Tax System User Guide

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Feedback

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Pathway 3.09 (Thick Client Version)

Table of Contents

TAX SYSTEM USER GUIDE

Overview

All modules which have GST requirements will use the Core Tax System.

The major components of the Tax system are Tax Codes and Rates.

Tax Codes: Tax Codes are at the parameter level and are there so that varying tax codes can be created. A number of Tax Codes may be created to allow the user to split the accumulation of Tax by subsystem – if they so desire. There is no requirement to create many tax codes; a user may simply create only one. There are no default Tax Codes set up, and as such, each site will be required to create their own. However, Role Types are system defined.

Tax Rates: Rates will be defined per Tax Code. Many rates can be defined per Tax Code. Rates will have an effective date and this will be used in determining the current rate to use. The current rate to use will be the most recent rate defined, as long as the effective date is less than or equal to the effective date that has been requested. By allowing the effective date to be passed by applications GST amounts for the future can be determined.

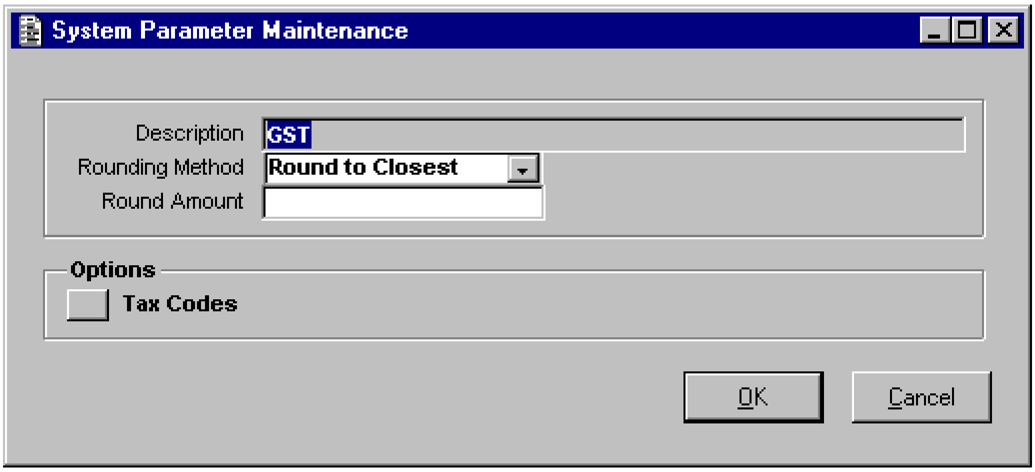
Parameters

The following topics are covered in this section:

System Parameter Maintenance

System Parameter Maintenance Form

The Tax System Parameter Maintenance Form allows the maintenance of the System Parameters for the Tax specified in the Description. The Rounding Method, amount and description are defined on this form. The maintenance of the Tax Codes is also accessed from this form. If a Rounding amount other than "None" is defined then a rounding amount must be entered. If "None" is defined in the Rounding Method, then the Rounding Amount field will be dimmed. The Tax Codes label will be bolded if Tax Codes are defined.



System Parameter Maintenance Form

Description
This field contains the description of the tax. This field is mandatory.

Rounding Method
This field allows the selection of a Rounding Method. Four options are available:

- None
- Round to Closest
- Round Down
- Round Up

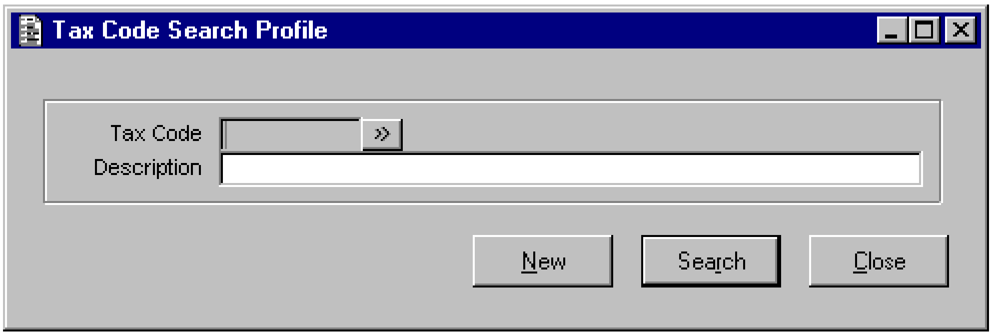
If a Rounding Amount other than "None" is selected then a rounding amount must be entered. The amount must be greater than zero. If "None" is defined , then the rounding amount field will be dimmed.

