



QAD Enterprise Applications
Standard Edition

Training Guide

Global Tax Management

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Domain: Training
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Contents

Change Summary	IX
About This Course	1
Course Description	2
Course Objectives	2
Learn to:	2
Audience	2
Prerequisites	2
Course Credit	2
Virtual Environment Information	2
Additional Resources	3
QAD Learning Center	3
QAD Document Library	3
QAD Support	3
Chapter 1 Introduction to Global Tax Management.	5
Course Overview	6
Introduction to Global Tax Management	7
Business Cycle	8
Tax and Inventory Reporting Flow	9
Terminology	10
Course Overview	11
Chapter 2 Business Considerations	13
Business Considerations Overview	14
Features and Considerations	15
Tax Elements	17
Tax Data Relationships	19
Chapter 3 Set Up Global Tax Management.	21
Global Tax Management Setup	23
Reading the training flow	23
Domain/Account Control	24
Domain/Account Control	25

Exercise: Control Data	27
Tax Environments	28
Tax Environments Overview	29
Tax Zones Setup	30
Tax Zone Overview	31
Country Codes	32
Country Code Maintenance	33
States, Provinces, and Counties	35
Generalized Code Maintenance	36
Tax Zones	37
Tax Zone Maintenance	38
Tax Zone Codes	40
Tax Zone Hierarchies	42
Parent-Component Hierarchy	45
Phantom Hierarchies	46
Exercise: Tax Zones	47
Tax Types	49
Tax Type Code Examples	50
Tax Type Maintenance	51
Customer and Supplier Tax Classes	52
Customer and Supplier Tax Class Example	53
Tax Class Maintenance	54
Rounding Methods	55
Rounding Method Maintenance	56
Rounding Method	58
Tax Environments	59
Tax Environment Maintenance	60
Tax Environment Examples	62
Tax Types, Sequence, and Rounding Methods	63
Exercise: Tax Environments	65
Tax Rates	67
Tax Rates Overview	68
Item Tax Classes	69
Item Tax Class Code Examples	70
Tax Class Maintenance	71
Tax Usages	72
Tax Code Usage Examples	73
Tax Usage Maintenance	74
Tax Rates	75
Tax Rate Maintenance	76
Tax-By-Line and Total	78
Tax Method	79
Tax Method	80

General Ledger Accounts	81
Exercise: Tax Rates	82
Global Tax Management Control	84
Global Tax Management Control Setup	85
VAT Registration Number Validation	86
VAT Registration Number Validation Setup	87
Adding new VAT Registration Validation Formats	89
Exercise: GTM Control	90
Test Questions: GTM Setup	91
Other Tax Data Setup	92
Product Line Maintenance	93
Item Cost Maintenance	94
Company Site and Addresses	95
Address Tax Data	96
Address Tax Data (continued)	97
Test Questions: Other Tax Data Setup	98
Typical Tax Setups	99
What is a Taxable Base?	100
User-Defined Taxable Bases	100
Set Up Taxable Bases	101
Tax-on-Tax	102
Min and Max Taxes	103
Taxable Base Setup Examples	104
Exercise: Taxable Base	107
Trailer Charge Taxes	112
Trailer Charge Taxes	113
Trailer Code Maintenance	114
Trailer Tax Details	115
Different Tax Status	116
Different Tax Rate	117
Trailer Charge Tax Calculations	118
Exercise: Trailer Charge Taxes	119
Check the Customer's Taxable Status	120
Create a Sales Order	120
Retained Taxes	122
Retained Taxes	123
AP Retained Tax GL Entries	124
Retained Taxes Setup	125
Setup Tax Usages	126
Setup by Supplier Tax Class Code	127
Exercise: Retained Tax	128
Tax Point Timing of Goods Receipt	131
Tax Point Timing of Goods Receipt Setup	132

Global Tax Management Control	133
Tax Rate Maintenance	134
GL Entries by Tax Point	135
GL Entries for Items (Standard Cost, Recoverable Tax)	136
GL Entries for Purchase Price Variance (Standard Cost, Recoverable Tax)	137
GL Entries for AP Rate Variance (Standard Cost, Recoverable Tax)	138
GL Entries for AP Usage Variance (Standard Cost, Recoverable Tax)	139
GL Entries for Memo Items (Standard Cost, Recoverable Tax)	140
GL Entries for Inventory Items (Standard Cost, Non-Recoverable Tax)	141
GL Entries for Purchase Price Variance (Standard Cost, Non-Recoverable Tax)	142
GL Entries for AP Rate Variance (Standard Cost, Non-Recoverable Tax)	143
GL Entries for AP Usage Variance (Standard Cost, Non-Recoverable Tax)	144
GL Entries for Memo Items (Standard Cost, Non-Recoverable Tax)	145
GL Entries for Inventory Items (Average Cost, Recoverable Tax)	146
GL Entries for AP Rate Variance (Average Cost, Recoverable Tax)	147
GL Entries for AP Usage Variance (Average Cost, Recoverable Tax)	148
GL Entries for Memo Items (Average Cost, Recoverable Tax)	149
GL Entries for Inventory Items (Average Cost, Non-Recoverable Tax)	150
GL Entries for AP Rate Variance (Average Cost, Non-Recoverable Tax)	151
GL Entries for AP Usage Variance (Average Cost, Non-Recoverable Tax)	152
GL Entries for Memo items (Average Cost, Non-Recoverable Tax)	153
Exercise: Tax Point Timing	154
Recoverable Taxes	158
Example - VAT Taxes	159
Recoverable Taxes	160
Recoverable Taxes GL Entries	161
Recoverable Taxes Setup	162
Exercise: Recoverable Tax	163
Included Taxes	165
Included Taxes	166
Regular Included Tax	167
Regressive Included Taxes	168
Included Tax Setup	169
Exercises: Included Taxes	170
Discounted Taxes	172
Discounted Taxes	173
Discount at Invoice	174
Discount at Payment	175
Discounted Taxes Setup	176
Exercise: Discounted Taxes	177
Tax Exemptions	181
Tax Exemptions	182

Exemption by Tax Type NON-TAX Setup	183
Exemption by Tax Usage Setup	184
Exemption by Customer or Supplier Tax Class Setup	185
Exemption by Item Tax Class Setup	186
Exercise: Tax Exemption	187
Test Questions: Typical Tax Data Setup	191
Tax Processing	192
Calculating Taxes	193
Specifying Tax Data	195
Viewing Tax Amounts	196
Correcting Tax Amounts	198
Reporting	200
(Reporting continued)	201
Fixing Common Tax Problems	202
Exercise: Tax Operation	204
Test Questions: Tax Operation	204
GTM Setup Review	205
Exercise: Sales and Use Tax Interface	206
Appendix A Test Question Answers	211
Test Questions: GTM Setup - Answers	212
Test Questions: Other Tax Data Setup - Answers	213
Test Questions: Typical Tax Data Setup - Answers	213
Test Questions: Tax Operation - Answers	213

Change Summary

The following table summarizes significant differences between this document and the last published version.

Date/Version	Description	Reference
June 2012/2012 SE	Rebranded for QAD 2012 SE	--

About This Course

Course Description

QAD designed this course to cover the basics of preparing to implement the Global Tax Management (GTM) module of QAD Enterprise Applications. The course includes:

- An introduction to the GTM module
- An overview of key business issues
- Setting up the GTM module
- Operating the GTM module
- Activities and exercises throughout the course
 - Students practice key concepts and processes in the Global Tax Management module

Course Objectives

In this course you will learn how to:

- Identify some key business considerations before setting up Global Tax Management in QAD Enterprise Applications
- Set up Global Tax Management in QAD Enterprise Applications

Use Global Tax Management for your business' tax related needs

Learn to:

- Analyze some key business decisions before setting up the Global Tax Management module
- Set up and operate the Global Tax Management module

Audience

- Implementation consultants
- Members of implementation teams
- Key users

Prerequisites

QAD Enterprise Applications Setup

Course Credit

This course is designed to take one day.

Virtual Environment Information

The hands-on exercises in this book should be used with the latest Standard Edition learning environment in the Training workspace.

When prompted to log in, specify *demo* for user ID and *qad* for password.

Additional Resources

If you encounter questions on QAD software that are not addressed in this book, several resources are available. The QAD corporate Web site provides product and company overviews. From the main site, you can access the QAD Learning or Support site and the QAD Document Library. Access to some portions of these sites depends on having a registered account.

<http://www.qad.com/>

QAD Learning Center

To view available training courses, locations, and materials, use the QAD Learning Center. Choose Education under the Services tab to access this resource. In the Learning Center, you can reserve a learning environment if you want to perform self-study and follow a training guide on your own.

QAD Document Library

To access release notes, user guides, training guides, and installation and conversion guides by product and release, visit the QAD Document Library. Choose Document Library under the Support tab. In the QAD Document Library, you can view HTML pages online, print specific pages, or download a PDF of an entire book.

To find a resource, you can use the navigation tree on the left or use a powerful cross-document search, which finds all documents with your search terms and lets you refine the search by book type, product suite or module, and date published.

QAD Support

Support also offers an array of tools depending on your company's maintenance agreement with QAD. These include the Knowledgebase and QAD Forums, where you can post questions and search for topics of interest. To access these, choose Visit Online Support Center under the Support tab.

Chapter 1

Introduction to Global Tax Management

Course Overview

Course Overview

- **Introduction to Global Tax Management**
- Business Considerations
- Global Tax Management Setup
- Tax Operations



GTM-01-040

Introduction to Global Tax Management

Introduction to Global Tax Management

In this section you will learn about:

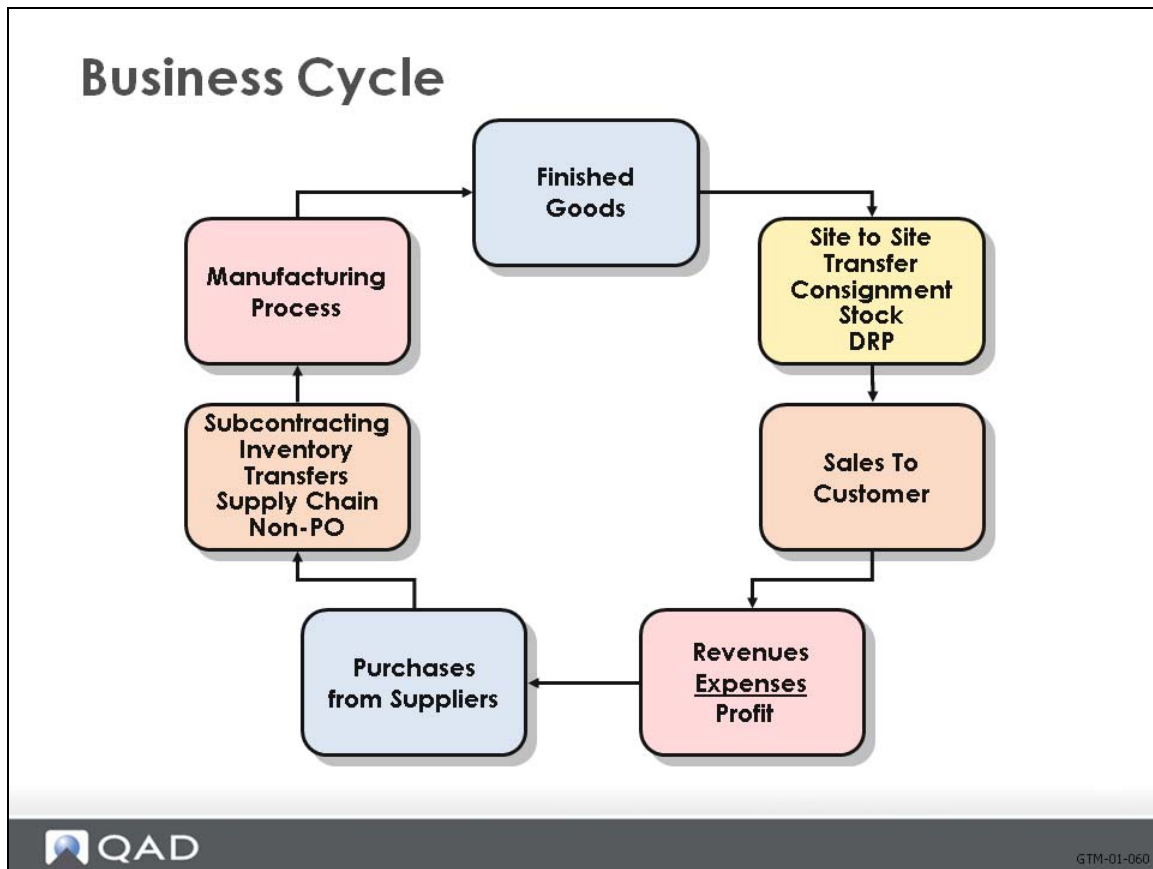
- Business cycle
- Tax and inventory reporting flow
- Terminology



GTM-01-050

Global Tax Management 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 also define when taxes are calculated, the formula used to calculate them, and the amount subject to tax.

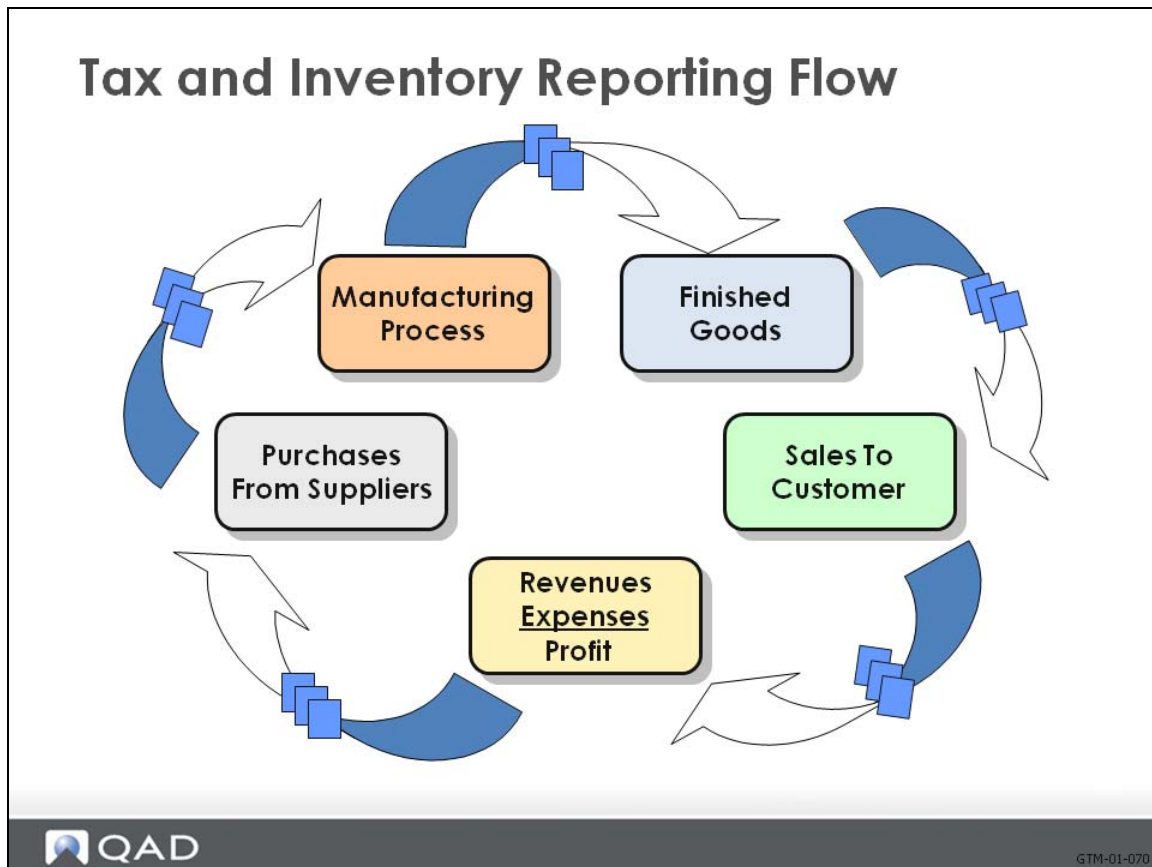
Business Cycle



The business cycle of Global Tax Management involves manufacturing, procurement and distribution.

It is important to note that taxes are used throughout the system, not just in sales order or purchase order processing.

Tax and Inventory Reporting Flow



When you buy from suppliers, you might pay the tax to the supplier as part of the purchase. When you sell to customers, you usually collect the tax as part of the total sale, but pay the tax to the government at the end of a reporting period.

Some countries tax items differently depending on whether they are used in manufacturing, or sold to resellers. Some countries also tax inventory transfers between company sites.

Periodically, companies submit tax reports to the federal, state, provincial, or local government. Even when goods are not taxed, the exemption amount and reason usually have to be reported.

Tax reporting in the United States and Europe is traditionally done at invoice/payment or receipt/voucher time. In countries such as South America, Philippines and Asia, tax reporting can be at the time of inventory movement, as well as invoice/payment or receipt/voucher. In some countries taxes are not calculated until the check or draft is cut.

Taxes are also included in financial reporting. On the balance sheet, taxes payable are a liability. On the income statements, taxes are offset against gross income.

Terminology

Terminology

- Environment
- Tax Type
- Tax Usage
- Tax Class
- Tax Zone



GTM-01-080

Environment. Identifies a set of tax types that applies to one or more ship-from/ship-to tax zone combinations or specific customer and supplier tax classes. On transactions, this code identifies the transaction or line item tax environment.

Tax Type. Tax types identify taxes that are separately calculated and reported to a specific jurisdiction. A transaction can be subject to various types of sales tax, import duty, inventory transfer or excise tax.

Tax Usage. Identifies a group of customers, suppliers, or items taxed at special rates or that is tax-exempt. System uses tax usages (along with tax class and the transaction tax date) to determine which tax rates apply to sales, purchasing, accounts receivable, and accounts payable transactions.

Tax Class. A code linking customers, suppliers, product lines, and items for tax reporting. For customers and suppliers, used to select a transaction tax environment (set of tax types). For items, used to select a tax rate for each tax type. The product line tax class simplifies item setup and can be used for reporting.

Tax Zone. A geographic region constituting a separate tax reporting district. Can be set up for countries, states/provinces, counties, cities, and postal codes, or for combinations of these.

Course Overview

Course Overview

- ✓ Introduction to Global Tax Management
- Business Considerations
- Global Tax Management Setup

Chapter 2

Business Considerations

Business Considerations Overview

Business Considerations

In this section you learn about:

- Global Tax Management Features
- Tax Elements
- Tax Data Relationships

... in order to identify key business considerations before setting up Global Tax Management in QAD Enterprise Applications.



GTM-02-010

In this section you learn to identify some key business issues to consider before setting up GTM.

Your company's procedures and policies can affect the way you should set up QAD Enterprise Applications. This section covers some issues you should consider before setting up GTM for your particular company.

Features and Considerations

GTM Features

- Unlimited number of taxes and rates
 - Each associated with customers, suppliers or items
 - Includes complex tax environments
- Define when taxes are calculated
 - Specify formula
 - Amount subject to tax
- Flexible reporting
- Worldwide tax management
- Flexible implementation and maintenance
- Vertex Interface (US and Canada)



GTM-02-023

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 also 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
- Ability to generate general ledger 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. Furthermore, once GTM is set up, updates are very simple.

Considerations

- To operate GTM in a multi-database distributed processing environment, GTM implementation must be identical in all databases. Multiple databases must have the same base currencies specified in Domain/Account Control (36.1).
- 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 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

Tax Elements

- Tax type
- Tax zone
- Tax class
- Tax usage
- Tax environment
- Tax rate

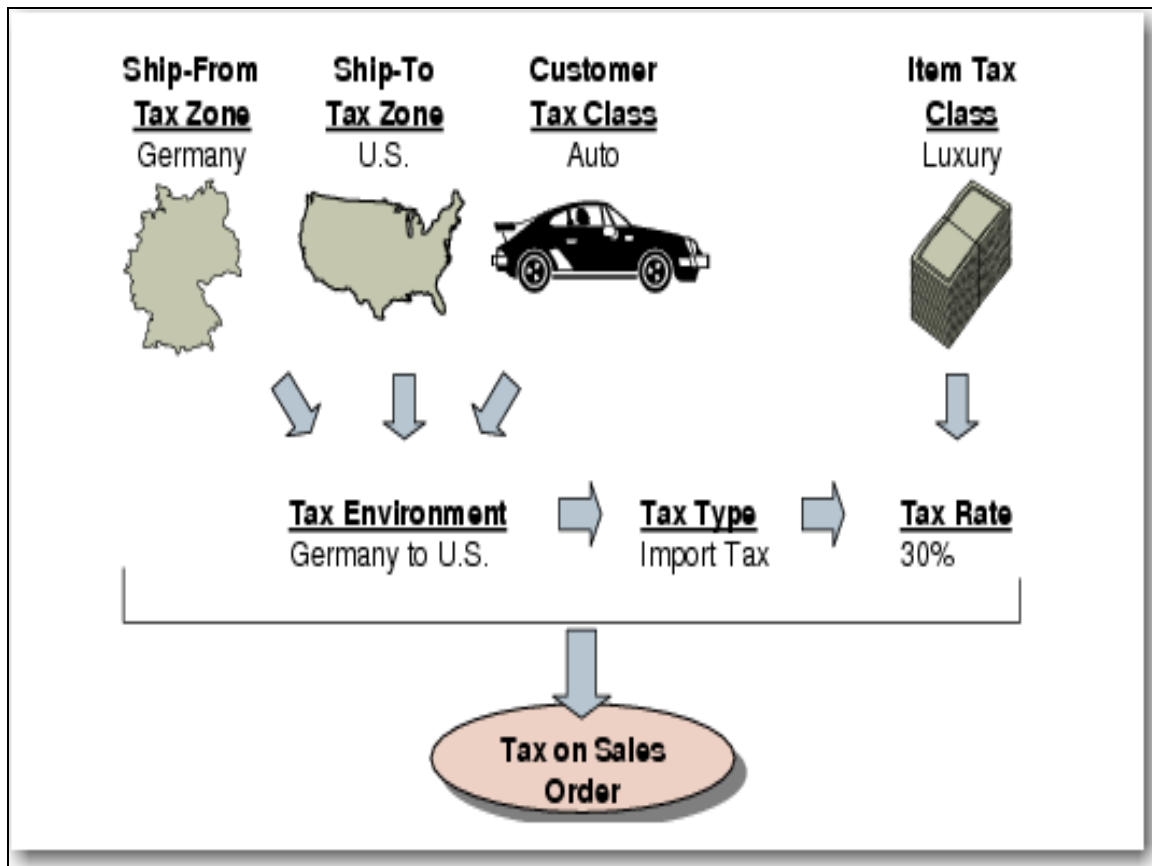


GTM-02-026

Every country in the world has a unique system for assessing taxes. However, most systems share common elements:

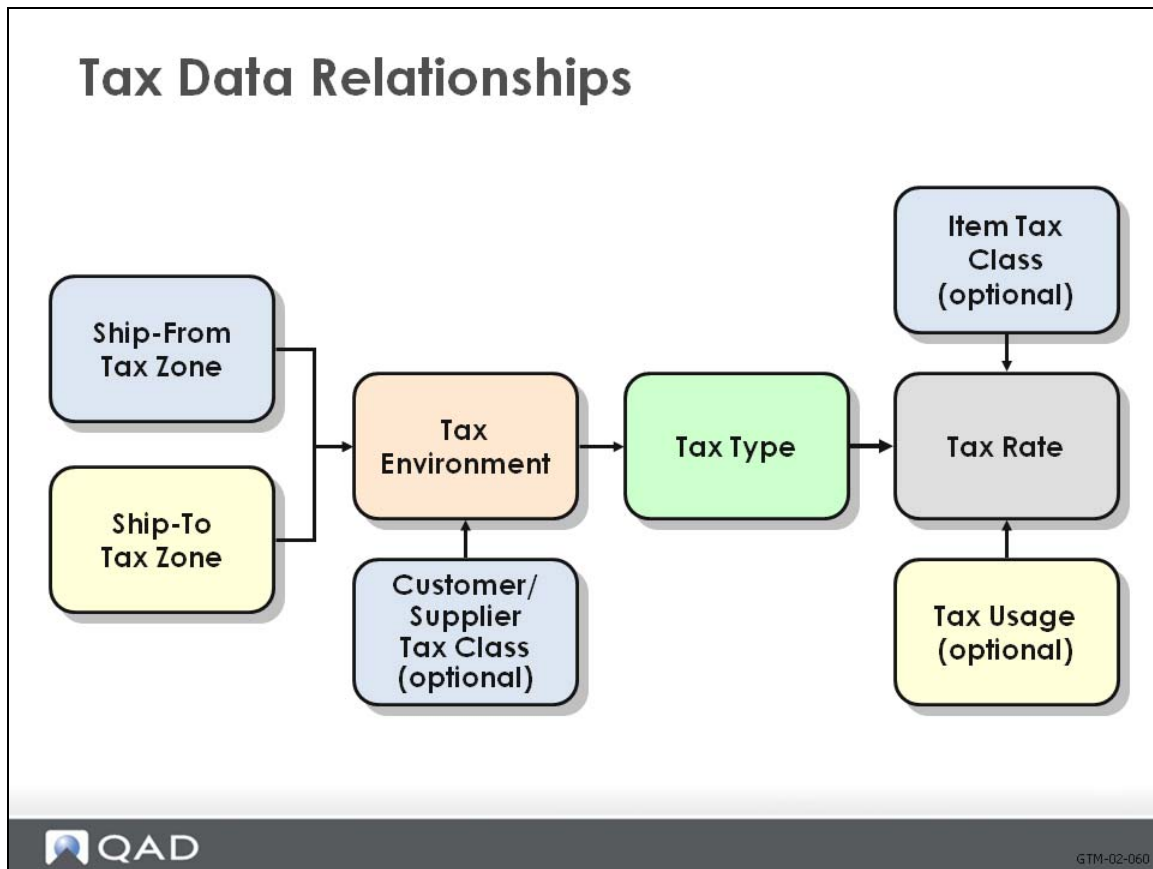
- Business transactions can be subject to many kinds of taxes—sales taxes, domestic import duties, inventory transfer taxes, royalty fees, and so on. In GTM, a tax that is peculiar to a region and individually calculated and reported is a **tax type**.
- Regions that assess tax include countries (or 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 type 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.
- A 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.

Example The image below illustrates how these factors interact.



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 Global Tax Management, Germany and the U.S. are tax zones. The automobile manufacturer is a customer tax class subject to the U.S. import tax. Luxury cars are an item tax class subject to a rate of 30% for the import tax. The sales order tax environment associates the import tax with the order, and GTM selects the tax rate based on the item tax class for luxury cars.

Tax Data Relationships



Above diagram displays how and in which order the system collects data to determine the tax rate for a specific transaction.

Tax elements need to be set up in the right order and then linked to each other. Other elements, like currency roundings, need to be set up as well. We will discuss each of these in more details in the following chapters.

Tip After setting up your tax data, enter a few transactions to verify the set up. If you notice that the system does not select the correct tax rate, go back to this diagram and think about what might have gone wrong along the way.

Chapter 3

Set Up Global Tax Management

Set Up Global Tax Management

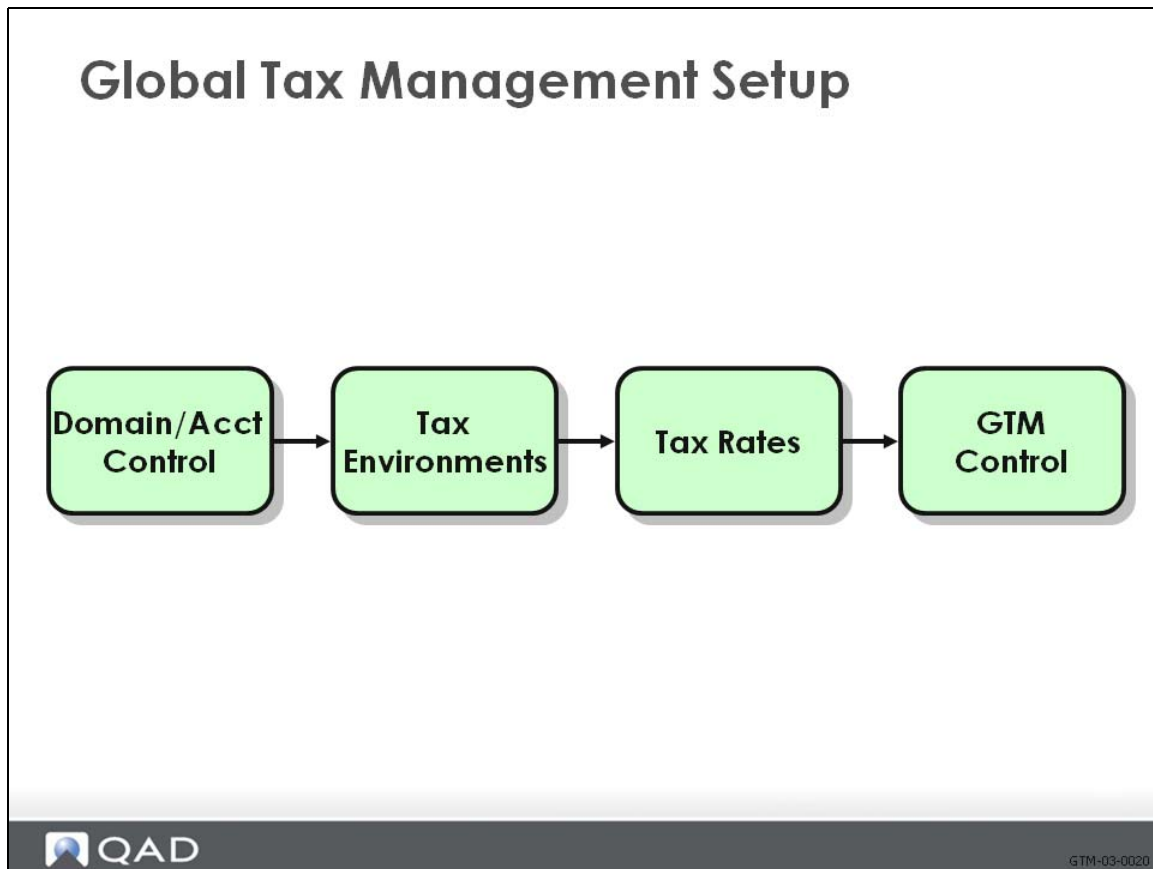
In this section you learn how to:

- **Perform a basic setup of GTM in QAD Enterprise Applications**
- Setup additional data in QAD Enterprise Applications
- Setup typical tax situations



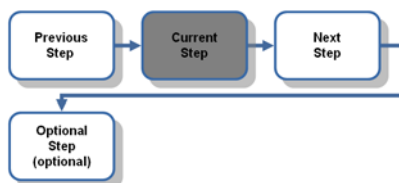
GTM-03-0010

Global Tax Management Setup



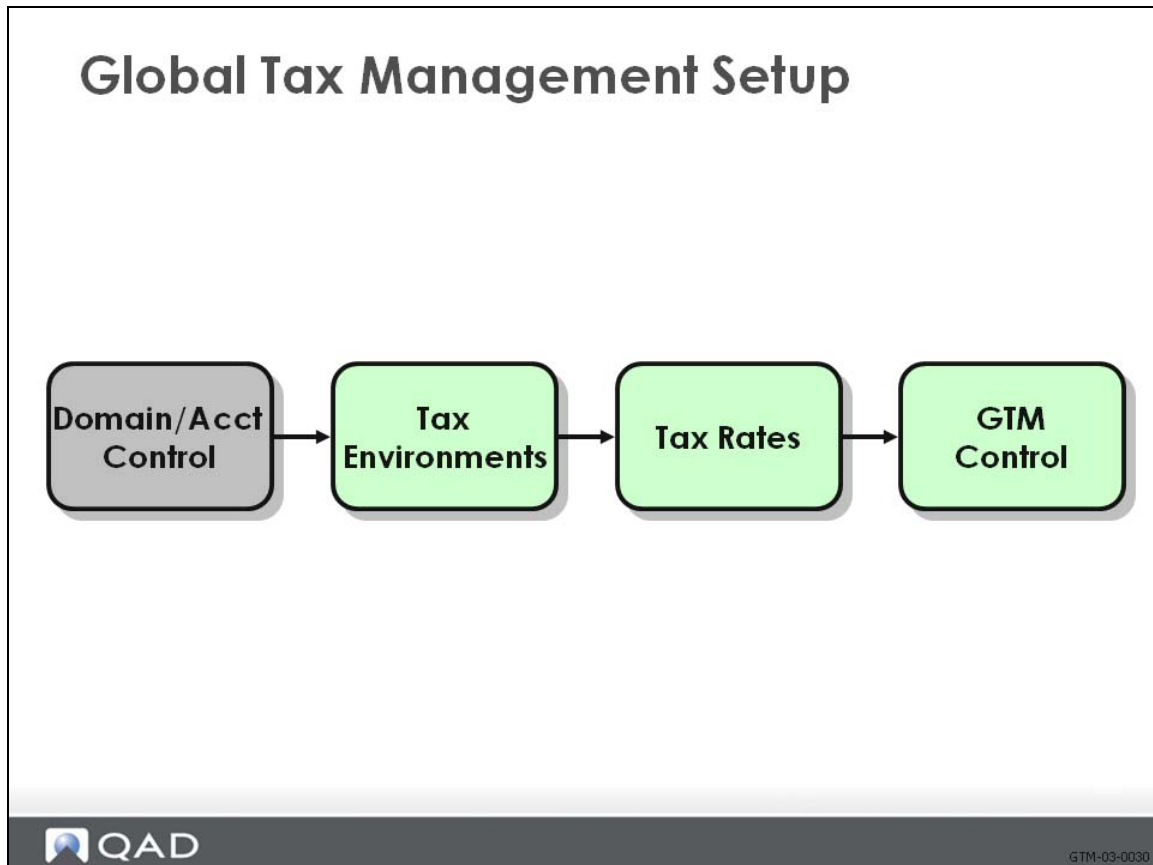
This illustration is a suggested setup sequence of master files for the Global Tax Management module which is based on information that flows from one master file to another and prerequisites that need to be accomplished before setting up a file.

Reading the training flow



- The current step will be grey
- Optional steps say “(optional)”

Domain/Account Control



The first step in the process is to set up appropriate accounts in the domain/account control.

Note A prerequisite for this step is to set up all accounts that you need for GTM. Refer to *User Guide: QAD Master Data* to see what accounts are required.

Domain/Account Control

36.1 – Domain/Account Control File

The screenshot displays two overlapping windows from the QAD software. The background window is titled 'Domain/Account Control' and shows the 'Accounts Payable' section. The foreground window is also titled 'Domain/Account Control' and shows the 'Sales Accounts' section. In the 'Accounts Payable' window, a red box highlights the 'AP Tax Account' field with the value 1400. In the 'Sales Accounts' window, a red box highlights the 'Sales Tax' field with the value 2400 and the 'Sales Tax Absorbed' field with the value 5950.

Accounts Payable	
Payables:	2100
AP Discount:	5200
AP Tax Account:	1400
AP Tax Retained:	2450
Expensed Item Receipts:	2250
Expensed Item Usage Var:	5110
Expensed Item Rate Var:	5120

Sales Accounts	
Receivables:	1200
Sales:	3000
Sales Discount:	3900
Sales Tax:	2400
Sales Tax Absorbed:	5950
Sales Terms:	3910
Sales Cash:	1040
Sales Returns:	3000
Sales Finance:	3800
COGS Material Acct:	5050
COGS Labor Acct:	6860
COGS Burden Acct:	6480
COGS Overhead Acct:	6495
COGS Subcontract Acct:	5070
Sales Freight Accrued:	2350
Sales Freight Applied:	4120
Terms Late Interest:	3810



GTM-03-0040

Use Domain/Account Control (36.1) to specify the default General Ledger accounts for Sales Tax (Payable), Sales Tax Absorbed, AP Tax (Recoverable) and AP Tax Retained.

The following special accounts, as well as sub-accounts, and cost centers, are used for general ledger reporting:

- Sales Tax (Payable)
 - Liability to person who charges it
 - Used by Invoice Post (7.13.4) and DR/CR Memo Maintenance (27.1)
 - Credited for sales tax payable
- Sales Tax Absorbed
 - Liability
 - Used by Invoice Post (7.13.4) and DR/CR Memo Maintenance (27.1)
 - Debited whenever your company pays (absorbs) tax instead of charging it to the customer
- AP Tax (Recoverable)
 - Asset
 - Used by Purchase Order Receipts (5.13.1), PO Shipper Receipt (5.13.20), and confirmed accounts payable vouchers (28.1), (28.6), (28.7)
 - Debited for recoverable amounts (contra account to Sales Tax Payable)
- AP Tax Retained

- Liability
- Used by Purchase Order Receipts (5.13.1), PO Shipper Receipt (5.13.20), and confirmed accounts payable vouchers (28.1), (28.6), (28.7)
- Credited when you remit tax on purchases directly to the government instead of to the supplier

Exercise: Control Data

Set up the control programs. You may use these exercises, or try information of your own. Consider your company and chart of accounts. What would be most applicable to your business?

Complete the exercises in the domain, United States.

- 1 Set up Domain/Account Control (36.1). Enter values only for the fields listed.

Field	Data
Verify GL Accounts:	Yes
Base Currency:	USD
Multiple Currency Accts:	1051

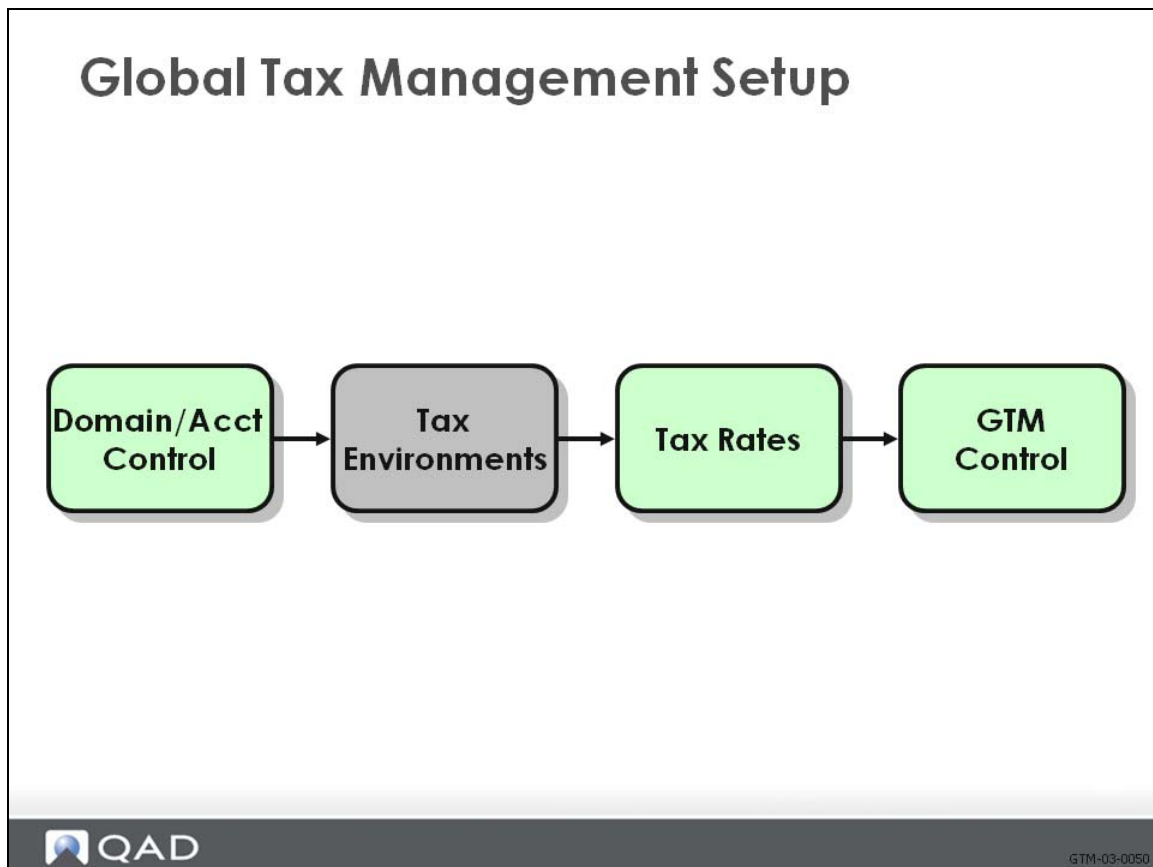
Note For purposes of this exercise only, enter account 1051 in all the account fields in the Multiple Currency Accounts frame.

