Oracle Fusion Cloud Financials

Using Tax

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Contents

Get Help i

1 Transaction Taxes 1

Calculate Transaction Taxes 1
Calculate Taxes on Payables Transactions 17
Calculate Taxes on Receivables Transactions 36
Calculate Taxes on Intercompany Transactions 47
Account for Tax on Transactions 49
FAQs for Calculate Transaction Taxes 55
Verify Transaction Tax Configuration 57
FAQs for Verify Tax Configuration 71

2 Withholding Taxes 73

Manage Withholding Taxes 73
FAQs for Withholding Taxes 75

3 External Taxable Transactions 77

Manage External Taxable Transactions 77
FAQs for External Taxable Transactions 83

4 Transaction Tax Reports 87

Prepare Transaction Tax Reports 87
FAQs for Prepare Transaction Tax Reports 117
Manage Tax Box Allocation Rules 118
FAQs for Tax Box Allocation Rules 123

5 Frequently Asked Questions 125

Why isn't the link to Tax Authority Invoice enabled for the AP invoice? 125
Why are decimal values eliminated from the total tax amount and shown as an integer? 125
Why isn't Edit Taxes enabled for the AP invoice? 125

Why is the Calculate Tax button missing from the Create Invoice page on the supplier portal? 126
Why isn't the tax applied to a transaction? 126
Why are there no values in the Product Fiscal Classification LOV while creating an AR transaction? 126
Why is the Tax Classification Code (TCC) not displayed as a default value on the purchase order? 126
Why isn't the tax getting applied per the Product Fiscal Classification (PFC) rules? 127
Why is the Inclusive option disabled from detail tax lines for the AP invoice? 127
How to create a new postal code range in a tax zone? 128

Get Help

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

Get Help in the Applications

Some application pages have help icons to give you access to contextual help. If you don't see any help icons on your page, click your user image or name in the global header and select Show Help Icons. If the page has contextual help, help icons will appear.

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1 Transaction Taxes

Calculate Transaction Taxes

Tax Calculation on Transactions

Taxes for a transaction are determined by evaluating the transaction information in the context of applicable tax configuration.

> **Note:** The default rule type values you assign to the tax as a part of the minimum tax configuration requirements are used as a basis. You can define tax rules to vary the tax determination and calculation.

Following are the four broad processes involved in determination of taxes, and are listed in the order in which they're evaluated:

- Determine applicable tax regimes and taxes
- Tax status and rate
- Tax calculation
- Tax recovery

Determine Applicable Tax Regimes and Taxes

The first step is to determine the first party for the transaction. It is usually the first-party legal entity for the transaction, but can also be a business unit. The first-party legal entity generally subscribes to several tax regimes of which some may apply to the transaction. The tax regimes applicable depend on the configuration owner tax options created for the first party and the transaction event class. You assign a regime determination template to the tax option, which lists the tax locations for the transactions.

Of the tax regimes to which the first party subscribes, the tax determination process selects those with countries matching the countries assigned to the relevant transaction location. The tax determination process considers all taxes for these tax regimes that are enabled and effective as of the transaction date as candidates for further evaluation.

For the candidate tax, if the default value for tax applicability is set to **Applicable**, then it is considered to be applicable.

For each applicable tax, the tax determination process determines the location type assigned for the default place of supply and the geography type. The tax determination process determines the transaction location address for the location type. The relevant information on the address is the geography value for the geography type assigned to the tax. For the tax, the tax determination process determines if a tax jurisdiction is defined for the geography value. If there is one, then the tax and the relevant tax jurisdiction is applicable to the transaction.

For each applicable tax, a valid tax registration that is used for reporting is determined. The tax determination process determines this based on the party type assigned to the default tax registration for the tax. For this party on the transaction, determine the most specific tax registration for tax regime, tax, and tax jurisdiction combination, effective as of the transaction date. The tax and tax jurisdiction are optional for defining registrations.

Tax Status and Rate

For the tax, the tax determination process selects the tax status that has default effectivity as of the transaction date. For this tax status, the default tax rate that's applicable as of the transaction date is determined. You can optionally define tax rates for tax jurisdictions. You usually define these for state, provincial, and city taxes where tax rates vary by the tax jurisdiction. If there is a tax rate defined then this takes precedence over the default tax rate defined for the tax status. If applicable, the tax rate is then modified by any exception rate or tax exemption that applies.

Tax Calculation

The tax determination process applies the tax rate on a taxable basis. The default taxable basis formula assigned to the tax is used for tax calculation. This is usually the line amount. However, the formula can include other elements that alter the taxable basis.

The default tax calculation formula assigned to the tax is used for tax calculation. The tax determination process performs tax rounding for the calculated taxes as applicable.

Tax Recovery

Taxes for a purchase transaction can be recovered fully or partially. This is dependent on the default tax recovery rate assigned to the transaction. The tax determination process applies the recovery rate on the tax amount (calculated in the tax calculation step) to determine recoverable and nonrecoverable tax amounts.

Related Topics

- Examples of Tax Handling on Receivables Transactions
- Examples of Tax Handling on Payables Transactions

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

- How You Use Tax Setup Components in Tax Determination Process
- Tax Rules
- Tax Determination Process

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. • 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	• Tax rule: Determine Taxable Basis, or the default value for the tax. • Taxable basis formula

Order	Process Name	Activities	Components Used and Rule Type (if Applicable)
		based on the taxable basis formula. • Consider the tax inclusive settings of the applicable taxes.	• 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 • 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

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

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 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.

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.

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.

Tax Point Basis	Result
	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 Calculation on Payables Transactions Using Tax Point Basis
- Tax Calculation on Receivables Transactions Using Tax Point Basis
- Tax Point Basis Hierarchy
- Tax Calculation on Delivery Transactions Using Tax Point Basis

Tax Point Basis Determination on Transactions

The tax determination process uses the type of transaction to adjust the tax point basis assigned by your tax configuration.

The following table illustrates how the type of transaction determines the tax point basis:

Original Tax Point Basis	Transaction	Adjusted Tax Point Basis	Reason
Delivery	Unmatched payables transactions: • Standard invoice • Debit memo	Invoice	Delivery is not a valid event for these transactions.

Original Tax Point Basis	Transaction	Adjusted Tax Point Basis	Reason
	• Credit memo • Prepayment Payables transactions matched to a purchase order: • Standard invoice • Debit memo • Credit memo • Prepayment Receivables transactions: • Invoice • Debit memo • Credit memo		
Delivery	• Debit memo to correct a matched invoice • Receivables credit memo for an invoice	Invoice	Invoice date reflects the date the new debit memo or credit memo adjusts the tax amount.
Delivery	Goods receipt	Invoice	Delivery-based taxes that are self-assessed use the invoice date for better visibility and compliance.
One of the following: • Delivery • Invoice • Payment	• Adjustment on receivables invoice • Tax on miscellaneous cash receipt	Accounting	Tax point basis of invoice, delivery or payment is not applicable.

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.

Level	Action
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.

Calculate Taxes on Payables Transactions

Examples of Tax Handling on Payables Transactions

The tax determination process uses your tax configuration setup and the details on the Oracle Fusion Payables transaction to determine which taxes apply to the transaction and how to calculate the tax amount for each tax that applies to the transaction.

Oracle Fusion Tax provides tax calculation for Payables event classes of standard invoices, prepayment invoices, credit memos, debit memos, and expense reports. Tax determinants are a part of the transaction header and line. You can review the defaulted values and override them as necessary. Taxes are calculated automatically on validation when you access the tax lines or by the **Calculate Taxes** action.

Examples of tax handling on Payables transactions are discussed in the following sections:

- Standard invoices
- Invoices matched to purchase orders
- Prepayment and applied prepayment invoices
- Price corrections
- Self-assessed tax lines

Standard Invoices

Oracle Fusion Tax automatically calculates transaction taxes based on the document details and the relevant tax configuration. Depending on your security settings and options specified during tax setup you can:

- Override the tax attributes to change the tax calculated
- Enter manual tax lines

Invoices Matched to Purchase Orders

Oracle Fusion Purchasing integrates with Oracle Fusion Tax to automatically determine the applicable taxes on a purchase order. You provide key tax-related information, known as tax determinants, on the purchase order header and lines. Oracle Fusion Tax uses this information, along with other transaction information and defined tax setup, and calculates the taxes that are applicable on the purchase order.

Taxes are calculated on a purchase order in view-only, for example, you cannot directly update or override any tax details. However, you can modify the tax determinants on the purchase order so that the taxes are recalculated based on the revised information.

Taxes are also calculated on a purchase requisition in a quote mode. The calculated taxes are available for reference purpose only. The nonrecoverable portion of the total calculated tax amount applicable on a requisition is displayed as part of the requisition approval amount. When you create a purchase order from a requisition, the tax determinants available on the requisition are copied to the purchase order and the taxes are recalculated based on the tax setup available as of the date of the purchase order.

When you create an invoice in Payables by matching it to a purchase order, the purchase order tax lines and tax-related information is copied to the invoice and tax is recalculated. The tax rate that is used in tax calculation is always derived from the invoice date.

If the tax rate has not changed between the purchase order date and the invoice date, then the tax calculation results in the same tax lines on the invoice as on the purchase order shipment line. If the tax rate has changed between the purchase order date and the invoice date, then the tax calculation results in the same tax lines (but the tax rate used corresponds to the invoice date).

While creating the distributions on the invoice, Oracle Fusion Tax compares the taxes applicable on the invoice to the taxes calculated on the purchase order and generates variances for the difference between the two. The possible deviations in the taxes between the invoice and purchase order can be due to:

1. Tax applies to the purchase order but not to the invoice: The tax line appears on the invoice with a zero amount. The tax distribution displays two tax lines, one with a positive amount and the other with same negative amount.
2. Tax applies to both the purchase order and the invoice but with different amounts: The tax line appears with the tax amount as calculated by the invoice. The tax distribution displays two tax lines, one line with the tax amount equal to the purchase order tax amount and one line with the tax amount equal to the difference between the purchase order tax amount and the invoice tax amount.
   The difference in the tax amounts between a purchase order and the invoice matched can be caused by changes in the invoice price, changes in the applicable tax rates, or changes in the conversion rates (in case of foreign currency invoices). Different distribution types are used to capture these variances. They are:
   - Tax invoice price variance: For changes to the invoice price
   - Tax rate variance: For changes to the applicable tax rates
   - Tax conversion rate variance: For changes in the conversion rates

If the **Enforce tax from reference document** tax option is enabled for the applicable configuration owner and event class, the tax line for the invoice inherits the corresponding tax rate code and recovery rate code (if applicable) from the purchase order, but the actual tax rate and recovery rate used in the tax calculation are the rates defined for the rate period that corresponds to the invoice date.

Note: Self-assessed taxes and inclusive taxes are not handled as part of the purchase order tax functionality.

The following table is an example of three invoices matched to a purchase order and resulting variance types:

Document	Quantity	Price	Invoice Currency	Tax Currency	Conversion Rate	Tax Rate	Tax Amount	Variance Type	Variance Amount
Purchase Order	10	100	CAD	USD	1	10%	100		
Invoice-A	10	90	CAD	USD	1	10%	90	Tax invoice price variance	10 CAD
Invoice-B	10	100	CAD	USD	1	12%	120	Tax rate variance	20 CAD
Invoice-C	10	100	CAD	USD	1.5	10%	100	Tax conversion rate variance	50 USD

Prepayment and Applied Prepayment Invoices

When you apply a prepayment to an invoice, the tax rate at the time of prepayment may differ from the tax rate at the time that the prepayment is applied to an invoice. Oracle Fusion Tax considers the tax calculated on the prepayment according to the value assigned to the **Applied Amount Handling** option in the tax record. The values are **Recalculated** and **Prorated**.

For example, you apply a prepayment amount of 5,000 USD to an invoice with a total amount of 10,000 USD. At the time of prepayment, the applicable tax rate was 5% (250 USD tax on the prepayment); at the time of invoice creation, the applicable tax rate is 10%. Tax is calculated in this way:

- Recalculated: The tax is recalculated on the prepayment using the invoice tax rate and the same tax rate is applied to the invoice line amount. The tax calculation creates two tax lines: one for the invoice line amount and one for the prepayment with a negative amount. In the invoice example, the calculation creates an invoice line amount tax line of 1,000 USD (10% * 10,000 USD) and a prepayment tax line of -500 USD (10% * -5000 USD). This reverses tax calculated on the invoice for the prepayment amount applied. The tax calculated on the prepayment is retained.
- Prorated: The tax calculated on the prepayment is reversed and the tax rate applied to the invoice line is retained. The tax calculation creates two tax lines: one for the invoice line amount and one for the prepayment with a negative amount. In the invoice example, the calculation creates an invoice line amount tax line of 1,000 USD (10% * 10,000 USD) and a prepayment tax line of -250 USD (5% * -5000 USD). The total tax is 750 USD.

Price Corrections

In Payables, you can create a new invoice to correct the quantity or amount of an existing invoice. The correction results in a change in the line amount, either positive or negative. Tax is calculated on the new invoice created as a result of the price correction in proportion to the taxes on the original corrected invoice. For example, an original invoice has a line amount of 100 USD and two tax lines: 5 USD and 10 USD. If the price correction reduces the line amount by 20 USD, then the new invoice creates two tax lines: -1 USD and -2 USD.

Note: In many countries you must record the value that appears on the invoice or reject the invoice. Ask for a new invoice with the correct amount and a credit for the original invoice amount if you have already paid it.

Self-Assessed Tax Lines

Where a tax was not levied by the supplier, but is deemed as due by the purchaser, you can self-assess the taxes calculated on the invoices that you receive. When self-assessment applies to an invoice no transaction line is created for the tax since the self-assessed tax is not included in the invoice total. However, when you access the detail tax lines region you see the self-assessed tax calculated. In addition, offsetting distributions are created in the Payables subledger to negate the self-assessed tax impact as an open invoice balance. You can also self assess taxes using offset taxes and reporting only taxes. An offset tax record is a matching, duplicate record with negative amounts that reduces or completely offsets the tax liability recorded in the tax transactions. Reporting only taxes do not create invoice distributions, but you can use them to capture additional tax information on transactions for your tax reports.

For example using self-assessed taxes, you enter an invoice from a supplier for 1000 USD. The supplier did not charge tax on the invoice, however, according to tax rules, as the purchaser you are liable to pay a 5% tax on the item to your tax authority. The self-assessed tax amount is 50 USD. Provided the tax setup allows self-assessed taxes, 50 USD is applied to the invoice as a self-assessed tax amount. The amount of the self-assessed tax does not impact the amount due to the supplier. With regard to self-assessed taxes, the accounting debit entry in the Payables subledger captures the self-assessed tax expense, and the corresponding accounting credit entry in the Payables subledger captures the self-assessed tax liability.

Related Topics

- Accounting for Tax on Payables Transactions

Example of Allocation of Payables Summary Tax Lines

After you create summary tax lines, you can allocate your manual summary tax lines to specific transaction lines. To allocate summary tax lines:

- You must select at least one transaction line for allocation.
- You can't allocate a tax only summary tax line.
- You can't update or delete a transaction line that's to be allocated.

Note: The **Summary Tax Lines** component applies only to Oracle Fusion Payables.

The following scenario illustrates allocating a summary tax line and the resulting line amounts.

Scenario

Enter a manual summary tax line for 100.00 USD. The existing item lines are as follows:

- Line 1: 100.00 USD
- Line 2: 500.00 USD
- Line 3: 1000.00 USD

You choose to allocate the 100.00 USD tax line to line 2 and line 3. The total amount for these lines is 1500.00 USD. The allocated tax amount is prorated to line 2 and line 3 based on their ratio of the total line amount. Allocation results are:

- Line 2: 500/1500 * 100 = 33.33.

  Line 2 now has a detail tax line for 33.33 USD.
- Line 3: 1000/1500 * 100 = 66.67.

  Line 3 now has a detail tax line for 66.67 USD.

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
Liability		5,000
Liability		1,300
Liability		650

Tax Overrides and Tolerances on Payables Transactions

You can override taxes calculated on a transaction depending on the controls you configure within the tax setup. You can place certain restrictions on the maximum override amount for a Payables event class transaction belonging to a configuration owner.

Define these tolerances at the configuration owner tax options level and specify the maximum tax override amount or the maximum allowed percentage deviation between the originally calculated tax amount and the overridden amount.

When you override the automatically calculated taxes on a transaction and if the variance between them exceeds the specified tolerance limits, the Oracle Fusion Payables invoice is placed on hold. The logic for placing the invoice on hold evaluates the overridden amount compared against both the tax tolerance percentage and the tax tolerance amount and the lower of the two values is considered.

For example, if you define the tolerances as maximum allowed amount 15 USD and the maximum allowed percentage 10%, then the application of invoice hold based on the tax override tolerances is as follows. All dollars are in USD currency.

Calculated Tax Amount	Overridden Tax Amount	Net Overridden Amount	Maximum Tolerance Amount	Maximum Tolerance Percentage (10% of the tax amount)	Invoice Hold Status
100	112	12	15	10	Invoice is placed on hold as the variation exceeds the maximum tolerance percentage, though it's lower than the maximum tolerance amount.
200	218	18	15	20	Invoice is placed on hold as the variation exceeds the maximum tolerance amount, though it's lower than the maximum tolerance percentage.
300	314	14	15	30	No hold is placed on the invoice as the variance is within the maximum tolerance amount and maximum tolerance percentage.

Examples of Impact of Control Amount on Tax Calculations for Payables Transactions

The tax control amount is one of the key tax determinants available on the invoice header and lines that influences the calculated tax amount.

