QAD Enterprise Applications
Enterprise Edition

User Guide

QAD Global Tax Management

Introduction to Global Tax Management
Implementing GTM
Processing GTM
GTM Reporting
AvaTax

70-3166-2017EE
QAD Enterprise Applications 2017
Enterprise Edition
September 2017

This document contains proprietary information that is protected by copyright and other intellectual property laws. No part of this document may be reproduced, translated, or modified without the prior written consent of QAD Inc. The information contained in this document is subject to change without notice.

QAD Inc. provides this material as is and makes no warranty of any kind, expressed or implied, including, but not limited to, the implied warranties of merchantability and fitness for a particular purpose. QAD Inc. shall not be liable for errors contained herein or for incidental or consequential damages (including lost profits) in connection with the furnishing, performance, or use of this material whether based on warranty, contract, or other legal theory.

This document contains trademarks owned by QAD Inc. and other companies.

Copyright ©2017 by QAD Inc.

GTM_UG_v2017EE.pdf/ofs/ofs

QAD Inc.
100 Innovation Place
Santa Barbara, California 93108
Phone (805) 566-6000
http://www.qad.com

Contents

Global Tax Management
Change Summary ix

Chapter 1 Introduction to Global Tax Management. 1

Overview 2
Features 2
Considerations 3
Tax Elements 3
Using GTM 3

Chapter 2 Implementing GTM 5

Implementing GTM 7
Multiple Language Descriptions 7
Setting Up Tax Zones 9
Tax Zone Hierarchies 10
Tax Zone Maintenance 11
Setting Up Tax Types 12
Setting Up Tax Classes and Usages 13
Setting Up Tax Environments 16
Setting Up Trailer Charges 18
Setting Up Tax Bases 19
Setting Up Tax Boxes and Groups 21
Tax Reporting Setup Examples 21
Tax Boxes 22
Tax Groups 23
Setting Up a Tax Calendar 23
Setting Up GL Accounts 25
Setting Up Tax Rates 27
Tax Rate Maintenance 28
Tax Groups 31
Tax Accounts 32
Withholding Tax Calculation and Electronic Declaration 33
Tax Rate Copy/Update 34
Setting Up GTM Control 35
Updating Addresses and Items 37

Business Relations . . . 37
Company and Site Addresses . . . 39
Product Lines and Items . . . 39
Implementing Special Taxes . . . 39
Tax Exemptions . . . 39
Tax Based on Partial Item Amounts . . . 40
Custom Tax Calculation Methods . . . 40
Luxury Taxes . . . 41
Capped Taxes . . . 42
Recoverable Taxes . . . 42
Value Added Taxes (VAT) . . . 42
Tax-on-Tax . . . 43
Discounted Taxes . . . 43
Retained Taxes . . . 45
Absorbed Taxes . . . 45
Reverse-Calculated Taxes . . . 45
Domestic Reverse-Charge Taxes . . . 46
Suspended Tax on Customer Invoices . . . 47
Delayed Tax on Supplier Invoices . . . 50
Implementing China Golden Tax . . . 53
Golden Tax Workflow . . . 53
Invoice Types . . . 55
Upper Limits and Invoice Splitting . . . 55
Setting Up Golden Tax . . . 57
Exporting a Golden Tax File . . . 59
Invoice Post and Print . . . 59
Golden Tax File Create . . . 60
Golden Tax Invoice Report . . . 61
Golden Tax Invoice Browse . . . 61
Printing Golden Tax Invoices . . . 62
Importing a Golden Tax File . . . 62
Customer Invoice Modify . . . 63
Payment of Golden Tax Invoices . . . 63
AR Reports for Golden Tax Invoices . . . 65
Implementing Withholding Tax . . . 67
Setting Up Withholding Tax . . . 67
Creating Purchase Orders Subject to Withholding Tax . . . 76
Creating Fiscal Receipts Subject to Withholding Tax . . . 76
Creating Invoices Subject to Withholding Tax . . . 77
Withholding Tax and Receiver Matching . . . 82
Paying Invoices Subject to Withholding Tax . . . 82
Withholding Tax Settlement . . . 90
Withholding Tax on Services . . . 90

Withholding Tax in Views and Dashboards 90
Withholding Tax Reports 92
Withholding Tax Examples 97
Implementing Gross Income Accounting 100
Setting Up Gross Income Accounting 101
Creating Gross Income Accounting Postings 108
Viewing Customer Invoices 110
Views and Reports 111
Gross Income Accounting Examples 112

Chapter 3 Processing GTM 115

Overview 116
Calculating Taxes 116
Specifying Tax Data 118
Viewing Tax Amounts 119
Correcting Transaction Tax Amounts 121
Exchange Rate Effects 121
Recoverable, Non-Recoverable Tax 122
Variances 122
Memo Items 122
Returned Items 123
Tax Point Effects 123
Standard Cost, Recoverable Tax Examples 124
Inventory Items (Standard Cost, Recoverable Tax) 124
Purchase Price Variance (Standard Cost, Recoverable Tax) 125
AP Usage Variance (Standard Cost, Recoverable Tax) 126
AP Rate Variance (Standard Cost, Recoverable Tax) 127
Memo Items (Standard Cost, Recoverable Tax) 128
Standard Cost, Non-Recoverable Tax Examples 129
Inventory Items (Standard Cost, Non-Recoverable Tax) 129
Purchase Price Variance (Standard Cost, Non-Recoverable Tax) 130
AP Usage Variance (Standard Cost, Non-Recoverable Tax) 131
AP Rate Variance (Standard Cost, Non-Recoverable Tax) 132
Memo Items (Standard Cost, Non-Recoverable Tax) 133
Average Cost, Recoverable Tax Examples 134
Inventory Items (Average Cost, Recoverable Tax) 134
AP Usage Variance (Average Cost, Recoverable Tax) 135
AP Rate Variance (Average Cost, Recoverable Tax) 136
Memo Items (Average Cost, Recoverable Tax) 137
Average Cost, Non-Recoverable Tax Examples 138
Inventory Items (Average Cost, Non-Recoverable Tax) 138
AP Usage Variance (Average Cost, Non-Recoverable Tax) 139
AP Rate Variance (Average Cost, Non-Recoverable Tax) 140

Memo Items (Average Cost, Non-Recoverable Tax) 141
Fixing Common Tax Problems 143

Chapter 4 GTM Reporting 145

Overview 146
Transaction Types 146
Tax Transaction Types 146
Operational Tax Transaction Types 147
Financial Tax Transaction Types 147
Tax Reports Overview 148
Tax Registers 148
EU VAT Reporting 151
Supplier Setup for Reverse-Charged VAT 152
Customer Setup for Reverse-Charged VAT 154
Tax Report Lists 155
Tax Parameter Reports 155
Tax Jurisdictions Reports 156
Tax Environment Report 156
Tax Rate Reports 157
Tax Transaction Reports 157
Regional Tax Reports 160
Tax Views 168
1099 Reporting 168
Setting Up Address Details 169
Setting Up Purchase Types 170
Running the 1099 MISC Report 172
Running the 1099 Electronic Declaration 172
Running the 1099-MISC Paper Declaration 173

Chapter 5 AvaTax 175

Overview 176
Installing the Certificate 176
Defining AvaTax Account Details 177
Configuring GTM Data 179
GTM Setup Specific to AvaTax 179
Tax Classes 180
Tax Zones 181
Tax Environment 181
Tax Rates 182
Other QAD EE Setup 183
Customer, Supplier, and Company Addresses 183
Product Items 184

Validating Addresses 184
Configuring the AvaTax Console 186
Company Codes 186
Nexuses 187
Locations 188
AvaTax Item Codes 188
Communicating with the AvaTax Portal 189
Creating Customer Invoices Manually 190
Creating Supplier Invoices 190
Transactions in the AvaTax Admin Console 191

Product Information Resources 193

Index. 195

Global Tax Management Change Summary

The following table summarizes significant differences between this document and previous versions.

Date/Version	Description	Reference
September 2017/QAD 2017 EE	Updated section on Golden Tax	page 53
	Corrected the Type field description in Tax Register Create	page 148
	Added the Customer Exception On field in Avatax Configuration	page 177
March 2016/QAD 2016 EE	Added field descriptions for the Legal Information frame of Tax Usage Maintenance	page 13
	Added section on discounts on cross-company payments	page 45
	Updated Implementing Withholding Tax section to mention that this feature applies to Israel.	page 67
	Added chapter on AvaTax	page 175
March 2015/QAD 2015 EE	Updated section on Golden Tax	page 53
	Updated Withholding Tax section to reflect new option to specify that withholding tax is posted when an invoice payment is set to For Collection, and the ability to implement withholding tax for cross-company payments.	page 67
	Added Withholding Tax section on Withholding Tax Settlement	page 90
	Updated Tax Registers section to include the Alternate Description field, which is used in the EU Sales Linked to EU Purchases report.	page 148
March 2014 EE/2014 EE	Added note on allocating withholding taxes.	page 86
September 2013/2013.1 EE	Rebranded for QAD 2013.1 EE	--
March 2013/2013 EE	Updated Supplier Setup section of 1099 Reporting to remove reference to supplier phone number as required data for reporting. The supplier phone number is optional.	page 169
September 2012/2012.1 EE	Rebranded for QAD 2012.1 EE	--
March 2012/2012 EE	Added new section on withholding tax and tax bases.	page 72
	Added new section on withholding tax and tax environments.	page 75
	Added new section on withholding tax and purchase orders.	page 76
	Added new section on withholding tax and fiscal receiving.	page 76
	Added new section on creating invoices automatically.	page 81
	Added new section on withholding tax and receiver matching.	page 82
	Added new section on withholding tax and banking entry.	page 87
	Added new section on withholding tax and open item adjustment.	page 87
	Added new section on withholding tax and credit notes.	page 89

Date/Version	Description	Reference
	Added new section on withholding tax and services.	page 90
	Added new section on Supplier Withholding Tax View.	page 91
	Updated section on Withholding Tax report to add new Threshold parameter.	page 92
September 2011/2011.1 EE	Rebranded for QAD 2011.1 EE	--

Chapter 1

Introduction to Global Tax Management

The financial modules provide a wide range of tools to help businesses manage corporate finances. Core financial modules such as General Ledger, Accounts Payable, and Accounts Receivable are described in *QAD Financials User Guide*.

Overview 2
Introduces Global Tax Management concepts.

Tax Elements 3
Discusses the basic tax elements that are defined system-wide.

Using GTM 3
Describes the interaction of tax elements.

Overview

GTM offers precise tax calculations and flexible setup for calculating taxes for multiple countries. With GTM, you can set up an unlimited number of taxes and rates—each associated with customers, suppliers, or items. You can define when taxes are calculated, the formula used to calculate them, and the amount subject to tax.

You can also set up reports to accommodate the legal reporting requirements of various jurisdictions.

Global Tax Management (GTM) supports multinational enterprises in calculating taxes on business transactions. The types of taxes, the formulas used to calculate them, and when taxes are assessed often vary considerably between countries. GTM can process taxes for multiple countries within the same database.

Features

GTM offers an unlimited number of taxes and rates—each associated with customers, suppliers, or items. You can also define when taxes are calculated, the formula used to calculate them, and the amount subject to tax.

GTM supports the following situations and conditions:

- Taxes based on geographic location, effective date range, tax class, item usage, or the nature of a company's business
- Tax exemptions
- Taxation by line item or by order total
- Taxes based on a percentage of the item amount
- Trailer charges with multiple tax classes
- Luxury taxes for item amounts greater than a specified value
- Capped taxes that cannot exceed a specified maximum
- Taxes that include other tax amounts
- Purchase taxes recoverable against tax collected on sales
- Ability to override system-calculated tax amounts during transaction entry
- Reverse calculation of tax amounts from line items that already include tax
- Taxes your company absorbs rather than passes on to the customer
- Remittance of purchase taxes directly to the government instead of to the supplier
- Exclusion of credit term discounts from tax amounts
- Generating general ledger (GL) entries for purchase taxes at receipt of goods or supplier invoice

Since GTM accommodates a variety of taxation conditions, manual overrides of automated calculations are usually not needed. Although, once GTM is set up, it is possible to make any needed updates.

Considerations

- GTM does not currently support unit-based taxes, such as $0.05 per can of soda.
- GTM does not calculate taxes on distribution orders generated by the Distribution Requirements Planning (DRP) module. In this situation, generate sales orders instead of distribution orders.
- GTM does not adjust sales commission reporting. Commissions are always based on item prices including tax. Adjust your commission structure to compensate.

Tax Elements

Every country in the world has a unique system for assessing taxes. However, most systems share common elements. Since these elements may be common across diverse geographical regions, basic tax setup data is defined at the database level. This avoids having to repeat similar setup in a multiple-domain environment.

The basic tax elements defined system-wide include the following:

- Business transactions can be subject to many kinds of taxes—sales taxes, domestic import duties, inventory transfer taxes, royalty fees, and so on. In GTM, a tax that is specific to a region and individually calculated and reported is a *tax type*.
- Regions that assess tax include countries (or groups of countries), states, provinces, counties, districts, and cities. In GTM, a region that assesses tax is a *tax zone*.
- Within a tax zone, a tax can affect all people and items, or only some of them. In GTM, customers, suppliers, and items can be grouped by *tax class*.
- Similarly, a tax can be assessed at a different rate based on a customer's operation or how items are used. GTM can group people and items by *tax usage*.
- The three factors that can determine which tax types apply to a transaction are the ship-from and ship-to tax zones and the tax class of the customer or the supplier. In GTM, the set of tax types for a specific ship-to/ship-from zone and tax class combination is a *tax environment*.

These elements are then combined to define domain-specific *tax rates*. Each tax type can have multiple tax rates for different item tax classes, tax usages, and transaction tax dates. GTM selects the rate most appropriate for a particular transaction.

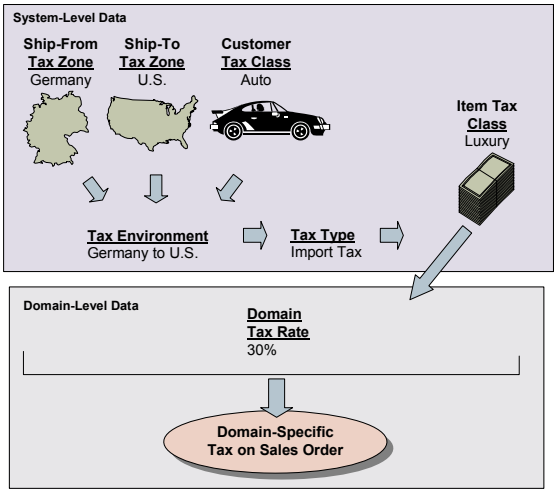
Using GTM

Figure 1.1 illustrates the interaction of the tax elements. A German automobile manufacturer exports luxury cars to the United States. U.S. tax rates depend on the class of the vehicle. For example, the rate for luxury cars is 30% in the United States; it is 20% in Mexico.

Germany, U.S., and Mexico are tax zones, in different domains. The automobile manufacturer is a customer tax class subject to the U.S. import tax. Luxury cars are an item tax class. This data is all defined system wide and available for use in all domains in the database.

The sales order tax environment associates the import tax with the order, and GTM selects the domain-specific tax rate based on the item tax class for luxury cars.

Fig. 1.1
GTM Example



Chapter 2

Implementing GTM

This chapter includes details of the data required to set up a tax system and support special taxes.

Implementing GTM 7
Describes the data required to set up GTM and define special kinds of taxes.

Multiple Language Descriptions 7
Define descriptions for tax codes in all required languages.

Setting Up Tax Zones 9
Identify geographic regions subject to the same tax types and levels of tax reporting.

Setting Up Tax Types 12
Define taxes that are separately calculated and reported to a specific jurisdiction.

Setting Up Tax Classes and Usages 13
Set up tax classes and/or tax usage codes to accommodate taxation differences.

Setting Up Tax Environments 16
Define sets of tax types that apply to ship-from and ship-to tax zones.

Setting Up Trailer Charges 18
Configure trailer charges to appear at the end of transactions.

Setting Up Tax Bases 19
Set up taxes based on a percentage of the item amount.

Setting Up Tax Boxes and Groups 21
Set up tax boxes and groups for tax reporting.

Setting Up a Tax Calendar 23
Configure the tax calendar on which tax reporting is based.

Setting Up GL Accounts 25
Verify that all necessary tax accounts are defined

Setting Up Tax Rates 27
Define domain-specific tax rates.

Setting Up GTM Control 35
Configure GTM control settings.

Updating Addresses and Items 37
Configure the source data from which tax data is derived.

Implementing Special Taxes 39
Implement specialized taxes in GTM.

Implementing China Golden Tax 53
Implement the specialized China Golden Tax.

Implementing Withholding Tax 67
Implement withholding tax functionality, which lets you withhold tax when paying suppliers and then declare the tax part of the supplier payment to the authorities on that supplier's behalf.

Implementing Gross Income Accounting 100
Describes gross income accounting, where sales are recorded in the general ledger gross of tax and the tax amount is expensed through the profit and loss account.

Implementing GTM

This section describes the data required to set up GTM and define special kinds of taxes.

Table 2.1 lists the activities and functions used to implement Global Tax Management (GTM).

Table 2.1
GTM Implementation Programs

Activity	Use this program...
Setting up country codes	Country Create (36.1.3.1.1) and Country Code Data Maintenance (2.14.1)
Setting up state/province and county codes	State Create (36.1.3.2.1) and County Create (36.1.3.3.1)
Setting up tax zones	Tax Zone Maintenance (29.2.1)
Setting up tax types	Tax Type Maintenance (29.1.1)
Setting up tax classes and tax usages	Tax Class Maintenance (29.1.5) Tax Usage Maintenance (29.1.9)
Setting up tax environments	Tax Environment Maintenance (29.3.1)
Setting up trailer charges	Trailer Code Maintenance (2.19.13) Trailer Tax Detail Maintenance (29.1.21)
Setting up tax bases	Tax Base Maintenance (29.1.13)
Setting up tax boxes and groups	Tax Box Create (29.6.1.1.1) Tax Group Create (29.6.1.2.1)
Setting up tax calendars	Tax Period Create (25.4.4.1)
Setting up general ledger accounts and sub-accounts	Account Create (25.3.13.1) Sub-Account Create (25.3.17.1)
Setting up tax rates	Tax Rate Maintenance (29.4.1) Tax Rate Copy/Update (29.4.5)
Setting up the control program	Global Tax Management Control (29.24)
Updating existing base records	Business Relations (36.1.4.3) Customers (27.20.1) Customer Ship-Tos (27.20.2) End Users (27.20.3) Suppliers (28.20.1) Product Line Maintenance (1.2.1) Item Master Maintenance (1.4.1) Service Category Maintenance (11.21.9)

Note U.S. and Canadian taxes can also be calculated using an external Sales and Use Tax system. In this case, GTM must be set up based on special requirements. See *QAD Sales and Use Tax Interface User Guide*.

Multiple Language Descriptions

The core set of tax codes are defined at the system level and can be used within any domain. These include tax types, tax zones, tax classes, tax usages, and tax environments.

If you have implemented multiple domains with different associated languages within a single QAD database, you can define descriptions for tax codes in all required languages. With this setup, when users in a specific domain select tax codes, they see the description in their own language. Since the codes themselves are often numeric, the description is essential for understanding the purpose of the code.

Example When a user with the French language associated selects a tax type browse, they will see the tax type descriptions in the French language.

Once you have set up the descriptions in multiple languages, they are displayed on all operational maintenance programs, browses, and reports that reference them.

The setup of language descriptions follows the same process in all supported programs.

1. The user logs in and creates a new tax code.
2. When the user saves the record, a label term is created and the description specified is associated with that label term for the user's language.
3. The user is prompted regarding updating all languages.

   If the response is No, only the record for the user's language is created.

   If the response is Yes, a frame displays data for each active language that can be modified by the user. This modification can be done when the code is created, or later when it is modified.

Since the data is being stored as label terms—the standard way all translated labels are managed for operational programs—the terms can be modified in Label Master Maintenance (36.4.17.1). With this approach, if the user creating the code does not have the expertise to provide translated descriptions, the translated descriptions can be defined directly in Label Master Maintenance.

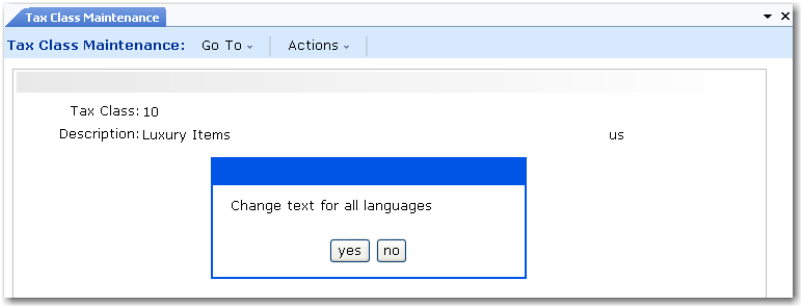
Table 2.2 lists the label format used for each tax code. In the format, UDT stands for User-Definable Translation.

Table 2.2
Tax Description Terms

Tax Code	Label Format
Tax Class	UDT_TXCL_ user-defined description
Tax Environment	UDT_TXE_ user-defined description
Tax Type	UDT_TXT_ user-defined description
Tax Usage	UDT_TXU_ user-defined description
Tax Zone	UDT_TXZ_ user-defined description

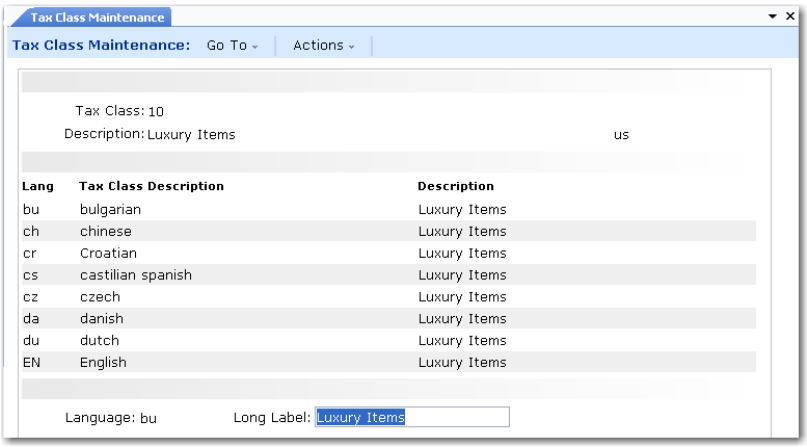
Figure 2.1 illustrates setting up language descriptions in Tax Class Maintenance (29.1.5).

Fig. 2.1
Tax Class Maintenance, Multi-language Descriptions



The language for the logged in user displays in the first frame, in this case US. Clicking Next displays the prompt to modify all languages. Specifying Yes displays a screen such as the following.

Fig. 2.2
Tax Class Maintenance, Multi-language Descriptions



Edit the value in the Long Label field to specify the appropriate text for the selected language.

Setting Up Tax Zones

Tax zones identify geographic regions subject to the same set of tax types and levels of tax reporting. They apply to all domains in the database.

All business relations, customers, suppliers, and site address records belong to a tax zone based on geographical elements associated with the address. For sales, purchasing, and other transactions, the system uses tax zones to determine the tax environment.

Before setting up tax zones, ensure that the proper geographical codes have been defined to support the required zones:

- Country codes are defined in Country Create (36.1.3.1) during base system implementation. See *QAD Financials User Guide*.

  Additional operational data can be defined in Country Code Data Maintenance (2.14.1). Specify the default code for most tax zone records in Global Tax Management Control (29.24).

- State/province and county codes are other basic address elements used to determine the correct tax zone for an address. Ensure the proper codes have been defined in State Create (36.1.3.2) and County Create (36.1.3.3).

Tax Zone Hierarchies

A separate tax zone is required for each country, state, province, county, city, and postal zone that has distinct tax reporting requirements. Since one tax zone can include reporting and tax calculations for another, tax zones are organized into hierarchies. Set up higher-level zones before lower-level ones. For example, set up countries before their component states, states before counties, and so on.

How you set up a tax zone depends on its position in the hierarchy. To include a tax zone in the tax total and reporting for another zone, specify the first zone's *sums-into* zone. The sums-into zone can be at a higher level or at the same level.

For example, a city tax zone included in provincial tax reporting sums into the provincial tax zone. Or, a tax zone for a suburb included in metropolitan tax reporting sums into the city tax zone. In the tax zone record, specify whether the first zone has its own subtotal on the main report and whether it also has its own reporting.

Fig. 2.3
Tax Zone Hierarchies

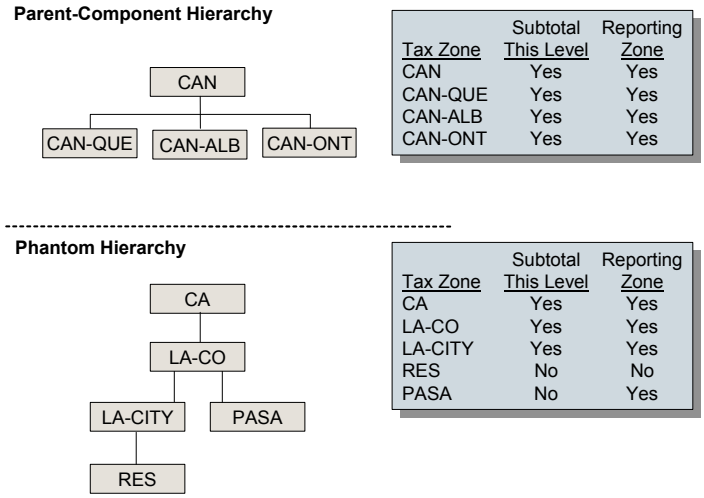


Figure 2.3 illustrates two hypothetical tax zone hierarchies.

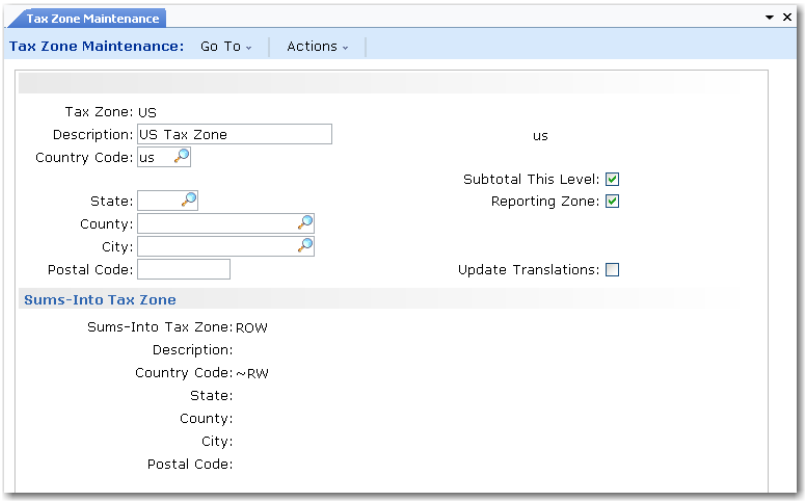
- *Parent-Component Hierarchy*. The Canadian provinces Quebec, Alberta, and Ontario are subject to both federal and provincial taxes. The component tax zones CAN-QUE, CAN-ALB, and CAN-ONT sum into zone CAN. All four zones are reporting zones in their own right and are subtotaled.
- *Phantom Hierarchy*. Reseda, a suburb of Los Angeles, is taxed in the same way as Los Angeles and does not have a subtotal on the city tax report. Tax zone RES sums into LA-CITY but is not subtotaled and is not a separate reporting zone.

  Pasadena is subject to Los Angeles county tax and does not have a subtotal on the county tax report. Tax zone PASA sums into zone LA-CO. It is not subtotaled but is a distinct reporting zone.

Tax Zone Maintenance

Set up tax zones in Tax Zone Maintenance (29.2.1). To verify data setup, use Tax Zone Browse (29.2.2) and Report (29.2.3). To verify sums-into relationships, use Tax Hierarchy Inquiry (29.2.6) and Report (29.2.7).

Fig. 2.4
Tax Zone Maintenance (29.2.1)



Tax Zone. Specify a code (maximum 16 characters) identifying a geographic region subject to the same tax laws. Set up tax zones for every level at which separate tax calculations and reporting are required, starting with the top level and working downward. For example, set up tax zones for countries before states, states before counties, and so on.

Description. Enter a brief (maximum 24 characters) description of the tax zone. This field is required. You can enter the same description for more than one zone. The description prints on most reports and browses, as space permits.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 7 for details.

Country Code. Enter the valid, active code that identifies the country that assesses tax. For new tax zones, the value defaults from Global Tax Management Control (29.24).

This field is required. The combination of country, state, county, city, and postal code must be unique for each zone.

State. Enter the valid, active code for the state or province included in the tax zone.

County. Enter the valid, active code for the county included in the tax zone.

City. Enter the name of the city included in the tax zone. The City field is not validated.

Postal Code. If necessary, enter the postal code included in the tax zone. If taxes never vary by postal code, do not set up tax zones by postal code.

Update Translations. Indicate if you want to create or modify descriptions for the tax zone in other languages.

Subtotal This Level. Enter Yes if custom tax reports can show subtotals for this tax zone. No standard reports show tax amounts by tax zone.

Reporting Zone. Enter Yes if the tax zone directly assesses tax.

Sums-Into Tax Zone. Enter a code identifying the parent tax zone that actually assesses tax for this geographic region. The description, country code, state, county, city, and postal code display.

In addition to the geographic tax zone codes, set up an error code and specify it in Global Tax Management Control (29.24). When you enter or update an address record, GTM attempts to match the address to a tax zone for the country, state/province, county, city, and postal code. If it cannot find a matching tax zone, it assigns the error zone. See “Setting Up GTM Control” on page 35.

To make it easier to identify error conditions, set up a meaningful code, such as ERROR-ZONE.

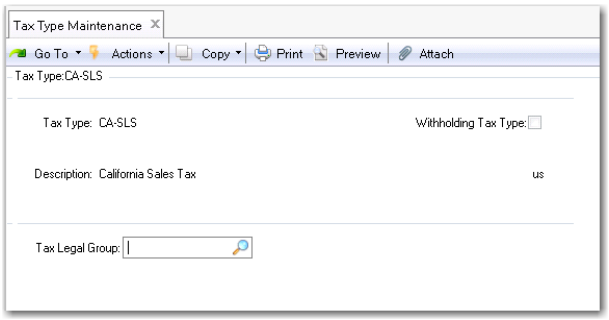
Setting Up Tax Types

Tax types are individually calculated and reported as regional taxes or tax exemptions. They apply to all domains in the database. Examples include Canadian PST/GST, California sales tax, federal excise tax. On transactions, the system calculates taxes for line items and trailer charges based on the tax types specified in their tax environments.

A separate tax type is required for each tax or tax exemption you report separately. For sorting, preface the type with the country code or state/province. The tax detail reports print in alphanumeric order by tax type code. Consider this when assigning codes for tax types.

Set up tax types in Tax Type Maintenance (29.1.1). To verify data setup, use Tax Type Browse (29.1.2) and Report (29.1.3).

Fig. 2.5
Tax Type Maintenance (29.1.1)



Tax Type. Enter a code (maximum 16 characters) identifying a tax or tax exemption that is separately calculated and reported to a specific jurisdiction.

Description. Enter a brief (maximum 24 characters) description of the tax type. This field is required.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 7 for details.

Withholding Tax Type. Select the field if the tax type will be used for withholding tax calculations.

You must not clear the Withholding Tax Type field if postings have been made using a tax rate that is defined with this tax type.

Tax Legal Group. Specify a tax legal group to link a tax type that you intend to use on legal documents to that group. For more information on legal documents, see *QAD Sales User Guide*.

Setting Up Tax Classes and Usages

Depending on your tax system, set up tax class and/or tax usage codes to accommodate differences in taxation within a tax zone. These codes apply to all domains in the database.

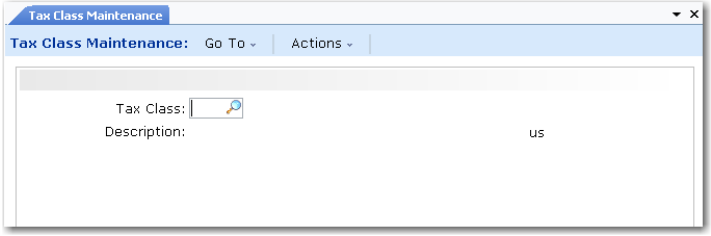
Table 2.3 lists some typical situations and describes how to implement them.

Table 2.3
Tax Classes vs. Tax Usages

Situation	Implementation
Customers and/or suppliers in a tax zone are subject to different tax types or tax exemption types.	Set up tax classes for these customers and/or suppliers.
Product lines and/or items are subject to different tax types or tax exemption types.	Items are always subject to the tax types in the line item tax environment. There is no way to override this. You can set up tax classes for product lines and items. However, they are only used to select tax rates.
On sales transactions, trailer charges are subject to different tax types or tax exemption types.	Trailer charges are always subject to the tax types in the transaction tax environment. There is no way to override this. You can set up tax classes for trailer charges; however, they are only used to select tax rates.
Customers and/or suppliers are subject to different tax rates for a tax type.	Set up tax usages for these customers and suppliers.
Items are subject to different tax rates for a tax type.	If items have the same rates on all transactions, set up tax classes. However, if rates can differ by transaction, based on the intended usage of the item, set up the tax usage codes to reference during transaction entry.
Trailer charges are subject to different tax rates for a tax type.	Set up tax classes for these trailer charges.

Set up tax class codes in Tax Class Maintenance (29.1.5). To verify data setup, use Tax Class Browse (29.1.6) and Report (29.1.7).

Fig. 2.6
Tax Class Maintenance (29.1.5)



Tax Class. Enter a code (maximum 3 characters) that identifies a group of customers, suppliers, product lines, items, service categories, or trailer charges subject to special taxation.

- For customers and suppliers, the tax class helps determine the tax environment.
- For product lines, the tax class determines the tax rate for new items.
- For items, service categories, and trailer charges, the tax class helps determine the tax rate for tax types in the tax environment.

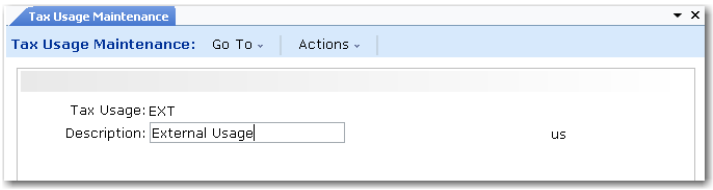
For more detailed tax exemption reporting, remember to set up tax classes for exemptions.

Description. Enter a brief (maximum 24 characters) description of the tax class. This field is required.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 7 for details.

Set up tax usage codes in Tax Usage Maintenance (29.1.9). To verify data setup, use Tax Usage Browse (29.1.10) and Report (29.1.11).

Fig. 2.7
Tax Usage Maintenance (29.1.9)



Tax Usage. Enter a code (maximum eight characters) that identifies a group of customers, suppliers, or items subject to special taxation on a specific transaction.

Description. Enter a brief (maximum 24 characters) description of the tax usage code. This field is required.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 7 for details

The Legal Information frame is used to define legal requirements. To display this frame, select the Maintain Operation Type in Tax Usage field in Legal Document Control (7.10.24).

Sort Name. Specify up to 24 characters for the sort name.

Operation. Specify the operation type to associate with the tax usage.

Tax usages and their associated operation types are validated if you select the Maintain Operational Type in Tax Usage field in Legal Document Control. The inventory movement codes Transaction Type and Transaction Flow must be validated against the tax usage operation type. The operation types are as follows:

- 1 - Purchases: The operation type associated with tax usages referenced in purchasing transactions. This type causes the Physical Movement field to become active.
- 2 - Other Entries: The operation type associated with tax usages referenced in unplanned receipts. This type causes the Physical Movement field to become active.
- 3 - Sales Returns: The operation type associated with tax usages referenced in sales return transactions.

- 4 - Other Exit Returns: The operation type associated with tax usages referenced in returns subsequent to unplanned issues. This type causes the Physical Movement field to become active.
- 11 - Sales: The operation type associated with tax usages referenced in sales order transactions.
- 12 - Other Exits: The operation type associated with tax usages referenced in unplanned issues.
- 13 - Purchase Returns: The operation type associated with tax usages referenced in purchase returns.
- 14 - Other Entry Returns: The operation type associated with tax usages referenced in returns subsequent to unplanned receipts.

Second, Third, Fourth CFOP Digit. Enter the second, third, and fourth digits of the document used to print CFOP tax and registration details for the fiscal books.

Código Fiscal de Operações e Prestações (CFOP) codes are numeric codes that identify the nature of the operation for movement of goods and services from interstate and inter-site transportation.

The code represents the reason for the entry and exits of goods or products, as well as the related services that are being performed, according to the origin and destination of the goods.

CFOP Complement. Specify the complement of the document for printing CFOP tax and registration tax details on the books.

Suffix. Specify the suffix, which is an optional code used to group different tax usages or to differentiate between different fiscal situations for the fiscal interface.

Remarks. Specify up to 50 characters for comments on the legal document tax usage configuration.

End Consumer. This field is only available when the operation is 11-Sales or 3-Sales Returns. The field can have three possible values:

0 - Not applicable. The sales transaction does not involve an end consumer.

1 - End Consumer. The sales transaction involves an end consumer.

2 - ICMS Partition. The sales transaction involves an end consumer in the automotive industry.

Physical Movement. Select this field to indicate whether the tax usage involves physical movement.

This field only becomes editable if you select an operation type of 1 - Purchases, 2 - Other Entries, or 4 - Other Exit Returns.

For this function to work, you must activate a generalized code in Generalized Code Maintenance (36.2.13), as specified in Table 2.4.

Table 2.4 Generalized Code For Physical Movement Field

Field Name	Value
txu_phy_mov	0 - No 1 - Yes

NFe Usage. This field accepts 1 - no selected option, 2 - Complementary, 3 - Adjust, or 4 - Returns. During shipper creation, the corresponding field uses the setup specified here by default. This is not a mandatory field.

Setting Up Tax Environments

Transactions are subject to the tax laws of both your company and the customer or supplier. Before the system calculates taxes, it determines which taxes (state sales tax, local tax, VAT, and so on) apply to the addresses that ship and receive the goods.

A tax environment is the set of tax types that applies to a combination of ship-from and ship-to tax zones and optionally a customer or supplier tax class. Tax environments apply to all domains in the database.

Before you set up tax environments, identify the combinations of tax types that apply to transactions. Then, determine the tax zones and customer/supplier tax classes that are subject to these tax groups.

You can simplify setup of tax environments. If all shipments to or from a tax zone are taxed the same way, leave either the ship-from or ship-to zone blank. At least one zone must be specified.

You may be able to specify a *sums-into* tax zone that encompasses many lower-level zones. Finally, you can leave the tax class blank if the tax types apply to all customers and suppliers in the indicated tax zones.

Each tax type in the environment has a calculation sequence and rounding method. The sequence determines the priority for calculating taxes when there are multiple tax types in the environment. The rounding method determines how the tax type is rounded.

Example Suppose that shipments that start and end in the U.S. state of Florida can be subject to (1) state tax only, (2) state and county tax, or (3) state, county, and city tax. Sample tax environments are illustrated in Tables 2.5 through 2.7. The tax types apply to all tax zone combinations in the environments.

Table 2.5
Default Florida State Tax Environment (1)

Ship-From Zone	Ship-To Zone	Tax Class	Tax Type	Sequence	Rounding
FL	FL	–	FL-STATE	1	2
		DRUG			
		FOOD			

Table 2.6
Environment for Cities Subject to Florida Tax and Seminole County Tax (2)

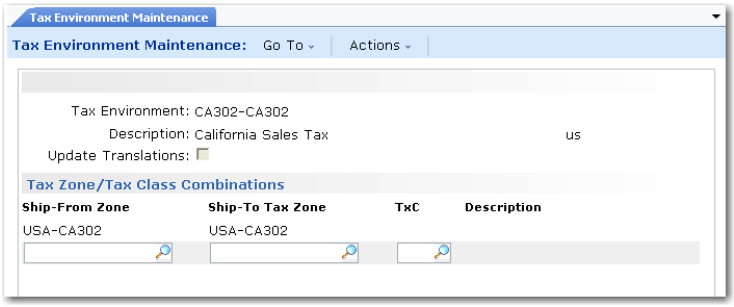
Ship-From Zone	Ship-To Zone	Tax Class	Tax Type	Sequence	Rounding
FL	FL-ALTSP	–	FL-STATE	1	2
FL	FL-LMARY	DRUG	FL-SEMCO	2	2
FL	FL-LONGW	FOOD			
FL	FL-SANFO				
FL	FL-WINSP				

Table 2.7
Environment for Cities Subject to Florida Tax, Orange County Tax, and Orlando City Tax (3)

Ship-From Zone	Ship-To Zone	Tax Class	Tax Type	Sequence	Rounding
FL	FL-APOPK	–	FL-STATE	1	2
FL	FL-LUNDE	DRUG	FL-ORACO	2	2
FL	FL-OCOEE	FOOD	FL-ORLAN	3	2
FL	FL-OVIED				
FL	FL-WINPK				

Set up tax environments in Tax Environment Maintenance (29.3.1). To verify data setup, use Tax Environment Browse (29.3.2) and Report (29.3.3).

Fig. 2.8
Tax Environment Maintenance (29.3.1), Tax Zones/Tax Class Combinations



Tax Environment. Enter a code (maximum 16 characters) that identifies a set of tax types for a tax zone/tax class combination. On transactions, this code identifies the transaction or line-item tax environment.

Description. Enter a brief (maximum 24 characters) description of the tax environment. This field is required, but does not have to be unique.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 7 for details.

Update Translations. Enter Yes if you want to create or modify descriptions for this tax environment in multiple languages; otherwise, enter No.

Ship-From Zone. You can specify the tax zone from which goods are shipped. However, if all shipments to the environment’s ship-to zone are taxable regardless of origin, leave the ship-from zone blank.

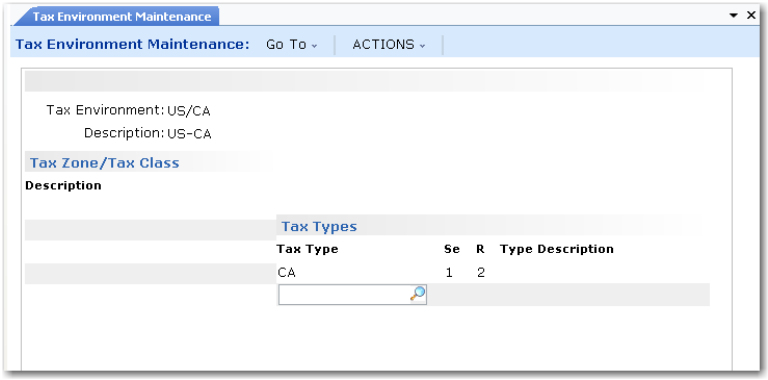
Note Either Ship-From or Ship-To Zone can be blank; not both.

Ship-To Zone. You can specify the tax zone to which goods are shipped. However, if all shipments from the environment’s ship-from zone are taxable regardless of destination, leave the ship-to zone blank.

TxC (Tax Class). You can enter tax classes for customers and/or suppliers subject to the tax types in the environment. If all shipments are taxable regardless of customer or supplier, leave the tax class blank. Do not enter item tax classes; GTM only uses these to select tax rates.

Description. Optionally specify a description of the combination of ship-from, ship-to, and tax class.

Fig. 2.9
Tax Environment Maintenance (29.3.1), Tax Types, Sequences, and Rounding Methods



Next, enter the set of tax types that apply to sales and purchases between the ship-from and ship-to zones. The system selects the tax rate for the tax class, tax usage, and transaction tax effective date. The sequence field determines the order in which the tax rates are applied.

Tax Type. Enter the type codes to include in the environment. The codes you enter apply to all combinations of ship-froms, ship-tos, and tax classes in the environment.

Note You cannot specify a tax type that is designated for use in withholding tax.

Seq (Sequence). Specify the priority in which tax types are calculated in a tax environment. The tax type that is calculated first must have a lower sequence number than the other tax type. If all taxes are calculated independently of each other, leave the sequence number for all tax types set to 1.

In tax-on-tax situations in which a tax includes another tax amount, enter a lower sequence number for the tax that is calculated first. For example, in some Canadian provinces, provincial sales tax (PST) is based on the item amount plus the goods and services tax (GST). GST has a lower sequence number than PST. See “Tax-on-Tax” on page 43.

R (Rounding Method). Rounding method determines how tax amounts for the tax type are truncated. The rounding method defaults from Global Tax Management Control (29.24), but you can override it if the tax type requires a different method. Define rounding methods in Rounding Method Create (26.2.1).

Type Description. This field contains the tax type description.

In addition to the other tax environment codes, set up an error code and specify it in Global Tax Management Control (29.24). When you enter a transaction, GTM attempts to match the ship-to/ship-from tax zones and customer or supplier tax class to a tax environment. If it cannot find one, it assigns the error environment. To make it easier to identify error conditions, set up a meaningful code such as ERROR-ENVIRON. See “Setting Up GTM Control” on page 35.

Setting Up Trailer Charges

Sales transactions often have additional charges such as freight, service, and labor that are independent of individual line items. These known as trailer charges because they appear at the end of the transaction.

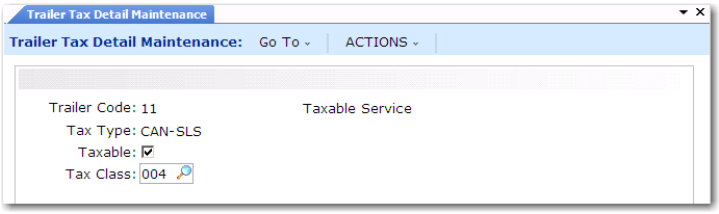
Each trailer charge has a default taxable status and an optional default tax class. This information is defined in the trailer code record. However, in GTM, you can also set up trailer charge detail records to support exception conditions when a trailer charge has a different taxable status and/or tax rate for some tax types and customer tax classes.

Example If service charges are normally exempt from California sales tax but professional services are taxable at 5%, you can set this up in at least two ways.

- If you defined tax types for tax exemptions, define a taxable trailer code. Set up a taxable trailer tax detail for the tax type/tax class combination. Finally, set up a 0% tax rate for exempt trailer charges and a 5% rate for the professional services class.
- If you plan to report all exempt amounts under tax type NON-TAX, define a non-taxable trailer code. Set up a taxable trailer tax detail for the tax type/tax class combination. Finally, set up a 5% tax rate for the professional services class. You do not need a 0% tax rate because this is supplied by default.

If you have not already implemented trailer code records, do so in Trailer Code Maintenance (2.19.13). Then, identify the exception conditions and set up the corresponding records in Trailer Tax Detail Maintenance (29.1.21). To verify data setup, use Trailer Code Browse (2.19.14) for trailer codes and the Trailer Tax Detail Inquiry (29.1.22) and Report (29.1.23) for trailer tax details.

Fig. 2.10
Trailer Tax Detail Maintenance (29.1.21)



Trailer Code. Enter a trailer code previously set up in Trailer Code Maintenance (2.19.13). You can set up trailer tax details for a maximum of 99 trailer codes. However, you can set up an unlimited number of trailer tax details per trailer code.

Tax Type. Specify the tax type subject to special treatment for this trailer charge.

Taxable. Specify whether amounts for this trailer code are taxable for the tax type/tax class combination.

Tax Class. If applicable, enter the tax class subject to special treatment for this trailer charge.

Setting Up Tax Bases

By default, tax is based on 100% of the item amount, exclusive of any other tax amounts. However, an item's tax can be based on some amount that is greater or less than the item amount. In these situations, set up a tax base record.

Note Tax base records apply only to the domain where they are created.

A tax base record is required whenever tax is based on a percentage of the item amount. A tax base is also required whenever tax is based on the item amount plus a previously calculated tax amount. This situation is sometimes called *tax-on*-tax. See "Tax-on-Tax" on page 43.

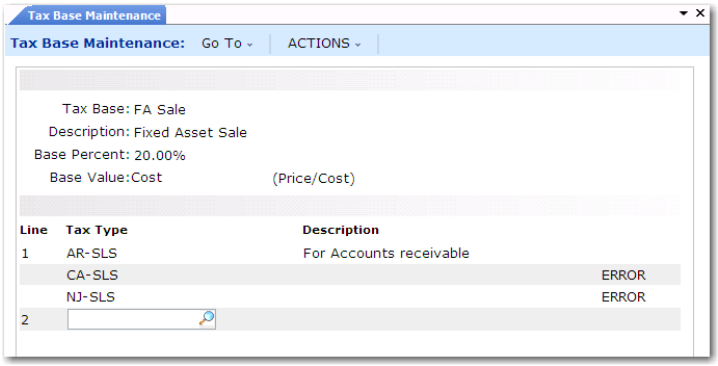
Here are two examples:

- In Brazil, when you sell an old fixed asset and replace it with a new one, tax is assessed on a percentage of the old asset's sale price.
- In some Canadian provinces, PST (Provincial Sales Tax) includes the GST (Goods and Services Tax) in the taxable base for PST.

Assign a tax base to multiple tax types and tax rates if the percentage of value is the same for all situations. When you assign a tax type to a tax base, the tax base becomes part of all tax environments that use the tax type.

Set up tax bases in Tax Base Maintenance (29.1.13), shown in Figure 2.11. To verify data setup, use Tax Base Inquiry (29.1.14) and Report (29.1.15).

Fig. 2.11
Tax Base Maintenance (29.1.13)



Tax Base. Enter a code (maximum eight characters) that identifies an item amount subject to tax. This amount can either be a percentage of sales price or the sales price plus other tax amounts. For a tax-on-tax situation, set up the tax base for the tax that is included in the taxable base for the other tax.

Once you start processing transactions with GTM, a warning message displays if you try to update a tax base that has already been used in other records.

Description. Enter a brief (maximum 24 characters) description of the tax base. The description prints on most reports and browses, as space permits.

Base Percent. Identify the percentage of the item's price or cost to use in tax calculations for this tax base. The default value is 100%. Percentages can be either positive or negative. Negative percentages indicate tax credits. The base percent must be the same for all tax types assigned to the tax base. Otherwise, you must set up separate tax bases.

On transactions, the system uses the base percent for the tax type to calculate the taxable base amount for each line item or trailer charge.

Base Value. Identify the type of item amount for the taxable base. Line item and trailer charge amounts are taxed based on the price at which you buy or sell them. GTM does not support tax based on general ledger cost.

Important Do not change this setting. The only supported type is sales price.

Line. The system automatically assigns a line number when you assign a tax type to the tax base. Assign up to 99 tax types to a tax base. When you add a new tax base, the system assigns the next sequential line number. To display a previously entered tax type, enter its line number.

Tax Type. Assign one or more tax types to this tax base. During tax calculations, the tax rate for the tax type is applied to the taxable base portion of the item amount.

The description of the tax type displays next to it.

Setting Up Tax Boxes and Groups

Before defining tax rates, you must set up data required to support tax reporting. You do this in three steps:

1. Define tax boxes for each country in Tax Box Create (29.6.1.1.1). Tax boxes represent tax subtotal fields on tax declaration forms required for filing legal reports. Tax boxes generally are defined in pairs: one identifies the transaction amount and the other the transaction tax amount. The tax box type identifies whether it displays the base transaction amount or the tax amount.
2. Define tax groups with Tax Group Create (29.6.1.2.1) to group related tax boxes, generally one of each type.
3. Associate tax groups with tax rates in Tax Rate Maintenance (29.4.1). A different group can be specified for each type of transaction: customer invoice, customer credit note, supplier invoice, supplier credit note, absorbed invoice, absorbed credit note, retained invoice, and retained credit note.

You can then use any of the three tax declaration reports to display the tax detail:

- Tax Declaration by Box (29.6.2.1)
- Tax Declaration by Box and Group (29.6.2.2)
- Tax Declaration by Box, Daybook, Group (29.6.2.3)

Note These reports are not formal reports that can be submitted for regulatory reporting. Rather, based on your selection criteria, they display tax box totals, which you can then use to fill out required reports.

Tax Reporting Setup Examples

Example On a UK VAT return, Box 1 must contain the value of tax on sales other outputs. Box 6 must contain the value of the sales and other outputs excluding the tax. You define two tax boxes:

- UKBox1 is type tax.
- UKBox6 is type base.

You then create a tax group, UKSalesGroup, and assign UKBox1 and UKBox6 to this group.

After defining the two boxes and assigning them to a group, specify this group for the Customer Invoice Tax Group and for the Customer Credit Note Tax Group for the VAT rate in Tax Rate Maintenance. The system uses this information during the generation of formal tax reports for the relevant reporting authorities.

Now, a customer invoice is posted for 117.50 pounds with a tax rate of 17.5%, generating the following results:

- 100 pounds displays in box UKBox6.

- 17.50 pounds displays in box UKBox1.

Note As the Customer Credit Note Tax Group is also defined as UKSalesGroup, if posting a customer credit note, the base and tax values are also included within the above boxes

Example On a UK VAT return:

- Box 1 must contain the value of tax on sales other outputs.
- Box 6 must contain the value of the sales and other outputs excluding tax.
- Box 8 must contain the value of the sales and other outputs to EC Member States excluding tax

Define three tax boxes:

- UKBox1 is type tax.
- UKBox6 and UKBox 8 are type base.

Create a tax group, UKECSalesGroup, and assign UKBox1, UKBox6, and UKBox8 to this group.

After defining the boxes and assigning them to the group, specify this group for the Customer Invoice Tax Group and for the Customer Credit Note Tax Group for the VAT rate in Tax Rate Maintenance.