Field	Data
Receivables	1200
Sales Tax	2400
Sales Tax Absorbed	5950
Sales Terms	3910
Payables	2100
AP Tax	1400
AP Tax Retained	2450
Purchases Expense	5100

- 2 Set up the following values in Global Tax Management Control (2.13.24).

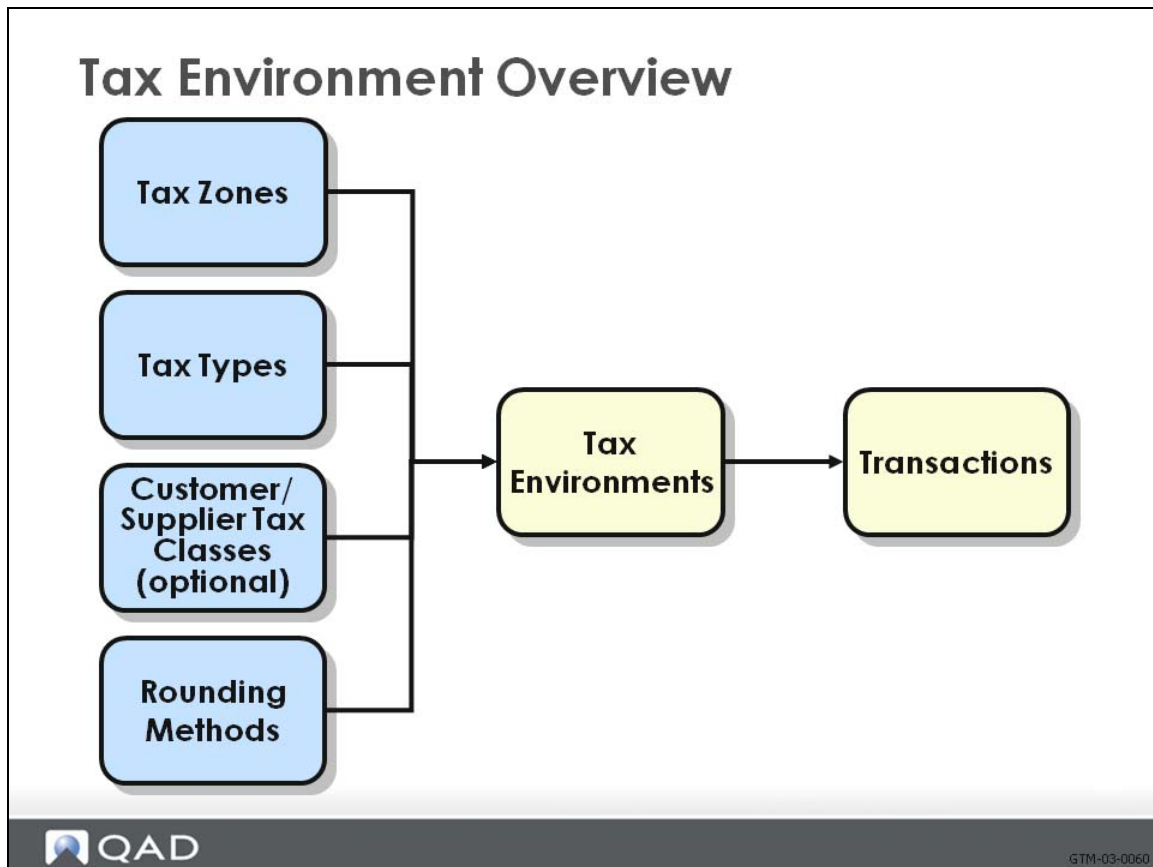
Field	Data
Rounding Method	2
Tax Method	01
Tax-by-Line	Yes
Accrue Tax at Receipt	Yes
Discount Tax at Invoice	No
Discount at Payment	No
Update Tax Allowed	No
Keep Tax History	Yes
Validate VAT Registration	No
Print VAT Registration	No
Print Tax Detail on Reports	Yes

Tax Environments



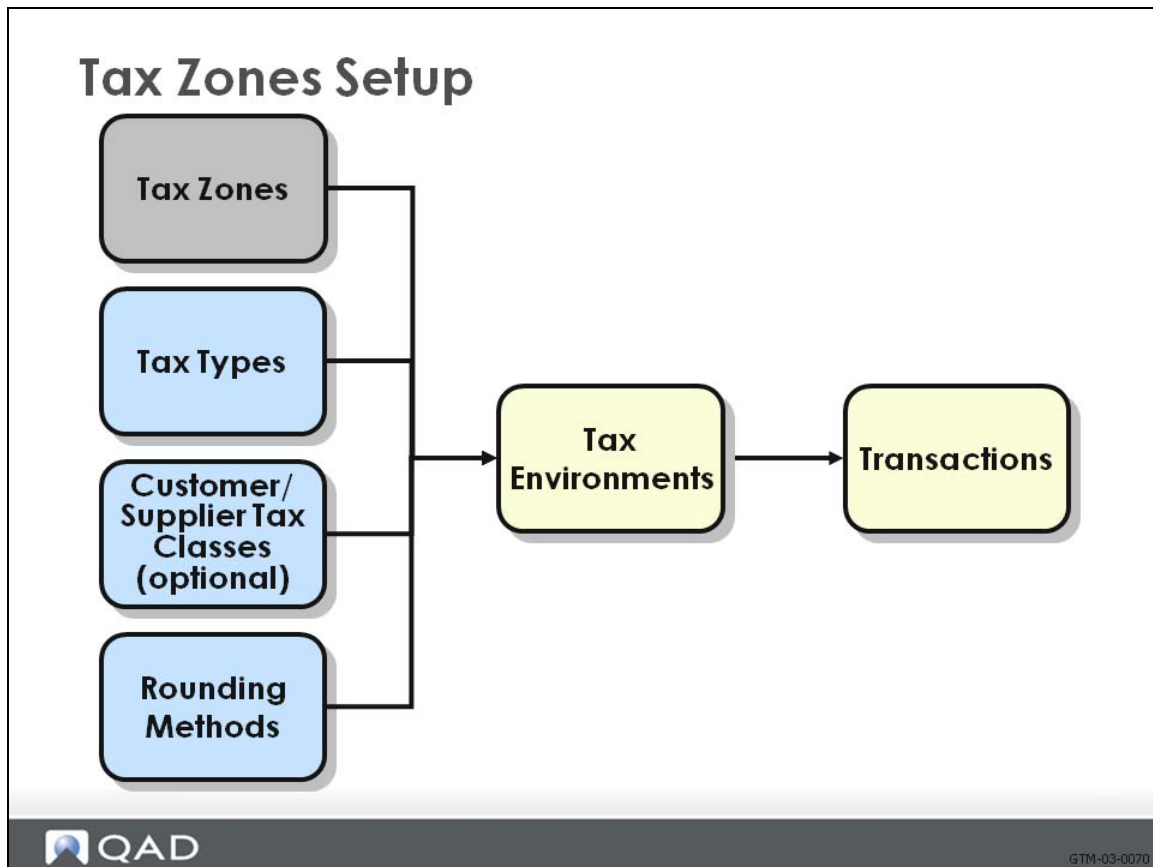
Now that GTM-related accounts are correct in the control program, the tax environment and all its elements will be defined and set up.

Tax Environments Overview



Before you set up tax environments, you need to set up tax zones, tax types, and, optionally, customer and supplier tax classes, and rounding methods. This section describes how to do this.

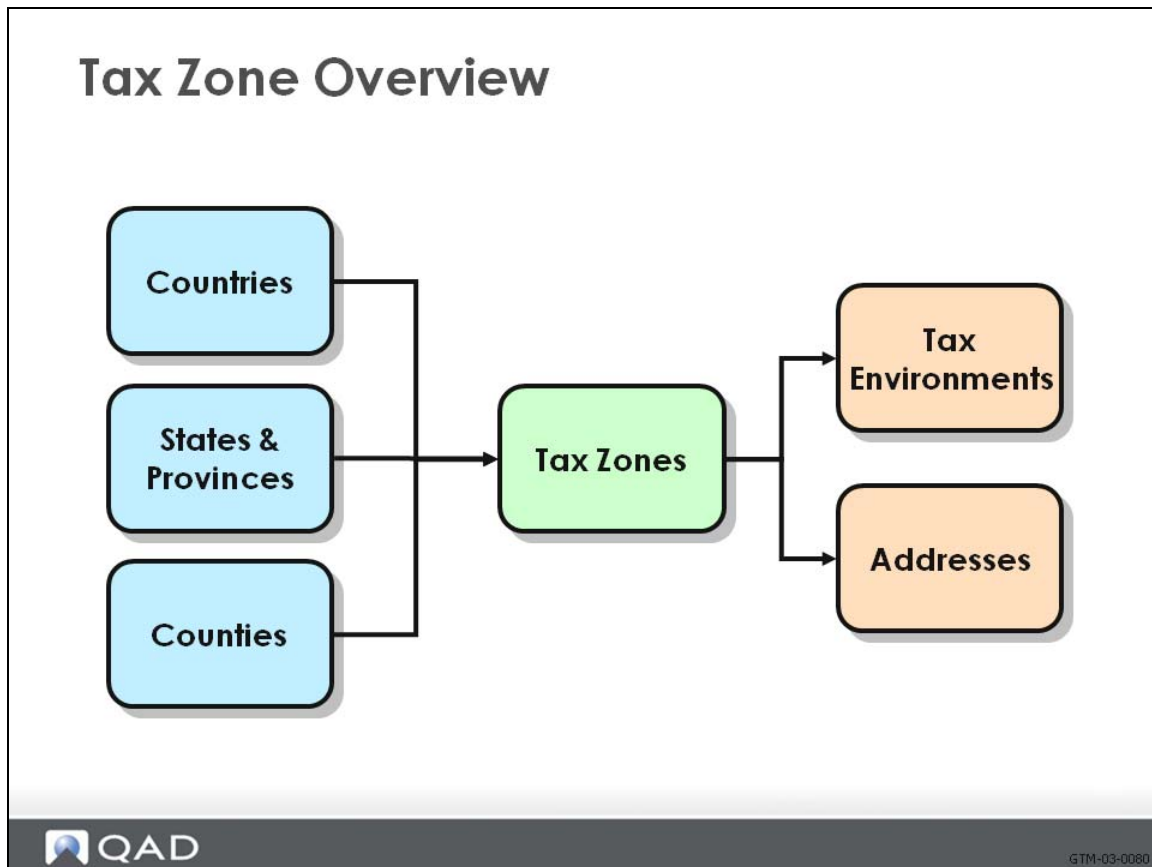
Tax Zones Setup



QAD Enterprise Applications determines a transaction's tax environment based on the ship-to and the ship-from tax zones that are linked to the sites used on a specific transaction.

The first step for creating tax environments is to set up tax zones

Tax Zone Overview



Taxes in transactions are based on geographic locations. These geographic locations are Tax Zones. Tax Zones are made up of geographical components—countries, states, provinces, and counties. These geographic codes are also used when you set up addresses for customers, suppliers, and company sites.

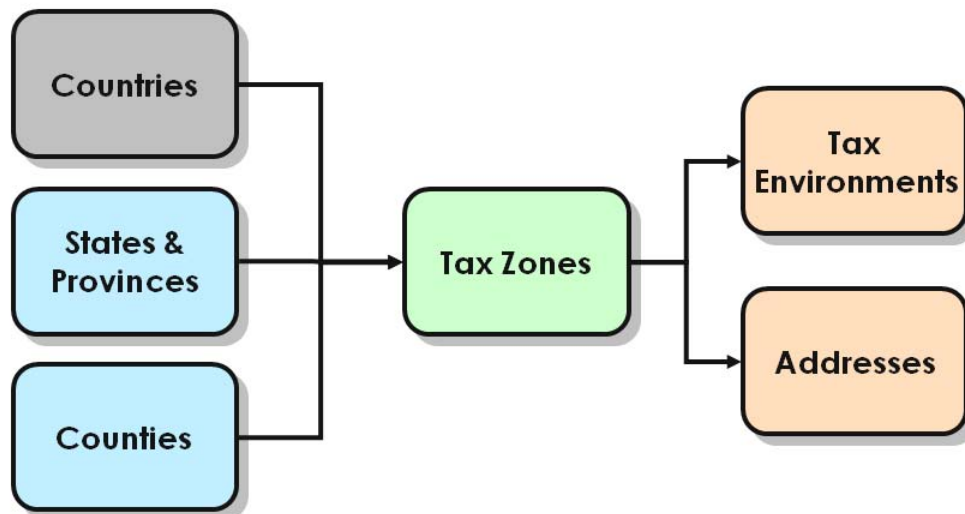
Before tax zones can be set up, you must first set up the components. Country codes are required. Codes for states, provinces, and counties are optional, but defining them can reduce data entry errors.

Tax zone codes are used when setting up tax environment records.

GTM validates all the geographical codes. When an address record is set up, GTM selects the tax zone for the address. If the address has the wrong geographical data, the system defaults to the tax zone defined in Global Tax Management Control. A default ERROR-Zone can be set up which will then display. To calculate taxes on transactions, the system selects the tax environment for the transaction's ship-from and ship-to tax zones and optionally, tax class.

Country Codes

2.13.3 – Tax Jurisdictions



GTM-03-0090

Country codes are a mandatory component of tax jurisdictions. These country codes should be consistent within tax jurisdictions, customers, suppliers and your company sites.

Country Code Maintenance

2.13.3.1 – Country Code Maintenance



GTM-03-0100

Country codes are set up in Country Code Maintenance (2.13.3.1). The codes are alphanumeric. Using significant letter codes, as in the illustration, can make data entry easier. However, circumstances may require that numeric codes be used.

A default country code can be specified in Global Tax Management Control (2.13.24). When setting up tax zones, the default country code appears automatically in Tax Zone Maintenance (2.13.3.13). It can be overridden for tax zones in other country.

Field Definitions

The following describes the key fields in Country Code Maintenance (2.13.3.1).

Country Code. Up to a three-character code that identifies countries specified on tax zones and address records.

Name. The name of the country. Since this name displays on printed addresses, enter the complete name of the country, rather than an abbreviation.

The same country name should not be specified for two country codes.

Alternate Code. Optional. An alternate code for a subgroup of countries. It can also be used to provide an alternate sort order on reports.

EC Country. Identifies those countries that are members of the European Union (EU). This field is not used for GTM. It is used to determine whether an inventory transaction relates to an intra-EU inventory movement that should be included in Intrastat reporting.

NAFTA Country. This field is for reference only. It is used to identify member countries of the North American Free Trade Agreement.

This field cannot be edited.

DEA Country. This field is for reference only. It is used to identify countries under the jurisdiction of the United States Drug Enforcement Administration.

This field cannot be edited.

GATT Country. This field is for reference only. It is used to identify countries as members of the General Agreement on Tariffs and Trade.

This field cannot be edited.

Country Group. This field is for reference only. It can be used to categorize countries. For example, use letter codes such as those assigned by current Export Administration Regulations.

This field cannot be edited.

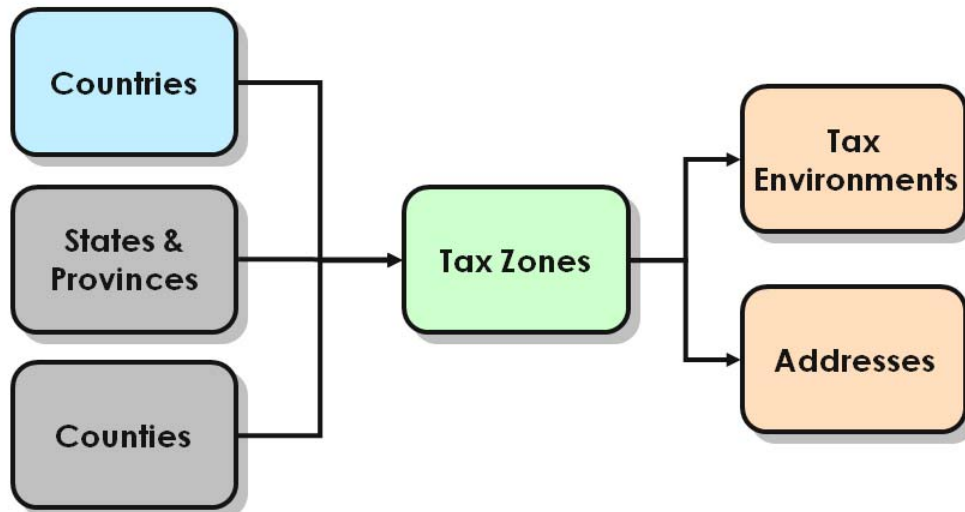
Country Type. This field is for reference only. It can also be used to categorize countries.

This field cannot be edited.

Comments. Can be used for recording special requirements, restrictions, or other GTM specifications. To display a screen for comments, enter Yes.

States, Provinces, and Counties

2.13.3 – Tax Jurisdictions



GTM-03-0110

State, province, and county codes are used in both tax zone and address records. They are not required. Remember to keep your set up as simple as possible, and as complex as needed. Only define them if your company has a need to report in these areas.

Generalized Code Maintenance

36.2.13 – Generalized Code Maintenance



The screenshot shows a software window titled "Generalized Codes Maintenance". It has a menu bar with "Go To", "Actions", "Copy", "Print", and "Preview". Below the menu bar, there is a text field labeled "Field Name:" containing the text "ad_state". Below this, there is a text field labeled "Value:" containing the text "AMA". At the bottom, there is a text field labeled "Comments:" containing the text "Amazonas, Brazil".

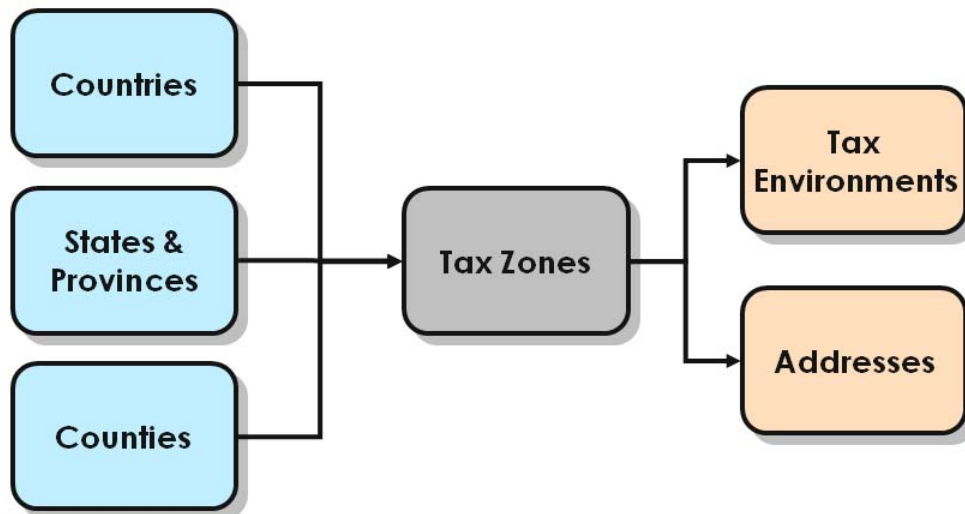


GTM-03-0120

State, province and county codes are used to determine the correct tax zone. If these codes are not consistent, the system may not find the correct tax zone, resulting in erroneous or no tax calculation. For this reason, set up valid state, province, or county code values for fields `ad_state` (State) and `ad_county` (County) in Generalized Code Maintenance (36.2.13). Once validation is set up, these fields cannot be left blank. It will also ensure consistency in data entry.

Tax Zones

2.13.3 – Tax Jurisdictions



GTM-03-0130

Once country, state, province and county codes have been set up, tax zones can be defined. Tax zones are records that identify the regional components of a customer, supplier, or company site address. A tax zone can be a country and a state/province, a country and a state/province and a city, or another geographic combination.

The number of tax zones you set up depends on how your country assess taxes. Set up only the tax zones you require. For example, if your country does not have county taxes, do not set up tax zones by county.

Tax Zone Maintenance

2.13.3.13 – Tax Zone Maintenance



GTM-03-0140

Use Tax Zone Maintenance (2.13.3.13) to set up tax zones.

- Some guidelines to follow when setting up tax zones are:
- Set up tax zones for all your customers, suppliers, and company site addresses
- Set up tax zones for all geographic regions that are subject to separate taxes
- Only set up the zones you need

To highlight error conditions, create an ERROR tax zone code. Use it as the default tax zone in Global Tax Management Control (2.13.24). Whenever GTM can't find a tax zone for an address record, the ERROR code will alert you to investigate the situation.

Field Definitions

The following describes the key fields in Tax Zone Maintenance.

Tax Zone. This is a 16-character code that identifies a unique geographic region for tax types. Set up tax zones for every level at which separate tax calculations and reports are required, starting at the top level and working down. That means, set up countries before states/provinces, states/provinces before counties, and so on.

Description. A description of the tax zone. The description prints on most reports and browses, as space permits. You are not prevented from entering the same description for multiple tax zones.

Country Code. This is a code that identifies the country that assesses the tax. Country codes are defined in Country Code Maintenance (2.13.3.1). A default value can be entered in Global Tax Management Country (2.13.24).

State. This is the code for the state or province included in the tax zone. Codes for the state or province are defined in Generalized Code Maintenance (36.2.13), for the field *ad_state*.

County. This is the code for the county included in the tax zone. Codes for the county are defined in Generalized Code Maintenance (36.2.13), for the field *ad_county*.

City. The name of the city included in the tax zone.

Post. If necessary, enter a postal code included in the tax zone. If taxes never vary by postal code, do not set up tax zones by postal code. It is a good idea to keep taxes as simple as possible.

Subtotal this Level. If Yes, tax reports can show subtotals for this tax zone.

If No, tax reports show tax amounts by parent tax zone (sums into, if applicable).

Reporting Zone. Enter Yes or No to identify whether the tax zone directly assesses tax.

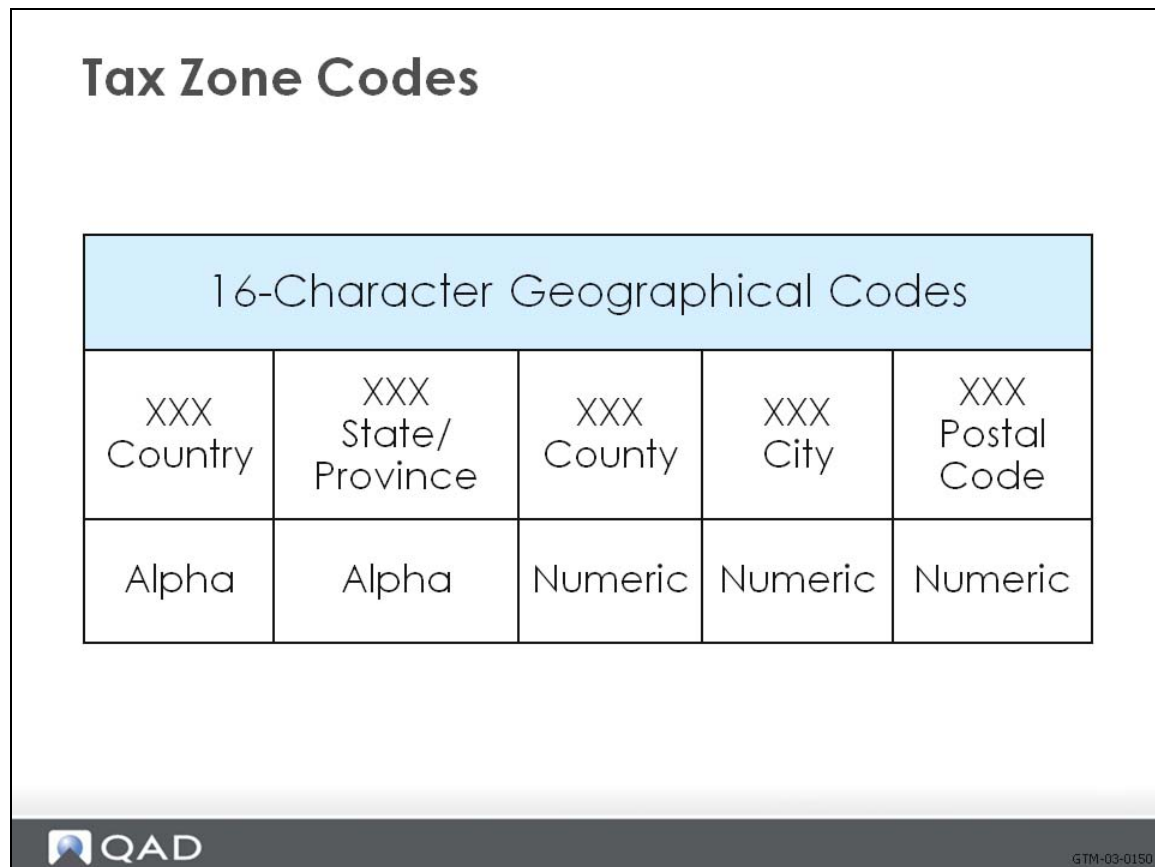
If Yes, the Subtotal this Level must also be yes.

Sum-Into Tax Zone. This code identifies the parent tax zone that actually assesses tax for the geographic region defined above.

Note In addition to the geographic tax zone codes, set up an error code and specify it in Global Tax Management Control (2.13.24). When an address record is entered or updated, GTM attempts to match the address to a tax zone for the country, state/province, county and city. If it cannot find a tax zone for the country, it assigns an error zone.

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

Tax Zone Codes



This diagram is a suggested coding convention to use for tax zone codes. Tax zone codes can have up to 16 characters. Most of the time, all of them will be needed. The exact breakdown will vary for your situation.

You can often use significant abbreviations for countries, states, and provinces. However, there are usually so many cities, counties, and postal zones that you will have to use numbers for these.

Tax Zone Hierarchies

Tax Zone Maintenance

Go To Actions Copy Print Preview

Tax Zone: BRA
Description: Brazil

Country Code: BRA Brazil

State: AMA
County: Amazonas
City: Amazonas
Postal Code:

Subtotal This Level: ☒
Reporting Zone: ☒

Sums-Into Tax Zone

Sums-Into Tax Zone:

Description:
Country Code:
State:
County:
City:
Postal Code:

QAD GTM-03-0160

It is sometimes necessary for transaction tax amounts for one zone to be included in the tax reporting for another zone. For example, tax amounts for a county may be included in state/province reporting, or tax amounts for a suburb may be included in city reporting. In GTM, you can set up reporting relationships called tax zone hierarchies.

There are two kinds of tax zone hierarchies:

- Parent-component - tax amounts for a lower-level zone are reported both at that level and at a higher-level zone
- Phantom - one zone is an alias for another zone at the same level and reporting is done only for the alias

Three fields govern tax hierarchies:

- Sums-Into Tax Zone - When a second zone is included in the reporting for another zone
- Subtotal This Level - Will show a total for this zone if set to Yes
- Reporting Zone - Determines whether the tax zone directly assesses tax
 - For a zone to appear on a report, both Subtotal This Level and Reporting Zone must be Yes
 - To print a subtotal for a non-reporting zone under its reporting zone, set Subtotal This Level to Yes

Field Definitions

The following describes the key fields in the Sums-Into Tax Zone frame.

Sums-Into Tax Zone. Specify another tax zone that actually assesses tax for the geographic region defined in the previous frame. This information can be used by custom reports.

One tax zone is frequently related to others because transactions are taxable at multiple levels. You can set up tax zone hierarchies in which:

- Lower-level zones are assigned to a higher level. For example, a state tax applies to all cities in the state.
- Tax zones are assigned to another zone at the same level. For example, a city tax applies to all suburbs of the city, and the city tax report includes tax amounts for all suburbs in the city.

Sums-Into Tax Zone, Subtotal This Level, and Reporting Zone determine how tax zones are reported on custom tax reports. Currently, none of the standard reports show tax amounts based on these fields.

Subtotal This Level. Indicate whether tax reports should show subtotals for this tax zone. This value can be used by custom reports.

One tax zone is frequently related to others because transactions are taxable at multiple levels. You can set up tax zone hierarchies in which:

- Lower-level zones are assigned to a higher level. For example, a state tax applies to all cities in the state.
- Tax zones are assigned to another zone at the same level. For example, a city tax applies to all suburbs of the city, and the city tax report includes tax amounts for all suburbs in the city.

Sums-Into Tax Zone, Subtotal This Level, and Reporting Zone determine how tax zones are reported on custom tax reports. Currently, none of the standard reports show tax amounts based on these fields.

Reporting Zone. Determines whether the tax zone directly assesses tax.

Can be used by custom reports.

One tax zone is frequently related to others because transactions are taxable at multiple levels. You can set up tax zone hierarchies in which:

- Lower-level zones are assigned to a higher level. (A state tax applies to all cities in the state.)
- Tax zones are assigned to another zone at the same level. (A city tax applies to all suburbs of the city, and the city tax report includes tax amounts for all suburbs in the city.)

Sums-Into Tax Zone, Subtotal This Level, and Reporting Zone determine how tax zones are reported on custom tax reports. Currently, no standard reports that show tax amounts by tax zone are available.

On transactions, the system uses the tax zones for the ship-from and ship-to addresses to identify the tax environment. Whenever the address does not directly correspond to a tax zone (e.g., because it is a suburb of a large city), Sums-Into Tax Zone establishes a relationship between the transaction tax zone and the tax zone for tax reporting. Whenever one tax zone is included in reporting for another, specify the latter zone as the Sums-Into.

For a zone to appear on a report, both Subtotal This Level and Reporting Zone must be Yes. To print a subtotal for a non-reporting zone under its reporting zone, set Subtotal This Level to Yes.

Sample hierarchy for federal, state, and county tax:

- Federal: Tax zone for country Subtotal This Level = Yes, Reporting Zone = Yes
- State: Tax zone for country/state Subtotal This Level = Yes, Reporting Zone = Yes, Sums-Into Tax Zone = Country
- County: Tax zone for country/state/county Subtotal This Level = Yes, Reporting Zone = Yes, Sums-Into Tax Zone = State

Review the Tax Hierarchy Inquiry and Tax Zone Report to verify that you set up your tax zone hierarchies correctly.

See Also: Tax Zone Maintenance [txtxgmt.p]

Parent-Component Hierarchy

Parent-Component Hierarchy

```
graph TD; CAN --> CAN_QUE; CAN --> CAN_ALB; CAN --> CAN_ONT;
```

Tax Zone	Subtotal This Level	Reporting Zone
Canada	Yes	Yes
Quebec	Yes	Yes
Alberta	Yes	Yes
Ontario	Yes	Yes

GTM-03-0170

In this example of parent-component hierarchy, the Canadian provinces of Quebec, Alberta, and Ontario have both federal and provincial taxes. The component zones QUE, ALB, and ONT sum into CANADA. Since all four zones are reporting zones in their own right, both Subtotal This Level and Reporting Zone fields are set to Yes for all zones.

Phantom Hierarchies

Phantom Hierarchy

```

graph BT
    Reseda["Reseda (Suburb)"] --> LACity["LA-City"]
    LACity --> LACounty["LA-County"]
    LACity --> SC["SC"]
    LACounty --> CA["CA"]
  
```

Tax Zone	Subtotal This Level	Reporting Zone
Canada	Yes	Yes
LA-County	Yes	Yes
LA-City	Yes	Yes
Santa Clarita	Yes	Yes
Reseda	No	No

GTM-03-0180

Let's review two examples to show two ways to set up phantom hierarchies: the cities of Santa Clarita and Reseda in California.

In the first example, filing special tax reports for the city of Santa Clarita is not required because it doesn't have a city tax. But Santa Clarita is subject to Los Angeles county tax. On the tax reports for Los Angeles county, you may need to include Santa Clarita in the report but not see a subtotal. For the Santa Clarita tax zone, you would set Sums-Into Tax Zone to Los Angeles county, Subtotal This Level to No, and Reporting Zone to Yes.

In the second example, Reseda is a suburb of Los Angeles city and is subject to Los Angeles city tax. On the tax reports for Los Angeles city, you don't need to see a subtotal for Reseda. However, you want to ensure that GTM taxes Reseda just like Los Angeles. For the Reseda tax zone, you would set Sums-Into Tax Zone to Los Angeles city, Subtotal This Level to No, and Reporting Zone to No.

Tax Zone Reports and Inquiries

Review the Tax Zone Browse (2.13.3.14) or Report (2.13.3.15) to verify data input.

Use the Tax Hierarchy Inquiry (2.13.3.17) or Report (2.13.3.18) to review tax hierarchies. You can select Display Reporting Zones Only on both. You can also select Parent (top-level) Zones Only on the report.

Exercise: Tax Zones

Set up a country, states, and tax zones. Use the following examples, or create some of your own. Keep in mind that country and state codes must be consistent in order for taxes to be accurate. Remember to only set up the tax zones you will need. Taxes are easier to maintain if they are set up as simple as possible.

Complete the exercise in the domain, United States.

Set up a Country Code

- 1 In Country Code Maintenance (2.14.1), verify if a country code exists for Brazil. If not, create the code as follows:

Field	Data
Country Code:	BRA
Name:	Brazil

Set up State/Province/County

- 2 In Generalized Code Maintenance (36.2.13), set up codes for the Brazilian states of Rio de Janeiro and Amazonas.

Field	Data
<u>State 1</u>	
Field Name	ad_state
Value:	RDJ
Comments:	Rio de Janeiro, Brazil

<u>State 2</u>	
Field Name	ad_state
Value:	AMA
Comments:	Amazonas, Brazil

Note A code must be created in Generalized Code Maintenance (36.3.13) to enable you to leave the State field blank:

Field	Data
<u>State 3</u>	
Field Name	ad_state
Value:	<blank>

Set up Tax Zones

- 3 In Tax Zone Maintenance (2.13.3.13), set up codes for Brazil, the state of Amazonas, and the city of Manaus, Amazonas.

Field	Data
<u>Tax Zone 1</u>	
Tax Zone:	BRA

Field	Data
Description:	Brazil
Country Code:	BRA

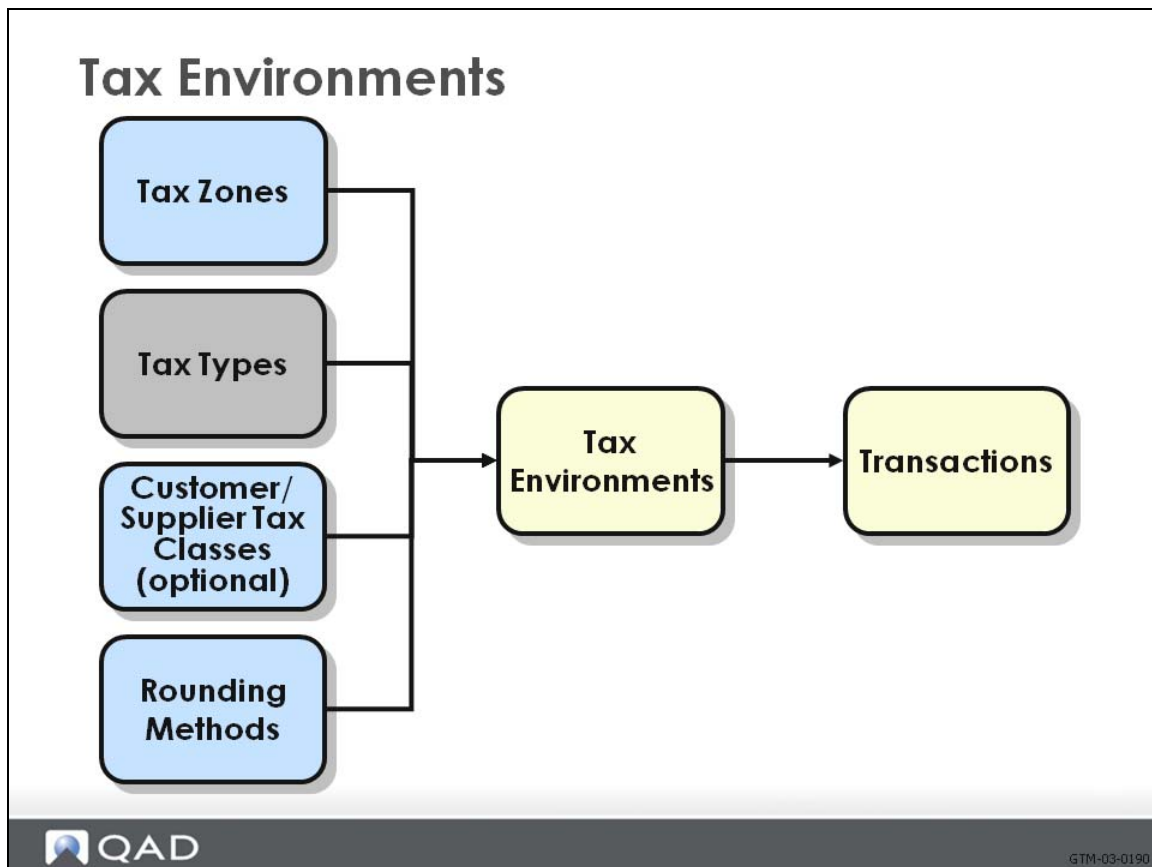
Tax Zone 2

Tax Zone:	BRA-AMA
Description:	Amazonas, Brazil
Country Code:	BRA
State:	AMA
Sums-Into Tax Zone:	BRA

Tax Zone 3

Tax Zone:	BRA-AMA001
Description:	Manaus, Amazonas
Country Code:	BRA
State:	AMA
City:	Manuas
Sums-Into Tax Zone:	BRA-AMA

Tax Types



Tax types are individually calculated and reported taxes, such as value-added taxes or state sales taxes. The tax types that affect a particular transaction are determined by the transaction's tax environment.

Set up a tax type for each tax you report separately. One tax type can have multiple tax rates by creating a separate tax rate record for each type. In the case of multiple tax rates, each separate tax rate record would differ slightly from the others by Item Class, Usage, or effective date. The number of types you define is dependent in how many jurisdictions you must report.

Tax Type Code Examples

Tax Types

Tax Type	Description
BRZ-ICMS	Brazilian ICMS Tax
CA-SLS	California Sales Tax
NON-TAX	Non-Taxable
CAN-ONT-PST	PST – Ontario, Canada

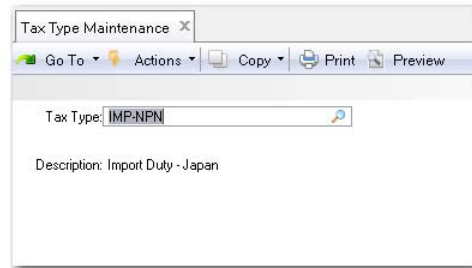


GTM-03-0200

To make it meaningful, it is recommended that the type code identify the tax zone with which the type is associated. A coding structure that has significance to your company is suggested.