Use the tax control amount to match the total calculated tax amount on the invoice with the tax amount given on the supplier invoice. Oracle Fusion Tax adjusts the calculated taxes based on the specified tax control amount in proportion to the tax amounts determined for the applicable taxes.

For example, you have an invoice with two item lines, and taxes are applicable on both lines. All amounts are reflected in USD currency.

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		600
Taxes applicable on Line-1: • Tax-A	• 400	400
Taxes applicable on Line-2: • Tax-A • Tax-B	• 150 • 50	200

The impact of the tax control amounts specified at the header and line levels is illustrated in the following scenarios.

Tax Control Amount Is Specified at the Header Level

The invoice header control amount is 400 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: • Tax-A	• 266.67	266.67
Taxes applicable on Line-2: • Tax-A • Tax-B	• 100.00 • 33.33	133.33

In this scenario, the line level total tax amounts are first adjusted in the proportion to their calculated tax amounts. For example, line 1 tax amount total is 400 USD which equates to 66.667% of the total tax amount (400/600 = 66.667%).

The individual taxes for a line are then aligned with the line total amount in proportion to the calculated taxes. For example, line 1 adjusted tax amount is the header control amount of 400 USD multiplied by 66.667% (400 * 66.667% = 266.67).

Similarly, line 2 adjusted tax amount is 133.33 USD. The individual taxes involved are further apportioned in the ratio of their earlier tax amounts, for example, 75% and 25% (150/200 and 50/200, respectively).

Tax Control Amount Is Specified at the Header and Line Levels

The invoice header control amount is 400 USD and the Line-2 control amount is 100 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: • Tax-A	• 300	300
Taxes applicable on Line-2: • Tax-A • Tax-B	• 75 • 25	100

In this scenario, the line level total tax amounts are first adjusted based on the line control amount specified. The individual taxes for a line are then aligned with the line total amount in the proportion to their calculated taxes. For example, line 2 adjusted tax amount for Tax-A is the line 2 control amount of 100 USD multiplied by 150/200 (100 * 75% = 75).

Tax Control Amounts and Manual Tax Lines

You can manually enter additional tax lines with the calculated tax lines. The tax adjustments based on the given tax control amounts are then further influenced by the option **Allow recalculation of manual tax lines** set. You can find the option at the configuration owner tax options level.

Continuing with the previous example, the following scenario represents the tax control amounts specified at the header and line levels when the option for **Allow recalculation of manual tax lines** isn't selected. The invoice header control amount is 400 USD, the Line-2 control amount is 100 USD, and the manual tax inserted on Line-2 is 20 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: • Tax-A	• 300	300
Taxes applicable on Line-2: • Tax-A	• 60 • 20	100

Description	Line Tax Amount	Total Tax Amount
• Tax-B • Manual tax	• 20	

In this scenario, the line level total tax amounts are first adjusted based on the header and line control amounts. The applicable line taxes are then aligned with the total line tax amount. Since the option for the recalculation of manual tax line isn't selected, the manual tax amount is retained. The other taxes are also adjusted toward the line control amount, in the proportion to their calculated tax amounts. For example, line 2 adjusted tax amount for Tax-A is the line 2 control amount of 100 USD less the manual tax amount of 20 USD multiplied by 150/200 ((100 - 20) * 75% = 60).

The following example represents the tax control amounts at the header and line levels. The option for **Allow recalculation of manual tax lines** is selected. The invoice header control amount is 400 USD, the Line-2 control amount is 100 USD, and the manual tax inserted on Line-2 is 20 USD. The impact is as follows:

Description	Line Tax Amount	Total Tax Amount
Total invoice tax amount		400
Taxes applicable on Line-1: • Tax-A	• 300	300
Taxes applicable on Line-2: • Tax-A • Tax-B • Manual tax	• 68 • 23 • 9	100

In this scenario, the line level total tax amounts are first adjusted based on the header and line control amounts. The applicable line taxes are then aligned with the total line tax amount. Since the option for recalculation of manual tax lines is selected, all the tax lines including the manual tax line get adjusted toward the line control amount, in the proportion to their tax amounts. For example, line 2 adjusted tax amount for Tax-A is the line 2 control amount of 100 USD multiplied by 150/220 (100 * 68% = 68).

Examples of Impact on Summary and Detail Tax Lines for Tax Detail Changes

Any changes you make to the tax details at the line level apply to the summary tax line details. Similarly, any changes you make to the tax details at the summary tax level apply to the line level taxes.

The tax amounts are revised according to the taxes calculated on each item line, except in the following scenarios:

- When a manual summary tax line amount is specifically allocated to the item lines with the amounts different from the default allocation.
- When a manual summary tax line is marked as a tax only line. In this case, the summary tax line is considered as a tax line not related to the transaction, and isn't allocated to the item lines.

Note: The Summary Tax Lines component is applicable only to Oracle Fusion Payables.

Assume that you create an invoice with two item lines with taxes applied on them and reflected in the detail and summary tax lines as follows:

Tax Details	Amount
Invoice Line-1	100
Invoice Line-2	200
Summary tax	300

The following scenarios illustrate the alignment between the detail and summary tax lines when changes occur at either level. All example amounts are in USD currency.

Aligning Detail and Summary Tax Lines

The following scenarios illustrate the alignment between the detail and summary tax lines when changes occur at either level. All example amounts are in USD currency.

Example 1

The first example illustrates the impact on the summary tax line when you change Line-2 tax from 200 to 300:

Tax Details	Amount
Invoice Line-1	100
Invoice Line-2	300
Summary tax	400

The application revises the summary tax line from 300 to 400.

Example 2

The second example illustrates the impact on the detail tax lines when you change the summary tax line from 300 to 600:

Tax Details	Amount
Invoice Line-1	200
Invoice Line-2	400

Tax Details	Amount
Summary tax	600

The application adjusts the detail tax lines according to their calculated taxes. For example, Line-2 tax amount is the summary tax amount of 600 USD multiplied by 100/300 (600 * 33.333% = 200).

Example 3

The third example illustrates the impact on the detail tax lines when you create a manual summary tax line and it's specifically allocated to the item lines as 150 and 400:

Tax Details	Amount
Invoice Line-1	150
Invoice Line-2	400
Summary tax	550

The detail tax lines determine the allocation amounts.

Example 4

The next example illustrates the impact on the detail tax lines when you specify a manual summary tax line as a tax only line:

Tax Details	Amount
Invoice Line-1	
Invoice Line-2	
Summary tax	100

The application creates a manual detail tax line with a negative transaction line number and the summary tax line amount and is displayed in the detail tax lines region. The reason for the negative transaction line number is that the detail tax line generated isn't associated with an existing transaction line.

Example 5

The next example illustrates the impact on the detail tax lines when one of the taxes is specified as inclusive:

Tax Details	Amount
Invoice Line-1	91.91

Tax Details	Amount
Invoice Line-2	200
Summary tax • The **Inclusive** option is selected • The **Inclusive** option is not selected	• 91.91 • 200

The application generates two summary tax lines to reflect the status of each of the detail tax lines.

Note: Taxes calculated on a transaction are displayed as invoice lines with the type of Tax. They match the details provided in the Edit Tax Line Details page. However, when taxes are specified as self-assessed, the application doesn't generate the corresponding tax invoice lines. The details are available only in the Edit Tax Line Details page.

Tax Treatment on Imported Documents for Payables Transactions

You can import transactions into Oracle Fusion Payables from any external source, such as Oracle Fusion Assets, Oracle Fusion Property Manager, Oracle Fusion Project Management, Oracle Fusion Intercompany, or a legacy application.

You can import a document into the Payables application:

- With tax lines already created
- Without tax lines

If the tax lines are already available on an imported invoice, the application validates it against the existing tax setup, before successfully completing the import program.

Along with the validation of the available tax details, you can also determine additional tax applicability on the imported document based on the tax determinants on the document header and lines. Use the **Perform additional applicability for imported documents** option available in the configuration owner tax options to select whether Oracle Fusion Tax runs the tax applicability process to identify missing taxes on an imported document.

Taxes not included in the imported document are marked as self-assessed, if self-assessment applies to the transaction. This approach also applies to imported documents that don't have any tax detail lines, but have tax determinants to calculate tax.

Tax Calculation on Payables Transactions Using Tax Point Basis

Taxes are calculated on payables transactions using the tax point basis, the type of transaction and matching criteria.

Following are the payables transactions with varying matching scenarios that are subject to tax determination:

- Unmatched invoice
- Invoice matched with a purchase order
- Invoice matched with a receipt

- Invoice matched with a consumption advice
- Correction invoice

Unmatched Invoice

Taxes are calculated on the invoice based on the tax attributes.

Invoice Matched with a Purchase Order

Taxes are calculated on the invoice based on the tax attributes. If the option **Enforce tax from reference document** is enabled, the invoice uses the tax rate code on the purchase order and the corresponding rate period on the invoice date. The difference between purchase order taxes and invoice taxes is recorded using tax variance distributions.

Invoice Matched with a Receipt

Taxes are initially calculated on the invoice based on the tax attributes. When the tax point basis is **Invoice**, **Accounting**, or **Payment**, no further processing is required. When the tax point basis is **Delivery**, the delivery-based tax is reprocessed based on the configuration owner tax options and the receipt accounting status, as follows.

Allow Delivery-Based Tax Calculation	Report Delivery-Based Taxes on	Tax Point Date	Result
Not enabled			New tax point basis is **Invoice**.
Enabled	Receipt	Receipt date	If receipt accounting is: • Complete, and the corresponding tax line is available, then tax is prorated on the invoice based on quantity matched. If a corresponding tax line is not available, then the tax point basis is set to **Invoice**. • Not complete, then tax is recalculated using the receipt date as the transaction date, and the tax rate percentage on this date is used.
Enabled	Invoice	Receipt date	Tax is recalculated using the receipt date as the transaction date and marked as reportable on the invoice.
Enabled	Invoice	Invoice date	Tax is marked as reportable on the invoice.

The difference between receipt taxes and invoice taxes is recorded using tax variance distributions. If taxes are not configured for receipts, then the corresponding purchase order taxes are used for calculating the tax variance distributions.

Invoice Matched with a Consumption Advice

Taxes are calculated on the transaction line based on tax attributes. All delivery-based taxes on the consumption transaction are prorated on the invoice.

Correction Invoice

The tax determination process copies the taxes from the original invoice. The tax point basis of **Delivery** on the tax is updated to Invoice, and marked as reportable.

Examples of Tax Point Handling on Procure-to-Pay Transactions

Specify the events for the tax point basis to identify the appropriate date to account and report your transaction taxes to the tax authorities.

You can define the event for reporting of taxes at various levels within tax setup for determining the tax point date. The following scenarios illustrate tax calculation using the tax point basis and tax point date on procure-to-pay transactions.

Transaction dates for the scenarios are:

Transaction	Date
Purchase order	01-Mar-yy
Goods receipt	08-Mar-yy
Invoice capture	15-Mar-yy
Invoice accounting	18-Mar-yy
Invoice payment	16-Apr-yy

Scenario 1

Assumptions in this scenario are:

- A delivery-based tax is mandated to be reported to the tax authority on its delivery date.
- The delivery document is considered as an official document for reporting and compliance purposes.
- Other taxes with a different tax point basis are assessed at this point for accruing and tracking the possible transaction liability.

The following table describes the tax point details when the configuration owner tax options for a payables invoice are defined as:

- **Allow delivery based tax calculation**: Selected
- **Report Delivery-Based Taxes on**: Receipt

- **Tax Point Date**: Receipt date

Tax Point Basis	Basis Transaction	Tax Point Date	Details Available on
Invoice	Invoice capture	15-Mar-yy	Invoice tax lines
Delivery	Good receipt	08-Mar-yy	Goods receipt tax lines
Accounting	Invoice accounting	18-Mar-yy	Invoice distributions in General Ledger
Payment	Invoice payment	16-Apr-yy	Invoice payment distributions in General Ledger

When the tax point basis is **Delivery**, taxes are calculated using the receipt accounting process based on the tax attributes on the receipt. The receipt date is considered as the tax point date and the recoverable portion of the tax is also accounted as part of receipt accounting.

Scenario 2

Assumptions in this scenario are:

- A delivery-based tax is mandated to be reported to the tax authority on its delivery date.
- The invoice is considered as an official document for reporting and compliance purposes.
- Tax information is captured and reported directly on the invoice, although the delivery date becomes the basis for tax calculation.
- On the delivery event, taxes available on the purchase order are used for accruing the transaction liability.

The following table describes the tax point details when the configuration owner tax options for a payables invoice are defined as:

- **Allow delivery based tax calculation**: Selected
- **Report Delivery-Based Taxes on**: Invoice
- **Tax Point Date**: Receipt date

Tax Point Basis	Basis Transaction	Tax Point Date	Details Available on
Invoice	Invoice capture	15-Mar-yy	Invoice tax lines
Delivery	Good receipt	08-Mar-yy	Invoice tax lines
Accounting	Invoice accounting	18-Mar-yy	Invoice distributions in General Ledger
Payment	Invoice payment	16-Apr-yy	Invoice payment distributions in General Ledger

When the tax point basis is **Delivery**, taxes are calculated on the invoice based on the tax attributes on the receipt. The receipt date is considered as the tax point date and the recoverable portion of the tax is also accounted as part of invoice accounting.

Scenario 3

Assumptions in this scenario are:

- A delivery-based tax is mandated to be reported to the tax authority on its delivery date.
- The invoice is considered as an official document for reporting and compliance purposes.
- The invoice accompanies the goods and it is registered along with its receipt. Therefore, the delivery date is always the same as the invoice date.
- Tax information is captured and reported directly on the invoice using the invoice date as the basis for tax calculation.

The following table describes the tax point details when the configuration owner tax options for a payables invoice are defined as:

- **Allow delivery based tax calculation**: Selected
- **Report Delivery-Based Taxes on**: Invoice
- **Tax Point Date**: Invoice date

Tax Point Basis	Basis Transaction	Tax Point Date	Details Available on
Invoice	Invoice capture	15-Mar-yy	Invoice tax lines
Delivery	Good receipt	08-Mar-yy	Invoice tax lines
Accounting	Invoice accounting	18-Mar-yy	Invoice distributions in General Ledger
Payment	Invoice payment	16-Apr-yy	Invoice payment distributions in General Ledger

When the tax point basis is **Delivery**, taxes are calculated on the invoice based on the tax attributes on the invoice. The invoice date is considered as the tax point date and the recoverable portion of the tax is also accounted as part of invoice accounting.

Tax Calculation on Delivery Transactions Using Tax Point Basis

Tax calculation can be configured for your delivery transactions using the tax point basis to meet your legal and business requirements.

Following are the delivery transactions that are subject to tax determination:

- Goods receipt

- Receipt corrections
- Return to supplier
- Consumption
- Goods shipment

Goods Receipt

Use the configuration owner tax options for payables standard invoices to determine how taxes are calculated on a goods receipt. If taxes are not configured for receipts, the receipt accounting process references the corresponding purchase order taxes to create accrual distributions for the nonrecoverable taxes.

The setup options are as follows:

- If the **Allow delivery-based tax calculation** option is enabled, taxes are not calculated on the receipt.
- If the **Allow delivery-based tax calculation** option is enabled, and the **Report Delivery-Based Taxes on** option is set to **Receipt**, taxes are calculated on the receipt based on the tax attributes. Taxes are reported with a tax point basis of **Delivery** except for receipts against a consignment purchase.

Note: If either of the following two options is set on the purchase order, taxes are not calculated on the receipt under any conditions:

- The **Invoice Match** option is set to **Order**.
- The **Accrue at Receipt** option is set to **No**.

Receipt Corrections

Taxes are recalculated based on the corrected quantity using the transaction date of the original receipt.

Return to Supplier

Taxes are prorated based on the original receipt, and they are reported with a tax point basis of **Delivery**. The original receipt shows the adjusted values.

Consumption

Taxes are prorated based on the receipt transaction of the consigned goods. Since this transaction reflects transfer of ownership of consigned goods that are already received and registered, taxes with a tax point basis of **Delivery** are reported.

Goods Shipment

Taxes are not calculated for a goods shipment transaction, including return shipments using return material authorizations. Taxes are calculated based on the corresponding receivables invoice.

Calculate Taxes on Receivables Transactions

Examples of Tax Handling on Receivables Transactions

The tax determination process uses your tax configuration setup and the details on the Oracle Fusion Receivable transaction to determine which taxes apply to the transaction and how to calculate the tax amount for each tax that applies to the transaction.

Oracle Fusion Tax determines taxes on these transactions based on the transaction information and the tax configuration. Receivables captures tax determinants as a part of the transaction and line information. View tax lines on entering transaction header and line information.

Set up Receivables nonrecoverable tax accounts to record:

- Tax amounts on earned and unearned discounts
- Adjustments that you cannot claim as a deduction against your tax liability

Also, set up finance charge tax accounts to record tax amounts on finance charges that are used as a deduction against overall tax liability.

Examples of tax handling on Receivables transactions are discussed in the following sections:

- Standard Receivables transactions
- Credit memos

Standard Receivables Transactions

Oracle Fusion Tax automatically calculates transaction taxes based on the document details and the relevant tax configuration. You can override the tax attributes to change the tax calculated or enter manual tax lines. However, this depends on your security settings and the options specified during tax setup.

Credit Memos

Receivables calculates taxes on both On Account credit memos and Applied credit memos.

Tax calculation for On Account credit memos is identical to Receivables invoices. The only difference is that if your credit memo lines are a negative amount, calculated tax amounts are also negative.

