calculation Tax Formula

Examples of Taxable Basis Tax Formula

The tax calculation process uses the taxable basis tax formula to determine the amount or quantity that should be considered as the taxable basis of a transaction line.

The tax rate is applied on the taxable basis amount to derive the basic tax amount on a transaction line.

Taxable basis type that is defined in the taxable basis formula is a key factor that decides the characteristics of the taxable basis amount. The taxable basis types are:

- **Assessable value**
- **Line amount**
- **Prior tax**
- **Quantity**

Taxable Basis Formula Based on Assessable Value

The tax formula that is based on assessable value is used as the taxable basis for calculating tax when the tax authority doesn't consider the transaction amount to reflect the true sale consideration, from the tax perspective.

Consider a sales transaction between two companies, A and B. The item value on the invoice is 1000 USD. However, if they're related companies, that is, within the same group, the tax authority can mark the item value as 5000 USD for the purpose of tax based on the average market price. The tax authority can choose to collect the tax based on that value instead of the actual sales value of 1000 USD.

The tax amount is calculated from the transaction details and tax setup as follows:

- Invoice line amount: 1000 USD
- Assessable value: 5000 USD
- State tax rate: 10%
- Taxable basis type: Assessable value
- Taxable Basis: 5000 USD

The state tax is equal to the taxable basis multiplied by the state tax rate (5000 USD * 10% = 500 USD).

Taxable Basis Formula Based on Line Amount

In this case, the amount given on the transaction line is considered for deriving the taxable basis.

Consider a situation when two taxes, state tax and county tax, are applicable on a transaction. In this situation, the transaction details and tax setup is as follows:

- Invoice line amount: 1000 USD
- Payment terms: 2/10, Net 30
- State tax rate: 20%
- County tax rate 10%
- Taxable basis type: Line amount
- Subtract cash discount: Yes
- Base rate modifier: 50%
- Compounding tax regime: Sale and use tax
- Compounding tax: State tax

The tax calculation is as follows:

- The state tax is equal to the invoice line amount multiplied by the state tax rate (1000 USD * 20% = 200 USD).
- The taxable basis for the county tax is equal to the line amount plus the base rate modifier less the cash discount at 2% plus the state tax (1000 USD + 500 USD - 20 USD + 200 USD = 1680 USD).
  The country tax is equal to the taxable basis multiplied by the county tax rate (1680 USD * 10% = 168 USD).

Taxable Basis Formula Based on Prior Tax

In this case, the previous tax that is calculated on a transaction is considered as the taxable basis.

Consider a situation when two taxes, state tax and county tax, are applicable on a transaction. In this situation, the transaction details and tax setup is as follows:

- Invoice line amount: 1000 USD
- State tax rate: 20%
- Country tax rate: 10%

- Taxable basis type: Prior tax
- Compounding regime: Sale and use tax
- Compounding tax: State tax

The tax calculation is as follows:

- The state tax is equal to the invoice line amount multiplied by the state tax rate (1000 USD * 20% = 200 USD).
- The taxable basis for the county tax is the tax calculated for the state tax (200 USD).

  The country tax is equal to the taxable basis multiplied by the county tax rate (200 USD * 10% = 20 USD).

Taxable Basis Formula Based on Quantity

In this case, the quantity of the goods or serviceable units is considered as the taxable basis.

Consider a scenario in which liquor is transacted between two organizations in Canada. In this situation, when excise tax is levied on it, the transaction details and tax setup is as follows:

- Line amount: 1000 CAD
- Quantity: 50 liters
- Price per liter: 20 CAD
- Excise tax: 11.69 CAD per liter
- Taxable basis type: Quantity

The tax calculation is as follows:

- The taxable basis for the excise tax is the quantity given on the invoice (50).
- The excise tax is equal to the taxable basis multiplied by the excise tax (50 * 11.69 CAD = 584.5 CAD).

Related Topics

- Tax Formulas

Example of Tax Calculation Tax Formula

The tax calculation tax formula is used to determine the calculation methodology that is applied to derive the basic tax amount on a transaction line.

Scenario

Consider a situation when two taxes, state tax and county tax, are applicable on a transaction. In such a situation, the transaction details and tax setup is as follows:

- Line amount: 1000 USD
- State tax rate: 20%
- County tax rate: 10%
- Compounding regime: Sale and use tax

- Compounding tax: State tax

The tax calculation is as follows:

- The state tax is equal to the invoice line amount multiplied by the state tax rate (1000 USD * 20% = 200 USD).
- The county tax is equal to the invoice line amount multiplied by the county tax rate plus the state tax ((1000 USD * 10%) + 200 USD = 300 USD).

Related Topics

- Tax Formulas

Manage Transaction Fiscal Classifications

Transaction Fiscal Classifications

Use transaction fiscal classifications to categorize transaction business categories so that multiple transaction business categories can be classified and a single transaction fiscal classification can be used within the tax rules.

This facilitates all of the applicable transaction business categories to trigger the relevant tax rule.

Transaction fiscal classifications provide a hierarchy of up to five levels. Each grouping of 1 to 5 levels is given a fiscal classification type group, which is used to retrieve all of the associated levels of one transaction fiscal classification type.

Assign each level a fiscal classification type code and name with associated start and end dates. Use the fiscal classification type code as the determining factor when you create tax rules. The start date must be before or equal to the earliest transaction date that use a tax rule associated with the applicable transaction fiscal classification.

Associate each fiscal classification type record with a tax regime that is used to create tax rules. This ensures that the list of values of the transaction fiscal classification is restricted by the tax regime for which the tax rule is being created.

> **Tip:** Set the transaction fiscal classification start date to the earliest tax regime start date of any tax that uses the given transaction fiscal classification.

To create these transaction fiscal classifications:

1. On the Create Transaction Fiscal Classification Types page:
    a. Save the current transaction fiscal classification type values.
    b. Create transaction fiscal classification codes.
    c. Associate business categories.
    d. Specify tax reporting codes.
2. Use the Edit Transaction Fiscal Classification Codes page to create the level 1 fiscal classification code nodes.
    a. Select the level 1 node.
    b. Click the **Create Child Node** to create the subordinate levels. Create the subordinate levels up to the maximum levels defined for the transaction fiscal classification type group.
3. Associate the fiscal classification type record with one or more transaction fiscal classification codes. These codes are used to group the transaction business category, which is used in the tax rule as the condition set value.

Tip: While setting up the transaction fiscal classification, use different levels so that all of the necessary tax rules are defined at the highest level possible. This facilitates in minimizing the needed number of tax rules.

Associate and form a relationship between the transaction fiscal classification codes and the transaction fiscal classification. This relationship is used during transaction time to derive the transaction fiscal classification that validates the tax rules that use the transaction fiscal classification.

Use the Associated Codes Details region to define the relationship between transaction fiscal classification codes, the transaction business category codes, and the tax reporting codes. Use the Transaction Business Category Codes and the Tax Reporting Codes tab to define the relationship.

Transaction Fiscal Classifications in Tax Rules

The transaction fiscal classification tax determination factors allow you to use the transaction fiscal classifications in tax rules. A combination of determination factor class and determining factor represent these determination factors.

Use the transaction fiscal classification as the determining factor class and the specific transaction fiscal classification type as the determining factor.

Transaction Fiscal Classifications at Transaction Time

During transaction time, use the transaction business category entered on the transaction line to classify the transaction line. The application derives the transaction fiscal classification using the defined relationship between the transaction business category and the transaction fiscal classification.

The tax determination process uses the derived transaction fiscal classification and any associated parent records for the higher levels to compare against the relevant tax rules.

Related Topics

- Example of Transaction Fiscal Classifications
- Tax Rules

Example of Transaction Fiscal Classifications

A transaction fiscal classification groups multiple transaction business categories into a single transaction fiscal classification that is used with tax rules. This helps in triggering all the applicable transaction business categories with relevant tax rules.

The following scenario illustrates how you can use transaction fiscal classifications for tax determination and reporting in Brazil.

Scenario

In Brazil, you need to identify a transaction correctly to be able to report and determine the correct applicable taxes. Create specific transaction business categories as children of the sales transaction. The transaction business categories include:

Level	Fiscal Classification Code	Fiscal Classification Name	Country	Start Date
1	SALES_TRANSACTION	Sales Transaction	Not applicable	1-Jan-1951
2	INTERSTATE MNFTRD FOR SALE	Interstate Manufactured for Sale	Brazil	The earliest transaction date or start date of tax.
2	INTERSTATE MNFTRD FOR MANUFACTURE	Interstate Manufactured for Manufacture	Brazil	The earliest transaction date or start date of tax.

Tip: Specify the country name while creating transaction business categories. This ensures that a limited applicable list is presented while entering the transaction fiscal classification during transaction or tax rule creation.

Tip: In this classification and many other tax classifications, classify the nonstandard items of your business as standard items. This can be modeled as a default tax rule and therefore, doesn't require an explicit classification or an explicit rule. Classify only exception items and define specific tax rules for them. For a standard item, none of the explicit tax rules apply except the default rate.

The tax rules that apply to sales transactions also apply to purchase transactions. In this case, you need equivalent set rules to represent the purchase side of the same transaction type. Therefore, create the following additional transaction business categories:

Level	Fiscal Classification Code	Fiscal Classification Name	Country	Start Date
1	PURCHASE_TRANSACTION	Purchase Transaction		1-Jan-1951
2	INTERSTATE MNFTRD FOR SALE	Interstate Manufactured for Sale	Brazil	The earliest transaction date or start date of tax.
2	INTERSTATE MNFTRD FOR MANUFACTURE	Interstate Manufactured for Manufacture	Brazil	The earliest transaction date or start date of tax.

In the given scenario, instead of creating separate tax rules for sales and purchase transactions, create a single transaction fiscal classification and link it to both the applicable sales and purchase transactions.

Create the following specific transaction fiscal classification with the relevant tax regime and transaction business category associations. In addition, create appropriate tax rules against this transaction fiscal classification.

Level	Transaction Fiscal Classification Code	Fiscal Classification Name	Start Date
1	BRAZIL MNFTRD (O2C and P2P) FOR SALE	Brazil Manufacture	1-Jan-1951

At transaction time, the tax determination process derives this transaction fiscal classification whenever you use related transaction business categories on the transaction.

Manage Tax Determining Factor Sets and Tax Condition Sets

Tax Determining Factor Sets and Condition Sets

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. Determining factors are represented in tax rules as the following concepts:

- Determining factor class: Tax determining factors are categorized into logical groupings called determining factor classes, such as Accounting or Geography.
- Tax class qualifier: Use a class qualifier with a determining factor class when it is possible to associate a determining factor class with more than one value on the transaction. For example, you need to specify which location type, such as ship-to party, a specific geography level, such as country, is associated with.
- Determining factor name: Each determining factor class contains one or more determining factor names that constitute the contents of the class.

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.

Conceptually, determining factors fall into four groups: party, product, process, and place. The following figure expands upon the determining factors within each grouping.

Party

- Legal Party Fiscal Classification
- Registration Status
- Party Fiscal Classification

Product

- Inventory Linked
- Noninventory Linked*
- Product Type*

Process

- Document*
- Accounting Segment*
- Transaction Fiscal Classification*
- Transaction Business Category*
- Transaction Type
- Line Class
- Intended Use*
- Tax Classification Code*
- User-Defined Fiscal Classification*

Place

- Geography
- User-Defined Geography

* These determining factors are entered at transaction time.

The relationship between the determining factor and condition sets and the party, product, process, and place is shown in the following table. The relationship value is a concept to group tax drivers and not an element in the tax rule definition. The determining factor, determining factor class, tax class qualifier, determining factor name, condition set operator, and condition set value are all components of tax rule setup.

Relationship	Determining Factor	Determining Factor Class	Tax Class Qualifier	Determining Factor Name	Condition Set - Operator	Condition Set - Value
Process	Accounting	Accounting		Line Account	Equal to	Flexible with range of qualifiers and segment or account values

Relationship	Determining Factor	Determining Factor Class	Tax Class Qualifier	Determining Factor Name	Condition Set - Operator	Condition Set - Value
Process	Document	Document	Document fiscal classification level (1-5) or blank	Document Fiscal Classification	• Equal to • Not equal to • Is blank • Is not blank	Document fiscal classification codes of the class qualifier level or all document fiscal classification codes if there is not class qualifier
Place	Geography	Geography	Location type which can be one of the following: • Bill from • Bill to • Point of acceptance • Point of origin • Ship from • Ship to	Geography type from Oracle Fusion Trading Community Model	• Equal to • Equal to determining factor • Not equal to • Not equal to determining factor • Range • Is blank • Is not blank	Trading Community Model geography names of the geography type belonging to the location identified by the class qualifier, for example, country or state. If the operator is Equal to determining factor or Not equal to determining factor then the values are: • Bill from • Bill to • Point of acceptance • Point of origin • Ship from • Ship to The available values do not include the tax class qualifier value.
Party	Legal Party Classification	Legal party fiscal classification	First party	Legal activity codes for: • Chile • Colombia • Peru • United Kingdom • Venezuela	• Equal to • Not equal to • Is blank • Is not blank	Legal classification codes of the legal classification activity

Relationship	Determining Factor	Determining Factor Class	Tax Class Qualifier	Determining Factor Name	Condition Set - Operator	Condition Set - Value
Party	Party Fiscal Classification	Party fiscal classification	Location type which can be one of the following: • Bill-from party • Bill-to party • Point of acceptance party • Point of origin party • Ship-from party • Ship-to party	Party fiscal classification type	• Equal to • Not equal to • Is blank • Is not blank	Fiscal classification codes of the party fiscal classification type assigned to the party identified by the class qualifier
Product	Product Inventory Linked	Product inventory linked		Name of a specific level of a product fiscal classification	• Equal to • Not equal to • Is blank • Is not blank	Fiscal classification codes of the applicable product fiscal classification type
Product	Product Noninventory Linked	Product noninventory linked	Product fiscal classification level (1-5) or blank	Product category product fiscal classification type	• Equal to • Not equal to • Is blank • Is not blank	Product classification codes of the class qualifier level or all product fiscal classification codes if there is no class qualifier
Party	Registration Status	Registration	Location type which can be one of the following: • Bill-from party • Bill-to party • Ship-from party • Ship-to party	Registration Status	• Equal to • Equal to determining factor • Not equal to • Not equal to determining factor • Is blank • Is not blank	The registration status defined in the registration status lookup. If the operator is Equal to determining factor or Not equal to determining factor then the values are: • Bill-from party • Bill-to party • Ship-from party • Ship-to party

Relationship	Determining Factor	Determining Factor Class	Tax Class Qualifier	Determining Factor Name	Condition Set - Operator	Condition Set - Value
Process	Transaction Fiscal Classification	Transaction fiscal classification		Transaction fiscal classification type	• Equal to • Not equal to • Is blank • Is not blank	Specific transaction fiscal classification code
Process	Transaction Business Category	Transaction generic classification	Classification level (1-5) or blank	Transaction Business Category	• Equal to • Not equal to	Transaction business category fiscal classification codes of the class qualifier level or all fiscal classification codes if there is no class qualifier
Process	Transaction Type	Transaction generic classification	Classification level (1-5) or blank	Transaction Business Category	• Equal to • Not equal to	Transaction business category fiscal classification codes of the class qualifier level or all fiscal classification codes if there is no class qualifier
Process	Intended Use	Transaction input factor		Intended Use	• Equal to • Not equal to • Is blank • Is not blank	Product intended use fiscal classification codes
Product	Line Class	Transaction input factor		Line Class	• Equal to • Not equal to • Is blank • Is not blank	Transaction event classes and activities Code list of line transaction types such as: • Procure-to-pay • Credit memo order-to-cash • Miscellaneous cash
Process	Product Type	Transaction input factor		Product Type	• Equal to • Not equal to • Is blank • Is not blank	Predefined goods or services
Process	Tax Classification Code	Transaction input factor		Tax Classification Code	• Equal to • Not equal to	Tax classification codes

Relationship	Determining Factor	Determining Factor Class	Tax Class Qualifier	Determining Factor Name	Condition Set - Operator	Condition Set - Value
					• Is blank • Is not blank	
Process	User-Defined Fiscal Classification	Transaction input factor		User-Defined Fiscal Classification	• Equal to • Not equal to • Is blank • Is not blank	User-defined fiscal classification codes
Place	User-Defined Geography	User-defined geography	Location type which can be one of the following: • Bill from • Bill to • Point of acceptance • Point of origin • Ship from • Ship to	Tax zone types	• Equal to • Equal to determining factor • Not equal to • Not equal to determining factor • Is blank • Is not blank	Tax zones of the tax zone type belonging to the location identified by the class qualifier

Tip: Do not mix the interpretation of the party, product, process, and place and the associated determining factors if possible. For example, if the information you need to model concerns the geography associated with the locations on the transaction do not use party classifications to model this type of requirement.

Tip: Whenever possible, use automatically determined or derived determining factors, such as party classifications, product fiscal classifications, or geography instead of using those that are reliant on information entered at transaction time, such as product category, intended use, or user-defined fiscal classifications. Those entering information at transaction time may not be familiar with the impact this information has on tax determination.

You can use multiple party and product fiscal classifications at the same time. However, only the primary product fiscal classification, as defined in the country defaults is displayed on the transaction line. When you override the product fiscal classification at transaction time that value is used in preference to the default product fiscal classification.

Related Topics

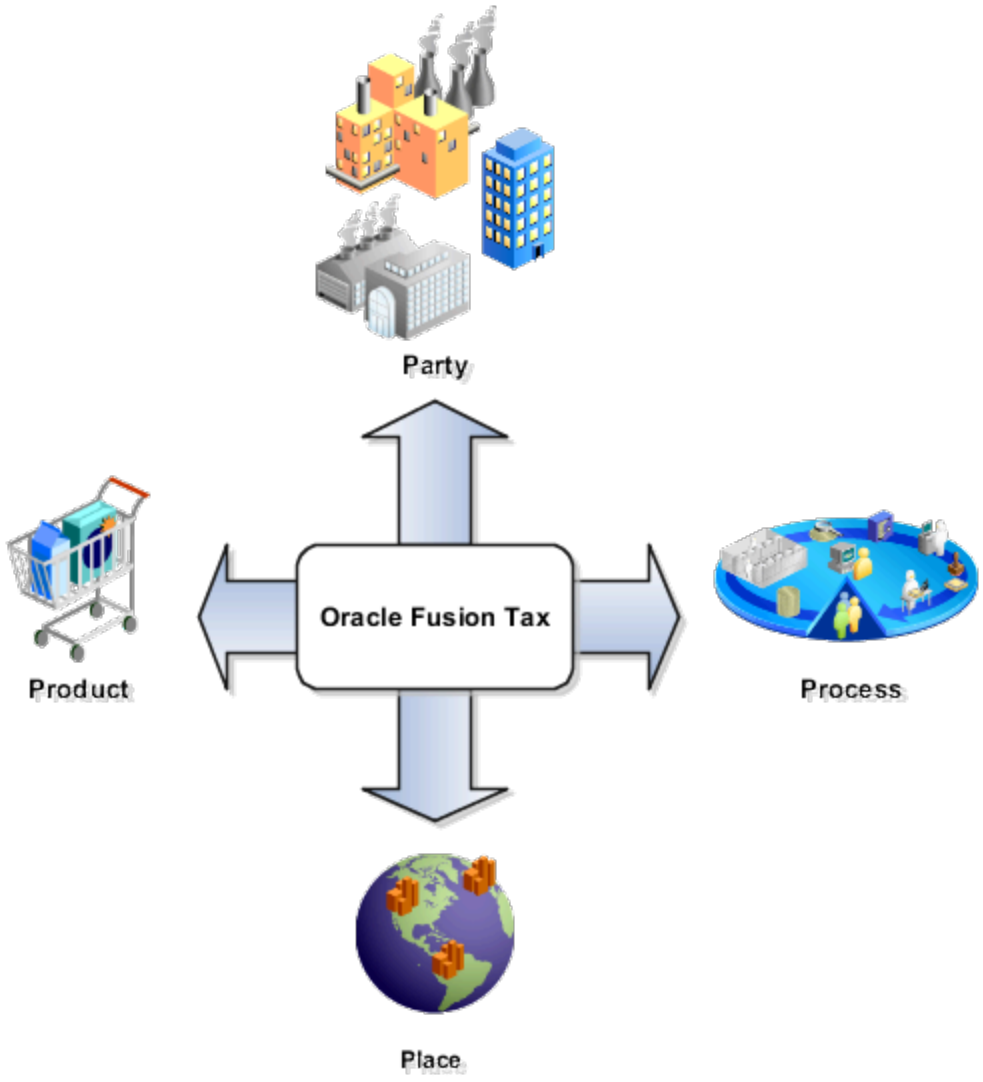
- Tax Rules Processing Order
- Examples of Setting Up Determining Factor and Condition Sets
- Example of Turning Tax Regulations into Tax Rules

Party, Product, Place, and Process as Determining Factors

Determining factors are the key building blocks of the tax rules. They're are the variables that are passed at transaction time derived from information on the transaction or associated with the transaction.