Tax Type Maintenance

2.13.1.1 – Tax Type Maintenance



The screenshot shows a window titled "Tax Type Maintenance" with a standard toolbar containing "Go To", "Actions", "Copy", "Print", and "Preview". Below the toolbar, there is a text field labeled "Tax Type:" containing the value "IMP:NPN" and a search icon. Underneath this field, the text "Description: Import Duty - Japan" is displayed.

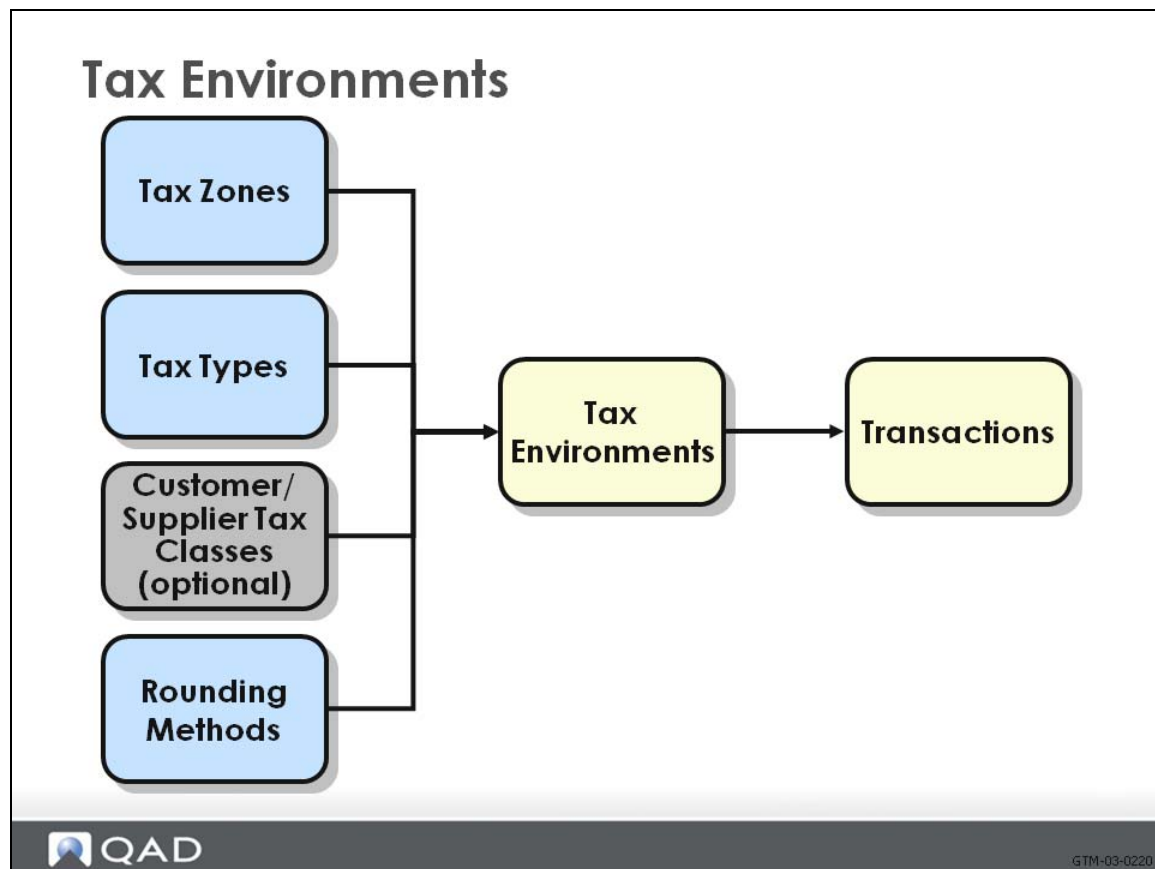


GTM-03-0210

Set up tax types in Tax Type Maintenance (2.13.1.1). A separate tax type is required for each tax or tax exemption you report separately. The tax detail reports print in alphanumeric order by tax type code. Consider this when assigning codes for tax types.

To verify your set up, use Tax Type Browse (2.13.1.2) and Tax Type Report (2.13.1.3)

Customer and Supplier Tax Classes



Tax classes for customers and suppliers are set up whenever tax types vary by customer or supplier. If tax rates vary but tax types are the same for all customers and suppliers, don't set up tax classes.

Note Remember: Keeping it simple is the best tax setup.

The system uses the customer/supplier tax class on transactions to select the transaction tax environment. You can assign a default tax class in the customer or supplier record.

Customer and Supplier Tax Class Example

Customer and Supplier Tax Classes

Tax Class	Description
GVT	Government
HOS	Hospital
NPC	Non-Profit Charities
RSE	Tax-Exempt Resellers
RSN	Taxable Resellers



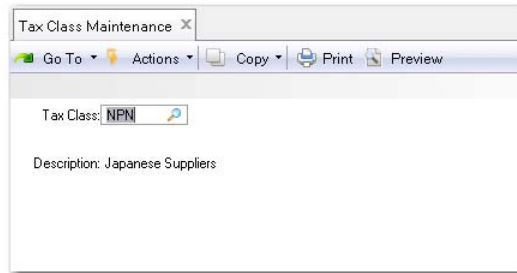
GTM-03-0230

Customer and supplier tax classes have three-character codes.

Note Customer and supplier tax classes are in the same database file as item tax classes. To reduce confusion, it is a good idea to develop a different naming convention for each kind of tax class. For example, use letters for customer/supplier tax classes and numbers for item tax classes.

Tax Class Maintenance

2.13.1.5 – Tax Class Maintenance



GTM-03-0240

Set up tax class codes in Tax Class Maintenance (2.13.1.5).

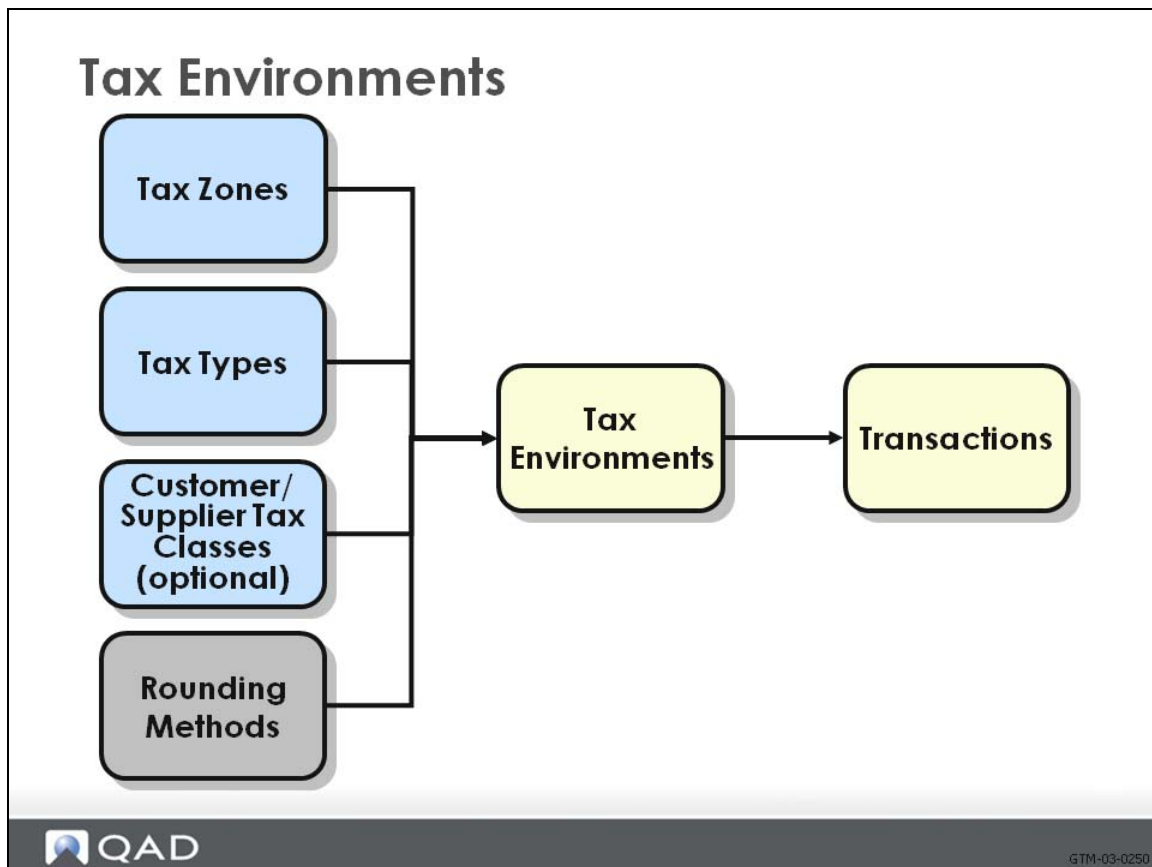
Field Definitions

The following describes the key fields in Tax Class Maintenance.

Tax Class. The 3-character code 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.

Description. This is the description for the tax class. It prints on most reports and browses, as space permits.

Rounding Methods



Taxes can be rounded on tax reports to the nearest currency unit—the nearest tenth, hundredth, and so on. When setting up the tax environments, you specify the rounding method for each tax type. A default rounding method can be specified in Global Tax Management Control (2.13.24). This will help simplify tax environment setup.

Rounding Method Maintenance

2.13.1.17 – Rounding Method Maintenance



GTM-03-0260

Use Rounding Method Maintenance (2.13.1.17) to set up rounding methods. The next slide shows the three standard rounding methods available in QAD Enterprise Applications. New methods can be created as needed.

Field Definitions

The following describes the key fields in Rounding Method Maintenance.

Rounding Method. A 1-character numeric code that identifies a method for rounding calculated amounts.

Description. A description of the rounding method. This description prints on most reports and browses, as space permits.

Rounding Unit. The level of rounding precision. The rounding unit must be an integer or a decimal that is a power of 10 multiplied by the 1 or 5.

Rounding Threshold. The point at which transaction tax amounts are rounded up or down. Amounts less than the threshold are rounded down. Amounts higher than or equal to the threshold are rounded up.

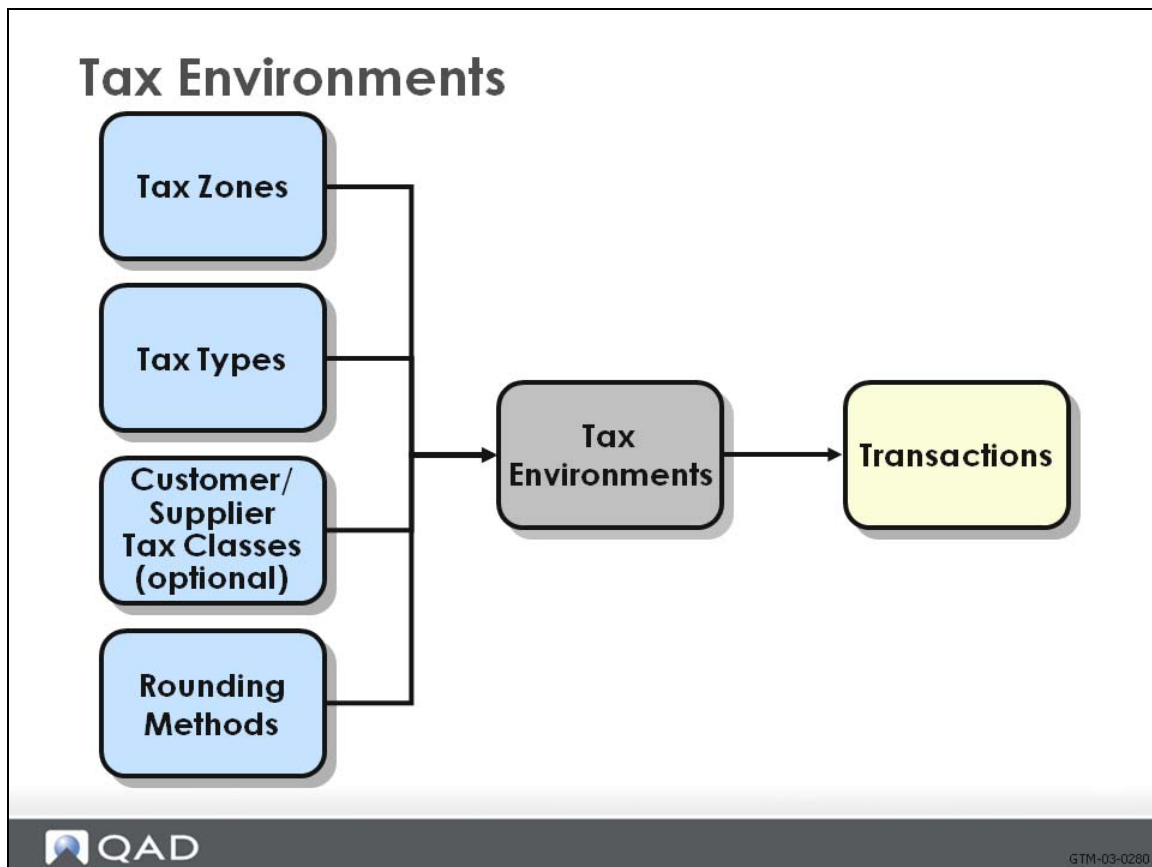
Decimal Point. Specify whether the decimal point is a period (.) or a comma (,).

You can change the rounding threshold for the standard methods, if necessary. However, you cannot change the rounding unit. Define a new method only if you require a different rounding unit.

Rounding Method**Rounding Method**

Method	Description	Rounding Unit	Rounding Threshold
0	Round to ones	1.00	0.5
1	Round to tenths	0.10	0.05
2	Round to hundredths	0.01	0.005

Tax Environments



GTM selects tax types for an order based on the order's ship-from and ship-to tax zones, and the customer/supplier tax class, if any. The set of tax types that applies to an order is called the tax environment.

Tax environments are one-directional. If you ship from A to B, different tax types can apply than if you ship from B to A. So A-to-B and B-to-A should be set up as separate tax environments.

When setting up tax environments, be aware that:

- The same tax types can apply to multiple environments
- One environment can apply to multiple tax zone combinations
- One environment can apply to multiple tax class combinations
- The same ship-from/ship-to zones can require separate environments based on the direction of shipments
- The same ship-from/ship-to zones can require separate environments if some customers and suppliers are subject to different taxes or are tax-exempt

Minimizing the Number of Environments

Note It is easier to maintain environments, if you keep the setup as simple as possible.

- Set up environments by tax class only when tax types vary for groups of customers and suppliers
- If types are the same but tax rates vary, set up one tax environment and leave tax class blank

Tax Environment Maintenance

2.13.5.1 – Tax Environment Maintenance

Ship-From Zone	Ship-To TaxZone	TxC	Description
JPN	USA	NPN	



GTM-03-0290

Now that all prerequisites have been set up, you will be able to set up your tax environments. Use Tax Environment Maintenance (2.13.5.1) to define groups of ship-from and ship-to tax zones and the tax types that apply to shipments between these zones. For each tax type, you can also specify the rounding method and the sequence in which the taxes are calculated on transactions.

Field Definitions

The following describes the key fields in Tax Environment Maintenance.

Tax Environment. A 16-character code 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. The description of the tax environment. The description prints on most reports and browses, as space permits.

Note Unique descriptions make selecting environments easier, but the system does not prevent you from entering the same description for multiple tax environments.

Ship-From Zone. Specify the tax zone from which goods are shipped. If all shipments to the environment's ship-to zone are taxable regardless of origin, leave the ship-from zone blank.

Ship-to Zone. Specify the tax zone to which goods are shipped. If all shipments from the environment's ship-from zone are taxable regardless of destination, leave the ship-to zone blank.

TxC . Tax Class. Tax classes for customers/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. A description of the combination of ship-from, ship-to, and tax class.

Tax Environment Examples

Tax Environment Examples

Environment	Ship-from Tax Zone	Ship-To Tax Zone	Tax Class	Tax Type	Description	Seq	Rdg Meth
CA001001/005005	Los Angeles	Ventura		CA Sales Tax	California, LA City to Ventura City	1	2
				VEN Cnty Tax		2	2
				VEN City Tax		3	3
USA/FRA	USA	France		Non-Tax	Non-Taxable	1	2

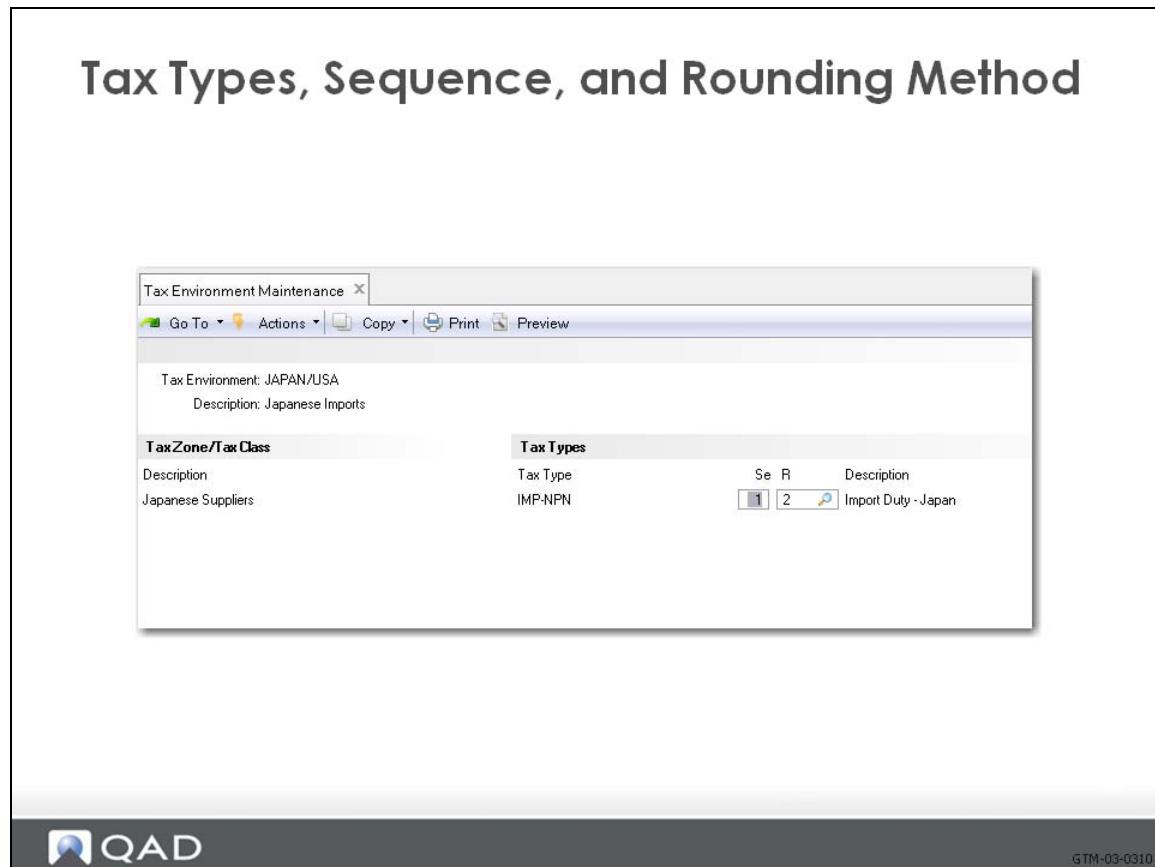


GTM-03-0300

These are two examples of tax environments. In the Environment CA001001/005005, shipments from the city of Los Angeles, California, USA, to the city of Ventura, California, USA, are supported. The applicable tax types are California sales tax, Ventura county tax, and Ventura city tax. This example shows that tax types often vary within a state or province.

In the second example, the environment USA/FRA supports shipments from the USA to France. There are no applicable taxes, so the tax type is “Non-Taxable”.

Tax Types, Sequence, and Rounding Methods



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.

If all taxes are calculated independently of each other, set the sequence number for all tax types 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, and is included in the tax amount for PST.

Field Definitions

The following describes the key fields in the Tax Types frame.

Tax Type. 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.

Sq . Sequence. 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. Tax-on-Tax is discussed later in this course.

R . Rounding Method. Determines how tax amounts for the tax type are truncated. The rounding method defaults from Global Tax Management Control (2.13.24). You can override it if the tax type requires a different method.

Description. The tax type description.

It is a good idea to set up an error code and specify it in Global Tax Management Control (2.13.24). When a transaction is entered, 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 default environment set in Global Tax Management Control (2.13.24). To make it easier to identify errors, set up a meaningful code, such as ERROR-ENVIRON.

Exercise: Tax Environments

Set up a tax environment and its components. Use the following example or create one of your own. Consider which taxes apply to specific ship-from/ship-to tax zone combinations for your business. Consider whether or not you need tax types and a different rounding method than what already exists in the system.

Set up a tax environment for shipments from Japan to the US. These shipments are subject to a special import tax for Japanese goods.

Complete the exercise in the domain, United States.

Set up a Tax Type

- 1 In Tax Type Maintenance (2.13.1.1), set up the tax type for the import tax on electronic goods.

Field	Data
Tax Type:	IMP-NPN
Description:	Import Duty - Japan

Verify the Rounding Method

- 1 The government requires you to report the import tax amounts to the nearest hundredth. In Rounding Method Maintenance (2.13.1.17), verify that rounding method 2 is set up in your database as follows:

Field	Data
Rounding Method:	2
Description:	Rounding to Hundredths
Rounding Unit:	0.01
Rounding Threshold:	0.005

- 2 Verify that rounding method 2 is specified in Global Tax Management Control (2.13.24).

Set up a Supplier Tax Class

- 3 In Tax Class Maintenance (2.13.1.5), set up the tax class code for Japanese suppliers.

Field	Data
Tax Class:	NPN
Description:	Japanese Suppliers

Set Up a Tax Zone for Japan

- 4 In Tax Zone Maintenance, create a tax zone for Japan.

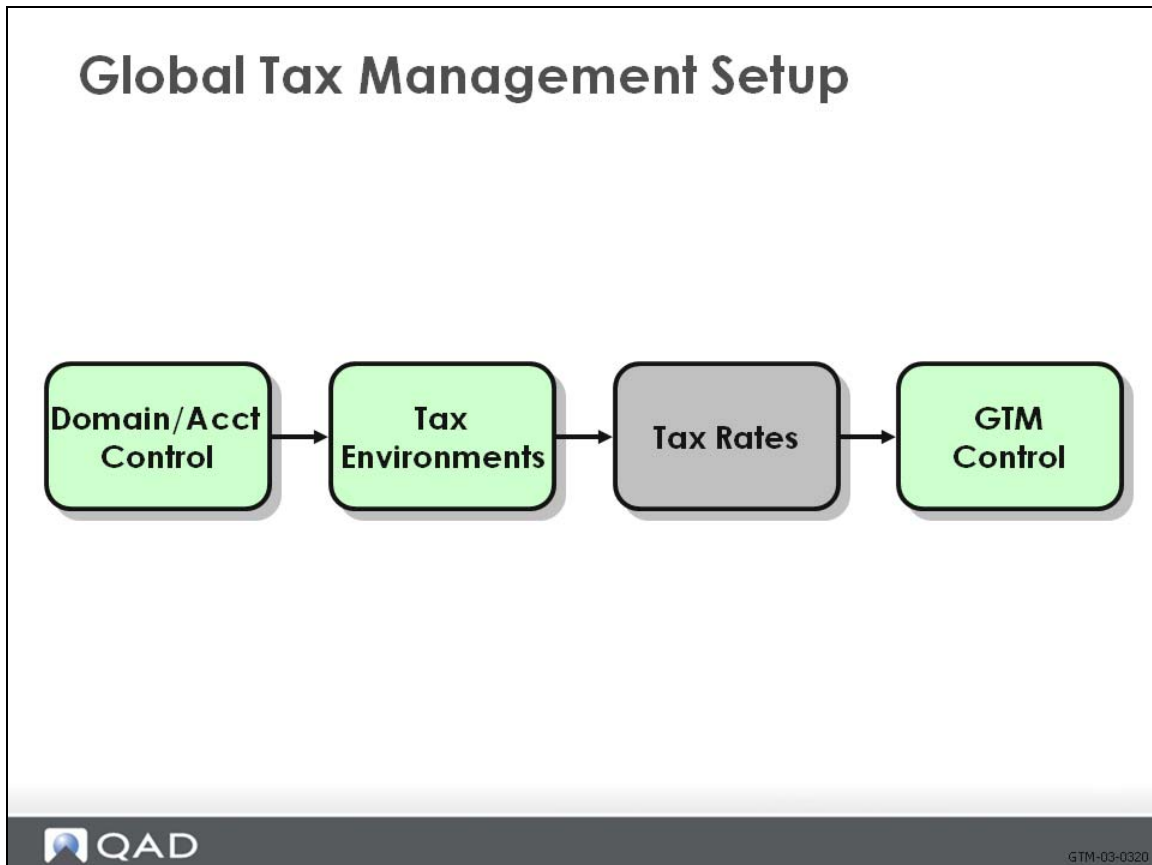
Field	Data
Tax Zone:	JPN
Description:	Japan

Set Up a Tax Environment

- 5 In Tax Environment Maintenance (2.13.5.1), define an environment for shipments from Japan to the US. In this environment, the only applicable tax type is IMP-NPN.

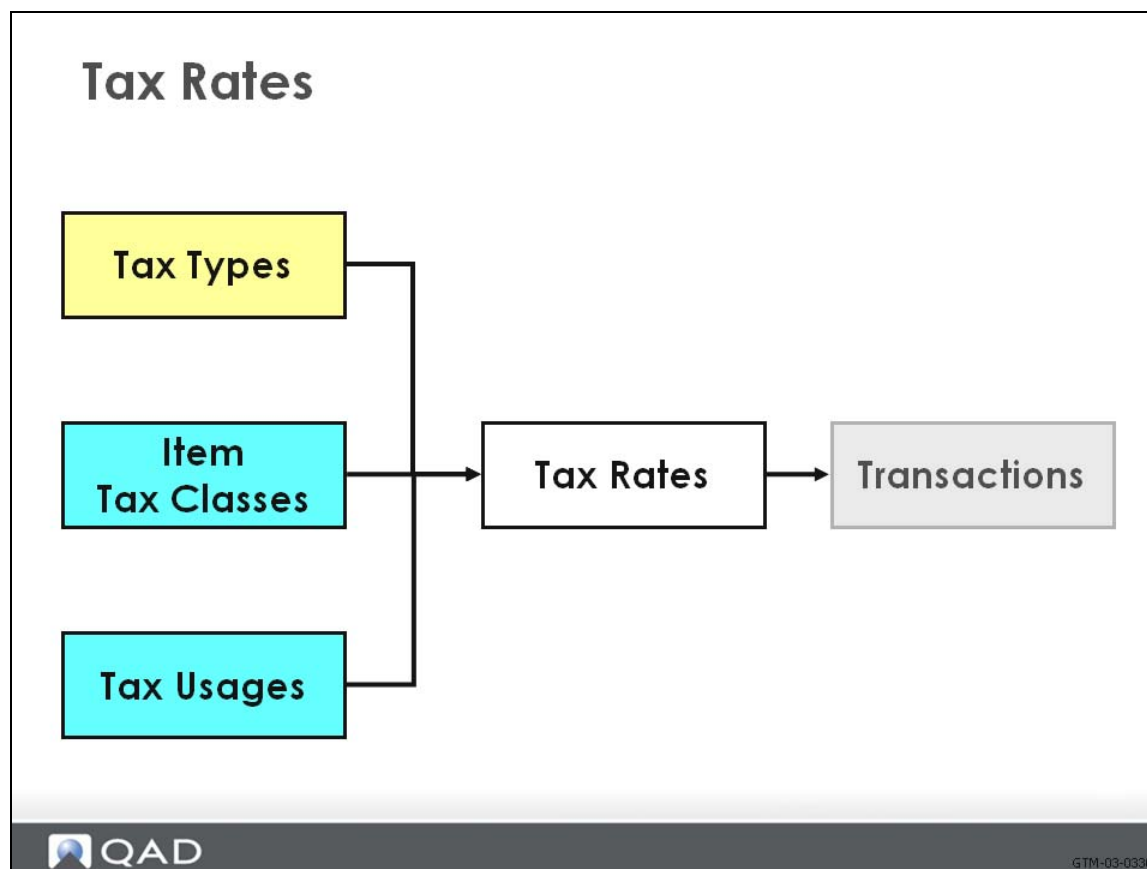
Field	Data
Tax Environment:	JAPAN/USA
Description:	Japanese Imports
Ship-From Zone:	JPN
Ship-To Zone:	USA
TxC:	NPN
Description:	Japanese Suppliers
Tax Types:	IMP-NPN
Se:	1
R:	2
Description:	Import Duty - Japan

Tax Rates



This section describes how to set up basic tax rates and related data, such as tax usages and item tax classes. We will focus on the elements common to all tax rate setups.

Tax Rates Overview



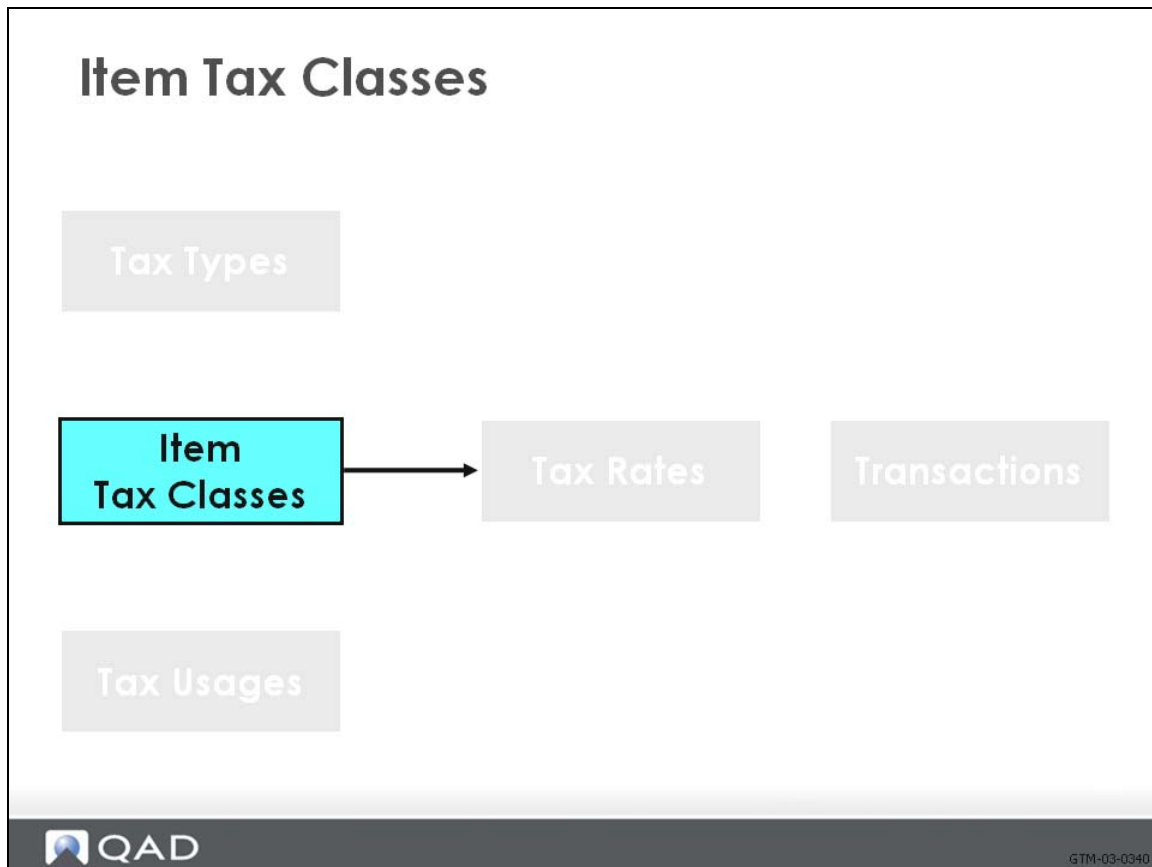
GTM uses tax rate records on transactions to calculate the tax amount for each tax type. The tax rate record also determines how taxes are reported in General Ledger.

Tax types are prerequisites for tax rates. Depending on circumstances, item tax classes and tax usages may need to be set up.

If rates vary by item category, **item tax classes** will need to be set up. For example, if state sales tax is 0% for medicine but 7% for other goods, set up tax rates by item tax class.

Set up **usages** if rates vary by item usage or a company's nature of operation. If state sales tax is 0% for items sold to resellers but 7% for items sold to end users, set up tax rates by tax usage.

Item Tax Classes



Item tax classes are used to group items subject to special tax rates or exemptions. On transactions, item tax class is one criterion the system uses to select the tax rate.

To simplify order processing, assign item tax classes to product line and item records. On transactions, the line item tax class comes from either the item master file (for inventory items) or the header (for memo items).

Note Although item tax classes are set up in the same program as customer and supplier tax classes, the system uses the two kinds of classes in very different ways. On transactions, item tax classes help determine which tax rate applies to an item. Customer and supplier tax classes help determine which tax environment (set of tax types) applies to the transaction.

Item Tax Class Code Examples

Item Tax Classes

Tax Class	Description
001	Basic Foods
002	Processed Foods
003	Luxury Goods
004	Pharmaceuticals
005	Exempt (Non-Taxable)

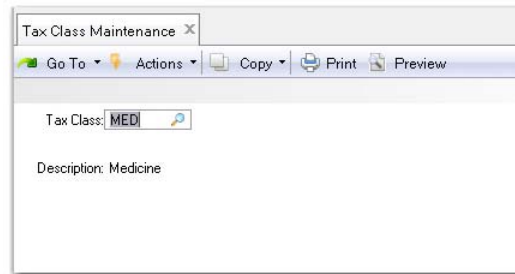


GTM-03-0350

Item tax classes and customer/supplier tax classes use the same program to set up codes. To avoid confusion between them, it is a good idea to use a different coding convention. For example, use letters for customer/supplier tax classes, and numbers for item tax classes.

Tax Class Maintenance

2.13.1.5 – Tax Class Maintenance



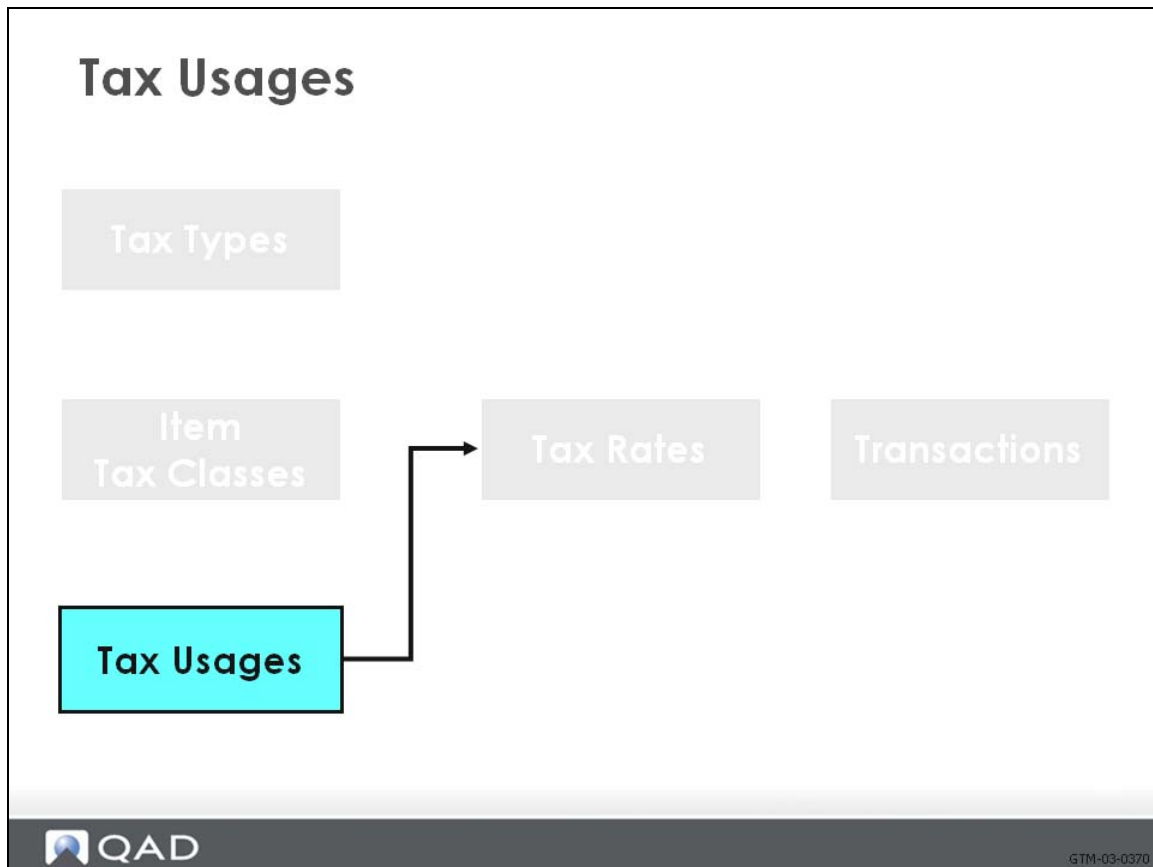
The screenshot shows a software window titled "Tax Class Maintenance" with a close button (X). Below the title bar is a menu bar with "Go To", "Actions", "Copy", "Print", and "Preview". The main area contains a "Tax Class:" label followed by a text input field containing "MED" and a magnifying glass icon. Below this is a "Description:" label followed by the text "Medicine".



GTM-03-0360

Use Tax Class Maintenance (2.13.1.15) to set up item tax classes. To verify data setup, use Tax Class Browse (2.13.1.6) and Tax Class Report (2.13.1.7)

Tax Usages



Tax usages are similar to item tax classes, except that they classify groups of customers and suppliers subject to special tax rates or exemptions based on the nature of operation or on how they use the items.

On transactions, the system can select tax rates based on item tax usage.

Note Item tax usage comes from the customer or supplier usage in the transaction header, not from the item record.

Tax Code Usage Examples

Tax Usage Code Examples

Tax Usage	Description
1-P-MFG	Intrastate Purchase for Manufacturing
1-P-RSL	Intrastate Purchase for Resale
2-P-RSL	Interstate Purchase for Resale
3-P-RSL	Import Purchase for Resale



GTM-03-0360

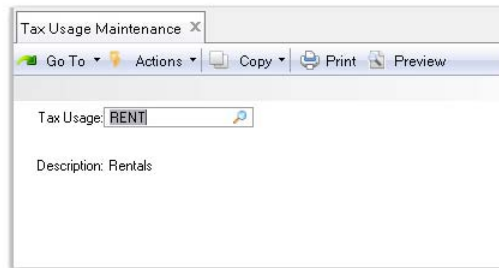
Tax usages have eight-character codes that typically identify both the usage and the location to which it applies. The government may specify which codes you can use.

The table below lists some typical situations and describes how to implement them.

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 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.
Items 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.

Tax Usage Maintenance

2.13.1.9 – Tax Usage Maintenance



GTM-03-0390

Use Tax Usage Maintenance (2.13.1.9) to set up tax usages. To simplify order processing, you normally assign usage codes to customers and suppliers. On transactions, the customer/supplier tax usage appears automatically in the tax window, defaulting from the customer or supplier record. The header usage becomes the default line item tax usage.

Field Definitions

The following describes the key fields in Tax Usage Maintenance.

Tax Usage. The code that identifies a group of customers, suppliers, or items subject to special taxation on a specific transaction.

Description. A description of the tax usage. This description prints on most reports and browses, as space permits.