Create an Applied credit memo at the transaction header level or at the transaction line level. At the header level, your entry is controlled by the **Automatically derive tax from lines** option. If this option is selected, you can only enter a line credit percentage or a line amount. The tax credit percentage is populated automatically, which is same as the line credit percentage.

When the **Automatically derive tax from lines** option isn't selected, there are three options available to you for crediting transactions:

- Line Only: You enter only the line credit percentage or amount. Only transaction lines are credited. Tax isn't credited.
- Line and Tax: You must enter the same credit percentage for both the line and tax. The line amount and tax amount are credited proportionately to each transaction line and tax line of the transaction.

- Tax Only: You enter tax credit percentage or amount. The tax amount is credited proportionately to each tax line of the transaction.

For example, you have a transaction with two transaction lines each having two calculated taxes:

- Transaction Line 1: 1000 CAD
  - Tax A: 100 CAD
  - Tax B: 50 CAD
- Transaction Line 2: 2000 CAD
  - Tax A: 0 CAD
  - Tax B: 100 CAD

If you do a tax only credit of 50%, the taxes are credited as follows:

- Transaction Line 1:
  - Tax A: -50 CAD
  - Tax B: -25 CAD
- Transaction Line 2:
  - Tax A: 0 CAD
  - Tax B: -50 CAD

If you already created a line only or tax only credit, your remaining line percentage and tax percentage isn't the same. If you want to credit the entire balance, click the **Credit Entire Balance** button. Even though the line and tax percentages are different, you can save and complete your applied credit memo.

For a line level credit, select and credit individual transaction lines. The tax amounts are credited in proportion to the transaction line amount being credited. In the previous example, if you credit transaction Line 1 by -100 CAD, the taxes are credited in proportion:

- Transaction Line 1: -100 CAD
  - Tax A: -10 CAD
  - Tax B: -5 CAD

Related Topics

- When does tax get calculated or recalculated on a Receivables transaction?
- Example of Tax Treatment on Receivables Adjustments

How Receivables Transaction Attributes are Used in the Tax Determination Process

Transaction header and transaction lines capture the information that's used to determine the taxes on a transaction line.

Attributes That Affect Tax Determination

The attributes influencing the tax calculation are:

- Transaction header attributes:
  - Transaction date
  - Legal entity
  - Business unit
  - Taxation country
  - Document fiscal classification
  - Ship-to customer
  - Ship-to customer site
  - Ship-to customer address
  - Bill-to customer
  - Bill-to customer site
  - Bill-to customer address
- Transaction line attributes:
  - Line amount
  - Quantity
  - Warehouse
  - Product fiscal classification
  - Product category
  - Product type
  - Tax classification code
  - Transaction business category
  - Intended use
  - User-defined fiscal classification
  - Exemption handling
  - Exemption certificate
  - Exemption reason

How Tax Is Determined

Oracle Fusion tax uses the transaction header and line attributes, in conjunction with the tax setup, to determine taxes applicable to your Receivable transaction lines. If your calculated tax amount is incorrect, check the values of transaction header and line attributes.

Your warehouse location, bill-to and ship-to address, product type, product fiscal classification, and intended use are most commonly used attributes in tax calculation. This is when you haven't configured the regime determination set as **STCC** (standard tax classification code) in the configuration owner tax options. If you have configured **STCC** as the regime determination set, check the value of the tax classification code on the transaction lines. If calculated taxes are still incorrect, there may be:

- Incorrect or missing association of product fiscal classification or intended use for the inventory item you entered on the transaction line
- Incorrect or missing party fiscal classification for customer party or party site
- A problem with the tax configuration

Related Topics

- When does tax get calculated or recalculated on a Receivables transaction?
- Simulating Tax on Transaction Data
- Example of Additional Tax Determining Factors on a Receivables Transaction Line

Example of Additional Tax Determining Factors on a Receivables Transaction Line

Enter additional tax determining factor information about Oracle Fusion Receivables transaction lines. Tax is calculated on the transaction based on the tax configuration and tax rules setup, as well as any additional tax information that you enter. You can only enter additional information for

Scenario

After reviewing the tax calculated on a sales invoice, you determine that the tax calculation isn't as expected. You expected to see a reduced rate applied to line 2, but the full tax amount was calculated. You evaluate the additional tax determining factors and identify changes that must be done to correct the tax calculation.

Transaction Details

The transaction details are as follows:

- Transaction total: 3240 CAD
- Tax total for the PST tax regime: 240 CAD
    - Line 1: 1000 CAD Facilities Rental
    - Line 2: 2000 CAD Hotel Room

The tax total amount was more than you expected to be calculated, 8% on the transaction total. You review the detail tax lines and determined that tax was calculated for both lines for the PST tax regime. The tax was correct for line 1, but the tax for line 2 should have been calculated at a reduced rate.

Line 2 is for the hotel room, which is under the PST tax regime, but should have a reduced rate of 5%. The rate is driven by product fiscal classification and you determine that this attribute is currently not populated for this transaction line. To correct this, override the product fiscal classification with the hotel classification in the Additional Tax Determining Factors region.

Resulting Transaction Tax Amount

The product fiscal classification you entered satisfies a condition in a Determine Tax Rate rule for the applicable tax regime and tax. As a result, the tax determination process applied a reduced rate of 5% to line 2. The total tax amount for the transaction is 180 CAD ((1000*.08)+(2000*.05)), which is what you expected.

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 Impact on Tax Lines for Receivables Transaction Changes

You can change one or more transaction header or line attributes after tax calculation is performed and when the transaction isn't in the complete state.

The change in the value of a tax determining attribute may result in altogether different taxes.

Changes to Transaction Information Examples

The following scenarios illustrate the impact of certain changes to the transaction header or line attributes.

- When you change your ship-to location from an address in Nevada to California, both states in the US, the California sales taxes applicable to the California address calculates instead of Nevada. In this example, Oracle Fusion Tax deletes the Nevada sales tax lines and creates the California sales tax lines. Similarly, on changing your warehouse in the UK to another warehouse in France, you see French VAT on your transaction instead of Great Britain VAT.
- When taxes are charged based on quantity sold, a change in quantity impacts the tax amount. In this case, Oracle Fusion Tax updates the tax amount on an existing tax line.

  > **Note:** You can delete an entire transaction or a transaction line in Oracle Fusion Receivables. If you do so, the corresponding tax lines are also deleted.

- When your customer provides you with an exemption certificate and expects tax exemption, you review the tax line and notice that the exemption isn't applied. In this situation, instead of configuring the exemption certificate number in Oracle Fusion Tax for which you may not have privileges, enter the exemption certificate number and exemption reason on a transaction line and select **Exempt**, **manual** as the tax handling option. In this case, the application applies 100% exemption.
- When all the tax determinants have correct values and taxes are incorrect, review and correct your tax configuration. If you must process the transaction immediately and you have the necessary privileges, update the calculated tax line. You can change the tax jurisdiction, tax status, tax rate name, tax rate, tax amount, or the inclusive option. Oracle Fusion Tax derives the dependent tax line attribute defaults to expedite your tax line updates. For example, if you update the tax jurisdiction on a tax line, the tax rate name, tax rate, and tax amount are updated based on the default tax rate code for the tax jurisdiction you entered. If you update tax rate, Oracle Fusion Tax recalculates the tax amount based on the new tax rate you entered.

  > **Note:** You aren't allowed to delete a tax line. Instead of deleting a tax line, you can update the tax amount to zero. When you update the tax amount, depending upon the tax configuration, either the tax rate or taxable amount is recalculated.

- When you complete a transaction and notice the taxes are incorrect on the transaction, Oracle Fusion Receivables allows changing the transaction provided no activity exists. You can change the status on the transaction to incomplete and update the transaction header, transaction line, or tax line attributes. If your transaction has activity against it, the Incomplete button is disabled. Create a credit memo for a tax credit or make a tax adjustment for your transaction.

Related Topics

- How Receivables Transaction Attributes are Used in the Tax Determination Process
- When does tax get calculated or recalculated on a Receivables transaction?

Example of Tax Treatment on Receivables Adjustments

Your Receivables activity on the adjustment determines if your adjustment is stored in the Oracle Fusion Tax repository. Adjustments you create using the Receivables activity with the Recoverable option not selected are only stored in Oracle Fusion Receivables.

The concept behind nonrecoverable adjustments is that even though you adjust tax, you still pay the calculated tax on your invoice to the tax authority. If you select the **Recoverable** option for your Receivables activity, adjustments are also recorded in the Oracle Fusion Tax repository, which is the foundation for tax reporting.

Only invoice adjustments, line adjustments, and tax adjustments are stored in the Oracle Fusion Tax repository depending upon the Receivables activity you entered on your adjustments.

The tax calculation for tax adjustments is similar to header level tax only Applied credit memos. The adjusted tax amount is proportionately adjusted to each tax line of the transaction.

Scenario

For example, you have a transaction with two transaction lines each having two calculated taxes:

- Transaction Line 1: 1000 CAD
  - Tax A: 100 CAD
  - Tax B: 50 CAD
- Transaction Line 2: 2000 CAD
  - Tax A: 0 CAD
  - Tax B: 100 CAD

When you create a tax adjustment of -125 CAD, the taxes are adjusted as follows:

- Transaction Line 1:
  - Tax A: -50 CAD
  - Tax B: -25 CAD
- Transaction Line 2:
  - Tax A: 0 CAD
  - Tax B: -50 CAD

In this case, the adjustment transaction stored in Oracle Fusion Tax has line amounts as zero and taxes as shown in the example.

Line adjustments adjust transaction line amounts only. Tax amounts aren't adjusted. The adjusted invoice lines amounts are stored as an adjustment transaction in Oracle Fusion Tax.

You can also create an invoice adjustment. It adjusts the entire invoice by making the balance due of zero. The adjusted amounts of the invoice lines and corresponding tax lines are stored as an adjustment transaction in Oracle Fusion Tax.

Related Topics

- When does tax get calculated or recalculated on a Receivables transaction?
- Examples of Tax Handling on Receivables Transactions

Tax Treatment on Imported Documents for Receivables Transactions

You can import transactions into Oracle Fusion Receivables from another Oracle Fusion application, such as Oracle Fusion Project Management, Oracle Fusion Intercompany, and Oracle Fusion Order Orchestration Management, or from a legacy system.

Import transactions with tax lines if you don't want to recalculate taxes that have been calculated in the external application. Oracle Fusion Tax doesn't calculate any additional taxes when you import a transaction with tax lines.

Oracle Fusion Tax validates the imported tax lines and raises an error if a tax line isn't correct. Most common errors with imported tax lines are:

- Your business unit has not subscribed to the tax regime.
- There is an invalid tax code (tax classification code), tax, tax status code, tax jurisdiction code, or tax rate code.

You can import a transaction without tax lines as well. Oracle Fusion Tax calculates all applicable taxes on each transaction line. If you don't need to apply any tax on a specific imported transaction line, populate the Taxable indicator (TAXABLE_FLAG) with **N** in the AutoInvoice interface for that transaction line. Use the Amount Includes Tax indicator (AMOUNT_INCLUDES_TAX_FLAG) to determine inclusive and exclusive taxes. You can specify one of the following values:

- Leave blank: Taxes are marked inclusive or exclusive based on the tax configuration.
- **Y**: All taxes are included in the line amount. Oracle Fusion Tax calculates all taxes as inclusive taxes overriding the tax configuration.
- **N**: No tax is included in the line amount. Oracle Fusion Tax calculates all taxes as exclusive taxes overriding the tax configuration.

Related Topics

- How Receivables Transaction Attributes are Used in the Tax Determination Process

Tax Calculation on Receivables Transactions Using Tax Point Basis

Taxes are calculated on a receivables invoice, debit memo, or credit memo based on the type of transaction and its source.

Following are the receivables transactions that are subject to tax determination:

- Stand-alone invoice
- Invoice created in Oracle Fusion Distributed Order Orchestration
- Invoice adjustment
- Credit transaction based on an invoice

Stand-Alone Invoice

Taxes are calculated based on the tax attributes on the invoice. The tax point basis of **Delivery** for a tax is changed to **Invoice** as no shipment reference is available.

Invoice Created in Distributed Order Orchestration

Taxes are calculated based on the tax attributes on the invoice. For a tax with the tax point basis of **Delivery**, recalculation is done using the shipment date as the transaction date. The tax is then marked as reportable to the tax authorities.

Invoice Adjustment

All taxes calculated as part of invoice adjustments have the tax point basis of **Accounting**. They are reported at accounting time, regardless of the source transaction status.

Credit Transaction Based on an Invoice

Taxes available on the original invoice are copied. The tax point basis of **Delivery** for a tax is changed to **Invoice**. The tax is then marked as reportable to the tax authorities.

> **Note:** If you do not expect to correct or report a delivery-based tax to the tax authorities using a credit transaction, then cancel the copy of the tax line.

Example of Tax Point Handling on Order-to-Cash Transactions

Specify the events for the tax point basis to identify the appropriate date to account and report your transaction taxes to the tax authorities.

You can define the event for reporting of taxes at various levels within tax setup for determining the tax point date. The following scenario illustrates tax calculation using the tax point basis and tax point date on order-to-cash transactions.

Transaction dates for the scenario are:

Transaction	Date
Sales order	01-Mar-yy
Goods shipment	08-Mar-yy
Customer billing	15-Mar-yy
Bill accounting	18-Mar-yy
Payment receipt	16-Apr-yy

Scenario

Assumptions in this scenario are:

- A delivery-based tax is mandated to be reported to the tax authority on its shipment date.
- The invoice document is considered as an official document for reporting and compliance purposes.
- Tax information is captured and reported directly on the invoice, although the shipment date becomes the basis for tax calculation.

The following table describes the tax point details for a sales invoice:

Tax Point Basis	Basis Transaction	Tax Point Date	Details Available on
Invoice	Customer billing	15-Mar-yy	Invoice tax lines
Delivery	Goods shipment	08-Mar-yy	Invoice tax lines
Accounting	Bill accounting	18-Mar-yy	Invoice distributions in General Ledger
Payment	Payment receipt	16-Apr-yy	Invoice payment distributions in General Ledger

When the tax point basis is **Delivery**, taxes are calculated on the invoice based on the tax attributes on the shipment, through Oracle Fusion Distributed Order Orchestration. The shipment date is considered as the tax point date and the tax liability is accounted as part of invoice accounting.

Calculate Taxes on Intercompany Transactions

Tax Calculation on Intercompany Transactions

Intercompany transactions occur between two related legal entities in an enterprise or between business units in the same legal entity. Transactions occurring between two legal entities are called intercompany transactions, and transactions occurring between two groups within one legal entity are called intracompany transactions.

It's a legal requirement in some countries to generate Receivables and Payables invoices and credit memos between the transacting entities during intercompany transactions. In certain scenarios taxes are applicable on these transactions. Oracle Fusion Tax interfaces with the intercompany Oracle Fusion Receivables and Oracle Fusion Payables transactions and calculates taxes on them, as applicable.

Intercompany transactions are generated through:

- Oracle Fusion Intercompany: Handles noninventory-linked transactions
- Oracle Fusion Inventory: Handles inventory-linked transactions involving multiple entity processes, such as global procurement and drop shipment

Oracle Fusion Tax supports the calculation of taxes on the Receivables and Payables transactions generated through both inventory and noninventory processes.

Related Topics

- How Tax on Intercompany Transactions is Calculated

How Tax on Intercompany Transactions is Calculated

Oracle Fusion Tax enables you to calculate taxes on the intercompany Oracle Fusion Receivables and Oracle Fusion Payables transactions. You can use both standard tax classification code and regime-based determination methods.

In intercompany transactions, a Receivables transaction is first generated and then the applicable taxes get calculated. The Receivables transaction information, including the tax determinants, is then populated into the Payables interface tables. While creating and importing the Payables transaction from the interface tables, you can validate the taxes calculated on the Receivables transaction for their applicability on the Payables transaction. If applicable, the application applies them to the Payables transaction.

If you use the regime-based tax determination method, applicability for any additional taxes is also determined, with reference to the available tax determinants and the tax rules configured in the tax setup.

How Taxes on Intercompany Transactions Are Calculated

Some of the key process and setup considerations that you must note to ensure smooth calculation of taxes on the intercompany transactions are:

- When a Receivables transaction is generated through the intercompany process, the tax determinants appear as defaults. This is based on the information defined in the country defaults and the application tax options. Oracle Fusion Tax calculates the corresponding taxes accordingly. If you need to revise the taxes, make the Receivables transaction incomplete and revise the tax determinants to recalculate taxes based on your revised values.
- While copying the Receivable transaction information to the Payables interface tables, the transaction business category of SALES_TRANSACTION available on the Receivables transaction is replaced with PURCHASE_TRANSACTION. If there are any specific tax rules driven based on the transaction business category, you must configure them for both Receivables and Payables transactions.
- To apply the same tax on the Payables transaction that's calculated on the Receivables transaction, ensure that both the receiver and provider business units and legal entities are subscribed to the applicable tax regime on the transaction date.
- When you use the standard tax classification code method, the tax calculation process expects the same tax classification code to be available on both the Receivables and Payables transactions. If you define a new tax rate code that may be applied to an intercompany transaction, ensure that it's specified for usage on both Receivables and Payables transactions. If the tax rate code used on the Receivables transaction is a migrated tax rate code, then ensure that the same tax rate code is defined for the Payables business unit also.
- If the tax amount on the Receivables invoice is zero, then the Payables invoice can have a zero-rated tax rate associated, resulting in a zero tax amount. However, if the derived tax amount on the Payables transaction isn't zero, then the corresponding tax rate needs an offset tax rate associated to it and the offset tax setup enabled to zero out the intercompany tax amount.
- If there is a possibility of the Payables tax rate being different from the Receivables tax rate, then select the **Allow ad hoc tax rate** option on the Payables tax rate code.

