

Oracle E-Business Tax Engine

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The new E-Business Tax System provides users with a single point of management for tax with the E-Business Suite. The new self-service user interface extends control for products-based tax. It further provides country-specific tax content and simple to complex country-specific legislations. It supports cross-border transactions, as well as local compliance requirements. E-Business Tax users can easily modify tax content to keep up with constant tax changes by local jurisdictions, legislation, rates and exceptions. The tax configurations have also been simplified to ease manageability.

New Features

Several new features are now available and provide improvements in functionality for users.

- One addition is the “Tax Repository”. All tax transactions are stored in this repository, providing a single source of transactional tax information (tax lines). This supports tax reporting, tax accounting and tax reconciliation processes. The repository further provides an underlying infrastructure for users to view and/or modify (override) tax lines.
- E-Business Tax also supports a “Self-Assessment/Reverse Charge”. A self-assessed tax is a tax calculated and remitted for a transaction, where tax was not levied but is deemed as due. The purchaser is responsible for calculating and remitting tax. An example: a consumer/purchaser receives an invoice for \$100, which is due to be paid to the supplier. Tax A (10%) was not charged on the invoice, however the purchaser is deemed responsible to pay Tax A. The purchaser would “self-assess” the \$10 and remit it directly to the taxing authority for Tax A.
- The new “Tax Zone Type” is used to define, identify and group correlated tax zones. For example, an Iowa Sales Tax Zone Type will include the handful of Iowan cities that actually have a city level sales tax rate. It can be whatever pertinent rate levels exist at the particular authority.
- “Tax Formulas” can be used to provide special calculations not covered by the standard calculations available in the system. Users can now define formulas to calculate taxable basis, set up complex compounding rules and tax amounts. Release 11*i* users could define open PL/SQL formulas to accomplish this, but that functionality will no longer be supported in Release 12 because of the addition of Tax Formulas.
- “Tax Condition Sets” are used in tax rules and are a group of tax conditions, defined for a “Tax Determining Factor Set”. Several “Tax Condition Sets” can be defined for the same “Tax Determining Factor Set”. A Tax Determining Factor Set identifies certain factors to consider when evaluating a tax rule.
- Finally, the “Tax Simulator” provides a mechanism for users to simulate tax calculations based on “what-if” scenarios. It can be used to replicate standard transactions such as purchase orders, invoices, and invoices matched to purchase orders that are typically integrated with the tax lines interface. A parallel audit trail is generated to review which Tax Rules have been satisfied. This tool is a quick way users can enter transactions to perform “what-if” scenarios on tax calculations, but not perform normal validation in the application forms.

Setup

Figure 1 represents the E-Business Tax setup form. The Setup Tasks are found in this one location and are quite easy to navigate. The user has a global view and control of all tax related setups. Notice there is a column that specifies to the user whether the particular setup step is required or optional. Quick Links to the detailed setup task are also available with a click of the button. All of this functionality speeds up implementation and eases maintenance tasks for the user.

ORACLE® E-Business Tax

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Home Tax Configuration Products Parties Transactions Defaults and Controls Provider Services Advanced Setup Options Requests

Concurrent Requests
 • [Submit a Request](#)
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Tax Configuration

Filter By Country Name

Regime Code	Name	Country Name	View Configuration Report
No search conducted.			

Setup Tasks

[Expand All](#) | [Collapse All](#)

Task Name	Required	Go To Task
Task List		
External Dependencies	Yes	
Tax Configuration	Yes	
Create Tax Authorities Party Tax Profiles	Yes	
Create Tax Regimes	Yes	
Create First Party Legal Entity Party Tax Profile	Yes	
Create Tax	Yes	
Create Tax Reporting Codes	No	
Create Tax Status	Yes	
Create Tax Jurisdictions	Yes	
Tax Recovery Rates	No	
Tax Rate	Yes	
Fiscal Classification System	No	
Create Country Defaults	No	
Create Exceptions	No	