Round Amount
This field allows a Rounding amount to be entered, e.g. . .05 . The amount must be greater than zero. If "None" has been defined as the Rounding Method, then this field will be dimmed and not able to be accessed.

Options Button – Tax Codes
Selection of the Tax Codes Button displays the Tax Code Search Profile form. If Tax Codes have been defined then the Tax Codes label will be bolded.

Tax Code Search Profile Form

The Tax Code Search Profile form allows the user to search over all the tax codes that have been defined, or create a new Tax Code.



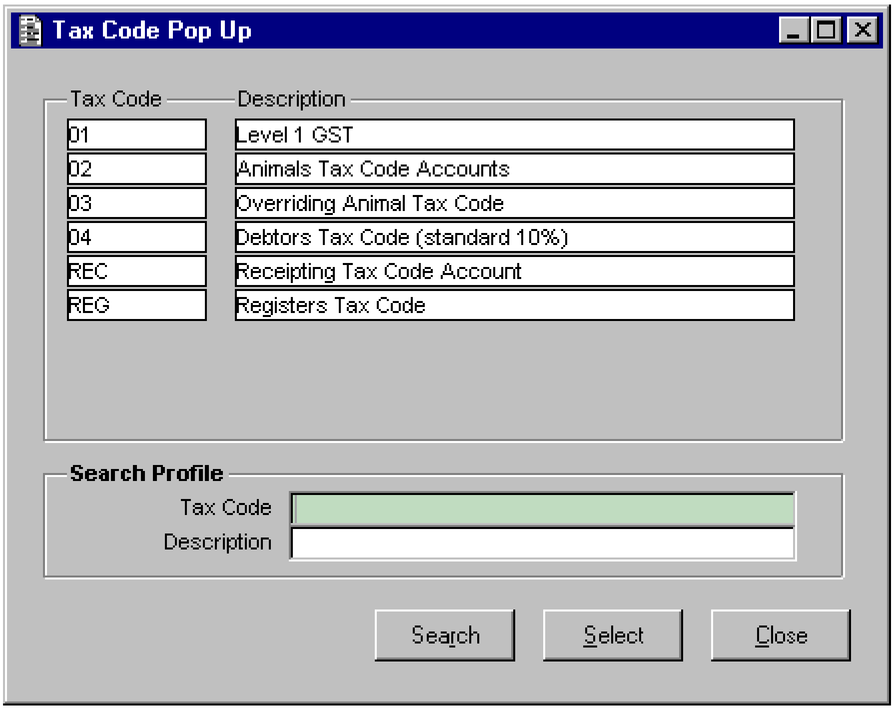
Tax Code Search Profile Form

Tax Code
Enter a Tax Code on which to base a search, or alternatively, select one from the Pop Up. Select the Search button to initiate the search.

Description
Enter a Tax Code Description on which to base your search. Select the Search button to initiate the search.

Tax Code Pop Up Form

The Tax Code Pop Up form allows selection of a predefined Tax Code.



Tax Code Pop Up Form

Tax Code
This field displays the Tax Code. This field is display only and cannot be maintained.