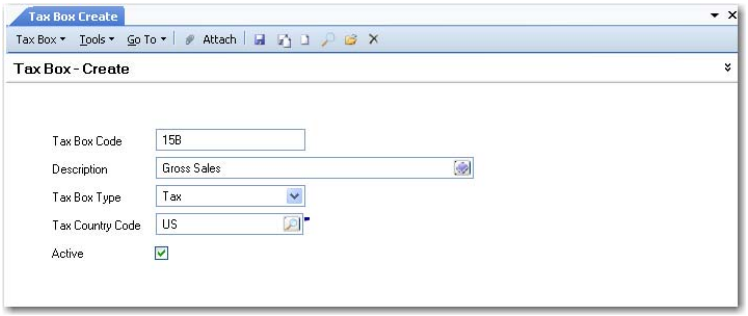
Now, a customer invoice is posted for 117.50 pounds with a tax rate of 17.5%, generating the following results:

- 100.00 pounds displays in tax box UKBox6.
- 17.50 pounds displays in box UKBox1
- 100.00 pounds displays in tax box UKBox8

Tax Boxes

Use Tax Box Create (29.6.1.1.1) to create tax boxes.

Fig. 2.12
Tax Box Create (29.6.1.1.1)



Tax Box Code. Specify a code (maximum 20) characters that identifies a field on a tax declaration. Often the code matches the box number on the tax form.

Description. Enter a brief (maximum 40 characters) description of this field.

Tax Box Type. Specify either Base or Tax.

Base: This box displays the value of a transaction, excluding tax.

Tax: This box displays the tax element of a transaction.

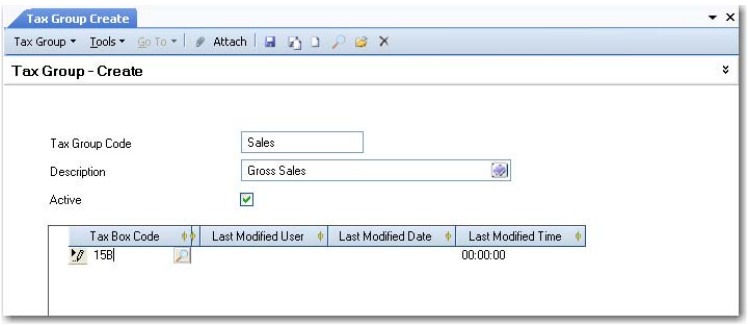
Tax Country Code. Enter a valid, active code that identifies the country requiring this field on a declaration form. Legal reporting requirements often vary from country to country.

Active. Indicate if this is an active code. An active can be referenced from other maintenance functions. An inactive code cannot be referenced when a new record is created in other functions and is not included in lookups of valid values.

Tax Groups

Use Tax Group Create (29.6.1.2.1) to create groups that combine one or more tax boxes. Tax groups rather than individual tax boxes are associated with tax rates.

Fig. 2.13
Tax Group Create (29.6.1.2.1)



Tax Group Code. Specify a code (maximum 20 characters) that identifies a set of tax boxes. Usually, groups have at least two boxes, one of tax type and the other of base type.

Description. Enter a brief (maximum 40 characters) description of this field.

Active. Indicate if this is an active code.

Tax Box Code. Right-click in the grid to open a new row and select a tax box to associate with this group.

Setting Up a Tax Calendar

Tax reports are based on tax calendars, rather than the GL calendar, since regulatory requirements for tax reporting are often different from the requirements for GL reports.Tax calendars are entity specific. Tax periods are usually full calendar months, but they are defined with start and end dates to provide for any variations that may be needed.

Since tax authorities set the required reporting periods, tax calendars do not necessarily have a relationship with accounting calendars. If the two calendars are similar, when you create a new tax calendar you can base it on an accounting calendar.

Tax calendars are required and the system checks that financial transactions are within an open tax period. The same check is made when operational transactions are posted.

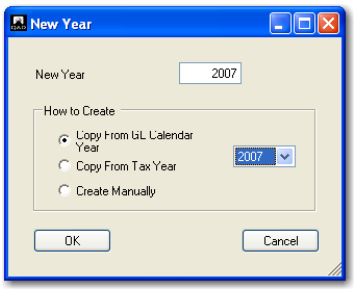
Each entity within a domain can change the status of a tax period separately by manually updating the status to Locked or Reported. No additional tax transactions can be created when the tax point date is in a locked or reported tax period.

Note You should coordinate changes in the status of tax periods with the accounting periods, which determines if any postings can be created.

Use Tax Period Create (25.4.4.1) to create periods for tax reporting and Tax Period Modify (25.4.4.2) to manually change the period status.

When you choose Create, the following pop-up screen displays. You can create a new year based on either an existing GL year or tax year, or you can create one manually.

Fig. 2.14
Tax Period Create (25.4.4.1)



Field Descriptions

New Year. This field displays the new tax calendar year to create. The default value is the latest tax calendar year, incremented by one.

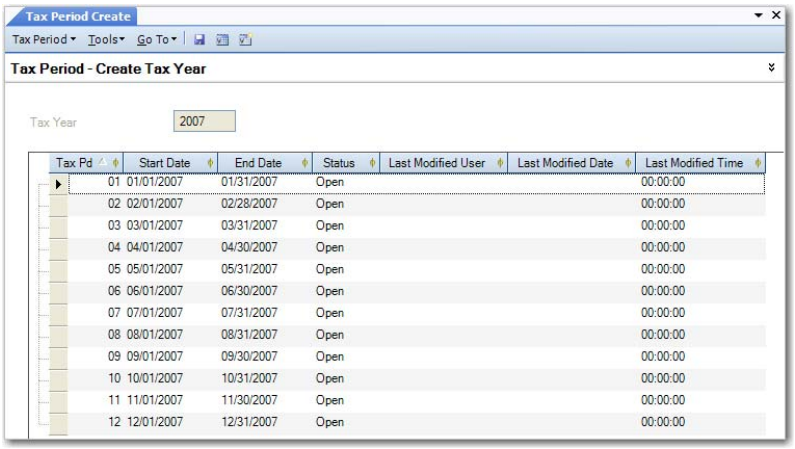
Copy from GL Calendar Year. Select to use an existing GL calendar year as a template for the new year, and specify the year.

Copy from Tax Year. Select to use an existing tax calendar year as a template for the new year, and specify the year.

Create Manually. Select to create a new year by manually specifying the periods.

Setting the tax calendar year displays the Tax Period Create screen for defining period dates and attributes.

Fig. 2.15
Tax Period Create, Period Dates and Attributes



Field Descriptions

Tax Year. This field displays the new tax calendar year.

Tax Pd. Specify a period number. By default, periods are numbered 1 to 12. It is possible to create a maximum of 99 tax periods for a tax year.

Start Date. Click the down arrow to select a period start date. This is the official start date of the calendar period.

End Date. Click the down arrow to select a period end date. This is the official start date of the calendar period.

Status. The system displays the current period status: Open, Locked, or Reported. A new period is created with an Open status. You can manually modify the status to locked or reported.

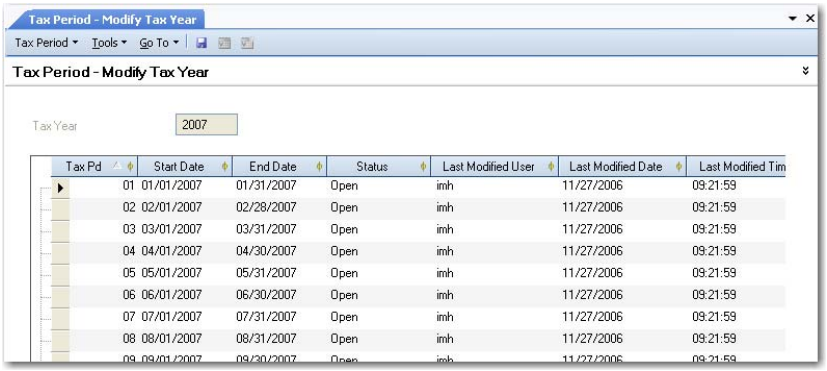
Open: Tax transactions can be created with effective dates in this period.

Locked: Any further tax transactions are prevented.

Reported: Tax reports have been generated and sent to the authorities.

Use Tax Period Modify to modify the period status. You can also delete a period—use the right-click delete row option—if the period is open and no outstanding transactions exist for it.

Fig. 2.16
Tax Period Modify (25.4.4.2)



Setting Up GL Accounts

GTM calculates tax amounts separately for each tax rate. Before you set up tax rate records, verify that you have all the necessary tax accounts and sub-accounts in the general ledger (GL) chart of accounts. If any are missing, set them up.

All accounts referenced in tax rates—except the discount accounts—must be of type Tax Control. The discount accounts are of the type Standard. The system validates the account type and displays an error if the account has the wrong type.

Note Tax Control accounts support only sub-account analysis. No cost centers can be defined.

Two accounts are provided for each type of tax: one for invoices and one for credit notes. If you do not want to track these amounts separately in the general ledger, you can specify the same account for each. Otherwise, the account pairs have the same function.

Depending on the nature of your tax rates, some or all of the tax accounts listed in Table 2.8 are represented in the general ledger.

Table 2.8
Tax Amounts Posted to GL

Account	Explanation
Sales Tax Invoice and Sales Tax Credit Note	A liability credited for sales tax payable. It is updated by Invoice Post and Print (7.13.4) and the Customer Invoice function for invoices, invoice corrections, credit notes or credit note corrections.
Sales Tax Absorbed and Sales Tax Absorbed Credit Note	A liability credited when your company absorbs tax instead of charging it to the customer. This occurs, for example, when your company gives an item to a customer. Although the sales price is zero, you still pay tax on it. It is updated by Invoice Post and Print (7.13.4).
AP Tax Invoice and AP Tax Credit Note	An asset debited for recoverable amounts or a liability when treated as a contra account to Sales Tax Invoice. It is updated by Supplier Invoice (28.1.1.1) for invoices, invoice corrections, credit notes, and credit note corrections, as well as Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).
AP Tax Retained and AP Tax Retained Credit Note	A liability credited when you retain tax on purchases and remit it directly to the government instead of to the supplier. It is updated by Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).
AR Discount Account	If populated, separately tracks discount amounts per tax rate when the credit terms discount is applied to the tax amount on early payment of customer invoices.
AP Discount Account	If populated, separately tracks discount amounts per tax rate when the credit terms discount is applied to the tax amount on early payment of supplier invoices.
Sales Suspended Tax Invoice and Sales Suspended Tax Credit Note Acct	A liability credited for suspended tax payable. It is updated by Invoice Post and Print (7.13.4) and the Customer Invoice function for invoices, invoice corrections, credit notes, or credit note corrections.
AP Delayed Tax Invoice and AP Delayed Tax Credit Note Acct	A liability credited for delayed tax payable. It is updated by Supplier Invoice (28.1.1.1) for invoices, invoice corrections, credit notes, and credit note corrections, as well as Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).

After you update your chart of accounts, specify the default tax account codes for new tax rate records in Domain/Account Control (36.9.24). If necessary, you can later override these codes for individual tax rates.

Note There are no default AR and AP Discount accounts. If the fields are populated, discount amounts are tracked by tax rate. If the fields are not populated, discount amounts are tracked by the accounts defined for the GL bank or cash accounts used for the payment.

Setting Up Tax Rates

GTM tax rate records enable you to configure the software to support many different kinds of taxes and transaction conditions. The rates are domain-specific since the types of taxes relevant to each of your distinct business units are likely to vary widely.

The major points to consider are listed here. Not all decisions apply to all tax types in all countries.

- The tax type, tax class, tax usage, and starting/ending date range to which the tax rate applies (See “Implementing Special Taxes” on page 39.)
- The percentage used to calculate tax
- Whether taxes are calculated by line or by transaction total
- The taxable base, or item amount subject to tax
- The minimum/maximum item amounts subject to tax
- The amount of purchase tax that is recoverable against sales tax
- The tax calculation method
- Whether a user can override system-calculated tax amounts
- Whether tax amounts are reverse-calculated from item amounts that already include tax
- The GL accounts and sub-accounts to which tax amounts involving this tax rate are posted
- Whether the tax on purchased items sold as part of a service contract are absorbed rather than collected
- Whether purchase tax amounts are retained and paid directly to the government rather than remitted to suppliers
- Whether purchase taxes are accrued for GL reporting upon receipt of goods or the supplier invoice
- Whether taxes are based on sales minus credit terms discounts or on the full sales amount
- The tax groups and tax boxes required for regulatory reporting

Note Set up tax rates by tax class or tax usage only for exception conditions. Otherwise, leave these fields blank so that the system can apply the tax rate to as many transactions as possible.

Before you set up tax rate records, define the following default values in Global Tax Management Control (29.24). See “Setting Up GTM Control” on page 35. For more information on these fields, see the indicated pages:

- Tax-By-Line (page 29)
- Tax Method (page 29)
- Update Tax Allowed (page 29)
- Accrue Tax at Receipt (page 30)
- Accrue Tax at Usage (page 30)
- Discount Tax at Invoice (page 30)
- Discount Tax at Payment (page 30)
- Tax Comment Type (page 31)

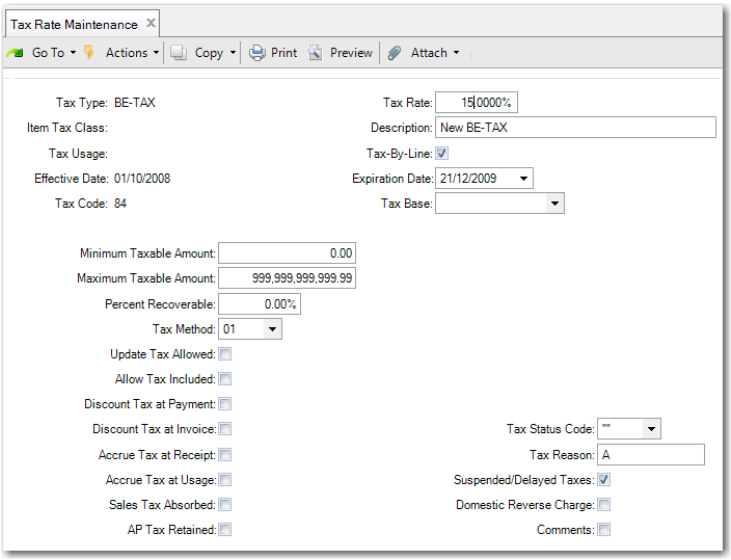
You can later override these values for individual tax rates. Subsequent changes to the control program do not update existing rates.

Tax Rate Maintenance

To define tax rates, use Tax Rate Maintenance (29.4.1). To verify tax rate setup, use Tax Rate Inquiry (29.4.2) and Report (29.4.3).

Note If you change a tax rate after you start using it for transactions, a warning displays. The system recalculates taxes on open transactions when you access the transaction record.

Fig. 2.17
Tax Rate Maintenance (29.4.1)



Tax Type. Enter the tax type to which the rate applies.

Item Tax Class. If the tax rate applies only to a specific item, service category, or trailer charge tax class, enter it here. Leave this field blank if the tax rate applies regardless of tax class. Do not set up rates by customer or supplier tax class.

Tax Usage. If the tax rate applies only to a specific tax usage, enter it. Leave blank if the tax rate applies regardless of tax usage.

Effective Date. Specify the starting date for using this tax rate in tax calculations. If you do not specify a date, the system inserts the record creation date. When you enter multiple tax rates, the default effective date is the one in the last record entered.

Tax Code. Enter a code identifying this tax rate. If you do not enter a code, the system increments it automatically from the Last Tax Code in Global Tax Management Control (29.24). You can use prefixes to designate groups of tax rates, but be aware that future tax rates will have the same prefix unless you override it. Tax code has no significance for auditing or accounting purposes.

Tax Rate. Specify the percentage used to calculate tax amounts for this tax rate. How the rate is used in the calculation depends on the tax method specified. To use tax types to report tax exemptions, set up zero-percent tax rates as well.

Description. Enter a brief description (maximum 24 characters) of the tax rate. The description prints on most reports and browses, as space permits.

Tax-By-Line. Specify whether taxes on line item amounts are calculated individually or by order total. On sales transactions, taxes on trailer charges are always totaled for the order regardless of the Tax-By-Line setting.

Note When line item amounts use multiple tax rates, set Display Taxable/Non-Taxable on Trailer to No in Global Tax Management Control to suppress the display of misleading taxable/non-taxable amounts. See "Display Taxable/Non-Taxable on Trailer" on page 36.

To calculate taxes by total on purchase receipt and AP transactions, you must set the following appropriately: Allow Tax Included, Accrue Tax at Receipt, and Recoverable Percent. See "Value Added Taxes (VAT)" on page 42.

Important The setting of Tax-by-Line affects only the calculation of taxes in operational functions such as sales and purchasing transactions. When taxable transactions are created directly in financial functions such as manually created supplier or customer invoices, the tax is managed by appropriate settings in those functions.

Expiration Date. Use this field to phase in expiration dates for obsolete tax rates. This date is the last day when the tax rate can be used on transactions.

Tax Base. If necessary, enter the code that identifies the portion of the item amount subject to taxation. Leave this blank if the taxable base for this tax rate is always 100% of the item price. See "Tax Based on Partial Item Amounts" on page 40.

Minimum Taxable Amount. If necessary, enter the minimum transaction taxable base amount to which this tax rate should be applied. The specified tax method determines how this field is used in tax calculations. Leave blank if the tax rate applies equally to all item amounts. See "Luxury Taxes" on page 41.

Maximum Taxable Amount. If necessary, enter the maximum transaction taxable base amount to which this tax rate should be applied. The specified tax method determines how this field is used in tax calculations. Leave blank if the tax rate applies equally to all item amounts. See "Capped Taxes" on page 42.

Percent Recoverable. Specify a recoverable tax percentage if you are able to offset some or all purchase tax amounts for this rate against the amounts for this rate that you collect on sales. Otherwise, leave set to 0.00%. See "Recoverable Taxes" on page 42.

Tax Method. Specify which calculation routine to use when this tax rate is applied. The standard tax methods are 01, 02, 11. If you leave this field blank, calculation method 01 is assumed.

If you are using the Sales and Use Tax Interface, specify tax method 20. If you are importing tax amounts from an external system and do not want to recalculate them, specify method 03.

You can also define custom methods, but be sure to follow the program naming convention. See page 40.

Update Tax Allowed. Decide whether users can modify system-calculated taxable base and tax amounts during transaction entry. This feature is useful for overriding the system if there is a need to match amounts on manually issued documents. However, the system does not maintain an audit trail of changes. In some environments, the government may require you to set this to No. See "Correcting Transaction Tax Amounts" on page 121.

Allow Tax Included. Specify whether this tax rate reverse-calculates taxes from line item amounts on transactions for customers and suppliers whose Tax In (tax included) status is Yes. If Allow Tax Included is Yes, GTM reverse-calculates tax based on the tax rate's percentage and tax method. See "Reverse-Calculated Taxes" on page 45.

A tax environment should have no more than one tax type with a rate having Allow Tax Included set to Yes. Multiple tax-included rates can lead to tax calculation errors.

Note Tax is always added to trailer charges regardless of the setting of Allow Tax Included.

Important The setting of tax included affects only the calculation of taxes in operational functions such as sales and purchasing transactions. When taxable transactions are created directly in financial functions such as manually created supplier or customer invoices, the tax is managed by appropriate settings in those functions.

Discount Tax at Payment. This setting is similar to Discount Tax at Invoice with the exception that the net order total is the discounted sales amount plus the discounted tax amount. See "Discounted Taxes" on page 43.

Discount Tax at Invoice. This setting determines whether the tax rate calculates taxes based on the sales amount minus credit terms discounts, but displays the net order total of full sales amount plus discounted tax amount. If tax is based on the full sales amount, set this to No.

Accrue Tax at Receipt. This setting determines whether the system creates GL entries for purchase tax amounts upon receipt of goods or receipt of the supplier invoice. The default tax point is determined by the setting in Global Tax Management Control. See "Tax Point Effects" on page 123.

For recoverable tax rates, you normally set Accrue Tax at Receipt to No, because you cannot deduct the recoverable portion of tax paid on purchases against tax collected on sales until you finalize the supplier invoice.

If you are using Logistics Accounting, this field determines when GL entries for taxes on both inbound and outbound logistics charges are created.

The tax point does not affect tax calculations on transactions. The tax amounts display regardless of when the GL entries are created.

Accrue Tax at Usage. This field applies only if you have activated the optional Supplier Consignment Inventory module in Consignment Control. See *QAD Purchasing User Guide*.

Sales Tax Absorbed. Indicate if the system should post to the associated Sales Tax Absorbed account. When this field is Yes, you must specify an absorbed invoice and absorbed credit note tax group for reporting.

AP Tax Retained. Indicate if the system should post to the associated AP Tax Retained account.

When this field is Yes, you must specify a retained invoice and retained credit invoice tax group for reporting.

Tax Status Code. Select the legal document tax status code used to identify the tax policy for the goods. This tax status code becomes the default for this tax rate in fiscal receiving.

You define the list of tax status codes in Generalized Codes Maintenance (36.2.13).

Tax Reason. Enter a maximum of eight characters for the tax reason. Tax reasons are a method of associating tax rates for reporting purposes, and are used by the tax register reports.

See “Tax Registers” on page 148 and “Regional Tax Reports” on page 160 for more information on tax registers and the tax register reports.

Suspended/Delayed Tax. Set this field to Yes if this tax rate will apply to suspended tax on customer invoices and credit notes, or to delayed tax on supplier invoices and credit notes.

Selecting this field enables the Suspended and Delayed Tax AR and AP accounts fields in Domain/Account Control (36.9.24). You must specify accounts in these fields when they are available.

Important When you select Accrue Tax at Receipt for the tax rate, you cannot also select the Suspended/Delayed Tax field.

See “Suspended Tax on Customer Invoices” on page 47 and “Delayed Tax on Supplier Invoices” on page 50.

Domestic Reverse Charge. Set this field to Yes if this is a zero tax rate being set up to accommodate regulatory requirements in the United Kingdom for reverse charged items. A supplier adds no tax charge for a reverse charge item; the company receiving the item is responsible for recording the reverse charge tax amounts.

Tax records created for rates with this field set to Yes are included on the Reverse Charge Sales List Report. See “Domestic Reverse-Charge Taxes” on page 46 for details on this tax setup.

This field cannot be set to Yes unless the tax rate amount is 0 (zero).

Comments. Set to Yes to record transaction comments for the tax rate. This is useful for recording government regulations and other legally required text for tax reports.

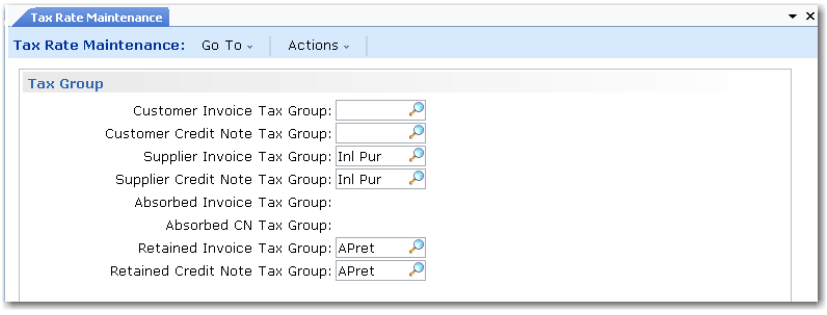
Tax comments print on internal documents only unless they reference the tax comment type specified in Global Tax Management Control. These comments print on invoices.

For zero tax rates—such as those for domestic reverse charges—specify comments with this type to explain the use of the zero rate. This is legal requirement in some countries. See “Tax Comment Type” on page 36.

Tax Groups

Use the fields in the Tax Group frame to specify the tax groups used for reporting.

Fig. 2.18
Tax Rate Maintenance, Tax Group



For each of the enabled tax group fields, enter a valid, active group to associate with tax amounts generated by this tax rate for a specific transaction type such as customer or supplier invoices.

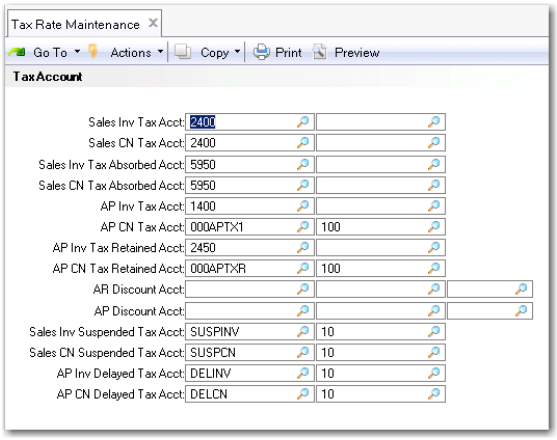
Note Options you selected in the previous screen determine which fields are enabled.

Tax groups identify sets of tax boxes, which represent required fields for regulatory reporting. Typically each tax group has at least two boxes: one displays the transaction amount excluding tax and the other displays the tax amount. See “Tax Groups” on page 23 for details.

Tax Accounts

Use the fields in the Tax Account frame to specify the accounts to be updated for tax amounts generated by this tax rate. All accounts must be of type Tax Control except for the two discount accounts, which are type Standard. All tax accounts default from domain settings in Domain/Account Control (36.9.24) and can be changed as needed.

Fig. 2.19
Tax Rate Maintenance, Tax Accounts



Sales Tax Invoice Account, Sub-Account. Identify the sales tax liability account and optional sub-account credited when tax is calculated on sales invoices for a customer.

Sales Tax CN Account, Sub-Account. Identify the GL account and optional sub-account credited whenever tax is calculated on a credit note issued to a customer.

AP Tax Invoice Account. Identify the GL asset account and optional sub-account debited for recoverable purchase and accounts payable taxes, or liability when treated as a contra account to sales tax payable.

AP Tax CN Account, Sub-Account. Identify the GL account and optional sub-account debited for recoverable purchase and accounts payable taxes, or liability when treated as a contra account to sales tax payable.

Sales Tax Absorbed Account, Sub-Account. Identify the sales tax liability account and optional sub-account credited whenever your company pays tax instead of charging it to the customer. See “Absorbed Taxes” on page 45.

Sales Tax Absorbed CN Account, Sub-Account. Enter the default GL account and optional sub-account used to track sales tax absorbed for credit notes for this tax rate. See “Retained Taxes” on page 45.

AP Tax Retained Account, Sub-Account. Identify the liability account and optional sub-account credited whenever your company remits tax amounts directly to the government instead of to the supplier.

AP Tax Retained CN Account, Sub-Account. Enter the default GL account and optional sub-account for retained (reverse charge) taxes on supplier credit notes for this tax rate.

AP Discount Account, Sub-Account, Cost Center. Enter the default GL account code used to track AP discount amounts for this tax rate. The account must be a valid, active account of type Standard.

The accounts defined for the tax rate are used during payment processing if they exist. See “Discount Accounts per Tax Rate” on page 44 for details.

AR Discount Account, Sub-Account, Cost Center. Enter the default GL account code used to track AR discount amounts for this tax rate. This must be a valid, active account of type Standard

The accounts defined for the tax rate are used during payment processing if they exist. See “Discount Accounts per Tax Rate” on page 44 for details.

Sales Inv Suspended Tax Acct, Sub-Account. Enter the default GL account and sub-account codes used to track suspended tax in customer invoices. Suspended taxes are applied to customer invoices only when the invoice amount has been fully or partially paid.

This must be a valid, active account of type Tax Control. You must define a sub-account for suspended tax accounts. The account you enter must be valid on its own and in combination with the sub-account.

Sales CN Suspended Tax Acct, Sub-Account. Enter the default GL account and sub-account codes used to track suspended tax in customer credit notes. This must be a valid, active account of type Tax Control. You must define a sub-account for suspended tax accounts. The account you enter must be valid on its own and in combination with the sub-account.

AP Inv Delayed Tax Acct, Sub-Account. Enter the GL account code used to track delayed tax in supplier invoices. Delayed taxes are applied to supplier invoices only when the invoice amount has been fully or partially paid.

This must be a valid, active account of type Tax Control. Delayed tax accounts require sub-account analysis. The account you enter must be valid on its own and in combination with the sub-account.

AP CN Delayed Tax Acct, Sub-Account. Enter the GL account code used to track delayed tax in supplier credit notes.

This must be a valid, active account of type Tax Control. Delayed tax accounts require sub-account analysis. The account you enter must be valid on its own and in combination with the sub-account.

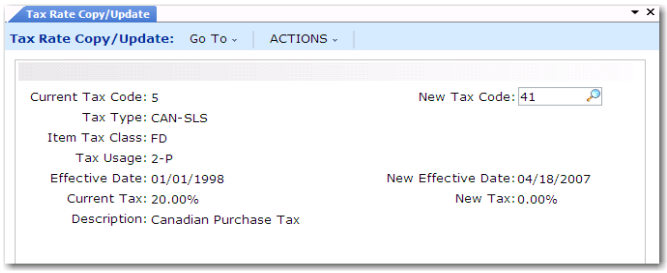
Withholding Tax Calculation and Electronic Declaration

Tax Rate Maintenance contains a Withholding Tax Calculation and Electronic Declaration frame, which is only displayed for withholding tax types. See “Withholding Tax Fields in Tax Rate Maintenance” on page 74.

Tax Rate Copy/Update

To streamline the task of entering tax rates, group the required rates for a tax type/item tax class/tax usage/effective date combination. Set up a generic rate first, then copy with Tax Rate Copy/Update (29.4.5) and customize it as necessary.

Fig. 2.20
Tax Rate Copy/Update (29.4.5)



Current Tax Code. Enter the tax code of the tax rate to copy. The tax type, item tax class, tax usage, current effective date, current tax rate percentage display for the selected rate.

New Tax Code. Leave blank for the system to assign the next available tax code, incremented from the Last Tax Code value in Global Tax Management Control (29.24). Alternately, enter a previously unassigned value.

New Effective Date. Specify the starting date for using the new tax rate in tax calculations. If you do not specify a date, the system inserts the record creation date. When you enter multiple tax rates, the default effective date is the one in the last record entered.

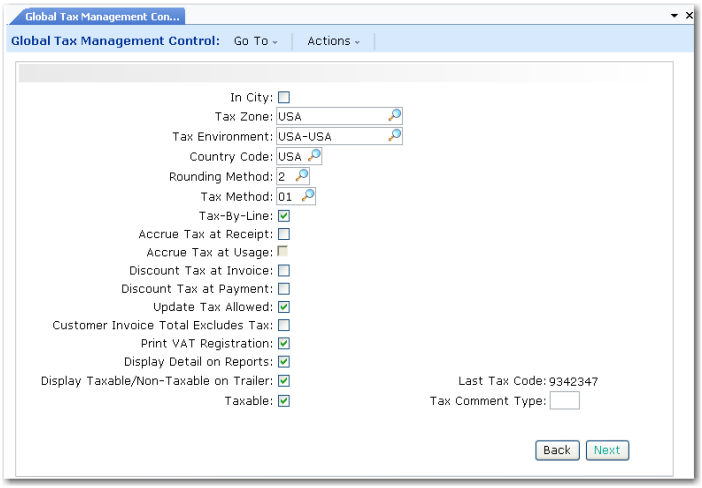
New Tax. Enter the percentage for the new tax rate.

Tax Rate Copy/Update redisplays information from the source tax rate and allows you to customize settings.

Setting Up GTM Control

In Global Tax Management Control (29.24), enter the following values to complete setup of the control program.

Fig. 2.21
Global Tax Management Control (29.24)



In City. This field determines the default value for the In City setting when a more specific value cannot be found.

The value of In City for an address determines if the address is in the city limits for taxation purposes. This setting affects only US tax processing that occurs with the QAD Sales and Use Tax Interface. See Technical Reference: QAD Sales and Use Tax Interface.

Tax Zone. Enter the default tax zone to be used during transaction entry when the system cannot find a matching tax zone for an address record.

Tax Environment. Enter the default tax environment to be used during transaction entry when the system cannot match the ship-to/ship-from tax zones and customer or supplier tax class to a tax environment.

Country Code. Enter a code to display as the default in Tax Zone Maintenance. This code represents the top-level in the tax zone hierarchy. Only active codes can be specified.

Rounding Method. Enter the default rounding method for tax types in Tax Environment Maintenance. Rounding method determines how tax amounts for the tax type are truncated.

Tax Method, Tax-By-Line, Accrue Tax at Receipt, Discount Tax at Invoice, Discount Tax at Payment, Update Tax Allowed. All these fields set defaults for the corresponding fields in Tax Rate Maintenance. See “Tax Rate Maintenance” on page 28.

Customer Invoice Total Excludes Tax. Specify the default value for the Use as Tax Basis field in Customer Invoice Create. This field applies only to invoices created directly in Customer Invoice Create (27.1.1.1), not those created by Invoice Post and Print (7.13.4).

No: Use as Tax Basis defaults to No. The system assumes that tax is included in the invoice amount.

Yes: Use as Tax Basis defaults to Yes. When Yes, the invoice total is used as the tax basis during the calculation of tax. When the CI Posting tab is accessed, the invoice total is updated to include calculated tax.

Setting this field to Yes makes entry of manual invoices easier, since the user does not need to know the applicable tax rate in advance.

Example You have an invoice for $100 and a tax rate of 10%. When you manually create this invoice and Use as Tax Basis is No, you must enter $110 as the invoice amount. The system calculates tax of $10 and leaves $100 to allocate. When Use as Tax Basis is Yes, you enter $100 and the system calculates the applicable tax of $10 and adds this value to the invoice total, leaving $100 to allocate.

The result is the same, but in the first instance, you need to know the correct invoice amount including tax beforehand; in the second case, you need to know only the net sales amount. The system derives the correct tax amount.

Important GTM does not support tax calculations for multiple tax types when tax is included; if the tax environment has multiple types in this scenario, tax amounts must be entered manually.

Print VAT Registration. This setting specifies whether the system includes VAT registration numbers on printed documents. Set it to Yes to print the relevant VAT registration numbers on documents such as sales quotes, sales orders, invoices, purchase orders, blanket orders, shippers, service/repair orders, and material orders. VAT registration numbers are specified in the State ID field of the tax detail.

Display Detail on Reports. This setting determines whether you can print a summary of tax amounts on printed documents such as purchase orders, receipts, sales quotes, sales orders, and invoices. You can print tax summaries in document print programs only if both this control program setting and the Print Trailer field are set to Yes. Tax detail information prints only on documents that have a trailer.

Display Taxable/Non-Taxable on Trailer. This setting determines whether taxable and non-taxable amounts are displayed or printed in document trailers. When using different tax rates, currency rules, discounts, and rounding methods, non-taxable and taxable amounts shown in trailers may be incorrect. To avoid the display of misleading tax amounts, set this field to No when Tax-By-Line is No and different lines have multiple tax classes.

Taxable. Indicate the default setting for the Taxable field for new end user and ship-to records created in operational functions. When set to Yes, any temporary shipping addresses added to the system from sales order functions are taxable by default and their tax details must be entered into the system.

Note This field does not affect new business relations or other address types.

Tax Comment Type. Identify the comment type that is used to store external tax comments for zero percent tax rates. This field is validated against generalized codes for cd_type, if they are set up.

European VAT invoice rules require that when a zero percent tax class is used on an invoice between two companies in the same or a different EC country, associated text must print on the invoice explaining the reason for the zero rate. A zero percent tax rate might indicate a tax exempt item, such as some medical devices, real estate services, day care, or postal services.

You can also use this tax comment for domestic reverse charge taxes required in the United Kingdom. See “Domestic Reverse-Charge Taxes” on page 46,

Specify these comments for the tax rate in Tax Rate Maintenance (29.4.1) using this comment type.

These comments are then included in the tax analysis sections on external documents printed by the following functions:

- Pending Invoice Register (7.13.2)
- Invoice Post and Print (7.13.4)
- Invoice History Report (7.13.8)
- Invoice Print or Reprint (7.13.12)
- ERS Invoice Print (28.10.5)

In a multi-language environment, create comments in each required language. Comments print based on the bill-to customer’s associated language code.

Note The TX comment type is used to indicate internal comments associated with a tax rate.

Updating Addresses and Items

When sales and purchasing transactions take place, tax data is derived from two sources:

- Addresses associated with customers, suppliers, and sites
- Product line and item defaults

Business Relations

The system uses records called business relations to manage basic address information. A business relation contains location, contact, and tax information for a set of related addresses. These records are created as part of corporate setup using functions found on the Address Setup Menu (36.1.4). These functions are described in *QAD Financials User Guide*.

Business relations are then referenced in AR when customers, ship-to records, and end users are created. They are referenced in AP when suppliers are created. The same set of tax fields must be defined for business relations, customers, and suppliers. Certain tax data defaults from the business relation when customer and supplier records are created, including the values for Taxable, Tax Included, and In City. You can modify the defaults as needed and specify values for the remaining tax-related fields.

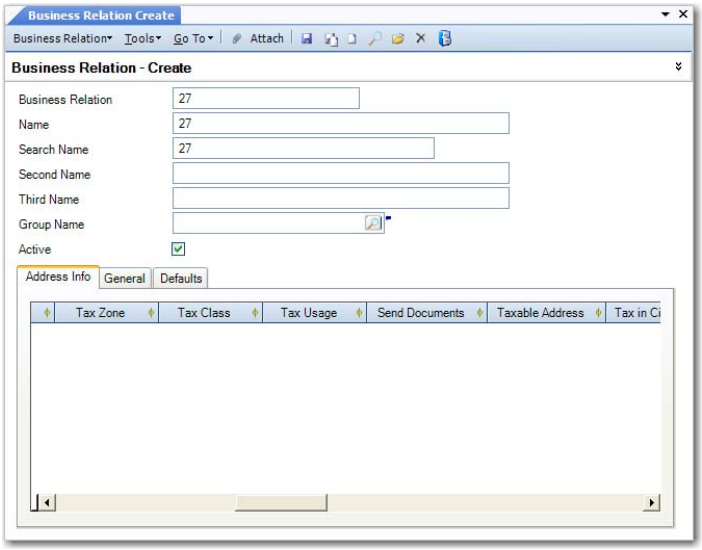
Separate customer and supplier tax data lets you define different values for the same business relation depending on the business context.

Example Business Relation 010000 is referenced both as a customer and a suppler. You sell finished goods to this company and also purchase raw material from it. The nature of usage for tax reporting is different for sales and purchasing. For the customer record that references 010000 you specify FG (finished goods) for nature of operation; for the supplier that references 010000 you specify RAW for nature of operation.

Company addresses also reference business relations for tax data, but in this case, the tax data of the BR is used directly; it cannot be modified. Each of your inventory sites must be associated with a business relation in Company Address Maintenance.

Figure 2.22 illustrates the tax fields on the Address Info tab in Business Relation Create. The same information displays on the Tax Info tab in Customer Create and Supplier Create.

Fig. 2.22
Business Relation Create, Tax Data on Address Tab (36.1.4.3.1)



Taxable Address. For non-taxable addresses, select this setting if you report tax exemptions by tax type in GTM. This field defaults from the BR to related customer and supplier records.

Tax Is Included. Select this option if items shipped to or from the address have tax already included in the line-item price. This field defaults from the business relation to related customer and supplier records.

Important The setting of tax included affects only the calculation of taxes in operational functions such as sales and purchasing transactions. When taxable transaction are created directly in financial functions such as manually created suppler or customer invoices, the tax is managed by appropriate settings in those transactions.

Federal Tax. For reference and documentation purposes, enter a federal tax identification number.

State Tax. For reference and documentation purposes, enter either a state or provincial tax identification number or a value-added tax registration number.

The value you specify in this field is validated against the tax format defined for the country of the address. Specify the tax format in Country Create (36.3.1.1).

For European countries, you enter the VAT registration number, which is also required for Intrastat reporting.

Miscellaneous Tax 1, 2, 3. For reference and documentation purposes, enter any other tax identification numbers that are useful.

Tax in City. This setting determines whether the address is in the city limits for taxation purposes. It affects only GTM processing that occurs in conjunction with the Sales and Use Tax Interface for U.S. tax processing. See Technical Reference: QAD Sales and Use Tax Interface.

Tax Zone. For each address record, the system selects a default tax zone based on the postal code, city, county, state or province, and country in the address. If an applicable zone is not found, a warning displays and the zone is set to the default specified in Global Tax Management Control.

Tax zone is the only tax field required before you can save an address record.

Tax Class. Enter a valid tax class created in Tax Class Maintenance.

Tax Usage. Enter a valid tax usage code created in Tax Usage Maintenance.

Company and Site Addresses

Inventory sites require a corresponding address record because taxes are calculated by address, not site. Every site must have an address record with the same address code as the site code. Create records in Company Address Maintenance (2.12) by referencing a business relation. The address information of the headoffice address type of the business relation provides the city, county, state, country, and tax information for the site.

If government regulations require you to print tax ID numbers on your purchase orders, you can enter these numbers in the Miscellaneous Tax fields in the business relation associated with the bill-to address.

When you run Purchase Order Print (5.10), these tax IDs are included on the purchase order under these conditions:

- Print Tax ID–Misc is Yes in Purchasing Accounting Control (36.9.5).
- Print Bill-to Address is Yes in Purchase Order Print.

If for some reason a site address is not found, the system uses the default tax zone and In City value in Global Tax Management Control.

Product Lines and Items

In Product Line Maintenance (1.2.1) and Item Master Maintenance (1.4.1), enter the GTM item tax class in all product line and item records. If necessary, change the taxable status to Yes to accommodate exemption reporting.

If you are using the Service/Support Management module, assign tax classes to service categories in Service Category Maintenance (11.21.9). See *QAD Service/Support Management User Guide* for details.

Implementing Special Taxes

This section provides additional information on how to implement specialized taxes in GTM.

Tax Exemptions

In GTM, tax exemptions are set up by tax type. You can implement separate tax types for each exemption, or group all exemptions into one tax type. Select the approach that supports the level of detail required for governmental reporting.

Reporting by Exemption

1. In Tax Type Maintenance (29.1.1), set up a separate tax type for each exemption.
2. In Tax Environment Maintenance (29.3.1), assign the type to each tax environment affected by the exemption.
3. In Tax Rate Maintenance (29.4.1), set up 0% tax rates for each exemption tax type.

   If the exemption is by customer or supplier, set up 0% rates by usage code. If the exemption is by item or trailer charge, set up 0% rates by item tax class.
4. In the respective maintenance programs, set the Taxable status of all exempt customers, suppliers, product lines, items, and trailer charges to Yes.

   Transactions with a non-taxable status do not calculate tax, but you will be unable to report the reason, since GTM cannot match the exempt amounts to the exemption tax types in the tax environment.

Aggregate Reporting

1. In Tax Environment Maintenance (29.3.1), assign the default tax type NON-TAX to each tax environment in which exemptions can be reported in aggregate.

   You do not have to set up this type; it is supplied by default. Once you do this, GTM automatically classifies all non-taxable transaction amounts as type NON-TAX.
2. In the respective maintenance program, set the Taxable status of all exempt customers, suppliers, product lines, items, service categories, and trailer charges to No.

   When the system encounters a non-taxable transaction amount, it applies a 0% tax rate to it. This rate is supplied with the system.

Tax Based on Partial Item Amounts

By default, GTM calculates tax for 100% of the item amount. However, tax can be based on a smaller percentage. In these situations, set up a tax base record in Tax Base Maintenance (29.1.13), specifying the appropriate base percent. Assign this tax base to multiple tax types and tax rates if the base percent is the same for all situations.

Custom Tax Calculation Methods

The transaction detail screen displays the following tax-related amounts for line items and trailer charges:

- Total line item or trailer charge amount
- Line item or trailer charge amount not subject to tax
- Line item or trailer charge amount that is subject to tax
- Total tax amount
- Recoverable and non-recoverable tax amounts
- For sales transactions, any tax your company absorbs rather than passes on to the customer
- For purchase transactions, any tax your company retains for direct payment to the government

To calculate tax amounts, GTM can use one of several standard calculation programs. Alternately, to resolve a localization issue, write a custom program. Specify a default program and override it as necessary for individual tax rates.

Table 2.9 summarizes the differences among the tax calculation methods supplied with the system.

Table 2.9
Standard GTM Tax Methods

Method	Program	Explanation
01	txmeth01.p	This generic method supports most taxes. Tax Amount = Tax Rate * Item Amount Note: For reverse-calculated taxes, Tax Amount = Tax Rate * [Item Amount / (1+Tax Rate)] Taxable Base = Item Amount * Tax Base Percent If Taxable Base < Min. Taxable, Tax Amount = Min. Taxable If Taxable Base > Max. Taxable, Tax Amount = Max. Taxable Recoverable Amount = Tax Amount * Recoverable Percent
02	txmeth02.p	Same as method 01 except that it supports luxury taxes and capped taxes that are assessed only on specific taxable base amounts. If Taxable Base < Min. Taxable, Tax Amount = 0 If Taxable Base > Max. Taxable, Tax Amount = 0
03	txmeth03.p	Indicates you are importing tax amounts from an external system and do not want to recalculate them.
11	txmeth11.p	Same as method 01 but has a regressive calculation for reverse-calculated taxes. Tax Amount = Tax Rate * Item Amount
20	txmeth20.p	Indicates that Quantum, through the Sales and Use Tax API, calculates taxes for each line item.

For custom programs, the file naming convention is `txmeth##.p`, where ## is the numeric identifier referenced in Tax Rate Maintenance. Use an identifier from 50 to 99; identifiers 00 through 49 are reserved for QAD use.

To implement the custom tax method, specify the identifier as the Tax Method in Tax Rate Maintenance (29.4.1). If the custom method is the default method for new tax rates, also specify it in Global Tax Management Control (29.24).

Set up a value in generalized codes for the new method so that it displays in the lookup on the Tax Method field in Tax Rate Maintenance.

Luxury Taxes

Luxury taxes are assessed only on transaction amounts that exceed a specified minimum. For example, a 30% luxury tax may apply only to automobiles costing more than $30,000.

Two settings in Tax Rate Maintenance govern setup of luxury taxes.

Minimum Taxable Amount. This setting identifies the minimum amount subject to tax. In the above example, Min. Taxable is $30,000.

Tax Method. For luxury taxes, set Tax Method to 02. Whenever the transaction taxable base amount is less than the Min. Taxable amount for the tax rate, the final tax amount is zero.

Capped Taxes

Capped taxes are assessed only on transaction amounts less than a specified maximum. For example, a 10% capped tax applies only to transaction amounts under $1,000.

Two settings in Tax Rate Maintenance govern setup of capped taxes:

Maximum Taxable Amount. This setting identifies the maximum amount subject to tax. In the above example, set this field to $1,000.

Tax Method. For capped taxes, set Tax Method to 02. Whenever the transaction taxable base amount exceeds the Max. Taxable amount for the tax rate, the final tax amount is zero.

Recoverable Taxes

Taxes are recoverable whenever your company is eligible to offset a percentage of tax on purchases against tax collected on sales. Recoverable taxes are common in Europe.

The following settings in Tax Rate Maintenance govern setup of recoverable taxes.

Percent Recoverable. The percentage of purchase tax that can be recovered for the tax rate.

AP Tax Accounts. GL account and sub-account for posting recoverable tax amounts for invoices and credit notes. These accounts are used also by Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).

A recoverable tax is an asset when debited for recoverable purchase and AP taxes, or a liability when treated as a contra account to sales tax payable. The system uses the accounts associated with the applicable tax rate, if specified; otherwise, defaults in Domain/Account Control are used, but you can override them.

Accrue Tax at Receipt. Determines when GL entries for purchase tax amounts are created. For recoverable taxes, set this to No because the tax point is not receipt of goods, but receipt of supplier invoice.

Value Added Taxes (VAT)

Value added taxes are common in Europe and Canada. In certain European countries, it is a legal requirement to calculate VAT amounts based on invoice totals. This is accomplished by setting Tax-By-Line to No in Tax Rate Maintenance.

This setting by itself is not sufficient to ensure that purchase receipts and AP transactions are taxed on the order total. You must set three other fields appropriately.

Percent Recoverable. The percentage of purchase tax that can be recovered for the tax rate must be set to 100%.

Accrue Tax at Receipt. This field determines when GL entries for purchase tax amounts are created. For VAT taxes, set this to No so that GL transactions are created for tax amounts during supplier invoicing, not receipt.

Allow Tax Included. Set this field to No so that GTM does not reverse-calculate tax amounts.

Tax-on-Tax

In a tax-on-tax situation, one tax amount is included in the calculation for another tax amount. For example, in some Canadian provinces, Provincial Services Tax (PST) is based on the item amount plus the federal Goods and Services Tax (GST).

To set up a tax-on-tax, define the calculation priority of the two taxes and assign the included tax as the tax base of the other tax.

1. In Tax Environment Maintenance (29.3.1), assign both tax types to the tax environment. Assign the included tax type a lower sequence number than the other tax type. This ensures that the included tax is calculated first. In the Canadian example, GST has a lower sequence.
2. In Tax Base Maintenance (29.1.13), define a tax base and assign it to the included tax type. In the Canadian example, GST is the included type.
3. In Tax Rate Maintenance (29.4.1), set up tax rates for both tax types. In the rate for the tax-on-tax, specify the tax base for the included tax. In the Canadian example, you would set up rates for both GST and PST, then specify the tax base in the PST rates.

Discounted Taxes

In the United Kingdom and some other countries, tax is assessed only on what the customer actually pays—that is, on the sales amount minus credit terms discounts. When taxes are discounted, the net order amount can vary, depending on whether the credit terms discount is applied to the tax amount.

Discount Tax Point

In Tax Rate Maintenance, two settings govern the setup of discounted taxes: Discount Tax at Invoice and Discount Tax at Payment.

- For both settings, the order tax amount is the discounted sales amount multiplied by the tax rate.
- For discounting at invoice, the net order amount is the full sales amount plus the discounted tax amount. When payment is received, the system checks that the customer has paid within the discount period. If the customer is still eligible for the discount, the system discounts the sales amount and adds it to the discounted tax amount to recalculate the net order amount.
- In contrast, for discounting at payment, the net order amount is calculated later as the *discounted* sales amount plus the discounted tax amount.
- Under both systems, if the discount period expires, both the AR and AP payment programs automatically adjust tax amounts upward. The net order amount is recalculated as the full sales amount plus the full tax amount.

Example If the sales amount is 100.00, the credit terms are 2% Net 30, and the tax rate is 10%, the system calculates the discount at invoice as follows:

Disc Sales Amt: *100.00 – (100.00 * 2%) = 98.00*

Disc Tax Amt: *(98.00 * 10%) = 9.80*

Net Order Total: *(100.00 + 9.80) = 109.80*

Initially, only the tax is discounted. If the customer is still eligible for the discount when payment is received, the sales amount is discounted to 98.00 and the payment amount to apply changes to 107.80.

For discounting at payment, the calculation is as follows.

Disc Sales Amt: *100.00 – (100.00 * 2%) = 98.00*

Disc Tax Amt: *(98.00 * 10%) = 9.80*

Net Order Total: *(98.00 + 9.80) = 107.80*

If the customer is late, the discount tax amount reverts to the non-discounted tax amount of 10.00 and the payment amount to apply changes to 110.00.

Discount Accounts per Tax Rate

In countries such as Germany where discounting is traditionally done at payment rather than on invoicing, holding all discounts amounts in the same GL account—regardless of their tax rate—makes it difficult to verify that the correct amount of VAT has been booked. To avoid this problem, you can set up AR and AP Discount accounts per tax rate in Tax Rate Maintenance. Discounts are then booked into these accounts based on the tax rate associated with customer and supplier invoices.

If you do not set up these accounts, discounts are posted to the AP or AR Discount accounts associated with the bank account or cash account being updated by the payment. These accounts are defined when the account is set up in Account Create (25.3.13.1).

When a customer takes advantage of a discount due upon invoice payment or you take advantage of a discount offered by a supplier, a VAT correction must be made to the appropriate VAT account. Also, the discounted amount, less the VAT component, must be posted to the discount account.

Example An early settlement discount of 2% of the sale is available on invoice payment.

Invoice Amount:	100.00
VAT Rate:	17.5%
VAT Due:	17.50
Total Invoice Amount:	117.50
Early Settlement Discount Rate:	2%
Early Settlement Amount:	2.35
VAT Component of Discount:	0.35
Corrected VAT Amount owing to early settlement	7.15

In this example, if the customer takes advantage of the early settlement discount of 2.35 offered on payment of this invoice, a correction to the relevant VAT account is needed. A deduction of 0.35—the VAT component of the discount—must be posted to the appropriate VAT account for the relevant tax code. The sum of 2.00 must be booked to the discount account.

If all discounted amounts are booked to the same discount account regardless of the associated tax code, it becomes difficult to determine that the correct amount of VAT has been booked. To properly calculate the VAT booked, the discount amount for the tax percentage needs to be deducted from the sales amount. This would be a time-consuming calculation if all discount amounts had to be booked to a single discount account. Posting discount amounts to different discount accounts based on their tax rate simplifies this calculation.

When payments are processed, the system checks the tax rate for each invoice, the appropriate discount is taken, and that discount is automatically posted to the correct AP or AR Discount account. If multiple tax rates apply, the discount is split among the discount accounts defined for the tax rates concerned. These GL accounts override the value of the discount account associated with the bank or cash GL account.

Discount on Cross-Company Payments

For cross-company payments, the invoicing entity is liable for taxes. Therefore, tax discounts for cross-company payments are accounted for in the invoicing entity rather than in the payment entity. The posting for the discount of the goods amount is posted to the payment entity and the discount of taxes is posted to the invoicing entity, regardless of the program you use to make a payment.