They're used within tax rules logic to determine the conditions under which specific tax rules are applicable to a specific transaction.

Conceptually they fall into four groups as shown in the following figure:



The four groups are described as:

- Party: Information about the parties on or associated with a transaction such as party fiscal classification, tax registration, and tax exemptions.
- Product: Information of the types and classifications of the goods and services on or associated to items on a transaction.

- Place: Information on the addresses of the locations associated to the party and party locations on the transaction.
- Process: Information on the type of tax services that are being requested such as purchase invoice and debit memo.

How Tax Is Determined Using Party, Product, Place, and Process Transaction Attributes

The following table describes how the party, product, place, and process transaction attributes contribute to the outcome of the tax determination process:

Group	Transaction Attributes	Process
Place	• Ship from • Ship to • Bill from • Bill to • Point of acceptance • Point of origin	Restrict your tax rules based on the location where the transaction took place. For example, you may only want to apply a tax rule to goods that are delivered from an EC country into the UK. The tax determination process uses the countries associated with the transaction to select the tax regimes associated with the first parties defined for those countries. The tax determination process also uses the transaction location corresponding to the location type derived from the tax rule for the candidate tax or the rule default location type. It then identifies the tax jurisdiction of the candidate tax to which the location identified belongs. If the location doesn't belong to any tax jurisdiction of this tax, then the tax doesn't apply to the transaction.
Party	• First-Party legal entities • Ship from or ship to parties and bill from or bill to parties • Tax registration and registration statuses of each party • Type or classification of a party	Restrict your tax rules based on the party of the transactions. For example, the supplier must be registered in another EC country for this tax rule to be applied. The tax determination process determines the first party of the transaction which is either the legal entity or business unit. It uses the first-party legal entity or business unit to identify the tax regimes to consider for the transaction. It also identifies other configuration options, if defined, to use in processing taxes for the transaction. The tax determination process also determines the party whose tax registration is used for each tax on the transaction, and, if available, derives the tax registration number. If the tax registration or registrations are identified, the process stamps the transaction with the tax registration numbers.
Product	• Designation of physical goods or services • Type or classification of a product	Restrict your tax rules to apply to a specific product in the transaction. The tax determination process then applies these rules

Group	Transaction Attributes	Process
		to transactions with those specific attributes. For example, the product type must be goods for this tax rule to apply. For each tax, the tax determination process determines if a product tax exception applies to the transaction. It looks for an exception rate specific to the inventory item or fiscal classification of the item and adjusts the rate appropriately.
Process	• 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, such as retail goods, manufactured goods, intellectual property, and resales.	Restrict your tax rules to apply to a specific type of transaction. The tax determination process then applies these rules to transactions with those specific attributes. For example, the tax rule is limited to purchases. For each tax, the tax determination process determines if a customer tax exemption applies to an order-to-cash transaction and updates the tax rate accordingly.

Related Topics

- Why are party, product, place, and process important?
- Example of Turning Tax Regulations into Tax Rules
- Tax Determining Factor Sets and Condition Sets
- Tax Rules

Examples of Setting Up Determining Factor and Condition Sets

The following scenarios illustrate when you set up tax determining factor sets and condition sets to meet your tax requirements.

Scenario

There is a tax requirement for a state tax, Intrastate A, to apply to any intrastate transactions for a specific product category of items. When defining this tax, the typical transaction scenario is that this tax isn't applicable. So when defining this tax, the tax applicability default value is **Not Applicable**. Create a tax rule for the exception scenario when this particular product is sold in an intrastate transaction.

Create the determining factor set as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name
Geography	Ship from	State
Product noninventory linked	Level 2	Product Category

Determining Factor Class	Class Qualifier	Determining Factor Name

Create the condition set as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
Geography	Ship from	State	Equal to determining factor	Ship to
Product noninventory linked	Level 2	Product Category	Equal to	Product A

Define the set with the result of **Applicable**. If the conditions defined match the respective transaction values, the tax rule evaluates to true and the tax is considered applicable. When the conditions aren't met and if there are no other condition sets or tax rules to evaluate, the determination process looks to the default value of **Not Applicable** as the result and the tax is not calculated.

Scenario

Determining factors represent the **and** part of the evaluation process. The determination process evaluates every element of the determining factor class unless it is set to ignore in the condition set definition. This feature allows for reusability of determining factor sets with some flexibility not requiring the use of all determining factors in each tax rule definition. The condition set is the **or** condition of a tax rule when there are multiple condition sets defined.

For example, a tax law may indicate that a specific state tax is applicable to certain products or specific services from specific supplier types that are considered to have environmental impacts. Analysis determines there are two separate supplier party classifications and one product category defined that meet the requirement for applicability.

Create the determining factor set as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name
Party fiscal classification	Ship from	Party Fiscal Classification Type Code
Product noninventory linked	Level 2	Product Category

Create the condition set 1 as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
Party fiscal classification	Ship from	Party Fiscal Classification Type Code	Equal to	Category A
Product noninventory linked	Level 2	Product Category	Equal to	Product A

Create the condition set 2 as follows:

Determining Factor Class	Class Qualifier	Determining Factor Name	Operator	Value
Party fiscal classification	Ship from	Party Fiscal Classification Type Code	Equal to	Category B
Product noninventory linked	Level 2	Product Category	Equal to	Product A

The tax determination process evaluates all of the determining factors in the determining factor set: party fiscal classification and product noninventory linked. However, using multiple condition sets offer an **or** evaluation to the tax rule. The tax determination process evaluates either of the following:

- Party fiscal classification type code is equal to category A and product category is equal to product A
- Party fiscal classification type code is equal to category B and product category is equal to product A

You define a result for each condition set that is applied if the condition evaluates to true. Condition sets are numerically ordered to specify the sequence in which they need to be evaluated during rule processing. Optionally, you can disable them for processing depending on a change in tax law.

Note: It is important to carefully evaluate condition set order since a change in order can impact the result of a tax rule.

Also, numerically order tax rules defined for a rule type to specify the sequence in which they are to be evaluated during the rule processing. The rule order, along with the specific applicability criteria like event class, defines the rule evaluation sequence for a rule type.

FAQs for Manage Tax Determining Factor Sets and Tax Condition Sets

Why are party, product, place, and process important?

Party, product, place, and process act as determining factors within tax rules. They help you analyze and identify the conditions applicable to a specific business transaction. Use them to summarize complex business requirements.

This can be very useful for identifying the setup best-suited for these requirements.

Manage Tax Reporting Types

Tax Reporting Types and Codes

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.

Create tax reporting codes for a tax reporting type to provide additional granularity for tax reporting.

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:

- Define tax reporting types at a generic level, tax regime level, or tax level.
- Define the validation for the tax reporting type to add tax reporting codes such as data type and a minimum and maximum length. Data types include **Date**, **Numeric value**, **Text**, and **Yes or no indicator**.
- Use tax reporting codes you create under one tax reporting type across various entities, such as tax, tax status, tax rate, party tax profiles, and fiscal classifications.

  > **Note:** To use a tax reporting type for a particular entity, associate that entity to the tax reporting type in the Reporting Type Uses region on the Create Tax Reporting Type page.

There's no impact of the tax reporting type on tax calculation. The tax reporting codes are used in the tax reports.

Tax configuration facilitates the association between various entities and tax reporting codes. The entity details are stored as part of the tax repository. During tax report generation, necessary tax codes are derived based on the entities associated with the tax line. The Tax Reporting Ledger handles the functionality to include the reporting type code.

Tax Reporting Type Uses

Some reporting type uses have a one to one relationship of tax reporting type use to an entity, such as tax, tax jurisdiction, tax rate, and tax status. For example, the tax reporting type use of Tax defines tax reporting type codes for association to taxes you define and the Tax Jurisdiction tax reporting type use defines tax reporting type codes for association to the tax jurisdictions you define.

The Fiscal Classification tax reporting type use defines tax reporting type codes for association to the following classifications:

- User-defined fiscal classifications
- Product category fiscal classifications
- Document fiscal classifications
- Transaction fiscal classifications

The Party Tax Profile tax reporting type use defines reporting type codes for association to the following party tax profiles:

- Legal entity tax profiles
- Legal reporting unit tax profiles
- Business unit party tax profiles

- Third-party tax profiles
- Third-party site tax profiles

The Process Result tax reporting type use defines reporting type codes for association to the following rule types:

- Direct tax rate determination rules
- Place of supply rules
- Tax applicability rules
- Tax registration rules
- Tax status rules
- Tax rate rules
- Taxable basis rules
- Tax calculation rules

Tax Reporting Types and Codes and Their Use in Tax Reporting

The following table describes key predefined tax reporting types and codes, their association and use in tax reporting:

Country	Reporting Type and Code	Associated to	Use
Italy and Spain	• REPORTING_STATUS_TRACKING • Y	Tax	Used to track tax lines that aren't yet finally reported
Italy and Spain	• EMEA_VAT_REPORTING_TYPE • VAT	Tax	Used in the EMEA VAT selection process
Italy	• EMEA_VAT_REPORTING_TYPE • Custom bill	Tax rate code	Used in the Italian Purchase VAT Register definition program to recognize customs invoices
Italy	• EMEA_VAT_REPORTING_TYPE • Self invoice	Tax rate code	Used in the Italian Purchase VAT Register definition program to recognize self invoices
Italy	• EMEA_VAT_REPORTING_TYPE • Nontaxable	Tax rate code	Used in the Italian Purchase VAT Register definition program to recognize nontaxable invoices
Italy	• EMEA_VAT_REPORTING_TYPE • Exempt	Tax rate code	Used to identify invoice lines with exemption limit groups
Spain	• EMEA_VAT_REPORTING_TYPE • Services	Tax rate code	Used for VAT reporting

Related Topics

- Tax Reporting Ledger

Legal Justification Tax Reporting Types

Legal justification tax reporting types are introduced to support the European Union (EU) value-added tax (VAT) changes for the year 2010. The changes intend to modernize and simplify rules relating to cross-border supply of services and recovery of input tax.

These are the most far-reaching changes to VAT law since the introduction of the Single European Market in 1993. This impacts all businesses, which supply and purchase services across EU countries. Companies must rethink their service flow, as well as, their compliance and reporting obligations.

The new rule for place of supply of services, for tax determination in a business-to-business transaction, is where the customer is established and not where the supplier is established, as is the case before January 1, 2010. Therefore, if services are supplied in another EU member state, they are taxable in the recipient's country. For business-to-customer supply of services, the general rule for place of supply continues to be the place where the supplier is established. There are exceptions to the new rule for certain types of services. Examples include: services provided for immovable property, passenger transport services, cultural, and educational events. It also includes ancillary services, short term hiring of means of transport, and restaurant and catering services carried out on board a ship, aircraft, or train within the EU.

Legal Messages

A legal message specifying that the customer of such services must self-assess the relevant tax, should be printed on Receivables (intra-EU services) invoices. Create a Bill Presentment Architecture template to print the legal justification message on the Receivables invoice. The exact text of the message is defined by the country-specific legislation. The reporting code is also a selection parameter to display the intra-EU services invoice lines on the European Union Sales Listing report.

Configure these messages using the Create Tax Reporting Types page. Associate these messages to invoices with a tax rate definition and a tax rule result. When defining these tax reporting codes, the tax reporting purpose is the **Legal justification message type**. The applicable reporting type uses are **Process Result** and **Tax Rate**. Enter the legal justification text which should be as defined by legislation.

Related Topics

- Tax Reporting Types and Codes

Manage Location of Final Discharge

Tax Point Basis

Comply with tax regulations by assigning the correct tax point basis for a tax. The value you select determines the event at which the taxes for an invoice are reported.

The following table describes the tax point basis values:

Tax Point Basis	Result
Payment	If a tax on a purchase invoice has **Payment** as the tax point basis, then the recoverable tax is debited to an interim account on invoice accounting. On accounting for the corresponding payment, a proportionate tax amount is recovered and the same is reported as of that payment date. The approach is the same for the tax liability on a sales invoice.
Invoice	A tax point basis of **Invoice** is the default where the tax recovery and liability are reported as of the invoice date.
Accounting	Specify the tax point basis as **Accounting** for a tax when the tax authorities mandate that tax recovery and liability occur on accounting for an invoice. You must report on the accounting date for the invoice.
Delivery	For taxes you can claim tax recovery on receipt of corresponding goods, specify the tax point basis as **Delivery**. Taxes on the invoice are calculated with the tax rate as of the receipt date. These tax lines are reported as of the receipt date. For the sales transactions, the shipment date is be used as a basis for tax rate determination and accounting. If the tax authorities mandate that the recovery is accounted on the goods receipt event, then: • Enable the **Allow delivery-based tax calculation** option for the configuration owner tax options that you created for the relevant business unit or legal entity. • Specify the **Report Delivery-Based Taxes on** option as **Receipt**. This configuration enables recoverable taxes with tax point basis of **Delivery** to be accounted on receipt accounting. For consigned purchases, consumption of goods is the event at which ownership changes. Consumption of goods is the event at which recoverable delivery-based taxes is accounted.

Exception Configuration for Tax Point Basis

If tax regulations require tax point basis to vary based on party registration, then specify tax point basis at the tax registration or a tax registration rule. You can also specify tax point basis at tax rate to meet specific needs. When these exceptions are configured, then the tax calculation process considers the following order of evaluation, with tax being the most generic option when the prior specific options aren't configured.

- Tax registration rule
- Tax rate
- Party tax registration
- Tax

Related Topics

- Tax Point Basis Hierarchy
- Tax Calculation on Payables Transactions Using Tax Point Basis
- Tax Calculation on Receivables Transactions Using Tax Point Basis
- Tax Calculation on Delivery Transactions Using Tax Point Basis

Tax Point Basis Hierarchy

The tax point basis is used to identify the appropriate date to account and report your transaction taxes to the tax authorities. During tax calculation, the application determines the tax point basis based on what level you defined the tax point options.

The following table describes the order used for processing the tax point basis on a tax line. The application considers the tax point basis at the first level and if the tax point basis is blank, the process moves to the next level in the hierarchy.

Level	Action
Tax registration rule	The rule conditions based on various transaction attributes are considered in determining the required tax point basis value for the tax.
Tax rate	The tax rate period processed for a tax from the tax rate rule is considered in determining the tax point basis value for the tax. The tax point basis is driven by the legal requirements specified for different tax rate types.
Tax registration	The tax registration of the registration party is considered in determining the required tax point basis value for the tax. The registration party is derived from the tax registration rules. However, first the application determines: • The corresponding tax registration based on the registration number on the transaction header. • If no registration number exists, then uses the available registration records for that party. The tax point basis is dependent on specific requirements driven by the registration number provided by the tax authorities.
Tax	The tax point basis value specified for the tax is considered. All tax rate codes you define for this tax use this tax point basis value.

To apply a tax point basis across all transactions within an event class and for a specific business unit or legal entity, define the tax point basis as part of the configuration owner tax options.

Manage Tax Profile Options

Profile Options Controls and Defaults

Set values for Oracle Fusion Tax profile options to control the availability of certain tax options.

Defining Controls and Defaults

The following table describes the defaults and controls available at the tax profile options level.

Field	Description	Default Derived from	Default Appears on	Controls
Transaction Tax Line Override	Controls whether you can update automatically calculated tax lines at transaction time	None	None	Use this option along with the ALLOW_TAX_OVERRIDE_FLAG for the tax to allow you to override tax lines at transaction time. This excludes you from updating the **Inclusive** option and tax rate on the tax line. Use this option along with the **Allow override and entry of inclusive tax lines** option on the tax record to allow you to override the **Inclusive** option on the tax line.
Tax Classification Code Override	Controls whether you can override the tax classification on the tax line at transaction time	None	None	If you select this option, you can override the tax classification code at transaction time.
Tax Exemption Override Control	Controls whether you can override tax exemptions at transaction time	None	None	If you select this option, you can override tax exemptions at transaction time where tax exemptions are allowed.

Related Topics

- Tax Controls and Defaults
- How You Set Up Configuration Owner Tax Options for Payables and Purchasing Event Classes

Manage Tax Box Allocation Rules

Tax Box Allocations

You are often required to submit tax returns in a format that groups taxable transactions by applying specific grouping rules defined by the tax authorities.

In most cases, the grouping rules for taxation are based on the location where the transaction took place, transaction type, tax rate, product type, and tax recovery.

Tax box allocation supports definition of tax grouping rules and complex tax reporting by providing transactional and accounting information, segregated by tax boxes.

Define two sets of rules to report periodic and annual allocations: periodic and annual.

You can:

- Define tax box allocation rules on two different levels to support specific needs.
- Share the rules across legal entities or define them for a specific legal entity.

In most tax regimes, legal entities that reside within the same tax regime share the same set of tax grouping rules defined by the tax authorities. Tax box allocation provides you the flexibility to define tax box allocation rules once, and share them across legal entities.

For each tax reporting period, transactions are processed and based on the tax determining factors, tax box numbers are assigned to the transaction lines.

Tax box allocations support periodic and annual reporting. It enables you to separate:

- Purchase and sales transactions
- Recoverable and nonrecoverable taxes
- Domestic and foreign transactions
- Goods and services

Tax box allocation comprises of:

- Tax Box Allocation Rules
- Tax Allocation Process
- Tax Box Allocation Reports

Tax Box Allocation Rules

Tax box allocation rules are user-defined rules. They set the correspondence between tax box number and a set of transaction attributes based on which tax or taxable amount is reported in the tax box.

A tax box represents a tax declaration cell in which tax or taxable amount is reported. It may also represent a group of transactions in tax registers or other tax reports.

Tax Allocation Process

The Tax Allocation Process:

- Checks whether the tax box allocation rule condition is met
- Allocates applicable tax box numbers to taxable transactions
- Verifies whether the rules are defined at the legal entity or global level. If more than one rule is applicable to a transaction, all the rules are applied. However, all the applicable rules must be at the same level, either at the legal entity or global level. Rules at the:
  - Legal entity level are given higher precedence than the rules you define at the global level.
  - Global level are processed and applied only when no rules are defined at the legal entity level.

> **Note:** Run the Tax Allocation Process for a period only after the Tax Reporting Selection Process is executed for the period.

Tax Box Allocation Reports

Oracle Tax provides various generic reports that are associated with tax box allocations. These reports provide details on tax computation and tax returns.

The following reports are provided:

- Tax Allocations Listing Report
- Tax Allocation Exceptions Report
- Tax Box Return Preparation Report

Run the Tax Box Return Preparation Report to list taxable and tax amounts grouped by tax declaration box numbers for periodic or annual allocations.

Run the Tax Allocation Listing Report and Tax Allocation Exceptions Report to:

- Verify the tax boxes allocated to the transaction lines
- Check the transaction lines that don't have any tax boxes allocated

Related Topics

- Tax Box Allocation Rules
- How You Use Tax Reporting Type for Tax Box Allocation Rules
- Example of Setting Up Tax Box Allocation Rules
- Generate Tax Returns Based on Tax Box Allocation Rules
- Tax Box Allocation Reports

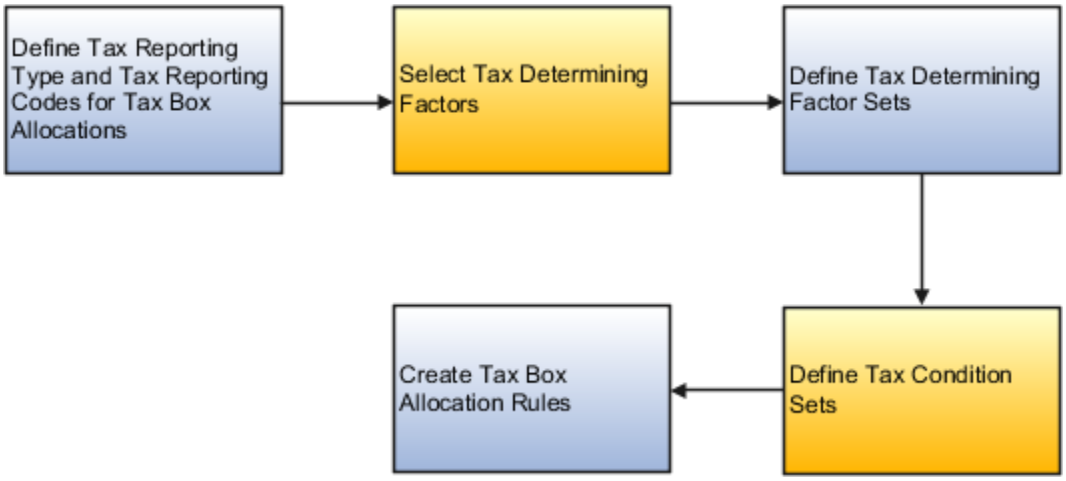
Tax Box Allocation Rules

Tax box allocation rules represent the association between tax determining factors and user-defined reporting categories called tax boxes.

