



# F335 Value-Added Taxes

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# Timing and Agenda

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**July 19, 2023 10 AM - 11:30 AM**

**Day 1**

**Lesson 1.1: Creating a Tax Agency**

**Lesson 1.2: Configuring a Tax Report**

**Lesson 1.3: Creating Tax Zones and Categories**

**Lesson 1.4: Configuring Value-Added Taxes**

**Lesson 2.1: Processing AP Documents with VAT**

**Lesson 2.2: Processing AR Documents with VAT**

**Lesson 2.3: Processing a Sales Order with Freight Charges**

**July 20, 2023 10 AM - 11:30 AM**

**Day 2**

**Lesson 2.4: Processing a Cash Entry with VAT**

**Lesson 2.5: Paying Taxes Directly to the Agency**

**Lesson 3.1: Preparing a Tax Report for VAT**

**Lesson 4.1: Configuring a Withholding Tax**

**Lesson 4.2: Processing an AP Bill with a Withholding Tax**

**Lesson 4.3: Entering Taxes from the General Ledger**

# Timing and Agenda

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**July 21, 2023 10 AM - 11:30 AM**

**Day 3**

**Lesson 5.1: Adjusting VAT for Early Payments**

**Lesson 6.1: Configuring VAT Variations**

**Lesson 6.2: Applying a Partially Deductible VAT**

**Lesson 6.3: Applying a Reverse VAT**

**Lesson 6.4: Applying a Pending VAT**



Part 1: Configuring Value-Added Taxes

Part 2: Processing Documents with Value-Added Taxes

Part 3: Preparing a Tax Report for VAT

Part 4: Configuring and Applying Withholding Taxes

Part 5: Adjusting VAT for Early Payments

Part 6: Configuring and Applying VAT Variations

# Company Story

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## Company Structure

The SweetLife Fruits & Jams company is a midsize company located in New York City. The company consists of the following branches:

- **SweetLife Head Office and Wholesale Center:** This branch of the company consists of a jam factory and a large warehouse where the company stores fruit (purchased from wholesale vendors) and the jam it produces. Warehouse workers perform warehouse operations by using barcode scanners or mobile devices with barcode scanning support.
- **SweetLife Store:** This branch has a retail shop with a small warehouse to which the goods to be sold are distributed from the company's main warehouse. This branch is also planning on selling goods via a website created on an e-commerce platform to accept orders online. The e-commerce integration project is underway.
- **Service and Equipment Sales Center:** This branch is a service center with a small warehouse where juicers are stored. This branch assembles juicers, sells juicers, installs juicers, trains customers' employees to operate juicers, and provides juicer servicing.

# Company Story

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## Operational Activity

The company has been operating starting in the 01-2022 financial period. In November 2022, the company started using Acumatica ERP as an ERP and CRM system and migrated all data of the main office and retail store to Acumatica ERP. The equipment center has begun its operations in 01-2023 in response to the company's growth.

The base currency of the company and its subsidiaries is the U.S. dollar (USD). All amounts in documents and reports are expressed in U.S. dollars unless otherwise indicated.

# Company Story

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## SweetLife Company Sales and Services

Each SweetLife company's branch has its own business processes, as follows:

- **SweetLife Head Office and Wholesale Center:** In this branch, jams and fruit are sold to wholesale customers, such as restaurants and cafes. The company also conducts home canning training at the customer's location and webinars on the company's website.
- **SweetLife Store:** In the store, retail customers purchase fresh fruit, berries, and jams, or pick up the goods they have ordered on the website. Some of the goods listed in the website catalog are not stored in the retail warehouse, such as tropical fruits (which are purchased on demand) and tea (which is drop-shipped from a third-party vendor).
- **Service and Equipment Sales Center:** This branch assembles juicers, sells juicers, provides training on equipment use, and offers equipment installation, including site review and maintenance services. The branch performs one-time endeavors as well as complex projects with their own budgets.

