

Oracle® Banking Corporate Lending Tax User Guide



Release 14.7.4.0.0

F97337-01

May 2024

The Oracle logo, consisting of a solid red square with the word "ORACLE" in white, uppercase, sans-serif font centered within it.

ORACLE®

Copyright © 2016, 2024, Oracle and/or its affiliates.

This software and related documentation are provided under a license agreement containing restrictions on use and disclosure and are protected by intellectual property laws. Except as expressly permitted in your license agreement or allowed by law, you may not use, copy, reproduce, translate, broadcast, modify, license, transmit, distribute, exhibit, perform, publish, or display any part, in any form, or by any means. Reverse engineering, disassembly, or decompilation of this software, unless required by law for interoperability, is prohibited.

The information contained herein is subject to change without notice and is not warranted to be error-free. If you find any errors, please report them to us in writing.

If this is software, software documentation, data (as defined in the Federal Acquisition Regulation), or related documentation that is delivered to the U.S. Government or anyone licensing it on behalf of the U.S. Government, then the following notice is applicable:

U.S. GOVERNMENT END USERS: Oracle programs (including any operating system, integrated software, any programs embedded, installed, or activated on delivered hardware, and modifications of such programs) and Oracle computer documentation or other Oracle data delivered to or accessed by U.S. Government end users are "commercial computer software," "commercial computer software documentation," or "limited rights data" pursuant to the applicable Federal Acquisition Regulation and agency-specific supplemental regulations. As such, the use, reproduction, duplication, release, display, disclosure, modification, preparation of derivative works, and/or adaptation of i) Oracle programs (including any operating system, integrated software, any programs embedded, installed, or activated on delivered hardware, and modifications of such programs), ii) Oracle computer documentation and/or iii) other Oracle data, is subject to the rights and limitations specified in the license contained in the applicable contract. The terms governing the U.S. Government's use of Oracle cloud services are defined by the applicable contract for such services. No other rights are granted to the U.S. Government.

This software or hardware is developed for general use in a variety of information management applications. It is not developed or intended for use in any inherently dangerous applications, including applications that may create a risk of personal injury. If you use this software or hardware in dangerous applications, then you shall be responsible to take all appropriate fail-safe, backup, redundancy, and other measures to ensure its safe use. Oracle Corporation and its affiliates disclaim any liability for any damages caused by use of this software or hardware in dangerous applications.

Oracle®, Java, MySQL, and NetSuite are registered trademarks of Oracle and/or its affiliates. Other names may be trademarks of their respective owners.

Intel and Intel Inside are trademarks or registered trademarks of Intel Corporation. All SPARC trademarks are used under license and are trademarks or registered trademarks of SPARC International, Inc. AMD, Epyc, and the AMD logo are trademarks or registered trademarks of Advanced Micro Devices. UNIX is a registered trademark of The Open Group.

This software or hardware and documentation may provide access to or information about content, products, and services from third parties. Oracle Corporation and its affiliates are not responsible for and expressly disclaim all warranties of any kind with respect to third-party content, products, and services unless otherwise set forth in an applicable agreement between you and Oracle. Oracle Corporation and its affiliates will not be responsible for any loss, costs, or damages incurred due to your access to or use of third-party content, products, or services, except as set forth in an applicable agreement between you and Oracle.

Contents

Preface

Introduction	iv
Audience	iv
Conventions	iv
List Of Topics	v
Related Documents	v
Symbols, Definitions and Abbreviations	v

1 Building Tax Components

1.1 Steps Involved in Processing Tax	1-1
1.2 Defining Tax Rules	1-1
1.2.1 Rule Master Definition screen	1-1
1.2.2 Tax Rule Maintenance screen	1-2
1.2.2.1 Specifying the Tax Application Method	1-4
1.2.2.2 Defining Slabs and Tier Structures	1-5
1.2.3 Viewing the Tax Rule History Details	1-6
1.3 Maintaining a Tax Scheme	1-7
1.3.1 Linking a Tax Scheme to a Product	1-8
1.3.1.1 Linking a tax scheme to Bilateral Loan Products	1-9
1.3.1.2 Linking a tax scheme to Syndication Loan Products	1-9
1.3.1.3 Features of the Tax Details screen	1-9
1.4 Processing Tax on a Contract	1-11
1.4.1 Waiving of Tax in Sequence	1-12
1.5 Maintaining Tax Categories for contracts	1-13
1.6 Maintaining Tax Group Type Details	1-14
1.7 Annexure -Tax Calculations	1-15