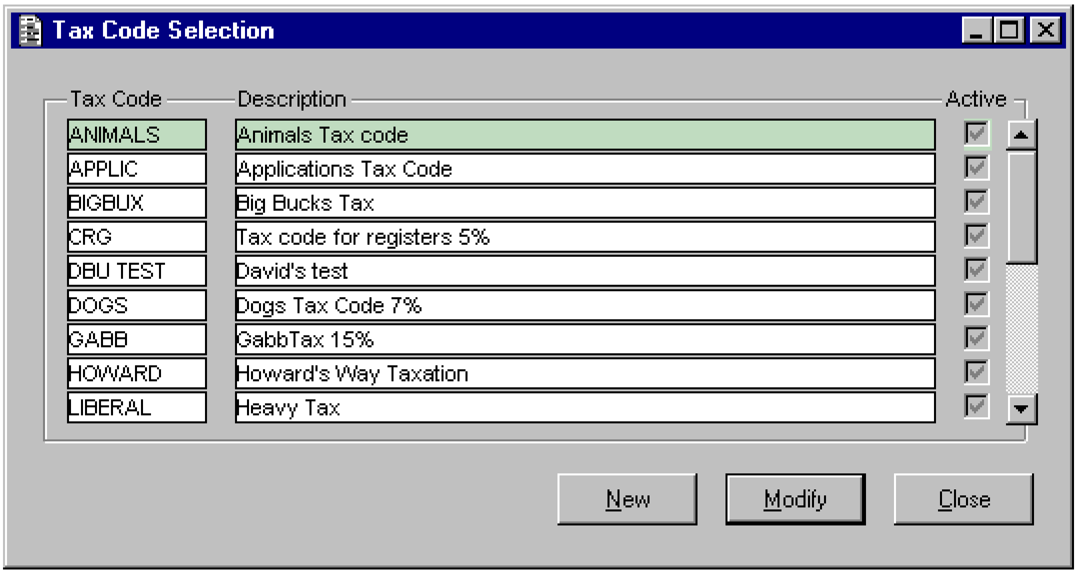
Description
This field displays a description of the Tax Code. This field is display only and cannot be maintained.

Search Profile – Tax Code
Enter a Tax Code on which to base your search. Select the Search Button to initiate the search.

Search Profile – Description
Enter a Tax Code description on which to base your search. Select the Search Button to initiate the search.

Tax Code Selection Form

The Tax Code Selection Form is used to create a new Tax Code or select one to view or modify. Select the New Button to create a new Tax Code. Highlight an existing Tax Code and select the Modify Button to view and/or change the details.



Tax Code Selection Form

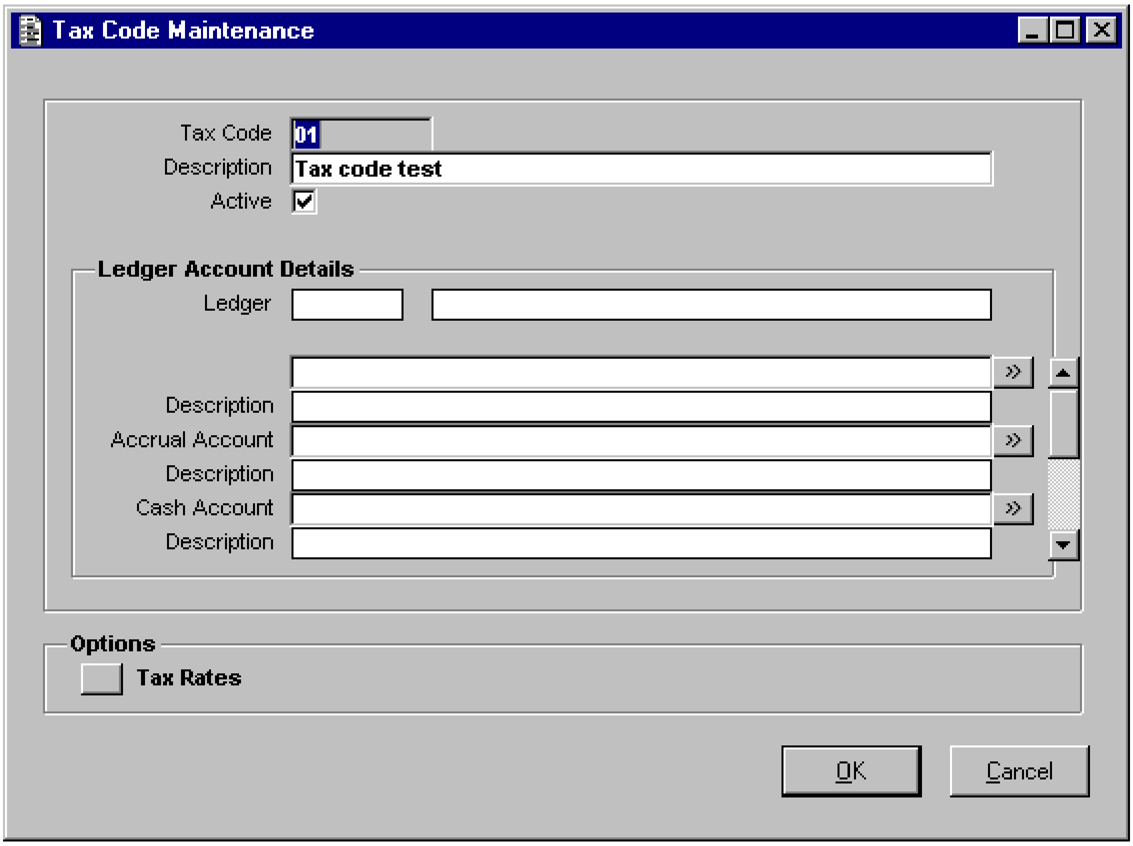
Tax Code
This field contains the Tax Codes which have been defined. This field is display only and cannot be maintained.