The company has local and international customers. The ordered items are delivered by drivers using the company's own vehicle. Customers can pay for orders by using various payment methods (cash, checks, or credit cards).

# Company Story

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## Company Purchases

The company purchases fruits and spices from large fruit vendors for sale and for jam production. For producing jams and packing jams and fruits, the company purchases jars, labels, and paper bags from various vendors. For the internal needs of the main office and store, the company purchases stationery (printing paper, pens, and pencils), computers, and computer accessories from various vendors.

The company also purchases juicers and juicer parts from large juicer vendors, and it either purchases the installation service for the juicers or provides the installation service on its own, depending on the complexity of the installation.



Day 1

# Lesson 1.1: Creating a Tax Agency

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## Learning Objectives

In this lesson, you will learn about the following:

- Create a tax agency that you will use for tax reporting purposes.

## Tax Agency: To Set Up a Tax Agency for VAT

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Suppose that you, as an implementation manager, are configuring the tax management functionality for the SweetLife Fruits & Jams company. The company's managers have decided that they want to automatically generate tax bills to report VAT to the tax agency.

You need to create a new vendor and define it as a tax agency in the system.

# Lesson 1.2: Configuring a Tax Report

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## Learning Objectives

In this lesson, you will learn about the following:

- Create and configure a tax report.

# Tax Report Configuration: To Create a Tax Report for VAT

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Suppose that you, as an implementation manager, are configuring the tax management functionality. Suppose that the tax agency, to which the SweetLife Fruits & Jams company is going to report VAT, requires that the tax report includes the following lines:

1. Taxable Sales: Accumulates the total amount of taxable sales processed in the tax period
2. Exempt Sales: Accumulates the total amount of VAT-exempt sales processed in the tax period
3. Total Sales: Accumulates the total sales amount (that is, Taxable Sales + Exempt Sales) in the tax period, excluding the tax amounts
4. Taxable Purchases: Accumulates the total amount of taxable purchases processed in the tax period
5. Exempt Purchases: Accumulates the total amount of VAT-exempt purchases processed in the tax period
6. Total Purchases: Accumulates the total purchases amount of documents (that is, Taxable Purchases + Exempt Purchases) processed in the tax period, excluding the tax amounts
7. Total Output Tax: Accumulates the total tax amount collected from customers in the tax period
8. Total Input Tax: Accumulates the total tax amount paid to vendors in the tax period
9. Tax Amount Payable: Accumulates the total tax amount to be paid to the tax agency in the tax period (that is, output tax minus input tax)

Acting as an implementation consultant, you need to configure the tax report to meet the requirements of the tax agency.

# Lesson 1.3: Creating Tax Zones and Categories

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## Learning Objectives

In this lesson, you will learn about the following:

- Create a tax zone and a tax category
- Review the tax categories existing in the system
- Assign tax categories to non-stock items

## Tax Zones and Categories: To Create a Tax Category and Tax Zone for VAT

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The SweetLife Fruits & Jams company provides advertising services that are subject to a 7% value-added tax (VAT). While two tax categories have been already created in Acumatica ERP (TAXABLE and EXEMPT), no other tax configuration has been performed.

You need to assign the TAXABLE tax category to the needed non-stock item (ADVERT). You also need to create a tax zone associated with all VAT-registered vendors and customers in Canada. You will assign the TAXABLE category as the default tax category of the tax zone.

To make it possible for SweetLife Fruits & Jams to process pending VAT, you need to create a tax category for this type of VAT.

# Lesson 1.4: Configuring Value-Added Taxes

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## Learning Objectives

In this lesson, you will learn about the following:

- Configure a value-added tax.



# Value-Added Taxes: To Create a General VAT and Exempt VAT

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The SweetLife Fruits & Jams company provides services to customers and buys services from vendors in Canada, which are subject to a 7% VAT. Acting as an implementation consultant, you need to configure the VAT, assign it to the TAXABLE category and the CANADA tax zone, and specify the tax calculation method for this tax.