Index

Preface

This topic contains the following sub-topics:

- [Introduction](#)
- [Audience](#)
- [Conventions](#)
- [List Of Topics](#)
- [Related Documents](#)
- [Symbols, Definitions and Abbreviations](#)

Introduction

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

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

Audience

This manual is intended for the following User/User Roles

Table 1 Audience

Role	Function
Back office clerk	Input functions for contracts
Back office managers/officers	Authorization functions
Product Managers	Product definition and authorization
End of day operators	Processing during end of day/ beginning of day
Financial Controller / Product Managers	Generation of reports

Conventions

The following text conventions are used in this document:

Table 2 Conventions and Meaning

Convention	Meaning
boldface	Boldface type indicates graphical user interface elements associated with an action, or terms defined in text or the glossary.
<i>italic</i>	Italic type indicates book titles, emphasis, or placeholder variables for which you supply particular values.
monospace	Monospace type indicates commands within a paragraph, URLs, code in examples, text that appears on the screen, or text that you enter.

List Of Topics

This manual is organized into the following topics.

Table 3 List Of Topics

Topics	Description and Cross References
Preface	This topic gives information on the intended audience. It also lists the various topics covered in this User Manual.
Building Tax Components	This topic explains how tax rules, tax group type, and tax schemes are defined in Oracle Lending. The topics which are part of Building Tax Components are: <ol style="list-style-type: none"> 1. Steps Involved in Processing Tax 2. Defining Tax Rules 3. Maintaining a Tax Scheme 4. Processing Tax on a Contract 5. Maintaining Tax Categories for contracts 6. Maintaining Tax Group Type Details 7. Annexure -Tax Calculations

Related Documents





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

- *Common Procedures*
- *Products*
- *Bilateral Loans*

Symbols, Definitions and Abbreviations

The following are some of the Symbols you are likely to find in the manual:

Table 4 Symbols

Icons	Functions
	Exit
	Add row
	Delete row
	Option List

The images used in the documentation are of illustration purpose and need to be used only for reference.

For more information, refer to *Accessibility User Manual*.

1

Building Tax Components

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

This topic contains following sub-topics:

- [Steps Involved in Processing Tax](#)
- [Defining Tax Rules](#)
- [Maintaining a Tax Scheme](#)
- [Processing Tax on a Contract](#)
- [Maintaining Tax Categories for contracts](#)
- [Maintaining Tax Group Type Details](#)
- [Annexure -Tax Calculations](#)

1.1 Steps Involved in Processing Tax

Depending on the laws in your country, you can define tax as an expense type of tax. The following steps are involved in processing tax:

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

1.2 Defining Tax Rules

A tax rule identifies the method in which a tax component (a stock exchange tax, a local tax, and so on.) is calculated. You can build tax rules in the **Rule Master Definition** and **Tax Rule Maintenance** screen.

This topic contains following sub-topics:

- [Rule Master Definition screen](#)
- [Tax Rule Maintenance screen](#)
- [Viewing the Tax Rule History Details](#)

1.2.1 Rule Master Definition screen

To capture details of rule master maintenance screen

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **LFDR LAVL** and click next arrow.
The **Rule Master Maintenance** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

Figure 1-1 Rule Master Maintenance



2. You can enter below details in this screen. For information on fields, refer to the field description table.

Table 1-1 Rule Master Maintenance

Field	Description
Rule ID and Description	In Rule Master Definition screen, assign a unique Rule ID and a brief Rule ID Description to the rule being built.
Rule Type	Select the Rule Type as Tax .