Description
This field contains a description of the Tax Code. This field is display only and cannot be maintained.

Active
This flag will be checked on if the Tax Code has been made active and available for use.

Tax Code Maintenance Form

The Tax Code Maintenance Form allows existing Tax Codes to be maintained, or new ones created. The Active field will be defaulted to True whenever a new Tax Code is created. Three Accounts are required to be set up, and these Accounts must be from the same ledger.



Tax Code Maintenance Form

Tax Code
This field allows a Tax Code to be entered. It may be alpha-numeric.

Description
This field allows a description of the Tax Code to be entered.

Active
The Active flag will be checked on when a new Tax Code is created. If this flag is checked off, this Tax Code will be made unavailable for selection.

Ledger
This field displays the Ledger to which the Accounts belong. This data is defaulted into the field when bank accounts are selected.

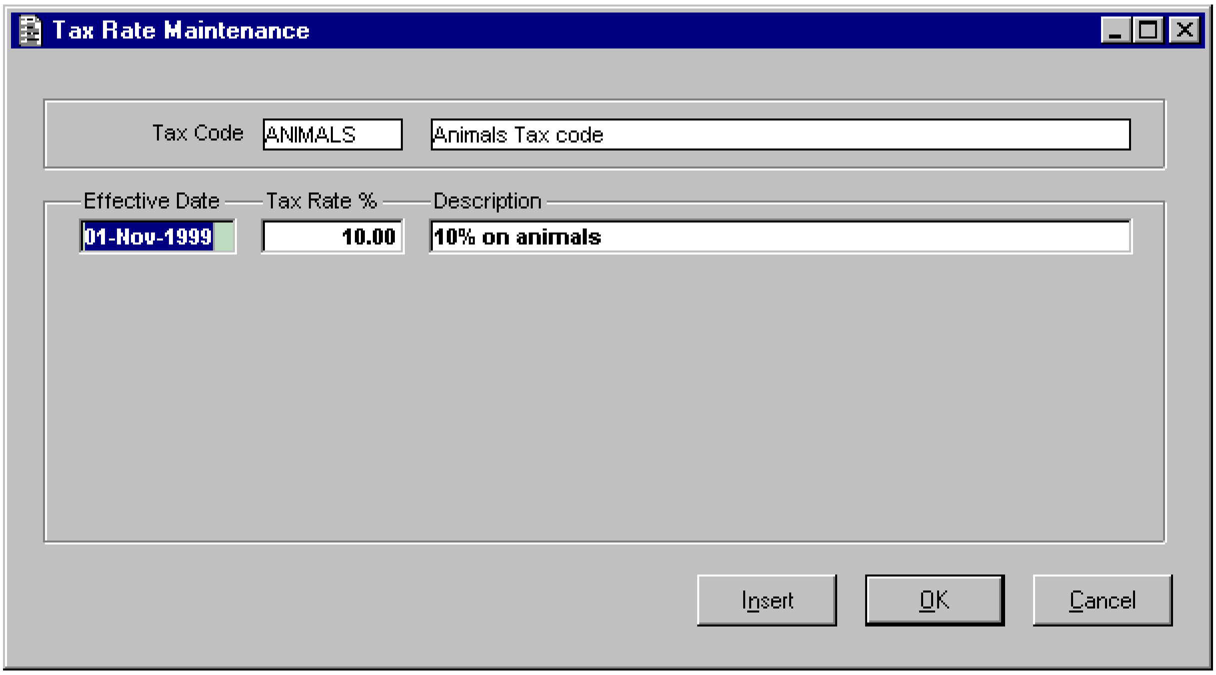
Accrual Account/Cash Account/Accrual Reversal Account
These fields contain the various accounts which can be selected via the Account Pop Up form.

