

# E-Business Tax - Lessons Learned from R12 Upgrade

October 24, 2011 (10:10 AM)

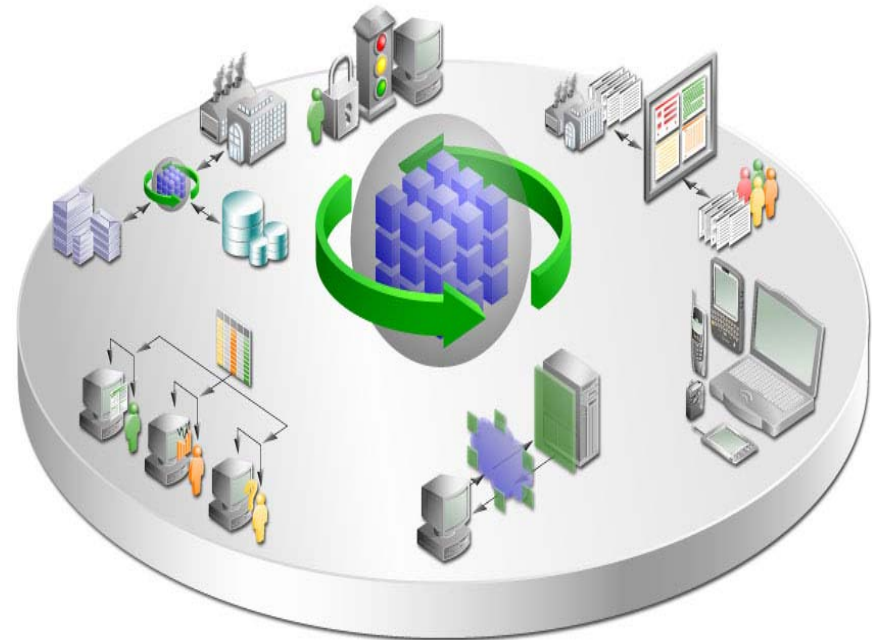
## Presented By

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# Agenda

## E-Business Tax - Lessons Learned from R12 Upgrade

- **USG – Company profile**
- Upgrade Project Overview
- Solutions Offered
- Lessons Learned
- Q & A



# USG – Company Profile

## USG Overview

A World Leader in the Building Products Industry



- ▶ 110 years old—listed on NYSE since 1931
- ▶ 10,000+ employees
- ▶ 2010 sales of \$3 Billion

### Principal subsidiaries

- United States Gypsum Company
- CGC Inc.
- USG Interiors, Inc.
- USG Mexico SA de CV
- L&W Supply Corporation
- USG International Ltd.

# USG – Company Profile

## USG Overview

- Serves residential and commercial construction markets.
- Leading market share in wallboard, joint compound and cement board products.
- In the ceilings business, USG is -
  - #1 in Ceiling Grid
  - #2 in Ceiling Tiles
- Lowest cost competitor.
- Leader in product innovation with strong brand preference.
- Largest drywall specialty dealer in L&W Supply



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# Upgrade Project Overview

- ▶ Upgrade from 11.5.10 to R12.1.2
- ▶ Four operating units
  - Two in Canada
    - Canada Gypsum
    - Canada Mining
  - Two in U.S.
    - Building Systems
    - USG Corporation
- ▶ Code Freeze
- ▶ 11i Modules impacted by tax
  - Payables
  - iExpense
  - Purchasing / iProcurement
- ▶ USG's use of tax in 11i

# U. S. Operating Units

## 11i foot print

- ▶ Tax not used in iExpense
- ▶ Defined vendor sites which use tax
- ▶ User selects tax in iProcurement
  - Tax is carried over to Purchase Order
- ▶ Separate tax codes defined for Use Tax
- ▶ Manual tax code selection by users

# Canadian Operating Units

## 11i foot print

- ▶ Tax Groups used in 11i
- ▶ Recovery rates used in iExpense
- ▶ Numerous tax rules defined in 11i for tax recovery based on accounts
- ▶ User selects tax in iProcurement and Tax is carried over to Purchase Order.
- ▶ No USE Tax in 11i
- ▶ Need to define new tax groups in R12.

