

eRetail Tax Management - Setup and Process

Modified on: Fri, 4 Feb, 2022 at 3:57 PM

eRetail Tax Management

Setup & Process

Introduction to Tax:

A tax is a compulsory financial charge, or some other type of levy imposed on a taxpayer (an individual or legal entity) by a governmental organization in order to fund government spending and various public expenditures (regional, local, or national). A failure to pay in a timely manner, along with evasion of or resistance to taxation, is punishable by law.

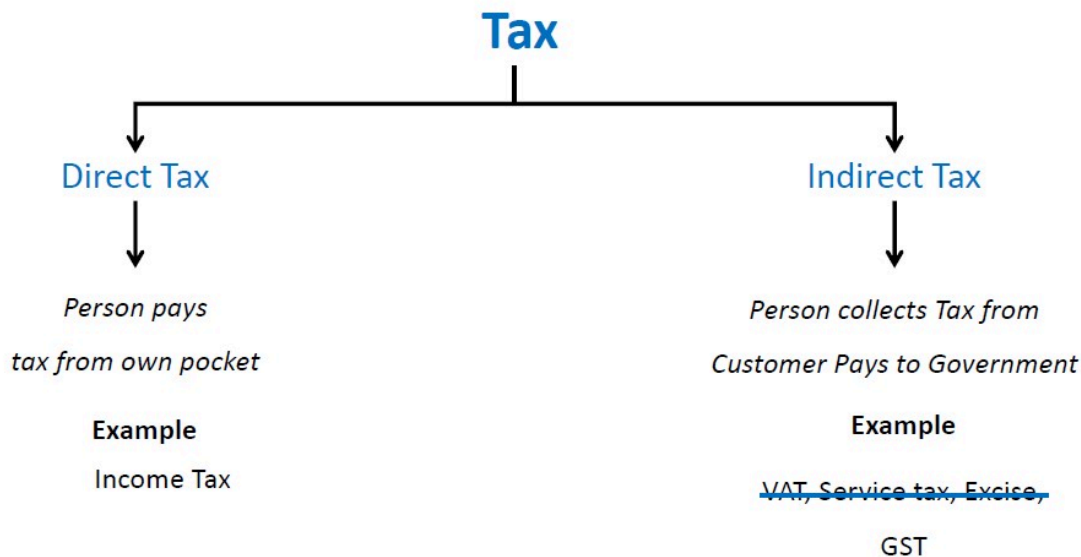
The levying of taxes aims to raise revenue to fund governing or to alter prices in order to affect demand. States and their functional equivalents throughout history have used the money provided by taxation to carry out many functions. Some of these include expenditures on economic infrastructure (roads, public transportation, sanitation, legal systems, public security, public education, public health systems), military, scientific research & development, culture and the arts, public works, distribution, data collection and dissemination, public insurance, and the operation of government itself.

Types of Taxes:

There are basically two types of taxes i.e., Direct and Indirect Taxes. Implementation of both the taxes are different and this document covers the configuration and logics related to Indirect Taxes.

1. Direct Tax: You pay these taxes directly. The government levy such taxes directly on an individual or an entity and it cannot get transferred to any other person or entity. There is only one such federation that winks at the direct taxes, i.e. the Central Board of Direct Taxes (CBDT) governed by the Department of Revenue. The CBDT has, to assist it with its sense of duties; the backup of several acts that preside over several aspects of the direct taxes.

2. Indirect Tax: The taxes levied on goods and services are referred to as indirect taxes. They are different from direct taxes as they are not imposed on an individual who shells out them directly to the Indian government, they are, as an alternative, imposed on the products and an intermediary, the individual selling the product, collects them. The most trivial examples of the indirect taxes are Sales Tax, Taxes levied on imported goods, Value Added Tax (VAT), etc. Such taxes are imposed by summing them with the price of the product or service that likely to push the price of the product up.



Note: This document covers the implementation of Indirect TAX (GST) under Vinculum's eRetail application.

Introduction To GST in India:

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017.

In other words, Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. All the inter-state sales are chargeable to the Integrated GST.

Objectives of GST:

- To achieve the ideology of 'One Nation, One Tax'
- To subsume a majority of the indirect taxes in India
- To eliminate the cascading effect of taxes
- To curb tax evasion
- To increase the taxpayer base
- Online procedures for ease of doing business
- An improved logistics and distribution system
- To promote competitive pricing and increase consumption

Advantages of GST:

GST has mainly removed the cascading effect on the sale of goods and services. Removal of the cascading effect has impacted the cost of goods. Since the GST regime eliminates the tax on tax, the cost of goods decreases.

Also, GST is mainly technologically driven. All the activities like registration, return filing, application for refund and response to notice needs to be done online on the GST portal, which accelerates the processes.

Components of GST:

- **CGST:** It is the tax collected by the Central Government on an intra-state sale (e.g., a transaction happening within Maharashtra)
- **SGST:** It is the tax collected by the state government on an intra-state sale (e.g., a transaction happening within Maharashtra)
- **IGST:** It is a tax collected by the Central Government for an inter-state sale (e.g., Maharashtra to Tamil Nadu)
- For Cess and Additional Cess, kindly refer to **Additional Tax Types in GST:**

Transaction	New Regime	Old Regime	Revenue Distribution
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Centre will then share the IGST revenue based on the destination of goods.