Tax or taxable amount is allocated a specific tax box number based on tax determining factors and rules applied to transactions. This number is used for tax box reporting.

You can also define the tax box allocation rule to be used for annual allocations or periodic allocations by determining the reporting frequency for which the tax boxes are used. The possible values are Periodic and Annual. For the implementations with the same set of tax boxes for periodic and annual reporting and the same rules of their designation, create the tax box allocation rules with the Report Periodicity either **Periodic allocation** or **Annual allocation**. In this case the tax box allocation rules defined with the Report Periodicity **Annual allocation** becomes valid for periodic reporting and the other way around.

The following figure illustrates the steps involved in defining the tax box allocation rules for transactions. This involves defining the tax reporting type and codes, selecting the tax determining factors, defining the tax determining factor sets, defining tax condition sets, and finally creating the tax box allocation rules.



Tax Reporting Type and Tax Reporting Codes

Tax reporting codes represent tax box numbers that are used in the tax box allocation rules. These tax reporting codes are assigned to taxable transactions.

Define tax box numbers as tax reporting codes. For example, assume you have to report recoverable tax amount to the tax authority. Therefore, define tax reporting type with tax reporting type purpose as tax box allocation. Create tax reporting code with box type as recoverable tax box, for example, 11 - Tax Recoverable Box.

Tax Determining Factors and Tax Determining Factor Sets

Select the tax determining factors you want to use for defining tax box allocation rules. For our example, define tax box allocation rules that are based on the following tax determining factors:

- Country: Helps you determine the country from which goods are shipped and the country to which goods are shipped.
- Transaction Business Category: Helps you determine the type of transaction, such as purchase or sales transaction.

These tax determining factors together are called tax determining factor set.

Tax Condition Sets

Assign the values to the tax determining factors. For our example, determine the recoverable tax amount on standard purchase invoices from Italy. Assign the following values to the tax determining factors:

- Ship-to Country = Italy
- Ship-from Country = Italy
- Transaction Business Category = Standard Purchase Invoice

Tax Box Allocation Rules

Create the tax box allocation rules. For our example, create a rule that assigns the tax box 11 when the following conditions are met:

- Country from where the goods are shipped is Italy
- Country to which goods are shipped is Italy
- Transaction type is a standard purchase invoice

Related Topics

- Tax Box Allocation Rules
- How You Use Tax Reporting Type for Tax Box Allocation Rules
- Example of Setting Up Tax Box Allocation Rules
- Generate Tax Returns Based on Tax Box Allocation Rules
- Tax Box Allocation Reports

How You Use Tax Reporting Type for Tax Box Allocation Rules

Tax reporting type is used to specify the tax reporting codes. Tax reporting codes are tax box numbers used in the tax box allocation rules. These codes are assigned to taxable transactions.

For tax box allocation rules, use Tax Box Allocation as the tax reporting type purpose on the Create Tax Reporting Type page.

Using Tax Reporting Type

- To define tax reporting type that must be shared across several countries, leave the Country field blank.
- To restrict the usage of tax reporting type to just one country, enter the country name in the Country field.

Use the Tax Reporting Codes section to specify the tax box numbers that are used in the tax box allocation rules.

The following table explains the required fields for tax box allocation rules:

Field	Description
Tax Reporting Code	Specify the tax box numbers that are assigned to the transactions, and used for reporting.

Field	Description
Amount Sign	Select a positive or negative sign to indicate whether the amounts must be displayed as positive or negative in the reports.
Box Type	Specify the type of tax box on which the tax box rule applies such as: • Recoverable Taxable Amount • Nonrecoverable Taxable Amount • Recoverable Tax Amount • Nonrecoverable Tax Amount • Total Amount

Related Topics

- Tax Box Allocation Rules
- Tax Box Allocations
- Example of Setting Up Tax Box Allocation Rules

Example of Setting Up Tax Box Allocation Rules

Many European countries commonly record domestic purchase or sales transactions with a particular tax rate. They then report the transaction taxable and tax amounts to the tax authorities. They use a specific tax box according to the tax rate that applies to the transaction.

This example illustrates how to configure tax box allocation rules and allocate tax box numbers to domestic purchase transactions.

This table summarizes key decisions for this example:

Decisions to Consider	In this example
Tax reporting codes	These factors determine the transactions that are reported: • Country where you register your business for tax purposes • Country of the suppliers with whom you do business • Transaction type you want to report • Tax rate applicable on the transactions
Tax condition set	These values must be assigned to the tax determining factors: • Goods are shipped from and shipped to Italy • Standard VAT rate applies to the goods • Transaction is a purchase transaction
Tax box allocation rules	Define a rule that assigns tax box number 11 when these conditions mentioned are met.

Decisions to Consider	In this example

In this example, your company is registered in Italy for tax purposes, and does business with Italian suppliers. You must report the recoverable taxable amount for purchase transactions from Italian suppliers that are taxed on the standard VAT rate. The tax authority requires that you report these amounts using tax box number 11.

Define Tax Reporting Codes

Use the Create Tax Reporting Type page to define tax boxes. Use these tax boxes to report the tax and taxable amounts of all eligible transactions to the tax authorities.

Perform these steps to create a tax reporting type:

1. Go to the Manage Tax Reporting Types page.
2. Click the **Create** icon.
3. Enter the tax reporting type code and name.
4. In the **Tax Reporting Type Purpose** field, select **Tax box allocation**.
5. In the Tax Reporting Codes section, click the **Add Row** icon and then enter these values:

Tax Reporting Codes	Description	Amount Sign	Box Type	Effective Start Date
11	Provide a description for the tax reporting code.	Plus	Recoverable taxable amount box	1/1/70

Define a Tax Determining Factor Set

Various Determining Factor Classes, such as Derived, Registration, and Geography, are used to define the tax determining factor sets.

Here's what you do to define a tax determining factor set:

1. Go to the Manage Tax Determining Factor Sets page.
2. Click the **Create** icon.
3. Enter the tax determining factor set code and name.
4. In the **Set Usage** field, select **Tax box allocation rule**.
5. Enter these values in the **Associate Tax Determining Factors** table:

Determining Factor Class	Tax Class Qualifier	Determining Factor
Derived		Tax Rate Name
Geography	Ship from	Country
Geography	Ship to	Country

Determining Factor Class	Tax Class Qualifier	Determining Factor
Registration	Bill-from party	Registration Status
Transaction generic classification	Level 1	Transaction Business Category

Define a Tax Condition Set

Tax condition sets help you map the Tax Determining Factor Set using specific values.

In this example, you provide specific values that are associated with the determining factors defined in the previous step.

Perform these steps to define a tax condition set:

1. Go to the Manage Tax Condition Sets page.
2. Click the **Create** icon.
3. Enter the tax condition set code and name.
4. In the **Tax Determining Factor Set Code** field, select the tax determining factor set you defined earlier.
5. Enter these values in the **Tax Condition Set Details** table:

Tax Determining Factor Class	Tax Class Qualifier	Tax Determining Factor Name	Operator	Value or From Range
Transaction generic classification	Level 1	Transaction Business Category	Equal to	PURCHASE_ TRANSACTION
Registration	Bill-from party	Registration Status	Equal to	REGISTERED
Geography	Ship to	Country	Equal to	Italy
Geography	Ship from	Country	Equal to	Italy
Derived		Tax Rate Name	Equal to	IT VAT STANDARD RATE

Define Tax Box Allocation Rules

Finally, you can define the tax box allocation rules. Use the tax reporting type and tax determining factor set you defined in the earlier steps.

Here's what you do to define tax box allocation rules:

1. Go to the Manage Tax Box Allocation Rule page.
2. Click the **Create** icon.
3. Enter these values in the Rule Details section on the Tax Determining Factors page:

Field	Value	Notes
Configuration Owner	Global configuration owner	Decide whether you want to define rules globally or for a specific legal entity.
Tax Regime Code	IT VAT	
Tax	IT VAT	
Rule Code	TBA Domestic purchase rate	
Report Periodicity	Periodic allocation	
Rule Name	TBA Domestic purchase transaction	
Start Date	1/1/70	
Tax Reporting Type		Select the name of the tax reporting type that you gave while defining tax reporting type.

4. In the Tax Determining Factor Set section, select the tax determining factor set that you defined in the previous step as the **Code**.
   You can see the tax determining factor set details that you provided earlier in the Tax Determining Factor Set Details table.
5. Click **Next**.
   Use the Tax Condition Set page to associate the Tax Condition Set created in the previous step with the tax box allocation rule.
6. Select the **Tax Condition Set Code** that you specified while defining the tax determining factor set in the previous step.
7. Enter the **New Condition Set Order** as 1.
8. Click the **Selected Results** button.
   Select the tax boxes you defined while creating the tax reporting type. This action associates these tax boxes to the tax box allocation rule.
9. Select the **Enabled** check box.
10. Click **Save and Next**.
    Use the Rule Status and Order page to set the order of the tax box allocation rules.
11. Select the **Enabled** check box for the rules you want to apply.
    You can also enter new rule order for the tax box allocation rules you see, or leave the order unchanged.
12. Click **Submit**.

Run the Tax Box Allocation process. It applies the tax box allocation rule to the invoice and assigns tax box number 11 to the invoice. You can review this using the Tax Allocation Listing Report.

Related Topics

- Tax Box Allocations
- Tax Box Allocation Rules
- How You Use Tax Reporting Type for Tax Box Allocation Rules

Manage Tax Exemption Limits for Italy

Supplier Exemptions for Italy

In Italy, export transactions are exempted from value-added tax (VAT).

Companies classified as regular exporters have more input VAT than output VAT. They can request their suppliers to not charge VAT on transactions for export-related goods. Italian law lets you claim an exemption if you meet certain legal requirements.

These legal requirements are:

- Your regular exporter ratio is higher than 10 percent.
- The value of goods and services purchased without VAT charges is lower or equal to your exemption limit.
- You declare all export activities to your tax authorities.

The exemption limit is the total VAT exemption amount that a regular exporter can claim to its suppliers. A regular exporter can avoid purchasing and importing of goods and services without VAT up to the determined amount or ceiling. This exemption process is considered the Letter of Intent process.

For each year, the initial exemption limit is the sum of all reported export invoices of the previous year. You can allocate your yearly exemption limit among different suppliers. To each supplier:

- Send a Letter of Intent indicating the exemption amount.
- Request them not to charge tax when they send the invoices.

At the end of the year, if your total exempt purchases of goods and services is higher than your exemption limit, you incur administrative sanctions and penalties.

Exemption Limit Types

Exemption limits are of two types:

- Annual: The exemption is manually calculated at the beginning of the year. The calculation is based on the sum of exemption limits for all the reported export invoices of the previous year. Companies can allocate the yearly exemption limit among different suppliers. Send Letters of Intent to each supplier that indicate the exemption amounts and request that they do not charge tax when they send the invoices.
- Monthly: The exemption is manually calculated at the beginning of each month. The calculation is based on operations in the previous 12 months. This method is used frequently by regular exporters as it allows for progressive increase of exports since it's calculated monthly.

Once exemption limits are defined for a legal entity, the exemption limit type cannot be changed during a calendar year.

Exemption limits can be adjusted during the year to:

- Reflect the increase or decrease in export activities.
- Changes in the VAT exemption amount as agreed with the tax authorities.

Exemption Process

The following outlines the steps in the process:

1. Define the exemption type and exemption limit for the legal entity and calendar year.
2. For a supplier, create and print a Letter of Intent specifying the limit. The Letter of Intent can also be suspended or revoked, and sent to the supplier requesting that the supplier charge VAT on invoices. An inactive letter can be returned into active status if needed.

   A Letter of Intent can be created for a particular supplier site or for all sites. Define a Letter of Intent:
   a. Select the Manage Tax Exemptions task.
   b. Search for third-party tax profiles for which you want to define the Letter of Intent.
3. As a customer, receive and register the Letter of Intent. You can set the status of the letter to active, revoked, suspended, or inactive.

   Register the Letter of Intent on a particular site or on all the sites.
4. Generate Letter of Intent registers and reports to track the exemption amount consumed by the suppliers.

FAQs for Tax Exemption Limits for Italy

How do I apply exemption limits to invoices?

Create a tax reporting type and codes for exemption letters. Select Tax exemptions as the tax reporting type. When you create letters of intent, assign a letter of intent to each tax reporting type and code you defined.

At the invoice distribution level, assign a letter of intent number to all appropriate invoice lines. When you run the Letter of Intent reports, the report logic selects all invoices with the related tax reporting codes.

Can I adjust the monthly limits once they're created?

Use the Adjust Exemption Limit dialog box to modify, add or subtract either the monthly exemption limit or annual exemption limit. For example, you want to reduce the current month limit by 25,000 EUR. Enter -25,000 in the Adjustment field.

The application subtracts 25,000 from the current month amount.

What are the letter types for supplier exemptions for Italy?

To assign exemption limits to the supplier, enter a letter type in the Letter Type field.

Here are the letter types you can use:

- **Exempted Amount**: Exemption letter with exemption limit printed.
- **Exempted Period**: Exemption letter with a date range.
- **Specific Operation**: Customs letter for a single transaction.

Note: The default type is **Exempted Amount**, which is the only type that also prints the exemption limit amount.

5 External Tax Partner Integrations

Overview of External Tax Partner Integrations

Oracle ERP Cloud integration with comprehensive transaction tax management solutions provided by tax partners is currently available for tax content, tax calculation, and tax reporting.

Customers can leverage these partner transaction tax solutions independently or together based on different transaction tax requirements across market segments and industries.

Individual tax partners can offer transaction tax solutions in the following areas:

Tax Partner Content

- Offerings may include geographies, tax jurisdictions, tax rates, and taxability rules for products and services.
- Updates are available on a periodic basis for statute changes.

Tax Partner Calculation

- Cloud-to-Cloud integration of the Oracle ERP Cloud and a Partner Tax Application Cloud for performing transaction tax calculation.
- Neither tax software nor tax integration components are required on the Oracle ERP Cloud.
- Streamlined data flow between Oracle ERP Cloud and a Partner Tax Cloud.

Tax Partner Reporting

- Signature ready returns for automatic transaction tax filings in specific countries.
- Tax partner can manage the entire tax compliance function from tax returns generation to payment remittances.

The following table lists cases of customer implementations using tax partner offerings:

Tax Implementation Variation	Customer Tax Solution Uptake
Case 1: Partner Tax Content + Oracle Fusion Tax Calculation	Case 1 uptake: • Partner Rapid Implementation Content (Geographies, Tax Rates, Taxability Rules, or a combination of these content areas) • Oracle Fusion Tax
Case 2: Partner Tax Content + Partner Tax Reporting + Oracle Fusion Tax Calculation	Case 2 uptake: • Partner Rapid Implementation Content (Geographies, Tax Rates, Taxability Rules, or a combination of these content areas) • Partner Automatic Tax Returns Generation using BI Publisher Extracts • Oracle Fusion Tax
Case 3: Partner Tax Content + Partner Tax Reporting + Partner Tax Calculation	Case 3 uptake: • Partner Rapid Implementation Content (Geographies and Tax Rates)

Tax Implementation Variation	Customer Tax Solution Uptake
	• Partner Automation Returns Generation using Partner Tax Repository • Partner Tax Calculation Application

However, each individual tax partner is different with regard to specific transaction tax solutions they can offer and tax implementation cases that they can fulfill in practice.

You must follow up with an individual tax partner to understand the level of coverage and capabilities of their respective transaction tax offerings, including any prerequisite configuration.

Related Topics

- Oracle Fusion Tax Configuration for External Tax Partner Calculation

Oracle Fusion Tax Configuration for External Tax Partner Calculation

Integration with external tax partners to perform transaction tax calculation requires a minimal configuration of Oracle Fusion Tax.

Tax Configuration for External Tax Partner Calculation

If you are using an external tax partner calculation application with Oracle ERP Cloud, then along with content and configuration document delivery from an individual tax partner, you must perform the following configuration steps:

1. For countries that impose transaction taxes at a level lower than a country level, obtain the required master geography data from the selected external tax partner.
2. For countries wherein a transaction tax calculation and compliance responsibility exists, upload the geography data into the Oracle Fusion Trading Community Architecture geography hierarchy.

   > **Note:** The specific tax partner selected for transaction tax calculation must provide the required master geography data for upload into the TCA geography hierarchy per the TCA upload template specifications. An individual tax partner's jurisdiction based tax rates are dependent on a valid and complete collection of master geography data. The master geography data uploaded into the TCA geography hierarchy enforces the address validation on location entities such as transaction bill-to locations, transaction ship-to locations, customer site locations, and supplier site locations.

   > **CAUTION:** Ensure that the geography data is accurate and complete because the TCA geography hierarchy can only support one source of master geography data. This means that once the geography data is uploaded from a specific tax partner, the geography data from another source or tax partner cannot be loaded. When using a tax partner application, you should not create master geography data separately as it could lead to data corruption.

3. In addition to any required master geography data, tax partners providing a third-party tax calculation application must provide the relevant tax regime-to-rate flow content that can be imported for the applicable countries. The tax regime-to-rate flow content must have the following fundamental entities to maintain referential integrity of the mandatory attributes of a tax line:

- **Tax Regime**: Upload a tax regime for which tax partner services are used to calculate tax for each individual country of interest.
- **Tax**: Upload all of the taxes that can be imposed within a country tax regime. You can have multiple taxes for a specific tax regime.
- **Tax Status**: Upload at least one tax status for each tax. Each tax must have at least one default tax status.
- **Tax Jurisdiction**: Upload at least one tax jurisdiction for each tax. Qualified tax partners provide tax jurisdictions and tax rates content file for loading into Oracle Fusion Tax.
- **Tax Rates**: Upload at least one tax rate code for the default tax status. Each tax status requires a default tax rate code. Qualified tax partners provide both, jurisdiction and nonjurisdiction based default tax rates for upload.

4. On the Manage Tax Regimes page, go to the Configuration Options tab and subscribe the applicable business unit or units to the relevant country tax regime or regimes for partner tax calculation integration.
5. Enable all taxes under the relevant country tax regime for both Simulation and Transaction purposes.
6. Register the tax partner in Oracle ERP Cloud using the following web service:

   Partner Tax Profile Service (Operation name: `registerTaxContentPartner`)

   The register Tax Content Partner web service operation creates the tax profile for the third-party tax partner to support tax content and calculation services. You can access the web service using the following URL:

   https://<host>.<domain>:<port>/finTaxConfigParty/PartnerTaxProfileService?wsdl

   Refer to the following table while registering a Tax Content Partner:

Parameter Name	Description	Parameter	Mandatory	Type
Party Name	Third-party tax partner name.	In	Yes	java.lang.String
Provider Type Code	Primary use of the tax content provided by a third-party tax partner. Valid values are **Content**, **Services**, or **Both**.	In	Yes	java.lang.String
Return	The status that is returned.	Out		java.lang.Boolean

   Note: Alternatively, you can register a tax partner in Oracle ERP Cloud by using the Service Subscriptions tab on the Manage Tax Regimes page. On the Service Subscriptions tab, click **Create**. Enter the code and the name of the service provider. In the **Type** field, from the list, select **Both**. Click **Save and Close**.

7. On the Manage Configuration Owner Tax Options page, from the **Actions** menu, select **Manage Tax Partner Integration in a Spreadsheet**.

8. The Manage Tax Partner Integration ADFdi spreadsheet opens. Enter the tax partner name, connection user name, connection password, and end point URL.

   > **CAUTION:** A tax partner is responsible for their registration in Oracle ERP Cloud. If a tax partner registration was not completed, the tax partner name is not available for selection in the Manage Tax Partner Integration ADFdi spreadsheet.