Figure 1 – These are the individual configuration steps on the E-Business Tax System

Several Setup Considerations should be noted whether the E-Business Tax module is being freshly implemented or is added as the result of an upgrade:

- The E-Business Tax module requires that a Tax Recoverable/Liability account is set up in the General Ledger Chart of Accounts to allow any tax transactions.
- Since all tax transactions now flow through the Release 12 Trading Community Architecture (TCA), the setups of all TCA parties should be carefully considered for all transactions, including tax transactions and reports.
- During an upgrade to R12, tax settings are automatically migrated, but it is recommended that these settings in E-Business Tax be reviewed for accuracy.
- Group constraints in Receivables are migrated to R12 in an upgrade as read-only and cannot be edited. In order to add new conditions, new constraints will have to be created.
- Keep security in mind when configuring tax setup access across organizations.
- On migrated instances, make sure that each new organization is subscribed to the appropriate tax regime if Legal Entity subscription is not used.
- Offset Tax in Release 11i is now called Self-Assessed Tax
- Select the organization to application defaulting order carefully – i.e. choose carefully between the tax determination methods E-Business Tax Engine vs. the Latin Tax Engine. Once set up, it is inadvisable to inactivate the combination in the Application Tax Options as it cannot be reactivated.

Service Oriented Architecture

The Service Oriented Architecture of the E-Business Tax System is detailed in Figure 2. A detailed description of each of the areas appears after the diagram.

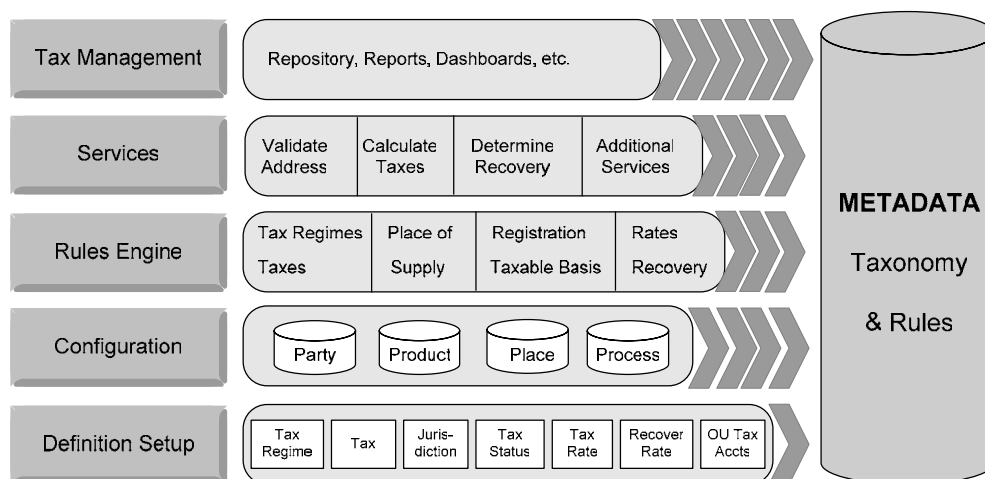


Figure 2 – E-Business Tax Service Oriented Architecture

First, definitions are set up including the tax regimes, tax, jurisdiction, tax status, tax rates, recovery rate, and operating unit tax accounts. Next, users define configurations including tax profiles and dates for a basis of tax determination. The 4Ps (Party, Product, Place, and Process) are the determining factors or “key building blocks” of tax rules. Users can also define geographies on the types of transaction for goods and services sales transactions.

The Rules Engine is based on a set of tax rules based on factors that can be applied to calculating tax on a transaction, especially when default values do not work for a particular tax regime. To use the Rules Engine, you must first determine the Tax Regime and Candidate Tax. Once you have that information, you can determine where the supplier is located for each candidate tax. If E-Business Tax cannot find the tax for jurisdiction of that location type, no tax is applied and the tax is removed from the tax transaction.