1.2.2 Tax Rule Maintenance screen

To capture details of tax rule maintenance screen

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDRULES** and click next arrow.
The **Tax Rule Maintenance** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

Figure 1-2 Tax Rule Maintenance

- You can enter below details in this screen. For information on fields, refer to the field description table.

Table 1-2 Tax Rule Maintenance

Field	Description
Rule Code	Specify the valid tax rule ID that you maintain in your bank. The adjoining option list displays the list of all rule IDs available in the system. You can select the appropriate one. These rule IDs are fetched from Rule Master Definition screen. The tax rule is maintained for a combination of Rule ID + Currency + Country +Nationality + Customer Group + Customer Number + Effective Date.
Rule Code Description	The Rule Code Description appears based on the rule ID.
Currency	The currency selected indicates the transaction currency. You also have the option to select ALL to indicate that the rule is applicable to transactions in any currency. It is mandatory to specify the currency to save the Tax Rule. Then define the attributes of the rule, such as the Effective Date, the Tax Currency and the application method.
Customer Group	You have maintained Charge and Tax type of customer groups through the Customer Group Maintenance screen and categorized customer's into different charge and tax groups through the Customer Information Maintenance screen. While building a tax rule, you can indicate whether the rule is to be made applicable on a charge type customer group or whether it is to be made applicable on a tax type of customer group. If a transaction charge/tax is defined for a charge/tax type of customer group, the transactions involving customers in the group automatically acquire the charge/tax unless you choose to override it by creating a specific charge/tax set-up for the particular customer.
Customer No	Customer numbers are maintained by your bank in the Customer Information Maintenance screen. You can choose the customer for whom the tax rule is being defined. You can also choose to define the tax rule for all the customers of your branch.

Table 1-2 (Cont.) Tax Rule Maintenance

Field	Description
Effective Date for a Tax Rule	<p>Every tax rule is associated with an Effective Date. On the specified Effective Date, the rule becomes applicable. When more than one rule is linked to a Tax Scheme, a rule is applied till the next rule for the same component, with a different Effective Date comes.</p> <p>Example</p> <p>The following example illustrates how the different rules in a Tax Scheme are applied.</p> <p>You have defined the following Tax Rules (only the fields relevant to the example are discussed):</p> <ol style="list-style-type: none"> Table 1-3 Table 1-4 <p>When these rules are linked to a single tax scheme, the tax is applied in the following manner:</p> <p>From 1 January 1999 to 31 March 1999, the interest paid on contracts are taxed at 0.5%. From 1 April 1999 onwards, the interest paid is taxed at 0.75%. Interest continues to be taxed at 0.75% till another rule with a different Effective Date is added to the scheme.</p>
Special Tax Type	<p>Select the special tax type from the drop-down list. The list displays the following values.</p> <ul style="list-style-type: none"> Chapter 3 FATCA Normal tax Financial Operations Tax

Table 1-3 Tax Rule 1

Rule Code	TxD1
Effective Date	1 January 1999
Component	Interest
Tax Rate	0.5%

Table 1-4 Tax Rule 2

Rule Code	TxD2
Effective Date	1 January 1999
Component	Interest
Tax Rate	0.75%

This topic contains following sub-topics:

- [Specifying the Tax Application Method](#)
- [Defining Slabs and Tier Structures](#)

1.2.2.1 Specifying the Tax Application Method

A tax can be a percentage of the component that is to be taxed (such as the principal, brokerage, and so on.), or a flat amount. If you choose to calculate tax as a flat amount, choose the **Flat** option. If you choose to calculate tax as a percentage of the transaction

amount, choose the **Rate** option. If tax is to be calculated as a flat amount, specify the flat amount.

Example

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

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

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

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

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

The tax amount for this deal is calculated as follows:

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

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

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

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

Note:

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

1.2.2.2 Defining Slabs and Tier Structures

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

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

The following example illustrates how this works:

Example

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

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

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

- **Tier basis**
The first 250,000 is taxed at 1%
Amount from 250,001 to 1,000,000 at 2%
Amount from 1,000,001 to 1,500,000 at 2.5%
- **Slab basis**
The entire USD 1.5M is taxed at 2.5%

1.2.3 Viewing the Tax Rule History Details

You can view the history of tax rule in the **Tax Rule Maintenance History** screen.