9. On the MyWorkbook menu, click **Upload** to load the settings.

   > **Note:** If the Manage Tax Partner Integration ADFdi spreadsheet does not open, download the latest ADFdi plug-in from the Download Desktop Integration Installer selection in the Tools section of the Oracle ERP Cloud Navigator menu.

10. From the Manage Configuration Owner Tax Options page, click **Create**.
11. On the Create Configuration Owner tax options page, populate the **Configuration Owner**, **Application Name**, **Event Class**, and **Start Date** fields.
12. Select **Calculate tax by tax provider** as the Regime Determination Set. The Enable Tax Partner link becomes active.

    > **Note:** You must obtain the list of supported applications and event classes for tax partner calculation from the selected individual tax partner. Also, the tax partners with an existing tax calculation application integration with Oracle ERP Cloud should provide the necessary configuration documentation for the currently supported applications and event classes.

13. Click the **Enable Tax Partner** link. The Tax Partner Configuration window opens. The tax partner currently registered for tax calculation purposes is displayed.

    > **Note:** Only a tax partner previously registered for tax calculation is displayed in this window.

14. For the registered tax partner, select the **Enabled** check box, and click **OK**.

    > **CAUTION:** Tax partners are responsible for registering themselves on the Oracle ERP Cloud. If a tax partner registration was not completed, the individual tax partner is not available.

15. Click **Save and Close**.

Related Topics

- Tax Configuration Options
- How You Set Up Tax Regime

Automatic Invoice Validation for Partner Tax Calculation

You can automatically validate Payables invoices selected for partner tax calculation after the response is received from the tax partner.

Currently, the Validate Payables Invoices process needs to be initiated twice: initially to mark invoices for the Partner Tax Data Extract and again following the execution of the Record Partner Tax Lines process.

With this feature activated, it simplifies the tax partner calculation workflow by removing the need to repeat the Validate Payables Invoices process after the Record Partner Tax Lines process has been completed. Here's how this feature works:

1. Submit Import Payables Invoices process to import invoices into Oracle Fusion Cloud ERP.
2. Submit Validate Payables Invoices process to flag transactions for inclusion in the Partner Tax Data Extract. If the Calculate tax during import option is set to 'Y' during invoice import, this step is not needed.
3. Submit Partner Transaction Data Extract process to create a transaction file with the necessary attributes for tax processing for the tax partner.
4. Submit Record Partner Tax Lines process is directly launched by the tax partner once the Partner Transaction Data Extract file is processed, and the associated tax results returned, to update the tax lines in Oracle Fusion Cloud ERP. The tax partner invokes the Oracle web service, which automatically launches the Record Partner Tax Lines process.
5. Validate Payables Invoices process is submitted automatically, and invoices are validated. There is no need to submit or schedule the Validate Payables Invoices process manually. It will be submitted by the partner integration user.

Steps to Enable

Here's how to enable this process:

1. Navigate to Manage Standard Lookups.
2. Search for the ORA_ERP_CONTROLLED_CONFIG lookup type.
3. Define the lookup code ZX_35388055 if not already created.

Field	Value
Lookup Code	ZX_35388055
Display Sequence	Any sequence number value like 1.
Enabled	checked
Start Date	Any valid date from which the opt in is active like 01-Jan-2023
End Date	Do not provide any value
Meaning	Opt in to automatically validate the AP Invoices that use Tax Partner
Description	Can be left blank

Access Required

The user defined at the time of Tax Partner onboarding must be assigned configured job roles that have the following privileges:

- AP_VALIDATE_PAYABLES_INVOICE_PRIV
- AP_SUBMIT_PAYABLES_INVOICE_VALIDATION_REPORT_PRIV
- AP_MANAGE_PAYABLES_INVOICES_PRIV

If you enabled the Enable invoice account coding workflow option in the Manage Invoices Options page, provide the user with the privilege to access the Initiate Invoice Account Coding Workflow process that is launched from the Validate Payables Invoices process.

If segment security is enabled provide the user with access to the flexfield segments.

6 Catalogs

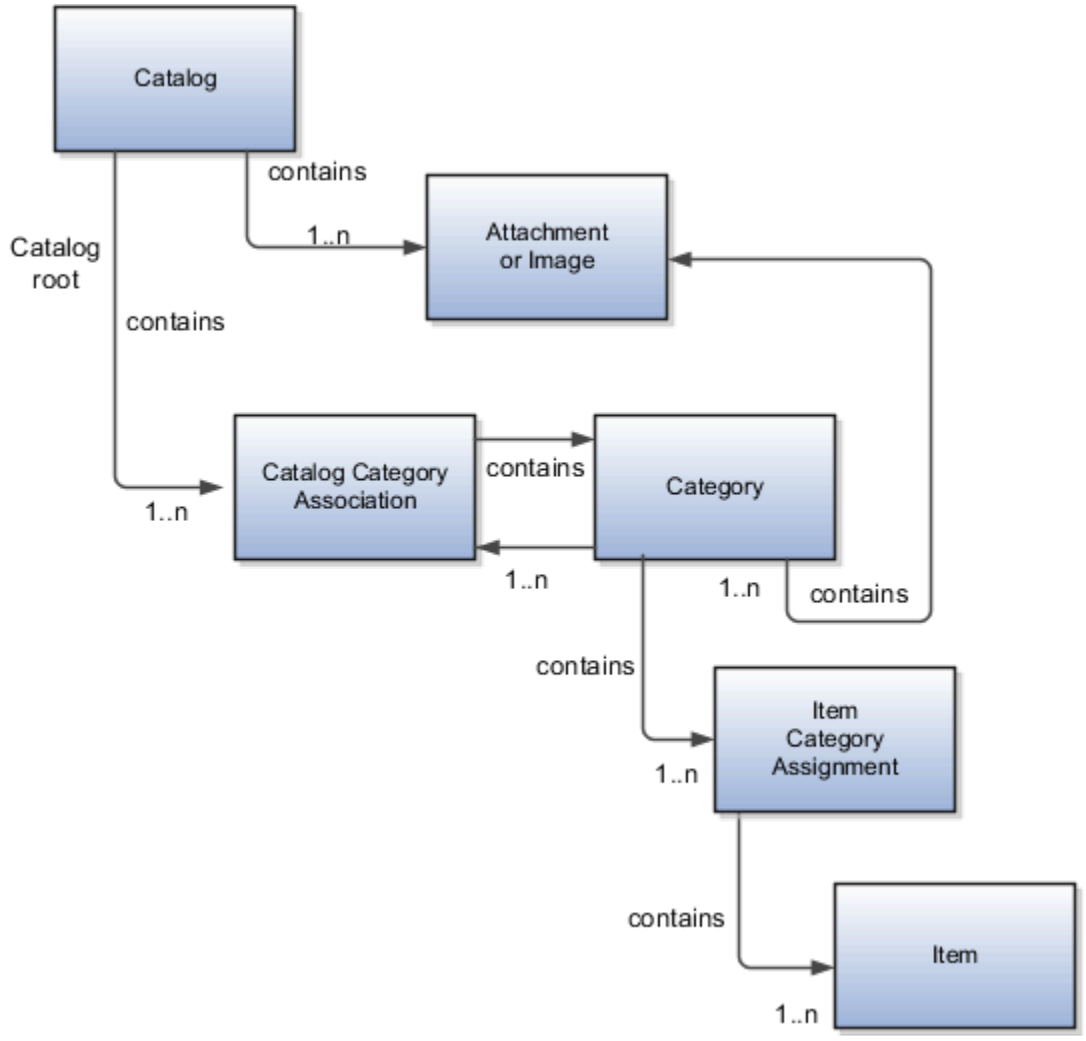
Overview

How Catalogs Work Together

A catalog is a collection of categories that you use to classify items.

You can organize the categories into a hierarchy that represents a taxonomy. You create new categories only in the context of a catalog. You can add existing categories to one or more catalogs, either from another catalog or as shared categories from a source catalog. You can control the assignment of items and categories in the catalog by controlling the catalog content. For example, you can set the value of the **Catalog Content** field on the Edit Catalog page to **Items at all levels**, which allows items to be assigned to any level within the category hierarchy, not only to the leaf levels.

This figure shows the relationships of the catalog components to each other.



Catalog

A catalog is a collection of categories that are organized to define a classification of items. The top most level of a catalog is the catalog root. All categories for the first level in the category hierarchy are associated with the catalog root through the catalog category association component.

Category

A category is a component of a catalog that represents a set of items. You can associate a category to a catalog through the catalog category association. Both the shared category and the native category are associated thorough the catalog category association.

Catalog Category Association

Catalog category association represents the relationship between a catalog and a category, or a parent category and a child category. Each catalog category association represents one relationship between the catalog and a category or one relationship between a parent category and a child category.

Item Category Assignment

Item category assignment represents the assignment of the item to a category in a catalog. Each item category assignment represents the relationship between a category and an item.

Item

An item represents objects such as a product, service or template. An item is assigned through the item category assignment component.

Attachment or Image

Information is associated to the catalog or category through the attachment framework. Multiple attachments are supported but you can only associate a single attachment or attachment type image with a catalog or category for viewing in the UI.

Catalog Formatting

The format of a catalog is defined at the time the catalog is created and controls the behavior of the catalog at runtime.

When you format a catalog, the layout controls three main areas and includes the following tasks:

- Catalog configuration
- Date enablement
- Category sharing

Some fields are required, and others are optional.

Catalog Configuration

You can configure the catalog, and this affects how the content behaves. The catalog configuration contains a set of attributes that define the catalog configuration. These attributes interact to define the runtime behavior of the catalog.

The configuration functions are:

- Catalog code: A unique identifier that's used.
- : Controls how items are assigned to categories and has two values. The first value is master level, which enables the automatic assignment of items to all child organizations associated with the master organization, if the current context is a master organization. The second value is organization level, which assigns the item only to the organization in the current context.
- Default category: A newly created item is automatically assigned to the default category if specific operational attribute values are entered for the new item. The automatic assignment is controlled by the functional area. Each functional area has specific rules about which operational attribute values are used to trigger the automatic assignment process. For example, an item will be assigned to the catalog assigned to the functional area called Purchasing if the Purchased specification is turned on or if the Internal Ordered Item specification is enabled.
- : Allows items to be added only to the bottom level categories in the hierarchy.
- Catalog content: Controls what content can be added to the catalog and where the content can be added.
- : When this option is selected, you can assign an item to one or more categories in the catalog. The default is deselected, which means that each item can be assigned to only one category in the catalog.
- Public Catalog: Select to mark this catalog as public. All users with access to view catalogs will have access to this catalog.
-
- Enable duplicate category names
- Enable deletion of item category assignments
- Enable hierarchy for catalog
- Enable date level control for item category assignments

Note: The catalog behavior for functional area catalogs is defined through the combination of fields within the pages and the seeded functional area rules.

Catalog Date Enablement

The date enablement function controls when the catalog is in an active state or inactive state by using the start date and end date attributes.

Category Sharing

The category sharing function enables sharing categories from a designated source catalog.

The sharing function has these attributes:

- Share by Reference: Catalog elements that are shared by reference are read-only in the target catalog. Multiple source catalogs can be used in this type of sharing.
- Copy: Content from other catalogs can be added to the current catalog by creating a copy of the content. The copied content can be edited within the current catalog.
  - Include child categories: Indicate whether to copy child categories when copying categories.
  - Copy item category assignments: Indicate whether to copy items assigned to the category into the catalog.

Related Topics

- Date Enablement for Catalogs and Categories
- Automatic Assignment Catalogs
- Default Catalog Assignment

Catalog Details

You can view and edit a catalog on the Edit Catalog page when you have the appropriate permissions.

The following parts of the Edit Catalog page provide important capabilities for managing and editing catalogs:

- Catalog header region
- Catalog details tab
- Category hierarchy tab

Catalog Header Region

The header region for the Edit Catalog page contains the catalog name and description, the selection of the default category and the start and end date for the catalog.

You can change the default category for a catalog so that the category is used for the item creation process, based on the values of attributes for the item. The choice of default category also enables other Oracle Fusion Cloud Applications to assign items to a category.

You can modify the start and end dates for a category as you update a catalog in order to control when the category is used.

You can revise or reclassify the category to reflect shifting relationships within the category hierarchy.

Catalog Details Tab

The Details tab contains:

- The configuration attributes for the catalog, which control the runtime behavior for the catalog.
- The sharing attributes for the catalog, which control the source catalog that will be used for sharing from and what content can be shared.
- The additional information for the catalog, which contains the descriptive flexfields that support the catalog metadata.

Category Hierarchy Tab

The Category Hierarchy tab contains the category hierarchy region, in which the category hierarchy can be created and maintained. In addition, items can be assigned, the usage of the category in other catalogs can be viewed, and the attributes for the category and catalog category association can be edited.

Related Topics

- Catalog Formatting
- How Various Catalog Hierarchies Fit Together
- Create Categories
- Category Sharing
- Category Descriptive Flexfields

Automatic Assignment Catalogs

The automatic assignment catalog feature is a simple way to create a non-hierarchical catalog because you do not have to add categories manually to the catalog.

This feature adds the categories at the root level, so it works with both flat and hierarchical catalogs.

All categories that have the same category structure value as the catalog are automatically assigned and associated to the catalog when you create a catalog category association for each category.

Automatic Assignments

The automatic assignment feature is enabled during catalog creation when you select the **Enable automatic assignment of category** check box. The categories displayed for auto assignment catalogs are refreshed only at start up and after you save.

Note that if you create a category in another catalog with the same structure value as the automatic assignment catalog, the category is also added to your catalog. The categories displayed for auto assignment catalogs are refreshed only at start up and after you save.

When you open a new catalog, any categories that have the same category structure value as the catalog structure value for the catalog are automatically assigned to the catalog.

For example, Purchasing may maintain a master catalog containing all categories that represent commodities. Each commodity team can create categories for their commodity in their own catalog.

The master catalog for purchasing is named Purchasing and is configured during creation to support the automatic assignment of categories. Because you enabled automatic assignments for the Purchasing catalog, any categories created by the commodity teams are added to the catalog automatically. The purchasing managers can view the collection of all commodities represented as categories in the Purchasing catalog.

Manage Catalogs

What Can You Edit on the Edit Catalog Page

The Edit Catalog page is a shared page that has two modes-view and update. The view mode displays the selected catalog in a read-only file. The update mode displays the selected catalog in an editable file.

You must have edit catalog privileges to access the catalog in the update mode. You can edit only an active or future-dated catalog.

You can edit the following fields in the catalog:

- Catalog Name
- Description
- Start Date
- End Date
- Default Category
- Allow multiple item category assignment
- Addition Information
- Category Hierarchy
- Category Details
- Items assigned to category

Default Category

You can edit this field to select another category as the default category for item creation. You cannot remove the default category if the catalog is assigned to a functional area that requires a default category to be specified.

Allow Multiple Item Category Assignment

This check box is editable only until you assign an item to a category in the catalog.

Addition Information

You can edit the values of the descriptive flexfields attributes.

After you make changes, clicking the **Save** button saves the changes to the database but will does not close the Edit Catalog page. Clicking the **Save and Close** button saves the changes to the database and closes the Edit Catalog page.

Relationship Between Categories and Catalogs

Catalogs are used to organize and classify collections of items by associating categories to the catalog.

The categories are organized to form a taxonomy and items are assigned to the categories. When a category is associated with the catalog a catalog category association is created which specifies the relationship of the association. The catalog category association may also represent the relationship between two categories, for example a relationship between a parent category and a child category.

Catalog Category Association

The date enabled attribute value is important regarding catalog category association. The catalog category association is date enabled providing the control of when the catalog category association is active in the catalog and when the catalog category association is inactive. The catalog category association has two attributes to support enabling dates; the start date and the end date. The start date is value is the first day that the catalog category association is available or active for use and the end date is the last day the catalog category association can be used, after this date the catalog category association is inactive. The date enabled attribute values are also used to control the visibility of content and

the behavior of the category in the catalog. If a category association is inactive or end dated, having the value of the end date attribute past the current date, then the items can't be assigned to the category.

A catalog category association will be set to inactive state when the category referenced by the catalog category association is set to an inactive state automatically, but the display won't be refreshed automatically.

Date Enablement for Catalogs and Categories

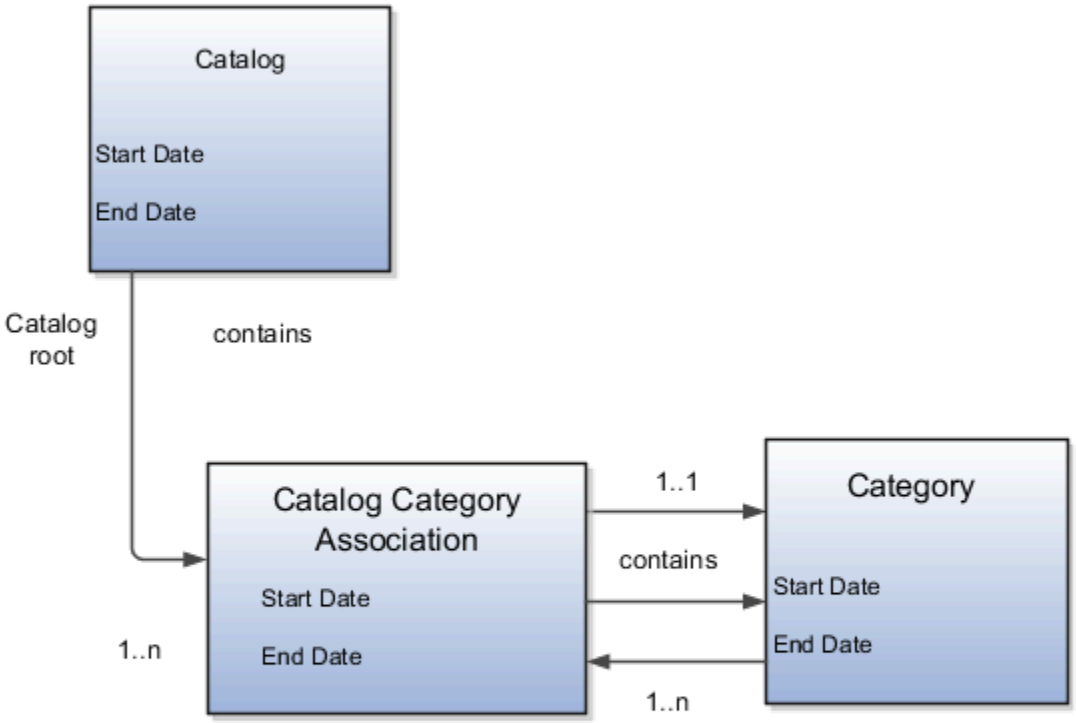
The catalog, categories, and catalog category association use date enablement to determine if the object specified is active or inactive based on the start date and end date. The following are date enablement definitions:

- **Active**: An object is active when the current date is later than or equal to the value of the start date, but earlier than or equal to value of the end date.
- **Inactive**: An object is inactive when the current date is later than the value of the end date.
- **Future dated**: An object is future dated when the current date is earlier than the value of the start date.

You set the date enablement attributes are used to determine when a catalog, category, or catalog category association is used or visible.

- On the Manage Catalog page, a table filter determines which catalogs appear. The default value for the choice list is **Active**, indicating that only active catalogs will be displayed. You can select the value **All** to view both active and inactive catalogs.
- On the Edit Catalog page, on the category hierarchy tab, two table filters determine what categories and catalog category associations appear. The default values for the two choice lists are **Active**, indicating that only active categories and active catalog category associations will be displayed. You can select the value **All** to view both active and inactive categories and catalog categories associations.
- Other applications also use the date enablement attributes to filter information retrieved through application programming interfaces or services for catalogs.

The following figure provides the date enablement attributes for these objects. The catalog, category, or the catalog category association has an internal state that is active or inactive.



The following aspects are important regarding date enablement for catalogs and categories:

- Start date
- End date
- Catalog and category objects
- Catalog category association
- Catalog and category rules

Start Date

The start date is defined as the first date that the object can be active. The start date can be future dated by setting the value to a date later than the current date. The start date value defaults to the system date if no date is entered during catalog or category creation.

End Date

The end date is defined as the last date that the object can be active. The object is end dated one second after the date specified by the value of **End Date**, that is the next day at 12:00:01 a.m. You cannot set the end date in the past. Also, you can change the end date from a condition when the object is ended to a new end date greater than or equal to the system date, causing the object to go from inactive to active. The end date value is optional during catalog or category creation.