- Establish customer and supplier relationships for enabling invoicing between two related organizations during intercompany transactions. Use the corresponding party tax profiles of these representative customers and suppliers to configure the required tax setup.

Related Topics

- Tax Calculation on Intercompany Transactions
- Tax Determination

Account for Tax on Transactions

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

Accounting for Tax on Payables Transactions

Default accounting for taxes for Payables transactions is based on the nature of the tax, tax recovery status, and the tax account assigned to relevant tax configuration.

Accounting for Payables transactions is dependent on the category, such as for:

- Unmatched standard invoices
- Purchase order matched invoices
- Receipt matched invoices
- Prepayments

Unmatched Standard Invoices

The following table describes the accounting for taxes for unmatched standard invoices:

Nature of Tax	Recovery Status	Debit Account	Credit Account	Notes
All taxes	Recoverable	Tax Recoverable	Payables	The recoverable tax account is derived from the tax recovery setup. If its not defined there, its derived from the tax rate.
All taxes	Nonrecoverable	Tax Expense	Payables	The debit to the tax expense account applies only when the tax expense account is specified for the tax rate. If it is not defined, then the debit is applied to the charge account for the transaction line.
Deferred to tax point of Payment	Recoverable	Interim Tax	Payables	Recovery for these taxes is deferred until payment. On payment, the interim tax account is credited with

Nature of Tax	Recovery Status	Debit Account	Credit Account	Notes
				a debit to the tax recovery account.
Deferred to tax point of Payment	Nonrecoverable	Tax Expense	Payables	
Self-assessed	Recoverable	Tax Recoverable or Liability	Tax Recoverable or Liability	As these taxes are to be assessed and paid by the first party organization. The credit is posted to the tax liability account instead of the payables account.
Self-assessed	Nonrecoverable	Tax Expense	Tax Recoverable or Liability	
Offset tax	Recoverable	Tax Recoverable or Liability	Payables	Offset taxes are always 100% recoverable. These taxes are defined with a negative rate, and an invoice distribution with negative amount is created. The Payables amounts between the base tax and the offset tax are negated. What remains is the debit to tax expense or tax recovery account and negative debit to tax liability account.

Purchase Order Matched Invoices

The tax accounting approach for purchase order matched invoices is similar to unmatched invoices. The key areas where the purchase order matched invoice varies from unmatched invoice accounting are:

1. When there is no tax expense account specified for the tax rate, the charge account that is used to account for the corresponding item line is used.
2. When there are differences in taxes between the purchase order and the invoice, these are identified as variances and are accounted accordingly. Tax variances are accounted only for nonrecoverable tax amounts. Recoverable tax amounts are accounted as mentioned previously. The variance accounts are defined as a part of Oracle Fusion Payables configuration.
3. Account derivation for the Tax Invoice Price Variance and the Tax Rate Variance depends on the item used and the accrual method as described in the following table:

Item Type	Accrue at Receipt: Enabled	Accrue at Receipt: Disabled
Expense	Purchase order charge account is used	Tax expense account is used

Item Type	Accrue at Receipt: Enabled	Accrue at Receipt: Disabled
Inventory	Purchase order variance account that is defaulted from the Oracle Fusion Inventory organization parameters receiving accounts	Purchase order variance account that is defaulted from the Inventory organization parameters receiving accounts

The accounting treatment of tax variance is:

Nature of Tax	Recovery Status	Variance Type	Debit Account	Credit Account	Notes
All taxes	Nonrecoverable	Tax Rate Variance	Tax Expense, Charge Account	Payables	Invoice distribution for tax rate variance is posted to the account that is used for accounting for nonvariance tax amounts. If the tax rate has a tax expense account then the same account is used. If not, the charge account (used for accounting for the item line) is used.
All taxes	Nonrecoverable	Invoice Price Variance	Invoice Price Variance Account	Payables	This is the difference in tax amount between the purchase order and the invoice due to invoice price changes. This amount is posted to the invoice price variance account. The account is the same as the one used for accounting for the variance with the item line.
All taxes	Nonrecoverable	Exchange PO Rate Variance	Exchange PO Rate Variance Gain or Loss Account	Payables	This is the difference in tax amount between the purchase order and the invoice due to conversion rate changes. This amount is posted to the conversion rate variance gain or loss account. The account is the same as the one used for accounting for the variance with the item line.

Receipt Matched Invoices

The only difference in accounting between the regular Payables invoices and receipt matched invoices is the account to which nonrecoverable taxes are debited. This amount is debited to the Payables accrual account instead of the expense or charge account.

The following table describes the accounting treatment for a receipt matched invoice:

Nature of Tax	Recovery Status	Debit Account	Credit Account
All taxes	Nonrecoverable	Payables Accrual Account	Payables

Accounting treatment for variances applicable to a receipt matched invoice is the same as a purchase order matched invoice.

Prepayments

When the applied amount handling for a tax is **Recalculated**, taxes are recalculated on the prepayment application. The difference in the tax amount between the prepayment and the invoice is posted to the tax difference account. Depending on the amount change, positive or negative, the amount is either credited or debited to this account.

If the tax is partially recoverable then only the nonrecoverable tax amount is posted to the tax difference account.

> **Note:** The tax difference account is applicable only when there is one-to-one full application of the prepayment to the invoice and when there is difference in the tax amount involved.

Related Topics

- Tax Account Configuration
- Examples of Tax Handling on Payables Transactions

Accounting for Tax on Receivables Transactions

Accounting for taxes applicable to Receivables transactions is based on the tax and Receivables AutoAccounting configuration. This generates interim accounting while the subledger accounting configuration derives the final accounting.

You can control the derivation of values for each segment in the tax accounts that apply to the transaction with the AutoAccounting process. Set the value of the segment to a constant to post taxes for all transactions in a business unit to the same account. You can also base it on one of the source tables:

- Bill-to site: The tax account specified at the bill-to business purpose of each address defined within the customer account
- Sales representative: There is no tax account defined for the sales representative. However, the revenue account is used to pick the corresponding segment for the tax general ledger account
- Transaction types: The tax account specified for the transaction type

- Taxes: The tax recoverable or liability account specified for the tax rate

  If the tax has a tax accounting creation method option of **Use accounts from an existing tax** then use the tax accounting configuration for the source tax as the basis.

Each segment within a tax general ledger account is derived from any of the given sources. The application validates the derived code combination before stamping a transaction.

Tax accounting for all the Oracle Fusion Receivables invoice transactions remains the same. The tax liability is credited to the tax liability account when the tax point basis for tax is not **Payment**. If you set tax point basis to **Payment**, the tax amount is credited to the interim account. The tax liability is accounted when the invoice is paid, for example, when a receipt is applied to the invoice.

Accounting for Tax on Applied Credit Memos

For applied credit memos, accounting is based on the Receivables profile option of AR: Use Invoice Accounting for Credit Memos. When you set this to:

- **Yes**, Receivables uses the account references given on the original invoice for the credit memo.
- **No**, Receivables references the AutoAccounting options.

Accounting for Tax on Receivables Adjustments and Miscellaneous Receipts

The tax rate code source you specify for the Receivables activity determines whether Receivables calculates and accounts for tax on adjustments, discounts, and miscellaneous receipts assigned to this activity.

If you specify a tax rate code source of **Invoice**, then Receivables uses the tax accounting information defined for the invoice tax rate codes to automatically account for the tax. Specify one of the following Tax Rate Code Sources:

- None: Allocate the entire tax amount according to the general ledger account source specified. Choose this option if you don't want to separately account for tax.
- Activity: Allocate the tax amount to the asset or liability tax accounts that you define for this Receivables activity. This source is available if the Receivables Activity Type is **Miscellaneous cash**.

  The asset tax rate code is your collected tax account or tax received. Use this tax rate code to account for tax on miscellaneous receipts.

  The liability tax rate code is your deductible account or tax paid. Use this tax rate code to account for tax on miscellaneous payments.
- Invoice: Distribute the tax amount to the tax accounts specified by the tax rate code on the invoice. You can't choose this option if the **Activity Type** is **Miscellaneous cash** or **Late charges**.

  In the event of a tax adjustment to an invoice with zero amount tax distributions, don't set the adjustment activity's tax rate code source to **Invoice**.

Related Topics

- Examples of Tax Handling on Receivables Transactions
- Tax Account Configuration

FAQs for Calculate Transaction Taxes

What happens if I make the transaction line inclusive of tax?

If you make a transaction line inclusive of tax, the line amount includes the tax amount.

To update the inclusiveness, select **Allow override and entry of inclusive tax lines** at the tax or tax rate level. Enabling this option at tax rate level takes precedence over enabling it at any other level. After you update the inclusive option setting, the taxable amount and transaction amount is recalculated.

What options can I set while making the transaction line inclusive of tax?

You can do this at the tax regime level.

Here are the options you can select:

- **Standard inclusive handling**: Use this option when the line amount on the transaction line is inclusive of tax.
- **Standard noninclusive handling**: Use this option when the line amount on the transaction line is exclusive of tax. The tax amount is added to the line amount.
- **Special inclusive handling**: Use this option for special tax handling. For example, when the taxable base amount is based on the line amount and not the adjusted line amount. You can also use it when the taxable amount is based on the line amount plus another tax amount.

All taxes defined under that tax regime are inclusive for all transactions. You can also set these options at tax and tax rate level.

In some cases, parties prefer to provide or receive invoices with invoice amounts inclusive of taxes. Here, you set this option on the party tax profile for the appropriate parties. This option overrides the tax inclusive handling setting at the tax level, but not at the tax rate level.

Why isn't the tax amount included in the line amount of a transaction line?

The line amount doesn't include the tax amount if you don't enable the Allow override and entry of inclusive tax lines option.

You can't update the inclusiveness of a tax line in these scenarios:

- When prepayments are applied to invoices
- When an invoice is partially or fully paid

- When withholding taxes are applied
- When the invoice amount is encumbered
- When the invoice is matched to a purchase order or a receipt
- When the invoice is of the type **Expense Report** or **Intercompany**
- When a credit or debit memo is applied to an invoice
- When the tax line is already specified as a self-assessed part of an offset tax
- When the tax line is canceled

Why is the tax different for a transaction line of another accounting segment?

Accounting-related setups can affect tax calculation. For example, tax rules are sometimes based on the Accounting determining factor class. In such cases, changing or creating a distribution may affect tax calculation.

You can avoid this. All you have to do is select the **Enforce tax from account** option for the configuration owner and event class. Doing so makes the application use only the tax account information associated with the transaction line. As a result, any defined account-based direct tax rate rule gets precedence over any other tax rules.

When does tax get calculated or recalculated on a Receivables transaction?

Taxes on a Receivables transaction are determined when you save, edit, or complete a transaction.

If taxes are already calculated and you save, edit, or complete a transaction, Oracle Fusion Tax recalculates taxes. This ensures that any changes on the transaction or transaction line are considered for calculating accurate taxes.

To view the tax details on your transaction:

1. Go the Edit Tax Transactions page.
2. Click on the tax amount or click the **Edit** icon next to the **Tax** field.

   The tax details appear in the Detail Tax Lines dialog box.

Note: For a complete transaction, you can only view the tax lines. Navigate to the Detail Tax Lines dialog box to view the tax lines.

Depending on your tax configuration and security privileges, you can view and update the following:

- Tax line attributes
- Tax jurisdiction
- Tax status
- Tax rate name
- Tax rate

- Tax amount

Note: You can also enter a tax line for a specific transaction line manually.

Verify Transaction Tax Configuration

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.
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

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
						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

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

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

- Details for Simulated Transaction Lines
- Line Level Details for Simulated Transaction Lines
- Tax Rule Details for Simulated Transaction Lines
- Tax Rules Processing Order

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

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 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 Verify Tax Configuration

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.

2 Withholding Taxes

Manage 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?

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%

Schedule Basis	Apply Single Rate	Tax Rate Type	From Amount	To Amount	Rate Percentage
			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%
			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 Withholding Taxes

How can I review withholding taxes?

You can review withholding tax on the summary or detail tax lines of the invoice. You can also view the tax rules evaluated for the existing withholding taxes.

Here's a list of views that apply to withholding taxes:

View	Navigation	Notes
Summary withholding tax lines	Edit Invoice page > Taxes section > Withholding Taxes tab	You can review withholding taxes with a calculation point of **Invoice** before the invoice is validated. If you update the invoice before validation, recalculate withholding by using the refresh option in the Withholding Taxes tab.
Detail withholding tax lines	Edit Invoice page > Taxes section > Withholding Taxes tab > Actions menu > Manage Tax Details	You can review the detail withholding tax lines, which include tax lines that are canceled.
Tax rules	Edit Invoice page > Taxes section > Withholding Taxes tab > Actions menu > Manage Tax Details > Actions menu > View Tax Rules Evaluated	You can review the tax rules that are evaluated for the withholding taxes.

Note: The withholding tax amounts that appear in the summary and detail tax lines are in the entered currency.

Related Topics

- Manage Withholding Tax Settings

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.

3 External Taxable Transactions

Manage External Taxable Transactions

Using Spreadsheets for Tax Transaction Entry

Depending on the type of tax transactions you're entering, use one of the taxable transaction spreadsheets or the Tax Entry Repository Data Upload spreadsheet to upload your tax transaction data.

These spreadsheets let you enter simple taxable journals to high volume transactions from external applications containing customers, suppliers, and other tax attributes for tax calculation.

Using spreadsheet-based entry options and existing tax configuration, you can calculate, account, and centrally report transactions taxes for tax on journals and transactions that are created in proprietary applications that are not from Oracle.

Taxable Transaction Spreadsheets

Use the taxable transaction spreadsheets online or offline to enter taxable journal and taxable transaction data. You can enter transaction data for simple tax on journals to complex rule-based tax calculation. These ADF Desktop Integration spreadsheets provide some online validation and are intended for lower volume transaction entry.

Taxable transaction spreadsheets can be used for the following event classes:

- Purchase journal
- Purchase transaction
- Sales journal
- Sales transaction

The following table lists the event class and the journal category for the journal created for each of the event classes in the spreadsheet:

Event class and the journal category

Event Class in Taxable transaction spreadsheet	Event Class of the subledger journal entry	Journal Category of the subledger journal entry
Purchase journal	PURCHASE_TRANSACTION	Tax Purchase Transactions
Purchase transaction	PURCHASE_TRANSACTION	Tax Purchase Transactions
Sales journal	SALES_TRANSACTION	Tax Sales Transactions
Sales transaction	SALES_TRANSACTION	Tax Sales Transactions

Use the taxable transaction spreadsheets for the following types of entry:

Type of Entry	Usage	Access
Taxable journals	Purchase or sales journals using: • Tax calculation or tax recovery determination • Manual tax lines • Ledger and legal entity-specific data	Navigator > Journals > Create Taxable Transactions in Spreadsheet
Taxable transactions	Purchase or sales transactions using: • Tax calculation or tax recovery determination • Manual tax lines • Business unit-specific data • Third-party customer or supplier details • More robust set of tax attributes for tax determination • Lower volume data	Navigator > Journals > Create Taxable Transactions in Spreadsheet

List of Value for Accounts

Use the lists of values in the Debit Account and Credit Account columns of the Create Taxable Transactions and Correct Taxable Transactions spreadsheets. These spreadsheets are used to create taxable journals or transactions in Oracle Fusion Cloud ERP, for transactions from external applications, and contain customer, supplier, and other tax attributes for tax calculation.

The list of values for these fields allows you to select a particular account code combination, improves the user experience, and reduces the possibility of making errors.

Double-click on the Debit Account or Credit Account field columns to open the accounts list of values. You can search by specifying the values for one or more accounting flexfield segments and choose a specific account code combination from the search results.

Tax Entry Repository Data Upload Spreadsheet

Use the Tax Entry Repository Data Upload spreadsheet for simple to complex tax data distributions. This spreadsheet is typically intended for high volume imports.

> **Note:** You can load the spreadsheet data to an interface table using the predefined Tax Entry Repository Data Upload Spreadsheet and the Load Interface File for Import scheduled process, which are both part of the External Data Integration Services for Oracle Cloud feature. For more information about file-based data import, see the File Based Data Import for Oracle Financials Cloud guide.

Use Tax Entry Repository Data Upload spreadsheet for the following type of entry:

Type of Entry	Usage	Access
Taxable transactions	Purchase or sales transactions using:	Download the Tax Entry Repository Data Upload Interface spreadsheet for Oracle Fusion Applications.

Type of Entry	Usage	Access
	• Third-party customer or supplier details • Specific item distributions for more complex accounting requirements • Tax distributions for specific recovery scenarios from external systems • Summary tax line allocations to support scenarios beyond prorated allocation of purchase transaction tax • Higher volume data	Follow the instructions on the Instructions and CSV Generation tab to process your spreadsheet data.

Related Topics

- Overview of External Data Integration Services for Importing Data

Import External Transactions to Tax Repository

Transactions from an external system can be imported to the Tax Repository through the Tax Entry Repository Data Upload Interface.

The Import External Transactions to the Tax Repository process validates the interface data, calculates tax, determines recovery, and inserts transactional data in the core tax repository tables. In addition to importing external transactions, you can submit the interface process in a quote mode to simulate subledger tax calculation. Use the worksheets provided and the generation process to prepare a data file for upload.

Use the Tax Entry Repository Data Upload spreadsheet for simple to complex tax data distributions. This spreadsheet is typically intended for high volume imports.