To capture details of tax rule maintenance history screen

Specify the **User ID** and **Password**, and login to Homepage.

- On the Homepage, type **TXDRLHIS** and click next arrow.
The **Tax Rule Maintenance History** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

Figure 1-3 Tax Rule Maintenance History

1.3 Maintaining a Tax Scheme

To capture details of tax scheme maintenance screen

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDSCMNT** and click next arrow.
The **Tax Scheme Maintenance** screen is displayed.

Note:

The fields which are marked in asterisk red are mandatory fields.

Figure 1-4 Tax Scheme Maintenance

2. You can enter below details in this screen. For information on fields, refer to the field description table.

Table 1-5 Tax Scheme Maintenance Details

Field	Description
Scheme Code	Specify the tax scheme that you are maintaining with a unique code. A scheme consists of several tax components (classes).
Description	Specify the description of tax scheme.
Rule ID	Specify the valid tax Rule ID that you maintain in your bank. The adjoining option list displays the list of all rule IDs available in the system. You can select the appropriate one. These rule IDs are fetched from Rule Master Definition screen.

This topic contains following sub-topics:

- [Linking a Tax Scheme to a Product](#)

1.3.1 Linking a Tax Scheme to a Product

A tax scheme is linked to a product, only if tax is applicable to the product. This linkage is established through the **Tax Details** sub-screen of **Loans and Deposits Product Definition** screen. The tax scheme linked is applicable on a contract processed under the product by default. However, you have the option of waiving the application of tax, for a specific contract.

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

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

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

A tax scheme can consist of a set of tax rules that can be applied to a product.

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

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

Example

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

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

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

Click **Tax** from the **Loans and Commitment Product Definition** (OLDPRMNT) screen to link a tax scheme to a product.

This topic contains following sub-topics:

- [Linking a tax scheme to Bilateral Loan Products](#)
- [Linking a tax scheme to Syndication Loan Products](#)
- [Features of the Tax Details screen](#)

1.3.1.1 Linking a tax scheme to Bilateral Loan Products

Tax rules for the respective component have to be mapped in the **LB OL Product & Component Mapping** screen (LBDPCMAP) for seamless propagation of the tax component to the Bilateral Loans side.

1.3.1.2 Linking a tax scheme to Syndication Loan Products

A tax scheme is linked to syndication loans products through the **Tax Details** sub-screen of **Loans Syndication - Facility Product Definition**, **Loans Syndication - Borrower Product Definition** and **Participant Product Definition** screens. The tax scheme linked is applicable on a contract processed under the product, only if tax is applicable to the product, which is captured in **Preferences** sub-screen. However, you have the option of waiving the application of tax, for a specific contract.

1.3.1.3 Features of the Tax Details screen

Table 1-6 Features of the Tax Details screen

Field	Description
Tax Category	You can specify tax category for each tax rule that is linked to a tax scheme. To do this, select the tax category from the drop-down list against each tax rule. However, while processing a contract, you can waive the application only for those tax rules for which you have setup tax categories.

Table 1-6 (Cont.) Features of the Tax Details screen


Field	Description
Basis Component	<p>Tax can be applied on the basis of any component that is taxable according to the laws in your country. This component is called the Basis Component. The method of tax application defined for the tax rule is applied on this component.</p> <div data-bbox="1149 531 1192 569" style="float: right;">  </div> <div data-bbox="1198 531 1279 562" style="float: right;"> <p>Note:</p> </div> <div data-bbox="1198 590 1425 730" style="float: right;"> <p>Typically the event is FLIQ for fee components and LIQD for interest components.</p> </div>
Event for tax application	<p>Example</p> <p>Tax can be applied on the LC amount, the commission or charge component. These are called the Basis Component. The method of tax application defined for the tax rule is applicable on this component.</p> <p>You should specify the event upon which the tax is to be applied. For example, if you specify that the tax be to be applied at the time the commissions are collected from the customer, then the entries for tax are passed when the commission is paid.</p>