In most cases, the tax structure under the new regime will be as follows:

Note: If the client wants to enable GST, then a devops Jira should be raised to enable GST globally for the client.

eRetail VAT/GST Tax Setup (Outside India)

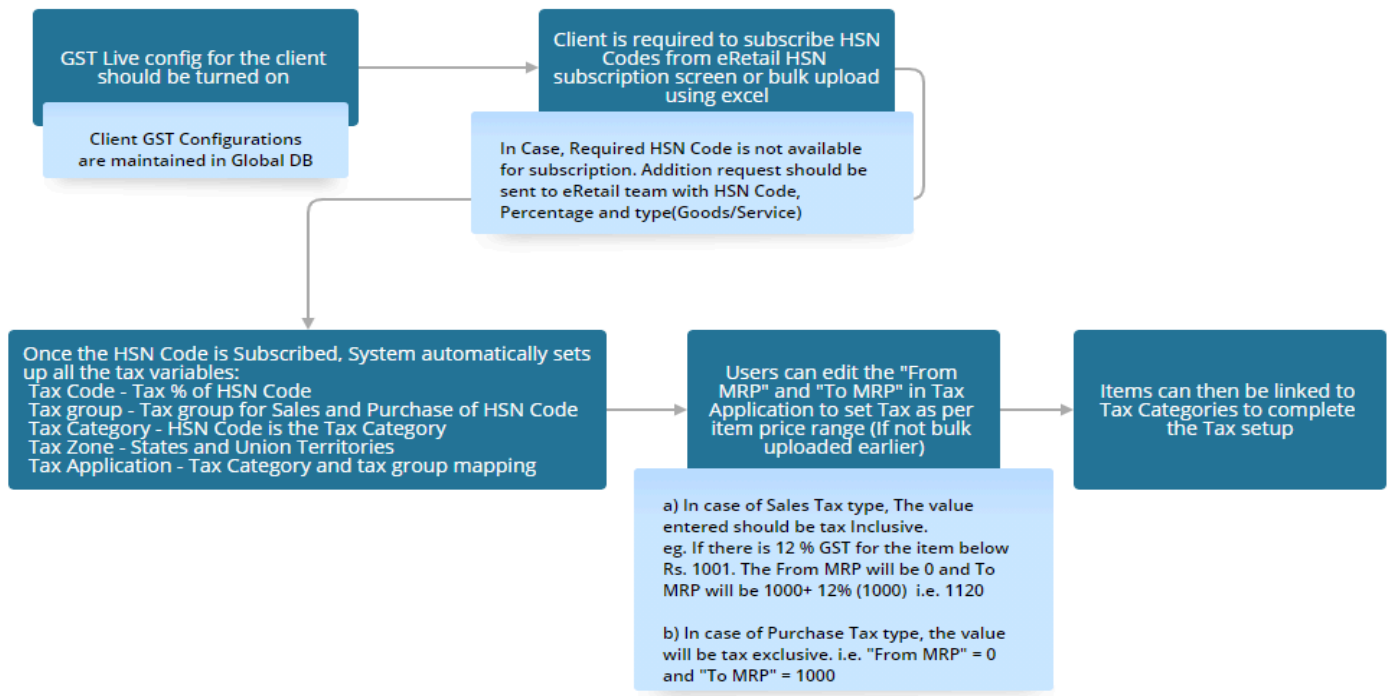
Value-added tax (VAT) is a consumption tax on goods and services that is levied at each stage in the supply chain where value is added, from initial production to the point of sale. The amount of VAT that the user pays is based on the cost of the product, less any costs of materials used in the product that have already been taxed at a previous stage.

VAT/GST of any country can be set up by configuring Tax Category, Tax Groups, Tax Zones and Tax Application according to the requirement.

For e.g. Indonesia VAT rate for items is 0% and 10% and There are no multiple tax zones in the country.

Tax Variables can be set as follows:

- Tax Category – 10% Tax and 0% Tax
- Tax Codes – 0% and 10%
- Tax Group – 0% and 10% for Sales and Purchase
- Tax Zone – Indonesia
- Tax Application – Linking of tax category with the tax group



eRetail GST Tax Setup (India)

Implementation of GST in eRetail

In order to apply taxes over the sales and purchase transactions, taxes needs be configured in eRetail.

Tax Codes: (Master Tax > Management > Tax Code)

1. Configuring Tax Code is the very first step for applying taxes over sales or purchase transactions.
2. For setting up Tax code, user needs to navigate to the above-mentioned path.
3. For Setting up a new tax code, user needs to navigate to page and needs to click on the "Add New" button at the top right corner.
4. A box will open with the below mentioned fields:-

Tax Code

Tax Code*

Tax Code Type*

Start Date*

Percentage*

Description

Is Active ☒

Field Name	Description	Sample Data
Tax Code*	Tax code basically refers to the user-friendly name for the tax code to be added. Only alphanumeric characters are allowed	GST18, GST12
Tax Code Type*	It basically refers to the type of tax code to be added i.e. GST, Cess, VAT, or Others	GST, CESS, VAT, Others
Start Date*	It refers to the date from which the tax codes need to be applied	28-01-2022

