Taxes Basic Settings

Purpose
The purpose of page is to explain the basic setting of Taxes in SAP ERP Financials.

Overview
This page contains the basic setting and configuration of Taxes in SAP ERP Financials. The document will guide users through the Taxes primary customizing, going from Basic Settings, Calculation and Posting.

Tax Customizing
In customizing you can find the tax in the following path:

Display structure

Basic settings:

1) Check calculation procedure
   - Access sequences: should not be changed
   - Define condition types: should not be changed
- Define procedures: steps and order are defined here
The predefined procedures should not be changed.

**Account key (ActKy):**

- **NAV:** Input tax not deductible and not assignable:
  
  Not deductible: a posting on a separate account is created for the input tax amount.

  Not assignable: a possible account assignment from the G/L account line is not transferred to the tax line.

  **Transaction key 2**

- **NVV:** Input tax not deductible and assignable:
  
  No separate line item is created for the tax amount. The tax amount not deductible is added to the G/L account line subject to tax. In case of several G/L account lines the tax amount is added to the particular positions proportionately.

  **Transaction key 3**

- **ESE/ESA:** Incoming acquisition tax/Outgoing acquisition tax:
  
  Received delivery and service from another EU country are in principle tax-free (for companies, who are authorized to fully deduct input tax).

  Acquisition tax replaces import sales tax. As acquisition tax has to be shown in tax reporting, acquisition tax is posted in a way so that an input tax line and at the same level an output tax line are created for the tax transaction. The total tax balance is zero. In the system acquisition tax is mapped using account keys ESE und ESA. In properties EU flag has to be set to "9". The tax type is "V".

**2) Assign country to calculation procedure:**

Predefined calculation procedures are delivered for certain countries (e.g. Germany TAXD, Austria TAXAT). The tax procedure for each country is set here. Only one tax procedure can be assigned to each country (note 63805).

**3) Checking and changing tax processing for each country:**

Here the transaction keys are set:
4) Determine structure for tax jurisdiction code:

Only important in context with tax jurisdiction code (important e.g. for USA).

5) Define tax jurisdiction:

Also only important in context with tax jurisdiction code.

6) Change message control for tax:

Relevant application areas for sales tax are “FS” and “FF”

7) Change field control for tax base amount:

Here is determined whether the automatically calculated tax base amount can be altered manually during document entry (valid for Italy, Czech Republic, Slovakia, and Argentina).

8) Deactivate tax conversion between local currency and document currency:

Deactivation of automatic conversion between local currency and document currency for manually entered tax (valid for Czech Republic and Slovakia).

9) Plants abroad:

When “plants abroad” is activated the following additional fields are filled in table BSET 3:

- LSTML -> tax reporting country
- LWSTE -> tax amount in local currency
- LWBAS -> tax base amount in local currency

When “plants abroad” is activated this is valid for the whole client.

During advance return for tax on sales (RFUMSV00) two additional selection options are offered in “Further selections” :

- flag “Country C instead of local C”
- tax reporting country

Calculation:
1) Define sales tax code (transaction FTXP):

No changes should be made on existing tax codes, which have effect on the calculation of tax, especially not when postings according to this tax code exist. This could result in problems with backdated tax calculation for cash discounts or cause inconsistency in tax reporting.

- Properties:
  - Tax accounts:
    - Shows the account on which tax is posted. This account is determined in customizing (Path: Financial Accounting è Financial Accounting Global Settings è Tax on Sales / Purchases è Posting è Define Tax Accounts) An entry is only possible when ‘separate line item’ is set in the transaction key for the tax amount.
2) Assign posting date for tax determination to company code:

Only important in context with jurisdiction code.

3) Determine base amount:

Here is determined whether the cash discount amount is deducted from the base amount for the calculation of sales tax.

Posting:

1) Define tax accounts:

Here accounts, posting key, and rules for each transaction (e.g. ESE = incoming acquisition tax) are defined. Accounts can only be defined for those transactions, for which transaction key “2” (= separate posting line) has been set. If for “Rules” the flag “Tax code” has been marked, for each “Tax code” a separate account can be defined.
2) Define Account for Exchange Rate Difference Posting

If you use a separate exchange rate for the translation of taxes for postings in foreign currency or want the exchange rate according to posting date and document date to be proposed, an exchange rate difference in local currency might result. You must therefore define an account for the
exchange rate difference posting.

This setting is not necessary if you translate the tax amounts using the exchange rate predefined by the tax base amounts.

3) Assign Tax Codes for Non-Taxable Transactions

For postings which contain no tax transaction but an account is involved, which requires a valid tax code (e.g. in asset accounting, depreciation...)

The tax code (e.g. V0, A0) has to be defined completely (account determination....)

4) Transfer Posting of Tax for Cross-Company Code Transactions

In the case of cross-company code transactions, the whole tax amount is posted to and displayed in the first company code only. The tax arising in other company codes is ignored.

In certain countries such as Japan and Denmark, the tax amounts have to be displayed separately in each company code. The program RFBUST10 creates a list of the respective tax amounts for which automatic transfer postings must later be made. In this table the Tax codes for the transfer postings have to be defined.
- Requirements of RFBUST10

- The company codes concerned must have the same local currency.
- The tax code Customizing used for the transfer posting must have the same tax characteristics, in particular, the tax rates for transfer postings in the relevant company codes must be the same.
- The offsetting posting for the tax item is made to the company code clearing account. This account should therefore be relevant for tax and permit postings without tax. In addition, you should be able to post to the clearing accounts manually - the field "Post automatically only" should not be set in the master data of the clearing codes affected. This implies that customer or vendor accounts are not permitted as clearing accounts.
- Reversing the source document does not result in new cross-company code numbers. This means that transfer postings already activated cannot be reversed by RFBUST10.
- The batch input session names are generated automatically in the report, you cannot use your own naming convention.

Other Reports:

Report RFCORR26 compares, if inconsistencies exist for tax codes and also offers a possibility to correct them

Report RFCORR99 checks the whole tax customizing (but offers no possibility for corrections)

Further information you can find in the SAPNet,

- Alias “ISIM” and
- Alias “ASKB”

General note concerning RFUMSV00:

When RFUMSV00 seems to display “wrong” amounts, the reason for that is mostly the document itself.
Report RFUMSV00 evaluates only the entries from table BSET.

Related Content

Related Documents

Creating Tax Codes
Cross company Taxes and program RFBUST10
External Tax Calculation
Plants Abroad
Related Notes

Labels

Tax, Taxes, customizing, configuration, tax code, FTXP, account key, accounting key, basic settings, report, tax report, RFCORR26, RFBUST10, RFCORR99, Non-Taxable, transactions, key, transaction key, posting, transfer posting, cross-company, cross-company code, company code, posting key, posting keys, plants abroad, rules, ESA, ESE, ESA/ESE, ESE/ESA, tax calculation, conversion, calculation, determination, definition, jurisdiction code, LSTML, tax reporting country, LWSTE, tax amount in local currency, LWBAS, tax base amount in local currency, local currency, procedures, flag, flagged, country code, account determination, difference, exchange rate, exchange rate difference, posting date, amount