Services are module integrations using key business flows. There are two types:

- **P2P** - Purchasing, Oracle Internet Procurement, Consignment Inventory, Oracle Internet Expense, Oracle Payables
- **OTC** - Oracle Order Capture, iStore, Quoting, Oracle Order Management, Oracle Trade Management

Currently, services are not provided for Payables withholding tax, Latin American Receivables transactions, and India transaction taxes. Tax Management contains the Tax Repository, reports, and dashboards. This is an area that will heavily use XML Publisher.

Third Party Integrations

The E-Business Tax System supports integration with third party tax software systems. Support structures for both Vertex and Taxware are pre-bundled with Release 12. Separate licensing is required to use this functionality, which supports only US State and Local taxes within the Order-to-Cash cycle. The systems are certified prepackaged in Release 12. If an existing server-side version exists, then auto upgrade is available, and certification, if necessary, is performed on the more recent versions.

The Third Party integration then follows a specific path, which includes installing scripts, modifying Profile Options, creating lookup codes (tax exemption reasons), creating provider-specific tax regimes and taxes,

installing the client-side tax software whether it is Vertex or Taxware, and loading sales tax rates. Then users set up tax accounts (liability), enable address validation (make sure to do so before creating new addresses), add jurisdiction codes, then finally validate/test the provider implementation via test cases.

The business processes provided by the third party vendors are service provider codes definitions (Vertex=Geocodes, Taxware=Jurisdiction Codes), the handling of exemptions, reconciliations and procedures.

Process Flow

Figure 3 outlines the flow through the E-Business Tax System.

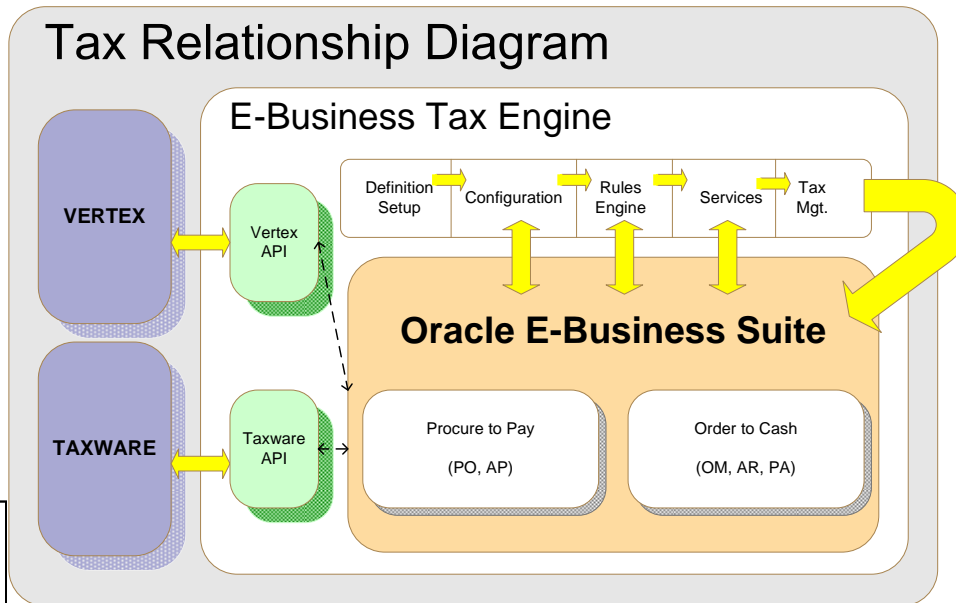


Figure 3 – The E-Business Tax relationship with Oracle Applications and Third Party Tax Software

Benefits

Based on the New Features above and overall architecture, some of the benefits derived from the E-Business Tax System are:

- Greater efficiencies through automated processes
- Improved consistencies using global tax rules, allowing the business to conform to governmental requirements both foreign and domestic
- Allows better control of the decision-making process through increased global visibility of the enterprise
- Ease of configuration and usage
- Ability to test/pre-determine taxable scenarios