Percentage*	It refers to the percentage that needs to apply over sales and purchase	18, 28, 12 etc
Description	It refers to user friendly description for the Tax Code	GST18%
Is Active	It refers whether tax code is active or in-active	yes/ no

1. Once user fill all these fields, it needs to be saved.
2. In the same way user can create multiple tax codes with different tax code type (GST, Cess) and with different rates such as 12%, 28%, etc

Tax Group: (**Master Tax > Management > Tax Group**)

1. Once Tax code is added, then user needs to create Tax Group and for configuring Tax group user needs to navigate to Master Tax > Management > Tax Group.
2. On the Tax group page, user can see the existing tax groups and can also add a new tax group.
3. To add a new Tax Group, user needs to follow the below mentioned steps:-
 - a. Enter the Tax Group code.
 - b. Select option from “Applied On” dropdown.
 - c. Enter the start date.
 - d. Select the “Is Active” flag as yes.
 - e. Select the Tax code(s) that needs to be added in the Tax Group.
 - f. Select Tac Level as 1.
 - g. Click on the “Add” button.
 - h. Lastly click on the “Save” Button.
 - i. In order to add more than 1 tax code in the same group, repeat step e to step g before final saving.

The screenshot displays the 'Tax Group' management page. At the top, there's a navigation bar with 'Accounting Log', 'Tax Group', and 'Tax Code' tabs. The main header shows 'Master > Tax Management > Tax Group'. Below this, a form is used to create or edit a tax group. The form includes fields for 'Tax Group Code*' (GST18NEW), 'Applied On' (MRP), 'Start Date*' (28/01/2022), and 'Is Active' (checked). There are 'Search', 'Save', and 'Reset' buttons. Below the form, a table lists existing tax groups with columns for Tax Group Code, Applied On, Start Date, Is Active, and Audit. To the right of the table, there's a section for adding tax codes to the group, showing 'Tax Code Id' (GST18) and 'Tax Level' (1). At the bottom, there are 'Add' and 'Reset' buttons. The footer shows 'Copyright © 2012 Vinculum Solutions Pvt Ltd.' and 'All rights reserved. Version 9.3.107'.

Field Name	Description	Sample Data
Tax Group Code*	Tax Group code basically refers to the user-friendly name for the tax group code to be added. Only alphanumeric characters are allowed.	GST18, GST12 etc
Applied On	It basically refers whether tax group needs to apply on either MRP or Cost. MRP is prescribed.	MRP/ Cost
Start Date	It refers to the date from which the tax group needs to be applicable.	28-01-2022

Is Active	It refers whether Tax Group is active or in-active.	yes/ no
Tax code	With the Tax Code dropdown, user can select the tax code that needs to be added in the Tax group.	GST18-18 perc
Tax Level	It refers to the Tax Level i.e., Tax on Tax. It is always prescribed to use level as 1 in case of GST.	1, 2, 3, 4 or 5

1. In order to see the added tax code(s) for a tax group, user need click on the tax group code row at the lower grip and after the click the added tax code will be visible on the right grid of the screen.

1. User can also add a new tax code to an existing tax group code by clicking on the tax group code from the grid and then user needs select tax code and tax level from the dropdown and then needs to click on “Add” and lastly “Save” button. This step will add another tax code to the existing tax group.
2. Tax Codes once added under a Tax Group cannot be removed from the Tax Group.
3. One Tax Group should contain:
 - a. One Tax code with Tax Type as GST.
 - b. Multiple Tax codes with Type as Cess

Tax Group	Level. Tax Codes	Is Correct ?
Tax Group 1	1. GST18	YES
Tax Group 2	1.GST18 2.GST18	No
Tax Group 3	1.GST18 1.GST28	No
Tax Group 4	1. GST18 2 Cess36	Yes
Tax Group 5	1. GST18 1. Cess36 1. Cess72	Yes
Tax Group 6	1. GST18 2. Cess36	No

Tax Level In Tax Group:

Multi-Level Tax: If tax level can be set while creating a tax group. It will define on what amount the tax is applied. Level 1 tax is applied on the order line amount, level 2 tax is applied on the level 1 taxes and so on

For ex: Order line amount is 100 and tax group R12.0 is applied on this order line. R12.0 is combination of three taxes

- 12% level 1
- 5% level 2
- 1% level 3

Total tax calculated will be: $12\%(100) + 5\%(12\%(100)) + 1\%(5\%(12\%(100)))$

Tax Category: (Master Tax > Management > Tax Category)

1. Tax Category is the tax rule that is linked to the item. It can be linked with the item in SKU master.

Note: For India, Tax Category will be the HSN/SAC Codes of the product or offering. For product wise HSN/ SAC code, refer to the below mentioned URL:-

HSN/SAC : <https://services.gst.gov.in/services/searchhsnsac>
(<https://services.gst.gov.in/services/searchhsnsac>)

2. In order to add a new Tax Category, user needs to navigate to Master Tax > Management > Tax Category and needs to click on “Add New” button.