You also need to define a 0% exempt VAT, because you have to report exempt VAT in your tax report. This tax needs to be defined because you want to include exempt sales and purchases in your tax report. (Tax reports do not include documents to which no taxes have been applied.) That is why you need to create a separate tax code and create two taxes with a rate of 0%: one of the Output type, assigned to the Exempt Sales group; and the other of the Input type, assigned to the Exempt Purchases group, which indicates that this sale or purchase should be reported as tax exempt. You can then apply this tax to the appropriate invoices and bills so that they are included in the tax report.

# Lesson 2.1: Processing AP Documents with VAT

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## Learning Objectives

In this lesson, you will learn about the following:

- Create and release an AP bill with a VAT applied
- Create and process a debit adjustment with a VAT applied

## AP Documents with VAT: To Process an AP Bill

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Suppose that on January 30, 2023, SweetLife Fruits & Jams received three hours of advertising and one hour of billboard installation services from MapleLeaf Ads Co. The advertising services are subject to VAT and the installation services are VAT-exempt. The needed VAT and VAT exempt taxes have been already created in the system. Acting as a SweetLife accountant, you need to process an AP bill in the system.

## AP Documents with VAT: To Process a Debit Adjustment

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Suppose that on January 30, 2023, SweetLife Fruits & Jams received a \$75 credit memo from Big Green Trucks Ltd, to which a VAT was applied. Acting as a SweetLife accountant, you need to create and process a \$75 taxable debit adjustment.

# Lesson 2.2: Processing AR Documents with VAT

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## Learning Objectives

In this lesson, you will learn about the following:

- Create and release an AR invoice with a VAT applied
- Create and process a credit memo with a VAT applied

## AR Documents with VAT: To Process an AR Invoice

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Suppose that in January 2023, SweetLife Fruits & Jams provided 25 hours of video training courses and 10 hours of maintenance services to EasyDiner Co. The video training course is subject to VAT and the maintenance services are VAT-exempt. The needed VAT and VAT exempt taxes have been already created in the system. Acting as a SweetLife accountant, you need to process an AR invoice in the system.

## AR Documents with VAT: To Process a Credit Memo

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Suppose that on January 30, 2023, SweetLife Fruits & Jams issued a \$15 credit memo to EasyDiner Co. to give this customer a discount for the services purchased earlier. Acting as a SweetLife accountant, you need to create and process the \$15 credit memo by applying it to an invoice issued for this customer.

# Lesson 2.3: Processing a Sales Order with Freight Charges

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## Learning Objectives

In this lesson, you will learn about the following:

- Process a sales order in which value-added taxes are applied to the order line and to freight charge.



## Taxable Sales with Freight Charges: Process Activity

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Suppose that on January 30, 2023, SweetLife Fruits & Jams sold eight juicers to the MINSTORE customer and delivered them to the customer's warehouse by using the company's own vehicle. Because the sold goods are taxable, the freight is taxable as well. Acting as a SweetLife accountant, you need to process a sales order, the shipment, and the invoice.

## Day 2

# Lesson 2.4: Processing a Cash Entry with VAT

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Create a cash entry and apply a tax to it automatically in Acumatica ERP.

# Cash Entries with Taxes: To Process a Cash Entry with VAT

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Suppose that on January 30, 2023, SweetLife Fruits & Jams purchased office supplies for \$199 (VAT excluded) and paid for them with cash. Acting as a SweetLife accountant, you need to create a corresponding cash entry and apply taxes to it.

# Lesson 2.5: Paying Taxes Directly to the Agency

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Configure a tax that is paid directly to the tax agency
- Process a taxable purchase
- Create a tax bill
- Create an AP document that includes expense lines and direct-entry tax lines

## Direct Tax Payment: To Create a Tax Bill for a Tax Agency

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Suppose that on 1/15/2023, the SweetLife Fruits & Jams company purchased office equipment in the amount of \$750 from the Cartridge World Inc. company, which is located in the Canada. Taxes on imported goods should be paid directly to a tax agency at the time of import; thus, the bill from the vendor does not include any taxes.