To access the template, complete the following steps:

1. Navigate to the File-Based Data Import for Oracle Financials Cloud guide.
2. In the Table of Contents, click **File-Based Data Imports**.
3. Click **Tax Entry Repository Data Upload Interface**.
4. In the File Links section, click the link to the Excel template.

Follow these guidelines when preparing your data in the worksheet:

- Enter the required information for each column. Refer to the tool tips on each column header for detailed instructions.
- Do not change the order of the columns in the template.
- You can hide or skip the columns you do not use, but do not delete them.

Note: You can load the spreadsheet data to an interface table using the predefined Tax Entry Repository Data Upload Spreadsheet and the Load Interface File for Import scheduled process, which are both part of the External Data Integration Services for Oracle Cloud feature. For more information about file-based data import, see the File Based Data Import for Oracle Financials Cloud guide.

Use Tax Entry Repository Data Upload spreadsheet for the following type of entry:

Type of Entry	Usage	Access
Taxable transactions	Purchase or sales transactions using: • Third-party customer or supplier details • Specific item distributions for more complex accounting requirements • Tax distributions for specific recovery scenarios from external systems • Summary tax line allocations to support scenarios beyond prorated allocation of purchase transaction tax • Higher volume data	Download the Tax Entry Repository Data Upload Interface spreadsheet for Oracle Fusion Applications. Follow the instructions on the Instructions and CSV Generation tab to process your spreadsheet data.

Settings That Affect the Tax Entry Repository Data Upload Interface Process

Prepare the data in the worksheets included. The individual tabs of the worksheet model the elements of a transaction. There are three sheets in the template:

- Instructions and CSV Generation
- Transaction Headers
- Transaction Lines

Transaction Headers and Transaction Lines are the minimum requirements to create a transaction and calculate tax. Each column of the worksheets will have help comments to provide information about the value and data type of the attribute.

How Tax Entry Repository Data Upload Interface Is Processed

Load the Data into the Interface Tables

1. After you finish preparing the data in the parent and child sheets, click the Generate CSV File button. The process generates both a CSV file and a ZIP file.
2. Load the data using the Load Interface File for Import process:
   a. Sign in to the Oracle Public Cloud SFTP server.
   b. Transfer the ZIP file to the SFTP server location.
   c. Sign in to Oracle Fusion Applications.
   d. Navigate to Scheduled Processes.
   e. Select **Load Interface File for Import**.
   f. Select the Import External Transactions to the Tax Repository Import Process.
   g. Select the appropriate Data File that was loaded to the SFTP server location and submit.
   h. Review the results of the process.
   i. If necessary, correct any errors in the CSV file and rerun the Load Interface File for Import process.

3. Correct load errors:
   a. If the load of the CSV file fails on any row, the Load Interface File for Import process ends in error and the Load File to Interface child process ends in either warning or error.
   b. All rows that were loaded from the CSV file are deleted including the ones that loaded successfully. This lets you edit the problematic data in the spreadsheet and resubmit without having to separate the successful rows from the rows that need modification.
   c. Review the log and output files of the Load File to Interface child process for information about the data that caused the failure.
   d. Correct the data in the template you used.
   e. Repeat steps 1 and 2 of this section: Generate the CSV file and load the data using the Load Interface File for Import process.
   f. Repeat all of these steps until all data is loaded successfully.

Setup for External Taxable Transactions

You can either use one of the taxable transaction spreadsheets or the Tax Entry Repository Data Upload spreadsheet to upload your tax transaction data.

These spreadsheets lets you to enter simple taxable journals to high volume transactions from external applications containing customers, suppliers, and other tax attributes for tax calculation.

Using spreadsheet-based entry options and existing tax configuration, you can calculate, account, and centrally report transactions taxes for tax on journals and transactions that are created in non-Oracle or proprietary applications. However, ensure the following setup is complete before using the spreadsheet-based entry options:

- Subledger Accounting Methods
- Configuration Owner Tax Options
- Configuration Options and Service Subscriptions
- Tax Liability Account
- Tax Recoverable Account
- Tax Rate Code

Subledger Accounting Methods

Ensure that the subledger accounting method associated with the ledger has the journal entry rule sets activated for the Tax subledger application.

The default **Standard Accrual** subledger accounting method has active journal entry rule set assignment for the tax subledger with purchase transaction and sales transaction journal event classes.

When a new accounting method is created or copied, ensure the journal entry rule set assignment exists and is active to create accounting for external tax transactions. The event classes can be added and activated to enable the tax subledger. Use the Manage Accounting Methods task in the Manage Accounting Rules task list to add the event classes to the accounting method.

External taxable transactions are categorized as:

- Taxable journals: Taxable journals are general ledger journals that calculate tax through a user entered tax rate code. There is no third-party customer or supplier, or business unit. Transactions are associated with a ledger and a legal entity. First-party registration number is required for tax reporting.

- Taxable transactions: Taxable transactions are Payables and Receivables subledger transactions. They are associated with a third-party customer or supplier, and an applicable business unit.

Configuration Owner Tax Options

Define configuration owner tax options for the tax event classes that are referenced in the external taxable transaction entry. Configuration owner tax options allow you to enable tax calculation and accounting for external taxable transactions. Ensure that you have selected the Allow tax applicability and Create accounting options. You must also define other key attributes such as, the configuration owner and effective dates.

The configuration owner for purchase or sales journals cannot be associated with a business unit. They must be associated with a legal entity or a global configuration owner.

The configuration owner for purchase or sales journals cannot be associated with a business unit. They must be associated with a legal entity or a global configuration owner.

Ensure both Allow tax applicability and Create accounting are selected to calculate tax and create the appropriate journal entries to post to the general ledger.

For purchase transactions, specify the **Inclusive Treatment for Calculated Tax** option. You can set it as:

- **Adjust**: Modifies the value of item distributions passed for purchase transactions, if the tax calculated is inclusive.
- **Error**: Fails the import to indicate that the item distribution amounts being passed are not correct due to the inclusive tax amount calculated.

Configuration Options and Service Subscriptions

For taxable journals, tax configuration content must have regime subscription of the relevant legal entity. When using sales and purchase journals as the event classes in your external transactions, use regime subscriptions with the applicable legal entity or ledger. Use the Manage Tax Regimes task to specify the subscription for tax content with the applicable legal entity.

Tax Liability Account

For sales transactions and sales journals, you must define a tax liability account with the appropriate tax rate. For sales journals, define the tax liability account in the context of a ledger only.

Tax Recoverable Account

For purchase transactions and purchase journals, you must define a tax recoverable account with the appropriate tax recovery rate. For purchase journals, define the tax recoverable account in the context of a ledger only.

Tax Rate Code

Tax journals require that the tax rate code exists in the relevant order- to-cash or procure-to-pay flows and set assignment. This is enabled by default, however, ensure that the rate code exists for the proper tax classification code set assignment.

The tax classification code set assignments must exist for the relevant flow and set to calculate tax for sales and purchase journals. When a tax rate is defined, the rate is available to both order-to-cash and procure-to-pay transactions in a common set assignment. However, you can restrict the rate code for a specific flow or set.

FAQs for External Taxable Transactions

What happens if an error occurs when I upload tax transaction data from a spreadsheet?

Use the Correct Taxable Transactions in a Spreadsheet task in the Journals work area to retrieve the batch in error. Check the validation errors for each transaction line in the Import Errors column of the Correct Taxable Journals spreadsheet.

Correct the data in the spreadsheet and upload it for revalidation and processing.

Some transaction data entered in the Tax Entry Repository Data Upload spreadsheet isn't available for correction. Here's what you do in this case:

- Review the log file from the upload process determine the error.
- Purge the transaction batch in error using the Purge Tax Transactions process.
- Update the transaction data in the source spreadsheet and upload the data.

How can I purge external taxable transactions that aren't successfully processed?

Use the Purge Tax Transactions process on the Scheduled Processes page. You can purge taxable transactions that aren't imported as well as the ones with validation errors.

Enter the business unit, legal entity, batch name, or document event class to limit the transactions for processing.

Can I enter a manual tax line in the taxable transactions spreadsheet?

If you know the tax amount for your transaction line, you can manually enter a tax line in the taxable transaction spreadsheets. Here's what you do to enter a manual tax line:

1. Select **Tax** as the line type. The default value is **Line**.
2. Enter a line number in the **Link Tax to Line Number** field to associate this manual tax line to an existing tax line.
3. Select **Y** or **N** in the Tax Only Line column to indicate if this manual tax line is associated with an existing tax line.

   > **Note:** If you enter a line number in the Link Tax to Line Number column, select **N** in the Tax Only Line column.

For other line items, tax calculation depends on line attributes like tax classification or ship-to location.

What happens if I have a recoverable tax line in an external tax transaction?

After the successful upload of your external taxable transactions, the Determine Recovery Rate process evaluates tax recovery for each tax applicable on the transactions. The process determines the recovery rate for each recovery type.

You can override the accounting distributions set by the Determine Recovery Rate process. All you have to do is enter the distributions using the Tax Entry Repository Data Upload spreadsheet.

What happens if an inclusive tax is calculated on my external tax transactions?

For an inclusive tax, the item line amount includes the tax amount. As a result, the item distribution entered in the spreadsheet differs from the item line amount after tax calculation.

You can control how the application handles this variance. Use the **Inclusive Treatment for Calculated Tax** options in the configuration owner tax options. Here are options you can select:

- **Adjust**: Adjusts the item line distribution to match the line amount.
- **Error**: Stops processing the transaction.

Note: This option applies only when you upload transactions with specific accounting distributions using the spreadsheet and an inclusive tax is calculated.

Why are there shaded cells when I enter multiple lines in the Tax Entry Repository Data Upload spreadsheet?

A shaded cell in this spreadsheet indicates a common value. Since it remains same across a single transaction, you don't have to reenter it for each line.

For example, the transaction date and currency of a transaction must be the same for all lines. You don't have to enter these values for subsequent lines of the same transaction.

What happens if I upload a tax exemption applicable to a sales transaction using the spreadsheet?

While processing external tax transactions, Oracle Tax automatically checks for defined tax exemptions that may be applicable. You don't have to enter them manually.

However, if you did enter them in the spreadsheet, here's what you can do to remedy the problem:

- Select **Exempt** as the tax exemption handling value.
- Enter the tax exemption certificate number.
- Enter the tax exemption reason.

If you don't want the defined tax exemptions to apply to your external transactions, select **Required** as the tax exemption value. It overrides any other tax exemptions.

> **Note:** All tax exemptions you enter on the transaction line fully exempt the line from tax. Partial tax exemptions aren't supported.

Why is the same value being allowed again for the document sequence value in the Tax Entry Repository Data Upload Interface spreadsheet?

The same value is allowed again because there is no validation on the Document Sequence Name and Document Sequence Value columns in the Tax Entry Repository Data Upload Interface spreadsheet.

4 Transaction Tax Reports

Prepare Transaction Tax Reports

Overview of Transaction Tax Reports

The Prepare Transaction Tax Reports activity helps you complete tax return processing, tax auditing and reconciliation. It provides you with operational, business, and reconciliation reports for tax activities associated with buying and selling of goods and services.

Tax reports support the following business functions:

- Tax reporting
- Tax auditing
- Tax reconciliation
- Tax planning

You can generate reports with comprehensive transaction information to create tax reports required by tax authorities and meet the internal reporting needs of the organization.

The following tax reports are provided:

- Tax Register
- Financial Tax Register
- Tax Reconciliation Report
- Tax Reconciliation by Taxable Account Report
- Tax Audit Trail Report
- Interim Tax Register
- Tax Allocations Listing Report
- Tax Allocation Exception Report
- Tax Box Return Preparation Report
- Sales Tax Report

Tax reporting is integrated with Oracle Fusion Tax. The main components of tax reporting solution are:

- Centralized transaction tax reporting through the Tax Reporting Ledger
- Common data models on which user-defined and specialized tax reports are prepared

Related Topics

- Transaction Tax Report Features
- Tax Register and Financial Tax Register
- Tax Reconciliation and Audit Reports
- Sales Tax Report
- Sales Listing Report for European Union

Transaction Tax Report Features

Tax reporting is integrated with Oracle Fusion Tax and supports reporting of tax activities associated with buying and selling of goods and services. You can use various formats to satisfy the internal and external reporting needs of tax authorities, auditors, and corporate stakeholders.

Tax reports include the following features:

- Flexible reporting levels
- Reporting currency
- Flexible reporting date range
- Tax reporting types and tax reporting codes
- Tax registers

Flexible Reporting Levels

Tax reporting supports three levels of reporting:

- Ledger
- Legal entity
- Tax registration number

You can generate reports at any of these levels to meet the specific requirement of your audience. For example, create a tax report at the ledger level for reconciliation of tax accounts with the ledger postings.

For reporting to tax authorities, generate reports at the legal entity or tax registration number level. Your legal entities and their associated tax registration numbers are aligned with how your businesses are legally recognized by government authorities. Preparing reports by tax registration number lets you view all activities which you can report for a given legal entity, regardless of how internal business units are organized.

Reporting Currency

Multinational companies with complex setup of primary, secondary, and reporting ledgers must report in currencies other than the primary currency of a ledger. Use reporting currencies for handling reporting in currencies other than the primary currency of the ledger.

Flexible Reporting Date Range

You can report transaction tax details based on the following date ranges:

- Tax point dates, for example, to report your tax liability to the tax authorities.
- Accounting dates, for example, to reconcile with the general ledger.
- Transaction dates, for example, to reconcile with the subledgers.

Tax Reporting Type and Tax Reporting Codes

You can use tax reporting types and tax reporting codes to group transaction tax details on the reports to meet legal or internal requirements.

Create reports based on a subset of transactions if you have implemented and assigned tax reporting types and tax reporting codes to your tax transactions. For example, you can create reports that list only self-billing invoices.

Tax Registers

Group transaction tax data based on the tax registers. The following tax register types are available for reporting:

- Tax Register
- Nonrecoverable Tax Register

Related Topics

- Overview of Transaction Tax Reports
- Tax Reporting Ledger
- Example of Reporting Input Taxes in the Tax Register in Primary and Secondary Ledger Currency
- Example of Reporting Transactions Based on Tax Point Basis
- Interim Tax Register

Oracle Fusion Tax Predefined Reports

Oracle Fusion Tax provides operational, business, and reconciliation reports for tax activity associated with buying and selling goods and services through Oracle Fusion Payables and Oracle Fusion Receivables. Manual and imported tax transaction details also provide the source for the predefined tax reports.

Oracle Fusion Tax reporting also provides reporting data models on which you can prepare user-defined and specialized tax reports.

Before running the reports, ensure that you:

- Set up the following entities:
  - Data Security
  - Geographies
  - Enterprise Structure
  - Tax Regime to Rate setup

  - Tax Party Profiles
  - Tax Rules
  - Suppliers
  - Procurement Business Function
  - Common Options for Payables
- Set up a different tax account for each of your tax rates, based on your requirements. This task is optional. Different tax rates may share the same tax account.

You can schedule and run reports from the **Scheduled Processes** work area found on the **Navigator**.

For some tax reports, when you submit the job to run, the report logic calls the Tax Reporting Ledger. The Tax Reporting Ledger uses data extracted from the tax repository and other sources, where needed.

Tax Reports Based on the Tax Reporting Ledger

The following reports are based on the tax reporting ledger.

Display Name	Description
Tax Register	Identifies total tax amounts by tax type, tax class, and company based on transactions created in Oracle Fusion Receivables, and manual and imported tax transactions from Oracle Fusion Tax. Includes deferred tax accounting information and all transactions for which tax accounting is defined. Groups data by tax registers: tax register and nonrecoverable tax register. Orders data by transaction number, customer name, or customer account number, and prints in summary or detail format.
Financial Tax Register	Prints tax and accounting information created from transactions entered in Oracle Fusion Receivables, Oracle Fusion Payables, and Oracle Fusion Tax (Tax Repository). Lists input tax data, output tax data, or both. Groups data into registers: tax register and nonrecoverable tax register.
Tax Reconciliation Report	Lists taxable and tax amounts by tax account for all Oracle Fusion Receivables transactions, and manual and imported output tax transactions from Oracle Fusion Tax for a given period. Generates subtotals by document class and tax account. Includes a flexfield filter parameter based on the account. Prints data in summary or detail format.
Tax Reconciliation by Taxable Account Report	Lists taxable transaction information created in Oracle Fusion Payables, Oracle Fusion Receivables, and Oracle Fusion Tax (Tax Repository). Generates subtotals by tax account and tax rate code. Includes a flexfield filter parameter based on the account.
Tax Audit Trail Report	Identifies detail tax and invoice information created and posted in Oracle Fusion Payables, and manual and imported input tax transactions from Oracle Fusion Tax. The total amounts for each tax rate code are listed in entered currency and ledger currency. Two report layouts are available: Invoice and Tax Code.
Interim Tax Register	Prints detail and summary information about interim (deferred) tax on transactions entered in Oracle Fusion Receivables and Oracle Fusion Payables. For example, the report provides supplemental information for the Output VAT Journal and Input VAT Journal for declaration preparation in Spain.
Tax Allocations Listing Report	Lists transactions within a tax period and the tax boxes to which they're allocated. Provides transactions within a specific document number range, and lists tax-related information and tax boxes assigned to recoverable and nonrecoverable amounts.