3. After clicking on the Add New button, a box with the below mentioned fields will get open:-

Field Name	Description	Sample Data
Tax Category Code*	Tax Category code is a system generated code again the Tax Category and will populate upon saving.	Integer Value
Tax Category Name*	It refers to the name of the Tax Category. It should be HSN/ SAC of the Product.	All possible HSN/SAC like 85098000
Description	It refers to the user-friendly description of the Tax Category	Footwears, Apparel etc
Is Active	It refers whether tax code is active or in-active	yes/ no

Tax Zone: (Master Tax > Management > Tax Zone)

1. Tax Zone is an area under which uniform taxation is applicable. There can be multiple tax zones in a country. For ex: In India, each state is tax zone as intra-state and inter-state tax rules are different.

2. In order to add a new tax zone, user needs to navigate to Master Tax > Management > Tax Zone and needs to click on the “Add New” button and needs to fill all the required fields that populates after clicking on the “Add New” button.

Field Name	Description	Sample Data
Tax Zone Code*	Tax Zone code is a system generated code against the Tax Zone and will populate upon saving.	Integer Value
Tax Zone Name*	It refers to the name of the Tax Zone.	Delhi
Description	It refers to the user-friendly description of the Tax Zone	Delhi Tax Zone
Country	It refers to the country for the tax zone. By default, India will be selected	India
State	It refers to the state for which Tax Zone needs to be created	Delhi, Uttar Pradesh etc
Is Active	It refers whether tax code is active or in-active	yes/ no

Note: There should be only one tax code with tax type as GST and all the taxes should be at tax level 1. Multiple Tax with Tax Type as Cess can be added in a single Tax Group

Tax Application: (Master Tax > Management > Tax Application)

1. Tax application is the configuration where the final tax rules are set to identify the tax group applicable at line level. Tax Category here is mapped to the tax group, tax zone, directions of goods w.r.t tax zones and price range applicable.
2. Tax Application plays a vital role in final tax calculation and its configuration needs to be done correctly.
3. In order to add a new tax application, user needs to navigate to Master Tax > Management > Tax Application and needs to click on “Add New” button at the top right.
4. After clicking on the “Add New”, a box will open with the below mentioned fields.

Tax Application

Tax Application

Tax Type* --- Select ---

Tax Category* --- Select ---

Tax Group* --- Select ---

Goods Direction* --- Select ---

Tax Authority

Tax Zone* --- Select ---

Start Date*

Is Active ☒

From MRP

To MRP

Save Close

Field Name	Description	Sample Data
Tax Type*	It refers to whether the tax application needs to run on either Sales, Purchase or Excise i.e., for Sales order, STO etc Tac type should be Sales and for PO, the Tax Type should be Purchase	Sales, Purchase, Excise
Tax Category*	It refers to the Tax Category for which tax application needs to get applied.	12379989
Tax Group*	It refers to the Tax Group that needs to be applied on the transaction	GST18-18 perc

Goods Direction*	It refers to the direction of the good	ALL, In, Out, Within
Tax Authority	-	
Tax Zone	It refers to the Tax Zone	yes/ no
Start Date	It the date from which Tax Application will be applicable	28-01-2022
Is Active	It refers whether the tax application is active or not	yes/ no
From MRP	It refers to the from mrp of the product	0
To MRP	It refers to the to mrp of the product	500

1. Once user fills all the required fields, then user needs to click on the save button and Tax application will get created.
2. Tax Application with Tax Type as Sales will be applicable only on Sales order, STO etc and not Purchase. For Purchase, user needs to create another Tax Application with Tax type as "Purchase".
3. The Tax Category assigned over the Tax Application should be same as assigned on the SKU under SKU Master.
4. User can only update the "From MRP" and "To MRP" once its saved.
5. If there are more than 1 active Tax Application created for the same Tax Category having same sets of conditions, then system will check the start date/time of those tax application and will execute the one having the latest start date/time from the current date/ time. Refer to the below mentioned table for more details.

	Tax Application	Tax Category	Tax Type	Start Date/ Time	Current Date/ Time	Remarks
Example 1	Tax Application 1	Tax Category 1	Sales	30-01-2022 00:00 AM	30-01-2022 04:00 AM	Tax Application 1 will be executed
	Tax Application 2	Tax Category 1	Sales	28-12-2020 02:00 AM	30-01-2022 04:00 AM	It won't execute
Example 2	Tax Application 1	Tax Category 1	Sales	30-01-2022 04:00 AM	30-01-2022 04:01 AM	Tax Application 1 will be executed
	Tax Application 2	Tax Category 1	Sales	30-01-2022 02:00 AM	30-01-2022 04:00 AM	It won't execute

1. From MRP is mandatory and To MRP is an optional field. For example, a brand is selling shoes and for shoes having MRP in the range of 0 to 500, 7% GST needs to levy but for shoes ranging from 500.01 to any price, 12% GST needs to be levied.

- **Shoes Ranging from 0 to 500:-** In this case, user needs to create a tax application having from MRP as "0 " and To MRP as "500" and need to apply Tax Group having Tax Code (GST) with percentage as 7% .
- **Shoes Ranging from 500 to Any prices:** - In this case, user needs to create another Tax Application with the same Tax Category but with "From MRP" as 500.10 and "To MRP" as blank and need to apply Tax Group having Tax Code (GST) with percentage as 12% .

1. When the Start Date and time is also same for tax application having same category then system will check the tax application on the basis of "From Mrp" and "To Mrp". The Mrp of the order detail is compared with the from mrp and to mrp of the tax application and tax application is selected on the basis of logic that order details Mrp should be greater than from mrp and should be less than to mrp with limit 1.