Further suppose that on 1/31/2023, SweetLife Fruits & Jams received a bill from the tax agency with a standard rated VAT on the imported goods when the goods were released from customs.

Acting as a SweetLife accountant, you need to process the purchase of the office equipment, process the tax bill to pay this amount to the tax agency and record the claimable amount that you will later include in the tax report, and pay taxes on this purchase.

## Direct Tax Payment: To Create an AP Bill with a Direct-Entry Tax

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Suppose that on 1/20/2023, SweetLife Fruits & Jams purchased two juicers from Jalooza Inc. in a total amount of \$4000. On 1/30/2023, SweetLife received a tax bill from the freight company (Big Green Trucks Ltd.) that assisted SweetLife with importing the goods from Canada and is SweetLife's customs agent. The bill includes a taxable fee for the company's services (\$55) and an import tax (\$300).

Acting as a SweetLife accountant, you need to process two documents in the system—a purchase order for Jalooza, and an AP bill for Big Green Trucks, which includes both an expense line and a direct-entry tax.

# Lesson 3.1: Preparing a Tax Report for VAT

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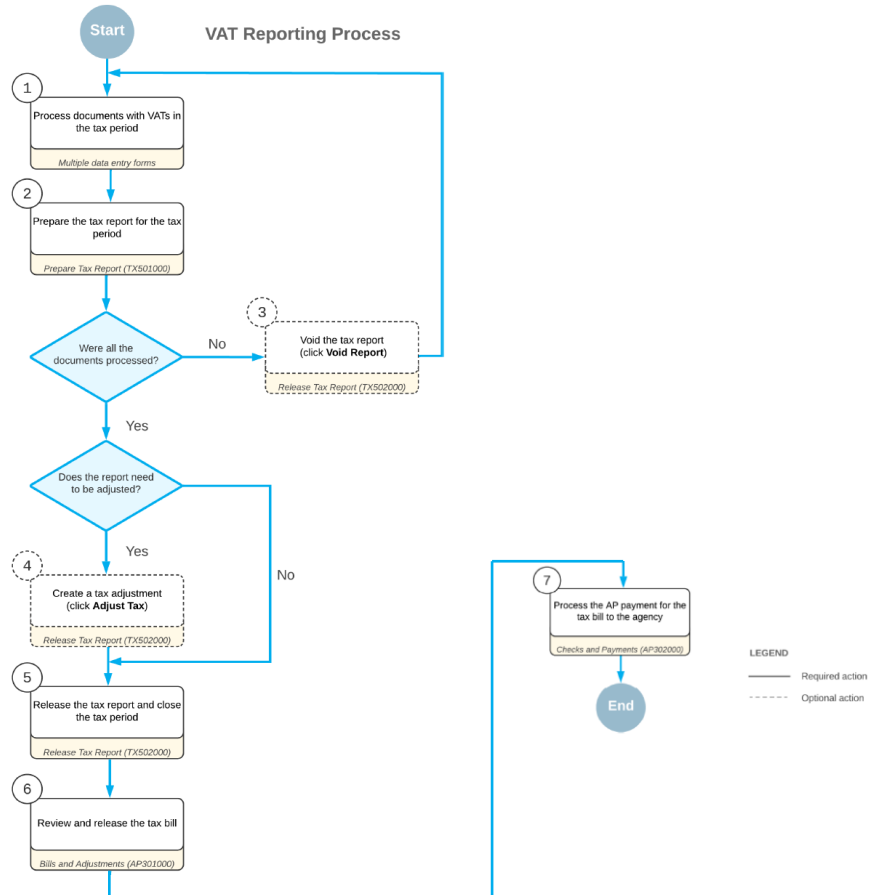
## Learning Objectives

In this lesson, you will learn how to do the following:

- Prepare a tax report
- Release the tax report and close the tax period



# Figure: VAT Reporting Process



## Tax Report for VAT: Process Activity

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Suppose that at the end of January, 2023, SweetLife Fruits & Jams has to prepare a tax report and send it to the tax agency. When reporting VATs, the SweetLife company needs to pay to the tax authority the difference between the tax amount paid to vendors (Input taxes) and the tax amount collected from customers (Output taxes). The resulting amount should be specified in the AP bill generated for the tax agency. Acting as a SweetLife accountant, you need to prepare the tax report and release it to close the 01-2023 tax period.