Catalog and Category Objects

The start and end dates have been added for the catalog and catalog category association. The inactive date for categories has been renamed as the end date and the start date has been added.

Catalog Category Association

The catalog category association is used to specify the parent and child relationships between catalogs and categories and for category to category relationships. The catalog category association date enablement is independent of the category data enablement, except for the case where the category is end dated; the association is ended automatically as well. The catalog category association dates represents the state of the category for the catalog in which the category is associated.

Catalog and Category Rules

When a catalog is inactive the following rules apply:

- All operations for the catalog are disabled; the catalog can be edited.
- The catalog cannot be used in other processes.
- The catalog can be viewed only if you set filters on the Manage Catalog page to a value of **All**, enabling you to view active and inactive catalogs.

When a category is inactive the following rules apply:

- All operations for the category are disabled; the category is not able to be edited.
- The category cannot be added to other catalogs.
- The category can be viewed only if you set the filters on the Edit Catalog page to a value of **All**, enabling you to view active and inactive catalogs.
- The application sets the catalog category association for the inactive category to inactive.

When a catalog category association is inactive the following rules apply:

- The category may be inactive or active; if the category is active it can be edited.
- The catalog category associations and related category can be viewed only if you set the association filter on the Edit Catalog page to a value of **All**, enabling you to view active and inactive catalogs.

When a catalog is future dated the following rules apply:

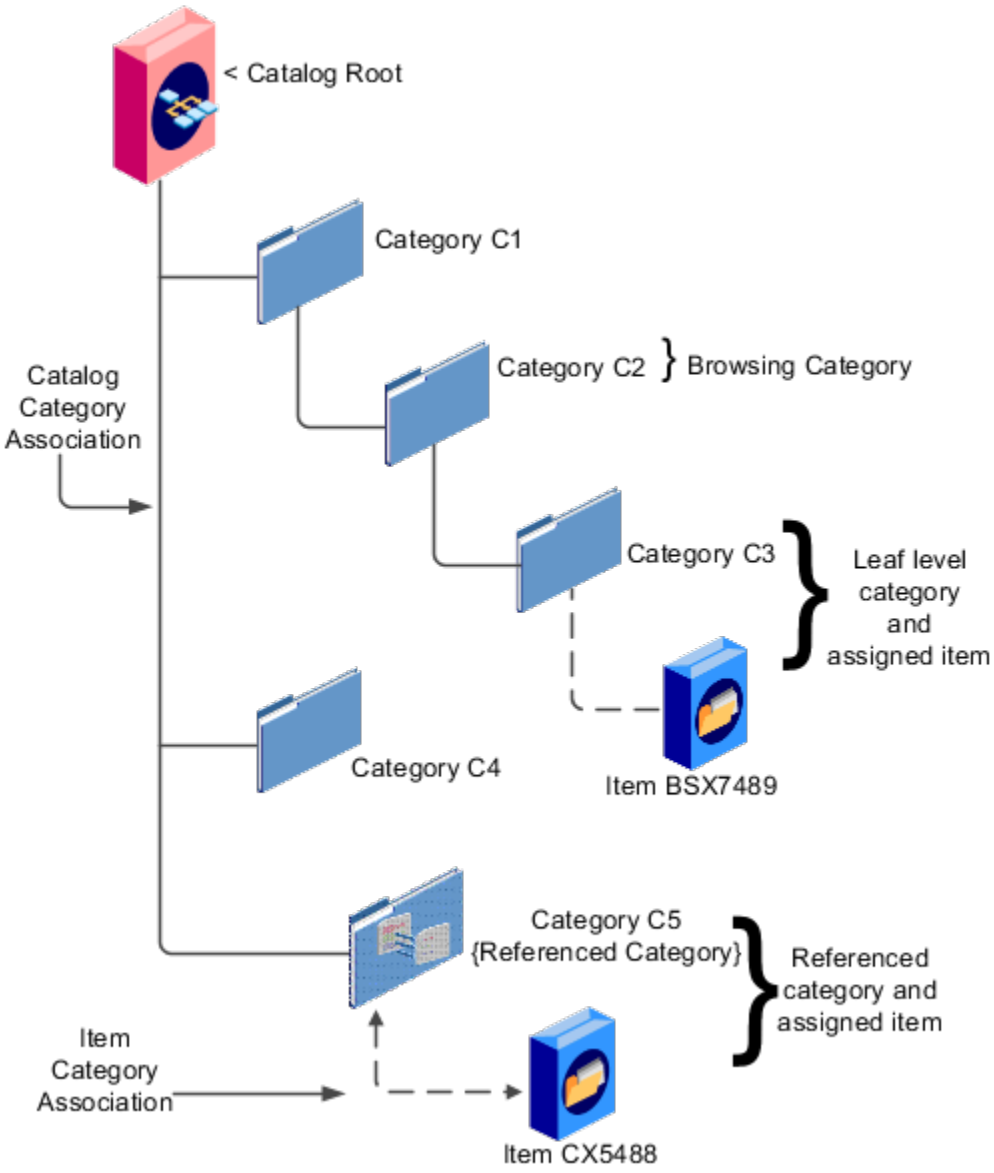
- All the operations of the catalog are enabled and the catalog is can be edited.
- The catalog can be used in other processes, if allowed.
- The catalog can be viewed only if the you set the filters on the Manage Catalog page to a value of **All**.

How Various Catalog Hierarchies Fit Together

You use catalogs to organize and classify collections of items by associating categories with the catalog.

You organize the categories to form a taxonomy and assign items to the categories. When you associate a category with the catalog, a catalog category association is created which specifies the relationship of the association. The catalog category association may also represent the relationship between two categories, for example, a relationship between a parent category and a child category.

The following figure shows the relationships of the category hierarchy components.



Components

The components of a category hierarchy are:

- Catalog root: The topmost node in category hierarchy that represents the object called catalog.
- Category: The catalog component that is used to represent the classification structure.
- Catalog category association: The line in the diagram represents the relationship between a catalog and category or between a parent category and child category.
- Item category assignment: The dotted line in the dialog represents the relationship between a category and an item.
- Reference category: The category, C5 in this diagram, is shared as a reference category from a source catalog.
- Leaf level category: The lowest or bottom-level category in a category hierarchy. You can assign items to all levels in a category hierarchy if you configure the catalog to support this.

- Browsing category: The category, C2 in this diagram, is a browsing category. Browsing categories are categories that you add to the category hierarchy for the purpose of classification and do not have items assigned to them.

The category hierarchy does not have a limit on how many levels can be represented. The category hierarchy can have multiple hierarchies within a single category hierarchy.

Category Edits

Categories can be edited only from within the Edit Catalog page, on the Category Hierarchy tab.

To edit a category, expand, or search in, the tree of categories associated with the catalog, then select the row for the category in the category hierarchy table and edit the category's attributes in the category's Details panel. A category can only be edited if the category is active and its associated catalog is active or future dated. If a category is directly shared, the same category can be edited in multiple catalogs, except for the item assignments that are local to the catalog you are editing.

Category information can be edited in both the Details and Items subtabs.

Details and Items Tabs

The following fields are editable in the category:

- **Category name**
- **Description**
- **Attachments**
- **Category start date**
- **Category end date**
- **Items assigned to category**

After changes are made, the **Save** button saves your changes without closing the Edit Catalog page. The **Save and Close** button saves your changes and closes the Edit Catalog page.

Catalog Category Association

The catalog category association assigns the category to the catalog or parent category. This association lets you manage when a category is assigned to a catalog, by setting the start and end dates for the association.

The catalog category association can be edited only within the Edit Catalog page, in the category hierarchy tab. The catalog category association start date and end date attributes can be edited in the details region. The association can't be deleted, only end dated.

Category Catalog Associations

You select the category in the category hierarchy table for the catalog category association that you're editing, the category details are displayed in the side panel. The association start date and association end date are the only editable fields.

After you make changes, clicking the **Save** button saves the changes to the database but doesn't close the Edit Catalog page. Clicking the **Save and Close** button saves the changes to the database and closes the Edit Catalog page.

Category Details

You can see category details when you select the row with the category in the category hierarchy table of the Edit Catalog page. The category details are displayed in the side pane.

You can edit the details of native categories. The category detail region contains information about the category that's associated to the catalog. It also contains the association start and end dates.

You can view and edit a catalog on the category details tab when you have rights to manage catalogs.

The following parts of the Category Hierarchy tab provide are important capabilities for managing and editing category details:

- Details subtab
- Items subtab
- Attachments subtab

Details Subtab

The details tab contains information about the category that has been associated to the catalog. This information appears in all catalogs, since a category can be associated to one or more catalogs. The details tab contains the category configuration, category date enablement, association date enablement, and the additional attributes for the category.

The details tab contains attributes that define a category. Unstructured information is added through attachments. Images are added to a category and are displayed in the category details tab.

Items Subtab

The Items subtab contains item assignments are local to the catalog that the category is associated with. You can add and delete item assignments.

Attachments Subtab

The Attachments tab contains the list of attachments that the category is associated with.

Create Categories

You can create categories in the context of a catalog, on the Category hierarchy tab on the Edit Catalog page . When you select the Create icon in the category hierarchy table, the Create Category dialog appears.

Create Category Dialog

After you enter a name and tab out of the field, the category code will be automatically populated. You can update this value if required. Enter a meaningful description of the category. Optionally, you can add an image and an attachment to this category.

Date enablement determines if an object is active or inactive based on the start date and end date. When categories are created, the default start date value is the current date. You can move the category start date beyond the current date to a future date within the category. The end date value is optional.

Select the **Restrict category to item assignment only** check box to add only items to the category.

After you complete the required fields for the catalog, clicking **OK** creates the category in the database, adds the category to the point of selection in the category hierarchy, and closes the dialog.

Category Moves

You use the move category function in the category tree table region of the Edit Catalog page. This is a table row action. The dialog is launched when you select an active or future dated category within the catalog and select this action.

Identifying the New Parent

The dialog provides the current category parent and lets you pick a new category parent. Only the legal category parents are displayed in the choice list.

The category list within the **New Parent** choice list is filtered by based on a set of rules:

- The new parent category must be an active or future dated category; the end date value of the category must be later than the current system date.
- The value of the category content for the new parent category must allow the selected category to be added; the legal values are items and categories and categories only.
- A selected category associated with the catalog at a level below the categories at the root categories can be moved to the root of the catalog.
- The new parent category catalog category association must be active; the end date value of the catalog category association must be later than the current system date.

Category Hierarchy Reports

You can use reports produced by transactional business intelligence to monitor your category hierarchy changes.

If you make changes to the catalog category hierarchy, you can use the **Product Management - Item Catalog Category Hierarchy Real Time** subject area to create reports that include multiple levels of category hierarchy data. See the Subject Areas for Transactional Business Intelligence in SCM guide for details. When you make hierarchy changes, you must run the **Refresh Product Hub Snapshots** scheduled process before creating or viewing subject area reports.

If you make changes to the catalog category hierarchy through the import process, then the **Refresh Product Hub Snapshots** scheduled process runs automatically when the import is complete. If you make changes to the hierarchy through the Item Categories REST resource or through the Manage Catalogs task in the Product Information Management work area, then the scheduled process is automatically submitted in the next scheduled time window on that day. You can also run the scheduled process yourself, to refresh the business intelligence reports immediately.

Related Topics

Catalog and Category Attachments

Catalogs and categories support attachments and use a common component for managing attachment content. You can add attachments on both the Create Catalog and Edit Catalog pages.

The attachment component displays a plus sign icon indicating that no attachments are available for the object. The Attachment dialog appears when you click the plus sign icon. You define the attachment by selecting the attachment type, file name or Uniform Resource Locator (URL), title, description, and by indicating whether the attachment can be shared with other objects. Once you define the attachments and click the **OK** button, that attachment title appears in the attachment component region of the page along with an X icon that you can click to delete the attachment.

The attachment file types are:

- File
- Repository File or Folder
- Text
- URL

File

You must provide a title for the file and create a description for the attachment. You select a file to upload from your desktop.

Ensure that you don't inadvertently add the same attachment more than once. It's possible to add attachments with the same title, description, file, or attachment category to the same catalog or category.

Repository File or Folder

You click the **Browse** button to attach a repository file or folder from the document repository to a catalog. The attachment repository contains existing attachments and is organized as a set of folders. The **Browse** button launches the Attachment Repository dialog to enable you to select an attachment. You must provide a title for the repository file or folder and create a description for the attachment.

Text

Enter the text string in the field that you want to appear as an attachment. You must provide a title for the text and create a description for the text attachment.

URL

Enter the URL address to a web page that you want to attach to the catalog. You must provide a title for the URL attachment and create a description for it.

The **Share** check box alerts users that you added an attachment and the date that you performed the task.

Items to Categories Assignment

You can assign items to categories on the Edit Catalog page, category hierarchy tab, on the category detail item tab.

You can assign items only to active categories. In addition, you can configure catalogs to control item assignment to categories within the catalog by selecting the **Allow multiple item category assignment** check box on the Create Catalog page, which allows items to be added to all levels of the category hierarchy.

To begin, select the item class and enter search information in either the Item ID, Item description or Keyword fields and click the **Search** button. You select items from a choice list and add them to the category.

Controlling Item Assignment

You also control item assignment by selecting the value of the **Controlled at** check box on the Edit Catalog page. If you select the **Master Level** value and the organization context is a master organization, then the assigned items are automatically assigned to all child organizations that are associated with the master organization. The added items will also be assigned to any child organizations that might be created under the master organization, even after the items were assigned to the master-controlled catalog.

Select Category From a Hierarchy and Assign to an Item

You can select a category from a hierarchy and assign the category to an item. When creating or editing an item, on the **Categories** tab, add a row. In the search box, when you type the name of the catalog or category, it automatically matches the name with the available catalog and category names and displays them as suggestions. Category suggestion also displays the catalog name to help you know the catalog for the category. The format is (category name (catalog name)).

If you select a category from the displayed suggestions, the catalog and category names are populated in the respective fields in the user interface.

If you select a catalog from the displayed suggestions, the Search and Select: Category window shows a list of categories and their paths within the hierarchy for the selected catalog. The hierarchy path allows you to identify the correct category based on the position of the category within the hierarchy. After you select a category from this list, the catalog and category names are populated in the respective fields in the user interface.

If the suggestions don't show the required category, you can use the Search icon to select or search a catalog and display the categories for the selected catalog.

When searching for categories within a catalog with a single level of hierarchy, the suggestions provide an easy way to find the category by typing all or part of the category name.

Duplicate category names will be displayed in the suggestions along with the catalog name. Duplicate category names in catalogs with a multilevel hierarchy will be displayed with their hierarchy path.

You can click the icon in the **Hierarchy** column to view the position of the category in the hierarchy.

> **Note:** The **Hierarchy** icon is only active after you've selected a catalog and category.

Category Sharing

Category sharing allows the reuse of categories or a category hierarchy across catalogs. For example, if you were to create spring and fall product catalogs, many of your products would probably appear both catalogs.

The products that are in both catalogs could be assigned to one or more categories that could be shared between the catalogs. Categories can be shared across multiple catalogs, allowing catalog content to be reused and saving the work needed to maintain multiple copies of the categories. In the case of category sharing by reference, the category structure in the source catalog can be different than the structure in the native catalog.

Categories can be shared using sharing by reference.

Sharing by Reference

Sharing by reference means adding a category by reference into the catalog. Sharing by reference allows a category and the items assigned to that category to be added to one or more catalogs. If the category is a parent category, the complete hierarchy for that category is shared. The shared categories and assigned items are read-only in the catalogs where they are added. During the creation of the catalog, sharing can be enabled by specifying a source catalog that will be used for sharing by reference and setting the value of the sharing content to control what content will be shared from the source catalog. The advantage of using sharing by reference is that source catalog content can be shared to multiple catalogs and maintained in a single place, the source catalog. In addition, the referenced content can consist of more than one category. For example, a complete category hierarchy and any items assigned to categories in shared content can also be referenced within the catalog.

In the Category Hierarchy tab in a catalog, each category in the hierarchy is represented by a row in a collapsible table. The style of icon next to a category's name indicates how it is shared. Directly shared categories are marked with a folder icon; categories shared by reference are marked with the icon used for the **Share Categories** control. Categories that are shared by reference are only editable in the source catalog, and the categories and items are read-only in the target catalog where they are shared. A category or a complete category hierarchy, including items assignment, can be shared by reference.

Default Catalog Assignment

You can assign a catalog to a functional area such as Purchasing. When a catalog is assigned to a functional area, the catalog will act based on the rules you defined for that functional area.

Only one default catalog can be assigned to a functional area. During item creation, if certain operational attributes have specific values, then the item being created is assigned to the catalog assigned to the functional area, and then to the default category for the catalog.

To assign a default catalog:

1. Create a catalog based on functional area rules.
2. Create a category and assign it as the default category for this catalog.
3. Assign the catalog to the chosen functional area. Select the Manage Functional Area Catalogs task in the Setup and Maintenance work area, edit a functional area, then select a catalog name.
    - Each functional area has specific rules that the catalog must adhere to, so the assignment process may fail if the catalog does not meet the functional area rules.
    - Some functional areas do not allow the catalog assigned to their area to be changed.

- Some functional areas allow the catalog to be changed only if no items are assigned to the categories in the catalog.

For example, if values of the operational attributes Purchased and Internally Transferable have been set to Yes, the item being created will be assigned to the default category of the catalog assigned to the Purchasing functional area.

Related Topics

- Catalog Details
- Catalog Formatting

FAQs for Manage Catalogs

How can I define category hierarchies?

Categories can be organized to represent classification taxonomies. The hierarchy organizations for categories have parent and child relationships that form a tree structure.

The category hierarchy is created and maintained within the Edit Catalog page, category hierarchy tab. The category hierarchy is shown in true relationship to the way it is defined.

The category hierarchy can be created using two methods: the first is manually creating the hierarchy by adding referenced categories, duplicating categories or creating category for the catalog.

The second method for creating the hierarchy is by importing the category hierarchy through the spreadsheet interface. The category hierarchy can be exported from another catalog or other sources, edited and imported into a new catalog. The hierarchy can also be added manually to the spreadsheet.

On the toolbar of the Category Hierarchy tab, you can create new categories, using the **Create Category** button. You can add categories, including shared categories, using the **Add Category** button. If a catalog is has a category hierarchy, you can edit it using the **Move Category** button, which opens a dialog box.. You can also modify the hierarchy using drag and drop. The catalog category association cannot be deleted, but can be end dated to make the catalog category association inactive. The category hierarchy table provides a choice list filter that controls what catalog category associations and categories area displayed based on the date enablement.

How can I duplicate categories?

You can select and duplicate a category as a quick way to create a similar category configuration.

Select the **Duplicate** icon action to launch the Create Category dialog that has attribute fields populated based on the selected category attribute values. The category name is prefixed with **Copy_** followed by the name of the selected category. Fill in the required field information in the key flexfield segment values. Once the category attributes are updated and the key flexfield segments values are entered, click the **OK** button to add the newly created category into the category hierarchy of the selected category you have configured.

How can I add categories?

Categories are catalog components that are associated to a catalog for purpose of classification of items.

You can add existing categories to the point of selection, which can be a category in the hierarchy or the root of the catalog. If no category is selected, the default is the root of the catalog.

You can add categories by selecting **Add Category** and selecting **Add Category**. You can then search for existing categories based on the value of the catalog structure for the catalog. You can narrow the search for existing categories by using the **Advance Search** region in the dialog. You can add each selected category by selecting the **Apply** button and the add category region remains open. The **OK** button adds a category, if a category is selected, and then closes the dialog.

How can I add shared categories?

Adding a shared category is similar to adding an existing category except the category is selected from the catalog that has been designated as a source catalog.

The sharing content attribute value determines what content is shared from the source catalog. A category within a source catalog that has been added to a native catalog is also known as a referenced category. You use the list of values from the Add Categories menu. The Shared Category option will be disabled if the catalog has not been configured for category sharing.

How can I add images to a catalog or category?

You can attach an image from your desktop or from a configured repository to a catalog or a category, or both. The image is displayed in the catalog detail and the category detail sections of the catalog page.

Only one image can be associated with a catalog or category. To attach an image, select the **Attachments** control and launch the Manage Attachment dialog. The title you provide for the image attachment will appear after the image that is displayed in the catalog. The description you provide is not displayed. Clicking the **Browse** button will allow you to select the file to be used as the image for the catalog or category. After the information is entered in to the dialog, click the **OK** button to load the image. The image will not initially be displayed until the catalog is saved. The image can be replaced with another image by selecting the X to delete the existing image and adding a new image.