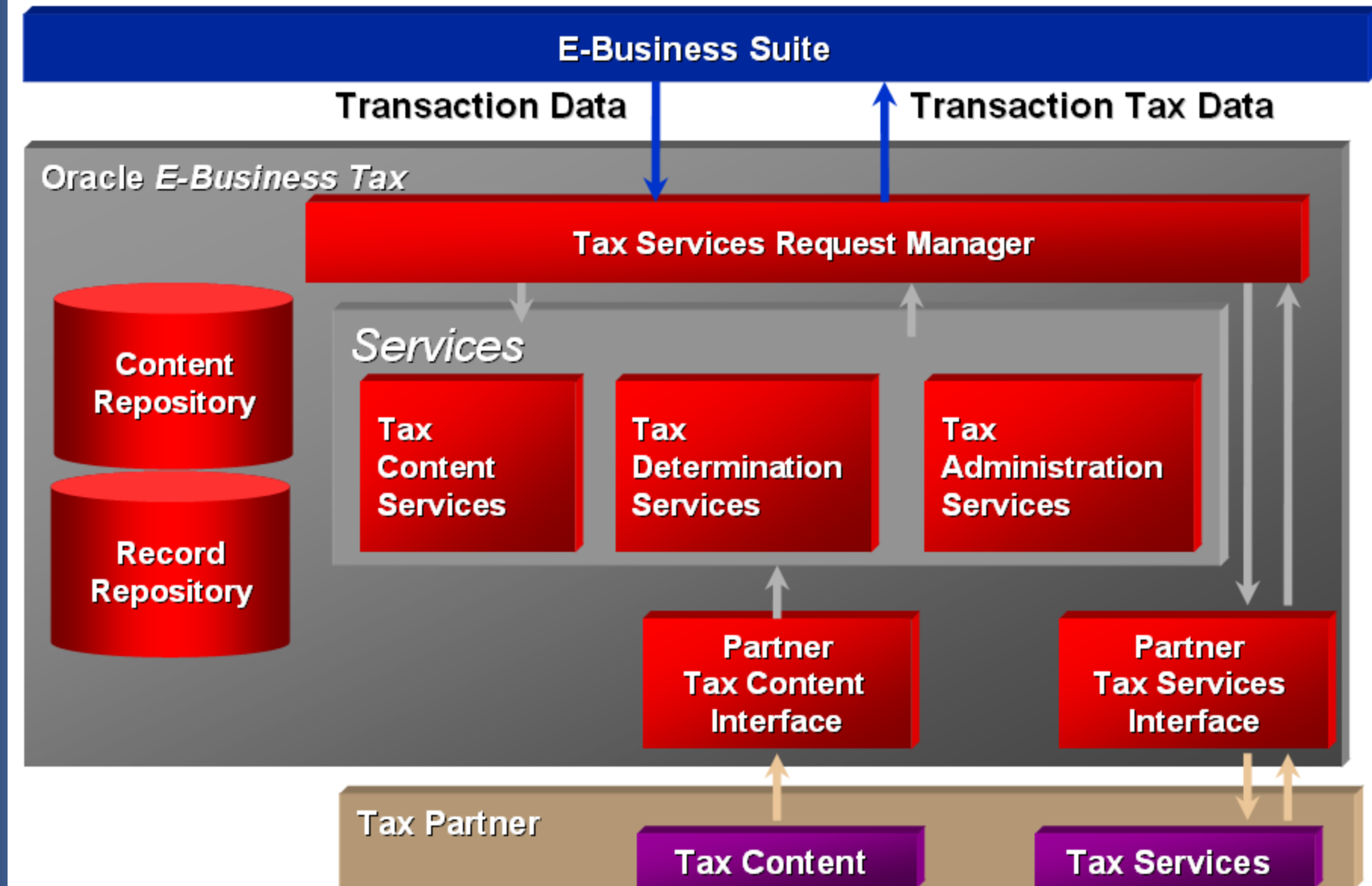
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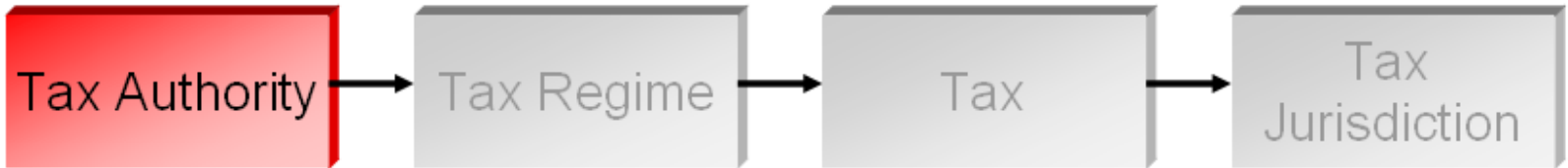
# Oracle E-Business Tax Architecture Overview



# Oracle E-Business Tax

## Key Concepts

**Tax Authority:** A government entity that regulates tax law, administers, and/or audits one or more taxes.

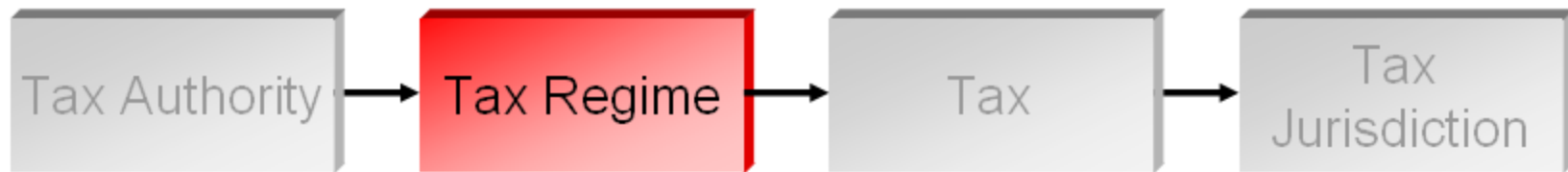


California State Board of Equalization			
HM Customs and Excise (U.K.)			
Canadian Customs and Revenue Agency (Canada)			
Secretaria da Receita Federal (Brazil)			

# Oracle E-Business Tax

## Key Concepts

**Tax Regime:** The set of tax rules that determine the treatment of one or more taxes administered by a tax authority.

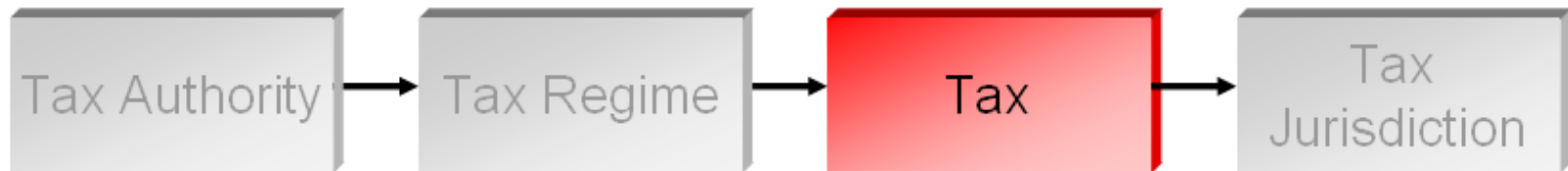


California State Board of Equalization	California Sales Tax		
HM Customs and Excise (U.K.)	UK VAT		
Canadian Customs and Revenue Agency (Canada)	Canadian Goods and Services Tax		
Secretaria da Receita Federal (Brazil)	RICMS - Regulamento do ICMS		