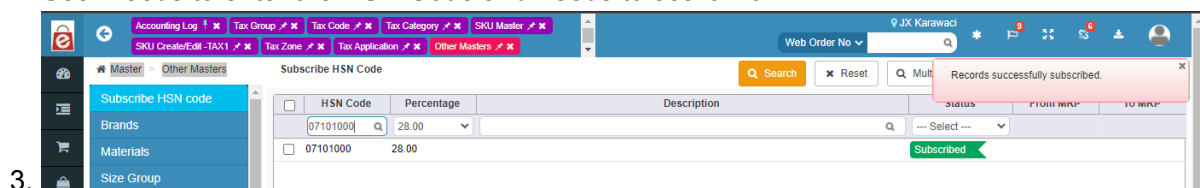
Tax Application Import

1. Tax Application can also be imported using Bulk Upload option. User needs to navigate to (Masters > Master > Tax Application) and needs to click on the "Bulk Upload" option at the top right section of the Tax Application screen.
2. User then needs to select "HSNCode_Taxpercent" from the Select a File Type for Import dropdown and needs to download the template.
3. User needs to fill the excel template as per the required and needs to import the same excel file from the Bulk Upload Screen and the status of the import can be seen under (WMS > Logistics Bulk > Upload).
4. Once upload is successful, then system will create 2 tax application for each row i.e. 1 for Sales and 1 for Purchase.

Subscribing HSN (Master > Other Masters > Subscribe HSN Code)

If user wants to avoid the manual creation of Tax Codes, Tax Groups, Tax Category, Tax Application then, user can opt for subscribing the HSN from the Other Masters. HSN (Harmonized System of Nomenclature) refers to the systematic classification of goods all over the world. HSN code is a 4-, 6 or 8-digit uniform code that classifies 5000+ products and is accepted worldwide. For every HSN a fix Tax rate is there and can be found over <https://cbic-gst.gov.in/gst-goods-services-rates.html> (<https://cbic-gst.gov.in/gst-goods-services-rates.html>), and the data is maintained over eRetail Globally.

1. For Subscribing a HSN, user need needs to navigate to Master > Other Masters > Subscribe HSN Code
2. User needs to enter the HSN Code and needs to search it.



3. Once user is able to find the HSN with the correct Tax Rate, then user needs to select the record and needs to click on the Subscribe button in order to subscribe the HSN.

1. Once HSN is subscribed successfully then Tax code, Tax Group, Tax Application (both Sales and Purchase) and Tax Category will be created automatically. User can only change the From Mrp and To Mrp in the Tax Application.

Additional Tax Types in GST:

Cess is also known as Compensation Cess or GST Compensation Cess and is levied by the Goods and Service Tax. The object of levying this cess is to compensate the states for the loss of revenue arising due to the implementation of GST on 1st July 2017 for a period of five years or such period as recommended by the GST Council.

Cess can be either percentage based, or volume based:-

Cess (Percentage Based):

1. In this case Cess is percentage based. For example, 60% cess is levied on the Pan Masala.
2. To configure, percentage-based Cess, user needs to create a Tax Code with Tax Code Type as Cess and needs to define the percentage for the same.
3. Percentage based cess is further bifurcated into two types:-
 - a. Central Cess-** In this case cess is levied by the Central Government.
 - b. State Cess-** In this case, cess is levied by the State Government.
5. Cess Type needs to be defined as State Cess or Central Cess while creating Tax Code with Tax Code Type as Cess from the Tax Nature dropdown.
6. The use of Central cess and State cess is used in E-filing purpose (E-Invoice and E-Way Bill) and it's the role of the user to define the cess as either State Cess or Central Cess.
7. Tax Code with Type Code Type as Cess further needs to be added in a Tax Group. Tax Code with Tax Code type as GST and CESS can be added in a same Tax Group if needed. Refer to Tax Group section.

Tax Code	
Tax Code*	CESS60
Tax Code Type*	CESS
Tax Nature *	Central Cess
Start Date*	29/01/2022
Percentage*	60
Description	Cess60
Is Active	<input checked="" type="checkbox"/>

Save Close

Cess Non Advalorem (Volume Based):

1. In this case Cess is volume based. For example. RS 3678 per thousand is levied as Cess on the Cigarettes.
2. To configure volume-based cess, user needs to navigate to SKU Master (Master > SKU Management > SKU Create/Edit) and needs to navigate further to "Pricing Details".
3. On the Pricing Details, there is a dropdown labelled as "Additional Cess". There are two options under the dropdown:-
 - a. Central Non-Advol:** In this case, volume-based cess is collected by the Central government.
 - b. State Non-Advol:** In this case, volume-based cess is collected by the State government.