What is catalog mapping?

You can map categories of different catalogs to the reporting categories in other catalogs by using the Manage Catalog Mapping task in the Setup and Maintenance work area. You can map one or more categories within a catalog to category in a second catalog.

For example, suppose that you want to roll up the costs associated with all items assigned to a set of categories in catalog. Catalog mapping lets you select a category in a catalog and map all the categories in the set to that category.

Related Topics

- Default Catalog Assignment

7 Tax Registration Number Validation Logic

Overview of Tax Registration Number Validation Logic

You can validate the tax registration numbers as per the country's validation rules. Using Oracle Fusion Tax you can capture, maintain, and validate the tax information for enterprises, suppliers, customers, and other parties based in a specific country.

The taxation office, fiscal authorities, and other government agencies can validate the tax registration number for uniqueness, format, and check digits.

You can use the country specific tax registration number on the following user interfaces:

- User interface with validation to select the validation type:
  - Manage Tax Registrations of Legal Reporting Unit Tax Profile, Third-Party Tax Profiles and Third-Party Site Tax Profiles
- User interface with auto selected validation type:
  For these user interfaces the validation type that is set at the Manage country default controls task is considered and validation is triggered against that validation type.
  - Create / Manage Customers - Tax Profile -> Tax Registrations
  - Create / Manage Suppliers - Transaction Tax -> Tax Registrations

Argentina

Here are the details to validate tax registration numbers as per Argentina's validation rules:

Country Code: AR

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_AR_80:DOMESTIC	Domestic Corporation or Foreign Business Entity for Argentina with Domestic Origin	11	Numeric Characters Only	Yes, 11th Digit (Last Digit)	Coefficient - 5432765432 Modulo 11 Check Digit - If 11 - reminder = 10, then the result is 9 Check Digit - If 11 - reminder = 11, then result is 0	CUIL is the default logic	**Good**: • 30640142673 • 30640143679 • 29121001002 **Bad**: • AR1234567 - Invalid format, only

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
							numbers are allowed • 1234567891234 -Invalid format, too long • 30640142676 -Invalid check digit
ORA_AR_80:FOREIGN	Domestic Corporation or Foreign Business Entity for Argentina with Foreign Origin	11	Numeric Characters Only	Yes, 11th Digit (Last Digit)	Coefficient - 5432765432 Modulo 11 Check Digit - If 11 - reminder = 10, then result is 9 Check Digit - If 11 - reminder = 11, then result is 0		**Good**: • 30640142673 • 30640143679 • 29121001002 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1234567891234 -Invalid format, too long • 30640142676 -Invalid check digit
ORA_AR_82:DOMESTIC	Argentina CUIL with Domestic Origin	11	Numeric Characters Only	Yes, 11th Digit (Last Digit)	Coefficient - 5432765432 Modulo 11 Check Digit - If 11 - reminder = 10, then result is 9 Check Digit - If 11 - reminder = 11, then result is 0		**Good**: • 30640142673 • 30640143679 • 29121001002 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1234567891234 -Invalid format, too long • 30640142676 -Invalid check digit

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_AR_82:FOREIGN	Argentina CUIL with Foreign Origin	11	Numeric Characters Only	Yes, 11th Digit (Last Digit)	Coefficient - 5432765432 Modulo 11 Check Digit - If 11 - reminder = 10, then result is 9 Check Digit - If 11 - reminder = 11, then result is 0		**Good**: • 30640142673 • 30640143679 • 29121001002 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1234567891234 -Invalid format, too long • 30640142676 -Invalid check digit
ORA_AR_96:DOMESTIC	Argentina DNI with Domestic Origin	9 or less	Numeric Characters Only	No	No Check Digit Validation		**Good**: • 12123456 • 122134567 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1234567891234 -Invalid format, too long
ORA_AR_96:FOREIGN	Argentina DNI with Foreign Origin	Free text	Numeric Characters Only	No	No Check Digit Validation		**Good**: • 1234567891223 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1234567891234 -Invalid

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
							format, too long
ORA_AR_CUIL	Argentina CUIL	11	Numeric Characters Only	No	No Check Digit Validation		**Good**: • 30640142673 • 30640143679 • 29121001002 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1234567891234 -Invalid format, too long • 30640142676 -Invalid check digit
ORA_AR_DNI	Argentina DNI	11	Numeric Characters Only	No	No Check Digit Validation		**Good**: • 30640142673 • 30640143679 • 29121001002 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1234567891234 -Invalid format, too long • 30640142676 -Invalid check digit

Australia

Validate tax registration numbers as per Australia's validation rule. All businesses in Austria are assigned an 11 -digit global unique identifier called Australian Business Number.

Ensure that the following details are correct for Australian Business Number:

- Validation Type: ORA_AU_ABN
- Description: Australian Business Number
- Number of digits: 11
- Format: Only numeric characters
- Check digits: No
- Check Digit Validation:

  ABN verification follows 'Modulus 89' calculation. It is a 5-step verification process as mentioned below:

  a. From the given ABN, subtract 1 from the first digit and get a new 11-digit ABN.
  b. Multiply each digit with a 'weighting factor' as per its position (Coefficient- 10.1.3.5.7.9.11.13.15.17.19).
  c. Sum the resulting 11 products.
  d. Divide the sum by 89 and note the remainder.
  e. If the remainder is '0' then the given ABN number is a valid one.

Example:

Good:

- 11223491505
- 20561300000
- 31010111200
- 90000100000
- 60231941111
- 65118220001

Bad:

- AR1234567 (Invalid format - only numbers are allowed)
- 11223493504 ((Modulus 89 calculated remainder isn't zero)

Austria

Validate tax registration numbers as per Austria AT VAT validation rule. All businesses in Austria are assigned an 11 -digit global unique identifier called Austria AT VAT.

Ensure that the following details are correct for Austria AT VAT:

- Validation Type: ORA_AT_VAT
- Description: Austria AT VAT
- Number of digits: 11
- Format: Two character Country code(AT) + U + 8 digit numeric: ATU99999999 11 characters: A(1-3)+N(1-7)+C(1) A(1-3)={ATU}
- Check digits: Yes, 11th Digit (Last Digit)
- Check Digit Validation: Coefficient -1212121, Modulo 10
- Default Validation: ORA_AT_VAT

Example:

Good:

- ATU15110001
- ATU66087922

Bad:

- ABU12345675 (Invalid country code)
- U12345675 (Missing country code)
- ATU1234567 (Invalid format - too short)
- ATU123456789 (Invalid format - too long)
- ATU12345678 (Invalid check digit)

Belgium

Validate tax registration numbers as per Belgium's validation rule. All businesses in Belgium are assigned an 12 -digit global unique identifier called Belgium BE VAT.

Ensure that the following details are correct for Belgium BE VAT:

- Validation Type: ORA_BE_VAT
- Description: Belgium BE VAT
- Number of digits: 12
- Format: Two character Country code(BE) + 10 digit numeric: BE099999999 10 characters: A(1-2)+N(1-8)+C(1-2) A(1-2)={BE}
- Check digits: Yes, 11th and 12th digits combined (Last 2 digits)
- Check Digit Validation: 97-N(1-8)%97 97-Modulo 97 of the Number
- Default Validation: ORA_BE_VAT

Example:

Good:

- BE0440966354
- BE0831797467

Bad:

- BB1234567894 (Invalid country code)
- 1234567894 (Missing country code)
- BE123456789 (Invalid format - too short)
- BE12345678945 (Invalid format - too long)
- BE1234567895 (Invalid check digit)

Brazil

Here are the details to validate tax registration numbers as per Brazil's validation rules:

Country Code: BR

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No

ORA_BR_SUFRAMA	Brazil SUFRAMA	9	Numeric characters only	Yes, 9th digit (Last digit)	S1=9*N(1)+8*N(2
					S2=S1 % 11
					if S2 = 0
					Then C(1) = 0
					Else if S2 = 1
					Then C(1) = 0
					Else
					Then C(1) = (S2 - 11) * (-1)
					End If
					When you enter a number that's less than 9 digits, the number is automatically prefixed with zeros to make it a 9 digit number and then the validation logic is performed.
							TAX_PAYER_ID (7)+2*N(8

ORA_BR_CNPJ	Brazil CNPJ	14	Numeric characters only	Yes, 13th and 14th digits (Last 2 digits)	S2=S1 % 11 if S2 = 1		**Good**: • 11222333000181 (Formatted

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No

					Then C(1) = 0
					
					Else
					
					Then C(1) = 0
					
					Else
					
					Then C(1) = (S2 - 11) * (-1)
					
					End If
					
					To check c(2)
					
					S3=6*N(1)+5*N(2
					
					S4=S3 % 11
					
					if S4=1
					
					Then C(2) = 0
					
					Else
					
					Then C(2) = (S4 - 11) * (-1)
					
					End If
					
					When you enter a number that's less than 14 digits, the number is automatically prefixed with zeros to make it a 14 digit number and then the validation logic is performed.
							on reports as 11.222.333/0001-81)
							Bad:
							• 1122233300018 - Invalid format, too short
							• 112223330001811 -Invalid format, too long
							• 1122233300018 -Invalid check digit

ORA_BR_CPF	Brazil CPF	11	Numeric characters only	Yes, 10th and 11th digits (Last 2 digits)	To Check C(1)
					
					S1=10*N(1)+9*N(
					
					S2=S1 % 11
					
					if S2 = 1
					
					Then C(1) = 0
					
					Else
					
					Then C(1) = (S2 - 11) * (-1)
					
					End If
							Good:
							
							Good:
							• 22233366638 (Formatted on reports as 222.333.666-38)
							Bad:
							• 2223336663 - Invalid format, too short

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No

					To Check C(2)
					S3=11*N(1)+10*N(
					S4=S3 % 11
					if S4=1
					Then C(2) = 0
					Else
					Then C(2) = (S4 - 11) * (-1)
					End If
					When you enter a number that's less than 11 digits, the number is automatically prefixed with zeros to make it a 11 digit number and then the validation logic is performed.
							• 222333666388 -Invalid format, too long N(7)+4*N
							• 22233366639 -Invalid check digit

ORA_BR_IM	Brazil Municipal Inscription IM		The tax registration structure can vary based on the city as there are 5800+ municipal regions (Cities) in Brazil. This means that there are too many varieties of formats and check digits to be implemented. Hence, there's no validation for this TRN and you can enter it as a text field with special characters such as ".", "/" and "-".				

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_BR_IE	Brazil State Inscription IE		It's not possible to document different algorithms here. Each state has different logic leading to numerous complex algorithms.	It's not possible to document different algorithms here. Each state has different logic leading to numerous complex algorithms.	It's not possible to document different algorithms here. Each state has different logic leading to numerous complex algorithms.	It's not possible to document different algorithms here. Each state has different logic leading to numerous complex algorithms.	It's not possible to document different algorithms here. Each state has different logic leading to numerous complex algorithms.
ORA_BR_NIRE	Brazil NIRE		The default CNPJ validation is considered.				
ORA_BR_OTHER	Brazil Other	11	This registration type has been entered to allow backward compatibility as this was captured in R12. there's no specific validation required for check digit and format check. However, uniqueness checks will be triggered as per the setup.	No	No Check Digit Validation	CNPJ validation is now default validation. AND would be used even when the transaction type IS NULL	

Bulgaria

Validate tax registration numbers as per Bulgaria's validation rule. All businesses in Bulgaria are assigned a globally unique identifier called Cyprus CY VAT.

Ensure that the following details are correct for Bulgaria BG VAT:

- Country Code: BG
- Validation Type: ORA_BG_VAT
- Description: Bulgaria BG VAT
- Number of digits: 11 or 12

- Format:

  Two character Country code(BG) + 9 digit numeric

  BG099999999 if the No. of Digits entered is 11

  Or

  Two character Country code(BG) + 10 digit numeric

  BG0999999999 if the No. of Digits entered is 12

  11 characters: A(1-2)+N(1-9)

  A(1-2) = {BG}

  12 characters: A(1-2)+N(1-10)

  A(1-2) = {BG}.
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_BG_VAT

Example:

Good:

- BG345678901
- BG3456789012

Bad:

- BB1234567894 (Invalid Country Code)
- 1234567894 (Missing Country Code)
- BE1234 (Invalid format – too short)

BE1234567894543 (Invalid format – too long)

Chile

Validate tax registration numbers as per Chile's validation rule. All businesses in Chile are assigned a 13 -digit global unique identifier called Chile VAT.

Ensure that the following details are correct for Chile VAT:

- Country Code: CL
- Validation Type: ORA_CL_VAT

- Description: Chile VAT
- Number of digits: 13
- Format: Only numeric characters
- Check digits: Yes, 13th digit (Last digit)
- Check Digit Validation: Coefficient -765432765432, Modulo 11

  Check Digit - If 11 - reminder = 10, then result is K

  Check Digit - If 11 - reminder = 11, then result is 0

  When you enter a number that is less than 13 digits, the number is automatically prefixed with zeros to make it a 13 digit number and then the validation logic is performed.
- Default Validation: ORA_CL_VAT

Example:

Good:

- 202100015

Bad:

- 123456789454545 (Invalid format - too long)

Colombia

Here are the details to validate tax registration numbers as per Colombia's validation rules:

Country Code: CO

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_CO_MERCHANT	Merchant for Colombia	16 or less	Numeric characters only	No	No Check Digit Validation		
ORA_CO_LEGAL_ENTITY	Legal Entity for Colombia	16 or less	Numeric characters only	Yes, last digit	11- Modulo 11 (71*N(1)+67*N(2)+		41*N(7)+3
ORA_CO_INDIVIDUAL	Individual for Colombia	14 or less	Numeric characters only	No	No Check Digit Validation		Good: 80421487 80012737942 Bad: 9005240020A3456 (Characters not allowed)

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
							12345678945454567 (Invalid format, too long)
ORA_CO_ FOREIGN_ ENTITY	Foreign Entity for Colombia	16 or less	Numeric characters only	Yes, last digit	11- Modulo 11 (71*N(1)+67*N(2)+		Good: 80421487, 80012737942 41*N(7)+3 Bad: 9005240020A3456 (Characters not allowed), 12345678945454567 (Invalid Format - too long)
ORA_CO	Colombia	16 or less	Numeric characters only	Yes, last digit	11- Modulo 11 (71*N(1)+67*N(2)+		41*N(7)+3
ORA_CO_NIT	Colombia NIT	16 or less	Numeric characters only. Prefix 0 if the number of digits is less than 15.	Yes, last digit	1. Each number of the NIT is multiplied starting from right to left, with a sequence starting from 3, then 7, then 13, then 17, then 19, then 23, then 29, then 37, then 41, then 43, then 47, then 53, then 59, then 67, and finally 71. So, for the NIT number 890321567, each number is to be multiplied by 41; 37;		**Good**: 8903215670 900517231- (0*71) +(0*67) + (0*59) + (0*53) + (0*47) + (0*43) + (9*41) + (0*37) + + (0*29) + (5*23) + (1*19) + (7*17) + (2*13) + (3*7) + (1*3) = 672 672 / 11 = 61 integer 1 remainder In this example, the VD for NIT 900517231 is 1. • Example A: NIT 900517231 (9*41) + (0*37) + (0*29) + (5*23) + (1*19) + (7*17) + (2*13) +

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
					29; 23; 19; 17; 13; 7; 3. 2. Then sum all the results.. For the NIT number 890321567: (8*41) + (9*37) + (0*29) + (3*23) + (2*19) + (1*17) + (5*13) + (6*7) + (7*3) = 913. 3. Later the result must be divided by 11 (the Module). For the NIT number 890321567: 913 / 11 = 83 integers and 0 remainders. 4. After the division, if the remainder is equal to 0 or 1, no more actions are required; otherwise, the remaining must be subtracted by 11 (11 - remaining of the division), resulting in the following Validation Digit (VD): o If the remainder		(3*7) + (1*3) =672 672 / 11 = 61 integer 1 remainder In this example, the VD for NIT 900517231 is 1. • Example B: NIT 900524002 (0*71) + (0*67) + (0*59) + (0*53) + (0*47) + (0*43) + (9*41) + (0*37) + (0*29) + (5*23) + (2*19) + (4*17) + (0*13) + (0*7) + (2*3) = 596 596 / 11 = 54 integer 2 remainder VD = 11 - 2 = 9 In this example, the VD for NIT 900524002 is 9. Bad: AR1234567 (Invalid format, only numbers are allowed) 412615338 (Invalid check digit)

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
					= 0 then the VD is 0; o If the remainder = 1 then the VD is 1; o Else the VD = (11 - remainder). In our example, the VD for NIT 890321567 is 0.		
ORA_CO_ NIT:FOREIGN	Foreign Business Unit Entity for Colombia with Foreign Origin	20 or less	No restrictions on characters	No	No Check Digit Validation		**Good**: • AR1234567

Cyprus

Validate tax registration numbers as per Cyprus validation rule. All businesses in Cyprus are assigned a global unique identifier called Cyprus CY VAT.

Ensure that the following details are correct for Cyprus CY VAT:

- Country Code: CY
- Validation Type: ORA_CY_VAT
- Description: Cyprus CY VAT
- Number of digits: 9 or11
- Format: 11 characters: A(1-2)+ N(1-8)+C(1) A(1-2) = {CY}
  The last digit in both the cases (9 or 11) should be alpha [A-Z].
- Check digits: No
- Check Digit Validation: No
- Default Validation: Cyprus CY VAT

Example:

Good:

- CY90001291U

Bad:

- CB12345678F (Invalid country code)
- 12345678F (Missing country code)

- CY1234567F (Invalid format - too short)
- CY12345678F1 (Invalid format - too long)

Czech Republic

Validate tax registration numbers as per Czech Republic's validation rule. All businesses in the Czech Republic are assigned a globally unique identifier called Czech Republic CZ VAT.

Ensure that the following details are correct for Czech Republic CZ VAT:

- Country Code: CZ
- Validation Type: ORA_CZ_VAT
- Description: Czech Republic CZ VAT
- Number of digits: 10, 11 or 12
- Format:
  Two character Country code(CZ) + 8 digit numeric
  CZ099999999 if the No. of Digits entered is 11
  Or
  Two character Country code(CZ) + 9 digit numeric
  CZ099999999 if the No. of Digits entered is 11
  Or
  Two character Country code(CZ) + 10 digit numeric
  BG0999999999 if the No. of Digits entered is 12
  10 characters: A(1-2)+N(1-8)
  A(1-2) = {CZ}
  11 characters: A(1-2)+N(1-9)
  A(1-2) = {CZ}
  12 characters: A(1-2)+N(1-10)
  A(1-2) = {CZ}.
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_CZ_VAT

Example:

Good:

CZ34567890

CZ345678901

CZ3456789012

Bad:

BB1234567894 (Invalid Country Code)

1234567894 (Missing Country Code)

CZ1234 (Invalid Format – too short)

CZ1234567894543 (Invalid Format – too long)

Denmark

Validate tax registration numbers as per Denmark's validation rule. All businesses in Denmark are assigned a 10 -digit global unique identifier called Denmark DK VAT.

Ensure that the following details are correct for Denmark DK VAT:

- Country Code: DK
- Validation Type: ORA_DK_VAT
- Description: Denmark DK VAT
- Number of digits: 10
- Format:
  Two character Country code `(DK)` + 8 digit numeric DK99999999
  Two character Country code then 12345678 (8 characters)
  10 characters: A(1-2)+ N(1-8)
  A(1-2) = {DK}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_DK_VAT

Example:

Good:

- DK7129851
- DK12605722

Bad:

- DB12345674 (Invalid country code)

- 12345678 (Missing country code)
- DK1234567 (Invalid format - too short)
- DK123456789 (Invalid format - too long)

Estonia

Validate tax registration numbers as per Estonia's validation rule. All businesses in Estonia are assigned a 11 -digit global unique identifier called Estonia EE VAT.