# Oracle E-Business Tax

## Key Concepts

**Tax:** A classification of a charge imposed by a government through a fiscal or tax authority.

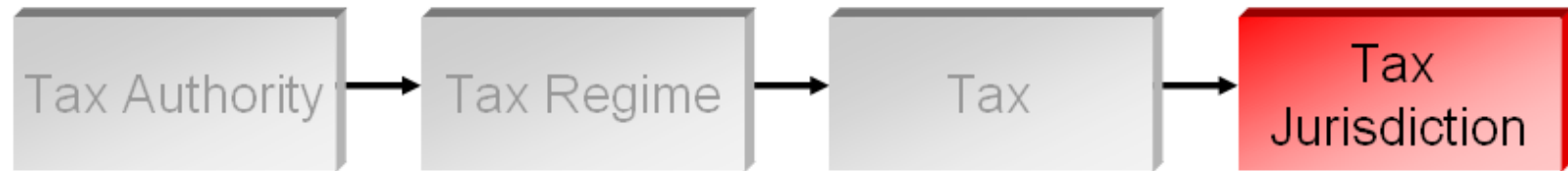


California State Board of Equalization	California Sales Tax	State Sales Tax	
HM Customs and Excise (U.K.)	UK VAT	UK VAT	
Canadian Customs and Revenue Agency (Canada)	Canadian Goods and Services Tax	GST	
Secretaria da Receita Federal (Brazil)	RICMS - Regulamento do ICMS	CMS	

# Oracle E-Business Tax

## Key Concepts

**Tax Jurisdiction:** A geographic area where a tax is levied by a specific tax authority.



California State Board of Equalization	California Sales Tax	State Sales Tax	California (State)
HM Customs and Excise (U.K.)	UK VAT	UK VAT	UK
Canadian Customs and Revenue Agency (Canada)	Canadian Goods and Services Tax	GST	Ontario
Secretaria da Receita Federal (Brazil)	RICMS - Regulamento do ICMS	CMS	São Paulo

# Oracle E-Business Tax Tax Processing Overview

**ORACLE®  
E-BUSINESS SUITE**

- Purchasing
- Payables
- Sales Orders
- Receivables
- ...

- Parties
- Places
- Products
- Processes

Schedules Distributions

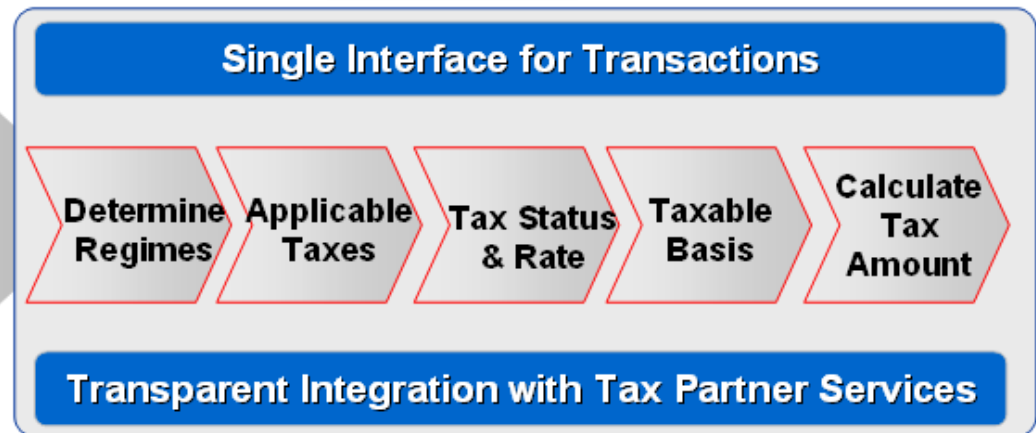
Personalize Advanced Table: (SchedulesRN)

Details Line	Line Description	Schedule	Location	Amount	Nonrecoverable Tax	Recoverable Tax	Total Tax
<input checked="" type="checkbox"/> Hide 1	Sentinel Standard Desktop TPD	1	VS- Washington DC	1,000.00	82.50	0.00	82.50

Tax Lines

Tax Line Number	Tax Regime Code	Tax	Tax Status Code	Tax Jurisdiction Code	Tax Rate Code	Percentage Rate	Tax Amount	Tax Line Status
1	US-SALES	CASalesTax	STANDARD		CA - Sales Tax	8.25	82.5	Active