4. User needs to select the cess as either **Central Non-Advol** and **State Non-Advol** and it's the role of the user to select the type.
5. Once user select the type, then a textbox labelled "Additional Cess/Unit" will appear on the screen.
6. User needs to fill the additional cess/unit value (additional cess) under the text box.
7. For Example, RS 3678 is levied on per 1000 pcs of Cigarettes. If client is selling a Pack of Cigarettes having 20 pcs, then user needs to enter the value as Rs 73.56.

$$\text{Cess on 1 PCS} = 3678 / 1000 = 3.678$$

$$\text{Cess on 20 PCS} = 20 * 3.678 = \text{Rs } 73.56$$

Tax Flow

Reverse Tax Flow:

1. In reverse tax flow, Unit price is always inclusive of taxes.
2. In Sales Order, Tax Calculation is always in reverse direction. In purchase, Tax calculation can be either reverse or forward depending upon the configuration.
3. For Example, there is an SKU "TAX1" in which SKU Level Tax is "GST18New" and the MRP of the SKU is 1000 then the reverse calculation of taxes will happen as mentioned below:

Unit price/ Sales Price of the Product (Inclusive of Tax): 1000

Tax Applied: GST 18%

SKU Qty: 1

Unit Price (Exclusive of Tax): 847.45

$$\begin{aligned} &(((\text{Sales Price} - (\text{Central cess Non-Advol} * \text{SKU Qty}) - (\text{State Cess Non-Advol} * \text{SKU QTY}))/ \text{SKU QTY}) / \\ & (100 + \text{GST Tax Rates} + \text{Central Cess Rate} + \text{State Cess Rate})) * 100 \end{aligned}$$

$$= (((1000 - (0 * 1) - (0 * 1)) / 1) / (100 + 18 + 0 + 0)) * 100$$

$$= (1000 / 118) * 100$$

$$= 847.45$$

$$\text{GST Tax Amount} = \text{Unit Price (Exclusive of Tax)} * \text{GST Tax Rate} / 100$$

$$= 847.45 * 18 / 100$$

$$= 152.541$$

$$\text{Final Product Value (Sale Price)} = \text{Unit Price (Exclusive of Taxes)} + \text{GST Tax amt} + \text{Additional Cess Amt}$$

$$+ \text{State Cess Amt} + \text{Central Cess Amt}$$

$$= 847.45 + 152.54 + 0 + 0 + 0 + 0$$

$$= \text{Rs } 1000$$

The screenshot displays the 'Order Create/Edit' interface in the Vinculum ERP system. The top navigation bar includes links for Accounting Log, Tax Code, SKU Master, and SKU Create/Edit - TAX1. The main header shows the order details: Order No UWH56534, Site Location JX Karawaci, Payment Type Prepaid, and Status Confirmed. The Order Detail tab is active, showing a table with one item: TAX1, with a unit price of 1000.00 and a quantity of 1. The right sidebar provides further details about the order, including the order date, amount, tax, and discount.

Forward Tax Flow

In forward tax, unit price is always exclusive of taxes. All the taxes are applied in a forward manner.

- For Example, there is an SKU "TAX1" in which SKU Level Tax is "GST18New" and the Base Cost of the SKU is 500 then the forward calculation of taxes will happen as mentioned below:

- Base Cost of SKU (Exclusive of Tax): 500
- SKU Qty: 1
- Tax Applied: GST 18%
- GST Tax Amt: (Base cost of SKU * SKU QTY) * 18/ 100

$$= (500 * 1) * 18/ 100$$

$$= 90$$

- Final Amt: (Base cost of SKU * SKU Qty) + TAX AMT
- $$= (500 * 1) + 90$$
- $$= 590$$

The screenshot displays the 'Purchase Order' form in the eRetail system. The form includes fields for Vendor Code (CUTRIL), Buyer Code (venkatesan), Reference No, Delivery Location (Chennai_WH), Recv Valid. Code (No Excess Receiving), PO Type (Outright), External PO No (CHE13282), Status (Confirmed), and Exp. Delivery Date (06/02/2022 05:18 PM). A table below shows the purchase order details for SKU TAX1, including PO Qty (1), MRP (599.00), Unit Cost (500.00), and Tax (90.00). The right sidebar shows PO Details, including PO Code (CHE13282), PO Revision No, PO Date (30/01/2022), PO Amount (590.00), PO Tax (90.00), PO Discount (0.00), Landed Cost (808.00), Base Amount (590.00), Base Tax (90.00), Additional Amount (218.00), PO Currency (Indian Rupee), Base Currency (Indian Rupee), and Conversion (1).

Tax Calculation:

Tax Calculation basically happens by 2 means i.e. either by SKU Level Tax or Tax Category (Tax Application). Tax calculation in eRetail can have reverse and forward flow.