Description
The Description fields contain a description of the accounts. This information is brought in once a selection has been made from the Account Pop Up.

Options Button – Tax Rates
Selection of this button displays the Tax Rate Maintenance Form for the selected Tax Code.

Tax Rate Maintenance Form

The Tax Rate Maintenance Form allows Tax Rates to be created for each Tax Code. A number of Tax Rates with different 'Effective Dates' may be established for each Tax Code.



Tax Rate Maintenance Form

Tax Code
The Tax Code and Description are defaulted from the Tax Code Maintenance Form. These fields are display only and cannot be maintained.

Effective Date
A date can be entered in this field to establish the commencement date of each particular Tax Rate.

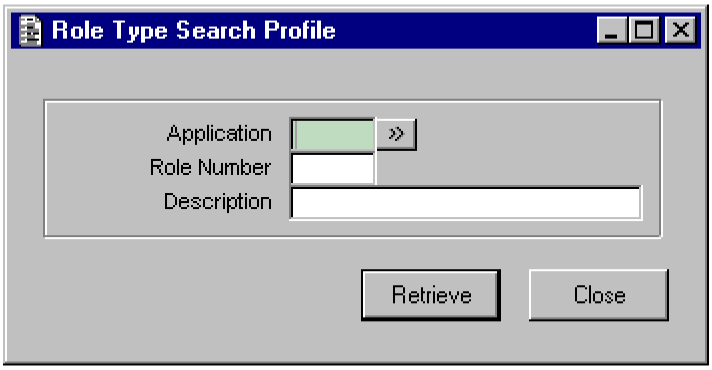
Tax Rate %
Enter a Tax Rate e.g. 10 , which is to be applied from a specified 'Effective Date'.

Description
Enter a Description for the Tax Rate.

Role Type Maintenance

Role Type Search Profile Form

The Role Type Search Profile Form allows searching on predefined Role Types. Select the Retrieve button to display all Role Types, or enter details in the available fields and select the Retrieve button to narrow down your search.