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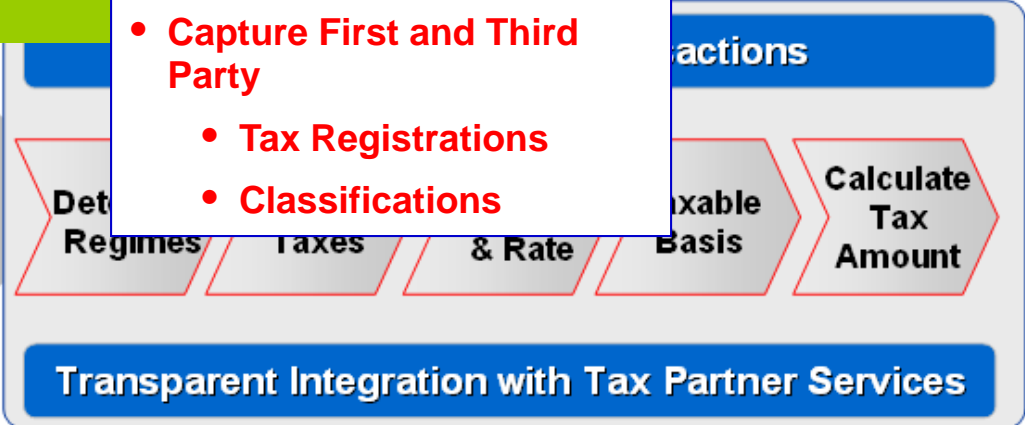
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Details Line	Line Description	Schedule	Location	Amount	Nonrecoverable Tax	Recoverable Tax	Total Tax
1	Sentinel Standard Desktop TPD	1	VS- Washington DC	1,000.00	82.50	0.00	82.50

Tax Lines		Code	Percentage Rate	Tax Amount	Tax Line Status
1	US-SALES	Tax	8.25	82.5	Active

- Legal Entities
- First and Third Party
  - Ship From / To, Bill From / To, etc.
- Capture First and Third Party
  - Tax Registrations
  - Classifications



# Oracle E-Business Tax Tax Processing Overview

**ORACLE®  
E-BUSINESS SUITE**

- Purchasing
- Payables
- Sales Orders
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- ...

- Parties
- Places
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Schedules Distributions

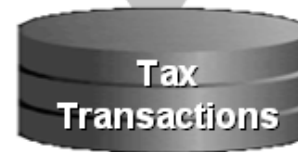
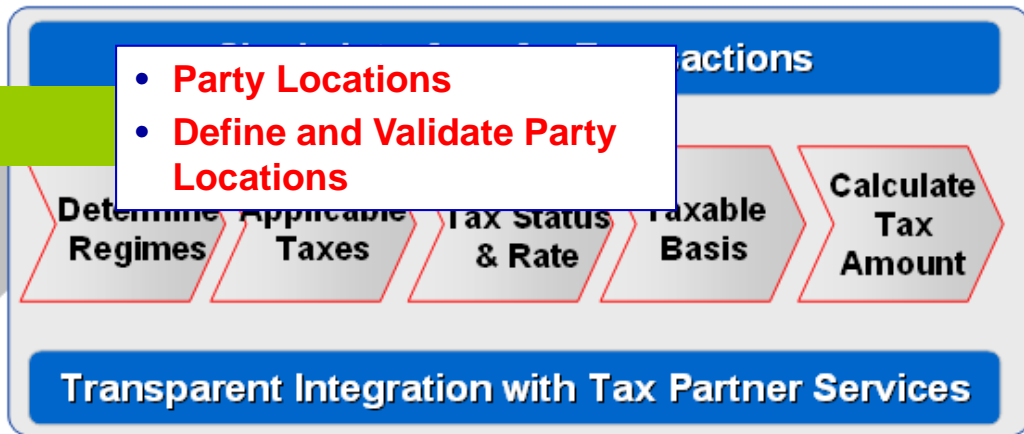
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# Oracle E-Business Tax Tax Processing Overview

**ORACLE®  
E-BUSINESS SUITE**



Purchasing



Payables



Sales Orders



Receivables

...

- Parties
- Places
- Products
- Processes

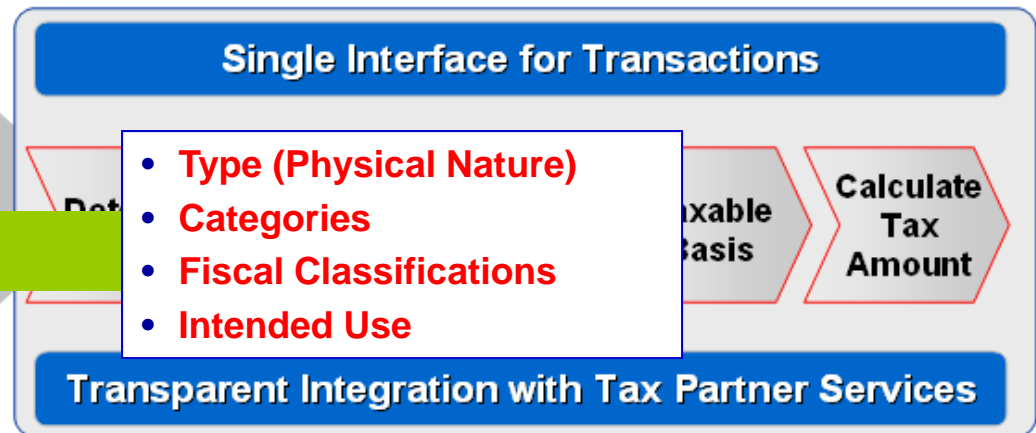
Schedules Distributions

Personalize Advanced Table: (SchedulesRN)

Details Line	Line Description	Schedule	Location	Amount	Nonrecoverable Tax	Recoverable Tax	Total Tax
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# Oracle E-Business Tax Tax Processing Overview

**ORACLE®  
E-BUSINESS SUITE**

  
Purchasing

  
Payables

  
Sales Orders

  
Receivables

...