Tax Rates



The tax rate:

- Is a percentage used to calculate tax amounts on transactions.
- Determines taxable base, tax method, and general ledger accounts.
- Can be set up by item tax class, tax usage, and tax effective date

Each tax type has at least one rate. For any type, you can set up rates by:

- item tax class or tax usage
- tax effective date

Tax Rate Maintenance

2.13.13.1 – Tax Rate Maintenance

The screenshot shows the 'Tax Rate Maintenance' window with the following fields and values:

- Tax Type: CAN-GST
- Item Tax Class: MED
- Tax Usage:
- Effective Date: 5/14/2010
- Tax Code: 1
- Description: CAN-GST, Medicine
- Tax Rate: 0.00%
- Tax-By-Line: ☒
- Tax Base:
- Minimum Taxable Amount: 0.00
- Maximum Taxable Amount: 999,999,999.99
- Percent Recoverable: 0.00%
- Tax Method: 01
- Update Tax Allowed: ☐
- Allow Tax Included: ☐
- EC Sales List: ☐
- EC Process Work: ☐
- Sales Tax Account: 2400
- Sales Tax Absorbed: 5950
- AP Tax Account: 1400
- AP Tax Retained: 2450
- Expiration Date:
- Accrue Tax at Receipt: ☒
- Accrue Tax at Usage: ☐
- Discount Tax at Invoice: ☐
- Discount Tax at Payment: ☐
- Comments:



GTM-03-0410

Set up tax rates in Tax Rate Maintenance (2.13.13.1). Set up rates by class or usage only for exception conditions. For example, if a tax rate applies to most item tax classes or usages, set up one tax rate with a blank class or usage and additional rates for the exception classes or usages only as needed. This tax class applies to the item tax class. To set up rates by customer or supplier tax class, you can specify the tax class in the customer or supplier record.

On transactions, the system selects tax rates that match the item or trailer charge tax type, item or trailer charge tax class, tax usage, and transaction tax date. If GTM is unable to locate a tax rate record for the tax type/tax class/tax usage combination, a warning message displays to help you trace the problem.

Trailer charge tax types and tax classes will be covered later in the course.

The following fields are those that apply to all kinds of tax rates. The other fields will be covered later in the course.

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

Field Definitions

The following describes the key fields in Tax Rate Maintenance.

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

Item Tax Class. If the tax rate applies to a specific line item 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. The customer/supplier tax class is obtained from the order header.

Tax Usage. For tax rates which apply to a specific tax usage. Leave this field blank if the tax rate applies to all tax usages.

Effective. The starting date for using this tax rate in tax calculations. If a date is not specified, the system uses the record creation date. When multiple tax rates are entered, the default effective date is the date in the last record entered.

Tax Code. A code identifying this tax rate. If a code is not entered, the system increments it automatically from the Last Tax Code field in Global Tax Management Control (2.13.24). The tax code must be unique.

Description. The description of the tax rate. This description will print on most reports and browses, as space permits.

Tax Rate. 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, also set up a zero-percent tax rate. A Non-Tax type with 0% tax rate is automatically created by the system.

Tax-By-Line and Total

Tax-by-Line/Total

Tax Rate Maintenance
Go To Actions Copy Print Preview

Tax Type: CAN-GST
Item Tax Class: MED
Tax Usage:
Effective Date: 5/14/2010

Tax Code: 1
Description: CAN-GST, Medicine
Tax Rate: 0.00%
Tax-By-Line: ☒ ←
Tax Base:

Minimum Taxable Amount: 0.00
Maximum Taxable Amount: 999,999,999.99
Percent Recoverable: 0.00%
Tax Method: 01

Update Tax Allowed:
Allow Tax Included:
EC Sales List:
EC Process Work:
Sales Tax Account: 2400
Sales Tax Absorbed: 5950
AP Tax Account: 1400
AP Tax Retained: 2450

Expiration Date:
Accrue Tax at Receipt:
Accrue Tax at Usage:
Discount Tax at Invoice:
Discount Tax at Payment:
Comments:

Tax-By-Line: Yes

GTM-03-0420

The Tax-by-line option determines whether the tax rate applies to individual line items or to the order total. If this option is set to Yes, GTM calculates tax by item. If No, all line item amounts are totaled before tax calculation. A default setting is specified in Global Tax Management Control (2.13.24). It can be edited in the tax rate record, as necessary.

On sales transactions, GTM always calculates trailer charge taxes by line regardless of this field's setting.

Note This setting will also determine whether taxes can be edited by line and how totals are rounded. You may want to verify with your tax authorities which setting is allowed for your business.

Tax Method

Tax Method

Tax Rate Maintenance
Go To
Actions
Copy
Print
Preview

Tax Type: CAN-GST

Item Tax Class: MED

Tax Usage:

Effective Date: 5/14/2010

Tax Code: 1

Description: CAN-GST, Medicine

Tax Rate: 0.00%

Tax-By-Line: ☒

Tax Base:

Minimum Taxable Amount: 0.00

Maximum Taxable Amount: 999,999,999,999.99

Percent Recoverable: 0.00%

Tax Method: 01

Update Tax Allowed: ☐

Allow Tax Included: ☐

EC Sales List: ☐

C Process Work: ☐

Sales Tax Account: 2400

AP Tax Account: 1400

AP Tax Retained: 2450

Expiration Date:

Accrue Tax at Receipt: ☒

Accrue Tax at Usage: ☐

Discount Tax at Invoice: ☐

Discount Tax at Payment: ☐

Comments:

Tax Method: 01


GTM-03-0430

The tax method tells the system which calculation program to use when calculating tax amounts on transactions. QAD Enterprise Applications has several tax method programs.

Tax Method

Tax Method

Tax Method	PROGRESS Program	Description
01	txmeth01.p	Supports most taxes. If the transaction amount is outside the minimum or maximum taxable base range, the taxable base becomes the minimum or the maximum.
02	txmeth02.p	Supports luxury taxes and capped taxes. Same as method 01 except the transaction amount includes the tax amount.
03	txmeth03.p	Imported tax amounts that should not be recalculated.
12	txmeth12.p	Supports taxes on cumulative accounts payable payments (Argentina). (Additional localization programming is required to support this method.)
20	txmeth20.p	Sales and Use Tax Interface



GTM-03-0440

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. Refer to *User Guide: QAD Master Data*.

General Ledger Accounts

General Ledger Accounts

Tax Rate Maintenance
Go To
Actions
Copy
Print
Preview

Tax Type: CAN-GST
Item Tax Class: MED
Tax Usage:
Effective Date: 5/14/2010

Tax Code: 1
Description: CAN-GST, Medicine
Tax Rate: 0.00%
Tax-By-Line: ☒
Tax Base:

Minimum Taxable Amount: 0.00
Maximum Taxable Amount: 999,999,999,999.99
Percent Recoverable: 0.00%
Tax Method: 01
Update Tax Allowed: ☐
Allow Tax Included: ☐
EC Sales List: ☐
EC Process Work: ☐
Sales Tax Account: 2400
Sales Tax Absorbed: 5950
AP Tax Account: 1400
AP Tax Retained: 2450

Expiration Date:
Accrue Tax at Receipt: ☒
Accrue Tax at Usage: ☐
Discount Tax at Invoice: ☐
Discount Tax at Payment: ☐
Comments:

Sales Tax Account:
Sales Tax Absorbed:
AP Tax Account:
AP Tax Retained:

2400
5950
1400
2450

GTM-03-0450

For each tax rate, you can specify individual general ledger accounts, sub-accounts, and cost centers. The default values for these fields come from Domain/Account Control (36.1), but you can override them. Enter the accounts used most often in Domain/Account Control (36.1), and edit the exceptions in the tax rate record.

Field Definitions

The following describes the key fields in the tax account section of Tax Rate Maintenance.

Sales Tax Account. The sales tax liability credited whenever tax is calculate on sales to a customer.

Sales Tax Absorbed. The sales tax liability credited whenever your company pays tax instead of charging it to the customer. If the tax rate is for an absorbed tax, set to Yes.

AP Tax Account. The asset account debited for recoverable purchase and accounts payable taxes, or liability when treated as a contra asset account to sales tax payable.

AP Tax Retained. The liability account credited whenever your company remits tax amounts directly to the government instead of to the supplier. If the tax rate is for a retained tax, set this option to Yes.

Exercise: Tax Rates

Set up item tax classes and tax usages. Use this data to set up basic tax rates for Canadian GST (General Services Tax). Or set up item tax classes and tax usages of your own. Consider the types of classes and usages your company would need for taxing.

Enter values only for the fields listed.

Complete the exercise in the domain, United States.

Set up Item Tax Class

- 1 In Tax Class Maintenance (2.13.1.5), set up the following item tax classes.

Field	Data
<u>Class 1</u>	
Tax Class:	MED
Description	Medicine
<u>Class 2</u>	
Tax Class:	FD
Description	Food
<u>Class 3</u>	
Tax Class:	GD
Description	Goods
<u>Class 4</u>	
Tax Class:	SER
Description	Services

Set up Tax Usages

- 2 In Tax Usage Maintenance (2.13.1.9), set up the following tax usages:

Field	Data
<u>Usage 1</u>	
Tax Usage:	RENT
Description	Rentals
<u>Usage 2</u>	
Tax Usage:	SALE
Description	Sales

Set up a Tax Type

- 3 In Tax Type Maintenance, set up the following tax type:

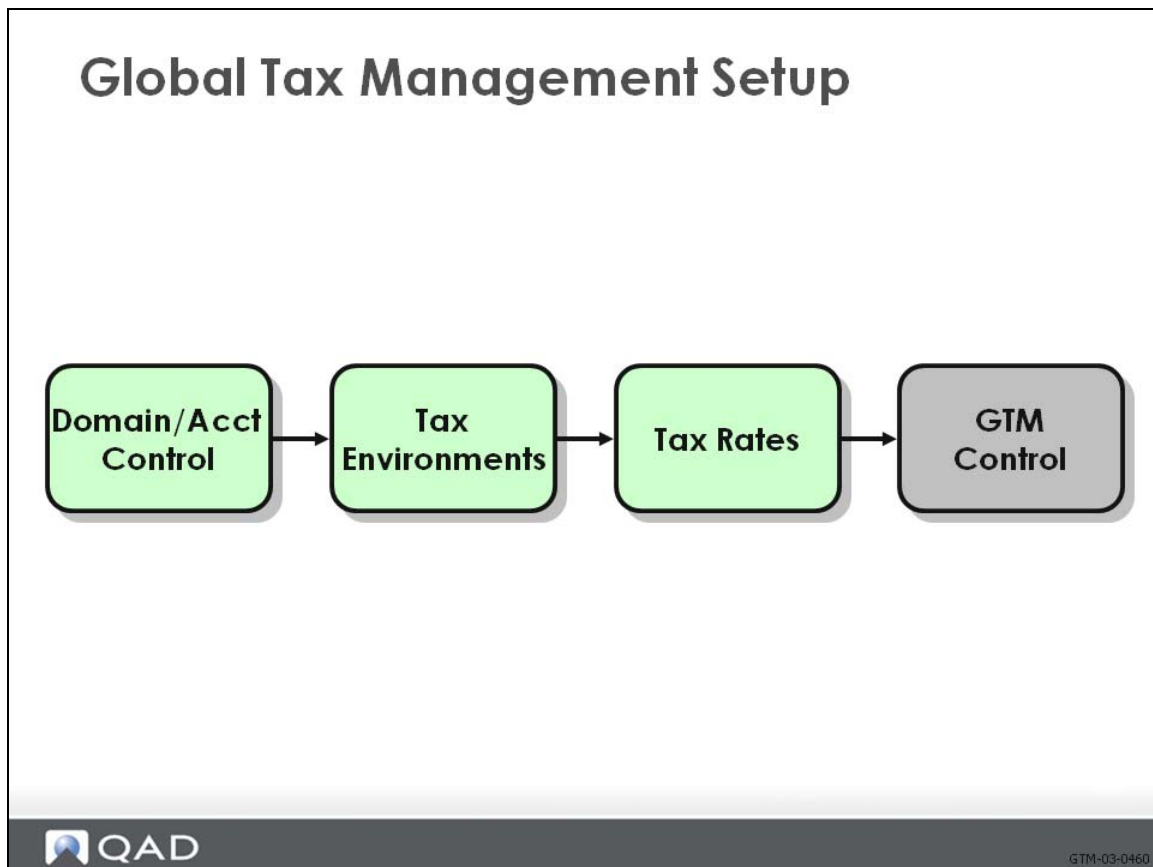
Field	Data
Tax Type:	CAN-GST
Description:	CAN Goods and Service

Set up Tax Rates

- 4 In Tax Rate Maintenance (2.13.13.1), set up the following tax rates:

Field	Data
<u>Rate 1</u>	
Tax Type:	CAN-GST
Item Tax Class	MED
Description:	CAN-GST, Medicine
Tax Rate:	0.00%
<u>Rate 2</u>	
Tax Type:	CAN-GST
Tax Usage:	RENT
Description:	CAN-GST, Rentals
Tax Rate:	14.00%

Global Tax Management Control



Now that all required values and prerequisites have been defined, GTM Control can be set up.

Global Tax Management Control Setup

GTM Control Setup

Global Tax Management Contr... x

Go To Actions Copy Print Preview

Tax Zone: USA

Tax Environment: USA

Country Code: usa

Rounding Method: 2

Tax Method: 01

Tax-By-Line: ☒

Accrue Tax at Receipt: ☒

Accrue Tax at Usage: ☐

Discount Tax at Invoice: ☐

Discount Tax at Payment: ☐

Update Tax Allowed: ☐

Update History Allowed: ☐

Keep Tax History: ☒

Validate VAT Registration: ☐

Print VAT Registration: ☐

Display Detail on Reports: ☒

Display Taxable/Non-Taxable on Trailer: ☐

Last Tax Code: 2

QAD GTM-03-0470

Global Tax Management Control (2.13.24) lets you set tax information defaults that will be used throughout the system. Set the fields to the value most often used, and edit the record, as appropriate, for the exceptions.

Most fields in the control program have been discussed throughout this course. Go back to the relevant section if you do not remember the meaning of a particular field. Some of them will be discussed in the following sections of this course.

Note To highlight error conditions, it is recommended to create an ERROR-TAX ZONE code and to use it as the default tax zone in the Global Tax Management Control (2.13.24). Whenever GTM can't find a tax zone for an address record, the ERROR code will alert you to investigate the situation.

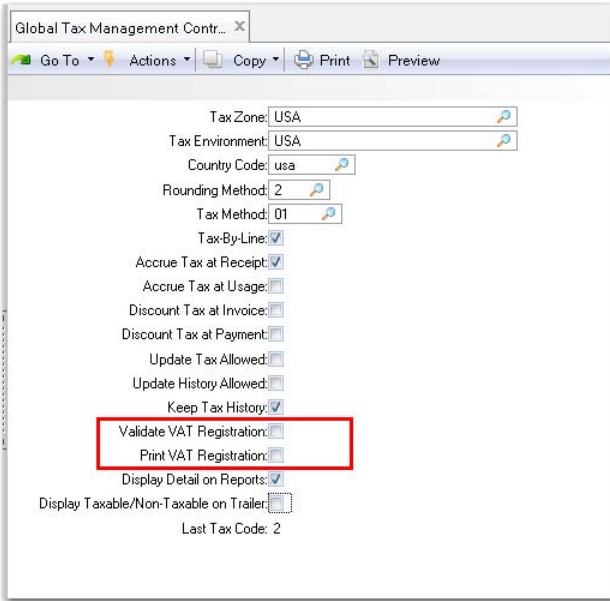
Two fields are used for setting up VAT Registration Number Validation:

- Validate VAT Registration
- Print VAT Registration

We will explore these in more detail on the next page.

VAT Registration Number Validation

VAT Registration Number Validation



The screenshot shows the 'Global Tax Management Contr...' window with the following settings:

- Tax Zone: USA
- Tax Environment: USA
- Country Code: usa
- Rounding Method: 2
- Tax Method: 01
- Tax-By-Line: ☒
- Accrue Tax at Receipt: ☒
- Accrue Tax at Usage: ☐
- Discount Tax at Invoice: ☐
- Discount Tax at Payment: ☐
- Update Tax Allowed: ☐
- Update History Allowed: ☐
- Keep Tax History: ☒
- Validate VAT Registration: ☒**
- Print VAT Registration: ☐
- Display Detail on Reports: ☒
- Display Taxable/Non-Taxable on Trailer: ☐
- Last Tax Code: 2

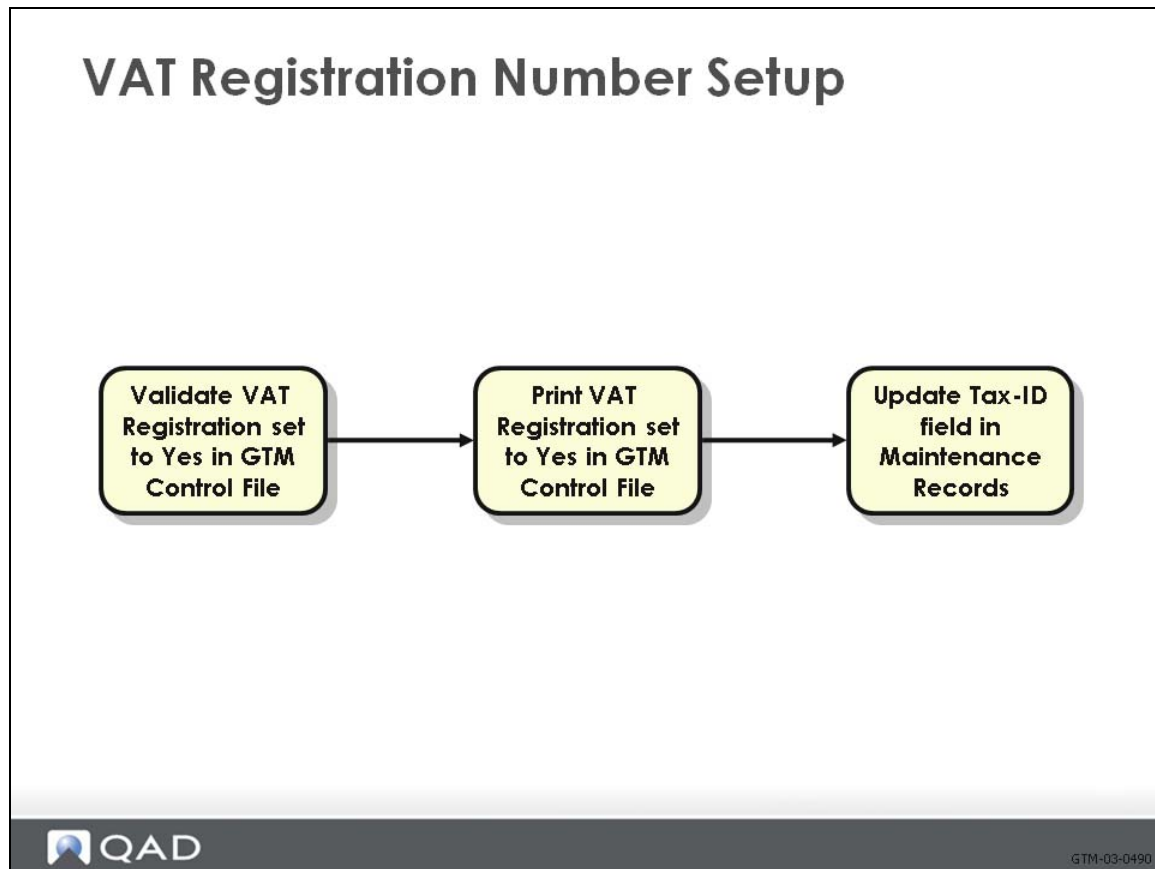
QAD

GTM-03-0480

Since 1993, European Union countries have required companies to have value-added tax (VAT) registration numbers. All intra-EU sales and purchasing documents must show the VAT registration number for the customer or supplier. Some countries also require a quarterly report of intra-EU sales.

Each country has a unique format for VAT registration numbers. To minimize errors, set Validate VAT Registration numbers to Yes during data entry.

VAT Registration Number Validation Setup



To setup the system to use VAT Registration Number Validation:

- 1 Set Validate VAT Registration to Yes to validate registration number formats or No to disable validation in Global Tax Management Control (2.13.24).
- 2 Set Print VAT Registration to Yes to print registration numbers on documents and reports or No to disable printing in Global Tax Management Control (2.13.24).
- 3 Enter a VAT registration number in the VAT Registration field in the following customer and supplier address maintenance programs:
 - Customer Maintenance (2.1.1)
 - Customer Ship-To Maintenance (2.1.13)
 - Supplier Maintenance (2.3.1)
 - Supplier Remit-To Maintenance (2.3.13)
 - End User Address Maintenance (11.9.1)
 - Company Address Maintenance (2.12)

Note When VAT Registration is activated in Global Tax Management Control (2.13.24), the Tax ID–State labeled field become VAT Registration.

When the validation is activated, the system accepts European VAT registration numbers in the following formats (where: first two letters = country code; X = A-Z or 0-9; A = A-Z only; 9 = 0-9 only; each country has its own accepted format for registration numbers):

- Austria: ATXXXXXXXXXX
- Belgium: BE999999999
- Denmark: DK999999999
- Finland: FI999999999
- France: FR999999999999
- Germany: DE9999999999
- Greece: EL999999999
- Ireland: IE9X999999X
- Italy: IT999999999999
- Luxembourg: LU999999999
- Netherlands: NL9999999999B99 (10th character must be B)
- Norway: NO9999999999
- Portugal: PT9999999999
- Spain: ESX99999999X
- Sweden: SE999999999999
- United Kingdom: GB9999999999 or GB999999999999
- Cyprus: CY999999999A
- Czech Republic: CZ999999999 or CZ9999999999 or CZ99999999999
- Estonia: EE9999999999
- Hungary: HU9999999999
- Latvia: LV999999999999
- Lithuania: LT9999999999 or LT999999999999
- Malta: MT999999999
- Poland: PL999999999999
- Slovenia: SI999999999
- Slovak Republic: SK999999999999

By default, validation requires you to enter a tax ID, and it must be in a valid format for one of the European Union countries listed. When you enter an ID in a customer or supplier record, the system checks that it has a valid EU country prefix (for example, AT for Austria). If it does, the system verifies that the rest of the number matches the format for the prefix. If either the prefix or the number are invalid, an error displays.

Validation prevents many data entry errors but not all. The system does not match the prefix country code against the country code in the customer or supplier address data. So, the system would not prevent you from entering a valid French tax ID for a German supplier.

If you conduct business with non-EU countries, you must override the default validation logic slightly so that you can leave the Tax ID — State field blank for the non-EU addresses. To do this, you set up a blank generalized code for the Tax ID — State field (Field Name vat_code) in Generalized Codes Maintenance (36.2.13).

Adding new VAT Registration Validation Formats

The screenshot displays the QAD VAT Registration Format Inquiry and Maintenance screens. The main window, titled "VAT Registration Format Inquiry", shows a table of VAT formats for various countries. The "VAT Prefix" is set to "NL" and "Comments" are "Netherlands". The "Output" is set to "page". The table lists VAT formats for NL, NO, PL, PT, RO, SE, SI, and SK. A smaller window, "VAT Registration Format Maint", is open in the background, showing the "VAT Prefix" field set to "NL" and "Country" set to "Netherlands". A third window, "VAT Registration Format Init", is also visible, displaying a message: "This utility will create the initial data needed for the new VAT Registration Number validation methodology. Run this utility now: no. Number of records created:".

VAT Comments	Format	[2]	[3]
NL Netherlands	999999999B99		
NO	999999999		
PL	999999999		
PT Portugal	999999999		
RO	99	999	9999
	99999	999999	9999999
	9999999	99999999	999999999
SE	999999999999		
SI	99999999		
SK	9999999999		

The VAT Registration Format function supports value-added tax (VAT) registration code formats required for European Union (EU) countries.

This function contains three menu programs:

- Use VAT Registration Format Maint (2.13.3.20) to enter or update registration code formats. Specify a VAT prefix (country code), country name, and up to 9 valid formats.

Use the following standards for creating a format:

- Do not enter the country code as a prefix. The system builds valid records by adding the value from the VAT Prefix field.
- 9 represents any number 0-9.
- A represents any letter A-Z.
- X represents any number 0-9 or letter A-Z.
- Define a record with blank VAT Prefix to allow for a blank ID in any addresses in a country without a VAT registration number.

Note The Dutch format (VAT prefix NL) requires the letter B as a hard-coded character in position 10: 999999999B99.

- Use VAT Registration Format Inquiry (2.13.3.21) to view existing records.
- Use VAT Registration Format Init (2.13.3.25) after installing the release to load an initial set of format definitions.

Exercise: GTM Control

Complete the exercise in the domain, United States.

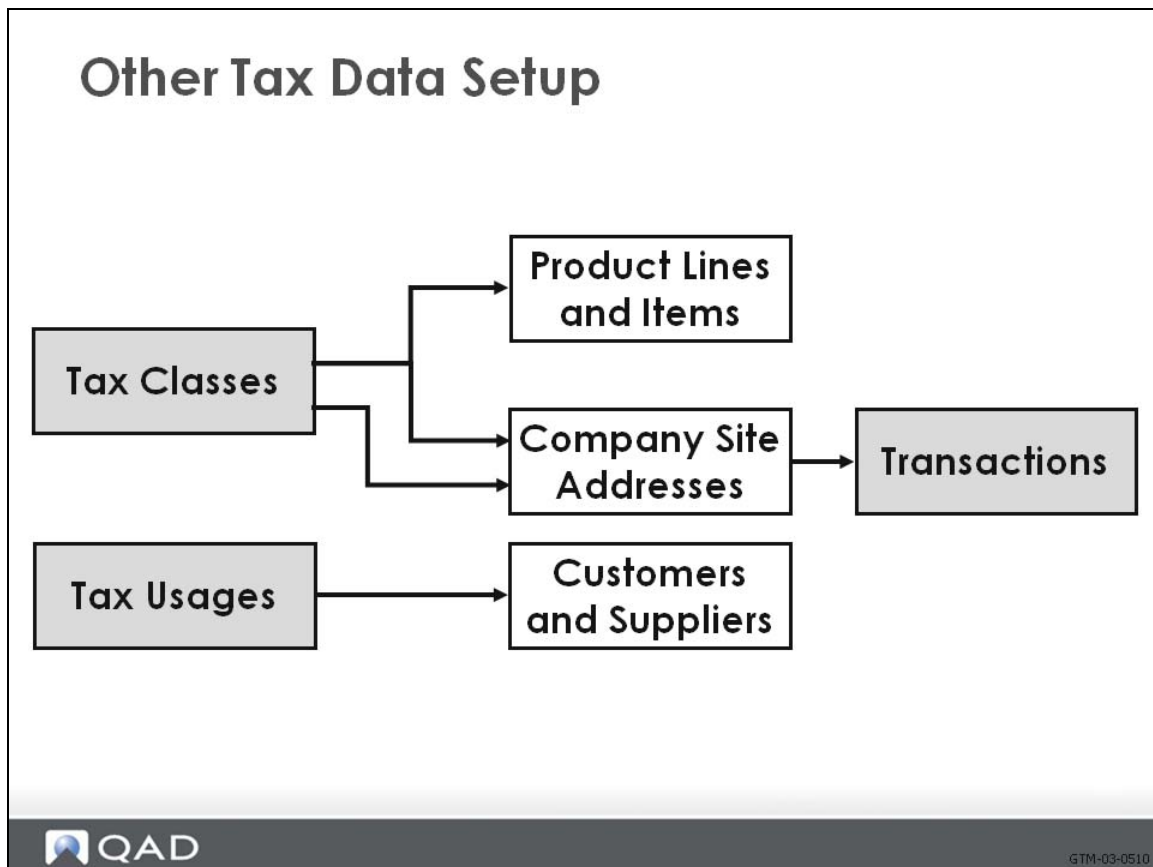
- 1 Verify that the following values are set up in Global Tax Management Control (2.13.24).

Field	Data
Rounding Method	2
Tax Method	01
Tax-by-Line	Yes
Accrue Tax at Receipt	Yes
Discount Tax at Invoice	No
Discount at Payment	No
Update Tax Allowed	No
Keep Tax History	Yes
Validate VAT Registration	No
Print VAT Registration	No
Print Tax Detail on Reports	Yes

Test Questions: GTM Setup

- 1 What are the four main steps when setting up GTM?
- 2 In Tax Data Relationship, we reviewed which main elements are used for tax calculation in QAD Enterprise Applications. Which are those?
- 3 Are tax classes mandatory?
- 4 What are the four (three plus one optional) elements that must be defined in order to set up tax environments?
- 5 What is a prerequisite to setting up tax zones?
- 6 Should you use tax usages and tax classes, even if you do not really need them? Is a more complex set up better?
- 7 GTM looks at three elements to determine the tax environment for a specific transaction. Which are those?
- 8 Can the same tax type apply to different tax environments?
- 9 What are the three elements (one plus two optional) that must be defined prior to setting up tax rates?
- 10 What is the VAT Registration number for?

Other Tax Data Setup



Once you have set up all the GTM records, you must still verify and update other database records.

Product Line Maintenance

1.2.1 – Product Line Maintenance

Product Line Maintenance

Go To Actions Copy Print Preview

Product Line: 1000
Description: HOME COOLER PRODUCTS

Taxable: ☒
Tax Class:

Default Sub-Account: Override: ☐
Default Cost Center: Override: ☐

Inventory Accounts

Inventory Acct: 1500	1000
Inv Discrep Acct: 5900	1000
Scrap Account: 5800	1000
Cost Revalue Acct: 1550	1000



GTM-03-0520

Use Product Line Maintenance (1.2.1) to verify and update the taxable status and tax class for product lines.

Unless you reset all non-taxable product lines and items to taxable, you will not be able to calculate tax exemption reporting by exemption category. In QAD Enterprise Applications, you will probably set up exemption reporting by tax type. Taxable has to be Yes for the system to detect the exemption category during transaction entry.

Item Cost Maintenance

1.4.9 – Item Cost Maintenance

Item Cost Maintenance x

Go To Actions Copy Print Preview Attach

Attachments

Item Number: 02-0005 Description: MECHANICAL PENCIL
Unit of Measure: EA (5MM) BLISTER PACKED

Item Price Data

Price: 2.50 Tax: ☒ Tax Class:

GL Cost Data

Element	This Level	Lower Level	Total	Pri	Category	A/O
				☐		☐



GTM-03-0530

Use Item Cost Maintenance (1.4.9) to define the item tax details.

For existing items, verify and update the taxable status and tax class, if necessary. Tax class is not found in the item site records. Set the tax class most often used for this item, and edit the exceptions.

Company Site and Addresses

Company Sites and Addresses

Site: 10000

Description: Main Plant Site

Entity: 1000

Default Inventory Status:

Automatic Locations: ☒

Domain: qp

EMT Supplier:

External Supplier:

Transfer Variance Acct: 5030

Transfer Ownership:

City: I uisa State: ok Post: 92606 Format: 0

Country: United States of America USA

Attention:

Telephone: Ext:

Fax/Telex:

Tax Report:

Name Control: Last Filing:

QAD GTM-03-0540

For accurate tax calculations, your database must have an address code for every company shipping and receiving site. The recommended procedure is to set up a company address code for every site in Company Address Maintenance (2.12). The address code must exactly match the site code.

During transaction entry, the system looks for the address code that matches the line item site code. It then uses this address code to select the line item ship-from (sales) or ship-to (purchases) tax zone.

As a backup measure, set up the ~taxes address code in Company Address Maintenance (2.12). If the system cannot find the tax zone for a company site during transaction entry, it uses the tax zone for the ~taxes code.

Address Tax Data

2.1.1 – Customer Maintenance

The screenshot shows the 'Customer Maintenance' window with a pop-up titled 'Address Tax Data'. The main window has a menu bar with 'Go To', 'Actions', 'Copy', 'Print', 'Preview', and 'Attach'. Below the menu is an 'Attachments' section. The 'Customer Address' section contains fields for Customer (001), Name (PEI Computers Ltd.), Address (37 Atlantic Road), City (Avonlea), Country (Canada), Attention, Telephone, and Fax/Telex. The 'Customer Data' section has checkboxes for Taxable, Price Table, Discount Tbl, and Fixed Price (checked). The 'Address Tax Data' pop-up has fields for Taxable (checked), Tax Zone (CAN), Tax Class, Tax Usage, Tax In (checkbox), Tax ID - Federal, Tax ID - State, Tax ID - Misc 1, Tax ID - Misc 2, Tax ID - Misc 3, and In City (checkbox). To the right of the pop-up, there are fields for A, A1A, County, Format (0), Ext, and Added (4/28/1995). At the bottom right of the pop-up, there are fields for SIC, Partial OK (checked), and Invoice by Authorization (checkbox).

Customer Maintenance (2.1.1), Supplier Maintenance (2.1.3), and Company Address Maintenance (2.12), have a pop-up window for recording tax information.

When you set up or access an address, GTM selects the tax zone for the country, state/province, county, city, and postal zone.

Tax In identifies the tax included status for the address. The default Tax In status is No because most of the time, tax is added to item amounts. Reset Tax In to Yes only if items shipped to or from these companies normally include tax in the item amount. There are fields available for recording company ID numbers used in tax reporting.

Note If a customer code is the same as a supplier code, they share an address record. The usage code is used when you are the recipient.

Address Tax Data (continued)

2.3.1 – Supplier Maintenance

The screenshot shows the 'Supplier Maintenance' window with a pop-up titled 'Address Tax Data'. The main window displays supplier information for 'Supplier: 002' with name 'Toronto Computer Service' and address '75 Queens Road, Toronto, Canada'. The 'Address Tax Data' pop-up contains the following fields:

- Taxable:** ☒
- Tax Zone:** CAN
- Tax Class:** (empty)
- Tax Usage:** (empty)
- Tax In:** ☐
- Tax ID - Federal:** (empty)
- Tax ID - State:** (empty)
- Tax ID - Misc 1:** (empty)
- Tax ID - Misc 2:** (empty)
- Tax ID - Misc 3:** (empty)
- In City:** ☐

Other fields in the main window include 'City: Toronto', 'Country: Canada', 'Attention:', 'Telephone:', 'Fax/Telex:', 'Supplier Terms Data' (Cr Terms: 2/10-30, Disc Pct: 0.00%, CoC Number, Partial OK, Payment Hold, DB Number), 'Prepayment Balance: 0.00', 'Debtor Number', 'Tax Report', 'Pay Specification', 'County:', 'Format: 0', 'Ext:', 'Added: 4/28/1995', and 'TID Notice:'.

Customer Maintenance (2.1.1), Supplier Maintenance (2.1.3), and Company Address Maintenance (2.12) have a pop-up window for recording tax information.

Sales Order Control

In Sales Order Control (7.1.24), check the Print Tax ID on Invoice field.

When this field is Yes, the output of Invoice Print (7.13.3) includes the Tax ID - Federal value specified in the tax frame of Customer Maintenance (2.1.1).

This field also applies to other programs that let you print invoices, such as shipping functions.

Test Questions: Other Tax Data Setup

Test for understanding/mastery test questions for part: Other Tax Data Setup

- 1 What other records must be updated after setting up GTM?
- 2 What are the recommended ways to set up tax exemptions depending on the level of analysis needed?

Typical Tax Setups

Typical Tax Setups

- ✓ Taxable Bases
- Trailer Charge Taxes
- Retained Taxes
- Tax Point Timing
- Recoverable Taxes
- Included Taxes
- Discounted Taxes
- Tax Exemptions



GTM-03-0570

There are some tax setups that are typical for any taxing jurisdiction. The following section describes suggested ways of setting these up.

For the implementation of special taxes, review also the chapter with the same name in *User Guide: QAD Master Data*.

What is a Taxable Base?

The taxable base is the line-item or trailer charge amount that is subject to a tax. Often, the taxable base is simply 100% of the transaction amount. By default, QAD Enterprise Applications assumes that the taxable base is 100% of the item amount, but some taxes are assessed on other taxable bases. For these taxes, set up your tax rate records differently.

When the system selects a tax rate for a transaction, it identifies the transaction's taxable base from the tax rate record. It then calculates the tax amount by multiplying the tax rate percentage by the transaction taxable base amount.

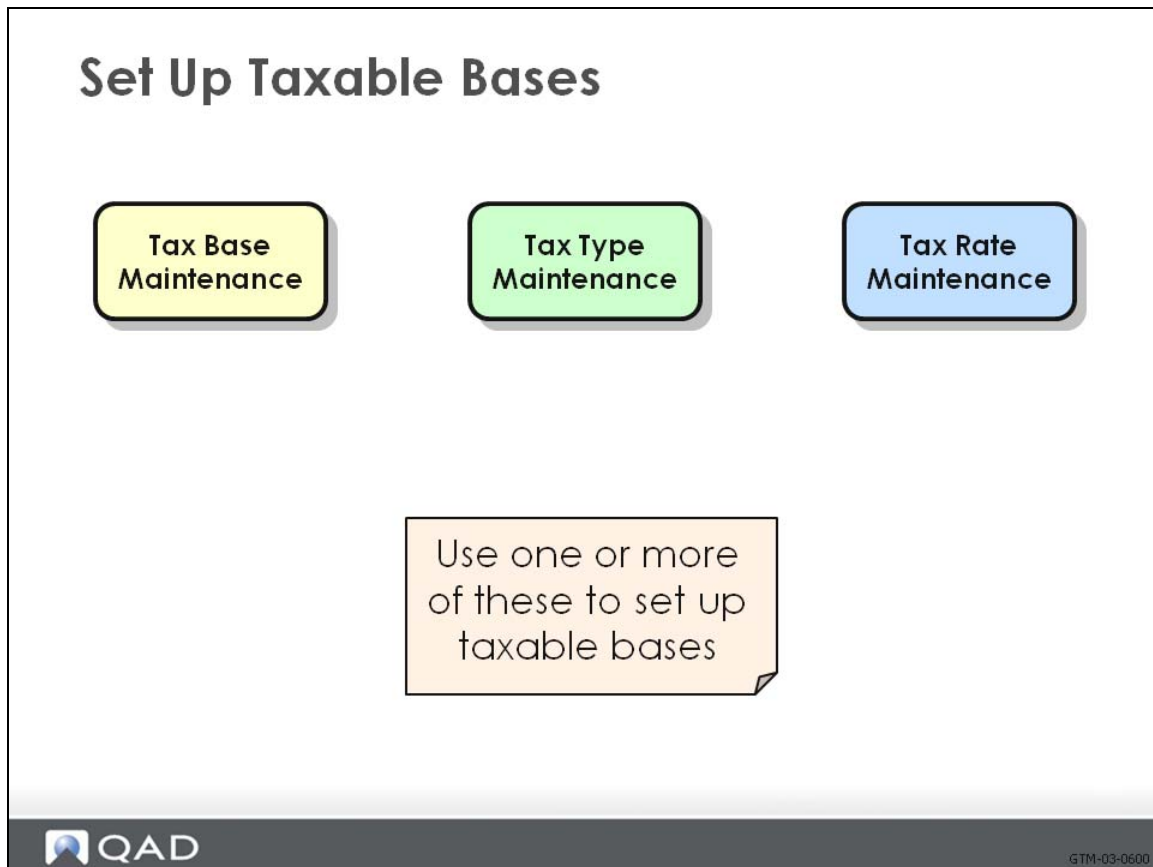
User-Defined Taxable Bases

Taxes require user-defined taxable bases when:

- Only a portion of the transaction amount is taxable
- Tax is assessed only on specific transaction amounts
- Tax must equal or exceed a specified minimum amount
- Tax is always the same amount
- Tax rate varies based on the transaction amount
- Tax is based on the transaction amount plus another tax

Note QAD Enterprise Applications does not currently support unit-based taxes such as a seven-cent redemption tax per can of soda or a daily five-dollar tax on a car rental. It also doesn't support multiple tax rates for the same transaction amount (for example, 5% for the first 1,000.00 and 10% for 1,001.00 to 9,999.99.)