Ensure that the following details are correct for Estonia EE VAT:

- Country Code: EE
- Validation Type: ORA_EE_VAT
- Description: Estonia EE VAT
- Number of digits: 11
- Format:

  Two character Country code (EE) + 9 digit numeric EE999999999

  Two character Country code then 123456789 (9 characters)

  11 characters: A(1-2)+ N(1-8)+C(1)

  A(1-2) = {EE}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_EE_VAT

Example:

Good:

- EE100741900

Bad:

- EB123456780 (Invalid country code)
- 123456780 (Missing country code)
- EE12345678 (Invalid format - too short)
- EE1234567801 (Invalid format - too long)

Ecuador

Here are the details to validate tax registration numbers as per Ecuador's validation rules:

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Country Code: EC

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_EC_ RUC:COMPANY	Ecuador RUC validation for Companies	13	Numeric Characters Only	• When the 3rd position is 9, then Check Digit is 10th Digit; • When the 3rd position is 6, then Check Digit is 9th Digit	• When the 3rd position is 9 (the verifying digit is in position 10 in this case) ○ Existing coefficients: 4.3.2.7.6.5.4. • When the 3rd position is 6 (the verifying digit is in position 9 in this case) ○ Existing coefficients: 3.2.7.6.5.4.3. • When the reminder is 0, then the verifying digit is 0 (zero)		**Good**: • 1790085783001 • 1760001040001 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 5790185783001 -Invalid check digit • 4750185783001 (3rd digit from left has to be 6 or 9)
ORA_EC_ RUC:INDIVIDUAL	Ecuador RUC validation for Individual Persons	13	Numeric Characters Only	Yes, 10th Digit	• The DNI is validated as per the "Module 10", where the first 9 digits are the DNI itself while the 10th digit is the verifying number. • The DNI is validated as per the "Module 10", where the first 9 digits are		**Good**: • 1790085783001 • 1760001040001 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 1710034062 -Invalid format, too short

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
					the DNI itself while the 10th digit is the verifying number.		
ORA_EC_ RUC:FOREIGN	Foreign Business Unit Entity for Ecuador with Foreign Origin	20 or less	No restriction on the characters	No	No		**Good**: • RT1234567#4

Finland

Validate tax registration numbers as per Finland's validation rule. All businesses in Finland are assigned a 10 -digit global unique identifier called Finland FI VAT.

Ensure that the following details are correct for Finland FI VAT:

- Country Code: FI
- Validation Type: ORA_FI_VAT
- Description: Finland FI VAT
- Number of digits: 10
- Format:
  Two character Country code `(FI)` + 8 digit numeric FI999999999
  Two character Country code then 12345678 (8 characters)
  10 characters: A(1-2)+N(1-7)+C(1)
  A(1-2) = {FI}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_FI_VAT

Example:

Good:

- FI06400216
- FI23760475

Bad:

- FB12345671 (Invalid country code)

- 12345671 (Missing country code)
- FI1234567 (Invalid format - too short)
- FI123456711 (Invalid format - too long)

France

Validate tax registration numbers as per France's validation rule. All businesses in France are assigned a 13 -digit global unique identifier called France FR VAT.

Ensure that the following details are correct for France FR VAT:

- Country Code: FR
- Validation Type: ORA_FR_VAT
- Description: France FR VAT
- Number of digits: 13
- Format:

  French European VAT registration number as a structure of FRXX999999999

  Validate tax registration numbers as per France's validation rule. All businesses in France are assigned a 13 -digit global unique identifier calledFrance FR VAT.

  For France (as for all other EU countries) the number starts with 2 letters ISO country code (FR). This standard is shared by all EU countries including the United Kingdom (GB). Then there are two characters which is a validation key (a check digit using the algorithm). Then the 9 digits SIREN number. SIREN is a unique number identifying any registered Legal Entity in France.
- Default Validation: ORA_FR_VAT

Example:

Good:

- FR06335092318
- FR43529003931

Bad:

- FB2H123456789 (Invalid country code)
- 2H123456789 (Missing country code)
- FR2H12345678 (Invalid format - too short)
- FR2H1234567899 (Invalid format - too long)

Germany

Validate tax registration numbers as per Germany's validation rule. All businesses in Germany are assigned a 11 -digit global unique identifier called Germany DE VAT.

Ensure that the following details are correct for Germany DE VAT:

- Country Code: DE
- Validation Type: ORA_DE_VAT
- Description: Germany DE VAT
- Number of digits: 11
- Format:
  Two character Country code(DE) + 9 digit numeric DE999999999
  Two character Country code then 123456789 (9 characters)
  11 characters: A(1-2)+ N(1-8)+C(1) A(1-2) = {DE}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_DE_VAT

Example:

Good:

- DE129430206
- DE815243055

Bad:

- DB123456788 (Invalid country code)
- 123456788 (Missing country code)
- DE12345678 (Invalid format - too short)
- DE1234567890 (Invalid format - too long)

Greece

Here are the details to validate tax registration numbers as per Greece's validation rules:

Country Code: GR

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_GR_VAT	Greece VAT	11	Two character Country code(GR) + 9 digit numeric GR999999999	Yes, 11th digit (last digit)	S=256*N(1)+128* C(1)=S%11; if C(1)=10, C(1)=0		**Good**: 6)+4*N(7) • GR800420948 • EL800420948 **Bad**:

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
			Two character Country code then 123456789 (9 characters) 11 characters: A(1-2)+ N(1-8)+C(1) A(1-2) = {GR}				• EB2H123456789 - Invalid country code • 2H123456789 -Missing country code • EL2H12345678 -Invalid format, too short • GR2H1234567899 - Invalid format - too long • EL2H123456788 - Invalid check digit
ORA_EL_VAT	Greece EL VAT	11	Two character Country code(EL) + 9 digit numeric EL999999999 Two character Country code then 123456789 (9 characters) 11 characters: A(1-2)+ N(1-8)+C(1) A(1-2) = {EL}	Yes, 11th digit (last digit)	S=256*N(1)+128* C(1)=S%11; if C(1)=10, C(1)=0		6)+4*N(7)

Hungary

Validate tax registration numbers as per Hungary's validation rule. All businesses in Hungary are assigned a 10 -digit global unique identifier called Hungary HU VAT.

Ensure that the following details are correct for Hungary HU VAT:

- Validation Type: ORA_HU_VAT
- Description: Hungary HU VAT
- Number of digits: 10
- Format:
  Two character Country code (HU) + 8 digit numeric HU99999999

Two character Country code then 12345678 (8 characters)
10 characters: A(1-2)+ N(1-7)+C(1)
A(1-2) = {HU}

- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_HU_VAT

Example:

Good:

- HU10845606
- HU26903738

Bad:

- HB12345676 (Invalid country code)
- 12345676 (Missing country code)
- HU1234567 (Invalid format - too short)
- HU123456766 (Invalid format - too long)
- HU12345675 (Invalid check digit)

Ireland

Validate tax registration numbers as per Ireland's validation rule. All businesses in Ireland are assigned a unique identifier called Ireland IE VAT.

Ensure that the following details are correct for Ireland IE VAT:

- Country Code: IE
- Validation Type: ORA_IE_VAT
- Description: Ireland IE VAT
- Number of digits: 10, 11
- Format:
  10 characters (new): A(1-2)+N(1-7)+C(1)
  11 characters (old): A(1-2)+ N(1)+A(1)+N(2-6)+C(1)
  A(1-2) = {IE}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_IE_VAT

Example:

Good:

- IE6556973V
- IE64197501
- IE9676268U
- IE6355354U

Bad:

- IB1234567T (Invalid country code)
- 1234567T (Missing country code)
- IE1234567 (Invalid format - too short)
- IE1234567T1 (Invalid format - too long)

Italy

Validate tax registration numbers as per Italy's validation rule. All businesses in Italy are assigned a 13 -digit global unique identifier called Italy IT VAT.

Ensure that the following details are correct for Italy IT VAT:

- Country Code: IT
- Validation Type: ORA_IT_VAT
- Description: Italy IT VAT
- Number of digits: 13
- Format:
  13 characters: A(1-2)+N(1-10)+C(1)
  N(8-10) (that's., 8, 9, 10 digits)={1-100,120,121, 888, 999} NC> 28th Aug 2013 added 888 and 999.
  A(1-2) = {IT}
- Check digits: Yes, 13th digit (last digit)
- Check Digit Validation: Coefficient - 1212121212 Modulo 10
- Default Validation: ORA_IT_VAT

Example:

Good:

- IT03189950961
- IT00140869991

Bad:

- IB12345670017 (Invalid country code)
- 12345670017 (Missing country code)
- IT1234567001 (Invalid format - too short)

- IT123456700177 (Invalid format - too long)
- IT12345670018 (Invalid check digit)

India

Here are the details to validate tax registration numbers as per India's validation rules:

Country Code: IN

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No.
ORA_IN_TAN	TAN for India	10	4 letters + 5 numbers + 1 letter	No	No Check Digit Validation	None	Good: ABCD12345A Bad: ABCD43 (Invalid format, too short) ABCD12345A6 (Invalid format, too long)
ORA_IN_GST	GST Registration Number Validation for India	<=20	No Check on the Format	No	No Check Digit Validation	None	Good: AC6556973V 123AC64197501 654AC9676268U AC6355354U4546
ORA_IN_PAN	PAN for India	10	5 letters + 4 numbers + 1 letter	No	No Check Digit Validation	None	Good: ABCDE2345A Bad: ABCD43 (Invalid format, too short) ABCD12345A6 (Invalid format, too long)

Latvia

Validate tax registration numbers as per Latvia's validation rule. All businesses in Latvia are assigned 11 or 13 -digit global unique identifier called Latvia LV VAT.

Ensure that the following details are correct for Latvia LV VAT:

- Country Code: LV

- Validation Type: ORA_LT_VAT
- Description: Latvia LV VAT
- Number of digits: 11 or 13
- Format:
  If 13 digits entered, then first 2 digits are the CONTRY CODE and the next eleven digits after the Country Code prefix should be numeric. If only 11 digits entered, then all digits have to be numeric.
  Legal Person 13 characters: N(1-10)+C(1) N(1)={4,5,6,7,8,9}
  Natural person N(1-11) if N(3-4)={02} and N(5-6)%4>0, N(1-2)={01-28} if N(3-4)={02} and N(5-6)%4=0, N(1-2)={01-29} if N(3-4)={04,06,09,11}, N(1-2)={01-30} if N(3-4)={01,03,05,07,08,10,12}, N(1-2)={01-31} N(3-4)={01-12}
  A(1-2) = {LV}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_LV_VAT

Example:

Good:

- LV40003584818

Bad:

- LB41234567891 (Invalid country code)
- 41234567891 (Missing country code)
- LV4123456789 (Invalid format - too short)
- LV412345678911 (Invalid format - too long)

Lithuania

Validate tax registration numbers as per Lithuania's validation rule. All businesses in Lithuania are assigned a 11 or 14 digit global unique identifier called Lithuania LT VAT.

Ensure that the following details are correct for Lithuania LT VAT:

- Country Code : LT
- Validation Type: ORA_LT_VAT
- Description: Lithuania LT VAT
- Number of digits: 11 or 14
- Format:
  Two character Country code(LT) + 9 or 12 digit numeric LT999999999 or LT999999999999 Legal Person 13 characters: A(1-2)+N(1-10)+C(1) N(1)={4,5,6,7,8,9}
  Temporal tax-payer and Natural person 14 Characters: A(1-2)+N(1-11)+C(1) N(11)={1}

A(1-2) = {LT}

- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_LT_VAT

Example:

Good:

- LT290068999310
- LT123456715

Bad:

- LB41234567891 (Invalid country code)
- 41234567891 (Missing country code)
- LV4123456789 (Invalid format - too short)
- LV412345678911 (Invalid format - too long)

Luxembourg

Validate tax registration numbers as per Luxembourg' validation rule. All businesses in Luxembourg are assigned a 10 - digit global unique identifier called Luxembourg LU VAT.

Ensure that the following details are correct for Luxembourg LU VAT:

- Country Code: LU
- Validation Type: ORA_LU_VAT
- Description: Luxembourg LU VAT
- Number of digits: 10
- Format: Two character Country code(LU) + 8 digit numeric LU999999999 Two character Country code then 12345678 (8 characters)

  10 Characters: A(1-2)+N(1-6)+C(1-2) A(1-2) = {LU}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_LU_VAT

Example:

Good:

- LU18861827
- LU23586515
- LU2268 0432
- LU24395203

Bad:

- LB12345613 (Invalid country code)
- 12345613 (Missing country code)
- LU1234561 (Invalid format - too short)
- LU123456133 (Invalid format - too long)

Malta

Validate tax registration numbers as per Malta's validation rule. All businesses in Malta are assigned a 10 digit global unique identifier called Malta MT VAT.

Ensure that the following details are correct for Malta MT VAT:

- Country Code: MT
- Validation Type: ORA_MT_VAT
- Description: Malta MT VAT
- Number of digits: 10
- Format: Two character Country code(MT) + 8 digit numeric MT999999999 Two character Country code then 12345678 (8 characters)
  10 Characters: A(1-2)+ N(1-6)+C(1-2) N(1-6)>100000 A(1-2) = {MT}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_MT_VAT

Example:

Good:

- MT12345634
- ATU66087922

Bad:

- MB12345634 (Invalid country code)
- 12345634 (Missing country code)
- MT1234563 (Invalid format - too short)
- MT123456344 (Invalid format - too long)

Mexico

Here are the details to validate tax registration numbers as per Mexico's validation rules:

Country Code: MX

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_MX_RFC:COMPANY	Mexico RFC Validation for Companies	12	Only letters and numbers are allowed. No special characters. • Segment 1: Three letters for a short company name. These letters are assigned by SAT at company creation time. • Segment 2: Six numbers for company creation date; **yymmdd**. • Segment 3: Last three digits called "Homoclave it could contain letters and numbers. This segment provides uniqueness to Tax Registration Number.	No	No		**Good**: • OME910101TA3 **Bad**: • AR12% $34567 - Invalid format, only letters and numbers are allowed • OME910231TA3 -Invalid format -date **yymmdd** format is invalid
ORA_MX_RFC:INDIVIDUAL	Mexico RFC Validation for Professional Individuals	13	Only letters and numbers are allowed. No special characters. • Segment 1: Four letters for Name and last names: First two letters of last name,	No	No		**Good**: • BOSF740624T74 **Bad**: • AR45% $34567 - Invalid format, only letters and numbers are allowed

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
			first letter of second last name and first letter of name. • Segment 2: Six numbers for date of birth, `yymmdd`. • Segment 3: Last three digits called "Homoclave it could contain letters and numbers. Like in the case of companies, this segment provides uniqueness to Tax Registration Number.				• BOSF740631T74 -Invalid format -date `yymmdd` format is invalid
ORA_MX_RFC:SAT	Mexico RFC Validation for SAT	20 or less	No Restriction on the characters	No	No		**Good**: • 34DF1234567#4
`ORA_MX_RFC:CURP`	Mexico RFC Validation for CURP	18	Only letters and numbers are allowed. No special characters. • Segment 1: Four letters for Name and last names: First two letters of last name, first letter of second last name and first letter of name. • Segment 2: Six	No	No		**Good**: • BOSF740824HJCNVB **Bad**: • `A#$5df% $34567` - Invalid format, only numbers are allowed • BOSF740630AJCNVB -Invalid format, 11th digit has to be H or M

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
			numbers for date of birth, `yymmdd`. • Segment 3: One letter to specify gender; H = Male, M = Female. • Segment 4: Two letters for the Geographica State of birth inside Mexico. • Segment 5: One letter, first internal consonant from the first of the two last names. • Segment 6: One letter, first internal consonant from the second of the two last names. • Segment 7: One letter, first internal consonant from the first name. • Segment 8: One digit, 0-9 for dates of birth up to the year 1999, and A-Z for dates of birth from the year 2000 forward. • Segment 9: One digit				

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
			to avoid duplicates.				
ORA_MX_RFC:FOREIGN	Foreign Business Unit Entity for Mexico with Foreign Origin	20 or less	No Restriction on the characters	No	No		**Good**: • 3GRDF1234567#4

Netherlands

Validate tax registration numbers as per Netherlands validation rule. All businesses in Netherlands are assigned a 14-digit global unique identifier called Netherlands NL VAT.

Ensure that the following details are correct for Netherlands NL VAT:

- Country Code: NL
- Validation Type: ORA_NL_VAT
- Description: Netherlands NL VAT
- Number of digits: 14
- Format:
  Two character Country code + 12 digit numeric NL999999999B99 The 12th digit is always 'B'
  14 characters: A(1-2)+ N(1-8)+C(1)+A(1)+N(9-10)
  A(1-2)+N(1-8)+C(1)+A(1)+N(9-10) N(1-8)>0 A(1)={B} A(1-2)="NL"
- Check digits: Yes, 9th digit
- Check Digit Validation: S=9*N(1)+8*N(2)+7*N(3)+6*N(4)+5*N(5)+4*N(6)+3*N(7)+2*N(8) C(1)=S%11; if C(1)=10, wrong
- Default Validation: ORA_NL_VAT

Example:

Good:

- NL007303907B01
- NL813086188B01
- NL801270650B01
- NL803773614B01
- NL811356103B01

Bad:

- NB123456782B90 (Invalid country code)

- 123456782B90 (Missing country code)
- NL123456782B9 (Invalid format - too short)
- NL123456782B901 (Invalid format - too long)
- NL123456782B91 (Invalid check digit)

New Zealand

Here are the details to validate tax registration numbers as per New Zealand's validation rules:

Country Code: NZ

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_NZ_BN	New Zealand Business Number	13	Numeric Characters Only	Yes, 13th Digit (Last Digit)	It is a 3-step process as stated below: 1. Multiply value of each position left to right all 12 digits by 1,3,1,3,1, 3,1,3,1,3,1,3. 2. Add the resulting 12 products and arrive at a sum. 3. Subtract the sum from nearest equal or higher multiple of ten = Check Digit.		**Good**: • 9429039501974 **Bad**: • AR1234567 - Invalid format, only numbers are allowed • 171003406287654 -Invalid format, too long • 1710034062 -Invalid format, too short • 9429039501976 -Invalid check digit
ORA_NZ_GST	New Zealand Goods and Services Tax Registration Number	8 or 9	Numeric Characters Only	Yes, last digit	1. If the IRD number is < 10-000-000 or > 150-000-00 then the number is invalid. (This step ensures that		**Good**: • 49091850 • 35901981 • 49098576 • 136410132 **Bad**: • AR1234567 - Invalid

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
					the IRD number is in the al-ready issued range, or is in the range expected to be issued in the next 10 years.) 2. Check Digit Validation: a. Remove the trailing check digit. b. If the resulting number is seven digits long, pad to eight digits by adding a leading zero. c. Multiply each digit with a 'weighting factor' as per its position. Coefficient: 3, 2, 7, 6, 5, 4, 3, 2. d. Multiply each digit with a 'weighting factor' as per its position. Coefficient: 3, 2, 7, 6, 5, 4, 3, 2. e. Divide the sum by 11. - If the remainder is 0 then the calculated check digit is 0.		format, only numbers are allowed • 171003406287654 -Invalid format, too long • 136410133 -Invalid check digit • 9125568- Not in the range < 10-000-000 or > 150-000-000

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
					- If the remainder is not 0 then subtract the remainder from 11, giving the calculated check digit. a. If the calculated check digit is in the range 0 to 9, then that digit is the check digit. b. If the calculated check digit is 10,then follow the below steps. a. Multiply each digit with a 'weighting factor' as per its position. Coefficient: 7, 4, 3, 2, 5, 2, 7, 6. b. Multiply each digit with a 'weighting factor' as per its position. Coefficient: 7, 4, 3, 2, 5, 2, 7, 6. c. Multiply each digit with a 'weighting factor' as per its position. Coefficient: 7, 4, 3, 2, 5, 2, 7, 6. o Multiply each digit with a		

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
					'weighting factor' as per its position. Coefficient: 7, 4, 3, 2, 5, 2, 7, 6. o Multiply each digit with a 'weighting factor' as per its position. Coefficient: 7, 4, 3, 2, 5, 2, 7, 6. a. Multiply each digit with a 'weighting factor' as per its position. Coefficient: 7, 4, 3, 2, 5, 2, 7, 6. b. Multiply each digit with a 'weighting factor' as per its position. Coefficient: 7, 4, 3, 2, 5, 2, 7, 6.		

Poland

Validate tax registration numbers as per Poland's validation rule. All businesses in Poland are assigned a 12-digit global unique identifier called Poland PL VAT.

Ensure that the following details are correct for Poland PL VAT:

- Validation Type: ORA_PL_VAT
- Description: Poland PL VAT
- Number of digits: 12
- Format:
  Two character Country code(PL) + 10 digit numeric PL9999999999 Two character Country code then 1234567890 (10 characters)

12 characters: A(1-2)+N(1-9)+C(1) A(1-2) = {PL}

- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_PL_VAT

Example:

Good:

- PL5270201490
- PL5263047131

Bad:

- PB1234567883 (Invalid country code)
- 1234567883 (Missing country code)
- PT123456788 (Invalid format - too short)
- PT12345678833 (Invalid format - too long)

Portugal

Validate tax registration numbers as per Portugal's validation rule. All businesses in Portugal are assigned a 14-digit global unique identifier called Portugal PT VAT.