Retained Taxes

In some countries, the government declares that large customers of small suppliers are required to remit tax amounts directly to the government instead of to the supplier. Customers of these suppliers pay the purchase amount minus tax to the supplier but are required to calculate, post, and periodically pay the tax amounts on their purchases directly to the government.

Use Tax Rate Maintenance to specify the GL accounts and sub-accounts for AP Retained Tax. To designate a tax rate as a retained tax, set the field to Yes.

Absorbed Taxes

Absorbed sales tax is a liability you can incur whenever your company is liable for tax but does not charge it to the customer. For example, if you give an item to a customer, you may still pay tax even though the item’s sales price is zero. Absorbed sales tax is also called withheld or retained sales tax.

Use Tax Rate Maintenance to specify the GL accounts and sub-accounts for Sales Tax Absorbed. To designate a tax rate as an absorbed tax, set the field to Yes.

Reverse-Calculated Taxes

Sometimes, item amounts already include tax. For transaction documents and reporting, you must reverse-calculate the tax from the item amount.

The system reverse-calculates tax from the line item price on sales and the item cost on purchases. On sales transactions, it reverse-calculates the taxable base by subtracting the tax amount from the total amount on the line/trailer.

GTM supports two kinds of reverse calculations, as specified by the tax method in the tax rate.

Example For tax method 01, the calculation works as follows:

*Tax Amount = Tax Rate * (Item Price/(1 + Tax Rate))*

*0.10 * (100.00/1.10)*

*0.10 * 90.90 = 9.09*

Tax Base = Item Price – Tax Amount

100.00 – 9.09 = 90.91

In contrast, for tax method 11 (regressive taxation), the calculation is as follows:

*Tax Amount = Item Price * Tax Rate*

*100.00 * 0.10 = 10.00*

Tax Base = Item Price – Tax Amount

100.00 – 10.00 = 90.00

To set up a reverse-calculated tax, do the following:

- On the Address Info tab in Business Relation Create, set Tax is Included to Yes. The tax included status for the customer/supplier ship-to address determines the default tax included status on transactions. The transaction tax included status becomes the default status for line items.
- In Tax Rate Maintenance, set Allow Tax Included to Yes for all tax rates applied to items that already include tax. In addition, specify Tax Method 01 or 11.

Tax is reverse-calculated only for transactions in which the transaction or item Tax In status is Yes and the tax rate Allow Tax Included status is Yes.

Note The ability to reverse-calculate taxes in GTM does not affect sales commission reporting using sales analysis programs. Commissions are always based on item prices inclusive of tax. For items that include tax, you may have to adjust your commission structure.

Domestic Reverse-Charge Taxes

Reverse-charge VAT accounting rules apply to the sale and purchase within the United Kingdom of a specific range of goods such as phones and computer chips.

To set up tax rates to accommodate this requirement:

1. Specify a comment type for zero rates in Global Tax Management Control. In the comment, include text such as *Subject to Reverse Charge* or other text recommended by regulatory bodies. This comment prints on customer invoices.
2. Create zero percent tax rates in Tax Rate Maintenance specifically for items subject to this tax and select the Domestic Reverse Charge field.
3. Set up item tax classes and usage codes as well as customer tax class and usage codes so the correct zero percent tax rate is used on sales orders, pending invoices, and invoices for items subject to reverse charge.

When you post and print the customer invoices, the system captures details in tax history. Use the Reverse Charge Sales List Report (29.6.3.9) to generate a report for printing or a file in comma-separated values (CSV) format to report monthly tax for rates with Domestic Reverse Charge set to Yes in Tax Rate Maintenance.

Note A single invoice for sales of less than £5000 of qualifying goods to one VAT registered customer is not subject to the reverse charge rules, but should be charged with standard rate VAT and should not appear on the Reverse Charge Sales List Report. To manage this exclusion, you should set up customer tax class and usage values to reflect the normal trading situation for reverse charge items for each customer. You must then verify that the default usage is correct for each particular invoice before printing and posting.

Suspended Tax on Customer Invoices

Taxes on sales orders and customer invoices or credit notes are generally due at the same time as the invoice date. In some countries, however, the payment of taxes is deferred until the invoice has been fully or partially paid. Use the Suspended Tax option to defer the payment of taxes on a customer invoice until the invoice has been paid. If the Suspend Until Paid Status field is selected on the entity record, the taxes only become payable when the payment status is set to Paid. In this case, allocating payment to an invoice does not generate final tax postings unless the payment status is set to Paid at the same time.

Important Draft payments are the exception. The transfer from suspended tax to normal tax only takes place when the payment is assigned the Paid status. In addition, if the Suspend Until Paid Status field is selected on the entity record, all payments are treated as drafts, and the final tax postings are only generated when the payment status is set to Paid.

Suspended taxes are normally applied to all sales orders and invoices for designated customers. You enable suspended taxes per entity. You then define a dedicated suspended tax rate and apply a tax environment that retrieves this rate for the customer. This ensures that sales orders and invoices for this customer are automatically subjected to suspended tax. You can also apply normal taxes when creating individual sales orders and customer invoices by selecting a tax environment that retrieves a normal tax rate.

Note You suspend taxes on AR payments only. Use the Delayed Taxes option to defer recoverable taxes on AP payments. See “Delayed Tax on Supplier Invoices” on page 50.

For suspended tax, you use Tax Rate Maintenance (29.4.1) to define a set of tax accounts for the dedicated suspended tax rate you intend to use. The system then uses these accounts in postings when the suspended tax rate is applied.

A customer invoice with a normal tax rate of 10% applied generates the following postings:

Account	Debit	Credit
Customer Control	100	
Sales Finance		90
Sales Tax		10

When a suspended tax rate of 20% is applied, the tax amount is posted to the Sales Invoice Suspended Tax account you defined for the suspended tax rate:

Account	Debit	Credit
Customer Control	100	
Sales Finance		80
Suspended Tax		20

When the invoice has been paid, you create a customer payment and allocate it to the invoice to process the invoice amount. The system then generates a second tax posting if the Suspend Until Paid Status field is deselected on the entity record. If the Suspend Until Paid status field is selected, allocating a payment to an invoice does not generate final tax postings unless the payment status is also set to Paid.

When the payment is paid, the system debits the Sales Invoice Suspended Tax account for the tax amount, and credits the normal sales tax account:

Account	Debit	Credit
Customer Control		100
Bank Account	100	
Suspended Tax	20	
Sales Tax		20

For more information on customer payments, see *QAD Financials User Guide*.

The tax point date and period for the suspended tax postings is the same as the payment tax point date. When the GL or tax period for the original invoice posting is closed, the system displays an warning when the invoice with suspended tax is posted, but does not prevent the posting.

Suspended Tax on Other Customer Payment Types

Suspended tax can be applied to the following other types of customer payments:

- Invoice corrections, credit notes, and credit note corrections. The suspended tax postings are reversed for credit notes and credit note corrections.
- Manual payment of a customer draft.
- Customer payment selections for drafts.
- Allocation to an invoice using Banking Entry or Cashbox Entry.
- Allocation to a customer payment draft using Banking Entry or Cashbox Entry.
- Changing the status of a draft customer payment to Paid.
- Using Process Incoming Bank File to create new draft payments to be linked to invoices.
- Using Process Incoming Bank File to change an existing draft payment to Paid.
- Open Item Adjustment.

  Note A partial open item adjustment does not invoke suspended taxes.
- Cross-company payments. The additional posting lines are created in the entity of the invoice, and not that of the bank.

Calculating Suspended Tax Points

When the customer completes payment of an outstanding amount in payment stages, you define the point at which suspended taxes are calculated using the Suspended Tax field on the Entity Create/Modify screen.

This field has four options:

- Not applicable
- Till First Payment

  Taxes are suspended on the whole payment amount when the first payment is made.
- Till Last Payment

  Taxes are suspended on the whole payment amount when the final payment is made.
- Proportional to Payments

  Taxes are suspended when the first partial payment is made, and the taxes due are proportional to the amount of the partial payment. The tax due in this case is calculated using the following formula:

  *Suspended Tax Amount = Total Tax (base) Amount * Payment Amount / Original Invoice Total*

  For information on setting up entities, see *QAD Financials User Guide*.

When you change the payment stage on the Entity screen, the new level applies to new invoices and sales orders only. This flexibility lets you switch from suspended to normal taxes from one year to another.

For Draft customer payments, suspended taxes are changed to normal taxes when the draft is actually paid by the bank, and the payment status is changed to Paid.

Setting Up Suspended Tax

Configure suspended tax for a customer using the following steps:

1. Activate Suspended Tax for the entity by selecting a payment stage from the Suspended Tax drop-down list in Entity Modify. You can also use the Suspend Until Paid Status field to suspend the payment of taxes until the payment allocated to the invoice has a payment status of Paid.

   For information on setting up entities, see *QAD Financials User Guide*.

2. Use GTM to create a dedicated tax rate for suspended tax.

   In Tax Rate Maintenance, create a tax type for delayed tax, specify the tax rate, and select the Suspended Delayed field.

   Specify the AR invoice and credit note suspended tax accounts and the AP invoice and credit note delayed tax accounts to use when posting suspended and delayed taxes.

   In Tax Environment Maintenance, create a tax environment record for suspended and delayed taxes.

   List all ship-from and ship-to tax zone combinations for which suspended tax will apply.

   Specify the tax zone of customers for which suspended tax applies.

3 In Customer Modify, Tax Info tab, select the suspended tax zone and suspended tax class for the customer.

When you create a customer invoice for this customer, the tax tab indicates that the suspended tax environment is used. The Suspended Tax field in the tax grid of the Tax tab is also selected. The CI Posting tab indicates that the tax posting is to the suspended tax account.

When the tax environment for a customer is configured for suspended tax, suspended taxes are applied by default to each new sales order and customer invoice you create.

The Tax Info prompt in Sales Order Maintenance displays the default tax environment for the customer, and you can select a non-suspended tax rate by changing the environment at this stage.

To change the tax environment on a manually created customer invoice:

1 On the Tax tab, delete the existing tax line on the grid.

2 Insert a new row and select the required tax environment.

3 Enter the total base amount for the invoice.

4 Click away from the grid.

The system applies the new tax rate to the invoice amount and recalculates the tax amount accruing.

Suspended Taxes and Reversed Payments

You can reverse an invoice payment using Open Item Adjustment or by changing the status of the payment to Void, Bounced or Initial. When you reverse the payment in this way, the suspended tax postings are also reversed.

When you change the payment status of a supplier payment to Void, delayed taxes are not reversed. Voiding a supplier payment does not re-open the paid invoices, but instead triggers the creation of a new payment record for the same invoices. This lets you issue a new payment. When you want to cancel the supplier payment completely, set the payment status to Bounced.

Delayed Tax on Supplier Invoices

Taxes on purchase orders and supplier invoices or credit notes are generally due at the same time as the invoice date. However, in some countries, taxes with certain types of suppliers only become due after the invoice has been fully or partially paid. If the Delay Until Paid Status field is selected on the entity record, the taxes only become payable when the payment status is set to Paid. In this case, allocating payment to an invoice does not generate final tax postings unless the payment status is set to Paid at the same time.

Important Draft payments are the exception. The transfer from delayed tax to normal tax only takes place when the payment is assigned the Paid status. In addition, if the Delay Until Paid Status field is selected on the entity record, all payments are treated as drafts, and the final tax postings are only generated when the payment status is set to Paid.

When you account for tax after you have paid a supplier in AP, it is referred to as delayed tax. In this case, you can only deduct the tax in your declaration to the authorities after you have paid the supplier.

Delayed taxes are normally applied to all purchase orders and invoices for designated suppliers. You enable delayed taxes per entity. You then define a dedicated delayed tax rate and apply a tax environment that retrieves this rate for the supplier. This ensures that purchase orders and invoices for this supplier are automatically subjected to delayed tax. You can also apply normal taxes when creating individual purchase orders and supplier invoices by selecting a tax environment that retrieves a normal tax rate.

Note You delay taxes on AP payments only. Use the Suspended Taxes option to defer taxes on AR payments. For more information on AR invoices and payments, see *QAD Financials User Guide*.

For delayed tax, you use Tax Rate Maintenance (29.4.1) to define a set of tax accounts for the delayed tax rate. The system then uses these accounts in postings when the delayed tax rate is applied.

When you allocate payment to a supplier invoice with delayed tax, the system transfers the delayed tax amount to normal tax, and generates a second tax posting. This posting credits the AP Invoice Delayed Tax account for the tax amount, and debits the normal tax account. The tax point date and period for both postings is the same as the payment tax point date. The normal AP tax will, therefore, appear in the reporting for the period in which the payment was made.

Delayed Tax on Other Supplier Payments

In addition to Supplier Invoice Create, the following functions generate delayed tax postings (or reversal of delayed tax in case of payment) if delayed tax applies for the supplier:

- Supplier Payment Create—for payments that are not initial and for payments other than drafts
- Supplier Payment Selection Confirm—for payments other than drafts
- Banking Entry and Cashbox Entry, when the payment is allocated to a supplier invoice or to a supplier payment of type Draft
- When the payment is allocated to a supplier invoice
- When you change a Supplier Payment Status to Paid for a payment instrument of type Draft
- When processing an incoming bank file, when the status of the payment is changed to Paid or for a payment instrument of type Draft
- Open Item Adjustment, when you close a supplier open item and its balance is netted to zero

A partial open item adjustment does not cause the transfer from delayed to normal tax.

Delayed Taxes and Reversed Payments

If you reverse a payment to a supplier by setting it to Void, Bounced, or Initial or if you re-open the invoice in Open Item adjustment, the delayed tax transaction is netted from the normal AP tax account and re-posted to the AP delayed tax account.

Calculating Delayed Tax Points

When you pay a supplier in payment stages, you can define the point at which delayed taxes are calculated. The tax points for delayed tax on staged payments are defined using the same method as for suspended tax.

See “Calculating Suspended Tax Points” on page 49.

Setting Up Delayed Tax

Delayed tax for payments to suppliers is set up using the same method as for suspended tax on customer payments.

See “Setting Up Suspended Tax” on page 49.

Delayed Tax and Receiver Matching

Delayed tax does not accrue when the items are received. Therefore, in receiver matching, the PO receipt amount without delayed tax is matched to the base amount of the supplier invoice.

Example

You create a purchase order for 80 USD of items order from a supplier. A delayed tax rate of 17% applies. The items are to be delivered to the site where you recorded the order.

Receipt Postings

When the items are recorded as received, the system posts the following journal entries to the PO Receipts daybook. Delayed tax does not accrue at receipt so the postings are for the cumulative costs for the items ordered.

Account	Debit	Credit
Inventory	80.00	
PO Receipts		80.00

Invoice Postings

When you receive an invoice from the supplier and record the details using Supplier Invoice Create, the delayed tax is applied to the base invoice amount. When the invoice is saved, the delayed tax is posted to the AP Delayed Tax account specified for the applicable delayed tax rate in Tax Rate Maintenance. The journal entries for the supplier invoice are:

Account	Debit	Credit
AP		93.60
AP Delayed Tax	13.60	
Unmatched Invoices	80.00	

Matching Postings

You then match the supplier invoice to the PO receipt for the items in Receiver Matching Create. Delayed tax did not accrue when the items were received so the PO receipt without tax is matched to the base amount of the supplier invoice. The receiver matching postings are:

Account	Debit	Credit
PO Receipts	80.00	
Unmatched Invoices		80.00

Supplier Payment Postings

When the invoice has been paid, you create a supplier payment and allocate it to the invoice to process the invoice amount. The system then generates a second tax posting if the Delay Until Paid Status field is deselected on the entity record. If the Delay Until Paid status field is selected, allocating a payment to an invoice does not generate final tax postings unless the payment status is also set to Paid.

When you save the supplier payment, the system nets the tax from the delayed tax account and posts it to the normal account used for AP taxes.

Account	Debit	Credit
Supplier Bank		93.60
AP	93.60	
AP Delayed Tax		13.60
AP Tax	13.60	

Implementing China Golden Tax

The Golden Tax system is a legal information system in China for processing value added tax (VAT) invoices of different types. The system is established by the Chinese government to prevent tax fraud.

When a company doing business in China needs to send VAT invoices to customers, they must first obtain preprinted blank invoices from Chinese tax bureaus. A unique VAT invoice number appears on each blank invoice to identify its legality.

The Golden Tax system provides an application program that prints accepted invoice information such as the customer, invoice items, and price on the blank VAT invoice. The program also uploads the invoice amount associated with a unique invoice number to the country-wide Golden Tax system database used by Chinese government authorities for tax regulation.

It is legally forbidden to manually write on a blank VAT invoice or to print the invoice outside of the Golden Tax system.

To support these requirements, the Golden Tax Invoice Process menu (7.13.20.1) provides functions that let you export invoice information from your QAD database into a file. This file is then imported into the Golden Tax system for invoice print. After invoices are printed, printed data is loaded back into your QAD database.

Golden Tax Workflow

Typical Golden Tax workflow is illustrated in Figure 2.23.

Fig. 2.23
Golden Tax Typical Workflow

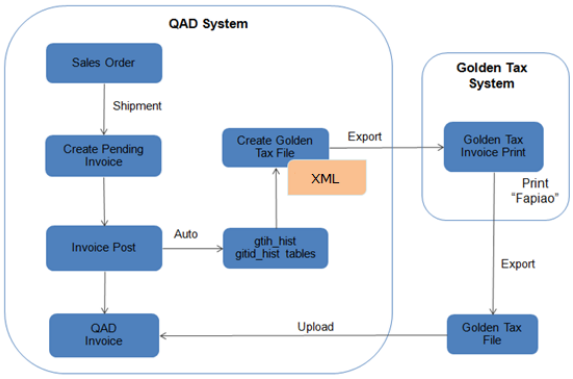
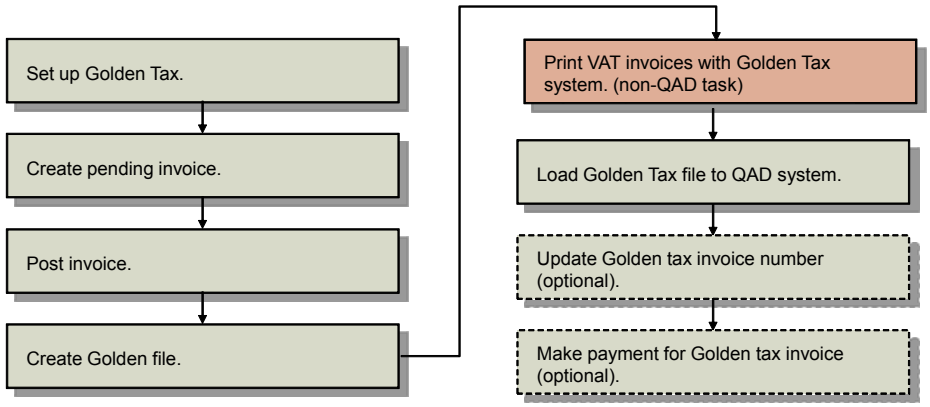


Figure 2.24 illustrates the steps to integrate with the Chinese Golden Tax system.

Fig. 2.24
Golden Tax Invoicing Flow



This workflow includes the following steps:

1. Define data required for the operation of the Golden Tax system.
2. Pending invoices are created automatically when items on a sales order are shipped, or manually in Pending Invoice Maintenance (7.13.1).
3. Post invoice using Invoice Post and Print (7.13.4) to generate Golden Tax invoice tax in related tables.
4. Create Golden Tax file in XML format to be uploaded to the Golden Tax system for invoice printing.
5. Use the Golden Tax system to print VAT invoices and output a data file of the printed invoices.
6. Import the file into your QAD database using Golden Tax File Load (7.13.20.1.3).
7. Optionally, manually enter Golden Tax Invoice number in Customer Invoice Modify (27.20.1.2).

8 Optionally, make payment against the Golden Tax invoice number in the following payment programs:

- Customer Payment Create (27.6.4.1)
- Banking Entry Create (31.1.1) or Petty Cash Create (31.2.1)
- Open Item Adjustment Create (25.13.5)

Invoice Types

The system supports two types of Golden Tax invoice transactions:

- Special invoices are for general taxpayers selling goods or providing taxable services.
- Ordinary invoices are for small-scale taxpayers.

You specify the Golden Tax transaction type for a customer on the Tax Info tab of Customer Create (27.20.1.1). By default, any order that you then create for that customer is assigned that transaction type. However, you can choose to change the type when you create the order in Sales Order Maintenance (7.1.1) or Customer Scheduled Order Maint (7.3.13).

The Golden Tax transaction type is displayed as a search filter or column in the following programs:

- Golden Tax Invoice Browse (7.13.20.1.4)
- Golden Tax Invoice Report (7.13.20.1.6)
- Customer Invoice View (27.1.1.3)
- Customer Invoice Extended View (27.18.4)
- Customer Invoice Activity View (27.18.2)

Note You can only consolidate sales orders with the same Golden Tax transaction type.

Non-taxable and Foreign Currency Invoices

Non-taxable invoices also need to be included in the Golden Tax System. Examples of non-taxable invoices are:

- Goods for export
- Sale of retired fixed assets
- Tax exempt trading

Foreign currency invoices are also included in the Golden Tax system, but they must be split according to the base currency amount. For more details, see Upper Limits and Invoice Splitting.

Upper Limits and Invoice Splitting

Multiple Golden Tax invoices can be associated with one QAD invoice. QAD invoices are split based on the invoice upper limits specified in Entity Create.

Each invoice upper limit is an amount approved by the tax authorities in China for each company. There are generally different upper limits for special and ordinary Golden Tax invoices. For both types, each invoice amount in that entity cannot equal or exceed the relevant upper limit.

Therefore, when the amount of a QAD invoice equals or exceeds the upper limit, it is automatically split into several Golden Tax invoices, each with an amount less than the upper limit. The upper limit does not include the tax amount.

The system uses the following rules to split a QAD invoice into several Golden Tax invoices.

- If an item's unit price equals or exceeds the upper limit, split the unit price and keep the quantity unchanged.
- If an item's unit price is less than the upper limit but the item's total amount equals or exceeds the upper limit, split the item's quantity.
- When an invoice has multiple items, the first item is split, and then the second, and so on.

Note If the Golden Tax invoice amount is negative, the QAD invoice is not split. The original amount is kept when Golden Tax invoice data is generated.

When a sales order is in a foreign currency, splitting logic is done according to the base currency. The foreign currency amount is converted to base currency and the splitting logic is then applied.

The following examples show for three sample scenarios how a QAD invoice is split into Golden Tax invoices. In all examples, the upper limit is $100,000.

Example 1: Item Price Exceeds Limit

Table 2.10
QAD Invoice Example 1

Item	Unit Price	Quantity
Item 1	$120,000	1

Table 2.11
Golden Tax Invoice 1

Item	Unit Price	Quantity
Item 1	$99,999	1

Table 2.12
Golden Tax Invoice 2

Item	Unit Price	Quantity
Item 1	$20,001	1

Example 2: Item Total Amount Exceeds Limit

Table 2.13
QAD Invoice Example 2

Item	Unit Price	Quantity
Item 1	$40,000	3

Table 2.14
Golden Tax Invoice 1

Item	Unit Price	Quantity
Item 1	$40,000	2

Table 2.15
Golden Tax Invoice 2

Item	Unit Price	Quantity
Item 1	$40,000	1

Example 3: Multiple Lines Exceed Limit

Table 2.16
QAD Invoice Example 3

Item	Unit Price	Quantity
Item 1	$40,000	3
Item 2	$120,000	2

Table 2.17
Golden Tax Invoice 1

Item	Unit Price	Quantity
Item 1	$40,000	2

Table 2.18
Golden Tax Invoice 2

Item	Unit Price	Quantity
Item 1	$40,000	1
Item 2	$29,999	2

Table 2.19
Golden Tax Invoice 3

Item	Unit Price	Quantity
Item 2	$49,999	2

Table 2.20
Golden Tax Invoice 4

Item	Unit Price	Quantity
Item 2	$40,001	2

Setting Up Golden Tax

In order for the Golden Tax invoice process to run properly, you need to set up some prerequisite data and initialize settings in Golden Tax Invoice Control (7.13.20.1.24).

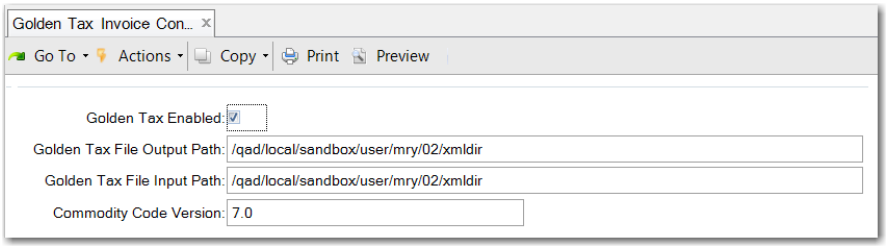
Define Golden Tax Prerequisites

- Specify the invoice upper limit for your company for special and ordinary invoices in the Entity record (36.1.1.2), so that QAD invoices can be split into several Golden Tax invoices. For more information, see “Upper Limits and Invoice Splitting” on page 55.
- Specify a default Golden Tax transaction type for each customer in Customer Create.
- Set up the Golden Tax tax rate in Tax Rate Maintenance (29.4.1). The VAT rate in China is typically 17%. This tax rate should be referenced by specifying the tax environment and other tax parameters when you create a sales order.

Set Up Golden Tax Invoice Control

Use Golden Tax Invoice Control (7.13.20.1.24) to enable the tax system and define processing defaults.

Fig. 2.25
Golden Tax Invoice Control (7.13.20.1.24)



Field Descriptions

Golden Tax Enabled. Select to enable Golden Tax features.

Golden Tax Output Path. Specify the file path where the system places the output file to be uploaded to the Golden Tax system for VAT invoice print.

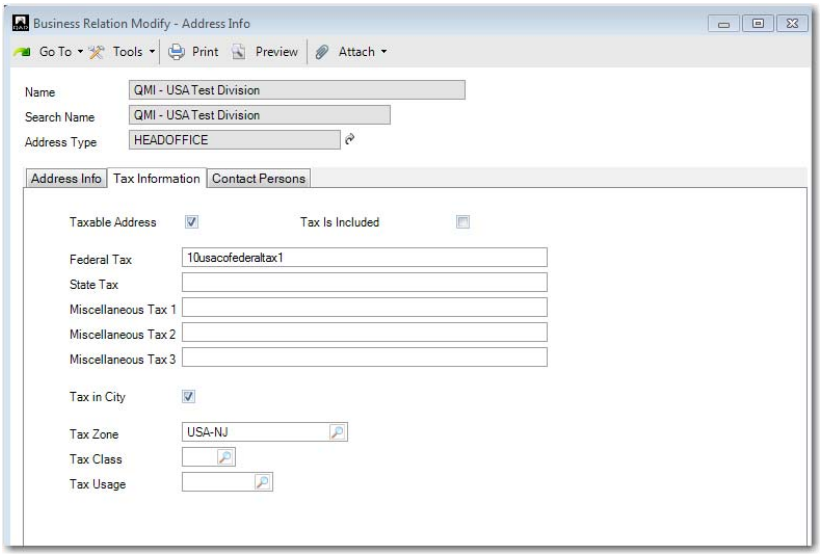
Golden Tax Input Path. Specify the default path of the file you import back into the QAD database containing information about printed invoices generated by the Golden Tax system.

Commodity Code Version. Specify the commodity code version to be included in the XML file.

Own Company Golden Tax ID

To maintain your company Golden Tax ID, use Business Relation Modify (36.1.4.3.2). You can maintain the value in the Federal Tax field of the HEADOFFICE type address in the record for your own company. If you do not use federal tax, maintain the Golden Tax ID in the State Tax field instead.

Fig. 2.26
Golden Tax ID



Exporting a Golden Tax File

Exporting creates a file that contains the QAD invoices ready for print by the Golden Tax system.

First, generate Golden Tax invoice data by posting the invoice. Next, export the Golden Tax file using Golden Tax File Create (7.13.20.1.2). The Golden Tax invoice data can be generated by the following programs when posting an invoice:

- Invoice Post and Print (7.13.4)
- Pre-Shipper/Shipper Confirm (7.9.5)
- Shipper Unconfirm (7.9.21)

Invoice Post and Print

When you run Invoice Post and Print (7.13.4) to post an invoice that meets Golden Tax setup prerequisites, the Golden Tax invoice data is written into the `gtih_hist` and `gtidh_hist` tables.

Optionally, consolidate pending invoices so that multiple sales orders are combined into one invoice. All sales orders with identical daybook set, sold-to address, bill-to address, currency, exchange rate, credit terms, trailer codes, tax environment, sales entity, and salespersons are consolidated into one invoice.

If the amount of a QAD invoice exceeds the entity invoice type upper limit, it is automatically split into several Golden Tax invoices. Golden Tax invoice data can be generated for the following operational invoice types:

- Customer Invoice
- Customer Invoice Correction
- Customer Credit Note
- Customer Credit Note Correction

Pending Invoice with Memo Item is also supported.

For details of Invoice Post and Print functionality, see *QAD Sales User Guide*.

Note At present, the trailer amount cannot be extracted into Golden Tax tables. This step is not supported in the Golden Tax solution. Instead, create a separate pending invoice with a memo item to generate Golden Tax invoice data.

You can check the Golden Tax invoice and split result after invoice posting in Golden Tax Invoice Report (7.13.20.1.6) and Golden Tax Invoice Browse (7.13.20.1.4).

Pre-Shipper/Shipper Confirm

When you choose to post an invoice that meets the Golden Tax setup prerequisites in Pre-Shipper/Shipper confirm, Golden Tax invoice data is generated as it is in Invoice Post and Print.

Shipper Unconfirm

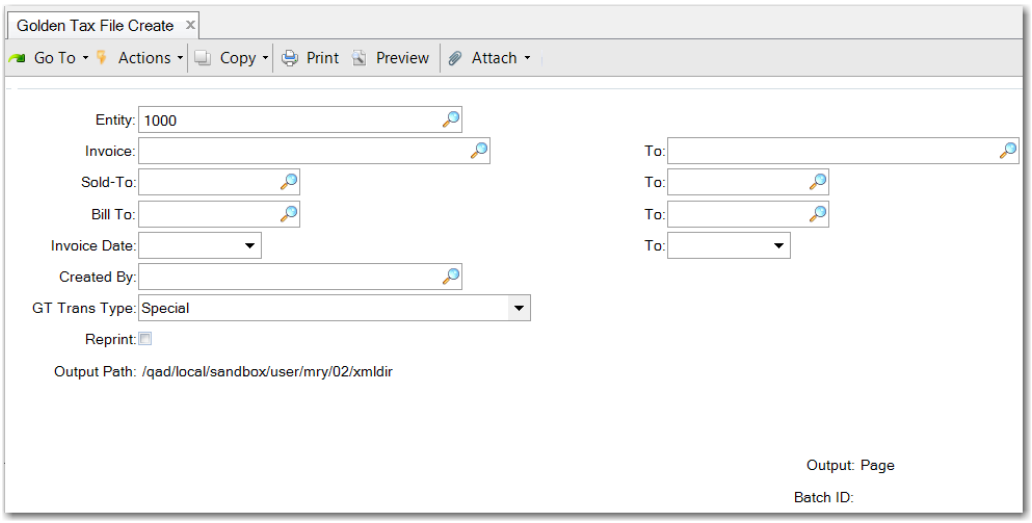
When you unconfirm a shipper and post an invoice that meets Golden Tax setup prerequisites in Shipper unconfirm (7.9.21), Golden Tax invoice data is generated as it is in Invoice Post and Print.

Golden Tax File Create

Use Golden Tax File Create (7.13.20.1.2) to select and export QAD invoices into an XML file to be uploaded to the Golden Tax system for VAT invoice print.

The file is generated in a standard XML format so that you can directly import it using the Golden Tax program in the Golden Tax system.

Fig. 2.27
Golden Tax File Create (7.13.20.1.2)



Select the invoices to include in the file to create by specifying the entity, invoice number, sold-to, bill-to, invoice date, and creator. You also specify the GT Trans Type, choosing Special or Ordinary. You must set the correct type for the invoice or invoice group. Any foreign currency invoices are first converted to base currency before splitting logic is applied. Set the output path in Golden Tax Invoice Control (7.13.20.1.24). The file is generated in XML.

In the generated Golden Tax file, the item and item description on the invoices are retrieved by the item code on the sales order in the following sequence:

1. If you maintain the item information in generalized codes, the values in generalized codes is retrieved. If not, go to step 2.
2. If you maintain a customer item for this item, the customer item code and customer item description (Display Customer Item) are retrieved. If the customer item is not maintained, go to step 3.
3. If you maintain the item in Item Maintenance, the item code and description are retrieved from item master data. If the item is not maintained, go to step 4.
4. The item code and description from the corresponding sales order are retrieved.

Golden Tax Invoice Report

When the Golden Tax invoice data is generated after invoice posting, you can check the Golden Tax invoice data detail and split result in Golden Tax Invoice Report (7.13.20.1.6).

- When only the Exported field is selected, the report only displays those Golden Tax invoices that have already been exported.
- When only the Non-Exported field is selected, the report only displays those Golden Tax invoices that have already been generated but not exported yet.
- When both fields are selected, the report displays all invoices, whether the Golden Tax invoices have been exported or not.

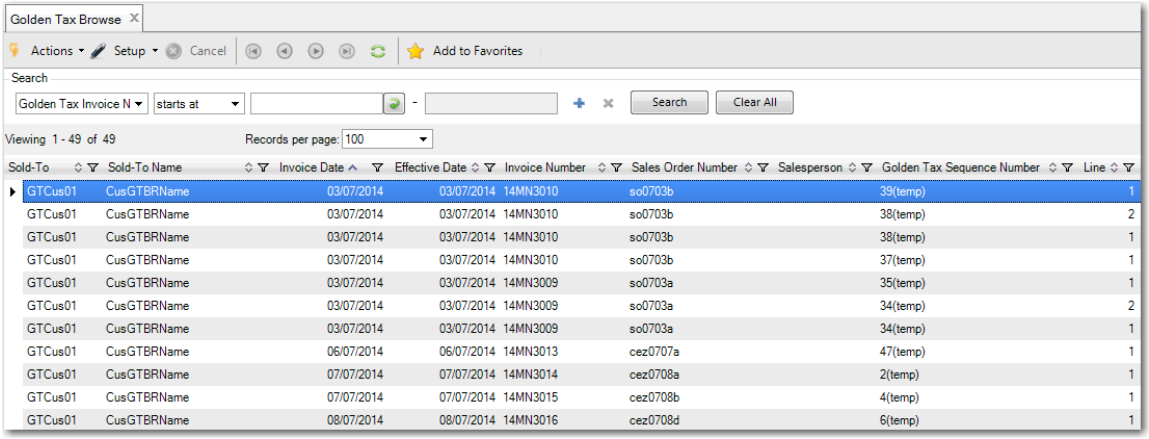
Golden Tax Invoice Number

When Golden Tax invoice data is generated, the system assigns a Golden Tax document number with temp as the suffix. After the Golden Tax file is uploaded back to QAD system, this field displays the VAT Invoice number, which is the legal Golden Tax invoice number.

Golden Tax Invoice Browse

Golden Tax Invoice Browse (7.13.20.1.4) also lets you view Golden Tax invoice data. Like the normal browse, it is configurable and allows you to export to Excel. It enables you to display Golden Tax information such as whether the invoice has been exported, the sequence number, and the transaction type.

Fig. 2.28
Golden Tax Invoice Browse (7.13.20.1.4)



Printing Golden Tax Invoices

Printing Golden Tax invoices is a non-QAD task that you perform with the Golden Tax system. The system also outputs a data file of printed Golden Tax invoices that you can load back into QAD in Golden Tax File Load (7.13.20.1.3).

Importing a Golden Tax File

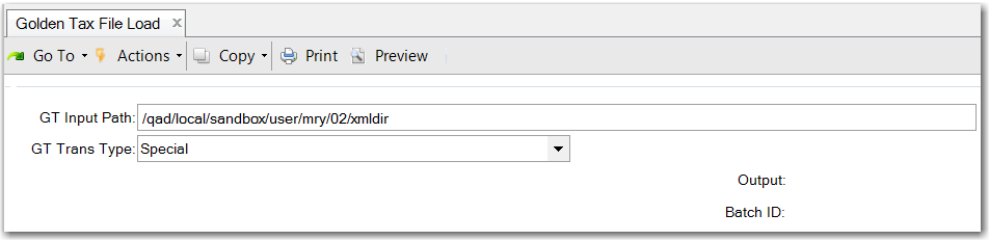
Use Golden Tax File Load (7.13.20.1.3) to import back into your QAD database information about printed Golden Tax invoices, such as Golden Tax invoice numbers, so that they can be referenced later.

You need to specify the path to the file that contains the printed Golden Tax invoices to import. The import file is automatically generated after the Golden Tax system prints VAT invoices.

Multiple Golden Tax invoices can be associated with one QAD invoice if the invoice is split according to the invoice upper limit. See “Upper Limits and Invoice Splitting” on page 55 for details.

You can query Golden Tax invoices and view their association with QAD invoices in Golden Tax Invoice Report (7.13.20.1.6).

Fig. 2.29
Golden Tax File Load (7.13.20.1.3)

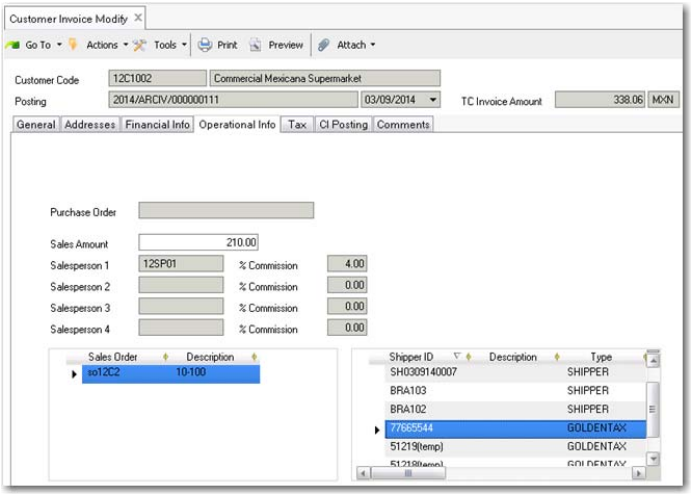


To import the Golden Tax file, specify the path of the file. The path defaults from the appropriate setting in Golden Tax Invoice Control (7.13.20.1.24). The GT Trans Type enables you to specify the transaction type for the invoices contained in this Golden Tax file.

Customer Invoice Modify

In the customer invoice, the system keeps track of the Golden Tax invoice numbers associated with the QAD invoice.

Fig. 2.30
Customer Invoice Modify



After running Invoice Post and Print, temporary Golden Tax invoice numbers are generated and appear in the Shipper ID field on the Operational Info tab of the related Customer invoice. The type is GOLDENTAX. Shipper IDs with type GOLDENTAX are the Golden Tax invoice numbers associated with the ERP invoice.

The Shipper ID is automatically updated with the VAT invoice numbers—the legal Golden Tax invoice number—when you run Golden Tax File Load (7.13.20.1.3). You can also add, modify, or delete the Shipper ID to manually maintain Golden Tax invoice numbers associated with the ERP invoice in Customer Invoice Modify.

To enable you to audit and trace invoice number updates, the system records each update on the Shipper ID, indicating:

- Whether it is an automatic or manual modification
- The user who did the update
- The update date and time

Payment of Golden Tax Invoices

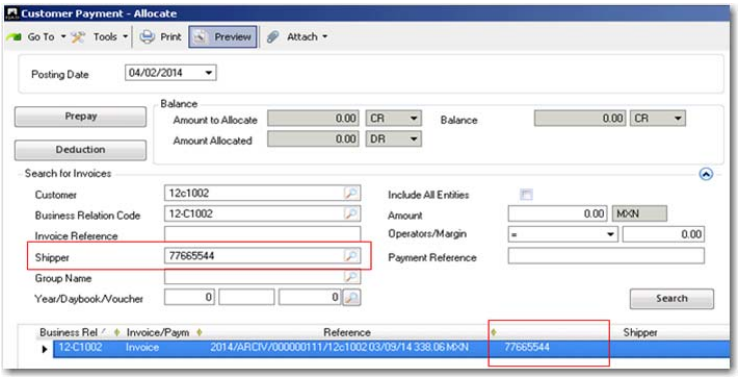
When the Golden Tax invoice is printed, the invoice is sent to the customer for payment collection. When the customer makes a payment against the Golden Tax invoice, you can allocate the payment in the QAD system by Golden Tax invoice number. You can reconcile the payment in the following programs:

- Customer Payment Create (27.6.4.1)
- Banking Entry Create (31.1.1) or Petty Cash Create (31.2.1)
- Open Item Adjustment Create (25.13.5)

Customer Payment – Allocate

When the customer makes payment for a Golden Tax invoice in part or in full, you can record the payment in Customer Payment Create (27.6.4.1).

Fig. 2.31
Customer Payment Create - Allocate



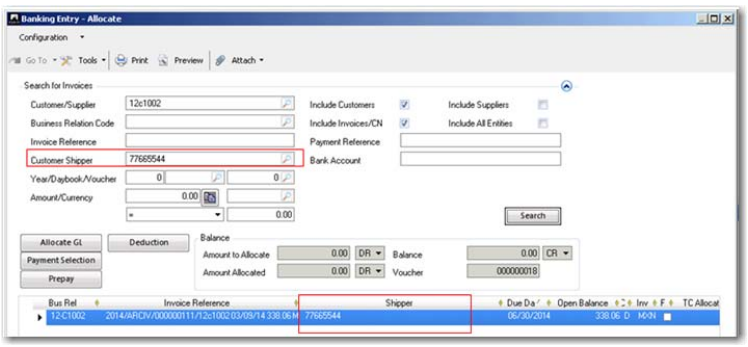
In the Customer Payment - Allocate screen, in the Search for Invoices section, enter the Golden Tax invoice number in the Shipper field and click Search. The related QAD invoice is then displayed in the grid and you can make a complete or partial payment against this invoice.

If the VAT invoice—the legal Golden Tax invoice—number is not loaded back to the QAD system, you need to input the Golden Tax Document Number with temp as the suffix.

Banking Entry - Allocate and Petty Cash - Allocate

You can also record the payment the using Banking Entry Create (31.1.1) or Petty Cash Create (31.2.1).

Fig. 2.32
Banking Entry Create - Allocate



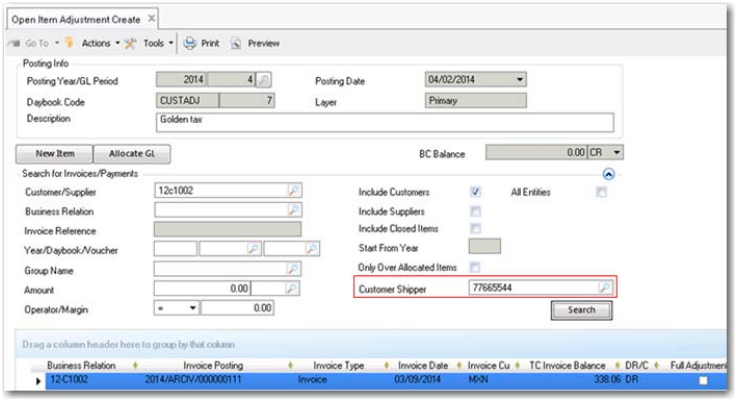
In the Banking Entry - Allocate screen, in the Search for Invoices section, enter the Golden Tax invoice number in the Shipper field and click Search. The related QAD invoice is then displayed in the grid and you can make a complete or partial payment against this invoice.

If the VAT invoice—the legal Golden Tax invoice—number is not loaded back to the QAD system, you need to input the Golden Tax Document Number with temp as the suffix.

Open Item Adjustment Create

Open Item Adjustment also enables you to record payment for Golden Tax invoices.

Fig. 2.33
Banking Entry Create - Allocate



In the Open Item Adjustment Create screen, in the Search for Invoices section, enter the Golden Tax invoice number in the Customer Shipper field and click Search. The related QAD invoice is then displayed in the grid and you can make a complete or partial payment against this invoice.

If the VAT invoice—the legal Golden Tax invoice—number is not loaded back to the QAD system, you need to input the Golden Tax Document Number with temp as the suffix.

AR Reports for Golden Tax Invoices

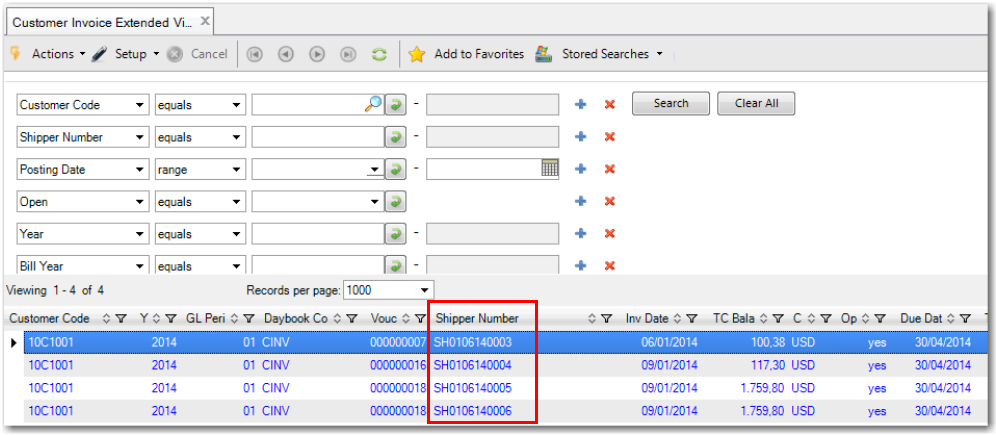
Several AR reports display the Golden Tax invoice number.

Customer Invoice Extended View

In Customer Invoice Extended View (27.18.4), the Type column and the Shipper Number column allow you to check every shipper number, legal document number, Golden Tax invoice number, or Golden Tax transaction type for an invoice. They are displayed in separate lines.

In the search criteria, you can enter the Golden Tax invoice number in the Shipper field to find the related QAD invoice. You can also use the Shipper field to search for the shipper number or legal document number. If the Golden Tax invoice number has not been loaded back into the QAD system, the temp number is displayed.

Fig. 2.34
Customer Invoice Extended View

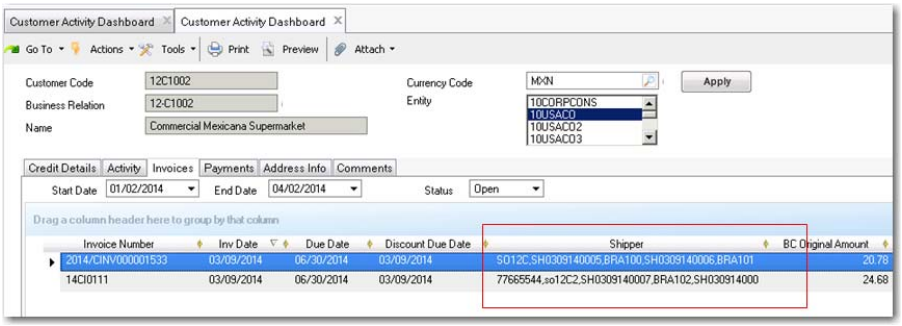


Note Customer Open Item Report (27.17.1) and Customer Open Item Basic Report (27.17.15) can also display the Golden Tax invoice number.

Customer Activity Dashboard

In Customer Activity Dashboard (27.18.1), on the Invoice tab, the Shipper column displays the customer shipper ID, legal document ID, or Golden Tax invoice number. This field is hidden by default. To make it visible, right-click the column and select the Shipper field.

Fig. 2.35
Customer Invoice Extended View



Other AR Reports

The Golden Tax invoice number field is also available in the data set of the following reports:

- Customer Aging Analysis History (27.17.7)
- Reminder Letter (27.17.10)
- Customer Reminder Overview (27.17.11)
- Customer Statement of Account (27.17.19)

Implementing Withholding Tax

In some South American countries and in Italy and Thailand, under certain circumstances, you are required to withhold a certain percentage of the payments to specific suppliers. These are typically sole traders who supply services rather than goods.

Withholding tax is an amount you withhold when making payment to the supplier. You are then responsible for settling the withheld tax with the government on your supplier's behalf. The rate at which withholding tax is calculated varies, depending on the nature of the product or service being paid for.

The purpose of withholding tax is to facilitate or accelerate collection, by collecting tax from the customers rather than a much greater number of suppliers, and by collecting tax from customers within the jurisdiction rather than suppliers who may be outside the jurisdiction. It may also be used to counteract tax evasion and tax avoidance.

Separate GL accounts are used for booking retained withholding tax amounts. The withholding tax liability is not created until an invoice that is subject to withholding tax is paid. At that point, withholding tax is retained from the total invoice amount and is credited to this separate account. If a partial payment is made, the system calculates the withholding tax liability based on the proportion of the invoice that is being paid.

The Withholding Tax account is then debited with the retained amount when the withholding tax is declared to the authorities. This is normally recorded using a manually entered GL transaction.

You can also configure a domain to post withholding tax when an invoice is created, rather than when the invoice is paid. If the payment bounces, then the withholding tax posting automatically reverses. This is also the case for payment selections that are unconfirmed.

Setting Up Withholding Tax

Withholding tax is not paid at a single standard rate. Instead, the amount of withholding tax due varies depending on the type of service provided and the tax jurisdiction.

You use Financials and GTM functionality to define both the withholding tax rates and the accounts that track the withholding tax liability.

Up to nine steps are required to set up withholding tax:

1. Enable withholding tax for the domain for which withholding tax must apply. See "Enabling Domain Withholding Tax Controls" on page 68.

   Withholding tax is enabled for all entities in that domain (automatic step). See "Viewing Entity Withholding Tax Controls" on page 69.

2. Define the next withholding tax number in Record Number Maintain. See "Defining the Next Withholding Tax Number" on page 70.

3. Define withholding tax certificates. See "Defining Withholding Tax Certificates" on page 71. This step is optional, and is not used in countries such as Italy.

4. Create a special withholding tax type in Tax Type Maintenance. See "Creating Withholding Tax Types" on page 71.

5. Create the relevant tax bases. See "Creating Tax Bases" on page 72.

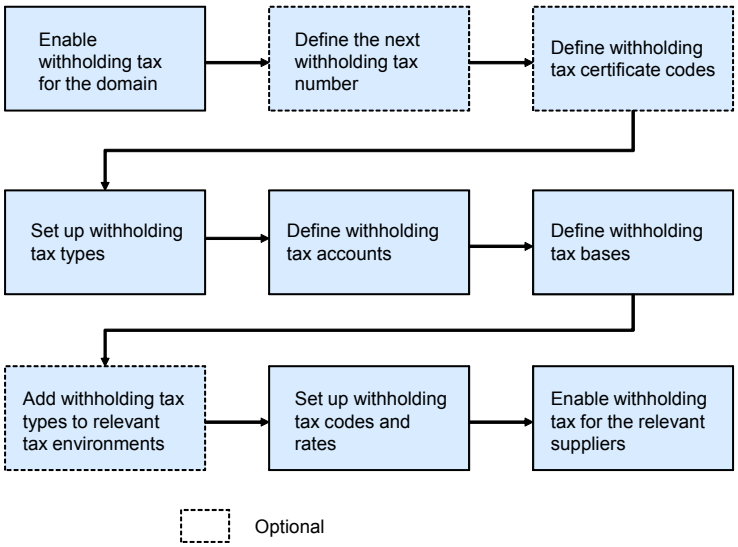
6 Define withholding tax accounts in GL Account Create. See “Defining Withholding Tax Accounts” on page 72.

7 Add withholding tax types to the relevant tax environments. See “Creating or Modifying a Tax Environment” on page 75.

8 Set up withholding tax rates and tax codes in Tax Rate Maintenance (29.4.1). See “Creating Withholding Tax Rates” on page 72.

9 Enable withholding tax for specific suppliers and specify default withholding tax data for those suppliers. See “Enabling Withholding Tax for Suppliers” on page 75.

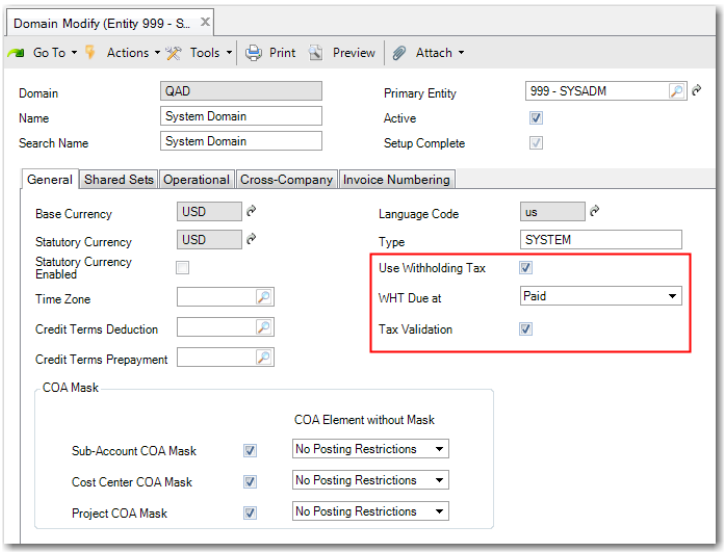
Fig. 2.36
Withholding Tax Setup



Enabling Domain Withholding Tax Controls

You enable withholding tax for a domain in the General tab of the Domain record.