# Lesson 4.1: Configuring a Withholding Tax

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Configure a withholding tax.

## Withholding Taxes: Implementation Activity

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Suppose that SweetLife Fruits & Jams started purchasing services from a company located in Europe. Payments made to a foreign vendor are subject to withholding tax that has not yet been implemented in the system. Acting as an implementation consultant, you need to prepare the system entities for the creation of the new type of tax as follows:

- Create a GL account for withholding taxes in the chart of accounts
- Update the settings of the tax agency
- Update the settings of an existing tax report
- Create a tax category and update the settings of a tax zone for the withholding tax
- Create the withholding tax

# Lesson 4.2: Processing an AP Bill with a Withholding Tax

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Create an AP bill with a withholding tax applied
- Pay the AP bill
- Prepare a new revision of the tax report

## Bills with Withholding Tax: Process Activity

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Suppose that on January 31, 2023, the SweetLife Fruits & Jams company purchased consulting services from the MapleLeaf Ads Co. company, which is located in Canada. The payment made to the foreign vendor is subject to withholding tax. The 01-2023 tax period is currently closed, and you already have the tax report prepared and released for this period. You need to prepare another revision of the tax report to include the payment to the vendor in the report. (The **Update Closed Tax Periods** check box is selected for the tax agency on the Vendors (AP303000) form.) Acting as a SweetLife accountant, you need to process and pay an AP bill to which a withholding tax will be applied, and prepare a new revision of the tax report.

# Lesson 4.3: Entering Taxes from the General Ledger

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Configure a withholding tax
- Process a taxable transaction with the new tax in the general ledger

## Tax Entry from GL: Implementation Activity

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Suppose that starting in 01-2023, SweetLife Fruits & Jams uses external payroll software for calculating salaries. Based on the governmental laws of the country, employers need to withhold certain payroll tax amounts from salary payments and pay them to the tax authority. Acting as an implementation consultant, you need to create a withholding payroll tax and create other entities needed for that tax.



## Tax Entry from GL: Process Activity

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Suppose that starting in 01-2023, SweetLife Fruits & Jams uses external payroll software for calculating salaries. Based on the governmental laws of the country, employers need to withhold certain payroll tax amounts from salary payments and pay them to the tax authority. The needed system settings have been performed and a payroll tax has been created in the system. Acting as a SweetLife accountant, you need to process a taxable transaction in the general ledger.