Ensure that the following details are correct for Portugal PT VAT:

- Validation Type: ORA_PT_VAT
- Description: Portugal PT VAT
- Number of digits: 14
- Format:

  Two character Country code(PT) + 9 digit numeric PT999999999

  Two character Country code then 123456789 (9 characters)

  14 characters: A(1-2)+ N(1-8)+C(1) N(1)>0 A(1-2) = {PT}
- Check digits: Yes, 14th Digit (last digit)
- Check Digit Validation: Coefficient - 98765432 Modulo 11
  (S=9*N(1)+8*N(2)+7*N(3)+6*N(4)+5*N(5)+4*N(6)+3*N(7)+2*N(8) C(1)=11 - (Mod11 of the Sum above)) if C(1)=10, C(1)=0 if C(1)=11, C(1)=0
- Default Validation: ORA_PT_VAT

Example:

Good:

- PT123456789

Bad:

- PB123456789 (Invalid country code)
- 123456789 (Missing country code)
- PT12345678 (Invalid format - too short)
- PT1234567899 (Invalid format - too long)
- PT123456788 (Invalid check digit)

Peru

Validate tax registration numbers as per Peru's validation rule. All businesses in Peru are assigned a 11 -digit global unique identifier called Peru PE VAT.

Ensure that the following details are correct for Peru AT VAT:

- Validation Type: ORA_PE_RUC
- Description: Peru RUC Validation for Company, Regular Person, and Foreigner
- Number of digits: 11
- Format: Only numeric characters are allowed
    - The first 2 digits of the 11-digit RUC determines the type of entity
    - First 2 digits is "10", the entity is a regular person
    - First 2 digits is "20", it entity is a company
    - First 2 digit is "16", it used to be a valid number, but no longer used
    - First 2 digit is "17", it's either an old RUC from 1993-2000 OR the entity is a foreigner/others
    - The next 8 are considered the`Documento Nacional de Identidad "DNI" (identity number)`
- Check digits: Yes, 11th digit (last digit)
- Check Digit Validation: The RUC is validated using the "Module 11" rule.
    a. Each number of the RUC is multiplied starting from left to right with 5, 4, 3, 2, 7, 6, 5, 4, 3, 2.
    b. Then sum all the results.
    c. The result has to be divided by 11 (the name of the Module)
    d. After the division, the remaining is subtracted by 11 (11- remaining of the division)
        - If the result is over 0 and less than 10, that's the verifying number we are looking for
        - If the result is 0 or 10, the verifying digit is 1
- Default Validation: ORA_PE_RUC

Example:

Good:

- 20503644968

Bad:

- `ARF%34567`(Invalid format - only numbers are allowed)
- 20503644961 (Invalid check digit)

Russia

Validate tax registration numbers as per Russia's validation rule. All businesses in Russia are assigned a global unique identifier called Russian VAT.

Ensure that the following details are correct for Russian VAT:

- Validation Type: ORA_RU_VAT
- Description: Russian VAT
- Number of digits: 9, 10, 12
- Format: Its just 9, 10 or 12 characters. No country format or any other validations
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_RU_VAT

Example:

Good:

- 123456789
- RU4567654321

Bad:

- 12345 (Invalid format - too short)
- 123456789012345 (Invalid format - too long)

Romania

Validate tax registration numbers as per Romania’s validation rule. All businesses in Romania are assigned a globally unique identifier called Romania RO VAT.

Ensure that the following details are correct for Romania RO VAT

- Country Code: RO
- Validation Type: ORA_RO_VAT
- Description: Romania RO VAT
- Number of digits: Between 4 and 12

- Format: Two character Country code (RO) + 2 to 10 digit numeric
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_RO_VAT

Example:

Good:

- RO45
- RO345678901
- RO1234567890

Bad:

- BB45 (Invalid Country Code)
- 1234567894 (Missing Country Code)
- RO1 (Invalid format, too short)
- RO1234567894543455 46 (Invalid format, too long)

Slovakia

Use the 12-digit global unique identifier, Slovakia SK VAT validation rule, to validate tax registration numbers of Slovakia.

Ensure that the following details are correct for Slovakia SK VAT:

- Validation Type: ORA_SK_VAT
- Description: Slovak Republic SK VAT
- Number of digits: 12
- Format: Two character Country code(SK) + 10 digit numeric SK9999999999

  Two character Country code then 1234567890 (10 characters)

  12 characters: A(1-2)+ N(1-10) A(1-2) = {SK}
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_SK_VAT

Example:

Good:

- SK2020309357

Bad:

- SB0012345678 (Invalid country code)

- 0012345678 (Missing country code)
- SK001234567 (Invalid format - too short)
- SK00123456788 (Invalid format - too long)

Slovenia

Validate tax registration numbers as per Slovenia's validation rule. All businesses in Slovenia are assigned a 10-digit global unique identifier called Slovenia SI VAT.

Ensure that the following details are correct for Slovenia SI VAT:

- Validation Type: ORA_SI_VAT
- Description: Slovenia SI VAT
- Number of digits: 10
- Format: Two character Country code(SI) + 8 digit nACumeric SI99999999

  Two character Country code then 12345678 (8 characters)

  10 characters: A(1-2)+ N(1-7)+C(1) A(1-2) = {SI}

  Country code "SI" plus 1 block of 8 digits. if 10 then rest eight digit after the prefix should be numeric else all numeric (for 8).
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_SI_VAT

Example:

Good:

- SI14313260

Bad:

- SB12345679 (Invalid country code)
- S112345679 (Missing country code)
- SI1234567 (Invalid format - too short)
- SI123456799 (Invalid format - too long)

Spain

Validate tax registration numbers as per Spain's validation rule. All businesses in Spain are assigned a 11 -digit global unique identifier called Spain ES VAT.

Ensure that the following details are correct for Spain ES VAT:

- Country Code: ES
- Validation Type: ORA_ES_VAT
- Description: Spain ES VAT
- Number of digits: 11
- Format:
  'ES'+9 digits, the first or the last digit value can also be a character - e.g. ESX9999999X
  11 Characters:
  A(1-3) + N(1-7) + C(1) or
  A(1-2) + N(1-8) + C(1)
  A(1-2) = "ES"
- Check digits: Yes, 11th digit (Last digit)
- Check Digit Validation:
  Legal Person with Profit Aim:
  S=2#N(1)+N(2)+2#N(3)+N(4)+2#N(5)+N(6)+2#N(7)
  C(1)=10-S%10; if C=10, C=0
  Legal persons with non-profit aim
  S=2#N(1)+N(2)+2#N(3)+N(4)+2#N(5)+N(6)+2#N(7)
  C(1)=10-S%10
  C{1-10} C{A-J}
  Spanish natural persons
  C(1)=1+N(1-8)%23
  C{1-23} C{T,R,W,A,G,M,Y,F,P,D,X,B,N,J,Z,S,Q,V,H,L,C,K,E}
  Foreign natural persons, under age 14 or non-residents C(1)=1+N(1-7)%23
  C{1-23} C{T,R,W,A,G,M,Y,F,P,D,X,B,N,J,Z,S,Q,V,H,L,C,K,E}
- Default Validation: ORA_ES_VAT

Example:

Good:

- ESB78361482
- ESN0071323J
- ESP1234567D
- ES12345678Z

- ESK1234567L

Bad:

- EBA12345674 (Invalid country code)
- A12345674 (Missing country code)
- ESA1234567 (Invalid format - too short)
- ESA123456744 (Invalid format - too long)
- ESP1234567E (Invalid check digit)

Sweden

Validate tax registration numbers as per Sweden's validation rule. All businesses in Sweden are assigned a 14-digit global unique identifier called Sweden SE VAT.

Ensure that the following details are correct for Sweden SE VAT:

- Validation Type: ORA_SE_VAT
- Description: Sweden SE VAT
- Number of digits: 14
- Format: Two character Country code(SE) + 12 digit numeric SE999999999901 Last 2 digits of the 12 digits should be 01 14 characters: A(1-2)+ N(1-9)+C(1)+N(10-11) A(1-2) = {SE} N(10-11) = 01
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_SE_VAT

Example:

Good:

- SE556254674601
- SE502069316301

Bad:

- SB123456789701 (Invalid country code)
- 123456789701 (Missing country code)
- SE12345678970 (Invalid format - too short)
- SE1234567897011 (Invalid format - too long)

Switzerland

Validate tax registration numbers as per Switzerland's validation rule. All businesses in Switzerland are assigned a global unique identifier called Switzerland VAT.

Ensure that the following details are correct for Switzerland VAT:

- Country Code: CH
- Validation Type: ORA_CH_VAT
- Description: Switzerland VAT
- Number of digits: 8 or 15 or 16
- Format:
    - Up to End of 2013 old format is valid
      8 Characters: 2 Character Country Code (CH) + 6 digit number
    - 16 characters: A(1-3)+ N(1-9) + A(4-7)
      A(1-3) = {CHE}
      A(4-7) = {MWST}
      (German part)
    - 15 characters: A(1-3)+ N(1-9) +A(4-6)
      A(1-3) = {CHE}
      A(4-7) = {TVA}
      (French part)
    - 15 characters: A(1-3)+ N(1-9) +A(4-6)
      A(1-3) = {CHE}
      A(4-7) = {IVA}
      (Italian part)
- Check digits: No
- Check Digit Validation: No
- Default Validation: ORA_CH_VAT

Example:

Good:

- CHE-318.065.437 MWST
- CHE-318.065.437 IVA
- CHE-318.065.437 TVA

Bad:

- AA123456789 (Invalid country code)
- 1234567894 (Missing country code)
- CHE123456789 (Invalid format - too short)
- CH123456789454545 (Invalid format - too long)
- CHE123456789ABCD (Invalid format - last wrong characters)

Taiwan

Here are the details to validate tax registration numbers as per Taiwan's validation rules:

Country Code: TW

REPORTING_TYPE_CODE/ Validation Type	REPORTING_TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
ORA_TW_VAT	Taiwan VAT	9	Numeric Characters Only	No	No	Validation for length as 8 or 9 digits	**Good**: • 236397812 **Bad**: • 1234567 -Invalid format, too short • 12345678912 -Invalid format, too long
ORA_TW_TPID	Taxpayer ID for Taiwan	8	Numeric Characters Only	No	No	Validation for length as 8 or 9 digits	**Good**: • 23639781 **Bad**: • 1234567 -Invalid format, too short • 12345678912 -Invalid format, too long
ORA_TW_BAN:COMPANY	Taiwan Business Administration Number Structure Validation for Company	8	Numeric Characters Only	No	No		**Good**: • 35701598 **Bad**: • `ARF $34567` -Invalid format, only numbers are allowed • 39292217 -Invalid

REPORTING_ TYPE_CODE/ Validation Type	REPORTING_ TYPE_NAME	No of Digits	Format	Check Digit	Check Digit Validation	Default Validation	Example TRN No
							format, remainder is not 0
ORA_TW_ BAN:INDIVIDUAL	Taiwan Business Administration Number Structure Validation for Individual	9	First letter is always an alphabet. Others are all numeric characters. The whole number is validated in 2 steps. 1. Each digit number multiple by a constant {1,2,1,2,1,2, 4,1}. 2. Result should be true where if Sum(a1 ~ a8) divide by 10 and remainder is 0.	No	No		**Good**: • A35701598 **Bad**: • AR945$34567 - Invalid format, only numbers are allowed • A39292217 -Invalid format, remainder is not 0

United Kingdom

Validate tax registration numbers as per United Kingdom's validation rule. All businesses in United Kingdom are assigned a global unique identifier called United Kingdom GB VAT.

Ensure that the following details are correct for United Kingdom GB VAT:

- Country Code: GB
- Validation Type: ORA_GB_VAT
- Description: United Kingdom GB VAT
- Number of digits: 5, 9, 12

- Format:

  Two character Country code(GB) + 3/7/10 digit numeric

  GB999 / GB9999999 / GB9999999999

  Two character Country code then 123 / 1234567 / 1234567891 (3/7/10 characters)

  Government Department/Health Authority 7 characters: A(1-4)+ N(1-3)

  Standard 11 Character: A(1-2)+ N(1-9)

  Commercial Group 12 Characters: A(1-2)+ N(1-10)

  Isle of Man (Normal) 14 Characters: A(1-2)+N(1-12)

  Isle of Man (Commercial Group) 15 Characters: A(1-2)+N(1-12)

  A(1-2) = {GB}
- Check digits: Yes, last digit
- Check Digit Validation:

  11 , or 12 Characters: S=8*N(1)+7*N(2)+6*N(3)+5*N(4)+4*N(5)+3*N(6)+2*N(7) if S%97= N(8-9) then correct

  14 , or 15 Characters: S=8*N(4)+7*N(5)+6*N(6)+5*N(7)+4*N(8)+3*N(9)+2*N(10) if S%97= N(11-12) then correct
- Default Validation: ORA_GB_VAT

Example:

Good:

- GBGD123
- GBHA567
- GB391313073
- GB417258843
- GB940068928
- GB1234567823
- GB001123456782
- GB0011234567823

Bad:

- GCHA567 (Invalid country code)
- HA567 (Missing country code)
- GB12345678 (Invalid format - too short)
- GB0011234567823 (Invalid format - too long)
- GB123456781 (Invalid check digit)

8 Frequently Asked Questions

Why isn't the link to Tax Authority Invoice enabled for the AP invoice?

This depends on the value of the Tax Invoice Creation Point column in both the Configuration Owner Tax Options and Tax setup.

- **Invoice**: If the Tax Invoice Creation Point column is Invoice, then the tax authority invoice is created and the link is enabled on validating the AP invoice.
- **Payment**: If the Tax Invoice Creation Point column is Payment, then the tax authority invoice is created and the link is enabled after the payment of AP invoice.

Why are decimal values eliminated from the total tax amount and shown as an integer?

The decimal places in the tax amounts are based on the precision and minimum accountable unit defined in the tax and currency setup. You must verify if these values are correctly defined in both the Manage Tax and Manage Currencies page.

Why isn't Edit Taxes enabled for the AP invoice?

You will have to enable the Allow adjustments to paid invoice option to enable Edit Taxes for the AP invoice. Here's how you enable the option:

- Sign in as an implementation consultant.
- Go to Setup and Maintenance > Manage Implementation Projects > <your implementation project>.
- Search for the task: Manage Invoice Options.
- From Selected Scope, select the required business unit and click **Go to the task**.
- Select **Allow adjustments to paid invoice**.

Why is the Calculate Tax button missing from the Create Invoice page on the supplier portal?

This is because you have enabled the Supplier Portal Invoice Enhancement option. You must deselect this option. Here's how you can do this:

- Go to Setup and Maintenance > Financials.
- From the Payables functional area, click Actions > **Change Feature Selection**.
- Deselect **Supplier Portal Invoice Enhancement**.

Why isn't the tax applied to a transaction?

These are some of the reasons when the tax isn't applied to a transaction. You can verify and correct them as required.

- The business unit or legal entity isn't subscribed to the regime.
- The party type is incorrect. If the **Use Legal Entity Subscription** option is enabled for the business unit in the Party Tax profile, then for the regime subscription, you must select **First Party Legal Entity** as the party type instead of **Business Unit Owning Tax Content**.
- The applicable regime, tax, status, jurisdiction, and rate are active and aren't end dated.
- Tax applicability rules aren't created. If the tax isn't applicable by default, then you must create tax applicability rules with the required condition.

Why are there no values in the Product Fiscal Classification LOV while creating an AR transaction?

This is because the applicable taxation country isn't defined. Select the Miscellaneous tab and enter the applicable taxation country such as the United States.

Why is the Tax Classification Code (TCC) not displayed as a default value on the purchase order?

Here are the things you must check if the Tax Classification Code (TCC) isn't displayed as a default value on the purchase order:

- The purchase order is saved.
- The defaulted TCC is displayed on the **Schedules** tab of the purchase order. Note that the TCC isn't displayed on the **Lines** tab.
- The defaulting hierarchy is defined in the Application Tax Options setup.
- The TCC is at least assigned to an item, supplier, or supplier site.

Why isn't the tax getting applied per the Product Fiscal Classification (PFC) rules?

Here are some of the reasons when the tax isn't applied per the PFC rules. You can verify and correct them as required.

- The Primary Inventory Category Set option is enabled for the Country Default Controls setup.
- The catalog and category are defined, and the item is assigned to a category.

Why is the Inclusive option disabled from detail tax lines for the AP invoice?

These are some of the reasons when the Inclusive option is disabled. You can verify and correct them as required.

- If the **Use Legal Entity Subscription** option isn't enabled for the business unit in the Party Tax profile, then set up the Configuration Owner Tax Options with **Business Unit Owning Tax Content** as the party type instead of **First Party Legal Entity**.
- Verify that the **Allow override and entry of inclusive tax lines** option is selected at the Configuration Owner Tax Options and Tax Rate level setup:
    - Configuration Owner Tax Options level:
        - Go to the Configuration Owner Tax Options page.
        - Search for the applicable Configuration Owner Tax Options entry.
        - Click **Edit**.
        - Select **Allow override and entry of inclusive tax lines**.
    - Tax Rate level:
        - Go to the Manage Tax Rates and Recovery Rates task.
        - Select **Allow override and entry of inclusive tax lines**.

How to create a new postal code range in a tax zone?

To create a new postal code range in a tax zone, you must add the new range information in the tax configuration workbook.

Here's how you can update the tax configuration workbook:

1. Go to the Manage Tax Regimes page and click on the **Rapid Setup Spreadsheet** button to download the tax configuration workbook.
2. Open the Tax Configuration Workbook and unhide the by default hidden Manage Tax Zone worksheet.
3. Enter all the required data and then generate the CSV file.
4. Upload the tax configuration workbook back from the Manage Tax Regimes page.

How to have a different tax on specific item categories?

You must create a new tax rule to have a different tax for specific item categories. Here’s how you can do that:

Product Inventory Management (PIM) Side Setup:

1. Create a Catalog and create categories under the catalog.
2. Associate the items to the categories.

Tax Side Setup:

1. Navigate to the Manage Product-Based Fiscal Classifications page. Create a new Product Fiscal Classification Type and associate all tax regimes applicable to this product fiscal classification. Make sure to select the Catalog as Inventory Category Set.
2. Navigate to Manage Tax Determining Factor Sets. Create a new Tax Determining Factor Set and provide the tax determining factor set details as:
    a. Determining Factor Class – Product inventory linked
    b. Determining Factor Name - Select the product fiscal classification created in step 1 above.
3. Navigate to the Manage Tax Condition Sets page. Create a new Tax Condition Set for each item category that needs a different tax calculation and enter the tax condition set details.
4. Navigate to Manage Tax Rules >Tax Rule Type> Direct Tax Rate Rules. Create a new expert rule using your tax determining factors and tax conditions and enable the rule.
5. To default, the item category with the selected item when creating the transactions, navigate to the Manage Country Default Controls task and associate the catalog to the primary inventory category set for that country.

How to stop a tax from applying in Procurement but still run in other modules?

Here's how you can stop applying any tax on Procurement Module:

1. Navigate to Manage Configuration Owner Tax Options and create a tax option for the required configuration owner (business unit/ legal entity) for the event class Purchase Order and Agreement for Enterprise Tax.
2. In the Default Tax Options section, deselect the option Allow tax applicability under the Offset Tax Basis field.

Here's what you can do to stop a particular tax from applying in Procurement Module:

1. Create the tax applicability rule for the event class Purchase Order and Agreement for Enterprise Tax.
2. Create a tax determining factor set and condition set as per the requirement.
3. In the Tax Condition Set section, associate your tax condition, select the Result as Not Applicable, and enable the rule.

How is the tax coming on Purchase Order based on the Purchasing Category?

Here's how the tax is calculated on purchase orders based on the purchasing category:

1. Navigate to Manage Tax Rule> Choose Tax Rules type: Tax Rate Rules.
2. Enter the tax rate rule details.
3. Provide the Tax Determining Factor Set details as:
    - Determining Factor Class – Transaction input factor
    - Determining Factor Name – Purchasing Category
4. Create the Condition Set:
    a. Operator - <as per requirement>
    b. Value - <as per the requirement>
5. Associate the purchasing category for that you want the tax selected in the Result field to be calculated.
6. Enable this tax rule.