Set Up Taxable Bases



To set up taxable bases, use one or more of the following:

- Tax Base Maintenance (2.13.1.13)
- Tax Rate Maintenance (2.13.13.1)
- Tax Type Maintenance (2.13.1.1)

The setup steps vary depending on the kind of taxable base. The following are some setup examples.

Tax-on-Tax

2.13.1.13 – Tax Base Maintenance

Tax Base Maintenance

Go To Actions Copy Print Preview

Tax Base: GST/PST

Description: GST included in PST

Base Percent: 100.00%

Base Value: Cost (Price/Cost)

Line	Tax Type	Description
1	CAN-GST	Canada GST
2		

Base Percent and Base Value

Tax Types for Tax on Tax



GTM-03-0610

In a tax-on-tax situation, one tax amount is included in the calculation for another tax amount. In the above example, Canadian GST is included in the taxable base for provincial PST.

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 (2.13.5.1), assign both tax types to the tax environment. Assign the include tax type a lower sequence number than the other tax type. This ensures that the included tax is calculated first.
- 2 In Tax Base Maintenance (2.13.1.13), define a tax base and assign it to the included tax type. In this example, GST is the included type.
- 3 In Tax Rate Maintenance (2.13.13.1), 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 this example, set up rates for both GST and PST, then specify the tax base in the PST rates. The same tax base can be assigned to multiple tax rates.

In the tax base record, specify whether the taxable base is item price or item cost. The Base Value feature supports situations in which a tax base applies only to sales (price) or purchases (cost).

When you assign a tax type to a tax base, the base becomes part of all tax environments that use that tax type.

Min and Max Taxes

Min and Max Taxes

Tax Rate Maintenance

Go To Actions Copy Print Preview

Tax Type: CAN-PST
Item Tax Class:
Tax Usage:
Effective Date: 5/13/2010

Tax Code: 4
Description: PST
Tax Rate: 5.00%
Tax-By-Line: ☒
Tax Base:

Minimum Taxable Amount: 0.00
Maximum Taxable Amount: 999,999,999.99
Percent Recoverable: 0.00%

Tax Method: 01
Update Tax Allowed: ☐
EC Process Work: ☐
Sales Tax Account: 2400
Sales Tax Absorbed: 5950
AP Tax Account: 1400
AP Tax Retained: 2450

Expiration Date:
Accrue Tax at Receipt: ☒
Accrue Tax at Usage: ☐
Discount Tax at Invoice: ☐
Discount Tax at Payment: ☐

Tax Method: 01

Tax Base:
Min. Taxable: 0.00
Max. Taxable: 999,999,999.99

QAD GTM-03-0620

For taxes that apply only to transaction amounts less than or greater than a certain amount, specify the Min.Taxable and Max.Taxable amounts in the tax rate record.

For taxes that vary based on the transaction amount, set up a separate tax type for each rate and assign these types to the tax environment. Then specify the Min.Taxable and Max.Taxable range.

For all taxes, specify the Tax Method in the tax rate record. This method determines the formula the system uses to calculate taxes.

Tax methods are useful for solving localization issues that revolve around tax calculations.

Taxable Base Setup Examples

Taxable Base Setup Examples

- Only a portion of the transaction amount is taxable
- Taxes are assessed only on specific transaction amounts
- Tax amount must equal or exceed a specified minimum amount
- Tax is always the same amount
- Tax rate varies based on the transaction amount
- Tax is based on transaction amount plus another tax (tax on tax)



GTM-03-0630

- Only a portion of the transaction amount is taxable
- Taxes are assessed only on specific transaction amounts
- Tax amount must equal or exceed a specified minimum amount
- Tax is always the same amount
- Tax rate varies based on the transaction amount
- Tax is based on transaction amount plus another tax (tax on tax)

The following shows examples of taxes with different bases and how you can set them up.

Only a portion of the transaction amount is taxable.

- 1 A capped tax applies only to the first 700.00 of the transaction amount.
 - Tax Rate Maintenance (2.13.13.1)
 - Min. Taxable: 0
 - Max. Taxable: 700.00
 - Tax Method: 01
- 2 On replacement purchases of fixed assets, tax is assessed on 40% of the cost of the new asset.
 - Tax Base Maintenance (2.13.1.13): Create a code name
 - Base Percent: 40.00%

- Base Value: Cost
- Tax Rate Maintenance (2.13.13.1)
- Tax Base: Use code name here

Tax is assessed only on specific transaction amounts

- 1 The transaction amount must be exactly 700.00 or no tax is charged.
 - Tax Rate Maintenance (2.13.13.1)
 - Min Taxable: 700.00
 - Max Taxable: 700.00
 - Tax Method: 02
- 2 A luxury tax applies only to transaction amounts greater than or equal to 30,000.00.
 - Tax Rate Maintenance (2.13.13.1)
 - Min Taxable: 30,000.00
 - Max Taxable: 999,999,999,999.99
 - Tax Method: 02
- 3 The tax applies only if the transaction amount is 700.00 or less.
 - Tax Rate Maintenance (2.13.13.1)
 - Min Taxable: 0
 - Max Taxable 700.00
 - Tax Method: 02

Tax amount must equal or exceed a specified minimum amount.

- 1 Amounts less than 700.00 are taxed as if they were 700.00. Amounts greater than or equal to 700.00 are taxed on the entire transaction amount.
 - Tax Rate Maintenance (2.13.13.1)
 - Min Taxable: 700.00
 - Max Taxable: 999,999,999,999.99
 - Tax Method: 01

Tax is always the same amount

- 1 All transactions are subject to a 10.00 tax
 - Tax Rate Maintenance (2.13.13.1)
 - Tax Rate: 10.00%
 - Min Taxable 100.00
 - Max Taxable 100.00
 - Tax Method: 01

Tax rate varies based on the transaction amount (known as step-variable rate)

- 1 If the transaction amount is 1,000.00 or less, the rate is 5%. If the transaction amount exceeds 1000.00, the rate is 10%.
 - Tax Type Maintenance (2.13.1.1): Set up a tax type for each tax rate
 - Tax Environment Maintenance (2.13.5.1): Assign each type to the environment
 - Tax Rate Maintenance (2.13.13.1)
 - Tax Type: TYPE1
 - Tax Rate: 5.00%
 - Min Taxable: 0
 - Max Taxable 1,000.00
 - Tax Method: 02
 - Tax Type: TYPE2
 - Tax Rate: 10.00%
 - Min Taxable: 1,000.00
 - Max Taxable: 999,999,999,999.99
 - Tax Method: 02

Tax is based on transaction amount plus another tax (tax-on-tax)

- 1 Alberta, Canada provincial tax is based on sales price plus the 7% federal tax
 - Tax Base Maintenance (2.13.1.13)
 - Tax Base: GST/PST
 - Base Value: Price
 - Tax Type: CAN-GST
 - Tax Rate Maintenance (2.13.13.1)
 - Tax Type: CAN-GST
 - Tax Rate: 7%
 - Tax Type: CAN-ALB-PST
 - Tax Base: GST/PST
 - Tax Method: 01

Exercise: Taxable Base

In this exercise, set up taxable bases to support four situations:

- CAN-GST that applies only to the first 700.00 of the transaction amount
- CAN-GST that applies only to transaction amounts greater than 25,000.00
- CAN-GST based on 40% of item cost
- CAN-GST is included in CAN-PST

Use these examples, or try some taxable base examples of your own.

For convenience, use the same tax types throughout the exercise. You start by entering a purchase order whose taxable base is 100% of item cost. Change the CAN-GST and CAN-PST settings for each taxable base. After setting up each taxable base, review the original purchase order and see how the tax calculation changed for that taxable base.

When you have finished with this exercise, be sure to reset the tax rates. Otherwise, your remaining exercises may not work.

Complete the exercise in the domain, United States.

Define Tax Type CAN-PST

- 1 In Tax Type Maintenance, define the following tax type:

Field	Data
Tax Type:	CAN-PST
Description:	Canada, PST

Define the Tax Environment

- 1 In Tax Environment Maintenance, define a tax environment for trade with Canada.

Field	Data
Tax Environment:	USA/CANADA
Description:	USA-CA Trade
Ship-From Zone:	CAN
Ship-To Zone:	USA
TxC:	
Description:	
Tax Type:	CAN-GST
Se:	1
R:	2
Description:	Canada, GST
Tax Type:	CAN-PST
Se:	2

Field	Data
R:	2
Description:	Canada, PST

Define the Tax Rates

- 2 In Tax Rate Maintenance, define the following tax rates:

Field	Data
<u>Rate 1</u>	
Tax Type:	CAN-GST
Item Tax Class:	<blank>
Tax Usage:	<blank>
Description:	CAN-GST, Basic
Tax Rate:	7.00%
<u>Rate 2</u>	
Tax Type:	CAN-PST
Item Tax Class:	<blank>
Tax Usage:	<blank>
Description:	CAN-PST, Basic
Tax Rate:	5.00%

Check Taxable Status of the Supplier

- 3 In Supplier Maintenance, open the record of supplier 002 (Toronto Computer Services).
- 4 Navigate to the Tax frame.
- 5 Set the Taxable field to Yes.
- 6 Click Next and continue through the frames to exit.
- 7 If you are prompted to enter bank data, specify bank BOA and account type 10.

Enter a Purchase Order

- 1 In Purchase Order Maintenance (5.7), enter an order for supplier 002 (Toronto Computer Services).

Field	Data
Purchase Order:	500
Supplier:	002
Site:	10000

From the Site field, press Next until you reach the line item entry frame.

Field	Data
Ln:	1
Item Number:	486-66

Field	Data
Qty Ordered:	1
Unit Cost:	1,500.00

Go to the trailer frame. In the line item tax window, notice that the item tax class is blank. Item tax class does not default from the order tax class.

View/Edit Tax Detail: Yes

From View/Edit Tax detail, go to the tax detail frame. use the up and down arrows to scroll through the tax amounts. For this order, the taxable base is 100% of item cost.

Use the up and down arrows to view the tax detail lines.

The first tax amount is 105.00 CAN-GST. Check your Tax Detail Record and make sure you have the correct amount.

The second tax amount is 75.00 CAN-PST.

Set Up a Capped Tax Rate

- 1 In Tax Rate Maintenance (2.13.13.1), reset CAN-GST so that it applies only to the first 700.00 of the transaction amount. Locate the records by using the arrow keys. Ignore any warning messages when accessing the tax rates.

Field	Data
Tax Type:	CAN-GST
Effective Date:	Current Date
Tax Rate:	7.00%
Min. Taxable:	0.00
Max. Taxable:	700.00
Tax Method:	01
Sales Tax:	2400
Sales Tax Absorbed:	5959
AP Tax:	1400
AP Tax Retained:	2450

- 2 In Purchase Order Maintenance (5.7), review order 500. Go to the View/Edit Tax Detail frame and see the new CAN-GST amount of 49.00 because the transaction taxable base is now only 700.00.

Set up a Luxury Tax Rate

- 1 In Tax Rate Maintenance (2.13.13.1), reset CAN-GST so it is now a luxury tax that applies only to purchases in excess of 25,000.00. Locate the records by using the arrow keys. Ignore any warning messages when accessing the tax rates.

Field	Data
Tax Type:	CAN-GST
Tax Rate:	7.00%
Min. Taxable:	25,000.00

Field	Data
Max. Taxable:	999,999,999,999.99
Tax Method:	02

- 2 Review order 500 in Purchase Order Maintenance (5.7). Go to the View/Edit Tax Detail frame and see that the CAN-GST tax amount is now zero, as is your taxable base. Your computer is not a luxury purchase.

Set up Tax Bases

Reset CAN-GST and CAN-PST to illustrate two more taxable bases. Both of these require you to set up tax base records in addition to resetting the tax rate. In contrast to the first two taxable bases, most of the setup is in the tax base rather than in the tax rate.

- 1 In Tax Base Maintenance (2.13.1.13), set up a tax base for 40% of item cost. Assign this tax base to the CAN-GST tax rate.

Field	Data
Tax Base:	FA Sale
Description:	Fixed Asset Sales
Base Percent:	40.00%
Base Value:	Cost

- 2 Return to the tax base field and set up a second tax base for CAN-PST that includes CAN-GST as well as the item cost.

Field	Data
Tax Base:	GST/PST
Description:	GST Included in PST
Base Percent:	100.00%
Base Value:	Cost

- 3 Go on to the next frame. The second tax is a tax-on-tax base for CAN-PST. In this frame, enter CAN-GST as the tax type included in the tax base.

Field	Data
Line:	1
Tax Type:	CAN-GST

- 4 Save the tax type and exit Tax Base Maintenance.

Set Up Tax Rates for the Tax Bases

- 1 In Tax Rate Maintenance (2.13.13.1), reset the tax rate for CAN-GST. Locate the records by using the arrow keys. Ignore any warning messages when accessing the tax rates.

Field	Data
Tax Type:	CAN-GST
Tax Base:	FA Sale
Min. Taxable:	0.00
Max. Taxable:	999,999,999,999.99

Field	Data
Tax Method:	01
Sales Tax:	2400
Sales Tax Absorbed:	5959
AP Tax:	1400
AP Tax Retained:	2450

- 2 Reset the rate for CAN-PST. Locate the records by using the arrow keys. Ignore any warning messages when accessing the tax rates.

Field	Data
Tax Type:	CAN-PST
Tax Base:	GST/PST
Min. Taxable:	0.00
Max. Taxable:	999,999,999,999.99
Tax Method:	01

- 3 In Purchase Order Maintenance (5.7), review order 500 again. Go to the View/Edit Tax Detail frame and see the new CAN-GST and CAN-PST amounts. The total tax amounts should now be:

CAN-GST:	42.00
CAN-PST:	77.10
Total Taxes:	119.10

Use the up and down arrows to scroll through the tax amounts. The first tax amount is 42.00 CAN-GST. The line item's Taxable Base is 600.00 (40% of 1,500.00, the line item cost), as specified by tax base FA in the tax rate record for CAN-GST. The system calculated the Tax Amt by multiplying the 600.00 taxable base by the 7.00% tax rate.

The second tax amount is 77.10 for CAN-PST. Notice that the Taxable Base is now 1,542.00 (1,500.00 line item cost plus 42.00 CAN-GST). The system calculated the Tax Amt by multiplying the 1,542.00 taxable base by 5.00%.

- 4 In Tax Rate Maintenance (2.13.13.1), reset the Tax Base field back to blank for CAN-GST and CAN-PST. Locate the records by using the arrow keys. Ignore any warning messages when accessing the tax rates. This step re-initializes the tax rate record so the remaining exercises will work.

Trailer Charge Taxes

Typical Tax Applications

- ✓ Taxable Bases
- ✓ Trailer Charge Taxes
 - Retained Taxes
 - Tax Point Timing
 - Recoverable Taxes
 - Included Taxes
 - Discounted Taxes
 - Tax Exemptions



GTM-03-0640

Trailer charges are add-on amounts such as freight, handling, and special services. They are independent of the sales order line items. Trailer charges can be recorded on all sales transactions.

Trailer Charge Taxes

Trailer Charge Taxes: 7.1.1 Sales Order Maintenance

Sales Order Maintenance

Go To Actions Copy Print Preview Attach

Attachments

Header Lines Trailer

Trailer Tax Info Trailer Information

Header

Order: 700 Sold-To: 001 Bill To: 001 Ship-To: 001

Trailer

Non-Taxable: 100.00

Currency: USD

Line Total: 2,500.00

Taxable: 2,500.00

Discount: 0.00

Tax Date:

Service 10 0.00

Containers: 0.00

Freight Non-Taxable 20 0.00

Line Charges: 0.00

Special 30 100.00

Total Tax: 305.00

Total: 2,905.00

View/Edit Tax Detail:

Trailer Information

CR Initials:

Print Sales Order:

AR Acct: 1200

Credit Card:

Print Pack List:

Prepaid: 0.00

Action Status:

Print Inv Hist:

FOB Point:

Revision: 0

EDI Inv Hist:

Ship Via: FedEx

EDI PO Ack:

Partial OK:

Bill Of Lad:

QAD

GTM-03-0650

The header tax environment determines the applicable tax types for trailer charges, such as freight. Tax rates are determined by the trailer charge tax class, the header tax usage, and tax date. Sometimes a trailer charge is always taxed the same way. The charge is either taxable or exempt for all tax types. The same tax rates apply to all orders regardless of customer or supplier tax class.

Trailer Code Maintenance

2.19.13 – Trailer Code Maintenance



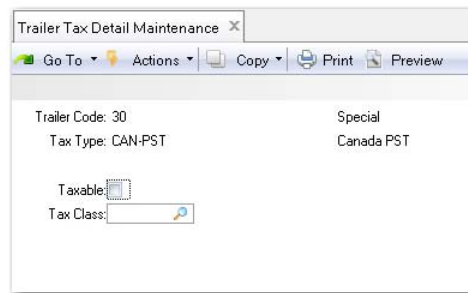
GTM-03-0660

Set up trailer codes before setting up trailer charge taxes. Use Trailer Code Maintenance (2.19.13) to set up, verify, and update trailer codes.

Check the taxable status and tax class for existing trailer codes. For more precise tax exemption reporting, set Taxable to Yes even for tax-exempt trailer charges.

Trailer Tax Details

2.13.1.21 – Trailer Tax Detail Maintenance




GTM-03-0670

Sometimes trailer charges are taxed differently based on the conditions of the order.

- Trailer status can vary by tax type
 - For example, freight might be exempt from local tax but still subject to state tax
- Tax rates can vary by trailer charge tax class or order tax usage
 - The state tax on freight might be 5% for most customers but only 2% for value-added resellers

To support exception conditions, set up trailer tax detail records in addition to trailer codes. In Trailer Tax Detail Maintenance (2.13.1.21), specify the tax type or tax type/tax class combination that is taxed differently.

You can set up an unlimited number of trailer tax detail records. It is highly recommended that you set up records only for the exceptions. It is easier to maintain taxes if you keep details to a minimum. If a trailer charge is normally taxable, set up records only for the instances which it is exempt.

Different Tax Status

2.13.1.21 – Trailer Tax Detail Maintenance

2.19.13 Trailer Code Maintenance

Trailer Code: 11

Taxable: Yes

2.13.1.21 Trailer Tax Detail Maintenance

Trailer Code: 11

Tax Type: CAN-GST

Taxable: No

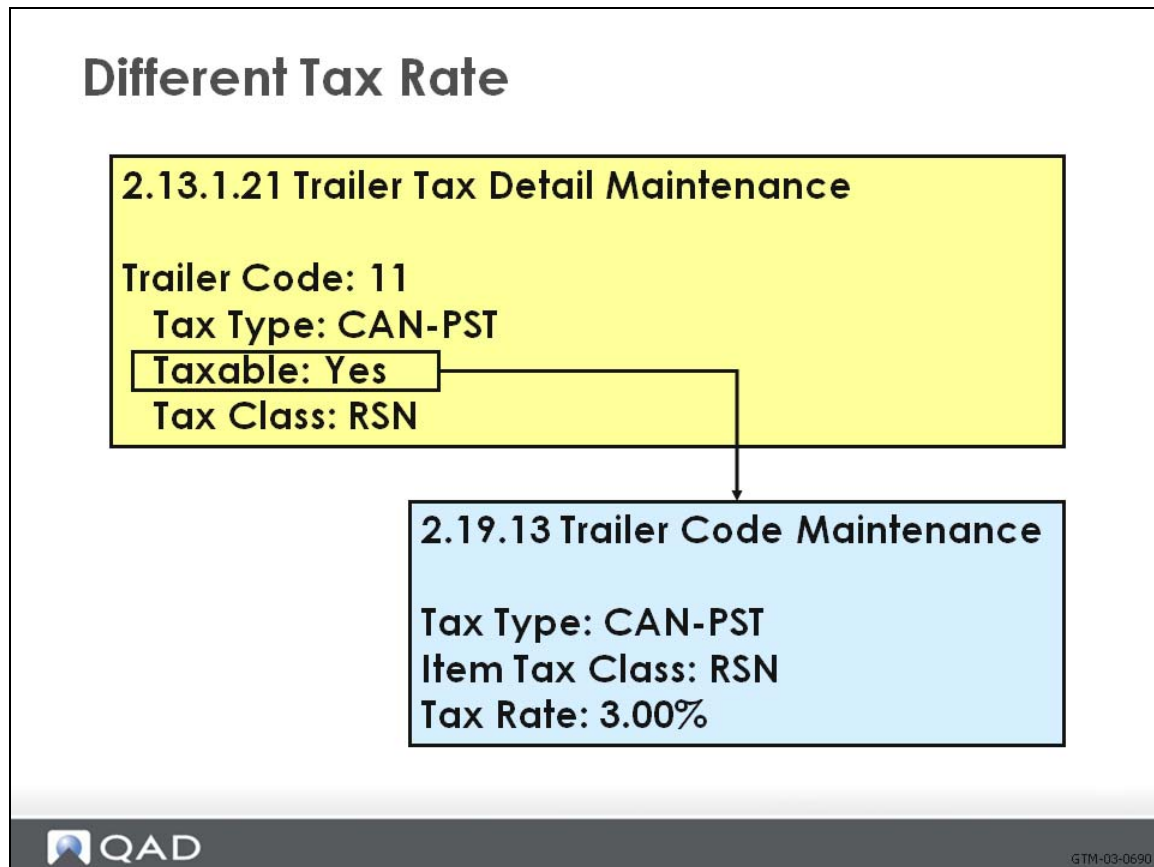


GTM-03-0580

In this example, trailer code 11 is normally taxable. However, for tax type CAN-GST, trailer code 11 is exempt from tax.

Set up a record for this exception condition in Trailer Tax Detail Maintenance (2.13.1.21). In this record, the taxable status is No for tax type CAN-GST. On orders whose tax environment includes tax type CAN-GST, the trailer charge is not subject to CAN-GST.

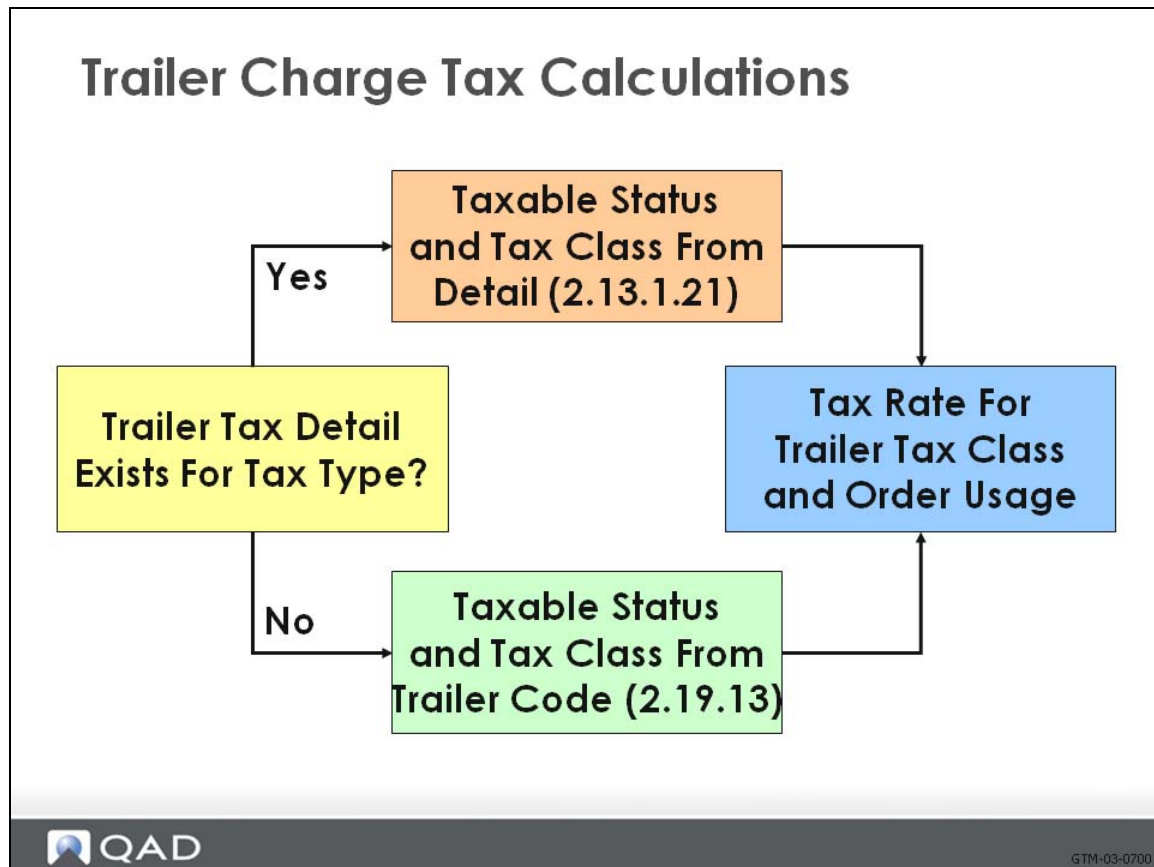
Different Tax Rate



In this example, trailer code 11 has a special rate of 3.00% for tax type CAN-PST, customer tax class RSN. Set up the detail record for the tax type and tax class in Trailer Tax Detail Maintenance (2.13.1.21). Then, set up the special rate for the type and class in Tax Rate Maintenance (2.13.13.1).

Note In Tax Rate Maintenance (2.13.1.21), Item Tax Class also denotes trailer charge tax class.

Trailer Charge Tax Calculations



For each trailer charge and tax type, the system first identifies the taxable status and tax class. In most cases, this information comes from the Trailer Code Record (2.19.13). However, if a trailer charge tax detail record exists for the tax type, the taxable status and tax class will come from the detail.

After determining the taxable status and tax class, the system then identifies the tax rate. The system looks for a rate that matches the trailer charge tax class, the order tax usage, and the order tax effective date.

Note If using freight lists, a freight list can have only one trailer code. So you need to define two freight list for each code, one taxable and one non-taxable.

Exercise: Trailer Charge Taxes

In this exercise, set up trailer tax details, a tax rate and enter a sales order. Use the following exercises, or try your own. Consider what kind of trailer charge taxes your business uses on sales orders.

Process a sales order for a computer and an installation charge. The computer is subject to 7% CAN-GST and 5% CAN-PST. However, the installation charge is subject to only 5% CAN-GST and exempt from CAN-PST. Before processing the sales order, set up special tax records for installation charges.

Complete the exercise in the domain, United States.

Set Up a Tax Class for Taxable Resellers

- 1 In Tax Class Maintenance, create a tax class for taxable resellers, RSE.

Field	Data
Tax Class:	RSE
Description:	Taxable Resellers

Set up Trailer Tax Details

- 2 Set up two records in Trailer Tax Detail Maintenance (2.13.1.21). First, set up the detail record for CAN-GST. This record supports the special CAN-GST tax rate for taxable resellers.

Field	Data
Trailer Code:	30
Tax Type:	CAN-GST
Taxable:	Yes
Tax Class:	RSE

During sales order entry, the tax class is the detail record helps determine the tax rate for the trailer charge.

- 3 Next, enter a second detail record. This record exempts all customers from paying CAN-PST on the installation charge.

Field	Data
Trailer Code:	30
Tax Type:	CAN-PST
Taxable:	No

Set up a Tax Rate

- 4 Set up the special CAN-GST rate for the installation charge in Tax Rate Maintenance (2.13.13.1).

Field	Data
Tax Type:	CAN-GST
Item Tax Class:	RSE

From the Effective date field, press Next three times. QAD Enterprise Applications automatically assigns the next available tax code to the tax rate.

Field	Data
Description:	Canada GST - Special
Tax Rate:	5.00%

Check the Customer's Taxable Status

- 5 In Customer Maintenance, open the record for customer 001 (PEI Computers Ltd.).
- 6 Navigate to the Tax frame.
- 7 Set the Taxable status to Yes.
- 8 If you are prompted to enter bank details in the Bank Accounts frame, specify BOA as the bank and 10 as the account type.
- 9 Click Next and navigate through the frames to exit the screen.

Create a Sales Order

- 10 Enter a sales order for customer 001 (PEI Computers Ltd.) in Sales Order Maintenance (7.1.1).

Field	Data
Order:	700
Sold-To:	001
Site:	10000

Important In the Details frame, change the site to 10000 to ensure the order is assigned the correct tax environment (USA/CANADA).

Enter an item in the line item entry frame.

Field	Data
Ln:	1
Item Number:	486-66
Qty Ordered:	1
Price:	2,500.00

Go to the trailer frame and specify the installation charge. Ignore the Freight Charge error.

Field	Data
TAX-SPECIAL 30:	100.00
View/Edit Tax Detail:	Yes

The tax amounts for this order should be:

CAN-GST:	175.00
CAN-PST:	125.00
CAN-PST Tx Class RSE:	0.00
CAN-GST Tx Class RSE:	5.00
Total Taxes:	305.00

Use the up and down arrows to scroll through the tax amounts. All Line 1 tax amounts are for item 486-66. All Line 99999, Trailer 30 amounts are for the installation charge.

The first amount should be 175.00 CAN-GST for item 486-66.

The second tax amount should be 125.00 CAN-PSt on item 486-66.

The third amount should be 0.00 CAN-PST on the installation charge. The system used the trailer tax detail record for CAN-PST to determine that the installation was exempt from tax.

The last amount should be 5.00 CAN-GST for the installation charge. The system used the trailer tax detail record for CAN-GST, order tax class RSE to select the special 5.00% tax rate.

Retained Taxes

Typical Tax Applications

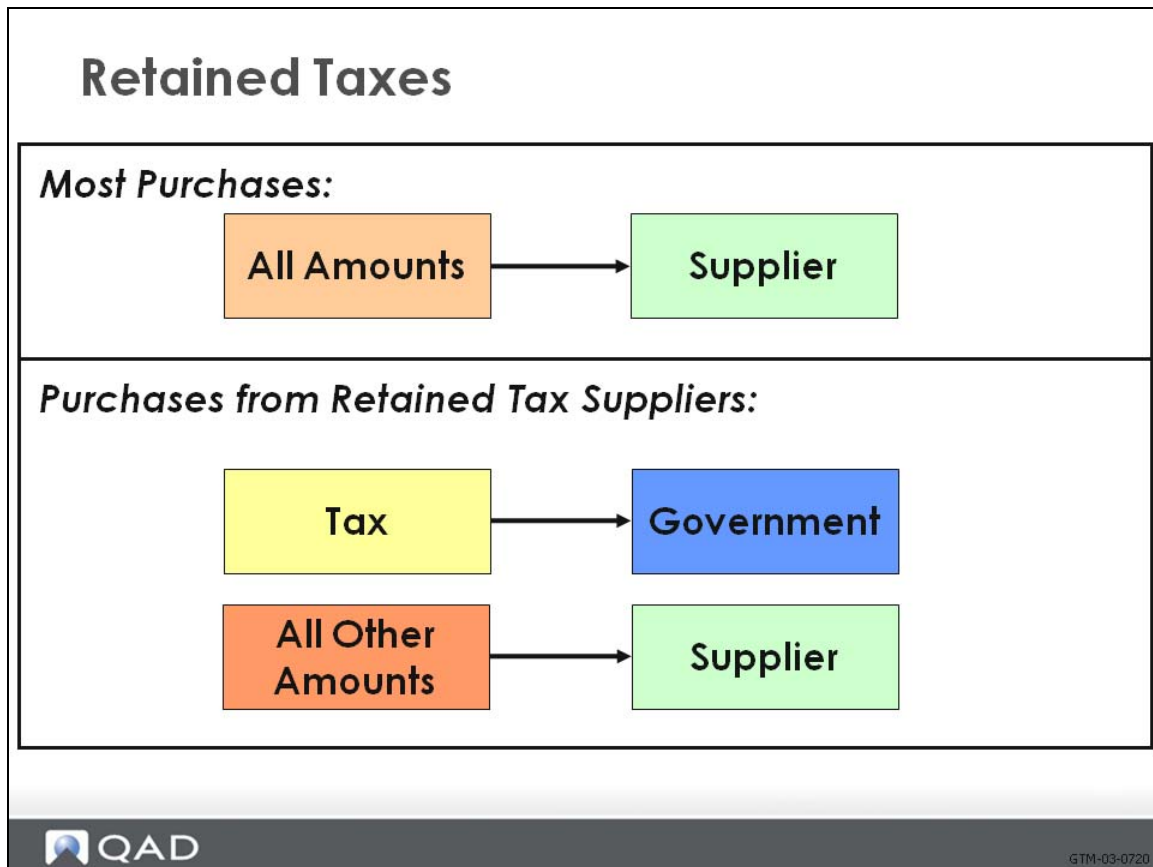
- ✓ Taxable Bases
- ✓ Trailer Charge Taxes
- ✓ Retained Taxes
- Tax Point Timing
- Recoverable Taxes
- Included Taxes
- Discounted Taxes
- Tax Exemptions



GTM-03-0710

A retained tax is a tax you pay directly to the government instead of to the supplier. On purchase orders, your company pays the supplier the purchase amount exclusive of tax. Your company keeps the tax amount until the end of the reporting period. At that time, you pay the government the retained tax for all orders during the period.

Retained Taxes



In order to use retained taxes, set the field to the right of the AP Retained Tax Acct/CC field to Yes, in Tax Rate Maintenance

AP Retained Tax GL Entries

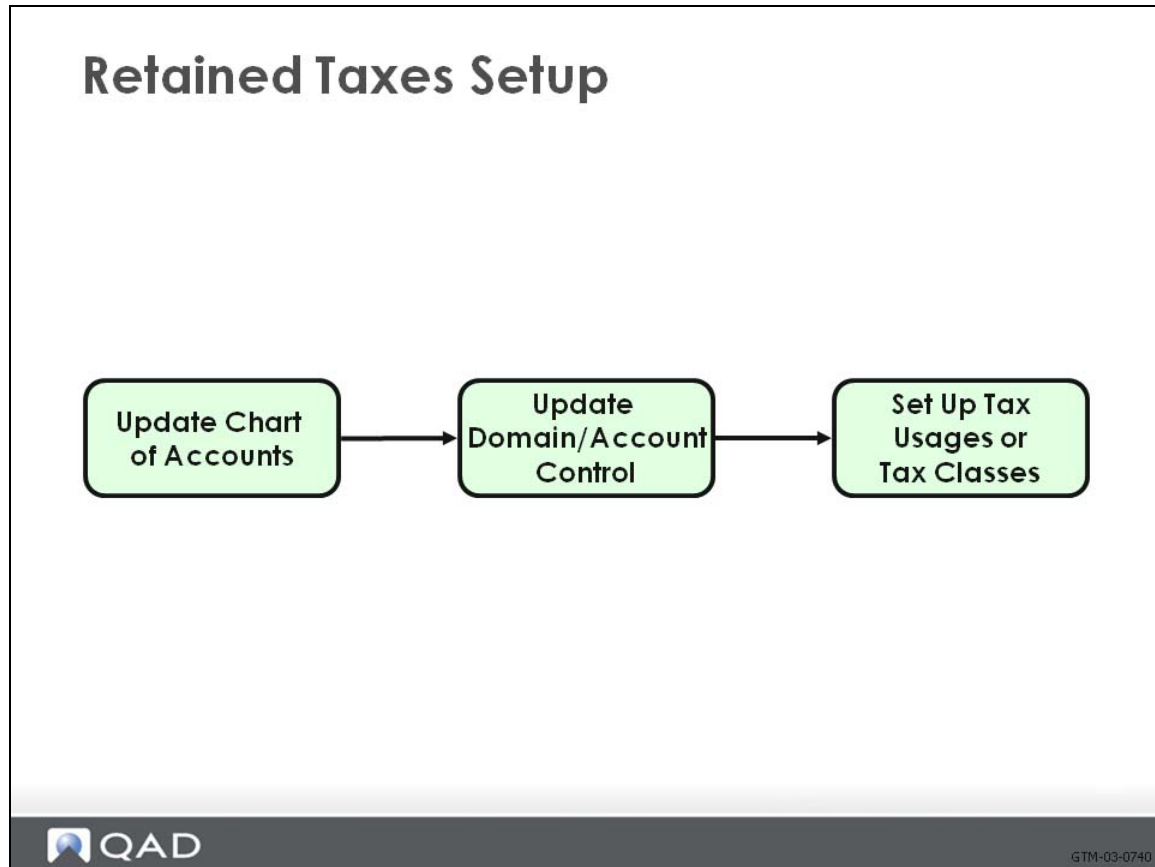
AP Retained Tax GL Entries								
Example: PO Line item amount = \$100.00 Retained Tax amount = \$ 10.00								
PO Receipt:								
<table> <tr> <th>Inventory</th><th>Purchase Price Var.</th><th>PO Receipts</th></tr> <tr> <td>100</td><td>10</td><td>110</td></tr> </table>	Inventory	Purchase Price Var.	PO Receipts	100	10	110		
Inventory	Purchase Price Var.	PO Receipts						
100	10	110						
AP Voucher:								
<table> <tr> <th>PO Receipts</th><th>Accounts Payable</th><th>AP Tax Retained</th></tr> <tr> <td>110</td><td>100</td><td>10</td></tr> </table>	PO Receipts	Accounts Payable	AP Tax Retained	110	100	10		
PO Receipts	Accounts Payable	AP Tax Retained						
110	100	10						

AP Retained Tax has its own general ledger account. Specify a different account for each retained tax rate in Tax Rate Maintenance (2.13.13.1).

In this example, a purchase order has a line-item amount of 100.00 and a retained tax amount of 10.00. At purchase order receipt, the system debits the tax to Purchase Price Variance and credits it to Purchase Order Receipts. The line item amount debits Inventory and credits Purchase Order Receipts.

When the AP voucher is confirmed for this purchase order, the system debits the tax to Purchase Order Receipts and credits it to AP Retained Tax. It debits the line item amount to Purchase Order Receipts and credits it to Accounts Payable.