Display Name	Description
	Before running this report, run the Tax Reporting Selection Process which is based on the Tax Reporting Ledger and Tax Allocation Process.
Tax Allocation Exception Report	Lists the transactions that aren't allocated to any tax box in the most recent run of the Tax Allocation Process. Provides tax-related information for each transaction line. Before running this report, run the Tax Reporting Selection Process which is based on the Tax Reporting Ledger and Tax Allocation Process.
Tax Box Return Preparation Report	Lists taxable transactions by tax boxes. Groups taxable amounts and tax amounts by tax box numbers, and provides a basis for the preparation of tax returns. Before running this report, run the Tax Reporting Selection Process which is based on the Tax Reporting Ledger.
Sales Tax Report	Identifies taxable, exempt, and tax amounts for invoices entered in Oracle Fusion Receivables, and manual and imported tax transactions from Oracle Fusion Tax. Data is printed and grouped by tax jurisdiction.

Running the Predefined Reports

To run predefined reports, use the following steps the Scheduled Processes work area in the Navigator menu:

1. Click the **Schedule New Process** button.
2. Search on the Process Name.
3. Enter the appropriate parameters.
4. Enter the appropriate process options and schedule.
5. Click Submit.

Tax Reporting Ledger

The Tax Reporting Ledger is a single solution for complex global tax reporting requirements on sales and purchases.

When you submit a job to run a tax report, the Tax Reporting Ledger extracts tax related transactions and accounting details from the following sources based on the parameters you specify:

- Oracle Fusion Receivables
- Oracle Fusion Payables
- Oracle Fusion Tax Repository

Each time you run a tax report, the tax report uses the Tax Reporting Ledger to find and retrieve transactions and their tax information.

For example, when you submit the Tax Register report, it calls the Tax Reporting Ledger. The Tax Reporting Ledger extracts tax related details based on the parameter values you specify.

The reporting process consists of two components:

- Data preparation
- Data presentation

> **Tip:** Use the report templates to present report data. For more information, see Oracle Analytics Publisher documentation.

Data Preparation

The Tax Reporting Ledger extracts tax information from the relevant application tables. Data preparation includes the following:

- Tax data extracts created as XML data files that contain data for a specific run of a report.
- Data models that describe the source and structure of reported data and can be shared by many reports.

The Tax Reporting Ledger program extracts tax transaction data from these sources:

For Input Tax	For Output Tax
Payables invoices and credit memos	Receivables invoices, credit memos, and debit memos
Payables prepayments	Receivables line, tax, and invoice adjustments
Tax transactions imported to the tax repository	Receivables payment application for deferred tax
	Receivables earned and unearned discounts
	Receivables finance charges
	Receivables miscellaneous receipts and payments
	Tax transactions imported to the tax repository

Related Topics

- Transaction Tax Report Features

Tax Register and Financial Tax Register

This topic includes details about the Tax Register and Financial Tax Register.

Overview

Tax registers include:

- Tax Register: Identifies total tax amounts by tax type, tax class, and company from transactions created in Oracle Fusion Receivables. The report includes deferred tax accounting information and all transactions for which tax accounting is defined.

The following figure is an example of the report.

ORACLE
Vision Operations

Tax Register

Report Date 7/8/14 3:14 PM

Page 1 of 2

Currency USD
Tax VAT20

Transaction Number	Type	Related Transaction	Transaction Date	Third Party Name	Tax Registration Number	Location	Exempt Reason	Transaction Lines Amount	Tax Amount	Finally Reported
XLA001_140410 8450094	Order to cash, Invoice		7/1/14	A T & T SOLUTION S INC	98 765432	New York (OPS)		2,500.00	500.00	No

Line Number	Description	Line Amount	Tax Line Number	Tax	Tax Rate	Exempt Number	Exempt Reason	Tax Amount	Total Amount
1		2,500.00	1	VAT20	20			500.00	
		2,500.00						500.00	3,000.00

XLA010_140410 8450847	Order-to-cash, Invoice		7/1/14	A T & T SOLUTION S INC	98-765432	New York (OPS)		2,500.00	500.00	No

Line Number	Description	Line Amount	Tax Line Number	Tax	Tax Rate	Exempt Number	Exempt Reason	Tax Amount	Total Amount
1		2,500.00	1	VAT20	20			500.00	
		2,500.00						500.00	3,000.00

Totals for Tax VAT20

Transaction Class	Lines Amount	Exempt Amount	Taxable Amount	Tax Amount	Total Amount
Order-to-cash, Invoice	5,000.00	0.00	5,000.00	1,000.00	6,000.00
Total	5,000.00	0.00	5,000.00	1,000.00	6,000.00

Totals for Tax Type VAT

Tax	Lines Amount	Exempt Amount	Taxable Amount	Tax Amount	Total Amount
VAT20	5,000.00	0.00	5,000.00	1,000.00	6,000.00
Total	5,000.00	0.00	5,000.00	1,000.00	6,000.00

Totals for Tax Class

- Financial Tax Register: Prints tax and accounting information created from transactions entered in Oracle Fusion Receivables, Oracle Fusion Payables, and Oracle Fusion Tax repository. The report lists input, output tax data, or both.

  The following figure is an example of the report.

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Vision Operations

Financial Tax Register

Report Date 7/9/14 1:49 PM

Page 1 Of 2

Transaction Number	Transaction Class	Related Transaction	Accounting Date	Third-Party	Tax Registration Number	Taxable Amount	Tax Amount	Currency	Finally Reported
1689	Order-to-cash, Invoice		7/6/14	AT&T BROADBAND		10,000.00	500.00	USD	No
KBB_INV_0707_1	Standard Invoices		7/6/14	Advanced Network Devices	BS_SUPP_REGN_100	100.00	10.00	USD	No
KBB_INV_0707_3	Standard Invoices		7/7/14	Advanced Network Devices	BS_SUPP_REGN_100	100.00	10.00	USD	No
KBB_INV_0707_5	Standard Invoices		7/7/14	Advanced Network Devices	BS_SUPP_REGN_100	100.00	10.00	USD	No
KBB_INV_0707_6	Standard Invoices		7/7/14	Advanced Network Devices	BS_SUPP_REGN_100	100.00	10.00	USD	No
KBB_INV_0707_7	Standard Invoices		7/7/14	Advanced Network Devices	BS_SUPP_REGN_100	0.00	0.00	USD	No
KBB_INV_0707_7	Standard Invoices		7/7/14	Advanced Network Devices	BS_SUPP_REGN_100	100.00	10.00	USD	No
KBB_INV_0707_8	Standard Invoices		7/7/14	Advanced Network Devices	BS_SUPP_REGN_100	100.00	10.00	USD	No
APTSRPI021 POMatchInv 03.Jul.2014 01:39	Standard Invoices		7/3/14	Advanced Network Devices	BS_SUPP_REGN_100	20.00	0.10	USD	No
APTSRPI021-POMatchInv-03.Jul.2014 01:57	Standard Invoices		7/3/14	Advanced Network Devices	BS_SUPP_REGN_100	20.00	0.10	USD	No
ManDist03.Jul.2014 01:37	Standard Invoices		7/3/14	Advantage Corp		400.00	2.00	USD	No
ManDist03.Jul.2014 01:56	Standard Invoices		7/3/14	Advantage Corp		400.00	2.00	USD	No
XLA001_1404108450094	Order-to-cash, Invoice		7/1/14	A T & T SOLUTIONS INC	98-765432	2,500.00	500.00	USD	No
XLA010_1404108450847	Order-to-cash, Invoice		7/1/14	A T & T SOLUTIONS INC	98-765432	2,500.00	500.00	USD	No

All amounts are printed in transaction entered currency.

Key Insights

The tax register types for the Tax Register and Financial Tax Register are:

Name	Description
All	Use this register to include all tax transactions.
Nonrecoverable Tax Register	Use this register to show your partial and fully nonrecoverable input taxes. It also provides details on nonrecoverable taxes on: • Earned discounts • Unearned discounts • Finance charges • Adjustments
Tax Register	Use this register to report tax liability. It includes details on: • Standard and collected output tax • Partial and fully recoverable input taxes

Report Parameters

The following table describes selected process parameters:

Parameter	Description
Reporting Level	Choose the level on which you want to run the report. You can choose from three different levels, **Ledger**, **Legal Entity**, and **Tax Registration Number**.
Reporting Context	Specify the context for the report. The list of values for this parameter depends on the reporting level you selected. • If you select the reporting level of **Legal Entity**, you select the legal entity on which to report, and optionally select the tax registration number. By entering a tax registration number in the **Tax Registration Number** parameter, you report only on a subset of transactions that are entered for a specific legal reporting unit associated with the tax registration number. Run the report for a tax registration number to report on the transactions entered for legal entities that share the same tax registration number. This is also known as tax group registration. • If you select **Ledger** as the reporting level, you can report on legal entities associated with ledgers defined in the ledger set or data access set within your security profile. Run tax reports by ledger when you want to review your tax activity as it aligns with your accounting. Run tax reports by ledger when you need to view tax activity in a currency other than the currency of the ledger or the currencies of the transactions.
Tax Registration Number	Enter a tax registration number that is assigned to the legal reporting unit, when the reporting level is **Legal Entity**.
Tax Point Date	Include the transactions for the date range specified. Tax point date is the date on which the taxpayer becomes liable for paying the tax to the tax authority.
Currency	Select the range of currencies to include in the report. If a transaction is in a currency that is not within the specified range, it isn't included.
Accounting Status	Run the report for accounted transactions, unaccounted transactions, or both transactions.

Frequently Asked Questions

The following table lists frequently asked questions about the Tax Register and Financial Tax Register.

FAQ	Answer
How do I find these reports?	Schedule and run this report from the Scheduled Processes work area on the Navigator menu.
Who uses these reports?	• Tax manager • Tax accountant
When do I use these reports?	Use these reports to:

FAQ	Answer
	• Report your tax liability to the tax authority • Determine your nonrecoverable taxes
What type of reports are these?	Oracle Analytics Publisher

Related Topics

- Interim Tax Register
- Transaction Tax Report Features
- Example of Reporting Output Taxes for Tax Setup Options on Receivables Activities in the Tax Register and Nonrecoverable Tax Register
- Example of Reporting Input Taxes in the Nonrecoverable Tax Register and Recoverable Tax Register
- Example of Reporting Prepayments in the Tax Register

Tax Reconciliation and Audit Reports

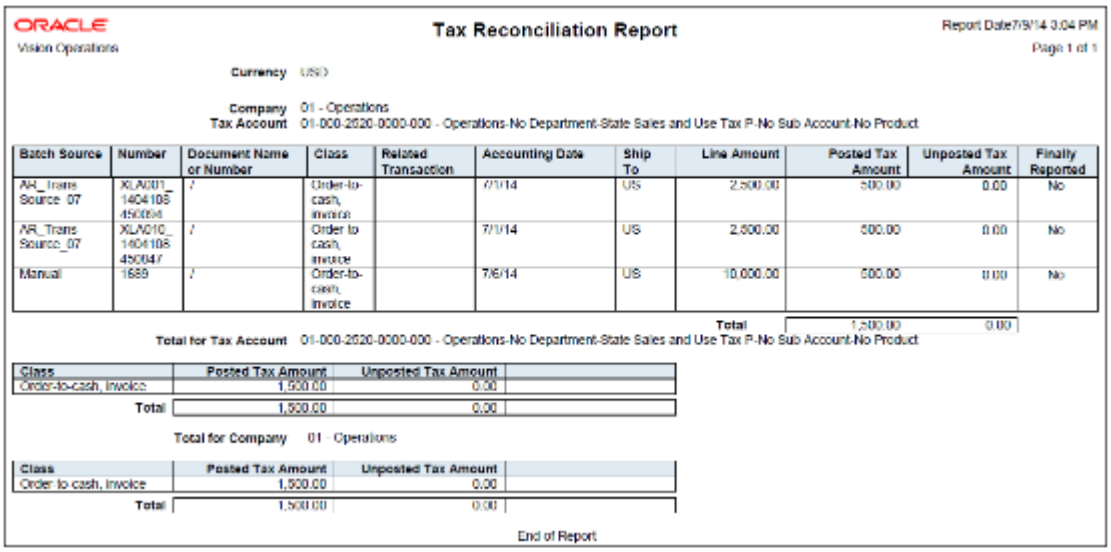
This topic includes details about the Tax Reconciliation Report, Tax Reconciliation by Taxable Account Report, and Tax Audit Trail Report.

Overview

Tax reconciliation and audit reports include:

- Tax Reconciliation Report: Lists the taxable and tax amounts, by tax account, for all Oracle Fusion Receivables transactions for a given period. Includes a flexfield filter parameter based on the account.

  The following figure is an example of the report:



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Tax Reconciliation Report

Report Date7/9/14 3:04 PM
Page 1 of 1

Currency USD

Company 01 - Operations
Tax Account 01-000-2020-0000-000 - Operations-No Department-State Sales and Use Tax P-No Sub Account-No Product

Batch Source	Number	Document Name or Number	Class	Related Transaction	Accounting Date	Ship To	Line Amount	Posted Tax Amount	Unposted Tax Amount	Finally Reported
AR_Trans Source_07	XLA001_1404108 450084	7	Order-to-cash, invoice		7/1/14	US	2,500.00	500.00	0.00	No
AR_Trans Source_07	XLA010_1404108 450047	7	Order to cash, invoice		7/1/14	US	2,500.00	500.00	0.00	No
Manual	1689	7	Order-to-cash, invoice		7/6/14	US	10,000.00	500.00	0.00	No
							Total	1,500.00	0.00	

Total for Tax Account 01-000-2020-0000-000 - Operations-No Department-State Sales and Use Tax P-No Sub Account-No Product

Class	Posted Tax Amount	Unposted Tax Amount
Order-to-cash, invoice	1,500.00	0.00
Total	1,500.00	0.00

Total for Company 01 - Operations

Class	Posted Tax Amount	Unposted Tax Amount
Order-to-cash, invoice	1,500.00	0.00
Total	1,500.00	0.00

End of Report

- Tax Reconciliation by Taxable Account Report: Lists taxable transaction information created in Oracle Fusion Payables, Oracle Fusion Receivables, and Oracle Fusion Tax Repository. Includes flexfield filter parameter based on the account.

  The following figure is an example of the report:

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Vision Operations

Tax Reconciliation by Taxable Account

Report Date 7/9/14 3:15 PM
Page 1 of 2

Currency USD
Balancing Segment 01
Account 5320
Tax VAT20

Tax Type VAT
Description Maintenance Material

Source	Accounting Date	Transaction Number	Third-Party Name	Line	Taxable Amount	Tax Amount	Gross Amount	Finally Reported
Input tax	7/1/14	OATS_XLACP025 29.05.14 23:07	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/1/14	OATS_XLAAPBAT001 29.05.14 23:13	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/2/14	OATS_XLACP020 30.05.14 04:31	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/2/14	OATS_XLAAPBAT001 30.05.14 04:31	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/1/14	OATS_XLAAPBAT001 29.05.14 23:07	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/1/14	OATS_XLAUI005 29.05.14 23:07	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/1/14	OATS_XLACP020 29.05.14 23:08	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/1/14	OATS_XLACP020 29.05.14 23:13	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/2/14	OATS_XLAUI005 30.05.14 04:31	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/2/14	OATS_XLAUI005 30.05.14 22:14	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/2/14	OATS_XLAAPBAT001 30.05.14 22:14	Advanced Network Devices	1	100.00	20.00	120.00	No
Input tax	7/2/14	OATS_XLACP020 30.05.14 22:14	Advanced Network Devices	1	100.00	20.00	120.00	No
				Count for Tax VAT20	12			
				Total for Tax VAT20	1,200.00	240.00	1,440.00	
				Count for Account 5320	12			
				Total for Account 5320	1,200.00	240.00	1,440.00	

Account 4110
Tax VAT20

Description Hardware

Source	Accounting Date	Transaction Number	Third-Party Name	Line	Taxable Amount	Tax Amount	Gross Amount	Finally Reported
Output tax	7/1/14	XLA001_14041084600 94	A T & T SOLUTIONS INC	1	2,500.00	500.00	3,000.00	No

- Tax Audit Trail Report: Identifies detailed tax and invoice information created and posted in Oracle Fusion Payables, and the total amounts for each tax rate code in entered currency and ledger currency. Two report layouts are available: Invoice and Tax Code.

  The following figure is an example of the report:

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Vision Operations

Tax Audit Trail Order by Invoice

Report Date 7/9/14 1:09 PM
Page 1 of 1

Period Jul-14

Third-Party Name	Third-Party Number	Third-Party Site	Document Number	Tax Point Date	Transaction Currency	Conversion Rate	Tax	Ledger Currency Taxable Amount	Ledger Currency Tax Amount	Ledger Currency Invoice Amount	Finally Reported	Hold
Advanced Network Devices	1013	FRESNO	OATS_XLA APBAT001 29.06.14 23:07	7/1/14	USD	1	VAT20	100.00	20.00	120.00	No	
Advanced Network Devices	1013	FRESNO	OATS_XLA APBAT001 29.06.14 23:13	7/1/14	USD	1	VAT20	100.00	20.00	120.00	No	
Advanced Network Devices	1013	FRESNO	OATS_XLA CP020 29.06.14 23:08	7/1/14	USD	1	VAT20	100.00	20.00	120.00	No	
Advanced Network Devices	1013	FRESNO	OATS_XLA CP020 29.06.14 23:13	7/1/14	USD	1	VAT20	100.00	20.00	120.00	No	
Advanced Network Devices	1013	FRESNO	OATS_XLA CP023 29.06.14 23:07	7/1/14	USD	1	VAT20	100.00	20.00	120.00	No	
Advanced Network Devices	1013	FRESNO	OATS_XLA UI005 29.06.14 23:07	7/1/14	USD	1	VAT20	100.00	20.00	120.00	No	
							Total for Period Jul-14	600.00	120.00	720.00		
							Number of Invoice Taxes	6				
							Total for Report	600.00	120.00	720.00		
							Number of Invoice Taxes	6				

End of Report

Reconciliation reports are delivered as templates that you can use immediately or modify to satisfy your reporting needs.