Table 1-6 (Cont.) Features of the Tax Details screen

Field	Description
Type of Tax - withholding or expense type	<p>The type of tax, decides the bearer the tax. It could be the bank or the customer.</p> <p>A customer bears withholding type of tax and the tax component is debited to the customer's account. The bank bears an expense type of tax and the tax component is booked to a tax expense account.</p> <p>Example</p> <p>For an LC it is always the bank, which bears the tax. Hence, a tax that is levied always falls under an Expense type. The tax is debited from an expense account and put in a tax payable account, from where it is subsequently paid to the government.</p>

 **Note:**

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

1.4 Processing Tax on a Contract

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

Example

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

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

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

To capture details of tax details screen

Specify the **User ID** and **Password**, and login to Homepage.

From the Homepage, navigate to **Loan and Commitment-Contract Input** screen (OLDTRONL).

1. From the **Loan and Commitment-Contract Input** screen, click on **Tax**.
The **Tax Details** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

Figure 1-5 Tax Details

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

 **Note:**

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

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

This topic contains following sub-topics:

- [Waiving of Tax in Sequence](#)

1.4.1 Waiving of Tax in Sequence

In Oracle Lending, the waiver information for Customer Tax Category, Tax Category, Customer and Effective Date combination is searched in the following order.

Table 1-7 Waiver Information

Customer Tax Category	Customer	Tax Category	Effective Date
Customer Tax Category	Customer	Tax Category	Effective Date
Customer Tax Category	ALL	Tax Category	Effective Date
ALL	ALL	Tax Category	Effective Date

 **Note:**

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

For more information on fields and tabs, refer to *Bilateral Loans User Manual*.

1.5 Maintaining Tax Categories for contracts

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

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

To capture details of tax category maintenance screen

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDCATMT** and click next arrow.

The **Tax Category Maintenance** screen is displayed.


 **Note:**

The fields which are marked in asterisk red are mandatory fields.

Figure 1-6 Tax Category Maintenance

2. You can enter below details in this screen. For information on fields, refer to the field description table.

Table 1-8 Tax Category Maintenance

Field	Description
Tax category	You can capture a unique code to identify the tax category.
<div style="border: 1px solid #0070C0; padding: 10px; background-color: #E6F2FF;"> <p> Note:</p> <p>While maintaining product details and associating a tax category, a list of all the valid tax categories you have maintained in this screen are available in the option list for the Tax category field. You can select the appropriate code.</p> </div>	
Description	You can also associate a brief description with the tax category. This description is for information purposes only and not be printed on any customer correspondence.
Category Type	Here you can classify each tax category under Tax or IC. If the tax category is maintained under Tax, the categories are available at the product level for selection. However, the tax category maintained under IC are available only at the IC rule definition level. You need to calculate the tax on customer account balances.

1.6 Maintaining Tax Group Type Details

You can use the **Tax Group Type Maintenance** screen to map the tax rule to tax group and payment type. You can perform the following operations in this screen:

- New
- Delete
- Save
- Auth

To capture details of tax group type maintenance screen

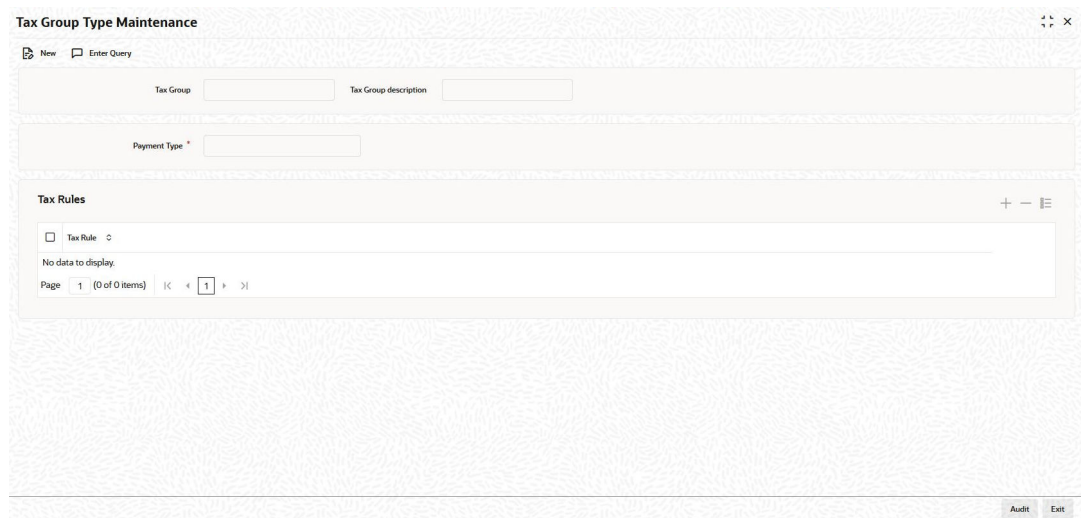
Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDTXGRP** and click next arrow.
The **Tax Group Type Maintenance** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

Figure 1-7 Tax Group Type Maintenance



2. You can enter below details in this screen. For information on fields, refer to the field description table.

Table 1-9 Tax Group Type Maintenance

Field	Description
Tax Group	Specify the tax group to which the tax rule is to be mapped.
Payment Type	Select the payment type from the adjoining drop-down list. The list displays the following values. <ul style="list-style-type: none"> • Fee • Interest
Tax Rule	Specify the tax rule which is to be linked to the tax group. The adjoining option list displays all valid tax rules maintained in the system. You can select the appropriate one.

1.7 Annexure -Tax Calculations

Examples

Consider the following Basis Amount Structure is maintained for a tax rule.

Amount	Rate
5,000	2
25,000	5
1,00,000	8
25,00,000	10
1,00,00,000	15

1. When the above tax rule is applied on an amount of USD 18,00,000 then the tax is calculated as follows, depending on whether the Amount Basis is defined as a slab or as a tier.

- **Tier Basis:**

- The first 5,000 is taxed at rate 2%
- Amount from 5,001 to 25,000 is taxed at rate 5%
- Amount from 25,001 to 1,00,000 is taxed at rate 8%
- Amount from 1,00,001 to 18,00,000 is taxed at rate 10%

- **Slab Basis:**

- The entire amount of 18,00,000 is taxed at rate 10%

2. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX_1** is attached to a Fee component **FEE_1**, with a due amount of 30,000 USD.

Then the tax for the participants is calculated as follows:

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax credited to Participant1, Tom = 10% of 12,000 = 1200 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax credited to Participant2, Bob = 15% of 18,000 = 2700 USD
- So, tax collected from borrower, Leo = 1200 + 2700 = 3900 USD

3. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX_1** is attached to a Fee component **FEE_1**, with a due amount of 30,000 USD.

Assume there are no separate Tax Rates maintained for the participants Tom and Bob under **Rule Master Maintenance**.

Then, the tax rate from the **ALL** combination record is used for tax calculation.

Assume the tax rate for **ALL** combination, for the basis amount of 30,000 is maintained as 20% on a slab basis, the tax calculation is as follows:

- Tax collected from borrower, Leo = 20% of 30,000 = 6,000 USD
- Tax credited to Participant1, Tom = 40% of 6,000 = 2,400 USD
- Tax credited to Participant2, Bob = 60% of 6,000 = 3,600 USD

4. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX_1** is attached to a Fee component **FEE_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
500	5
1,000	7
10,000	10
15,000	15
50,000	20

The basis amount structure for the combination of tax rule **TX_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
5,000	5
10,000	8
25,000	12
50,000	15
5,00,00,000	20