Retained Taxes Setup

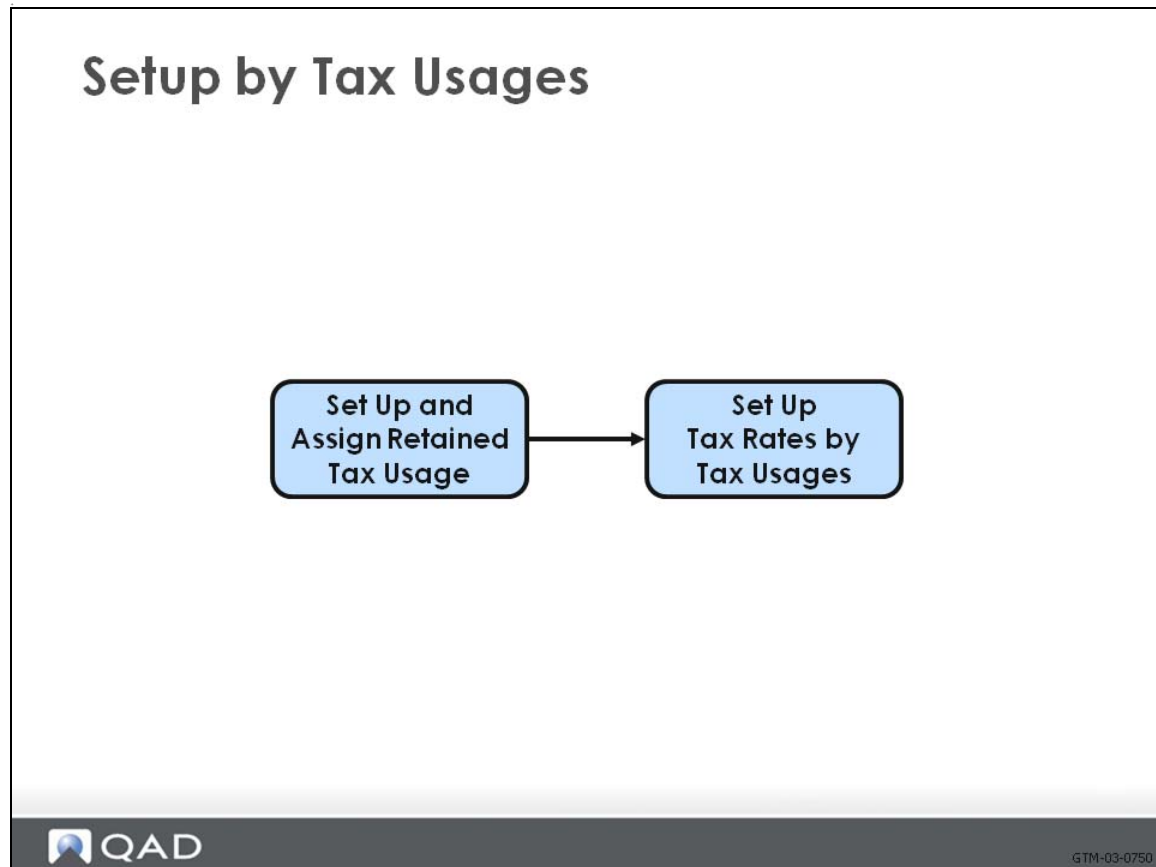


To setup retained taxes:

- Add an AP Tax Retained account to your chart of accounts
 - Account Code Maintenance (25.3.13)
 - To simplify tax rate setup, specify the default AP Tax Retained account, sub-account, and cost center in Domain/Account Control (36.1)
- Set up Tax Usages or Tax Classes

Note Setup is easier for usage codes, but circumstances may require you to use supplier tax class codes. You can use tax usages only if you won't need them for other tax reporting. This is because each supplier can have only one usage code. For example, if your retained tax supplier is also a recoverable tax supplier, you would need the usage code for recoverable tax reporting. So you would set up a class code for retained tax reporting.

Setup Tax Usages

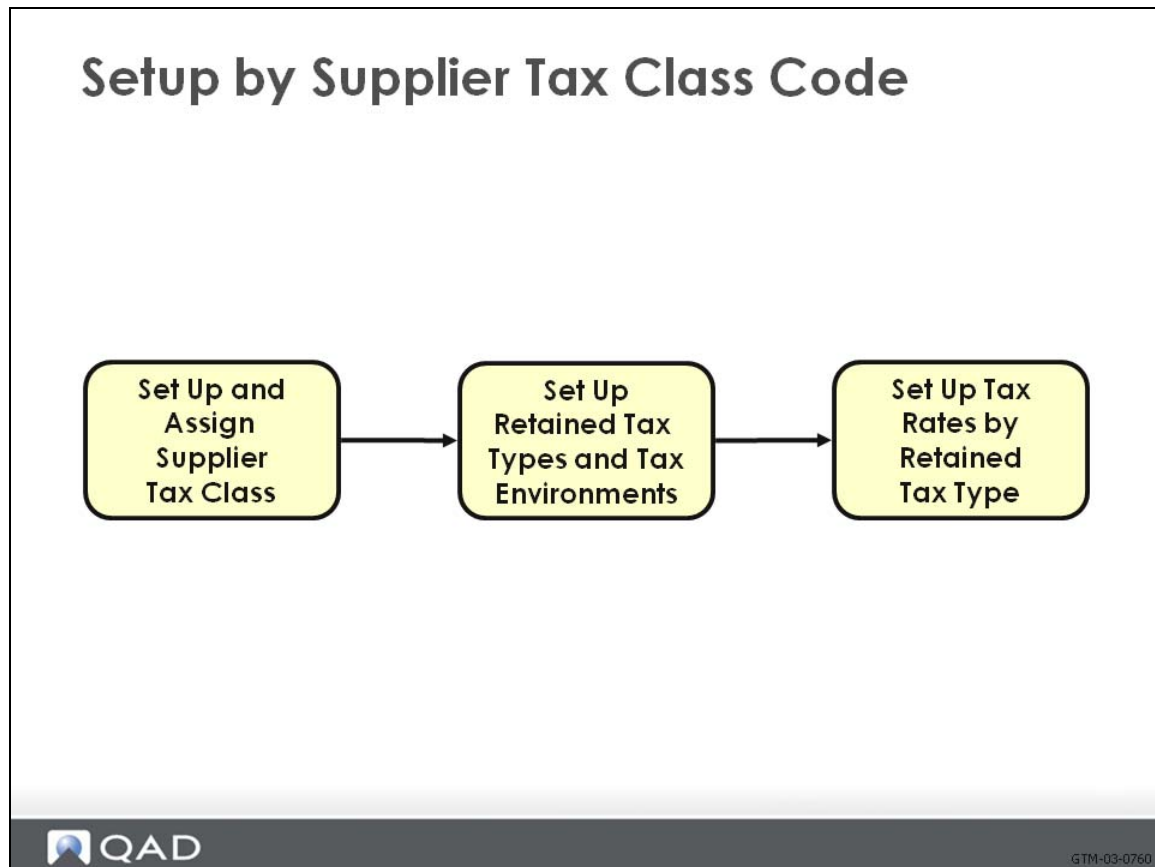


The setup for tax usage code is:

- 1 Set up the tax usage code for retained tax in Tax Usage Maintenance (2.13.1.9)
- 2 Assign the usage code to each retained tax supplier in Supplier Maintenance (2.3.1)
- 3 For every tax environment with retained tax suppliers, identify the tax types and set up tax rate records by usage code in Tax Environment Maintenance (2.13.5.1)
Set up each rate as a retained tax by setting the AP Retained Tax field to Yes in Tax Rate Maintenance (2.13.13.1)

Note Tax rate records should use tax method 01 for retained taxes.

Setup by Supplier Tax Class Code



The setup for tax class codes is:

- 1 Set up the tax class code for retained tax suppliers in Tax Class Maintenance (2.13.1.5)
- 2 Assign the class code to all retained tax suppliers in Supplier Maintenance (2.3.1)
- 3 Set up tax type codes for every tax that affects a retained tax supplier in Tax Type Maintenance (2.13.1.1)
You will always need one tax type for retained and another for non-retained
- 4 Set up tax environments by supplier tax class and assign the retained tax types to these environments in Tax Environment Maintenance (2.13.5.1)
- 5 For each retained tax type, set up tax rate records that mirror your regular rates except for the retained tax data

Exercise: Retained Tax

In this exercise, practice the retained tax setup by supplier tax class. Set up a tax class for retained tax suppliers. Also set up a special tax type and tax environment for retained CAN-GST. At the end of the exercise, enter a purchase order for the supplier. This order will have both the retained CAN-GST plus a non-retained tax so you can see how the system displays each tax differently.

Use the following exercises or try your own. Consider what kind of retained taxes your company would use. Would you need a supplier tax class, tax type and environment?

Complete the exercise in the domain, United States.

Set up a Supplier Tax Class

- 1 In Tax Class Maintenance (2.13.1.5), set up a tax class for retained tax suppliers. Use this code when you set up the tax rate for CAN-GST.

Field	Data
Tax Class:	RET
Description:	Retained Tax Suppliers

Set up a Tax Type

- 2 In Tax Type Maintenance (2.13.1.1), set up a new tax type for retained CAN-GST. You must set up separate tax type whenever tax rates vary by supplier tax class.

Field	Data
Tax Type:	CAN-GST/RET
Description:	Retained Tax

Set up a Tax Environment

- 3 In Tax Environment Maintenance (2.13.5.1), set up the tax environment for retained tax suppliers.

Field	Data
Tax Environment:	USA-CAN/RET
Description:	Retained Tax

- 4 Go to the next frame and enter the ship-from and ship-to zones and the supplier tax class.

Field	Data
Ship-From Zone:	CAN
Ship-To Zone:	USA
TxC:	RET

- 5 Go to the next frame and enter the tax types for the tax environment.

Field	Data
<u>Tax Type 1</u>	
Tax Type:	CAN-GST/RET
Sq:	1

Field	Data
R:	2

Tax Type 2

Tax Type:	CAN-PST
Sq:	2
R:	2

Set up a Tax Rate

- 6** In Tax Rate Maintenance (2.13.13.1), set up the tax rate record for CAN-GST/RET. Do not enter supplier tax class RET as the item tax class. Tax rates can only be set up by item or trailer charge tax class, not by supplier tax class.

Field	Data
Tax Type:	CAN-GST/RET

- 7** From the Tax Type field, press Next three times. The system automatically assigns the next available tax code to the tax rate.

Field	Data
Description:	Retained CAN-GST
Tax Rate:	7%
AP Tax Retained:	2450 Yes

The Yes/No field next to AP Tax Retained activates the tax rate record for retained tax reporting.

Enter a Purchase Order

- 8** In Purchase Order Maintenance (5.7), enter an order for supplier 002 (Toronto Computer Services).

Field	Data
Purchase Order:	510
Supplier:	002
Site:	10000

- 9** In the pop-up tax window, enter:

Field	Data
Tax Environment:	USA-CAN/RET
Tax Class:	RET
Ln:	1

- 10** In the line entry frame, enter an item:

Field	Data
Item Number:	486-66
Qty Ordered:	1
Unit Cost:	1,500.00

Go to the trailer frame. In the line item tax window, notice that the item tax class is blank. This is because the tax class from item 486-66 is blank. Item tax class does not come from the header tax window.

View/Edit Tax Yes
Detail:

Use the up and down arrows to scroll through the tax amounts. The total tax for this order should be as follows:

CAN-GST/RET:	105.00
CAN-PST:	75.00
Total Taxes:	180.00

The first amount should be 75.00 CAN-PST. Notice that Absorb/Retain is 0.00. CAN-PST is not set up as a retained tax.

The second amount should be 105.00 CAN-GST/RET. Notice that the Absorb/Retain amount is now 105.00. The retained tax is displayed as a negative (credit) amount. The system credits this amount to AP Tax Retained when you confirm the accounts payable voucher.

Tax Point Timing of Goods Receipt

Typical Tax Applications

- ✓ Taxable Bases
- ✓ Trailer Charge Taxes
- ✓ Retained Taxes
- ✓ Tax Point Timing
- Recoverable Taxes
- Included Taxes
- Discounted Taxes
- Tax Exemptions

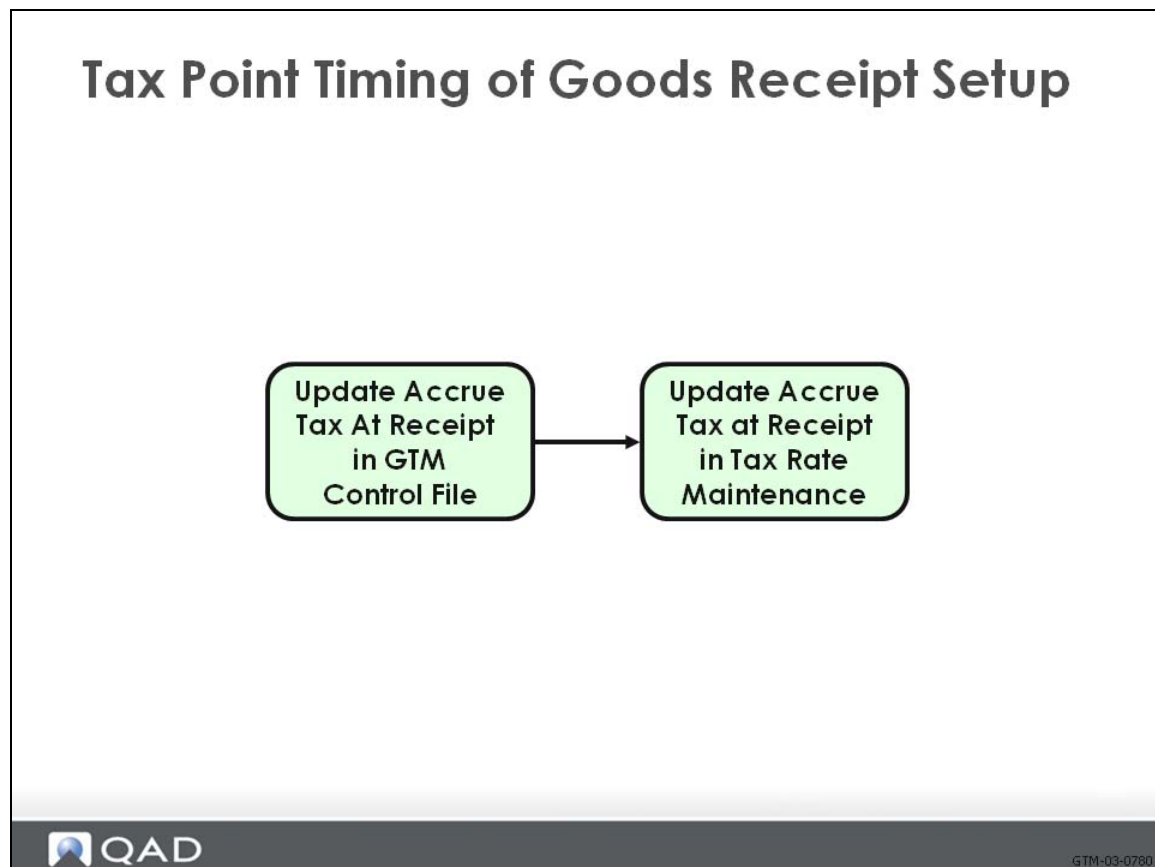


GTM-03-0770

The tax point is when your company is subject to tax on purchases. This point is determined by accounting and legal regulations. In some countries, you are taxed when you receive the goods; in others, when you receive the supplier invoice. Tax point timing is especially critical in countries with recoverable taxes on purchases. Generally, you are not allowed to deduct recoverable taxes on purchases against tax collected on sales until you have formally processed the supplier invoice.

The tax point determines when the system creates general ledger (GL) entries for tax amounts and how item costs and variances absorb taxes. The tax point does not affect tax calculations on orders, receipts, and vouchers. These transactions will still display tax amounts regardless of when the system creates the GL entries.

Tax Point Timing of Goods Receipt Setup



The Accrue Tax at Receipt setting in GTM Control (2.13.24) determines the default tax point (goods receipt or voucher confirmation) when you define tax rates used for purchasing and accounts payable processing. You can later override this default setting while defining individual tax rates.

If your tax point is goods receipt, you probably do not have to do anything, since the default tax point is goods receipt.

Global Tax Management Control

2.13.24 – Global Tax Management Control

Global Tax Management Contr... x

Go To Actions Copy Print Preview

Tax Zone: USA

Tax Environment: USA

Country Code: usa

Rounding Method: 2

Tax Method: 01

Tax-By-Line: ☒

Accrue Tax at Receipt: ☒

Accrue Tax at Usage: ☐

Discount Tax at Invoice: ☐

Discount Tax at Payment: ☐

Update Tax Allowed: ☐

Update History Allowed: ☐

Keep Tax History: ☒

Validate VAT Registration: ☐

Print VAT Registration: ☐

Display Detail on Reports: ☒

Display Taxable/Non-Taxable on Trailer: ☐

Last Tax Code: 2

**Yes for accrual at receipt
No for accrual at voucher
confirmation**

- 1 Set Accrue Tax at Receipt to No for accrual at voucher confirmation, or Yes for accrual at receipt.

Tax Rate Maintenance

2.13.13.1 – Tax Rate Maintenance

Tax Type: CAN-GST
 Item Tax Class: MED
 Tax Usage:
 Effective Date: 5/14/2010

Tax Code: 1
 Description: CAN-GST, Medicine
 Tax Rate: 0.00%
 Tax-By-Line: ☒
 Tax Base:

Minimum Taxable Amount: 0.00
 Maximum Taxable Amount: 999,999,999.99
 Percent Recoverable: 0.00%
 Tax Method: 01
 Update Tax Allowed: ☐
 Allow Tax Included: ☐
 EC Sales List: ☐
 EC Process Work: ☐
 Sales Tax Account: 2400
 Sales Tax Absorbed: 5950
 AP Tax Account: 1400
 AP Tax Retained: 2450

Expiration Date:
 Accrue Tax at Receipt: ☒
 Accrue Tax at Usage: ☐
 Discount Tax at Invoice: ☐
 Discount Tax at Payment: ☐
 Comments:

Accrue Tax at Receipt

For each affected tax rate record, using Tax Rate Maintenance (2.13.13.1) set Accrue Tax at Receipt to No for accrual at voucher confirmation or Yes for accrual at receipt. VAT type taxes are usually accrued at the time the voucher is confirmed.

GL Entries by Tax Point

GL Entries by Tax Point		
Cost System at Site	Tax Amount	Taxable Amount
Standard or Average	Recoverable or Non-recoverable	Inventory Items Memo Items Purchase Price Variances* AP Rate Variances AP Usage Variances Returned Items
* Standard Cost Only		

During transaction processing, the tax point determines when the system accrues tax amounts. When the tax point is goods receipt, the system creates general ledger (GL) entries for tax amounts when you record the receiving transaction. When the tax point is invoice receipt, the system creates the GL tax entries later, when you enter a confirmed voucher or confirm an existing voucher. The tax point also affects the accounts for the GL entries.

For each tax point, the exact GL entries vary based on elements such as inventory items, memo items and so on. The following sections for standard costing and average costing illustrate tax accruals in more detail.

GL Entries for Items (Standard Cost, Recoverable Tax)

GL Entries for Inventory Items (Standard Cost, Recoverable Tax)					
Tax Accrual at Goods Receipt			Tax Accrual at Invoice Receipt		
Goods Receipt: Entries created for received item cost (1) and tax (2)			Goods Receipt: Entries created for received item cost (1) but not for tax		
Inventory	Purchase Order Receipts	Purchase Price Variance	Inventory	Purchase Order Receipts	
100.00	① 100.00	10.00 ②	100.00	① 100.00	
	② 10.00				
Voucher Confirmation: Entries created for item cost (3) and tax (4)			Voucher Confirmation: Entries created for item cost (2) and tax (3)		
Purchase Order Receipts	Accounts Payable		Purchase Order Receipts	Accounts Payable	Purchase Price Variance
100.00 ③	③ 100.00		100.00 ②	② 100.00	10.00 ③
10.00 ④	④ 10.00			③ 10.00	

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; for Global Tax Management, they update the AP Tax account for the tax rate. For recoverable taxes, the tax point is normally invoice receipt. However, these examples show the entries for both tax points.

GL Entries for Purchase Price Variance (Standard Cost, Recoverable Tax)

GL Entries for Purchase Price Variance (Standard Cost, Recoverable Tax)									
Tax Accrual at Goods Receipt					Tax Accrual at Invoice Receipt				
Goods Receipt: Entries created for received item cost(1), variance(2) & tax on item cost + variance (3)					Goods Receipt: Entries created for received item cost (1) and variance (2) but not for tax				
Inventory		PO Receipts	Purchase Price Variance	AP Tax Recoverable	Inventory		PO Receipts	Purchase Price Variance	
100.00	①	① 100.00	25.00	① 12.50	100.00	①	① 100.00	25.00	②
		② 25.00					② 25.00		
		③ 12.50							
Voucher Confirmation: Entries created for item cost (4), variance (5), and tax (6)					Voucher Confirmation: Entries created for item cost (3), variance (4), and tax on item cost + variance (5)				
		PO Receipts	Accounts Payable				PO Receipts	Accounts Payable	AP Tax Recoverable
		100.00	④ 100.00				③ 100.00	12.50	⑤
		25.00	⑤ 25.00				④ 25.00		
		12.50	⑥ 12.50				⑤ 12.50		

Three kinds of variances occur during the purchasing/accounts payable cycle: purchase price variance, AP usage variance, and AP rate variance.

- Purchase Price Variance
 - Occurs when an inventory item's PO cost does not match its GL cost
 - Variance does not occur for memo items, which have no standard cost

This illustration shows the GL entries for purchase price variance. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or invoice receipt.

GL Entries for AP Rate Variance (Standard Cost, Recoverable Tax)

GL Entries for AP Rate Variance (Standard Cost, Recoverable Tax)									
Tax Accrual at Goods Receipt					Tax Accrual at Invoice Receipt				
Goods Receipt: Entries created for received item cost (1) and tax (2)					Goods Receipt: Entries created for received item cost (1) but not for tax				
Inventory		PO Receipts		AP Tax Recoverable	Inventory		PO Receipts		
100.00	①	①	100.00	10.00	②	100.00	①	100.00	
		②	10.00						
Voucher Confirmation: Entries created for item cost (4), variance (5), and tax (6)					Voucher Confirmation: Entries created for item cost (2), variance (3), tax on item cost (4) and tax on variance (5)				
PO Receipts		Accounts Payable		AP Rate Variance	PO Receipts		Accounts Payable		AP Rate Variance
100.00	③	③	100.00	30.00	④	100.00	②	100.00	30.00
10.00	⑤	④	30.00				③	30.00	
		⑤	10.00	AP Tax Recoverable			④	10.00	
		⑥	3.00	3.00	⑥		⑤	3.00	

- AP Rate Variance
 - Occurs when an item's invoice cost does not match its PO cost

This illustration and the next show GL entries for inventory items. 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 Accounts Payable Control (28.24) allows variances to update Expensed Item Receipts instead of the variance accounts.

GL Entries for AP Usage Variance (Standard Cost, Recoverable Tax)

GL Entries for AP Usage Variance (Standard Cost, Recoverable Tax)									
Tax Accrual at Goods Receipt					Tax Accrual at Invoice Receipt				
Goods Receipt: Entries created for received item cost (1), and tax (2)					Goods Receipt: Entries created for received item cost (1) but not for tax				
Inventory		PO Receipts		APTax Recoverable	Inventory		PO Receipts		
100.00	①	① 100.00		10.00	②	100.00	① 100.00		
		② 10.00							
Voucher Confirmation: Entries created for item cost (4), variance (5), and tax (6)					Voucher Confirmation: Entries created for item cost (2), variance (3), tax on item cost (4) and tax on variance (5)				
	PO Receipts	Accounts Payable		AP Usage Variance		PO Receipts	Accounts Payable	AP Usage Variance	APTax Recoverable
	100.00	③ 100.00		40.00	④	100.00	② 100.00	40.00	③ 10.00
	10.00	④ 40.00					③ 40.00		④ 4.00
		⑤ 10.00					④ 10.00		
		⑥ 4.00					⑤ 4.00		
				4.00	⑥				

- AP Usage Variance occurs when an item's invoice quantity does not match its PO quantity and you close the receiver line in the voucher.

GL Entries for Memo Items (Standard Cost, Recoverable Tax)

GL Entries for Memo Items (Standard Cost, Recoverable Tax)					
Tax Accrual at Goods Receipt			Tax Accrual at Invoice Receipt		
Goods Receipt: Entries created for received item cost (1) and tax (2)			Goods Receipt: Entries created for received item cost (1) but not for tax		
Expensed Purchases		Expensed Item Receipts	AP Tax Recoverable	Expensed Purchases	Expensed Item Receipts
100.00 ①		① 100.00	10.00 ②	100.00 ①	① 100.00
		② 10.00			
Voucher Confirmation: Entries created for item cost (4), variance (5), and tax (6)			Voucher Confirmation: Entries created for item cost (2), variance (3), tax on item cost (4), and tax on variance (5)		
Expensed Item Receipts		Accounts Payable	Expensed Item Receipts	Accounts Payable	AP Tax Recoverable
100.00 ③		③ 100.00	100.00 ②	② 100.00	10.00 ③
10.00 ④		④ 10.00		③ 10.00	

Memo items are non-inventory items such as office supplies. By definition, such items have no standard cost. This illustration shows GL entries for memo items. The tax point determines whether the update to AP Tax Recoverable occurs at good receipt or invoice receipt.

GL Entries for Inventory Items (Standard Cost, Non-Recoverable Tax)

GL Entries for Inventory Items (Standard Cost, Non-Recoverable Tax)					
Tax Accrual at Goods Receipt			Tax Accrual at Invoice Receipt		
Goods Receipt: Entries created for received item cost (1) and tax (2)			Goods Receipt: Entries created for received item cost (1) but not for tax		
Inventory	Purchase Order Receipts	AP Tax Recoverable	Inventory	Purchase Order Receipts	
100.00 ①	① 100.00	10.00 ②	100.00 ①	① 100.00	
	② 10.00				
Voucher Confirmation: Entries created for item cost (3) and tax (4)			Voucher Confirmation: Entries created for item cost (2) and tax (3)		
Purchase Order Receipts	Accounts Payable		Purchase Order Receipts	Accounts Payable	AP Tax Recoverable
100.00 ③	③ 100.00		100.00 ②	② 100.00	10.00 ③
10.00 ④	④ 10.00			③ 10.00	

Non-recoverable purchase tax amount cannot be offset 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 the supplier and tax rate records are set up to support this. This illustration and the following three show the GL entries if taxes were not included.

This illustration shows the GL entries for purchases of inventory items, illustrating what happens at both tax points.

GL Entries for Purchase Price Variance (Standard Cost, Non-Recoverable Tax)

GL Entries for Purchase Price Variance (Standard Cost, Non-Recoverable Tax)									
Tax Accrual at Goods Receipt					Tax Accrual at Invoice Receipt				
Goods Receipt: Entries created for received item cost (1), variance (2), and tax on item cost + variance (3)					Goods Receipt: Entries created for received item cost (1) and variance (2), but not for tax				
Inventory		Purchase Order Receipts		Purchase Price Variance	Inventory		Purchase Order Receipts		Purchase Price Variance
100.00	①	① 100.00		25.00 ②	100.00	①	① 100.00		25.00 ②
		② 25.00		12.50 ③		②	② 25.00		
		③ 12.50							
Voucher Confirmation: Entries created for item cost (4), variance (5), and tax (6)					Voucher Confirmation: Entries created for item cost (3), variance (4), and tax on item cost + variance (5)				
		Purchase Order Receipts		Accounts Payable			Purchase Order Receipts		Accounts Payable
		100.00 ④		④ 100.00			100.00 ③		③ 100.00
		25.00 ⑤		⑤ 25.00			25.00 ④		④ 25.00
		12.50 ⑥		⑥ 12.50					⑤ 12.50

Purchase Price Variance occurs when an inventory item's PO cost does not match its GL cost.

GL Entries for AP Rate Variance (Standard Cost, Non-Recoverable Tax)

GL Entries for AP Rate Variance (Standard Cost, Non-Recoverable Tax)									
Tax Accrual at Goods Receipt					Tax Accrual at Invoice Receipt				
Goods Receipt: Entries created for received item cost (1) and tax (2)					Goods Receipt: Entries created for received item cost (1) but not for tax				
Inventory		PO Receipts		Purchase Price Variance	Inventory		PO Receipts		
100.00	①	①	100.00	10.00	②	100.00	①	100.00	
		②	10.00						
Voucher Confirmation: Entries created for item cost (3), variance (4), tax on item cost (5), and tax on variance (6)					Voucher Confirmation: Entries created for item cost (2), variance (3), tax on item cost (4) and tax on item cost + variance (5)				
		PO Receipts	Accounts Payable	AP Rate Variance			PO Receipts	Accounts Payable	AP Rate Variance
100.00	③	③	100.00	30.00	④	100.00	②	②	100.00
10.00	⑤	④	30.00	3.00	⑥		③	30.00	3.00
		⑤	10.00				④	10.00	
		⑥	3.00				⑤	3.00	

AP Rate Variance occurs when an item's invoice cost does not match its PO cost.

GL Entries for AP Usage Variance (Standard Cost, Non-Recoverable Tax)

GL Entries for AP Usage Variance (Standard Cost, Non-Recoverable Tax)									
Tax Accrual at Goods Receipt					Tax Accrual at Invoice Receipt				
Goods Receipt: Entries created for received item cost (1) and tax (2)					Goods Receipt: Entries created for received item cost (1) but not for tax				
Inventory		PO Receipts		Purchase Price Variance	Inventory		PO Receipts		
100.00	①	①	100.00	10.00	②	100.00	①	100.00	
		②	10.00						
Voucher Confirmation: Entries created for item cost (3), variance (4), tax on item cost (5), and tax on variance (6)					Voucher Confirmation: Entries created for item cost (2), variance (3), tax on item cost (4), and tax on variance (5)				
	PO Receipts		Accounts Payable	AP Usage Variance		PO Receipts		Accounts Payable	AP Usage Variance
	100.00	③	③	100.00		100.00	②	②	100.00
	10.00	⑤	④	40.00			③	40.00	4.00
			⑤	10.00			④	10.00	
			⑥	4.00			⑤	4.00	

AP usage variance occurs when an item's invoice quantity does not match its PO quantity and you close the receiver line in the voucher.

GL Entries for Memo Items (Standard Cost, Non-Recoverable Tax)

GL Entries for Memo Items (Standard Cost, Non-Recoverable Tax)

Tax Accrual at Goods Receipt

Goods Receipt:

Entries 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

Voucher Confirmation:

Entries created for item cost (3) and tax (4)

Expensed Item Receipts		Accounts Payable	
100.00	③	③	100.00
10.00	④	④	10.00

Tax Accrual at Invoice Receipt

Goods Receipt:

Entries created for received item cost (1) but not for tax

Expensed Purchases		Expensed Item Receipts	
100.00	①	①	100.00

Voucher Confirmation:

Entries created for item cost (2) and tax (3)

Expensed Item Receipts		Accounts Payable		Expensed Purchases	
100.00	②	②	100.00	10.00	③
		③	10.00		

 QAD

GTM-03-091

This illustration shows the GL entries for memo items, illustrating what happens at both tax points. Memo items are non-inventory items, such as office supplies.

GL Entries for Inventory Items (Average Cost, Recoverable Tax)

GL Entries for Inventory Items (Average Cost, Recoverable Tax)

Tax Accrual at Goods Receipt

Goods Receipt:

Entries 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		

Voucher Confirmation:

Entries created for item cost (3) and tax (4)

Purchase Order Receipts		Accounts Payable	
100.00	③	③ 100.00	
10.00	④	④ 10.00	

Tax Accrual at Invoice Receipt

Goods Receipt:

Entries created for received item cost (1) but not for tax

Inventory		Purchase Order Receipts	
100.00	①	① 100.00	

Voucher Confirmation:

Entries created for item cost (2) and tax (3)

Purchase Order Receipts		Accounts Payable		AP Tax Recoverable
100.00	②	② 100.00		10.00 ③
		③ 10.00		

 QAD

GTM-03-09

This next section shows tax accruals for a simple purchase order and voucher, first for recoverable taxes, then for non-recoverable taxes, illustrating what happens at both tax points.

For average costing, the system re-averages item costs both at receipt and voucher confirmation. If the tax point is goods receipt, the cost basis for re-averaging calculation includes tax at both receipt and voucher confirmation. However, if the tax point is invoice receipt, the cost basis includes tax only at voucher confirmation.

This illustration shows GL entries for purchases of inventory items. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or invoice receipt. Inventory items are items you purchase to use in manufacturing or to sell to customers.

GL Entries for AP Rate Variance (Average Cost, Recoverable Tax)

GL Entries for AP Rate Variance (Average Cost, Recoverable Tax)											
Tax Accrual at Goods Receipt						Tax Accrual at Invoice Receipt					
Goods Receipt: Entries created for received item cost (1) and tax (2)						Goods Receipt: Entries created for received item cost (1) but not for tax					
Inventory		PO Receipts		AP Tax Recoverable		Inventory		PO Receipts			
100.00	①	①	100.00	10.00	②	100.00	①	①	100.00		
		②	10.00								
Voucher Confirmation: Entries created for item cost (3), variance (4), tax on item cost (5) and tax on variance (6)						Voucher Confirmation: Entries created for item cost (2), variance (3), tax on item cost (4) and tax on variance (5)					
		PO Receipts	Accounts Payable	AP Rate Variance				PO Receipts	Accounts Payable	AP Rate Variance	AP Tax Recoverable
100.00	③	③	100.00	30.00	④	100.00	②	②	100.00	30.00	③
10.00	⑤	④	30.00	AP Tax Recoverable				③	30.00		10.00
		⑤	10.00					④	10.00		④
		⑥	3.00	3.00	⑥			⑤	3.00		⑤

Two kinds of variances occur during the purchasing/accounts payable cycle: AP usage variance and AP rate variance.

GL Entries for AP Usage Variance (Average Cost, Recoverable Tax)

GL Entries for AP Usage Variance (Average Cost, Recoverable Tax)

Tax Accrual at Goods Receipt

Goods Receipt:

Entries 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		

Voucher Confirmation:

Entries created for item cost (3), variance (4), tax on item cost (5), and tax on variance (6)

Purchase Order Receipts		Accounts Payable		AP Usage Variance	
100.00	③	③	100.00	40.00	④
10.00	⑤	④	40.00		
		⑤	10.00		
		⑥	4.00	AP Tax Recoverable	
				4.00	⑥

Tax Accrual at Invoice Receipt

Goods Receipt:

Entries created for received item cost (1) but not for tax

Inventory		Purchase Order Receipts	
100.00	①	①	100.00

Voucher Confirmation:

Entries created for item cost (2), variance (3), tax on item cost (4) and tax on variance (5)

Purchase Order Receipts		Accounts Payable		AP Usage Variance	
100.00	②	②	100.00	40.00	③
		③	40.00		
		④	10.00		
		⑤	4.00	AP Tax Recoverable	
				10.00	④
				4.00	⑤



GTM-03-0940

GL Entries for Memo Items (Average Cost, Recoverable Tax)

GL Entries for Memo Items (Average Cost, Recoverable Tax)

Tax Accrual at Goods Receipt

Goods Receipt:

Entries 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		

Voucher Confirmation:

Entries created for item cost (3) and tax (4)

Expensed Item Receipts		Accounts Payable	
100.00	③	③	100.00
10.00	④	④	10.00

Tax Accrual at Invoice Receipt

Goods Receipt:

Entries created for received item cost (1) but not for tax

Expensed Purchases		Expensed Item Receipts	
100.00	①	①	100.00

Voucher Confirmation:

Entries 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		



GTM-03-0950

GL Entries for Inventory Items (Average Cost, Non-Recoverable Tax)

GL Entries for Inventory Items (Average Cost, Non-Recoverable Tax)

Tax Accrual at Goods Receipt

Goods Receipt:

Entries created for received item cost (1), and tax (2)

Inventory	Purchase Order Receipts	Inventory
100.00 ①	① 100.00	10.00 ②
	② 10.00	

Voucher Confirmation:

Entries created for item cost (3), and tax (4)

Purchase Order Receipts	Accounts Payable
100.00 ③	③ 100.00
10.00 ④	④ 10.00

Tax Accrual at Invoice Receipt

Goods Receipt:

Entries created for received item cost (1) but not for tax

Inventory	Purchase Order Receipts
100.00 ①	① 100.00

Voucher Confirmation:

Entries created for item cost (2) and tax (3)

Purchase Order Receipts	Accounts Payable	Inventory
100.00 ②	② 100.00	10.00 ③
	③ 10.00	

 QAD

GTM-03-09

This illustration shows the GL entries for purchases of inventory items, illustrating what happens at both tax points.

GL Entries for AP Rate Variance (Average Cost, Non-Recoverable Tax)

GL Entries for AP Rate Variance (Average Cost, Non-Recoverable Tax)

Tax Accrual at Goods Receipt

Goods Receipt:

Entries 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

Voucher Confirmation:

Entries created for item cost (3), variance (4), tax on item cost (5) and tax on variance (6)

PO Receipts		Accounts Payable		AP Rate Variance	
100.00	③	③	100.00	30.00	④
10.00	⑤	④	30.00	3.00	⑥
		⑤	10.00		
		⑥	3.00		

Tax Accrual at Invoice Receipt

Goods Receipt:

Entries created for received item cost (1) but not for tax

Inventory		PO Receipts	
100.00	①	①	100.00

Voucher Confirmation:

Entries created for item cost (2), variance (3), tax on item cost (4), and tax on item cost + variance (5)

PO Receipts		Accounts Payable		AP Rate Variance		Inventory	
100.00	②	②	100.00	30.00	③	10.00	④
		③	30.00				
		④	10.00	3.00	⑤		
		⑤	3.00				

 QAD

GTM-03-097

Two kinds of variances occur during the purchasing/accounts payable cycle: AP rate variance and AP usage variance.

This illustration shows what GL entries are made for inventory items, illustrating what happens at both tax points.

GL Entries for AP Usage Variance (Average Cost, Non-Recoverable Tax)

GL Entries for AP Usage Variance (Average Cost, Non-Recoverable Tax)											
Tax Accrual at Goods Receipt						Tax Accrual at Invoice Receipt					
Goods Receipt: Entries created for received item cost (1) and tax (2)						Goods Receipt: Entries created for received item cost (1) but not for tax					
Inventory		Purchase Order Receipts				Purchase Order Receipts		Purchase Order Receipts			
100.00	①		①	100.00		①	100.00	100.00	②		
10.00	②		②	10.00							
Voucher Confirmation: Entries created for item cost (3), variance (4), tax on item cost (5) and tax on variance (6)						Voucher Confirmation: Entries created for item cost (2), variance (3), tax on item cost (4), and tax on variance (5)					
PO Receipts		Accounts Payable		AP Usage Variance		PO Receipts		Accounts Payable		AP Usage Variance	
100.00	③	③	100.00	40.00	④	100.00	②	②	100.00	40.00	③
10.00	⑤	④	40.00	4.00	⑥			③	40.00		⑤
		⑤	10.00					④	10.00		
		⑥	4.00					⑤	4.00		

This illustration shows the GL entries are made for AP usage variance, illustrating what happens at both tax points.

GL Entries for Memo items (Average Cost, Non-Recoverable Tax)

GL Entries for Memo Items (Average Cost, Non-Recoverable Tax)

Tax Accrual at Goods Receipt

Goods Receipt:

Entries 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			

Voucher Confirmation:

Entries created for item cost (3) and tax (4)

Expensed Item Receipts		Accounts Payable	
100.00	③	③ 100.00	
10.00	④	④ 10.00	

Tax Accrual at Invoice Receipt

Goods Receipt:

Entries created for received item cost (1) but not for tax

Expensed Purchases		Expensed Item Receipts	
100.00	①	① 100.00	

Voucher Confirmation:

Entries 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			

 QAD

GTM-03-0999

This illustration shows what GL entries are made for memo items, illustrating what happens at both tax points.

Returned Items

When you return items, the system clears the item cost and tax from the accounts updated by the original receipt and the voucher, if you processed the return after paying the supplier invoice.

Exercise: Tax Point Timing

The Accrue Tax at Receipt setting in GTM Control determines the default tax point (goods receipt or voucher confirmation) when you define tax rates used for purchasing and accounts payable processing. This default setting can later be overridden when defining individual tax rates. In this exercise, choose the tax point timing setting in GTM Control and update existing tax records.

Complete the exercise in the domain, United States.

Global Tax Management Control

- 1 In Global Tax Management Control (2.13.24), set Accrue Tax at Receipt to Yes for accrual at receipt.

Create a Country Code

- 2 In Country Code Maintenance (2.13.3.1), verify that a country code for Denmark exists.

Field	Data
Country Code:	DNK
Name:	Denmark

Leave the other fields as is.

Enter a Tax Zones

- 3 In Tax Zone Maintenance (2.13.3.13), enter a tax zone for Denmark.

Field	Data
Tax Zone:	DEN
Description:	Denmark
Country Code:	DNK

Accept defaults in all other fields.

Enter a Tax Type

- 4 In Tax Type Maintenance (2.13.1.1), enter a tax type for value added tax.

Field	Data
Tax Type:	VAT
Description:	Value Added Tax

Enter a Tax Class

- 5 In Tax Class Maintenance (2.13.1.5), enter a tax class.

Field	Data
Tax Class:	HR
Description:	High Rate

Set up a Tax Environment

- 6 In Tax Environment Maintenance (2.13.5.1), set up a tax environment.