Key Insights

Tax Reconciliation Report

Use the Tax Reconciliation Report to prepare the output tax portion of your periodic tax returns. This report lists the taxable and tax amounts of all sales transactions and output tax for a given period to enable you to identify and review your tax liability for various tax rate codes. All the transaction and output tax information is displayed at the detail or summary level.

In the report, you can select to include:

- Only transactions that are posted to the General Ledger
- Only transactions that are not posted to the General Ledger
- Both types of transactions

The report groups information and provides totals by:

- Account
- Transaction class
- Company

Tax Reconciliation by Taxable Account Report

Use the Tax Reconciliation by Taxable Account Report to report on taxable transactions in Oracle Fusion Payables, Oracle Fusion Receivables, and Oracle Fusion Tax Repository. This report lets you reconcile period-end taxable account balances to tax amounts. Only accounted transactions are listed in this report.

The Tax Reconciliation by Taxable Account Report helps you:

- Prepare a tax return from a single source
- Reconcile period-end taxable account balances.

The summarization level options for the report are:

- Taxable account: Displays transactions by taxable account and tax rate code. The report prints totals for each tax rate code within an account and for each account.
- Tax rate code: Displays transactions by tax rate code and taxable account. The report prints totals for each account within a tax rate code and for each tax rate code.

Note: The predefined template provides you with a report that orders transactions by tax rate code and taxable account.

The accounting segment range provides you with the ability to report transactions with taxable lines posted on the account within the segment range. Specify the currency to limit the report to only transactions in that currency.

Tax Audit Trail Report

Use the Tax Audit Trail Report to review tax information for posted or partially posted purchase transactions. All transaction types are included by default, however you can select the type of transactions to report. For example, you can create a report that includes invoices but excludes prepayments and external tax transactions imported from the tax repository.

The Tax Audit Trail Report provides the following details:

- Detail tax and invoice information, and the total amounts in the entered and ledger currencies.
- Distributions of all posted and partially posted invoices.
- Tax amounts and taxable amounts for each invoice.

You can order the information by invoice and tax rate code, and also group data by reporting period, tax code and tax rate.

Report Parameters

The following table lists selected report parameters common to the tax reconciliation and audit reports:

Parameter	Description
Reporting Level	Choose the level on which you want to run the report. You can choose from three different levels, **Ledger**, **Legal Entity**, and **Tax Registration Number**.
Reporting Context	Specify the context for the report. The list of values for this parameter depends on the reporting level you selected. • If you select the reporting level of **Legal Entity**, you select the legal entity on which to report, and optionally select the tax registration number. By entering a tax registration number in the **Tax**

Parameter	Description
	Registration Number parameter, you report only on a subset of transactions that are entered for a specific legal reporting unit associated with the tax registration number. Run the report for a tax registration number to report on the transactions entered for legal entities that share the same tax registration number. This is also known as tax group registration. • If you select **Ledger** as the reporting level, you can report on legal entities associated with ledgers defined in the ledger set or data access set within your security profile. Run tax reports by ledger when you want to review your tax activity as it aligns with your accounting. Run tax reports by ledger when you need to view tax activity in a currency other than the currency of the ledger or the currencies of the transactions.
Tax Registration Number	Enter a tax registration number that is assigned to the legal reporting unit, when the reporting level is **Legal Entity**.
Tax Point Date	Include the transactions for the date range specified. Tax point date is the date on which the taxpayer becomes liable for paying the tax to the tax authority.

Frequently Asked Questions

The following table lists frequently asked questions about the tax reconciliation reports and the audit report.

FAQ	Answer
How do I find these reports?	Schedule and run this report from the Scheduled Processes work area on the Navigator menu.
Who uses these reports?	• Tax manager • Tax accountant
When do I use these reports?	Use the: • Tax reconciliation reports for preparing your tax returns and reconciling with general ledger postings. • Tax audit report to review tax information for posted or partially posted purchase transactions.
What type of reports are these?	Oracle Analytics Publisher

Related Topics

- Transaction Tax Report Features

Interim Tax Register

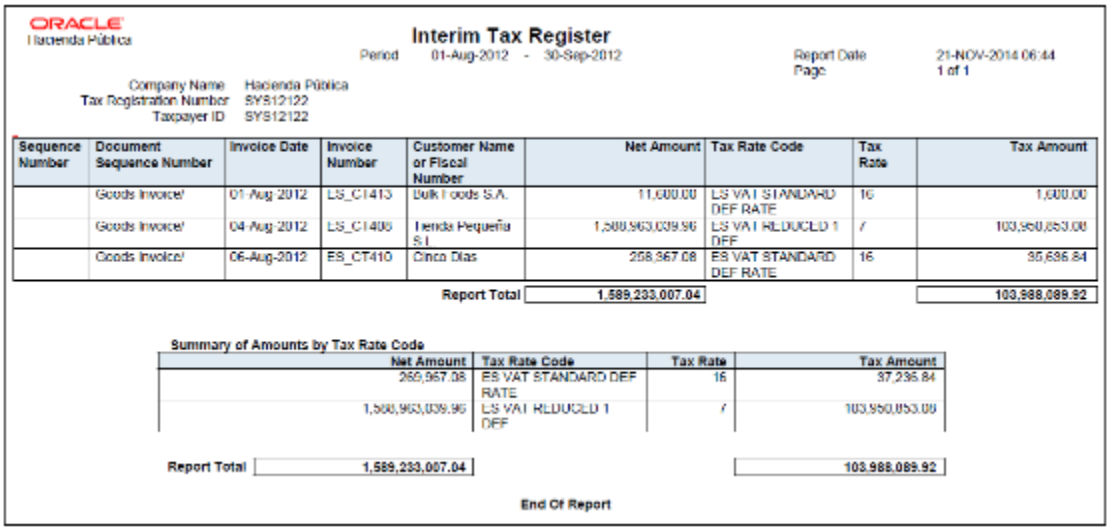
This topic includes details about the Interim Tax Register.

Overview

The Interim Tax Register identifies detailed and summary information of unpaid or partially paid payables and receivables transactions that have a tax liability created on the payment date. The report prints customer details, transaction tax-related details, and the tax totals by tax rate code.

All transactions with tax point basis as payment are reported in the Interim Tax Register until they are fully paid.

The following figure is an example of the report:



ORACLE
Hacienda Pública

Interim Tax Register

Period 01-Aug-2012 - 30-Sep-2012

Report Date 21-NOV-2014 06:44
Page 1 of 1

Company Name Hacienda Pública
Tax Registration Number SYS12122
Taxpayer ID SYS12122

Sequence Number	Document Sequence Number	Invoice Date	Invoice Number	Customer Name or Fiscal Number	Net Amount	Tax Rate Code	Tax Rate	Tax Amount
	Goods Invoice/	01-Aug-2012	LS_CT413	Bulk Foods S.A.	11,000.00	LS VAT STANDARD DEF RATE	16	1,600.00
	Goods Invoice/	04-Aug-2012	LS_CT408	Tienda Pequeña S.L	1,588,963,039.96	LS VAT REDUCED 1 DEF	7	103,960,853.08
	Goods Invoice/	06-Aug-2012	ES_CT410	Cinco Días	268,367.08	ES VAT STANDARD DEF RATE	16	36,636.84
				Report Total	1,589,233,007.04			103,988,089.92

Summary of Amounts by Tax Rate Code

Net Amount	Tax Rate Code	Tax Rate	Tax Amount
268,367.08	ES VAT STANDARD DEF RATE	16	37,236.84
1,588,963,039.96	LS VAT REDUCED 1 DEF	7	103,950,853.08
Report Total 1,589,233,007.04			103,988,089.92

End Of Report

Key Insights

Your security profile controls which ledgers and legal entities you can select. You can report on:

- Legal entities within your security profile
- Legal entities associated with ledgers defined in the ledger set or data access set within your security profile

Report Parameters

The following table lists selected report parameters:

Parameter	Description
Reporting Level	Choose the level on which you want to run the report. You can choose from three different levels, **Ledger**, **Legal Entity**, and **Tax Registration Number**.
Reporting Context	Specify the context for the report. The list of values for this parameter depends on the reporting level you selected. • If you select the reporting level of **Legal Entity**, you select the legal entity on which to report, and optionally select the tax registration number. By entering a tax registration number in the **Tax Registration Number** parameter, you report only on a subset of transactions that are entered for a specific legal reporting unit associated with the tax registration number. Run the report for a tax registration number to report on the transactions entered for legal entities that share the same tax registration number. This is also known as tax group registration.

Parameter	Description
	• If you select **Ledger** as the reporting level, you can report on legal entities associated with ledgers defined in the ledger set or data access set within your security profile. Run tax reports by ledger when you want to review your tax activity as it aligns with your accounting. Run tax reports by ledger when you need to view tax activity in a currency other than the currency of the ledger or the currencies of the transactions.
Tax Registration Number	Enter a tax registration number that is assigned to the legal reporting unit, when the reporting level is **Legal Entity**.
Print Sequence Number	Select: • **No**, to not print reporting sequences • **Yes**, to print reporting sequences
From Sequence Number	Enter the starting sequence number when the **Print Sequence Number** is set to yes. If blank, the sequence number starts from 1.

Frequently Asked Questions

The following table lists frequently asked questions about the Interim Tax Register.

FAQ	Answer
How do I find this report?	Schedule and run this report from the Scheduled Processes work area on the Navigator menu.
Who uses this report?	• Tax manager • Tax accountant
When do I use this report?	Use this report to plan for what taxes are to be paid in the future.
What type of report is this?	Oracle Analytics Publisher

Example of Reporting Interim Tax

The following is an example of how an invoice is reported in the Interim Tax Register.

Reporting Data

Invoice-1 for $1000 USD has an invoice date of 10-Dec-2011. The tax point basis is set to payment and the invoice is paid in three installments.

The following table lists each payment made against the invoice.

Payment Date	Payment Amount
20-Jan-2012	300
15-Mar-2012	300
10-May-2012	400

For reporting purposes, the invoice date is compared with the reporting period end date. The following table displays how the invoice is reported in the Interim Tax Register:

Reporting Period	Invoice Date	Invoice Fully Paid	Payment Date	Payment Amount	Invoice Reported in Interim Tax Register	Amount Reported in Interim Tax Register
Dec-11	10-Dec-11	No			Yes	1,000.00
Jan-12	10-Dec-11	No	20-Jan-12	300	Yes	700.00
Feb-12	10-Dec-11	No			Yes	700.00
Mar-12	10-Dec-11	No	15-Mar-12	300	Yes	400.00
Apr-12	10-Dec-11	No			Yes	400.00
May-12	10-Dec-11	Yes	10-May-12	400	No	-

Since Invoice-1 is fully paid by the end of the May-12 reporting period, it's no longer reported in the Interim Tax Register.

Sales Tax Report

This topic includes details about the Sales Tax Report.

Overview

The Sales Tax Report identifies taxable, exempt, and tax amounts for invoices entered in Oracle Fusion Receivables. Data is printed and grouped by tax jurisdiction.

The following figure is an example of the report.

ORACLE
Vision Operations

Sales Tax Report

Report Date 7/9/14 1:57 PM

Page 1 of 1

Ledger Currency USD

Tax Jurisdiction BSL_JUS
Tax Jurisdiction Name BSL_JUS
Tax Authority

Transaction Number	Type	Adjusted Transaction Number	Transaction Date	Customer Name
1689	Order-to-cash, invoice		7/9/14	AT&T BROADBAND

Line Number	Description	Line Amount	Tax Line Number	Tax Rate	Tax Rate Code	Exempt Reason	Tax Amount
1		10,000.00	1	5	5%BSL_CONS_TAX_RATE		500.00

Totals for Tax Jurisdiction BSL_JUS

Totals by Transaction Type	Line Amount	Exempt Amount	Taxable Amount	Tax Amount
Order-to-cash, invoice	10,000.00	0.00	10,000.00	500.00
Total	10,000.00	0.00	10,000.00	500.00

Total Exempt Amount by Reason	Exempt Amount
	0.00
Total Exempt Amount	0.00

Total Exception Amount by Reason	Exception Amount
	0.00
Total Exception Amount	0.00

Total Tax Amount for Tax Jurisdiction BSL_JUS 500.00

End of Report

Key Insights

The Sales Tax Report is used only for the sales tax type and accrual basis reporting.

For adjustments to be reported correctly in the Sales Tax Report, tax jurisdictions must be associated with a corresponding tax rate.

Report Parameters

The following table describes selected process parameters:

Parameter	Description
Reporting Level	Choose the level on which you want to run the report. You can choose from three different levels, **Ledger**, **Legal Entity**, and **Tax Registration Number**.
Reporting Context	Specify the context for the report. The list of values for this parameter depends on the reporting level you selected. • If you select the reporting level of **Legal Entity**, you select the legal entity on which to report, and optionally select the tax registration number. By entering a tax registration number in the **Tax Registration Number** parameter, you report only on a subset of transactions that are entered for a specific legal reporting unit associated with the tax registration number. Run the report for a tax registration number to report on the transactions entered for legal entities that share the same tax registration number. This is also known as tax group registration. • If you select **Ledger** as the reporting level, you can report on legal entities associated with ledgers defined in the ledger set or data access set within your security profile. Run tax reports by ledger when you want to review your tax activity as it aligns with your accounting. Run tax reports by ledger when you need to view tax activity in a currency other than the currency of the ledger or the currencies of the transactions.
Tax Registration Number	Enter a tax registration number that is assigned to the legal reporting unit, when the reporting level is **Legal Entity**.

Parameter	Description
Tax Point Date	Include the transactions for the date range specified. Tax point date is the date on which the taxpayer becomes liable for paying the tax to the tax authority.
Transaction Date	Include the transactions for the date range specified. If you specify a transaction date range but no accounting date range, your report will not balance to the General Ledger if the transaction and accounting dates for a transaction fall in different periods.
State	Include the sales tax information for the state you specify.
Exemption Status	List transactions which refer to the exemptions with the given status. For example, you can find all transactions using rejected exemptions by entering **Rejected**.

Frequently Asked Questions

The following table lists frequently asked questions about the Sales Tax Report.

FAQ	Answer
How do I find this report?	Schedule and run this report from the Scheduled Processes work area on the Navigator menu.
Who uses this report?	• Tax manager • Tax accountant
When do I use this report?	Use this report to review and report your state and local tax liabilities to the tax authorities.
What type of report is this?	Oracle Analytics Publisher

Example of Reporting Output Taxes for Tax Setup Options on Receivables Activities in the Tax Register and Nonrecoverable Tax Register

The following scenario illustrates the reporting difference between the Tax Register and the Nonrecoverable Tax Register for an adjustment with nonrecoverable tax.

Receivables Invoice

The following table shows the accounting entries for an Oracle Fusion Receivables invoice that has two transaction lines, each with a different tax rate.

Account	Debit Amount	Credit Amount	Description
Receivable	1140.00		
Revenue		600.00	
Tax		60.00	Tax at 10%
Revenue		400.00	
Tax		80.00	Tax at 20%

Adjustments

An adjustment for -100.00 USD is made against the invoice, reducing the receivable to 1040.00 USD. Assume the following settings for the Receivables activity for this adjustment:

Receivables Activity Option	Setting
GL Account Source	Revenue on Invoice
Tax Rate Code Source	Invoice
Recoverable	Yes

This table shows the accounting entries created as a result of this adjustment:

Account	Debit Amount	Credit Amount	Description
Revenue	52.63		Revenue at 10%
Revenue	35.09		Revenue at 20%
Tax	5.26		Tax at 10%
Tax	7.02		Tax at 20%
Receivable		100.00	

A second adjustment is made against the invoice for -200.00 USD. Assume the following settings for the Receivables activity for this adjustment:

Receivables Activity Option	Setting
GL Account Source	Revenue on Invoice
Tax Rate Code Source	Invoice
Recoverable	No

This table shows the accounting entries created as a result of this adjustment:

Account	Debit Amount	Credit Amount	Description
Revenue	105.26		Revenue at 10%
Revenue	70.18		Revenue at 20%
Nonrecoverable Tax	10.52		Tax at 10%
Nonrecoverable Tax	14.04		Tax at 20%
Receivable		200.00	

Tax Register

For the 10 percent tax, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Inv-Test2	Invoice	600.00	60.00
Adj-1	Adjustment	-52.63	-5.26

For the 20 percent tax, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Inv-Test2	Invoice	400.00	80.00
Adj-1	Adjustment	-35.09	-7.02

Both the item lines and the adjustment that was recorded when the Recoverable setting was set to Yes are reported in the Tax Register.

Nonrecoverable Tax Register

For the 10 percent tax, the Nonrecoverable Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Adj-2	Adjustment	-105.26	-10.52

For the 20 percent tax, the Nonrecoverable Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Adj-2	Adjustment	-70.18	-14.04

Only the adjustment that was recorded when the Recoverable setting was set to No is reported in the Nonrecoverable Tax Register.

Related Topics

- Transaction Tax Report Features

Example of Reporting Input Taxes in the Nonrecoverable Tax Register and Recoverable Tax Register

The following scenario illustrates the reporting differences between the Nonrecoverable Tax Register and the Recoverable Tax Register for recoverable and nonrecoverable taxes.

Payables Invoices

The following table shows the accounting entries for an Oracle Fusion Payables invoice (AP-Inv-Test3) with a fully recoverable tax and a partially recoverable tax.