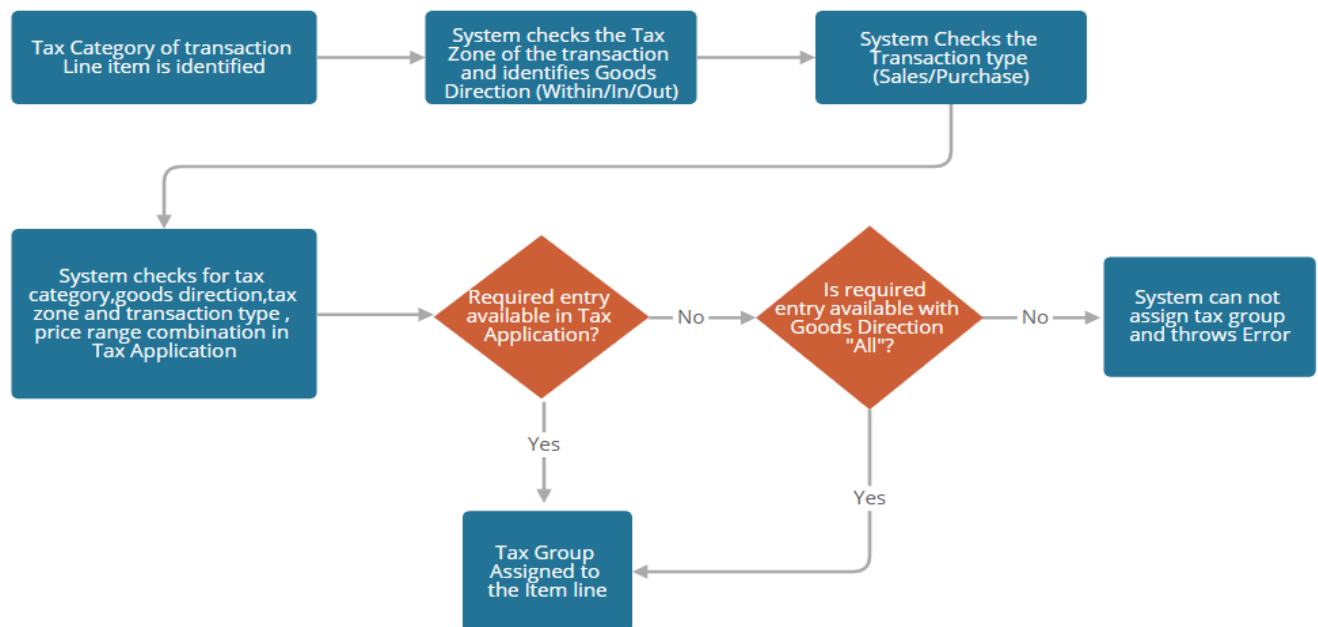
Tax Calculation (SKU LEVEL TAX)

- For Calculation of Taxes on the basis of SKU Level Tax, user needs to select Tax Group under the SKU Master.
- Firstly user needs to navigate to (Master > SKU Management > SKU Create/Edit) and needs to navigate further to "Pricing Details".
- On the Pricing details tab, there is a drop down labelled as "SKU Level TAX". The dropdown lists all the Tax Groups that are applied on the MRP.
- SKU Level Tax is an optional field but if user wants to calculate taxes on the basis of SKU LEVEL TAX, then in that case user must select the correct Tax Group from the dropdown.
- Once the Tax Group is selected then for that SKU Taxes will be calculated on the basis of Tax rate assigned to the Tax Codes added in the selected Tax Group.

6. In Sales Order, Tax Calculation is **Reverse** and in Purchase Order, Tax calculation can be either Reverse or **Forward**.
7. For Example, there are two SKU, SKU 1 having SKU Level Tax as GST18 and SKU 2 having SKU level Tax as GST28, then in that case 18% GST will be applied on SKU1 and 28% GST will be applied on SKU 2.
8. Tax Group can have more than 1 Tax codes like one tax group can have 18% GST and 36% Cess as well.

Tax Calculation (Tax Category)

1. Since SKU level tax is an optional field so user can keep it blank and can execute taxes on the basis of tax category assigned over the SKU under SKU Master.
2. Firstly user needs to navigate to (Master > SKU Management > SKU Create/Edit) and needs to navigate further to "Pricing Details".
3. On the Pricing Details tab, there is a dropdown labelled as "Tax Category". The dropdown lists all the Tax Category configured under the (Master Tax > Management > Tax Category). The dropdown shows that tax category by merging the Tax Category code and Tax Category Name(HSN) like 70-1266474.
4. Tax Category is mandatory field and cannot be left blank. If SKU Level Tax is blank, then the tax calculation happens on the basis of tax Category assigned over the SKU.



Customer Type

Tax Exempt:

1. When a customer is Tax Exempt then in that case Tax won't be calculated in the system.
2. For making any customer as Tax Exempt, user needs to navigate to (Master > Trading Partners > Customer Create/Edit) and need to check the "Is Tax Exempt" flag to yes. Once it is done, no tax will be calculated for the orders placed for that customer and the customer will be treated as Tax Exempt Customer.
3. Tax Exempt customers (B2B) may or may not be operating under the special economic zone. If the customer is operating under **Special Economic Zone** (<https://taxguru.in/goods-and-service-tax/sez-gst->

[implications-companies-located-sez.html](#)), then user also needs to select the “Economic Zone” as “SEZ”.

4. Economic Zone dropdown will only appear on the UI when the “Is Tax Exempt” flag is Yes.

TCS (Tax Collected at Source):

- Tax collected at source (TCS) is the tax payable by a seller which he collects from the buyer at the time of sale.
- TCS is not a tax applicable on all order or SKU level, it is applicable on customer level; To calculate TCS against a particular order, user need to enable customer as TCS enabled in customer master.
- In customer master, user need to select the user and check on the 'Is TCS Applicable'. Once this box is checked, then 'TCS percentage' parameter visible with a list of TCS percentage(0.075,0.1,0.75,1).
- Users need to select the percentage applicable on the user.
- Once TCS enabled for a customer, then any order against the customer a TCS amount would get added in Invoice amount. (Though no change in UI, as in UI its order amount).
- 2 new columns TCS Tax Percentage & TCS TaxAmount is added in orderinvoiceext table, which reflects TCS amount of the Invoice & in orderinvoice table InvoiceAmount already including of TCS amount.
- If client wants to show TCS percentage and Tax amount in Invoice, then respective account manager should make respective changes through BIRT team.
- For example, if customer has TCS enabled with a percentage of 0.75 and the Invoice amount is 1000 then,