- Parties
- Places
- Products
- Processes

Schedules Distributions

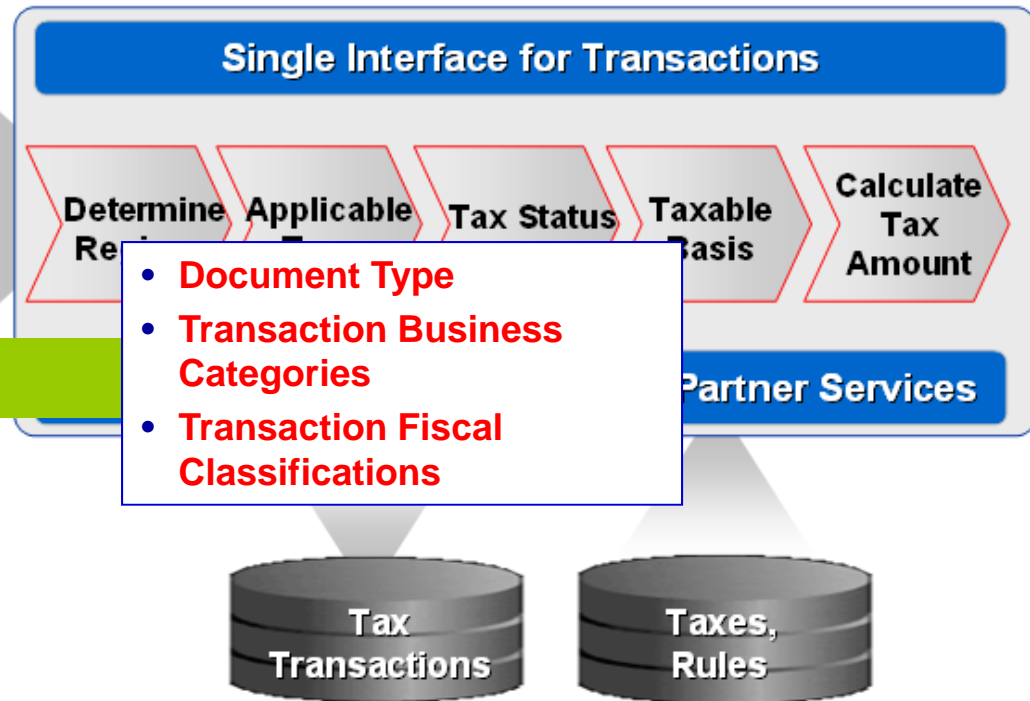
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## E-Business Tax - Lessons Learned from R12 Upgrade

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# Lessons Learned

- Tax Groups in R12
  - ▶ Expense Report Template can use tax groups defined in 11i

Expense Report Templates (CGCC AP Configuration Support User)

Operating Unit: **Canadian Gypsum Company**

Template Name: **ALL CANADA HQ EXP** Inactive On: \_\_\_\_\_

Description: \_\_\_\_\_  Enable for Internet Expenses

**Assign Card Expense Types**

Expense Items

Expense Item	Expense Category	Tax Code	GL Account
ALL OTHER EXP IN ALBERTA	Miscellaneous	XGST Exp Rep	...615301...
zALL OTHER EXP IN BRITISH	Miscellaneous	XGST Exp Rep	...615301...
ALL OTHER EXP IN HST	Miscellaneous	XHST	...615301...
ALL OTHER EXP IN MANITOBA	Miscellaneous	XGST Exp Rep	...615301...
zALL OTHER EXP IN ONTARIO	Miscellaneous	XGST Exp Rep	...615301...
ALL OTHER EXP IN QUEBEC	Miscellaneous	QC exp reports	...615301...

GL Account Description: ...Miscellaneous...

Internet Expenses Attributes

Prompt: \_\_\_\_\_  Viewable from All Templates

Require Receipt For: **Required**  Calculate Amount

Require Receipt Above: **24.99** Justification Required: **Always**

**Define Itemizations**

# Lessons Learned

- No Tax Groups in R12
  - ▶ Cannot create new Tax groups in R12
  - ▶ Groups created in 11i migrate to R12 but cannot be modified
  - ▶ Since tax groups cannot be created in R12, going forward Tax Zones need to be utilized.
  - ▶ Future Tax Groups were set up in 11i to enable these in R12 as a part of the upgrade.
  - ▶ Groups can be used in iExpense template or in AP invoice

1 General    2 Lines    3 Holds    4 View Payments    5 Scheduled Payments    6 View Prepayment Applications

Total  
 Gross     Retained     Net

Num	Type	Amount	Tax Classification Code	Tax	Description	PO Number	PO Release
1	Item	100.00	QC exp reports				
2	Tax	5.00		zQSTGSTOIE-SALES	CA-Tax - zQSTGSTOIE-SALES		
3	Tax	8.93		zQSTOIE-SALES	CA-Tax - zQSTOIE-SALES		

Discard Line 1    Distributions    Allocations

# Lessons Learned





- **Issue** – Some Tax groups created in 11i did not migrate to R12
- **Resolution** – The taxes within the group were found to have end dated during upgrade process.

Tax Regime Code	<b>CA-Tax</b>	Tax Regime Name	<b>CA-Tax</b>
Tax	<b>zMBPST-SALES</b>	Tax Name	<b>zMBPST-SALES</b>
Tax Status Code	<b>STANDARD</b>	Tax Status Name	<b>Standard</b>
Tax Rate Code	<b>zMBPST</b>	Configuration Owner	<b>Canadian Gypsum Company</b>
Tax Jurisdiction Code		Tax Jurisdiction Name	
Rate Type	<b>Percentage</b>		

## Rate Periods

\* Indicates required field

✓ **TIP** Date format example: 29-Sep-2011

*Percentage Rate	*Effective From	Effective To	Rate Details	Tax Accounts	Duplicate Details and Accounts	Remove
7	01-Jan-2002	08-Aug-2011				

Add Another Row

# Lessons Learned

- Some Tax Changes not allowed in R12
  - ▶ The user can not make any changes to Tax codes.
  - ▶ Diagnosis – The configuration owner tax options are not correctly set and they are grayed out.