Fig. 2.37
Domain Modify, General Tab



Use Withholding Tax. Select the field to enable withholding tax for the domain.

The domain-level withholding tax control settings are applied to all the entities within the domain, and you cannot update this setting within an entity.

If withholding tax is enabled for a domain and withholding tax records exist, you should not subsequently disable withholding tax for that domain.

WHT Due at. Specify when you want withholding tax to be posted. There are two options:

- Paid - when the payment is complete.
- For Collection - when the payment is created.

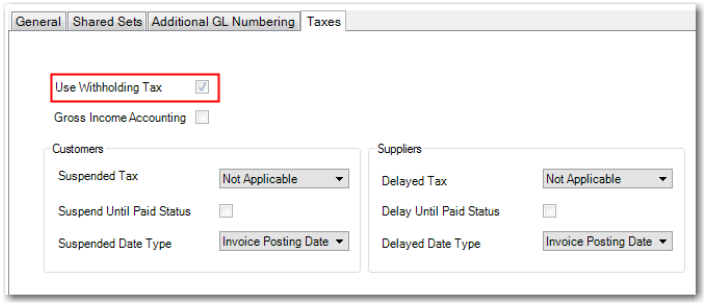
The value of this field can only be changed when there are no existing payments with the status For Collection in the domain. If the WHT Due at field is set to For Collection and the supplier payment status changes to Bounced or Void, or the supplier payment selection is unconfirmed, then the withholding tax posting is reversed.

Tax Validation. Select the field to validate the fiscal tax codes for withholding tax according to a predefined country-specific format for Italy. You specify a supplier's fiscal code when defining the supplier's withholding tax information in the Supplier record. See "Enabling Withholding Tax for Suppliers" on page 75.

Viewing Entity Withholding Tax Controls

When withholding tax is enabled for a domain, the system automatically enables the Withholding Tax field in the Taxes tab of the Entity record for all entities that belong to the domain. The Use Withholding Tax field is read only, and cannot be changed. You cannot disable withholding tax at entity level.

Fig. 2.38
Entity Create, Taxes Tab



Defining the Next Withholding Tax Number

You must define the next withholding tax number in Record Number Maintain, and you must do this for every entity for which withholding tax is enabled.

The withholding tax number is an index for the withholding tax records, and its usage is country dependent. For example, the withholding tax number is required in Thailand and Argentina for withholding tax certificates. The withholding tax number is applied to each payment for which withholding tax applies, and certificates are printed for every payment.

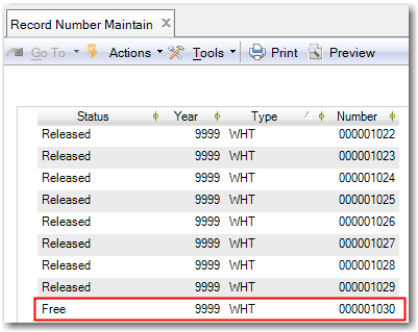
In countries such as Italy, the withholding tax number is not required. Italian withholding tax certificates cover transactions for an entire year, and can involve many withholding tax numbers—one for each payment.

The system generates a withholding tax number within the entity for each payment that is liable to withholding tax. All withholding tax numbers after this number are consecutive within the entity.

To specify the next withholding tax number:

1. Open Record Number Maintain in each entity that uses withholding tax.
2. Right-click in the grid and select Insert a new row.
3. In the new row, set the Type field to WHT and set the Year field to 9999.
4. Specify the next withholding tax number.
5. Save your changes.

Fig. 2.39
Record Number Maintain

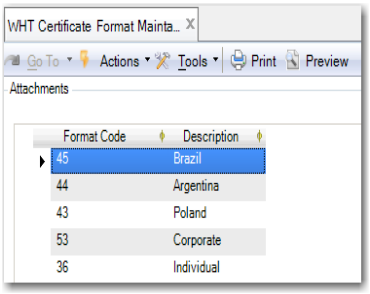


Defining Withholding Tax Certificates

Use WHT Certificate Format Maintain to define one or more withholding tax certificate formats. The certificate formats you define are stored at system level.

Multiple withholding tax certificate formats are needed in countries such as Thailand. The format code is then used in customization to link to a specific form layout.

Fig. 2.40
WHT Certificate Format Maintain



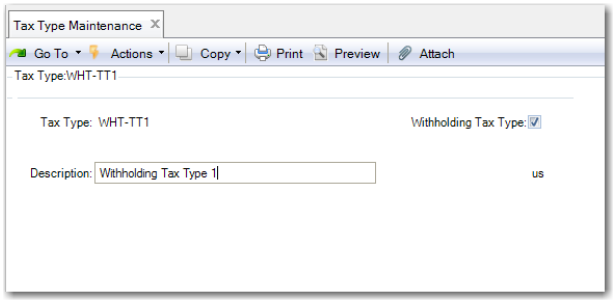
Format Code. Enter a maximum of 20 characters for the format code. This field is mandatory.

Description. Enter a maximum of 40 characters for the format code description. This field is mandatory.

Creating Withholding Tax Types

Use Tax Type Maintenance to create one or more tax types for use in withholding tax calculations. You then use these tax types when setting up tax rates for withholding tax calculations.

Fig. 2.41
Tax Type Maintenance



Withholding Tax Type. Select the field if the tax type will be used for withholding tax calculations.

The Withholding Tax Type field is cleared by default.

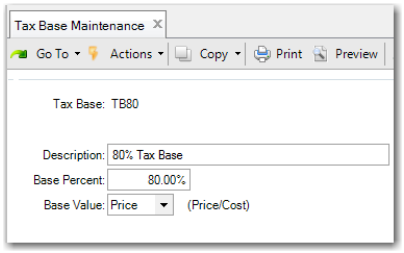
You must not clear the Withholding Tax Type field if postings have been made using a tax rate that is defined with this tax type.

See “Setting Up Tax Types” on page 12 for more information on Tax Type Maintenance.

Creating Tax Bases

Use Tax Base Maintenance to create tax bases used to indicate the portion of the fees that is subject to withholding tax. The percentage is 100% if the whole transaction is subject to withholding tax.

Fig. 2.42
Tax Base Maintenance

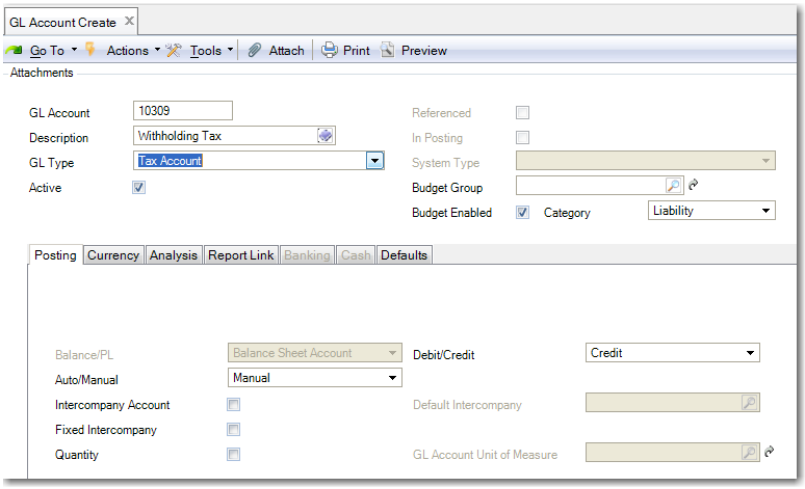


See “Setting Up Tax Bases” on page 19 for more information on Tax Base Maintenance.

Defining Withholding Tax Accounts

In Tax Rate Maintenance, you must specify the tax account or accounts to use in the payment of invoices and credit notes when posting the withholding tax liability. Before proceeding to Tax Rate Maintenance, you must first define the tax accounts in GL Account Create. The accounts must have the GL type Tax Account.

Fig. 2.43
GL Account Create

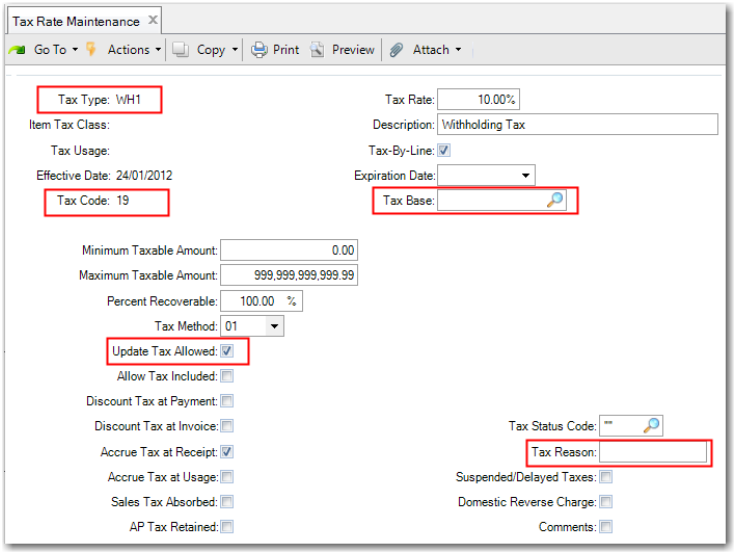


Creating Withholding Tax Rates

Use Tax Rate Maintenance to define tax rates that use a withholding tax type.

Withholding tax is not paid at a single standard rate. Instead, the amount of withholding tax due varies, depending on the setup parameters of the tax rate.

Fig. 2.44
Tax Rate Maintenance



Tax Type. Specify a tax type for withholding tax transactions. The Withholding Tax Type field must be selected for the tax type in Tax Type Maintenance, indicating that the tax type is designated for use in withholding tax calculations only.

Tax Code. Specify the withholding tax code for the service.

Tax Base. Specify the tax base that determines the percentage of the fee that is subject to withholding tax. See “Creating Tax Bases” on page 72.

Update Tax Allowed. Select this field to enable tax amounts for this rate to be edited on supplier invoice and supplier payment tax lines.

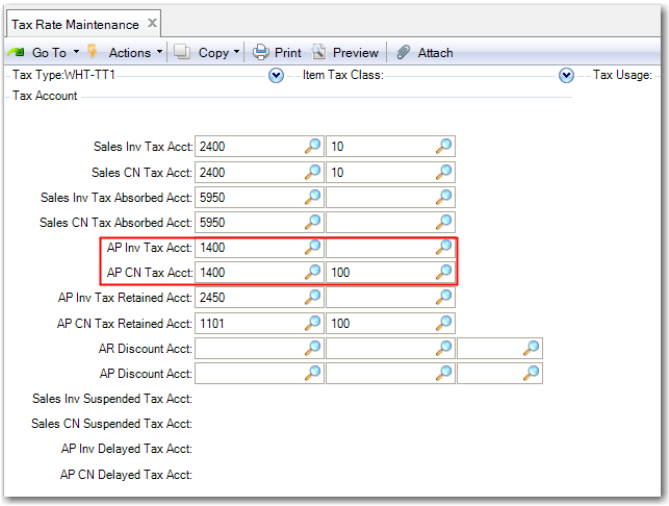
Tax Rate. Specify the rate at which withholding tax must be applied.

Description. Enter a description of the service that is subject to withholding tax.

Tax Reason. Optionally, you can use this field to store a code that identifies the type of service provided. In Italy, the codes for specific services are provided in the list of Codici Tributo (tax codes), which is published by the Italian tax authorities.

In Tax Rate Maintenance, you must also specify the tax account or accounts to use for payment of invoices and credit notes when posting the withholding tax liability. The GL type for these accounts must be set to Tax Account.

Fig. 2.45
Tax Rate Maintenance, Tax Accounts

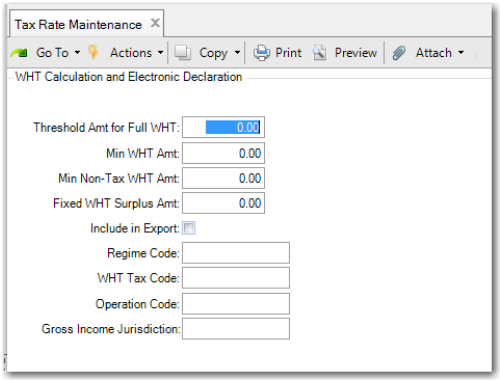


Withholding Tax Fields in Tax Rate Maintenance

When creating a tax rate record for a tax type for which the Withholding Tax field is selected, you can optionally enter additional values for withholding tax calculation and electronic tax declarations.

Note These fields are designed for use in country-specific withholding tax localizations.

Fig. 2.46
Tax Rate Maintenance, Additional Fields



Threshold Amt for Full WHT. Specify the minimum invoice amount for which withholding tax applies. In some countries, suppliers must retain the full tax amount if the supplier invoice amount is less than the amount specified in this field.

Min WHT Amt. Specify the minimum withholding tax amount. If the withholding tax amount is less than the value specified in this field, no withholding tax is applied.

Min Non-Tax WHT Amt. Specify an amount to deduct from the supplier invoice amount when calculating the withholding tax amount.

Fixed WHT Surplus Amt. Specify a fixed amount to add to the calculated withholding tax amount.

Include in Export. Select the field if the withholding tax amounts must be included when the data is exported to file. The default is that the field is cleared.

Regime Code. Specify the regime code, which is required for some types of electronic declarations.

WHT Tax Code. Specify the tax code, which is required for some types of electronic declarations.

Operation Code. Specify the operation code, which is required for some types of electronic declarations.

Gross Income Jurisdiction. Specify the gross income jurisdiction code defined by the local government. In Argentina, you must supply this value for Gross Income Perception type taxes.

Creating or Modifying a Tax Environment

Add the withholding tax types you created to the relevant tax environments if you want GTM to automatically calculate withholding tax for POs, fiscal receiving, and supplier invoices.

If you want to use a manual flow for withholding tax calculation, do not add withholding tax types to the tax environment. You can manually add withholding tax to an invoice in the Withholding Tax tab of Supplier Invoice Create.

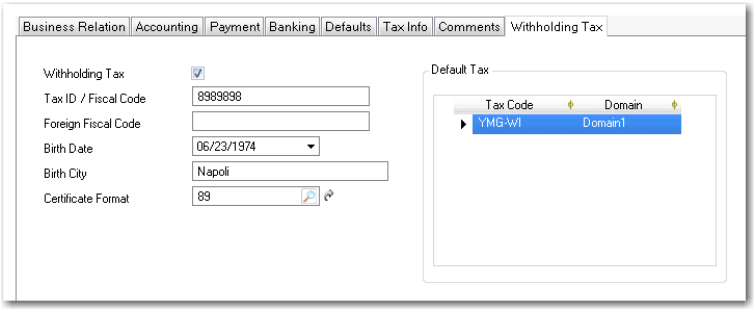
Enabling Withholding Tax for Suppliers

The Withholding Tax tab of the Supplier record lets you indicate the suppliers for which withholding tax applies, and specify withholding tax data for the supplier. You can only enable withholding tax for suppliers that belong to a domain for which withholding tax is enabled.

Note The withholding tax fields are also available when you load and modify supplier data using Supplier Excel Integration.

In the Withholding Tax tab, you can enter the fiscal code of the relevant supplier and specify if the supplier is an individual rather than a company. If the supplier is an individual, you can enter additional personal details that might be relevant, such as the person's place of birth. These details are required for withholding tax legal reporting in Italy. However, the details are not required by other countries, such as Thailand.

Fig. 2.47
Supplier Create, Withholding Tax Tab



Withholding Tax. Select the field if withholding tax applies for the supplier. The field is deselected by default.

Note Selecting the Withholding Tax field activates the other fields in the tab.

Tax ID/Fiscal Code. Specify the supplier's tax ID or fiscal code, which the system uses to determine withholding tax. In Italy, the fiscal code is issued by the tax authorities and identifies individuals who reside in Italy and are subject to Italian tax regulations.

If the Tax Validation field is selected for the current domain, the system validates the fiscal code when you click Save or Save and Create. The fiscal code is validated using an algorithm designed for Italy.

Foreign Fiscal Code. If the supplier has a fiscal tax code from another country, specify that tax code here.

Birth Date. If the supplier is an individual, specify the supplier's date of birth. This field is optional.

Birth City. If the supplier is an individual, specify the supplier's city of birth. This field is optional.

Certificate Format. Use the lookup to specify a withholding tax certificate format for the supplier. This field is optional.

Default Tax Grid

Use the grid to specify default withholding tax codes for each domain that uses the shared set to which the supplier belongs and for which withholding tax is enabled.

Tax Code. Specify the default withholding tax code that applies for this supplier. You can use the lookup to select from tax codes belonging to tax types designated for use in withholding tax calculations.

This field is mandatory for suppliers that are subject to withholding tax.

Domain. Specify the domain in which the tax code applies. At a minimum, you must specify a tax code linked to the current domain.

When you click Save or Save and Create, the system validates that the withholding tax codes entered in the grid are valid for the associated domains and are linked to tax types designated for use with withholding tax, and that at least a single row exists in the grid, linked to the current domain.

Creating Purchase Orders Subject to Withholding Tax

If withholding tax is enabled for the domain, the supplier is subject to withholding tax, and one or more withholding tax types are linked to the current tax environment; withholding tax is calculated and stored automatically by GTM when you create purchase orders for the supplier.

The calculated withholding taxes do not display in the trailer of Purchase Order Maintenance.

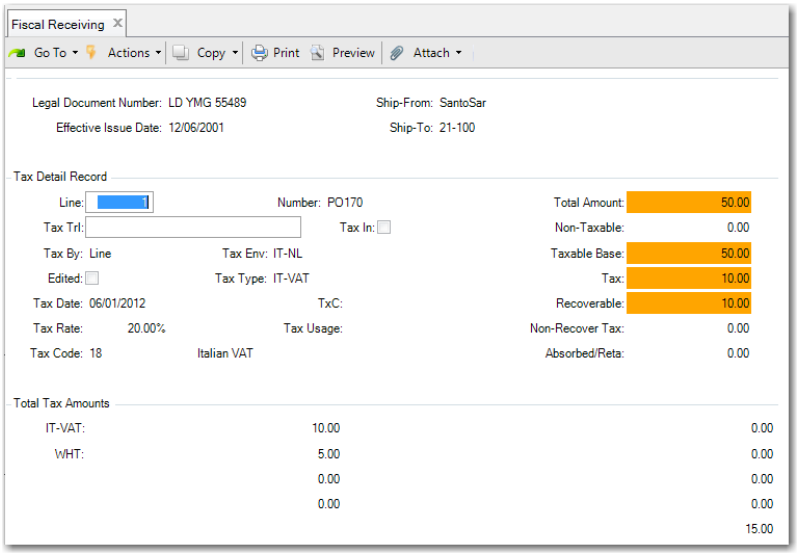
Creating Fiscal Receipts Subject to Withholding Tax

If fiscal receiving is activated by selecting Fiscal Confirm Required in Purchasing Control (5.24), withholding tax is enabled for the domain, the supplier is subject to withholding tax, and one or more withholding tax types are linked to the current tax environment; withholding tax is calculated and displayed in the trailer of Fiscal Receiving (5.20.1).

If the Update Tax Allowed field is selected in Tax Rate Maintenance, you can update the withholding tax amounts displayed in the trailer of Fiscal Receiving.

For more information on Fiscal Receiving, see *QAD Purchasing User Guide*.

Fig. 2.48
Fiscal Receiving, Trailer with Withholding Tax



Creating Invoices Subject to Withholding Tax

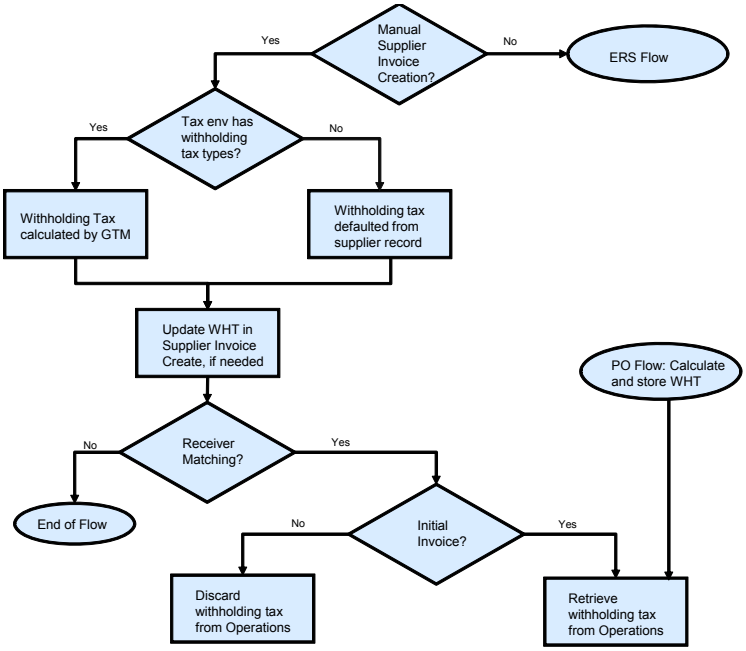
Creating Invoices Manually

If withholding tax is enabled for the domain and the supplier is subject to withholding tax, the Withholding Tax tab is enabled in Supplier Invoice Create when you create invoices for that supplier. The system can populate the Withholding Tax tab automatically or you can enter withholding tax details manually.

If the tax environment contains one or more tax types for which the Withholding field is selected in Tax Type Maintenance, the Withholding Tax tab is automatically populated with withholding tax data. The tax rates and the tax amounts are calculated automatically by GTM.

If the tax environment does not contain withholding tax types, you must manually enter the withholding tax data in the Withholding Tax tab.

Fig. 2.49
Manual Invoice Creation Flow

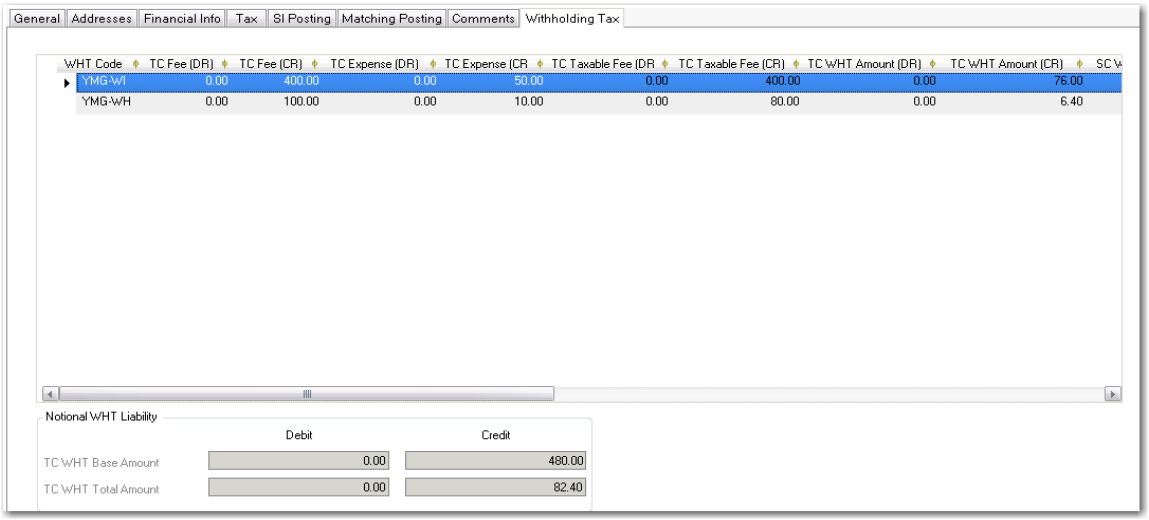


The Withholding Tax tab contains a grid with fields for calculating withholding tax. If you are using the manual process to enter withholding tax, when you first access the tab, the grid is empty. To manually populate the grid and calculate withholding tax, right-click in the grid and select Insert a New Row to create a grid row.

If you are using the automatic calculation process, the default withholding tax code for that domain from the supplier's withholding tax setup in the Supplier record defaults in.

When you create an invoice for a supplier who is subject to withholding tax, you can enter a fee or a reimbursed expense. Withholding tax can be charged for fee items, but not for expenses.

Fig. 2.50
Supplier Invoice Create, Withholding Tax Tab



When a grid row is added, either manually or automatically by GTM, the default withholding tax code for that domain from the supplier's withholding tax setup in the Supplier record defaults in. However, you can change the default tax code for the line and enter a new withholding tax code. For each withholding tax code, you can specify fees and expense amounts. You can enter fees and expense amounts on the same line or on separate lines.

Note You can only enter one expense amount in the grid.

The sum of the total withholding tax fees and expenses must not exceed the taxable base amount if the invoice is taxable. If the invoice is non-taxable, the sum of the total withholding tax fees and expenses must not exceed the invoice total.

The taxable base is the invoice amount less any non-withholding tax. If an invoice for 120 Euros includes 20% VAT, the taxable base is 100 Euros. Therefore, the sum of all fees and expenses on all withholding tax lines for that invoice must not exceed 100.

If the Update Tax Allowed field is selected in Tax Rate Maintenance for the withholding tax rate, you can modify the withholding tax amounts calculated in the Withholding Tax tab.

Example

In Figure 2.50, two withholding tax codes apply. On line one, the fee amount is 400 Euros and the expense amount is 50 Euros. The line is subject to withholding tax at 19% and the tax is 100% recoverable. The Taxable Fees amount is 400 Euros (100% recoverable) and the TC WHT Amount is 76 Euros (19% of 400).

On line two, the fee amount is 100 Euros and the expense amount is 10 Euros. The line is subject to withholding tax at 8% and the tax is 80% recoverable. The Taxable Fees amount is 80 Euros (80% recoverable) and the TC WHT Amount is 6.40 Euros (8% of 80). Therefore, the total taxable base for the invoice is 480 Euros and the total withholding tax is 82.40 Euros (76 Euros + 6.40 Euros).

If you try to save an invoice for which the sum of the fees and expenses exceeds the taxable base, the system displays an error message and you cannot save the invoice. In addition, you cannot save a row in the Withholding Tax grid if all fee and expense fields on the line are set to 0 (zero).

The following section describes the key fields in the Withholding Tax grid:

WHT Code. Specify the withholding tax code.

If withholding tax is enabled for the domain and the supplier is subject to withholding tax, the withholding tax code defaults from the supplier withholding tax setup. However, you can change the tax code by selecting a new withholding tax code from the lookup.

The lookup includes tax codes associated with tax types designated for use in withholding tax calculations. Each tax code can only be referenced on one line of an invoice.

For each withholding tax code, you can specify fee and expense amounts. You can enter fee and expense amounts on the same line or on separate lines. However, you cannot enter two lines in the grid for the same withholding tax code. If you enter an expense amount on a line without specifying a fee amount for that line, you do not need to enter a withholding tax code because withholding tax calculations only apply to fee amounts.

Description. This field displays a description of the tax rate, and is read only. This value is retrieved automatically from the Description field of the tax rate record for the withholding tax code. The tax rate description should indicate the type of service concerned.

Fees DR/CR. Specify the fees amount that is subject to withholding tax.

When the first grid line is added, either automatically by GTM or manually, the TC taxable base amount from the Tax tab defaults into the respective CR or DR column. If the invoice is non-taxable, the total invoice amount is used. For all subsequent lines inserted in the grid, the fees values default to zero.

For invoices, specify the fees amount in the Fees Cr field.

For invoice corrections, specify a negative fees amount in the Fees Cr field.

For credit notes, specify the fees amount in the Fees Dr field.

For credit note corrections, specify a negative fees amount in the Fees Dr field.

Expense DR/CR. Specify the invoice amount that is not subject to withholding tax. The default is 0 (zero).

TC Taxable Fees DR/CR. This field displays the taxable fees value, which is the withholding tax base amount. This amount is calculated by multiplying the fees amount by the tax base percentage recoverable for the tax rate used. For example, if the fee is 100, and the recoverable percentage for the withholding tax rate is 80%, the Taxable Fees amount is 80.

BC Taxable Fees DR/CR. This field displays the taxable fees value, which is the withholding tax base amount, in base currency. This amount is calculated by multiplying the Taxable Fee Amount in transaction currency by the exchange rate on the invoice.

SC Taxable Fees DR/CR. This field displays the taxable fees value, which is the withholding tax base amount, in statutory currency.

This amount is calculated by multiplying the Taxable Fee Amount in transaction currency by the statutory exchange rate if the statutory currency is enabled for the domain. If the system cannot find a statutory exchange rate that is valid for that date, it reverts to using the accounting exchange rate, if the Fallback to Accounting field is selected for the statutory exchange rate.

WHT Rate %. This field displays the rate at which withholding tax is applied.

TC WHT Amount DR/CR. This field displays the withholding tax amount in transaction currency for that line. This amount is calculated by multiplying the amount in the Taxable Fees field by the tax rate percentage used.

BC WHT Amount DR/CR. This field displays the withholding tax amount in base currency for that line. This amount is calculated by multiplying the TC WHT Amount by the exchange rate on the invoice.

SC WHT Amount DR/CR. This field displays the withholding tax amount in statutory currency for that line. This amount is calculated by multiplying the TC WHT Amount by the statutory exchange rate if the statutory currency is enabled for the domain. If the system cannot find a statutory exchange rate that is valid for that date, it reverts to using the accounting exchange rate, if the Fallback to Accounting field is selected for the statutory exchange rate.

If no accounting exchange rate is available, an error is displayed.

WHT Acct. This field displays the AP tax account associated with the withholding tax code in Tax Rate Maintenance. For invoices and invoice corrections, this is the AP Inv Tax Acct. For credit notes and credit note corrections, it is the AP CN Tax Acct.

WHT Sub-Acct. This field displays the AP tax sub-account, if any, associated with the withholding tax code in Tax Rate Maintenance.

Fields Under Grid

TC WHT Base Amount. This field displays the total base amount that is subject to withholding tax. This value is the sum of the TC Taxable Fees fields for all lines in the grid.

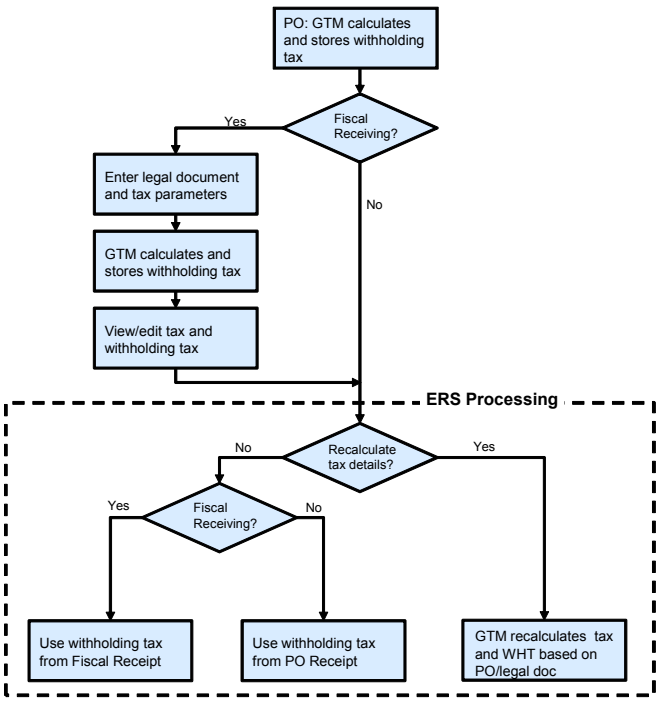
TC WHT Total Amount. This field displays the withholding tax total for the invoice, which is summed from the amounts for all withholding tax codes.

See “Withholding Tax Examples” on page 97 for detailed withholding tax invoice line and payment examples, including their resultant postings.

Creating Invoices Automatically using ERS

The Evaluated Receipts Settlement (ERS) function lets you generate supplier invoices and corresponding receiver matching records based on purchase order receipts or fiscal receipts.

Fig. 2.51
PO, Fiscal Receiving, and ERS Processes



PO Process

If fiscal receiving is not activated, ERS generates supplier invoices and corresponding receiver matching records based on purchase orders receipts.

If you select the Recalculate Tax Details field in the ERS Processor, GTM recalculates the tax using the latest definition of the withholding taxes and normal taxes from the purchase order. If the Recalculate Tax Details field is cleared, the withholding tax values from the purchase order populate the Withholding Tax tab of the supplier invoice created by ERS.

Fiscal Receiving Process

If fiscal receiving is activated by selecting Fiscal Confirm Required in Purchasing Control, ERS lets you create matched supplier invoices and credit notes or invoice corrections using fiscal receipts, and not PO receipts. Otherwise, ERS creates the supplier invoice and receiver matching based on the purchase order.

When ERS creates supplier invoices based on fiscal receipts, the Withholding Tax tab of the supplier invoice is automatically populated based on the withholding taxes associated with the purchase order and updated withholding tax values from Fiscal Receiving.

If you select the Recalculate Tax Details field in the ERS Processor, GTM recalculates the tax using the latest definition of the withholding taxes and normal taxes from the PO or legal document. If the Recalculate Tax Details field is cleared, the edited withholding tax values from Fiscal Receiving populate the Withholding Tax tab of the supplier invoice created by ERS.

Modifying Invoices Subject to Withholding Tax

If a supplier invoice that is subject to withholding tax has not been paid, you can use Supplier Invoice Modify or Supplier Invoice Allocate to modify the fee and expense amounts, and add or delete withholding tax lines.

Withholding Tax and Receiver Matching

In Receiver Matching, if the invoice was created in the initial state, the system always uses the withholding tax data calculated by GTM on the purchase order, and overwrites any withholding tax values you enter in the Withholding Tax tab of Supplier Invoice Initial Create.

If the invoice is not initial, the system uses the withholding tax entered, either manually or automatically by GTM, in the Withholding Tax tab of Supplier Invoice Create.

Paying Invoices Subject to Withholding Tax

When you pay an invoice that is subject to withholding tax, the withholding tax amount is subtracted from the amount paid to the supplier, and this amount is credited to the withholding tax account.

Multiple withholding tax entries can exist for each invoice, and you can make partial payments against each invoice. If you partially pay an invoice, the system calculates the withholding tax liability by prorating it against the total payment due for that invoice.

The standard payment functions support withholding tax:

- Supplier Payment Create
- Supplier Payment Selection Create and Supplier Payment Selection Confirm
- Banking Entry Create, Banking Entry Allocate, Petty Cash Create, and Petty Cash Allocate

- Open Item Adjustment

The system creates a withholding tax record when a payment is created with any status other than Initial, and deducts the withholding tax amount for the amount to allocate and reduces the Paid Amount by this value. However, the withholding tax liability remains outstanding until the payment is set to the Paid status.

Note An invoice is marked as closed when the full amount, after withholding tax, is paid, and the payment is set to the Paid status.

When you save a supplier payment for an invoice with withholding tax with a status of Paid, a withholding tax record is created for the payment and the withholding tax date is set to the payment creation date. The system then generates a withholding tax number for the payment. For cross-company transactions, the withholding tax record is created in the entity where the invoice was created.

When the invoice is paid, the system creates additional general ledger postings to the withholding tax account defined for the withholding tax rate. For example, if the invoice amount to pay is 100, and the withholding tax deduction is 10, the postings are as follows:

GL Account	DR	CR
Supplier Control Account	100	
Bank Account		90
Withholding Tax Account		10

Note The transactions shown are a summary of several postings created, and indicate the net result of the transactions. See “Withholding Tax Examples” on page 97 for detailed transaction line examples.

If you want to modify the withholding tax details on the supplier payment line, you must select the Update Tax Allowed field in Tax Rate Maintenance for the tax rate and tax code. If any of the withholding tax codes linked to the invoice have a tax rate for which the Update Tax Allowed field is cleared in Tax Rate Maintenance, you cannot modify any of the withholding tax payment amounts for that invoice.

Supplier Payment Create

If withholding tax is enabled for the domain and for the supplier, withholding tax values are calculated for invoices. You can then use Supplier Payment Create to pay invoices subject to withholding tax.

When paying an invoice with withholding tax, you specify the supplier and then specify the invoice amount less withholding tax in the Amount field in Supplier Payment Create. If an invoice for 1000 Euros is subject to 114.20 Euros withholding tax, enter 885.80 Euros in the Amount field in Supplier Payment Create.

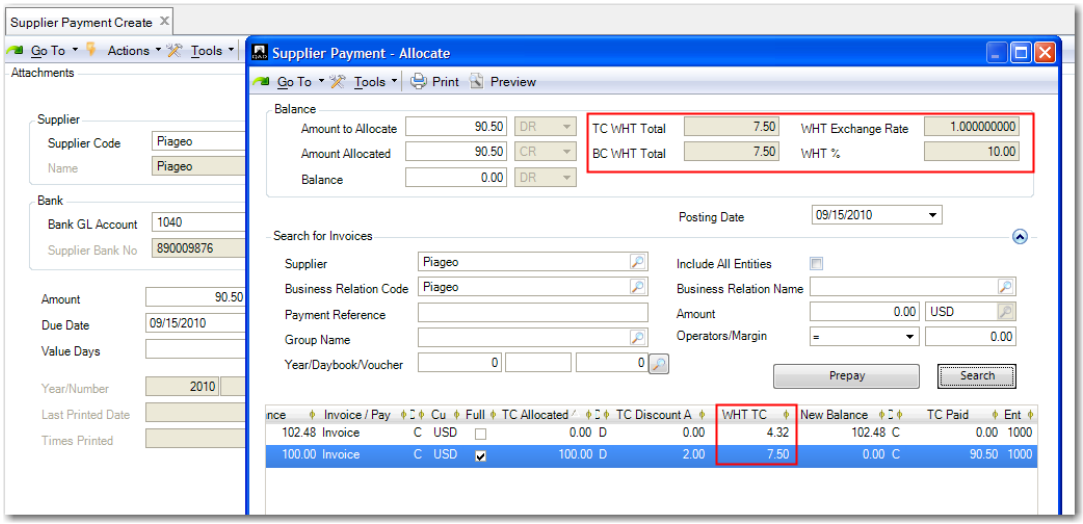
Note You can also leave the Amount field as zero in Supplier Payment Create, and continue to the Allocate screen. The system calculates the amount to pay and copies this value back to the Amount field in Supplier Payment Create.

Click the Allocate button and locate the invoice subject to withholding tax. Select the Full field to allocate the full payment amount to the invoice. When you click the Full field, the system deducts the withholding tax value and discount applicable from the outstanding invoice amount, and updates the TC Paid field in the grid in Supplier Invoice Allocate to be the open invoice amount less withholding tax and the discount.

If you allocate partial payment to the invoice, the withholding tax is proportional to the payment amount against the invoice. For example, if an invoice for 1000 is subject to 150 Euros withholding tax, 850 Euros is due in payment. If you allocate a partial payment of 425 Euros to the invoice, the withholding tax for the partial payment is calculated as 75 Euros. For a partial payment, the withholding tax is proportional to the payment amount against the invoice.

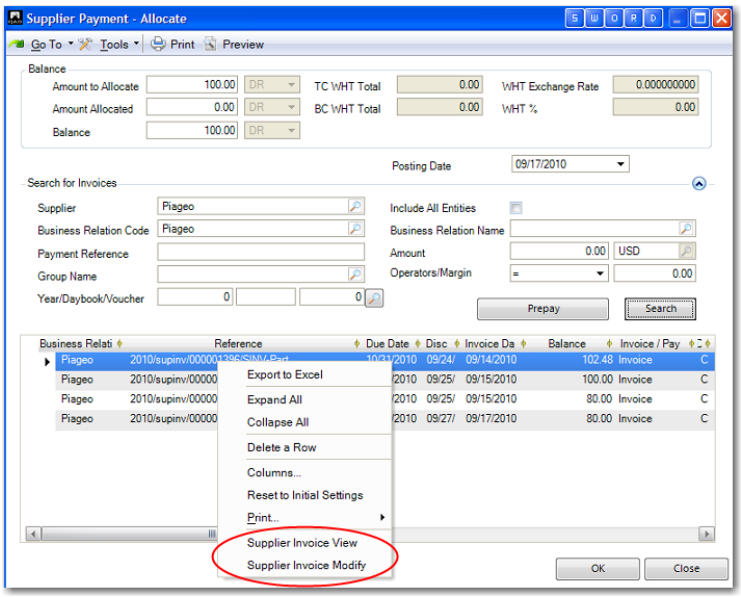
The withholding tax amount is modifiable and the input amount cannot exceed the withholding tax amount calculated for the invoice. An exception to this occurs if rounding differences apply. However, in this case, the difference between the input amount and the calculated amount cannot exceed one decimal of the calculated amount. For example, for two decimals, if the calculated amount is 6.33, the maximum input amount is 6.40.

Fig. 2.52
Supplier Payment Create and Supplier Payment Allocate



When allocating a supplier payment, you can drill down from the invoice line in the grid to Supplier Invoice Modify and Supplier Invoice View, which let you modify or view the invoice. This facility lets you create and edit withholding tax details at the moment of payment.

Fig. 2.53
Supplier Payment Allocate, Drill-Down



The following are the key withholding tax fields in Supplier Payment Allocate:

TC WHT Total. This field displays the total withholding tax amount in the transaction currency, and is read only.

The withholding tax amount is automatically calculated based on withholding tax data within the invoice.

WHT Exchange Rate. This field displays the withholding tax exchange rate, and is read only.

If the payment is in foreign currency, the withholding tax exchange rate defaults to the Tax exchange rate applied. If a Tax exchange rate does not exist, the system reverts to using the accounting exchange rate, providing that Fallback to Accounting is enabled for the Tax exchange rate type. If neither rate is available, an error is displayed.

Similarly, the system converts amounts from the transaction currency to the statutory currency using the Tax exchange rate that is valid on the posting date of the payment. If the Tax exchange rate does not exist, the system searches for the statutory exchange rate between the currencies. If the statutory exchange rate does not exist, the system reverts to using the accounting exchange rate for that date, providing that Fallback to Accounting is enabled for the statutory exchange rate type. If the system cannot find an accounting exchange rate, an error is displayed.

If a payment that was not created directly in the Paid status is subsequently updated to Paid, the system recalculates the base currency and statutory currency withholding tax amounts using the rates that apply on the date the payment was set to Paid. The withholding tax records for the payments are then updated accordingly.

Note The Tax exchange rate type (previously called the VAT exchange rate type) is system-defined. You define exchange rates for the Tax exchange rate type using the Exchange Rate Create function. See *QAD Financials User Guide*. for more information.

BC WHT Total. This field displays the total withholding tax amount in the base currency, and is read only.

WHT %. This field displays the withholding tax percentage, and is read only.

This is the calculated average of the withholding tax total over the total withholding tax base amount of the payment.

If the withholding tax total is updated due to a change in the withholding tax amount for the invoice, the system recalculates the withholding tax percentage accordingly.

The recalculation of the withholding tax percentage occurs whether you manually update the withholding tax amount for the invoice using Supplier Payment Allocate, or you use a drill down to the supplier invoice and update the withholding tax total there, before returning to the payment function.

Grid

WHT TC. If Update Tax Allowed is selected in Tax Rate Maintenance for all tax codes on the invoice, you can use this field to manually update the withholding tax amount for the invoice. If you manually change the withholding tax amount, the withholding tax percentage is automatically recalculated.

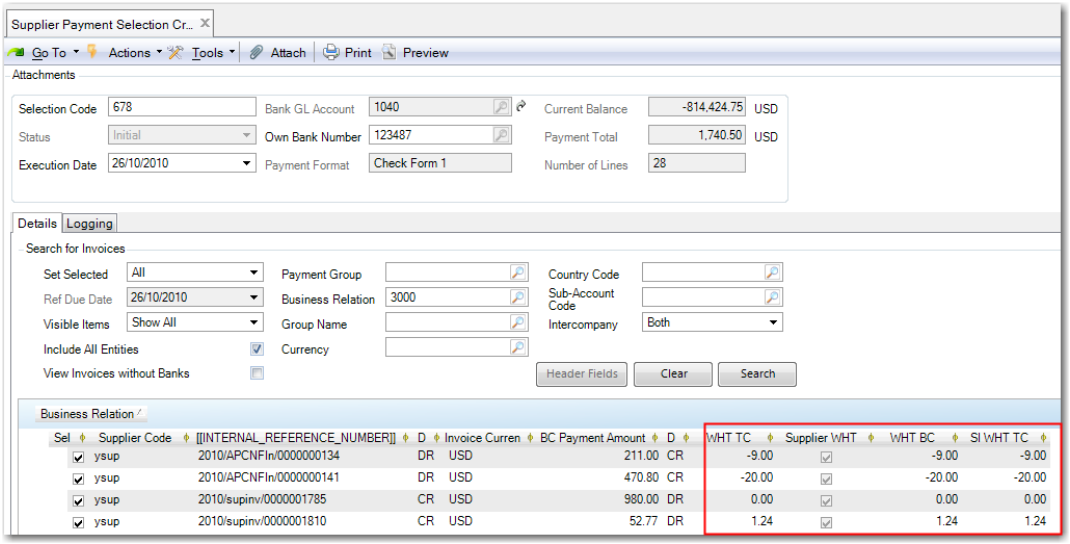
Supplier Payment Selection

If withholding tax is enabled for the domain, you can use Supplier Payment Selection Create to create payments for invoices subject to withholding tax.

When you include a supplier invoice that is subject to withholding tax in a payment selection, the system calculates the withholding tax and reduces the payment by the value of the withholding tax. The same calculations for partial payments apply, as described in “Supplier Payment Create” on page 83.

Within selecting a supplier invoice for payment in Supplier Payment Selection, you can also drill down from the invoice line in the grid to Supplier Invoice Modify and Supplier Invoice View, which let you modify or view the invoice.

Fig. 2.54
Supplier Payment Selection Create, Withholding Tax Fields



Note All withholding taxes defined on a supplier invoice are always allocated against the first bank account defined on the supplier invoice.

When you use Supplier Payment Selection Confirm to confirm a payment selection that includes invoices subject to withholding tax, withholding tax records are created and the withholding tax number is generated based on the numbering system defined in Record Number Maintain.

Bounced Supplier Payments

If a supplier payment that is subject to withholding tax is bounced or reset to the Initial status, the system sets the status of the withholding tax liability record to Void.

You can bounce supplier payments using the following functions:

- Supplier Payment Modify
- Supplier Payment Change Numbers
- Supplier Payment Mass Change
- Supplier Payment Selection Unconfirm
- Banking Entry–Allocate to Payment

You can set a supplier payment to Initial in the following functions:

- Supplier Payment Modify
- Supplier Payment Modify to Initial
- Supplier Payment Change Numbers
- Supplier Payment Mass Change

If a supplier payment is voided, the system creates a new payment linked to the same invoices. In this case, the system updates the supplier payment reference information in the withholding tax records.

The system debits the Supplier Payment account and credits the Supplier Control account. Any withholding tax records associated with the payments are set to Void, and are no longer included in any of the withholding tax reports.

Banking Entry and Petty Cash

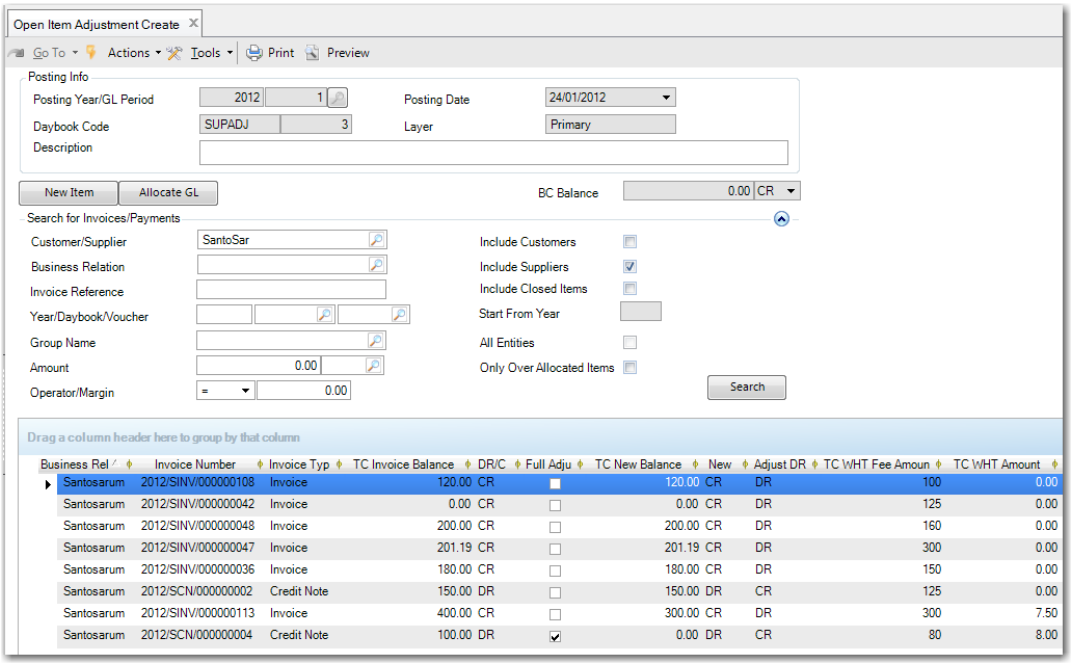
You can allocate a banking entry or petty cash entry directly to an invoice subject to withholding tax. In this case, the payment is set to Paid, a withholding tax record with status Due is created, and the related withholding tax liability is posted.

You can also use banking entry to indicate that a For Collection payment subject to withholding tax has been cleared from the company's bank account. You allocate the banking entry to the supplier payment subject to withholding tax.

Open Item Adjustment

In Open Item Adjustment Create, when you adjust an open item subject to withholding tax, the movement is considered a payment. This means that the system creates a withholding record with the status Due and the withholding tax liability is posted.

Fig. 2.55
Open Item Adjustment Create



In Supplier Invoice Create, you can also adjust open items subject to withholding tax by linking an existing open item, such as a credit note, to a newly created open item. However, you cannot manually enter the withholding tax amount for adjustments of this type so both open items must be subject to withholding tax and subject to the same overall withholding tax rate (percentage).

If you adjust open items subject to withholding tax, the withholding tax due is proportional to the adjustment amount against the invoice, as illustrated using the following example.

Example

In Open Item Adjustment, a credit note for 100 Euros is fully netted against a supplier invoice for 400 Euros for the same supplier. Both items are subject to withholding tax.

Item Type	Open Balance	WHT for Open Balance	Full Adjustment?	New Balance	WHT Due
Invoice	400	30	No	300	7.50
Credit Note	100	8	Yes	0	8.00

When the credit note is adjusted against the invoice, the credit note status is set to Paid and the withholding tax of 8 Euros becomes due. The new balance of the open invoice is 300 Euros. The amount of withholding tax due on the partially settled invoice is the adjusted amount divided by the original open balance:

100/400 = 0.25

The full withholding tax amount for the pre-adjustment open balance is multiplied by 0.25:

*30 * 0.25 = 7.50*

As a result of the adjustment, 7.50 Euros from the original 30 Euros withholding tax for the invoice is now due. Withholding tax of 22.50 Euros applies for the 300 Euros outstanding invoice balance.

Credit Notes and Corrections

When you create a taxable supplier credit note for a supplier for whom withholding tax applies, the system defaults the withholding code defined for the supplier and domain in the Supplier record or populates the data automatically using GTM. The system then sets the value of the TC Fees Amount (DR) to the taxable base amount of the invoice.

If you then create a supplier payment with the Paid status that includes the credit note, as well as other invoices, the value of the payment for the invoices is reduced by the calculated value of the withholding tax, but increased by the withholding tax that applies to the credit note.

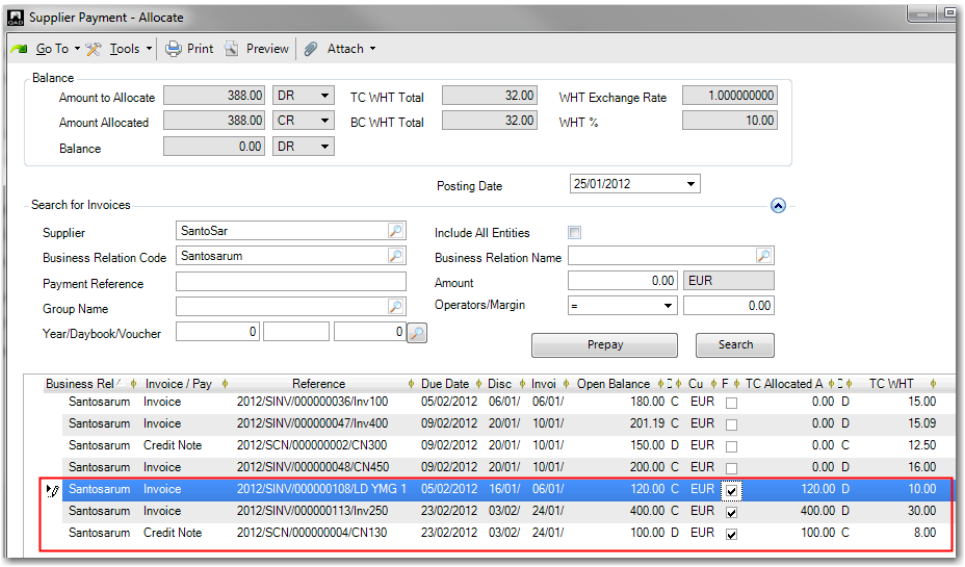
Item Type	Open Balance	Full Payment?	WHT Due
Invoice	400	Yes	30 Cr
Credit Note	100	Yes	8 Dr
Invoice	120	Yes	10 Cr

In the case of the two invoices and the credit note listed in the table and shown in Figure 2.56, the total payment amount is 388 Euros. This amount is calculated as follows:

(invoice payments – credit note) – withholding tax on invoices + withholding tax for credit note

(520 - 100) – 40 + 8 = 388

Fig. 2.56
Supplier Payment–Allocate



When you save the payment (with the Paid status), the system creates a GL posting that credits the bank account for the full value of the payment, excluding the withholding tax amounts on the invoices and the credit note, and debits the Accounts Payable account for the full value of the invoices and credit notes. The system also credits the Withholding Tax Liability account for the withholding tax associated with the invoices, and debits the Withholding Tax Liability account for the value of the withholding tax that applies for the credit note.