TCS% : 0.75%

Invoice Amt: 1000

TCS Amt: Invoice Amt * TCS %/ 100

= 1000 * 0.75/100

= 7.5

Updated Invoice Amt: Invoice Amt + TCS Amt

= 1000 + 7.5

=1007.5

Vendor Type

Tax Exempt:

1. When a Vendor is Tax Exempt then in that case Tax won't be calculated in the system for the purchase order raised against that vendor.
2. For making any Vendor as Tax Exempt, user needs to navigate to(Master > Trading Partners > Vendor Create/Edit) and need to check the "Is Tax Exempt" flag to yes. Once it is done, no tax will be calculated for the purchase orders raised against that vendor and the vendor will be treated as Tax Exempt Customer.

Shipping Charge config:

There is a setting to define what tax rate should be applied on the shipping or service charge. This may vary depending on the nature of business. This can be configured in Settings -> GST Tax Config -> Service Tax Calc Method

1. **Max percentage**: Max Tax rate of the order line in that order will get applied.
2. **Static Tax percentage**: Any static tax % can be defined to apply every time.
3. **SKU Wise tax percentage**: Service tax is calculated at line level according to tax% of each line item.

International Transactions:

1. Any transaction between India to any other country will be considered as a zero-rated supply i.e. export of services. GST will not be levied on export of any kind of goods or services. In case the turnover/income of exporting services, exceeds 20 lakhs, you will be compulsorily required to take registration under GST even if exports are zero-rated under GST. The Exporter will have an option to either pay tax on the output and claim refund of IGST or export under Bond without payment of IGST and claim refund of Input Tax Credit (ITC).
2. For Any other orders, if the customer's shipping country is not India, then 0% tax will be applied by default and the transaction will be considered as Export Without Payment (EXPWOP).

Tax Calculation with Cess and Addn Cess:**Reverse Calculation:**SKU Unit Price(Tax Inclusive): 5000Sku Qty: 5GST: 28%Sate Cess: 36%State Cess Non Advol: 42/ unit

SKU Unit Price (Exclusive of Taxes):

$$= (((\text{Sales Price} - (\text{Central cess Non-Advol} * \text{SKU Qty}) - (\text{State Cess Non-Advol} * \text{SKU QTY}))/ \text{SKU QTY}) / (100 + \text{GST Tax Rates} + \text{Central Cess Rate} + \text{State Cess Rate})) * 100$$

$$= (((5000 - (0 * 5) - (42 * 5)) / 5) / (100 + 28 + 36)) * 100$$

$$= ((5000 - 0 - 210) / 5) / 164 * 100$$

$$= 584.15$$

So, 584.15 is the unit price of 1 SKU excluding all the taxes.

Unit Price of 5 qty = 584.15 * 5 = 2920.73GST AMT = Unit Price * GST RT/ 100 = 2920.3 * 28/ 100 = 817.80 (igst: 817.80, CGST: 408.90, SGST: 408.90)State Cess Amt = Unit Price * State Cess RT/ 100 = 2920.3 * 36/ 100 = 1051.46State Cess Non Advol = per unit value * SKU Qty = 42 * 5 = 210Total Order Amt: Unit Price + GST Amt + State Cess Amt + State Cess Non= Advol = 2920.73 + 817.80 + 1051.46 + 210

Note: The total order amount should be always equal to the line amount

= 5000

Forward Calculation:SKU Unit Price(Tax Exclusive): 5000Sku Qty: 5GST: 28%Sate Cess: 36%State Cess Non Advol: 42/ unitUnit Price of 5 qty = 5000GST AMT = Unit Price * GST RT/ 100 = 5000 * 28/ 100 = 1400State Cess Amt = Unit Price * State Cess RT/ 100 = 5000 * 36/ 100 = 1800State Cess Non Advol = per unit value * SKU Qty = 42 * 5 = 210Total Amt: Unit Price + GST Amt + State Cess Amt + State Cess Non= Advol = 5000 + 1400 + 1800 + 210

= 8410

Database Information

Table Name	Description
------------	-------------

taxcode	Contains data about the Tax Codes
taxcategory	Contains data about the Tax Categories
taxgroup	Contains data about the Tax Groups
taxzone	Contains data about the Tax Zones
taxapplication	Contains data about the Tax Applications
Orders	Contains the tax at the order level
Orderdetail	Contains the applied tax grp and tax amt at the line level
Ordertaxdetail	Contains the applied tax codes and tax amt at the line level
Obtaxdetail	Contains detailed tax at the line level like CGST, SGST, IGST, State Cess, Central cess, State Cess Non Advol, central Cess Non Advol, Shipping Tax rates and amt
gcodeIkup	Contains the GST enable flag
skucompany	Contains the TAX group and Tax category assigned over the SKUs
hsntaxcode	Contains the HSN on the rate basis
orderinvoiceext	Contains TCS percentage and TCS Amt

Note: The total amount in Forward calculation should be always greater than the unit price as tax is exclusive in it.