Role Type Search Profile Form

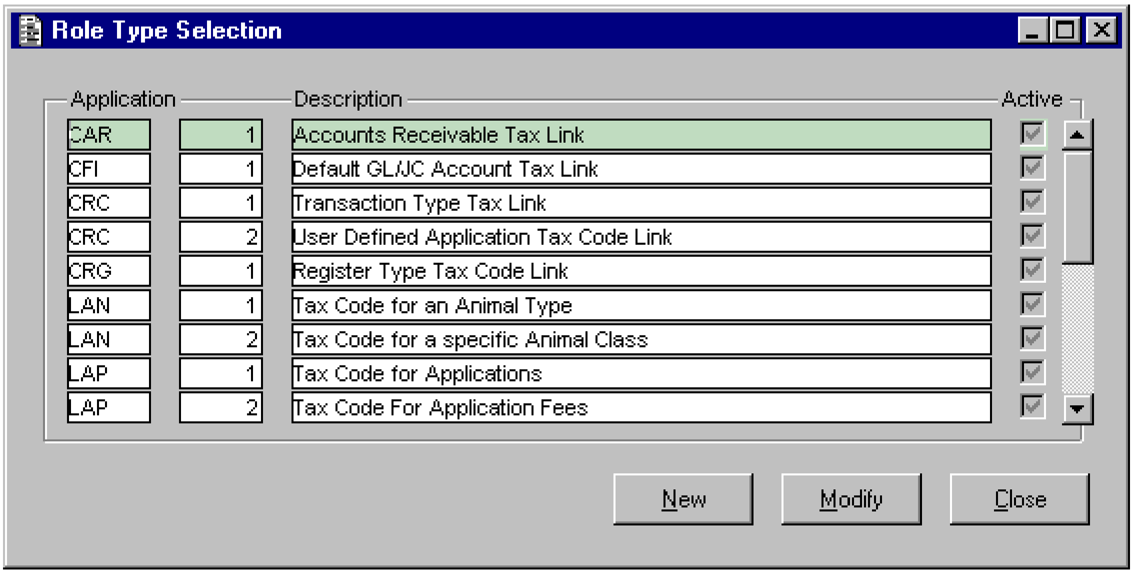
Application
Enter an Application Code on which to base your search, or select one from the Application Code Pop Up.

Role Number
Enter a Role Number on which to base your search. This can be used alone in the search or in conjunction with other fields on the form.

Description
Enter a Role Type Description on which to base your search.

Role Type Selection Form

This form allows selection of a predefined Role Type. Role Types are set up at system level. Highlight a Role Type and select the Modify Button to view the details.



Role Type Selection Form

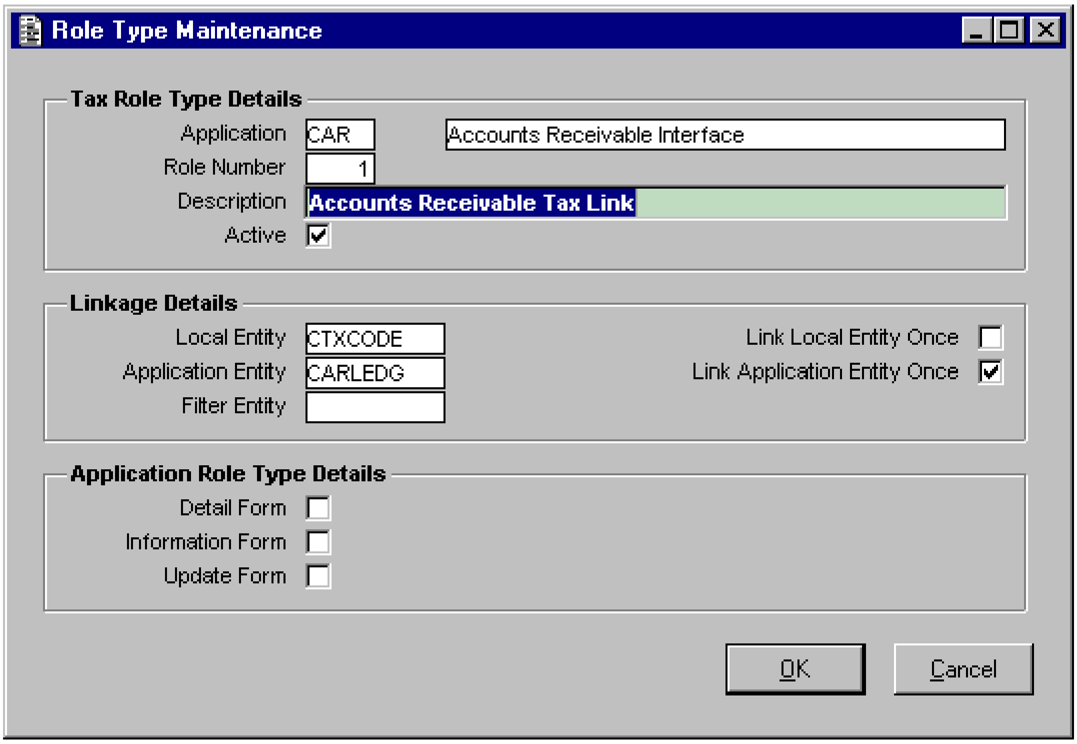
Application
These fields display the Application and the Role Number assigned to the Role Type. These fields are display only and cannot be maintained.