Home | Tax Configuration | Products | Parties | Transactions | Defaults and Controls | **Advanced Setup Options**

Country Defaults | Tax Reporting Types | **Configuration Owner Tax Options** | Application Tax Options


Defaults and Controls: Configuration Owner Tax Options >

Update Configuration Owner Tax Options: Building Systems

---



Configuration Owner **Building Systems**  
 Application Name **Payables**  
 Event Class **Standard Invoices**  
 Enabled

## Others

- Regime Determination Set **Stcc**
- Perform Additional Applicability for Imported Documents
  - Enforce Tax from Reference Document
  - Enforce Tax from Account
  - Allow Offset Tax Calculation
- Offset Tax Basis **Ship From Party Site**
- Allow Tax Applicability 
  - Allow Entry of Manual Tax Lines
  - Allow Recalculation for Manual Tax Lines
  - Allow Override for Calculated Tax Lines
  - Tax Line Override Impacts Other Tax Lines
  - Allow Override and Entry of Inclusive Tax Lines

# Lessons Learned

- Tax Changes not allowed in R12 - **Solution**
  - ▶ End date the existing Configuration Owner Tax Options.
  - ▶ Create a new option for Standard Invoice


Create								
Configuration Owner	Application Name	Event Class	Entity Name	Effective From	Effective To	Enable	View	Update
Building Systems	Payables	Standard Invoices	AP Invoices	01-03-1951		Yes	⌕	
Building Systems	Payables	Standard Invoices	AP Invoices	01-01-1951	01-01-1951	Yes	⌕	

**Others**

Regime Determination Set **Stcc**



- Perform Additional Applicability for Imported Documents
- Enforce Tax from Reference Document
- Enforce Tax from Account
- Allow Offset Tax Calculation

Offset Tax Basis **Ship From Party Site**

- Allow Tax Applicability 
- Allow Entry of Manual Tax Lines
- Allow Recalculation for Manual Tax Lines
- Allow Override for Calculated Tax Lines
- Tax Line Override Impacts Other Tax Lines
- Allow Override and Entry of Inclusive Tax Lines

# Lessons Learned

- Use Tax in R12
  - ▶ Upgrade created two regimes.
    - Sales Tax & Use Tax

Select	Quick Select	Tax Regime Code	Tax Regime Name	Country Name
<input type="radio"/>		US-Tax	US-Tax	United States
<input type="radio"/>		US-USE	Us-Use	United States

[About this Page](#)

- ▶ R12 handles Use Tax differently.
- ▶ USE Tax codes migrated were not working and throwing errors.
- ▶ Users confused over which tax to be used
- ▶ Fixing the use tax would have not resolved the issue.

# Lessons Learned

- Use Tax in R12 - **Solution**
  - ▶ End dated all the Use Tax codes after upgrade because
    - End dating regime did not resolve the issue
    - Reached code freeze on 11i so no changes can be made in 11i instance
    - End dated tax rates for all 60 tax codes

Update Tax Rate: G-AL Use 4.75%

Tax Regime Code	<b>US-USE</b>	Tax Regime Name	<b>Us-Use</b>
Tax	<b>GALUse</b>	Tax Name	<b>GALUse</b>
Tax Status Code	<b>STANDARD</b>	Tax Status Name	<b>Standard</b>
Tax Rate Code	<b>G-AL Use 4.75%</b>	Configuration Owner	<b>Building Systems</b>
Tax Jurisdiction Code		Tax Jurisdiction Name	
Rate Type	<b>Percentage</b>		