Field	Data
Tax Environment:	EU-VAT
Description:	<blank>
Ship-From Zone:	DEN
Ship-To Zone:	<blank>
Tax Class:	HR
Ship-From Zone:	<blank>
Ship-To Zone:	DEN
Tax Class:	HR

Go to the next frame and enter a tax type for the tax environment.

Field	Data
Tax Type:	VAT
Sq:	1
R:	2

Create a Tax Rate Record

- 7 In Tax Rate Maintenance (2.13.13.1), set up a tax rate.

Field	Data
Tax Type:	VAT
Item Tax Class:	HR
Tax Usage:	<blank>
Effective:	<Today's date>
Tax Code:	<Will default in>
Description:	10% VAT Tax
Tax Rate:	10%
Tax By Line:	YES
Tax Method:	01
Update Tax Allowed:	YES
Accrue at Receipt:	No

Set up Address Information

- 8 In Supplier Maintenance (2.3.1), set up a Danish supplier.

Field	Data
Supplier:	0211
Name:	Hamlet Computers
Address:	60 High Street
City:	Elsinore
Country:	Denmark

In Address Data:

Field	Data
Taxable:	Yes
Tax Zone:	DEN
Tax Class:	HR
Tax In:	No

Accept defaults of all fields not specified.

- 9 In Company Address Maintenance (2.12), edit site 10000 so that it has country code DNK.

Field	Data
Company:	10000
Country:	DNK

A code for the state CA needs to be created in Generalized Code Maintenance (36.3.13):

Field name	ad_state
Value	CA

Set Address Tax Data as follows:

Field	Data
Taxable:	Yes
Tax Zone:	DEN
Tax Class:	HR
Tax In:	No

Edit an Item

- 1 In Item Master Maintenance (1.4.1), edit item 02-0001. Ensure that it is assigned to site 10000. In the Item Price Data frame set Tax to YES; set Tax Class to HR; leave costs blank.

Set up Tax Rate Master

- 1 In Tax Rate Maintenance (2.13.13.1), set up the specific tax information for tax type VAT.

Field	Data
Tax Type:	VAT
Percent Recoverable:	100%
Allow Tax Included:	No
AP Tax Retained:	No
Discount Tax at Invoice:	No
Discount Tax at Payment:	No
Accrue Tax at Receipt:	No

Enter and Receive a Purchase Order

In this exercise, enter a purchase for supplier 0211, receive it, and enter a voucher for the receiver. Then, review the unposted transaction(s) created.

- 1 In Purchase Order Maintenance (5.7), enter a purchase order for supplier 0211.

Field	Data
Ship-To:	10000
Site:	10000
Taxable:	Yes
Item Number:	02-0001
Qty Ordered:	10
Unit Cost:	12.00
Total:	132.00 (included 10% VAT)

Note the PO number. Complete the purchase order.

- 2 In Purchase Order Receipts (5.13.1), receive the PO just created. Receive All Yes to receive all 10 items.

Note In GL Calendar Maintenance (25.3.4), you may need to define a GL period that includes the date on which the PO is received

- 3 In Voucher Maintenance (28.1), create a voucher for the PO.

Field	Data
Invoice Qty:	10
Invoice Price:	12.00
Confirmed:	Yes

- 4 In Unposted AP-GL Transactions Report (28.17.10), review the transactions that were created. Specify an effective date range using today's date and output to the page.

The GL transactions should be:

- Credit to Accounts Payable 132.00
- Debit to PO Receipts (AP Holding) 120.00
- Debit to AP Tax Recoverable 12.00

Recoverable Taxes

Typical Tax Applications

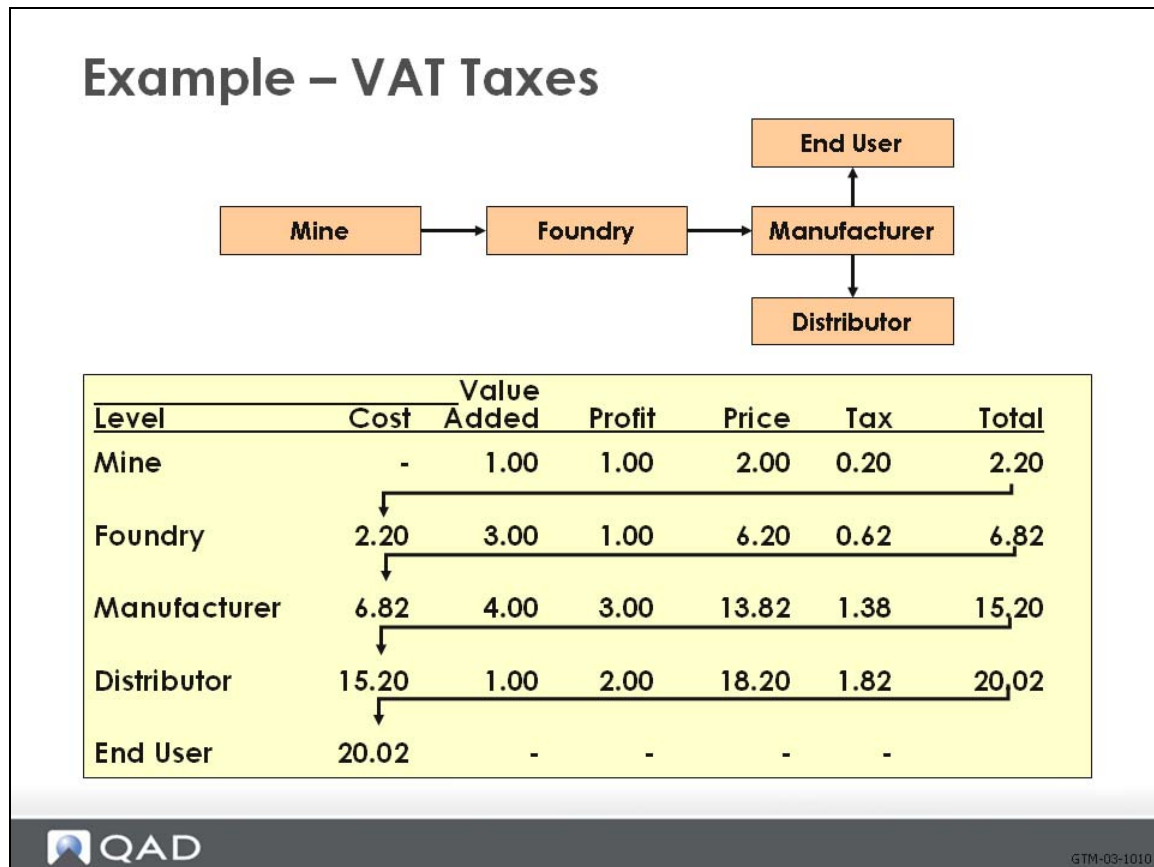
- ✓ Taxable Bases
- ✓ Trailer Charge Taxes
- ✓ Retained Taxes
- ✓ Tax Point Timing
- ✓ Recoverable Taxes
 - Included Taxes
 - Discounted Taxes
 - Tax Exemptions



GTM-03-1000

A recoverable tax is a purchase tax that you can fully offset against tax collected on customer sales. Recoverable taxes are common in countries with value-added taxes.

Example - VAT Taxes



For VAT, each level of production is usually taxed on the item sales price. Taxes are recoverable at all levels except the end user level. Taxes paid on purchases are recovered against taxes collected on sales. Value-added taxes are common in Europe and Asia.

In this example, iron ore is excavated from a mine. The ore goes to a foundry that makes steel plates. The manufacturer uses the steel plates to manufacture toasters that are sold to distributors and end users. The taxes are non-recoverable for the end user. The tax point timing is Invoice at Receipt.

The VAT rate is 10%. At each level, the tax is assessed on the pre-tax price (material cost + value added to the materials + profit). The tax is added to the pre-tax price, and this amount becomes the cost at the next level.

Recoverable Taxes

Recoverable Taxes

Level	Cost	Value Added	Profit	Price	Tax	Total
Manufacturer	6.82	4.00	3.00	13.82	1.38	15.20
Distributor	15.20	1.00	2.00	18.20	1.82	20.02
End User	20.02	-	-	-	-	-

Recoverable Amount = 1.38

Tax Liability on Sale = 1.82

Net Tax Liability = 0.44



GTM-03-1020

Recoverable Amount = 1.38

Tax Liability on Sal = 1.84

Net Tax Liability = 0.44

The manufacturer offsets most of the tax on the purchase of the steel plates against the tax collected from the distributor.

Recoverable Taxes GL Entries

Recoverable Taxes GL Entries

PO Receipt:

Inventory	AP Tax Recoverable	PO Receipts
100	10	110 100

AP Voucher:

PO Receipts	Accounts Payable
110 100	110

PO Line Item
\$100
Recoverable
Tax \$10

Accrue Tax at Receipt = Yes
Accrue Tax at Receipt = No

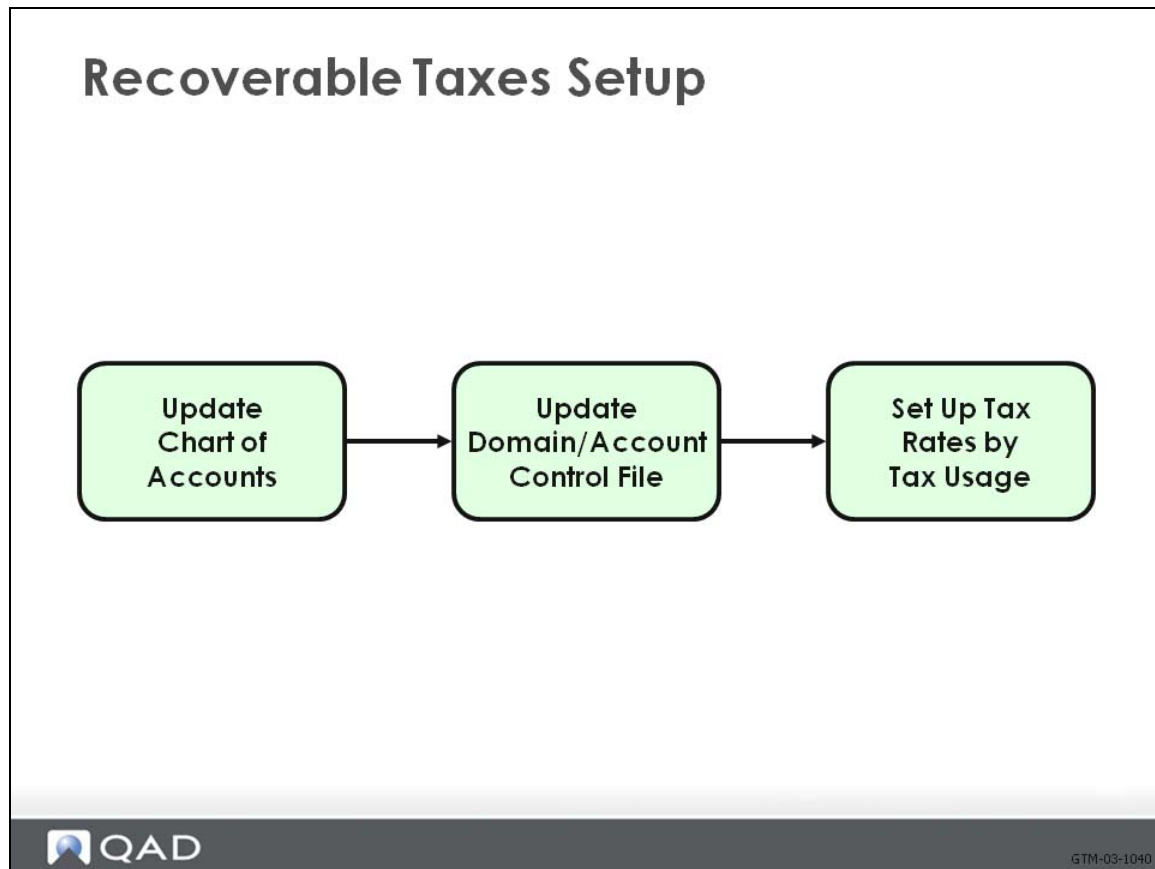

GTM-03-1030

AP Tax Recoverable has its own general ledger account. Specify a different account for each recoverable tax rate in Tax Rate Maintenance (2.13.13.1).

In this example, a purchase order has a line-item amount of 100.00 and a recoverable tax amount of 10.00. The system debits the tax to AP Tax Recoverable and credits it to Purchase Order Receipts at purchase order receipt. The line item amount debits Inventory and credits Purchase Order Receipts.

When the accounts payable voucher for the purchase order is confirmed, the system debits Purchase Order Receipts and credits Accounts Payable.

Recoverable Taxes Setup



Recoverable taxes are normally usage based. To setup recoverable taxes:

- 1 Verify that AP Tax (Recoverable) is in your chart of accounts, Account Code Maintenance (25.3.13), and in Domain/Account Control (36.1), AP Tax (Recoverable) field.
- 2 Create recoverable tax usage codes in Tax Usage Maintenance (2.13.1.9) and assign them to the suppliers for your recoverable tax purchases in Supplier Maintenance (2.3.1).
Note It is recommended that you don't set up recoverable taxes using supplier tax classes. That setup is needlessly complicated for this kind of tax.
- 3 Set up a tax rate for each recoverable tax type in Tax Rate Maintenance (2.13.13.1). For each rate, specify the tax usage code and the recoverable percentage, and adjust the default AP Tax Account, if necessary.

Exercise: Recoverable Tax

In this exercise, set up a recoverable tax for purchases of items consumed in manufacturing. On the purchase order, the system will calculate both the recoverable tax and another, non-recoverable tax.

Use the following exercises, or use your own. Consider what tax usages and tax rates your company would use.

Complete the exercise in the domain, United States.

Reset Company Address Maintenance

- 1 In Company Address Maintenance, reset the tax settings for address 10000 so that the tax zone is USA again and the country of address is USA.
- 2 Remove the tax class HR.
- 3 Save your changes.

Set up a Tax Usage

- 1 Set up a tax usage for recoverable tax purchases in Tax Usage Maintenance (2.13.1.9). You will need this usage when you set up the recoverable tax and when you enter the purchase order.

Field	Data
Tax Usage:	MFG
Description:	Manufacturing

Set up a Tax Rate

- 1 In Tax Rate Maintenance (2.13.13.1), set up the tax rate for recoverable GST. Assume you can recover 50% of the CAN-PST on purchases used in manufacturing.

Field	Data
Tax Type:	CAN-PST
Tax Usage:	MFG

From the Effective Date field, press Next three times. The system automatically assigns the next available tax code to the tax rate.

Field	Data
Description:	Recoverable CAN-PST
Tax Rate:	5.00%
Percent Recoverable:	50.00%
AP Tax Account:	1400

The general ledger account for recoverable tax is the AP Tax Account. The account comes from Domain/Account Control (36.1).

- 2 Update tax type CAN-GST. Remove Tax Base FA Sale.

Enter a Purchase Order

- 1** In Purchase Order Maintenance (5.7), enter an order for supplier 002 (Toronto Computer Services).

Field	Data
Purchase Order:	520
Supplier:	002
Site:	10000

- 2** In the pop-up tax window, enter:

Field	Data
Tax Usage:	MFG

- 3** In the line item entry screen, enter:

Field	Data
Ln:	1
Item Number:	486-66
Qty Ordered:	1
Unit Cost:	1500.00

- 4** In the trailer frame:

Field	Data
View/Edit Tax Detail:	Yes

The total tax amounts for this order should be as follows:

CAN-GST:	105.00
CAN-PST:	75.00
Total Taxes:	180.00

Use the up and down arrows to scroll through the tax amounts. The first amount is 105.00 CAN-GST. This amount is non-recoverable

The second amount is the recoverable CAN-PST for tax usage MFG. The total Tax Amt is 75.00. Since the recoverable percentage was 50.00%, 37.50 is non-recoverable. At purchase order receipt, the system debits recoverable amounts to AP Tax Recoverable amount to Purchase Price Variance, (The offsetting credit is to Purchase Order Receipts for both kinds of taxes.)

Included Taxes

Typical Tax Applications

- ✓ Taxable Bases
- ✓ Trailer Charge Taxes
- ✓ Retained Taxes
- ✓ Tax Point Timing
- ✓ Recoverable Taxes
- ✓ Included Taxes
- Discounted Taxes
- Tax Exemptions



GTM-03-1050

Included taxes are when line items already include tax. This is common in VAT countries and Brazilian ICMS.

Included Taxes

Included Taxes

Most Taxes:

$$\text{Tax Amount} = \text{Item Amount} \times \text{Tax Rate}$$

Regular Included Tax:

$$\text{Tax Amount} = (\text{Item Amount}^* / (1 + \text{Tax Rate})) \times \text{Tax Rate}$$

Regressive Included Tax:

$$\text{Tax Amount} = \text{Item Amount}^* \times \text{Tax Rate}$$

*** Including tax**



GTM-03-1060

In most tax systems, tax is added to line item amounts. However, sometimes the tax is included. For tax reporting, you still have to calculate the tax amount, even if it doesn't show up on the purchase or sales order.

There are two kinds of included taxes:

- Regular
 - The included tax is excluded from the item amount before the tax is calculated
- Regressive
 - The included tax stays in the item amount, so the tax amount is higher

Regular Included Tax

Regular Included Tax	
Tax Methods 01 and 02:	
Line Item	100.00
Tax Rate	10%
Tax Amount	$\text{Tax Rate} \times (\text{Item Amount} / [1 + \text{Tax Rate}])$ $0.10 \times (100.00 / 1.10)$ $0.10 \times 90.90 = 9.09$
Taxable Base	$\text{Item Price} - \text{Tax Amount}$ $100.00 - 9.09 = 90.91$

In this example of regular included tax, the line item is 100.00, which includes a 10% tax. The tax amount is 9.09, and the taxable base is 90.91.

Regressive Included Taxes

Regressive Included Taxes

Tax Method 11:	
Line Item	100.00
Tax Rate	10%
Tax Amount	Item Amount x Tax Rate $100.00 \times 0.10 = 10.00$
Taxable Base	100.00

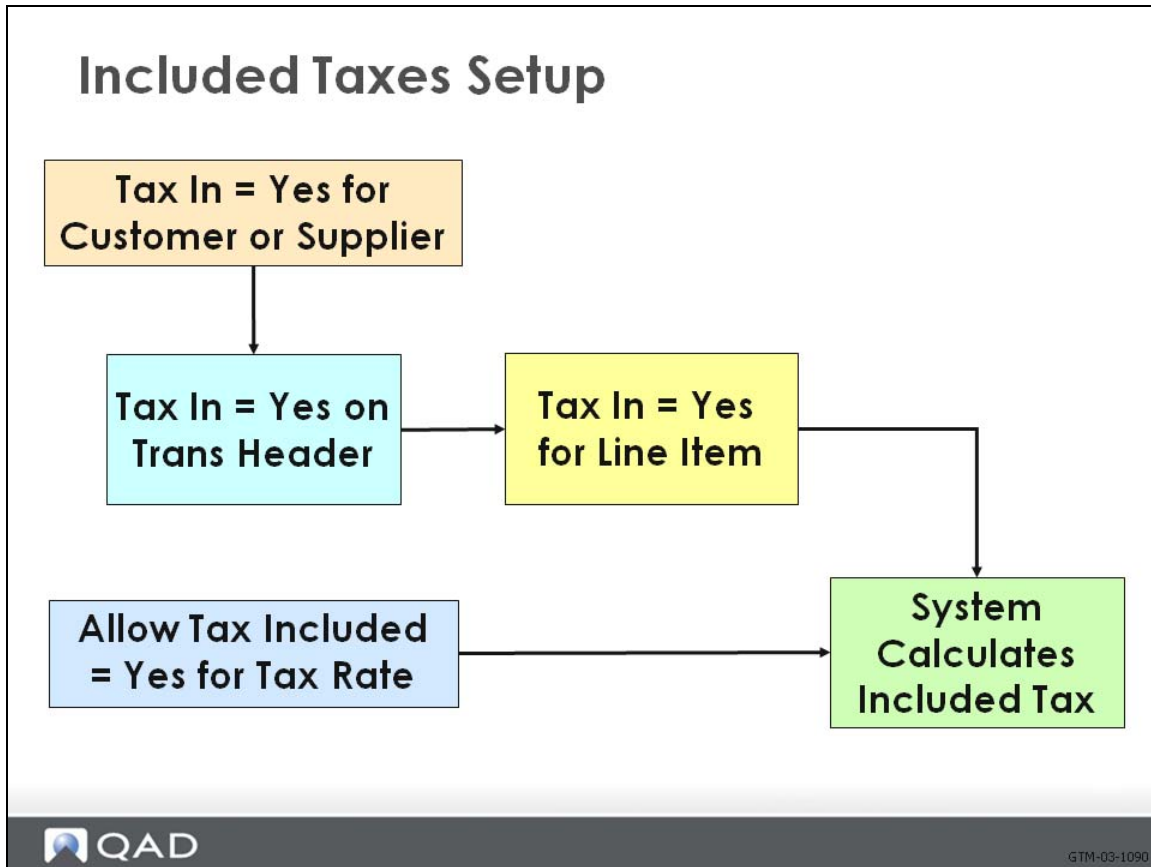


GTM-03-1060

In this example of regressive included tax, the tax amount is 10.00 instead of 9.09 and the taxable base is 100.00 instead of 90.91. Regressive taxes are higher because the taxable base include the tax amount.

This is used only in Brazil.

Included Tax Setup



In Tax Rate Maintenance (2.13.13.1):

- Two settings determined whether (and how) included tax is calculated
 - Allow Tax Included field
 - Tax Method

For both kinds of included taxes, Allow Tax Included must be Yes. For regressive included tax, Tax Method must be 11 or a user-defined regressive calculation method.

For customers and suppliers that are tax-included, set Tax In to Yes in the Address Tax Data window in Customer Maintenance (2.1.1) and Supplier Maintenance (2.3.1). When transactions are entered, the Tax In status will default automatically.

On sales and purchase order transactions, Tax In comes from the order header to the line item frame but can be changed for individual items.

The system displays included tax amounts only in the tax detail. The Total Tax field in the trailer only shows non-included tax amounts, if any.

Note The tax included calculation works only when the tax included status is Yes for both the tax rate and the line item or trailer charge.

Potentially, you can have only one tax type for the environment.

Exercises: Included Taxes

This exercise shows the contrast between the system's calculations for regular included and regressive included taxes. After resetting CAN-GST as an included tax, enter a sales order and see how the tax is calculated. Then, reset CAN-GST to be a regressive included tax and review the same sales order to see the change calculation.

Use the following exercises, or try some of your own. Consider what type of included taxes your company uses.

Complete the exercise in the domain, United States.

Reset the CAN-GST Tax Rate

- 1 In Tax Rate Maintenance (2.13.13.1), reset the existing tax rate for CAN-GST so that it is an included tax. Ignore the warning message.

Field	Data
Tax Type:	CAN-GST
Description:	Canada GST
Tax Method:	01
Allow Tax Included:	Yes

Enter a Sales Order

- 1 In Sales Order Maintenance (7.1.1), enter a sales order for customer 001 (PEI Computer Ltd.).

Note Ensure that you have set customer 001's Taxable status to Yes in Customer Maintenance. This step was part of an earlier exercise.

Field	Data
Order:	710
Sold-To:	001
Site:	10000

Important In the Details frame, change the site to 10000 to ensure that taxes are calculated correctly.

Go to the tax window and reset the order tax included status to Yes.

Field	Data
Tax Usage:	<blank>
Tax In:	Yes

In the line item entry frame, enter an item.

Field	Data
Ln:	1
Item Number:	486-66
Qty Ordered:	1
Price:	1,500.00

On the way to the trailer frame, notice how the line item Tax In value came in from the order header. The system calculates included taxes for order line items only if the tax included status is Yes for both the tax rate and the line item.

Ignore the Errors about Freight charges, at this time.

In the trailer frame, the Total Tax field displays 168.22.

View/Edit Tax Detail: Yes

Use the up and down arrows to scroll through the tax amounts. The total tax amounts for this order should be as follows:

CAN-GST:	98.13
CAN-PST:	70.09
Total Taxes:	168.22

Reset the CAN-GST Tax Rate

- 1 In Tax Rate Maintenance (2.13.13.1), select the tax rate for CAN-GST. Reset the Tax Method to 11. Ignore the warning message. When the system calculates CAN-GST, it will now use the calculation program for regressive taxes.

Tax Type:	CAN-GST
Description:	CAN Goods and Services
Tax Method:	11

Review the Sales Order

- 1 In Sales Order Maintenance (7.1.1), review sales order 710. Ensure that you select the Tax In field again in the tax pop-up. Go to the trailer frame. In the tax detail frame, the tax amounts have changed. Now you should see the following for the order tax totals.

CAN-GST:	105.00
CAN-PST:	69.75
Total Taxes:	174.75

For regressive CAN-GST, the taxable base is simply the line item price. To calculate Tax Amt, the system multiplied the taxable base by the 7.00% tax rate.

Reset the CAN-GST Tax Rate

- 1 In Tax Rate Maintenance (2.13.13.1), find the rate for CAN-GST. Reset the Tax Method and Allow Tax Included settings back to what they were when you started this exercise. (Again, ignore the warning message.) This step simply initializes the tax rate record so your remaining exercises will work.

Tax Type:	CAN-GST
Description:	CAN Goods and Services
Tax Method:	01
Allow Tax Included:	No

Discounted Taxes

Typical Tax Applications

- ✓ Taxable Bases
- ✓ Trailer Charge Taxes
- ✓ Retained Taxes
- ✓ Tax Point Timing
- ✓ Recoverable Taxes
- ✓ Included Taxes
- ✓ Discounted Taxes
- Tax Exemptions



GTM-03-1100

Some countries assess tax only on the amount paid (sales amount minus credit terms discount). In the United Kingdom, Germany, and some other areas taxes are discounted when the item amount is.

Discounted Taxes

Discounted Taxes

Discount at Invoice

$$\text{Tax Amount} = \text{Disc Order Amount} \times \text{Tax Rate}$$

$$\text{Net Order Amount} = \text{Full Order Amount} + \text{Disc Tax Amount}$$

$$\text{Payment Amount} = \text{Disc Order Amount} + \text{Disc Tax Amount}$$

Discount at Payment

$$\text{Tax Amount} = \text{Disc Order Amount} \times \text{Tax Rate}$$

$$\text{Payment Amount} = \text{Disc Order Amount} + \text{Disc Tax Amount}$$

Payment Outside of Discount Period

$$\text{Tax Amount} = \text{Full Order Amount} \times \text{Tax Rate}$$

$$\text{Payment Amount} = \text{Full Order Amount} + \text{Full Tax Amount}$$



GTM-03-1120

Taxes can be discounted at invoice or at payment. Tax discounting affects both sales and purchasing transactions. The table above summarizes the calculations for discounted taxes.

Discount at Invoice

Discounting at Invoice

Order Amount	100.00
Discounted Order Amount	$100.00 - (100.00 \times 2\%) = 98.00$
Discounted Tax Amount	$(98.00 \times 10\%) = 9.80$
Net Order Amount	$(100.00 + 9.80) = 109.80$



GTM-03-1130

On a purchase order or sales order, tax is based on the discounted order amount minus the credit terms discount. The net order total is the full sales amount plus the discounted tax amount. When payment is processed for the invoice, the system calculates the payment amount based on the discounted sales amount plus the discounted tax amount. If payment is made outside the discount period, the system automatically adjusts tax amounts upward.

Discounting occurs when you record the sales order or purchase order. This illustration shows how the system would calculate 10% tax discounted at invoice.

Discount at Payment

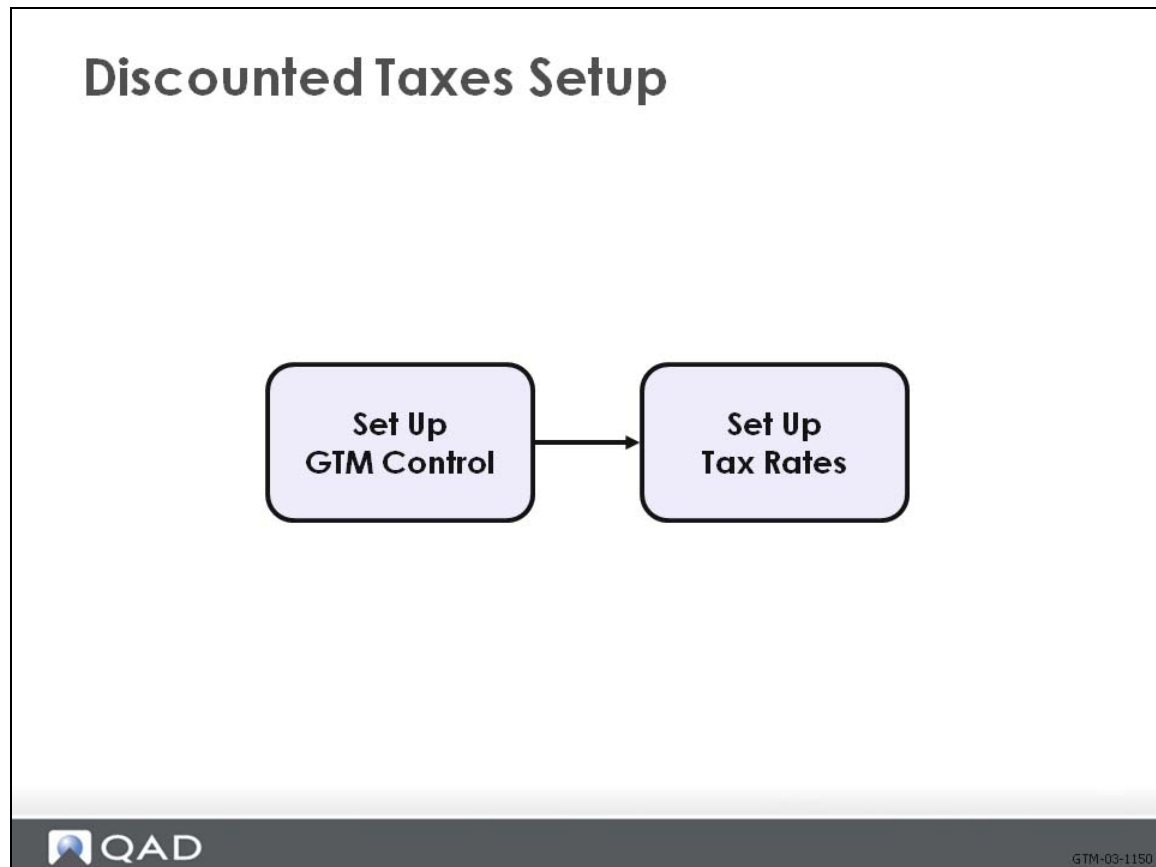
Discounting at Payment			
Payment within Discount Period:		Payment outside Discount Period:	
Discounted Order Amount	$100.00 - (100.00 \times 2\%) = 98.00$	Adjusted Order Amount	100.00
Discounted Tax Amount	$(98.00 \times 10\%) = 9.80$	Adjusted Tax Amount	$(100.00 \times 10\%) = 10.00$
Payment Amount to Apply	$(98.00 + 9.80) = 107.80$	Adjusted Amount to Apply	$(100.00 + 10) = 110.00$

No discount is calculated until you process the payment, so the net order total is the full sales amount plus the full tax amount. Upon payment, tax is based on the discounted sales order or purchase order amount minus the credit terms discount. The payment consists of the discounted sales amount plus the discounted tax amount. Again, if payment is made outside the discount period, the system automatically adjusts tax amounts upward.

Discounting at payment takes place when a payment is applied to customers invoices in Customer Payments (27.6.4) or when a payment is generated for a supplier's invoice in Payment - Automatic Checks (28.9.9).

In this illustration, the tax and payment amounts vary depending on the timing of the payment. When payment is processed after the discount period, the tax automatically becomes 10.00.

Discounted Taxes Setup



In Tax Rate Maintenance (2.13.13.1) set either the Discount Tax at Invoice or Discount Tax at Payment fields to Yes, depending on the tax you want. You can set defaults for all tax rates in Global Tax Management Control (2.13.24). Specify the default most commonly used in the control program, then edit individual tax rates as necessary.

Within a tax environment, taxes must be discounted either at invoice or at payment. If you discount one tax at invoice and another at payment, the system won't calculate taxes correctly. For this reason, don't set both Discount Tax at Invoice and Discount Tax at Payment to Yes.

Exercise: Discounted Taxes

In this exercise, you see how taxes are discounted at invoice. You also see how the system adjusts the discount amount upward if the invoice is paid outside the discount period.

Set up tax rates and enter a purchase order. Receive the purchase order and enter a confirmed voucher. Then select the voucher for payment. Use the following exercises, or try some of your own. Consider what tax rates you need to set up so that they are discounted at invoice.

Complete the exercise in the domain, United States.

Set up Tax Rates

- 1 In Tax Rate Maintenance (2.13.13.1), set up CAN-GST and CAN-PST so that they are discounted at invoice.

Field	Data
<u>Tax Type 1</u>	
Tax Type:	CAN-GST
Discount Tax at Invoice:	Yes
<u>Tax Type 2</u>	
Tax Type:	CAN-PST
Taxable Base:	<blank>
Discount Tax at Invoice:	Yes

Enter a Purchase Order

- 1 In Purchase Order Maintenance (5.7), enter a purchase order for supplier 002 (Toronto Computer Services). The supplier credit terms are 2/10-30 (2% discount if payment is received within the next 10 days; otherwise, full payment is due within 30 days of the order date.

Field	Data
Purchase Order:	530
Supplier:	002
Site:	10000

Go to the line item entry frame.

Field	Data
Ln:	1
Item Number:	486-66
Qty Ordered:	1
Unit Cost:	1,500.00

Go to the trailer frame.

View/Edit Tax Detail:	Yes
-----------------------	-----

The total tax amounts for this order should be:

CAN-GST:	102.90
CAN-PST:	73.50
Total Taxes:	176.40

Use the up and down arrows to scroll through the tax amounts. The CAN-GST amount is 102.90 rather than 105.00, because CAN-GST is discounted at invoice. The calculation is:

Discounted Sales Amount = Order Amount - Discount

$$30.00 = 1,500.00 \times 2\%$$

$$1,470.00 = 1,500.00 - 30.00$$

Tax Amount = Discounted Order Amount x Tax Rate

$$02.90 = 1,470.00 \times 7\%$$

The CAN-PST amount is 73.50. The calculation is:

Discounted Sales Amount = Order Amount - Discount

$$30.00 = 1,500.00 \times 2\%$$

$$1,470.00 = 1,500.00 - 30.00$$

Tax Amount = Discounted Order Amount x Tax Rate

$$73.50 = 1,470.00 \times 5\%$$

Receive the Purchase Order

- 1 In Purchase Order Receipts (5.13.1), record a receiver for purchase order 530, line 1, Receive All Yes. The received quantity should fill in automatically for you.

Add Bank Details for Checks

- 1 In Supplier Maintenance, open the record for supplier 002.
- 2 Go to the Bank Accounts frame:
- 3 Add the following details and save your changes:

Field	Data
Bank:	BOA
Acct Type:	Prt
EDI:	<blank>
Branch:	4050
Bank Account:	987654321
Begin Date	<Current Date>

Enter a Confirmed Voucher

- 1 In Voucher Maintenance (28.1), enter a voucher for the purchase order and receiver. The voucher will have an effective date of 20 days from today.

Field	Data
(Batch) Control:	1,676.40
Voucher:	1002
(Voucher) Control:	1,676.40
Order:	530
Effective:	<20 days from today>
Entity:	1000

Go to the Receiver field. Review the open receivers and select the receiver for purchase order 530.

Inv Qty:	1
Inv Cost:	1,500.00

In the Distribution frame, you see a debit to Purchase Order Receipts for 1,500.00, the line item amount. (The corresponding credit is 1,500.00 to the Accounts Payable account from the voucher header frame.

View/Edit Tax Detail:	Yes
-----------------------	-----

In the tax distribution frame, you should see a debit of 176.40 to Purchase Order Receipts. The corresponding credit is to Accounts Payable. The system does not recalculate tax amounts at vouchering, so there is no need to review the tax detail frame.

Select Voucher for Payment

- 1 In Payment Selection - Manual (28.9.5), select the voucher for payment. In addition to selecting the voucher for payment, this program calculates and displays the amounts you would see on the payment.

First, set Check date to five days from today. When you select the voucher, the payment amounts should be as follows:

Voucher	Supplier	Amount	Amount to Pay	Disc to Take	Bk	Cf
<system-assigned number>	002	1,676.40	1,676.40	30.00	AA	1

The 30.00 Disc to Take is 2% of the order amount of 1,676.40. The Amount to Pay is the amount that would appear on the payment. Although you cannot see it here, the tax amount is still 102.90.

Go back to the Check date field and reset it for 20 days from today. Notice how the system recalculated the amount to pay as 1680.00 because you were no longer eligible for the discount. Although you cannot see it on the payment selection screen, the order amount is now 1,500.00, and the tax amounts are now 105.00 CAN-GST and 75.00 CAN-PST.

Voucher	Supplier	Amount	Amount to Pay	Disc to Take	Bk	Cf
<system- assigned number>	002	1,676.40	1,676.40	0	AA	1

Pay the Voucher

- 1 In Payment - Automatic Checks (28.9.9), set the Check Date and Effective date to 20 days from today. The Gross Amount, Disc to Take and Amt to Pay will be the same as on the manual payment selection screen.

Reset Discount At Invoice

- 1 In Tax Rate Maintenance (2.13.13.1), reset CAN-GST and CAN-PST so that they are not discounted at invoice. Do this so the rest of the exercises work.

Tax Type: CAN-GST
Discount Tax at Invoice: No

Tax Type: CAN-PST
Discount Tax at Invoice: No

Tax Exemptions

Typical Tax Applications

- ✓ Taxable Bases
- ✓ Trailer Charge Taxes
- ✓ Retained Taxes
- ✓ Tax Point Timing
- ✓ Recoverable Taxes
- ✓ Included Taxes
- ✓ Discounted Taxes
- ✓ Tax Exemptions



GTM-03-1160

This section discusses how to set up the system for tax exemption reporting. Before setting up tax exemptions, determine the level of detail required for exemption reporting for your company.