## Day 3

# Lesson 5.1: Adjusting VAT for Early Payments

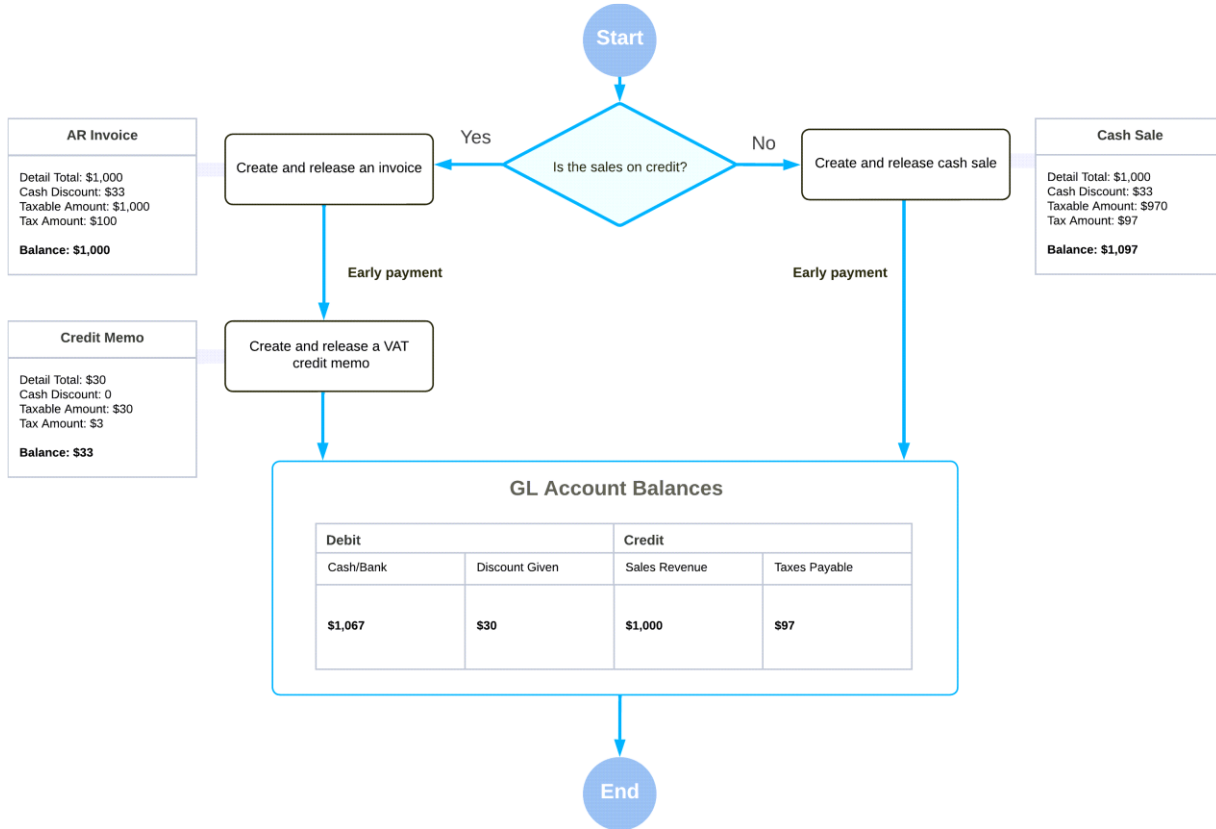
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## Learning Objectives

In this lesson, you will learn how to do the following:

- Create a taxable invoice
- Process a payment for the invoice within the cash discount period
- Generate a credit memo to adjust the VAT amount
- Prepare a new revision of the tax report

# Figure: Applying discounts for early payments



# VAT for Early Payments: To Process a Payment with a Cash Discount

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Suppose that SweetLife Fruits & Jams provided four hours of training to Lake Cafe on January 15, 2023. On 1/17/2023, Lake Cafe paid the invoice in full and received a cash discount. Acting as a SweetLife accountant, you need to record an AR invoice, process a payment with a cash discount, and generate a VAT credit memo.

# VAT for Early Payments: To Prepare a New Revision of VAT Tax Report

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Suppose that the SweetLife company has already prepared a VAT tax report for the 01-2023 period. After a company accountant has processed a payment of a taxable invoice with a cash discount, a VAT credit memo was generated, and the amount of the output VAT has changed. Acting as the SweetLife accountant, you need to prepare a new revision of the tax report for the 01-2023 period, which will include the amounts of the documents related to the payment of the invoice.

# Lesson 6.1: Configuring VAT Variations

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Configure variations of the value-added tax and to apply them to documents.

# Tax Report Configuration: To Create a Tax Report for VAT Variations

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Suppose that SweetLife Fruits & Jams is going to report multiple type of VAT besides the general VAT and needs a separate tax agency and a tax report for this purpose. Acting as an implementation consultant, you need to create a tax agency and a tax report for VAT variations.