## Rate Periods

\* Indicates required field

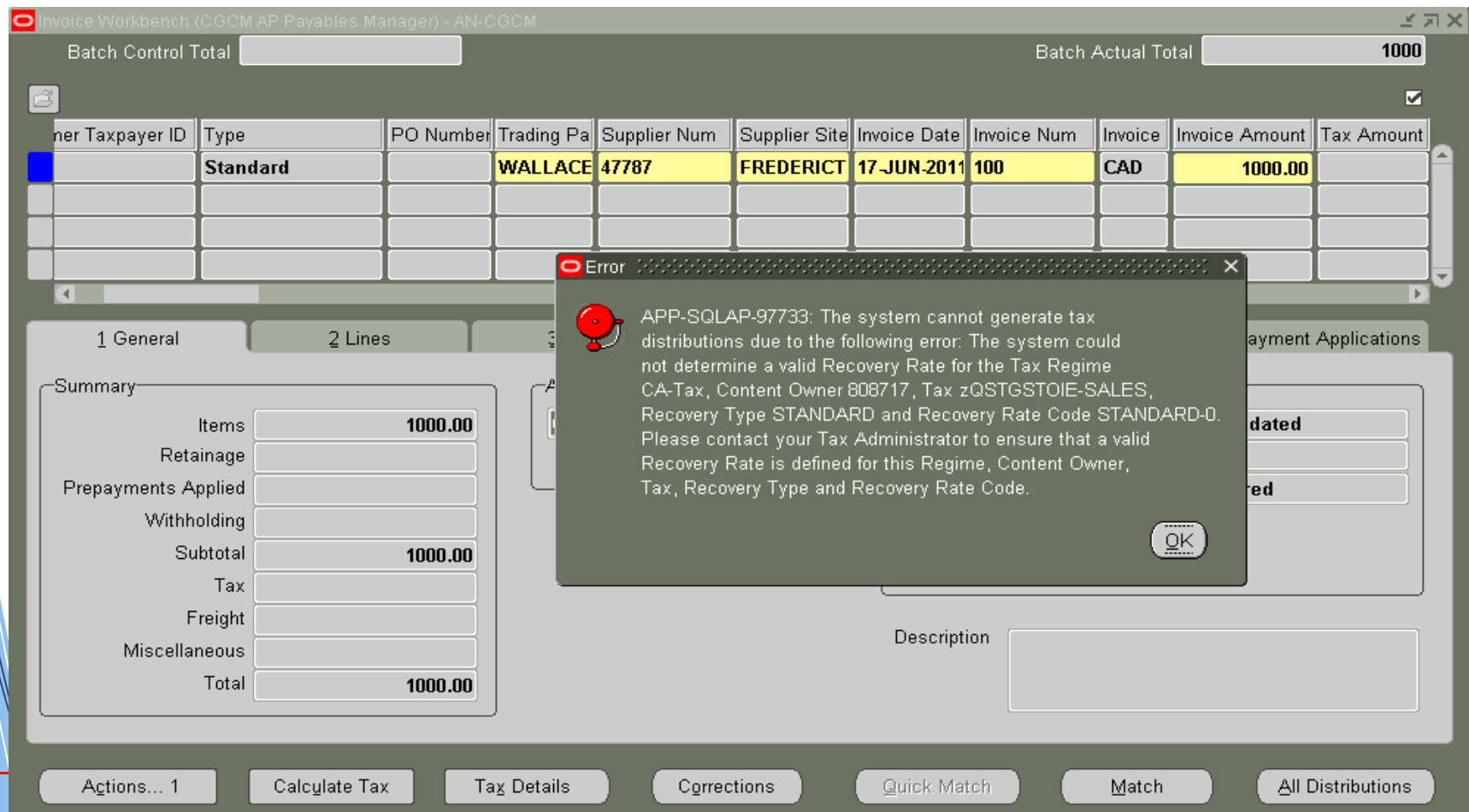
✓ **TIP** Date format example: 09-26-2011

*Percentage Rate	*Effective From	Effective To	Rate Details	Tax Accounts	Duplicate Details and Accounts	Remove
4.75	01-01-2002	<u>08-18-2011</u>				

Add Another Row

# Lessons Learned

- Error in Tax calculation on Payables Invoice
  - ▶ The error was shown when calculating tax on invoice.



The screenshot shows the Oracle Payables Invoice Workbench interface. At the top, the window title is "Invoice Workbench (CGCM AP Payables Manager) - AN-CGCM". The "Batch Control Total" is empty, and the "Batch Actual Total" is 1000. Below this is a table with the following data:

Supplier Taxpayer ID	Type	PO Number	Trading Pa	Supplier Num	Supplier Site	Invoice Date	Invoice Num	Invoice	Invoice Amount	Tax Amount
	Standard		WALLACE	47787	FREDERICT	17-JUN-2011	100	CAD	1000.00	

An error dialog box is displayed in the center, titled "Error". The message reads:

APP-SQLAP-97733: The system cannot generate tax distributions due to the following error: The system could not determine a valid Recovery Rate for the Tax Regime CA-Tax, Content Owner 808717, Tax zQSTGSTOIE-SALES, Recovery Type STANDARD and Recovery Rate Code STANDARD-0. Please contact your Tax Administrator to ensure that a valid Recovery Rate is defined for this Regime, Content Owner, Tax, Recovery Type and Recovery Rate Code.

The dialog box has an "OK" button at the bottom right.

Below the error dialog, the "Summary" section shows the following values:

Items	1000.00
Retainage	
Prepayments Applied	
Withholding	
Subtotal	1000.00
Tax	
Freight	
Miscellaneous	
Total	1000.00

At the bottom of the window, there are several buttons: "Actions... 1", "Calculate Tax", "Tax Details", "Corrections", "Quick Match", "Match", and "All Distributions".

# Lessons Learned

- Error in Tax calculation – Issue
  - ▶ Default Primary Recovery Rate code generated by Upgrade was set to 'STANDARD-0' which is not a valid value.

**Tax Recovery Controls**

The following enable and control the tax recovery functionality for this tax.

<input checked="" type="checkbox"/> Allow Tax Recovery	Primary Recovery Type STANDARD
<input type="checkbox"/> Allow Tax Recovery Rate Override	Default Primary Recovery Rate Code STANDARD-0
<input type="checkbox"/> Allow Primary Recovery Rate Determination Rules	Secondary Recovery Type
<input type="checkbox"/> Allow Secondary Recovery Rate Determination Rules	Default Secondary Recovery Rate Code

**Defaults**

# Lessons Learned


- Error in Tax calculation – **Solution**
  - ▶ The value was changed to 'AD\_HOC\_RECOVERY' and the error was resolved.

## Tax Recovery Controls

The following enable and control the tax recovery functionality for this tax.

- Allow Tax Recovery
- Allow Tax Recovery Rate Override
- Allow Primary Recovery Rate Determination Rules
- Allow Secondary Recovery Rate Determination Rules

Primary Recovery Type STANDARD

Default Primary Recovery Rate Code AD\_HOC\_RECOVERY 

Secondary Recovery Type

Default Secondary Recovery Rate Code

# Lessons Learned

- Tax recovery rates were not calculated.
  - ▶ Tax Rates on Expense reports for Canada were not calculating the correct recovery Rates.
- **Resolution**
  - ▶ Upgraded value for the 'Rule Code of Recovery Rate' was not a valid value.

