NETWORK BUSINESS SYSTEMS
SOFTWARE SYSTEM DOCUMENTATION

VALUE ADDED TAX MODULE

FEATURES

- Defined per inventory item
- Percentage or fixed dollar
- Percentage setup considers freight out field in part master
- Exemption flag per customer
- Order detail flag for payment confirmation
- Preliminary, final, and historical printing, selectable by date or part number
- Annual report option

INTEGRATED WITH:

- Inventory systems
- Retail, wholesale, and telemarketing systems
- Customer account system

SYSTEM OVERVIEW

IBS's Value added tax module works with the Inventory and Customer account system to provide automatic reporting of user-defined taxes. These taxes can be set up per part. Customers can be set up to be charged tax automatically, or they can be set up to be prompted any time an order is processed for them for an inventory item that has been set up for excise/value added tax. Keep in mind that the sales system utilizes the excise terms set up in the customer that is the “SHIPTO” customer, not the “BILLTO” customer. Here is an overview of how it works.

When you process orders in either the retail point of sale or distribution system and enter in line items on the order, as you confirm the order it tests to see if any items have an excise tax set up.

Each inventory item you have created in your inventory part master file has the ability to set up if the part is going to have value added tax calculated on shipped orders or not. There is a field {EXCISE} in the part master file that allows definition of either a fixed dollar tax per that particular part, or a percentage of the sales price of that part. If you have the field defined as a fixed dollar amount, then you will need to fill in the field {EXCISE RATE} with a dollar amount. When the tax calculation reports are ran, both the preliminary and the final report programs will simply multiply the quantity shipped per order times the dollar amount typed in the field {EXCISE RATE} and extend the totals per each order, the subtotals per each part, and the report total tax liability.

NOTE: If you have a part defined as a percentage, then when the value added tax is calculated by either the preliminary report or the final report, it will take the sales price per the order of the part shipped and subtract any dollar amount keyed into the {FRGHT OUT} field of that part and then apply the percentage to determine the tax liability.

After the sales software has made the inventory determination above, it checks to see if the customer is excise exempt or not. There is a flag in the customer master file called {EXCISE}. It can be set to (Y,N, or blank)

If there are items that are in fact set up for excise tax and the customer is not flagged as exempt (N) or left blank, then the retail point of sale and distribution order processing will ask you to include excise tax or not on that exact order.

If there are items that are set up for excise tax and the customer is flagged as (Y), then both the retail point of sale and distribution order will automatically set up that exact order as excise tax charged. The user will not be prompted to charge tax or not.

When referring to setting up the order as excise tax charged or not, this means that each individual order will be flagged as to whether the order should have this excise or value added tax calculated against this order or not. This flag is stored in the data file (CUSTINFO) in the field {EXCISE}.

Generating an excise or value added tax liability is done by first running a preliminary report to look at the tax liability and to review for any data problems. This report will be ran for a defined time period that starts as of the last time the final report was ran, up to the cutoff date you will be required to enter for the preliminary report. You can run this report as many times as needed.

Both the preliminary report and the final report includes only orders that have been shipped, that have items on them where the part master file has been set up for excise, that have not already had excise dates stored in them, and that had the {EXCISE} flag set to (Y) in the order header file [CUSTINFO].

Once it has been confirmed that the preliminary report is correct, you will want to run the final report with the same cutoff date as the preliminary report you have been working with. The final report will simply store the excise date in each order header record [CUSTINFO] and the detail record [MASTERLN] of the item.

PROBLEMS There are several common problems that may show up on the reports. Here they are with explanations on how to correct these problems if they occur.

HOW TO INCLUDE ORDERS ON A REPORT

Let's say that you have been running this tax system for a while and realize that you forgot to set a customers excise flag to "Y" (which would have made the customer calculate excise tax automatically). The bad part is that you have been answering "N" to the question "CHARGE EXCISE TAX ON THIS ORDER?" that is prompted to you during retail point of sale or distribution orders. What you will need to do to include this customers orders on the next excise tax run is to use the order viewing program (SAORVIEW) and determine all of the shipped orders for this customer in the time frame you are reporting on that have shipped the part that must have excise tax paid on. You will then need to use the database maintenance system in the system setup menu and choose the option to enter/edit data. Locate the database named (CUSTINFO) and find all the orders that you located in the process discussed above and change the flag to "Y" in the {EXCISE FLAG} field. The next time you run the tax report, these orders will be included on the report.

HOW TO INCLUDE ITEMS ON A REPORT

Similar to above, you realize that you forgot to set up an inventory item to charge excise tax. You can go into the part and set it up properly. Then you will need to find all orders shipped with this part number. You can do this in the same order-viewing program mentioned above, and use the "F8" option to search for orders shipped by a certain part number. You will then need to follow the above process to make certain the {EXCISE FLAG} is set to "Y" in the shipped order header data file (CUSTINFO) so that the order is included on the report the next time it is ran. Be aware that this may also trigger order to appear on the tax report for customers that you do not normally pay this tax for. Therefore as with the above, you will want to carefully examine your reports before and after any changes have been made utilizing these procedures.

The above mentioned procedures can also be used for start up processing and can be utilized to catch up reportable tax on any order or part, no matter how long ago it was shipped. If there is no excise date in the order header or detail records, then by following one or both of the above procedures you can include items from back as far as your data reaches. Of course there are accounting considerations when going back beyond certain time frames. You will need to consult with your accounting professionals or an NBS representative for further recommendations.

RETURNED ORDERS

The IBS Value Added Tax System currently does not take into consideration returned orders, where excise tax has been already paid. You will need to set up a returns file to hold a copy of returned orders, where a tax refund will be due to you.

SYSTEM BASIC OPERATIONAL FLOW

1. **SAETVIEW/Value Added Tax Prelim**....This is a batch report of tax owed, based on sales (shipped units) and the type of taxing system you set up per each part. It includes all items shipped since the last time the final report (below) had been ran. You will run this according to the tax reporting period you are required to pay within.

2. **SAETUPDT/Value Added Tax Final**....Same as above only this program sets a paid date in each inventory item.

SYSTEM SETUP REQUIREMENTS

There are really no setup requirements necessary to begin operation of the value tax system, other than the original inventory part master file setup and the excise exempt flag in the customer master file. You may want to review these files to verify that setup is correct. Once this has been complete, you will need to decide when you begin utilizing the automatic tax reporting system. NBS suggests that you run the final report with a cutoff date that coincides with the beginning of the first taxing period you are using the system to report from. This will set all flags for all taxable items and orders in the shipped orders and establish a date in those records that signifies start up time for this module. You may want to keep this first set of reports in a permanent tax file for future reference.

MENU STRUCTURE/PROGRAM DOCUMENTS

2. SALES/CUSTOMER MGMT MENU #1
    9. VALUE ADDED TAX RPTS MENU #1
        1. Value Added Tax Prelim. :SAETVIEW
        2. Value Added Tax Final :SAETUPDT

3. Value Added Tax History :SAETHIST