Some examples are:

- Only total of exempt amounts
- Exempt amounts by category such as government, non-profit charity, or reseller

Tax Exemptions

Tax Exemptions

Exemption:

- By tax type NON-TAX
- By tax usage
- By customer or supplier tax class
- By item tax class



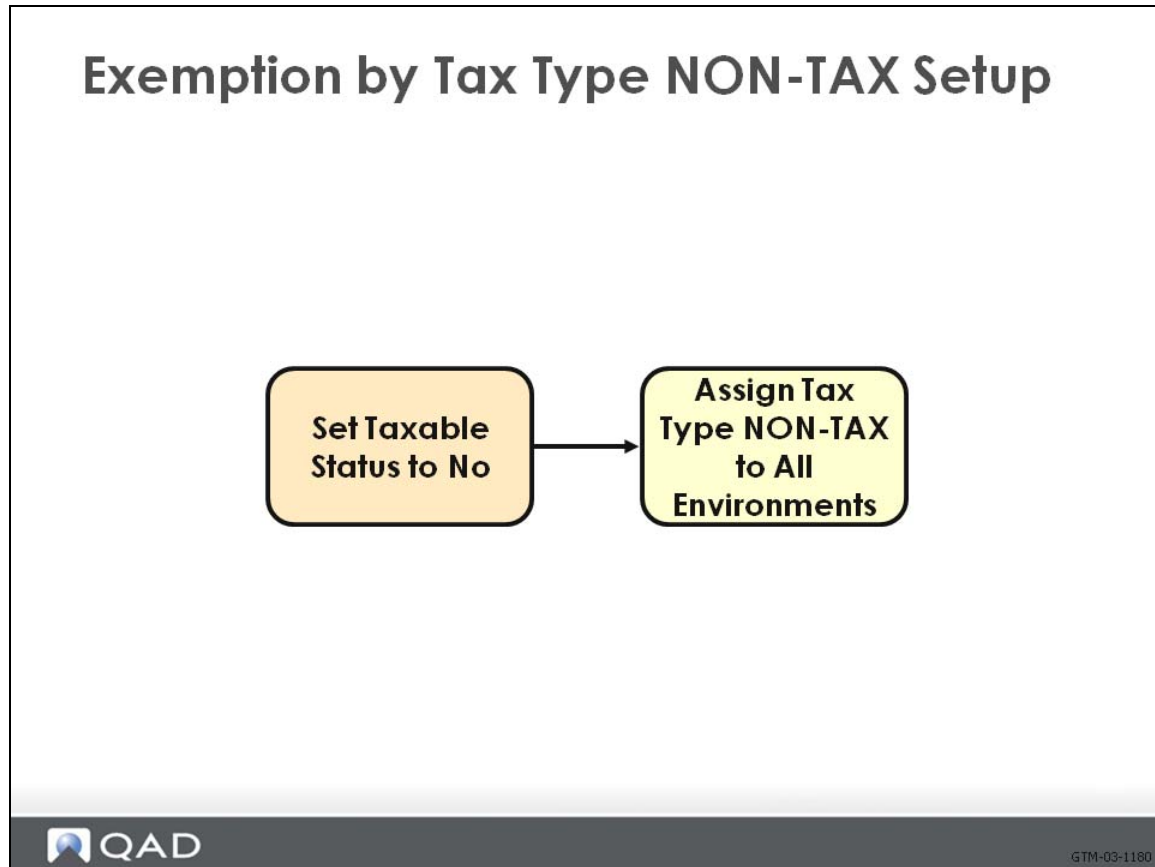
GTM-03-1170

There are four ways to set up tax exemption reporting in QAD Enterprise Applications. How you set it up depends on the level of reporting you require.

Exemption:

- By tax type NON-TAX
- By tax usage
- By customer or supplier tax class
- By item tax class

Exemption by Tax Type NON-TAX Setup

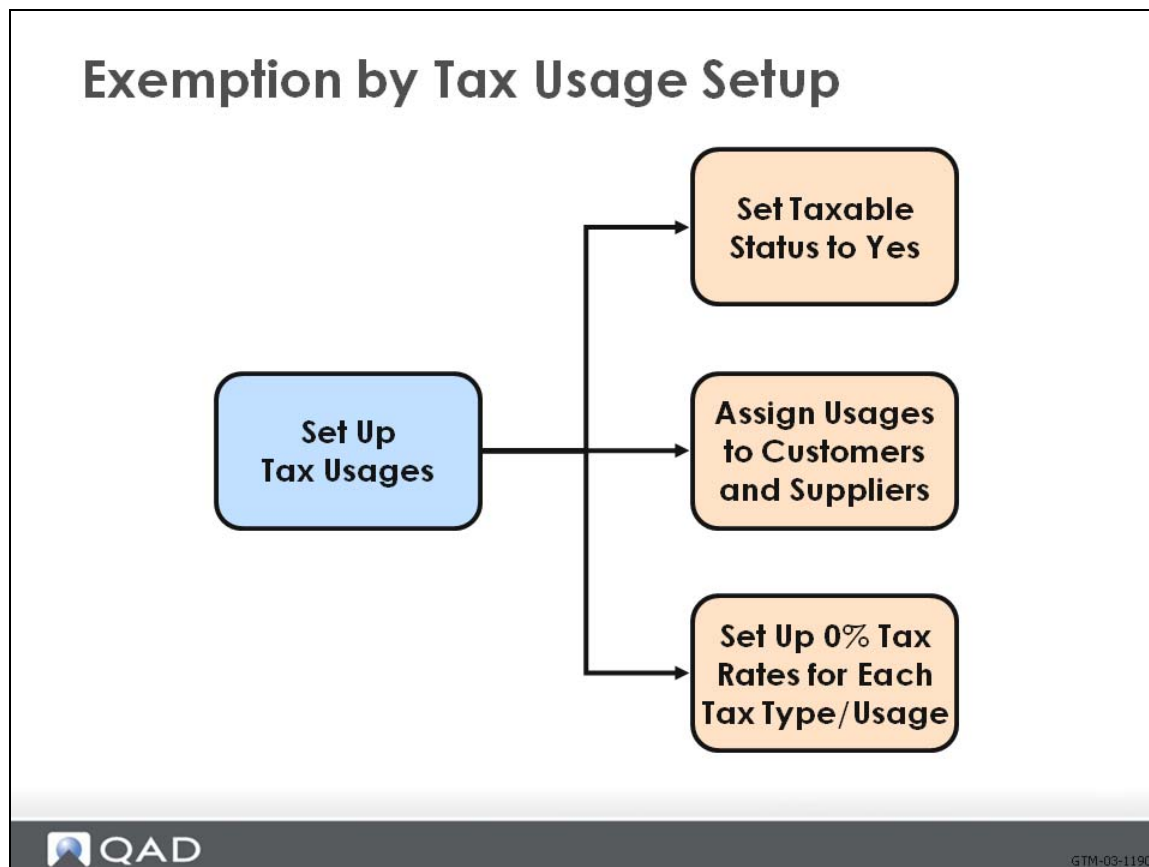


If your company doesn't require separate reporting by exemption category or tax type, you can set up exemption reporting by tax type NON-TAX.

- 1 Set the taxable status of exempt customers, suppliers, product lines, and items to No in their respective maintenance screen.
- 2 Assign tax type NON-TAX to all tax environments with exempt customers and suppliers. The system will then automatically assign exempt amounts to tax type NON-TAX.

Note The tax type NON-TAX already exists on the system

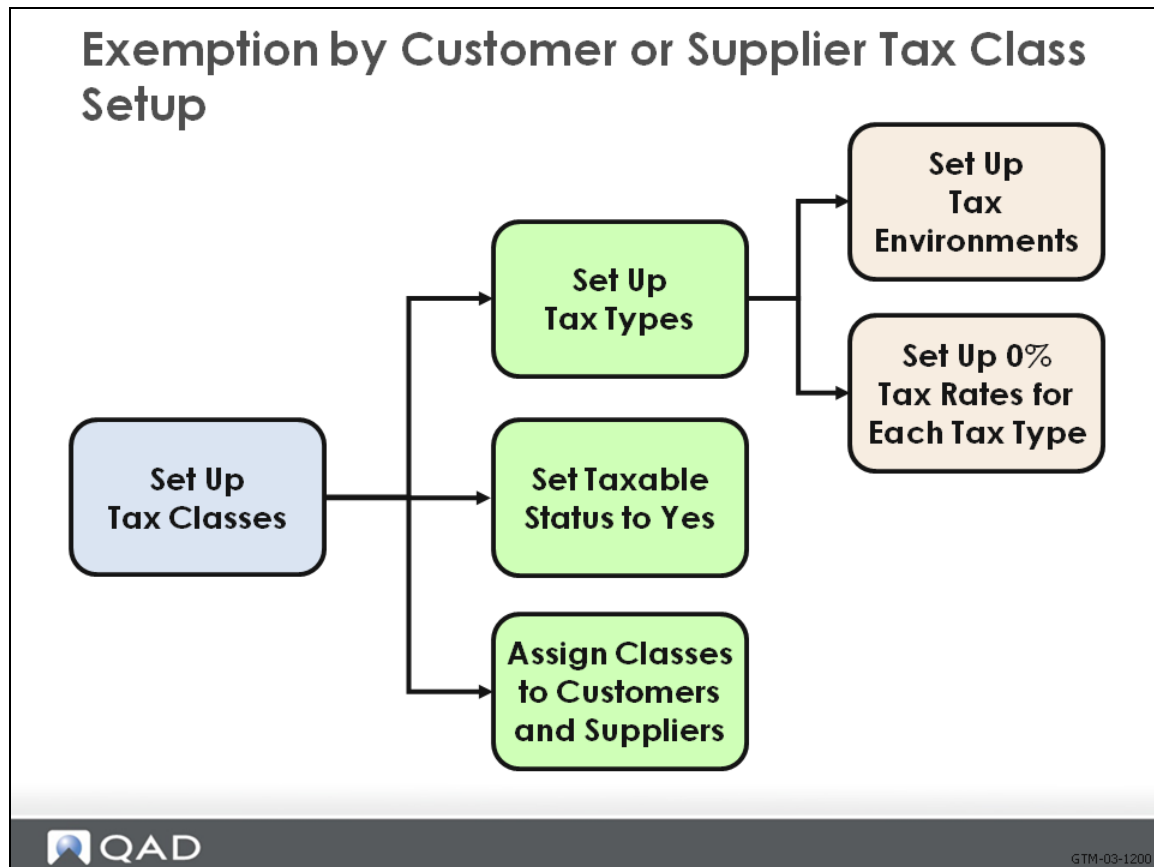
Exemption by Tax Usage Setup



Use exemption by tax usage if you are not planning to use tax usage codes for any other purchase. (A customer or supplier can have only one usage.)

- 1 Set the taxable status of exempt customers and suppliers to Yes, in their respective maintenance screens.
- 2 Set up a tax usage code for every exemption category in Tax Usage Maintenance (2.13.1.9).
- 3 Assign each exempt customer and supplier the appropriate exemption usage.
- 4 Create tax types for each exemption in Tax Type Maintenance (2.13.1.1).
- 5 Tie the tax type to the environment in Tax Environment Maintenance (2.13.5.1).
- 6 Set up 0% tax rates for each tax type/usage in Tax Rate Maintenance (2.13.13.1).

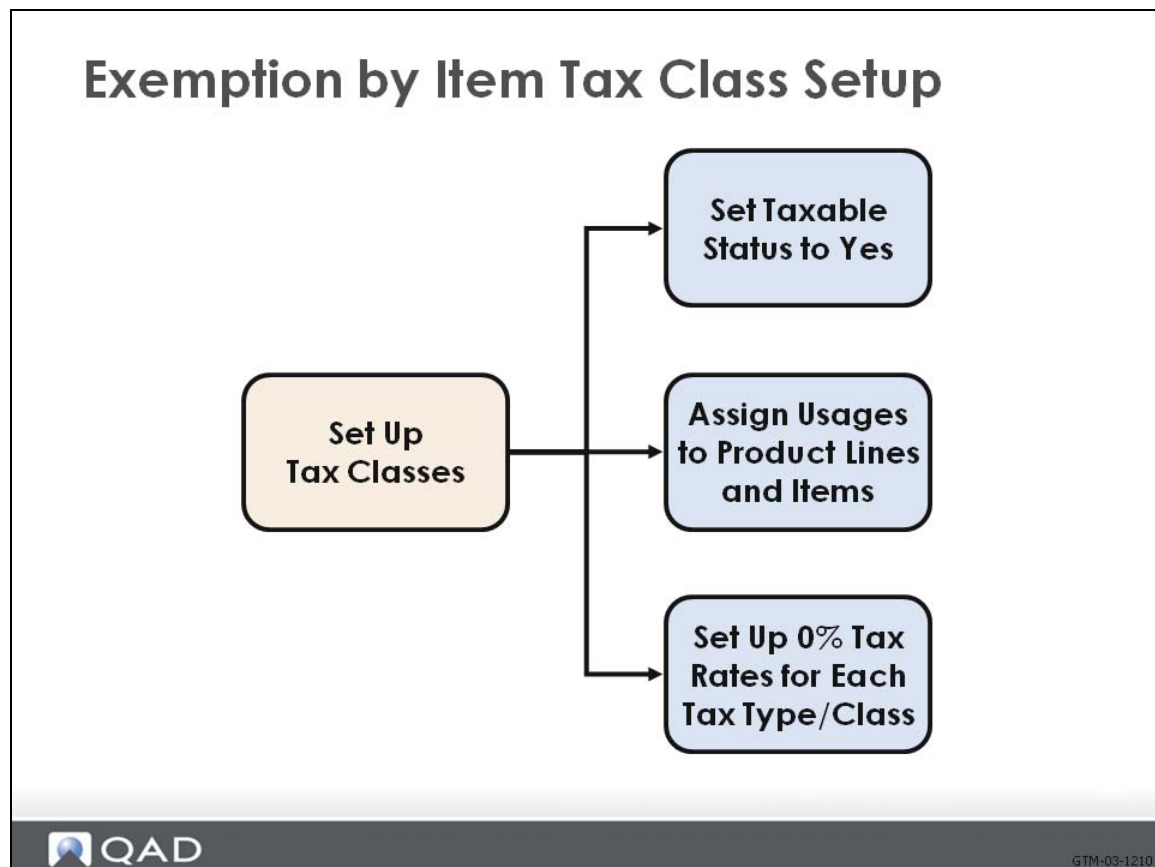
Exemption by Customer or Supplier Tax Class Setup



If you are already using usage codes for another purpose, use exemption reporting by customer or supplier tax class.

- 1 Set the taxable status of exempt customers and suppliers to Yes in Customer Maintenance (2.1.1) and Supplier Maintenance (2.3.1).
- 2 Set up a customer or supplier tax class for every exemption category in Tax Class Maintenance (2.13.1.5).
- 3 Assign each customer and supplier the appropriate tax class.
- 4 Set up a separate set of tax types for exempt customers and suppliers in Tax Type Maintenance (2.13.1.1).
- 5 Set up separate tax environments for exempt customers and suppliers in Tax Environment Maintenance (2.13.5.1). Specify the tax class(es) and tax types.
- 6 Set up 0% tax rates for every customer/supplier tax type in Tax Rate Maintenance (2.13.13.1).

Exemption by Item Tax Class Setup



Use exemption reporting by item tax class for tax exemptions if you are already using usage codes for another purpose.

- 1 Set the taxable status of exempt items to Yes in Item Cost Maintenance (1.4.9).
- 2 Set up an item tax class for every exemption category in Tax Class Maintenance (2.13.1.5).
- 3 Assign each product line and item the appropriate tax class.
- 4 Set up 0% tax rates for every tax type/item tax class in Tax Rate Maintenance (2.13.13.1).

Exercise: Tax Exemption

In this exercise, set up tax exemptions by item tax class and by customer tax class. See the item tax class exemption on a purchase order and the customer tax class exemption on a sales order. Note the differences in the setup. Even though both exemptions are by tax class, the customer tax class requires additional setup because you can't directly set up tax rates by customer tax class.

Use the following exercises, or try your own. Consider the types of exemptions your company has or uses.

Complete the exercise in the domain, United States.

Set up a 0% Tax Rate by Item Tax Class

- 1 In Tax Rate Maintenance (2.13.13.1), set up a tax rate for item tax class 1. This tax class is already in your database.

Field	Data
Tax Type:	CAN-GST
Item Tax Class:	1
Description:	CAN-GST Exempt
Tax Rate:	0.00%
Sales Tax:	2400
Sales Tax Absorbed:	5959
AP Tax:	1400
AP Tax Retained:	2450

Enter a Purchase Order

- 1 In Purchase Order Maintenance (5.7), enter an order for supplier 002 (Toronto Computer Services).

Field	Data
Purchase Order:	540
Supplier:	002
Site:	10000

In the line item entry frame, change the Ln Format S/M to Single:

Field	Data
Ln:	1
Item:	<blank>
Qty Ordered:	10
Unit Cost:	25.00

This is a (M)emo item.

Go to the tax window. Enter 1 as the item tax class.

Tax Class:	1
------------	---

In the trailer frame:

View/Edit Tax Detail: Yes

The total tax amounts for this order should be as follows:

CAN-GST:	0.00
CAN-PST:	12.50
Total Taxes:	12.50

Use the up and down arrows to scroll through the tax amounts. The first amount is 0.00 CAN-GST. This is the exempt amount for item tax class 001.

The second amount is 12.50 CAN-PST. (The item was not exempt from this tax, and CAN-PST is part of the tax environment).

Create Tax Classes

- 1 In Tax Class Maintenance, create the following tax classes:

Field	Data
<u>Tax Class 1</u>	
Tax Class:	HOS
Description:	Hospitals
<u>Tax Class 2</u>	
Tax Class:	GVT
Description:	Government
<u>Tax Class 3</u>	
Tax Class:	NPC
Description:	Non-Profit Charities

Create Tax Types

- 1 In Tax Type Maintenance, create the following tax types:

Field	Data
<u>Tax Type 1</u>	
Tax Type:	GST-EXEMPT
Description:	GST Exempt
<u>Tax Type 2</u>	
Tax Type:	PST-EXEMPT
Description:	PST Exempt

Set Up a Tax Environment by Customer Tax Class

- 1 In Tax Environment Maintenance (2.13.5.1), set up a tax environment for tax-exempt shipments from the US to India. The system will use this environment on transactions involving tax-exempt customers.

Field	Data
Tax Environment:	USA/IND-EXEMPT
Description:	USA to IND, Exempt

Enter the ship-from and ship-to zones for each tax class.

Ship-From Zone	Ship-To Zone	TxC	Description
USA	IND	GVT	Government
USA	IND	HOS	Hospitals
USA	IND	NPC	Non-Profit Charities
USA	IND	RSE	Tax-Exempt Resellers

Instead of the regular tax types, enter the exempt tax types. In the next step, set up 0% tax rates for the exempt tax types.

Tax Types	Sq	R	Description
GST-EXEMPT	1	2	Exempt from Canadian GST
PST-EXEMPT	2	2	Exempt from Canadian PST

Set Up 0% Tax Rates by Tax Type

- 1 In Tax Rate Maintenance (2.13.13.1), set up 0% tax rates for tax types GST-EXEMPT and PST-EXEMPT.

Field	Data
Tax Type:	GST-EXEMPT
Description:	Goods and Sales Exempt
Tax Rate:	0:00%
Tax Type:	PST-EXEMPT
Description:	Sales Exempt
Tax Rate:	0:00%

Update the Customer Taxable Status

- 1 In Customer Maintenance, open the record for customer 1505000, Great Indian Dessert Company.
- 2 Navigate to the Tax frame.
- 3 Set the Taxable field to Yes.
- 4 Assign tax class RSE to the customer.

- 5 When navigating, if the system asks you to specify bank details before you can proceed, specify BOA as the bank and 10 as the account type.
- 6 Navigate through the rest of the frame to save and close the record.

Enter a Sales Order

- 1 In Sales Order Maintenance (7.1.1), enter a sales order for tax-exempt customer 1505000 (Great Indian Dessert Company).

Field	Data
Order:	702
Sold-To:	1505000

Important In the Details frame, change the Currency field to USD.

In the freight data frame:

Field	Data
Freight List:	<blank>

In the line item entry frame:

Field	Data
Ln:	1
Item Number:	486-66
Qty Ordered:	1
List Price:	1,500.00

- 2 Specify RSE as the Tax Class in the pop-up tax window.

Ignore the Warning for now.

In the trailer frame:

View/Edit Tax Detail:	Yes
-----------------------	-----

The total tax amounts for this order should be as follows:

GST-EXEMPT:	0.00
PST-EXEMPT:	0.00
Total Taxes:	0.00

Use the up and down arrows to scroll through the tax amounts. The first amount should be 0.00 GST-EXEMPT.

The second tax amount should be 0.00 PST-EXEMPT.

Test Questions: Typical Tax Data Setup

Test for understanding/mastery test questions for part: Typical Tax Data Setup

- 1 How do you set up GTM to calculate taxes by order line instead of by order total?
- 2 How do you set up retained taxes?
- 3 Can taxes be discounted by the system? If so, at what time?
- 4 What are the two types of tax class and where do they come in play?

Tax Processing

Tax Processing

- Calculating Taxes
- Specifying Tax Data
- Viewing Tax Amounts
- Correcting Tax Data
- Reporting
- Fixing Common Tax Problems



GTM-03-1240

The following section describes how GTM processes tax transactions, how to correct tax amounts, and which reports are available.

Calculating Taxes

Calculating Taxes

- Determining the tax environment
 - Ship-from tax zone for the line item
 - Ship-to tax zone for the transaction
 - Customer or supplier tax class, if any
- Determining the tax rates
 - Tax class
 - Tax usage
 - Transaction tax date



GTM-03-1250

To calculate taxes on transactions, GTM first identifies the tax environment for each line item and trailer charge. It then determines the most appropriate tax rate for each tax type in the environment.

1 Determining the tax 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

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 (2.13.24).

If this happens, investigate and correct the problem

Tip Check “Fixing Common Tax Problems” on page 202 to review a few ways to fix common tax problems.

2 Determining the tax rates

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

GTM selects a rate only if there is a complete match between the conditions of the transaction and the tax rate. Any non-matching 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.

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.

Specifying Tax Data

The screenshot displays the 'Sales Order Maintenance' window with the 'Tax Info' pop-up open. The background window shows the 'Header' tab with fields for Order (SO33585), Sold-To (001), Bill To (001), and Ship-To (001). The 'Sold-To' and 'Ship-To' addresses are listed as 'PEI Computers Ltd., 37 Atlantic Road, Avonlea, Canada'. The 'Details' section includes dates (Order Date: 5/17/2010, Due Date: 5/18/2010), Site (11000), Channel, Project, and various checkboxes for 'Confirmed', 'Taxable', 'Fixed Price', and 'Credit Terms'. The 'Tax Info' pop-up window contains the following fields:

- Tax Usage: [dropdown]
- Tax Environment: CA [dropdown]
- Tax Class: [dropdown]
- Taxable: ☒
- Tax In: ☐

The QAD logo is visible in the bottom left corner, and the text 'GTM-03-1260' is in the bottom right corner.

Above image illustrates the tax pop-up in the Sales Order Maintenance (7.1.1) header. All transactions subject to tax have tax data windows accessible in the header, line item, and trailer frames. GTM defaults values for each field based on the transaction's details. Most values specified in the header can be modified for each line.

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 may want to specify another tax date. For example, when processing a return, you can enter the original order date.

Taxable/NonTaxable

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 non-taxable 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.

Viewing Tax Amounts

Viewing Tax Amounts

Sales Order Maintenance X

Go To Actions Copy Print Preview Attach

Attachments

Header Lines Trailer

Trailer Tax Info Trailer Information

Header

Order: S033585 Sold-To: 001 Bill To: 001 Ship-To: 001

Trailer

Non-Taxable: 0.00 Currency: USD Line Total: 6,000.00
Taxable: 6,000.00 0.00% Discount: 0.00
Tax Date: Service 10 0.00
Containers: 0.00 Freight Non-Taxable 20 0.00
Line Charges: 0.00 Special 30 0.00
Total Tax: 450.00
Total: 6,450.00

View/Edit Tax Detail: ☒

Trailer Information

CR Initials: Print Sales Order: ☒ AR Acct: 1200
Credit Card: Print Pack List: ☒ Prepaid: 0.00
Action Status: Print Inv Hist: ☒ FOB Point:
Revision: 0 EDI Inv Hist: ☐ Ship Via: Fedex
EDI PO Ack: ☐ Partial OK: ☒ Bill Of Lad:

GTM-03-1270

Tax records on a specific transaction can be reviewed and edited by setting View/Edit Tax Detail to Yes in the transaction trailer frame.

The screen displays the total nontaxable and taxable line item and trailer charge amounts, the tax date, and tax amounts by category.

Viewing Tax Amounts

Sales Order Maintenance x

Go To Actions Copy Print Preview Attach

Attachments

Header Lines **Trailer**

Trailer Tax Info Trailer Information

Header

Order: S033585 Sold-To: 001 Bill To: 001 Ship-To: 001

Tax Detail Record

Line: 0 Related Doc: Trnx Amt: 6,000.00

Trailer: Tax In: Non-Taxable Base: 0.00

Tax By: Total Tax Env: CA Taxable Base: 6,000.00

Edited: Tax Type: CA-1 Tax Amount: 450.00

Tax Date: 5/18/2010 Tax Class: Recoverable Tax: 0.00

Tax Rate: 7.50% Tax Usage: Non-Recover Tax: 450.00

Tax Code: USA00001 CA (1) Absorb/Retain: 0.00

Total Tax Amounts

CA-1:	450.00	0.00
	0.00	0.00
	0.00	0.00
	0.00	0.00
		450.00



GTM-03-1280

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 is Yes for the specific tax rate.

If Tax by Line is No for the tax rate, Line 0 displays the taxes calculated for the total line item amount.

Depending on how you set up the tax rate, you may be able to change some of the values. To edit values, Update Tax Allowed must be Yes.

Correcting Tax Amounts

Sales Order Maintenance

Go To Actions Copy Print Preview Attach

Attachments

Header Lines **Trailer**

Trailer TaxInfo Trailer Information

Header

Order: 900 Sold-To: 001 Bill To: 001 Ship-To: 001

Tax Detail Record

Line: 1	Related Doc:	Tmx Amt: 2,000.00
Trailer:	Tax In:	Non-Taxable Base: 0.00
Tax By: Line	Tax Env: USA/CANADA	Taxable Base: 2,000.00
Edited:	Tax Type: CAN-GST	Tax Amount: 140.00
Tax Date: 5/18/2010	Tax Class:	Recoverable Tax: 0.00
Tax Rate: 7.00%	Tax Usage:	Non-Recover Tax: 140.00
Tax Code: 2	GST	Absorb/Retain: 0.00

QAD GTM-03-1290

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 (2.13.24) then by the same field in individual tax rate records (set up in Tax Rate Maintenance (2.13.13.1)).

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 amount
- the tax amount
- the recoverable tax amount

Tip Typically, you edit tax amounts only when transaction tax amounts must exactly match an external document. Use this feature to match amounts on manually issued documents.

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.

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.

Reporting

Reporting

Printing Tax Info on Documents

Global Tax Management Contr...

Go To Actions Copy Print Preview

Tax Zone: USA

Tax Environment: USA

Country Code: usa

Rounding Method: 2

Tax Method: 01

Tax-By-Line: ☒

Accrue Tax at Receipt: ☒

Accrue Tax at Usage: ☐

Discount Tax at Invoice: ☐

Discount Tax at Payment: ☐

Update Tax Allowed: ☐

Update History Allowed: ☐

Keep Tax History: ☒

Validate VAT Registration: ☐

Print VAT Registration: ☐

Display Detail on Reports: ☒

Display Taxable/Non-Taxable on Trailer: ☐

Last Tax Code: 2



GTM-03-1300

Printing Tax Info on Documents

In some countries, tax regulations require to print tax detail information on documents such as sales orders and invoices. Two fields control this:

- In Global Tax Management Control (2.13.24), set Print Tax Detail on Reports to Yes
- In the document print program, set Print Trailer to Yes

Set the Print Tax ID on Invoice field in Sales Order Control (7.1.24) to Yes to ensure that the output of Invoice Print (7.13.3) includes the Tax ID - Federal value specified in the tax frame of Customer Maintenance (2.1.1). This field also applies to other programs that let you print invoices, such as shipping functions.

(Reporting continued)

Reporting

- Detail by Transaction Inquiry
- Tax Detail by Transaction Report
- EC Sales Listing
- VAT Registration Number Report
- AR Tax by Transaction Report
- AR Tax by Tax Rate Report
- AP Tax by Transaction Report
- AP Tax by Tax Rate Report



GTM-03-1310

Tax Reports

Tax reports are located in the Tax History Menu (2.13.15). They allow you to view single tax records or their summary categorized in numerous ways. Here is a list of the currently available tax reports and inquiries in QAD Enterprise Applications:

- Detail by Transaction Inquiry (2.13.15.2)
- Tax Detail by Transaction Report (2.13.15.3)
- EC Sales Listing (2.13.15.8)
- VAT Registration Number Report (2.13.15.9)
- AR Tax by Transaction Report (2.13.15.13)
- AR Tax by Tax Rate Report (2.13.15.14)
- AP Tax by Transaction Report (2.13.15.16)
- AP Tax by Tax Rate Report (2.13.15.17)

Since reporting needs greatly vary from one jurisdiction to the other, try them all out with various criteria to see which one is best suited to your local requirements.

Warning These reports do not necessarily satisfy local tax laws. For most countries, custom reports will need to be written for this purpose.

Fixing Common Tax Problems

Fixing Common Tax Problems

- No tax environment found, using default
- Tax rate does not exist
- Incorrect tax type, correct tax environment
- Taxes are calculated incorrectly



GTM-03-1320

Following is a list of common tax processing problems and their possible causes. Some suggestions for correction are given for each case.

“Warning: No tax environment found, using default.”

Problem:

Global Tax management 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 (2.13.24). GTM can also select the wrong environment if the tax zone was incorrect in the address records for your company, the customer, or the supplier.

Suggestions:

- 1 Verify that the tax zones associated with the ship-to and ship-from on the transaction are correct.
- 2 Verify the tax zone for the address record of your company in Company Address Maintenance (2.12)
- 3 Go to Tax Environment Report (2.13.5.3) and verify that an environment exists for the tax zones and tax classes involved in the transaction. Correct errors in Tax Environment Maintenance (2.13.5.1).

“Error: Tax rate does not exist”Problem:

- 1 No tax rate exists for the tax type, item or trailer charge tax class, item or transaction tax usage, and/or transaction tax date.
- 2 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.

Suggestions:

- 1 Verify that tax rates are set up correctly in Tax Rate Report (2.13.13.3). Check especially that tax rates are set up for all tax usage and item tax class combinations, including where none are used.
- 2 Correct errors in Tax Rate Maintenance (2.13.13.1)

“Incorrect tax type, correct tax environment”Problem:

An incorrect tax type is associated with the tax environment involved.

Suggestions:

- 1 Go to Tax Environment Report (2.13.5.3) and check the specific environment
- 2 Correct errors in Tax Environment Maintenance (2.13.5.1).

Taxes are calculated incorrectlyProblem:

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.

Suggestion:

Review the tax rate settings in Tax Rate Maintenance (2.13.13.1)

Note Occasionally, the system calculates tax correctly but they do not match the value on a printed document. Correct these manually on the transaction.

Exercise: Tax Operation

Complete the exercise in the domain, United States.

1 Viewing and modifying taxes

Go back to a transaction you created in a previous exercise, and set the View/Edit Taxes? field to Yes.

Try modifying the taxes. Remember to press Go or click Next at each step until you're back to the first screen, to make sure that the system recalculates taxes.

Note If Tax-by-Line is No on the tax rate record, remember that you won't be able to update the line item taxes.

2 Reporting

Run the following reports to review taxes on a specific transaction:

- Tax Detail by Transaction Inquiry (2.13.15.2)
- Tax Detail by Transaction Report (2.13.15.3)

Run the following reports with various criteria. Do you see the data you need for your official tax reports, or do you think you will need a custom report?

- AR Tax by Transaction Report (2.13.15.13)
- AR Tax by Tax Rate Report (2.13.15.14)
- AP Tax by Transaction Report (2.13.15.16)
- AP Tax by Tax Rate Report (2.13.15.17)

Test Questions: Tax Operation

- 1 Can you update tax amounts on transactions? If so, how?
- 2 Where are tax reports located?
- 3 How does GTM collect data to calculate tax on a transaction? Try to redraw the tax data relationship diagram
- 4 How do you review the tax amounts on a specific transaction?

GTM Setup Review

Set Up Global Tax Management

In this section you learn how to:

- Set Up Global Tax Management in QAD Enterprise Applications
- Learn how taxes are processed in QAD Enterprise Applications



GTM-03-1340

Exercise: Sales and Use Tax Interface

The exercise in this section is optional, and applies to VTMS environments that have Vertex enabled.

USA companies have the option of using the Sales and Use Tax Interface (SUTI). In order to configure Global Tax Management so that rates and Geo codes (tax zones) are obtained from the Vertex databases, you must complete the following steps:

- 1 In Generalized Code Maintenance (36.2.13), create a generalized code for SUTI tax.

Field	Data
Field Name:	tx2_method
Value:	20
Comments:	SUTI Quantum Tax Method

- 2 In Tax Type Maintenance (2.13.1.1), create the following tax types:

Tax Type	Description
VQ-00:	Quantum Total Tax
VQ-10:	Quantum State Tax
VQ-20:	Quantum County Tax
VQ-30:	Quantum City Tax
VQ-40:	Quantum District Tax
VQ-50:	State Additional Tax Amount
VQ-60:	County Additional Tax Amount
VQ-70:	City Additional Tax Amount

Note Descriptions for VQ-50, VQ-60, VQ-70 exceed the maximum length allowed

- 3 This step is optional. In Tax Class Maintenance (2.13.1.15), create the necessary tax classes. The following are some examples:

Tax Class	Description
EXP:	Expense Purchase
INV:	Inventory Purpose
TAX:	Taxable
NON:	Non-Taxable
FRT:	Freight

- 4 This step is optional. In Tax Usage Maintenance (2.13.1.19), create the necessary tax usage codes. The following are some examples:

Tax Usage	Description
ENDU	End User - Tax
DIST	Distributor
NPC	Non-Profit Company
HOSP	Hospital
EXP	Expense Item Supplier

- 5 In Country Code Maintenance (2.13.3.1), enter records for countries. For example: Country Code USA, Description United States of America
- 6 In Tax Zone Maintenance (2.13.3.13), set up a tax zone for each country. This following is an example:

Tax Zone	Description	Country Code
USA	United States of America	USA

- 7 In Tax Environment Maintenance (2.13.5.1), set up tax environments. The following is an example:

Field	Data
Tax Environment:	USA
Description:	Quantum Total Tax
Ship-From:	USA
Ship-To:	USA
TxC:	
Description:	US Domestic
Tax Type:	VQ-00

Note The ship-from USA + ship-to USA values are already used in another tax environment and the “ERROR: combination exists in another tax environment” is displayed. However, the tax environment cannot be found in the defined environments

- 8 In Tax Rate Maintenance (2.13.13.1), set up tax rates. The following is an example:

Field	Data
Tax Type:	VQ-00
Effective:	01/01/10
Description:	Quantum Total Tax
Tax By Line:	Yes
Tax Method:	20

- 9 In Tax Interface Control (36.5.3.24), set up the API Control. The following is an example:

Field	Data
Enable API:	Yes
US Country:	USA
Canada Country:	CAN
US Currency:	USD
Sums-Into Tax Zone:	USA
Use Compression:	Yes
User ID/Group:	

- 10 In Global Tax Management Control (2.13.24), set up GTM control settings. The following is an example:

Field	Data
Tax Zone:	USA
Tax Environment:	USA

Field	Data
Country Code:	USA
Rounding Method:	2
Tax Method:	20
Tax-By-Line:	Yes
Discount at Invoice:	No
Discount at Payment:	No
Update Tax Allowed:	No
Update History Allowed:	No
Keep Tax History:	No
Print Tax Detail on Reports:	Yes

- 11** In Entity Code Maintenance (25.3.1.1), set up entity codes. The following is an example:

Field	Data
Entity:	1000
Description:	My Company
Primary Entity:	Yes
Currency:	USD
Post Translation Adj to (B/I):	Bal Sheet
Posting Audit Trail Page Nbr:	0

- 12** In Site Maintenance (1.1.13), set up sites. The following is an example:

Field	Data
Site:	10000
Description:	Carpenteria Main Plant
Entity:	1000

- 13** In Company Address Maintenance (2.12), set up site addresses. The following is an example:

Field	Data
Address:	10000
Description:	VQ Test Site
Address:	12345 Main Street
City:	Carpenteria
State:	CA
Zip:	93013
Country:	USA

- 14** In Customer Maintenance (2.1.1), set up customers. The following is an example:

Field	Data
Customer:	VQ-TAX
Name:	Quantum Taxable Customer
Address:	123 Main Street
City:	Santa Clara
State:	CA

Field	Data
Country:	USA
Taxable:	Yes

Note A site for the customer needs to be specified so as to be able to get to the next frame. Otherwise, an error message is displayed.

- 15** In Supplier Maintenance (2.3.1), set up suppliers. The following is an example:

Field	Data
Supplier:	VQTAX
Name:	Quantum Taxable Supplier
Address:	1234 Main Street
City:	Santa Clara
State:	CA
Country:	USA
Taxable:	Yes

- 16** In Product Line Maintenance (1.2.1), set up product lines. The following is an example:

Field	Data
Product Line:	1000
Description:	Pencil Products
Taxable:	Yes

- 17** In Item Master Maintenance (1.4.1), set up items. The following is an example:

Field	Data
Item number:	VQTAX
UM:	EA
Site:	10000
Price:	10.00
Tax:	Yes
Material:	2.00
Labor:	2.00

Note A product line must be specified to enable you to access the next frame. Otherwise, an error message is displayed

Appendix A

Test Question Answers

Test Questions: GTM Setup - Answers

- 1 What are the four main steps when setting up GTM?
 - a Set up the Domain/Account Control, then tax environments, then tax rates, and then GTM Control
- 2 In Tax Data Relationships, we reviewed which main elements are used in tax calculation in QAD Enterprise Applications. What are they?
 - a Tax Zones, Tax Environments, Tax Type, Tax Rate. Optionally, Customer/Supplier or Item Tax Class and Tax Usages.
- 3 Are tax classes mandatory?
 - a No
- 4 What are the four (three plus one optional) elements that must be defined in order to set up tax environments?
 - a Tax zones, tax types, rounding methods and, optionally, customer/supplier tax classes.
- 5 What is a prerequisite to setting up tax zones?
 - a Country codes
- 6 Should you use tax usages and tax classes, even if you do not really need them? Is a more complex set up better?
 - a No, the simplest set up that responds to your reporting and analysis needs is the best one.
- 7 GTM looks at three elements to determine the tax environment for a specific transaction. Which are those?
 - a Ship-to tax zone and ship-from tax-zone and customer/supplier tax class
- 8 Can the same tax type apply to different tax environments?
 - a Yes
- 9 What are the three elements (one plus two optional) that must be defined prior to setting up tax rates?
 - a Tax types, Item tax class (optional), tax usage (optional).
- 10 What is the VAT Registration number for?
 - a There are used mainly in Europe. Since 1993, European Union countries have required companies to have value-added tax (VAT) registration numbers. All intra-EU sales and purchasing documents must show the VAT registration number for the customer or supplier.

Test Questions: Other Tax Data Setup - Answers

- 1 Which other records must be updated after setting up GTM?
 - b Items (product line, item tax data), Customers and Supplier tax data, company site address tax data, sales order control.
- 2 What are the recommended ways to set up tax exemptions depending on the level of analysis needed?
 - a By tax type NON-TAX
 - b By tax usage
 - c By customer or supplier tax class
 - d By item tax class

Test Questions: Typical Tax Data Setup - Answers

- 1 How do you set up GTM to calculate taxes by order line instead of by order total?
 - a In Tax Rate Maintenance (2.13.13.1), select the Tax-by-Line field. You can have this field default to Yes by checking it in GTM Control
- 2 How do you set up retained taxes?
 - a By selecting the field in Tax Rate Maintenance
- 3 Can taxes be discounted by the system? If so, at what time?
 - a Yes. Taxes can be discounted at invoice or at payment. This can be set up in Tax Rate Maintenance.
- 4 What are the two types of tax class and where do they come in play?
 - a There are customer/supplier tax classes, and item tax classes. Customer/Supplier tax classes are used by GTM to select the tax environment, item tax classes are used to select the tax rate.

Test Questions: Tax Operation - Answers

- 1 Can you update tax amounts on transactions? If so, how?
 - a 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. 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.

- 2** Where are tax reports located?
 - a** In the Tax history menu (2.13.15)
- 3** How does GTM collect data to calculate tax on a transaction? Try to redraw the tax data relationship diagram
 - a** See the diagram in Chapter 2, “Business Considerations”.
- 4** How do you review the tax amounts on a specific transaction?
 - a** 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.