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax rate for Tom, for a basis amount of 12,000 = 15%
- Tax credited to Tom = 15% of 12,000 = 1800 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax rate for Bob, for a basis amount of 18,000 = 12%
- Tax credited to Bob = 12% of 18,000 = 2160 USD
- So, tax collected from borrower, Leo = 1800 + 2160= 3960 USD

5. Consider the following scenario:

- Counterparty: Leo

- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX_1** is attached to a Fee component **FEE_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate
- Minimum Amount: 100
- Maximum Amount: 10,000

Basis Amount To	Rate
1,000	10
10,000	12
25,000	15
50,000	20

The basis amount structure for the combination of tax rule **TX_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate
- Minimum Amount: 100
- Maximum Amount: 1500

Basis Amount To	Rate
500	5
1,000	8
5,000	10
20,000	12

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
 - Tax rate for Tom, for a basis amount of 12,000 = 15%
 - Tax credited to Tom = 15% of 12,000 = 1800 USD
 - Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
 - Tax rate for Bob, for a basis amount of 18,000 = 12%
 - Tax credited to Bob = 12% of 18,000 = 2160 USD
 - Since the maximum amount maintained for this combination is only 1500, tax collected is = 1500 USD
 - So, tax collected from borrower, Leo = 1800 + 1500 = 3300 USD
6. Consider the following scenario:
- Counterparty: Leo
 - Participant1: Tom, Asset Ratio: 40%

- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX_1** is attached to a fee component **FEE_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Flat

Basis Amount To	Flat Amount
500	50
1,000	200
10,000	500
15,000	2,000
50,000	5,000

The basis amount structure for the combination of tax rule **TX_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Flat

Basis Amount To	Flat Amount
500	50
10,000	1,000
25,000	3,000
50,000	8,000
5,00,00,000	12,000

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax amount for Tom, for a basis amount of 12,000 = 2000 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax amount for Bob, for a basis amount of 18,000 = 3000 USD
- So, tax collected from borrower, Leo = 2000 + 3000 = 5000 USD

7. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX_1** is attached to a fee component **FEE_1**, with a due amount of 30,000 USD

The basis amount structure for the combination of tax rule **TX_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
500	5
1,000	10
10,000	12
15,000	13
50,000	16

The basis amount structure for the combination of tax rule **TX_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Flat

Basis Amount To	Flat Amount
5,000	500
10,000	1,500
25,000	2,000
50,000	5,000
5,00,00,000	15,000

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax rate for Tom, for a basis amount of 12,000 = 13%
- Tax credited to Tom = 13% of 12,000 = 1560 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax amount for Bob, for a basis amount of 18,000 = 2000 USD
- So, tax collected from borrower, Leo = 1560 + 2000 = 3560 USD

8. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX_1** is attached to a Fee component **FEE_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
500	5
1000	7
10000	10
15000	15
50000	20

The basis amount structure for the combination of tax rule **TX_1** and customer **Bob** is maintained as follows:

- Amount Basis: Tier
- Rule Method: Rate

Basis Amount To	Rate
5,000	5
10,000	8
25,000	12
50,000	15
5,00,00,000	20

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax rate for Tom, for a basis amount of 12,000 = 15%
- Tax credited to Tom = 15% of 12,000 = 1800 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax credited to Bob = (5% of 5000) + (8% of (10000-5000)) + (12% of (18000 – 10000)) = 250+400+960 = 1610 USD
- So, tax collected from borrower, Leo = 1800 + 1610 = 3410 USD

Index

L

LFDR LAVL - Rule Master Maintenance screen,
[1-1](#)

O

OLDPRMNT - Loans and Commitment Product
Definition screen, [1-8](#)

OLDTRONL - Loan and Commitment-Contract
Input screen, [1-11](#)

T

TXDCATMT - Tax Category Maintenance screen,
[1-13](#)

TXDRLHIS - Tax Rule Maintenance History
screen, [1-6](#)

TXDRULES - Tax Rule Maintenance, [1-2](#)

TXDSCMNT - Tax Scheme Maintenance screen,
[1-7](#)

TXDTXGRP - Tax Group Type Maintenance
screen, [1-14](#)