

SAP tax debit/credit Maintenance Utility

The Problem:

In the event that an invoice or credit memo with incorrect tax amounts is issued to a customer, it is necessary to post a tax only debit/credit adjustment to the customer account, without affecting the original sales transaction. Common situations that can lead to an incorrect calculation of SALES/USE tax are as follows:

- Tax exempt customers present tax exemption certificates after sales orders/invoices are entered in the SAP system. Until the certificate is entered into TAXWARE's STEP module, tax is calculated on all sales transactions for this customer.
- The customer master record in SAP contains an incorrect tax jurisdiction code, due to the fact that his ZIP code falls into multiple tax jurisdictions.
- A customer orders a product that he usually consumes. For a particular order he retroactively requests tax exemption, due to the fact that he uses the product for a tax-exempt purpose like R&D or manufacturing.
- SAP materials are assigned to the wrong TAXWARE product code. The error is detected after the product has already been used in sales documents.
- Tax rate changes are not applied in a timely manner to the TAXWARE system
- A customer returns a product to a location different than the original ship-from location

It is necessary that all tax-only adjustments are recorded in TAXWARE's audit file, so that they can be properly reported during tax returns processing. In order for SAP transactions to be posted to TAXWARE's audit file, taxes need to be calculated automatically by the system, using a tax code. Manual general ledger postings to the tax payables account are not recorded in TAXWARE's audit file. A customer debit or credit posting that automatically generate the tax line items, which are then recorded in the tax audit file. This requires the following:

- Authorization to post accounting documents (this authorization is typically not granted to users that process sales transactions)
- Knowledge of the tax rate in the tax jurisdiction of the customer (for origin states, the tax rate for the ship-from location is needed)
- Manual calculation of the tax base amount that will produce the tax amount to be credited/debited to the customer. Example: A tax credit of \$50 is to be given to a customer. After determining the overall tax rate of 8.25% at the customer's location, the following formula is used to determine the tax base amount.

$$\text{TaxRate} / \text{TaxAmount} * 100 = \text{TaxBase} \text{ or } 8.25 / 50 * 100 = 606.06$$

After calculating the corresponding tax base amount, the following FI posting has to be entered:

Type	Amount	Account	Tax Code	Comment
Credit	\$50	Customer		
Debit	\$606.06	Revenue	taxable	
Credit	\$606.06	Revenue	non-taxable	to offset revenue

Based on this posting and the use of a taxable tax code, SAP will automatically post a debit of \$50 to the tax payables account, which is then recorded in the tax audit file.

Obviously, the rather complicated procedure described above requires several manual steps and is therefore subject to user error. In addition, this procedure does not work if a tax credit is to be given to a customer with an active exemption certificate.

TaxAutomation

SAP Tax Debit/Credit Maintenance Utility

The Solution:

TaxAutomation has developed an SAP based tax debit/credit processing utility. The utility, a custom SAP transaction requiring no modification of standard SAP code, allows simplified processing of tax adjustment postings and provides the following benefits:

- Minimal user input. The only required fields are: Posting Date, Reference Billing Document, and Tax Debit/Credit amount. The utility automatically determines all other relevant information such as jurisdiction codes, tax rates, tax base amounts, revenue accounts, posting keys, document types, etc.
- Automatic generation of the required accounting document via SAP "Call Transaction" technology
- Tax adjustment posting can be performed by customer service users, since no authorization for the SAP FI module is required (however, the utility can be configured to "park" tax adjustment postings so that they can be reviewed by the accounting and/or tax department)
- Minimal user training. The utility provides a simple front end, making it almost self-explanatory and eliminating the need for extensive user training.
- SAP release neutral. The utility works for all SAP releases <= 4.6C.
- Allows for tax credit postings to customers, even after a tax exemption certificate has been entered into TAXWARE's STEP module.