Account	Debit Amount	Credit Amount	Description
Expense	600.00		Net expense amount taxed at 10%
Tax	60.00		Tax at 10% is fully recoverable
Expense	400.00		Net expense amount taxed at 20%
Expense	32.00		40% of 80.00 (400.00 * 20%) is nonrecoverable

Account	Debit Amount	Credit Amount	Description
Tax	48.00		60% of 80.00 (400.00 * 20%) is recoverable
Liability		1140.00	

The following table shows the accounting entries for the Payables invoice AP-Inv-Test4.

Account	Debit Amount	Credit Amount	Description
Expense	600.00		Net expense amount taxed at 10%
Tax	60.00		Tax at 10% is nonrecoverable
Expense	400.00		Net expense amount taxed at 20%
Tax	80.00		Tax at 20% is nonrecoverable
Liability		1140.00	

Tax Register

For the 10 percent tax, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test3	Invoice	600.00	60.00	0.00

For the 20 percent tax, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test3	Invoice	400.00	48.00	32.00

AP-Inv-Test 4 does not appear in the tax register because it only contained nonrecoverable taxes.

Nonrecoverable Tax Register

For the 10 percent tax, the Nonrecoverable Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test4	Invoice	600.00	0.00	60.00

For the 20 percent tax, the Nonrecoverable Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test3	Invoice	400.00	48.00	32.00
AP-Inv-Test4	Invoice	400.00	0.00	80.00

Related Topics

- Transaction Tax Report Features

Example of Reporting Prepayments in the Tax Register

The following scenario illustrates the reporting of prepayments in the Tax Register.

Payables Prepayment Invoice

The following table shows the accounting entries to create a prepayment invoice in Oracle Fusion Payables. The example invoice number is AP-Inv-Test10.

Account	Debit Amount	Credit Amount	Description
Prepaid Asset or Expense	500.00		Asset or expense is half paid
Tax	50.00		Tax at 10% on asset or expense fully paid
Liability		550.00	Prepaid with tax

Upon payment of the prepayment invoice, the following accounting entries are created:

Account	Debit Amount	Credit Amount
Liability	550.00	
Cash		550.00

Account	Debit Amount	Credit Amount

Tax Register for Prepayment Invoice

For the 10 percent tax, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test10	Invoice (prepayment)	500.00	50.00	0.00

Payables Invoice

Assume invoice number AP-Inv-Test20 is created, and the prepayment is applied to this invoice. The following table shows the resulting accounting entries:

Account	Debit Amount	Credit Amount	Description
Asset or Expense	1000.00		Invoice amount
Tax	50.00		Tax at 10% on balance of invoiced amount
Liability		550.00	Liability for balance of invoiced amount
Prepaid Asset or Expense		500.00	Reverse prepaid asset or expense

Tax Register

Using the accounting entries created in this example, the Tax Register with the tax at 10 percent appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test20	Invoice	500.00	50.00	0.00

Related Topics

- Transaction Tax Report Features

Example of Reporting Offset Taxes in the Tax Register

The following scenario illustrates how the Tax Register displays offset taxes in Oracle Fusion Payables.

Oracle Fusion Payables Prepayment Invoice

The following table shows the accounting entries in USD currency for the Payables invoice. The example invoice number is AP-Inv-Test30.

Account	Debit Amount	Credit Amount	Description
Expense	1000.00		Net amount 600.00 taxed at 10%
Output Tax	100.00		Output tax at 10%
Liability		1000.00	
Input Tax		100.00	Input tax at 10%

Tax Registers

Using the accounting entries created in this example, the Output Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test30	Invoice	1000.00	100.00	0.00

Using the accounting entries created in this example, the Input Tax Register with the tax at 10% appears as:

Transaction Number	Transaction Class	Taxable Amount	Recoverable Tax Amount	Nonrecoverable Tax Amount
AP-Inv-Test30	Invoice	1000.00	-100.00	0.00

Example of Reporting Input Taxes in the Tax Register in Primary and Secondary Ledger Currency

The following scenario illustrates tax reporting in primary and secondary ledger currencies.

The default template generates the Tax Register in the primary ledger currency. To create a report in the secondary or reporting ledger currency, you should modify the template to include secondary ledger or reporting ledger amounts.

Payables Invoice

In this example assume the following setup is in place:

- The primary ledger currency is EUR.
- The secondary ledger currency is USD.
- The corporate currency conversion rate is 1.2.

The following table shows the accounting entries in EUR currency for an Oracle Fusion Payables invoice AP-Inv-Test5. The invoice is posted.

Account	Debit Amount	Credit Amount	Description
Expense	100.00		Net expense amount taxed at 20%
Tax	20.00		Tax at 20%, fully recoverable
Liability		120.00	Interim tax at 20%

The following table shows the accounting entries in EUR currency for the Payables invoice AP-Inv-Test6. The invoice is validated, but not accounted.

Account	Debit Amount	Credit Amount	Description
Expense	200.00		Net expense amount taxed at 20%
Tax	40.00		Tax at 20%, fully recoverable
Liability		240.00	Interim tax at 20%

Tax Registers

For the primary ledger currency, EUR, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
AP-Inv-Test5	Invoice	100.00	20.00
AP-Inv-Test6	Invoice	200.00	40.00

For the secondary ledger currency, USD, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
AP-Inv-Test5	Invoice	120.00	24.00

When you run the Tax Register for the secondary ledger, invoice AP-Inv-Test6 is not reported since it is not posted and does not appear in the subledger accounting tables. These tables are the source for the Tax Register Report.

Related Topics

- Transaction Tax Report Features

Example of Reporting Transactions Based on Tax Point Basis

The following scenario illustrates how transactions with tax point basis as payment are reported.

Scenario

You have an invoice for 100 EUR on 1-Apr-2014 with a tax rate of 40%. The line amount is 60 EUR, and the tax amount is 40 EUR.

The following payments are made:

- On 1-May-2014, a partial payment of 20 EUR
- On 1-Jun-2014, a final payment of 80 EUR

The following tables show the reporting differences between tax point date and accounting date across reporting periods.

For the reporting period of 01-Apr-2014 to 30-Apr-2014:

Reporting Basis	Tax Point Date	Taxable Amount	Tax Amount	Notes
Tax Point Date				Since no payment is made in April, there is nothing to report.
Accounting Date		60	40	The invoice is created on 1-Apr-2014.

For the reporting period of 01-May-2014 to 31-May-2014:

Reporting Basis	Tax Point Date	Taxable Amount	Tax Amount	Notes
Tax Point Date	01-May-2014	12	8	The partial payment of 20 EUR is prorated across the line and tax.

Reporting Basis	Tax Point Date	Taxable Amount	Tax Amount	Notes
Accounting Date				The invoice was already accounted in April.

For the reporting period of 01-Jun-2014 to 30-Jun-2014:

Reporting Basis	Tax Point Date	Taxable Amount	Tax Amount	Notes
Tax Point Date	01-Jun-2014	48	32	The balance payment of 80 EUR is prorated across the line and tax.
Accounting Date				The invoice was already accounted in April.

For the reporting period of 01-Apr-2014 to 30-Jun-2014:

Reporting Basis	Tax Point Date	Taxable Amount	Tax Amount	Notes
Tax Point Date	01-May-2014	12	8	
Tax Point Date	01-Jun-2014	48	32	
Accounting Date		60	40	

Tax reports allow you to choose different date ranges for reporting, such as accounting dates, transaction dates, or tax point basis. You can use the appropriate date range to compare your tax reports with general ledger, payables, or receivables reports.

When invoices with tax point basis as payment (deferred tax) are reported based on accounting or transaction dates, tax point basis has no relevance and tax point dates do not appear on the reports.

Example of Reporting Account Postings in the Interim Tax Register and Tax Register

The following scenario illustrates the reporting difference between the Interim Tax Register and the Tax Register.

Receivables Invoice

The following table shows the accounting entries for an Oracle Fusion Receivables invoice that has two transaction lines, each with a different tax point basis.

Account	Debit Amount	Credit Amount	Tax Point Basis	Description
Receivable	1140.00			
Revenue		600.00		
Tax		60.00	Accounting	Tax at 10%
Revenue		400.00		
Tax		80.00	Tax	Interim tax at 20%

Partial Payment

A partial payment of 570 USD reduces the open receivable and transfers 50 percent of the deferred tax to a collected tax account, as shown by the following table:

Account	Debit Amount	Credit Amount	Tax Point Basis	Description
Cash	570.00			
Tax	40.00		Payment	50% of the deferred tax
Receivable		570.00		
Tax		40.00	Accounting	Tax due to the tax authority

Interim Tax Register

For the 10 percent tax, the Interim Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
No data found			

Note: As no data matches the 10 percent tax rate, the reports shows no data found.

For the 20 percent tax, the Interim Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Inv-Test1	Invoice	400.00	80.00

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Cr-Test1	Cash Application	-200.00	-40.00

Tax Register

For the 10 percent tax, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Inv-Test1	Invoice	600.00	60.00

For the 20 percent tax, the Tax Register shows:

Transaction Number	Transaction Class	Taxable Amount	Tax Amount
Cr-Test1	Cash Application	200.00	40.00

When an invoice is paid (or partially paid), the tax amount that is transferred from the Interim Tax Account to the Tax Account appears as a negative line on the Interim Tax Register and as a positive line on the Tax Register.

As these examples illustrate, the Interim Tax Register shows only account postings for deferred tax, including the invoice and cash application. The Tax Register shows all tax transactions with immediate settlement as well as all cash applications to a deferred tax invoice.

Related Topics

- Interim Tax Register

FAQs for Prepare Transaction Tax Reports

Can I see adjustments in the Sales Tax Report when no tax rate exists for the tax jurisdiction?

No, you can't see them because such adjustments aren't reported in the Sales Tax Report.

A tax jurisdiction must be associated with a corresponding tax rate defined specifically for it. Adjustments are only reported correctly for these jurisdictions.

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

- Generate Tax Returns Based on Tax Box Allocation Rules
- Tax Box Allocation Reports
- Tax Box Allocation Rules
- How You Use Tax Reporting Type for Tax Box Allocation Rules
- Example of Setting Up Tax Box Allocation Rules

Tax Box Allocation Reports

This topic includes details about the tax box allocation reports.

Overview

The tax box allocation reports lists transaction that are allocated to tax boxes and those that are exceptions. You can use these reports as a basis for preparing tax returns.

Tax box allocation reports include:

- Tax Allocations Listing Report: Lists transactions within a tax period and the tax boxes that the transactions are allocated to. It enables you to list transactions within a specific document number range. The report lists tax-related information and tax boxes assigned to recoverable and nonrecoverable amounts.

  The following figure is an example of the report:

ORACLE

Tax Allocations Listing

Report Date 27-MAY-2014 04:53

Page 1 of 3

Report Type Annual allocation
Source Input tax
Final Reporting Status Not Reported

Document Sequence IT ACQ STD 2006

Document Number	Invoice Number	Invoice Line Number	Financial Document Type	Tax Rate	Line Amount (EUR)	Tax Point Date	Taxable Box Recoverable	Taxable Box Non-recoverable	Tax Box Recoverable	Tax Box Non-recoverable	Total Box
5	IT_TBA_API NV_1001	3	STANDARD INVOICES	IT VAT REDUCED 2 RATE	1,250.00	17-01-2014	11A-RRF	12A-RRF	13A-RRF	14A-RRF	15A-RRF
5	IT_TBA_API NV_1001	2	STANDARD INVOICES	IT VAT REDUCED 1 RATE	37,000.00	17-01-2014	11A-RRF	12A-RRF	13A-RRF	14A-RRF	15A-RRF

- Tax Allocation Exception Report: Lists the transactions that are not allocated to any tax box in the most recent run of the Tax Allocation Process. It provides tax-related information for each transaction line.

  The following figure is an example of the report:

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Vision Italy

Tax Allocation Exception Listing

Report Date 27-MAY-2014 04:40

Page 1 of 4

Reporting Identifier LE:lesubstring-1017:IT VAT:04491661009:100000010092026
Period JAN-14
Source Output tax
Document Sequence IT FAI 2006

Document Number	Batch	Customer/ Supplier	Invoice Number	Invoice Line Number	Financial Document Type	Tax Rate	Currency	Amount	Tax Point Date
1	AR_Trans Source_09-NES	UNITED PARCEL SERVICE, INC	IT_TBA_ARI NV_1001	2	INVOICE	IT VAT Reduced 1 Rate	EUR	3,200.00	16-Jan-2014
1	AR_Trans Source_09 NES	UNITED PARCEL SERVICE, INC	IT_TBA_ARI NV_1001	3	INVOICE	IT VAT Reduced 2 Rate	EUR	450.00	16-Jan-2014

- Tax Box Return Preparation Report: Lists taxable and tax amounts grouped by tax declaration box numbers for periodic or annual allocations. Use the report as a basis for preparation of tax returns.

  The following figure is an example of the report:

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Tax Box Return Preparation Report

Report Date 27-MAY-2014 04.44

Page 21 of 21

Summary for Report Type Periodic allocation

Reporting Identifier LE:icsubstring-1017:IT VAT:04491561009:100000010000026
Period JAN-14
Currency EUR

Box Number and Description	Recoverable Taxable	Non- Recoverable Taxable	Recoverable Tax	Non-Recoverable Tax	Total Amount
11-RRF	38,250.00	0.00	0.00	0.00	0.00
35-RRF	0.00	0.00	0.00	0.00	4,100.00
13-RRF	0.00	0.00	3,750.00	0.00	0.00
12-RRF	0.00	0.00	0.00	0.00	0.00
15-RRF	0.00	0.00	0.00	0.00	42,000.00
14-RRF	0.00	0.00	0.00	0.00	0.00
34-RRF	0.00	0.00	0.00	0.00	0.00
32-RRI	0.00	0.00	0.00	0.00	0.00
31-RRF	3,900.00	0.00	0.00	0.00	0.00
33-RRI	0.00	0.00	200.00	0.00	0.00
Total	42,150.00	0.00	3,950.00	0.00	46,100.00

End of Report

Key Insights

Before running the tax box allocation reports, run the Tax Reporting Selection Process which is based on the Tax Reporting Ledger.

Report Parameters

The following table lists some selected parameters used while generating these reports.

Parameter	Description
Tax Calendar Period	Specify the tax period to be included for reporting tax.
Source	Indicate whether transactions with input tax, output tax, or both are reported.
Reallocate	Indicate whether to reallocate tax boxes for all matched transactions or for only not allocated or in error tax transactions.
Report Periodicity	Indicate the type of tax box allocation rule used to determine whether the tax box rule is applied for periodic tax returns or annual tax returns.
Tax Calendar Year	Select the reporting year for annual allocation amounts. You can also report transactions on an annual basis.
Summarization Level	Use this option to view the report in one of the following formats: Detail, Summary, or Both.

The following table shows the combination of parameter values that are valid:

Reporting Periodicity	Tax Calendar Year	Tax Calendar Period
Periodic	N/A	Period (example May 2017)
Annual	Year (example, 2017)	N/A

Frequently Asked Questions

The following table lists frequently asked questions about the tax allocation reports.

FAQ	Answer
How do I find this report?	Schedule and run this report from the Scheduled Processes work area on the Navigator menu.
Who uses this report?	• Tax manager • Tax accountant
When do I use this report?	Use these reports to: • Review that your transactions are being accurately allocated to tax boxes • Report your tax liabilities to the tax authorities
What type of report is this?	Oracle Analytics Publisher

Related Topics

- Tax Box Allocations
- Generate Tax Returns Based on Tax Box Allocation Rules
- Tax Reporting Ledger

Generate Tax Returns Based on Tax Box Allocation Rules

To prepare tax returns that are based on the tax box allocation process, you must generate the Tax Box Return Preparation Report.

You can use the Tax Box Return Preparation Report to:

- Compose tax declaration for periodic or annual allocations
- Submit it to the tax authorities

The following table lists the steps required to generate tax returns based on tax box allocation rules:

Steps	Task	Output
1.	Run the Tax Reporting Selection Process	Extracts the transactions from the tax repository.
2.	Run the Tax Allocation Process	Assigns applicable tax box numbers to the extracted transactions according to the defined tax box allocation rules.
3.	Run the Tax Allocation Exceptions Report and verify that there are no errors.	Generates the Tax Allocation Exceptions Report that lists the transactions that are not applied with tax box allocation rules during the previous step. If there are errors or incorrectly allocated tax box numbers, run the Tax Allocation Process again with the Reallocate parameter set to Yes.
4.	Run the Tax Allocations Listing Report and verify that the tax box numbers assigned to the transactions are correct.	Generates the Tax Allocations Listing Report that lists all the transactions with the corresponding tax box numbers.
5.	Run the Tax Final Reporting Process	Stamps the transactions as finally reported.
6.	Run the Tax Box Return Preparation Report (Optional)	Generates the Tax Box Return Preparation Report that lists taxable and tax amounts grouped by tax declaration box numbers for periodic or annual allocations. You can view detail, summary, or both detail and summary of tax and taxable amounts.

Related Topics

- Tax Box Allocation Reports
- How can I correct transactions when tax box allocation rules aren't applied?
- Tax Box Allocations

FAQs for Tax Box Allocation Rules

How can I correct transactions when tax box allocation rules aren't applied?

If tax box allocation rules aren't applied to the transactions, here's what you can do to correct them:

- Check the tax reporting determinants. The Payables or Receivables transactions should use all the required determinants.

- Check the tax attributes on the transactions. Ensure that the tax box allocation rule is based on the tax reporting determinants.
- Run the tax allocation process again.

5 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.