Description
This field displays a Description of the Role Type. This field is display only and cannot be maintained.

Active
This flag will be set on if the /role Type has been made active. This field is display only and cannot be maintained.

Role Type Maintenance Form

This form allows Tax Role Type details to be set up. These details can only be modified at system level.



Role Type Maintenance Form

Tax Role Type Details – Application
This field displays the Application Code and Description.

Tax Role Type Details – Role Number
This field displays the Role Number assigned to the Tax Role Type.

Tax Role Type Details – Description
This field displays a Description of the Tax Role Type.

Tax Role Type Details – Active
This flag will be checked on if the Role Type has been made active.

Linkage Details – Local Entity
This field displays the Local Entity to which the Role Type is linked.

Linkage Details – Application Entity
This field displays the Application Entity to which the Role Type is linked.

Linkage Details – Filter Entity
This field displays the Filter Entity to which the Role Type is linked.

Linkage Details – Link Local Entity Once
This flag will be checked on if restrictions are to be placed on the user creating more than one role link to the local entity.

Linkage Details – Link Application Entity Once
This flag will be checked on if restrictions are to be placed on the user creating more than one role link to the application entity.

Application Role Type Details

These flags determine which forms are to be displayed when the Role Type is accessed.

Tax Setup Recommendations – Australia

New set up for Australian Sites

Note: No Tax payable on Overpayments
Overpayments in Property, Debtors, Licensing, Applications and Infringements are to be set to Taxable = NO

Note: The standard Non Taxable Type is NOT required for Overpayments

Tax Parameters should be set to:
Rounding – Closest
Rounding Amount - .01
This is very important for sites that have a Tax Calculation within the Export function i.e.: Finance One, Peoplesoft and some Computron sites

Only **one** Tax Code is required for all Accrual modules (assuming Tax rate is always 10%, refer to notes below)
(LRA, LDR, LWB, LTW and LLC/LAP/LIF if set to Accrual)

Only **one** Tax Code is required for all Cash modules (assuming Tax rate is always 10%, refer to notes below)
(CRC, CRG, LAN, CFI, and LLC/LAP/LIF if set to Cash)

Tax Code for Accrual Modules should be set as follows:
Tax Accrual = Appropriate Tax Collection Account
Tax Accrual Reversal = Suspense Tax Account
Tax Cash Account = Suspense Tax Account

Tax Code for Cash Modules should be set as follows:
Tax Accrual = Suspense Tax Account
Tax Accrual Reversal = Suspense Tax Account
Tax Cash Account = Appropriate Tax Collection Account

EXCEPT for Finance One Sites
They have ONE Tax Code Only
Tax Accrual = Suspense Tax Account
Tax Accrual Reversal = Suspense Tax Account
Tax Cash Account = Suspense Tax Account

Only one Tax % is valid (10%)
To cater for any ½ Tax (referred to as 5%), sites should split the invoices using taxable Debt Type and non-taxable Debt Type to form the Total Invoice value.
I.e.: rate is not 5%, effectively only half the debt is taxable.

Tax Set Up Recommendations - New Zealand

Note: Tax is payable on Overpayments
Overpayments in Property, Debtors, Licensing, Applications and Infringements are to be set to Taxable = YES

Tax Parameters should be set to:
Rounding – Closest
Rounding Amount - .01
This is very important for sites that have a Tax Calculation within the Export function i.e.: Finance One, Peoplesoft and some Computron sites

A separate Tax Code for Overpayments is required
Only **one** Tax Code is required for all modules

Tax Code for modules should be set as follows:
Tax Accrual = Accrual Suspense Tax Account
Tax Accrual Reversal = Accrual Suspense Tax Account
Tax Cash Account = Appropriate Cash Tax Collection Account