The system creates withholding tax records for each invoice and credit note associated with the payment for which withholding tax applies. For the invoices, the fee amounts use the credit fields in the withholding tax record, and for the credit note, the debit fields are used.

Withholding Tax Settlement

You can also create manual entries on WHT accounts using WHT tax codes to settle WHT balances or register payments of WHT to the government. You can create entries with WHT as the tax type and also change the tax amounts in the following programs:

- Journal Entry Create
- Banking Entry Create
- Petty Cash Create
- Open Item Adjustment Create

The integration programs Journal Entry Excel Integration, Journal Entry Excel Integration Repair, and Journal Entry Cross Co Excel Integration can also handle WHT manual settlement correctly.

Note Manual WHT settlement entries are only allowed when WHT is enabled in a domain.

Withholding Tax on Services

In some countries, withholding tax on services only applies when the value of invoices paid for a supplier in a calendar month exceeds a set threshold value.

Note Services invoices are identified as invoices that have at least one tax rate with a tax usage that is marked as Service.

In QAD Enterprise Applications, withholding tax on services is always assumed to apply by default. You can then use the Withholding Tax report to identify suppliers where the cumulative services payments for the month are less than the threshold. You must then manually repay the relevant withholding tax amounts to those suppliers.

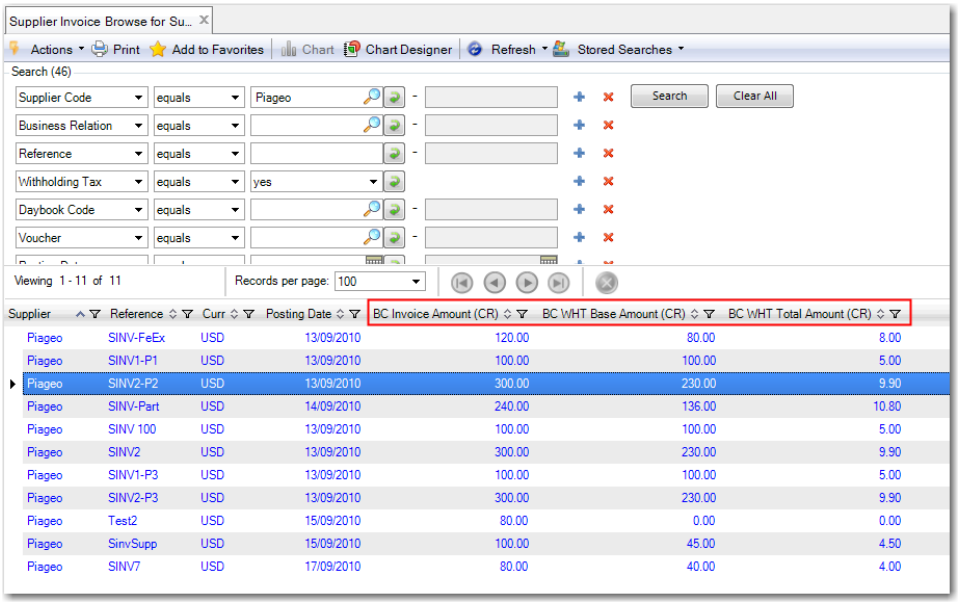
See “Withholding Tax Report” on page 92.

Withholding Tax in Views and Dashboards

Supplier Invoice Extended View

In Supplier Invoice Extended View and Supplier Invoice View, you can use the Withholding Tax filter to only display invoices that are subject to withholding tax. The view displays the taxable base amount that is subject to withholding tax and the withholding tax amount for that invoice.

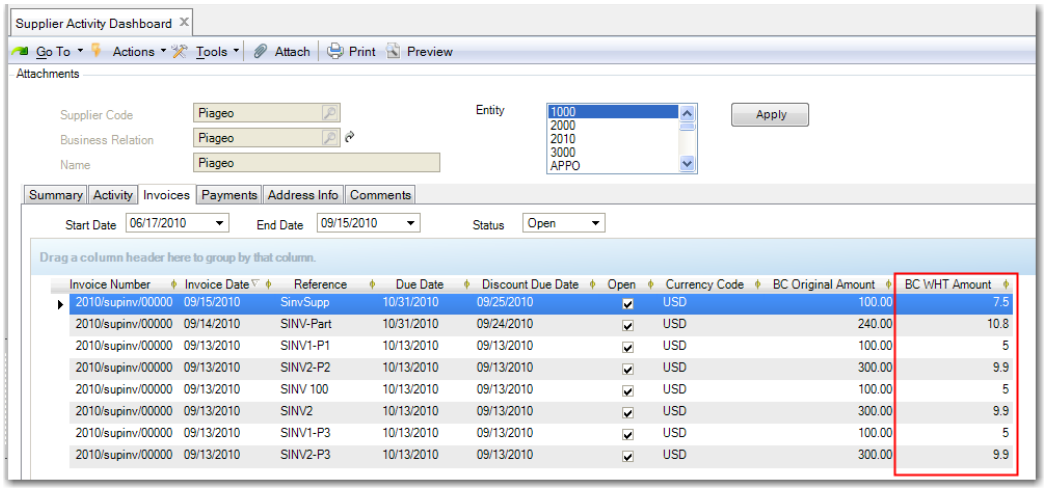
Fig. 2.57
Supplier Invoice Extended View



Supplier Activity Dashboard

The Activity, Invoices, and Payments tabs of the Supplier Activity Dashboard show withholding tax totals for invoices and payments.

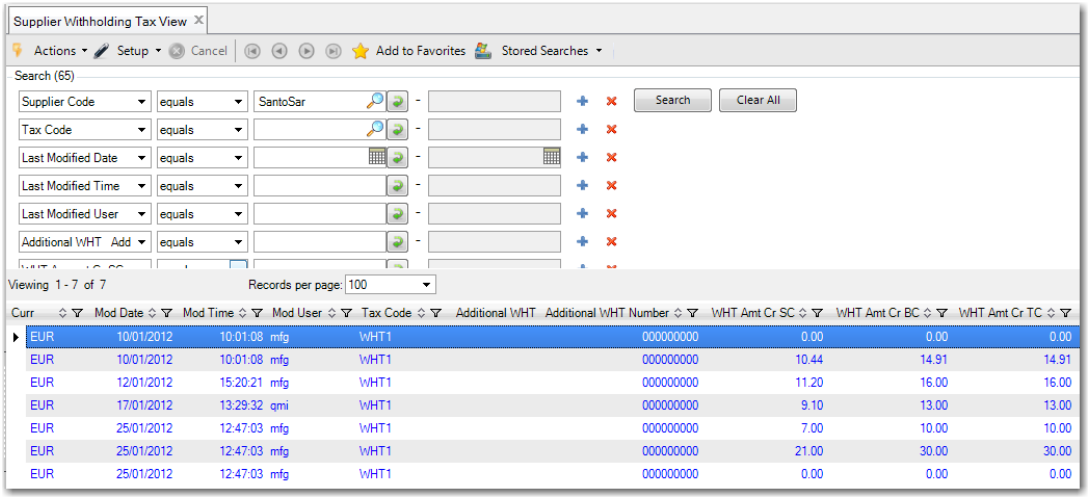
Fig. 2.58
Supplier Activity Dashboard



Supplier Withholding Tax View

The Supplier WHT View provides a detailed view of all withholding tax records for the current entity. It includes information such as the supplier code, related invoice, status (Initial, Due, Void), amounts, tax information, and payment reference.

Fig. 2.59
Supplier Withholding Tax View



Withholding Tax Reports

Three withholding tax reports are available:

- Withholding Tax Report

  See “Withholding Tax Report” on page 92.
- Compensation to Third Party Report

  See “Compensation to Third-Party Report” on page 94.
- Withholding Tax Certificate Report

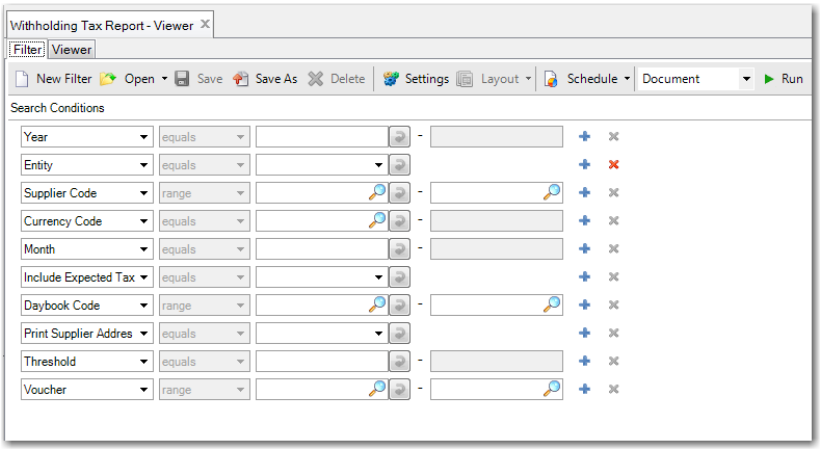
  See “Withholding Tax Certificate Report” on page 96.

Withholding Tax Report

The Withholding Tax report displays supplier invoices that are subject to withholding tax within an entity, sorted by supplier by payment, together with details of all withholding taxes and associated amounts for each invoice.

The output from the report lists the appropriate withholding tax invoices together with their fees, expenses, the withholding tax rate, the withholding tax amounts, and the total amounts paid to the supplier. The report also shows the taxable base that is subject to withholding tax.

Fig. 2.60
Withholding Tax Report, Selection Criteria



The report has the following selection criteria:

- Year

  Specify the GL calendar year for which to run the report. The report only selects withholding tax records with a paid date in the year you specify. The default is the current GL calendar year.

  You can leave the Year field blank; the report selects records from all years.

- Entity

  Select the entity for which you want to run the report. The default is the current entity.

- Supplier Code

  Specify the suppliers for which you want to run the report. If you leave the field blank, the system runs the report for all suppliers subject to withholding tax.

- Currency Code

  Specify the currency for which to run the report.

- Month

  Specify the month for which to run the report. The report only selects withholding tax records with a paid date in the year and month you specify in the Year and Month fields. The default is the current month.

  You can leave the Month field blank; the report selects records from all months.

- Include Expected Tax

  Select Yes or No (default). This field determines whether the report must include withholding tax records with the Initial status.

  If you select Yes, withholding tax records with the Initial status are included on the report, irrespective of the date selection criteria.

- Daybook Code

  Specify the daybooks for which you want to run the report. If you leave the field blank, the system runs the report for all supplier invoice daybooks.

- Print Supplier Address

  Select Yes to print the full supplier addresses on the report.

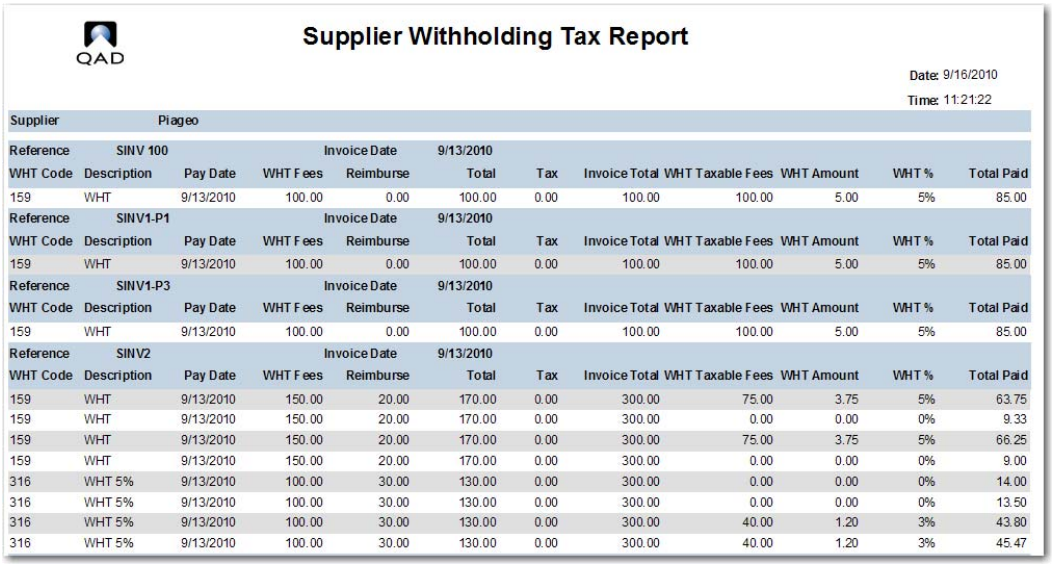
- Threshold

  Specify the withholding tax threshold for payments on service invoices. See “Withholding Tax on Services” on page 90.

- Voucher

  Specify the range of vouchers for which to run the report.

Fig. 2.61
Supplier Withholding Tax Report



QAD

Supplier Withholding Tax Report

Date: 9/16/2010
Time: 11:21:22

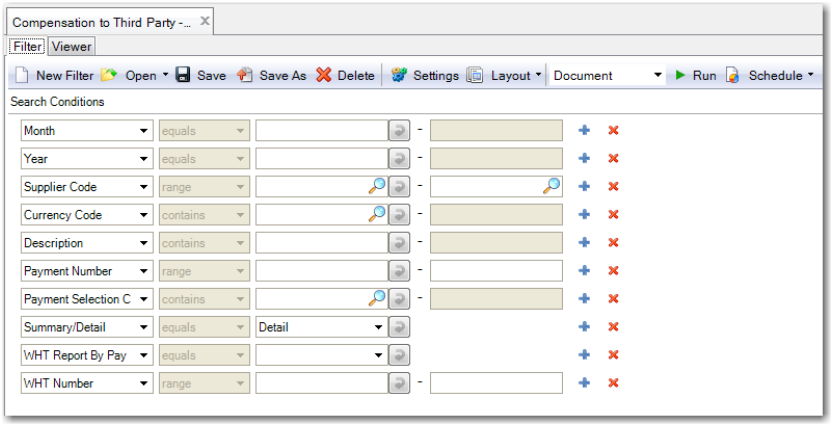
Supplier Piageo

Reference	SINV 100				Invoice Date	9/13/2010					
WHT Code	Description	Pay Date	WHT Fees	Reimburse	Total	Tax	Invoice Total	WHT Taxable Fees	WHT Amount	WHT %	Total Paid
159	WHT	9/13/2010	100.00	0.00	100.00	0.00	100.00	100.00	5.00	5%	85.00
Reference	SINV1-P1				Invoice Date	9/13/2010					
WHT Code	Description	Pay Date	WHT Fees	Reimburse	Total	Tax	Invoice Total	WHT Taxable Fees	WHT Amount	WHT %	Total Paid
159	WHT	9/13/2010	100.00	0.00	100.00	0.00	100.00	100.00	5.00	5%	85.00
Reference	SINV1-P3				Invoice Date	9/13/2010					
WHT Code	Description	Pay Date	WHT Fees	Reimburse	Total	Tax	Invoice Total	WHT Taxable Fees	WHT Amount	WHT %	Total Paid
159	WHT	9/13/2010	100.00	0.00	100.00	0.00	100.00	100.00	5.00	5%	85.00
Reference	SINV2				Invoice Date	9/13/2010					
WHT Code	Description	Pay Date	WHT Fees	Reimburse	Total	Tax	Invoice Total	WHT Taxable Fees	WHT Amount	WHT %	Total Paid
159	WHT	9/13/2010	150.00	20.00	170.00	0.00	300.00	75.00	3.75	5%	63.75
159	WHT	9/13/2010	150.00	20.00	170.00	0.00	300.00	0.00	0.00	0%	9.33
159	WHT	9/13/2010	150.00	20.00	170.00	0.00	300.00	75.00	3.75	5%	66.25
159	WHT	9/13/2010	150.00	20.00	170.00	0.00	300.00	0.00	0.00	0%	9.00
316	WHT 5%	9/13/2010	100.00	30.00	130.00	0.00	300.00	0.00	0.00	0%	14.00
316	WHT 5%	9/13/2010	100.00	30.00	130.00	0.00	300.00	0.00	0.00	0%	13.50
316	WHT 5%	9/13/2010	100.00	30.00	130.00	0.00	300.00	40.00	1.20	3%	43.80
316	WHT 5%	9/13/2010	100.00	30.00	130.00	0.00	300.00	40.00	1.20	3%	45.47

Compensation to Third-Party Report

The Compensation to Third Party report lists the amounts of withholding tax due for settlement to the authorities in the selected month.

Fig. 2.62
Compensation to Third Party Report, Selection Criteria



The report has the following selection criteria:

Note Descriptions are omitted for selection criteria previously explained in the “Withholding Tax Report” and the “Withholding Tax Certificate Report” sections.

- Supplier

- Year
- Month
- Currency Code
- WHT Report by Payment

  Select Yes to display payment details on the report. If you select Yes, the report displays the following information for each supplier and each withholding tax certificate format specified:

  Check Number, WHT Number, Payment Type, Payment Status, WHT Date, Description, Total Amount Paid, Total WHT Amount, WHT %, Amount Paid, and WHT Amount.

  The report also includes a Total by WHT Certificate Code, which excludes payments with the status Void or Bounced, and a Grand Total for the report, which sums the totals for all withholding tax certificate codes
- Certificate Format Code

  Specify the certificate format code for which to run the report.
- WHT Number

  Specify the range of withholding tax numbers for which to run the report.
- Payment Selection

  Specify the payment selection for which to run the report.
- Payment Number

  Specify the range of payment numbers for which to run the report.
- Summary/Detail

  Select Summary to display totals by VAT code, certificate format code, and by supplier.

  Select Details to include details of the invoices and to display totals by VAT code, certificate format code, and by supplier.
- Description

The report provides two totals:

- WHT Code Total, which is a sub-total of the withholding tax amount for each withholding code
- Withheld Total, which is the sum of all withholding tax code totals of the supplier

Fig. 2.63
Compensation to Third Party, Report Summary

QAD

Compensation to Third Party

Date: 20/10/2010
Time: 03:10:20

Supplier Code Piageo **Name** Piageo **Tax ID / Fiscal**
Address 11 Via Corso **Currency** USD

Check Number / Due Date	WHT Number / Description	Type / Payment Status			WHT%		Amount Paid	WHT Amount
	000001137	Manual						
13/09/2010	WHT	For Collection						
			VAT Code	159	10.00%	Total By VAT Code	160.58	8.75
	000001137	Manual						
13/09/2010	WHT 5%	For Collection						
			VAT Code	316	5.00%	Total By VAT Code	59.47	1.20
						Total By Payment	220.05	9.95

Fig. 2.64
Compensation to Third Party, Report Detail

Compensation to Third Party

Date: 20/10/2010
Time: 03:08:39

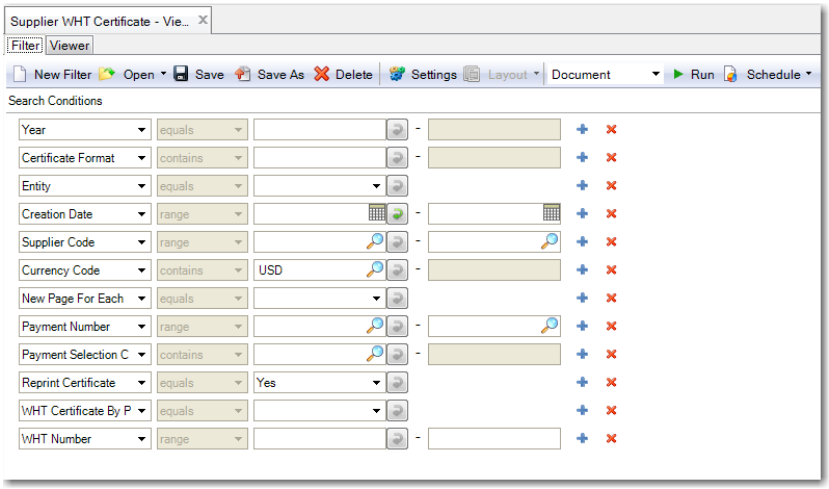
Supplier Code Piageo — Name Piageo — Tax ID / Fiscal
Address 11 Via Corso — Currency USD

Check Number / Description	WHT Number	Type	Payment Status	Due Date	WHT%	Amount Paid	WHT Amount
	000001137	Manual	For Collection	13/09/2010			
WHT							
					10.00%	85.00	5.00
					10.00%	9.33	0.00
					10.00%	66.25	3.75
	000001137	Manual	For Collection	13/09/2010			
WHT 5%							
					5.00%	45.47	1.20
					5.00%	14.00	0.00

Withholding Tax Certificate Report

The Withholding Tax Certificate report is sent to each of the suppliers on an annual basis to certify the amount of withholding tax that has been paid to the tax authorities on the supplier's behalf in that year.

Fig. 2.65
Withholding Tax Certificate Report, Selection Criteria



The report has the following selection criteria:

Note Descriptions are omitted for selection criteria previously explained in the "Withholding Tax Report" section.

- Supplier
- Entity
- Year
- New Page For Each Supplier

  Specify Yes or No to indicate if the details for each supplier must start on a new page.

- WHT Number

  Specify the range of withholding tax numbers for which to run the report.

- Reprint Certificate

  Specify Yes to include certificates that were printed previously. Select No to exclude certificates that were printed previously.

- Reporting Currency

  Withholding tax amounts are stored in base currency. However, this option lets you report withholding tax amounts in a currency other than your domain's base currency.

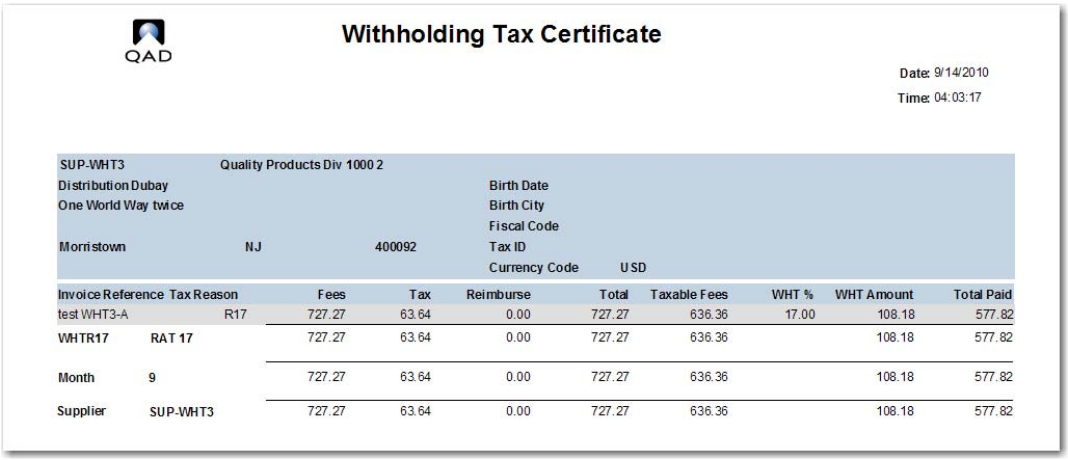
  Leave the field blank to run the report with amounts denominated in the base currency.

The following filters are hidden by default:

- WHT Certificate by Payment: Yes or No (default)
- Certificate Format
- Payment Number
- Payment Selection Code
- Creation Date

The hidden filters support certificate layouts for Thailand, where companies print a certificate for each payment rather than a summary document at the end of the year.

Fig. 2.66
Withholding Tax Certificate Report



QAD

Withholding Tax Certificate

Date: 9/14/2010
Time: 04:03:17

SUP-WHT3 Quality Products Div 1000 2
Distribution Dubay
One World Way twice
Morristown NJ 400092
Birth Date
Birth City
Fiscal Code
Tax ID
Currency Code USD

Invoice Reference	Tax Reason	Fees	Tax	Reimburse	Total	Taxable Fees	WHT %	WHT Amount	Total Paid
test WHT3-A	R17	727.27	63.64	0.00	727.27	636.36	17.00	108.18	577.82
WHTR17	RAT 17	727.27	63.64	0.00	727.27	636.36		108.18	577.82
Month	9	727.27	63.64	0.00	727.27	636.36		108.18	577.82
Supplier	SUP-WHT3	727.27	63.64	0.00	727.27	636.36		108.18	577.82

Withholding Tax Examples

Example with Fees and Expenses on Separate Lines

This example uses a single withholding tax code, 159, that has a percentage recoverable of 100%, and a tax rate of 10%. The supplier invoice also includes VAT of 20%. The transaction, base, and statutory currencies are the same.

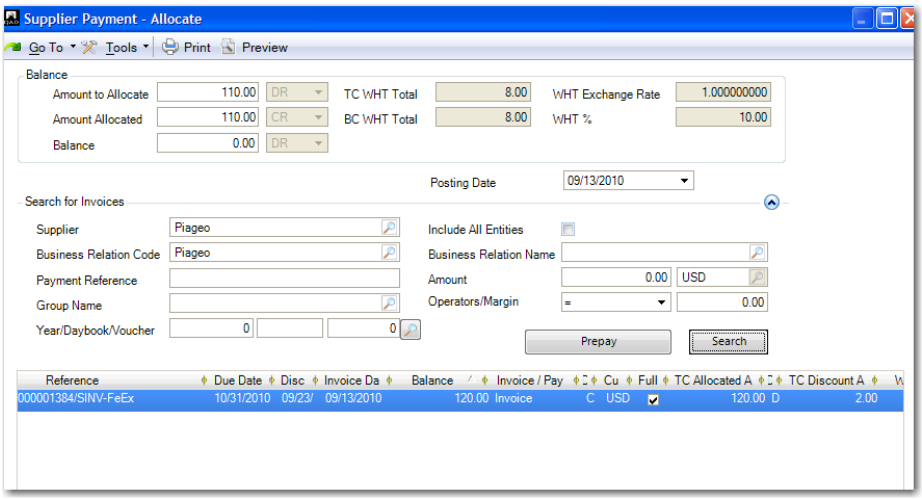
The following is a summary of the details on the Withholding Tax tab of the invoice:

Invoice Total	WHT Line	Fees	WHT Code	Taxable Fees	WHT Rate	WHT Amt	Expenses
120	1	80	159	80	10%	8	0
	2						20
	Total	**80**		**80**		**8**	**20**

The credit terms on the invoice provide a 2% cash settlement discount if the invoice is paid within 10 days.

After eight days, a payment is made settling the full invoice amount.

Fig. 2.67
Supplier Payment Allocate, Full Allocation



The system creates the following postings when the supplier invoice is saved.

Supplier Invoice Creation

GL Account	Description	DR	CR
7200	Audit Fees	80.00	
8300	Expenses	20.00	
1400	Value Added Tax	20.00	
2100	Supplier Control Account		120.00
	Total	**120.00**	**120.00**

The system creates the following postings when the supplier payment is saved in the For Collection status.

Supplier Payment Create—For Collection

GL Account	Description	DR	CR
2100	Supplier Control Account	112.00	
5200	AP Discount		2.00
2110	Supplier Payment Account		110.00
	Total	**112.00**	**112.00**

The system creates the following postings when the banking entry paying the invoice is allocated against the supplier payment. The allocation sets the supplier payment to Paid.

Banking Entry

GL Account	Description	DR	CR
2110	Supplier Payment Account	110.00	
1040	Bank Account		110.00
2451	Withholding Tax Liability		8.00
2100	Supplier Control Account	8.00	
	Total	**118.00**	**118.00**

Partial Payment

This example describes a partial payment on an invoice subject to withholding tax.

The example uses two withholding tax codes: tax code 159, with a percentage recoverable of 100% and a tax rate of 10%, and tax code 316, with a percentage recoverable of 80% and a tax rate of 5%. The VAT on the invoice is 20%, and the transaction, base, and statutory currencies are the same.

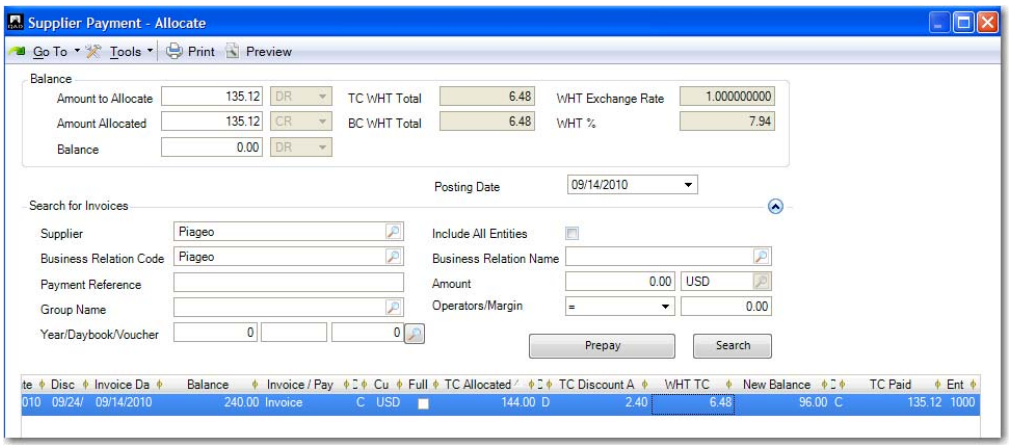
The invoice is for a total of 240.00, including VAT, and has two lines in the Withholding Tax tab as follows:

Tab	WHT Line	WHT Code	Fees (CR)	Taxable Fees (CR)	WHT Rate	WHT Amt	Expenses	VAT Amt	Line Total
WHT	1	**159**	80.00	80.00	10%	8.00	50.00		130.00
WHT	2	**316**	70.00	56.00	5%	2.80			70.00
Tax								40.00	40.00
	Total		**150.00**	**136.00**		**10.80**	**50.00**	**40.00**	**240.00**

The credit terms on the invoice provide a 2% cash settlement discount if the invoice is paid within 10 days.

Within seven days of the invoice date, a payment is made that settles 60% of the invoice amount, as shown in Figure 2.68.

Fig. 2.68
Supply Payment Allocate, Partial Payment



The following is a summary of the payment details:

Invoice Total	Allocated	WHT Base	WHT Amount	WHT % (Composite)	Discount	Paid Amount
240.00	**144.00**	81.60	**-6.48**	7.94	-2.40	**135.12**

The system creates the following postings when the supplier invoice is saved.

Supplier Invoice Creation

GL Account	Description	DR	CR
7200	Fee 1	80.00	
7300	Fee 2	70.00	
8300	Expenses	50.00	
1400	Value Added Tax	40.00	
2100	Supplier Control Account		240.00
	Total	**240.00**	**240.00**

The system creates the following postings when the supplier payment is saved in the For Collection status.

Supplier Payment Create—For Collection

GL Account	Description	DR	CR
2100	Supplier Control Account	137.52	
5200	AP Discount		2.40
2110	Supplier Payment Account		135.12
	Total	**137.52**	**137.52**

The system creates the following postings when the banking entry paying the invoice is allocated against the supplier payment. The allocation sets the supplier payment to Paid.

Banking Entry

GL Account	Description	DR	CR
2110	Supplier Payment Account	135.12	
1040	Bank Account		135.12
2451	Withholding Tax Liability 1		4.80
2452	Withholding Tax Liability 2		1.68
2100	Supplier Control Account	6.48	
	Total	**141.60**	**141.60**

Implementing Gross Income Accounting

It is a legal requirement in some countries that sales accounts are posted including tax and that the tax is simultaneously posted as an expense with COA analysis that matches the sales posting. This practice is called gross income accounting.

In gross income accounting, indirect taxes are added to sales and then deducted as a tax expense in the profit and loss account. Sales are recorded in the general ledger gross of tax and then the tax amount is expensed through the profit and loss account.

Normally, a customer invoice is posted to the general ledger with sales, excluding tax. There is no tax expense posting line; for example:

Account	Dr	Cr
Customer Control (Balance Sheet)	117.50	
Tax Payable (Balance Sheet)		17.50
Sales Income (Profit and Loss)		100.00

When gross income accounting is enabled in Financials, Invoice Post and Print (7.13.4) creates an additional posting when the sales invoice uses specific sales and tax account combinations. The additional gross income accounting posting debits the tax expense account and credits the sales account with the tax amount. For the invoice example above, the following is the additional gross income accounting posting:

Account	Dr	Cr
Sales Income (Profit and Loss)		17.50
Tax Expense (Profit and Loss)	17.50	

You enable gross income accounting at entity level. You must also define the groupings of sales accounts and tax accounts for which gross income accounting applies using Gross Income Acctg Create (25.3.25.1). Gross income accounting postings are only created for postings to the official or management layers and not the transient layer.

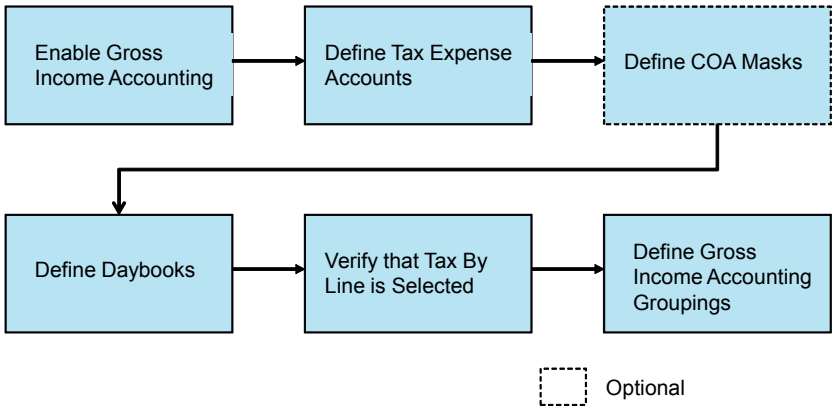
Important Creating customer invoices in Customer Invoice Create (27.1.1.1) does not cause the system to create gross income accounting postings.

Setting Up Gross Income Accounting

Up to six steps are required to set up gross income accounting.

1. Enable gross income accounting for the entity. See “Enabling Gross Income Accounting” on page 102.
2. Define the tax expense accounts that you want to map to the sales and tax payable accounts. See “Defining Tax Expense Accounts” on page 102.
3. Verify or define COA mask entries for the account and analysis groupings used in gross income accounting. This step is optional. See “Defining COA Masks” on page 103.
4. Create a separate daybook for use in gross income accounting postings. See “Creating a Daybook for Gross Income Accounting Postings” on page 103.
5. Select the Tax-By-Line field in Tax Rate Maintenance (29.4.1) for tax types for which gross income accounting postings must be created. See “Verifying the Tax-By-Line Setting” on page 103.
6. For each sales account and tax payable account COA grouping, define the tax expense COA components the system must use to create additional gross income accounting postings. See “Defining Gross Income Accounting Groupings” on page 104.

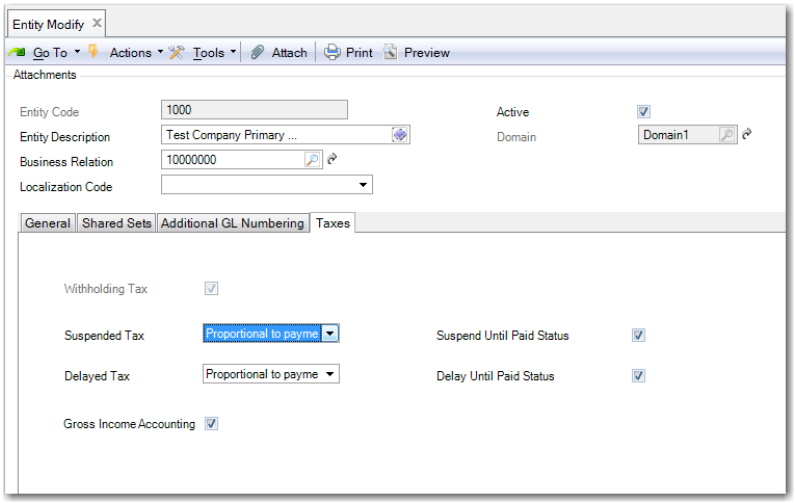
Fig. 2.69
Gross Income Accounting Setup



Enabling Gross Income Accounting

You enable gross income accounting in the Taxes tab of the Entity record.

Fig. 2.70
Entity Modify, Taxes Tab



Gross Income Accounting. Select the field to enable gross income accounting for the entity. The default is that the field is cleared.

Defining Tax Expense Accounts

In GL Account Create (25.3.13.1), define the tax expense accounts that you want to map to the sales and tax payable accounts. The tax expense account you create must have the same analysis settings as the sales account to which it is mapped.

The tax expense account must have a category of Expense, a Balance/PL setting of Profit and Loss Account, and a Debit/Credit setting of Debit.

Note If you modify the analysis for a sales or tax expense account used in gross income accounting, the system displays a warning message in GL Account Modify (25.3.13.2) when you save the analysis change.

Defining COA Masks

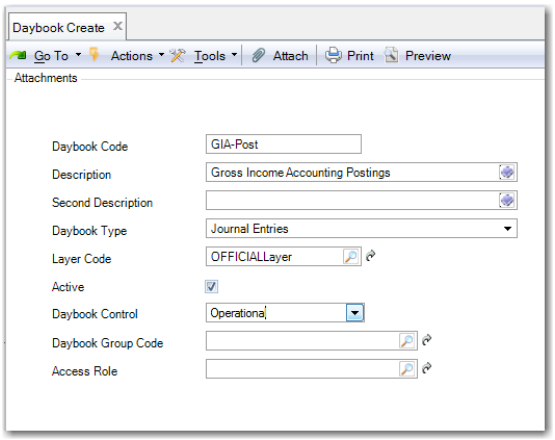
If COA masks are enabled for the domain, define mask entries for the tax expense account and its analysis COA elements. This step is optional.

See *QAD Financials User Guide*. for more information on COA masks.

Creating a Daybook for Gross Income Accounting Postings

It is recommended that you create a separate daybook for use in gross income accounting postings. The daybook type must be Journal Entries, the daybook layer type must be Official or Management, and the daybook control must be Operational.

Fig. 2.71
Daybook Create

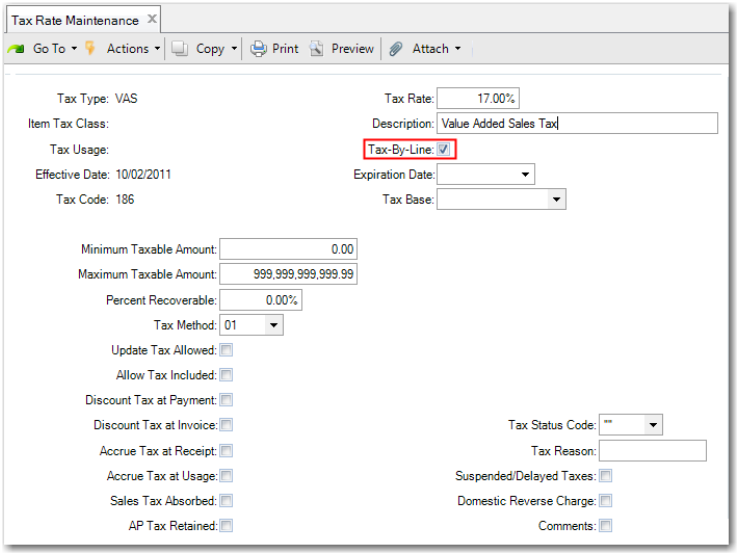


Verifying the Tax-By-Line Setting

For gross income accounting, the Tax-By-Line field in Tax Rate Maintenance (29.4.1) must be selected for the tax type.

If the Tax-By-Line field is selected, the gross income accounting posting is determined using the tax detail for each line item included in the standard sales posting. If the Tax-By-Line field is cleared, no gross income accounting postings are created.

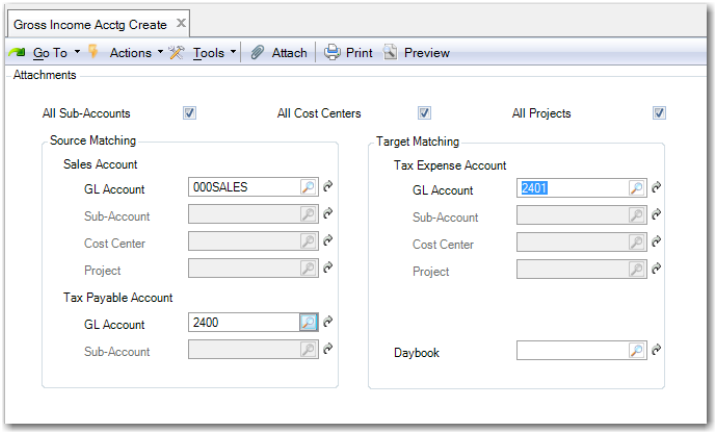
Fig. 2.72
Tax Rate Maintenance



Defining Gross Income Accounting Groupings

For each sales account and tax payable grouping, Gross Income Acctg Create (25.3.25.1) lets you define the tax expense COA components that the system must use to create the additional gross income accounting posting. You can define groupings to include accounts, sub-accounts, cost centers, and projects.

Fig. 2.73
Gross Income Acctg Create



All Sub-Accounts. Select the field if the system must always use the sub-account from the sales posting in the tax expense account posting. In this case, the sales and tax expense sub-accounts are always the same.

When you select the All Sub-Accounts field, the following restrictions apply:

- The Sub-Account Analysis field must have the same setting on the GL Account record Analysis tab for both the sales and tax expense accounts. Sub-account analysis must be enabled or disabled for both accounts.

- If sub-account analysis is enabled, the sales and tax expense accounts must have the same default sub-accounts.
- If SAF analysis is enabled for the sales account, SAF analysis must also be enabled for the tax expense account. The sales and tax expense accounts must also be assigned the same default SAF structure.
- If the Analysis Type is set to None for the sales account, the Analysis Type must also be None for the tax expense account.

All Cost Centers. Select the field if the system must always use the cost center from the sales posting in the tax expense account posting. In this case, the tax expense and sales cost centers are always the same.

When you select the All Cost Centers field and the sales account has an analysis type of Both or Cost Center, the tax expense account must have an identical analysis setting. In addition, the Analysis Limitation setting and default cost centers assigned to the accounts must be the same.

All Projects. Select the field if the system must always use the project from the sales posting in the tax expense account posting. In this case, the tax expense and sales projects are always the same.

When you select the All Projects field, the following restrictions apply:

- If the sales account has an analysis type of Both or Project, the tax expense account must have an identical analysis setting. The Analysis Limitation setting and default projects assigned to the accounts must also be the same.
- If the sales account has an analysis type of Project, the sales and tax expense accounts must be assigned the same default SAF structure.

Source Matching

GL Account. Specify the sales account for which the system must create corresponding gross income accounting postings. The sales account must have a GL type of Standard Account.

Sub-Account. Specify the sales account sub-account for which the system must create corresponding gross income accounting postings.

This field is disabled if you select the All Sub-Accounts field.

If the All Sub-Accounts field is cleared, and you specify a sales GL account that is defined without sub-account analysis, this field is disabled.

Cost Center. Specify the sales account cost center for which the system must create corresponding gross income accounting postings.

This field is disabled if you select the All Cost Centers field. If the All Cost Centers field is cleared, and you specify a sales GL account that is defined without cost center analysis, this field is also disabled.

Project. Specify the sales account project for which the system must create corresponding gross income accounting postings.

This field is disabled if you select the All Projects field. If the All Projects field is cleared, and you specify a sales GL account that is defined without project analysis, this field is also disabled.

Tax Payable Account, GL Account. Specify the tax payable account for which the system must create gross income accounting postings. The tax payable account must have a GL type of Tax Account.

In order for gross income accounting postings to be generated, the tax payable account must match the sales invoice tax account defined in Tax Rate Maintenance (29.4.1) for the tax type applied.

Tax Payable Account, Sub-Account. Specify the tax payable sub-account for which the system must create a corresponding gross income accounting posting.

This field is disabled if you select the All Sub-Accounts field. If the All Sub-Accounts field is cleared, and you specify a tax payable account that is defined without sub-account analysis, this field is disabled.

In order for gross income accounting postings to be generated, the tax payable sub-account must match the sales invoice tax sub-account defined in Tax Rate Maintenance (29.4.1) for the tax type applied.

Target Matching

When you attempt to save a new or modified gross income accounting record, the system validates the tax expense account and analysis if COA masks are active for the domain.

GL Account. Specify the tax expense account that the system must use to create gross income accounting postings. The tax expense account must have a GL type of Standard Account.

Sub-Account. Specify the tax expense sub-account that the system must use to create gross income accounting postings.

This field is disabled if you select the All Sub-Accounts field. If the All Sub-Accounts field is cleared, and you specify a tax expense account that is defined without sub-account analysis, this field is also disabled.

Cost Center. Specify the tax expense cost center that the system must use to create gross income accounting postings.

This field is disabled if you select the All Cost Centers field. If the All Cost Centers field is cleared, and you specify a tax expense account that is defined without cost center analysis, this field is also disabled.

Project. Specify the tax expense project that the system must use to create gross income accounting postings.

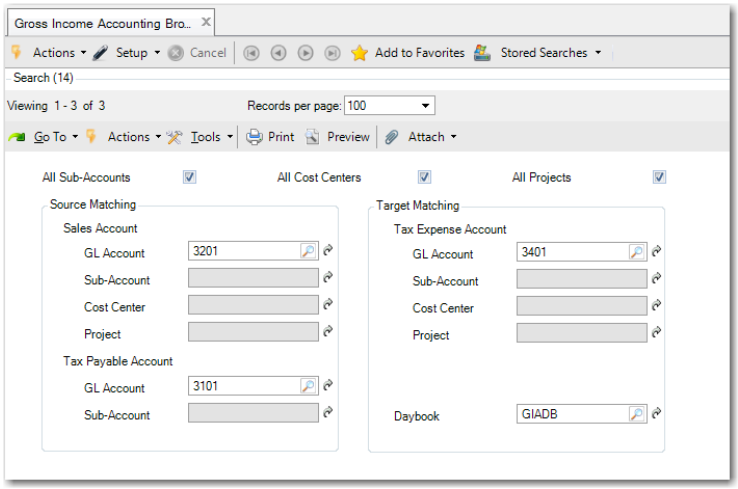
This field is disabled if you select the All Projects field. If the All Projects field is cleared, and you specify a tax expense account that is defined without project analysis, this field is also disabled.

Daybook. Specify the daybook to which the system must post the gross income accounting transactions.

Gross Income Accounting Copy

Gross Income Accounting Copy (25.3.25.5) lets you copy and update gross income accounting groupings within a single entity. This function provides a data entry shortcut if you need to create a new gross income accounting grouping that uses many of the same analytical elements as an existing grouping.

Fig. 2.74
Gross Income Accounting Copy



Gross Income Accounting Excel Integration

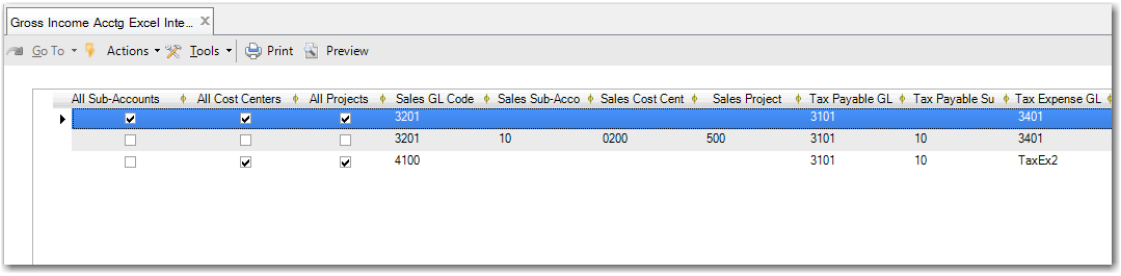
Use Gross Income Acctg Excel Integration (25.3.25.6) to export gross income accounting grouping records to or load records from an Excel spreadsheet. This facility is particularly useful when loading individual sales, tax payable, and tax expense analysis combinations.

If you right-click and select Load Gross Income Accounting, the system loads all gross income accounting groupings for the current entity. You can then modify and save the gross income accounting grouping records.

If you right-click and select Export to Excel for Maintenance, the system downloads the gross income accounting grouping records and exports them to an Excel file for maintenance. You must specify the name and location of the exported Excel file. You can also select Export to Excel for Maintenance when the grid is empty. In this case, the system creates an Excel sheet with the relevant database field name headings for maintaining data.

If you right-click and select Import from Excel, you can select and load an Excel file containing gross income accounting grouping records. The Excel file must be in the correct format for importing and have the correct database field names as column headings.

Fig. 2.75
Gross Income Acctg Excel Integration



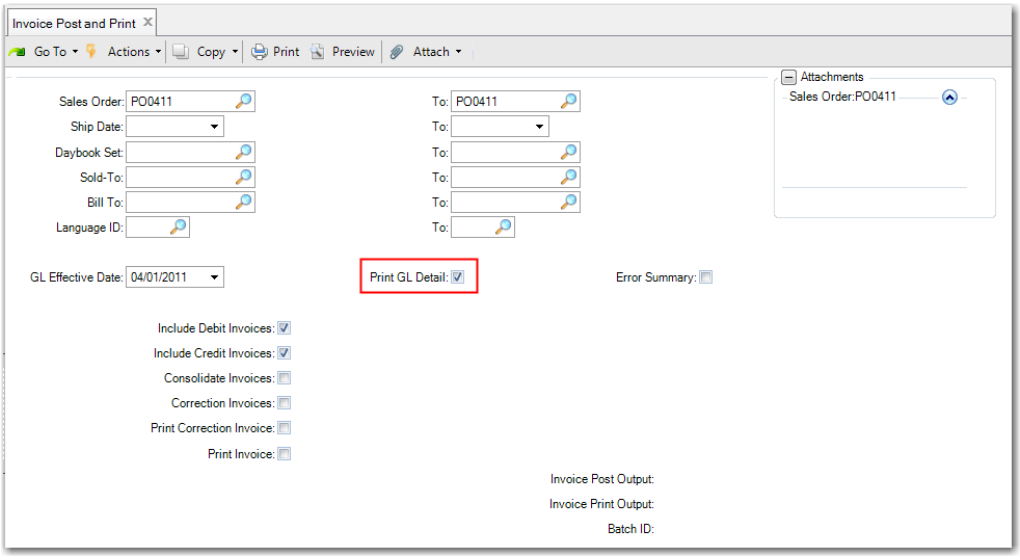
Creating Gross Income Accounting Postings

When posting a sales invoice using Invoice Post and Print (7.13.4), the system creates a gross income accounting posting if the following conditions are met:

- Gross income accounting is enabled for both the order header and line site entities.
- A gross income accounting grouping record for the sales and tax expense accounts is defined for the order header site entity.
- The invoice posting daybook is of type Customer Invoice, Customer Credit Note, Customer Invoice Corrections, or Customer Credit Note Corrections.
- Tax-By-Line is selected for the tax type in Tax Rate Maintenance (29.4.1).

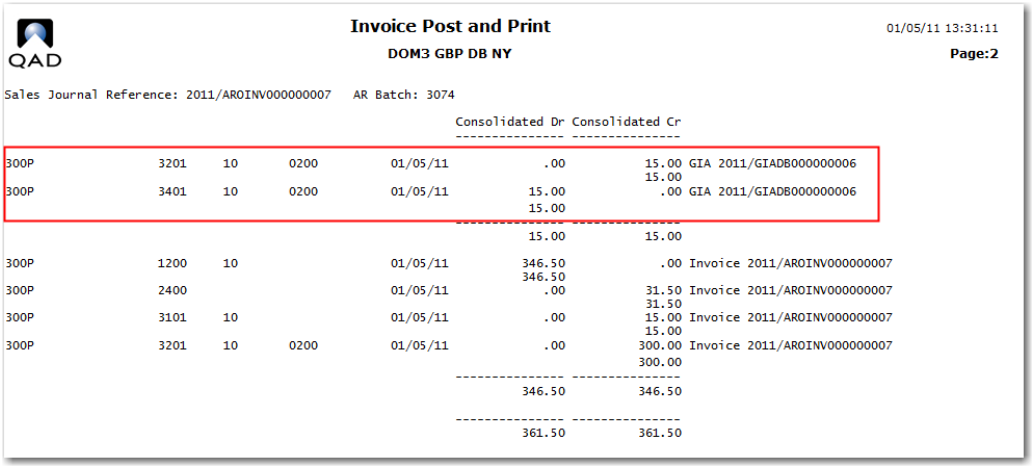
The system also creates gross income accounting postings for sales invoices posted using Pre-Shipper/Shipper Confirm (7.9.5), Pre-Shipper/Shipper Auto Confirm (7.9.7), and Shipper Unconfirm (7.9.21) if the relevant conditions are met.

Fig. 2.76
Invoice Post and Print



If you select the Print GL Detail field in the Invoice Post and Print selection frame, the GL Detail report includes the gross income accounting posting.