Home | Tax Configuration | Products | Parties | Transactions | Defaults and Controls | Advanced Setup Options

Tax Regimes | Taxes | Tax Statuses | Tax Jurisdictions | Tax Recovery Rates | **Tax Rates** | Tax Rules

Tax Configuration: Tax Rates > Copy and Override Tax Rate >

**Update Tax Rate Details**

Tax Regime Code	<b>CA-Tax</b>	Tax Regime Name	<b>CA-Tax</b>
Tax	<b>XHST-SALES</b>	Tax Name	<b>Xhst-Sales</b>
Tax Status Code	<b>STANDARD</b>	Tax Status Name	<b>Standard</b>
Tax Rate Code	<b>XHST</b>	Configuration Owner	<b>Canadian Gypsum Company</b>
Tax Jurisdiction Code		Tax Jurisdiction Name	
Rate Type	<b>Percentage</b>	Percentage Rate	<b>13</b>
Effective From	<b>01-Jan-2008</b>	Effective To	

**Recovery Rate Details**

Default Recovery Rate Code

Recovery Type **STANDARD**

**Rule Code of Recovery Rate**

Default Recovery Settlement

# Lessons Learned

- Tax rules were not working for Expense reports
  - ▶ Tax rules were defined for a range of accounts.
  - ▶ These rules were not working for iExpense.
- **Resolution**
  - ▶ Same Tax rule name used in 11i for 2 different operating units.
  - ▶ This was allowed in 11i
  - ▶ Same name caused issues in R12 because of change in architecture.
  - ▶ Data fix provided by oracle to correct the issue during CRP.
  - ▶ The name was changed in 11i and issue was resolved.

# Lessons Learned

- Tax codes not getting carried from Requisition to Purchase Order
  - ▶ User creates a requisition with tax codes. The tax code is not there when a purchase order is created.

## Reasoning

- ▶ This is intended functionality and it will only work when full E-Business tax is implemented.
- ▶ Tax determination is based on various factors. When the factors change the applicable tax code is re-established.

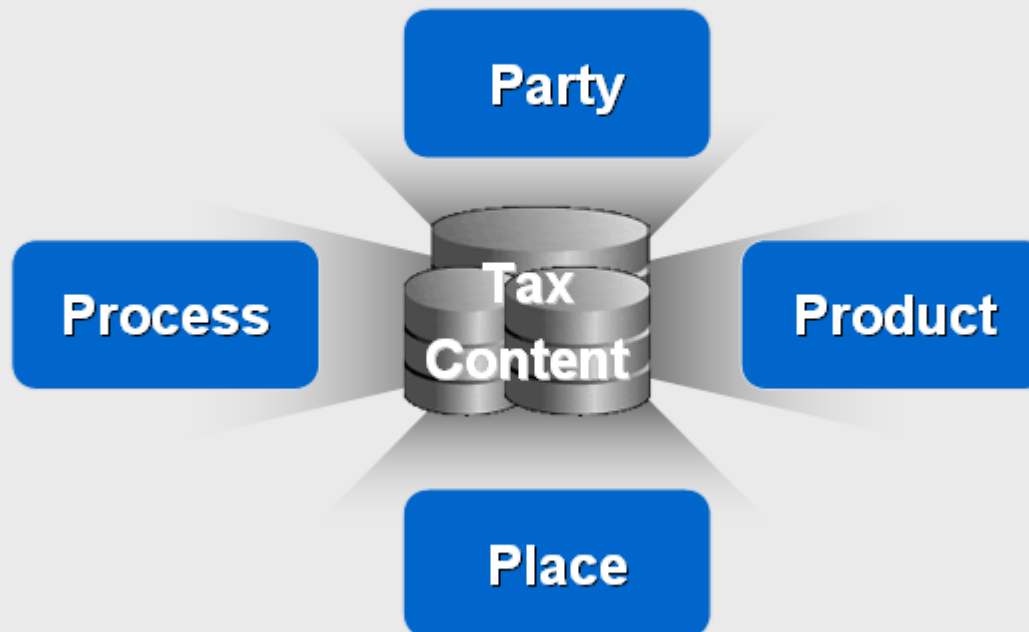
# Lessons Learned

## Resolution

- ▶ Implement E-Business Tax completely.
- ▶ Customization – to ready and copy tax codes from requisition to PO.

# Oracle E-Business Tax Tax Determining Factors

## *Determining Factors = 4P's*



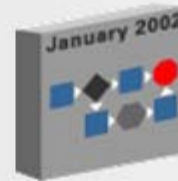
# Oracle E-Business Tax Tax Determining Factors

## Party



- Legal Party Fiscal Classification
- Registration
- Party Fiscal Classification
- Transaction Input Factor \*

## Process



- Document
- Transaction Fiscal Classification
- Transaction Generic Classification
- Accounting Event
- Transaction Input Factor \*

## Product



- Product - Inventory Linked
- Product - Non-Inventory Linked
- Transaction Input Factor (Intended Use, Product Override)\*

## Place



- Geography
- User Defined Geography

\* *This Determining Factor Class contains Determining Factors for several Ps.*

# Summary

- Analyze your 11i specific tax usage
- Research R12s impact on Tax at your organization
- Robustly test all aspects of your tax configs
- Raise SRs with Oracle early on in the process
- Include training for your users on the R12 changes

## Questions and Open Discussions



### Contact Information

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