The tax report should include the following lines:

- **Net Tax to Pay or Reclaim:** Accumulates the total tax amount to be paid to the tax agency or reclaimed from the tax agency in the tax period (that is, output tax minus input tax).
- **Reverse VAT:** Accumulates the total tax amount of reverse VAT to be paid to the tax agency. This report line will be used for reporting a reverse VAT.
- **Standard-Rated Acquisitions:** Accumulates the total tax amount to be paid to the tax agency or reclaimed from the tax agency in the tax period. This report line will be used for reporting a generate VAT that offsets the reverse VAT.
- **Deductible VAT:** Accumulates the total tax amount of partially deductible VAT on the company's purchases. This report line will be used for reporting a partially deductible VAT.
- **Pending Output VAT:** Accumulates the total tax amount of pending VAT to be paid to the tax agency.



## Value-Added Taxes: To Create a Partially Deductible VAT

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Suppose that SweetLife Fruits & Jams purchases goods to be used in the company's office. The company is allowed to deduct 40% of the taxes paid on these kinds of purchases from the tax amount paid to the tax authority. Acting as an implementation consultant, you need to configure a VAT of the deductible type to partially deduct the tax amount.

## Value-Added Taxes: To Create a Reverse VAT

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Suppose that SweetLife Fruits & Jams need to process AP bills to which a reverse VAT applies. The reverse VAT will be paid to the tax agency and the general VAT can be claimed from the tax agency. Acting as an implementation consultant, you need to create the following taxes:

- A reverse VAT included in a reporting group of the Output type. This tax should be paid to the agency.
- A general VAT included in a reporting group of the Input type. This tax can be claimed from the tax agency. This tax should have the same tax rate as the reverse VAT.

## Value-Added Taxes: To Create a Pending VAT

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Suppose that SweetLife Fruits & Jams provides services to customers and the VAT amounts of invoice payments need to be recognized on payment dates. Acting as an implementation consultant, you need to update the settings of the tax agency and create a pending VAT of the Output type.

# Lesson 6.2: Applying a Partially Deductible VAT

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Process an AP bill with a partially deductible VAT applied to it
- Prepare a tax report and review the partially deductible VAT shown on the tax report

## Applying Deductible VAT: Process Activity

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Suppose that on February 1, 2023, SweetLife Fruits & Jams purchased office supplies to be used in the company's office. Further suppose that the company is allowed to deduct 40% of the taxes paid on these kinds of purchases from the tax amount paid to the tax authority. Acting as a SweetLife accountant, you need to process an AP bill and prepare a tax report for the 02-2023 period.

# Lesson 6.3: Applying a Reverse VAT

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Process an AP bill with a reverse VAT applied to it
- Prepare a tax report with the reverse VAT

## Applying Reverse VAT: Process Activity

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Suppose that on February 1, 2023, SweetLife Fruits & Jams purchased office supplies to be used in the company's office from Cartridge World Inc. Further suppose that the vendor is not registered with tax authorities for paying VAT. SweetLife Fruits & Jams will pay the VAT on the purchase and will later claim it from the tax agency.

Acting as a SweetLife accountant, you need to process an AP bill to which a reverse VAT is applied and prepare a tax report for the 02-2023 period to make sure that these amounts are reflected there correctly.

# Lesson 6.4: Applying a Pending VAT

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## Learning Objectives

In this lesson, you will learn how to do the following:

- Process an AR invoice with a pending VAT
- Process partial payments for the invoice
- Recognize the pending output VAT
- Prepare and release a tax report
- Reconcile the balance of the Pending Tax Payable account in the general ledger and in the tax subledger



## Applying a Pending VAT: Process Activity

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Suppose that on February 25, 2023, SweetLife Fruits & Jams issued an invoice for 10 hours of training (\$1750 total) to Mint Store Inc. Then the customer provided two partial payments for this invoice: \$350 on March 1, 2023 and \$600 on March 12, 2023. The tax amount calculated on this invoice needs to be recognized on the payment dates, based on the payment amounts.

Acting as a SweetLife accountant, you need to process an AR invoice, prepare and release a tax report for February 2023, create the two partial payments for this invoice, recognize the VAT amounts, and reconcile the balance of the Pending Tax Payable account.



Thank you!

Jim Bartow