Fig. 2.77
Invoice Post and Print, GL Detail Report



QAD

Invoice Post and Print 01/05/11 13:31:11

DOM3 GBP DB NY **Page:2**

Sales Journal Reference: 2011/AROINV000000007 AR Batch: 3074

					Consolidated Dr	Consolidated Cr	
300P	3201	10	0200	01/05/11	.00	15.00	GIA 2011/GIADB000000006
						15.00	
300P	3401	10	0200	01/05/11	15.00	.00	GIA 2011/GIADB000000006
					15.00		
					15.00	15.00	
300P	1200	10		01/05/11	346.50	.00	Invoice 2011/AROINV000000007
					346.50		
300P	2400			01/05/11	.00	31.50	Invoice 2011/AROINV000000007
						31.50	
300P	3101	10		01/05/11	.00	15.00	Invoice 2011/AROINV000000007
						15.00	
300P	3201	10	0200	01/05/11	.00	300.00	Invoice 2011/AROINV000000007
						300.00	
					346.50	346.50	
					361.50	361.50	

The gross income accounting transaction is posted to the line site entity, this is; the entity where the sales transaction is posted. The posting has the same posting date as the sales, tax, and customer control account postings, and also uses the same exchange rate. If statutory currency is enabled for the domain, the gross income accounting posting is also created in statutory currency. In addition, if corrections are enabled in GL Correction Control (25.13.24), the gross income accounting posting follows the correction rules.

The gross income accounting transaction for a customer invoice:

Debits the tax expense account

Credits the sales account

The gross income accounting transaction for a customer credit note:

Credits the tax expense account

Debits the sales account

Note Gross income accounting postings are created for sales order trailer charges, if the relevant prerequisites are met.

Other Functions

If the Auto Invoice Post field is selected in Customer Schedules Control (7.3.24), Invoice Post and Print is automatically started from the following customer consignment inventory functions:

- Inventory Usage Create (7.18.13)
- Authorization Usage Create (7.18.14)
- Sequenced Usage Create (7.18.15)
- Shipper Usage Create (7.18.19)
- Usage Create Undo (7.18.22)
- Aging Inventory Update (7.18.10)

For sales orders posted from each of the above functions, gross income accounting postings are created if the relevant prerequisites are met.

The following Service and Support Management functions create pending invoice record used by Invoice Post and Print to create invoices:

- Call Activity Recording (11.1.1.13)
- Call Invoice Recording (11.1.1.15)
- Billing Release to Invoice (11.5.18.13)
- RMA Maintenance (11.7.1.1)
- RMA Receipts (11.7.1.13)
- RMA Shipments (11.7.1.16)
- Retrobill Maintenance (7.13.13.1)

When pending invoices created from each of the above functions are posted, gross income accounting postings are created if the relevant prerequisites are met.

Cross-Company Postings

The system creates a cross-company gross income accounting posting if:

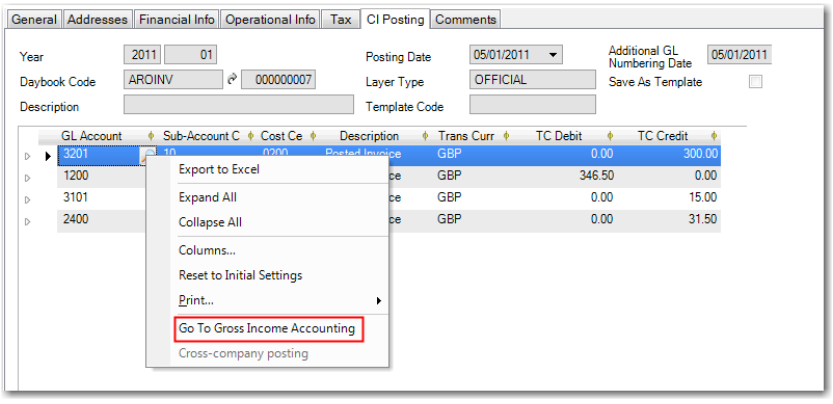
- A gross income accounting mapping is defined in the header site entity.
- Gross income accounting is enabled in both the header and line site entities.

If gross income accounting is enabled for the order header site and this site is used for all orders, additional mappings are not required for other entities. This is also the case if the same site is used for both the sales order header and lines. However, if you implement gross income accounting based on the entity of the sales order line site, then you must enable gross income accounting in all line site entities and ensure that gross income accounting mappings are defined in each entity.

Viewing Customer Invoices

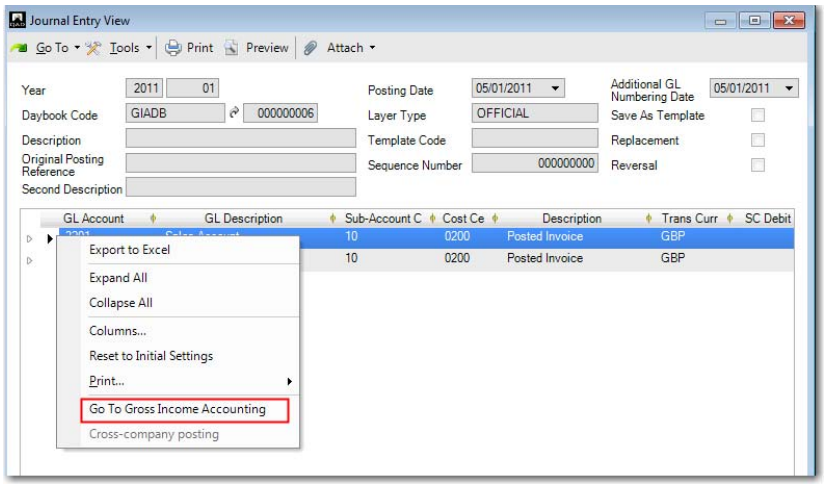
When customer invoices for which gross income accounting applies are posted to the general ledger, you can access the gross income accounting posting when viewing the posted invoice in Customer Invoice View (27.1.1.3). In the CI Posting tab of Customer Invoice View (27.1.1.3), right-click in the sales account posting line and click Go To Gross Income Accounting.

Fig. 2.78
Customer Invoice View, CI Posting Tab



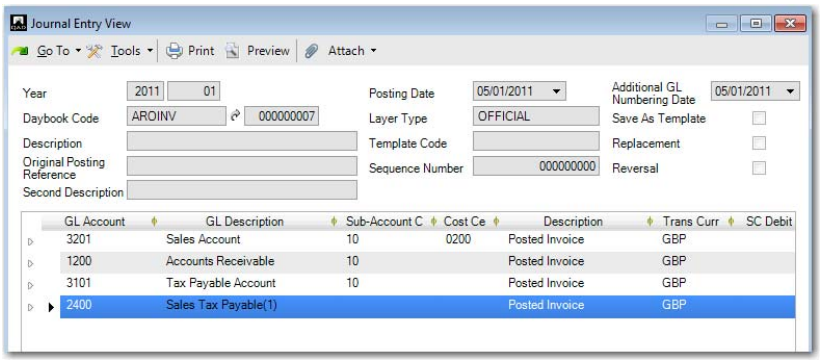
The gross income accounting posting then opens in Journal Entry View (25.13.1.3).

Fig. 2.79
Journal Entry View, Gross Income Accounting Posting



From the gross income accounting posting, you can right-click and select Go To Gross Income Accounting again to view the source sales posting.

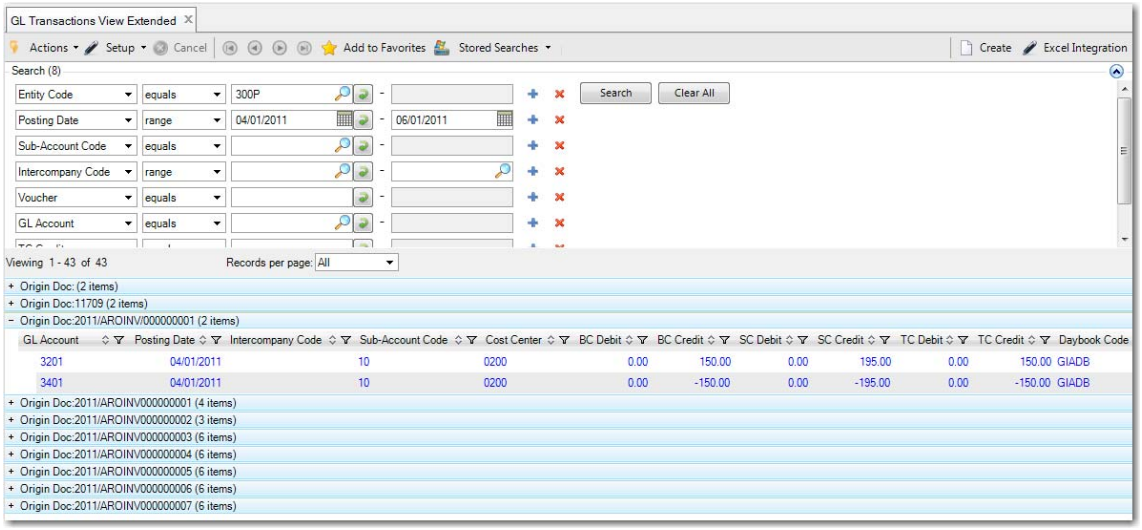
Fig. 2.80
Journal Entry View, Sales Posting



Views and Reports

You can use GL Transactions View Extended (25.15.2.10) to view the linked source and gross income accounting transactions by grouping transactions by the Origin Doc field. To do this, right-click the Origin Doc column header and select Group By Origin Doc.

Fig. 2.81
GL Transactions View Extended



Gross Income Accounting Examples

Cross-Company Example

In this example, the header site belongs to entity 1000 and the line site belongs to entity 2000. Gross income accounting is enabled in both entities and gross income accounting mapping records exist in both entities. Since the header and line site entities are different, a gross income accounting cross-company posting is created in entity 2000 for the sales line when the invoice is posted.

Entity 1000, Standard Posting

Account	Account Description	Dr	Cr
1200	Customer Control	235.00	
2400	Tax Payable		35.00
1203	Cross-Company - AR		200.00

The customer invoice record is created in the header site entity. The tax payable transaction is also posted here.

Entity 2000, Standard Posting

Account	Account Description	Dr	Cr
1203	Cross-Company - AR	200.00	
3000	Sales		200.00

The sales posting line is in the line site entity.

Entity 2000, Gross Income Accounting Posting

Account	Account Description	Dr	Cr
5000	Tax Expense	35.00	
3000	Sales		35.00

The gross income accounting posting is to the line site entity.

Tax by Line Example

A sales transaction is subject to three tax rates: 17.5%, 5%, and 0%. Tax-By-Line is enabled for all three tax rates.

Line Number	GL Account	Line Amount	Tax Rate	Tax Amount/Detail
1	3000	100.00	17.5	17.50
2	3010	200.00	17.5	35.00
3	3000	300.00	5.0	15.00
4	3000	400.00	5.0	20.00
5	3010	500.00	0.0	0.00
6	3010	600.00	0.0	0.00
Total		**2100.00**		**87.50**

When the transaction is posted, Invoice Post and Print (7.13.4) generates the following transactions:

Account	Dr	Cr
Accounts Receivable	2187.50	
Tax Account		87.50
Sales Account 3000		800.00
Sales Account 3010		1300.00

The corresponding gross income accounting posting is as follows:

Account	Dr	Cr
Tax Expense Account	87.50	
Sales Account 3000		52.50 **(17.50 + 15.00 + 20.00)**
Sales Account 3010		35.00 **(35.00 + 0.00 + 0.00)**

Chapter 3

Processing GTM

This chapter includes details of the data required to process taxes.

Overview 116
Provides an overview of tax calculation in GTM.

Specifying Tax Data 118
Describes how to enter tax data for transactions.

Viewing Tax Amounts 119
Review system-calculated tax amounts.

Correcting Transaction Tax Amounts 121
Override system-calculated tax amounts.

Exchange Rate Effects 121
Describes the effect of exchange rates on tax.

Recoverable, Non-Recoverable Tax 122
Introduces the concepts of recoverable and non-recoverable tax.

Variances 122
Describes the kinds of variance that can occur during the accounts payable cycle.

Memo Items 122
Discusses tax processing for memo items.

Returned Items 123
Discusses tax processing for returned items.

Tax Point Effects 123
Describes the effect of tax points on tax rates.

Standard Cost, Recoverable Tax Examples 124
Shows standard costing recoverable tax accruals.

Average Cost, Recoverable Tax Examples 134
Shows average costing recoverable tax accruals.

Average Cost, Non-Recoverable Tax Examples 138
Shows average costing non-recoverable tax accruals.

Fixing Common Tax Problems 143
Describes common tax processing problem.

Overview

This section describes how GTM processes tax transactions. It also discusses GL transactions created for tax amounts under standard and average costing.

Calculating Taxes

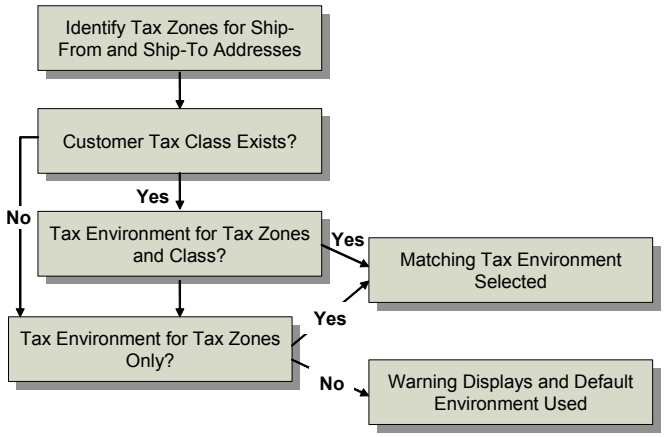
To calculate taxes on transactions, GTM first identifies the tax environment—the set of tax types for each line item and trailer charge. It then determines the most appropriate tax rate for each tax type in the environment.

GTM searches for an optimal tax environment based on a combination of transaction conditions:

- Ship-from tax zone for the line item
- Ship-to tax zone for the transaction
- Customer or supplier tax class, if any

Figure 3.1 summarizes the search priority for selecting a tax environment.

Fig. 3.1
Selection of Tax Environment



If GTM finds a matching environment, it assigns this environment to the transaction. Otherwise, the following message displays:

```
Warning: No tax environment found, using default.
```

The system then uses the error environment from Global Tax Management Control (29.24). If this happens, investigate and correct the problem. See “Fixing Common Tax Problems” on page 143.

Table 3.1 describes the tax environment selection criteria for different transaction amounts.

Table 3.1
Tax Environment Selection Criteria

Item	Ship-To Tax Zone	Ship-From Tax Zone	Tax Class
Inventory items	Transaction ship-to tax zone	Line item ship-from tax zone	Transaction tax class, if any

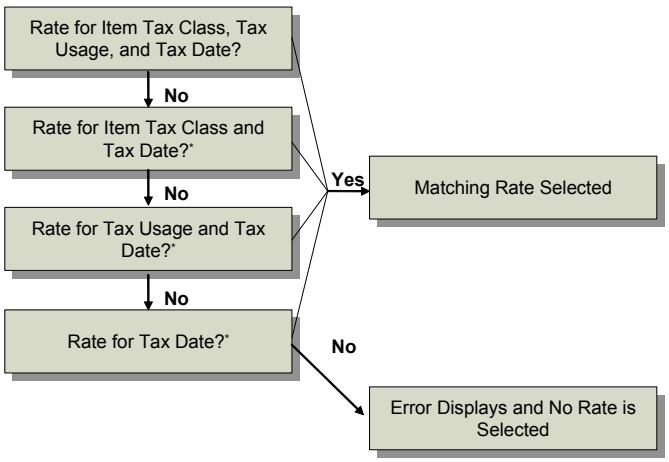
Item	Ship-To Tax Zone	Ship-From Tax Zone	Tax Class
Memo items	Transaction ship-to tax zone	Transaction ship-from tax zone	Transaction tax class, if any
Trailer charges	Transaction ship-to tax zone	Transaction ship-from tax zone	Transaction tax class, if any

Next, GTM searches for the tax rate for each tax type in the tax environment. For each tax type, GTM searches for an optimal tax rate based on a combination of transaction and line item conditions:

- Tax class
- Tax usage
- Transaction tax date

Figure 3.2 summarizes the search priority for selecting a tax rate for a tax type. GTM selects a rate only if there is a complete match between the conditions of the transaction and the tax rate. Any nonmatching criteria must be blank. For example, if a tax rate has a matching item tax class and tax date but a different tax usage, it is not selected.

Fig. 3.2
Selection of Tax Rate



* Remaining tax rate fields must be blank.

If GTM finds a matching rate, it uses this rate for the tax calculation. Otherwise, the following message displays:

```
Error: Tax rate does not exist.
“Tax Type” “Tax Class” “Tax Usage”
```

The message displays the tax type, tax class, and tax usage not found, and no tax is calculated. If this happens, investigate the problem. See “Fixing Common Tax Problems” on page 143.

Table 3.2 describes the tax rate selection criteria for different transaction amounts.

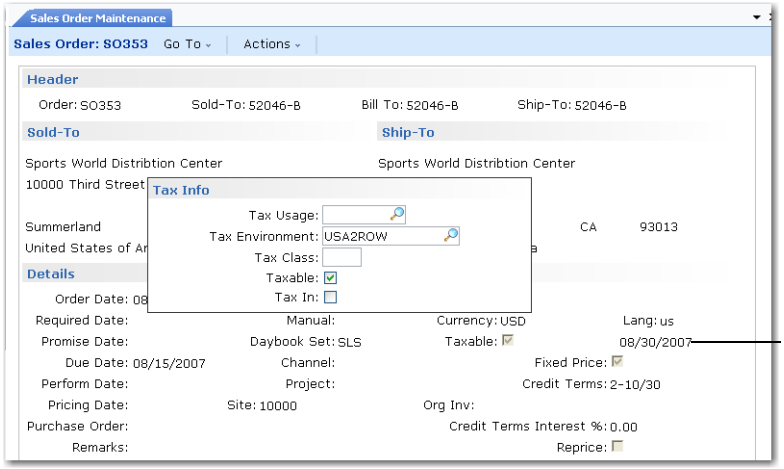
Table 3.2
Tax Rate Selection Criteria

Item	Tax Class	Tax Usage	Tax Date
Inventory items	Item tax class, if any	Transaction tax usage, if any	Transaction tax date
Memo items	Transaction tax class, if any	Transaction tax usage, if any	Transaction tax date
Trailer charges	(1) Tax class from trailer charge detail, if any (2) Trailer charge tax class, if any (3) Transaction tax class, if any	Transaction tax usage, if any	Transaction tax date

Specifying Tax Data

All transactions subject to tax prompt for tax data in the header, line item, and trailer frames. Figure 3.3 illustrates the tax pop-up in the Sales Order Maintenance (7.1.1) header. Most values specified in the header can be modified for each line.

Fig. 3.3
Sales Order Maintenance (7.1.1), Header Frame



Tax Date. The transaction tax date is used to select tax rates. At order entry, the default tax date is the order due date. At shipment and receipt, the default tax date is the transaction effective date.

In some situations, you should specify another tax date. For example, when processing a return, you can enter the original order date. You cannot override the transaction tax date for individual line items and trailer charges. GTM does not use a tax rate if the transaction's tax date is outside the tax rate's effective date range.

Tax Usage. Tax usage is used to select tax rates. Tax usage defaults from the relevant address record: customer, supplier, or end user. You can override the transaction tax usage for line items but not for trailer charges.

Tax Environment. The tax environment is used to select tax types for the transaction. The ship-from/ship-to tax zones and tax class, if any, determines the default tax environment. A line item can have a different tax environment if its ship-from tax zone is different from the one for the rest of the transaction.

Tax Class. Tax class is used to select the transaction tax environment and/or tax rates for items and trailer charges. Tax class defaults from the relevant address record: customer, supplier, or end user.

For inventory items, the default tax class is the item tax class. For memo items, the default tax class is the transaction tax class. For trailer charges, the tax class is the one for the (1) trailer tax detail, (2) trailer charge, or (3) transaction, depending on which one the system finds first.

Taxable. The taxable status determines how tax types apply to the transaction. If Taxable is No, the amount is nontaxable. However, if Taxable is Yes, the amount can also be nontaxable if you use tax types and zero-percent tax rates to report tax exemptions.

The customer, supplier, or end user taxable status determines the default status of the transaction. If the transaction taxable status is No, the entire order has this status.

For inventory items, the default status is the item status. For memo items, the default status is the transaction taxable status. For trailer charges, the status is the one for the (1) trailer tax detail, (2) trailer charge, or (3) transaction, depending on which one the system finds first.

Tax In. Tax In (tax included) determines whether tax is already included in line item amounts. If it is, the system reverse-calculates the tax from the item amount and displays it along with the other tax amounts.

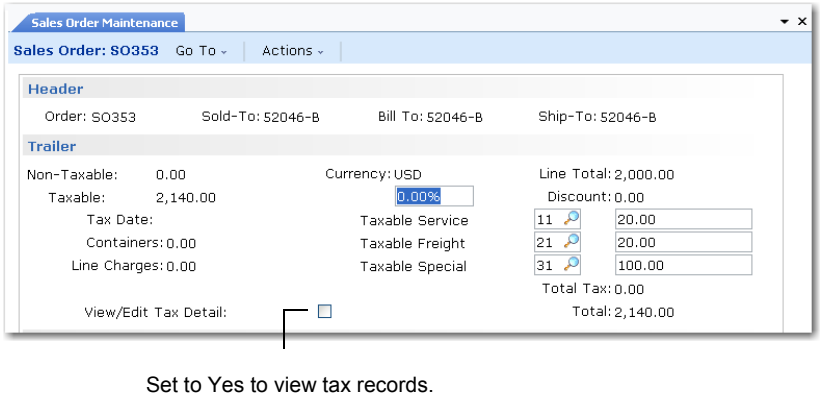
The customer, supplier, or end user Tax In status determine the default status of the transaction. You can override this status for line items. For an amount to be tax included, Tax In must be Yes and the Allow Tax Included setting for the tax rate must be Yes.

Note Tax is always added to trailer charges, regardless of the value of Tax In.

Viewing Tax Amounts

In the transaction trailer frame, review system-calculated tax amounts by setting View/Edit Tax Detail to Yes. The screen displays the total nontaxable and taxable line item and trailer charge amounts, the tax date, and tax amounts by category.

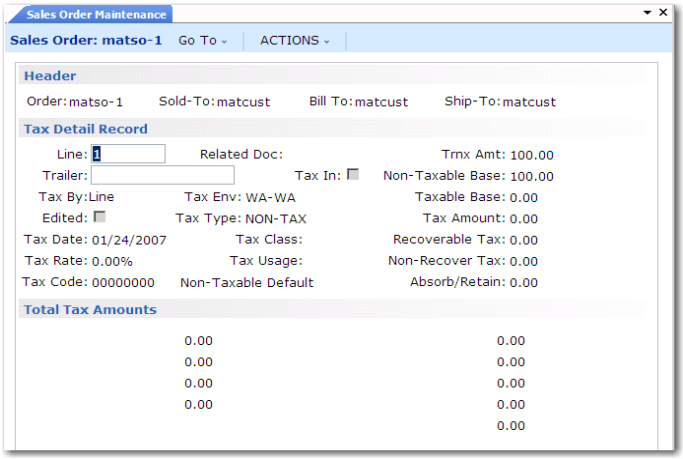
Fig. 3.4
Sales Order Maintenance, View/Edit Tax Detail Option



In the tax detail frame, scroll through the Line and Trailer fields to view the tax rate information for each tax type.

Note You cannot change tax amounts unless Update Tax Allowed for the tax rate is Yes.

Fig. 3.5
Sales Order Maintenance, Tax Detail Record



Line. Tax amounts for line items and trailer charges are identified by line number. Use Next/Previous to scroll through the amounts for each tax type.

0: Line items taxed by total.

1 through 99998: Line items taxed by line. The line number in the tax detail corresponds to the order line item number.

99999: Trailer charges.

Trailer. For trailer charges, enter the code of the trailer charge subject to the tax.

Tax By. Output only. Total indicates that the tax rate was applied to the order total for all items and trailer charges taxed at this rate. Line indicates that the tax rate was applied separately to each item and trailer charge.

Edited. Output only. This setting indicates whether the tax amount was ever changed from the system-calculated amount.

The system also displays the factors GTM used to calculate the tax: transaction tax date, tax rate, tax code, tax environment, tax type, item or trailer charge tax class, and tax usage.

Depending on how you set up the tax rate, you may be able to change some of the following values. To change values, Update Tax Allowed must be Yes.

Trnx Amt. This value is the total transaction amount, excluding tax.

Nontaxable Base. This is the nontaxable portion of the transaction amount.

Taxable Base. This is the taxable portion of the transaction amount.

Tax Amt. This is the tax amount for the tax type. For line 0, it is the transaction tax amount for the tax type. For lines 1-99999, it is the amount for the line item or trailer charge.

Recoverable and Non-Recover Tax. This is the recoverable and non-recoverable portions of purchase tax.

Absorb/Retain. On sales and accounts receivable transactions, this is the sales tax that was absorbed and therefore not included in the transaction total. On purchasing and accounts payable transactions, it is the purchase tax that was retained for direct payment to the government.

Correcting Transaction Tax Amounts

Depending on how you set up GTM, you can selectively override system-calculated tax amounts. The default behavior is determined first by Update Tax Allowed in Global Tax Management Control (29.24), then by the same field in individual tax rate records (29.4.1).

In transactions, View/Edit Tax Detail always lets you review how the system calculated taxes. If Update Tax Allowed is Yes, you can also change the taxable base, tax, and recoverable tax amounts.

Use this feature to match amounts on manually issued documents. Typically, you edit tax amounts only when transaction tax amounts must exactly match an external document. You can also edit taxes when entering transactions for which you have not set up standard rates. However, the system does not maintain an audit trail of changes, so accounting regulations may prevent you from using this capability.

If you do edit tax amounts, one of the following messages displays when you exit transactions:

Recalculate Tax. Enter Yes to recalculate tax and taxable base amounts based on the current data you entered in the transaction. Do this if you ship or receive a different quantity than originally entered.

Copy Edited Tax Values. Enter Yes to copy previously edited tax amounts to this transaction or No to recalculate taxes based on current transaction information.

For example, when you enter a purchase order, you can manually edit the system-calculated tax amounts. When you process the receipt, copy the edited tax values from the order or recalculate taxes based on the current information. If you did not manually edit the taxes in the order, taxes are automatically recalculated at receipt.

If you enter Yes, the system copies tax amounts from the earlier transaction to the one you are currently working on. If you enter No, the system recalculates taxes. Taxes are copied exactly. The system does not adjust for quantity or price differences between the two transactions.

Exchange Rate Effects

When tax is calculated in a foreign currency, the exchange rate used is the rate effective on the date of the corresponding document. This may differ from the rate that is effective on the tax date. For example, during invoice post, the exchange rate used for tax, if applicable, is the same as the rate used for the rest of the invoice; however, it may be different from the rate that was in effect during shipment. Based on local regulations, it may be necessary to reevaluate using the official exchange rate.

Recoverable, Non-Recoverable Tax

Most European countries have a sales tax system that allows recovery of tax on purchases. A recoverable purchase tax amount is one that you are allowed to offset against sales tax payable. Such tax amounts are tracked separately in the GL. They update the AP Tax Invoice or Credit Note account for the tax rate. For recoverable taxes, the tax point is normally invoice date.

- See “Standard Cost, Recoverable Tax Examples” on page 124.
- See “Average Cost, Recoverable Tax Examples” on page 134.

You cannot offset a non-recoverable purchase tax amount against sales tax payable. Usually, such taxes are already included in the item cost. Purchasing transactions back-calculate the tax from the item amount, assuming you set up the supplier and tax rate records to support this.

- See “Standard Cost, Non-Recoverable Tax Examples” on page 129.
- See “Average Cost, Non-Recoverable Tax Examples” on page 138.

Variances

Three kinds of variance occur during the purchasing/accounts payable cycle: purchase price variance (standard costing only), AP usage variance, and AP rate variance.

Purchase Price Variance. Purchase price variance occurs when the PO cost for an inventory item does not match its GL cost. This variance does not occur for memo items, which have no standard cost.

AP Rate Variance. AP rate variance occurs when the invoice cost for an item does not match its PO cost.

AP Usage Variance. AP usage variance occurs when the invoice quantity for an item does not match its PO quantity and you close the receiver line in the supplier invoice.

Memo Items

Memo items are non-inventory items such as office supplies. By definition, such items have no standard cost.

Entries for memo items update Expensed Item Receipts instead of Purchase Order Receipts, and Expensed Purchases instead of Inventory. In addition, for memo items, an option in Supplier Invoice Control (28.24) allows variances to update Expensed Item Receipts instead of the variance accounts.

In the GL entry examples, the tax point determines whether accounts are updated at goods receipt or invoice date. See the examples.

- “Memo Items (Standard Cost, Recoverable Tax)” on page 128
- “Memo Items (Standard Cost, Non-Recoverable Tax)” on page 133
- “Memo Items (Average Cost, Recoverable Tax)” on page 137
- “Memo Items (Average Cost, Non-Recoverable Tax)” on page 141

Returned Items

When you return items, the system clears the item cost and the tax from the accounts updated by the original receipt and the supplier invoice, if you processed the return after paying the supplier invoice.

Tax Point Effects

During transaction processing, the tax point for the tax rate determines when and for which accounts the system creates GL entries for tax amounts. The tax point defaults first from Accrue Tax at Receipt in Global Tax Management Control (29.24), then from the same setting in individual tax rate records (29.4.1).

When the tax point is goods receipt, the system creates GL entries when you record the receiving transaction. When the tax point is invoice receipt, the system creates entries later—when you enter or finalize a supplier invoice.

For each tax point, exact GL entries vary by cost system. Table 3.3 summarizes the elements that influence GL entries. The subsequent sections for standard costing and average costing illustrate tax accruals in more detail.

Tax point also affects the cost basis for average cost calculations. The system re-averages item costs at both receipt and when you finalize the supplier invoice. If the tax point is goods receipt, the cost basis for re-averaging calculations includes tax at both receipt and receiver matching. However, if the tax point is invoice receipt, the cost basis includes tax only at receiver matching.

Table 3.3
Elements that Influence GL Entries for Each Tax Point

Costing System at Site, Tax Amount	Taxable Amount	See...
Standard, Recoverable	Inventory Items	page 124
	Purchase Price Variance	page 125
	AP Usage Variance	page 126
	AP Rate Variance	page 127
	Memo Items	page 128
	Returned Items	page 123
Standard, Non-Recoverable	Inventory Items	page 129
	Purchase Price Variances	page 130
	AP Usage Variance	page 131
	AP Rate Variance	page 132
	Memo Items	page 133
	Returned Items	page 123
Average, Recoverable	Inventory Items	page 134
	AP Usage Variance	page 135
	AP Rate Variance	page 136
	Memo Items	page 137
	Returned Items	page 123

Costing System at Site, Tax Amount	Taxable Amount	See...
Average, Non-Recoverable	Inventory Items	page 138
	AP Usage Variance	page 139
	AP Rate Variance	page 140
	Memo Items	page 141
	Returned Items	page 123

Standard Cost, Recoverable Tax Examples

This section shows recoverable tax accruals for a purchase order and supplier invoice.

- See “Recoverable, Non-Recoverable Tax” on page 122.
- See *QAD Costing User Guide* for further information on standard cost.

To review the entries for average cost, see “Average Cost, Recoverable Tax Examples” on page 134.

Inventory Items (Standard Cost, Recoverable Tax)

The following tables illustrate the GL entries created for the receipt of a purchased inventory item, assuming standard cost and recoverable tax. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or supplier invoice date.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
110.00	**3**	**3**	110.00

- When an invoice is matched, entries are created for invoice value, including tax (**4**).

Purchase Order Receipts		Unmatched Invoices	
110.00	**4**	**4**	110.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for item cost (**2**) and tax (**3**).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
100.00	**2**	**2**	100.00	10.00	**3**
		3	10.00		

- When an invoice is matched, entries are created for item cost (**4**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00

Purchase Price Variance (Standard Cost, Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**), variance (**2**) and tax on item cost + variance (**3**).

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00
		2	25.00
		3	12.50

Purchase Price Variance		AP Tax Recoverable	
25.00	**2**	12.50	**3**

- When an invoice is received, entries are created for invoice value, including tax (**4**).

Unmatched Invoices		Accounts Payable	
137.50	**4**	**4**	137.50

- When an invoice is matched, entries are created for invoice value (**5**).

Purchase Order Receipts		Unmatched Invoices	
137.50	**5**	**5**	137.50

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) and variance (**2**) but not for tax.

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	**1**	**1**	100.00	25.00	**2**
		2	25.00		

- When an invoice is received, entries are created for the item cost including variance (**3**) and tax (**4**)

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
125.00	**3**	**3**	125.00	12.50	**4**
		4	12.50		

- When an invoice is matched, entries are created for item cost (**5**) and variance (**6**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**5**	**5**	100.00
25.00	**6**	**6**	25.00

AP Usage Variance (Standard Cost, Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
154.00	**3**	**3**	154.00

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), tax on item cost (**6**), and tax on variance (**7**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00
10.00	**6**	**5**	40.00
		6	10.00
		7	4.00

AP Usage Variance		AP Tax Recoverable	
40.00	**5**	4.00	**7**

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory	
100.00	**1**

Purchase Order Receipts	
1	100.00

- When an invoice is received, entries are created for the invoice cost (**2**) and tax (**3**).

Unmatched Invoices	
140.00	**2**

Accounts Payable	
2	140.00
3	14.00

AP Tax Recoverable	
14.00	**3**

- When an invoice is matched, entries are created for item cost (**4**) and variance (**5**).

Purchase Order Receipts	
100.00	**4**

Unmatched Invoices	
4	100.00
5	40.00

AP Usage Variance	
40.00	**5**

AP Rate Variance (Standard Cost, Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory	
100.00	**1**

Purchase Order Receipts	
1	100.00
2	10.00

AP Tax Recoverable	
10.00	**2**

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices	
143.00	**3**

Accounts Payable	
3	143.00

- When an invoice is matched, entries are created for item cost + tax (**3**), variance (**4**), and tax on variance (**5**).

Purchase Order Receipts	
110.00	**3**

Unmatched Invoices	
3	110.00
4	30.00
5	3.00

AP Rate Variance	
30.00	**4**

AP Tax Recoverable	
3.00	**5**

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for invoice cost (2) and tax (3).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
130.00	**2**	**2**	130.00	13.00	**3**
		3	13.00		

- When an invoice is matched, entries are created for item cost (**4**) and variance (**5**).

Purchase Order Receipts		Unmatched Invoices		AP Rate Variance	
100.00	**4**	**4**	100.00	30.00	**5**
		5	30.00		

Memo Items (Standard Cost, Recoverable Tax)

“Memo Items” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Expensed Purchases		Expensed Item Receipts		AP Tax Recoverable	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
110.00	**3**	**3**	110.00

- When an invoice is matched, entries are created for item cost (**4**) and tax (**5**).

Expensed Item Receipts		Unmatched Invoice	
100.00	**4**	**4**	100.00
10.00	**5**	**5**	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Expensed Purchases		Expensed Item Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for item cost (**2**) and tax (**3**).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
100.00	**2**	**2**	100.00	10.00	**3**
		3	10.00		

- When an invoice is matched, entries are created for item cost (**4**).

Expensed Item Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00

Standard Cost, Non-Recoverable Tax Examples

This section shows non-recoverable tax accruals for a purchase order and supplier invoice. The examples illustrate GL entries if taxes are not included in the item cost.

- See “Recoverable, Non-Recoverable Tax” on page 122.
- See *QAD Costing User Guide* for further information on standard cost.

To review the entries for average cost, see “Average Cost, Non-Recoverable Tax Examples” on page 138.

Inventory Items (Standard Cost, Non-Recoverable Tax)

The following tables show the GL entries for purchases of inventory items. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or invoice date. Inventory items are items you purchase to use in manufacturing or to sell to customers.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value (**3**).

Unmatched Invoices		Accounts Payable	
110.00	**3**	**3**	110.00

- When an invoice is matched, entries are created for item cost (**3**) and tax (**4**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**3**	**3**	100.00
10.00	**4**	**4**	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for invoice value (**2**) and tax (**3**).

Unmatched Invoices		Accounts Payable		Purchase Price Variance	
100.00	**2**	**2**	100.00	10.00	**3**
		3	10.00		

- When and invoice is matched, entries are created for item cost (**4**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00

Purchase Price Variance (Standard Cost, Non-Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**), variance (**2**) and tax on item cost + variance (**3**).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	**1**	**1**	100.00	25.00	**2**
		2	25.00	12.50	**3**
		3	12.50		

- When an invoice is received, entries are created for invoice value, including tax (**4**).

Unmatched Invoices		Accounts Payable	
137.50	**4**	**4**	137.50

- When an invoice is matched, entries are created for item cost (**5**), variance (**6**), and tax (**7**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**5**	**5**	100.00
25.00	**6**	**6**	25.00
12.50	**7**	**7**	12.50

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) and variance (**2**) but not for tax.

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	**1**	**1**	100.00	25.00	**2**
		2	25.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
137.50	**4**	**4**	137.50

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), and tax on item cost + variance (**6**).

Purchase Order Receipts		Unmatched Invoices		Purchase Price Variance	
100.00	**4**	**4**	100.00	12.50	**6**
25.00	**5**	**5**	25.00		
		6	12.50		

AP Usage Variance (Standard Cost, Non-Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
154.00	**3**	**3**	154.00

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), tax on item cost (**6**), and tax on variance (**7**).

Purchase Order Receipts		Unmatched Invoices		AP Usage Variance	
100.00	**4**	**4**	100.00	40.00	**5**
10.00	**6**	**5**	40.00	4.00	**7**
		6	10.00		
		7	4.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for invoice item cost (**2**) and tax on item cost (**3**).

Unmatched Invoices		Accounts Payable		???	
140.00	**2**	**2**	140.00	14.00	**3**
		3	14.00		

- When an invoice is matched, entries are created for item cost (**4**) and variance (**5**).

Purchase Order Receipts		Unmatched Invoices		AP Usage Variance	
100.00	**4**	**4**	100.00	40.00	**5**
		5	40.00		

AP Rate Variance (Standard Cost, Non-Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
143.00	**3**	**3**	143.00

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), tax on item cost (**6**), and tax on variance (**7**).

Purchase Order Receipts		Unmatched Invoices		AP Rate Variance	
100.00	**4**	**4**	100.00	30.00	**5**
10.00	**6**	**5**	30.00	3.00	**7**
		6	10.00		
		7	3.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for invoice value, including tax (**2**).

Unmatched Invoices		Accounts Payable	
143.00	**2**	**2**	143.00

- When an invoice is matched, entries are created for item cost (**3**), variance (**4**), tax on item cost (**5**), and tax on variance (**6**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**3**	**3**	100.00
		4	30.00
		5	10.00
		6	3.00

AP Rate Variance		PO Price Variance	
30.00	**4**	10.00	**5**
3.00	**6**		

Memo Items (Standard Cost, Non-Recoverable Tax)

“Memo Items” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Expensed Purchases		Expensed Item Receipts	
100.00	**1**	**1**	100.00
10.00	**2**	**2**	10.00

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
110.00	**3**	**3**	110.00

- When an invoice is matched, entries are created for item cost (**4**) and tax (**5**).

Expensed Item Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00
10.00	**5**	**5**	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Expensed Purchases		Expensed Item Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for item cost (**2**) and tax (**3**).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
100.00	**2**	**2**	100.00	10.00	**3**
		3	10.00		

- When an invoice is matched, entries are created for item cost (**4**).

Expensed Item Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00

Average Cost, Recoverable Tax Examples

This section shows recoverable tax accruals for a purchase order and supplier invoice. The tax point affects the cost basis for the average cost calculation.

- See “Recoverable, Non-Recoverable Tax” on page 122.
- See “Tax Point Effects” on page 123.
- See *QAD Costing User Guide* for further information on average cost.

To review the entries for standard cost, see “Standard Cost, Recoverable Tax Examples” on page 124.

Inventory Items (Average Cost, Recoverable Tax)

The following tables show the GL entries for purchases of inventory items. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or invoice date. Inventory items are items you purchase to use in manufacturing or to sell to customers.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
110.00	**3**	**3**	110.00

- When an invoice is matched, entries are created for item cost (**3**) and tax (**4**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**3**	**3**	100.00
10.00	**4**	**4**	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for item cost (**2**) and tax (**3**).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
100.00	**2**	**2**	100.00	10.00	**3**
		3	10.00		

- When an invoice is matched, entries are created for item cost (**4**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00

AP Usage Variance (Average Cost, Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
154.00	**3**	**3**	154.00

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), tax on item cost (**6**), and tax on variance (**7**).

Purchase Order Receipts	
100.00	**4**
10.00	**6**

Unmatched Invoices	
4	100.00
5	40.00
6	10.00
7	4.00

AP Usage Variance	
40.00	**5**

AP Tax Recoverable	
4.00	**7**

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory	
100.00	**1**

Purchase Order Receipts	
1	100.00

- When an invoice is received, entries are created for item cost (**2**) and tax (**3**).

Unmatched Invoices	
140.00	**2**

Accounts Payable	
2	140.00
3	14.00

AP Tax Recoverable	
14.00	**3**

- When an invoice is matched, entries are created for item cost (**4**) and variance (**5**).

Purchase Order Receipts	
100.00	**4**

Unmatched Invoices	
4	100.00
5	40.00

AP Usage Variance	
40.00	**5**

AP Rate Variance (Average Cost, Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory	
100.00	**1**

Purchase Order Receipts	
1	100.00
2	10.00

AP Tax Recoverable	
10.00	**2**

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices	
143.00	**3**

Accounts Payable	
3	143.00

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), tax on item cost (**6**), and tax on variance (**7**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**4**	**4**	100.00
10.00	**6**	**5**	30.00
		6	10.00
		7	3.00

AP Rate Variance		AP Tax Recoverable	
30.00	**5**	3.00	**7**

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for the invoice total (**2**) and tax (**3**).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
130.00	**2**	**2**	130.00	13.00	**3**
		3	13.00		

- When invoice is received, entries are created for item cost (**4**) and variance (**5**).

Purchase Order Receipts		Unmatched Invoices		AP Rate Variance	
100.00	**4**	**4**	130.00	30.00	**5**
		5	30.00		

Memo Items (Average Cost, Recoverable Tax)

“Memo Items” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Expensed Purchases		Expensed Item Receipts		AP Tax Recoverable	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Expensed Item Receipts		Accounts Payable	
110.00	**3**	**3**	110.00

Tax accrual at supplier invoice receipt

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Expensed Purchases		Expensed Item Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for item cost (**2**) and tax (**3**).

Expensed Item Receipts		Accounts Payable		AP Tax Recoverable	
100.00	**2**	**2**	100.00	10.00	**3**
		3	10.00		

Average Cost, Non-Recoverable Tax Examples

This section shows non-recoverable tax accruals for a purchase order and supplier invoice. The examples illustrate GL entries if taxes are not included in item cost. The tax point affects the cost basis for the average cost calculation.

- See “Recoverable, Non-Recoverable Tax” on page 122.
- See “Tax Point Effects” on page 123.
- See *QAD Costing User Guide* for further information on average cost.

To review the entries for standard cost, see “Standard Cost, Non-Recoverable Tax Examples” on page 129.

Inventory Items (Average Cost, Non-Recoverable Tax)

The following tables show the GL entries for purchases of inventory items. Inventory items are items you purchase to use in manufacturing or to sell to customers.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	**1**	**1**	100.00	10.00	**2**
		2	10.00		

- When an invoice is received, entries are created for the invoice value, including tax (**4**).

Unmatched Invoices		Accounts Payable	
110.00	**3**	**3**	110.00

- When an invoice is matched, entries are created for cost + tax (**4**).

Purchase Order Receipts		Unmatched Invoices	
110.00	**4**	**4**	110.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for invoice value, including tax (**2**).

Unmatched Invoices		Accounts Payable	
110.00	**2**	**2**	110.00

- When an invoice is matched, entries are created for item cost (**3**) and tax (**4**).

Purchase Order Receipts		Unmatched Invoices		Inventory	
100.00	**3**	**3**	100.00	10.00	**4**
		4	10.00		

AP Usage Variance (Average Cost, Non-Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00
10.00	**2**	**2**	10.00

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
154.00	**3**	**3**	154.00

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), tax on item cost (**6**), and tax on variance (**7**).

Purchase Order Receipts		Unmatched Invoices		AP Usage Variance	
100.00	**4**	**4**	100.00	40.00	**5**
10.00	**6**	**5**	40.00	4.00	**7**
		6	10.00		
		7	4.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for invoice value, including tax (**2**).

Unmatched Invoices		Accounts Payable	
154.00	**2**	**2**	154.00

- When an invoice is matched, entries are created for item cost (**3**), variance (**4**), tax on item cost (**5**), and tax on variance (**6**).

Purchase Order Receipts		Unmatched Invoiced	
100.00	**3**	**3**	100.00
		4	40.00
		5	10.00
		6	4.00

AP Usage Variance		Inventory	
40.00	**4**	10.00	**5**
4.00	**6**		

AP Rate Variance (Average Cost, Non-Recoverable Tax)

See “Variances” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00
10.00	**2**	**2**	10.00

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices		Accounts Payable	
143.00	**3**	**3**	143.00

- When an invoice is matched, entries are created for item cost (**4**), variance (**5**), tax on item cost (**6**), and tax on variance (**7**).

Purchase Order Receipts		Unmatched Invoices		AP Rate Variance	
100.00	**4**	**4**	100.00	30.00	**5**
10.00	**6**	**5**	30.00	3.00	**7**
		6	10.00		
		7	3.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (**1**) but not tax.

Inventory		Purchase Order Receipts	
100.00	**1**	**1**	100.00

- When an invoice is received, entries are created for invoice value, including tax (**2**).

Unmatched Invoices		Accounts Payable	
143.00	**2**	**2**	143.00

- When an invoice is matched, entries are created for item cost (**3**), variance (**4**), tax on item cost (**5**), and tax on variance (**6**).

Purchase Order Receipts		Unmatched Invoices	
100.00	**3**	**3**	100.00
		4	30.00
		5	10.00
		6	3.00

AP Rate Variance		PO Price Variance	
30.00	**4**	10.00	**5**
3.00	**6**		

Memo Items (Average Cost, Non-Recoverable Tax)

“Memo Items” on page 122.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (**1**) and tax (**2**).

Expensed Purchases	
100.00	**1**
10.00	**2**

Expensed Item Receipts	
1	100.00
2	10.00

- When an invoice is received, entries are created for invoice value, including tax (**3**).

Unmatched Invoices	
110.00	**3**

Accounts Payable	
3	110.00

- When an invoice is matched, entries are created for item cost (**4**) and tax (**5**).

Expensed Item Receipts	
100.00	**4**
10.00	**5**

Unmatched Invoices	
4	100.00
5	10.00

Tax accrual at supplier invoice receipt

- When goods are received, entries are created for received item cost (**1**) but not for tax.

Expensed Purchases	
100.00	**1**

Expensed Item Receipts	
1	100.00

- When an invoice is received, entries are created for invoice value, including tax (**2**).

Unmatched Invoices	
110.00	**2**

Accounts Payable	
2	110.00

- When an invoice is matched, entries are created for item cost (**3**) and tax (**4**).

Expense Item Receipts	
100.00	**3**

Unmatched Invoices	
3	100.00
4	10.00

Expensed Purchases	
10.00	**4**

Fixing Common Tax Problems

Table 3.4 describes common tax processing problems and possible causes.

Table 3.4
Common Tax Processing Problems

Problem	Possible Cause
Warning: No tax environment found, using default.	GTM could not find a tax environment for the ship-from/ship-to tax zone combination, so it inserted the error code from Global Tax Management Control (29.24). GTM can also select the wrong environment if the tax zone was wrong in the address records for your company, the customer, or the supplier.
Error: Tax rate does not exist.	a) No tax rate exists for the tax type, item or trailer charge tax class, item or transaction tax usage, and/or transaction tax date. b) If the system finds a tax class or tax usage specific rate for an item or trailer charge, it expects to find one for all applicable tax types.
The transaction has the right tax environment but the wrong tax type.	The tax environment has the wrong tax type.
Tax was calculated incorrectly.	Field settings in your transaction must be consistent with corresponding settings for the tax rate. For example, for tax to be reverse-calculated, Tax In must be Yes in both the transaction line item frame and the tax rate record. Occasionally, the system calculates tax correctly but it does not match the value on a printed document.

Chapter 4

GTM Reporting

This chapter includes details of the data required to set up a tax system and support special taxes.

Overview 146
Introduces tax reporting.

Tax Transaction Types 146
Lists the tax transaction types generated during sales, purchasing, and service transactions.

Tax Reports Overview 148
Describes the tax data on which the tax reports are based.

Tax Registers 148
Create tax registers to group transactions for tax reporting.

EU VAT Reporting 151
Report on goods and services supplied to VAT-registered businesses in other EU countries.

Tax Report Lists 155
Lists tax reports, their descriptions, and parameters.

1099 Reporting 168
Create US-specific, government-required reports on certain types of payments to suppliers.

Overview

The system provides a range of reports for viewing tax information and generating tax declarations.

Note To print tax detail information on documents such as sales orders, two fields must be Yes:

- Print Tax Detail on Reports in Global Tax Management Control (29.24)
- Print Trailer in the document print program

Transaction Types

Various tax reports display tax information grouped by the following types of transactions:

Export: For an EU country, this indicates a sales transaction to a country that is not part of the EU. For a non-EU country, this indicates a sales transaction to any other country.

IC Acquisition: This applies to EU countries only and indicates a purchase transaction from another EU country.

IC Supply: This applies to EU countries only and indicates a sales transaction to another EU country.

Import: For an EU country, this indicates a purchase transaction from a country that is not part of the EU. For a non-EU country, this indicates a purchase transaction from any other country.

Inland Purchase: This indicates a purchase transaction within a country.

Inland Sales: This indicates a sales transaction within a country.

Triangular Purchase: This indicates a purchase transaction involving companies in three EU countries.

Triangular Sales: This indicates a sales transaction involving companies in three EU countries.

Note In a triangular sale, company 1 sells to company 2 and delivers the sold items directly to company 3. Company 1 then invoices company 2, and company 2 invoices company 3. A triangular purchase involves the same kind of relations.

Tax Transaction Types

The system assigns a tax transaction type to each tax amount generated during sales, purchasing, and service transactions. These tax transaction types apply to both operational and financial transactions. Use these programs to view operational transactions:

- Operation Tax Detail by Transaction Inquiry (29.6.4)
- Operation Tax Detail by Transaction Report (29.6.5)

To view financial transactions, use the reports on the Tax Reports menu. In most, you can select data to display by financial tax transaction type.

Operational Tax Transaction Types

The tax details generated by the system vary in different business environments. For example, in some countries, taxes on purchasing transactions are reported at PO receipt, while in others, taxes are reported when a supplier invoice is generated for the PO. If your company reports taxes at PO receipt, transactions of type 21, 22, and 23 are generated.

Only types 21 and 23 display on the operational reports. If you report taxes during receiver matching, only type 22 is generated and no details display on the operational reports.

Operational transaction types are listed in the following table.

Table 4.1
Operational Tax Transaction Types

Type Code	Source of Transaction
10	Sales quotes
11	Sales orders
13	Sales order shipments/pending invoices
14	Sales order shippers
20	Purchase orders
21	Purchase order receipts
23	Purchase order receipt clearing
24	Purchase order shippers
25	Purchase order return to supplier
26	PO Fiscal Receipts: Logistics Accounting
27	PO Receipts: Logistics Accounting
28	PO Receipts Clearing: Logistics Accounting
33	Service quotes
34	Service contracts
36	Return material authorization (RMA) issues and receipts
37	Return to supplier (RTS) issues and receipts
39	Project Realization Management (PRM) projects
40	Sales Quote Maintenance: Logistics Accounting
41	Sales Order Maintenance: Logistics Accounting
42	Distribution Order Maintenance: Logistics Accounting
43	SO shipments: Logistics Accounting
45	Distribution Order Shipments: Logistics Accounting
46	RMA Maintenance: Logistics Accounting
48	Purchase Order Maintenance: Logistics Accounting

Financial Tax Transaction Types

Financial tax transaction types are not selected by numeric code. You can choose from the following list of tax transactions created in financial functions.

- AP Invoice
- AP Payment Check (Discount at Payment)
- AP Transactions

- AR Invoice
- AR Operational Invoice
- AR Payment (Discount at Payment)
- AR Transactions
- Purchase Order
- Purchase Order Receipt

Tax Reports Overview

Tax reports are entity-dependent, and are based on the identification numbers defined for addresses in business relations: the tax IDs and the tax declaration number.

- If a tax declaration includes transactions for only a single entity, the tax declaration number and the identification number are the same. This is the most common case.
- If a tax declaration groups transactions for multiple entities, the tax declarant number and tax identification numbers are different.

To specify data for a report, select from one of five tax IDs for an entity:

- Federal Tax ID
- Miscellaneous ID 1-3
- State Tax ID (the European VAT registration number is stored in the State Tax ID field)

Some reports have an additional selection field, the Tax Declaration ID. At least one of the ID fields is mandatory. Only transactions that match all entered ID fields are included in the reports.

In general, all tax reporting is based on the tax period and tax point information. GL periods and posting dates are available as selection criteria only in the Tax vs. GL Period Reconciliation report.

Most tax reports let you select by the direction of the financial flow using an Input/Output parameter. Possible values are:

All

Input: Tax transaction direction is into your company, such as AR.

Output: Tax transaction direction is away from your company, such as AP.

If your organization operates in an EU member country, use the Intrastat and Extrastat reporting functions to generate reports on trade with other EU countries and with countries outside the EU. These are discussed in *QAD Intrastat User Guide*.

Other regional tax reports are available and described in “Regional Tax Reports” on page 160.

For US-based organizations, the 1099 reporting function produces an annual report for the IRS based on payments to suppliers. See “1099 Reporting” on page 168.