Tax Code for Overpayments should be set as follows:
Tax Accrual = Overpayment Tax Suspense Account
Tax Accrual Reversal = Overpayment Tax Suspense Account
Tax Cash Account = Appropriate Overpayment Tax Collection Account

Examples of Overpayments (LRA/LDR modules)
$100 payment applied to an LRA/LDR account with no debt

Overpayment Account	-100.00
Overpayment Bank Account	100.00
Overpayment Tax Collection Account	-11.00
Overpayment Tax Suspense Account	11.00

Where the payment submission to the Tax Department is to include the Tax on Overpayment, then the balance of the Overpayment Tax Collection must be included.

Tax Suspense holds a balance that signifies amount paid or payable to Tax Office that effectively has had no debt raised

$100 taxable debt raised against this Debtor

Revenue Account	-89.00	Invoice Entry
Control Account	100.00	Invoice Entry
Accrual Suspense Tax Account	-11.00	Invoice Entry
Overpayment Account	100.00	Reverse of original Receipt allocation
Overpayment Bank Account	-100.00	Reverse of original Receipt allocation
Overpayment Tax Collection Account	11.00	Reverse of original Receipt allocation
Overpayment Tax Suspense Account	-11.00	Reverse of original Receipt allocation
Control Account	-100.00	Re-allocation of Receipt to Debt
Debt Bank Account	100.00	Re-allocation of Receipt to Debt
Accrual Suspense Tax Account	11.00	Re-allocation of Receipt to Debt
Cash Tax Collection Account	-11.00	Re-allocation of Receipt to Debt

If payment is required to Tax Department, then the balance of the Overpayment Tax Account is included, which in this case is a positive, thereby reducing any other payments owing from this account.

Overpayments Tax Suspense now holds zero signifying that all overpayments have been re-allocated. I.e.: at any time it reflects a balance that signifies amount paid or payable to Tax Office that effectively has had no debt raised

Cash Tax Account now holds –11.00, which when added to the Overpayment Tax Account negates to zero, which is correct as tax has already been paid to Tax Office.

Accrual Suspense Tax Account is NEVER considered when making payments to the Tax Department.

If the scenario, where the new Debt raised is non-taxable, the following would occur:

$100 non-taxable debt raised against this Debtor

Revenue Account	100.00	Invoice Entry
Control Account	100.00	Invoice Entry
Overpayment Account	100.00	Reverse of original Receipt allocation
Overpayment Bank Account	-100.00	Reverse of original Receipt allocation
Overpayment Tax Collection Account	11.00	Reverse of original Receipt allocation
Overpayment Tax Suspense Account	-11.00	Reverse of original Receipt allocation
Control Account	-100.00	Re-allocation of Receipt to Debt

If the original Overpayment Tax amount had been paid to the Tax Department, then the positive balance in this account should be reduced from any balance on the Tax Account, to reduce the amount being paid to the Tax Department in the future.

Overall, the Overpayment Tax Account and the Cash Tax Account should always BOTH be used to determine the total payable to the Tax Department.

Overpayments Tax Suspense simply represents the amount of Tax that has been accounted for, where there has yet been a Debt raised, i.e.: where the payment is still considered an overpayment in the relevant module.

Tax Accrual and Tax Accrual Reversal together reflect the ‘pending’ tax amount payable, should all payments be received. Can be used for reconciliation or even cash flow forecasting.

GL Transactions

Revenue Accounts still carry the Taxable flag, not the Control Accounts, even though Tax is paid upon the cash payment.

Overpayment Account does NOT carry a Taxable flag at all.

As such, for New Zealand sites, the Cash Tax Account and the Overpayments Tax Account transactions should be used for the purposes of reconciliation of Tax payments.

The Taxable flag on Revenue Accounts will NOT reconcile to payments.

Sites using JD Edwards will have to consider how the tax processing/reconciliation is undertaken in the GL, and in fact the taxable flag should not be used when it relates to non-cash modules (Rates, Debtors) for any reconciliation, as it will be incorrect.