Tax Registers

Tax registers let you group accounting transactions for tax reporting, and contain all relevant information to confirm the tax declaration of the company.

Tax Register Create (29.1.17.1) lets you group daybooks for tax register reporting purposes and generates a sequence number that will be used to number pages in final tax register reports. You can then report on the tax registers using the following regional reports:

- AP Tax Register Details (29.6.3.11)
- EU Purchases Tax Register (29.6.3.12)
- EU Sales Linked to EU Purchases (29.6.3.14)
- AR Tax Register Details (29.6.3.16)
- Suspended Tax Register (29.6.3.18)

In some countries, the page numbers of all tax reports must be sequential, by law. The page numbering of a tax register report is composed of a sequence number and a year in the format "Page: 99999999/YYYY." The sequence number is taken from the Next Page Number field of the tax register used.

You can print tax register reports in two modes: Trial and Final. If you run the report in Final mode, the final page number of the report will be increased by 1 and stored in the Next Page field of the tax register. When you run another final report using the same register, the first page of the next report will be numbered using the value in the Next Page field so that the pages of the two reports are completely sequential. If you run the report in Trial mode, the Next Page field of the Tax Register is not updated.

If you modify a tax register that has been used to generate a final report, the system will display a warning message. You can only delete a tax register if no final report has been generated using it.

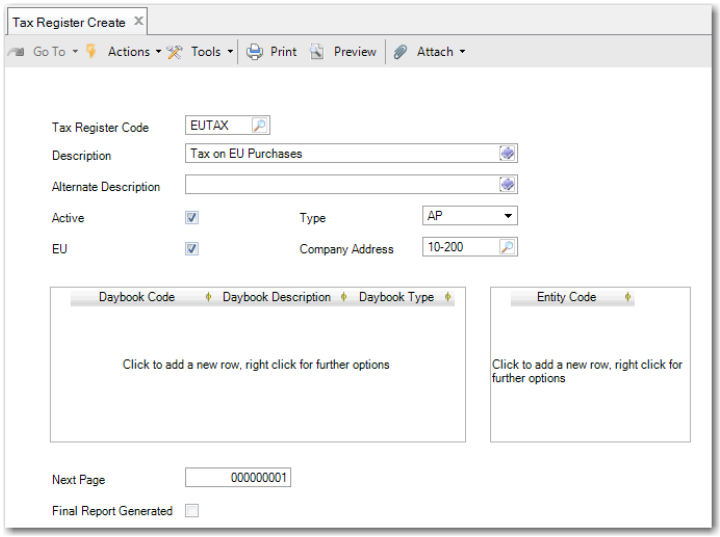
Example

A company wants to report on the tax amounts for all supplier invoices raised from suppliers within the European Union.

The accountant creates a tax register, EUTAX, using Tax Register Create, specifies a type of AP, selects the EU field, specifies all AP daybooks that are used for supplier invoices, and specifies the entities to report on.

The accountant then runs the AP Tax Register Details report using the newly created tax register.

Fig. 4.1
Tax Register Create



Tax Register Code. Specify a maximum of eight characters for the tax register code. This field is mandatory.

Description. Enter a brief description (maximum 40 characters) of the tax register. You can optionally enter descriptions in more than one language. This field is mandatory.

Alternate Description. Enter an alternative description for the tax register. This field is optional. If you complete this field, the contents display in the Description field of the report EU Sales Linked to EU Purchases (29.6.3.14).

Active. Indicate if this is an active tax register.

Type. Select the type of daybook set for which the tax register will apply. The options are AR and AP.

AR: If you set the Type field to AP, you can only specify daybooks of type Supplier Invoice, Supplier Credit Note, Supplier Invoice Correction, and Supplier Credit Note Correction in the Daybook grid.

AR: If you set the Type field to AR, you can only specify daybooks of type Customer Invoice, Customer Credit Note, Customer Invoice Correction, and Customer Credit Note Correction in the Daybook grid.

EU. Select the field if the tax register will be used to report on transactions in EU countries only.

Company Address. Specify the company address to print at the top of the report.

Daybook Code. Specify a daybook that you want to add to the tax register group.

Daybook Description. This field displays the description of the daybook you specified in the Daybook Code field.

Daybook Type. This field displays the daybook type of the daybook you specified in the Daybook Code field.

Entity Code. Specify one or more entities to report on.

Next Page. This field displays the sequence number generated and assigned to the tax register.

If the last final tax register report you produced ended on page 35, the next final tax register report must begin on page 36. Printing a report as final updates saves the page numbers.

Printing a tax register report in Trial mode does not update the page numbering.

Final Report Generated. The system automatically selects this field if a final tax report has been generated using the tax register.

EU VAT Reporting

If you are a VAT-registered EU supplier who moves, transfers, supplies, or sells goods and certain services to VAT-registered businesses in other EU countries, you must provide details of these sales using an EU Sales List (ESL) report. You must then submit the ESL report to your country's tax authority showing VAT charge details for each of your EU customers, and the value of the supplies you made to them in the period covered by the report.

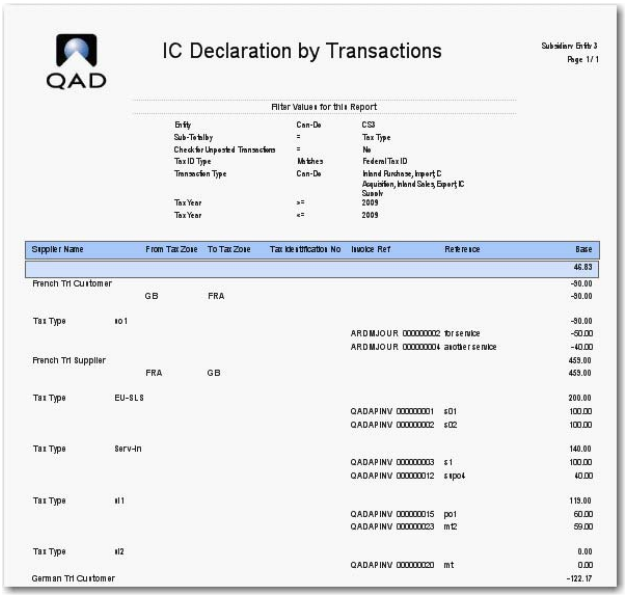
The information provided on the ESL report is used by the tax authorities in other EU countries to check that the businesses you supplied goods or services to are correctly accounting for and reporting VAT. The details are also used to gather statistics on how goods are traded in the EU.

From 1 January 2010, most services provided to business customers are treated as supplied in the country where the business customer is registered, rather than the supplier's country of registration, as was previously the case. In addition, ESL reporting became mandatory for businesses that provide services subject to reverse-charge arrangements in the customer's EU member state. The introduction of the reverse charges means that VAT on services is zero rated for the supplier, but must be paid by the customer.

Two GTM reports, the IC Declaration by Business Relation report and the IC Declaration Transactions report, collate intra-EU transaction information that you can use to complete ESL report forms for your country's tax authority. These two reports determine intra-EU transactions using the country codes of the ship-from and ship-to addresses.

To correctly track the reversed charges as a supplier, it is recommended that you create new tax rates for invoices for services subject to reverse charges. See "Supplier Setup for Reverse-Charged VAT" on page 152. As a customer, you must ensure that the tax rate you use to track the reverse-charged VAT is marked as AP Tax Retained. See "Customer Setup for Reverse-Charged VAT" on page 154.

Fig. 4.2
IC Declaration by Transactions Report



Supplier Setup for Reverse-Charged VAT

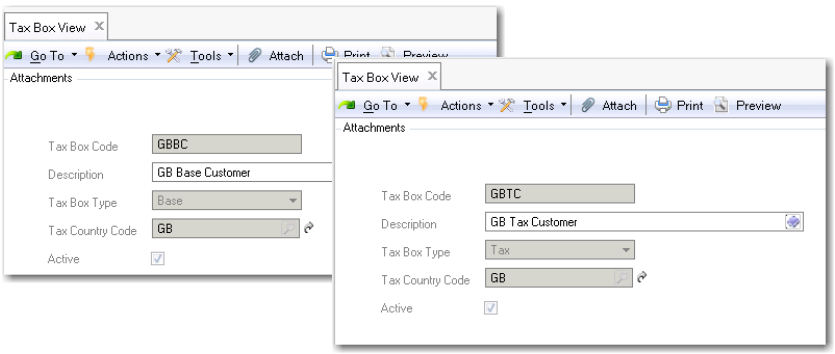
This section describes the ESL setup required when you are providing services subject to reversed VAT charges to customers based in other EU countries. In this case, you, the supplier, are not responsible for paying the VAT, which is charged to the customer purchasing the service.

Tax Boxes

Create tax boxes for each new tax group using Tax Box Create (29.6.1.1.1). The tax boxes represent subtotal fields on the ESL report.

Tax boxes are generally defined in pairs. Create one tax box for the base transaction amount and one tax box for the transaction tax amount. See “Tax Boxes” on page 22 for more information on the use of tax boxes.

Fig. 4.3
Tax Boxes

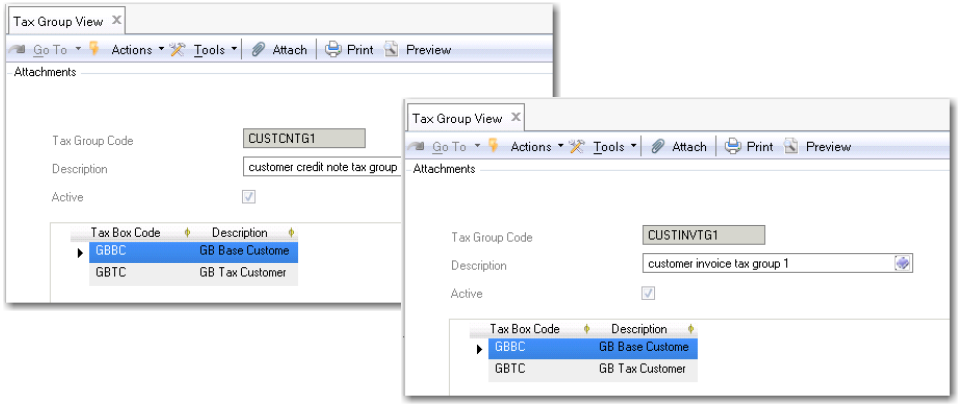


Tax Groups

Create an invoice tax group and a credit note tax group for reverse-charged tax rates using Tax Group Create (29.6.1.2.1). Use the tax groups to group the base amount and tax amount tax boxes.

See “Tax Groups” on page 23 for more information on the use of tax groups.

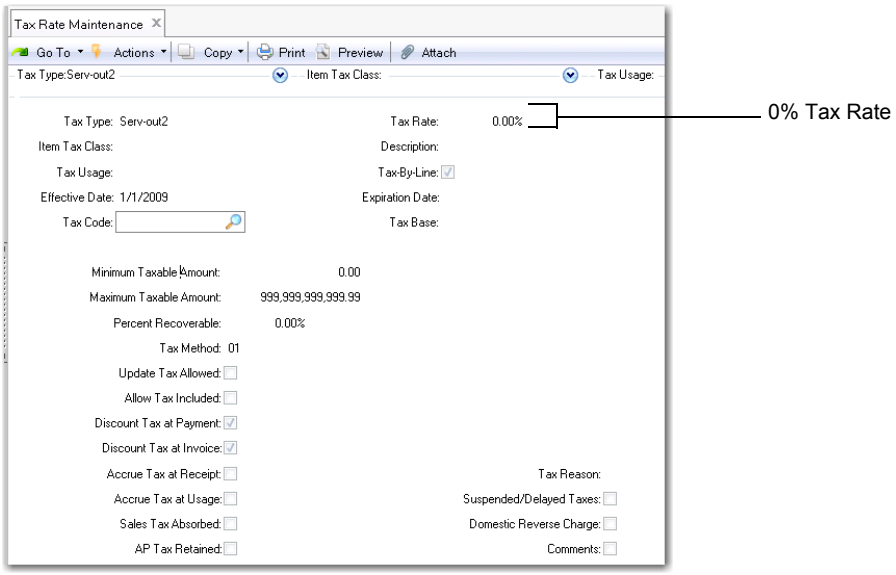
Fig. 4.4
Tax Groups



Tax Rates

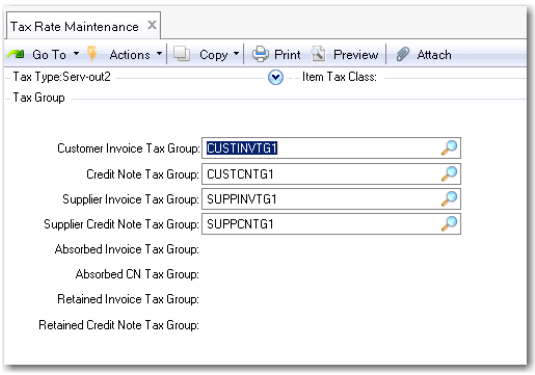
It is recommended that you create a specific tax rate in Tax Rate Maintenance (29.4.1) for the supply of services subject to reverse-charged VAT. Set the tax rate percentage to zero because the customer is responsible for paying the VAT. See “Tax Rate Maintenance” on page 28 for further information on creating tax rates.

Fig. 4.5
Tax Rate Maintenance (29.4.1)



You associate the new tax groups with the new tax rate using the Tax Groups frame in Tax Rate Maintenance (29.4.1).

Fig. 4.6
Tax Rate Maintenance, Tax Groups Frame

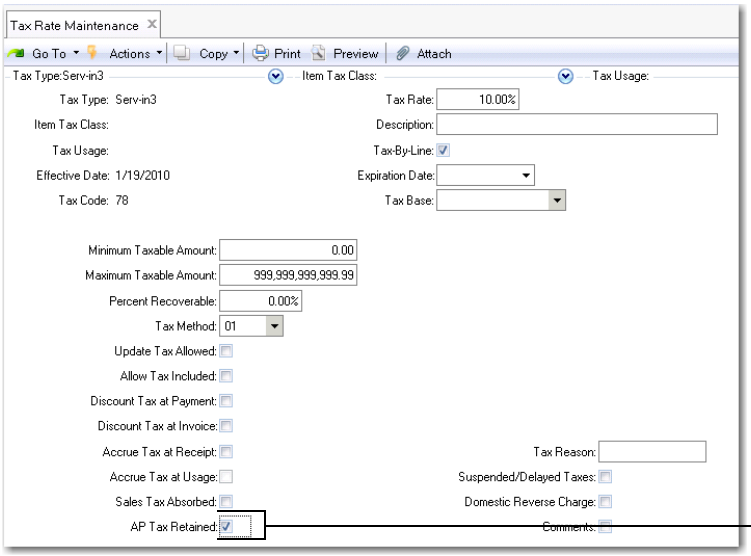


Customer Setup for Reverse-Charged VAT

This section describes the ESL setup required when you, the customer, are paying for a service from a supplier based in another EU country. In this case, you are responsible for paying the VAT on the service.

It is recommended that you create a specific tax rate in Tax Rate Maintenance (29.4.1) for services you receive that are subject to reverse-charged VAT. The new tax rate must be marked as AP Tax Retained. This means that you are responsible for paying the VAT.

Fig. 4.7
Tax Rate Maintenance (29.4.1)



Again, you associate the new tax groups with the new tax rate using the Tax Groups frame in Tax Rate Maintenance (29.4.1), as shown in Figure 4.6 on page 154.

Tax Report Lists

Tax Parameter Reports

Use the tax parameter reports to verify the setup required to capture transactional tax data.

Table 4.2
Tax Parameter Reports

Report	Description	Criteria
Tax Type Report (29.1.3)	Verifies tax type setup. A tax type is a code for a tax or tax exemption that is separately calculated.	• Tax Type (From/To) • Description
Tax Class Report (29.1.7)	Verifies tax class setup.	• Tax Class (From/To)
Tax Usage Report (29.1.11)	Verifies tax usage setup. A tax usage code identifies a group of customers or suppliers subject to special taxation on a specific transaction.	• Tax Usage (From/To) • Description (From/To)
Tax Base Inquiry (29.1.14)	Verifies base setup for a single record or all records. To sort by description, enter a description and leave Tax Base blank.	• Tax Base • Description • Tax Type
Tax Base Report (29.1.15)	Verifies the setup for ranges of records. A tax base code identifies an item amount subject to tax. To sort by description, enter a description and leave Tax Base blank.	• Tax Base (From/To) • Description (From/To) • Tax Type (From/To)
Trailer Tax Detail Inquiry (29.1.22)	Verifies detail setup for a single record or all records.	• Trailer Code • Tax Type
Trailer Tax Detail Report (29.1.23)	Verifies setup for a range of records. Trailer charges are added to transactions and are independent of individual line items.	• Trailer Code (From/To) • Tax Type (From/To)

Tax Jurisdictions Reports

Table 4.3
Tax Jurisdictions Reports

Report	Description	Criteria
Tax Zone Report (29.2.3)	Verifies tax zone setup. A tax zone is a code used identify a unique geographic region for tax types.	• Tax Zone (From/To) • Description (From/To) • Country Code (From/To) • State (From/To) • Postal Code (From/To)
Tax Hierarchy Inquiry (29.2.6)	View a hierarchy where a tax zone is included in the tax total and reporting for another zone. In GTM, you can include a tax zone in the tax total and reporting for another zone by specifying the first zone's sums-into zone	• Tax Zone • Description • Reporting Zones Only
Tax Hierarchy Report (29.2.7)	Verifies the position of a tax zone in the hierarchy.	• Tax Zone (From/To) • Description (From/To) • Country Code (From/To) • State (From/To) • Postal Code (From/To) • Display Reporting Zones Only (Y/N) • Top Level Zones Only (Yes/No)

Tax Environment Report

Table 4.4
Tax Environment Report

Report	Description	Criteria
Tax Environment Report (29.3.3)	Displays a list of the tax environments that meet the report criteria, the associated ship-to and ship-from tax zones, tax classes, tax types, and rounding methods. A tax environment is the set of tax types that applies to a combination of ship-from and ship-to tax zones and optionally a customer or supplier tax class.	• Tax Environment (From/To) • Description (From/To)

Tax Rate Reports

Table 4.5
Tax Rate Reports

Report	Description	Criteria
Tax Rate Inquiry (29.4.2)	Verifies setup for one or all tax rates.	• Tax Code • Tax Type • TxC (Tax Class) • Tax Usage • Effective
Tax Rate Report (29.4.3)	Verifies tax rate setup for ranges of tax codes.	• Tax Code (From/To) • Tax Type (From/To) • Item Tax Class (From/To) • Tax Usage (From/To) • Effective Date (From/To)

Tax Transaction Reports

Table 4.6
Tax Transaction Reports

Report	Description	Criteria
Tax Declaration by Box (29.6.2.1)	View details of tax declaration data by tax box. Tax boxes are tax subtotals taken directly from the tax declaration form and are used for reporting purposes. They are stored at the system level and maintained by country	• Reporting Currency • Entity • Federal Tax ID • Misc Tax ID 1-3 • State Tax ID • Tax Class • Tax Point Date (From/To) • Tax Transaction Type • Tax Type • Zone (From/TO) • Tax Box • Tax Code • Tax Group • Tax Period • Tax Year • Check for Unposted • Tax ID Type
Tax Declaration by Box and Group (29.6.2.2)	View tax group details per tax box. Use this for validation prior to the tax declaration.	

Report	Description	Criteria
Tax Register (29.6.2.5)	Lists posting details for tax transactions. Contains details required during an internal or external audit.	• Entity • Tax Year (From/To) • Tax Period (From/To) • Tax Point Date (From/To) • Tax Purchases/Sales (All/Purchases/Sales) • Federal Tax ID • State Tax ID • Check for Unposted Transactions (Yes/No) • Daybook Code • Daybook Type • Tax Class • Tax Transaction Type • Tax Type • Tax Box • Zone (From/To) • Tax Code • Tax Group • Tax Usage • Transaction Type • Reporting Currency • Include Suspended/Delayed Tax (Yes/No) • Show Transactions (Yes/No) • Posting Date
Tax vs GL Pd Reconciliation Transactions (29.6.2.8)	Identifies transactions where the posting date is not the same as the tax point date. Use to reconcile tax transactions to the general ledger	• Entity • GL Period and Year • Tax Year (From/To) • Tax Period • Federal Tax ID • State Tax ID • Check for Unposted Transactions (Yes/No) • Daybook Code • Daybook Type • Tax Class • Tax Type • Zone (From/To) • Tax Box • Tax Code • Tax Group • Business Relation Name • Include Suspended/Delayed Tax (Yes/No) • Tax Usage

Report	Description	Criteria
Operation Tax Detail by Trans Inq (29.6.4)	Use to display all tax postings for operational tax transaction types. These postings are created by operational functions such as inventory movements, rather than financial updates.	• Reference • Number • Transaction Type • Effective • Reporting Currency
Operation Tax Detail by Trans Report (29.6.5)	Similar to the inquiry, displays tax postings for operational tax types.	• Transaction Type (From/To) • Reference (From/To) • Number (From/To) • Entity (From/To) • Tax Environment (From/To) • Tax Class (From/To) • Tax Usage (From/To) • Ship-From Tax Zone (From/To) • Ship-To Tax Zone (From/To) • Tax Type (From/To) • Tax Date (From/To) • Display Taxable/Non-Taxable Total Amounts (Y/N) • Display Reference Total using Line Amounts (Y/N) • Reporting Currency • Sort By

Regional Tax Reports

The regional tax reports are adapted for country-specific requirements.

Table 4.7
Regional Tax Reports

Report	Description	Criteria
IC Declaration by Business Relation (29.6.2.3)	Displays intra-EU tax declaration data totalled per business relation and country.	• Entity • Tax Year (From/To) • Tax Period (From/To) • State Tax ID • Transaction Type • Tax Class • Tax Type • Zone (From/To) • Check for Unposted Transactions (Yes/No) • Tax Box • Tax Code • Tax Group • Tax Purchases/Sales (All/Purchases/Sales) • Tax ID Type • Reporting Currency • Include Suspended/Delayed Tax (Yes/No) • Sub-Total By (None/Tax Box/Tax Group/Tax Type)
IC Declaration Transactions (29.6.2.4)	Displays a declaration report organized by transaction type. The report lists details of acquisitions, supplies, and triangular trade between your organization and other EU countries.	
Yearly Tax Listing Belgium (29.6.2.5)	Displays the total value of tax on sales to customers. Typically, the report is run once a year for the whole calendar year. You can filter on the year or period, based on the periods defined in the tax calendar for that year. You can also filter on the tax transaction type, and use this to determine Inland Sales. The first page of the report contains your own company's identification, and the totals for the report. The subsequent pages contain one line per customer, which includes the customer's tax ID, the total turnover from sales to the customer, and the total tax applied on sales to the customer. The output of the report complies with Belgian tax reporting requirements, and you can send the printed output directly to the authorities as a declaration.	• Tax Year • Reporting Currency • Minimum Amount • Tax Class • Tax Type • Tax Code • Transaction Type

Report	Description	Criteria
Reverse Charge Sales List Report (UK) (29.6.3.9)	Displays tax amounts that qualify the UK tax reversal.	• Tax Point Date • Suppress Zero Amounts (Yes/No)
1099-MISC Report (US) (29.6.3.13.6)	Displays amounts paid to suppliers per US Internal Revenue Service requirements (see “Running the 1099 MISC Report” on page 172).	• Entity • Payment Year • Show Entity Details • Show Transaction Details • Supplier Code • Supplier Type • Check for Unlinked Invoices • Federal Tax ID • Report Description • Report Currency
1099-MISC Paper Declaration	Generates 1099-MISC data on preprinted paper forms.	• Entity • Federal Tax ID • Payment Year • Supplier Code • Supplier Type
1099 Electronic Declaration	Generates a file for the electronic 1099-MISC declaration based on IRS regulations.	• Control Code • Address Details • Transmitter’s Media Number
AP Tax Register Details Report (29.6.3.11)	Displays all AP invoice type transactions for the relevant date range.	• Tax Register • Reporting Currency • Posting Date • GL Cal Year • GL Period • Tax Year • Tax Period • Print Header • Print Lines • Trial/Final • Sort By
EU Purchases Tax Register (29.6.3.12)	Displays details of purchases made by EU companies from countries in the European Union.	Same criteria as for AP Tax Register Details Report (29.6.3.11).
EU Sales Linked to EU Purchases (29.6.3.14)	Displays details of linked purchases and sales by EU companies to and from companies in other countries in the European Union.	Same criteria as for AP Tax Register Details Report (29.6.3.11).
AR Tax Register Details Report (29.6.3.16)	Displays all AR invoice type transactions for the relevant date range.	Same criteria as for AP Tax Register Details Report (29.6.3.11).
Suspended Tax Register (29.6.3.18)	Displays all unpaid AR invoice type transactions with a suspended tax rate that has not been paid as of the last date of the selected date range.	Same criteria as for AP Tax Register Details Report (29.6.3.11).

Report	Description	Criteria
AP Tax Register Report (29.6.3.19)	Display all AP transactions for the tax register and periods you specify.	See “AP Tax Register Report” on page 162.
AR Tax Register Report (29.6.3.20)	Display all AR transactions for the tax register and periods you specify.	See “AR Tax Register Report” on page 165.

AP Tax Register Report

Use the AP Tax Register report (29.6.3.19) to display all AP transactions for the tax register and periods you specify. Only transactions linked to the tax register you specify are included in the report output. You can display the report output in base currency or in statutory currency.

AP Tax Register reports can be submitted to your local tax authority as month-end tax declarations.

The report output is sorted by daybook group, daybook, and sequence number. If there are multiple lines for the same transaction, the lines are ordered by tax rate. Each transaction is totaled by tax rate, and includes a summary with a transaction total.

Each daybook group is totaled by tax rate and includes a summary with a daybook group total. For daybooks without a daybook group, the transactions posted to the daybook are totaled. The entire report is totaled by tax rate and includes a summary with a report total.

You can print the report in Detail mode, which includes transaction lines, or in Summary mode, which excludes transactions lines. For each report page printed in Detail mode, up-to-page amounts are accumulated and transferred to the next page. The following values are printed at the end of each page:

- Accumulated total taxable amount
- Accumulated total tax amount
- Accumulated total transaction amount
- Accumulated total retained tax amount

With the exception of the first page, the top of each page displays the amounts transferred from the previous page. With the exception of the last page, up-to-page amounts are displayed at the end of each page.

The AP Tax Register report has the following selection criteria:

Tax Register. Specify the tax register for which to run the report. The tax register is mandatory.

Entity. Select the entity for which to run the report. You can select any entity from the current domain.

Site. Specify the site for which to run the report.

Inland Purchase. Select Yes to include inland purchases in the report output.

The default is Yes.

Select No to exclude inland purchases from the report output.

IC Acquisition. Select Yes to include EU inter-community (IC) acquisitions in the report output.

The default is Yes.

Select No to exclude EU IC acquisitions from the report output.

Import. Select Yes to include imports in the report output.

The default is Yes.

Select No to exclude imports from the report output.

Tax Type. Specify tax types for which to run the report. This field is optional.

Tax Class. Specify tax classes for which to run the report. This field is optional.

Tax Usage. Specify tax usages for which to run the report. This field is optional.

GL Cal Year. Specify the range of GL calendar years for which to run the report. This field is optional.

GL Period. Specify the range of GL periods for which to run the report. This field is optional.

Invoice Date. Specify a range of invoice dates for which to run the report.

Tax Point Date. Specify a range of tax point dates for which to run the report.

Posting Date. Specify a range of posting dates for which to run the report. This field is optional.

Display Date. Select the date to display on the report header. The options are

- Invoice Date
- Tax Point Date
- Posting Date

The default is Invoice Date.

Display Supplier Address. Select Yes display the supplier address lines as recorded in the business relation on the report.

Select No if you do not want to print the supplier address on the report.

Display Non-Taxable Lines. Select Yes to include transaction lines without tax in the report output. The default is Yes.

Select No to exclude transactions line without tax from the report output.

Report Detail/Summary. Select Detail to include transaction lines in the report output. The default is Detail.

Select Summary to only display transaction summaries including daybook and report totals. No transaction lines are displayed.

Display Retained Tax. Select Yes to include transaction lines with retained tax in the report output.

The default is Yes.

Select No to exclude transaction lines with retained tax from the report output.

Reporting Currency. Select Base Currency to display the report amounts and totals denominated in base currency.

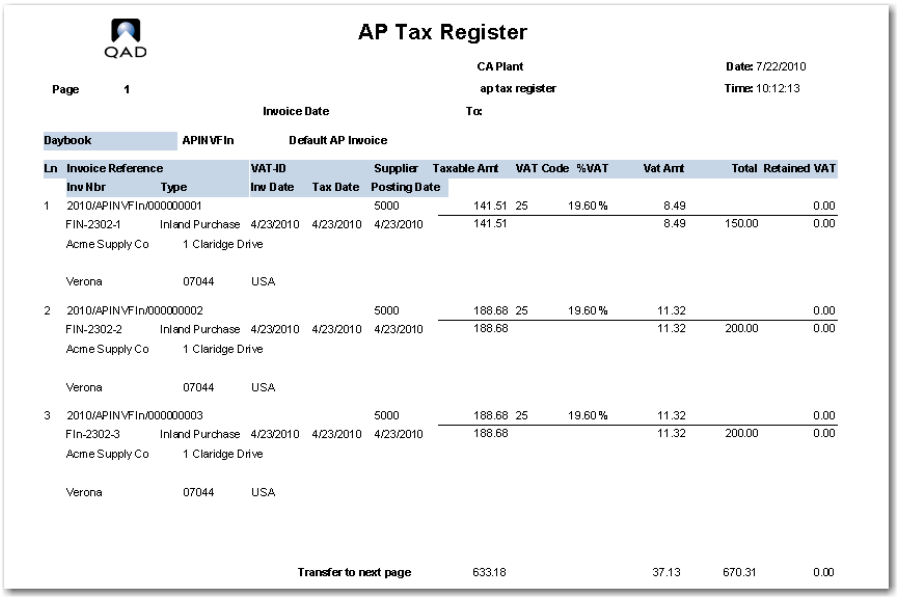
Select Statutory Currency to display the report amounts and totals denominated in statutory currency.

If you select the Detail option, a transaction line is printed for each tax rate used in a transaction.

When you print the report in Detail mode, the following information is included:

- Line number
- Invoice reference
- Supplier tax ID
- Supplier code
- Transaction type
- Invoice date
- Tax point date
- Supplier name and address
- Taxable amount for each tax rate
- Tax rate
- Tax percentage
- Tax amount for each tax rate

Fig. 4.8
AP Tax Register Report, Detailed Output



QAD

AP Tax Register

CA Plant — Date: 7/22/2010

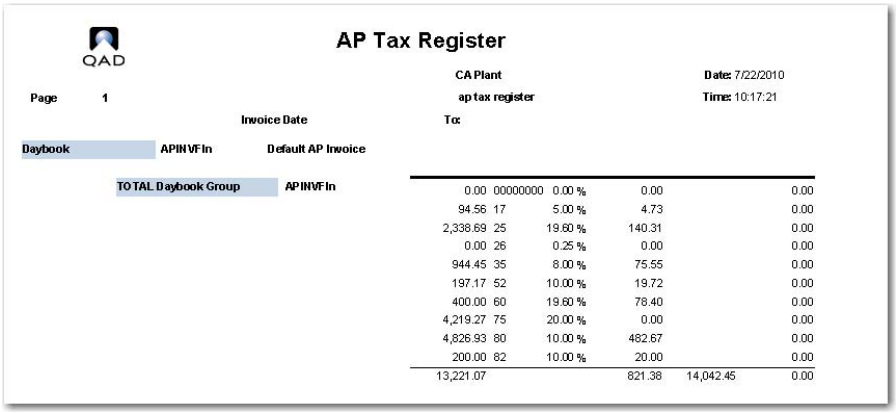
Page 1 — ap tax register — Time: 10:12:13

Invoice Date — To:

Daybook APINVFIn Default AP Invoice

Ln	Invoice Reference		VAT-ID		Supplier	Taxable Amt	VAT Code	%VAT	Vat Amt	Total	Retained VAT
	Inv Nbr	Type	Inv Date	Tax Date	Posting Date						
1	2010/APINVFIn/000000001				5000	141.51	25	19.60%	8.49		0.00
	FIN-2302-1	Inland Purchase	4/23/2010	4/23/2010	4/23/2010	141.51			8.49	150.00	0.00
	Acme Supply Co	1 Claridge Drive									
	Verona	07044	USA								
2	2010/APINVFIn/000000002				5000	188.68	25	19.60%	11.32		0.00
	FIN-2302-2	Inland Purchase	4/23/2010	4/23/2010	4/23/2010	188.68			11.32	200.00	0.00
	Acme Supply Co	1 Claridge Drive									
	Verona	07044	USA								
3	2010/APINVFIn/000000003				5000	188.68	25	19.60%	11.32		0.00
	FIn-2302-3	Inland Purchase	4/23/2010	4/23/2010	4/23/2010	188.68			11.32	200.00	0.00
	Acme Supply Co	1 Claridge Drive									
	Verona	07044	USA								
					Transfer to next page	633.18			37.13	670.31	0.00

Fig. 4.9
AP Tax Register Report, Summarized Output



AP Tax Register

QAD

CA Plant | Date: 7/22/2010
Page 1 | ap tax register | Time: 10:17:21
Invoice Date | To:

Daybook APINVFIn Default AP Invoice

TOTAL Daybook Group APINVFIn					
0.00	00000000	0.00 %	0.00		0.00
94.56	17	5.00 %	4.73		0.00
2,338.69	25	19.60 %	140.31		0.00
0.00	26	0.25 %	0.00		0.00
944.45	35	8.00 %	75.55		0.00
197.17	52	10.00 %	19.72		0.00
400.00	60	19.60 %	78.40		0.00
4,219.27	75	20.00 %	0.00		0.00
4,826.93	80	10.00 %	482.67		0.00
200.00	82	10.00 %	20.00		0.00
13,221.07			821.38	14,042.45	0.00

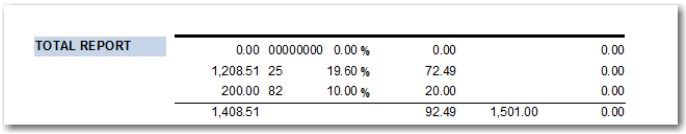
Fig. 4.10
Transfer to Next Page Section

Transfer to next page	133.01	7.99	141.00	0.00

The AP Tax Register report trailer displays the following information:

- Total taxable amount for each tax rate
- Tax rate
- Tax percentage
- Total tax amount for each tax rate
- Report totals for the following:
  - Total taxable amount
  - Total tax amount
  - Total transaction amount

Fig. 4.11
Report Totals



TOTAL REPORT					
0.00	00000000	0.00 %	0.00		0.00
1,208.51	25	19.60 %	72.49		0.00
200.00	82	10.00 %	20.00		0.00
1,408.51			92.49	1,501.00	0.00

AR Tax Register Report

Use the AR Tax Register report (29.6.3.20) to display all AR transactions for the tax register and periods you specify. Only transactions linked to the tax register you specify are included in the report output. You can display the report output in base currency or in statutory currency.

AR Tax register reports can be submitted to your local tax authority as month-end tax declarations.

The report output is sorted by daybook group, daybook, and sequence number. If there are multiple lines for the same transaction, the lines are ordered by tax rate. Each transaction is totaled by tax rate, and includes a summary with a transaction total.

Each daybook group included in the report is totaled by tax rate and the section includes a summary with a daybook group total. For daybooks without a daybook group, the transactions posted to the daybook are totaled. The entire report is totaled by tax rate and includes a summary with a report total.

As with the AP Tax Register report, you can print the AR Tax Register report in Detail mode, which includes transaction lines, or in Summary mode. The report also includes end of page and top of page values, as described in “AP Tax Register Report” on page 162.

Note The AR Tax Register report does not include an accumulated total retained tax amount end of page value.

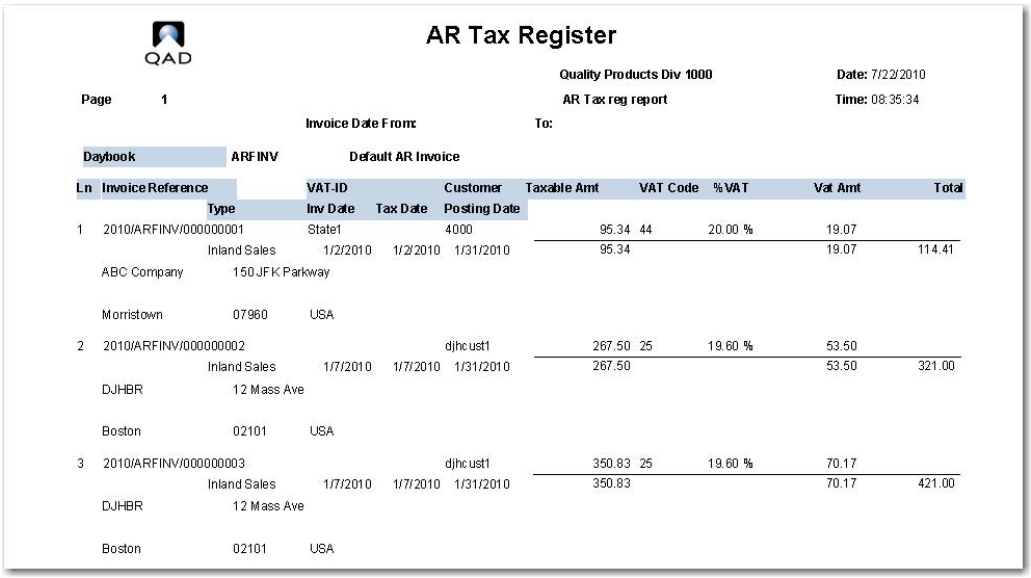
The report includes the same selection criteria as the AP Tax Register report, with the exception that the AR Tax Register does not include a Display Retained Tax field.

If you select the Detail option, a transaction line is printed for each of the tax rates used in a transaction.

When you print the report in Detail mode, the following information is included:

- Line number
- Invoice reference
- Customer tax ID
- Customer code
- Transaction type
- Invoice date
- Tax point date
- Customer name and address
- Taxable amount for each tax rate
- Tax rate
- Tax percentage
- Tax amount for each tax rate

Fig. 4.12
AR Tax Register Report, Detailed Output



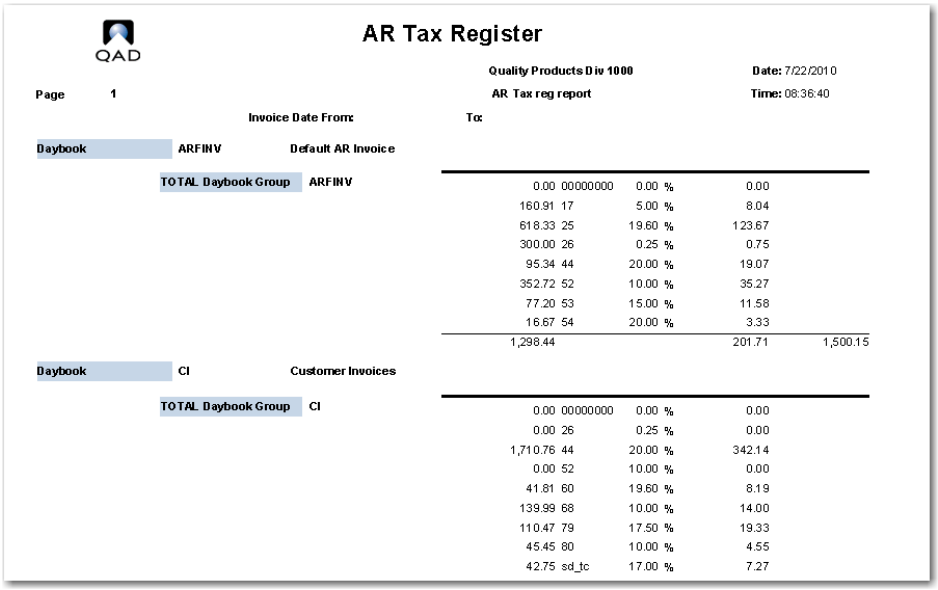
AR Tax Register

Quality Products Div 1000 Date: 7/22/2010
Page 1 AR Tax reg report Time: 08:35:34
Invoice Date From: To:

Daybook ARFINV Default AR Invoice

Ln	Invoice Reference	Type	VAT-ID	Inv Date	Tax Date	Customer	Posting Date	Taxable Amt	VAT Code	%VAT	Vat Amt	Total
1	2010/ARFINV/000000001		State1			4000		95.34	44	20.00 %	19.07	
		Inland Sales		1/2/2010	1/2/2010		1/31/2010	95.34			19.07	114.41
	ABC Company	150 JFK Parkway										
	Morristown	07960	USA									
2	2010/ARFINV/000000002					djhcust1		267.50	25	19.60 %	53.50	
		Inland Sales		1/7/2010	1/7/2010		1/31/2010	267.50			53.50	321.00
	DJHBR	12 Mass Ave										
	Boston	02101	USA									
3	2010/ARFINV/000000003					djhcust1		350.83	25	19.60 %	70.17	
		Inland Sales		1/7/2010	1/7/2010		1/31/2010	350.83			70.17	421.00
	DJHBR	12 Mass Ave										
	Boston	02101	USA									

Fig. 4.13
AR Tax Register Report, Summarized Output



AR Tax Register

Quality Products Div 1000 Date: 7/22/2010
Page 1 AR Tax reg report Time: 08:36:40
Invoice Date From: To:

Daybook ARFINV Default AR Invoice

TOTAL Daybook Group ARFINV	0.00	00000000	0.00 %	0.00	
	160.91	17	5.00 %	8.04	
	618.33	25	19.60 %	123.67	
	300.00	26	0.25 %	0.75	
	95.34	44	20.00 %	19.07	
	352.72	52	10.00 %	35.27	
	77.20	53	15.00 %	11.58	
	16.67	54	20.00 %	3.33	
	1,298.44			201.71	1,500.15

Daybook CI Customer Invoices

TOTAL Daybook Group CI	0.00	00000000	0.00 %	0.00	
	0.00	26	0.25 %	0.00	
	1,710.76	44	20.00 %	342.14	
	0.00	52	10.00 %	0.00	
	41.81	60	19.60 %	8.19	
	139.99	68	10.00 %	14.00	
	110.47	79	17.50 %	19.33	
	45.45	80	10.00 %	4.55	
	42.75	sd_tc	17.00 %	7.27	

Fig. 4.14
End of Page Totals

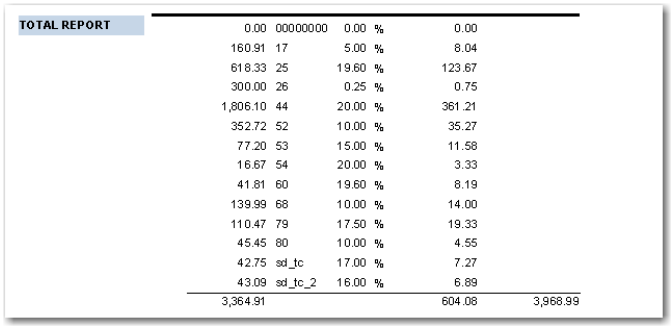
Transfer to next page	10.23	0.77	11.00

The AR Tax Register report trailer displays the following information:

- Total taxable amount for each tax rate
- Tax rate
- Tax percentage

- Total tax amount for each tax rate
- Report totals for the following:
  - Total taxable amount
  - Total tax amount
  - Total transaction amount

Fig. 4.15
Report Totals



TOTAL REPORT	0.00	00000000	0.00	%	0.00	
	160.91	17	5.00	%	8.04	
	618.33	25	19.60	%	123.67	
	300.00	26	0.25	%	0.75	
	1,806.10	44	20.00	%	361.21	
	352.72	52	10.00	%	35.27	
	77.20	53	15.00	%	11.58	
	16.67	54	20.00	%	3.33	
	41.81	60	19.60	%	8.19	
	139.99	68	10.00	%	14.00	
	110.47	79	17.50	%	19.33	
	45.45	80	10.00	%	4.55	
	42.75	sd_tc	17.00	%	7.27	
	43.09	sd_tc_2	16.00	%	6.89	
	3,364.91				604.08	3,968.99

Tax Views

Table 4.8
Tax Views

View	Description
Tax Transactions View	Provides a complete view on posted tax records, with filtering on most fields, and all of the totalling and sorting capabilities of other financials browses, as well as Excel export.
Tax vs GL Period Reconciliation View	Provides a quick way to identify transactions using the GL period and the tax period as input. The view lists the transactions and their tax value.

1099 Reporting

In the United States, the Internal Revenue Service (IRS) requires organizations to submit an annual 1099 form on certain types of payments to suppliers. The IRS uses the 1099 form declarations to track payments between businesses or between an organization and independent contractors. Based on these declarations, the IRS verifies whether the organization paid the correct amount of taxes.

The 1099 Box MISC report is not required for all suppliers. It is not required for corporations—although exceptions exist for certain types of services—and is only required for payment for services, not for goods. The declaration must differentiate among several categories of payments, such as rent, royalties, medical, and health care. Each category is assigned a specific box on the form.

The IRS accepts printed documents completed by hand or documents submitted electronically. If you are required to file 250 or more returns, you must file in electronic form. However, you can request a waiver. The system supplies functions for generating both printed reports and electronic files:

- Use 1099-Misc Report (US) (29.6.3.13.6) to generate a report for printing.
- Use 1099 Electronic Declaration (29.6.3.13.7) to generate an electronic file.
- Use 1099-MISC Paper Declaration (29.6.3.13.8) to print the 1099-MISC data on preprinted paper forms.

You do not have to report the following:

- If the payer is outside the US, but makes payments to US suppliers
- If the payer is in the US, but makes payments to non-US suppliers who do not have a social security number or US federal tax ID

In some cases, payments to employees must be reported; for example, when an employee dies during the year. In such cases, you must report the accrued wages, vacation pay, and other compensation paid after the date of death (Box 3), director's fees, and other remuneration (Box 7).

Note You do not need to report normal wages or business expense reimbursements on the 1099-Misc Report.

If you must submit 1099 reports in the US, a number of setup steps are required:

- Set up the correct information on business relations associated with entities and for suppliers.
- Define purchase type codes to group the expense amounts that are reported.
- Define box attributes for generating the report.

Setting Up Address Details

See *QAD Financials User Guide* for details on setting up business relations and suppliers. This section summarizes the fields that affect 1099 report processing for suppliers and entities.

Supplier Setup

The following details associated with a supplier are used with 1099 reporting:

- In Supplier Create, select Tax Report in the Tax Info tab for the supplier to be included in 1099 reports.
- When Tax Report is selected, the headoffice address of the associated business relation must have values for name, first line of the street address, city, state, and zip code.
- The headoffice address must have a federal tax ID. This can be in one of two formats: social security number (SSN) or federal tax ID. SSNs have nine digits, separated by two hyphens (000-00-0000).
- A default purchase type must be specified for the supplier on the Accounting tab.

Entity Setup

The following details are relevant for a business relation linked to an entity generating 1099-MISC reports. On the General tab, the business relation must be marked as an internal entity. You can then update the Tax Report, Name Control, and Last Filing fields.

- Tax Report must be selected. When this field is selected, values for name, first line of the street address, city, state, zip code, telephone number, and federal tax ID are required for the headoffice address. A warning displays when Name Control is blank.

- Enter the IRS magnetic media control code assigned to this company in the Name Control field. This code is generally listed on the IRS mailing label and contains some combination of the first few letters of your company name.

  In the United States, this code is assigned by the IRS and must be included on all 1099 magnetic media. It is not required when filing paper documents.
- Select the Last Filing field to indicate that this is the last time your company is filing a 1099-MISC under its current taxpayer ID number.
- The Taxable Address field must be selected on the Address Info tab. Entity addresses with the Taxable Address field cleared are not included in the 1099 Box MISC Report.

The payments included in the report are selected by the entity address or range of addresses that incurred the initial liability, as recorded on the invoices matched to the payments. Even when a payment is processed at a different entity, the headoffice address that incurred the liability is legally regarded as having made the payment.

Each entity address in the selection range must be identified with only a headoffice address type; otherwise, an error displays.

Setting Up Purchase Types

Use Purchase Type Create (28.20.3.1) to define codes for grouping supplier invoices for reporting your cash expenditures for different types of expenses. For example, use EX for miscellaneous expenses and PO for purchases of raw materials or components.

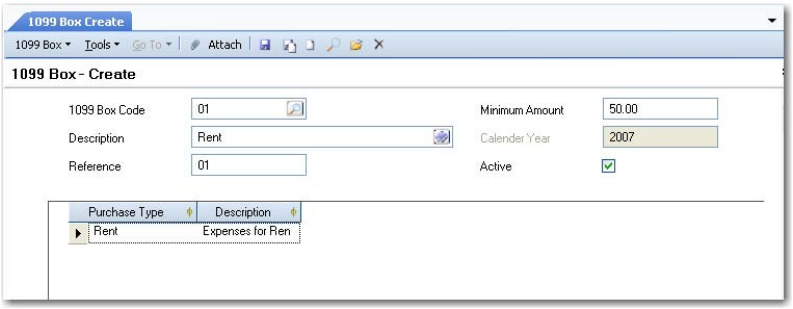
You must use at least three purchase codes—for Rents, Royalties, and Non-Employee Compensation—if you are submitting 1099 tax reports. Each of these categories is summarized into a different box on the 1099 report.

See *QAD Financials User Guide* for details on setting up purchase types.

Setting Up Box Attributes

Use the 1099-MISC Box (29.6.13) activities to create, modify, view, and delete box information for 1099-MISC reporting. A 1099 box can be deleted only when no invoices exist that reference it.

Fig. 4.16
1099-MISC Box Create (29.6.3.13.1)



1099 Box Code. Specify a code (maximum 20) characters that identifies a field on the 1099 tax declaration. Often the code matches the box number on the tax form.

Description. Enter a brief (maximum 40 characters) description of this field.

Reference. Enter a number that identifies a valid 1099 reporting box. The reference associated with a code can be changed at any time, but the combination of code and box must be unique in a calendar year.

The box reference numbers are defined by the IRS, and can be changed by the IRS yearly. The boxes defined for 2006 are listed in Table 4.9.

Table 4.9
1099 Box Numbers

Box Number	Description
1	Rent
2	Royalties
3	Other Income
4	Federal Income Tax Withheld
5	Fishing Boat Proceeds
6	Medical and Health Care Payments
7	Non-Employee Compensation
8	Substitute Payments in Lieu of Dividends or Interest
9	Payer Made Direct Sales of $5,000 or More
10	Crop Insurance Proceeds
11	Reserved
12	Reserved
13	Excess Golden Parachute Payments
14	Gross Proceeds Paid to an Attorney
15a	Section 409A Deferrals
15b	Section 409A Income
16	State Tax Withheld
17	State/Payer's State Number
18	State Income

This field is required. It is not validated since IRS box values can change each year. You must ensure that the box reference is correct.

Minimum Amount. Use this field to exclude amounts below the limit that you want to report. When the total payments for the purchase types linked to this box to a single supplier exceed this amount, they are included on the report; otherwise, they are skipped.

Currency. Specify the currency units in which the minimum amount is expressed.

Calendar Year. Specify the year that this code is valid. This field is required. Specifying the calendar year lets you report for past years, even when box definitions have changed. This field cannot be modified after the code is saved.

Purchase Type. This field is optional. You can link one or more types to each box. However, you cannot link a specific purchase type to more than one box.

Active. Indicate if this is an active code. An active can be referenced from other maintenance functions. An inactive record cannot be referenced when a new record is created in other functions and is not included in lookups of valid values.

Running the 1099 MISC Report

The 1099 MISC Report generates all data required to complete the 1099 paper forms manually. You can use the following selection criteria:

Federal Tax ID. Optionally specify the federal tax ID of the entity in the current domain for which you want to generate the report.

Payment Year. Specify the calendar year in which the payment to be reported were registered. This field is required.

From/To Supplier. Enter a range of suppliers to select for reporting or leave the default All. Only suppliers with Tax Report selected in their definition are included, regardless of the value specified here.

Entity. Optionally enter one or more entities by entity code to select only payments associated with those entities. The entity must be associated with a business relation that has Tax Report set to Yes to be included.

Supplier Type. Select suppliers for reporting by type if you have used the type code to identify reporting groups.

The Header section 1 of the report contains information on the paying entity, such as the federal tax ID, entity name, and address. This data is taken from the headoffice address of the business relation for the entity.

Note The paying entity is always the entity that initially incurred the liability, not the entity that actually paid (in cases of payment on behalf of).

The Header section 2 of the report contains information on the supplier (recipient of the payment), such as the supplier's federal tax ID, name, and address. This data is taken from the headoffice address of the business relation of the supplier.

The Detail Data section of the report contains a list of 1099 boxes and the declaration amounts. Each line contains a 1099 box reference and description, an entity reference, and a declaration amount. The declaration amount is calculated as the sum of all payments from the entity to the supplier for all invoices where the purchase type is linked to the 1099 box.

Note If the calculated amount does not exceed the minimum amount specified in the 1099 box definition, the report displays zero.

The report uses the actual amount paid in cases where a discount is applied to an invoice, and includes prepayments and payments in progress, if applicable.

Running the 1099 Electronic Declaration

The 1099 Electronic Declaration (29.6.3.13.6) generates a file that can be delivered electronically to the IRS.

Prior to submitting 1099 forms on magnetic media, the transmitter must apply to the IRS (form 4419) for approval. Upon approval, the IRS assigns the transmitter a control code that is specified when this program is executed and must be included on all magnetic media filings.

A test file can be generated and submitted to the IRS to verify that the data is properly formatted.

Running the 1099-MISC Paper Declaration

The 1099-MISC Paper Declaration (29.6.3.13.8) prints the 1099-MISC data on preprinted paper forms. The selection criteria and the calculation logic are the same as those for the 1099-MISC report. The output is formatted to match the layout of the 1099-MISC paper form.

A paper declaration must be sent to the suppliers. However, the IRS accepts both paper and electronic declarations.

Chapter 5

AvaTax

This chapter introduces the QAD interface for Avalara's AvaTax product, and describes how to set up and use the AvaTax interface.

Overview 176
Introduces the interface between AvaTax and QAD Enterprise Applications.

Installing the Certificate 176
Describes how to install an OpenEdge keystore certificate to support the secured connection between the connector and the AvaTax service.

Defining AvaTax Account Details 177
Describes how to record AvaTax account details and other related settings in EE.

Configuring GTM Data 179
Outlines the GTM setup required before you can use the AvaTax interface.

Other QAD EE Setup 183
Outlines other QAD EE setup required for AvaTax.

Validating Addresses 184
Describes how you can use AvaTax to validate ship-from and ship-to addresses.

Configuring the AvaTax Console 186
Describes how to configure the AvaTax Console.

Communicating with the AvaTax Portal 189
Describes how GTM communicates with AvaTax.

Transactions in the AvaTax Admin Console 191
Outlines where transactions display in the AvaTax Admin Console.

Overview

The AvaTax interface, in conjunction with Global Tax Management (GTM), enables users to take advantage of enhanced tax functionality and improved tax reporting accuracy by using Avalara's AvaTax product to calculate taxes in the QAD ERP application.

The AvaTax interface lets you calculate sales taxes on sales quotes, sales orders, invoices, and purchase orders. The interface enables tax rates to be determined in real time based on address mapping and returns jurisdictional tax results based on product tax codes.

You can use the AvaTax interface to calculate sales tax, seller use tax, and consumer use tax for domestic transactions within the United States of America and Canada. AvaTax supports all QAD document types currently supported by GTM.

Note AvaTax supports tax calculation and compliance requirements for the United States and Canada only.

When you process and calculate taxes using AvaTax, GTM still generates tax detail records, but the tax amounts that display on those records are calculated by the AvaTax system, instead of by GTM. In addition, when you do not use AvaTax to calculate taxes, GTM performs tax calculations as normal, with no changes in setup or processing required. This ensures that you can use AvaTax to calculate US and Canadian taxes while still using GTM for all other taxes.

Important The AvaTax database stores sales tax data, but not use tax data.

This chapter describes the steps involved in setting up the AvaTax interface in QAD EE and, to some extent, the Avalara AvaTax Admin Console. First, you must activate your license and install your certificate. Specific setup is then required for AvaTax account, GTM, and the AvaTax Console. For details on the setup required on the Avalara side, you must refer to Avalara. In addition, for some AvaTax-related procedures, such as producing reports and managing exemption certificates, you must liaise directly with Avalara.

Note Before you can configure and use the product, you must enter a license key. For details, see *QAD System Administration User Guide*.

Installing the Certificate

An OpenEdge keystore certificate is required to support the secured connection between the connector and the AvaTax service. Avalara provides Development and Production environment support and each has a separate URL for the corresponding environments.

Most installations use the Production URL; the Development URL is also included for reference.

https://development.avalara.net/tax/taxsvc.wsdl

https://avatax.avalara.net/tax/taxsvc.wsdl

Remember that you can configure a "Company" within AvaTax Production Environments specifically for testing before live use of the service. The Development Environment is only used for unusual cases involving major development or customization. It is important to use the URL that corresponds to the Avalara account type.

To install the certificate, use the following steps:

1 Using the appropriate URL, open the WSDL file with a browser.

2 Go to properties for the WSDL, and navigate to Certificate Information.

3 Use the browse option to save the certificate to a `.CER` file with the Base-64 encoded x.509 format. You can also use a `.CRT` file.

4 Copy this file to the server where OpenEdge and the connector are installed.

5 Use the following command to install the certificate into the OpenEdge environment:

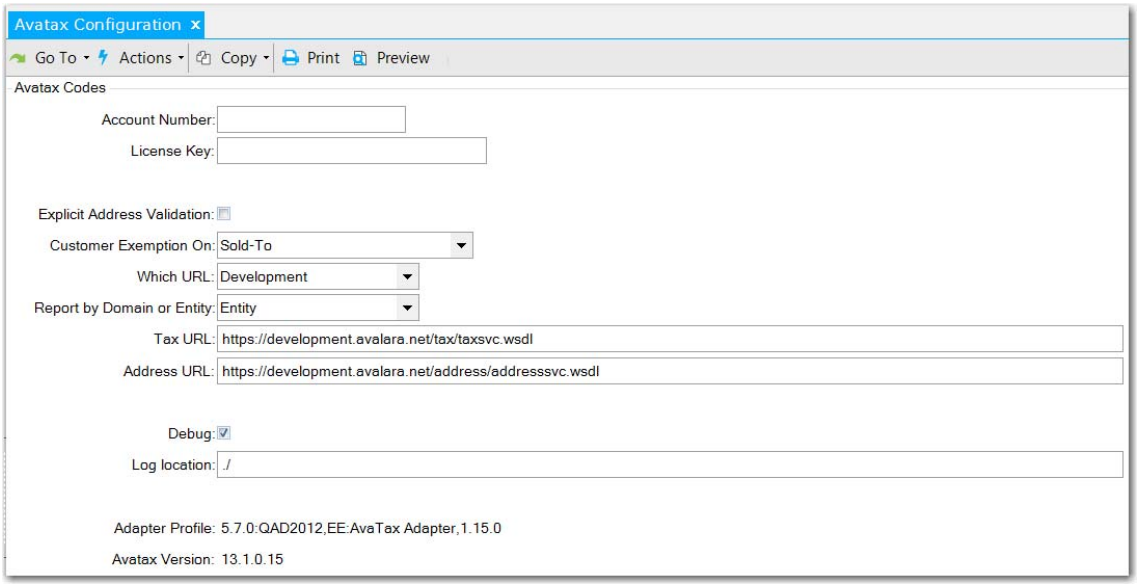
```
$DLC/bin/certutil -import <Certificate File Name>
```

6 A message appears indicating that the certificate was successfully installed.

Defining AvaTax Account Details

Before you can use AvaTax, you must configure the AvaTax interface using AvaTax Configuration (29.12.25). AvaTax Configuration updates and accesses the AvaTax configuration information contained within the QAD workfile. You must provide the AvaTax account number and license key before any communication to Avalara can take place.

Fig. 5.1
AvaTax Configuration, AvaTax Codes Frame



Account Number. Specify the account number you received from Avalara.

License Key. Specify the AvaTax license key provided by Avalara.

Explicit Address Validation. Select this field if you want AvaTax to validate addresses. If AvaTax is enabled, addresses are validated when you create a new address or modify key address fields in the Business Relation, End User, and Customer Ship-To functions.

See “Validating Addresses” on page 184.

Customer Exception On. Specify the basis on which an exemption applies; possible values are Sold-To, Ship-To, and Bill-To.

Which URL. Specify a value to indicate the URL to use. The options are Development or Production.

Report by Domain or Entity. Specify Domain if your company reports tax by domain. Otherwise, specify Entity if your company reports tax by entity.

Tax URL. Specify the URL for the AvaTax Web Services Description Language (WSDL) Web service used to validate tax calculations.

Address URL. Specify the URL for the AvaTax WSDL Web service used to validate addresses.

Debug. Select the field if you want to use verbose debugging.

The debugging option indicates that the AvaTax adapter must produce verbose debug logs.

Note The debug logs can become very large so it is recommended that you only activate this option when explicitly needed.

Log Location. Specify the path to the directory where you want to store AvaTax audit log files, usually the location of the logs directory within the AvaTax installation directory. If you used a different location, copy the WSDL files from the `avatax/logs` directory to whatever directory is specified. There are two levels of auditing: debug and normal auditing.

In normal audit mode, tax and transaction information such as the tax method, tax code, tax class, company code, and amounts are written to the logs. In addition, when the transaction is processed by AvaTax, AvaTax data is written to the logs including the username, profile name, adapter version, and client name.

Important The logs may contain confidential tax details. Therefore, the log location must be a folder where access is restricted to a limited number of users. The user ID you use for tax administration using AvaTax must have read and write access to the logging folder.

Adapter Profile. Specify an adapter profile, which is required by Avalara. The following adapter profile is correct for AvaTax 13.x versions running with QAD 2016 EE.

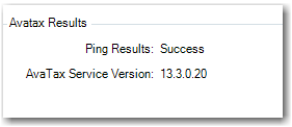
5.7.0:QAD2016,EE:AvaTax Adapter,1.1

AvaTax Version. Specify the AvaTax Web service version that the interface is configured for. For the release of AvaTax that works with QAD 2016 EE, specify an AvaTax 13.x version.

Note A difference between the connector and AvaTax service version does not necessarily mean that you have to upgrade the connector or take any other action.

When you have defined the AvaTax Configuration data, click Next to ping Avalara to confirm the connection. This step is used to verify the credentials provided, as well as to compare the AvaTax adapter version with the current AvaTax version. A successful response includes the service version run by AvaTax. All tax transactions will continue to work as normal even if the AvaTax versions are different.

Fig. 5.2
AvaTax Configuration, AvaTax Results Frame



The lower frame of the QAD AvaTax Configuration screen displays the connection status and the AvaTax Service version that responded.

The words “Ping Results: Success” mean that the connector installation is finished.

Configuring GTM Data

GTM Setup Specific to AvaTax

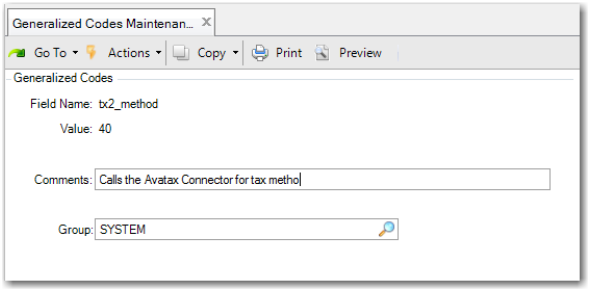
AvaTax requires the following setup in GTM:

- Configure Generalized Codes Maintenance and Global Tax Management Control.
- Define taxes.
  - Define tax type codes.
  - Define tax classes, which you subsequently assign to item codes.
  - Associate tax rates with tax types.
- Assign taxes.
  - Define and assign tax zones.
  - Define tax environments to assign tax types to tax zones.
  - Assign tax zones, tax classes, and taxability to items, customers, suppliers, and entities.

Generalized Codes Maintenance

Before you can specify the AvaTax tax method in Global Tax Management Control, you must first define the tax method in Generalized Codes Maintenance (36.2.13).

Fig. 5.3
Generalized Codes Maintenance



Field Name. Specify tx2_method.

Value. Specify 40, which is the standard method for AvaTax.

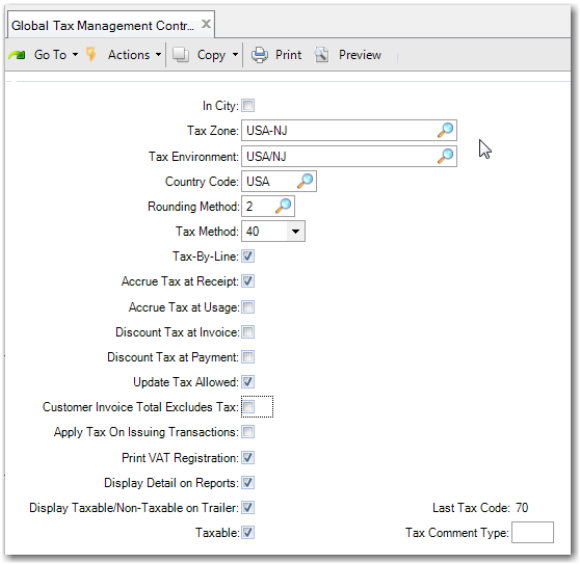
Comments. Specify a description indicating that this record is for AvaTax method 40.

Group. Specify the value SYSTEM.

Global Tax Management Control

In Global Tax Management Control (29.24), specify the tax method for AvaTax, which is 40.

Fig. 5.4
Global Tax Management Control



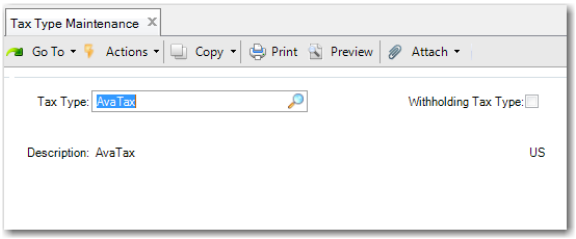
Tax Types

Business transactions can be subject to many kinds of taxes—sales taxes, domestic import duties, inventory transfer taxes, royalty fees, and so on. In GTM, a tax that is specific to a region and is individually calculated and reported is a *tax type*.

Use Tax Type Maintenance (29.1.1) to create a tax type for use with AvaTax. You do not need to specify a tax legal group. The tax types that must be defined are AvaTax, Country, County, City, State, Special, and Composite.

Note The Withholding Tax Type field must be cleared for all AvaTax tax types.

Fig. 5.5
Tax Type Maintenance

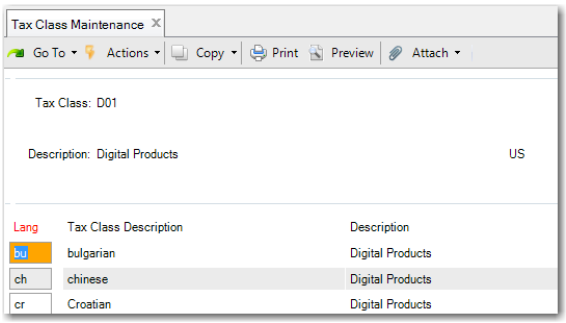


Tax Classes

In Tax Class Maintenance (29.1.5), you must create tax classes that correspond to each item tax code that you have created in your AvaTax Admin Console.

You must also use Item Master Maintenance (1.4.1) to assign a tax class to all taxable product items for which AvaTax will calculate taxes. See “Product Items” on page 184.

Fig. 5.6
Tax Class Maintenance



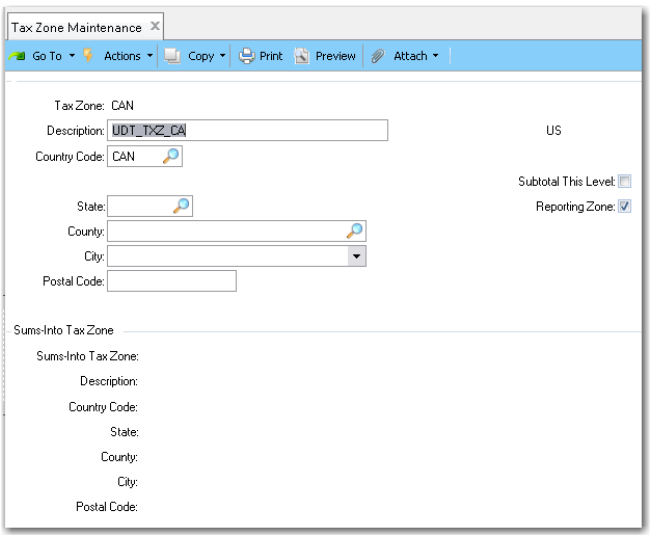
Tax Zones

Regions that assess tax include countries, states, provinces, counties, districts, and cities. In GTM, a region that assesses tax, or is subject to the same set of tax types, is a *tax zone*. All customer, supplier, and company address records belong to a tax zone, and each transaction has at least one set of ship-from and ship-to tax zones.

Tax zones correspond to nexuses in AvaTax. See “Nexuses” on page 187.

Use Tax Zone Maintenance (29.2.1) to create a unique code that identifies the Canadian tax zone and another unique code for the US tax zone.

Fig. 5.7
Tax Zone Maintenance

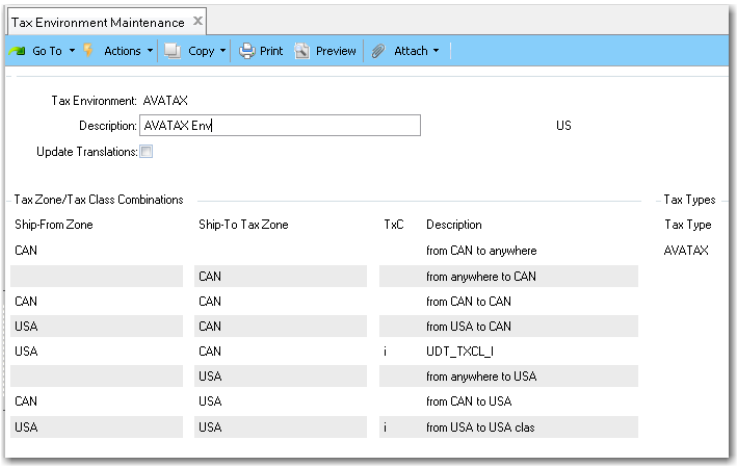


Tax Environment

Before the system calculates taxes, it determines which taxes apply to the addresses that ship and receive the goods—for example, state sales tax, local tax, and value added tax. A *tax environment* is a set of tax types that applies to a combination of ship-from and ship-to tax zones and, optionally, a customer or supplier tax class.

Use Tax Environment Maintenance (29.3.1) to define a tax environment for AvaTax. Ensure that you add each of the tax types defined previously to the AvaTax environment.

Fig. 5.8
Tax Environment Maintenance



Tax Rates

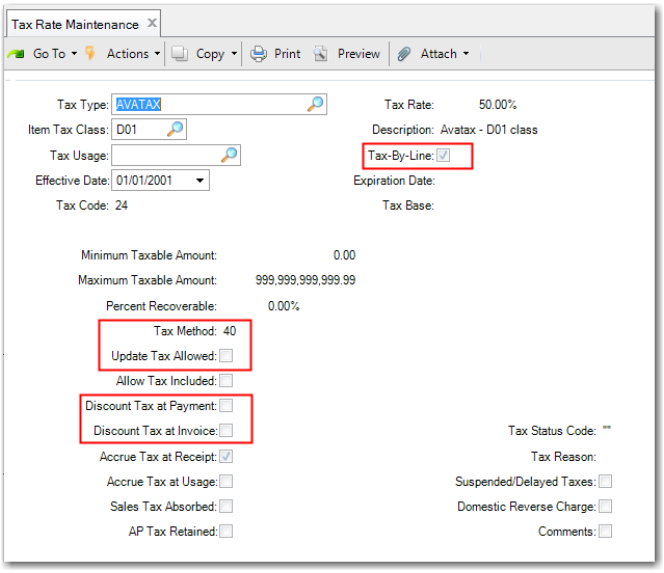
In GTM, the *tax rates* associated with the tax type determine how the system calculates and posts tax amounts for each tax type.

When you use AvaTax to calculate taxes, it uses the same calculation logic as GTM. Just like GTM, it needs to know which tax types apply, and which tax rate or rates apply for each type.

Use Tax Rate Maintenance (29.4.1) to define tax rates for use with AvaTax for all of the tax types previously defined in Tax Type Maintenance. Use the Item Tax Class field to differentiate between the different AvaTax items. AvaTax items correspond to tax classes in GTM.

Note In Tax Rate Maintenance, always specify a tax method of 40 when using AvaTax.

Fig. 5.9
Tax Rate Maintenance



Tax Type. Enter a valid tax type supported by AvaTax.

Tax Rate. Specify the rate at which tax is applied.

Tax-By-Line. Always set Tax-By-Line to Yes when using AvaTax tax method 40.

Item Tax Class. Specify the GTM tax class (AvaTax item code) to which the tax rate applies. See “Tax Classes” on page 180 and “AvaTax Item Codes” on page 188.

Tax Method. Specify method 40; otherwise, AvaTax is not used to calculate taxes.

For tax rates with tax methods other than 40, GTM performs the tax calculations using standard GTM functionality, with no changes in setup or processing required. This ensures that you can use AvaTax to calculate US and Canadian taxes while still using GTM for all other taxes.

Update Tax Allowed. Always set Update Tax Allowed to No when using AvaTax tax method 40.

Discount Tax at Payment. Always set Discount Tax at Payment to No when using AvaTax tax method 40.

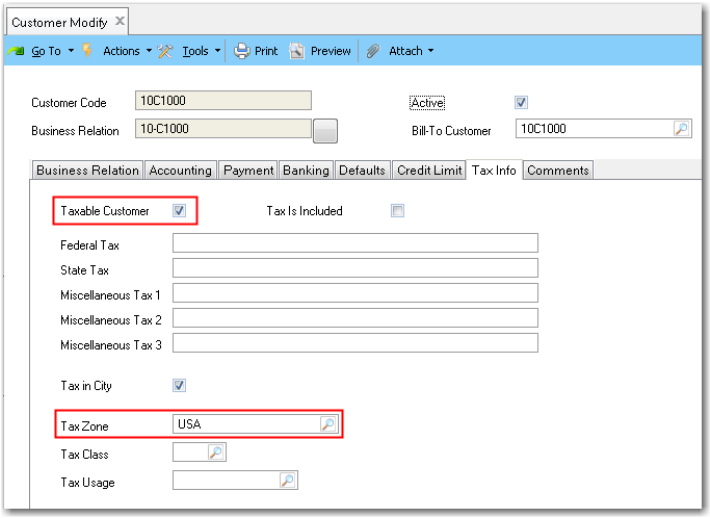
Discount Tax at Invoice. Always set Discount Tax at Invoice to No when using AvaTax tax method 40.

Other QAD EE Setup

Customer, Supplier, and Company Addresses

The Taxable and Tax Zone fields in Customer Create (27.20.1.1), Customer Ship-To Create (27.20.2.1), Supplier Create (28.20.1.1), End User Create (27.20.3.1), and Business Relation Create (36.1.4.3.1) are relevant to AvaTax.

Fig. 5.10
Customer Modify



Taxable Customer. Set this field to Yes for all Canadian and US addresses for which AvaTax will be used to calculate taxes.

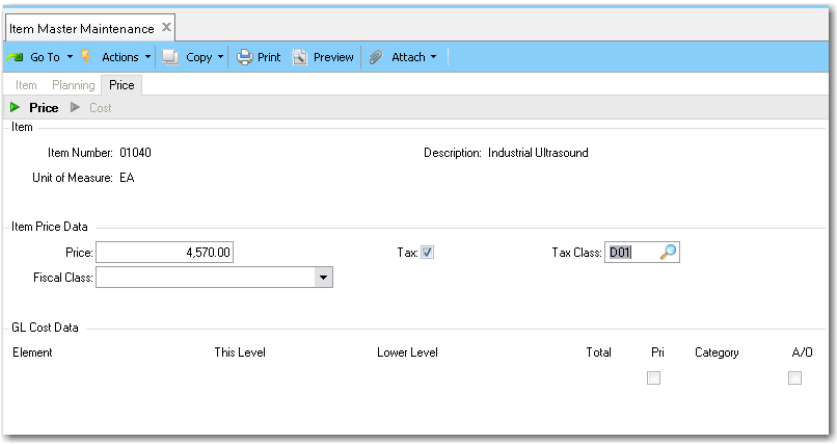
Business relation and supplier records have a similar Taxable field.

Tax Zone. Specify a US or Canadian tax zone that is associated with the AvaTax tax environment and tax type.

Product Items

Use Item Master Maintenance (1.4.1) to assign a tax class to all taxable product items for which AvaTax will calculate taxes.

Fig. 5.11
Item Master Maintenance



Validating Addresses

If you select the Explicit Address Validation field in AvaTax Configuration, you can use AvaTax to validate addresses.

If AvaTax is enabled, the Explicit Address Validation field is selected, and the country associated with the address is the US or Canada; addresses are validated when you create a new address or modify key address fields in the Business Relation, End User, and Customer Ship-To functions.

Note No tax calculations are performed during the AvaTax address validation process.

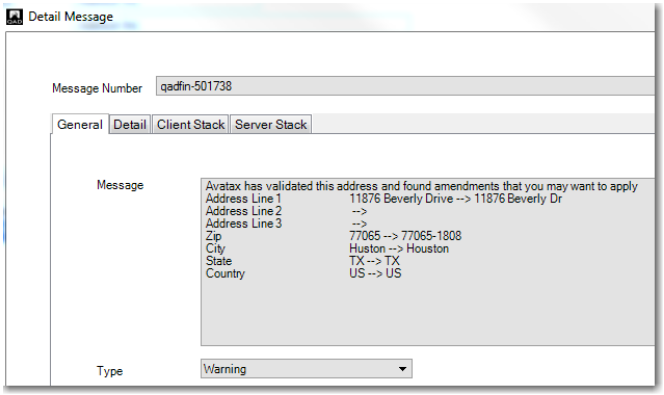
When the record is saved, any new or modified addresses are sent to AvaTax for validation. For each new or updated address, the system calls AvaTax to check the value of the following key address fields:

- Address Line 1
- Address Line 2
- Address Line 3
- Zip Code
- City
- State
- Country Code

If AvaTax validates the new or updated address, the record saves as normal.

If the address is validated in part, but needs changes to be fully validated, address amendments sent by AvaTax are displayed in the form of a warning message. You must then manually implement the changes sent by AvaTax and save the address to restart the AvaTax validation. If you have implemented the changes correctly, the address is validated by AvaTax and no warning message is displayed.

Fig. 5.12
Address Validation with Amendments



If AvaTax cannot validate the address, a warning message is displayed to indicate the reason, as shown in Figure 5.13 and Figure 5.14. In this case, it is recommended that you contact the third party whose address you are recording to verify their address details and then update the address record accordingly.

Note If Avatax cannot find a valid address for a tax calculation, the system displays an error and no tax calculation is performed by Avatax.

Fig. 5.13
Validation Failed, Incorrect Street Number

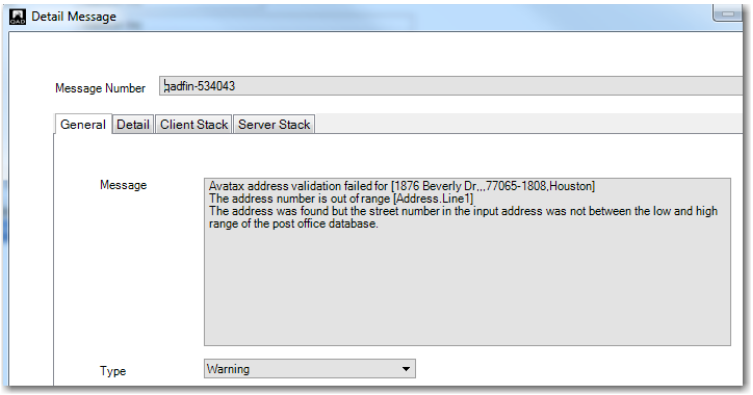
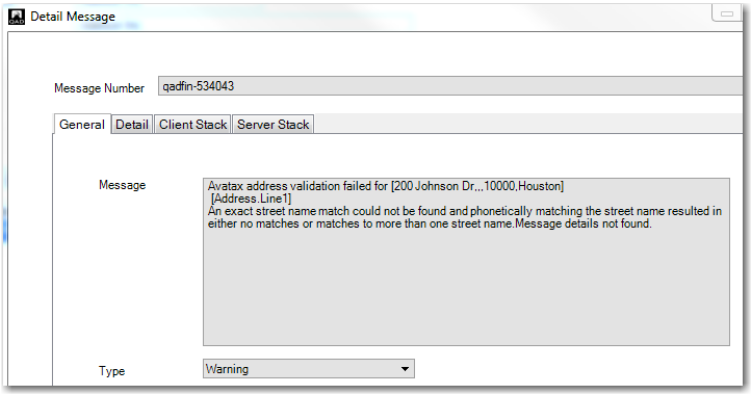


Fig. 5.14
Validation Failed, Street Name not Matched



Configuring the AvaTax Console

To complete your AvaTax setup, you must log into the AvaTax Admin Console and set up your company's required tax structure. For detailed information on how to do this and for log in information, please contact Avalara. See the Avalara *AvaTax Admin Console User Guide* for more information on setting up the tax structure in AvaTax.

Company Codes

In AvaTax, a company is a model of your business from a sales and use tax perspective. AvaTax lets you build a hierarchy of companies based on two company types:

- Parent company

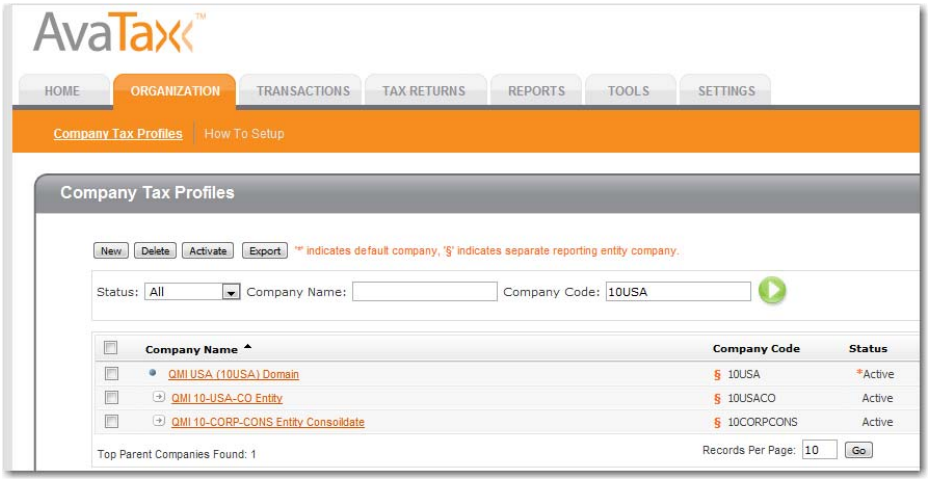
  A parent company creates and maintains its own tax profile, and can have one or more child companies. Parent companies correspond to domains in QAD EE.

- Child company

  A child company inherits its tax profile from a parent company. Child companies correspond to entities in QAD EE.

Use the Organization tab of the AvaTax Admin Console to define parent companies and child companies that correspond to the QAD EE domains and entities for which you report tax.

Fig. 5.15
AvaTax Admin Console, Organization Tab, Company Tax Profiles

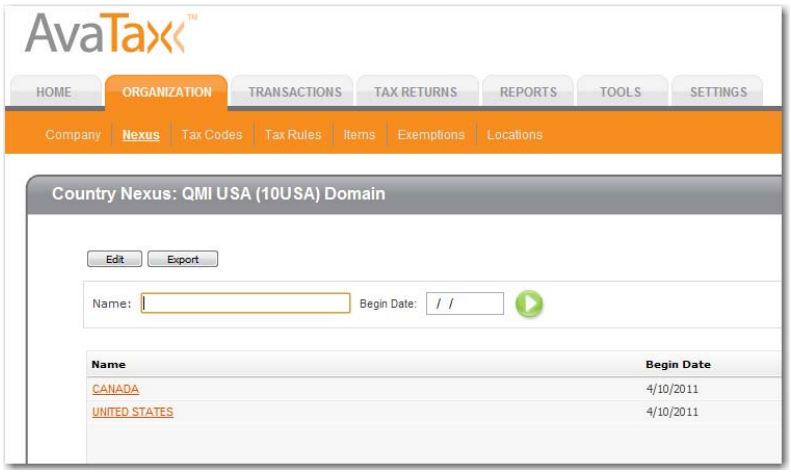


The example in Figure 5.15 uses a single domain (10USA) and two entities (10USACO and 10CORPCONS). If, in Avatax Configuration, QAD Enterprise Edition is set up to use domain reporting, then your messages to Avatax must contain the code 10USA. If the AvaTax interface is configured to use entity reporting, then the interface can pass entity codes 10USACO or 10CORPCONS.

Nexuses

The term nexus is used in US tax law to indicate when a business has a presence in a state and is, therefore, subject to state income taxes and to sales taxes for sales within that state. Nexuses in AvaTax correspond to tax zones in QAD EE. For AvaTax calculations, you need two general nexuses/tax zones—one for the US and one for Canada. See “Tax Zones” on page 181.

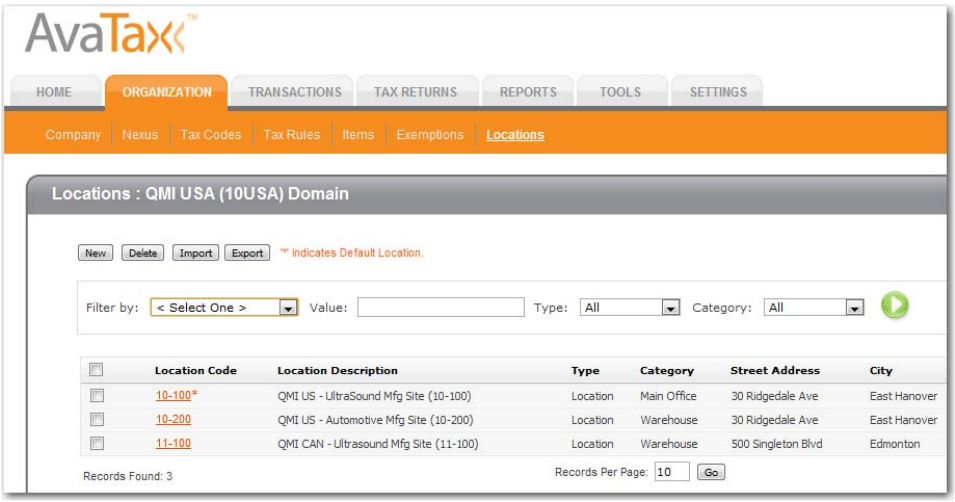
Fig. 5.16
AvaTax Admin Console, Organization Tab, Country Nexus



Locations

In AvaTax, a location is a record of the physical presence of a company or its personnel, and these correspond to sites in QAD EE. AvaTax uses the location code to associate transactions with a particular location. You must define a location in the AvaTax Admin Console for each site for which you are using AvaTax to calculate taxes.

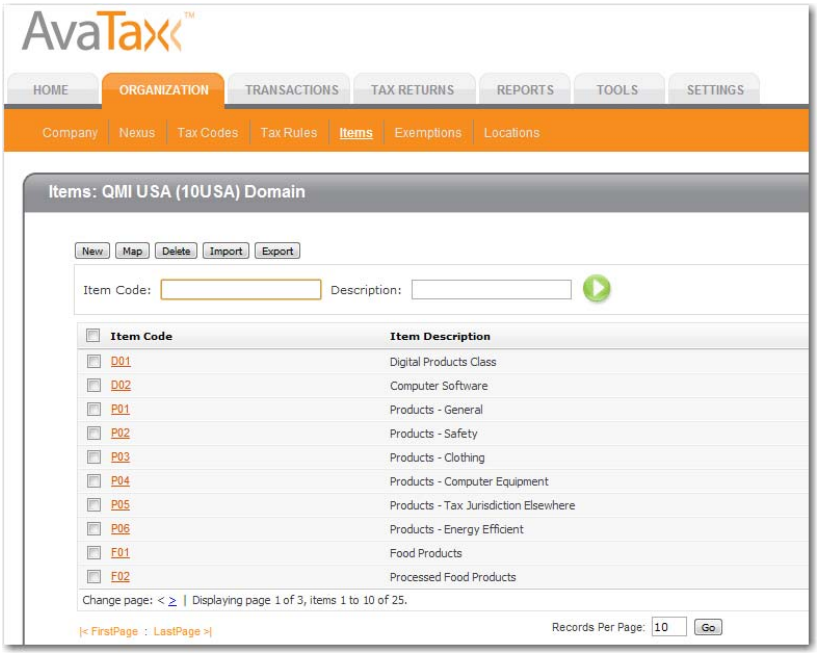
Fig. 5.17
AvaTax Admin Console, Organization Tab, Locations



AvaTax Item Codes

In AvaTax, item codes represent an individual or group of products, services, or charges, and correspond to tax classes in QAD EE. See “Tax Classes” on page 180.

Fig. 5.18
AvaTax Admin Console, Organization Tab, Items

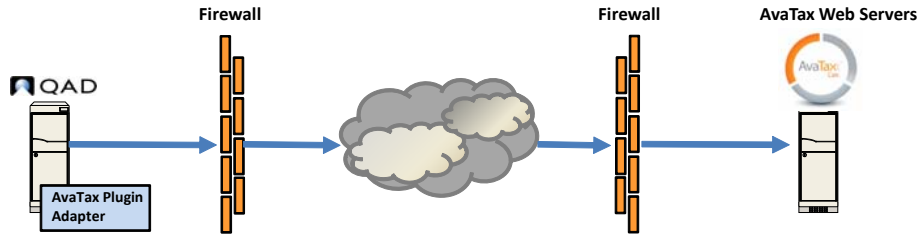


Communicating with the AvaTax Portal

Communication between QAD EE and the Avalara AvaTax portal is performed using Secure Sockets Layer (SSL) encryption. To enable this communication, download an Avalara SSL certificate and install it in the Progress Key Store. This step is part of the installation process for the AvaTax interface. When an SSL connection is established between QAD EE and Avalara, and login details are authenticated, communication between QAD EE and AvaTax is initiated at the following points:

- Address validation in Business Relation Create (36.1.4.3.1), Business Relation Modify (36.1.4.3.2), Company Address Maintenance (2.12), Customer Ship-To Create (27.20.2.1), Customer Ship-To Modify (27.20.2.2), Customer Ship-to Excel Integration (27.20.2.5), End User Create (27.20.3.1), and End User Modify (27.20.3.2)
- During tax calculation in Sales Order Maintenance (7.1.1), Sales Quote Maintenance (7.12.1), Contract Quote Maintenance (11.5.1.1), Purchase Order Maintenance (5.7), Customer Invoice Create (27.1.1.1), Supplier Invoice Create (28.1.1.1), Receiver Matching Create (28.2.1), RMA Maintenance (11.7.1.1), Distribution Order Maintenance (12.17.14), Blanket Order Maintenance (5.3.1), and other related functions
- During Invoice Post and Print (7.13.4)

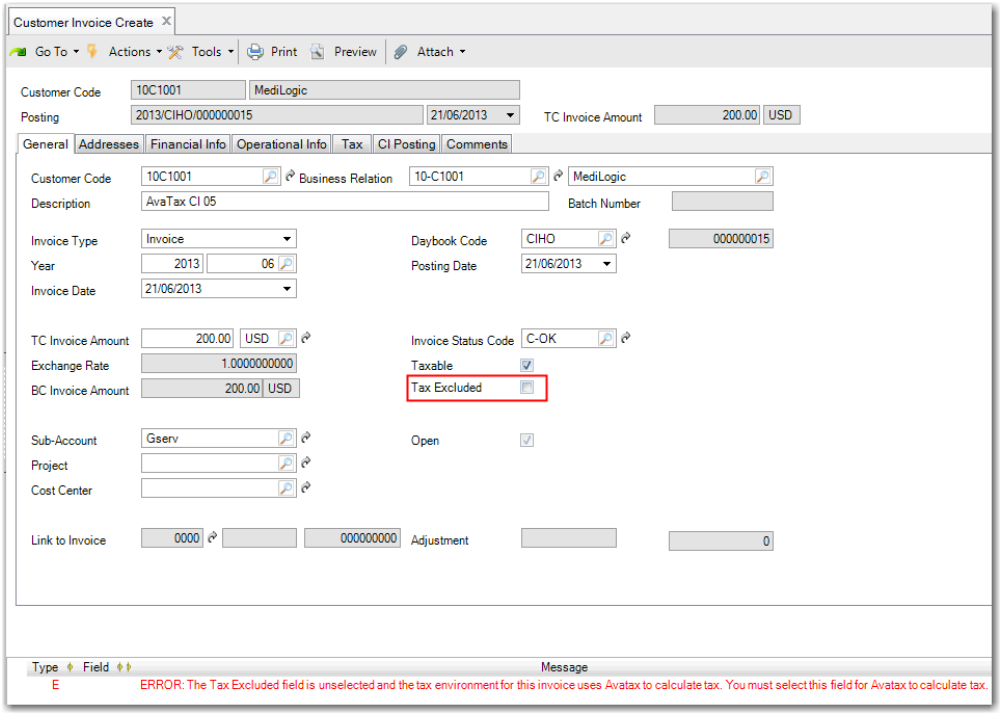
Fig. 5.19
AvaTax Interface Architecture



Creating Customer Invoices Manually

When using Customer Invoice Create to manually create invoices for which AvaTax will calculate tax, you must select the Tax Excluded field. If you do not select the Tax Excluded field, an error message displays when you try to save the invoice.

Fig. 5.20
Customer Invoice Create



Creating Supplier Invoices

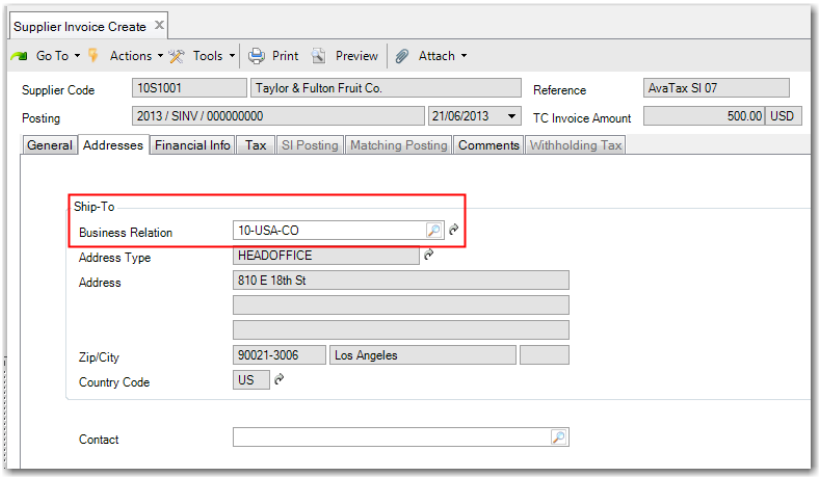
Tax Excluded

When using Supplier Invoice Create to create invoices for which AvaTax will calculate tax, the same restriction applies regarding the Tax Excluded field as applies for customer invoices. If you do not select the Tax Excluded field, an error message displays when you try to save the invoice.

Ship-To Addresses

When creating a supplier invoice, if you update the ship-to record in the Addresses tab to a different business relation address not linked to the current supplier, AvaTax returns tax details based on the new, unlinked ship-to address.

Fig. 5.21
Supplier Invoice Create, Addresses Tab

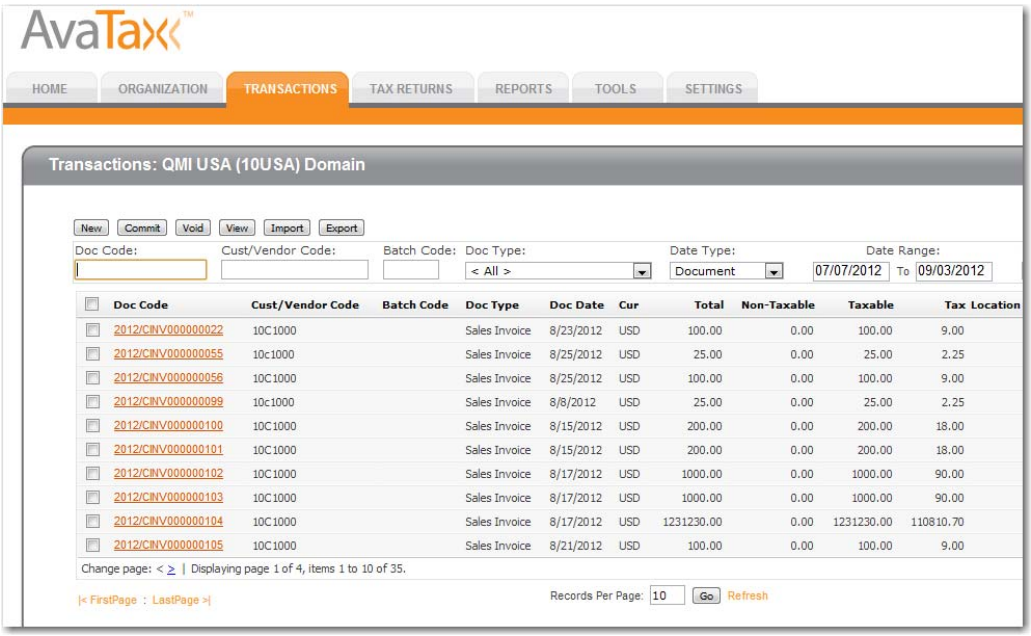


Transactions in the AvaTax Admin Console

For US and Canadian customer invoice transactions that use AvaTax to calculate taxes, records are maintained in the Transactions tab of the AvaTax Console, in addition to GTM. The customer invoices can be created manually or using Invoice Post and Print.

Note The AvaTax database stores sales tax data, but not use tax data.

Fig. 5.22
AvaTax Admin Console, Transactions Tab



Product Information Resources

QAD offers a number of online resources to help you get more information about using QAD products.

QAD Forums (community.qad.com)
Ask questions and share information with other members of the user community, including QAD experts.

QAD Knowledgebase (knowledgebase.qad.com)*
Search for answers, tips, or solutions related to any QAD product or topic.

QAD Document Library (http://documentlibrary.qad.com)
Get browser-based access to user guides, release notes, training guides, and so on; use powerful search features to find the document you want, then read online, or download and print PDF.

QAD Learning Center (learning.qad.com)*
Visit QAD's one-stop destination for all courses and training materials.

*Log-in required

Index

Numerics

2.12 39
1.4.1 180, 184
1099 Electronic Declaration 169
1099 reporting 168
  boxes 170
  purchase types 170
1099-Misc Report 169
11.5.1.1 189
11.7.1.1 189
12.17.14 189
2.12 189
27.1.1.1 189
27.20.1.1 183
27.20.2.1 183, 189
27.20.2.2 189
27.20.2.5 189
27.20.3.1 183
28.1.1.1 189
28.2.1 189
29.1.1 12
29.1.2 12
29.1.3 12
29.1.5 13
29.1.6 13
29.1.7 13
29.1.9 14
29.1.13 20
29.1.22 19
29.1.23 19
29.2.2 11
29.2.3 11
29.3.1 17, 18
29.4.1 28, 31, 32
29.4.4 34
29.1.1 180
29.1.5 180
29.12.25 177
29.2.1 181
29.24 18, 35
29.3.1 181
29.4.1 182
36.1.4.3.1 183, 189
36.2.13 179
5.3.1 189
5.7 189
7.1.1 189
7.12.1 189
7.13.4 189

A

absorbed taxes 45
accounts
  discount for taxes 44
accounts payable (AP)
  tax account 42
adapter profile 178
addresses
  company, GTM 39
  site, GTM 39
  tax data for 37
aggregate taxes 40
AvaTax Admin Console 180, 186
AvaTax Configuration 177
Avatax Configuration 187
AvaTax Console 186
AvaTax Interface
  setup
    tax methods 183
    tax types 180
    tax zones 181
  tax methods 183
  tax types 180
  tax zones 181
AvaTax version 178
average cost
  non-recoverable tax 138
  tax accrual for memo items 137
  tax calculation 134
  tax for inventory items 134

B

Blanket Order Maintenance 189
boxes
  1099 reporting 170
  tax reporting 22
Business Relation Create 183, 189

C

calendars
  tax 23
capped taxes 42
child company 186
Chinese financial features
  Golden Tax 53
classes
  tax 13
Código Fiscal de Operações e Prestações (CFOP) 15
Company Address Maintenance 189
  GTM requirements 39
company addresses

converting tax info 39
company codes 186
confirming the connection to AvaTax 178
Contract Quote Maintenance 189
control program
Global Tax Management 35
copying, tax rates 34
country codes
global tax management (GTM) 9
Customer Create 183
Customer Invoice Create 189
Customer Ship-To Create 183, 189
Customer Ship-to Excel Integration 189
Customer Ship-To Modify 189

D
discounted taxes 43
Distribution Order Maintenance 189
domestic reverse-charge tax 46

E
End User Create 183, 189
End User Modify 189
environments, tax 16
error codes
GTM environment 18
GTM tax zone 12
EU VAT Reporting 151
Evaluated Receipts Settlement (ERS)
withholding tax 81
exemptions 39

G
general ledger (GL)
accrued tax at receipt 42
AP tax account 42
GTM effects 123
tax accounts 25
Generalized Codes Maintenance 179
tax comment type 36
Global Tax Management (GTM)
1099 reporting 168
concepts 3
correcting amounts 121
custom calculation methods 40
GL effects 123
limitations 3
partial item amounts 40
processing taxes 116
sample scenario 3
standard calculation methods 41
tax calculation logic 116
tax data windows 118
tax exemptions 39
tax methods 41
troubleshooting 143
viewing tax amounts 119
Global Tax Management (GTM) setup
addresses 37
control program 35
GL accounts 25
item tax class 39
tax bases 19
tax boxes 21
tax calendar 23
tax classes 13
tax environments 16
tax groups 23
tax rates 27
tax types 12
tax usages 13
tax zones 9
Global Tax Management Control 35, 179
country code 9
Tax Environment field 18
Golden Tax 53
control settings 57
upper limit 55
Golden Tax File Create 60
Golden Tax File Load 62
Golden Tax Invoice Control 57
gross income accounting 100
enabling 102
examples 112
groupings 104
postings 108
setup 101
GTM. *See* Global Tax Management (GTM)

I
Invoice Post and Print 189
item codes (AvaTax) 188
Item Master Maintenance 180, 184
item tax class 182

L
Legal Document Control 14
location 188
log files 178
luxury taxes 41

M
memo items
tax accrual 133
miscellaneous tax IDs 38

N
nexus 181, 187
non-recoverable tax 129

O
open item adjustment 87
Operational Tax Detail by Transaction Inquiry 146
Operational Tax Detail by Transaction Report 146

P
parent company 186
printing
tax information 146
VAT registration numbers 36
Product Line Maintenance 39
Purchase Order Maintenance 189
purchase orders, printing tax IDs 38
purchase types 170

R
rates, GTM tax 27
Receiver Matching Create 189

recoverable taxes 26, 42, 122
retained tax account 26
retained taxes 45
returned items tax accrual 134
reverse-calculated taxes 45
RMA Maintenance 189

S
Sales Order Maintenance 189
  Global Tax Management (GTM) 118
  Transaction Tax Detail frame 120
  View/Edit Tax Details 119
sales orders
  tax adjustments 46
sales tax 181
  absorbed accounts 26
  accounts 26
sequences, GTM tax types 18
site 188
site address records 39
standard cost
  GTM taxes 124
  non-recoverable tax 129
  recoverable tax 122
  tax for returned items 134
  taxes for inventory items 129
  taxes for memo items 128
sums-into relationships 11
sums-into zone 10
Supplier Create 183
Supplier Invoice Create 189

T
tax accounts, tax rate maintenance 32
Tax Base Maintenance 20
tax bases 19
Tax Box Create 22
Tax Class Browse 13
Tax Class Maintenance 13, 180
Tax Class Report 13
tax classes 13, 179, 180, 181, 182, 184
tax environment 179
Tax Environment Maintenance 17, 18, 181
tax environments 16
  examples 16
  selection criteria 116
  setting up 17
tax exemptions, GTM 39
Tax Group Create 23
tax groups, tax rate maintenance 31
tax methods 183
Tax Period Create 24
Tax Rate Copy/Update 34
Tax Rate Maintenance 28, 31, 32, 182
  comments for 0% 37
  discount accounts 44
tax rates 27, 182
  copying 34
  selecting 117
  setting up 28
tax reporting
  aggregate tax 40
  boxes 22
  by exemption 40
  tax calendars 23
  tax groups 23
Tax Type Inquiry 12
Tax Type Maintenance 12, 180
Tax Type Report 12
tax types 12, 179, 180, 182
Tax Usage Maintenance 14
tax usages 13
  operation types 15
tax zone 187
Tax Zone Inquiry 11
Tax Zone Maintenance 11, 181
Tax Zone Report 11
tax zones 9, 179, 181
  error codes 35
  hierarchies 10
  sums-into 10
taxes
  1099 reporting 168
  absorbed 45
  accrued 30
  capped 42
  Chinese Golden 53
  comments for 0% rate 37
  correcting 121
  discounted taxes 43
  domestic reverse charge 46
  luxury 41
  recoverable 42, 122
  reporting 143
  retained 45
  reverse-calculated 45
  tax-on-tax 43
  transaction types 147
  troubleshooting 143
  viewing amounts 119
tax-on-tax 19
Trailer Code Maintenance 19
trailer codes, tax status 18
Trailer Tax Detail Browse 19
Trailer Tax Detail Report 19
transaction types, tax 147
troubleshooting, GTM 143
types, tax 12

U
usages, tax 13

V
value added tax 181
Value Added Tax (VAT), registration numbers 36
VAT. *See* Value Added Tax (VAT)

W
withholding tax 67
  bounced supplier payments 87
  certificate formats 71
  Compensation to Third Party report 94
  creating invoices automatically (ERS) 81
  creating invoices manually 77
  credit notes and corrections 89
  domain controls 68
  enabling for suppliers 75
  entity controls 69

examples 97
fiscal receiving 76
invoices subject to withholding tax 76
open item adjustment 87
paying invoices subject to withholding tax 82
purchase orders 76
receiver matching 82
services 90
setting up 67
Supplier Payment Create 83
Supplier Payment Selection Create 86
tax accounts 72
tax bases 72
tax environments 75
tax rates 72
tax types 71
views and dashboards 90
withholding tax number 70
Withholding Tax report 92

Z

zones, GTM 9